

# **UMC**

# **2006 Q2 Financial Review**

*August 2, 2006*

# ***NOTE CONCERNING FORWARD-LOOKING STATEMENTS***

Except for statements in respect of historical matters, the statements in this release contain "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual performance, financial condition or results of operations of UMC to be materially different from what is stated or may be implied in such forward-looking statements. Investors are cautioned that actual events and results could differ materially from those statements as a result of a number of factors, including, among other things: our dependence upon the frequent introduction of new services and technologies based on the latest developments in our industry; the intensely competitive semiconductor, communications, consumer electronics and computer industries and markets; the risks associated with international global business activities; our dependence upon key personnel; general economic and political conditions, including those related to the semiconductor, communications, consumer electronics and computer industries; possible disruptions in commercial activities caused by natural and human-induced events and disasters, including terrorist activity, armed conflict and highly contagious diseases, such as SARS; reduced end-user purchases relative to expectations and orders; fluctuations in foreign currency exchange rates; and those risks identified in the section entitled "Risk Factors" in UMC's Annual Report on Form 20-F for the year ended December 31, 2005 filed with the U.S. Securities and Exchange Commission on June 26, 2006.

The financial statements included in this release are unaudited and unconsolidated, and prepared and published in accordance with ROC GAAP. Investors are cautioned that there are many differences between ROC GAAP and U.S. GAAP, as described in note 33 to the financial statements on Form 20-F for the year ended December 31, 2005 filed with the U.S. Securities and Exchange Commission on June 26, 2006.

The forward-looking statements in this release reflect the current belief of UMC as of the date of this release and UMC undertakes no obligation to update these forward-looking statements for events or circumstances that occur after such date or to reflect the occurrence of unanticipated events.

# Operating Results Summary

Unit: NT M

	2006	2006	2005
	Q2 / Jun	Q1 / Mar	Q2 / Jun
<b>Net Operating Revenues</b>	25,751	24,384	19,443
<b>Net Income</b>	6,052	12,286	299
<b>EPS (NTD)</b>	0.34	0.67	0.02
<b>Cash and Cash Equivalents</b>	90,050	96,372	68,065
<b>Total Assets</b>	341,831	361,199	311,984
<b>Total Liabilities</b>	70,871	68,866	53,924
<b>Stockholders' Equity</b>	270,960	292,333	258,060
<b>Wafer Shipment</b> (in thousands- 8" wafer eq. )	786	754	630
<b>Utilization (%)</b>	80%	79%	65%

# Income Statement - QoQ

Unit: NT M

	Q2-06	%	Q1-06	%	Change %
<b>Net Operating Revenues</b>	<b>25,751</b>	<b>100.0</b>	<b>24,384</b>	<b>100.0</b>	<b>5.6</b>
<b>Gross Profit</b>	<b>5,171</b>	<b>20.1</b>	<b>3,255</b>	<b>13.3</b>	<b>58.9</b>
<b>Operating Expenses</b>	<b>(3,541)</b>	<b>(13.8)</b>	<b>(3,170)</b>	<b>(13.0)</b>	<b>11.7</b>
<b>Operating Income (Loss)</b>	<b>1,630</b>	<b>6.3</b>	<b>85</b>	<b>0.3</b>	<b>1,817.6</b>
<b>Net Non-operating Income (Expense)</b>	<b>5,076</b>	<b>19.7</b>	<b>12,901</b>	<b>52.9</b>	<b>(60.7)</b>
<b>Income Tax Expense</b>	<b>(654)</b>	<b>(2.5)</b>	<b>(700)</b>	<b>(2.9)</b>	<b>(6.6)</b>
<b>Net Income</b>	<b>6,052</b>	<b>23.5</b>	<b>12,286</b>	<b>50.4</b>	<b>(50.7)</b>
<b>EPS (NTD)</b>	<b>0.34</b>		<b>0.67</b>		
<b>EPADS (USD)</b>	<b>0.053</b>		<b>0.104</b>		

Note:

1. Information enclosed is UMC unconsolidated financial data.
2. Exchange rate 32.36 was used to translate NTD to USD.
3. 17,247 million and 18,455 million shares were used in EPS calculation for Q2-06 and Q1-06, respectively.

