

TECO Electric & Machinery Co., Ltd.



2014 1Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

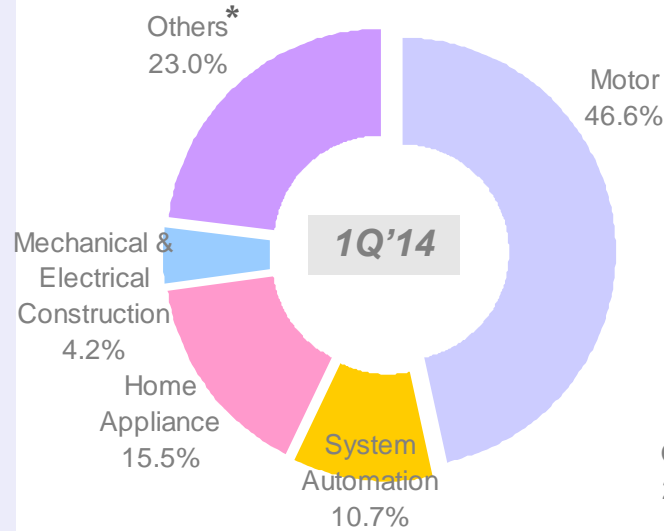
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

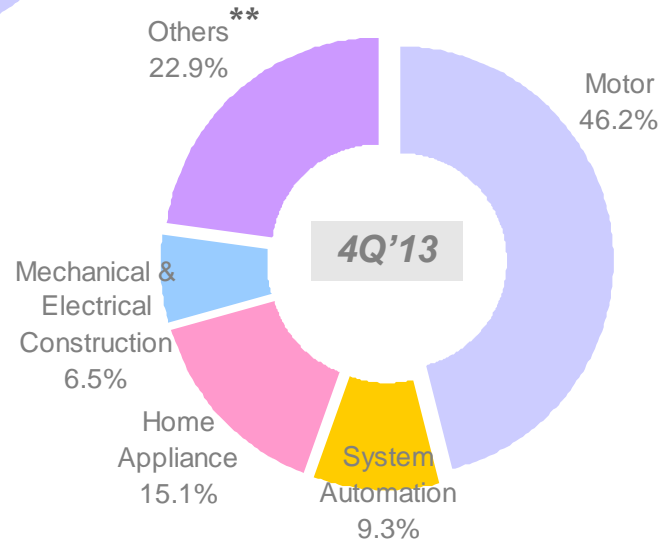
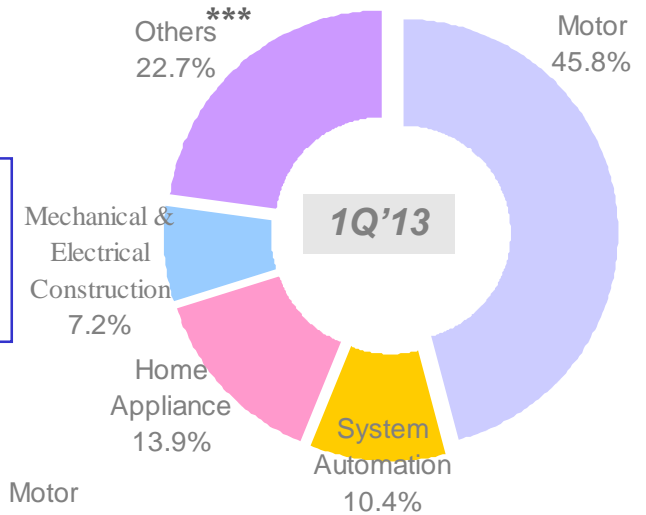
Business Update

Appendix

Revenue Breakdown



In 1Q'14, total consolidated topline up 2.1% YoY and down 1.7% QoQ.



