



TSMC

2005 Third Quarter Results Investor Conference

October 27th, 2005

TSMC IR

Oct. 27, 2005

Empowering Innovation



Agenda

- **Welcome**
- **2005 3Q 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.



3Q'05 Result Highlights

Amount:NT\$ billion	<u>3Q'05 Amount</u>	<u>2Q'05 Amount</u>	<u>3Q'04 Amount</u>
Net Sales	<u>69.26</u>	<u>58.52</u>	<u>69.74</u>
Net Income	<u>24.49</u>	<u>18.37</u>	<u>27.93</u>
EPS (NT\$)	0.99	0.74	1.13
Cash and S-T Investment	107.29	128.01	116.50
Interest-bearing Debt	30.00	30.00	35.00
Shareholders' Equity	411.11	384.20	379.26
Wafers Shipped (Kpcs)	1,527	1,275	1,333
Utilization (%)	96%	85%	103%
ROE (%) *	24.6%	18.4%	30.6%

* Annualized ROE for the quarter.



Income Statement - QoQ Comparison

TSMC w/o Affiliates

NT\$ billion	3Q'05		2Q'05	
	Amount	%	Amount	%
Net Sales	62.8	100.0%	53.1	100.0%
COGS	(32.9)	-52.4%	(30.3)	-57.1%
Gross Profit	29.9	47.6%	22.7	42.9%

Amount:NT\$ billion

	3Q'05		2Q'05		QOQ
	Amount	%	Amount	%	%
Net Sales	69.26	100.0%	58.52	100.0%	18%
COGS	(38.73)	-55.9%	(35.31)	-60.3%	10%
Gross Profit	30.53	44.1%	23.21	39.7%	32%
Operating Expense	(5.60)	-8.1%	(5.42)	-9.3%	3%
Operating Income	24.93	36.0%	17.78	30.4%	40%
Net Non-operating Income/(Expense)	(0.02)	0.0%	0.54	0.9%	-
Investment Income/(Loss)	(0.49)	-0.7%	(0.59)	-1.0%	-16%
Income before Tax	24.42	35.3%	17.73	30.3%	38%
Income Tax Credit/(Expense)	0.07	0.1%	0.64	1.1%	-89%
Net Income	24.49	35.4%	18.37	31.4%	33%
EPS (NT\$)	0.99		0.74		33%



Income Statement - YoY Comparison

TSMC w/o Affiliates

NT\$ billion	3Q'05		3Q'04	
Net Sales	62.8	100.0%	60.9	100.0%
COGS	(32.9)	-52.4%	(29.3)	-48.1%
Gross Profit	29.9	47.6%	31.6	51.9%

Amount:NT\$ billion

	3Q'05		3Q'04		YOY
	Amount	%	Amount	%	%
Net Sales	69.26	100.0%	69.74	100.0%	-1%
COGS	(38.73)	-55.9%	(37.60)	-53.9%	3%
Gross Profit	30.53	44.1%	32.14	46.1%	-5%
Operating Expense	(5.60)	-8.1%	(6.02)	-8.6%	-7%
Operating Income	24.93	36.0%	26.12	37.5%	-5%
Net Non-operating Income/(Expense)	(0.02)	0.0%	0.63	0.9%	-
Investment Income/(Loss)	(0.49)	-0.7%	1.38	2.0%	-
Income before Tax	24.42	35.3%	28.13	40.3%	-13%
Income Tax Credit/(Expense)	0.07	0.1%	(0.20)	-0.3%	-
Net Income	24.49	35.4%	27.93	40.1%	-12%
EPS (NT\$)	0.99		1.13		-12%



Balance Sheet & Key Indices

(Amount: NT\$ billion)

