

2014 Fourth Quarter Earnings Conference

January 15, 2015

Agenda

- **Welcome** Elizabeth Sun
- **4Q14 Financial Results and 1Q15 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

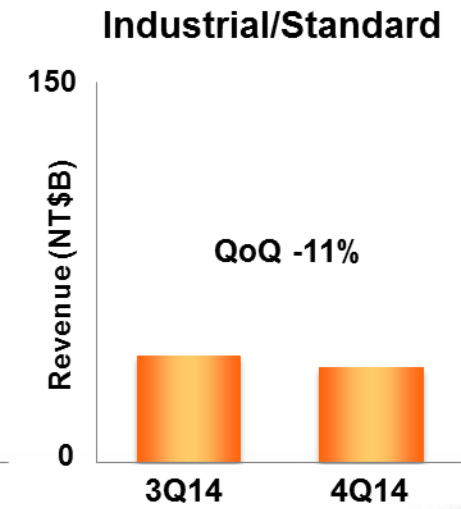
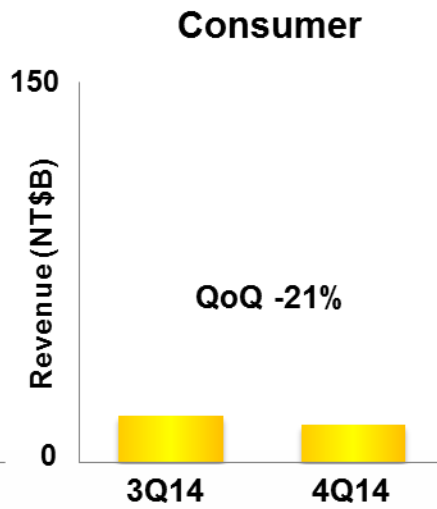
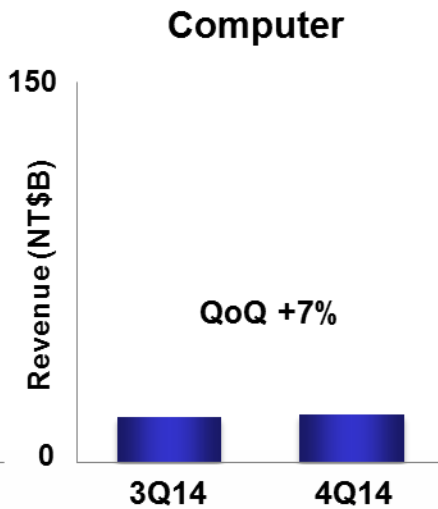
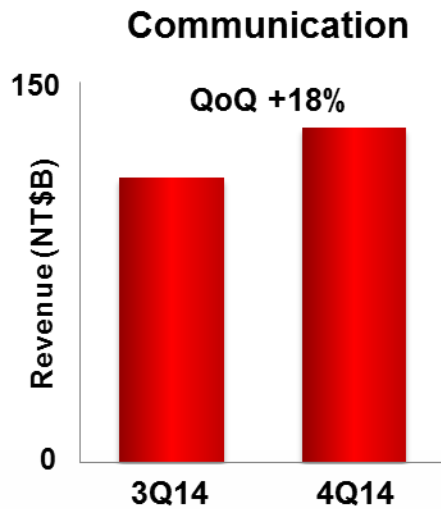
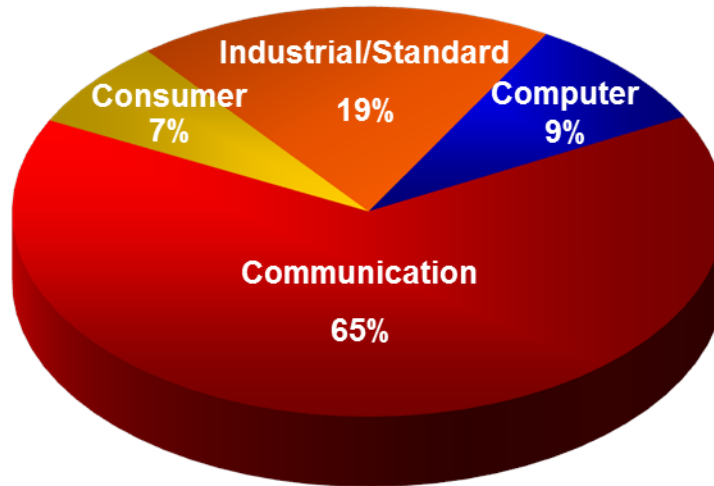
Selected Items from Statements of Comprehensive Income

