

# **2016 First Quarter Earnings Conference**

*April 14, 2016*

# Agenda

- **Welcome** Elizabeth Sun
- **1Q16 Financial Results and 2Q16 Outlook** Lora Ho
- **Key Messages** Lora Ho  
Mark Liu  
C.C. Wei
- **Q&A**

# Safe Harbor Notice

- TSMC's statements of its current expectations are forward-looking statements subject to significant risks and uncertainties and actual results may differ materially from those contained in the forward-looking statements.
- Information as to those factors that could cause actual results to vary can be found in TSMC's Annual Report on Form 20-F filed with the United States Securities and Exchange Commission (the "SEC") on April 11, 2016 and such other documents as TSMC may file with, or submit to, the SEC from time to time.
- Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

# Statements of Comprehensive Income

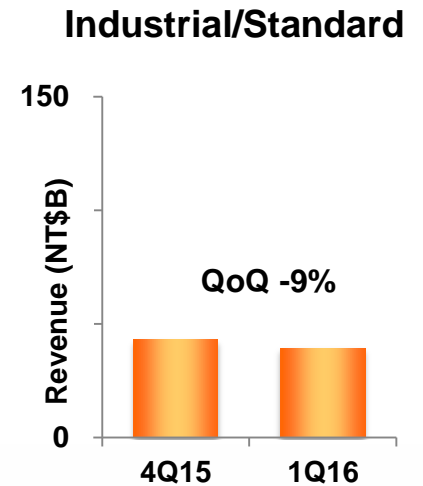
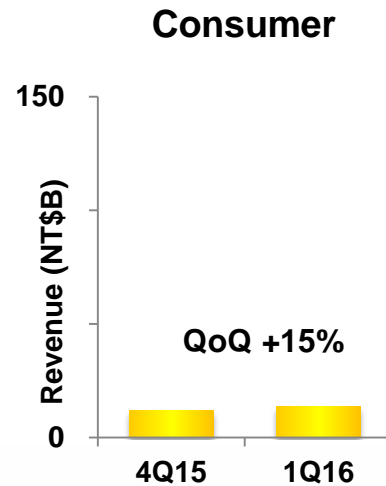
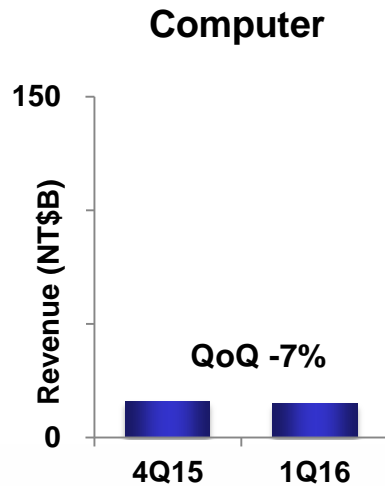
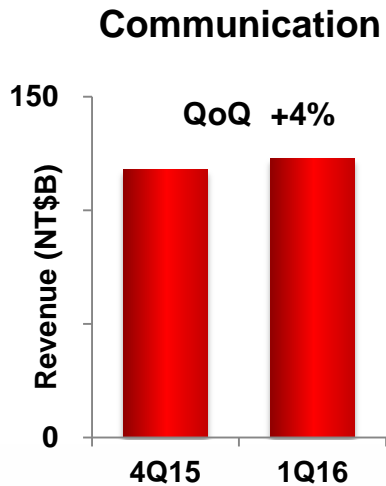
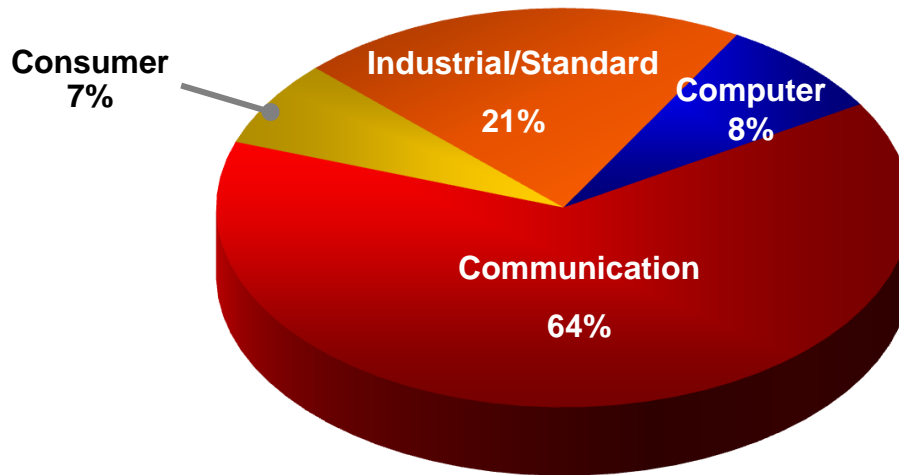
## Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	1Q16	1Q16 Guidance (revised)	1Q16 Guidance	4Q15	1Q15	1Q16 over 4Q15	1Q16 over 1Q15
Net Revenue	203.50	201-203	198-201	203.52	222.03	0.0%	-8.3%
<b>Gross Margin</b>	<b>44.9%</b>	<b>44% - 46%</b>	<b>47% - 49%</b>	<b>48.6%</b>	<b>49.3%</b>	<b>-3.7 pts</b>	<b>-4.4 pts</b>
Operating Expenses	(20.88)			(21.22)	(22.54)	-1.6%	-7.4%
<b>Operating Margin</b>	<b>34.6%</b>	<b>33.5% - 35.5%</b>	<b>36.5% - 38.5%</b>	<b>38.3%</b>	<b>39.0%</b>	<b>-3.7 pts</b>	<b>-4.4 pts</b>
Non-Operating Items	1.79			2.68	1.63	-33.2%	9.6%
Net Income to Shareholders of the Parent Company	64.78			72.84	78.99	-11.1%	-18.0%
<b>Net Profit Margin</b>	<b>31.8%</b>			<b>35.8%</b>	<b>35.6%</b>	<b>-4.0 pts</b>	<b>-3.8 pts</b>
EPS (NT Dollar)	2.50			2.81	3.05	-11.1%	-18.0%
ROE	20.7%			24.6%	29.1%	-3.9 pts	-8.4 pts
Shipment (Kpcs, 12"-equiv. Wafer)	2,056			2,020	2,287	1.8%	-10.1%
Average Exchange Rate--USD/NTD	33.14	33.18	32.50	32.63	31.53	1.6%	5.1%

