



TSMC

2005 Fourth Quarter Results Investor Conference

January 26th, 2006

Agenda

- **Welcome**
- **2005 4Q Financial Results** **Lora Ho, CFO**
(unconsolidated)
- **Remarks** **Rick Tsai, CEO**
- **Q&A**

Safe Harbor Notice

- TSMC's statements of its current expectations are forward-looking statements subject to significant risks and uncertainties and actual results may differ materially from those contained in the forward-looking statements.
- Information as to those factors that could cause actual results to vary can be found in TSMC's Annual Report on Form 20-F filed with the United States Securities and Exchange Commission (the "SEC") on May 16, 2005, TSMC's registration statement on Form F-3, filed with the SEC on July 5, 2005, and such other documents as TSMC may file with, or submit to, the SEC from time to time.
- Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

4Q'05 Result Highlights

Amount:NT\$ billion	<u>4Q'05 Amount</u>	<u>3Q'05 Amount</u>	<u>4Q'04 Amount</u>
Net Sales	<u>81.16</u>	<u>69.26</u>	<u>63.87</u>
Net Income	<u>33.90</u>	<u>24.49</u>	<u>22.18</u>
EPS (NT\$)	1.37	0.99	0.90
Cash and S-T Investment	132.44	107.29	118.51
Interest-bearing Debt	19.50	30.00	30.00
Shareholders' Equity	445.63	411.11	398.97
Utilization (%)	104%	96%	88%
ROE (%) *	31.7%	24.6%	22.8%

* Annualized ROE for the quarter.

Income Statement - QoQ Comparison

TSMC w/o Affiliates

NT\$ billion	4Q'05		3Q'05	
Net Sales	73.4	100.0%	62.8	100.0%
COGS	(34.1)	-46.4%	(32.9)	-52.4%
Gross Profit	39.3	53.6%	29.9	47.6%

Amount: NT\$ billion

Net Sales

COGS

Gross Profit

Operating Expense

Operating Income

Net Non-operating Income/(Expense)

Investment Income/(Loss)

Income before Tax

Income Tax Benefit/(Expense)

Net Income

EPS (NT\$)

	4Q'05		3Q'05		QOQ
	Amount	%	Amount	%	%
	81.16	100.0%	69.26	100.0%	17%
	(41.30)	-50.9%	(38.73)	-55.9%	7%
	39.86	49.1%	30.53	44.1%	31%
	(5.64)	-6.9%	(5.60)	-8.1%	1%
	34.22	42.2%	24.93	36.0%	37%
	0.95	1.2%	(0.02)	0.0%	-
	0.23	0.3%	(0.49)	-0.7%	-
	35.40	43.6%	24.42	35.3%	45%
	(1.50)	-1.8%	0.07	0.1%	-
	33.90	41.8%	24.49	35.4%	38%
	1.37		0.99		38%

Income Statement - YoY Comparison

TSMC w/o Affiliates

NT\$ billion	4Q'05		4Q'04	
Net Sales	73.4	100.0%	56.5	100.0%
COGS	(34.1)	-46.4%	(29.5)	-52.2%
Gross Profit	39.3	53.6%	27.0	47.8%

Amount:NT\$ billion

	4Q'05		4Q'04		YOY
	Amount	%	Amount	%	%
Net Sales	81.16	100.0%	63.87	100.0%	27%
COGS	(41.30)	-50.9%	(36.72)	-57.5%	12%
Gross Profit	39.86	49.1%	27.15	42.5%	47%
Operating Expense	(5.64)	-6.9%	(6.12)	-9.6%	-8%
Operating Income	34.22	42.2%	21.03	32.9%	63%
Net Non-operating Income/(Expense)	0.95	1.2%	0.46	0.7%	108%
Investment Income/(Loss)	0.23	0.3%	0.61	1.0%	-63%
Income before Tax	35.40	43.6%	22.09	34.6%	60%
Income Tax Benefit/(Expense)	(1.50)	-1.8%	0.09	0.1%	-
Net Income	33.90	41.8%	22.18	34.7%	53%
EPS (NT\$)	1.37		0.90		53%

Balance Sheet & Key Indices

(Amount: NT\$ billion)

