TECO Electric & Machinery Co., Ltd.

2013 2Q Business Review

Driving and Connecting Globally

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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.

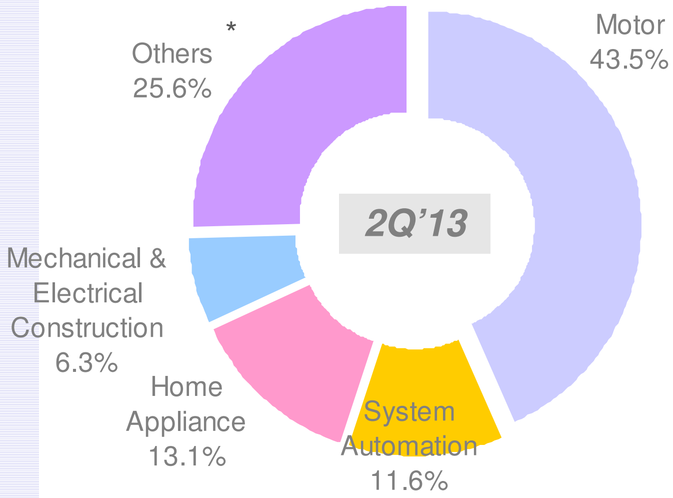
- Except as required by law, we undertake no obligation to update any forward – looking statements, whether as a result of new information, future events or otherwise.

Agenda

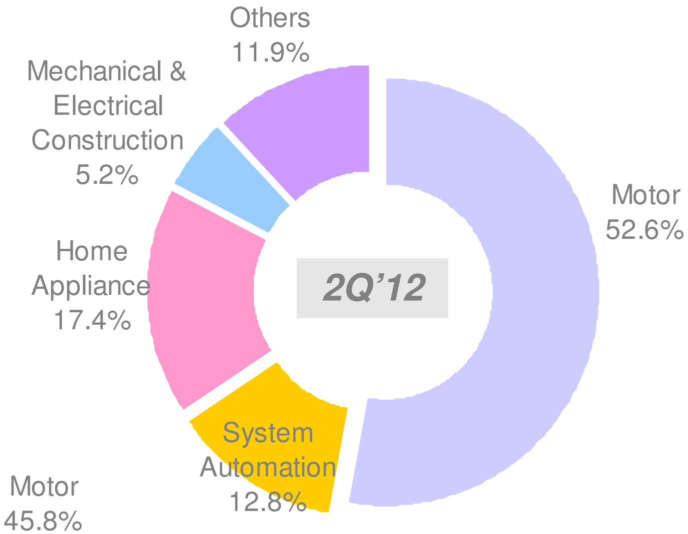
Operation Overview

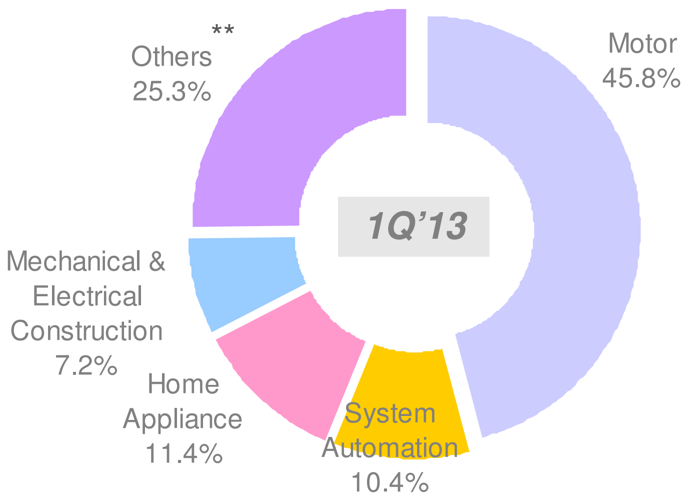
Appendix

Revenue Breakdown (Quarterly) 1/2



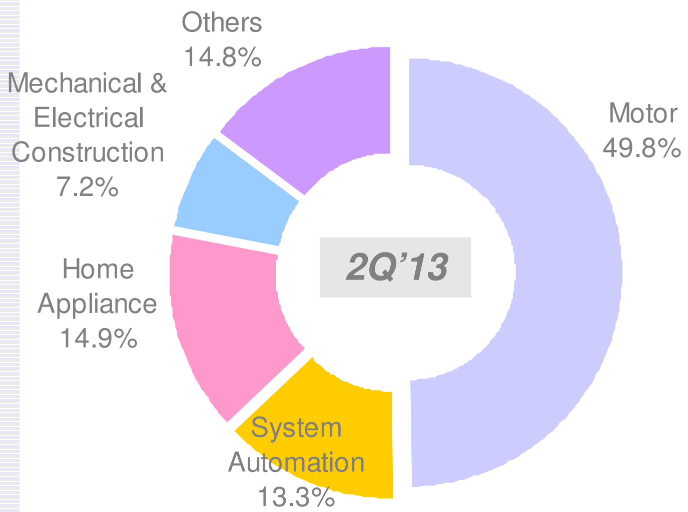
In 2Q'13, total consolidated topline up 23.2% YoY and up 13.3% QoQ.



