

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2012		2011	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 178,440,559	20	\$ 150,978,778	19
Financial assets at fair value through profit or loss (Notes 2, 5 and 25)	23,734	-	19,781	-
Available-for-sale financial assets (Notes 2, 6, and 25)	2,477,046	-	5,208,149	1
Held-to-maturity financial assets (Notes 2, 7 and 25)	7,424,976	1	2,924,804	1
Receivables from related parties (Notes 3 and 26)	837,245	-	2,367	-
Notes and accounts receivable (Note 3)	61,101,346	7	52,491,604	7
Allowance for doubtful receivables (Notes 2, 3 and 8)	(490,914)	-	(494,000)	-
Allowance for sales returns and others (Notes 2 and 8)	(6,508,185)	(1)	(5,811,952)	(1)
Other receivables from related parties (Notes 3 and 26)	981,263	-	999,772	-
Other financial assets (Note 27)	30,780,466	4	1,054,744	-
Inventories (Notes 2 and 9)	2,805,069	1	31,523,206	4
Deferred income tax assets (Notes 2 and 20)	2,404,358	-	1,173,482	-
Prepaid expenses and other current assets			2,481,073	-
Total current assets	280,880,903	32	242,551,808	31
LONG-TERM INVESTMENTS (Notes 2, 7, 10, 12 and 25)				
Investments accounted for using equity method	23,372,224	3	23,357,209	3
Held-to-maturity financial assets	701,723	-	7,311,037	1
Financial assets carried at cost	4,084,014	-	4,176,134	-
Total long-term investments	28,157,961	3	34,844,380	5
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13 and 26)				
Cost				
Land and land improvements	1,549,149	-	1,501,628	-
Buildings	189,706,742	22	166,481,044	22
Machinery and equipment	1,189,864,584	135	1,012,617,056	129
Office equipment	18,609,347	2	15,976,394	2
Leased assets	778,338	-	677,086	-
Accumulated depreciation	(1,400,508,160)	(159)	(1,197,253,208)	(153)
Advance payments and construction in progress	(933,213,748)	(106)	(819,490,993)	(105)
Net property, plant and equipment	80,854,453	9	100,125,197	13
INTANGIBLE ASSETS				
Goodwill (Note 2)	548,148,865	62	477,887,412	61
Deferred charges, net (Notes 2 and 14)	5,639,097	1	5,487,060	-
Total intangible assets	5,221,454	-	5,690,862	1
OTHER ASSETS				
Deferred income tax assets, net (Notes 2 and 20)	10,860,551	1	11,177,922	1
Refundable deposits (Note 26)	10,344,401	1	11,092,048	1
Others (Notes 2 and 27)	4,296,083	1	4,834,381	1
Total other assets	1,217,289	-	1,427,662	-
Total other assets	15,857,773	2	17,354,091	2
TOTAL	<u>\$ 883,906,053</u>	<u>100</u>	<u>\$ 783,815,613</u>	<u>100</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 15)	\$ 30,772,585	3	\$ 33,140,881	4
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25)	35,166	-	15,952	-
Hedging derivative financial liabilities (Notes 2, 11 and 25)	69	-	448	-
Accounts payable	14,126,994	2	11,710,578	1
Payables to related parties (Note 26)	1,509,966	-	1,542,011	-
Income tax payable (Notes 2 and 20)	6,787,548	1	6,104,840	1
Cash dividends payable (Note 22)	77,762,637	9	78,127,227	10
Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22)	14,152,148	2	15,999,671	2
Payables to contractors and equipment suppliers	45,039,813	5	36,805,112	5
Accrued expenses and other current liabilities (Notes 13, 18, 25 and 29)	21,734,989	2	17,542,781	2
Current portion of bonds payable and long-term bank loans (Notes 16, 17, 25 and 27)	125,000	-	4,500,000	-
Total current liabilities	211,846,915	24	205,485,601	26
LONG-TERM LIABILITIES				
Bonds payable (Notes 16 and 25)	35,000,000	4	-	-
Long-term bank loans (Notes 17, 25 and 27)	1,525,000	-	1,500,000	-
Other long-term payables (Notes 18, 25 and 29)	113,770	-	3,040,747	1
Obligations under capital leases (Notes 2, 13 and 25)	749,794	-	670,865	-
Total long-term liabilities	37,388,564	4	5,211,612	1
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 19)	3,930,438	1	3,847,450	-
Guarantee deposits (Note 29)	253,346	-	521,598	-
Others (Note 26)	429,142	-	383,887	-
Total other liabilities	4,612,926	1	4,752,935	-
Total liabilities	253,848,405	29	215,453,148	27
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock - NTS\$10 par value (Note 22)				
Authorized: 28,050,000 thousand shares				
Issued: 25,920,709 thousand shares in 2012				
25,914,283 thousand shares in 2011				
Capital surplus (Notes 2 and 22)	259,207,094	29	259,142,831	33
Retained earnings (Note 22)	56,025,149	7	55,802,387	7
Appropriated as legal capital reserve	115,820,123	13	102,399,995	13
Appropriated as special capital reserve	7,606,224	1	6,433,874	1
Unappropriated earnings	196,302,944	22	151,443,573	19
Others	319,729,291	36	260,277,442	33
Cumulative translation adjustments (Note 2)	(7,830,895)	(1)	(11,461,047)	(1)
Unrealized gain on financial instruments (Notes 2, 11 and 25)	334,651	-	(187,908)	(1)
