

TECO Electric & Machinery Co., Ltd.



2014 2Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

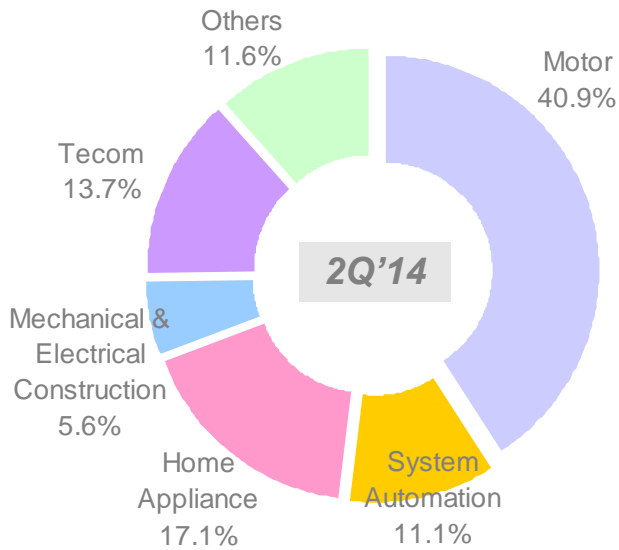
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

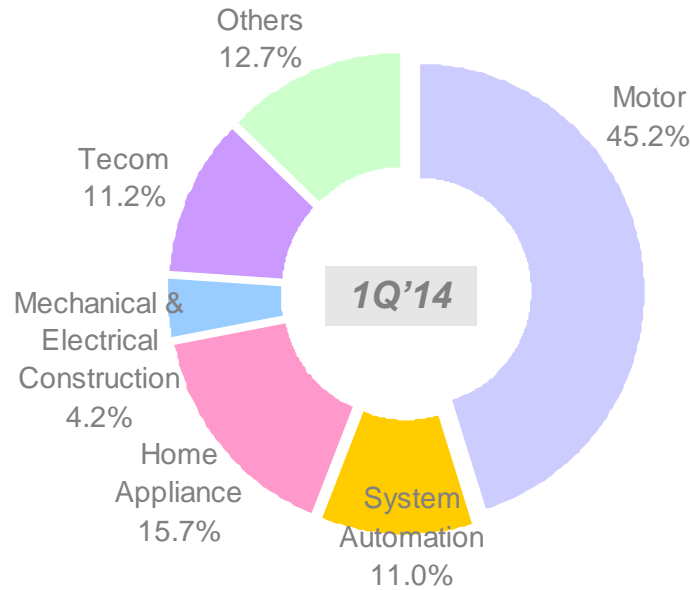
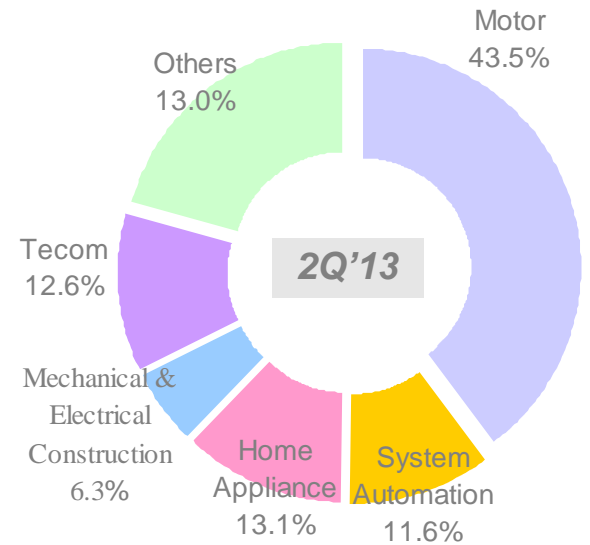
Business Update

