

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

October 31, 2008

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 2008**

**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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**FOR IMMEDIATE RELEASE****3Q08 Quarterly Management Report  
October 30, 2008****CONTACT****Elizabeth Sun / Harrison Hsueh**

Investor Relations Division

TSMC

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886-3-568-2085/ 2088

Topics in This Report

Revenue Analysis

Profit &amp; Expense Analysis

Financial Condition Review

Cash Flow

CapEx &amp; Capacity

Recap of Recent Important Events &amp; Announcements

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

	<b>3Q08</b>	<b>2Q08</b>	<b>3Q07</b>	<b>QoQ</b>	<b>YoY</b>
EPS (NT\$per common share)	1.18	1.10	1.13	7.5%	4.9%
(US\$per ADR unit)	0.19	0.18	0.17		
Consolidated Net Sales	92.98	88.14	88.96	5.5%	4.5%
Gross Profit	43.09	40.22	40.72	7.1%	5.8%
<i>Gross Margin</i>	<i>46.3%</i>	<i>45.6%</i>	<i>45.8%</i>		
Operating Expense	(10.18)	(9.85)	(8.37)	3.3%	21.6%
Operating Income	32.92	30.37	32.35	8.4%	1.7%
<i>Operating Margin</i>	<i>35.4%</i>	<i>34.5%</i>	<i>36.4%</i>		
Non-Operating Items	1.51	2.00	1.87	(24.5%)	(18.9%)
Net Income	30.57	28.77	30.37	6.3%	0.7%
<i>Net Profit Margin</i>	<i>32.9%</i>	<i>32.6%</i>	<i>34.1%</i>		
Wafer Shipment (kpcs 8 inch-equiv.)	2,411	2,329	2,226	3.5%	8.3%

**Note: Total  
outstanding shares  
were 25,625mn units  
on 9/30/08**

**Remarks:**

The diluted earnings per share in 3Q08 were NT\$1.18, representing an increase of 4.9% over the same period last year and an increase of 7.5% from the previous quarter. The consolidated operating results of 3Q08 are summarized below: Net sales in the third quarter were NT\$93.0 billion, up 4.5% from NT\$89.0 billion in 3Q07 and up 5.5% from NT\$88.1 billion in 2Q08.

Gross profit for the quarter was NT\$43.1 billion with gross margin of 46.3%, 0.7 percentage point higher than the 45.6% gross margin in 2Q08, mainly due to a favorable change of the exchange rate.

Operating expenses, including expenses accrued for employee profit sharing, were NT\$10.2 billion or 10.9% of net sales. The combined result from non-operating income and long-term investments was a gain of NT\$1.5 billion. Consolidated net income attributable to shareholders of the parent company, including an accrual of employee profit sharing, was NT\$30.6 billion, slightly up 0.7% from a year ago level and up 6.3% from the previous quarter. Net profit margin was 32.9% for 3Q08.

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

By Application	3Q08	2Q08	3Q07
Computer	33%	31%	32%
Communication	41%	41%	42%
Consumer	20%	21%	17%
Industrial/Others	6%	7%	9%
By Technology	3Q08	2Q08	3Q07
65nm and below	25%	18%	7%
90nm	26%	28%	27%
0.11/0.13um	15%	17%	22%
0.15/0.18um	22%	23%	28%
0.25/0.35um	9%	10%	11%
0.50um+	3%	4%	5%
By Customer Type	3Q08	2Q08	3Q07
Fabless/System	70%	71%	66%
IDM	30%	29%	34%
By Geography	3Q08	2Q08	3Q07
North America	74%	73%	74%
Asia Pacific	13%	13%	13%
Europe	10%	11%	10%
Japan	3%	3%	3%

**Revenue Analysis:**

In-line with our guidance, the third quarter 2008 revenue reached NT\$93.0 billion. 3Q08 business saw a continued improvement and revenue benefited from a 2.4% depreciation in the NT dollar against the US dollar. Demand grew across the board during the quarter. On a quarter-over-quarter basis, revenues from computer, communication, and consumer applications increased 9%, 7% and 1%, respectively.

