

# **2012 Second Quarter Earnings Conference**

*July 19, 2012*

# Agenda

- **Welcome** Elizabeth Sun
- **2Q12 Financial Results and 3Q12 Outlook** Lora Ho
- **CEO Message** Morris Chang
- **Q&A** Morris Chang /  
Lora Ho

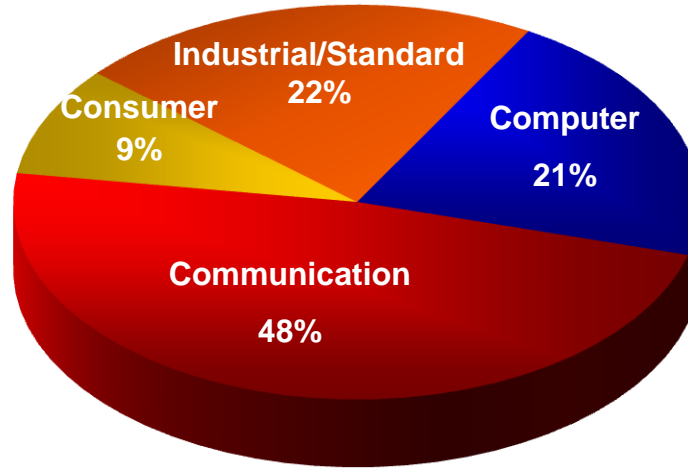
# Safe Harbor Notice

- 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, 2012 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.

# Income Statements

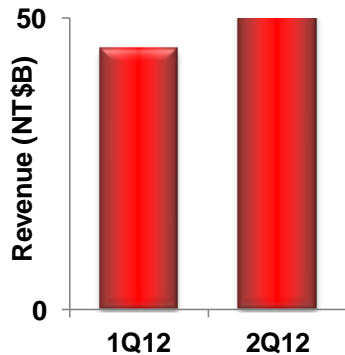
Selected Items from Income Statements <i>(In NT billions)</i>	2Q12	2Q12 Guidance	1Q12	2Q11	2Q12 over 1Q12	2Q12 over 2Q11
Net Sales	128.06	126 - 128	105.51	110.51	+21.4%	+15.9%
<b>Gross Margin</b>	<b>48.6%</b>	<b>47% - 49%</b>	<b>47.7%</b>	<b>46.0%</b>	<b>+0.9 ppt</b>	<b>+2.6 pts</b>
Operating Expenses	(15.54)		(14.92)	(12.99)	+4.2%	+19.7%
<b>Operating Margin</b>	<b>36.5%</b>	<b>34.5% - 36.5%</b>	<b>33.6%</b>	<b>34.3%</b>	<b>+2.9 pts</b>	<b>+2.2 pts</b>
Non-Operating Items	(0.79)		0.22	1.19	-464.8%	-166.3%
Net Income	41.81		33.47	35.95	+24.9%	16.3%
<b>Net Margin</b>	<b>32.7%</b>		<b>31.7%</b>	<b>32.5%</b>	<b>+1.0 pts</b>	<b>+0.2 ppt</b>
EPS (NT Dollar)	1.61		1.29	1.39	+24.9%	16.3%
ROE	26.0%		20.8%	24.5%	+5.2 pts	+1.5 pts
Shipment (Kpcs, 8"-equiv. Wafer)	3,701		2,919	3,291	+26.8%	12.5%
Average Exchange Rate--NTD/USD	29.60		29.71	28.86	-0.3%	+2.6%

