

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

November 15, 2013

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the month of November 2013

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

No. 8, Li-Hsin Rd. 6,

Hsinchu Science Park,

Taiwan

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F

Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes

No

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82: _____.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing Company Ltd.

Date: November 15, 2013

By /s/ Lora Ho
Lora Ho
Senior Vice President & Chief Financial Officer

Taiwan Semiconductor Manufacturing

Company Limited and Subsidiaries

Consolidated Financial Statements for the

Nine months ended September 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 September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 and the related consolidated statements of comprehensive income for the three months ended September 30, 2013 and 2012 and for the nine months ended September 30, 2013 and 2012, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 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.

November 12, 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)

| | September 30, 2013 | | December 31, 2012 | | September 30, 2012 | | January 1, 2012 | |
|--|-----------------------|----|----------------------|----|-----------------------|----|--------------------|----|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| ASSETS | | | | | | | | |
| CURRENT ASSETS | | | | | | | | |
| Cash and cash equivalents (Note 6) | \$ 216,603,697 | 19 | \$ 143,410,588 | 15 | \$ 138,738,113 | 16 | \$ 143,472,277 | 18 |
| Financial assets at fair value through profit or loss (Note 7) | 188,970 | | 39,554 | | 58,690 | | 15,360 | |
| Available-for-sale financial assets (Note 8) | 672,179 | | 2,410,635 | | 2,067,730 | | 3,308,770 | |
| Held-to-maturity financial assets (Note 9) | 700,285 | | 5,056,973 | 1 | 6,854,611 | 1 | 3,825,680 | 1 |
| Hedging derivative financial assets (Note 10) | | | | | 28,189 | | | |
| Notes and accounts receivable, net (Note 11) | 78,844,389 | 7 | 57,777,586 | 6 | 64,386,937 | 7 | 45,830,288 | 6 |
| Receivables from related parties (Note 37) | 827,480 | | 353,811 | | 925,245 | | 185,764 | |
| Other receivables from related parties (Note 37) | 194,408 | | 185,550 | | 157,144 | | 122,292 | |
| Inventories (Notes 5 and 12) | 36,916,527 | 3 | 37,830,498 | 4 | 33,249,045 | 4 | 24,840,582 | 3 |
| Other current assets (Note 17) | 2,740,765 | | 2,786,408 | | 2,639,414 | | 2,174,014 | |
| Other financial assets (Note 38) | 522,137 | | 473,833 | | 469,979 | | 617,142 | |
| Total current assets | 338,210,837 | 29 | 250,325,436 | 26 | 249,575,097 | 28 | 224,392,169 | 28 |
| NONCURRENT ASSETS | | | | | | | | |

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| | | | | | | | | | |
|--|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|--|-----------|
| Available-for-sale financial assets (Note 8) | 61,145,097 | 5 | 38,751,245 | 4 | | | | | |
| Held-to-maturity financial assets (Note 9) | | | | | 701,435 | | 5,243,167 | | 1 |
| Financial assets carried at cost (Note 13) | 2,124,507 | | 3,605,077 | | 3,981,251 | | 4,315,005 | | 1 |
| Investments accounted for using equity method (Notes 5 and 14) | 25,903,920 | 2 | 23,360,918 | 3 | 23,907,158 | 3 | 24,886,931 | | 3 |
| Property, plant and equipment (Notes 5 and 15) | 727,716,024 | 62 | 617,562,188 | 64 | 580,114,062 | 66 | 490,422,153 | | 63 |
| Intangible assets (Notes 5 and 16) | 11,393,280 | 1 | 10,959,569 | 1 | 10,888,854 | 1 | 10,861,563 | | 1 |
| Deferred income tax assets (Notes 5 and 31) | 7,165,944 | 1 | 13,128,219 | 2 | 13,058,484 | 2 | 13,604,218 | | 2 |
| Refundable deposits (Note 37) | 2,464,658 | | 2,426,712 | | 2,331,966 | | 4,518,863 | | 1 |
| Other noncurrent assets (Note 17) | 1,415,948 | | 1,235,144 | | 1,213,129 | | 1,306,746 | | |
| Total noncurrent assets | 839,329,378 | 71 | 711,029,072 | 74 | 636,196,339 | 72 | 555,158,646 | | 72 |

TOTAL \$ 1,177,540,215 100 \$ 961,354,508 100 \$ 885,771,436 100 \$ 779,550,815 100

| | September 30, 2013 | | December 31, 2012 | | September 30, 2012 | | January 1, 2012 | |
|---|--------------------|---|-------------------|---|--------------------|---|-----------------|-----|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| LIABILITIES AND EQUITY | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | |
| Short-term loans (Note 18) | \$ 18,053,096 | 2 | \$ 34,714,929 | 4 | \$ 29,749,650 | 3 | \$ 25,926,528 | 3 |
| Financial liabilities at fair value through profit or loss (Note 7) | 18,876 | | 15,625 | | 20,013 | | 13,742 | |
| Hedging derivative financial | | | | | | | | 232 |

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| | | | | | | | | |
|---|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|-----------|
| liabilities (Note 10) | | | | | | | | |
| Accounts payable | 13,478,598 | 1 | 14,490,429 | 2 | 13,773,108 | 2 | 10,530,487 | 1 |
| Payables to related parties (Note 37) | 1,594,104 | | 748,613 | | 783,253 | | 1,328,521 | |
| Salary and bonus payable | 7,668,518 | 1 | 7,535,296 | 1 | 6,994,285 | 1 | 6,148,499 | 1 |
| Accrued profit sharing to employees and bonus to directors and supervisors (Note 24) | 9,946,700 | 1 | 11,186,591 | 1 | 8,654,015 | 1 | 9,081,293 | 1 |
| Payables to contractors and equipment suppliers | 58,381,100 | 5 | 44,831,798 | 5 | 32,785,881 | 4 | 35,540,526 | 5 |
| Income tax payable (Note 31) | 17,025,992 | 1 | 15,635,594 | 2 | 10,855,245 | 1 | 10,656,124 | 1 |
| Provisions (Notes 5 and 19) | 6,720,214 | 1 | 6,038,003 | | 6,900,184 | | 5,068,263 | 1 |
| Accrued expenses and other current liabilities (Notes 15 and 22) | 15,396,990 | 1 | 13,148,944 | 1 | 15,312,033 | 2 | 13,218,235 | 2 |
| Current portion of bonds payable and long-term bank loans (Notes 20 and 21) | | | 128,125 | | 125,000 | | 4,562,500 | 1 |
| Total current liabilities | 148,284,188 | 13 | 148,473,947 | 16 | 125,952,667 | 14 | 122,074,950 | 16 |
| NONCURRENT LIABILITIES | | | | | | | | |
| Hedging derivative financial liabilities (Note 10) | 6,144,025 | | | | | | | |
| Bonds payable (Note 20) | 210,416,434 | 18 | 80,000,000 | 8 | 75,600,000 | 9 | 18,000,000 | 3 |
| Long-term bank loans (Note 21) | 40,000 | | 1,359,375 | | 1,393,750 | | 1,587,500 | |
| Provisions (Note 19) | 7,344 | | 4,891 | | 3,619 | | 2,889 | |
| Other long-term payables (Note 22) | 36,000 | | 54,000 | | 54,000 | | | |
| Obligations under finance leases (Note 15) | 758,732 | | 748,115 | | 737,034 | | 870,993 | |
| Accrued pension cost (Note 23) | 6,931,366 | 1 | 6,921,234 | 1 | 6,233,278 | 1 | 6,241,024 | 1 |
| Guarantee deposits | 149,622 | | 203,890 | | 229,212 | | 443,983 | |
| Others | 597,743 | | 495,150 | | 480,559 | | 400,831 | |
| Total noncurrent liabilities | 225,081,266 | 19 | 89,786,655 | 9 | 84,731,452 | 10 | 27,547,220 | 4 |
| Total liabilities | 373,365,454 | 32 | 238,260,602 | 25 | 210,684,119 | 24 | 149,622,170 | 20 |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | | | | | | | | |
| Capital stock (Note 24) | 259,283,910 | 22 | 259,244,357 | 27 | 259,220,476 | 29 | 259,162,226 | 33 |
| Capital surplus (Note 24) | 55,841,716 | 5 | 55,675,340 | 6 | 55,630,425 | 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 |

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| | | | | | | | | |
|---|------------------|-----|----------------|-----|----------------|-----|----------------|-----|
| Appropriated as special capital reserve | 2,785,741 | | 7,606,224 | 1 | 7,606,224 | 1 | 6,433,874 | 1 |
| Unappropriated earnings | 338,752,961 | 29 | 284,985,121 | 29 | 244,003,918 | 28 | 211,630,458 | 27 |
| | 473,974,705 | 40 | 408,411,468 | 42 | 367,430,265 | 42 | 320,464,327 | 41 |
| Others (Note 24) | 14,776,668 | 1 | (2,780,485) | | (9,783,800) | (1) | (7,606,219) | (1) |
| Equity attributable to shareholders of the parent | 803,876,999 | 68 | 720,550,680 | 75 | 672,497,366 | 76 | 627,491,996 | 80 |
| NONCONTROLLING INTERESTS (Note 24) | 297,762 | | 2,543,226 | | 2,589,951 | | 2,436,649 | |
| Total equity | 804,174,761 | 68 | 723,093,906 | 75 | 675,087,317 | 76 | 629,928,645 | 80 |
| TOTAL | \$ 1,177,540,215 | 100 | \$ 961,354,508 | 100 | \$ 885,771,436 | 100 | \$ 779,550,815 | 100 |

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|-----|----------------|-----|--|-----|----------------|-----|
| | 2013 | | 2012 | | 2013 | | 2012 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| NET REVENUE (Notes 5, 26, 37 and 42) | \$ 162,577,034 | 100 | \$ 141,499,253 | 100 | \$ 451,218,350 | 100 | \$ 375,300,415 | 100 |
| COST OF REVENUE (Notes 12, 33 and 37) | 83,636,464 | 51 | 72,344,501 | 51 | 235,092,710 | 52 | 193,133,859 | 52 |
| GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES | 78,940,570 | 49 | 69,154,752 | 49 | 216,125,640 | 48 | 182,166,556 | 48 |
| REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES | (49,759) | | 10,381 | | (42,833) | | (129,569) | |
| GROSS PROFIT | 78,890,811 | 49 | 69,165,133 | 49 | 216,082,807 | 48 | 182,036,987 | 48 |
| OPERATING EXPENSES (Notes 5, 33 and 37) | | | | | | | | |
| Research and development | 13,357,075 | 8 | 10,656,855 | 8 | 35,949,931 | 8 | 29,883,097 | 8 |
| General and administrative | 4,738,276 | 3 | 4,478,517 | 3 | 15,119,366 | 3 | 13,500,459 | 3 |
| Marketing | 1,164,881 | 1 | 1,234,982 | 1 | 3,359,373 | 1 | 3,440,158 | 1 |
| Total operating expenses | 19,260,232 | 12 | 16,370,354 | 12 | 54,428,670 | 12 | 46,823,714 | 12 |
| OTHER OPERATING INCOME AND EXPENSES, NET | (12,525) | | 3,199 | | 21,008 | | (425,894) | |

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| (Notes 27 and 33) | | | | | | | | |
|---|-------------|-----|-------------|-----|-------------|----|-------------|-----|
| INCOME FROM OPERATIONS (Note 42) | 59,618,054 | 37 | 52,797,978 | 37 | 161,675,145 | 36 | 134,787,379 | 36 |
| NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| Share of profits of associates and joint venture (Note 14) | 1,113,243 | 1 | 712,186 | 1 | 2,826,900 | 1 | 1,338,261 | |
| Other income (Note 28) | 433,395 | | 353,132 | | 1,788,780 | | 1,364,809 | |
| Foreign exchange gain (loss), net | (314,948) | | (157,185) | | 133,136 | | 208,125 | |
| Finance costs (Notes 10 and 29) | (732,326) | | (270,379) | | (1,861,664) | | (685,418) | |
| Other gains and losses (Note 30) | (767,534) | (1) | 326,609 | | 552,180 | | (1,620,830) | |
| Total non-operating income and expenses | (268,170) | | 964,363 | 1 | 3,439,332 | 1 | 604,947 | |
| INCOME BEFORE INCOME TAX | 59,349,884 | 37 | 53,762,341 | 38 | 165,114,477 | 37 | 135,392,326 | 36 |
| INCOME TAX EXPENSE (Note 31) | 7,415,132 | 5 | 4,340,047 | 3 | 21,882,679 | 5 | 10,787,480 | 3 |
| NET INCOME | 51,934,752 | 32 | 49,422,294 | 35 | 143,231,798 | 32 | 124,604,846 | 33 |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 10, 14, 24 and 31) | | | | | | | | |
| Exchange differences arising on translation of foreign operations | (1,740,459) | (1) | (2,239,717) | (2) | 2,335,435 | 1 | (3,627,600) | (1) |
| Changes in fair value of available-for-sale financial assets | 7,685,269 | 5 | (112,534) | | 15,180,754 | 3 | 1,710,289 | 1 |
| Cash flow hedges | | | 28,258 | | | | 28,421 | |
| Share of other comprehensive income of associates and joint venture | 37,947 | | 48,074 | | (18,924) | | 68,461 | |
| Income tax benefit (expense) related to components of other comprehensive | 10,274 | | (24,497) | | 53,484 | | (333,426) | |

income

| | | | | | | | | |
|---|-----------|---|-------------|-----|------------|---|-------------|--|
| Other comprehensive income (loss) for the period, net of income tax | 5,993,031 | 4 | (2,300,416) | (2) | 17,550,749 | 4 | (2,153,855) | |
|---|-----------|---|-------------|-----|------------|---|-------------|--|

| | | | | | | | | |
|---|---------------|----|---------------|----|----------------|----|----------------|----|
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | \$ 57,927,783 | 36 | \$ 47,121,878 | 33 | \$ 160,782,547 | 36 | \$ 122,450,991 | 33 |
|---|---------------|----|---------------|----|----------------|----|----------------|----|

NET INCOME (LOSS) ATTRIBUTABLE TO:

| | | | | | | | | |
|----------------------------|---------------|----|---------------|----|----------------|----|----------------|----|
| Shareholders of the parent | \$ 51,951,943 | 32 | \$ 49,379,633 | 35 | \$ 143,336,544 | 32 | \$ 124,714,606 | 33 |
| Noncontrolling interests | (17,191) | | 42,661 | | (104,746) | | (109,760) | |
| | \$ 51,934,752 | 32 | \$ 49,422,294 | 35 | \$ 143,231,798 | 32 | \$ 124,604,846 | 33 |

TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:

| | | | | | | | | |
|----------------------------|---------------|----|---------------|----|----------------|----|----------------|----|
| Shareholders of the parent | \$ 57,951,263 | 36 | \$ 47,092,066 | 33 | \$ 160,893,697 | 36 | \$ 122,537,025 | 33 |
| Noncontrolling interests | (23,480) | | 29,812 | | (111,150) | | (86,034) | |
| | \$ 57,927,783 | 36 | \$ 47,121,878 | 33 | \$ 160,782,547 | 36 | \$ 122,450,991 | 33 |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|------------------------------------|---|---------|---|---------|
| | 2013 | 2012 | 2013 | 2012 |
| EARNINGS PER SHARE (NT\$, Note 32) | Income Attributable to Shareholders of the Parent | | Income Attributable to Shareholders of the Parent | |
| Basic earnings per share | \$ 2.00 | \$ 1.90 | \$ 5.53 | \$ 4.81 |
| Diluted earnings per share | \$ 2.00 | \$ 1.90 | \$ 5.53 | \$ 4.81 |

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 | | | | |
|---|-----------------------|-------------------|-------------------------|----------------|--------------------------------------|---|--------------------------|-------|-------------|
| Capital Surplus | Legal Capital Reserve | Retained Earnings | | Total | Foreign Currency Translation Reserve | Unrealized Gain (Loss) from Available-for-sale Financial Assets | Cash Flow Hedges Reserve | Total | |
| | | Special Reserve | Unappropriated Earnings | | | | | | |
| \$ 55,675,340 | \$ 115,820,123 | \$ 7,606,224 | \$ 284,985,121 | \$ 408,411,468 | \$ (10,753,806) | \$ 7,973,321 | \$ | \$ | \$ (2,780,4 |
| | 16,615,880 | | (16,615,880) | | | | | | |
| | | (4,820,483) | 4,820,483 | | | | | | |
| | | | (77,773,307) | (77,773,307) | | | | | |
| | 16,615,880 | (4,820,483) | (89,568,704) | (77,773,307) | | | | | |
| | | | 143,336,544 | 143,336,544 | | | | | |
| | | | | | 2,315,276 | 15,241,944 | (67) | | 17,557,1 |
| | | | 143,336,544 | 143,336,544 | 2,315,276 | 15,241,944 | (67) | | 17,557,1 |
| 74,613 | | | | | | | | | |

27,011

64,752

\$ 55,841,716 \$ 132,436,003 \$ 2,785,741 \$ 338,752,961 \$ 473,974,705 \$ (8,438,530) \$ 23,215,265 \$ (67) \$ 14,776,6

\$ 55,471,662 \$ 102,399,995 \$ 6,433,874 \$ 211,630,458 \$ 320,464,327 \$ (6,433,364) \$ (1,172,762) \$ (93) \$ (7,606,2

13,420,128 (13,420,128)

1,172,350 (1,172,350)

(77,748,668) (77,748,668)

13,420,128 1,172,350 (92,341,146) (77,748,668)

124,714,606 124,714,606

(3,618,876) 1,413,013 28,282 (2,177,5

124,714,606 124,714,606 (3,618,876) 1,413,013 28,282 (2,177,5

118,206

2,601

37,956

\$ 55,630,425 \$ 115,820,123 \$ 7,606,224 \$ 244,003,918 \$ 367,430,265 \$ (10,052,240) \$ 240,251 \$ 28,189 \$ (9,783,8

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 Nine Months Ended September 30 | |
|---|---|----------------|
| | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 165,114,477 | \$ 135,392,326 |
| Adjustments for: | | |
| Depreciation expense | 113,400,781 | 93,501,687 |
| Amortization expense | 1,629,482 | 1,642,604 |
| Stock option compensation cost of subsidiary | 5,312 | 3,372 |
| Finance costs | 1,861,664 | 685,418 |
| Share of profits of associates and joint venture | (2,826,900) | (1,338,261) |
| Interest income | (1,282,220) | (1,294,864) |
| Gain on disposal of property, plant and equipment and intangible assets, net | (19,554) | (263) |
| Impairment loss on property, plant and equipment | | 422,323 |
| Impairment loss of financial assets | 1,541,170 | 2,748,616 |
| Gain on disposal of available-for-sale financial assets, net | (1,239,442) | (321,580) |
| Gain on disposal of financial assets carried at cost, net | (32,199) | (127,480) |
| Loss on disposal of investments in associates | 733 | 1,009 |
| Gain on deconsolidation of subsidiary | (293,578) | |
| Unrealized gross profit on sales to associates | 42,833 | 129,569 |
| Loss (gain) on foreign exchange, net | 353,755 | (1,707,952) |
| Dividend income | (506,560) | (69,945) |
| Income from receipt of equity securities in settlement of trade receivables | (9,590) | (886) |
| Loss on hedging instruments | 6,319,146 | |
| Gain arising from changes in fair value of available-for-sale financial assets in hedge effective portion | (5,989,610) | |
| Changes in operating assets and liabilities: | | |
| Derivative financial instruments | (145,680) | (37,059) |
| Receivables from related parties | (740,050) | (739,481) |
| Notes and accounts receivable, net | (21,325,495) | (18,556,562) |
| Other receivables from related parties | 77,757 | (34,852) |
| Inventories | 700,838 | (8,408,463) |
| Other current assets | (79,924) | (476,904) |
| Other financial assets | 39,939 | 107,508 |
| Accounts payable | (959,796) | 2,891,661 |
| Payables to related parties | 755,742 | (559,968) |
| Salary and bonus payable | 221,487 | 845,786 |
| Accrued profit sharing to employees and bonus to directors and supervisors | (1,239,891) | (427,278) |
| Accrued expenses and other current liabilities | 2,906,280 | 4,418,928 |
| Provisions | 714,527 | 1,839,277 |

