

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2013 and 2012 and  
Independent Accountants' Review Report**

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 and the related consolidated statements of comprehensive income for the three months ended June 30, 2013 and 2012 and for the six months ended June 30, 2013 and 2012, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Review of Financial Statements," issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standard 1, "First-time adoption of International Financial Reporting Standards," and International Accounting Standard 34, "Interim Financial Reporting," endorsed by the Financial Supervisory Commission of the Republic of China.

August 13, 2013

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the accountants' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language accountants' review report and consolidated financial statements shall prevail.*

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

ASSETS	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012		LIABILITIES AND EQUITY	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>									<b>CURRENT LIABILITIES</b>								
Cash and cash equivalents (Note 6)	\$ 225,832,646	20	\$ 143,410,588	15	\$ 178,440,559	20	\$ 143,472,277	18	Short-term loans (Note 18)	\$ 31,466,400	3	\$ 34,714,929	4	\$ 30,772,585	3	\$ 25,926,528	3
Financial assets at fair value through profit or loss (Note 7)	20,010	-	39,554	-	23,734	-	15,360	-	Financial liabilities at fair value through profit or loss (Note 7)	136,515	-	15,625	-	35,166	-	13,742	-
Available-for-sale financial assets (Note 8)	1,070,537	-	2,410,635	-	2,477,046	-	3,308,770	-	Hedging derivative financial liabilities (Note 10)	-	-	-	-	69	-	232	-
Held-to-maturity financial assets (Note 9)	700,576	-	5,056,973	1	7,424,976	1	3,825,680	1	Accounts payable	14,391,539	1	14,490,429	2	14,126,994	1	10,530,487	1
Notes and accounts receivable, net (Note 11)	79,742,708	7	57,777,586	6	60,610,432	7	45,830,288	6	Payables to related parties (Note 37)	811,195	-	748,613	-	1,309,966	-	1,328,521	-
Receivables from related parties (Note 37)	597,623	-	353,811	-	837,245	-	185,764	-	Salary and bonus payable	7,135,399	1	7,535,296	1	5,518,151	1	6,148,499	1
Other receivables from related parties (Note 37)	2,433,325	-	185,550	-	981,263	-	122,292	-	Accrued profit sharing to employees and bonus to directors and supervisors (Note 24)	17,366,804	1	11,186,591	1	14,152,148	2	9,081,293	1
Inventories (Notes 5 and 12)	38,614,928	3	37,830,498	4	30,780,466	4	24,840,582	3	Payables to contractors and equipment suppliers	60,883,767	5	44,831,798	5	45,039,813	5	35,540,526	5
Other current assets (Note 17)	2,739,259	-	2,786,408	-	2,404,358	-	2,174,014	-	Cash dividends payable (Note 24)	77,773,307	7	-	-	77,762,637	9	-	-
Other financial assets (Note 38)	710,741	-	473,833	-	603,940	-	617,142	-	Income tax payable (Note 31)	11,125,990	1	15,635,594	2	6,787,548	1	10,656,124	1
Total current assets	<u>352,462,353</u>	<u>30</u>	<u>250,325,436</u>	<u>26</u>	<u>284,584,019</u>	<u>32</u>	<u>224,392,169</u>	<u>28</u>	Provisions (Notes 5 and 19)	6,289,117	1	6,038,003	-	6,508,185	1	5,068,263	1
									Accrued expenses and other current liabilities (Notes 15 and 22)	16,251,434	1	13,148,944	1	16,216,838	2	13,218,235	2
<b>NONCURRENT ASSETS</b>								Current portion of bonds payable and long-term bank loans (Notes 20 and 21)	-	-	128,125	-	125,000	-	4,562,500	-	
Available-for-sale financial assets (Note 8)	49,581,219	4	38,751,245	4	-	-	-	Total current liabilities	<u>243,631,467</u>	<u>21</u>	<u>148,473,947</u>	<u>16</u>	<u>218,355,100</u>	<u>25</u>	<u>122,074,950</u>	<u>16</u>	
Held-to-maturity financial assets (Note 9)	-	-	-	-	701,723	-	5,243,167	1									
Financial assets carried at cost (Note 13)	3,667,697	1	3,605,077	-	4,084,014	-	4,315,005	1	<b>NONCURRENT LIABILITIES</b>								
Investments accounted for using equity method (Notes 5 and 14)	25,012,840	2	23,360,918	3	23,320,630	3	24,886,931	3	Hedging derivative financial liabilities (Note 10)	1,813,291	-	-	-	-	-	-	
Property, plant and equipment (Notes 5 and 15)	715,595,036	61	617,562,188	64	548,184,474	62	490,422,153	63	Bonds payable (Note 20)	169,801,262	14	80,000,000	8	35,000,000	4	18,000,000	3
Intangible assets (Notes 5 and 16)	11,142,323	1	10,959,569	1	10,860,551	1	10,861,563	1	Long-term bank loans (Note 21)	-	-	1,359,375	-	1,525,000	-	1,587,500	-
Deferred income tax assets (Notes 5 and 31)	8,667,948	1	13,128,219	2	13,376,990	2	13,604,218	2	Provisions (Note 19)	6,623	-	4,891	-	3,398	-	2,889	-
Refundable deposits (Note 37)	2,412,290	-	2,426,712	-	4,296,083	-	4,518,863	1	Other long-term payables (Note 22)	36,000	-	54,000	-	113,770	-	-	-
Other noncurrent assets (Notes 17 and 37)	1,343,748	-	1,235,144	-	1,181,680	-	1,306,746	-	Obligations under finance leases (Note 15)	760,186	-	748,115	-	749,794	-	870,993	-
Total noncurrent assets	<u>817,423,101</u>	<u>70</u>	<u>711,029,072</u>	<u>74</u>	<u>606,006,145</u>	<u>68</u>	<u>555,158,646</u>	<u>72</u>	Accrued pension cost (Note 23)	6,917,104	1	6,921,234	1	6,226,758	1	6,241,024	1
								Guarantee deposits	166,112	-	203,890	-	253,346	-	443,983	-	
								Others (Note 37)	517,138	-	495,150	-	425,744	-	400,831	-	
								Total noncurrent liabilities	<u>180,017,716</u>	<u>15</u>	<u>89,786,655</u>	<u>9</u>	<u>44,297,810</u>	<u>5</u>	<u>27,547,220</u>	<u>4</u>	
								Total liabilities	<u>423,649,183</u>	<u>36</u>	<u>238,260,602</u>	<u>25</u>	<u>262,652,910</u>	<u>30</u>	<u>149,622,170</u>	<u>20</u>	
								<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>									
								Capital stock (Note 24)	259,283,058	22	259,244,357	27	259,207,094	29	259,162,226	33	
								Capital surplus (Note 24)	55,828,587	5	55,675,340	6	55,596,476	6	55,471,662	7	
								Retained earnings (Note 24)									
								Appropriated as legal capital reserve	132,436,003	11	115,820,123	12	115,820,123	13	102,399,995	13	
								Appropriated as special capital reserve	2,785,741	-	7,606,224	1	7,606,224	1	6,433,874	1	
								Unappropriated earnings	286,801,018	25	284,985,121	29	194,624,285	22	211,630,458	27	
								Others (Note 24)	422,022,762	36	408,411,468	42	318,050,632	36	320,464,327	41	
								Equity attributable to shareholders of the parent	745,911,755	64	720,550,680	75	625,357,969	70	627,491,996	80	
								NONCONTROLLING INTERESTS (Note 24)	324,516	-	2,543,226	-	2,579,285	-	2,436,649	-	
								Total equity	<u>746,236,271</u>	<u>64</u>	<u>723,093,906</u>	<u>75</u>	<u>627,937,254</u>	<u>70</u>	<u>629,928,645</u>	<u>80</u>	
<b>TOTAL</b>	<u>\$ 1,169,885,454</u>	<u>100</u>	<u>\$ 961,354,508</u>	<u>100</u>	<u>\$ 890,590,164</u>	<u>100</u>	<u>\$ 779,550,815</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 1,169,885,454</u>	<u>100</u>	<u>\$ 961,354,508</u>	<u>100</u>	<u>\$ 890,590,164</u>	<u>100</u>	<u>\$ 779,550,815</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.



**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)  
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent							Others				Noncontrolling Interests	Total Equity	
	Capital Stock - Common Stock		Capital Surplus	Retained Earnings			Foreign Currency Translation Reserve	Unrealized Gain (loss) from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total	Total			
	Shares (In Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings								Total
BALANCE, JANUARY 1, 2013	25,924,435	\$ 259,244,357	\$ 55,675,340	\$ 115,820,123	\$ 7,606,224	\$ 284,985,121	\$ 408,411,468	\$ (10,753,806)	\$ 7,973,321	\$ -	\$ (2,780,485)	\$ 720,550,680	\$ 2,543,226	\$ 723,093,906
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	16,615,880	-	(16,615,880)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(4,820,483)	4,820,483	-	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,773,307)	(77,773,307)	-	-	-	-	(77,773,307)	-	(77,773,307)
Total	-	-	-	16,615,880	(4,820,483)	(89,568,704)	(77,773,307)	-	-	-	-	(77,773,307)	-	(77,773,307)
Net income for the six months ended June 30, 2013	-	-	-	-	-	91,384,601	91,384,601	-	-	-	-	91,384,601	(87,555)	91,297,046
Other comprehensive income for the six months ended June 30, 2013, net of income tax	-	-	-	-	-	-	-	4,017,456	7,540,377	-	11,557,833	11,557,833	(115)	11,557,718
Total comprehensive income for the six months ended June 30, 2013	-	-	-	-	-	91,384,601	91,384,601	4,017,456	7,540,377	-	11,557,833	102,942,434	(87,670)	102,854,764
Issuance of stock from exercise of employee stock options	3,870	38,701	71,474	-	-	-	-	-	-	-	-	110,175	-	110,175
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	5,312	5,312
Adjustments to share of changes in equity of associates and joint venture	-	-	14,845	-	-	-	-	-	-	-	-	14,845	-	14,845
Adjustments arising from changes in percentage of ownership in subsidiaries	-	-	66,928	-	-	-	-	-	-	-	-	66,928	(66,928)	-
Increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	203,729	203,729
Effect of deconsolidation of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(2,273,153)	(2,273,153)
BALANCE, JUNE 30, 2013	25,928,305	\$ 259,283,058	\$ 55,828,587	\$ 132,436,003	\$ 2,785,741	\$ 286,801,018	\$ 422,022,762	\$ (6,736,350)	\$ 15,513,698	\$ -	\$ 8,777,348	\$ 745,911,755	\$ 324,516	\$ 746,236,271
BALANCE, JANUARY 1, 2012	25,916,222	\$ 259,162,226	\$ 55,471,662	\$ 102,399,995	\$ 6,433,874	\$ 211,630,458	\$ 320,464,327	\$ (6,433,364)	\$ (1,172,762)	\$ (93)	\$ (7,606,219)	\$ 627,491,996	\$ 2,436,649	\$ 629,928,645
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	13,420,128	-	(13,420,128)	-	-	-	-	-	-	-	-
Special capital reserve	-	-	-	-	1,172,350	(1,172,350)	-	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,748,668)	(77,748,668)	-	-	-	-	(77,748,668)	-	(77,748,668)
Total	-	-	-	13,420,128	1,172,350	(92,341,146)	(77,748,668)	-	-	-	-	(77,748,668)	-	(77,748,668)
Net income for the six months ended June 30, 2012	-	-	-	-	-	75,334,973	75,334,973	-	-	-	-	75,334,973	(152,421)	75,182,552
Other comprehensive income for the six months ended June 30, 2012, net of income tax	-	-	-	-	-	-	-	(1,397,520)	1,507,441	65	109,986	109,986	36,575	146,561
Total comprehensive income for the six months ended June 30, 2012	-	-	-	-	-	75,334,973	75,334,973	(1,397,520)	1,507,441	65	109,986	75,444,959	(115,846)	75,329,113
Issuance of stock from exercise of employee stock options	4,487	44,868	94,838	-	-	-	-	-	-	-	-	139,706	-	139,706
Adjustments arising from changes in percentage of ownership in subsidiaries	-	-	29,976	-	-	-	-	-	-	-	-	29,976	(29,976)	-
Increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	288,458	288,458
BALANCE, JUNE 30, 2012	25,920,709	\$ 259,207,094	\$ 55,596,476	\$ 115,820,123	\$ 7,606,224	\$ 194,624,285	\$ 318,050,632	\$ (7,830,884)	\$ 334,679	\$ (28)	\$ (7,496,233)	\$ 625,357,969	\$ 2,579,285	\$ 627,937,254

The accompanying notes are an integral part of the consolidated financial statements.

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 105,764,593	\$ 81,629,985
Adjustments for:		
Depreciation expense	73,519,241	59,377,352
Amortization expense	1,071,590	1,088,886
Stock option compensation cost of subsidiary	5,312	-
Finance costs	1,129,338	415,039
Share of profits of associates and joint venture	(1,713,657)	(626,075)
Interest income	(852,693)	(941,732)
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	(29,365)	4,126
Impairment loss on property, plant and equipment	-	422,323
Impairment loss of financial assets	45,716	2,748,456
Gain on disposal of available-for-sale financial assets, net	(990,713)	(231,622)
Gain on disposal of financial assets carried at cost, net	(4,573)	(134,109)
Loss on disposal of investments in associates	731	-
Gain on deconsolidation of subsidiary	(293,578)	-
Unrealized (realized) gross profit on sales to associates	(6,926)	139,950
Loss (gain) on foreign exchange, net	446,110	(859,032)
Dividend income	(502,692)	(69,945)
Settlement income from receiving equity securities	(9,590)	(642)
Loss on hedging instruments	1,937,366	-
Gain arising from changes in fair value of available-for-sale financial assets in hedge effective portion	(1,657,824)	-
Changes in operating assets and liabilities:		
Derivative financial instruments	140,919	13,050
Receivables from related parties	(510,193)	(651,481)
Notes and accounts receivable, net	(22,223,842)	(14,780,109)
Other receivables from related parties	(19,275)	(43,115)
Inventories	(997,563)	(5,939,884)
Other current assets	(90,235)	(302,386)
Other financial assets	(64,259)	92,707
Accounts payable	281,081	3,596,507
Payables to related parties	(27,167)	(18,555)
Salary and bonus payable	(311,632)	(630,348)
Accrued profit sharing to employees and bonus to directors and supervisors	6,180,213	5,070,855
Accrued expenses and other current liabilities	2,647,510	4,296,285
Provisions	280,544	1,442,181
Accrued pension cost	(1,194)	(14,266)
Cash generated from operations	163,143,293	135,094,401
Income taxes paid	(14,334,965)	(10,325,668)
Net cash generated by operating activities	<u>148,808,328</u>	<u>124,768,733</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2013	2012
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	\$ (10,102)	\$ (2,950)
Financial assets carried at cost	(16,616)	(21,557)
Property, plant and equipment	(158,818,884)	(108,038,091)
Intangible assets	(1,477,481)	(806,248)
Other assets	(30,721)	(22,442)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	2,032,100	241,531
Held-to-maturity financial assets	4,445,850	830,368
Financial assets carried at cost	11,696	205,100
Property, plant and equipment	111,008	113,668
Costs from entering into hedging transactions	(143,982)	-
Interest received	689,878	885,497
Other dividends received	493,557	69,945
Dividends received from associates	-	1,285,480
Refundable deposits paid	(23,124)	(77,866)
Refundable deposits refunded	52,333	300,646
Net cash outflow from deconsolidation of subsidiary (Note 34)	(979,910)	-
Net cash used in investing activities	<u>(153,664,398)</u>	<u>(105,036,919)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of bonds	89,644,821	17,000,000
Repayment of bonds	-	(4,500,000)
Increase (decrease) in short-term loans	(4,087,493)	5,150,666
Increase in long-term bank loans	650,000	-
Repayment of long-term bank loans	(62,500)	-
Repayment of other long-term payables	-	(1,434,277)
Interest paid	(374,202)	(292,797)
Guarantee deposits received	12,114	10,257
Guarantee deposits refunded	(53,881)	(200,894)
Decrease in obligations under finance leases	(27,796)	(86,328)
Proceeds from exercise of employee stock options	110,175	139,706
Increase in noncontrolling interests	217,860	302,427
Net cash generated by financing activities	<u>86,029,098</u>	<u>16,088,760</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,249,030</u>	<u>(852,292)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	82,422,058	34,968,282
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>143,410,588</u>	<u>143,472,277</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 225,832,646</u>	<u>\$ 178,440,559</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(Reviewed, Not Audited)

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#### 1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. TSMC is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks. Beginning in 2010, TSMC also engages in the researching, developing, designing, manufacturing and selling of solid state lighting devices and related applications products and systems, and renewable energy and efficiency related technologies and products.

On September 5, 1994, TSMC's shares were listed on the Taiwan Stock Exchange (TWSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

The address of its registered office and principal place of business is No. 8, Li-Hsin Rd. 6, Hsinchu Science Park, Taiwan. The principal operating activities of TSMC and its subsidiaries (collectively as the "Company") are described in Notes 4 and 42.

#### 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Board of Directors and issued on August 13, 2013.

#### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

On May 14, 2009, the Financial Supervisory Commission (FSC) announced the roadmap of IFRSs adoption for R.O.C. companies. Accordingly, starting 2013, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare the consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, International Accounting Standards (IASs), interpretations as well as related guidance translated by Accounting Research and Development Foundation (ARDF) endorsed by the FSC with the effective dates (collectively, "Taiwan-IFRSs").

The new, revised or amended IFRSs, IASs, interpretations and related guidance in issue but not yet adopted by the Company as well as the effective dates issued by the International Accounting Standards Board (IASB), are stated as follows; however, the initial adoption to the following new, revised or amended standards and interpretations is still subject to the effective date to be published by the FSC.



<b>New, Revised or Amended Standards and Interpretations</b>		<b>Effective Date Issued by IASB (Note)</b>
<u>Endorsed by the FSC but the effective dates have not yet been determined by the FSC</u>		
Amendments to IFRSs IFRS 9 (2009) Amendment to IAS 39	Improvements to IFRSs 2009 - Amendment to IAS 39 Financial Instruments Embedded Derivatives	January 1, 2009 or January 1, 2010 January 1, 2015 Effective in fiscal year beginning on or after June 30, 2009
<u>Not yet endorsed by the FSC</u>		
Amendments to IFRSs	Improvements to IFRSs 2010 - Amendment to IAS 39	July 1, 2010 or January 1, 2011
Amendments to IFRSs	Annual Improvements to IFRSs 2009 - 2011 Cycle	January 1, 2013
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendments to IFRS 1	Government Loans	January 1, 2013
Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011
Amendment to IFRS 7	Disclosures-offsetting Financial Assets and Financial Liabilities	January 1, 2013
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date and Transition Disclosure	January 1, 2015
Amendment to IFRS 7	Disclosures - Transfers of Financial Assets	July 1, 2011
Amendment to IFRS 9	Financial Instruments	January 1, 2015
Amendment to IFRS 10	Consolidated Financial Statements	January 1, 2013
Amendment to IFRS 11	Joint Arrangements	January 1, 2013
Amendment to IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2013
Amendments to IFRS 10, IFRS 12 and IFRS 27	Investment Entities	January 1, 2014
Amendment to IFRS 13	Fair Value Measurement	January 1, 2013
Amendment to IAS 1	Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendment to IAS 12	Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Amendment to IAS 19	Employee Benefits	January 1, 2013
Amendment to IAS 27	Separate Financial Statements	January 1, 2013
Amendment to IAS 28	Investments in Associates and Joint Ventures	January 1, 2013
Amendment to IAS 32	Offsetting of Financial Assets and Financial Liabilities	January 1, 2014
Amendment to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014

(Continued)

<b>New, Revised or Amended Standards and Interpretations</b>		<b>Effective Date Issued by IASB (Note)</b>
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
Amendment to IFRIC 20	Stripping Costs in the Production Phase of A Surface Mine	January 1, 2013
Amendment to IFRIC 21	Levies	January 1, 2014 (Concluded)

Note: The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Except for the following items, the Company believes that the adoption of aforementioned new, revised or amended standards or interpretations will not have a significant effect on the Company's accounting policies.

a. IFRS 9, "Financial Instruments"

Under IFRS 9, all recognized financial assets currently in the scope of IAS 39, "Financial Instruments: Recognition and Measurement," will be subsequently measured at either the amortized cost or the fair value. If the objective of the Company's business model is to hold the financial asset to collect the contractual cash flows which are solely for payments of principal and interest on the principal amount outstanding, such assets are measured at the amortized cost. All other financial assets must be measured at the fair value through profit or loss as of the balance sheet date.

b. IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12 is a standard that requires a broader disclosure in an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated entities. The objective of IFRS 12 is to specify the disclosure information provided by the entity that enables the users of financial statements in evaluating the nature of, and risks associated with, its interests in other entities and the effects of those interests on the entity's financial assets and liabilities, as well as the involvement of the owners of noncontrolling interests towards the entity. The Company expects the application of IFRS 12 will result in more extensive disclosures of interests in other entities in the financial statements.

c. IFRS 13, "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements.

d. Amendments to IAS 1, "Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1 introduce a new disclosure terminology for other comprehensive income, which require additional disclosures in other comprehensive income. The items of other comprehensive income will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The Company expects the aforementioned amendments will change the Company's presentation on the statement of comprehensive income.

e. Amendments to IAS 19, “Employee Benefits”

The amendments to IAS 19 change the accounting for defined benefit plans, which require the Company to recognize changes in defined benefit obligations or assets, to disclose the components of the defined benefit costs, to eliminate the corridor approach and to accelerate the recognition of past service cost. According to the amendments, all actuarial gains and losses will be recognized immediately through other comprehensive income; the past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. In addition, the amendment also requires a broader disclosure in defined benefit plans.

f. Amendments to IAS 36, “Recoverable Amount Disclosures for Non-Financial Assets”

The amendments to IAS 36 clarify that the Company is only required to disclose the recoverable amount in the period of impairment accrual or reversal. Moreover, if the recoverable amount of impaired assets is based on fair value less costs of disposal, the Company should also disclose the discount rate used. The Company expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

As of the date that the consolidated financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the above standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are the Taiwan-IFRSs interim consolidated financial statements for part of the period covered by the Taiwan-IFRSs annual consolidated financial statements prepared for the year ended December 31, 2013. The Company’s date of transition to Taiwan-IFRSs is January 1, 2012, and the effect of the transition to Taiwan-IFRSs is disclosed in Note 43.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

##### **Statement of Compliance**

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and IFRS 1, “First-time adoption of International Financial Reporting Standards,” (IFRS 1) and IAS 34, “Interim Financial Reporting,” endorsed by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under Taiwan-IFRSs.