As a result of continued strong ramp for our 65nm technology, revenue from 65nm reached 25% of total wafer sales during the quarter, up from 18% in the previous quarter. Meanwhile, revenue from 90nm declined slightly to 26% of total wafer sales. Overall, revenues from advanced technologies (0.13-micron and below) accounted for 66% of total wafer sales, up from 63% in 2Q08.

Revenues from IDM customers accounted for 30% of total wafer sales in 3Q08, slightly up from 2Q08.

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

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

(In NT billions)	<b>3Q08</b>	<b>2Q08</b>	<b>3Q07</b>
<b>COGS</b>	<b>49.89</b>	<b>47.92</b>	<b>48.23</b>
Depreciation	19.06	18.23	18.20
Other MFG Cost	30.83	29.69	30.03

<b>Gross Profit</b>	<b>43.09</b>	<b>40.22</b>	<b>40.72</b>
<b>Gross Margin</b>	<b>46.3%</b>	<b>45.6%</b>	<b>45.8%</b>

***Gross Profit Analysis:***

Gross margin in 3Q08 was 46.3%, up 0.7 percentage point from the previous quarter, mainly reflecting a favorable change of the exchange rate.

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**II 2. Operating Expenses**

(In NT billions)	3Q08	2Q08	3Q07
<b>Total Operating Exp.</b>	<b>10.18</b>	<b>9.85</b>	<b>8.37</b>
SG&A	4.20	4.45	3.68
Research & Development	5.98	5.40	4.69
<b>Total Operating Exp. as a % of Sales</b>	<b>10.9%</b>	<b>11.1%</b>	<b>9.4%</b>

**Operating Expenses:**

Total operating expenses for 3Q08 increased by 3.3% sequentially to reach NT\$10.2 billion, or 10.9% of net sales, compared with 11.1% of net sales in the previous quarter.

Research and development expenditures increased by NT\$577 million quarter-over-quarter, mainly due to 32nm technology development and 45nm technology transfer.

SG&A expenses decreased by NT\$248 million from the previous quarter, primarily due to less spending in this quarter for the ramp-up of Fab 14 Phase 3 and for the promotion of world-wide technology marketing activities.

**II 3. Non-Operating Items**

(In NT billions)	3Q08	2Q08	3Q07
<b>Non-Operating Inc./(Exp.)</b>	<b>1.33</b>	<b>1.72</b>	<b>1.09</b>
Net Interest Income/(Exp.)	1.15	1.24	1.10
Other Non-Operating	0.18	0.48	(0.01)
<b>L-T Investments</b>	<b>0.18</b>	<b>0.28</b>	<b>0.78</b>
SSMC	0.15	0.30	0.41
Others	0.03	(0.02)	0.37
<b>Total Non-Operating Items</b>	<b>1.51</b>	<b>2.00</b>	<b>1.87</b>

**Non-Operating Items:**

Combined result from non-operating income and long-term investments income was a gain of NT\$1.5 billion for the third quarter 2008.

Non-operating income was NT\$1.3 billion, down from NT\$1.7 billion in 2Q08, primarily due to an increase of valuation losses on financial instruments, less gains from disposal of financial assets, and recognition of losses from idle tools, but partially offset by less impairment losses of financial assets.

Net investment income decreased by NT\$94 million in the quarter to NT\$185 million.

**II 4. PSE Impact**

	3Q08	2Q08	3Q07
<b>Gross Margin w/ PSE</b>	<b>46.3%</b>	<b>45.6%</b>	<b>41.3%</b>
Gross Margin w/o PSE	48.9%	48.2%	45.8%
PSE Impact	-2.6%	-2.6%	-4.5%
<b>Operating Margin w/ PSE</b>	<b>35.4%</b>	<b>34.5%</b>	<b>27.7%</b>
Operating Margin w/o PSE	40.3%	39.4%	36.4%
PSE Impact	-4.9%	-4.9%	-8.7%

\* PSE: Profit  
Sharing  
Expenses

\*\* 2007 PSE  
impact is  
estimated using  
the 6/12/2008  
closing share  
price adjusted  
for dividends

***The Impact of Employee Profit Sharing:***

Total impact from employee profit sharing expensing (PSE) on gross margin in 3Q08 was 2.6 percentage points, flat comparing to the previous quarter.