(In NT\$ billions)	4Q14	4Q14 Guidance	3Q14	4Q13	4Q14 over 3Q14	4Q14 over 4Q13
Net Revenue	222.52	217 - 220	209.05	145.81	6.4%	52.6%
Gross Margin	49.7%	48% - 50%	50.5%	44.5%	-0.8 ppt	+5.2 ppts
Operating Expenses	(21.57)		(21.14)	(17.13)	2.1%	25.9%
Operating Margin	39.6%	38% - 40%	40.4%	32.8%	-0.8 ppt	+6.8 ppts
Non-Operating Items	1.10		0.95	2.62	15.4%	-58.2%
Net Income to Shareholders of the Parent Company	79.99		76.34	44.81	4.8%	78.5%
Net Profit Margin	35.9%		36.5%	30.7%	-0.6 ppt	+5.2 ppts
EPS (NT Dollar)	3.08		2.94	1.73	4.8%	78.5%
ROE	32.0%		33.3%	21.7%	-1.3 ppts	+10.3 ppts
Shipment (Kpcs, 12"-equiv. Wafer)	2,225		2,267	1,719	-1.9%	29.4%
Average Exchange Rate--USD/NTD	30.78	30.31	30.00	29.54	2.6%	4.2%

* Diluted weighted average outstanding shares were 25,930mn units in 4Q14.

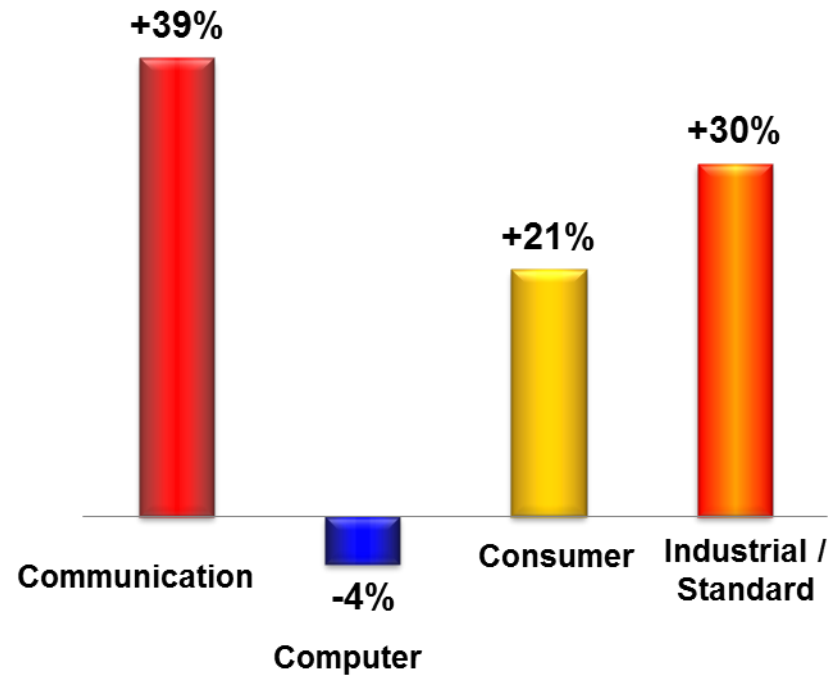
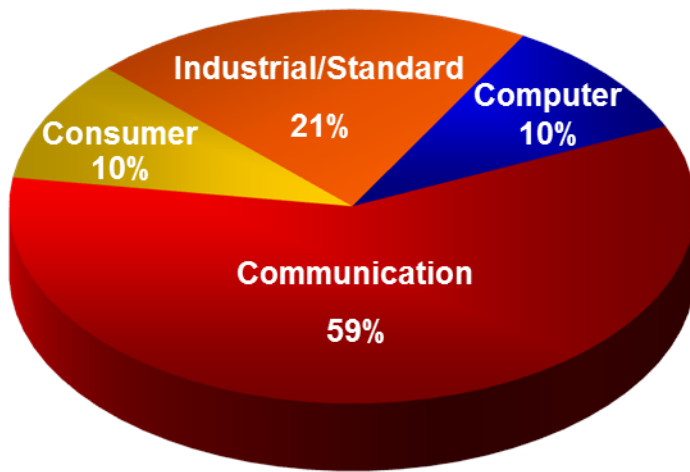
** ROE figures are annualized based on average equity attributable to shareholders of the parent company.