Selected Items from Balance Sheet	3Q'05		2Q'05		3Q'04	
	Amount	%	Amount	%	Amount	%
Total Assets	483.1	100%	499.4	100%	462.5	100%
Cash & S-T Investments	107.3	22%	128.0	26%	116.5	25%
Accounts Receivable - Trade	37.2	8%	30.1	6%	33.3	7%
Inventory	15.1	3%	14.1	3%	12.6	3%
Total Current Assets	165.1	34%	181.8	36%	169.8	37%
Accounts Payable	20.9	4%	17.8	4%	28.3	6%
Current Portion of Bonds Payable	10.5	2%	10.5	2%	5.0	1%
Accrued Liabilities and Others	11.5	2%	58.4	12%	11.0	2%
Total Current Liabilities	42.9	9%	86.7	17%	44.3	10%
Long-Term Debt	19.5	4%	19.5	4%	30.0	6%
Total Equity	411.1	85%	384.2	77%	379.3	82%
Key Indices						
A/R Turnover Days	46		43		43	
Inventory Turnover Days	40		41		38	
Current Ratio (x)	3.8		2.1		3.8	
Net Working Capital	122.2		95.1		125.5	



Cash Flows

Amount:NT\$ billion	3Q'05 Amount	2Q'05 Amount	3Q'04 Amount
- Net Income	24.5	18.4	27.9
- Depreciation & Amortization	17.1	17.7	15.4
- Other Op Sources/(Uses)	(3.7)	(8.4)	(5.1)
From Operation	37.9	27.7	38.2
- Capital Expenditure	(9.1)	(13.0)	(16.5)
- S-T Investment	0.6	2.2	(4.9)
- L-T Investment	(0.7)	(0.6)	(11.9)
- Other Investing Sources/(Uses)	(0.2)	1.1	(0.3)
From Investment	(9.4)	(10.3)	(33.6)
- Cash Dividends - Common Stock	(46.5)	-	(12.2)
- Employee Bonus	(3.1)	-	(0.7)
- Other Financing Sources/(Uses)	0.9	1.0	(0.1)
From Financing	(48.7)	1.0	(12.9)
Net Cash Position Change	(20.1)	18.4	(8.3)
Ending Cash Balance	58.5	78.6	70.4



Installed Capacity by Fab

FAB / (Wafer size)		1Q05 (Act.)	2Q05 (Act.)	3Q05 (Act.)	4Q05 (Est.)	2005 (Est.)
Fab-2	(6") ¹	238	249	251	251	989
Fab-3	(8")	234	245	247	247	973
Fab-5	(8")	119	125	126	126	496
Fab-6	(8")	203	214	217	217	850
Fab-7	(8")	36	39	40	40	155
Fab-8	(8")	222	217	227	227	893
Fab-12	(12") ²	85	103	122	139	448
Fab-14	(12") ²	18	36	46	56	156
TSMC-owned (8" Equivalent Kpcs)		1,180	1,292	1,374	1,437	5,282
WaferTech (8")		95	96	100	100	389
SSMC (8")		41	42	47	49	179
TSMC (Shanghai) (8")		9	22	30	44	105
Total TSMC-managed (8" Equivalent Kpcs)		1,324	1,451	1,550	1,629	5,955

