

TECO Electric & Machinery Co., Ltd.



2018 3Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

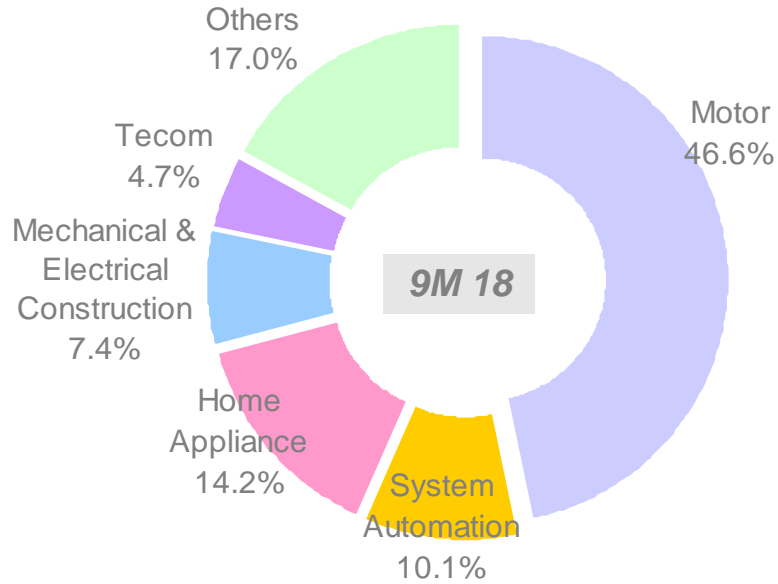
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

