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UMC Reports 2003 First Quarter Results

Results Beat Guidance; Anticipating >20% QoQ Shipment Growth in 2Q03

First Quarter 2003 Highlights¹:

- Quarter-over-quarter revenue increased by 2.1 % to NT\$17.90 billion (US\$515 million)
- Operating income of NT\$699 million (US\$20 million)
- Net income of NT\$403 million (US\$12 million)
- Wafer shipments of 446 thousand 8-inch equivalent wafers; blended average selling price is flat compared with last quarter
- EPS of NT\$0.03, or EPADS of US\$0.004

Taipei, Taiwan, ROC - April 30, 2003 - United Microelectronics Corporation (NYSE: UMC; TSE: 2303) (“UMC” or “the Company”), a leading global semiconductor foundry, today announced its unconsolidated operating results for the first quarter of 2003. All financial figures were prepared in accordance with ROC GAAP, which differ in some material respects from generally accepted accounting principles in the United States.

“We are pleased to report that results for the first quarter of 2003 are better than our previously announced guidance, and we are expecting second quarter wafer shipments to increase by more than 20% compared to the first quarter.” UMC Vice Chairman & CEO John Hsuan said.

“We believe that the competitive landscape for the foundry business has changed dramatically and, since last quarter, have initiated a partnership foundry business model in which we and our partners form close relationships. In the short term, this allows the best utilization of our resources, and in the long term, we believe our profitability and growth rate will outperform other foundries,” John Hsuan continued.

“The goal of our partnership foundry business model is to create a network of partnerships and alliances among system and integrated device manufacturers, foundry companies, and intellectual property and design houses. Our partnerships take a variety of forms and structures, depending upon the needs of the customer and the market environment in which they compete. Our focus is to make each customer engagement a successful partnership. Together, UMC and our customers are stronger than we are separately.”

¹ Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with ROC GAAP. They are unaudited, unconsolidated, and represent comparisons among the three-month period ending March 31, 2003, the three-month period ending December 31, 2002, and the equivalent three-month period that ended March 31, 2002. For all 1Q03 results, New Taiwan Dollar (NT\$) amounts have been converted into U.S. dollars at the exchange rate of NT\$34.76 to one U.S. dollar.

Summary of Operating Results

Revenue for 1Q03 was NT\$17.90 billion, representing a 47.2% YoY increase from NT\$12.16 billion in 1Q02, and a 2.1% QoQ increase from NT\$17.54 billion in 4Q02. Gross profit for the quarter was NT\$2.74 billion, a 6.2% increase from NT\$2.58 billion in 4Q02. The increase in gross profit is primarily attributable to higher revenue. Net income for 1Q03 was NT\$403 million, compared to NT\$986 million in 4Q02. The decline in net income was due to non-operating losses.

(Figures in million NT\$)	1Q03	4Q02	QoQ %change	1Q02	YoY % change
Revenue	17,898	17,535	2.1	12,159	47.2
Gross Profit	2,740	2,581	6.2	674	306.5
Operating Expenses	(2,041)	(2,250)	(9.3)	(3,126)	(34.7)
Operating Profit	699	331	111.2	(2,452)	--
Non-op Income and Exp.	(295)	657	--	2,670	--
Net Income	403	986	(59.1)	216	86.6
EPS (NT\$ per share)	0.03	0.07		0.01	
(US\$ per ADR)	0.004	0.010		0.001	

Earnings per ordinary share (EPS) for the quarter were NT\$0.03. Earnings per ADS (EPADS) were US\$0.004. This compares with earnings per ordinary share and ADS in 1Q02 of NT\$0.01 and US\$0.001 respectively. One ADS represents five Taiwan listed ordinary shares. Total weighted average outstanding shares in 1Q03 were 14,726,502,640 shares, compared with 14,730,658,270 shares in 4Q02 and 14,786,323,844 shares in 1Q02. Diluted total weighted average outstanding shares, which include the dilution effects of future ECB conversion and stock option exercises, were 14,763,951,887 shares in 1Q03, compared with 15,045,394,253 shares in 4Q02 and 14,786,323,844 shares in 1Q02.

