

2017 Third Quarter Earnings Conference

October 19, 2017

Agenda

- **Welcome** **Jeff Su**
- **3Q17 Financial Results and 4Q17 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 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

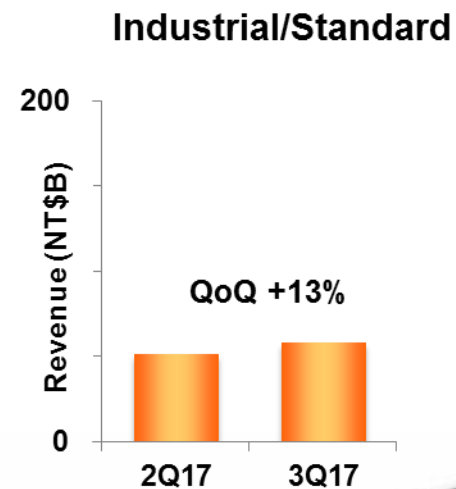
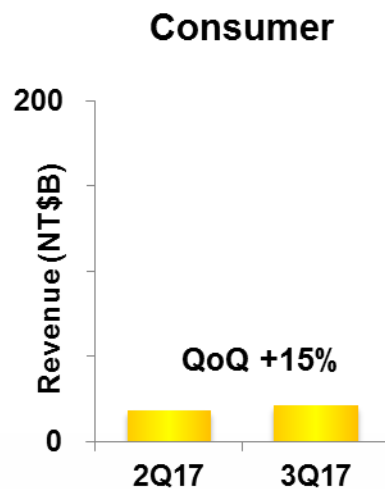
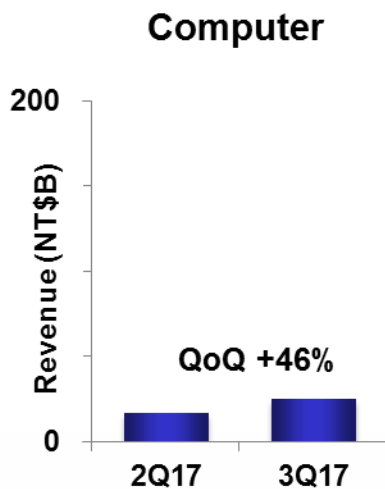
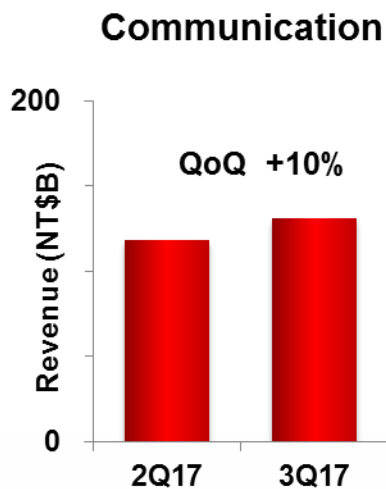
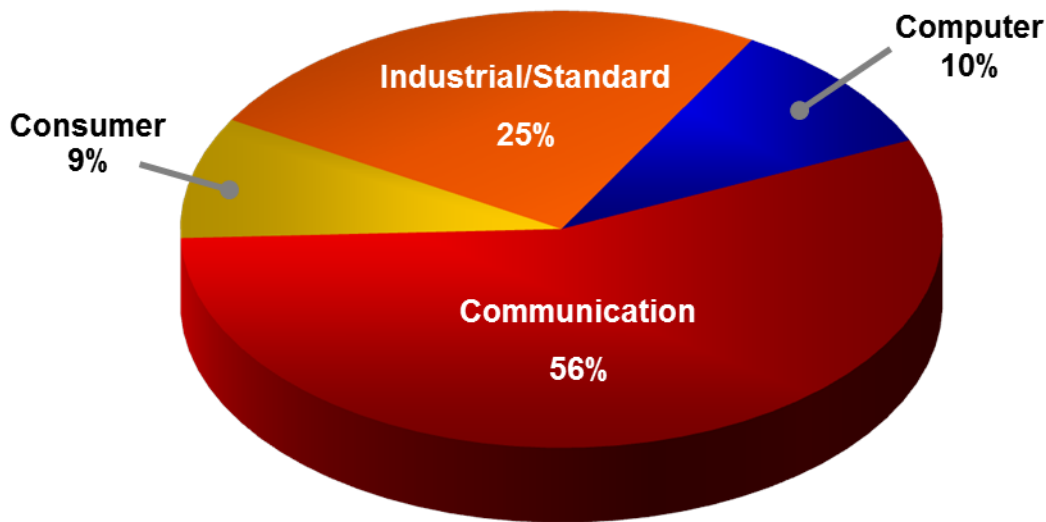
Selected Items from Statements of Comprehensive Income

