

TECO Electric & Machinery Co., Ltd.



2015 2Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

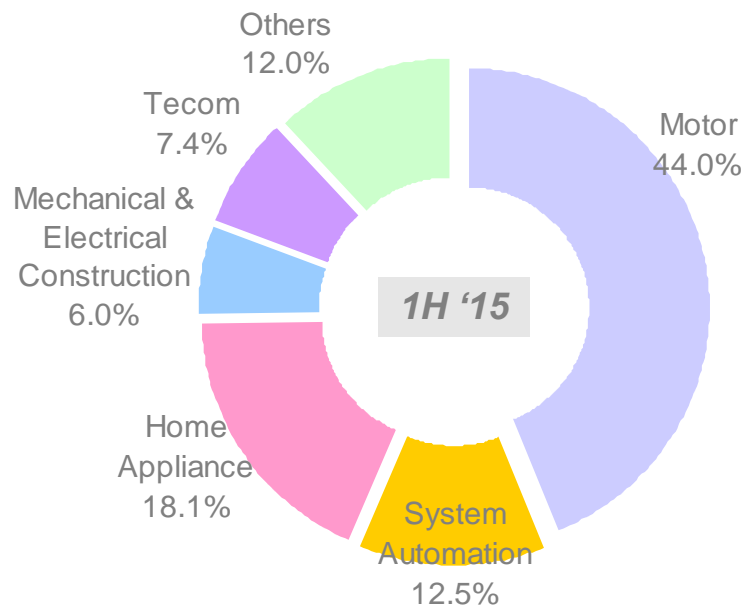
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

