

TECO Electric & Machinery Co., Ltd.



2018 4Q Business Review

Safe Harbor Statement

- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law, we undertake no obligation to update any forward – looking statements, whether as a result of new information, future events or otherwise.

2018 Income Statement - consolidated

(In NT Millions)	12M 18	12M 17	YoY
Net Sales - recurring *	50,156	50,816	-1.3%
Gross Margin - recurring *	24.1%	23.8%	30bps
Operating Margin - recurring *	7.1%	6.6%	50bps
EPS (NT\$)	1.59	1.56	1.9%
ROE (%) **	6.5%	6.1%	40bps
ROA (%) **	3.6%	3.4%	20bps

* Excluding financial assets at fair value through profit or loss

** Annualized number and excluding minority interest

2018 Income Statement - consolidated

(In NT Millions)	12M 18	12M 17	YoY
Operating Revenue	50,105	50,943	-1.6%
Recurring Operating Revenue	50,156	50,816	-1.3%
Gain on Sales of Financial Assets	(51)	127	n.a.
Gross Profit, net *	12,053	12,196	-1.2%
Operating Profit	3,520	3,496	0.7%
Non-operating Income (Expense)	766	858	-10.7%
Income before Tax	4,286	4,354	-1.6%
Income Tax Expense	(810)	(810)	0.0%
Net Income **	3,150	3,092	1.9%
EPS (NT\$)	1.59	1.56	1.9%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

4Q 18 Financial Highlights - consolidated

(In NT Millions)	4Q 18	3Q 18	QoQ	4Q 17	YoY
Net Sales - recurring *	13,071	12,061	8.4%	13,319	-1.9%
Gross Margin - recurring *	24.4%	23.4%	100bps	22.9%	150bps
Operating Margin - recurring *	7.1%	7.3%	-20bps	6.6%	50bps
EPS (NT\$)	0.35	0.41	-14.6%	0.31	12.9%
ROE (%) **	5.5%	6.3%	-80bps	5.3%	20bps
ROA (%) **	3.0%	3.5%	-50bps	3.0%	0bps

