

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

July 27, 2007

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1934 Act Registration No. 1-14700  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549  
**FORM 6-K**  
**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16 OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**  
**For the month of July 2007**  
**Taiwan Semiconductor Manufacturing Company Ltd.**  
(Translation of Registrant's Name Into English)  
**No. 8, Li-Hsin Rd. 6,**  
**Science-Based Industrial Park,**  
**Hsin-Chu, Taiwan**  
(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F  Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes  No

(If "Yes" is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82: \_\_\_\_\_.)

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**Table of Contents****FOR IMMEDIATE RELEASE****2Q07 Quarterly Management Report****July 26, 2007****CONTACT****Elizabeth Sun / Harrison Hsueh****Julie Wei**

Investor Relations Division

TSMC

[invest@tsmc.com](mailto:invest@tsmc.com)

886-3-568-2085/ 2088/2086

Topics in This Report

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**Operating Results Review:****Summary:***(Amounts are on consolidated basis and are in**NT billions except noted otherwise)*

|                                     | <b>2Q07</b> | <b>1Q07</b> | <b>2Q06</b> | <b>QoQ</b> | <b>YoY</b> |
|-------------------------------------|-------------|-------------|-------------|------------|------------|
| EPS (NT\$ per common share)         | 0.96        | 0.71        | 1.29        | 35.3%      | (25.1%)    |
| (US\$ per ADR unit)                 | 0.15        | 0.11        | 0.20        |            |            |
| Consolidated Net Sales              | 74.92       | 64.90       | 82.12       | 15.4%      | (8.8%)     |
| Gross Profit                        | 32.18       | 24.61       | 42.50       | 30.8%      | (24.3%)    |
| Gross Margin                        | 43.0%       | 37.9%       | 51.8%       |            |            |
| Operating Expense                   | (7.45)      | (6.73)      | (7.18)      | 10.6%      | 3.8%       |
| Non-Operating Items                 | 3.29        | 2.19        | 0.95        | 50.2%      | 246.7%     |
| Net Income                          | 25.48       | 18.84       | 34.00       | 35.3%      | (25.1%)    |
| Net Profit Margin                   | 34.0%       | 29.0%       | 41.4%       |            |            |
| Wafer Shipment (kpcs 8 inch-equiv.) | 1,856       | 1,566       | 1,869       | 18.5%      | (0.7%)     |

**Remarks:**

The second quarter diluted earnings per share were NT\$0.96, representing a 25.1% decrease over the same period last year and a 35.3% sequential increase from the previous quarter. The consolidated operating results of 2Q07 are summarized below:

Second quarter net sales were NT\$75 billion, a decline of 8.8% compared to net sales of NT\$82 billion for the same period a year ago and an increase of 15.4% compared to net sales of NT\$65 billion in the prior quarter.

Gross profit for 2Q07 was NT\$32 billion, which represents a year-over-year decrease of 24.3% and a quarter-over-quarter increase of 30.8%. Second quarter gross margin was 43%, higher than the 37.9% gross margin reported in the first quarter of 2007.

Operating expenses were NT\$7.4 billion or 10% of the net sales. The combined result from non-operating income and long-term investments was a gain of NT\$3.3 billion.

Consolidated net income attributable to shareholders of the parent company was NT\$25 billion, down 25.1% from a year ago level and up 35.3% from the previous quarter. Net profit margin was 34% for 2Q07.

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**I. Revenue Analysis****I. Wafer Sales Analysis**

|                   |      |      |      |
|-------------------|------|------|------|
| By Application    | 2Q07 | 1Q07 | 2Q06 |
| Computer          | 29%  | 30%  | 30%  |
| Communication     | 44%  | 42%  | 44%  |
| Consumer          | 18%  | 17%  | 20%  |
| Industrial/Others | 6%   | 7%   | 5%   |
| Memory            | 3%   | 4%   | 1%   |
| By Technology     | 2Q07 | 1Q07 | 2Q06 |
| 65nm and below    | 3%   | 1%   |      |
| 90nm              | 26%  | 22%  | 24%  |
| 0.11/0.13um       | 24%  | 26%  | 25%  |
| 0.15/0.18um       | 30%  | 30%  | 32%  |
| 0.25/0.35um       | 12%  | 15%  | 14%  |
| 0.50um+           | 5%   | 6%   | 5%   |
| By Customer Type  | 2Q07 | 1Q07 | 2Q06 |
| Fabless/System    | 68%  | 65%  | 72%  |
| IDM               | 32%  | 35%  | 28%  |
| By Geography      | 2Q07 | 1Q07 | 2Q06 |
| North America     | 74%  | 77%  | 77%  |
| Asia Pacific      | 13%  | 11%  | 10%  |
| Europe            | 9%   | 7%   | 9%   |
| Japan             | 4%   | 5%   | 4%   |

**Revenue Analysis:**

Second quarter consolidated net sales came in at the high end of our expectation to reach NT\$75 billion.

Businesses from the three main applications recovered from the inventory correction. On a sequential basis, revenues from communication and consumer applications both increased by 25%, while revenues from computer applications increased by 13%. Revenues from 65nm and 90nm accounted for 3% and 26% of total wafer sales, respectively, higher than that in the previous quarter. Revenues from advanced technologies (0.13-micron and below) accounted for 53% of total wafer sales, up four percentage points from the first quarter of 2007.

