

# **2014 Second Quarter Earnings Conference**

*July 16, 2014*

# Agenda

- **Welcome** **Elizabeth Sun**
- **2Q14 Financial Results and 3Q14 Outlook** **Lora Ho**
- **Key Messages** **Morris Chang**
- **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

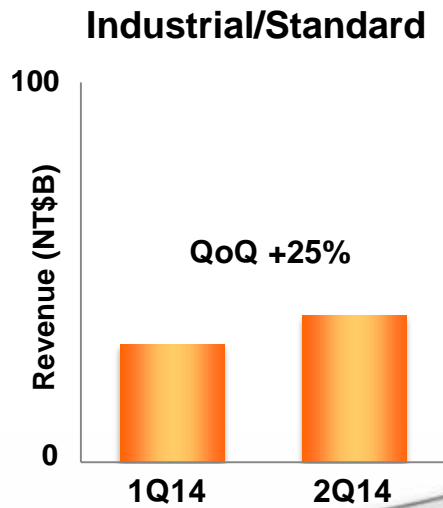
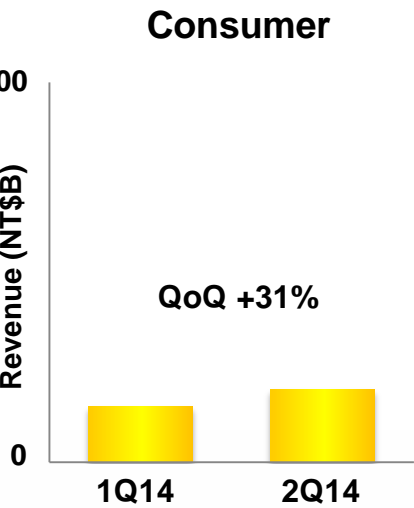
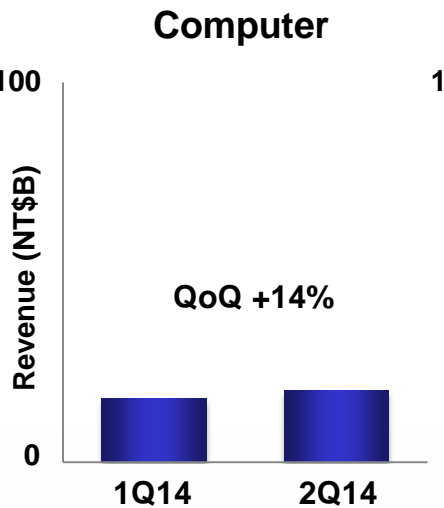
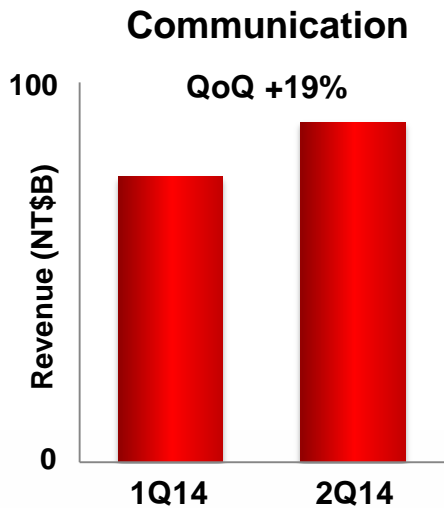
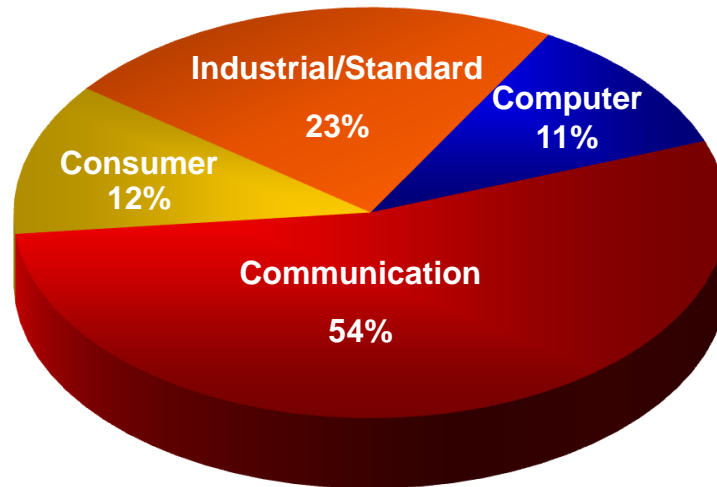
## Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	2Q14	2Q14 Guidance	1Q14	2Q13	2Q14 over 1Q14	2Q14 over 2Q13
Net Revenue	183.02	180 - 183	148.22	155.89	23.5%	17.4%
<b>Gross Margin</b>	<b>49.8%</b>	<b>47.5% - 49.5%</b>	<b>47.5%</b>	<b>49.0%</b>	<b>+2.3 ppts</b>	<b>+0.8 ppt</b>
Operating Expenses	(20.25)		(17.88)	(18.79)	13.3%	7.8%
<b>Operating Margin</b>	<b>38.6%</b>	<b>36.5% - 38.5%</b>	<b>35.4%</b>	<b>37.0%</b>	<b>+3.2 ppts</b>	<b>+1.6 ppts</b>
Non-Operating Items	3.38		0.78	2.39	333.8%	41.7%
Net Income to Shareholders of the Parent Company	59.70		47.87	51.81	24.7%	15.2%
<b>Net Profit Margin</b>	<b>32.6%</b>		<b>32.3%</b>	<b>33.2%</b>	<b>+0.3 ppts</b>	<b>-0.6 ppt</b>
EPS (NT Dollar)	2.30		1.85	2.00	24.7%	15.2%
ROE	26.9%		21.9%	27.4%	+5.0 ppts	-0.5 ppt
Shipment (Kpcs, 12"-equiv. Wafer)	2,053		1,718	1,793	19.5%	14.5%
Average Exchange Rate--USD/NTD	30.12	30.10	30.25	29.83	-0.4%	1.0%

