

TECO Electric & Machinery Co., Ltd.



2014 4Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

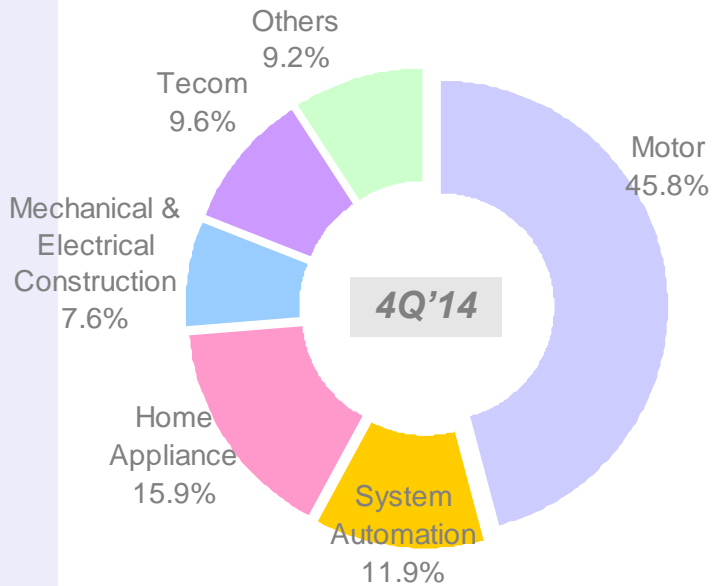
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

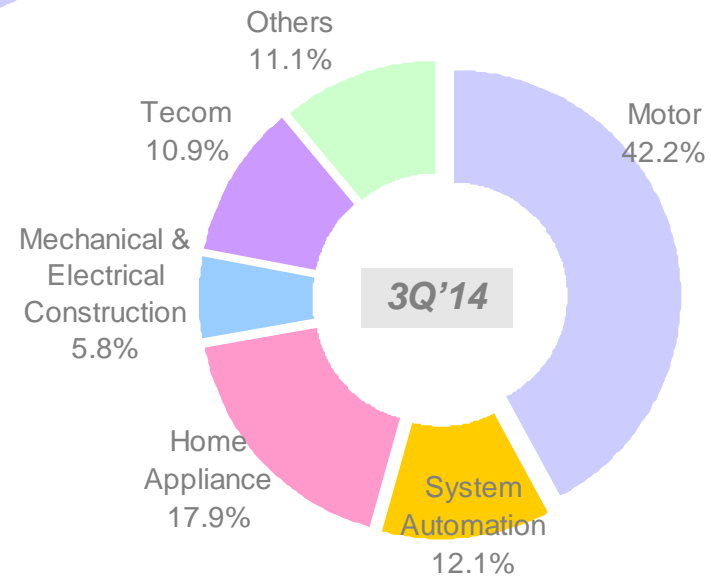
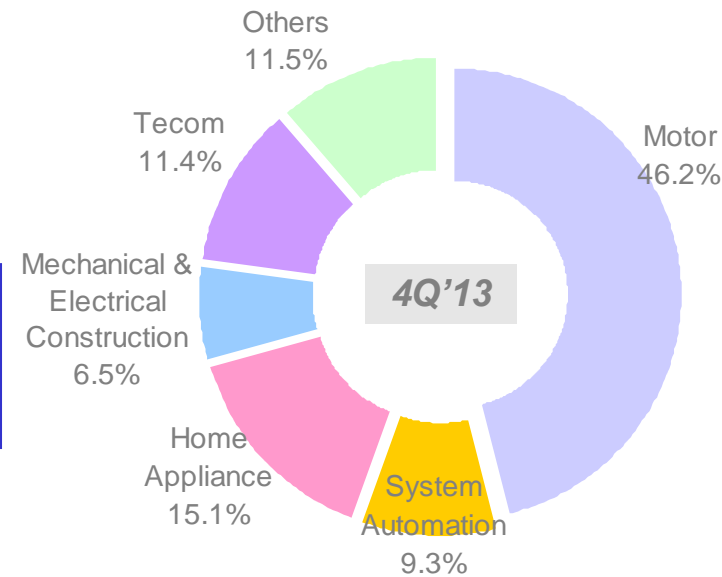
Operation Overview