Revenues from IDM customers accounted for 32% of total wafer sales during the quarter, compared to 35% in the previous quarter.

Geographically, revenues from North America accounted for 74% of total wafer sales. Meanwhile, sales from Asia Pacific, Europe and Japan accounted for 13%, 9% and 4% of wafer sales, respectively.

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**II. Capacity****II. Capacity**

|  | 1Q07         | 2Q07         | 3Q07         | 4Q07         | 2007         |
|--|--------------|--------------|--------------|--------------|--------------|
| Fab / (Wafer size)                             | (A)          | (A)          | (F)          | (F)          | (F)          |
| Fab-2 (6 ")                                    | 257          | 257          | 273          | 273          | 1,060        |
| Fab-3 (8 ")                                    | 259          | 262          | 267          | 269          | 1,057        |
| Fab-5 (8 ")                                    | 144          | 155          | 163          | 166          | 627          |
| Fab-6 (8 ")                                    | 245          | 255          | 274          | 279          | 1,053        |
| Fab-8 (8 ")                                    | 239          | 239          | 260          | 265          | 1,004        |
| Fab-12 (12 ")                                  | 169          | 180          | 198          | 221          | 768          |
| Fab-14 (12 ")                                  | 103          | 113          | 154          | 176          | 546          |
| WaferTech (8 ")                                | 104          | 105          | 106          | 106          | 419          |
| TSMC (Shanghai) (8 ")                          | 90           | 94           | 99           | 106          | 389          |
| <b>TSMC total capacity (8" equiv. Kpcs)</b>    | <b>1,836</b> | <b>1,913</b> | <b>2,113</b> | <b>2,237</b> | <b>8,099</b> |
| SSMC (8 ")                                     | 53           | 55           | 56           | 61           | 226          |
| <b>Total managed capacity (8" equiv. Kpcs)</b> | <b>1,890</b> | <b>1,967</b> | <b>2,169</b> | <b>2,298</b> | <b>8,325</b> |

Note: 1. Figures represent number of 6 wafers. Conversion to 8"-equivalent wafers is by dividing this number by 1.78

2. Figures represent number of 12 wafers. Conversion to 8"-equivalent wafers is by multiplying this number by 2.25

**Capacity :**

Total TSMC managed capacity was 1,967K 8-inch equivalent wafers in 2Q07, 4% higher than 1Q07. TSMC managed capacity in 3Q07 will increase by 10% sequentially to reach 2,169K 8-inch equivalent wafers.

Total managed capacity for year 2007 is expected to be 8,325K 8-inch equivalent wafers, up 18% from 7,062K 8-inch equivalent wafers in year 2006.

**III. Profit & Expense Analysis****III 1. Gross Profit Analysis**

| (In NT billions) | 2Q07        | 1Q07        | 2Q06        |
|------------------|-------------|-------------|-------------|
| <b>COGS</b>      | <b>42.7</b> | <b>40.3</b> | <b>39.6</b> |
| Depreciation     | 17.9        | 18.5        | 16.5        |

|                     |              |              |              |
|---------------------|--------------|--------------|--------------|
| Other MFG Cost      | 24.8         | 21.8         | 23.1         |
| <b>Gross Profit</b> | <b>32.2</b>  | <b>24.6</b>  | <b>42.5</b>  |
| <b>Gross Margin</b> | <b>43.0%</b> | <b>37.9%</b> | <b>51.8%</b> |

***Gross Profit Analysis:***

Consolidated gross profit for the second quarter 2007 was NT\$32 billion, or 43% of net sales, up from a gross profit of NT\$25 billion, or 37.9% of net sales, in the previous quarter. Second quarter gross margin improved by 5.1 percentage points primarily due to higher capacity utilization and lower depreciation expenses, offset slightly by a lower average selling price.

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**III 2. Operating Expenses \***

| (In NT billions)            | <b>2Q07</b> | <b>1Q07</b> | <b>2Q06</b> |
|-----------------------------|-------------|-------------|-------------|
| <b>Total Operating Exp.</b> | <b>7.45</b> | <b>6.73</b> | <b>7.18</b> |
| SG&A                        | 3.15        | 2.79        | 3.08        |
| Research & Development      | 4.30        | 3.94        | 4.10        |

\* Certain prior period amounts have been reclassified to conform with current period presentation.

**Operating Expenses:**

Total operating expenses for 2Q07 were NT\$7.4 billion, compared to NT\$6.7 billion in the prior quarter. Total operating expenses represented 10% of net sales, down slightly from 10.4% in first quarter of 2007.

Research and development expenditures increased by NT\$359 million sequentially, largely due to increased R&D spending on 45nm and 32nm related projects.

SG&A expenses were NT\$3.1 billion for the quarter, an increase of NT\$354 million quarter-over-quarter, mainly due to higher level of business activities.

