



TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

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

	June 30, 2016 (Unaudited)			March 31, 2016 (Unaudited)		June 30, 2015 (Unaudited)		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
ASSETS											
Current Assets											
Cash and Cash Equivalents	\$ 19,278	\$ 622,359	34.5	\$ 617,984	35.8	\$ 528,895	32.9	\$ 4,375	0.7	\$ 93,464	17.7
Investments in Marketable Financial Instruments	1,410	45,505	2.5	30,413	1.8	21,456	1.4	15,092	49.6	24,049	112.1
Accounts Receivable	3,461	111,725	6.2	96,957	5.6	99,737	6.2	14,768	15.2	11,988	12.0
Inventories	1,880	60,706	3.3	57,242	3.3	66,279	4.1	3,464	6.1	(5,573)	(8.4)
Other Current Assets	379	12,230	0.7	9,895	0.6	15,002	0.9	2,335	23.6	(2,772)	(18.5)
Total Current Assets	26,408	852,525	47.2	812,491	47.1	731,369	45.5	40,034	4.9	121,156	16.6
Non-current Assets											
Long-term Investments	1,654	53,398	3.0	46,335	2.7	27,774	1.7	7,063	15.2	25,624	92.3
Property, Plant and Equipment	27,131	875,871	48.5	844,305	48.9	829,703	51.6	31,566	3.7	46,168	5.6
Intangible and Other Non-current Assets	703	22,698	1.3	23,395	1.3	20,007	1.2	(697)	(3.0)	2,691	13.5
Total Non-current Assets	29,488	951,967	52.8	914,035	52.9	877,484	54.5	37,932	4.1	74,483	8.5
Total Assets	\$ 55,896	\$ 1,804,492	100.0	\$ 1,726,526	100.0	\$ 1,608,853	100.0	\$ 77,966	4.5	\$ 195,639	12.2
LIABILITIES AND SHAREHOLDERS' EQUITY											
Current Liabilities											
Short-term Loans	\$ 1,200	\$ 38,740	2.1	\$ 34,690	2.0	\$ 5,593	0.3	\$ 4,050	11.7	\$ 33,147	592.7
Accounts Payable	717	23,154	1.3	19,629	1.2	21,101	1.3	3,525	18.0	2,053	9.7
Payables to Contractors and Equipment Suppliers	1,490	48,102	2.7	33,953	2.0	43,611	2.7	14,149	41.7	4,491	10.3
Cash Dividends Payable	4,823	155,696	8.6	-	-	116,683	7.3	155,696	-	39,013	33.4
Accrued Expenses and Other Current Liabilities	3,439	111,037	6.2	114,348	6.6	111,523	6.9	(3,311)	(2.9)	(486)	(0.4)
Current Portion of Bonds Payable and Bank Loans	682	22,010	1.2	33,273	1.9	10,868	0.7	(11,263)	(33.9)	11,142	102.5
Total Current Liabilities	12,351	398,739	22.1	235,893	13.7	309,379	19.2	162,846	69.0	89,360	28.9
Non-current Liabilities											
Bonds Payable	5,615	181,276	10.0	181,151	10.5	201,857	12.6	125	0.1	(20,581)	(10.2)
Other Non-current Liabilities	841	27,146	1.5	28,536	1.6	30,989	1.9	(1,390)	(4.9)	(3,843)	(12.4)
Total Non-current Liabilities	6,456	208,422	11.5	209,687	12.1	232,846	14.5	(1,265)	(0.6)	(24,424)	(10.5)
Total Liabilities	18,807	607,161	33.6	445,580	25.8	542,225	33.7	161,581	36.3	64,936	12.0
Shareholders' Equity Attributable to Shareholders of the Parent											
Capital Stock at Par Value	8,032	259,304	14.4	259,304	15.0	259,304	16.1	-	-	-	-
Capital Surplus	1,743	56,263	3.1	56,317	3.3	56,533	3.5	(54)	(0.1)	(270)	(0.5)
Legal Capital Reserve	6,452	208,298	11.5	177,641	10.3	177,641	11.1	30,657	17.3	30,657	17.3
Unappropriated Earnings	20,683	667,701	37.0	781,435	45.2	569,249	35.4	(113,734)	(14.6)	98,452	17.3
Others	152	4,888	0.3	5,276	0.3	3,854	0.2	(388)	(7.4)	1,034	26.8
Equity Attributable to Shareholders of the Parent	37,062	1,196,454	66.3	1,279,973	74.1	1,066,581	66.3	(83,519)	(6.5)	129,873	12.2
Noncontrolling Interests	27	877	0.1	973	0.1	47	-	(96)	(9.9)	830	1766.0
Total Shareholders' Equity	37,089	1,197,331	66.4	1,280,946	74.2	1,066,628	66.3	(83,615)	(6.5)	130,703	12.3
Total Liabilities & Shareholders' Equity	\$ 55,896	\$ 1,804,492	100.0	\$ 1,726,526	100.0	\$ 1,608,853	100.0	\$ 77,966	4.5	\$ 195,639	12.2