Selected Items from Balance Sheet	4Q'05		3Q'05		4Q'04	
	Amount	%	Amount	%	Amount	%
Total Assets	507.5	100%	483.1	100%	487.6	100%
Cash & S-T Investments	132.4	26%	107.3	22%	118.5	24%
Accounts Receivable - Trade	36.4	7%	37.2	8%	27.2	6%
Inventory	16.3	3%	15.1	3%	14.2	3%
Total Current Assets	197.6	39%	165.1	34%	173.7	36%
Accounts Payable	20.2	4%	20.9	4%	40.8	8%
Current Portion of Bonds Payable	0.0	0%	10.5	2%	10.5	2%
Total Current Liabilities	32.2	6%	42.9	9%	60.6	12%
Long-Term Debt	19.5	4%	19.5	4%	19.5	4%
Total Equity	445.6	88%	411.1	85%	399.0	82%
Key Indices						
A/R Turnover Days	42		46		45	
Inventory Turnover Days	42		40		41	
Current Ratio (x)	6.1		3.8		2.9	
Net Working Capital	165.4		122.2		113.0	

Cash Flows

Amount:NT\$ billion	4Q'05	3Q'05	4Q'04
	Amount	Amount	Amount
- Net Income	33.9	24.5	22.2
- Depreciation & Amortization	16.6	17.1	16.6
- Other Op Sources/(Uses)	(1.6)	(3.7)	(2.1)
From Operation	48.9	37.9	36.7
- Capital Expenditure	(13.3)	(9.1)	(20.5)
- S-T Investment	1.8	0.6	(6.9)
- L-T Investment	(1.0)	(0.7)	(9.1)
- Other Investing Sources/(Uses)	0.5	(0.2)	(0.0)
From Investment	(12.1)	(9.4)	(36.5)
- Cash Dividends - Common Stock	-	(46.5)	-
- Employee Bonus	-	(3.1)	-
- Repayment of L-T Bonds	(10.5)	-	(5.0)
- Other Financing Sources/(Uses)	0.6	0.9	(0.1)
From Financing	(9.9)	(48.7)	(5.1)
Net Cash Position Change	26.9	(20.1)	(4.8)
Ending Cash Balance	85.4	58.5	65.5

Installed Capacity by Fab

FAB / (Wafer size)		4Q 05 (Act.)	2005 (Act.)	1Q 06 (Fct.)
Fab-2	(6") ¹	251	989	244
Fab-3	(8")	247	973	246
Fab-5	(8")	126	496	135
Fab-6	(8")	217	850	215
Fab-7	(8")	40	155	33
Fab-8	(8")	227	893	231
Fab-12	(12") ²	139	448	142
Fab-14	(12") ²	56	156	61
TSMC-owned (8" Equivalent Kpcs)		1,437	5,282	1,455
WaferTech (8")		100	389	99
SSMC (8")		49	179	49
TSMC (Shanghai) (8")		44	105	48
Total TSMC-managed (8" Equivalent Kpcs)		1,629	5,955	1,651

Note: 1 Figures represent number of 6" wafers. Conversion to 8"-equivalent wafers is by dividing this number by 1.78.

