

2017 Fourth Quarter Earnings Conference

January 18, 2018

Agenda

- **Welcome** Elizabeth Sun
- **4Q17 Financial Results and 1Q18 Outlook** Lora Ho
- **Key Messages** Mark Liu
C.C. Wei
Lora Ho
Chairman
- **Q&A** Chairman

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

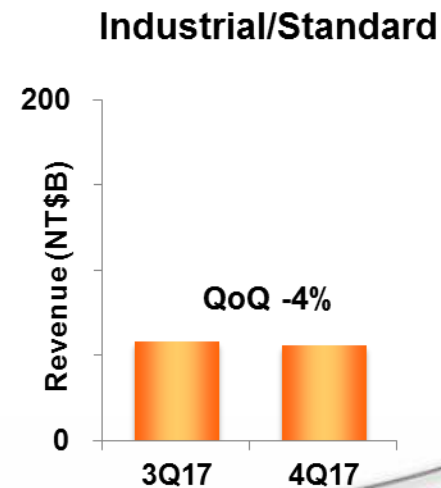
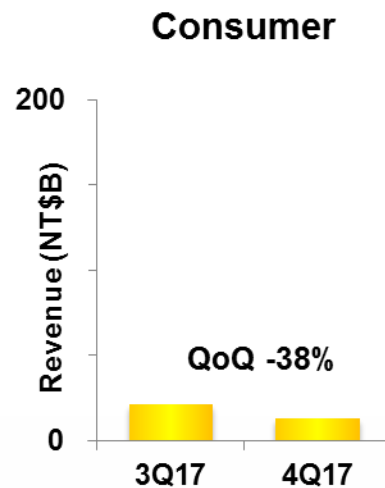
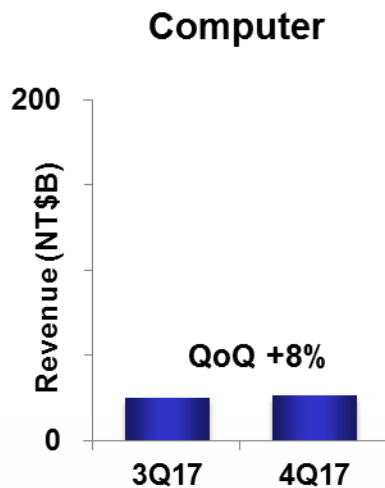
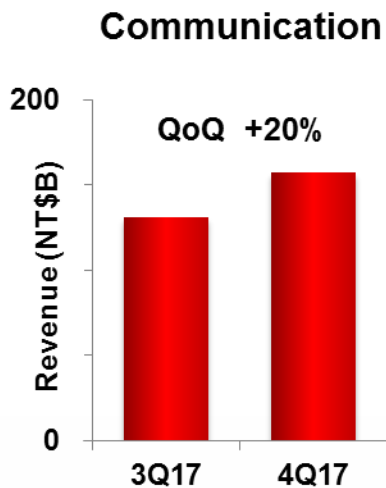
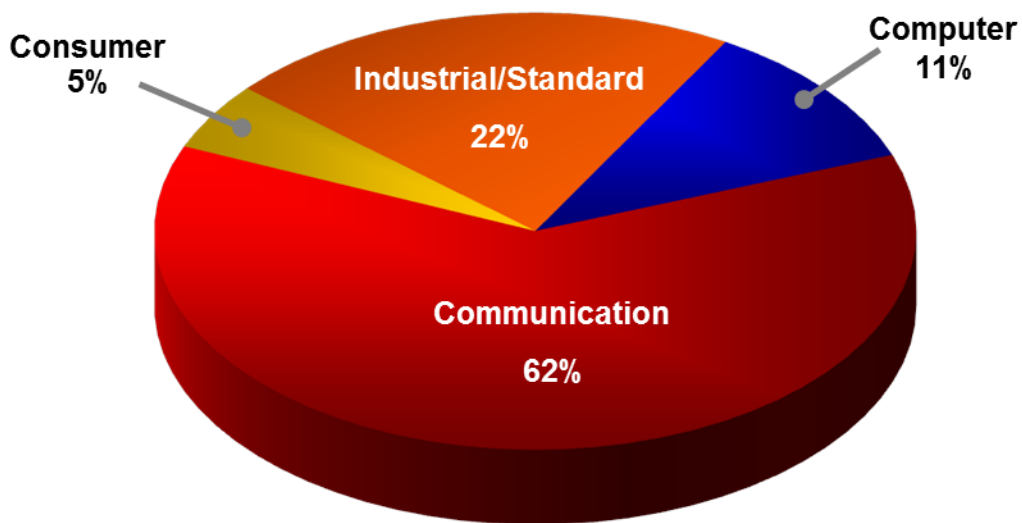
Selected Items from Statements of Comprehensive Income

