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UMC Reports 2006 Third Quarter Results:

Percentage of Revenue from 90nm and below exceeds 21%

Third Quarter 2006 Overview¹:

- Revenue increased 8.2% to NT\$27.85 billion (US\$842 million)
- Operating profit increased 86.3% to NT\$3.04 billion (US\$92 million)
- Net income was NT\$8.59 billion (US\$260 million)
- Revenue from 90nm technology and below increased to 21% of total revenue
- EPS was NT\$0.48; EPADS was US\$0.073

Taipei, Taiwan, ROC – October 25, 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 third quarter of 2006.

"We are pleased with our Q3 results," said UMC Chairman and CEO, Dr. Jackson Hu. "Wafer shipments increased by 1.7% and ASP increased by 6%. As a result, revenue increased 8.2% to NT\$27.85 billion, with operating profit improving by 86.3% to NT\$3.04 billion. Total sales from 90nm and below reached 21% of revenue."

Dr. Hu continued, "We clearly saw the benefits of high utilization in advanced technology nodes, which was responsible for improving our gross margin and bottom line. Solid demand for 90nm was a significant contributing factor to better results in the quarter. Furthermore, the number of new 90nm customers and products in production for Q3 was still relatively small, and we have many more 90nm customer products in various stages of development that will ramp to production in the following quarters. This validates the direction we have followed for the last two years: to focus on expanding our customer base in advanced technology. For example, for the 65nm generation, two customers are in small volume production and revenue contribution in Q3 was approximately 1%. Today, we are engaged with nine customers from a variety of

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 September 30, 2006, the three-month period ending June 30, 2006, and the equivalent three-month period that ended September 30, 2005. For all 3Q06 results, New Taiwan Dollars (NT\$) have been converted into U.S. Dollars at the September 30, 2006 exchange rate of NT\$33.08 per U.S. Dollar.

sectors that include cell phone, FPGA, graphics and broadband applications. Our yield improvement for 65nm has been even faster than for the 90nm generation."

"For Q4, we do foresee some downward adjustment from certain advanced technology customers, mainly at the 0.13um technology node for the communication sector. Conversely, in emerging markets such as China, the demand from other customers for handset and display driver applications is quite strong. This is likely due to an improvement in the inventory situation in those areas. For the computer sector, the market appears to be anticipating the launch of Vista, which has delayed demand somewhat. Although the market climate varies to some extent for different customers, in general, we believe that the overall inventory situation has improved. Since the build-up for the holiday season will be essentially complete in the October-November time-frame, customers will be monitoring the strength of the holiday season sell-through to get a clearer picture of future demand. The launch of Vista will also be a significant factor."

Summary of Operating Results

| Operating Results | | | | | |
|---------------------------|---------|---------|--------------|---------|--------------|
| (Amount: NT\$ million) | 3Q06 | 2Q06 | QoQ % change | 3Q05 | YoY % change |
| Revenue | 27,852 | 25,751 | 8.2 | 23,579 | 18.1 |
| Gross Profit | 6,814 | 5,171 | 31.8 | 2,954 | 130.7 |
| Operating Expenses | (3,777) | (3,541) | 6.7 | (3,514) | 7.5 |
| Operating Income (Loss) | 3,037 | 1,630 | 86.3 | (560) | - |
| Non-op. Income (Expenses) | 6,438 | 5,076 | 26.8 | 2,725 | 136.3 |
| Net Income | 8,592 | 6,052 | 42.0 | 2,165 | 296.9 |
| EPS (NT\$ per share) | 0.48 | 0.34 | | 0.11 | |
| (US\$ per ADS) | 0.073 | 0.051 | | 0.017 | |

Revenue for 3Q06 was NT\$27.85 billion, which represents an 8.2% QoQ increase from NT\$25.75 billion in 2Q06, and a 18.1% YoY increase from NT\$23.58 billion in 3Q05. The gross profit for the quarter was NT\$6.81 billion, or 24.5% of revenue, compared to NT\$5.17 billion, or 20.1% of 2Q06 revenue. The increase in gross margin is primarily attributable to a richer product mix that consists of a greater percentage of revenue from leading-edge processes. Operating profit for the quarter was NT\$3.04 billion, representing an 86.3% increase from NT\$1.63 billion in 2Q06. Net income for 3Q06 was NT\$8.59 billion, which is a 42.0% increase from NT\$6.05 billion in 2Q06.

