

# **2018 Second Quarter Earnings Conference**

*July 19, 2018*

# Agenda

- **Welcome** Elizabeth Sun
- **2Q18 Financial Results and 3Q18 Outlook** Lora Ho
- **Key Messages** Lora Ho
- **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 19, 2018 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

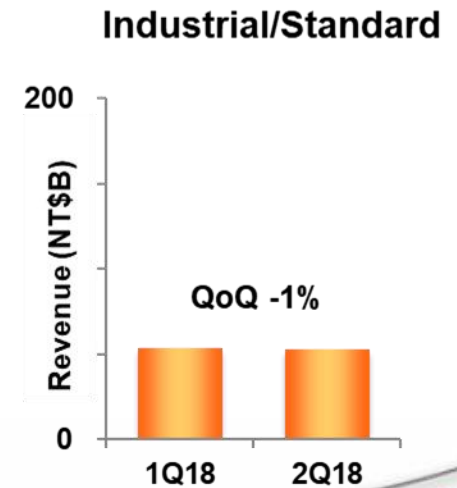
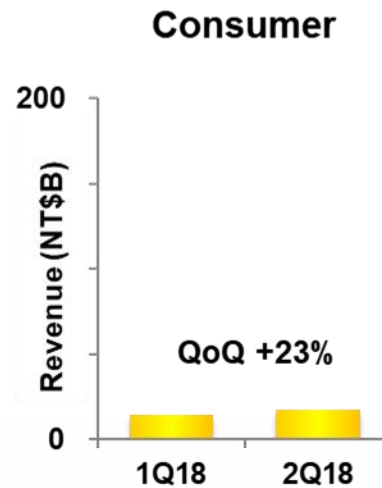
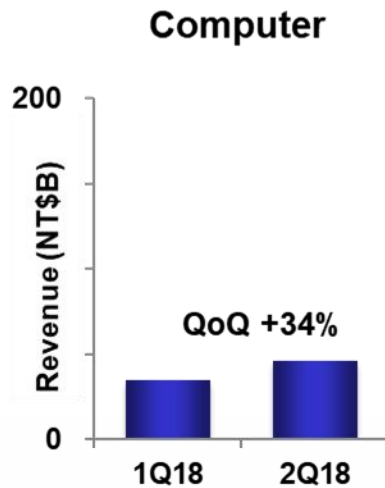
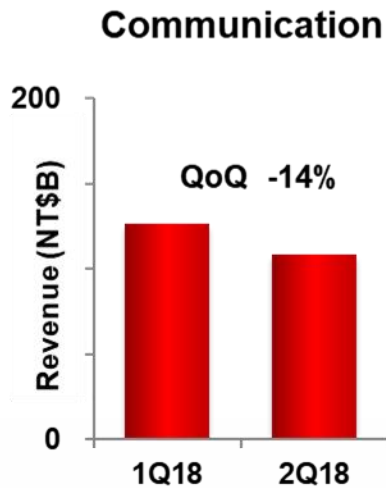
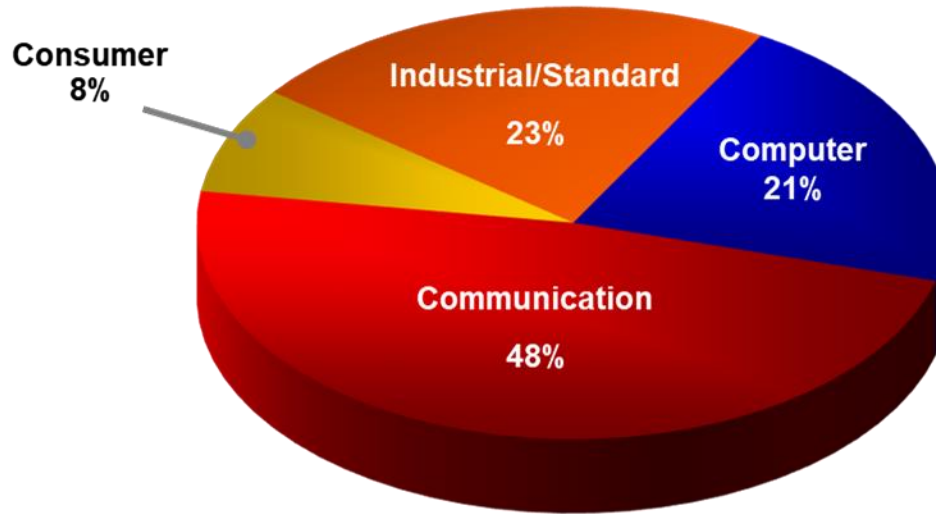
(In NT\$ billions unless otherwise noted)

