

# **2016 Second Quarter Earnings Conference**

*July 14, 2016*

# Agenda

- **Welcome** Elizabeth Sun
- **2Q16 Financial Results and 3Q16 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

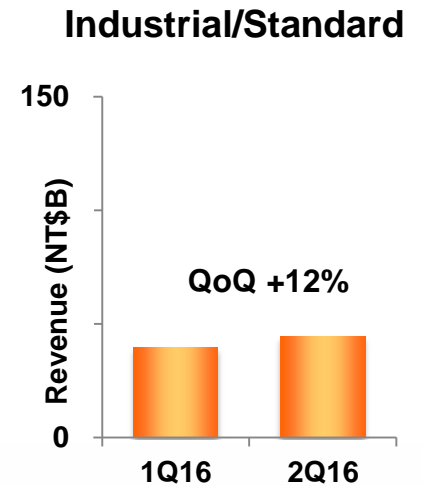
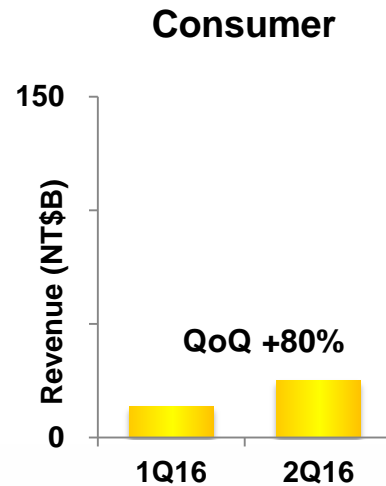
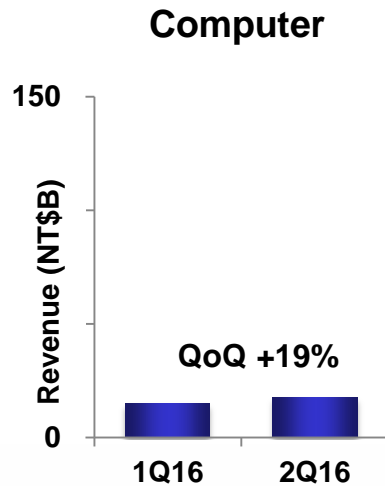
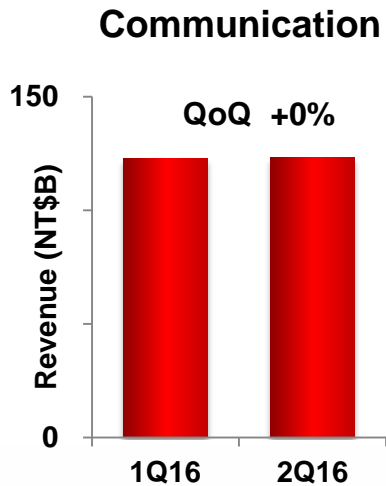
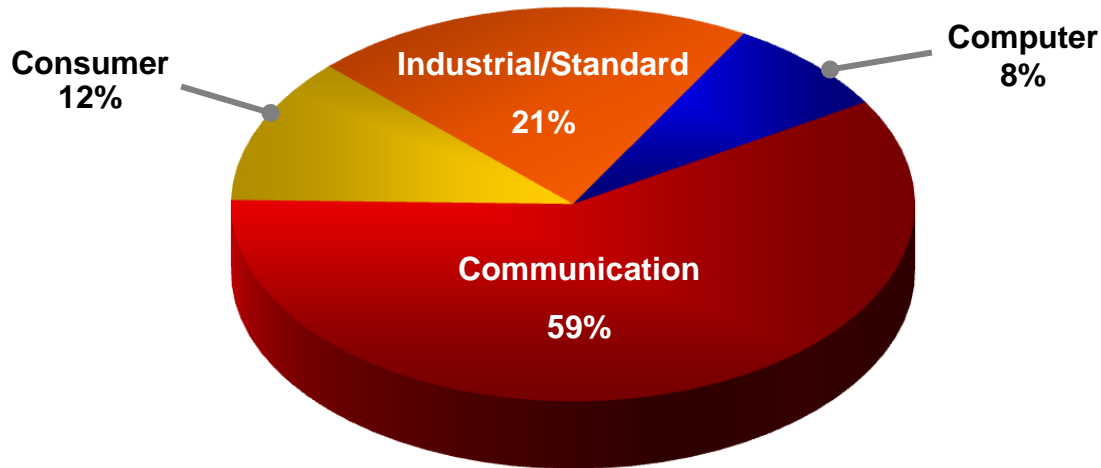
## Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	2Q16	2Q16 Guidance	1Q16	2Q15	2Q16 over 1Q16	2Q16 over 2Q15
Net Revenue	221.81	215-218	203.50	205.44	9.0%	8.0%
<b>Gross Margin</b>	<b>51.5%</b>	<b>49% - 51%</b>	<b>44.9%</b>	<b>48.5%</b>	<b>+6.6 pts</b>	<b>+3.0 pts</b>
Operating Expenses	(23.01)		(20.88)	(22.56)	10.2%	2.0%
<b>Operating Margin</b>	<b>41.2%</b>	<b>38.5% - 40.5%</b>	<b>34.6%</b>	<b>37.5%</b>	<b>+6.6 pts</b>	<b>+3.7 pts</b>
Non-Operating Items	2.09		1.79	21.06	16.5%	-90.1%
Net Income to Shareholders of the Parent Company	72.51		64.78	79.42	11.9%	-8.7%
<b>Net Profit Margin</b>	<b>32.7%</b>		<b>31.8%</b>	<b>38.7%</b>	<b>+0.9 ppt</b>	<b>-6.0 pts</b>
EPS (NT Dollar)	2.80		2.50	3.06	11.9%	-8.7%
ROE	23.4%		20.7%	29.0%	+2.7 pts	-5.6 pts
Shipment (Kpcs, 12"-equiv. Wafer)	2,297		2,056	2,240	11.7%	2.5%
Average Exchange Rate--USD/NTD	32.41	32.30	33.14	30.84	-2.2%	5.1%

