



TSMC Reports Third Quarter EPS of NT\$3.44

Hsinchu, Taiwan, R.O.C., October 18, 2018 -- TSMC today announced consolidated revenue of NT\$260.35 billion, net income of NT\$89.07 billion, and diluted earnings per share of NT\$3.44 (US\$0.56 per ADR unit) for the third quarter ended September 30, 2018.

Year-over-year, third quarter revenue increased 3.3% while net income and diluted EPS both decreased 0.9%. Compared to second quarter 2018, third quarter results represented an 11.6% increase in revenue and a 23.2% increase in net income. All figures were prepared in accordance with TIFRS on a consolidated basis.

In US dollars, third quarter revenue was \$8.49 billion, which increased 8.1% from the previous quarter and 1.9% year-over-year.

Gross margin for the quarter was 47.4%, operating margin was 36.6%, and net profit margin was 34.2%.

In the third quarter, shipments of 7-nanometer accounted for 11% of total wafer revenue; 10-nanometer and 16/20-nanometer process technology accounted for 6% and 25% of total wafer revenue respectively; and advanced technologies, defined as 28-nanometer and more advanced technologies, accounted for 61% of total wafer revenue.

“Our third quarter business benefited from new product launches using TSMC 7-nanometer technology. Although the computer virus incident on August 3 was estimated to have impacted our third quarter revenue and gross margin by about 2 percent and 1 percent respectively, we were able to make up about 75 percent of the affected shipments in the third quarter,” said Lora Ho, SVP and Chief Financial Officer of TSMC. “Moving into fourth quarter 2018, we anticipate our business will continue to benefit from the strong demand for our 7-nanometer technology. Based on our current business outlook, management expects the overall performance for fourth quarter 2018 to be as follows”:

- Revenue is expected to be between US\$9.35 billion and US\$9.45 billion;
And, based on the exchange rate assumption of 1 US dollar to 30.8 NT dollars,
- Gross profit margin is expected to be between 47% and 49%;
- Operating profit margin is expected to be between 36% and 38%.

Profile

TSMC is the world's largest dedicated semiconductor foundry, providing the industry's leading process technology and foundry's largest portfolio of process-proven libraries, IPs, design tools and reference flows. The Company's owned capacity in 2018 is expected to exceed 12 million (12-inch equivalent) wafers, including capacity from three advanced 12-inch GIGAFAB[®] facilities, four eight-inch fabs, and one six-inch fab, in Taiwan, as well as TSMC's wholly owned subsidiaries, WaferTech, TSMC China, and TSMC Nanjing. TSMC is the first foundry to provide 7-nanometer production capabilities. Its corporate headquarters are in Hsinchu, Taiwan. For more information about TSMC please visit <http://www.tsmc.com>.

(Management Report and Tables Follow)

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Safe Harbor Notice:

The statements included in this press release that are not historical in nature are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. TSMC cautions readers that forward-looking statements are subject to significant risks and uncertainties and are based on TSMC's current expectations. Actual results may differ materially from those contained in such forward-looking statements for a variety of reasons including, among others, risks associated with cyclical and market conditions in the semiconductor industry; demand and supply for TSMC's foundry manufacturing capacity in particular and for foundry manufacturing capacity in general; intense competition; the failure of one or more significant customers to continue to place the same level of orders with us; TSMC's ability to remain a technological leader in the semiconductor industry; TSMC's ability to manage its capacity; TSMC's ability to obtain, preserve and defend its intellectual property rights; natural disasters and other unexpected events which may disrupt production; and exchange rate fluctuations. Additional information as to these and other risk factors that may cause TSMC's actual results to differ materially from TSMC's forward-looking statements may 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.