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# **2013 Third Quarter Earnings Conference**

*October 17, 2013*

# Agenda

- **Welcome** Elizabeth Sun
- **3Q13 Financial Results and 4Q13 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 2, 2013 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

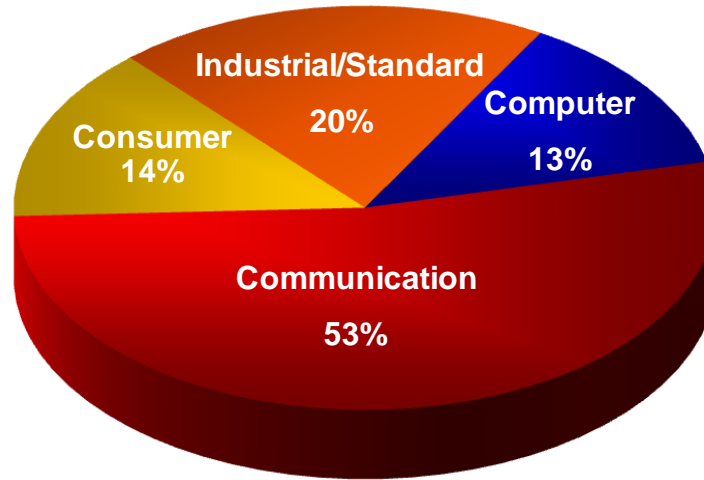
## Selected Items from Statements of Comprehensive Income

(In NT billions)	3Q13	3Q13 Guidance	2Q13	3Q12	3Q13 over 2Q13	3Q13 over 3Q12
Net Revenue	162.58	161 - 164	155.89	141.50	4.3%	14.9%
<b>Gross Margin</b>	<b>48.5%</b>	<b>47% - 49%</b>	<b>49.0%</b>	<b>48.9%</b>	<b>-0.5 ppt</b>	<b>-0.4 ppt</b>
Operating Expenses	(19.26)		(18.79)	(16.37)	2.5%	17.7%
<b>Operating Margin</b>	<b>36.7%</b>	<b>35% - 37%</b>	<b>37.0%</b>	<b>37.3%</b>	<b>-0.3 ppt</b>	<b>-0.6 ppt</b>
Non-Operating Items	(0.27)		2.39	0.96	-111.3%	-127.9%
Net Income	51.95		51.81	49.38	0.3%	5.2%
<b>Net Profit Margin</b>	<b>32.0%</b>		<b>33.2%</b>	<b>34.9%</b>	<b>-1.2 ppts</b>	<b>-2.9 ppt</b>
EPS (NT Dollar)	2.00		2.00	1.90	0.3%	5.2%
ROE	26.8%		27.4%	30.4%	-0.6 ppt	-3.6 ppts
Shipment (Kpcs, 8"-equiv. Wafer)	4,194		4,034	3,860	4.0%	8.7%
Average Exchange Rate--NTD/USD	29.88	29.83	29.83	29.86	0.2%	0.1%

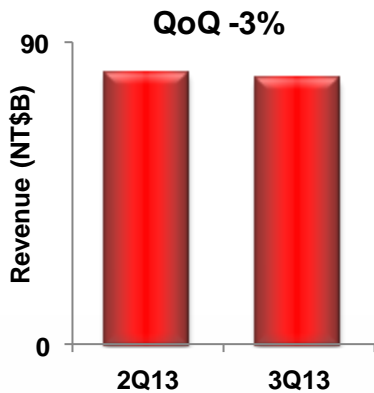
\* Diluted weighted average outstanding shares were 25,929mn units in 3Q13

