

2013 Fourth Quarter Earnings Conference

January 16, 2014

Agenda

- **Welcome** Elizabeth Sun
- **4Q13 Financial Results and 1Q14 Outlook** Lora Ho
- **Key Message** Morris Chang /
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 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

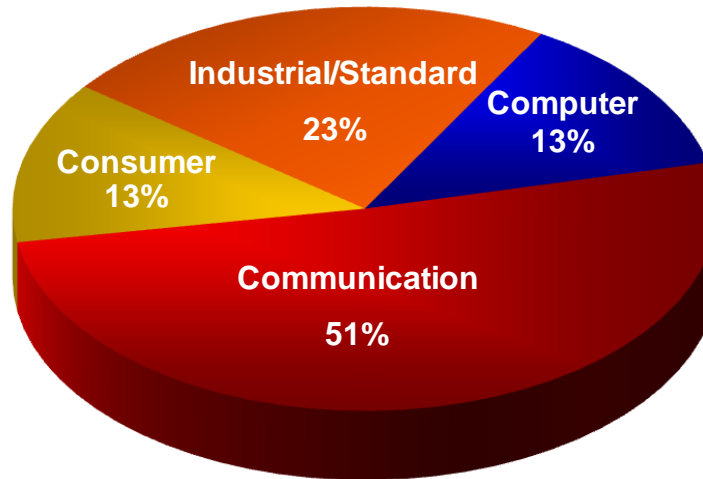
Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	4Q13	4Q13 Guidance	3Q13	4Q12	4Q13 over 3Q13	4Q13 over 4Q12
Net Revenue	145.81	144 - 147	162.58	131.45	-10.3%	10.9%
Gross Margin	44.5%	44% - 46%	48.5%	47.2%	-4.0 pts	-2.7 pts
Operating Expenses	(17.13)		(19.26)	(15.69)	-11.0%	9.2%
Operating Margin	32.8%	32% - 34%	36.7%	35.3%	-3.9 pts	-2.5 pts
Non-Operating Items	2.62		(0.27)	(0.11)	NM	NM
Net Income	44.81		51.95	41.60	-13.7%	7.7%
Net Profit Margin	30.7%		32.0%	31.7%	-1.3 pts	-1.0 ppt
EPS (NT Dollar)	1.73		2.00	1.61	-13.7%	7.7%
ROE	21.7%		26.8%	23.9%	-5.1 pts	-2.2 pts
Shipment (Kpcs, 8"-equiv. Wafer)	3,868		4,194	3,565	-7.8%	8.5%
Average Exchange Rate--USD/NTD	29.54	29.50	29.88	29.15	-1.1%	1.3%

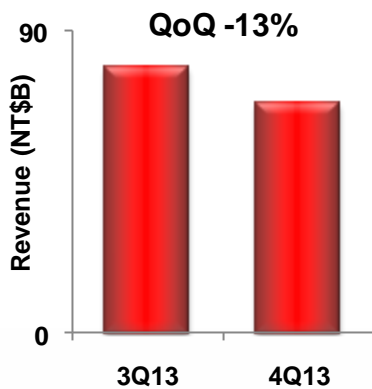
* Diluted weighted average outstanding shares were 25,930mn units in 4Q13