* Excluding financial assets at fair value through profit or loss

** Annualized number and excluding non-controlling interests

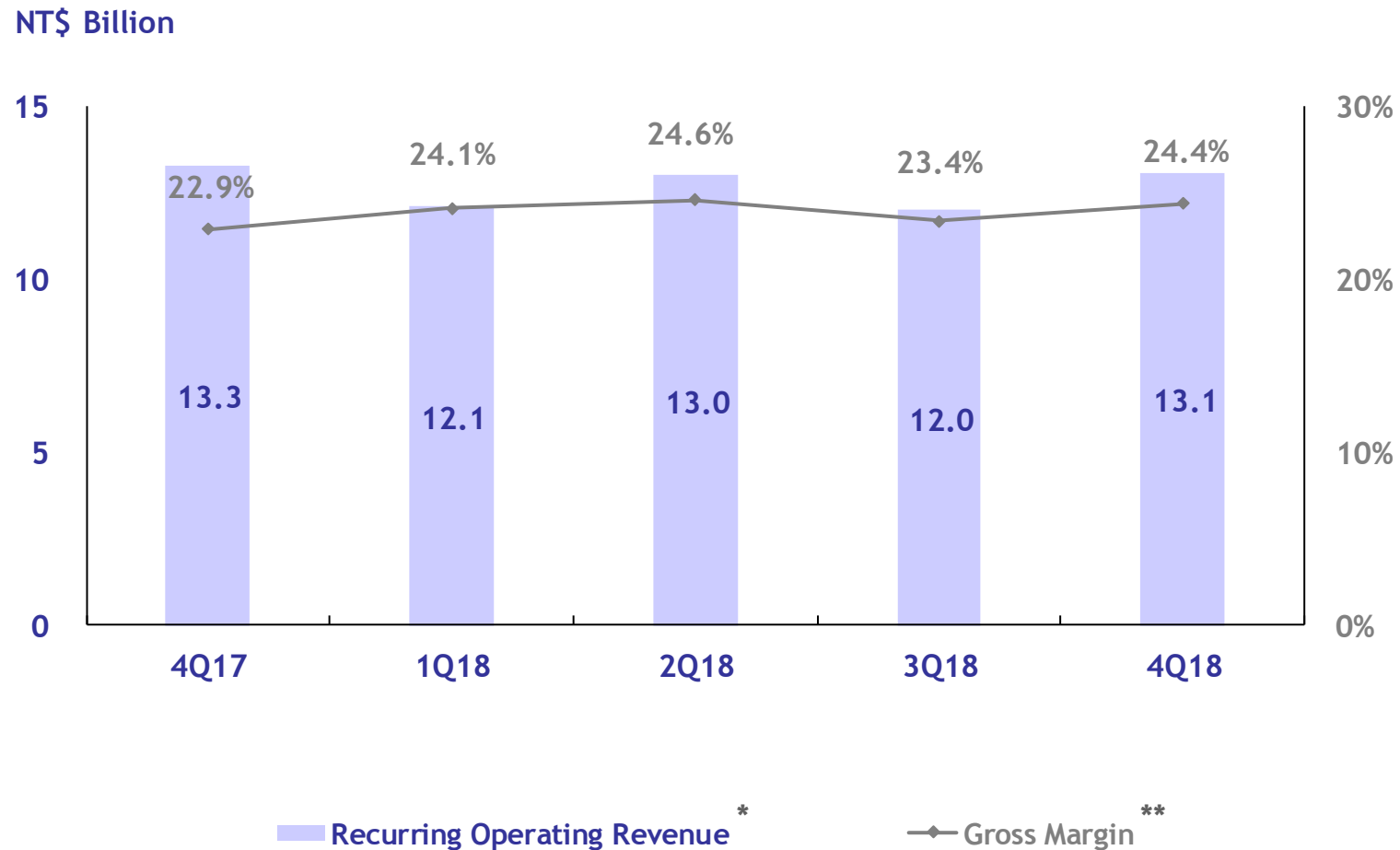
4Q 18 Income Statement - consolidated

(In NT Millions)	4Q 18	3Q 18	QoQ	4Q 17	YoY
Operating Revenue	12,995	12,064	7.7%	13,276	-2.1%
Recurring Operating Revenue	13,071	12,061	8.4%	13,319	-1.9%
Gain on Sales of Financial Assets	(76)	3	-	(43)	76.7%
Gross Profit, net *	3,107	2,824	10.0%	3,004	3.4%
Operating Profit	851	884	-3.7%	837	1.7%
Non-operating Income (Expense)	111	188	-41.0%	88	26.1%
Income before Tax	961	1,073	-10.4%	924	4.0%
Income Tax Expense	(189)	(168)	12.5%	(177)	6.8%
Net Income **	689	821	-16.1%	616	11.9%
EPS (NT\$)	0.35	0.41	-14.6%	0.31	12.9%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Recurring Operating Revenue vs. Gross Margin

