

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD
Form 424B1
July 09, 2003

Filed pursuant to Rule 424(b)(1)

Registration Statement No. 333-106489

Taiwan Semiconductor Manufacturing Company Limited

(Incorporated as a company limited by shares in the Republic of China)

79,060,948 American Depositary Shares

Representing

395,304,740 Common Shares

This is a global offering of 79,060,948 American depositary shares, or ADSs, of Taiwan Semiconductor Manufacturing Company Limited, or Taiwan Semiconductor. The selling shareholders named on page 28 are selling all of the ADSs being offered in this offering. We will receive the benefit of all of the net proceeds from the sale of ADSs in this offering by TSMC Partners, Ltd., or TSMC Partners, which is 100% owned by us. We will not receive any proceeds from the sale of ADSs by the other selling shareholders. The ADSs are not being offered in the Republic of China, or ROC. Each ADS represents five common shares, par value NT\$10 per share, of Taiwan Semiconductor. The ADSs are evidenced by American depositary receipts, or ADRs.

Our ADSs are listed on The New York Stock Exchange under the symbol TSM . The last reported sale price of the ADSs on The New York Stock Exchange on July 8, 2003 was US\$10.47 per ADS. Our outstanding common shares are listed on the Taiwan Stock Exchange under the symbol 2330 . The closing price of our common shares on the Taiwan Stock Exchange on July 8, 2003 was NT\$62.00 per share, which is equivalent to approximately US\$1.80, assuming an exchange rate of NT\$34.35=US\$1.00.

See *Risk Factors* beginning on page 12 to read about factors you should consider before buying the ADSs.

Neither the United States Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	<u>Per ADS</u>	<u>Total</u>
Initial price to public	US\$10.40	US\$822,233,859.20
Average underwriting discount	US\$0.202	US\$15,953,855.32
Proceeds, before expenses ⁽¹⁾ , to the selling shareholders	US\$10.198	US\$806,280,003.88

(1) The underwriters have agreed to pay certain expenses of Taiwan Semiconductor and the selling shareholders in connection with this offering. For more information, see Underwriting .

The Development Fund, one of our selling shareholders, has granted the underwriters an option exercisable within 30 days from the date of this prospectus to purchase up to an aggregate of 11,761,861 additional ADSs at the initial price to public less the underwriting discount.

The underwriters expect to deliver the ADSs through the book-entry transfer facilities of The Depository Trust Company against payment in U.S. dollars in New York, New York on or about July 14, 2003.

Goldman Sachs International

Merrill Lynch & Co.

JPMorgan

Credit Suisse First Boston

Prospectus dated July 8, 2003

THESE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THE REPUBLIC OF CHINA, EXCEPT AS PERMITTED BY APPLICABLE LAW OF THE REPUBLIC OF CHINA.

This prospectus, including the information summarized below, contains translations of some NT dollar amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise noted, all translations from NT dollars to U.S. dollars and from U.S. dollars to NT dollars were made at the noon buying rate in The City of New York for cable transfers in NT dollars per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York as of March 31, 2003, which was NT\$34.75 to US\$1.00. We make no representation that the NT dollar or US dollar amounts referred to herein could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate or at all. On July 8, 2003, the noon buying rate was NT\$34.35 to US\$1.00.

In connection with this offering, Goldman Sachs International and Merrill Lynch, Pierce, Fenner & Smith Incorporated, or any person acting for them, may over allot or effect transactions with a view to supporting the market price of the ADSs and, subject to applicable ROC laws, the common shares at a level higher than that which might otherwise prevail for a limited period of time after the issue date. However, there may be no obligation on Goldman Sachs International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, or their agents, to do this. Such stabilization, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. See Underwriting .

All references in this prospectus to silicon wafer quantities are specified in eight-inch wafer equivalents, unless otherwise specified. When we refer to the capacity of wafer fabrication facilities, we are referring to the installed capacity based on specifications established with the manufacturer of the equipment used in those facilities. We can exceed 100% of these capacity levels through, for example, enhanced productivity beyond that assumed when these specifications were initially established. Unless otherwise specified, the information contained herein assumes that the underwriters' over allotment option has not been exercised.

