



***TSMC***

***2003 Second Quarter Results  
Investor Conference***

***July 24th, 2003***



# Agenda

- **Welcome**
- **2Q'03 Financial Results** **Harvey Chang**  
(unconsolidated)
- **Remarks** **Morris Chang**
- **Q&A** **Morris Chang et. al.**



# 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 on June 23, 2003.**



# 2Q 2003 Result Highlights

	2Q'03	1Q'03	2Q'02
<i>Amount:NT\$Billion</i>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
<b>Net Sales</b>	<u>49.92</u>	<u>39.33</u>	<u>44.18</u>
<b>Net Income</b>	<u>11.73</u>	<u>4.36</u>	<u>9.31</u>
<b>EPS (NT\$)</b>	<b>0.58</b>	<b>0.21</b>	<b>0.45</b>
<b>Cash and ST Investments</b>	<b>69.60</b>	<b>67.45</b>	<b>66.39</b>
<b>LT Debt</b>	<b>35.00</b>	<b>35.00</b>	<b>35.00</b>
<b>Shareholders' Equity</b>	<b>298.26</b>	<b>299.88</b>	<b>289.16</b>
<b>Wafers Shipped (Kpcs)</b>	<b>887</b>	<b>694</b>	<b>719</b>
<b>Utilization Rate*</b> = Commercial Wafer Out / Installed Capacity			
- TSMC Fabs	90%	70%	89%
- TSMC Subsidiary/Affiliates **	75%	61%	
- TSMC Fabs + Subsidiary/Affiliates **	88%	69%	

\* Starting 1Q03 calculation of Utilization rate excludes engineering wafers.

\*\* Figures exclude Vanguard.



# 2Q03 Income Statement - YoY Comparison

## TSMC w/o Affiliates

NT\$Billion	2Q'03		2Q'02	
Net Sales	43.9	100%	39.1	100%
COGS	(25.9)	-59%	(22.8)	-58%
Gross Profit	18.1	41%	16.3	42%

Amount: NT\$Billion

**Net Sales**

**COGS**

**Gross Profit**

**Operating Expense**

**Operating Income**

**Net Non-operating Income (Exp.)**

**Investment Income (Loss)**

**Income before Tax**

**Income Tax Credit (Exp.)**

**Net Income**

**EPS (NT\$)**

	2Q'03		2Q'02		YoY
	Amount	%	Amount	%	%
<b>Net Sales</b>	<b>49.92</b>	<b>100%</b>	<b>44.18</b>	<b>100%</b>	<b>13%</b>
<b>COGS</b>	<b>(31.57)</b>	<b>-63%</b>	<b>(27.76)</b>	<b>-63%</b>	<b>14%</b>
<b>Gross Profit</b>	<b>18.35</b>	<b>37%</b>	<b>16.42</b>	<b>37%</b>	<b>12%</b>
<b>Operating Expense</b>	<b>(5.01)</b>	<b>-10%</b>	<b>(4.45)</b>	<b>-10%</b>	<b>13%</b>
<b>Operating Income</b>	<b>13.34</b>	<b>27%</b>	<b>11.98</b>	<b>27%</b>	<b>11%</b>
<b>Net Non-operating Income (Exp.)</b>	<b>(1.58)</b>	<b>-3%</b>	<b>(0.20)</b>	<b>0%</b>	<b>681%</b>
<b>Investment Income (Loss)</b>	<b>0.81</b>	<b>2%</b>	<b>(0.79)</b>	<b>-2%</b>	<b>-</b>
<b>Income before Tax</b>	<b>12.57</b>	<b>25%</b>	<b>10.99</b>	<b>25%</b>	<b>14%</b>
<b>Income Tax Credit (Exp.)</b>	<b>(0.84)</b>	<b>-2%</b>	<b>(1.68)</b>	<b>-4%</b>	<b>-50%</b>
<b>Net Income</b>	<b>11.73</b>	<b>23%</b>	<b>9.31</b>	<b>21%</b>	<b>26%</b>
<b>EPS (NT\$)</b>	<b>0.58</b>		<b>0.45</b>		<b>27%</b>



