

2017 Second Quarter Earnings Conference

July 13, 2017

Agenda

- **Welcome** Elizabeth Sun
- **2Q17 Financial Results and 3Q17 Outlook** Lora Ho
- **Key Messages** Mark Liu
- **Q&A** C.C. Wei

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, 2017 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

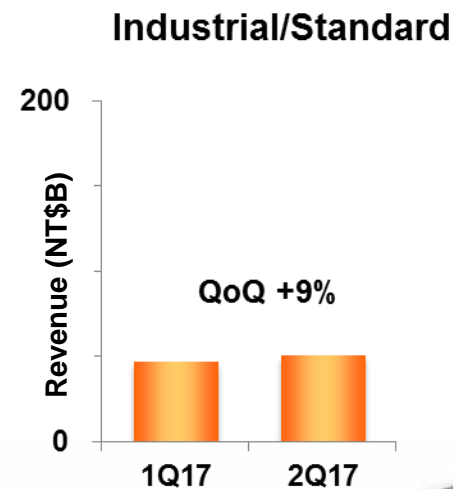
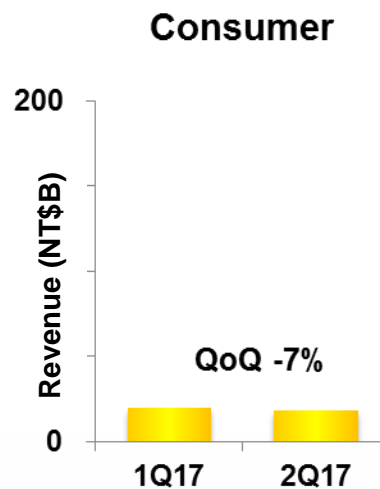
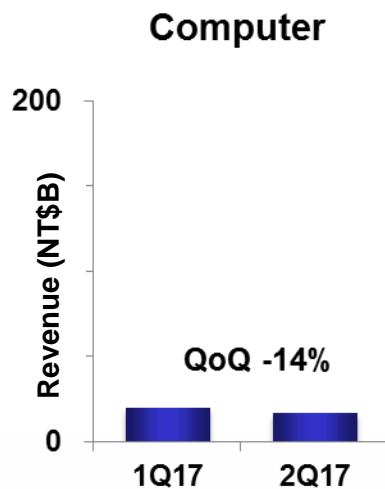
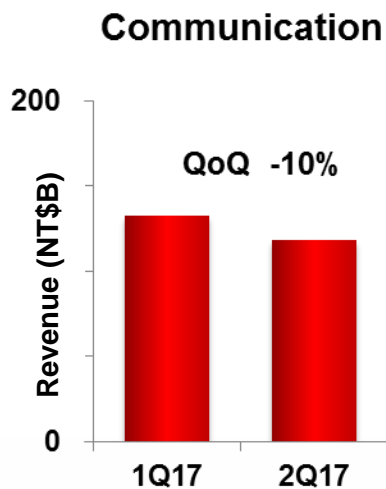
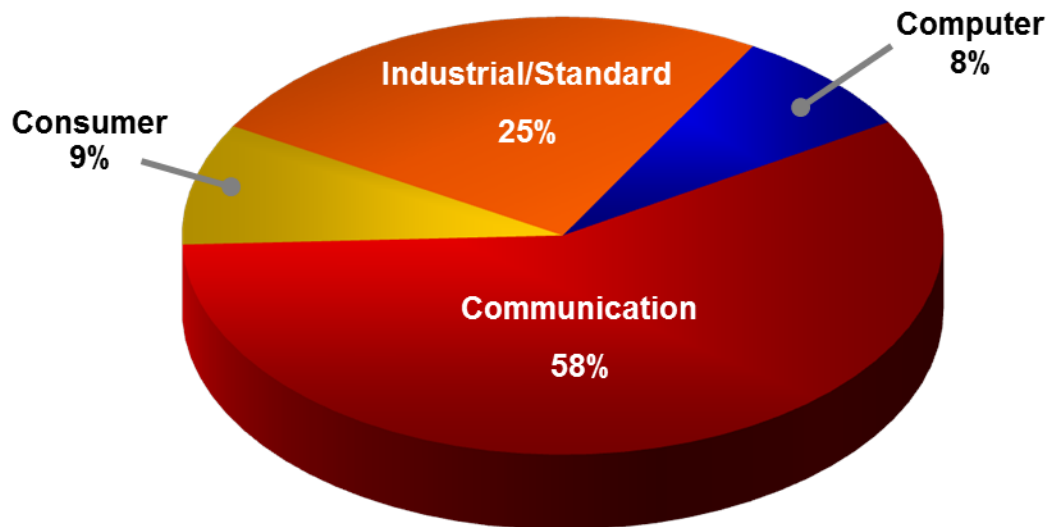
Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	2Q17	2Q17 Guidance	1Q17	2Q16	2Q17 over 1Q17	2Q17 over 2Q16
Net Revenue	213.86	213-216	233.91	221.81	-8.6%	-3.6%
Gross Margin	50.8%	50.5% - 52.5%	51.9%	51.5%	-1.1 pts	-0.7 ppt
Operating Expenses	(25.37)		(26.16)	(23.01)	-3.0%	+10.2%
Operating Margin	38.9%	39.0% - 41.0%	40.8%	41.2%	-1.9 pts	-2.3 pts
Non-Operating Items	2.86		2.47	2.09	+15.9%	+37.3%
Net Income to Shareholders of the Parent Company	66.27		87.63	72.51	-24.4%	-8.6%
Net Profit Margin	31.0%		37.5%	32.7%	-6.5 pts	-1.7 pts
EPS (NT Dollar)	2.56		3.38	2.80	-24.4%	-8.6%
ROE	19.0%		24.6%	23.4%	-5.6 pts	-4.4 pts
Shipment (Kpcs, 12"-equiv. Wafer)	2,533		2,473	2,297	+2.4%	+10.3%
Average Exchange Rate--USD/NTD	30.29	30.50	31.16	32.41	-2.8%	-6.6%