Detailed Financials Section

Depreciation and amortization expenses were NT\$9.16 billion in 1Q03, compared to NT\$9.12 billion in 4Q02. Depreciation within COGS increased by 7.2% to NT\$7.50 billion. Total operating expenses have declined for four consecutive quarters, and declined 9.3% QoQ to NT\$2.04 billion in 1Q03, mainly due to continuously effective cost saving efforts. General and administrative expenses declined 6.8% QoQ, due to less travel. Sales and marketing expenses decreased 4.3% QoQ to NT\$266 million, mainly due to savings associated with a more reasonable partner resource allocation. R&D spending declined 11.2% QoQ to NT\$1.27 billion mainly due to the completion of our 0.13-micron generation manufacturing technology.

COGS & Expenses					
(Amount: NT\$ million)	1Q03	4Q02	QoQ %change	1Q02	YoY %change
Revenue	17,898	17,535	2.1	12,159	47.2
COGS	(15,158)	(14,954)	1.4	(11,485)	32.0
Depreciation	(7,501)	(6,997)	7.2	(6,549)	14.5
Other Mfg. Costs	(7,657)	(7,957)	(3.8)	(4,936)	55.1
Gross Profit	2,740	2,581	6.2	674	306.5
Gross Margin (%)	15.3%	14.7%		5.5%	
Total Op. Exp.	(2,041)	(2,250)	(9.3)	(3,126)	(34.7)
G&A	(510)	(547)	(6.8)	(933)	(45.3)
Selling and Mktng	(266)	(278)	(4.3)	(201)	32.3
R&D	(1,265)	(1,425)	(11.2)	(1,992)	(36.5)
Operating Profit	699	331	111.2	(2,452)	-
Operating Margin (%)	3.9%	1.9%		-20.2%	

Net non-operating loss for 1Q03 was NT\$295 million, of which NT\$124 million was attributable to investment loss, including a NT\$100 million amortization of the difference between the equity investment cost of SiS and its underlying equity in net assets, which we expect to amortize over 5 years. Loss from other items is mainly due to wafer scraps of NT\$249 million. Exchange gains in 1Q03 were NT\$69 million.

Non-operating Income (Expenses)			
(Amount: NT\$ million)	1Q03	4Q02	1Q02
Net Non-Operating Income (Loss)	(295)	657	2,670
Net Interest Income (Expense)	(20)	(5)	(60)
Net Investment Income (Loss)	(124)	461	405
Gain on Disposal of Investment	113	299	2,125
Exchange Gain (Loss)	69	104	70
Others	(333)	(202)	130

Net cash outflow was NT\$3.91 billion in 1Q03. Working capital decreased by NT\$2.50 billion, mainly due to the near term uptrend of our revenue. Cash outflow from investing includes capital spending, primarily consisting of equipment, which totaled NT\$2.83 billion, and a NT\$4.39 billion investment in SiS in 1Q03. The majority of cash outflow due to financing activities consists mostly of a NT\$1.86 billion payback of long-term loans and a NT\$1.78 billion purchase of treasury stocks. For the next 12 months, we expect to pay back NT\$4.26 billion in long-term loans and redeem NT\$11.77 billion in bonds.