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# Income Statement - YoY: 6 Months

Unit: NT M

	H1-06	%	H1-05	%	Change %
<b>Net Operating Revenues</b>	<b>50,135</b>	<b>100.0</b>	<b>39,729</b>	<b>100.0</b>	<b>26.2</b>
<b>Gross Profit</b>	<b>8,426</b>	<b>16.8</b>	<b>3,269</b>	<b>8.2</b>	<b>157.8</b>
<b>Operating Expenses</b>	<b>(6,711)</b>	<b>(13.4)</b>	<b>(6,306)</b>	<b>(15.8)</b>	<b>6.4</b>
<b>Operating Income (Loss)</b>	<b>1,715</b>	<b>3.4</b>	<b>(3,037)</b>	<b>(7.6)</b>	<b>-</b>
<b>Net Non-operating Income (Expense)</b>	<b>17,977</b>	<b>35.9</b>	<b>4,855</b>	<b>12.2</b>	<b>270.3</b>
<b>Income Tax Expense</b>	<b>(1,354)</b>	<b>(2.7)</b>	<b>(0)</b>	<b>(0.0)</b>	<b>-</b>
<b>Net Income</b>	<b>18,338</b>	<b>36.6</b>	<b>1,818</b>	<b>4.6</b>	<b>908.7</b>
<b>EPS (NTD)</b>	<b>1.01</b>		<b>0.10</b>		
<b>EPADS (USD)</b>	<b>0.156</b>		<b>0.015</b>		

Note:

1. Information enclosed is UMC unconsolidated financial data.
2. Exchange rate 32.36 was used to translate NTD to USD.
3. 18,149 million and 18,477 million shares were used in EPS calculation for H1-06 and H1-05, respectively.

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# Investment Income

Unit: NT M

	Q2-06	Q1-06
Investment income accounted for under the equity method	584	(2)
FVC	375	(64)
Unimicron	189	234
UMCJ	(109)	(286)
Others	129	114
Impairment loss of long-term investments	(22)	-
Loss on valuation of financial assets	(155)	(435)
Cumulative effect on accounting change	-	137
Cash dividends	26	-
<b>Total</b>	<b>433</b>	<b>(300)</b>

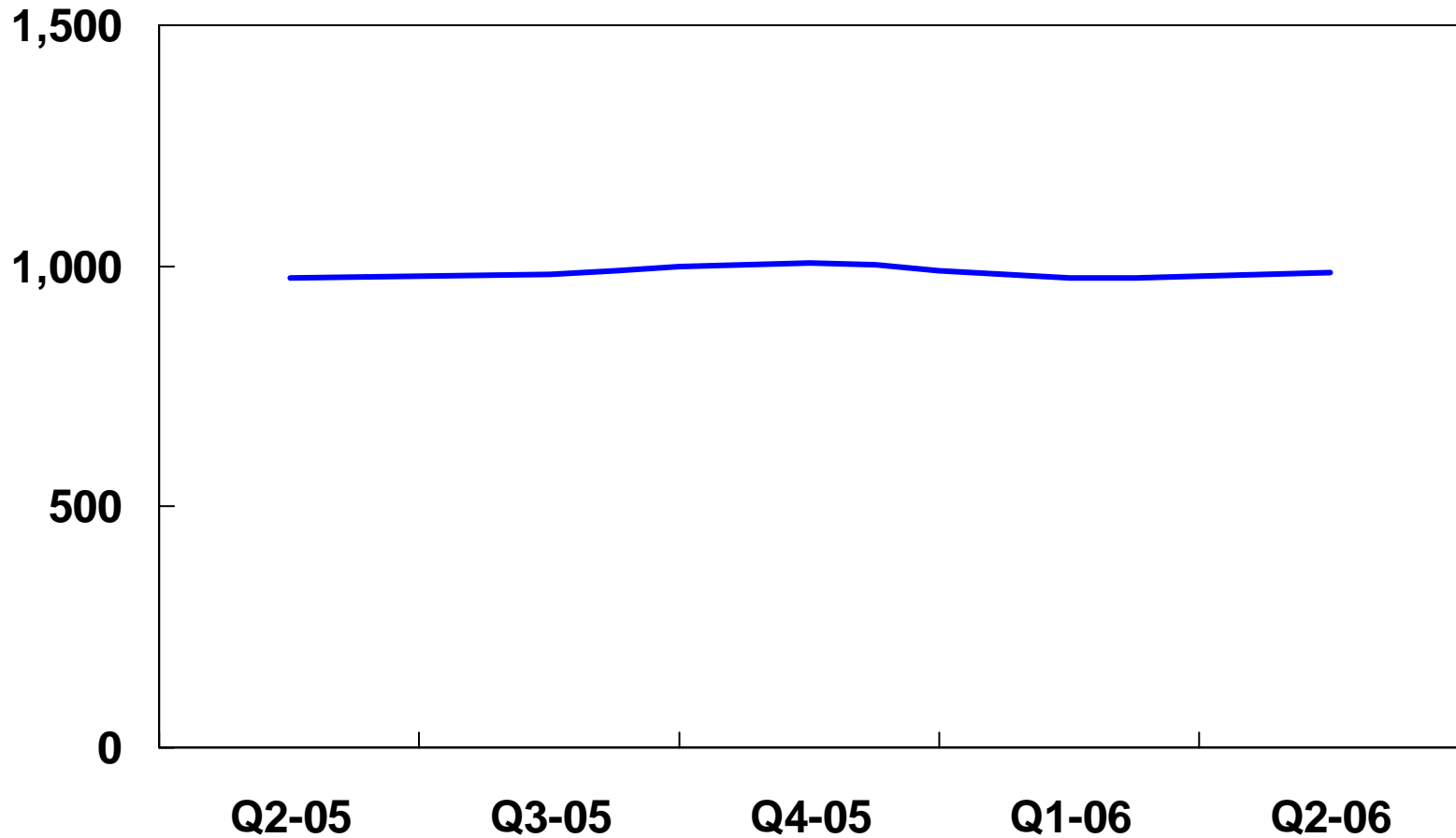
# ***Balance Sheet Highlight - Jun. 30, 2006***

