

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD  
Form 6-K  
July 30, 2010

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 2010**  
**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: July 29, 2010

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

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**FOR IMMEDIATE RELEASE**

**2Q10**                      **Quarterly Management**  
**Report**  
**July 29, 2010**

**CONTACT****Elizabeth Sun**

Investor Relations Division

TSMC

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886-3-568-2085

## 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>2Q10</b>	<b>1Q10</b>	<b>2Q09</b>	<b>QoQ</b>	<b>YoY</b>
EPS (NT\$ per common share)	1.55	1.30	0.94	19.7%	65.0%
(US\$ per ADR unit)	0.24	0.20	0.14		
Consolidated Net Sales	104.96	92.19	74.21	13.9%	41.4%
Gross Profit	51.93	44.19	34.30	17.5%	51.4%
<i>Gross Margin</i>	<i>49.5%</i>	<i>47.9%</i>	<i>46.2%</i>		
Operating Expense	(11.46)	(10.06)	(9.17)	13.9%	25.0%
Operating Income	40.47	34.13	25.13	18.6%	61.1%
<i>Operating Margin</i>	<i>38.6%</i>	<i>37.0%</i>	<i>33.9%</i>		
Non-Operating Items	1.94	1.18	1.26		
Net Income	40.28	33.66	24.44	19.7%	64.8%
<i>Net Profit Margin</i>	<i>38.4%</i>	<i>36.5%</i>	<i>32.9%</i>		
Wafer Shipment (kpcs 8 inch-equiv.)	2,927	2,547	1,971	14.9%	48.5%

**Note: Total outstanding shares were 25,905mn units on 6/30/10**

**Financial Highlights:****Second Quarter 2010**

Consolidated net sales were NT\$104.96 billion, representing a 13.9% increase from NT\$92.19 billion in 1Q10 and a 41.4% increase from NT\$74.21 billion in 2Q09.

Gross margin was 49.5%, up 1.6 percentage points from 1Q10, and up 3.3 percentage points from 2Q09.

Operating margin was 38.6%, 1.6 percentage points higher than 1Q10 and 4.7 percentage points higher than 2Q09.

Non-operating income and long-term investment combined were a gain of NT\$1.94 billion, compared to a gain of NT\$1.18 billion in 1Q10, and NT\$1.26 billion in 2Q09.

Consolidated net income attributable to shareholders of the parent company was NT\$40.28 billion, up 19.7% from 1Q10. Net profit margin was 38.4% and diluted EPS was NT\$1.55.

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

By Application	2Q10	1Q10	2Q09
Computer	29%	32%	26%
Communication	41%	39%	42%
Consumer	15%	14%	18%
Industrial/Others	15%	15%	14%
By Technology	2Q10	1Q10	2Q09
40/45nm	16%	14%	1%
65nm	27%	27%	28%
90nm	16%	17%	23%
0.11/0.13um	13%	13%	13%
0.15/0.18um	17%	18%	23%
0.25/0.35um	8%	8%	9%
0.50um+	3%	3%	3%
By Customer Type	2Q10	1Q10	2Q09
Fabless/System	79%	77%	82%
IDM	21%	23%	18%
By Geography	2Q10	1Q10	2Q09
North America	66%	68%	65%
Asia Pacific	15%	15%	18%
China	3%	2%	3%
Europe	11%	11%	11%
Japan	5%	4%	3%

**Revenue Analysis:**

2Q10 revenue was NT\$104.96 billion, representing a 14% increase from 1Q10. Consumer was the strongest with a 26% sequential growth. Communication and Industrial grew 22% and 14% from the prior quarter, respectively, while Computer related applications grew 1%.

In terms of technology, revenues from all geometries grew sequentially. 40/45nm continued ramping and reached 16% of total wafer sales in 2Q10, from 14% in 1Q10. The revenue mix of 65nm and 90nm remained stable at 27% and 16% of total wafer sales, respectively. Revenues from 0.13-micron and below represented 72% of total wafer sales. Revenues from IDM customers grew 11% sequentially, representing 21% of total wafer sales in 2Q10, compared with 23% in 1Q10 and 18% in 2Q09.

