

TECO Electric & Machinery Co., Ltd.



2016 4Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

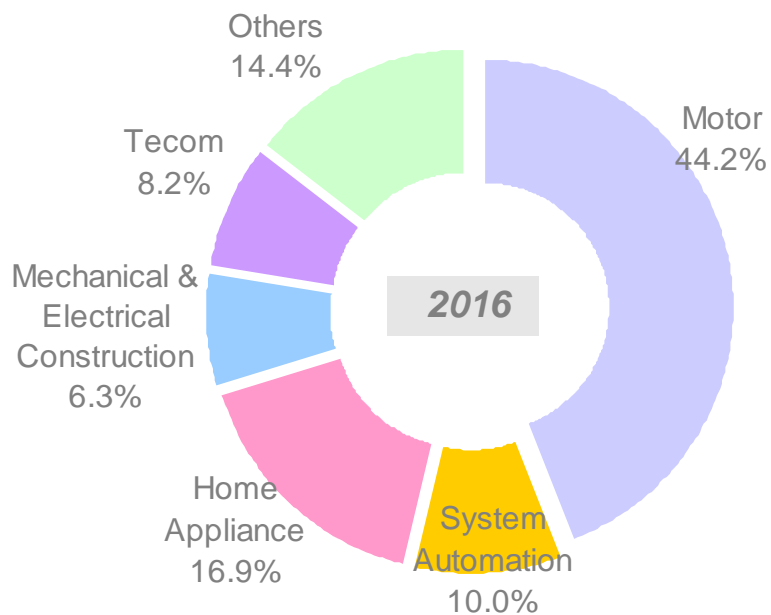
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