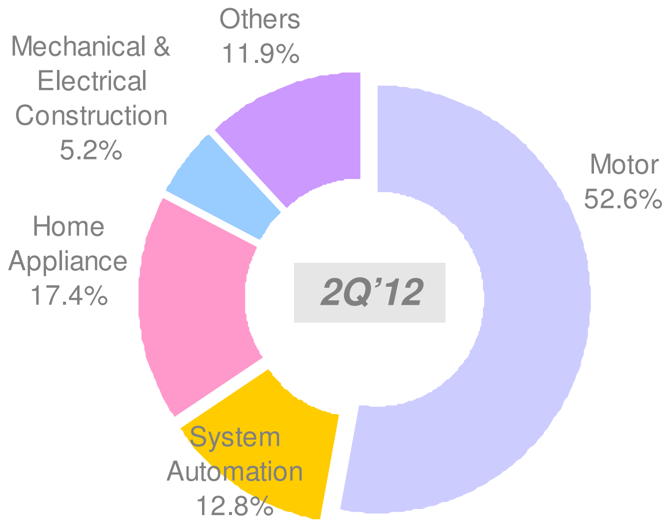


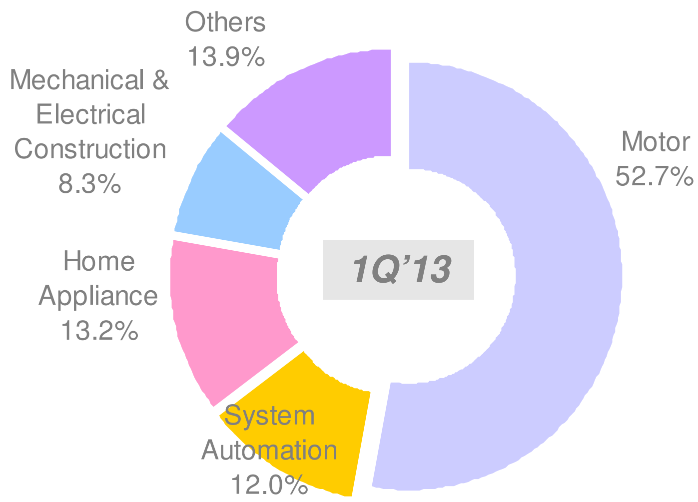
*   *Included Tecom's operating revenue of 2Q 2013, ND$ 1.89bn*
** *Included Tecom's operating revenue of 1Q 2013, ND$ 1.75bn*

