



***TSMC***

***2003 Fourth Quarter Results  
Investor Conference***

***January 29th, 2004***



# Agenda

- **Welcome**
- **4Q'03 Financial Results**  
(unconsolidated) **Lora Ho**
- **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 June 23, 2003, TSMC's registration statement on Form F-3, filed with the SEC on October 21, 2003, 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.
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# 4Q'03 Result Highlights

Amount:NT\$Billion	<u>4Q'03</u> <u>Amount</u>	<u>3Q'03</u> <u>Amount</u>	<u>4Q'02</u> <u>Amount</u>
<b>Net Sales</b>	<u>57.78</u>	<u>54.88</u>	<u>41.15</u>
<b>Net Income</b>	<u>16.00</u>	<u>15.17</u>	<u>2.55</u>
<b>EPS (NT\$)</b>	0.79	0.75	0.12
<b>Cash and S-T Investment</b>	110.85	94.40	61.66
<b>Interest-bearing Debt</b>	35.00	35.00	39.00
<b>Shareholders' Equity</b>	329.21	312.97	295.85
<b>Wafers Shipped (Kpcs)</b>	1,127	992	682
<b>Utilization (%) *</b>	101%	98%	66%
<b>ROE (%) **</b>	19.9%	19.9%	3.5%

\* Calculated by dividing the commercial wafers-out by installed capacity.  
Starting from 1Q'03, calculation excludes engineering wafers.

\*\* Annualized ROE for the quarter.



# 4Q03 Income Statement - QoQ Comparison

## TSMC w/o Affiliates

NT\$Billion	4Q'03		3Q'03	
Net Sales	50.6	100%	49.1	100%
COGS	(28.2)	-56%	(28.0)	-57%
Gross Profit	22.4	44%	21.1	43%

Amount:NT\$Billion

	4Q'03		3Q'03		QOQ
	Amount	%	Amount	%	%
<b>Net Sales</b>	<b>57.78</b>	<b>100%</b>	<b>54.88</b>	<b>100%</b>	<b>5%</b>
<b>COGS</b>	<b>(35.07)</b>	<b>-61%</b>	<b>(33.43)</b>	<b>-61%</b>	<b>5%</b>
<b>Gross Profit</b>	<b>22.71</b>	<b>39%</b>	<b>21.45</b>	<b>39%</b>	<b>6%</b>
<b>Operating Expense</b>	<b>(6.08)</b>	<b>-11%</b>	<b>(4.96)</b>	<b>-9%</b>	<b>23%</b>
<b>Operating Income</b>	<b>16.63</b>	<b>29%</b>	<b>16.49</b>	<b>30%</b>	<b>1%</b>
<b>Net Non-operating Income (Exp.)</b>	<b>(0.19)</b>	<b>0%</b>	<b>(0.14)</b>	<b>0%</b>	<b>37%</b>
<b>Investment Income (Loss)</b>	<b>1.14</b>	<b>2%</b>	<b>0.36</b>	<b>1%</b>	<b>214%</b>
<b>Income before Tax</b>	<b>17.57</b>	<b>30%</b>	<b>16.71</b>	<b>30%</b>	<b>5%</b>
<b>Income Tax Credit (Exp.)</b>	<b>(1.57)</b>	<b>-3%</b>	<b>(1.54)</b>	<b>-3%</b>	<b>2%</b>
<b>Net Income</b>	<b>16.00</b>	<b>28%</b>	<b>15.17</b>	<b>28%</b>	<b>5%</b>
<b>EPS (NT\$)</b>	<b>0.79</b>		<b>0.75</b>		



# 4Q03 Income Statement - YoY Comparison

## TSMC w/o Affiliates

NT\$Billion	4Q'03		4Q'02	
Net Sales	50.6	100%	36.9	100%
COGS	(28.2)	-56%	(26.4)	-72%
Gross Profit	22.4	44%	10.5	28%