Similarly, total PSE impact on operating margin was 4.9 percentage points in 3Q08.

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

(In NT billions)	<b>3Q08</b>	<b>2Q08</b>	<b>3Q07</b>
Cash & Marketable Securities	158.17	223.99	176.39
Accounts Receivable Trade	45.33	41.86	42.36
Inventory	21.82	23.36	24.53
<b>Total Current Assets</b>	<b>232.35</b>	<b>299.76</b>	<b>250.06</b>
Accounts Payable	17.75	21.14	24.24
Current Portion of Bonds Payable	8.00	8.00	4.50
Dividends Payable	0.00	77.04	0.00
Accrued Bonus to Employees, Directors and Supervisors	13.46	12.96	0.00
Accrued Liabilities and Others	22.92	27.84	22.15
<b>Total Current Liabilities</b>	<b>62.13</b>	<b>146.98</b>	<b>50.89</b>
Current Ratio (x)	3.7	2.0	4.9
<b>Net Working Capital</b>	<b>170.22</b>	<b>152.78</b>	<b>199.17</b>

**Liquidity Analysis:**

At the end of 3Q08, total current assets decreased by NT\$ 67.4 billion to NT\$232.3 billion, mainly due to the decrease of NT\$65.8 billion in cash and marketable securities as we paid cash dividend of NT\$76.8 billion in this quarter.

Total current liabilities decreased by NT\$84.8 billion in this quarter, primarily due to the payment of cash dividends accrued in the previous quarter.

Net working capital was NT\$170.2 billion and current ratio increased to 3.7 at the end of this quarter.

**III 2. Receivable/Inventory Days**

(In Number of Days)	<b>3Q08</b>	<b>2Q08</b>	<b>3Q07</b>
Days of Receivable	43	42	42
Days of Inventory	45	47	48

**Receivable and Inventory Days:**

Sequentially, days of receivable increased by one day to 43 days in 3Q08 while days of inventory decreased by two days to 45 days.

**III 3. Debt Service**

(In NT billions)	<b>3Q08</b>	<b>2Q08</b>	<b>3Q07</b>
Cash & Marketable Securities	158.17	223.99	176.39
Interest-Bearing Debt	23.41	22.90	26.66
Net Cash Reserves	134.76	201.09	149.73

**Debt Service:**

Net cash reserves defined as the excess of cash and short-term marketable securities over interest-bearing debt decreased by NT\$66.3 billion to NT\$134.8 billion at the end of 3Q08, primarily due to the payment of cash dividends.



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**IV. Cash Flow****IV 1. Cash Flow Analysis**

(In NT billions)	<b>3Q08</b>	<b>2Q08</b>	<b>3Q07</b>
Net Income	30.57	28.77	30.37
Depreciation & Amortization	20.69	20.03	19.86
Other Operating Sources/(Uses)	4.64	(3.75)	0.98
<b>Total Operating Sources/(Uses)</b>	<b>55.90</b>	<b>45.05</b>	<b>51.21</b>
Capital Expenditure	(10.38)	(22.27)	(24.92)
Marketable Financial Instruments	(18.07)	27.20	(2.76)
Other Investing Sources/(Uses)	1.93	(1.33)	(6.78)
<b>Net Investing Sources/(Uses)</b>	<b>(26.52)</b>	<b>3.60</b>	<b>(34.46)</b>
Cash Dividends	(76.78)	0.00	(77.39)
Employee Profit Sharing	(3.94)	0.00	(4.57)
Purchase of Treasury Stock	(23.81)	(6.62)	0.00
Other Financing Sources/(Uses)	(0.43)	(0.23)	(0.02)
<b>Net Financing Sources/(Uses)</b>	<b>(104.96)</b>	<b>(6.85)</b>	<b>(81.98)</b>
<b>Net Cash Position Changes</b>	<b>(75.58)</b>	<b>41.80</b>	<b>(65.23)</b>
<b>Exchange Rate Changes &amp; Others</b>	<b>2.68</b>	<b>(0.73)</b>	<b>0.17</b>
<b>Ending Cash Balance</b>	<b>112.45</b>	<b>185.35</b>	<b>98.33</b>

