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UMC Reports Second Quarter 2010 Results

Profit hits 5-year high; strong growth in advanced processes for Q3

Second Quarter 2010 Highlights[1]:

- **Revenue increase: 11.3% QoQ to NT$29.75 billion (US$927 million)**
- **Gross margin: 29.6%; operating margin: 18.3%**
- **Capacity utilization: 100%**
- **Net income: NT$5.27 billion (US$164 million)**
- **Earnings per share: NT$0.42; earnings per ADS: US$0.065**

Taipei, Taiwan, ROC – August 4, 2010 – United Microelectronics Corporation (NYSE: UMC; TSE:2303) ("UMC" or "The Company"), a leading global semiconductor foundry, today announced its unconsolidated operating results for the second quarter of 2010.

Revenue increased 11.3% quarter-over-quarter to NT$29.75 billion, from NT$26.72 billion in 1Q10, and increased 31.5% year-over-year, from NT$22.63 billion in 2Q09. Gross margin was 29.6%, operating margin was 18.3%, net income was NT$5.27 billion, and earnings per ordinary share were NT$0.42.

Dr. Shih-Wei Sun, CEO of UMC, said, "Capacity utilization for the second quarter of 2010 was full, with shipments growing to a record 1,156 thousand 8-inch equivalent wafers. Revenue this quarter exceeded expectations, due to UMC's accelerated ramp-up of advanced process capacity and optimization of product mix. Revenue contribution from 65nm and below products grew more than 50% compared to the previous quarter, with 40nm output reaching 3% of revenue. As such, UMC achieved a 5-year high in operating income and an annualized ROE of more than 10% this quarter. Demand is expected to remain robust for advanced processes,

[1] Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with ROC GAAP, which differ in some material respects from generally accepted accounting principles in the United States. They are un-audited, unconsolidated, and represent comparisons among the three-month period ending June 30, 2010, the three-month period ending March 31, 2010, and the equivalent three-month period that ended June 30, 2009. For all 2Q10 results, New Taiwan Dollar (NT$) amounts have been converted into U.S. Dollars at the June 30, 2010 exchange rate of NT$32.11 per U.S. Dollar.

driven by new applications and technology migration. Therefore, we are optimistic about third-quarter growth, anticipate rising revenues and profit, and maintain a healthy outlook for mid to long-term demand."

Dr. Sun continued, "UMC's successful efforts to customize advanced technology development and optimize product mix have led to an expanded customer base, increased sales, and greater profit capability. To continue boosting competitiveness and pursuing steady growth, UMC plans its capital expenditures based on careful assessments of mid to long-term demand and capacity expansion risks, according to our "customer-driven" perspective, so as to capture the robust growth momentum in addressable foundry markets. UMC plans to raise this year's capital expenditures to US$1.8 billion to satisfy customer demand for advanced technology and capacity."

Dr. Sun emphasized, "This invested CAPEX is being used to expand advanced capacity. Currently, advanced process equipment procurement and installation are proceeding smoothly. Singapore's Fab12i has been accelerating its 65/55nm capacity expansion to better serve our foundry customers this year. Fab 12A's Phase 3 cleanroom, already completed in July ahead of schedule and moving forward briskly with equipment installation, is expected to start production by year-end and increase 40nm production output at an accelerated pace next year. This expansion will gradually build up economy of scale and usher in a new wave of growth, producing a win-win situation with customers and boosting shareholders' return on equity."

Summary of Operating Results

Operating Results					
(Amount: NT$ million)	2Q10	1Q10	QoQ % change	2Q09	YoY % change
Revenue	29,745	26,715	11.3	22,628	31.5
Gross Profit	8,805	6,559	34.2	5,381	63.6
Operating Expenses	(3,368)	(3,115)	6.8	(2,685)	25.4
Operating Income	5,437	3,404	59.7	2,696	101.7
Non-Operating Income (Expenses)	199	197	1.0	(901)	-
Net Income	5,273	3,482	51.4	1,547	240.9
EPS (NT$ per share)	0.42	0.28		0.12	
(US$ per ADS)	0.065	0.044		0.019	

Revenue increased 11.3% QoQ to NT$29.75 billion from NT$26.72 billion in 1Q10, and increased 31.5% YoY from NT$22.63 billion in 2Q09. Gross profit was NT$8.81 billion, or 29.6% of revenue, compared to NT$6.56 billion, or 24.6% of 1Q10 revenue. Operating income for the quarter was NT$5.44 billion, or 18.3% of revenue, compared to NT$3.40 billion, or 12.7% of 1Q10 revenue. The increase in revenue was mainly due to improved product mix from 65nm and below technologies, increase in wafers shipped, and the NT dollar not appreciating as expected. Net income in 2Q10 was NT$5.27 billion, compared to NT$3.48 billion in 1Q10.