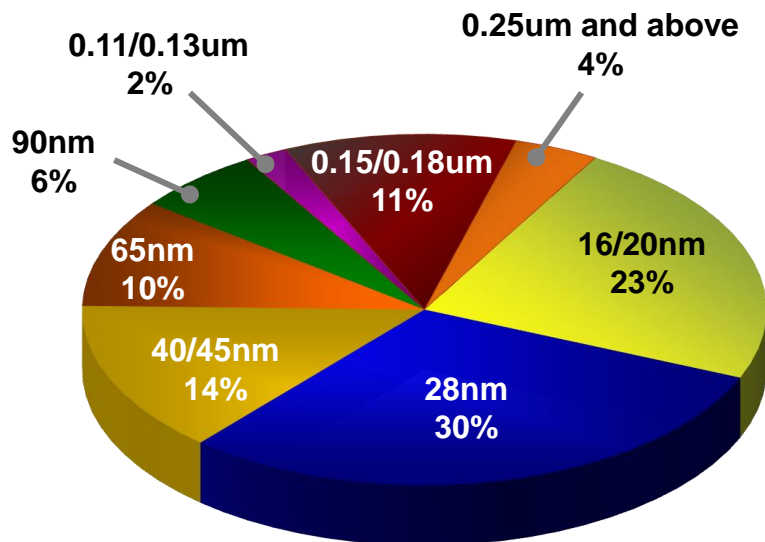
\* Diluted weighted average outstanding shares were 25,930mn units in 1Q16.

\*\* ROE figures are annualized based on average equity attributable to shareholders of the parent company.