PROSPECTUS SUMMARY

Financial and other information about us is set forth in our annual report on Form 20-F and other documents incorporated herein by reference, copies of which may be obtained as indicated under Where You Can Find More Information .

Our Business

We were founded in 1987 as a joint venture among the ROC government, Koninklijke Philips Electronics N.V. or Philips, and other private investors and were incorporated in the ROC on February 21, 1987. Our common shares have been listed on the Taiwan Stock Exchange since September 5, 1994 and our ADSs have been listed on The New York Stock Exchange since October 8, 1997.

We are the world's largest dedicated semiconductor foundry. As a foundry, we manufacture semiconductors using our advanced production processes for our customers based on their own or third parties' proprietary integrated circuit designs. We offer a comprehensive range of leading edge wafer fabrication processes, including processes to manufacture CMOS logic, mixed-signal, radio frequency and embedded memory and BiCMOS mixed-signal and other semiconductors. IC Insights estimates that our revenue market share among dedicated foundries worldwide was 53% in 2001 and 56% in 2002. We also offer design, mask making, probing, testing and assembly services.

We believe that we are the technology leader among the dedicated foundries in terms of net sales of advanced semiconductors with a resolution of 0.18 micron and below, and that we are among the technology leaders in the semiconductor industry generally. For example, we announced the semiconductor industry's first fully functional SRAM chip using 90-nanometer CMOS process technology in March 2002, one year ahead of the International Technology Roadmap for Semiconductors, or ITRS. In April 2002, we unveiled NEXSYS™, the foundry segment's next-generation technology for system-on-chip semiconductor design and manufacturing. In December 2002, we demonstrated the semiconductor industry's first 25-nanometer transistor. This newly designed fin-shaped field-effect transistor, or FinFET, is the first 25-nanometer CMOS transistor to break through critical power barriers, meeting ITRS targets for high-performance operation at this advanced node. In addition, we commenced significant commercial production using 0.13 micron process technology in 2002 and expect to commence commercial production using 90-nanometer in 2003. We also believe that we are a leader in manufacturing process management capabilities among dedicated foundries. We believe our leading position in advanced technology and manufacturing process management capabilities has contributed to our increasing revenue market share among dedicated foundries.

We currently operate one six-inch, six eight-inch and one twelve-inch wafer fabrication plants, or fabs. We have also recently completed the exterior construction of another twelve-inch fab. Our year-end monthly capacity was 381,044 wafers in 2001 and 350,735 in 2002. The decrease in our capacity in 2002 was primarily due to the upgrading of a portion of our 0.35 micron and 0.25 micron capacity into 0.18 micron and 0.15 micron advanced technologies. Based upon preliminary estimates, we expect our monthly capacity to be approximately 375,000 at the end of 2003.

We count among our customers many of the world's leading semiconductor companies, ranging from fabless integrated circuit design houses such as Altera Corporation, Broadcom Corporation, NVIDIA Corporation and VIA Technology, Inc., to integrated device manufacturing companies such as Analog Devices, Inc., Motorola Inc. and Philips, and systems companies. Fabless integrated circuit

design houses and integrated device manufacturers accounted for approximately 66% and 33%, respectively, of our net sales in 2001 and 71% and 28%, respectively, of our net sales in 2002.

Our principal executive office is currently located at No. 8, Li-Hsin Road 6, Science-Based Industrial Park, Hsinchu, Taiwan, Republic of China. Our telephone number at that office is (886-3) 563-6688. Our web site is www.tsmc.com. Information contained on our web site does not constitute part of this prospectus.

The Offering

The following information assumes that the underwriters do not exercise the overallotment option granted by the Development Fund to purchase additional ADSs in this offering, unless otherwise indicated. See **Selling Shareholders** on page 28 for a list of the selling shareholders.