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

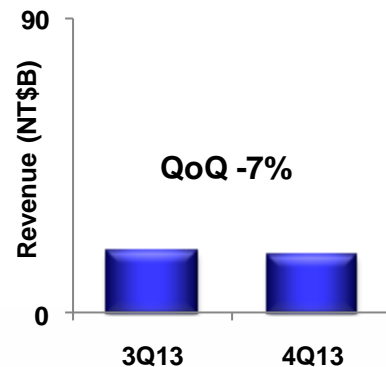
4Q13 Revenue by Application



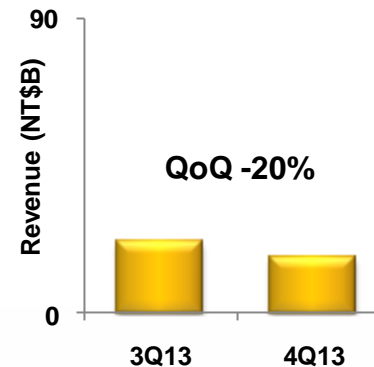
Communication



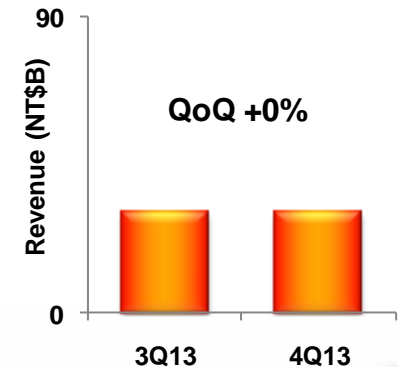
Computer



