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UMC 3Q00 Net Income Jumps YoY 488% to NT\$14.55 Billion

Record Revenue and Net Income Due to Industry Leading Percentage of 0.18-micron Technology and Higher Wafer Shipments

3Q00 Highlights¹:

- **Net Sales up 106.5% to NT\$29.48 billion (US\$941.22 million)**
- **Net Income up 488% to NT\$14.55 billion (US\$464.74 million)**
- **EPS to NT\$1.31 or EPADS US\$0.21**
- **Company raises US\$1.3 billion with largest to-date non-Japan IPO on NYSE**

Taipei, Taiwan, R.O.C. - October 23, 2000 — United Microelectronics Corporation (TAIEX: 2303, NYSE: UMC), (UMC) today reported record revenues and net income for its third quarter ended September 30, 2000, with the company's performance continuing to strengthen following the successful consolidation of UMC and its joint venture companies in January 2000.

"In the third quarter, UMC continued to lead the foundry industry in terms of net margin, as well as in the percentage of revenue contributed by wafer shipments for advanced 0.18/0.25-micron technology. These excellent results reflect UMC's continued focus on leading-edge process development, and our ability to efficiently deliver this technology to a diverse group of IC market segment leaders around the world, " said UMC Chairman John Hsuan.

"We continue to see good revenue and margin growth despite the reported softening in certain sectors of the electronics industry. Our diversified customer base and position as the leading provider of advanced foundry technology have resulted in the flexibility to quickly adjust capacity allocation, allowing us to enjoy strong demand for our foundry services for a wide range of high-growth, high margin applications."

¹ New Taiwan dollar amounts have been converted into U.S. dollar amounts at the ratio of NT\$31.32 to one U.S. dollar for the third quarter of 2000.

Unless otherwise noted, the company's historical financial data for fiscal 1999 discussed in this announcement are on a pro forma basis, reflecting the merger, which was completed on January 3, 2000, of Utek Semiconductor Corporation (UTEK), United Semiconductor Corporation (USC), United Integrated Circuit Corporation (UICC) and United Silicon Incorporated (USIC), into UMC, as if it had occurred on January 1, 1999. Additionally, all financial information used in the discussion and analysis of the company's financial conditions and results of operations for each quarter are prepared in accordance with ROC GAAP. The company will provide a reconciliation of its financial statements on a consolidated basis with US GAAP in its year-end results.

Net Sales

UMC posted net sales for 3Q00 of NT\$29.48 billion, representing a 106.6% percent improvement, on a pro forma basis, from NT\$14.27 billion for 3Q99. Quarter-over-quarter, net sales increased by 20.6 percent, from NT\$24.44 billion in 2Q00. The improvement in net sales for the period mainly reflected higher unit sales and an increase in average selling price (ASP). The Company believes that the improvement in ASP resulted mainly from a shift to more advanced technology as well as the elimination or expiration of some pricing discounts provided in the past to build market share. For the third quarter, unit output of 8-inch equivalent wafers were 628 thousand pcs., not including shipments at Nippon Foundry Inc. (NFI), a dedicated foundry company in Japan owned by UMC.

Tables I through V offer a breakdown of UMC sales for the third quarter by region, customer type, technology, application, and device type. Sales at NFI are not included in the calculations because quarterly results are not audited on a consolidated basis.

Table I Breakdown by Geography

Region	3Q99	4Q99	1Q00	2Q00	3Q00
North America	46%	42%	45%	45%	43%
Asia Pacific	47%	44%	34%	32%	33%
Europe	6%	13%	19%	21%	22%
Japan	1%	1%	2%	2%	2%

Table II Breakdown by Customer Type

Customer Type	3Q99	4Q99	1Q00	2Q00	3Q00
Fabless	81%	79%	71%	69%	70%
IDM	15%	18%	24%	25%	24%
System	4%	3%	5%	6%	6%

Table III Breakdown by Technology

Technology	3Q99	4Q99	1Q00	2Q00	3Q00
$x \leq 0.18\mu\text{m}$	3%	5%	9%	12%	12%
$0.18\mu\text{m} < x \leq 0.25\mu\text{m}$	20%	23%	26%	29%	36%
$0.25\mu\text{m} < x \leq 0.35\mu\text{m}$	55%	51%	46%	42%	35%
$x \geq 0.5\mu\text{m}$	22%	21%	19%	17%	17%

Table IV Breakdown by Application

Application	3Q99	4Q99	1Q00	2Q00	3Q00
Computer	58%	51%	42%	41%	37%
Communications	25%	31%	35%	35%	36%
Consumer	15%	16%	22%	21%	25%
Others	2%	2%	1%	3%	2%

Table V Breakdown by Device Type

Device Type	3Q99	4Q99	1Q00	2Q00	3Q00
Logic/Mixed Mode	66%	68%	69%	66%	63%
DRAM	16%	14%	8%	9%	12%
SRAM	8%	8%	9%	9%	6%
Non-Volatile	10%	10%	14%	16%	19%

Gross Profit and Gross Margin

Gross profit for the period was NT\$15.34 billion, representing an improvement of 218 percent over gross profit, on a pro forma basis, of NT\$4.82 billion for the third quarter of last year. Quarter-over-quarter, gross profit improved by 30 percent, or NT\$3.50 billion, from NT\$11.84 billion in 2Q00. Gross margin continued to improve and reached 52 percent in 3Q00, compared with gross margin of 33.8 percent in 3Q99 and 48.5 percent in 2Q00. The improvement in gross profit and gross margin was mainly due to the more favorable product mix seen in the quarter as the participation of 0.25-micron and more advanced technology wafers increased to 48 percent, from 41 percent in 2Q00.