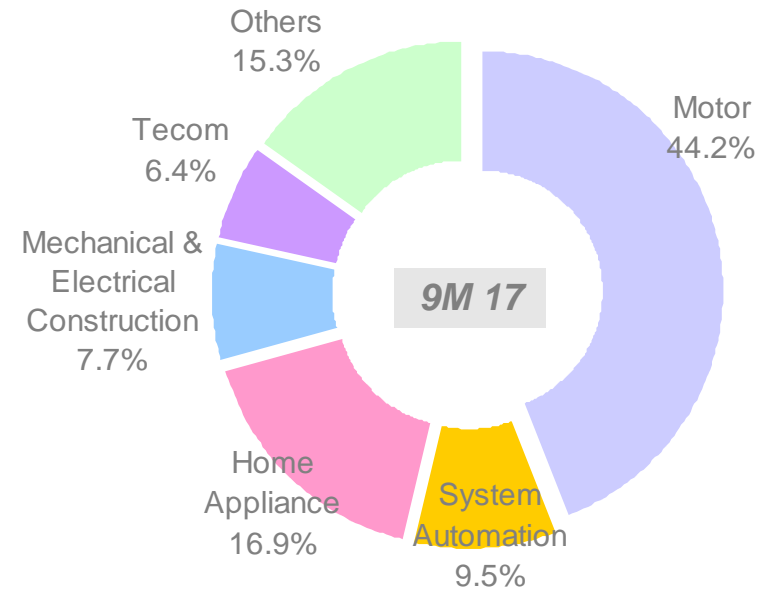
Operation Overview

Appendix

Revenue Breakdown 1/2

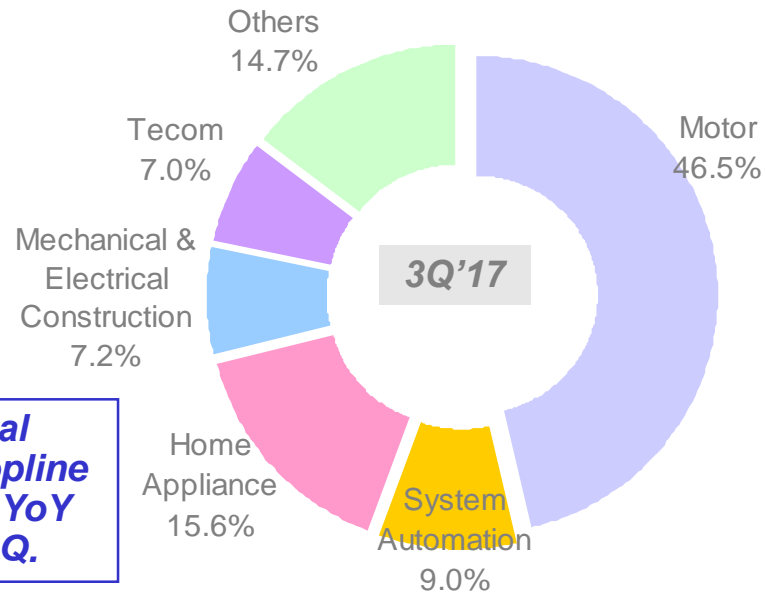
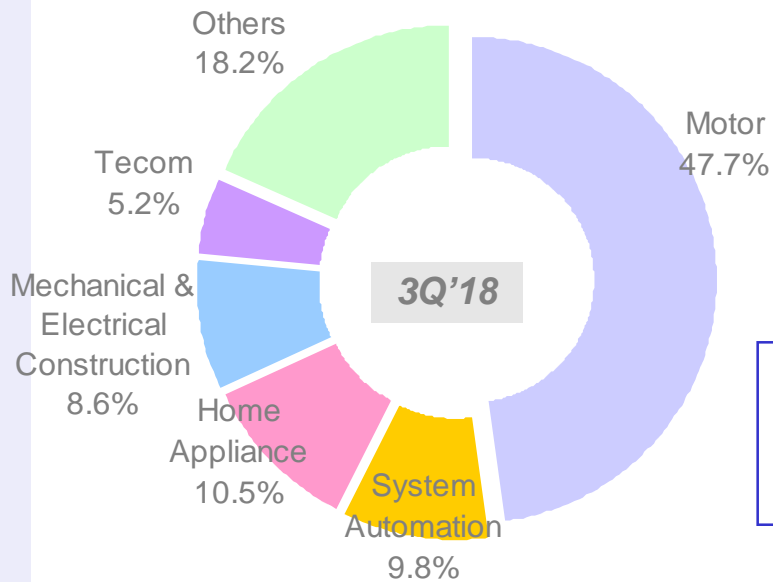


In 9M 2018, total consolidated topline down 1.5% YoY.

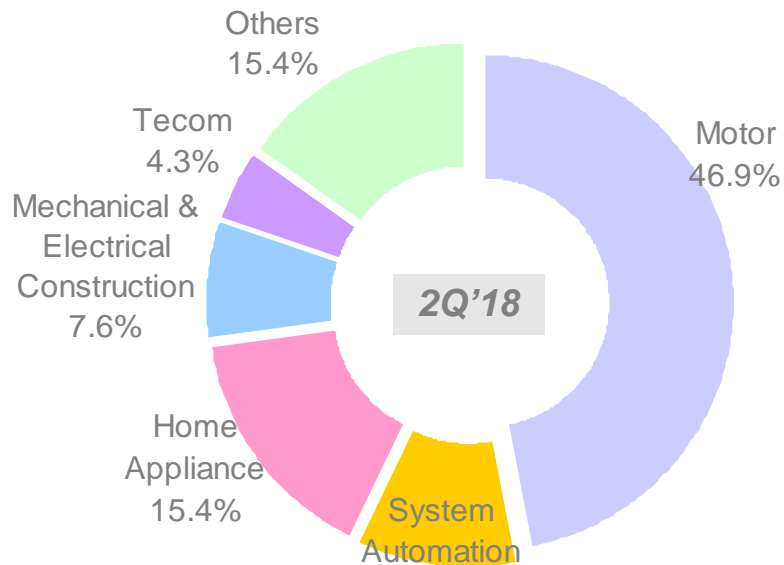


Note: Excluding Kueling from consolidated revenue since June 2018.

