

TECO Electric & Machinery Co., Ltd.



2015 1Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

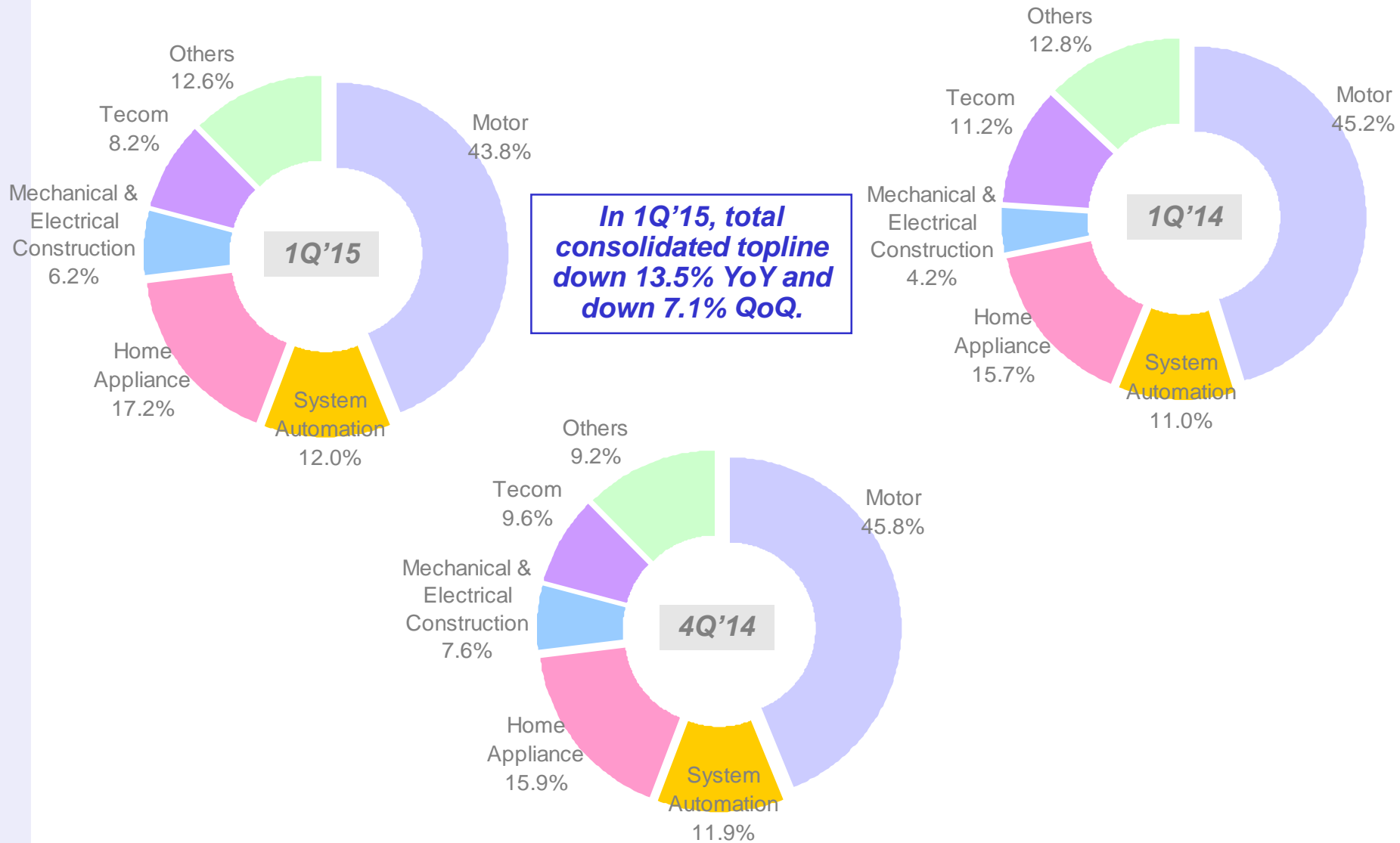
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

