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TSMC

2006 Second Quarter Results Investor Conference

July 27th, 2006

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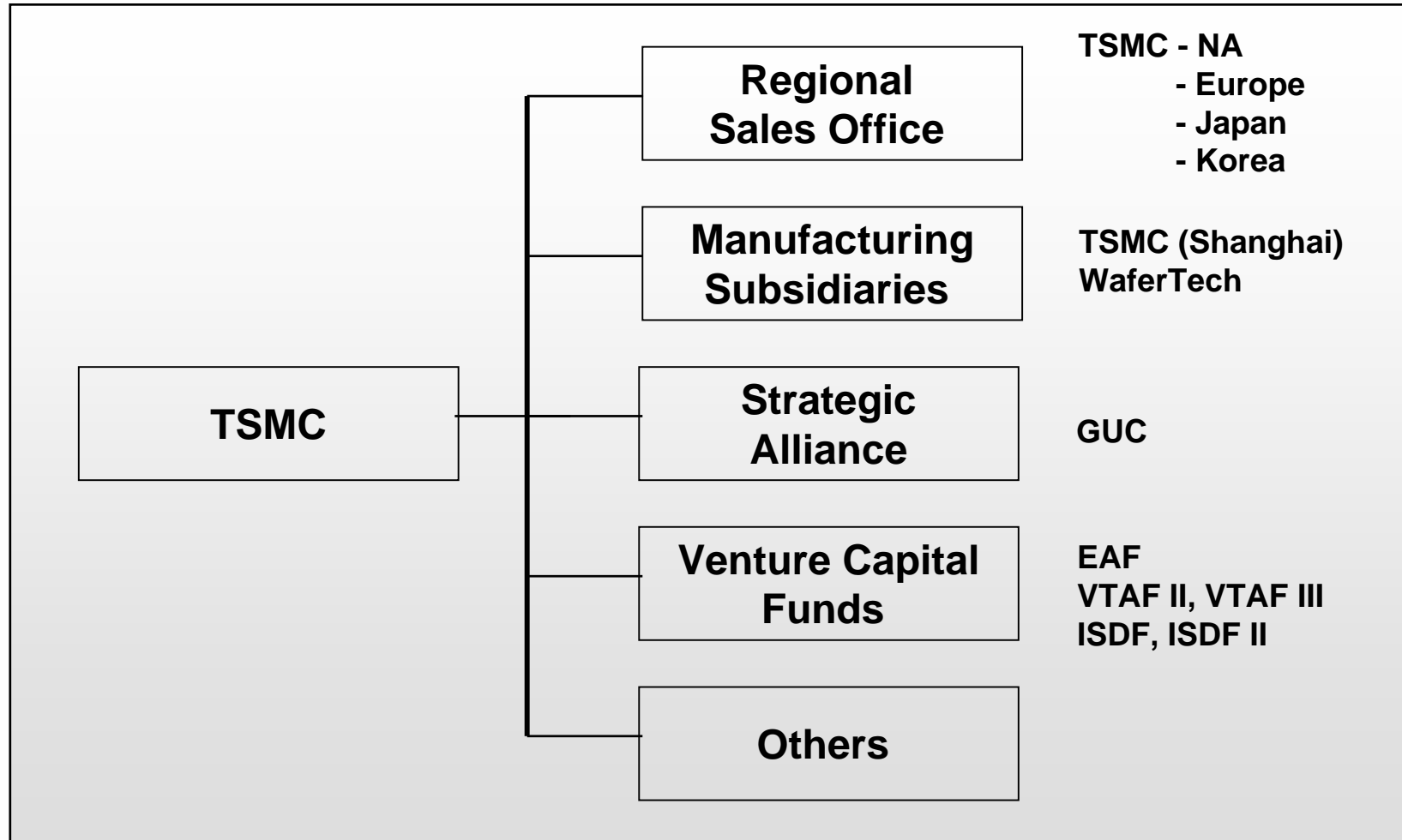
Agenda

- **Welcome**
- **2006 2Q Consolidated Financial Results**
- **Advanced Technology Update**
- **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 April 20, 2006 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.

