

INDIANA COMMUNITY BANCORP

Form 425

January 25, 2012

Old National Bancorp

Acquisition of

Indiana Community

Bancorp

January 25, 2012

Filed by Old National Bancorp

Pursuant to Rule

425 under the Securities Act of 1933

Subject Company: Indiana Community Bancorp

Commission File No.: 000-18847

Set forth below are slides from an investor presentation given on January 25, 2012 by Old National Bancorp regarding the proposed merger transaction between Old National Bancorp and Indiana Community Bancorp.

Lynell Walton
Senior Vice President
Investor Relations Officer
Old National Bancorp

3

Additional Information for Shareholders

In connection with the proposed merger, Old National Bancorp will file with the Securities and Exchange Commission a Registration Statement on Form S-4 that will include a Proxy Statement of Indiana Community Bancorp and a Prospectus of Old National Bancorp, as well as other relevant documents concerning the proposed transaction. Shareholders are urged to read the Registration Statement and the Proxy Statement/Prospectus regarding the merger when it becomes available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because

they will contain important information. A free copy of the Proxy Statement/Prospectus, as well as other filings containing information about Old National Bancorp and Indiana Community Bancorp, may be obtained at the SEC's Internet site (<http://www.sec.gov>). You will also be able to obtain these documents,

free
of
charge,
from
Old
National
Bancorp
at
www.oldnational.com

under
the
tab Investor
Relations
and
then
under
the
heading

Financial
Information
or
from
Indiana
Community
Bancorp

by
accessing
Indiana
Community
Bancorp's
website

at
www.myindianabank.com

under
the
tab
Shareholder

Relations
and

then under the heading Documents.

Old National Bancorp and Indiana Community Bancorp and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Indiana Community Bancorp in connection with the proposed merger. Information about the directors and executive officers of Old National Bancorp is set forth in the proxy statement for Old National's 2011 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 25, 2011. Information about the directors and executive officers of Indiana Community Bancorp is set forth in the proxy statement for Indiana Community Bancorp's 2011 annual meeting of shareholders, as filed with the SEC

on a Schedule 14A on March 22, 2011. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the

Proxy

Statement/Prospectus

regarding

the

proposed

merger

when

it

becomes

available.

Free

copies

of

this document may be obtained as described in the preceding paragraph.

4
Forward-Looking Statement
This
presentation
contains
certain
forward-looking
statements

within
the
meaning
of
the
Private
Securities
Litigation
Reform
Act
of
1995.
These
statements
include,
but
are
not
limited
to,
descriptions
of
Old
National
Bancorp s
and
Indiana
Community
Bancorp s
financial
condition,
results
of
operations,
asset
and
credit
quality
trends
and
profitability
and
statements
about
the
expected
timing,
completion,
financial
benefits

and
other
effects
of
the
proposed
merger.
Forward-
looking
statements
can
be
identified
by
the
use
of
the
words
anticipate,
believe,
expect,
intend,
could
and
should,
and
other
words
of
similar
meaning.
These
forward-looking
statements
express
management's
current
expectations
or
forecasts
of
future
events
and,
by
their
nature,
are
subject

to
risks
and
uncertainties
and
there
are
a
number
of
factors
that
could
cause
actual
results
to
differ
materially
from
those
in
such
statements.
Factors
that
might
cause
such
a
difference
include,
but
are
not
limited
to:
expected
cost
savings,
synergies
and
other
financial
benefits
from
the
proposed
merger
not

be realized within the expected time frames and costs or difficulties relating to integration matters might be greater than expected; the requisite shareholder and regulatory approvals for the proposed merger might not be obtained; market, economic, operational, liquidity, credit and interest rate risks associated with Old National Bancorp s and Indiana

Community Bancorp's businesses, competition, government legislation and policies (including the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act and its related regulations); the ability of Old National Bancorp to execute its business plan (including the proposed acquisition of Indiana Community Bancorp); changes in the economy which could

materially
impact
credit
quality
trends
and
the
ability
to
generate
loans
and
gather
deposits;
failure
or
circumvention
of
either
Old
National
Bancorp s
or
Indiana
Community
Bancorp s
internal
controls;
failure
or
disruption
of
our
information
systems;
significant
changes
in
accounting,
tax
or
regulatory
practices
or
requirements;
new
legal
obligations
or
liabilities

or
unfavorable
resolutions
of
litigations;
other
matters
discussed
in
this
presentation
and
other
factors
identified
in
the
Old
National
Bancorp s
Annual
Report
on
Form
10-K
and
other
periodic
filings
with
the
Securities
and
Exchange
Commission.
These
forward-looking
statements
are
made
only
as
of
the
date
of
this
Report,
and
neither

Old
National
Bancorp
nor
Indiana
Community
Bancorp
undertakes
an
obligation
to
release
revisions
to
these
forward-looking
statements
to
reflect
events
or
conditions
after
the
date
of
this
presentation.

5

Non-GAAP Financial Measures

These slides contain non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of the registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in

the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, Old National Bancorp has provided reconciliations within the slides, as necessary, of the non-GAAP financial measure to the most directly comparable GAAP financial measure.

Bob Jones
President & CEO
Old National Bancorp

7
ONB to Acquire Indiana Community Bancorp
Compelling
Strategic
Rationale

Advances
objective

of
being
Indiana s
bank

Provides
entry
into
attractive
I-65
corridor
markets

Adds
17
full
service
branches

-
\$863.3
million
in
deposits
and
\$713.8
million
in
loans
Financially
Attractive

Effective
deployment
of
capital

EPS accretion of \$.06 to \$.08 per share in first full year

Exceeds internal IRR hurdle

Significant operating efficiencies

Over 35% cost saves expected
Low Risk

Comprehensive due diligence completed

Core competency in integration/conversion processes

Retention of key management members

Strong cultural fit

Financial data at December 30, 2011, per Company filings

8

Indiana Community Bancorp

Founded in 1908

State chartered commercial bank

17 full service branches

\$985 million total assets

\$714 million total loans

\$896 million total liabilities

\$863 million total deposits

\$273 million trust assets

Financial data at December 30, 2011, per Company filings

9

Why Indiana Community?

Effective deployment of capital

Revenue growth opportunities

Entry with #2 market share in strong Columbus,
Indiana market

Immediately accretive to earnings
Continued expense synergies
Enhances ONB's strategy of being Indiana's
bank

Fills
strategic
gap

I-65
corridor
Intangible benefits

Same cultural values

Strong management team

10
Evansville
Strategic fill-in of attractive I-65 corridor
in South Eastern Indiana
Area is home to Cummins Inc. and
Honda Manufacturing of Indiana
Old National Bancorp
Indiana Community Bancorp

ONB to Acquire Indiana Community Bancorp
Headquartered in
Columbus, Indiana
NASDAQ: INCB

11
Attractive Columbus, IN Market (MSA)
INCB corporate headquarters
5 full service branches
Deposits of \$322.0 million

37.5% of franchise
Market rank of #2 with 27.1% share

Major employer Cummins Inc

June 2011

announced expansion with new office building
to add 600 new professionals (average
salaries of \$80,000) by 2013 and employ nearly
3,000 individuals

Financial data at June 30, 2011, per SNL Financial

12

Bartholomew County/Columbus, IN
Bartholomew County population of 75,950

Columbus population of 40,730

Median HH Income

\$53,356

\$53,650

\$55,877

\$54,442

\$53,000

\$54,000

\$55,000

\$56,000

Barth.

Co.

Indiana

National

ONB

Projected HH Income Change

2010-2015

13.3%

13.2%

13.6%

12.4%

11%

12%

13%

14%

Barth. Co.

