

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: \_\_\_\_\_.)

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**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<br>(A)  | 1Q10<br>(A)  | 2Q10<br>(A)  | 3Q10<br>(F)  | 4Q10<br>(F)  | 2010<br>(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<br>(unaudited) |         | June 30, 2009<br>(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    |
| Trade Receivable Financial Instruments         | 1,055                   | 34,056     | 5.0     | 32,210                        | 5.1     | 7,252                      | 1.2     | 1,846     | 5.7    |
| Trade Payables                                 | 1,489                   | 48,062     | 7.1     | 39,771                        | 6.3     | 33,384                     | 5.7     | 8,291     | 20.8   |
|  | 768                     | 24,800     | 3.6     | 22,694                        | 3.6     | 18,974                     | 3.2     | 2,106     | 9.3    |
|  | 224                     | 7,211      | 1.1     | 11,141                        | 1.9     | 10,292                     | 1.8     | (3,930)   | (35.3) |
|  | 8,880                   | 286,615    | 42.1    | 265,616                       | 42.4    | 309,419                    | 52.7    | 20,999    | 7.9    |
| Prepaid Expenses                               | 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   |
| Total Liabilities                              | 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)      | 1.1   |
| Sales and Marketing Expenses                                  | (42)     | (1,337)    | (1.2)  | (1,175)   | (1.3)  | (1,192)   | (1.6)  | (162)     | 13.6  | (145)     | 12.1  |
| 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<br>Outstanding Shares - Diluted<br>(M <sup>3</sup> ) | 25,917 | 25,916 | 25,943 |
|---|--------|--------|--------|

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<br>NTD                      | %      | 2009<br>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<br>Development Expenses                              | (427)    | (13,600)                         | (6.9)  | (8,825)     | (7.8)  | (4,775)   | 54.1    |
| General and<br>Administrative<br>Expenses                         | (169)    | (5,403)                          | (2.7)  | (4,476)     | (3.9)  | (927)     | 20.7    |
| Sales and Marketing<br>Expenses                                   | (79)     | (2,512)                          | (1.4)  | (2,139)     | (1.8)  | (373)     | 17.4    |
| Total Operating<br>Expenses                                       | (675)    | (21,515)                         | (11.0) | (15,440)    | (13.5) | (6,075)   | 39.3    |
| Income from<br>Operations   | 2,340    | 74,596                           | 37.8   | 26,336      | 23.2   | 48,260    | 183.2   |
| Non-Operating Income,<br>Net                                      | 76       | 2,411                            | 1.2    | 1,508       | 1.3    | 903       | 59.8    |
| Equity in Earnings<br>(Losses) of Equity<br>Method Investees, Net | 22       | 706                              | 0.4    | (707)       | (0.6)  | 1,413     | (199.9) |
| Income before Income<br>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<br>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>         |
| Cash Flows from Operating Activities:                 |                        |                  |                    |                    |                    |
| 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>      |
| Cash Flows from Investing Activities:                 |                        |                  |                    |                    |                    |
| Acquisitions of:                                      |                        |                  |                    |                    |                    |
| 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)               |
| Proceeds from Disposal or Redemption of:              |                        |                  |                    |                    |                    |
| 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>     |
| Cash Flows from Financing Activities:                 |                        |                  |                    |                    |                    |
| 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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