

TSMC

2004 Fourth Quarter Results Investor Conference

January 27th, 2005

Agenda

- **Welcome**
- **2004 4Q 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.

4Q'04 Result Highlights

Amount:NT\$ billion	4Q'04	3Q'04	4Q'03
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Net Sales	<u>63.87</u>	<u>69.74</u>	<u>57.78</u>
Net Income	<u>22.18</u>	<u>27.93</u>	<u>16.00</u>
EPS (NT\$)	0.96	1.20	0.68
Cash and S-T Investment	118.51	124.42	110.85
Interest-bearing Debt	30.00	35.00	35.00
Shareholders' Equity	398.97	379.26	329.21
Wafers Shipped (Kpcs)	1,220	1,333	1,127
Utilization (%)	88%	103%	101%
ROE (%) *	22.8%	30.6%	19.9%

* Annualized ROE for the quarter.

Income Statement - QoQ Comparison

TSMC w/o Affiliates

NT\$ billion	4Q'04		3Q'04	
Net Sales	56.5	100.0%	60.9	100.0%
COGS	(29.5)	-52.2%	(29.3)	-48.1%
Gross Profit	27.0	47.8%	31.6	51.9%

Amount:NT\$ billion

	4Q'04		3Q'04		QOQ
	Amount	%	Amount	%	%
Net Sales	63.87	100.0%	69.74	100.0%	-8%
COGS	(36.72)	-57.5%	(37.60)	-53.9%	-2%
Gross Profit	27.15	42.5%	32.14	46.1%	-16%
Operating Expense	(6.12)	-9.6%	(6.02)	-8.6%	2%
Operating Income	21.03	32.9%	26.12	37.5%	-19%
Net Non-operating Income (Exp.)	0.46	0.7%	0.63	0.9%	-27%
Investment Income	0.61	1.0%	1.38	2.0%	-56%
Income before Tax	22.09	34.6%	28.13	40.3%	-21%
Income Tax Credit (Exp.)	0.09	0.1%	(0.20)	-0.3%	-
Net Income	22.18	34.7%	27.93	40.1%	-21%
EPS (NT\$)	0.96		1.20		-21%

Income Statement - YoY Comparison

TSMC w/o Affiliates

NT\$ billion	4Q'04		4Q'03	
Net Sales	56.5	100.0%	50.6	100.0%
COGS	(29.5)	-52.2%	(28.2)	-55.8%
Gross Profit	27.0	47.8%	22.4	44.2%

Amount:NT\$ billion

	4Q'04		4Q'03		YOY
	Amount	%	Amount	%	%
Net Sales	63.87	100.0%	57.78	100.0%	11%
COGS	(36.72)	-57.5%	(35.07)	-60.7%	5%
Gross Profit	27.15	42.5%	22.71	39.3%	20%
Operating Expense	(6.12)	-9.6%	(6.08)	-10.5%	1%
Operating Income	21.03	32.9%	16.63	28.8%	26%
Net Non-operating Income (Exp.)	0.46	0.7%	(0.19)	-0.3%	-
Investment Income	0.61	1.0%	1.14	2.0%	-46%
Income before Tax	22.09	34.6%	17.57	30.4%	26%
Income Tax Credit (Exp.)	0.09	0.1%	(1.57)	-2.7%	-
Net Income	22.18	34.7%	16.00	27.7%	39%
EPS (NT\$)	0.96		0.68		40%

2004 Income Statement

TSMC w/o Affiliates

NT\$Billion	2004		2003	
Net Sales	223.7	100.0%	178.8	100.0%
COGS	(115.4)	-51.6%	(107.1)	-59.9%
Gross Profit	108.4	48.4%	71.7	40.1%

