

TECO Electric & Machinery Co., Ltd.



2014 3Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

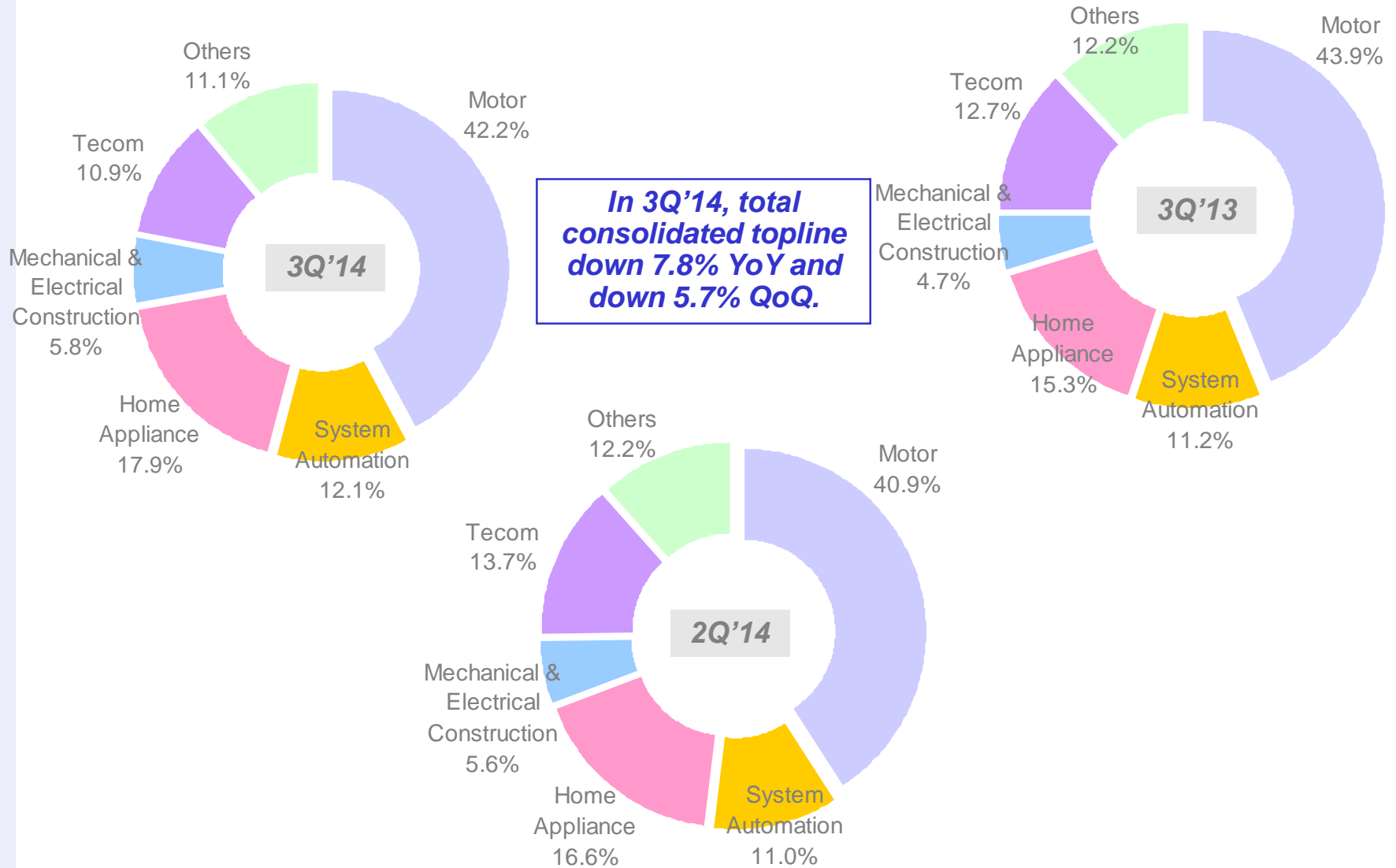
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

