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# 2014 First Quarter Earnings Conference

*April 17, 2014*

# Agenda

- **Welcome** Elizabeth Sun
- **1Q14 Financial Results and 2Q14 Outlook** Lora Ho
- **Key Messages** 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

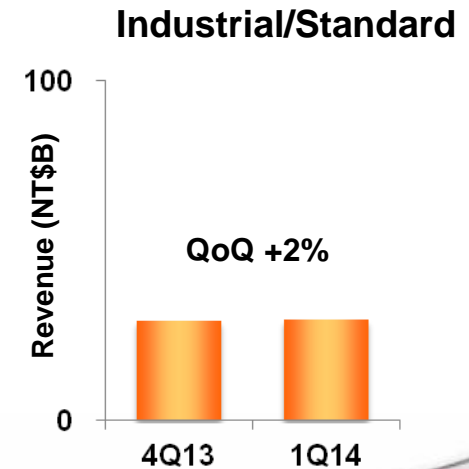
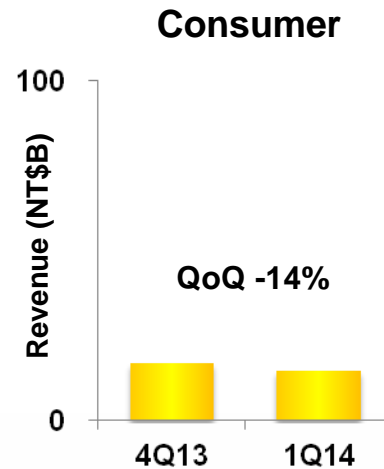
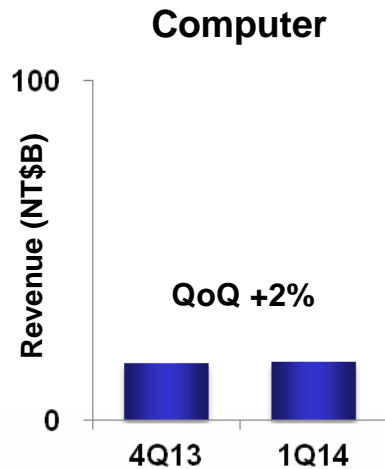
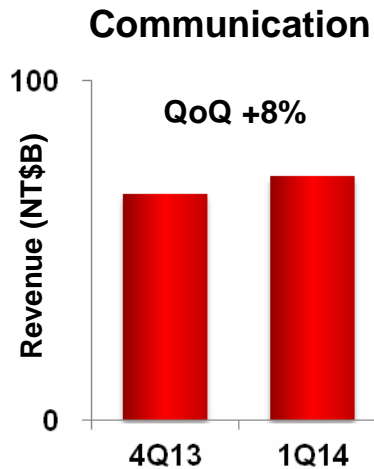
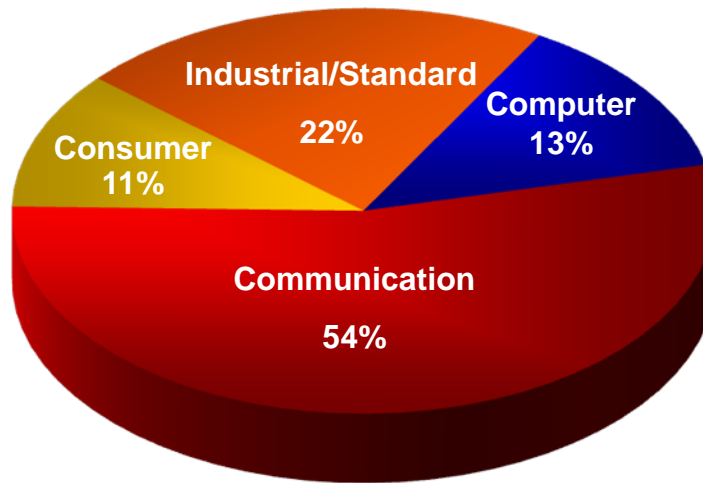
## Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	1Q14	1Q14 Guidance (revised)	1Q14 Guidance (original)	4Q13	1Q13	1Q14 over 4Q13	1Q14 over 1Q13
Net Revenue	148.22	147	136 - 138	145.81	132.76	1.7%	11.6%
<b>Gross Margin</b>	<b>47.5%</b>	<b>47%</b>	<b>44.5% - 46.5%</b>	<b>44.5%</b>	<b>45.8%</b>	<b>+3.0 ppts</b>	<b>+1.7 ppts</b>
Operating Expenses	(17.88)			(17.13)	(16.38)	4.3%	9.2%
<b>Operating Margin</b>	<b>35.4%</b>	<b>35%</b>	<b>32% - 34%</b>	<b>32.8%</b>	<b>33.5%</b>	<b>+2.6 ppts</b>	<b>+1.9 ppts</b>
Non-Operating Items	0.78			2.62	1.32	-70.2%	-40.9%
Net Income to Shareholders of the Parent Company	47.87			44.81	39.58	6.8%	21.0%
<b>Net Profit Margin</b>	<b>32.3%</b>			<b>30.7%</b>	<b>29.8%</b>	<b>+1.6 ppts</b>	<b>+2.5 ppts</b>
EPS (NT Dollar)	1.85			1.73	1.53	6.8%	21.0%
ROE	21.9%			21.7%	21.3%	+0.2 ppt	+0.6 ppt
Shipment (Kpcs, 12"-equiv. Wafer)	1,718			1,719	1,587	-0.1%	8.3%
Average Exchange Rate--USD/NTD	30.25		30.00	29.54	29.45	2.4%	2.7%