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

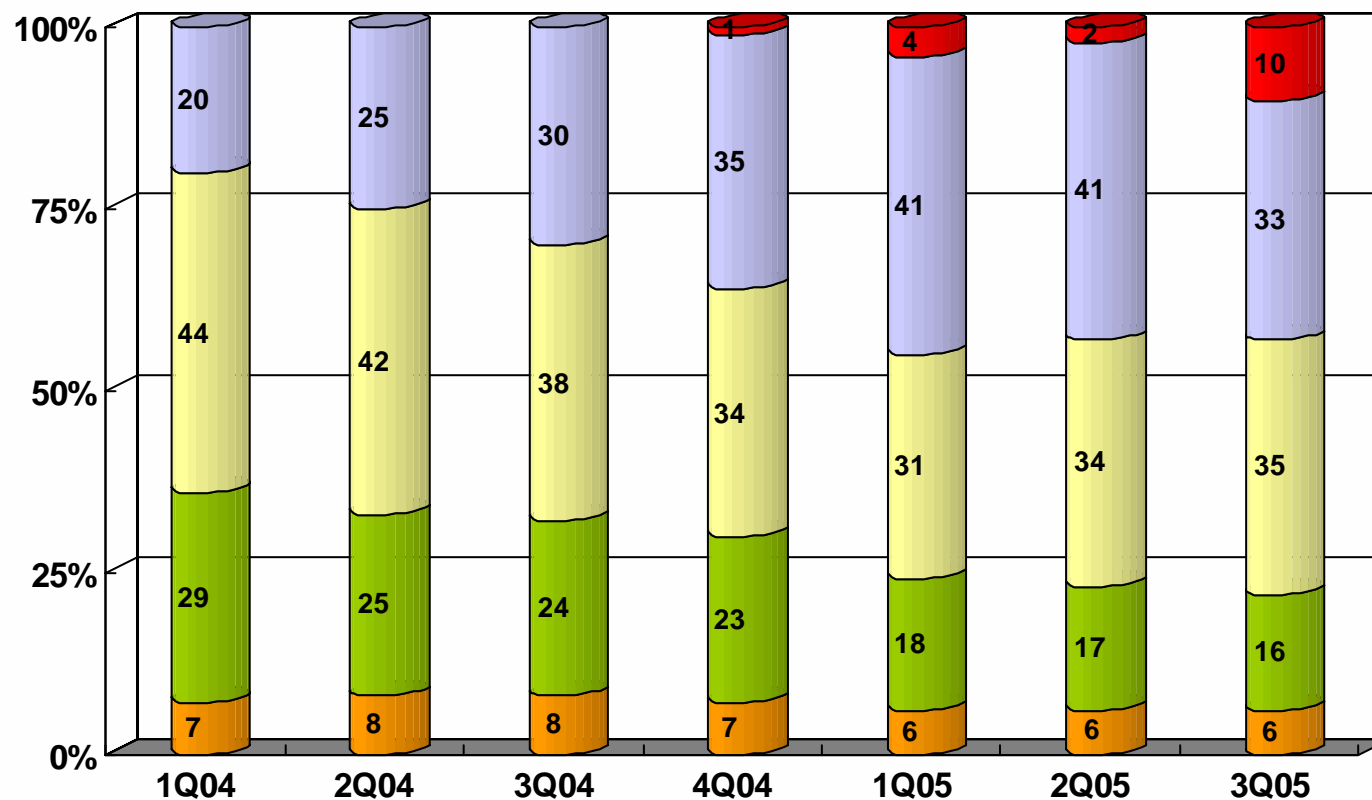
➤ 2005 CapEx is expected to remain in the range of US\$2.5 –2.7 billion

CapEx (in US\$ million)	1Q05	2Q05	3Q05	9 mo.s * YTD
TSMC *	1,210	417	275	1,902
TSMC (Shanghai)	97	42	44	183
WaferTech	2	1	0	3
TSMC and Affiliates	1,309	460	319	2,088

* 9 months year-to-date CapEx based on the weighted average exchange rate of NT\$31.73 per US dollar.

