

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

October 26, 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 October 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: _____.)

Table of Contents**FOR IMMEDIATE RELEASE****3Q07 Quarterly Management Report
October 25, 2007****CONTACT****Elizabeth Sun / Harrison Hsueh****Julie Wei**

Investor Relations Division

TSMC

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886-3-568-2085/ 2088/ 2086

Topics in This Report

Revenue Analysis

Capacity

Profit & Expense Analysis

Financial Condition Review

Cash Flow & CapEx

Recap of Recent Important Events & Announcements

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

| | 3Q07 | 2Q07 | 3Q06 | QoQ | YoY |
|-------------------------------------|-------------|-------------|-------------|------------|------------|
| EPS (NT\$ per common share) | 1.15 | 0.96 | 1.23 | 19.2% | (6.6%) |
| (US\$ per ADR unit) | 0.17 | 0.15 | 0.19 | | |
| Consolidated Net Sales | 88.96 | 74.92 | 82.48 | 18.7% | 7.9% |
| Gross Profit | 40.72 | 32.18 | 41.13 | 26.6% | (1.0%) |
| Gross Margin | 45.8% | 43.0% | 49.9% | | |
| Operating Expense | (8.37) | (7.45) | (7.50) | 12.4% | 11.6% |
| Operating Income | 32.35 | 24.73 | 33.63 | 30.8% | (3.8%) |
| Non-Operating Items | 1.87 | 3.29 | 1.03 | (43.3%) | 80.8% |
| Net Income | 30.37 | 25.48 | 32.49 | 19.2% | (6.5%) |
| Net Profit Margin | 34.1% | 34.0% | 39.4% | | |
| Wafer Shipment (kpcs 8 inch-equiv.) | 2,226 | 1,856 | 1,890 | 19.9% | 17.8% |

Remarks:

The third quarter diluted earnings per share were NT\$1.15, representing a decline of 6.6% over the same period last year and a 19.2% increase sequentially. The consolidated operating results of 3Q07 are summarized below:

Third quarter net sales exceeded our guidance provided on July 26 to reach NT\$89 billion, an increase of 7.9% over the year ago quarter and an increase of 18.7% sequentially.

Gross profit for the quarter was NT\$41 billion with gross margin of 45.8%, or 2.8 percentage points higher than the 43% gross margin reported in the prior quarter.

Operating expenses were NT\$8.4 billion or 9.4% of net sales. The combined result from non-operating income and long-term investments was a gain of NT\$1.9 billion.

Consolidated net income attributable to shareholders of the parent company was NT\$30.4 billion, down 6.5% from a year ago level and up 19.2% from the previous quarter. Net profit margin was 34.1% for 3Q07.

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

| | | | |
|-------------------|------|------|------|
| By Application | 3Q07 | 2Q07 | 3Q06 |
| Computer | 32% | 29% | 28% |
| Communication | 42% | 44% | 45% |
| Consumer | 17% | 18% | 20% |
| Industrial/Others | 5% | 6% | 5% |
| Memory | 4% | 3% | 2% |
| By Technology | 3Q07 | 2Q07 | 3Q06 |
| 65nm and below | 7% | 3% | |
| 90nm | 27% | 26% | 24% |
| 0.11/0.13um | 22% | 24% | 25% |
| 0.15/0.18um | 28% | 30% | 33% |
| 0.25/0.35um | 11% | 12% | 13% |
| 0.50um+ | 5% | 5% | 5% |
| By Customer Type | 3Q07 | 2Q07 | 3Q06 |
| Fabless/System | 66% | 68% | 71% |
| IDM | 34% | 32% | 29% |
| By Geography | 3Q07 | 2Q07 | 3Q06 |
| North America | 74% | 74% | 78% |
| Asia Pacific | 13% | 13% | 10% |
| Europe | 10% | 9% | 8% |
| Japan | 3% | 4% | 4% |

Revenue Analysis:

Due to stronger than expected demand across our three major market segments (communication, computer, and consumer), third quarter revenue exceeded our guidance provided on July 26 to reach NT\$89 billion.