Earnings per ordinary share (EPS) for the quarter were NT\$0.48. Earnings per ADS (EPADS) were US\$0.073. This compares with 2Q06 earnings per ordinary share of NT\$0.34 and earnings per ADS of US\$0.051. One ADS represents five Taiwan listed ordinary shares. The basic weighted average outstanding shares in 3Q06 were 17,542,040,175 shares, compared with 17,468,679,418 shares in 2Q06 and 18,670,517,452 shares in 3Q05. The diluted weighted average outstanding shares were 18,175,957,374 shares in 3Q06, compared with 18,096,042,299 shares in 2Q06 and 18,849,371,240 shares in 3Q05. The fully diluted share count on Sep. 30, 2006 was 18,793,029 thousand. The increased shares in 3Q06 were primarily due to new share issuance for capitalization of retained earnings and capital reserve.

Detailed Financials Section

Depreciation and amortization expenses were NT\$10.65 billion in 3Q06, compared to NT\$11.55 billion in 2Q06. Depreciation within COGS decreased by 5.4% to NT\$9.42 billion, due to lower depreciation of 8" fabs. Total operating expenses increased by 6.7% to NT\$3.78 billion. Sales & Marketing expenses decreased to NT\$683 million, mainly because of a decreased IP amortization. R&D expenses increased to NT\$2.41 billion primarily due to increased developmental costs associated with 45nm and 65nm process technology. The total R&D expense was 8.7% of revenue in 3Q06.

| COGS & Expenses | | | | | |
|----------------------------|----------|----------|--------------|----------|--------------|
| (Amount: NT\$ million) | 3Q06 | 2Q06 | QoQ % change | 3Q05 | YoY % change |
| Revenue | 27,852 | 25,751 | 8.2 | 23,579 | 18.1 |
| COGS | (21,038) | (20,580) | 2.2 | (20,625) | 2.0 |
| Depreciation | (9,422) | (9,965) | (5.4) | (10,712) | (12.0) |
| Other Mfg. Costs | (11,616) | (10,615) | 9.4 | (9,913) | 17.2 |
| Gross Profit | 6,814 | 5,171 | 31.8 | 2,954 | 130.7 |
| Gross Margin (%) | 24.5% | 20.1% | | 12.5% | |
| Total Operating Exp. | (3,777) | (3,541) | 6.7 | (3,514) | 7.5 |
| G&A | (682) | (676) | 0.9 | (877) | (22.2) |
| Sales & Marketing | (683) | (761) | (10.2) | (618) | 10.5 |
| R&D | (2,412) | (2,104) | 14.6 | (2,019) | 19.5 |
| Operating Income(Loss) | 3,037 | 1,630 | 86.3 | (560) | - |
| Operating Margin (%) | 10.9% | 6.3% | | -2.4% | |

Net non-operating income for 3Q06 was NT\$6.44 billion. Net investment income was NT\$1.65 billion, which included NT\$816 million in cash dividends, NT\$232 million in income from Unimicron and NT\$163 million in income from FVC. Gains on the disposal of investments were NT\$4.37 billion, mainly from the sale of MediaTek shares.

| Non-operating Income (Expenses) | | | |
|--|-------|-------|-------|
| (Amount: NT\$ million) | 3Q06 | 2Q06 | 3Q05 |
| Net Non-operating Income (Exp.) | 6,438 | 5,076 | 2,725 |
| Net Interest Income (Expense) | 245 | 176 | - |
| Net Investment Income (Loss) | 1,647 | 433 | 111 |
| Gain on Disposal of Investment | 4,365 | 4,465 | 2,133 |
| Exchange Gain (Loss) | 91 | 49 | 171 |
| Others | 90 | (47) | 310 |