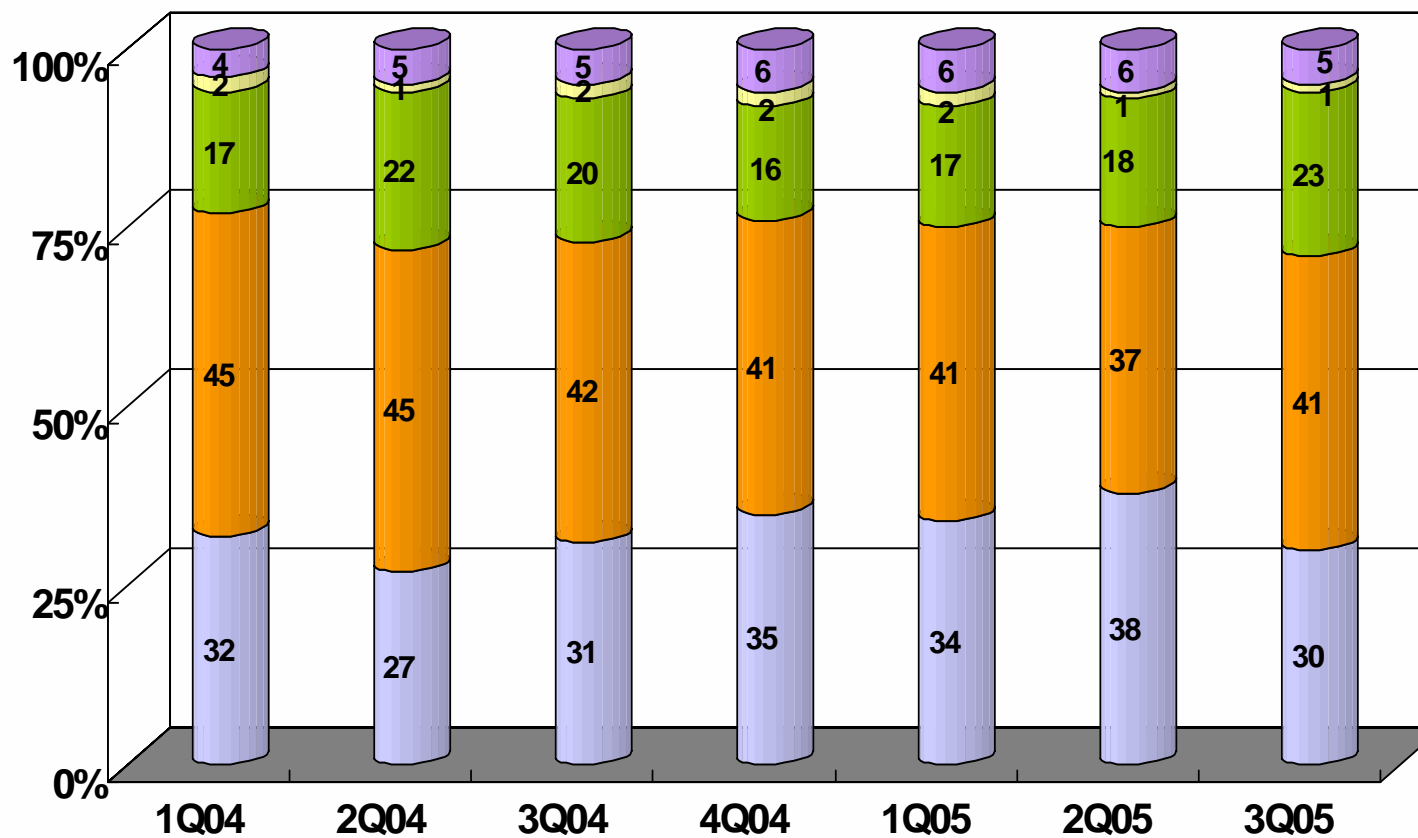
Sales Breakdown by Technology

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