# 2Q03 Income Statement - QoQ Comparison

## TSMC w/o Affiliates

NT\$Billion	2Q'03		1Q'03	
Net Sales	43.9	100%	35.1	100%
COGS	(25.9)	-59%	(25.0)	-71%
Gross Profit	18.1	41%	10.1	29%

	2Q'03		1Q'03		QoQ
Amount:NT\$Billion	Amount	%	Amount	%	%
<b>Net Sales</b>	<b>49.92</b>	<b>100%</b>	<b>39.33</b>	<b>100%</b>	<b>27%</b>
<b>COGS</b>	<b>(31.57)</b>	<b>-63%</b>	<b>(28.94)</b>	<b>-74%</b>	<b>9%</b>
<b>Gross Profit</b>	<b>18.35</b>	<b>37%</b>	<b>10.39</b>	<b>26%</b>	<b>77%</b>
<b>Operating Expense</b>	<b>(5.01)</b>	<b>-10%</b>	<b>(4.19)</b>	<b>-11%</b>	<b>20%</b>
<b>Operating Income</b>	<b>13.34</b>	<b>27%</b>	<b>6.20</b>	<b>16%</b>	<b>115%</b>
<b>Net Non-operating Income (Exp.)</b>	<b>(1.58)</b>	<b>-3%</b>	<b>(0.50)</b>	<b>-1%</b>	<b>216%</b>
<b>Investment Income (Loss)</b>	<b>0.81</b>	<b>2%</b>	<b>(1.52)</b>	<b>-4%</b>	<b>-</b>
<b>Income before Tax</b>	<b>12.57</b>	<b>25%</b>	<b>4.18</b>	<b>11%</b>	<b>201%</b>
<b>Income Tax Credit (Exp.)</b>	<b>(0.84)</b>	<b>-2%</b>	<b>0.18</b>	<b>0%</b>	<b>-</b>
<b>Net Income</b>	<b>11.73</b>	<b>23%</b>	<b>4.36</b>	<b>11%</b>	<b>169%</b>
<b>EPS (NT\$)</b>	<b>0.58</b>		<b>0.21</b>		<b>175%</b>



# Balance Sheet & Key Ratios

Amount: NT\$ Billion

Balance Sheet	2Q'03		1Q'03		2Q'02	
	Amount	%	Amount	%	Amount	%
Cash & ST Investments	69.6	19.2%	67.4	18.6%	66.4	17.7%
Accounts Receivable	25.0	6.9%	17.6	4.8%	20.7	5.5%
Inventories	11.4	3.1%	10.2	2.8%	11.7	3.1%
LT Debt	35.0	9.6%	35.0	9.6%	35.0	9.3%
Equity	298.3	82.2%	299.9	82.6%	289.2	77.1%
Total Assets	362.9	100.0%	363.3	100.0%	375.0	100.0%

## Key Ratios

A/R Turnover Days	44	42	46
Inventory Turnover Days	39	37	43
ROE *	15.7%	5.9%	13.0%
ROA *	13.3%	5.2%	10.7%

\* Annualized figures



# Cash Flow

Amount:NT\$Billion

<b>Cash Flow</b>	<b>2Q'03</b>	<b>1Q'03</b>	<b>2Q'02</b>
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
<b>From Operation</b>	<b>23.1</b>	<b>20.1</b>	<b>24.8</b>
- <i>Net Profit</i>	<i>11.7</i>	<i>4.4</i>	<i>9.3</i>
- <i>Depreciation &amp; Amort.</i>	<i>15.5</i>	<i>15.4</i>	<i>14.0</i>
<b>From Investment</b>	<b>(10.4)</b>	<b>(10.3)</b>	<b>(15.8)</b>
- <i>Capital Expenditure</i>	<i>(7.2)</i>	<i>(9.1)</i>	<i>(10.4)</i>
<b>From Financing</b>	<b>(13.7)</b>	<b>(4.0)</b>	<b>(0.9)</b>
- <i>Redemptions of Preferred Stocks</i>	<i>(13.5)</i>	<i>0.0</i>	<i>0.0</i>