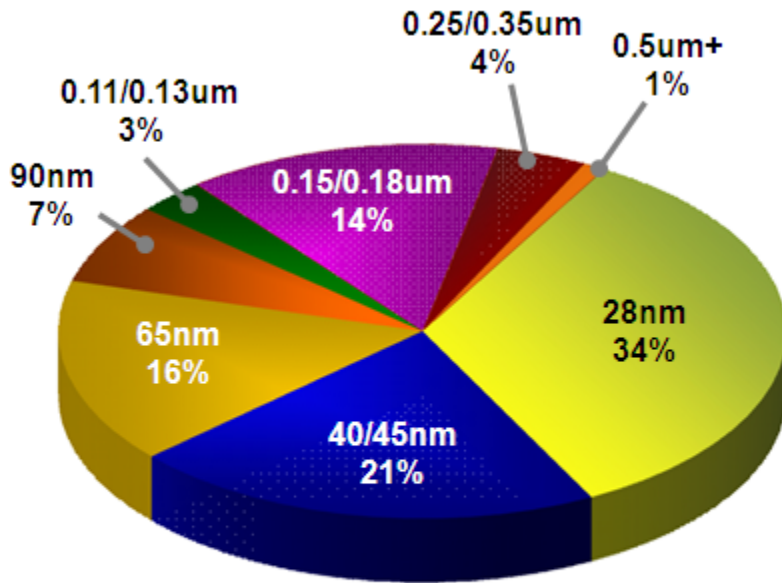
\* Diluted weighted average outstanding shares were 25,930mn units in 1Q14.

