

TSMC

2004 Third Quarter Results Investor Conference

October 26th, 2004

Agenda

- **Welcome**
- **2004 3Q 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.

3Q'04 Result Highlights

Amount:NT\$ billion	3Q'04 <u>Amount</u>	2Q'04 <u>Amount</u>	3Q'03 <u>Amount</u>
Net Sales	<u>69.74</u>	<u>64.87</u>	<u>54.88</u>
Net Income	<u>27.93</u>	<u>23.41</u>	<u>15.17</u>
EPS (NT\$)	1.20	1.00	0.65
Cash and S-T Investment	124.42	123.34	94.40
Interest-bearing Debt	35.00	35.00	35.00
Shareholders' Equity	379.26	351.07	312.97
Wafers Shipped (Kpcs)	1,333	1,282	992
Utilization (%)	103%	106%	98%
ROE (%) *	30.6%	26.8%	19.9%

* Annualized ROE for the quarter.

Income Statement - QoQ Comparison

TSMC w/o Affiliates

NT\$ billion	3Q'04		2Q'04	
Net Sales	60.9	100.0%	56.3	100.0%
COGS	(29.3)	-48.1%	(28.7)	-50.9%
Gross Profit	31.6	51.9%	27.6	49.1%

Amount:NT\$ billion

Net Sales

COGS

Gross Profit

Operating Expense

Operating Income

Net Non-operating Income (Exp.)

Investment Income

Income before Tax

Income Tax Credit (Exp.)

Net Income

EPS (NT\$)

3Q'04		2Q'04		QOQ
Amount	%	Amount	%	%
69.74	100.0%	64.87	100.0%	8%
(37.60)	-53.9%	(36.73)	-56.6%	2%
32.14	46.1%	28.14	43.4%	14%
(6.02)	-8.6%	(6.01)	-9.3%	0%
26.12	37.5%	22.13	34.1%	18%
0.63	0.9%	(0.26)	-0.4%	-
1.38	2.0%	1.25	1.9%	10%
28.13	40.3%	23.12	35.6%	22%
(0.20)	-0.3%	0.29	0.4%	-
27.93	40.1%	23.41	36.1%	19%
1.20		1.00		20%

Income Statement - YoY Comparison

TSMC w/o Affiliates

NT\$ billion	3Q'04		3Q03	
Net Sales	60.9	100.0%	49.1	100.0%
COGS	(29.3)	-48.1%	(28.0)	-57.0%
Gross Profit	31.6	51.9%	21.1	43.0%

Amount:NT\$ billion

Net Sales

COGS

Gross Profit

Operating Expense

Operating Income

Net Non-operating Income (Exp.)

Investment Income

Income before Tax

Income Tax Expense

Net Income

EPS (NT\$)

	3Q'04		3Q'03		YOY
	Amount	%	Amount	%	%
Net Sales	69.74	100.0%	54.88	100.0%	27%
COGS	(37.60)	-53.9%	(33.43)	-60.9%	12%
Gross Profit	32.14	46.1%	21.45	39.1%	50%
Operating Expense	(6.02)	-8.6%	(4.96)	-9.1%	21%
Operating Income	26.12	37.5%	16.49	30.0%	58%
Net Non-operating Income (Exp.)	0.63	0.9%	(0.14)	-0.3%	-
Investment Income	1.38	2.0%	0.36	0.7%	282%
Income before Tax	28.13	40.3%	16.71	30.4%	68%
Income Tax Expense	(0.20)	-0.3%	(1.54)	-2.8%	-87%
Net Income	27.93	40.1%	15.17	27.6%	84%
EPS (NT\$)	1.20		0.65		85%

Balance Sheet & Key Indices

(Amount: NT\$ billion)