Amount:NT\$Billion

	4Q'03		4Q'02		YOY
	Amount	%	Amount	%	%
<b>Net Sales</b>	<b>57.78</b>	<b>100%</b>	<b>41.15</b>	<b>100%</b>	<b>40%</b>
<b>COGS</b>	<b>(35.07)</b>	<b>-61%</b>	<b>(30.47)</b>	<b>-74%</b>	<b>15%</b>
<b>Gross Profit</b>	<b>22.71</b>	<b>39%</b>	<b>10.68</b>	<b>26%</b>	<b>113%</b>
<b>Operating Expense</b>	<b>(6.08)</b>	<b>-11%</b>	<b>(5.03)</b>	<b>-12%</b>	<b>21%</b>
<b>Operating Income</b>	<b>16.63</b>	<b>29%</b>	<b>5.65</b>	<b>14%</b>	<b>194%</b>
<b>Net Non-operating Income (Exp.)</b>	<b>(0.19)</b>	<b>0%</b>	<b>(0.41)</b>	<b>-1%</b>	<b>-53%</b>
<b>Investment Income (Loss)</b>	<b>1.14</b>	<b>2%</b>	<b>(2.16)</b>	<b>-5%</b>	<b>-</b>
<b>Income before Tax</b>	<b>17.57</b>	<b>30%</b>	<b>3.08</b>	<b>7%</b>	<b>471%</b>
<b>Income Tax Credit (Exp.)</b>	<b>(1.57)</b>	<b>-3%</b>	<b>(0.53)</b>	<b>-1%</b>	<b>198%</b>
<b>Net Income</b>	<b>16.00</b>	<b>28%</b>	<b>2.55</b>	<b>6%</b>	<b>527%</b>
<b>EPS (NT\$)</b>	<b>0.79</b>		<b>0.12</b>		



# 2003 Income Statement

## TSMC w/o Affiliates

NT\$Billion	2003		2002	
Net Sales	178.8	100%	143.9	100%
COGS	(107.1)	-60%	(92.8)	-64%
Gross Profit	71.7	40%	51.1	36%

Amount:NT\$Billion

	2003		2002		YOY
	Amount	%	Amount	%	%
<b>Net Sales</b>	<b>201.90</b>	<b>100%</b>	<b>160.96</b>	<b>100%</b>	<b>25%</b>
<b>COGS</b>	<b>(129.01)</b>	<b>-64%</b>	<b>(108.99)</b>	<b>-68%</b>	<b>18%</b>
<b>Gross Profit</b>	<b>72.89</b>	<b>36%</b>	<b>51.97</b>	<b>32%</b>	<b>40%</b>
<b>Operating Expense</b>	<b>(20.24)</b>	<b>-10%</b>	<b>(17.79)</b>	<b>-11%</b>	<b>14%</b>
<b>Operating Income</b>	<b>52.65</b>	<b>26%</b>	<b>34.18</b>	<b>21%</b>	<b>54%</b>
<b>Net Non-operating Income (Exp.)</b>	<b>(2.41)</b>	<b>-1%</b>	<b>(1.35)</b>	<b>-1%</b>	<b>79%</b>
<b>Investment Income (Loss)</b>	<b>0.79</b>	<b>0%</b>	<b>(5.72)</b>	<b>-4%</b>	<b>-</b>
<b>Income before Tax</b>	<b>51.03</b>	<b>25%</b>	<b>27.11</b>	<b>17%</b>	<b>88%</b>
<b>Income Tax Credit (Exp.)</b>	<b>(3.77)</b>	<b>-2%</b>	<b>(5.50)</b>	<b>-3%</b>	<b>-31%</b>
<b>Net Income</b>	<b>47.26</b>	<b>23%</b>	<b>21.61</b>	<b>13%</b>	<b>119%</b>
<b>EPS (NT\$)</b>	<b>2.33</b>		<b>1.05</b>		



