



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⁾

ASSETS	June 30, 2017 (Unaudited)			March 31, 2017 (Unaudited)		June 30, 2016 (Unaudited)		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
Current Assets											
Cash and Cash Equivalents	\$ 18,757	\$ 570,467	28.7	\$ 564,725	29.2	\$ 622,359	34.5	\$ 5,742	1.0	\$ (51,892)	(8.3)
Investments in Marketable Financial Instruments	2,909	88,483	4.5	94,598	4.9	45,505	2.5	(6,115)	(6.5)	42,978	94.4
Accounts Receivable	3,628	110,329	5.5	109,028	5.6	111,725	6.2	1,301	1.2	(1,396)	(1.2)
Inventories	2,006	61,011	3.1	50,389	2.6	60,706	3.3	10,622	21.1	305	0.5
Other Current Assets	255	7,760	0.4	6,922	0.4	12,230	0.7	838	12.1	(4,470)	(36.5)
Total Current Assets	27,555	838,050	42.2	825,662	42.7	852,525	47.2	12,388	1.5	(14,475)	(1.7)
Non-current Assets											
Long-term Investments	1,440	43,818	2.2	44,519	2.3	53,398	3.0	(701)	(1.6)	(9,580)	(17.9)
Property, Plant and Equipment	35,432	1,077,627	54.2	1,037,364	53.6	875,871	48.5	40,263	3.9	201,756	23.0
Intangible and Other Non-current Assets	886	26,939	1.4	27,119	1.4	22,698	1.3	(180)	(0.7)	4,241	18.7
Total Non-current Assets	37,758	1,148,384	57.8	1,109,002	57.3	951,967	52.8	39,382	3.6	196,417	20.6
Total Assets	\$ 65,313	\$ 1,986,434	100.0	\$ 1,934,664	100.0	\$ 1,804,492	100.0	\$ 51,770	2.7	\$ 181,942	10.1
LIABILITIES AND SHAREHOLDERS' EQUITY											
Current Liabilities											
Short-term Loans	\$ 1,800	\$ 54,745	2.8	\$ 54,666	2.8	\$ 38,740	2.1	\$ 79	0.1	\$ 16,005	41.3
Accounts Payable	842	25,612	1.3	24,253	1.3	23,154	1.3	1,359	5.6	2,458	10.6
Payables to Contractors and Equipment Suppliers	1,656	50,377	2.5	57,672	3.0	48,102	2.7	(7,295)	(12.6)	2,275	4.7
Cash Dividends Payable	5,972	181,627	9.1	-	-	155,696	8.6	181,627	-	25,931	16.7
Accrued Expenses and Other Current Liabilities	4,317	131,281	6.6	140,080	7.2	111,037	6.2	(8,799)	(6.3)	20,244	18.2
Current Portion of Bonds Payable and Bank Loans	2,626	79,865	4.0	44,910	2.3	22,010	1.2	34,955	77.8	57,855	262.9
Total Current Liabilities	17,213	523,507	26.3	321,581	16.6	398,739	22.1	201,926	62.8	124,768	31.3
Non-current Liabilities											
Bonds Payable	3,265	99,300	5.0	134,199	6.9	181,276	10.0	(34,899)	(26.0)	(81,976)	(45.2)
Other Non-current Liabilities	699	21,261	1.1	22,574	1.2	27,146	1.5	(1,313)	(5.8)	(5,885)	(21.7)
Total Non-current Liabilities	3,964	120,561	6.1	156,773	8.1	208,422	11.5	(36,212)	(23.1)	(87,861)	(42.2)
Total Liabilities	21,177	644,068	32.4	478,354	24.7	607,161	33.6	165,714	34.6	36,907	6.1
Equity Attributable to Shareholders of the Parent											
Capital Stock at Par Value	8,526	259,304	13.1	259,304	13.4	259,304	14.4	-	-	-	-
Capital Surplus	1,850	56,283	2.8	56,282	2.9	56,263	3.1	1	-	20	-
Legal Capital Reserve	7,948	241,723	12.2	208,298	10.7	208,298	11.5	33,425	16.0	33,425	16.0
Unappropriated Earnings	26,392	802,673	40.4	951,339	49.2	667,701	37.0	(148,666)	(15.6)	134,972	20.2
Others	(602)	(18,297)	(0.9)	(19,710)	(1.0)	4,888	0.3	1,413	(7.2)	(23,185)	(474.3)
Equity Attributable to Shareholders of the Parent	44,114	1,341,686	67.6	1,455,513	75.2	1,196,454	66.3	(113,827)	(7.8)	145,232	12.1
Noncontrolling Interests	22	680	-	797	0.1	877	0.1	(117)	(14.7)	(197)	(22.5)
Total Shareholders' Equity	44,136	1,342,366	67.6	1,456,310	75.3	1,197,331	66.4	(113,944)	(7.8)	145,035	12.1
Total Liabilities & Shareholders' Equity	\$ 65,313	\$ 1,986,434	100.0	\$ 1,934,664	100.0	\$ 1,804,492	100.0	\$ 51,770	2.7	\$ 181,942	10.1