Appendix

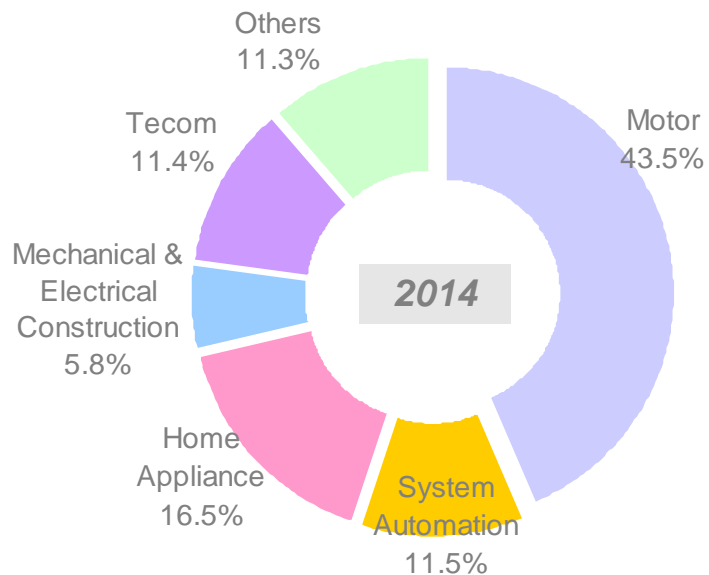
Revenue Breakdown 1/2



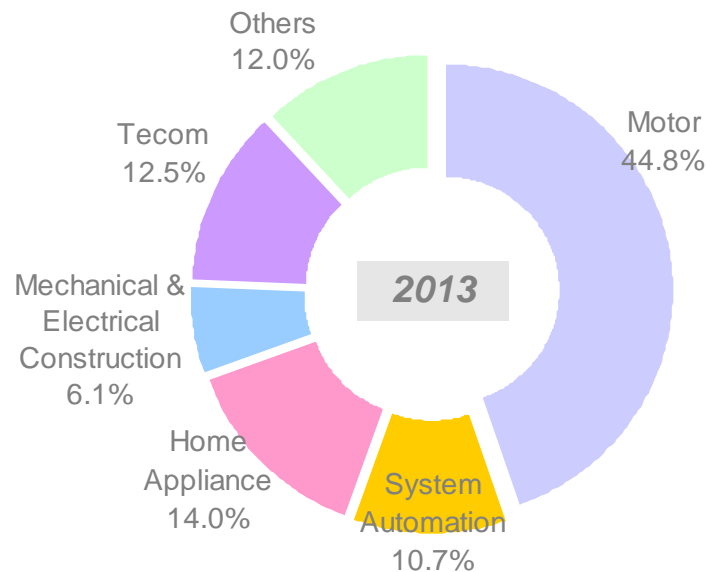
In 4Q'14, total consolidated topline down 8.4% YoY and down 6.1% QoQ.