TSMC Consolidating Entities





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2Q'06 Result Highlights

Amount:NT\$ billion	<u>2Q'06</u> <u>Amount</u>	<u>1Q'06</u> <u>Amount</u>	<u>2Q'05</u> <u>Amount</u>
Net Sales	82.12	77.85	59.98
Net Income ⁽¹⁾	<u>34.00</u>	<u>32.61</u>	<u>18.37</u>
EPS (NT\$)	1.32	1.26	0.71
<hr/>			
Total Assets	593.74	555.29	511.42
Total Liabilities	146.24	76.68	126.48
Shareholders' Equity	447.50	478.61	384.94
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Shipment (Kpcs, 8"-equiv. Wafer)	1,869	1,738	1,275
ROE (%) ⁽²⁾	29.4%	28.2%	18.4%

(1) Net Income attributable to shareholders of the parent company

(2) Annualized ROE for the quarter

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Consolidated Income Statements

Amount: NT\$ billion

	2Q'06	1Q'06	2Q'05 ⁽¹⁾	QoQ	YoY
Net Sales	82.12	77.85	59.98	5.5%	36.9%
COGS	(39.62)	(40.12)	(35.72)	-1.3%	10.9%
Gross Profit	42.50	37.73	24.25	12.6%	75.2%
<i>Gross Margin</i>	51.8%	48.5%	40.4%		
Operating Expense	(7.18)	(6.82)	(7.04)	5.1%	1.9%
Operating Income	35.32	30.90	17.21	14.3%	105.2%
<i>Operating Margin</i>	43.0%	39.7%	28.7%		
Non-operating Income/(Expense)	0.95	2.02	0.69	-52.9%	37.7%
Income before Tax	36.27	32.92	17.90	10.2%	102.6%
Income Tax Benefit/(Expense)	(2.28)	(1.86)	0.49	23.0%	-
Change in Accounting Principles	0.00	1.61	0.00	-100.0%	-
Minority Interest	0.01	(0.06)	(0.03)	-	-
Net Income⁽²⁾	34.00	32.61	18.37	4.3%	85.1%
<i>Net Margin</i>	41.4%	41.9%	30.6%		
EPS (NT\$)	1.32	1.26	0.71	4.3%	84.8%

(1) Certain prior period balances have been reclassified to conform to the current period presentation

(2) Net Income attributable to shareholders of the parent company

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Consolidated Balance Sheets & Key Indices



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Selected Items from Balance Sheets (Amount: NT\$ billion)	2Q'06		1Q'06		2Q'05*	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	211.6	35.6%	192.3	34.6%	138.1	27.0%
Accounts Receivable - Trade	38.0	6.4%	38.0	6.8%	32.1	6.3%
Inventory	20.1	3.4%	18.4	3.3%	15.2	3.0%
Current Assets	279.7	47.1%	259.3	46.7%	194.0	37.9%
Long-Term Investment	42.8	7.2%	34.7	6.3%	39.2	7.7%
Net PP&E	251.1	42.3%	241.5	43.5%	257.0	50.3%
Total Assets	593.7	100.0%	555.3	100.0%	511.4	100.0%
Accounts Payable	27.5	4.6%	22.4	4.0%	19.0	3.7%
Accrued Liabilities and Others	82.8	14.0%	18.5	3.4%	71.1	13.9%
Current Liabilities	110.3	18.6%	40.9	7.4%	90.1	17.6%
Long-Term Interest-bearing Debt	24.7	4.2%	24.7	4.4%	26.8	5.2%
Total Liabilities	146.2	24.6%	76.7	13.8%	126.5	24.7%
Total Equity	447.5	75.4%	478.6	86.2%	384.9	75.3%

Key Indices

A/R Turnover Days	44	46	48
Inventory Turnover Days	47	44	41
Current Ratio (x)	2.5	6.3	2.2
Net Working Capital	169.4	218.4	103.9

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Jul. 27 P. 7 * Certain prior period balances have been reclassified to conform to the current period presentation



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Consolidated Cash Flows

Amount:NT\$ billion	2Q'06 Amount	1Q'06 Amount	2Q'05* Amount
- Net Income	34.0	32.6	18.4
- Depreciation & Amortization	17.9	17.7	19.5
- Other Op Sources/(Uses)	(1.5)	(1.4)	(9.3)
From Operation	50.4	48.9	28.6
- Capital Expenditure	(21.4)	(11.5)	(14.2)
- Marketable Financial Instrument	(7.8)	(12.8)	2.8
- Other Investing Sources/(Uses)	(1.1)	0.2	(0.4)
From Investment	(30.3)	(24.1)	(11.8)
- Repayment of L-T Bonds	(0.0)	(0.0)	(0.9)
- Other Financing Sources/(Uses)	0.1	0.1	0.9
From Financing	0.1	0.1	0.0
Net Cash Position Change	20.2	24.9	16.8
Ending Cash Balance	141.5	121.3	88.4