Earnings per ordinary share for the quarter were NT$0.42. Earnings per ADS[2] were US$0.065. The basic weighted average number of outstanding shares in 2Q10 was 12,449,924,578, compared with 12,638,040,544 shares in 1Q10 and 12,671,692,578 shares in 2Q09. The diluted weighted average number of outstanding shares was 12,581,805,800 in 2Q10, compared with 12,834,956,316 shares in 1Q10 and 12,677,712,645 shares in 2Q09. The fully diluted share count on June 30, 2010 was approximately 13,760,680,000. On June 30, 2010, UMC held 522 million treasury shares acquired from the 13th and 14th share buy-back programs.

[2] One ADS represents five Taiwan-listed ordinary shares.

Detailed Financials Section

Depreciation within COGS decreased to NT$6.83 billion. Other manufacturing costs increased to NT$14.11 billion due to ship-out quantity increase. Total operating expenses increased 6.8% to NT$3.37 billion. General and Administration expenses increased to NT$679 million mainly due to capital reserved for employee bonus. Sales & marketing expenses increased to NT$553 million, owing to an increase in IP royalty fees. R&D expenses increased to NT$2.14 billion mainly due to 300mm R&D activities. The total R&D expense was 7.2% of revenue in 2Q10.

COGS & Expenses

(Amount: NT$ million)	2Q10	1Q10	QoQ % change	2Q09	YoY % change
Revenue	29,745	26,715	11.3	22,628	31.5
COGS	(20,940)	(20,156)	3.9	(17,247)	21.4
Depreciation	(6,832)	(6,907)	(1.1)	(8,861)	(22.9)
Other Mfg. Costs	(14,108)	(13,249)	6.5	(8,386)	68.2
Gross Profit	8,805	6,559	34.2	5,381	63.6
Gross Margin (%)	29.6%	24.6%		23.8%	
Total Operating Exp.	(3,368)	(3,155)	6.8	(2,685)	25.4
G&A	(679)	(603)	12.6	(454)	49.6
Sales & Marketing	(553)	(545)	1.5	(376)	47.1
R&D	(2,136)	(2,007)	6.4	(1,855)	15.1
Operating Income	5,437	3,404	59.7	2,696	101.7

Net non-operating income during 2Q10 was NT$199 million, which was relatively unchanged from the previous quarter.

Non-Operating Income (Expenses)

(Amount: NT$ million)	2Q10	1Q10	2Q09
Net Non-Operating Income (Exp.)	199	197	(901)
Net Interest Income	26	23	17
Net Investment Income (Loss)	(203)	8	(1,586)
Gain on Disposal of Investment	157	77	788
Exchange Gain (Loss)	50	(30)	(141)
Other Gain	169	119	21

Net cash outflow was NT$3.03 billion in 2Q10. Operating cash inflow was NT$12.09 billion. The investing cash outflow primarily reflects the CAPEX in 2Q10 of NT$8.87 billion. The NT$6.58 billion of financing cash outflow was primarily from the redemption of bonds. Free cash flow[3] for 2Q10 was NT$3.22 billion.

Cash Flow Summary		
(Amount: NT$ million)	For the 3-Month Period Ended Jun. 30, 2010	For the 3-Month Period Ended Mar. 31, 2010
Cash Flow from Operating	12,089	12,008
Net Income	5,273	3,482
Depreciation & Amortization	7,725	8,081
Changes in Working Capital	(1,271)	588
Other	362	(143)
Cash Flow from Investing	(8,529)	(11,555)
Capital Expenditures	(8,873)	(10,000)
Other	344	(1,555)
Cash Flow from Financing	(6,583)	(4,732)
Short-Term Loans	721	-
Long-Term Loans	200	100
Redemption of Long-Term Loans	(11)	-
Redemption of bonds	(7,500)	-
Purchase of treasury stock	-	(4,844)
Other	7	12
Effect of Exchange Rate	(7)	23
Net Cash Flow	(3,030)	(4,256)

Cash and cash equivalents decreased to NT$45.51 billion due to increased investment and financing cash outflow. During 2Q10, days sales outstanding decreased to 54 days. Inventory turnover increased to 44 days due to an increase in raw materials and work-in-process as a result of better business outlook.