Operation Overview

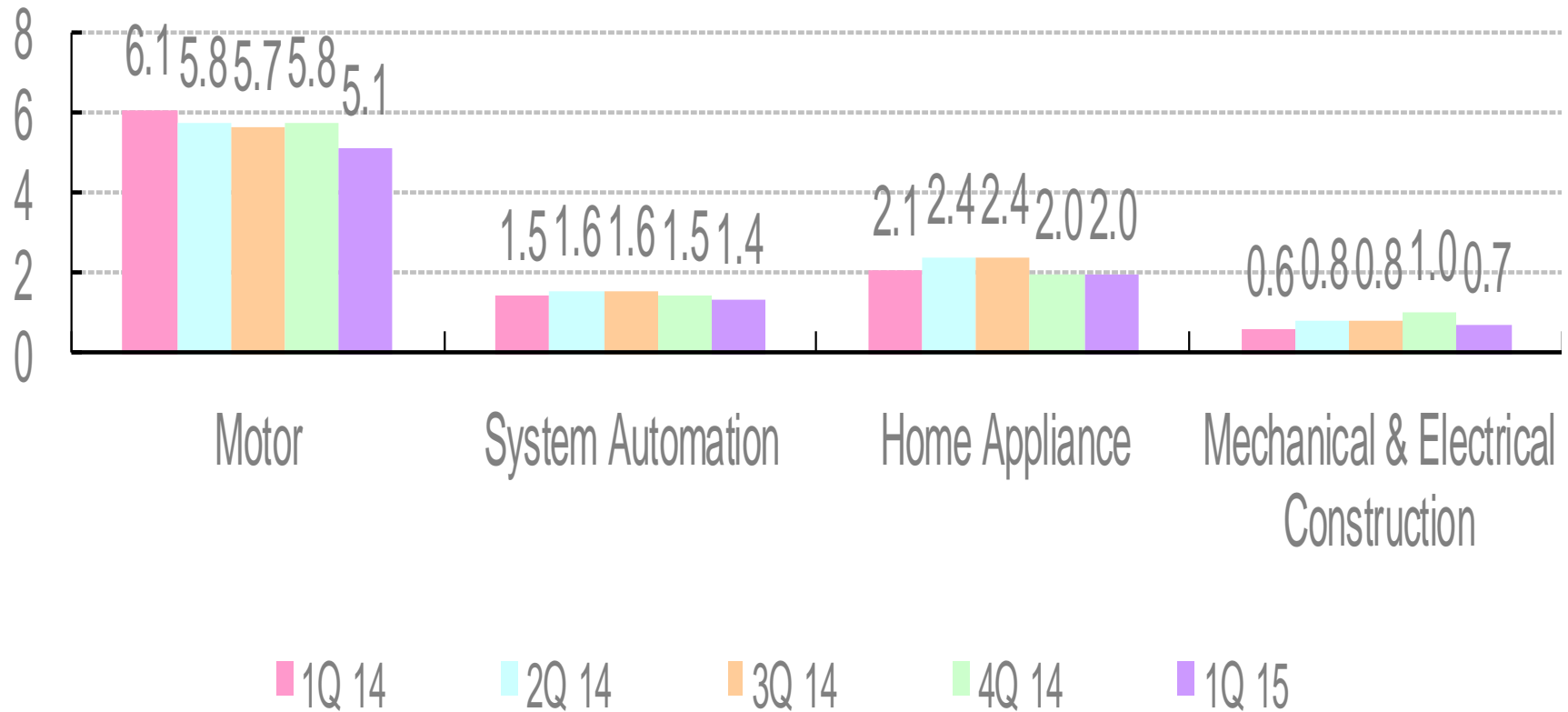
Appendix

Revenue Breakdown



Sales Trend on Major Business lines

NT\$ Billion



1Q 15 Financial Highlights - consolidated

(In NT Millions)	1Q 15***	4Q 14***	QoQ	1Q 14***	YoY
Net Sales - recurring *	11,611	12,538	-7.4%	13,429	-13.5%
Gross Margin - recurring *	25.4%	24.3%	110bps	23.8%	160bps
Operating Margin - recurring *	7.6%	5.8%	180bps	8.1%	-50bps
EPS (NT\$)	0.37	0.35	5.7%	0.44	-15.9%
ROE (%) **	6.0%	5.9%	10bps	7.8%	-180bps
ROA (%) **	3.6%	3.5%	10bps	4.4%	-80bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

1Q 15 Income Statement - consolidated

(In NT Millions)	1Q 15***	4Q 14***	QoQ	1Q 14 ***	YoY
Operating Revenue	11,716	12,597	-7.0%	13,525	-13.4%
Recurring Operating Revenue	11,611	12,538	-7.4%	13,429	-13.5%
Gain on Sales of Financial Assets	105	59	78.0%	96	9.4%
Gross Profit, net *	3,057	3,103	-1.5%	3,292	-7.1%
Operating Profit	987	780	26.5%	1,188	-16.9%
Non-operating Income (Expense)	122	177	-31.1%	135	-9.6%
Income before Tax	1,109	957	15.9%	1,324	-16.2%
Income Tax Expense	(287)	(196)	46.4%	(372)	-22.8%
Net Income **	737	702	5.0%	861	-14.4%
EPS (NT\$)	0.37	0.35	5.7%	0.44	-15.9%

