



TSMC

2005 Second Quarter Results Investor Conference

July 26th, 2005

Agenda

- **Welcome**
- **2005 2Q 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, 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.

2Q'05 Result Highlights

Amount:NT\$ billion	2Q'05	1Q'05	2Q'04
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Net Sales	<u>58.52</u>	<u>55.65</u>	<u>64.87</u>
Net Income	<u>18.37</u>	<u>16.82</u>	<u>23.41</u>
EPS (NT\$)	<u>0.74</u>	<u>0.68</u>	<u>0.95</u>
Cash and S-T Investment	128.01	111.86	119.98
Interest-bearing Debt	30.00	30.00	35.00
Shareholders' Equity	384.20	415.35	351.07
Wafers Shipped (Kpcs)	1,275	1,113	1,282
Utilization (%)	85%	78%	106%
ROE (%) *	18.4%	16.5%	26.4%

* Annualized ROE for the quarter.

Income Statement - QoQ Comparison

TSMC w/o Affiliates

NT\$ billion	2Q'05		1Q'05	
Net Sales	53.1	100.0%	50.6	100.0%
COGS	(30.3)	-57.1%	(29.3)	-57.9%
Gross Profit	22.7	42.9%	21.3	42.1%

Amount: NT\$ billion

	2Q'05		1Q'05		QOQ
	Amount	%	Amount	%	%
Net Sales	58.52	100.0%	55.65	100.0%	5%
COGS	(35.31)	-60.3%	(34.00)	-61.1%	4%
Gross Profit	23.21	39.7%	21.65	38.9%	7%
Operating Expense	(5.42)	-9.3%	(5.57)	-10.0%	-3%
Operating Income	17.79	30.4%	16.08	28.9%	11%
Net Non-operating Income	0.54	0.9%	0.39	0.7%	39%
Investment Income/(Loss)	(0.59)	-1.0%	(0.20)	-0.4%	197%
Income before Tax	17.74	30.3%	16.27	29.2%	9%
Income Tax Credit	0.63	1.1%	0.55	1.0%	14%
Net Income	18.37	31.4%	16.82	30.2%	9%
EPS (NT\$)	0.74		0.68		9%

Income Statement - YoY Comparison

TSMC w/o Affiliates

NT\$ billion	2Q'05		2Q'04	
Net Sales	53.1	100.0%	56.3	100.0%
COGS	(30.3)	-57.1%	(28.6)	-50.9%
Gross Profit	22.7	42.9%	27.6	49.1%

	2Q'05		2Q'04		YOY
Amount: NT\$ billion	Amount	%	Amount	%	%
Net Sales	58.52	100.0%	64.87	100.0%	-10%
COGS	(35.31)	-60.3%	(36.73)	-56.6%	-4%
Gross Profit	23.21	39.7%	28.14	43.4%	-18%
Operating Expense	(5.42)	-9.3%	(6.01)	-9.3%	-10%
Operating Income	17.79	30.4%	22.13	34.1%	-20%
Net Non-operating Income	0.54	0.9%	(0.26)	-0.4%	-
Investment Income/(Loss)	(0.59)	-1.0%	1.25	1.9%	-
Income before Tax	17.74	30.3%	23.12	35.6%	-23%
Income Tax Credit	0.63	1.1%	0.29	0.4%	118%
Net Income	18.37	31.4%	23.41	36.1%	-22%
EPS (NT\$)	0.74		0.95		-21%

Balance Sheet & Key Indices

(Amount: NT\$ billion)

Selected Items from Balance Sheet	2Q'05		1Q'05		2Q'04	
	Amount	%	Amount	%	Amount	%
Total Assets	499.4	100%	480.7	100%	439.8	100%
Cash & S-T Investments	128.0	26%	111.9	23%	120.0	27%
Accounts Receivable - Trade	30.1	6%	22.4	5%	30.7	7%
Inventory	14.1	3%	13.4	3%	11.7	3%
Total Current Assets	181.8	36%	159.7	33%	170.5	39%
Accounts Payable	17.8	4%	19.1	4%	20.6	5%
Current Portion of Bonds Payable	10.5	2%	10.5	2%	5.0	1%
Accrued Liabilities and Others	58.4	12%	8.3	2%	23.4	5%
Total Current Liabilities	86.7	17%	37.9	8%	49.0	11%
Long-Term Debt	19.5	4%	19.5	4%	30.0	7%
Total Equity	384.2	77%	415.4	86%	351.1	80%
Key Indices						
A/R Turnover Days	43		42		42	
Inventory Turnover Days	41		42		36	
Current Ratio (x)	2.1		4.2		3.5	
Net Working Capital	95.1		121.9		121.5	