Net cash outflow was NT\$7.05 billion in 3Q06. UMC's free cash flow for the 9-month period ending September 30, 2006 was NT\$13.01 billion. The decrease in working capital included NT\$6.82 billion in ProMos share purchases. Over the next 12 months, the company expects to repay an additional NT\$7.25 billion in corporate bonds.

| Cash Flow Summary | | |
|-----------------------------|--|--|
| (Amount: NT\$ million) | For the 3-Month Period Ended Sep. 30, 2006 | For the 3-Month Period Ended Jun. 30, 2006 |
| Cash Flow from Operations | 7,509 | 11,886 |
| Net Income | 8,592 | 6,052 |
| Depreciation & Amortization | 10,651 | 11,551 |
| Changes in working capital | (7,972) | (986) |
| Others | (3,762) | (4,731) |
| Cash Flow from Investing | (3,836) | (3,920) |
| Capital Expenditures | (7,521) | (5,056) |
| Others | 3,685 | 1,136 |
| Cash Flow from Financing | (10,674) | (14,304) |
| Effect of Exchange Rate | (45) | 16 |
| Net Cash Flow | (7,046) | (6,322) |

Cash and cash equivalents decreased by NT\$7.05 billion to NT\$83 billion. The increase in Notes and Accounts Receivable reflected higher revenue from operations in 3Q06. Days sales outstanding² increased slightly to 44 days, and average inventory turnover increased to 48 days.

| Current Assets | | | |
|-----------------------------|--------|--------|--------|
| (Amount: NT\$ billion) | 3Q06 | 2Q06 | 3Q05 |
| Cash & Cash Equivalents | 83.00 | 90.05 | 71.79 |
| Notes & Accounts Receivable | 14.47 | 12.56 | 13.73 |
| Days Sales Outstanding | 44 | 43 | 45 |
| Inventory | 10.79 | 10.38 | 9.38 |
| Avg. Inventory Turnover | 48 | 45 | 39 |
| Total Current Assets | 121.11 | 119.57 | 102.51 |

Total liabilities decreased by NT\$2.25 billion to NT\$68.62 billion in 3Q06. UMC's Debt Ratio was 19.8% and Debt to Equity ratio was 25% at the end of 3Q06.

| Liabilities | | | |
|---------------------------|-------|-------|-------|
| (Amount: NT\$ billion) | 3Q06 | 2Q06 | 3Q05 |
| Total Current Liabilities | 34.41 | 36.97 | 21.81 |
| Accounts Payable | 4.39 | 4.73 | 4.51 |
| Short-term Credit / Bonds | 10.39 | 10.31 | 6.08 |
| Others | 19.63 | 21.93 | 11.22 |
| Long-term Liabilities | 30.57 | 30.28 | 28.50 |
| Total Liabilities | 68.62 | 70.87 | 54.07 |
| Debt to Equity | 25% | 26% | 21% |

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

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

Analysis of Revenue³

The percentage of revenue from North American customers increased to 60% of total revenue in 3Q06, mainly due to seasonally strong demand, particularly from the communication segment. The percentage of revenue from Asia Pacific customers dropped to 27% due to inventory rationalization by some Consumer and Computer customers.

The percentage of revenue from 90nm and below business increased to 21% in 3Q06, mainly due to strong demand for communication components and PC graphic chips. The percentage of revenue from 0.13um and below was 46% in 3Q06, which was a large increase from 38% of sales in 2Q06.

The percentage of revenue from fabless customers decreased to 56% in 3Q06 from 63% in 2Q06 as several Asian fabless customers adjusted their inventory levels, although demand from IDM customers remained strong.

The breakdown among communication, PC and consumer segments in 3Q06 was very similar to 2Q06. Revenue from the communication segment was 55% of total revenue in 3Q06, due to seasonally strong demand. Revenue from the computer segment increased slightly to 15% of total revenue in 3Q06 due to advanced PC graphic demand.