Businesses from all three major market segments had double-digit quarter-over-quarter growth in the third quarter. On a sequential basis, revenues from computer, consumer and communication applications increased by 29%, 15% and 12%, respectively.

Revenue from 65nm more than doubled during the quarter to account for 7% of total wafer sales, while revenue from 90nm accounted for 27% of total wafer sales. Revenues from advanced technologies (0.13-micron and below) accounted for 56% of total wafer sales, up three percentage points from the second quarter of 2007.

Revenues from IDM customers accounted for 34% of total wafer sales during the quarter, compared to 32% in the previous quarter.

From a geographic perspective, revenues from North America accounted for 74% of total wafer sales, flat from the previous quarter. Meanwhile, sales from Asia Pacific, Europe and Japan accounted for 13%, 10% and 3% of wafer sales, respectively.

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II. Capacity**II. Capacity**

| | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 |
|--|--------------|--------------|--------------|--------------|--------------|
| Fab / (Wafer size) | (A) | (A) | (A) | (F) | (F) |
| Fab-2 (6") ¹ | 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") ² | 169 | 180 | 198 | 212 | 759 |
| Fab-14 (12") ² | 103 | 113 | 154 | 176 | 546 |
| WaferTech (8") | 104 | 105 | 106 | 106 | 419 |
| TSMC (Shanghai) (8") | 90 | 94 | 99 | 92 | 375 |
| TSMC total capacity (8" equiv. Kpcs) | 1,836 | 1,913 | 2,113 | 2,202 | 8,064 |
| SSMC (8") | 53 | 55 | 56 | 61 | 226 |
| Total managed capacity (8" equiv. Kpcs) | 1,890 | 1,967 | 2,169 | 2,263 | 8,290 |

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 2,169K 8-inch equivalent wafers in 3Q07, 10% higher than 2Q07. TSMC managed capacity in 4Q07 is expected to increase by 4% sequentially to reach 2,263K 8-inch equivalent wafers. Total managed capacity for 2007 is expected to reach 8,290K 8-inch equivalent wafers, down slightly from the forecast provided in the previous quarter. On a full year basis, 2007 capacity is expected to increase by 17% from 7,062K 8-inch equivalent wafers in 2006.

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

(In NT billions)

3Q07**2Q07****3Q06**

| | | | |
|---------------------|--------------|--------------|--------------|
| COGS | 48.2 | 42.7 | 41.3 |
| Depreciation | 18.2 | 17.9 | 16.8 |
| Other MFG Cost | 30.0 | 24.8 | 24.5 |
| Gross Profit | 40.7 | 32.2 | 41.1 |
| Gross Margin | 45.8% | 43.0% | 49.9% |

Gross Profit Analysis:

Gross margin for the third quarter 2007 was 45.8%, up from 43% in the previous quarter. Third quarter gross margin improved by 2.8 percentage points primarily due to increased wafer shipment and a higher level of capacity utilization, offset in part by a decline in pure price.

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III 2. Operating Expenses *

| (In NT billions) | 3Q07 | 2Q07 | 3Q06 |
|-----------------------------|-------------|-------------|-------------|
| Total Operating Exp. | 8.37 | 7.45 | 7.50 |
| SG&A | 3.68 | 3.15 | 3.19 |
| Research & Development | 4.69 | 4.30 | 4.31 |

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

Operating Expenses:

Total operating expenses for 3Q07 were NT\$8.4 billion, compared to NT\$7.4 billion in the prior quarter. Total operating expenses represented 9.4% of net sales, down slightly from 10% in the second quarter of 2007.

Research and development expenditures increased by NT\$390 million quarter-over-quarter, largely due to increased R&D spending on 65nm and 55nm related projects.

SG&A expenses were NT\$3.7 billion for the quarter, an increase of NT\$535 million quarter-over-quarter, mainly due to higher legal fees.