Indiana

National

ONB

Nov. 2011 Unemployment

9.0%

7.0%

8.6%

6%

7%

8%

9%

10%

Bartholomew

County

Indiana

National

HH income data per SNL Financial

Unemployment data provided by Indiana Department of Workforce Development and Bureau of Labor Statistics

13
Entry Into Seymour, IN (MSA)
3 full service branches
Deposits of \$190.6 million

22.2% of franchise

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

GROSS SALES (Notes 2 and 23)

SALES RETURNS AND ALLOWANCES (Notes 2 and 8)

NET SALES

COST OF SALES (Notes 9, 18 and 23)

GROSS PROFIT BEFORE AFFILIATES ELIMINATION

REALIZED GROSS PROFIT FROM AFFILIATES (Note 2)

GROSS PROFIT

OPERATING EXPENSES (Notes 18 and 23)

Research and development

General and administrative

Marketing

Total operating expenses

INCOME FROM OPERATIONS

NON-OPERATING INCOME AND GAINS

Equity in earnings of equity method investees, net (Notes 2 and 10)

Foreign exchange gain, net (Note 2)

Interest income

Technical service income (Note 23)

Others (Notes 2 and 23)

Total non-operating income and gains

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

NON-OPERATING EXPENSES AND LOSSES

Impairment loss on idle assets (Note 2)

Valuation loss on financial instruments, net (Notes 2, 5 and 22)

Interest expense

Loss on disposal of property, plant and equipment (Notes 2 and 23)

Others (Note 2)

Total non-operating expenses and losses

INCOME BEFORE INCOME TAX

INCOME TAX EXPENSE (Notes 2 and 17)

NET INCOME

EARNINGS PER SHARE (NT\$, Note 21)

Basic earnings per share

Diluted earnings per share

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

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

CASH FLOWS FROM OPERATING ACTIVITIES

Net income
 Adjustments to reconcile net income to net cash provided by operating activities:
 Depreciation and amortization
 Realized gross profit from affiliates
 Amortization of premium/discount of financial assets
 Equity in earnings of equity method investees, net
 Loss on disposal of property, plant and equipment and other assets, net
 Impairment loss on idle assets
 Deferred income tax
 Changes in operating assets and liabilities:
 Financial assets and liabilities at fair value through profit or loss
 Receivables from related parties
 Notes and accounts receivable
 Allowance for sales returns and others
 Other receivables from related parties
 Other financial assets
 Inventories
 Prepaid expenses and other current assets
 Accounts payable
 Payables to related parties
 Income tax payable
 Accrued profit sharing to employees and bonus to directors
 Accrued expenses and other current liabilities
 Accrued pension cost

Net cash provided by operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of:
 Property, plant and equipment
 Investments accounted for using equity method
 Proceeds from disposal of:
 Property, plant and equipment and other assets
 Proceeds from return of capital by investees
 Increase in deferred charges
 Decrease (increase) in refundable deposits
 Decrease (increase) in other assets

Net cash used in investing activities

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in short-term loans

Proceeds from issuance of bonds

Repayment of bonds

Decrease in guarantee deposits

Proceeds from exercise of employee stock options

Net cash provided by financing activities

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD

CASH AND CASH EQUIVALENTS, END OF PERIOD

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid

Income tax paid

INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS

Acquisition of property, plant and equipment

Decrease (increase) in payables to contractors and equipment suppliers

Cash paid

Disposal of property, plant and equipment and other assets

Increase in other receivables from related parties

Cash received

NON-CASH INVESTING AND FINANCING ACTIVITIES

Idle assets reclassified from property, plant and equipment

Current portion of bonds payable

Current portion of other long-term payables (under accrued expenses and other current liabilities)

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

Taiwan Semiconductor Manufacturing Company Limited

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (the Company or TSMC), a Republic of China (R.O.C.) corporation, was incorporated on

On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the N

As of March 31, 2012 and 2011, the Company had 30,053 and 30,283 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business A

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and us

Significant accounting policies are summarized as follows:

Foreign-currency Transactions

Foreign-currency transactions other than derivative contracts are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions o

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gain

Use of Estimates

The preparation of financial statements in conformity with the aforementioned guidelines, law and principles requires management to make reasonable ass

Classification of Current and Noncurrent Assets and Liabilities

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the balance sheet date.

Cash Equivalents

Repurchase agreements collateralized by corporate bonds and government bonds acquired with maturities of less than three months from the date of purchase.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Derivatives that do not meet the criteria for hedge accounting are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives are measured at fair value at each reporting date.

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value of a financial instrument is not readily determinable, the Company uses the fair value of similar instruments.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value are recognized in other comprehensive income.

The fair value of overseas publicly traded stock is determined using the closing prices at the end of the period. The fair value of debt securities is determined using the closing prices at the end of the period.

Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in other comprehensive income.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment is determined to be less than the amount previously recognized, the impairment is reversed.

Held-to-maturity Financial Assets

Debt securities for which the Company has a positive intention and ability to hold to maturity are categorized as held-to-maturity financial assets and are carried at amortized cost.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment

Financial Assets Carried at Cost

Investments for which the Company does not exercise significant influence and that do not have a quoted market price in an active market and whose fair value

Cash dividends are recognized as investment income upon resolution of shareholders of an investee. Stock dividends are recorded as an increase in the number of shares

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectability of receivables. The Company assesses the collectability of receivables based on historical experience and other factors.

The Company's provision was originally set at 1% of the amount of outstanding receivables. On January 1, 2011, the Company adopted the third revision of the allowance for doubtful receivables.

Because of the Company's short average collection period, the amount of the impairment loss recognized is the difference between the carrying amount of the receivables and the amount of the allowance for doubtful receivables.

Inventories

Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to write down an entire category of inventory.

Investments Accounted for Using Equity Method

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method.

When the Company subscribes for additional investee's shares at a percentage different from its existing ownership percentage, the resulting carrying amount is adjusted to reflect the change in ownership percentage.

Gains or losses on sales from the Company to equity method investees are deferred in proportion to the Company's ownership percentages in the investee.

If an investee's functional currency is a foreign currency, differences will result from the translation of the investee's financial statements into the reporting currency.

Property, Plant and Equipment, Assets Leased to Others and Idle Assets

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When an indication of impairment is identified, an impairment loss is recognized.

Depreciation is computed using the straight-line method over the following estimated service lives: buildings - 10 to 20 years; machinery and equipment - 5 to 10 years.

Upon sale or disposal of property, plant and equipment and assets leased to others, the related cost and accumulated depreciation are deducted from the carrying amount.

When property, plant and equipment are determined to be idle or useless, they are transferred to idle assets at the lower of the net realizable value or carryi

Intangible Assets

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill is no longer amorti

Deferred charges consist of technology license fees, software and system design costs and patent and others. The amounts are amortized over the following

Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense

Pension Costs

For employees who participate in defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees ind

Income Tax

The Company applies an inter-period allocation for its income tax whereby deferred income tax assets and liabilities are recognized for the tax effects of te

Any tax credits arising from purchases of machinery and equipment, research and development expenditures and personnel training expenditures are recog

Adjustments of prior years tax liabilities are added to or deducted from the current period s tax provision.

Income tax on unappropriated earnings at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earning

Stock-based Compensation

Employee stock options that were granted or modified in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations is

Revenue Recognition and Allowance for Sales Returns and Others

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred

Sales prices are determined using fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typic

Spin-off

In accordance with the Company's organization realignment, the Company contributed net assets, including cash, to the newly formed subsidiaries in excl

3. ACCOUNTING CHANGES

On January 1, 2011, the Company prospectively adopted the newly revised SFAS No. 34, Financial Instruments: Recognition and Measurement. The m

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, Operating Segments. The statement requires identification and disclosure of

4. CASH AND CASH EQUIVALENTS

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

The Company entered into derivative contracts during the three months ended March 31, 2012 and 2011 to manage exposures due to fluctuations of foreign exchange rates.

Outstanding forward exchange contracts consisted of the following:

Net losses on derivative financial instruments for the three months ended March 31, 2012 and 2011 were NT\$221,272 thousand and NT\$256,988 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

7. HELD-TO-MATURITY FINANCIAL ASSETS

8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

As of March 31, 2012 and 2011, the balance of the allowance for doubtful receivables was NT\$485,120 thousand and NT\$488,000 thousand, respectively.

Movements of the allowance for sales returns and others were as follows:

9. INVENTORIES

Write-down of inventories to net realizable value in the amount of NT\$680,850 thousand and NT\$650,892 thousand, respectively, were included in the cos

10.

INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

TSMC Global Ltd. (TSMC Global)
 TSMC Partners, Ltd. (TSMC Partners)
 TSMC China Company Limited (TSMC China)
 TSMC Solar
 Vanguard International Semiconductor Corporation (VIS)
 Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)
 TSMC SSL
 TSMC North America
 Xintec Inc. (Xintec)
 VentureTech Alliance Fund III, L.P. (VTAF III)
 Global UniChip Corporation (GUC)
 VentureTech Alliance Fund II, L.P. (VTAF II)
 TSMC Europe B.V. (TSMC Europe)
 Emerging Alliance Fund, L.P. (Emerging Alliance)
 TSMC Japan Limited (TSMC Japan)
 TSMC Guang Neng Investment, Ltd. (TSMC GN)
 TSMC Korea Limited (TSMC Korea)
 Motech Industries Inc. (Motech)
 TSMC Solar North America, Inc. (TSMC Solar NA)
 TSMC Solar Europe B.V. (TSMC Solar Europe)
 TSMC Lighting North America, Inc. (TSMC Lighting NA)

In the second half year of 2011, the Company continually increased its investment in TSMC China for the amount of NT\$6,759,300 thousand, and the Com

To foster a stronger sense of corporate entrepreneurship and facilitate business specializations in order to strengthen overall profitability and operational ef

In January 2012, the Company invested NT\$100,000 thousand and established a wholly-owned subsidiary, TSMC GN, which engages mainly in investment

For the three months ended March 31, 2012 and 2011, equity in earnings of equity method investees was a net gain of NT\$984,787 thousand and NT\$1,57

As of March 31, 2012 and 2011, the quoted market price of publicly traded stocks in unrestricted investments accounted for using the equity method (VIS

Movements of the difference between the cost of investments and the Company's share in investees' net assets allocated to depreciable assets were as follo

As of March 31, 2012 and 2011, balance of the aforementioned difference allocated to goodwill was NT\$1,061,885 thousand and NT\$1,415,565 thousand.

11. FINANCIAL ASSETS CARRIED AT COST

12. PROPERTY, PLANT AND EQUIPMENT

Cost
Buildings
Machinery and equipment
Office equipment

Accumulated depreciation
Buildings
Machinery and equipment
Office equipment

Advance payments and construction in progress

Cost
Buildings
Machinery and equipment
Office equipment

Accumulated depreciation
Buildings
Machinery and equipment
Office equipment

Advance payments and construction in progress

No interest was capitalized during the three months ended March 31, 2012 and 2011.

13. DEFERRED CHARGES, NET

Technology license fees

Software and system design costs
Patent and others

Technology license fees
Software and system design costs
Patent and others

14.

SHORT-TERM LOANS

15.

BONDS PAYABLE

16.

PENSION PLANS

The pension mechanism under the Labor Pension Act (the Act) is deemed a defined contribution plan. Pursuant to the Act, the Company has made mon

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average mon

Movements of the Fund and accrued pension cost under the defined benefit plan were summarized as follows:

17.

INCOME TAX

a.

A reconciliation of

b.

Income tax expens

c.

Net deferred income

Under Article 10 of the Statute for Industrial Innovation (SII) legislated and effective in May 2010, a profit-seeking enterprise may deduct up to 15% of its

d.

Integrated income

The balance of the imputation credit account as of March 31, 2012 and 2011 was NT\$4,003,228 thousand and NT\$1,669,533 thousand, respectively.

The estimated and actual creditable ratios for distribution of earnings of 2011 and 2010 were 6.67% and 4.96%, respectively.

The imputation credit allocated to shareholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may change with

e.

All earnings generated

f.

As of March 31, 2012

Law/Statute

Statute for Upgrading Industries

Law/Statute

Statute for Upgrading Industries

Statute for Upgrading Industries

Statute for Industrial Innovation

g.

The profits genera

h.

The tax authorities

18.

LABOR COST, DEPRECIATION AND AMORTIZATION

Labor cost
Salary and bonus
Labor and health i
Pension
Meal
Welfare
Others

Depreciation

Amortization

Labor cost
Salary and bonus
Labor and health i
Pension
Meal
Welfare
Others

Depreciation

Amortization

19.

SHAREHOLDERS EQUITY

As of March 31, 2012, 1,091,849 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was

Capital surplus can be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance

Capital surplus consisted of the following:

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous

a.

Legal capital reserve

b. Special capital reserve

c. Bonus to directors

d. Any balance left over

The Company's Articles of Incorporation also provide that profits of the Company may be distributed by way of cash dividend and/or stock dividend. However,

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

The Company accrued profit sharing to employees based on certain percentage of net income during the period, which amounted to NT\$2,236,553 thousand.

The Company no longer has supervisors since January 1, 2007. The required duties of supervisors are being fulfilled by the Audit Committee.

According to the revised Company Law, effective January 2012, the appropriation for legal capital reserve shall be made until the reserve equals the Company's

A special capital reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments)

The appropriations of earnings for 2011 and 2010 had been approved in a Board of Directors' meeting held on February 14, 2012 and a shareholders' meeting

Legal capital reserve
Special capital reserve
Cash dividends to shareholders

The Board of Directors also resolved on February 14, 2012 to appropriate profit sharing to employees and bonus to directors in the amounts of NT\$8,990,000.

The appropriations of earnings, profit sharing to employees and bonus to directors for 2011 are to be resolved in the shareholders' meeting held on June 13, 2012.

The Company's profit sharing to employees and bonus to directors in the amounts of NT\$10,908,338 thousand and NT\$51,131 thousand in cash for 2010.

The information about the appropriations of 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, R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the company's income tax expense.

20. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans, consisting of the 2004 Plan, 2003 Plan and 2002 Plan, were approved by the SFB on January 6, 2005, October 12, 2004 and October 12, 2003, respectively.

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of March 31, 2012.

Information about outstanding options for the three months ended March 31, 2012 and 2011 was as follows:

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

As of March 31, 2012, information about outstanding options was as follows:

As of March 31, 2012, all of the above outstanding options were exercisable.

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 2012 and 2011. Had the Company used the f

21.

EARNINGS PER SHARE

EPS is computed as follows:

Three months ended March 31, 2012

Basic EPS

Earnings available to common shareholders

Effect of dilutive potential common shares

Diluted EPS

Earnings available to common shareholders (including effect of dilutive potential common shares)

Three months ended March 31, 2011

Basic EPS

Earnings available to common shareholders

Effect of dilutive potential common shares

Diluted EPS

Earnings available to common shareholders (including effect of dilutive potential common shares)

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 s

The average number of shares outstanding for EPS calculation has been considered for the effect of retrospective adjustments. This adjustment caused each

22.

DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of fina

Assets

Financial assets at fair value through profit or loss

Available-for-sale financial assets

Held-to-maturity financial assets

Financial assets carried at cost

Liabilities

Financial liabilities at fair value through profit or loss

Bonds payable (including current portion)

Other long-term payables (including current portion)

b. Methods and assu

1)

2)

3)

4)

5)

6)

c. Valuation gains (lo

d. As of March 31, 2

e.

Movements of the

Balance, beginning
Recognized direct

Balance, end of pe

Balance, beginning
Recognized direct

Balance, end of pe

f.

Information about

1)

2)

3)

4)

23. RELATED PARTY TRANSACTIONS

The Company engages in business transactions with the following related parties:

TSMC North America	a.	Subsidiaries
TSMC China		
TSMC Europe		
TSMC Japan		
Xintec (holding a controlling financial interest)	b.	Investees
SSMC (accounted for using the equity method)		
VIS (accounted for using the equity method)		
WaferTech, LLC (WaferTech)	c.	Indirect subsidiaries
TSMC Technology, Inc. (TSMC Technology)		
TSMC Design Technology Canada, Inc. (TSMC Canada)		
VisEra Technology Company, Ltd. (VisEra), an indirect investee accounted for using the equity method.	d.	Indirect investee
Related parties over which the Company has control or exercises significant influence but with which the Company had no material transactions.	e.	Others

Transactions with the aforementioned parties, other than those disclosed in other notes, are summarized as follows:

For the three months ended March 31

Sales
TSMC North America
Others

Purchases

TSMC China

WaferTech

SSMC

VIS

Others

Manufacturing expenses

Xintec (outsourcing and rent)

VisEra (outsourcing)

VIS (rent)

Others

Research and development expenses

TSMC Technology (primarily consulting fee)

TSMC Canada (primarily consulting fee)

TSMC Europe (primarily consulting fee)

VIS (primarily rent)

Others

Marketing expenses - commission

TSMC Europe

TSMC Japan

TSMC China

Others

Sales of property, plant and equipment and other assets

TSMC China

VisEra

WaferTech

VIS

Others

Non-operating income and gains

VIS (primarily technical service income)

SSMC (primarily technical service income)

TSMC China (primarily technical service income and gains on disposal of property, pl

Others

Non-operating expenses and losses

TSMC China (primarily losses on disposal of property, plant and equipment)

As of March 31

Receivables
 TSMC North America
 Others

Other receivables
 SSMC
 VIS
 TSMC China
 Others

Payables
 TSMC China
 WaferTech
 VIS
 SSMC
 Others

Other assets (deferred credits)
 TSMC China
 VisEra
 Others

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

The Company leased certain buildings, facilities, and machinery and equipment from Xintec. The lease terms and prices were determined in accordance with

The Company leased certain office space and facilities from VIS. The lease terms and prices were determined in accordance with mutual agreements. The

The Company deferred the disposal gains/losses (classified under other assets and deferred credits) derived from sales of property, plant and equipment and

24.

SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from December 2012 to

As of March 31, 2012, future lease payments were as follows:

25.

SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of March 31, 2012, excluding those disclosed in other notes, were as follows:

- a. Under a technical
- b. Under several four
- c. Under a Sharehold
- d. In August 2006, T

breached the 2005

e.

In June 2010, Ker

f.

In December 2010

26.

EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL

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

Financial assets

Monetary items

USD

EUR

JPY

Non-monetary items

HKD

Investments accounted for using equity method

USD

EUR

JPY

RMB

Financial liabilities

Monetary items

USD

EUR

JPY

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

27. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Company and its investees:

- a. Financings provided
- b. Endorsement/guarantees
- c. Marketable securities
- d. Marketable securities
- e. Acquisition of investments
- f. Disposal of investments
- g. Total purchases from
- h. Receivables from
- i. Names, locations,

Do not meet the criteria for hedge accounting j. Information about

1)
TSMC China entered into forward exchange contracts during the three months ended March 31, 2012 to manage exposures due to foreign exchange rate fluctuations.

For the three months ended March 31, 2012, net gains arising from forward exchange contracts of TSMC China amounted to NT\$2,855 thousand.

2)
Xintec entered into forward exchange contracts during the three months ended March 31, 2012 to manage exposures due to foreign exchange rate fluctuations.

For the three months ended March 31, 2012, net gains arising from forward exchange contracts of Xintec amounted to NT\$10,057 thousand.

3)
TSMC Partners entered into forward exchange contracts during the three months ended March 31, 2012 to manage exposures due to foreign exchange rate fluctuations.

For the three months ended March 31, 2012, net losses arising from forward exchange contracts of TSMC Partners amounted to NT\$14,647 thousand.

4)

TSMC Solar entered into derivative contracts during the three months ended March 31, 2012 to manage exposures due to foreign exchange rate fluctuation

Outstanding cross currency swap contracts as of March 31, 2012 consisted of the following:

Maturity Date

April 2012

For the three months ended March 31, 2012, net losses arising from derivative financial instruments of TSMC Solar amounted to NT\$14,747 thousand.

5)

TSMC SSL entered into forward exchange contracts during the three months ended March 31, 2012 to manage exposures due to foreign exchange rate fluctuation

For the three months ended March 31, 2012, net losses arising from forward exchange contracts of TSMC SSL amounted to NT\$7,251 thousand.

Meet the criteria for hedge accounting

Xintec monitors and manages the financial risk through the analysis of business environment and evaluation of entity's financial risks. Further, Xintec sees

Xintec is exposed to interest rate risk because its long-term bank loans bear floating interest rates. Accordingly, Xintec enters into interest rate swap contracts

Hedged Item

Long-term bank loans

For the three months ended March 31, 2012, the adjustment for current period to shareholder's equity amounted to a loss of NT\$1 thousand for the above

k.

Information on inv

1)

2)

28.

OPERATING SEGMENTS INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements.

29.

THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the management on April 24, 2012.

Taiwan Semiconductor Manufacturing Company Limited and Investees

FINANCINGS PROVIDED

FOR THE THREE MONTHS ENDED MARCH 31, 2012

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

No.	Financing Company
1	TSMC Partners

Note 1:
Note 2:
Note 3:

The total amount for lending to a company for funding for a short-term period shall not exceed the total amount of the financing provided.
The total amount available for lending purpose shall not exceed the net worth of TSMC Partners.
The maximum balance for the period and ending balance represents the amounts approved by Board of Directors.

Taiwan Semiconductor Manufacturing Company Limited and Investees

MARKETABLE SECURITIES HELD

MARCH 31, 2012

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

Held Company Name

TSMC

TSMC Solar

Held Company Name

TSMC SSL

TSMC GN

TSMC Partners

TSMC North America

TSMC Development

Emerging Alliance

VTAF II

Held Company Name

VTAF II

VTAF III

Growth Fund

ISDF

ISDF II

Held Company Name

Xintec

TSMC Solar Europe

TSMC Global

Taiwan Semiconductor Manufacturing Company Limited and Investees

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE
 FOR THE THREE MONTHS ENDED MARCH 31, 2012

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

Company	Marketable Securities Type and Name
Name	
TSMC	<u>Stock</u>
	TSMC
	SSL
	TSMC
	GN

Note 1: The shares/units and amount of marketable securities acquired do not include stock dividends from
 Note 2: The ending balance includes translation adjustments, equity in earnings/losses of equity method investees

Taiwan Semiconductor Manufacturing Company Limited and Investees

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN C

FOR THE THREE MONTHS ENDED MARCH 31, 2012

(Amounts in Thousands of New Taiwan Dollars)

Company Name

TSMC

Taiwan Semiconductor Manufacturing Company Limited and Investees

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2012**

(Amounts in Thousands of New Taiwan Dollars)

Company Name

TSMC

Xintec

Note: The sales prices and payment terms to related parties were not significantly different from those of

Taiwan Semiconductor Manufacturing Company Limited and Investees

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

MARCH 31, 2012

(Amounts in Thousands of New Taiwan Dollars)

Company Name

TSMC

Xintec

Note 1:

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

Note 2:

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

Taiwan Semiconductor Manufacturing Company Limited and Investees

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

MARCH 31, 2012

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

Investor

Company

TSMC	TSMC Global
	TSMC Partners
	TSMC China
	TSMC Solar
	VIS
	SSMC
	TSMC North America
	TSMC SSL
	Xintec
	VTAF III
	GUC
	VTAF II
	Emerging Alliance
	TSMC Europe
	TSMC Japan
	TSMC Korea
	TSMC GN
TSMC Solar	Motech
	VTAF III
	TSMC Solar Europe
	TSMC Solar NA
TSMC SSL	TSMC Lighting NA

**Investor
Company**

TSMC Partners

TSMC Development

VTAF III

VTAF II

Emerging Alliance

TSMC Solar Europe

TSMC GN

Note 1:

Note 2:

Equity in earnings/losses of investees includes the effect of unrealized gross profit from affiliates.
The equity in the earnings/losses of the investee company is not reflected herein as such amount i

Taiwan Semiconductor Manufacturing Company Limited and Investees

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE THREE MONTHS ENDED MARCH 31, 2012

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

Investee Company

TSMC China

Shanghai Walden Venture Capital Enterprise

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:

TSMC Partners invested in financial assets carried at cost, equity in the earnings from which was

Taiwan Semiconductor Manufacturing

Company Limited and Subsidiaries

Consolidated Financial Statements for the

Three Months Ended March 31, 2012 and 2011 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 March 31, 2012 and 2011.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Review of Financial Statements," issued by the Auditing Standards Board.

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 the periods ended on the dates indicated.

April 24, 2012

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows.

For the convenience of readers, the accountants' review report and the accompanying consolidated financial statements have been translated into English.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Notes 2 and 4)
 Financial assets at fair value through profit or loss (Notes 2, 5 and 25)
 Available-for-sale financial assets (Notes 2, 6 and 25)
 Held-to-maturity financial assets (Notes 2, 7 and 25)
 Receivables from related parties (Notes 3 and 26)
 Notes and accounts receivable (Note 3)
 Allowance for doubtful receivables (Notes 2, 3 and 8)
 Allowance for sales returns and others (Notes 2 and 8)
 Other receivables from related parties (Notes 3 and 26)
 Other financial assets (Note 27)
 Inventories (Notes 2 and 9)
 Deferred income tax assets (Notes 2 and 20)
 Prepaid expenses and other current assets

Total current assets

LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 25)

Investments accounted for using equity method
 Available-for-sale financial assets
 Held-to-maturity financial assets
 Financial assets carried at cost

Total long-term investments

PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 26 and 27)

Cost
 Land and land improvements
 Buildings
 Machinery and equipment
 Office equipment
 Leased assets

Accumulated depreciation
 Advance payments and construction in progress

Net property, plant and equipment

INTANGIBLE ASSETS

Goodwill (Note 2)

Deferred charges, net (Notes 2 and 14)

Total intangible assets

OTHER ASSETS

Deferred income tax assets, net (Notes 2 and 20)

Refundable deposits

Others (Notes 2 and 27)

Total other assets

TOTAL

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES

Short-term loans (Note 15)

Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25)

Hedging derivative financial liabilities (Notes 2, 11 and 25)

Accounts payable

Payables to related parties (Note 26)

Income tax payable (Notes 2 and 20)

Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22)

Payables to contractors and equipment suppliers

Accrued expenses and other current liabilities (Notes 13, 18, 25 and 29)

Current portion of bonds payable and long-term bank loans (Notes 16, 17, 25 and 27)

Total current liabilities

LONG-TERM LIABILITIES

Bonds payable (Notes 16 and 25)

Long-term bank loans (Notes 17, 25 and 27)

Other long-term payables (Notes 18, 25 and 29)

Obligations under capital leases (Notes 2, 13, and 25)

Total long-term liabilities

OTHER LIABILITIES

Accrued pension cost (Notes 2 and 19)

Guarantee deposits (Note 29)

Others

Total other liabilities

Total liabilities

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

Capital stock - NT\$10 par value (Note 22)

Authorized: 28,050,000 thousand shares

Issued: 25,920,604 thousand shares in 2012

25,914,193 thousand shares in 2011

Capital surplus (Notes 2 and 22)

Retained earnings (Note 22)

Appropriated as legal capital reserve

Appropriated as special capital reserve

Unappropriated earnings

Others

Cumulative translation adjustments (Note 2)

Unrealized gain (loss) on financial instruments (Notes 2, 11 and 25)

Equity attributable to shareholders of the parent

MINORITY INTERESTS (Note 2)

Total shareholders' equity

TOTAL

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

GROSS SALES (Notes 2 and 26)

SALES RETURNS AND ALLOWANCES (Notes 2 and 8)

NET SALES (Note 33)

COST OF SALES (Notes 9, 21 and 26)

GROSS PROFIT BEFORE AFFILIATES ELIMINATION

REALIZED GROSS PROFIT FROM AFFILIATES (Note 2)

GROSS PROFIT

OPERATING EXPENSES (Notes 21 and 26)

Research and development

General and administrative

Marketing

Total operating expenses

INCOME FROM OPERATIONS (Note 33)

NON-OPERATING INCOME AND GAINS

Interest income

Foreign exchange gain, net (Note 2)

Technical service income (Notes 26 and 29)

Gain on settlement and disposal of financial assets, net (Notes 2 and 25)

Equity in earnings of equity method investees, net (Notes 2 and 10)

Gain on disposal of property, plant and equipment and other assets (Notes 2 and 26)

Others

Total non-operating income and gains

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

NON-OPERATING EXPENSES AND LOSSES

Impairment loss on idle assets (Note 2)

Valuation loss on financial instruments, net (Notes 2, 5 and 25)

Interest expense

Impairment of financial assets (Notes 2, 12 and 25)

Loss on disposal of property, plant and equipment (Note 2)

Others (Note 2)

Total non-operating expenses and losses

INCOME BEFORE INCOME TAX

INCOME TAX EXPENSE (Notes 2 and 20)

NET INCOME

ATTRIBUTABLE TO:

Shareholders of the parent

Minority interests

EARNINGS PER SHARE (NT\$, Note 24)

Basic earnings per share

Diluted earnings per share

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

CASH FLOWS FROM OPERATING ACTIVITIES

Net income attributable to shareholders of the parent
Net income (loss) attributable to minority interests
Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization
Realized gross profit from affiliates
Amortization of premium/discount of financial assets
Impairment of financial assets
Gain on disposal of available-for-sale financial assets, net
Loss (gain) on disposal of financial assets carried at cost, net
Equity in earnings of equity method investees, net
Loss on disposal of property, plant and equipment and other assets, net
Impairment loss on idle assets
Deferred income tax
Changes in operating assets and liabilities:
Financial assets and liabilities at fair value through profit or loss
Receivables from related parties
Notes and accounts receivable
Allowance for doubtful receivables
Allowance for sales returns and others
Other receivables from related parties
Other financial assets
Inventories
Prepaid expenses and other current assets
Accounts payable
Payables to related parties
Income tax payable
Accrued profit sharing to employees and bonus to directors and supervisors
Accrued expenses and other current liabilities
Accrued pension cost

Net cash provided by operating activities

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of:

Property, plant and equipment

Available-for-sale financial assets

Financial assets carried at cost

Proceeds from disposal or redemption of:

Available-for-sale financial assets

Held-to-maturity financial assets

Financial assets carried at cost

Property, plant and equipment and other assets

Increase in deferred charges

Decrease (increase) in refundable deposits

Increase in other assets

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in short-term loans

Proceed from long-term bank loans

Repayment of long-term bank loans

Proceeds from issuance of bonds

Repayment of bonds

Decrease in obligations under capital leases

Decrease in other long-term payables

Decrease in guarantee deposits

Proceeds from exercise of employee stock options

Increase in minority interests

Net cash provided by financing activities

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD

CASH AND CASH EQUIVALENTS, END OF PERIOD

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid

Income tax paid

INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS

Acquisition of property, plant and equipment

Decrease in payables to contractors and equipment suppliers

Nonmonetary exchange trade-out price

Cash paid

Disposal of property, plant and equipment and other assets

Nonmonetary exchange trade-out price

Cash received

Acquisition of available-for-sale financial assets

Increase in accrued expenses and other current liabilities

Cash paid

Disposal of available-for-sale financial assets

Increase in other financial assets

Cash received

NON-CASH FINANCING ACTIVITIES

Idle assets reclassified from property, plant and equipment

Current portion of bonds payable

Current portion of long-term bank loans

Current portion of other long-term payables (under accrued expenses and other current liabilities)

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(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

On September 5, 1994, TSMC's shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on

As of March 31, 2012 and 2011, TSMC and its subsidiaries had 35,594 and 35,665 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared

Significant accounting policies are summarized as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of TSMC, and the accounts

The consolidated entities were as follows:

Name of Investor

TSMC

TSMC Partners

TSMC Development

VTAF III

VTAF III, VTAF II and Emerging Alliance

GUC

GUC-BVI

Name of Investor

TSMC SSL

TSMC Solar

TSMC Solar Europe

Note 1:

In August 2011, TSMC adjusted its investment structure and part of VTAF III to TSMC Solar.

Note 2:

Since July 2011, TSMC is no longer deemed to be a subsidiary of GUC and its subsidiaries are no longer consolidated.

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of March 31, 2012.

Since July 2011, TSMC is no longer deemed to be a controlling entity of GUC and its subsidiaries due to the termination of a Shareholders Agreement. As a result, TSMC is no longer deemed to be a subsidiary of GUC and its subsidiaries are no longer consolidated.

TSMC North America is engaged in selling and marketing of integrated circuits and semiconductor devices. TSMC Japan, TSMC Korea and TSMC Europe are also engaged in selling and marketing of integrated circuits and semiconductor devices.

is engaged in investing activities of solar related business. TSMC Solar Europe GmbH is engaged in the selling and customer service of solar cell modules

To foster a stronger sense of corporate entrepreneurship and facilitate business specializations in order to strengthen overall profitability and operational ef

TSMC together with its subsidiaries are hereinafter referred to collectively as the Company.

Minority interests in the aforementioned subsidiaries are presented as a separate component of shareholders equity.

Foreign-currency Transactions and Translation of Foreign-currency Financial Statements

Foreign-currency transactions other than derivative contracts are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions o

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gain

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - spot rates at

Use of Estimates

The preparation of consolidated financial statements in conformity with the aforementioned guidelines and principles requires management to make reason

Classification of Current and Noncurrent Assets and Liabilities

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the balance sheet da

Cash Equivalents

Repurchase agreements collateralized by corporate bonds and government bonds, corporate bonds, and agency bonds acquired with maturities of less than

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Derivatives that do not meet the criteria for hedge accounting are initially recognized at fair value, with transaction costs expensed as incurred. The derivat

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the

Available-for-sale Financial Assets

Investments designated as available-for-sale financial assets include debt securities and equity securities. Available-for-sale financial assets are initially rec

Fair value is determined as follows: Open-end mutual funds and money market funds - net asset values at the end of the period; publicly traded stocks - clo

Cash dividends are recognized as investment income upon resolution of shareholders of an investee. Stock dividends are recorded as an increase in the num

Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment

Held-to-maturity Financial Assets

Debt securities for which the Company has a positive intention and ability to hold to maturity are categorized as held-to-maturity financial assets and are ca

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment

Hedging Derivative Financial Instruments

Hedge derivatives are mainly derivatives instruments that are for cash flow hedge purposes and determined to be an effective hedge. The portion of the gain

Financial Assets Carried at Cost

Investments for which the Company does not exercise significant influence and that do not have a quoted market price in an active market and whose fair value

The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectability of receivables. The Company assesses the collectability of receivables

TSMC's provision was originally set at 1% of the amount of outstanding receivables. On January 1, 2011, the Company adopted the third revision of State

Because of the Company's short average collection period, the amount of the impairment loss recognized is the difference between the carrying amount of

Inventories

Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate

Investments Accounted for Using Equity Method

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method.