Revenue Breakdown by Region

| Region | 3Q06 | 2Q06 | 1Q06 | 4Q05 | 3Q05 |
|---------------|------|------|------|------|------|
| North America | 60% | 51% | 46% | 49% | 48% |
| Asia Pacific | 27% | 35% | 43% | 42% | 43% |
| Europe | 10% | 11% | 9% | 7% | 7% |
| Japan | 3% | 3% | 2% | 2% | 2% |

Revenue Breakdown by Geometry

| Geometry | 3Q06 | 2Q06 | 1Q06 | 4Q05 | 3Q05 |
|------------------|------|------|------|------|------|
| 90nm | 21% | 16% | 13% | 15% | 14% |
| 0.13um | 25% | 22% | 20% | 23% | 18% |
| 0.15um | 7% | 9% | 12% | 10% | 10% |
| 0.15um<x<=0.18um | 19% | 20% | 21% | 19% | 19% |
| 0.18um<x<=0.25um | 6% | 6% | 5% | 6% | 8% |
| 0.25um<x<=0.35um | 13% | 18% | 21% | 19% | 22% |
| 0.5um and above | 9% | 9% | 8% | 8% | 9% |

Revenue Breakdown by Customer Type

| Customer Type | 3Q06 | 2Q06 | 1Q06 | 4Q05 | 3Q05 |
|---------------|------|------|------|------|------|
| Fabless | 56% | 63% | 73% | 67% | 71% |
| IDM | 44% | 37% | 27% | 33% | 29% |
| System | 0% | 0% | 0% | 0% | 0% |

Revenue Breakdown by Application ⁽¹⁾

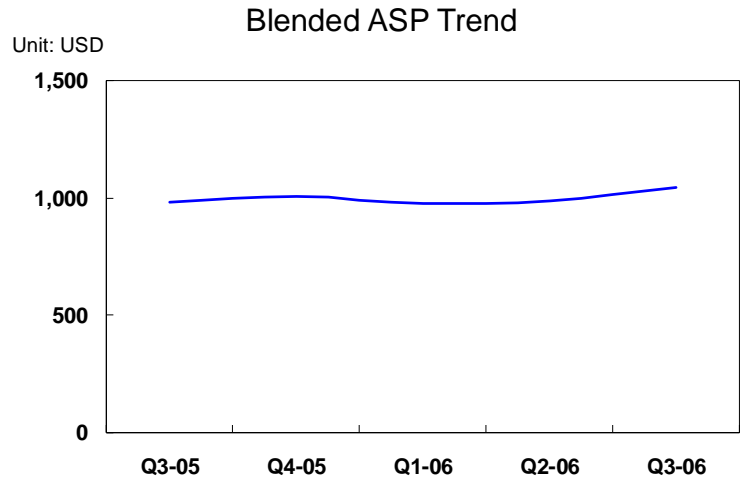
| Application | 3Q06 | 2Q06 | 1Q06 | 4Q05 | 3Q05 |
|---------------|------|------|------|------|------|
| Computer | 15% | 14% | 19% | 20% | 19% |
| Communication | 55% | 56% | 51% | 54% | 47% |
| Consumer | 28% | 28% | 28% | 24% | 32% |
| Memory | 1% | 1% | 1% | 1% | 1% |
| Others | 1% | 1% | 1% | 1% | 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.

³ Revenue in this section represents net wafer sales.

Blended Average Selling Price Trend

The blended average selling price (ASP) in 3Q06 increased by 6%, mainly due to increased wafer shipments of 0.13um and below process technologies.



Shipment and Utilization Rate⁴

799 thousand 8-inch equivalent wafers were shipped in 3Q06, which was a 1.7% increase from the 786 thousand 8-inch equivalent wafers shipped in the previous quarter. Overall utilization rate for the quarter improved to 82%.

Wafer Shipments

| | 3Q06 | 2Q06 | 1Q06 | 4Q05 | 3Q05 |
|-----------------------------------|------|------|------|------|------|
| Wafer Shipments ('000 8-inch eq.) | 799 | 786 | 754 | 810 | 741 |

Quarterly Capacity Utilization Rate

| | 3Q06 | 2Q06 | 1Q06 | 4Q05 | 3Q05 |
|----------------------------------|-------|-------|--------------------|------|------|
| Utilization Rate | 82% | 80% | 79% ⁽¹⁾ | 86% | 78% |
| Total Capacity ('000 8-inch eq.) | 1,010 | 1,002 | 985 | 973 | 970 |

⁽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 during 3Q06 was 1,010 thousand 8-inch equivalent wafers, which was an increase of 8 thousand 8-inch equivalent wafers compared to 2Q06. The increase was mainly due to capacity expansion at Fab12i. The estimated capacity in 4Q06 is expected to be 1,018 thousand 8-inch equivalent wafers. Estimated capacity in 2006 will be about 4,015 thousand 8-inch equivalent wafers, a 4% increase YoY from 2005.