III 3. Non-Operating Items

| (In NT millions) | 3Q07 | 2Q07 | 3Q06 |
|------------------------------------|--------------|--------------|--------------|
| Non-Operating Income/(Exp.) | 1,083 | 2,802 | 322 |
| Net Interest Income/(Exp.) | 1,097 | 1,338 | 923 |
| Other Non-Operating | (14) | 1,464 | (601) |
| L-T Investments | 782 | 488 | 709 |
| SSMC | 405 | 233 | 403 |
| Others | 377 | 255 | 306 |
| Total Non-Operating Items | 1,865 | 3,290 | 1,031 |

Non-Operating Items:

Combined result from non-operating income and long-term investments was a gain of NT\$1.9 billion for third quarter of 2007.

Non operating income was NT\$1.1 billion, down from NT\$2.8 billion in the previous quarter, primarily due to an accrual of litigation loss related to the TSMC-UniRAM case, lawsuit settlement received from SMIC in the previous quarter, and a reduction in mark-to-market adjustment on certain marketable securities.

Net investment income increased by NT\$294 million in the quarter, reflecting improved operating performance at SSMC and increased ownership percentage in Vanguard.

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

| (In NT billions) | 3Q07 | 2Q07 | 3Q06 |
|--|--------------|--------------|--------------|
| Cash & Marketable Securities | 176.4 | 233.1 | 164.1 |
| Accounts Receivable Trade | 42.4 | 37.1 | 37.7 |
| Inventory | 24.5 | 24.0 | 20.3 |
| Total Current Assets | 250.1 | 304.6 | 228.3 |
| Accounts Payable | 24.2 | 28.2 | 26.2 |
| Current Portion of Bonds Payable | 4.5 | 4.5 | 2.5 |
| Accrued Cash Dividend & Profit Sharing | 0.0 | 82.1 | 0.0 |
| Accrued Liabilities and Others | 22.2 | 17.6 | 16.9 |
| Total Current Liabilities | 50.9 | 132.4 | 45.6 |
| Current Ratio (x) | 4.9 | 2.3 | 5.0 |
| Net Working Capital | 199.2 | 172.2 | 182.7 |

Liquidity Analysis:

Total cash and marketable securities decreased by NT\$57 billion in the third quarter of 2007, as we paid NT\$77 billion in cash dividends during the quarter. As a result, TSMC ended the quarter with NT\$250 billion in total current assets, compared to NT\$305 billion at the end of the previous quarter.

Mainly due to the payment of cash dividends accrued in the previous quarter, total current liabilities decreased by NT\$82 billion in third quarter 2007.

Net working capital stood at NT\$199 billion at the end of the quarter, with a current ratio of 4.9.

IV 2. Receivable/Inventory Days

| | 3Q07 | 2Q07 | 3Q06 |
|--------------------|-------------|-------------|-------------|
| Days of Receivable | 42 | 44 | 43 |
| Days of Inventory | 48 | 52 | 48 |

Receivable/Inventory Days Trend:

Days of receivable were 42 days in 3Q07, down from 44 days in the previous quarter.

Days of inventory declined by 4 days to reach 48 days.

IV 3. Debt Service

| (In NT billions) | 3Q07 | 2Q07 | 3Q06 |
|------------------------------|-------------|-------------|-------------|
| Cash & Marketable Securities | 176.4 | 233.1 | 164.1 |
| Interest-Bearing Debt | 26.7 | 26.3 | 27.6 |
| Net Cash Reserves | 149.7 | 206.8 | 136.5 |

Debt Service:

As a result of the cash dividends paid and 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 decreased by NT\$57 billion to reach NT\$150 billion in 3Q07.