Cash Flows

Amount:NT\$ billion

	2Q'05 Amount	1Q'05 Amount	2Q'04 Amount
From Operation	27.7	36.0	36.1
- Net Profit	18.4	16.8	23.4
- Depreciation & Amortization	17.7	16.7	16.0
- Other Op Sources/(Uses)	(8.4)	2.5	(3.3)
From Investment	(10.3)	(41.3)	(56.9)
- Capital Expenditure	(13.0)	(38.2)	(22.8)
- S-T Investment	2.2	1.4	(24.8)
- L-T Investment	(0.6)	(4.3)	(9.1)
- Other Investing Sources/(Uses)	1.1	(0.2)	(0.2)
From Financing	1.0	(0.0)	(6.9)
- Increase in Treasury Stocks	0.0	0.0	(6.6)
- Paid to Directors and Supervisors	(0.2)	0.0	(0.1)
- Cash Dividends Paid to Preferred Stocks	0.0	0.0	(0.2)
- Other Financing Sources/(Uses)	1.2	(0.0)	0.0

Capital Expenditures

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

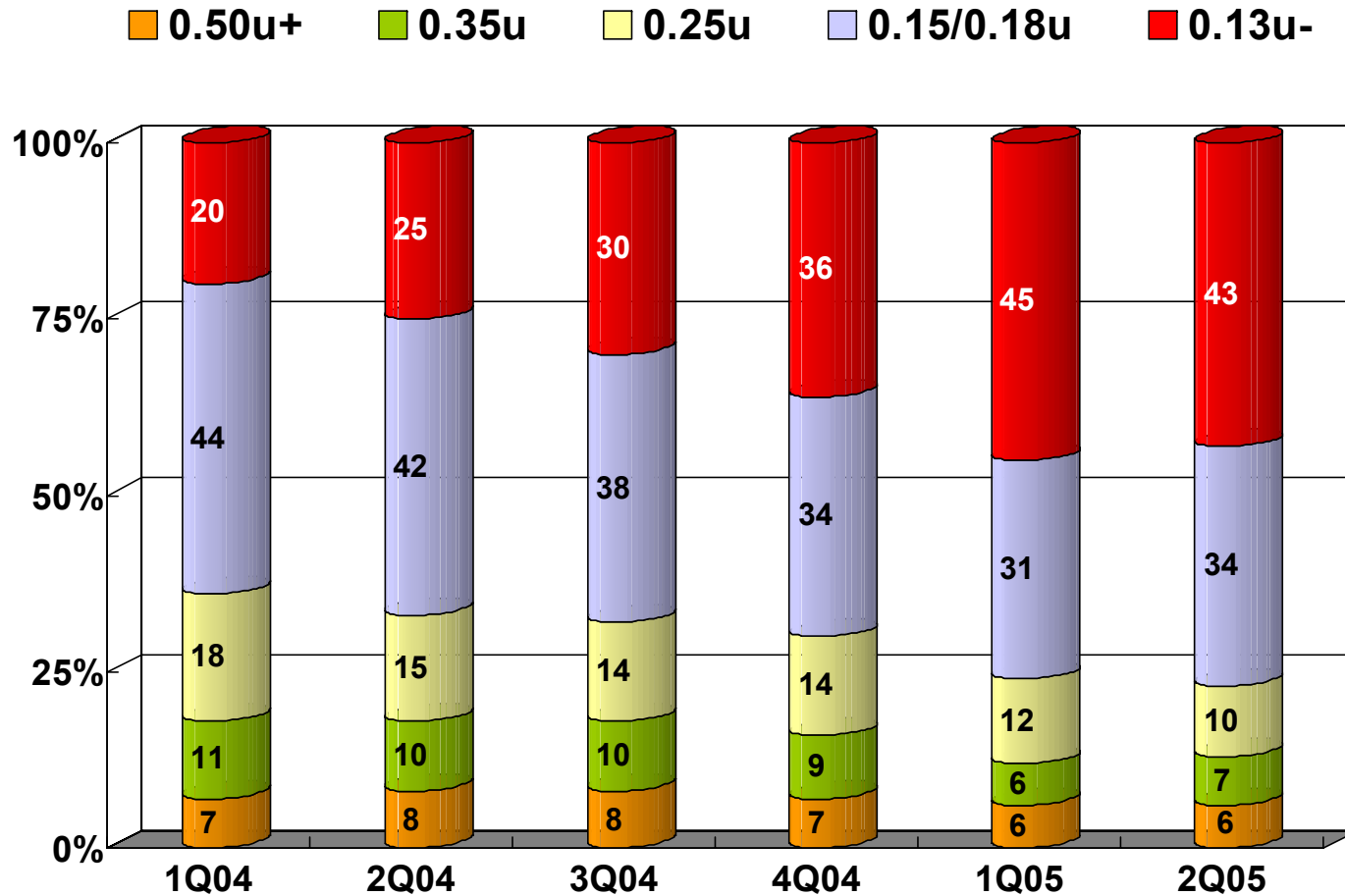
CapEx (in US\$ million)	1Q05 *	2Q05 *	6 mo.s * YTD
TSMC *	1,210	415	1,627
TSMC (Shanghai)	97	42	139
WaferTech	1	1	3
TSMC and Affiliates	1,308	458	1,769

