

# TSMC

## 2011 Second Quarter Investor Conference

*July 28, 2011*

# Agenda

- **Welcome** Elizabeth Sun
- **2Q11 Financial Results and 3Q11 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, 2011 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.

# 2Q11 Financial Highlights

*(In NT billions except otherwise noted)*

	2Q11	2Q11 Guidance	1Q11 Actual	2Q10 Actual	QoQ	YoY
<b>Net Sales</b>	110.51	109 - 111	105.38	104.96	4.9%	5.3%
<b>Gross Margin</b>	46.0%	45.5% - 47.5%	49.0%	49.5%	-3.0 pts	-3.5 pts
<b>Operating Margin</b>	34.3%	33.5% - 35.5%	37.2%	38.6%	-2.9 pts	-4.3 pts
<b>EPS - Diluted (NT\$)</b>	1.39		1.40	1.55	-0.9%	-10.8%
<b>Free Cash Flow</b>	-1.82		-24.78	-3.79	NM	NM
<b>ROE (%)</b>	24.5%		24.6%	31.6%	-0.1 ppt	-7.1 pts
<b>Shipment (Kpcs, 8"-equiv. Wafer)</b>	3,291		3,161	2,927	4.1%	12.4%
<b>Average Exchange Rate-- NTD/USD</b>	28.86		29.30	31.81	-1.5%	-9.3%

\* Total outstanding shares were 25,914mn units at 6/30/11

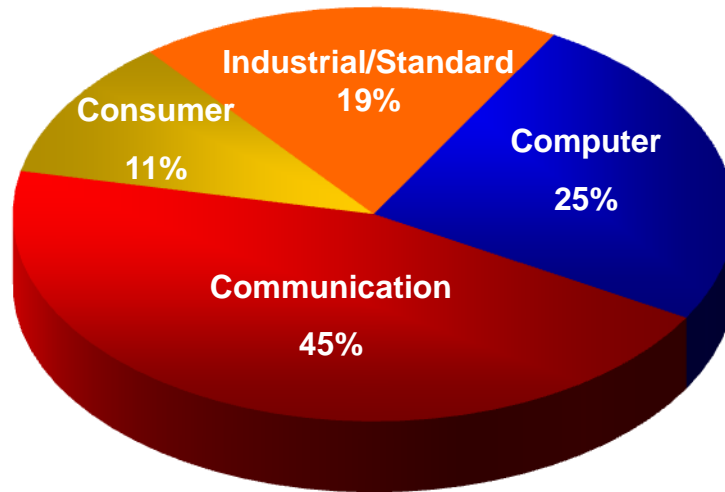
\*\* ROE figures are annualized based on average equity attributable to shareholders of the parent.

# Income Statements

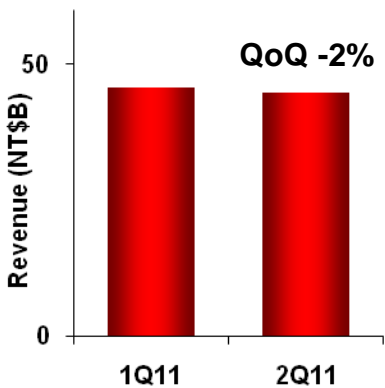
*(In NT billions except otherwise noted)*

	2Q11	1Q11	2Q10	QoQ	YoY
Net Sales	110.51	105.38	104.96	4.9%	5.3%
<b>Gross Margin</b>	<b>46.0%</b>	<b>49.0%</b>	<b>49.5%</b>	<b>-3.0 pts</b>	<b>-3.5 pts</b>
Operating Expenses	(12.99)	(12.51)	(11.46)	3.9%	13.4%
<b>Operating Margin</b>	<b>34.3%</b>	<b>37.2%</b>	<b>38.6%</b>	<b>-2.9 pts</b>	<b>-4.3 pts</b>
Non-Operating Items	0.94	0.63	1.41	49.9%	-33.2%
Long-Term Investment Gains	0.25	0.52	0.53	-52.8%	-53.6%
Taxes	(3.03)	(3.89)	(1.94)	-22.1%	55.7%
Net Income	35.95	36.28	40.28	-0.9%	-10.8%
<b>Net Margin</b>	<b>32.5%</b>	<b>34.4%</b>	<b>38.4%</b>	<b>-1.9 pts</b>	<b>-5.9 pts</b>
EPS (NT Dollar)	1.39	1.40	1.55	-0.9%	-10.8%