	4Q17	4Q17 Guidance	3Q17	4Q16	4Q17 over 3Q17	4Q17 over 4Q16
<i>(In NT\$ billions unless otherwise noted)</i>						
Net Revenue (US\$ billions)	9.21	9.10-9.20	8.32	8.25	+10.7%	+11.6%
Net Revenue	277.57		252.11	262.23	+10.1%	+5.9%
Gross Margin	50.0%	48.0% - 50.0%	49.9%	52.3%	+0.1 ppt	-2.3 ppts
Operating Expenses	(28.84)		(27.54)	(27.18)	+4.7%	+6.1%
Operating Margin	39.2%	37.0% - 39.0%	38.9%	41.9%	+0.3 ppt	-2.7 ppts
Non-Operating Items	2.78		2.46	2.14	+12.9%	+29.9%
Net Income to Shareholders of the Parent Company	99.29		89.93	100.20	+10.4%	-0.9%
Net Profit Margin	35.8%		35.7%	38.2%	+0.1 ppt	-2.4 ppts
EPS (NT Dollar)	3.83		3.47	3.86	+10.4%	-0.9%
ROE	26.9%		25.9%	30.0%	+1.0 ppt	-3.1 ppts
Shipment (Kpcs, 12"-equiv. Wafer)	2,699		2,744	2,614	-1.6%	+3.3%
Average Exchange Rate--USD/NTD	30.13	30.30	30.29	31.77	-0.5%	-5.2%

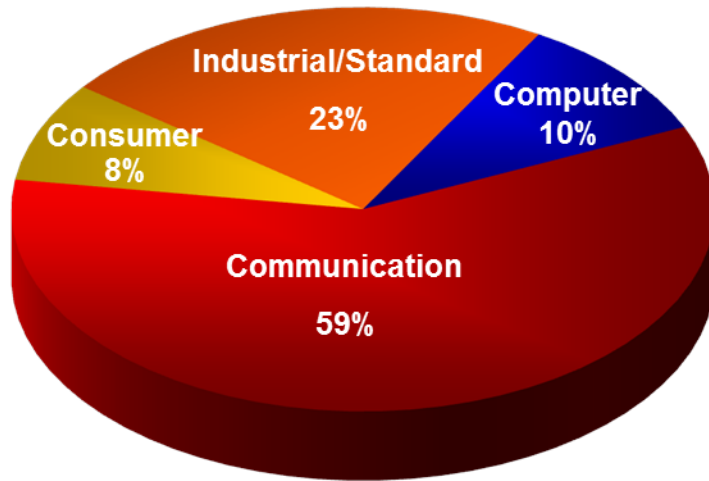
* Diluted weighted average outstanding shares were 25,930mn units in 4Q17.

