

# **2016 Third Quarter Earnings Conference**

*Oct 13, 2016*

# Agenda

- **Welcome** Elizabeth Sun
- **3Q16 Financial Results and 4Q16 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 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

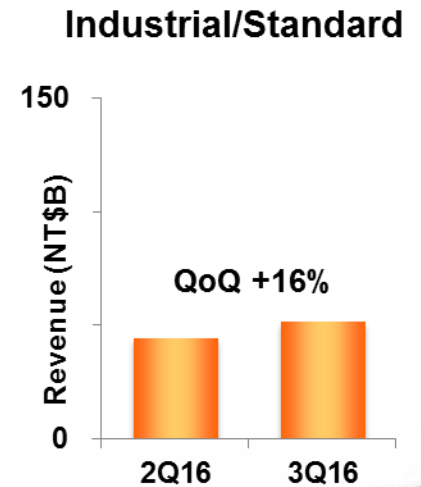
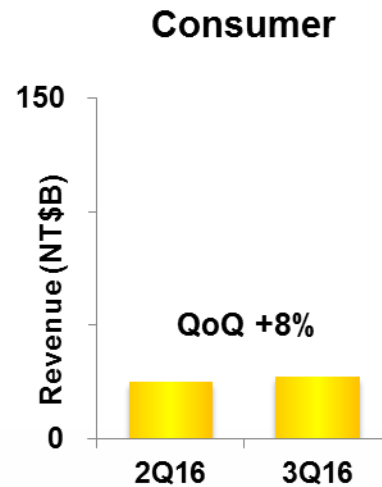
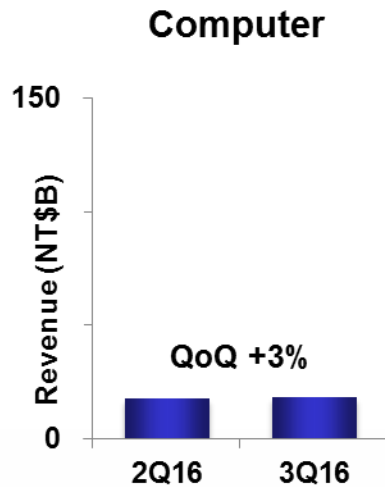
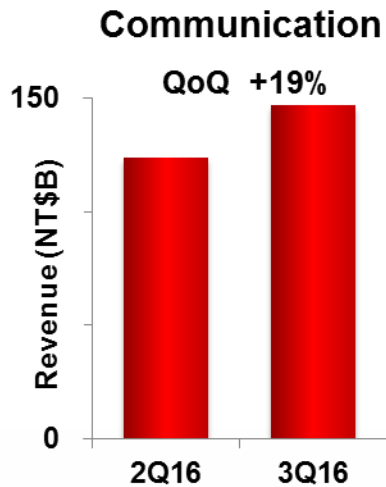
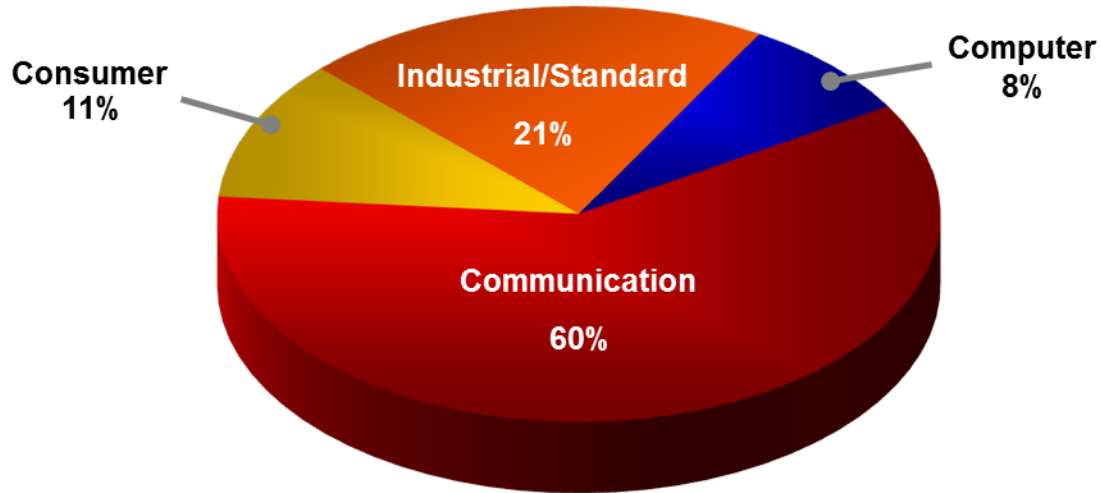
## Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	3Q16	3Q16 Guidance	2Q16	3Q15	3Q16 over 2Q16	3Q16 over 3Q15
Net Revenue	260.41	254-257	221.81	212.51	17.4%	22.5%
<b>Gross Margin</b>	<b>50.7%</b>	<b>50% - 52%</b>	<b>51.5%</b>	<b>48.2%</b>	<b>-0.8 ppt</b>	<b>+2.5 pts</b>
Operating Expenses	(25.84)		(23.01)	(22.16)	12.3%	16.6%
<b>Operating Margin</b>	<b>40.8%</b>	<b>39.5% - 41.5%</b>	<b>41.2%</b>	<b>36.9%</b>	<b>-0.4 ppt</b>	<b>+3.9 pts</b>
Non-Operating Items	1.99		2.09	5.01	-4.7%	-60.3%
Net Income to Shareholders of the Parent Company	96.76		72.51	75.33	33.4%	28.4%
<b>Net Profit Margin</b>	<b>37.2%</b>		<b>32.7%</b>	<b>35.4%</b>	<b>+4.5 pts</b>	<b>+1.8 pts</b>
EPS (NT Dollar)	3.73		2.80	2.91	33.4%	28.4%
ROE	31.2%		23.4%	27.2%	+7.8 pts	+4.0 pts
Shipment (Kpcs, 12"-equiv. Wafer)	2,638		2,297	2,216	14.8%	19.0%
Average Exchange Rate--USD/NTD	31.77	32.30	32.41	31.88	-2.0%	-0.4%