Revenues from all geographic locations grew strongly from the last quarter. Customers based in North America accounted for 66% of total wafer sales, followed by Asia Pacific with 15%. Europe, Japan and China accounted for 11%, 5%, and 3% of total wafer sales, respectively.

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

(In NT billions)	<b>2Q10</b>	<b>1Q10</b>	<b>2Q09</b>
<b>COGS</b>	<b>53.03</b>	<b>48.00</b>	<b>39.91</b>
Depreciation	19.26	19.22	18.54
Other MFG Cost	33.77	28.78	21.37

<b>Gross Profit</b>	<b>51.93</b>	<b>44.19</b>	<b>34.30</b>
<b>Gross Margin</b>	<b>49.5%</b>	<b>47.9%</b>	<b>46.2%</b>

***Gross Profit Analysis:***

2Q10 gross margin reached 49.5%, up 1.6 percentage points from 1Q10, primarily due to higher capacity utilization and cost improvement, partially offset by an adverse inventory valuation adjustment under ROC SFAS No.10 and an increase in raw material costs.

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**II 2. Operating Expenses**

(In NT billions)	<b>2Q10</b>	<b>1Q10</b>	<b>2Q09</b>
<b>Total Operating Exp.</b>	<b>11.46</b>	<b>10.06</b>	<b>9.17</b>
SG&A	4.27	3.65	4.07
Research & Development	7.19	6.41	5.10
<b>Total Operating Exp. as a % of Sales</b>	<b>10.9%</b>	<b>10.9%</b>	<b>12.3%</b>

**Operating Expenses:**

Total operating expenses were NT\$11.46 billion, representing 10.9% of 2Q10 net sales.

SG&A expenses increased NT\$0.62 billion sequentially, in support of expanded business scale and activities.

Research and development expenditures were NT\$0.78 billion higher compared with the prior quarter, reflecting a faster pace for the development of the most advanced technologies.

**II 3. Non-Operating Items**

(In NT billions)	<b>2Q10</b>	<b>1Q10</b>	<b>2Q09</b>
<b>Non-Operating Inc./(Exp.)</b>	<b>1.41</b>	<b>1.00</b>	<b>1.15</b>
Net Interest Income/(Exp.)	0.33	0.32	0.56
Other Non-Operating	1.08	0.68	0.59
<b>L-T Investments</b>	<b>0.53</b>	<b>0.18</b>	<b>0.11</b>
SSMC	0.33	0.19	0.19
Others	0.20	(0.01)	(0.08)
<b>Total Non-Operating Items</b>	<b>1.94</b>	<b>1.18</b>	<b>1.26</b>

**Non-Operating Items:**

Total non-operating items were a gain of NT\$1.94 billion for 2Q10.

Non-operating income was NT\$1.41 billion, up NT\$0.41 billion from 1Q10, primarily due to the absence of earthquake scrap loss in 1Q and higher disposal gain from financial assets.

Net investment gain was NT\$0.53 billion, or NT\$0.35 billion higher than the prior quarter, mostly due to business improvement among certain invested companies.

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

(In NT billions)	<b>2Q10</b>	<b>1Q10</b>	<b>2Q09</b>
Cash & Marketable Securities	206.54	192.01	246.77
Accounts Receivable Trade	48.06	39.77	33.38
Inventory	24.80	22.69	18.97
<b>Total Current Assets</b>	<b>286.62</b>	<b>265.62</b>	<b>309.42</b>
Short-term Loans	18.08	0.32	0.00
Accounts Payable	38.79	40.41	25.96
Dividends Payable	77.89	0.00	77.17
Accrued Employee Profit Sharing / Bonus	14.57	11.39	11.49
Accrued Liabilities and Others	16.94	26.06	15.01

<b>Total Current Liabilities</b>	<b>166.27</b>	<b>78.18</b>	<b>129.63</b>
Current Ratio (x)	1.7	3.4	2.4
<b>Net Working Capital</b>	<b>120.35</b>	<b>187.44</b>	<b>179.79</b>

**Liquidity Analysis:**

At the end of 2Q10, cash and marketable securities totaled NT\$206.54 billion, up NT\$14.53 billion from 1Q10.

