

TECO Electric & Machinery Co., Ltd.



2016 2Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

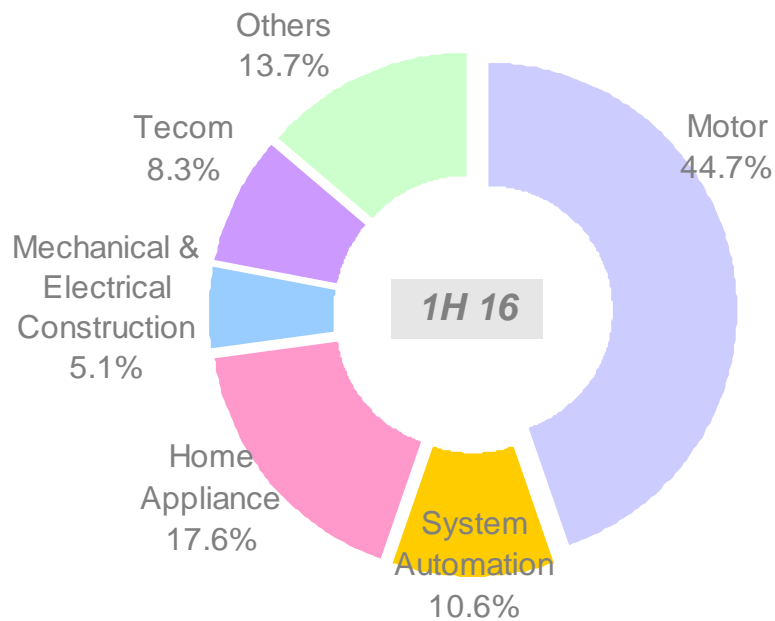
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