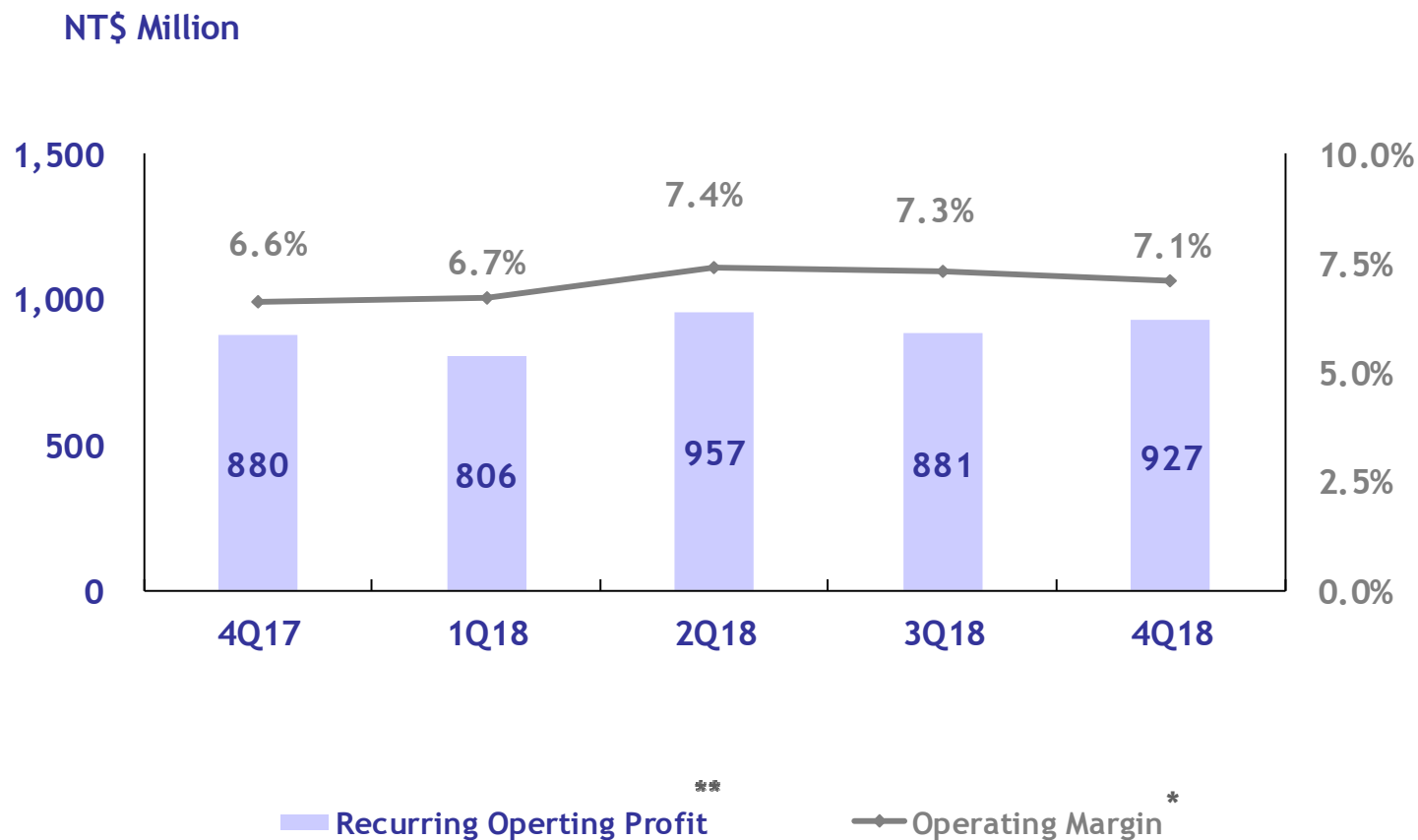


* Recurring Operating Revenue = Operating Revenue – financial assets at fair value through profit or loss

** Gross Margin = Recurring Gross Profit / Recurring Operating Revenue

*** Recurring Gross profit excludes financial assets at fair value through profit or loss

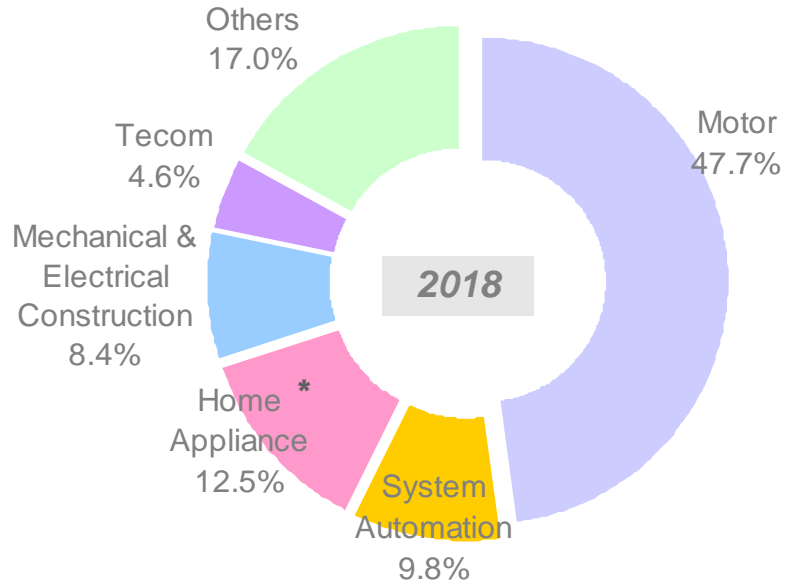
Recurring Operating Profit vs. Operating Margin



