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CONTACT IN TAIWAN

Derek Tien or Julie Chan
Finance Division
TSMC
invest@tsmc.com.tw
886/3/567-2664

CONTACT IN NEW YORK

Mami Ogawa
Thomson Financial Investor Relations
mami.ogawa@thomsonir.com
212/701-1824

**Taiwan Semiconductor Manufacturing Company Ltd. Announces
Fourth Quarter and Year End Results for the Period Ended
December 31, 1999**

Hsin-Chu, Taiwan, R. O. C., January 27, 2000 – Taiwan Semiconductor Manufacturing Company Ltd. (TAIEX: 2330, NYSE: TSM), (“TSMC” or “the Company”) the world’s largest dedicated semiconductor foundry company, today announced the results of its operations for the fourth quarter and the 12 months ended December 31, 1999. All figures were prepared in accordance with generally accepted accounting principles in Taiwan.

Main Topics Discussed in This Release

- 4Q99 Results: Year-over-Year Comparison
- 4Q99 Results: Sequential Comparison
- 12 Months 1999 Results: Year-over-Year Comparison
- Key figures associated with recent mergers
- Planned capital expenditure and capacity

4Q99 Results: Year-over-Year Comparison Highlights

- Net sales increased 104% YoY to NT\$23,691 million.
- Quarterly unit sales¹ set a new record high at 551K units of 8" equivalent wafers.
- Capacity utilization was at 107% due to strong demand.
- Operating income increased 166% YoY to NT\$7,681 million.
- Net income rose 229% YoY to NT\$8,311 million.
- Diluted earnings per common share (EPS) increased 229% to NT\$1.08 from NT\$0.33, or US\$0.17 versus US\$0.05 per ADR.²
- TSMC announced the acquisition of TSMC-Acer Semiconductor and WSMC on

¹ Including resale of wafers outsourced to joint ventures; WaferTech, Vanguard and TSMC-Acer.

² Earnings per share for 4Q98 have been restated to reflect a 24.8% increase in shares outstanding in June 1999. Total shares outstanding were 7,670,881,717 for both 1998 and 1999. Total shares outstanding increased to 7,670,881,717 shares from 6,047,175,967 shares due to a Eurodollar Convertible Bond conversion of 122,398,682 shares which became effective as of December 10th, 1999, a stock dividend of 1,390,850,473 shares (at the rate of 23% or 230 shares per 1000 shares) and employee profit sharing of 110,456,595 shares, both of which became effective as of June 15th, 1999.

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December 30th, 1999 and January 7th, 2000 respectively.**Net Sales:**

Net sales in the fourth quarter of 1999 totaled NT\$23,691 million (including NT\$3,316 million contributed from TSMC's joint ventures), up 104% from the previous year with record unit sales. The unit shipment of 8-inch equivalent wafers, including those outsourced to joint ventures, grew 90% to a new record, 551K units, in 4Q99 compared to 290K in 4Q98. The average selling price (ASP)³ in NT dollar, however, declined by 5.2% YoY from NT\$41.0K in 4Q98 to NT\$38.9K in 4Q99 which was mostly due to unfavorable movement in foreign exchange rate. ASP in US dollar was US\$1,226, almost unchanged from that of a year ago. The New Taiwan dollar appreciated to NT\$31.73 in 4Q99 from NT\$33.33 in 4Q98.

Sales breakdown by application, technology, customer types, and geography for 4Q99 and 4Q98 are summarized in Table 1. For consistency, historical numbers are changed to reflect current definition and methodology during classification thus may vary from those released earlier.

