

TSMC

2004 Second Quarter Results Investor Conference

July 29th, 2004

Agenda

- **Welcome**
- **2004 2Q Financial Results** **Lora Ho**
(unconsolidated)
- **Remarks** **Morris Chang**
- **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 28, 2004, 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'04 Result Highlights

| Amount:NT\$ billion | 2Q'04 | 1Q'04 | 2Q'03 |
|--------------------------------|---------------|---------------|---------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> |
| Net Sales | <u>64.87</u> | <u>57.51</u> | <u>49.92</u> |
| Net Income | <u>23.41</u> | <u>18.79</u> | <u>11.73</u> |
| EPS (NT\$) | 1.00 | 0.81 | 0.50 |
| Cash and S-T Investment | 123.34 | 126.34 | 69.60 |
| Interest-bearing Debt | 35.00 | 35.00 | 35.00 |
| Shareholders' Equity | 351.07 | 346.59 | 298.26 |
| Wafers Shipped (Kpcs) | 1,282 | 1,172 | 887 |
| Utilization (%) | 106% | 105% | 88% |
| ROE (%) * | 26.4% | 22.2% | 14.7% |

* Annualized ROE for the quarter.

Income Statement - QoQ Comparison

TSMC w/o Affiliates

| NT\$ billion | 2Q'04 | | 1Q'04 | |
|--------------|--------|--------|--------|--------|
| Net Sales | 56.3 | 100.0% | 50.1 | 100.0% |
| COGS | (28.6) | -50.9% | (27.9) | -55.7% |
| Gross Profit | 27.6 | 49.1% | 22.2 | 44.3% |

Amount:NT\$ billion

| | 2Q'04 | | 1Q'04 | | QOQ |
|--|----------------|---------------|----------------|---------------|--------------|
| | Amount | % | Amount | % | % |
| Net Sales | 64.87 | 100.0% | 57.51 | 100.0% | 13% |
| COGS | (36.73) | -56.6% | (34.78) | -60.5% | 6% |
| Gross Profit | 28.14 | 43.4% | 22.73 | 39.5% | 24% |
| Operating Expense | (6.01) | -9.3% | (5.19) | -9.0% | 16% |
| Operating Income | 22.13 | 34.1% | 17.54 | 30.5% | 26% |
| Net Non-operating Income (Exp.) | (0.26) | -0.4% | 0.09 | 0.2% | -387% |
| Investment Income (Loss) | 1.25 | 1.9% | 0.80 | 1.4% | 56% |
| Income before Tax | 23.12 | 35.6% | 18.44 | 32.1% | 25% |
| Income Tax Credit (Exp.) | 0.29 | 0.4% | 0.35 | 0.6% | -18% |
| Net Income | 23.41 | 36.1% | 18.79 | 32.7% | 25% |
| EPS (NT\$) | 1.00 | | 0.81 | | 25% |

Income Statement - YoY Comparison

TSMC w/o Affiliates

| NT\$ billion | 2Q'04 | | 2Q'03 | |
|--------------|--------|--------|--------|--------|
| Net Sales | 56.3 | 100.0% | 43.9 | 100.0% |
| COGS | (28.6) | -50.9% | (25.9) | -58.9% |
| Gross Profit | 27.6 | 49.1% | 18.1 | 41.1% |

Amount:NT\$ billion

| | 2Q'04 | | 2Q'03 | | YOY |
|--|----------------|---------------|----------------|---------------|-------------|
| | Amount | % | Amount | % | % |
| Net Sales | 64.87 | 100.0% | 49.92 | 100.0% | 30% |
| COGS | (36.73) | -56.6% | (31.57) | -63.2% | 16% |
| Gross Profit | 28.14 | 43.4% | 18.35 | 36.8% | 53% |
| Operating Expense | (6.01) | -9.3% | (5.01) | -10.0% | 20% |
| Operating Income | 22.13 | 34.1% | 13.34 | 26.7% | 66% |
| Net Non-operating Income (Exp.) | (0.26) | -0.4% | (1.58) | -3.2% | 83% |
| Investment Income (Loss) | 1.25 | 1.9% | 0.81 | 1.6% | 54% |
| Income before Tax | 23.12 | 35.6% | 12.57 | 25.2% | 84% |
| Income Tax Credit (Exp.) | 0.29 | 0.4% | (0.84) | -1.7% | 134% |
| Net Income | 23.41 | 36.1% | 11.73 | 23.5% | 100% |
| EPS (NT\$) | 1.00 | | 0.50 | | 101% |