Business Update

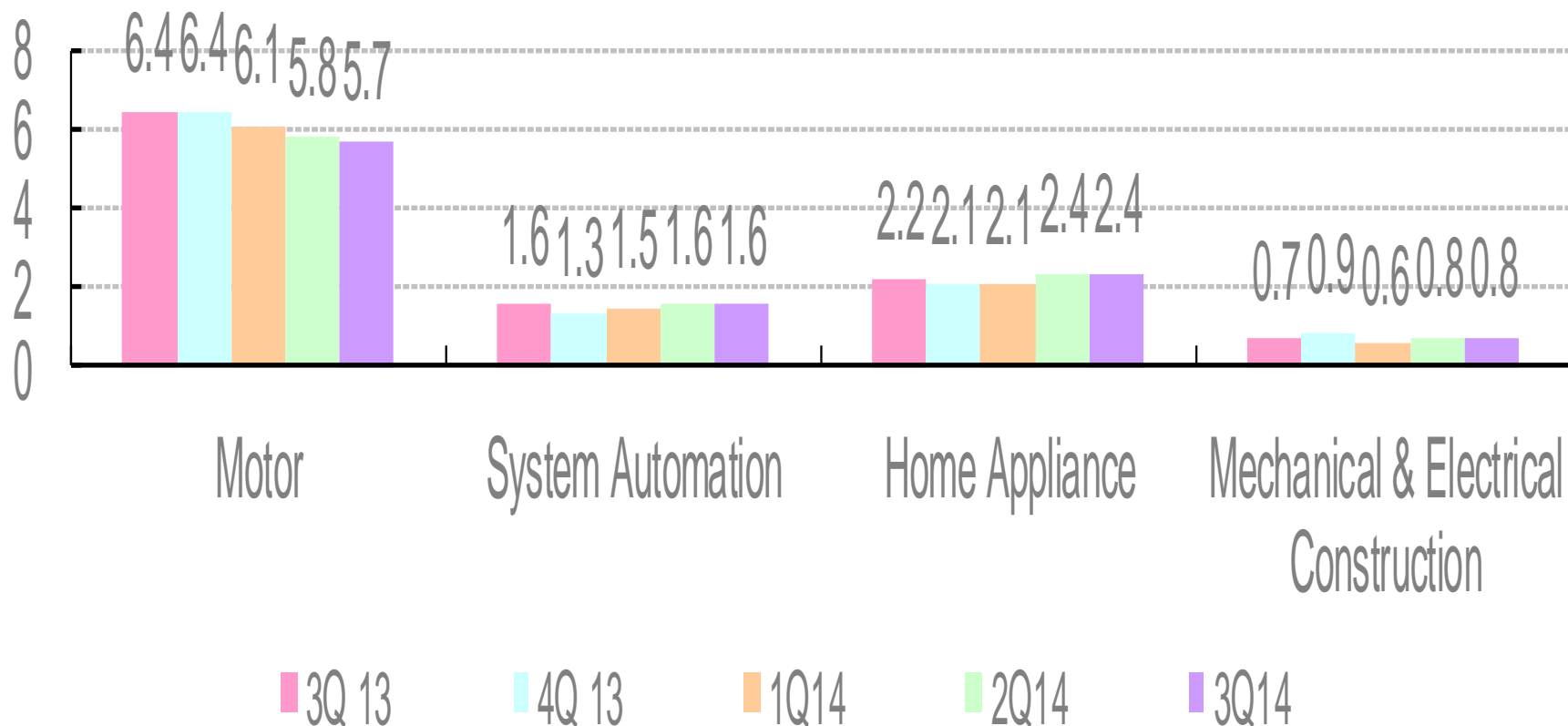
Appendix

Revenue Breakdown



Sales Trend on Major Business lines

NT\$ Billion



9M 2014 Financial Highlights - consolidated

(In NT Millions)	9M 14	9M 13	YoY
Net Sales - recurring *	41,157	42,768	-3.8%
Gross Margin - recurring *	24.8%	23.4%	+140bps
Operating Margin - recurring *	8.6%	8.2%	+40bps
EPS (NT\$)	1.71	1.57	8.9%
Free Cash Flow	6,337	6,431	-44.6%
ROE (%) **	10.1%	9.9%	+20bps
ROA (%) **	5.7%	5.2%	+50bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

9M 2014 Income Statement - consolidated

(In NT Millions)	9M 14	9M 13	YoY
Operating Revenue	41,224	42,851	-3.8%
Recurring Operating Revenue	41,157	42,768	-3.8%
Gain on Sales of Financial Assets	67	83	-19.3%
Gross Profit, net *	10,275	10,089	1.8%
Operating Profit	3,617	3,572	1.3%
Non-operating Income (Expense)	1,130	576	96.2%
Income before Tax	4,747	4,148	14.4%
Income Tax Expense	(1,102)	(983)	12.1%
Net Income **	3,365	2,897	16.2%
EPS (NT\$)	1.71	1.57	8.9%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