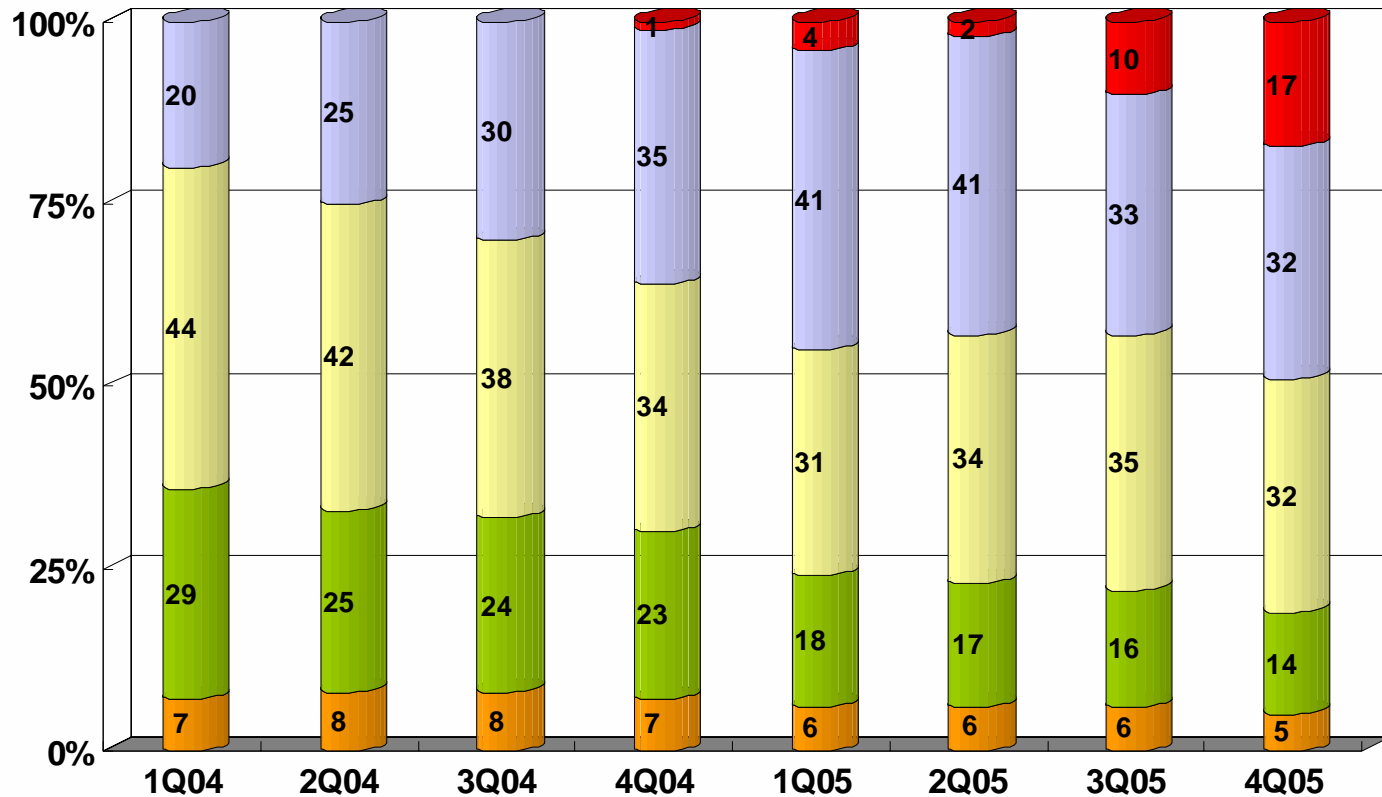
2 Figures represent number of 12" wafers. Conversion to 8"-equivalent wafers is by multiplying this number by 2.25.

