

2017 First Quarter Earnings Conference

Apr 13, 2017

Agenda

- **Welcome** Elizabeth Sun
- **1Q17 Financial Results and 2Q17 Outlook** Lora Ho
- **Key Messages** Mark Liu
C.C. Wei
Lora Ho
- **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

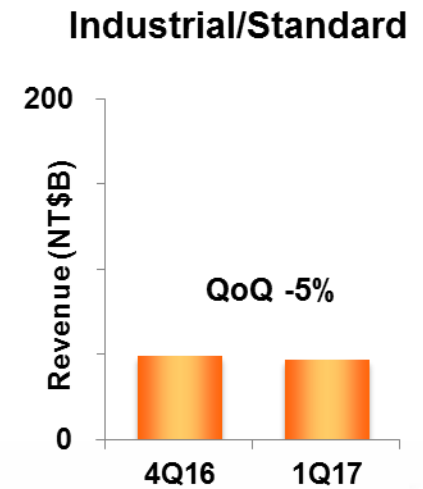
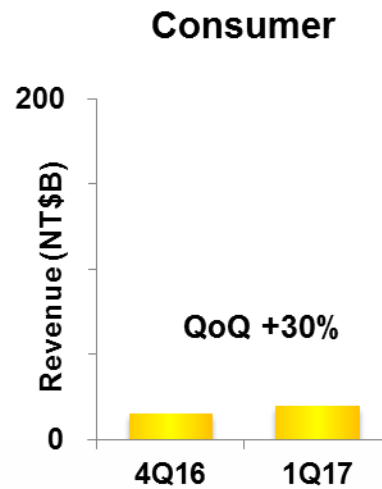
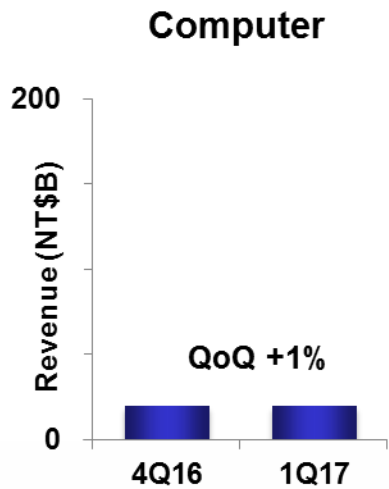
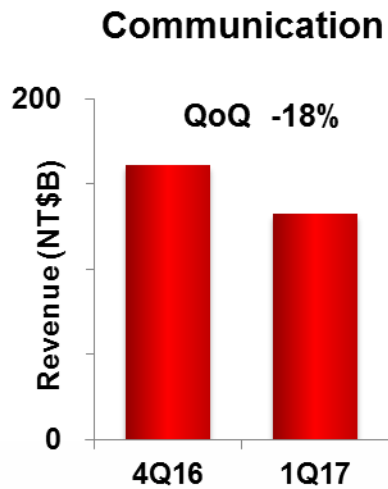
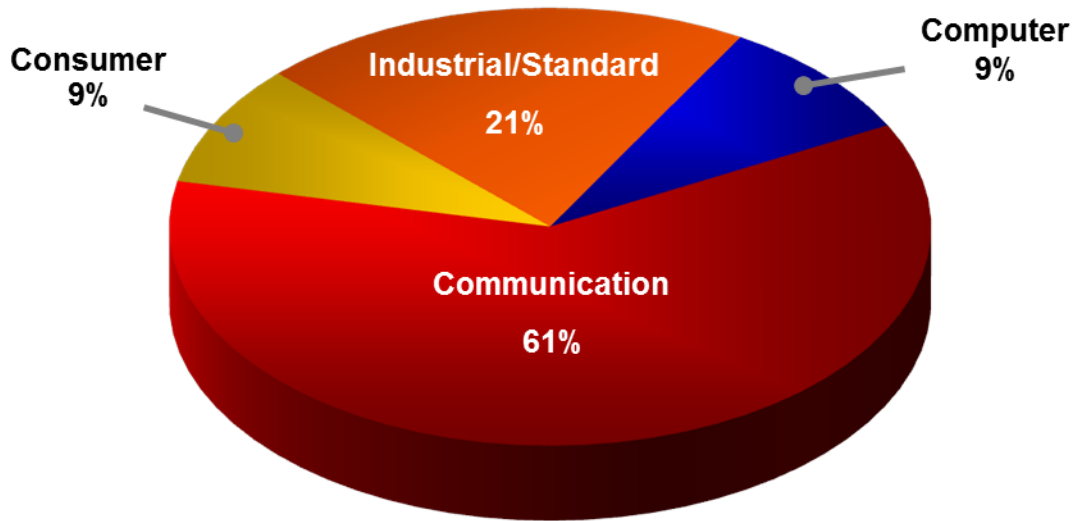
Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	1Q17	1Q17 Guidance	4Q16	1Q16	1Q17 over 4Q16	1Q17 over 1Q16
Net Revenue	233.91	236-239	262.23	203.50	-10.8%	+14.9%
Gross Margin	51.9%	51.5% - 53.5%	52.3%	44.9%	-0.4 ppt	+7.0 ppt
Operating Expenses	(26.16)		(27.18)	(20.88)	-3.8%	+25.3%
Operating Margin	40.8%	40.5% - 42.5%	41.9%	34.6%	-1.1 ppt	+6.2 ppt
Non-Operating Items	2.47		2.14	1.79	+15.4%	+38.1%
Net Income to Shareholders of the Parent Company	87.63		100.20	64.78	-12.5%	+35.3%
Net Profit Margin	37.5%		38.2%	31.8%	-0.7 ppt	+5.7 ppt
EPS (NT Dollar)	3.38		3.86	2.50	-12.5%	+35.3%
ROE	24.6%		30.0%	20.7%	-5.4 ppt	+3.9 ppt
Shipment (Kpcs, 12"-equiv. Wafer)	2,473		2,614	2,056	-5.4%	+20.3%
Average Exchange Rate--USD/NTD	31.16	32.00	31.77	33.14	-1.9%	-6.0%