**Summary of Cash Flow:**

Cash generated from operating activities totaled NT\$55.9 billion during the quarter, up from NT\$45.1 billion in 2Q08. Net cash used in investing activities was NT\$26.5 billion in 3Q08, reflecting the capital expenditure of NT\$10.4 billion and a net increase of NT\$18.1 billion in marketable financial instruments.

Net cash used in financing activities was NT\$105.0 billion during the quarter, as we paid NT\$80.7 billion for cash dividends and employee profit sharing as well as NT\$23.8 billion in share buyback.

As a result, TSMC ended the quarter with a cash balance of NT\$112.4 billion.

**Operating and Free Cash Flows:**

Cash flows generated from operating activities were NT\$55.9 billion during the quarter. Free cash flow, defined as the excess of operating cash flows over capital expenditures, totaled NT\$45.5 billion in 3Q08, compared to NT\$22.8 billion in 2Q08.

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**V. CapEx & Capacity****V 1. Capital Expenditures**

(In US millions)	<b>1Q08</b>	<b>2Q08</b>	<b>3Q08</b>	<b>YTD</b>
TSMC	452	712	317	1,481
XinTec and GUC	13	5	3	21
TSMC Shanghai & WaferTech	18	11	11	40
Other TSMC Subsidiaries	1	0	1	2
<b>Total TSMC</b>	<b>484</b>	<b>728</b>	<b>332</b>	<b>1,544</b>

**Capital Expenditures:**

Capital expenditures for TSMC on a consolidated basis totaled US\$332 million during the quarter. First quarter through third quarter 2008, total capital expenditure reached US\$1.5 billion.

**V 2. Capacity**

<b>Fab / (Wafer size)</b>	<b>1Q08 (A)</b>	<b>2Q08 (A)</b>	<b>3Q08 (A)</b>	<b>4Q08 (F)</b>	<b>2008 (F)</b>
Fab-2 (6") <sup>1</sup>	248	267	270	272	1,056
Fab-3 (8")	277	281	268	274	1,100
Fab-5 (8")	163	165	161	161	650
Fab-6 (8")	265	267	268	282	1,082
Fab-8 (8")	262	275	267	272	1,076
Fab-12 (12") <sup>2</sup>	197	207	214	221	840
Fab-14 (12") <sup>2</sup>	167	185	229	236	818
WaferTech (8")	105	105	106	106	420
TSMC (Shanghai) (8")	88	110	128	128	453
<b>TSMC total capacity (8" equiv. Kpcs)</b>	<b>2,117</b>	<b>2,236</b>	<b>2,346</b>	<b>2,405</b>	<b>9,104</b>
SSMC (8")	63	67	69	73	272
<b>Total managed capacity (8" equiv. Kpcs)</b>	<b>2,180</b>	<b>2,303</b>	<b>2,416</b>	<b>2,478</b>	<b>9,377</b>

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

2. Figures represent number of 12" wafers.

Conversion to  
8"-equivalent  
wafers is  
obtained by  
multiplying this  
number by 2.25

***Capacity:***

Total TSMC managed capacity was 2,416K 8-inch equivalent wafers in the third quarter, 5% more than 2Q08. TSMC managed capacity in 4Q08 will increase by 3% to reach 2,478K 8-inch equivalent wafers.

Total managed capacity for 2008 is expected to reach 9,377K 8-inch equivalent wafers, representing an increase of 13% from 8,290K 8-inch equivalent wafers in 2007, while capacity for 12-inch wafer fabs will increase by 27%.

