

# TSMC

## 2011 Third Quarter Investor Conference

*October 27, 2011*

# Agenda

- **Welcome** Elizabeth Sun
- **3Q11 Financial Results and 4Q11 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.

# 3Q11 Financial Highlights

*(In NT billions except otherwise noted)*

	3Q11	3Q11 Guidance	2Q11 Actual	3Q10 Actual	QoQ	YoY
<b>Net Sales</b>	106.48	102 - 104	110.51	112.25	-3.6%	-5.1%
<b>Gross Margin</b>	42.0%	40.5% - 42.5%	46.0%	50.0%	-4.0 ppts	-8.0 ppts
<b>Operating Margin</b>	29.7%	28% - 30%	34.3%	38.4%	-4.6 ppts	-8.7 ppts
<b>EPS - Diluted (NT\$)</b>	1.17		1.39	1.81	-15.5%	-35.3%
<b>Free Cash Flow</b>	17.16		-1.82	21.80	NM	-21.3%
<b>ROE (%)</b>	20.9%		24.5%	36.5%	-3.6 ppts	-15.6 ppts
<b>Shipment (Kpcs, 8"-equiv. Wafer)</b>	3,180		3,291	3,191	-3.4%	-0.3%
<b>Average Exchange Rate-- NTD/USD</b>	29.12		28.86	31.94	0.9%	-8.8%

\* Total outstanding shares were 25,915mn units at 9/30/11

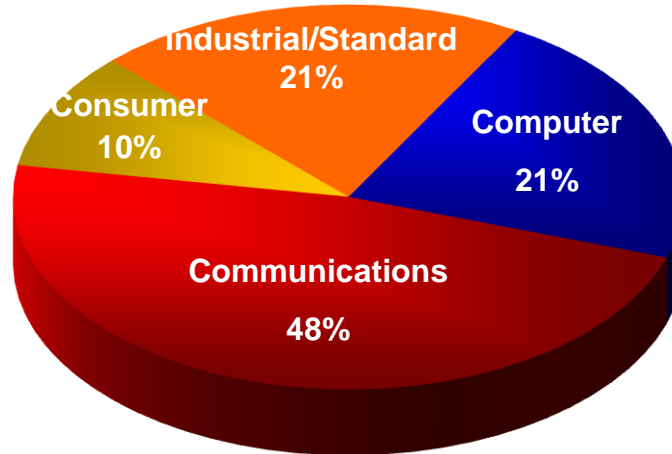
\*\* ROE figures are annualized based on average equity attributable to shareholders of the parent.

# Income Statements

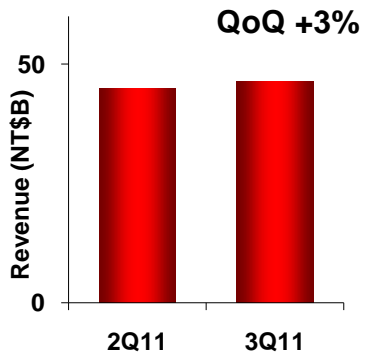
*(In NT billions except otherwise noted)*

	<b>3Q11</b>	<b>2Q11</b>	<b>3Q10</b>	<b>QoQ</b>	<b>YoY</b>
Net Sales	106.48	110.51	112.25	-3.6%	-5.1%
<b>Gross Margin</b>	<b>42.0%</b>	<b>46.0%</b>	<b>50.0%</b>	<b>-4.0 pts</b>	<b>-8.0 pts</b>
Operating Expenses	(13.17)	(12.99)	(13.06)	1.4%	0.9%
<b>Operating Margin</b>	<b>29.7%</b>	<b>34.3%</b>	<b>38.4%</b>	<b>-4.6 pts</b>	<b>-8.7 pts</b>
Non-Operating Items	0.41	0.94	5.71	-56.5%	-92.8%
Long-Term Investment Gains	0.15	0.25	0.90	-38.4%	-83.2%
Taxes	(1.73)	(3.03)	(2.55)	-43.0%	-32.3%
Net Income	30.40	35.95	46.94	-15.5%	-35.2%
<b>Net Margin</b>	<b>28.5%</b>	<b>32.5%</b>	<b>41.8%</b>	<b>-4.0 pts</b>	<b>-13.3 pts</b>
EPS (NT Dollar)	1.17	1.39	1.81	-15.5%	-35.3%