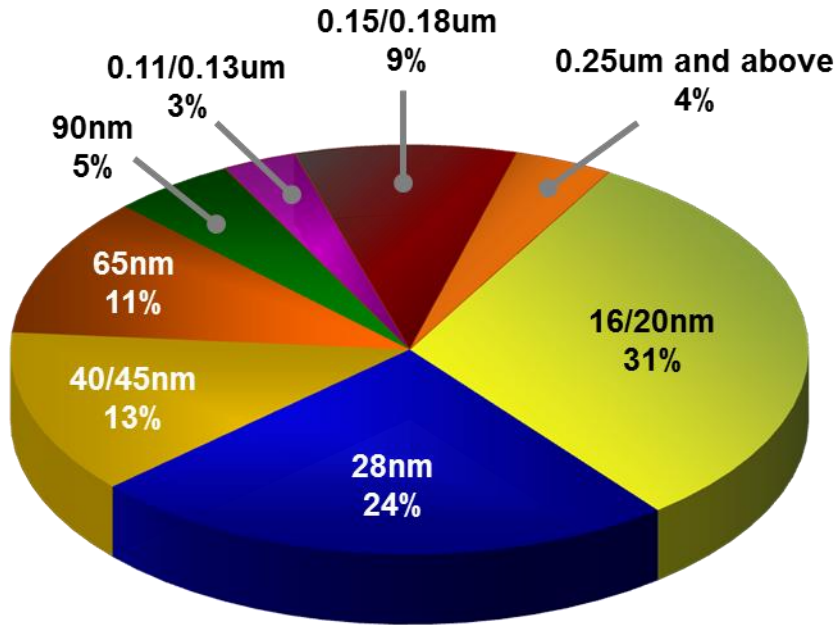
\* Diluted weighted average outstanding shares were 25,930mn units in 3Q16.