**Unit: NT M**

<b>Cash and Cash Equivalents</b>	<b>90,050</b>
<b>Long-term Investments</b>	<b>73,592</b>
<b>Fixed Assets</b>	<b>136,628</b>
<b>Total Assets</b>	<b>341,831</b>
<b>Current Liabilities</b>	<b>36,965</b>
<b>Long-term Debts</b>	<b>30,279</b>
<b>Stockholders' Equity</b>	<b>270,960</b>
<i>Depreciation Expense (YTD)</i>	<i>22,717</i>

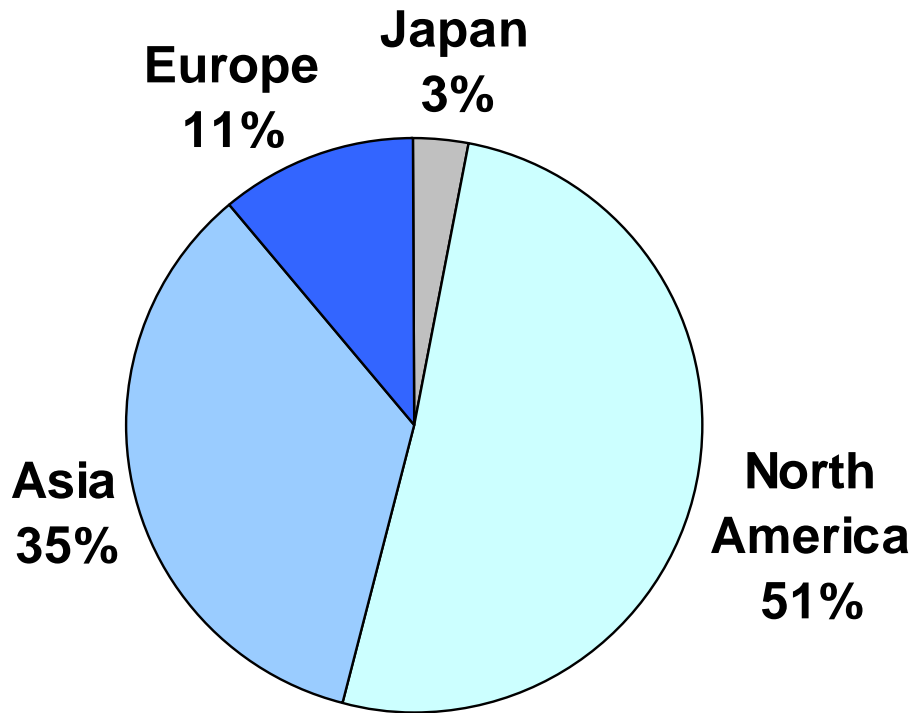
# Average Selling Price Trend- 8" Wafer Equivalent