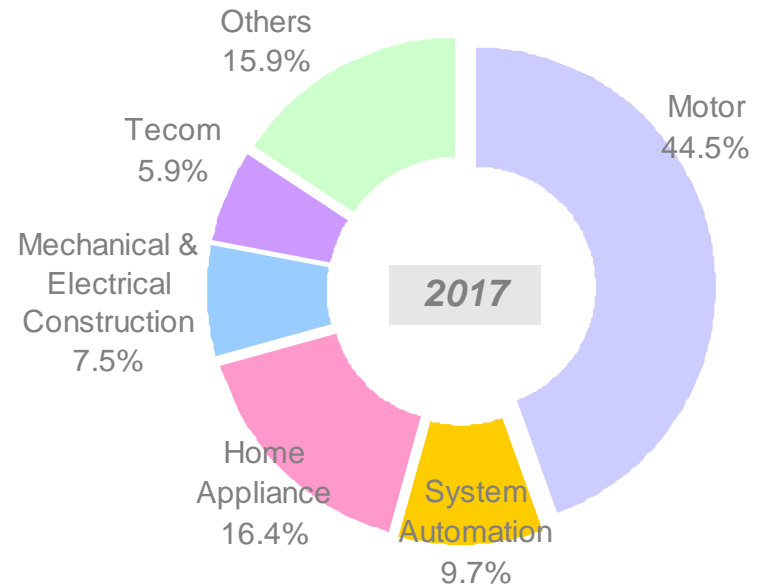
* Recurring Operating Profit / Recurring Operating Revenue

** Recurring Operating Profit excludes financial assets at fair value through profit or loss

Revenue Breakdown 1/2

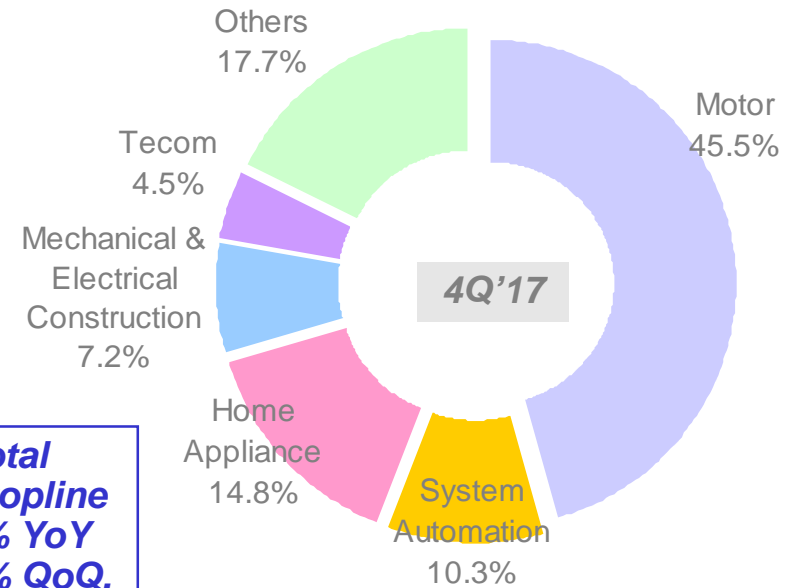
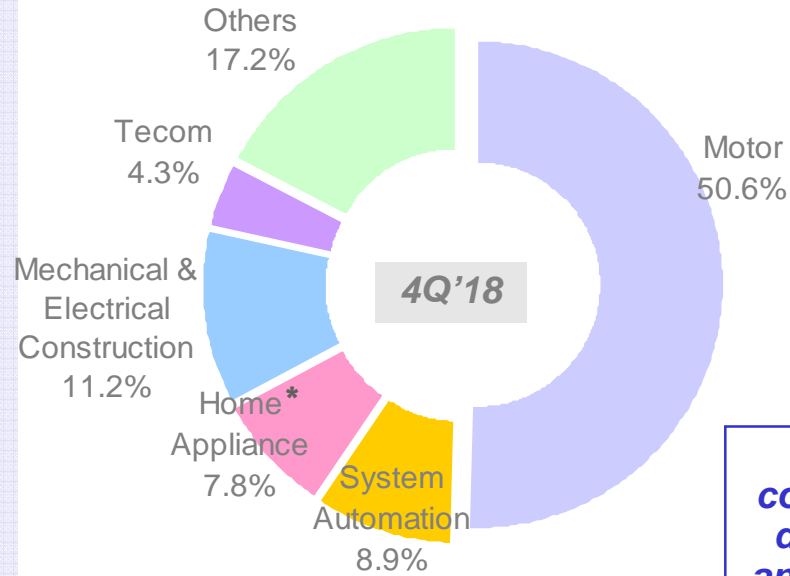


