



4Q02

Quarterly Release
January 28, 2003

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Topics in This Release

- Summary Operation Results
- Management Commentary
- Guidance & Forward-Looking Statements
- Conference Call/ Webcast Notice
8 A.M. Eastern/
9 P.M. Taiwan
- Management Report

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(Hsin-Chu, Taiwan, R.O.C., January 28, 2003)

Taiwan Semiconductor Manufacturing Company, Ltd. (TAIEX: 2330, NYSE: TSM) ("TSMC" or "the Company"), the world's largest dedicated semiconductor foundry company, today announced its unconsolidated results of operations for the quarter ended December 31, 2002. All figures were prepared in accordance with generally accepted accounting principles in Taiwan, which differ in some material respects from generally accepted accounting principles in the United States.

TSMC Announces 4Q02 Unconsolidated Results:

**Revenues NT\$41.154 Billion, Net Income NT\$2.553 Billion
Fully Diluted EPS NT\$0.13 (US\$0.019 per ADS)**

- Revenues increased 3% sequentially due to a 1% rise in wafer shipments and a weaker NT dollar.
- Net income decreased 19% sequentially, reflecting a narrower gross margin, increased R&D expenditures and investment losses, all offset in part by lower income tax expense.
- Fully diluted EPS declined 20% sequentially.
- Full-Year revenues increased 28% to NT\$160.961 billion versus the same period last year; Full-Year net profit rose 49% to NT\$21.61 billion.
- Financial indicators (cash flow generation, liquidity, debt service) remained healthy.

Management Commentary

- Harvey Chang, SVP & CFO:

"Our 4Q02 results reflect the current overall lackluster business environment.

"Net sales rose 3% to NT\$41.154 billion, but our net income declined 19% versus the prior quarter to NT\$2.553 billion. Despite our mixed sales and earnings performance in 4Q02, our book-to-bill ratio was above 1.0 in both November and December. We are encouraged by this development, and we continue to believe that we will see renewed sequential quarterly revenue growth starting from 2Q03.

"During October and November, our revenues benefited from sales from inventory on hand at the end of the third quarter, reflecting a pick up in demand for PCs and communications products for the Christmas season. Unit sales decreased in December, however, as the holiday season drew to a close.

"Lower net earnings in the quarter reflected several factors: a reduction in our capacity utilization rate from 79% to 61%, an increase in our R&D expenditures and increased investment losses.

"Despite recent business conditions, TSMC remains to be financially sound. TSMC generates a positive cash flow of NT\$20 billion during 2002 and continues to operate as an essentially debt free company with net cash reserves of NT\$22.7 billion."



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Quarterly Management Report
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Topics in This Report

- Operation Results Review
- Financial Condition Review
- Cash Flow Strength Review
- Capital Commitment & Capacity
- Recap of Important Events

Operation Results Review:

Summary:

<i>(Amount in NT\$ Bn except for EPS)</i>	4Q02	3Q02	4Q01	Comparisons	
				QoQ	YoY
EPS (NT\$ per com. sh.)	0.13	0.16	0.24	(20%)	(44%)
(US\$ per ADR unit)	0.019	0.024	0.034	(21%)	(44%)
Net Sales	41.15	39.84	33.13	3%	24%
Gross Profit	10.68	12.84	11.09	(17%)	(4%)
Operating Expenses	(5.03)	(4.47)	(5.23)	13%	(4%)
Non-op Exp. & Invest.	(2.57)	(2.34)	(1.56)	10%	65%
Net Income	2.55	3.16	4.51	(19%)	(43%)
Wafers Shipped (8"equiv.)	682K	677K	558K	1%	22%
Capacity Utilization	61%	79%	50%		

Remarks:

TSMC today announced EPS of NT\$0.13 (US\$0.019 per ADR unit) for the fourth quarter of 2002.

EPS figures in the latest quarter represent a 20% decline in net income compared with 3Q02.