Accounts receivable increased NT\$8.29 billion, along with stronger business activities in 2Q10.

Inventory grew NT\$2.11 billion sequentially, in preparation for the higher demand level in 3Q10.

Total current liabilities increased NT\$88.09 billion, primarily attributed to the increase in cash dividends payable and an increase in short-term loans, partially offset by the reduction in accrued liabilities (tax payable).

Net working capital was NT\$120.35 billion and current ratio was 1.7x.

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**III 2. Receivable/Inventory Days**

(In Number of Days)	<b>2Q10</b>	<b>1Q10</b>	<b>2Q09</b>
Days of Receivable	39	38	30
Days of Inventory	45	45	42

**Receivable and Inventory Days:**

Days of receivable increased by one day to 39 days in 2Q10, while days of inventory stayed flat at 45 days.

**III 3. Debt Service**

(In NT billions)	<b>2Q10</b>	<b>1Q10</b>	<b>2Q09</b>
Cash & Marketable Securities	206.54	192.01	246.77
Interest-bearing Debt	31.96	14.18	15.57
<b>Net Cash Reserves</b>	<b>174.58</b>	<b>177.83</b>	<b>231.20</b>

**Debt Service:**

Net cash reserves, defined as cash and short-term marketable securities minus interest-bearing debt, decreased NT\$3.25 billion to NT\$174.58 billion in 2Q10. The decrease is mainly due to an increase of NT\$17.76 billion in short-term loans, which more than offset the increase of NT\$14.53 billion in cash and marketable securities. The purpose of the short-term loans was to hedge a portion of the company's US dollar position.

**IV. Cash Flow****IV 1.1. Cash Flow Analysis**

(In NT billions)	<b>2Q10</b>	<b>1Q10</b>	<b>2Q09</b>
Net Income	40.28	33.66	24.44
Depreciation & Amortization	21.13	21.00	20.05
Other Operating Sources/(Uses)	(12.48)	(8.63)	(19.97)
<b>Total Operating Sources/(Uses)</b>	<b>48.93</b>	<b>46.03</b>	<b>24.52</b>
Capital Expenditure	(52.72)	(46.14)	(7.42)
Marketable Financial Instruments	0.17	(3.64)	1.68
Long Term Investment	(1.62)	(6.23)	n.a
Other Investing Sources/(Uses)	(0.04)	(0.28)	(0.25)
<b>Net Investing Sources/(Uses)</b>	<b>(54.21)</b>	<b>(56.29)</b>	<b>(5.99)</b>
Proceeds from Short Term Loans	17.76	0.32	0.00
Other Financing Sources/(Uses)	(0.15)	(1.16)	(0.34)
<b>Net Financing Sources/(Uses)</b>	<b>17.61</b>	<b>(0.84)</b>	<b>(0.34)</b>
<b>Net Cash Position Changes</b>	<b>12.33</b>	<b>(11.10)</b>	<b>18.19</b>
<b>Exchange Rate Changes &amp; Others</b>	<b>0.36</b>	<b>(0.38)</b>	<b>(1.93)</b>
<b>Ending Cash Balance</b>	<b>172.49</b>	<b>159.80</b>	<b>239.52</b>

***Summary of Cash Flow:***

Cash generated from operating activities totaled NT\$48.93 billion during the quarter, up NT\$2.90 billion from 1Q10, mainly due to an increase in net income, partially offset by an increase in net working capital.

Net cash used in investing activities totaled NT\$54.21 billion, which mainly represents capital expenditures of NT\$52.72 and a long-term investment of NT\$1.62 billion in Stion.

Net cash generated in financing activities totaled NT\$17.61 billion during the quarter, mainly due to the proceeds from the aforementioned short-term loans.

As a result, TSMC ended 2Q10 with a cash balance of NT\$172.49 billion.

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**Operating and Free Cash Flows:**

Free cash flow, defined as the excess of operating cash flows over capital expenditures, was negative NT\$3.79 billion in 2Q10.