Table 1: Sales Breakdown

Segment:	4Q99	4Q98	Segment:	4Q99	4Q98
Application (Unit)			Customer Type (Revenue)		
Computer	40%	47%	Fabless	63%	76%
Communication	33%	26%	IDM	32%	22%
Consumer	16%	17%	System	5%	2%
Industrial / Others	4%	5%			
Memory	7%	5%			
Technology (Unit)			Geography (Revenue)		
$X \leq 0.25 \mu$	23%	3%	North America	67%	66%
$0.25\mu < X \leq 0.35 \mu$	39%	40%	Asia Pacific	20%	22%
$0.35\mu < X \leq 0.80 \mu$	31%	42%	Europe	8%	9%
$0.8\mu < X$	7%	15%	Japan	5%	3%

Gross Margins:

The gross profit increased significantly by 168% year-over-year to NT\$9,712 million from NT\$3,623 million a year ago. It was mainly due to higher average capacity utilization. Capacity utilization was at 107% in 4Q99 compared to 68% in 4Q98. As a percentage to sales, the gross margin improved by 9.9 percentage points to 41.0% in 4Q99 from 31.1% in 4Q98. Excluding margins effect from joint ventures, gross margins for TSMC only production was 47.1% in 4Q99 versus 31.1% in 4Q98.

Operating Expenses:

Operating expenses in 4Q99 rose 178% to NT\$2,032 million compared with NT\$730 million in 4Q98 due to higher administration expenses such as opening expense of Fab 6 in Tainan Science Industrial Park. Operating expenses as a percent of net sales was 8.6% in 4Q99.

Non-Operating Income/Expenses:

Net non-operating income was NT\$382 million compared to NT\$115 million in 4Q98 due to a NT\$578 million insurance claim accrued for the September 21 earthquake which offset the

³ Including resale of wafers outsourced to joint ventures.

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negative impact of foreign exchange translation.

Investment Income/Losses:

Investment income improved substantially to NT\$263 million in 4Q99 from NT\$483 million losses in 4Q98, due primarily to positive contribution from TSMC-Acer and improvement at WaferTech and Vanguard. TSMC-Acer Manufacturing Company (TASMC)⁴ resulted in NT\$508 million investment gain. WaferTech⁵ resulted in NT\$102 million loss in 4Q99 versus NT\$425 million loss in 4Q98. Vanguard International Semiconductor Company (VISC) resulted in NT\$139 million investment loss vs. NT\$186 million loss in 4Q98.⁶

Net Income:

Net income increased 229% year-over-year to NT\$8,311 million in the fourth quarter of 1999 compared to NT\$2,524 million a year ago. Net income tax expenses for this quarter were NT\$15 million (including NT\$504 million of tax expenses and NT\$489 million of tax credit), up from NT\$(1) million in 4Q98. Net margin rose sharply to 35.1% in 4Q99 from 21.7% in 4Q98. Earnings per share improved to NT\$1.08 in 4Q99, up from NT\$0.33 in 4Q98.

Operations Highlights:

Average capacity utilization based on wafers produced (or "out utilization"), excluding joint ventures, increased to 107% in 4Q99 from 68% in 4Q98. Installed capacity of TSMC was up 8.4% YoY in 4Q99 to 467K 8-inch equivalent wafers. Capacity managed by TSMC including joint ventures was up 121% YoY to 566K 8-inch equivalent wafers.

In addition to the recent announcement to acquire 100% of WSMC or Worldwide Semiconductor Manufacturing Corp., major announcements by TSMC during 4Q99 included:

- Acquiring the remainder portion or 70% of TASMC (Further discussion on page 6).
- Construction of TSM's first 12-inch fab, scheduled to complete in early 2002.
- The first pure-play foundry to formally offer a commercially available 0.18-micron copper process, as well as embedded flash technology in the 0.25-micron generation.
- Appointment of Dr. John Yue as Vice President of Quality & Reliability.

Please visit the Company's website for details of the announcements.

⁴ TSMC owns 32.00% of TASMC.

⁵ TSMC owns 67.56% of WaferTech.

⁶ TSMC owns 25.81% of VISC.