Balance Sheet & Key Indices

(Amount: NT\$ billion)

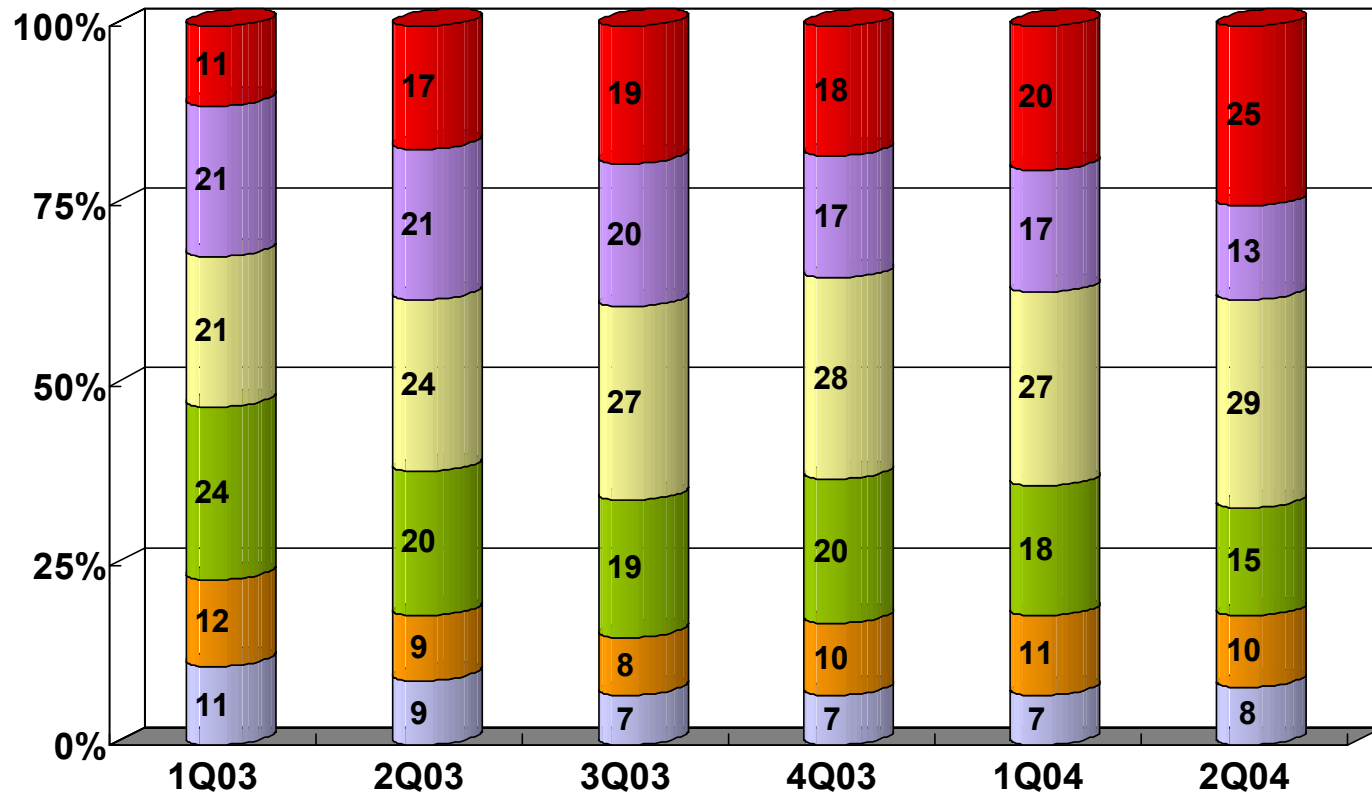
| Selected Items from Balance Sheet | 2Q'04 | | 1Q'04 | | 2Q'03 | |
|--------------------------------------|--------------|------|--------------|------|--------------|------|
| | Amount | % | Amount | % | Amount | % |
| Total Assets | 439.8 | 100% | 421.0 | 100% | 362.9 | 100% |
| Cash & S-T Investments | 123.3 | 28% | 126.3 | 30% | 69.6 | 19% |
| Accounts Receivable | 30.8 | 7% | 27.2 | 6% | 25.0 | 7% |
| Inventory | 11.7 | 3% | 11.0 | 3% | 11.4 | 3% |
| Total Current Assets | 173.8 | 40% | 175.7 | 42% | 111.0 | 31% |
| Accounts Payable and Others | 25.6 | 6% | 30.3 | 7% | 15.3 | 4% |
| Accrued Liabilities | 23.4 | 5% | 7.8 | 2% | 6.7 | 2% |
| Total Current Liabilities | 49.0 | 11% | 38.1 | 9% | 22.0 | 6% |
| L-T Debt | 30.0 | 7% | 30.0 | 7% | 35.0 | 10% |
| Total Equity | 351.1 | 80% | 346.6 | 82% | 298.3 | 82% |
| Key Indices | | | | | | |
| A/R Turnover Days | 42 | | 42 | | 44 | |
| Inventory Turnover Days | 36 | | 36 | | 39 | |
| Current Ratio (x) | 3.5 | | 4.6 | | 5.1 | |
| Net Working Capital | 124.8 | | 137.6 | | 89.0 | |