Amount:NT\$Billion

	2004		2003		YOY
	Amount	%	Amount	%	%
Net Sales	255.99	100%	201.90	100%	27%
COGS	(145.83)	-57%	(129.01)	-64%	13%
Gross Profit	110.16	43%	72.89	36%	51%
Operating Expense	(23.34)	-9%	(20.24)	-10%	15%
Operating Income	86.82	34%	52.65	26%	65%
Net Non-operating Income (Exp.)	0.92	0%	(2.41)	-1%	-
Investment Income (Loss)	4.04	2%	0.79	0%	411%
Income before Tax	91.78	36%	51.03	25%	80%
Income Tax Credit (Exp.)	0.54	0%	(3.77)	-2%	-
Net Income	92.32	36%	47.26	23%	95%
EPS (NT\$)	3.97		2.02		97%
ROE (%)	25.4%		15.1%		

Balance Sheet & Key Indices

(Amount: NT\$ billion)

Selected Items from Balance Sheet	4Q'04		3Q'04		4Q'03	
	Amount	%	Amount	%	Amount	%
Total Assets	487.6	100%	462.5	100%	396.4	100%
Cash & S-T Investments	118.5	24%	124.4	27%	110.8	28%
Accounts Receivable - Trade	27.2	6%	33.4	7%	25.6	6%
Inventory	14.2	3%	12.6	3%	10.9	3%
Deferred Income Tax Assets	8.8	2%	2.5	1%	8.3	2%
Total Current Assets	173.7	36%	177.7	38%	158.5	40%
Accounts Payable	40.8	8%	28.3	6%	17.7	4%