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

- 1 TSMC Wins Asia's Best Companies Poll 2008 Held by FinanceAsia to Be Taiwan's Best Managed Companies, Best Corporate Governance, Best Investor Relations, And Most Committed to a Strong Dividend Policy (2008/09/30)
  - 1 TSMC's 28nm Will Be a Full Node Process to Provide First Comprehensive Manufacturing Platform Featuring Both High-K Metal Gate And Silicon Oxynitride (2008/09/29)
  - 1 TSMC Was Selected As DJSI Member For Eighth Straight Year and Joins Carbon Disclosure Leadership Index For First Time (2008/09/26)
  - 1 Philips Completes Exit of TSMC Shareholding (2008/08/14)
  - 1 TSMC Board Approves Plan to Buy Back Shares Up to NT\$16.5 Billion (Approximately US\$542 Million), or No More Than 283 Million Shares, of The Company's Common Shares from The Open Market (2008/08/12)
  - 1 TSMC Fab 14, Phase 3 Wins LEED Green Building Certification With Gold Class Score (2008/08/07)
  - 1 TSMC Announces Material Information About Clarification of TSMC's Business Outlook for The Second And Third Quarters 2008 (2008/07/03)
  - 1 TSMC Announces Common Share Ex-dividend Date at July 16<sup>th</sup>, 2008 (2008/07/01)
- \* Please visit TSMC's Web site (<http://www.tsmc.com>) for details about these and other announcements.
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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES****Consolidated Condensed Balance Sheets**

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

	September 30, 2008 (unaudited)			June 30, 2008 (audited)		September 30, 2007 (unaudited)		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	\$ 3,500	\$ 112,446	20.4	\$ 185,346	30.1	\$ 98,328	16.8	(\$ 72,900)	(39.3)	\$ 14,118	14.1
Investments in Marketable Financial Instruments	1,423	45,724	8.3	38,642	6.3	78,064	13.3	7,082	18.3	(32,340)	(41.1)
Accounts Receivable	1,411	45,333	8.2	41,858	6.8	42,357	7.2	3,475	8.3	2,976	7.0
Inventories, Net	679	21,817	4.0	23,359	3.8	24,532	4.2	(1,542)	(6.6)	(2,715)	(11.1)
Other Current Assets	219	7,029	1.3	10,558	1.7	6,775	1.2	(3,529)	(33.4)	254	3.8
<b>Total Current Assets</b>	<b>7,232</b>	<b>232,349</b>	<b>42.2</b>	<b>299,763</b>	<b>48.7</b>	<b>250,056</b>	<b>42.7</b>	<b>(67,414)</b>	<b>(22.5)</b>	<b>(17,707)</b>	<b>(7.1)</b>
<b>Long-Term Assets</b>											
Property, Plant and Equipment	26,449	849,818	154.5	836,936	136.0	786,850	134.2	12,882	1.5	62,968	8.0
Less: Accumulated Depreciation	(18,597)	(597,523)	(108.6)	(574,738)	(93.4)	(521,614)	(89.0)	(22,785)	4.0	(75,909)	14.1
Property, Plant and Equipment, Net	7,852	252,295	45.9	262,198	42.6	265,236	45.2	(9,903)	(3.8)	(12,941)	(4.8)
Other Assets	731	23,481	4.3	21,325	3.5	25,124	4.3	2,156	10.1	(1,643)	(6.1)
<b>Total Assets</b>	<b>\$ 17,118</b>	<b>\$ 549,999</b>	<b>100.0</b>	<b>\$ 615,223</b>	<b>100.0</b>	<b>\$ 586,407</b>	<b>100.0</b>	<b>(\$ 65,224)</b>	<b>(10.6)</b>	<b>(\$ 36,408)</b>	<b>(6.3)</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>											
<b>Current Liabilities</b>											
Short-Term Bank Loans	\$	\$		\$		\$ 98		\$		(\$ 98)	(100.0)