**III 3. Non-Operating Items**

| (In NT millions)                   | <b>2Q07</b>  | <b>1Q07</b>  | <b>2Q06</b> |
|------------------------------------|--------------|--------------|-------------|
| <b>Non-Operating Income/(Exp.)</b> | <b>2,802</b> | <b>1,830</b> | <b>299</b>  |
| Net Interest Income/(Exp.)         | 1,338        | 1,162        | 924         |
| Other Non-Operating                | 1,464        | 668          | (625)       |
| <b>L-T Investments</b>             | <b>488</b>   | <b>361</b>   | <b>650</b>  |
| SSMC                               | 233          | 70           | 471         |
| Others                             | 255          | 291          | 179         |
| <b>Total Non-Operating Items</b>   | <b>3,290</b> | <b>2,191</b> | <b>949</b>  |

**Non-Operating Items:**

Combined result from non-operating income and long-term investments was a gain of NT\$3.3 billion for second quarter of 2007.

Compared to 1Q07, higher non-operating income was mainly due to higher interest income, an increase in mark-to-market adjustment on certain marketable securities, and lawsuit settlement received from SMIC.

Net investment income increased slightly to reach NT\$488 million in the quarter, reflecting improved operating performance at SSMC.



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**IV. Financial Condition Review****IV 1. Liquidity Analysis****(Selected Balance Sheet Items)**

| (In NT billions)                       | <b>2Q07</b>  | <b>1Q07</b>  | <b>2Q06</b>  |
|--|--------------|--------------|--------------|
| Cash & Marketable Securities           | 233.1        | 217.4        | 211.6        |
| Accounts Receivable Trade              | 37.1         | 33.1         | 38.0         |
| Inventory                              | 24.0         | 22.3         | 20.1         |
| <b>Total Current Assets</b>            | <b>304.6</b> | <b>286.1</b> | <b>279.7</b> |
| Accounts Payable                       | 28.2         | 19.2         | 27.5         |
| Current Portion of Bonds Payable       | 4.5          | 4.5          | 2.5          |
| Accrued Cash Dividend & Profit Sharing | 82.1         | 0.0          | 65.2         |
| Accrued Liabilities and Others         | 17.6         | 21.4         | 15.1         |
| <b>Total Current Liabilities</b>       | <b>132.4</b> | <b>45.1</b>  | <b>110.3</b> |
| Current Ratio (x)                      | 2.3          | 6.3          | 2.5          |
| <b>Net Working Capital</b>             | <b>172.2</b> | <b>241.0</b> | <b>169.4</b> |

**Liquidity Analysis:**

Total cash and marketable securities increased by NT\$16 billion in the second quarter of 2007, mainly due to free cash flows generated during the quarter. As a result, TSMC ended the quarter with NT\$305 billion in total current assets, compared to NT\$286 billion at the end of the previous quarter.

Total current liabilities were NT\$132 billion at the end of the quarter, compared to NT\$45 billion at the end of the previous quarter. The increase was mainly due to NT\$ 77.5 billion and NT\$4.6 billion payables accrued for cash dividends and employee bonuses, respectively.

As a result, net working capital decreased to NT\$172 billion with a current ratio of 2.3.

**IV 2. Receivable/Inventory Days**

|                    | <b>2Q07</b> | <b>1Q07</b> | <b>2Q06</b> |
|--------------------|-------------|-------------|-------------|
| Days of Receivable | 44          | 47          | 44          |
| Days of Inventory  | 52          | 52          | 47          |

**Receivable/Inventory Days Trend:**

Days of receivable were 44 days in 2Q07, compared to 47 days in the previous quarter.

Days of inventory remained flat at 52 days.

**IV 3. Debt Service**

| (In NT billions)             | <b>2Q07</b> | <b>1Q07</b> | <b>2Q06</b> |
|------------------------------|-------------|-------------|-------------|
| Cash & Marketable Securities | 233.1       | 217.4       | 211.6       |
| Interest-Bearing Debt        | 26.3        | 26.2        | 27.2        |
| Net Cash Reserves            | 206.8       | 191.2       | 184.4       |

**Debt Service:**

As a result of the free cash flows generated during the quarter, net cash reserves defined as the excess of cash and short-term marketable securities over interest-bearing debt increased by NT\$16 billion to reach NT\$207 billion in 2Q07.

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**V. Cash Flow & CapEx****V 1. Cash Flow Analysis**

| (In NT billions)                          | 2Q07          | 1Q07          | 2Q06          |
|---|---------------|---------------|---------------|
| Net Income                                | 25.5          | 18.8          | 34.0          |
| Depreciation & Amortization               | 19.6          | 20.3          | 17.9          |
| Other Op Sources/(Uses)                   | (10.4)        | (1.0)         | (1.5)         |
| <b>Total Op Sources/(Uses)</b>            | <b>34.7</b>   | <b>38.1</b>   | <b>50.4</b>   |
| Capital Expenditure                       | (25.3)        | (14.0)        | (21.4)        |
| Marketable Financial Instruments          | 15.8          | 3.5           | (7.8)         |
| Other Investing Sources/(Uses)            | (0.7)         | (2.9)         | (1.1)         |
| <b>Net Investing Sources/(Uses)</b>       | <b>(10.2)</b> | <b>(13.4)</b> | <b>(30.3)</b> |
| Repayment of Bonds Payable                | 0.0           | (2.5)         | 0.0           |
| Other Financing Sources/(Uses)            | (0.5)         | (0.3)         | 0.1           |
| <b>Net Financing Sources/(Uses)</b>       | <b>(0.5)</b>  | <b>(2.8)</b>  | <b>0.1</b>    |
| <b>Net Cash Position Changes</b>          | <b>24.0</b>   | <b>21.9</b>   | <b>20.2</b>   |
| <b>Exchange Rate Changes &amp; Others</b> | <b>(0.9)</b>  | <b>0.6</b>    | <b>(0.0)</b>  |
| <b>Ending Cash Balance</b>                | <b>163.4</b>  | <b>140.3</b>  | <b>141.5</b>  |