Note :

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the rate of NT\$30.414 as of June 30, 2017.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

For the Three Months Ended June 30, 2017, March 31, 2017, June 30, 2016

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

Except for Per Share Amounts and Shares Outstanding)

	2Q 2017			1Q 2017		2Q 2016		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	NTD	%	NTD	%
Net Revenue	\$ 7,061	\$ 213,856	100.0	\$ 233,914	100.0	\$ 221,810	100.0	\$ (20,058)	(8.6)	\$ (7,954)	(3.6)
Cost of Revenue	(3,471)	(105,148)	(49.2)	(112,424)	(48.1)	(107,476)	(48.5)	7,276	(6.5)	2,328	(2.2)
Gross Profit	3,590	108,708	50.8	121,490	51.9	114,334	51.5	(12,782)	(10.5)	(5,626)	(4.9)
Operating Expenses											
Research and Development Expenses	(629)	(19,057)	(8.9)	(19,413)	(8.3)	(16,904)	(7.6)	356	(1.8)	(2,153)	12.7
Sales, General and Administrative Expenses	(209)	(6,309)	(3.0)	(6,744)	(2.8)	(6,104)	(2.7)	435	(6.5)	(205)	3.4
Total Operating Expenses	(838)	(25,366)	(11.9)	(26,157)	(11.1)	(23,008)	(10.3)	791	(3.0)	(2,358)	10.2
Other Operating Income and Expenses	(3)	(86)	-	19	-	(5)	-	(105)	(552.6)	(81)	(1620.0)
Income from Operations	2,749	83,256	38.9	95,352	40.8	91,321	41.2	(12,096)	(12.7)	(8,065)	(8.8)
Non-operating Income and Expenses											
Share of Profits of Associates	21	618	0.3	667	0.3	892	0.4	(49)	(7.3)	(274)	(30.7)
Net Interest Income (Expenses)	54	1,644	0.8	1,288	0.5	834	0.4	356	27.6	810	97.1
Other Gains and Losses	20	600	0.3	515	0.2	359	0.1	85	16.5	241	67.1
Total Non-operating Income and Expenses	95	2,862	1.4	2,470	1.0	2,085	0.9	392	15.9	777	37.3
Income Before Income Tax	2,844	86,118	40.3	97,822	41.8	93,406	42.1	(11,704)	(12.0)	(7,288)	(7.8)
Income Tax Expenses	(656)	(19,847)	(9.3)	(10,201)	(4.3)	(20,878)	(9.4)	(9,646)	94.6	1,031	(4.9)
Net Income	2,188	66,271	31.0	87,621	37.5	72,528	32.7	(21,350)	(24.4)	(6,257)	(8.6)
Other Comprehensive Income (Losses)	47	1,409	0.6	(21,352)	(9.2)	(390)	(0.2)	22,761	NM	1,799	NM
Comprehensive Income	\$ 2,235	\$ 67,680	31.6	\$ 66,269	28.3	\$ 72,138	32.5	\$ 1,411	2.1	\$ (4,458)	(6.2)
Net Income (Losses) Attributable to:											
Shareholders of the Parent	\$ 2,188	\$ 66,271	31.0	\$ 87,629	37.5	\$ 72,506	32.7	\$ (21,358)	(24.4)	\$ (6,235)	(8.6)
Noncontrolling Interests	-	-	-	(8)	-	22	-	8	100.0	(22)	(100.0)
	\$ 2,188	\$ 66,271	31.0	\$ 87,621	37.5	\$ 72,528	32.7	\$ (21,350)	(24.4)	\$ (6,257)	(8.6)
Earnings per Share - Diluted	\$ 0.08	\$ 2.56		\$ 3.38		\$ 2.80		\$ (0.82)	(24.4)	\$ (0.24)	(8.6)
Earnings per ADR - Diluted (2)	\$ 0.42	\$ 12.78		\$ 16.90		\$ 13.98		\$ (4.12)	(24.4)	\$ (1.20)	(8.6)
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\$30.285 for the second quarter of 2017.

