

2019 Second Quarter Earnings Conference

July 18, 2019

Agenda

- **Welcome** Elizabeth Sun
- **2Q19 Financial Results and 3Q19 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 17, 2019 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

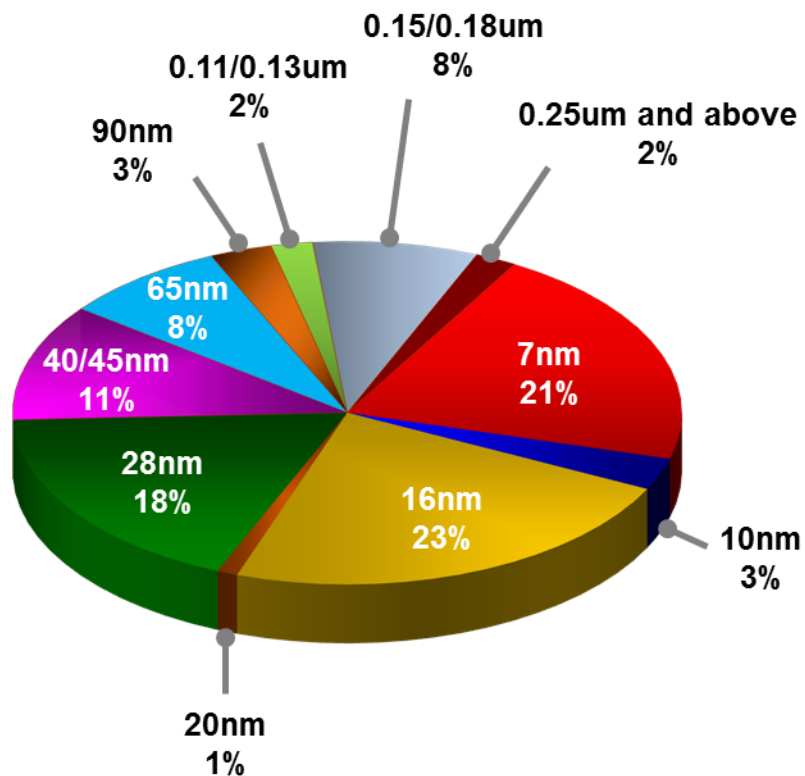
(In NT\$ billions unless otherwise noted)

	2Q19	2Q19 Guidance	1Q19	2Q18	2Q19 over 1Q19	2Q19 over 2Q18
Net Revenue (US\$ billions)	7.75	7.55-7.65	7.10	7.85	+9.2%	-1.4%
Net Revenue	241.00		218.70	233.28	+10.2%	+3.3%
Gross Margin	43.0%	43.0% - 45.0%	41.3%	47.8%	+1.7 pts	-4.8 pts
Operating Expenses	(27.17)		(26.02)	(26.44)	+4.4%	+2.7%
Operating Margin	31.7%	31.0% - 33.0%	29.4%	36.2%	+2.3 pts	-4.5 pts
Non-Operating Items	4.25		3.91	3.16	+8.3%	+34.3%
Net Income to Shareholders of the Parent Company	66.77		61.39	72.29	+8.7%	-7.6%
Net Profit Margin	27.7%		28.1%	31.0%	-0.4 ppt	-3.3 pts
EPS (NT Dollar)	2.57		2.37	2.79	+8.7%	-7.6%
ROE	16.2%		14.4%	18.7%	+1.8 pts	-2.5 pts
Shipment (Kpcs, 12"-equiv. Wafer)	2,308		2,205	2,674	+4.7%	-13.7%
Average Exchange Rate--USD/NTD	31.11	30.85	30.82	29.71	+0.9%	+4.7%