Operating Expenses

Operating expense for the quarter declined to 8.1 percent of net sales in 3Q00 at NT\$2.38 billion, from 8.6 percent of net sales in 2Q00 at NT\$2.11 billion, and from 12.5 percent a year ago at NT\$1.78 billion. Quarter-over-quarter, operating expenses increased by 13 percent in 3Q00. R&D expenditures continues to represent a large portion of operating expense because UMC views R&D as strategically important to maintain its status as a leader in advanced technology. R&D expenditures, as a percentage of net sales, amounted to 6.5 percent in 1Q00, 6.1 percent in 2Q00 and 5 percent in 3Q00, respectively.

Major R&D efforts UMC is currently focusing on include sub-0.15-micron joint development projects with IBM and Infineon, 300mm initiatives, advanced lithography technologies, and process developments in applications such as RF CMOS and SOI devices.

Net Non-Operating Income

Investment income, a major contributor to non-operating income, in 3Q00 was NT\$1.5 billion. Investment income in 3Q00 includes Nippon Foundry Inc., with a consistent and steady contribution of NT\$512.7 million, Unipac Optoelectronics Corp., with NT\$246.6 million, and World Wiser Electronics Inc., with NT\$102.3 million. Investment income in 2Q00 was NT\$1.8 billion².

Capacity & Capital Expenditures

In 1999, the UMC Group, including Utek, USIC, UICC, USC and NFI managed total capacity of 1.8 million eight-inch wafer equivalents. In 2000, the company expects to expand its capacity to 2.5 million eight-inch wafer equivalents. The ramp up of UMC's two newest fabs - 8D & 8F - will continue through 2001. With the addition of two more 12-inch facilities in Japan and Taiwan, the company will have available additional capacity built for leading edge processes.

UMC expects to make capital expenditures of US\$2.8 billion in 2000 and US\$2.9 billion in 2001.

Tables VI and VII offer a detailed breakdown of UMC's expected CAPEX by year and use. The tables include expected CAPEX for NFI and not for the UMC-Hitachi joint venture Trecenti.

² Investment income in 2Q00 deviates from the usual trend of steady growth due to recognition of tax-benefits at Nippon Foundry inc.

Table VI CAPEX Breakdown by Year

CAPEX PLAN – IN BILLION OF US\$					
	1997	1998	1999	2000(e)	2001(e)
	\$0.7	\$1.7	\$1.9	\$2.8	\$2.9

Table VII CAPEX Breakdown by Use

2000 (E) CAPEX – IN MILLION OF US\$		\$2,775
Fab 8D		\$565
Fab8E		\$645
Fab8F		\$495
Fab12A		\$379
Other		\$691
2001(E) CAPEX – IN MILLION OF US\$		\$2,923

Table VIII summarizes the estimated annual full capacity of each fab for the years 1997 through 1999 and the expected capacity at each fab for 2000.

Table VIII Annual Capacity in thousands of eight-inch wafer equivalents managed by UMC, including JV's & subsidiaries

FAB		Geometry	1997	1998	1999	2000(e)
Fab 4A ⁽¹⁾	4"	≥1.0	24	--	--	--
Fab 5A ⁽²⁾	5"	≥0.8	--	160	159	33
Fab 6A	6"	≥0.5	319	312	318	348
Fab 8A	8"	0.5 - 0.25	267	300	375	491
Fab 8B	8"	0.35 - 0.18	264	360	405	438
Fab 8C	8"	0.35 - 0.15	--	76	213	415
Fab 8D	8"	0.25 - 0.13	--	--	--	94
Fab 8E	8"	0.5 - 0.25	--	14	180	373
Fab 8F	8"	0.25 - 0.13	--	--	--	133
NFI	8"	0.5 - 0.25	--	--	159	250
Fab 12A ⁽³⁾	12"	0.18 - 0.10	--	--	--	--
Trecenti ⁽⁴⁾	12"	0.18 - 0.10	--	--	--	--
Total (8" eq.)			874	1222	1809	2575
Growth Rate			--	40%	48%	42%

(1) Fab 4A was closed in 1998

(2) Fab 5A was sold in 2Q00

(3) Fab 12A is expected to begin operations in 3Q 2001

(4) Trecenti is expected to commence commercial production in early 2001

Table IX summarizes the estimated quarterly full capacity of each fab from 1Q99 through 4Q00(e).