3Q 14 Financial Highlights - consolidated

(In NT Millions)	3Q 14	2Q 14	QoQ	3Q 13	YoY
Net Sales - recurring *	13,553	14,161	-4.3%	14,592	-7.1%
Gross Margin - recurring *	25.8%	24.8%	100bps	23.8%	200bps
Operating Margin - recurring *	8.8%	9.0%	-20bps	8.1%	70bps
EPS (NT\$)	0.53	0.74	-28.4%	0.56	-5.4%
Free Cash Flow	2,828	1,241	127.9%	3,558	-20.5%
ROE (%) **	9.0%	13.0%	-400bps	10.4%	-140bps
ROA (%) **	5.1%	7.4%	-230bps	5.5%	-40bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

3Q 14 Income Statement - consolidated

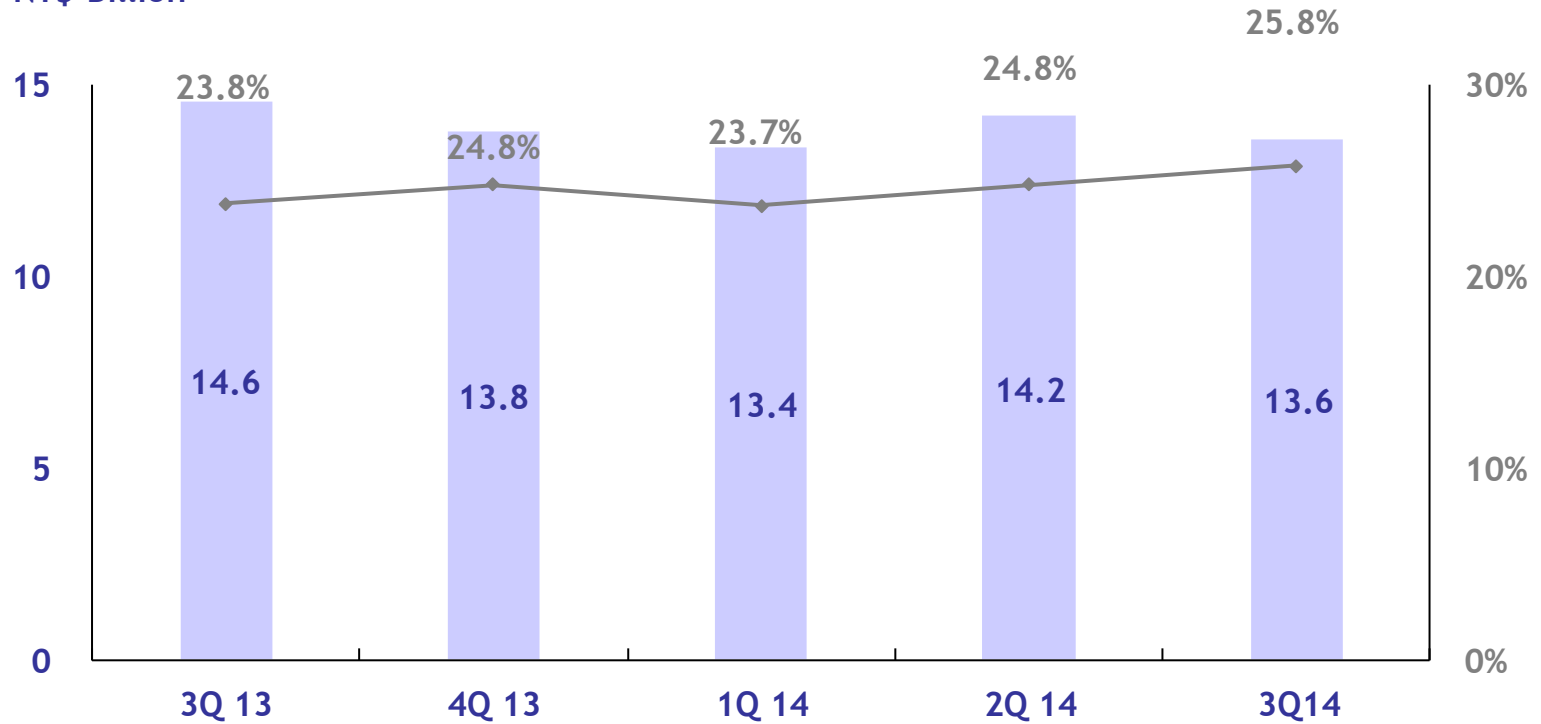
(In NT Millions)	3Q 14	2Q 14	QoQ	3Q 13	YoY
Operating Revenue	13,449	14,236	-5.5%	14,563	-7.6%
Recurring Operating Revenue	13,553	14,161	-4.3%	14,592	-7.1%
Gain on Sales of Financial Assets	(104)	75	-	(30)	258.6%
Gross Profit, net *	3,396	3,591	-5.4%	3,445	-1.4%
Operating Profit	1,085	1,351	-19.7%	1,160	-6.5%
Non-operating Income (Expense)	334	653	-48.9%	191	74.9%
Income before Tax	1,420	2,004	-29.1%	1,351	5.1%
Income Tax Expense	(294)	(436)	-32.6%	(213)	38.0%
Net Income **	1,034	1,470	-29.7%	1,039	-0.5%
EPS (NT\$)	0.53	0.74	-28.4%	0.56	-5.4%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue *

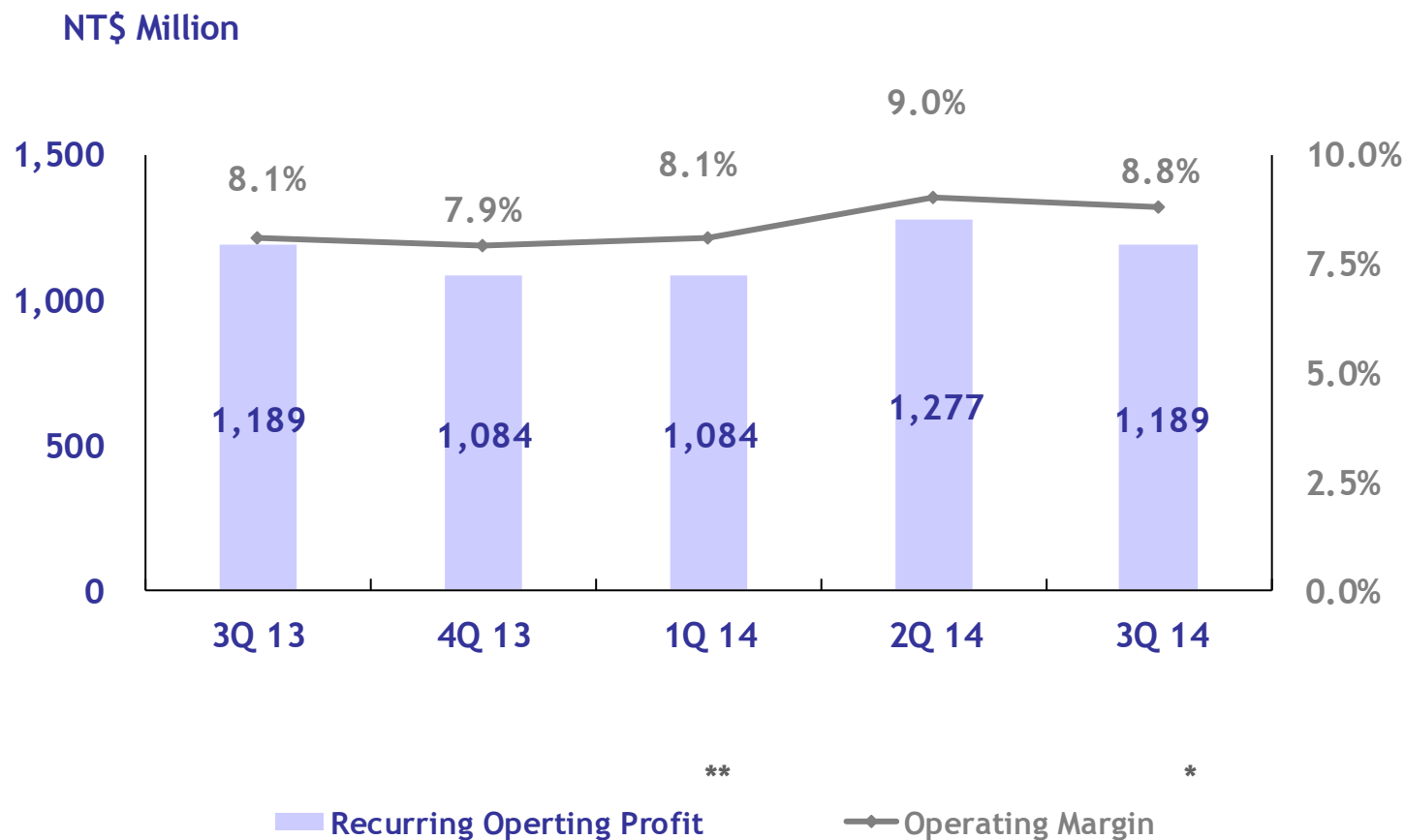
◆ Gross Margin **

* 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

3Q 14 Balance Sheet - consolidated

(In NT 1,000)	3Q 14		2Q 14		3Q 13	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	15,844,900	20%	15,434,733	19%	14,356,932	19%
Receivable	12,124,000	15%	14,239,346	18%	12,325,370	16%
Inventories	11,490,739	14%	11,092,168	14%	11,334,128	15%
Total Assets	79,862,960	100%	81,619,261	100%	75,978,965	100%
Short-term Borrowings	2,773,703	3%	2,687,556	4%	2,724,716	4%
Accounts Payable	13,366,723	17%	16,042,803	20%	13,221,858	17%
Long-term Borrowings	4,667,520	6%	4,127,692	5%	5,899,813	8%
Corporate Bond Payable	1,480,200	2%	1,443,300	2%	2,034,378	3%
Total Liabilities	29,853,845	37%	32,492,499	40%	32,088,804	42%
Equities	50,009,115	63%	49,126,762	60%	43,890,161	58%

Key Indices

AR Turnover (times)	5.24	5.05	5.67
Inventory Turnover (times)	3.64	3.75	3.95
Current Ratio	2.20	1.94	2.09
Quick Ratio	1.54	1.39	1.43
Net Debt to Equity	-13.8%	-14.6%	-8.4%

Agenda

Business Update

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	3Q 13	4Q13	1Q14	2Q14	3Q14
Operating Revenue	14,563	13,768	13,538	14,236	13,449
Recurring Operating Revenue	14,592	13,798	13,442	14,161	13,553
Gain on Sales of Financial Assets	(30)	(30)	96	75	(104)
Operating Costs	(11,115)	(10,376)	(10,251)	(10,646)	(10,053)
Gross Profit, net *	3,445	3,396	3,288	3,591	3,396
Operating Expense	(2,286)	(2,342)	(2,108)	(2,240)	(2,310)
Operating Profit	1,160	1,054	1,180	1,351	1,085
Non-operating Income (Expense)	191	202	143	653	334
Income before Tax	1,351	1,256	1,324	2,004	1,420
Income Tax Expense	(213)	(243)	372	(436)	(294)
Net Income **	1,039	863	861	1,470	1,034
<i>Net Margin</i>	7.1%	6.3%	6.4%	10.3%	7.7%
EPS (NT\$)	0.56	0.44	0.44	0.74	0.53

* 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