	2Q18	2Q18 Guidance	1Q18	2Q17	2Q18 over 1Q18	2Q18 over 2Q17
Net Revenue (US\$ billions)	7.85	7.80-7.90	8.46	7.06	-7.2%	+11.2%
Net Revenue	233.28		248.08	213.86	-6.0%	+9.1%
<b>Gross Margin</b>	<b>47.8%</b>	<b>47.0% - 49.0%</b>	<b>50.3%</b>	<b>50.8%</b>	<b>-2.5 pts</b>	<b>-3.0 pts</b>
Operating Expenses	(26.44)		(26.73)	(25.37)	-1.1%	+4.2%
<b>Operating Margin</b>	<b>36.2%</b>	<b>35.0% - 37.0%</b>	<b>39.0%</b>	<b>38.9%</b>	<b>-2.8 pts</b>	<b>-2.7 pts</b>
Non-Operating Items	3.16		3.11	2.86	+1.3%	+10.4%
Net Income to Shareholders of the Parent Company	72.29		89.79	66.27	-19.5%	+9.1%
<b>Net Profit Margin</b>	<b>31.0%</b>		<b>36.2%</b>	<b>31.0%</b>	<b>-5.2 pts</b>	<b>0.0 ppt</b>
EPS (NT Dollar)	2.79		3.46	2.56	-19.5%	+9.1%
ROE	18.7%		23.0%	19.0%	-4.3 pts	-0.3 ppt
Shipment (Kpcs, 12"-equiv. Wafer)	2,674		2,680	2,533	-0.2%	+5.6%
Average Exchange Rate--USD/NTD	29.71	29.20	29.33	30.29	+1.3%	-1.9%

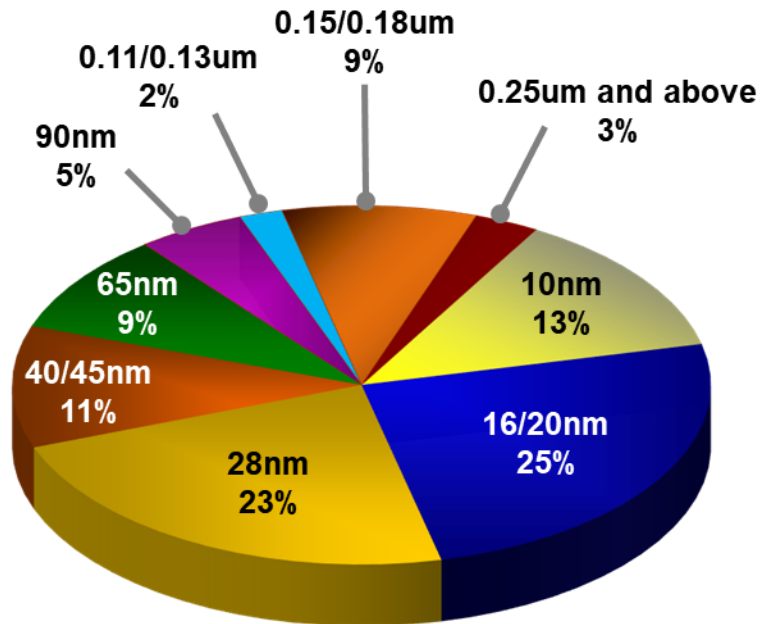
\* Diluted weighted average outstanding shares were 25,930mn units in 2Q18.