Current Assets			
(Amount: NT$ billion)	2Q10	1Q10	2Q09
Cash & Cash Equivalents	45.51	48.54	37.90
Notes & Accounts Receivable	18.53	16.95	13.78
Days Sales Outstanding	54	57	40
Inventories	10.30	9.48	8.53
Avg. Inventory Turnover	44	42	42
Total Current Assets	83.84	84.26	63.90

Current liabilities increased to NT$38.01 billion, mainly due to the addition of NT$6.23 billion cash dividends payable to shareholders and payable on equipment increasing to NT$7.57 billion. These were partially offset by the reduction of short-term credit/bonds to NT$ 6.30 billion, primarily due to the NT$7.50 billion redemption of bonds. Total liabilities increased to NT$42.42 billion in 2Q10. UMC's debt to equity ratio increased to 21%.

Liabilities			
(Amount: NT$ billion)	2Q10	1Q10	2Q09
Total Current Liabilities	38.01	34.66	19.96
Accounts Payable	5.66	5.26	4.44
Short-Term Credit / Bonds	6.30	12.89	7.51
Cash Dividends Payable	6.23	-	-
Payable on Equipment	7.57	5.06	1.80
Other	12.25	11.45	6.21
Long-Term Liabilities	0.92	0.80	0.79
Total Liabilities	42.42	38.94	24.24
Debt to Equity	21%	19%	13%

[3] Free cash flow = Operating cash flow – Capital expenditures

Analysis of Revenue[4]

The percentage of revenue from different regions remained largely unchanged quarter-over-quarter.

Revenue Breakdown by Region

Region	2Q10	1Q10	4Q09	3Q09	2Q09
North America	46%	47%	51%	49%	47%
Asia Pacific	42%	42%	40%	41%	42%
Europe	11%	10%	8%	9%	10%
Japan	1%	1%	1%	1%	1%

Revenue from 65nm and below business accounted for 24% of total revenue. 40nm and below grew to 3% of UMC's revenue contribution during the quarter.

Revenue Breakdown by Geometry

Geometry	2Q10	1Q10	4Q09	3Q09	2Q09
40nm and below	3%	1%	-	-	-
40nm<x<=65nm	21%	17%	17%	14%	12%
65nm<x<=90nm	18%	22%	25%	26%	27%
90nm<x<=0.13um	22%	25%	23%	21%	19%
0.13um<x<=0.18um	18%	18%	19%	21%	21%
0.18um<x<=0.35um	13%	11%	11%	13%	16%
0.5um and above	5%	6%	5%	5%	5%

The percentage of revenue from fabless customers remains 81% in 2Q10.

Revenue Breakdown by Customer Type

Customer Type	2Q10	1Q10	4Q09	3Q09	2Q09
Fabless	81%	81%	80%	79%	77%
IDM	19%	19%	20%	21%	23%

Demand was strong from all three segments, led by the consumer sector which accounted for 31% of total revenue in 2Q10. This improved ratio resulted from successful diversification of product mix and customer base expansion.

Revenue Breakdown by Application (1)

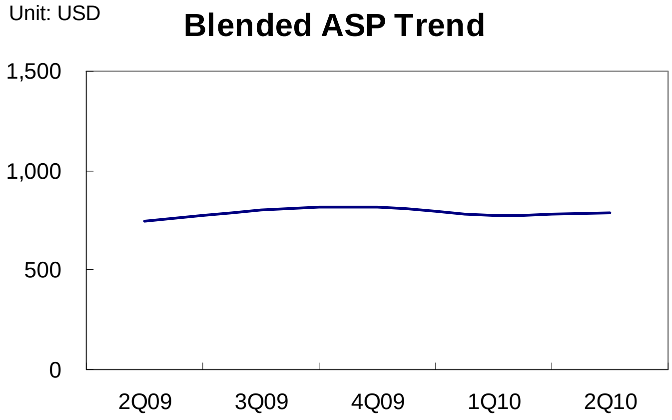
Application	2Q10	1Q10	4Q09	3Q09	2Q09
Computer	13%	13%	11%	17%	15%
Communication	54%	59%	62%	59%	62%
Consumer	31%	26%	25%	23%	21%
Memory	1%	1%	0%	0%	1%
Others	1%	1%	2%	1%	1%