(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						
	2017			2016		YoY	
	USD	NTD	%	NTD	%	NTD	%
Net Revenue	\$ 14,569	\$ 447,770	100.0	\$ 425,305	100.0	\$ 22,465	5.3
Cost of Revenue	(7,079)	(217,572)	(48.6)	(219,633)	(51.6)	2,061	(0.9)
Gross Profit	7,490	230,198	51.4	205,672	48.4	24,526	11.9
Operating Expenses							
Research and Development Expenses	(1,252)	(38,470)	(8.6)	(32,523)	(7.6)	(5,947)	18.3
Sales, General and Administrative Expenses	(425)	(13,053)	(2.9)	(11,364)	(2.7)	(1,689)	14.9
Total Operating Expenses	(1,677)	(51,523)	(11.5)	(43,887)	(10.3)	(7,636)	17.4
Other Operating Income and Expenses	(2)	(67)	-	3	-	(70)	(2333.3)
Income from Operations	5,811	178,608	39.9	161,788	38.1	16,820	10.4
Non-operating Income and Expenses							
Share of Profits of Associates	42	1,285	0.3	1,733	0.4	(448)	(25.9)
Net Interest Income (Expenses)	96	2,932	0.7	1,316	0.3	1,616	122.8
Other Gains and Losses	36	1,115	0.2	825	0.2	290	35.2
Total Non-operating Income and Expenses	174	5,332	1.2	3,874	0.9	1,458	37.6
Income before Income Tax	5,985	183,940	41.1	165,662	39.0	18,278	11.0
Income Tax Expenses	(978)	(30,048)	(6.7)	(28,341)	(6.7)	(1,707)	6.0
Net Income	5,007	153,892	34.4	137,321	32.3	16,571	12.1
Other Comprehensive Losses	(649)	(19,943)	(4.5)	(6,889)	(1.6)	(13,054)	189.5
Comprehensive Income	\$ 4,358	\$ 133,949	29.9	\$ 130,432	30.7	\$ 3,517	2.7
Net Income (Losses) Attributable to:							
Shareholders of the Parent	\$ 5,007	\$ 153,900	34.4	\$ 137,288	32.3	\$ 16,612	12.1
Noncontrolling interests	-	(8)	-	33	-	(41)	(124.2)
	\$ 5,007	\$ 153,892	34.4	\$ 137,321	32.3	\$ 16,571	12.1
Earnings per Share - Diluted	\$ 0.19	\$ 5.94		\$ 5.29		\$ 0.65	12.1
Earnings per ADR - Diluted (2)	\$ 0.97	\$ 29.68		\$ 26.47		\$ 3.21	12.1
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\$30.735 for the six months ended June 30, 2017.

(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, 2017 and for the Three Months Ended June 30, 2017, March 31, 2017 and June 30, 2016

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

	Six Months 2017 (Unaudited)		2Q 2017 (Unaudited)	1Q 2017 (Unaudited)	2Q 2016 (Unaudited)
	USD	NTD	NTD	NTD	NTD
Cash Flows from Operating Activities:					
Income before Income Tax	\$ 5,985	\$ 183,940	\$ 86,118	\$ 97,822	\$ 93,406
Depreciation & Amortization	3,845	118,165	57,993	60,172	55,275
Share of Profits of Associates	(42)	(1,285)	(618)	(667)	(892)
Income Taxes Paid	(1,266)	(38,899)	(38,787)	(112)	(30,303)
Changes in Working Capital & Others	81	2,487	(1,306)	3,793	(10,810)
Net Cash Generated by Operating Activities	<u>8,603</u>	<u>264,408</u>	<u>103,400</u>	<u>161,008</u>	<u>106,676</u>
Cash Flows from Investing Activities:					
Interest Received	\$ 144	\$ 4,433	\$ 2,483	\$ 1,950	\$ 1,770
Cash Dividend Received	9	288	288	-	119
Acquisitions of:					
Property, Plant and Equipment	(6,758)	(207,694)	(105,188)	(102,506)	(73,586)
Marketable Financial Instruments	(1,628)	(50,046)	(23,675)	(26,371)	(28,898)
Financial Assets Carried at Cost	(16)	(475)	(273)	(202)	(32)
Proceeds from Disposal or Redemption of:					
Property, Plant and Equipment	6	170	18	152	15
Marketable Financial Instruments	1,552	47,688	28,852	18,836	6,828
Financial Assets Carried at Cost	2	50	50	-	6
Others	(61)	(1,864)	(775)	(1,089)	(929)
Net Cash Used In Investing Activities	<u>(6,750)</u>	<u>(207,450)</u>	<u>(98,220)</u>	<u>(109,230)</u>	<u>(94,707)</u>
Cash Flows from Financing Activities:					
Increase (Decrease) in Short-term Loans	\$ (10)	\$ (290)	\$ (40)	\$ (250)	\$ 3,958
Repayment of Bonds	(325)	(10,000)	-	(10,000)	(11,472)
Repayment of Long-term Bank Loans	-	(5)	(2)	(3)	(4)
Interest Paid	(45)	(1,383)	(126)	(1,257)	(599)
Others	(28)	(871)	(471)	(400)	14
Net Cash Used in Financing Activities	<u>(408)</u>	<u>(12,549)</u>	<u>(639)</u>	<u>(11,910)</u>	<u>(8,103)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	\$ (494)	\$ (15,196)	\$ 1,201	\$ (16,397)	\$ 509
Net Increase in Cash and Cash Equivalents	<u>951</u>	<u>29,213</u>	<u>5,742</u>	<u>23,471</u>	<u>4,375</u>
Cash and Cash Equivalents at Beginning of Period	<u>17,610</u>	<u>541,254</u>	<u>564,725</u>	<u>541,254</u>	<u>617,984</u>
Cash and Cash Equivalents at End of Period	<u>\$ 18,561</u>	<u>\$ 570,467</u>	<u>\$ 570,467</u>	<u>\$ 564,725</u>	<u>\$ 622,359</u>

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NT\$30.735 for the six months ended June 30, 2017.