# Balance Sheet & Key Ratios

Amount:NT\$Billion

Balance Sheet	4Q'03		3Q'03		4Q'02	
	Amount	%	Amount	%	Amount	%
Cash & S-T Investment	110.8	28%	94.4	25%	61.7	17%
Accounts Receivable	25.8	7%	25.0	7%	16.4	4%
Inventory	10.9	3%	11.8	3%	10.3	3%
Current Asset	158.5	40%	135.2	35%	94.7	26%
Current Liability	30.5	8%	27.2	7%	31.2	8%
L-T Debt	30.0	8%	35.0	9%	35.0	9%
Equity	329.2	83%	313.0	82%	295.9	80%
Total Asset	396.4	100%	382.2	100%	370.0	100%

## Key Ratios

A/R Turnover Days*	40	41	40
Inventory Turnover Days*	36	38	38
Current Ratio	5.2	5.0	3.0

\* Income Statement figures, such as sales-(or COGS-)per-day, are calculated using year-to-quarter-end numbers.





# Cash Flow

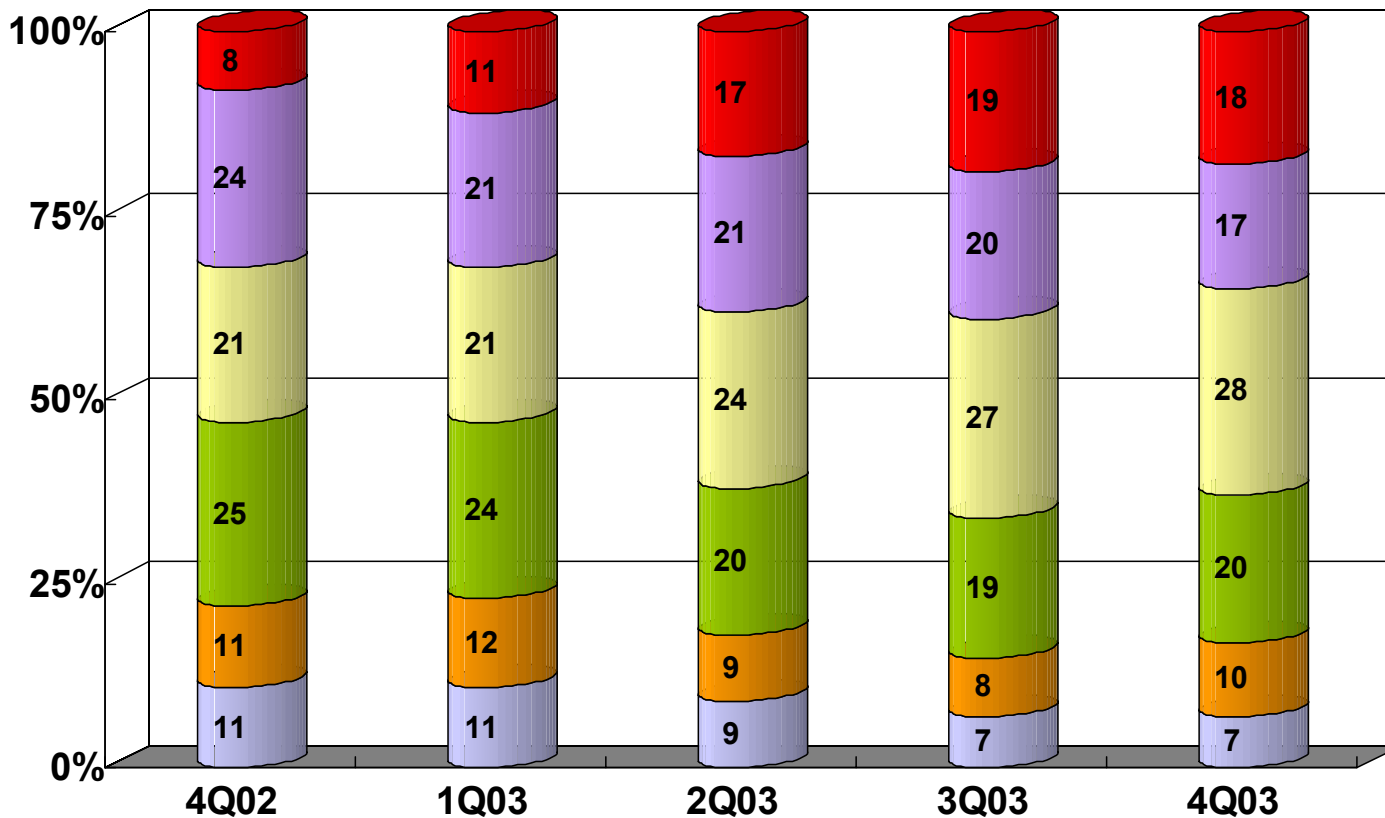
Amount:NT\$Billion

	<b>4Q'03</b>	<b>3Q'03</b>	<b>4Q'02</b>
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
<b>From Operation</b>	<b>31.5</b>	<b>33.9</b>	<b>23.9</b>
- <i>Net Profit</i>	16.0	15.2	2.6
- <i>Depreciation &amp; Amort.</i>	15.5	15.5	16.1
<b>From Investment</b>	<b>(15.9)</b>	<b>(17.4)</b>	<b>(21.7)</b>
- <i>Capital Expenditure</i>	(12.8)	(8.2)	(17.9)
- <i>S-T Investment</i>	(0.9)	(8.6)	0.0
<b>From Financing</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(5.1)</b>
- <i>Long-term Bond</i>	0.0	0.0	(5.0)



# Sales Breakdown by Technology

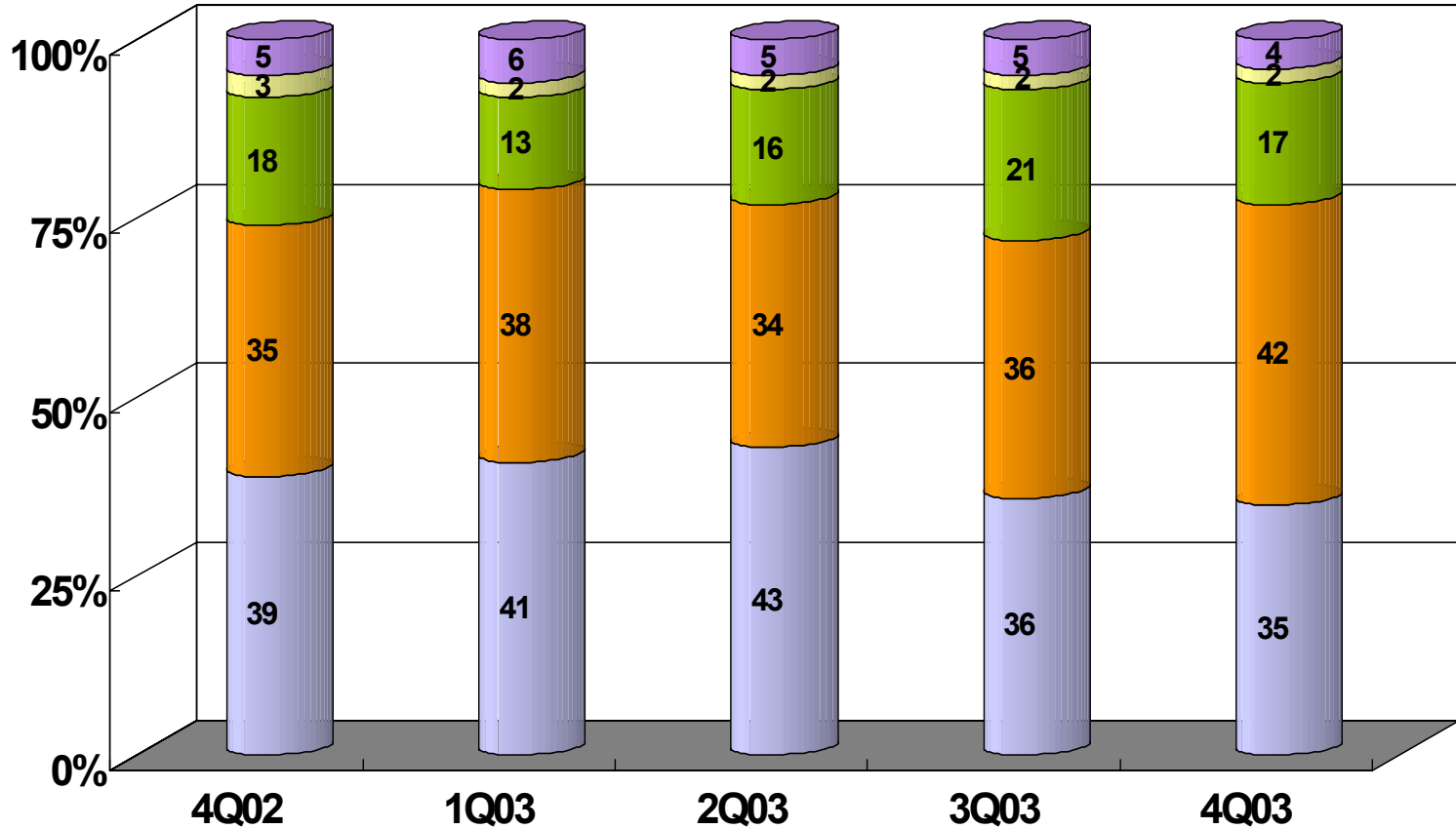
0.50u+   0.35u   0.25u   0.18u   0.15u   0.13u-





