



**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES**

**Consolidated Condensed Balance Sheets**

(Expressed in Millions of New Taiwan Dollars ("NTD") and U.S. Dollars ("USD")) <sup>(1)</sup>

	December 31, 2016 (Audited)			September 30, 2016 (Unaudited)		December 31, 2015 (Audited)		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	\$ 16,809	\$ 541,254	28.7	\$ 463,972	27.0	\$ 562,689	34.0	\$ 77,282	16.7	\$ (21,435)	(3.8)
Investments in Marketable Financial Instruments	2,822	90,855	4.8	52,983	3.1	23,474	1.4	37,872	71.5	67,381	287.0
Accounts Receivable	4,016	129,305	6.8	129,289	7.5	85,565	5.2	16	-	43,740	51.1
Inventories	1,512	48,682	2.6	53,882	3.1	67,052	4.0	(5,200)	(9.7)	(18,370)	(27.4)
Other Current Assets	237	7,633	0.4	9,466	0.6	7,964	0.5	(1,833)	(19.4)	(331)	(4.2)
<b>Total Current Assets</b>	<b>25,396</b>	<b>817,729</b>	<b>43.3</b>	<b>709,592</b>	<b>41.3</b>	<b>746,744</b>	<b>45.1</b>	<b>108,137</b>	<b>15.2</b>	<b>70,985</b>	<b>9.5</b>
<b>Non-current Assets</b>											
Long-term Investments	1,433	46,154	2.5	49,910	2.9	34,994	2.1	(3,756)	(7.5)	11,160	31.9
Property, Plant and Equipment	30,988	997,778	52.9	934,929	54.4	853,470	51.5	62,849	6.7	144,308	16.9
Intangible and Other Non-current Assets	770	24,794	1.3	24,256	1.4	22,310	1.3	538	2.2	2,484	11.1
<b>Total Non-current Assets</b>	<b>33,191</b>	<b>1,068,726</b>	<b>56.7</b>	<b>1,009,095</b>	<b>58.7</b>	<b>910,774</b>	<b>54.9</b>	<b>59,631</b>	<b>5.9</b>	<b>157,952</b>	<b>17.3</b>
<b>Total Assets</b>	<b>\$ 58,587</b>	<b>\$ 1,886,455</b>	<b>100.0</b>	<b>\$ 1,718,687</b>	<b>100.0</b>	<b>\$ 1,657,518</b>	<b>100.0</b>	<b>\$ 167,768</b>	<b>9.8</b>	<b>\$ 228,937</b>	<b>13.8</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>											
<b>Current Liabilities</b>											
Short-term Loans	\$ 1,800	\$ 57,958	3.1	\$ 37,649	2.2	\$ 39,474	2.4	\$ 20,309	53.9	\$ 18,484	46.8
Accounts Payable	849	27,325	1.5	25,976	1.5	19,725	1.2	1,349	5.2	7,600	38.5
Payables to Contractors and Equipment Suppliers	1,961	63,154	3.3	58,790	3.4	26,012	1.6	4,364	7.4	37,142	142.8
Accrued Expenses and Other Current Liabilities	4,090	131,692	7.0	97,030	5.7	103,500	6.2	34,662	35.7	28,192	27.2
Current Portion of Bonds Payable and Bank Loans	1,184	38,110	2.0	38,110	2.2	23,518	1.4	-	-	14,592	62.0
<b>Total Current Liabilities</b>	<b>9,884</b>	<b>318,239</b>	<b>16.9</b>	<b>257,555</b>	<b>15.0</b>	<b>212,229</b>	<b>12.8</b>	<b>60,684</b>	<b>23.6</b>	<b>106,010</b>	<b>50.0</b>
<b>Non-current Liabilities</b>											
Bonds Payable	4,754	153,094	8.1	152,139	8.8	191,965	11.6	955	0.6	(38,871)	(20.2)
Other Non-current Liabilities	779	25,071	1.3	25,100	1.5	30,690	1.8	(29)	(0.1)	(5,619)	(18.3)
<b>Total Non-current Liabilities</b>	<b>5,533</b>	<b>178,165</b>	<b>9.4</b>	<b>177,239</b>	<b>10.3</b>	<b>222,655</b>	<b>13.4</b>	<b>926</b>	<b>0.5</b>	<b>(44,490)</b>	<b>(20.0)</b>
<b>Total Liabilities</b>	<b>15,417</b>	<b>496,404</b>	<b>26.3</b>	<b>434,794</b>	<b>25.3</b>	<b>434,884</b>	<b>26.2</b>	<b>61,610</b>	<b>14.2</b>	<b>61,520</b>	<b>14.1</b>
<b>Equity Attributable to Shareholders of the Parent</b>											
Capital Stock at Par Value	8,053	259,304	13.7	259,304	15.1	259,304	15.7	-	-	-	-
Capital Surplus	1,747	56,272	3.0	56,270	3.3	56,300	3.4	2	-	(28)	-
Legal Capital Reserve	6,469	208,298	11.0	208,298	12.1	177,641	10.7	-	-	30,657	17.3
Unappropriated Earnings	26,824	863,710	45.8	764,460	44.5	716,653	43.2	99,250	13.0	147,057	20.5
Others	52	1,664	0.1	(5,219)	(0.3)	11,774	0.7	6,883	(131.9)	(10,110)	(85.9)
<b>Equity Attributable to Shareholders of the Parent</b>	<b>43,145</b>	<b>1,389,248</b>	<b>73.6</b>	<b>1,283,113</b>	<b>74.7</b>	<b>1,221,672</b>	<b>73.7</b>	<b>106,135</b>	<b>8.3</b>	<b>167,576</b>	<b>13.7</b>
<b>Noncontrolling Interests</b>	<b>25</b>	<b>803</b>	<b>0.1</b>	<b>780</b>	<b>-</b>	<b>962</b>	<b>0.1</b>	<b>23</b>	<b>2.9</b>	<b>(159)</b>	<b>(16.5)</b>
<b>Total Shareholders' Equity</b>	<b>43,170</b>	<b>1,390,051</b>	<b>73.7</b>	<b>1,283,893</b>	<b>74.7</b>	<b>1,222,634</b>	<b>73.8</b>	<b>106,158</b>	<b>8.3</b>	<b>167,417</b>	<b>13.7</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 58,587</b>	<b>\$ 1,886,455</b>	<b>100.0</b>	<b>\$ 1,718,687</b>	<b>100.0</b>	<b>\$ 1,657,518</b>	<b>100.0</b>	<b>\$ 167,768</b>	<b>9.8</b>	<b>\$ 228,937</b>	<b>13.8</b>

