

TECO Electric & Machinery Co., Ltd.



2017 1Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

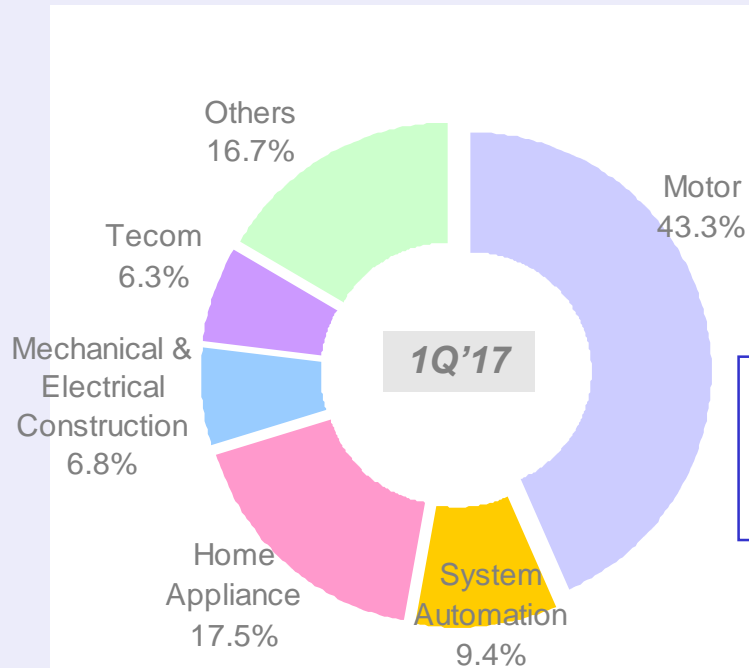
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

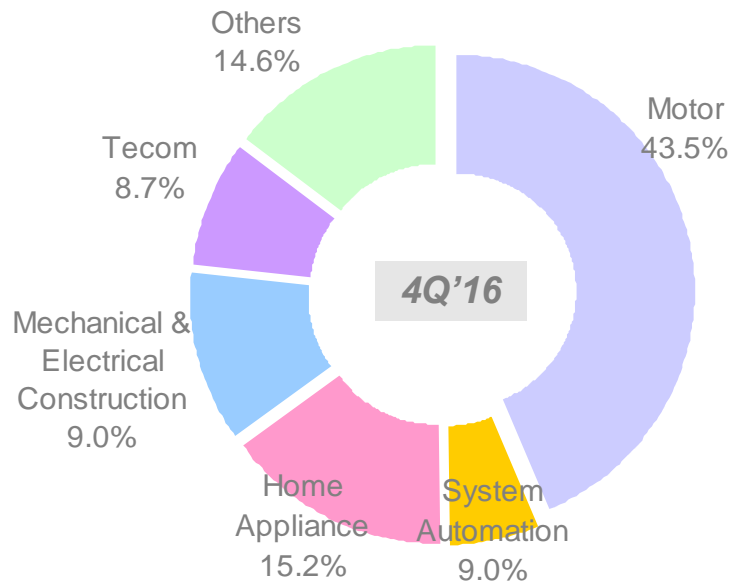
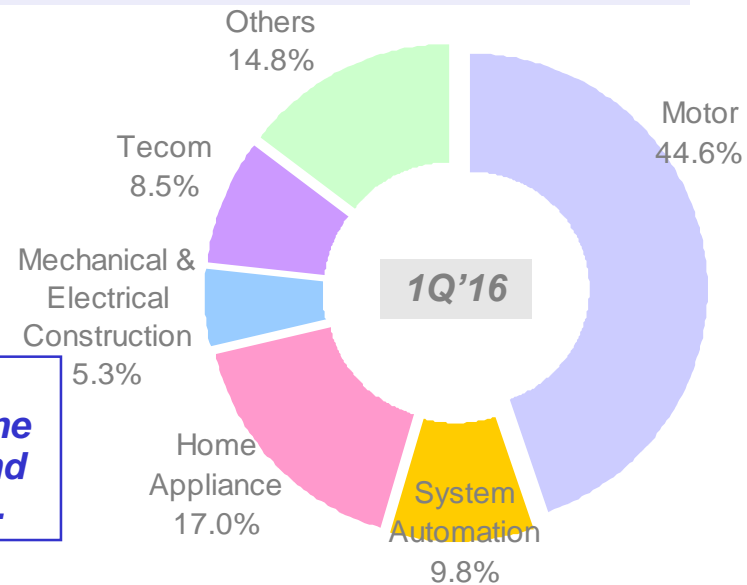
Operation Overview