When the Company subscribes for additional investee's shares at a percentage different from its existing ownership percentage, the resulting carrying amount is adjusted to reflect the change in ownership percentage.

Gains or losses on sales from the Company to equity method investees or from equity method investees to the Company are deferred in proportion to the Company's ownership percentage.

If an investee's functional currency is a foreign currency, differences will result from the translation of the investee's financial statements into the reporting currency.

Property, Plant and Equipment, Assets Leased to Others and Idle Assets

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. Properties covered by agreements qualifying as operating leases are accounted for as if they were owned.

Depreciation is computed using the straight-line method over the following estimated service lives: land improvements - 20 years; buildings - 10 to 20 years; equipment - 5 to 7 years.

Upon sale or disposal of property, plant and equipment and assets leased to others, the related cost and accumulated depreciation are deducted from the carrying amount to determine the gain or loss.

When property, plant and equipment are determined to be idle or useless, they are transferred to idle assets at the lower of the net realizable value or carrying amount.

Intangible Assets

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill is no longer amortized.

Deferred charges consist of technology license fees, software and system design costs and patent and others. The amounts are amortized over the following periods:

Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense as incurred.

Pension Costs

For employees who participate in defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees' pension plans.

Income Tax

The Company applies an inter-period allocation for its income tax whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences.

Any tax credits arising from purchases of machinery and equipment, research and development expenditures and personnel training expenditures are recognized as a reduction of income tax expense.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's tax provision.

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 10% is expensed in the year of shareholder distribution.

Stock-based Compensation

Employee stock options that were granted or modified in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations issued by the Financial Accounting Standards Board.

expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to cap

Revenue Recognition and Allowance for Sales Returns and Others

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred

Sales prices are determined using fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typic

3. ACCOUNTING CHANGES

On January 1, 2011, the Company prospectively adopted the newly revised SFAS No. 34, Financial Instruments: Recognition and Measurement. The m

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, Operating Segments. The statement requires identification and disclosure of

4. CASH AND CASH EQUIVALENTS

5.

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company entered into derivative contracts during the three months ended March 31, 2012 and 2011 to manage exposures due to fluctuations of foreign exchange rates.

Outstanding forward exchange contracts consisted of the following:

Outstanding cross currency swap contracts consisted of the following:

Maturity Date

March 31, 2012

April 2012

Net losses on derivative financial instruments for the three months ended March 31, 2012 and 2011 were NT\$245,005 thousand and NT\$282,237 thousand

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

7. HELD-TO-MATURITY FINANCIAL ASSETS

8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND O

Movements of the allowance for doubtful receivables were as follows:

Movements of the allowance for sales returns and others were as follows:

9. INVENTORIES

Write-down of inventories to net realizable value in the amount of NT\$642,307 thousand and NT\$672,567 thousand, respectively, were included in the cost of sales.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Vanguard International Semiconductor Corporation (VIS)
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)
Motech Industries Inc. (Motech)
VisEra Holding Company (VisEra Holding)
GUC
Mcube Inc. (Mcube)

Since July 2011, TSMC is no longer deemed to be a controlling entity of GUC and its subsidiaries due to the termination of a Shareholders' Agreement. As a result, TSMC's investment in GUC is accounted for using the equity method.

For the three months ended March 31, 2012 and 2011, equity in earnings of equity method investees was a net gain of NT\$20,952 thousand and NT\$520,100 thousand, respectively.

The quoted market price of publicly traded stocks in unrestricted investments accounted for using the equity method was NT\$13,192,202 thousand (VIS and

Movements of the difference between the cost of investments and the Company's share in investees' net assets allocated to depreciable assets were as follows:

As of March 31, 2012 and 2011, balance of the aforementioned difference allocated to goodwill was NT\$1,415,565 thousand. There was no acquisition or

11. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

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.

Contract Amount

(In Thousands)

March 31, 2012

NT\$68,000

March 31, 2011

NT\$116,000

For the three months ended March 31, 2012 and 2011, the adjustment for the current period to shareholders' equity amounted to net losses of NT\$1 thousand.

12.

FINANCIAL ASSETS CARRIED AT COST

The common stock of InvenSense, Inc. was listed on the NYSE in November 2011. Thus, the Company reclassified the aforementioned investments from

For the three months ended March 31, 2012 and 2011, the Company recognized impairment on financial assets carried at cost of NT\$4,390 thousand and N

13.

PROPERTY, PLANT AND EQUIPMENT

Cost

Land and land improvements

Buildings

Machinery and equipment

Office equipment

Leased asset

Accumulated depreciation

Land and land improvements

Buildings

Machinery and equipment

Office equipment

Leased asset

Advance payments and construction in progress

Cost

Land and land improvements

Buildings

Machinery and equipment
Office equipment
Leased asset

Accumulated depreciation
Land and land improvements
Buildings
Machinery and equipment
Office equipment
Leased asset

Advance payments and construction in progress

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

As of March 31, 2012, future lease payments were as follows:

During the three months ended March 31, 2012, the Company capitalized the borrowing costs directly attributable to the acquisition or construction of prop

14. DEFERRED CHARGES, NET

Technology license fee
Software and system design costs
Patent and others

Technology license fee
Software and system design costs
Patent and others

15. SHORT-TERM LOANS

16.

BONDS PAYABLE

17.

LONG-TERM BANK LOANS

Pursuant to the loan agreements, financial ratios calculated based on semi-annual and annual financial statements of Xintec must comply with predetermined

As of March 31, 2012, future principal repayments for the long-term bank loans were as follows:

18. OTHER LONG-TERM PAYABLES

The payables for royalties were primarily attributable to several license arrangements that the Company entered into for certain semiconductor-related patents.

As of March 31, 2012, future repayments for other long-term payable were as follows:

19. PENSION PLANS

The pension mechanism under the Labor Pension Act (the Act) is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, Xintec, Mutual

TSMC, GUC, Xintec, TSMC SSL and TSMC Solar have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's

Movements in the Funds and accrued pension cost under the defined benefit plans were summarized as follows:

20.

INCOME TAX

a.

A reconciliation of

b.

Income tax expens

c.

Net deferred incom

Under the Article 10 of the Statute for Industrial Innovation (SII) legislated, effective in May 2010, a profit-seeking enterprise may deduct up to 15% of its

As of March 31, 2012, the net operating loss carryforwards generated by WaferTech, TSMC Development, Mutual-Pak, TSMC SSL and TSMC Solar wou

d.

Integrated income

The balance of the imputation credit account of TSMC as of March 31, 2012 and 2011 was NT\$4,003,228 thousand and NT\$1,669,533 thousand, respectiv

The estimated and actual creditable ratios for distribution of TSMC s earnings of 2011 and 2010 were 6.67% and 4.96%, respectively.

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

e. All of TSMC's ea

f. As of March 31, 20

Law/Statu

Statute for Upgrading Industries

Statute for Upgrading Industries

Statute for Upgrading Industries

Statute for Industrial Innovation

g. The profits genera

h. The tax authorities

21.

LABOR COST, DEPRECIATION AND AMORTIZATION

Labor cost
 Salary and bonus
 Labor and health i
 Pension
 Meal
 Welfare
 Others

Depreciation

Amortization

Labor cost
 Salary and bonus
 Labor and health i
 Pension
 Meal
 Welfare
 Others

Depreciation

Amortization

22.

SHAREHOLDERS EQUITY

As of March 31, 2012, 1,091,849 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,459.

Capital surplus can be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance

Capital surplus consisted of the following:

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

- a. Legal capital reserve
- b. Special capital reserve
- c. Bonus to directors
- d. Any balance left over

TSMC's Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribu

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\$2,236,553 thousand and N

TSMC no longer has supervisors since January 1, 2007. The required duties of supervisors are being fulfilled by the Audit Committee.

According to the revised Company Law, effective January 2012, the appropriation for legal capital reserve shall be made until the reserve equals the Comp

A special capital reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments).

The appropriations of earnings for 2011 and 2010 had been approved in TSMC's Board of Directors' meeting held on February 14, 2012 and TSMC's shareholders' meeting held on February 14, 2012.

