

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

October 31, 2005

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 2005
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: _____.)

FOR IMMEDIATE RELEASE**CONTACT****Elizabeth Sun / Eric Chiang****Harrison Hsueh / Julie Wei**

Investor Relations Division

TSMC

invest@tsmc.com

886-3-568-2085/ 2087/ 2088/ 2086

Topics in This Report

Revenue Analysis

Utilization & Capacity

Profit & Expense Analysis

Financial Condition Review

Cash Flow & CapEx

Recap of Recent Important Events & Announcements

Operating Results Review:**Summary:**

<i>(Amount in NT\$ billion except noted otherwise)</i>	3Q05	2Q05	3Q04	QoQ	YoY
EPS (NT\$ per com. shr.)	0.99	0.74	1.13	33.3%	(12.2%)
(US\$ per ADR unit)	0.15	0.12	0.17		
Net Sales	69.26	58.52	69.74	18.4%	(0.7%)
Gross Profit	30.53	23.21	32.14	31.5%	(5.0%)
Operating Expense	(5.60)	(5.42)	(6.02)	3.2%	(7.0%)
Non-Operating Items	(0.51)	(0.05)	2.01	899.3%	
Net Income	24.49	18.37	27.93	33.3%	(12.3%)
Wafers Shipped (kpcs 8 inch-equiv.)	1,527	1,275	1,333	19.8%	14.5%
Capacity Utilization	96%	85%	103%		
Net Profit Margin	35.4%	31.4%	40.1%		

Remarks:

The third quarter EPS of NT\$0.99 represents a 33.3% increase compared with 2Q05. The unconsolidated operating results of 3Q05 are summarized below:

Net sales increased 18.4% to NT\$69.26 billion compared with NT\$58.52 billion in the second quarter of 2005. The increase mainly resulted from a 19.8% increase in wafer shipments, a 2.6% appreciation of the US dollar against the local currency, and a 4.9% decline of the wafer average selling price (ASP).

Gross profit increased to NT\$30.53 billion, representing a 31.5% increase from the previous quarter. Gross margin jumped to 44.1% from 39.7% in 2Q05 mainly due to higher levels of capacity utilization and more favorable exchange rates, but a lower ASP partially reduced the magnitude of the improvement.

Operating expenses were NT\$5.60 billion, representing 8.1% of revenue. The combined result from non-operating income and long-term investments was a loss of NT\$510 million.

Income before tax increased 37.7% sequentially to NT\$24.42 billion. The provision for tax expenses of NT\$2.80 billion was completely offset by an investment tax credit of NT\$2.87 billion. TSMC's 3Q05 net income was NT\$24.49 billion with a net margin of 35.4%.

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I. Revenue Analysis**I 1. Wafer Sales Analysis**

By Application	3Q05	2Q05	3Q04
Computer	30%	38%	31%
Communication	41%	37%	42%
Consumer	23%	18%	20%
Industrial/Others	5%	6%	5%
Memory	1%	1%	2%
By Technology	3Q05	2Q05	3Q04
90nm-	10%	2%	0%
0.11/0.13um	33%	41%	30%
0.15/0.18um	35%	34%	38%
0.25/0.35um	16%	17%	24%
0.50um+	6%	6%	8%
By Customer Type	3Q05	2Q05	3Q04
Fabless/System	71%	74%	69%
IDM	29%	26%	31%
By Geography	3Q05	2Q05	3Q04
North America	75%	77%	75%
Asia Pacific	11%	9%	11%
Europe	9%	8%	7%
Japan	5%	6%	7%

Revenue Analysis:

Net sales increased 18.4% to NT\$69.26 billion compared to NT\$58.52 billion in the second quarter 2005. The increase in third quarter revenue mainly resulted from a 19.8% increase of wafer shipments, a 2.6% appreciation of the US dollar against the local currency, and a 4.9% decline of the wafer average selling price (ASP).

Revenues from communication and consumer applications increased in this quarter mainly due to stronger seasonal demand and introduction of new products. Due to weaknesses in demand experienced in the PC Graphics sector, revenues from computer applications declined.

