



**FOR IMMEDIATE RELEASE**

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**Taiwan Semiconductor Manufacturing Company, Ltd. Announces  
First-Quarter Earnings for the Period Ended  
March 31, 2001**

Hsin-Chu, Taiwan, R. O. C., April 27, 2001 – 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 first quarter ended March 31, 2001. All figures were prepared in accordance with generally accepted accounting principles in Taiwan.

**Main Topics Discussed in This Release**

- 1Q01 Results: Year-Ago Comparison
- 1Q01 Results: Sequential Comparison
- Planned Capital Expenditure and Capacity
- Guidance and Outlook

**1Q01 Results: Year-Ago Comparison Highlights**

- Net sales increased 40% to NT\$39,521 million.
- Quarterly sales<sup>1</sup> of 8-inch equivalent wafers rose 9% to 702K units.
- Capacity utilization declined to 70% from 108% due to softer business conditions.
- Operating income decreased 10% to NT\$9,257 million.
- Net income declined 17% to NT\$8,420 million.
- Diluted earnings per common share (EPS) decreased 30% to NT\$0.71 from NT\$1.01, or US\$0.11 per ADR versus US\$0.16 per ADR.<sup>2</sup>
- Note: 1Q01 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 1Q00 results.

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

<sup>2</sup> Earnings per share for 1Q00 have been restated to reflect a 28% stock dividend of 2,147,847K shares and employee benefit of 172,121K shares in May 2000 and issuance of 115,000K shares of ADR in June 2000. Total weighted average outstanding shares were 11,689,365K in 1Q01 and 9,990,850K in 1Q00.

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### **Net Sales:**

Net sales in the first quarter of 2001 totaled NT\$39,521 million (including NT\$4,288 million contributed from affiliates), up 40% from NT\$28,278 million in the year-ago period, primarily due to the mergers with TSMC and WSMC, higher unit sales and a higher average selling price (ASP). Unit shipments of 8-inch equivalent wafers, including sales by affiliates, increased 9% to 702K units in 1Q01 compared with 642K in 1Q00.

Table 1 summarizes TSMC's 1Q01 and 1Q00 sales by application, technology, customer type and geography.

**Table 1: Sales Breakdown Based on Revenue (Including Affiliates)<sup>3</sup>**

Segment:	1Q01	1Q00	Segment:	1Q01	1Q00
Application *	(Revenue)	(Unit)	Customer Type	(Revenue)	(Revenue)
Computer	32%	35%	Fabless	64%	65%
Communication	31%	38%	IDM	36%	35%
Consumer	16%	15%	System	0%	0%
Industrial / Others	3%	4%			
Memory	18%	8%			
Technology *	(Revenue)	(Unit)	Geography	(Revenue)	(Revenue)
X ≤ 0.18 μ	18%	1%	North America	59%	67%
0.18 μ < X ≤ 0.25 μ	34%	22%	Asia Pacific	18%	22%
0.25 μ < X ≤ 0.35 μ	30%	39%	Europe	10%	7%
X ≥ 0.50 μ	18%	38%	Japan	13%	4%

### **Gross Profit:**

Gross profit increased 6% to NT\$13,478 million in the first quarter from NT\$12,705 million a year ago. The increase versus the year-ago quarter is mainly attributable to a higher ASP and expanded unit sales, offset in part by lower average capacity utilization (70% in 1Q01 versus 108% in 1Q00) and increased costs associated with merged entities. As a percentage of total sales, TSMC's gross margin declined by 11 percentage points to 34% in 1Q01. Excluding the impact of affiliates on the Company's gross margin, however, the gross margin for TSMC's own production declined to 38% in 1Q01 from 54% in 1Q00.

### **Operating Expenses:**

Operating expenses in 1Q01 rose 75% to NT\$4,221 million compared with NT\$2,408 million in 1Q00, principally due to higher R&D expenditures for advanced technology and increased SG&A expenses following the mergers with TSMC and WSMC. R&D expenditure in 1Q01 increased by NT\$1.6 billion due to research efforts in 300mm, 0.15um, 0.13um, 0.10um and copper low k process technology. As a percentage of total sales, operating expenses rose to 10.7% in 1Q01 from 8.5% in 1Q00.

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

Net non-operating items resulted in a loss of NT\$305 million in 1Q01 compared with earnings of NT\$15 million in 1Q00. The loss in the latest period mainly reflects a foreign exchange

<sup>3</sup> From 1Q01, sales breakdown is based on revenue. It is meaningless to compare that with historical sales breakdown in application and technology. For consistency, historical numbers may be revised to reflect current definitions. As a result, classifications may differ from those released earlier.

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loss of NT\$329 million in 1Q01 versus a foreign exchange gain of NT\$81 million in 1Q00.

### **Investment Income/Losses:**

Investment losses of NT\$1,522 million in 1Q01 compared with investment losses of NT\$55 million in the year-ago period. The variance between the two reporting periods is primarily due to operating losses from WaferTech (loss of NT\$1.3 billion in 1Q01), VIS and SSMC reflecting the current soft business environment.