Appendix

Revenue Breakdown

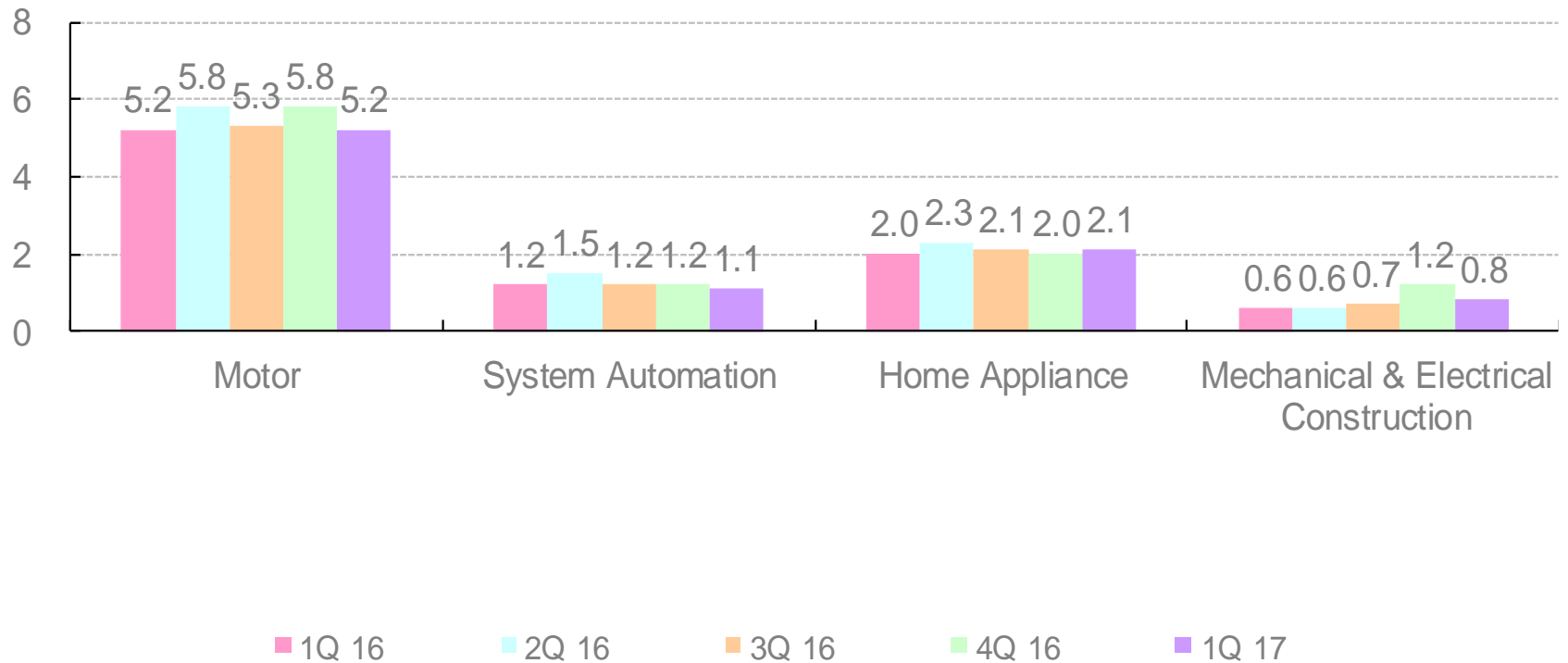


In 1Q'17, total consolidated topline up by 2.0% YoY and down 11.3% QoQ.