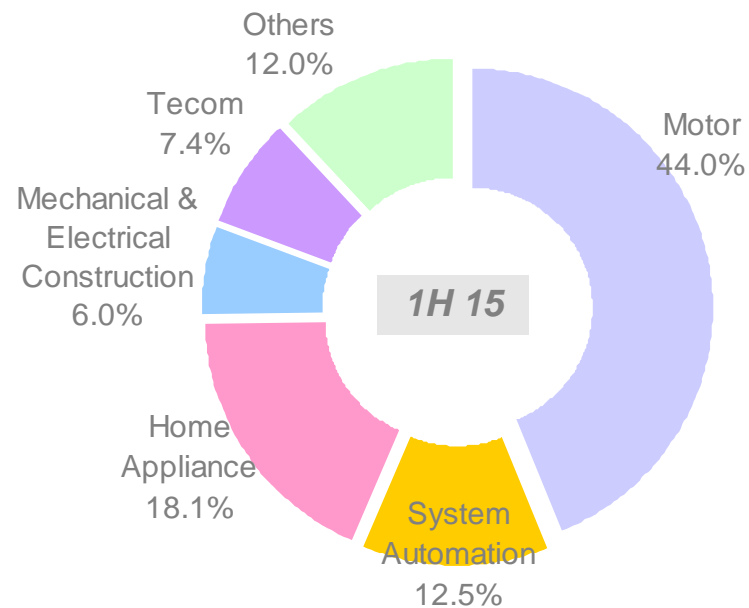
Operation Overview

Appendix

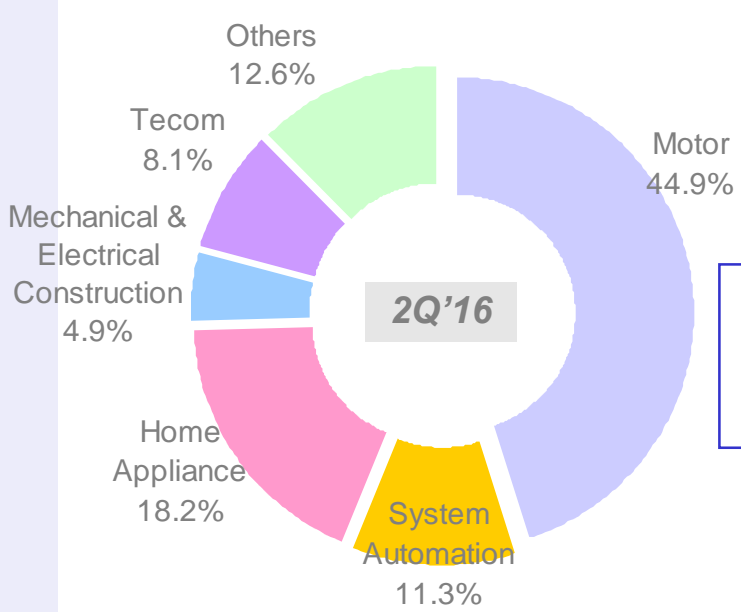
Revenue Breakdown 1/2



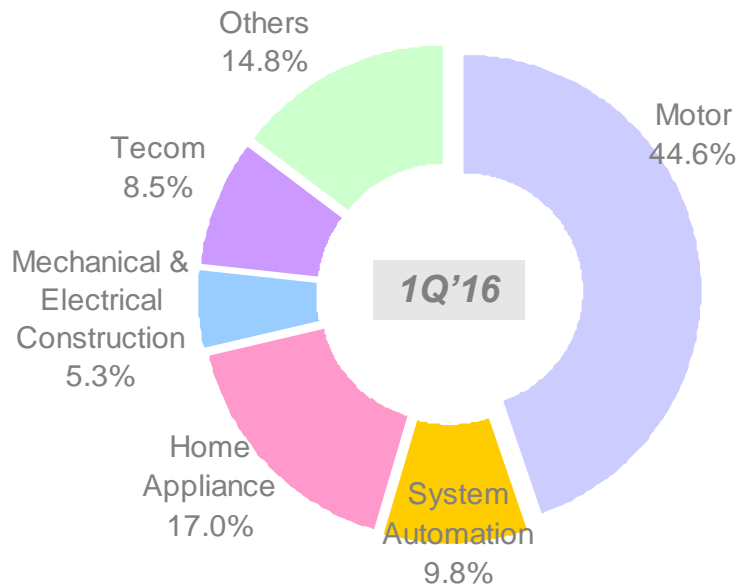
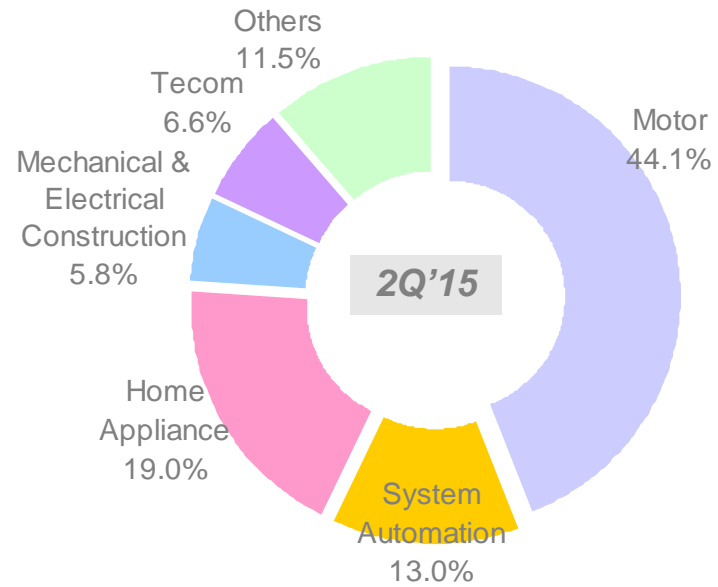
In 1H 2016, total consolidated topline up 2.6% YoY.