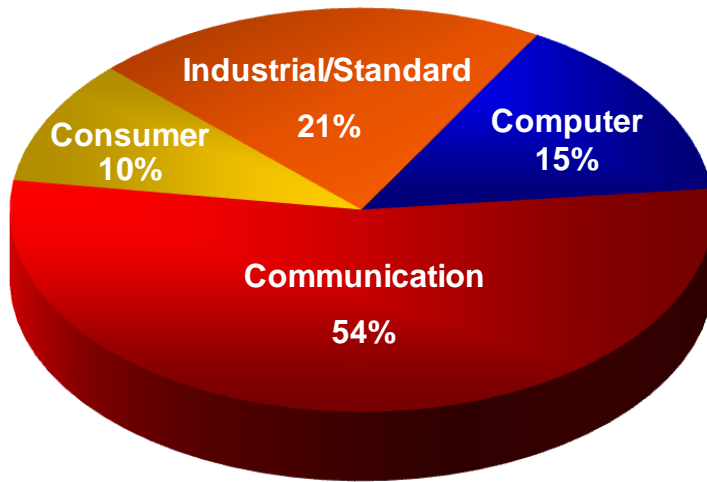
Consumer



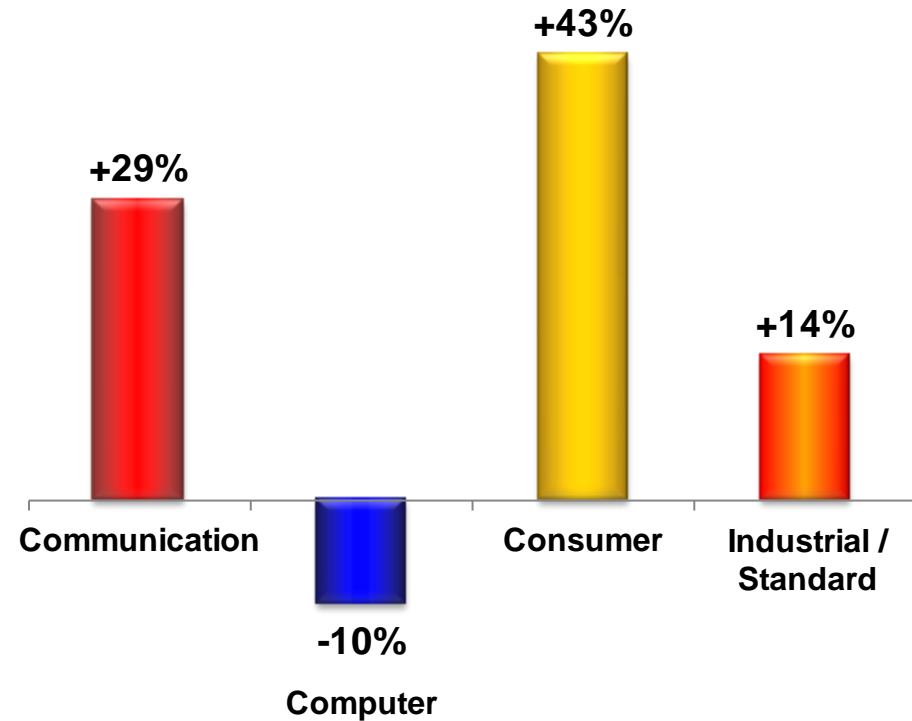
Industrial/Standard



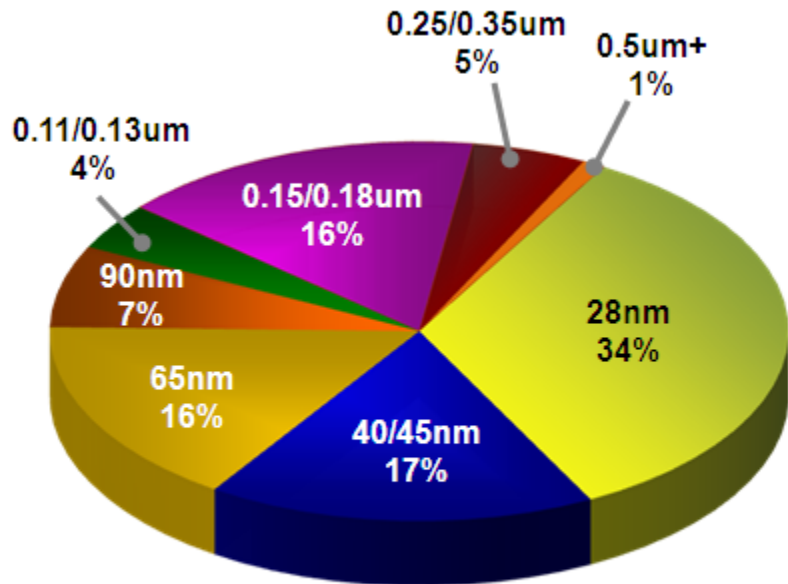
2013 Revenue by Application



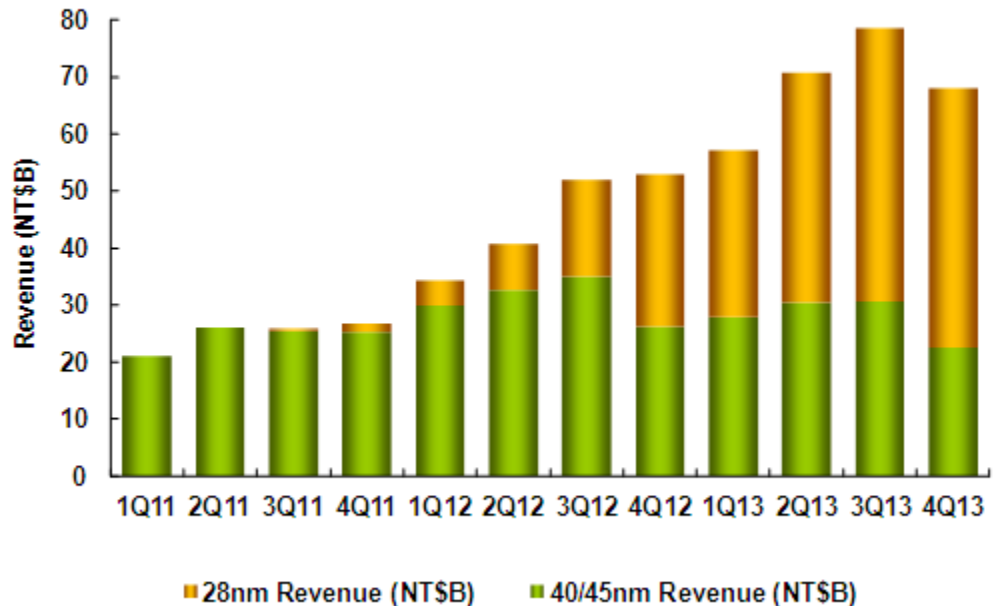
Growth rate by application (YoY)