Equity attributable to shareholders of the parent	627,465,290	71	563,949,521	72
MINORITY INTERESTS (Note 2)	2,592,358	-	4,412,944	-
Total shareholders' equity	630,057,648	71	568,362,465	73
TOTAL	<u>\$ 883,906,053</u>	<u>100</u>	<u>\$ 783,815,613</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 INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 26)	\$ 237,427,920		\$ 217,895,876	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>3,859,417</u>		<u>2,010,014</u>	
NET SALES (Note 34)	233,568,503	100	215,885,862	100
COST OF SALES (Notes 9, 21 and 26)	<u>120,811,731</u>	<u>52</u>	<u>113,359,191</u>	<u>52</u>
GROSS PROFIT BEFORE AFFILIATES ELIMINATION	112,756,772	48	102,526,671	48
UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	<u>(139,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT	<u>112,616,822</u>	<u>48</u>	<u>102,526,671</u>	<u>48</u>
OPERATING EXPENSES (Notes 21 and 26)				
Research and development	19,235,781	8	16,456,677	8
General and administrative	9,025,466	4	6,781,342	3
Marketing	<u>2,205,936</u>	<u>1</u>	<u>2,259,365</u>	<u>1</u>
Total operating expenses	<u>30,467,183</u>	<u>13</u>	<u>25,497,384</u>	<u>12</u>
INCOME FROM OPERATIONS (Note 34)	<u>82,149,639</u>	<u>35</u>	<u>77,029,287</u>	<u>36</u>
NON-OPERATING INCOME AND GAINS				
Interest income	941,732	1	780,503	1
Equity in earnings of equity method investees, net (Notes 2 and 10)	610,296	1	765,485	-
Settlement income (Note 29)	448,275	-	433,425	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 25)	365,731	-	145,908	-
Foreign exchange gain, net (Note 2)	365,310	-	419,535	-
Technical service income (Note 26)	232,659	-	224,372	-
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 26)	21,176	-	189,020	-
Others	<u>393,319</u>	<u>-</u>	<u>383,128</u>	<u>1</u>
Total non-operating income and gains	<u>3,378,498</u>	<u>2</u>	<u>3,341,376</u>	<u>2</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011																					
	Amount	%	Amount	%																				
NON-OPERATING EXPENSES AND LOSSES																								
Impairment loss of financial assets (Notes 2, 6, 12 and 25)	\$ 2,748,456	1	\$ 58,096	-																				
Impairment loss on idle assets (Note 2)	422,323	1	58,478	-																				
Interest expense	415,039	-	243,261	-																				
Valuation loss on financial instruments, net (Notes 2, 5 and 25)	189,737	-	280,630	1																				
Loss on disposal of property, plant and equipment (Note 2)	25,302	-	156,761	-																				
Others (Note 2)	149,270	-	206,318	-																				
Total non-operating expenses and losses	<u>3,950,127</u>	<u>2</u>	<u>1,003,544</u>	<u>1</u>																				
INCOME BEFORE INCOME TAX	81,578,010	35	79,367,119	37																				
INCOME TAX EXPENSE (Notes 2 and 20)	<u>6,443,942</u>	<u>3</u>	<u>6,911,828</u>	<u>3</u>																				
NET INCOME	<u>\$ 75,134,068</u>	<u>32</u>	<u>\$ 72,455,291</u>	<u>34</u>																				
ATTRIBUTABLE TO:																								
Shareholders of the parent	\$ 75,286,804	32	\$ 72,228,107	34																				
Minority interests	<u>(152,736)</u>	<u>-</u>	<u>227,184</u>	<u>-</u>																				
	<u>\$ 75,134,068</u>	<u>32</u>	<u>\$ 72,455,291</u>	<u>34</u>																				
	<table border="1"> <thead> <tr> <th colspan="2">2012</th> <th colspan="2">2011</th> </tr> <tr> <th colspan="2">Income Attributable to Shareholders of the Parent</th> <th colspan="2">Income Attributable to Shareholders of the Parent</th> </tr> <tr> <th>Before Income Tax</th> <th>After Income Tax</th> <th>Before Income Tax</th> <th>After Income Tax</th> </tr> </thead> <tbody> <tr> <td>\$ 3.15</td> <td>\$ 2.90</td> <td>\$ 3.05</td> <td>\$ 2.79</td> </tr> <tr> <td>\$ 3.15</td> <td>\$ 2.90</td> <td>\$ 3.05</td> <td>\$ 2.79</td> </tr> </tbody> </table>		2012		2011		Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent		Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	\$ 3.15	\$ 2.90	\$ 3.05	\$ 2.79	\$ 3.15	\$ 2.90	\$ 3.05	\$ 2.79		
2012		2011																						
Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent																						
Before Income Tax	After Income Tax	Before Income Tax	After Income Tax																					
\$ 3.15	\$ 2.90	\$ 3.05	\$ 2.79																					
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EARNINGS PER SHARE (NT\$, Note 24)																								
Basic earnings per share	<u>\$ 3.15</u>	<u>\$ 2.90</u>	<u>\$ 3.05</u>	<u>\$ 2.79</u>																				
Diluted earnings per share	<u>\$ 3.15</u>	<u>\$ 2.90</u>	<u>\$ 3.05</u>	<u>\$ 2.79</u>																				

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

(Concluded)