

**Taiwan Semiconductor Manufacturing Company Ltd.**

July 31, 2000

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***FOR IMMEDIATE RELEASE***

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**Taiwan Semiconductor Manufacturing Company Ltd. Announces  
Second Quarter Results for the Period Ended  
June 30, 2000**

Hsin-Chu, Taiwan, R. O. C., July 31, 2000 – Taiwan Semiconductor Manufacturing Company Ltd. (TAIEX: 2330, NYSE: TSM), (“TSMC” or “the Company”) the world’s largest dedicated semiconductor foundry company, announced today the results of its operations for the second quarter ended June 30, 2000. All figures were prepared in accordance with generally accepted accounting principles in Taiwan.

**Main Topics Discussed in This Release**

- 1H00 Results; Impact and Progress of the Mergers
- 2Q00 Results: Year-over-Year Comparison (YoY)
- 2Q00 Results: Sequential Comparison (QoQ)
- No significant change to planned capital commitment and capacity.

**1 H00 Results:**

- Post merger gross profit and net profit are ahead of targets due to better-than-expected progress of the integration of WSMC and TSMC.

***1H00 Results***

TSMC successfully completed the merger transactions of TSMC-Acer (TASMC, now Fab 7) and Worldwide Semiconductor, (WSMC now Fab 8) on June 30<sup>th</sup>, 2000. Our audited post-merger financial statements for the 1<sup>st</sup> half of 2000 are provided in the financial statement section following this release. These financial results include the entire 1H00 results for WSMC as required under the pooling-of-interest accounting method. For the purpose of discussion, we have also restated 2Q00 and 1H00 results in the pre-merger format, so that meaningful comparisons can be made with 1Q00 and 2Q99 results.

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### ***Impacts from the mergers in 1H00:***

Post-merger revenue rose 8% compared to pre-merger revenue, from NT\$60.09 billion to NT\$64.92 billion. Gross profit and net profit levels were ahead of targets, rising to NT\$26.82 billion and 23.58 billion respectively. Post-merger earnings per share in 1H00 were NT\$2.12 versus pre-merger EPS of NT\$2.34. Post-merger earnings per ADR in 1H00 were US\$0.34 versus US\$0.38 pre-merger<sup>2</sup>. We expect year end 2000 EPS impact due to mergers to be within 3% difference as oppose to 5% guidance we have given.

Key balance sheet items have all increased following the mergers. Cash rose from NT\$48.2 billion to NT\$49.6 billion. Long Term Debt rose from NT\$20 billion to NT\$27 billion. Equity value rose from NT\$168.1 billion to NT\$206.2 billion. Total Assets rose from NT\$214.9 billion to NT\$288.7 billion.

### ***Progress of the Mergers***

We are pleased with the better-than-expected progress of the integration of WSMC and TSMC. Output improved significantly at both Fab 7 (ex-TSMC) and Fab 8 (ex-WSMC). Output at Fab 8 reached 77K 8" wafers in 2Q00, which is the same as the entire annual pre-merger output in 1999. Output at Fab 7 reached 98K 8" wafers in 2Q00. We are also seeing significant margin improvements in both Fab 7 and 8. Gross margin at Fab 7 has improved from -21% in 1999 to 3% in 1Q00 and to 9% in 2Q00. Gross margin at Fab 8 has improved from -45% in 1999 to -26.2% in 1Q00 and to 19% in 2Q00. We anticipate continued improvements in output, margins and customer base. We also anticipate that our recent mergers will offer TSMC customers an additional 29% of 2001 capacity.

We will now discuss the 2Q00 results in pre-merger format.

## **2Q00 Results: Year-over-Year Comparison**

### ***Highlights***

- Net sales increased 85% to NT\$31,812 million.
- Quarterly unit sales<sup>1</sup> set another new record high at 697K units of 8" equivalent wafers.
- Capacity utilization was 114% due to excellent fab performance and strong demand.
- Operating income increased 75% YoY to NT\$11,490 million.
- Both WaferTech and Vanguard making profitable contribution to net income.
- Net income rose 122% YoY to NT\$13,349 million.
- Diluted earnings per share (EPS) increased 121% to NT\$1.33 from NT\$0.60, or US\$0.22 per ADR versus US\$0.09 per ADR<sup>2</sup>.

<sup>1</sup> Including resale of wafers outsourced to joint ventures: WaferTech, Vanguard, TSMC-Acer and WSMC.