* 1Q05 Capex based on the weighted average exchange rate of NT\$31.53 per US dollar.

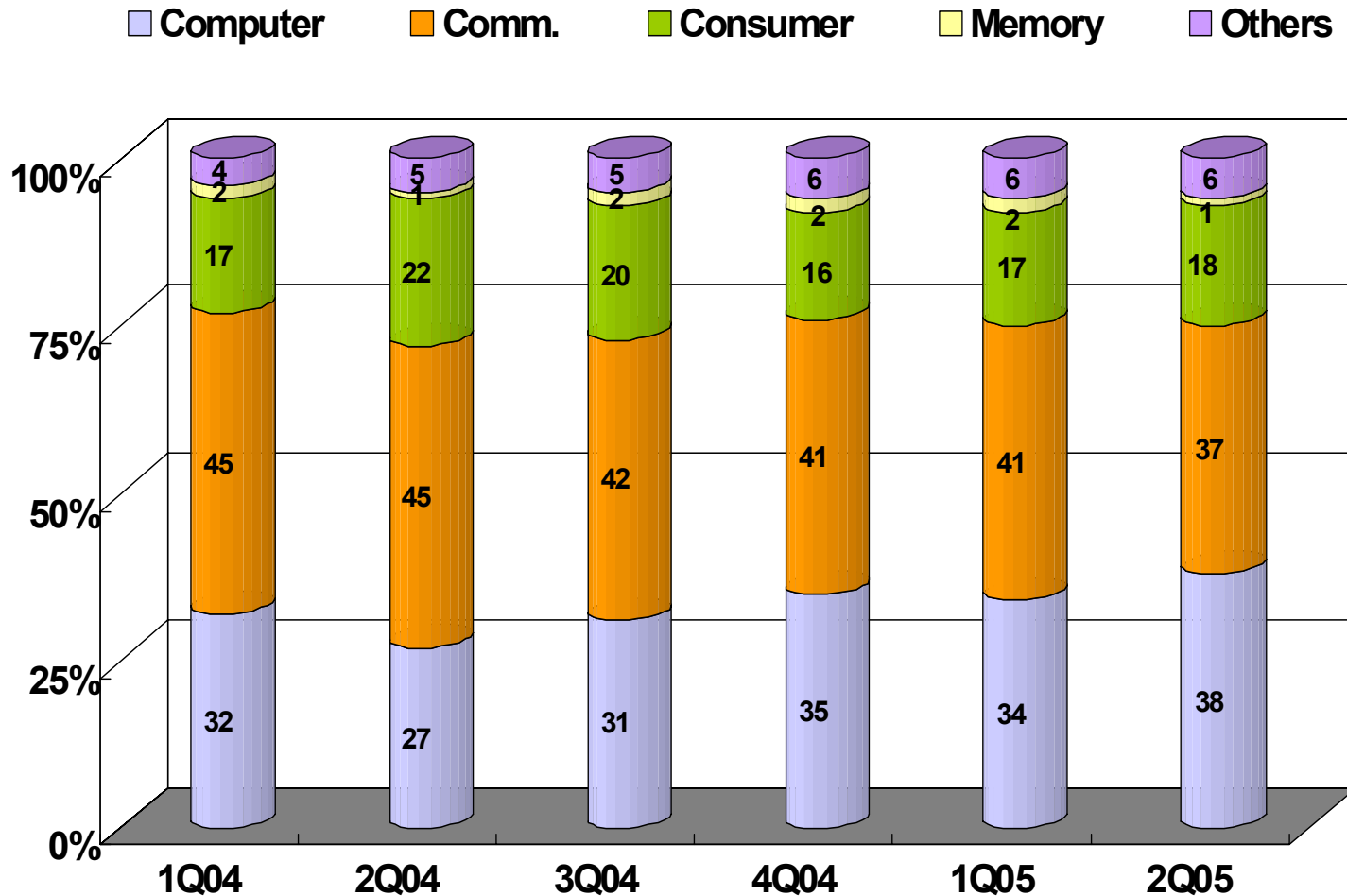
2Q05 Capex based on the weighted average exchange rate of NT\$31.41 per US dollar.