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

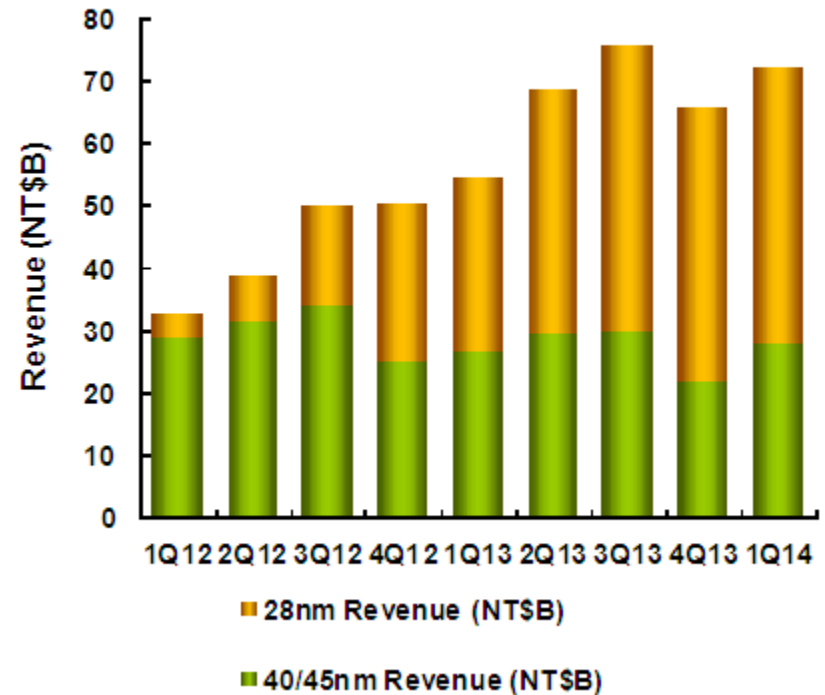
# 1Q14 Revenue by Application



# 1Q14 Revenue by Technology



40/45nm and below revenue



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT\$ billions)

	1Q14		4Q13		1Q13	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	234.95	18.1%	245.34	19.4%	189.26	17.9%
Accounts Receivable	74.33	5.7%	71.94	5.7%	65.91	6.2%
Inventories	43.48	3.3%	37.50	3.0%	37.83	3.6%
Long-term Investments	90.85	7.0%	89.18	7.1%	70.70	6.6%
Net PP&E	828.01	63.8%	792.67	62.8%	666.45	62.8%
<b>Total Assets</b>	<b>1,298.74</b>	<b>100.0%</b>	<b>1,263.06</b>	<b>100.0%</b>	<b>1,061.63</b>	<b>100.0%</b>
Current Liabilities	174.40	13.4%	189.78	15.0%	158.21	14.9%
Long-term Interest-bearing Debts	212.62	16.4%	211.58	16.8%	127.09	12.0%
<b>Total Liabilities</b>	<b>400.74</b>	<b>30.9%</b>	<b>415.28</b>	<b>32.9%</b>	<b>292.98</b>	<b>27.6%</b>
<b>Total Shareholders' Equity</b>	<b>898.00</b>	<b>69.1%</b>	<b>847.78</b>	<b>67.1%</b>	<b>768.65</b>	<b>72.4%</b>
<b>Key Indices</b>						
A/R Turnover Days	45		48		43	
Inventory Turnover Days	52		45		51	
Current Ratio (x)	2.0		1.9		1.9	
Asset Productivity (x)	0.7		0.8		0.8	

\* Total outstanding shares were 25,929mn units at 3/31/14.

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

# Cash Flows

(In NT\$ billions)

	1Q14	4Q13	1Q13
<b>Beginning Balance</b>	<b>242.70</b>	<b>216.60</b>	<b>143.41</b>
Cash from operating activities	94.86	102.77	73.57
Capital expenditures	(114.91)	(73.96)	(80.42)
Short-term loans	8.82	(2.32)	0.23
Proceeds from issuance of bonds	0.00	0.00	45.00
Investments and others	0.23	(0.39)	4.24
<b>Ending Balance</b>	<b>231.70</b>	<b>242.70</b>	<b>186.03</b>
Free Cash Flow <sup>(1)</sup>	(20.05)	28.81	(6.85)

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



# 2Q14 Guidance

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

- **Revenue to be between NT\$ 180 billion and NT\$ 183 billion, at a forecast exchange rate of 30.10 NT dollars to 1 US dollar**
- **Gross profit margin to be between 47.5% and 49.5%**
- **Operating profit margin to be between 36.5% and 38.5%**

# Recap of Recent Major Events

- **TSMC to Sell 5% of Vanguard International Semiconductor ( 2014/04/11 )**
- **TSMC Updates 1Q14 Guidance. First Quarter Revenue is Expected to be About NT\$147 billion. Gross Profit Margin is Expected to be About 47% and the Operating Profit Margin is Expected to be About 35% ( 2014/03/12 )**
- **TSMC Board of Directors Proposes NT\$3.0 Cash Dividend per Share and Approves 2014 Annual Shareholders' Meeting to be Held on June 24 ( 2014/02/18 )**
- **TSMC Approved the Appointments of TSMC North America President Rick Cassidy and TSMC Vice President of R&D Dr. Wei-Jen Lo as Senior Vice Presidents of TSMC ( 2014/02/18 )**
- **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>  
[invest@tsmc.com](mailto:invest@tsmc.com)