



TSMC Reports First Quarter EPS of NT\$0.73

Hsin-Chu, Taiwan, R.O.C., April 26, 2007 -- TSMC today announced consolidated revenue of NT\$64.90 billion, net income of NT\$18.84 billion, and diluted earnings per share of NT\$0.73 (US\$0.11 per ADS unit) for the first quarter ended March 31, 2007.

Year-over-year, first quarter revenue decreased 16.6% while net income and diluted EPS decreased 42.2% and 42.3%, respectively. On a sequential basis, first quarter results represent a 13.4% decrease in revenue, and a decrease of 32.5% both in net income and in diluted EPS. All figures were prepared in accordance with R.O.C. GAAP on a consolidated basis.

First quarter business was affected by inventory correction and seasonality, but revenue slightly exceeded the guidance given on January 25. Advanced process technologies (0.13-micron and below) accounted for 49% of wafer revenues with 90-nanometer process technology accounting for 22% and 65-nanometer about 1% of total wafer sales. Gross margin of 37.9% reached the mid point of the guidance, while operating margin of 27.5% was close to the high end of guidance. Net margin decreased 8.2 percentage points to 29% from the previous quarter.

“A majority of our customers’ excess inventory has been worked through in the first quarter and the recovery of our business is already in place,” said Lora Ho, VP and Chief Financial Officer of TSMC. “Relative to the first quarter, the communication and consumer segments will rebound quite well while the computer segment will grow at a lower pace,” said Ho. “Based on our current business outlook, management’s expectations for second quarter 2007 performance are as follows”:

- Revenue is expected to be between NT\$73 billion and NT\$75 billion;
- Gross profit margin is expected to be between 42% and 44%;
- Operating profit margin is expected to be between 32% and 34%.

Conference Call & Webcast Notice:

TSMC’s quarterly review conference call will be held at 8 a.m. Eastern Time (8 p.m. Taiwan Time) on Thursday, April 26, 2007. The conference call will also be webcast live on the Internet. Investors wishing to access the live webcast should visit TSMC’s web site at <http://www.tsmc.com> at least 15 minutes prior to the broadcast. Instructions will be provided on the web site to facilitate the download and installation of necessary audio applications. Investors without Internet access may listen to the conference call, in listen-only mode, by dialing **1-617-614-2707** in the U.S., **852-3002-1672** in Hong Kong, **65-6823-2164** in Singapore, and **44-207-365-8426** in the U.K. (Password: TSMC). An archived version of the webcast will be available on TSMC’s web site for six months following the Company’s quarterly review conference call and webcast.

Profile

TSMC (TAIEX: 2330, NYSE: TSM) is the world's largest dedicated semiconductor foundry, providing the industry's leading manufacturing capacity, process technology, and the foundry industry's largest portfolio of process-proven libraries, IP, design tools and reference flows.

TSMC currently operates two twelve-inch wafer fabs, four eight-inch fabs and one six-inch fab. The Company also operates two eight-inch fabs at its wholly owned subsidiaries, WaferTech in the U.S. and TSMC (Shanghai) Company, Ltd. in China, and has substantial capacity commitments from a joint-venture fab, SSMC, in Singapore. Total managed capacity in 2006 exceeded seven million eight-inch equivalent wafers. TSMC is the first foundry to provide 65-nanometer production capabilities. TSMC's corporate headquarters are in Hsin-Chu, Taiwan. More information about TSMC is available at <http://www.tsmc.com>.

(Management Report and Tables Follow)

CONTACT

Elizabeth Sun / Harrison Hsueh / Julie Wei

Investor Relations Division

TSMC

invest@tsmc.com

886-3-568- 2085/ 2088/ 2086

Safe Harbor Notice:

The statements included in this press release that are not historical in nature are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. TSMC cautions readers that forward-looking statements are subject to significant risks and uncertainties and are based on TSMC's current expectations. Actual results may differ materially from those contained in such forward-looking statements for a variety of reasons including, among others, risks associated with cyclical and market conditions in the semiconductor industry; demand and supply for TSMC's foundry manufacturing capacity in particular and for foundry manufacturing capacity in general; intense competition; the failure of one or more significant customers to continue to place the same level of orders with us; TSMC's ability to remain a technological leader in the semiconductor industry; TSMC's ability to manage its capacity; TSMC's ability to obtain, preserve and defend its intellectual property rights; natural disasters and other unexpected events which may disrupt production; and exchange rate fluctuations. Additional information as to these and other risk factors that may cause TSMC's actual results to differ materially from TSMC's forward-looking statements may be found in TSMC's Annual Report on Form 20-F, filed with the United States Securities and Exchange Commission (the "SEC") on April 20, 2007, and such other documents as TSMC may file with, or submit to, the SEC from time to time. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.



1Q07

Quarterly Management Report
April 26, 2007**CONTACT**

Elizabeth Sun / Harrison Hsueh
Julie Wei
Investor Relations Division
TSMC
invest@tsmc.com
886-3-568-2085/ 2088/ 2086

Topics in This Report

- Revenue Analysis
- Capacity
- Profit & Expense Analysis
- Financial Condition Review
- Cash Flow & CapEx
- Recap of Recent Important Events & Announcements

Operating Results Review:**Summary:**

(Amounts are on consolidated basis and are in NT\$ billion except noted otherwise)

	<u>1Q07</u>	<u>4Q06</u>	<u>1Q06</u>	<u>QoQ</u>	<u>YoY</u>
EPS (NT\$ per com. shr.)	0.73	1.08	1.26	(32.5%)	(42.3%)
(US\$ per ADR unit)	0.11	0.16	0.20		
Consolidated Net Sales	64.90	74.96	77.85	(13.4%)	(16.6%)
Gross Profit	24.61	34.45	37.73	(28.6%)	(34.8%)
Gross Margin	37.9%	46.0%	48.5%		
Operating Expense	(6.73)	(7.05)	(6.82)	(4.4%)	(1.3%)
Non-Operating Items*	2.19	2.10	3.62	4.3%	(39.5%)
Net Income	18.84	27.91	32.61	(32.5%)	(42.2%)
Net Profit Margin	29.0%	37.2%	41.9%		
Wafer Shipment (kpcs 8 inch-equiv.)	1,566	1,718	1,738	(8.9%)	(9.9%)

* 1Q06 non-operating items include cumulative effect of changes in accounting principle.

Remarks:

The first quarter diluted earnings per share were NT\$0.73, representing a 42.3% decrease over the same period last year and a 32.5% sequential decline from the previous quarter. The consolidated operating results of 1Q07 are summarized below:

First quarter net sales were NT\$65 billion, down 16.6% from NT\$78 billion in first quarter 2006 and down 13.4% from NT\$75 billion in fourth quarter 2006.

Gross profit for 1Q07 was NT\$24.6 billion, representing a year-over-year decrease of 34.8% and a quarter-over-quarter decline of 28.6%. Gross margin was 37.9% in the first quarter 2007, down from 46% in the previous quarter.

Operating expenses were NT\$6.7 billion or 10.4% of the net sales. The combined result from non-operating income and long-term investments was a gain of NT\$2.2 billion.

Consolidated net income attributable to shareholders of the parent company was NT\$18.8 billion, down 42.2% over the same period last year and down 32.5% from the previous quarter. Net profit margin was 29% in first quarter 2007.

I. Revenue Analysis

I. Wafer Sales Analysis

By Application	1Q07	4Q06	1Q06
Computer	29%	32%	37%
Communication	42%	42%	39%
Consumer	16%	16%	18%
Industrial/Others	9%	7%	5%
Memory	4%	3%	1%

By Technology	1Q07	4Q06	1Q06
N90-	23%	23%	20%
0.11/0.13um	26%	25%	29%
0.15/0.18um	30%	33%	32%
0.25/0.35um	15%	14%	14%
0.50um+	6%	5%	5%

By Customer Type	1Q07	4Q06	1Q06
Fabless/System	70%	72%	74%
IDM	30%	28%	26%

By Geography	1Q07	4Q06	1Q06
North America	77%	78%	78%
Asia Pacific	11%	11%	11%
Europe	7%	7%	7%
Japan	5%	4%	4%

Revenue Analysis:

First quarter business was affected by inventory correction and seasonality, but consolidated net sales exceeded the high end of the guidance slightly to reach NT\$64.9 billion, mainly due to better than expected exchange rates and an increase in revenues from our subsidiaries.

