

**Taiwan Semiconductor Manufacturing Company Ltd.**

October 19, 2000

Page 1



***FOR IMMEDIATE RELEASE***

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

Hsin-Chu, Taiwan, R. O. C., October 19, 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 third quarter ended September 30, 2000. All figures were prepared in accordance with generally accepted accounting principles in Taiwan.

**3Q00 Results: Year-over-Year Comparison**

***Highlights***

- Net sales increased 141% to NT\$47,491 million.
- Quarterly sales<sup>1</sup> of 8-inch equivalent wafers rose to a record 942K units.
- Capacity utilization of 107% reflects excellent fab performance and strong demand.
- Operating income increased 160% YoY to NT\$18,615 million.
- Both WaferTech and Vanguard making profitable contribution to net income.
- Net income rose 227% YoY to NT\$20,058 million.
- ROE and ROA rose to 30.7% and 21.9% respectively
- Diluted earnings per share (EPS) increased 180% to NT\$1.74 from NT\$0.62, or US\$0.28 per ADR versus US\$0.10 per ADR<sup>2</sup>.

3Q00 results include the impact of merger transactions with TSMC-Acer (“TASMC”, now Fab 7) and Worldwide Semiconductor (“WSMC”, now Fab 8) on June 30, 2000, and are not directly comparable with 3Q99 results.

<sup>1</sup> Including resale of wafers outsourced to joint ventures: WaferTech, Vanguard.

<sup>2</sup> Earnings per share for 3Q99 have been restated to reflect a 28% increase in stock dividend and employee profit sharing of 172,120,825 share in May, 2000 and issuance of 115,000,000 share of ADR in June, 2000. Total weighted number of shares were 11,303,133K in 3Q00 and 9,990,850K in 3Q99.

## Taiwan Semiconductor Manufacturing Company Ltd.

October 19, 2000

Page 2

### **Net Sales:**

Net sales in 3Q00 totaled NT\$47,491 million (including NT\$5,943 million contributed from joint ventures), up 141% compared with NT\$19,707 million for the same period of 1999, primarily due to the mergers with TSMC and WSMC, higher unit sales and a higher average selling price. Unit shipments of 8-inch equivalent wafers (including joint venture sales) increased 102% to a record high 942K units in 3Q00 compared to 465K units in 3Q99.

Sales breakdown by application, technology, customer types and geography for 3Q00 and 3Q99 is summarized in Table 1.

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

Segment:	3Q00	3Q99	Segment:	3Q00	3Q99
Application (Unit)			Customer Type (Revenue)		
Computer	35%	41%	Fabless	65%	66%
Communication	33%	33%	IDM	34%	31%
Consumer	17%	12%	System	1%	3%
Industrial / Others	3%	3%			
Memory	12%	11%			
Technology (Unit)			Geography (Revenue)		
X ≤ 0.18 μ	5%	0%	North America	63%	65%
0.18 μ < X ≤ 0.25 μ	29%	25%	Asia Pacific	21%	18%
0.25 μ < X ≤ 0.35 μ	38%	30%	Europe	7%	9%
0.35 μ < X	28%	45%	Japan	9%	8%

### **Gross Profit:**

Gross profit increased a substantial 155% YoY to NT\$22,345 million from NT\$8,768 million. The year-over-year increase is mainly attributable to a higher average selling price, expanded unit sales and higher capacity utilization (107% in 3Q00 versus 97% in 3Q99). As a percentage of sales, TSMC's gross margin improved by 2.6 percentage points to 47.1% in 3Q00. Excluding the impact of joint ventures on the Company's gross margin, however, the gross margin for TSMC's own production improved to 53.2% in 3Q00 from 47.1% in 3Q99.

### **Operating Expenses:**

Operating expenses in 3Q00 rose 133.3% to NT\$3,730 million compared with NT\$1,599 million in 3Q99. This was principally due to higher R&D expenses, which increased by NT\$1,001 million for advanced technology, and to SG&A expenses, which increased by NT\$1,130 million in response to sales growth. As a percentage of total sales, however, operating expenses declined to 7.9% in 3Q00 from 8.1% in 3Q99.

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

Net non-operating income was NT\$328 million in 3Q00, an increase of NT\$897 million from a net non-operating loss of NT\$569 million in 3Q99. The improvement in net non-operating income is mainly attributable to a NT\$335 million insurance claim recovery mostly relating to the September 21, 1999, Taiwan earthquake in 3Q00 versus earthquake-related losses of NT\$378 million in 3Q99.

## Taiwan Semiconductor Manufacturing Company Ltd.

October 19, 2000

Page 3

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

Investment income rose NT\$1,414 million to NT\$572 million in 3Q00 from an investment loss of NT\$842 million in 3Q99. Improved investment results are primarily due to TSMC-International, which provided a NT\$343 million gain in 3Q00 versus a NT\$427 million loss in 3Q99, and to Vanguard, which recorded a NT\$378 million gain in 3Q00 compared to a NT\$237 million loss last year.