Revenue Breakdown 2/2

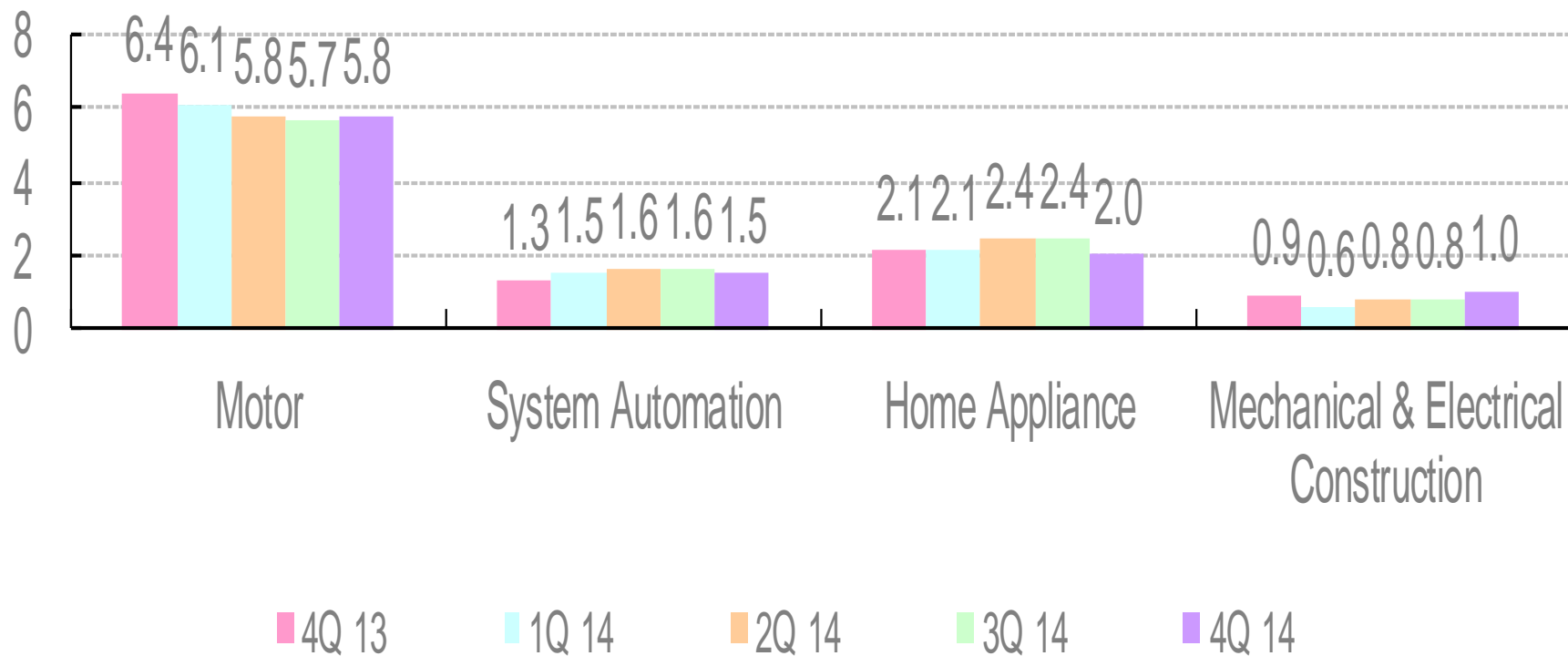


In 2014, total consolidated topline down 4.9% YoY.