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

| (In NT billions) | 3Q07 | 2Q07 | 3Q06 |
|---|---------------|---------------|---------------|
| Net Income | 30.4 | 25.5 | 32.5 |
| Depreciation & Amortization | 19.9 | 19.6 | 18.4 |
| Other Op Sources/(Uses) | 0.8 | (10.4) | 1.8 |
| Total Op Sources/(Uses) | 51.1 | 34.7 | 52.7 |
| Capital Expenditure | (24.9) | (25.3) | (28.3) |
| Marketable Financial Instruments | (2.8) | 15.8 | (8.6) |
| Other Investing Sources/(Uses) | (6.8) | (0.7) | (0.1) |
| Net Investing Sources/(Uses) | (34.5) | (10.2) | (37.0) |
| Cash Dividends | (77.4) | 0.0 | (61.7) |
| Employee Profit Sharing | (4.6) | 0.0 | (3.2) |
| Other Financing Sources/(Uses) | (0.0) | (0.5) | 0.2 |
| Net Financing Sources/(Uses) | (82.0) | (0.5) | (64.7) |
| Net Cash Position Changes | (65.4) | 24.0 | (49.0) |
| Exchange Rate Changes & Others | 0.3 | (0.9) | 0.5 |
| Ending Cash Balance | 98.3 | 163.4 | 92.9 |

Summary of Cash Flow:

Cash generated from operating activities totaled NT\$51 billion during the quarter, up from NT\$35 billion in the second quarter 2007.

TSMC spent NT\$25 billion in capital expenditures in 3Q07, bringing total capital expenditures to US\$1.9 billion on a year-to-date basis. TSMC also invested an additional NT\$5 billion in Vanguard International Semiconductor Corporation during the quarter.

Net cash used in financing activities was NT\$82 billion during the quarter, as we paid NT\$77 billion in cash dividends and NT\$5 billion in cash bonuses to employees.

As a result, TSMC ended the quarter with a cash balance of NT\$98 billion.

Operating and Free Cash Flows:

Cash flows generated from operating activities were NT\$51 billion. Free cash flow, defined as the excess of operating cash flows over capital expenditures, totaled NT\$26 billion in 3Q07.

V 3. Capital Expenditures

| (In US millions) | 3Q07 | 2Q07 | 1Q07 | YTD |
|---------------------------|-------------|-------------|-------------|--------------|
| TSMC | 732 | 747 | 419 | 1,898 |
| XinTec and GUC | 15 | 13 | 3 | 31 |
| TSMC Shanghai & WaferTech | 8 | 4 | 2 | 14 |
| Other TSMC Subsidiaries | 1 | 2 | 0 | 3 |
| Total TSMC | 756 | 766 | 424 | 1,946 |

Capital Expenditures:

Capital expenditures for TSMC consolidated group totaled US\$756 million during the quarter.

For year 2007, total capital expenditures for TSMC consolidated group will be at the low end of our previous guidance to be around US\$2.6 billion, which includes the US\$82 million acquisition of eight-inch equipment that we announced recently.

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VI. Recap of Recent Important Events & Announcements

- 1 TSMC Signs Contract with Atmel to Purchase Eight-inch Wafer Fabrication Equipment (2007/10/09)
- 1 TSMC Joins SOI Industry Consortium (2007/10/08)
- 1 U.S. District Court Issues Verdict on TSMC-UniRAM Case (2007/09/26)
- 1 California Court Issues Order on TSMC Motion for Preliminary Injunction Against SMIC (2007/09/14)
- 1 TSMC Increases Stake in Vanguard (2007/08/27)
- 1 TSMC Starts Production of 0.13-micron Embedded Flash Process (2007/08/21)
- 1 Microsoft Embraces TSMC 90nm Embedded DRAM Process for Xbox 360 (2007/08/15)

* Please visit TSMC's
Web site
(<http://www.tsmc.com>)
for details about
these and other
announcements.

