

TECO Electric & Machinery Co., Ltd.



2015 3Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

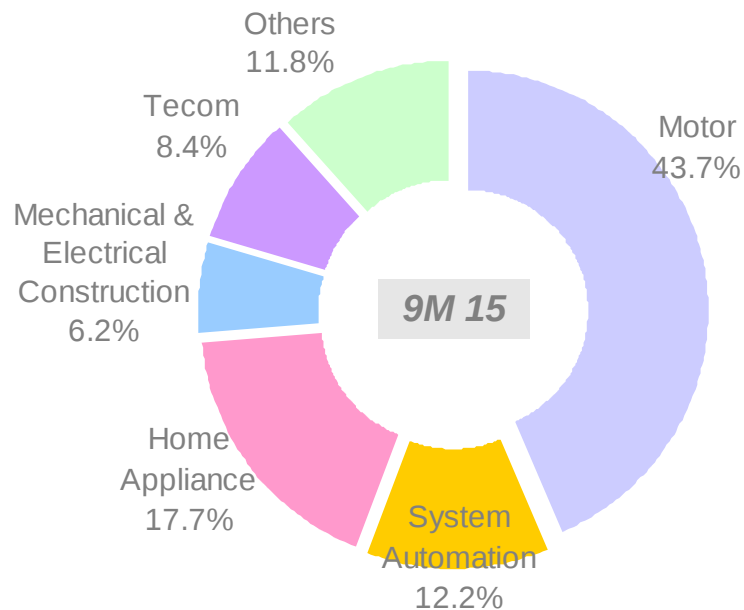
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