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

Net income tax credits in 3Q00 totaled NT\$543 million, including NT\$1,837 million of tax expenses and NT\$2,380 million of tax credits, up from NT\$379 million in 3Q99 (including NT\$322 million of tax expenses and NT\$701 million of tax credits).

Net income increased 227% YoY to NT\$20,058 million in 3Q00 compared to NT\$6,137 million a year earlier. As a result, return on sales ("ROS") rose to 42.2% in 3Q00 from 31.1% one year ago. Return on equity ("ROE") rose to 30.7% in 3Q00 from 22.9% a year ago and return on asset ("ROA") rose 21.9% in 3Q00 from 17.1% a year ago.

Diluted earnings per share improved to NT\$1.74 in 3Q00, up from NT\$0.62 in the same period of 1999. Diluted earnings per ADR were US\$0.28, up from US\$0.10 in 3Q99.

### **3Q00 Results: Sequential Comparison**

#### ***Highlights***

- Net sales rose 49.3% QoQ.
- Gross profit rose 62.5% QoQ
- Operating income increased 62.0% QoQ.
- Net income increased 50.3 % QoQ.
- Diluted earnings per share grew to NT\$1.74, an increase of 30.3% from NT\$1.33 in 2Q00 and increased to US\$0.28 per ADR from US\$0.21 per ADR.

3Q00 results include the impact of merger transactions with TSMC-Acer (TASMC, now Fab 7) and Worldwide Semiconductor (WSMC, now Fab 8) on June 30, 2000, and are not directly comparable with 2Q00 results.

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

Net sales in 3Q00 totaled NT\$47,491 million, up 49.3% from NT\$31,812 million in 2Q00, primarily due to the mergers of TASMC and WSMC and continuing growth in unit shipments and unit price. Including the contributions from joint ventures, unit sales of 8-inch equivalent wafers grew by 35.3% to 942K units in 3Q00 from 697K units in 2Q00.

Sales breakdown by application, technology, customer types and geography for 3Q00 and

**Taiwan Semiconductor Manufacturing Company Ltd.**

October 19, 2000

Page 4

2Q00 is summarized in Table 2. For consistency, historical numbers may have changed to reflect current definitions. As a result, classifications may differ from those released earlier.

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

Segment:	3Q00	2Q00	Segment:	3Q00	2Q00
Application (Unit)			Customer Type (Revenue)		
Computer	35%	36%	Fabless	65%	66%
Communication	33%	39%	IDM	34%	34%
Consumer	17%	12%	System	1%	0%
Industrial / Others	3%	4%			
Memory	12%	9%			
Technology (Unit)			Geography (Revenue)		
$X \leq 0.18 \mu$	5%	3%	North America	63%	69%
$0.18 \mu < X \leq 0.25 \mu$	29%	23%	Asia Pacific	21%	21%
$0.25 \mu < X \leq 0.35 \mu$	38%	43%	Europe	7%	6%
$X \geq 0.50 \mu$	28%	31%	Japan	9%	4%

**Gross Profit:**

Gross profit increased 62.5% or NT\$8,596 million in 3Q00, rising to NT\$22,345 million from NT\$13,749 million in 2Q00. This sequential increase was mainly due to a favorable product mix, with 0.18-micron-technology units increasing to 5% in 3Q00 from 3% in 2Q00. As a percentage of revenue, gross margin improved to 47.1% in 3Q00 from 43.2% in 2Q00, following the mergers of TSMC and WSMC. Excluding the impact of joint ventures, TSMC's gross margin was 53.2% in 3Q00 compared to 52.9% in 2Q00.

**Operating Expenses:**

Due to rapid revenue growth as a result of the mergers, operating expenses totaled NT\$3,730 in 3Q00 versus NT\$2,259 million in 2Q00. Higher expenses in the latest quarter are principally due to increased R&D expenditures for advanced technology and increased SG&A expenses following the TSMC and WSMC mergers. As a percentage of sales, operating expenses were 7.9% in 3Q00 versus 7.1% in 2Q00.

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

Net non-operating income of NT\$328 million in 3Q00 compared with income of NT\$1,223 million in 2Q00. Insurance recoveries of NT\$1,055 million in 2Q00, stemming from claims filed following the September 21, 1999, Taiwan earthquake, are the principal factors for the difference between second and third quarter results.

**Investment Income (Loss):**

TSMC recorded investment income of NT\$572 million in 3Q00 versus investment income of NT\$398 million in 2Q00. The increase in investment income is primarily attributable to investment gains relating to TSMC International and to gains recorded by Vanguard (NT\$378 million in 3Q00 versus NT\$204 in 2Q00).

