

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Balance Sheet

A. Condensed Balance Sheet-IFRS

Unit: NT\$thousand

Item	Year		Five-Year Financial Summary					Year-to-date
	2010	2011	2012	2013	2014	2015.3.31		
Current assets			12,946,119	12,500,840	12,849,769			
Fixed assets			3,600,750	3,592,858	3,959,960			
Intangible assets			0	0	0			
Other assets			41,361,194	43,687,688	51,317,452			
Total assets			57,908,063	59,781,386	68,127,181			
Current liabilities	Before distribution		8,120,862	8,515,760	9,362,494			
	After distribution		10,042,957	10,718,722	Note 1			
Long-term liabilities			12,612,512	8,402,192	9,540,665			
Total liabilities	Before distribution		20,733,374	16,917,952	18,903,159			
	After distribution		22,655,469	19,120,914	Note 1			
Equity attributable to owners of parent		N/A	37,174,689	42,863,434	49,224,022		N/A	
Capital stock			18,490,969	20,026,929	20,026,929			
Capital surplus			5,881,995	7,493,180	7,600,552			
Retained earnings	Before distribution		14,768,524	16,606,382	18,398,540			
	After distribution		12,846,429	14,403,420	Note 1			
Other equity interest			(1,645,960)	(941,494)	3,519,564			
Treasury Stocks			(320,839)	(321,563)	(321,563)			
Non-Controlling Interest			0	0	0			
Total shareholders' equity	Before distribution		37,174,689	42,863,434	49,224,022			
	After distribution		35,252,594	40,660,472	Note 1			

Note 1: Earnings allocation has not yet to be passed by shareholders' meeting.

B. Consolidated Condensed Balance Sheet -IFRS

Unit: NT\$thousand

Item	Year	Five-Year Financial Summary				Year-to-date 2015.3.31 (Note 2)	
		2010	2011	2012	2013		2014
Current assets				37,027,731	40,843,355	43,266,297	41,407,615
Fixed assets				1,454,940	15,132,587	14,738,703	14,476,533
Intangible assets				74,087	320,236	174,250	161,377
Other assets				20,559,306	20,593,875	24,592,417	23,069,255
Total assets				72,206,064	76,890,053	82,771,667	79,114,780
Current liabilities	Before distribution			17,682,039	19,983,776	18,134,449	16,267,582
	After distribution			19,604,134	22,186,738	Note 1	Note 1
Long-term liabilities				15,238,335	10,182,303	11,394,547	10,122,385
Total liabilities	Before distribution			32,920,374	30,166,079	29,528,996	26,389,967
	After distribution			34,842,469	32,369,041	Note1	Note 1
Equity attributable to owners of parent		N/A		37,174,689	42,863,434	49,224,022	48,656,023
Capital stock				18,490,969	20,026,929	20,026,929	20,026,929
Capital surplus				5,881,995	7,493,180	7,600,552	7,607,903
Retained earnings	Before distribution			14,768,524	16,606,382	18,398,540	19,181,697
	After distribution			12,846,429	14,403,420	Note1	Note 1
Other equity interest				(1,645,960)	(941,494)	3,519,564	2,161,057
Treasury Stocks				(320,839)	(321,563)	(321,563)	(321,563)
Non-Controlling Interest	Before distribution			2,111,001	3,860,540	4,018,649	4,068,790
	After distribution			2,111,001	3,860,540	Note1	Note 1
Total shareholders' equity	Before distribution			39,285,690	46,723,974	53,242,671	52,724,813
	After distribution			37,363,595	44,521,012	Note1	Note1

Note 1: Earnings allocation has not yet to be passed by shareholders' meeting.

Note 2: Financial data (consolidated) as of March 31, 2015 had been audited by certified public accountants.