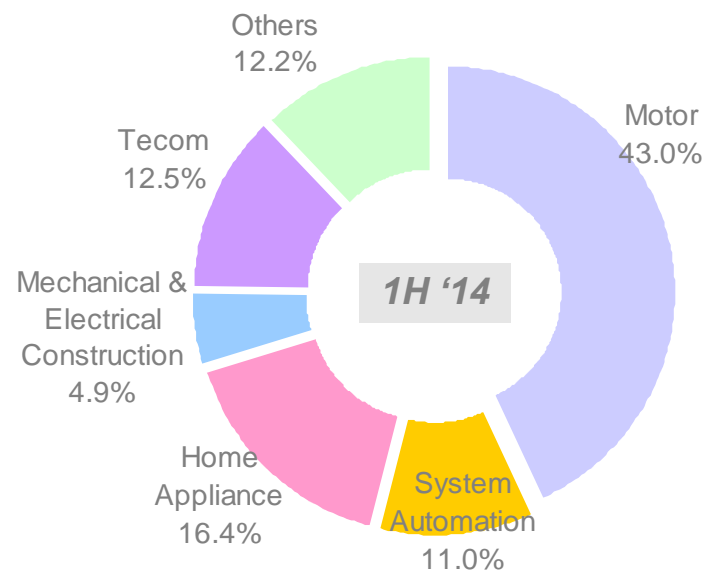
Operation Overview

Appendix

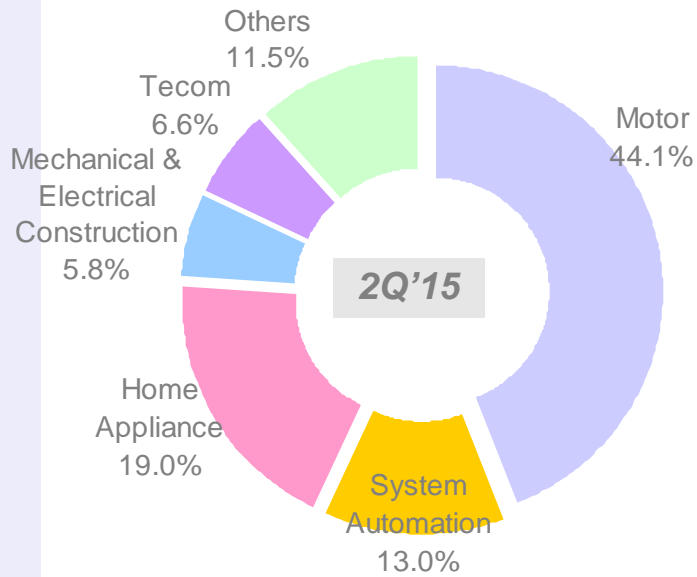
Revenue Breakdown 1/2



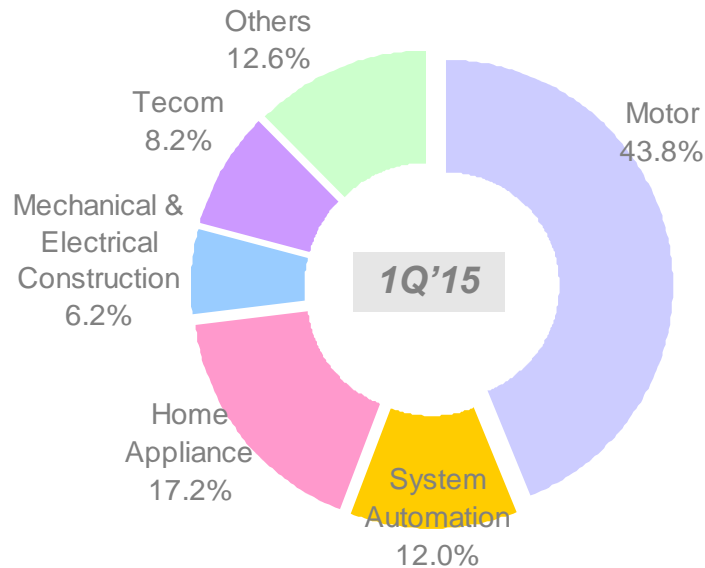
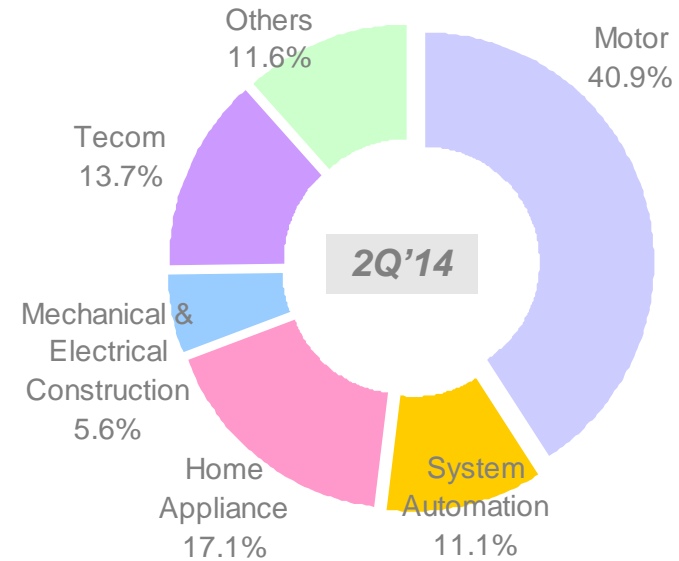
In 1H 2015, total consolidated topline down 14.0% YoY.