Capital Expenditures

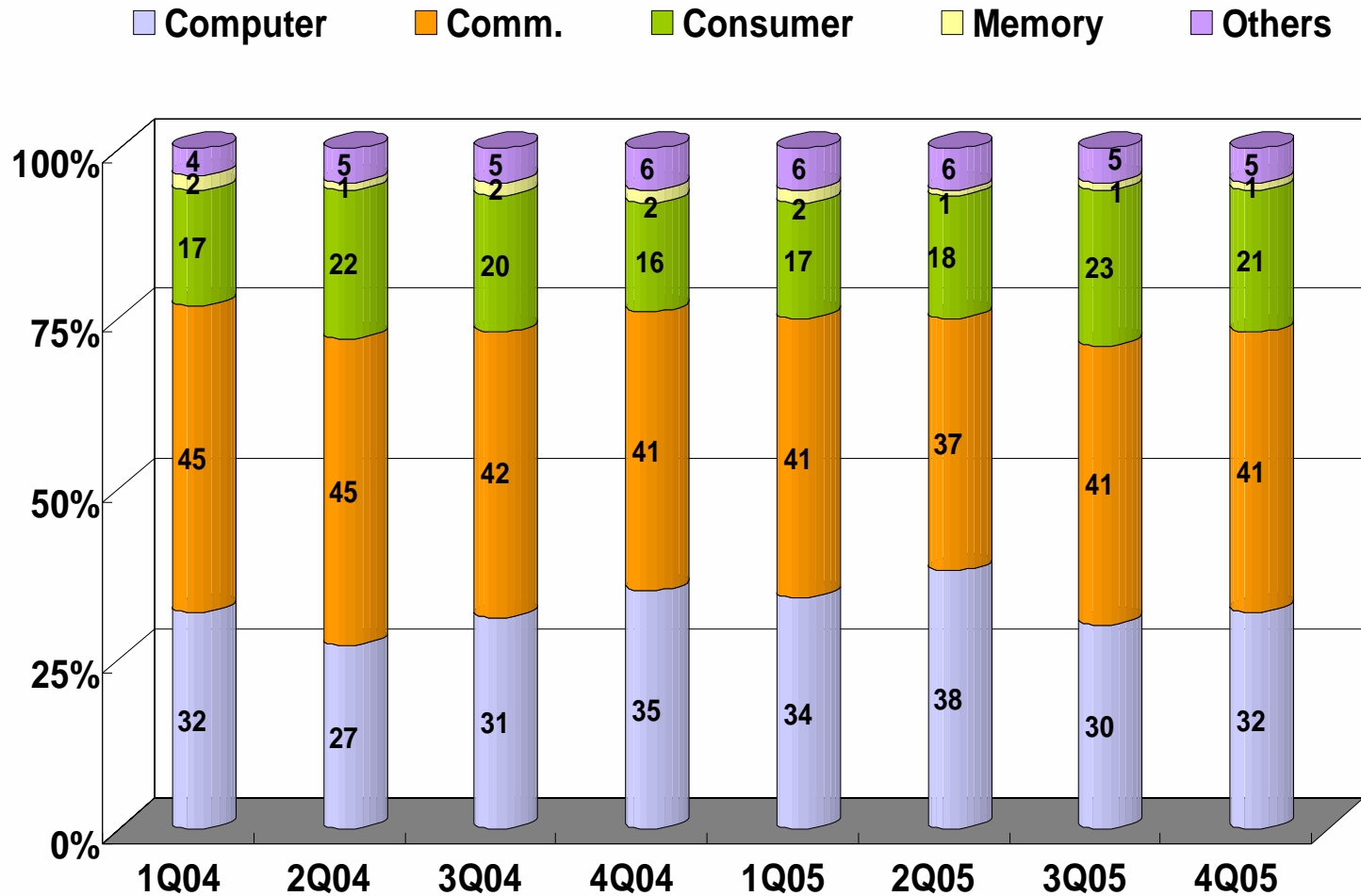
CapEx (in US\$ million)	1Q05	2Q05	3Q05	4Q05	2005
TSMC	1,210	417	275	389	2,291
TSMC (Shanghai)	97	42	44	4	187
WaferTech & Others	3	1	0	3	7