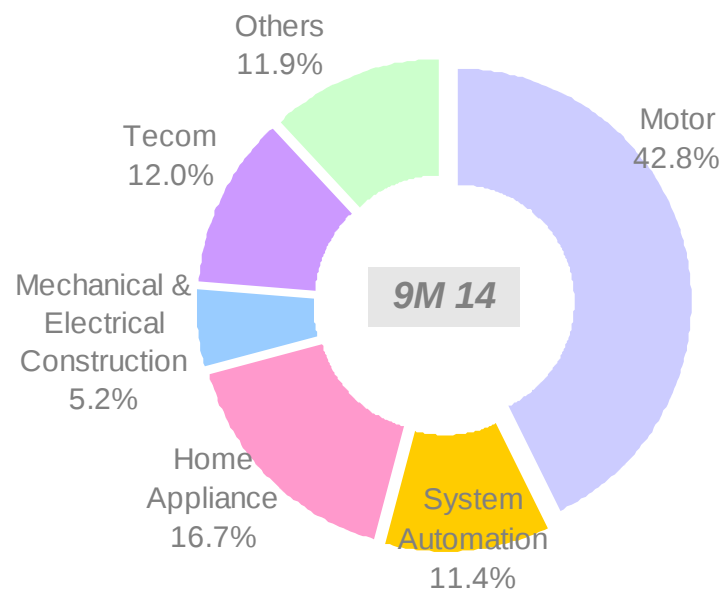
Operation Overview

Appendix

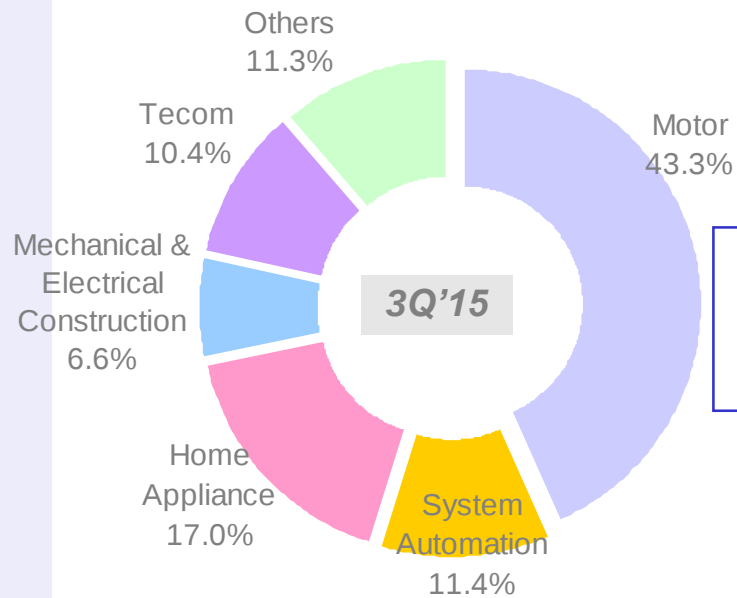
Revenue Breakdown 1/2



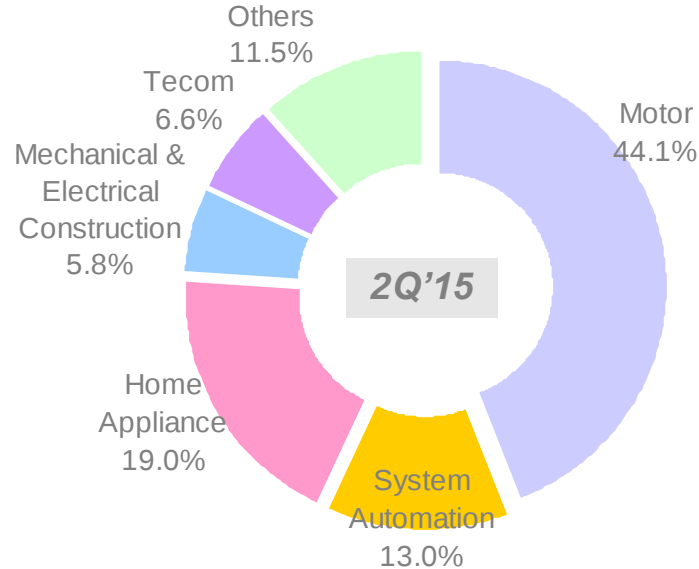
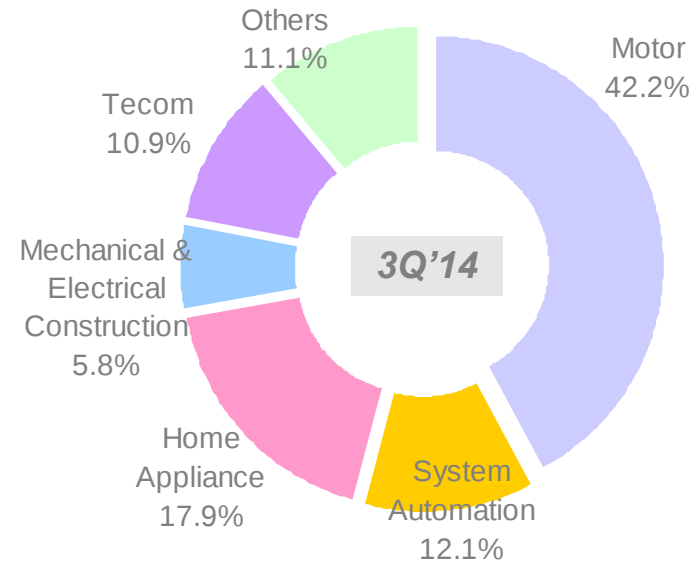
In 9M 2015, total consolidated topline down 12.3% YoY.