6 months year to date Capex based on the weighted average exchange rate of NT\$31.47 per US dollar.

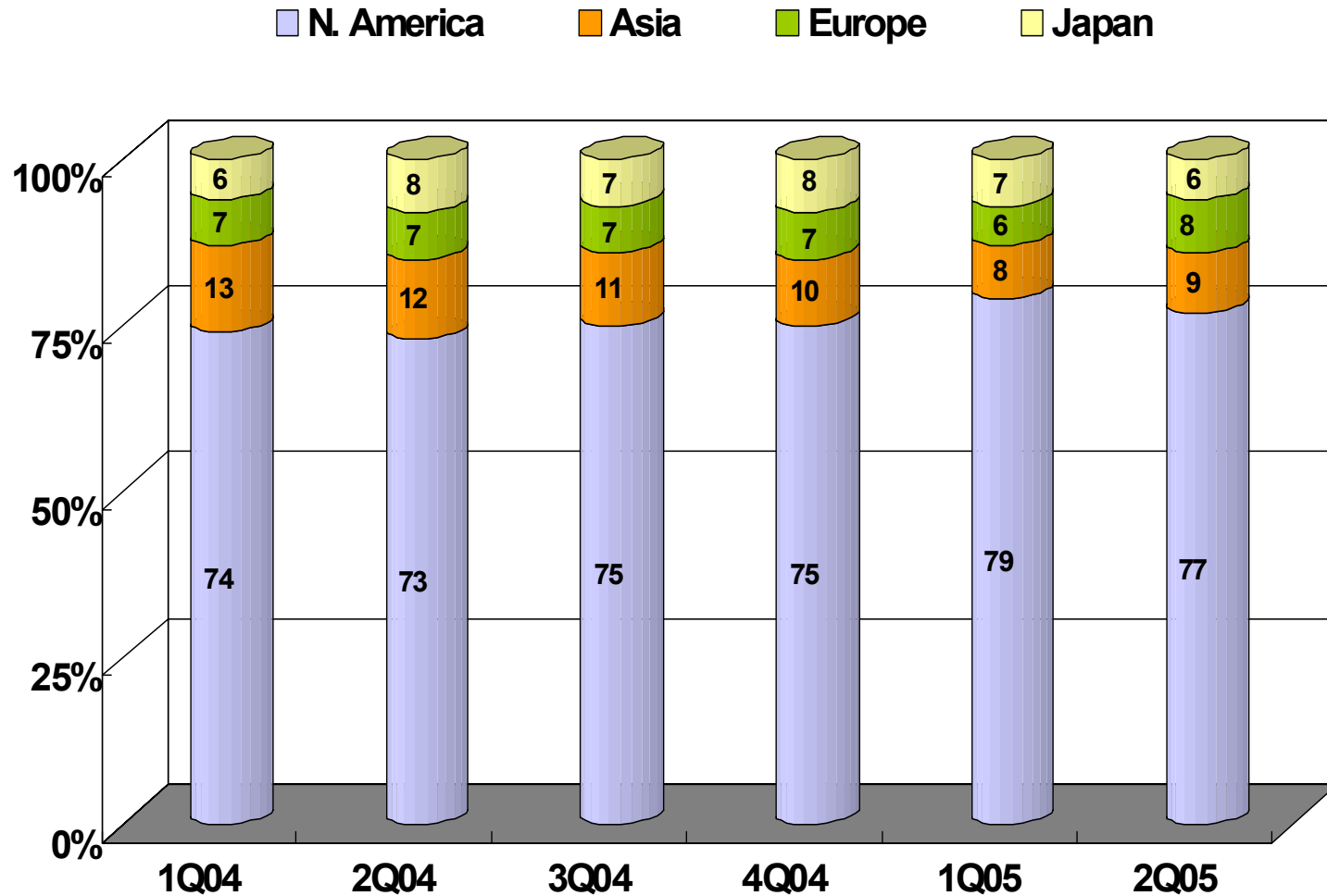
Sales Breakdown by Technology



Sales Breakdown by Application

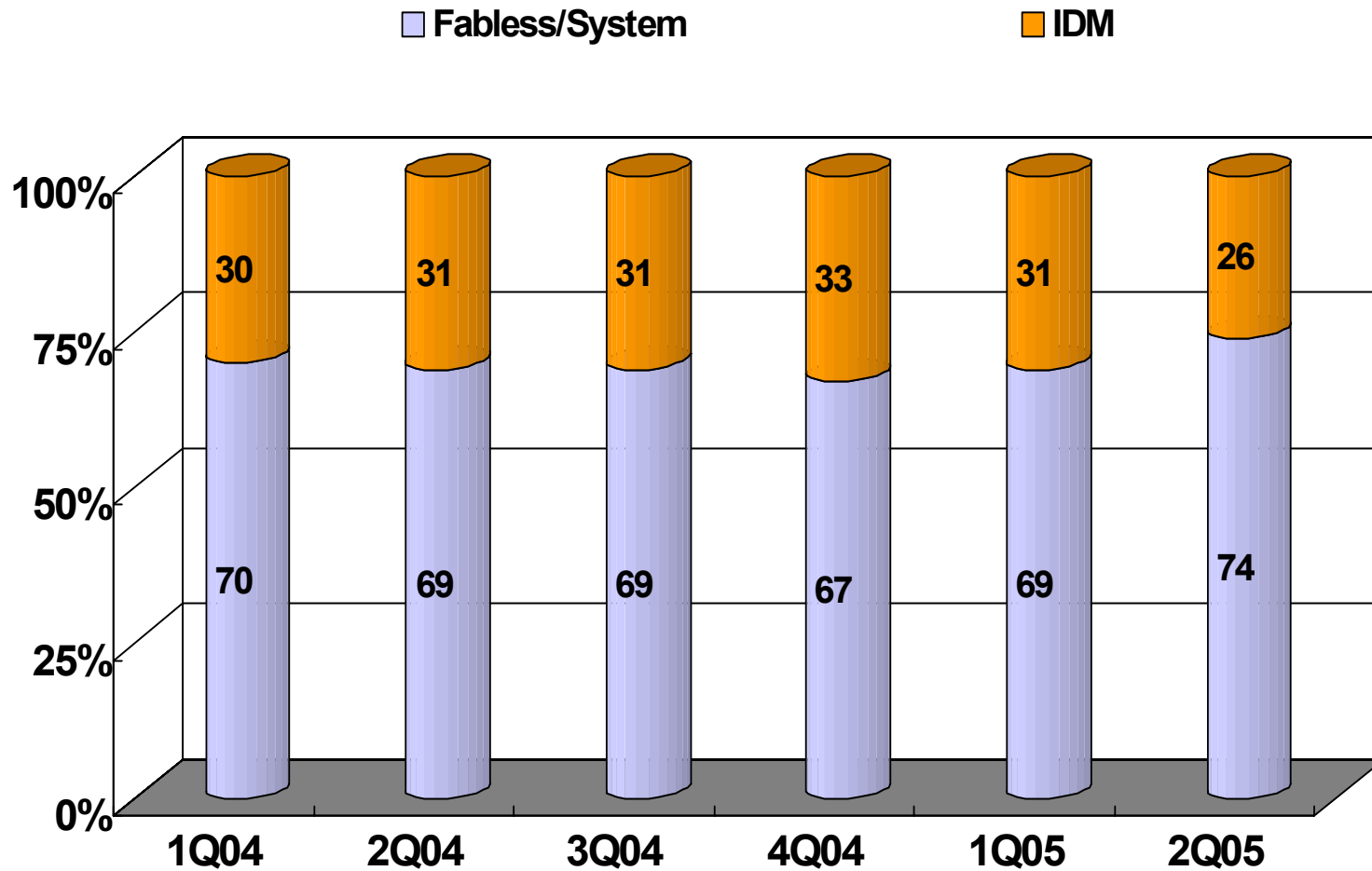


Sales Breakdown by Geography

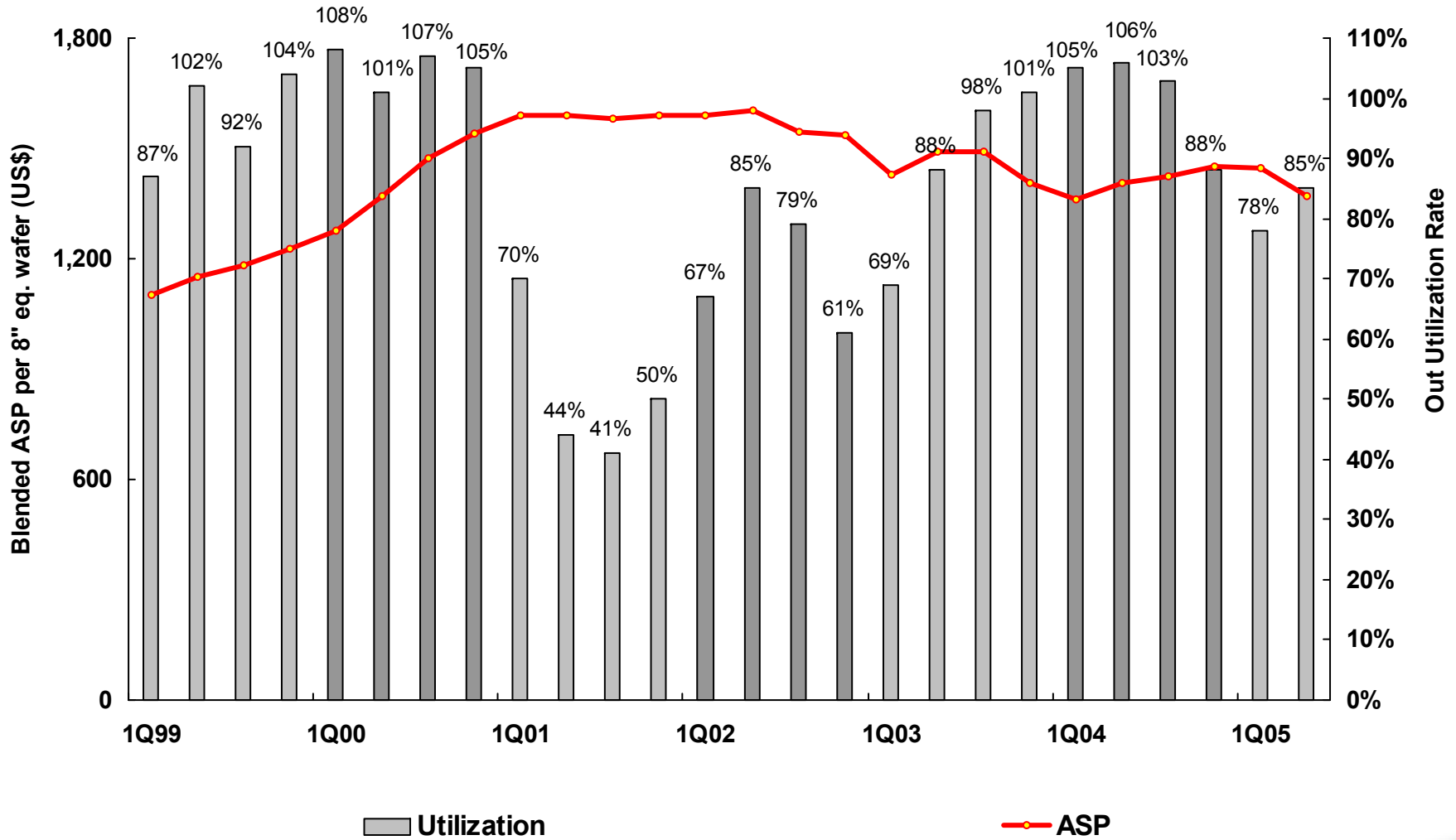


Note: This chart does not reflect the actual shipment destination of sales.

Sales Breakdown by Customer



Fab Utilization and ASP Trend



Installed Capacity by Fab

FAB / (Wafer size)		1Q05 (Act.)	2Q05 (Act.)	3Q05 (Est.)
Fab-2	(6") ¹	238	249	251
Fab-3	(8")	234	245	247
Fab-5	(8")	119	125	126
Fab-6	(8")	203	214	217
Fab-7	(8")	36	39	40