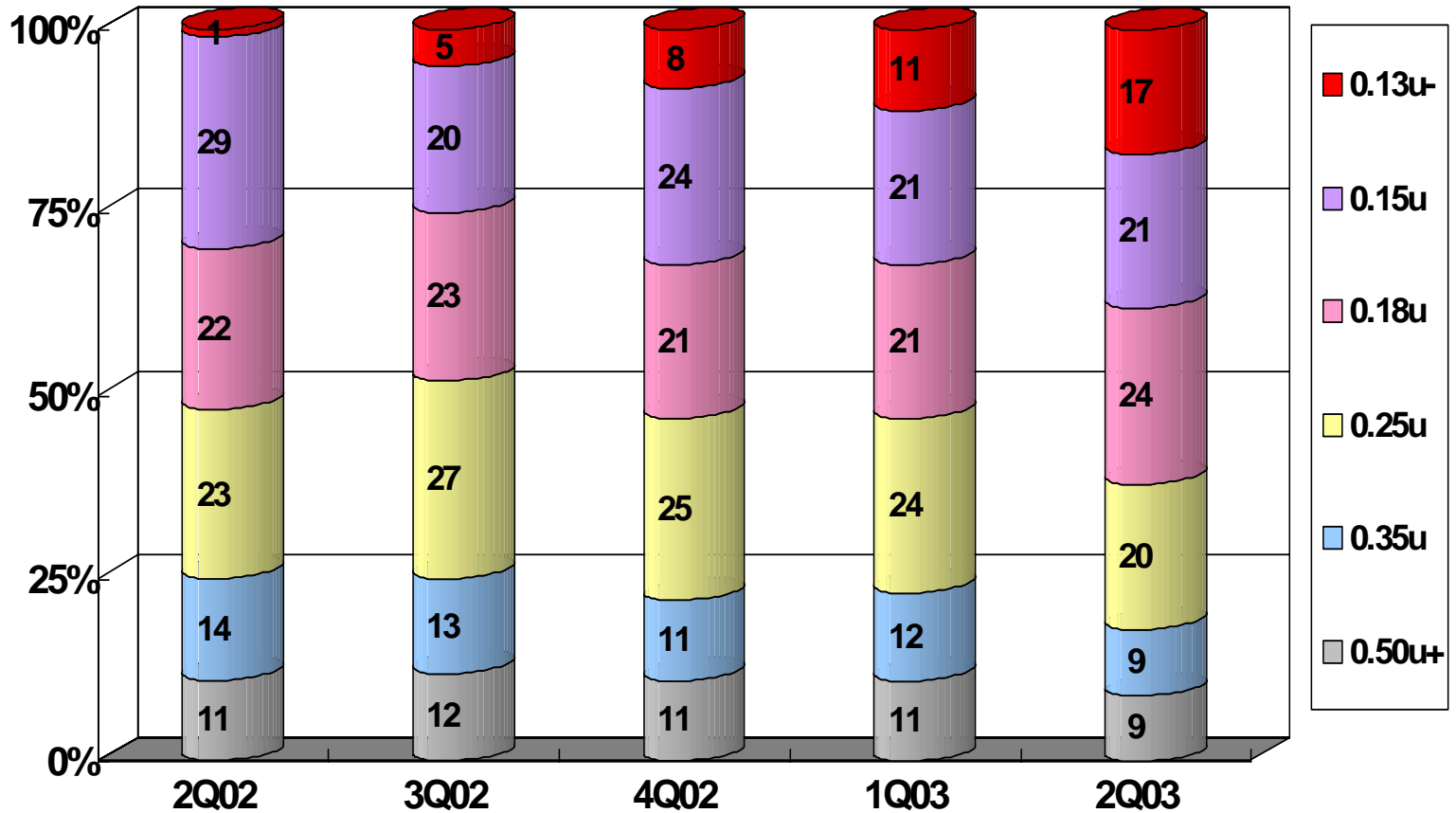


# Inventory Analysis

Amount: NT\$ Million	2Q'03	1Q'03	QoQ	
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>%</u>
<b>Finished Goods</b>	1,247	1,748	(501)	-28.7%
<b>Raw Material, WIP &amp; Others</b>	<u>10,109</u>	<u>8,430</u>	<u>1,679</u>	<u>19.9%</u>
<b>Total Inventory</b>	<u><u>11,356</u></u>	<u><u>10,178</u></u>	<u><u>1,178</u></u>	<u><u>11.6%</u></u>
<b>Inventory Turnover Days</b>	39	37	1.3	3.6%