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Accounts Payable	301	9,671	1.8	11,632	1.9	12,492	2.1	(1,961)	(16.9)	(2,821)	(22.3)
Payables to Contractors and Equipment Suppliers	252	8,082	1.4	9,511	1.5	11,745	2.0	(1,429)	(15.0)	(3,663)	(31.3)
Accrued Expenses and Other Current Liabilities	1,124	36,124	6.6	117,576	19.2	21,776	3.8	(81,452)	(69.3)	14,348	65.3
Current Portion of Bonds Payable and Long-Term Liabilities	257	8,258	1.5	8,262	1.3	4,782	0.8	(4)	(0.0)	3,476	72.3
Total Current Liabilities	1,934	62,135	11.3	146,981	23.9	50,893	8.7	(84,846)	(57.7)	11,242	22.3
Bonds Payable	140	4,500	0.8	4,500	0.7	12,500	2.1			(8,000)	(64.8)
Other Long-Term Liabilities	546	17,541	3.2	17,055	2.8	18,395	3.1	486	2.9	(854)	(4.6)
Total Liabilities	2,620	84,176	15.3	168,536	27.4	81,788	13.9	(84,360)	(50.1)	2,388	2.3
Shareholders' Equity											
Attributable to Shareholders of the Parent											
Capital Stock	8,062	259,042	47.1	261,535	42.5	264,262	45.1	(2,493)	(1.0)	(5,220)	(2.0)
Capital Surplus	1,571	50,463	9.2	50,917	8.3	53,713	9.2	(454)	(0.9)	(3,250)	(6.3)
Retained Earnings	5,315	170,779	31.0	151,953	24.7	184,380	31.4	18,826	12.4	(13,601)	(7.1)
Treasury Stock	(514)	(16,500)	(3.0)	(14,845)	(2.4)	(918)	(0.2)	(1,655)	11.1	(15,582)	1697.3
Others	(53)	(1,708)	(0.3)	(6,319)	(1.1)	(162)		4,611	(73.0)	(1,546)	954.3
Total Equity											
Attributable to Shareholders of the Parent	14,381	462,076	84.0	443,241	72.0	501,275	85.5	18,835	4.2	(39,199)	(7.2)
Minority Interests	117	3,747	0.7	3,446	0.6	3,344	0.6	301	8.7	403	12.3
Total Shareholders' Equity	14,498	465,823	84.7	446,687	72.6	504,619	86.1	19,136	4.3	(38,796)	(7.2)
Total Liabilities & Shareholders' Equity	\$ 17,118	\$ 549,999	100.0	\$ 615,223	100.0	\$ 586,407	100.0	(\$ 65,224)	(10.6)	(\$ 36,408)	(6.3)

Note : (1) Amounts in New Taiwan dollars have been translated into U.S. dollars

at the rate of  
NT\$32.130 as  
of  
September 30,  
2008.

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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES****Unaudited Consolidated Condensed Income Statements****For the Three Months Ended September 30, 2008, June 30, 2008, September 30, 2007****(Expressed in Millions of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD )****Except for Per Share Amounts and Shares Outstanding)**

	3Q 2008			2Q 2008		3Q 2007		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
Net Sales	\$ 2,984	\$ 92,979	100.0	\$ 88,137	100.0	\$ 88,955	100.0	\$ 4,842	5.5	\$ 4,024	4.5
Cost of Sales	(1,601)	(49,885)	(53.7)	(47,916)	(54.4)	(48,231)	(54.2)	(1,969)	4.1	(1,654)	3.4
Gross Profit	1,383	43,094	46.3	40,221	45.6	40,724	45.8	2,873	7.1	2,370	5.8
Operating Expenses											
Research and Development Expenses	(192)	(5,981)	(6.4)	(5,404)	(6.1)	(4,691)	(5.3)	(577)	10.7	(1,290)	27.5
General and Administrative Expenses	(96)	(2,979)	(3.2)	(3,170)	(3.6)	(2,872)	(3.2)	191	(6.0)	(107)	3.7
Sales and Marketing Expenses	(39)	(1,217)	(1.3)	(1,274)	(1.4)	(808)	(0.9)	57	(4.5)	(409)	50.5
Total Operating Expenses	(327)	(10,177)	(10.9)	(9,848)	(11.1)	(8,371)	(9.4)	(329)	3.3	(1,806)	21.6
Income from Operations	1,056	32,917	35.4	30,373	34.5	32,353	36.4	2,544	8.4	564	1.7
Non-Operating Income, Net	43	1,328	1.4	1,725	1.9	1,083	1.2	(397)	(23.0)	245	22.5
Investment Gains	6	185	0.2	279	0.3	782	0.9	(94)	(33.6)	(597)	(76.3)
Income before Income Tax	1,105	34,430	37.0	32,377	36.7	34,218	38.5	2,053	6.3	212	0.6
Income Tax Expenses	(118)	(3,658)	(3.9)	(3,503)	(4.0)	(3,600)	(4.1)	(155)	4.4	(58)	1.6
Net Income	987	30,772	33.1	28,874	32.7	30,618	34.4	1,898	6.6	154	0.5