<sup>2</sup> Earnings per share for 2Q99 have been restated to reflect a 28% increase in stock dividend in May, 2000 and issuance of 115,000,000 share of ADR in June, 2000. Total weighted number of shares were 9,990,850K, 9,990,850K, 10,010,016K, 11,110,016K for 2Q99, 1Q00, 2Q00(pre-merger), and 1H00 (post-merger) respectively.

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### **Net Sales:**

Net sales in 2Q00 totaled NT\$31,812 million (including NT\$6,425 million contributed from joint ventures), up 85% compared with NT\$17,232 million for the same period of 1999, as a combined result of higher unit sales and higher average selling price (ASP) due to favorable product mix. The unit shipments of 8-inch equivalent wafers (including WaferTech, Vanguard, and TSMC-Acer sales) grew a substantial 69% to a new record high of 697K units in 2Q00 compared to 413K in 2Q99.

Sales breakdown by application, technology, customer types and geography for 2Q00 and 2Q99 is summarized in Table 1. For consistency, historical numbers may have changed to reflect current definitions.

**Table 1: Sales Breakdown (Including JV, YoY)**

Segment:	2Q00	2Q99	Segment:	2Q00	2Q99
Application (Unit)			Customer Type (Revenue)		
Computer	36%	41%	Fabless	66%	76%
Communication	39%	26%	IDM	34%	23%
Consumer	12%	16%	System	0%	1%
Industrial / Others	4%	3%			
Memory	9%	14%			
Technology (Revenue)			Geography (Revenue)		
$X \leq 0.18 \mu$	5%	0%	North America	69%	63%
$0.18 \mu < X \leq 0.25 \mu$	29%	27%	Asia Pacific	21%	21%
$0.25 \mu < X \leq 0.35 \mu$	42%	31%	Europe	6%	10%
$X \geq 0.50 \mu$	24%	42%	Japan	4%	6%

### **Gross Profit:**

The gross profit increased a substantial 74% YoY to NT\$13,749 million from NT\$7,924 million. This was mainly the result of higher ASP, greater unit sales and higher capacity utilization (which increased from 105% in 2Q99 to 114% in 2Q00). As a percentage of sales, the gross margin declined by 2.8 percentage points to 43.2%. However, excluding the effect on gross margin by joint ventures, gross margins for TSMC's own production improved to 52.9% in 2Q00 from 50.2% in 2Q99.

### **Operating Expenses:**

Operating expenses in 2Q00 rose 68.2% to NT\$2,259 million compared with NT\$1,343 million in 2Q99. This was principally due to R&D expenses, which increased by NT\$222 million for advanced technology and to SG&A expenses which increased by NT\$631 million in response to sales growth. However, as a percentage of total sales, operating expenses declined to 7.1% from 7.8% in 2Q99.

### **Net Non-Operating Income/Expenses:**

Net non-operating income was NT\$1,223 million, an increase of NT\$1,473 million from net non-operating loss of NT\$250 million in 2Q99. This was mainly due to NT\$1,055 million of an insurance claim, received as the result of the September 21, 1999 Taiwan earthquake and higher interest income.

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### ***Investment Income/Loss:***

The investment income improved by NT\$815 million. As a result, a NT\$398 million gain was recorded in 2Q00 compared to a NT\$417 million loss recorded a year ago. This was primarily due to Wafer Tech, which provided a NT\$115 million gain in 2Q00 compared to a NT\$343 million loss in 2Q99, and to Vanguard which recorded a NT\$204 million gain in 2Q00 compared to a NT\$99 million loss last year.

### ***Net income:***

Net income tax credits for this quarter recorded a NT\$238 million gain, including NT\$489 million of tax expenses and NT\$727 million of tax credits, up from a NT\$108 gain in 2Q99 (including NT\$536 million of tax expenses and NT\$644 million of tax credits).

Net income increased 122% YoY to NT\$13,349 million in the 2Q00 compared to NT\$6,022 million a year earlier. As a result, return on sales (ROS) rose to 42.0% in 2Q00 from 34.9 % one year ago.

Earnings per share improved to NT\$1.33 in 2Q00, up from NT\$0.60 in the same period of 1999. Earnings per ADR were US\$0.22 up from US\$0.09 in 2Q99.