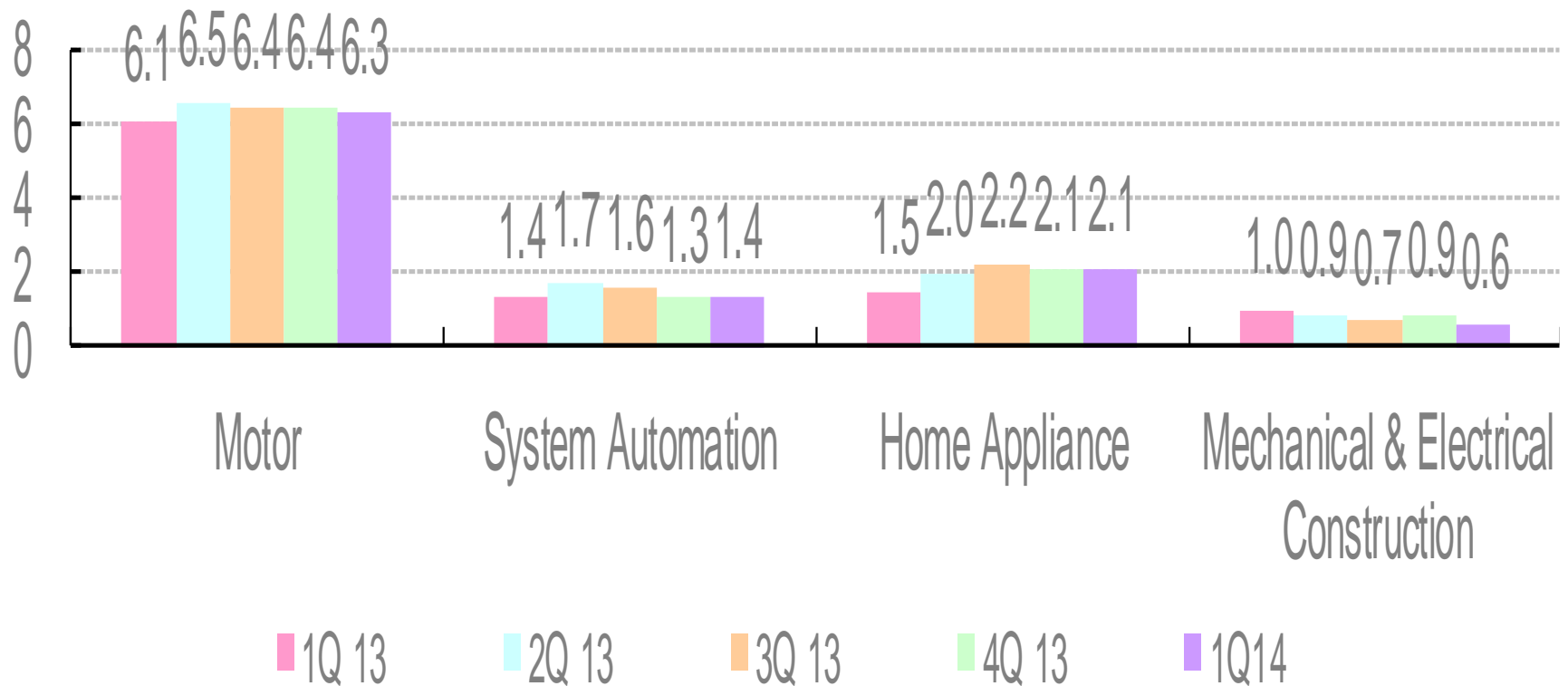
* Included Tecom's operating revenue of 1Q 2014, ND\$1.5bn

** Included Tecom's operating revenue of 4Q 2013, ND\$1.6bn

***Included Tecom's operating revenue of 1Q 2013, ND\$1.8bn

Sales Trend on Major Business lines

NT\$ Billion



1Q 14 Financial Highlights - consolidated

(In NT Millions)	1Q 14***	4Q 13***	QoQ	1Q 13 ***	YoY
Net Sales - recurring *	13,442	13,798	-2.6%	13,216	1.7%
Gross Margin - recurring *	23.7%	24.8%	-110bps	23.9%	-20bps
Operating Margin - recurring *	8.1%	7.9%	20bps	8.3%	-20bps
EPS (NT\$)	0.44	0.44	0.0%	0.45	-2.2%
Free Cash Flow	2,268	965	135.0%	1,296	75.0%
ROE (%) **	7.8%	8.3%	-50bps	8.5%	-70bps
ROA (%) **	4.4%	4.5%	-10bps	4.5%	-10bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