Revenue Breakdown (Quarterly) - excluding Tecom 2/2

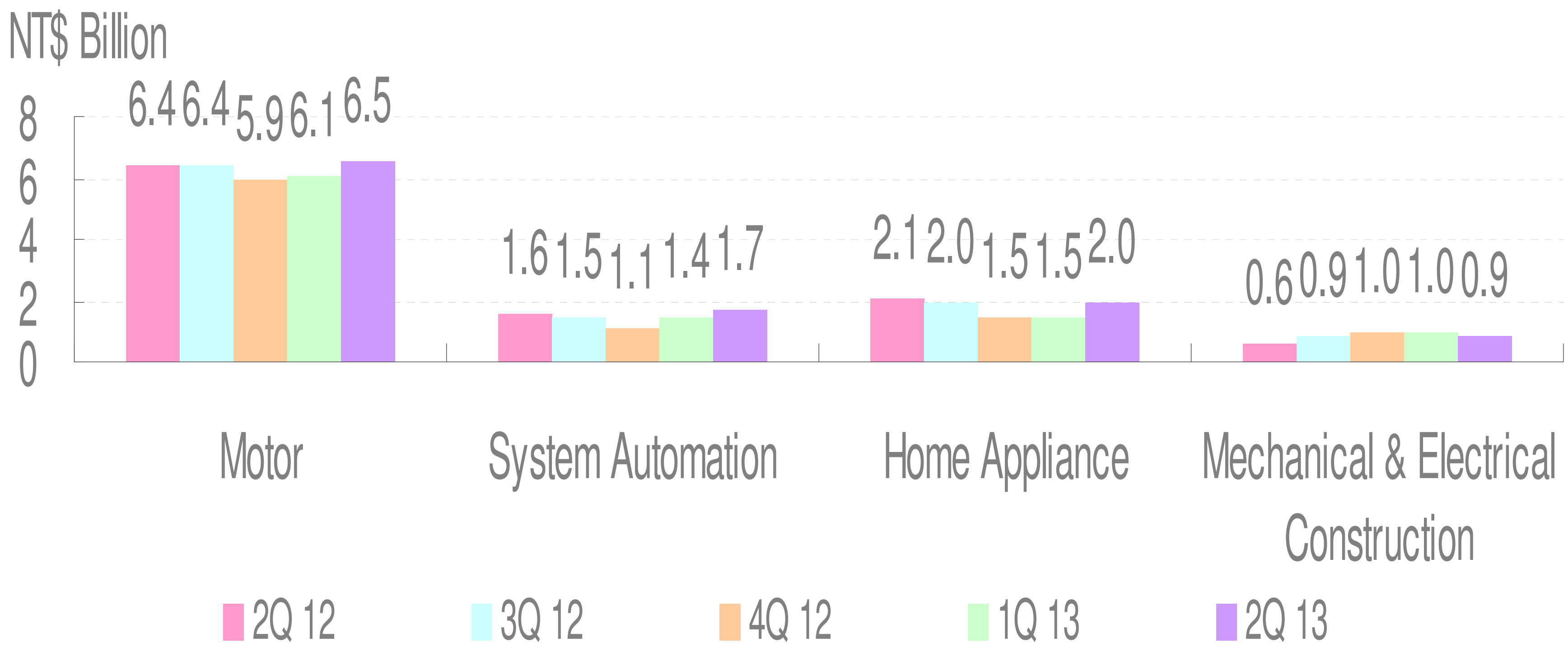


In 2Q'13, total consolidated topline up 7.7% on YoY basis and up 14.1% QoQ.





Sales Trend on Major Business lines



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1H13 Financial Highlights - consolidated

(In NT Millions)	1H 13	1H 12	YoY
Net Sales - recurring *	28,176	23,683	19.0%
Gross Margin - recurring *	23.2%	24.0%	-80bps
Operating Margin - recurring *	8.2%	8.2%	0bps
EPS (NT$)	1.01	0.73	38.4%
Free Cash Flow	2,873	86	3240.7%
ROE (%) **	9.8%	7.2%	+260bps
ROA (%) **	5.0%	3.8%	+120bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

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1H 13 Income Statement - consolidated

(In NT Millions)	1H 13 ***	1H 12 ***	YoY
Operating Revenue	28,288	23,759	19.1%
Recurring Operating Revenue	28,176	23,683	19.0%
Gain on Sales of Financial Assets	112	76	47.4%
Gross Profit, net *	6,644	5,770	15.1%
Operating Profit	2,413	2,018	19.6%
Non-operating Income (Expense)	385	18	2038.9%
Income before Tax	2,797	2,036	37.4%
Income Tax Expense	770	650	18.5%
Net Income **	1,859	1,319	40.9%
EPS (NT$)	1.01	0.73	38.4%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

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2Q 13 Financial Highlights - consolidated

(In NT Millions)	2Q 13 ***	1Q 13 ***	QoQ	2Q 12 ***	YoY
Net Sales - recurring *	14,960	13,216	13.2%	12,151	23.1%
Gross Margin - recurring *	22.8%	23.6%	-80bps	24.9%	-210bps
Operating Margin - recurring *	8.0%	8.3%	-30bps	8.9%	-90bps
EPS (NT$)	0.56	0.45	24.4%	0.42	33.3%
Free Cash Flow	1,577	1,296	21.7%	(313)	-603.8%
ROE (%) **	10.6%	8.5%	210bps	8.3%	230bps
ROA (%) **	5.5%	4.5%	100bps	4.4%	110bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

2Q 13 Income Statement - consolidated

(In NT Millions)	2Q 13 ***	1Q 13***	QoQ	2Q 12 ***	YoY
Operating Revenue	15,023	13,265	13.3%	12,194	23.2%
Recurring Operating Revenue	14,960	13,216	13.2%	12,151	23.1%
Gain on Sales of Financial Assets	63	49	28.6%	43	46.5%
Gross Profit, net *	3,478	3,166	9.9%	3,074	13.1%
Operating Profit	1,262	1,151	9.6%	1,119	12.8%
Non-operating Income (Expense)	310	75	313.3%	68	355.9%
Income before Tax	1,572	1,226	28.2%	1,187	32.4%
Income Tax Expense	410	360	13.9%	395	3.8%
Net Income **	1,040	819	27.0%	758	37.2%
EPS (NT$)	0.56	0.45	24.4%	0.42	33.3%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