Unit: USD

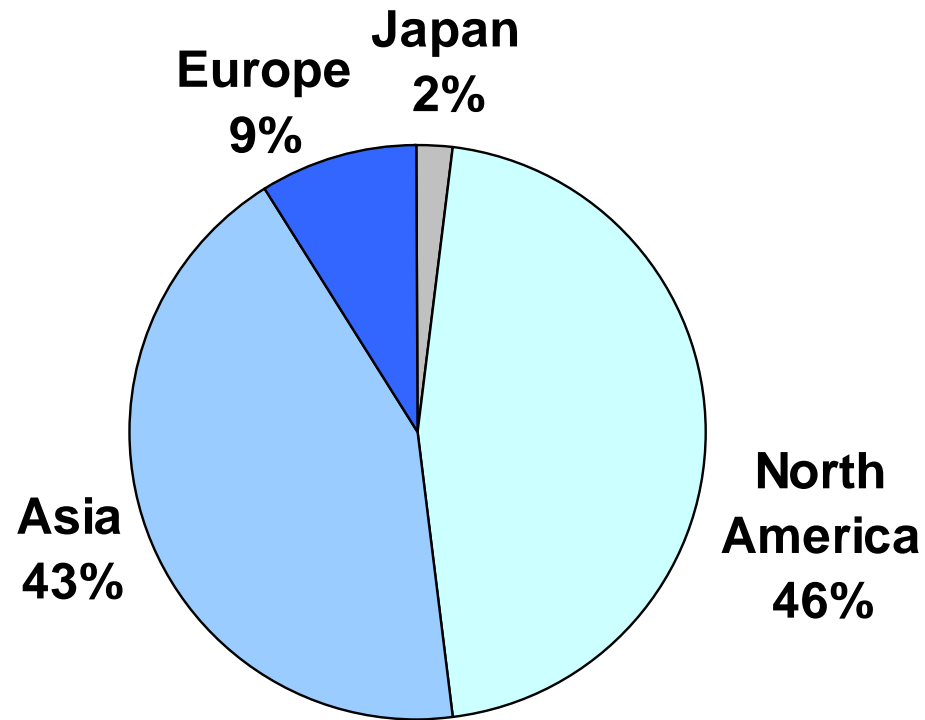


# Sales Breakdown by Geography

## 2006 Q2

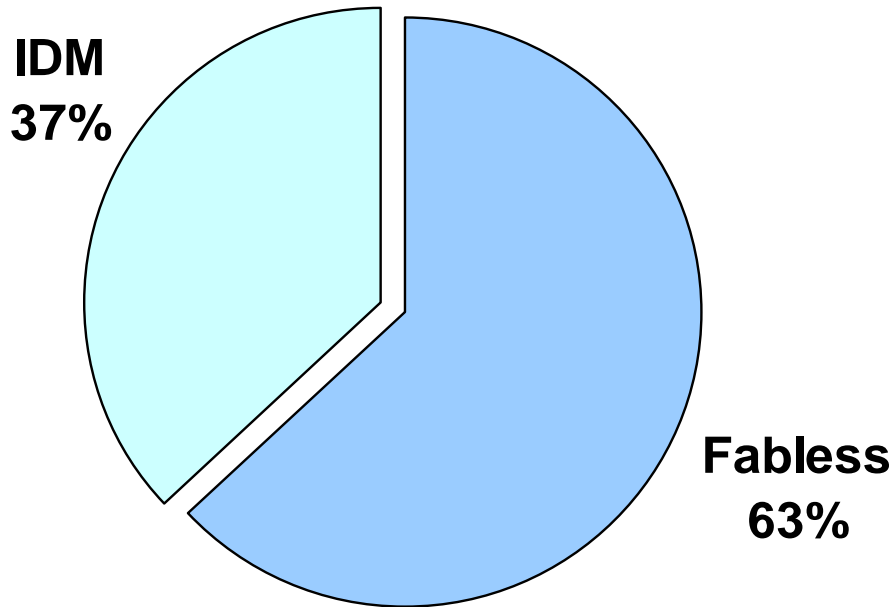


## 2006 Q1

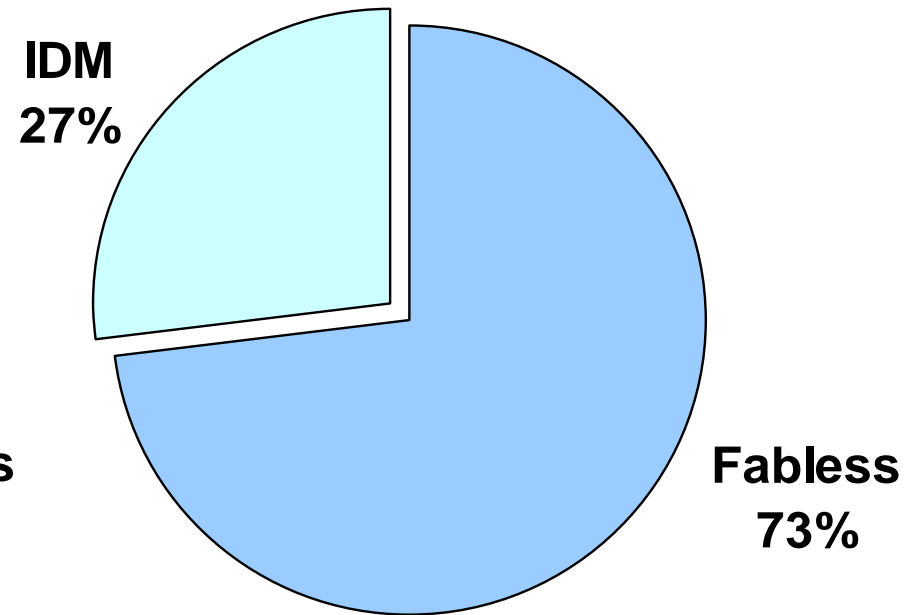


# Sales Breakdown by Customer

**2006 Q2**

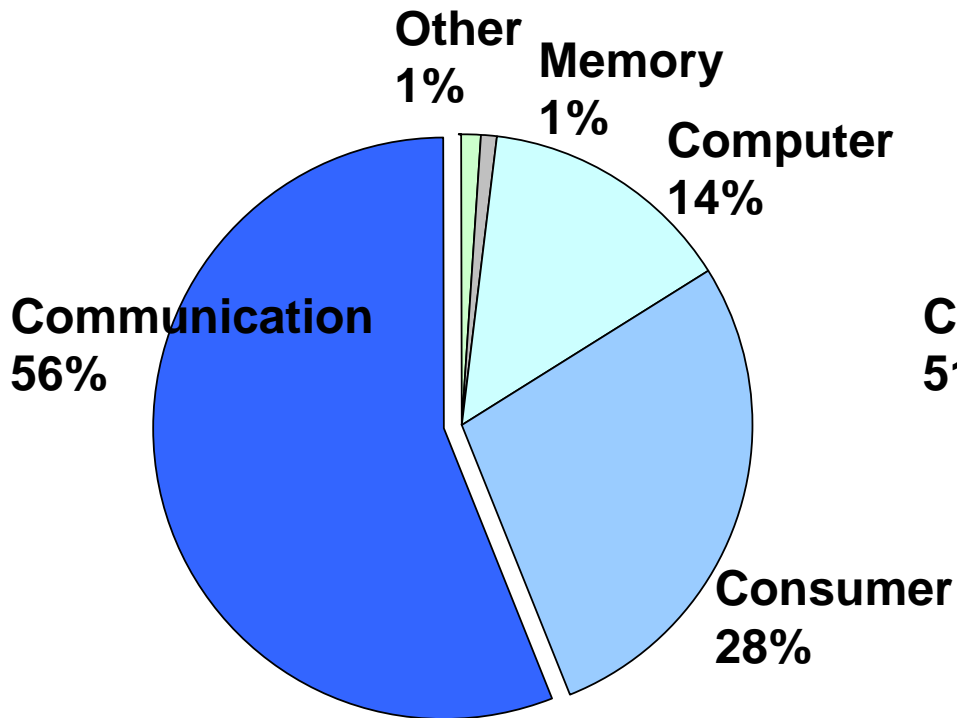


**2006 Q1**

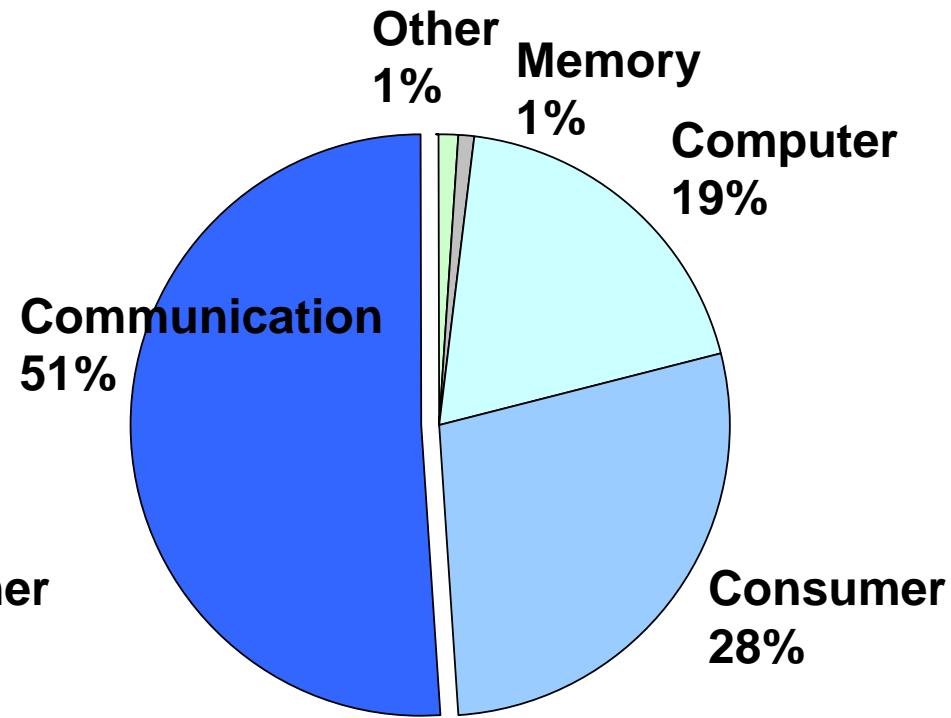


# Sales Breakdown by Application

## 2006 Q2

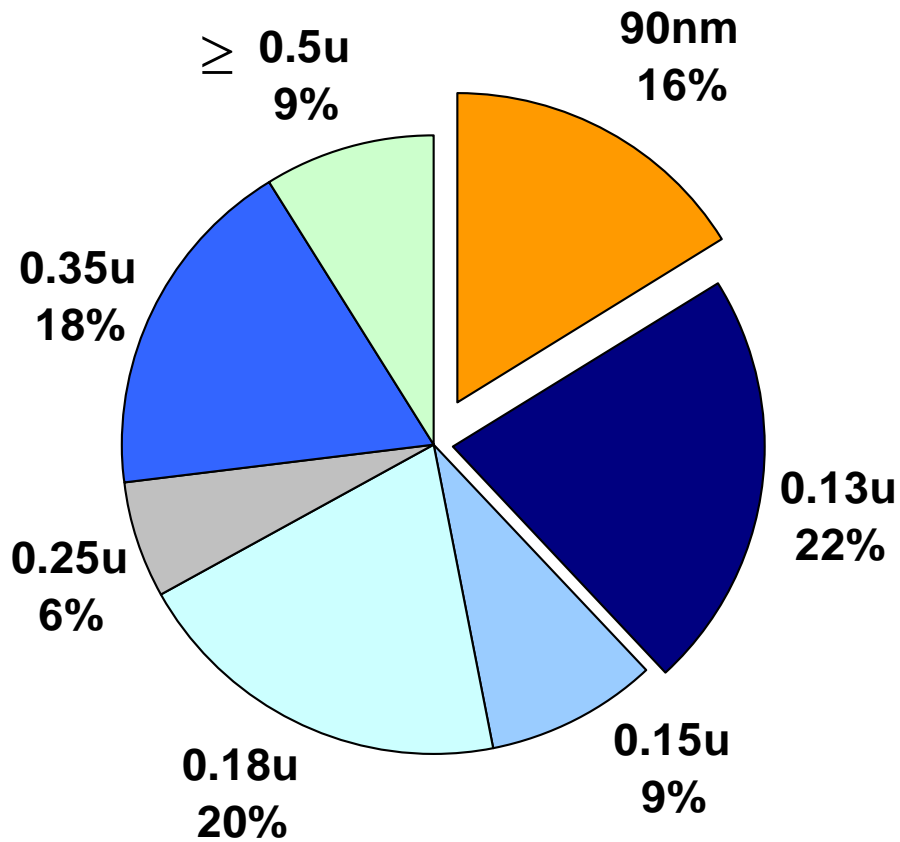