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| | | |
|--|--------------|--------------|
| Accrued pension cost | 13,068 | (7,746) |
| Cash generated from operations | 259,008,502 | 210,520,540 |
| Income taxes paid | (14,398,067) | (10,355,944) |
| Net cash generated by operating activities | 244,610,435 | 200,164,596 |

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

| | For the Nine Months Ended September 30 | |
|---|---|---------------|
| | 2013 | 2012 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Available-for-sale financial assets | \$ (16,496) | \$ (4,434) |
| Financial assets carried at cost | (18,059) | (6,833) |
| Property, plant and equipment | (213,640,001) | (186,371,680) |
| Intangible assets | (2,013,354) | (1,106,734) |
| Proceeds from disposal or redemption of: | | |
| Available-for-sale financial assets | 2,370,217 | 616,757 |
| Held-to-maturity financial assets | 4,445,850 | 1,278,089 |
| Financial assets carried at cost | 53,857 | 236,735 |
| Property, plant and equipment | 97,368 | 116,748 |
| Other assets | | 8,259 |
| Costs from entering into hedging transactions | (143,982) | |
| Interest received | 1,194,967 | 1,340,623 |
| Other dividends received | 506,560 | 69,945 |
| Dividends received from associates | 2,141,881 | 2,088,472 |
| Refundable deposits paid | (67,513) | (103,531) |
| Refundable deposits refunded | 81,922 | 2,290,428 |
| Net cash outflow from deconsolidation of subsidiary (Note 34) | (979,910) | |
| Net cash used in investing activities | (205,986,693) | (179,547,156) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of bonds | 130,844,821 | 57,600,000 |
| Repayment of bonds | | (4,500,000) |
| Increase (decrease) in short-term loans | (17,314,261) | 4,494,916 |
| Increase in long-term bank loans | 690,000 | 50,000 |
| Repayment of long-term bank loans | (62,500) | (181,250) |
| Repayment of other long-term payables | (853,788) | (2,367,866) |
| Interest paid | (1,242,377) | (683,003) |
| Guarantee deposits received | 14,916 | 14,814 |
| Guarantee deposits refunded | (71,982) | (229,585) |
| Decrease in obligations under finance leases | (27,796) | (124,923) |
| Proceeds from exercise of employee stock options | 114,166 | 176,456 |
| Cash dividends | (77,773,307) | (77,748,668) |
| Increase in noncontrolling interests | 212,410 | 273,920 |

| | | |
|--|----------------|----------------|
| Net cash generated (used) by financing activities | 34,530,302 | (23,225,189) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 39,065 | (2,126,415) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 73,193,109 | (4,734,164) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 143,410,588 | 143,472,277 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 216,603,697 | \$ 138,738,113 |

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 NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

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

(Reviewed, Not Audited)

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 and operating segments information 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 November 12, 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.

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

| | | |
|---------------------|---|-----------------|
| | Investments in Associates and Joint Ventures | |
| 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)

| New, Revised or Amended Standards and Interpretations | | Effective Date Issued by |
|--|---|---------------------------------|
| | | IASB (Note) |
| Amendment to IAS 39 | Novation of Derivatives and Continuation of Hedge Accounting | January 1, 2014 |
| IFRIC 20 | Stripping Costs in the Production Phase of A Surface Mine | January 1, 2013 |
| 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 |
|------------------|--------------------|--|--------------------------------------|-------------------------|-------------------|--------------------|-----------------|------|
| | | | | September 30, 2013 | December 31, 2012 | September 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% | a) |
| | | | | 100% | 100% | 100% | 100% | a) |

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| | | | | | | | |
|--|--|---------------------------------|-------|-------|-------|-------|----|
| TSMC Japan Limited (TSMC Japan) | Marketing activities | Yokohama, Japan | | | | | |
| 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% | 50% | 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) |

(Continued)

| Name of Investor | Name of Investee | Main Businesses and Products | Establishment and Operating Location | Percentage of Ownership | | | | Note |
|------------------|--|---|--------------------------------------|-------------------------|-------------------|--------------------|-----------------|---|
| | | | | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 | |
| TSMC | Xintec Inc. (Xintec) | Wafer level chip size packaging service | Taoyuan, Taiwan | b) | 40% | 40% | 40% | |
| | 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, | Investment activities | Delaware, U.S.A. | 100% | 100% | 100% | 100% | |

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| | | | | | | | | |
|---|---|---|----------------------------|------|------|------|------|----|
| | Inc. (TSMC Development) | | | | | | | |
| | 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) |
| | | | | 49% | 49% | 49% | 46% | |

| | | | | | | | | |
|-------------------|--|--|------------------|------|------|------|------|----|
| | VentureTech Alliance Fund III, L.P. (VTAF III) | Investing in new start-up technology companies | Cayman Islands | | | | | |
| 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 due to 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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Cash and deposits in banks | \$ 213,978,108 | \$ 140,072,294 | \$ 135,330,257 | \$ 139,637,363 |
| Repurchase agreements collateralized by corporate bonds | 2,052,723 | 2,691,042 | 2,534,741 | |
| Repurchase agreements collateralized by short-term commercial paper | 449,803 | 349,341 | 399,585 | |
| Repurchase agreements collateralized by government bonds | 123,063 | 297,911 | 473,530 | 3,834,914 |
| | \$ 216,603,697 | \$ 143,410,588 | \$ 138,738,113 | \$ 143,472,277 |

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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|---|-----------------------|----------------------|-----------------------|--------------------|
| <u>Derivative financial assets</u> | | | | |
| Forward exchange contracts | \$ 26,051 | \$ 38,607 | \$ 55,995 | \$ 15,360 |
| Cross currency swap contracts | 162,919 | 947 | 2,695 | |
| | \$ 188,970 | \$ 39,554 | \$ 58,690 | \$ 15,360 |
| <u>Derivative financial liabilities</u> | | | | |
| Forward exchange contracts | \$ 2,086 | \$ 12,174 | \$ 16,045 | \$ 13,623 |
| Cross currency swap contracts | 16,790 | 3,451 | 3,968 | 119 |

\$ 18,876 \$ 15,625 \$ 20,013 \$ 13,742

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.

- 13 -

Outstanding forward exchange contracts consisted of the following:

| | Maturity Date | Contract Amount (In Thousands) |
|---------------------------|-------------------------------|-----------------------------------|
| <u>September 30, 2013</u> | | |
| Sell NT\$/Buy JPY | October 2013 | NT\$14,344/JPY48,000 |
| Sell NT\$/Buy US\$ | October 2013 | NT\$639,824/US\$21,650 |
| Sell US\$/Buy EUR | October 2013 | US\$428,345/EUR317,000 |
| Sell US\$/Buy JPY | October 2013 | US\$64,418/JPY6,352,719 |
| Sell US\$/Buy RMB | October 2013 to December 2013 | US\$117,000/RMB718,331 |
| <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>September 30, 2012</u> | | |
| Sell NT\$/Buy EUR | October 2012 | NT\$7,684/EUR200 |
| Sell NT\$/Buy JPY | October 2012 to November 2012 | NT\$149,017/JPY393,000 |
| Sell NT\$/Buy US\$ | October 2012 to November 2012 | NT\$449,412/US\$15,000 |
| Sell RMB/Buy US\$ | October 2012 | RMB685,056/US\$108,000 |
| Sell US\$/Buy EUR | October 2012 | US\$52,421/EUR40,500 |
| Sell US\$/Buy JPY | October 2012 | US\$315,000/JPY24,525,215 |
| Sell US\$/Buy NT\$ | October 2012 to December 2012 | US\$106,190/NT\$3,131,774 |
| <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 |

Outstanding cross currency swap contracts consisted of the following:

| Maturity Date | Contract Amount (In Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|-------------------------------|-----------------------------------|------------------------------------|--|
| <u>September 30, 2013</u> | | | |
| October 2013 | NT\$1,366,150/US\$46,080 | | 0.32%-0.60% |
| October 2013 to November 2013 | US\$1,199,000/NT\$35,692,006 | 0.31%-3.51% | |

December 31, 2012

| | | |
|--------------|---------------------------|-------------|
| January 2013 | NT\$1,083,139/US\$37,280 | 0.06% |
| January 2013 | US\$275,000/NT\$7,986,190 | 0.14%-0.17% |

(Continued)

| Maturity Date | Contract Amount (In Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|---------------------------|---|---|---|
| <u>September 30, 2012</u> | | | |
| October 2012 | NT\$833,013/US\$28,280 | | 0.04%-0.05% |
| October 2012 | US\$170,000/NT\$4,991,030 | 0.10%-0.11% | |
| <u>January 1, 2012</u> | | | |
| January 2012 | NT\$420,431/US\$13,880 | | 0.48% |
| | | | (Concluded) |

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|------------------------|-------------------------------|------------------------------|-------------------------------|----------------------------|
| Publicly traded stocks | \$ 61,802,636 | \$ 41,160,437 | \$ 2,067,730 | \$ 3,306,248 |
| Money market funds | 14,640 | 1,443 | | 2,522 |
| | \$ 61,817,276 | \$ 41,161,880 | \$ 2,067,730 | \$ 3,308,770 |
| Current portion | \$ 672,179 | \$ 2,410,635 | \$ 2,067,730 | \$ 3,308,770 |
| Noncurrent portion | 61,145,097 | 38,751,245 | | |
| | \$ 61,817,276 | \$ 41,161,880 | \$ 2,067,730 | \$ 3,308,770 |

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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|------------------|-------------------------------|------------------------------|-------------------------------|----------------------------|
| Corporate bonds | \$ 700,285 | \$ 5,056,973 | \$ 7,556,046 | \$ 8,614,527 |
| Government bonds | | | | 454,320 |

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| | | | | |
|--------------------|------------|--------------|--------------|--------------|
| | \$ 700,285 | \$ 5,056,973 | \$ 7,556,046 | \$ 9,068,847 |
| Current portion | \$ 700,285 | \$ 5,056,973 | \$ 6,854,611 | \$ 3,825,680 |
| Noncurrent portion | | | 701,435 | 5,243,167 |
| | \$ 700,285 | \$ 5,056,973 | \$ 7,556,046 | \$ 9,068,847 |

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10. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|------------------------------|-----------------------|----------------------|-----------------------|--------------------|
| Financial assets | | | | |
| Current | | | | |
| Cash flow hedges | | | | |
| Forward exchange contract | \$ | \$ | \$ 28,189 | \$ |
| Financial liabilities | | | | |
| Current | | | | |
| Cash flow hedges | | | | |
| Interest rate swap contracts | \$ | \$ | \$ | \$ 232 |
| Noncurrent | | | | |
| Fair value hedges | | | | |
| Stock forward contracts | \$ 6,144,025 | \$ | \$ | \$ |

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:

| Contract Shares (In Thousands) | Maturity Date | Contract Price |
|--------------------------------|-------------------------------|--|
| <u>September 30, 2013</u> | | |
| 8,250 | May 2015 to September 2015 | Determined by the specific percentage of spot price on the trade date |

The Company entered into derivative contracts to hedge cash flow risk arising from foreign exchange rate fluctuations of an expected equity transaction in September 2012. Outstanding forward exchange contracts consisted of the following:

| | Maturity Date | Contract Amount (In Thousands) |
|---------------------------|------------------|-----------------------------------|
| <u>September 30, 2012</u> | | |
| Sell US\$/Buy EUR | October 2012 | US\$ 257,759/EUR200,000 |

For the three months and nine months ended September 30, 2012, the amount recognized in other comprehensive income and accumulated under the heading of cash flow hedges reserve from the above forward exchange contract both amounted to a net gain of NT\$28,189 thousand.

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 interest rate swap contract of the Company was due in August 2012.

The outstanding interest rate swap contract consisted of the following:

| Contract Amount (In Thousands) | Maturity Date | Range of Interest | |
|-----------------------------------|-----------------|-------------------|----------------------------------|
| | | Rates Paid | Range of Interest Rates Received |
| NT\$80,000 | August 31, 2012 | 1.38% | 0.63%-0.86% |

For the three months and the nine months ended September 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 gain of NT\$22 thousand and NT\$5 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\$47 thousand and NT\$227 thousand, respectively, which were included under finance costs in the consolidated statements of comprehensive income.

11. NOTES AND ACCOUNTS RECEIVABLE, NET

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|------------------------------------|-----------------------|----------------------|-----------------------|--------------------|
| Notes and accounts receivable | \$ 79,330,887 | \$ 58,257,798 | \$ 64,876,527 | \$ 46,321,240 |
| Allowance for doubtful receivables | (486,498) | (480,212) | (489,590) | (490,952) |
| Notes and accounts receivable, net | \$ 78,844,389 | \$ 57,777,586 | \$ 64,386,937 | \$ 45,830,288 |

The Company's sales agreements typically provide that the payment is due 30 days from the invoice date for a majority of the customers 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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|-------------------------------|-----------------------|----------------------|-----------------------|--------------------|
| Neither past due nor impaired | \$ 71,148,159 | \$ 47,528,952 | \$ 55,324,138 | \$ 39,362,390 |
| Past due but not impaired | | | | |

| | | | | |
|-------------------------|---------------|---------------|---------------|---------------|
| Past due within 30 days | 7,696,230 | 10,248,634 | 9,062,799 | 6,467,898 |
| | \$ 78,844,389 | \$ 57,777,586 | \$ 64,386,937 | \$ 45,830,288 |

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Movements of the allowance for doubtful receivables

| | Nine Months Ended | |
|---|--------------------------|-------------|
| | September 30 | |
| | 2013 | 2012 |
| Balance, beginning of the period | \$ 480,212 | \$ 490,952 |
| Provision (reversal) | 9,380 | (3) |
| Write-off | | (1,272) |
| Effect of deconsolidation of subsidiary | (3,157) | |
| Effect of exchange rate changes | 63 | (87) |
| Balance, end of the period | \$ 486,498 | \$ 489,590 |

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

| | September 30, | December 31, | September 30, | January 1, |
|------------------------|----------------------|---------------------|----------------------|-------------------|
| | 2013 | 2012 | 2012 | 2012 |
| Not past due | \$ 7,557 | \$ 160,354 | \$ 125,474 | \$ 81,017 |
| Past due 1-30 days | 6,832 | 2,863 | 10,165 | 24,351 |
| Past due 31-60 days | 4,576 | | | 4,684 |
| Past due over 120 days | | 3,157 | | 9,769 |
| | \$ 18,965 | \$ 166,374 | \$ 135,639 | \$ 119,821 |

The Company held bank guarantees and other credit enhancements as collateral for certain impaired accounts receivables. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the amount of the bank guarantee and other credit enhancements were US\$9 thousand, US\$1,000 thousand, US\$1,985 thousand and US\$2,962 thousand, respectively.

12. INVENTORIES

| | September 30, | December 31, | September 30, | January 1, |
|--------------------------|----------------------|---------------------|----------------------|-------------------|
| | 2013 | 2012 | 2012 | 2012 |
| Finished goods | \$ 6,696,080 | \$ 6,244,824 | \$ 4,255,500 | \$ 3,347,849 |
| Work in process | 25,528,912 | 25,713,217 | 24,686,231 | 17,940,960 |
| Raw materials | 2,889,113 | 3,864,105 | 2,429,431 | 1,808,615 |
| Supplies and spare parts | 1,802,422 | 2,008,352 | 1,877,883 | 1,743,158 |
| | \$ 36,916,527 | \$ 37,830,498 | \$ 33,249,045 | \$ 24,840,582 |

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|------------------|--|-------------|---|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Inventory losses | \$ 252,245 | \$ 443,728 | \$ 489,414 | \$ 1,485,371 |

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13. FINANCIAL ASSETS CARRIED AT COST

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|----------------------------|-----------------------|----------------------|-----------------------|--------------------|
| Non-publicly traded stocks | \$ 1,844,469 | \$ 3,314,713 | \$ 3,689,527 | \$ 4,004,314 |
| Mutual funds | 280,038 | 290,364 | 291,724 | 310,691 |
| | \$ 2,124,507 | \$ 3,605,077 | \$ 3,981,251 | \$ 4,315,005 |

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.

The Company recognized impairment loss on financial assets carried at cost in the amount of NT\$1,495,454 thousand and NT\$160 thousand for the three months ended September 30, 2013 and 2012, respectively; and of NT\$1,541,170 thousand and NT\$71,087 thousand for the nine months ended September 30, 2013 and 2012, respectively.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|-----------------------------|-----------------------|----------------------|-----------------------|--------------------|
| Associates | \$ 22,459,686 | \$ 20,325,277 | \$ 20,993,580 | \$ 22,033,567 |
| Jointly controlled entities | 3,444,234 | 3,035,641 | 2,913,578 | 2,853,364 |
| | \$ 25,903,920 | \$ 23,360,918 | \$ 23,907,158 | \$ 24,886,931 |

a. Investments in associates

Associates consisted of the following:

| Associate | Principal Activities | Place of Incorporation and Operation | Carrying Amount | | | % of Ownership Voting Rights Held the Company | | | |
|-----------------------|---|---|-----------------------|----------------------|-----------------------|---|-------------------|-------------------|-----|
| | | | September 30, 2013 | December 31, 2012 | September 30, 2012 | September 30, 2012 | September 2012 | September 2012 | |
| and onal ductor | Research, design, development, manufacture, | Hsinchu, Taiwan | \$ 10,107,307 | \$ 9,406,597 | \$ 9,121,036 | \$ 8,985,340 | 39% | 40% | 41% |

| | | | | | | | | | | |
|-------------------------------------|---|------------------|---------------|---------------|---------------|---------------|-----|-----|-----|-----|
| tion (VIS) | packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | | | | | | | | | |
| on Silicon cturing y Pte Ltd. | Fabrication and supply of integrated circuits | Singapore | 6,870,266 | 6,710,956 | 6,253,232 | 6,289,429 | 39% | 39% | 39% | |
| Industries, (tech) | 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 | 2,713,227 | 2,992,899 | 4,449,280 | 5,609,002 | 20% | 20% | 20% | |
| | Wafer level chip size packaging service | Taoyuan, Taiwan | 1,785,184 | | | | 40% | | | |
| Unichip tion (GUC) | Researching, developing, manufacturing, testing and marketing of integrated circuits | Hsinchu, Taiwan | 983,702 | 1,214,825 | 1,170,032 | 1,149,796 | 35% | 35% | 35% | |
| nc. | Research, development, and sale of micro-semiconductor device | Delaware, U.S.A. | | | | | | | 25% | 25% |
| | | | \$ 22,459,686 | \$ 20,325,277 | \$ 20,993,580 | \$ 22,033,567 | | | | |

Since TSMC did not participate in Mcube's issuance of new shares in the third quarter of 2013, the Company's percentage of ownership in Mcube decreased to 18%. As a result, after reassessment, the Company did not exercise significant influence over Mcube and therefore, Mcube is no longer accounted for using the equity method. Further, such investment was reclassified to financial assets carried at cost. The Company also measured the fair value of retained interest in Mcube when the significant influence was lost, which has no difference with the carrying amount; accordingly, the Company did not recognize any gain or loss.