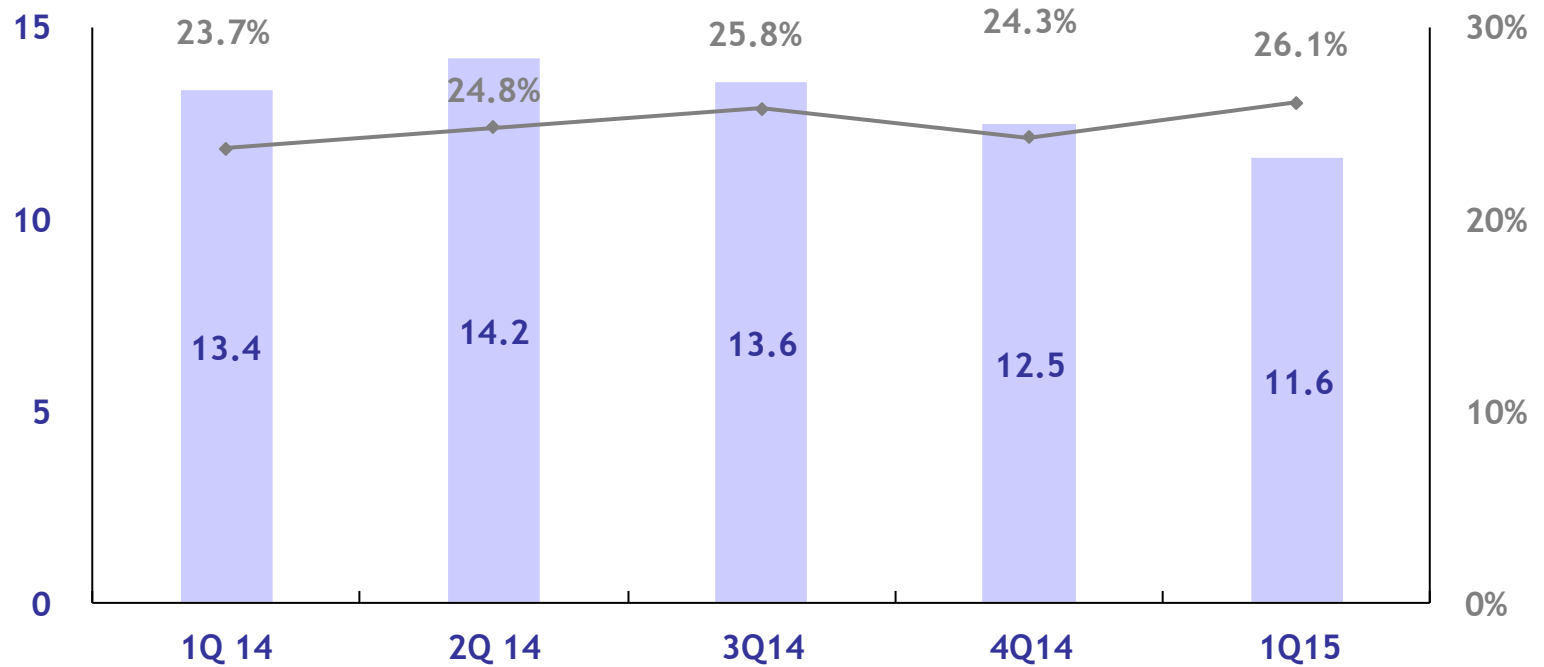
* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue*