Revenue Breakdown 2/2

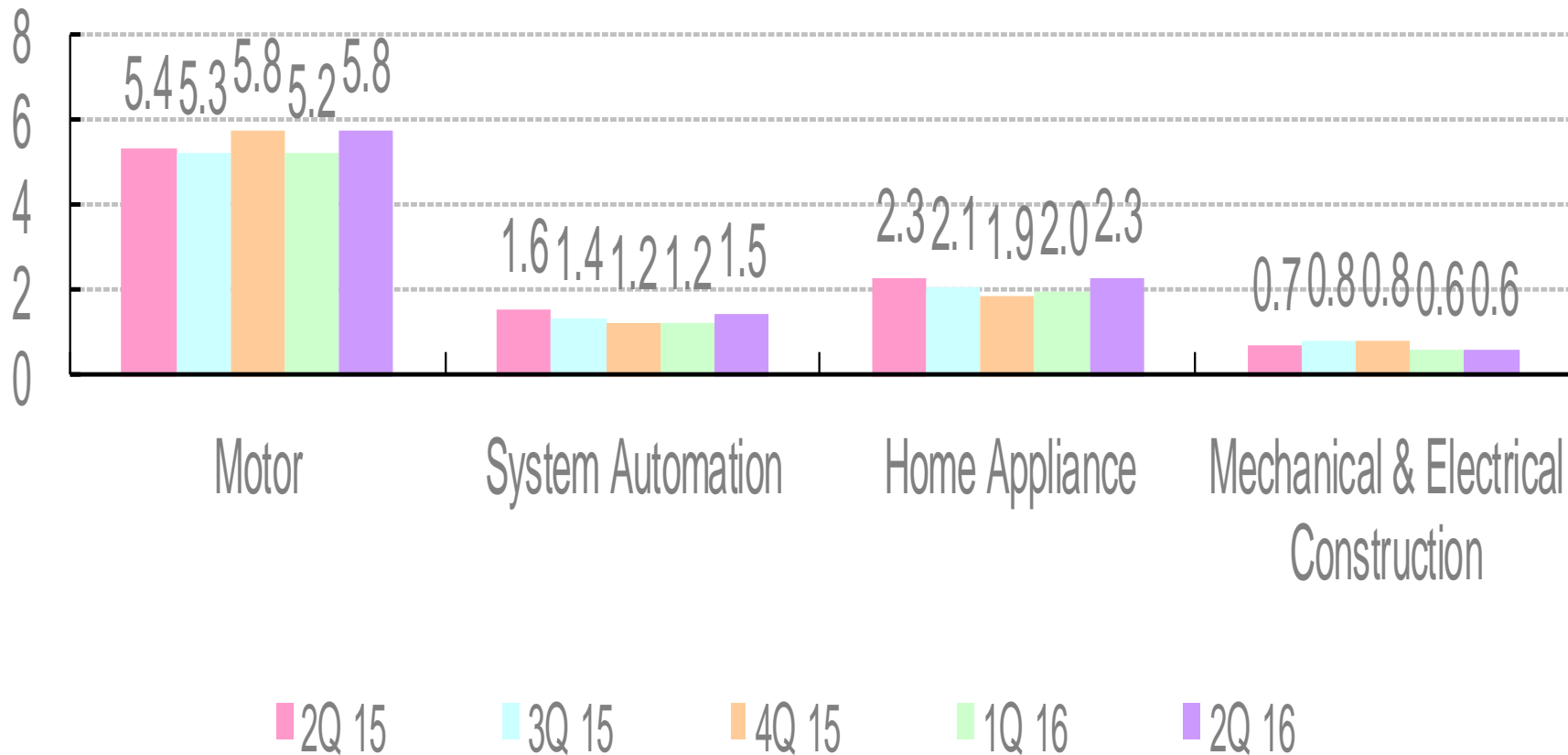


In 2Q'16, total consolidated topline up by 5.4% YoY and 9.7% QoQ.



Sales Trend on Major Business lines

NT\$ Billion



1H 2016 Income Statement - consolidated

(In NT Millions)	1H 16	1H 15	YoY
Net Sales - recurring *	24,344	23,766	2.4%
Gross Margin - recurring *	26.6%	25.3%	130bps
Operating Margin - recurring *	8.5%	7.5%	100bps
EPS (NT\$)	0.87	0.83	4.8%
ROE (%) **	7.2%	6.8%	40bps
ROA (%) **	3.9%	4.1%	-20bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

1H 2016 Income Statement - consolidated

(In NT Millions)	1H 16	1H 15	YoY
Operating Revenue	24,492	23,876	2.6%
Recurring Operating Revenue	24,344	23,766	2.4%
Gain on Sales of Financial Assets	148	110	34.5%
Gross Profit, net *	6,624	6,124	8.2%
Operating Profit	2,219	1,890	17.4%
Non-operating Income (Expense)	291	500	-41.8%
Income before Tax	2,511	2,389	5.1%
Income Tax Expense	(535)	(575)	-7.0%
Net Income **	1,718	1,650	4.1%
EPS (NT\$)	0.87	0.83	4.8%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