TSMC has no power to govern the financial and operating policies of Xintec starting June 2013 due to 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.

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.

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.

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

| | September 30, | December 31, | September 30, | January 1, |
|--|---------------------------|---------------------|--------------------------|---------------------|
| | 2013 | 2012 | 2012 | 2012 |
| Total assets | \$ 86,577,100 | \$ 76,889,298 | \$ 78,210,258 | \$ 79,721,042 |
| Total liabilities | (25,288,666) | (21,683,504) | (23,922,106) | (20,948,855) |
| Net assets | \$ 61,288,434 | \$ 55,205,794 | \$ 54,288,152 | \$ 58,772,187 |
| The Company's share of net assets of associates | \$ 22,459,686 | \$ 20,325,277 | \$ 20,993,580 | \$ 22,033,567 |
| | Three Months Ended | September 30 | Nine Months Ended | September 30 |
| | 2013 | 2012 | 2013 | 2012 |
| Net revenue | \$ 16,901,548 | \$ 14,721,518 | \$ 45,692,397 | \$ 41,525,415 |
| Net income | \$ 3,107,787 | \$ 1,230,675 | \$ 6,806,119 | \$ 1,170,094 |
| The Company's share of profits of associates | \$ 969,247 | \$ 558,002 | \$ 2,420,334 | \$ 852,523 |
| The Company's share of other comprehensive income (loss) of associates | \$ 1,108 | \$ 3,115 | \$ 28,292 | \$ (6,682) |

The market prices of the investments 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 | September 30, | December 31, | September 30, | January 1, |
|--------------------------|----------------------|---------------------|----------------------|-------------------|
| | 2013 | 2012 | 2012 | 2012 |
| VIS | \$ 20,323,030 | \$ 12,658,703 | \$ 11,370,845 | \$ 6,627,758 |
| Motech | \$ 4,435,225 | \$ 2,383,824 | \$ 2,703,125 | \$ 4,645,176 |
| GUC | \$ 4,066,513 | \$ 4,692,130 | \$ 5,439,136 | \$ 4,645,442 |

b. Investments in jointly controlled entities
Jointly controlled entities consisted of the following:

| Name of Jointly Controlled Entity | Principal Activities | Place of Incorporation and Operation | Carrying Amount | | | | % of Ownership and Voting Rights Held by the Company | | |
|---|---|--------------------------------------|--------------------|-------------------|--------------------|-----------------|--|-------------------|--------------------|
| | | | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 | September 30, 2013 | December 31, 2012 | September 30, 2012 |
| VisEra Holding Company (VisEra Holding) | Investing in companies involved in the design, manufacturing and other related businesses in the semiconductor industry | Cayman Islands | \$ 3,444,234 | \$ 3,035,641 | \$ 2,913,578 | \$ 2,853,364 | 49% | 49% | 49% |

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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|------------------------|--------------------|-------------------|--------------------|-----------------|
| Current assets | \$ 2,221,606 | \$ 1,887,122 | \$ 1,531,298 | \$ 1,616,916 |
| Noncurrent assets | \$ 1,641,911 | \$ 1,780,903 | \$ 1,975,543 | \$ 1,732,247 |
| Current liabilities | \$ 418,821 | \$ 631,803 | \$ 592,516 | \$ 495,066 |
| Noncurrent liabilities | \$ 462 | \$ 581 | \$ 747 | \$ 733 |

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---------------------------|---------------------------------|------------|--------------------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net revenue | \$ 482,576 | \$ 546,251 | \$ 1,463,662 | \$ 1,251,020 |
| Cost of revenue | \$ 311,902 | \$ 334,873 | \$ 905,720 | \$ 856,342 |
| Operating expenses | \$ 34,084 | \$ 30,024 | \$ 99,545 | \$ 90,615 |
| Non-operating income, net | \$ 31,673 | \$ 3,205 | \$ 39,287 | \$ 193,414 |
| Income tax expense | \$ 24,267 | \$ 30,375 | \$ 91,118 | \$ 11,739 |

| | | | | |
|---|------------|------------|-------------|------------|
| The Company's share of profits of joint venture | \$ 143,996 | \$ 154,184 | \$ 406,566 | \$ 485,738 |
| The Company's share of other comprehensive income (loss) of joint venture | \$ 36,839 | \$ 44,959 | \$ (47,216) | \$ 75,143 |

15. PROPERTY, PLANT AND EQUIPMENT

| | September 30, | December 31, | September 30, | January 1, |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2012 | 2012 |
| Land and land improvements | \$ 3,586,612 | \$ 1,159,755 | \$ 1,170,071 | \$ 1,185,573 |
| Buildings | 105,868,005 | 85,610,120 | 86,982,731 | 71,915,740 |
| Machinery and equipment | 427,938,323 | 404,382,298 | 418,513,468 | 294,814,381 |
| Office equipment | 7,689,194 | 6,907,376 | 6,558,696 | 5,148,538 |
| Assets under finance leases | 421,911 | 438,663 | 444,782 | 493,945 |
| Advance payments and construction in progress | 182,211,979 | 119,063,976 | 66,444,314 | 116,863,976 |
| | \$ 727,716,024 | \$ 617,562,188 | \$ 580,114,062 | \$ 490,422,153 |

Nine Months Ended September 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) | \$ 13,860 | \$ 3,980,955 |
| Buildings | 197,411,851 | 30,371,814 | | 3,797 | (986,205) | 586,240 | 227,387,497 |
| Machinery and equipment | 1,279,893,177 | 127,162,251 | (2,094,599) | | (5,630,854) | 1,628,558 | 1,400,958,533 |
| Office equipment | 20,067,943 | 3,006,548 | (506,366) | | (1,055,809) | 29,489 | 21,541,805 |
| Assets under finance leases | 766,732 | | | | | 24,593 | 791,325 |
| | 1,499,666,827 | \$ 163,752,613 | \$ (2,600,965) | \$ 3,797 | \$ (8,444,897) | \$ 2,282,740 | 1,654,660,115 |
| Accumulated depreciation and impairment | | | | | | | |
| Land improvements | 367,369 | \$ 20,332 | \$ | \$ | | \$ 6,642 | 394,343 |
| Buildings | 111,801,731 | 9,642,611 | | | (226,908) | 302,058 | 121,519,492 |
| Machinery and equipment | 875,510,879 | 101,931,987 | (2,024,038) | | (3,656,326) | 1,257,708 | 973,020,210 |
| Office equipment | 13,160,567 | 1,774,915 | (506,117) | | (599,483) | 22,729 | 13,852,611 |
| Assets under finance leases | 328,069 | 30,936 | | | | 10,409 | 369,414 |
| | 1,001,168,615 | \$ 113,400,781 | \$ (2,530,155) | \$ | \$ (4,482,717) | \$ 1,599,546 | 1,109,156,070 |
| Advance payments and construction in progress | 119,063,976 | \$ 64,777,969 | \$ | \$ | \$ (1,632,860) | \$ 2,894 | 182,211,979 |
| | \$ 617,562,188 | | | | | | \$ 727,716,024 |

Nine Months Ended September 30, 2012

| | Balance, Beginning of Period | Additions (Deductions) | Disposals | Impairment | Reclassification | Effect of Exchange Rate Changes | Balance, End of Period |
|-------------|---|-----------------------------------|------------------|-------------------|-------------------------|--|-----------------------------------|
| Cost | | | | | | | |
| | \$ 1,541,128 | \$ 18,500 | \$ | \$ | | \$ (25,431) | \$ 1,534,197 |

| | 2013 | December 31, 2012 | 2012 | 2012 |
|--|------------|----------------------|------------|------------|
| <u>Minimum lease payments</u> | | | | |
| Not later than 1 year | \$ 27,912 | \$ 27,042 | \$ 26,809 | \$ |
| Later than 1 year and not later than 5 years | 111,648 | 108,168 | 107,236 | 223,296 |
| Later than five years | 725,137 | 729,566 | 723,303 | 780,962 |
| | 864,697 | 864,776 | 857,348 | 1,004,258 |
| Less: Future finance expenses | 97,353 | 108,471 | 112,244 | 133,265 |
| Present value of minimum lease payments | \$ 767,344 | \$ 756,305 | \$ 745,104 | \$ 870,993 |

(Continued)

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|--|-----------------------|----------------------|-----------------------|--------------------|
| <u>Present value of minimum lease payments</u> | | | | |
| Not later than 1 year | \$ 27,231 | \$ 26,382 | \$ 26,156 | \$ |
| Later than 1 year and not later than 5 years | 102,443 | 100,821 | 98,397 | 213,411 |
| Later than five years | 637,670 | 629,102 | 620,551 | 657,582 |
| | \$ 767,344 | \$ 756,305 | \$ 745,104 | \$ 870,993 |
| Current portion | \$ 8,612 | \$ 8,190 | \$ 8,070 | \$ |
| Noncurrent portion | 758,732 | 748,115 | 737,034 | 870,993 |
| | \$ 767,344 | \$ 756,305 | \$ 745,104 | \$ 870,993 |

(Concluded)

There was no capitalization of interest for the nine months ended September 30, 2013. During the nine months ended September 30, 2012, the Company capitalized the borrowing costs directly attributable to the acquisition or construction of property, plant and equipment. For the three months and the nine months ended September 30, 2012, the amount of capitalized interest was nil and NT\$6,442 thousand, respectively, and the capitalized interest rate was 1.08%-1.20%.

16. INTANGIBLE ASSETS

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|----------------------------------|-----------------------|----------------------|-----------------------|--------------------|
| Goodwill | \$ 5,596,319 | \$ 5,523,707 | \$ 5,560,762 | \$ 5,693,999 |
| Technology license fees | 1,174,288 | 1,461,893 | 1,548,893 | 1,682,892 |
| Software and system design costs | 3,666,125 | 2,968,942 | 2,627,158 | 2,366,483 |
| Patent and others | 956,548 | 1,005,027 | 1,152,041 | 1,118,189 |
| | \$ 11,393,280 | \$ 10,959,569 | \$ 10,888,854 | \$ 10,861,563 |

| | Nine Months Ended September 30, 2013 | | | | | | |
|----------|--------------------------------------|-----------|-----------|------------------|--|---------------------------------------|---------------------------|
| | Balance, Beginning of Period | Additions | Disposals | Reclassification | Effect of Deconsolidation Subsidiary | Effect of Exchange Rate Changes | Balance, End of Period |
| Cost | | | | | | | |
| Goodwill | \$ 5,523,707 | \$ | \$ | \$ | \$ | \$ 72,612 | \$ 5,596,319 |
| | 4,590,548 | | (29,565) | (113,340) | (1,164) | | 4,446,479 |

| | | | | | | | | |
|----------------------------------|---------------|--------------|-------------|-------------|--------------|------------|---------------|--|
| Technology license fees | | | | | | | | |
| Software and system design costs | 15,095,421 | 1,809,264 | (17,486) | (110,746) | (25,335) | 3,498 | 16,754,616 | |
| Patent and others | 3,094,664 | 287,840 | (23,549) | 101,007 | (42,089) | 3,662 | 3,421,535 | |
| | 28,304,340 | \$ 2,097,104 | \$ (41,035) | \$ (39,304) | \$ (180,764) | \$ 78,608 | 30,218,949 | |
| Accumulated amortization | | | | | | | | |
| Technology license fees | 3,128,655 | \$ 211,287 | \$ | \$ | \$ (66,587) | \$ (1,164) | 3,272,191 | |
| Software and system design costs | 12,126,479 | 994,698 | (17,214) | (5,942) | (12,661) | 3,131 | 13,088,491 | |
| Patent and others | 2,089,637 | 423,497 | (23,549) | | (25,195) | 597 | 2,464,987 | |
| | 17,344,771 | \$ 1,629,482 | \$ (40,763) | \$ (5,942) | \$ (104,443) | \$ 2,564 | 18,825,669 | |
| | \$ 10,959,569 | | | | | | \$ 11,393,280 | |

| Nine Months Ended September 30, 2012 | | | | | | |
|--------------------------------------|---------------|--------------|--------------|------------------|---------------|---------------|
| | Balance, | | | | | Balance, |
| | Beginning of | | | | Effect of | End of |
| | Period | Additions | Disposals | Reclassification | Exchange Rate | Changes |
| | | | | | | End of |
| | | | | | | Period |
| Cost | | | | | | |
| Goodwill | \$ 5,693,999 | \$ | \$ | \$ | \$ (133,237) | \$ 5,560,762 |
| Technology license fees | 4,370,173 | 29,565 | | 191,580 | (527) | 4,590,791 |
| Software and system design costs | 13,438,579 | 1,162,867 | (48,201) | (91,904) | (5,114) | 14,456,227 |
| Patent and others | 2,670,031 | 422,527 | (91,844) | 93,990 | (4,641) | 3,090,063 |
| | 26,172,782 | \$ 1,614,959 | \$ (140,045) | \$ 193,666 | \$ (143,519) | 27,697,843 |
| Accumulated amortization | | | | | | |
| Technology license fees | 2,687,281 | \$ 354,029 | \$ | \$ | \$ 588 | 3,041,898 |
| Software and system design costs | 11,072,096 | 846,409 | (48,201) | (36,552) | (4,683) | 11,829,069 |
| Patent and others | 1,551,842 | 442,166 | (91,844) | 36,552 | (694) | 1,938,022 |
| | 15,311,219 | \$ 1,642,604 | \$ (140,045) | \$ | \$ (4,789) | 16,808,989 |
| | \$ 10,861,563 | | | | | \$ 10,888,854 |

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 nine months ended September 30, 2013 and 2012, the Company did not recognize any impairment loss on goodwill.

17. OTHER ASSETS

| | September 30, | December 31, | | September 30, | January 1, |
|----------------------|---------------|--------------|--------------|---------------|------------|
| | 2013 | 2012 | 2012 | 2012 | 2012 |
| Tax receivable | \$ 1,471,795 | \$ 1,565,104 | \$ 1,462,504 | \$ 708,891 | |
| Prepaid expenses | 1,258,358 | 1,080,236 | 1,042,826 | 1,436,416 | |
| Long-term receivable | 796,400 | 767,800 | 756,400 | 785,400 | |
| Others | 630,160 | 608,412 | 590,813 | 550,053 | |
| | \$ 4,156,713 | \$ 4,021,552 | \$ 3,852,543 | \$ 3,480,760 | |
| Current portion | \$ 2,740,765 | \$ 2,786,408 | \$ 2,639,414 | \$ 2,174,014 | |

| | | | | |
|--------------------|--------------|--------------|--------------|--------------|
| Noncurrent portion | 1,415,948 | 1,235,144 | 1,213,129 | 1,306,746 |
| | \$ 4,156,713 | \$ 4,021,552 | \$ 3,852,543 | \$ 3,480,760 |

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18. SHORT-TERM LOANS

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|------------------------------|------------------------|------------------------|------------------------|-------------------------|
| Unsecured loans | | | | |
| Amount | \$ 18,053,096 | \$ 34,714,929 | \$ 29,749,650 | \$ 25,926,528 |
| Original loan content | | | | |
| US\$ (in thousands) | \$ 610,500 | \$ 1,195,500 | \$ 1,015,000 | \$ 856,000 |
| Annual interest rate | 0.38%-0.40% | 0.39%-0.58% | 0.42%-0.65% | 0.45%-1.00% |
| Maturity date | Due in October 2013 | Due in January 2013 | Due in October 2012 | Due by February 2012 |

19. PROVISIONS

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|------------------------------|-----------------------|----------------------|-----------------------|--------------------|
| Sales returns and allowances | \$ 6,720,214 | \$ 6,038,003 | \$ 6,900,184 | \$ 5,068,263 |
| Warranties | 7,344 | 4,891 | 3,619 | 2,889 |
| | \$ 6,727,558 | \$ 6,042,894 | \$ 6,903,803 | \$ 5,071,152 |
| Current portion | \$ 6,720,214 | \$ 6,038,003 | \$ 6,900,184 | \$ 5,068,263 |
| Noncurrent portion | 7,344 | 4,891 | 3,619 | 2,889 |
| | \$ 6,727,558 | \$ 6,042,894 | \$ 6,903,803 | \$ 5,071,152 |

| | Sales Returns and Allowances | Warranties | Total |
|---|---------------------------------|------------|--------------|
| <u>Nine months ended September 30, 2013</u> | | | |
| Balance, beginning of period | \$ 6,038,003 | \$ 4,891 | \$ 6,042,894 |
| Provision | 3,798,683 | 3,687 | 3,802,370 |
| Payment | (3,086,482) | (1,361) | (3,087,843) |
| Effect of deconsolidation of subsidiary | (37,748) | | (37,748) |
| Effect of exchange rate changes | 7,758 | 127 | 7,885 |
| Balance, end of period | \$ 6,720,214 | \$ 7,344 | \$ 6,727,558 |
| <u>Nine months ended September 30, 2012</u> | | | |
| Balance, beginning of period | \$ 5,068,263 | \$ 2,889 | \$ 5,071,152 |
| Provision | 6,462,738 | 820 | 6,463,558 |
| Payment | (4,624,281) | | (4,624,281) |

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| | | | |
|---------------------------------|--------------|----------|--------------|
| Effect of exchange rate changes | (6,536) | (90) | (6,626) |
| Balance, end of period | \$ 6,900,184 | \$ 3,619 | \$ 6,903,803 |

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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|----------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| Domestic unsecured bonds | \$ 166,200,000 | \$ 80,000,000 | \$ 75,600,000 | \$ 22,500,000 |
| Overseas unsecured bonds | 44,356,500 | | | |
| | 210,556,500 | 80,000,000 | 75,600,000 | 22,500,000 |
| Less: Discounts on bonds payable | 140,066 | | | |
| Total | \$ 210,416,434 | \$ 80,000,000 | \$ 75,600,000 | \$ 22,500,000 |
| Current portion | \$ | \$ | \$ | \$ 4,500,000 |
| Noncurrent portion | 210,416,434 | 80,000,000 | 75,600,000 | 18,000,000 |
| | \$ 210,416,434 | \$ 80,000,000 | \$ 75,600,000 | \$ 22,500,000 |

The major terms of domestic unsecured bonds are as follows:

| Issuance | Tranche | Issuance Period | Total Amount | Coupon Rate | Repayment and Interest Payment |
|----------|---------|----------------------------------|--------------|-------------|---|
| 100-1 | A | September 2011 to September 2016 | \$10,500,000 | 1.40% | Bullet repayment; interest payable annually |
| | B | September 2011 to September 2018 | 7,500,000 | 1.63% | |
| 100-2 | A | January 2012 to January 2017 | 10,000,000 | 1.29% | |
| | B | January 2012 to January 2019 | 7,000,000 | 1.46% | |
| 101-1 | A | August 2012 to August 2017 | 9,900,000 | 1.28% | |
| | B | August 2012 to August 2019 | 9,000,000 | 1.40% | |
| 101-2 | A | | 12,700,000 | 1.28% | |

| | | | | |
|-------|---|--|------------|-------|
| | | September 2012 to September 2017 | | |
| | B | September 2012 to September 2019 | 9,000,000 | 1.39% |
| 101-3 | | October 2012 to October 2022 | 4,400,000 | 1.53% |
| 101-4 | A | January 2013 to January 2018 | 10,600,000 | 1.23% |
| | B | January 2013 to January 2020 | 10,000,000 | 1.35% |
| | C | January 2013 to January 2023 | 3,000,000 | 1.49% |