Note :

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the rate of NT\$32.283 as of June 30, 2016.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

For the Three Months Ended June 30, 2016, March 31, 2016, June 30, 2015

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

Except for Per Share Amounts and Shares Outstanding)

	2Q 2016			1Q 2016		2Q 2015		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	NTD	%	NTD	%
Net Revenue	\$ 6,843	\$ 221,810	100.0	\$ 203,495	100.0	\$ 205,440	100.0	\$ 18,315	9.0	\$ 16,370	8.0
Cost of Revenue	(3,316)	(107,476)	(48.5)	(112,157)	(55.1)	(105,735)	(51.5)	4,681	(4.2)	(1,741)	1.6
Gross Profit	3,527	114,334	51.5	91,338	44.9	99,705	48.5	22,996	25.2	14,629	14.7
Operating Expenses											
Research and Development Expenses	(522)	(16,904)	(7.6)	(15,619)	(7.7)	(16,612)	(8.1)	(1,285)	8.2	(292)	1.8
Sales, General and Administrative Expenses	(188)	(6,104)	(2.7)	(5,260)	(2.6)	(5,943)	(2.9)	(844)	16.0	(161)	2.7
Total Operating Expenses	(710)	(23,008)	(10.3)	(20,879)	(10.3)	(22,555)	(11.0)	(2,129)	10.2	(453)	2.0
Other Operating Income and Expenses	-	(5)	-	8	-	(81)	-	(13)	(162.5)	76	93.8
Income from Operations	2,817	91,321	41.2	70,467	34.6	77,069	37.5	20,854	29.6	14,252	18.5
Non-operating Income and Expenses											
Share of Profits of Associates and Joint Venture	28	892	0.4	841	0.4	815	0.4	51	6.1	77	9.4
Interest Expenses	(25)	(822)	(0.4)	(850)	(0.4)	(783)	(0.4)	28	(3.3)	(39)	5.0
Other Gains and Losses	62	2,015	0.9	1,798	0.9	21,031	10.3	217	12.1	(19,016)	(90.4)
Total Non-operating Income and Expenses	65	2,085	0.9	1,789	0.9	21,063	10.3	296	16.5	(18,978)	(90.1)
Income Before Income Tax	2,882	93,406	42.1	72,256	35.5	98,132	47.8	21,150	29.3	(4,726)	(4.8)
Income Tax Expenses	(644)	(20,878)	(9.4)	(7,463)	(3.7)	(18,719)	(9.1)	(13,415)	179.8	(2,159)	11.5
Net Income	2,238	72,528	32.7	64,793	31.8	79,413	38.7	7,735	11.9	(6,885)	(8.7)
Other Comprehensive Losses	(12)	(390)	(0.2)	(6,499)	(3.2)	(20,259)	(9.9)	6,109	(94.0)	19,869	(98.1)
Comprehensive Income	\$ 2,226	\$ 72,138	32.5	\$ 58,294	28.6	\$ 59,154	28.8	\$ 13,844	23.7	\$ 12,984	21.9
Net Income (Losses) Attributable to:											
Shareholders of the Parent	\$ 2,237	\$ 72,506	32.7	\$ 64,782	31.8	\$ 79,417	38.7	\$ 7,724	11.9	\$ (6,911)	(8.7)
Noncontrolling Interests	1	22	-	11	-	(4)	-	11	100.0	26	NM
	\$ 2,238	\$ 72,528	32.7	\$ 64,793	31.8	\$ 79,413	38.7	\$ 7,735	11.9	\$ (6,885)	(8.7)
Earnings per Share - Diluted	\$ 0.09	\$ 2.80		\$ 2.50		\$ 3.06		\$ 0.30	11.9	\$ (0.26)	(8.7)
Earnings per ADR - Diluted (2)	\$ 0.43	\$ 13.98		\$ 12.49		\$ 15.31		\$ 1.49	11.9	\$ (1.33)	(8.7)
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\$32.413 for the second quarter of 2016.