4Q99 Results: Sequential Comparison Highlights

- Net sales rose 20% while unit sales rose 18.3% QoQ.
- ASP rose 3.6% QoQ in US dollar.
- Operating income increased 7.1% QoQ.
- Net income increased 35.4% QoQ.
- Diluted earnings per common shares were NT\$1.08, up 35.4% from NT\$0.80 in 3Q99, or US\$0.17 versus US\$0.13 per ADR.

Net Sales:

Net sales in 4Q99 grew 20.2% QoQ to NT\$23,691 million from NT\$19,707 million in 3Q99, primarily due to more capacity and better utilization rate associated with recovery from the September earthquake. Including those outsourced to TSMC’s joint ventures, the unit sales of 8-inch equivalent wafers grew by 18.3% to 551K from 465K in 3Q99. The ASP in the New Taiwan and US dollar both increased sequentially. In US dollar terms, including joint ventures, the quarterly ASP was US\$1,226 per 8-inch equivalent wafer compared to US\$1,183 in 3Q99, up 3.6% QoQ. The weighted average exchange rate was NT\$31.73 per US dollar in 4Q99 versus NT\$32.08 in 3Q99.

Sales breakdown by application, technology, customer type, and geography for 4Q99 and 3Q99 are summarized in Table 3. For consistency, historical numbers are changed to reflect current definition and methodology during classification thus may vary from those released earlier.

Table 2: Sales Breakdown

Segment:	4Q99	3Q99	Segment:	4Q99	3Q99
Application (Unit)			Customer Type (Revenue)		
Computer	40%	41%	Fabless	63%	66%
Communication	33%	33%	IDM	32%	31%
Consumer	16%	12%	System	5%	3%
Industrial / Others	4%	3%			
Memory	7%	11%			
Technology (Unit)			Geography (Revenue)		
$X \leq 0.25 \mu$	23%	26%	North America	67%	65%
$0.25\mu < X \leq 0.35 \mu$	39%	30%	Asia Pacific	20%	18%
$0.35\mu < X \leq 0.80 \mu$	31%	37%	Europe	8%	9%
$0.8\mu < X$	7%	7%	Japan	5%	8%

Gross Margins:

Gross profit increased 10.8% QoQ to NT\$9,712 million from NT\$8,768 million. Gross margin was down to 41.0% in 4Q99 from 44.5% in 3Q99. Decline in gross margin was due to increased revenue percentage from wafer outsourced to joint ventures, WaferTech, Vanguard and TSMC-Acer. Resale from wafers outsourced to joint ventures was NT\$3,316 million in 4Q99 versus NT\$1,115 million in previous quarter. Excluding effect from joint ventures, gross margins for TSMC only production was 47.1% in 4Q99, same as 3Q99.

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Operating Expenses:

The operating expenses increased 27% QoQ to NT\$2,032 million from NT\$1,599 million in 3Q99, due to higher expenses associated with Fab 6, which is due to begin wafer production in 1Q2000. Operating expenses as percent of net sales increased marginally to 8.6% from 8.1% in 3Q99.

Non-Operating Income/Expenses:

Net non-Operating item was a gain of NT\$382 million compared with a loss of NT\$751 million in 3Q99. Extraordinary items reported in 3Q99 were losses of NT\$1,191 million and NT\$168 million for the September earthquake and the July power outage respectively as well as income accrual of insurance claim for NT\$928 million and NT\$50 million for September and July respectively.

Investment Income/Losses:

Investment income improved substantially to NT\$263 million in 4Q99 from investment losses of NT\$660 million in 3Q99. This was due to positive contribution from TSMC-Acer (NT\$508 million gain in 4Q99 versus NT\$182 million losses in 3Q99) and improvement at VISC (NT\$139 million losses in 4Q99 versus NT\$237 million losses in 3Q99) and WaferTech (NT\$102 million losses versus NT\$427 million losses).