Current Portion of Bonds Payable	10.5	2%	5.0	1%	5.0	1%
Accrued Liabilities and Others	9.3	2%	11.0	2%	7.8	2%
Total Current Liabilities	60.6	12%	44.2	10%	30.5	8%
Long-Term Debt	19.5	4%	30.0	6%	30.0	8%
Total Equity	399.0	82%	379.3	82%	329.2	83%
Key Indices						
A/R Turnover Days	45		43		40	
Inventory Turnover Days	41		38		36	
Current Ratio (x)	2.9		4.0		5.2	
Net Working Capital	113.0		133.4		128.0	

Cash Flows

Amount:NT\$ billion

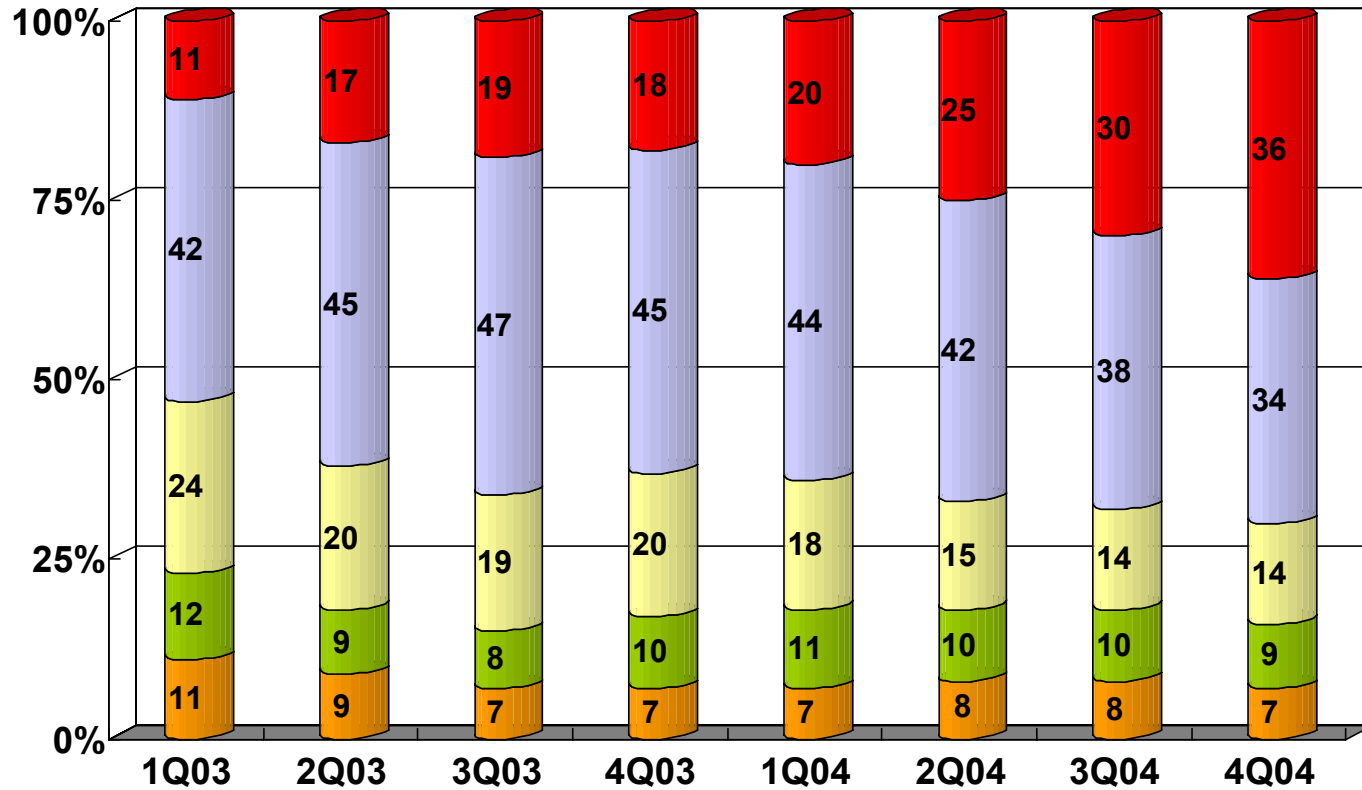
	4Q'04 Amount	3Q'04 Amount	4Q'03 Amount
From Operation	36.7	38.2	31.5
- Net Profit	22.2	27.9	16.0
- Depreciation & Amortization	16.6	15.4	15.5
- Other Op Sources/(Uses)	(2.1)	(5.1)	(0.0)
From Investment	(44.4)	(29.1)	(15.9)
- Capital Expenditure	(20.5)	(16.5)	(12.8)
- S-T Investment	(6.9)	(4.9)	(0.9)
- L-T Investment	(17.0)	(7.3)	(2.0)
- Other Investing Sources/(Uses)	(0.0)	(0.4)	(0.2)
From Financing	(5.1)	(12.9)	(0.1)
- Repayment of Corporate Bonds	(5.0)	-	-
- Cash Dividend & Employee Bonus	-	(12.8)	-
- Other Financing Sources/(Uses)	(0.1)	(0.1)	(0.1)

