

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

April 28, 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 April 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: ____.)

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

Investor Relations Division

TSMC

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

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**1Q06 Quarterly Management Report
April 27, 2006****Operating Results Review:****Summary:**

| <i>(Amount in NT\$ billion except noted otherwise)</i> | 1Q06 | 4Q05 | 1Q05 | QoQ | YoY |
|--|-------------|-------------|-------------|------------|------------|
| EPS (NT\$ per com. shr.) | 1.32 | 1.37 | 0.68 | (3.9%) | 93.6% |
| (US\$ per ADR unit) | 0.20 | 0.21 | 0.11 | | |
| Net Sales | 77.29 | 81.16 | 55.65 | (4.8%) | 38.9% |
| Gross Profit | 36.64 | 39.86 | 21.65 | (8.1%) | 69.3% |
| Gross Margin | 47.4% | 49.1% | 38.9% | | |
| Operating Expense | (5.77) | (5.64) | (5.57) | 2.4% | 3.6% |
| Non-Operating Items | 3.79 | 1.18 | 0.19 | 221.8% | 1906.7% |
| Net Income | 32.61 | 33.90 | 16.82 | (3.8%) | 93.9% |
| Net Profit Margin | 42.2% | 41.8% | 30.2% | | |
| Wafer Shipment (kpcs 8 inch-equiv.) | 1,738 | 1,707 | 1,113 | 1.8% | 56.2% |

Remarks:

The first quarter EPS of NT\$1.32 represents a year-over-year increase of 93.6% compared to 1Q05 and a sequential decline of 3.9% compared to 4Q05. The unconsolidated operating results of 1Q06 are summarized below:

Net sales were NT\$77.29 billion, a 38.9% increase compared to NT\$55.65 billion reported in 1Q05 and a 4.8% decline compared to NT\$81.16 billion reported in the previous quarter. Net sales for the quarter surpassed the top end of our guidance by NT\$1.29 billion, primarily driven by stronger than expected demand from our customers in

computer segment.

Gross profit was NT\$36.64 billion, representing an 8.1% decrease from the previous quarter. Gross margin declined by 1.7 percentage points sequentially to 47.4%, with 3.3% depreciation in US dollars being an important factor.

Operating expenses were NT\$5.77 billion or 7.5% of net sales. The combined result from non-operating income and long-term investments was a gain of NT\$3.79 billion, which includes a one-time gain of \$1.8 billion from adopting Statement of Financial Accounting Standards (SFAS) No. 34.

Net income was NT\$32.61 billion, down 3.8% sequentially. Net margin was 42.2%.

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

| By Application | 1Q06 | 4Q05 | 1Q05 |
|-------------------------|-------------|-------------|-------------|
| Computer | 37% | 32% | 34% |
| Communication | 39% | 41% | 41% |
| Consumer | 18% | 21% | 17% |
| Industrial/Others | 5% | 5% | 6% |
| Memory | 1% | 1% | 2% |
| By Technology | 1Q06 | 4Q05 | 1Q05 |
| N90- | 20% | 17% | 4% |
| 0.11/0.13um | 29% | 32% | 41% |
| 0.15/0.18um | 32% | 32% | 31% |
| 0.25/0.35um | 14% | 14% | 18% |
| 0.50um+ | 5% | 5% | 6% |
| By Customer Type | 1Q06 | 4Q05 | 1Q05 |
| Fabless/System | 74% | 72% | 69% |
| IDM | 26% | 28% | 31% |
| By Geography | 1Q06 | 4Q05 | 1Q05 |
| North America | 78% | 77% | 79% |
| Asia Pacific | 11% | 11% | 8% |
| Europe | 7% | 8% | 6% |
| Japan | 4% | 4% | 7% |

Revenue Analysis:

Net sales were NT\$77.29 billion for 1Q06, topping the high end of our guidance by NT\$1.29 billion, mainly driven by stronger than expected demand from our customers in computer segment.

On a quarter over quarter basis, revenues from computer applications increased by 8%, while revenues from communications and consumer applications decreased by 10% and 20%, respectively.

Revenue from advanced technologies defined as 0.13-micron and below accounted for 49% of total wafer sales, flat from the previous quarter. Revenue from 90nm continued to increase and accounted for 20% of total wafer sales during the quarter, compared to 17% in the fourth quarter of 2005.

IDM accounted for 26% of total wafer sales during the quarter, down slightly from 28% in the previous quarter.

Geographically, North America accounted for 78% of wafer sales, up from 77% in 4Q05. Meanwhile, sales from Europe declined by one percentage point sequentially to 7% of wafer sales.

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II. Capacity**II. Capacity**

| Fab / (Wafer size) | 1Q06 (Act.) | 2Q06 (Est.) | 3Q06 (Est.) | 4Q06 (Est.) |
|---|------------------------|------------------------|------------------------|------------------------|
| Fab-2 (6 ¹) | 244 | 258 | 260 | 260 |
| Fab-3 (8) | 246 | 252 | 259 | 252 |
| Fab-5 (8) | 135 | 138 | 143 | 149 |
| Fab-6 (8) | 215 | 222 | 227 | 241 |
| Fab-7 (8) | 33 | 23 | 4 | 0 |
| Fab-8 (8) | 231 | 233 | 228 | 242 |
| Fab-12 (12 ²) | 142 | 150 | 157 | 162 |
| Fab-14 (12 ²) | 61 | 66 | 86 | 115 |
| TSMC owned capacity 8"-equivalent Kpcs | 1,455 | 1,499 | 1,554 | 1,653 |
| Wafer Tech (8) | 99 | 100 | 101 | 101 |
| SSMC (8) | 49 | 50 | 50 | 52 |
| TSMC (Shanghai) (8) | 48 | 52 | 69 | 82 |
| Total TSMC managed 8"-equivalent Kpcs | 1,651 | 1,700 | 1,774 | 1,889 |

Note: 1. Figues represent number of 6 wafers. Conversion to 8 -equivalent wafers is by dividing this number by 1.78

2. Figues represent number of 12 wafers. Conversion to 8 -equivalent wafers is by multiplying this number by 2.25

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

| (Amount: NT\$ billion) | 1Q06 | 4Q05 | 1Q05 |
|------------------------|--------------|--------------|--------------|
| COGS | 40.7 | 41.3 | 34.0 |
| Depreciation | 14.5 | 14.9 | 15.2 |
| Other MFG Cost | 26.1 | 26.4 | 18.8 |
| Gross Profit | 36.6 | 39.9 | 21.6 |
| Gross Margin | 47.4% | 49.1% | 38.9% |

Capacity :

Total TSMC managed capacity in 1Q06 was 1,651K 8-inch equivalent wafers, 1.3% higher than the 1,629K wafers in 4Q05.