Revenue Breakdown



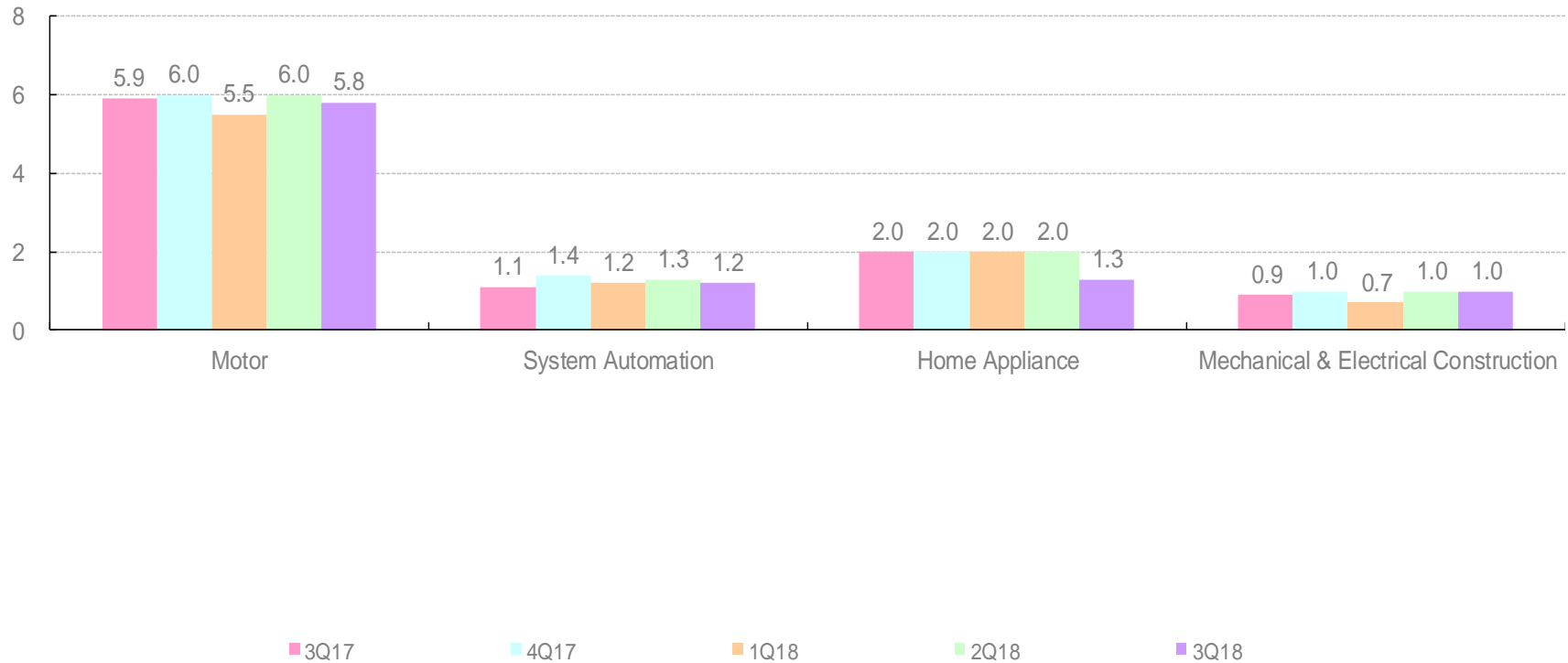
In 3Q'18, total consolidated topline down by 4.8% YoY and 6.4% QoQ.



Note: Excluding Kueling from consolidated revenue since June 2018. 10.4%

Sales Trend on Major Business lines

NT\$ Billion



Note: Excluding Kueling from consolidated revenue since June 2018.

9M 2018 Income Statement - consolidated

(In NT Millions)	9M 18	9M 17	YoY
Net Sales - recurring *	31,085	37,497	-17.1%
Gross Margin - recurring *	24.1%	24.1%	0bps
Operating Margin - recurring *	7.1%	6.6%	50bps
EPS (NT\$)	1.24	1.25	-0.8%
ROE (%) **	6.3%	6.5%	-20bps
ROA (%) **	3.5%	3.6%	-10bps

* Excluding financial assets at fair value through profit or loss

** Annualized number and excluding minority interest

9M 2018 Income Statement - consolidated

(In NT Millions)	9M 18	9M 17	YoY
Operating Revenue	37,110	37,667	-1.5%
Recurring Operating Revenue	37,085	37,497	-1.1%
Gain on Sales of Financial Assets	25	170	-85.3%
Gross Profit, net *	8,946	9,192	-2.7%
Operating Profit	2,669	2,659	0.4%
Non-operating Income (Expense)	655	770	-14.9%
Income before Tax	3,325	3,430	-3.1%
Income Tax Expense	(621)	(633)	-1.9%
Net Income **	2,461	2,476	-0.6%
EPS (NT\$)	1.24	1.25	-0.8%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