(1) ***Computer*** consists of ICs such as HDD controllers, DVD-ROM/CD-ROM drives ICs, LCD drivers, graphic processors, and PDAs. ***Communication*** consists of xDSL, DSP, WLAN, LAN controllers, handset components, caller ID devices, etc. ***Consumer*** consists of ICs used for DVD players, game consoles, digital cameras, smart cards, toys, etc. ***Memory*** consists of DRAM, SRAM, Flash, EPROM, ROM, and EEPROM.

[4] Revenue in this section represents wafer sales.

Blended Average Selling Price Trend

The blended average selling price (ASP) increased in US dollar terms during 2Q10, mainly due to product mix shifting to more advanced technology nodes.



Shipment and Utilization Rate[5]

Wafer shipments increased 11.9% sequentially to 1,156K in 2Q10, compared to 1,033K 8-inch equivalent wafers shipped in 1Q10. The overall utilization rate for the quarter was 100%.

Wafer Shipments

	2Q10	1Q10	4Q09	3Q09	2Q09
Wafer Shipments (8" K equivalents)	1,156	1,033	990	1,017	898

Quarterly Capacity Utilization Rate

	2Q10	1Q10	4Q09	3Q09	2Q09
Utilization Rate	100%	88%	86%	89%	79%
Total Capacity (8" K equivalents)	1,183	1,154	1,132	1,152	1,151

[5] Utilization Rate = Quarterly Wafer Out / Quarterly Capacity

Capacity[6]

Capacity during the second quarter was 1,183K 8-inch equivalent wafers. The increase of total capacity is mainly due to expansion of 65/55nm at Fab 12i. The estimated installed capacity in 3Q10 will increase to 1,220K 8-inch equivalent wafers mainly due to the continuous expansion plan at Fab12i.

Annual Capacity in
thousands of 8-inch wafer equivalents

FAB		Geometry (um)	2009	2008	2007	2006
Fab6A	6"	3.5 – 0.45	328	328	328	328
Fab8A	8"	0.5 – 0.25	816	816	816	816
Fab8C	8"	0.35 – 0.11	405	417	400	400
Fab8D	8"	0.13 – 0.09	267	257	260	252
Fab8E	8"	0.5 – 0.18	408	408	408	406
Fab8F	8"	0.18 – 0.11	381	372	372	372
Fab8S (1)	8"	0.18 – 0.11	300	291	276	276
Fab12A	12"	0.18 – 0.040	866	876	847	754
Fab12i (2)	12"	0.13 – 0.065	815	742	601	413
Total (3)			4,586	4,507	4,308	4,017
YoY Growth Rate			2%	5%	7%	4%

Quarterly Capacity in
thousands of 8-inch wafer equivalents

FAB	3Q10E	2Q10	1Q10	4Q09
Fab6A	83	83	82	82
Fab8A	204	204	204	204
Fab8C	90	90	96	99
Fab8D	81	78	71	68
Fab8E	102	102	102	102
Fab8F	98	96	96	96
Fab8S	77	75	75	75
Fab12A	210	209	209	200
Fab12i	275	245	219	206
Total (3)	1,220	1,183	1,154	1,132

(1) Former fab of SiSMC, which was acquired from Silicon Integrated Systems in July 2004.

(2) Former fab of UMCi, a UMC wholly-owned subsidiary since December 2004 that was merged into UMC in April 2005

(3) One 6-inch wafer is converted into 0.5625($6^2/8^2$) 8-inch equivalent wafer; one 12-inch wafer is converted into 2.25($12^2/8^2$) 8-inch equivalent wafers.