On a sequential basis, revenues from all three applications declined. Revenues from computer, communications and consumer applications declined by 21%, 15% and 12%, respectively.

Revenues from 65nm and 90nm accounted for about 23% of total wafer sales, flat from the fourth quarter 2006. Revenues from advanced technologies (0.13-micron and below) accounted for 49% of total wafer sales, up one percentage point from the previous quarter.

Revenues from IDM customers accounted for 30% of total wafer sales during the quarter, compared to 28% in the previous quarter.

Geographically, revenues from North America accounted for 77% of total wafer sales. Meanwhile, sales from Asia Pacific, Europe and Japan accounted for 11%, 7% and 5% of wafer sales, respectively.

II. Capacity

II. Capacity						
Fab / (Wafer size)	1Q07 (A)	2Q07 (F)	3Q07 (F)	4Q07 (F)	2007 (F)	
Fab-2 (6") ¹	257	257	273	273	1,060	
Fab-3 (8")	259	262	267	269	1,057	
Fab-5 (8")	144	155	163	166	627	
Fab-6 (8")	245	255	274	279	1,053	
Fab-7 (8")	0	0	0	0	0	
Fab-8 (8")	239	239	260	265	1,004	
Fab-12 (12") ²	169	180	205	221	775	
Fab-14 (12") ²	103	113	154	176	546	
WaferTech (8")	104	105	106	106	419	
TSMC (Shanghai) (8")	90	94	98	101	383	
TSMC total capacity (8" equiv. Kpcs)	1,836	1,913	2,128	2,232	8,109	
SSMC (8")	53	55	56	61	226	
Total managed capacity (8" equiv. Kpcs)	1,890	1,968	2,184	2,293	8,335	

Note: 1. Figures represent number of 6" wafers. Conversion to 8"-equivalent wafers is by dividing this number by 1.78
2. Figures represent number of 12" wafers. Conversion to 8"-equivalent wafers is by multiplying this number by 2.25

Capacity:

Total TSMC managed capacity was 1,890K 8-inch equivalent wafers in 1Q07, 1% lower than the 1,912K 8-inch equivalent wafers in 4Q06, largely due to fewer working days and scheduled annual maintenance for some of the TSMC fabs.

TSMC managed capacity in 2Q07 will increase by 4% to reach 1,968K 8-inch equivalent wafers.

Total managed capacity for year 2007 is expected to be 8,335K 8-inch equivalent wafers, up 18% from 7,062K 8-inch equivalent wafers in year 2006.

III. Profit & Expense Analysis

III - 1. Gross Profit Analysis			
(Amount: NT\$ billion)	<u>1Q07</u>	<u>4Q06</u>	<u>1Q06</u>
COGS	40.3	40.5	40.1
Depreciation	18.5	18.2	16.2
Other MFG Cost	21.8	22.3	23.9
Gross Profit	24.6	34.5	37.7
Gross Margin	37.9%	46.0%	48.5%

Gross Profit Analysis:

Consolidated gross profit for the first quarter 2007 was NT\$24.6 billion, or 37.9% of net sales, down from a gross profit of NT\$34.5 billion, or 46% of net sales, in the previous quarter. The gross margin declined by 8.1 percentage points largely due to lower capacity utilization, lower average selling price, an increase in depreciation expenses, and a lower provision for sales returns in 4Q06.

III - 2. Operating Expenses

(Amount: NT\$ billion)	<u>1Q07</u>	<u>4Q06</u>	<u>1Q06</u>
Total Operating Exp.	6.73	7.05	6.82
SG&A	2.79	2.92	2.98
Research & Development	3.94	4.13	3.84

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

Operating Expenses:

Total operating expenses for 1Q07 were NT\$6.7 billion, compared to NT\$7.1 billion in fourth quarter 2006. Total operating expenses represented 10.4% of net sales, compared to 9.4% for the previous quarter.