Sales Trend on Major Business lines

NT\$ Billion



1Q 17 Financial Highlights - consolidated

(In NT Millions)	1Q 17***	4Q 16***	QoQ	1Q 16***	YoY
Net Sales - recurring *	11,776	13,419	-12.2%	11,555	1.9%
Gross Margin - recurring *	24.2%	25.3%	-110bps	26.4%	-220bps
Operating Margin - recurring *	6.4%	8.1%	-170bps	7.9%	-150bps
EPS (NT\$)	0.27	0.44	-38.6%	0.34	-20.6%
ROE (%) **	4.3%	6.9%	-260bps	5.6%	-130bps
ROA (%) **	2.3%	3.7%	-140bps	3.1%	-80bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

1Q 17 Income Statement - consolidated

(In NT Millions)	1Q 17***	4Q 16***	QoQ	1Q 16***	YoY
Operating Revenue	11,916	13,428	-11.3%	11,678	2.0%
Recurring Operating Revenue	11,776	13,419	-12.2%	11,555	1.9%
Gain on Sales of Financial Assets	140	9	1455.6%	123	13.8%
Gross Profit, net *	2,991	3,404	-12.1%	3,171	-5.7%
Operating Profit	899	1,100	-18.3%	1,033	-13.0%
Non-operating Income (Expense)	(55)	154	-135.7%	28	-296.4%
Income before Tax	844	1,254	-32.7%	1,062	-20.5%
Income Tax Expense	(209)	(218)	-4.1%	(271)	-22.9%
Net Income **	536	864	-38.0%	683	-21.5%
EPS (NT\$)	0.27	0.44	-38.6%	0.34	-20.6%

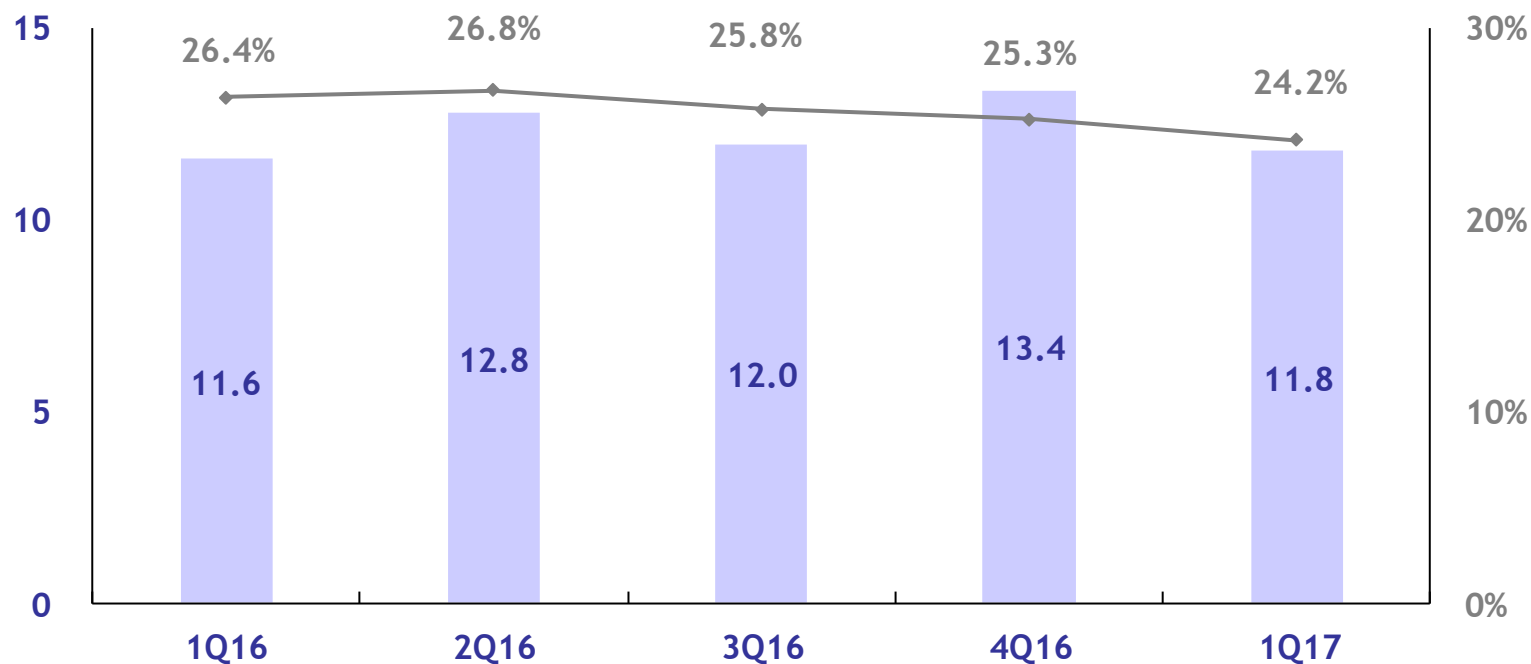
* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue *

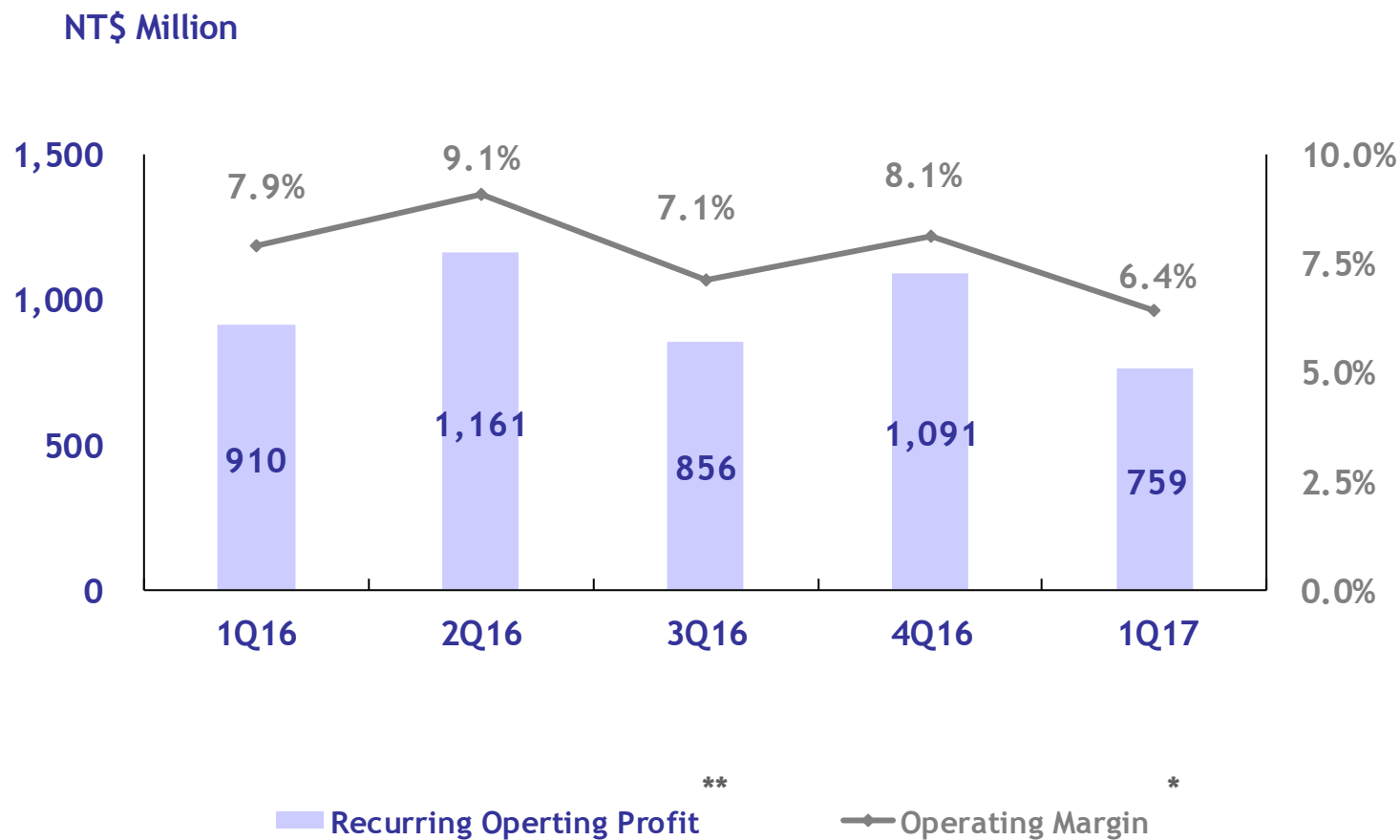
— Gross Margin **

* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

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

*** Recurring Gross profit excludes Gain on Sales of Financial Assets

Recurring Operating Profit vs. Operating Margin



* Recurring Operating Profit / Recurring Operating Revenue

** Recurring Operating Profit excludes Gain on Sales of Financial Assets

2017 Balance Sheet - consolidated

(In NT 1,000)	Mar 17		Dec 16		Mar 16	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	14,658,514	16%	13,989,826	15%	13,818,921	18%
Receivable	12,277,618	13%	13,859,458	14%	12,317,743	14%
Inventories	11,261,754	12%	11,177,041	12%	11,672,242	14%
Total Assets	91,213,951	100%	92,373,956	100%	90,691,187	100%
Short-term Borrowings	2,354,326	3%	3,078,361	4%	6,471,773	8%
Accounts Payable	11,866,987	13%	12,981,953	14%	11,589,601	14%
Long-term Borrowings	9,414,143	10%	9,428,570	10%	4,560,146	3%
Corporate Bond Payable	3,000,000	3%	3,000,000	3%	3,000,000	3%
Total Liabilities	34,992,596	38%	36,649,413	40%	35,296,204	39%
Equities	56,221,355	62%	55,724,543	60%	55,394,983	61%

Key Indices

Quarterly AR Turnover (times)	4.20	4.36	4.34
Quarterly Inventory Turnover (times)	2.97	2.98	2.70
Current Ratio	2.51	2.39	1.90
Quick Ratio	1.77	1.71	1.32
Net Debt to Equity	0.2%	2.7%	0.4%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	1Q16	2Q16	3Q16	4Q16	1Q17
Operating Revenue	11,678	12,814	12,004	13,427	11,916
Recurring Operating Revenue	11,555	12,789	11,990	13,418	11,776
Gain on Sales of Financial Assets	123	25	14	9	140
Operating Costs	(8,508)	(9,360)	(8,897)	(10,023)	(8,924)
Gross Profit, net *	3,171	3,454	3,106	3,404	2,991
Operating Expense	(2,137)	(2,268)	(2,236)	(2,303)	(2,093)
Operating Profit	1,033	1,186	870	1,100	899
Non-operating Income (Expense)	28	263	299	154	(55)
Income before Tax	1,062	1,449	1,168	1,254	844
Income Tax Expense	(271)	(264)	(143)	(218)	(209)
Net Income **	683	1,035	899	864	536
<i>Net Margin</i>	5.8%	8.1%	7.5%	6.4%	4.5%
