

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

October 27, 2006

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 2006
Taiwan Semiconductor Manufacturing Company Ltd.
(Translation of Registrant's Name Into English)
No. 8, Li-Hsin Rd. 6,
Hsinchu Science Park,
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: _____.)

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 26, 2006

By /s/ Lora Ho

Lora Ho
Vice President & Chief Financial Officer

FOR IMMEDIATE RELEASE**3Q06 Quarterly Management Report
October 26, 2006****CONTACT****Elizabeth Sun / Eric Chiang****Harrison Hsueh / Julie Wei**

Investor Relations Division

TSMC

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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\$ billion except noted otherwise)*

	3Q06	2Q06	3Q05	QoQ	YoY
EPS (NT\$ per com. shr.)	1.26	1.32	0.95	(4.4%)	32.5%
(US\$ per ADR unit)	0.19	0.20	0.15		
Consolidated Net Sales	82.48	82.12	70.50	0.4%	17.0%
Gross Profit	41.13	42.50	30.96	(3.2%)	32.9%
Gross Margin	49.9%	51.8%	43.9%		
Operating Expense	(7.50)	(7.18)	(6.78)	4.5%	10.6%
Non-Operating Items	1.03	0.95	0.29	8.7%	254.9%
Consolidated Net Income	32.49	34.00	24.49	(4.4%)	32.7%
Net Profit Margin	39.4%	41.4%	34.7%		
Wafer Shipment (kpcs 8 inch-equiv.)	1,890	1,869	1,527	1.2%	23.8%

Remarks:

The third quarter consolidated EPS of NT\$1.26 represents a 32.5% increase over the same period last year and a 4.4% sequential decline. The consolidated operating results of 3Q06 are summarized below:

Third quarter net sales increased by 17% year-over-year to reach NT\$82.48 billion compared to NT\$70.5 billion reported in 3Q05. On a sequential basis, net sales increased by 0.4% compared to NT\$82.12 billion in the previous quarter. Third quarter net sales slightly surpassed our guidance due to better than expected demand in computer related applications.

Gross profit for 3Q06 was NT\$41.13 billion, representing a year-over-year increase of 32.9% and a sequential decline of 3.2%. Gross margin was 49.9% in the third quarter, down from 51.8% in the previous quarter.

Operating expenses were NT\$7.5 billion or 9.1% of the net sales. The combined result from non-operating income and long-term investments was a gain of NT\$1.03 billion.

Consolidated net income attributable to shareholders of the parent company was NT\$32.49 billion, up 32.7% over the same period last year and down 4.4% sequentially. Net profit margin was 39.4%.

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

By Application	3Q06	2Q06	3Q05
Computer	28%	30%	30%
Communication	45%	44%	41%
Consumer	20%	20%	23%
Industrial/Others	5%	5%	5%
Memory	2%	1%	1%

By Technology	3Q06	2Q06	3Q05
N90-	24%	24%	10%
0.11/0.13um	25%	25%	33%
0.15/0.18um	33%	32%	35%
0.25/0.35um	13%	14%	16%
0.50um+	5%	5%	6%

By Customer Type	3Q06	2Q06	3Q05
Fabless/System	71%	72%	71%
IDM	29%	28%	29%

By Geography	3Q06	2Q06	3Q05
North America	78%	77%	75%
Asia Pacific	10%	10%	11%
Europe	8%	9%	9%
Japan	4%	4%	5%

Consolidated Revenue Analysis:

Consolidated net sales were NT\$82.48 billion in the third quarter of 2006, up 0.4% from NT\$82.12 billion in the previous quarter, mainly driven by increased demand in communication and consumer related applications.

On a sequential basis, revenues from consumer and communication applications both increased by 2%, while revenues from computer applications declined by 6%.

Revenues from advanced technologies (0.13-micron and below) and 90nm accounted for 49% and 24% of total wafer sales, respectively, flat from the previous quarter.

Revenues from IDM customers accounted for 29% of total wafer sales during the quarter, up slightly from 28% in the previous quarter.