3Q 18 Financial Highlights - consolidated

(In NT Millions)	3Q 18	2Q 18	QoQ	3Q 17	YoY
Net Sales - recurring *	12,061	12,969	-7.0%	12,707	-5.1%
Gross Margin - recurring *	23.4%	24.6%	-120bps	23.2%	20bps
Operating Margin - recurring *	7.3%	7.4%	-10bps	6.1%	120bps
EPS (NT\$)	0.41	0.56	-26.8%	0.43	-4.7%
ROE (%) **	6.3%	8.4%	-210bps	6.7%	-40bps
ROA (%) **	3.5%	4.7%	-120bps	3.7%	-20bps

* Excluding financial assets at fair value through profit or loss

** Annualized number and excluding non-controlling interests

3Q 18 Income Statement - consolidated

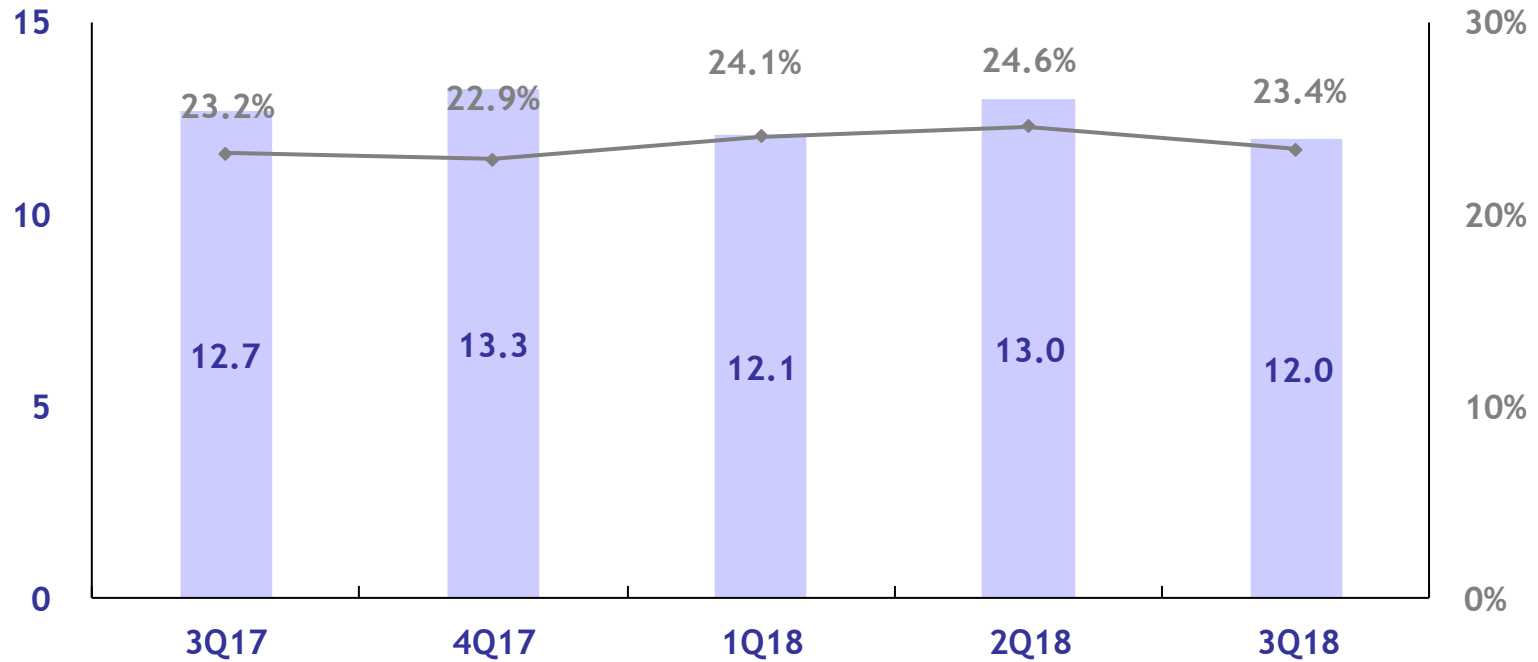
(In NT Millions)	3Q 18	2Q 18	QoQ	3Q 17	YoY
Operating Revenue	12,064	12,890	-6.4%	12,678	-4.8%
Recurring Operating Revenue	12,061	12,969	-7.0%	12,707	-5.1%
Gain on Sales of Financial Assets	3	(79)	-	(29)	-
Gross Profit, net *	2,824	3,112	-9.3%	2,914	-3.1%
Operating Profit	884	878	0.7%	751	17.7%
Non-operating Income (Expense)	188	522	-64.0%	444	-57.7%
Income before Tax	1,073	1,399	-23.3%	1,196	-10.3%
Income Tax Expense	(168)	(192)	-12.5%	(248)	-32.3%
Net Income **	821	1,103	-25.6%	850	-3.4%
EPS (NT\$)	0.41	0.56	-26.8%	0.43	-4.7%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue *

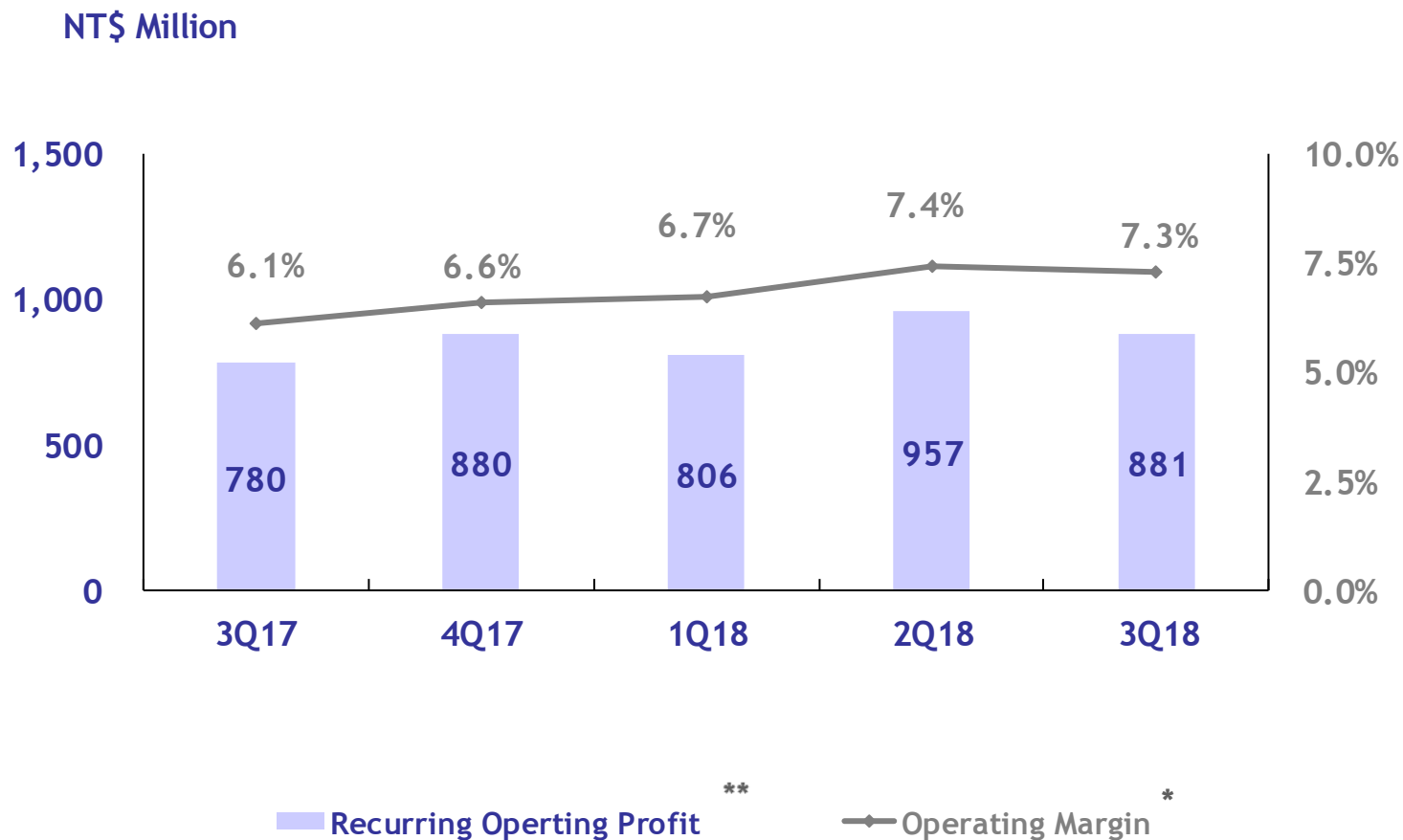
—◆— Gross Margin **

* 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

2018 Balance Sheet - consolidated

(In NT 1,000)	Sep 18		Jun 18		Sep 17	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	17,764,515	19%	18,159,135	20%	13,412,258	15%
Receivable	12,326,673	13%	12,716,832	13%	12,625,975	13%
Inventories	11,890,120	13%	11,806,046	13%	11,578,226	13%
Total Assets	92,854,488	100%	92,848,190	100%	92,620,331	100%
Short-term Borrowings	2,267,047	3%	1,980,960	2%	2,318,683	3%
Accounts Payable	12,245,689	13%	14,487,056	15%	12,921,323	13%
Long-term Borrowings	8,097,628	9%	7,404,243	8%	7,022,460	8%
Corporate Bond Payable	4,000,000	4%	4,000,000	4%	4,000,000	4%
Total Liabilities	35,132,405	38%	36,030,022	39%	35,224,778	38%
Equities	57,722,083	62%	56,818,168	61%	57,395,553	62%

Key Indices

Quarterly AR Turnover (times)	4.52	4.50	4.61
Quarterly Inventory Turnover (times)	3.02	3.05	3.14
Current Ratio	2.45	2.28	2.33
Quick Ratio	1.78	1.68	1.65
Net Debt to Equity	-5.9%	-8.4%	-0.1%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	3Q17	4Q17	1Q18	2Q18	3Q18
Operating Revenue	12,678	13,276	12,156	12,890	12,064
Recurring Operating Revenue	12,707	13,319	12,055	12,969	12,061
Gain on Sales of Financial Assets	(29)	(43)	101	(79)	3
Operating Costs	(9,762)	(10,271)	(9,146)	(9,777)	(9,240)
Gross Profit, net *	2,914	3,004	3,010	3,112	2,824
Operating Expense	(2,162)	(2,168)	(2,103)	(2,234)	(1,939)
Operating Profit	751	837	907	878	884
Non-operating Income (Expense)	444	88	(55)	522	188
Income before Tax	1,196	924	853	1,399	1,073
Income Tax Expense	(248)	(177)	(261)	(192)	(168)
Net Income **	850	616	537	1,103	821
<i>Net Margin</i>	6.7%	4.6%	4.4%	8.6%	6.8%
EPS (NT\$)	0.43	0.31	0.27	0.56	0.41

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Income Statements