Operational results in 4Q02 reflect:

Net sales of NT\$41.154 billion, an increase of 3% sequentially, due to a 1% rise in wafer shipments and a weaker NT dollar;

Gross profit of NT\$10.682 billion, a 17% decline sequentially, primarily due to a lower capacity utilization rate;

Operating expenses of NT\$5.031 billion, an increase of 13% sequentially, with higher research and development expenditures (NT\$3.7 billion in 4Q02 versus NT\$2.8 billion in 3Q02) partly offset by lower overall administrative overhead;

A combined loss of NT\$2.573 billion (up 10% sequentially) from net non-operating items and investments, mainly reflecting increased operating losses by the Company's Wafertech subsidiary amid soft market conditions;

Net income of NT\$2.553 billion, representing a sequential decline of 19%;

Net cash reserves of NT\$22.7 billion, up from NT\$20.5 billion in 3Q02.

Table 1
Revenue Analyses (Incl. Outputs from Affiliates)

By Application	4Q02	3Q02	4Q01
Computer	39%	36%	56%
Communication	35%	34%	20%
Consumer	18%	22%	19%
Industrial / Others	5%	5%	2%
Memory	3%	3%	3%

By Technology	4Q02	3Q02	4Q01
$X \leq 0.13 \mu$	8%	5%	-%
$0.13 \mu < X \leq 0.15 \mu$	24%	20%	21%
$0.15 \mu < X \leq 0.18 \mu$	21%	23%	24%
$0.18 \mu < X \leq 0.25 \mu$	25%	27%	29%
$0.25 \mu < X \leq 0.35 \mu$	11%	13%	15%
$X \geq 0.50 \mu$	11%	12%	11%

By Customer Type	4Q02	3Q02	4Q01
Fabless	68%	64%	71%
IDM	31%	35%	28%
System	1%	1%	1%

By Geography	4Q02	3Q02	4Q01
North America	76%	76%	80%
Asia Pacific	14%	13%	13%
Europe	5%	5%	3%
Japan	5%	6%	5%

Revenue Analyses:

Net sales increased 3% sequentially to NT\$41.154 billion, aided partly by shipments from inventories accumulated in 3Q02. Computer and communications applications were the principal revenue drivers in the quarter, reflecting a pickup in demand for the Christmas season.

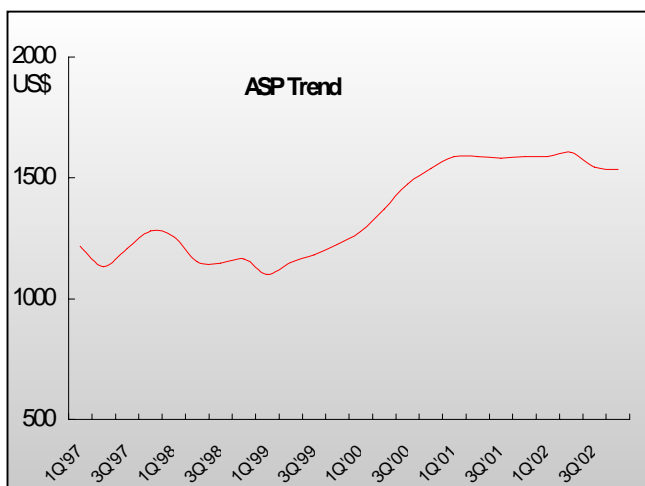
Revenue mix in terms of technology shifted towards leading-edge geometries during the quarter, reflecting stronger than expected demand from computer and communication applications. As a result, revenues contributed by leading-edge technology applications (0.18um or more advanced) represented 53% of TSMC's total revenue versus 48% in 3Q02.

Revenue mix in terms of customer-type reflected the stronger demand for computer product applications during the quarter. As a result, revenues from the Fabless sector increased to 68% from 64% in 3Q02.

In terms of geography, the revenue mix was little changed from the previous quarter.

Wafers manufactured by TSMC's affiliates contributed 10.4% (NT\$4.273 billion) to net sales during the quarter versus 9.7% (NT\$3.87 billion) in 3Q02.

Wafer shipments increased by 1% to 682K units sequentially.