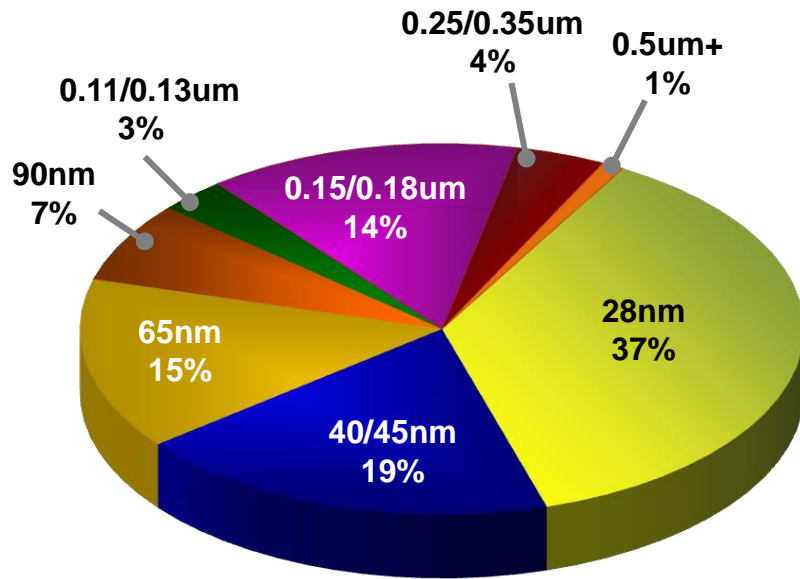
\* Diluted weighted average outstanding shares were 25,930mn units in 2Q14.