CAPEX

The capital expenditure budget for 2010 is expected to increase to US$1.8 billion. By the end of the second quarter, UMC's year-to-date CAPEX totaled US$588 million.

UMC Capital Expenditure by Year - in US$ billion

Year	2009	2008	2007	2006	2005	2004
CAPEX	$ 0.55	$ 0.35	$ 0.9	$ 1.0	$0.7(1)	$ 1.5

2010 CAPEX Plan

	8"	12"	Total
UMC	13%	87%	US$1.8 billion

(1) 2005 CAPEX contained UMC 2005 full-year CAPEX and UMCi CAPEX during 1Q05.

6 Estimated capacity numbers are based on *calculated maximum output* rather than *designed capacity*. The actual capacity numbers may differ depending upon equipment delivery schedules, pace of migration to more advanced process technologies, and other factors affecting production ramp-up.

Recent Developments / Announcements

Jul. 15, 2010	UMC Obtains Advanced Process Tools through Texas Instruments
Jul. 08, 2010	Dr. I. C. Chen Joins UMC as Vice President
Jun. 21, 2010	Elpida, PTI, and UMC Partner on 3D IC Integration Development For Advanced Technologies Including 28nm
Jun. 15, 2010	UMC Shareholders Approve NT$0.5 Cash Dividend at Annual Shareholders Meeting
May. 20, 2010	Investing in Taiwan as a Base in Establishing a Global Presence
May. 03, 2010	UMC Files Form 20-F for 2009 with US Securities and Exchange Commission
Apr. 28, 2010	UMC 1Q 2010 Financial Results

Please visit UMC's website
for further details regarding the above announcements.

Third Quarter of 2010 Outlook & Guidance

Quarter-over-Quarter Guidance:

- Wafer shipment growth in the low to mid single-digit percentage range
- Wafer ASP increase approaching mid single-digit percentage
- Capacity utilization: will remain full
- Gross margin in the low-30% range
- Growth momentum from all three segments, led by the consumer segment
- Revenue contribution from 65nm and below: approximately 30%
- 2010 CAPEX budget: US$1.8 billion

Conference Call / Webcast Announcement

Wednesday, August 4, 2010

Time: 8:00 PM (Taipei) / 8:00 AM (New York) / 1:00 PM (London)

Dial-in numbers and Access Codes:

USA Toll Free:	1 866 519 4004
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Access Code:	UMC

A live webcast and replay of the 2Q10 results announcement will be available at **www.umc.com** under the “Investor Relations \ Investor Events” section.

About UMC

UMC (NYSE: UMC, TSE: 2303) is a leading global semiconductor foundry that provides advanced technology and manufacturing services for applications spanning every major sector of the IC industry. UMC’s customer-driven foundry solutions allow chip designers to leverage the strength of the company’s leading-edge processes, which include production proven 65nm, 45/40nm, mixed signal/RFCMOS, and a wide range of specialty technologies. Production is supported through 10 wafer manufacturing facilities that include two advanced 300mm fabs; Fab12A in Taiwan and Singapore-based Fab12i are both in volume production for a variety of customer products. The company employs approximately 13,000 people worldwide and has offices in Taiwan, Japan, Singapore, Europe, and the United States. UMC can be found on the web at http://www.umc.com.

Safe Harbor Statements

This release contains forward-looking statements. These statements constitute "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by use of words such as "strategy," "expects," "continues," "plans," "anticipates," "believes," "will," "estimates," "intends," "projects," "goals," "targets" and other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts.

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, but not limited to: (i) our dependence upon the frequent introduction of new services and technologies based on the latest developments in our industry; (ii) the intensely competitive semiconductor, communications, consumer electronics and computer industries and markets; (iii) the risks associated with international global business activities; (iv) our dependence upon key personnel; (v) general economic and political conditions; (vi) possible disruptions in commercial activities caused by natural and human-induced events and disasters, including terrorist activity, armed conflict and highly contagious diseases; (vii) reduced end-user purchases relative to expectations and orders; and (viii) fluctuations in foreign currency exchange rates. Further information regarding these and other risks is included in UMC's filings with the U.S. Securities and Exchange Commission, including its registration statements on Form F-1, F-3, F-6 and 20-F, in each case as amended. UMC does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.

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 US GAAP.

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- FINANCIAL TABLES TO FOLLOW -