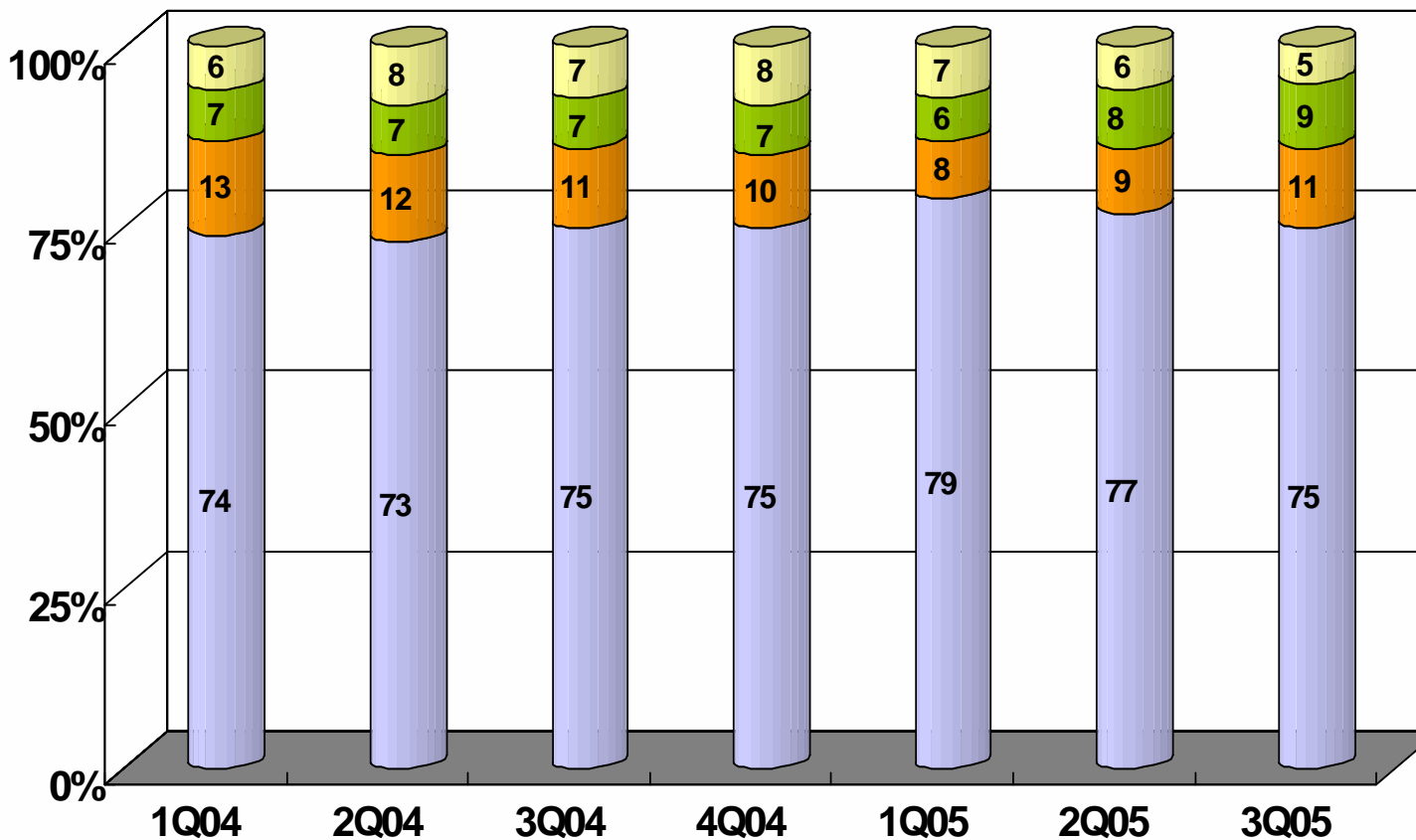
Sales Breakdown by Application

■ Computer
 ■ Comm.
 ■ Consumer
 ■ Memory