Research and development expenditures decreased by NT\$193 million sequentially, mainly due to a reduction in 65nm related expenditures as we entered into volume production for 65nm process node.

SG&A expenses were NT\$2.8 billion, compared to NT\$2.9 billion in fourth quarter 2006.

III - 3. Non-Operating Items

(Amount: NT\$ million)	<u>1Q07</u>	<u>4Q06</u>	<u>1Q06</u>
Non-Operating Income/(Exp.)	1,830	1,713	1,417
Net Interest Income/(Exp.)	1,162	1,030	775
Other Non-Operating	668	683	642
L-T Investments	361	388	600
SSMC	70	59	462
Others	291	329	138
Total Non-Operating Items	2,191	2,101	2,017

Non-Operating Items:

Combined result from non-operating income and long-term investments was a gain of NT\$2.2 billion for first quarter 2007.

Non-operating income totaled NT\$1.8 billion during the first quarter 2007, compared to an income of NT\$1.7 billion in the previous quarter. Higher non-operating income was mainly due to an increase in interest income.

Net investment income was NT\$361 million in first quarter 2007, compared to an income of NT\$388 million in 4Q06.

IV. Financial Condition Review

IV - 1. Liquidity Analysis			
(Selected Balance Sheet Items)			
(Amount: NT\$ billion)	<u>1Q07</u>	<u>4Q06</u>	<u>1Q06</u>
Cash & Marketable Securities	217.4	195.1	192.3
Accounts Receivable - Trade	33.1	31.6	38.0
Inventory	22.3	21.4	18.4
Total Current Assets	286.1	260.3	259.3
Accounts Payable	19.2	20.6	22.4
Current Portion of Bonds Payable	4.5	7.0	2.5
Accrued Liabilities and Others	21.4	19.3	16.0
Total Current Liabilities	45.1	46.9	40.9
Current Ratio (x)	6.3	5.6	6.3
Net Working Capital	241.0	213.5	218.4

Liquidity Analysis:

Total cash and marketable securities increased by NT\$22 billion in the first quarter 2007, mainly due to the free cash flows generated during the quarter. As a result, TSMC ended the quarter with NT\$286.1 billion in total current assets, compared to NT\$260.3 billion at the end of the previous quarter.

Total current liabilities were NT\$45.1 billion at the end of the first quarter 2007, compared to NT\$46.9 billion at the end of the previous quarter. The decrease was mainly due to the repayment of NT\$2.5 billion in bonds payable.

As a result, net working capital increased to NT\$241 billion and current ratio improved to 6.3.

IV - 2. Receivable/Inventory Days			
	<u>1Q07</u>	<u>4Q06</u>	<u>1Q06</u>
Days of Receivable	47	43	46
Days of Inventory	52	50	44

Receivable/Inventory Days Trend:

Days of receivable were 47 days in 1Q07, compared to 43 days in the previous quarter.

Days of inventory increased by 2 days to reach 52 days.

IV - 3. Debt Service			
(Amount: NT\$ billion)	<u>1Q07</u>	<u>4Q06</u>	<u>1Q06</u>
Cash & Marketable Securities	217.4	195.1	192.3
Interest-Bearing Debt	26.2	27.6	27.2
Net Cash Reserves	191.2	167.5	165.1

Debt Service:

As a result of the free cash flows generated during the quarter, net cash reserves - defined as the excess of cash and short-term marketable securities over interest-bearing debt - increased by NT\$23.7 billion to reach NT\$191.2 billion in 1Q07.