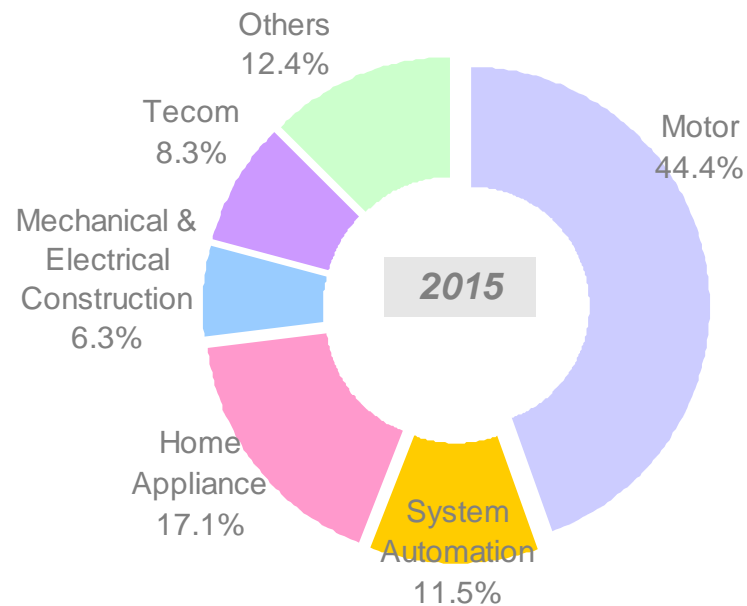
Operation Overview

Appendix

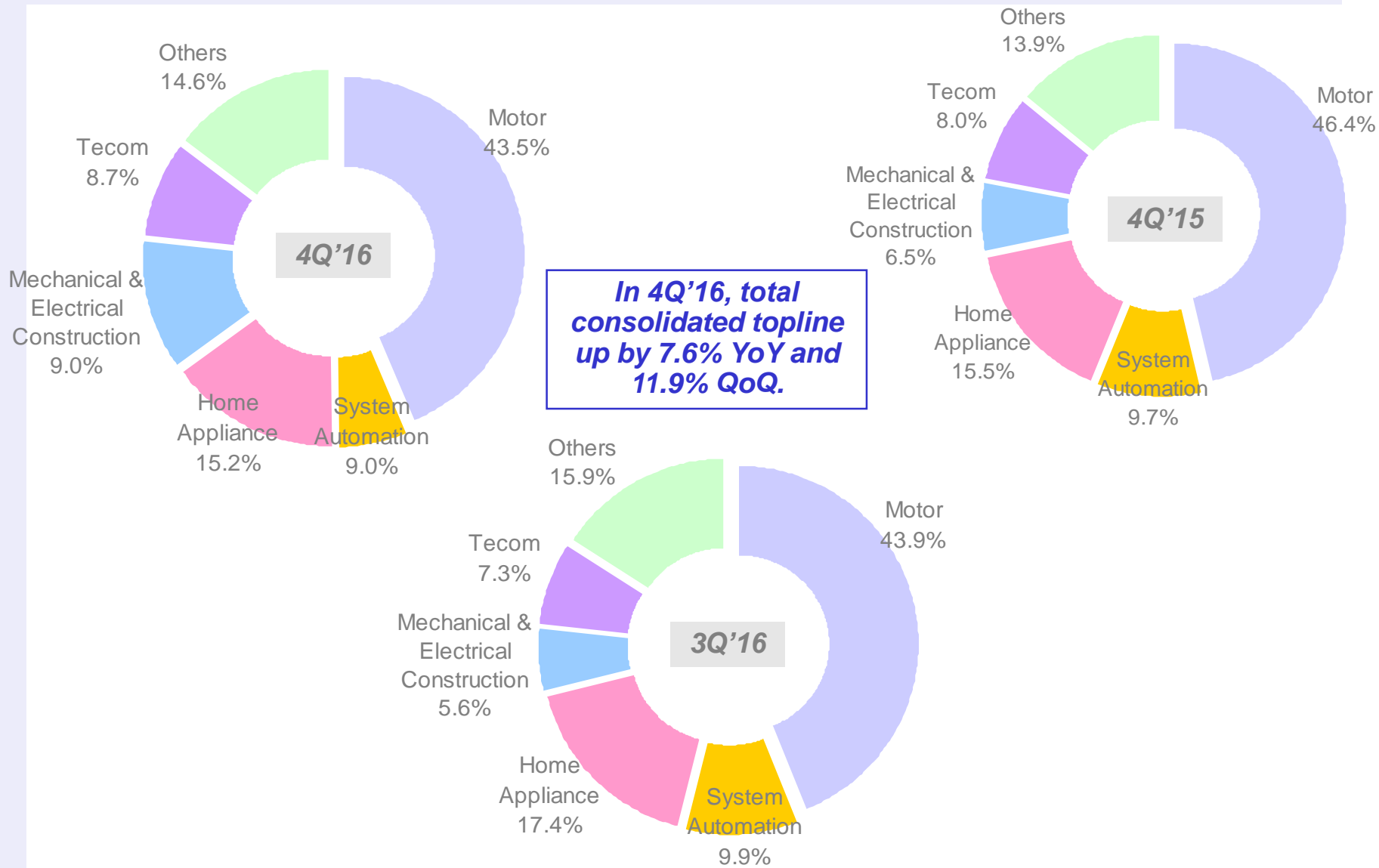
Revenue Breakdown 1/2



In 2016, total consolidated topline up 2.7% YoY.