##### **Basis of Consolidation**

###### The basis for the consolidated financial statements

The consolidated financial statements incorporate the financial statements of TSMC and entities controlled by TSMC (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- a. the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and
- b. the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

#### The subsidiaries in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership				Note
				June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	
TSMC	TSMC North America	Selling and marketing of integrated circuits and semiconductor devices	San Jose, California, U.S.A.	100%	100%	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	Marketing activities	Yokohama, Japan	100%	100%	100%	100%	a)
	TSMC Partners, Ltd. (TSMC Partners)	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	Tortola, British Virgin Islands	100%	100%	100%	100%	-
	TSMC Korea Limited (TSMC Korea)	Customer service and technical supporting activities	Seoul, Korea	100%	100%	100%	100%	a)
	TSMC Europe B.V. (TSMC Europe)	Marketing and engineering supporting activities	Amsterdam, the Netherlands	100%	100%	100%	100%	a)
	TSMC Global, Ltd. (TSMC Global)	Investment activities	Tortola, British Virgin Islands	100%	100%	100%	100%	-
	TSMC China Company Limited (TSMC China)	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	Shanghai, China	100%	100%	100%	100%	-
	VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in new start-up technology companies	Cayman Islands	50%	50%	52%	53%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	Investing in new start-up technology companies	Cayman Islands	99.5%	99.5%	99.5%	99.5%	a)
	Xintec Inc. (Xintec)	Wafer level chip size packaging service	Taoyuan, Taiwan	b)	40%	40%	40%	-

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership				Note
				June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	
TSMC	TSMC Solid State Lighting Ltd. (TSMC SSL)	Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems	Hsin-Chu, Taiwan	92%	95%	95%	100%	TSMC and TSMC GN aggregately have a controlling interest of 93% in TSMC SSL
	TSMC Solar Ltd. (TSMC Solar)	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	Tai-Chung, Taiwan	99%	99%	99%	100%	TSMC and TSMC GN aggregately have a controlling interest of 99% in TSMC Solar
	TSMC Guang Neng Investment, Ltd. (TSMC GN)	Investment activities	Taipei, Taiwan	100%	100%	100%	-	-
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	Engineering support activities	Ontario, Canada	100%	100%	100%	100%	a)
	TSMC Technology, Inc. (TSMC Technology)	Engineering support activities	Delaware, U.S.A.	100%	100%	100%	100%	a)
	TSMC Development, Inc. (TSMC Development)	Investment activities	Delaware, U.S.A.	100%	100%	100%	100%	-
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	97%	a)
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	97%	a)
TSMC Development	WaferTech, LLC (WaferTech)	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	Washington, U.S.A.	100%	100%	100%	100%	-
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	Taipei, Taiwan	58%	58%	58%	57%	a)
	Growth Fund Limited (Growth Fund)	Investing in new start-up technology companies	Cayman Islands	100%	100%	100%	100%	a)
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	Investing in new start-up technology companies	Delaware, U.S.A.	100%	100%	100%	100%	a)
TSMC SSL	TSMC Lighting North America, Inc. (TSMC Lighting NA)	Selling and marketing of solid state lighting related products	Delaware, U.S.A.	100%	100%	100%	100%	a)
TSMC Solar	TSMC Solar North America, Inc. (TSMC Solar NA)	Selling and marketing of solar related products	Delaware, U.S.A.	100%	100%	100%	100%	a)
	TSMC Solar Europe B.V. (TSMC Solar Europe)	Investing in solar related business	Amsterdam, the Netherlands	100%	100%	100%	100%	a)
	VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in new start-up technology companies	Cayman Islands	49%	49%	47%	46%	-
TSMC Solar Europe	TSMC Solar Europe GmbH	Selling of solar related products and providing customer service	Hamburg, Germany	100%	100%	100%	100%	a)

(Concluded)

Note a: This is an insignificant subsidiary for which the financial statements are not reviewed by the Company's independent accountants. The Company's management believes the investment in such subsidiary has no material effect on the Company's consolidated financial statements.

Note b: TSMC has no power to govern the financial and operating policies of Xintec starting June 2013 for the loss of power to cast the majority of votes at meetings of the Board of Directors. As a result, Xintec is no longer consolidated and is accounted for using the equity method. Please refer to Note 34.

## Other Significant Accounting Policies

The same accounting policies have been followed in this consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the three months ended March 31, 2013. For the summary of other significant accounting policies, please refer to Note 4 to the consolidated financial statements for the three months ended March 31, 2013.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the three months ended March 31, 2013. For the related information, please refer to Note 5 to the consolidated financial statements for the three months ended March 31, 2013.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Cash and deposits in banks	\$ 223,809,009	\$ 140,072,294	\$ 169,621,809	\$ 139,637,363
Repurchase agreements collateralized by corporate bonds	1,635,358	2,691,042	3,620,337	-
Repurchase agreements collateralized by short-term commercial paper	199,899	349,341	1,038,952	-
Repurchase agreements collateralized by government bonds	<u>188,380</u>	<u>297,911</u>	<u>4,159,461</u>	<u>3,834,914</u>
	<u>\$ 225,832,646</u>	<u>\$ 143,410,588</u>	<u>\$ 178,440,559</u>	<u>\$ 143,472,277</u>

Deposits in banks, for the purpose of meeting short-term cash commitments, consisted of highly liquid time deposits that were readily convertible to known amounts of cash and which were subject to an insignificant risk of changes in value.

## 7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
<u>Derivative financial assets</u>				
Forward exchange contracts	\$ 17,252	\$ 38,607	\$ 23,576	\$ 15,360
Cross currency swap contracts	<u>2,758</u>	<u>947</u>	<u>158</u>	<u>-</u>
	<u>\$ 20,010</u>	<u>\$ 39,554</u>	<u>\$ 23,734</u>	<u>\$ 15,360</u>
<u>Derivative financial liabilities</u>				
Forward exchange contracts	\$ 135,184	\$ 12,174	\$ 33,883	\$ 13,623
Cross currency swap contracts	<u>1,331</u>	<u>3,451</u>	<u>1,283</u>	<u>119</u>
	<u>\$ 136,515</u>	<u>\$ 15,625</u>	<u>\$ 35,166</u>	<u>\$ 13,742</u>

The Company entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>June 30, 2013</u>		
Sell NT\$/Buy US\$	July 2013	NT\$534,830/US\$17,800
Sell US\$/Buy EUR	July 2013	US\$386,201/EUR296,000
Sell US\$/Buy JPY	July 2013	US\$308,877/JPY30,237,970
Sell US\$/Buy NT\$	July 2013	US\$75,000/NT\$2,252,825
Sell US\$/Buy RMB	July 2013 to August 2013	US\$99,000/RMB610,816

(Continued)

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2012</u>		
Sell NT\$/Buy EUR	January 2013	NT\$9,417,062/EUR246,000
Sell NT\$/Buy US\$	January 2013	NT\$590,403/US\$20,400
Sell NT\$/Buy JPY	January 2013	NT\$44,110/JPY130,000
Sell US\$/Buy NT\$	January 2013 to March 2013	US\$13,700/NT\$398,239
Sell US\$/Buy RMB	January 2013	US\$20,000/RMB124,735
<u>June 30, 2012</u>		
Sell NT\$/Buy EUR	July 2012	NT\$11,297/EUR300
Sell NT\$/Buy JPY	July 2012	NT\$1,238,195/JPY3,293,000
Sell NT\$/Buy US\$	July 2012 to August 2012	NT\$507,764/US\$17,000
Sell RMB/Buy US\$	July 2012	RMB1,258,088/US\$199,000
Sell US\$/Buy EUR	July 2012	US\$49,634/EUR39,579
Sell US\$/Buy JPY	July 2012 to August 2012	US\$217,791/JPY17,317,277
Sell US\$/Buy NT\$	July 2012 to September 2012	US\$16,400/NT\$486,689
<u>January 1, 2012</u>		
Sell EUR/Buy NT\$	January 2012	EUR38,600/NT\$1,528,206
Sell NT\$/Buy US\$	January 2012 to February 2012	NT\$163,491/US\$5,400
Sell RMB/Buy US\$	January 2012	RMB1,118,705/US\$177,000
Sell US\$/Buy EUR	January 2012	US\$2,082/EUR1,591
Sell US\$/Buy JPY	January 2012	US\$3,335/JPY259,830
Sell US\$/Buy NT\$	January 2012 to February 2012	US\$16,900/NT\$510,122
		(Concluded)

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>June 30, 2013</u>			
July 2013	NT\$1,200,176/US\$40,080	-	0.24%-0.35%
<u>December 31, 2012</u>			
January 2013	NT\$1,083,139/US\$37,280	-	0.06%
January 2013	US\$275,000/NT\$7,986,190	0.14%-0.17%	-
<u>June 30, 2012</u>			
July 2012	NT\$676,922/US\$22,630	-	0.15%-0.20%
July 2012	US\$2,650/NT\$79,200	0.30%-0.32%	-
<u>January 1, 2012</u>			
January 2012	NT\$420,431/US\$13,880	-	0.48%

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Publicly traded stocks	\$ 50,643,339	\$ 41,160,437	\$ 2,476,537	\$ 3,306,248
Money market funds	<u>8,417</u>	<u>1,443</u>	<u>509</u>	<u>2,522</u>
	<u>\$ 50,651,756</u>	<u>\$ 41,161,880</u>	<u>\$ 2,477,046</u>	<u>\$ 3,308,770</u>
Current portion	\$ 1,070,537	\$ 2,410,635	\$ 2,477,046	\$ 3,308,770
Noncurrent portion	<u>49,581,219</u>	<u>38,751,245</u>	<u>-</u>	<u>-</u>
	<u>\$ 50,651,756</u>	<u>\$ 41,161,880</u>	<u>\$ 2,477,046</u>	<u>\$ 3,308,770</u>

In October 2012, the Company acquired 5% of the outstanding equity of ASML Holding N.V. (ASML) for EUR837,816 thousand with a lock-up period of 2.5 years starting from the acquisition date. (Note 40f)

In the second quarter of 2012, the Company recognized an impairment loss on some of the overseas publicly traded stocks in the amount of NT\$2,677,529 thousand due to the significant decline in fair value.

## 9. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Corporate bonds	\$ 700,576	\$ 5,056,973	\$ 7,678,424	\$ 8,614,527
Government bonds	<u>-</u>	<u>-</u>	<u>448,275</u>	<u>454,320</u>
	<u>\$ 700,576</u>	<u>\$ 5,056,973</u>	<u>\$ 8,126,699</u>	<u>\$ 9,068,847</u>
Current portion	\$ 700,576	\$ 5,056,973	\$ 7,424,976	\$ 3,825,680
Noncurrent portion	<u>-</u>	<u>-</u>	<u>701,723</u>	<u>5,243,167</u>
	<u>\$ 700,576</u>	<u>\$ 5,056,973</u>	<u>\$ 8,126,699</u>	<u>\$ 9,068,847</u>

## 10. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
<u>Financial liabilities - current</u>				
Cash flow hedges				
Interest rate swap contracts	\$ <u>-</u>	\$ <u>-</u>	\$ <u>69</u>	\$ <u>232</u>
<u>Financial liabilities - noncurrent</u>				
Fair value hedges				
Stock forward contracts	\$ <u>1,813,291</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

The Company's investments in publicly traded stocks are exposed to the risk of market price fluctuations. Accordingly, the Company entered into stock forward contracts to sell shares at a contracted price in a specific future period in order to hedge the fair value risk caused by changes in equity prices.



The outstanding stock forward contracts consisted of the following:

<b>Contract Shares (In Thousands)</b>	<b>Maturity Date</b>	<b>Contract Price</b>
<u>June 30, 2013</u>		
7,000	May 2015 to July 2015	Determined by the specific percentage of spot price on the trade date

In addition, the Company's long-term bank loans bear floating interest rates; therefore, changes in the market interest rate may cause future cash flows to be volatile. Accordingly, the Company entered into an interest rate swap contract in order to hedge cash flow risk caused by floating interest rates.

The outstanding interest rate swap contract consisted of the following:

<b>Contract Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>June 30, 2012</u>			
NT\$56,000	August 31, 2012	1.38%	0.86%-0.87%
<u>January 1, 2012</u>			
NT\$80,000	August 31, 2012	1.38%	0.63%-0.86%

For the three months and the six months ended June 30, 2012, the amount recognized in other comprehensive income and accumulated under the heading of cash flow hedges reserve from the above interest rate swap contract amounted to a net loss of NT\$16 thousand and NT\$17 thousand, respectively; the amount reclassified from equity and recognized as a loss from the above interest rate swap contract amounted to a net loss of NT\$82 thousand and NT\$180 thousand, respectively, which were included under finance costs in the consolidated statements of comprehensive income.

## 11. NOTES AND ACCOUNTS RECEIVABLE, NET

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Notes and accounts receivable	\$ 80,229,317	\$ 58,257,798	\$ 61,101,346	\$ 46,321,240
Allowance for doubtful receivables	<u>(486,609)</u>	<u>(480,212)</u>	<u>(490,914)</u>	<u>(490,952)</u>
Notes and accounts receivable, net	<u>\$ 79,742,708</u>	<u>\$ 57,777,586</u>	<u>\$ 60,610,432</u>	<u>\$ 45,830,288</u>

The Company's sales agreements typically provide that the payment is due 30 days from the invoice date for a majority of the costumers and 30 to 45 days after the end of the month in which sales occur for some customers. The allowance for doubtful receivables is assessed by reference to the collectability of receivables by performing the account aging analysis, historical experience and current financial condition of customers.

Except for those impaired, for the rest of the notes and accounts receivable, the account aging analysis at the end of the reporting period is summarized in the following table. Notes and accounts receivable include amounts that are past due but for which the Company has not recognized an allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable.

Aging analysis of notes and accounts receivable, net

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Neither past due nor impaired	\$ 71,025,800	\$ 47,528,952	\$ 53,751,066	\$ 39,362,390
Past due but not impaired				
Past due within 30 days	<u>8,716,908</u>	<u>10,248,634</u>	<u>6,859,366</u>	<u>6,467,898</u>
	<u>\$ 79,742,708</u>	<u>\$ 57,777,586</u>	<u>\$ 60,610,432</u>	<u>\$ 45,830,288</u>

Movements of the allowance for doubtful receivables

	<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>
Balance, beginning of the period	\$ 480,212	\$ 490,952
Provision (reversal)	9,464	(3)
Effect of deconsolidation of subsidiary	(3,157)	-
Effect of exchange rate changes	<u>90</u>	<u>(35)</u>
Balance, end of the period	<u>\$ 486,609</u>	<u>\$ 490,914</u>

Aging analysis of accounts receivable that is individually determined to be impaired

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Not past due	\$ 30,724	\$ 160,354	\$ 285,368	\$ 81,017
Past due 1-30 days	3,780	2,863	20,248	24,351
Past due 31-60 days	-	-	-	4,684
Past due 61-120 days	-	-	-	-
Past due over 120 days	<u>-</u>	<u>3,157</u>	<u>3,292</u>	<u>9,769</u>
	<u>\$ 34,504</u>	<u>\$ 166,374</u>	<u>\$ 308,908</u>	<u>\$ 119,821</u>

The Company held bank guarantees and other credit enhancements as collateral for certain impaired accounts receivables. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the amount of the bank guarantee and other credit enhancements were US\$203 thousand, US\$1,000 thousand, nil and US\$2,962 thousand, respectively.

**12. INVENTORIES**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Finished goods	\$ 4,603,940	\$ 6,244,824	\$ 3,770,934	\$ 3,347,849
Work in process	28,701,406	25,713,217	22,889,353	17,940,960
Raw materials	3,474,178	3,864,105	2,375,668	1,808,615
Supplies and spare parts	<u>1,835,404</u>	<u>2,008,352</u>	<u>1,744,511</u>	<u>1,743,158</u>
	<u>\$ 38,614,928</u>	<u>\$ 37,830,498</u>	<u>\$ 30,780,466</u>	<u>\$ 24,840,582</u>

Write-down of inventories to net realizable value was included in the cost of revenue, which was as follows:

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Inventory losses	\$ <u>332,110</u>	\$ <u>399,336</u>	\$ <u>237,169</u>	\$ <u>1,041,643</u>

### 13. FINANCIAL ASSETS CARRIED AT COST

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Non-publicly traded stocks	\$ 3,372,556	\$ 3,314,713	\$ 3,775,338	\$ 4,004,314
Mutual funds	<u>295,141</u>	<u>290,364</u>	<u>308,676</u>	<u>310,691</u>
	<u>\$ 3,667,697</u>	<u>\$ 3,605,077</u>	<u>\$ 4,084,014</u>	<u>\$ 4,315,005</u>

Since there is a wide range of estimated fair values of the Company's investments in non-publicly traded stocks, the Company concludes that the fair value cannot be reliably measured and therefore should be measured at the cost less any impairment.

### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments accounted for using the equity method consisted of the following:

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Investments in associates	\$ 21,706,316	\$ 20,325,277	\$ 20,551,894	\$ 22,033,567
Investments in jointly controlled entities	<u>3,306,524</u>	<u>3,035,641</u>	<u>2,768,736</u>	<u>2,853,364</u>
	<u>\$ 25,012,840</u>	<u>\$ 23,360,918</u>	<u>\$ 23,320,630</u>	<u>\$ 24,886,931</u>

#### a. Investments in associates

Associates consisted of the following:

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount				% of Ownership and Voting Rights Held by the Company			
			June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Vanguard International Semiconductor Corporation (VIS)	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	Hsinchu, Taiwan	\$ 9,619,243	\$ 9,406,597	\$ 8,816,718	\$ 8,985,340	39%	40%	41%	39%
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	Fabrication and supply of integrated circuits	Singapore	6,441,982	6,710,956	5,935,087	6,289,429	39%	39%	39%	39%
Motech Industries, Inc. (Motech)	Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems	Taipei, Taiwan	2,714,439	2,992,899	4,697,083	5,609,002	20%	20%	20%	20%

(Continued)

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount				% of Ownership and Voting Rights Held by the Company			
			June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Xintec	Wafer level chip size packaging service	Taoyuan, Taiwan	\$ 1,816,848	\$ -	\$ -	\$ -	40%	-	-	-
Global Unichip Corporation (GUC)	Researching, developing, manufacturing, testing and marketing of integrated circuits	Hsinchu, Taiwan	1,113,804	1,214,825	1,103,006	1,149,796	35%	35%	35%	35%
Mcube Inc. (Mcube)	Research, development, and sale of micro-semiconductor device	Delaware, U.S.A.	-	-	-	-	25%	25%	25%	25%
			<u>\$ 21,706,316</u>	<u>\$ 20,325,277</u>	<u>\$ 20,551,894</u>	<u>\$ 22,033,567</u>				

(Concluded)

In February 2010, the Company acquired 75,316 thousand shares of Motech through a private placement for NT\$6,228,661 thousand; following such acquisition, the Company's percentage of ownership in Motech was 20%. Transfer of the aforementioned common shares within three years from the acquisition date is prohibited unless permitted by other related regulations.

In the fourth quarter of 2012, the Company recognized an impairment loss in the amount of NT\$1,186,674 thousand, due to the lower estimated recoverable amount compared with the carrying amount of its investments in stocks traded on the Taiwan GreTai Securities Market.

TSMC has no power to govern the financial and operating policies of Xintec starting June 2013 for the loss of power to cast the majority of votes at meetings of the Board of Directors. As a result, Xintec is no longer consolidated and is accounted for using the equity method. Please refer to Note 34.