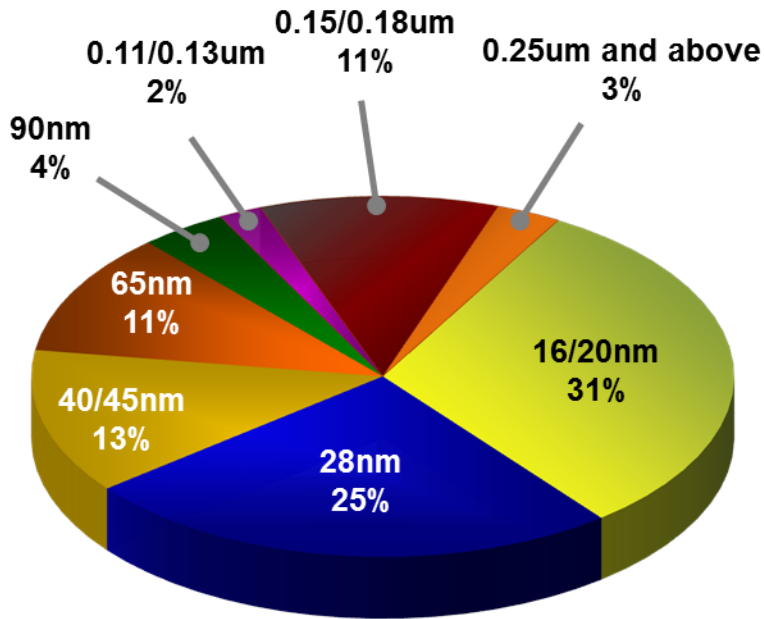
* Diluted weighted average outstanding shares were 25,930mn units in 1Q17.