Revenue Breakdown 2/2

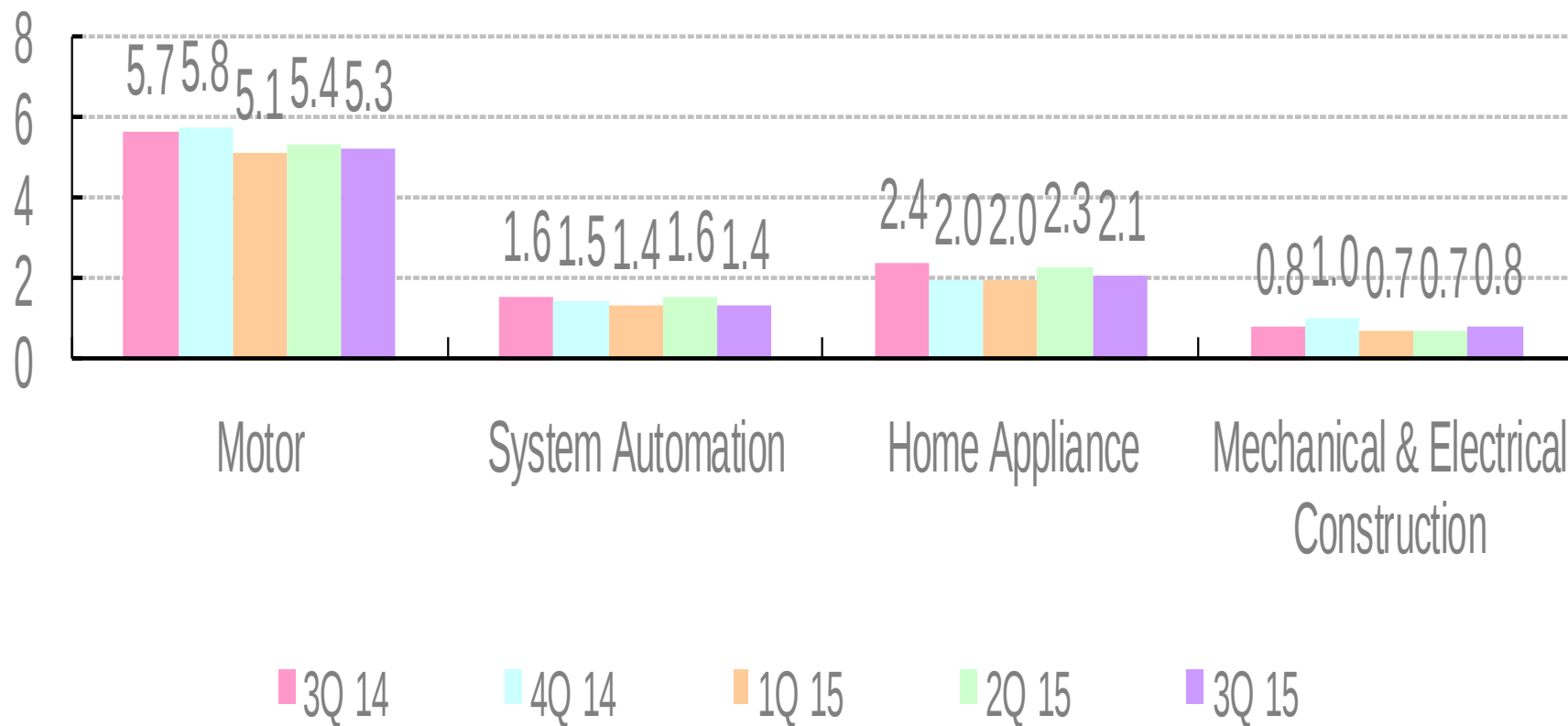


In 3Q'15, total consolidated topline down 8.8% YoY and up 0.7% QoQ.



Sales Trend on Major Business lines

NT\$ Billion



9M 2015 Financial Highlights - consolidated

(In NT Millions)	9M 15	9M 14	YoY
Net Sales - recurring *	36,038	41,104	-12.3%
Gross Margin - recurring *	25.3%	24.9%	+40bps
Operating Margin - recurring *	7.7%	8.7%	-100bps
EPS (NT\$)	1.32	1.71	-22.8%
ROE (%) **	7.3%	10.1%	-280bps
ROA (%) **	4.3%	5.7%	-140bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

