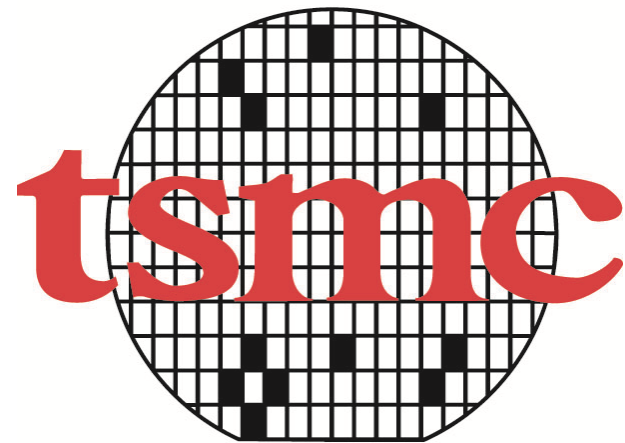




2018 Third Quarter Earnings Conference

October 18, 2018

Agenda

- **Welcome** Elizabeth Sun
- **3Q18 Financial Results and 4Q18 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

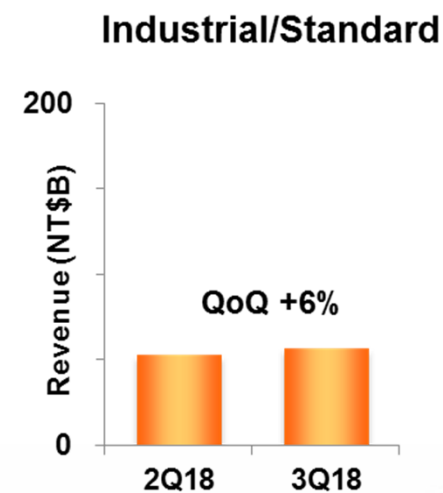
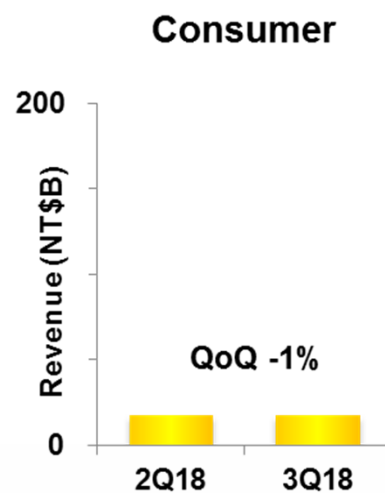
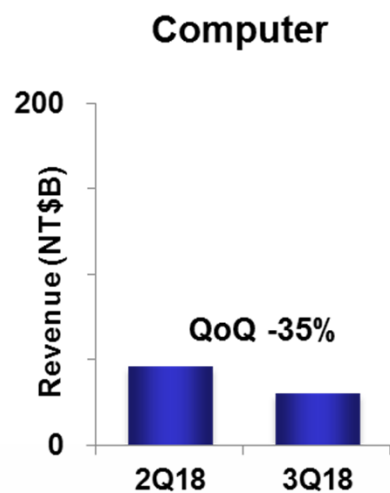
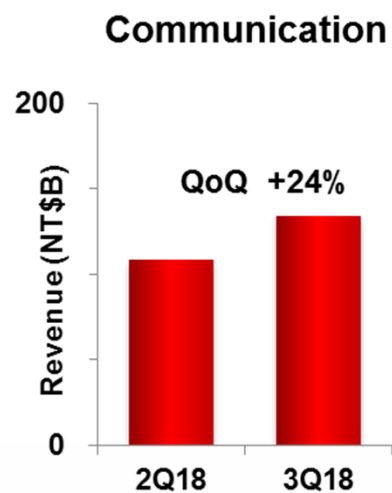
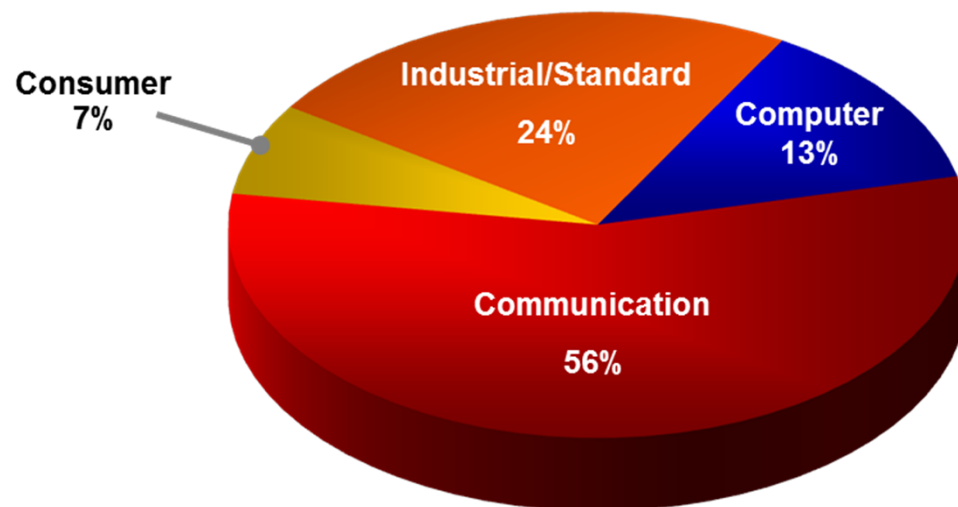
(In NT\$ billions unless otherwise noted)