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

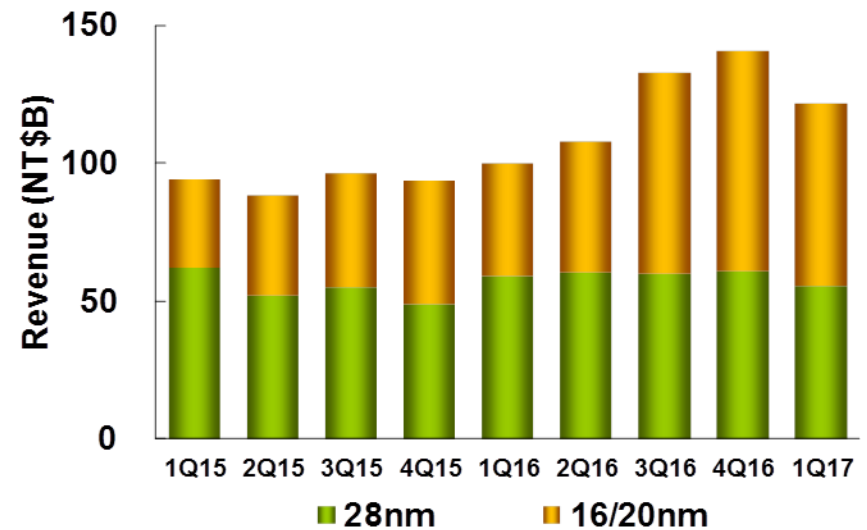
1Q17 Revenue by Application



1Q17 Revenue by Technology



28nm and below revenue



Balance Sheets & Key Indices

Selected Items from Balance Sheets <i>(In NT\$ billions)</i>	1Q17		4Q16		1Q16	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	659.32	34.1%	632.11	33.5%	648.39	37.6%
Accounts Receivable	109.03	5.6%	129.31	6.8%	96.96	5.6%
Inventories	50.39	2.6%	48.68	2.6%	57.24	3.3%
Long-term Investments	44.52	2.3%	46.15	2.5%	46.34	2.7%
Net PP&E	1,037.36	53.6%	997.78	52.9%	844.31	48.9%
Total Assets	1,934.66	100.0%	1,886.46	100.0%	1,726.53	100.0%
Current Liabilities	321.58	16.6%	318.24	16.9%	235.89	13.7%
Long-term Interest-bearing Debts	134.22	6.9%	153.12	8.1%	181.15	10.5%
Total Liabilities	478.35	24.7%	496.41	26.3%	445.58	25.8%
Total Shareholders' Equity	1,456.31	75.3%	1,390.05	73.7%	1,280.95	74.2%
Key Indices						
A/R Turnover Days	47		45		41	
Inventory Turnover Days	44		41		54	
Current Ratio (x)	2.6		2.6		3.4	
Asset Productivity (x)	0.9		1.1		1.0	

* Total outstanding shares were 25,930mn units at 3/31/17.

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

Cash Flows

(In NT\$ billions)

	1Q17	4Q16	1Q16
Beginning Balance	541.25	463.97	562.69
Cash from operating activities	161.01	185.22	121.53
Capital expenditures	(102.51)	(112.54)	(38.14)
Short-term loans	(0.25)	19.13	(4.12)
Investments and others	(34.77)	(14.53)	(23.98)
Ending Balance	564.73	541.25	617.98
Free Cash Flow ⁽¹⁾	58.50	72.68	83.39

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

2Q17 Guidance

Based on our current business outlook and exchange rate assumption, management expects:

- Revenue to be between NT\$ 213 billion and NT\$ 216 billion, at a forecast exchange rate of 30.5 NT dollars to 1 US dollar
- Gross profit margin to be between 50.5% and 52.5%
- Operating profit margin to be between 39% and 41%

Recap of Recent Major Events

- **TSMC Recognizes Outstanding Suppliers at Supply Chain Management Forum (2017/02/23)**
- **TSMC's Board of Directors Proposes NT\$7 Cash Dividend Per Share, Approved the Election of Two Additional Directors to the Board and Authorized the Chairman to Nominate Dr. Mark Liu and Dr. C.C. Wei as Candidates, and Approves 2017 Annual General Meeting to be Held on June 8, 2017 (2017/02/14)**
- 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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