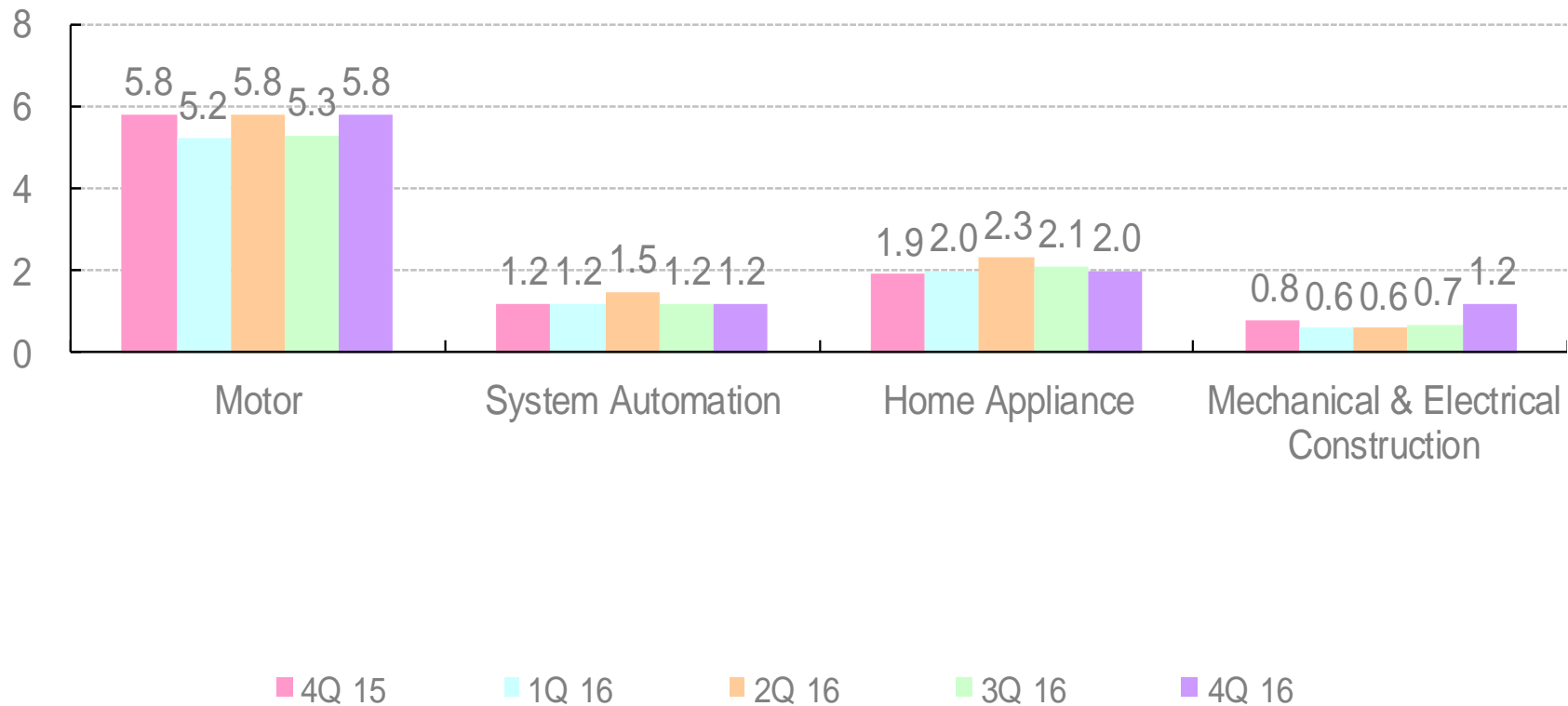


Revenue Breakdown 2/2



Sales Trend on Major Business lines

NT\$ Billion



2016 Income Statement - consolidated

(In NT Millions)	2016	2015	YoY
Net Sales - recurring *	49,753	48,505	2.6%
Gross Margin - recurring *	26.1%	25.4%	70bps
Operating Margin - recurring *	8.1%	7.6%	50bps
EPS (NT\$)	1.76	1.60	10.0%
ROE (%) **	7.2%	6.6%	60bps
ROA (%) **	3.9%	3.8%	10bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

2016 Income Statement - consolidated

(In NT Millions)	2016	2015	YoY
Operating Revenue	49,924	48,599	2.7%
Recurring Operating Revenue	49,753	48,505	2.6%
Gain on Sales of Financial Assets	171	94	81.9%
Gross Profit, net *	13,134	12,400	5.9%
Operating Profit	4,189	3,788	10.6%
Non-operating Income (Expense)	744	776	-4.1%
Income before Tax	4,933	4,563	8.1%
Income Tax Expense	(896)	(1,049)	-14.6%
Net Income **	3,481	3,177	9.6%
EPS (NT\$)	1.76	1.60	10.0%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

4Q 16 Financial Highlights - consolidated

(In NT Millions)	4Q 16	3Q 16	QoQ	4Q 15	YoY
Net Sales - recurring *	13,419	11,990	11.9%	12,467	7.6%
Gross Margin - recurring *	25.3%	25.8%	-50bps	25.5%	-20bps
Operating Margin - recurring *	8.1%	7.1%	100bps	7.4%	70bps
EPS (NT\$)	0.44	0.45	-2.2%	0.28	57.1%
ROE (%) **	6.9%	7.3%	-40bps	4.9%	200bps
ROA (%) **	3.7%	3.9%	-20bps	2.8%	90bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

