

2014 Third Quarter Earnings Conference

October 16, 2014

Agenda

- **Welcome** Elizabeth Sun
- **3Q14 Financial Results and 4Q14 Outlook** Lora Ho
- **Key Messages** Lora Ho /
Mark Liu /
C.C. Wei
- **Q&A**

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 14, 2014 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

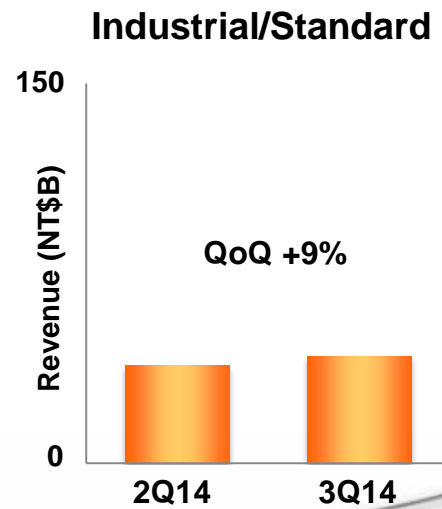
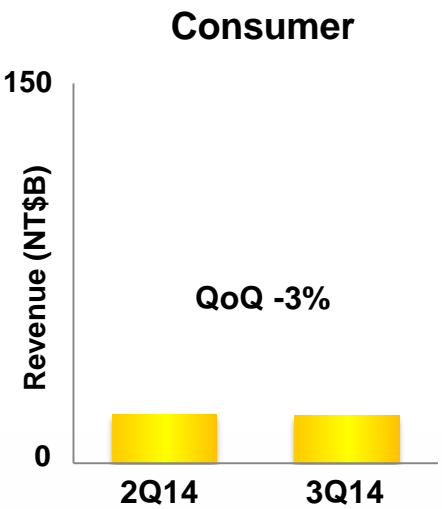
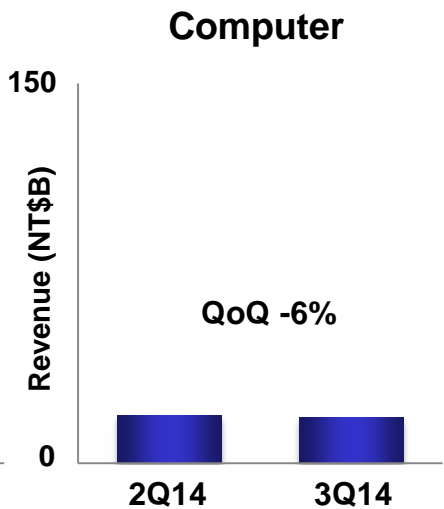
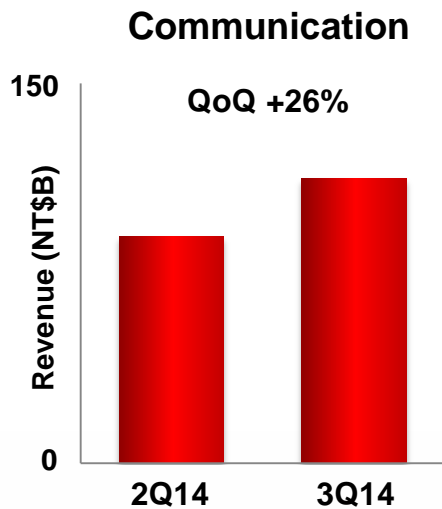
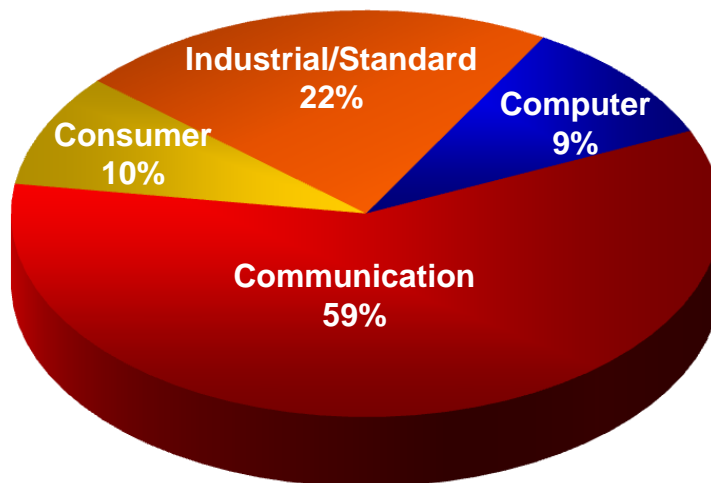
Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	3Q14	3Q14 Guidance	2Q14	3Q13	3Q14 over 2Q14	3Q14 over 3Q13
Net Revenue	209.05	206 - 209	183.02	162.58	14.2%	28.6%
Gross Margin	50.5%	48.5% - 50.5%	49.8%	48.5%	+0.7 ppt	+2.0 ppts
Operating Expenses	(21.14)		(20.25)	(19.26)	4.4%	9.8%
Operating Margin	40.4%	38.5% - 40.5%	38.6%	36.7%	+1.8 ppts	+3.7 ppts
Non-Operating Items	0.95		3.38	(0.27)	-72.0%	NM
Net Income to Shareholders of the Parent Company	76.34		59.70	51.95	27.9%	46.9%
Net Profit Margin	36.5%		32.6%	32.0%	+3.9 ppts	+4.5 ppt
EPS (NT Dollar)	2.94		2.30	2.00	27.9%	46.9%
ROE	33.3%		26.9%	26.8%	+6.4 ppts	+6.5 ppts
Shipment (Kpcs, 12"-equiv. Wafer)	2,267		2,053	1,864	10.4%	21.6%
Average Exchange Rate--USD/NTD	30.00	29.81	30.12	29.88	-0.4%	0.4%