Financial information of the Company's associates was summarized as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Total assets	\$ 91,617,431	\$ 76,889,298	\$ 77,955,249	\$ 79,721,042
Total liabilities	<u>(33,211,301)</u>	<u>(21,683,504)</u>	<u>(24,668,372)</u>	<u>(20,948,855)</u>
Net assets	<u>\$ 58,406,130</u>	<u>\$ 55,205,794</u>	<u>\$ 53,286,877</u>	<u>\$ 58,772,187</u>
The Company's share of net assets of associates	<u>\$ 21,706,316</u>	<u>\$ 20,325,277</u>	<u>\$ 20,551,894</u>	<u>\$ 22,033,567</u>
	Three Months Ended June 30 2013	December 31, 2012	Six Months Ended June 30 2013	June 30, 2012
Net revenue	<u>\$ 16,877,787</u>	<u>\$ 14,797,853</u>	<u>\$ 28,790,849</u>	<u>\$ 26,803,897</u>
Net income (loss)	<u>\$ 2,482,695</u>	<u>\$ (126,751)</u>	<u>\$ 3,698,332</u>	<u>\$ (60,581)</u>
The Company's share of profits of associates	<u>\$ 919,470</u>	<u>\$ 276,414</u>	<u>\$ 1,451,087</u>	<u>\$ 294,521</u>
The Company's share of other comprehensive income (loss) of associates	<u>\$ (177,411)</u>	<u>\$ 9,853</u>	<u>\$ 27,184</u>	<u>\$ (9,797)</u>

The market prices of the investment accounted for using the equity method in publicly traded stocks calculated by the closing price at the balance sheet date are summarized as follows:

Name of Associate	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
VIS	<u>\$ 21,359,599</u>	<u>\$ 12,658,703</u>	<u>\$ 8,732,307</u>	<u>\$ 6,627,758</u>
Motech	<u>\$ 3,311,110</u>	<u>\$ 2,383,824</u>	<u>\$ 3,586,671</u>	<u>\$ 4,645,176</u>
GUC	<u>\$ 4,533,391</u>	<u>\$ 4,692,130</u>	<u>\$ 4,855,537</u>	<u>\$ 4,645,442</u>

b. Investments in jointly controlled entities

Name of Jointly Controlled Entity	Principal Activities	Place of Incorporation and Operation	Carrying Amount				% of Ownership and Voting Rights Held by the Company			
			June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
VisEra Holding Company (VisEra Holding)	Investing in companies involved in the design, manufacturing and other related businesses in the semiconductor industry	Cayman Islands	\$ 3,306,524	\$ 3,035,641	\$ 2,768,736	\$ 2,853,364	49%	49%	49%	49%

Financial information of the Company's jointly controlled entities was summarized as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Current assets	\$ 2,640,049	\$ 1,887,122	\$ 2,110,664	\$ 1,616,916
Noncurrent assets	\$ 1,709,301	\$ 1,780,903	\$ 1,864,819	\$ 1,732,247
Current liabilities	\$ 1,042,360	\$ 631,803	\$ 1,205,999	\$ 495,066
Noncurrent liabilities	\$ 466	\$ 581	\$ 748	\$ 733
	<b>Three Months Ended June 30 2013</b>	<b>2012</b>	<b>Six Months Ended June 30 2013</b>	<b>2012</b>
Net revenue	\$ 513,229	\$ 481,230	\$ 981,086	\$ 704,769
Cost of revenue	\$ 306,586	\$ 313,929	\$ 593,818	\$ 521,469
Operating expenses	\$ 33,199	\$ 32,074	\$ 65,461	\$ 60,591
Non-operating income, net	\$ 3,078	\$ 183,689	\$ 7,614	\$ 190,209
Income tax benefit (expense)	\$ (36,488)	\$ 8,541	\$ (66,851)	\$ 18,636
The Company's share of profits of joint venture	\$ 140,034	\$ 327,457	\$ 262,570	\$ 331,554
The Company's share of other comprehensive income (loss) of joint venture	\$ (14,583)	\$ (32,174)	\$ (84,055)	\$ 30,184

15. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Land and land improvements	\$ 3,598,476	\$ 1,159,755	\$ 1,184,695	\$ 1,185,573
Buildings	102,813,918	85,610,120	83,519,214	71,915,740
Machinery and equipment	422,956,875	404,382,298	375,866,592	294,814,381
Office equipment	7,446,328	6,907,376	6,294,029	5,148,538
Assets under finance leases	435,797	438,663	465,491	493,945
Advance payments and construction in progress	178,343,642	119,063,976	80,854,453	116,863,976
	\$ 715,595,036	\$ 617,562,188	\$ 548,184,474	\$ 490,422,153

Six Months Ended June 30, 2013							
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Deconsolidation of Subsidiary	Effect of Exchange Rate Changes	Balance, End of Period
Cost							
Land and land improvements	\$ 1,527,124	\$ 3,212,000	\$ -	\$ -	\$ (772,029)	\$ 24,183	\$ 3,991,278
Buildings	197,411,851	23,769,868	-	3,797	(986,205)	797,936	220,997,247
Machinery and equipment	1,279,893,177	86,321,847	(1,652,721)	-	(5,630,854)	2,409,161	1,361,340,610
Office equipment	20,067,943	2,151,385	(364,434)	-	(1,055,809)	50,718	20,849,803
Assets under finance leases	766,732	-	-	-	-	31,207	797,939
	<u>1,499,666,827</u>	<u>\$ 115,455,100</u>	<u>\$ (2,017,155)</u>	<u>\$ 3,797</u>	<u>\$ (8,444,897)</u>	<u>\$ 3,313,205</u>	<u>1,607,976,877</u>
Accumulated depreciation and impairment							
Land improvements	367,369	\$ 13,518	\$ -	\$ -	\$ -	\$ 11,915	392,802
Buildings	111,801,731	6,168,796	-	-	(226,908)	439,710	118,183,329
Machinery and equipment	875,510,879	66,150,063	(1,572,265)	-	(3,656,326)	1,951,384	938,383,735
Office equipment	13,160,567	1,166,369	(364,197)	-	(599,483)	40,219	13,403,475
Assets under finance leases	328,069	20,495	-	-	-	13,578	362,142
	<u>1,001,168,615</u>	<u>\$ 73,519,241</u>	<u>\$ (1,936,462)</u>	<u>\$ -</u>	<u>\$ (4,482,717)</u>	<u>\$ 2,456,806</u>	<u>1,070,725,583</u>
Advance payments and construction in progress	119,063,976	60,904,636	-	-	(1,632,860)	7,890	178,343,642
	<u>\$ 617,562,188</u>						<u>\$ 715,595,036</u>

Six Months Ended June 30, 2012							
	Balance, Beginning of Period	Additions (Deductions)	Disposals	Impairment	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost							
Land and land improvements	\$ 1,541,128	\$ 18,500	\$ -	\$ -	\$ -	\$ (10,479)	\$ 1,549,149
Buildings	172,997,391	17,169,279	(53,088)	-	-	(309,666)	189,803,916
Machinery and equipment	1,057,926,529	134,779,209	(990,637)	-	-	(907,517)	1,190,807,584
Office equipment	17,041,306	2,030,616	(356,399)	-	-	(34,136)	18,681,387
Assets under finance leases	791,480	-	-	-	-	(13,142)	778,338
	<u>1,250,297,834</u>	<u>\$ 153,997,604</u>	<u>\$ (1,400,124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,274,940)</u>	<u>1,401,620,374</u>
Accumulated depreciation and impairment							
Land improvements	355,555	\$ 13,526	\$ -	\$ -	\$ -	\$ (4,627)	364,454
Buildings	101,081,651	5,398,508	(42,988)	-	-	(152,469)	106,284,702
Machinery and equipment	763,112,148	53,074,414	(891,975)	422,323	-	(775,918)	814,940,992
Office equipment	11,892,768	870,836	(348,528)	-	-	(27,718)	12,387,358
Assets under finance leases	297,535	20,068	-	-	-	(4,756)	312,847
	<u>876,739,637</u>	<u>\$ 59,372,352</u>	<u>\$ (1,283,491)</u>	<u>\$ 422,323</u>	<u>\$ -</u>	<u>\$ (965,488)</u>	<u>934,290,353</u>
Advance payments and construction in progress	116,863,976	(35,905,734)	-	-	(748)	(103,541)	80,854,453
	<u>\$ 490,422,153</u>						<u>\$ 548,184,474</u>

The significant part of the Company's buildings includes main plants, mechanical and electrical power equipment and clean rooms, and the related depreciation is calculated using the estimated useful lives of 20 years, 10 years and 10 years, respectively.

In the first quarter of 2012, the Company recognized impairment losses of NT\$442,312 thousand related to property, plant and equipment of the foundry reportable segment since the carrying amount of some of property, plant and equipment is expected to be unrecoverable. Further, in the second quarter of 2012, the Company reversed the impairment losses of NT\$19,989 thousand according to the result of impairment evaluation.

The Company entered into agreements to lease buildings that qualify as finance leases. The term of the leases is from December 2003 to November 2018.

Future minimum lease gross payments were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
<u>Minimum lease payments</u>				
Not later than 1 year	\$ 28,144	\$ 27,042	\$ 27,448	\$ -
Later than 1 year and not later than 5 years	112,577	108,168	109,792	223,296
Later than five years	<u>731,168</u>	<u>729,566</u>	<u>740,525</u>	<u>780,962</u>
	871,889	864,776	877,765	1,004,258
Less: Future finance expenses	<u>103,072</u>	<u>108,471</u>	<u>119,759</u>	<u>133,265</u>
Present value of minimum lease payments	<u>\$ 768,817</u>	<u>\$ 756,305</u>	<u>\$ 758,006</u>	<u>\$ 870,993</u>

(Continued)

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
<u>Present value of minimum lease payments</u>				
Not later than 1 year	\$ 27,458	\$ 26,382	\$ 26,778	\$ -
Later than 1 year and not later than 5 years	103,295	100,821	100,739	213,411
Later than five years	<u>638,064</u>	<u>629,102</u>	<u>630,489</u>	<u>657,582</u>
	<u>\$ 768,817</u>	<u>\$ 756,305</u>	<u>\$ 758,006</u>	<u>\$ 870,993</u>
Current portion	\$ 8,631	\$ 8,190	\$ 8,212	\$ -
Noncurrent portion	<u>760,186</u>	<u>748,115</u>	<u>749,794</u>	<u>870,993</u>
	<u>\$ 768,817</u>	<u>\$ 756,305</u>	<u>\$ 758,006</u>	<u>\$ 870,993</u>

(Concluded)

There was no capitalization of interest for the six months ended June 30, 2013. During the three months and six months ended June 30, 2012, the Company capitalized the borrowing costs directly attributable to the acquisition or construction of property, plant and equipment. Information about capitalized interest was as follows:

	Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
	Interest	Rate	Interest	Rate
Capitalized interest	<u>\$ 3,268</u>	1.08%-1.20%	<u>\$ 6,442</u>	1.08%-1.20%

## 16. INTANGIBLE ASSETS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Goodwill	\$ 5,650,404	\$ 5,523,707	\$ 5,639,097	\$ 5,693,999
Technology license fees	1,245,415	1,461,893	1,778,918	1,682,892
Software and system design costs	3,335,179	2,968,942	2,138,070	2,366,483
Patent and others	<u>911,325</u>	<u>1,005,027</u>	<u>1,304,466</u>	<u>1,118,189</u>
	<u>\$ 11,142,323</u>	<u>\$ 10,959,569</u>	<u>\$ 10,860,551</u>	<u>\$ 10,861,563</u>

	Six Months Ended June 30, 2013						
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Deconsolidation of Subsidiary	Effect of Exchange Rate Changes	Balance, End of Period
<b>Cost</b>							
Goodwill	\$ 5,523,707	\$ -	\$ -	\$ -	\$ -	\$ 126,697	\$ 5,650,404
Technology license fees	4,590,548	-	-	(29,565)	(113,340)	(1,281)	4,446,362
Software and system design costs	15,095,421	1,029,276	(16,573)	(3,797)	(25,335)	4,628	16,083,620
Patent and others	3,094,664	204,019	(23,549)	-	(42,089)	4,642	3,237,687
	<u>28,304,340</u>	<u>\$ 1,233,295</u>	<u>\$ (40,122)</u>	<u>\$ (33,362)</u>	<u>\$ (180,764)</u>	<u>\$ 134,686</u>	<u>29,418,073</u>
<b>Accumulated amortization</b>							
Technology license fees	3,128,655	\$ 140,160	\$ -	\$ -	\$ (66,587)	\$ (1,281)	3,200,947
Software and system design costs	12,126,479	646,735	(16,301)	-	(12,661)	4,189	12,748,441
Patent and others	2,089,637	284,695	(23,549)	-	(25,195)	774	2,326,362
	<u>17,344,771</u>	<u>\$ 1,071,590</u>	<u>\$ (39,850)</u>	<u>\$ -</u>	<u>\$ (104,443)</u>	<u>\$ 3,682</u>	<u>18,275,750</u>
	<u>\$ 10,959,569</u>						<u>\$ 11,142,323</u>

	Six Months Ended June 30, 2012					
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost						
Goodwill	\$ 5,693,999	\$ -	\$ -	\$ -	\$ (54,902)	\$ 5,639,097
Technology license fees	4,370,173	147,825	-	191,580	(2,576)	4,707,002
Software and system design costs	13,438,579	387,106	(26,931)	(93,742)	(2,285)	13,702,727
Patent and others	<u>2,670,031</u>	<u>419,142</u>	<u>-</u>	<u>93,990</u>	<u>(1,954)</u>	<u>3,181,209</u>
	<u>26,172,782</u>	<u>\$ 954,073</u>	<u>\$ (26,931)</u>	<u>\$ 191,828</u>	<u>\$ (61,717)</u>	<u>27,230,035</u>
Accumulated amortization						
Technology license fees	2,687,281	\$ 242,179	\$ -	\$ -	\$ (1,376)	2,928,084
Software and system design costs	11,072,096	558,088	(26,931)	(36,552)	(2,044)	11,564,657
Patent and others	<u>1,551,842</u>	<u>288,619</u>	<u>-</u>	<u>36,552</u>	<u>(270)</u>	<u>1,876,743</u>
	<u>15,311,219</u>	<u>\$ 1,088,886</u>	<u>\$ (26,931)</u>	<u>\$ -</u>	<u>\$ (3,690)</u>	<u>16,369,484</u>
	<u>\$ 10,861,563</u>					<u>\$ 10,860,551</u>

The recoverable amount of the Company's goodwill has been tested for impairment at the end of the annual reporting period and was determined based on the value in use. The value in use was calculated based on the cash flow forecast from the financial budgets covering future five-year period, and the Company used annual discount rate of 9.00% and 9.68% in its test of impairment as of December 31, 2012 and 2011, respectively, to reflect the relevant specific risk in the cash-generating unit.

For the six months ended June 30, 2013 and 2012, the Company did not recognize any impairment loss on goodwill.

## 17. OTHER ASSETS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Tax receivable	\$ 1,411,504	\$ 1,565,104	\$ 1,186,737	\$ 708,891
Prepaid expenses	1,340,388	1,080,236	1,082,026	1,436,416
Long-term receivable	781,600	767,800	754,600	785,400
Others	<u>549,515</u>	<u>608,412</u>	<u>562,675</u>	<u>550,053</u>
	<u>\$ 4,083,007</u>	<u>\$ 4,021,552</u>	<u>\$ 3,586,038</u>	<u>\$ 3,480,760</u>
Current portion	\$ 2,739,259	\$ 2,786,408	\$ 2,404,358	\$ 2,174,014
Noncurrent portion	<u>1,343,748</u>	<u>1,235,144</u>	<u>1,181,680</u>	<u>1,306,746</u>
	<u>\$ 4,083,007</u>	<u>\$ 4,021,552</u>	<u>\$ 3,586,038</u>	<u>\$ 3,480,760</u>

## 18. SHORT-TERM LOANS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Unsecured loans				
Amount	\$ 31,466,400	\$ 34,714,929	\$ 30,772,585	\$ 25,926,528
US\$ (in thousands)	\$ 1,050,000	\$ 1,195,500	\$ 1,029,700	\$ 856,000
Annual interest rate	0.39%-0.42%	0.39%-0.58%	0.53%-0.77%	0.45%-1.00%
Maturity date	Due in July 2013	Due in January 2013	Due by August 2012	Due by February 2012



## 19. PROVISIONS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Sales returns and allowances	\$ 6,289,117	\$ 6,038,003	\$ 6,508,185	\$ 5,068,263
Warranties	<u>6,623</u>	<u>4,891</u>	<u>3,398</u>	<u>2,889</u>
	<u>\$ 6,295,740</u>	<u>\$ 6,042,894</u>	<u>\$ 6,511,583</u>	<u>\$ 5,071,152</u>
Current portion	\$ 6,289,117	\$ 6,038,003	\$ 6,508,185	\$ 5,068,263
Noncurrent portion	<u>6,623</u>	<u>4,891</u>	<u>3,398</u>	<u>2,889</u>
	<u>\$ 6,295,740</u>	<u>\$ 6,042,894</u>	<u>\$ 6,511,583</u>	<u>\$ 5,071,152</u>

	Sales Returns and Allowances	Warranties	Total
<u>Six months ended June 30, 2013</u>			
Balance, beginning of period	\$ 6,038,003	\$ 4,891	\$ 6,042,894
Provision	2,421,262	1,678	2,422,940
Payment	(2,142,396)	-	(2,142,396)
Effect of deconsolidation of subsidiary	(37,748)	-	(37,748)
Effect of exchange rate changes	<u>9,996</u>	<u>54</u>	<u>10,050</u>
Balance, end of period	<u>\$ 6,289,117</u>	<u>\$ 6,623</u>	<u>\$ 6,295,740</u>
<u>Six months ended June 30, 2012</u>			
Balance, beginning of period	\$ 5,068,263	\$ 2,889	\$ 5,071,152
Provision	3,859,417	611	3,860,028
Payment	(2,417,745)	-	(2,417,745)
Effect of exchange rate changes	<u>(1,750)</u>	<u>(102)</u>	<u>(1,852)</u>
Balance, end of period	<u>\$ 6,508,185</u>	<u>\$ 3,398</u>	<u>\$ 6,511,583</u>

Provisions for sales returns and allowances are estimated based on historical experience, management judgment, and any known factors that would significantly affect the returns and allowances, and are recognized as a reduction of revenue in the same period of the related product sales.

The provision for warranties represents the present value of the Company's best estimate of the future outflow of the economic benefits that will be required under the Company's obligations for warranties. The estimate has been made on the basis of historical warranty trends of business and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

## 20. BONDS PAYABLE

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Domestic unsecured bonds:				
Issued in September 2011 and repayable in September 2016, 1.40% interest payable annually	\$ 10,500,000	\$ 10,500,000	\$ 10,500,000	\$ 10,500,000
Issued in September 2011 and repayable in September 2018, 1.63% interest payable annually	7,500,000	7,500,000	7,500,000	7,500,000
Issued in January 2012 and repayable in January 2017, 1.29% interest payable annually	10,000,000	10,000,000	10,000,000	-
Issued in January 2012 and repayable in January 2019, 1.46% interest payable annually	7,000,000	7,000,000	7,000,000	-
Issued in August 2012 and repayable in August 2017, 1.28% interest payable annually	9,900,000	9,900,000	-	-
Issued in August 2012 and repayable in August 2019, 1.40% interest payable annually	9,000,000	9,000,000	-	-
Issued in September 2012 and repayable in September 2017, 1.28% interest payable annually	12,700,000	12,700,000	-	-
Issued in September 2012 and repayable in September 2019, 1.39% interest payable annually	9,000,000	9,000,000	-	-
Issued in October 2012 and repayable in October 2022, 1.53% interest payable annually	4,400,000	4,400,000	-	-
Issued in January 2013 and repayable in January 2018, 1.23% interest payable annually	10,600,000	-	-	-
Issued in January 2013 and repayable in January 2020, 1.35% interest payable annually	10,000,000	-	-	-
Issued in January 2013 and repayable in January 2023, 1.49% interest payable annually	3,000,000	-	-	-
Issued in February 2013 and repayable in February 2018, 1.23% interest payable annually	6,200,000	-	-	-
Issued in February 2013 and repayable in February 2020, 1.38% interest payable annually	11,600,000	-	-	-
Issued in February 2013 and repayable in February 2023, 1.50% interest payable annually	3,600,000	-	-	-
Issued in January 2002 and repayable in January 2012, 3.00% interest payable annually	-	-	-	4,500,000
	<u>125,000,000</u>	<u>80,000,000</u>	<u>35,000,000</u>	<u>22,500,000</u>

(Continued)

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Overseas bonds:				
Overseas unsecured corporate bonds of US\$350,000 thousand				
Issued in April 2013 and repayable in April 2016, annual coupon interest at 0.95% and payable semi-annually	\$ 10,488,800	\$ -	\$ -	\$ -
Overseas unsecured corporate bonds of US\$1,150,000 thousand				
Issued in April 2013 and repayable in April 2018, annual coupon interest at 1.625% and payable semi-annually	34,463,200	-	-	-
Less: Discounts on bonds payable	<u>(150,738)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>44,801,262</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 169,801,262</u>	<u>\$ 80,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 22,500,000</u>
Current portion	\$ -	\$ -	\$ -	\$ 4,500,000
Noncurrent portion	<u>169,801,262</u>	<u>80,000,000</u>	<u>35,000,000</u>	<u>18,000,000</u>
	<u>\$ 169,801,262</u>	<u>\$ 80,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 22,500,000</u>
				(Concluded)

With the approval from the FSC, the Company issued domestic unsecured bonds in the amount of NT\$13,700,000 thousand and NT\$12,500,000 thousand in July 2013 and August 2013, respectively.

## 21. LONG-TERM BANK LOANS

	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Bank loans for working capital:			
Repayable in full in one lump sum payment in June 2016 but repaid earlier of NT\$100,000 thousand in September 2012, annual interest at 1.21% in 2013 and 1.08%-1.21% in 2012	\$ 550,000	\$ 650,000	\$ 650,000
Repayable in full in one lump sum payment in March 2015 but repaid earlier of NT\$50,000 thousand in August 2012, annual interest at 1.18%-1.37% in 2013 and 1.16%-1.18% in 2012	450,000	500,000	500,000
Repayable from July 2012 in 16 quarterly installments, annual interest at 1.24% in 2013 and 1.21%-1.24% in 2012	262,500	300,000	300,000
			(Continued)

	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Repayable from September 2012 in 16 quarterly installments, annual interest at 1.24% in 2013 and 1.21%-1.24% in 2012	\$ 175,000	\$ 200,000	\$ 200,000
Repayable from October 2013 in 16 quarterly installments, annual interest at 1.24%-1.25% in 2013 and 1.23%-1.24% in 2012	<u>50,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,487,500</u>	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>
Current portion	\$ 128,125	\$ 125,000	\$ 62,500
Noncurrent portion	<u>1,359,375</u>	<u>1,525,000</u>	<u>1,587,500</u>
	<u>\$ 1,487,500</u>	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>

(Concluded)

As of June 30, 2013, the long-term bank loans were amounted to nil as a result of deconsolidation of Xintec (refer to Note 34).