Capital Expenditures

CapEx (in US\$ million)	1Q04	2Q04	3Q04	4Q04	2004
TSMC	489	683	484	621	2,277
WaferTech	14	27	26	5	72
TSMC (Shanghai)	1	9	8	51	69
Total	504	719	518	677	2,418

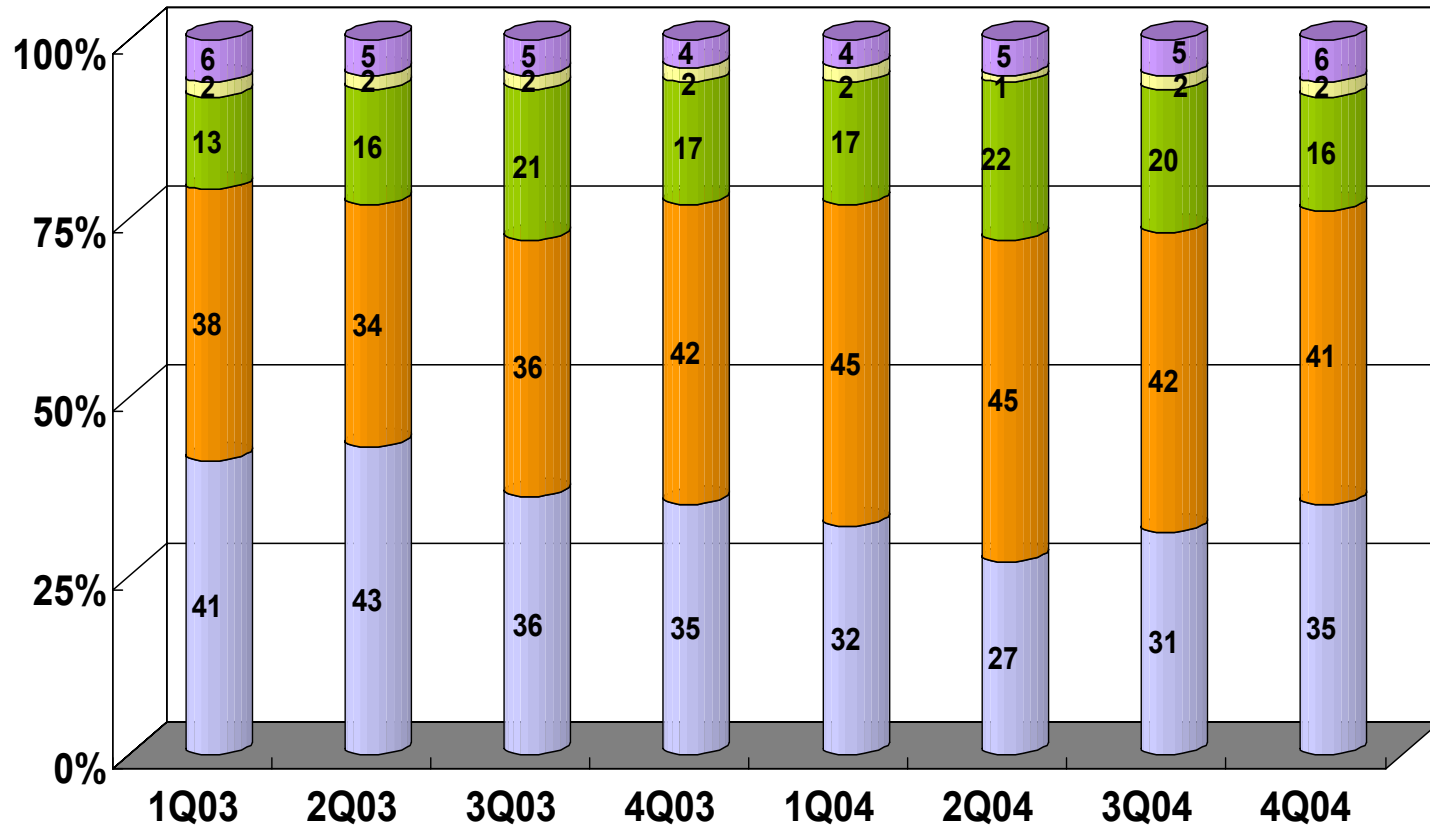
Sales Breakdown by Technology

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

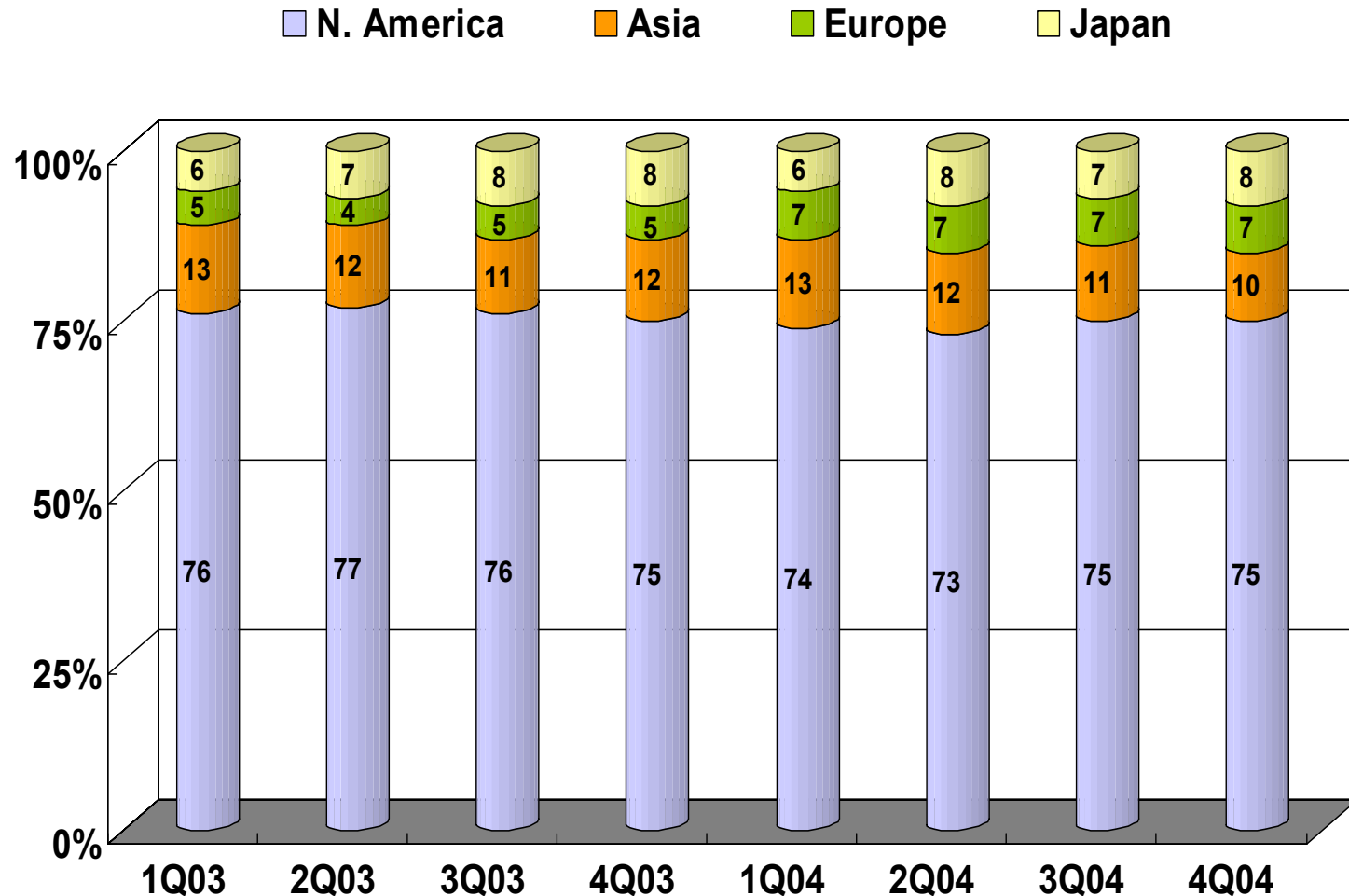


Sales Breakdown by Application

■ Computer
 ■ Comm.
 ■ Consumer
 ■ Memory
 ■ Others

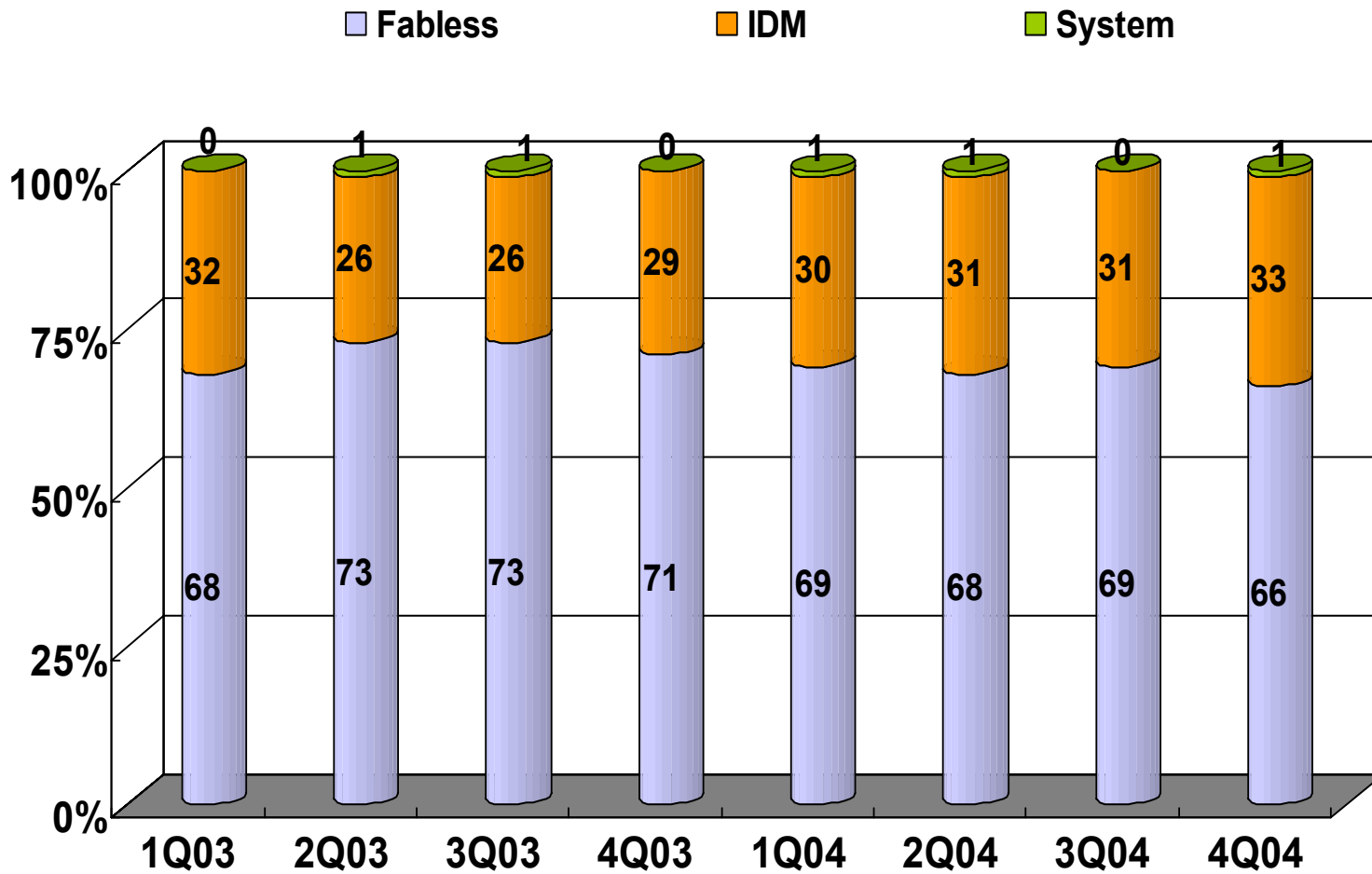


Sales Breakdown by Geography

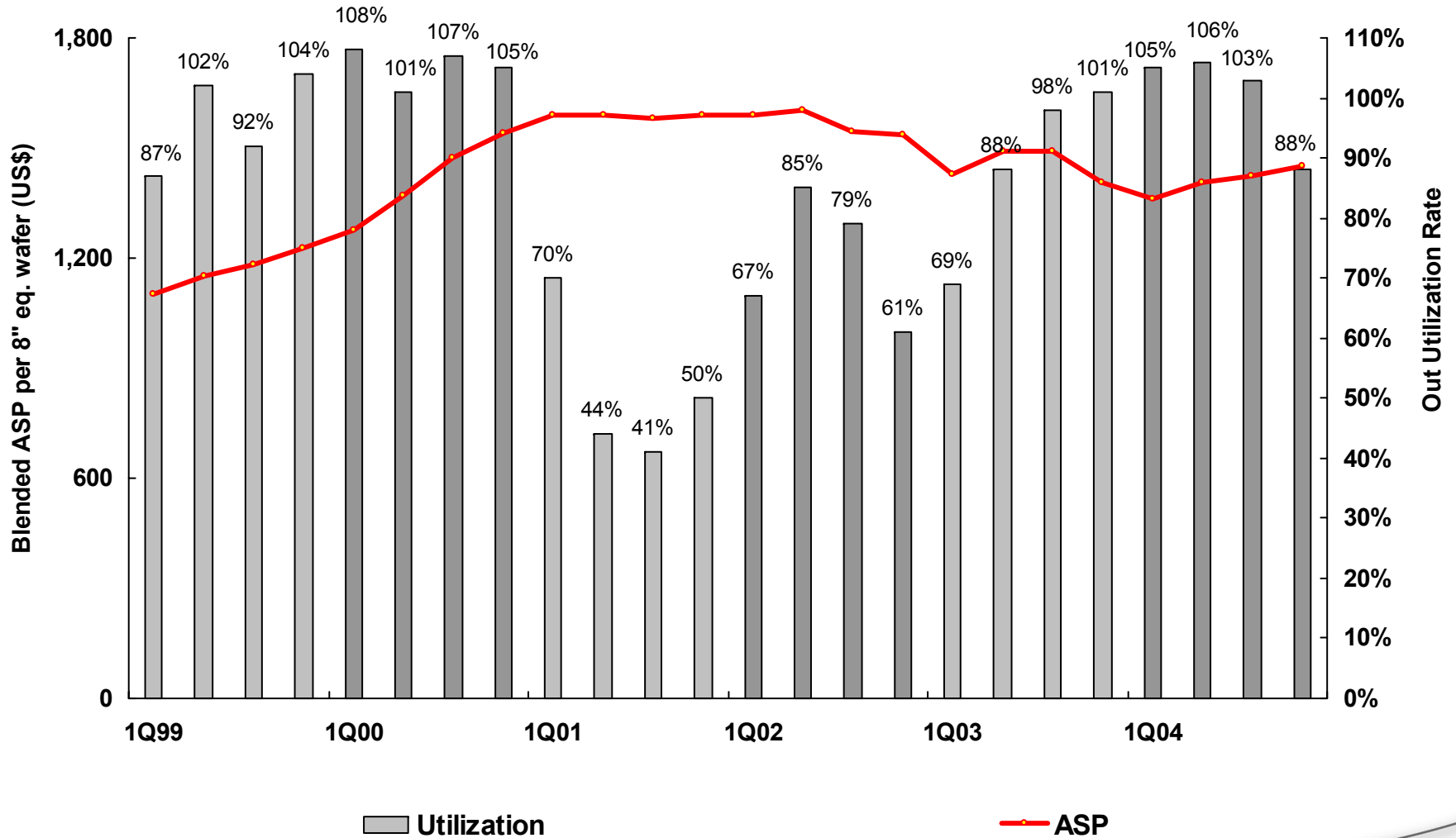