Cash Flows

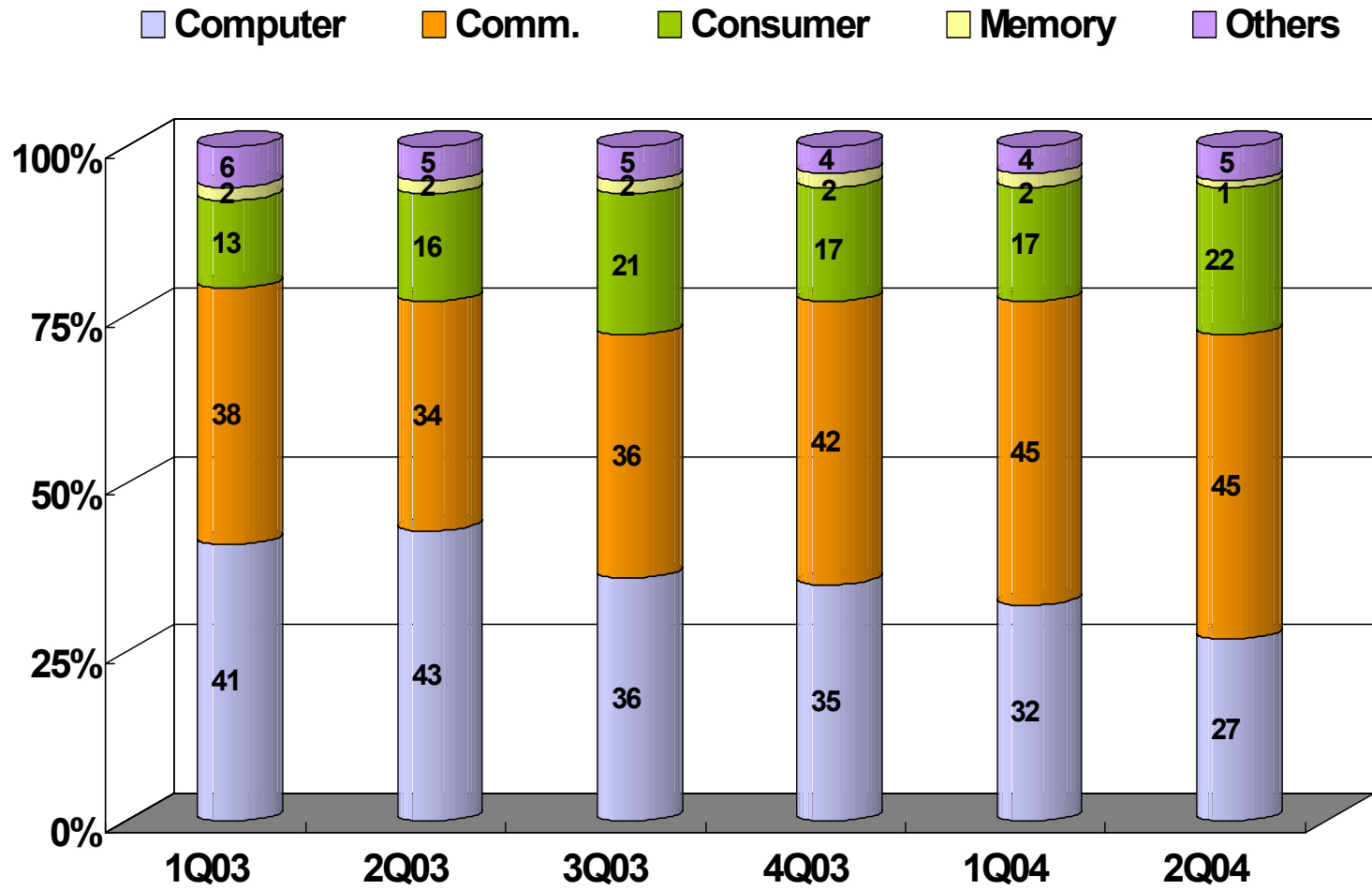
| Amount:NT\$ billion | 2Q'04 | 1Q'04 | 2Q'03 |
|----------------------------------|---------------|---------------|---------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> |
| From Operation | 36.1 | 32.7 | 23.1 |
| - Net Profit | 23.4 | 18.8 | 11.7 |
| - Depreciation & Amortization | 16.0 | 15.1 | 15.5 |
| - Other Op Sources/(Uses) | (3.3) | (1.2) | (4.1) |
| From Investment | (53.5) | (23.9) | (10.4) |
| - Capital Expenditure | (22.8) | (16.4) | (7.2) |
| - S-T Investment | (24.8) | (7.3) | (3.1) |
| - L-T Investment | (5.8) | (0.2) | (0.0) |
| - Other Investing Sources/(Uses) | (0.1) | (0.1) | (0.1) |
| From Financing | (7.0) | (0.6) | (13.7) |
| - Treasury Stock | (6.6) | (0.5) | 0.0 |
| - Other Financing Sources/(Uses) | (0.4) | (0.1) | (13.7) |