(In NT Millions, unless otherwise noted)	2013	2014	2015	2016	2017
Net Sales	56,619	53,748	48,599	49,923	50,943
Recurring Net Sales	56,566	53,622	48,505	49,752	50,816
Securities Sales Revenue	53	126	94	171	127
COGS	(43,138)	(40,357)	(36,203)	(36,788)	(38,744)
Gross Profit *	13,485	13,392	12,400	13,134	12,196
Operating Expense	(8,859)	(8,969)	(8,613)	(8,944)	(8,700)
Operating Income	4,626	4,423	3,788	4,189	3,496
Non-operating Income	778	1,277	776	744	858
Income before tax	5,404	5,700	4,563	4,933	4,354
Income Tax Benefit / (Expense)	(1,226)	(1,298)	(1,049)	(896)	(810)
Net Income**	3,760	4,063	3,177	3,481	3,092
<i>Net Margin</i>	6.6%	7.6%	6.5%	7.0%	6.1%
Basic EPS (NT\$)	2.01	2.05	1.60	1.76	1.56

* Gross profit includes unrealized / realized inter-company profit

** Excluding minority interest

Balance Sheets

	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	13,412	14,129	18,167	18,159	17,765
Receivables	12,626	12,479	12,152	12,717	12,327
Inventories	11,578	11,336	11,814	11,806	11,890
Other Current Assets	7,322	6,319	3,287	3,346	3,371
Total Current Assets	44,938	44,263	45,420	46,028	45,353
Financial Assets					
Available for Sale - Non Current **	12,952	12,925	13,190	12,602	13,076
Long-Term Investments Under Equity Method	3,947	4,022	4,052	4,386	4,105
Other Non-Current Assets	30,784	30,807	30,715	29,832	30,320
Total Non-Current Assets	47,683	47,754	47,957	46,820	47,501
Total Assets	92,620	92,017	93,377	92,848	92,854
Current Liabilities	19,281	18,742	18,927	20,150	18,519
Bonds Payable	4,000	4,000	4,000	4,000	4,000
Long-Term Borrowing	7,022	6,466	6,511	7,404	8,098
Other Non-Current Liabilities	4,922	4,934	4,849	4,476	4,515
Total Non-Current Liabilities	15,944	15,400	15,360	15,880	16,613
Total Liabilities	35,225	34,143	34,287	36,030	35,132
Total Shareholders' Equity *	57,396	57,874	59,090	56,818	57,722