(2) 1 ADR equals 5 ordinary shares.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

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

Except for Per Share Amounts and Shares Outstanding

	For the Six Months Ended June 30						
	2016			2015		YoY	
	USD	NTD	%	NTD	%	NTD	%
Net Revenue	\$ 12,984	\$ 425,305	100.0	\$ 427,474	100.0	\$ (2,169)	(0.5)
Cost of Revenue	(6,705)	(219,633)	(51.6)	(218,340)	(51.1)	(1,293)	0.6
Gross Profit	6,279	205,672	48.4	209,134	48.9	(3,462)	(1.7)
Operating Expenses							
Research and Development Expenses	(993)	(32,523)	(7.6)	(33,394)	(7.8)	871	(2.6)
Sales, General and Administrative Expenses	(347)	(11,364)	(2.7)	(11,700)	(2.7)	336	(2.9)
Total Operating Expenses	(1,340)	(43,887)	(10.3)	(45,094)	(10.5)	1,207	(2.7)
Other Operating Income and Expenses	-	3	-	(345)	(0.1)	348	NM
Income from Operations	4,939	161,788	38.1	163,695	38.3	(1,907)	(1.2)
Non-operating Income and Expenses							
Share of Profits of Associates and Joint Venture	53	1,733	0.4	1,950	0.5	(217)	(11.1)
Interest Expenses	(51)	(1,672)	(0.4)	(1,577)	(0.4)	(95)	6.0
Other Gains and Losses	116	3,813	0.9	22,323	5.2	(18,510)	(82.9)
Total Non-operating Income and Expenses	118	3,874	0.9	22,696	5.3	(18,822)	(82.9)
Income before Income Tax	5,057	165,662	39.0	186,391	43.6	(20,729)	(11.1)
Income Tax Expenses	(865)	(28,341)	(6.7)	(27,994)	(6.6)	(347)	1.2
Net Income	4,192	137,321	32.3	158,397	37.0	(21,076)	(13.3)
Other Comprehensive Losses	(210)	(6,889)	(1.6)	(21,905)	(5.1)	15,016	(68.6)
Comprehensive Income	\$ 3,982	\$ 130,432	30.7	\$ 136,492	31.9	\$ (6,060)	(4.4)
Net Income (Losses) Attributable to:							
Shareholders of the Parent	\$ 4,191	\$ 137,288	32.3	\$ 158,407	37.1	\$ (21,119)	(13.3)
Noncontrolling interests	1	33	-	(10)	-	43	NM
	\$ 4,192	\$ 137,321	32.3	\$ 158,397	37.1	\$ (21,076)	(13.3)
Earnings per Share - Diluted	\$ 0.16	\$ 5.29		\$ 6.11		\$ (0.82)	(13.3)
Earnings per ADR - Diluted (2)	\$ 0.81	\$ 26.47		\$ 30.54		\$ (4.07)	(13.3)
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\$32.756 for the six months ended June 30, 2016.