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* Certain prior period balances have been reclassified to conform to the current period presentation

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Installed Capacity by Fab

FAB / (Wafer size)		1Q06 (Act.)	2Q06 (Act.)	3Q06 (est.)	4Q06 (est.)	2006 (est.)
Fab-2	(6") ¹	244	258	258	266	1,025
Fab-3	(8")	246	252	265	258	1,021
Fab-5	(8")	135	138	147	153	573
Fab-6	(8")	215	222	233	248	918
Fab-7	(8")	33	23	4	0	60
Fab-8	(8")	231	233	234	248	946
Fab-12	(12") ²	142	150	157	166	616
Fab-14	(12") ²	61	66	86	105	318
WaferTech	(8")	99	100	101	104	404
TSMC (Shanghai)	(8")	48	52	73	90	262
TSMC & Subsidiaries (8" Equivalent Kpcs)		1,602	1,650	1,748	1,860	6,860
SSMC	(8")	49	50	51	52	202
Total TSMC-managed (8" Equivalent Kpcs)		1,651	1,700	1,799	1,912	7,062

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.

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Capital Expenditures

➤ **2006 CapEx to remain in the range of US\$2.6-2.8 billion**

CapEx (in US\$ million)	1Q06	2Q06	YTD [*]
TSMC	344	653	997
TSMC (Shanghai) & WaferTech	12	11	23
TSMC Consolidated	356	664	1,020

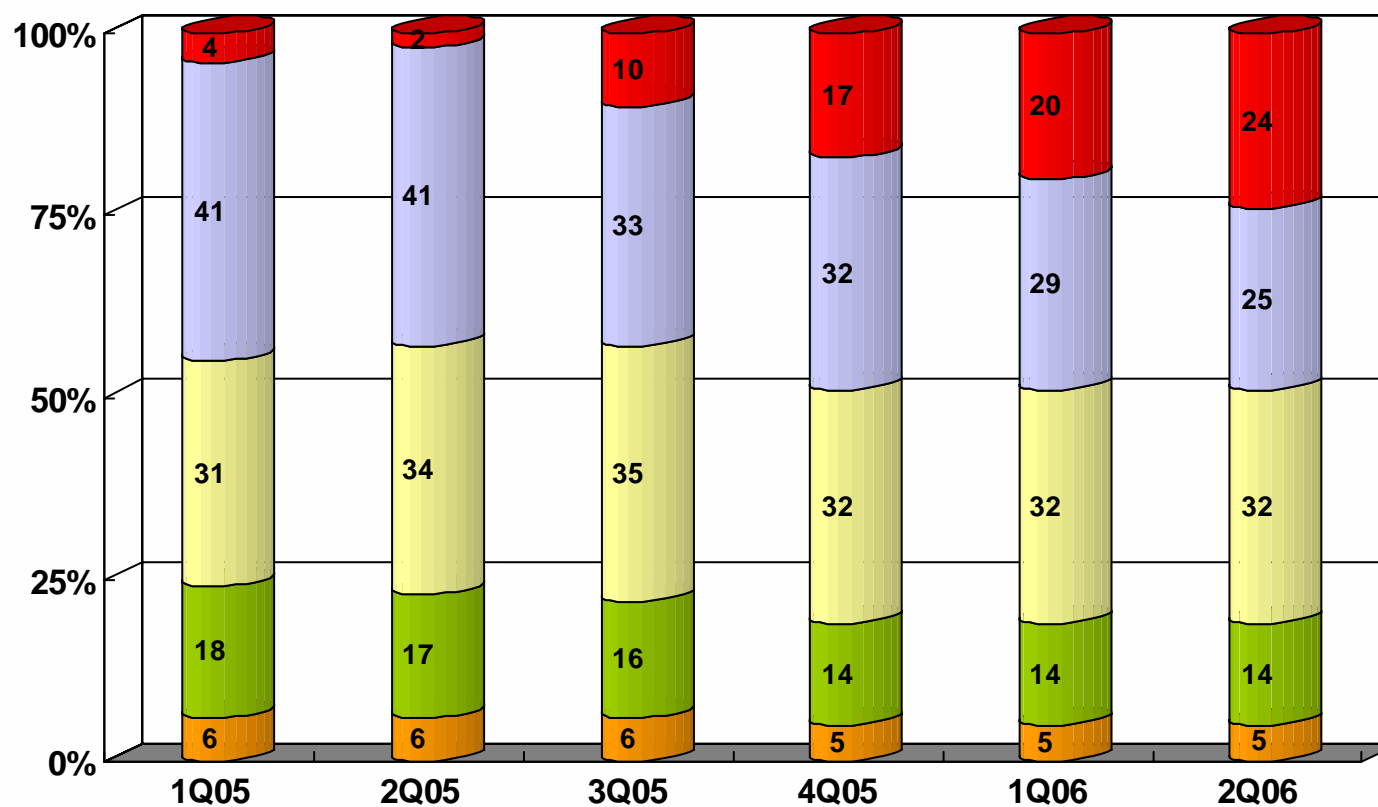
* YTD CapEx based on the weighted average exchange rate of NT\$32.256 per US dollar.