TSMC managed capacity in 2Q06 will increase to 1,700K 8-inch equivalent wafers, representing a 3% sequential growth. Majority of the capacity increase was dedicated to advanced technologies.

Overall installed capacity for year 2006 is expected to be slightly above 7 million 8-inch equivalent wafers.

Gross Profit Analysis:

Gross profit for the first quarter of 2006 was NT\$36.6 billion. Gross margin declined by 1.7 percentage points sequentially to 47.4%, with 3.3% depreciation in US dollars being an important factor.

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III 2. Operating Expense Analysis

| | | | |
|-----------------------------|-------------|-------------|-------------|
| (Amount: NT\$ billion) | 1Q06 | 4Q05 | 1Q05 |
| Total Operating Exp. | 5.77 | 5.64 | 5.57 |
| SG&A | 2.23 | 2.22 | 2.22 |
| Research & Development | 3.55 | 3.42 | 3.35 |

III 4. Non-Operating Items

| | | | |
|------------------------------------|--------------|--------------|--------------|
| (Amount: NT\$ million) | 1Q06 | 4Q05 | 1Q05 |
| Non-Operating Income/(Exp.) | 816 | 952 | 387 |
| Net Interest Income/(Exp.) | 737 | 488 | 317 |
| Other Non-Operating | 79 | 464 | 70 |
| L-T Investments | 2,972 | 225 | (198) |
| WaferTech* | 856 | 793 | 195 |
| SSMC | 462 | 348 | 104 |
| InveStar Funds | 1,797 | 56 | (1) |
| TSMC (Shanghai) | (38) | (414) | (280) |
| Others | (106) | (558) | (217) |
| Total Non-Operating Items | 3,788 | 1,177 | 189 |

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

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

III 4. SFAS No. 34

| | | |
|---------------------------------------|-----------------------|---------------------|
| (Amount: NT\$ million) | Unconsolidated | Consolidated |
| Change in Accounting Principle | (246.2) | 1,606.7 |
| Non-Operating Items | 1,860.0 | 60.8 |
| Minority Interest | | (53.7) |
| Total SFAS No. 34 Impact | 1,613.8 | 1,613.8 |

Operating Expenses:

Operating expenses for 1Q06 were NT\$5.77 billion, slightly higher than the previous quarter, largely due to higher R&D expenses associated with 65nm technology. Total operating expenses represented 7.5% of net sales, up from 6.9% in the fourth quarter of 2005.

Non-Operating Items:

Combined result from non-operating income and long-term investments was a gain of NT\$3.8 billion.

During the first quarter of 2006, non-operating income was NT\$816 million, compared to an income of NT\$952 million in the previous quarter. The decrease in non-operating income was mainly due to the scheduled lawsuit settlement payment received in 4Q05 from SMIC and a decrease in gains on sale of fixed assets, offset in part by an increase in interest income.

Net investment income was NT\$2,972 million in this quarter, compared to an income of NT\$225 million in 4Q05.

The increase was primarily due to gains recognized under SFAS No. 34 from TSMC venture capital funds and improved operating performance at TSMC's manufacturing affiliates. A major portion of the gains recognized under SFAS No. 34 is non-recurring.

SFAS No. 34

On January 1, 2006, TSMC adopted the newly released Statements of Financial Accounting Standards No. 34

Accounting for Financial Instruments (SFAS No. 34).

Under SFAS No. 34, marketable securities with readily determinable market value are measured at fair value, with unrealized gains and losses on trading securities recognized in earnings for the current period. Total unrealized gains and losses on trading securities as of January 1, 2006 are included in the cumulative effect of changes in accounting principles.

As a result of adopting SFAS No. 34, TSMC recognized a total of NT\$1.6 billion gains in 1Q06 on both consolidated and unconsolidated basis, majority of which is non-recurring.

The adoption of SFAS No. 34 resulted in an increase of NT\$0.065 in earnings per share in 1Q06.

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

| (Amount: NT\$ Billion) | 1Q06 | 4Q05 | 1Q05 |
|----------------------------------|--------------|--------------|--------------|
| Cash & Marketable Securities | 178.0 | 133.8 | 112.2 |
| Accounts Receivable Trade | 35.8 | 36.4 | 22.4 |
| Inventory | 16.9 | 16.3 | 13.4 |
| Total Current Assets | 240.8 | 197.6 | 159.7 |
| Accounts Payable | 22.5 | 20.2 | 19.1 |
| Accrued Liabilities and Others | 15.9 | 12.0 | 18.8 |
| Total Current Liabilities | 38.3 | 32.2 | 37.9 |
| Current Ratio (x) | 6.3 | 6.1 | 4.2 |
| Net Working Capital | 202.4 | 165.4 | 121.9 |

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

IV 2. Receivable/Inventory Days

| | 1Q06 | 4Q05 | 1Q05 |
|--------------------|-------------|-------------|-------------|
| Days of Receivable | 44 | 42 | 42 |
| Days of Inventory | 44 | 42 | 42 |

IV 3. Debt Service

| (Amount: NT\$ Billion) | 1Q06 | 4Q05 | 1Q05 |
|------------------------------|-------------|-------------|-------------|
| Cash & Marketable Securities | 178.0 | 133.8 | 112.2 |
| Interest-Bearing Debt | 19.5 | 19.5 | 30.0 |
| Net Cash Reserves | 158.5 | 114.3 | 82.2 |

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

Liquidity Analysis:

Cash & marketable securities increased by NT\$44.2 billion in this quarter, mainly due to strong cash flows from operating activities. As a result, TSMC ended the quarter with total current assets of NT\$240.8 billion, NT\$43.2 billion higher on a sequential basis.

Total current liabilities were NT\$38.3 billion at the end of the quarter, NT\$6.2 billion higher than the previous quarter, mainly due to an increase in payables to contractors and equipment suppliers and a reclassification of an NT\$2.5 billion corporate bond from long-term debt to current liabilities.

As a result, net working capital increased to NT\$202.4 billion and current ratio increased to 6.3x.

Receivable/Inventory Days Trend:

Days of receivable increased to 44 days in 1Q06, compared to 42 days in the previous quarter.

Days of inventory increased to 44 days from 42 days in the fourth quarter of 2005.

Debt Service:

As a result of strong operating performance during the quarter, net cash reserves defined as the excess of cash and marketable securities over interest-bearing debt increased by NT\$44.2 billion to NT\$158.5 billion in 1Q06.

Interest-bearing debt remained flat at NT\$19.5 billion.