EPS (NT\$)	0.34	0.52	0.45	0.44	0.27

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Income Statements

(In NT Millions, unless otherwise noted)	2012***	2013***	2014***	2015***	2016***
Net Sales	48,730	56,619	53,748	48,599	49,923
Recurring Net Sales	48,604	56,566	53,622	48,505	49,752
Securities Sales Revenue	126	53	126	94	171
COGS	(37,273)	(43,138)	(40,357)	(36,203)	(36,788)
Gross Profit *	11,450	13,485	13,392	12,400	13,134
Operating Expense	(7,621)	(8,859)	(8,969)	(8,613)	(8,944)
Operating Income	3,829	4,626	4,423	3,788	4,189
Non-operating Income	580	778	1,277	776	744
Income before tax	4,409	5,404	5,700	4,563	4,933
Income Tax Benefit / (Expense)	(1,082)	(1,226)	(1,298)	(1,049)	(896)
Net Income**	3,080	3,760	4,063	3,177	3,481
<i>Net Margin</i>	6.3%	6.6%	7.6%	6.5%	7.0%
Basic EPS (NT\$)	1.69	2.01	2.05	1.60	1.76

* Gross profit includes unrealized / realized inter-company profit

** Excluding minority interest

*** Comply with IFRS

Balance Sheets

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	13,819	14,248	14,831	13,990	14,659
Receivables	12,318	13,278	12,583	13,859	12,278
Inventories	11,672	11,390	11,532	11,177	11,262
Other Current Assets	5,322	5,415	5,220	6,270	5,698
Total Current Assets	43,131	44,331	44,166	45,296	43,897
Financial Assets					
Available for Sale - Non Current	12,023	11,875	12,788	11,745	12,555
Long-Term Investments Under Equity Method	3,951	3,944	3,953	3,871	3,909
Other Non-Current Assets	31,586	31,211	31,222	31,462	30,853
Total Non-Current Assets	47,560	47,030	47,963	47,078	47,317
Total Assets	90,961	91,361	92,129	92,374	91,214
Current Liabilities	22,693	23,584	18,062	18,959	17,508
Bonds Payable	3,000	3,000	3,000	3,000	3,000
Long-Term Borrowing	4,560	5,348	10,347	9,429	9,414
Other Non-Current Liabilities	5,043	5,115	112	5,262	5,071
Total Non-Current Liabilities	12,603	13,463	13,459	17,691	17,485
Total Liabilities	35,296	37,047	36,520	36,649	34,993
Total Shareholders' Equity *	55,395	54,314	55,609	55,725	56,221