Revenue Breakdown 2/2

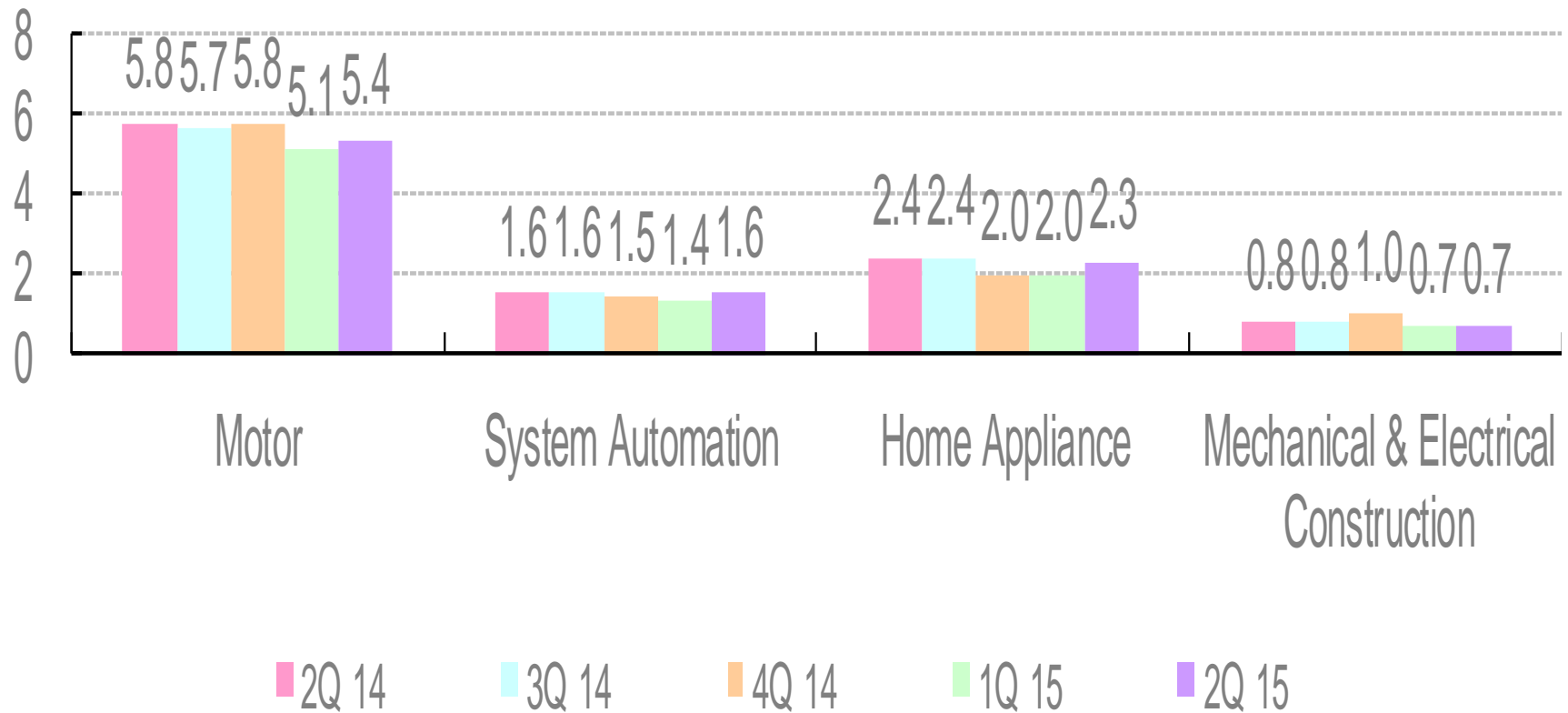


In 2Q'15, total consolidated topline down 14.6% YoY and up 3.8% QoQ.



Sales Trend on Major Business lines

NT\$ Billion



1H 2015 Financial Highlights - consolidated

(In NT Millions)	1H 15	1H 14	YoY
Net Sales - recurring *	23,766	27,569	-13.8%
Gross Margin - recurring *	25.3%	24.4%	+90bps
Operating Margin - recurring *	7.5%	8.6%	-110bps
EPS (NT\$)	0.83	1.18	-29.7%
ROE (%) **	6.8%	10.6%	-380bps
ROA (%) **	4.1%	5.9%	-180bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

1H 2015 Income Statement - consolidated

(In NT Millions)	1H 15	1H 14	YoY
Operating Revenue	23,876	27,740	-13.9%
Recurring Operating Revenue	23,766	27,569	-13.8%
Gain on Sales of Financial Assets	110	171	-35.7%
Gross Profit, net *	6,124	6,886	-11.1%
Operating Profit	1,890	2,547	-25.8%
Non-operating Income (Expense)	500	781	-36.0%
Income before Tax	2,389	3,327	-28.2%
Income Tax Expense	(575)	(808)	-28.8%
Net Income **	1,650	2,331	-29.2%
EPS (NT\$)	0.83	1.18	-29.7%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

2Q 15 Financial Highlights - consolidated

(In NT Millions)	2Q 15***	1Q 15***	QoQ	2Q 14***	YoY
Net Sales - recurring *	12,154	11,611	4.7%	14,140	-14.0%
Gross Margin - recurring *	25.2%	25.4%	-20bps	24.9%	30bps
Operating Margin - recurring *	7.4%	7.6%	-20bps	9.1%	-170bps
EPS (NT\$)	0.46	0.37	24.3%	0.74	-37.8%
ROE (%) **	7.6%	6.0%	160bps	13.0%	-540bps
ROA (%) **	4.6%	3.6%	100bps	7.4%	-280bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