C. Consolidated Condensed Balance Sheet-GAAP

Unit: NT\$thousand

Item	Year	Five-Year Financial Summary				
		2010	2011	2012	2013	2014
Current assets		12,233,833	15,077,804	13,221,379		
Funds and Investment		37,390,876	38,932,580	39,663,344		
Fixed assets		3,487,379	3,539,116	3,495,068		
Intangible assets		81,232	36,131	0		
Other assets		2,476,630	2,296,432	2,286,752		
Total assets		55,669,950	59,882,063	58,666,543		
Current liabilities	Before distribution	7,810,702	9,204,638	8,510,598		
	After distribution	9,279,192	10,865,710	10,432,693		
Long-term liabilities		10,699,790	11,948,671	10,101,577		
Other liabilities		1,349,296	1,541,809	1,834,253		
Total liabilities	Before distribution	19,965,967	22,801,297	20,446,428		
	After distribution	21,434,457	24,462,369	22,368,523		
Capital stock		18,313,129	18,388,019	18,490,969		
Capital surplus		5,832,183	5,764,454	5,919,258		
Retained earnings	Before distribution	9,097,849	10,412,568	11,534,303		
	After distribution	7,629,359	8,751,496	9,612,208		
Unrealized gain or loss on financial instruments		(28,538)	(789,841)	(438,596)		
Cumulative translation adjustment		248,393	1,081,867	715,660		
Unrecognized Pension Cost		(68,040)	(85,308)	(310,486)		
Total shareholders' equity	Before distribution	35,703,983	37,080,766	38,220,115		
	After distribution	34,235,493	35,419,694	36,298,020		

N/A

D. Consolidated Condensed Balance Sheet-GAAP

Unit: NT\$thousand

Item	Year	Five-Year Financial Summary				
		2010	2011	2012	2013	2014
Current assets		31,507,970	35,299,190	37,510,159		
Funds and Investment		16,390,581	16,561,132	16,782,465		
Fixed assets		14,895,611	15,233,837	14,859,315		
Intangible assets		162,011	131,382	77,008		
Other assets		3,252,419	3,106,944	3,178,470		
Total assets		66,208,592	70,332,485	72,407,417		
Current liabilities	Before distribution	14,738,259	16,193,039	17,631,665		
	After distribution	16,206,750	17,854,111	19,553,760		
Long-term liabilities		11,466,460	12,500,656	11,254,142		
Other liabilities		2,653,124	2,898,038	3,059,839		
Total liabilities	Before distribution	28,857,843	31,591,733	31,945,646		
	After distribution	30,326,334	33,252,805	33,867,741	N/A	
Capital stock		18,313,129	18,388,019	18,490,969		
Capital surplus		5,832,183	5,764,454	5,919,258		
Retained earnings	Before distribution	9,097,849	10,412,568	11,534,303		
	After distribution	7,629,358	8,751,496	9,612,208		
Unrealized gain or loss on financial instruments		(28,538)	(789,841)	(438,596)		
Cumulative translation adjustment		248,393	1,081,867	715,660		
Unrecognized Pension Cost		(68,040)	(85,308)	(310,486)		
Total shareholders' equity	Before distribution	37,350,749	38,740,752	40,461,771		
	After distribution	35,882,258	37,079,680	38,539,676		

6.1.2 Condensed Statement of Income

A. Condensed Statement of Income-IFRS

Unit: NT\$thousand

Item	Year	Five-Year Financial Summary					Year-to-date 2015.3.31
		2010	2011	2012	2013	2014	
Operating revenue				25,461,139	25,604,449	24,256,762	
Gross profit				5,219,877	5,182,344	5,374,654	
Income from operations				1,822,367	1,712,416	1,953,819	
Non-operating income & expenses				1,605,995	2,432,127	2,497,768	
Income from operations of continued segments - before tax				3,428,362	4,144,543	4,451,587	
Income from operations of continued segments - after tax				3,079,802	3,759,872	4,066,924	
Income from discontinued departments				0	0	0	
Net income				3,079,802	3,759,872	4,066,924	
Other Comprehensive Income for the year				(366,201)	704,547	4,389,254	
Other Comprehensive Income for the year		N/A					N/A
Total Comprehensive Income for the year				2,713,601	4,464,419	8,456,178	
Total Comprehensive Income for the year profit (loss) attributable to owners of parent				3,079,802	3,759,872	4,066,924	
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest				0	0	0	
Extraordinary gain or loss				2,713,601	4,464,419	8,456,178	
Cumulative effect of accounting principle changes				0	0	0	
Earnings per share				1.69	2.01	2.06	

