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UMC Reports Second Quarter 2001 Results

2Q01 Summary¹:

- **Net Sales down 38.6 % YoY to NT\$15.0 billion (US\$ 436 million)**
- **Net Loss of NT\$1.9 billion (US\$53 million) compared to Net income of NT\$12.1 billion in 2Q00**
- **Loss per Common Share of NT\$0.16, or Loss per ADS US\$0.02**

Taipei, Taiwan, R.O.C. – July 31, 2001 — United Microelectronics Corporation (NYSE: UMC; TAIEX: 2303), (UMC) today reported results for the three-month period ended June 30, 2001, as the company's financial results weakened amid deteriorating market conditions.

"The second quarter results truly reflects the difficult condition the semiconductor industry as a whole is enduring," said UMC Vice Chairman Peter Chang. "In the course of this drastic down turn, UMC has been implementing cost cutting measures and pushing for aggressive technology development in order to maximize our profitability when the economic environment starts to improve."

"We are beginning to see our efforts bear fruit in the form of the rapid advancement of our leading-edge technology," Mr. Chang continued. "Although the business environment continues not been kind to the semiconductor industry, it is still exciting to see the rapid progress we are making in the introduction of leading-edge 0.13um and 300mm technologies. "

¹ New Taiwan (NT) dollar amounts have been converted into U.S. dollar at the ratio of NT\$34.45 to one U.S. dollar.

Net Sales

UMC posted net sales for 2Q01 of NT\$15.0 billion, representing a 38.6 percent decline from NT\$24.4 billion for 2Q00. Quarter-over-quarter, net sales decreased by 36.4 percent, from NT\$23.6 billion in 1Q01. The deterioration in net sales for the period mainly reflected the extended severe market environment and the continuing inventory adjustment for the Company's customers. Average selling price (ASP) declined approximately 19 percent QoQ mainly due the change in revenue mix from different technologies as customers face demand uncertainties and adjust their order volume at different times. In 2Q01, the company shipped 345 thousand units of 8-inch equivalent wafers compared with 443 thousand units for 1Q01 and 629 thousand units for 4Q00, 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 2Q01 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 shows a breakdown by geography of UMC sales classified according to the customer's geographical location.

Table I Breakdown by Geography

Region	2Q00	3Q00	4Q00	1Q01	2Q01
North America	45%	43%	47%	46%	39%
Asia Pacific	32%	33%	27%	24%	36%
Europe	21%	22%	24%	28%	21%
Japan	2%	2%	2%	2%	4%

Table II shows a breakdown of UMC sales by customer type with customers classified as fabless companies, integrated device manufacturers (IDM) and system companies.

Table II Breakdown by Customer Type

Customer Type	2Q00	3Q00	4Q00	1Q01	2Q01
Fabless	69%	70%	70%	67%	71%
IDM	25%	24%	26%	28%	28%
System	6%	6%	4%	5%	1%

Table III shows a breakdown of UMC sales by technology divided into 0.18-micron and below; between 0.18-micron and 0.25-micron; between 0.25-micron and 0.35-micron; and, 0.50-micron and above.

Table III Breakdown by Technology

Technology	2Q00	3Q00	4Q00	1Q01	2Q01
$X \leq 0.18\mu\text{m}$	12%	12%	17%	23%	14%
$0.18\mu\text{m} < x \leq 0.25\mu\text{m}$	29%	36%	37%	32%	37%
$0.25\mu\text{m} < x \leq 0.35\mu\text{m}$	42%	35%	28%	21%	27%
$X \geq 0.5\mu\text{m}$	17%	17%	18%	24%	22%

Table IV shows the breakdown by application. *Computer* consists of ICs such as HD controllers, System DRAM, graphic processors, and other. *Communication* consists of xDSL, DSP, LAN controllers, Low Power-SRAM, and other. *Consumer* consists of ICs used for DVD, PDA, smart card IC, game console, digital camera, and other.

Table IV Breakdown by Application

Application	2Q00	3Q00	4Q00	1Q01	2Q01
Computer	41%	37%	33%	25%	31%
Communications	35%	36%	40%	48%	34%
Consumer	21%	25%	23%	26%	34%
Others	3%	2%	4%	1%	1%

Table V shows the breakdown by device type. *Logic/Mixed Mode*, *DRAM*, *SRAM* and *Non-Volatile Memory*. The Logic/mixed mode process is used for chips such as ASIC, FPGA, MPU, MCU, graphic processors, and other. The *DRAM* process is used for chips such as EDO DRAM, SGRAM, router CAM, and other. The *SRAM* process consists of chips such as high speed SRAM, low power SRAM, and other. The *Non-Volatile Memory* process consists of FLASH, EEPROM, CPLD, Mask ROM, and other.