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| | September 30, 2007 (unaudited) | | | June 30, 2007 (audited) | | September 30, 2006 (unaudited) | | QoQ | |
|---|-----------------------------------|------------|-------|----------------------------|-------|-----------------------------------|-------|-------------|-------|
| | USD | NTD | % | NTD | % | NTD | % | Amount | % |
| Accounts Payable | \$ 3,010 | \$ 98,328 | 16.8 | \$ 163,391 | 25.6 | \$ 92,903 | 16.5 | \$ (65,063) | -39.8 |
| Trade Receivable Financial Instruments | 2,390 | 78,064 | 13.3 | 69,685 | 10.9 | 71,192 | 12.6 | 8,379 | 12.0 |
| Trade Payables | 1,297 | 42,357 | 7.2 | 37,054 | 5.8 | 37,726 | 6.7 | 5,303 | 14.3 |
| | 751 | 24,532 | 4.2 | 24,045 | 3.8 | 20,338 | 3.6 | 487 | 2.0 |
| | 207 | 6,775 | 1.2 | 10,464 | 1.7 | 6,149 | 1.1 | (3,689) | -35.3 |
| | 7,655 | 250,056 | 42.7 | 304,639 | 47.8 | 228,308 | 40.5 | (54,583) | -17.9 |
| Prepaid Expenses | 1,408 | 45,991 | 7.8 | 45,153 | 7.1 | 51,060 | 9.1 | 838 | 1.9 |
| Property, Plant and Equipment | 24,087 | 786,850 | 134.2 | 767,100 | 120.3 | 706,191 | 125.4 | 19,750 | 2.6 |
| Accumulated Depreciation | (15,968) | (521,614) | -89.0 | (502,495) | -78.8 | (445,525) | -79.1 | (19,119) | 3.8 |
| Property, Plant and Equipment, Net | 8,119 | 265,236 | 45.2 | 264,605 | 41.5 | 260,666 | 46.3 | 631 | 0.2 |
| | 769 | 25,124 | 4.3 | 23,037 | 3.6 | 23,314 | 4.1 | 2,087 | 9.1 |
| Total Assets | \$ 17,951 | \$ 586,407 | 100.0 | \$ 637,434 | 100.0 | \$ 563,348 | 100.0 | \$ (51,027) | -8.0 |
| SHAREHOLDERS' EQUITY | | | | | | | | | |
| Shareholders' Equity | \$ 3 | \$ 98 | | \$ 99 | | \$ | | (\$1) | -0.7 |
| Accounts Payable | 382 | 12,492 | 2.1 | 11,064 | 1.8 | 10,587 | 1.9 | 1,428 | 12.9 |
| Accounts Payable and Equipment Suppliers ⁽²⁾ | 360 | 11,745 | 2.0 | 17,103 | 2.7 | 15,589 | 2.8 | (5,358) | -31.3 |
| Accounts Payable and Other Current Liabilities | 667 | 21,776 | 3.8 | 99,365 | 15.5 | 16,885 | 3.0 | (77,589) | -78.1 |
| Accounts Payable and Long-Term Liabilities | 146 | 4,782 | 0.8 | 4,782 | 0.8 | 2,505 | 0.4 | | 0.0 |
| Accounts Payable | 1,558 | 50,893 | 8.7 | 132,413 | 20.8 | 45,566 | 8.1 | (81,520) | -61.6 |
| Accounts Payable | 383 | 12,500 | 2.1 | 12,500 | 2.0 | 17,000 | 3.0 | | 0.0 |
| Accounts Payable | 563 | 18,395 | 3.1 | 18,649 | 2.9 | 18,919 | 3.4 | (254) | -1.4 |
| Total Liabilities | 2,504 | 81,788 | 13.9 | 163,562 | 25.7 | 81,485 | 14.5 | (81,774) | -50.0 |
| Attributable to Shareholders of the Parent | | | | | | | | | |

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|------------------------------------|-----------|------------|-------|------------|-------|------------|-------|-------------|------|
| | 8,090 | 264,262 | 45.1 | 264,235 | 41.5 | 258,258 | 45.8 | 27 | |
| | 1,644 | 53,713 | 9.2 | 53,726 | 8.4 | 53,858 | 9.6 | (13) | |
| | 5,644 | 184,380 | 31.4 | 154,010 | 24.2 | 169,213 | 30.0 | 30,370 | 19.7 |
| | (28) | (918) | -0.2 | (918) | -0.1 | (918) | -0.2 | | 0.0 |
| | (5) | (162) | 0.0 | (167) | -0.1 | 725 | 0.2 | 5 | -2.5 |
| able to Shareholders of the Parent | 15,345 | 501,275 | 85.5 | 470,886 | 73.9 | 481,136 | 85.4 | 30,389 | 6.5 |
| | 102 | 3,344 | 0.6 | 2,986 | 0.4 | 727 | 0.1 | 358 | 12.0 |
| Equity | 15,447 | 504,619 | 86.1 | 473,872 | 74.3 | 481,863 | 85.5 | 30,747 | 6.5 |
| Shareholders Equity | \$ 17,951 | \$ 586,407 | 100.0 | \$ 637,434 | 100.0 | \$ 563,348 | 100.0 | \$ (51,027) | -8.0 |

Note: (1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the rate of NT\$32.667 as of September 30, 2007.

