

Contacts:

Chitung Liu / Bowen Huang
UMC, Investor Relations
+886-2-2700-6999 ext. 6957
chitung_liu@umc.com
bowen_huang@umc.com

Tip Fleming / Jane Liu
Christensen IR
+1-917-412-3333 / +852-2117-0861
tfleming@christensenir.com
jliu@christensenir.com

UMC Reports 2006 Second Quarter Results:

Profitability Improvement Expected to Continue on Better 300mm Fab Utilization

Second Quarter 2006 Overview¹:

- Revenue increased 5.6% from 1Q06 to NT\$25.75 billion (US\$796 million)
- Operating profit was NT\$1.63 billion (US\$50 million)
- Net income was NT\$6.05 billion (US\$187 million)
- Revenue from 90nm technology increased to 16% of total revenue
- EPS was NT\$0.34; EPADS was US\$0.053

Taipei, Taiwan, ROC – August 2, 2006 - 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 2006.

"The results for Q2 were basically in line with our earlier forecast," said UMC Chairman and CEO, Dr. Jackson Hu. "Revenue reached NT\$25.75 billion, which represented a 5.6% growth over Q1. ASP increased by 1%, while wafer shipments increased by 4%. We are also happy to report that gross profit margin grew by 7%, with operating profit improving by 6%. Our gross profit and margins came in higher than we expected. This was primarily due to a higher number of shipments of leading edge 90nm and 0.13um chips."

Dr. Hu continued, "In terms of our market view, there has been a significant change in market conditions over the past 3 months. We have seen clear signs of higher inventory levels from some of our customers; however, inventory levels vary significantly by application. For ICs related to flat panel displays and digital TVs, overproduction in anticipation of high demand related to the World Cup has resulted in inventory buildup, which will take some time to digest. For PC-related applications, the second quarter is traditionally slow, and although there is

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 unaudited, unconsolidated, and represent comparisons among the three-month period ending June 30, 2006, the three-month period ending March 31, 2006, and the equivalent three-month period that ended June 30, 2005. For all 2Q06 results, New Taiwan Dollar (NT\$) amounts have been converted into U.S. dollars at the exchange rate of NT\$32.36 to one U.S. dollar.

typically a pick-up in demand in the third quarter, there are signs that demand is being postponed due to delays in the release of new CPUs and operating systems. For handset related products, inventory levels are normal for the major brand-name providers, although there is inventory buildup at second-tier and non-brand companies. "

"For the third quarter, we are expecting more than 20% of our revenue to come from 90nm sales. The utilization at our two 300mm fabs is also expected to improve significantly. Thus, we anticipate a steady growth in revenues and profitability for Q3. The 65nm technology node is progressing smoothly and is in the rollout stage. We believe UMC's success at 65/90nm will accelerate our growth and improve profitability in the coming years. "

Summary of Operating Results

Operating Results					
(Amount: NT\$ million)	2Q06	1Q06	QoQ % change	2Q05	YoY % change
Revenue	25,751	24,384	5.6	19,443	32.4
Gross Profit	5,171	3,255	58.9	212	2339.2
Operating Expenses	(3,541)	(3,170)	11.7	(3,551)	(0.3)
Operating Income (Loss)	1,630	85	1817.6	(3,339)	-
Non-op. Income (Expenses)	5,076	14,090	(64.0)	3,638	39.5
Net Income	6,052	12,286	(50.7)	299	1924.1
EPS (NT\$ per share)	0.34	0.67		0.02	
(US\$ per ADS)	0.053	0.104		0.003	

Revenue for 2Q06 was NT\$25.75 billion, representing a 5.6% QoQ increase from NT\$24.38 billion in 1Q06, and a 32.4% YoY increase from NT\$19.44 billion in 2Q05. The gross profit for the quarter was NT\$5.17 billion, or 20.1% of revenue, compared to NT\$3.26 billion, or 13.3% of 1Q06 revenue. The operating profit was NT\$1.63 billion, or 6.3% of revenue, compared to NT\$85 million, or 0.3% of 1Q06 revenue. The primary reason the gross margin for the second quarter came in higher than our original guidance was because of improved utilization at the two 300mm fabs, Fab 12A and Fab 12i. Net income was NT\$6.05 billion in 2Q06, compared with net income of NT\$12.29 billion in 1Q06.