Note :

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the rate of NT\$32.199 as of December 31, 2016.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES**  
**Consolidated Condensed Statements of Comprehensive Income (Unaudited)**  
**For the Three Months Ended December 31, 2016, September 30, 2016, December 31, 2015**  
(Expressed in Millions of New Taiwan Dollars ("NTD") and U.S. Dollars ("USD") <sup>(1)</sup>  
**Except for Per Share Amounts and Shares Outstanding)**

	4Q 2016			3Q 2016		4Q 2015		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	NTD	%	NTD	%
Net Revenue	\$ 8,253	\$ 262,227	100.0	\$ 260,406	100.0	\$ 203,518	100.0	\$ 1,821	0.7	\$ 58,709	28.8
Cost of Revenue	(3,938)	(125,118)	(47.7)	(128,355)	(49.3)	(104,593)	(51.4)	3,237	(2.5)	(20,525)	19.6
Gross Profit	4,315	137,109	52.3	132,051	50.7	98,925	48.6	5,058	3.8	38,184	38.6
Operating Expenses											
Research and Development Expenses	(628)	(19,961)	(7.6)	(18,724)	(7.2)	(15,665)	(7.7)	(1,237)	6.6	(4,296)	27.4
Sales, General and Administrative Expenses	(227)	(7,216)	(2.8)	(7,116)	(2.7)	(5,548)	(2.7)	(100)	1.4	(1,668)	30.1
Total Operating Expenses	(855)	(27,177)	(10.4)	(25,840)	(9.9)	(21,213)	(10.4)	(1,337)	5.2	(5,964)	28.1
Other Operating Income and Expenses	(1)	(25)	-	52	-	252	0.1	(77)	(148.1)	(277)	(109.9)
Income from Operations	3,459	109,907	41.9	106,263	40.8	77,964	38.3	3,644	3.4	31,943	41.0
Non-operating Income and Expenses											
Share of Profits of Associates and Joint Venture	28	881	0.3	881	0.3	1,256	0.6	-	-	(375)	(29.9)
Interest Expenses	(25)	(811)	(0.3)	(823)	(0.3)	(820)	(0.4)	12	(1.5)	9	(1.1)
Other Gains and Losses	65	2,070	0.8	1,929	0.8	2,244	1.1	141	7.3	(174)	(7.8)
Total Non-operating Income and Expenses	68	2,140	0.8	1,987	0.8	2,680	1.3	153	7.7	(540)	(20.1)
Income Before Income Tax	3,527	112,047	42.7	108,250	41.6	80,644	39.6	3,797	3.5	31,403	38.9
Income Tax Expenses	(372)	(11,819)	(4.5)	(11,461)	(4.4)	(7,802)	(3.8)	(358)	3.1	(4,017)	51.5
Net Income	3,155	100,228	38.2	96,789	37.2	72,842	35.8	3,439	3.6	27,386	37.6
Other Comprehensive Income (Losses)	186	5,932	2.3	(10,110)	(3.9)	(2,093)	(1.0)	16,042	NM	8,025	NM
Comprehensive Income	\$ 3,341	\$ 106,160	40.5	\$ 86,679	33.3	\$ 70,749	34.8	\$ 19,481	22.5	\$ 35,411	50.1
Net Income Attributable to:											
Shareholders of the Parent	\$ 3,154	\$ 100,200	38.2	\$ 96,759	37.2	\$ 72,837	35.8	\$ 3,441	3.6	\$ 27,363	37.6
Noncontrolling Interests	1	28	-	30	-	5	-	(2)	(6.7)	23	460.0
	\$ 3,155	\$ 100,228	38.2	\$ 96,789	37.2	\$ 72,842	35.8	\$ 3,439	3.6	\$ 27,386	37.6