9M 2015 Income Statement - consolidated

(In NT Millions)	9M 15	9M 14	YoY
Operating Revenue	36,123	41,171	-12.3%
Recurring Operating Revenue	36,038	41,104	-12.3%
Gain on Sales of Financial Assets	85	67	26.9%
Gross Profit, net *	9,211	10,284	-10.4%
Operating Profit	2,852	3,638	-21.6%
Non-operating Income (Expense)	913	1,109	-17.7%
Income before Tax	3,765	4,747	-20.7%
Income Tax Expense	(913)	(1,102)	-17.2%
Net Income **	2,607	3,366	-22.5%
EPS (NT\$)	1.32	1.71	-22.8%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

3Q 15 Financial Highlights - consolidated

(In NT Millions)	3Q 15***	2Q 15***	QoQ	3Q 14***	YoY
Net Sales - recurring *	12,273	12,154	1.0%	13,535	-9.3%
Gross Margin - recurring *	25.4%	25.2%	20bps	25.9%	-50bps
Operating Margin - recurring *	8.0%	7.4%	-60bps	8.8%	-80bps
EPS (NT\$)	0.48	0.46	4.3%	0.53	-9.4%
ROE (%) **	8.2%	7.6%	60bps	9.0%	-80bps
ROA (%) **	4.8%	4.6%	20bps	5.1%	-30bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

3Q 15 Income Statement - consolidated

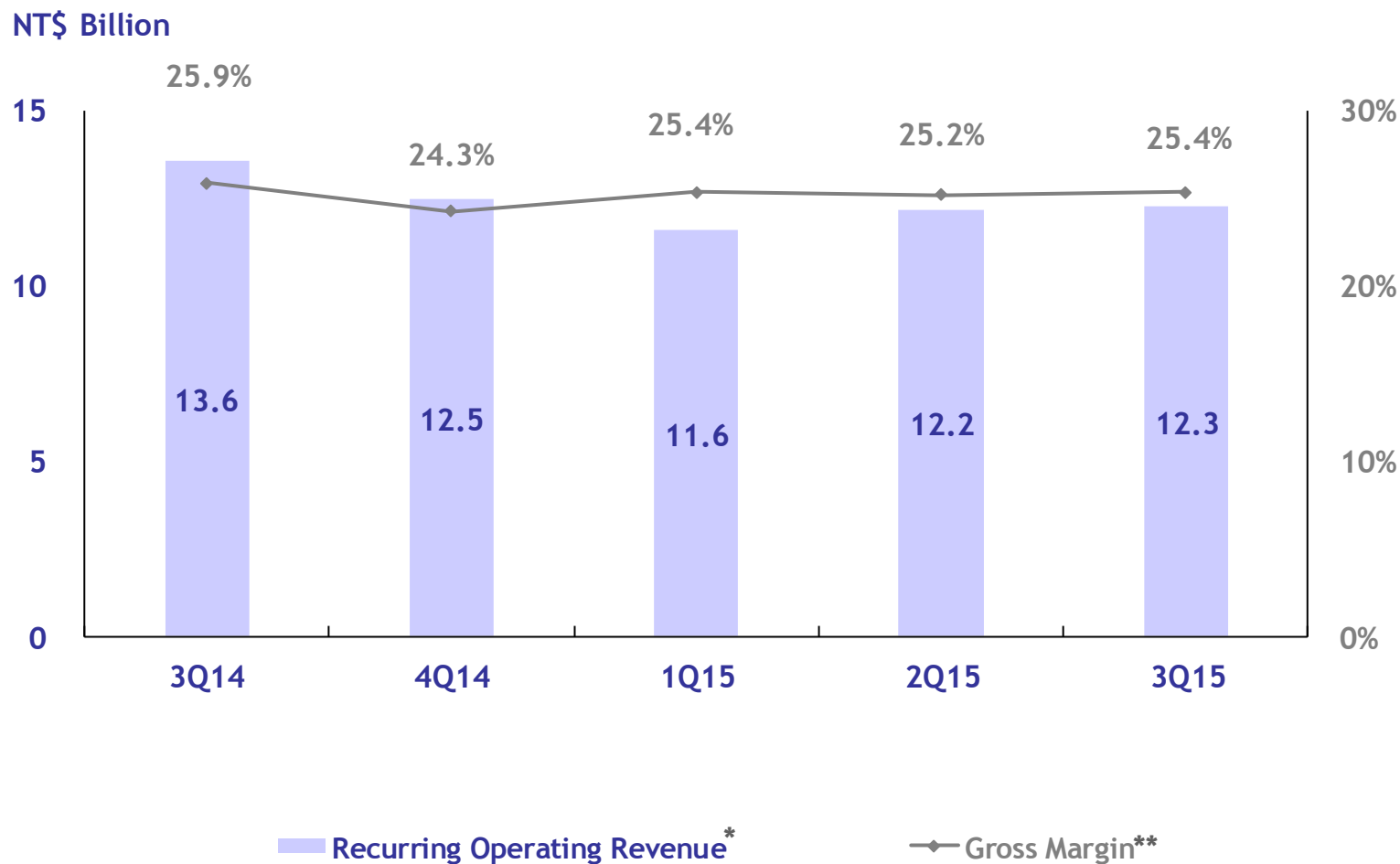
(In NT Millions)	3Q 15***	2Q 15***	QoQ	3Q 14 ***	YoY
Operating Revenue	12,248	12,160	0.7%	13,431	-8.8%
Recurring Operating Revenue	12,273	12,154	1.0%	13,535	-9.3%
Gain on Sales of Financial Assets	(25)	6	-516.7%	(104)	-
Gross Profit, net *	3,087	3,067	0.7%	3,398	-9.2%
Operating Profit	962	903	6.5%	1,091	-11.8%
Non-operating Income (Expense)	413	378	9.3%	328	25.9%
Income before Tax	1,376	1,280	7.5%	1,420	-3.1%
Income Tax Expense	(338)	(288)	17.4%	(294)	15.0%
Net Income **	957	913	4.8%	1,034	-7.4%
EPS (NT\$)	0.48	0.46	4.3%	0.53	-9.4%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