**Summary of Cash Flow:**

During second quarter of 2007, TSMC generated NT\$35 billion in cash from operating activities, mainly from net income of NT\$25 billion and depreciation & amortization of NT\$20 billion, offset in part by the change in net working capital.

Net cash used in investment activities totaled NT\$10 billion, mainly due to capital expenditures of NT\$25 billion, partially offset by an NT\$16 billion in net proceeds from the disposition of marketable financial instruments.

Net cash used in financing activities was NT\$1 billion during the quarter.

As a result, TSMC ended the quarter with a cash balance of NT\$163 billion, NT\$23 billion higher than in 1Q07.

**Operating and Free Cash Flows:**

TSMC continues to generate strong operating cash flows and free cash flows. Cash flows generated from operating activities were NT\$35 billion. Free cash flows, defined as the excess of operating cash flows over capital expenditures, totaled NT\$9 billion in 2Q07, compared to NT\$24 billion generated in the previous quarter, mainly due to higher level of capital expenditures in 2Q07.

**V 3. Capital Expenditures**

| (In US millions) | 2Q07 | 1Q07 | YTD   |
|------------------|------|------|-------|
| TSMC             | 747  | 419  | 1,166 |
| XinTec and GUC   | 13   | 3    | 16    |

|                           |            |            |              |
|---------------------------|------------|------------|--------------|
| TSMC Shanghai & WaferTech | 4          | 2          | 6            |
| Other TSMC Subsidiaries   | 2          | 0          | 2            |
| <b>Total TSMC</b>         | <b>766</b> | <b>424</b> | <b>1,190</b> |

***Capital Expenditures:***

Capital expenditures for TSMC consolidated group totaled US\$766 million during the quarter. Most of the spending was for the purchase of 12-inch production equipment.

For year 2007, total capital expenditures for TSMC consolidated group is expected to be in the range of US\$2.6 billion to US\$2.8 billion, unchanged from our previous guidance.

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**VI. Recap of Recent Important Events & Announcements**

- 1 TSMC Announces Winners of Second TSMC Outstanding Student Research Award (2007/06/29)
  - 1 TSMC Announces Active Accuracy Assurance Initiative (2007/06/04)
  - 1 TSMC Unveils Reference Flow 8.0 to Address 45nm Design Challenges (2007/06/04)
  - 1 AMD Chooses TSMC 65nm Process for GPU Product Line (2007/05/22)
  - 1 TSMC Successfully Completes Secondary Offering of 240 Million ADSs Priced at US\$10.68 Per Share (2007/05/18)
  - 1 TSMC and Spansion Sign Joint Development Agreement to Expand MirrorBit Technology Applicability at 40nm and Below (2007/05/15)
  - 1 TSMC Board Approves Expansion of 45 Nanometer Capacity (2007/05/08)
  - 1 TSMC Shareholders Approve 3.0 Cash and 0.5% Stock Dividend (2007/05/07)
  - \* Please visit TSMC's Web site (<http://www.tsmc.com>) for details about these and other announcements.
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|  | June 30, 2007 (audited) |            |       | March 31, 2007<br>(unaudited) |       | June 30, 2006<br>(audited) |       | QoQ       |        | YoY       |       |
|--|-------------------------|------------|-------|-------------------------------|-------|----------------------------|-------|-----------|--------|-----------|-------|
|  | USD                     | NTD        | %     | NTD                           | %     | NTD                        | %     | Amount    | %      | Amount    | %     |
| <b>ASSETS</b>  |                         |            |       |                               |       |                            |       |           |        |           |       |
| <b>Current Assets</b>  |                         |            |       |                               |       |                            |       |           |        |           |       |
| Cash and Cash<br>Equivalents   | \$ 4,991                | \$ 163,391 | 25.6  | \$ 140,274                    | 23.0  | \$ 141,452                 | 23.8  | \$ 23,117 | 16.5   | \$ 21,939 | 15.5  |
| Investments in<br>Marketable<br>Financial<br>Instruments<br>Accounts | 2,129                   | 69,685     | 10.9  | 77,096                        | 12.7  | 70,139                     | 11.8  | (7,411)   | -9.6   | (454)     | (0.6) |
| Receivable Trade   | 1,132                   | 37,054     | 5.8   | 33,094                        | 5.4   | 37,969                     | 6.4   | 3,960     | 12.0   | (915)     | -2.4  |
| Inventories, Net   | 735                     | 24,045     | 3.8   | 22,259                        | 3.7   | 20,051                     | 3.4   | 1,786     | 8.0    | 3,994     | 19.9  |
| Other Current<br>Assets  | 319                     | 10,464     | 1.7   | 13,356                        | 2.2   | 10,079                     | 1.7   | (2,892)   | (21.6) | 385       | 3.8   |
| Total Current<br>Assets  | 9,306                   | 304,639    | 47.8  | 286,079                       | 47.0  | 279,690                    | 47.1  | 18,560    | 6.5    | 24,949    | 8.9   |
| Long-Term<br>Investments   | 1,379                   | 45,153     | 7.1   | 52,185                        | 8.6   | 42,778                     | 7.2   | (7,032)   | -13.5  | 2,375     | 5.6   |
| Property, Plant and<br>Equipment                                     | 23,434                  | 767,100    | 120.3 | 734,182                       | 120.6 | 681,123                    | 114.7 | 32,918    | 4.5    | 85,977    | 12.6  |
| Less: Accumulated<br>Depreciation                                    | (15,351)                | (502,495)  | -78.8 | (483,834)                     | -79.5 | (429,993)                  | -72.4 | (18,661)  | 3.9    | (72,502)  | 16.9  |
| Property, Plant and<br>Equipment, Net                                | 8,083                   | 264,605    | 41.5  | 250,348                       | 41.1  | 251,130                    | 42.3  | 14,257    | 5.7    | 13,475    | 5.4   |
| Other Assets   | 705                     | 23,037     | 3.6   | 20,159                        | 3.3   | 20,145                     | 3.4   | 2,878     | 14.3   | 2,892     | 14.4  |
| Total Assets   | \$ 19,473               | \$ 637,434 | 100.0 | \$ 608,771                    | 100.0 | \$ 593,743                 | 100.0 | \$ 28,663 | 4.7    | \$ 43,691 | 7.4   |
| <b>LIABILITIES AND<br/>SHAREHOLDERS<br/>EQUITY</b>                   |                         |            |       |                               |       |                            |       |           |        |           |       |
| <b>Current Liabilities</b>   |                         |            |       |                               |       |                            |       |           |        |           |       |
|  | \$ 3                    | \$ 99      |       | \$ 79                         |       | \$                         |       | \$ 20     | 24.4   | \$ 99     |       |