# 2Q12 Revenue by Application



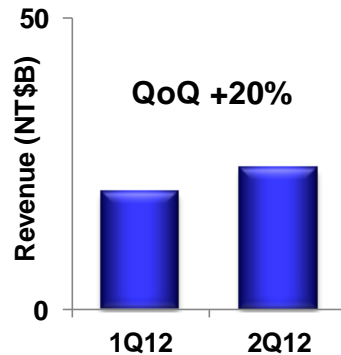
**Communication**

QoQ +27%



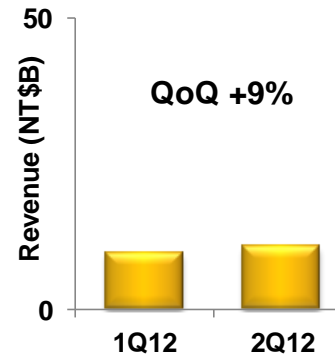
**Computer**

QoQ +20%



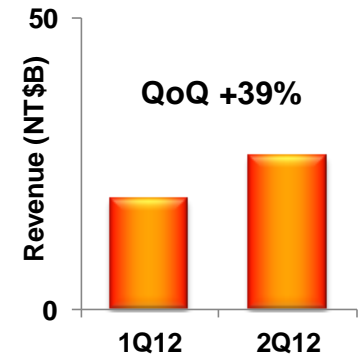
**Consumer**

QoQ +9%

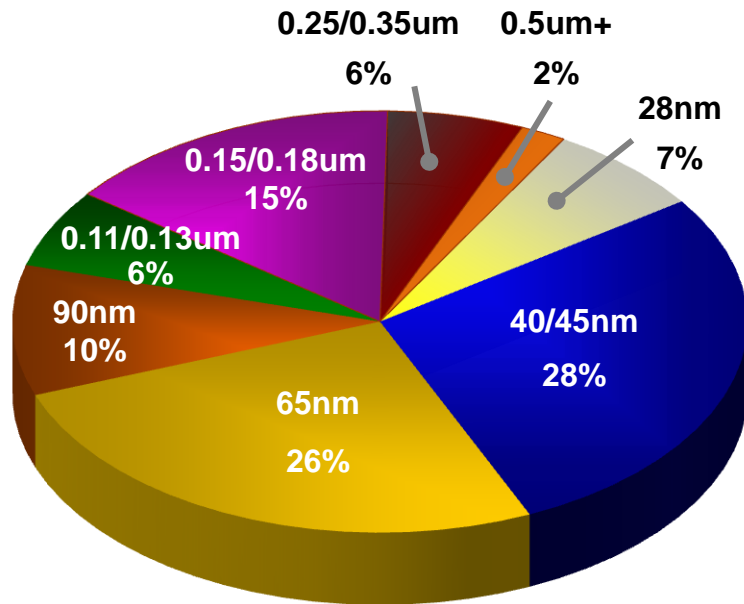


**Industrial/Standard**

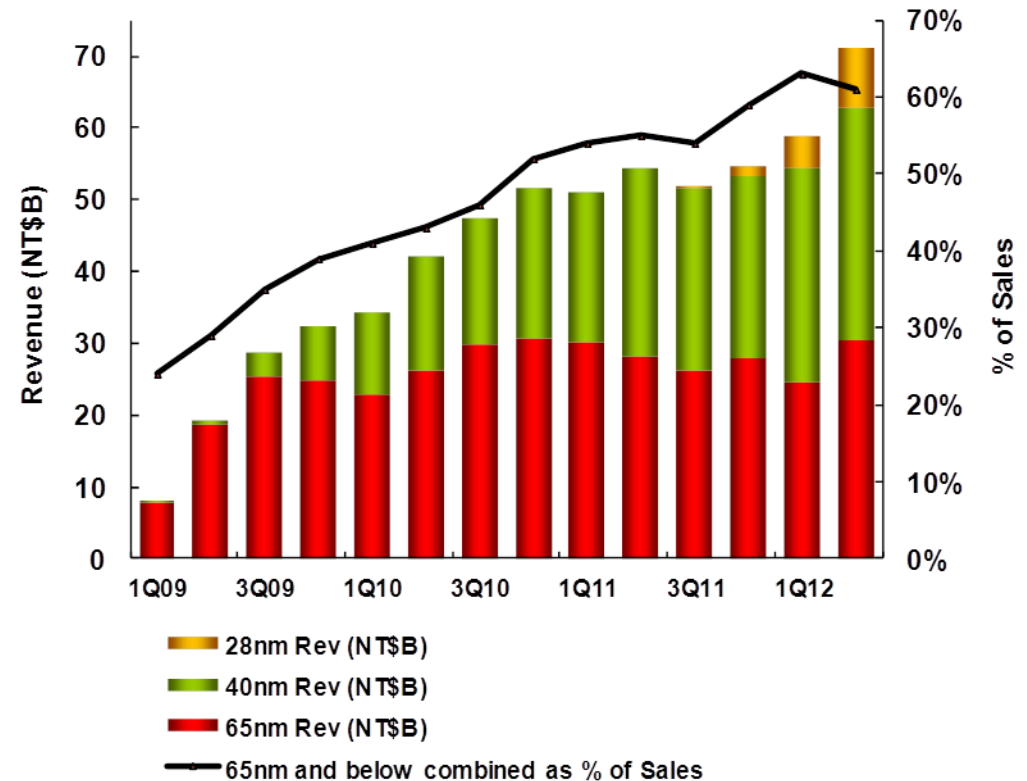
QoQ +39%



# 2Q12 Revenue by Technology



## 65nm and below revenue



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT billions)