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

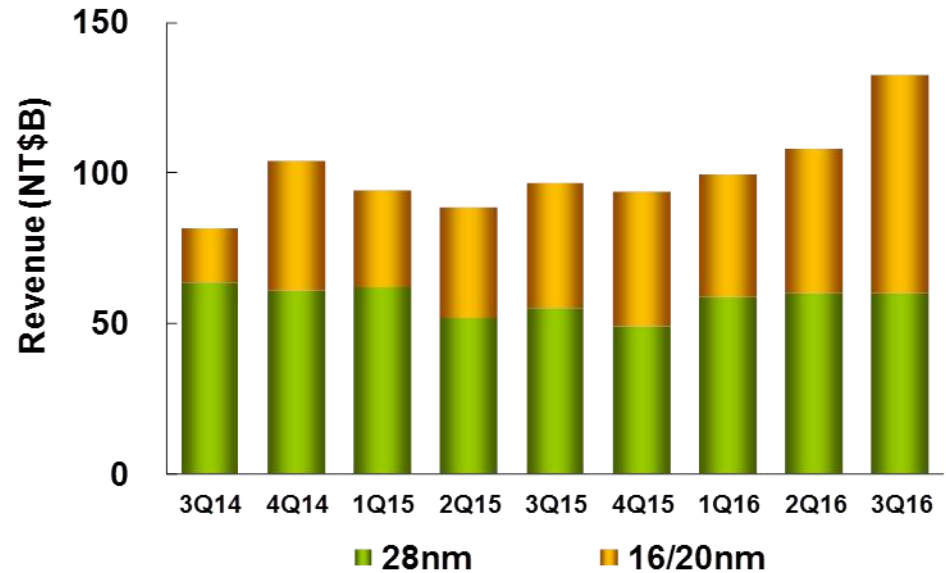
# 3Q16 Revenue by Application



# 3Q16 Revenue by Technology



28nm and below revenue



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT\$ billions)

	3Q16		2Q16		3Q15	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	516.95	30.1%	667.86	37.0%	524.88	33.3%
Accounts Receivable	129.29	7.5%	111.72	6.2%	97.12	6.2%
Inventories	53.88	3.1%	60.71	3.3%	65.07	4.1%
Long-term Investments	49.91	2.9%	53.40	3.0%	31.02	2.0%
Net PP&E	934.93	54.4%	875.87	48.5%	830.82	52.7%
<b>Total Assets</b>	<b>1,718.69</b>	<b>100.0%</b>	<b>1,804.49</b>	<b>100.0%</b>	<b>1,576.22</b>	<b>100.0%</b>
Current Liabilities	257.56	15.0%	398.74	22.1%	201.69	12.8%
Long-term Interest-bearing Debts	152.16	8.9%	181.30	10.0%	192.01	12.2%
<b>Total Liabilities</b>	<b>434.80</b>	<b>25.3%</b>	<b>607.16</b>	<b>33.6%</b>	<b>425.22</b>	<b>27.0%</b>
<b>Total Shareholders' Equity</b>	<b>1,283.89</b>	<b>74.7%</b>	<b>1,197.33</b>	<b>66.4%</b>	<b>1,151.00</b>	<b>73.0%</b>
<b>Key Indices</b>						
<b>A/R Turnover Days</b>	<b>42</b>		<b>43</b>		<b>42</b>	
<b>Inventory Turnover Days</b>	<b>44</b>		<b>54</b>		<b>59</b>	
<b>Current Ratio (x)</b>	<b>2.8</b>		<b>2.1</b>		<b>3.4</b>	
<b>Asset Productivity (x)</b>	<b>1.2</b>		<b>1.0</b>		<b>1.0</b>	

\* Total outstanding shares were 25,930mn units at 9/30/16.

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

# Cash Flows

<i>(In NT\$ billions)</i>	3Q16	2Q16	3Q15
<b>Beginning Balance</b>	622.36	617.98	528.90
Cash from operating activities	126.41	106.68	118.14
Capital expenditures	(103.78)	(73.59)	(70.30)
Cash dividends	(155.58)	0.00	(116.68)
Short-term loans	0.00	3.96	27.70
Investments and others	(25.44)	(32.67)	27.97
<b>Ending Balance</b>	463.97	622.36	515.73
Free Cash Flow <sup>(1)</sup>	22.63	33.09	47.84

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



# 4Q16 Guidance

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

- **Revenue to be between NT\$ 255 billion and NT\$ 258 billion, at a forecast exchange rate of 31.50 NT dollars to 1 US dollar**
- **Gross profit margin to be between 50.5% and 52.5%**
- **Operating profit margin to be between 40% and 42%**

# Recap of Recent Major Events

- **Renesas Electronics and TSMC Announce 28nm MCU Collaboration for Next-Generation Green and Autonomous Vehicles ( 2016/09/01 )**
- **TSMC's Board approved the acquisition from VisEra Holding Company of 86.9% shareholding in VisEra Technologies Company Ltd. and 6.9% shareholding in Xintec Inc. to simplify investment structure ( 2016/08/02 )**
  
- Please visit TSMC's website (<http://www.tsmc.com>) and Market Observation Post System (<http://mops.twse.com.tw>) for details and other announcements

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