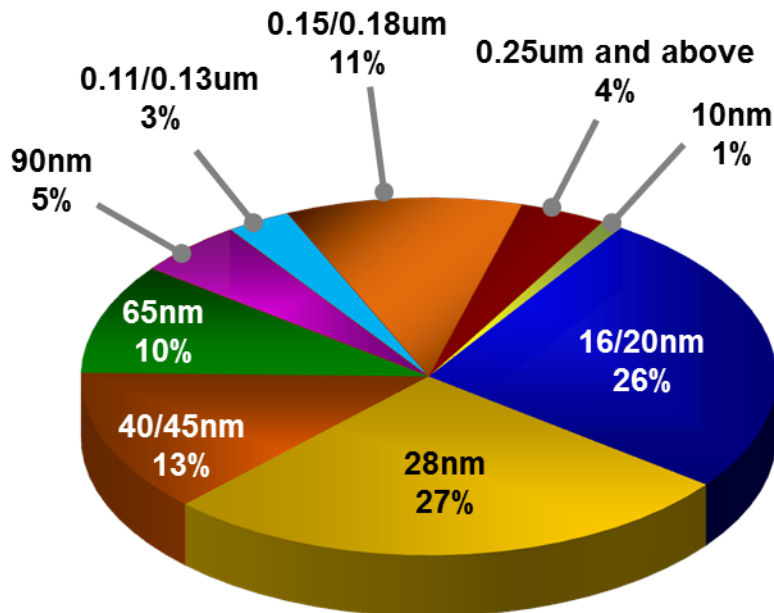
* Diluted weighted average outstanding shares were 25,930mn units in 2Q17.