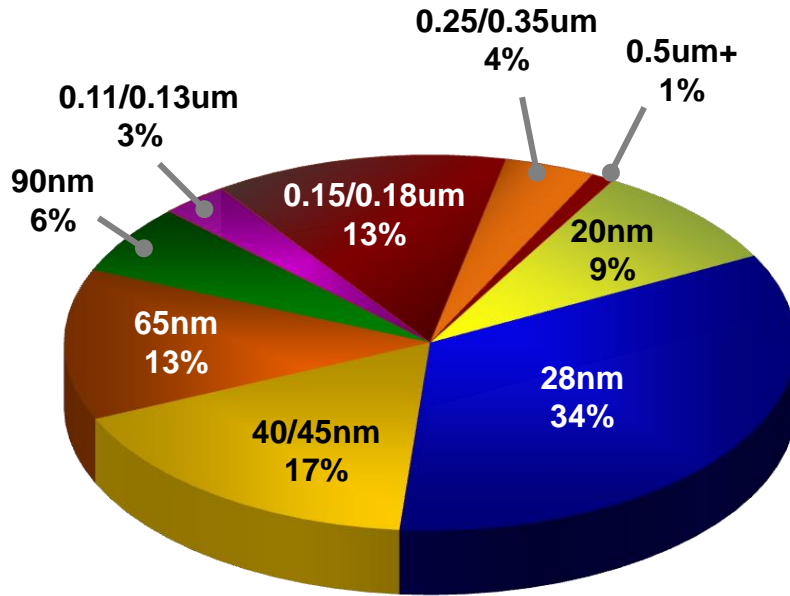
* Diluted weighted average outstanding shares were 25,930mn units in 3Q14.