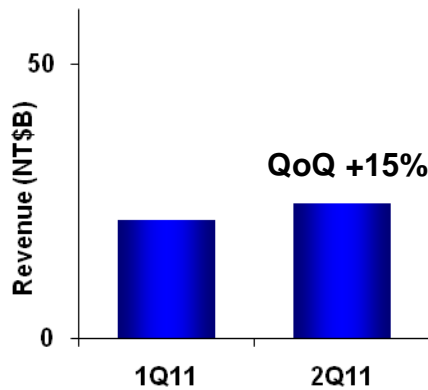
# 2Q11 Revenue by Applications



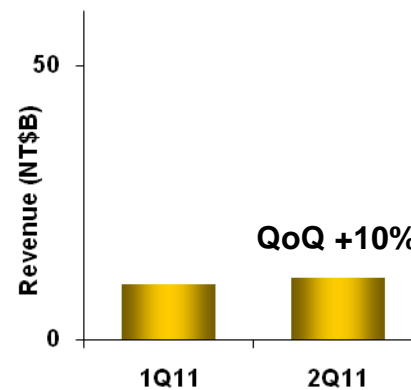
**Communication**



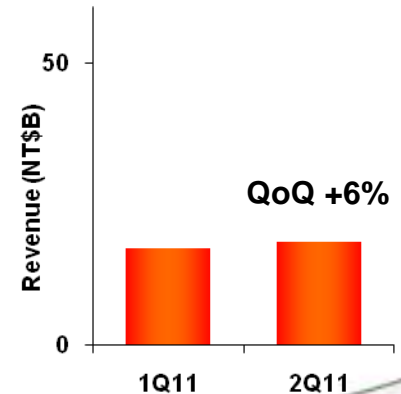
**Computer**



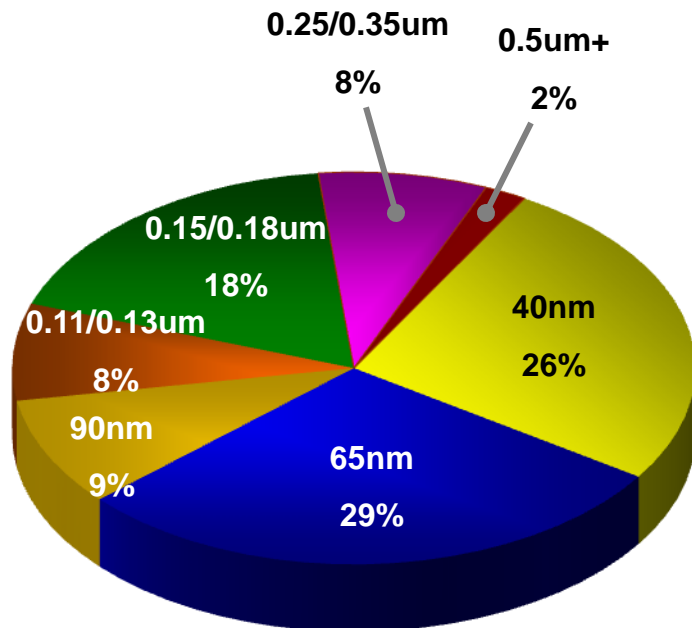
**Consumer**



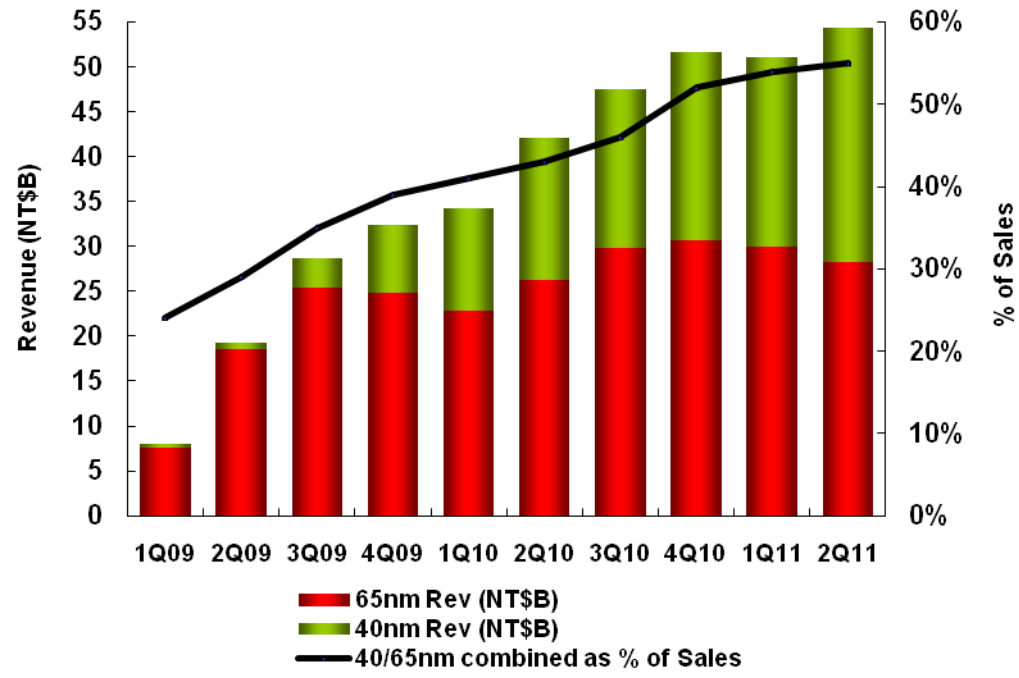
**Industrial/Standard**



# 2Q11 Revenue by Technology



**65nm/40nm Revenue**



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT billions excepted otherwise noted)

	2Q11		1Q11		2Q10	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	159.13	20.3%	163.41	21.8%	206.54	30.3%
Accounts Receivable - Trade	46.19	5.9%	46.83	6.2%	48.06	7.1%
Inventory	31.52	4.0%	31.79	4.2%	24.80	3.6%
<b>Long-Term Investment</b>	<b>34.84</b>	<b>4.5%</b>	<b>38.93</b>	<b>5.2%</b>	<b>40.96</b>	<b>6.0%</b>
<b>Net PP&amp;E</b>	<b>477.89</b>	<b>61.0%</b>	<b>436.59</b>	<b>58.2%</b>	<b>328.47</b>	<b>48.3%</b>