Selected Items from Balance Sheet	3Q'04		2Q'04		3Q'03	
	Amount	%	Amount	%	Amount	%
Total Assets	462.5	100%	439.8	100%	382.2	100%
Cash & S-T Investments	124.4	27%	123.3	28%	94.4	25%
Accounts Receivable - Trade	33.4	7%	30.8	7%	24.9	7%
Inventory	12.6	3%	11.7	3%	11.8	3%
Total Current Assets	177.7	38%	173.8	40%	135.2	35%
Accounts Payable and Others	33.2	7%	25.6	6%	18.9	5%
Accrued Liabilities	11.0	2%	23.4	5%	8.3	2%
Total Current Liabilities	44.2	10%	49.0	11%	27.2	7%
L-T Debt	30.0	7%	30.0	7%	35.0	9%
Total Equity	379.3	82%	351.1	80%	313.0	82%
Key Indices						
A/R Turnover Days	43		42		41	
Inventory Turnover Days	38		36		39	
Current Ratio (x)	4.0		3.5		5.0	
Net Working Capital	133.4		124.8		108.0	

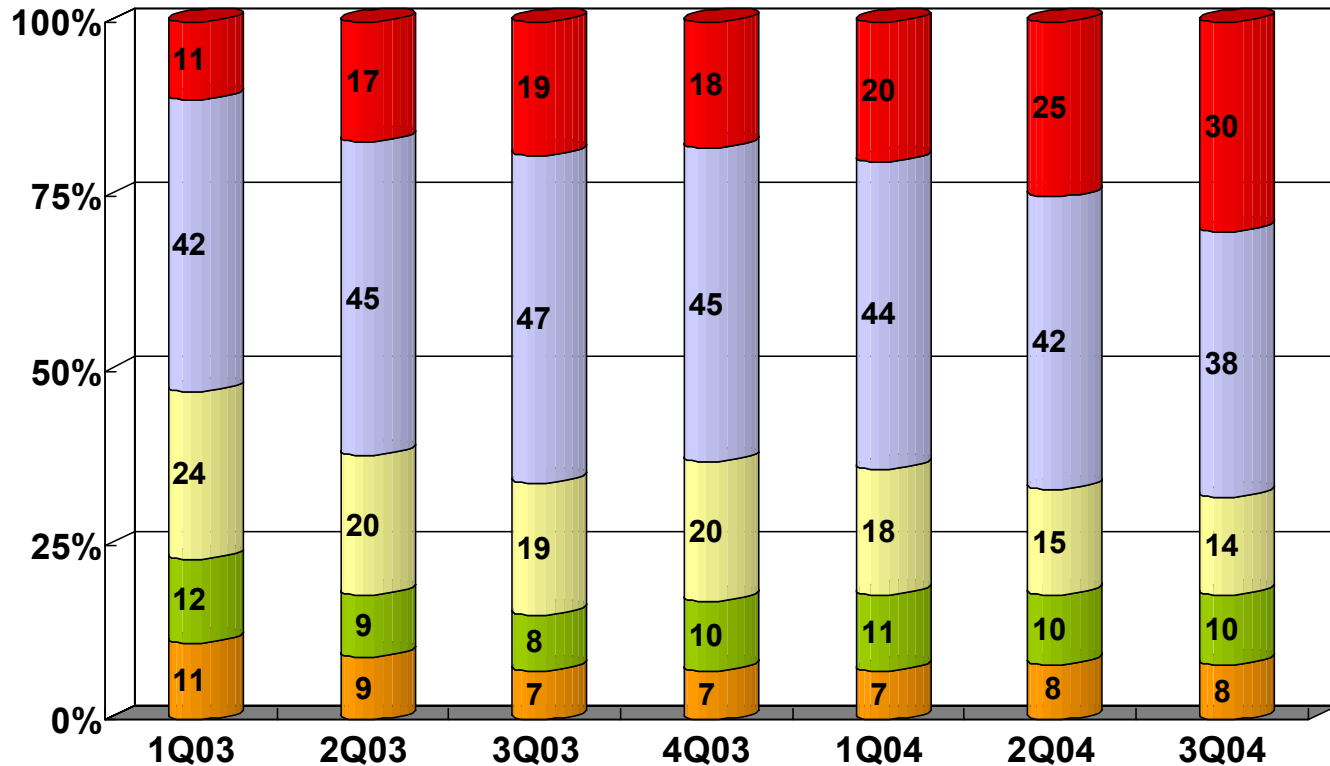
Cash Flows

Amount:NT\$ billion

	3Q'04 Amount	2Q'04 Amount	3Q'03 Amount
From Operation	38.2	36.1	33.9
- Net Profit	27.9	23.4	15.2
- Depreciation & Amortization	15.4	16.0	15.5
- Other Op Sources/(Uses)	(5.1)	(3.3)	3.2
From Investment	(29.1)	(53.5)	(17.4)
- Capital Expenditure	(16.5)	(22.8)	(8.2)
- S-T Investment	(4.9)	(24.8)	(8.6)
- L-T Investment	(7.3)	(5.8)	(0.0)
- Other Investing Sources/(Uses)	(0.4)	(0.1)	(0.5)
From Financing	(12.9)	(7.0)	(0.4)
- Treasury Stock	-	(6.6)	-
- Cash Dividend & Employee Bonus	(12.8)	-	-
- Other Financing Sources/(Uses)	(0.1)	(0.4)	(0.4)