Geographically, revenues from North America accounted for 78% of total wafer sales. Meanwhile, sales from Asia Pacific, Europe and Japan accounted for 10%, 8% and 4% of wafer sales, respectively.

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II. Capacity**II. Capacity**

	1Q06	2Q06	3Q06	4Q06	2006
Fab / (Wafer size)	(A)	(A)	(A)	(Est.)	(Est.)
Fab-2 (6") ¹	244	258	258	266	1,025
Fab-3 (8")	246	252	265	258	1,021
Fab-5 (8")	135	138	147	153	573
Fab-6 (8")	215	222	233	248	918
Fab-7 (8")	33	23	4	0	60
Fab-8 (8")	231	233	234	248	946
Fab-12 (12") ²	142	150	157	166	616
Fab-14 (12") ²	61	66	86	105	318
WaferTech (8")	99	100	101	104	404
TSMC (Shanghai) (8")	48	52	73	90	262
TSMC total capacity (8" equiv. Kpcs)	1,602	1,650	1,748	1,860	6,860
SSMC (8")	49	50	51	52	202
Total managed capacity (8" equiv. Kpcs)	1,651	1,700	1,799	1,912	7,062

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 in 3Q06 was 1,799K 8-inch equivalent wafers, 5.8% higher than the 1,700K 8-inch equivalent wafers in 2Q06.

TSMC managed capacity in 4Q06 will increase by 6.3% sequentially to reach 1,912K 8-inch equivalent wafers.

Overall installed capacity for year 2006 is expected to be approximately 7,062K 8-inch equivalent wafers, unchanged from our previous forecast provided in July 2006.

III. Consolidated Profit & Expense Analysis

III - 1. Consolidated Gross Profit Analysis

(Amount: NT\$ billion)	3Q06	2Q06	3Q05
COGS	41.3	39.6	39.5
Depreciation	16.8	16.5	17.2
Other MFG Cost	24.5	23.1	22.3
Gross Profit	41.1	42.5	31.0
Gross Margin	49.9%	51.8%	43.9%

Consolidated Gross Profit Analysis:

Consolidated gross profit for the third quarter of 2006 was NT\$41.1 billion, representing a year-over-year increase of 32.9% and a sequential decline of 3.2%. Consolidated gross margin declined by 1.9 percentage points sequentially to 49.9%, largely due to lower capacity utilization.

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III - 2. Consolidated Operating Expenses

(Amount: NT\$ billion)	3Q06	2Q06	3Q05
Total Operating Exp.	7.50	7.18	6.78
SG&A	3.27	3.13	3.31
Research & Development	4.23	4.05	3.47

Consolidated Operating Expenses:

Consolidated operating expenses for 3Q06 were NT\$7.5 billion, slightly higher than the previous quarter. Higher R&D expenditures were mainly due to increased expenditures on 45nm and 65nm projects. The increase in SG&A expenditures was primarily the result of Fab 14 Phase II opening expenses. Total operating expenses represented 9.1% of net sales, compared to 8.8% for the previous quarter.

III - 3. Consolidated Non-Operating Items

(Amount: NT\$ million)	3Q06	2Q06	3Q05
Non-Operating Income/(Exp.)	322	299	19
Net Interest Income/(Exp.)	923	924	280
Other Non-Operating	(601)	(625)	(261)
L-T Investments	709	650	271
SSMC	403	471	210
Others	306	179	61
Total Non-Operating Items	1,031	949	290

Consolidated Non-Operating Items:

Combined result from non-operating income and long-term investments was a gain of NT\$1 billion for 3Q06.

Consolidated non-operating income totaled NT\$322 million during the third quarter of 2006, compared to an income of NT\$299 million in the previous quarter.

Consolidated net investment income was NT\$709 million in this quarter, compared to an income of NT\$650 million in 2Q06. The increase was primarily due to improved operating performance at certain affiliated companies.