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

(In US millions)	1Q10	2Q10	YTD
TSMC	1,433	1,645	3,078
XinTec and GUC	2	4	6
TSMC China & WaferTech	8	7	15
Other TSMC Subsidiaries	1	1	2
<b>Total TSMC</b>	<b>1,444</b>	<b>1,657</b>	<b>3,101</b>

**Capital Expenditures:**

Capital expenditures for TSMC on a consolidated basis totaled US\$1.66 billion in 2Q10.

Total capital expenditures in the first half of 2010 were US\$3.10 billion.

**V 2. Capacity**

Fab / (Wafer size)	2009 (A)	1Q10 (A)	2Q10 (A)	3Q10 (F)	4Q10 (F)	2010 (F)
Fab-2 (6") <sup>(1)</sup>	1,121	254	236	255	255	1,000
Fab-3 (8")	1,150	267	282	300	300	1,149
Fab-5 (8")	599	139	144	141	141	564
Fab-6 (8")	1,154	269	280	282	282	1,113
Fab-8 (8")	1,066	247	253	254	255	1,009
Fab-12 (12") <sup>(2)</sup>	879	269	300	309	315	1,194
Fab-14 (12") <sup>(2)</sup>	958	261	299	357	395	1,313
WaferTech (8")	431	106	107	108	108	429
TSMC China (8")	531	132	134	145	147	557
<b>TSMC total capacity (8" equiv. Kpcs)</b>	<b>9,695</b>	<b>2,497</b>	<b>2,680</b>	<b>2,872</b>	<b>2,974</b>	<b>11,023</b>
SSMC (8")	259	69	69	69	69	276
<b>Total managed capacity (8" equiv. Kpcs)</b>	<b>9,955</b>	<b>2,566</b>	<b>2,749</b>	<b>2,941</b>	<b>3,043</b>	<b>11,299</b>

(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:***

Due to continuing strong demand for TSMC's advanced technologies, TSMC has accelerated its capacity expansion plan for 2010. Current capacity plan calls for an overall increase by 14% to 11,299 8-inch equivalent wafers, compared with 11,247 8-inch equivalent wafers planned in the last quarter. 12-inch wafer capacity will increase 36% in 2010 under the current plan.

Total managed capacity was 2,749K 8-inch equivalent wafers in 2Q10, increased by 7% from 2,566K in 1Q10.

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

TSMC Announces Automotive Qualified 0.25-Micron One-Time-Programmable IP (2010/06/30)

TSMC Sets July 6th as Common Share Ex-dividend Date (2010/06/21)

TSMC and Stion Sign Technology and Supply Agreement (2010/06/16)

TSMC Shareholders Approve NT\$3.0 Cash Dividend and Sets July 12 as Record Date for Common Share Dividends (2010/06/15)

TSMC New Standard Cell Slim Library Reduces Logic Area 15% (2010/06/15)

TSMC Extends Open Innovation Platform and Unveils Three Immediate Design Enablement Initiatives (2010/06/07)

TSMC Announces 0.18-Micron Automotive Grade Embedded Flash IP (2010/05/27)

TSMC Board of Directors Approved Capital Appropriations to Expand Capacity and the Full Conversion of TSMC's Common Shares into Paperless Form (2010/05/11)

TSMC Ships 600,000 0.25-Micron Automotive-Qualified Embedded Flash Wafers (2010/04/21)

TSMC Announces Move to 20nm Process (2010/04/14)

TSMC Delivers Interoperable EDA Formats for Advanced Process Technologies (2010/04/07)

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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 ))