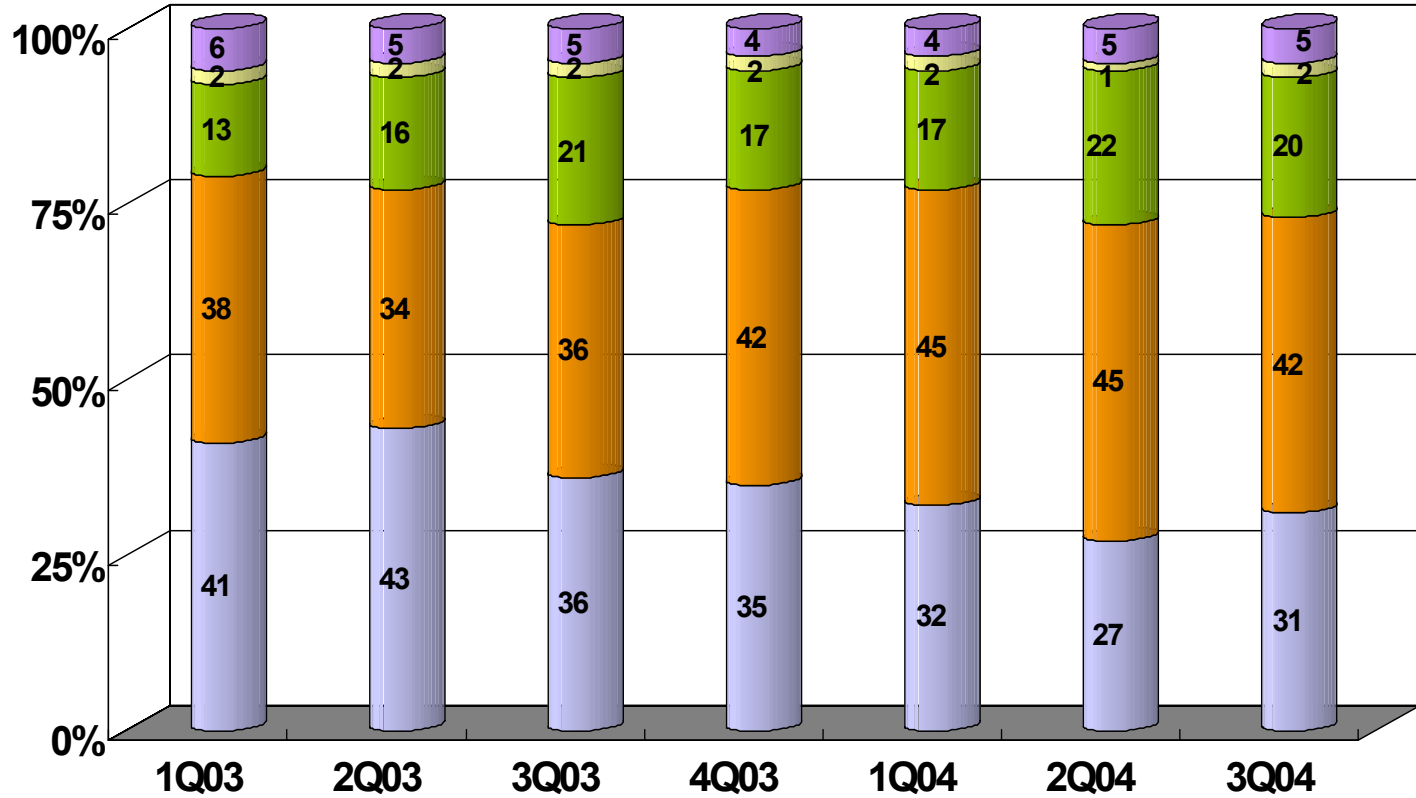
Sales Breakdown by Technology

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



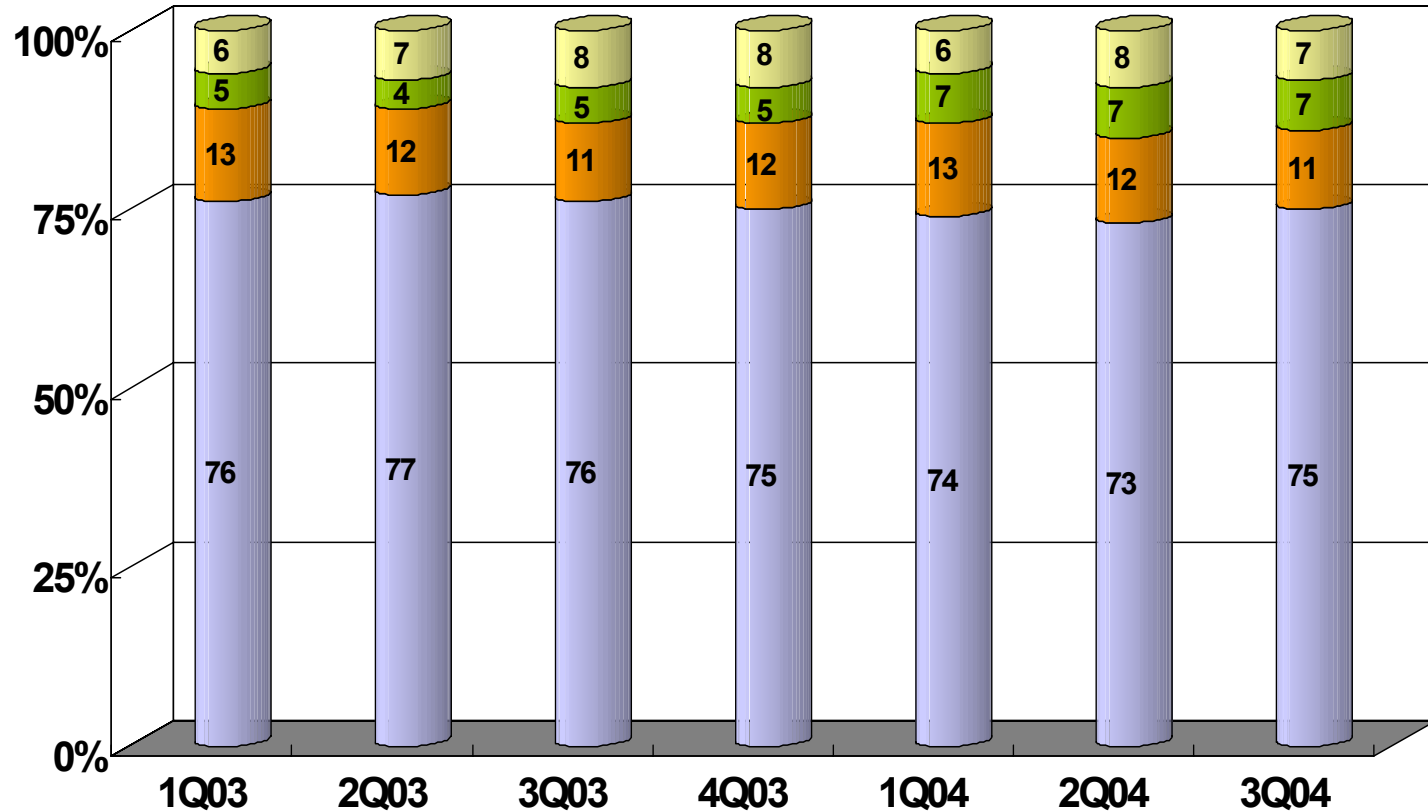
Sales Breakdown by Application

■ Computer
 ■ Comm.
 ■ Consumer
 ■ Memory
 ■ Others



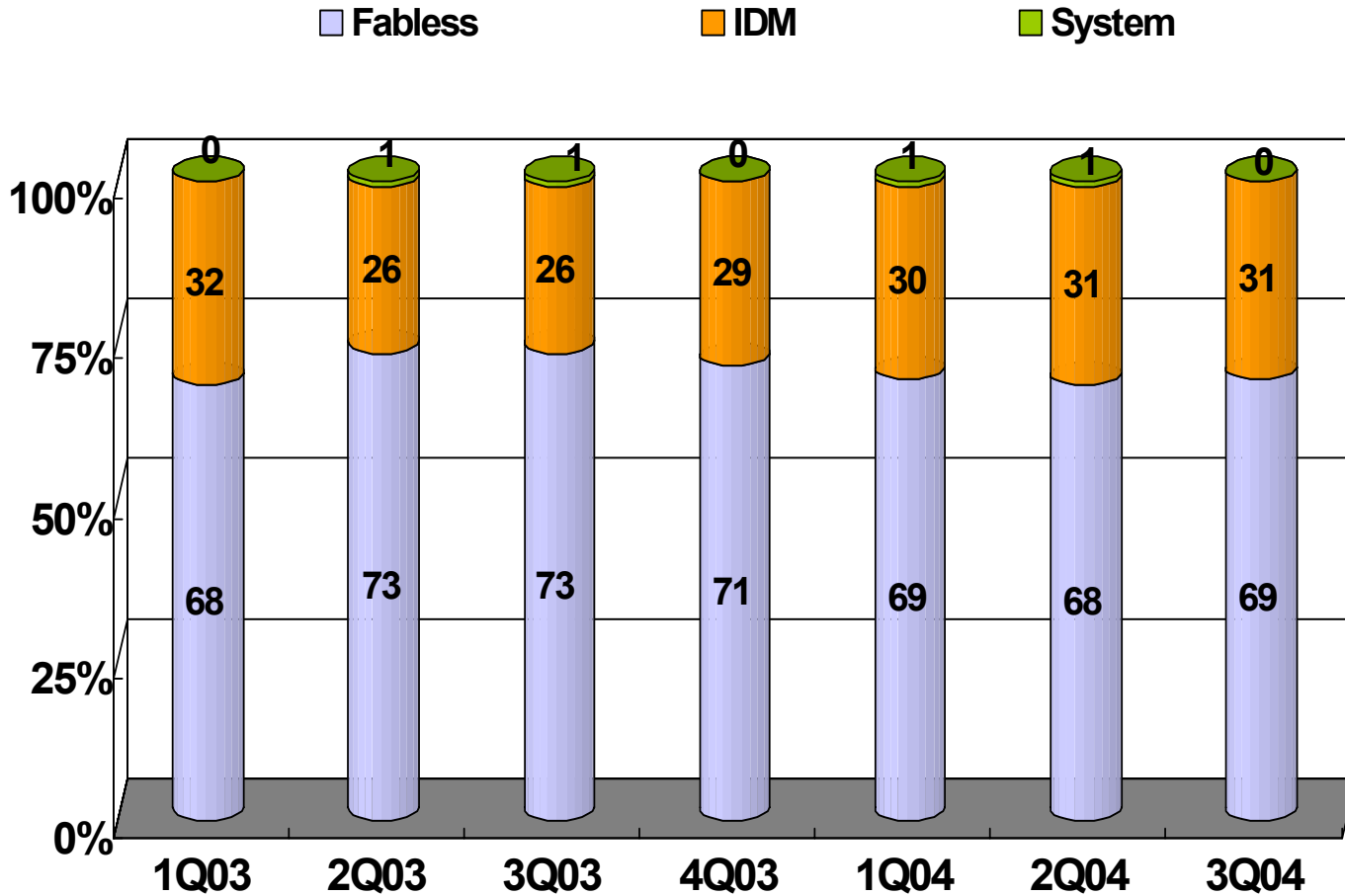
Sales Breakdown by Geography

■ N. America
 ■ Asia
 ■ Europe
 ■ Japan

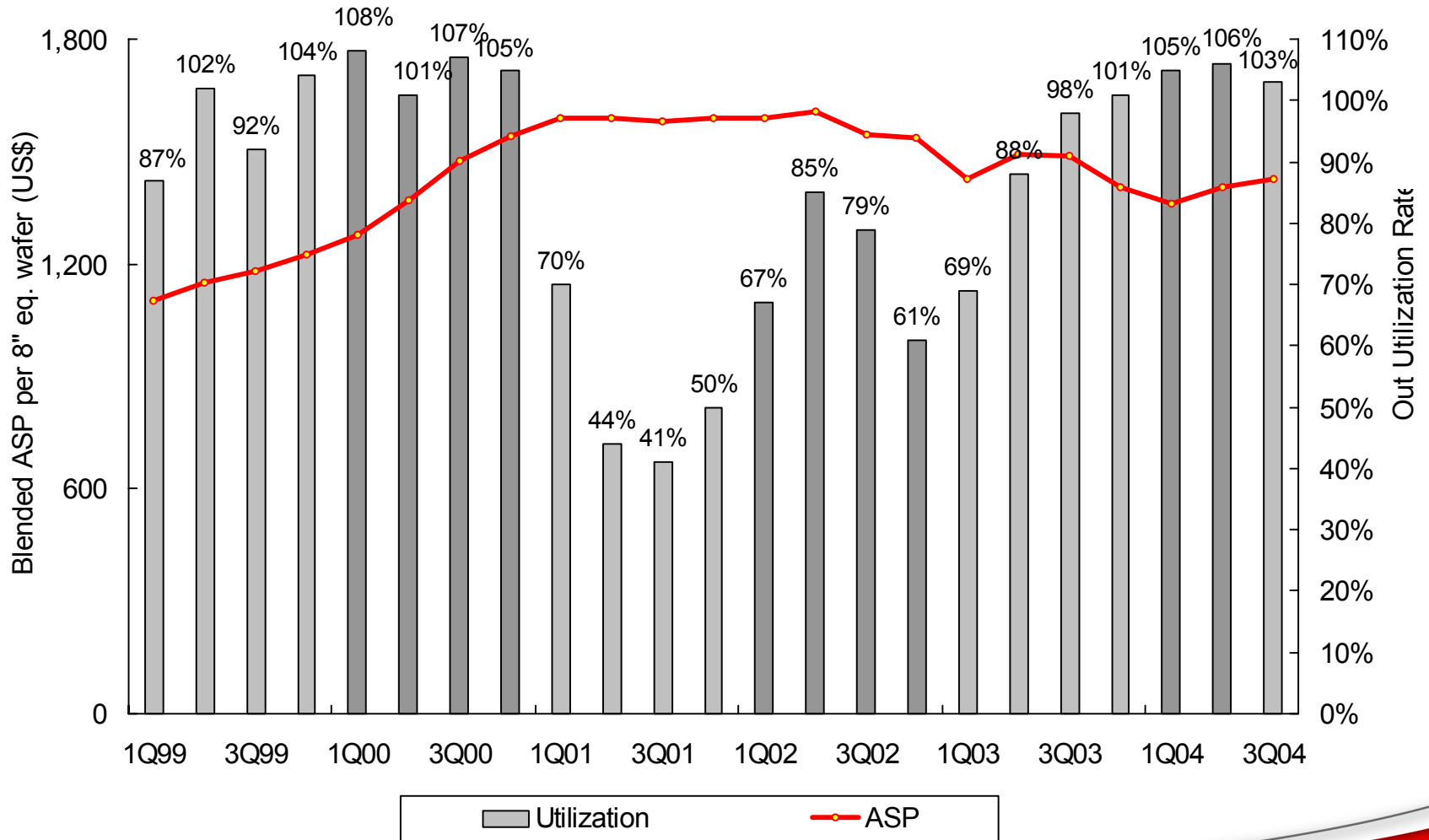


Note: This chart does not reflect the actual shipment destination of sales.