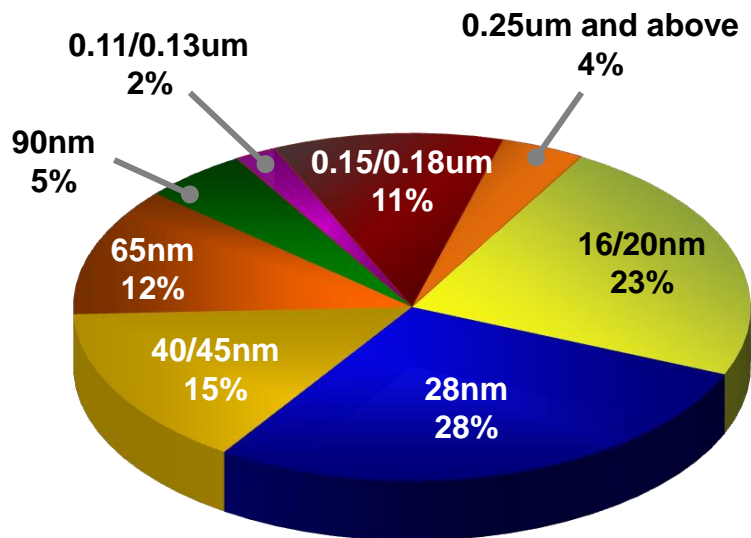
\* Diluted weighted average outstanding shares were 25,930mn units in 2Q16.