	June 30, 2010 (audited)			March 31, 2010 (unaudited)		June 30, 2009 (audited)		QoQ	
	USD	NTD	%	NTD	%	NTD	%	Amount	%
Accounts Payable	\$ 5,344	\$ 172,486	25.3	\$ 159,800	25.5	\$ 239,517	40.8	\$ 12,686	7.9
Tradeable Financial Instruments	1,055	34,056	5.0	32,210	5.1	7,252	1.2	1,846	5.7
Trade Receivables	1,489	48,062	7.1	39,771	6.3	33,384	5.7	8,291	20.8
Inventory	768	24,800	3.6	22,694	3.6	18,974	3.2	2,106	9.3
Prepaid Expenses	224	7,211	1.1	11,141	1.9	10,292	1.8	(3,930)	(35.3)
Other Assets	8,880	286,615	42.1	265,616	42.4	309,419	52.7	20,999	7.9
Accounts Receivable	1,269	40,962	6.0	39,763	6.3	32,498	5.5	1,199	3.0
Equipment	32,930	1,062,915	156.1	1,012,982	161.6	881,897	150.1	49,933	4.9
Accumulated Depreciation	(22,754)	(734,445)	(107.8)	(713,353)	(113.8)	(656,826)	(111.8)	(21,092)	3.0
Equipment, Net	10,176	328,470	48.3	299,629	47.8	225,071	38.3	28,841	9.6
Other Assets	766	24,729	3.6	21,821	3.5	20,555	3.5	2,908	13.3
Total Assets	\$ 21,091	\$ 680,776	100.0	\$ 626,829	100.0	\$ 587,543	100.0	\$ 53,947	8.6
<b>SHAREHOLDERS' EQUITY</b>									
Shareholders' Equity	\$ 560	\$ 18,083	2.7	\$ 318		\$		\$ 17,765	5582.0
Accounts Payable and Equipment Suppliers	398	12,867	1.9	11,626	1.9	10,105	1.7	1,241	10.7
Accounts Payable and Other Current Liabilities	803	25,922	3.8	28,785	4.6	15,853	2.7	(2,863)	(9.9)
Accounts Payable and Long-term Debts	3,362	108,504	15.9	36,501	5.9	103,363	17.6	72,003	197.3
Accounts Payable and Long-term Debts	28	889	0.1	945	0.1	309	0.1	(56)	(5.9)
Accounts Payable	5,151	166,265	24.4	78,175	12.5	129,630	22.1	88,090	112.7
Accounts Payable	139	4,500	0.7	4,500	0.7	4,500	0.8		
Accounts Payable	407	13,138	1.9	11,849	1.9	16,060	2.7	1,289	10.9
Accounts Payable	5,697	183,903	27.0	94,524	15.1	150,190	25.6	89,379	94.6

## Attributable to Shareholders of the

Value	8,026	259,050	38.0	259,038	41.3	258,964	44.1	12	0.0
	1,721	55,567	8.2	55,531	8.9	55,331	9.4	36	0.1
(2)	2,672	86,239	12.7	77,317	12.3	77,317	13.2	8,922	11.5
ve (2)	41	1,313	0.2					1,313	
ngs (2)	2,806	90,567	13.3	138,228	22.1	41,348	7.0	(47,661)	(34.5)
	(2)	(52)		(1,976)	(0.3)	801	0.1	1,924	(97.4)
Shareholders of the Parent	15,264	492,684	72.4	528,138	84.3	433,761	73.8	(35,454)	(6.7)
	130	4,189	0.6	4,167	0.6	3,592	0.6	22	0.5
Equity	15,394	496,873	73.0	532,305	84.9	437,353	74.4	(35,432)	(6.7)
Shareholders Equity	\$ 21,091	\$ 680,776	100.0	\$ 626,829	100.0	\$ 587,543	100.0	\$ 53,947	8.6

## Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the rate of NT\$32.278 as of June 30, 2010.

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

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES****Unaudited Consolidated Condensed Income Statements****For the Three Months Ended June 30, 2010, March 31, 2010, June 30, 2009****(Expressed in Millions of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD )****Except for Per Share Amounts and Shares Outstanding)**