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

| (Amount: NT\$ billion) | 1Q06 | 4Q05 | 1Q05 |
|-------------------------------------|---------------|---------------|---------------|
| Net Income | 32.6 | 33.9 | 16.8 |
| Depreciation & Amortization | 16.0 | 16.6 | 16.7 |
| Other Op Sources/(Uses) | (0.8) | (1.6) | 2.5 |
| Total Op Sources/(Uses) | 47.7 | 48.9 | 36.0 |
| Capital Expenditure | (11.1) | (13.3) | (38.2) |
| Marketable Financial Instruments | (12.8) | 0.9 | (0.0) |
| Other Investing Sources/(Uses) | 0.3 | 0.3 | (3.2) |
| Net Investing Sources/(Uses) | (23.6) | (12.1) | (41.3) |
| Repayment of Corporate Bonds | 0.0 | (10.5) | 0.0 |
| Other Financing Sources/(Uses) | 0.4 | 0.6 | (0.0) |
| Net Financing Sources/(Uses) | 0.4 | (9.9) | (0.0) |
| Net Cash Position Changes | 24.6 | 26.9 | (5.3) |
| Ending Cash Balance | 110.0 | 85.4 | 60.2 |

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

V 3. Capital Expenditure
(In US\$ million)

| | |
|--|--------------|
| TSMC | 1Q06 |
| TSMC (Shanghai) & WaferTech | \$344 |
| | 12 |
| TSMC Consolidated | \$356 |

Summary of Cash Flow:

During this quarter, TSMC generated NT\$47.7 billion from operating activities, mainly from net income of NT\$32.6 billion and depreciation & amortization of NT\$16.0 billion.

Net cash used in investment activities totaled NT\$23.6 billion, mainly as a result of an NT\$11.1 billion in capital spending and an NT\$12.8 billion net increase in marketable financial instruments.

Net cash provided by financing activities was NT\$0.4 billion during this quarter.

As a result, TSMC ended the quarter with a cash balance of NT\$110 billion, NT\$24.6 billion higher than in 4Q05.

Operating and Free Cash Flows:

TSMC continues to generate strong free cash flows. Free cash flows totaled NT\$36.6 billion for 1Q06, NT\$1 billion higher than the NT\$35.6 billion generated in the previous quarter, mainly due to lower level of capital expenditures during the quarter.

Capital Spending:

Capital expenditures for TSMC alone totaled US\$344 million during the quarter. Most of the spending was for the purchase of 12-inch production equipment. Capital spending for TSMC subsidiaries in this quarter was US\$12 million.

For year 2006, total capital expenditure for TSMC consolidated group is expected to be in the range of US\$2.6 billion to US\$2.8 billion, unchanged from our previous guidance provided in January 2006.

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VI. Analysis of Consolidated Financial Results**VI 2. Consolidated v. Unconsolidated Income Statement**

| (Amount: NT\$ billion) | Consolidated | Unconsolidated | Difference |
|--------------------------------|---------------------|-----------------------|-------------------|
| Net Sales | 77.9 | 77.3 | 0.6 |
| COGS | 40.1 | 40.7 | (0.6) |
| Gross Profit | 37.7 | 36.6 | 1.1 |
| Gross Margin % | 48.5% | 47.4% | 1.1% |
| Operating Expenses | | | |
| Research & Development | 3.7 | 3.5 | 0.2 |
| SG&A | 3.1 | 2.2 | 0.9 |
| Total Operating Expenses | 6.8 | 5.8 | 1.0 |
| Operating Income | 30.9 | 30.9 | 0.0 |
| Operating Margin % | 39.7% | 39.9% | -0.2% |
| Non-Operating Income (Exp.) | 1.4 | 0.8 | 0.6 |
| Investment Income (Loss) | 0.6 | 3.0 | (2.4) |
| Income Tax Benefit (Expense) | (1.9) | (1.8) | (0.1) |
| Change in Accounting Principle | 1.6 | (0.2) | 1.8 |
| Minority Interest | (0.1) | 0.0 | (0.1) |
| Net Income | 32.6 | 32.6 | 0.0 |
| Net Margin % | 41.9% | 42.2% | -0.3% |

Consolidated Structure

TSMC consolidated results include the results from its overseas sales offices (TSMC North America, TSMC Europe and TSMC Japan), manufacturing subsidiaries (TSMC (Shanghai) and WaferTech), strategic alliance (Global Unichip Corp.), venture capital funds, and others. These entities are collectively referred to as TSMC consolidating entities hereafter.

Consolidated Income Statement

On a consolidated basis, net sales for 1Q06 were NT\$77.9 billion, NT\$0.6 billion higher than the unconsolidated net sales, reflecting sales contributions from TSMC consolidating entities. Consolidated gross margin was 48.5%, compared to 47.4% on the unconsolidated basis. The higher consolidated gross margin reflects the true gross margins from TSMC consolidating entities.

Consolidated operating expenses were NT\$6.8 billion for 1Q06, NT\$1 billion higher than the unconsolidated operating expenses. The higher consolidated operating expenses were mainly attributable to additional sales & marketing expenses from TSMC overseas sales offices and additional G&A expenses from other TSMC consolidating entities. Total consolidated operating expenses accounted for 8.8% of consolidated net sales, compared to 7.5% on the unconsolidated basis.

Consolidated non-operating income was NT\$1.4 billion for 1Q06, NT\$0.6 billion higher than the unconsolidated non-operating income, mainly due to gains recognized under SFAS No. 34 from TSMC venture capital funds and a

one-time gain from a TSMC subsidiary. SFAS No. 34 related gains attributable to changes in fair value during 1Q06 are reported as non-operating income for consolidated purpose instead of as investment income for unconsolidated purpose.

Investment income for 1Q06 was NT0.6 billion on the consolidated basis, reflecting TSMC's share of income from TSMC's non-consolidating affiliates.

Consolidated net income was NT\$32.6 billion, same as that on the unconsolidated basis. Consolidated net margin was 41.9%, 0.3% lower than the unconsolidated net margin.