Fab-8	(8")	222	217	227
Fab-12	(12") ²	85	103	122
Fab-14	(12") ²	18	36	46
TSMC-owned (8" Equivalent Kpcs)		1,180	1,292	1,374
WaferTech	(8")	95	96	100
SSMC	(8")	41	42	47
TSMC (Shanghai)	(8")	9	22	30
Total TSMC-managed (8" Equivalent Kpcs)		1,324	1,451	1,550

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.

Recap of Recent Major Events

- **TSMC and Kodak Sign License Agreement for CMOS Image Sensors (2005/07/08)**
- **TSMC Reference Flow 6.0 Opens Door to 65nm Design (2005/06/09)**
- **TSMC Introduces Foundry Industry's First Comprehensive DFM Toolkits (2005/06/09)**
- **Cadence Supports TSMC Reference Flow 6.0 To Accelerate 65nm Design (2005/06/09)**
- **Key Synopsys Low Power and DFM Technologies Support TSMC Reference Flow 6.0 (2005/06/09)**
- **Mentor Graphics TestKompress Supports TSMC Reference Flow 6.0 (2005/06/09)**
- **Apache Supports TSMC Reference Flow 6.0 with Dynamic Power Integrity for Advanced Low Power Designs (2005/06/09)**

* 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.

Recap of Recent Major Events – Cont.

- **TSMC Announces May 2005 Sales and Revises Upward 2Q2005 Guidance (2005/06/08)**
- **TSMC and RMI Collaborate on 90nm Process for RMI's XLRTM Processor Family (2005/06/07)**
- **Magma Introduces Quartz DRC (2005/05/30)**
- **TSMC Sets June 19 Record Date for Common Share Dividend (2005/05/30)**
- **TSMC Shareholders Approved NT\$2.5 Dividend (2005/05/30)**
- **TSMC Board Appoints Dr. Rick Tsai as Chief Executive Officer of TSMC and Dr. F.C. Tseng as Vice Chairman of TSMC (2005/05/10)**
- **TSMC Unveils Nexsys 65nm Process Technology Plans (2005/04/27)**

* 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.

3Q'05 Guidance

- **Wafer shipments to increase by a mid-teen percentage point sequentially;**
- **Overall utilization rate to exceed 90%;**
- **Gross profit margin to be in the range of 41% to 43%;**
- **ASP to decline by a low to mid single digit percentage point sequentially.**



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