## 2006 Q1

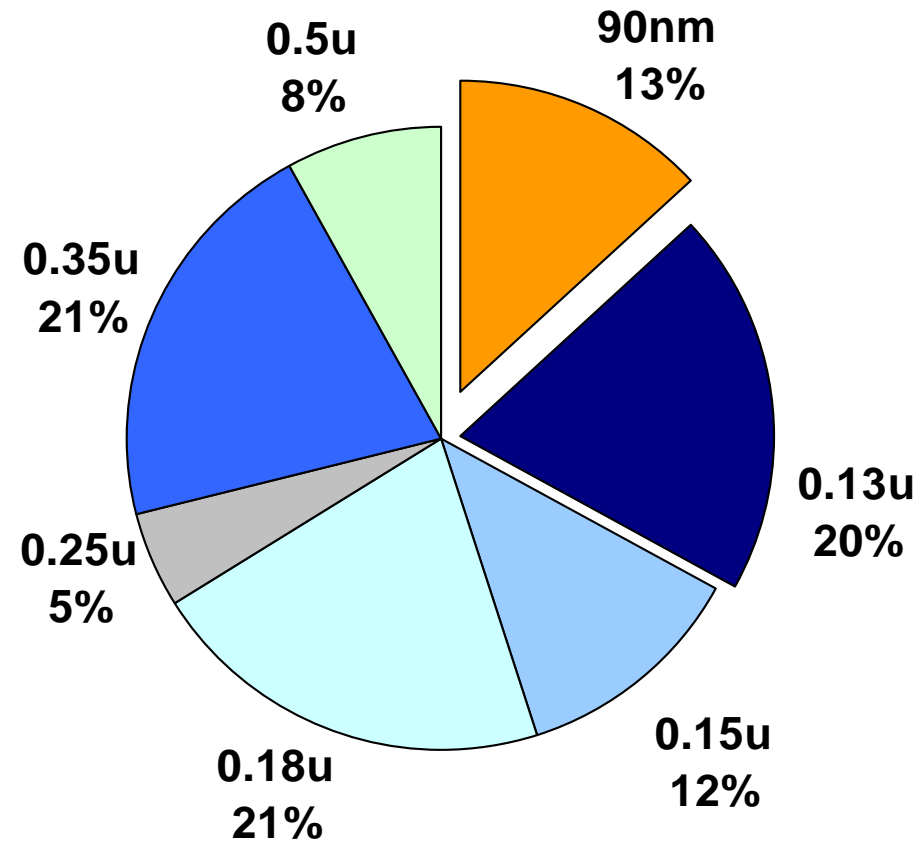


# Sales Breakdown by Technology

## 2006 Q2



## 2006 Q1



# Quarterly Capacity

unit: in thousands (8" wafer eq.)

<b>FAB</b>	<b>4Q05</b>	<b>1Q06</b>	<b>2Q06</b>	<b>3Q06E</b>
<b>Fab 6A</b>	<b>86</b>	<b>82</b>	<b>82</b>	<b>82</b>
<b>Fab 8AB</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>204</b>
<b>Fab 8C</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Fab 8D</b>	<b>66</b>	<b>63</b>	<b>63</b>	<b>63</b>
<b>Fab 8E</b>	<b>101</b>	<b>101</b>	<b>101</b>	<b>101</b>
<b>Fab 8F</b>	<b>93</b>	<b>93</b>	<b>93</b>	<b>93</b>
<b>Fab 8S</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>
<b>Fab 12A</b>	<b>160</b>	<b>178</b>	<b>191</b>	<b>199</b>
<b>Fab 12i</b>	<b>94</b>	<b>95</b>	<b>99</b>	<b>104</b>
<b>Total</b>	<b>973</b>	<b>985</b>	<b>1,002</b>	<b>1,015</b>

# *2006 Capital Expenditure Plan*

	8" Fab	12" Fab	12" R&D	Total
<b>UMC</b>	<b>3%</b>	<b>84%</b>	<b>13%</b>	<b>1 billion USD</b>

For more information regarding UMC

**[www.umc.com](http://www.umc.com)**

For all inquiries, suggestions, and comments

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