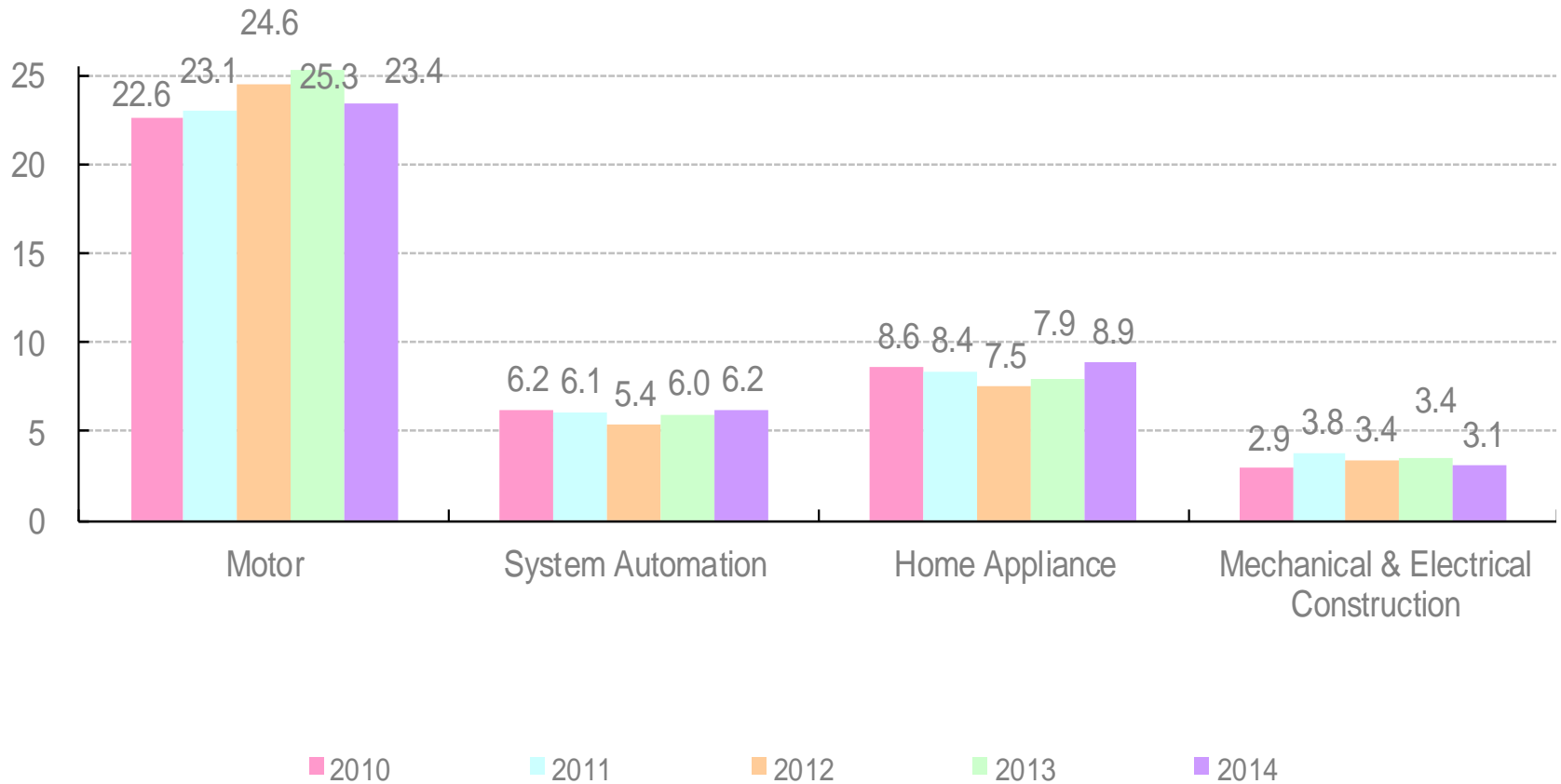
Sales Trend on Major Business lines 1/2

NT\$ Billion



Sales Trend on Major Business lines 2/2

NT\$ Billion



2014 Financial Highlights - consolidated

(In NT Millions)	2014	2013	YoY
Net Sales - recurring *	53,695	56,566	-5.1%
Gross Margin - recurring *	24.7%	23.7%	+100bps
Operating Margin - recurring *	8.0%	8.1%	-10bps
EPS (NT\$)	2.06	2.01	2.5%
ROE (%) **	8.8%	9.4%	-60bps
ROA (%) **	5.1%	5.0%	+10bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

2014 Income Statement - consolidated

(In NT Millions)	2014***	2013***	YoY
Operating Revenue	53,821	56,619	-4.9%
Recurring Operating Revenue	53,695	56,566	-5.1%
Gain on Sales of Financial Assets	126	53	137.7%
Gross Profit, net *	13,378	13,485	-0.8%
Operating Profit	4,397	4,626	-5.0%
Non-operating Income (Expense)	1,307	778	68.0%
Income before Tax	5,704	5,404	5.6%
Income Tax Expense	(1,298)	(1,226)	5.9%
Net Income **	4,067	3,760	8.2%
EPS (NT\$)	2.06	2.01	2.5%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

4Q 14 Financial Highlights - consolidated

(In NT Millions)	4Q 14***	3Q 14***	QoQ	4Q 13***	YoY
Net Sales - recurring *	12,538	13,553	-7.5%	13,798	-9.1%
Gross Margin - recurring *	24.3%	25.8%	-150bps	24.8%	-50bps
Operating Margin - recurring *	5.8%	8.8%	-300bps	7.9%	-210bps
EPS (NT\$)	0.35	0.53	-34.0%	0.44	-20.5%
ROE (%) **	5.9%	9.0%	-310bps	8.3%	-240bps
ROA (%) **	3.5%	5.1%	-160bps	4.5%	-100bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