2Q 16 Financial Highlights - consolidated

(In NT Millions)	2Q 16	1Q 16	QoQ	2Q 15	YoY
Net Sales - recurring *	12,789	11,555	10.7%	12,154	5.2%
Gross Margin - recurring *	26.8%	26.4%	40bps	25.2%	160bps
Operating Margin - recurring *	9.1%	7.9%	120bps	7.4%	170bps
EPS (NT\$)	0.52	0.34	52.9%	0.46	13.0%
ROE (%) **	8.4%	5.6%	280bps	7.6%	80bps
ROA (%) **	4.5%	3.1%	140bps	4.6%	-10bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

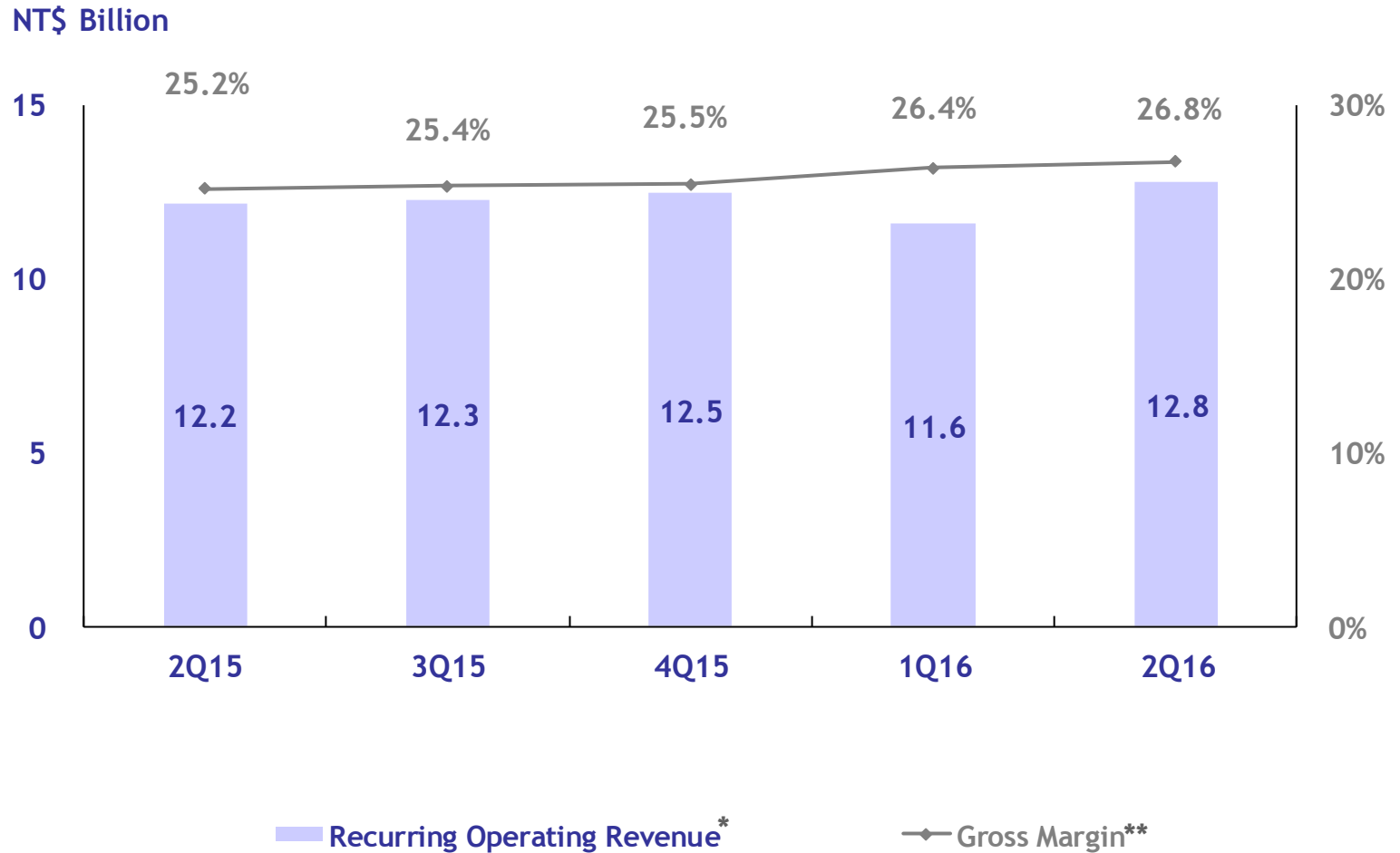
2Q 16 Income Statement - consolidated

(In NT Millions)	2Q 16	1Q 16	QoQ	2Q 15	YoY
Operating Revenue	12,814	11,678	9.7%	12,160	5.4%
Recurring Operating Revenue	12,789	11,555	10.7%	12,154	5.2%
Gain on Sales of Financial Assets	25	123	-79.7%	6	316.7%
Gross Profit, net *	3,453	3,171	8.9%	3,067	12.6%
Operating Profit	1,186	1,033	14.8%	903	31.3%
Non-operating Income (Expense)	263	28	839.3%	378	-30.4%
Income before Tax	1,449	1,062	36.4%	1,280	13.2%
Income Tax Expense	(264)	(271)	-2.6%	(288)	-8.3%
Net Income **	1,035	683	51.5%	913	13.4%
EPS (NT\$)	0.52	0.34	52.9%	0.46	13.0%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Recurring Operating Revenue vs. Gross Margin