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Sales Breakdown by Technology

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

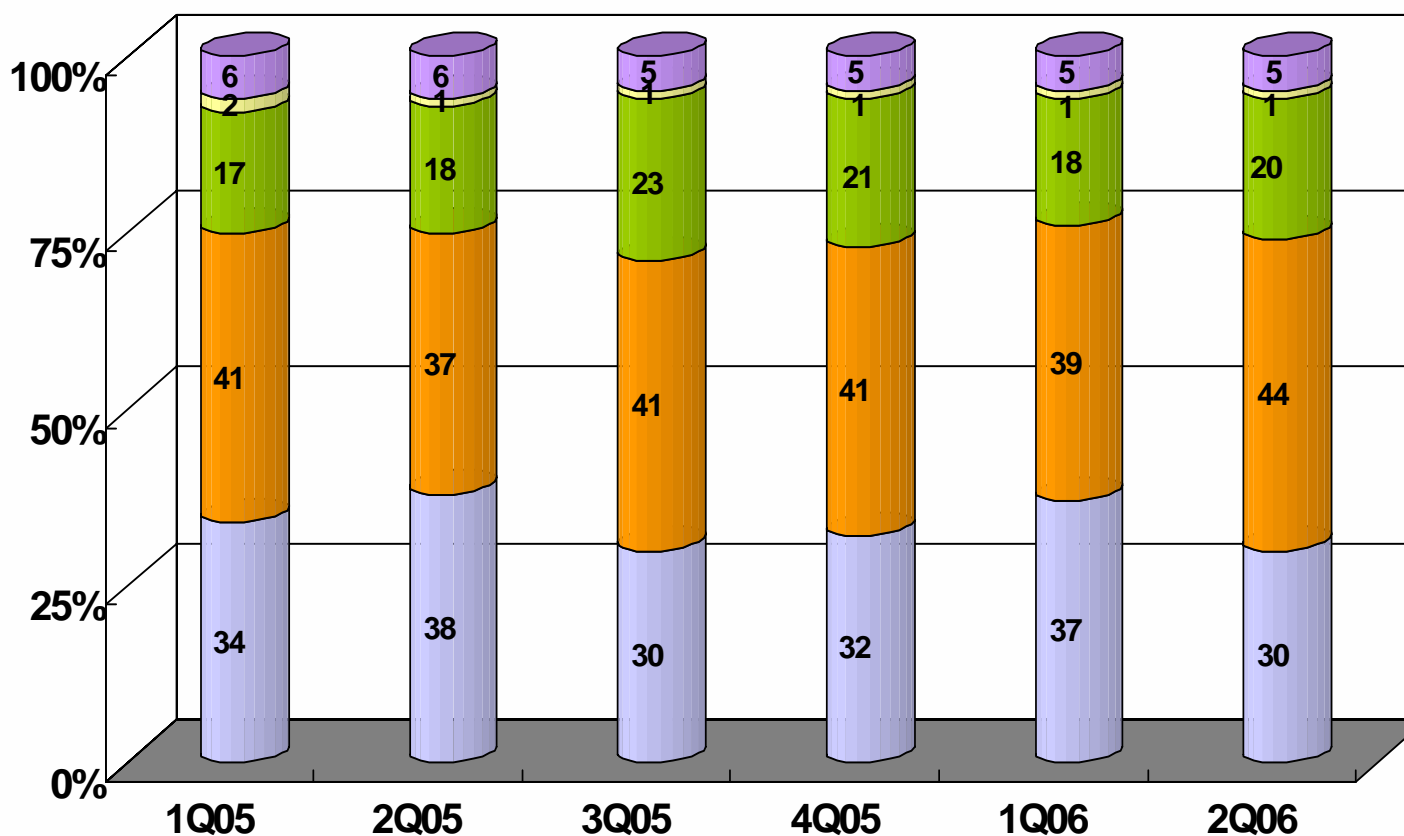




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Sales Breakdown by Application