(Continued)

| Issuance | Tranche | Issuance Period | Total Amount | Coupon | Repayment and |
|----------|------------------------------|--|--------------|--------|--|
| | | | | Rate | Interest Payment |
| 102-1 | A | February 2013 to February 2018 | \$6,200,000 | 1.23% | Bullet repayment; interest payable annually |
| | B | February 2013 to February 2020 | 11,600,000 | 1.38% | |
| | C | February 2013 to February 2023 | 3,600,000 | 1.50% | |
| 102-2 | A | July 2013 to July 2020 | 10,200,000 | 1.50% | |
| | B | July 2013 to July 2023 | 3,500,000 | 1.70% | |
| 102-3 | A | August 2013 to August 2017 | 4,000,000 | 1.34% | |
| | B | August 2013 to August 2019 | 8,500,000 | 1.52% | |
| 102-4 | A | September 2013 to September 2016 | 1,500,000 | 1.35% | |
| | B | September 2013 to September 2017 | 1,500,000 | 1.45% | |
| | C | September 2013 to September 2017 March 2019 | 1,400,000 | 1.60% | Bullet repayment; interest payable annually (interest for the six months prior to maturity will accrue on the basis of actual days and be repayable at maturity) |
| | D | September 2013 to September 2021 | 2,600,000 | 1.85% | |
| E | September 2013 to March 2021 | 5,400,000 | 2.05% | | |
| | March 2023 | | | | |

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| | | | | | |
|-----------------------------|---|-------------------------------------|-----------|-------|--|
| | F | September 2013 to September 2023 | 2,600,000 | 2.10% | Bullet repayment; interest payable annually |
| Domestic 5 th | C | January 2002 to January 2012 | 4,500,000 | 3.00% | |

(Concluded)

The major terms of overseas unsecured bonds are as follows:

| | Total Amount | | Repayment and Interest |
|-----------------------------|---------------------|--------------------|---|
| Issuance Period | (US\$) | Coupon Rate | Payment |
| April 2013 to April 2016 | \$350,000 | 0.95% | Bullet repayment; interest payable semi-annually |
| April 2013 to April 2018 | 1,150,000 | 1.625% | |

21. LONG-TERM BANK LOANS

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|--|-----------------------|----------------------|-----------------------|--------------------|
| Bank loans for working capital: | | | | |
| Repayable from April 2016 in 16 quarterly installments, annual interest rate at 3.63% in 2013 | \$ 40,000 | \$ | \$ | \$ |
| Repayable in full in one lump sum payment in June 2016 but repaid earlier of NT\$100,000 thousand in September 2012, annual interest rate at 1.08%-1.21% in 2012 | | 550,000 | 550,000 | 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 rate at 1.16%-1.18% in 2012 | | 450,000 | 450,000 | 500,000 |
| Repayable from July 2012 in 16 quarterly installments, annual interest rate at 1.21%-1.24% in 2012 | | 262,500 | 281,250 | 300,000 |
| Repayable from September 2012 in 16 quarterly installments, annual interest rate at 1.21%-1.24% in 2012 | | 175,000 | 187,500 | 200,000 |
| Repayable from October 2013 in 16 quarterly installments, annual interest rate at 1.23%-1.24% in 2012 | | 50,000 | 50,000 | |
| | \$ 40,000 | \$ 1,487,500 | \$ 1,518,750 | \$ 1,650,000 |
| Current portion | \$ | \$ 128,125 | \$ 125,000 | \$ 62,500 |
| Noncurrent portion | 40,000 | 1,359,375 | 1,393,750 | 1,587,500 |
| | \$ 40,000 | \$ 1,487,500 | \$ 1,518,750 | \$ 1,650,000 |

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

22. OTHER LONG-TERM PAYABLES

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|---|-----------------------|----------------------|-----------------------|--------------------|
| Payables for software and system design costs | \$ 54,000 | \$ 113,000 | \$ 113,000 | \$ |
| Payables for acquisition of property, plant and equipment | | 825,447 | 818,361 | 3,399,855 |
| Payables for technology transfer | | 29,038 | 29,310 | |
| | \$ 54,000 | \$ 967,485 | \$ 960,671 | \$ 3,399,855 |
| Current portion (classified under accrued expenses and other current liabilities) | \$ 18,000 | \$ 913,485 | \$ 906,671 | \$ 3,399,855 |
| Noncurrent portion | 36,000 | 54,000 | 54,000 | |
| | \$ 54,000 | \$ 967,485 | \$ 960,671 | \$ 3,399,855 |

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. The property, plant and equipment have been in use by TSMC China since 2004. The aforementioned payables were totally paid in July 2013.

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 Technology, 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\$402,495 thousand and NT\$364,639 thousand in the consolidated statements of comprehensive income for the three months ended September 30, 2013 and 2012, respectively; and of NT\$1,190,732 thousand and NT\$1,031,294 thousand in the consolidated statements of comprehensive income for the nine months ended September 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\$60,702 thousand and NT\$56,697 thousand in the consolidated statements of comprehensive income for the three months ended September 30, 2013 and 2012, respectively; and of NT\$182,089 thousand and NT\$166,025 thousand in the consolidated statements of comprehensive income for the nine months ended September 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 of the defined benefit plans were as follows:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|-------------------------------------|--|-------------|---------------------------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Cost of revenue | \$ 39,638 | \$ 35,128 | \$ 117,894 | \$ 102,684 |
| Research and development expenses | 15,621 | 14,321 | 46,686 | 43,236 |
| General and administrative expenses | 4,349 | 6,179 | 14,164 | 16,760 |
| Marketing expenses | 1,094 | 1,069 | 3,345 | 3,345 |
| | \$ 60,702 | \$ 56,697 | \$ 182,089 | \$ 166,025 |

24. EQUITY

a. Capital stock

| | September 30, | December 31, | September 30, | January 1, |
|--------------------------------------|----------------------|---------------------|----------------------|-------------------|
| | 2013 | 2012 | 2012 | 2012 |
| Authorized shares (in thousand) | 28,050,000 | 28,050,000 | 28,050,000 | 28,050,000 |
| Authorized capital | \$ 280,500,000 | \$ 280,500,000 | \$ 280,500,000 | \$ 280,500,000 |
| Issued and paid shares (in thousand) | 25,928,391 | 25,924,435 | 25,922,047 | 25,916,222 |
| Issued capital | \$ 259,283,910 | \$ 259,244,357 | \$ 259,220,476 | \$ 259,162,226 |

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 September 30, 2013, 1,088,027 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,440,133 thousand shares (one ADS represents five common shares).

b. Capital surplus

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|---|-----------------------|----------------------|-----------------------|----------------------|
| Additional paid-in capital | \$ 24,009,220 | \$ 23,934,607 | \$ 23,892,456 | \$ 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 | 105,485 | 40,733 | 40,557 | |
| From share of changes in equities of associates and joint venture | 29,599 | 2,588 | | |
| Donations | 55 | 55 | 55 | 55 |
| | \$ 55,841,716 | \$ 55,675,340 | \$ 55,630,425 | \$ 55,471,662 |

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\$3,492,973 thousand and NT\$3,289,330 thousand for the three months ended September 30, 2013 and 2012, respectively; and NT\$9,637,364 thousand and NT\$8,333,282 thousand for the nine months ended September 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:

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

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.

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d. Others

Changes in others were as follows:

| | Nine Months Ended September 30, 2013 | | | |
|---|---|---|-------------------------------------|----------------|
| | Foreign Currency Translation Reserve | Unrealized Gain (Loss) from Available-for- sale Financial Assets | Cash Flow Hedges Reserve | Total |
| Balance, beginning of period | \$ (10,753,806) | \$ 7,973,321 | \$ | \$ (2,780,485) |
| Exchange differences arising on translation of foreign operations | 2,334,714 | | | 2,334,714 |
| Changes in fair value of available-for-sale financial assets | | 16,417,454 | | 16,417,454 |
| Cumulative gain/loss reclassified to profit or loss upon disposal of available-for-sale financial assets | | (1,229,330) | | (1,229,330) |
| Share of other comprehensive income of associates and joint venture | (20,214) | 380 | (67) | (19,901) |
| The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates | 776 | (44) | | 732 |
| Income tax effect | | 53,484 | | 53,484 |
| Balance, end of period | \$ (8,438,530) | \$ 23,215,265 | \$ (67) | \$ 14,776,668 |

| | Nine Months Ended September 30, 2012 | | | |
|--|---|---|-------------------------------------|----------------|
| | Foreign Currency Translation Reserve | Unrealized Gain (Loss) from Available-for- sale Financial Assets | Cash Flow Hedges Reserve | Total |
| Balance, beginning of period | \$ (6,433,364) | \$ (1,172,762) | \$ (93) | \$ (7,606,219) |
| Exchange differences arising on translation of foreign operations | (3,658,135) | | | (3,658,135) |
| Changes in fair value of hedging instruments for cash flow hedges | | | 28,191 | 28,191 |
| Changes in fair value of hedging instruments for cash flow hedges reclassified to profit or loss | | | 91 | 91 |
| Changes in fair value of available-for-sale financial assets | | (643,360) | | (643,360) |

(Continued)

| | Nine Months Ended September 30, 2012 | | | |
|--|---|---|-------------------------------------|----------------|
| | Foreign Currency Translation Reserve | Unrealized Gain (Loss) from Available-for- sale Financial Assets | Cash Flow Hedges Reserve | Total |
| Cumulative gain/loss reclassified to profit or loss upon impairment of available-for-sale financial assets | \$ | \$ 2,677,529 | \$ | \$ 2,677,529 |
| Cumulative gain/loss reclassified to profit or loss upon disposal of available-for-sale financial assets | | (316,932) | | (316,932) |
| Share of other comprehensive income of associates and joint venture | 39,259 | 29,202 | | 68,461 |
| Income tax effect | | (333,426) | | (333,426) |
| Balance, end of period | \$ (10,052,240) | \$ 240,251 | \$ 28,189 | \$ (9,783,800) |

(Concluded)

The exchange differences arising on 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 hedging instruments. 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

| | Nine Months Ended September 30 | |
|---|---------------------------------------|--------------|
| | 2013 | 2012 |
| Balance, beginning of period | \$ 2,543,226 | \$ 2,436,649 |
| Share of noncontrolling interests | | |
| Net loss | (104,746) | (109,760) |
| Exchange differences arising on translation of foreign operations | 721 | 30,535 |
| Changes in fair value of available-for-sale financial assets | 2,741 | (2,300) |

| | | |
|--|----------|---------|
| Cumulative gain/loss reclassified to profit or loss upon disposal of available-for-sale financial assets | (10,111) | (4,648) |
|--|----------|---------|

(Continued)

| | Nine Months Ended September 30 | |
|---|---------------------------------------|---------------------|
| | 2013 | 2012 |
| Changes in fair value of hedging instruments for cash flow hedges | \$ | \$ 3 |
| Changes in fair value of hedging instruments for cash flow hedges reclassified to profit or loss | | 136 |
| Stock option compensation cost of subsidiary | 5,312 | 3,372 |
| Share of other comprehensive income of associates and joint venture | 244 | |
| The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates | 1 | |
| Adjustments arising from changes in percentage of ownership in subsidiaries | (64,752) | (37,956) |
| Increase in noncontrolling interests | 198,279 | 273,920 |
| Effect of deconsolidation of subsidiary | (2,273,153) | |
| Balance, end of period | \$ 297,762 | \$ 2,589,951 |

(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 September 30, 2013.

Information about TSMC's outstanding options for the nine months ended September 30, 2013 and 2012 was as follows:

| | Number of Options (In Thousands) | Weighted- average Exercise Price (NT\$) |
|--|--|--|
| <u>Nine months ended September 30, 2013</u> | | |
| Balance, beginning of period | 5,945 | \$ 34.6 |
| Options exercised | (3,956) | 28.9 |
| Balance, end of period | 1,989 | 45.9 |
| <u>Nine months ended September 30, 2012</u> | | |
| Balance, beginning of period | 14,293 | \$ 31.4 |
| Options exercised | (5,825) | 30.3 |
| Options canceled | (135) | 34.6 |
| Balance, end of period | 8,333 | 32.6 |

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:

| September 30, 2013 | | December 31, 2012 | |
|--------------------------------------|---|--------------------------------------|---|
| Range of Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (Years) | Range of Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (Years) |
| \$38.0-\$50.1 | 1.3 | \$ 20.2-\$28.3 | 0.4 |
| | | \$ 38.0-\$50.1 | 2.0 |
| September 30, 2012 | | January 1, 2012 | |
| Range of Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (Years) | Range of Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (Years) |
| \$20.2-\$28.3 | 0.6 | \$ 20.9-\$29.3 | 1.2 |
| \$38.0-\$50.1 | 2.2 | \$ 38.0-\$50.1 | 2.9 |

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

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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 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:

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

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:

| | 2013 Stock Option Plan | 2012 Stock Option Plan |
|--|-----------------------------------|-----------------------------------|
| <u>Valuation assumptions:</u> | | |
| 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 options 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 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.

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

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

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 options 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:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|------------------------------------|--|----------------|---|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net revenue from the sale of goods | \$ 162,446,219 | \$ 141,375,451 | \$ 450,836,794 | \$ 374,943,954 |
| Net revenue from royalties | 130,815 | 123,802 | 381,556 | 356,461 |
| | \$ 162,577,034 | \$ 141,499,253 | \$ 451,218,350 | \$ 375,300,415 |

27. OTHER OPERATING INCOME AND EXPENSES, NET

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|----------|-----------------------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Income (expenses) of rental assets | | | | |
| Rental income | \$ 3,508 | \$ | \$ 10,763 | \$ 503 |
| Depreciation of rental assets | (6,222) | (1,434) | (18,899) | (5,223) |
| | (2,714) | (1,434) | (8,136) | (4,720) |
| Gain (loss) on disposal of property, plant and equipment and intangible assets, net | (9,811) | 4,389 | 19,554 | 263 |
| Impairment loss on property, plant and equipment | | | | (422,323) |
| Income from receipt of equity securities in settlement of trade receivables | | 244 | 9,590 | 886 |
| | \$ (12,525) | \$ 3,199 | \$ 21,008 | \$ (425,894) |

28. OTHER INCOME

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|-------------------------------------|------------------------------------|------------|-----------------------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Interest income | | | | |
| Bank deposits | \$ 424,053 | \$ 319,380 | \$ 1,257,553 | \$ 1,187,270 |
| Available-for-sale financial assets | 1,339 | 1,532 | 4,339 | 4,518 |
| Held-to-maturity financial assets | 4,135 | 32,220 | 20,328 | 103,076 |
| | 429,527 | 353,132 | 1,282,220 | 1,294,864 |
| Dividend income | 3,868 | | 506,560 | 69,945 |
| | \$ 433,395 | \$ 353,132 | \$ 1,788,780 | \$ 1,364,809 |

29. FINANCE COSTS

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|------------------|------------------------------------|------------|-----------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Interest expense | | | | |
| Corporate bonds | \$ 699,980 | \$ 211,432 | \$ 1,734,861 | \$ 477,966 |
| Bank loans | 26,668 | 46,892 | 98,788 | 160,565 |
| Finance leases | 4,940 | 4,831 | 14,637 | 16,026 |
| Others | 738 | 7,177 | 13,378 | 37,076 |

| | | | | |
|---|------------|------------|--------------|------------|
| | 732,326 | 270,332 | 1,861,664 | 691,633 |
| Loss reclassified to profit or loss arising from effective portion for cash flow hedges | | 47 | | 227 |
| Capitalized interest | | | | (6,442) |
| | \$ 732,326 | \$ 270,379 | \$ 1,861,664 | \$ 685,418 |

30. OTHER GAINS AND LOSSES

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|--|-------------|---|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Gain (loss) on disposal of financial assets, net | | | | |
| Available-for-sale financial assets | \$ 248,729 | \$ 89,958 | \$ 1,239,442 | \$ 321,580 |
| Financial assets carried at cost | 27,626 | (6,629) | 32,199 | 127,480 |
| Gain on deconsolidation of subsidiary | | | 293,578 | |
| Settlement income | | | 451,050 | 448,275 |
| Other gains | 94,444 | 88,360 | 281,054 | 410,589 |
| Net gain on financial instruments at FVTPL | | | | |
| Held for trading | 484,154 | 233,579 | 333,860 | 43,842 |
| Impairment loss of financial assets | | | | |
| Available-for-sale financial assets | | | | (2,677,529) |
| Financial assets carried at cost | (1,495,454) | (160) | (1,541,170) | (71,087) |
| Fair value hedges | | | | |
| Loss from hedging instruments | (4,381,780) | | (6,319,146) | |
| Gain arising from changes in fair value of available-for-sale financial assets in hedge effective portion | 4,331,786 | | 5,989,610 | |
| Other losses | (77,039) | (78,499) | (208,297) | (223,980) |
| | \$ (767,534) | \$ 326,609 | \$ 552,180 | \$ (1,620,830) |

31. INCOME TAX

- a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|--|--------------|---|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| Current income tax expense (benefit) | | | | |
| Current tax expense recognized for the current period | \$ 5,909,113 | \$ 4,085,587 | \$ 16,927,948 | \$ 10,516,159 |
| Income tax adjustments on prior years | 23,357 | 3,224 | (1,020,806) | 51,273 |
| Other income tax adjustments | (7,121) | 7,047 | (19,405) | 45,331 |
| | 5,925,349 | 4,095,858 | 15,887,737 | 10,612,763 |

(Continued)

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|--------------|-----------------------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| Deferred income tax expense (benefit) | | | | |
| Effect of tax rate changes | \$ | \$ (543,611) | \$ | \$ (543,611) |
| The origination and reversal of temporary differences | 137,229 | 86,690 | 1,178,359 | (636,702) |
| Income tax credits and loss carryforward | 1,352,554 | 701,110 | 4,895,057 | 1,355,030 |
| Effect of deconsolidation of subsidiary | | | (78,474) | |
| | 1,489,783 | 244,189 | 5,994,942 | 174,717 |
| Income tax expense recognized in profit or loss | \$ 7,415,132 | \$ 4,340,047 | \$ 21,882,679 | \$ 10,787,480 |

(Concluded)

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

| | Nine Months Ended September 30 | |
|---|-----------------------------------|----------------|
| | 2013 | 2012 |
| Income before tax | \$ 165,114,477 | \$ 135,392,326 |
| Income tax expense at the statutory rate | \$ 29,072,500 | \$ 25,313,164 |
| Tax effect of adjusting items: | | |
| Nondeductible expenses in determining taxable income | (1,330,430) | (2,051,178) |
| Tax-exempt income | (7,725,255) | (8,575,286) |
| Additional income tax on unappropriated earnings | 7,659,010 | 4,193,497 |
| Effect of tax rate changes on deferred income tax | | (543,611) |
| The origination and reversal of temporary differences | 1,178,359 | (636,702) |
| Remeasurement of investment tax credits | (5,814,829) | (5,134,721) |
| Remeasurement of loss carryforward | (37,991) | (1,874,287) |
| Effect of deconsolidation of subsidiary | (78,474) | |
| Current income tax expense | 22,922,890 | 10,690,876 |
| Income tax adjustments on prior years | (1,020,806) | 51,273 |
| Other income tax adjustments | (19,405) | 45,331 |
| Income tax expense recognized in profit or loss | \$ 21,882,679 | \$ 10,787,480 |

b. Income tax expense recognized in other comprehensive income

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|--|-------------|---|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Deferred income tax expense (benefit) | | | | |
| Related to unrealized gain/loss on available-for-sale financial assets | \$ (10,274) | \$ 24,497 | \$ (53,484) | \$ 333,426 |

c. Integrated income tax information

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | January 1, 2012 |
|---------------------------|-------------------------------|------------------------------|-------------------------------|----------------------------|
| Balance of the Imputation | | | | |
| Credit Account TSMC | \$ 15,242,724 | \$ 8,130,060 | \$ 8,136,884 | \$ 4,003,228 |

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2012 and 2011 were 7.75% and 6.69%, respectively. Under the Rule No.10204562810 issued by the Ministry of Finance, when calculating the creditable ratio in the year of first-time adoption of Taiwan-IFRSs, companies should include the net increase/decrease to retained earnings from the effect of transition to Taiwan-IFRSs in the accumulated unappropriated earnings.