Earnings per Share - Diluted	\$ 0.12	\$ 3.86		\$ 3.73		\$ 2.81		\$ 0.13	3.6	\$ 1.05	37.6
Earnings per ADR - Diluted (2)	\$ 0.61	\$ 19.32		\$ 18.66		\$ 14.04		\$ 0.66	3.6	\$ 5.28	37.6
Weighted Average Outstanding Shares - Diluted ('M)		25,930		25,930		25,930					

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NT\$31.773 for the fourth quarter of 2016.

(2) 1 ADR equals 5 ordinary shares.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES**

**Consolidated Condensed Statements of Comprehensive Income**

(Expressed in Millions of New Taiwan Dollars ("NTD") and U.S. Dollars ("USD") <sup>(1)</sup>)

Except for Per Share Amounts and Shares Outstanding)

For the Years Ended December 31, 2016 and 2015

	2016 (Audited)			2015 (Audited)		YoY	
	USD	NTD	%	NTD	%	NTD	%
Net Revenue	\$ 29,434	\$ 947,938	100.0	\$ 843,497	100.0	\$ 104,441	12.4
Cost of Revenue	(14,690)	(473,106)	(49.9)	(433,102)	(51.3)	(40,004)	9.2
Gross Profit	14,744	474,832	50.1	410,395	48.7	64,437	15.7
Operating Expenses							
Research and Development Expenses	(2,211)	(71,208)	(7.5)	(65,545)	(7.8)	(5,663)	8.6
Sales, General and Administrative Expenses	(798)	(25,696)	(2.7)	(22,922)	(2.7)	(2,774)	12.1
Total Operating Expenses	(3,009)	(96,904)	(10.2)	(88,467)	(10.5)	(8,437)	9.5
Other Operating Income and Expenses	1	30	-	(1,880)	(0.3)	1,910	NM
Income from Operations	11,736	377,958	39.9	320,048	37.9	57,910	18.1
Non-operating Income and Expenses							
Share of Profits of Associates and Joint Venture	108	3,495	0.4	4,132	0.5	(637)	(15.4)
Interest Expenses	(103)	(3,306)	(0.4)	(3,190)	(0.4)	(116)	3.6
Other Gains and Losses	243	7,812	0.8	29,439	3.5	(21,627)	(73.5)
Total Non-operating Income and Expenses	248	8,001	0.8	30,381	3.6	(22,380)	(73.7)
Income before Income Tax	11,984	385,959	40.7	350,429	41.5	35,530	10.1
Income Tax Expenses	(1,603)	(51,621)	(5.4)	(43,873)	(5.2)	(7,748)	17.7
Net Income	10,381	334,338	35.3	306,556	36.3	27,782	9.1
Other Comprehensive Losses	(343)	(11,067)	(1.2)	(14,714)	(1.7)	3,647	(24.8)
Comprehensive Income	\$ 10,038	\$ 323,271	34.1	\$ 291,842	34.6	\$ 31,429	10.8
Net Income (Losses) Attributable to:							
Shareholders of the Parent	\$ 10,378	\$ 334,247	35.3	\$ 306,574	36.3	\$ 27,673	9.0
Noncontrolling interests	3	91	-	(18)	-	109	NM
	\$ 10,381	\$ 334,338	35.3	\$ 306,556	36.3	\$ 27,782	9.1
Earnings per Share - Diluted	\$ 0.40	\$ 12.89		\$ 11.82		\$ 1.07	9.0
Earnings per ADR - Diluted (2)	\$ 2.00	\$ 64.45		\$ 59.11		\$ 5.34	9.0
Weighted Average Outstanding Shares - Diluted ('M)		25,930		25,930			