B. Consolidated Condensed Statement of Income-IFRS

Unit: NT\$thousand

Item	Year	Five-Year Financial Summary				Year-to-date 2015.3.31 (Note 1)	
		2010	2011	2012	2013		2014
Operating revenue				48,730,193	56,618,537	53,820,604	11,716,314
Gross profit				11,449,961	13,484,726	13,377,967	3,051,019
Income from operations				3,829,058	4,625,594	4,396,971	986,683
Non-operating income & expenses				579,684	777,890	1,306,964	122,264
Income from operations of continued segments - before tax				4,408,742	5,403,484	5,703,935	1,108,947
Income from operations of continued segments - after tax				3,326,446	4,177,256	4,406,231	821,563
Income from discontinued departments				0	0	0	0
Net income				3,326,446	4,177,256	4,406,231	821,563
Other Comprehensive Income for the year		N/A		(482,503)	774,035	4,593,197	(1,424,267)
Total Comprehensive Income for the year				2,843,943	4,951,291	8,999,428	(602,704)
Total Comprehensive Income for the year profit (loss) attributable to owners of parent				3,079,802	3,759,872	4,066,924	737,106
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest				246,644	417,384	339,307	84,457
Extraordinary gain or loss				2,713,601	4,464,419	8,456,178	(621,401)
Cumulative effect of accounting principle changes				130,342	486,872	543,250	18,697
Earnings per share				1.69	2.01	2.06	0.37

Note 1: Financial data (consolidated) as of March 31, 2014 had been audited by certified public accountants.

C. Condensed Statement of Income-GAAP

Unit: NT\$thousand

Item	Year	Five-Year Financial Summary				
		2010	2011	2012	2013	2014
Operating revenue		23,244,789	25,798,135	25,461,139	N/A	
Gross profit		4,447,422	4,700,215	5,190,315		
Income from operations		978,079	1,182,535	1,754,248		
Non-operating income		2,270,060	2,204,399	2,023,454		
Non-operating expenses		435,072	527,838	463,902		
Income from operations of continued segments - before tax		2,813,067	2,859,096	3,313,800		
Income from operations of continued segments - after tax		2,491,686	2,783,210	2,964,701		
Income from discontinued departments		-	-	-		
Extraordinary items		-	-	-		
Cumulative effect of change in accounting principle		-	-	-		
Net income		2,491,686	2,783,210	2,964,701		
Earnings per share		1.38	1.54	1.63		

D. Consolidated Statement of Income-GAAP

Item	Year	Five-Year Financial Summary				
		2010	2011	2012	2013	2014
Operating revenue		45,042,743	46,809,163	48,730,193	N/A	
Gross profit		10,752,073	10,738,276	11,421,622		
Income from operations		3,544,164	3,301,970	3,754,345		
Non-operating income		925,960	1,000,808	1,322,586		
Non-operating expenses		681,321	662,459	783,872		
Income from operations of continued segments - before tax		3,788,803	3,640,319	4,293,059		
Income from operations of continued segments - after tax		2,721,355	2,893,659	3,211,345		
Income from discontinued departments		0	0	0		
Extraordinary items		0	0	0		
Cumulative effect of change in accounting principle		0	0	0		
Net income		2,721,355	2,893,659	3,211,345		
Earnings per share		1.38	1.54	1.63		

6.1.3 Auditors' Opinions from 2009 to 2014

Year	CPA Firm	CPA's Name	Auditing Opinion
2014	PricewaterhouseCoopers, Taiwan	Audrey Tseng Dexter Chang	Modified Unqualified Opinion
2013	PricewaterhouseCoopers, Taiwan	Audrey Tseng, Albert Hsueh	Modified Unqualified Opinion
2012	PricewaterhouseCoopers, Taiwan	Ping-Chiun Chih, Audrey Tseng	Modified Unqualified Opinion
2011	PricewaterhouseCoopers, Taiwan	Ping-Chiun Chih, Audrey Tseng	Modified Unqualified Opinion
2010	PricewaterhouseCoopers, Taiwan	Ping-Chiun Chih, Wen-Hong Kao	Modified Unqualified Opinion