In 2018, total consolidated topline down 1.6% YoY.

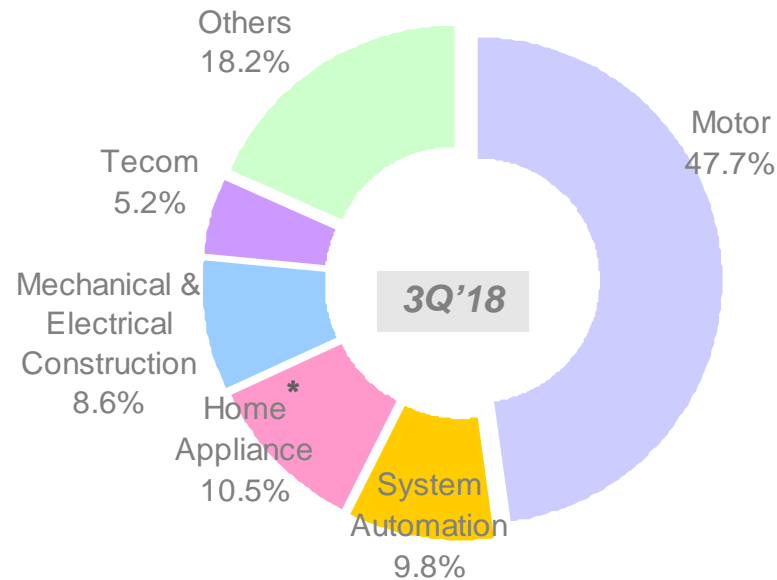


Note: Excluding Kueling from consolidated revenue since June 2018.