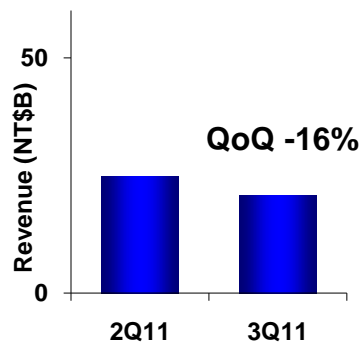
# 3Q11 Revenue by Applications



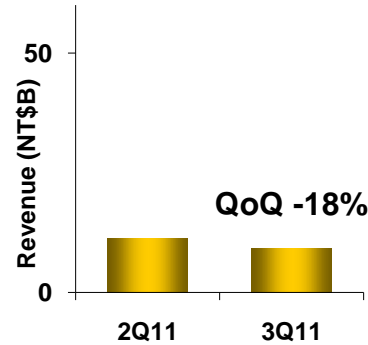
Communications



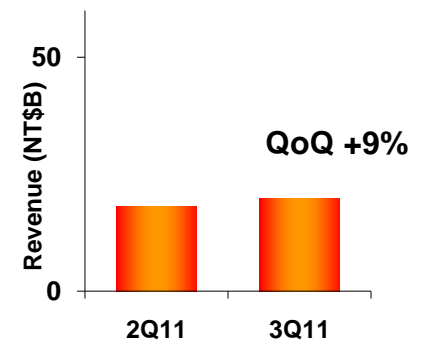
Computer



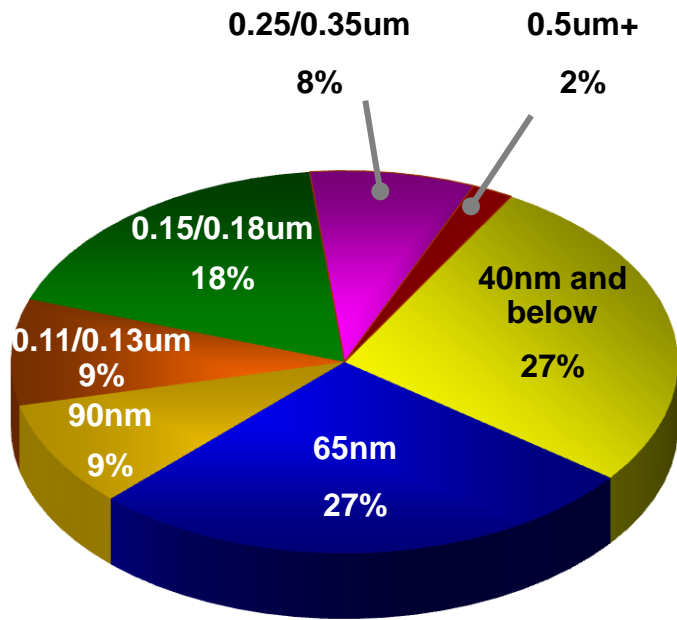
Consumer



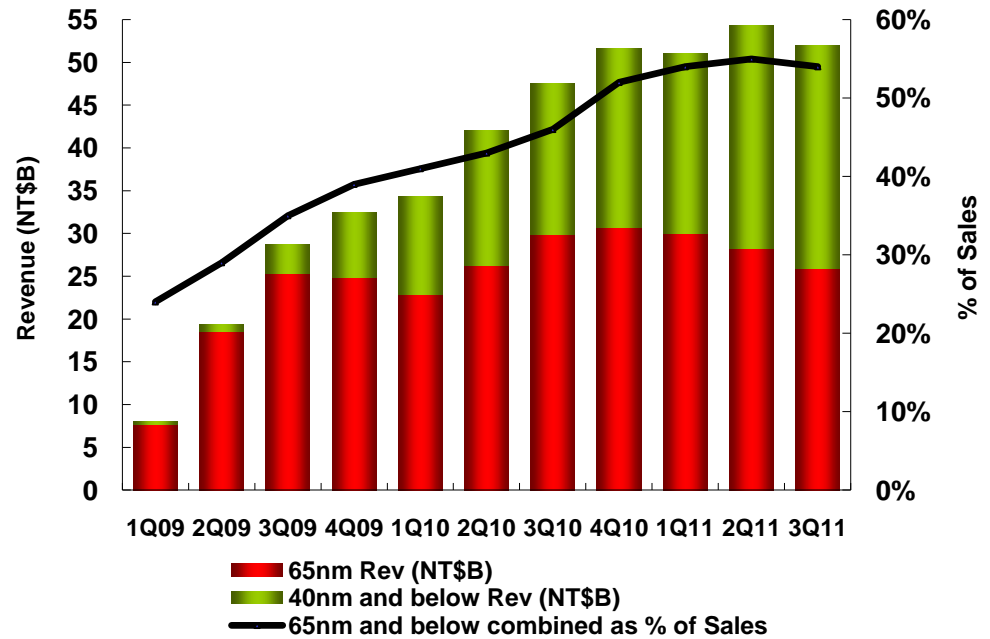
Industrial/Standard



# 3Q11 Revenue by Technology



65nm and below revenue



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT billions except otherwise noted)