Cash Flow Summary		
(Amount: NT\$ million)	For the 3-Month Period Ended Mar. 31, 2003	For the 3-Month Period Ended Dec. 31, 2002
Cash Flow from Operations	7,449	10,959
Net Income (Loss)	403	986
Depreciation & Amortization	9,164	9,118
Changes in working capital	(2,495)	1,404
Others	377	(549)
Cash Flow from Investing	(7,622)	(6,069)
Capital Expenditures	(2,827)	(4,682)
Others	(4,795)	(1,388)
Cash Flow from Financing	(3,736)	(1,830)
Net Cash Flow	(3,909)	3,060

Cash and equivalents decreased NT\$3.91 billion to NT\$58.57 billion, mainly because UMC invested NT\$4.39 billion in SiS in 1Q03. Notes & accounts receivable increased by NT\$3.01 billion QoQ to NT\$12.38 billion, mainly due to the uptrend of our business. On a sequential basis, days sales outstanding² increased to 55 days. Inventory turns increased slightly to 49 days.

Current Assets			
(Amount: NT\$ Bn)	1Q03	4Q02	1Q02
Cash & Equiv.	58.57	62.48	60.81
Notes & Accounts Receivable	12.38	9.37	7.10
Days Sales Outstanding	55	54	54
Inventories	8.15	7.69	6.53
Inventory Turns	49	48	48
Total Current Assets	85.79	86.66	79.18

UMC's financial position improved during the quarter. Total debt declined by 3.9% to NT\$76.79 billion because UMC repaid loans worth NT\$1.96 billion to reduce interest expenses. UMC's debt to equity ratio dropped to 36% by the end of 1Q03 from 37% by the end of 4Q02. Compared with 4Q02, total current liabilities increased by NT\$9.12 billion, mainly due to the reclassification of our NT\$10.6 billion ECB, which was issued on December 12, 2001, and will be due on March 1, 2004. It was moved from long-term liabilities to current liabilities.

Liabilities			
(Amount: NT\$ Bn)	1Q03	4Q02	1Q02
Total Current Liabilities	30.07	20.95	25.69
Accounts Payable	3.01	2.66	2.52
Short Term Credit / Bonds	16.03	5.67	6.01
Others	11.03	12.62	17.16
Long Term Liabilities	42.76	55.07	51.63
Total Debts	76.79	79.90	81.94
Debt to Equity	36%	37%	39%

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

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

Analysis of Revenue³

The percentage of revenue contributed from Europe grew to 18% in 1Q03 from 15% in 4Q02 mainly due to the restocking after an inventory rationalization in 4Q02 by a handful of European customers. The percentage of revenue from other geographic areas remained similar compared with the last quarter.

The percentage of revenue from leading-edge 0.13-micron technology sales increased to 7% in 1Q03 from 6% in 4Q02. 38% of revenue in 1Q03 was from 0.18-micron and below technologies compared with 36% of revenue in the previous quarter.

IDM orders accounted for 29% of the total, up from 24% in 4Q02 due to a few European IDM customers replenishing their inventories to normal levels.

Revenue from the computer market segment in 1Q03 was 27% of total revenue, and was higher than we earlier anticipated due to new customer wins and strong demand from LCD panel drivers.

REVENUE BREAKDOWN BY REGION

Region	1Q02	2Q02	3Q02	4Q02	1Q03
North America	29%	35%	43%	41%	39%
Asia Pacific	54%	50%	34%	41%	40%
Europe	14%	11%	20%	15%	18%
Japan	3%	4%	3%	3%	3%

REVENUE BREAKDOWN BY TECHNOLOGY

Technology	1Q02	2Q02	3Q02	4Q02	1Q03
0.13um	0%	1%	2%	6%	7%
0.15um	5%	5%	9%	8%	3%
0.15um < x <= 0.18um	10%	17%	26%	22%	28%
0.18um < x <= 0.25um	27%	28%	25%	23%	25%
0.25um < x <= 0.35um	40%	33%	22%	27%	25%
0.5um and above	18%	16%	16%	14%	12%

REVENUE BREAKDOWN BY CUSTOMER TYPE

Customer Type	1Q02	2Q02	3Q02	4Q02	1Q03
Fabless	82%	82%	71%	75%	71%
IDM	17%	17%	28%	24%	29%
System	1%	1%	1%	1%	0%

REVENUE BREAKDOWN BY APPLICATION⁽¹⁾

Application	1Q02	2Q02	3Q02	4Q02	1Q03
Computer	38%	29%	24%	25%	27%
Communication	20%	25%	37%	40%	40%
Consumer	33%	37%	31%	28%	28%
Memory	7%	7%	6%	5%	4%
Others	2%	2%	2%	2%	1%

⁽¹⁾ *Computer* consists of ICs such as HD controllers, DVD-ROM/CD-ROM drivers, 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.