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VI 3. Consolidated v. Unconsolidated Balance Sheet (Selected Balance Sheet Items)

| (Amount: NT\$ billion) | Consolidated | Unconsolidated | Difference |
|------------------------------|---------------------|-----------------------|-------------------|
| Cash & Marketable Securities | 192.3 | 178.0 | 14.3 |
| Accounts Receivable Trade | 38.0 | 35.8 | 2.2 |
| Inventory | 18.4 | 16.9 | 1.5 |
| Total Current Assets | 259.3 | 240.8 | 18.5 |
| Long-Term Investments | 34.7 | 75.4 | (40.7) |
| Fixed Assets, Net | 241.5 | 212.5 | 29.0 |
| Total Assets | 555.3 | 543.7 | 11.6 |
| Total Current Liabilities | 40.9 | 38.3 | 2.6 |
| L/T Interest-Bearing Debt | 24.7 | 17.0 | 7.7 |
| Total Liabilities | 76.7 | 65.8 | 10.9 |
| Total Equity | 478.6 | 477.9 | 0.7 |

VI 4. Consolidated v. Unconsolidated Cash Flows

| (Amount: NT\$ billion) | Consolidated | Unconsolidated | Difference |
|--|---------------------|-----------------------|-------------------|
| Cash Flows Provided by Operating Activities | 48.9 | 47.7 | 1.2 |
| Depreciation & Amortization | 17.7 | 16.0 | 1.8 |
| Cash Flows Used in Investing Activities | (24.1) | (23.6) | (0.6) |
| Capital Expenditures | (11.5) | (11.1) | (0.4) |
| Cash Flows Provided by Financing Activities | 0.1 | 0.4 | (0.3) |
| Net Cash Increase (Decrease) | 24.9 | 24.6 | 0.3 |

Consolidated Balance Sheet

On a consolidated basis, as a result of higher cash and marketable securities, total current assets were NT\$259.3 billion, NT\$18.5 billion higher than the unconsolidated total current assets.

Consolidated long-term investments were NT\$34.7 billion for 1Q06, compared to NT\$75.4 billion on the unconsolidated basis, reflecting the consolidation of TSMC subsidiaries.

Consolidated net fixed assets totaled NT\$241.5 billion, NT\$29 billion higher than the unconsolidated net fixed assets, mainly due to manufacturing facilities located at TSMC's consolidating entities.

Total consolidated liabilities were NT\$76.7 billion, compared to NT\$65.8 billion on the unconsolidated basis, largely attributable to borrowings by TSMC's consolidating entities.

Consolidated Cash Flows

Consolidated cash flows provided by operating activities were NT\$48.9 billion in 1Q06, NT\$1.2 billion higher than that on the unconsolidated basis, mainly due to additional depreciation & amortization expenses from TSMC consolidating entities.

Consolidated cash flows used in investing activities totaled NT\$24.1 billion in 1Q06, slightly higher than that on the unconsolidated basis, primarily due to capital expenditures at TSMC (Shanghai).

Consolidated cash flows provided by financing activities were NT\$0.1 billion in 1Q06.

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VII. Recap of Recent Important Events & Announcements

- 1 TSMC and ARM Sign Long-term Physical IP Agreement for 65- And 45-nanometer Technologies (2006/04/19)
- 1 TSMC invites Carly Fiorina to Join Board of Directors as Independent Member (2006/04/06)
- 1 TSMC 65nm Wireless Devices is Sampled by QUALCOMM (2006/04/06)
- 1 TSMC Appoints Dr. Fu-Chieh Hsu as Vice President of Design and Technology Platform (2006/03/29)
- 1 TSMC Wins Intel's Preferred Quality Supplier Award (2006/03/22)
- 1 TSMC Board Proposes Distribution of NT\$2.5 Cash And 3% Stock Per Share (2006/02/14)
- 1 TSMC Announces Immersion Lithography Nearly Production Ready (2006/02/22)

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**Condensed Balance Sheets (Unconsolidated)****(Figures in Million of New Taiwan Dollars (NTD) and U.S. Dollars (USD))**

| | March 31, 2006 (Unaudited) | | | December 31, 2005 (Audited) ⁽²⁾ | | March 31, 2005 (Unaudited) ⁽²⁾ | | QoQ | | YoY | |
|--|----------------------------|------------|--------|--|--------|---|--------|-----------|-------|-----------|--------|
| | USD | NTD | % | NTD | % | NTD | % | Amount | % | Amount | % |
| ASSETS | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | |
| Cash and Cash | | | | | | | | | | | |
| Equivalents | \$ 3,388 | \$ 109,990 | 20.2 | \$ 85,384 | 16.8 | \$ 60,219 | 12.5 | \$ 24,606 | 28.8 | \$ 49,771 | 82.6 |
| Investments in | | | | | | | | | | | |
| Marketable Financial | | | | | | | | | | | |
| Instruments | 2,095 | 67,994 | 12.5 | 48,436 | 9.5 | 51,941 | 10.8 | 19,558 | 40.4 | 16,053 | 30.9 |
| Accounts Receivable | | | | | | | | | | | |
| Trade | 1,102 | 35,780 | 6.6 | 36,396 | 7.2 | 22,429 | 4.7 | (616) | (1.7) | 13,351 | 59.5 |
| Inventories, Net | 521 | 16,901 | 3.1 | 16,258 | 3.2 | 13,429 | 2.8 | 643 | 4.0 | 3,472 | 25.9 |
| Other Current Assets | 312 | 10,123 | 1.9 | 11,088 | 2.2 | 11,726 | 2.4 | (965) | (8.7) | (1,603) | (13.7) |
| Total Current Assets | 7,418 | 240,788 | 44.3 | 197,562 | 38.9 | 159,744 | 33.2 | 43,226 | 21.9 | 81,044 | 50.7 |
| Long Term | | | | | | | | | | | |
| Investments | | | | | | | | | | | |
| | 2,324 | 75,439 | 13.9 | 80,660 | 15.9 | 76,877 | 16.0 | (5,221) | (6.5) | (1,438) | (1.9) |
| Properties, Plant and | | | | | | | | | | | |
| Equipment | | | | | | | | | | | |
| | 18,060 | 586,213 | 107.8 | 573,337 | 113.0 | 545,308 | 113.4 | 12,876 | 2.2 | 40,905 | 7.5 |
| Less: Accumulated | | | | | | | | | | | |
| Depreciation | | | | | | | | | | | |
| | (11,513) | (373,691) | (68.7) | (359,191) | (70.8) | (315,454) | (65.6) | (14,500) | 4.0 | (58,237) | 18.5 |
| Properties, Plant and | | | | | | | | | | | |
| Equipment, Net | | | | | | | | | | | |
| | 6,547 | 212,522 | 39.1 | 214,146 | 42.2 | 229,854 | 47.8 | (1,624) | (0.8) | (17,332) | (7.5) |
| Other Assets | | | | | | | | | | | |
| | 462 | 14,975 | 2.7 | 15,172 | 3.0 | 14,199 | 3.0 | (197) | (1.3) | 776 | 5.5 |
| Total Assets | \$ 16,751 | \$ 543,724 | 100.0 | \$ 507,540 | 100.0 | \$ 480,674 | 100.0 | \$ 36,184 | 7.1 | \$ 63,050 | 13.1 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | |
| Accounts Payables | | | | | | | | | | | |
| | \$ 335 | \$ 10,874 | 2.0 | \$ 11,294 | 2.2 | \$ 8,208 | 1.7 | (\$420) | (3.7) | \$ 2,666 | 32.5 |
| Payables to | | | | | | | | | | | |
| Contractors and | | | | | | | | | | | |
| Equipment Suppliers | | | | | | | | | | | |
| | 358 | 11,621 | 2.1 | 8,859 | 1.7 | 10,920 | 2.3 | 2,762 | 31.2 | 701 | 6.4 |
| | 411 | 13,352 | 2.4 | 12,031 | 2.4 | 8,263 | 1.5 | 1,321 | 10.2 | 5,089 | 75.4 |