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|  |           |            |       |            |       |            |       |           |        |           |       |
|--|-----------|------------|-------|------------|-------|------------|-------|-----------|--------|-----------|-------|
| Short-Term Bank Loans                                      |           |            |       |            |       |            |       |           |        |           |       |
| Accounts Payables  | 341       | 11,157     | 1.8   | 10,129     | 1.7   | 10,282     | 1.7   | 1,028     | 10.2   | 875       | 8.5   |
| Payables to Contractors and Equipment Suppliers            | 520       | 17,010     | 2.7   | 9,094      | 1.5   | 17,214     | 2.9   | 7,916     | 87.1   | (204)     | -1.2  |
| Accrued Expenses and Other Current Liabilities             | 3,035     | 99,365     | 15.5  | 21,101     | 3.4   | 80,300     | 13.6  | 78,264    | 370.9  | 19,065    | 23.7  |
| Current Portion of Bonds Payable and Long-Term Liabilities | 146       | 4,782      | 0.8   | 4,714      | 0.8   | 2,505      | 0.4   | 68        | 1.4    | 2,277     | 90.8  |
| Total Current Liabilities                                  | 4,045     | 132,413    | 20.8  | 45,117     | 7.4   | 110,301    | 18.6  | 87,296    | 193.5  | 22,112    | 20.0  |
| Bonds Payable  | 382       | 12,500     | 2.0   | 12,500     | 2.1   | 17,000     | 2.9   |           | 0.0    | (4,500)   | -26.5 |
| Other Long-Term Liabilities                                | 570       | 18,649     | 2.9   | 19,415     | 3.2   | 18,943     | 3.1   | (766)     | (3.9)  | (294)     | (1.6) |
| Total Liabilities  | 4,997     | 163,562    | 25.7  | 77,032     | 12.7  | 146,244    | 24.6  | 86,530    | 112.3  | 17,318    | 11.8  |
| Shareholders' Equity                                       |           |            |       |            |       |            |       |           |        |           |       |
| Attributable to Shareholders of the Parent                 |           |            |       |            |       |            |       |           |        |           |       |
| Capital Stock  | 8,072     | 264,235    | 41.5  | 258,330    | 42.4  | 258,234    | 43.5  | 5,905     | 2.3    | 6,001     | 2.3   |
| Capital Surplus  | 1,641     | 53,726     | 8.4   | 54,231     | 8.9   | 53,822     | 9.1   | (505)     | (0.9)  | (96)      | -0.2  |
| Retained Earnings  | 4,705     | 154,010    | 24.2  | 215,963    | 35.5  | 136,723    | 23.0  | (61,953)  | (28.7) | 17,287    | 12.6  |
| Treasury Stock   | (28)      | (918)      | -0.1  | (918)      | -0.2  | (918)      | -0.1  |           | 0.0    |           |       |
| Others   | (5)       | (167)      | -0.1  | 1,020      | 0.2   | (1,029)    | -0.2  | (1,187)   | -116.3 | 862       | -83.8 |
| Total Equity   |           |            |       |            |       |            |       |           |        |           |       |
| Attributable to Shareholders of the Parent                 | 14,385    | 470,886    | 73.9  | 528,626    | 86.8  | 446,832    | 75.3  | (57,740)  | (10.9) | 24,054    | 5.4   |
| Minority Interest  | 91        | 2,986      | 0.4   | 3,113      | 0.5   | 667        | 0.1   | (127)     | (4.1)  | 2,319     | 347.7 |
| Total Shareholders' Equity                                 | 14,476    | 473,872    | 74.3  | 531,739    | 87.3  | 447,499    | 75.4  | (57,867)  | (10.9) | 26,373    | 5.9   |
| Total Liabilities & Shareholders' Equity                   | \$ 19,473 | \$ 637,434 | 100.0 | \$ 608,771 | 100.0 | \$ 593,743 | 100.0 | \$ 28,663 | 4.7    | \$ 43,691 | 7.4   |