Blended Average Selling Price Trend

For the quarter, wafer price per technology node was stable. The blended average selling price (ASP) for the first quarter was unchanged from 4Q02, and was in line with the QoQ flat ASP guidance we previously provided.

³ Revenue in this section represents net wafer sales. All revenue breakdown tables exclude JV's and subsidiaries.

CAPEX

For fiscal year 2003, planned capital expenditure (UMC only) is US\$500 million. CAPEX in 1Q03 was US\$81 million. Planned CAPEX in 2Q03 is expected to be US\$145 million. We expect to spend 40% of this on Fab12A capacity expansion, 20% on R&D and the remaining 40% on other 8-inch wafer fabs.

CAPITAL EXPENDITURE BY YEAR

CAPEX PLAN – IN BILLIONS OF US\$						
Year	1998	1999	2000	2001	2002	2003E
	\$1.70	\$1.90	\$2.80	\$1.10	\$0.8	\$0.5

Capacity⁴

Capacity for 1Q03 was 668 thousand eight-inch equivalent wafers. Current estimated 2Q03 capacity is 668 thousand eight-inch equivalent wafers.

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

FAB	Geometry (um)	2000	2001	2002	2003E
Fab 5A ⁽¹⁾	5"	>0.8	33	--	--
Fab 6A	6"	3.5 – 0.45	348	345	349
Fab 8AB	8"	0.5 – 0.25	926	943	853
Fab 8C	8"	0.35 – 0.15	416	460	355
Fab 8D	8"	0.18 – 0.09	94	290	214
Fab 8E	8"	0.5 – 0.18	373	474	376
Fab 8F	8"	0.25 – 0.15	139	351	312
Fab 12A	12"	0.18 – 0.13	--	22	119
Total ⁽²⁾			2,329	2,885	2,578
YoY Growth Rate			41%	24%	-11%
					3%

Quarterly Capacity Plan by fab in *thousands of 8-inch wafer equivalents* excluding JV's & subsidiaries

FAB	3Q02	4Q02	1Q03	2Q03E	3Q03E
Fab 6A	89	89	88	88	88
Fab 8AB	227	216	216	216	216
Fab 8C	79	83	75	75	75
Fab 8D	43	53	63	63	60
Fab 8E	100	92	83	83	83
Fab 8F	72	86	89	89	90
Fab 12A	30	54	54	54	54
Total	640	673	668	668	666

(1) Fab 5A was sold in 2Q00

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

Shipment and Utilization Rate

Wafer shipments increased by 12 thousand 8-inch equivalent wafers QoQ, representing a roughly 3% increase. The shipment quantity is better than our earlier guidance, when we expected a flat trend, due to better than expected orders in March.

Utilization for the quarter was 67%, better than the approximately 60% we expected in our previously provided guidance.

Wafer Shipments

	1Q02	2Q02	3Q02	4Q02	1Q03
Wafer Shipments (K 8-inch eq.)	308	467	435	434	446

Quarterly Capacity Utilization Rate

	1Q02	2Q02	3Q02	4Q02	1Q03
Utilization rate (%)	50%	72%	68%	64%	67%
Total Capacity (K 8-inch eq.)	616	649	640	673	668

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

1Q 2003 Principle Investments⁵

UMC has formed several strategic partnerships, including those with SiS, a Taiwan listed chipset and graphic card IDM, and Silicon7, a Korean fabless design house. SiS has announced that it will not expand its own chip making capacity and will mainly rely on UMC for its outsourcing needs. UMC invested NT\$300 million in THSRC's preferred shares for the yield they provide.