<b>Total Assets</b>	<b>783.82</b>	<b>100.0%</b>	<b>750.13</b>	<b>100.0%</b>	<b>680.78</b>	<b>100.0%</b>
<b>Current Liabilities</b>	<b>205.49</b>	<b>26.2%</b>	<b>127.26</b>	<b>17.0%</b>	<b>166.27</b>	<b>24.4%</b>
<b>Long-Term Interest-bearing Debt</b>	<b>5.19</b>	<b>0.7%</b>	<b>5.51</b>	<b>0.7%</b>	<b>12.35</b>	<b>1.8%</b>
<b>Total Liabilities</b>	<b>215.46</b>	<b>27.5%</b>	<b>137.74</b>	<b>18.4%</b>	<b>183.90</b>	<b>27.0%</b>
<b>Total Shareholders' Equity</b>	<b>568.36</b>	<b>72.5%</b>	<b>612.39</b>	<b>81.6%</b>	<b>496.87</b>	<b>73.0%</b>
<b>Key Indices</b>						
<b>A/R Turnover Days</b>	<b>39</b>		<b>39</b>		<b>39</b>	
<b>Inventory Turnover Days</b>	<b>53</b>		<b>56</b>		<b>45</b>	
<b>Current Ratio (x)</b>	<b>1.2</b>		<b>2.0</b>		<b>1.7</b>	
<b>Asset Productivity (x) <sup>(1)</sup></b>	<b>1.0</b>		<b>1.0</b>		<b>1.3</b>	