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|-------------|--|-------------|---|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Basic EPS | \$ 2.00 | \$ 1.90 | \$ 5.53 | \$ 4.81 |
| Diluted EPS | \$ 2.00 | \$ 1.90 | \$ 5.53 | \$ 4.81 |

EPS is computed as follows:

| | Amounts (Numerator) | Number of Shares (Denominator) (In Thousands) | EPS (NT\$) |
|--|--------------------------------|--|-----------------------|
| <u>Three months ended September 30, 2013</u> | | | |
| Basic EPS | | | |
| Net income available to common shareholders of the parent | \$ 51,951,943 | 25,928,322 | \$ 2.00 |
| Effect of dilutive potential common shares | | 1,162 | |
| Diluted EPS | | | |
| Net income available to common shareholders of the parent (including effect of dilutive potential common shares) | \$ 51,951,943 | 25,929,484 | \$ 2.00 |
| <u>Three months ended September 30, 2012</u> | | | |
| Basic EPS | | | |
| Net income available to common shareholders of the parent | \$ 49,379,633 | 25,921,333 | \$ 1.90 |
| Effect of dilutive potential common shares | | 5,724 | |
| Diluted EPS | | | |
| Net income available to common shareholders of the parent (including effect of dilutive potential common shares) | \$ 49,379,633 | 25,927,057 | \$ 1.90 |
| <u>Nine months ended September 30, 2013</u> | | | |
| Basic EPS | | | |
| Net income available to common shareholders of the parent | \$ 143,336,544 | 25,927,532 | \$ 5.53 |
| Effect of dilutive potential common shares | | 1,968 | |
| Diluted EPS | | | |
| | \$ 143,336,544 | 25,929,500 | \$ 5.53 |

Net income available to common shareholders of the parent (including effect of dilutive potential common shares)

Nine months ended September 30, 2012

Basic EPS

| | | | |
|---|----------------|------------|---------|
| Net income available to common shareholders of the parent | \$ 124,714,606 | 25,919,899 | \$ 4.81 |
|---|----------------|------------|---------|

| | | | |
|--|--|-------|--|
| Effect of dilutive potential common shares | | 7,139 | |
|--|--|-------|--|

Diluted EPS

| | | | |
|--|----------------|------------|---------|
| Net income available to common shareholders of the parent (including effect of dilutive potential common shares) | \$ 124,714,606 | 25,927,038 | \$ 4.81 |
|--|----------------|------------|---------|

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:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|---------------|-----------------------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| a. Depreciation of property, plant and equipment | | | | |
| Recognized in cost of revenue | \$ 36,483,642 | \$ 31,394,353 | \$ 103,953,761 | \$ 85,505,984 |
| Recognized in operating expenses | 3,391,676 | 2,728,548 | 9,428,121 | 7,990,480 |
| Recognized in other operating income and expenses | 6,222 | 1,434 | 18,899 | 5,223 |
| | \$ 39,881,540 | \$ 34,124,335 | \$ 113,400,781 | \$ 93,501,687 |
| b. Amortization of intangible assets | | | | |
| Recognized in cost of revenue | \$ 292,879 | \$ 345,860 | \$ 869,541 | \$ 1,026,093 |
| Recognized in operating expenses | 265,013 | 207,858 | 759,941 | 616,511 |
| | \$ 557,892 | \$ 553,718 | \$ 1,629,482 | \$ 1,642,604 |
| c. Research and development costs expensed as incurred | | | | |
| | \$ 13,357,075 | \$ 10,656,855 | \$ 35,949,931 | \$ 29,883,097 |
| d. Employee benefits expenses | | | | |
| Post-employment benefits (Note 23) | | | | |
| Defined contribution plans | \$ 402,495 | \$ 364,639 | \$ 1,190,732 | \$ 1,031,294 |
| Defined benefit plans | 60,702 | 56,697 | 182,089 | 166,025 |
| | 463,197 | 421,336 | 1,372,821 | 1,197,319 |
| Share-based payments | | | | |
| Equity-settled share-based payments | | 2,975 | 5,312 | 3,372 |
| Other employee benefits | 17,480,981 | 16,447,437 | 49,775,647 | 44,400,299 |
| | \$ 17,944,178 | \$ 16,871,748 | \$ 51,153,780 | \$ 45,600,990 |

Employee benefits expense summarized
by function

| | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|
| Recognized in cost of revenue | \$ 10,676,625 | \$ 9,790,370 | \$ 30,602,553 | \$ 26,289,869 |
| Recognized in operating expenses | 7,267,553 | 7,081,378 | 20,551,227 | 19,311,121 |
| | \$ 17,944,178 | \$ 16,871,748 | \$ 51,153,780 | \$ 45,600,990 |

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34. DECONSOLIDATION OF SUBSIDIARY

Starting June 2013, the Company has no power to govern the financial and operating policies of Xintec due to 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 connection with the deconsolidation of Xintec.

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

| | June 30, |
|----------------------------------|---------------------|
| | 2013 |
| Current assets | |
| Cash and cash equivalents | \$ 979,910 |
| Accounts receivable | 564,364 |
| Inventories | 213,133 |
| Others | 110,766 |
| 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 | (27,472) |
| Net assets deconsolidated | \$ 3,796,423 |

c. Gain on deconsolidation of subsidiary

| | Six Months |
|--|-----------------------|
| | Ended June 30, |
| | 2013 |
| Fair value of interest retained | \$ 1,816,848 |
| Less: Carrying amount of interest retained | |
| Net assets deconsolidated | 3,796,423 |
| Noncontrolling interests | (2,273,153) |

1,523,270

Gain on deconsolidation of subsidiary \$ 293,578

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

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d. Net cash outflow arising from deconsolidation of the subsidiary

| | Six Months Ended June 30, |
|---|--------------------------------------|
| | 2013 |
| The balance of cash and cash equivalents deconsolidated | \$ 979,910 |

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

| | September 30, | December 31, | September 30, | January 1, |
|---|----------------------|---------------------|----------------------|-------------------|
| | 2013 | 2012 | 2012 | 2012 |
| Financial assets | | | | |
| FVTPL | | | | |
| Held for trading derivatives | \$ 188,970 | \$ 39,554 | \$ 58,690 | \$ 15,360 |
| Derivative instruments in designated hedge accounting relationships | | | 28,189 | |
| Available-for-sale financial assets (Note) | 63,941,783 | 44,766,957 | 6,048,981 | 7,623,775 |
| Held-to-maturity financial assets | 700,285 | 5,056,973 | 7,556,046 | 9,068,847 |
| Loans and receivables | | | | |
| Cash and cash equivalents | 216,603,697 | 143,410,588 | 138,738,113 | 143,472,277 |
| Notes and accounts receivables (including related parties) | 79,671,869 | 58,131,397 | 65,312,182 | 46,016,052 |
| Other receivables | 1,393,288 | 1,307,473 | 1,262,762 | 1,403,694 |
| Refundable deposits | 2,464,658 | 2,426,712 | 2,331,966 | 4,518,863 |
| | \$ 364,964,550 | \$ 255,139,654 | \$ 221,336,929 | \$ 212,118,868 |
| Financial liabilities | | | | |
| FVTPL | | | | |
| Held for trading derivatives | \$ 18,876 | \$ 15,625 | \$ 20,013 | \$ 13,742 |

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| | | | | |
|---|----------------|----------------|----------------|----------------|
| Derivative instruments in designated hedge accounting relationships | 6,144,025 | | | 232 |
| Amortized cost | | | | |
| Short-term loans | 18,053,096 | 34,714,929 | 29,749,650 | 25,926,528 |
| Accounts payable (including related parties) | 15,072,702 | 15,239,042 | 14,556,361 | 11,859,008 |
| Payables to contactors and equipment suppliers | 58,381,100 | 44,831,798 | 32,785,881 | 35,540,526 |
| Accrued expenses and other current liabilities | 13,380,307 | 9,316,232 | 11,194,461 | 7,796,538 |
| Bonds payable | 210,416,434 | 80,000,000 | 75,600,000 | 22,500,000 |
| Long-term bank loans | 40,000 | 1,487,500 | 1,518,750 | 1,650,000 |
| Other long-term payables | 54,000 | 967,485 | 960,671 | 3,399,855 |
| Guarantee deposits | 149,622 | 203,890 | 229,212 | 443,983 |
| | \$ 321,710,162 | \$ 186,776,501 | \$ 166,614,999 | \$ 109,130,412 |

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 and forward contracts designated as hedging instruments in cash flow hedge 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 nine months ended September 30, 2013 and 2012 would have decreased by NT\$390,328 thousand and NT\$464,243 thousand, respectively, and the equity as of September 30, 2013 and 2012 would have decreased by nil and NT\$755,493 thousand, respectively, after taking into consideration of the hedging 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 of 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.

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\$83 thousand and NT\$9,664 thousand for the nine months ended September 30, 2013 and 2012, respectively.

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 nine months ended September 30, 2013 and 2012 would have been unaffected as they were classified as available-for-sale; however, the other comprehensive income for the nine months ended September 30, 2013 and 2012 would have decreased by NT\$1,982,639 thousand and NT\$283,693 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 September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the Company's ten largest customers accounted for 68%, 68%, 65% 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 September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the unused of financing facilities of the Company amounted to NT\$74,576,628 thousand, NT\$53,422,331 thousand, NT\$56,735,075 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.

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| | Less Than 1 Year | 2-3 Years | 4-5 Years | 5+ Years | Total |
|--|-----------------------------|------------------|------------------|-----------------|----------------|
| September 30, 2013 | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| Short-term loans | \$ 18,054,545 | \$ | \$ | \$ | \$ 18,054,545 |
| Accounts payable (including related parties) | 15,072,702 | | | | 15,072,702 |
| Payables to contractors and equipment suppliers | 58,381,100 | | | | 58,381,100 |
| Accrued expenses and other current liabilities | 13,380,307 | | | | 13,380,307 |
| Bonds payable | 3,031,089 | 28,365,613 | 100,905,347 | 94,765,194 | 227,067,243 |
| Long-term bank loans | 1,450 | 7,840 | 21,752 | 15,362 | 46,404 |
| Other long-term payables | 18,000 | 36,000 | | | 54,000 |
| Obligations under finance leases | 27,912 | 55,824 | 55,824 | 725,137 | 864,697 |
| Guarantee deposits | | 149,622 | | | 149,622 |
| | 107,967,105 | 28,614,899 | 100,982,923 | 95,505,693 | 333,070,620 |
| <u>Derivative financial instruments</u> | | | | | |
| Forward exchange contracts | | | | | |
| Outflows | 18,685,458 | | | | 18,685,458 |
| Inflows | (18,648,781) | | | | (18,648,781) |
| | 36,677 | | | | 36,677 |
| Cross currency swap contracts | | | | | |
| Outflows | 36,821,779 | | | | 36,821,779 |
| Inflows | (37,054,637) | | | | (37,054,637) |
| | (232,858) | | | | (232,858) |
| Stock forward contracts | | | | | |
| Outflows | | 18,012,420 | | | 18,012,420 |
| Inflows | | (18,012,420) | | | (18,012,420) |
| | | | | | |
| | \$ 107,770,924 | \$ 28,614,899 | \$ 100,982,923 | \$ 95,505,693 | \$ 332,874,439 |
| December 31, 2012 | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| Short-term loans | \$ 34,721,003 | \$ | \$ | \$ | \$ 34,721,003 |
| Accounts payable (including related parties) | 15,239,042 | | | | 15,239,042 |
| Payables to contractors and equipment suppliers | 44,831,798 | | | | 44,831,798 |
| | 9,316,232 | | | | 9,316,232 |

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Accrued expenses and other
current liabilities

| | | | | | |
|----------------------------------|-------------|-----------|------------|------------|-------------|
| 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 |
| | 106,303,323 | 3,255,448 | 45,620,855 | 38,564,040 | 193,743,666 |

Derivative financial instruments

Forward exchange contracts

| | | | | | |
|----------|--------------|--|--|--|--------------|
| Outflows | 11,030,154 | | | | 11,030,154 |
| Inflows | (11,059,396) | | | | (11,059,396) |
| | (29,242) | | | | (29,242) |

Cross currency swap contracts

| | | | | | |
|----------|-------------|--|--|--|-------------|
| Outflows | 9,068,589 | | | | 9,068,589 |
| Inflows | (9,068,727) | | | | (9,068,727) |
| | (138) | | | | (138) |

\$ 106,273,943 \$ 3,255,448 \$ 45,620,855 \$ 38,564,040 \$ 193,714,286

(Continued)

| | Less Than | | | | |
|--|------------------|------------------|------------------|-----------------|----------------|
| | 1 Year | 2-3 Years | 4-5 Years | 5+ Years | Total |
| September 30, 2012 | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| Short-term loans | \$ 29,755,776 | \$ | \$ | \$ | \$ 29,755,776 |
| Accounts payable (including related parties) | 14,556,361 | | | | 14,556,361 |
| Payables to contractors and equipment suppliers | 32,785,881 | | | | 32,785,881 |
| Accrued expenses and other current liabilities | 11,194,461 | | | | 11,194,461 |
| Bonds payable | 1,040,830 | 2,081,660 | 44,917,871 | 33,232,144 | 81,272,505 |
| Long-term bank loans | 142,415 | 746,515 | 673,790 | | 1,562,720 |
| Other long-term payables | 906,671 | 36,000 | 18,000 | | 960,671 |
| Obligations under finance leases | 26,809 | 53,618 | 53,618 | 723,303 | 857,348 |
| Guarantee deposits | | 229,212 | | | 229,212 |
| | 90,409,204 | 3,147,005 | 45,663,279 | 33,955,447 | 173,174,935 |
| <u>Derivative financial instruments</u> | | | | | |
| Forward exchange contracts | | | | | |
| Outflows | 25,207,529 | | | | 25,207,529 |
| Inflows | (25,249,296) | | | | (25,249,296) |
| | (41,767) | | | | (41,767) |
| Cross currency swap contracts | | | | | |
| Outflows | 5,815,713 | | | | 5,815,713 |
| Inflows | (5,819,917) | | | | (5,819,917) |
| | (4,204) | | | | (4,204) |
| | \$ 90,363,233 | \$ 3,147,005 | \$ 45,663,279 | \$ 33,955,447 | \$ 173,128,964 |
| January 1, 2012 | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| Short-term loans | \$ 25,933,177 | \$ | \$ | \$ | \$ 25,933,177 |
| Accounts payable (including related parties) | 11,859,008 | | | | 11,859,008 |
| Payables to contractors 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 |
| | 89,383,743 | 1,928,145 | 11,905,778 | 8,494,220 | 111,711,886 |

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

(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.

| | September 30, 2013 | | December 31, 2012 | | September 30, 2012 | | January 1, 2012 | |
|-----------------------------------|--------------------|-------------|-------------------|--------------|--------------------|--------------|-----------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets | | | | | | | | |
| Held-to-maturity financial assets | | | | | | | | |
| Corporate bonds | \$ 700,285 | \$ 701,689 | \$ 5,056,973 | \$ 5,066,363 | \$ 7,556,046 | \$ 7,572,791 | \$ 8,614,527 | \$ 8,674,011 |
| Government bonds | | | | | | | 454,320 | 454,040 |
| Financial liabilities | | | | | | | | |
| Measured at amortized cost | | | | | | | | |
| Accounts payable | 210,416,434 | 208,999,161 | 80,000,000 | 80,343,413 | 75,600,000 | 75,940,020 | 22,500,000 | 22,597,111 |

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).

| | September 30, 2013 | | | Total |
|----------------------------------|--------------------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | |
| Financial assets at FVTPL | | | | |
| Derivative financial instruments | \$ | \$ 188,970 | \$ | \$ 188,970 |

| | | | | |
|---|---------------|--------------|----|---------------|
| <u>Available-for-sale financial assets</u> | | | | |
| Publicly traded stocks | \$ 61,802,636 | \$ | \$ | \$ 61,802,636 |
| Money market funds | 14,640 | | | 14,640 |
| | \$ 61,817,276 | \$ | \$ | \$ 61,817,276 |
| <u>Financial liabilities at FVTPL</u> | | | | |
| Derivative financial instruments | \$ | \$ 18,876 | \$ | \$ 18,876 |
| <u>Hedging derivative financial liabilities</u> | | | | |
| Stock forward contract | \$ | \$ 6,144,025 | \$ | \$ 6,144,025 |

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| | December 31, 2012 | | | |
|--|--------------------------|----------------|----------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| <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 |
| | \$ 41,161,880 | \$ | \$ | \$ 41,161,880 |
| <u>Financial liabilities at FVTPL</u> | | | | |
| Derivative financial instruments | \$ | \$ 15,625 | \$ | \$ 15,625 |
| <u>September 30, 2012</u> | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial assets at FVTPL</u> | | | | |
| Derivative financial instruments | \$ | \$ 58,690 | \$ | \$ 58,690 |
| <u>Hedging derivative financial assets</u> | | | | |
| Forward exchange contract | \$ | \$ 28,189 | \$ | \$ 28,189 |
| <u>Available-for-sale financial assets</u> | | | | |
| Publicly traded stocks | \$ 2,067,730 | \$ | \$ | \$ 2,067,730 |
| <u>Financial liabilities at FVTPL</u> | | | | |
| Derivative financial instruments | \$ | \$ 20,013 | \$ | \$ 20,013 |
| <u>January 1, 2012</u> | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial assets at FVTPL</u> | | | | |
| Derivative financial instruments | \$ | \$ 15,360 | \$ | \$ 15,360 |
| <u>Available-for-sale financial assets</u> | | | | |
| Publicly traded stocks | \$ 3,306,248 | \$ | \$ | \$ 3,306,248 |
| Money market funds | 2,522 | | | 2,522 |
| | \$ 3,308,770 | \$ | \$ | \$ 3,308,770 |
| <u>Financial liabilities at FVTPL</u> | | | | |
| Derivative financial instruments | \$ | \$ 13,742 | \$ | \$ 13,742 |
| <u>Hedging derivative financial liabilities</u> | | | | |
| Interest rate swap contract | \$ | \$ 232 | \$ | \$ 232 |

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

There were no purchases and disposals for assets on Level 3 for the nine months ended September 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

| | Net Revenue from Sale of Goods | | | |
|---------------|--------------------------------|--------------|-------------------|--------------|
| | Three Months Ended | | Nine Months Ended | |
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Associates | \$ 1,550,041 | \$ 1,696,563 | \$ 3,167,527 | \$ 4,332,593 |
| Joint venture | 248 | 642 | 1,087 | 2,947 |
| | \$ 1,550,289 | \$ 1,697,205 | \$ 3,168,614 | \$ 4,335,540 |

Net Revenue from Royalties

| | Three Months Ended | | Nine Months Ended | |
|------------|---------------------------|-------------|--------------------------|-------------|
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Associates | \$ 130,815 | \$ 123,444 | \$ 379,060 | \$ 350,695 |

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Purchases

| | Three Months Ended | | Nine Months Ended | |
|------------|---------------------------|--------------|--------------------------|--------------|
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Associates | \$ 2,712,305 | \$ 2,290,626 | \$ 6,982,310 | \$ 6,055,155 |