Revenue from advanced technologies defined as 0.13-micron and below accounted for 43% of total wafer sales. Meanwhile, percentage of revenue from 90nm increased to 10% from 2% previously.

IDM accounted for 29% of wafer sales during the quarter, up from 26% in the previous quarter.

Geographically, North America accounted for 75% of wafer sales, down from 77% in 2Q05. Meanwhile, sales from Asia Pacific increased to 11% of wafer sales from 9% previously.

ASP Trend:

We have some product mix factors that positively contributed to the blended average price, but the general price declines had led to a 4.9% sequential decline in ASP.

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II. Utilization & Capacity**II.2. Capacity**

	1Q05	2Q05	3Q05	4Q05	2005
Fab / (Wafer size)	(Act.)	(Act.)	(Act.)	(Fcst.)	(Fcst.)
Fab-2 (6") ¹	238	249	251	251	989
Fab-3 (8")	234	245	247	247	973
Fab-5 (8")	119	125	126	126	496
Fab-6 (8")	203	214	217	217	850
Fab-7 (8")	36	39	40	40	155
Fab-8 (8")	222	217	227	227	893
Fab-12 (12") ²	85	103	122	139	448
Fab-14 (12") ²	18	36	46	56	156
TSMC owned capacity					
8"-equivalent Kpcs	1,180	1,292	1,374	1,437	5,282
Wafer Tech (8")	95	96	100	100	389
SSMC (8")	41	42	47	49	179
TSMC (Shanghai)(8")	9	22	30	44	105
Total TSMC managed					
8"-equivalent Kpcs	1,324	1,451	1,550	1,629	5,955

Note:

- Figures represent number of 6" wafers. Conversion to 8"-equivalent wafers is by dividing this number by 1.78
- Figures represent number of 12" wafers. Conversion to 8"-equivalent wafers is by multiplying this number by 2.25

Utilization Rate:

Overall capacity utilization improved by 11 percentage points to 96% in this quarter, reflecting stronger demand from customers across the board.

Capacity :

Total TSMC managed capacity in 3Q05 was 1,550K 8-inch equivalent wafers, 6.8% higher than the 1,451K wafers in 2Q05.

TSMC managed capacity in 4Q05 will increase to 1,629K wafers, representing a 5.1% sequential growth. The newly added capacity in 4Q05 will be mainly for the continuing ramp up of advanced capacities in Fab 12 and Fab 14. Overall installed capacity for year 2005 is expected to reach 5.96 million 8-inch equivalent wafers, a 24% year-over-year growth.

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

(Amount: NT\$ billion)	3Q05	2Q05	3Q04
COGS	38.7	35.3	37.6
Depreciation	15.5	16.0	13.7
Other MFG Cost	23.2	19.3	23.9
Gross Profit	30.5	23.2	32.1
Gross Margin			
- TSMC	44.1%	39.7%	46.1%
- TSMC w/o affiliates	47.6%	42.9%	51.9%

III 2. Operating Expense Analysis

(Amount: NT\$ billion)	3Q05	2Q05	3Q04
Total Operating Exp.	5.6	5.4	6.0
SG&A	2.3	2.1	2.9
Research & Development	3.3	3.3	3.1

III 3. Non-Operating Items

(Amount: NT\$ million)	3Q05	2Q05	3Q04
Non-Operating Income/(Exp.)	(19)	537	630
Net Interest Income/(Exp.)	(41)	42	228
Other Non-Operating	22	495	402
L-T Investments	(491)	(588)	1,378
WaferTech*	487	352	1,643
SSMC	210	140	268
Vanguard	61	87	326
TSMC (Shanghai)	(760)	(789)	(237)
Miscellaneous	(489)	(378)	(622)

* Operation results only; does not include amortization of impaired assets.

Gross Profit Analysis:

Gross profit was NT\$30.5 billion and gross margin improved to 44.1% from 39.7% in 2Q05. The improvement in gross profit was mainly due to higher levels of capacity utilization and a stronger US dollar against the local currency, partially offset by an unfavorable ASP movement.

During the quarter, the gross margin from TSMC's own fabs increased to 47.6% from 42.9% in 2Q05.

Operating Expenses:

Operating expenses were NT\$5.6 billion in this quarter, representing 8.1% of net sales.