 ■ Others



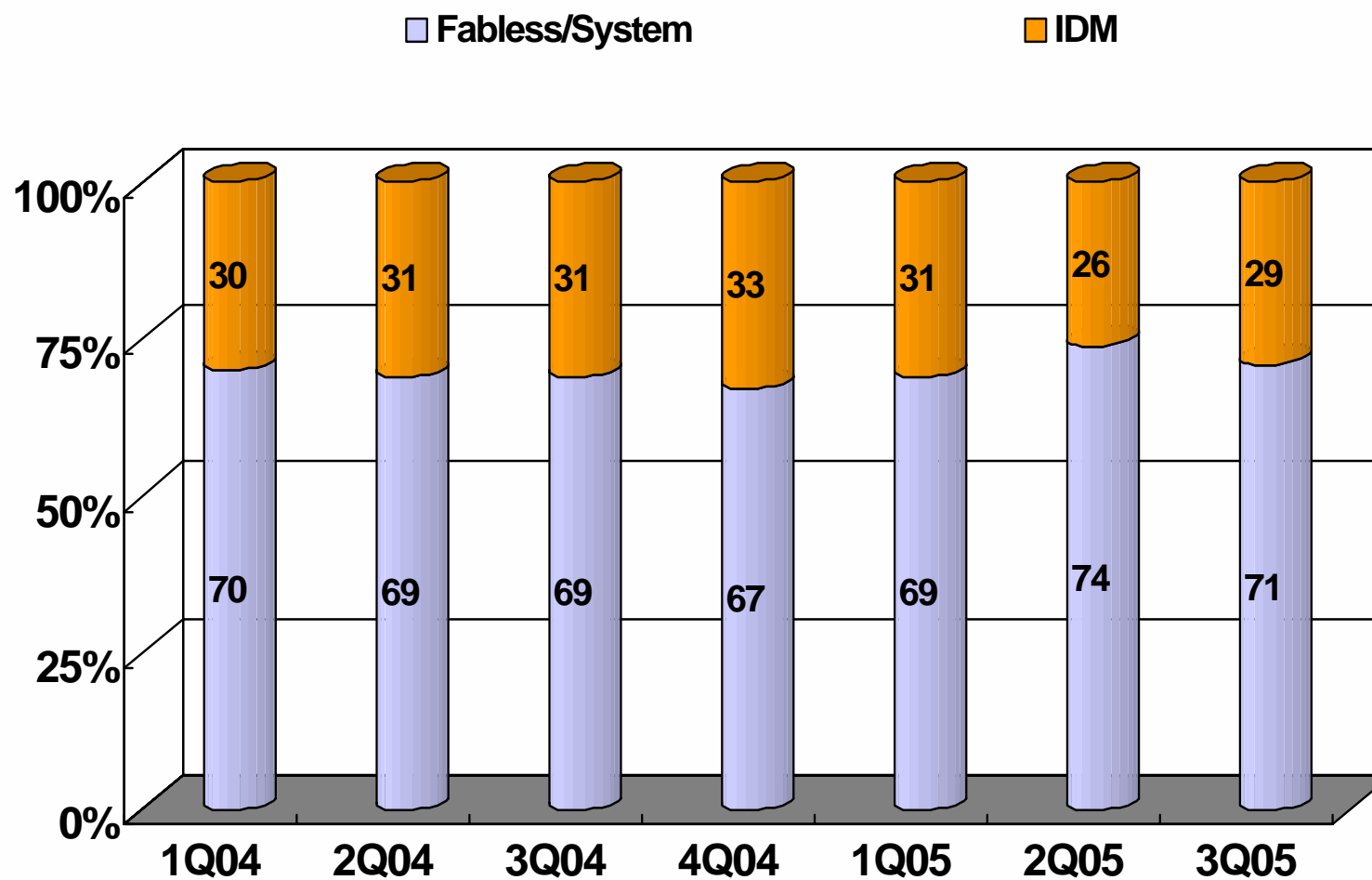
Sales Breakdown by Geography

■ N. America
 ■ Asia
 ■ Europe
 ■ Japan