	3Q18	3Q18 Guidance	2Q18	3Q17	3Q18 over 2Q18	3Q18 over 3Q17
Net Revenue (US\$ billions)	8.49	8.28-8.38	7.85	8.32	+8.1%	+1.9%
Net Revenue	260.35		233.28	252.11	+11.6%	+3.3%
Gross Margin	47.4%	47.0% - 49.0%	47.8%	49.9%	-0.4 ppt	-2.5 ppts
Operating Expenses	(28.13)		(26.44)	(27.54)	+6.4%	+2.1%
Operating Margin	36.6%	35.5% - 37.5%	36.2%	38.9%	+0.4 ppt	-2.3 ppts
Non-Operating Items	3.65		3.16	2.46	+15.6%	+48.3%
Net Income to Shareholders of the Parent Company	89.07		72.29	89.93	+23.2%	-0.9%
Net Profit Margin	34.2%		31.0%	35.7%	+3.2 ppts	-1.5 ppts
EPS (NT Dollar)	3.44		2.79	3.47	+23.2%	-0.9%
ROE	23.2%		18.7%	25.9%	+4.5 ppts	-2.7 ppts
Shipment (Kpcs, 12"-equiv. Wafer)	2,712		2,674	2,744	+1.4%	-1.2%
Average Exchange Rate--USD/NTD	30.68	30.50	29.71	30.29	+3.3%	+1.3%

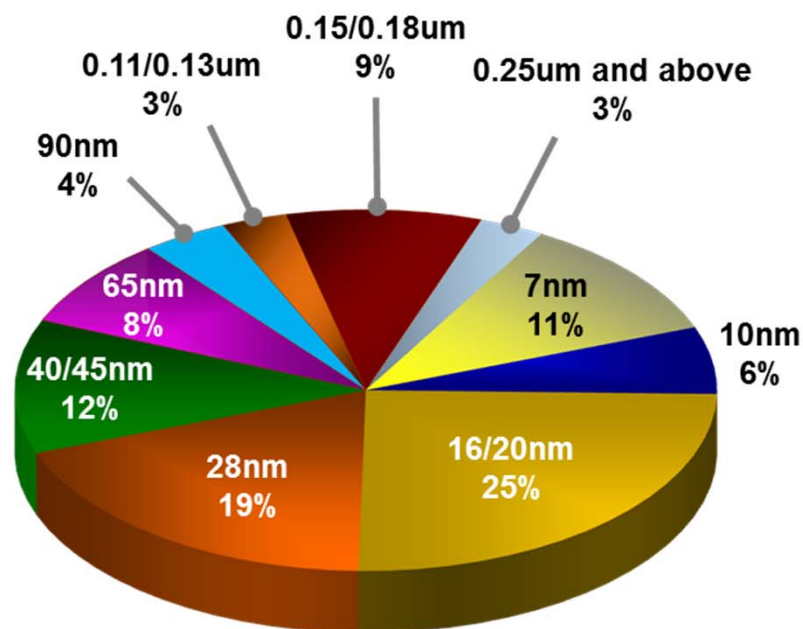
* Diluted weighted average outstanding shares were 25,930mn units in 3Q18.