Appendix

Revenue Breakdown

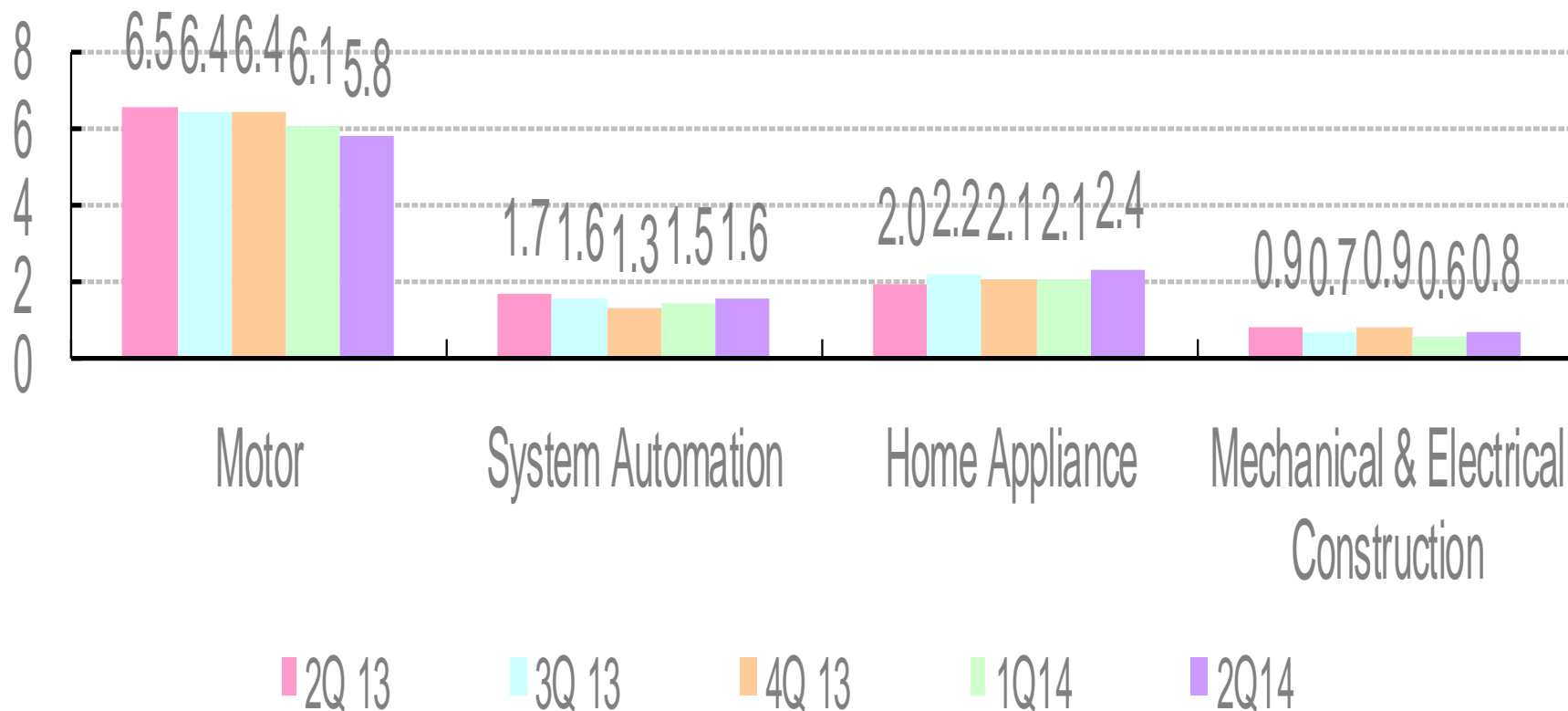


In 2Q'14, total consolidated topline down 5.2% YoY and up 5.2% QoQ.



Sales Trend on Major Business lines

NT\$ Billion



1H 2014 Financial Highlights - consolidated

(In NT Millions)	1H 14	1H 13	YoY
Net Sales - recurring *	27,604	28,176	-2.0%
Gross Margin - recurring *	24.3%	23.2%	+110bps
Operating Margin - recurring *	8.6%	8.2%	+40bps
EPS (NT\$)	1.18	1.01	16.8%
Free Cash Flow	3,509	2,873	22.1%
ROE (%) **	10.6%	9.8%	+80bps
ROA (%) **	5.9%	5.0%	+90bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

1H 2014 Income Statement - consolidated

(In NT Millions)	1H 14	1H 13	YoY
Operating Revenue	27,775	28,288	-1.8%
Recurring Operating Revenue	27,604	28,176	-2.0%
Gain on Sales of Financial Assets	171	112	52.7%
Gross Profit, net *	6,879	6,644	3.5%
Operating Profit	2,532	2,413	4.9%
Non-operating Income (Expense)	796	385	106.8%
Income before Tax	3,327	2,797	18.9%
Income Tax Expense	(808)	(770)	4.9%
Net Income **	2,331	1,859	25.4%
EPS (NT\$)	1.18	1.01	16.8%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