(2) 1 ADR equals 5 ordinary shares.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES

Consolidated Condensed Cash Flow Statements

For the Six Months Ended June 30, 2016 and for the Three Months Ended June 30, 2016, March 31, 2016 and June 30, 2015

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

	Six Months 2016 (unaudited)		2Q 2016 (unaudited)	1Q 2016 (unaudited)	2Q 2015 (unaudited)
	USD	NTD	NTD	NTD	NTD
Cash Flows from Operating Activities:					
Income before Income Tax	\$ 5,057	\$ 165,662	\$ 93,406	\$ 72,256	\$ 98,132
Depreciation & Amortization	3,393	111,122	55,275	55,847	54,623
Share of Profits of Associates and Joint Venture	(53)	(1,733)	(892)	(841)	(815)
Income Taxes Paid	(929)	(30,445)	(30,303)	(142)	(26,400)
Changes in Working Capital & Others	(501)	(16,401)	(10,810)	(5,591)	(14,473)
Net Cash Generated by Operating Activities	<u>6,967</u>	<u>228,205</u>	<u>106,676</u>	<u>121,529</u>	<u>111,067</u>
Cash Flows from Investing Activities:					
Interest Received	\$ 101	\$ 3,311	\$ 1,770	\$ 1,541	\$ 889
Cash Dividend Received	4	119	119	-	596
Acquisitions of:					
Property, Plant and Equipment	(3,411)	(111,727)	(73,586)	(38,141)	(53,814)
Marketable Financial Instruments	(1,603)	(52,509)	(28,898)	(23,611)	(2,397)
Financial Assets Carried at Cost	(7)	(219)	(32)	(187)	(55)
Proceeds from Disposal or Redemption of:					
Property, Plant and Equipment	1	27	15	12	-
Marketable Financial Instruments	390	12,771	6,828	5,943	47,534
Financial Assets Carried at Cost	1	20	6	14	78
Investments Accounted for Using Equity Method	-	-	-	-	3,963
Others	(57)	(1,847)	(929)	(918)	(904)
Net Cash Used In Investing Activities	<u>(4,581)</u>	<u>(150,054)</u>	<u>(94,707)</u>	<u>(55,347)</u>	<u>(4,110)</u>
Cash Flows from Financing Activities:					
Increase (Decrease) in Short-term Loans	\$ (5)	\$ (157)	\$ 3,958	\$ (4,115)	\$ (12,993)
Repayment of Bonds	(350)	(11,472)	(11,472)	-	-
Repayment of Long-term Bank Loans	-	(4)	(4)	-	-
Interest Paid	(39)	(1,289)	(599)	(690)	(351)
Proceeds from Exercise of Stock Options	-	-	-	-	4
Others	-	12	14	(2)	(62)
Net Cash Used in Financing Activities	<u>(394)</u>	<u>(12,910)</u>	<u>(8,103)</u>	<u>(4,807)</u>	<u>(13,402)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents and others	\$ (170)	\$ (5,571)	\$ 509	\$ (6,080)	\$ (2,072)
Net Increase in Cash and Cash Equivalents	<u>1,822</u>	<u>59,670</u>	<u>4,375</u>	<u>55,295</u>	<u>91,483</u>
Cash and Cash Equivalents at Beginning of Period	<u>17,178</u>	<u>562,689</u>	<u>617,984</u>	<u>562,689</u>	<u>437,412</u>
Cash and Cash Equivalents at End of Period	<u>\$ 19,000</u>	<u>\$ 622,359</u>	<u>\$ 622,359</u>	<u>\$ 617,984</u>	<u>\$ 528,895</u>

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NT\$32.756 for the six months ended June 30, 2016.