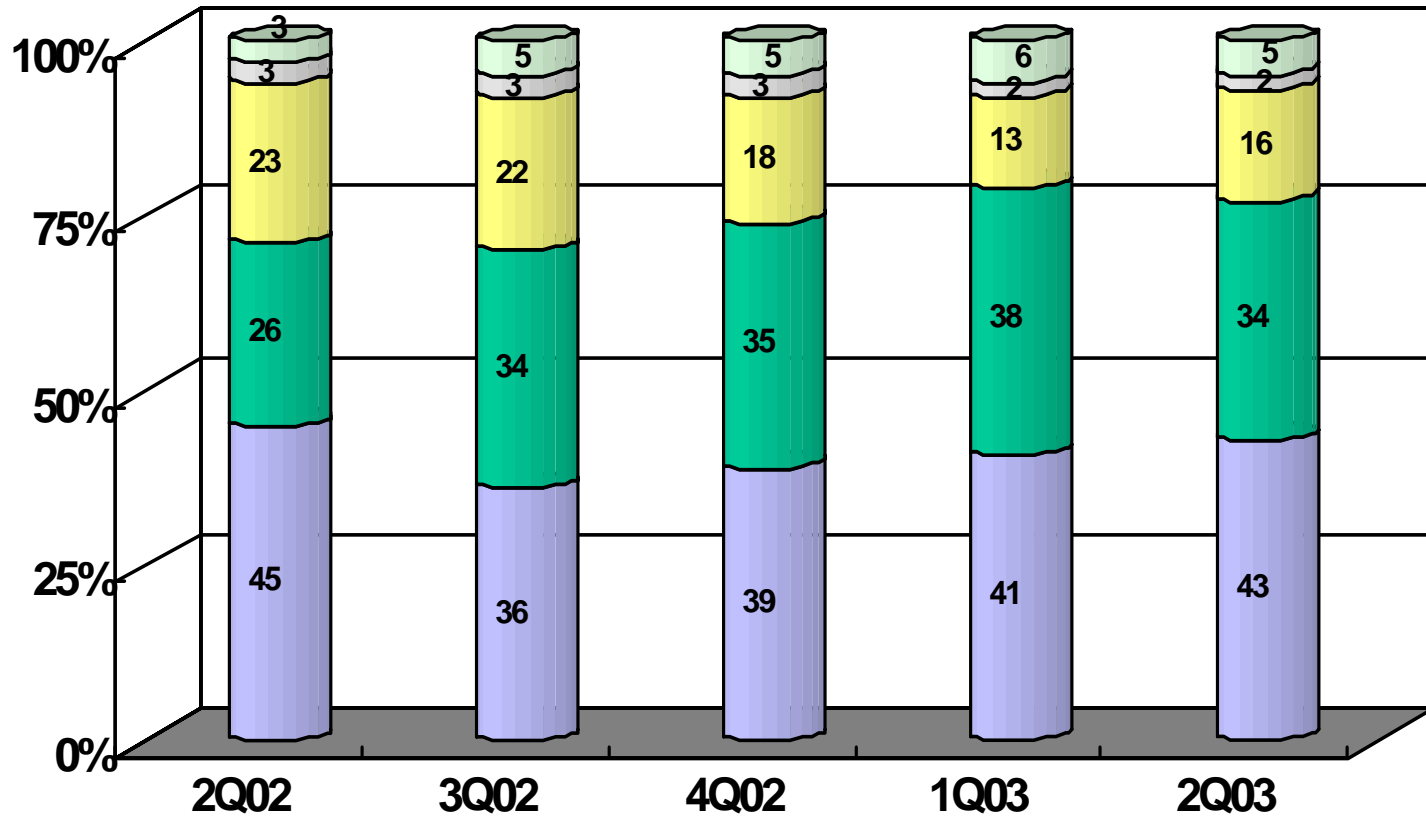
# Sales Breakdown by Technology





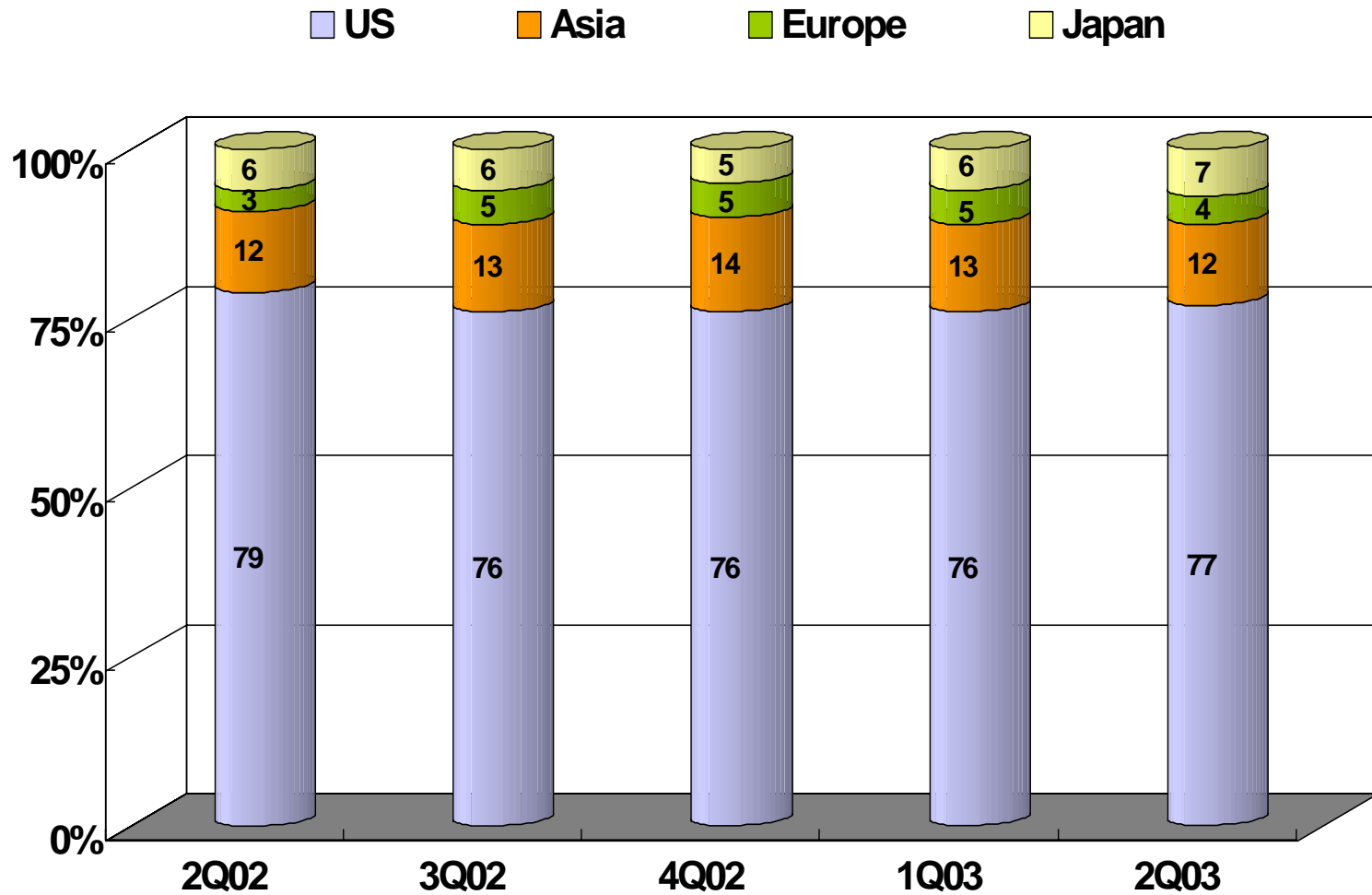
# Sales Breakdown by Application

Computer    Comm.    Consumer    Memory    Others





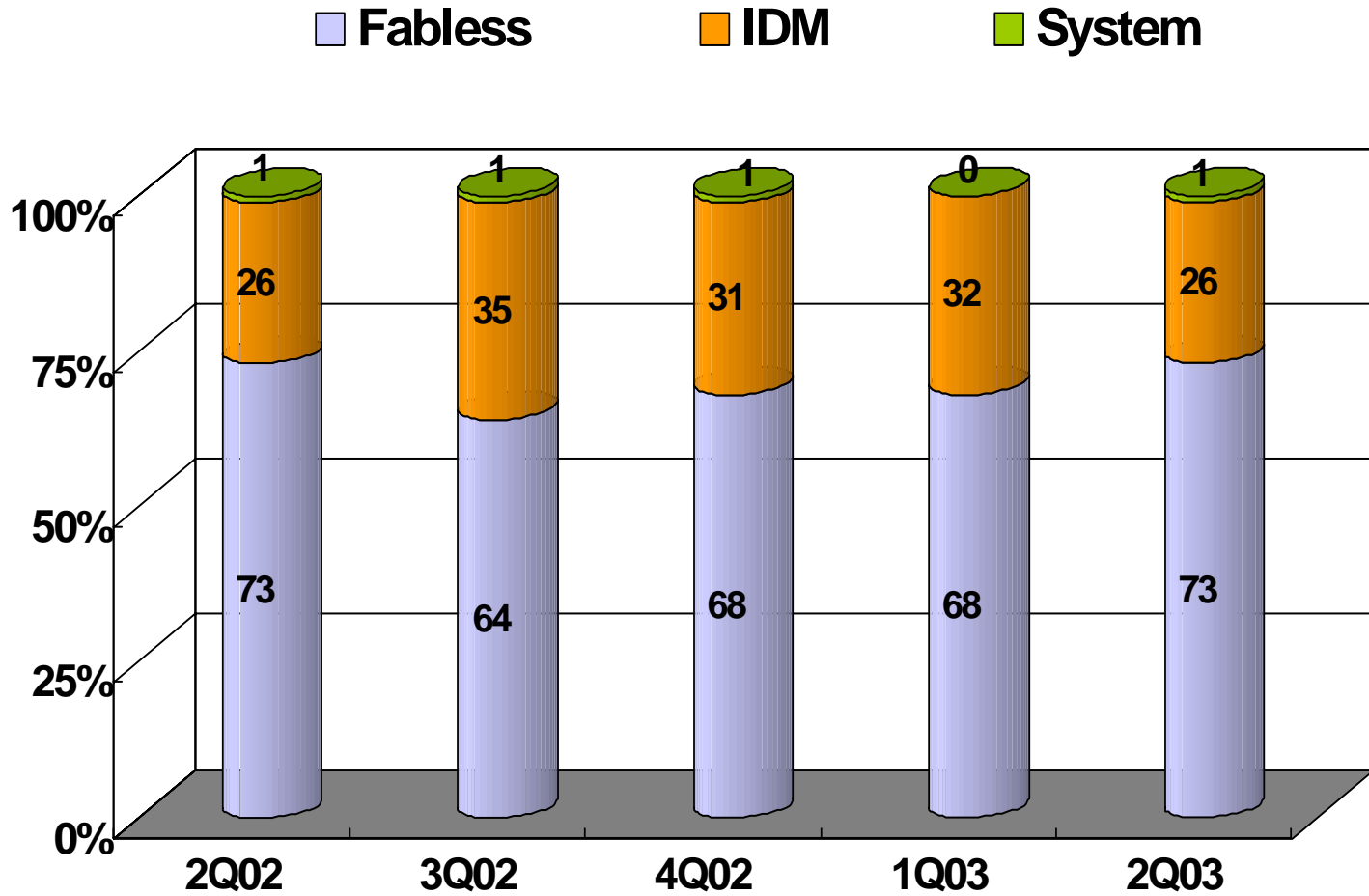
# Sales Breakdown by Geography



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

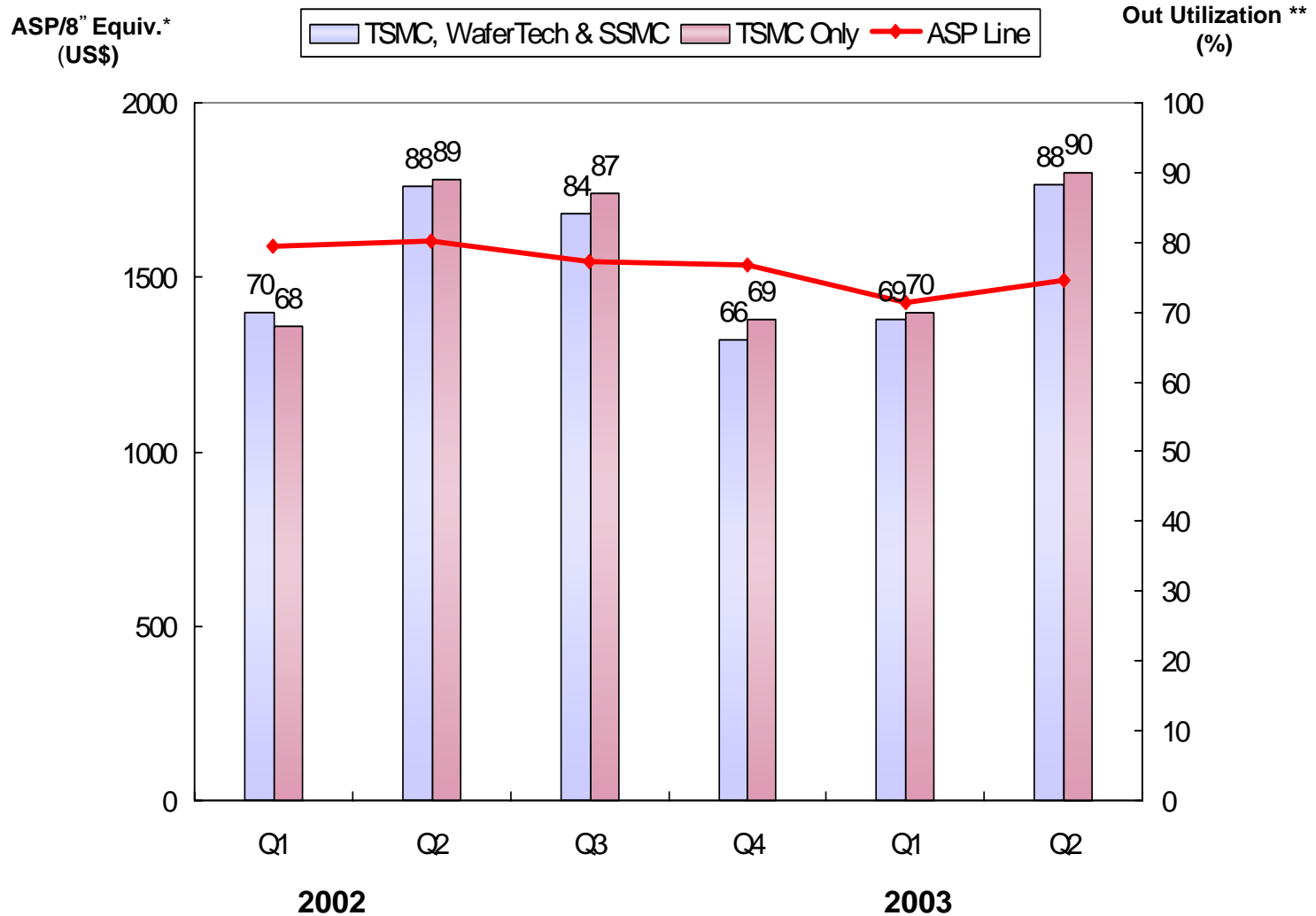


# Sales Breakdown by Customer





# Fab Utilization and ASP Trend



\* Average for all Wafers; ASP varies by technology and wafer size

\*\* Starting 1Q03 calculation of utilization rate excludes engineering wafers.