Non-Operating Items:

Combined result from non-operating income and long-term investments was a loss of NT\$510 million.

During this quarter, the non-operating expenses were NT\$19 million, compared to last quarter's income of NT\$537 million. This difference was mainly due to unrealized revaluation losses in certain marketable securities.

Loss from long-term investments was NT\$491 million in this quarter, compared to a loss of NT\$588 million in 2Q05.

The differences were mainly attributable to better performance in WaferTech and SSMC.

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

(Amount: NT\$ billion)	3Q05	2Q05	3Q04
Cash & S-T Investments	107.3	128.0	116.5
Accounts Receivable Trade	37.2	30.1	33.3
Inventory	15.1	14.1	12.6
Total Current Assets	165.1	181.8	169.8
Accounts Payable	20.9	17.8	28.3
Accrued Liabilities and others	22.0	68.9	16.0
Total Current Liabilities	42.9	86.7	44.3
Current Ratio (x)	3.8	2.1	3.8
Net Working Capital	122.2	95.1	125.5

IV 3. Debt Service

(Amount: NT\$ billion)	3Q05	2Q05	3Q04
Cash & S-T Investments	107.3	128.0	116.5
Interest-Bearing Debt	30.0	30.0	35.0
Net Cash Reserves	77.3	98.0	81.5

Liquidity Analysis:

Cash & short-term investments declined NT\$20.7 billion in this quarter mainly due to payments of cash dividends and employee profit sharing. Meanwhile, accounts receivable and inventory increased. As a result, total current assets were NT\$16.7 billion lower on a sequential basis.

Total current liabilities were NT\$43.8 billion lower sequentially, mainly due to the payment of NT\$46.5 billion for cash dividends and NT\$3.1 billion for employee profit sharing.

As a result, net working capital increased to NT\$122.2 billion and current ratio increased to 3.8x.

Receivable/Inventory Days Trend:

Days of Receivable increased to 46 days in 3Q05 compared to 43 days in the previous quarter.

Days of Inventory decreased to 40 days from 41 days in the second quarter 2005.

Debt Service:

Due to lower levels of cash & short-term investments, net cash reserves defined as the excess of cash and short-term investments over interest-bearing debt decreased by NT\$20.7 billion to NT\$77.3 billion in 3Q05.

Interest-bearing debt remained at the same level of NT\$30.0 billion as in the previous quarter.

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

(Amount: NT\$ billion)	3Q05	2Q05	3Q04
Net Income	24.5	18.4	27.9
Depreciation & Amortization	17.1	17.7	15.4
Other Op Sources/(Uses)	(3.7)	(8.4)	(5.1)
Total Op Sources/(Uses)	37.9	27.7	38.2
Capital Expenditure	(9.1)	(13.0)	(16.5)
Short Term Investment	0.6	2.2	(4.9)
Long Term Investment	(0.7)	(0.6)	(11.9)
Other Investing Sources/(Uses)	(0.2)	1.1	(0.3)
Net Investing Sources/(Uses)	(9.4)	(10.3)	(33.6)
Cash dividends Common stock	(46.5)	0.0	(12.2)
Employees Bonus	(3.1)	0.0	(0.7)
Other Financing Sources/(Uses)	0.9	1.0	(0.1)
Net Financing Sources/(Uses)	(48.7)	1.0	(12.9)
Net Cash Position Changes	(20.1)	18.4	(8.3)
Ending Cash Balance	58.5	78.6	70.4

V 3. Capital Expenditure

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US\$275 m

TSMC (Shanghai)

US\$44 m

WaferTech

US\$0 m

TSMC & Affiliates**US\$319 m****Summary of Cash Flow:**

During this quarter, TSMC generated NT\$37.9 billion operating cash inflow, mainly from net income of NT\$24.5 billion and depreciation & amortization of NT\$17.1 billion, partially offset by changes in working capital. Net cash used in investment activities totaled NT\$9.4 billion, mainly resulting from NT\$9.1 billion of capital spending.

A net financing charge of NT\$48.7 billion during this quarter was largely attributable to the payments of NT\$46.5 billion for cash dividends and NT\$3.1 billion for employee profit sharing.