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Minority Interests	(6)	(198)	(0.2)	(103)	(0.1)	(248)	(0.3)	(95)	91.4	50	(20.2)
Net Income Attributable to Shareholders of the Parent	981	30,574	32.9	28,771	32.6	30,370	34.1	1,803	6.3	204	0.7
Earnings per Share Diluted	\$ 0.04	\$ 1.18		\$ 1.10		\$ 1.13		\$ 0.08	7.5	\$ 0.05	4.9
Earnings per ADR Diluted <sup>(2)</sup>	\$ 0.19	\$ 5.91		\$ 5.50		\$ 5.64		\$ 0.41	7.5	\$ 0.27	4.9
Weighted Average Outstanding Shares Diluted ( M <sup>(3)</sup> )		25,850		26,153		26,932					

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD31.162 for the third quarter of 2008.

(2) 1 ADR equals 5 ordinary shares.

(3) Total diluted weighted average outstanding shares were 26,153M and 26,932M shares for 2Q08 and 3Q07 respectively

*after the  
retroactive  
adjustments for  
stock dividends  
and stock bonus.*

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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES****Unaudited Consolidated Condensed Income Statements****For the Nine Months End September 30, 2008 and 2007****(Expressed in Millions of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD )  
Except for Per Share Amounts and Shares Outstanding)**

	USD	For the Nine Months Ended September 30					
		2008 NTD	%	2007 NTD	%	YoY	
						Amount	%
Net Sales	\$ 8,647	\$ 268,595	100.0	\$ 228,771	100.0	\$ 39,824	17.4
Cost of Sales	(4,734)	(147,041)	(54.7)	(131,256)	(57.4)	(15,785)	12.0
Gross Profit	3,913	121,554	45.3	97,515	42.6	24,039	24.7
Operating Expenses							
Research and Development Expenses	(536)	(16,655)	(6.2)	(12,934)	(5.7)	(3,721)	28.8
General and Administrative Expenses	(284)	(8,811)	(3.3)	(6,926)	(3.0)	(1,885)	27.2
Sales and Marketing Expenses	(118)	(3,674)	(1.4)	(2,691)	(1.1)	(983)	36.5
Total Operating Expenses	(938)	(29,140)	(10.9)	(22,551)	(9.8)	(6,589)	29.2
Income from Operations	2,975	92,414	34.4	74,964	32.8	17,450	23.3
Non-Operating Income, Net	158	4,923	1.8	5,715	2.5	(792)	(13.9)
Investment Gains	34	1,042	0.4	1,631	0.7	(589)	(36.1)
Income before Income Tax	3,167	98,379	36.6	82,310	36.0	16,069	19.5
Income Tax Expenses	(338)	(10,497)	(3.9)	(7,102)	(3.1)	(3,395)	47.8
Net Income	2,829	87,882	32.7	75,208	32.9	12,674	16.9
Minority Interest	(13)	(395)	(0.1)	(516)	(0.2)	121	(23.7)
Net Income Attributable to Shareholders of the Parent	2,816	87,487	32.6	74,692	32.7	12,795	17.1