2Q 15 Income Statement - consolidated

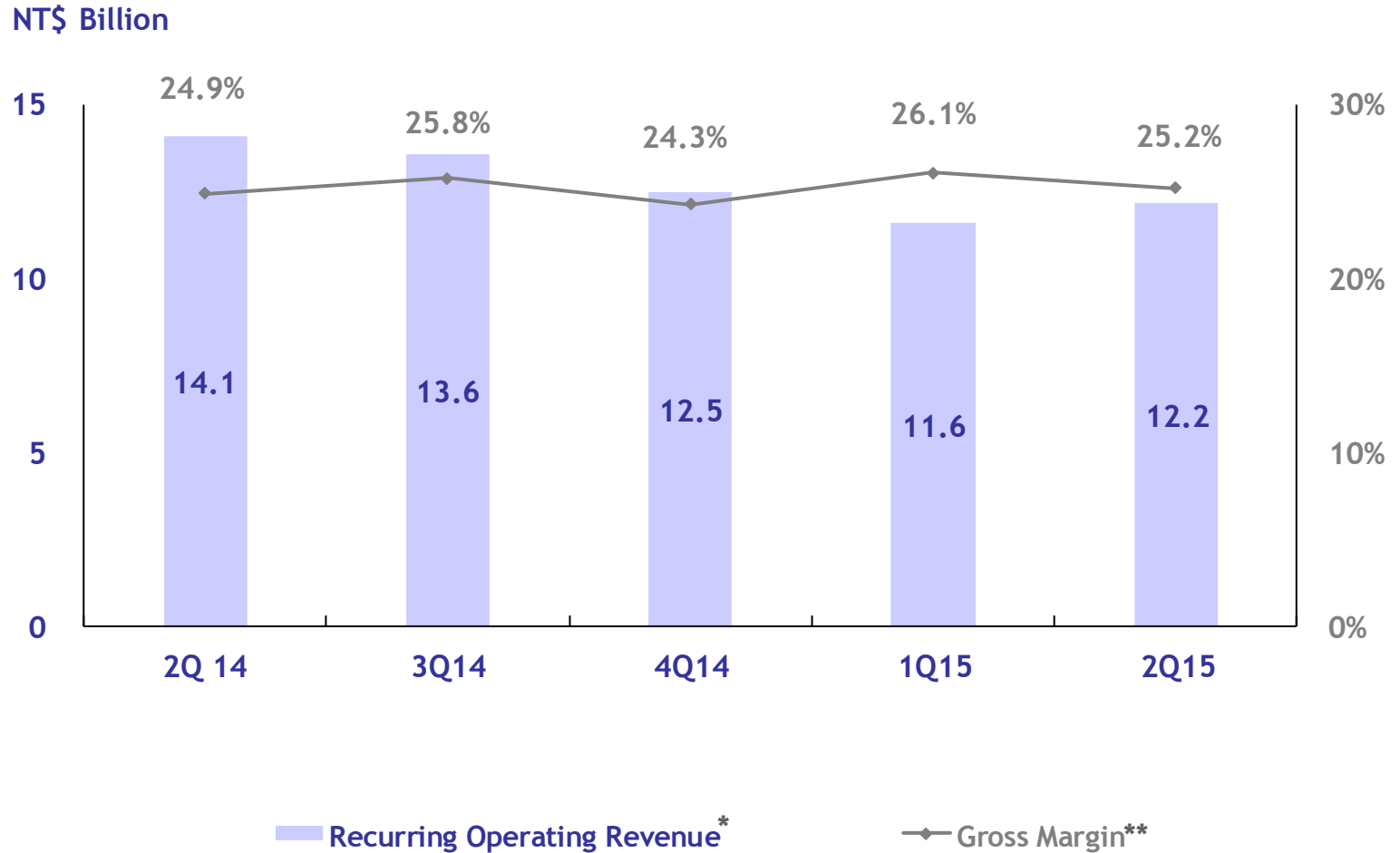
(In NT Millions)	2Q 15***	1Q 15***	QoQ	2Q 14 ***	YoY
Operating Revenue	12,160	11,716	3.8%	14,215	-14.5%
Recurring Operating Revenue	12,154	11,611	4.7%	14,140	-14.0%
Gain on Sales of Financial Assets	6	105	-94.3%	75	-92.0%
Gross Profit, net *	3,067	3,057	0.3%	3,594	-14.7%
Operating Profit	903	987	-8.5%	1,359	-33.6%
Non-operating Income (Expense)	378	122	209.8%	646	-41.5%
Income before Tax	1,280	1,109	15.4%	2,003	-36.1%
Income Tax Expense	(288)	(287)	0.3%	(436)	-33.9%
Net Income **	913	737	23.9%	1,470	-37.9%
EPS (NT\$)	0.46	0.37	24.3%	0.74	-37.8%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