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

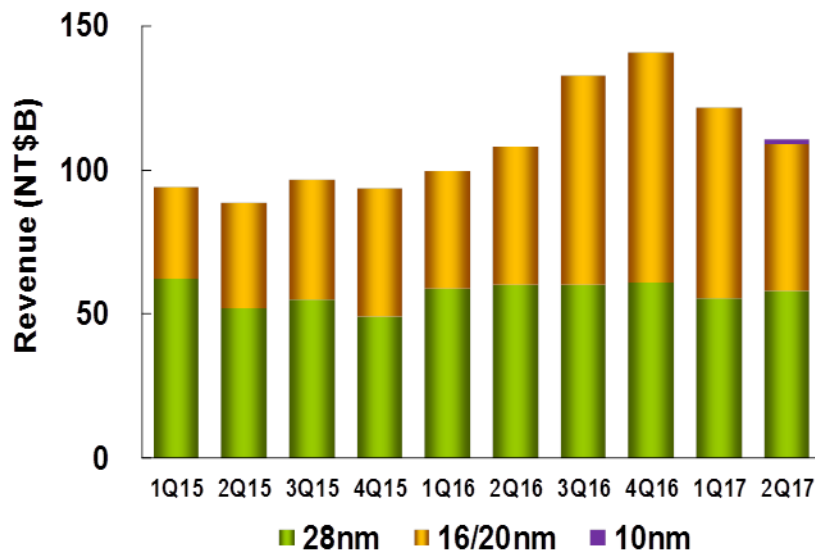
2Q17 Revenue by Application



2Q17 Revenue by Technology



28nm and below revenue



Balance Sheets & Key Indices

Selected Items from Balance Sheets

(In NT\$ billions)

	2Q17		1Q17		2Q16	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	658.95	33.2%	659.32	34.1%	667.86	37.0%
Accounts Receivable	110.33	5.5%	109.03	5.6%	111.72	6.2%
Inventories	61.01	3.1%	50.39	2.6%	60.71	3.3%
Long-term Investments	43.82	2.2%	44.52	2.3%	53.40	3.0%
Net PP&E	1,077.63	54.2%	1,037.36	53.6%	875.87	48.5%
Total Assets	1,986.43	100.0%	1,934.66	100.0%	1,804.49	100.0%
Current Liabilities	523.51	26.3%	321.58	16.6%	398.74	22.1%
Long-term Interest-bearing Debts	99.32	5.0%	134.22	6.9%	181.30	10.0%
Total Liabilities	644.07	32.4%	478.35	24.7%	607.16	33.6%
Total Shareholders' Equity	1,342.36	67.6%	1,456.31	75.3%	1,197.33	66.4%
Key Indices						
A/R Turnover Days	47		47		43	
Inventory Turnover Days	52		44		54	
Current Ratio (x)	1.6		2.6		2.1	
Asset Productivity (x)	0.8		0.9		1.0	

* Total outstanding shares were 25,930mn units at 6/30/17.

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

Cash Flows

(In NT\$ billions)

	2Q17	1Q17	2Q16
Beginning Balance	564.73	541.25	617.98
Cash from operating activities	103.40	161.01	106.68
Capital expenditures	(105.19)	(102.51)	(73.59)
Short-term loans	(0.04)	(0.25)	3.96
Investments and others	7.57	(34.77)	(32.67)
Ending Balance	570.47	564.73	622.36
Free Cash Flow ⁽¹⁾	(1.79)	58.50	33.09

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

3Q17 Guidance

Based on our current business outlook, management expects:

- Revenue to be between US\$ 8.12 billion and US\$ 8.22 billion

And, based on the exchange rate assumption of 1 US dollar to 30.3 NT dollars, management expects:

- Gross profit margin to be between 48.5% and 50.5%
- Operating profit margin to be between 37% and 39%

Recap of Recent Major Events

- **TSMC Board of Directors Sets June 26 as Ex-dividend Date and July 2 as Record Date for Common Share Dividends (2017/06/08)**
- **TSMC Shareholders Approve NT\$7 Cash Dividend and Elect Dr. Mark Liu and Dr. C.C. Wei as Board of Directors (2017/06/08)**
- **TSMC Promotes Dave Keller to President, TSMC North America (2017/06/07)**
- **TSMC Board of Directors Approved the Establishment of TSMC Charity Foundation with Donation of NT\$30,000,000 as Its Initial Capital (2017/05/09)**

- 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