6.2 Five-Year Financial Analysis

6.2.1 Five-Year Financial Analysis-IFRS

Item	Year	Financial analysis in the past five years					Year-to-date 2015.3.31
		2010	2011	2012	2013	2014	
Financial structure (%)	Ratio of liabilities to assets			35.80	28.30	27.75	N/A
	Ratio of long-term capital to fixed assets			1,312.96	1,356.54	1,417.72	
Solvency (%)	Current ratio			159.42	146.80	137.25	
	Quick ratio			103.50	98.40	93.80	
	Times interest earned ratio			32.93	43.16	47.76	
Operating ability	Accounts receivable turnover (turns)			5.05	5.56	6.64	
	Average collection period			72.28	65.65	54.97	
	Inventory turnover (turns)			5.28	5.67	5.41	
	Accounts payable turnover (turns)			3.83	4.02	3.68	
	Average days in sales			69.13	64.37	67.47	
	Fixed assets turnover (turns)			7.04	7.12	6.42	
	Total assets turnover (turns)		N/A	0.43	0.44	0.38	
Profitability	Return on total assets (%)			5.39	6.53	6.48	
	Return on stockholders' equity (%)			8.41	9.40	8.83	
	Ratio of pre-tax income to issued capital (Note7)			18.56	21.10	22.23	
	Profit ratio (%)			12.10	14.68	16.77	
	Earnings per share (\$)			1.69	2.01	2.06	
Cash flow	Cash flow ratio (%)			45.48	36.44	32.69	
	Cash flow adequacy ratio (%)			105.88	126.35	98.75	
	Cash reinvestment ratio (%)			3.47	1.96	1.27	
Leverage	Operating leverage			3.48	3.80	3.40	
	Financial leverage			1.06	1.06	1.05	
KPI	Revenue Growth Rate			-1.31	0.56	-5.26	
	Net Profit after Tax Growth Rate			10.66	22.08	8.17	

Explain changes in various financial rates, as well as reasons, in recent two years.

A.Cash flow adequacy flow rose, due mainly to the total amount of capital expenditure, increase in inventory, and cash dividend in the recent five years decreased.

B.Reinvestment/cash ratio dropped, due to increase in cash dividend.

6.2.2 Consolidated Five-Year Financial Analysis-IFRS

Item		Year	Financial analysis in the past five years					Year-to-date 2015.3.31 (Note1)
			2010	2011	2012	2013	2014	
Financial structure (%)	Ratio of liabilities to assets				45.59	39.23	35.68	33.36
	Ratio of long-term capital to fixed assets				344.41	348.24	408.75	398.24
Solvency (%)	Current ratio				209.41	204.38	238.59	254.54
	Quick ratio				140.67	142.12	168.66	175.95
	Times interest earned ratio				23.89	33.85	27.07	26.25
Operating ability	Accounts receivable turnover (turns)				5.21	5.55	5.15	261.05
	Average collection period				70.06	65.77	70.87	1.40
	Inventory turnover (turns)				3.21	3.61	3.28	2.82
	Accounts payable turnover (turns)				4.78	5.47	5.15	4.82
	Average days in sales				113.71	101.11	111.28	129.43
	Fixed assets turnover (turns)				3.31	3.82	3.60	3.18
	Total assets turnover (turns)				0.68	0.76	0.67	0.14
Profitability	Return on total assets (%)				4.88	5.79	5.75	4.24
	Return on stockholders' equity (%)				8.64	9.71	8.82	6.20
	Ratio to issued capital (%) (Note7)	Pre-tax income			23.87	27.50	28.48	22.15
	Profit ratio (%)				6.83	7.38	8.19	7.01
	Earnings per share (\$)				1.69	2.01	2.06	0.37
Cash flow	Cash flow ratio (%)				31.81	31.23	26.38	7.57
	Cash flow adequacy ratio (%)				96.85	142.40	111.64	110.25
	Cash reinvestment ratio (%)				5.40	5.55	3.03	1.48
Leverage	Operating leverage				4.28	3.42	3.56	4.11
	Financial leverage				1.05	1.04	1.05	1.05
KPI	Revenue Growth Rate				4.10	16.19	-4.94	-48.19
	Net Profit after Tax Growth Rate				14.96	25.58	5.48	-4.93

Explain changes in various financial rates, as well as reasons, in recent two years.

A. Times interest earned ratio rose: There are two reasons: (1) Increased market demand led to better performance of the Industrial Motor and system automation in the year, as well as less impairment loss leading to growth of net profits before income tax and interest expense. (2) The company's convertible corporate bonds were converted into stocks entirely, reducing interest expense.

B. Cash flow adequacy flow declined, due mainly to the total amount of capital expenditure, increase in inventory, and cash dividend in the recent five years increased.

C. Times interest earned ratio declined, to strengthen operating capital, increasing interest expense.

Note 1: Financial data (consolidated) as of March 31, 2015 had been audited by certified public accountants.

