

# ***TECO Electric & Machinery Co., Ltd.***



**2016 3Q Business Review**

*Driving and Connecting Globally*



# Safe Harbor Statement

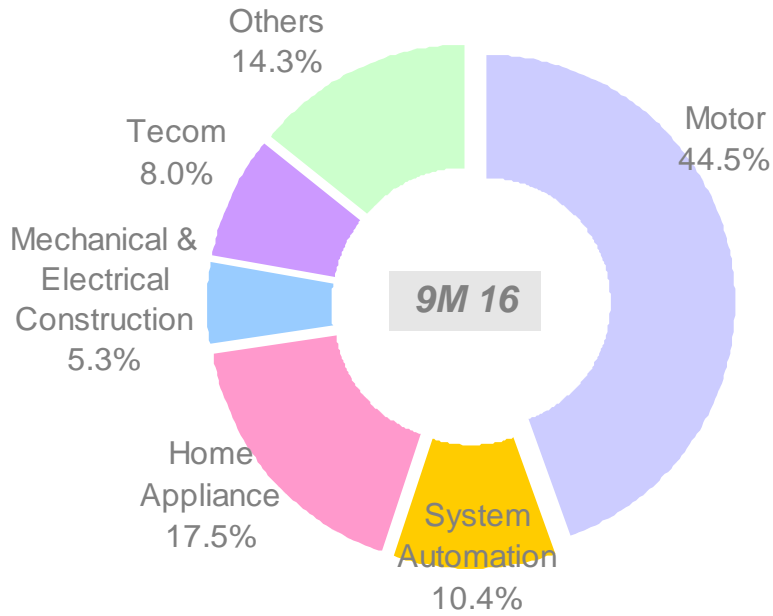
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

