

# TSMC

## 2010 Third Quarter Investor Conference

*October 28, 2010*

# Agenda

- **Welcome** Elizabeth Sun
- **3Q10 Financial Results and 4Q10 Outlook** Lora Ho
- **CEO Comments** 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 15, 2010 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.

# 3Q10 Financial Highlights

<i>(In NT billions except otherwise noted)</i>	3Q10	3Q10 Guidance	2Q10 Actual	3Q09 Actual	QoQ	YoY
<b>Net Sales</b>	112.25	109 - 111	104.96	89.94	6.9%	24.8%
<b>Gross Margin</b>	50.0%	48% - 50%	49.5%	47.7%	+0.5 ppt	+2.3 pts
<b>Operating Margin</b>	38.4%	36% - 38%	38.6%	35.6%	-0.2 ppt	+2.8 pts
<b>EPS - Diluted (NT\$)</b>	1.81		1.55	1.18	16.5%	54.0%
<b>Free Cash Flow</b>	21.80		-3.79	14.62	675.2%	49.1%
<b>ROE (%)</b>	36.5%		31.6%	27.3%	+4.9 pts	+9.2 pts
<b>Shipment (Kpcs, 8"-equiv. Wafer)</b>	3,191		2,927	2,445	9.0%	30.5%
<b>Average Exchange Rate-- NTD/USD</b>	31.94		31.81	32.80	0.4%	-2.6%

\* Total outstanding shares were 25,907mn units at 9/30/10

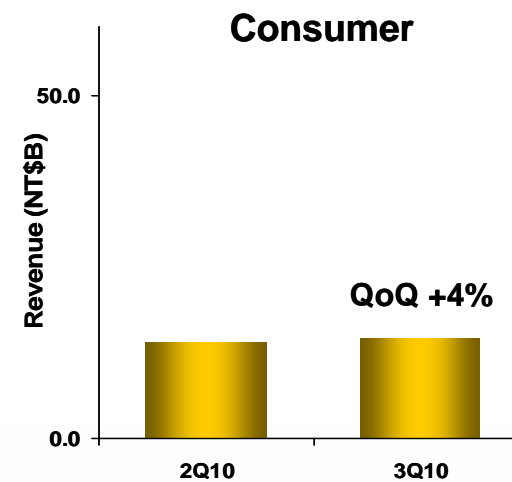
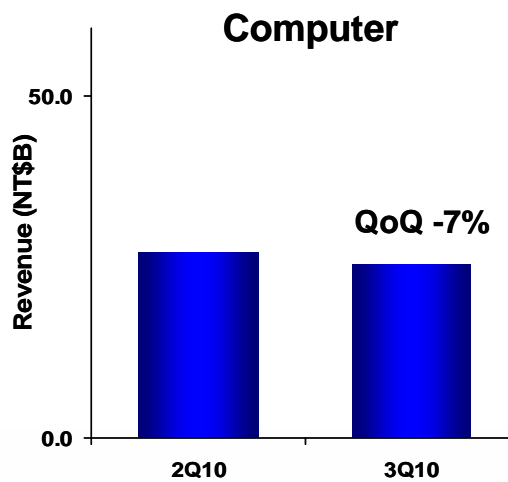
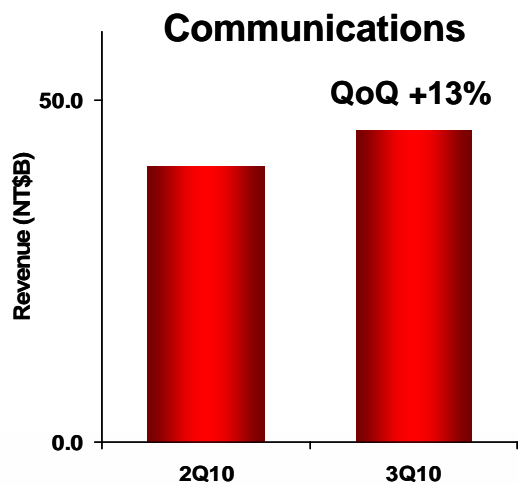
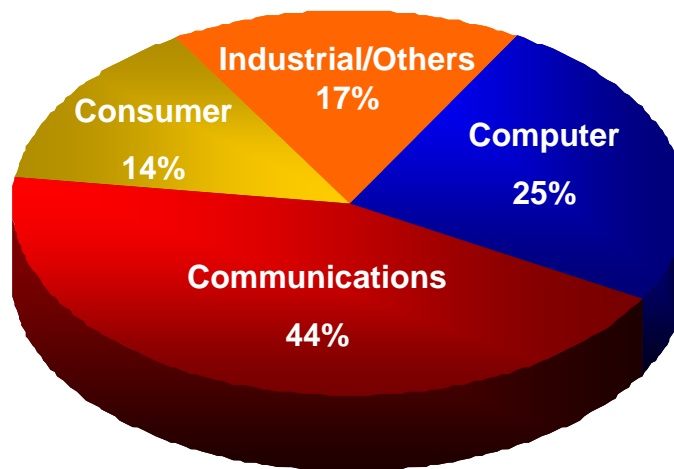
\*\* ROE figures are annualized based on average equity attributable to shareholders of the parent.