4Q14 Revenue by Application

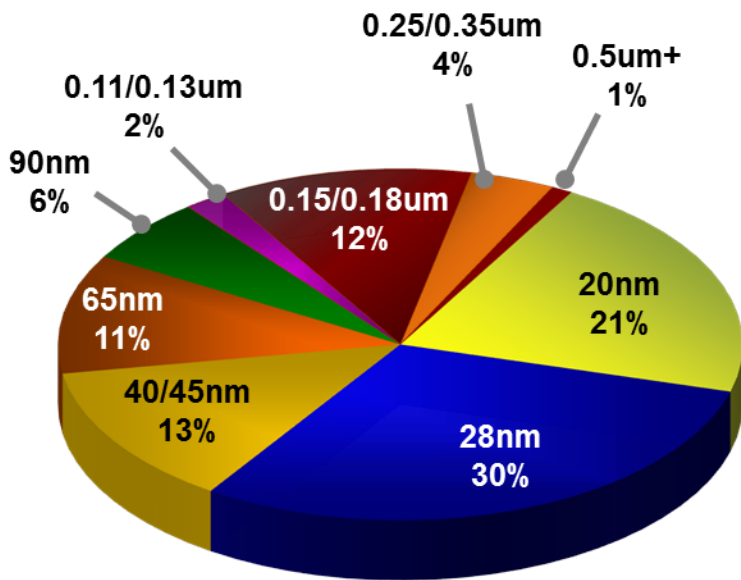


2014 Revenue by Application

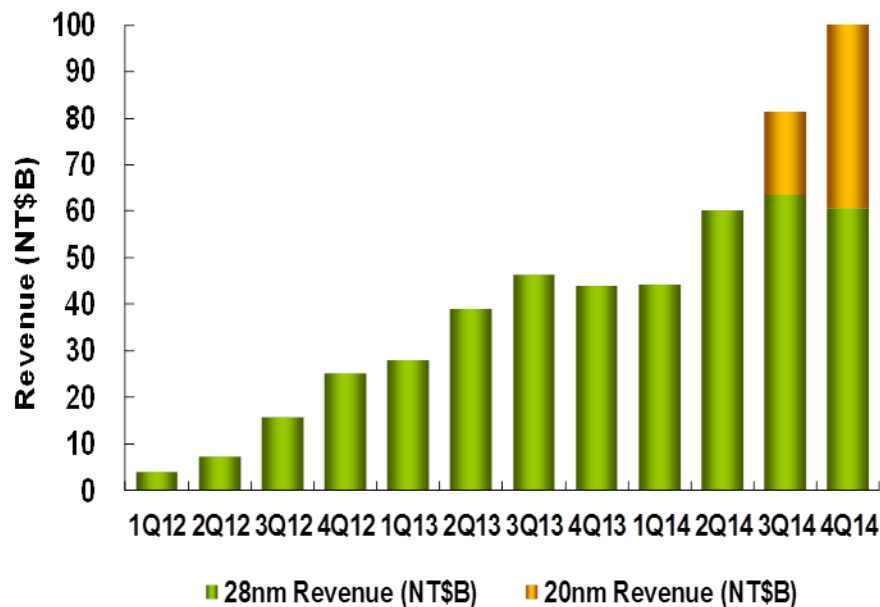
Growth rate by application (YoY)