# Agenda

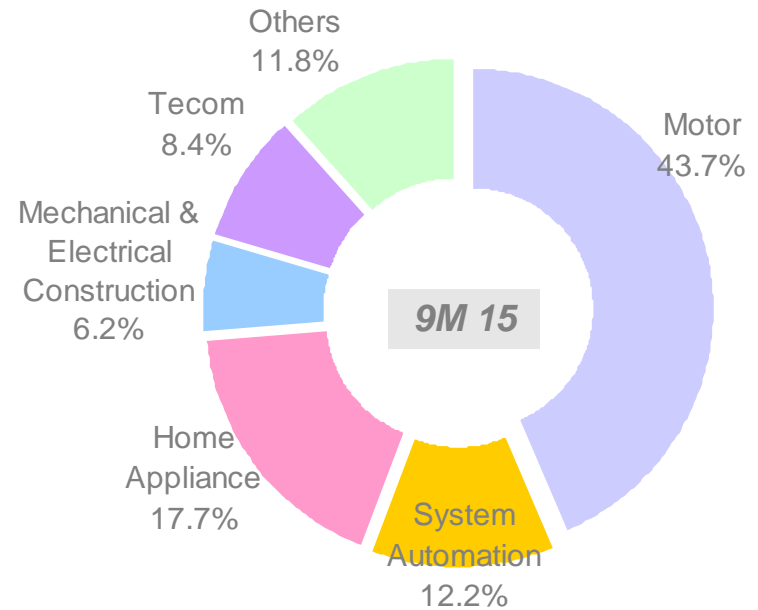
## *Operation Overview*

Appendix

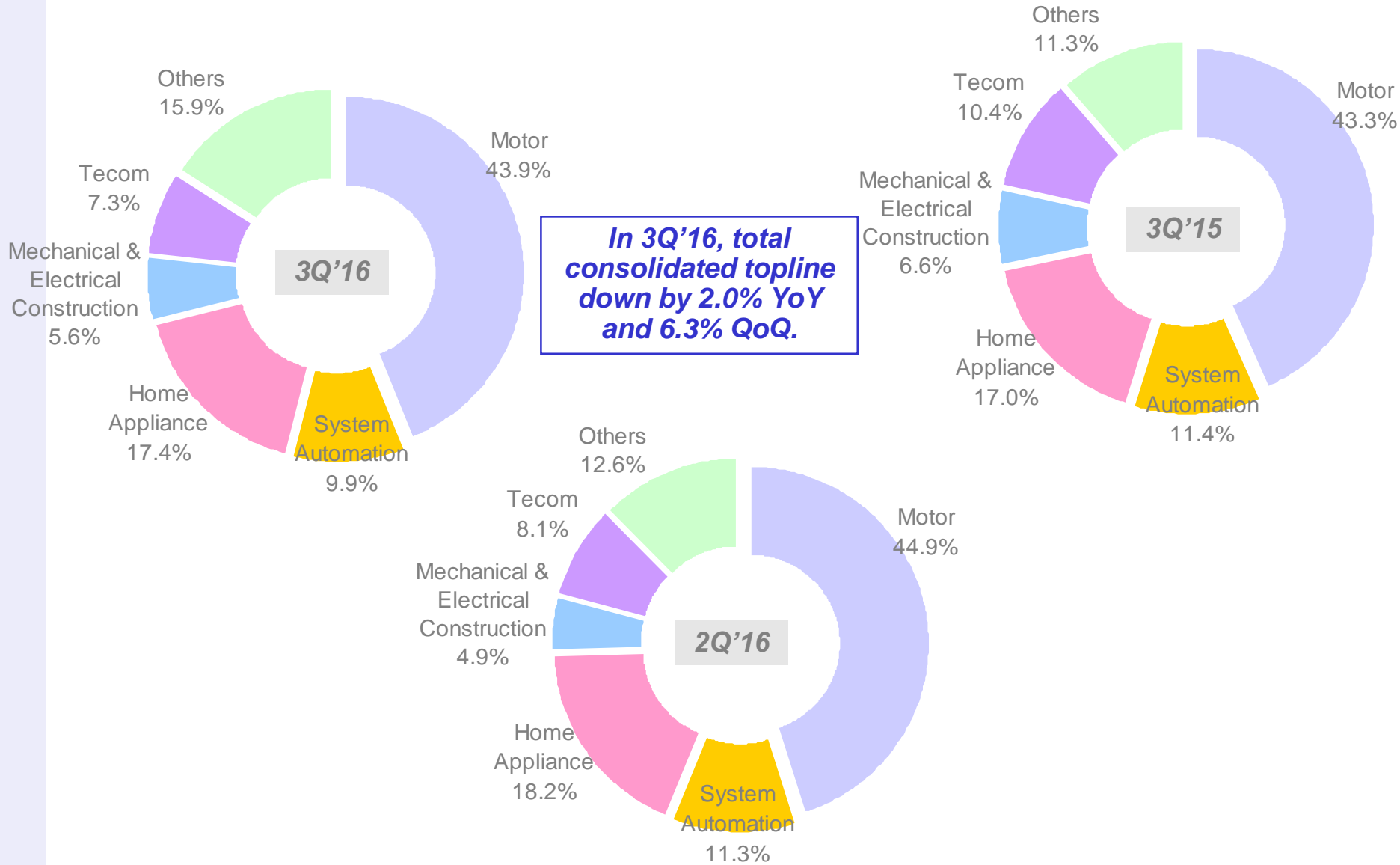
# Revenue Breakdown 1/2



***In 9M 2016, total consolidated topline up 1.0% YoY.***

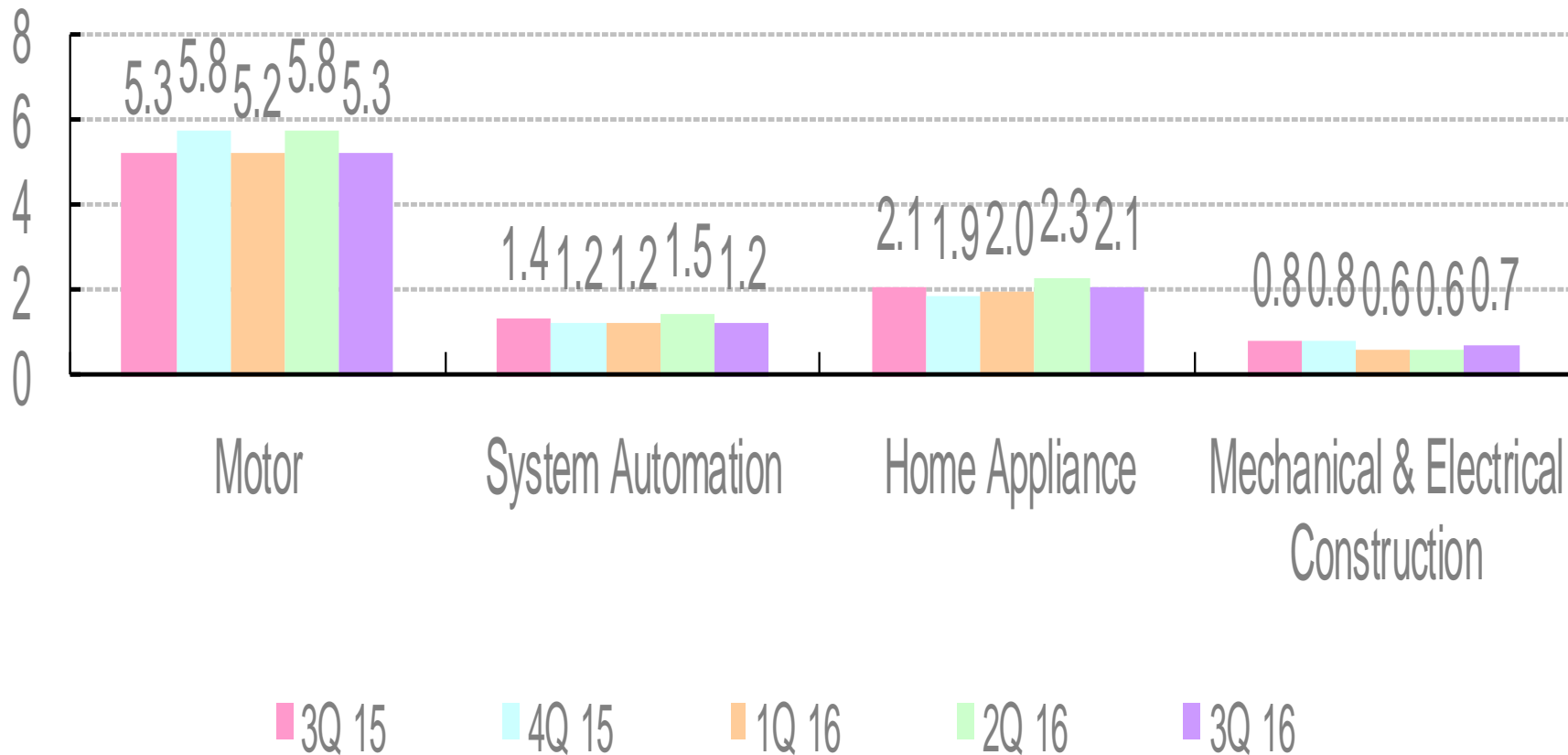


# Revenue Breakdown 2/2



# Sales Trend on Major Business lines

NT\$ Billion



# 9M 2016 Income Statement - consolidated

(In NT Millions)	9M 16	9M 15	YoY
Net Sales - recurring *	36,334	36,038	0.8%
Gross Margin - recurring *	26.3%	25.3%	100bps
Operating Margin - recurring *	8.1%	7.7%	40bps
EPS (NT\$)	1.32	1.32	0.0%
ROE (%) **	7.2%	7.3%	-10bps
ROA (%) **	4.0%	4.3%	-30bps

\* Excluding Security Sales Revenue

\*\* Annualized number and excluding minority interest

# 9M 2016 Income Statement - consolidated

(In NT Millions)	9M 16	9M 15	YoY
Operating Revenue	36,496	36,123	1.0%
Recurring Operating Revenue	36,334	36,038	0.8%
Gain on Sales of Financial Assets	162	85	90.6%
Gross Profit, net *	9,730	9,211	5.6%
Operating Profit	3,089	2,852	8.3%
Non-operating Income (Expense)	590	913	-35.4%
Income before Tax	3,679	3,765	-2.3%
Income Tax Expense	(678)	(913)	-25.7%
Net Income **	2,617	2,607	0.4%
EPS (NT\$)	1.32	1.32	0.0%

\* Unrealized / realized gain on inter-affiliate accounts included

\*\* Excluding non-controlling interest



# 3Q 16 Financial Highlights - consolidated

(In NT Millions)	3Q 16	2Q 16	QoQ	3Q 15	YoY
Net Sales - recurring *	11,990	12,789	-6.2%	12,273	-2.3%
Gross Margin - recurring *	25.8%	26.8%	-100bps	25.4%	40bps
Operating Margin - recurring *	7.1%	9.1%	-200bps	8.0%	-90bps
EPS (NT\$)	0.45	0.52	-13.5%	0.48	-6.2%
ROE (%) **	7.3%	8.4%	-110bps	8.2%	-90bps
ROA (%) **	3.9%	4.5%	-60bps	4.8%	-90bps