4Q 14 Income Statement - consolidated

(In NT Millions)	4Q 14***	3Q 14***	QoQ	4Q 13 ***	YoY
Operating Revenue	12,597	13,449	-6.3%	13,768	-8.5%
Recurring Operating Revenue	12,538	13,553	-7.5%	13,798	-9.1%
Gain on Sales of Financial Assets	59	(104)	-	(30)	-
Gross Profit, net *	3,103	3,396	-8.6%	3,396	-8.6%
Operating Profit	780	1,085	-28.1%	1,054	-26.0%
Non-operating Income (Expense)	177	334	-47.0%	202	-12.4%
Income before Tax	957	1,420	-32.6%	1,256	-23.8%
Income Tax Expense	(196)	(294)	-33.3%	(243)	-19.3%
Net Income **	702	1,034	-32.1%	863	-18.7%
EPS (NT\$)	0.35	0.53	-34.0%	0.44	-20.5%

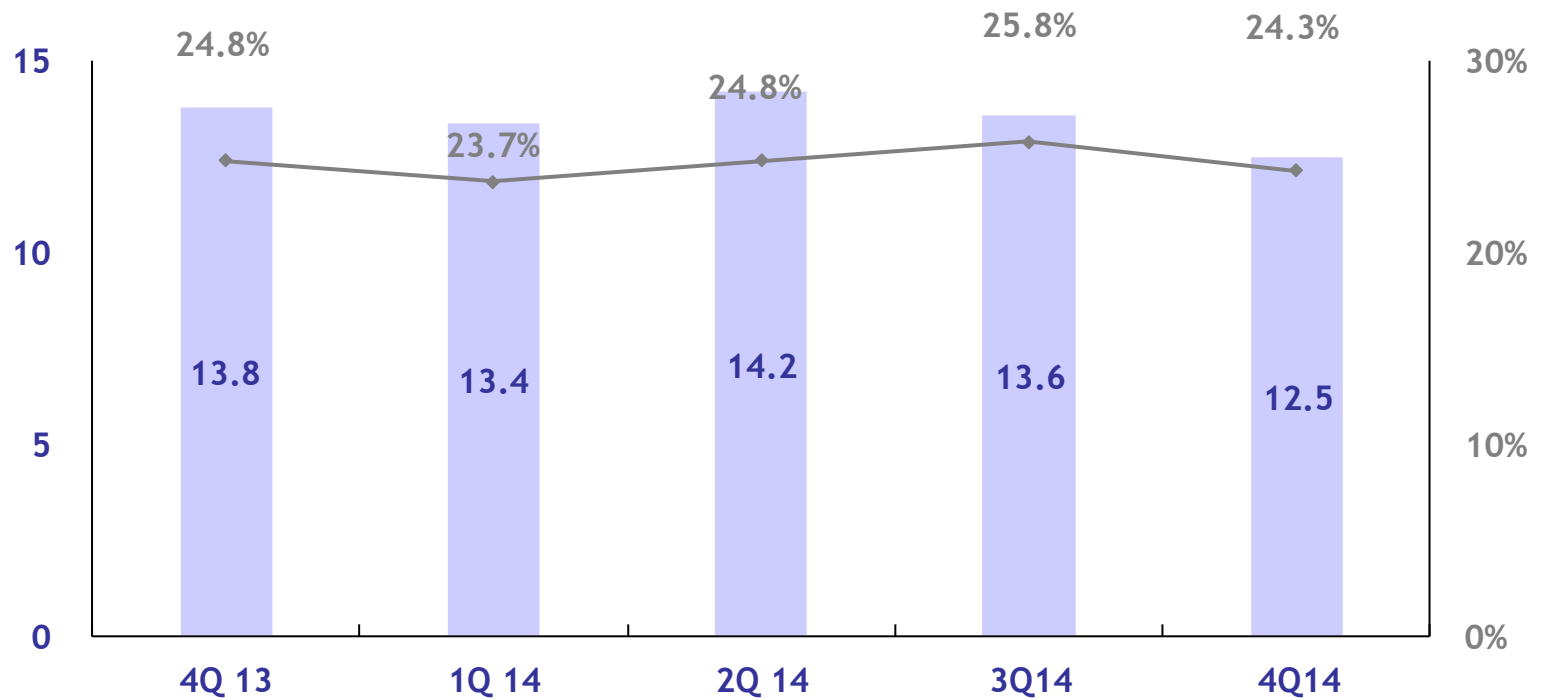
* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue *