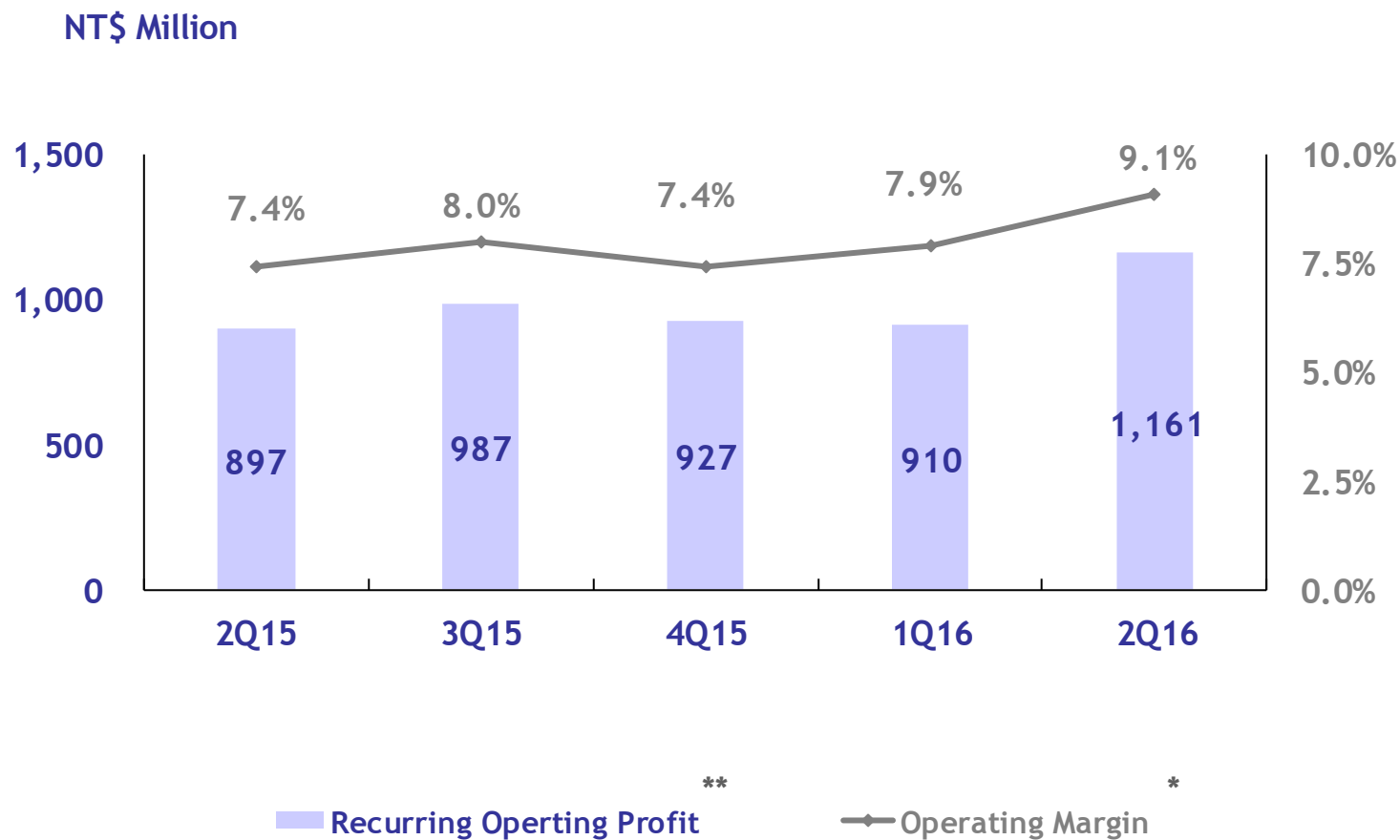


* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

** 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

2016 Balance Sheet - consolidated

(In NT 1,000)	June 16		Mar 16		June 15	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	14,247,729	16%	13,818,921	15%	15,435,742	20%
Receivable	13,278,367	14%	12,317,743	13%	12,077,787	15%
Inventories	11,390,489	13%	11,672,242	13%	11,364,491	14%
Total Assets	91,361,236	100%	90,691,187	100%	79,764,098	100%
Short-term Borrowings	6,776,206	8%	6,471,773	7%	1,841,912	2%
Accounts Payable	13,617,648	14%	11,589,601	13%	14,334,921	18%
Long-term Borrowings	5,348,233	6%	4,560,146	5%	1,385,135	2%
Corporate Bond Payable	3,000,000	3%	3,000,000	3%	3,000,000	4%
Total Liabilities	37,047,494	41%	35,296,204	39%	28,759,749	36%
Equities	54,313,742	59%	55,394,983	61%	51,004,349	64%

Key Indices

Quarterly AR Turnover (times)	4.39	4.34	4.65
Quarterly Inventory Turnover (times)	2.86	2.70	2.88
Current Ratio	1.88	1.90	2.09
Quick Ratio	1.32	1.32	1.46
Net Debt to Equity	1.6%	0.4%	-13.5%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	2Q15	3Q15	4Q15	1Q16	2Q16
Operating Revenue	12,160	12,248	12,476	11,678	12,814
Recurring Operating Revenue	12,154	12,273	12,467	11,555	12,789