	2Q12		1Q12		2Q11	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	188.37	21.3%	180.65	21.7%	159.13	20.3%
Accounts Receivable - Trade	54.94	6.2%	48.02	5.8%	46.19	5.9%
Inventory	30.78	3.5%	27.76	3.3%	31.52	4.0%
<b>Long-Term Investment</b>	<b>28.16</b>	<b>3.2%</b>	<b>29.84</b>	<b>3.6%</b>	<b>34.84</b>	<b>4.4%</b>
<b>Net PP&amp;E</b>	<b>548.15</b>	<b>62.0%</b>	<b>509.92</b>	<b>61.3%</b>	<b>477.89</b>	<b>61.0%</b>
<b>Total Assets</b>	<b>883.91</b>	<b>100.0%</b>	<b>831.89</b>	<b>100.0%</b>	<b>783.82</b>	<b>100.0%</b>
<b>Current Liabilities</b>	<b>211.85</b>	<b>23.9%</b>	<b>126.20</b>	<b>15.2%</b>	<b>205.49</b>	<b>26.2%</b>
<b>Long-Term Interest-bearing Debt</b>	<b>37.28</b>	<b>4.2%</b>	<b>37.30</b>	<b>4.5%</b>	<b>5.19</b>	<b>0.7%</b>
<b>Total Liabilities</b>	<b>253.85</b>	<b>28.7%</b>	<b>168.31</b>	<b>20.2%</b>	<b>215.46</b>	<b>27.5%</b>
<b>Total Shareholders' Equity</b>	<b>630.06</b>	<b>71.3%</b>	<b>663.58</b>	<b>79.8%</b>	<b>568.36</b>	<b>72.5%</b>
<b>Key Indices</b>						
A/R Turnover Days	37		39		39	
Inventory Turnover Days	44		47		53	
Current Ratio (x)	1.3		2.1		1.2	
Asset Productivity (x) <sup>(1)</sup>	1.0		0.8		1.0	

(1) Asset productivity = Annualized net sales / Average net fixed assets.

# Cash Flows

(In NT billions)

	2Q12	1Q12	2Q11
<b>Beginning Balance</b>	170.82	143.47	129.45
Cash from operating activities	69.97	57.05	63.06
Capital expenditures	(59.47)	(48.57)	(64.88)
Short-term loans	(3.92)	8.76	(1.04)
Proceeds from issuance of bonds	0.00	17.00	0.00
Repayment of bonds payable	0.00	(4.50)	0.00
Investments and others	1.04	(2.39)	24.39
<b>Ending Balance</b>	178.44	170.82	150.98
Free Cash Flow	10.50	8.48	(1.82)



# Installed Capacity

2012 Overall Capacity +14%; 12-inch Capacity +21%

FAB / (Wafer size)	4Q11 (A)	2011 (A)	1Q12 (A)	2Q12 (A)	3Q12 (F)	4Q12 (F)	2012 (F)
Fab-2 (6") <sup>(1)</sup>	255	1,000	253	247	256	256	1,012
Fab-3 (8")	304	1,184	298	300	304	306	1,208
Fab-5 (8")	136	547	145	146	148	148	587
Fab-6 (8")	286	1,128	298	296	298	298	1,191
Fab-8 (8")	255	1,003	262	263	266	266	1,057
Fab-12 (12") <sup>(2)</sup>	337	1,334	373	367	378	382	1,500
Fab-14 (12") <sup>(2)</sup>	504	1,927	549	546	563	552	2,210
Fab-15 (12") <sup>(2)</sup>	0	0	0	18	69	135	222
WaferTech (8")	107	429	110	111	112	112	444
TSMC China (8")	230	772	222	230	232	236	921
<b>TSMC &amp; Subsidiaries</b> (8" Equivalent Kpcs)	<b>3,352</b>	<b>12,963</b>	<b>3,553</b>	<b>3,579</b>	<b>3,776</b>	<b>3,915</b>	<b>14,823</b>
<b>SSMC (8")</b>	<b>65</b>	<b>258</b>	<b>64</b>	<b>64</b>	<b>65</b>	<b>65</b>	<b>258</b>
<b>Total TSMC-managed</b> (8" Equivalent Kpcs)	<b>3,417</b>	<b>13,221</b>	<b>3,616</b>	<b>3,643</b>	<b>3,841</b>	<b>3,980</b>	<b>15,080</b>

(1) Figures represent number of 6" wafers. Conversion to 8"-equivalent wafers is obtained by dividing this number by 1.78.

(2) Figures represent number of 12" wafers. Conversion to 8"-equivalent wafers is obtained by multiplying this number by 2.25.

# 3Q12 Guidance

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

- **Revenue to be between NT\$ 136 billion and NT\$ 138 billion, at a forecast exchange rate of 29.76 NT dollars to 1 US dollar**
- **Gross profit margin to be between 46 % and 48 %**
- **Operating profit margin to be between 34 % and 36 %**

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