Recurring Operating Revenue vs. Gross Margin

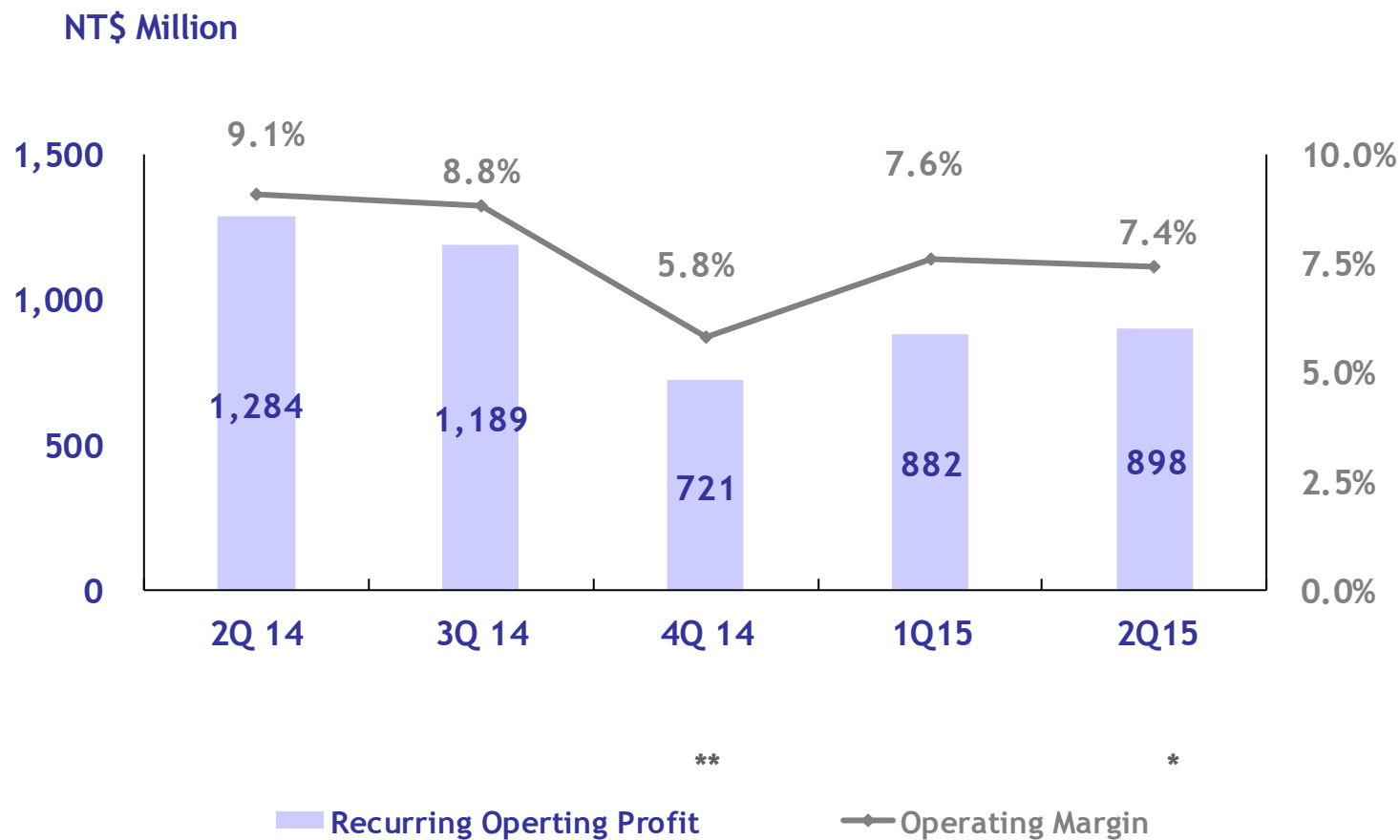


* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

** 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

June '15 Balance Sheet - consolidated

(In NT 1,000)	June 15		Mar 15		June 14	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	15,435,742	20%	15,089,115	19%	15,417,110	19%
Receivable	12,077,787	15%	11,695,759	14%	14,292,181	18%
Inventories	11,364,491	14%	11,346,602	14%	11,067,460	14%
Total Assets	79,764,098	100%	79,114,780	100%	81,543,111	100%
Short-term Borrowings	1,841,912	2%	2,379,151	3%	2,640,168	3%
Accounts Payable	14,334,921	18%	11,183,614	17%	16,014,340	20%
Long-term Borrowings	1,385,135	2%	4,333,160	6%	4,127,692	5%
Corporate Bond Payable	3,000,000	4%	1,513,200	2%	1,443,300	2%
Total Liabilities	28,759,749	36%	26,389,967	33%	32,363,043	40%
Equities	51,004,349	64%	52,724,813	67%	49,180,068	60%

Key Indices

Quarterly AR Turnover (times)	4.65	4.76	4.99
Quarterly Inventory Turnover (times)	2.88	3.03	3.45
Current Ratio	1.46	1.76	1.39
Quick Ratio	2.09	2.55	1.95
Net Debt to Equity	-18.1%	-13.0%	-14.7%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	2Q14	3Q14	4Q14	1Q15	2Q15
Operating Revenue	14,215	13,449	12,597	11,716	12,160
Recurring Operating Revenue	14,140	13,553	12,538	11,611	12,154