\* Excluding gain on sales of financial assets

\*\* Annualized number and excluding non-controlling interests

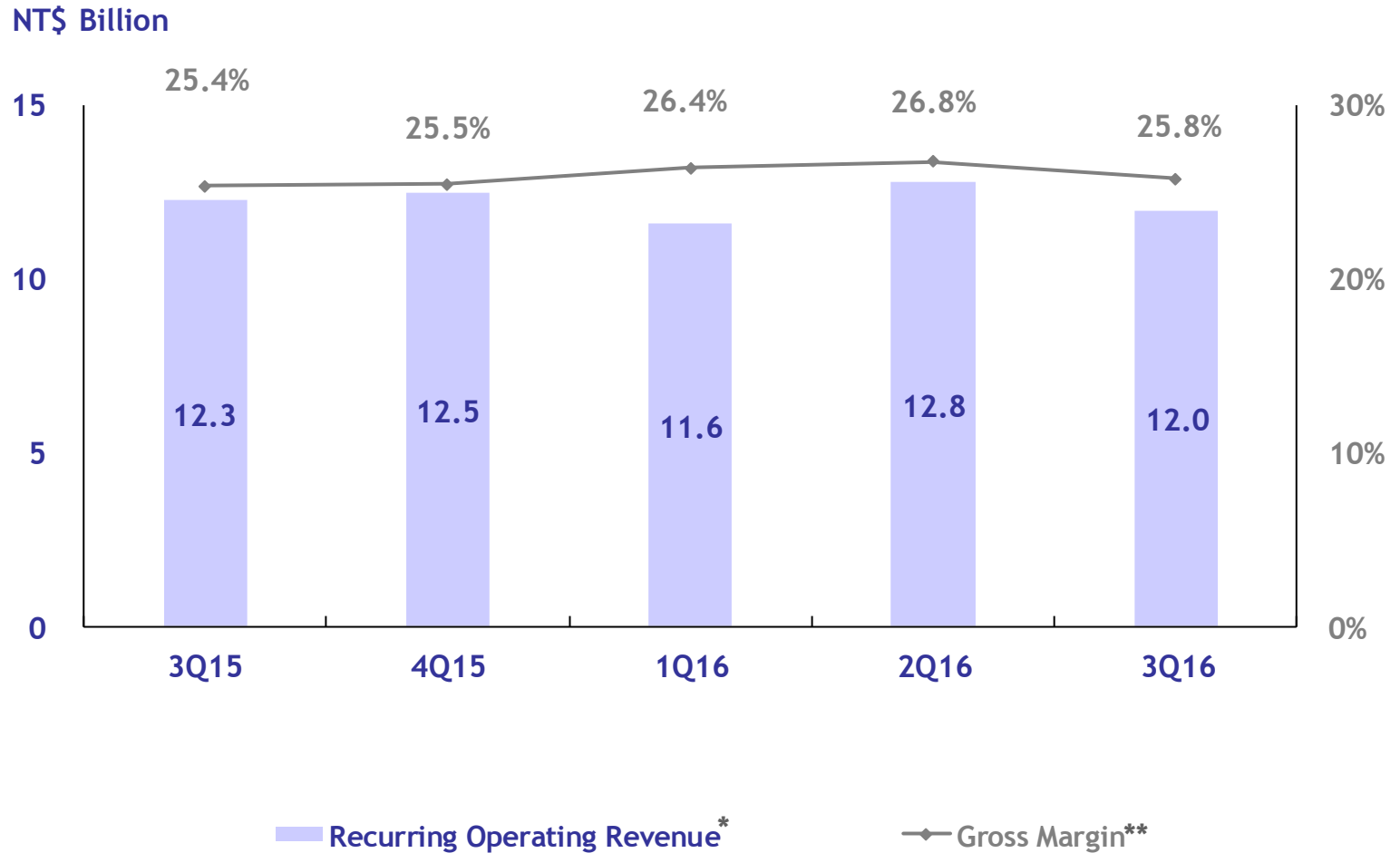
# 3Q 16 Income Statement - consolidated

(In NT Millions)	3Q 16	2Q 16	QoQ	3Q 15	YoY
Operating Revenue	12,004	12,814	-6.3%	12,248	-2.0%
Recurring Operating Revenue	11,990	12,789	-6.2%	12,273	-2.3%
Gain on Sales of Financial Assets	14	25	-44.0%	(25)	-
Gross Profit, net *	3,106	3,453	-10.0%	3,087	0.6%
Operating Profit	870	1,186	-26.6%	962	-9.6%
Non-operating Income (Expense)	299	263	13.7%	413	-27.6%
Income before Tax	1,168	1,449	-19.4%	1,376	-15.1%
Income Tax Expense	(143)	(264)	-45.8%	(358)	-60.1%
Net Income **	899	1,035	-13.1%	957	-6.1%
EPS (NT\$)	0.45	0.52	-13.5%	0.48	-6.2%