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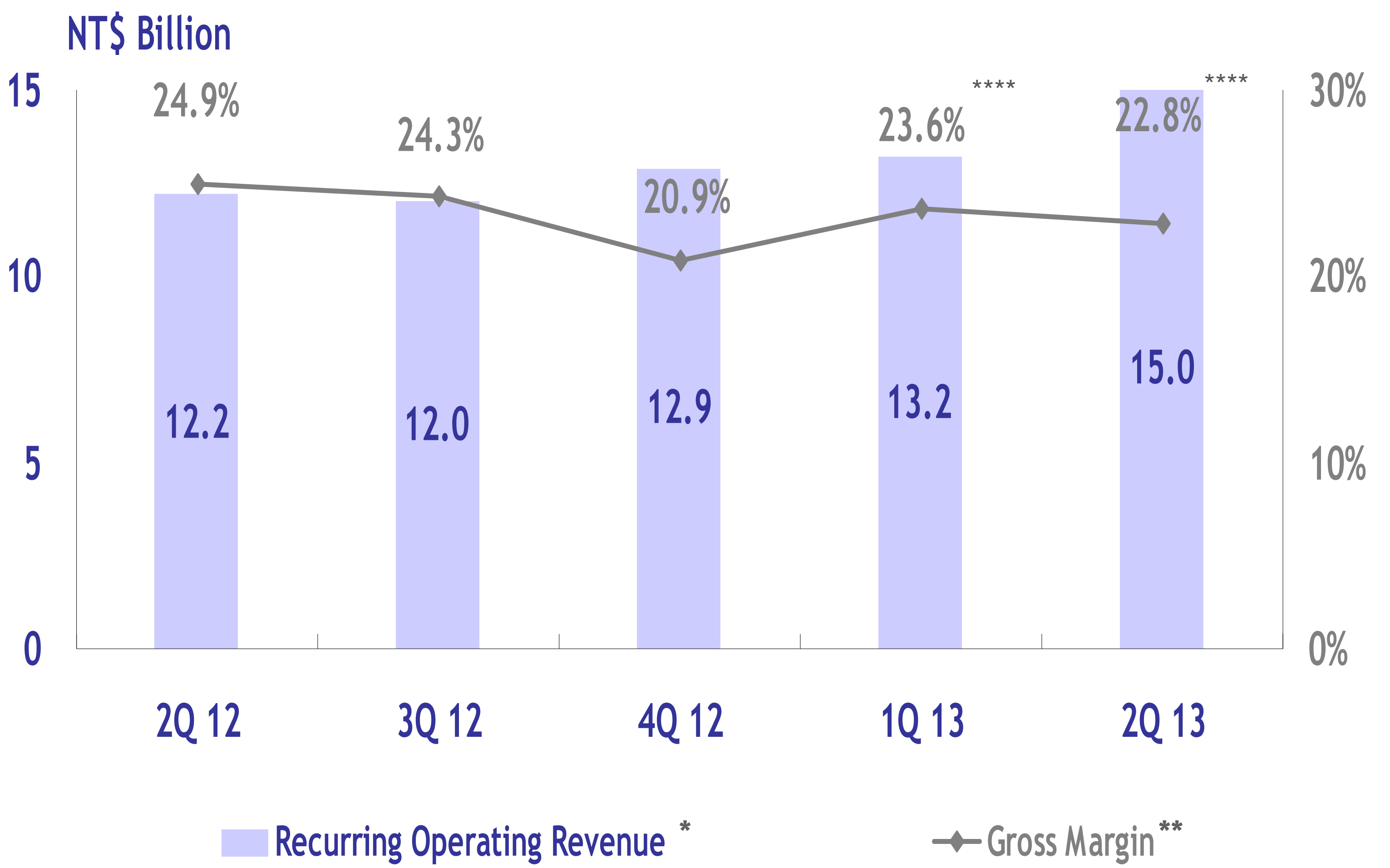
Recurring Operating Revenue vs. Gross Margin 1/2



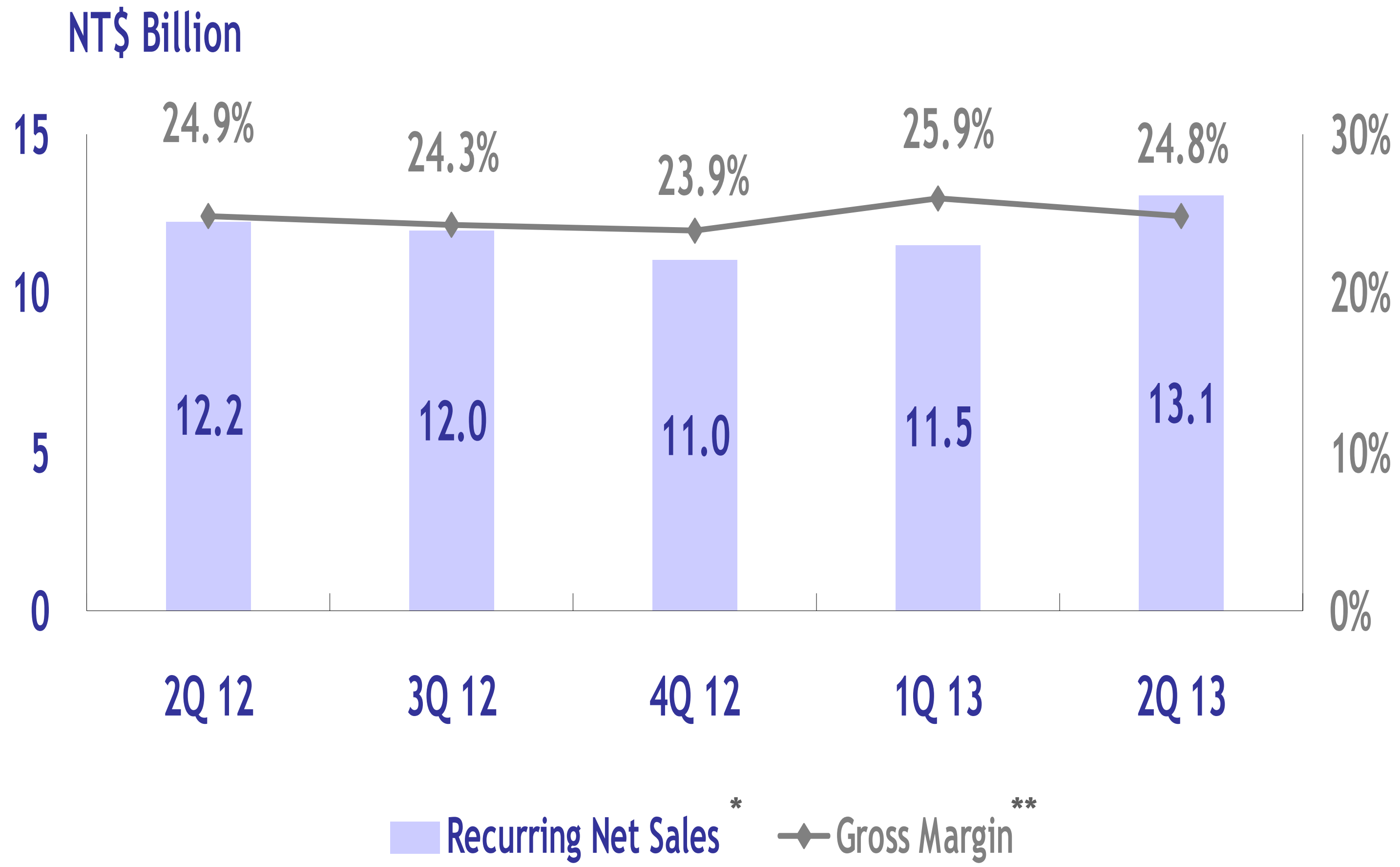
* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