* Non-controlling interest included

Balance Sheets

	2012 **	2013**	2014**	2015**	2016**
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash & Cash Equivalents</i>	13,179	14,909	17,202	14,919	13,990
<i>Receivables</i>	11,134	11,914	11,817	12,367	13,859
<i>Inventories</i>	10,761	11,193	11,539	11,755	11,177
<i>Other Current Assets</i>	1,954	2,827	2,717	3,251	6,270
Total Current Assets	37,028	40,843	43,275	42,292	45,296
Funds and Investments	15,799	15,799	19,508	16,371	15,615
Fixed & Other Assets	19,379	20,248	19,930	25,771	31,463
Total Assets	72,206	76,890	82,713	84,434	92,374
Current Liabilities	17,682	19,984	18,076	22,715	18,959
Short-term Loans	2,916	2,917	2,473	6,619	3,078
Long-Term Interest-bearing debt	10,914	6,140	7,229	5,531	12,679
Long-term Loans	7,906	4,498	5,475	2,300	9,429
Corporate Bonds Payable	2,903	1,476	1,528	3,000	3,000
Other Liabilities	4,324	4,042	4,119	4,756	5,011
Total Liabilities	32,920	30,166	29,424	33,002	36,649
Total Shareholders' Equity	39,286	46,724	53,289	51,433	55,725

* Non-controlling interest included

** Comply with IFRS

Cash Flows

(In NT Millions)	1Q16	2Q16	3Q16	4Q16	1Q17
Pretax Income*	1,062	1,449	1,168	1,254	844
Depreciation & Amortization	380	413	365	392	385
Other Op Sources/(Use)	(908)	(325)	313	(713)	384
From Operation	534	1,537	1,846	933	1,613
Capital Expenditures	(227)	(190)	(230)	(909)	(373)
Marketable Financial Instruments	172	(22)	81	555	521
Other Investing Sources/(Uses)	(1,761)	(12)	(120)	(1,117)	518
From Investment	(1,816)	(224)	(269)	(1,471)	666
Cash Dividends	0	0	(1,602)	0	0
Other Financing Sources/(Uses)	212	(407)	1,062	(320)	(775)
From Financing	212	(407)	(540)	(320)	(775)
Net Cash Position Change*	(1,100)	429	583	(841)	669
Ending Cash Balance	13,819	14,248	14,831	13,990	14,659

* Including exchange rate

Cash Flows

(In NT Millions)	2012***	2013***	2014***	2015***	2016***
Net Income/ Pretax Income	4,409	5,403	5,700	4,563	4,933
Depreciation & Amortization	1,417	1,442	1,326	1,308	1,550
Other Op Sources/(Use)	(202)	(860)	(1,859)	(330)	(1,633)
From Operation	5,624	5,985	5,167	5,541	4,850
Capital Expenditures	(800)	(962)	(2,032)	(2,067)	(1,557)
Marketable Financial Instruments	21	379	579	476	786
Other Investing Sources/(Uses)	80	438	672	(4,277)	(3,099)
From Investment	(699)	(145)	(781)	(5,868)	(3,780)
Cash Dividends	(1,661)	(1,922)	(2,203)	(2,203)	(1,602)
Employee & BOD Profit Sharing	0	0	0	0	0
Other Financing Sources/(Uses)	(892)	(2,034)	5	934	547
From Financing	(2,553)	(3,956)	(2,198)	(1,269)	(1,055)
Net Cash Position Change**	1,576	1,730	2,301	(2,283)	(929)
Ending Cash Balance	13,179	14,909	17,202	14,919	13,990

* Net income before complying with IFRS *** Comply with IFRS

** Including exchange rate effect

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