Gain on Sales of Financial Assets	6	(25)	9	123	25
Operating Costs	(9,091)	(9,158)	(9,289)	(8,508)	(9,360)
Gross Profit, net *	3,067	3,087	3,189	3,171	3,454
Operating Expense	(2,165)	(2,124)	(2,254)	(2,137)	(2,268)
Operating Profit	903	962	936	1,033	1,186
Non-operating Income (Expense)	378	413	(137)	28	263
Income before Tax	1,280	1,376	798	1,062	1,449
Income Tax Expense	(288)	(338)	(136)	(271)	(264)
Net Income **	913	957	570	683	1,035
<i>Net Margin</i>	7.5%	7.8%	4.6%	5.8%	8.1%
EPS (NT\$)	0.46	0.48	0.28	0.34	0.52

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Income Statements

(In NT Millions, unless otherwise noted)	2011	2012***	2013***	2014***	2015***
Net Sales	46,809	48,730	56,619	53,748	48,599
Recurring Net Sales	46,775	48,604	56,566	53,622	48,505
Securities Sales Revenue	34	126	53	126	94
COGS	(36,065)	(37,273)	(43,138)	(40,357)	(36,203)
Gross Profit *	10,738	11,450	13,485	13,392	12,400
Operating Expense	(7,436)	(7,621)	(8,859)	(8,969)	(8,613)
Operating Income	3,302	3,829	4,626	4,423	3,788
Non-operating Income	339	580	778	1,277	776
Income before tax	3,641	4,409	5,404	5,700	4,563
Income Tax Benefit / (Expense)	(747)	(1,082)	(1,226)	(1,298)	(1,049)
Net Income**	2,783	3,080	3,760	4,063	3,177
<i>Net Margin</i>	5.9%	6.3%	6.6%	7.6%	6.5%
Basic EPS (NT\$)	1.54	1.69	2.01	2.05	1.60