Table V Breakdown by Device Type

Device Type	2Q00	3Q00	4Q00	1Q01	2Q01
Logic/Mixed Mode	66%	63%	63%	63%	68%
DRAM	9%	12%	13%	10%	7%
SRAM	9%	6%	5%	4%	4%
Non-Volatile	16%	19%	19%	23%	21%

Gross Profit and Gross Margin

Gross profit for the quarter was NT\$2.4 billion, representing an 80.1 percent decline over gross profit of NT\$11.8 billion for the second quarter of 2000. Quarter-over-quarter, gross profit decreased by 75.5 percent from NT\$9.6 billion for 1Q01. Gross margin for the period was 15.7 percent, compared with gross margin of 48.5 percent for 2Q00 and 40.7 percent for 1Q01. The results at the gross profit and margin continued to trend downward amid the fragile market environment.

Operating Expenses

Operating expense for the quarter, increased by 20.8 percent of net sales to NT\$3.1 billion, from 8.6 percent for the year-ago quarter at NT\$2.1 billion and from 12.8 percent for 1Q01 at NT\$3.0 billion. Several cost-cutting programs have been implemented since 1Q01 to battle against the deteriorating market. Despite this, R&D expenditures continues to represent a large portion of operating expense due to UMC's commitment to maintain its technology leader status. R&D expenditures, as a percentage of net sales, amounted to 14.1 percent in 2Q01.

Investment Income/losses

Investment losses in 2Q01 reached NT\$853 million compared with investment income of NT\$140 million in 1Q01. The variance in investment income/losses reflects the deteriorating market environment and slowdown in the sectors in which UMC invests. Investment losses for 2Q01 included results of NFI, with a profit of NT\$168 million, and World Wiser Electronics Inc., with NT\$36 million. Unipac Optoelectronics Corp. posted loss for the third consecutive quarter, with loss of NT\$370 million.

In 2Q01, UMC took an inventory write-off loss of NT\$1.6 billion due to decline in the value of inventories.

Capacity & Capital Expenditures

At present, the planned annual capacity remains largely intact with our 1Q01 projection. UMC remains committed to its 12-inch expansion plans because it believes 300mm technology will allow UMC to remain at the forefront of advanced process technology as well as in cost efficient manufacturing solutions.

Capital expenditures budget for the year remains unchanged from the 1Q01 guidance at US\$1.5 billion. Majority of this amount will be destined for 300mm processing equipment and advanced copper modules for 200mm.

Tables VI offer a detailed breakdown of UMC's planned CAPEX by year. The 2001 CAPEX figure does not include NFI or the UMC-Hitachi joint venture in Japan Trecenti.

Table VI Capital Expenditure by Year

CAPEX PLAN – IN BILLION OF US\$				
	1998	1999	2000	2001(e)
	\$1.7	\$1.9	\$2.8	\$1.5

Table VII summarizes the estimated annual full capacity of each fab for the years 1999 through 2000 and the expected capacity at each fab for 2001.

Table VII Annual Capacity in thousands of 8-inch wafer equivalents , excluding JV's & subsidiaries

FAB	Geometry	1999	2000	2001(e)
Fab 5A ⁽¹⁾	5" ≥ 0.8	159	33	--
Fab 6A	6" ≥ 0.5	318	348	345
Fab 8A	8" 0.5 – 0.25	375	491	527
Fab 8B	8" 0.35 – 0.18	405	435	415
Fab 8C	8" 0.35 – 0.15	213	416	458
Fab 8D	8" 0.25 – 0.13	--	94	290
Fab 8E	8" 0.5 – 0.25	180	373	474
Fab 8F	8" 0.25 – 0.13	--	139	351
Fab 12A ⁽²⁾	12" 0.18 – 0.10	--	--	32
Total (8" eq.)		1650	2329	2891
Growth Rate		35%	41%	24%

(1) Fab 5A was sold in 2Q00

(2) Fab 12A operations commenced in 3Q 2001

Table VIII summarizes the estimated quarterly full capacity from 2Q00 through 4Q01(e).

Table VIII Quarterly Capacity Plan by fab²

FAB	2Q00	3Q00	4Q00	1Q01	2Q01	3Q01(e)	4Q01(e)
Fab 6A	86	89	89	79	88	89	89
Fab 8A	119	129	137	125	133	135	135

² 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 Annual Report on Form 20-F as filed with the SEC on June 28, 2001.