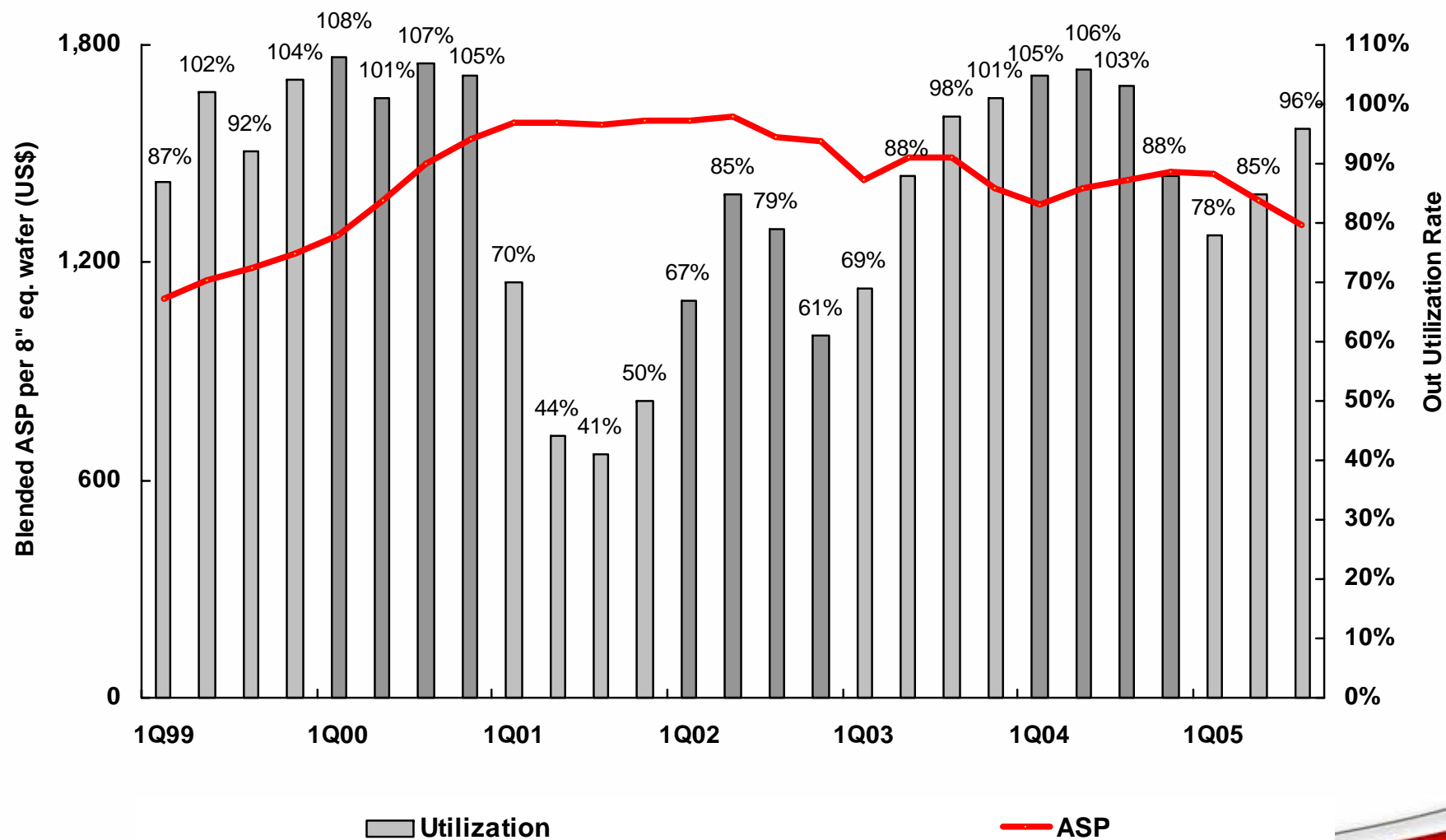
Note: This chart does not reflect the actual shipment destination of sales.