Computer Comm. Consumer Memory Others



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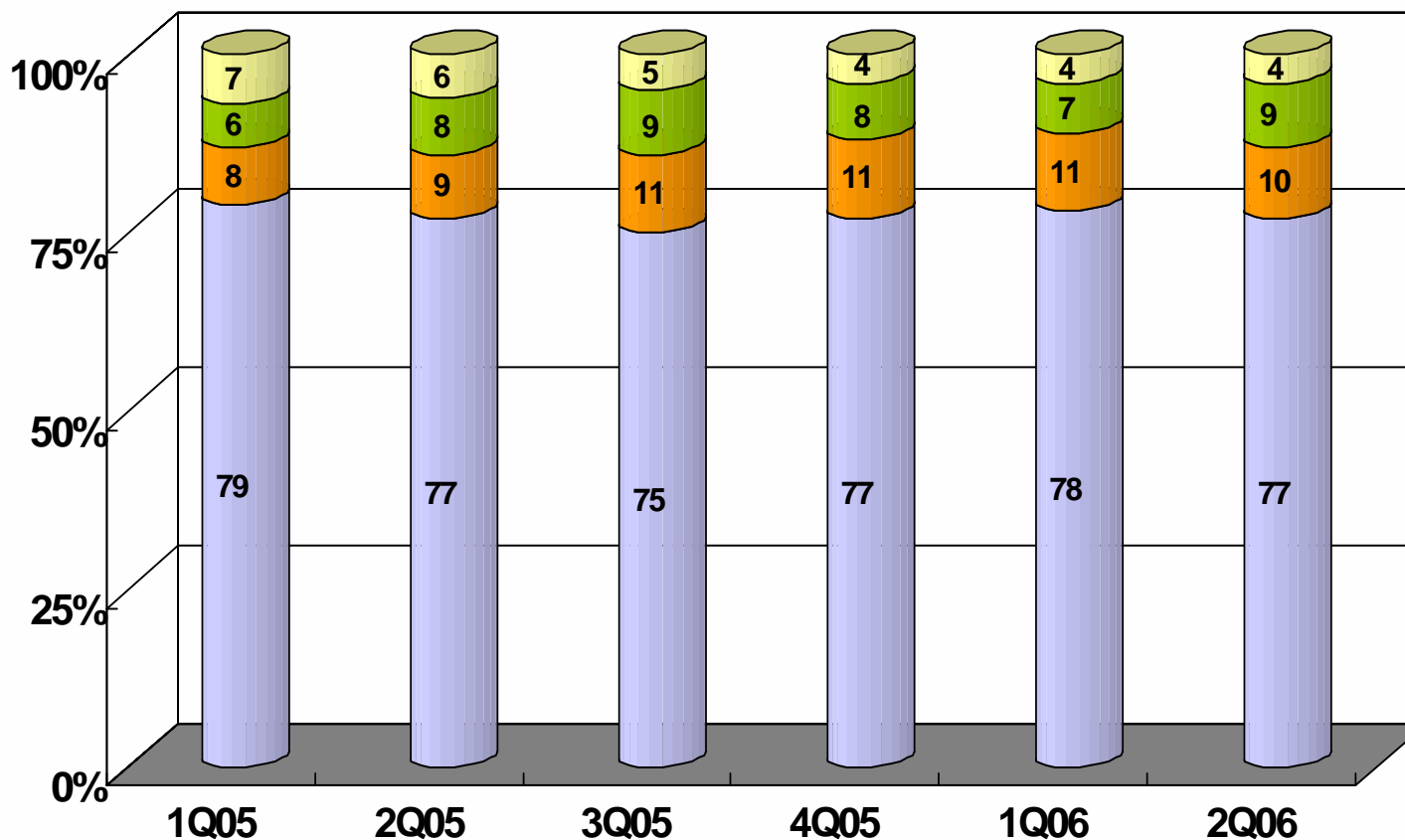
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Sales Breakdown by Geography