### **Net Income:**

Net income tax credits in 1Q01 totaled NT\$991 million (including NT\$1,590 million of tax expenses and NT\$2,580 million of tax credits) versus net tax expense of NT\$166 million (including NT\$595 million of tax expenses and NT\$430 million of tax credits) in 1Q01.

Reflecting the recent weakness in economic and industry conditions, net income decreased 17% to NT\$8,420 million in the latest quarter from NT\$10,091 million in the year-ago period. Diluted earnings per share declined to NT\$0.71 in 1Q01 from NT\$1.01 in 1Q00. Diluted earnings per ADR declined to US\$0.11 from US\$0.16 per ADR.

### **1Q01 Results: Sequential Comparison Highlights**

- Net sales declined 27%.
- Wafer shipments decreased 30%.
- Operating income declined 56%.
- Net income declined 61%.
- Diluted earnings per common share (EPS) of NT\$0.71 compared with diluted EPS of NT\$1.84 in 4Q00, or US\$0.11 per ADR versus US\$0.29 per ADR.

### **Net Sales:**

Net sales in 1Q01 totaled NT\$39,521 million, down 27% from NT\$53,822 million in 4Q00, primarily due to a decrease in unit shipments offset in part by a higher average unit price and favorable foreign exchange rates. Including the contributions from affiliates, unit sales of 8-inch equivalent wafers declined by 30% to 702K units in 1Q01 from 1,001K units in 4Q00.

Table 2 summarizes TSMC's 1Q01 and 4Q00 sales by application, technology, customer type and geography.

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**Table 2: Sales Breakdown Based on Revenue (Including Affiliates )<sup>3</sup>**

Segment:	1Q01	4Q00	Segment:	1Q01	4Q00
Application *	(Revenue)	(Unit)	Customer Type	(Revenue)	(Revenue)
Computer	32%	29%	Fabless	64%	60%
Communication	31%	33%	IDM	36%	40%
Consumer	16%	20%	System	0%	0%
Industrial / Others	3%	4%			
Memory	18%	14%			
Technology *	(Revenue)	(Unit)	Geography	(Revenue)	(Revenue)
X ≤ 0.18 μ	18%	7%	North America	59%	67%
0.18 μ < X ≤ 0.25 μ	34%	32%	Asia Pacific	18%	12%
0.25 μ < X ≤ 0.35 μ	30%	35%	Europe	10%	8%
X ≥ 0.50 μ	18%	26%	Japan	13%	13%

**Gross Profit:**

Gross profit declined 46% to NT\$13,478 million in 1Q01 from NT\$24,756 million in 4Q00, mainly due to reduced shipment volumes and capacity utilization. Capacity utilization declined to 70% from 105% in the previous quarter. As a percentage of revenue, gross margin decreased to 34% in 1Q01 from 46% in 4Q00. Excluding the impact of affiliates, TSMC's gross margin was 38% in 1Q01 versus 53% in 4Q00.

**Operating Expenses:**

Operating expenses rose 17% to NT\$4,221 million in 1Q01 from NT\$3,596 million in 4Q00 due to increased R&D expenditures for advanced technology. R&D expenditure in 1Q01 increased by NT\$1.1 billion due to research efforts in 300mm, 0.13um, 0.10um and copper low k process technology. As a percentage of total sales, operating expenses increased to 10.7% in 1Q01 from 6.7% in 4Q00.

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

Net non-operating items resulted in a loss of NT\$305 million in 1Q01 compared with a net non-operating loss of NT\$104 million in 4Q00. The increased loss in the latest period mainly reflects a foreign exchange loss of NT\$329 million.

**Investment Income/Losses:**

Investment losses of NT\$1,522 million in 1Q01 compare with investment losses of NT\$135 million in 4Q00. The variance between the two reporting periods is primarily due to operating losses at WaferTech (loss of NT\$1.3 billion in 1Q01), VIS and SSMC reflecting the current soft business environment.

**Net Income:**

Net income tax credits in 1Q01 totaled NT\$991 million (including NT\$1,590 million of tax expenses and NT\$2,580 million of tax credits) versus net income tax credits of NT\$552 million (including NT\$1,744 of tax expenses and NT\$2,297 million of tax credits) in 4Q00.

Reflecting the recent weakness in economic and industry conditions, net income decreased 61% to NT\$8,420 million in 1Q01 from NT\$21,473 million in 4Q00. Diluted earnings per common share declined to NT\$0.71 from NT\$1.84 in the previous quarter. Diluted earnings per ADR, meanwhile, declined to US\$0.11 from US\$0.29

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### **Liquidity and Capital Resources:**

During 1Q01, TSMC generated NT\$25.2 billion in cash from operating activities. Depreciation and amortization amounted to NT\$11.7 billion. Cash used in investing activities totaled NT\$20.5 billion for 1Q01, mainly for capacity expansion and the 300mm pilot line. As of March 31, 2001, TSMC had NT\$40 billion of cash equivalent on hand, an increase of NT\$4.3 billion during the quarter. TSMC's debt-to-assets ratio improved to 20% at March 31, 2001, from 23% at December 31, 2000.