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

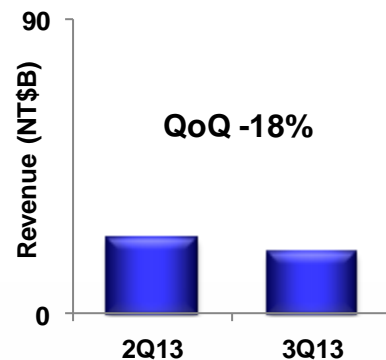
# 3Q13 Revenue by Application



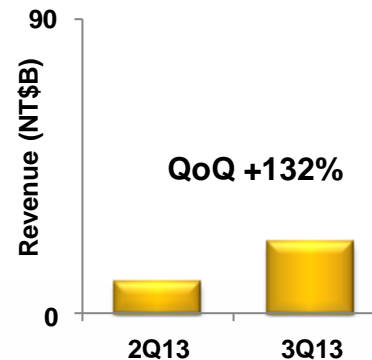
**Communication**



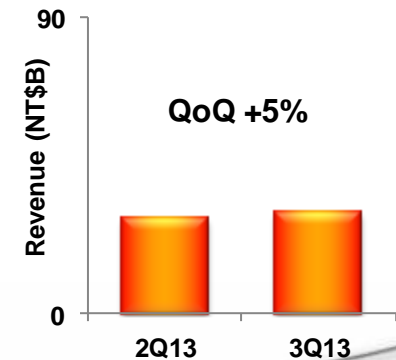
**Computer**



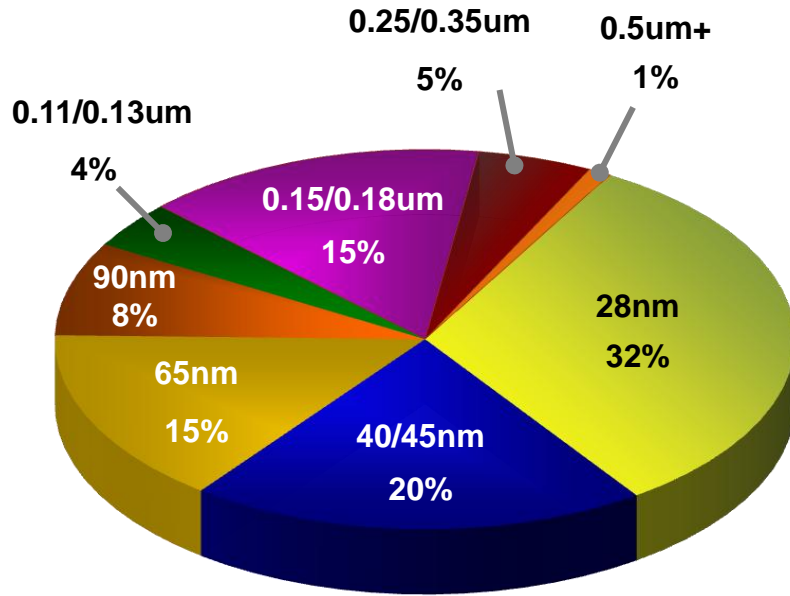
**Consumer**



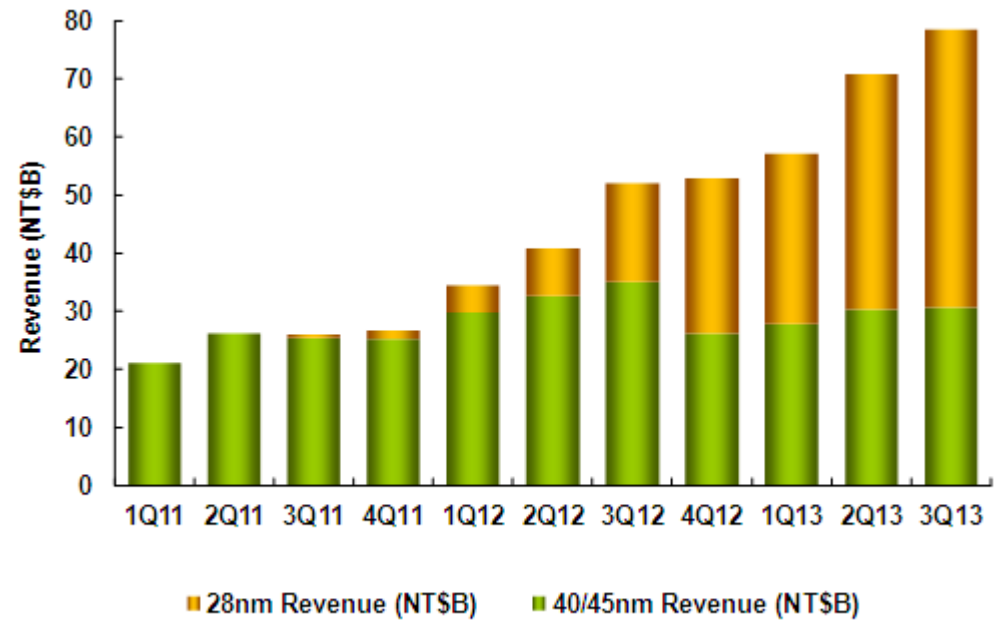
**Industrial/Standard**



# 3Q13 Revenue by Technology



40/45nm and below revenue



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT billions)