Recurring Operating Revenue vs. Gross Margin

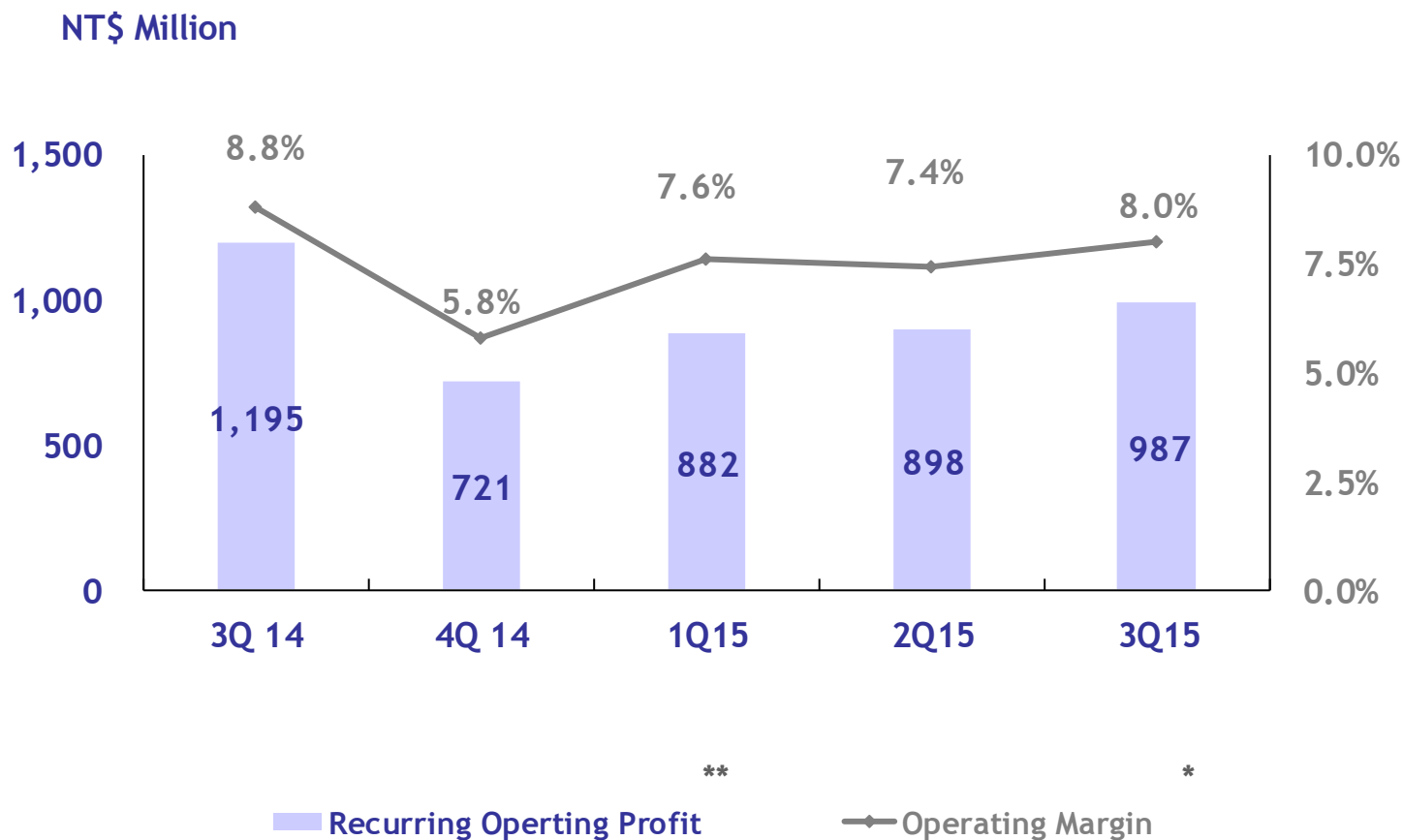


* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

** 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

Sep '15 Balance Sheet - consolidated

(In NT 1,000)

	Sep 15		June 15		Sep 14	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	16,380,750	21%	15,435,742	20%	15,830,811	20%
Receivable	11,866,765	14%	12,077,787	15%	12,191,032	15%
Inventories	11,311,913	14%	11,364,491	14%	11,464,593	14%
Total Assets	79,207,519	100%	79,764,098	100%	79,799,379	100%
Short-term Borrowings	2,314,695	3%	1,841,912	2%	2,725,103	4%
Accounts Payable	11,640,733	15%	14,334,921	18%	13,351,754	17%
Long-term Borrowings	3,485,801	4%	1,385,135	2%	4,667,520	6%
Corporate Bond Payable	3,000,000	4%	3,000,000	4%	1,480,200	2%
Total Liabilities	28,972,928	37%	28,759,749	36%	29,736,958	37%
Equities	50,234,591	63%	51,004,349	64%	50,062,421	63%