Manufacturing Expenses

| | Three Months Ended | | Nine Months Ended | |
|---------------|---------------------------|-------------|--------------------------|-------------|
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Associates | \$ 392,111 | \$ 3,566 | \$ 404,863 | \$ 4,861 |
| Joint venture | 1,283 | 3,787 | 4,785 | 13,391 |
| | \$ 393,394 | \$ 7,353 | \$ 409,648 | \$ 18,252 |

Research and Development Expenses

| | Three Months Ended | | Nine Months Ended | |
|---------------|---------------------------|-------------|--------------------------|-------------|
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Associates | \$ 312 | \$ 4,656 | \$ 312 | \$ 4,656 |
| Joint venture | 852 | 2,208 | 4,310 | 6,669 |
| | \$ 1,164 | \$ 6,864 | \$ 4,622 | \$ 11,325 |

Sales of Property, Plant and Equipment

| | Three Months Ended | | Nine Months Ended | |
|---------------|---------------------------|-------------|--------------------------|-------------|
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Associates | \$ 3,548 | \$ | \$ 14,966 | \$ |
| Joint venture | | | | 9,000 |
| | \$ 3,548 | \$ | \$ 14,966 | \$ 9,000 |

Gains (Losses) from Sales of Property, Plant and Equipment, Net

| | Three Months Ended | | Nine Months Ended | |
|---------------|---------------------------|-------------|--------------------------|-------------|
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Associates | \$ (6,772) | \$ | \$ (4,207) | \$ |
| Joint venture | 832 | 58 | 948 | 155 |
| | \$ (5,940) | \$ 58 | \$ (3,259) | \$ 155 |

Purchase of Property, Plant and Equipment and Intangible Assets

| | Three Months Ended | | Nine Months Ended | |
|---------------|--------------------|-----------|-------------------|-----------|
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Associates | \$ 9,300 | \$ 17,631 | \$ 21,135 | \$ 21,768 |
| Joint venture | | | | 1,224 |
| | \$ 9,300 | \$ 17,631 | \$ 21,135 | \$ 22,992 |

Non-operating Income

| | Three Months Ended | | Nine Months Ended | |
|------------|--------------------|-------|-------------------|----------|
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Associates | \$ | \$ 20 | \$ | \$ 5,136 |

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

Receivables from Related Parties

| | September 30, | | September 30, | January 1, |
|---------------|---------------|------------|---------------|------------|
| | December 31, | | 2012 | 2012 |
| | 2013 | 2012 | | |
| Associates | \$ 827,323 | \$ 353,652 | \$ 924,935 | \$ 185,552 |
| Joint venture | 157 | 159 | 310 | 212 |
| | \$ 827,480 | \$ 353,811 | \$ 925,245 | \$ 185,764 |

Other Receivables from Related Parties

| | September 30, | | September 30, | January 1, |
|---------------|---------------|------------|---------------|------------|
| | December 31, | | 2012 | 2012 |
| | 2013 | 2012 | | |
| Associates | \$ 194,408 | \$ 185,550 | \$ 157,144 | \$ 121,767 |
| Joint venture | | | | 525 |
| | \$ 194,408 | \$ 185,550 | \$ 157,144 | \$ 122,292 |

Refundable Deposits

| | September 30, | | September 30, | January 1, |
|---------------|---------------|----------|---------------|------------|
| | December 31, | | 2012 | 2012 |
| | 2013 | 2012 | | |
| Associates | \$ 5,813 | \$ 5,813 | \$ 5,813 | \$ |
| Joint venture | | 4 | 4 | |
| | \$ 5,813 | \$ 5,817 | \$ 5,817 | \$ |

| | Payables to Related Parties | | | |
|---------------|------------------------------------|---------------------|----------------------|---------------------|
| | September 30, | December 31, | September 30, | January 1, |
| | 2013 | 2012 | 2012 | 2012 |
| Associates | \$ 1,592,616 | \$ 746,532 | \$ 779,862 | \$ 1,325,791 |
| Joint venture | 1,488 | 2,081 | 3,391 | 2,730 |
| | \$ 1,594,104 | \$ 748,613 | \$ 783,253 | \$ 1,328,521 |

| | Deferred Gains (Losses) from Disposal of Machinery and Equipment | | | |
|---------------|--|----------------------|---------------|------------|
| | September 30, | | September 30, | January 1, |
| | 2013 | December 31, 2012 | 2012 | 2012 |
| Associates | \$ | \$ (7,806) | \$ | \$ |
| Joint venture | | 948 | 1,006 | |
| | \$ | \$ (6,858) | \$ 1,006 | \$ |

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 leased machinery and equipment from Xintec. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid quarterly and the related expense was classified under manufacturing expenses.

The Company deferred the disposal gain/loss 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:

| | Three Months Ended | | Nine Months Ended | |
|------------------------------|--------------------|------------|-------------------|--------------|
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Short-term employee benefits | \$ 433,540 | \$ 401,196 | \$ 1,064,506 | \$ 1,071,118 |
| Post-employment benefits | 1,081 | 903 | 3,429 | 2,667 |
| | \$ 434,621 | \$ 402,099 | \$ 1,067,935 | \$ 1,073,785 |

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 September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the aforementioned other financial assets amounted to NT\$119,657 thousand, NT\$119,710 thousand, NT\$120,761 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 January 2014 and December 2032 and can be renewed upon expiration.

The Company expensed the lease payments as follows:

| | Three Months Ended | | Nine Months Ended | |
|------------------------|--------------------|------------|-------------------|------------|
| | September 30 | | September 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Minimum lease payments | \$ 207,129 | \$ 177,698 | \$ 674,611 | \$ 508,810 |

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

| | September 30, | December 31, | September 30, | January 1, |
|--|---------------|--------------|---------------|--------------|
| | 2013 | 2012 | 2012 | 2012 |
| Not later than 1 year | \$ 855,050 | \$ 693,758 | \$ 688,636 | \$ 627,882 |
| Later than 1 year and not later than 5 years | 3,095,753 | 2,478,443 | 2,568,078 | 2,258,302 |
| Later than 5 years | 5,700,287 | 4,221,524 | 4,175,578 | 3,870,728 |
| | \$ 9,651,090 | \$ 7,393,725 | \$ 7,432,292 | \$ 6,756,912 |

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:

- a. 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.
- b. 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 September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 were NT\$88,713 thousand, NT\$99,671 thousand, NT\$87,930 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:

| | September 30, 2013 | | December 31, 2012 | | September 30, 2012 | | January 1, 2012 | |
|------------------------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|
| | Foreign Currencies | Exchange Rate | Foreign Currencies | Exchange Rate | Foreign Currencies | Exchange Rate | Foreign Currencies | Exchange Rate |
| | (In Thousands) | (Note) | (In Thousands) | (Note) | (In Thousands) | (Note) | (In Thousands) | (Note) |
| Financial Assets | | | | | | | | |
| Monetary | \$ 5,588,215 | 29.571 | \$ 3,437,165 | 29.038 | \$ 4,497,012 | 29.31 | \$ 3,744,817 | 30.2 |
| | 428,636 | 39.82 | 125,973 | 38.39-38.49 | 80,269 | 37.82-37.89 | 135,857 | 39.18-39 |
| | 32,291,536 | 0.3016 | 35,734,874 | 0.3352-0.3364 | 10,086,700 | 0.3776-0.3777 | 37,276,671 | 0.3897-0.39 |
| | 775,484 | 4.81 | 102,995 | 4.66 | 66,627 | 4.62 | 201,385 | 4 |
| Non-monetary | | | | | | | | |
| | 2,464,088 | 29.571 | 1,611,474 | 29.038 | 345,383 | 29.31 | 141,498 | 30.2 |
| | 143,498 | 3.81 | 492,014 | 3.75 | 429,815 | 3.78 | 671,060 | 3 |
| Investments | | | | | | | | |
| Accounted for | | | | | | | | |
| using equity | | | | | | | | |
| method | | | | | | | | |
| | 348,805 | 29.571 | 328,281 | 29.038 | 305,453 | 29.31 | 294,797 | 30.2 |
| Financial Liabilities | | | | | | | | |
| Monetary | | | | | | | | |
| | 3,079,988 | 29.571 | 2,193,343 | 29.038 | 1,919,805 | 29.31 | 1,744,746 | 30.2 |
| | 757,852 | 39.82 | 247,052 | 38.39-38.49 | 86,661 | 37.82-37.89 | 111,750 | 39.18-39 |
| | 38,952,345 | 0.3016 | 43,311,360 | 0.3352-0.3364 | 30,796,781 | 0.3776-0.3777 | 35,349,169 | 0.3897-0.39 |
| | 206,520 | 4.81 | 205,930 | 4.66 | 213,842 | 4.62 | 278,877 | 4 |

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 September 30,</u> | | | | |
| <u>2013</u> | | | | |
| Net revenue from external customers | \$ 162,503,501 | \$ 73,533 | \$ | \$ 162,577,034 |
| Net revenue from sales among intersegments | | 8,939 | (8,939) | |
| Income (loss) from operations | 60,255,825 | (637,771) | | 59,618,054 |

(Continued)

| | Foundry | Others | Elimination | Total |
|--|----------------|-------------|-------------|----------------|
| <u>Three months ended September 30,</u> | | | | |
| <u>2012</u> | | | | |
| Net revenue from external customers | \$ 141,495,125 | \$ 4,128 | \$ | \$ 141,499,253 |
| Net revenue from sales among intersegments | | 3,489 | (3,489) | |
| Income (loss) from operations | 53,519,822 | (721,844) | | 52,797,978 |
| <u>Nine months ended September 30,</u> | | | | |
| <u>2013</u> | | | | |
| Net revenue from external customers | 450,987,343 | 231,007 | | 451,218,350 |
| Net revenue from sales among intersegments | | 14,837 | (14,837) | |
| Income (loss) from operations | 163,656,307 | (1,981,162) | | 161,675,145 |
| <u>Nine months ended September 30,</u> | | | | |
| <u>2012</u> | | | | |
| Net revenue from external customers | 375,224,307 | 76,108 | | 375,300,415 |
| Net revenue from sales among intersegments | | 6,967 | (6,967) | |
| Income (loss) from operations | 136,700,564 | (1,913,185) | | 134,787,379 |

(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 nine months ended September 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.

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- 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 September 30, 2012

| R.O.C. GAAP Item | Amount | Effect of Transition to Taiwan-IFRSs | | Amount | Taiwan-IFRSs Item | Note |
|---|----------------|--|----------------------------|----------------|---|------|
| | | Recognition and Measurement Difference | Presentation Difference | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 138,738,113 | \$ | \$ | \$ 138,738,113 | Cash and cash equivalents | |
| Financial assets at fair value through profit or loss | 58,690 | | | 58,690 | Financial assets at fair value through profit or loss | |
| Available-for-sale financial assets | 2,067,730 | | | 2,067,730 | Available-for-sale financial assets | |
| Held-to-maturity financial assets | 6,854,611 | | | 6,854,611 | Held-to-maturity financial assets | |
| Hedging derivative financial assets | 28,189 | | | 28,189 | Hedging derivative financial assets | |
| Notes and accounts receivable | 64,876,527 | | (489,590) | 64,386,937 | Notes and accounts receivable | |
| Receivables from related parties | 925,245 | | | 925,245 | Receivables from related parties | |
| Allowance for doubtful receivables | (489,590) | | 489,590 | | | |
| Allowance for sales returns and others | (6,900,184) | | 6,900,184 | | | a) |
| Other receivables from related parties | 157,144 | | | 157,144 | Other receivables from related parties | |
| Other financial assets | 469,979 | | | 469,979 | Other financial assets | |
| Inventories | 33,249,045 | | | 33,249,045 | Inventories | |
| Deferred income tax assets | 2,650,432 | | (2,650,432) | | | b) |
| | 2,639,414 | | | 2,639,414 | | |

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| | | | | | |
|---|----------------|------------|--------------|----------------|--|
| Prepaid expenses and other current assets | | | | | Other current assets |
| Total current assets | 245,325,345 | | 4,249,752 | 249,575,097 | Total current assets |
| Long-term investments | | | | | |
| Investments accounted for using equity method | 23,958,462 | (51,304) | | 23,907,158 | Investments accounted for using equity method e) |
| Held-to-maturity financial assets | 701,435 | | | 701,435 | Held-to-maturity financial assets |
| Financial assets carried at cost | 3,981,251 | | | 3,981,251 | Financial assets carried at cost |
| Total long-term investments | 28,641,148 | (51,304) | | 28,589,844 | |
| Net property, plant and equipment | 580,079,887 | | 34,175 | 580,114,062 | Property, plant and equipment c) |
| Intangible assets | 10,888,854 | | | 10,888,854 | Intangible assets |
| Other assets | | | | | |
| Deferred income tax assets | 10,137,266 | 270,786 | 2,650,432 | 13,058,484 | Deferred income tax assets b), d) |
| Refundable deposits | 2,331,966 | | | 2,331,966 | Refundable deposits |
| Others | 1,247,304 | | (34,175) | 1,213,129 | Other noncurrent assets c) |
| Total other assets | 13,716,536 | 270,786 | 2,616,257 | 16,603,579 | |
| Total | \$ 878,651,770 | \$ 219,482 | \$ 6,900,184 | \$ 885,771,436 | Total |

(Continued)

| R.O.C. GAAP | | Effect of Transition to Taiwan-IFRSs Recognition and Measurement | | Presentation | | Taiwan-IFRSs | | Note |
|--|---------------|---|------------|---------------|--|--------------|------------|------|
| Item | Amount | Difference | Difference | Amount | Item | Amount | Item | |
| Current liabilities | | | | | | | | |
| Short-term loans | \$ 29,749,650 | \$ | \$ | \$ 29,749,650 | Short-term loans | | | |
| Financial liabilities at fair value through profit or loss | 20,013 | | | 20,013 | Financial liabilities at fair value through profit or loss | | | |
| Accounts payable | 13,773,108 | | | 13,773,108 | Accounts payable | | | |
| Payables to related parties | 783,253 | | | 783,253 | Payables to related parties | | | |
| Income tax payable | 10,855,245 | | | 10,855,245 | Income tax payable | | | |
| Salary and bonus payable | 6,994,285 | | | 6,994,285 | Salary and bonus payable | | | |
| Accrued profit sharing to employees and bonus to directors and supervisors | 8,654,015 | | | 8,654,015 | Accrued profit sharing to employees and bonus to directors and supervisors | | | |
| Payables to contractors and equipment suppliers | 32,785,881 | | | 32,785,881 | Payables to contractors and equipment suppliers | | | |
| Accrued expenses and other current liabilities | 15,312,033 | | | 15,312,033 | 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 | | | |
| | | | | 6,900,184 | | 6,900,184 | Provisions | a) |
| Total current liabilities | 119,052,483 | | 6,900,184 | 125,952,667 | Total current liabilities | | | |
| Long-term liabilities | | | | | | | | |
| Bonds payable | 75,600,000 | | | 75,600,000 | Bonds payable | | | |
| Long-term bank loans | 1,393,750 | | | 1,393,750 | Long-term bank loans | | | |
| Other long-term payable | 54,000 | | | 54,000 | Other long-term payable | | | |
| Obligations under capital leases | 737,034 | | | 737,034 | Obligations under capital leases | | | |
| Total long-term liabilities | 77,784,784 | | | 77,784,784 | | | | |
| Other liabilities | | | | | | | | |
| | 3,955,056 | 2,278,222 | | 6,233,278 | Accrued pension cost | | | d) |

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| | | | | | |
|---|--------------|-------------|-----------|--------------|---|
| Accrued pension cost | | | | | |
| Guarantee deposits | 229,212 | | | 229,212 | Guarantee deposits |
| | | | 3,619 | 3,619 | Provisions |
| Others | 484,178 | | (3,619) | 480,559 | Other noncurrent liabilities |
| Total other liabilities | 4,668,446 | 2,278,222 | | 6,946,668 | |
| Total liabilities | 201,505,713 | 2,278,222 | 6,900,184 | 210,684,119 | Total liabilities |
| Equity attributable to shareholders of the parent | | | | | |
| Capital stock | 259,220,476 | | | 259,220,476 | Capital stock |
| Capital surplus | 56,074,435 | (444,010) | | 55,630,425 | 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 | 245,605,674 | (1,601,756) | | 244,003,918 | Unappropriated earnings d), e) |
| | 369,032,021 | (1,601,756) | | 367,430,265 | |
| Others | | | | | |
| Cumulative translation adjustments | (10,052,181) | (59) | | (10,052,240) | Foreign currency translation reserve e) |
| Unrealized gain/loss on financial instruments | 268,440 | | (28,189) | 240,251 | Unrealized gain (loss) from available-for-sale financial assets |
| | | | 28,189 | 28,189 | Cash flow hedging reserve |
| | (9,783,741) | (59) | | (9,783,800) | |
| Equity attributable to shareholders of the parent | | | | | |
| Minority interests | 2,602,866 | (12,915) | | 2,589,951 | Noncontrolling interests d) |
| Total shareholders equity | 677,146,057 | (2,058,740) | | 675,087,317 | Total shareholders equity |

Total \$ 878,651,770 \$ 219,482 \$ 6,900,184 \$ 885,771,436 Total

(Concluded)

2) Reconciliation of consolidated statement of comprehensive income for the nine months ended September 30, 2012

| R.O.C. GAAP | Effect of Transition to Taiwan-IFRSs | | | Taiwan-IFRSs | Item | Note |
|--|---|--|----------------------------|----------------|--|------|
| | Amount | Recognition and Measurement Difference | Presentation Difference | | | |
| Net sales | \$ 374,943,954 | \$ | \$ 356,461 | \$ 375,300,415 | Net revenue | f) |
| Cost of sales | 193,167,804 | (33,945) | | 193,133,859 | Cost of revenue | d) |
| Gross profit before affiliates elimination | 181,776,150 | 33,945 | 356,461 | 182,166,556 | Gross profit before unrealized gross profit on sales to associates | |
| Unrealized gross profit from affiliates | (129,569) | | | (129,569) | Unrealized gross profit on sales to associates | |
| Gross profit | 181,646,581 | 33,945 | 356,461 | 182,036,987 | Gross profit | |
| Operating expenses | | | | | | |
| Research and development | 29,897,315 | (14,218) | | 29,883,097 | Research and development | d) |
| General and administrative | 13,505,479 | (5,020) | | 13,500,459 | General and administrative | d) |
| Marketing | 3,441,269 | (1,111) | | 3,440,158 | Marketing | d) |
| Total operating expenses | 46,844,063 | (20,349) | | 46,823,714 | | |
| | | | (425,894) | (425,894) | Other operating income and expenses, net | f) |
| Income from operations | 134,802,518 | 54,294 | (69,433) | 134,787,379 | Income from operations | |
| Non-operating income and gains | | | | | | |
| Equity in earnings of investees, net | 1,305,776 | 32,485 | | 1,338,261 | Share of profits of associates and joint venture | e) |
| Interest income | 1,294,864 | | (1,294,864) | | | f) |
| Gain on disposal of financial assets, net | 449,060 | | (449,060) | | | f) |
| Settlement income | 448,275 | | (448,275) | | | f) |
| Technical service income | 356,461 | | (356,461) | | | f) |
| Foreign exchange gain, net | 208,125 | | | 208,125 | Foreign exchange gain, net | |