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



# Cash Flows

*(In NT billions except otherwise noted)*

	2Q11	1Q11	2Q10
<b>Beginning Balance</b>	129.45	147.89	159.80
Cash from operating activities	63.06	56.48	48.93
Capital expenditures	(64.88)	(81.26)	(52.72)
Short-term loans	(1.04)	2.97	17.76
Investments and others	24.39	3.37	(1.28)
<b>Ending Balance</b>	150.98	129.45	172.49
Free Cash Flow <sup>(1)</sup>	(1.82)	(24.78)	(3.79)

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

# Capital Expenditures

<i>(In US millions)</i>	2Q11	1Q11	YTD
TSMC	2,149	2,635	4,784
TSMC China & WaferTech	92	95	187
Other TSMC Subsidiaries	12	44	56
<b>TSMC Consolidated</b>	<b>2,253</b>	<b>2,774</b>	<b>5,027</b>

Note: 2011 CapEx was based on the weighted average exchange rate of NT\$29.072 per US dollar.

# Installed Capacity

2011 Overall Capacity +17%; 12-inch Capacity +30%

FAB / (Wafer size)		2010 (A)	1Q11 (A)	2Q11 (A)	3Q11 (F)	4Q11 (F)	2011 (F)
Fab-2	( 6" ) <sup>(1)</sup>	1,000	238	252	255	255	1,000
Fab-3	( 8" )	1,149	275	301	304	304	1,184
Fab-5	( 8" )	564	137	133	141	141	552
Fab-6	( 8" )	1,113	274	283	286	286	1,128
Fab-8	( 8" )	1,009	240	254	254	255	1,003
Fab-12	( 12" ) <sup>(2)</sup>	1,194	322	337	338	346	1,343
Fab-14	( 12" ) <sup>(2)</sup>	1,326	427	488	509	504	1,927
WaferTech	( 8" )	429	106	108	109	109	431
TSMC China	( 8" )	557	148	179	216	230	772
<b>TSMC &amp; Subsidiaries</b> (8" Equivalent Kpcs)		<b>11,053</b>	<b>2,999</b>	<b>3,254</b>	<b>3,358</b>	<b>3,379</b>	<b>12,990</b>
<b>SSMC</b>	<b>( 8" )</b>	<b>276</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>11,329</b>	<b>3,063</b>	<b>3,318</b>	<b>3,423</b>	<b>3,444</b>	<b>13,248</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.

# 3Q11 Guidance

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

- **Revenue to be between NT\$ 102 billion and NT\$ 104 billion, at a forecast exchange rate of 28.72 NT dollars to 1 US dollar**
- **Gross profit margin to be between 40.5 % and 42.5 %**
- **Operating profit margin to be between 28 % and 30 %**

# Recap of Recent Major Events

- **TSMC Sets June 29th as Ex-dividend Date and July 5th as Record Date for Common Share Dividends ( 2011/06/14 )**
- **TSMC Shareholders Approve NT\$3.0 Cash Dividend and Transfer of Solar and Solid State Lighting Businesses ( 2011/06/09 )**
- **TSMC Completes 28nm Design Infrastructure, Design Partners Show Solutions at DAC ( 2011/05/26 )**
- **Orise Technology Builds Industry-First Smartphone High-Definition Display Driver on TSMC High Voltage Process ( 2011/05/24 )**
- **TSMC Announces Winner of Mixed Signal/RF University Design Award ( 2011/05/17 )**
- **TSMC Joins SEMATECH to Accelerate Semiconductor Technology Development ( 2011/05/11 )**
- **Please visit TSMC's Web site (<http://www.tsmc.com>) and Market Observation Post System (<http://mops.twse.com.tw>) for details and other announcements**

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