■ N. America ■ Asia ■ Europe ■ Japan



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

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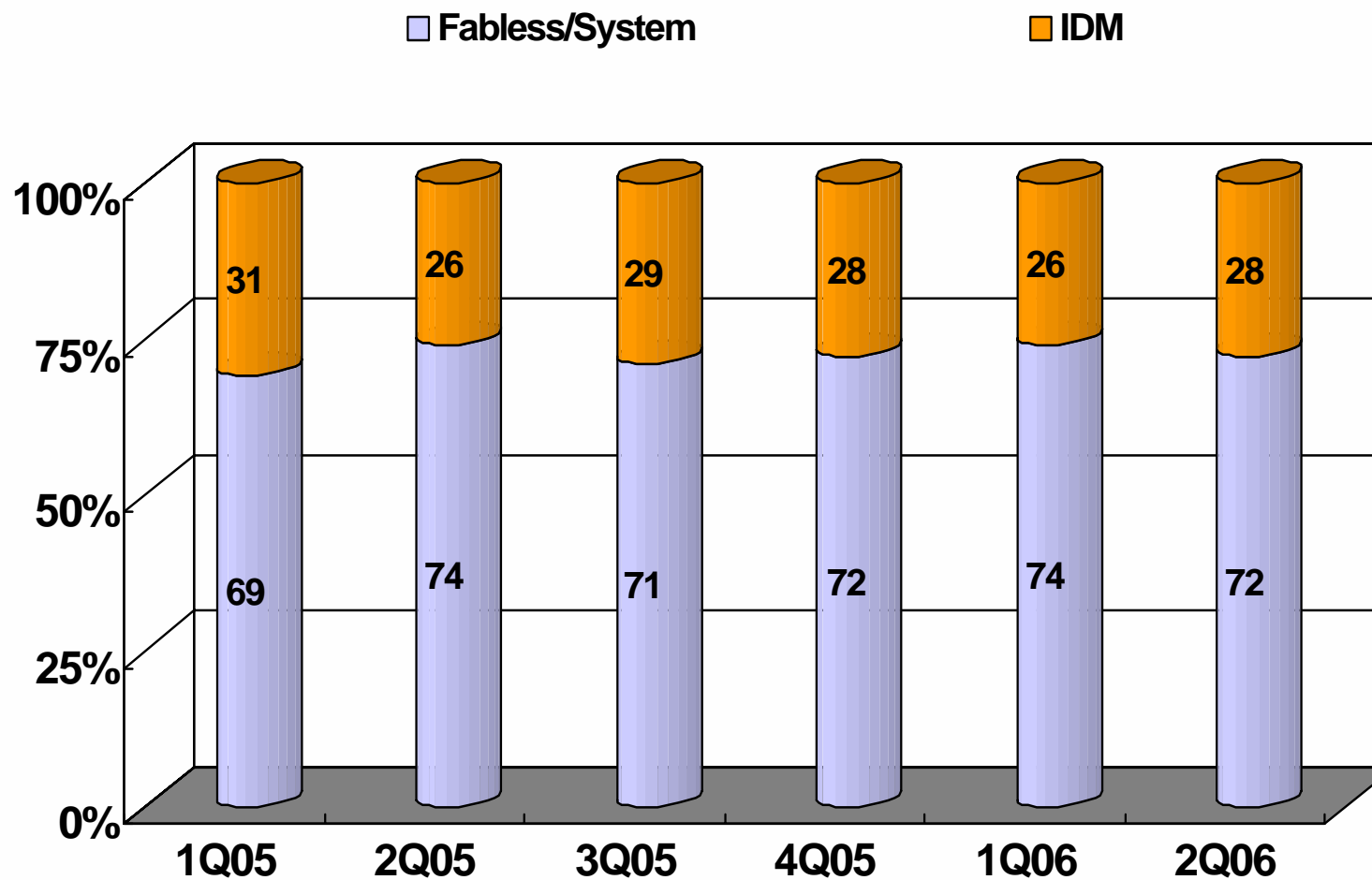
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Sales Breakdown by Customer