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

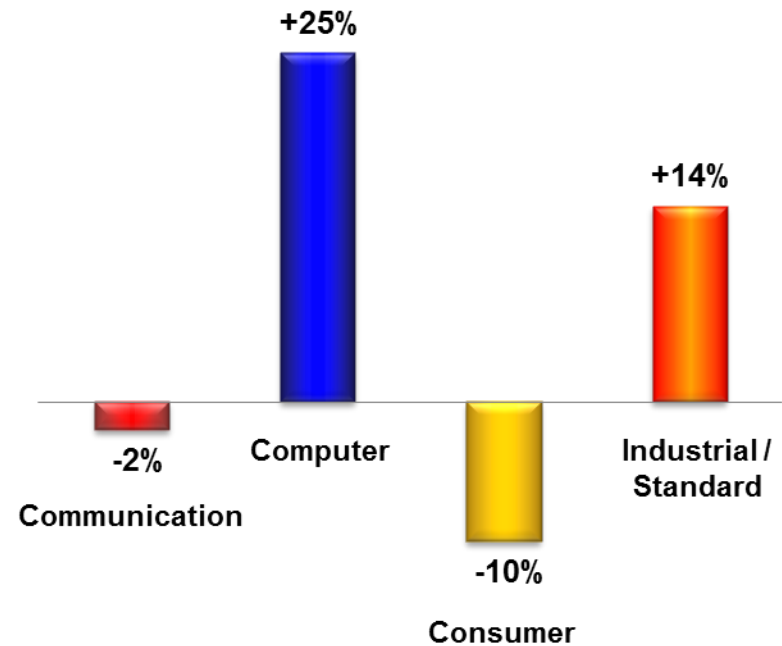
4Q17 Revenue by Application



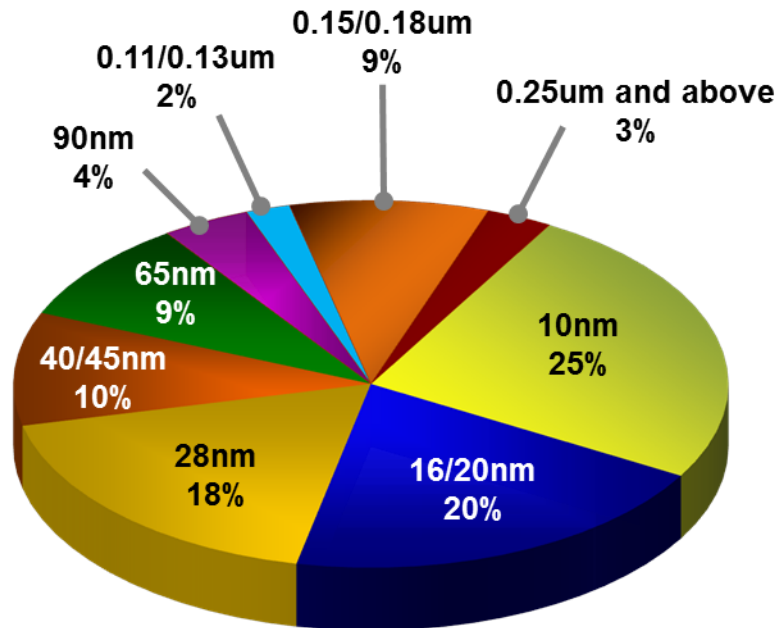
2017 Revenue by Application



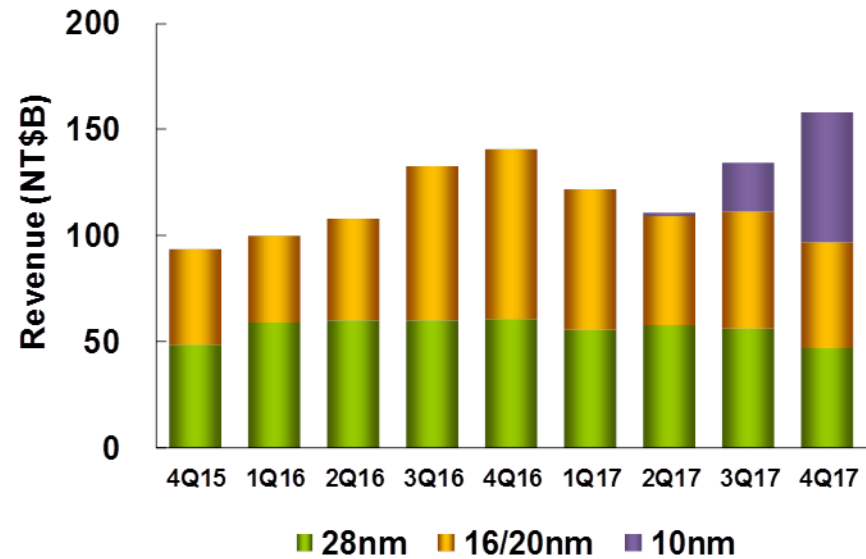
Growth rate by application (YoY)