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| | | | | | | |
|--|----------------|------------|-------------|-------------|---|--------|
| Valuation gain on financial instruments, net | 43,842 | | (43,842) | | | f) |
| Gain on disposal of property, plant and equipment and other assets | 21,749 | | (21,749) | | | f) |
| Others | 481,489 | | (481,489) | | | f) |
| | | | 1,364,809 | 1,364,809 | Other income | f) |
| | | (1,009) | (1,619,821) | (1,620,830) | Other gains and losses | e), f) |
| | 4,609,641 | 31,476 | (3,350,752) | 1,290,365 | | |
| Non-operating expenses and losses | | | | | | |
| Impairment loss of financial assets | 2,748,616 | | (2,748,616) | | | f) |
| Interest expense | 685,418 | | | 685,418 | Finance cost | |
| Impairment loss on idle assets | 422,323 | | (422,323) | | | f) |
| Loss on disposal of property, plant and equipment | 21,486 | | (21,486) | | | f) |
| Others | 227,760 | | (227,760) | | | f) |
| | 4,105,603 | | (3,420,185) | 685,418 | | |
| Income before income tax | 135,306,556 | 85,770 | | 135,392,326 | Income before income tax | |
| Income tax expense | 10,827,255 | (39,775) | | 10,787,480 | Income tax expense | d) |
| Net income | \$ 124,479,301 | \$ 125,545 | \$ | 124,604,846 | Net income | |
| | | | | (3,627,600) | Exchange differences arising on translation of foreign operations | |
| | | | | 1,710,289 | Changes in fair value of available-for-sale financial assets | |
| | | | | 28,421 | Cash flow hedges | |
| | | | | 68,461 | Share of other comprehensive income of associates and joint venture | |

(Continued)

| R.O.C. GAAP | | Effect of Transition to Taiwan-IFRSs | | | Taiwan-IFRSs | |
|-------------|--------|---|----------------------------|----------------|---|------|
| Item | Amount | Measurement Difference | Presentation Difference | Amount | Item | Note |
| | | | | \$ (333,426) | Income tax expense relating to components of other comprehensive income | |
| | | | | (2,153,855) | Other comprehensive income for the period, net of income tax | |
| | | | | \$ 122,450,991 | Total comprehensive income for the period | |

(Concluded)

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

| R.O.C. GAAP | | Effect of Transition to Taiwan-IFRSs | | | Taiwan-IFRSs | |
|--|----------------|---|----------------------------|----------------|--|------|
| Item | Amount | Measurement Difference | Presentation Difference | Amount | Item | Note |
| Net sales | \$ 141,375,451 | \$ | \$ 123,802 | \$ 141,499,253 | Net revenue | f) |
| Cost of sales | 72,356,073 | (11,572) | | 72,344,501 | Cost of revenue | d) |
| Gross profit before affiliates elimination | 69,019,378 | 11,572 | 123,802 | 69,154,752 | Gross profit before realized gross profit on sales to associates | |
| Realized gross profit from affiliates | 10,381 | | | 10,381 | Realized gross profit on sales to associates | |
| Gross profit | 69,029,759 | 11,572 | 123,802 | 69,165,133 | Gross profit | |
| Operating expenses | | | | | | |
| Research and development | 10,661,534 | (4,679) | | 10,656,855 | Research and development | d) |
| General and administrative | 4,480,013 | (1,496) | | 4,478,517 | General and administrative | d) |
| Marketing | 1,235,333 | (351) | | 1,234,982 | Marketing | d) |

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| | | | | | | |
|--|---------------|-----------|-----------|------------|--|--------|
| Total operating expenses | 16,376,880 | (6,526) | | 16,370,354 | | |
| | | | 3,199 | 3,199 | Other operating income and expenses, net | f) |
| Income from operations | 52,652,879 | 18,098 | 127,001 | 52,797,978 | Income from operations | |
| Non-operating income and gains | | | | | | |
| Equity in earnings of equity method investees, net | 695,480 | 16,706 | | 712,186 | Share of profits of associates and joint venture | e) |
| Interest income | 353,132 | | (353,132) | | | f) |
| Valuation gain on financial assets, net | 233,579 | | (233,579) | | | f) |
| Technical service income | 123,802 | | (123,802) | | | f) |
| Gain on settlement and disposal of financial assets, net | 83,329 | | (83,329) | | | f) |
| Gain on disposal of property, plant and equipment and other assets | 4,389 | | (4,389) | | | f) |
| Others | 88,170 | | (88,170) | | | f) |
| | | | 353,132 | 353,132 | Other income | f) |
| | | (1,009) | 327,618 | 326,609 | Other gains and losses | e), f) |
| | 1,581,881 | 15,697 | (205,651) | 1,391,927 | | |
| Non-operating expenses and losses | | | | | | |
| Interest expense | 270,379 | | | 270,379 | Finance costs | |
| Foreign exchange loss, net | 157,185 | | | 157,185 | Foreign exchange loss, net | |
| Impairment loss of financial assets | 160 | | (160) | | | f) |
| Others | 78,490 | | (78,490) | | | f) |
| | 506,214 | | (78,650) | 427,564 | | |
| Income before income tax | 53,728,546 | 33,795 | | 53,762,341 | Income before income tax | |
| Income tax expense | 4,383,313 | (43,266) | | 4,340,047 | Income tax expense | d) |
| Net income | \$ 49,345,233 | \$ 77,061 | \$ | 49,422,294 | Net income | |

| R.O.C. GAAP | | Effect of Transition to Taiwan-IFRSs | | | Taiwan-IFRSs | |
|-------------|--------|---|----------------------------|----------------|---|------|
| Item | Amount | Measurement Difference | Presentation Difference | Amount | Item | Note |
| | | | | \$ (2,239,717) | Exchange differences arising on translation of foreign operations | |
| | | | | (112,534) | Changes in fair value of available-for-sale financial assets | |
| | | | | 28,258 | Cash flow hedges | |
| | | | | 48,074 | Share of other comprehensive income of associates and joint venture | |
| | | | | (24,497) | Income tax expense relating to components of other comprehensive income | |
| | | | | (2,300,416) | Other comprehensive income for the period, net of income tax | |
| | | | | \$ 47,121,878 | Total comprehensive income for the period | |

(Concluded)

4) Reconciliation of equity

| | Note | September 30, 2012 |
|---|------|-----------------------|
| Equity under R.O.C. GAAP | | \$ 677,146,057 |
| Adjustments: | | |
| Defined benefit plans | d) | (2,007,436) |
| Investments accounted for using the equity method | e) | (51,304) |
| Equity under Taiwan-IFRSs | | \$ 675,087,317 |

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 September 30, 2012, the amounts reclassified from allowance for sales returns and others to provisions were NT\$6,900,184 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 September 30, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were NT\$2,650,432 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 September 30, 2012, the amounts reclassified from assets leased to others and idle assets to property, plant and equipment were NT\$34,175 thousand.

d) Employee benefits

The Company had recognized the pension cost and retirement benefit obligation under its defined benefit plans based on actuarial valuations performed 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 such actuarial 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 September 30, 2012, accrued pension cost of the Company was adjusted for an increase of NT\$2,278,222 thousand; deferred income tax assets were adjusted for an increase of NT\$270,786 thousand; noncontrolling interests were adjusted for a decrease of NT\$12,915 thousand. For the nine months ended September 30, 2012, pension cost

and income tax expense of the Company were adjusted for a decrease of NT\$54,294 thousand and NT\$39,775 thousand, respectively. For the three months ended September 30, 2012, pension cost and income tax expense of the Company were adjusted for a decrease of NT\$18,098 thousand and NT\$43,266 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 September 30, 2012, as a result of the differences mentioned above, investment accounted for using the equity method was adjusted for a decrease of NT\$51,304 thousand; foreign currency translation reserve was adjusted for an decrease of NT\$59 thousand; capital surplus was adjusted for a decrease of NT\$444,010 thousand. In addition, share of profits of associates and joint venture was adjusted for an increase of NT\$32,485 thousand and NT\$16,706 thousand, respectively, for the nine months and three months ended September 30, 2012, respectively. Other gains and losses were both adjusted for a decrease of NT\$1,009 thousand for the nine months and three months ended September 30, 2012.

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 nine months ended September 30, 2012, the Company reclassified technical service income of NT\$356,461 thousand to net revenue; rental revenue of NT\$503 thousand, other income of NT\$886 thousand, net gain on disposal of property, plant and equipment and other assets of NT\$263 thousand, depreciation of rental assets of NT\$5,223 thousand and impairment loss on idle assets of NT\$422,323 thousand to other operating income and expenses. In addition, interest income of NT\$1,294,864 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\$449,060 thousand, others of NT\$410,589 thousand (under non-operating income and gains), net valuation gain on financial instruments of NT\$43,842 thousand, impairment loss of financial assets of NT\$2,748,616 thousand as well as others of NT\$222,971 thousand (under non-operating expenses and losses) were reclassified to other gains and losses for the nine months ended September 30, 2012. For the three months ended September 30, 2012, the Company also reclassified technical service income of NT\$123,802 thousand to net revenue, other income of NT\$244 thousand, net gain on disposal of property, plant and equipment and other assets of NT\$4,389 thousand, depreciation of rental assets of NT\$1,434 thousand to other operating income and expenses. In addition, interest income of NT\$353,132 thousand was also reclassified to other income; net gain on disposal of financial assets of NT\$83,329 thousand, others of NT\$88,360 thousand (under non-operating income and gains), net valuation gain on financial instruments of NT\$233,579 thousand, impairment loss of financial assets of NT\$160 thousand as well as others of NT\$77,490 thousand (under non-operating expenses

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and losses) were reclassified to other gains and losses for the three months ended September 30, 2012.

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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.

TABLE 1**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****FINANCINGS PROVIDED****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Balance Sheet Account | Maximum Balance for the Period (US\$ in Thousands) (Note 3) | Ending Balance (US\$ in Thousands) (Note 3) | Amount Actually Drawn (US\$ in Thousands) | Interest Rate | Transaction Nature for Financing | Amount Reason for Financing |
|--------------------------------|--|--|--|--------------------------|---|--|
| Receivables related parties | \$ 3,844,230 (US\$ 130,000) | \$ | \$ | | The need for short-term financing | \$ Purchase equipment |
| Receivables related parties | 2,661,390 (US\$ 90,000) | 2,661,390 (US\$ 90,000) | 1,936,901 (US\$ 65,500) | 0.3805% | The need for short-term financing | Operating capital |
| Receivables related parties | 1,774,260 (US\$ 60,000) | 1,774,260 (US\$ 60,000) | | | The need for short-term financing | Operating capital |
| Receivables related parties | 2,365,680 (US\$ 80,000) | | | | The need for short-term financing | Operating capital |
| Receivables related parties | 2,661,390 (US\$ 90,000) | | | | The need for short-term financing | Operating capital |

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 and TSMC Development, respectively. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth. The above restriction does not apply to the offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC (offshore 100% owned subsidiaries) or the subsidiaries whose voting shares are 90% and up owned, directly or indirectly, by TSMC (90% and up owned subsidiaries). However, the respective lending limit for offshore 100% owned subsidiaries shall not exceed the net worth of TSMC Partners and TSMC Development, respectively, and the aggregate amounts lendable to 90% and up owned subsidiaries and the total amount lendable to one such borrower in 90% and up owned subsidiaries shall not exceed forty percent (40%) of the net worth of TSMC Partners and TSMC Development, respectively.

Note 2: The total amount available for lending purpose shall not exceed the net worth of TSMC Partners and TSMC Development, respectively.

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

Note 4: The amount was determined based on the reviewed financial statements in accordance with local accounting principles.

TABLE 2**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Guarantee Provider | Guaranteed Party | Nature of Relationship | 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) | Ratio of Accumulated Endorsement Guarantee Amount to of Net E Equity per Share Financial Statements |
|--------------------|------------------|------------------------|---|--|---|---|---|
| | | | | | | | |
| TSMC Global | Subsidiary | | \$ 200,969,250 | \$ 44,356,500 | \$ 44,356,500 | \$ 44,356,500 | 5.5% |
| | | | | (US\$ 1,500,000) | (US\$ 1,500,000) | (US\$ 1,500,000) | |

Note 1: The total amount of the guarantee provided by TSMC to any individual entity shall not exceed ten percent (10%) of TSMC's net worth, or the net worth of such entity. 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 total amount of guarantee shall not exceed twenty-five percent (25%) of TSMC's net worth.

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

TABLE 3**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****SEPTEMBER 30, 2013****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| | | | | September 30, 2013 | |
|---|--|---|-----------------------------|-----------------------------------|----------------------|
| | | | | Carrying Value | |
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (In Thousands) | (Foreign Currency) (In Thousands) | Percentage Ownership |
| Plastics Corporation | | Held-to-maturity financial assets | | \$ 549,989 | N/A |
| el Corporation | | | | 150,296 | N/A |
| ductor Manufacturing nal Corporation | | Available-for-sale financial assets | 275,957 | 270,921 | |
| lobal | Subsidiary | Investments accounted for using equity method | 1 | 66,623,434 | 100% |
| rtners | Subsidiary | | 988,268 | 41,185,282 | 100% |
| | Investee accounted for using equity method | | 628,223 | 10,107,307 | 3% |
| | Investee accounted for using equity method | | 314 | 6,870,266 | 3% |
| olar | Subsidiary | | 1,118,000 | 3,640,710 | 9% |
| orth America | Subsidiary | | 11,000 | 3,415,950 | 100% |
| SL | Subsidiary | | 554,674 | 2,583,242 | 9% |
| | Investee accounted for using equity method | | 94,950 | 1,785,184 | 4% |
| | Investee accounted for using equity method | | 46,688 | 983,702 | 3% |
| urope | Subsidiary | | | 273,016 | 100% |
| pan | Subsidiary | | 6 | 132,129 | 100% |
| orea | Subsidiary | | 80 | 28,573 | 100% |
| ustrial Gases Co., Ltd. | | Financial assets carried at cost | 21,230 | 193,584 | 1% |
| Handotai Taiwan Co., Ltd. | | | 10,500 | 105,000 | |
| hnhology Fund IV | | | 4,000 | 39,280 | |
| Ventures Fund | | Financial assets carried at cost | | 78,303 | 1% |
| Asia Capital | | | | 53,879 | |

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| | | | | | |
|-------------|--|---|--------|------------|----|
| China | Subsidiary | Investments accounted for using equity method | | 22,019,781 | 10 |
| | Subsidiary | | | 870,860 | 5 |
| | Subsidiary | | | 439,556 | 9 |
| Alliance | Subsidiary | | | 144,670 | 9 |
| N | Subsidiary | | | 90,306 | 10 |
| | Investee accounted for using equity method | Investments accounted for using equity method | 87,480 | 2,713,227 | 2 |
| olar Europe | Subsidiary | | | 106,215 | 10 |
| olar NA | Subsidiary | | 1 | 16,707 | 10 |
| | Investee accounted for using equity method | Investments accounted for using equity method | | 1,707 | 4 |

(Continued)

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2019 | |
|-------------------------------------|--|---|---------------------------------|--|
| | | | Shares/Units in Thousands | Carrying Value (Foreign Currency) in Thousands |
| AC Lighting NA | Subsidiary | Investments accounted for using equity method | 1 | \$ 2,881 |
| AC Solar | Investee accounted for using equity method | Investments accounted for using equity method | 4,783 | 15,396 |
| AC SSL | Investee accounted for using equity method | | 5,091 | 23,784 |
| AC Development | Subsidiary | Investments accounted for using equity method | | US\$ 648,501 |
| ra Holding Company | Investee accounted for using equity method | | 43,000 | US\$ 116,473 |
| AC Technology | Subsidiary | | | US\$ 12,804 |
| F II | Subsidiary | | 14,153 | US\$ 10,852 |
| | Subsidiary | | 787 | US\$ 8,413 |
| AC Canada | Subsidiary | | 2,300 | US\$ 4,797 |
| oe Inc. | | Financial assets carried at cost | 6,333 | |
| ghai Walden Venture Capital | | Financial assets carried at cost | | US\$ 5,000 |
| prise | | | | |
| sion Inc. | | Available-for-sale financial assets | 272 | US\$ 5,179 |
| erTech | Subsidiary | Investments accounted for using equity method | 293,637 | US\$ 255,451 |
| <u>Common stock</u> | | | | |
| al Investment Holding Inc. | | Financial assets carried at cost | 11,124 | US\$ 3,065 |
| Wave Technology Corp. | | | 4,074 | US\$ 1,545 |
| <u>Preferred stock</u> | | | | |
| IO, Inc. | | Financial assets carried at cost | 8 | |
| Holdings, LLC | | | | US\$ 141 |
| <u>Preferred stock</u> | | | | |
| Holdings | Subsidiary | Investments accounted for using equity method | | |
| <u>Common stock</u> | | | | |
| elic | | Financial assets carried at cost | 1,806 | US\$ 2,607 |
| er Systems, Inc. | | | 2,600 | US\$ 2,243 |
| Wave Technology Corp. | | | 1,267 | US\$ 1,036 |

(Continued)

September 30,

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value (Foreign Currencies) | | Owner |
|-------------------------------------|-------------------------------|---|--|---------------------------|-------|
| | | | Shares/Units (In Thousands) | in Percent (Thousands) | |
| <u>Preferred stock</u> | | | | | |
| Technologies, Inc. | | Financial assets carried at cost | 2,890 | US\$ 2,168 | |
| Quantia | | | 4,556 | US\$ 4,316 | |
| esta Technology Corporation | | | 92 | US\$ 28 | |
| pinj, Inc. | | | 711 | US\$ 1,100 | |
| ext IO, Inc. | | | 179 | | |
| ST Holdings, LLC | | | | US\$ 588 | |
| <u>Capital</u> | | | | | |
| TA Holdings | Subsidiary | Investments accounted for using equity method | | | |
| <u>Common stock</u> | | | | | |
| utual-Pak Technology Co., Ltd. | Subsidiary | Investments accounted for using equity method | 15,643 | US\$ 1,328 | |
| ecton Wireless Broadband Corp. | | Financial assets carried at cost | 2,249 | US\$ 315 | |
| <u>Preferred stock</u> | | | | | |
| idgeLux, Inc. | | Financial assets carried at cost | 7,522 | US\$ 9,379 | |
| TBF, Inc. | | | 1,154 | US\$ 1,500 | M |
| iquidLeds Lighting Corp. | | | 1,600 | US\$ 800 | |
| oconix, Inc. | | | 4,147 | US\$ 170 | |
| ervation, Ltd. | | | 509 | US\$ 7,938 | |
| on Corp. | | | 8,152 | | |
| era, Inc. | | | 3,890 | US\$ 3,025 | |
| lidity Sensors, Inc. | | | 11,192 | US\$ 4,197 | |
| <u>Capital</u> | | | | | |
| rowth Fund | Subsidiary | Investments accounted for using equity method | | US\$ 335 | |
| TA Holdings | Subsidiary | | | | |
| <u>Common stock</u> | | | | | |
| egrated Memory Logic, Inc. | | Available-for-sale financial assets | 408 | US\$ 87 | |
| <u>Preferred stock</u> | | | | | |
| ics, Inc. | | Financial assets carried at cost | 230 | US\$ 497 | |
| <u>Common stock</u> | | | | | |
| chip Technologies Limited | | Financial assets carried at cost | 7,520 | US\$ 3,664 | |
| ics, Inc. | | | 278 | US\$ 10 | |
| yatek Technology, Corp. | | | 745 | US\$ 163 | |
| <u>Preferred stock</u> | | | | | |
| ics, Inc. | | Financial assets carried at cost | 264 | US\$ 456 | |

(Continued)

| Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (In Thousands) | September 30, 2013 | | Percentage Ownership |
|--------------------------|-------------------------------|---|--------------------------------|--------------------|----------------|----------------------|
| | | | | Foreign Currency | Carrying Value | |
| Europe GmbH | Subsidiary | Investments accounted for using equity method | | EUR | 2,585 | 100% |
| | | Available-for-sale financial assets | 20,993 | US\$ | 1,085,474 | 5% |
| Market fund | | Available-for-sale financial assets | 495 | US\$ | 495 | N/A |

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: Since TSMC did not participate in Mcube's issuance of new shares in the third quarter of 2013, the Company's percentage of ownership in Mcube decreased to 18%. As a result, after reassessment, the Company did not exercise significant influence over Mcube and therefore, Mcube is no longer accounted for using the equity method. Further, such investment was reclassified to financial assets carried at cost.