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2Q06 Income Statements

- Consolidated vs. Unconsolidated

	2Q06		2Q06		Difference
	Consolidated		Unconsolidated		
Amount:NT\$ billion	Amount	%	Amount	%	Amount
Net Sales	82.12	100.0%	81.23	100.0%	0.89
COGS	(39.62)	-48.2%	(40.34)	-49.7%	0.72
Gross Profit	42.50	51.8%	40.89	50.3%	1.61
Operating Expense	(7.18)	-8.8%	(5.91)	-7.2%	(1.26)
Operating Income	35.32	43.0%	34.97	43.1%	0.35
Non-operating Income/(Expense)	0.95	1.2%	1.28	1.6%	(0.33)
Income before Tax	36.27	44.2%	36.25	44.6%	0.02
Income Tax Benefit/(Expense)	(2.28)	-2.8%	(2.25)	-2.8%	(0.03)
Minority Interest	0.01	0.0%			0.01
Net Income*	34.00	41.4%	34.00	41.9%	0.00
EPS (NT\$)	1.32		1.32		

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* Net Income attributable to shareholders of the parent company

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2Q06 Balance Sheets

- Consolidated vs. Unconsolidated

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Long-Term Investment	42.8	83.2	-40.4
Net PP&E	251.1	223.2	27.9
Total Assets	593.7	581.6	12.1
Accounts Payable	27.5	27.0	0.5
Accrued Liabilities and Others	82.8	80.2	2.6
Current Liabilities	110.3	107.2	3.1
Long-Term Interest-bearing Debt	24.7	17.0	7.7
Total Liability	146.2	134.8	11.5
Total Equity	447.5	446.8	0.7



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2Q06 Cash Flows

- Consolidated vs. Unconsolidated

Amount:NT\$ billion	2Q'06 Consolidated	2Q'06 Unconsolidated	Difference
- Net Income	34.0	34.0	0.0
- Depreciation & Amortization	17.9	16.2	1.7
- Other Op Sources/(Uses)	(1.5)	(3.2)	1.7
From Operation	50.4	47.0	3.4
- Capital Expenditure	(21.4)	(21.1)	(0.3)
- Marketable Financial Instrument	(7.8)	(7.8)	0.1
- Other Investing Sources/(Uses)	(1.1)	(0.5)	(0.6)
From Investment	(30.3)	(29.4)	(0.9)
- Other Financing Sources/(Uses)	0.1	0.1	(0.0)
From Financing	0.1	0.1	(0.0)
Net Cash Position Change	20.2	17.7	2.5
Ending Cash Balance	141.5	127.7	13.7

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3Q'06 Guidance

- Revenues to be between NT\$79 billion and NT\$82 billion
- Gross profit margin to be between 48% and 50%
- Operating profit margin to be between 39% and 41%

Recap of Recent Major Events

- **TSMC and ARM Collaboration Achieves Significant Power Reduction on First 65nm Low-Power Test Chip (2006/07/18)**
- **TSMC Continues Industry Leadership with Reference Flow 7.0 (2006/07/17)**
- **TSMC Bolsters Design Ecosystem with DFM-Compliant EDA Tools and Data Kit for 65nm Design (2006/07/17)**
- **TSMC Sets June 20, 2006 as Ex-dividend Date (2006/06/06)**
- **TSMC is Production-Ready for 65nm X Architecture Designs (2006/05/25)**
- **TSMC 65-Nanometer Process Moves to Volume Production (2006/05/17)**
- **TSMC Senior Vice President of R&D Dr. Shang-Yi Chiang to Retire (2006/05/17)**
- **TSMC Board of Directors Unanimously Re-elects Dr. Morris Chang as Chairman (2006/05/16)**
- **TSMC Shareholders Approve NT\$2.5 Cash and 3% Stock Dividend (2006/05/16)**
- **TSMC Unveils First 65-Nanometer Data-Driven DFM Design Ecosystem (2006/05/15)**



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