Sales Breakdown by Customer



Fab Utilization and ASP Trend



Installed Capacity by Fab

FAB / (Wafer size)		1Q04 (Act.)	2Q04 (Act.)	3Q04 (Act.)	4Q04 (Est.)	2004 (Est.)
Fab-2	(6") ¹	217	228	237	248	930
Fab-3	(8")	208	221	246	247	922
Fab-5	(8")	106	116	123	124	470
Fab-6	(8")	187	196	214	217	813
Fab-7	(8")	51	35	40	40	165
Fab-8	(8")	182	202	216	224	823
Fab-12	(12") ²	43	52	69	80	244
Fab-14	(12") ²	-	-	-	6	6
TSMC-owned (8" Equivalent Kpcs)		953	1,014	1,128	1,184	4,279
Wafer Tech	(8")	88	92	97	97	373
SSMC	(8")	29	33	34	39	136
TSMC (Shanghai)	(8")	-	-	-	1	1
Total TSMC-managed (8" Equivalent Kpcs)		1,070	1,138	1,259	1,320	4,788

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 was Awarded the 2004 National Invention and Creation Award and the Gold Medal Contribution Award by the Ministry of Economic Affairs Intellectual Property Bureau (2004/10/13)**
- **TSMC and Freescale to Jointly Develop Silicon-on-Insulator (SOI) Technology focusing on 65-nm process technology (2004/10/12)**
- **TSMC Consistently Selected by *Common Wealth Magazine* as 'The Most Admired Company' for Eight Consecutive Years (1997-2004) (2004/10/01)**
- **TSMC Ships One Million 0.13-Micron Eight Inch Equivalent Wafers (2004/09/20)**
- **TSMC Distinguished by the KNOW Network as 'Asia's Most Admired Knowledge Enterprise' in 2004 (2004/09/01)**
- **TSMC Filed a Complaint with the US ITC Alleging that SMIC Misappropriated Trade Secrets and Infringed on Patents (2004/08/18)**

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

4Q04 Guidance

- **Wafer shipments to decrease by a single digit percentage point sequentially;**
- **Overall utilization rate to be at mid-80s percentage level;**
- **Gross profit margin to be in the range of 42% to 44%;**
- **ASP to remain at about the same level sequentially.**

<http://www.tsmc.com>
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