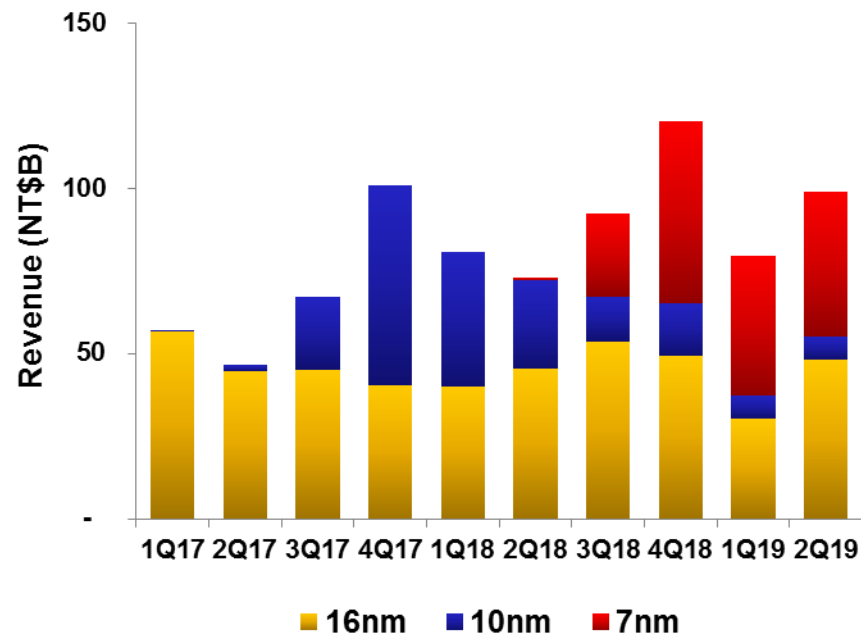
* Diluted weighted average outstanding shares were 25,930mn units in 2Q19.