Revenue Breakdown 2/2

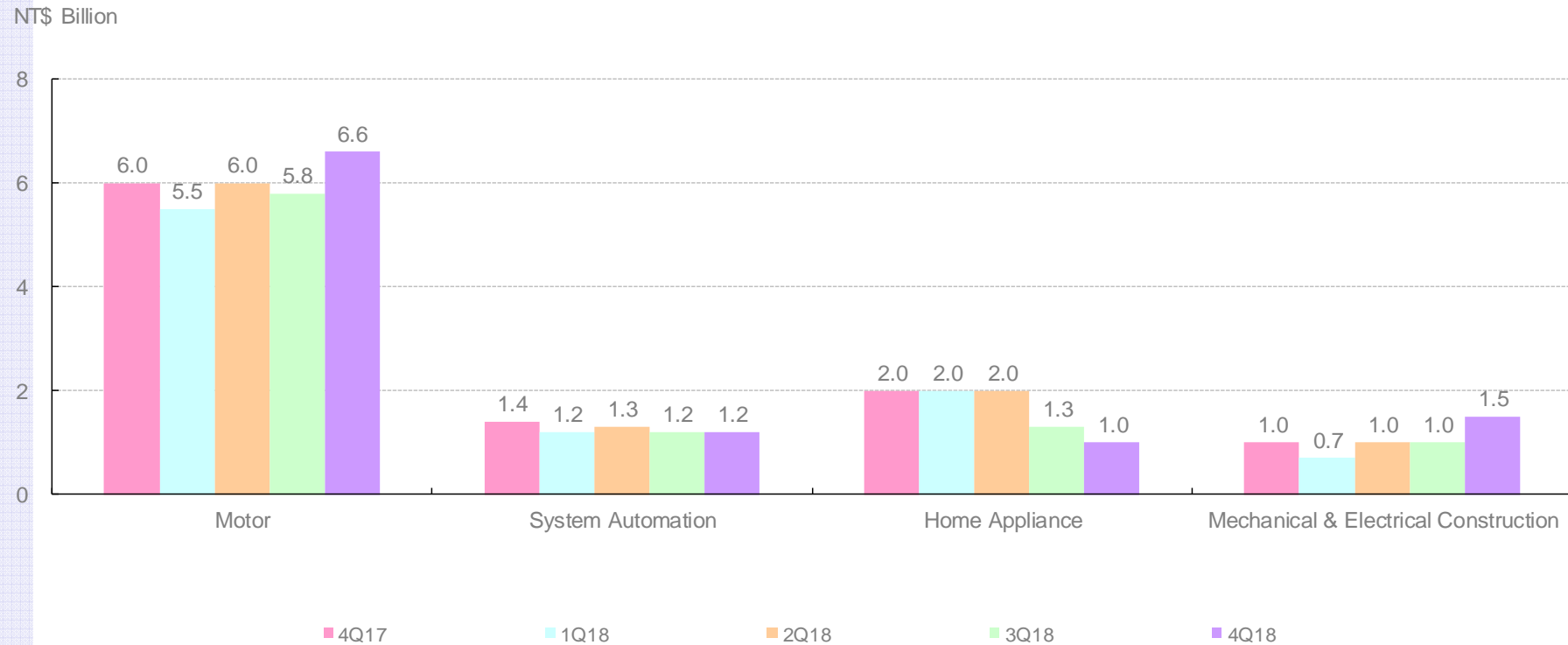


In 4Q'18, total consolidated topline down by 2.1% YoY and up by 7.7% QoQ.



Note: Excluding Kueling from consolidated revenue since June 2018.

Sales Trend on Major Business lines



Note: Excluding Kueling from consolidated revenue since June 2018.

2018 Balance Sheet - consolidated

(In NT 1,000)	Dec 18		Sep 18		Jun 18	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	17,535,566	19%	17,764,515	19%	18,159,135	20%
Receivable	10,841,917	12%	12,326,673	13%	12,716,832	13%
Inventories	11,429,685	12%	11,890,120	13%	11,806,046	13%
Total Assets	91,981,286	100%	92,854,488	100%	92,848,190	100%
Short-term Borrowings	1,994,360	2%	2,267,047	3%	1,980,960	2%
Accounts Payable	12,538,210	14%	12,245,689	13%	14,487,056	15%
Long-term Borrowings	6,746,354	7%	8,097,628	9%	7,404,243	8%
Corporate Bond Payable	4,000,000	4%	4,000,000	4%	4,000,000	4%
Total Liabilities	33,490,371	36%	35,132,405	38%	36,030,022	39%
Equities	58,490,915	64%	57,722,083	62%	56,818,168	61%

Key Indices

AR Turnover (times)	4.72	4.59	4.58
Inventory Turnover (times)	3.34	3.23	3.27
Current Ratio	2.41	2.44	2.28
Quick Ratio	1.76	1.78	1.60
Net Debt to Equity	-8.2%	-5.9%	-8.4%

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