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IV. Financial Condition Review**IV - 1. Liquidity Analysis ***

(Amount: NT\$ Billion)	3Q06	2Q06	3Q05
Cash & Marketable Securities	164.1	211.6	119.0
Accounts Receivable Trade	37.7	38.0	39.1
Inventory	20.3	20.1	16.2
Total Current Assets	228.3	279.7	179.1
Accounts Payable	26.2	27.5	21.1
Accrued Liabilities and Others	19.4	82.8	25.5
Total Current Liabilities	45.6	110.3	46.6
Current Ratio (x)	5.0	2.5	3.8
Net Working Capital	182.7	169.4	132.6

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

Liquidity Analysis:

Consolidated cash & marketable securities decreased by NT\$47.5 billion in this quarter, mainly due to an NT\$61.7B payment of cash dividends and an NT\$3.2B payment of annual employee profit sharing, offset in part by the free cash flow generated during the quarter. As a result, TSMC ended the quarter with total current assets of NT\$228.3 billion, compared to NT\$279.7 billion in the previous quarter.

Consolidated current liabilities were NT\$45.6 billion at the end of the quarter, NT\$64.7 billion lower than the previous quarter, mainly due to the payment of cash dividends and annual employee profit sharing accrued in the previous quarter.

As a result, net consolidated working capital increased to NT\$182.7 billion and current ratio improved to 5.0x.

IV - 2. Consolidated Receivable/Inventory Days

	3Q06	2Q06	3Q05
Days of Receivable	43	44	47
Days of Inventory	48	47	38

Consolidated Receivable/Inventory Days Trend:

Consolidated days of receivable decreased to 43 days in 3Q06, compared to 44 days in the previous quarter.

Consolidated days of inventory increased to 48 days from 47 days in the second quarter of 2006.

IV - 3. Consolidated Debt Service *

(Amount: NT\$ Billion)	3Q06	2Q06	3Q05
Cash & Marketable Securities	164.1	211.6	119.0
Interest-Bearing Debt	27.6	27.2	39.0
Net Cash Reserves	136.5	184.4	80.0

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

Consolidated Debt Service:

As a result of the payment of cash dividends and annual employee profit sharing, consolidated net cash reserves defined as the excess of cash and short-term marketable securities over interest-bearing debt -decreased by NT\$47.9 billion to NT\$136.5 billion in 3Q06.

Consolidated interest-bearing debt increased slightly to NT\$27.6 billion as of September 30, 2006.

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

(Amount: NT\$ billion)	3Q06	2Q06	3Q05
Net Income	32.5	34.0	24.5
Depreciation & Amortization	18.4	17.9	19.1
Other Op Sources/(Uses)	1.8	(1.5)	(3.7)
Total Op Sources/(Uses)	52.7	50.4	39.9
Capital Expenditure	(28.3)	(21.4)	(10.5)
Marketable Financial Instruments	(8.6)	(7.8)	(0.2)
Other Investing Sources/(Uses)	(0.1)	(1.1)	(0.1)
Net Investing Sources/(Uses)	(37.0)	(30.3)	(10.8)
Cash Dividends	(61.7)	0.0	(46.4)
Employee Profit Sharing	(3.2)	(0.3)	(3.1)
Other Financing Sources/(Uses)	0.2	0.4	1.5
Net Financing Sources/(Uses)	(64.7)	0.1	(48.0)
Net Cash Position Changes	(49.0)	20.2	(18.9)
Exchange Rate Changes & Others	0.5	(0.0)	0.1
Ending Cash Balance	92.9	141.5	69.6

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

Summary of Consolidated Cash Flow:

During this quarter, TSMC generated NT\$52.7 billion from operating activities, mainly from net income of NT\$32.5 billion and depreciation & amortization of NT\$18.4 billion.

Net cash used in investment activities totaled NT\$37 billion, mainly as a result of an NT\$28.3 billion in capital spending and an NT\$8.6 billion net increase in marketable financial instruments.

Net cash used in financing activities was NT\$64.7 billion during this quarter, as we paid NT\$61.7 billion in cash dividends and NT\$3.2 billion in annual employee profit sharing.