** Gross Margin = Recurring Gross Profit / Recurring Operating Revenue

*** Recurring Gross profit excludes Gain on Sales of Financial Assets

**** New subsidiary, Tecom, included into Consolidated Statement from 4Q'12

Recurring Operating Revenue vs. Gross Margin - excluding Tecom 2/2



* 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

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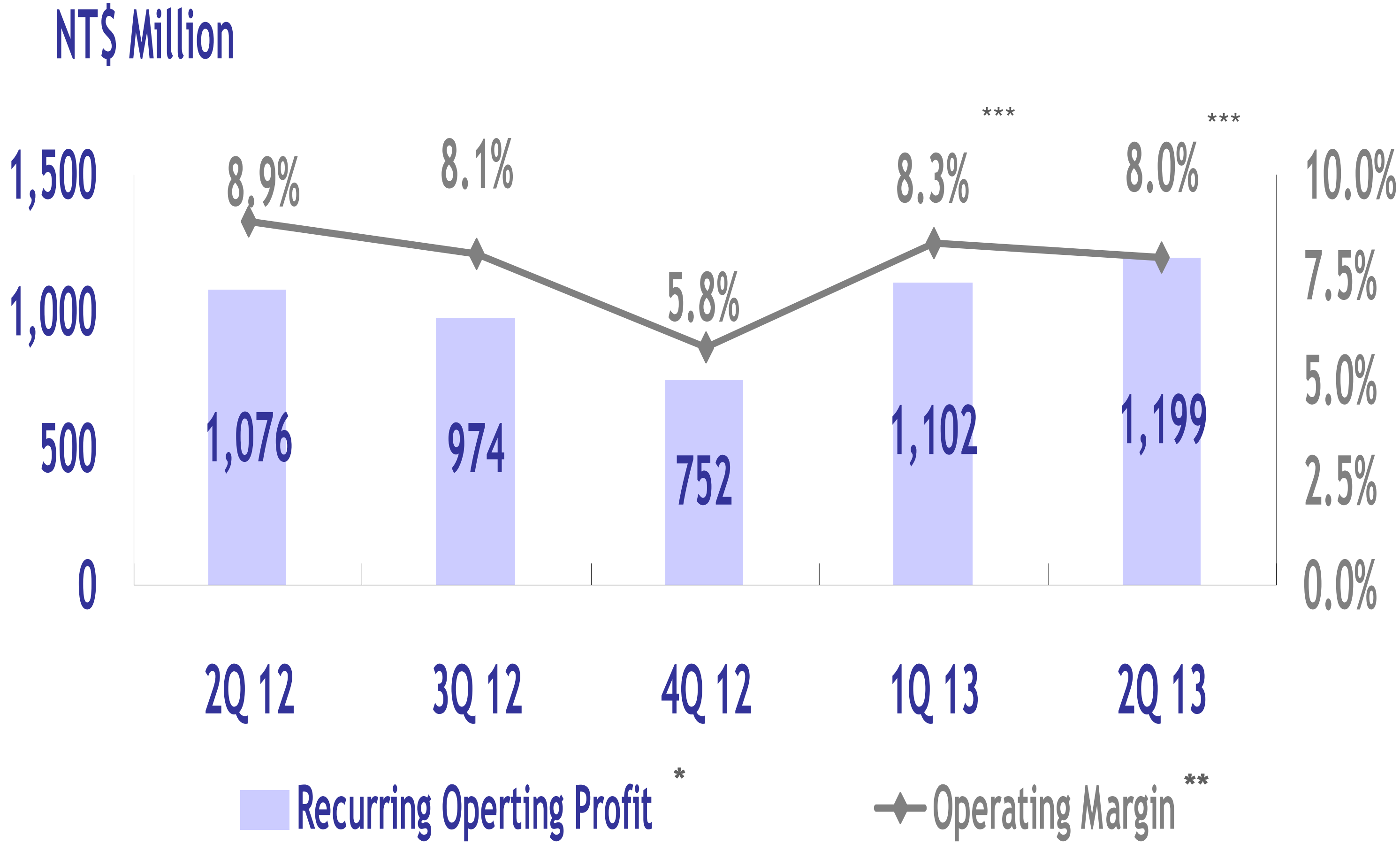
Recurring Operating Profit vs. Operating Margin 1/2