Gain on Sales of Financial Assets	75	(104)	59	105	6
Operating Costs	(10,622)	(10,053)	(9,493)	(8,665)	(9,091)
Gross Profit, net *	3,594	3,396	3,103	3,057	3,067
Operating Expense	(2,236)	(2,310)	(2,323)	(2,070)	(2,165)
Operating Profit	1,359	1,085	780	987	903
Non-operating Income (Expense)	646	334	177	122	378
Income before Tax	2,003	1,420	957	1,109	1,280
Income Tax Expense	(436)	(294)	(196)	(287)	(288)
Net Income **	1,470	1,034	702	737	913
<i>Net Margin</i>	10.3%	7.7%	5.6%	6.3%	7.5%
EPS (NT\$)	0.74	0.53	0.35	0.37	0.46

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Income Statements

(In NT Millions, unless otherwise noted)	2010	2011	2012***	2013***	2014***
Net Sales	45,043	46,809	48,730	56,619	53,821
Recurring Net Sales	44,995	46,775	48,604	56,566	53,695
Securities Sales Revenue	48	34	126	53	126
COGS	(34,293)	(36,065)	(37,273)	(43,138)	(40,443)
Gross Profit *	10,752	10,738	11,450	13,485	13,378
Operating Expense	(7,208)	(7,436)	(7,621)	(8,859)	(8,981)
Operating Income	3,544	3,302	3,829	4,626	4,397
Non-operating Income	245	339	580	778	1,307
Income before tax	3,789	3,641	4,409	5,404	5,704
Income Tax Benefit / (Expense)	(1,067)	(747)	(1,082)	(1,226)	(1,298)
Net Income**	2,492	2,783	3,080	3,760	4,067
<i>Net Margin</i>	5.5%	5.9%	6.3%	6.6%	7.6%
Basic EPS (NT\$)	1.38	1.54	1.69	2.01	2.06