# Income Statements

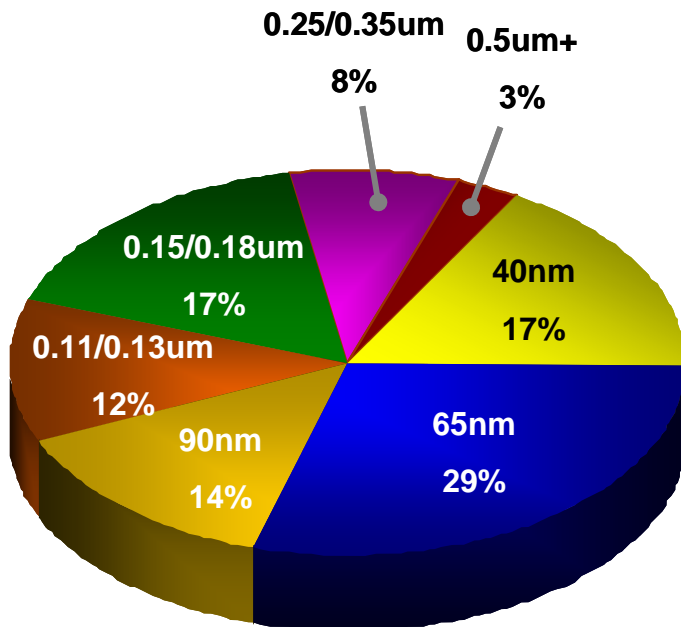
*(In NT billions except otherwise noted)*

	<b>3Q10</b>	<b>2Q10</b>	<b>3Q09</b>	<b>QoQ</b>	<b>YoY</b>
Net Sales	112.25	104.96	89.94	6.9%	24.8%
<b>Gross Margin</b>	<b>50.0%</b>	<b>49.5%</b>	<b>47.7%</b>	<b>+0.5 ppt</b>	<b>+2.3 ppts</b>
Operating Expenses	(13.06)	(11.46)	(10.87)	14.0%	20.1%
<b>Operating Margin</b>	<b>38.4%</b>	<b>38.6%</b>	<b>35.6%</b>	<b>-0.2 ppt</b>	<b>+2.8 ppts</b>
Non-Operating Items	5.71	1.41	0.52	304.1%	998.6%
Long-Term Investment Gains	0.90	0.53	0.45	70.5%	98.9%
Taxes	(2.55)	(1.94)	(2.28)	31.3%	11.7%
Net Income	46.94	40.28	30.55	16.5%	53.6%
<b>Net Margin</b>	<b>41.8%</b>	<b>38.4%</b>	<b>34.0%</b>	<b>+3.4 ppt</b>	<b>+7.8 ppts</b>
EPS (NT Dollar)	1.81	1.55	1.18	16.5%	54.0%