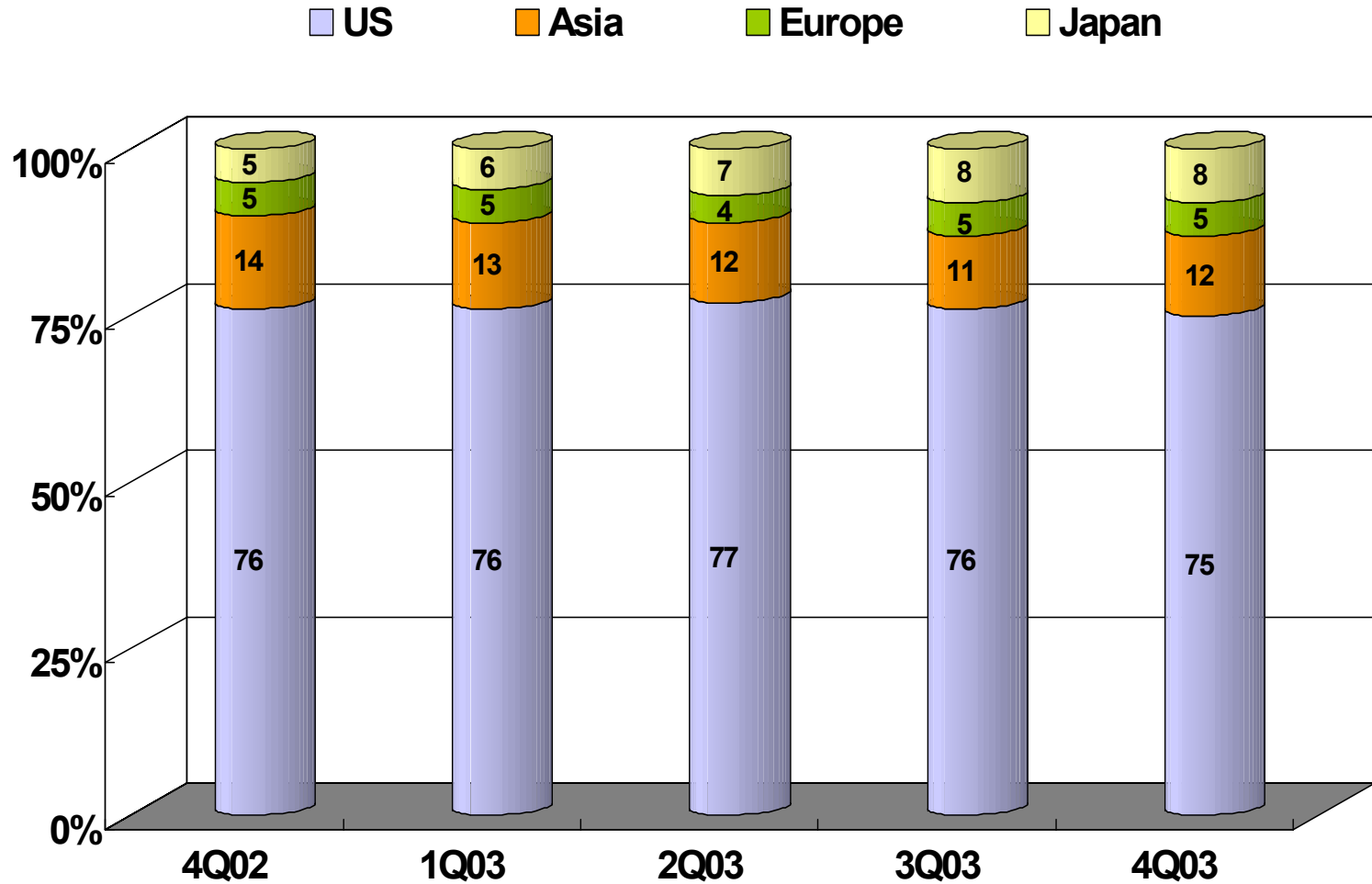
# Sales Breakdown by Application

Computer    Comm.    Consumer    Memory    Others





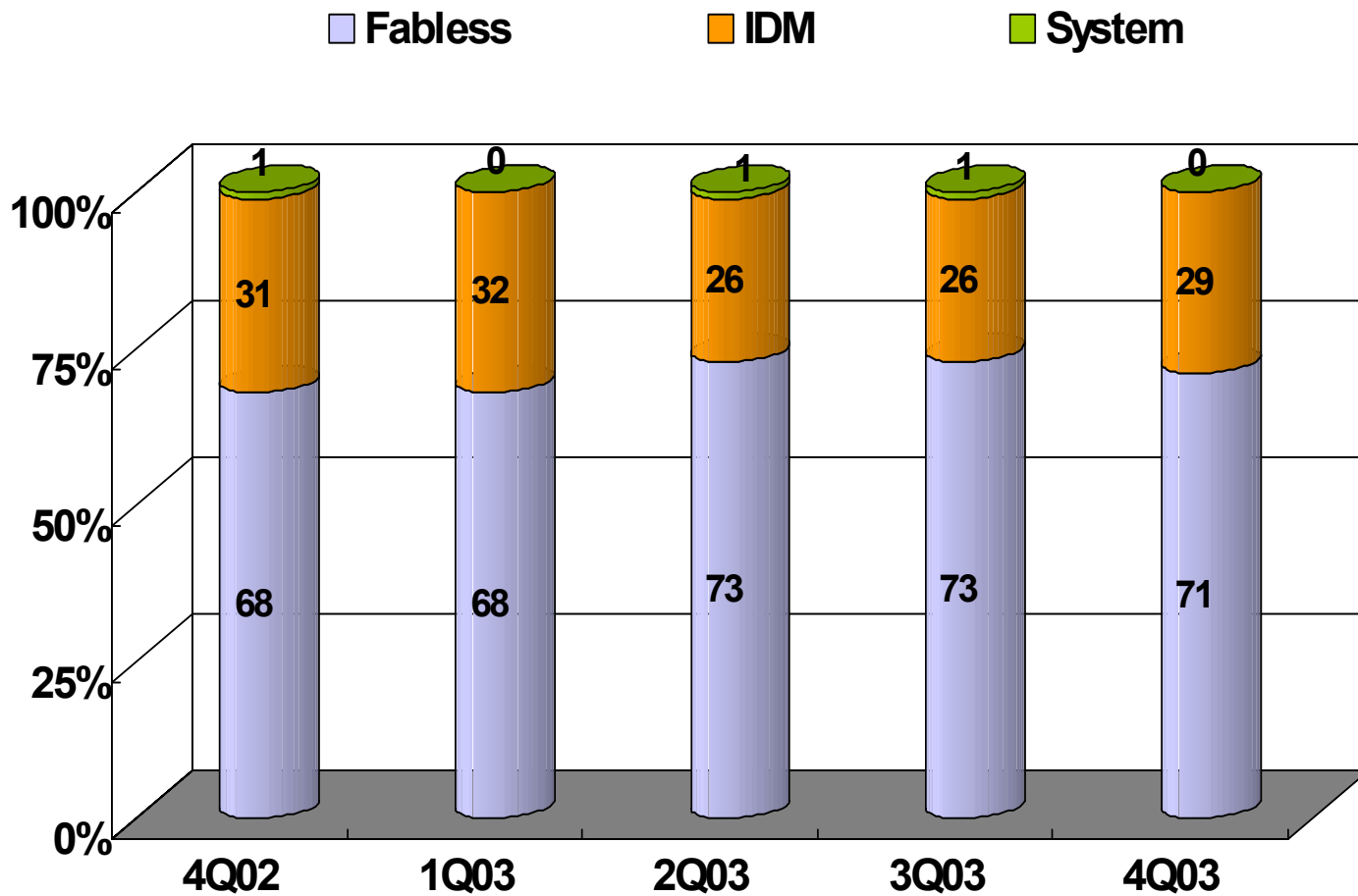
# Sales Breakdown by Geography



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

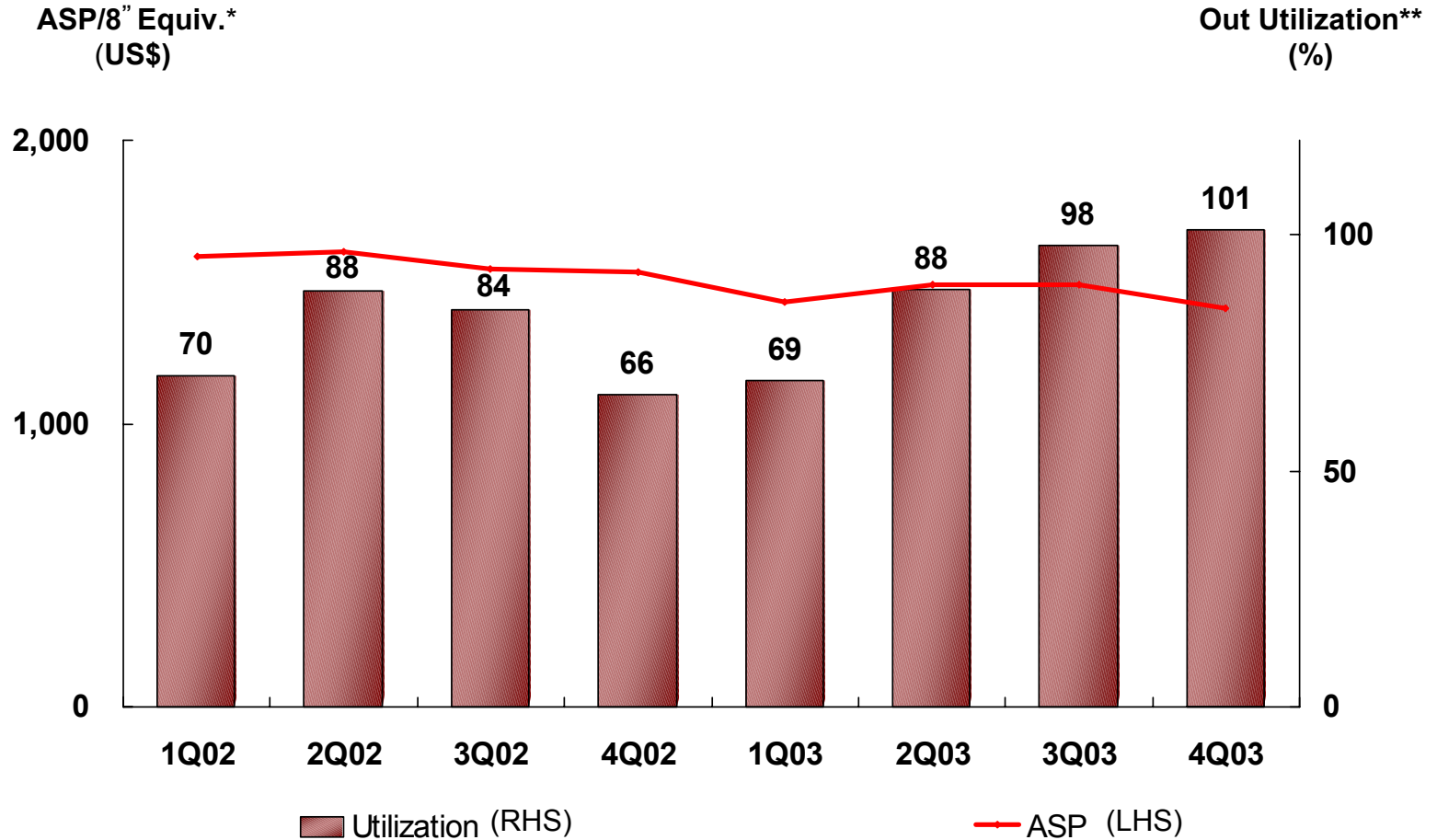


# Sales Breakdown by Customer





# Fab Utilization and ASP Trend



\* 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	4Q03	2003	1Q04 (est.)
Fab-2*	6"	227	872	216
Fab-3	8"	213	810	208
Fab-5	8"	112	436	105
Fab-6	8"	183	679	187
Fab-7	8"	35	201	53
Fab-8	8"	189	698	180