	2Q 2010			1Q 2010		2Q 2009		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
Net Sales	\$ 3,299	\$ 104,962	100.0	\$ 92,187	100.0	\$ 74,212	100.0	\$ 12,775	13.9	\$ 30,750	41.1
Cost of Sales	(1,667)	(53,036)	(50.5)	(48,002)	(52.1)	(39,916)	(53.8)	(5,034)	10.5	(13,120)	32.9
Gross Profit	1,632	51,926	49.5	44,185	47.9	34,296	46.2	7,741	17.5	17,630	51.1
Operating Expenses											
Research and Development Expenses	(226)	(7,190)	(6.9)	(6,410)	(7.0)	(5,096)	(6.9)	(780)	12.2	(2,094)	41.1
General and Administrative Expenses	(92)	(2,931)	(2.8)	(2,472)	(2.6)	(2,881)	(3.8)	(459)	18.6	(50)	1.7
Sales and Marketing Expenses	(42)	(1,337)	(1.2)	(1,175)	(1.3)	(1,192)	(1.6)	(162)	13.6	(145)	12.2
Total Operating Expenses	(360)	(11,458)	(10.9)	(10,057)	(10.9)	(9,169)	(12.3)	(1,401)	13.9	(2,289)	25.1
Income from Operations	1,272	40,468	38.6	34,128	37.0	25,127	33.9	6,340	18.6	15,341	61.1
Non-Operating Income, Net	44	1,413	1.3	998	1.1	1,156	1.6	415	41.5	257	22.2
Minority Interest in Earnings of Equity Method Investees, Net	17	529	0.5	177	0.2	106	0.1	352	198.8	423	400.0
Income before Income Tax	1,333	42,410	40.4	35,303	38.3	26,389	35.6	7,107	20.1	16,021	60.0
Income Tax Expenses	(61)	(1,943)	(1.8)	(1,478)	(1.6)	(1,943)	(2.7)	(465)	31.6	0	0.0
Net Income	1,272	40,467	38.6	33,825	36.7	24,446	32.9	6,642	19.6	16,021	65.0
Net Income Attributable to Minority Interests	(6)	(185)	(0.2)	(162)	(0.2)	(4)		(23)	13.6	(181)	469.3
Net Income Attributable to Shareholders of the Parent	1,266	40,282	38.4	33,663	36.5	24,442	32.9	6,619	19.7	15,840	64.0
Earnings per Share - Diluted	\$ 0.05	\$ 1.55		\$ 1.30		\$ 0.94		\$ 0.25	19.7	\$ 0.61	65.0
Earnings per ADR - Diluted <sup>(2)</sup>	\$ 0.24	\$ 7.77		\$ 6.49		\$ 4.71		\$ 1.28	19.7	\$ 3.06	65.0



Weighted Average Outstanding Shares - Diluted (M <sup>3</sup> )	25,917	25,916	25,943
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Note:

(1) *Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD31.813 for the second quarter of 2010.*

(2) *1 ADR equals 5 ordinary shares.*

(3) *Total diluted weighted average outstanding shares were 25,916M and 25,943M shares for 1Q10 and 2Q09 after the retroactive adjustments for stock dividends and stock bonus.*

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES****Audited Consolidated Condensed Income Statements****For the Six Months Ended June 30, 2010 and 2009****(Expressed in Millions of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD )  
Except for Per Share Amounts and Shares Outstanding)**

	USD	For The Six Months Ended June 30				YoY	
		2010 NTD	%	2009 NTD	%	Amount	%
Net Sales	\$ 6,184	\$ 197,149	100.0	\$ 113,712	100.0	\$ 83,437	73.4
Cost of Sales	(3,169)	(101,038)	(51.2)	(71,936)	(63.3)	(29,102)	40.5
Gross Profit	3,015	96,111	48.8	41,776	36.7	54,335	130.1
Operating Expenses							
Research and Development Expenses	(427)	(13,600)	(6.9)	(8,825)	(7.8)	(4,775)	54.1
General and Administrative Expenses	(169)	(5,403)	(2.7)	(4,476)	(3.9)	(927)	20.7
Sales and Marketing Expenses	(79)	(2,512)	(1.4)	(2,139)	(1.8)	(373)	17.4
Total Operating Expenses	(675)	(21,515)	(11.0)	(15,440)	(13.5)	(6,075)	39.3
Income from Operations	2,340	74,596	37.8	26,336	23.2	48,260	183.2
Non-Operating Income, Net	76	2,411	1.2	1,508	1.3	903	59.8
Equity in Earnings (Losses) of Equity Method Investees, Net	22	706	0.4	(707)	(0.6)	1,413	(199.9)
Income before Income Tax	2,438	77,713	39.4	27,137	23.9	50,576	186.4
Income Tax Expenses	(107)	(3,421)	(1.7)	(1,204)	(1.1)	(2,217)	184.1
Net Income	2,331	74,292	37.7	25,933	22.8	48,359	186.5
Net Income Attributable to Minority Interests	(11)	(347)	(0.2)	68	0.1	(415)	(614.9)