Net Income:

Net income increased 35.4% QoQ to NT\$8,311 million from NT\$6,137 million in 3Q99. Net income tax expenses for this quarter was NT\$15 million compared to a net income tax credit of NT\$379 million in 3Q99. Net margin improved to 35.1% in 4Q99 from 31.1% in 3Q99. Diluted earnings per share grew 35.4% to NT\$1.08 for 4Q99 compared to NT\$0.80 in 3Q99.

Operations Highlights

Average capacity utilization rate of TSMC based on wafer produced (or "out utilization") improved in the 4Q99 to 107% from 96%, due to recovery from the September earthquake. TSMC has experienced better than planned memory to logic foundry conversion, which resulted in a positive earning contribution. Installed capacity of TSMC was up 4.6% QoQ in 4Q99 to 467K 8-inch equivalent wafers. Capacity managed by TSMC including joint ventures was up 13% QoQ to 566K 8-inch equivalent wafers. TSMC made a successful transition into year 2000 and has so far identified no Y2K issues.

Liquidity and Capital Resource

During 1999, TSMC generated NT\$39.6 billion in net cash from operating activities. Depreciation and amortization were NT\$5.1 billion and NT\$18.0 billion for 4Q and 12 months 1999, respectively. Net cash used for investing activities totaled NT\$9.8 billion for 4Q99, up significantly from NT\$16.8 billion in the previous quarter. The increase was primarily devoted for Fab 5 and 6 and investment in TSMC. Net cash generated from financing activities was NT\$5.7 billion, mainly from the issuance of NT\$10 billion corporate bonds. As of December 31, 1999, TSMC had NT\$16.7 billion of cash equivalent on hand. Liability to assets ratio declined to 25% from 28% as of end of 3Q99 and 32% a year ago.

12 Months 1999 Results: Year-over-Year Comparison Highlights

- Net sales rose 46% to NT\$73.1 billion from NT\$50.2 billion a year ago due to strong growth in unit shipment.
- Unit sales increased by 48.7% to 1,757K 8" equivalent wafers while ASP dropped by 1% to US\$1,165 due to unfavorable movement in foreign exchange rate.
- Operating income improved significantly, up 60% to NT\$25.9 billion from NT\$16.2 billion.
- Net income rose by 60% to NT\$24.6 billion from NT\$15.3 billion a year ago.
- Diluted earnings per common shares were NT\$3.20 versus NT\$2.00 a year ago or US\$0.50 versus US\$0.30 per ADR.
- Shareholder's equity rose 43.6% to NT\$120.8 billion from that of NT\$84.1 billion a year ago.

Key Figures associated with Mergers

Main Points

- TSMC is to absorb the remaining 70% of TASMC or 70% of 2,419 million shares outstanding.
- The exchange ratio for TASMC to TSMC would be 5:1, the ratio would be adjusted according to stock dividends.
- TSMC is to absorb 100% of WSMC or outstanding shares of 2,300 million shares.
- The exchange ratio for WSMC to TSMC is 2:1, the ratio is fixed regardless of stock dividends.
- ROC GAAP & Corporate Law: June 30th, 2000 will be set as business combination date; pooling-of-interest method would be adopted in the merger of WSMC. Purchase method will be applied toward merger of TASMC, goodwill generated will be eliminated.
- US GAAP: Jan 1st, 2000 is deemed as combination date for WSMC using pooling of interest method. For TASMC, purchasing method would be applied, using June 30th 2000 as combination date; January 7th, 2000 as measurement date for goodwill.
- Impact on the current year EPS is expected to be within plus or minus 5% from that of pre-merger estimates.
- Amount of new shares issued as result of the mergers will be approximately 14% of current outstanding shares, depending on stock dividends for 1999.

SFC: Securities and Futures Commissions; MOEA: Ministry of Economic Affairs

Planned Capital Expenditure and Capacity

Highlights

- Post merger capital expenditure for TSMC group is likely to reach US\$3.73 billion in 2000.
- Capital expenditure for TSMC affiliates is likely to reach US\$963 million in 2000.
- Total installed capacity managed by TSMC after mergers is expected to reach 3.4 million in 8” equivalent wafers in 2000, up 79% YoY.