Sales Breakdown by Technology

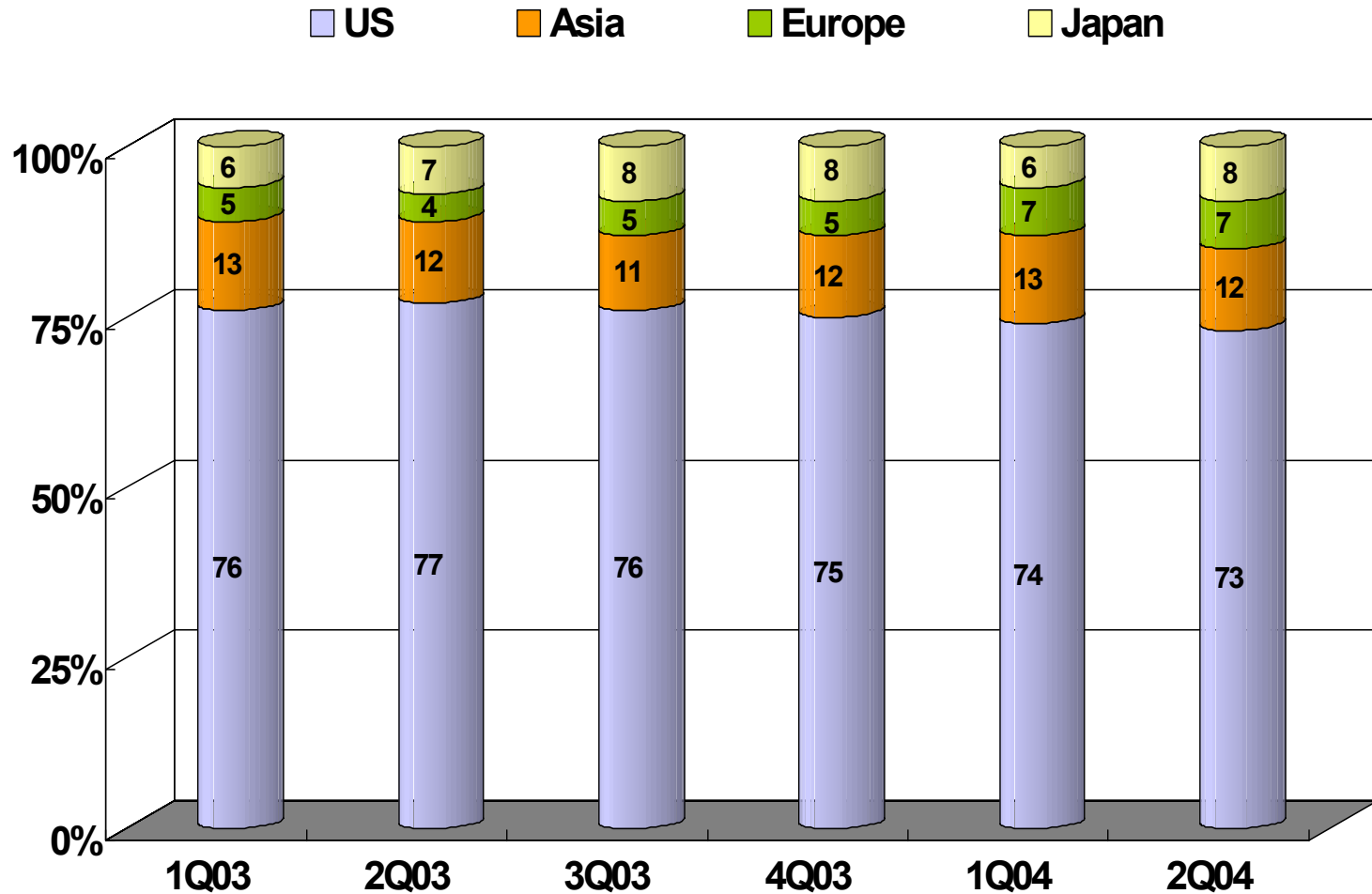
■ 0.50u+
 ■ 0.35u
 ■ 0.25u
 ■ 0.18u
 ■ 0.15u
 ■ 0.13u-