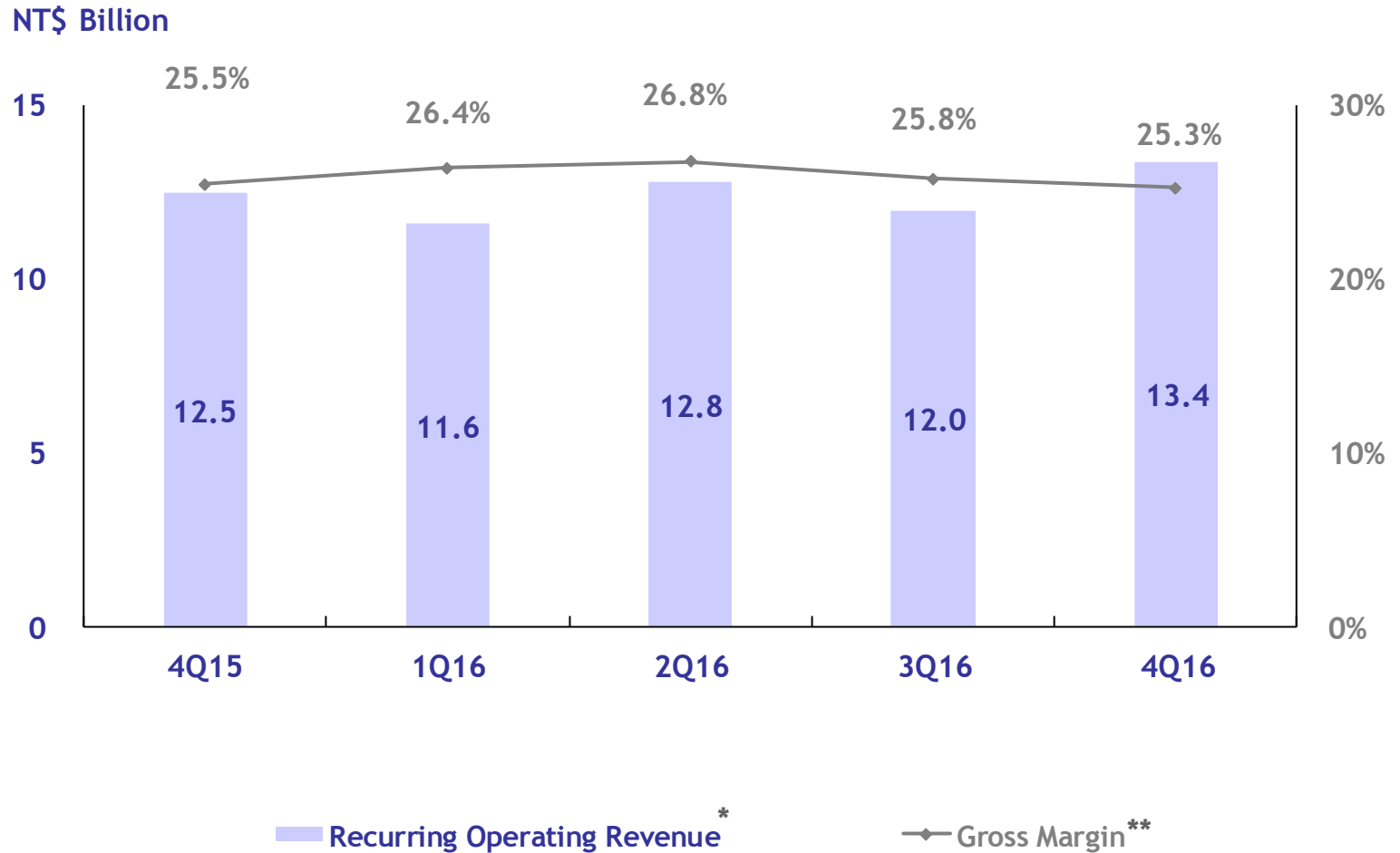
4Q 16 Income Statement - consolidated

(In NT Millions)	4Q 16	3Q 16	QoQ	4Q 15	YoY
Operating Revenue	13,428	12,004	11.9%	12,476	7.6%
Recurring Operating Revenue	13,419	11,990	11.9%	12,467	7.6%
Gain on Sales of Financial Assets	9	14	-35.7%	9	0.0%
Gross Profit, net *	3,404	3,106	9.6%	3,189	6.7%
Operating Profit	1,100	870	26.4%	936	17.5%
Non-operating Income (Expense)	154	299	-48.5%	(137)	-
Income before Tax	1,254	1,168	7.4%	798	57.1%
Income Tax Expense	(218)	(143)	52.4%	(136)	60.3%
Net Income **	864	899	-3.9%	570	51.6%
EPS (NT\$)	0.44	0.45	-2.2%	0.28	57.1%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Recurring Operating Revenue vs. Gross Margin