## **2Q00 Results: Sequential Comparison**

### ***Highlights***

- Net sales rose 12.5% QoQ.
- Gross profit rose by 8.2%.
- Operating income increased 11.6% QoQ.
- Net income increased 32.3 % QoQ.
- Diluted earnings per share grew to NT\$1.33, an increase of 31.7% from NT\$1.01 in 1Q00 and an increase to US\$0.22 per ADR from US\$0.18 per ADR.

### ***Net Sales:***

Net sales in 2Q00 totaled NT\$31,812 million, up 12.5% from NT\$28,278 million from 1Q00, primarily due to the growth in unit shipments and unit price. Including the contribution of the joint ventures (JVs), the unit sales of 8-inch equivalent wafers grew by 8.5% to 697K units in 2Q00 from 642K in 1Q00. The ASP in New Taiwan dollars and US dollars both increased due to a favorable product mix.

Sales breakdown by application, technology, customer types and geography for 2Q00 and 1Q00 is summarized in Table 2. For consistency, historical numbers may have changed to reflect current definitions.

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**Table 2: Sales Breakdown (Including JV, QoQ)**

Segment:	2Q00	1Q00	Segment:	2Q00	1Q00
Application (Unit)			Customer Type (Revenue)		
Computer	36%	35%	Fabless	66%	65%
Communication	39%	38%	IDM	34%	35%
Consumer	12%	15%	System	0%	0%
Industrial / Others	4%	4%			
Memory	9%	8%			
Technology (Revenue)			Geography (Revenue)		
X ≤ 0.18 μ	5%	1%	North America	69%	67%
0.18 μ < X ≤ 0.25 μ	29%	29%	Asia Pacific	21%	22%
0.25 μ < X ≤ 0.35 μ	42%	40%	Europe	6%	7%
X ≥ 0.50 μ	24%	30%	Japan	4%	4%

**Gross Profit:**

The gross profit increased by 8.2% or NT\$1,044 million, to NT\$13,749 million from NT\$12,705 million QoQ. This was mainly due to a favorable product mix with .18 micron technology units increasing from 1% in 1Q00 to 5% in 2Q00. As a percentage of revenue, the gross margin was slightly down to 43.2% in 2Q00 from 44.9 % in 1Q00. Excluding joint venture impacts, the gross margin was 52.9% in 2Q00 compared to 54.1% in 1Q00 due to 1.8 % dilution by Fab 6 ramp up.

**Operating Expenses:**

The operating expense in 2Q00 were NT\$2,259 million, down 6.2% from NT\$2,408 million in 1Q00 due to capitalization of Fab 6 start up expense. Therefore, as a percentage of sales, operating expenses were 7.1%, down from 8.5% in 1Q00.

**Net Non-Operating Income/(Expenses):**

Net non-operating income was NT\$1,223 million in 2Q00 compared with income of NT\$15 million in 1Q00. This increase was due to insurance claims of NT\$1,055 million compared with claims of NT\$110 million in 1Q00, the result of the September 21, 1999 Taiwan earthquake.

**Investment Income (Loss):**

Taiwan Semiconductor recorded a NT\$398 million gain in 2Q00 compared with a NT\$55 million loss in 1Q00. This is primarily attributed to a NT\$204 million gain reported by Vanguard compared to a NT\$80 million loss in 1Q00, and to a NT\$115 million gain reported by Wafer Tech compared to a NT\$80 million loss last quarter.

**Net income:**

Net income tax credits for this quarter recorded a NT\$238 million gain (NT\$489 million of tax expenses and NT\$727 million of tax benefits) compared to a NT\$165 million loss in 1Q00. Net income increased 32.3% to NT\$13,349 million in 2Q00 from NT\$10,091 million in 1Q00. As well, earnings per share grew to NT\$1.33 for the 2Q00 compared to NT\$1.01 in 1Q00. Earnings per ADR grew to US\$0.22 in 2Q00 from US\$0.18 in 1Q00.

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### ***Cash and Cash Equivalents and Short Term Investments:***

During 2Q00, cash and cash equivalents increased NT\$23.5 billion to NT\$48.2 billion as of June 2000, which represented approximately 22% of total assets. Cash flow from operating activities was NT\$16.8 billion, including NT\$6.3 billion of depreciation and amortization. Cash used for investing activities totaled NT\$17.3 billion, NT\$16.5 billion of which was capital expenditure for Fab 5 and Fab 6. During the same period, financing activities also brought in NT\$24.3 billion from the issuance of TSMC ADRs.