	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	14,357	14,909	14,520	15,435	15,845
Receivables	12,325	11,914	12,268	14,239	12,124
Inventories	11,334	11,193	11,137	11,092	11,491
Other Current Assets	2,682	2,827	2,849	3,238	3,078
Total Current Assets	40,698	40,843	40,774	44,004	42,538
Financial Assets					
Available for Sale - Non Current	10,635	10,779	11,700	12,867	12,360
Long-Term Investments Under Equity Method	4,751	5,019	5,121	5,070	5,147
Other Non-Current Assets	19,895	20,248	20,594	19,678	2,311
Total Non-Current Assets	35,281	36,047	37,415	37,615	19,818
Total Assets	75,979	76,890	78,189	81,619	79,863
Current Liabilities	19,457	19,984	19,140	22,682	19,298
Bonds Payable	2,034	1,476	1,470	1,443	1,480
Long-Term Borrowing	5,900	4,498	4,431	4,128	4,668
Other Non-Current Liabilities	4,698	4,208	4,147	4,240	4,408
Total Non-Current Liabilities	12,632	10,182	10,048	9,811	10,556
Total Liabilities	32,089	30,166	29,189	32,492	29,854
Total Shareholders' Equity *	43,890	46,724	49,001	49,127	50,009

* 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)	3Q 13	4Q13	1Q14	2Q14	3Q14
Net Income*	1,351	1,255	1,324	2,003	1,420
Depreciation & Amortization	376	377	341	377	265
Other Op Sources/(Use)	72	652	(1,545)	(460)	138
From Operation	1,799	2,284	120	1,920	1,823
Capital Expenditures	(133)	(285)	(172)	(827)	(775)
Marketable Financial Instruments	97	388	123	110	(23)
Other Investing Sources/(Uses)	(293)	115	(610)	776	713
From Investment	(329)	218	(659)	59	(86)
Cash Dividends	(1,922)	0	0	0	(2,203)
Other Financing Sources/(Uses)	375	(1,162)	(173)	(518)	717
From Financing	(1,547)	(1,162)	(173)	(518)	(1,486)
Net Cash Position Change**	(67)	552	(388)	914	410
Ending Cash Balance	14,357	14,909	14,520	15,435	15,845

* 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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