Key Indices

Quarterly AR Turnover (times)	4.65	4.65	5.24
Quarterly Inventory Turnover (times)	3.14	2.88	3.64
Current Ratio	1.73	1.46	1.54
Quick Ratio	2.41	2.09	2.21
Net Debt to Equity	-15.1%	-18.1%	-13.9%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	3Q14	4Q14	1Q15	2Q15	3Q15
Operating Revenue	13,431	12,597	11,716	12,160	12,248
Recurring Operating Revenue	13,535	12,538	11,611	12,154	12,273
Gain on Sales of Financial Assets	(104)	59	105	6	(25)
Operating Costs	(10,032)	(9,493)	(8,665)	(9,091)	(9,158)
Gross Profit, net *	3,398	3,103	3,057	3,067	3,087
Operating Expense	(2,307)	(2,323)	(2,070)	(2,165)	(2,124)
Operating Profit	1,091	780	987	903	962
Non-operating Income (Expense)	328	177	122	378	413
Income before Tax	1,420	957	1,109	1,280	1,376
Income Tax Expense	(294)	(196)	(287)	(288)	(338)
Net Income **	1,034	702	737	913	957
<i>Net Margin</i>	7.7%	5.6%	6.3%	7.5%	7.8%
EPS (NT\$)	0.53	0.35	0.37	0.46	0.48