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

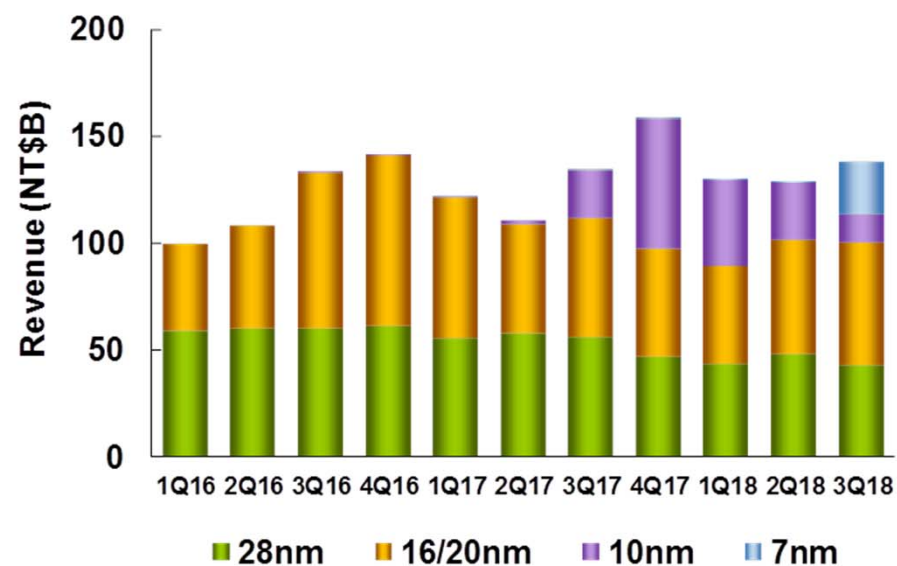
3Q18 Revenue by Application



3Q18 Revenue by Technology



28nm and below revenue



Balance Sheets & Key Indices

Selected Items from Balance Sheets (In NT\$ billions)	3Q18		2Q18		3Q17	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	604.02	30.7%	748.92	36.5%	501.78	27.3%
Accounts Receivable	129.54	6.6%	88.20	4.3%	118.73	6.4%
Inventories	105.34	5.3%	99.03	4.8%	73.89	4.0%
Long-term Investments	29.80	1.5%	28.83	1.4%	40.90	2.2%
Net PP&E	1,048.52	53.2%	1,034.27	50.4%	1,065.76	57.9%
Total Assets	1,969.89	100.0%	2,053.41	100.0%	1,841.42	100.0%
Current Liabilities	321.63	16.3%	463.00	22.5%	298.52	16.2%
Long-term Interest-bearing Debts	56.90	2.9%	83.40	4.1%	91.81	5.0%
Total Liabilities	394.06	20.0%	562.78	27.4%	410.01	22.3%
Total Shareholders' Equity	1,575.83	80.0%	1,490.63	72.6%	1,431.41	77.7%
Key Indices						
A/R Turnover Days	38		38		42	
Inventory Turnover Days	73		74		53	
Current Ratio (x)	2.7		2.1		2.4	
Asset Productivity (x)	1.0		0.9		0.9	

* Total outstanding shares were 25,930mn units at 9/30/18.

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

Cash Flows

<i>(In NT\$ billions)</i>	3Q18	2Q18	3Q17
Beginning Balance	632.23	577.78	570.47
Cash from operating activities	94.08	129.77	116.78
Capital expenditures	(69.95)	(59.68)	(61.71)
Cash dividends	(207.44)	0.00	(181.51)
Short-term loans	43.37	(27.97)	0.00
Investments and others	(3.56)	12.33	(35.95)
Ending Balance	488.73	632.23	408.08
Free Cash Flow ⁽¹⁾	24.13	70.09	55.07

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

4Q18 Guidance

Based on our current business outlook, management expects:

- **Revenue 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, management expects:

- **Gross profit margin to be between 47% and 49%**
- **Operating profit margin to be between 36% and 38%**

Recap of Recent Major Events

- TSMC Announces 5th Open Innovation Platform® Alliance, the OIP Cloud Alliance (2018/10/03)
- TSMC Announces OIP Ecosystem Enabled in the Cloud (2018/10/03)
- TSMC Details Impact of Computer Virus Incident (2018/08/05)

- 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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