| | | | | | | | | | | | |
|--|-----------|------------|-------|------------|-------|------------|-------|-----------|--------|-----------|--------|
| Accrued Expenses and Other Current Liabilities | | | | | | | | | | | |
| Current Portion of Bonds Payable | 77 | 2,500 | 0.6 | | | 10,500 | 2.2 | 2,500 | 0.0 | (8,000) | (76.2) |
| Total Current Liabilities | 1,181 | 38,347 | 7.1 | 32,184 | 6.3 | 37,891 | 7.9 | 6,163 | 19.1 | 456 | 1.2 |
| Bonds Payable | 524 | 17,000 | 3.1 | 19,500 | 3.8 | 19,500 | 4.1 | (2,500) | (12.8) | (2,500) | (12.8) |
| Other Long Term Liabilities | 322 | 10,444 | 1.9 | 10,225 | 2.1 | 7,929 | 1.6 | 219 | 2.1 | 2,515 | 31.7 |
| Total Liabilities | 2,027 | 65,791 | 12.1 | 61,909 | 12.2 | 65,320 | 13.6 | 3,882 | 6.3 | 471 | 0.7 |
| Shareholders Equity | | | | | | | | | | | |
| Common Stock | 7,620 | 247,331 | 45.5 | 247,300 | 48.7 | 232,529 | 48.4 | 31 | | 14,802 | 6.4 |
| Capital Surplus | 1,762 | 57,208 | 10.5 | 57,118 | 11.3 | 56,574 | 11.8 | 90 | 0.2 | 634 | 1.1 |
| Retained Earnings | 5,403 | 175,378 | 32.3 | 142,771 | 28.1 | 130,549 | 27.1 | 32,607 | 22.8 | 44,829 | 34.3 |
| Treasury Stock | (28) | (918) | (0.2) | (918) | (0.2) | (1,572) | (0.3) | | | 654 | (41.6) |
| Others | (33) | (1,066) | (0.2) | (640) | (0.1) | (2,726) | (0.6) | (426) | 66.3 | 1,660 | (60.9) |
| Total Shareholders Equity | 14,724 | 477,933 | 87.9 | 445,631 | 87.8 | 415,354 | 86.4 | 32,302 | 7.2 | 62,579 | 15.1 |
| Total Liabilities & Shareholders Equity | \$ 16,751 | \$ 543,724 | 100.0 | \$ 507,540 | 100.0 | \$ 480,674 | 100.0 | \$ 36,184 | 7.1 | \$ 63,050 | 13.1 |

Note (1) Amounts in NTD have been translated into USD at the rate of NT\$32.46 as of March 31, 2006.

:

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**Unaudited Condensed Income Statements (Unconsolidated)****For the Three Months Ended March 31, 2006, December 31, 2005 and March 31, 2005****(Expressed in Million New Taiwan Dollars (NTD) and U.S. Dollars (USD)****Except for Per Share Amounts and Shares Outstanding)**

| | Q1 2006 | | | Q4 2005 | | Q1 2005 | | QoQ | | YoY | |
|---------------------------------------|----------|-----------|--------|-----------|--------|-----------|--------|-----------|---------|-----------|-----------|
| | USD | NTD | % | NTD | % | NTD | % | Amount | % | Amount | % |
| Net Sales | \$ 2,390 | \$ 77,293 | 100.0 | \$ 81,161 | 100.0 | \$ 55,653 | 100.0 | (\$3,868) | (4.8) | \$ 21,640 | 38.9 |
| Cost of Sales | (1,257) | (40,651) | (52.6) | (41,296) | (50.9) | (34,004) | (61.1) | 645 | (1.6) | (6,647) | 19.5 |
| Gross Profit | 1,133 | 36,642 | 47.4 | 39,865 | 49.1 | 21,649 | 38.9 | (3,223) | (8.1) | 14,993 | 69.3 |
| Operating Expenses | | | | | | | | | | | |
| Research and Development Expenses | (110) | (3,549) | (4.6) | (3,423) | (4.2) | (3,349) | (6.0) | (126) | 3.7 | (200) | 6.0 |
| General and Administrative Expenses | (47) | (1,555) | (2.0) | (1,860) | (2.3) | (1,945) | (3.5) | 305 | (16.4) | 390 | (20.1) |
| Sales and Marketing Expenses | (21) | (671) | (0.9) | (358) | (0.4) | (279) | (0.5) | (313) | 87.5 | (392) | 140.8 |
| Total Operating Expenses | (178) | (5,775) | (7.5) | (5,641) | (6.9) | (5,573) | (10.0) | (134) | 2.4 | (202) | 3.6 |
| Income from Operations | 955 | 30,867 | 39.9 | 34,224 | 42.2 | 16,076 | 28.9 | (3,357) | (9.8) | 14,791 | 92.0 |
| Non-Operating Incomes (Expenses), Net | 25 | 816 | 1.1 | 952 | 1.1 | 387 | 0.7 | (136) | (14.3) | 429 | 110.9 |
| Investment Gains (Losses) | 92 | 2,972 | 3.8 | 225 | 0.3 | (198) | (0.4) | 2,747 | 1,220.1 | 3,170 | (1,599.7) |
| Income before Income Tax | 1,072 | 34,655 | 44.8 | 35,401 | 43.6 | 16,265 | 29.2 | (746) | (2.1) | 18,390 | 113.1 |
| Income Tax Benefits (Expenses) | (56) | (1,802) | (2.3) | (1,501) | (1.8) | 553 | 1.0 | (301) | 20.1 | (2,355) | (425.9) |
| | 1,016 | 32,853 | 42.5 | 33,900 | 41.8 | 16,818 | 30.2 | (1,047) | (3.1) | 16,035 | 95.3 |

| | | | | | | | | | | | |
|---|----------|-----------|-------|-----------|------|-----------|------|-----------|-------|-----------|------|
| Net Income Before Cumulative Effect of Changes in Accounting Principles | | | | | | | | | | | |
| Cumulative Effect of Changes in Accounting Principles (Net of Tax) | (8) | (246) | (0.3) | | | | | (246) | | (246) | |
| Net Income | \$ 1,008 | \$ 32,607 | 42.2 | \$ 33,900 | 41.8 | \$ 16,818 | 30.2 | (\$1,293) | (3.8) | \$ 15,789 | 93.9 |
| Earnings per Share Diluted | 0.04 | 1.32 | | 1.37 | | 0.68 | | (0.05) | (3.9) | 0.64 | 93.6 |
| Earnings per ADR ⁽²⁾ | 0.20 | 6.60 | | 6.86 | | 3.41 | | (0.27) | (3.9) | 3.19 | 93.6 |
| Weighted Average Outstanding Shares (M ³⁾ | | 24,721 | | 24,693 | | 24,684 | | | | | |

Note: (1) Amounts in NTD have been translated into USD at the weighted average rate of NTD32.337 for the first quarter of 2006.