Capital Expenditures in 2000

Post merger capital expenditure is likely to reach US\$3.73 billion, which includes

- US\$2,423 million for original pre-merger TSMC
- US\$920 million for WSMC
- US\$387 million for TSMC-Acer.

Capital expenditure for TSMC affiliates is likely to reach US\$963 million, which includes

- US\$206 million for WaferTech
- US\$276 million for VIS, where TSMC is entitled to 22K wafers per month
- US\$481 million for SSMC, where TSMC is entitled to 40% of SSMC capacity.

Planned Capacity

Total installed capacity managed by TSMC after mergers is expected to reach approximately 3.40 million in 8” equivalent wafers in year 2000, up 79% YoY. The 3.4 million wafers include 146K wafers from WSMC in 1H2000, which will not be contributing towards TSMC revenue under ROC GAAP. Details of capacity plan for 2000 are summarized in Table 3. In year 2001, capacity is estimated to be around 4.68 million in 8” equivalent wafers.

Table 3: Planned Capacity Managed by TSMC

Fab	Install Capacity : Annual (Monthly)					
	1998		1999		2000E	
Fab 1	252.3	(21.2)	232.5	(19.6)	193.6	(15.6)
Fab 2A	452.0	(38.0)	476.0	(40.0)	448.5	(38.0)
Fab 2B	488.0	(41.0)	466.5	(39.0)	487.5	(40.5)
Fab 3	478.4	(41.0)	454.8	(39.0)	481.1	(41.3)
Fab 4	353.0	(31.0)	348.4	(31.0)	397.4	(34.0)
Fab 5	116.0	(13.0)	221.8	(28.0)	410.5	(39.0)
Fab 6					145.0	(32.0)
WaferTech	26.0	(0.8)	154.4	(20.3)	278.2	(25.7)
VIS			30.0	(9.0)	184.0	(22.0)
TSMC-Acer			26.0	(10.0)	475.0	(48.0)
SSMC					0.0	(0.0)
WSMC					395.2	(49.0)
Total Capacity	1,643.2		1,895.0		3,400.0	
<i>Annual Growth Rate</i>	<i>39%</i>		<i>16%</i>		<i>79%</i>	

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Company Description:

TSMC is the world's largest dedicated semiconductor foundry, providing the industry's leading process technology, library and IP options and other leading-edge foundry services. TSMC operates five eight-inch wafer fabs (Fab 3, 4, 5, TSMC-Acer and WaferTech), and two six-inch wafer fabs (Fabs 1 and 2). In addition, the company is ramping Fab 6, located in Tainan Taiwan, for production and has begun construction of a \$1.2 billion joint venture fab with Philips Semiconductor, which is scheduled to open in Singapore in 2000. TSMC has broke ground for a new 12-inch fabrication facility in 1999. In 1998, TSMC has entered a joint venture agreement with Phillips to construct a foundry operation in Singapore called SSMC. In 1999, TSMC has acquired 30% of Acer Semiconductor Manufacturing Incorporation and formed the TSMC-Acer foundry fab. TSMC is currently in the process of acquiring remainder portion of TASMIC and all of Worldwide Semiconductor Manufacturing Corporation. In year 2000, TSMC will have the capacity for over 3 million 8-inch equivalent wafers. Fabrication processes offered by TSMC include CMOS logic, mixed-mode, volatile and non-volatile memory, and BiCMOS. 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>.

Corporate Headquarters:

Taiwan Semiconductor Manufacturing Company Ltd.

No. 121, Park Avenue III, Hsin-Chu Science-Based Industrial Park

Hsin-Chu, Taiwan, R. O. C.

Tel: 886/3/578-0221 <http://www.tsmc.com.tw>

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