4Q13 Revenue by Technology



40/45nm and below revenue



Balance Sheets & Key Indices

Selected Items from Balance Sheets <i>(In NT\$ billions)</i>	4Q13		3Q13		4Q12	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	245.34	19.4%	218.16	18.5%	150.92	15.7%
Accounts Receivable	71.94	5.7%	79.67	6.8%	58.13	6.0%
Inventories	37.50	3.0%	36.92	3.1%	37.83	3.9%
Long-term Investments	89.18	7.1%	89.17	7.6%	65.72	6.9%
Net PP&E	792.67	62.8%	727.72	61.8%	617.56	64.2%
Total Assets	1,263.06	100.0%	1,177.54	100.0%	961.36	100.0%
Current Liabilities	189.78	15.0%	148.28	12.6%	148.48	15.5%
Long-term Interest-bearing Debts	211.58	16.8%	211.22	17.9%	82.11	8.5%
Total Liabilities	415.28	32.9%	373.37	31.7%	238.27	24.8%
Total Shareholders' Equity	847.78	67.1%	804.17	68.3%	723.09	75.2%
Key Indices						
A/R Turnover Days	48		45		43	
Inventory Turnover Days	45		45		50	
Current Ratio (x)	1.9		2.3		1.7	
Asset Productivity (x)	0.8		0.9		0.9	

* Total outstanding shares were 25,929mn units at 12/31/13

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

Cash Flows

(In NT\$ billions)

	4Q13	3Q13	4Q12
Beginning Balance	216.60	225.83	138.74
Cash from operating activities	102.77	95.80	84.80
Capital expenditures	(73.96)	(54.82)	(59.77)
Cash dividends	0.00	(77.77)	0.00
Short-term loans	(2.32)	(13.23)	5.25
Proceeds from issuance of bonds	0.00	41.20	4.40
Investments and others	(0.39)	(0.41)	(30.01)
Ending Balance	242.70	216.60	143.41
Free Cash Flow ⁽¹⁾	28.81	40.98	25.03

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

2013 Financial Highlights

(In NT\$ billions unless otherwise noted)

	2013	2012	YoY
Net Revenue	597.02	506.75	17.8%
Gross Margin	47.1%	48.2%	-1.1 pts
Operating Margin	35.1%	35.8%	-0.7 ppt
Income before Income Tax	215.49	181.68	18.6%
EPS - Diluted (NT\$)	7.26	6.41	13.1%
Cash from operating activities	347.38	284.96	21.9%
Capital expenditures	287.60	246.14	16.8%
Free Cash Flow	59.78	38.82	54.0%
Cash Dividends	77.77	77.75	0.0%
Cash & Marketable Securities	245.34	150.92	62.6%
ROE	24.0%	24.7%	-0.7 ppt

1Q14 Guidance

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

- **Revenue to be between NT\$ 136 billion and NT\$ 138 billion, at a forecast exchange rate of 30 NT dollars to 1 US dollar**
- **Gross profit margin to be between 44.5% and 46.5%**
- **Operating profit margin to be between 32% and 34%**

Recap of Recent Major Events

- **TSMC Recognizes Outstanding Suppliers at Supply Chain Management Forum (2013/12/12)**
- **TSMC Approved the Appointment of Drs. Mark Liu and C. C. Wei as President and Co-Chief Executive Officer of TSMC (2013/11/12)**
- **TSMC Approved the Promotion of Dr. Been-Jon Woo as Vice President of Business Development Organization (2013/11/12)**
- **TSMC Approved the revision of TSMC's "Procedure of Retirement" and set the mandatory retirement age to 67 (2013/11/12)**
- **Xilinx and TSMC Reach Volume Production on all 28nm CoWoS™-based All Programmable 3D IC Families (2013/10/21)**
- **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**

<http://www.tsmc.com>
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