## 22. OTHER LONG-TERM PAYABLES

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Payables for acquisition of property, plant and equipment	\$ 859,102	\$ 825,447	\$ 1,777,394	\$ 3,399,855
Payables for software and system design costs	54,000	113,000	113,000	-
Payables for technology transfer	<u>-</u>	<u>29,038</u>	<u>149,425</u>	<u>-</u>
	<u>\$ 913,102</u>	<u>\$ 967,485</u>	<u>\$ 2,039,819</u>	<u>\$ 3,399,855</u>
Current portion (classified under accrued expenses and other current liabilities)	\$ 877,102	\$ 913,485	\$ 1,926,049	\$ 3,399,855
Noncurrent portion	<u>36,000</u>	<u>54,000</u>	<u>113,770</u>	<u>-</u>
	<u>\$ 913,102</u>	<u>\$ 967,485</u>	<u>\$ 2,039,819</u>	<u>\$ 3,399,855</u>

TSMC entered into an agreement with a counterparty in 2003 whereby TSMC China is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC China is obligated to compensate the counterparty for the loss incurred. The property, plant and equipment have been in use by TSMC China since 2004 and are being depreciated over their estimated service lives.

## 23. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The pension mechanism under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, TSMC, Xintec, Mutual-Pak, TSMC SSL and TSMC Solar have made

monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe, TSMC Canada, TSMC Solar NA and TSMC Solar Europe GmbH also make monthly contributions at certain percentages of the basic salary of their employees. Accordingly, the Company recognized expenses of NT\$403,779 thousand and NT\$336,114 thousand in the consolidated statements of comprehensive income for the three months ended June 30, 2013 and 2012, respectively; and of NT\$788,237 thousand and NT\$666,655 thousand in the consolidated statements of comprehensive income for the six months ended June 30, 2013 and 2012, respectively.

b. Defined benefit plans

TSMC, Xintec, TSMC SSL and TSMC Solar have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan.

The Company adopted projected unit credit method to measure the present value of the defined benefit obligation, current service costs and prior service costs.

The Company adopted the pension cost rate from the actuarial valuation as of December 31, 2012 and January 1, 2012 to determine and recognize pension expenses of NT\$60,697 thousand and NT\$54,669 thousand in the consolidated statements of comprehensive income for the three months ended June 30, 2013 and 2012, respectively; and of NT\$121,387 thousand and NT\$109,328 thousand in the consolidated statements of comprehensive income for the six months ended June 30, 2013 and 2012, respectively. For the information of the defined benefit plans as of December 31, 2012 and January 1, 2012, please refer to Note 23 to the consolidated financial statements for the three months ended March 31, 2013.

The pension costs information of the defined benefit plans was as follows:

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Cost of revenue	\$ 39,557	\$ 35,038	\$ 78,256	\$ 67,556
Research and development expenses	15,627	14,324	31,065	28,915
General and administrative expenses	4,394	4,173	9,815	10,581
Marketing expenses	<u>1,119</u>	<u>1,134</u>	<u>2,251</u>	<u>2,276</u>
	<u>\$ 60,697</u>	<u>\$ 54,669</u>	<u>\$ 121,387</u>	<u>\$ 109,328</u>

## 24. EQUITY

a. Capital stock

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Authorized shares (in thousand)	<u>28,050,000</u>	<u>28,050,000</u>	<u>28,050,000</u>	<u>28,050,000</u>
Authorized capital	<u>\$ 280,500,000</u>	<u>\$ 280,500,000</u>	<u>\$ 280,500,000</u>	<u>\$ 280,500,000</u>
Issued and paid shares (in thousand)	<u>25,928,305</u>	<u>25,924,435</u>	<u>25,920,709</u>	<u>25,916,222</u>
Issued capital	<u>\$ 259,283,058</u>	<u>\$ 259,244,357</u>	<u>\$ 259,207,094</u>	<u>\$ 259,162,226</u>

Issued common shares with par value of \$10 per share entitled the right to vote and to receive dividends.

The authorized shares include 500,000 thousand shares reserved for the exercise of employee stock options.

As of June 30, 2013, 1,091,351 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,456,755 thousand (one ADS represents five common shares).

b. Capital surplus

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Additional paid-in capital	\$ 24,006,081	\$ 23,934,607	\$ 23,869,088	\$ 23,774,250
From merger	22,804,510	22,804,510	22,804,510	22,804,510
From convertible bonds	8,892,847	8,892,847	8,892,847	8,892,847
From differences between equity purchase price and carrying amount arising from acquisition or disposal of subsidiaries	107,661	40,733	29,976	-
From share of changes in equities of associates and joint venture	17,433	2,588	-	-
Donations	<u>55</u>	<u>55</u>	<u>55</u>	<u>55</u>
	<u>\$ 55,828,587</u>	<u>\$ 55,675,340</u>	<u>\$ 55,596,476</u>	<u>\$ 55,471,662</u>

Under the Company Law, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds, the surplus from treasury stock transactions and the differences between equity purchase price and carrying amount arising from acquisition or disposal of subsidiaries) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends, which are limited to a certain percentage of TSMC's paid-in capital.

c. Retained earnings and dividend policy

TSMC's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, TSMC shall first offset its losses in previous years and then set aside the following items accordingly:

- 1) Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
- 2) Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- 3) Bonus to directors and profit sharing to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue profit sharing to employees in stock of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- 4) Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

TSMC's Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

Any appropriations of the profits are subject to shareholders' approval in the following year.

TSMC accrued profit sharing to employees based on certain percentage of net income during the period, which amounted to NT\$3,483,909 thousand and NT\$2,807,399 thousand for the three months ended June 30, 2013 and 2012, respectively; and NT\$6,144,391 thousand and NT\$5,043,952 thousand for the six months ended June 30, 2013 and 2012, respectively. Bonuses to directors were expensed based on estimated amount of payment. If the actual amounts subsequently approved by the shareholders differ from the estimated amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If profit sharing approved for distribution to employees is in the form of common shares, the number of shares is determined by dividing the amount of profit sharing by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholders' meeting.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity, such as the accumulated balance of foreign currency translation reserve, unrealized valuation gain/loss on available-for-sale financial assets, gain/loss from changes in fair value of hedging instruments in cash flow hedges, etc. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of 2012 and 2011 earnings have been approved by TSMC's shareholders in its meetings held on June 11, 2013 and on June 12, 2012, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For Fiscal Year 2012</b>	<b>For Fiscal Year 2011</b>	<b>(NT\$)</b>	
			<b>For Fiscal Year 2012</b>	<b>For Fiscal Year 2011</b>
Legal capital reserve	\$ 16,615,880	\$ 13,420,128		
Special capital reserve	(4,820,483)	1,172,350		
Cash dividends to shareholders	<u>77,773,307</u>	<u>77,748,668</u>	\$3.00	\$3.00
	<u>\$ 89,568,704</u>	<u>\$ 92,341,146</u>		

TSMC's profit sharing to employees and bonus to directors in the amounts of NT\$11,115,240 thousand and NT\$71,351 thousand in cash for 2012, respectively, and profit sharing to employees and bonus to directors in the amounts of NT\$8,990,026 thousand and NT\$62,324 thousand in cash for 2011, respectively, had been approved by the shareholders in its meeting held on June 11, 2013 and June 12, 2012, respectively. The aforementioned approved amount has no difference with the one approved by the Board of Directors in its meetings held on February 5, 2013 and February 14, 2012 and the same amount had been charged against earnings of 2012 and 2011, respectively.

The appropriations of earnings, payment of profit sharing to employees and bonus to directors for 2012 approved by the Board of Directors of TSMC were based on the financial statements for the year ended December 31, 2012 prepared under the R.O.C. GAAP and in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC before amendment.

The information about the appropriations of TSMC's profit sharing to employees and bonus to directors is available at the Market Observation Post System website.

Under the Integrated Income Tax System that became effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by TSMC on earnings generated since January 1, 1998.

d. Others

Changes in others were as follows:

	<b>Six Months Ended June 30, 2013</b>		
	<b>Foreign Currency Translation Reserve</b>	<b>Unrealized Gain/Loss from Available-for- sale Financial Assets</b>	<b>Total</b>
Balance, beginning of period	\$ (10,753,806)	\$ 7,973,321	\$ (2,780,485)
Foreign currency translation reserve	4,074,732	-	4,074,732
Changes in fair value of available-for-sale financial assets	-	8,484,679	8,484,679
Cumulative gain/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	-	(987,693)	(987,693)
Share of other comprehensive income of associates and joint venture	(58,050)	225	(57,825)
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	774	(44)	730
Income tax effect	<u>-</u>	<u>43,210</u>	<u>43,210</u>
Balance, end of period	<u>\$ (6,736,350)</u>	<u>\$ 15,513,698</u>	<u>\$ 8,777,348</u>

	<b>Six Months Ended June 30, 2012</b>			
	<b>Foreign Currency Translation Reserve</b>	<b>Unrealized Gain/Loss from Available-for- sale Financial Assets</b>	<b>Cash Flow Hedges Reserve</b>	<b>Total</b>
Balance, beginning of period	\$ (6,433,364)	\$ (1,172,762)	\$ (93)	\$ (7,606,219)
Foreign currency translation reserve	(1,426,037)	-	-	(1,426,037)
Changes in fair value of hedging instruments for cash flow hedges	-	-	(7)	(7)
Changes in fair value of hedging instruments for cash flow hedges reclassified to profit or loss	-	-	72	72
Changes in fair value of available-for-sale financial assets	-	(625,490)	-	(625,490)

(Continued)



	<b>Six Months Ended June 30, 2012</b>			
	<b>Foreign Currency Translation Reserve</b>	<b>Unrealized Gain/Loss from Available-for- sale Financial Assets</b>	<b>Cash Flow Hedges Reserve</b>	<b>Total</b>
Cumulative (gain)/loss reclassified to profit or loss upon impairment of available-for-sale financial assets	\$ -	\$ 2,449,990	\$ -	\$ 2,449,990
Share of other comprehensive income of associates and joint venture	28,517	(8,130)	-	20,387
Income tax effect	<u>-</u>	<u>(308,929)</u>	<u>-</u>	<u>(308,929)</u>
Balance, end of period	<u>\$ (7,830,884)</u>	<u>\$ 334,679</u>	<u>\$ (28)</u>	<u>\$ (7,496,233)</u> (Concluded)

The exchange differences arising from the translation of foreign operation's net assets from its functional currency to TSMC's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

Unrealized gain/loss on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income, excluding the amounts recognized in profit or loss for the effective portion from changes in fair value of the hedge instrument. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss.

The cash flow hedges reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of the hedging instruments entered into as cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated in cash flow hedges reserve will be reclassified to profit or loss only when the hedge transaction affects profit or loss.

e. Noncontrolling interests

	<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>
Balance, beginning of period	\$ 2,543,226	\$ 2,436,649
Share of noncontrolling interests		
Net loss	(87,555)	(152,421)
Changes in fair value of hedging instruments for cash flow hedges	-	(10)
Changes in fair value of hedging instruments for cash flow hedges reclassified to profit or loss	-	108
Adjustments arising from changes in percentage of ownership in subsidiaries	(66,928)	(29,976)
Changes in fair value of available-for-sale financial assets	1,519	2,406
Cumulative gain/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	(3,020)	(4,083)
		(Continued)

	<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>
Share of other comprehensive income of associates and joint venture	\$ 223	\$ -
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	1	-
Stock option compensation cost of subsidiary	5,312	-
Foreign currency translation reserve	1,162	38,154
Increase in noncontrolling interests	203,729	288,458
Effect of deconsolidation of subsidiary	<u>(2,273,153)</u>	<u>-</u>
Balance, end of period	<u>\$ 324,516</u>	<u>\$ 2,579,285</u> (Concluded)

## 25. SHARE-BASED PAYMENT

### a. Optional exemption from applying IFRS 2 “Share-based Payment” (IFRS 2)

The Company elected to take the optional exemption from applying IFRS 2 retrospectively for the share-based payment transactions granted and vested before January 1, 2012. The plans are described as follows:

TSMC’s Employee Stock Option Plans, consisting of the TSMC 2004 Plan, TSMC 2003 Plan and TSMC 2002 Plan, were approved by the Securities and Futures Bureau (SFB) on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of options authorized to be granted under the TSMC 2004 Plan, TSMC 2003 Plan and TSMC 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each option eligible to subscribe for one common share of TSMC when exercised. The options may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC’s shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of TSMC’s common shares listed on the TWSE on the grant date.

Stock options of the plans that had never been granted or had been granted but subsequently canceled had expired as of June 30, 2013.

Information about TSMC’s outstanding options for the six months ended June 30, 2013 and 2012 was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Six months ended June 30, 2013</u>		
Balance, beginning of period	5,945	\$34.6
Options exercised	<u>(3,870)</u>	28.5
Balance, end of period	<u>2,075</u>	46.0 (Continued)

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Six months ended June 30, 2012</u>		
Balance, beginning of period	14,293	\$32.1
Options exercised	<u>(4,487)</u>	31.1
Balance, end of period	<u><u>9,806</u></u>	32.6 (Concluded)

The numbers of outstanding options and exercise prices have been adjusted to reflect the distribution of earnings by TSMC in accordance with the plans.

Information about TSMC's outstanding options was as follows:

<u>June 30, 2013</u>		<u>December 31, 2012</u>	
<b>Range of Exercise Price (NT\$)</b>	<b>Weighted-average Remaining Contractual Life (Years)</b>	<b>Range of Exercise Price (NT\$)</b>	<b>Weighted-average Remaining Contractual Life (Years)</b>
\$38.0-\$50.1	1.6	\$20.2-\$28.3 \$38.0-\$50.1	0.4 2.0
<u>June 30, 2012</u>		<u>January 1, 2012</u>	
<b>Range of Exercise Price (NT\$)</b>	<b>Weighted-average Remaining Contractual Life (Years)</b>	<b>Range of Exercise Price (NT\$)</b>	<b>Weighted-average Remaining Contractual Life (Years)</b>
\$20.9-\$29.3 \$38.0-\$50.1	0.8 2.5	\$20.9-\$29.3 \$38.0-\$50.1	1.2 2.9

As of June 30, 2013, all of the above outstanding options were exercisable.

b. Application of IFRS 2

The Company applied IFRS 2 for the following plans as the shared-based payment transactions were granted and vested on or after January 1, 2012. The plans are described as follows:

The Board of Directors of TSMC SSL approved on December 18, 2012 and November 21, 2011 the issuance of new shares for cash and allocated 17,000 thousand shares and 17,175 thousand shares for 2013 and 2012 stock option plan, respectively, for their employees to subscribe to, according to the Company Law. The aforementioned shares were fully vested on the grant date.

Information about TSMC SSL's employee stock options related to the aforementioned new shares issued was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Six months ended June 30, 2013</u>		
Balance, beginning of period	-	\$ -
Options granted	17,000	10.0
Options exercised	<u>(17,000)</u>	10.0
Balance, end of period	<u><u>-</u></u>	-
<u>Six months ended June 30, 2012</u>		
Balance, beginning of period	-	\$ -
Options granted	17,175	10.0
Options exercised	<u>(17,175)</u>	10.0
Balance, end of period	<u><u>-</u></u>	-

The grant dates of aforementioned stock options were April 10, 2013 and January 9, 2012, respectively. TSMC SSL used the Black-Scholes model to determine the fair value of the options. The valuation assumptions were as follows:

	<b>2013 Stock Option Plan</b>	<b>2012 Stock Option Plan</b>
Valuation assumptions:		
Stock price on grant date (NT\$/share)	\$ 4.6	\$ 8.9
Exercise price (NT\$/share)	\$ 10.0	\$ 10.0
Expected volatility	51.68%	40.32%
Expected life	31 days	40 days
Risk free interest rate	0.60%	0.76%

The stock price on grant date was determined based on the cost approach. The expected volatility was calculated using the historical rate of return based on the TWSE Optoelectronic Index.

The fair value of the aforementioned stock option was close to nil, and accordingly, no compensation cost was recognized.

The Board of Directors of TSMC Solar approved on November 21, 2011 the issuance of new shares for cash and allocated 12,341 thousand shares for their employees to subscribe to, according to the Company Law. The aforementioned shares were fully vested on the grant date.

Information about TSMC Solar's employee stock options related to the aforementioned new shares issued was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Six months ended June 30, 2012</u>		
Balance, beginning of period	-	\$ -
Options granted	12,341	10.0
Options exercised	<u>(12,341)</u>	10.0
Balance, end of period	<u>          -</u>	-

The grant date of aforementioned stock options was January 9, 2012. TSMC Solar used the Black-Scholes model to determine the fair value of the options. The valuation assumptions were as follows:

Valuation assumptions:

Stock price on grant date (NT\$/share)	\$9.0
Exercise price (NT\$/share)	\$10.0
Expected volatility	40.32%
Expected life	40 days
Risk free interest rate	0.76%

The stock price on grant date was determined based on the cost approach. The expected volatility was calculated using the historical rate of return based on the TWSE Optoelectronic Index.

The fair value of the aforementioned stock option was close to nil, and accordingly, no compensation cost was recognized.

## 26. NET REVENUE

The analysis of the Company's net revenue was as follows:

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net revenue from the sale of goods	\$ 155,758,012	\$ 128,060,828	\$ 288,390,575	\$ 233,568,503
Net revenue from the royalties	<u>128,308</u>	<u>125,503</u>	<u>250,741</u>	<u>232,659</u>
	<u>\$ 155,886,320</u>	<u>\$ 128,186,331</u>	<u>\$ 288,641,316</u>	<u>\$ 233,801,162</u>

## 27. OTHER OPERATING INCOME AND EXPENSES, NET

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Income (expenses) of rental assets				
Rental income	\$ 3,572	\$ 249	\$ 7,255	\$ 503
Depreciation of rental assets	<u>(6,222)</u>	<u>(1,433)</u>	<u>(12,677)</u>	<u>(3,789)</u>
	(2,650)	(1,184)	(5,422)	(3,286)
Gain (loss) on disposal of property, plant and equipment and intangible assets, net	655	(2,631)	29,365	(4,126)
Reversal of impairment loss/(impairment loss) on property, plant and equipment	-	19,989	-	(422,323)
Settlement income from receiving equity securities	<u>1,025</u>	<u>642</u>	<u>9,590</u>	<u>642</u>
	<u>\$ (970)</u>	<u>\$ 16,816</u>	<u>\$ 33,533</u>	<u>\$ (429,093)</u>

## 28. OTHER INCOME

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Interest income				
Bank deposits	\$ 499,423	\$ 405,789	\$ 833,500	\$ 867,890
Available-for-sale financial assets	1,480	1,509	3,000	2,986
Held-to-maturity financial assets	<u>5,469</u>	<u>33,198</u>	<u>16,193</u>	<u>70,856</u>
	506,372	440,496	852,693	941,732
Dividend income	<u>502,692</u>	<u>69,945</u>	<u>502,692</u>	<u>69,945</u>
	<u>\$ 1,009,064</u>	<u>\$ 510,441</u>	<u>\$ 1,355,385</u>	<u>\$ 1,011,677</u>

## 29. FINANCE COSTS

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Interest expense				
Corporate bonds	\$ 593,187	\$ 125,112	\$ 1,034,881	\$ 266,534
Bank loans	29,682	58,735	72,120	113,673
Finance leases	4,909	16,545	9,697	40,596
Others	<u>7,562</u>	<u>142</u>	<u>12,640</u>	<u>498</u>
	635,340	200,534	1,129,338	421,301
Loss reclassified to profit or loss arising from effective portion for cash flow hedges	-	82	-	180
Capitalized interest	<u>-</u>	<u>(3,268)</u>	<u>-</u>	<u>(6,442)</u>
	<u>\$ 635,340</u>	<u>\$ 197,348</u>	<u>\$ 1,129,338</u>	<u>\$ 415,039</u>

### 30. OTHER GAINS AND LOSSES

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Gain on disposal of financial assets, net				
Available-for-sale financial assets	\$ 172,398	\$ 149,246	\$ 990,713	\$ 231,622
Financial assets carried at cost	2,468	142,894	4,573	134,109
Gain on deconsolidation of subsidiary	293,578	-	293,578	-
Settlement income	451,050	448,275	451,050	448,275
Other gains	94,023	255,191	186,610	322,229
Net gain/(loss) on financial instruments at FVTPL				
Held for trading	(408,731)	55,268	(150,294)	(189,737)
Impairment loss of financial assets				
Available-for-sale financial assets	-	(2,677,529)	-	(2,677,529)
Financial assets carried at cost	(45,716)	(66,537)	(45,716)	(70,927)
Fair value hedges				
Loss from hedging instruments	(2,587,357)	-	(1,937,366)	-
Gain arising from changes in fair value of available-for-sale financial assets in hedge effective portion	2,416,999	-	1,657,824	-
Other losses	<u>(75,341)</u>	<u>(74,496)</u>	<u>(131,258)</u>	<u>(145,481)</u>
	<u>\$ 313,371</u>	<u>\$ (1,767,688)</u>	<u>\$ 1,319,714</u>	<u>\$ (1,947,439)</u>

### 31. INCOME TAX

- a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current income tax expense (benefit)				
Current tax expense recognized for the current period	\$ 6,030,509	\$ 3,559,326	\$ 11,018,835	\$ 6,430,572
Income tax adjustments on prior years	(634,420)	48,049	(1,044,163)	48,049
Other income tax adjustments	<u>(16,082)</u>	<u>4,152</u>	<u>(12,284)</u>	<u>38,284</u>
	<u>5,380,007</u>	<u>3,611,527</u>	<u>9,962,388</u>	<u>6,516,905</u>
				(Continued)

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Deferred income tax expense (benefit)				
Temporary differences	\$ 32,657	\$ (870,060)	\$ 1,041,130	\$ (723,392)
Income tax credits and loss carryforward	2,920,986	1,415,848	3,542,503	653,920
Effect of deconsolidation of subsidiary	(78,474)	-	(78,474)	-
	<u>2,875,169</u>	<u>545,788</u>	<u>4,505,159</u>	<u>(69,472)</u>
Income tax expense recognized in profit or loss	<u>\$ 8,255,176</u>	<u>\$ 4,157,315</u>	<u>\$ 14,467,547</u>	<u>\$ 6,447,433</u> (Concluded)

b. Income tax expense recognized in other comprehensive income

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Deferred income tax expense (benefit)				
Related to unrealized gain/loss on available-for-sale financial assets	\$ 29	\$ 308,777	\$ (43,210)	\$ 308,929

c. Integrated income tax information

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Balance of the Imputation Credit Account - TSMC	<u>\$ 22,093,263</u>	<u>\$ 8,130,060</u>	<u>\$ 14,283,587</u>	<u>\$ 4,003,228</u>

The actual creditable ratio for distribution of TSMC's earnings of 2011 was 6.69%.