As a result, TSMC ended the quarter with a cash balance of NT\$92.9 billion, NT\$48.5 billion lower than in 2Q06.

V - 2. Consolidated Operating and Free Cash Flows**Consolidated 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\$52.7 billion, NT\$2.3 billion higher than 2Q06. Consolidated free cash flows totaled NT\$24.4 billion in 3Q06, NT\$4.6 billion lower than the NT\$29 billion generated in the previous quarter, mainly due to higher level of capital expenditures in 3Q06.

V - 3. Capital Spending

(Amount: US\$ Million)	1Q06	2Q06	3Q06	YTD
TSMC	344	653	852	1,849
TSMC (Shanghai) & WaferTech	12	11	14	37
Total TSMC	356	664	866	1,886

Capital Spending:

Capital spending for TSMC consolidated group totaled US\$866 million during the quarter. Most of the spending was for the purchase of 12-inch production equipment.

For year 2006, total capital expenditure for TSMC consolidated group is expected to be about US\$2.6 billion.

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VI. Recap of Recent Important Events & Announcements

TSMC and Nvidia Celebrate New Milestone: 500 Million Processors (2006/10/24)

TSMC is Voted by the Commonwealth Magazine as the Most Admired Company in Taiwan for the Tenth Consecutive Time (2006/10/16)

TSMC is Ranked the Highest in Taiwan Among Asia Top 200 by The Wall Street Journal Asia (2006/10/16)

TSMC Holds 2006 Supply Chain Management Forum and Recognizes Outstanding Suppliers (2006/09/14)

TSMC Receives Outstanding Corporate Innovation Award from the Ministry of Economic Affairs (2006/09/07)

TSMC Files Lawsuit Against SMIC for Breach of the 2005 Settlement Agreement with TSMC and Misappropriation of TSMC's Trade Secrets (2006/08/25)

TSMC Announces Winners of First TSMC Outstanding Student Research Award (2006/08/03)

TSMC Reaffirms Strong Foundry Partnership with ATI (2006/07/24)

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

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND
SUBSIDIARIES**

Condensed Balance Sheets (Consolidated)

(Figures in Million of New Taiwan Dollars (NTD) and U.S. Dollars (USD))

	September 30, 2006 (Unaudited)			June 30, 2006 (Audited)		September 30, 2005 (Unaudited) (²)		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
ASSETS											
Current Assets											
Cash and Cash Equivalents	\$ 2,807	\$ 92,903	16.5	\$ 141,452	23.8	\$ 69,582	14.0	\$(48,549)	(34.3)	\$ 23,321	33.5
Investments in Marketable Financial Instruments	2,151	71,192	12.6	70,139	11.8	49,410	10.0	1,053	1.5	21,782	44.1
Accounts Receivable	1,140	37,726	6.7	37,969	6.4	39,140	7.9	(243)	(0.6)	(1,414)	(3.6)
Inventories, Net	614	20,338	3.6	20,051	3.4	16,239	3.3	287	1.4	4,099	25.2
Other Current Assets	186	6,149	1.1	10,079	1.7	4,776	0.9	(3,930)	(39.0)	1,373	28.8
Total Current Assets	6,898	228,308	40.5	279,690	47.1	179,147	36.1	(51,382)	(18.4)	49,161	27.4
Long-Term Investments	1,543	51,060	9.1	42,778	7.2	40,285	8.1	8,282	19.4	10,775	26.7
Property, Plant and Equipment	21,336	706,191	125.4	681,123	114.7	635,513	128.1	25,068	3.7	70,678	11.1
Less: Accumulated Depreciation	(13,460)	(445,525)	(79.1)	(429,993)	(72.4)	(384,200)	(77.4)	(15,532)	3.6	(61,325)	16.0
Property, Plant and Equipment, Net	7,876	260,666	46.3	251,130	42.3	251,313	50.7	9,536	3.8	9,353	3.7
Other Assets	704	23,314	4.1	20,145	3.4	25,371	5.1	3,169	15.7	&	