TSMC and Affiliates	1,310	460	319	396	2,485

Sales Breakdown by Technology

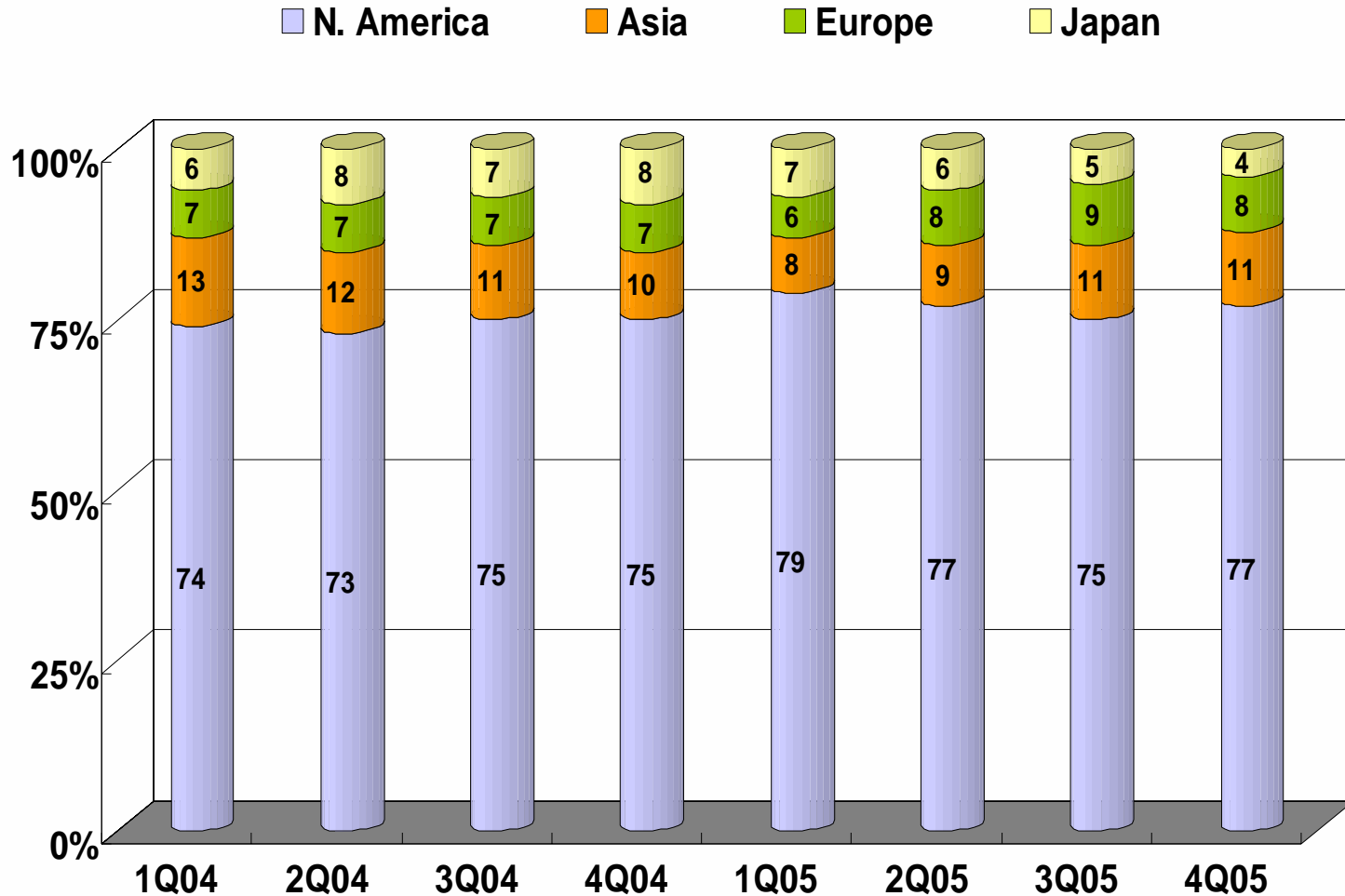
■ 0.50um+
 ■ 0.25/0.35um
 ■ 0.15/0.18um
 ■ 0.11/0.13um
 ■ 90nm