4Q14 Revenue by Technology



28nm and below revenue



Balance Sheets & Key Indices

Selected Items from Balance Sheets

(In NT\$ billions)

	4Q14		3Q14		4Q13	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	436.92	29.2%	290.34	21.5%	245.34	19.4%
Accounts Receivable	115.05	7.7%	114.53	8.5%	71.94	5.7%
Inventories	66.34	4.4%	65.34	4.8%	37.50	3.0%
Long-term Investments	30.05	2.0%	28.85	2.1%	89.18	7.1%
Net PP&E	818.20	54.7%	824.31	61.1%	792.67	62.8%
Total Assets	1,495.13	100.0%	1,350.00	100.0%	1,263.06	100.0%
Current Liabilities	201.01	13.5%	172.25	12.8%	189.78	15.0%
Long-term Interest-bearing Debts	214.52	14.3%	212.61	15.7%	211.58	16.8%
Total Liabilities	449.46	30.1%	393.44	29.1%	415.28	32.9%
Total Shareholders' Equity	1,045.67	69.9%	956.56	70.9%	847.78	67.1%
Key Indices						
A/R Turnover Days	47		44		48	
Inventory Turnover Days	58		56		45	
Current Ratio (x)	3.1		2.8		1.9	
Asset Productivity (x)	1.1		1.0		0.8	

* Total outstanding shares were 25,929mn units at 12/31/14.

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

Cash Flows

(In NT\$ billions)

	4Q14	3Q14	4Q13
Beginning Balance	225.88	255.05	216.60
Cash from operating activities	153.67	91.25	102.77
Capital expenditures	(52.42)	(47.88)	(73.96)
Cash dividends	0.00	(77.79)	0.00
Short-term loans	(2.04)	1.39	(2.32)
Investments and others	33.36	3.86	(0.39)
Ending Balance	358.45	225.88	242.70
Free Cash Flow ⁽¹⁾	101.25	43.37	28.81

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

2014 Financial Highlights

(In NT\$ billions unless otherwise noted)

	2014	2013	YoY
Net Revenue	762.81	597.02	27.8%
Gross Margin	49.5%	47.1%	+2.4 pts
Operating Margin	38.8%	35.1%	+3.7 pts
Income before Income Tax	302.10	215.49	40.2%
EPS - Diluted (NT\$)	10.18	7.26	40.3%
Operating Cash Flow	421.53	347.38	21.3%
Capital Expenditures	288.54	287.60	0.3%
Free Cash Flow (FCF)	132.99	59.78	122.5%
Cash Dividends	77.79	77.77	0.0%
Cash & Marketable Securities	436.92	245.34	78.1%
ROE	27.9%	24.0%	+3.9 pts

1Q15 Guidance

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

- **Revenue to be between NT\$ 221 billion and NT\$ 224 billion, at a forecast exchange rate of 31.80 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

- **Epistar to Buy 94% of TSMC SSL from TSMC and Subsidiary (2015/01/09)**
- **TSMC Joins Electronic Industry Citizenship Coalition (2015/01/07)**
- **TSMC Recognizes Outstanding Suppliers at Supply Chain Management Forum (2014/12/04)**
- **TSMC 16FinFET Plus Process Achieves Risk Production Milestone (2014/11/12)**

- **Please visit TSMC's website (<http://www.tsmc.com>) and Market Observation Post System (<http://mops.twse.com.tw>) for details and other announcements**

<http://www.tsmc.com>
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