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

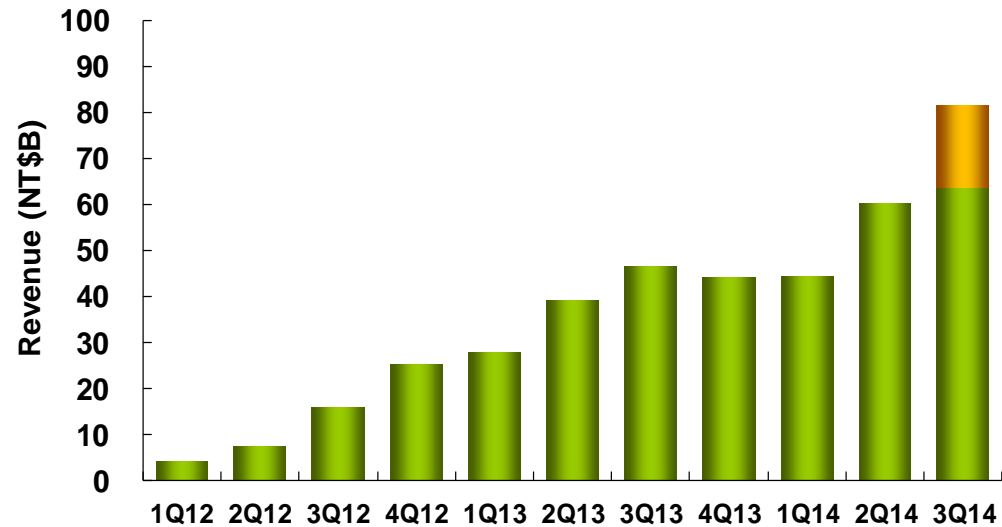
3Q14 Revenue by Application



3Q14 Revenue by Technology



28nm and below revenue



■ 20nm Revenue (NT\$B)
■ 28nm Revenue (NT\$B)

Balance Sheets & Key Indices

Selected Items from Balance Sheets

(In NT\$ billions)

	3Q14		2Q14		3Q13	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	290.34	21.5%	314.59	23.4%	218.16	18.5%
Accounts Receivable	114.53	8.5%	86.89	6.4%	79.67	6.8%
Inventories	65.34	4.8%	50.95	3.8%	36.92	3.1%
Long-term Investments	28.85	2.1%	28.37	2.1%	89.17	7.6%
Net PP&E	824.31	61.1%	837.17	62.3%	727.72	61.8%
Total Assets	1,350.00	100.0%	1,345.05	100.0%	1,177.54	100.0%
Current Liabilities	172.25	12.8%	246.64	18.4%	148.28	12.6%
Long-term Interest-bearing Debts	212.61	15.7%	211.65	15.7%	211.22	17.9%
Total Liabilities	393.44	29.1%	468.08	34.8%	373.37	31.7%
Total Shareholders' Equity	956.56	70.9%	876.97	65.2%	804.18	68.3%
Key Indices						
A/R Turnover Days	44		40		45	
Inventory Turnover Days	56		51		45	
Current Ratio (x)	2.8		1.9		2.3	
Asset Productivity (x)	1.0		0.9		0.9	

* Total outstanding shares were 25,929mn units at 9/30/14.

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

Cash Flows

<i>(In NT\$ billions)</i>	3Q14	2Q14	3Q13
Beginning Balance	255.05	231.70	225.83
Cash from operating activities	91.25	81.75	95.80
Capital expenditures	(47.88)	(73.33)	(54.82)
Cash dividends	(77.79)	0.00	(77.77)
Short-term loans	1.39	10.40	(13.23)
Proceeds from issuance of bonds	0.00	0.00	41.20
Investments and others	3.86	4.53	(0.41)
Ending Balance	225.88	255.05	216.60
Free Cash Flow ⁽¹⁾	43.37	8.42	40.98

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

4Q14 Guidance

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

- **Revenue to be between NT\$ 217 billion and NT\$ 220 billion, at a forecast exchange rate of 30.31 NT dollars to 1 US dollar**
- **Gross profit margin to be between 48% and 50%**
- **Operating profit margin to be between 38% and 40%**

Recap of Recent Major Events

- **ARM and TSMC Unveil Roadmap for 64-bit ARM-based Processors on 10FinFET Process Technology (2014/10/02)**
- **TSMC and ARM set new Benchmarks for Performance and Power Efficiency with First Announced FinFET Silicon with 64-bit ARM big.LITTLE Technology (2014/09/30)**
- **TSMC Launches Ultra-Low Power Technology Platform for IoT and Wearable Device Applications (2014/09/29)**
- **TSMC Celebrates Upcoming Completion of Kaohsiung Gas Explosion Reconstruction Project (2014/09/27)**
- **TSMC Delivers First Fully Functional 16FinFET Networking Processor (2014/09/25)**
- **TSMC Launches Fourth Quarter Recruitment Campaign (2014/09/24)**
- **TSMC 28HPC Process in Volume Production (2014/09/12)**
- **TSMC Named DJSI Industry Group Leader for Second Straight Year (2014/09/12)**
- **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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