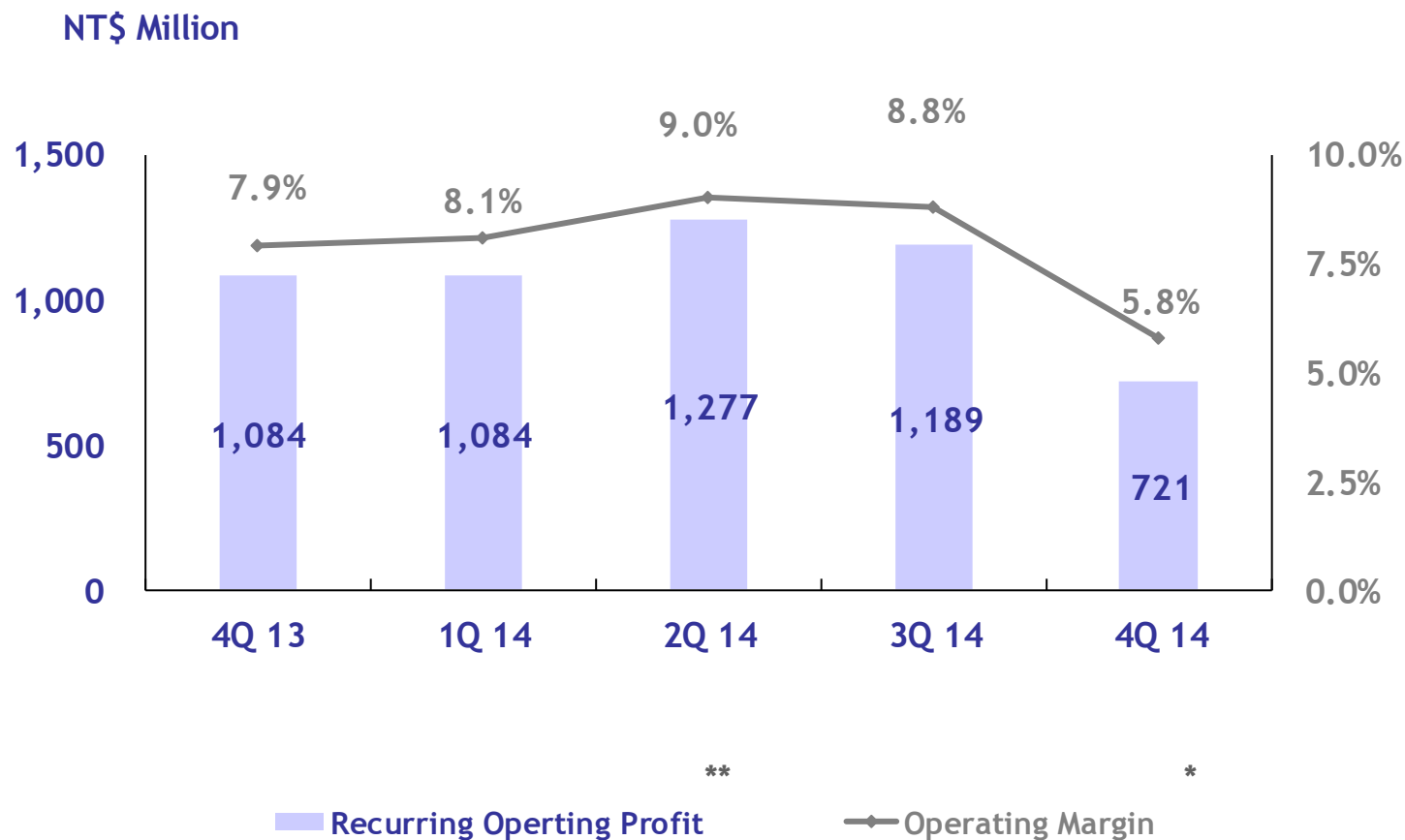
—◆— Gross Margin **

* 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

Dec '14 Balance Sheet - consolidated

(In NT 1,000)	Dec 14		Sep 14		Dec 13	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	17,206,411	21%	15,844,900	20%	14,908,571	19%
Receivable	11,746,319	16%	12,124,000	15%	11,913,593	16%
Inventories	11,555,667	15%	11,490,739	14%	11,193,424	15%
Total Assets	82,771,667	100%	79,862,960	100%	76,890,053	100%
Short-term Borrowings	2,522,551	4%	2,773,703	3%	2,916,614	4%
Accounts Payable	13,225,043	17%	13,366,723	17%	12,890,522	17%
Long-term Borrowings	5,474,646	6%	4,667,520	6%	4,498,266	6%
Corporate Bond Payable	1,527,600	2%	1,480,200	2%	1,475,700	2%
Total Liabilities	29,528,996	39%	29,853,845	37%	30,166,079	39%
Equities	53,242,671	61%	50,009,115	63%	46,723,974	61%