Note: This chart does not reflect the actual shipment destination of sales.

Sales Breakdown by Customer



Fab Utilization and ASP Trend



Installed Capacity by Fab

FAB / (Wafer size)		4Q04 (Act.)	2004 (Act.)	1Q05 (Est.)
Fab-2	(6") ¹	248	930	238
Fab-3	(8")	247	922	234
Fab-5	(8")	124	470	119
Fab-6	(8")	217	813	203
Fab-7	(8")	40	165	36
Fab-8	(8")	224	823	215
Fab-12	(12") ²	80	244	85
Fab-14	(12") ²	6	6	18
TSMC-owned (8" Equivalent Kpcs)		1,184	4,279	1,172
WaferTech	(8")	97	373	95
SSMC	(8")	39	136	41
TSMC (Shanghai)	(8")	1	1	9
Total TSMC-managed (8" Equivalent Kpcs)		1,320	4,788	1,317

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 Verifies Fully Functional 90 Nanometer Chips Using Immersion Lithography Tools (2004/12/22)**
- **TSMC Holds A Special Shareholders' Meeting To Approve Amendment of Dividend Policy (2004/12/21)**
- **TSMC 0.18-Micron High-Voltage Technology Goes to Volume Production (2004/11/23)**
- **TSMC Is Awarded Best IR by A Taiwan Company by IR Magazine (2004/11/04)**
- **TSMC Board of Directors Proposes Amendment of Dividend Policy (2004/11/02)**
- **TSMC Aims to be Best Partner in "Invented/Made in China" Arena (2004/10/28)**
- **Freescale and TSMC to Develop Silicon-on-Insulator Technology (2004/10/12)**

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

1Q'05 Guidance

- **Wafer shipments to decrease by a single digit percentage point sequentially;**
- **Overall utilization rate to be about 78%;**
- **Gross profit margin to be in the range of 38% to 40%;**
- **ASP to remain at about the same level sequentially;**
- **2005 CapEx to be in the range of US\$2.5 – 2.7 billion.**

<http://www.tsmc.com>
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