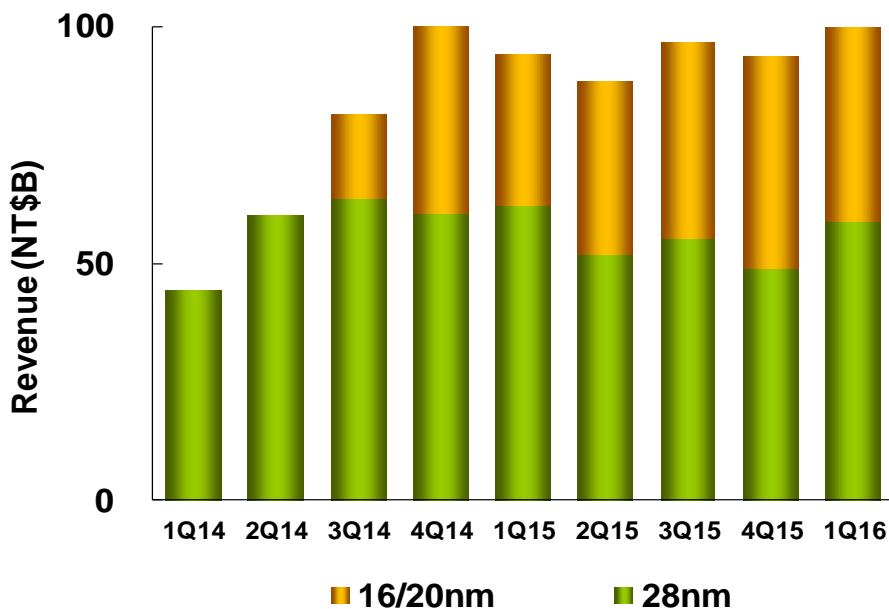
# 1Q16 Revenue by Application



# 1Q16 Revenue by Technology



28nm and below revenue



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT\$ billions)

	1Q16		4Q15		1Q15	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	648.39	37.6%	586.16	35.4%	518.98	33.3%
Accounts Receivable	96.96	5.6%	85.57	5.2%	99.12	6.4%
Inventories	57.24	3.3%	67.05	4.0%	64.60	4.2%
Long-term Investments	46.34	2.7%	34.99	2.1%	32.18	2.1%
Net PP&E	844.31	48.9%	853.47	51.5%	813.22	52.2%
<b>Total Assets</b>	<b>1,726.53</b>	<b>100.0%</b>	<b>1,657.52</b>	<b>100.0%</b>	<b>1,556.90</b>	<b>100.0%</b>
Current Liabilities	235.89	13.7%	212.23	12.8%	187.56	12.1%
Long-term Interest-bearing Debts	181.15	10.5%	192.00	11.6%	214.05	13.7%
<b>Total Liabilities</b>	<b>445.58</b>	<b>25.8%</b>	<b>434.89</b>	<b>26.2%</b>	<b>432.98</b>	<b>27.8%</b>
<b>Total Shareholders' Equity</b>	<b>1,280.95</b>	<b>74.2%</b>	<b>1,222.63</b>	<b>73.8%</b>	<b>1,123.92</b>	<b>72.2%</b>

## Key Indices

A/R Turnover Days	41	41	44
Inventory Turnover Days	54	62	57
Current Ratio (x)	3.4	3.5	3.7
Asset Productivity (x)	1.0	1.0	1.1

\* Total outstanding shares were 25,930mn units at 3/31/16.

\*\* Asset productivity = Annualized net revenue / Average net PP&E

# Cash Flows

(In NT\$ billions)

	1Q16	4Q15	1Q15
<b>Beginning Balance</b>	<b>562.69</b>	<b>515.73</b>	<b>358.45</b>
Cash from operating activities	121.53	144.67	156.00
Capital expenditures	(38.14)	(84.52)	(48.88)
Short-term loans	(4.12)	5.77	(17.34)
Investments and others	(23.98)	(18.96)	(10.82)
<b>Ending Balance</b>	<b>617.98</b>	<b>562.69</b>	<b>437.41</b>
Free Cash Flow <sup>(1)</sup>	83.39	60.15	107.12

(1) Free cash flow = Cash from operating activities – Capital expenditures



# 2Q16 Guidance

Based on our current business outlook and exchange rate assumption, management expects:

- Revenue to be between NT\$ 215 billion and NT\$ 218 billion, at a forecast exchange rate of 32.3 NT dollars to 1 US dollar
- Gross profit margin to be between 49% and 51%
- Operating profit margin to be between 38.5% and 40.5%

# Recap of Recent Major Events



- **TSMC to Sell 5.1% of Xintec Inc. (2016/04/08)**
- **TSMC and Nanjing Sign 12-inch Fab Investment Agreement ( 2016/03/28 )**
- **ARM and TSMC Announce Multi-Year Agreement to Collaborate on 7nm FinFET Process Technology for High-Performance Compute (2016/03/15)**
- **TSMC and MediaTek Extend Collaboration on Ultra-Low Power Technology to Capture the Emerging IoT Market (2016/03/15)**
- **TSMC Details Earthquake Impact, Updates 1Q'16 Guidance. First Quarter Revenue is Expected to be Between NT\$201 billion to NT\$203 billion, Gross Profit Margin to be Between 44% and 46%, and Operating Profit Margin to be Between 33.5% and 35.5% (2016/02/17)**
- **TSMC Assessing February 6 Earthquakes and Planning Recovery (2016/02/06)**
- **TSMC Board of Directors Proposes NT\$6 Cash Dividend per Common Share and Approves 2015 Annual General Meeting to be Held on June 7, 2016 (2016/02/02)**
- Please visit TSMC's website (<http://www.tsmc.com>) and Market Observation Post System (<http://mops.twse.com.tw>) for details and other announcements

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