Sales Breakdown by Customer

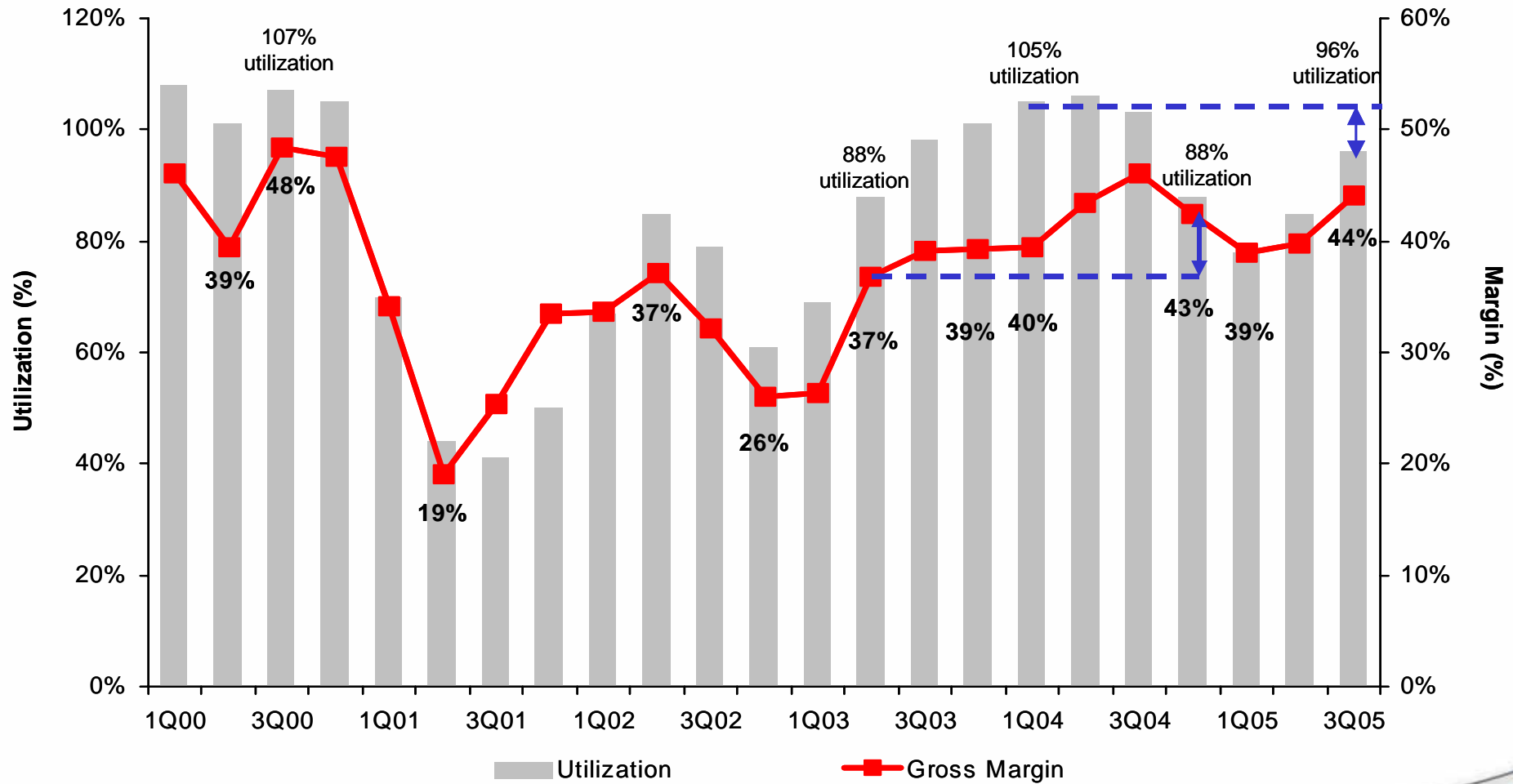




Fab Utilization and ASP Trend



Improved Cost Structure Contributing to Higher Gross Margin



4Q'05 Guidance

- **Revenues to be between NT\$77 billion and NT\$79 billion;**
- **Overall utilization rate to be about 100%;**
- **Gross profit margin to reach between 47% and 49%;**
- **Operating profit margin to be approximately 40%.**



Recap of Recent Major Events – 1/2

- **TSMC ranks #11 of BusinessWeek's "Top 150 Leading Asian Companies" (2005/10/24)**
- **TSMC joins IMEC's sub-45nm CMOS R&D project (2005/10/18)**
- **TSMC is voted the "Most Admired Company" by Commonwealth Magazine (2005/10/13)**
- **TSMC produces industry's first 1.3 megapixel CMOS image sensor for Agilent Technologies with Enhanced-Performance Pixel Architecture (2005/10/10)**
- **TSMC September 2005 sales set record high (2005/10/07)**
- **TSMC launches foundry industry's first 65nm prototype run (2005/10/05)**
- **TSMC announces production-ready 90nm X Architecture (2005/10/04)**



Recap of Recent Major Events – 2/2

- TSMC enters volume production of 90nm graphics chips for ATI (2005/09/26)
- TSMC R&D team receives first Outstanding Nano-Tech Award from Ministry of Economic Affairs of Republic of China (2005/09/21)
- TSMC recognizes its suppliers at 2005 SCM Forum (2005/09/15)
- TSMC completes secondary offering of 151.655 million ADSs at US\$8.60 per share (2005/08/05)

* 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>
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