

# TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

## BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

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

ASSETS	2005		2004		LIABILITIES AND SHAREHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 85,383,583	17	\$ 65,531,818	14	Accounts payable	\$ 8,052,106	1	\$ 6,488,617	1
Short-term investments, net (Notes 2 and 4)	47,055,347	9	52,979,095	11	Payables to related parties (Notes 18 and 21)	3,242,197	1	3,198,490	1
Receivables from related parties (Note 18)	21,050,604	4	16,136,039	3	Income tax payable (Notes 2 and 12)	3,815,888	1	379,903	-
Notes and accounts receivable	20,591,818	4	15,326,881	3	Accrued expenses and other current liabilities (Notes 2, 10, 21 and 22)	8,214,994	1	8,917,533	2
Allowance for doubtful receivables (Note 2)	(976,344)	-	(980,461)	-	Payables to contractors and equipment suppliers	8,859,230	2	31,154,309	6
Allowance for sales returns and others (Note 2)	(4,269,969)	(1)	(3,327,914)	(1)	Current portion of long-term bonds payable (Note 9)	-	-	10,500,000	2
Other receivables from related parties (Note 18)	1,797,714	1	1,667,383	-					
Other financial assets (Notes 2 and 22)	2,403,929	1	2,080,640	1	Total current liabilities	32,184,415	6	60,638,852	12
Inventories, net (Notes 2 and 5)	16,257,955	3	14,171,945	3					
Deferred income tax assets (Notes 2 and 12)	7,013,000	1	8,849,000	2	<b>LONG-TERM LIABILITIES</b>				
Prepaid expenses and other current assets	1,254,779	-	1,232,885	-	Bonds payable (Note 9)	19,500,000	4	19,500,000	4
					Other long-term payables (Notes 10 and 21)	1,511,100	-	1,934,968	-
Total current assets	197,562,416	39	173,667,311	36	Other payables to related parties (Notes 18 and 21)	1,100,475	-	2,317,972	1
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 16 and 22)</b>					Total long-term liabilities	22,111,575	4	23,752,940	5
Equity method	51,076,803	10	46,828,322	10					
Cost method	807,490	-	772,634	-	<b>OTHER LIABILITIES</b>				
Long-term bonds	18,548,308	4	15,170,167	3	Accrued pension cost (Notes 2 and 11)	3,461,392	1	3,101,196	1
Other investments	10,227,000	2	10,521,740	2	Guarantee deposits (Note 21)	2,892,945	1	412,393	-
					Deferred credits (Notes 2 and 18)	1,259,139	-	682,530	-
Total long-term investments	80,659,601	16	73,292,863	15					
					Total other liabilities	7,613,476	2	4,196,119	1
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18)</b>									
Cost					Total liabilities	61,909,466	12	88,587,911	18
Buildings	90,769,622	18	84,299,167	17					
Machinery and equipment	459,850,773	91	390,719,215	80	<b>SHAREHOLDERS' EQUITY (Notes 2, 14, 15 and 16)</b>				
Office equipment	7,850,035	1	7,041,132	1	Capital stock - \$10 par value				
	558,470,430	110	482,059,514	98	Authorized: 27,050,000 thousand shares in 2005 and 24,600,000 thousand shares in 2004				
Accumulated depreciation	(359,191,829)	(71)	(300,006,201)	(61)	Issued: 24,730,025 thousand shares in 2005 and 23,251,964 thousand shares in 2004	247,300,246	49	232,519,637	48
Advance payments and construction in progress	14,867,032	3	45,923,087	10	Capital surplus	57,117,886	11	56,537,259	11
					Retained earnings				
Property, plant and equipment, net	214,145,633	42	227,976,400	47	Appropriated as legal capital reserve	34,348,208	7	25,528,007	5
					Appropriated as special capital reserve	2,226,427	-	-	-
<b>GOODWILL (Note 2)</b>	1,567,756	-	1,916,146	-	Unappropriated earnings	106,196,399	21	88,202,009	18
					Others				
<b>OTHER ASSETS</b>					Cumulative translation adjustments	(640,742)	-	(2,226,427)	-
Deferred charges, net (Notes 2, 8 and 21)	6,681,144	1	8,845,144	2	Treasury stock (at cost) - 32,938 thousand shares in 2005 and 45,521 thousand shares in 2004	(918,075)	-	(1,595,186)	-
Deferred income tax assets (Notes 2 and 12)	6,759,955	2	1,645,003	-					
Refundable deposits	83,642	-	85,413	-	Total shareholders' equity	445,630,349	88	398,965,299	82
Assets leased to others, net (Note 2)	72,879	-	78,613	-					
Idle assets (Note 2)	6,789	-	46,317	-					
Total other assets	13,604,409	3	10,700,490	2					
<b>TOTAL</b>	<b>\$ 507,539,815</b>	<b>100</b>	<b>\$ 487,553,210</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 507,539,815</b>	<b>100</b>	<b>\$ 487,553,210</b>	<b>100</b>