(2) 1 ADR equals 5 ordinary shares.

(3) Total diluted weighted average outstanding shares were 24,721M shares for 1Q06 and 24,684M shares for 1Q05 after the retroactive adjustments for stock dividends and stock bonus.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED
Unaudited Condensed Statement of Cash Flows (Unconsolidated)
For the Three Months Ended March 31, 2006, December 31, 2005 and March 31, 2005
(Figures in Million of New Taiwan Dollars (NTD) and U.S. Dollars (USD))

| | 1Q 2006 | | 4Q 2005 | 1Q 2005 ⁽²⁾ |
|--|----------------|------------|----------------|-------------------------------|
| | USD | NTD | NTD | NTD |
| Cash Flows from Operating Activities: | | | | |
| Net Income | \$ 1,008 | \$ 32,607 | \$ 33,900 | \$ 16,818 |
| Depreciation & Amortization | 494 | 15,975 | 16,554 | 16,669 |
| Deferred Income Tax | (18) | (569) | (950) | (553) |
| Investment Loss(Income) Recognized by Equity Method | (92) | (2,972) | (225) | 198 |
| Changes in Working Capital & Others | 85 | 2,707 | (383) | 2,889 |
| Net Cash Provided by Operating Activities | 1,477 | 47,748 | 48,896 | 36,021 |
| Cash Flows from Investing Activities: | | | | |
| Acquisitions: | | | | |
| Marketable Financial Instruments ⁽³⁾ | (1,012) | (32,731) | (21,333) | (20,395) |
| Long-term investments by equity method | (1) | (19) | (167) | (2,992) |
| Property, Plant and Equipment | (344) | (11,115) | (13,323) | (38,161) |
| Proceeds from disposal or maturity of: | | | | |
| Marketable Financial Instruments ⁽³⁾ | 616 | 19,924 | 22,204 | 20,394 |
| Property, Plant and Equipment | 14 | 461 | 585 | 121 |
| Decrease in Others | (2) | (102) | (79) | (294) |
| Net Cash Used in Investing Activities | (729) | (23,582) | (12,113) | (41,327) |
| Cash Flows from Financing Activities: | | | | |
| Repayment of Long Term Bonds Payable | | | (10,500) | |
| Increase(Decrease) in Guarantee Deposits | 10 | 322 | 529 | (42) |
| Proceeds from Exercise of Stock Options | 3 | 118 | 105 | 35 |
| Net Cash Provided by (Used in) Financing Activities | 13 | 440 | (9,866) | (7) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 761 | 24,606 | 26,917 | (5,313) |
| Cash and Cash Equivalents at Beginning of Period | 2,640 | 85,384 | 58,467 | 65,532 |
| Cash and Cash Equivalents at End of Period | \$ 3,401 | \$ 109,990 | \$ 85,384 | \$ 60,219 |

Note (1) Amounts in NTD have been translated into USD at the rate of NTD32.337, the weighted average rate for the three months ended March 31, 2006.

- (2) *Certain prior period amounts have been reclassified to conform to the current period presentation.*
 - (3) *Marketable financial instruments include available-for-sale and held-to-maturity financial assets, which non-current portions are classified as long-term investments in Balance Sheet.*
-

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES**Condensed Balance Sheets (Consolidated)****(Figures in Million of New Taiwan Dollars (NTD) and U.S. Dollars (USD))**

| | March 31, 2006(Uaudited) | | | December 31, 2005(Audited) ⁽²⁾ | | March 31, 2005(Unaudited) ⁽²⁾ | | QoQ | | YoY | |
|---|--------------------------|------------|--------|---|--------|--|--------|-----------|---------|-----------|---------|
| | USD | NTD | % | NTD | % | NTD | % | Amount | % | Amount | % |
| ASSETS | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 3,735 | \$ 121,251 | 21.8 | \$ 96,484 | 18.6 | \$ 71,541 | 14.5 | \$ 24,767 | 25.7 | \$ 49,710 | 69.2 |
| Investments in Marketable Financial Instruments | 2,187 | 71,006 | 12.8 | 48,780 | 9.4 | 53,240 | 10.8 | 22,226 | 45.6 | 17,766 | 33.3 |
| Accounts Receivable | 1,171 | 38,012 | 6.8 | 38,478 | 7.4 | 23,846 | 4.8 | (466) | (1.2) | 14,166 | 59.9 |
| Trade, Net | 567 | 18,409 | 3.3 | 17,728 | 3.4 | 14,688 | 3.0 | 681 | 3.8 | 3,721 | 25.3 |
| Inventories, Net | 327 | 10,572 | 2.0 | 10,785 | 2.1 | 9,740 | 2.0 | (213) | (2.0) | 832 | 8.3 |
| Other Current Assets | 7,987 | 259,250 | 46.7 | 212,255 | 40.9 | 173,055 | 35.1 | 46,995 | 22.1 | 86,195 | 49.8 |
| Total Current Assets | 17,977 | 555,292 | 69.0 | 519,509 | 69.0 | 493,707 | 69.0 | 24,270 | 6.9 | 61,585 | 12.2 |
| Non-Current Assets | | | | | | | | | | | |
| Long-Term Investment | 1,070 | 34,726 | 6.3 | 42,428 | 8.2 | 39,209 | 7.9 | (7,702) | (18.2) | (4,483) | (11.1) |
| Properties, Plant and Equipment | 20,191 | 655,396 | 118.0 | 642,948 | 123.7 | 609,807 | 123.5 | 12,448 | 1.9 | 45,589 | 7.1 |
| Less: Accumulated Depreciation | (12,750) | (413,852) | (74.5) | (398,125) | (76.6) | (347,886) | (70.5) | (15,727) | 4.0 | (65,966) | 19.5 |
| Properties, Plant and Equipment, Net | 7,441 | 241,544 | 43.5 | 244,823 | 47.1 | 261,921 | 53.0 | (3,279) | (1.3) | (20,377) | (7.9) |
| Other Assets | 609 | 19,772 | 3.5 | 20,003 | 3.8 | 19,522 | 4.0 | (231) | (1.2) | 250 | 1.2 |
| Total Assets | \$ 17,107 | \$ 555,292 | 100.0 | \$ 519,509 | 100.0 | \$ 493,707 | 100.0 | \$ 35,783 | 6.9 | \$ 61,585 | 12.5 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | |
| Short-term loan payable | \$ | \$ | 0.0 | \$ 328 | 0.1 | \$ 377 | 0.1 | (\$ 328) | (100.0) | (\$ 377) | (100.0) |
| Accounts Payables | 329 | 10,687 | 1.9 | 11,165 | 2.1 | 8,321 | 1.7 | (478) | (4.3) | 2,366 | 28.8 |
| Payables to Contractors and | 360 | 11,680 | 2.1 | 9,066 | 1.7 | 12,293 | 2.5 | 2,614 | 28.8 | (613) | (5.9) |