* Gross profit includes unrealized / realized inter-company profit

** Excluding minority interest

*** Comply with IFRS

Balance Sheets

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	15,436	16,381	14,919	13,819	14,248
Receivables	12,078	11,867	12,367	12,318	13,278
Inventories	11,364	11,312	11,755	11,672	11,390
Other Current Assets	3,268	4,046	3,251	5,322	5,415
Total Current Assets	42,146	43,606	42,292	43,131	44,331
Financial Assets					
Available for Sale - Non Current	12,712	10,388	10,906	12,023	11,875
Long-Term Investments Under Equity Method	5,233	5,503	5,465	3,951	3,944
Other Non-Current Assets	19,673	19,711	25,771	31,586	31,211
Total Non-Current Assets	37,618	35,602	42,142	47,560	47,030
Total Assets	79,764	79,208	84,434	90,961	91,361
Current Liabilities	20,123	18,104	22,715	22,693	23,584
Bonds Payable	3,000	3,000	3,000	3,000	3,000
Long-Term Borrowing	1,385	3,486	2,300	4,560	5,348
Other Non-Current Liabilities	4,252	4,383	4,987	5,043	5,115
Total Non-Current Liabilities	8,637	10,869	10,287	12,603	13,463
Total Liabilities	28,760	28,973	33,002	35,296	37,047
Total Shareholders' Equity *	51,004	50,235	51,433	55,395	54,314

* Non-controlling interest included

Balance Sheets

	2011	2012 **	2013**	2014**	2015**
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash & Cash Equivalents</i>	11,612	13,179	14,909	17,202	14,919
<i>Receivables</i>	9,001	11,134	11,914	11,817	12,367
<i>Inventories</i>	11,070	10,761	11,193	11,539	11,755
<i>Other Current Assets</i>	3,601	1,954	2,827	2,717	3,251
Total Current Assets	35,284	37,028	40,843	43,275	42,292
Funds and Investments	16,561	15,799	15,799	19,508	16,371
Fixed & Other Assets	18,488	19,379	20,248	19,930	25,771
Total Assets	70,333	72,206	76,890	82,713	84,434
Current Liabilities	16,330	17,682	19,984	18,076	22,715
Short-term Loans	1,654	2,916	2,917	2,473	6,619
Long-Term Interest-bearing debt	12,501	10,914	6,140	7,229	5,531
Long-term Loans	11,973	7,906	4,498	5,475	2,300
Corporate Bonds Payable	0	2,903	1,476	1,528	3,000
Other Liabilities	2,761	4,324	4,042	4,119	4,756
Total Liabilities	31,592	32,920	30,166	29,424	33,002
Total Shareholders' Equity	38,741	39,286	46,724	53,289	51,433

* Non-controlling interest included

** Comply with IFRS

Cash Flows

(In NT Millions)	2Q15	3Q15	4Q15	1Q16	2Q16
Pretax Income*	1,280	1,376	798	1,062	1,449
Depreciation & Amortization	322	324	354	380	413
Other Op Sources/(Use)	138	(149)	1,406	(908)	(325)
From Operation	1,740	1,551	2,558	534	1,537
Capital Expenditures	(555)	(455)	(653)	(227)	(190)
Marketable Financial Instruments	(3)	(18)	117	172	(22)
Other Investing Sources/(Uses)	(3)	(966)	(3,122)	(1,761)	(12)
From Investment	(561)	(1,439)	(3,658)	(1,816)	(224)
Cash Dividends	0	(2,203)	0	0	0
Other Financing Sources/(Uses)	(487)	2,581	93	212	(407)
From Financing	(487)	378	93	212	(407)
Net Cash Position Change*	347	945	(1,462)	(1,100)	429
Ending Cash Balance	15,436	16,381	14,919	13,819	14,248

* Including exchange rate

Cash Flows

(In NT Millions)	2011	2012***	2013***	2014***	2015***
Net Income/ Pretax Income	2,894*	4,409	5,403	5,700	4,563
Depreciation & Amortization	1,216	1,417	1,442	1,326	1,308
Other Op Sources/(Use)	(854)	(202)	(860)	(1,859)	(330)
From Operation	3,256	5,624	5,985	5,167	5,541
Capital Expenditures	(1,719)	(800)	(962)	(2,032)	(2,067)
Marketable Financial Instruments	359	21	379	579	476
Other Investing Sources/(Uses)	(95)	80	438	672	(4,277)
From Investment	(1,455)	(699)	(145)	(781)	(5,868)
Cash Dividends	(1,468)	(1,661)	(1,922)	(2,203)	(2,203)
Employee & BOD Profit Sharing	0	0	0	0	0
Other Financing Sources/(Uses)	1,415	(892)	(2,034)	5	934
From Financing	(53)	(2,553)	(3,956)	(2,198)	(1,269)
Net Cash Position Change**	1,452	1,576	1,730	2,301	(2,283)
Ending Cash Balance	11,613	13,179	14,909	17,202	14,919

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

** Including exchange rate effect

[Http//www.teco.com.tw](http://www.teco.com.tw)

ir@teco.com.tw