



TAIWAN SEMICONDUCTOR MANUFACTURING CO., LTD.

UNCONSOLIDATED INCOME STATEMENT

For the years Ended December 31, 1998 and 1997

(Expressed in Millions New Taiwan Dollars (NTD) and U.S. Dollars (USD) ⁽¹⁾)

Except for Per Share Amounts and Shares Outstanding)

| | 12 months ended on December 31 | | | | |
|--|--------------------------------|-----------|--------|-----------|--------|
| | 1998 | | % of | 1997 | YOY |
| | USD | NTD | Sales | NTD | Chg % |
| Net Sales | 1,499 | 50,233 | 100.0% | 43,936 | 14.3% |
| Cost of Sales | (856) | (28,692) | -57.1% | (22,841) | 25.6% |
| Gross Profit | 643 | 21,541 | 42.9% | 21,094 | 2.1% |
| Operating Expenses | | | | | |
| General and Administrative Expenses | (38) | (1,285) | -2.6% | (1,583) | -18.8% |
| Selling and Marketing Expenses | (24) | (808) | -1.6% | (1,516) | -46.7% |
| Research and Development Expenses | (97) | (3,246) | -6.5% | (2,505) | 29.6% |
| Total Operating Expenses | (159) | (5,339) | -10.6% | (5,604) | -4.7% |
| Income from Operations | 484 | 16,202 | 32.3% | 15,490 | 4.6% |
| Non-operating Income | 45 | 1,495 | 3.0% | 858 | 74.3% |
| Non-operating Expenses | (121) | (4,048) | -8.1% | (830) | 387.5% |
| Income before Income Tax | 407 | 13,649 | 27.2% | 15,517 | -12.0% |
| Income Tax Credit (Expenses) | 51 | 1,696 | 3.4% | 2,443 | -30.6% |
| Net Income | 458 | 15,344 | 30.5% | 17,960 | -14.6% |
| Diluted Earnings Per Ordinary Share ⁽²⁾ | 0.08 | 2.54 | | 2.97 | -14.6% |
| Earnings Per ADR ⁽³⁾ | 0.38 | 12.69 | | | |
| Shares Outstanding | | 6,047,176 | | 4,081,300 | 48.2% |

Note (1) : New Taiwan dollar amounts have been translated into U.S. dollar at the weighted average rate of NTD 33.5 per U.S. dollar for the year ended December 31 1998.

Note (2) : Earnings per share for the year ended December 31, 1997 have been restated to reflect a 48% increase in shares outstanding in June 1998.

Note (3) : 1 ADR equals 5 ordinary shares. ADRs were issued in October 1997.