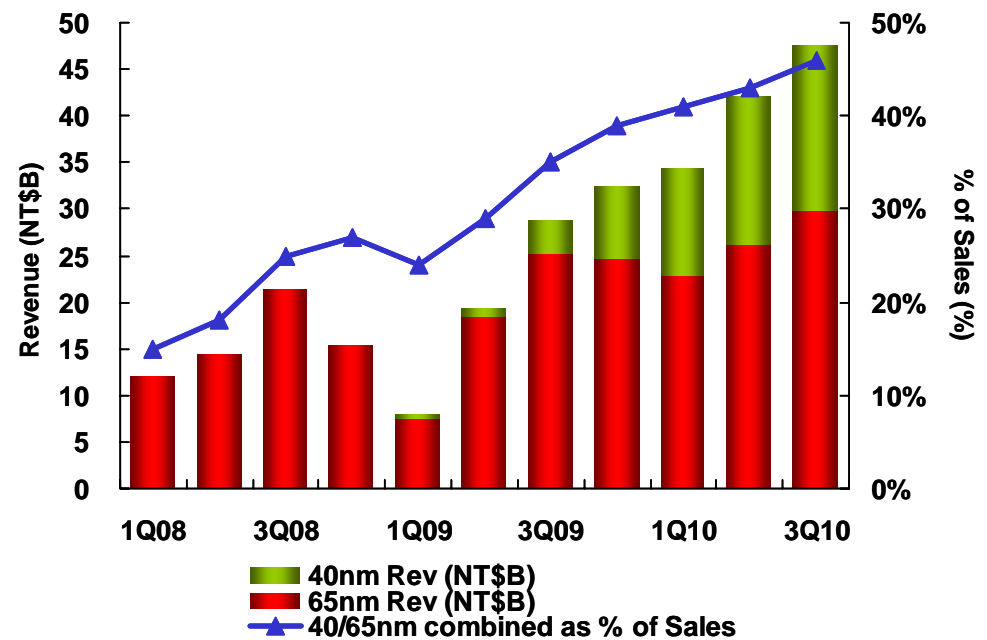
# 3Q10 Revenue by Applications



# 3Q10 Revenue by Technology



### 65nm/40nm Revenue



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT billions excepted otherwise noted)

	3Q10		2Q10		3Q09	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	167.21	25.0%	206.54	30.3%	180.32	33.3%
Accounts Receivable - Trade	47.38	7.1%	48.06	7.1%	35.88	6.6%
Inventory	26.66	4.0%	24.80	3.6%	19.18	3.5%
<b>Long-Term Investment</b>	<b>39.78</b>	<b>6.0%</b>	<b>40.96</b>	<b>6.0%</b>	<b>38.55</b>	<b>7.1%</b>
<b>Net PP&amp;E</b>	<b>349.18</b>	<b>52.3%</b>	<b>328.47</b>	<b>48.3%</b>	<b>236.82</b>	<b>43.7%</b>
<b>Total Assets</b>	<b>667.55</b>	<b>100.0%</b>	<b>680.78</b>	<b>100.0%</b>	<b>541.90</b>	<b>100.0%</b>
<b>Current Liabilities</b>	<b>109.24</b>	<b>16.4%</b>	<b>166.27</b>	<b>24.4%</b>	<b>55.01</b>	<b>10.2%</b>
<b>Long-Term Interest-bearing Debt</b>	<b>12.18</b>	<b>1.8%</b>	<b>12.35</b>	<b>1.8%</b>	<b>14.35</b>	<b>2.6%</b>
<b>Total Liabilities</b>	<b>126.65</b>	<b>19.0%</b>	<b>183.90</b>	<b>27.0%</b>	<b>75.27</b>	<b>13.9%</b>
<b>Total Shareholders' Equity</b>	<b>540.90</b>	<b>81.0%</b>	<b>496.87</b>	<b>73.0%</b>	<b>466.63</b>	<b>86.1%</b>
<b>Key Indices</b>						
A/R Turnover Days	39		39		36	
Inventory Turnover Days	47		45		41	
Current Ratio (x)	2.3		1.7		4.4	
Asset Productivity (x) <sup>(1)</sup>	1.3		1.3		1.6	