6.2.3 Five-Year Financial Analysis-GAAP

Item		Year	Financial analysis in the past five years				
			2010	2011	2012	2013	2014
Financial structure (%)	Ratio of liabilities to assets		35.89	38.08	34.85	N/A	
	Ratio of long-term capital to fixed assets		1,330.62	1,385.36	1,382.57		
Solvency (%)	Current ratio		156.49	163.81	155.35		
	Quick ratio		100.20	102.46	102.00		
	Times interest earned ratio		36.52	28.24	31.86		
Operating ability	Accounts receivable turnover (turns)		4.95	4.49	4.83		
	Average collection period		73.77	81.33	75.56		
	Inventory turnover (turns)		5.19	4.98	4.73		
	Accounts payable turnover (turns)		4.20	4.01	3.84		
	Average days in sales		70.38	73.27	77.16		
	Fixed assets turnover (turns)		6.18	6.75	7.24		
	Total assets turnover (turns)		0.40	0.41	0.43		
Profitability	Return on total assets (%)		4.61	4.97	5.15		
	Return on stockholders' equity (%)		7.00	7.65	7.87		
	Ratio to issued capital (%)	Operating Profit		5.35	6.44		9.50
		Pre-tax income		15.40	15.56		17.94
	Profit ratio (%)		11.18	11.74	11.64		
Earnings per share (\$)		1.38	1.54	1.63			
Cash flow	Cash flow ratio (%)		27.89	14.63	43.39		
	Cash flow adequacy ratio (%)		72.24	83.80	105.88		
	Cash reinvestment ratio (%)		2.11	-0.21	3.51		
Leverage	Operating leverage		5.35	4.81	5.62		
	Financial leverage		1.09	1.10	1.07		
KPI	Revenue Growth Rate (%)		4.66	10.98	-1.31		
	Net Profit after Tax Growth Rate (%)		27.32	11.70	6.52		

Explain reasons for changes in various financial ratios in the recent two years: N/A

6.2.4 Consolidated Five-Year Financial Analysis-GAAP

Item		Year	Financial analysis in the past five years				
			2010	2011	2012	2013	2014
Financial structure (%)	Ratio of liabilities to assets		43.59	44.92	44.12	N/A	
	Ratio of long-term capital to fixed assets		327.73	336.37	348.04		
Solvency (%)	Current ratio		213.78	217.99	212.74		
	Quick ratio		131.30	133.59	141.08		
	Times interest earned ratio		30.17	22.79	23.29		
Operating ability	Accounts receivable turnover (turns)		5.84	5.52	5.21		
	Average collection period		62.50	66.12	70.06		
	Inventory turnover (turns)		3.30	3.23	3.21		
	Accounts payable turnover (turns)		5.05	4.72	4.79		
	Average days in sales		110.61	113.00	113.71		
	Fixed assets turnover (turns)		2.98	3.11	3.24		
	Total assets turnover (turns)		0.69	0.69	0.68		
Profitability	Return on total assets (%)		4.33	4.44	4.72		
	Return on stockholders' equity (%)		7.34	7.61	8.11		
	Ratio to issued capital (%)	Operating Profit		19.40	17.97		20.33
		Pre-tax income		20.74	19.81		23.24
	Profit ratio (%)		6.04	6.18	6.59		
Earnings per share (\$)		1.38	1.54	1.63			
Cash flow	Cash flow ratio (%)		33.33	20.72	32.02		
	Cash flow adequacy ratio (%)		84.01	75.62	98.00		
	Cash reinvestment ratio (%)		5.81	2.66	5.47		
Leverage	Operating leverage		3.45	3.74	3.57		
	Financial leverage		1.04	1.05	1.05		
KPI	Revenue Growth Rate(%)		12.49	3.92	4.10		
	Net Profit after Tax Growth Rate(%)		38.70	6.33	10.98		

Explain reasons for changes in various financial ratios in the recent two years:

N/A

6.3 Inspection Report of Audit Committee

(This English version is only a translation of the Chinese version.)

The Audit Committee has duly inspected and approved the financial statements for 2014 (include consolidated financial statements), the business report and proposed profit distribution plan prepared and proposed by the Board of Directors, with the financial statements having been audited and certified by Pricewaterhouse Coopers, hereby submit this report pursuant to Article 14 of Securities and Exchange Act and Article 219 of the Company Act.

To

General Shareholders Meeting 2015

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Tain-Jy, Chen

Date: March 20, 2015