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

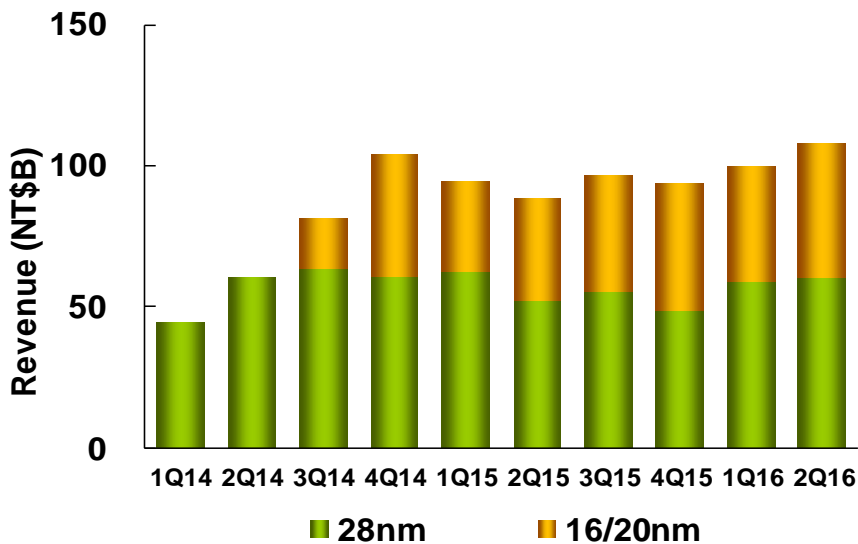
# 2Q16 Revenue by Application



# 2Q16 Revenue by Technology



28nm and below revenue



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT\$ billions)

	2Q16		1Q16		2Q15	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	667.86	37.0%	648.39	37.6%	550.35	34.3%
Accounts Receivable	111.72	6.2%	96.96	5.6%	99.74	6.2%
Inventories	60.71	3.3%	57.24	3.3%	66.28	4.1%
Long-term Investments	53.40	3.0%	46.34	2.7%	27.77	1.7%
Net PP&E	875.87	48.5%	844.31	48.9%	829.70	51.6%
<b>Total Assets</b>	<b>1,804.49</b>	<b>100.0%</b>	<b>1,726.53</b>	<b>100.0%</b>	<b>1,608.85</b>	<b>100.0%</b>
Current Liabilities	398.74	22.1%	235.89	13.7%	309.38	19.2%
Long-term Interest-bearing Debts	181.30	10.0%	181.15	10.5%	202.66	12.6%
<b>Total Liabilities</b>	<b>607.16</b>	<b>33.6%</b>	<b>445.58</b>	<b>25.8%</b>	<b>542.22</b>	<b>33.7%</b>
<b>Total Shareholders' Equity</b>	<b>1,197.33</b>	<b>66.4%</b>	<b>1,280.95</b>	<b>74.2%</b>	<b>1,066.63</b>	<b>66.3%</b>

## Key Indices

A/R Turnover Days	43	41	44
Inventory Turnover Days	54	54	62
Current Ratio (x)	2.1	3.4	2.4
Asset Productivity (x)	1.0	1.0	1.0

\* Total outstanding shares were 25,930mn units at 6/30/16.

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

# Cash Flows

(In NT\$ billions)

	2Q16	1Q16	2Q15
<b>Beginning Balance</b>	617.98	562.69	437.41
Cash from operating activities	106.68	121.53	111.07
Capital expenditures	(73.59)	(38.14)	(53.81)
Short-term loans	3.96	(4.12)	(12.99)
Investments and others	(32.67)	(23.98)	47.22
<b>Ending Balance</b>	622.36	617.98	528.90
Free Cash Flow <sup>(1)</sup>	33.09	83.39	57.26

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



# 3Q16 Guidance

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

- Revenue to be between NT\$ 254 billion and NT\$ 257 billion, at a forecast exchange rate of 32.30 NT dollars to 1 US dollar
- Gross profit margin to be between 50% and 52%
- Operating profit margin to be between 39.5% and 41.5%

# Recap of Recent Major Events

- **TSMC Doubles Its Green Power Purchase to 200 million kWh ( 2016/06/15 )**
- **TSMC Board of Directors Sets June 27 as Ex-dividend Date and July 3 as Record Date for Common Share Dividends ( 2016/06/07 )**
- **TSMC Shareholders Approve NT\$6 Cash Dividend ( 2016/06/07 )**

- Please visit TSMC's website (<http://www.tsmc.com>) and Market Observation Post System (<http://mops.twse.com.tw>) for details and other announcements

<http://www.tsmc.com>  
[invest@tsmc.com](mailto:invest@tsmc.com)