(2) Certain prior period balances have been reclassified to conform to the current period presentation.

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

| | Q3 2007 | | | Q2 2007 | | Q3 2006 | | QoQ | | YoY |
|--|----------|-----------|-------|-----------|-------|-----------|-------|-----------|-------|----------|
| | USD | NTD | % | NTD | % | NTD | % | Amount | % | Amount |
| Sales | \$ 2,700 | \$ 88,955 | 100.0 | \$ 74,918 | 100.0 | \$ 82,476 | 100.0 | \$ 14,037 | 18.7 | \$ 6,479 |
| Cost of Sales | (1,464) | (48,231) | -54.2 | (42,738) | -57.0 | (41,344) | -50.1 | (5,493) | 12.9 | (6,887) |
| Operating Profit | 1,236 | 40,724 | 45.8 | 32,180 | 43.0 | 41,132 | 49.9 | 8,544 | 26.6 | (408) |
| Operating Expenses | | | | | | | | | | |
| Research and Development Expenses ⁽⁴⁾ | (142) | (4,691) | -5.3 | (4,301) | -5.7 | (4,309) | -5.2 | (390) | 9.1 | (382) |
| General and Administrative Expenses ⁽⁴⁾ | (87) | (2,872) | -3.2 | (2,151) | -2.9 | (2,346) | -2.8 | (721) | 33.5 | (526) |
| Selling and Marketing Expenses ⁽⁴⁾ | (25) | (808) | -0.9 | (994) | -1.4 | (845) | -1.1 | 186 | -18.6 | 37 |
| Other Operating Expenses | (254) | (8,371) | -9.4 | (7,446) | -10.0 | (7,500) | -9.1 | (925) | 12.4 | (871) |
| Income from Operations | 982 | 32,353 | 36.4 | 24,734 | 33.0 | 33,632 | 40.8 | 7,619 | 30.8 | (1,279) |
| Operating Income, Net | 33 | 1,083 | 1.2 | 2,802 | 3.7 | 322 | 0.3 | (1,719) | -61.3 | 761 |
| Non-Operating Gains | 24 | 782 | 0.9 | 488 | 0.7 | 709 | 0.9 | 294 | 60.1 | 73 |
| Income before Income Tax | 1,039 | 34,218 | 38.5 | 28,024 | 37.4 | 34,663 | 42.0 | 6,194 | 22.1 | (445) |
| Income Tax (Expenses) Benefits | (109) | (3,600) | -4.1 | (2,394) | -3.2 | (2,144) | -2.6 | (1,206) | 50.4 | (1,456) |
| Income | 930 | 30,618 | 34.4 | 25,630 | 34.2 | 32,519 | 39.4 | 4,988 | 19.5 | (1,901) |
| Minority Interest | (8) | (248) | -0.3 | (146) | -0.2 | (30) | 0.0 | (102) | 69.5 | (218) |
| Income Attributable to Shareholders | | | | | | | | | | |
| Parent | 922 | 30,370 | 34.1 | 25,484 | 34.0 | 32,489 | 39.4 | 4,886 | 19.2 | (2,119) |
| Earnings per Share Diluted | \$ 0.03 | \$ 1.15 | | \$ 0.96 | | \$ 1.23 | | \$ 0.19 | 19.2 | -\$ 0.08 |
| Earnings per ADR Diluted ⁽²⁾ | \$ 0.17 | \$ 5.75 | | \$ 4.82 | | \$ 6.15 | | \$ 0.93 | 19.2 | -\$ 0.40 |
| Weighted Average Outstanding Shares | | | | | | | | | | |
| (in Millions) | | 26,410 | | 26,409 | | 26,395 | | | | |