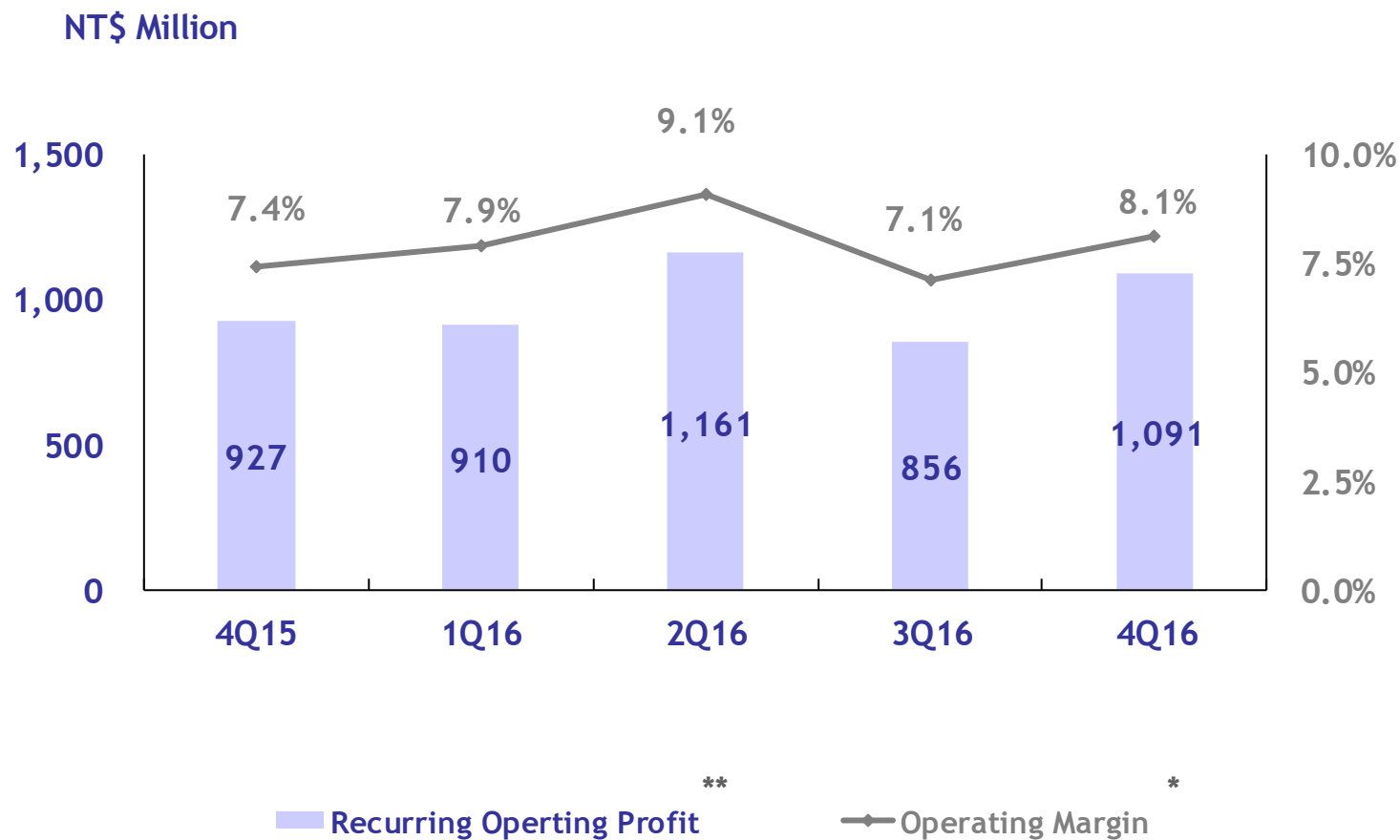


* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

** 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)	Dec 16		Sep 16		Dec 15	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	13,989,826	15%	14,831,484	16%	14,919,042	18%
Receivable	13,859,458	14%	12,583,493	13%	12,366,714	14%
Inventories	11,177,041	12%	11,531,653	13%	11,755,227	14%
Total Assets	92,373,956	100%	92,129,161	100%	84,434,252	100%
Short-term Borrowings	3,078,361	4%	2,458,825	3%	6,619,012	8%
Accounts Payable	12,981,953	14%	11,914,277	13%	12,069,341	14%
Long-term Borrowings	9,428,570	10%	10,347,469	11%	2,300,299	3%
Corporate Bond Payable	3,000,000	3%	3,000,000	3%	3,000,000	3%
Total Liabilities	36,649,413	40%	36,520,474	40%	33,001,748	39%
Equities	55,724,543	60%	55,608,687	60%	51,432,504	61%

Key Indices

Quarterly AR Turnover (times)	4.36	4.49	4.69
Quarterly Inventory Turnover (times)	2.98	2.84	2.89
Current Ratio	2.39	2.45	1.86
Quick Ratio	1.71	1.70	1.29
Net Debt to Equity	2.7%	1.8%	-15.1%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	4Q15	1Q16	2Q16	3Q16	4Q16
Operating Revenue	12,476	11,678	12,814	12,004	13,427
Recurring Operating Revenue	12,467	11,555	12,789	11,990	13,418
Gain on Sales of Financial Assets	9	123	25	14	9
Operating Costs	(9,289)	(8,508)	(9,360)	(8,897)	(10,023)
Gross Profit, net *	3,189	3,171	3,454	3,106	3,404
Operating Expense	(2,254)	(2,137)	(2,268)	(2,236)	(2,303)
Operating Profit	936	1,033	1,186	870	1,100
Non-operating Income (Expense)	(137)	28	263	299	154
Income before Tax	798	1,062	1,449	1,168	1,254
Income Tax Expense	(136)	(271)	(264)	(143)	(218)
Net Income **	570	683	1,035	899	864
<i>Net Margin</i>	4.6%	5.8%	8.1%	7.5%	6.4%
EPS (NT\$)	0.28	0.34	0.52	0.45	0.44

* 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