Earnings per ordinary share (EPS) for the quarter were NT\$0.34. Earnings per ADS (EPADS) were US\$0.053. This compares with 1Q06 earnings per ordinary share of NT\$0.67 and earnings per ADS of US\$0.104. One ADS represents five Taiwan listed ordinary shares. The basic weighted average outstanding shares in 2Q06 were 17,247,092,300 shares, compared with 18,454,530,476 shares in 1Q06 and 18,452,431,830 shares in 2Q05. The diluted weighted average outstanding shares were 17,872,839,605 shares in 2Q06, compared with 19,053,224,988 shares in 1Q06 and 18,555,975,483 shares in 2Q05. The decrease in the number of basic and diluted weighted average outstanding shares was mainly due to the execution of the Company's 10th share buy-back program in early April and the 11th share buy-back program in late May and June.

Detailed Financials Section

Depreciation and amortization expenses were NT\$11.55 billion in 2Q06, compared to NT\$12.09 billion in 1Q06. Depreciation within COGS decreased by 5.7% to NT\$9.97 billion, due to lower depreciation of 8" fabs. Total operating expenses increased by 11.7% to NT\$3.54 billion. General & Administrative expenses increased to NT\$676 million, mainly because of an increase in audit fees due to Sarbanes-Oxley Act, Section 404 compliance. Sales & Marketing expenses increased to NT\$761 million, largely because of the increased IP expenditures. The total R&D expense was 8.2% of revenue in 2Q06.

COGS & Expenses					
(Amount: NT\$ million)	2Q06	1Q06	QoQ % change	2Q05	YoY % change
Revenue	25,751	24,384	5.6	19,443	32.4
COGS	(20,580)	(21,129)	(2.6)	(19,231)	7.0
Depreciation	(9,965)	(10,566)	(5.7)	(10,674)	(6.6)
Other Mfg. Costs	(10,615)	(10,563)	0.5	(8,557)	24.1
Gross Profit	5,171	3,255	58.9	212	2339.2
Gross Margin (%)	20.1%	13.3%		1.1%	
Total Operating Exp.	(3,541)	(3,170)	11.7	(3,551)	(0.3)
G&A	(676)	(532)	27.1	(851)	(20.6)
Sales & Marketing	(761)	(612)	24.3	(530)	43.6
R&D	(2,104)	(2,026)	3.8	(2,170)	(3.0)
Operating Income(Loss)	1,630	85	1817.6	(3,339)	-
Operating Margin (%)	6.3%	0.3%		-17.2%	

Net non-operating income for 2Q06 was NT\$5.08 billion. Gains on the disposal of investments were NT\$4.47 billion, including a NT\$4.37 billion gain from the sale of MediaTek shares. Net investment income was NT\$433 million, which included NT\$375 million in income from FVC, NT\$189 million in income from Unimicron and a NT\$109 million loss from UMCJ in 2Q06. Net non-operating income in 1Q06 was so much higher because it included a one-off investment disposal gain of NT\$13.15 billion on the sale of Hsun Chieh Investments Corp. shares.

Non-operating Income (Expenses)			
(Amount: NT\$ million)	2Q06	1Q06	2Q05
Net Non-operating Income (Exp.)	5,076	14,090	3,638
Net Interest Income (Expense)	176	137	(10)
Net Investment Income (Loss)	433	(437)	(439)
Gain on Disposal of Investment	4,465	14,244	3,515
Exchange Gain (Loss)	49	42	213
Others	(47)	104	359

The net cash outflow was NT\$6.32 billion in 2Q06. UMC's free cash flow for the 6-month period ending June 30, 2006 was NT\$13.02 billion. The financing cash outflow included NT\$9.06 billion in share repurchases and NT\$5.25 billion on the repayment of corporate bonds. Over the next 12 months, the company expects to repay an additional NT\$10.4 billion in corporate bonds.