\* Unrealized / realized gain on inter-affiliate accounts included

\*\* Excluding non-controlling interest

# Recurring Operating Revenue vs. Gross Margin

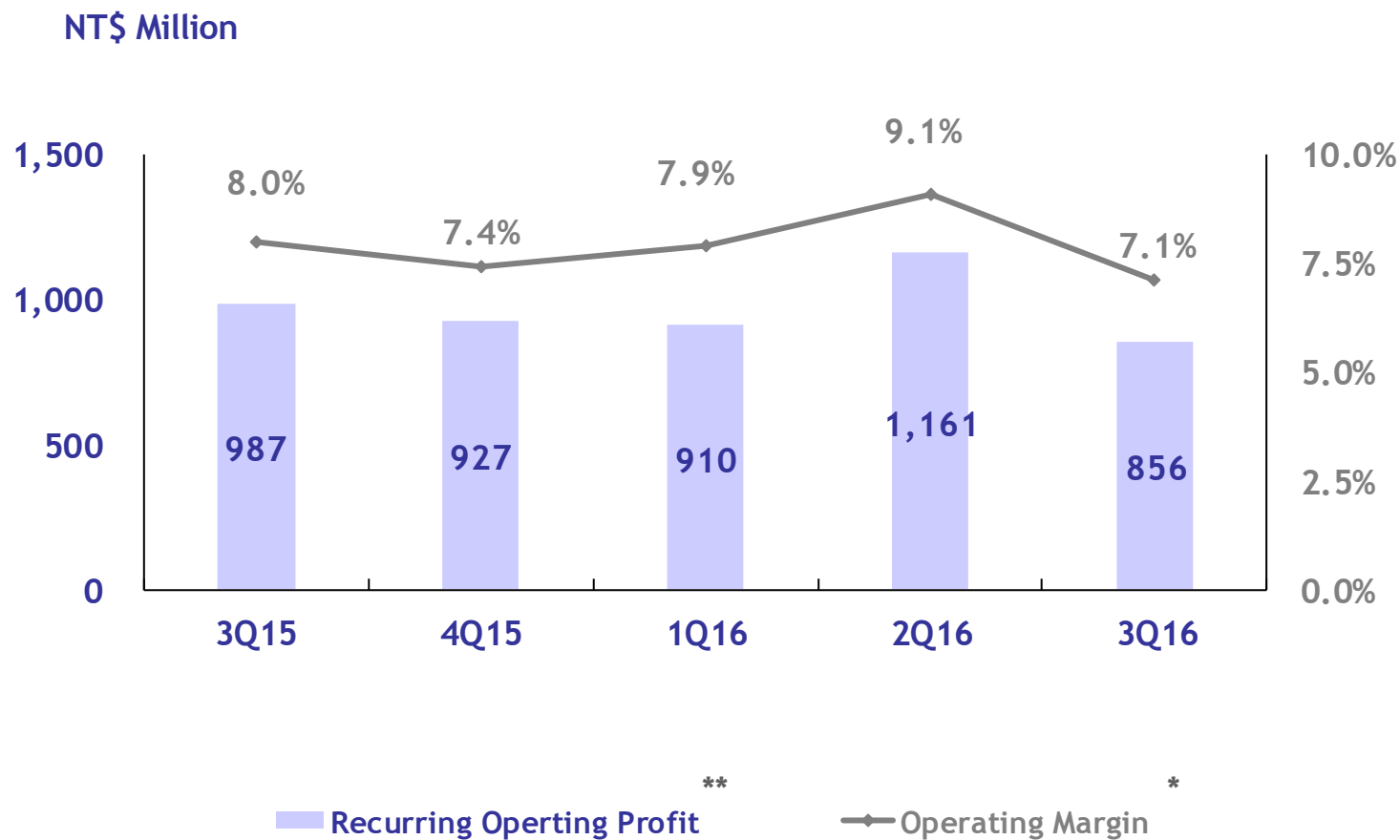


\* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

\*\* 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)	Sep 16		June 16		Sep 15	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	14,831,484	16%	14,247,729	16%	16,380,750	21%
Receivable	12,583,493	13%	13,278,367	14%	11,866,765	13%
Inventories	11,531,653	13%	11,390,489	13%	11,311,913	14%
<b>Total Assets</b>	<b>92,129,161</b>	<b>100%</b>	<b>91,361,236</b>	<b>100%</b>	<b>79,207,519</b>	<b>100%</b>
Short-term Borrowings	2,458,825	3%	6,776,206	8%	2,314,695	3%
Accounts Payable	11,914,277	13%	13,617,648	14%	11,640,733	14%
Long-term Borrowings	10,347,469	11%	5,348,233	6%	3,485,801	4%
Corporate Bond Payable	3,000,000	3%	3,000,000	3%	3,000,000	4%
<b>Total Liabilities</b>	<b>36,520,474</b>	<b>40%</b>	<b>37,047,494</b>	<b>41%</b>	<b>28,972,928</b>	<b>37%</b>
<b>Equities</b>	<b>55,608,687</b>	<b>60%</b>	<b>54,313,742</b>	<b>59%</b>	<b>50,234,591</b>	<b>63%</b>

## Key Indices

Quarterly AR Turnover (times)	4.49	4.39	4.65
Quarterly Inventory Turnover (times)	2.84	2.86	3.12
Current Ratio	2.45	1.88	2.41
Quick Ratio	1.70	1.32	1.73
Net Debt to Equity	1.8%	1.6%	-15.1%

# Agenda

Operation Overview

***Appendix***

# Income Statements

(In NT Millions, unless otherwise noted)	3Q15	4Q15	1Q16	2Q16	3Q16
Operating Revenue	12,248	12,476	11,678	12,814	12,004
Recurring Operating Revenue	12,273	12,467	11,555	12,789	11,990
Gain on Sales of Financial Assets	(25)	9	123	25	14
Operating Costs	(9,158)	(9,289)	(8,508)	(9,360)	(8,897)
Gross Profit, net *	3,087	3,189	3,171	3,454	3,106