(In NT\$ or US\$ billions unless otherwise noted)	3Q17	3Q17 Guidance	2Q17	3Q16	3Q17 over 2Q17	3Q17 over 3Q16
Net Revenue	252.11	US\$ 8.12-8.22 (NT\$246-249)	213.86	260.41	+17.9%	-3.2%
Gross Margin	49.9%	48.5% - 50.5%	50.8%	50.7%	-0.9 ppt	-0.8 ppt
Operating Expenses	(27.54)		(25.37)	(25.84)	+8.6%	+6.6%
Operating Margin	38.9%	37.0% - 39.0%	38.9%	40.8%	0.0 ppt	-1.9 ppts
Non-Operating Items	2.46		2.86	1.99	-14.0%	+23.9%
Net Income to Shareholders of the Parent Company	89.93		66.27	96.76	+35.7%	-7.1%
Net Profit Margin	35.7%		31.0%	37.2%	+4.7 ppts	-1.5 ppts
EPS (NT Dollar)	3.47		2.56	3.73	+35.7%	-7.1%
ROE	25.9%		19.0%	31.2%	+6.9 ppts	-5.3 ppts
Shipment (Kpcs, 12"-equiv. Wafer)	2,744		2,533	2,638	+8.3%	+4%
Average Exchange Rate--USD/NTD	30.29	30.30	30.29	31.77	0.0%	-4.7%

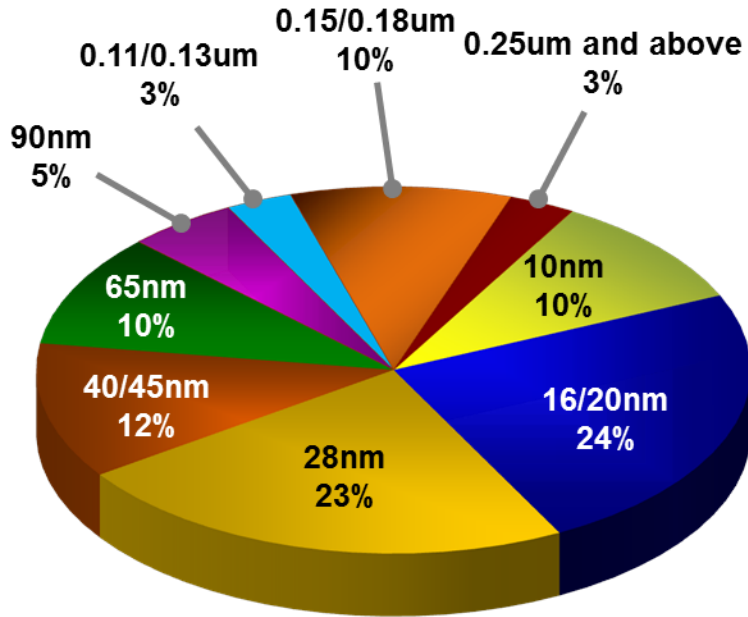
* Diluted weighted average outstanding shares were 25,930mn units in 3Q17.