The estimated creditable ratio for distribution of TSMC's 2012 earnings was approximately 7.75%, which is calculated based on draft amendment of the Income Tax Law not yet passed by the Legislative Yuan of the Republic of China as of the date that the consolidated financial statements were authorized for issue. The imputation credit allocated to shareholders is based on its balance as of the date of the dividend distribution. The estimated creditable ratio may change when the actual distribution of the imputation credit is made.

All of TSMC's earnings generated prior to December 31, 1997 have been appropriated.

d. Income tax examination

The tax authorities have examined income tax returns of TSMC through 2010. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.



### 32. EARNINGS PER SHARE

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Basic EPS	<u>\$2.00</u>	<u>\$1.61</u>	<u>\$3.52</u>	<u>\$2.91</u>
Diluted EPS	<u>\$2.00</u>	<u>\$1.61</u>	<u>\$3.52</u>	<u>\$2.91</u>

EPS is computed as follows:

	<b>Amounts (Numerator)</b>	<b>Number of Shares (Denominator) (In Thousands)</b>	<b>EPS (NT\$)</b>
<u>Three months ended June 30,2013</u>			
Basic EPS			
Net income available to common shareholders of the parent	\$ 51,807,725	25,928,299	<u>\$2.00</u>
Effect of dilutive potential common shares	<u>-</u>	<u>1,192</u>	
Diluted EPS			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 51,807,725</u>	<u>25,929,491</u>	<u>\$2.00</u>
<u>Three months ended June 30,2012</u>			
Basic EPS			
Net income available to common shareholders of the parent	\$ 41,843,339	25,920,703	<u>\$1.61</u>
Effect of dilutive potential common shares	<u>-</u>	<u>5,879</u>	
Diluted EPS			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 41,843,339</u>	<u>25,926,582</u>	<u>\$1.61</u>
<u>Six months ended June 30, 2013</u>			
Basic EPS			
Net income available to common shareholders of the parent	\$ 91,384,601	25,927,130	<u>\$3.52</u>
Effect of dilutive potential common shares	<u>-</u>	<u>2,340</u>	
Diluted EPS			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 91,384,601</u>	<u>25,929,470</u>	<u>\$3.52</u>

(Continued)

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Six months ended June 30, 2012</u>			
Basic EPS			
Net income available to common shareholders of the parent	\$ 75,334,973	25,919,175	<u>\$2.91</u>
Effect of dilutive potential common shares	<u>-</u>	<u>7,329</u>	
Diluted EPS			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 75,334,973</u>	<u>25,926,504</u>	<u>\$2.91</u> (Concluded)

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until profit sharing to employees to be settled in the form of common stocks are approved in the shareholders' meeting in the following year.

### 33. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2013	2012	2013	2012
a. Depreciation of property, plant and equipment				
Recognized in cost of revenue	\$ 34,427,466	\$ 29,266,334	\$ 67,470,119	\$ 54,111,631
Recognized in operating expenses	3,120,876	2,632,364	6,036,445	5,261,932
Recognized in other operating income and expenses	<u>6,222</u>	<u>1,433</u>	<u>12,677</u>	<u>3,789</u>
	<u>\$ 37,554,564</u>	<u>\$ 31,900,131</u>	<u>\$ 73,519,241</u>	<u>\$ 59,377,352</u>
b. Amortization of intangible assets				
Recognized in cost of revenue	\$ 281,530	\$ 356,805	\$ 576,662	\$ 680,233
Recognized in operating expenses	<u>258,547</u>	<u>203,895</u>	<u>494,928</u>	<u>408,653</u>
	<u>\$ 540,077</u>	<u>\$ 560,700</u>	<u>\$ 1,071,590</u>	<u>\$ 1,088,886</u> (Continued)

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2013	2012	2013	2012
c. Research and development costs expensed as incurred	<u>\$ 11,941,871</u>	<u>\$ 10,068,390</u>	<u>\$ 22,592,856</u>	<u>\$ 19,226,242</u>
d. Employee benefits expenses				
Post-employment benefits (Note 23)				
Defined contribution plans	\$ 403,779	\$ 336,114	\$ 788,237	\$ 666,655
Defined benefit plans	<u>60,697</u>	<u>54,669</u>	<u>121,387</u>	<u>109,328</u>
	464,476	390,783	909,624	775,983
Share-based payments				
Equity-settled share-based payments	2,611	397	5,312	397
Other employee benefits	<u>17,278,663</u>	<u>14,886,220</u>	<u>32,294,666</u>	<u>27,952,862</u>
	<u>\$ 17,745,750</u>	<u>\$ 15,277,400</u>	<u>\$ 33,209,602</u>	<u>\$ 28,729,242</u>
Employee benefits expense summarized by function				
Recognized in cost of revenue	\$ 10,576,504	\$ 9,018,651	\$ 19,925,928	\$ 16,499,499
Recognized in operating expenses	<u>7,169,246</u>	<u>6,258,749</u>	<u>13,283,674</u>	<u>12,229,743</u>
	<u>\$ 17,745,750</u>	<u>\$ 15,277,400</u>	<u>\$ 33,209,602</u>	<u>\$ 28,729,242</u>

(Concluded)

### 34. DECONSOLIDATION OF SUBSIDIARY

Starting June 2013, the Company has no power to govern the financial and operating policies of Xintec for the loss of power to cast the majority of votes at meetings of the Board of Directors; accordingly, the Company derecognized related assets, liabilities and noncontrolling interests of Xintec.

a. Consideration received

The Company did not receive any consideration in the deconsolidation of Xintec.

b. Analysis of assets and liabilities over which the Company lost control

	<b>June 30, 2013</b>
Current assets	
Cash and cash equivalents	\$ 979,910
Accounts receivable	564,364
Inventories	213,133
Others	110,766

(Continued)

	<b>June 30, 2013</b>
Noncurrent assets	
Property, plant and equipment	\$ 5,595,040
Others	164,311
Current liabilities	
Accounts payable	(1,571,289)
Others	(291,715)
Noncurrent liabilities	
Loans	(1,940,625)
Others	<u>(27,472)</u>
Net assets deconsolidated	<u>\$ 3,796,423</u> (Concluded)

c. Gain on deconsolidation of subsidiary

	<b>Six Months Ended June 30, 2013</b>
Fair value of interest retained	<u>\$ 1,816,848</u>
Less: Carrying amount of interest retained	
Net assets deconsolidated	3,796,423
Noncontrolling interests	<u>(2,273,153)</u>
	<u>1,523,270</u>
Gain on deconsolidation of subsidiary	<u>\$ 293,578</u>

Gain on deconsolidation of subsidiary was included in other gains and losses for the six months ended June 30, 2013.

d. Net cash outflow arising from deconsolidation of the subsidiary

	<b>Six Months Ended June 30, 2013</b>
The balance of cash and cash equivalents deconsolidated	<u>\$ 979,910</u>

### 35. CAPITAL MANAGEMENT

The Company requires significant amounts of capital to build and expand its production facilities and equipment. In consideration of the industry dynamics, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

### 36. FINANCIAL INSTRUMENTS

#### a. Categories of financial instruments

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Financial assets				
FVTPL				
Held for trading derivatives	\$ 20,010	\$ 39,554	\$ 23,734	\$ 15,360
Available-for-sale financial assets				
(Note)	54,319,453	44,766,957	6,561,060	7,623,775
Held-to-maturity financial assets	700,576	5,056,973	8,126,699	9,068,847
Loans and receivables				
Cash and cash equivalents	225,832,646	143,410,588	178,440,559	143,472,277
Notes and accounts receivables (including related parties)	80,340,331	58,131,397	61,447,677	46,016,052
Other receivables	3,804,679	1,307,473	2,219,280	1,403,694
Refundable deposits	<u>2,412,290</u>	<u>2,426,712</u>	<u>4,296,083</u>	<u>4,518,863</u>
	<u>\$ 367,429,985</u>	<u>\$ 255,139,654</u>	<u>\$ 261,115,092</u>	<u>\$ 212,118,868</u>
Financial liabilities				
FVTPL				
Held for trading derivatives	\$ 136,515	\$ 15,625	\$ 35,166	\$ 13,742
Derivative instruments in designated hedge accounting relationships				
	1,813,291	-	69	232
Amortized cost				
Short-term loans	31,466,400	34,714,929	30,772,585	25,926,528
Accounts payable (including related parties)	15,202,734	15,239,042	15,436,960	11,859,008
Payables to contactors and equipment suppliers	60,883,767	44,831,798	45,039,813	35,540,526
Cash dividends payable	77,773,307	-	77,762,637	-
Accrued expenses and other current liabilities	12,933,671	9,316,232	10,803,925	7,796,538
Bonds payable	169,801,262	80,000,000	35,000,000	22,500,000
Long-term bank loans	-	1,487,500	1,650,000	1,650,000
Other long-term payables	913,102	967,485	2,039,819	3,399,855
Guarantee deposits	<u>166,112</u>	<u>203,890</u>	<u>253,346</u>	<u>443,983</u>
	<u>\$ 371,090,161</u>	<u>\$ 186,776,501</u>	<u>\$ 218,794,320</u>	<u>\$ 109,130,412</u>

Note: Including financial assets carried at cost.

#### b. Financial risk management objectives

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by Audit Committees and/or Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

c. Market risk

The Company is exposed to the market risks arising from changes in foreign exchange rates, interest rates and the prices in equity investments, and utilizes some derivative financial instruments to reduce the related risks.

Foreign currency risk

Most of the Company's operating activities are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments, including currency forward contracts and cross currency swaps, to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

The Company also holds short-term borrowings in foreign currencies in proportion to its expected future cash flows. This allows foreign-currency-denominated borrowings to be serviced with expected future cash flows and provides a partial hedge against transaction translation exposure.

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable 10% movement in the levels of foreign exchanges against the New Taiwan dollar, the net income for the six months ended June 30, 2013 and 2012 would have decreased by NT\$331,962 thousand and NT\$504,452 thousand, respectively, after taking into consideration of the hedge contracts and the hedged items.

Interest rate risk

The Company is exposed to interest rate risk arising from borrowing at both fixed and floating interest rates. All of the Company's long-term bonds have fixed interest rates and are measured at amortized cost. As such, changes in interest rates would not affect the future cash flows. On the other hand, because interest rates on the Company's long-term bank loans are floating, changes in interest rates would affect the future cash flows but not the fair value. To reduce the cash flow risk caused by floating interest rates, the Company utilized an interest rate swap contract to partially hedge its exposure. As of June 30, 2013, the long-term bank loans bearing floating interest rates were amounted to nil as a result of deconsolidation of a subsidiary.

Assuming the amount of floating interest rate bank loans at the end of the reporting period had been outstanding for the entire period and all other variables were held constant, a hypothetical increase in interest rates of 100 basis point (1%) would have resulted in an increase in the interest expense, net of tax, by approximately NT\$6,590 thousand for the six months ended June 30, 2012.

Other price risk

The Company is exposed to equity price risk arising from available-for-sale equity investments. To reduce the price risk, the Company utilized some stock forward contracts to partially hedge its exposure.

Assuming a hypothetical decrease of 5% in equity prices of the equity investments at the end of the reporting period, the net income for the six months ended June 30, 2013 and 2012 would have been unaffected as they were classified as available-for-sale; however, the other comprehensive income for the six months ended June 30, 2013 and 2012 would have decreased by NT\$1,879,083 thousand and NT\$308,146 thousand, respectively.

d. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables, and from financing activities, primarily deposits, fixed-income investments and other financial instruments with banks. Credit risk is managed separately for business related and financial related exposures. As of the balance sheet date, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the consolidated balance sheet.

Business related credit risk

The Company has considerable trade receivables outstanding with its hundreds of customers worldwide. A substantial majority of the Company's outstanding trade receivables are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the Company's ten largest customers accounted for 69%, 68%, 62% and 64% of accounts receivable, respectively. The Company believes the concentration of credit risk is insignificant for the remaining accounts receivable.

Financial credit risk

The Company regularly monitors and reviews the transaction limit applied to counterparties and adjusts the concentration limit according to market conditions and the credit standing of the counterparties. The Company mitigates its exposure by selecting counterparties with investment-grade credit ratings.

e. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements associated with existing operations over the next 12 months. The Company manages its liquidity risk by maintaining adequate cash and banking facilities.

As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the unused of financing facilities of the Company amounted to NT\$55,098,102 thousand, NT\$53,422,331 thousand, NT\$61,928,356 thousand and NT\$63,708,014 thousand, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principles and interests.

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>June 30, 2013</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 31,470,473	\$ -	\$ -	\$ -	\$ 31,470,473
Accounts payable (including related parties)	15,202,734	-	-	-	15,202,734
Payables to contactors and equipment suppliers	60,883,767	-	-	-	60,883,767
Cash dividends payable	77,773,307	-	-	-	77,773,307
Accrued expenses and other current liabilities	12,933,671	-	-	-	12,933,671
					(Continued)

	<b>Less Than 1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
Bonds payable	\$ 2,368,241	\$ 15,201,201	\$ 97,982,526	\$ 66,672,284	\$ 182,224,252
Other long-term payables	877,102	36,000	-	-	913,102
Obligations under finance leases	28,144	56,288	56,289	731,168	871,889
Guarantee deposits	-	166,112	-	-	166,112
	<u>201,537,439</u>	<u>15,459,601</u>	<u>98,038,815</u>	<u>67,403,452</u>	<u>382,439,307</u>
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	26,579,381	-	-	-	26,579,381
Inflows	<u>(26,487,571)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,487,571)</u>
	<u>91,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,810</u>
Cross currency swap contracts					
Outflows	1,200,176	-	-	-	1,200,176
Inflows	<u>(1,201,117)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,201,117)</u>
	<u>(941)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(941)</u>
Stock forward contracts					
Outflows	-	14,753,429	-	-	14,753,429
Inflows	<u>-</u>	<u>(14,753,429)</u>	<u>-</u>	<u>-</u>	<u>(14,753,429)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 201,628,308</u>	<u>\$ 15,459,601</u>	<u>\$ 98,038,815</u>	<u>\$ 67,403,452</u>	<u>\$ 382,530,176</u>

December 31, 2012

Non-derivative financial liabilities

Short-term loans	\$ 34,721,003	\$ -	\$ -	\$ -	\$ 34,721,003
Accounts payable (including related parties)	15,239,042	-	-	-	15,239,042
Payables to contactors and equipment suppliers	44,831,798	-	-	-	44,831,798
Accrued expenses and other current liabilities	9,316,232	-	-	-	9,316,232
Bonds payable	1,108,150	2,216,300	44,911,191	37,834,474	86,070,115
Long-term bank loans	146,571	745,174	637,580	-	1,529,325
Other long-term payables	913,485	36,000	18,000	-	967,485
Obligations under finance leases	27,042	54,084	54,084	729,566	864,776
Guarantee deposits	-	203,890	-	-	203,890
	<u>106,303,323</u>	<u>3,255,448</u>	<u>45,620,855</u>	<u>38,564,040</u>	<u>193,743,666</u>

Derivative financial instruments

Forward exchange contracts					
Outflows	11,030,154	-	-	-	11,030,154
Inflows	<u>(11,059,396)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,059,396)</u>
	<u>(29,242)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,242)</u>
Cross currency swap contracts					
Outflows	9,068,589	-	-	-	9,068,589
Inflows	<u>(9,068,727)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,068,727)</u>
	<u>(138)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(138)</u>
	<u>\$ 106,273,943</u>	<u>\$ 3,255,448</u>	<u>\$ 45,620,855</u>	<u>\$ 38,564,040</u>	<u>\$ 193,714,286</u>

June 30, 2012

Non-derivative financial liabilities

Short-term loans	\$ 30,779,995	\$ -	\$ -	\$ -	\$ 30,779,995
Accounts payable (including related parties)	15,436,960	-	-	-	15,436,960
Payables to contactors and equipment suppliers	45,039,813	-	-	-	45,039,813
Cash dividends payable	77,762,637	-	-	-	77,762,637
Accrued expenses and other current liabilities	10,803,925	-	-	-	10,803,925
Bonds payable	500,450	1,000,900	21,329,148	14,808,455	37,638,953
Long-term bank loans	143,196	773,982	782,175	-	1,699,353
Other long-term payables	1,926,049	95,770	18,000	-	2,039,819
Obligations under finance leases	27,448	54,896	54,896	740,525	877,765
Guarantee deposits	-	253,346	-	-	253,346
	<u>182,420,473</u>	<u>2,178,894</u>	<u>22,184,219</u>	<u>15,548,980</u>	<u>222,332,566</u>

(Continued)



	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	\$ 16,190,099	\$ -	\$ -	\$ -	\$ 16,190,099
Inflows	<u>(16,228,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,228,937)</u>
	<u>(38,838)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,838)</u>
Cross currency swap contracts					
Outflows	756,117	-	-	-	756,117
Inflows	<u>(755,497)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(755,497)</u>
	<u>620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>620</u>
Interest rate swap contracts					
Outflows	197	-	-	-	197
Inflows	<u>(124)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(124)</u>
	<u>73</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73</u>
	<u>\$ 182,382,328</u>	<u>\$ 2,178,894</u>	<u>\$ 22,184,219</u>	<u>\$ 15,548,980</u>	<u>\$ 222,294,421</u>

January 1, 2012

Non-derivative financial liabilities

Short-term loans	\$ 25,933,177	\$ -	\$ -	\$ -	\$ 25,933,177
Accounts payable (including related parties)	11,859,008	-	-	-	11,859,008
Payables to contactors and equipment suppliers	35,540,526	-	-	-	35,540,526
Accrued expenses and other current liabilities	7,796,538	-	-	-	7,796,538
Bonds payable	4,775,081	538,500	11,000,933	7,713,258	24,027,772
Long-term bank loans	79,558	778,190	849,021	-	1,706,769
Other long-term payables	3,399,855	-	-	-	3,399,855
Obligations under finance leases	-	167,472	55,824	780,962	1,004,258
Guarantee deposits	-	443,983	-	-	443,983
	<u>89,383,743</u>	<u>1,928,145</u>	<u>11,905,778</u>	<u>8,494,220</u>	<u>111,711,886</u>

Derivative financial instruments

Forward exchange contracts					
Outflows	7,736,197	-	-	-	7,736,197
Inflows	<u>(7,726,584)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,726,584)</u>
	<u>9,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,613</u>
Cross currency swap contracts					
Outflows	420,431	-	-	-	420,431
Inflows	<u>(420,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(420,397)</u>
	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>
Interest rate swap contracts					
Outflows	706	-	-	-	706
Inflows	<u>(442)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(442)</u>
	<u>264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264</u>
	<u>\$ 89,393,654</u>	<u>\$ 1,928,145</u>	<u>\$ 11,905,778</u>	<u>\$ 8,494,220</u>	<u>\$ 111,721,797</u>

(Concluded)

f. Fair value of financial instruments

1) Fair value of financial instruments carried at amortized cost

Except as detailed in the following table, the Company considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>								
Held-to-maturity financial assets								
Corporate bonds	\$ 700,576	\$ 704,777	\$ 5,056,973	\$ 5,066,363	\$ 7,678,424	\$ 7,700,578	\$ 8,614,527	\$ 8,674,016
Government bonds	-	-	-	-	448,275	448,329	454,320	454,047
<u>Financial liabilities</u>								
Measured at amortized cost								
Bonds payable	169,801,262	168,643,055	80,000,000	80,343,413	35,000,000	35,278,868	22,500,000	22,597,115

2) Fair value measurements recognized in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<b>June 30, 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 20,010	\$ -	\$ 20,010
<u>Available-for-sale financial assets</u>				
Publicly traded stocks	\$ 50,643,339	\$ -	\$ -	\$ 50,643,339
Money market funds	8,417	-	-	8,417
	<u>\$ 50,651,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,651,756</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 136,515	\$ -	\$ 136,515
<u>Hedging derivative financial liabilities</u>				
Stock forward contract	\$ -	\$ 1,813,291	\$ -	\$ 1,813,291
<b>December 31, 2012</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 39,554	\$ -	\$ 39,554
<u>Available-for-sale financial assets</u>				
Publicly traded stocks	\$ 41,160,437	\$ -	\$ -	\$ 41,160,437
Money market funds	1,443	-	-	1,443
	<u>\$ 41,161,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,161,880</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 15,625	\$ -	\$ 15,625

	<b>June 30, 2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ <u>          -</u>	\$ <u>  23,734</u>	\$ <u>          -</u>	\$ <u>  23,734</u>
<u>Available-for-sale financial assets</u>				
Publicly traded stocks	\$ 2,476,537	\$ -	\$ -	\$ 2,476,537
Money market funds	<u>          509</u>	<u>          -</u>	<u>          -</u>	<u>          509</u>
	<u>\$ 2,477,046</u>	<u>\$          -</u>	<u>\$          -</u>	<u>\$ 2,477,046</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ <u>          -</u>	\$ <u>  35,166</u>	\$ <u>          -</u>	\$ <u>  35,166</u>
<u>Hedging derivative financial liabilities</u>				
Interest rate swap contract	\$ <u>          -</u>	\$ <u>          69</u>	\$ <u>          -</u>	\$ <u>          69</u>
	<b>January 1, 2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ <u>          -</u>	\$ <u>  15,360</u>	\$ <u>          -</u>	\$ <u>  15,360</u>
<u>Available-for-sale financial assets</u>				
Publicly traded stocks	\$ 3,306,248	\$ -	\$ -	\$ 3,306,248
Money market funds	<u>          2,522</u>	<u>          -</u>	<u>          -</u>	<u>          2,522</u>
	<u>\$ 3,308,770</u>	<u>\$          -</u>	<u>\$          -</u>	<u>\$ 3,308,770</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ <u>          -</u>	\$ <u>  13,742</u>	\$ <u>          -</u>	\$ <u>  13,742</u>
<u>Hedging derivative financial liabilities</u>				
Interest rate swap contract	\$ <u>          -</u>	\$ <u>          232</u>	\$ <u>          -</u>	\$ <u>          232</u>

There were no transfers between Level 1 and 2 for the six months ended June 30, 2013 and 2012, respectively.