Cash Flow Summary		
(Amount: NT\$ million)	For the 3-Month Period Ended Jun. 30, 2006	For the 3-Month Period Ended Mar. 31, 2006
Cash Flow from Operations	11,886	12,330
Net Income	6,052	12,286
Depreciation & Amortization	11,551	12,088
Changes in working capital	(986)	717
Others	(4,731)	(12,761)
Cash Flow from Investing	(3,920)	1,469
Capital Expenditures	(5,056)	(6,142)
Others	1,136	7,611
Cash Flow from Financing	(14,304)	(14,031)
Effect of Exchange Rate	16	7
Net Cash Flow	(6,322)	(225)

Cash and cash equivalents decreased by NT\$6.32 billion to NT\$90.05 billion. The increase in Notes and Accounts Receivable reflected higher revenue from operations in 2Q06. The increase in inventory came from higher work-in-process wafers. Days sales outstanding² decreased slightly to 43 days, and average inventory turnover increased to 45 days.

Current Assets			
(Amount: NT\$ billion)	2Q06	1Q06	2Q05
Cash & Cash Equivalents	90.05	96.37	68.07
Notes & Accounts Receivable	12.56	11.80	9.65
Days Sales Outstanding	43	45	44
Inventory	10.38	9.61	7.90
Avg. Inventory Turnover	45	43	36
Total Current Assets	119.57	126.29	93.58

Total liabilities increased by NT\$2 billion to NT\$70.87 billion in 2Q06. UMC's Debt to Equity ratio was 26% at the end of 2Q06.

Liabilities			
(Amount: NT\$ billion)	2Q06	1Q06	2Q05
Total Current Liabilities	36.97	29.56	22.07
Accounts Payable	4.73	4.19	3.80
Short-term Credit / Bonds	10.31	10.25	6.90
Others	21.93	15.12	11.37
Long-term Liabilities	30.28	35.68	28.35
Total Liabilities	70.87	68.87	53.92
Debt to Equity	26%	24%	21%

² Days Sales Outstanding = $365 / \left(\frac{\text{Operating revenues for the three-month period end } *4}{\text{Beginning NR\&AR balance, net} + \text{Ending NR\&AR balance, net}} \right) / 2$

Average Inventory Turnover = $365 / \left(\frac{\text{COGS for the three-month period end } *4}{\text{Beginning Inventory balance, net} + \text{Ending Inventory balance, net}} \right) / 2$

Analysis of Revenue³

The percentage of revenue from North American customers increased to 51% of total revenue in 2Q06, mainly due to a high number of orders from customers in the Communication sector. The percentage of revenue from Asia Pacific customers dropped to 35% from 43% due to inventory rationalization by some Consumer and Computer customers.

The percentage of revenue from 90nm business increased to 16% in 2Q06, mainly due to strong demand for communication components and UMC's newly ramped PC graphics production. The percentage of revenue from 0.18um and below was 67% in 2Q06, which was in line with our original guidance.

The percentage of revenue from fabless customers decreased to 63% in 2Q06 from 73% in 1Q06 because a few Asian fabless customers adjusted their inventory levels.

The percentage of revenue from the communication sector rose to 56% of total revenue in 2Q06 due to an increase of orders from the wireless communication sector. The percentage of revenue from the computer segment decreased to 14% due to inventory adjustment by PC chipset and LCD driver IC customers.

Revenue Breakdown by Region

Region	2Q06	1Q06	4Q05	3Q05	2Q05
North America	51%	46%	49%	48%	44%
Asia Pacific	35%	43%	42%	43%	45%
Europe	11%	9%	7%	7%	9%
Japan	3%	2%	2%	2%	2%

Revenue Breakdown by Geometry

Geometry	2Q06	1Q06	4Q05	3Q05	2Q05
90nm	16%	13%	15%	14%	9%
0.13um	22%	20%	23%	18%	14%
0.15um	9%	12%	10%	10%	10%
0.15um<x<=0.18um	20%	21%	19%	19%	20%
0.18um<x<=0.25um	6%	5%	6%	8%	11%
0.25um<x<=0.35um	18%	21%	19%	22%	25%
0.5um and above	9%	8%	8%	9%	11%