ASP Trend

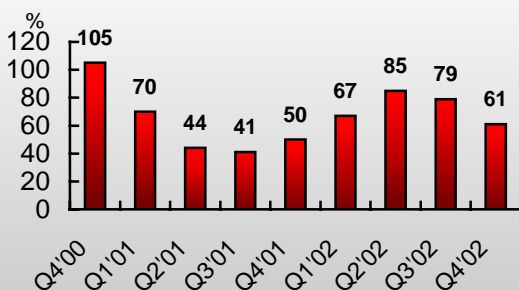
Average selling price in U.S. dollars was marginally lower (down 0.6%) versus the previous quarter due to a modest decline in pure pricing, offset by an improved shipments mix .

ASP in NT dollars rose 2% due to the strengthening of the U.S dollar against the NT dollar (to NT\$34.84/\$ from NT\$33.95/\$) offset in part by the nominal ASP decline cited above.

Gross Margin Analysis

(Amount: NT\$ Bn)	4Q02	3Q02	4Q01	Comparisons	
				QoQ	YoY
COGS	30.5	27.0	22.0	13%	38%
Depreciation	13.3	13.3	11.7	(0.3%)	13%
Other MFG Cost	17.2	13.7	10.3	25%	66%
Gross Profit	10.7	12.8	11.1	(17%)	(4%)
Gross Margin					
- TSMC+Aff	26%	32%	33%		
- TSMC alone	28%	35%	36%		

Utilization Rate Trend



Operating Expenses Analysis

(Amount: NT\$ Bn)	4Q02	3Q02	4Q01	Comparisons	
				QoQ	YoY
Total Op. Exp.	5.0	4.5	5.2	13%	(4%)
Gen'l & Admin.	1.3	1.4	1.7	(2%)	(22%)
Selling & Mktg.	0.0	0.3	0.6	(91%)	(95%)
R & D	3.7	2.8	2.9	31%	26%

Non-Operating Items & Investment

(Amount: NT\$ Bn)	4Q02	3Q02	4Q01	Comparisons	
				QoQ	YoY
Net Int. Inc./(Exp.)	(0.3)	(0.3)	(0.4)	1%	(18%)
Other Non-Ops.	(0.1)	(0.2)	0.6	(49%)	n.m.
Invest. Inc./(Loss)	(2.2)	(1.8)	(1.7)	19%	24%
• Wafertech*	(1.0)	(0.3)	(0.3)	216%	222%
• SSMC	(0.2)	(0.3)	(0.4)	(49%)	(59%)
• Vanguard	(0.2)	(0.3)	(1.0)	(17%)	(74%)
• Others	(0.8)	(0.9)	(0.0)	(15%)	713%

* Operation results only; does not include amortization of goodwill resulting from minority interest acquisition.

Gross Margin Analysis:

Gross profit declined NT\$2.153 billion to NT\$10.682 billion. As a result, gross margin narrowed to 26% from 32% in 3Q02. The decline in gross margin was primarily due to a lower capacity utilization rate.

If wafers manufactured by TSMC affiliates were excluded, the gross margin from TSMC's manufacturing activities (on a stand-alone basis) would have been 28%, down from 35% in the previous quarter.

Utilization Rate Trend:

Capacity utilization of 61% in the latest quarter was lower than that in 3Q02 due to reduced wafer output (down 18%) on the back of a higher capacity level (up 6% quarter-on-quarter). The lower utilization was also partially caused by the sale of 3Q02 inventory during the early part of 4Q02 in anticipation of the Christmas holiday season.

Operating Expenses:

Operating expenses rose 13% sequentially as higher R&D expenditures were partially offset by lower overall administrative overhead. The increase in R&D expenditures reflected continued development activities in 0.13um, 90nm and 65nm technologies. Lower selling and marketing expenses mainly reflected the reversal of a previous bad debt accrual.

Non-Operating Items & Investment:

Net non-operating items and investments resulted in an aggregate loss of NT\$2.57 billion, NT\$236 million worse than the previous quarter.

Investment losses increased NT\$341 million compared with the previous quarter, primarily reflecting weaker results by WaferTech amidst a soft market.