Offering price	US\$10.40 per ADS
ADSs offered by the selling shareholders	79,060,948 ADSs
ADSs outstanding after this offering	447,318,500 ADSs
Common shares outstanding after this offering	18,622,886,745 common shares (without giving effect to the stock dividend of eight common shares per 100 common shares in respect of earnings in the year ended December 31, 2002 to be paid on or about July 31, 2003)
ADS:common share ratio	1:5
Overallotment option	The Development Fund, one of our selling shareholders, has granted to the underwriters an option exercisable within 30 days from the date hereof to purchase up to an aggregate of 11,761,861 additional ADSs at the initial price to public less the underwriting discount, solely to cover overallotments, if any.
Trading market for the common shares	The only trading market for the common shares is the Taiwan Stock Exchange. The common shares have been listed on the Taiwan Stock Exchange since 1994 under the symbol 2330 .
New York Stock Exchange symbol for ADSs TSM	
ADS Depositary	Citibank, N.A.
Use of proceeds	TSMC Partners intends to use the net proceeds of approximately US\$8.4 million from the sale of ADSs to fund certain of our employee benefits. We will not receive any proceeds from the sale of ADSs by the other selling shareholders.

Timing and settlement for the ADSs

The ADSs are expected to be delivered against payment on or about July 14, 2003.

The ADSs will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company in New York, New York. In general, beneficial interests in the ADSs will be shown on, and transfers of these beneficial interests will be effected only through, records maintained by The Depository Trust Company and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme.

No right to receive stock dividends payable on or about July 31, 2003

Purchasers of the ADSs sold in connection with this offering, and any subsequent transferees, will not have the right to receive the stock dividend of eight common shares per 100 common shares in respect of earnings in the year ended December 31, 2002 to be paid on or about July 31, 2003.

Summary Consolidated Financial Information and Operating Data

The summary financial information below should be read in conjunction with Item 5. Operating and Financial Reviews and Prospects and the consolidated financial statements, notes to the consolidated financial statements and other financial information included in our Form 20-F for the year ended December 31, 2002, incorporated by reference in this prospectus. The summary income statement data and cash flow data for the years ended December 31, 2000, 2001 and 2002, and the summary balance sheet data as of December 31, 2001 and 2002 set forth below are derived from our audited consolidated financial statements included in our Form 20-F for the year ended December 31, 2002, incorporated by reference in this prospectus, and should be read in conjunction with, and are qualified in their entirety by reference to, these consolidated financial statements, including the notes to these consolidated financial statements. These financial statements have been audited by TN Soong & Co., previously a member firm of Andersen Worldwide, SC, and from April 22, 2002, an associate member firm of Deloitte Touche Tohmatsu. TN Soong & Co. and Deloitte & Touche (Taiwan) combined to establish Deloitte & Touche effective June 1, 2003. The summary income statement data and cash flow data for the years ended December 31, 1998 and 1999 and the summary balance sheet data as of December 31, 1998, 1999 and 2000 set forth below are derived from our audited consolidated financial statements not included in our Form 20-F for the year ended December 31, 2002. The consolidated financial statements set forth below have been prepared and presented in accordance with generally accepted accounting principles in the Republic of China, also called ROC GAAP, which differ in some material respects from generally accepted accounting principles in the United States, also called US GAAP. Please see note 27 to our consolidated financial statements, included in our Form 20-F for the year ended December 31, 2002, incorporated by reference in this prospectus, for a description of the principal differences between ROC GAAP and US GAAP for the periods covered by these financial statements.