Revenue Breakdown by Customer Type

Customer Type	2Q06	1Q06	4Q05	3Q05	2Q05
Fabless	63%	73%	67%	71%	76%
IDM	37%	27%	33%	29%	24%
System	0%	0%	0%	0%	0%

Revenue Breakdown by Application ⁽¹⁾

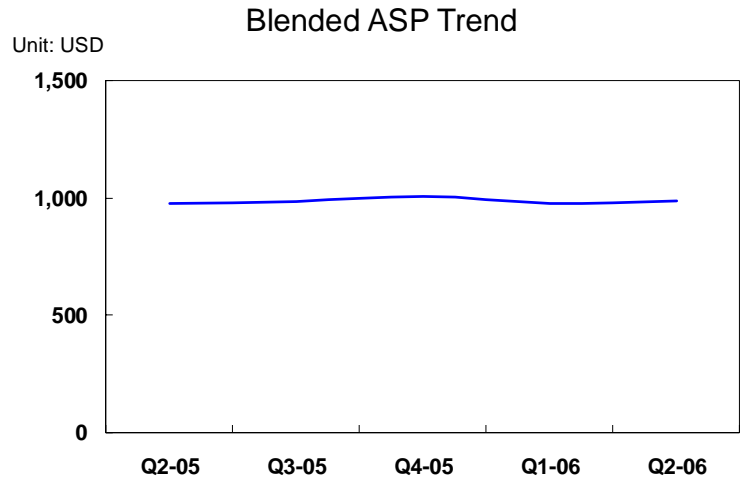
Application	2Q06	1Q06	4Q05	3Q05	2Q05
Computer	14%	19%	20%	19%	20%
Communication	56%	51%	54%	47%	44%
Consumer	28%	28%	24%	32%	32%
Memory	1%	1%	1%	1%	2%
Others	1%	1%	1%	1%	2%

⁽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.

³ Revenue in this section represents net wafer sales.

Blended Average Selling Price Trend

The blended average selling price (ASP) in 2Q06 increased by 1%, mainly due to an increase of wafer shipments of leading-edge process technologies.



Shipment and Utilization Rate⁴

Wafer shipments increased 4.2% QoQ to 786 thousand 8-inch equivalent wafers in 2Q06. Overall, the utilization rate for the quarter improved to 80%, and was in line with our previous guidance.

Wafer Shipments

	2Q06	1Q06	4Q05	3Q05	2Q05
Wafer Shipments ('000 8-inch eq.)	786	754	810	741	630

Quarterly Capacity Utilization Rate

	2Q06	1Q06	4Q05	3Q05	2Q05
Utilization Rate	80%	79% ⁽¹⁾	86%	78%	65%
Total Capacity ('000 8-inch eq.)	1,002	985	973	970	962

⁽¹⁾ 1Q06 utilization rate was calculated based on 1Q06 available capacity, which is about 95% of total capacity after factoring in a 5% productivity loss due to annual scheduled maintenance.

⁴ Quarterly utilization rate = Quarterly wafer out / Estimated quarterly capacity

Capacity⁵

Total capacity for 2Q06 was 1,002 thousand 8-inch equivalent wafers. This was an increase of 17 thousand 8-inch equivalent wafers from 1Q06 and reflects capacity expansion at Fab 12A and Fab 12i. Estimated capacity in 3Q06 will be about 1,015 thousand 8-inch equivalent wafers. The increase in estimated capacity during 3Q06 is expected to come from additional 12-inch capacity expansion at Fab 12A and Fab 12i.

**Annual Capacity in
thousands of 8-inch wafer equivalents**

FAB	Geometry (um)	2005	2004	2003	2002
Fab 6A	6"	344	346	352	349
Fab 8AB	8"	816	796	801	853
Fab 8C	8"	401	386	325	355
Fab 8D	8"	274	256	238	214
Fab 8E	8"	404	401	354	376
Fab 8F	8"	378	349	342	312
Fab 8S ⁽¹⁾	8"	278	131	0	0
Fab 12A	12"	597	392	234	119
Fab 12i ⁽²⁾	12"	363	101	0	0
Total⁽³⁾		3,855	3,158	2,646	2,578
YoY Growth Rate		22%	19%	3%	-11%

**Quarterly Capacity in
thousands of 8-inch wafer equivalents**

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

⁽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 in December 2004 that was merged into UMC in April 2005

⁽³⁾ One 6-inch wafer is converted into 0.5625(6²/8²) 8-inch equivalent wafer; one 12-inch wafer is converted into 2.25(12²/8²) 8-inch equivalent wafers.