* Non-controlling interest included ** Including Net gain on financial assets at fair value through profit or loss -Non Current & Net gain on financial assets at fair value through other comprehensive income -Non Current

Balance Sheets

	2013	2014	2015	2016	2017
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash & Cash Equivalents</i>	14,909	17,202	14,919	13,990	14,129
<i>Receivables</i>	11,914	11,817	12,367	13,859	12,479
<i>Inventories</i>	11,193	11,539	11,755	11,177	11,336
<i>Other Current Assets</i>	2,827	2,717	3,251	6,270	6,319
Total Current Assets	40,843	43,275	42,292	45,296	44,263
Funds and Investments	15,799	19,508	16,371	15,615	16,948
Fixed & Other Assets	20,248	19,930	25,771	31,463	30,806
Total Assets	76,890	82,713	84,434	92,374	92,017
Current Liabilities	19,984	18,076	22,715	18,959	18,742
Short-term Loans	2,917	2,473	6,619	3,078	2,188
Long-Term Interest-bearing debt	6,140	7,229	5,531	12,679	10,645
Long-term Loans	4,498	5,475	2,300	9,429	6,466
Corporate Bonds Payable	1,476	1,528	3,000	3,000	4,000
Other Liabilities	4,042	4,119	4,756	5,011	4,756
Total Liabilities	30,166	29,424	33,002	36,649	34,143
Total Shareholders' Equity	46,724	53,289	51,433	55,725	57,874

* Non-controlling interest included

Cash Flows

(In NT Millions)	3Q17	4Q17	1Q18	2Q18	3Q18
Pretax Income*	1,196	924	853	1,399	1,073
Depreciation & Amortization	385	336	391	384	381
Other Op Sources/(Use)	151	(311)	(1,032)	(686)	86
From Operation	1,732	949	212	1,097	1,540
Capital Expenditures	(294)	(161)	(191)	(317)	(442)
Marketable Financial Instruments	129	(53)	219	(369)	(125)
Other Investing Sources/(Uses)	169	1,008	3,698	(982)	(618)
From Investment	4	794	3,726	(1,668)	(1,185)
Cash Dividends	(1,762)	0	0	(12)	(1,710)
Other Financing Sources/(Uses)	(130)	(802)	357	223	1,081
From Financing	(1,892)	(802)	357	211	(629)
Net Cash Position Change*	14	718	4,038	(8)	(395)
Ending Cash Balance	13,412	14,129	18,167	18,159	17,765

* Including exchange rate

Cash Flows

(In NT Millions)	2013	2014	2015	2016	2017
Net Income/ Pretax Income	5,403	5,700	4,563	4,933	4,354
Depreciation & Amortization	1,442	1,326	1,308	1,550	1,484
Other Op Sources/(Use)	(860)	(1,859)	(330)	(2,036)	54
From Operation	5,985	5,167	5,541	4,447	5,892
Capital Expenditures	(962)	(2,032)	(2,067)	(1,557)	(1,060)
Marketable Financial Instruments	379	579	476	786	974
Other Investing Sources/(Uses)	438	672	(4,277)	(2,605)	70
From Investment	(145)	(781)	(5,868)	(3,376)	(16)
Cash Dividends	(1,922)	(2,203)	(2,203)	(1,602)	(1,762)
Employee & BOD Profit Sharing	0	0	0	0	0
Other Financing Sources/(Uses)	(2,034)	5	934	547	(3,084)
From Financing	(3,956)	(2,198)	(1,269)	(1,055)	(4,846)
Net Cash Position Change*	1,730	2,301	(2,283)	(929)	140
Ending Cash Blance	14,909	17,202	14,919	13,990	14,129

* Net income before complying with IFRS

** Including exchange rate effect

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