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

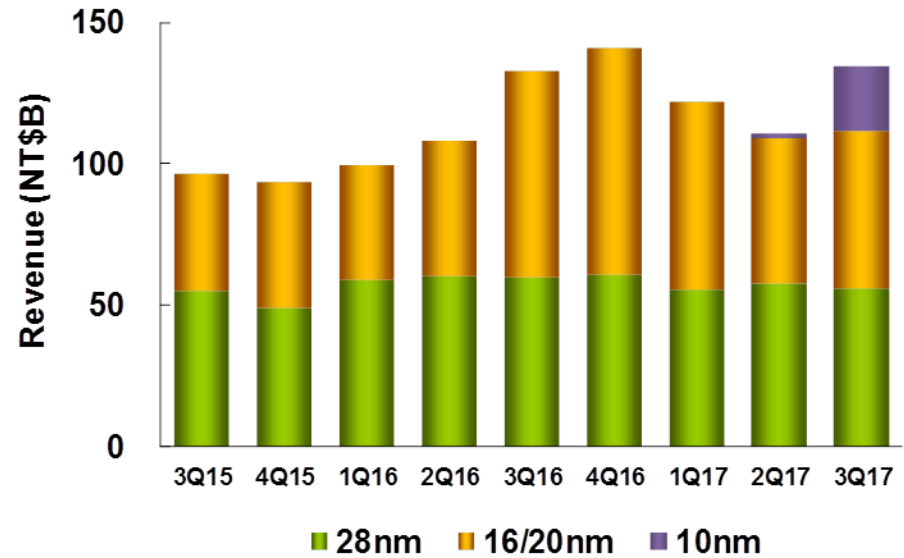
3Q17 Revenue by Application



3Q17 Revenue by Technology



28nm and below revenue



Balance Sheets & Key Indices

Selected Items from Balance Sheets <i>(In NT\$ billions)</i>	3Q17		2Q17		3Q16	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	501.78	27.3%	658.95	33.2%	516.95	30.1%
Accounts Receivable	118.73	6.4%	110.33	5.5%	129.29	7.5%
Inventories	73.89	4.0%	61.01	3.1%	53.88	3.1%
Long-term Investments	40.90	2.2%	43.82	2.2%	49.91	2.9%
Net PP&E	1,065.76	57.9%	1,077.63	54.2%	934.93	54.4%
Total Assets	1,841.42	100.0%	1,986.43	100.0%	1,718.69	100.0%
Current Liabilities	298.52	16.2%	523.51	26.3%	257.56	15.0%
Long-term Interest-bearing Debts	91.81	5.0%	99.32	5.0%	152.16	8.9%
Total Liabilities	410.01	22.3%	644.07	32.4%	434.80	25.3%
Total Shareholders' Equity	1,431.41	77.7%	1,342.36	67.6%	1,283.89	74.7%
Key Indices						
A/R Turnover Days	42		47		42	
Inventory Turnover Days	53		52		44	
Current Ratio (x)	2.4		1.6		2.8	
Asset Productivity (x)	0.9		0.8		1.2	

* Total outstanding shares were 25,930mn units at 9/30/17.

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

Cash Flows

<i>(In NT\$ billions)</i>	3Q17	2Q17	3Q16
Beginning Balance	570.47	564.73	622.36
Cash from operating activities	116.78	103.40	126.41
Capital expenditures	(61.71)	(105.19)	(103.78)
Cash dividends	(181.51)	0.00	(155.58)
Short-term loans	0.00	(0.04)	0.00
Investments and others	(35.95)	7.57	(25.44)
Ending Balance	408.08	570.47	463.97
Free Cash Flow ⁽¹⁾	55.07	(1.79)	22.63

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

4Q17 Guidance

Based on our current business outlook, management expects:

- Revenue to be between US\$ 9.10 billion and US\$ 9.20 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% and 50%
- Operating profit margin to be between 37% and 39%

Recap of Recent Major Events

- **TSMC Senior Vice President Dr. Stephen Tso to Retire (2017/10/16)**
- **TSMC Purchases Another 100 million kWh in Green Power (2017/10/16)**
- **TSMC Dr. Morris Chang Announces Retirement in June 2018. Future Dual Leadership Will Be Mark Liu as Chairman And C.C. Wei as CEO (2017/10/02)**
- **TSMC to Build 3nm Fab in Tainan Science Park (2017/09/29)**
- **TSMC Chairman Dr. Morris Chang Honored by Forbes Magazine as One of the World's 100 Greatest Living Business Minds (2017/09/21)**
- **Xilinx, Arm, Cadence, and TSMC Announce World's First CCIX Silicon Demonstration Vehicle in 7nm Process Technology (2017/09/11)**
- **Ambiq Micro and TSMC Deliver World's Lowest Energy Consumption for Huawei's Fitness Wearables (2017/09/08)**
- Please visit TSMC's website (<http://www.tsmc.com>) and Market Observation Post System (<http://mops.twse.com.tw>) for details and other announcements

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