Earnings per Share Diluted	\$ 0.11	\$ 3.34	\$ 2.77	\$ 0.57	20.6
Earnings per ADR Diluted <sup>(2)</sup>	\$ 0.54	\$ 16.72	\$ 13.87	\$ 2.85	20.6
Weighted Average Outstanding Shares Diluted ( M <sup>(3)</sup> )		26,156	26,932		

Note:

- (1) *Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD 31.064 for nine month ended September 30, 2008.*
- (2) *1 ADR equals 5 ordinary shares.*
- (3) *Total diluted weighted average outstanding shares were 26,932M shares for the nine months ended September 30, 2007 after the retroactive adjustments for stock dividends and stock bonus.*
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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES**  
**Consolidated Condensed Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2008 and for the Three Months Ended September 30, 2008,**  
**June 30, 2008, and September 30, 2007**  
**(Expressed in Millions of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD ))**

	Nine Months 2008 (unaudited)		3Q 2008 (unaudited)	2Q 2008 (unaudited)	3Q 2007 (unaudited)
	USD	NTD	NTD	NTD	NTD
Cash Flows from Operating Activities:					
Net Income	\$ 2,816	\$ 87,487	\$ 30,574	\$ 28,771	\$ 30,369
Net Income Attributable to Minority Interest	13	394	198	103	248
Depreciation & Amortization	1,949	60,551	20,686	20,034	19,857
Deferred Income Tax	68	2,125	410	1,280	668
Equity in Earnings of Equity Method Investees, Net	(34)	(1,042)	(185)	(280)	(782)
Changes in Working Capital & Others <sup>(2)</sup>	282	8,735	4,220	(4,857)	852
<b>Net Cash Provided by Operating Activities</b>	<b>5,094</b>	<b>158,250</b>	<b>55,903</b>	<b>45,051</b>	<b>51,212</b>
Cash Flows from Investing Activities:					
Acquisitions of:					
Marketable Financial Instruments	(2,213)	(68,738)	(40,201)	(14,635)	(25,042)
Investments Accounted for Using Equity Method	(2)	(55)	(55)		(5,810)
Property, Plant and Equipment	(1,544)	(47,965)	(10,378)	(22,274)	(24,917)
Financial Assets Carried at Cost	(12)	(390)	(87)	(90)	(378)
Proceeds from Disposal or maturity of:					
Marketable Financial Instruments	2,922	90,782	22,126	41,840	22,282
Investments Accounted for Using Equity Method					
Property, Plant and Equipment	6	171	140	30	15
Financial Assets Carried at Cost	4	126		35	255
Others		14	1,930	(1,310)	(866)
<b>Net Cash Provided by (Used In) Investing Activities</b>	<b>(839)</b>	<b>(26,055)</b>	<b>(26,525)</b>	<b>3,596</b>	<b>(34,461)</b>
Cash Flows from Financing Activities:					
Decrease in Guarantee Deposits	(20)	(619)	(83)	(164)	(447)
Proceeds from Exercise of Stock Options	8	223	51	91	105

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Bonus Paid to Directors and Supervisors	(6)	(177)	(177)		
Repayment of Long-Term Bonds Payable					
Cash Dividends Paid for Common Stock	(2,472)	(76,779)	(76,779)		(77,387)
Repurchase of Treasury Stock	(1,078)	(33,481)	(23,812)	(6,615)	
Cash Bonus Paid to Employees	(127)	(3,940)	(3,940)		(4,573)
Others	(10)	(322)	(222)	(159)	322
Net Cash Used in Financing Activities	(3,705)	(115,095)	(104,962)	(6,847)	(81,980)
Net Increase (Decrease) in Cash and Cash Equivalents	550	17,100	(75,584)	41,800	(65,229)
Effect of Exchange Rate Changes and Others <sup>(2)</sup>	12	360	2,684	(731)	166
Cash and Cash Equivalents at Beginning of Period	3,058	94,986	185,346	144,277	163,391
Cash and Cash Equivalents at End of Period	\$ 3,620	\$ 112,446	\$ 112,446	\$ 185,346	\$ 98,328

*Note: (1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD 31.064 for the nine months ended September 30, 2008.*

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

































**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 30, 2008

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