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

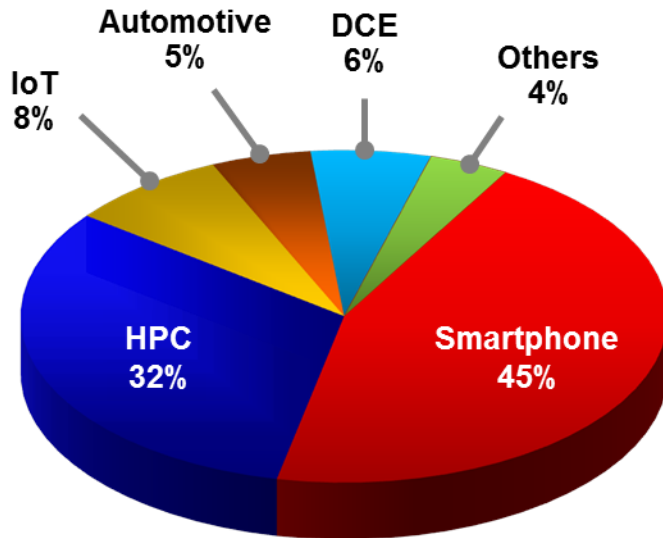
2Q19 Revenue by Technology



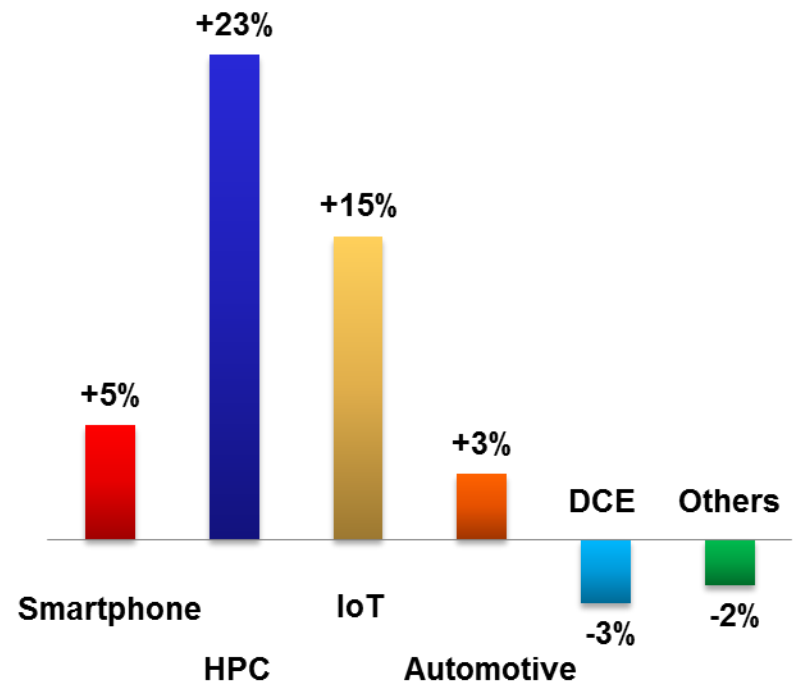
16nm and Below Revenue



2Q19 Revenue by Platform



Growth rate by Platform (QoQ)



Balance Sheets & Key Indices

Selected Items from Balance Sheets

(In NT\$ billions)

	2Q19		1Q19		2Q18	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	764.62	34.1%	760.25	34.7%	748.92	36.5%
Accounts Receivable	116.13	5.2%	106.74	4.9%	88.20	4.3%
Inventories	108.23	4.8%	108.68	5.0%	99.03	4.8%
Long-term Investments	29.31	1.3%	30.04	1.4%	28.83	1.4%
Net PP&E	1,142.87	51.0%	1,107.65	50.6%	1,034.27	50.4%
Total Assets	2,239.34	100.0%	2,187.44	100.0%	2,053.41	100.0%
Current Liabilities	622.26	27.8%	378.27	17.3%	463.00	22.5%
Long-term Interest-bearing Debts	35.30	1.6%	35.30	1.6%	83.40	4.1%
Total Liabilities	684.92	30.6%	443.92	20.3%	562.78	27.4%
Total Shareholders' Equity	1,554.42	69.4%	1,743.52	79.7%	1,490.63	72.6%
Key Indices						
A/R Turnover Days	42		49		38	
Inventory Turnover Days	76		79		74	
Current Ratio (x)	1.6		2.6		2.1	
Asset Productivity (x)	0.9		0.8		0.9	

* Total outstanding shares were 25,930mn units at 6/30/19.

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

Cash Flows

<i>(In NT\$ billions)</i>	2Q19	1Q19	2Q18
Beginning Balance	645.67	577.81	577.78
Cash from operating activities	117.76	152.67	129.77
Capital expenditures	(116.35)	(75.94)	(59.68)
Short-term loans	1.06	(12.26)	(27.97)
Investments and others	1.56	3.39	12.33
Ending Balance	649.70	645.67	632.23
Free Cash Flow ⁽¹⁾	1.41	76.73	70.09

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

3Q19 Guidance

Based on our current business outlook, management expects:

- Revenue to be between US\$ 9.1 billion and US\$ 9.2 billion

And, based on the exchange rate assumption of 1 US dollar to 31.0 NT dollars, management expects:

- Gross profit margin to be between 46% and 48%
- Operating profit margin to be between 35% and 37%

Recap of Recent Major Events

- **TSMC Sets September 19 as Ex-Dividend Date, September 25 as the record date and October 17 as the distribution date for First Quarter 2019 Cash Dividend (2019/07/09)**
- **Ambiq Micro Achieves World-Leading Power Consumption Performance with TSMC 40ULP Technology (2019/07/02)**
- **TSMC Research Highlighted at 2019 Symposia on VLSI Technology & Circuits (2019/06/06)**
- **TSMC Shareholders Approve 2018 Cash Dividend of NT\$8 and By-Elect Mr. Moshe N. Gavrielov as an Independent Director; Board of Directors Approve NT\$2 Cash Dividend for 2019 Q1 (2019/06/05)**
- **TSMC Strengthens OIP Cloud Alliance with New Partner and New Solution Enablement (2019/04/26)**
- **TSMC Celebrates 25th Anniversary of the North American Technology Symposium (2019/04/23)**
- Please visit TSMC's website (<http://www.tsmc.com>) and Market Observation Post System (<http://mops.twse.com.tw>) for details and other announcements

<http://www.tsmc.com>
invest@tsmc.com