* 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

	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	15,831	17,202	15,089	15,436	16,381
Receivables	12,191	11,817	11,696	12,078	11,867
Inventories	11,465	11,539	11,347	11,364	11,312
Other Current Assets	3,048	2,717	3,276	3,268	4,046
Total Current Assets	42,535	43,275	41,408	42,146	43,606
Financial Assets					
Available for Sale - Non Current	12,360	14,156	12,797	12,712	10,388
Long-Term Investments Under Equity Method	5,273	5,352	5,244	5,233	5,503
Other Non-Current Assets	19,631	19,930	19,666	19,673	19,711
Total Non-Current Assets	37,264	39,438	37,707	37,618	35,602
Total Assets	79,799	82,713	79,115	79,764	79,208
Current Liabilities	19,234	18,076	16,268	20,123	18,104
Bonds Payable	1,480	1,528	1,513	3,000	3,000
Long-Term Borrowing	4,668	5,475	4,333	1,385	3,486
Other Non-Current Liabilities	4,354	4,345	4,276	4,252	4,383
Total Non-Current Liabilities	10,502	11,348	10,122	8,637	10,869
Total Liabilities	29,736	29,424	26,390	28,760	28,973
Total Shareholders' Equity *	50,062	53,289	52,725	51,004	50,235

* 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	17,202
<i>Receivables</i>	7,952	9,001	11,134	11,914	11,817
<i>Inventories</i>	10,172	11,070	10,761	11,193	11,539
<i>Other Current Assets</i>	3,204	3,601	1,954	2,827	2,717
Total Current Assets	31,489	35,284	37,028	40,843	43,275
Funds and Investments	16,391	16,561	15,799	15,799	19,508
Fixed & Other Assets	18,310	18,488	19,379	20,248	19,930
Total Assets	66,190	70,333	72,206	76,890	82,713
Current Liabilities	14,720	16,330	17,682	19,984	18,076
Short-term Loans	1,411	1,654	2,916	2,917	2,473
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	4,118
Total Liabilities	28,839	31,592	32,920	30,166	29,424
Total Shareholders' Equity	37,351	38,741	39,286	46,724	53,289

* Non-controlling interest included

** Comply with IFRS

Cash Flows

(In NT Millions)	3Q14	4Q14	1Q15	2Q15	3Q15
Pretax Income*	1,420	957	1,109	1,280	1,376
Depreciation & Amortization	265	366	308	322	324
Other Op Sources/(Use)	138	(402)	(1,725)	138	(149)
From Operation	1,823	921	(308)	1,740	1,551
Capital Expenditures	(775)	(247)	(404)	(555)	(455)
Marketable Financial Instruments	(23)	369	380	(3)	(18)
Other Investing Sources/(Uses)	713	(206)	(186)	(3)	(966)
From Investment	(86)	(84)	(210)	(561)	(1,439)
Cash Dividends	(2,203)	0	0	0	(2,203)
Other Financing Sources/(Uses)	717	556	(1,253)	(487)	2,581
From Financing	(1,486)	556	(1,253)	(487)	378
Net Cash Position Change*	410	1,362	(2,113)	347	945
Ending Cash Balance	15,831	17,206	15,089	15,436	16,381

* 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

[Http//www.teco.com.tw](http://www.teco.com.tw)
ir@teco.com.tw