V. Cash Flow & CapEx

V - 1. Consolidated Cash Flow Analysis			
(Amount: NT\$ billion)	<u>1Q07</u>	<u>4Q06</u>	<u>1Q06</u>
Net Income	18.8	27.9	32.6
Depreciation & Amortization	20.3	19.7	17.7
Other Op Sources/(Uses)	(1.0)	5.4	(1.4)
Total Op Sources/(Uses)	<u>38.1</u>	<u>53.0</u>	<u>48.9</u>
Capital Expenditure	(14.0)	(17.6)	(11.5)
Marketable Financial Instruments	3.5	(6.7)	(12.8)
Other Investing Sources/(Uses)	(2.9)	(4.1)	0.2
Net Investing Sources/(Uses)	<u>(13.4)</u>	<u>(28.4)</u>	<u>(24.1)</u>
Repayment of Bonds Payable	(2.5)	0.0	0.0
Other Financing Sources/(Uses)	(0.3)	0.8	0.1
Net Financing Sources/(Uses)	<u>(2.8)</u>	<u>0.8</u>	<u>0.1</u>
Net Cash Position Changes	21.9	25.4	24.9
Exchange Rate Changes & Others	0.6	(0.5)	(0.2)
Ending Cash Balance	140.3	117.8	121.3

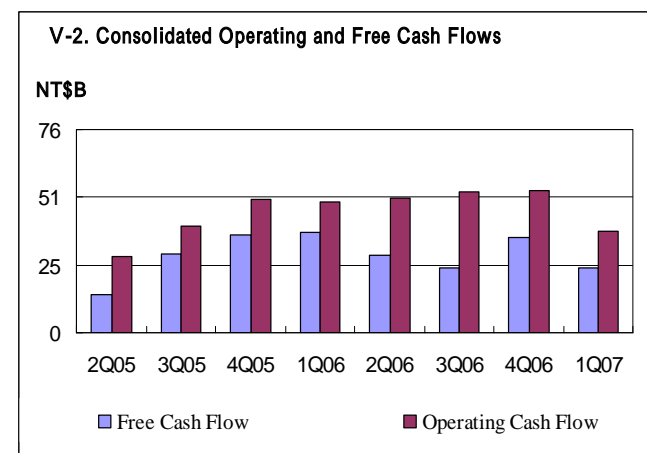
Summary of Consolidated Cash Flow:

During first quarter 2007, TSMC generated NT\$38 billion in cash from operating activities, mainly from net income of NT\$18.8 billion and depreciation & amortization of NT\$20.3 billion.

Net cash used in investment activities totaled NT\$13.4 billion, mainly due to capital expenditures of NT\$14 billion.

Net cash used in financing activities was NT\$2.8 billion during the quarter, mainly for the repayment of NT\$2.5 billion in bonds payable.

As a result, TSMC ended the quarter with a cash balance of NT\$140.3 billion, NT\$22.4 billion higher than in 4Q06.



Consolidated Operating and Free Cash Flows:

TSMC continues to generate strong operating cash flows and free cash flows. Cash flows generated from operating activities were NT\$38 billion, down from NT\$53 billion generated in 4Q06. Free cash flows, defined as the excess of operating cash flows over capital expenditures, totaled NT\$24.2 billion in 1Q07, compared to NT\$35.4 billion generated in the previous quarter, mainly due to lower operating cash flows in 1Q07.

V - 3. Capital Expenditures		
(In US\$ Million)	<u>4Q06</u>	<u>1Q07</u>
TSMC	561	419
TSMC Subsidiaries	<u>10</u>	<u>5</u>
Total TSMC	571	424

Capital Expenditures:

Capital expenditures for TSMC consolidated group totaled US\$424 million during the quarter. Most of the spending was for the purchase of 12-inch production equipment.

For year 2007, total capital expenditures 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 2007.

VI. Recap of Recent Important Events & Announcements

- TSMC 45nm Design Ecosystem In Place (2007/04/09)
- TSMC Expects to Enter 45nm Production in September (2007/04/09)
- TSMC Board Approves Conversion of Philips' TSMC Common Shares to ADSs (2007/04/02)
- TSMC Announces 55nm Process Technology Readiness (2007/03/27)
- Philips and TSMC Announce Joint Plan to Facilitate Orderly Exit by Philips from TSMC Shareholding (2007/03/09)
- TSMC Achieves 65 Nanometer Embedded DRAM Milestone (2007/03/06)
- TSMC Board Proposes Distribution of NT\$3.0 Cash and 0.5% Stock Per Share (2007/02/06)
- TSMC Opens Office in India (2007/02/05)

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