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	14,919	13,819	14,248	14,831	13,990
Receivables	12,367	12,318	13,278	12,583	13,859
Inventories	11,755	11,672	11,390	11,532	11,177
Other Current Assets	3,251	5,322	5,415	5,220	6,270
Total Current Assets	42,292	43,131	44,331	44,166	45,296
Financial Assets					
Available for Sale - Non Current	10,906	12,023	11,875	12,788	11,745
Long-Term Investments Under Equity Method	5,465	3,951	3,944	3,953	3,871
Other Non-Current Assets	25,771	31,586	31,211	31,222	31,462
Total Non-Current Assets	42,142	47,560	47,030	47,963	47,078
Total Assets	84,434	90,961	91,361	92,129	92,374
Current Liabilities	22,715	22,693	23,584	18,062	18,959
Bonds Payable	3,000	3,000	3,000	3,000	3,000
Long-Term Borrowing	2,300	4,560	5,348	10,347	9,429
Other Non-Current Liabilities	4,987	5,043	5,115	112	5,262
Total Non-Current Liabilities	10,287	12,603	13,463	13,459	17,691
Total Liabilities	33,002	35,296	37,047	36,520	36,649
Total Shareholders' Equity *	51,433	55,395	54,314	55,609	55,725

* 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)	4Q15	1Q16	2Q16	3Q16	4Q16
Pretax Income*	798	1,062	1,449	1,168	1,254
Depreciation & Amortization	354	380	413	365	392
Other Op Sources/(Use)	1,406	(908)	(325)	313	(713)
From Operation	2,558	534	1,537	1,846	933
Capital Expenditures	(653)	(227)	(190)	(230)	(909)
Marketable Financial Instruments	117	172	(22)	81	555
Other Investing Sources/(Uses)	(3,122)	(1,761)	(12)	(120)	(1,117)
From Investment	(3,658)	(1,816)	(224)	(269)	(1,471)
Cash Dividends	0	0	0	(1,602)	0
Other Financing Sources/(Uses)	93	212	(407)	1,062	(320)
From Financing	93	212	(407)	(540)	(320)
Net Cash Position Change*	(1,462)	(1,100)	429	583	(841)
Ending Cash Balance	14,919	13,819	14,248	14,831	13,990

* 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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