**Net income:**

## **Taiwan Semiconductor Manufacturing Company Ltd.**

October 19, 2000

Page 5

Net income tax credits in 3Q00 totaled NT\$543 million (NT\$1,837 million of tax expenses and NT\$2,380 million of tax benefits) compared to NT\$238 million (NT\$562 million of tax expenses and NT\$800 of tax benefits) in 2Q00. Net income increased 50.3% to NT\$20,058 million in 3Q00 from NT\$13,349 million in 2Q00. In addition, diluted earnings per share grew to NT\$1.74 in 3Q00 compared to NT\$1.33 in 2Q00. Diluted earnings per ADR grew to US\$0.28 in 3Q00 from US\$0.21 in 2Q00.

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

During 3Q00, cash and cash equivalents decreased NT\$28.1 billion to NT\$20.1 billion as of September 2000, which represented approximately 7% of total assets. Cash flow from operating activities during 3Q00 was NT\$24.9 billion, including NT\$10.0 billion of depreciation and amortization. Cash used for investing activities for the same period totaled NT\$27.2 billion, NT\$27.1 billion of which was capital expenditures for Fabs 5 and 6 and for the 300mm pilot line. During the same period, financing activities decreased NT\$25.8 billion, including loan repayments totaling NT\$25.6 billion.

During the quarter, TSMC's debt ratio remained at 22%, the same as the prior quarter.

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

Accounts receivable ("A/R") increased 45% to NT\$23.7 billion during 3Q00, primarily reflecting the TSMC and WSMC mergers and a sequential increase in sales. In terms of A/R collection days, the 3Q00 figure rose to 46 days from approximately 44 days in 2Q00.

Inventory-WIP (work-in-progress) increased mainly due to the merger effect on Fabs 7 and 8 and the ramp-ups of Fabs 5,6,7 and 8. Inventories increased NT\$4.6 billion to NT\$11.2 billion in 3Q00 compared to NT\$6.6 billion in 2Q00.

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

Long-term investments decreased NT\$7,026 million to NT\$22.2 billion in 3Q00, mainly reflecting the merger with TSMC.

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

Net fixed asset balance at the end of 3Q00 totaled NT\$187 billion, an increase of NT\$80.4 billion from 2Q00, mainly reflecting merger effects and the acquisition of equipment for Fabs 5, 6, 7 and 8. Accumulated depreciation increased NT\$14.6 billion during 3Q00 to NT\$83.6 billion.

Other assets totaled NT\$20.5 billion, an increase of NT\$16,082 million from 2Q00 mainly resulting from deferred tax credits and deferred charges.

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

Total Stockholder's equity grew 35% in 3Q00 to NT\$226.5 billion, up from NT\$168.1 billion in 2Q00. The increase of NT\$58.4 billion was mainly attributable to NT\$20.2 billion increase in the current year retained earnings and as well as to NT\$37.6 billion from secondary offering and from the mergers of TSMC and WSMC.

## Taiwan Semiconductor Manufacturing Company Ltd.

October 19, 2000

Page 6

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

Major events during 3Q00 included:

- TSMC announces foundry industry's first 0.18-micron mixed signal and RF CMOS processes (8/8/00)
- TSMC receives 2000 tribute award from Adeptec (8/16/00)
- TSMC-Online 2.0 personalizes foundry information (8/24/00)
- TSMC Board of Directors approves issuance of 1.3 billion preferred A shares (9/5/00)
- TSMC becomes first foundry to tape out customers' products at 0.13-micron (9/15/00)
- TSMC named Dr. Rick Tsai executive vice president of World Wide Marketing and Sales (9/25/00)
- SSMC yields first silicon at Singapore fab (9/26/00)
- TSMC becomes first foundry to offer Online Mask Data Review tool (10/4/00)

Please visit the TSMC website (<http://www.tsmc.com.tw>) for details about these **announcements.**

## **Capital Commitment and Capacity**

### ***Highlights***

- Capital commitment plans for TSMC and TSMC affiliates remain unchanged since last quarter. Post-merger capital commitments in 2000 currently stand at US\$3.9 billion for TSMC and US\$1.1 billion for TSMC affiliates. The preliminary 2001 capital commitment plans for TSMC is set at US\$3.8 billion.
- Planned capacity in 2000 also remains unchanged and is expected to reach 3.4 million 8-inch equivalent wafers. Planned capacity in 2001 is expected to reach 4.79 million wafers, up slightly from TSMC's previous estimate of 4.76 million 8-inch equivalent wafers. Details are available from our last quarterly results release, which may be accessed from the IR section of our website <http://www.tsmc.com.tw>.

### ***Company Description:***

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 operates eight fabs and is constructing two new 300mm fabs. TSMC also has substantial capacity commitments at three additional facilities (WaferTech, SSMC and VIS) jointly operated by TSMC and its partners. In 2000, TSMC expects capacity to reach nearly 3.4 million 8-inch equivalent wafers, increasing to 4.79 million wafers in 2001. In addition, TSMC recently became the first foundry to license its technology to a leading IDM, thereby establishing itself as an acknowledged world leader in process technology. 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.

**Taiwan Semiconductor Manufacturing Company Ltd.**

October 19, 2000

Page 7

***Corporate Headquarters:***

Taiwan Semiconductor Manufacturing Company Ltd.

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