* Recurring Operating Profit / Recurring Operating Revenue

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

*** New subsidiary, Tecom, included into Consolidated Statement from 4Q'12

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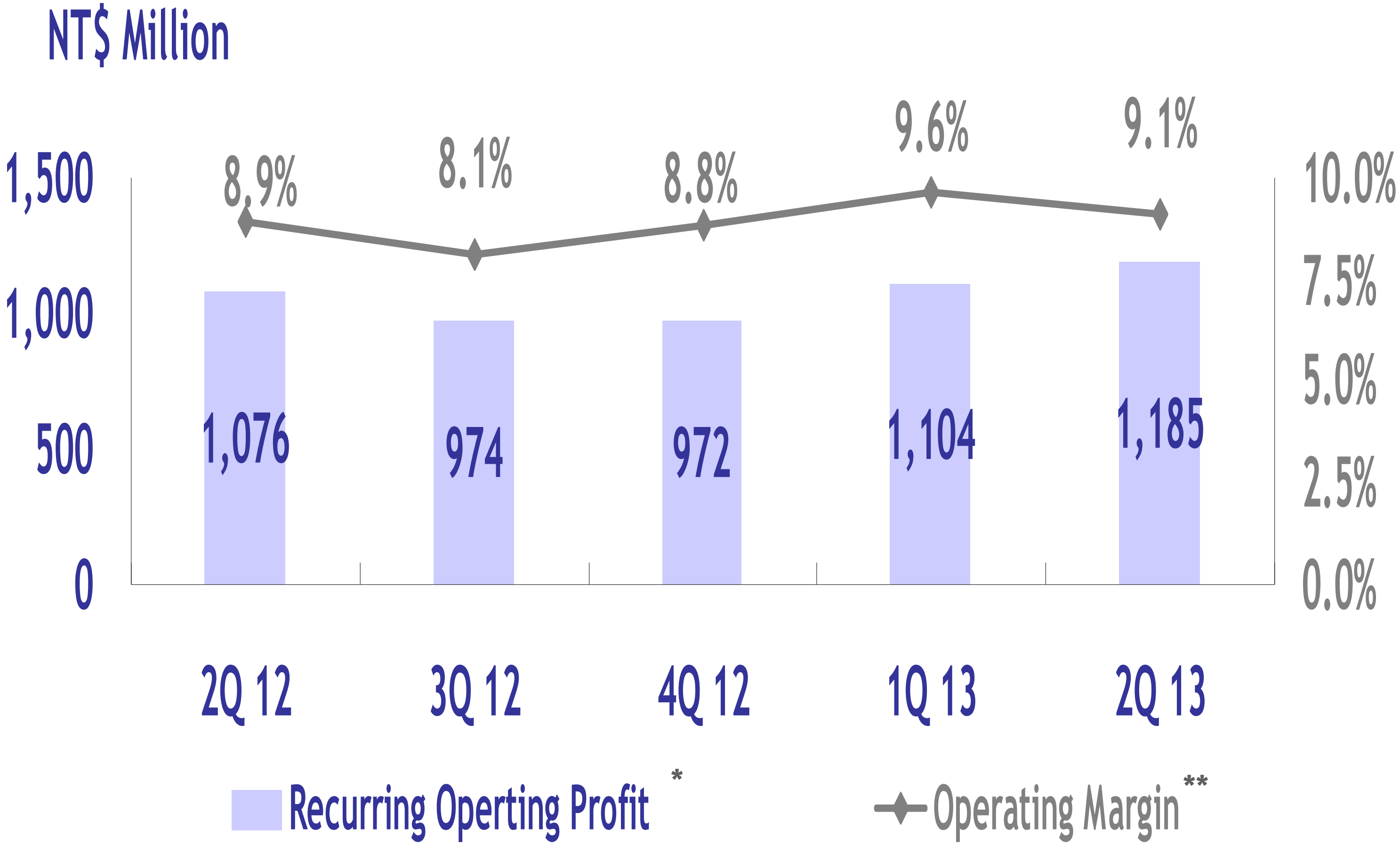
Recurring Operating Profit vs. Operating Margin - excluding Tecom 2/2