Key Indices

Quarterly AR Turnover (times)	5.27	5.24	5.71
Quarterly Inventory Turnover (times)	3.56	3.64	3.93
Current Ratio	2.39	2.20	2.04
Quick Ratio	1.69	1.54	1.42
Net Debt to Equity	-14.4%	-13.8%	-12.9%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	4Q13	1Q14	2Q14	3Q14	4Q14
Operating Revenue	13,768	13,538	14,236	13,449	12,597
Recurring Operating Revenue	13,798	13,442	14,161	13,553	12,538
Gain on Sales of Financial Assets	(30)	96	75	(104)	59
Operating Costs	(10,376)	(10,251)	(10,646)	(10,053)	(9,493)
Gross Profit, net *	3,396	3,288	3,591	3,396	3,103
Operating Expense	(2,342)	(2,108)	(2,240)	(2,310)	(2,323)
Operating Profit	1,054	1,180	1,351	1,085	780
Non-operating Income (Expense)	202	143	653	334	177
Income before Tax	1,256	1,324	2,004	1,420	957
Income Tax Expense	(243)	372	(436)	(294)	(196)
Net Income **	863	861	1,470	1,034	702
<i>Net Margin</i>	6.3%	6.4%	10.3%	7.7%	5.6%
EPS (NT\$)	0.44	0.44	0.74	0.53	0.35

* 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

	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	14,909	14,520	15,435	15,845	17,206
Receivables	11,914	12,268	14,239	12,124	11,746
Inventories	11,193	11,137	11,092	11,491	11,556
Other Current Assets	2,827	2,849	3,238	3,078	2,758
Total Current Assets	40,843	40,774	44,004	42,538	43,266
Financial Assets					
Available for Sale - Non Current	10,779	11,700	12,867	12,360	14,156
Long-Term Investments Under Equity Method	5,019	5,121	5,070	5,147	5,233
Other Non-Current Assets	20,248	20,594	19,678	2,311	728
Total Non-Current Assets	36,047	37,415	37,615	19,818	20,117
Total Assets	76,890	78,189	81,619	79,863	82,772
Current Liabilities	19,984	19,140	22,682	19,298	18,134
Bonds Payable	1,476	1,470	1,443	1,480	1,528
Long-Term Borrowing	4,498	4,431	4,128	4,668	5,475
Other Non-Current Liabilities	4,208	4,147	4,240	4,408	4,392
Total Non-Current Liabilities	10,182	10,048	9,811	10,556	11,395
Total Liabilities	30,166	29,189	32,492	29,854	29,528
Total Shareholders' Equity *	46,724	49,001	49,127	50,009	53,243

* 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)	4Q13	1Q14	2Q14	3Q14	4Q14
Pretax Income	1,255	1,324	2,003	1,420	957
Depreciation & Amortization	377	341	377	265	366
Other Op Sources/(Use)	298	(1,545)	(460)	138	(402)
From Operation	1,930	120	1,920	1,823	921
Capital Expenditures	(285)	(172)	(827)	(775)	(247)
Marketable Financial Instruments	388	123	110	(23)	369
Other Investing Sources/(Uses)	544	(610)	776	713	(206)
From Investment	647	(659)	59	(86)	(84)
Cash Dividends	0	0	0	(2,203)	0
Other Financing Sources/(Uses)	(1,162)	(173)	(518)	717	556
From Financing	(1,162)	(173)	(518)	(1,486)	556
Net Cash Position Change*	552	(388)	914	410	1,362
Ending Cash Balance	14,909	14,520	15,435	15,845	17,206

* 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 Balance	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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