Legal capital reserve
Special capital reserve
Cash dividends to shareholders

TSMC's Board of Directors also resolved on February 14, 2012 to appropriate profit sharing to employees and bonus to directors in the amounts of NT\$8,000,000 and NT\$51,131 thousand, respectively.

The appropriations of earnings, profit sharing to employees and bonus to directors for 2011 are to be resolved in the TSMC's shareholders' meeting held on February 14, 2012.

TSMC's profit sharing to employees and bonus to directors in the amounts of NT\$10,908,338 thousand and NT\$51,131 thousand in cash for 2010, respectively.

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

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 tax credit.

23.

STOCK-BASED COMPENSATION PLANS

TSMC's Employee Stock Option Plans, consisting of the TSMC 2004 Plan, TSMC 2003 Plan and TSMC 2002 Plan, were approved by the SFB on January 14, 2004.

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of March 31, 2012.

Information about TSMC's outstanding options for the three months ended March 31, 2012 and 2011 was as follows:

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

As of March 31, 2012, information about TSMC's outstanding options was as follows:

As of March 31, 2012, all of the above outstanding options were exercisable.

Xintec's Employee Stock Option Plans, consisting of the Xintec 2007 Plan and Xintec 2006 Plan, were approved by the SFB on June 26, 2007 and July 3,

Information about Xintec's outstanding options for the three months ended March 31, 2012 and 2011 was as follows:

The exercise prices have been adjusted to reflect the distribution of earnings by Xintec in accordance with the plans.

As of March 31, 2012, information about Xintec's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)
\$10.9-\$12.7
14.9- 18.8

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 2012 and 2011. Had the Company used the f

The Board of Directors of TSMC SSL and TSMC Solar resolved on November 21, 2011 to issue new shares for cash and reserved 17,175 thousand shares

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

Three months ended March 31, 2012

Balance, beginning of period

Options granted

Options exercised

Balance, end of period

The grant date of aforementioned stock options was January 9, 2012. TSMC SSL and TSMC Solar used the Black-Scholes model to determine the fair value

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

24.

EARNINGS PER SHARE

EPS is computed as follows:

Three months ended March 31, 2012

Basic EPS

Earnings available to common shareholders of the parent

Effect of dilutive potential common shares

Diluted EPS

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

Three months ended March 31, 2011

Basic EPS

Earnings available to common shareholders of the parent

Effect of dilutive potential common shares

Diluted EPS

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

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 s

The average number of shares outstanding for EPS calculation has been considered for the effect of retrospective adjustments. This adjustment caused each

25.

DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of fina

Assets

Financial assets at fair value through profit or loss

Available-for-sale financial assets

Held-to-maturity financial assets

Financial assets carried at cost

Liabilities

Financial liabilities at fair value through profit or loss
 Hedging derivative financial liabilities
 Bonds payable (including current portion)
 Long-term bank loans (including current portion)
 Other long-term payables (including current portion)
 Obligations under capital leases (including current portion)

b. Methods and assumptions

1)

2)

3)

4)

5)

6)

c. Valuation gains (losses)

d. As of March 31, 2019

e.

Movements of the

Balance, beginning of period
Recognized directly in shareholders' equity
Removed from shareholders' equity and recognized in earnings

Balance, end of period

Balance, beginning of period
Recognized directly in shareholders' equity
Removed from shareholders' equity and recognized in earnings

Balance, end of period

f.

Information about

1)

2)

3)

4)

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. g. The Company sees

Hedged Item

March 31, 2012

Long-term bank loans

March 31, 2011

Long-term bank loans

26.

RELATED PARTY TRANSACTIONS

Except as disclosed in the consolidated financial statements and other notes, the following is a summary of significant related party transactions:

a.

Investees of TSMC

GUC (prior to July 2011, GUC was a subsidiary. Since July 2011, GUC is accounted for using the equity method.)

VIS (accounted for using the equity method)

SSMC (accounted for using the equity method)

b.

Indirect investee

VisEra Technology Company, Ltd. (VisEra), an indirect investee accounted for using the equity method by TSMC.

Mcube, an indirect investee accounted for using the equity method by TSMC.

c.

Others

Related parties over which the Company has significant influence but with which the Company had no material transactions.

For the three months ended March 31

Sales
 GUC
 VIS
 Others

Purchases
 SSMC
 VIS
 Others

Manufacturing expenses
 VisEra (primarily outsourcing)
 VIS (primarily rent)

Research and development expense
 VisEra
 VIS (primarily rent)

Sales of property, plant and equipment and other assets
 VisEra
 VIS

Purchase of property, plant and equipment
 VisEra

Non-operating income and gains
 VIS (primarily technical service income)
 SSMC (primarily technical service income)
 Others

As of March 31

Receivables
 GUC

Mcube
VisEra

Other receivables
SSMC
VIS
Others

Payables
VIS
SSMC
Others

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

The Company leased certain office space and facilities from VIS. The lease terms and prices were determined in accordance with mutual agreements. The

27.

PLEGDED OR MORTGAGED ASSETS

The Company provided certain assets as collateral mainly for long-term bank loans, land lease agreements and customs duty guarantee, which were as follows

28.

SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land, factory and office premises from the Science Park Administration and Jhongli Industrial Park Service Center.

The Company entered into lease agreements for its office premises and certain office equipment located in the United States, Japan, Shanghai and Taiwan.

As of March 31, 2012, future lease payments were as follows:

29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of March 31, 2012, excluding those disclosed in other notes, were as follows:

- a. Under a technical
- b. Under several four
- c. Under a Sharehold
- d. In August 2006, T

are in addition to t

e.

In June 2010, Ker

f.

In December 2010

g.

TSMC entered into

h.

Amounts available

30.

EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL

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

Financial assets

Monetary items

USD

EUR

JPY

RMB

Financial assets

Non-monetary items

USD

HKD

Investments accounted for using equity method

USD

Financial liabilities

Monetary items

USD

EUR

JPY

RMB

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

31.

PRE-DISCLOSURE OF THE ADOPTION OF INTERNATIONAL FINANCIAL

According to the Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company is required to provide p

a.

On May 14, 2009,

- 1) Establish the
- 2) Complete the

- 3) Complete the
- 4) Evaluate pot
- 5) Complete the
- 6) Set up a wor
- 7) Personnel tra
- 8) Determine II
- 9) Develop fina
- 10) Complete ev
- 11) Communicat
- 12) Complete th
- 13) Complete m
- 14) Prepare com

IFRS 1, First-time Adoption of International Financial Reporting Standards, b. establishes the procedures for the Company's first consolidated financial statements. Exemptions from IFRS 1 are as follows:

1)

2)

3)

c.

As of March 31, 2012, the Company was not eligible for any of the exemptions available under IFRS 1.

1)