1Q 14 Income Statement - consolidated

(In NT Millions)	1Q 14***	4Q 13***	QoQ	1Q 13 ***	YoY
Operating Revenue	13,538	13,768	-1.7%	13,265	2.1%
Recurring Operating Revenue	13,442	13,798	-2.6%	13,216	1.7%
Gain on Sales of Financial Assets	96	(30)	-	49	95.9%
Gross Profit, net *	3,288	3,396	-3.2%	3,166	3.9%
Operating Profit	1,180	1,054	12.0%	1,151	2.5%
Non-operating Income (Expense)	143	202	-29.2%	75	90.7%
Income before Tax	1,324	1,256	5.4%	1,226	8.0%
Income Tax Expense	(372)	(243)	53.1%	(360)	3.3%
Net Income **	861	863	-0.2%	819	5.1%
EPS (NT\$)	0.44	0.44	0.0%	0.45	-2.2%

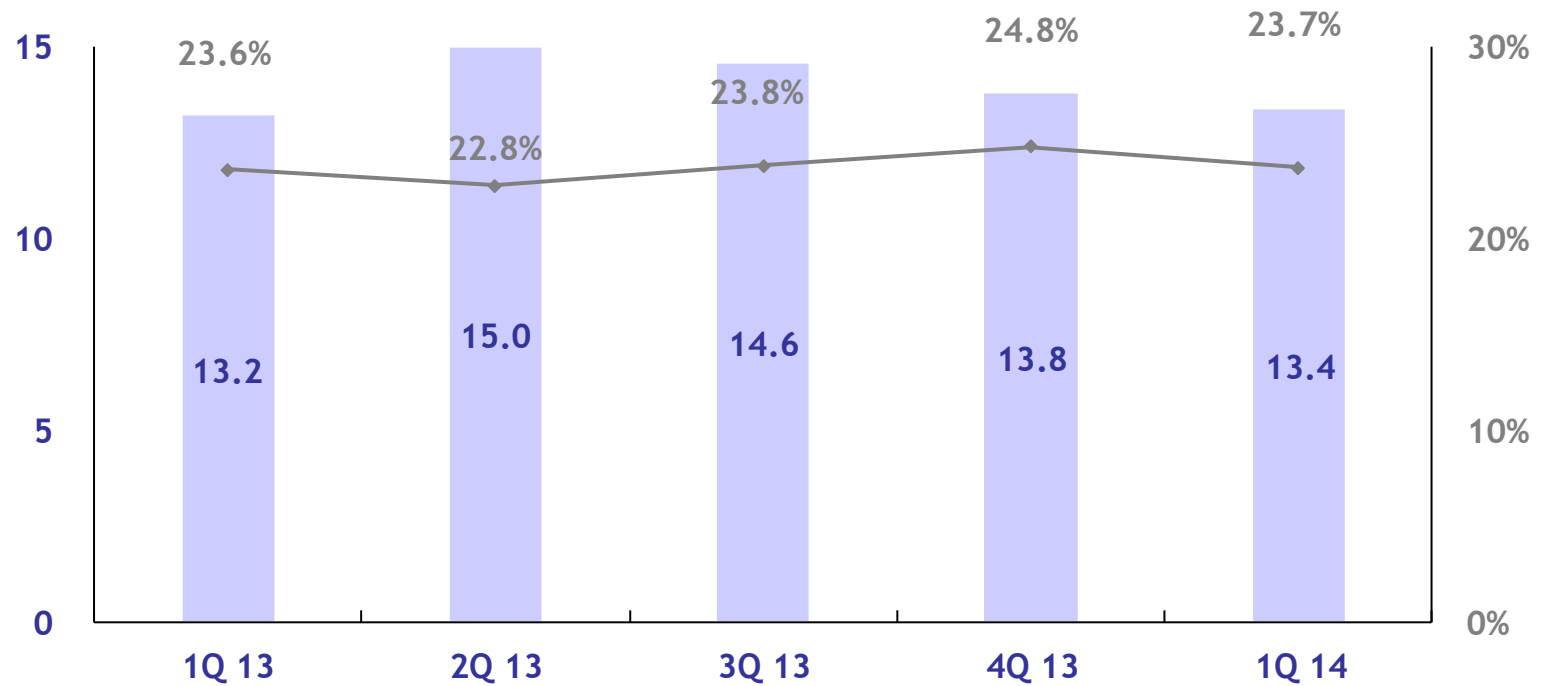
* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue *

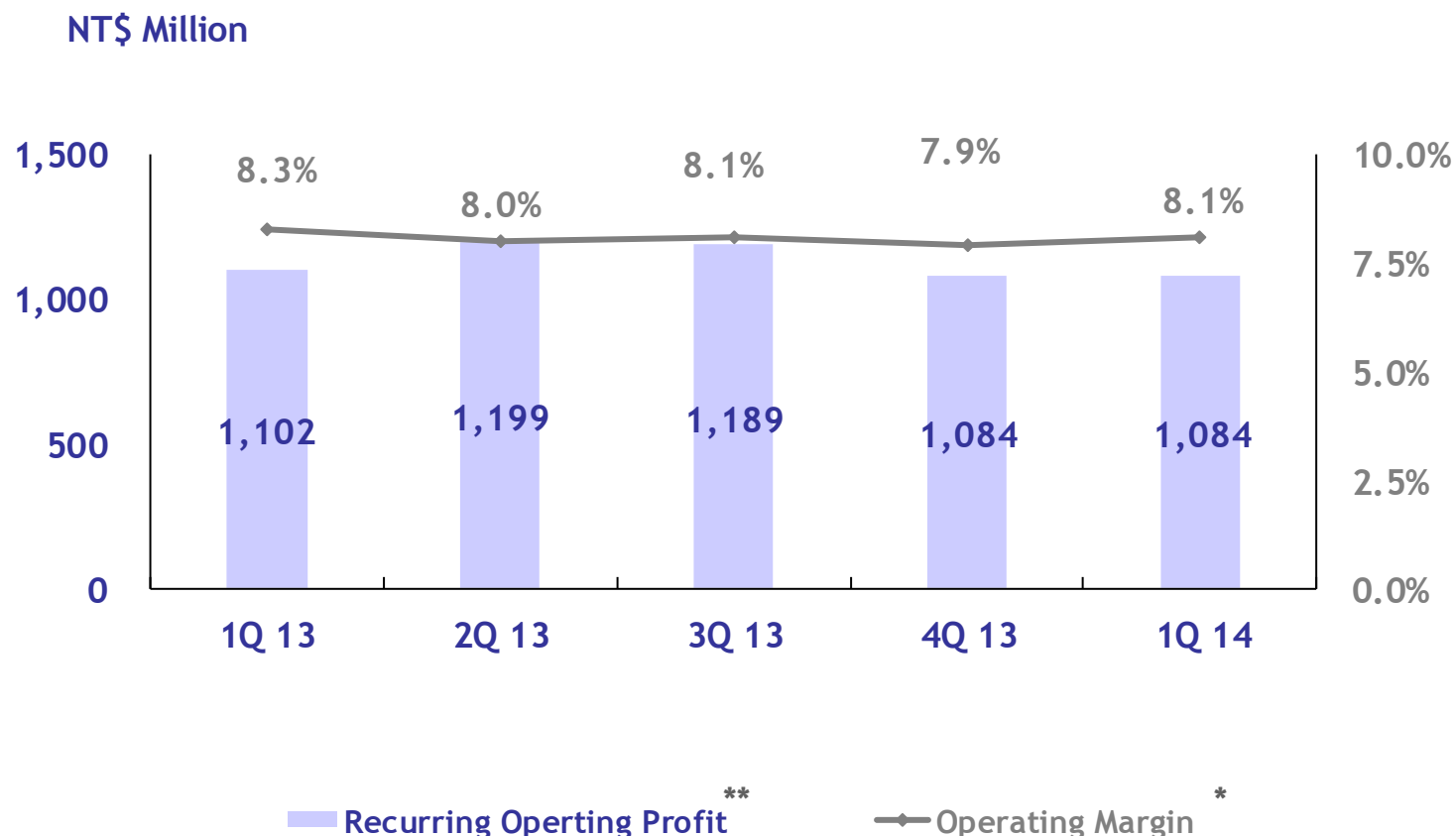
—◆— Gross Margin **

* 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



* Recurring Operating Profit / Recurring Operating Revenue

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

1Q 14 Balance Sheet - consolidated

(In NT 1,000)