1Q 14 Financial Highlights - consolidated

(In NT Millions)	2Q 14	1Q 14	QoQ	2Q 13	YoY
Net Sales - recurring *	14,161	13,442	5.3%	14,960	-5.3%
Gross Margin - recurring *	24.8%	23.7%	110bps	22.8%	200bps
Operating Margin - recurring *	9.0%	8.1%	90bps	8.0%	100bps
EPS (NT\$)	0.74	0.44	68.2%	0.56	32.1%
Free Cash Flow	1,241	2,268	-45.3%	1,577	-21.3%
ROE (%) **	13.0%	7.8%	520bps	10.6%	240bps
ROA (%) **	7.4%	4.4%	300bps	5.5%	190bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

1Q 14 Income Statement - consolidated

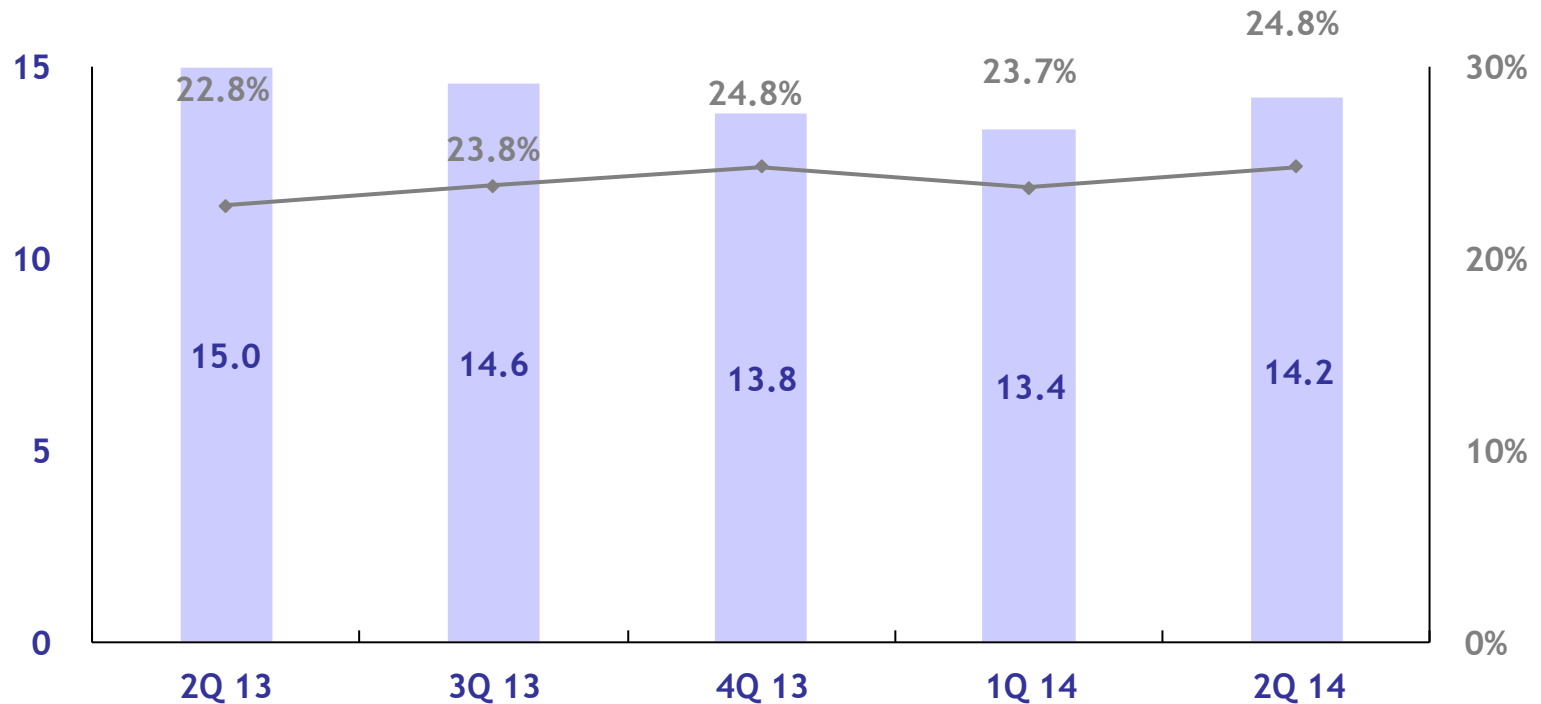
(In NT Millions)	2Q 14	1Q 14	QoQ	2Q13	YoY
Operating Revenue	14,236	13,538	5.2%	15,023	-5.2%
Recurring Operating Revenue	14,161	13,442	5.3%	14,960	-5.3%
Gain on Sales of Financial Assets	75	96	-21.9%	63	19.0%
Gross Profit, net *	3,591	3,288	9.2%	3,478	3.2%
Operating Profit	1,351	1,180	14.5%	1,262	7.1%
Non-operating Income (Expense)	653	143	356.6%	310	110.6%
Income before Tax	2,004	1,324	51.4%	1,572	27.5%
Income Tax Expense	(436)	(372)	17.2%	(410)	6.3%
Net Income **	1,470	861	70.7%	1,040	41.3%
EPS (NT\$)	0.74	0.44	68.2%	0.56	32.1%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue *

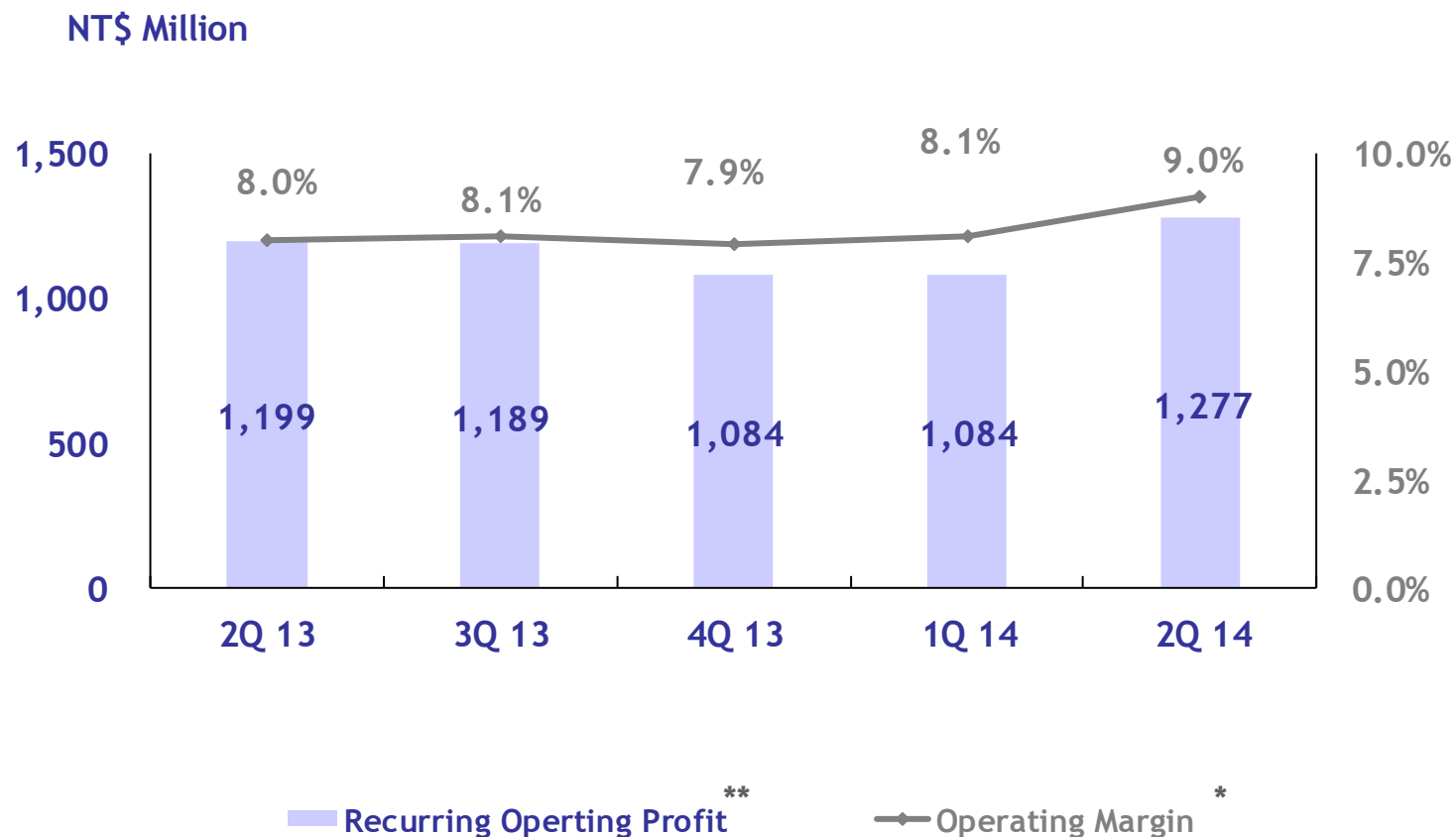
—◆— Gross Margin **

* 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)	2Q 14		1Q 14		2Q 13	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	15,434,733	19%	14,520,253	19%	14,423,676	19%
Receivable	14,239,346	18%	12,267,554	16%	12,978,193	16%
Inventories	11,092,168	14%	11,137,487	14%	11,344,190	16%
Total Assets	81,619,261	100%	78,189,243	100%	76,229,672	100%
Short-term Borrowings	2,687,556	4%	2,818,243	4%	3,006,558	4%
Accounts Payable	16,042,803	20%	11,972,154	15%	12,131,731	16%
Long-term Borrowings	4,127,692	5%	4,431,884	6%	5,078,119	7%
Corporate Bond Payable	1,443,300	2%	1,470,000	2%	2,965,641	4%
Total Liabilities	32,492,499	40%	29,188,656	37%	34,300,640	45%
Equities	49,126,762	60%	49,000,587	63%	41,929,032	55%

Key Indices

AR Turnover (times)	5.15	5.15	5.51
Inventory Turnover (times)	3.75	3.67	3.97
Current Ratio	1.94	2.13	1.90
Quick Ratio	1.39	1.48	1.31
Net Debt to Equity	-14.6%	-11.8%	-8.0%

Agenda

Business Update

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	2Q 13	3Q 13	4Q13	1Q14	2Q14
Operating Revenue	15,023	14,563	13,768	13,538	14,236
Recurring Operating Revenue	14,960	14,592	13,798	13,442	14,161
Gain on Sales of Financial Assets	63	(29)	(30)	96	75
Operating Costs	(11,548)	(11,115)	(10,376)	(10,251)	(10,646)
Gross Profit, net *	3,478	3,445	3,396	3,288	3,591
Operating Expense	(2,216)	(2,286)	(2,342)	(2,108)	(2,240)
Operating Profit	1,262	1,160	1,054	1,180	1,351
Non-operating Income (Expense)	310	191	202	143	653
Income before Tax	1,572	1,351	1,256	1,324	2,004
Income Tax Expense	(410)	(213)	(243)	372	(436)
Net Income **	1,040	1,039	863	861	1,470
<i>Net Margin</i>	6.9%	7.1%	6.3%	6.4%	10.3%
EPS (NT\$)	0.56	0.56	0.44	0.44	0.74

* 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>	4.9%	5.5%	5.9%	6.3%	6.6%
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

