

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: _____.)

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

Investor Relations Division

TSMC

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Topics in This Report

Revenue Analysis

Profit & Expense Analysis

Financial Condition Review

Cash Flow

CapEx & Capacity

Recap of Recent Important Events & Announcements

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

| | 3Q08 | 2Q08 | 3Q07 | QoQ | YoY |
|-------------------------------------|--------------|--------------|--------------|------------|------------|
| 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) | 3Q08 | 2Q08 | 3Q07 |
| COGS | 49.89 | 47.92 | 48.23 |
| Depreciation | 19.06 | 18.23 | 18.20 |
| Other MFG Cost | 30.83 | 29.69 | 30.03 |

| | | | |
|---------------------|--------------|--------------|--------------|
| Gross Profit | 43.09 | 40.22 | 40.72 |
| Gross Margin | 46.3% | 45.6% | 45.8% |

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 |
|---|--------------|--------------|-------------|
| Total Operating Exp. | 10.18 | 9.85 | 8.37 |
| SG&A | 4.20 | 4.45 | 3.68 |
| Research & Development | 5.98 | 5.40 | 4.69 |
| Total Operating Exp. as a % of Sales | 10.9% | 11.1% | 9.4% |

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 |
|----------------------------------|-------------|-------------|-------------|
| Non-Operating Inc./(Exp.) | 1.33 | 1.72 | 1.09 |
| Net Interest Income/(Exp.) | 1.15 | 1.24 | 1.10 |
| Other Non-Operating | 0.18 | 0.48 | (0.01) |
| L-T Investments | 0.18 | 0.28 | 0.78 |
| SSMC | 0.15 | 0.30 | 0.41 |
| Others | 0.03 | (0.02) | 0.37 |
| Total Non-Operating Items | 1.51 | 2.00 | 1.87 |

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 |
|--------------------------------|--------------|--------------|--------------|
| Gross Margin w/ PSE | 46.3% | 45.6% | 41.3% |
| Gross Margin w/o PSE | 48.9% | 48.2% | 45.8% |
| PSE Impact | -2.6% | -2.6% | -4.5% |
| Operating Margin w/ PSE | 35.4% | 34.5% | 27.7% |
| 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) | 3Q08 | 2Q08 | 3Q07 |
|---|---------------|---------------|---------------|
| 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 |
| Total Current Assets | 232.35 | 299.76 | 250.06 |
| 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 |
| Total Current Liabilities | 62.13 | 146.98 | 50.89 |
| Current Ratio (x) | 3.7 | 2.0 | 4.9 |
| Net Working Capital | 170.22 | 152.78 | 199.17 |

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) | 3Q08 | 2Q08 | 3Q07 |
|---------------------|-------------|-------------|-------------|
| 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) | 3Q08 | 2Q08 | 3Q07 |
|------------------------------|-------------|-------------|-------------|
| 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) | 3Q08 | 2Q08 | 3Q07 |
|---|-----------------|---------------|----------------|
| 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 |
| Total Operating Sources/(Uses) | 55.90 | 45.05 | 51.21 |
| 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) |
| Net Investing Sources/(Uses) | (26.52) | 3.60 | (34.46) |
| 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) |
| Net Financing Sources/(Uses) | (104.96) | (6.85) | (81.98) |
| Net Cash Position Changes | (75.58) | 41.80 | (65.23) |
| Exchange Rate Changes & Others | 2.68 | (0.73) | 0.17 |
| Ending Cash Balance | 112.45 | 185.35 | 98.33 |

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) | 1Q08 | 2Q08 | 3Q08 | YTD |
|---------------------------|-------------|-------------|-------------|--------------|
| 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 |
| Total TSMC | 484 | 728 | 332 | 1,544 |

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

| Fab / (Wafer size) | 1Q08 (A) | 2Q08 (A) | 3Q08 (A) | 4Q08 (F) | 2008 (F) |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fab-2 (6") ¹ | 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") ² | 197 | 207 | 214 | 221 | 840 |
| Fab-14 (12") ² | 167 | 185 | 229 | 236 | 818 |
| WaferTech (8") | 105 | 105 | 106 | 106 | 420 |
| TSMC (Shanghai) (8") | 88 | 110 | 128 | 128 | 453 |
| TSMC total capacity (8" equiv. Kpcs) | 2,117 | 2,236 | 2,346 | 2,405 | 9,104 |
| SSMC (8") | 63 | 67 | 69 | 73 | 272 |
| Total managed capacity (8" equiv. Kpcs) | 2,180 | 2,303 | 2,416 | 2,478 | 9,377 |

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 16th, 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 | % |
| ASSETS | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | |
| 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) | (41.4) |
| 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) | (11.0) |
| Other Current Assets | 219 | 7,029 | 1.3 | 10,558 | 1.7 | 6,775 | 1.2 | (3,529) | (33.4) | 254 | 3.8 |
| Total Current Assets | 7,232 | 232,349 | 42.2 | 299,763 | 48.7 | 250,056 | 42.7 | (67,414) | (22.5) | (17,707) | (7.1) |
| Long-Term Assets | | | | | | | | | | | |
| 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) | (6.3) |
| Total Assets | \$ 17,118 | \$ 549,999 | 100.0 | \$ 615,223 | 100.0 | \$ 586,407 | 100.0 | (\$ 65,224) | (10.6) | (\$ 36,408) | (6.3) |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | |
| 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 Other Long-Term Liabilities | 140 | 4,500 | 0.8 | 4,500 | 0.7 | 12,500 | 2.1 | | | (8,000) | (64.8) |
| | 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) | (6.1) |
| 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) | (7.1) |
| 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) | (7.1) |
| Total Liabilities & Shareholders' Equity | \$ 17,118 | \$ 549,999 | 100.0 | \$ 615,223 | 100.0 | \$ 586,407 | 100.0 | (\$ 65,224) | (10.6) | (\$ 36,408) | (6.1) |

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.

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 ⁽²⁾ | \$ 0.19 | \$ 5.91 | | \$ 5.50 | | \$ 5.64 | | \$ 0.41 | 7.5 | \$ 0.27 | 4.9 |
| Weighted Average Outstanding Shares Diluted (M ⁽³⁾) | | 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.*

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 | | 2007 | | YoY | |
|---|----------|--|--------|------------|--------|-----------|--------|
| | | 2008 | NTD | % | NTD | % | 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 ⁽²⁾ | \$ 0.54 | \$ 16.72 | \$ 13.87 | \$ 2.85 | 20.6 |
| Weighted Average Outstanding Shares Diluted (M ⁽³⁾) | | 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.*
-

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 ⁽²⁾ | 282 | 8,735 | 4,220 | (4,857) | 852 |
| Net Cash Provided by Operating Activities | 5,094 | 158,250 | 55,903 | 45,051 | 51,212 |
| 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) |
| Net Cash Provided by (Used In) Investing Activities | (839) | (26,055) | (26,525) | 3,596 | (34,461) |
| 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 |

| | | | | | |
|---|----------|------------|------------|------------|-----------|
| 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 ⁽²⁾ | 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