Sales Breakdown by Application

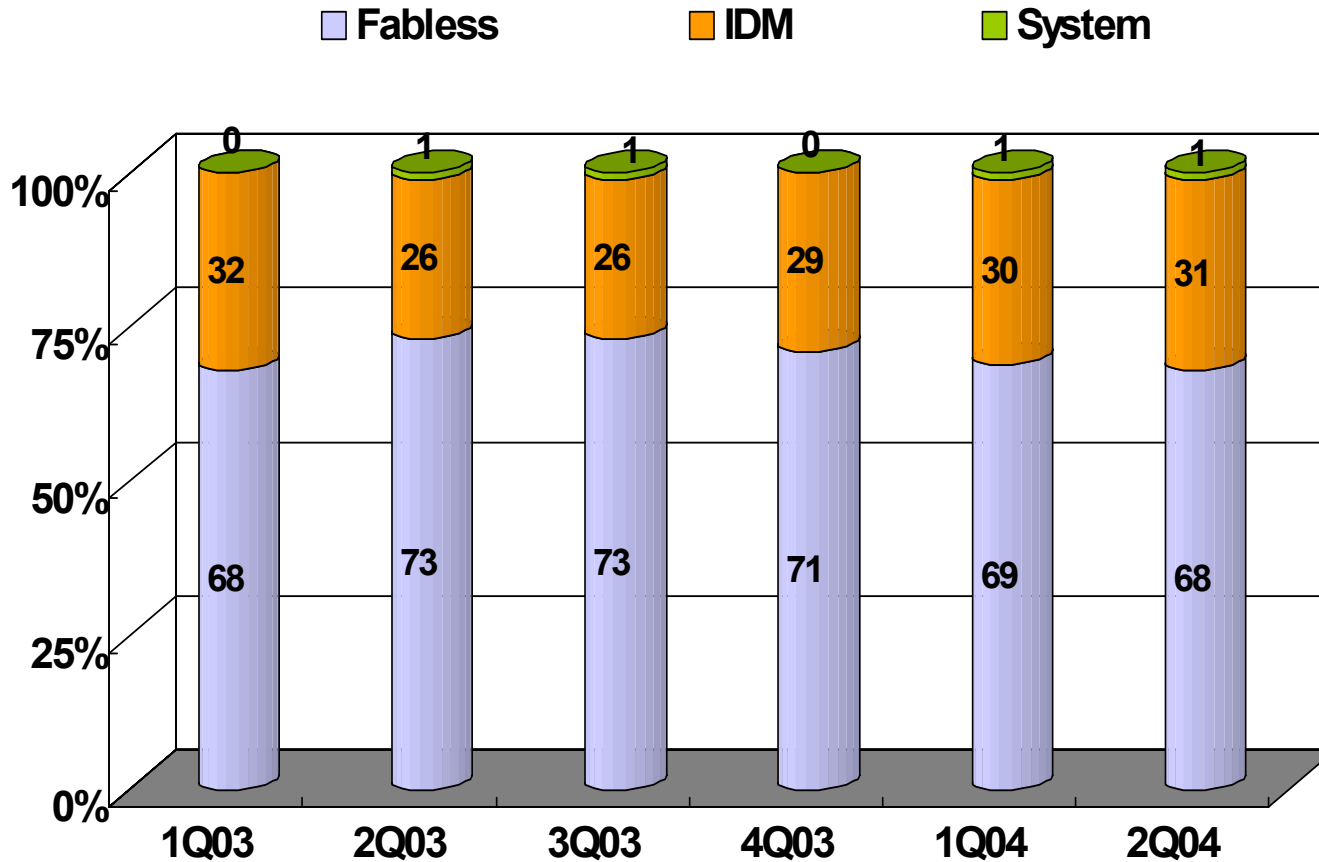


Sales Breakdown by Geography

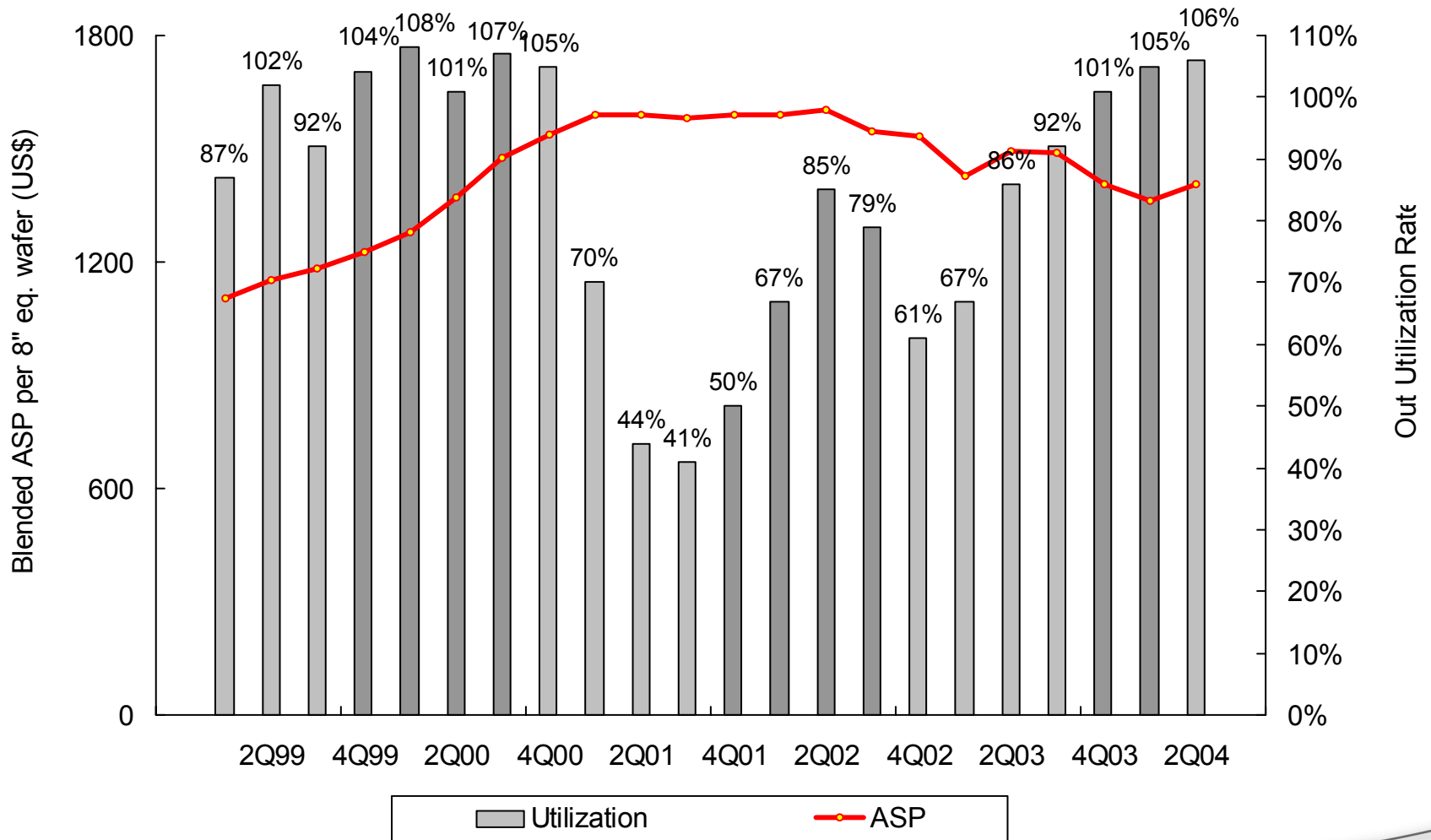


Note: This chart does not reflect the actual shipment destination of sales.

Sales Breakdown by Customer



Fab Utilization and ASP Trend



Installed Capacity by Fab

| FAB | Wafer Size | 1Q04(act) | 2Q04(est) | 2Q04 (act) | 3Q04(est) |
|---|------------|--------------|--------------|--------------|--------------|
| Fab-2 ¹ | 6" | 217 | 228 | 228 | 237 |
| Fab-3 | 8" | 208 | 221 | 221 | 246 |
| Fab-5 | 8" | 106 | 116 | 116 | 123 |
| Fab-6 | 8" | 187 | 192 | 196 | 214 |
| Fab-7 | 8" | 51 | 35 | 35 | 39 |
| Fab-8 ² | 8" | 182 | 202 | 202 | 216 |