	Year ended and as of December 31,					
	1998	1999	2000	2001	2002	2002
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
	(in millions, except percentages,					
	earnings per share and per ADS, and operating data)					
Income Statement Data:						
ROC GAAP						
Net sales	50,524	76,305	166,198	125,885	162,301	4,677
Cost of sales ⁽¹⁾	(33,009)	(45,212)	(87,610)	(92,228)	(109,988)	(3,170)
Gross profit ⁽¹⁾	17,515	31,093	78,588	33,657	52,313	1,507
Operating expenses ⁽¹⁾	(5,210)	(8,823)	(17,293)	(20,879)	(20,724)	(597)
Income from operations	12,305	22,270	61,295	12,778	31,589	910
Non-operating income	1,977	1,619	6,120	6,476	2,419	70
Non-operating expenses	(3,227)	(3,261)	(3,513)	(8,467)	(6,786)	(196)
Income before income taxes	11,055	20,628	63,902	10,787	27,222	784
Income tax (expense) benefit	2,318	2,383	1,167	3,740	(5,637)	(162)
Net income before minority interest	13,373	23,011	65,069	14,527	21,585	622
Minority interest in loss (income) of subsidiary	1,016	516	37	(44)	25	1
Net income	14,389	23,527	65,106	14,483	21,610	623
Earnings per share ⁽²⁾	0.84	1.38	3.29	0.69	1.05	0.03
Earnings per ADS equivalent	4.22	6.88	16.46	3.46	5.23	0.15
Average shares outstanding ⁽²⁾	17,045	17,100	19,767	20,267	20,221	20,221
US GAAP						
Net sales	50,524	76,305	166,860	127,242	162,990	4,697
Cost of sales	(41,200)	(52,163)	(105,359)	(107,194)	(115,374)	(3,325)
Operating expense	(9,525)	(12,310)	(44,472)	(41,712)	(20,764)	(598)
Income (loss) from operations	(201)	11,833	17,029	(21,664)	26,852	774
Income (loss) before income taxes	(2,082)	10,986	20,537	(25,672)	20,210	582
Income tax (expense) benefit	2,316	2,383	1,166	3,741	(5,638)	(162)
Net income (loss)	1,249	13,884	21,740	(21,975)	14,534	419
Cumulative preferred dividends				(455)	(455)	(13)
Income (loss) attributable to common shareholders	1,249	13,884	21,740	(22,430)	14,079	406
Average shares outstanding ⁽³⁾	16,847	16,928	18,841	19,743	20,030	20,030

Year ended and as of December 31,

	1998	1999	2000	2001	2002	2002
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
	(in millions, except percentages,					
earnings per share and per ADS, and operating data)						
Earnings per share ⁽³⁾	0.07	0.82	1.15	(1.14)	0.70	0.02
Earnings per ADS equivalent	0.37	4.10	5.77	(5.68)	3.51	0.10
Balance Sheet Data:						
ROC GAAP						
Working capital	15,926	33,267	44,920	37,472	62,175	1,792
Long-term equity investments	6,659	16,165	10,664	11,599	10,635	306
Properties	118,353	150,060	244,748	251,288	246,498	7,104
Goodwill			11,531	11,438	10,159	293
Total assets	165,461	235,436	370,886	366,518	390,542	11,255
Long-term bank borrowing ⁽⁴⁾	14,630	22,744	23,339	22,399	11,051	318
Long-term debt payable	22,632	20,000	29,000	24,000	35,000	1,009
Guaranty deposit-in and other liabilities	6,957	6,207	9,046	9,479	8,181	236
Minority interest equity	9,701	7,524	322	120	95	3.0
Total liabilities	59,474	75,341	108,811	89,207	94,594	2,726
Capital Stock	66,472	85,209	129,894	181,326	199,229	5,741
Cash Dividend on common shares	0	0	0	0	0	0
Shareholders' equity	96,285	152,571	261,754	277,190	295,853	8,526
US GAAP						
Goodwill			58,348	47,464	47,476	1,368
Total assets	164,784	236,859	407,830	393,990	420,528	12,119
Total liabilities	70,491	84,882	114,884	91,419	96,747	2,788
Mandatory redeemable preferred stock			13,000	13,000	13,000	375
Shareholders' equity	94,293	151,977	279,946	289,450	310,623	8,952
Other Financial Data:						
ROC GAAP						
Gross margin	35%	41%	47%	27%	32%	32%
Operating margin	24%	29%	37%	10%	19%	19%
Net margin	28%	31%	39%	12%	13%	13%