Note:

- (1) *Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD32.948 for the third quarter of 2007.*
 - (2) *1 ADR equals 5 ordinary shares.*
 - (3) *Total diluted weighted average outstanding shares were 26,395M shares for 3Q06 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.*
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SUBSIDIARIES****Unaudited Consolidated Condensed Income Statements****For the Nine Months End September 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 Nine Months Ended September 30 | | | | | | |
|--|--|-------------|-------|-------------|-------|---------------|-------|
| | USD | 2007 NTD | % | 2006 NTD | % | YoY Amount | % |
| Net Sales | \$ 6,934 | \$ 228,771 | 100.0 | \$ 242,444 | 100.0 | \$ (13,673) | -5.6 |
| Cost of Sales | (3,978) | (131,256) | -57.4 | (121,087) | -49.9 | (10,169) | 8.4 |
| Gross Profit | 2,956 | 97,515 | 42.6 | 121,357 | 50.1 | (23,842) | -19.6 |
| Operating Expenses | | | | | | | |
| Research and Development Expenses ⁽⁴⁾ | (392) | (12,934) | -5.7 | (12,245) | -5.1 | (689) | 5.6 |
| General and Administrative Expenses ⁽⁴⁾ | (210) | (6,926) | -3.0 | (6,297) | -2.6 | (629) | 10.0 |
| Sales and Marketing Expenses | (81) | (2,691) | -1.1 | (2,958) | -1.2 | 267 | -9.0 |
| Total Operating Expenses | (683) | (22,551) | -9.8 | (21,500) | -8.9 | (1,051) | 4.9 |
| Income from Operations | 2,273 | 74,964 | 32.8 | 99,857 | 41.2 | (24,893) | -24.9 |
| Non-Operating Income, Net | 173 | 5,715 | 2.5 | 2,038 | 0.8 | 3,677 | 180.4 |
| Investment Gains | 49 | 1,631 | 0.7 | 1,959 | 0.8 | (328) | -16.7 |
| Income before Income Tax | 2,495 | 82,310 | 36.0 | 103,854 | 42.8 | (21,544) | -20.7 |
| Income Tax (Expenses) Benefits | (215) | (7,102) | -3.1 | (6,280) | -2.6 | (822) | 13.1 |
| Net Income before Cumulative Effect of Changes in Accounting Principles | 2,280 | 75,208 | 32.9 | 97,574 | 40.2 | (22,366) | -22.9 |

| | | | | | | | |
|--|---------|----------|------|----------|------|----------|--------|
| Cumulative Effect of Changes in Accounting Principles (Net of Tax) | 0 | 0 | 0.0 | 1,607 | 0.7 | (1,607) | -100.0 |
| Net Income | 2,280 | 75,208 | 32.9 | 99,181 | 40.9 | (23,973) | -24.2 |
| Minority Interest | (16) | (516) | -0.2 | (83) | 0.0 | (433) | 523.2 |
| Net Income Attributable to Shareholders of the Parent | 2,264 | 74,692 | 32.7 | 99,098 | 40.9 | (24,406) | -24.6 |
| Earnings per Share Diluted | \$ 0.09 | \$ 2.83 | | \$ 3.75 | | -\$ 0.93 | -24.7 |
| Earnings per ADR Diluted ⁽²⁾ | \$ 0.43 | \$ 14.14 | | \$ 18.77 | | -\$ 4.63 | -24.7 |
| Weighted Average Outstanding Shares Diluted (M ⁽³⁾) | | 26,410 | | 26,395 | | | |

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD 32.993 for nine months ended September 30, 2007.

(2) 1 ADR equals 5 ordinary shares.