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

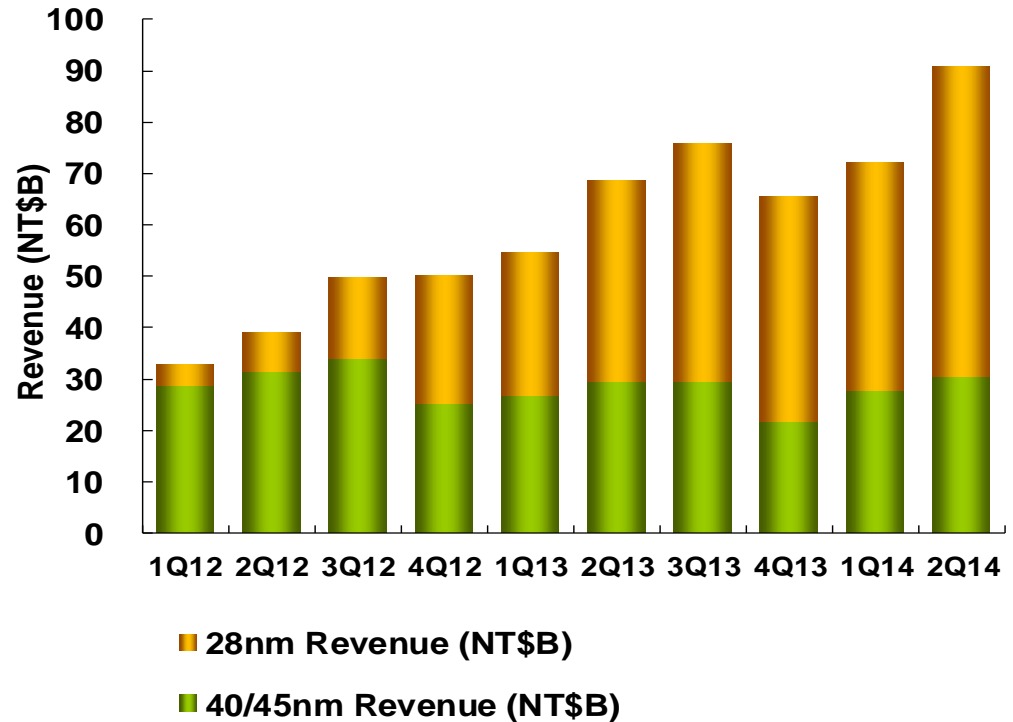
# 2Q14 Revenue by Application



# 2Q14 Revenue by Technology



40/45nm and below revenue



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT\$ billions)

	2Q14		1Q14		2Q13	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	314.59	23.4%	234.95	18.1%	227.62	19.4%
Accounts Receivable	86.89	6.4%	74.33	5.7%	80.34	6.9%
Inventories	50.95	3.8%	43.48	3.3%	38.62	3.3%
Long-term Investments	28.37	2.1%	90.85	7.0%	78.26	6.7%
Net PP&E	837.17	62.3%	828.01	63.8%	715.60	61.2%
<b>Total Assets</b>	<b>1,345.05</b>	<b>100.0%</b>	<b>1,298.74</b>	<b>100.0%</b>	<b>1,169.89</b>	<b>100.0%</b>
Current Liabilities	246.64	18.4%	174.40	13.4%	243.63	20.8%
Long-term Interest-bearing Debts	211.65	15.7%	212.62	16.4%	170.56	14.6%
<b>Total Liabilities</b>	<b>468.08</b>	<b>34.8%</b>	<b>400.74</b>	<b>30.9%</b>	<b>423.65</b>	<b>36.2%</b>
<b>Total Shareholders' Equity</b>	<b>876.97</b>	<b>65.2%</b>	<b>898.00</b>	<b>69.1%</b>	<b>746.24</b>	<b>63.8%</b>
<b>Key Indices</b>						
A/R Turnover Days	40		45		43	
Inventory Turnover Days	51		52		47	
Current Ratio (x)	1.9		2.0		1.4	
Asset Productivity (x)	0.9		0.7		0.9	

\* Total outstanding shares were 25,929mn units at 6/30/14.

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

# Cash Flows

(In NT\$ billions)

	2Q14	1Q14	2Q13
<b>Beginning Balance</b>	231.70	242.70	186.03
Cash from operating activities	81.75	94.86	75.24
Capital expenditures	(73.33)	(114.91)	(78.40)
Short-term loans	10.40	8.82	(4.32)
Proceeds from issuance of bonds	0.00	0.00	44.65
Investments and others	4.53	0.23	2.63
<b>Ending Balance</b>	255.05	231.70	225.83
Free Cash Flow <sup>(1)</sup>	8.42	(20.05)	(3.16)

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



# 3Q14 Guidance

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

- **Revenue to be between NT\$ 206 billion and NT\$ 209 billion, at a forecast exchange rate of 29.81 NT dollars to 1 US dollar**
- **Gross profit margin to be between 48.5% and 50.5%**
- **Operating profit margin to be between 38.5% and 40.5%**

# Recap of Recent Major Events

- **TSMC Sets July 14th as Ex-dividend Date and July 20th as Record Date for Common Share Dividends ( 2014/06/27 )**
- **TSMC Shareholders Approve NT\$3.0 Cash Dividend (2014/06/24 )**
- **Altera and TSMC Collaborate to Bring Advanced Packaging Technology to Arria 10 FPGAs and SoCs ( 2014/04/21 )**
  
- **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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