Annual Capacity in thousands of 8-inch wafer equivalents

| FAB | Geometry (um) | 2006E | 2005 | 2004 | 2003 |
|----------------------------|---------------|--------------|--------------|--------------|--------------|
| Fab 6A | 6" | 326 | 344 | 346 | 352 |
| Fab 8AB | 8" | 816 | 816 | 796 | 801 |
| Fab 8C | 8" | 400 | 401 | 386 | 325 |
| Fab 8D | 8" | 252 | 274 | 256 | 238 |
| Fab 8E | 8" | 406 | 404 | 401 | 354 |
| Fab 8F | 8" | 372 | 378 | 349 | 342 |
| Fab 8S ⁽¹⁾ | 8" | 276 | 278 | 131 | 0 |
| Fab 12A | 12" | 754 | 597 | 392 | 234 |
| Fab 12i ⁽²⁾ | 12" | 413 | 363 | 101 | 0 |
| Total⁽³⁾ | | 4,015 | 3,855 | 3,158 | 2,646 |
| YoY Growth Rate | | 4% | 22% | 19% | 3% |

Quarterly Capacity in thousands of 8-inch wafer equivalents

| FAB | 4Q06E | 3Q06 | 2Q06 | 1Q06 |
|----------------------------|--------------|--------------|--------------|------------|
| Fab 6A | 80 | 82 | 82 | 82 |
| Fab 8AB | 204 | 204 | 204 | 204 |
| Fab 8C | 100 | 100 | 100 | 100 |
| Fab 8D | 63 | 63 | 63 | 63 |
| Fab 8E | 102 | 102 | 101 | 101 |
| Fab 8F | 93 | 93 | 93 | 93 |
| Fab 8S | 69 | 69 | 69 | 69 |
| Fab 12A | 193 | 192 | 191 | 178 |
| Fab 12i | 114 | 105 | 99 | 95 |
| Total⁽³⁾ | 1,018 | 1,010 | 1,002 | 985 |

⁽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

UMC's cash based CAPEX budget for 2006 remains 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 three quarters of 2006 was US\$566 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% | 87% | 10% | 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

- Oct. 19, 2006 UMC and NDL Sign Agreement to Establish Sponsorship Program for Technology Research
- Oct. 09, 2006 UMC Low-power Process Helps Actel Put Freeze on IGLOO Competition
- Oct. 08, 2006 UMC Singapore Receives Award from the Health Promotion Board of Singapore
- Oct. 02, 2006 UMC and IME to Partner on Advanced Noise Modeling for Nanometer Technologies
- Sep. 04, 2006 UMC Receives "Outstanding Risk Management Performance Award" from World Leading Insurance Company AIG
- Aug. 02, 2006 UMC 2Q 2006 Financial Results

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

Fourth Quarter of 2006 Outlook & Guidance

Quarter-over-quarter Guidance:

- Wafer shipments: to decrease by 2-3%
- Wafer ASP in US\$: to decrease by 5-6%
- Capacity utilization rate: approximately 75%
- Profitability: gross profit margins to be approximately 20%
- Percentage of 90nm & below revenues: expected to be over 20%
- The communication segment is expected to be the strongest, followed by computer segment and consumer segment
- 2006 CAPEX budget: US\$1 billion

Conference Call / Webcast Announcement

Wednesday, October 25, 2006

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

Dial-in numbers and Access Codes:

Asia/Europe: +1-617-614-6204

North America: 800-798-2796

Access Code: UMCCALL

A live webcast and replay of the 3Q06 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; 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 ("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 34 to the financial statements on 20-F.

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 -