Note 5: The carrying value includes the impairment loss in the amount of US\$500 thousand.

Note 6: The carrying value includes the impairment loss in the amount of US\$1,219 thousand.

Note 7: The carrying value includes the impairment loss in the amount of US\$4,672 thousand.

Note 8: The carrying value includes the impairment loss in the amount of US\$55,474 thousand.

Note 9: 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 NINE MONTHS ENDED SEPTEMBER 30, 2013****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | |
|---|---------------|------------------------|-----------------------------|--|-----------------------------|--|-----------------------------|--|
| | | | 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) |
| Available-for-sale financial assets | | | 1,277,958 | \$ 1,845,052 | | | 1,002,001 | \$ 1,830,424 |
| Investments accounted for using equity method | | Subsidiary | 430,400 | 2,389,541 | 124,274 | 1,242,744 | | |
| Investments accounted for using equity method | | Subsidiary | | 563,056 | | | | |
| Short-term-to-maturity financial assets | | | 20,000 | US\$ 19,999 | | | 20,000 | US\$ 20,000 |
| | | | 25,000 | US\$ 25,000 | | | 25,000 | US\$ 25,000 |
| | | | 25,000 | US\$ 25,000 | | | 25,000 | US\$ 25,000 |
| | | | 20,000 | US\$ 19,999 | | | 20,000 | US\$ 20,000 |
| | | | 35,000 | US\$ 35,006 | | | 35,000 | US\$ 35,000 |
| | | | 25,000 | US\$ 25,000 | | | 25,000 | US\$ 25,000 |
| Available-for-sale financial assets | | | 1,286 | US\$ 4,294 | | | 1,286 | US\$ 5,431 |
| Available-for-sale financial assets | | | 1,072 | US\$ 3,581 | | | 1,072 | US\$ 4,529 |
| Investments accounted for using equity method | | Subsidiary | 293,637 | US\$ 262,053 | | | | |

Note 1: 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.

Note 2: The disposal is primarily consisted of capital return, which is not applicable in recognizing any gain or loss.

TABLE 5**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 NINE MONTHS ENDED SEPTEMBER 30, 2013****(Amounts in Thousands of New Taiwan Dollars)**

| Transaction Amount | Payment Term | Counter-party | Nature of Relationship | Prior Transaction of Related Counter-party | | Transfer Date | Amount |
|--------------------|------------------------------|---------------------------------|------------------------|--|---------------|---------------|--------|
| | | | | Owner | Relationships | | |
| \$2,248,400 | By the contract | Miaoli County Government | | N/A | N/A | N/A | N/A |
| 2,889,647 | By the construction progress | Da Cin Construction Co., Ltd. | | N/A | N/A | N/A | N/A |
| 441,244 | By the construction progress | Tasa Construction Corporation | | N/A | N/A | N/A | N/A |
| 380,439 | By the construction progress | I Domain Industrial Co., Ltd. | | N/A | N/A | N/A | N/A |
| 134,529 | By the construction progress | Mandartech Interiors Inc. | | N/A | N/A | N/A | N/A |
| 2,385,135 | By the construction progress | Fu Tsu Construction Co., Ltd. | | N/A | N/A | N/A | N/A |
| 931,045 | By the construction progress | China Steel Structure Co., Ltd. | | N/A | N/A | N/A | N/A |
| 132,116 | By the construction progress | Mega Facade Corporation | | N/A | N/A | N/A | N/A |
| 271,668 | By the construction progress | Evergreen Steel Corp. | | N/A | N/A | N/A | N/A |

TABLE 6**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 NINE MONTHS ENDED SEPTEMBER 30, 2013****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Related Party | Nature of Relationships | Purchases/ Sales | Transaction Details | | Payment Terms | Abnormal Transaction Payment Unit Price (Note)(Note) | Notes/ Payable Receivable Ending Balance in Thousands (Foreign Currency) |
|--------------------|--|---------------------|--|------------------|-----------------------------------|--|---|
| | | | Amount in Thousands (Foreign Currencies) | % to Total | | | |
| TSMC North America | Subsidiary | Sales | \$ 308,572,239 | 69 | Net 30 days after invoice date | | \$ 57,430 |
| GUC | Investee accounted for using equity method | Sales | 1,533,394 | 1 | Net 30 days after monthly closing | | 37 |
| VIS | Investee accounted for using equity method | Sales | 162,966 | | Net 30 days after monthly closing | | |
| Mcube | Note 2 | Sales | 119,067 | | Net 30 days after invoice date | | 1 |
| TSMC China | Subsidiary | Purchases | 12,305,204 | 27 | Net 30 days after monthly closing | | (1,440) |
| WaferTech | Indirect subsidiary | Purchases | 6,529,044 | 14 | Net 30 days after monthly closing | | (610) |
| VIS | Investee accounted for using equity method | Purchases | 4,889,938 | 11 | Net 30 days after monthly closing | | (690) |
| SSMC | Investee accounted for using equity method | Purchases | 2,090,638 | 5 | Net 30 days after monthly closing | | (320) |
| ca GUC | Investee accounted for using equity method by TSMC | Sales | 1,258,998 | | Net 30 days after invoice date | | 440 |
| | | | (US\$ 42,363) | | | | (US\$ 100) |

Note 1: 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.

Note 2: Starting the third quarter of 2013, the Company did not exercise significant influence over Mcube and therefore, Mcube is no longer a related party to the Company.

TABLE 7**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****SEPTEMBER 30, 2013****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Name | Related Party | Nature of Relationships | Ending Balance | | Overdue | Amounts Received in Subsequent Period |
|---------|--------------------|--|-----------------------------------|------------------------|---------------|---------------------------------------|
| | | | (Foreign Currencies in Thousands) | Turnover Days (Note 1) | | |
| | TSMC North America | Subsidiary | \$ 57,612,301 | 44 | \$ 18,858,653 | \$ 21,582 |
| | GUC | Investee accounted for using equity method | 378,840 | 55 | | |
| | VIS | Investee accounted for using equity method | 131,090 | (Note 2) | | |
| ners | TSMC Solar | The same parent company | 1,937,044 | (Note 2) | | |
| | | | (US\$ 65,505) | | | |
| na | TSMC | Parent company | 1,440,521 | 31 | | |
| | | | (RMB 294,868) | | | |
| nnology | TSMC | Parent company | 187,203 | 66 | | |
| | | | (US\$ 6,331) | | | |
| | TSMC | Parent company | 613,223 | 25 | | |
| | | | (US\$ 20,737) | | | |
| h | GUC | Investee accounted for using equity method by TSMC | 448,483 | 53 | 139,603 | 341 |
| | | | (US\$ 15,166) | | (US\$ 4,721) | (US\$ 11 |

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.

TABLE 8**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | Financial Statements Item | Intercompany Transactions | |
|-----|--------------|--------------------|------------------------------------|---|---------------------------|---|
| | | | | | Amount | Percentage of Consolidated Net Revenue or Terms Total Assets (Note 2) |
| 0 | TSMC | TSMC North America | 1 | Net revenue from the sale of goods | \$ 308,572,239 | 68% |
| | | | | Receivables from related parties | 57,435,875 | 5% |
| | | | | Other receivables from related parties | 176,426 | |
| | | | | Payables to related parties | 31,284 | |
| | | TSMC China | 1 | Net revenue from the sale of goods | 6,440 | |
| | | | | Purchases | 12,305,204 | 3% |
| | | | | Marketing expenses commission | 64,348 | |
| | | | | Disposal of property, plant and equipment | 63,778 | |
| | | | | Loss on disposal of property, plant and equipment | 9,827 | |
| | | | | Purchases of property, plant and equipment | 89,990 | |
| | | | | Other receivables from related parties | 26,466 | |
| | | | | Payables to related parties | 1,440,521 | |
| | | TSMC Japan | 1 | Marketing expenses commission | 181,896 | |
| | | | | Payables to related parties | 20,044 | |
| | | TSMC Europe | 1 | Marketing expenses commission | 278,878 | |
| | | | | Research and development expenses | 43,670 | |

| | | | | |
|-----------------|---|--|-----------|----|
| | | Payables to related parties | 42,083 | |
| TSMC Korea | 1 | Marketing expenses commission | 16,450 | |
| | | Payables to related parties | 1,409 | |
| TSMC Technology | 1 | Research and development expenses | 614,999 | |
| | | Payables to related parties | 187,203 | |
| WaferTech | 1 | Net revenue from the sale of goods | 9,792 | |
| | | Purchases | 6,529,044 | 1% |
| | | Other receivables from related parties | 1,822 | |
| | | Payables to related parties | 613,223 | |
| TSMC Canada | 1 | Research and development expenses | 162,780 | |
| | | Payables to related parties | 18,041 | |
| 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 | 6,525 | |
| | | Other receivables from related parties | 2,025 | |
| | | Payables to related parties | 9,386 | |
| | | Purchases of property, plant and equipment | 7,437 | |
| | | Manufacturing expenses | 1,682 | |
| TSMC Solar | 1 | Manufacturing expenses | 2,822 | |
| | | General and administrative expenses | 2,257 | |
| | | Purchases of property, plant and equipment | 5,660 | |

(Continued)

| Intercompany Transactions | | | | | | |
|----------------------------------|---------------------|------------------------|--|---|---------------|--|
| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | Financial Statements Item | Amount | Percentage of Consolidated Net Revenue Terms or Total Assets (Note 2) |
| 0 | TSMC | TSMC Solar | 1 | Other gains and losses | \$ 7,677 | |
| | | | | Other receivables from related parties | 2,409 | |
| 1 | TSMC Partners | TSMC China | 3 | Other income | 2,792 | |
| 2 | TSMC Development | WaferTech | 1 | Other receivables from related parties | 32,240 | |
| 3 | TSMC North America | TSMC Technology | 3 | Other receivables from related parties | 5,131 | |
| 4 | TSMC Solar | TSMC Solar Europe GmbH | 1 | Net revenue from the sale of goods | 70,061 | |
| | | | | Receivables from related parties | 10,078 | |
| | | TSMC Development | 3 | Finance costs | 2,613 | |
| | | TSMC Partners | 3 | Other payables to related parties | 1,937,044 | |
| 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****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2013 | | Carrying Value (Foreign Currencies in Thousands) | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | Share Proportion of Investment (Not For) |
|---------------------------------|--|---|--|----------------------------------|----------------------|--|---|--|
| | | September 30, 2013 (Foreign Currencies in Thousands) | December 31, 2012 (Foreign Currencies in Thousands) | Shares (Thousands) | Percentage Ownership | | | |
| Portola, British Virgin Islands | Investment activities | \$ 42,327,245 | \$ 42,327,245 | 1 | 100 | \$ 66,623,434 | \$ 29,488 | \$ 2 |
| Portola, 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 | 41,185,282 | 2,114,741 | 2,114,741 |
| 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 | 22,019,781 | 3,685,251 | 3,685,251 |
| Tainan, 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 | 10,107,307 | 3,241,736 | 1,281,736 |
| Singapore | Fabrication and supply of integrated circuits | 5,120,028 | 5,120,028 | 314 | 39 | 6,870,266 | 3,669,415 | 1,421,415 |
| Tainan, 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 | 3,640,710 | (2,466,942) | (2,466,942) |
| San Jose, California, S.A. | Selling and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 3,415,950 | 179,361 | 179,361 |

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| | | | | | | | | |
|------------------------------|---|-----------|-----------|---------|-----|-----------|-------------|-------------|
| sin-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 | 2,583,242 | (1,196,037) | (1,111,000) |
| oyuan, Taiwan | Wafer level chip size packaging service | 1,357,890 | 1,357,890 | 94,950 | 40 | 1,785,184 | 130,864 | (4,000) |
| sin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | 386,568 | 386,568 | 46,688 | 35 | 983,702 | 146,274 | 5,000 |
| ayman lands | Investing in new start-up technology companies | 1,882,556 | 1,896,914 | | 50 | 870,860 | (1,497,510) | (13,000) |
| ayman lands | Investing in new start-up technology companies | 593,616 | 704,447 | | 98 | 439,556 | 473 | |
| msterdam, e etherlands | Marketing and engineering supporting activities | 15,749 | 15,749 | | 100 | 273,016 | 28,095 | 2,000 |
| ayman lands | Investing in new start-up technology companies | 841,757 | 852,258 | | 99 | 144,670 | (9,954) | 0 |
| okohama, apan | Marketing activities | 83,760 | 83,760 | 6 | 100 | 132,129 | 4,107 | |
| ipei, Taiwan | Investment activities | 150,000 | 100,000 | | 100 | 90,306 | (21,691) | (2,000) |
| oul, Korea | Customer service and technical supporting activities | 13,656 | 13,656 | 80 | 100 | 28,573 | 1,116 | |
| ipei, 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 | 2,713,227 | (149,906) | 1,000 |
| ayman lands | Investing in new start-up technology companies | 1,806,693 | 1,801,918 | | 49 | 1,707 | (1,497,510) | 1,000 |
| msterdam, e etherlands | Investing in solar related business | 504,107 | 504,107 | | 100 | 106,215 | (73,876) | 1,000 |
| elaware, S.A. | Selling and marketing of solar related products | 205,772 | 205,772 | 1 | 100 | 16,707 | (28,608) | 1,000 |

(Continued)

| Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2013 | | Net Income | |
|------------|--|---|--|--|---|----------------|---|
| | | September 30, 2013 (Foreign Currencies in Thousands) | December 31, 2012 (Foreign Currencies in Thousands) | Shares (In Percentage of Ownership) | Carrying Value (Foreign Currencies in Thousands) | | (Losses) of the Investment (Foreign Currencies in Thousands) |
| re, U.S.A. | Selling and marketing of solid state lighting related products | 3,133 | 3,133 | 1 | 100 | 2,881 | |
| re, U.S.A. | Investment activities | \$ 0.03 | \$ 0.03 | | 100 | \$ 19,176,812 | \$ 1,311,6 |
| | | (US\$ 0.001) | (US\$ 0.001) | | | (US\$ 648,501) | (US\$ 44,1 |
| n Islands | Investing in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry | 1,271,553 | 1,271,553 | 43,000 | 49 | 3,444,234 | 827,3 |
| | | (US\$ 43,000) | (US\$ 43,000) | | | (US\$ 116,473) | (US\$ 27,8 |
| re, U.S.A. | Engineering support activities | 0.03 | 0.03 | | 100 | 378,624 | 32,1 |
| | | (US\$ 0.001) | (US\$ 0.001) | | | (US\$ 12,804) | (US\$ 1,0 |
| n Islands | Investing in new start-up technology companies | 418,518 | 418,518 | 14,153 | 97 | 320,900 | 74,1 |
| | | (US\$ 14,153) | (US\$ 14,153) | | | (US\$ 10,852) | (US\$ 2,4 |
| n Islands | Investing in new start-up technology companies | 23,272 | 23,272 | 787 | 97 | 248,779 | 169,9 |
| | | (US\$ 787) | (US\$ 787) | | | (US\$ 8,413) | (US\$ 5,7 |
| , Canada | Engineering support activities | 68,013 | 68,013 | 2,300 | 100 | 141,854 | 11,0 |
| | | (US\$ 2,300) | (US\$ 2,300) | | | (US\$ 4,797) | (US\$ 3 |
| re, U.S.A. | Research, development, and sale of micro-semiconductor device | 53,228 | 53,228 | 6,333 | 18 | | (210,6 |
| | | (US\$ 1,800) | (US\$ 1,800) | | | | (US\$ (7,1 |
| ngton, | Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices | 3,844,230 | 8,279,880 | 293,637 | 100 | 7,553,943 | 1,290,5 |
| | | (US\$ 130,000) | (US\$ 280,000) | | | (US\$ 255,451) | (US\$ 43,4 |
| Taiwan | Manufacturing and selling of electronic parts and researching, developing, and testing of RFID | 154,124 | 154,124 | 15,643 | 58 | 39,280 | (14,0 |
| | | (US\$ 5,212) | (US\$ 5,212) | | | (US\$ 1,328) | (US\$ (4 |
| n Islands | Investing in new start-up technology companies | 54,115 | 54,115 | | 100 | 9,921 | (9 |
| | | (US\$ 1,830) | (US\$ 1,830) | | | (US\$ 335) | (US\$ 0 |
| re, U.S.A. | Investing in new start-up technology companies | | | | 62 | | |
| re, U.S.A. | Investing in new start-up technology companies | | | | 31 | | |
| re, U.S.A. | | | | | 7 | | |

| | | | | | | | |
|-----------|---|--------------|--------------|-------|-------------|-----------|----------|
| | Investing in new start-up technology companies | | | | | | |
| rg, ny | Selling of solar related products and providing customer service | 493,768 | 493,768 | 100 | 102,948 | (74,0 | |
| | | (EUR 12,400) | (EUR 12,400) | | (EUR 2,585) | (EUR (1,8 | |
| ung, | Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products | 47,830 | 42,945 | 4,783 | 15,396 | (2,466,9 | |
| hu, | Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems | 50,910 | 34,266 | 5,091 | 1 | 23,784 | (1,196,0 |

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.

Note 3: Since TSMC did not participate in Mcube's issuance of new shares in the third quarter of 2013, the Company's percentage of ownership in Mcube decreased to 18%. As a result, after reassessment, the Company did not exercise significant influence over Mcube and therefore, Mcube is no longer accounted for using the equity method. Further, such investment was reclassified to financial assets carried at cost.

(Concluded)

TABLE 10**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INFORMATION ON INVESTMENT IN MAINLAND CHINA****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| 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 | Investment Flows | Accumulated Outflow of Investment from Taiwan as of September 30, 2013 | Percentage of Share of Ownership | Profits/Losses | Carrying Amount as of September 30, 2013 |
|---|--|----------------------|---|---|--|----------------------------------|---------------------|--|
| | | | (US\$ in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) |
| Manufacturing and selling integrated circuits at order of and pursuant to product design specifications provided by customers | \$ 18,939,667 | (Note 1) | \$ 18,939,667 | \$ \$ | \$ 18,939,667 | 100% | \$ 3,627,216 | \$ 22,566,883 |
| Investing in new start-up technology companies | (RMB 4,502,080) | | (US\$ 596,000) | | (US\$ 596,000) | | (Note 3) | |
| | 2,324,062 | (Note 2) | 147,485 | | 147,485 | 6% | (Note 4) | |
| | (US\$ 78,791) | | (US\$ 5,000) | | (US\$ 5,000) | | | (US\$ 83,791) |
| | Accumulated Investment in Mainland China | | | | | | | |
| | as of September 30, 2013 | | | Investment Amounts Authorized by Investment Commission, MOEA | | Upper Limit on Investment | | |
| | (US\$ in Thousands) | | | (US\$ in Thousands) | | (US\$ in Thousands) | | |
| | \$ 19,087,152 | | \$ 19,087,152 | | \$ 19,087,152 | | | |
| | (US\$ 601,000) | | (US\$ 601,000) | | (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.