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

# TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

## STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	2005		2004	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 18)	\$ 270,315,064		\$ 260,726,896	
SALES RETURNS AND ALLOWANCES (Note 2)	<u>5,726,700</u>		<u>4,734,469</u>	
NET SALES	264,588,364	100	255,992,427	100
COST OF SALES (Notes 13 and 18)	<u>149,344,315</u>	<u>56</u>	<u>145,831,843</u>	<u>57</u>
GROSS PROFIT	<u>115,244,049</u>	<u>44</u>	<u>110,160,584</u>	<u>43</u>
OPERATING EXPENSES (Notes 13 and 18)				
Research and development	13,395,801	5	12,516,434	5
General and administrative	7,485,011	3	9,367,010	3
Sales and marketing	<u>1,349,413</u>	<u>1</u>	<u>1,454,362</u>	<u>1</u>
Total operating expenses	<u>22,230,225</u>	<u>9</u>	<u>23,337,806</u>	<u>9</u>
INCOME FROM OPERATIONS	<u>93,013,824</u>	<u>35</u>	<u>86,822,778</u>	<u>34</u>
NON-OPERATING INCOME AND GAINS				
Interest (Notes 2 and 22)	2,769,978	1	1,687,681	1
Settlement income (Note 20)	950,046	1	-	-
Gain on disposal of property, plant and equipment (Notes 2 and 18)	494,374	-	164,147	-
Technical service income (Notes 18 and 21)	491,267	-	423,804	-
Equity in earnings of equity method investees, net (Notes 2 and 6)	-	-	4,040,319	2
Gain on sales of investments, net (Note 2)	-	-	90,319	-
Others (Note 18)	<u>366,344</u>	<u>-</u>	<u>378,778</u>	<u>-</u>
Total non-operating income and gains	<u>5,072,009</u>	<u>2</u>	<u>6,785,048</u>	<u>3</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest (Notes 2, 7, 9 and 22)	2,429,568	1	1,278,072	1
Equity in losses of equity method investees, net (Notes 2 and 6)	1,052,045	1	-	-
Unrealized valuation loss on short-term investments (Notes 2 and 4)	337,160	-	75,212	-
Loss on sales of investments, net (Note 2)	149,498	-	-	-
Loss on disposal of property, plant, equipment and idle assets (Note 2)	59,992	-	107,722	-
Foreign exchange loss, net (Notes 2 and 22)	34,379	-	323,080	-
Others (Note 2)	<u>203,768</u>	<u>-</u>	<u>45,156</u>	<u>-</u>
Total non-operating expenses and losses	<u>4,266,410</u>	<u>2</u>	<u>1,829,242</u>	<u>1</u>
INCOME BEFORE INCOME TAX	93,819,423	35	91,778,584	36
INCOME TAX BENEFITS (EXPENSES) (Notes 2 and 12)	<u>(244,388)</u>	<u>-</u>	<u>537,531</u>	<u>-</u>
NET INCOME	<u>\$ 93,575,035</u>	<u>35</u>	<u>\$ 92,316,115</u>	<u>36</u>

(Continued)

	2005		2004	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 17)				
Basic earnings per share	\$ 3.80	\$ 3.79	\$ 3.71	\$ 3.73
Diluted earnings per share	\$ 3.80	\$ 3.79	\$ 3.71	\$ 3.73
The pro forma net income and earnings per share (after income tax) are shown as follows, and are based on the assumption that the parent company stock held by its subsidiaries is treated as an investment instead of as treasury stock (Notes 2 and 16):				
NET INCOME	\$ 93,881,698		\$ 92,340,760	
EARNINGS PER SHARE (NT\$)				
Basic earnings per share	\$ 3.80		\$ 3.73	
Diluted earnings per share	\$ 3.79		\$ 3.73	

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

(Concluded)