	3Q13		2Q13		3Q12	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	218.16	18.5%	227.62	19.4%	147.75	16.7%
Accounts Receivable	79.67	6.8%	80.34	6.9%	65.31	7.4%
Inventories	36.92	3.1%	38.62	3.3%	33.25	3.8%
Long-term Investments	89.17	7.6%	78.26	6.7%	28.59	3.2%
Net PP&E	727.72	61.8%	715.60	61.2%	580.11	65.5%
<b>Total Assets</b>	<b>1,177.54</b>	<b>100.0%</b>	<b>1,169.89</b>	<b>100.0%</b>	<b>885.77</b>	<b>100.0%</b>
Current Liabilities	148.28	12.6%	243.63	20.8%	125.95	14.2%
Long-term Interest-bearing Debts	211.22	17.9%	170.56	14.6%	77.73	8.8%
<b>Total Liabilities</b>	<b>373.37</b>	<b>31.7%</b>	<b>423.65</b>	<b>36.2%</b>	<b>210.68</b>	<b>23.7%</b>
<b>Total Shareholders' Equity</b>	<b>804.18</b>	<b>68.3%</b>	<b>746.24</b>	<b>63.8%</b>	<b>675.09</b>	<b>76.3%</b>
<b>Key Indices</b>						
A/R Turnover Days	45		43		41	
Inventory Turnover Days	45		47		44	
Current Ratio (x)	2.3		1.4		2.0	
Asset Productivity (x)	0.9		0.9		1.0	

\* Total outstanding shares were 25,928mn units at 09/30/13

\*\* Asset productivity = Annualized net sales / Average net fixed assets

# Cash Flows

<i>(In NT billions)</i>	<b>3Q13</b>	<b>2Q13</b>	<b>3Q12</b>
<b>Beginning Balance</b>	<b>225.83</b>	<b>186.03</b>	<b>178.44</b>
Cash from operating activities	95.80	75.24	75.40
Capital expenditures	(54.82)	(78.40)	(78.33)
Cash dividends	(77.77)	0.00	(77.75)
Short-term loans	(13.23)	(4.32)	(0.66)
Proceeds from issuance of bonds	41.20	44.65	40.60
Investments and others	(0.41)	2.63	1.04
<b>Ending Balance</b>	<b>216.60</b>	<b>225.83</b>	<b>138.74</b>
Free Cash Flow <sup>(1)</sup>	40.98	(3.16)	(2.93)

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



# Installed Capacity

2013 Overall Capacity +11%; 12-inch Capacity +17%

FAB / (Wafer size)		2012 (A)	1Q13 (A)	2Q13 (A)	3Q13 (A)	4Q13 (F)	2013 (F)
Fab-2	( 6" ) <sup>(1)</sup>	1,012	251	254	257	257	1,018
Fab-3	( 8" )	1,208	281	287	293	289	1,150
Fab-5	( 8" )	587	147	151	99	99	497
Fab-6	( 8" )	1,191	299	307	428	428	1,461
Fab-8	( 8" )	1,057	260	271	216	216	962
Fab-12	( 12" ) <sup>(2)</sup>	1,500	366	356	365	371	1,458
Fab-14	( 12" ) <sup>(2)</sup>	2,210	546	558	564	564	2,232
Fab-15	( 12" ) <sup>(2)</sup>	226	164	193	277	296	930
WaferTech	( 8" )	444	109	112	113	113	447
TSMC China	( 8" )	921	226	240	248	248	963
<b>TSMC &amp; Subsidiaries</b>		<b>14,833</b>	<b>3,883</b>	<b>3,999</b>	<b>4,258</b>	<b>4,307</b>	<b>16,447</b>
(8" Equivalent Kpcs)							

(1) Figures represent number of 6" wafers. Conversion to 8"-equivalent wafers is obtained by multiplying this number by 0.5625

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

# 4Q13 Guidance

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

- **Revenue to be between NT\$ 144 billion and NT\$ 147 billion, at a forecast exchange rate of 29.5 NT dollars to 1 US dollar**
- **Gross profit margin to be between 44% and 46%**
- **Operating profit margin to be between 32% and 34%**

# Recap of Recent Major Events

- TSMC Co-COO Dr. Shang-Yi Chiang to Retire ( 2013/09/27 )
  - TSMC First Taiwan Company to be Named Dow Jones Sustainability Indexes (DJSI) Industry Group Leader ( 2013/09/18 )
  - TSMC and OIP Ecosystem Partners Deliver 16FinFET and 3D IC Reference Flows ( 2013/09/17 )
  - TSMC and NTU College of Public Health Hold Third Labor Health Forum ( 2013/09/06 )
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- 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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