Item

R.O

Current assets

Cash and cash equivalents

Financial assets at fair value through profit or loss

Available-for-sale financial assets

Held-to-maturity financial assets

Receivables from related parties

Notes and accounts receivable

Allowance for doubtful receivables

Allowance for sales returns and others

Other receivables from related parties

Other financial assets

Inventories

Deferred income tax assets

Prepaid expenses and other current assets

Total current assets

Long-term investments

Investments accounted for using equity method

Held-to-maturity financial assets

Item

R.O.C. G

Financial assets carried at cost

Total long-term investments

Net property, plant and equipment

Intangible assets

Other assets

Deferred income tax assets

Refundable deposits

Others

Total other assets

Total

Current liabilities

Short-term loans

Financial liabilities at fair value through profit or loss

Hedging derivative financial liabilities

Accounts payable

Payables to related parties

Income tax payable

Salary and bonus payable

Accrued profit sharing to employees and bonus to directors and supervisors

Payables to contractors and equipment suppliers

Accrued expenses and other current liabilities

Current portion of bonds payable and long-term bank loans

Total current liabilities

Long-term liabilities

Bonds payable

Long-term bank loans

Obligations under capital leases

Total long-term liabilities

Other liabilities

Accrued pension cost

Guarantee deposits

Others

Total other liabilities

Total liabilities

Equity attributable to shareholders of the parent

Capital stock

Capital surplus

Retained earnings

Appropriated as legal capital reserve

Appropriated as special capital reserve

Unappropriated earnings

Others

Cumulative translation adjustments

Unrealized gain (loss) on financial instruments

Equity attributable to shareholders of the parent

Minority interests

Total shareholders' equity

Total

Item	R.O.C. G
------	----------

Current assets	
----------------	--

Cash and cash Equivalents	
---------------------------	--

Financial assets at fair value through profit or loss	
---	--

Available-for-sale financial assets	
-------------------------------------	--

Held-to-maturity financial assets	
-----------------------------------	--

Receivables from related parties	
----------------------------------	--

Notes and accounts receivable	
-------------------------------	--

Allowance for doubtful receivables	
------------------------------------	--

Allowance for sales returns and others	
--	--

Other receivables from related parties	
--	--

Other financial assets	
------------------------	--

Inventories	
-------------	--

Deferred income tax assets	
----------------------------	--

Prepaid expenses and other current assets	
---	--

Total current assets	
----------------------	--

Long-term investments	
-----------------------	--

Investments accounted for using equity method	
---	--

Held-to-maturity financial assets	
-----------------------------------	--

Financial assets carried at cost	
----------------------------------	--

Total long-term investments	
-----------------------------	--

Net property, plant and equipment	
-----------------------------------	--

Intangible assets	
-------------------	--

Other assets	
--------------	--

Deferred income tax assets	
----------------------------	--

Refundable deposits	
---------------------	--

Others	
--------	--

Total other assets	
--------------------	--

Total	
-------	--

Current liabilities	
---------------------	--

Short-term loans	
------------------	--

Financial liabilities at fair value through profit or loss	
--	--

Hedging derivative financial liabilities	
--	--

Accounts payable	
------------------	--

Payables to related parties	
-----------------------------	--

Income tax payable	
--------------------	--

Item

R.O.C. C

Accrued profit sharing to employees and bonus to directors and supervisors
 Payables to contractors and equipment suppliers
 Accrued expenses and other current liabilities
 Current portion of bonds payable and long-term bank loans

Total current liabilities

Long-term liabilities
 Bonds payable
 Long-term bank loans
 Other long-term payable
 Obligations under capital leases

Total long-term liabilities

Other liabilities
 Accrued pension cost
 Guarantee deposits

Others

Total other liabilities

Total liabilities

Equity attributable to shareholders of the parent
 Capital stock

Capital surplus

Retained earnings
 Appropriated as legal capital reserve
 Appropriated as special capital reserve
 Unappropriated earnings

Others
 Cumulative translation adjustments
 Unrealized gain (loss) on financial instruments

Equity attributable to shareholders of the parent
 Minority interests

Total shareholders equity

Total

Item	R.O.C.
------	--------

Net sales	
Cost of sales	

Gross profit before affiliates elimination	
Realized gross profit from affiliates	

Gross profit	
--------------	--

Operating expenses	
Research and development	
General and administrative	
Marketing	

Total operating expenses	
--------------------------	--

Income from operations	
------------------------	--

Non-operating income and gains	
Interest income	
Foreign exchange gain, net	
Technical service income	
Gain on settlement and Disposal of financial assets, net	
Equity in earnings of equity method investees, net	
Gain on disposal of property, plant and equipment and other assets	
Others	

Non-operating expenses and losses	
Impairment loss on idle assets	
Valuation loss on Financial instruments, net	
Interest expense	
Impairment of financial assets	
Loss on disposal of property, plant and equipment	
Others	

Income before income tax	
Income tax expense	

Net income	
------------	--

4)

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. As of March 31, 2012 and January 1, 2012, the amounts reclassified from allowance for sales returns and others to provisions were NT\$5,428,410 thousand.

Under R.O.C. GAAP, a deferred tax asset and liability is classified as current or non-current in accordance with the classification of its related 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 be realized. As of March 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to non-current assets were NT\$6,736,065 thousand.

Under R.O.C. GAAP, leased assets and idle assets are classified under other assets. Under IFRSs, the aforementioned items are classified as property, plant and equipment. As of March 31, 2012 and January 1, 2012, the amounts reclassified from leased assets and idle assets to property, plant and equipment were NT\$37,042 thousand.

The Company had previously applied an actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit expense.

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 are recognized in the period in which they occur.

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.

At the transition date, the Company performed the actuarial valuation under IAS No. 19, Employee Benefits, and recognized the valuation difference in the period of transition.

The Company has evaluated significant differences between current accounting policies and IFRSs for the Company's associates and joint ventures accounted for using the equity method.

In addition, if the investing company subscribes for additional investee's shares at a percentage different from its existing ownership percentage that results in a change in ownership percentage, the Company will account for the investment using the equity method.

As of March 31, 2012 and January 1, 2012, as a result of the differences mentioned above, investment accounted for using the equity method was adjusted to reflect the difference between the carrying amount and the fair value of the investment.

In accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers before its amendment due to the adoption of IFRSs, the Company has evaluated the impact of the adoption of IFRSs on its financial statements.

Under IFRSs, based on the nature of operating transactions, the Company reclassified technical service income of NT\$107,156 thousand for the three months ended March 31, 2015.

d. The Company's a

32.

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 disclosed.

a. Financings provided

b. Endorsement/guar

c. Marketable securities

d. Marketable securities

e. Acquisition of indiv

f. Disposal of indivi

g. Total purchases fr

h. Receivables from

i. Names, locations,

j. Information on inv

1)

2)

k.

Intercompany rela

33. OPERATING SEGMENT INFORMATION

The Company's only reportable segment is the foundry segment. The foundry segment engages mainly in the manufacturing, selling, packaging, testing and

The Company uses the operating profit as the measurement for segment profit and the basis of performance assessment. There was no material inconsistency

The Company's operating segment information was as follows:

Three months ended March 31, 2012

Sales from external customers

Sales among intersegments

Operating profit (loss)

Three months ended March 31, 2011

Sales from external customers

Sales among intersegments

Operating profit (loss)

34. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the management on April 24, 2012.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

FINANCINGS PROVIDED

FOR THE THREE MONTHS ENDED MARCH 31, 2012

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

No.	Financing Company
1	TSMC Partners

Note 1:
Note 2:
Note 3:

The total amount for lending to a company for funding for a short-term period
The total amount available for lending purpose shall not exceed the net worth
The maximum balance for the period and ending balance represents the amount

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES HELD

MARCH 31, 2012

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

Held Company Name

TSMC

TSMC Solar

Held Company Name

TSMC SSL

TSMC GN

TSMC Partners

TSMC North America

TSMC Development

Emerging Alliance

VTAF II

Held Company Name

VTAF II

VTAF III

Growth Fund

ISDF

ISDF II

Held Company Name

Xintec

TSMC Solar Europe

TSMC Global

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
FOR THE THREE MONTHS ENDED MARCH 31, 2012**

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

**Company
Name**

TSMC

Stock

TSMC SSL

TSMC GN

Note 1:

Note 2:

The shares/units and amount of marketable securities acquired do not include

The ending balance includes translation adjustments, equity in earnings/losses

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 C

FOR THE THREE MONTHS ENDED MARCH 31, 2012

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Types of Property
TSMC	Fab
	Fab
	Fab

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 THREE MONTHS ENDED MARCH 31, 2012

(Amounts in Thousands of New Taiwan Dollars)

**Company
Name**

TSMC	TSMC North America
	GUC
	TSMC China
	WaferTech
	SSMC
	VIS
Xintec	OmniVision

Note: The sales prices and payment terms to related parties were not significantly different from those of

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

MARCH 31, 2012

(Amounts in Thousands of New Taiwan Dollars)

**Company
Name**

TSMC	TSMC North America SSMC
	GUC
Xintec	OmniVision

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.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

MARCH 31, 2012

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

Investor Company

TSMC

TSMC Solar

Investor Company

TSMC Solar

TSMC SSL

TSMC Partners

TSMC Development

VTAF III

VTAF II

Emerging Alliance

TSMC Solar Europe

TSMC GN

Note 1:

Note 2:

Equity in earnings/losses of investees includes the effect of unrealized gross p
The equity in the earnings/losses of the investee company is not reflected here

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE THREE MONTHS ENDED MARCH 31, 2012

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

**Investee
Company**

TSMC China

Shanghai Walden Venture Capital Enterprise

\$
(US\$)

Note 1:
Note 2:
Note 3:

TSMC directly invested US\$596,000 thousand in TSMC China.
TSMC indirectly invested in China company through third region, TSMC Part
TSMC Partners invested in financial assets carried at cost, equity in the earning

No.		Co
1	TSMC Partners	
2	TSMC Solar	

Note 1:
No. 3 represents the transactions between subsidiaries.

No. 1 represents the transactions from parent company

Note 2:

The sales prices and payment terms of intercompany

B.

For the three months ended March 31, 2011

No.

Company N

0 TSMC

1 GUC

No.	Company No.
2	TSMC Partners
3	TSMC China

Note 1:

No. 3 represents the transactions between subsidiaries.

No. 1 represents the transactions from parent company

Note 2:

The sales prices and payment terms of intercompany