Operating Expense	(2,124)	(2,254)	(2,137)	(2,268)	(2,236)
Operating Profit	962	936	1,033	1,186	870
Non-operating Income (Expense)	413	(137)	28	263	299
Income before Tax	1,376	798	1,062	1,449	1,168
Income Tax Expense	(338)	(136)	(271)	(264)	(143)
Net Income **	957	570	683	1,035	899
<i>Net Margin</i>	7.8%	4.6%	5.8%	8.1%	7.5%
EPS (NT\$)	0.48	0.28	0.34	0.52	0.45

\* 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

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	16,381	14,919	13,819	14,248	14,831
Receivables	11,867	12,367	12,318	13,278	12,583
Inventories	11,312	11,755	11,672	11,390	11,532
Other Current Assets	4,046	3,251	5,322	5,415	5,220
<b>Total Current Assets</b>	<b>43,606</b>	<b>42,292</b>	<b>43,131</b>	<b>44,331</b>	<b>44,166</b>
<b>Financial Assets</b>					
Available for Sale - Non Current	10,388	10,906	12,023	11,875	12,788
Long-Term Investments Under Equity Method	5,503	5,465	3,951	3,944	3,953
Other Non-Current Assets	19,711	25,771	31,586	31,211	31,222
<b>Total Non-Current Assets</b>	<b>35,602</b>	<b>42,142</b>	<b>47,560</b>	<b>47,030</b>	<b>47,963</b>
<b>Total Assets</b>	<b>79,208</b>	<b>84,434</b>	<b>90,961</b>	<b>91,361</b>	<b>92,129</b>
<b>Current Liabilities</b>	<b>18,104</b>	<b>22,715</b>	<b>22,693</b>	<b>23,584</b>	<b>18,062</b>
Bonds Payable	3,000	3,000	3,000	3,000	3,000
Long-Term Borrowing	3,486	2,300	4,560	5,348	10,347
Other Non-Current Liabilities	4,383	4,987	5,043	5,115	112
<b>Total Non-Current Liabilities</b>	<b>10,869</b>	<b>10,287</b>	<b>12,603</b>	<b>13,463</b>	<b>13,459</b>
<b>Total Liabilities</b>	<b>28,973</b>	<b>33,002</b>	<b>35,296</b>	<b>37,047</b>	<b>36,520</b>
<b>Total Shareholders' Equity *</b>	<b>50,235</b>	<b>51,433</b>	<b>55,395</b>	<b>54,314</b>	<b>55,609</b>