Sales Breakdown by Application

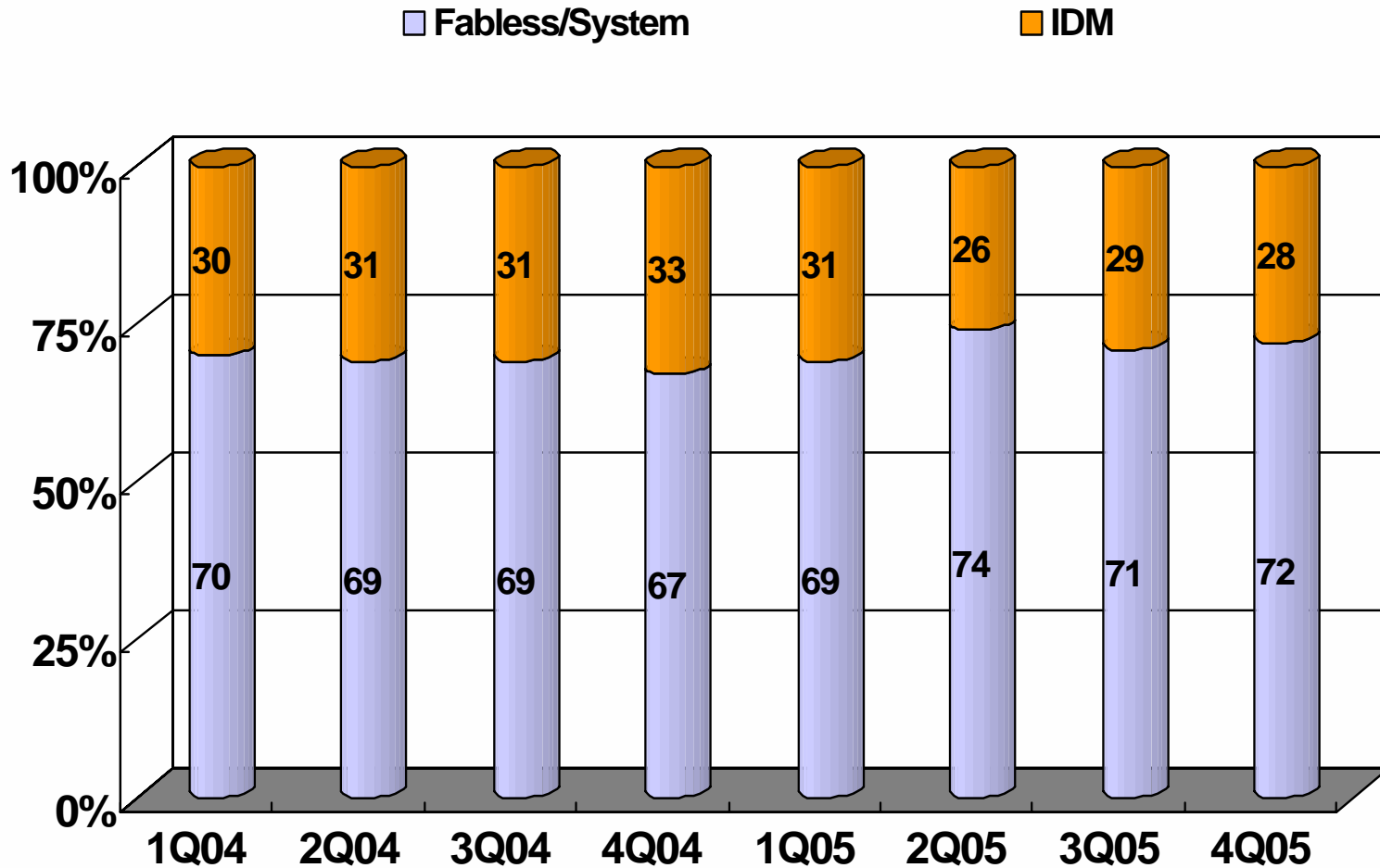


Sales Breakdown by Geography



Note: This chart does not reflect the actual shipment destination of sales.

Sales Breakdown by Customer



2005 Highlights

Amount:NT\$ billion	2005 Amount	2004 Amount	YoY %
Net Sales	264.59	255.99	3%
Net Sales (US\$ billion)	8.23	7.65	8%
<i>Gross Margin (%)</i>	<i>43.6%</i>	<i>43.0%</i>	
Net Income	93.58	92.32	1%
Net Income (US\$ billion)	2.91	2.76	5%
EPS (NT\$)	3.79	3.73	2%
<hr/>			
Total Asset	507.54	487.55	4%
Total Liability	61.91	88.59	-30%
Shareholders' Equity	445.63	398.97	12%
<hr/>			
Cash-flow from Operating Activities	150.48	143.68	5%
Cash-flow from Investing Activities	(73.06)	(150.88)	-52%
Cash-flow from Financing Activities	(57.57)	(25.56)	125%
<hr/>			
Utilization (%)	92%	100%	

1Q'06 Guidance

- **Revenues to be between NT\$73 billion and NT\$76 billion;**
- **Gross profit margin to be between 46% and 48%;**
- **Operating profit margin to be approximately 39%;**
- **2006 Capital expenditure to be in the range of US\$2.6 billion-US\$2.8 billion.**

Recap of Recent Major Events – 1/2

- **TSMC has entered full production of its 80 nanometer process technology for high-performance designs (2006/01/18)**
- **TSMC has pledged NT\$120 million for the phase II project of the Chemistry Research Center at National Taiwan University (2005/12/16)**
- **TSMC successfully manufactured industry's first network search engine using its 90 nanometer process technology for Integrated Device Technology, Inc. , achieving new levels of performance, cost and power consumption (2005/12/07)**
- **TSMC was voted The Best Large Cap Company in Taiwan region by AsiaMoney (2005/12/01)**
- **TSMC board of directors approved capital appropriation of US\$706.5 million to expand its 65 nanometer, 0.18 micron and 0.15 micron capacities (2005/11/08)**

Recap of Recent Major Events – 2/2

- **TSMC board of directors approved the investment of up to US\$75 million in establishing a new venture capital fund (2005/11/08)**
- **TSMC won 6 out of 11 award categories at the IR Magazine Hong Kong and Taiwan Awards, including Grand Prix for Best Overall Investor Relations - Large Cap and Best Corporate Governance (2005/11/04)**
- **TSMC was ranked No. 8 of the Top 50 Management Teams in Asia by CFO Asia magazine (2005/10)**

* Please visit TSMC's Web site (<http://www.tsmc.com>) for details and other announcements.

* Starting from 1Q05, TSMC will post quarterly consolidated financial statements, in addition to the unconsolidated financial statements, on our web site.



<http://www.tsmc.com>
invest@tsmc.com