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



# Cash Flows

(In NT billions except otherwise noted)

	3Q10	2Q10	3Q09
<b>Beginning Balance</b>	172.49	159.80	239.52
Cash from operating activities	63.95	48.93	46.66
Capital expenditures	(42.15)	(52.72)	(32.04)
Cash dividends	(77.71)	0.00	(76.88)
Proceeds from short-term loans	19.83	17.76	0.00
Investments and others	(4.14)	(1.28)	(20.32)
<b>Ending Balance</b>	132.27	172.49	156.94
Free Cash Flow <sup>(1)</sup>	21.80	(3.79)	14.62

(1) Free cash flow = Operating cash flow – Capital expenditures.

# Installed Capacity

2010 Overall Capacity +14%; Advanced Capacity +37%

FAB / (Wafer size)	2009 (A)	1Q10 (A)	2Q10 (A)	3Q10 (A)	4Q10 (F)	2010 (F)
Fab-2 (6") <sup>(1)</sup>	1,121	254	236	255	255	1,000
Fab-3 (8")	1,150	267	282	300	300	1,149
Fab-5 (8")	599	139	144	141	141	564
Fab-6 (8")	1,154	269	280	282	282	1,113
Fab-8 (8")	1,066	247	253	254	255	1,009
Fab-12 (12") <sup>(2)</sup>	879	269	300	309	315	1,194
Fab-14 (12") <sup>(2)</sup>	958	261	299	360	406	1,326
WaferTech (8")	431	106	107	108	108	429
TSMC China (8")	531	132	134	145	147	557
<b>TSMC &amp; Subsidiaries</b> (8" Equivalent Kpcs)	<b>9,695</b>	<b>2,497</b>	<b>2,680</b>	<b>2,879</b>	<b>2,997</b>	<b>11,053</b>
<b>SSMC (8")</b>	<b>259</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>276</b>
<b>Total TSMC-managed</b> (8" Equivalent Kpcs)	<b>9,955</b>	<b>2,566</b>	<b>2,749</b>	<b>2,948</b>	<b>3,066</b>	<b>11,329</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.

# Capital Expenditures

<i>(In US millions)</i>	1Q10	2Q10	3Q10	YTD
TSMC	1,433	1,645	1,275	4,353
XinTec and GUC	2	4	10	16
TSMC China & WaferTech	8	7	34	49
Other TSMC Subsidiaries	1	1	0	2
<b>TSMC Consolidated</b>	<b>1,444</b>	<b>1,657</b>	<b>1,319</b>	<b>4,420</b>

Note: 2010 CapEx was based on the weighted average exchange rate of NT\$31.900 per US dollar.

# 4Q10 Guidance

- Revenue to be between NT\$107 billion and NT\$109 billion, at a forecast exchange rate of 30.60 NT dollars to 1 US dollar
- Gross profit margin to be between 48% and 50%
- Operating profit margin to be between 35.5% and 37.5%

# Recap of Recent Major Events

- **TSMC Begins Building Solar R&D Center and Fab in Central Taiwan ( 2010/09/16 )**
- **TSMC Was Named the Semiconductor Sector Leader in 2010 Dow Jones Sustainability Index (DJSI) Survey and Included as Index Component for the 10th Consecutive Year ( 2010/09/09 )**
- **ARM and TSMC Sign Long-Term Strategic Agreement That Enables Broad Processor and Physical IP Optimization on TSMC's Most Advanced Technology Nodes ( 2010/07/20 )**
- **TSMC Begins Construction on Gigafab™ In Central Taiwan ( 2010/07/16 )**

\* Please visit TSMC's Web site (<http://www.tsmc.com>) for details and other announcements

# CEO Message

- I. 3Q, 4Q and Year 2010**
- II. Supply Chain Inventory and 2011 Outlook**
- III. Mission and Strategy**
- IV. New Technologies**
- V. New Businesses (LED and Solar)**

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