There were no purchases and disposals for assets on Level 3 for the six months ended June 30, 2013 and 2012, respectively.

### 3) Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks and money market funds).
- Forward exchange contracts and cross currency swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts; interest rate swaps are measured at the present value of future cash flows

estimated and discounted based on the applicable yield curves derived from quoted interest rates; and stock forward contracts are measured at the difference between the present value of stock forward price discounted based on the applicable yield curve derived from quoted interest rates and the stock spot price.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

### 37. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between TSMC and its subsidiaries, which are related parties of TSMC, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of transactions between the Company and other related parties:

#### a. Operating transactions

	<b>Net Revenue from Sale of Goods</b>			
	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Associates	\$ 932,700	\$ 1,489,336	\$ 1,617,486	\$ 2,636,030
Joint venture	<u>311</u>	<u>1,123</u>	<u>839</u>	<u>2,305</u>
	<u>\$ 933,011</u>	<u>\$ 1,490,459</u>	<u>\$ 1,618,325</u>	<u>\$ 2,638,335</u>
	<b>Net Revenue from Royalties</b>			
	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Associates	<u>\$ 127,829</u>	<u>\$ 120,096</u>	<u>\$ 248,245</u>	<u>\$ 227,251</u>
	<b>Purchases</b>			
	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Associates	<u>\$ 2,173,451</u>	<u>\$ 2,158,983</u>	<u>\$ 4,270,005</u>	<u>\$ 3,764,529</u>
	<b>Manufacturing Expenses</b>			
	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Associates	\$ 6,380	\$ 1,295	\$ 12,752	\$ 1,295
Joint venture	<u>2,645</u>	<u>4,901</u>	<u>3,502</u>	<u>9,604</u>
	<u>\$ 9,025</u>	<u>\$ 6,196</u>	<u>\$ 16,254</u>	<u>\$ 10,899</u>
	<b>Research and Development Expenses</b>			
	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Joint venture	<u>\$ 2,267</u>	<u>\$ 2,647</u>	<u>\$ 3,458</u>	<u>\$ 4,461</u>

**Sales of Machinery and Equipment**

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Associates	\$ -	\$ -	\$ 11,418	\$ -
Joint venture	-	-	-	9,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,418</u>	<u>\$ 9,000</u>

**Gains (Losses) from Sales of Machinery and Equipment, Net**

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Associates	\$ (398)	\$ -	\$ 2,565	\$ -
Joint venture	58	58	116	97
	<u>\$ (340)</u>	<u>\$ 58</u>	<u>\$ 2,681</u>	<u>\$ 97</u>

**Purchase of Machinery and Equipment and Intangible Assets**

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Associates	\$ 11,835	\$ 4,137	\$ 11,835	\$ 4,137
Joint venture	-	1,224	-	1,224
	<u>\$ 11,835</u>	<u>\$ 5,361</u>	<u>\$ 11,835</u>	<u>\$ 5,361</u>

**Non-operating Income**

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Associates	<u>\$ -</u>	<u>\$ 5,116</u>	<u>\$ -</u>	<u>\$ 5,116</u>

The following balances were outstanding at the end of reporting period:

**Receivables from Related Parties**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>	<b>January 1,</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
Associates	\$ 597,459	\$ 353,652	\$ 836,578	\$ 185,552
Joint venture	164	159	667	212
	<u>\$ 597,623</u>	<u>\$ 353,811</u>	<u>\$ 837,245</u>	<u>\$ 185,764</u>

**Other Receivables from Related Parties**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>	<b>January 1,</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
Associates	\$ 2,433,325	\$ 185,550	\$ 570,070	\$ 121,767
Joint venture	-	-	411,193	525
	<u>\$ 2,433,325</u>	<u>\$ 185,550</u>	<u>\$ 981,263</u>	<u>\$ 122,292</u>

	<b>Refundable Deposits</b>			
	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Associates	\$ 5,813	\$ 5,813	\$ 5,813	\$ -
Joint venture	<u>-</u>	<u>4</u>	<u>4</u>	<u>-</u>
	<u>\$ 5,813</u>	<u>\$ 5,817</u>	<u>\$ 5,817</u>	<u>\$ -</u>

	<b>Payables to Related Parties</b>			
	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Associates	\$ 808,388	\$ 746,532	\$ 1,305,553	\$ 1,325,791
Joint venture	<u>2,807</u>	<u>2,081</u>	<u>4,413</u>	<u>2,730</u>
	<u>\$ 811,195</u>	<u>\$ 748,613</u>	<u>\$ 1,309,966</u>	<u>\$ 1,328,521</u>

	<b>Deferred Gains (Losses) from Disposal of Machinery and Equipment</b>			
	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Associates	\$ (10,320)	\$ (7,806)	\$ -	\$ -
Joint venture	<u>832</u>	<u>948</u>	<u>1,064</u>	<u>-</u>
	<u>\$ (9,488)</u>	<u>\$ (6,858)</u>	<u>\$ 1,064</u>	<u>\$ -</u>

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

The Company's other receivables from related parties was mainly dividend income.

The Company deferred the disposal gain/loss (classified under other noncurrent assets and other noncurrent liabilities) derived from sales of property, plant and equipment to related parties (transactions with associates and joint venture), and then recognized such gain/loss over the depreciable lives of the disposed assets.

b. Compensation of key management personnel:

The compensation to directors and other key management personnel were as follows:

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Short-term employee benefits	\$ 463,386	\$ 494,937	\$ 630,966	\$ 669,922
Post-employment benefits	<u>1,177</u>	<u>903</u>	<u>2,348</u>	<u>1,764</u>
	<u>\$ 464,563</u>	<u>\$ 495,840</u>	<u>\$ 633,314</u>	<u>\$ 671,686</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of TSMC in accordance with the individual performance and the market trends.

### 38. PLEDGED ASSETS

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for building lease agreements. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the aforementioned other financial assets amounted to NT\$120,987 thousand, NT\$119,710 thousand, NT\$120,523 thousand and NT\$121,140 thousand, respectively.

### 39. SIGNIFICANT OPERATING LEASE ARRANGEMENTS

The Company leases several parcels of land, factory and office premises from the Science Park Administration and entered into lease agreements for its office premises and certain office equipment located in the United States, Europe, Japan, Shanghai and Taiwan. These operating leases expire between September 2013 and December 2032 and can be renewed upon expiration.

The Company expensed the lease payments as follows:

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Minimum lease payments	<u>\$ 267,349</u>	<u>\$ 166,326</u>	<u>\$ 467,482</u>	<u>\$ 331,112</u>

Future minimum lease payments under the above non-cancellable operating leases are as follows:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Not later than 1 year	\$ 841,055	\$ 693,758	\$ 634,571	\$ 627,882
Later than 1 year and not later than 5 years	3,125,895	2,478,443	2,348,621	2,258,302
Later than 5 years	<u>5,867,588</u>	<u>4,221,524</u>	<u>3,651,028</u>	<u>3,870,728</u>
	<u>\$ 9,834,538</u>	<u>\$ 7,393,725</u>	<u>\$ 6,634,220</u>	<u>\$ 6,756,912</u>

### 40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

- Under a technical cooperation agreement with Industrial Technology Research Institute, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is

not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.

- c. In August 2006, TSMC filed a lawsuit against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referred to as “SMIC”) in the Superior Court of California for Alameda County for breach of a 2005 agreement that settled an earlier trade secret misappropriation and patent infringement litigation between the parties, as well as for trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court alleging breach of settlement agreement, implied covenant of good faith and fair dealing. SMIC also filed a civil action against TSMC in November 2006 with the Beijing People’s High Court alleging defamation and breach of good faith. On June 10, 2009, the Beijing People’s High Court ruled in favor of TSMC and dismissed SMIC’s lawsuit. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC’s trade secrets. TSMC has subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC in the California action, and to the dismissal of SMIC’s appeal against the Beijing High Court’s finding in favor of TSMC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the US\$135 million previously paid to TSMC under the 2005 settlement agreement, and, conditional upon relevant government regulatory approvals, to issue to TSMC a total of 1,789,493,218 common shares of Semiconductor Manufacturing International Corporation and a three-year warrant to purchase 695,914,030 common shares (subject to adjustment) of Semiconductor Manufacturing International Corporation at HK\$1.30 per share (subject to adjustment). TSMC has acquired the above mentioned common shares in July 2010, which are recorded within available for sale financial assets, and obtained the subsequent cash settlement income in accordance with the agreement. The above mentioned warrant has expired without being exercised in July 2013.
- d. In June 2010, Keranos, LLC. filed a lawsuit in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, and several other leading technology companies infringe three expired U.S. patents. In response, TSMC, TSMC North America, and several co-defendants in the Texas case filed a lawsuit against Keranos in the U.S. District Court for the Northern District of California in November 2010, seeking a judgment declaring that they did not infringe the asserted patents, and that those patents are invalid. These two litigations have been consolidated into a single case in the U.S. District Court for the Eastern District of Texas. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.
- e. In December 2010, Ziptronix, Inc. filed a complaint in the U.S. District Court for the Northern District of California accusing TSMC, TSMC North America and one other company of infringing several U.S. patents. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.
- f. TSMC joined the Customer Co-Investment Program of ASML and entered into the investment agreement in August 2012. The agreement includes an investment of EUR837,816 thousand by TSMC Global to acquire 5% of ASML’s equity with a lock-up period of 2.5 years. TSMC Global has acquired the aforementioned equity on October 31, 2012. Both parties also signed the research and development funding agreement and TSMC shall provide EUR276,000 thousand to ASML’s research and development programs from 2013 to 2017.
- g. Amounts available under unused letters of credit as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 were NT\$89,904 thousand, NT\$99,671 thousand, NT\$96,002 thousand and NT\$263,880 thousand, respectively.



## 41. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Foreign Currencies (In Thousands)	Exchange Rate (Note)
<b>Financial assets</b>								
<b>Monetary items</b>								
USD	\$ 5,679,233	29.968	\$ 3,437,165	29.038	\$ 4,479,936	29.880-29.885	\$ 3,744,817	30.288
EUR	190,687	39.08	125,973	38.39-38.49	160,421	37.56-37.73	135,857	39.18-39.27
JPY	30,877,478	0.3033	35,734,874	0.3352-0.3364	29,478,683	0.3754-0.3776	37,276,671	0.3897-0.3906
RMB	522,386	4.85	102,995	4.66	334,695	4.73	201,385	4.81
<b>Non-monetary items</b>								
USD	1,993,870	29.968	1,611,474	29.038	139,082	29.885	141,498	30.288
HKD	157,296	3.86	492,014	3.75	456,321	3.85	671,060	3.90
<b>Investments accounted for using equity method</b>								
USD	318,157	29.968	328,281	29.038	284,093	29.885	294,797	30.288
<b>Financial liabilities</b>								
<b>Monetary items</b>								
USD	3,757,241	29.968	2,193,343	29.038	2,140,675	29.880-29.885	1,744,746	30.288
EUR	450,177	39.08	247,052	38.39-38.49	174,960	37.56-37.73	111,750	39.18-39.27
JPY	57,660,925	0.3033	43,311,360	0.3352-0.3364	44,485,239	0.3754-0.3776	35,349,169	0.3897-0.3906
RMB	198,447	4.85	205,930	4.66	214,203	4.73	278,877	4.81

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

## 42. OPERATING SEGMENTS INFORMATION

### a. Operating segments

The Company's only reportable segment is the foundry segment. The foundry segment engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks. The Company also had other operating segments that did not exceed the quantitative threshold for separate reporting. These segments mainly engage in the researching, developing, designing, manufacturing and selling of solid state lighting devices and renewable energy and efficiency related technologies and products.

The Company uses the operating profit as the measurement for segment profit and the basis of performance assessment. There was no material differences between the accounting policies of the operating segment and the accounting policies described in Note 4.

### b. Segment sales and operating results

	Foundry	Others	Elimination	Total
<u>Three months ended June 30, 2013</u>				
Net revenue from external customers	\$ 155,802,306	\$ 84,014	\$ -	\$ 155,886,320
Net revenue from sales among intersegments	-	5,660	(5,660)	-
Income (loss) from operations	58,289,165	(660,083)	-	57,629,082
<u>Three months ended June 30, 2012</u>				
Net revenue from external customers	128,160,350	25,981	-	128,186,331
Net revenue from sales among intersegments	-	3,478	(3,478)	-
Income (loss) from operations	47,522,630	(650,542)	-	46,872,088

(Continued)

	Foundry	Others	Elimination	Total
<u>Six months ended June 30, 2013</u>				
Net revenue from external customers	\$ 288,483,842	\$ 157,474	\$ -	\$ 288,641,316
Net revenue from sales among intersegments	-	5,898	(5,898)	-
Income (loss) from operations	103,400,482	(1,343,391)	-	102,057,091
<u>Six months ended June 30, 2012</u>				
Net revenue from external customers	233,729,182	71,980	-	233,801,162
Net revenue from sales among intersegments	-	3,478	(3,478)	-
Income (loss) from operations	83,180,742	(1,191,341)	-	81,989,401 (Concluded)

#### 43. FIRST-TIME ADOPTION OF TAIWAN-IFRSs

##### a. Basis of preparation for financial information under Taiwan-IFRSs

The Company prepares consolidated financial statements for the six months ended June 30, 2013 under Taiwan-IFRSs. As the basis of the preparation, the Company not only follows the significant accounting policies stated in Note 4 but also applies IFRS 1.

##### b. Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Company's first consolidated financial statements prepared in accordance with Taiwan-IFRSs. According to IFRS 1, the Company is required to determine the accounting policies under Taiwan-IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to Taiwan-IFRSs; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The main optional exemptions the Company adopted are summarized as follows:

- 1) Business combinations. The Company elected not to apply IFRS 3, "Business Combinations," retrospectively to business combinations that occurred before January 1, 2012. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations remains the same compared with the one under R.O.C. GAAP as of December 31, 2011.
- 2) Employee benefits. The Company elected to recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012. In addition, the Company elected to apply the exemption disclosure requirement provided by IFRS 1, in which the amounts of present value of defined benefit obligations, the fair value of plan assets, the surplus or deficit in the plan and the experience adjustments are determined for each accounting period prospectively from the transition date.
- 3) Share-based payment. The Company elected to take the optional exemption from applying IFRS 2 retrospectively for the share-based payment transactions granted and vested before January 1, 2012.

##### c. Effect of transition to Taiwan-IFRSs

Except for the additional information disclosed below, for the effect of transition to Taiwan-IFRSs on the Company's consolidated balance sheets and the consolidated statements of comprehensive income, please refer to Note 42 to the consolidated financial statements for the three months ended March 31, 2013 for details.

1) Reconciliation of consolidated balance sheet as of June 30, 2012

R.O.C. GAAP		Effect of Transition to Taiwan-IFRSs		Taiwan-IFRSs		Note
		Item	Amount	Recognition and Measurement Difference	Presentation Difference	
Current assets						
Cash and cash equivalents	\$ 178,440,559	\$ -	\$ -	\$ 178,440,559	Cash and cash equivalents	
Financial assets at fair value through profit or loss	23,734	-	-	23,734	Financial assets at fair value through profit or loss	
Available-for-sale financial assets	2,477,046	-	-	2,477,046	Available-for-sale financial assets	
Held-to-maturity financial assets	7,424,976	-	-	7,424,976	Held-to-maturity financial assets	
Notes and accounts receivable	61,101,346	-	(490,914)	60,610,432	Notes and accounts receivable	
Receivables from related parties	837,245	-	-	837,245	Receivables from related parties	
Allowance for doubtful receivables	(490,914)	-	490,914	-	-	
Allowance for sales returns and others	(6,508,185)	-	6,508,185	-	-	a)
Other receivables from related parties	981,263	-	-	981,263	Other receivables from related parties	
Other financial assets	603,940	-	-	603,940	Other financial assets	
Inventories	30,780,466	-	-	30,780,466	Inventories	b)
Deferred income tax assets	2,805,069	-	(2,805,069)	-	-	
Prepaid expenses and other current assets	2,404,358	-	-	2,404,358	Other current assets	
Total current assets	<u>280,880,903</u>	<u>-</u>	<u>3,703,116</u>	<u>284,584,019</u>	Total current assets	
Long-term investments						
Investments accounted for using equity method	23,372,224	(51,594)	-	23,320,630	Investments accounted for using equity method	e)
Held-to-maturity financial assets	701,723	-	-	701,723	Held-to-maturity financial assets	
Financial assets carried at cost	4,084,014	-	-	4,084,014	Financial assets carried at cost	
Total long-term investments	<u>28,157,961</u>	<u>(51,594)</u>	<u>-</u>	<u>28,106,367</u>	Total long-term investments	
Net property, plant and equipment	<u>548,148,865</u>	<u>-</u>	<u>35,609</u>	<u>548,184,474</u>	Property, plant and equipment	c)
Intangible assets	<u>10,860,551</u>	<u>-</u>	<u>-</u>	<u>10,860,551</u>	Intangible assets	
Other assets						
Deferred income tax assets	10,344,401	227,520	2,805,069	13,376,990	Deferred income tax assets	b), d)
Refundable deposits	4,296,083	-	-	4,296,083	Refundable deposits	
Others	<u>1,217,289</u>	<u>-</u>	<u>(35,609)</u>	<u>1,181,680</u>	Other noncurrent assets	c)
Total other assets	<u>15,857,773</u>	<u>227,520</u>	<u>2,769,460</u>	<u>18,854,753</u>	Total other assets	
Total	<u>\$ 883,906,053</u>	<u>\$ 175,926</u>	<u>\$ 6,508,185</u>	<u>\$ 890,590,164</u>	Total	
Current liabilities						
Short-term loans	\$ 30,772,585	\$ -	\$ -	\$ 30,772,585	Short-term loans	
Financial liabilities at fair value through profit or loss	35,166	-	-	35,166	Financial liabilities at fair value through profit or loss	
Hedging derivative financial liabilities	69	-	-	69	Hedging derivative financial liabilities	
Accounts payable	14,126,994	-	-	14,126,994	Accounts payable	
Payables to related parties	1,309,966	-	-	1,309,966	Payables to related parties	
Salary and bonus payable	5,518,151	-	-	5,518,151	Salary and bonus payable	
Income tax payable	6,787,548	-	-	6,787,548	Income tax payable	
Cash dividends payable	77,762,637	-	-	77,762,637	Cash dividends payable	
Accrued profit sharing to employees and bonus to directors and supervisors	14,152,148	-	-	14,152,148	Accrued profit sharing to employees and bonus to directors and supervisors	
Payables to contractors and equipment suppliers	45,039,813	-	-	45,039,813	Payables to contractors and equipment suppliers	
Accrued expenses and other current liabilities	16,216,838	-	-	16,216,838	Accrued expenses and other current liabilities	
Current portion of bonds payable and long-term bank loans	125,000	-	-	125,000	Current portion of bonds payable and long-term bank loans	
-	-	-	6,508,185	6,508,185	Provisions	a)
Total current liabilities	<u>211,846,915</u>	<u>-</u>	<u>6,508,185</u>	<u>218,355,100</u>	Total current liabilities	

(Continued)

R.O.C. GAAP		Effect of Transition to Taiwan-IFRSs			Taiwan-IFRSs		Note
		Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	
Long-term liabilities							
Bonds payable	\$ 35,000,000	\$ -	\$ -	\$ 35,000,000	Bonds payable		
Long-term bank loans	1,525,000	-	-	1,525,000	Long-term bank loans		
Other long-term payable	113,770	-	-	113,770	Other long-term payable		
Obligations under capital leases	749,794	-	-	749,794	Obligations under capital leases		
Total long-term liabilities	<u>37,388,564</u>	<u>-</u>	<u>-</u>	<u>37,388,564</u>			
Other liabilities							
Accrued pension cost	3,930,438	2,296,320	-	6,226,758	Accrued pension cost		d)
Guarantee deposits	253,346	-	-	253,346	Guarantee deposits		
-	-	-	3,398	3,398	Provisions		
Others	429,142	-	(3,398)	425,744	Other noncurrent liabilities		
Total other liabilities	<u>4,612,926</u>	<u>2,296,320</u>	<u>-</u>	<u>6,909,246</u>			
Total liabilities	<u>253,848,405</u>	<u>2,296,320</u>	<u>6,508,185</u>	<u>262,652,910</u>	Total liabilities		
Equity attributable to shareholders of the parent							
Capital stock	<u>259,207,094</u>	<u>-</u>	<u>-</u>	<u>259,207,094</u>	Capital stock		
Capital surplus	<u>56,025,149</u>	<u>(428,673)</u>	<u>-</u>	<u>55,596,476</u>	Capital surplus		e)
Retained earnings							
Appropriated as legal capital reserve	115,820,123	-	-	115,820,123	Appropriated as legal capital reserve		
Appropriated as special capital reserve	7,606,224	-	-	7,606,224	Appropriated as special capital reserve		
Unappropriated earnings	196,302,944	(1,678,659)	-	194,624,285	Unappropriated earnings		d), e)
	<u>319,729,291</u>	<u>(1,678,659)</u>	<u>-</u>	<u>318,050,632</u>			
Others							
Cumulative translation adjustments	(7,830,895)	11	-	(7,830,884)	Foreign currency translation reserve		e)
Unrealized gain on financial instruments	334,651	-	28	334,679	Unrealized gain/loss from available-for-sales financial assets		
-	-	-	(28)	(28)	Cash flow hedging reserve		
	<u>(7,496,244)</u>	<u>11</u>	<u>-</u>	<u>(7,496,233)</u>			
Equity attributable to shareholders of the parent	<u>627,465,290</u>	<u>(2,107,321)</u>	<u>-</u>	<u>625,357,969</u>	Equity attributable to shareholders of the parent		
Minority interests	<u>2,592,358</u>	<u>(13,073)</u>	<u>-</u>	<u>2,579,285</u>	Noncontrolling interests		d)
Total shareholders' equity	<u>630,057,648</u>	<u>(2,120,394)</u>	<u>-</u>	<u>627,937,254</u>	Total shareholders' equity		
Total	<u>\$ 883,906,053</u>	<u>\$ 175,926</u>	<u>\$ 6,508,185</u>	<u>\$ 890,590,164</u>	Total		