* Gross profit includes unrealized / realized inter-company profit

** Excluding minority interest

*** Comply with IFRS

Balance Sheets

	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	15,417	15,845	17,202	15,089	15,436
Receivables	14,292	12,124	11,817	11,696	12,078
Inventories	11,067	11,491	11,539	11,347	11,364
Other Current Assets	3,211	3,078	2,717	3,276	3,268
Total Current Assets	43,987	42,538	43,275	41,408	42,146
Financial Assets					
Available for Sale - Non Current	12,867	12,360	14,156	12,797	12,712
Long-Term Investments Under Equity Method	5,199	5,147	5,352	5,244	5,233
Other Non-Current Assets	19,490	19,818	19,930	19,666	19,673
Total Non-Current Assets	37,556	37,325	39,438	37,707	37,618
Total Assets	81,543	79,863	82,713	79,115	79,764
Current Liabilities	22,605	19,298	18,076	16,268	20,123
Bonds Payable	1,443	1,480	1,528	1,513	3,000
Long-Term Borrowing	4,128	4,668	5,475	4,333	1,385
Other Non-Current Liabilities	4,187	4,408	4,345	4,276	4,252
Total Non-Current Liabilities	9,758	10,556	11,348	10,122	8,637
Total Liabilities	32,363	29,854	29,424	26,390	28,760
Total Shareholders' Equity *	49,180	50,009	53,289	52,725	51,004

* Non-controlling interest included

Balance Sheets

	2010	2011	2012 **	2013**	2014**
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash & Cash Equivalents</i>	10,161	11,612	13,179	14,909	17,202
<i>Receivables</i>	7,952	9,001	11,134	11,914	11,817
<i>Inventories</i>	10,172	11,070	10,761	11,193	11,539
<i>Other Current Assets</i>	3,204	3,601	1,954	2,827	2,717
Total Current Assets	31,489	35,284	37,028	40,843	43,275
Funds and Investments	16,391	16,561	15,799	15,799	19,508
Fixed & Other Assets	18,310	18,488	19,379	20,248	19,930
Total Assets	66,190	70,333	72,206	76,890	82,713
Current Liabilities	14,720	16,330	17,682	19,984	18,076
Short-term Loans	1,411	1,654	2,916	2,917	2,473
Long-Term Interest-bearing debt	11,436	12,501	10,914	6,140	7,230
Long-term Loans	10,870	11,973	7,906	4,498	5,475
Corporate Bonds Payable	0	0	2,903	1,476	1,528
Other Liabilities	2,683	2,761	4,324	4,042	4,118
Total Liabilities	28,839	31,592	32,920	30,166	29,424
Total Shareholders' Equity	37,351	38,741	39,286	46,724	53,289

* Non-controlling interest included

** Comply with IFRS

Cash Flows

(In NT Millions)	2Q14	3Q14	4Q14	1Q15	2Q15
Pretax Income*	2,003	1,420	957	1,109	1,280
Depreciation & Amortization	371	265	366	308	322
Other Op Sources/(Use)	(377)	138	(402)	(1,725)	138
From Operation	1,997	1,823	921	(308)	1,740
Capital Expenditures	(827)	(775)	(247)	(404)	(555)
Marketable Financial Instruments	110	(23)	369	380	(3)
Other Investing Sources/(Uses)	718	713	(206)	(186)	(3)
From Investment	1	(86)	(84)	(210)	(561)
Cash Dividends	0	(2,203)	0	0	0
Other Financing Sources/(Uses)	(520)	717	556	(1,253)	(487)
From Financing	(520)	(1,486)	556	(1,253)	(487)
Net Cash Position Change*	906	410	1,362	(2,113)	347
Ending Cash Balance	15,417	15,845	17,206	15,089	15,436

* Including exchange rate

Cash Flows

(In NT Millions)	2010	2011	2012***	2013***	2014***
Net Income/ Pretax Income	2,721*	2,894*	4,409	5,403	5,704
Depreciation & Amortization	1,629	1,216	1,417	1,442	1,349
Other Op Sources/(Use)	562	(854)	(202)	(860)	(2,269)
From Operation	4,912	3,256	5,624	5,985	4,784
Capital Expenditures	(1,721)	(1,719)	(800)	(962)	(2,021)
Marketable Financial Instruments	(272)	359	21	379	579
Other Investing Sources/(Uses)	(36)	(95)	80	438	672
From Investment	(2,029)	(1,455)	(699)	(145)	(770)
Cash Dividends	(990)	(1,468)	(1,661)	(1,922)	(2,203)
Employee & BOD Profit Sharing	0	0	0	0	0
Other Financing Sources/(Uses)	(777)	1,415	(892)	(2,034)	582
From Financing	(1,767)	(53)	(2,553)	(3,956)	(1,621)
Net Cash Position Change**	1,064	1,452	1,576	1,730	2,298
Ending Cash Blance	10,161	11,613	13,179	14,909	17,206

* Net income before complying with IFRS

*** Comply with IFRS

** Including exchange rate effect

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