*	Recurring Operating Profit / Recurring Operating Revenue

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

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2Q 13 Balance Sheet - consolidated

(In NT 1,000)	2Q 13		1Q 13		2Q 12	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	14,423,676	19%	12,830,071	17%	10,880,064	16%
Receivable	12,978,193	17%	11,552,628	16%	10,601,651	15%
Inventories	11,075,559	15%	11,344,190	15%	10,445,071	15%
Total Assets	76,229,672	100%	73,868,409	100%	69,398,840	100%
Short-term Borrowings	3,006,558	4%	2,845,049	4%	1,495,114	2%
Accounts Payable	14,958,613	20%	12,131,731	16%	12,812,997	18%
Long-term Borrowings	5,078,119	7%	6,398,897	9%	10,463,224	15%
Corporate Bond Payable	2,965,641	4%	2,467,643	3%	0	0%
Total Liabilities	34,300,640	45%	31,979,432	43%	31,979,476	46%
Equities	41,929,032	55%	41,888,977	57%	37,419,364	54%

Key Indices

	2Q 13	1Q 13	2Q 12
AR Turnover (times)	5.42	4.71	5.44
Inventory Turnover (times)	3.97	3.12	3.34
Current Ratio	1.90	2.05	2.00
Quick Ratio	1.38	1.35	1.37
Net Debt to Equity	-8.0%	-2.8%	2.9%

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Agenda

Operation Overview

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Income Statements

(In NT Millions, unless otherwise noted)	2Q 12 ***	3Q 12	4Q 12	1Q 13***	2Q 13 ***
Operating Revenue	12,194	12,004	12,967	13,265	15,023
Recurring Operating Revenue	12,151	11,981	12,940	13,216	14,960
Gain on Sales of Financial Assets	43	23	27	49	63
Operating Costs	(9,116)	(9,066)	(10,235)	(10,099)	(11,548)
Gross Profit, net *	3,074	2,932	2,732	3,166	3,478
Operating Expense	(1,955)	(1,935)	(1,954)	(2,015)	(2,216)
Operating Profit	1,119	997	778	1,151	1,262
Non-operating Income (Expense)	68	312	236	75	310
Income before Tax	1,187	1,309	1,014	1,226	1,572
Income Tax Expense	(395)	(301)	(130)	(360)	(410)
Net Income **	758	970	741	819	1,040
Net Margin	*6.2%*	*8.1%*	*5.7%*	*6.2%*	*6.9%*
EPS (NT$)	0.42	0.53	0.41	0.45	0.56

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

Income Statements

(In NT Millions, unless otherwise noted)	2008	2009	2010	2011	2012
Net Sales	45,879	40,043	45,043	46,809	48,730
Recurring Net Sales	45,663	40,034	44,995	46,775	48,604
Securities Sales Revenue	216	9	48	34	126
COGS	(35,086)	(29,749)	(34,293)	(36,065)	(37,301)
Gross Profit *	10,790	10,297	10,752	10,738	11,422
Operating Expense	(7,892)	(7,505)	(7,208)	(7,436)	(7,667)
Operating Income	2,897	2,792	3,544	3,302	3,755
Non-operating Income	1,716	1,281	926	1,001	1,323
Non-operating Expense	(2,273)	(1,292)	(681)	(662)	(784)
Income before tax	2,341	2,782	3,789	3,641	4,294
Income Tax Benefit / (Expense)	(499)	(820)	(1,067)	(747)	(1,082)
Net Income**	1,834	1,957	2,492	2,783	2,965
Net Margin	*4.0%*	*4.9%*	*5.5%*	*5.9%*	*6.1%*
Basic EPS (NT$)	1.00	1.09	1.38	1.54	1.63

* Gross profit includes unrealized / realized inter-company profit

** Excluding minority interest

Balance Sheets

(In NT Millions)	Jun 12 ** Amount	Sep 12 Amount	Dec 12 ** Amount	Mar 13 ** Amount	Jun 13 ** Amount
Cash & Cash Equivalens	10,880	11,259	13,179	12,830	14,424
Receivables	10,602	9,498	11,134	11,553	12,978
Inventories	10,445	10,145	10,761	11,344	11,076
Other Current Assets	1,638	2,930	1,954	2,161	2,308
Total Current Assets	**33,565**	**33,832**	**37,028**	**37,888**	**40,786**
Financial Assets					
Available for Sale - Non Current	11,907	11,768	11,031	11,687	10,670
Long-Term Investments Under Equity Method	4,605	4,681	4,768	4,717	4,732
Other Non-Current Assets	19,322	17,980	19,379	19,576	20,042
Total Non-Current Assets	**35,834**	**34,429**	**35,178**	**35,980**	**35,444**
Total Assets	**69,399**	**68,261**	**72,206**	**73,868**	**76,230**
Current Liabilities	**16,824**	**15,084**	**17,682**	**18,498**	**21,509**
Bonds Payable	0	2,893	2,903	2,468	2,966
Long-Term Borrow ing	10,463	7,363	7,906	6,399	5,078
Other Non-Current Liabilities	4,692	3,482	4,429	4,614	4,748
Total Non-Current Liabilities	15,155	13,738	15,238	13,481	12,792
Total Liabilities	**31,979**	**28,822**	**32,920**	**31,979**	**34,301**
Total Shareholders' Equity *	**37,420**	**39,439**	**39,286**	**41,889**	**41,929**

