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# 2015 Third Quarter Earnings Conference

*Oct 15, 2015*

# Agenda

- **Welcome** Elizabeth Sun
- **3Q15 Financial Results and 4Q15 Outlook** Lora Ho
- **Key Messages** Mark Liu /  
C.C. Wei /  
Lora Ho
- **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 13, 2015 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

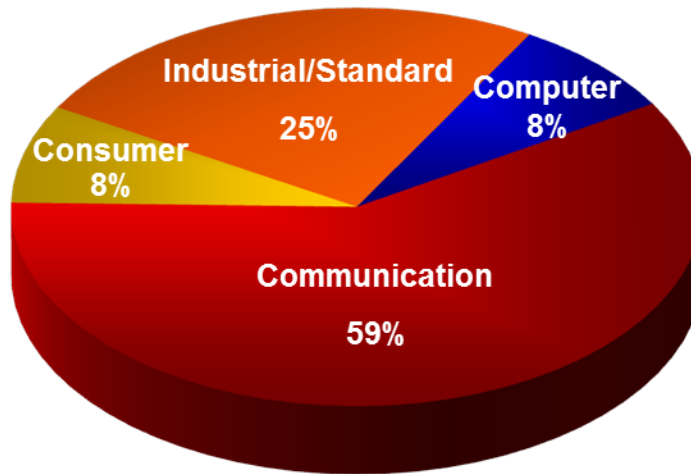
## Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	3Q15	3Q15 Guidance	2Q15	3Q14	3Q15 over 2Q15	3Q15 over 3Q14
Net Revenue	212.51	207-210	205.44	209.05	3.4%	1.7%
<b>Gross Margin</b>	<b>48.2%</b>	<b>47% - 49%</b>	<b>48.5%</b>	<b>50.5%</b>	<b>-0.3 ppt</b>	<b>-2.3 pts</b>
Operating Expenses	(22.16)		(22.56)	(21.14)	-1.8%	4.8%
<b>Operating Margin</b>	<b>36.9%</b>	<b>36.5% - 38.5%</b>	<b>37.5%</b>	<b>40.4%</b>	<b>-0.6 ppt</b>	<b>-3.5 pts</b>
Non-Operating Items	5.01		21.06	0.95	-76.2%	427.4%
Net Income to Shareholders of the Parent Company	75.33		79.42	76.33	-5.1%	-1.3%
<b>Net Profit Margin</b>	<b>35.4%</b>		<b>38.7%</b>	<b>36.5%</b>	<b>-3.3 pts</b>	<b>-1.1 pts</b>
EPS (NT Dollar)	2.91		3.06	2.94	-5.1%	-1.3%
ROE	27.2%		29.0%	33.3%	-1.8 pts	-6.1 pts
Shipment (Kpcs, 12"-equiv. Wafer)	2,216		2,240	2,267	-1.1%	-2.2%
Average Exchange Rate--USD/NTD	31.88	31.00	30.84	30.00	3.4%	6.3%

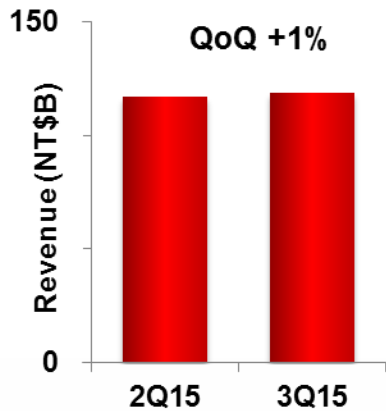
\* Diluted weighted average outstanding shares were 25,930mn units in 3Q15.