Financial Condition Review:

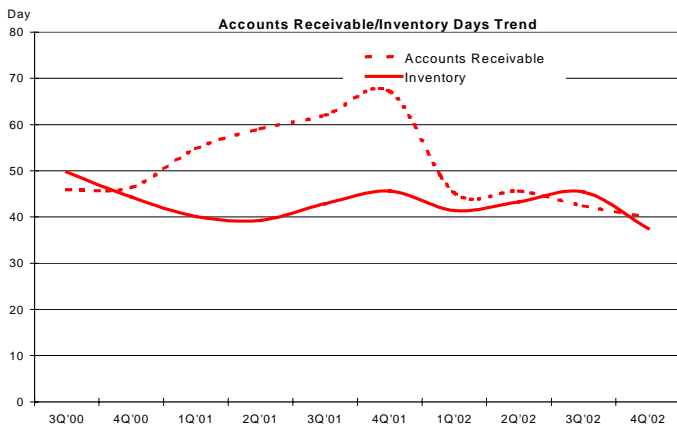
Liquidity Analysis

(Amount: NT\$ Bn)	<u>4Q02</u>	<u>3Q02</u>	<u>4Q01</u>
Cash & Equiv.	61.7	64.5	33.4
Accounts Receivable	16.4	17.9	17.0
Inventories	10.3	13.3	8.5
Total Current Assets	94.7	100.4	63.7
Accounts Payable	27.2	32.3	20.2
Total Current Liabilities	31.2	41.3	25.2

Liquidity Analysis:

Liquidity remains a highlight of TSMC's financial strength. The Company's current ratio increased to 3.0x as of 4Q02 from a highly liquid 2.4x as of 3Q02.

Net working capital (the excess of current assets over current liabilities) of NT\$63.6 billion was NT\$4.5 billion greater than the previous quarter. The increase in net working capital was primarily due to a reduction in current liabilities as a result of the reduction in capital equipment purchases. This was offset in part by a decrease in inventories in line with seasonal factors.



Receivable/Inventory Days Trend:

TSMC's receivables and inventories declined by 8% and 22%, respectively, versus the previous quarter. Receivables declined to the equivalent of 40 days revenue compared with 42 days last quarter due to better collection efforts and lower turnover in December as the holiday season drew to a close. Inventories, meanwhile, decreased to the equivalent of 37.5 days cost-of-goods sold versus 45.3 days in the previous quarter due to seasonal factors.

Debt Service

(Amount: NT\$ Bn)	<u>4Q02</u>	<u>3Q02</u>	<u>4Q01</u>
Cash & Equiv.	<u>61.7</u>	<u>64.5</u>	<u>33.4</u>
S-T Credit Instr.	4.0	9.0	5.0
Bonds Payable	<u>35.0</u>	<u>35.0</u>	<u>24.0</u>
Total Debts	<u>39.0</u>	<u>44.0</u>	<u>29.0</u>
Net Cash Reserves	<u>22.7</u>	<u>20.5</u>	<u>4.4</u>

Debt Service:

TSMC remains an essentially debt-free company.

Net cash reserves (the excess of cash and equivalents over interest-bearing debt) increased by NT\$2.2 billion in 4Q02 versus the previous quarter, reflecting reduced capital spending during the quarter.

TSMC's debt level declined to NT\$39.0 billion from NT\$44.0 billion in the previous quarter as a result of the NT\$5.0 billion corporate bond repayment.