	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	14,424	14,357	14,909	14,520	15,435
Receivables	12,978	12,325	11,914	12,268	14,239
Inventories	11,076	11,334	11,193	11,137	11,092
Other Current Assets	2,308	2,682	2,827	2,849	3,238
Total Current Assets	40,786	40,698	40,843	40,774	44,004
Financial Assets					
Available for Sale - Non Current	10,670	10,635	10,779	11,700	12,867
Long-Term Investments Under Equity Method	4,732	4,751	5,019	5,121	5,070
Other Non-Current Assets	20,042	19,895	20,248	20,594	19,678
Total Non-Current Assets	35,444	35,281	36,047	37,415	37,615
Total Assets	76,230	75,979	76,890	78,189	81,619
Current Liabilities	21,509	19,457	19,984	19,140	22,682
Bonds Payable	2,966	2,034	1,476	1,470	1,443
Long-Term Borrowing	5,078	5,900	4,498	4,431	4,128
Other Non-Current Liabilities	4,748	4,698	4,208	4,147	4,240
Total Non-Current Liabilities	12,792	12,632	10,182	10,048	9,811
Total Liabilities	34,301	32,089	30,166	29,189	32,492
Total Shareholders' Equity *	41,929	43,890	46,724	49,001	49,127

* 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)	2Q 13	3Q 13	4Q13	1Q14	2Q14
Net Income*	1,571	1,351	1,255	1,324	2,003
Depreciation & Amortization	376	376	377	341	377
Other Op Sources/(Use)	(776)	(26)	652	(1,545)	(460)
From Operation	1,171	1,701	2,284	120	1,920
Capital Expenditures	(257)	(133)	(285)	(172)	(827)
Marketable Financial Instruments	(102)	97	388	123	110
Other Investing Sources/(Uses)	205	136	115	(610)	776
From Investment	(154)	100	218	(659)	59
Cash Dividends	0	(1,922)	0	0	0
Other Financing Sources/(Uses)	294	375	(1,162)	(173)	(518)
From Financing	294	(1,547)	(1,162)	(173)	(518)
Net Cash Position Change**	1,594	(67)	552	(388)	914
Ending Cash Balance	14,424	13,179	14,909	14,520	15,435

* 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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