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

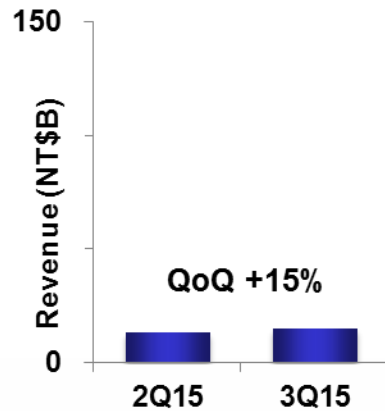
# 3Q15 Revenue by Application



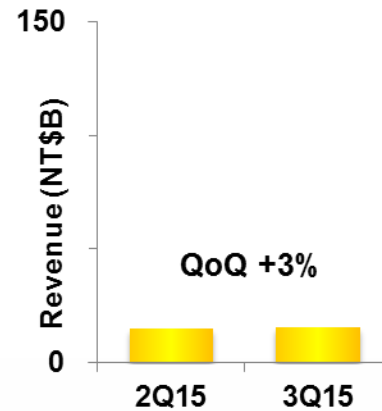
Communication



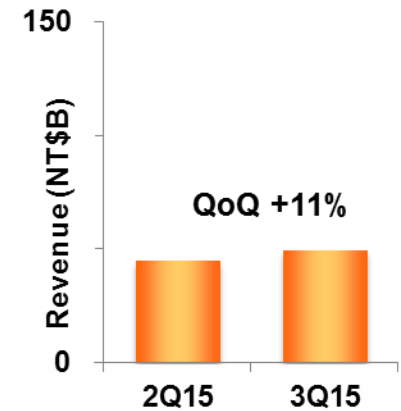
Computer



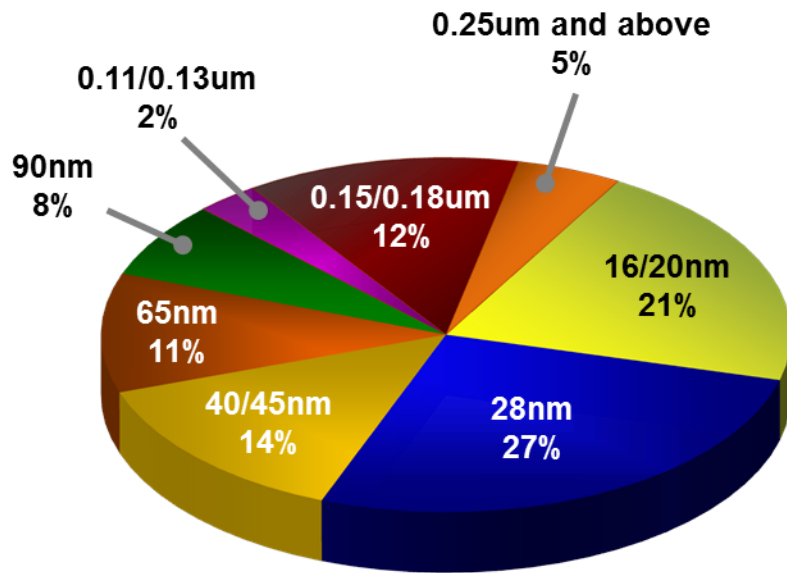
Consumer



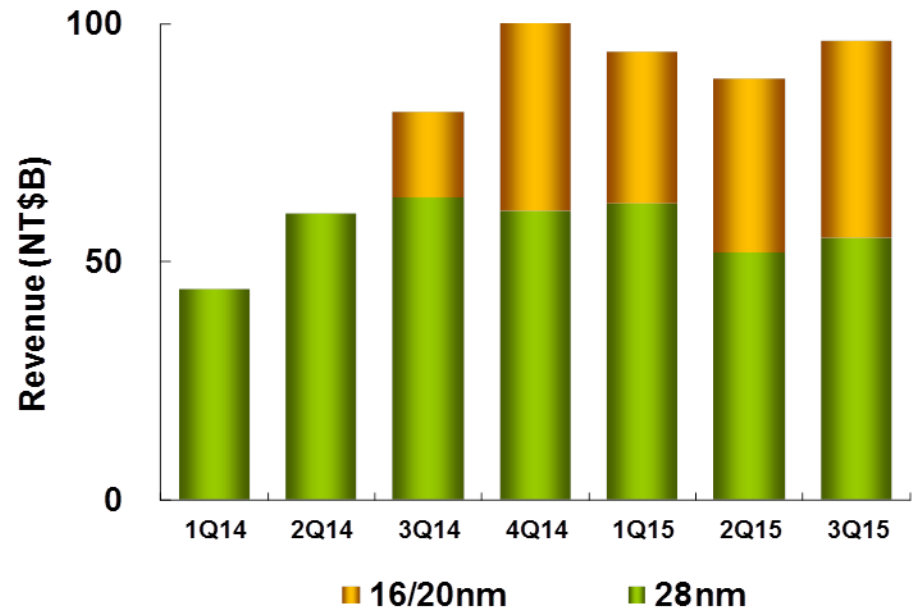
Industrial/Standard



# 3Q15 Revenue by Technology



28nm and below revenue



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT\$ billions)

	3Q15		2Q15		3Q14	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	524.88	33.3%	550.35	34.3%	290.34	21.5%
Accounts Receivable	97.12	6.2%	99.74	6.2%	114.53	8.5%
Inventories	65.07	4.1%	66.28	4.1%	65.34	4.8%
Long-term Investments	31.02	2.0%	27.77	1.7%	28.85	2.1%
Net PP&E	830.82	52.7%	829.70	51.6%	824.31	61.1%
<b>Total Assets</b>	<b>1,576.22</b>	<b>100.0%</b>	<b>1,608.85</b>	<b>100.0%</b>	<b>1,349.91</b>	<b>100.0%</b>
Current Liabilities	201.69	12.8%	309.38	19.2%	172.25	12.8%
Long-term Interest-bearing Debts	192.01	12.2%	202.66	12.6%	212.61	15.7%
<b>Total Liabilities</b>	<b>425.22</b>	<b>27.0%</b>	<b>542.22</b>	<b>33.7%</b>	<b>392.66</b>	<b>29.1%</b>
<b>Total Shareholders' Equity</b>	<b>1,151.00</b>	<b>73.0%</b>	<b>1,066.63</b>	<b>66.3%</b>	<b>957.25</b>	<b>70.9%</b>
<b>Key Indices</b>						
A/R Turnover Days	42		44		44	
Inventory Turnover Days	59		62		56	
Current Ratio (x)	3.4		2.4		2.8	
Asset Productivity (x)	1.0		1.0		1.0	

\* Total outstanding shares were 25,930mn units at 9/30/15.

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