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NT\$32.206 for the year ended December 31, 2016.

(2) 1 ADR equals 5 ordinary shares.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES**

**Consolidated Condensed Cash Flow Statements**

For the Year Ended December 31, 2016 and for the Three Months Ended December 31, 2016, September 30, 2016 and December 31, 2015

(Expressed in Millions of New Taiwan Dollars ("NTD") and U.S. Dollars ("USD")) <sup>(1)</sup>

	2016 (Audited)		4Q 2016 (Unaudited)	3Q 2016 (Unaudited)	4Q 2015 (Unaudited)
	USD	NTD	NTD	NTD	NTD
<b>Cash Flows from Operating Activities:</b>					
Income Before Income Tax	\$ 11,984	\$ 385,959	\$ 112,047	\$ 108,250	\$ 80,644
Depreciation & Amortization	6,950	223,828	56,437	56,269	56,256
Share of Profits of Associates and Joint Venture	(108)	(3,495)	(881)	(881)	(1,256)
Income Taxes Paid	(1,427)	(45,943)	(55)	(15,443)	(122)
Changes in Working Capital & Others	(637)	(20,514)	17,672	(21,785)	9,150
Net Cash Generated by Operating Activities	<u>16,762</u>	<u>539,835</u>	<u>185,220</u>	<u>126,410</u>	<u>144,672</u>
<b>Cash Flows from Investing Activities:</b>					
Interest Received	\$ 197	\$ 6,353	\$ 1,673	\$ 1,369	\$ 1,035
Cash Dividend Received	174	5,616	-	5,497	-
Acquisitions of:					
Property, Plant and Equipment	(10,186)	(328,045)	(112,542)	(103,776)	(84,524)
Marketable Financial Instruments	(3,630)	(116,901)	(40,201)	(24,191)	(22,269)
Financial Assets Carried at Cost	(16)	(534)	(293)	(22)	(2,499)
Proceeds from Disposal or Redemption of:					
Property, Plant and Equipment	3	98	4	67	747
Marketable Financial Instruments	1,258	40,518	12,463	15,284	6,402
Financial Assets Carried at Cost	5	160	-	140	11
Investments Accounted for Using Equity Method	-	-	-	-	1,209
Others	(84)	(2,705)	394	(1,252)	(1,292)
Net Cash Used In Investing Activities	<u>(12,279)</u>	<u>(395,440)</u>	<u>(138,502)</u>	<u>(106,884)</u>	<u>(101,180)</u>
<b>Cash Flows from Financing Activities:</b>					
Increase in Short-term Loans	\$ 589	\$ 18,969	\$ 19,126	\$ -	\$ 5,767
Repayment of Bonds	(729)	(23,472)	-	(12,000)	-
Repayment of Long-term Bank Loans	-	(9)	(3)	(2)	-
Interest Paid	(103)	(3,302)	(153)	(1,860)	(451)
Cash Dividends Paid for Common Stock	(4,831)	(155,582)	-	(155,582)	-
Others	174	5,596	5,332	252	-
Net Cash Generated by (Used in) Financing Activities	<u>(4,900)</u>	<u>(157,800)</u>	<u>24,302</u>	<u>(169,192)</u>	<u>5,316</u>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents and others</b>	\$ (249)	\$ (8,030)	\$ 6,262	\$ (8,721)	\$ (1,850)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(666)</u>	<u>(21,435)</u>	<u>77,282</u>	<u>(158,387)</u>	<u>46,958</u>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<u>17,472</u>	<u>562,689</u>	<u>463,972</u>	<u>622,359</u>	<u>515,731</u>
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ 16,806</u>	<u>\$ 541,254</u>	<u>\$ 541,254</u>	<u>\$ 463,972</u>	<u>\$ 562,689</u>

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NT\$32.206 for the year ended December 31, 2016.