* Non-controlling interest included

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Balance Sheets

(In NT Millions)	2008 Amount	2009 Amount	2010 Amount	2011 Amount	2012 Amount
Cash & Cash Equivalents	*6,270*	*9,097*	*10,161*	*11,612*	*13,460*
Receivables	*8,270*	*7,222*	*7,952*	*9,001*	*10,068*
Inventories	*11,073*	*9,380*	*10,172*	*11,070*	*10,761*
Other Current Assets	*3,714*	*2,921*	*3,204*	*3,601*	*3,221*
Total Current Assets	**29,327**	**28,620**	**31,489**	**35,284**	**37,510**
Funds and Investments	**17,436**	**16,977**	**16,391**	**16,561**	**16,782**
Fixed & Other Assets	**19,372**	**18,856**	**18,310**	**18,488**	**18,115**
Total Assets	**66,135**	**64,453**	**66,190**	**70,333**	**72,407**
Current Liabilities	**16,333**	**12,164**	**14,720**	**16,330**	**17,632**
Short-term Loans	4,350	1,023	1,411	1,654	2,916
Long-Term Interest-bearing debt	**12,528**	**12,832**	**11,436**	**12,501**	**11,254**
Long-term Loans	11,782	12,105	10,870	11,973	7,906
Corporate Bonds Payable	0	0	0	0	2,903
Other Liabilities	**2,671**	**2,657**	**2,683**	**2,761**	**3,060**
Total Liabilities	**31,532**	**27,653**	**28,839**	**31,592**	**31,946**
Total Shareholders' Equity	**34,603**	**36,800**	**37,351**	**38,741**	**40,461**

Cash Flows

(In NT Millions)	2Q 12 ***	3Q 12	4Q 12	1Q 13 ***	2Q 13 ***
Net Income*	1,187	1,007	884	1,226	1,571
Depreciation & Amortization	354	322	414	313	376
Other Op Sources/(Use)	(375)	308	308	(454)	(776)
From Operation	**1,166**	**1,637**	**1,606**	**1,085**	**1,171**
Capital Expenditures	(113)	(183)	(137)	(287)	(257)
Marketable Financial Instruments	(468)	327	75	(4)	(102)
Other Investing Sources/(Uses)	(61)	(105)	498	(18)	205
From Investment	**(642)**	**39**	**436**	**(309)**	**(154)**
Cash Dividends	0	(1,661)	0	0	0
Employee & BOD Profit Sharing	0	0	0	0	0
Other Financing Sources/(Uses)	(717)	194	1	(1,541)	294
From Financing	**(717)**	**(1,467)**	**1**	**(1,541)**	**294**
Net Cash Position Change**	**(322)**	**367**	**2,216**	**(349)**	**1,594**
Ending Cash Blance	**10,880**	**11,259**	**13,460**	**12,830**	**14,424**

* Including non-controlling interest
** Including exchange rate
*** Comply with IFRS

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Cash Flows

(In NT Millions)	2008	2009	2010	2011	2012
Net Income*	1,842	1,962	2,721	2,894	3,211
Depreciation & Amortization	1,605	1,630	1,629	1,216	1,360
Other Op Sources/(Use)	(210)	3,361	562	(854)	1,075
From Operation	**3,237**	**6,953**	**4,912**	**3,256**	**5,646**
Capital Expenditures	(3,480)	(1,113)	(1,721)	(1,719)	(800)
Marketable Financial Instruments	178	1,125	(272)	359	21
Other Investing Sources/(Uses)	776	(1)	(36)	(95)	352
From Investment	**(2,526)**	**11**	**(2,029)**	**(1,455)**	**(427)**
Cash Dividends	(1,840)	(900)	(990)	(1,468)	(1,661)
Employee & BOD Profit Sharing	(317)	0	0	0	0
Other Financing Sources/(Uses)	1,178	(3,311)	(777)	1,415	(1,573)
From Financing	**(979)**	**(4,211)**	**(1,767)**	**(53)**	**(3,234)**
Net Cash Position Change**	**(473)**	**2,827**	**1,064**	**1,452**	**1,847**
Ending Cash Blance	**6,270**	**9,097**	**10,161**	**11,613**	**13,460**

* Including minority interests

** Including exchange rate effect

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