Cash Flow Analysis

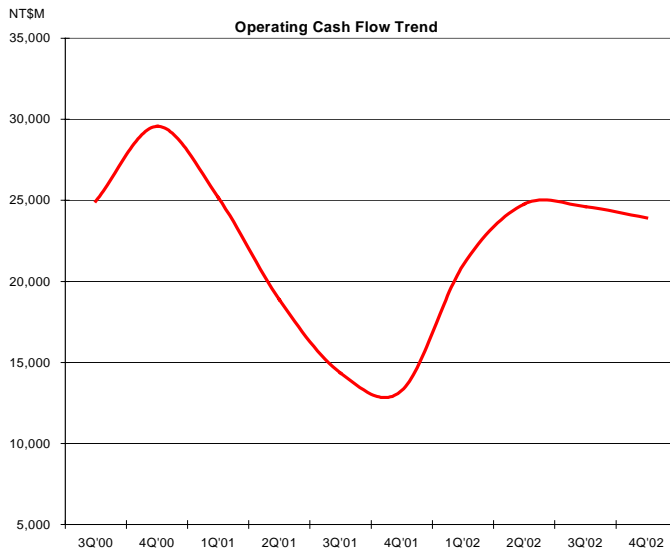
	<u>4Q02</u>	<u>3Q02</u>	<u>4Q01</u>
(Amount: NT\$ Bn)			
Net Income	2.6	3.2	4.5
Deprec. & Amort.	16.1	14.6	13.0
Other OP Sources/(Uses)	<u>5.2</u>	<u>6.8</u>	<u>(4.2)</u>
Total OP Sources/(Uses)	<u>23.9</u>	<u>24.6</u>	<u>13.3</u>
Net Investing Sources/(Uses)	<u>(21.7)</u>	<u>(21.4)</u>	<u>(10.6)</u>
Net Financing Sources/(Uses)	<u>(5.1)</u>	<u>(5.1)</u>	<u>(0.1)</u>
Net Cash Position Changes	<u>(2.9)</u>	<u>(1.9)</u>	<u>2.7</u>

Summary Cash Flow Analysis:

During 4Q02, TSMC generated NT\$23.9 billion in cash from operating activities.

Net cash used in investing activities totaled NT\$21.7 billion, including acquisitions of fixed assets in the amount of NT\$17.9 billion.

TSMC ended this quarter with NT\$2.9 billion less cash on hand than the previous quarter.



Operating Cash Flow Trend:

Operating cash flow maintained a healthy pace during 4Q02 despite a decline in profitability of NT\$607 million.

Quarterly operating cash flow of NT\$23.9 billion was on par with NT\$24.6 billion in 3Q02.

Non-cash charges during the quarter totaled NT\$21.4 billion, comparable to NT\$21.5 billion in 3Q02.

Capital Commitment and Capacity Highlights

- Actual 2002 capital expenditure: US\$1.6billion.
- Estimated 2003 capital expenditure: in the range of US\$1.0 – US\$1.5 billion.
- 2002 Installed Capacity (on the basis of 8-inch equivalent wafers):
1,067K/quarter – as of December 2002
3,891K/annum – as of December 2002
- Estimated 2003 Capacity (on the basis of 8-inch equivalent wafers):
1,068K/quarter – as of March 2003

Capital Commitment and Capacity:

TSMC's capital expenditures totaled US\$1.6 billion in 2002. Based on current assumptions, the Company anticipates that capital expenditures are likely to be in the range of US\$1.0 to US\$1.5 billion in 2003.

TSMC remains fully committed to providing capacity that meets both the fabrication and technological needs of its customers. The Company intends, however, to manage changes in capacity in accordance with the strength of actual demand.

Table 2
Capacity Managed by TSMC

Fab Unit/(wafer size)	Installed Capacity	
	4Q02 Actual	1Q03 Estimate
Fab 2 (6") ¹	230	206
Fab 3 (8")	211	193
Fab 5 (8")	104	106
Fab 6 (8")	137	157
Fab 7 (8")	67	65
Fab 8 (8")	156	161
Fab12 (12")	14	17
WaferTech (8")	89	87
VIS (8")	119	120
SSMC (8")	23	24
Total Capacity (8" Equiv.)²	1,067	1,068

¹ 6"-wafer is converted into 8"-equivalent wafer by dividing by 1.78; 12"-wafer by multiplying by 2.25.

² Total installed capacity is expressed as 8"-equivalent wafers, in thousands of wafers.

A summary of TSMC's capacity plan for 1Q03, detailed by fabs, is shown in Table 2.

TSMC intends to steadily ramp up capacity at Fabs 6, 8 and 12 during 2003 while it reduces installed capacity at Fab 7.