As a result, TSMC ended the quarter with a cash balance of NT\$58.5 billion, NT\$20.1 billion lower than in 2Q05.

Operating Cash Flow Trend:

Operating cash flow of NT\$37.9 billion was higher than the NT\$27.7 billion generated in the previous quarter, mainly due to the increase of net income.

Capital Spending:

Capital expenditures for TSMC alone during the quarter totaled US\$275 million. Most of the spending was for purchasing 12-inch production equipment. Capital spending for TSMC (Shanghai) in this quarter was US\$44 million. For year 2005, total capital expenditure for TSMC and affiliates is expected to be in the range of US\$2.5 billion to US\$2.7 billion, as guided.

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VI. Recap of Recent Important Events & Announcements

- 1 TSMC ranks #11 of BusinessWeek's Top 150 Leading Asian Companies (2005/10/24)
- 1 TSMC joins IMEC's sub-45nm CMOS R&D project (2005/10/18)
- 1 TSMC is voted the Most Admired Company by Commonwealth Magazine (2005/10/13)
- 1 TSMC produces industry's first 1.3 megapixel CMOS image sensor for Agilent Technologies with Enhanced-Performance Pixel Architecture (2005/10/10)
- 1 TSMC September 2005 sales set record high (2005/10/07)
- 1 TSMC launches foundry industry's first 65nm prototype run (2005/10/05)
- 1 TSMC announces production-ready 90nm X Architecture (2005/10/04)
- 1 TSMC enters volume production of 90nm graphics chips for ATI (2005/09/26)
- 1 TSMC R&D team receives first Outstanding Nano-Tech Award from Ministry of Economic Affairs of Republic of China (2005/09/21)
- 1 TSMC recognizes its suppliers at 2005 SCM Forum (2005/09/15)
- 1 TSMC completes secondary offering of 151.655 million ADSs at US\$8.60 per share (2005/08/05)

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

* Starting from 1Q05,
TSMC will post
quarterly
consolidated
financial statements,
in addition to the
unconsolidated
financial statements,
on our web site.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.
Unaudited Condensed Balance Sheet (Unconsolidated)

As of September 30, 2005 and 2004

(Figures in Millions of New Taiwan Dollars (NTD) and U.S. Dollars (USD)) ⁽¹⁾

	September 30, 2005			September 30, 2004 ⁽²⁾		YoY	
	USD	NTD	%	NTD	%	Amount	%
ASSETS							
Cash and Cash Equivalents	1,762	58,467	12.1	70,372	15.2	(11,905)	(16.9)
Short Term Investments	1,471	48,822	10.1	46,128	10.0	2,694	5.8
Accounts Receivable Trade	1,122	37,248	7.7	33,335	7.2	3,913	11.7
Inventories	454	15,070	3.1	12,629	2.7	2,441	19.3
Other Current Assets	164	5,447	1.2	7,300	1.6	(1,853)	(25.4)
Total Current Assets	4,973	165,054	34.2	169,764	36.7	(4,710)	(2.8)
Long Term Investment	2,379	78,958	16.3	66,104	14.3	12,854	19.4
Fixed Assets	17,037	565,426	117.0	492,964	106.6	72,462	14.7
Less Accumulated Depreciation	(10,441)	(346,517)	(71.7)	(285,808)	(61.8)	(60,709)	21.2
Net Fixed Assets	6,596	218,909	45.3	207,156	44.8	11,753	5.7
Other Assets	609	20,185	4.2	19,484	4.2	701	3.6
Total Assets	14,557	483,106	100.0	462,508	100.0	20,598	4.5
LIABILITIES							
Accounts Payables	303	10,042	2.1	12,997	2.8	(2,955)	(22.7)
Payables to Contractors and Equipment Suppliers	326	10,815	2.2	15,261	3.3	(4,446)	(29.1)
Accrued Expenses and Other Current Liabilities	348	11,547	2.4	10,974	2.4	573	5.2
	316	10,500	2.2	5,000	1.1	5,500	110.0

Current Portion of
Bonds Payable

Total Current Liabilities	1,293	42,904	8.9	44,232	9.6	(1,328)	(3.0)
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