	1Q 14		4Q 13		1Q 13	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	14,520,253	19%	14,908,571	19%	12,830,071	17%
Receivable	12,267,554	16%	11,913,593	16%	11,552,628	16%
Inventories	11,137,487	14%	11,193,424	15%	11,344,190	15%
Total Assets	78,189,243	100%	76,890,053	100%	73,868,409	100%
Short-term Borrowings	2,818,243	4%	2,916,614	4%	2,845,049	4%
Accounts Payable	11,972,154	15%	12,890,522	17%	12,131,731	16%
Long-term Borrowings	4,431,884	6%	4,498,266	6%	6,398,897	9%
Corporate Bond Payable	1,470,000	2%	1,475,700	2%	2,467,643	3%
Total Liabilities	29,188,656	37%	30,166,079	39%	31,979,432	43%
Equities	49,000,587	63%	46,723,974	61%	41,888,977	57%

Key Indices

AR Turnover (times)	5.15	5.69	4.71
Inventory Turnover (times)	3.67	3.93	3.65
Current Ratio	2.13	2.04	2.05
Quick Ratio	1.48	1.42	1.35
Net Debt to Equity	-11.8%	-12.9%	-2.8%

Agenda

Business Update

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	1Q 13	2Q 13	3Q 13	4Q13	1Q14
Operating Revenue	13,265	15,023	14,563	13,768	13,538
Recurring Operating Revenue	13,216	14,960	14,592	13,798	13,442
Gain on Sales of Financial Assets	49	63	(29)	(30)	96
Operating Costs	(10,099)	(11,548)	(11,115)	(10,376)	(10,251)
Gross Profit, net *	3,166	3,478	3,445	3,396	3,288
Operating Expense	(2,015)	(2,216)	(2,286)	(2,342)	(2,108)
Operating Profit	1,151	1,262	1,160	1,054	1,180
Non-operating Income (Expense)	75	310	191	202	143
Income before Tax	1,226	1,572	1,351	1,256	1,324
Income Tax Expense	(360)	(410)	(213)	(243)	372
Net Income **	819	1,040	1,039	863	861
<i>Net Margin</i>	6.2%	6.9%	7.1%	6.3%	6.4%
EPS (NT\$)	0.45	0.56	0.56	0.44	0.44

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Income Statements

(In NT Millions, unless otherwise noted)	2009	2010	2011	2012***	2013***
Net Sales	40,043	45,043	46,809	48,730	56,619
Recurring Net Sales	40,034	44,995	46,775	48,604	56,566
Securities Sales Revenue	9	48	34	126	53
COGS	(29,749)	(34,293)	(36,065)	(37,273)	(43,138)
Gross Profit *	10,297	10,752	10,738	11,450	13,485
Operating Expense	(7,505)	(7,208)	(7,436)	(7,621)	(8,859)
Operating Income	2,792	3,544	3,302	3,829	4,626
Non-operating Income	(11)	245	339	580	778
Income before tax	2,782	3,789	3,641	4,409	5,404
Income Tax Benefit / (Expense)	(820)	(1,067)	(747)	(1,082)	(1,226)
Net Income**	1,957	2,492	2,783	3,080	3,760
<i>Net Margin</i>	<i>4.9%</i>	<i>5.5%</i>	<i>5.9%</i>	<i>6.3%</i>	<i>6.6%</i>
Basic EPS (NT\$)	1.09	1.38	1.54	1.69	2.01

* Gross profit includes unrealized / realized inter-company profit

** Excluding minority interest

*** Comply with IFRS

Balance Sheets

	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	12,830	14,424	14,357	14,909	14,520
Receivables	11,553	12,978	12,325	11,914	12,268
Inventories	11,344	11,076	11,334	11,193	11,137
Other Current Assets	2,161	2,308	2,682	2,827	2,849
Total Current Assets	37,888	40,786	40,698	40,843	40,774
Financial Assets					
Available for Sale - Non Current	11,687	10,670	10,635	10,779	11,700
Long-Term Investments Under Equity Method	4,717	4,732	4,751	5,019	5,121
Other Non-Current Assets	19,576	20,042	19,895	20,248	20,594
Total Non-Current Assets	35,980	35,444	35,281	36,047	37,415
Total Assets	73,868	76,230	75,979	76,890	78,189
Current Liabilities	18,498	21,509	19,457	19,984	19,140
Bonds Payable	2,468	2,966	2,034	1,476	1,470
Long-Term Borrowing	6,399	5,078	5,900	4,498	4,431
Other Non-Current Liabilities	4,614	4,748	4,698	4,208	4,147
Total Non-Current Liabilities	13,481	12,792	12,632	10,182	10,048
Total Liabilities	31,979	34,301	32,089	30,166	29,189
Total Shareholders' Equity *	41,889	41,929	43,890	46,724	49,001