Fab 8B	107	115	109	94	105	108	108
Fab 8C	102	114	118	107	117	118	118
Fab 8D	12	29	53	65	75	75	75
Fab 8E	87	95	113	114	120	120	120
Fab 8F	21	43	72	81	90	90	90
Fab 12A						7	25
Total (8-inch eq.)	533	613	691	664	727	741	759

Net Income/loss

Net loss for 2Q01 reached NT\$1.9 billion, compared with a net income of NT\$12.1 billion for the same period in 2000. Net margin for the quarter declined to -12.4 percent, from 49.4 percent in the year-ago period.

Basic loss per share for the second quarter under ROC GAAP was NT\$0.16.

Loss per ADS for the quarter were US\$0.02. One ADS represents five Taiwan-listed ordinary shares.⁴

Other Developments

UMCi Announces 300mm Fab Construction Contract Awarded to Kajima Overseas Asia Pte. Ltd.

Singapore, July 23, 2001- UMCi Pte. Ltd., a Singapore-based subsidiary of leading wafer foundry UMC (NYSE: UMC) established jointly with Germany's Infineon Technologies AG and the investment branch of Singapore's Economic Development Board (EDBI), today announced that it has awarded the construction contract for its 300mm facility to Kajima Overseas Asia Pte. Ltd. (KOA), the Japan based construction company. Construction will begin immediately for Singapore's first 300mm fab project, located on a 13-hectare (32 acre) site in the Pasir Ris Wafer Fab Park. The US \$106 million contract awarded to Kajima is part of the US \$3.6 Billion total capital investment for UMCi.

Alcatel Selects UMC's 0.13 Micron WorldLogic® Process for Advanced Communication Products. Innovative Fusion Option Meets Demanding High-Speed Low-Power Requirements for Wired and Wireless Products

⁴ New Taiwan (NT) dollar amounts have been converted into U.S. dollar at the ratio of NT\$34.45 to one U.S. dollar.

BRUSSELS, Belgium and SUNNYVALE, Calif. - July 17, 2001-Alcatel (NYSE: ALA), a leader in communication chips, and UMC (NYSE: UMC), a world-leading semiconductor foundry, today announced Alcatel's selection of UMC's 0.13 micron WorldLogic® CMOS process for the production of its next-generation ICs. Alcatel's design activity will be facilitated by the Fusion library that includes standard cells, I/O and memory compilers that are available from Virtual Silicon Technologies, Inc.

AMCC Selects UMC's 0.13-Micron WorldLogic® Process for the Development of Next-Generation Optical Networking Silicon

SUNNYVALE, Calif., July 9, 2001--UMC (NYSE: UMC), a world-leading semiconductor foundry, and Applied Micro Circuits Corp. (AMCC) [NASDAQ: AMCC], today announced that AMCC has selected UMC for the 0.13-micron WorldLogic® production of next-generation optical networking silicon. WorldLogic process technology enables complete OC-192 SONET/SDH and 10 Gigabit Ethernet solutions from the physical layer to the switch fabric, offering a platform with "no compromises" to realize multiple specialized functions such as high-speed, mixed-signal interfaces and the world's most advanced network processors.

UMC Re-focuses Top Management

Taipei, Taiwan-June 6, 2001 - United Microelectronics Corporation (NYSE: UMC), the world's leading semiconductor foundry, today announced the results of the election of its board of directors. Robert Tsao was elected as Chairman of UMC, and John Hsuan, Ing-Dar Liu, and Peter Chang were each elected as Vice-Chairmen of UMC.

"Despite the semiconductor slowdown during the past six months, the downturn presents an opportunity for the industry to initiate large-scale reorganizations," said Chairman Robert Tsao. "UMC has capitalized on these opportunities to implement a series of strategic business plans, which will enable us to realize more potential for rapid growth now, and the future."

UMC's strategic business plans highlight globalization in all aspects of the business; diversifying the markets, manufacturing base, workforce, and capital to best take advantage of today's global economy. The Board reorganization will enable UMC's management team to cooperate more closely with one another to better execute their strategies, so that UMC can effectively achieve its goal. UMC's top management will stress around-the-clock teamwork and even distribution of work with this new globalization strategy to further improve management efficiency.

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 NT\$29.1

billion and NT\$105.1 billion for the twelve-month period ended December 31, 2000. UMC operates fabs in Taiwan and Japan, and has three 12-inch fab projects underway. 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>

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.

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 U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange 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 such forward-looking 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 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on June 28, 2001.

The financial statements included in this release were prepared and published in accordance with ROC GAAP. Investors are cautioned that there are differences between ROC GAAP and US GAAP, as described in the notes to the financial statements included in our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.

The financial forecasts and 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 forecasts and forward-looking statements for events or circumstances that occur subsequent to such date.