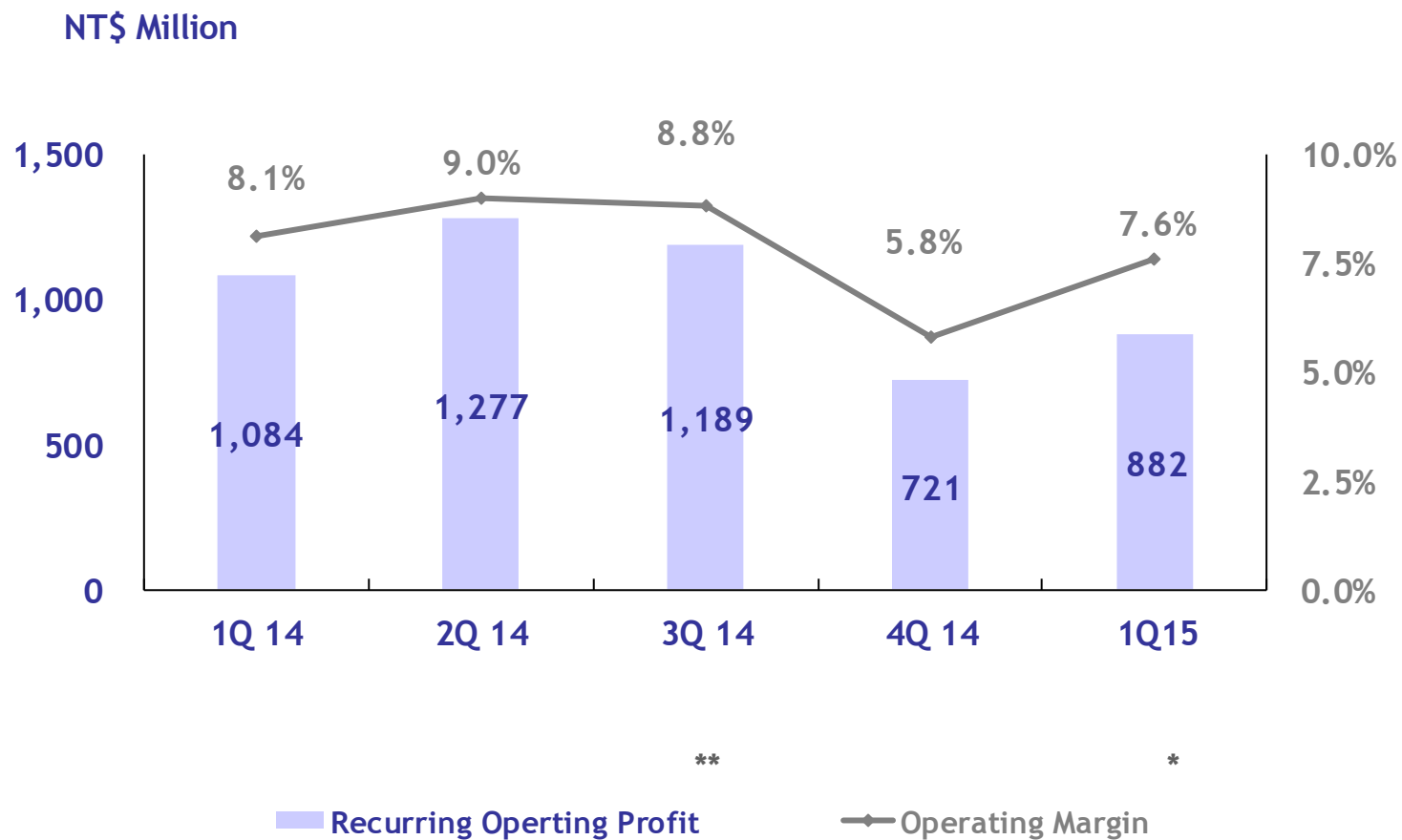
— Gross Margin**

* 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



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* Recurring Operating Profit / Recurring Operating Revenue

** Recurring Operating Profit excludes Gain on Sales of Financial Assets

Mar '15 Balance Sheet - consolidated

(In NT 1,000)	Mar 15		Dec 14		Mar 14	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	15,089,115	19%	17,201,690	21%	14,511,064	19%
Receivable	11,695,759	14%	11,817,073	14%	12,345,072	16%
Inventories	11,346,602	14%	11,539,306	14%	11,111,906	14%
Total Assets	79,114,780	100%	82,713,045	100%	78,146,254	100%
Short-term Borrowings	2,379,151	3%	2,472,904	3%	2,772,428	4%
Accounts Payable	11,183,614	17%	13,216,081	17%	11,975,128	16%
Long-term Borrowings	4,333,160	6%	5,474,646	7%	4,431,884	6%
Corporate Bond Payable	1,513,200	2%	1,527,600	2%	1,470,000	2%
Total Liabilities	26,389,967	33%	29,424,323	36%	29,092,361	37%
Equities	52,724,813	67%	53,288,722	64%	49,053,893	63%