Debt ratio declined to 22% from 26% QoQ.

### ***Accounts Receivable (Notes and Accounts Receivable):***

Accounts receivable (A/R) increased 18% to NT\$16.4 billion during 2Q00, primarily as a result of a sequential increase in sales. In terms of A/R collection days, the period remained flat at approximately 44 days.

### ***Inventories:***

Inventories increased NT\$1,237 million or 23% to NT\$6.6 billion in 2Q00 compared to NT\$5.3 billion in 1Q00. Part of the inventory increase was caused by effort to keep utilization rate at maximum and ramp up at newer fabs.

### ***Other Current Assets:***

Other current assets increased slightly by NT\$47 million to NT\$3.6 billion in 2Q00. Tax credit increase of NT\$744 million was offset by a decrease in other current assets, particularly the transfer of the September 21, 1999 Taiwan earthquake receivable to notes receivable.

### ***Long-Term Investments:***

Long-term investments increased by NT\$1,215 million to NT\$29.2 billion in 2Q00 mainly the result of additional investments in TSMC – USA, SSMC, and investment gain.

### ***Fixed Assets, Other Assets, and Accumulated Depreciation:***

The fixed asset balance at the end of 2Q00 totaled NT\$175.8 billion, an increase of NT\$17.6 billion from 1Q00, mainly from the acquisition of equipment for fab 5 and fab 6. Accumulated depreciation increased to NT\$6.3 billion for 2Q00.

Other assets totaled NT\$4.4 billion, a decrease of NT\$547 million from 1Q00 mainly resulting from deferred tax credits.

### ***Stockholder's Equity:***

Total Stockholder's equity grew by 29% to NT\$168.1 billion from NT\$130.5 billion in 1Q00. The increase of NT\$37.6 billion was attributable to NT\$13.3 billion in net income as well as to NT\$24.3 billion in the stock related account, resulting from the issue of common shares converted to ADRs.

### ***Operations Highlights:***

Major events during 2Q00 included:

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- Broadcom granted TSMC Foundry of the Year Award, second year in a row (4/20).
- Received Supplier Excellence Award from Texas Instrument for 1999.
- TSMC launches foundry industry's first internet engineering collaboration service (4/24)
- TSMC raised US\$822m of equity in the form of ADS - the largest equity offering in Asia ex-Japan (6/2).
- SSMC in Singapore is ahead of schedule and ready for the installation of manufacturing equipment. (6/29)
- TSMC and National Semi. signed the first ever technology transfer agreement from foundry to IDM (6/28)
- Net sales of NT\$13 billion reaches a new monthly record (7/6)
- TSMC completes the TSMC and WSMC merger transactions (7/7)

Please visit the TSMC website (<http://www.tsmc.com>) for details of the announcements.

### Capital Commitment and Capacity

#### *Highlights*

- No change to capital commitment plan for TSMC and TSMC affiliates since last quarter. Post-merger capital commitment in 2000 currently stands at US\$3.8 billion for TSMC and US\$1.1 billion for TSMC affiliates.
- Planned capacity in 2000 also remained unchanged and is expected to reach 3.4 million in 8" equivalent wafers. Planned capacity in 2001 is 4.79 million, up slightly from the last release of 4.76 million 8" equivalent wafers. Details are available from our last quarterly release and accessible from IR section of our website <http://www.tsmc.com>.

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#### *Company Description:*

TSMC is the world's largest dedicated semiconductor foundry, providing the industry's leading process technology, library, IP options and other leading-edge foundry services. TSMC operates seven eight-inch wafer fabs (Fab 3, 4, 5, 6, 7, 8 and WaferTech), and two six-inch wafer fabs (Fabs 1 and 2). In addition, the company has begun construction of a \$1.2 billion joint venture fab with Philips Semiconductor, which is scheduled to open in Singapore in 2000. TSMC is building the company's first 12-inch wafer fabs, Fab 12 and 14 this year. TSMC has completed the acquiring of all of the TSMC-Acer and Worldwide Semiconductor Manufacturing Corporation. TSMC-Acer and WSMC has been renamed as Fab 7 and 8 respectively. In year 2000, TSMC expects to have the capacity for 3.4 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.

#### *Corporate Headquarters:*

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