# Installed Capacity by Fab

FAB	Wafer Size	2Q03 (Est.)	2Q03(Act.)	3Q03(Est.)
Fab-2 <sup>2</sup>	6"	212	216	223
Fab-3 <sup>1</sup>	8"	202	202	203
Fab-5	8"	106	106	111
Fab-6	8"	170	170	172
Fab-7	8"	64	58	44
Fab-8	8"	170	170	178
Fab-12 <sup>2</sup>	12"	22	22	28
<b>Total TSMC-Owned</b> (8" Equivalent Kpcs)		<b>881</b>	<b>877</b>	<b>896</b>
Wafer Tech	8"	88	88	89
VIS <sup>3</sup>	8"	85	n/a	n/a
SSMC	8"	24	25	27
<b>Total TSMC-Managed</b> (8" Equivalent Kpcs)		<b>1,078</b>	<b>990</b>	<b>1,012</b>

Note:

1. Fabs 3 and 4 were consolidated into a single fab during 1Q02.
2. 6"-wafer is converted into 8"-equivalent wafer by dividing by 1.78; 12"-wafer by multiplying by 2.25.
3. TSMC is not obligated to engage VIS's capacity.



# Recap of Recent Major Events

- **TSMC Announced its Stock Dividend Details for Common Shares and ADSs Which Went Ex-Dividend on July 7 (06/23)**
- **TSMC Board Approved TSMC's Sponsorship of Secondary Offering of up to 90 million ADSs; Which was Priced at US\$10.4 per Share on July 9 (06/03)**
- **TSMC Board of Directors Re-elects Dr. Morris Chang as Chairman (06/03)**
- **TSMC Addresses Nanometer Design Challenges with Foundry Industry's First Dual-Track Reference Flow (06/02)**
- **TSMC Employs Cadence Encounter Platform in New TSMC Reference Flow 4.0 (06/02)**
- **TSMC and Synopsys Advance Nanometer-Scale Design with Delivery of 4.0 Reference Flow (06/02)**
- **TSMC Unveils the Foundry Industry's First Free IP Prototyping Program (04/22)**
- **TSMC Leads Industry in Production of 0.13-um FSG and Low-K Products (4/17)**





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# 3Q03 Guidance

- **Wafer shipments to grow by a mid to high single digit percentage point on a sequential basis**
- **ASP to hold firm with potential to improve sequentially**
- **Revenues from advanced-process technologies to account for about two-thirds of total wafer sales**
- **Both overall utilization rate, including WaferTech and SSMC, and utilization rate at TSMC fabs will be higher than 90 percent**
- **Demand should improve in consumer and communications and decline in computers**
- **2003 capital expenditure is expected to be near the mid point of the US\$1.0 billion to US\$1.5 billion range**