

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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July 26, 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)***

	2Q07	1Q07	2Q06	QoQ	YoY
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
TSMC total capacity (8" equiv. Kpcs)	1,836	1,913	2,113	2,237	8,099
SSMC (8 ")	53	55	56	61	226
Total managed capacity (8" equiv. Kpcs)	1,890	1,967	2,169	2,298	8,325

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
COGS	42.7	40.3	39.6
Depreciation	17.9	18.5	16.5

Other MFG Cost	24.8	21.8	23.1
Gross Profit	32.2	24.6	42.5
Gross Margin	43.0%	37.9%	51.8%

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)	2Q07	1Q07	2Q06
Total Operating Exp.	7.45	6.73	7.18
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)	2Q07	1Q07	2Q06
Non-Operating Income/(Exp.)	2,802	1,830	299
Net Interest Income/(Exp.)	1,338	1,162	924
Other Non-Operating	1,464	668	(625)
L-T Investments	488	361	650
SSMC	233	70	471
Others	255	291	179
Total Non-Operating Items	3,290	2,191	949

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)	2Q07	1Q07	2Q06
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
Total Current Assets	304.6	286.1	279.7
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
Total Current Liabilities	132.4	45.1	110.3
Current Ratio (x)	2.3	6.3	2.5
Net Working Capital	172.2	241.0	169.4

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

	2Q07	1Q07	2Q06
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)	2Q07	1Q07	2Q06
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)
Total Op Sources/(Uses)	34.7	38.1	50.4
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)
Net Investing Sources/(Uses)	(10.2)	(13.4)	(30.3)
Repayment of Bonds Payable	0.0	(2.5)	0.0
Other Financing Sources/(Uses)	(0.5)	(0.3)	0.1
Net Financing Sources/(Uses)	(0.5)	(2.8)	0.1
Net Cash Position Changes	24.0	21.9	20.2
Exchange Rate Changes & Others	(0.9)	0.6	(0.0)
Ending Cash Balance	163.4	140.3	141.5

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
Total TSMC	766	424	1,190

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 (unaudited)		June 30, 2006 (audited)		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
ASSETS											
Current Assets											
Cash and Cash											
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											
Marketable											
Financial											
Instruments	2,129	69,685	10.9	77,096	12.7	70,139	11.8	(7,411)	-9.6	(454)	(0.6)
Accounts											
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											
Assets	319	10,464	1.7	13,356	2.2	10,079	1.7	(2,892)	(21.6)	385	3.8
Total Current											
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											
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											
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											
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											
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
LIABILITIES AND											
SHAREHOLDERS											
EQUITY											
Current Liabilities & n											