(Concluded)

## 2) Reconciliation of consolidated statement of comprehensive income for the six months ended June 30, 2012

R.O.C. GAAP		Effect of Transition to Taiwan-IFRSs			Taiwan-IFRSs		Note
		Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	
Net sales	\$ 233,568,503	\$ -	\$ 232,659	\$ 233,801,162	Net revenue		f)
Cost of sales	<u>120,811,731</u>	<u>(22,373)</u>	<u>-</u>	<u>120,789,358</u>	Cost of revenue		d)
Gross profit before affiliates elimination	112,756,772	22,373	232,659	113,011,804	Gross profit before associates elimination		
Unrealized gross profit from affiliates	(139,950)	-	-	(139,950)	Unrealized profit on sales to associates		
Gross profit	<u>112,616,822</u>	<u>22,373</u>	<u>232,659</u>	<u>112,871,854</u>	Gross profit		
Operating expenses							
Research and development	19,235,781	(9,539)	-	19,226,242	Research and development		d)
General and administrative	9,025,466	(3,524)	-	9,021,942	General and administrative		d)
Marketing	<u>2,205,936</u>	<u>(760)</u>	<u>-</u>	<u>2,205,176</u>	Marketing		d)
Total operating expenses	<u>30,467,183</u>	<u>(13,823)</u>	<u>-</u>	<u>30,453,360</u>			
-	-	-	(429,093)	(429,093)	Other operating income and expenses, net		f)
Income from operations	<u>82,149,639</u>	<u>36,196</u>	<u>(196,434)</u>	<u>81,989,401</u>	Income from operations		

(Continued)

R.O.C. GAAP		Effect of Transition to Taiwan-IFRSs			Taiwan-IFRSs		Note
		Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	
Non-operating income and gains							
Equity in earnings of equity method investees, net	\$ 610,296	\$ 15,779	\$ -	\$ 626,075	Share of profits of associates and joint venture	e)	
Interest income	941,732	-	(941,732)	-	-	f)	
Settlement income	448,275	-	(448,275)	-	-	f)	
Gain on disposal of financial assets, net	365,731	-	(365,731)	-	-	f)	
Foreign exchange gain, net	365,310	-	-	365,310	Foreign exchange gain, net		
Technical service income	232,659	-	(232,659)	-	-	f)	
Gain on disposal of property, plant and equipment and other assets	21,176	-	(21,176)	-	-	f)	
Others	393,319	-	(393,319)	-	-	f)	
-	-	-	1,011,677	1,011,677	Other income	f)	
-	-	-	(1,947,439)	(1,947,439)	Other gains and losses	f)	
	<u>3,378,498</u>	<u>15,779</u>	<u>(3,338,654)</u>	<u>55,623</u>			
Non-operating expenses and losses							
Impairment of financial assets	2,748,456	-	(2,748,456)	-	-	f)	
Impairment loss on idle assets	422,323	-	(422,323)	-	-	f)	
Interest expense	415,039	-	-	415,039	Finance cost		
Valuation loss on financial instruments, net	189,737	-	(189,737)	-	-	f)	
Loss on disposal of property, plant and equipment	25,302	-	(25,302)	-	-	f)	
Others	149,270	-	(149,270)	-	-	f)	
	<u>3,950,127</u>	<u>-</u>	<u>(3,535,088)</u>	<u>415,039</u>			
Income before income tax	81,578,010	51,975	-	81,629,985	Income before income tax		
Income tax expense	6,443,942	3,491	-	6,447,433	Income tax expense	d)	
Net income	<u>\$ 75,134,068</u>	<u>\$ 48,484</u>	<u>\$ -</u>	<u>75,182,552</u>	Net income		
				(1,387,883)	Exchange differences on translating foreign operations		
				1,822,823	Changes in fair value of available-for-sale financial assets		
				163	Cash flow hedges		
				20,387	Share of other comprehensive income of associates and joint venture		
				(308,929)	Income tax expense relating to components of other comprehensive income		
				<u>146,561</u>	Other comprehensive income for the period, net of income tax		
				<u>\$ 75,329,113</u>	Total comprehensive income for the period		

(Concluded)

3) Reconciliation of consolidated statement of comprehensive income for the three months ended June 30, 2012

R.O.C. GAAP		Effect of Transition to Taiwan-IFRSs		Taiwan-IFRSs		Note
		Item	Amount	Recognition and Measurement Difference	Presentation Difference	
Net sales	\$ 128,060,828	\$ -	\$ 125,503	\$ 128,186,331	Net revenue	f)
Cost of sales	<u>65,590,639</u>	<u>(11,628)</u>	<u>-</u>	<u>65,579,011</u>	Cost of revenue	d)
Gross profit before affiliates elimination	62,470,189	11,628	125,503	62,607,320	Gross profit before associates elimination	
Unrealized gross profit from affiliates	(213,979)	-	-	(213,979)	Unrealized gross profit on sales to associates	
Gross profit	<u>62,256,210</u>	<u>11,628</u>	<u>125,503</u>	<u>62,393,341</u>	Gross profit	
Operating expenses						
Research and development	10,073,000	(4,610)	-	10,068,390	Research and development	d)
General and administrative	4,366,442	(1,504)	-	4,364,938	General and administrative	d)
Marketing	<u>1,105,097</u>	<u>(356)</u>	<u>-</u>	<u>1,104,741</u>	Marketing	d)
Total operating expenses	<u>15,544,539</u>	<u>(6,470)</u>	<u>-</u>	<u>15,538,069</u>		
-	-	-	16,816	16,816	Other operating income and expenses, net	f)
Income from operations	<u>46,711,671</u>	<u>18,098</u>	<u>142,319</u>	<u>46,872,088</u>	Income from operations	
Non-operating income and gains						
Equity in earnings of equity method investees, net	589,344	14,527	-	603,871	Share of profits of associates and joint venture	e)
Interest income	440,496	-	(440,496)	-	-	f)
Settlement income	448,275	-	(448,275)	-	-	f)
Gain on settlement and disposal of financial assets, net	292,140	-	(292,140)	-	-	f)
Technical service income	125,503	-	(125,503)	-	-	f)
Valuation gain on financial assets, net	55,268	-	(55,268)	-	-	f)
Gain on reversal of impairment loss on idle assets	19,989	-	(19,989)	-	-	f)
Gain on disposal of property, plant and equipment and other assets	18,941	-	(18,941)	-	-	f)
Others	326,027	-	(326,027)	-	-	f)
-	-	-	510,441	510,441	Other income	f)
-	-	-	(1,767,688)	(1,767,688)	Other gains and losses	f)
	<u>2,315,983</u>	<u>14,527</u>	<u>(2,983,886)</u>	<u>(653,376)</u>		
Non-operating expenses and losses						
Impairment of financial assets	2,744,066	-	(2,744,066)	-	-	f)
Interest expense	197,348	-	-	197,348	Finance costs	
Foreign exchange loss, net	64,433	-	-	64,433	Foreign exchange loss, net	
Loss on disposal of property, plant and equipment	21,572	-	(21,572)	-	-	f)
Others	<u>75,929</u>	<u>-</u>	<u>(75,929)</u>	<u>-</u>	<u>-</u>	f)
	<u>3,103,348</u>	<u>-</u>	<u>(2,841,567)</u>	<u>261,781</u>		
Income before income tax	45,924,306	32,625	-	45,956,931	Income before income tax	
Income tax expense	<u>4,155,570</u>	<u>1,745</u>	<u>-</u>	<u>4,157,315</u>	Income tax expense	d)
Net income	<u>\$ 41,768,736</u>	<u>\$ 30,880</u>	<u>\$ -</u>	<u>41,799,616</u>	Net income	
				1,236,890	Exchange differences arising on translation of foreign operations	
				1,542,651	Changes in fair value of available-for-sale financial assets	
				66	Cash flow hedges	
				(22,321)	Share of other comprehensive income of associates and joint venture	

(Continued)

R.O.C. GAAP		Effect of Transition to Taiwan-IFRSs		Taiwan-IFRSs		Note
		Item	Amount	Recognition and Measurement Difference	Presentation Difference	
					\$ (308,777)	Income tax expense relating to components of other comprehensive income
					<u>2,448,509</u>	Other comprehensive income for the period, net of income tax
					<u>\$ 44,248,125</u>	Total comprehensive income for the period

(Concluded)

4) Reconciliation of equity

	Note	June 30, 2012
Equity under R.O.C. GAAP		\$ 630,057,648
Adjustments:		
Defined benefit plans	d)	(2,068,800)
Investments accounted for using the equity method	e)	<u>(51,594)</u>
Equity under Taiwan-IFRSs		<u>\$ 627,937,254</u>

d. Notes to the reconciliation of the significant differences:

a) Allowance for sales returns and others

Under R.O.C. GAAP, provisions for estimated sales returns and others are recognized as a reduction in revenue in the period the related revenue is recognized based on historical experience. The corresponding allowance for sales returns and others is recorded as a deduction in accounts receivable. Under Taiwan-IFRSs, the allowance for sales returns and others is a present obligation with uncertain timing and an amount that arises from past events and is therefore reclassified as provisions in accordance with IAS No. 37, "Provisions, Contingent Liabilities and Contingent Assets."

As of June 30, 2012, the amounts reclassified from allowance for sales returns and others to provisions were NT\$6,508,185 thousand.

b) Classifications of deferred income tax asset/liability and valuation allowance

Under R.O.C. GAAP, a deferred tax asset and liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under Taiwan-IFRSs, a deferred tax asset and liability is classified as noncurrent asset or liability.

In addition, under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. In accordance with IAS No. 12, "Income Taxes," deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

As of June 30, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were NT\$2,805,069 thousand.

c) The classification of assets leased to others and idle assets

Under R.O.C. GAAP, assets leased to others and idle assets are classified under other assets. Under Taiwan-IFRSs, the aforementioned items are classified as property, plant and equipment according to their nature. In accordance with IAS No. 40, "Investment Property," investment properties are defined as properties held to earn rentals or for capital appreciation; however, the Company's assets leased to others are mainly dormitories leased to employees and factories leased to suppliers. The dormitories leased to employees are not classified as investment properties; factories leased to suppliers are not considered as investment properties since they cannot be sold separately and comprise only an insignificant portion of the plant.

As of June 30, 2012, the amounts reclassified from assets leased to others and idle assets to property, plant and equipment were NT\$35,609 thousand.

d) Employee benefits

The Company had previously applied an actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation in conformity with R.O.C. GAAP. Under Taiwan-IFRSs, the Company should carry out actuarial valuation on defined benefit obligation in accordance with IAS No. 19, "Employee Benefits."

In addition, under R.O.C. GAAP, it is not allowed to recognize actuarial gains and losses from defined benefit plans directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees.

Under IAS No. 19, "Employee Benefits," the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

At the transition date, the Company performed the actuarial valuation under IAS No. 19, "Employee Benefits," and recognized the valuation difference directly to retained earnings under the requirement of IFRS 1. For the year ended December 31, 2012, total actuarial gains and losses were also recognized to other comprehensive income in accordance with actuarial valuation carried out in 2012.

In addition, under R.O.C. GAAP, the minimum pension liability should be recognized in the balance sheet. If the accrued pension cost is less than the minimum amount, the difference should be recognized as an additional liability. Under Taiwan-IFRSs, there is no aforementioned requirement of minimum pension liability.

As of June 30, 2012, accrued pension cost of the Company was adjusted for an increase of NT\$2,296,320 thousand; deferred income tax assets were adjusted for an increase of NT\$227,520 thousand; noncontrolling interests were adjusted for a decrease of NT\$13,073 thousand. For the six months ended June 30, 2012, pension cost and income tax expense of the Company were adjusted for a decrease of NT\$36,196 thousand and an increase of NT\$3,491 thousand, respectively. For the three months ended June 30, 2012, pension cost and income tax expense of the Company were adjusted for a decrease of NT\$18,098 thousand and an increase of NT\$1,745 thousand, respectively.



e) Investments accounted for using the equity method

The Company has evaluated significant differences between current accounting policies and Taiwan-IFRSs for the Company's associates and joint ventures accounted for using the equity method. The significant difference is mainly due to the adjustment to employee benefits.

In addition, if the investing company subscribes to additional investee's shares disproportionate to its existing ownership percentage that results in a decrease in the investing company's ownership percentage in the investee, the resulting carrying amount of the investment in the investee differs from the amount of its share in the investee's equity. Under R.O.C. GAAP, the investing company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. Under Taiwan-IFRSs, such a difference is still adjusted to investments and capital surplus; however, if the investing company's ownership interest in an associate is reduced, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

As of June 30, 2012, as a result of the differences mentioned above, investment accounted for using the equity method was adjusted for a decrease of NT\$51,594 thousand; foreign currency translation reserve was adjusted for an increase of NT\$11 thousand; capital surplus was adjusted for a decrease of NT\$428,673 thousand. In addition, share of profits of associates and joint venture was adjusted for an increase of NT\$15,779 thousand and NT\$14,527 thousand, respectively, for the six months and three months ended June 30, 2012, respectively.

f) The reclassification of line items in the consolidated statement of comprehensive income

In accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers before its amendment due to the adoption of Taiwan-IFRSs, income from operations in the consolidated income statement only includes net revenue, cost of revenue and operating expenses. Under Taiwan-IFRSs, based on the nature of operating transactions, technical service income is reclassified under net revenue; rental revenue, depreciation of rental assets, net gain or loss on disposal of property, plant and equipment and other assets, and impairment loss on idle assets, are reclassified under other operating income and expenses, which are included in income from operations.

Under Taiwan-IFRSs, based on the nature of operating transactions, for the six months ended June 30, 2012, the Company reclassified technical service income of NT\$232,659 thousand to net revenue; rental revenue of NT\$503 thousand, other income of NT\$642 thousand, net loss on disposal of property, plant and equipment and other assets of NT\$4,126 thousand, depreciation of rental assets of NT\$3,789 thousand and impairment loss on idle assets of NT\$422,323 thousand to other operating income and expenses. In addition, interest income of NT\$941,732 thousand and dividend income of NT\$69,945 thousand were reclassified to other income; settlement income of NT\$448,275 thousand, net gain on disposal of financial assets of NT\$365,731 thousand, others of NT\$322,229 thousand (under non-operating income and gains), net valuation loss on financial instruments of NT\$189,737 thousand, impairment of financial assets of NT\$2,748,456 thousand as well as others of NT\$145,481 thousand (under non-operating expenses and losses) were reclassified to other gains and losses for the six months ended June 30, 2012. For the three months ended June 30, 2012, the Company also reclassified technical service income of NT\$125,503 thousand to net revenue, rental revenue of NT\$249 thousand, other income of NT\$642 thousand, net loss on disposal of property, plant and equipment and other assets of NT\$2,631 thousand, depreciation of rental assets of NT\$1,433 thousand and gain on reversal of impairment loss on idle assets of NT\$19,989 thousand to other operating income and expenses. In addition, interest income of NT\$440,496 thousand and dividend income of NT\$69,945 thousand were also reclassified to other income; settlement income of NT\$448,275 thousand, net gain on disposal of financial assets of NT\$292,140 thousand, others of NT\$255,191 thousand (under non-operating income and gains), net valuation gain on financial instruments of NT\$55,268 thousand, impairment of financial assets

of NT\$2,744,066 thousand as well as others of NT\$74,496 thousand (under non-operating expenses and losses) were reclassified to other gains and losses for the three months ended June 30, 2012.

#### 44. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for TSMC and its investees in which all significant intercompany balances and transactions are eliminated upon consolidation:

- a. Financings provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Information about the derivative instruments transaction: Please see Notes 7 and 10;
- j. Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and significant transactions between them: Please see Table 8 attached;
- k. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 9 attached;
- l. Information on investment in Mainland China
  - 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 10 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 8 attached.

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## FINANCINGS PROVIDED

FOR THE SIX MONTHS ENDED JUNE 30, 2013

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Period (US\$ in Thousands) (Note 4)	Ending Balance (US\$ in Thousands) (Note 4)	Amount Actually Drawn (US\$ in Thousands)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits (Note 3)
												Item	Value		
1	TSMC Partners	TSMC China	Other receivables from related parties	\$ 3,895,840 (US\$ 130,000)	\$ -	\$ -	-	The need for short-term financing	\$ -	Purchase equipment	\$ -	-	\$ -	\$ 41,053,732 (Note 1)	\$ 41,053,732
2	TSMC Development	TSMC Solar	Other receivables from related parties	2,397,440 (US\$ 80,000)	2,397,440 (US\$ 80,000)	1,723,160 (US\$ 57,500)	0.20%-0.23%	The need for short-term financing	-	Operating capital	-	-	-	5,846,207 (Notes 2 and 5)	14,615,517 (Note 5)
		TSMC SSL	Other receivables from related parties	2,697,120 (US\$ 90,000)	2,697,120 (US\$ 90,000)	-	-	The need for short-term financing	-	Operating capital	-	-	-	5,846,207 (Notes 2 and 5)	14,615,517 (Note 5)

Note 1: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of TSMC Partners. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth. While offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC are not subject to the above restrictions. However, the respective lending limit for such borrower shall not exceed the net worth of TSMC Partners.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of TSMC Development. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth. While subsidiaries whose voting shares are 90% and up owned, directly or indirectly, by TSMC are not subject to the above restrictions. However, the aggregate amounts lendable to all such borrowers and the total amount lendable to one such borrower shall be no more than forty percent (40%) of the net worth of TSMC Development.

Note 3: The total amount available for lending purpose shall not exceed the net worth of TSMC Partners and TSMC Development, respectively.

Note 4: The maximum balance for the period and ending balance represents the amounts approved by the Board of Directors.

Note 5: The amount was determined based on the reviewed financial statements in accordance with local accounting principles.

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2013**

**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 1 and 2)	Maximum Balance for the Period (US\$ in Thousands) (Note 3)	Ending Balance (US\$ in Thousands) (Note 3)	Amount Actually Drawn (US\$ in Thousands)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)
		Name	Nature of Relationship							
0	TSMC	TSMC Global	Subsidiary	\$ 186,477,939	\$ 44,952,000 (US\$ 1,500,000)	\$ 44,952,000 (US\$ 1,500,000)	\$ 44,952,000 (US\$ 1,500,000)	\$ -	6.0%	\$ 186,477,939

Note 1: The ceiling for guaranteed amount to a company shall not exceed ten percent (10%) of the net worth of TSMC. In addition, the guaranteed amount shall not exceed net worth of the guaranteed company. However, subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC are not subject to the above restrictions after the approval of the Board of Directors.

Note 2: The ceiling for total guaranteed amount shall not exceed twenty-five percent (25%) of the net worth of TSMC.