CAPEX

CAPEX plans for 2006 remain unchanged at US\$1 billion. Approximately 97% of the spending is expected to be for expansion and R&D at our 300mm facilities. Total capital expenditure during the first half of 2006 was US\$346 million.

UMC Capital Expenditure by Year

(US\$ billion)	2005	2004	2003	2002	2001	2000
CAPEX	\$0.7 ⁽¹⁾	\$ 1.53	\$ 0.37	\$ 0.8	\$ 1.1	\$ 2.8

2006 CAPEX Plan

	8" fab	12" fab	12" R&D	Total
UMC	3%	84%	13%	US\$1 billion

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

⁵ 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. 17, 2006 UMC Delivers One Millionth 90nm RV516 chip to ATI
- Jul. 06, 2006 Extreme DA and UMC Collaborate to Provide sub 90-Nanometer Variation Aware IC Design Flows for Advanced Systems-on-Chips
- Jul. 05, 2006 UMC Collaborates with NTU to Deliver RF Chip for WiMax
- Jun. 22, 2006 UMC's 65nm Process Sees Widespread Acceptance
- Jun. 15, 2006 UMC Demonstrates Research Accomplishments at Symposium on VLSI Technology
- Jun. 13, 2006 UMC Becomes First Semiconductor Manufacturer to Achieve QC 080000 IECQ HSPM Qualification for All Fabs
- Jun. 12, 2006 UMC Shareholders Approve NT\$0.5 Dividend for Fiscal Year 2005 at Annual Shareholders Meeting
- Jun. 05, 2006 UMC Announces Capital Reduction from the Retirement of 1 Billion Treasury Shares
- May 25, 2006 UMC Announces Readiness for 65-nanometer X Architecture Designs
- May 22, 2006 UMC Announces its 11th Share Buy-Back Program
 On May 22, 2006, UMC announced its 11th share buy-back program to repurchase 400 million shares, or 2.12% of the total issued shares, from the open market and provide the Company's employees an option to purchase the treasury shares within 3 years. On July 17, 2006, UMC completed the 400 million share buy-back program with an average buy-back price of NT\$19.12 per share.
- Apr. 26, 2006 UMC 1Q 2006 Financial Results

Please visit UMC's website <http://www.umc.com/english/news/index.asp> for further details regarding the above announcements.

Third Quarter of 2006 Outlook & Guidance

Quarter-over-quarter Guidance:

- Wafer shipments: to increase by 0-2 points
- Wafer ASP in US\$: to increase by 6-8 points
- Capacity utilization rate: approximately 80%
- Profitability: operating profit margins will be approximately 10%
- Percentage of revenues from 90nm: expected to be over 20%
- The breakdown among communication, PC and consumer segments will be similar to Q2
- 2006 CAPEX budget: US\$1 billion

Conference Call / Webcast Announcement

Wednesday, August 2, 2006

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

Dial-in numbers and Access Codes:

Asia/Europe: +1-617-597-5310

North America: 866-713-8562

Access Code: UMCCALL

A live webcast and replay of the 2Q06 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 manufactures advanced process ICs for applications spanning every major sector of the semiconductor industry. UMC delivers cutting-edge foundry technologies that enable sophisticated system-on-chip (SoC) designs, including volume production 90nm, industry-leading 65nm, and mixed signal/RFCMOS. UMC's 10 wafer manufacturing facilities include two advanced 300mm fabs; Fab 12A in Taiwan and Singapore-based Fab 12i are both in volume production for a variety of customer products. The company employs approximately 12,000 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

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 amended 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.

- FINANCIAL TABLES TO FOLLOW -