Note: (1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the rate of NT\$32.735 as of June 30, 2007.

2. Financial Statement BS



Table of Contents**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND  
SUBSIDIARIES****Unaudited Consolidated Condensed Income Statements****For the Three Months Ended June 30, 2007, March 31, 2007, and June 30, 2006****(Expressed in Millions of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD )****Except for Per Share Amounts and Shares Outstanding)**

|  | Q2 2007  |           |       | Q1 2007   |       | Q2 2006   |       | QoQ       |       | YoY       |       |
|--|----------|-----------|-------|-----------|-------|-----------|-------|-----------|-------|-----------|-------|
|  | USD      | NTD       | %     | NTD       | %     | NTD       | %     | Amount    | %     | Amount    | %     |
| Net Sales  | \$ 2,261 | \$ 74,918 | 100.0 | \$ 64,897 | 100.0 | \$ 82,118 | 100.0 | \$ 10,021 | 15.4  | (\$7,200) | -8.8  |
| Cost of Sales                                      | (1,290)  | (42,738)  | -57.0 | (40,287)  | -62.1 | (39,620)  | -48.2 | (2,451)   | 6.1   | (3,118)   | 7.9   |
| Gross Profit                                       | 971      | 32,180    | 43.0  | 24,610    | 37.9  | 42,498    | 51.8  | 7,570     | 30.8  | (10,318)  | -24.3 |
| Operating Expenses                                 |          |           |       |           |       |           |       |           |       |           |       |
| Research and Development Expenses <sup>(4)</sup>   | (130)    | (4,301)   | -5.7  | (3,942)   | -6.1  | (4,096)   | -5.0  | (359)     | 9.1   | (205)     | 5.0   |
| General and Administrative Expenses <sup>(4)</sup> | (65)     | (2,151)   | -2.9  | (1,902)   | -2.9  | (2,086)   | -2.5  | (249)     | 13.1  | (65)      | 3.1   |
| Sales and Marketing Expenses <sup>(4)</sup>        | (30)     | (994)     | -1.4  | (889)     | -1.4  | (993)     | -1.3  | (105)     | 11.7  | (1)       | 0.1   |
| Total Operating Expenses                           | (225)    | (7,446)   | -10.0 | (6,733)   | -10.4 | (7,175)   | -8.8  | (713)     | 10.6  | (271)     | 3.8   |
| Income from Operations                             | 746      | 24,734    | 33.0  | 17,877    | 27.5  | 35,323    | 43.0  | 6,857     | 38.4  | (10,589)  | -30.0 |
| Non-Operating Income, Net                          | 85       | 2,802     | 3.7   | 1,830     | 2.8   | 299       | 0.4   | 972       | 53.1  | 2,503     | 835.4 |
| Investment Gains                                   | 15       | 488       | 0.7   | 361       | 0.6   | 650       | 0.8   | 127       | 35.4  | (162)     | -24.8 |
| Income before Income Tax                           | 846      | 28,024    | 37.4  | 20,068    | 30.9  | 36,272    | 44.2  | 7,956     | 39.6  | (8,248)   | -22.7 |
| Income Tax (Expenses) Benefits                     | (73)     | (2,394)   | -3.2  | (1,107)   | -1.7  | (2,281)   | -2.8  | (1,287)   | 116.2 | (113)     | 5.0   |



|   |         |         |      |         |      |         |      |         |      |         |       |
|---|---------|---------|------|---------|------|---------|------|---------|------|---------|-------|
| Net Income Before Cumulative Effect of Changes in Accounting Principles | 773     | 25,630  | 34.2 | 18,961  | 29.2 | 33,991  | 41.4 | 6,669   | 35.2 | (8,361) | -24.6 |
| Cumulative Effect of Changes in Accounting Principles (Net of Tax)      |         |         |      |         |      |         |      |         |      |         |       |
| Net Income  | 773     | 25,630  | 34.2 | 18,961  | 29.2 | 33,991  | 41.4 | 6,669   | 35.2 | (8,361) | -24.6 |
| Minority Interest   | (4)     | (146)   | -0.2 | (122)   | -0.2 | 11      | 0.0  | (24)    | 19.9 | (157)   |       |
| Net Income Attributable to Shareholders of the Parent                   | 769     | 25,484  | 34.0 | 18,839  | 29.0 | 34,002  | 41.4 | 6,645   | 35.3 | (8,518) | -25.1 |
| Earnings per Share Diluted  | \$ 0.03 | \$ 0.96 |      | \$ 0.71 |      | \$ 1.29 |      | \$ 0.25 | 35.3 | -\$0.32 | -25.1 |
| Earnings per ADR Diluted (2)  | \$ 0.15 | \$ 4.82 |      | \$ 3.57 |      | \$ 6.44 |      | \$ 1.26 | 35.3 | -\$1.62 | -25.1 |
| Weighted Average Outstanding Shares Diluted ( M <sup>3</sup> )          |         | 26,409  |      | 26,406  |      | 26,394  |      |         |      |         |       |