	3Q11		2Q11		3Q10	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	120.26	16.4%	159.13	20.3%	167.21	25.0%
Accounts Receivable - Trade	45.46	6.2%	46.19	5.9%	47.38	7.1%
Inventory	25.69	3.5%	31.52	4.0%	26.66	4.0%
<b>Long-Term Investment</b>	<b>36.47</b>	<b>5.0%</b>	<b>34.84</b>	<b>4.5%</b>	<b>39.78</b>	<b>6.0%</b>
<b>Net PP&amp;E</b>	<b>472.95</b>	<b>64.4%</b>	<b>477.89</b>	<b>61.0%</b>	<b>349.18</b>	<b>52.3%</b>
<b>Total Assets</b>	<b>734.64</b>	<b>100.0%</b>	<b>783.82</b>	<b>100.0%</b>	<b>667.55</b>	<b>100.0%</b>
<b>Current Liabilities</b>	<b>108.37</b>	<b>14.7%</b>	<b>205.49</b>	<b>26.2%</b>	<b>109.24</b>	<b>16.4%</b>
<b>Long-Term Interest-bearing Debt</b>	<b>20.34</b>	<b>2.8%</b>	<b>5.19</b>	<b>0.7%</b>	<b>12.18</b>	<b>1.8%</b>
<b>Total Liabilities</b>	<b>133.52</b>	<b>18.2%</b>	<b>215.46</b>	<b>27.5%</b>	<b>126.65</b>	<b>19.0%</b>
<b>Total Shareholders' Equity</b>	<b>601.12</b>	<b>81.8%</b>	<b>568.36</b>	<b>72.5%</b>	<b>540.90</b>	<b>81.0%</b>
<b>Key Indices</b>						
A/R Turnover Days	39		39		39	
Inventory Turnover Days	45		53		47	
Current Ratio (x)	1.8		1.2		2.3	
Asset Productivity (x) <sup>(1)</sup>	0.9		1.0		1.3	

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



# Cash Flows

(In NT billions except otherwise noted)

	3Q11	2Q11	3Q10
<b>Beginning Balance</b>	150.98	129.45	172.49
Cash from operating activities	55.21	63.06	63.95
Capital expenditures	(38.05)	(64.88)	(42.15)
Cash dividends	(77.73)	0.00	(77.71)
Share buyback	(0.07)	0.00	0.00
Short-term loans	2.88	(1.04)	19.83
Proceeds from issuance of bonds	18.00	0.00	0.00
Investments and others	3.62	24.39	(4.14)
<b>Ending Balance</b>	114.84	150.98	132.27
Free Cash Flow <sup>(1)</sup>	17.16	(1.82)	21.80

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

# Capital Expenditures

<i>(In US millions)</i>	3Q11	2Q11	1Q11	YTD
TSMC	1,236	2,149	2,635	6,020
TSMC China & WaferTech	47	92	95	234
Other TSMC Subsidiaries	23	12	44	79
<b>TSMC Consolidated</b>	<b>1,306</b>	<b>2,253</b>	<b>2,774</b>	<b>6,333</b>

Note: 2011 CapEx was based on the weighted average exchange rate of NT\$29.086 per US dollar.

# Installed Capacity

2011 Overall Capacity +17%; 12-inch Capacity +29%

FAB / (Wafer size)	2010 (A)	1Q11 (A)	2Q11 (A)	3Q11 (A)	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	337	1,334
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>3,358</b>	<b>12,969</b>
<b>SSMC (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>3,423</b>	<b>13,227</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.

# 4Q11 Guidance

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

- **Revenue to be between NT\$ 103 billion and NT\$ 105 billion, at a forecast exchange rate of 30.30 NT dollars to 1 US dollar**
- **Gross profit margin to be between 43.5 % and 45.5 %**
- **Operating profit margin to be between 30 % and 32 %**

# Recap of Recent Major Events

- TSMC 28nm Technology in Volume Production ( 2011/10/24 )
- TSMC Wins Ministry of Economic Affairs Bureau of Foreign Trade's First "Taiwan Green Classic Award" ( 2011/10/19 )
- ARM and TSMC Tape Out First 20nm ARM Cortex-A15 Multicore Processor ( 2011/10/18 )
- TSMC Held 2011 Sports Day ( 2011/10/15 )
- TSMC Works with Government and Academia to Jointly Hold "Workplace Health Improvement Forum" ( 2011/09/22 )
- TSMC Announced August 2011 Sales and Expected TSMC's Third Quarter Revenue likely to Exceed the Third Quarter Guidance ( 2011/09/09 )
- Chairman Dr. Morris Chang Receives SEMI Akira Inoue Award for Contributions to Semiconductor Environment, Health, and Safety Management ( 2011/09/07 )
- TSMC Board of Directors Approved the Issuance of an Unsecured Straight Corporate Bond in the Domestic Market for an Amount Not Exceeding NT\$35 billion to Secure Long-Term, Low Fixed-Cost Funding. ( 2011/08/09 )
- 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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