\* Non-controlling interest included

# Balance Sheets

	2011	2012 **	2013**	2014**	2015**
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash &amp; 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
<b>Total Current Assets</b>	<b>35,284</b>	<b>37,028</b>	<b>40,843</b>	<b>43,275</b>	<b>42,292</b>
<b>Funds and Investments</b>	<b>16,561</b>	<b>15,799</b>	<b>15,799</b>	<b>19,508</b>	<b>16,371</b>
<b>Fixed &amp; Other Assets</b>	<b>18,488</b>	<b>19,379</b>	<b>20,248</b>	<b>19,930</b>	<b>25,771</b>
<b>Total Assets</b>	<b>70,333</b>	<b>72,206</b>	<b>76,890</b>	<b>82,713</b>	<b>84,434</b>
<b>Current Liabilities</b>	<b>16,330</b>	<b>17,682</b>	<b>19,984</b>	<b>18,076</b>	<b>22,715</b>
Short-term Loans	1,654	2,916	2,917	2,473	6,619
<b>Long-Term Interest-bearing debt</b>	<b>12,501</b>	<b>10,914</b>	<b>6,140</b>	<b>7,229</b>	<b>5,531</b>
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
<b>Other Liabilities</b>	<b>2,761</b>	<b>4,324</b>	<b>4,042</b>	<b>4,119</b>	<b>4,756</b>
<b>Total Liabilities</b>	<b>31,592</b>	<b>32,920</b>	<b>30,166</b>	<b>29,424</b>	<b>33,002</b>
<b>Total Shareholders' Equity</b>	<b>38,741</b>	<b>39,286</b>	<b>46,724</b>	<b>53,289</b>	<b>51,433</b>

\* Non-controlling interest included

\*\* Comply with IFRS

# Cash Flows

(In NT Millions)	3Q15	4Q15	1Q16	2Q16	3Q16
Pretax Income*	1,376	798	1,062	1,449	1,168
Depreciation & Amortization	324	354	380	413	365
Other Op Sources/(Use)	(149)	1,406	(908)	(325)	313
<b>From Operation</b>	<b>1,551</b>	<b>2,558</b>	<b>534</b>	<b>1,537</b>	<b>1,846</b>
Capital Expenditures	(455)	(653)	(227)	(190)	(230)
Marketable Financial Instruments	(18)	117	172	(22)	81
Other Investing Sources/(Uses)	(966)	(3,122)	(1,761)	(12)	(120)
<b>From Investment</b>	<b>(1,439)</b>	<b>(3,658)</b>	<b>(1,816)</b>	<b>(224)</b>	<b>(269)</b>
Cash Dividends	(2,203)	0	0	0	(1,602)
Other Financing Sources/(Uses)	2,581	93	212	(407)	1,062
<b>From Financing</b>	<b>378</b>	<b>93</b>	<b>212</b>	<b>(407)</b>	<b>(540)</b>
<b>Net Cash Position Change*</b>	<b>945</b>	<b>(1,462)</b>	<b>(1,100)</b>	<b>429</b>	<b>583</b>
<b>Ending Cash Balance</b>	<b>16,381</b>	<b>14,919</b>	<b>13,819</b>	<b>14,248</b>	<b>14,831</b>

\* 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)
<b>From Operation</b>	<b>3,256</b>	<b>5,624</b>	<b>5,985</b>	<b>5,167</b>	<b>5,541</b>
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)
<b>From Investment</b>	<b>(1,455)</b>	<b>(699)</b>	<b>(145)</b>	<b>(781)</b>	<b>(5,868)</b>
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
<b>From Financing</b>	<b>(53)</b>	<b>(2,553)</b>	<b>(3,956)</b>	<b>(2,198)</b>	<b>(1,269)</b>
<b>Net Cash Position Change**</b>	<b>1,452</b>	<b>1,576</b>	<b>1,730</b>	<b>2,301</b>	<b>(2,283)</b>
<b>Ending Cash Balance</b>	<b>11,613</b>	<b>13,179</b>	<b>14,909</b>	<b>17,202</b>	<b>14,919</b>

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

\*\* Including exchange rate effect

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