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of

*NTD33.142 for  
the second  
quarter of 2007.*

- (2) 1 ADR equals 5  
ordinary shares.*
- (3) Total diluted  
weighted  
average  
outstanding  
shares were  
26,394M shares  
for 2Q06 after  
the retroactive  
adjustments for  
stock dividends  
and stock bonus.*
- (4) Certain prior  
period balances  
have been  
reclassified to  
conform to the  
current period  
presentation.*

2. Financial Statement IS (Q)

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Table of Contents**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES****Audited Consolidated Condensed Income Statements****For the Six Months End June 30, 2007 and 2006****(Expressed in Millions of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD )****Except for Per Share Amounts and Shares Outstanding)**

|  | For The Six Months Ended June 30 |             |       |             |       |               |        |
|--|----------------------------------|-------------|-------|-------------|-------|---------------|--------|
|  | USD                              | 2007<br>NTD | %     | 2006<br>NTD | %     | YoY<br>Amount | %      |
| Net Sales  | \$ 4,235                         | \$ 139,815  | 100.0 | \$ 159,968  | 100.0 | (\$20,153)    | -12.6  |
| Cost of Sales  | (2,515)                          | (83,025)    | -59.4 | (79,743)    | -49.8 | (3,282)       | 4.1    |
| Gross Profit   | 1,720                            | 56,790      | 40.6  | 80,225      | 50.2  | (23,435)      | -29.2  |
| Operating Expenses   |                                  |             |       |             |       |               |        |
| Research and Development Expenses <sup>(4)</sup>                           | (250)                            | (8,243)     | -5.9  | (7,936)     | -5.0  | (307)         | 3.9    |
| General and Administrative Expenses <sup>(4)</sup>                         | (123)                            | (4,053)     | -2.9  | (3,950)     | -2.5  | (103)         | 2.6    |
| Sales and Marketing Expenses <sup>(4)</sup>                                | (56)                             | (1,883)     | -1.3  | (2,114)     | -1.3  | 231           | -10.9  |
| Total Operating Expenses   | (429)                            | (14,179)    | -10.1 | (14,000)    | -8.8  | (179)         | 1.3    |
| Income from Operations   | 1,291                            | 42,611      | 30.5  | 66,225      | 41.4  | (23,614)      | -35.7  |
| Non-Operating Income, Net  | 140                              | 4,632       | 3.3   | 1,716       | 1.1   | 2,916         | 170.0  |
| Investment Gains   | 26                               | 849         | 0.6   | 1,250       | 0.8   | (401)         | -32.1  |
| Income before Income Tax   | 1,457                            | 48,092      | 34.4  | 69,191      | 43.3  | (21,099)      | -30.5  |
| Income Tax (Expenses) Benefits   | (106)                            | (3,501)     | -2.5  | (4,136)     | -2.6  | 635           | -15.3  |
| Net Income before Cumulative Effect of<br>Changes in Accounting Principles | 1,351                            | 44,591      | 31.9  | 65,055      | 40.7  | (20,464)      | -31.5  |
| Cumulative Effect of Changes in<br>Accounting Principles (Net of Tax)      | 0                                | 0           | 0.0   | 1,607       | 1.0   | (1,607)       | -100.0 |
| Net Income   | 1,351                            | 44,591      | 31.9  | 66,662      | 41.7  | (22,071)      | -33.1  |
| Minority Interest  | (9)                              | (268)       | -0.2  | (53)        | -0.1  | (215)         | 403.9  |
|  | 1,342                            | 44,323      | 31.7  | 66,609      | 41.6  | (22,286)      | -33.5  |

Net Income Attributable to Shareholders  
of the Parent

|   |                        |         |         |          |         |       |
|---|------------------------|---------|---------|----------|---------|-------|
| Earnings per Share  | Diluted                | \$ 0.05 | \$ 1.68 | \$ 2.52  | -\$0.85 | -33.5 |
| Earnings per ADR  | Diluted <sup>(2)</sup> | \$ 0.25 | \$ 8.39 | \$ 12.62 | -\$4.23 | -33.5 |
| Weighted Average Outstanding Shares<br>Diluted ( M <sup>(3)</sup> ) |                        |         | 26,409  | 26,394   |         |       |

## Note:

- (1) *Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD 33.015 for six months ended June 30, 2007.*
- (2) *1 ADR equals 5 ordinary shares.*
- (3) *Total diluted weighted average outstanding shares were 26,394M shares for the six months ended June 30, 2006 after the retroactive adjustments for stock dividends and stock bonus.*
- (4) *Certain prior period balances have been reclassified to conform to the*