While the majority of TSMC's fabs will conduct annual maintenance in 1Q03, estimated installed capacity in the first quarter is expected to remain flat with that in 4Q02. TSMC's annual maintenance schedule for 2003 is noted below:

Month	Fab
December, 2002	Fab 5
January, 2003	Fab 2, 3, 8 and 12
February, 2003	Fab 6
March, 2003	VIS
May, 2003	Fab 7

Recap of Important Events & Announcements:

- TSMC Unveils Industry's First Viable 25 Nanometer Transistors (12/11)
- TSMC Expands Advanced Technology Libraries, Enhances Distribution Program to Accelerate Availability (12/10)
- TSMC Revises Upwards Its Guidance for the Fourth Quarter of 2002 (11/22)
- TSMC Board of Directors Approves Subscription of New Shares to Be Issued by Vanguard International Semiconductor Corporation (11/05)

Guidance & Forward-Looking Statements:

Based upon the current business outlook, guidance for 1Q03 and 2003 are as follows:

- We continue to expect TSMC revenues to bottom out during the course of the first quarter. We also expect 2003 semiconductor industry revenue growth to be around 8%, while TSMC revenue growth continues to exceed that.
- In the first quarter of 2003, we expect:
 - Wafer shipments to decline by a low single-digit percentage rate on a sequential basis;
 - ASP to decline by about 7% due to essentially flat percentage shipments of advanced technology wafers (0.18um and below) and a general price decline. The percentage shipments of advanced technology wafers will rise again in 2Q03;
 - An overall utilization rate around 60%;
 - Customer demand mix by product applications to remain similar to that in 4Q02, with communications showing a slight improvement.
- We expect that CAPEX in 2003 will be in the range of US\$1.0 to US\$1.5 billion.

Safe Harbor Notice:

The statements included in this press release that are not historical in nature are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. TSMC cautions readers that forward-looking statements are subject to significant risks and uncertainties and are based on TSMC's current expectations. Actual results may differ materially from those contained in such forward-looking statements for a variety of reasons including, among others, risks associated with cyclical and market conditions in the semiconductor industry; demand and supply for TSMC's foundry manufacturing capacity in particular and for foundry manufacturing capacity in general; intense competition; the failure of one or more significant customers to continue to place the same level of orders with us; TSMC's ability to remain a technological leader in the semiconductor industry; TSMC's ability to manage expansion of its capacity; TSMC's ability to obtain, preserve and defend its intellectual property rights; natural disasters and other unexpected events which may disrupt production; and exchange rate fluctuations. Additional information as to these and other risk factors that may cause TSMC's actual results to differ materially from TSMC's forward-looking statements may be found in TSMC's Annual Report on Form 20-F, filed with the United States Securities and Exchange Commission on May 9, 2002, and such other documents as the Company may file with, or submit to, the SEC from time to time.

Conference Call at 8 A.M.
Eastern Time on January 28,
2003 (Tuesday)

Dial-in Access (listen only):

United States
1-303-262-2127

Other Locations
852-3002-8537

(Code: "TSMC")

Webcast Access:
<http://www.tsmc.com>

Conference Call & Webcast Notice:

- TSMC's quarterly review conference call will be held at 8 A.M. Eastern Time (9 P.M. Taiwan Time) on Tuesday, January 28, 2003.
- The conference call will also be Webcast live on the Internet.
- Investors wishing to access the live Webcast should visit TSMC's Web site at <http://www.tsmc.com> at least 15 minutes prior to the broadcast.
Instructions will be provided on the Web site to facilitate the downloading and installation of necessary audio applications.
- Investors without Internet access may listen to the conference call by dialing 1-303-262-2127 in the U.S. and 852-3002-8537 in other locations (Security Code: TSMC).
- An archived version of the Webcast will be available on the TSMC Web site for six months following the Company's quarterly review conference call and Webcast.

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TSMC Profile:

TSMC is the world's largest dedicated semiconductor foundry, providing the industry's leading manufacturing capacity, process technology, library and IP options, and other leading-edge foundry services. TSMC currently operates one twelve-inch wafer fab, five eight-inch wafer fabs and one six-inch fab. The Company also has substantial capacity commitments at a wholly owned U.S. subsidiary (WaferTech) and two joint-venture fabs (Vanguard and SSMC). TSMC's 300mm wafer fab (Fab 12), the first of its kind in Taiwan, commenced commercial production in January 2002. TSMC's corporate headquarters are in Hsin-Chu, Taiwan. More information about TSMC is available through the World Wide Web at <http://www.tsmc.com>.