Note 3: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## MARKETABLE SECURITIES HELD

JUNE 30, 2013

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2013				Note	
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)		
TSMC	<u>Corporate bond</u>								
	Nan Ya Plastics Corporation	-	Held-to-maturity financial assets	-	\$ 549,952	N/A	\$ 553,742		
	China Steel Corporation	-	"	-	150,624	N/A	151,035		
	<u>Stock</u>								
	Semiconductor Manufacturing International Corporation	-	Available-for-sale financial assets	275,957	270,921	1	607,161	Notes 1 and 2	
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	59,567,335	100	59,567,335		
	TSMC Partners	Subsidiary	"	988,268	41,053,305	100	41,053,732		
	VIS	Investee accounted for using equity method	"	628,223	9,619,243	39	21,359,599		
	SSMC	Investee accounted for using equity method	"	314	6,441,982	39	6,227,998		
	TSMC Solar	Subsidiary	"	1,118,000	5,239,236	99	5,211,540		
	TSMC North America	Subsidiary	"	11,000	3,327,899	100	3,327,899		
	TSMC SSL	Subsidiary	"	554,674	2,934,989	92	2,934,989		
	Xintec	Investee accounted for using equity method	"	94,950	1,816,848	40	1,525,403		
	GUC	Investee accounted for using equity method	"	46,688	1,113,804	35	4,533,391		
	TSMC Europe	Subsidiary	"	-	258,876	100	258,876		
	TSMC Japan	Subsidiary	"	6	131,253	100	131,253		
	TSMC Korea	Subsidiary	"	80	26,896	100	26,896		
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	21,230	193,584	10	381,791		
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	334,326		
	W.K. Technology Fund IV	-	"	4,000	39,280	2	31,367		
	<u>Fund</u>								
	Horizon Ventures Fund	-	Financial assets carried at cost	-	89,916	12	89,916		
	Crimson Asia Capital	-	"	-	55,385	1	55,385		
	<u>Capital</u>								
	TSMC China	Subsidiary	Investments accounted for using equity method	-	20,754,814	100	20,831,292		
	VTAF III	Subsidiary	"	-	1,033,180	50	1,010,962		
	VTAF II	Subsidiary	"	-	451,211	98	444,965		
Emerging Alliance	Subsidiary	"	-	148,516	99	148,516			
TSMC GN	Subsidiary	"	-	53,149	100	53,149			
TSMC Solar	<u>Stock</u>								
	Motech	Investee accounted for using equity method	Investments accounted for using equity method	87,480	2,714,439	20	3,311,110		Note 3
	TSMC Solar Europe	Subsidiary	"	-	118,459	100	118,459		
	TSMC Solar NA	Subsidiary	"	1	24,492	100	24,492		
	<u>Capital</u>								
VTAF III	Investee accounted for using equity method	Investments accounted for using equity method	-	1,364,661	49	1,364,661			

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2013				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)	
TSMC SSL	<u>Stock</u> TSMC Lighting NA	Subsidiary	Investments accounted for using equity method	1	\$ 2,919	100	\$ 2,919	
TSMC GN	<u>Stock</u> TSMC Solar	Investee accounted for using equity method	Investments accounted for using equity method	4,436	20,618	-	20,618	
	TSMC SSL	Investee accounted for using equity method	"	4,873	25,751	1	25,751	
TSMC Partners	<u>Stock</u> TSMC Development	Subsidiary	Investments accounted for using equity method	-	US\$ 633,828	100	US\$ 633,828	
	VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 110,335	49	US\$ 110,335	
	TSMC Technology	Subsidiary	"	-	US\$ 12,367	100	US\$ 12,367	
	ISDF II	Subsidiary	"	14,153	US\$ 11,193	97	US\$ 11,193	
	ISDF	Subsidiary	"	787	US\$ 8,120	97	US\$ 8,120	
	TSMC Canada	Subsidiary	"	2,300	US\$ 4,627	100	US\$ 4,627	
	Mcube Inc.	Investee accounted for using equity method	"	6,333	-	25	-	
	<u>Fund</u> Shanghai Walden Venture Capital Enterprise	-	Financial assets carried at cost	-	US\$ 5,000	6	US\$ 5,000	
TSMC North America	<u>Stock</u> Spansion Inc.	-	Available-for-sale financial assets	272	US\$ 5,179	-	US\$ 3,411	Note 1
TSMC Development	<u>Stock</u> WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 241,076	100	US\$ 251,434	
Emerging Alliance	<u>Common stock</u> Global Investment Holding Inc.	-	Financial assets carried at cost	11,124	US\$ 3,065	6	US\$ 3,065	
	RichWave Technology Corp.	-	"	4,074	US\$ 1,545	10	US\$ 1,545	
	<u>Preferred stock</u> Next IO, Inc.	-	Financial assets carried at cost	8	US\$ 28	-	US\$ 28	Note 4
	QST Holdings, LLC	-	"	-	US\$ 141	4	US\$ 141	
	<u>Capital</u> VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	7	-	
VTAF II	<u>Common stock</u> Sentelic	-	Financial assets carried at cost	1,806	US\$ 2,607	9	US\$ 2,607	
	Aether Systems, Inc.	-	"	2,600	US\$ 2,243	28	US\$ 2,243	
	RichWave Technology Corp.	-	"	1,267	US\$ 1,036	3	US\$ 1,036	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2013				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)	
VTAF II	<u>Preferred stock</u>							
	5V Technologies, Inc.	-	Financial assets carried at cost	2,890	US\$ 2,168	4	US\$ 2,168	Note 5
	Aquantia	-	"	4,556	US\$ 4,316	2	US\$ 4,316	
	Cresta Technology Corporation	-	"	92	US\$ 28	-	US\$ 28	
	Impinj, Inc.	-	"	711	US\$ 1,100	-	US\$ 1,100	
	Next IO, Inc.	-	"	179	US\$ 149	1	US\$ 149	
	QST Holdings, LLC	-	"	-	US\$ 588	13	US\$ 588	
<u>Capital</u>								
VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	31	-		
VTAF III	<u>Common stock</u>							
	Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	15,643	US\$ 1,451	58	US\$ 1,004	
	Accton Wireless Broadband Corp.	-	Financial assets carried at cost	2,249	US\$ 315	6	US\$ 315	
	<u>Preferred stock</u>							
	BridgeLux, Inc.	-	Financial assets carried at cost	7,522	US\$ 9,379	3	US\$ 9,379	
	GTBF, Inc.	-	"	1,154	US\$ 1,500	N/A	US\$ 1,500	
	LiquidLeds Lighting Corp.	-	"	1,600	US\$ 800	11	US\$ 800	
	Neoconix, Inc.	-	"	4,147	US\$ 4,842	4	US\$ 4,842	
	Powervation, Ltd.	-	"	509	US\$ 7,938	16	US\$ 7,938	
	Stion Corp.	-	"	8,152	US\$ 45,467	15	US\$ 45,467	
	Tilera, Inc.	-	"	3,890	US\$ 3,025	2	US\$ 3,025	
	Validity Sensors, Inc.	-	"	11,192	US\$ 4,197	4	US\$ 4,197	
	<u>Capital</u>							
	Growth Fund	Subsidiary	Investments accounted for using equity method	-	US\$ 362	100	US\$ 362	
VTA Holdings	Subsidiary	"	-	-	62	-		
ISDF	<u>Common stock</u>							
	Integrated Memory Logic, Inc.	-	Available-for-sale financial assets	868	US\$ 184	1	US\$ 2,104	Note 1
	Memsic, Inc.	-	"	1,286	US\$ 1,414	5	US\$ 5,271	Note 1
	<u>Preferred stock</u>							
Sonics, Inc.	-	Financial assets carried at cost	230	US\$ 497	2	US\$ 497		
ISDF II	<u>Common stock</u>							
	Memsic, Inc.	-	Available-for-sale financial assets	1,072	US\$ 1,461	5	US\$ 4,395	Note 1
	Alchip Technologies Limited	-	Financial assets carried at cost	7,520	US\$ 3,664	14	US\$ 3,664	
	Sonics, Inc.	-	"	278	US\$ 10	3	US\$ 10	
	Goyatek Technology, Corp.	-	"	745	US\$ 163	6	US\$ 163	
	<u>Preferred stock</u>							
Sonics, Inc.	-	Financial assets carried at cost	264	US\$ 456	3	US\$ 456		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2013				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)	
TSMC Solar Europe	<u>Stock</u> TSMC Solar Europe GmbH	Subsidiary	Investments accounted for using equity method	-	EUR 2,945	100	EUR 2,945	
TSMC Global	<u>Stock</u> ASML	-	Available-for-sale financial assets	20,993	US\$ 1,085,474	5	US\$ 1,654,472	Notes 1 and 6
	<u>Money market fund</u> Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	281	US\$ 281	N/A	US\$ 281	Note 1

Note 1: The carrying value is original carrying amount without fair value adjustment.

Note 2: The carrying value includes the impairment loss in the amount of NT\$412,901 thousand.

Note 3: The carrying value includes the impairment loss in the amount of NT\$1,186,674 thousand.

Note 4: The carrying value includes the impairment loss in the amount of US\$472 thousand.

Note 5: The carrying value includes the impairment loss in the amount of US\$1,070 thousand.

Note 6: In October 2012, TSMC Global acquired 5% of the outstanding equity of ASML with a lock-up period of 2.5 years starting from the acquisition date.

(Concluded)



TABLE 4

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2013  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note)	
					Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Carrying Value (Foreign Currencies in Thousands)	Gain/Loss on Disposal (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)
TSMC	<u>Stock</u> Semiconductor Manufacturing International Corporation	Available-for-sale financial assets	-	-	1,277,958	\$ 1,845,052	-	\$ -	1,002,001	\$ 1,830,424	\$ 983,714	\$ 846,710	275,957	\$ 607,161
	TSMC SSL	Investments accounted for using equity method	-	Subsidiary	430,400	2,389,541	124,274	1,242,744	-	-	-	-	-	554,674
TSMC Global	<u>Corporate bond</u> Aust + Nz Banking Group	Held-to-maturity financial assets	-	-	20,000	US\$ 19,999	-	-	20,000	US\$ 20,000	US\$ 20,000	-	-	-
	Commonwealth Bank of Australia	"	-	-	25,000	US\$ 25,000	-	-	25,000	US\$ 25,000	US\$ 25,000	-	-	-
	Commonwealth Bank of Australia	"	-	-	25,000	US\$ 25,000	-	-	25,000	US\$ 25,000	US\$ 25,000	-	-	-
	Deutsche Bank AG London	"	-	-	20,000	US\$ 19,999	-	-	20,000	US\$ 20,000	US\$ 20,000	-	-	-
	JP Morgan Chase + Co.	"	-	-	35,000	US\$ 35,006	-	-	35,000	US\$ 35,000	US\$ 35,000	-	-	-
	Westpac Banking Corp.	"	-	-	25,000	US\$ 25,000	-	-	25,000	US\$ 25,000	US\$ 25,000	-	-	-

Note: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/ losses on financial assets, share of profits/losses of investees and other related adjustment to equity.

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE SIX MONTHS ENDED JUNE 30, 2013  
 (Amounts in Thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
TSMC	Land	January 3, 2013	\$ 2,248,400	By the contract	Miaoli County Government	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	January 28, 2013 to June 27, 2013	2,049,892	By the construction progress	Da Cin Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	January 28, 2013 to June 26, 2013	1,304,097	By the construction progress	Fu Tsu Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	January 28, 2013 to June 26, 2013	793,465	By the construction progress	China Steel Structure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	January 28, 2013 to June 26, 2013	320,244	By the construction progress	I Domain Industrial Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	January 28, 2013 to June 26, 2013	294,223	By the construction progress	Tasa Construction Corporation	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	January 28, 2013 to June 26, 2013	119,049	By the construction progress	Mandartech Interiors Inc.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	February 23, 2013 to May 28, 2013	132,116	By the construction progress	Mega Facade Corporation	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2013

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount (Foreign Currencies in Thousands)	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance (Foreign Currencies in Thousands)	% to Total	
TSMC	TSMC North America GUC	Subsidiary	Sales	\$ 196,216,951	68	Net 30 days after invoice date	-	-	\$ 56,663,448	71	
		Investee accounted for using equity method	Sales	964,328	1	Net 30 days after monthly closing	-	-	338,344	-	
	VIS	Investee accounted for using equity method	Sales	114,757	-	Net 30 days after monthly closing	-	-	-	-	
	TSMC China WaferTech	Subsidiary	Purchases	8,089,257	26	Net 30 days after monthly closing	-	-	(1,393,493)	8	
		Indirect subsidiary	Purchases	4,368,478	14	Net 30 days after monthly closing	-	-	(695,593)	4	
	VIS	Investee accounted for using equity method	Purchases	3,037,262	10	Net 30 days after monthly closing	-	-	(482,748)	3	
	SSMC	Investee accounted for using equity method	Purchases	1,232,556	4	Net 30 days after monthly closing	-	-	(283,473)	2	
TSMC North America	GUC	Investee accounted for using equity method by TSMC	Sales	395,794 (US\$ 13,354)	-	Net 30 days after invoice date	-	-	204,092 (US\$ 6,810)	-	

Note: The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements.

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

JUNE 30, 2013

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Days (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
TSMC	TSMC North America SSMC	Subsidiary	\$ 56,854,998	45	\$ 19,596,608	-	\$ 23,484,012	\$ -
		Investee accounted for using equity method	1,450,878	(Note 2)	-	-	-	-
	VIS	Investee accounted for using equity method	748,013	(Note 2)	-	-	-	-
	GUC	Investee accounted for using equity method	485,719	55	-	-	-	-
TSMC Development	TSMC Solar	The same parent company	1,725,670 (US\$ 57,584)	(Note 2)	-	-	-	-
TSMC China	TSMC	Parent company	1,393,493 (RMB 285,656)	31	-	-	-	-
TSMC Technology	TSMC	Parent company	142,889 (US\$ 4,768)	63	-	-	-	-
WaferTech	TSMC	Parent company	695,593 (US\$ 23,211)	27	-	-	-	-
TSMC North America	GUC	Investee accounted for using equity method by TSMC	204,092 (US\$ 6,810)	55	16,091 (US\$ 537)	-	168,727 (US\$ 5,630)	-

Note 1: The calculation of turnover days excludes other receivables from related parties.

Note 2: The ending balance is primarily consisted of other receivables, which is not applicable for the calculation of turnover days.

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 FOR THE SIX MONTHS ENDED JUNE 30, 2013  
 (Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Net Revenue or Total Assets
0	TSMC	TSMC North America	1	Net revenue from the sale of goods	\$ 196,216,951	-	68%
				Receivables from related parties	56,663,448	-	5%
				Other receivables from related parties	191,550	-	-
				Payables to related parties	22,497	-	-
		TSMC China	1	Net revenue from the sale of goods	3,146	-	-
				Purchases	8,089,257	-	3%
				Marketing expenses - commission	42,902	-	-
				Disposal of property, plant and equipment	31,045	-	-
				Loss on disposal of property, plant and equipment	3,822	-	-
				Purchases of property, plant and equipment	74,991	-	-
				Other receivables from related parties	2,120	-	-
				Payables to related parties	1,393,493	-	-
		TSMC Japan	1	Marketing expenses - commission	121,378	-	-
				Payables to related parties	54,826	-	-
		TSMC Europe	1	Marketing expenses - commission	183,641	-	-
				Research and development expenses	29,778	-	-
				Payables to related parties	44,579	-	-
		TSMC Korea	1	Marketing expenses - commission	11,779	-	-
				Payables to related parties	2,981	-	-
		TSMC Technology	1	Research and development expenses	372,642	-	-
				Payables to related parties	142,889	-	-
		WaferTech	1	Net revenue from the sale of goods	2,990	-	-
				Purchases	4,368,478	-	2%
				Other receivables from related parties	2,014	-	-
				Payables to related parties	695,593	-	-
		TSMC Canada	1	Research and development expenses	106,550	-	-
Payables to related parties	19,004			-	-		
Xintec (Note 3)	1	Manufacturing expenses	106,290	-	-		
		Research and development expenses	1,418	-	-		
		Disposal of property, plant and equipment	26,977	-	-		
TSMC SSL	1	Other gains and losses	4,500	-	-		
		Other receivables from related parties	2,407	-	-		
TSMC Solar	1	Manufacturing expenses	1,129	-	-		
		General and administrative expenses	2,257	-	-		
		Purchases of property, plant and equipment	5,660	-	-		
		Other gains and losses	5,268	-	-		
		Other receivables from related parties	2,721	-	-		

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Net Revenue or Total Assets
1	TSMC Partners	TSMC China	3	Other income	\$ 2,784	-	-
2	TSMC Development	WaferTech	1	Other receivables from related parties	59,991	-	-
3	TSMC North America	TSMC Technology	3	Other receivables from related parties	5,651	-	-
4	TSMC Solar	TSMC Solar Europe GmbH	1	Net revenue from the sale of goods	26,934	-	-
				Receivables from related parties	3,233	-	-
		TSMC Development	3	Finance costs	1,735	-	-
				Other payables to related parties	1,725,670	-	-
5	TSMC China	Xintec (Note 3)	3	Disposal of property, plant and equipment	48,193	-	-

Note 1: No. 1 represents the transactions from parent company to subsidiary.  
No. 3 represents the transactions between subsidiaries.

Note 2: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Note 3: TSMC has no power to govern the financial and operating policies of Xintec starting June 2013 for the loss of power to cast the majority of votes at meetings of the Board of Directors. As a result, Xintec is no longer consolidated and is accounted for using the equity method.

(Concluded)

TABLE 9

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

JUNE 30, 2013

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2013			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 1) (Foreign Currencies in Thousands)	Note
				June 30, 2013 (Foreign Currencies in Thousands)	December 31, 2012 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 59,567,335	\$ 99,297	\$ 99,297	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,456,130	31,456,130	988,268	100	41,053,305	1,269,416	1,269,469	Subsidiary
	TSMC China	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	18,939,667	18,939,667	-	100	20,754,814	2,188,298	2,169,449	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,232,288	13,232,288	628,223	39	9,619,243	2,015,438	803,177	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,441,982	2,340,338	907,817	Investee accounted for using equity method
	TSMC Solar	Tai-Chung, Taiwan	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	11,180,000	11,180,000	1,118,000	99	5,239,236	(851,279)	(834,776)	Subsidiary
	TSMC North America	San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	3,327,899	26,814	26,814	Subsidiary
	TSMC SSL	Hsin-Chu, Taiwan	Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems	5,546,744	4,304,000	554,674	92	2,934,989	(815,067)	(767,911)	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	94,950	40	1,816,848	(22,127)	(8,891)	Investee accounted for using equity method
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,113,804	109,595	38,032	Investee accounted for using equity method
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,882,556	1,896,914	-	50	1,033,180	8,656	11,390	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	590,704	704,447	-	98	451,211	9,327	9,141	Subsidiary
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	258,876	18,892	18,892	Subsidiary
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	841,757	852,258	-	99	148,516	(8,035)	(7,995)	Subsidiary
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	131,253	2,476	2,476	Subsidiary
	TSMC GN	Taipei, Taiwan	Investment activities	100,000	100,000	-	100	53,149	(11,322)	(11,322)	Subsidiary
	TSMC Korea	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	26,896	777	777	Subsidiary
TSMC Solar	Motech	Taipei, Taiwan	Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems	6,228,661	6,228,661	87,480	20	2,714,439	(537,724)	Note 2	Investee accounted for using equity method
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,805,197	1,801,918	-	49	1,364,661	8,656	Note 2	Investee accounted for using equity method
	TSMC Solar Europe	Amsterdam, the Netherlands	Investing in solar related business	504,107	504,107	-	100	118,459	(59,309)	Note 2	Subsidiary
	TSMC Solar NA	Delaware, U.S.A.	Selling and marketing of solar related products	205,772	205,772	1	100	24,492	(20,726)	Note 2	Subsidiary
TSMC SSL	TSMC Lighting NA	Delaware, U.S.A.	Selling and marketing of solid state lighting related products	3,133	3,133	1	100	2,919	(36)	Note 2	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2013			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 1) (Foreign Currencies in Thousands)	Note
				June 30, 2013 (Foreign Currencies in Thousands)	December 31, 2012 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	\$ 0.03 (US\$ 0.001)	\$ 0.03 (US\$ 0.001)	-	100	\$ 18,994,562 (US\$ 633,828)	\$ 873,196 (US\$ 29,461)	Note 2	Subsidiary
	VisEra Holding Company	Cayman Islands	Investing in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	1,288,624 (US\$ 43,000)	1,288,624 (US\$ 43,000)	43,000	49	3,306,524 (US\$ 110,335)	534,331 (US\$ 18,028)	Note 2	Investee accounted for using equity method
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	0.03 (US\$ 0.001)	0.03 (US\$ 0.001)	-	100	370,619 (US\$ 12,367)	19,143 (US\$ 646)	Note 2	Subsidiary
	ISDF II	Cayman Islands	Investing in new start-up technology companies	424,137 (US\$ 14,153)	424,137 (US\$ 14,153)	14,153	97	335,435 (US\$ 11,193)	(2,577) (US\$ (87))	Note 2	Subsidiary
	ISDF	Cayman Islands	Investing in new start-up technology companies	23,585 (US\$ 787)	23,585 (US\$ 787)	787	97	243,349 (US\$ 8,120)	38,002 (US\$ 1,282)	Note 2	Subsidiary
	TSMC Canada	Ontario, Canada	Engineering support activities	68,926 (US\$ 2,300)	68,926 (US\$ 2,300)	2,300	100	138,653 (US\$ 4,627)	8,072 (US\$ 272)	Note 2	Subsidiary
	Mcube Inc.	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	53,942 (US\$ 1,800)	53,942 (US\$ 1,800)	6,333	25	-	(210,622) (US\$ (7,106))	Note 2	Investee accounted for using equity method
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	3,895,840 (US\$ 130,000)	8,391,040 (US\$ 280,000)	293,637	100	7,224,571 (US\$ 241,076)	861,026 (US\$ 29,050)	Note 2	Subsidiary
VTAF III	Mutual-Pak Technology Co., Ltd.	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	156,193 (US\$ 5,212)	156,193 (US\$ 5,212)	15,643	58	43,474 (US\$ 1,451)	(7,137) (US\$ (241))	Note 2	Subsidiary
	Growth Fund	Cayman Islands	Investing in new start-up technology companies	54,841 (US\$ 1,830)	54,841 (US\$ 1,830)	-	100	10,859 (US\$ 362)	(183) (US\$ (6))	Note 2	Subsidiary
	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	62	-	-	Note 2	Subsidiary
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	31	-	-	Note 2	Subsidiary
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	7	-	-	Note 2	Subsidiary
TSMC Solar Europe	TSMC Solar Europe GmbH	Hamburg, Germany	Selling of solar related products and providing customer service	484,592 (EUR 12,400)	484,592 (EUR 12,400)	-	100	115,077 (EUR 2,945)	(59,635) (EUR (1,525))	Note 2	Subsidiary
TSMC GN	TSMC Solar	Tai-Chung, Taiwan	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	44,360	42,945	4,436	-	20,618	(851,279)	Note 2	Investee accounted for using equity method
	TSMC SSL	Hsin-Chu, Taiwan	Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems	48,725	34,266	4,873	1	25,751	(815,067)	Note 2	Investee accounted for using equity method

Note 1: The share of profits/losses of investee includes the effect of unrealized gross profit on sales to affiliates.

Note 2: The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

(Concluded)



**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2013**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Foreign Currencies in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2013 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2013 (US\$ in Thousands)	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of June 30, 2013 (US\$ in Thousands)	Accumulated Inward Remittance of Earnings as of June 30, 2013
					Outflow	Inflow					
TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$ 18,939,667 (RMB 4,502,080)	(Note 1)	\$ 18,939,667 (US\$ 596,000)	\$ -	\$ -	\$ 18,939,667 (US\$ 596,000)	100%	\$ 2,169,449 (Note 3)	\$ 20,754,814	\$ -
Shanghai Walden Venture Capital Enterprise	Investing in new start-up technology companies	2,324,062 (US\$ 78,791)	(Note 2)	147,485 (US\$ 5,000)	-	-	147,485 (US\$ 5,000)	6%	(Note 4)	149,840 (US\$ 5,000)	-

Accumulated Investment in Mainland China as of June 30, 2013 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (US\$ in Thousands)
\$ 19,087,152 (US\$ 601,000)	\$ 19,087,152 (US\$ 601,000)	\$ 19,087,152 (US\$ 601,000)

Note 1: TSMC directly invested US\$596,000 thousand in TSMC China.

Note 2: TSMC indirectly invested in China company through third region, TSMC Partners.

Note 3: Amount was recognized based on the reviewed financial statements.

Note 4: TSMC Partners invested in financial assets carried at cost, share of profits/losses from which was not recognized.