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| | | | | | | | | | | | |
|----------------------|-----------|------------|-------|------------|-------|------------|-------|-----------|---------|-----------|------|
| Equipment Suppliers | | | | | | | | | | | |
| Accrued Expenses | | | | | | | | | | | |
| and Other Current | | | | | | | | | | | |
| Liabilities | 493 | 15,996 | 2.9 | 14,558 | 2.8 | 9,791 | 2.0 | 1,438 | 9.9 | 6,205 | 63 |
| Current Portion of | | | | | | | | | | | |
| Bonds Payable | 77 | 2,505 | 0.5 | 5 | 0.1 | 10,505 | 2.1 | 2,500 | 45545.6 | (8,000) | (76) |
| Total Current | | | | | | | | | | | |
| Liabilities | 1,259 | 40,868 | 7.4 | 35,122 | 6.8 | 41,287 | 8.4 | 5,746 | 16.4 | (419) | (1) |
| Bonds Payable | 524 | 17,000 | 3.1 | 19,500 | 3.8 | 19,500 | 3.9 | (2,500) | (12.8) | (2,500) | (12) |
| Senior Long Term | | | | | | | | | | | |
| Liabilities | 579 | 18,813 | 3.3 | 18,649 | 3.5 | 16,832 | 3.4 | 164 | 0.9 | 1,981 | 11 |
| Total Liabilities | 2,362 | 76,681 | 13.8 | 73,271 | 14.1 | 77,619 | 15.7 | 3,410 | 4.7 | (938) | (1) |
| Shareholders' Equity | | | | | | | | | | | |
| Attributable to | | | | | | | | | | | |
| Shareholders of the | | | | | | | | | | | |
| Parent | | | | | | | | | | | |
| Common Stock | 7,620 | 247,331 | 44.5 | 247,300 | 47.6 | 232,529 | 47.1 | 31 | 0.0 | 14,802 | 6 |
| Capital Surplus | 1,762 | 57,208 | 10.3 | 57,118 | 11.0 | 56,574 | 11.5 | 90 | 0.2 | 634 | 1 |
| Retained Earnings | 5,403 | 175,378 | 31.6 | 142,771 | 27.5 | 130,549 | 26.4 | 32,607 | 22.8 | 44,829 | 34 |
| Treasury Stock | (28) | (918) | (0.2) | (918) | (0.2) | (1,572) | (0.3) | 0 | 0.0 | 654 | (41) |
| Minority Interest | (33) | (1,066) | (0.1) | (641) | (0.1) | (2,726) | (0.5) | (425) | 66.3 | 1,660 | (60) |
| Total equity | | | | | | | | | | | |
| Attributable to | | | | | | | | | | | |
| Shareholders of the | | | | | | | | | | | |
| Parent | 14,724 | 477,933 | 86.1 | 445,630 | 85.8 | 415,354 | 84.2 | 32,303 | 7.2 | 62,579 | 15 |
| Minority interest | 21 | 678 | 0.1 | 608 | 0.1 | 734 | 0.1 | 70 | 11.4 | (56) | (7) |
| Total shareholders | | | | | | | | | | | |
| Equity | 14,745 | 478,611 | 86.2 | 446,238 | 85.9 | 416,088 | 84.3 | 32,373 | 7.3 | 62,523 | 15 |
| Total Liabilities & | | | | | | | | | | | |
| Shareholders' Equity | \$ 17,107 | \$ 555,292 | 100.0 | \$ 519,509 | 100.0 | \$ 493,707 | 100.0 | \$ 35,783 | 6.9 | \$ 61,585 | 12 |

Note : (1) Amounts in NTD have been translated into USD at the rate of NT\$32.46 as of March 31, 2006.

(2) Certain prior period balances have

*been
reclassified to
conform to the
current period
presentation.*

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES**Unaudited Condensed Income Statements (Consolidated)****For the Three Months Ended March 31, 2006, December 31, 2005 And March 31, 2005****(Expressed in Million New Taiwan Dollars (NTD) and U.S. Dollars (USD)****Except for Per Share Amounts and Shares Outstanding)**

| | Q1 2006 | | | Q4 2005 | | Q1 2005 | | QoQ | | YoY | |
|-------------------------------------|----------|-----------|--------|-----------|--------|-----------|--------|------------|--------|-----------|---------|
| | USD | NTD | % | NTD | % | NTD | % | Amount | % | Amount | % |
| Net Sales | \$ 2,407 | \$ 77,850 | 100.0 | \$ 79,228 | 100.0 | \$ 56,857 | 100.0 | (\$ 1,378) | (1.7) | \$ 20,993 | 36.9 |
| Cost of Sales | (1,240) | (40,123) | (51.5) | (37,914) | (47.9) | (35,179) | (61.9) | (2,209) | 5.8 | (4,944) | 14.1 |
| Gross Profit | 1,167 | 37,727 | 48.5 | 41,314 | 52.1 | 21,678 | 38.1 | (3,587) | (8.7) | 16,049 | 74.0 |
| Operating Expenses | | | | | | | | | | | |
| Research and Development Expenses | (114) | (3,689) | (4.7) | (3,570) | (4.5) | (3,412) | (6.0) | (119) | 3.3 | (277) | 8.1 |
| General and Administrative Expenses | (59) | (1,919) | (2.5) | (1,910) | (2.4) | (2,513) | (4.4) | (9) | 0.5 | 594 | (23.6) |
| Sales and Marketing Expenses | (38) | (1,217) | (1.6) | (1,424) | (1.8) | (583) | (1.0) | 207 | (14.5) | (634) | 108.7 |
| Total Operating Expenses | (211) | (6,825) | (8.8) | (6,904) | (8.7) | (6,508) | (11.4) | 79 | (1.1) | (317) | 4.9 |
| Income from Operations | 956 | 30,902 | 39.7 | 34,410 | 43.4 | 15,170 | 26.7 | (3,508) | (10.2) | 15,732 | 103.7 |
| Non-Operating Incomes, Net | 43 | 1,417 | 1.8 | 639 | 0.8 | 738 | 1.3 | 778 | 121.8 | 679 | 92.0 |
| Investment Gains | 19 | 600 | 0.8 | 539 | 0.7 | 397 | 0.7 | 61 | 11.3 | 203 | 51.1 |
| Income before Income Tax | 1,018 | 32,919 | 42.3 | 35,589 | 44.9 | 16,305 | 28.7 | (2,670) | (7.5) | 16,614 | 101.9 |
| Income Tax (Expenses) Benefits | (58) | (1,855) | (2.4) | (1,692) | (2.1) | 513 | 0.9 | (163) | 9.6 | (2,368) | (461.6) |
| Net Income Before | 960 | 31,064 | 39.9 | 33,897 | 42.8 | 16,818 | 29.6 | (2,833) | (8.4) | 14,246 | 84.7 |