Key Indices

Quarterly AR Turnover (times)	4.76	5.27	5.15
Quarterly Inventory Turnover (times)	3.03	3.56	3.67
Current Ratio	1.76	1.64	1.48
Quick Ratio	2.55	2.39	2.14
Net Debt to Equity	-13.0%	-14.5%	-11.9%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	1Q14	2Q14	3Q14	4Q14	1Q15
Operating Revenue	13,525	14,236	13,449	12,597	11,716
Recurring Operating Revenue	13,429	14,161	13,553	12,538	11,611
Gain on Sales of Financial Assets	96	75	(104)	59	105
Operating Costs	(10,234)	(10,646)	(10,053)	(9,493)	(8,665)
Gross Profit, net *	3,292	3,591	3,396	3,103	3,057
Operating Expense	(2,103)	(2,240)	(2,310)	(2,323)	(2,070)
Operating Profit	1,188	1,351	1,085	780	987
Non-operating Income (Expense)	135	653	334	177	122
Income before Tax	1,324	2,004	1,420	957	1,109
Income Tax Expense	372	(436)	(294)	(196)	(287)
Net Income **	861	1,470	1,034	702	737
<i>Net Margin</i>	6.4%	10.3%	7.7%	5.6%	6.3%
EPS (NT\$)	0.44	0.74	0.53	0.35	0.37

* 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

	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	14,511	15,435	15,845	17,202	15,089
Receivables	12,345	14,239	12,124	11,817	11,696
Inventories	11,112	11,092	11,491	11,539	11,347
Other Current Assets	2,820	3,238	3,078	2,717	3,276
Total Current Assets	40,788	44,004	42,538	43,275	41,408
Financial Assets					
Available for Sale - Non Current	11,700	12,867	12,360	14,156	12,797
Long-Term Investments Under Equity Method	5,262	5,070	5,147	5,352	5,244
Other Non-Current Assets	20,396	19,678	2,311	19,930	19,666
Total Non-Current Assets	37,358	37,615	19,818	39,438	37,707
Total Assets	78,146	81,619	79,863	82,713	79,115
Current Liabilities	19,097	22,682	19,298	18,076	16,268
Bonds Payable	1,470	1,443	1,480	1,528	1,513
Long-Term Borrowing	4,432	4,128	4,668	5,475	4,333
Other Non-Current Liabilities	4,093	4,240	4,408	4,345	4,276
Total Non-Current Liabilities	9,995	9,811	10,556	11,348	10,122
Total Liabilities	29,092	32,492	29,854	29,424	26,390
Total Shareholders' Equity *	49,054	49,127	50,009	53,289	52,725

* 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	17,206
<i>Receivables</i>	7,952	9,001	11,134	11,914	11,746
<i>Inventories</i>	10,172	11,070	10,761	11,193	11,556
<i>Other Current Assets</i>	3,204	3,601	1,954	2,827	2,758
Total Current Assets	31,489	35,284	37,028	40,843	43,266
Funds and Investments	16,391	16,561	15,799	15,799	19,389
Fixed & Other Assets	18,310	18,488	19,379	20,248	20,117
Total Assets	66,190	70,333	72,206	76,890	82,772
Current Liabilities	14,720	16,330	17,682	19,984	18,134
Short-term Loans	1,411	1,654	2,916	2,917	2,523
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	4,392
Total Liabilities	28,839	31,592	32,920	30,166	29,529
Total Shareholders' Equity	37,351	38,741	39,286	46,724	53,243

* Non-controlling interest included

** Comply with IFRS

Cash Flows

(In NT Millions)	1Q14	2Q14	3Q14	4Q14	1Q15
Pretax Income*	1,324	2,003	1,420	957	1,109
Depreciation & Amortization	335	383	265	366	308
Other Op Sources/(Use)	(1,631)	(374)	138	(402)	(1,725)
From Operation	28	2,012	1,823	921	(308)
Capital Expenditures	(172)	(827)	(775)	(247)	(404)
Marketable Financial Instruments	123	110	(23)	369	380
Other Investing Sources/(Uses)	(645)	811	713	(206)	(186)
From Investment	(694)	94	(86)	(84)	(210)
Cash Dividends	0	0	(2,203)	0	0
Other Financing Sources/(Uses)	(165)	(526)	717	556	(1,253)
From Financing	(165)	(526)	(1,486)	556	(1,253)
Net Cash Position Change*	(390)	916	410	1,362	(2,113)
Ending Cash Balance	14,511	15,435	15,845	17,206	15,089

* 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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