*current period  
presentation.*

2. Financial Statement IS (YTD)

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**Table of Contents****TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES****Consolidated Condensed Statements of Cash Flows**

**For the Six Months Ended June 30, 2007 and for the Three Months Ended June 30, 2007, March 31, 2007, and June 30, 2006**

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

|  | <b>Six Months 2007<br/>(Audited)</b> |                 | <b>2Q 2007<br/>(Unaudited)</b> | <b>1Q 2007<br/>(Unaudited)</b> | <b>2Q 2006<br/>(Unaudited)</b> |
|--|--------------------------------------|-----------------|--------------------------------|--------------------------------|--------------------------------|
|  | <b>USD</b>                           | <b>NTD</b>      | <b>NTD</b>                     | <b>NTD</b>                     | <b>NTD</b>                     |
| <b>Cash Flows from Operating Activities:</b>       |                                      |                 |                                |                                |                                |
| Net Income   | \$ 1,342                             | \$ 44,323       | \$ 25,484                      | \$ 18,839                      | \$ 34,002                      |
| Net Income Attributable to Minority Interest       | 8                                    | 268             | 146                            | 122                            | (11)                           |
| Depreciation & Amortization                        | 1,208                                | 39,867          | 19,616                         | 20,251                         | 17,888                         |
| Deferred Income Tax                                | (18)                                 | (601)           | 371                            | (972)                          | 860                            |
| Equity in Earnings of Equity Method Investees, Net | (26)                                 | (849)           | (488)                          | (361)                          | (650)                          |
| Changes in Working Capital & Others                | (306)                                | (10,119)        | (10,384)                       | 265                            | (1,698)                        |
| <b>Net Cash Provided by Operating Activities</b>   | <b>2,208</b>                         | <b>72,889</b>   | <b>34,745</b>                  | <b>38,144</b>                  | <b>50,391</b>                  |
| <b>Cash Flows from Investing Activities:</b>       |                                      |                 |                                |                                |                                |
| <b>Acquisitions of:</b>                            |                                      |                 |                                |                                |                                |
| Marketable Financial Instruments                   | (910)                                | (30,030)        | (14,234)                       | (15,796)                       | (39,850)                       |
| Investments Accounted for Using Equity Method      |                                      |                 |                                |                                | (48)                           |
| Property, Plant and Equipment                      | (1,190)                              | (39,303)        | (25,345)                       | (13,959)                       | (21,391)                       |
| Financial Assets Carried at Cost                   | (13)                                 | (430)           | (218)                          | (212)                          | (168)                          |
| <b>Proceeds from Disposal or maturity of:</b>      |                                      |                 |                                |                                |                                |
| Marketable Financial Instruments                   | 1,492                                | 49,272          | 30,013                         | 19,259                         | 32,075                         |
| Investments Accounted for Using Equity Method      |                                      |                 |                                |                                |                                |
| Property, Plant and Equipment                      |                                      | 11              | 10                             | 1                              | (215)                          |
| Financial Assets Carried at Cost                   |                                      | 14              | 0                              | 14                             |                                |
| Others   | (93)                                 | (3,101)         | (383)                          | (2,717)                        | (653)                          |
| <b>Net Cash Used In Investing Activities</b>       | <b>(714)</b>                         | <b>(23,567)</b> | <b>(10,157)</b>                | <b>(13,410)</b>                | <b>(30,250)</b>                |
| <b>Cash Flows from Financing Activities:</b>       |                                      |                 |                                |                                |                                |
|  | (24)                                 | (806)           | (418)                          | (388)                          | 139                            |

|   |          |            |            |            |            |
|---|----------|------------|------------|------------|------------|
| Increase (Decrease) in Guarantee Deposits           |          |            |            |            |            |
| Proceeds from Exercise of Stock Options             | 9        | 297        | 175        | 122        | 209        |
| Bonus Paid to Directors and Supervisors             | (9)      | (286)      | (286)      |            | (257)      |
| Repayment of Long-Term Bonds Payable                | (76)     | (2,500)    |            | (2,500)    | (2)        |
| Cash Dividends Paid for Common Stock                |          |            |            |            |            |
| Cash Bonus Paid to Employees                        |          |            |            |            |            |
| Others  | (1)      | (26)       | 2          | (28)       | (15)       |
| Net Cash Provided by (Used in) Financing Activities | (101)    | (3,321)    | (527)      | (2,794)    | 74         |
| Net Increase in Cash and Cash Equivalents           | 1,393    | 46,001     | 24,061     | 21,940     | 20,215     |
| Effect of Exchange Rate Changes and Others          | (13)     | (447)      | (944)      | 497        | (14)       |
| Cash and Cash Equivalents at Beginning of Period    | 3,569    | 117,837    | 140,274    | 117,837    | 121,251    |
| Cash and Cash Equivalents at End of Period          | \$ 4,949 | \$ 163,391 | \$ 163,391 | \$ 140,274 | \$ 141,452 |

*Note: (1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD33.015 for the six months ended June 30, 2007.*

2.Financial StatementCF

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**SIGNATURES**

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing Company  
Ltd.

Date: July 26, 2007

By /s/ Lora Ho  
Lora Ho  
Vice President & Chief Financial Officer