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

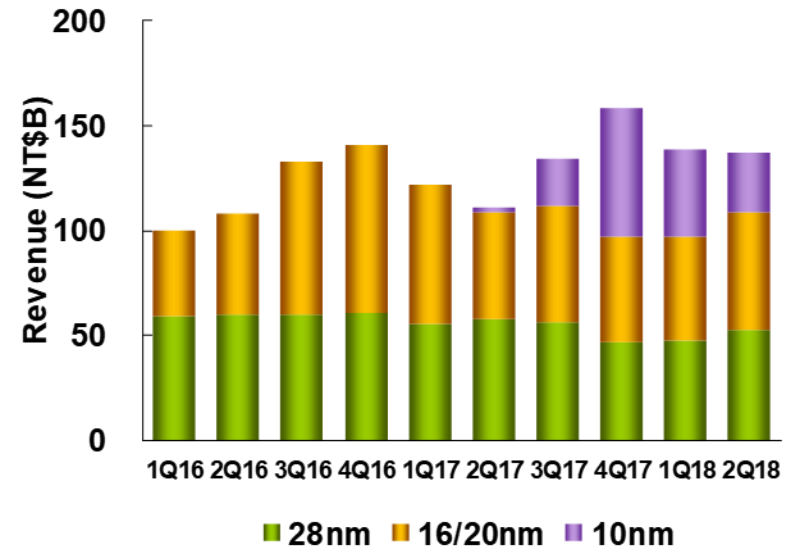
# 2Q18 Revenue by Application



# 2Q18 Revenue by Technology



28nm and below revenue



# Balance Sheets & Key Indices

Selected Items from Balance Sheets <i>(In NT\$ billions)</i>	2Q18		1Q18		2Q17	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	748.92	36.5%	684.38	33.4%	658.95	33.2%
Accounts Receivable	88.20	4.3%	107.78	5.3%	110.33	5.5%
Inventories	99.03	4.8%	85.22	4.1%	61.01	3.1%
Long-term Investments	28.83	1.4%	34.38	1.7%	43.82	2.2%
Net PP&E	1,034.27	50.4%	1,055.37	51.5%	1,077.63	54.2%
<b>Total Assets</b>	<b>2,053.41</b>	<b>100.0%</b>	<b>2,049.16</b>	<b>100.0%</b>	<b>1,986.43</b>	<b>100.0%</b>
Current Liabilities	463.00	22.5%	342.24	16.7%	523.51	26.3%
Long-term Interest-bearing Debts	83.40	4.1%	83.40	4.1%	99.32	5.0%
<b>Total Liabilities</b>	<b>562.78</b>	<b>27.4%</b>	<b>442.55</b>	<b>21.6%</b>	<b>644.07</b>	<b>32.4%</b>
<b>Total Shareholders' Equity</b>	<b>1,490.63</b>	<b>72.6%</b>	<b>1,606.61</b>	<b>78.4%</b>	<b>1,342.36</b>	<b>67.6%</b>
<b>Key Indices</b>						
A/R Turnover Days	38		42		47	
Inventory Turnover Days	74		63		52	
Current Ratio (x)	2.1		2.7		1.6	
Asset Productivity (x)	0.9		0.9		0.8	

\* Total outstanding shares were 25,930mn units at 6/30/18.

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

# Cash Flows

<i>(In NT\$ billions)</i>	2Q18	1Q18	2Q17
<b>Beginning Balance</b>	577.78	553.39	564.73
Cash from operating activities	129.77	160.73	103.40
Capital expenditures	(59.68)	(71.85)	(105.19)
Short-term loans	(27.97)	(5.78)	(0.04)
Investments and others	12.33	(58.71)	7.57
<b>Ending Balance</b>	632.23	577.78	570.47
Free Cash Flow <sup>(1)</sup>	70.09	88.88	(1.79)

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



# 3Q18 Guidance

Based on our current business outlook, management expects:

- Revenue to be between US\$ 8.45 billion and US\$ 8.55 billion

And, based on the exchange rate assumption of 1 US dollar to 30.5 NT dollars, management expects:

- Gross profit margin to be between 48% and 50%
- Operating profit margin to be between 36.5% and 38.5%



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