| Fab-12 | 12" | 43 | 50 | 52 | 69 |
| TSMC-owned (8" Equivalent Kpcs) | | 953 | 1,004 | 1,014 | 1,127 |
| Wafer Tech | 8" | 88 | 88 | 92 | 97 |
| SSMC | 8" | 29 | 33 | 33 | 34 |
| Total TSMC-managed (8" Equivalent Kpcs) | | 1,070 | 1,125 | 1,138 | 1,258 |

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's Fab 6 Production Exceeds 70,000 8-inch Wafers per Month (2004/06/11)**
- **TSMC Sets June 14 and June 20 to be the Ex-dividend Date and Record Date for its Common Shares, Respectively (2004/05/31)**
- **TSMC Files Trade Secret Case against SMIC in the State Courts (2004/05/19)**
- **TSMC Board of Directors Approve Capital Appropriation for Expanding Capacities (2004/05/11)**
- **TSMC Shareholders Approve Stock and Cash Dividends (2004/05/11)**
- **TSMC Receives Government Sponsored 2004 eAward (2004/04/30)**
- **TSMC Accelerates Customer Competitiveness with Technology Platforms (2004/04/14)**

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

3Q04 Guidance

- **Wafer shipments to increase by a mid single digit percentage point sequentially;**
- **Overall utilization rate to be slightly down from 106% in 2Q but still be well above 100%;**
- **Gross profit margin is expected to be approximately 45%;**
- **ASP to remain at about the same level sequentially;**
- **2004 capex is expected to be about US\$2.4 billion.**

<http://www.tsmc.com>
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