Fab-12**	12"	40	108	43
Fab-14**	12"			
<b>TSMC-owned</b> (8" Equivalent Kpcs)***		<b>949</b>	<b>3,556</b>	<b>950</b>
Wafer Tech	8"	89	353	88
SSMC	8"	29	105	30
<b>Total TSMC-Managed</b> (8" Equivalent Kpcs)***		<b>1,067</b>	<b>4,014</b>	<b>1,067</b>

\* Figures represent number of 6" wafers

\*\* Figures represent number of 12" wafers.

\*\*\* Conversions to 8"-equivalent wafers: division by 1.78 for 6" wafer, and multiplication by 2.25 for 12" wafers.



# Recap of Recent Major Events

- **TSMC R&D Team Receives 2003 Outstanding Scientific and Technological Worker Award from Executive Yuen of Republic of China (2003/12/22)**
- **TSMC Filed Law Suit Against SMIC for Patent Infringement and Trade Secret Misappropriation (2003/12/19)**
- **TSMC Reported the December 10 Earthquake Not Expected to Impact TSMC's December Wafer Output (2003/12/11)**
- **TSMC Board of Directors Approved Plans to Expand 300mm Wafer and Advanced Technology Capacity (2003/12/02)**
- **TSMC and OmniVision to Establish Joint Venture VisEra (2003/11/19)**

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





# 1Q04 Guidance

- **Wafer shipments to increase by a low single digit percentage point sequentially**
- **ASP to decline slightly, but magnitude is less than that of the previous quarter**
- **Overall utilization rate to be about 100 percent or slightly higher**
- **Gross profit margin percentage to remain essentially unchanged sequentially**
- **Demand to improve in the communications segment, remain flat for the consumer segment, but experience seasonal decline in the computer segment**
- **2004 CapEx expected to be about US\$2 billion**



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