1Q 2003 Principle Investments			Unit: NT Million
	Acquisition Cost	Incremental Ownership%	Accumulated Ownership %
SiS	4,393	12.55%	16.18%
THSRC ⁽¹⁾	300	-	-
SILICON 7	139	-	-
UMCJ	121	0.52%	52.00%
NOVATEK	118	0.62%	26.45%
PTP ⁽²⁾ Fund	30	-	-
TOTAL	5,101		

(1) The full name of THSRC is Taiwan High Speed Rail Corp.

(2) The full name of PTP is Pacific Technology Partners, L.P.

Recent Developments / Announcements

- Apr. 08 Giga Solution, Mentor Graphics and UMC Release Foundry Design Kits for 0.18um RF Mixed-Mode Process
- Apr. 02 Oki and UMC / UMCJ Achieve New Production Milestones
- Mar. 31 UMC Delivering Customer IC's Built on 90nm Technology
- Mar. 28 XILINX First 130nm 300mm Production Qualification at UMC with Virtex-II Pro
- Mar. 27 UMC Honors Xilinx for Milestone Achievement: 300mm Volume Manufacturing Using Advanced Technologies
- Mar. 26 UMC Forms Strategic Partnership with Silicon7
- Mar. 25 UMC Names Dr. Jackson Hu Head of Design Support
- Mar. 25 UMC Declares the Board of Directors' Proposals to the AGM
- Mar. 11 UMC News: UMC Vice Chairman Peter Chang Delivers Keynote Address at 2003 Semico Summit
- Mar. 10 Oki Electric Enhances its ASIC Product Offerings Through Collaboration with UMC
- Jan. 30 Faraday Validates Multiple Silicon Intellectual Properties For UMC's 90-nm Process Using Magma Design Flow

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

Second Quarter of 2003 Outlook & Guidance

Quarter-over-quarter comparison:

- Wafer ASP: flat from 1Q03
- Wafer shipments: >20% increase compared with 1Q03
- Capacity utilization rate: over 80%
- Operating profit margins to challenge double-digit
- Percentage of revenue from 0.18 - micron & below technology: approximately 40%
- The PC segment should post the strongest growth due to customer wins, followed by communication and consumer segments.

⁵ The principle investment information disclosed is UMC aggregated data, including UMC, Hsun Chieh Investment Corp., Fortune Venture Capital Corp. and UMC Capital Corp.

Conference Call / Webcast Announcement

Wednesday, April 30, 2003

Local Teleconference (Mandarin)

Time: 2:00 PM (Taipei) / 2:00 AM (New York) / 7:00 AM (London)

Dial-in number:

Taiwan: (02) 2192-2758

Overseas Teleconference

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

Dial-in numbers and Access Codes:

Asia/Europe: +1 (719) 457-2617

North America: +1 (800) 231-9012

Access Code: UMC

Live webcasts and replays of local and overseas teleconferences 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 0.13um copper, embedded DRAM, and mixed signal/RFCMOS. UMC is also a leader in 300mm manufacturing; Fab 12A in Taiwan is currently in volume production for a variety of customer products, while the Singapore-based UMCi joint venture with Infineon Technologies will begin pilot production later this year. UMC employs over 8,500 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. Such 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 may be implied by 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 frequent introduction of new services and technologies based on the latest developments; the intensely competitive semiconductor, personal computer and communications 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, personal computer and communications 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 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 for year 2001 filed with the U.S. Securities and Exchange Commission on June 13, 2002.

The financial statements included in this release were unaudited, 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 the note 28 to the financial statements on Form 6-K filed by UMC with the U.S. Securities and Exchange Commission on March 25, 2003.

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 subsequent to such date.

- FINANCIAL TABLES TO FOLLOW -