# Cash Flows

(In NT\$ billions)

	3Q15	2Q15	3Q14
<b>Beginning Balance</b>	<b>528.90</b>	<b>437.41</b>	<b>255.05</b>
Cash from operating activities	118.14	111.07	91.25
Capital expenditures	(70.30)	(53.81)	(47.88)
Cash dividends	(116.68)	0.00	(77.79)
Short-term loans	27.70	(12.99)	1.39
Investments and others	27.97	47.22	3.86
<b>Ending Balance</b>	<b>515.73</b>	<b>528.90</b>	<b>225.88</b>
Free Cash Flow <sup>(1)</sup>	47.84	57.26	43.37

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



# 4Q15 Guidance

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

- **Revenue to be between NT\$ 201 billion and NT\$ 204 billion, at a forecast exchange rate of 32.71 NT dollars to 1 US dollar**
- **Gross profit margin to be between 47.5% and 49.5%**
- **Operating profit margin to be between 36.5% and 38.5%**

# Recap of Recent Major Events

- **TSMC Announced Fourth Quarter and Full Year 2015 Revenue Outlook ( 2015/09/23 )**
- **TSMC Named DJSI Industry Group Leader for Third Consecutive Year ( 2015/09/14 )**
- **TSMC to Cease Solar Manufacturing Operations ( 2015/08/25 )**
- **TSMC Board of Directors Approved TSMC's acquisition of OmniVision's 49.1% ownership in VisEra Holding Cayman, Ltd., and 100% ownership in Taiwan OmniVision Investment Holding Co. Inc., at an amount not more than US\$126 million ( 2015/08/11 )**
- **TSMC Announced Full Adoption of EICC Code of Conduct ( 2015/07/29 )**
  
- **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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