| | | | | | | | | | | | |
|---|----------|-----------|------|-----------|------|-----------|------|------------|-----------|-----------|------|
| Cumulative Effect of Changes in Accounting Principles | | | | | | | | | | | |
| Cumulative Effect of Changes in Accounting Principles (Net of Tax) | 50 | 1,607 | 2.1 | 0 | 0.0 | 0 | 0.0 | 1,607 | | 1,607 | |
| Net Income | \$ 1,010 | \$ 32,671 | 42.0 | \$ 33,897 | 42.8 | \$ 16,818 | 29.6 | (\$ 1,226) | (3.6) | \$ 15,853 | 94.3 |
| Attributable to: Shareholders of the parent | \$ 1,008 | \$ 32,607 | 41.9 | \$ 33,900 | 42.8 | \$ 16,818 | 29.6 | (\$ 1,293) | (3.8) | \$ 15,789 | 93.9 |
| Minority Interest | 2 | 64 | 0.1 | (3) | 0.0 | 0 | 0.0 | 67 | (2,233.3) | 64 | |
| | \$ 1,010 | \$ 32,671 | 42.0 | \$ 33,897 | 42.8 | \$ 16,818 | 29.6 | (\$ 1,226) | (3.6) | \$ 15,853 | 94.3 |
| Earnings per Share Diluted | \$ 0.04 | \$ 1.32 | | \$ 1.37 | | \$ 0.68 | | (\$ 0.05) | (3.9) | \$ 0.64 | 93.6 |
| Earnings per ADR ⁽²⁾ | \$ 0.20 | \$ 6.60 | | \$ 6.86 | | \$ 3.41 | | (\$ 0.27) | (3.9) | \$ 3.19 | 93.6 |
| Weighted Average Outstanding Shares (M ³) | | 24,721 | | 24,693 | | 24,684 | | | | | |

Note: (1) Amounts in NTD have been translated into USD at the weighted average rate of NTD32.337 for the first quarter of 2006.

(2) 1 ADR equals 5 ordinary shares.

(3) Total diluted weighted average outstanding shares were 24,721M shares for 1Q06 and 24,684M shares for 1Q05 after the retroactive adjustments for stock dividends and stock bonus.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES**Unaudited Condensed Statements of Cash Flows (Consolidated)****For the Three Months Ended March 31, 2006, December 31, 2005 and March 31, 2005****(Figures in Million of New Taiwan Dollars (NTD) and U.S. Dollars (USD))**

| | 1Q 2006 | | 4Q 2005 | 1Q 2005 ⁽²⁾ |
|--|--------------|-----------------|-----------------|------------------------|
| | USD | NTD | NTD | NTD |
| Cash Flows from Operating Activities: | | | | |
| Net Income | \$ 1,008 | \$ 32,607 | \$ 33,900 | \$ 16,818 |
| Net Income attributable to minority interest | 2 | 64 | (3) | |
| Depreciation & Amortization | 548 | 17,734 | 18,664 | 18,453 |
| Deferred Income Tax | (19) | (609) | (953) | (546) |
| Investment Loss(Income) From Equity Method Investees | (19) | (600) | (539) | (397) |
| Changes in Working Capital & Others | (7) | (282) | (1,511) | 4,301 |
| Net Cash Provided from Operating Activities | 1,513 | 48,914 | 49,558 | 38,629 |
| Cash Flows from Investing Activities: | | | | |
| Acquisitions: | | | | |
| Marketable Financial Instruments ⁽³⁾ | (1,012) | (32,731) | (19,744) | (20,395) |
| Financial assets carried at cost | (4) | (122) | | (83) |
| Property, Plant and Equipment | (356) | (11,510) | (13,618) | (41,530) |
| Long-term investments by equity method | | | (7,615) | |
| Proceeds from disposal or maturity of: | | | | |
| Marketable Financial Instruments ⁽³⁾ | 616 | 19,931 | 21,501 | 20,394 |
| Financial assets carried at cost | | | 12 | 8 |
| Property, Plant and Equipment | 14 | 462 | 206 | 181 |
| Long-term investments by equity method | | | 6,504 | |
| Decrease in Others | (4) | (142) | (102) | (287) |
| Net Cash Used By Investing Activities | (746) | (24,112) | (12,856) | (41,712) |
| Cash Flows from Financing Activities: | | | | |
| Repurchase of treasury stock | | | | 26 |
| Cash Dividend Common Shares | | | | |
| Bonus Paid to Employees, Directors and Supervisors | | | | |

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| | | | | |
|---|----------|------------|-----------|-----------|
| Repayment of Long Term Bonds Payable | | (1) | (9,504) | |
| Increase(Decrease) in Guarantee Deposits | 10 | 322 | 531 | (41) |
| Proceeds from Exercise of Stock Options | 4 | 117 | 105 | 35 |
| Increase(Decrease) in Others | (10) | (322) | (1,149) | |
| Net Cash Provided From (Used By) Financing Activities | 4 | 116 | (10,017) | 20 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 771 | 24,918 | 26,684 | (3,063) |
| Effect of exchange rate changes on cash and cash equivalents and others | (5) | (151) | 363 | (14) |
| Effect of first inclusion for consolidation of certain subsidiaries | | | (145) | 315 |
| Cash and Cash Equivalents at Beginning of Period | 2,984 | 96,484 | 69,582 | 74,302 |
| Cash and Cash Equivalents at End of Period | \$ 3,750 | \$ 121,251 | \$ 96,484 | \$ 71,540 |

Note : (1) Amounts in NTD have been translated into USD at the rate of NTD32.337 , the weighted average rate for the three months ended March 31, 2006.

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

(3) Marketable financial instruments include available-for-sale and held-to-maturity financial assets, which non-current portions are classified as long-term investments in Balance Sheet.

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: April 27, 2006

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