4Q17 Revenue by Technology

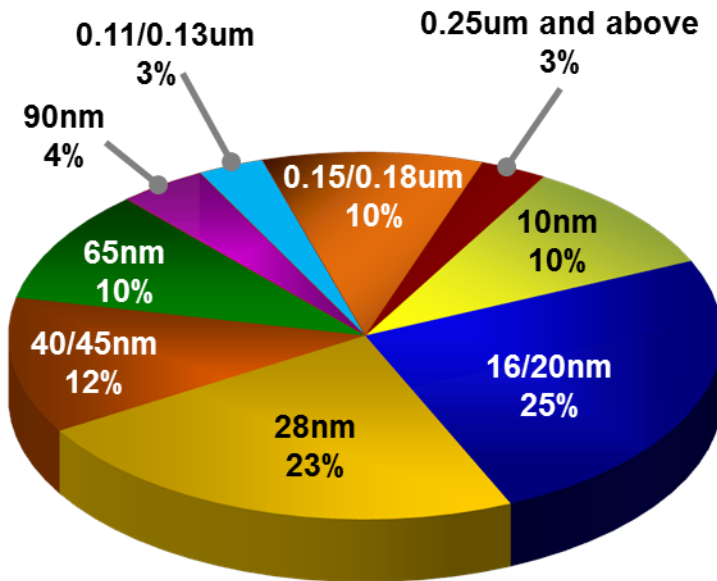


28nm and below revenue

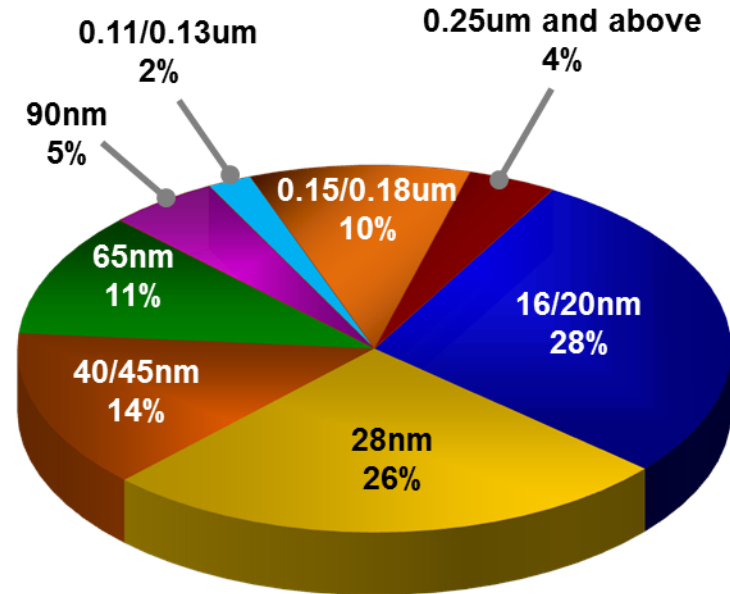


Revenue by Technology

2017



2016



Balance Sheets & Key Indices

Selected Items from Balance Sheets

(In NTS billions)

	4Q17		3Q17		4Q16	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	649.36	32.6%	501.78	27.3%	632.11	33.5%
Accounts Receivable	122.32	6.1%	118.73	6.4%	129.31	6.8%
Inventories	73.88	3.7%	73.89	4.0%	48.68	2.6%
Long-term Investments	41.57	2.1%	40.90	2.2%	46.15	2.5%
Net PP&E	1,062.54	53.4%	1,065.76	57.9%	997.78	52.9%
Total Assets	1,991.86	100.0%	1,841.42	100.0%	1,886.46	100.0%
Current Liabilities	358.71	18.0%	298.52	16.2%	318.24	16.9%
Long-term Interest-bearing Debts	91.80	4.6%	91.81	5.0%	153.12	8.1%
Total Liabilities	469.10	23.6%	410.01	22.3%	496.41	26.3%
Total Shareholders' Equity	1,522.76	76.4%	1,431.41	77.7%	1,390.05	73.7%
Key Indices						
A/R Turnover Days	40		42		45	
Inventory Turnover Days	52		53		41	
Current Ratio (x)	2.4		2.4		2.6	
Asset Productivity (x)	1.0		0.9		1.1	

* Total outstanding shares were 25,930mn units at 12/31/17.

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

Cash Flows

<i>(In NT\$ billions)</i>	4Q17	3Q17	4Q16
Beginning Balance	408.08	570.47	463.97
Cash from operating activities	204.13	116.78	185.22
Capital expenditures	(61.18)	(61.71)	(112.54)
Cash dividends	0.00	(181.51)	0.00
Short-term loans	10.68	0.00	19.13
Investments and others	(8.32)	(35.95)	(14.53)
Ending Balance	553.39	408.08	541.25
Free Cash Flow ⁽¹⁾	142.95	55.07	72.68

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

2017 Financial Highlights

(In NT\$ billions unless otherwise noted)

	2017	2016	YoY
Net Revenue (US\$ billions)	32.11	29.43	+9.1%
Net Revenue	977.45	947.94	+3.1%
Gross Margin	50.6%	50.1%	+0.5 ppt
Operating Margin	39.4%	39.9%	-0.5 ppt
Income before Income Tax	396.13	385.96	+2.6%
EPS - Diluted (NT\$)	13.23	12.89	+2.7%
Operating Cash Flow	585.32	539.84	+8.4%
Capital Expenditures	330.59	328.05	+0.8%
Free Cash Flow (FCF)	254.73	211.79	+20.3%
Cash Dividends	181.51	155.58	+16.7%
Cash & Marketable Securities	649.36	632.11	+2.7%
ROE	23.6%	25.6%	-2.0 ppts

1Q18 Guidance

Based on our current business outlook, management expects:

- Revenue to be between US\$ 8.40 billion and US\$ 8.50 billion

And, based on the exchange rate assumption of 1 US dollar to 29.6 NT dollars, management expects:

- Gross profit margin to be between 49.5% and 51.5%
- Operating profit margin to be between 38% and 40%

Recap of Recent Major Events

- **TSMC Recognizes Outstanding Suppliers at Supply Chain Management Forum (2017/12/07)**
- **TSMC Held its 30th Anniversary Celebration Forum and Concert and Invited the Many Customers, Colleagues, Suppliers, Investors, and Partners from Government and across Society Who Have Contributed to Our Three Decades of Growth to Mark This Milestone Together (2017/10/23)**
- 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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