(3) Total diluted weighted average outstanding shares were 26,395M shares for the nine months ended September 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.*
-

Table of Contents**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND
SUBSIDIARIES****Consolidated Condensed Statements of Cash Flows****For the Nine Months Ended September 30, 2007 and for the Three Months Ended September 30,
2007, June 30, 2007, and September 30, 2006****(Expressed in Millions of New Taiwan Dollars (NTD) and U.S. Dollars (USD))**

| | Nine Months 2007 (Unaudited) | | 3Q 2007 (Unaudited) | 2Q 2007 (Unaudited) | 3Q 2006 (Unaudited) |
|---|---|-----------------|--------------------------------|--------------------------------|--------------------------------|
| | USD | NTD | NTD | NTD | NTD |
| Cash Flows from Operating Activities: | | | | | |
| Net Income | \$ 2,264 | \$ 74,692 | \$ 30,369 | \$ 25,484 | \$ 32,489 |
| Net Income Attributable to Minority Interest | 16 | 516 | 248 | 146 | 30 |
| Depreciation & Amortization | 1,810 | 59,724 | 19,857 | 19,616 | 18,411 |
| Deferred Income Tax | 2 | 67 | 668 | 371 | (136) |
| Equity in Earnings of Equity Method Investees, Net | (49) | (1,631) | (782) | (488) | (709) |
| Changes in Working Capital & Others | (284) | (9,361) | 758 | (10,384) | 2,593 |
| Net Cash Provided by Operating Activities | 3,759 | 124,007 | 51,118 | 34,745 | 52,678 |
| Cash Flows from Investing Activities: | | | | | |
| Acquisitions of: | | | | | |
| Marketable Financial Instruments | (1,669) | (55,072) | (25,042) | (14,234) | (27,054) |
| Investments Accounted for Using Equity Method | (176) | (5,810) | (5,810) | | (132) |
| Property, Plant and Equipment | (1,946) | (64,220) | (24,917) | (25,345) | (28,256) |
| Financial Assets Carried at Cost | (25) | (808) | (378) | (218) | (205) |
| Proceeds from Disposal or maturity of: | | | | | |
| Marketable Financial Instruments | 2,169 | 71,554 | 22,282 | 30,013 | 18,486 |
| Investments Accounted for Using Equity Method | | | | | |
| Property, Plant and Equipment | 1 | 26 | 15 | 10 | 217 |
| Financial Assets Carried at Cost | 8 | 269 | 255 | | 105 |
| Others | (121) | (3,967) | (866) | (383) | (147) |
| Net Cash Used In Investing Activities | (1,759) | (58,028) | (34,461) | (10,157) | (36,986) |

| | | | | | |
|---|----------|-----------|-----------|------------|-----------|
| Cash Flows from Financing Activities: | | | | | |
| Increase (Decrease) in Guarantee Deposits | (38) | (1,253) | (447) | (418) | 327 |
| Proceeds from Exercise of Stock Options | 12 | 402 | 105 | 175 | 97 |
| Bonus Paid to Directors and Supervisors | (9) | (286) | | (286) | |
| Repayment of Long-Term Bonds Payable | (76) | (2,500) | | | |
| Cash Dividends Paid for Common Stock | (2,345) | (77,387) | (77,387) | | (61,743) |
| Cash Bonus Paid to Employees | (139) | (4,573) | (4,573) | | (3,432) |
| Others | 9 | 296 | 322 | 2 | 13 |
| Net Cash Provided by (Used in) Financing Activities | (2,586) | (85,301) | (81,980) | (527) | (64,738) |
| Net Increase in Cash and Cash Equivalents | (586) | (19,322) | (65,323) | 24,061 | (49,046) |
| Effect of Exchange Rate Changes and Others | (6) | (187) | 260 | (944) | 497 |
| Cash and Cash Equivalents at Beginning of Period | 3,572 | 117,837 | 163,391 | 140,274 | 141,452 |
| Cash and Cash Equivalents at End of Period | \$ 2,980 | \$ 98,328 | \$ 98,328 | \$ 163,391 | \$ 92,903 |

Note: (1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD32.993 for the nine months ended September 30, 2007.

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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: October 25, 2007

By /s/ Lora Ho

Lora Ho
Vice President & Chief Financial
Officer