* Non-controlling interest included

Balance Sheets

	2009	2010	2011	2012 **	2013**
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash & Cash Equivalents</i>	9,097	10,161	11,612	13,179	14,909
<i>Receivables</i>	7,222	7,952	9,001	11,134	11,914
<i>Inventories</i>	9,380	10,172	11,070	10,761	11,193
<i>Other Current Assets</i>	2,921	3,204	3,601	1,954	2,827
Total Current Assets	28,620	31,489	35,284	37,028	40,843
Funds and Investments	16,977	16,391	16,561	15,799	15,799
Fixed & Other Assets	18,856	18,310	18,488	19,379	36,047
Total Assets	64,453	66,190	70,333	72,206	76,890
Current Liabilities	12,164	14,720	16,330	17,682	19,984
Short-term Loans	1,023	1,411	1,654	2,916	2,917
Long-Term Interest-bearing debt	12,832	11,436	12,501	10,914	6,140
Long-term Loans	12,105	10,870	11,973	7,906	4,498
Corporate Bonds Payable	0	0	0	2,903	1,476
Other Liabilities	2,657	2,683	2,761	4,324	4,042
Total Liabilities	27,653	28,839	31,592	32,920	30,166
Total Shareholders' Equity	36,800	37,351	38,741	39,286	46,724

* Non-controlling interest included

** Comply with IFRS

Cash Flows

(In NT Millions)	1Q 13	2Q 13	3Q 13	4Q13	1Q14
Net Income*	1,226	1,571	1,351	1,255	1,324
Depreciation & Amortization	313	376	376	377	341
Other Op Sources/(Use)	(1,125)	(776)	(26)	652	(1,545)
From Operation	413	1,171	1,701	2,284	120
Capital Expenditures	(287)	(257)	(133)	(285)	(172)
Marketable Financial Instruments	(505)	(201)	(154)	(428)	(101)
Other Investing Sources/(Uses)	454	304	387	931	(386)
From Investment	(338)	(154)	100	218	(659)
Cash Dividends	0	0	(1,922)	0	0
Other Financing Sources/(Uses)	(841)	294	375	(1,162)	(173)
From Financing	(841)	294	(1,547)	(1,162)	(173)
Net Cash Position Change**	(349)	1,594	(67)	552	(388)
Ending Cash Balance	12,830	14,424	13,179	14,909	14,520

* Including non-controlling interest

** Including exchange rate

Cash Flows

(In NT Millions)	2009	2010	2011	2012***	2013***
Net Income*	1,962	2,721	2,894	4,409	5,403
Depreciation & Amortization	1,630	1,629	1,216	1,417	1,442
Other Op Sources/(Use)	3,361	562	(854)	(202)	(604)
From Operation	6,953	4,912	3,256	5,624	6,241
Capital Expenditures	(1,113)	(1,721)	(1,719)	(800)	(962)
Marketable Financial Instruments	1,125	(272)	359	21	379
Other Investing Sources/(Uses)	(1)	(36)	(95)	80	438
From Investment	11	(2,029)	(1,455)	(699)	(145)
Cash Dividends	(900)	(990)	(1,468)	(1,661)	(1,922)
Employee & BOD Profit Sharing	0	0	0	0	0
Other Financing Sources/(Uses)	(3,311)	(777)	1,415	(892)	(2,034)
From Financing	(4,211)	(1,767)	(53)	(2,553)	(3,956)
Net Cash Position Change**	2,827	1,064	1,452	1,576	1,730
Ending Cash Balance	9,097	10,161	11,613	13,179	14,909

* Including minority interests

*** Comply with IFRS

** Including exchange rate effect

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