Net Income Attributable to Shareholders of the Parent	2,320	73,945	37.5	26,001	22.9	47,944	184.4
Earnings per Share Diluted	\$ 0.09	\$ 2.85		\$ 1.00		\$ 1.85	184.7
Earnings per ADR Diluted <sup>(2)</sup>	\$ 0.45	\$ 14.27		\$ 5.01		\$ 9.26	184.7
Weighted Average Outstanding Shares - Diluted ( M <sup>3</sup> )		25,917		25,944			

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD 31.879 for the six months ended June 30, 2010.

(2) 1 ADR equals 5 ordinary shares.

(3) Total diluted weighted average outstanding shares were 25,944M shares for the six months ended June 30, 2009 after the retroactive adjustment for stock dividends.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES****Consolidated Condensed Statements of Cash Flows**

**For the Six Months Ended June 30, 2010, and for the Three Months Ended June 30, 2010, March 31, 2010 and June 30, 2009**

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

	<b>Six Months 2010</b>		<b>2Q 2010</b>	<b>1Q 2010</b>	<b>2Q 2009</b>
	<b>(Audited)</b>		<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>USD</b>	<b>NTD</b>	<b>NTD</b>	<b>NTD</b>	<b>NTD</b>
<b>Cash Flows from Operating Activities:</b>					
Net Income Attributable to Shareholders of the Parent	\$ 2,320	\$ 73,945	\$ 40,282	\$ 33,663	\$ 24,442
Net Income Attributable to Minority Interest	11	347	185	162	4
Depreciation & Amortization	1,322	42,134	21,131	21,003	20,053
Deferred Income Tax	(27)	(856)	(138)	(718)	697
Equity in Earnings of Equity Method Investees, Net	(22)	(706)	(529)	(177)	(106)
Changes in Working Capital & Others	(625)	(19,904)	(12,005)	(7,899)	(20,566)
<b>Net Cash Provided by Operating Activities</b>	<b>2,979</b>	<b>94,960</b>	<b>48,926</b>	<b>46,034</b>	<b>24,524</b>
<b>Cash Flows from Investing Activities:</b>					
<b>Acquisitions of:</b>					
Marketable Financial Instruments	(1,143)	(36,435)	(10,577)	(25,858)	(968)
Investments Accounted for Using Equity Method	(196)	(6,242)	(13)	(6,229)	
Property, Plant and Equipment	(3,101)	(98,857)	(52,721)	(46,136)	(7,415)
Financial Assets Carried at Cost	(54)	(1,723)	(1,612)	(111)	(48)
<b>Proceeds from Disposal or Redemption of:</b>					
Marketable Financial Instruments	1,034	32,970	10,750	22,220	2,651
Property, Plant and Equipment	4	112	76	36	3
Financial Assets Carried at Cost	6	180	154	26	75
Others	(16)	(503)	(266)	(237)	(291)
<b>Net Cash Used In Investing Activities</b>	<b>(3,466)</b>	<b>(110,498)</b>	<b>(54,209)</b>	<b>(56,289)</b>	<b>(5,993)</b>
<b>Cash Flows from Financing Activities:</b>					
Increase in Short-term Loans	567	18,083	17,765	318	
Decrease in Guarantee Deposits	(4)	(128)	(38)	(90)	(86)
Proceeds from Exercise of Employee Stock Options	3	86	49	37	14

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Others	(40)	(1,268)	(160)	(1,108)	(265)
Net Cash Provided by (Used in) Financing Activities	526	16,773	17,616	(843)	(337)
Net Increase (Decrease) in Cash and Cash Equivalents	39	1,235	12,333	(11,098)	18,194
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1)	(25)	353	(378)	(1,939)
Cash and Cash Equivalents at Beginning of Period	5,373	171,276	159,800	171,276	223,262
Cash and Cash Equivalents at End of Period	\$ 5,411	\$ 172,486	\$ 172,486	\$ 159,800	\$ 239,517

*Note:*

*(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD31.879 for the six months ended June 30, 2010.*

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