### **Operations Highlights by TSMC:**

Major announcements during 1Q01 and following included:

- Announces Wafer Solder Bumping Volume Production (04/19)
- First Foundry to Complete a 300mm, 0.13 $\mu$ m All-Copper-Process Pilot with Reasonably Good Yield (04/18)
- Sets Modules for 0.10 $\mu$ m Process Alignment (04/18)
- LSI Logic and TSMC to team on Process Technology and Manufacturing (4/04)
- Announces 0.15 $\mu$ m Technology in Volume Production with NVIDIA's GeForce3 GPU (03/26)
- Altera-TSMC Partnership Leads to First Silicon Success on 12-inch Wafer Technology (03/14)
- To Decommission Fab 1 in March 2002 (03/09)
- Announces Industry's First 0.13 $\mu$ m Mixed-Signal Process (03/07)
- TSMC Board of Directors Proposes NT\$4.0 Stock Dividend (03/06)
- TSMC and ZEEVO Deliver the First 0.18 $\mu$ m Fully Integrated Single-Chip Bluetooth Devices (01/16)

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

## Capital Commitment and Capacity

### **Highlights**

- Planned 2001 CAPEX has been reduced 19% to US\$2.2 billion from a previous estimate of US\$2.7 billion.
- Planned 2001 capacity has been revised down 1% to 4.46 million 8-inch equivalent wafers from a previous target of 4.52 million wafers.

### **Capital Commitment and Capacity in 2001:**

TSMC has reduced planned 2001 capital expenditures by 19%, to US\$2.2 billion from a previous estimate of US\$2.7 billion. As a result, total installed capacity managed by TSMC is planned to reach approximately 4.5 million 8-inch equivalent wafers in 2001, up 31% from 3.4 million wafers in 2000. Details regarding TSMC's capacity plan for 2001 are summarized in Table 3.

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**Table 3: Planned Capacity Managed by TSMC**

Fab Unit in K	2000 Annual (Monthly <sup>4</sup> )		2001E Annual (Monthly <sup>5</sup> )	
Fab 1 (6")	205	(18)	236	(20)
Fab 2 (6")	936	(79)	939	(80)
Fab 3 (8")	512	(44)	548	(47)
Fab 4 (8")	426	(37)	446	(38)
Fab 5 (8")	415	(41)	468	(40)
Fab 6 (8")	158	(32)	487	(43)
Fab 7 (8")	380	(46)	537	(46)
Fab 8 (8")	411	(49)	655	(59)
Fab12 (12")			3	(2)
VIS (8")	184	(22)	272	(23)
WaferTech (8")	282	(28)	340	(30)
SSMC (8")			43	(8)
<b>Total Capacity (8" Equiv.)<sup>6</sup></b>	<b>3,409</b>		<b>4,463</b>	
<i>Annual Growth Rate</i>	<i>80%</i>		<i>31%</i>	

### Guidance and Outlook

#### Highlights

- The current macro business environment remains challenging. However, we remain encouraged by the longer-term development between our customers, suppliers, and TSMC.
- TSMC's April book-to-bill ratio is likely to return to greater than 1.0 after nearly six months below unity.
- Guidance for 2Q01, based on the current macro and micro business environment, is as follows:
  - We expect sequential wafer output to be down about 30% while ASP continues to trend upward, leading to an expected revenue decline of approximately 26% QoQ.
  - Our utilization rate (wafers out divided by installed capacity) for the quarter will likely trend downward to the mid- to high-40% range.
  - Nonetheless, we expect operating margin to remain positive in the mid-single-digit percent range, with positive net profit.
- We continue to hold the view that 3Q01 will be better than 2Q01 and that 4Q01 will be better than 3Q01 for TSMC.
- TSMC will publish annual financial forecast for the year 2001 on April 30<sup>th</sup>, 2001 in accordance with the Republic of China Securities and Futures Commission's "Item 1 & item 4, Paragraph I, Article II, Guidelines for Publication of Financial Forecasts of Public Companies," as a result of TSMC's mergers of WSMC, TASMIC, and issuance of Preferred A shares. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to be materially different from those contained in the forecast statements.

<sup>4</sup> Actual monthly capacity as of December 2000.

<sup>5</sup> Planned monthly capacity as of December 2001.

<sup>6</sup> 6" wafer is converted into 8" equivalent wafer by dividing by 1.78; 12" wafer by multiplying by 2.25.

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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 the TSMC's foundry manufacturing capacity in particular and for foundry manufacturing capacity in general; intense competition; TSMC's ability to respond to rapid technological changes in the semiconductor industry; TSMC's ability to manage expansion of its capacity, including the integration of Worldwide Semiconductor and TSMC-Acer into TSMC; 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 June 29, 2000, and in such other documents as the Company may file with, or submit to, the SEC from time to time.

### ***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 two six-inch wafer fabs and six eight-inch wafer fabs. The Company also has substantial capacity commitments at two joint-venture fabs (Vanguard and SSMC) and WaferTech. In 2000, TSMC produced the foundry industry's first 300mm customer wafers and began constructing two dedicated 300mm fabs. 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:***

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