Table IX Capacity Breakdown by Quarter³

FAB	1Q99	2Q99	3Q99	4Q99	1Q00	2Q00	3Q00	4Q00(e)
Fab 5A	39	40	40	40	33			
Fab 6A	76	77	81	84	84	86	89	89
Fab 8A	85	94	95	101	107	119	129	137
Fab 8B	90	105	105	105	106	107	115	113
Fab 8C	46	50	50	67	82	102	114	118
Fab 8D	-	-	-	-	-	12	29	53
Fab 8E	23	41	55	61	78	87	95	113
Fab 8F	-	-	-	-	-	21	43	66
NFI	36	36	38	49	52	57	66	75
Total (8"eq.)	395	443	464	507	542	590	679	764

Net Income

Net income for 3Q00 under ROC GAAP rose by 488 percent to NT\$14.55 billion, from NT\$2.48 billion for the same period in 1999. Net margin for the quarter improved to 49.4 percent, from 17.4 percent in the year-ago period.

Fully diluted EPS for the third quarter under ROC GAAP were NT\$1.31.

Earnings per ADS (EPADS) for the quarter were US\$0.21. One ADS represents five Taiwan-listed ordinary shares.⁴

³ 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 ups and capacity utilization, as described in Risk Factors in the company's Registration Statement as filed with the SEC on September 15, 2000.

⁴ New Taiwan dollar amounts have been converted into U.S. dollar amounts at the ratio of NT\$31.32 to one U.S. dollar for the third quarter of 2000.

Other Developments during the Third Quarter

- UMC Lists on NYSE

On September 18, 2000, UMC successfully raised US\$1.3 billion in an initial public offering of 90 million SEC-registered American Depositary Shares (ADS) priced at \$14.35 per ADS. This transaction represents the largest dollar value raised by any non-Japan SEC-registered corporate offering to-date. The company's ADSs are listed on the New York Stock Exchange and trade under the symbol UMC.

- UMC Retains Investor Relations Specialist Firm in the U.S.

Following the listing on the NYSE, UMC has retained the services of Breakstone & Ruth International, a dedicated investor relations consulting firm based in New York, to assist the company with communications with its global investor base.

- UMC Receives "Golden Wafer" Award From Conexant

On July 12, UMC and Conexant Systems, Inc. announced a long-term strategic agreement that provides Conexant with guaranteed foundry capacity. Conexant, a leading provider of semiconductor products and systems solutions for communications electronics, will receive significant foundry capacity and access to UMC's advanced process technology to support future growth. UMC was also selected to receive Conexant's "Golden Wafer" award for outstanding product manufacturing, quality, flexibility and customer support.

- UMC and Virtual Silicon Announce Design Libraries for 0.13-um Technology

On Oct. 16, 2000, Virtual Silicon Technology, Inc., and UMC announced a complete set of eSilicon™ libraries for the all copper, low-k dielectric, UMC 0.13-micron WorldlogicSM process jointly developed with IBM and Infineon. The library elements include standard cells, multi-drive I/O pads, and a broad selection of memory compilers intended to facilitate chip designs for UMC's next generation process technology.

Notes to Editors

UMC is one of the world's largest independent semiconductor foundries and a leader in advanced process technology. The company posted 1999 global sales of US\$1.74 billion and US\$2.34 billion for the nine-month period ended September 30, 2000. UMC operates fabs in Taiwan and Japan, and has two 12-inch fabs under construction. A leader in foundry technology, UMC expects capacity to reach 3.4 million wafers per year in 2001, with over half in advanced 0.18 and 0.25-micron technology and is introducing Worldlogic™ standard 0.13-micron in the year 2000. The company has marketing and customer support offices located in the United States, Japan, and the Netherlands. UMC's shares have been listed on the Taiwan Stock Exchange since 1985 and the company's ADS trade on the NYSE under the symbol UMC. One ADS represents five ordinary shares. Additional information on the company is available on the web at <http://www.umc.com>

Safe Harbor Statement

Except for statements in respect of historical matters, the statements in this release are "forward-looking statements" within the meaning of Section 27A of the Securities and Exchange Act of 1933 and Section 21E of the U.S. Securities Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual performance, financial condition or results of operations of UMC to be materially different from any future such matters implied by the statements. Investors are cautioned that actual events and results could differ materially from these statements as a result of a variety of factors, including conditions in the overall semiconductor market and economy; acceptance and demand for products, and technological and development risks. The risks, uncertainties and factors include, among others, those stated in the section entitled "Risk Factors" in our Registration Statement on Form F-1 filed with the U.S. Securities and Exchange Commission on September 15, 2000. The forecasted financial statements included in this release were published on October 23, 2000, in accordance with the Republic of China Securities and Futures Commission's requirements. These statements were also prepared and published in accordance with ROC GAAP; investors are cautioned that there are differences between ROC GAAP and US GAAP, as described for example in our Registration Statement filed September 15, 2000, under Regulation F-1. The financial forecasts and forward looking statements in this release reflect the current belief of UMC as of this date and UMC undertakes no obligation to update this forecast for events or circumstances that occur subsequent to this date.