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UMC Reports 2003 Second Quarter Results

Results Top Guidance; Sequential Operating Income Increased 255%

Second Quarter 2003 Highlights¹:

- **Quarter-over-quarter revenue increased by 21.3 % to NT\$21.71 billion (US\$627 million)**
- **Quarter-over-quarter operating income increased by 255.4% to NT\$2.48 billion (US\$72 million)**
- **Net income of NT\$2.69 billion (US\$78 million)**
- **Wafer shipments increased 23.3% to 550 thousand 8-inch equivalent wafers; blended average selling price declined by 1%**
- **EPS of NT\$0.18, or EPADS of US\$0.026**

Taipei, Taiwan, ROC - July 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 second quarter of 2003.

“Due to new customer wins in the PC segment, we are pleased to report a more than 20% growth in revenue and a 255% increase in operating income compared with the previous quarter. We also exited the second quarter with significant momentum in our technology development efforts, establishing UMC as the leader in the delivery of next-generation 90-nm technology, and making further progress in high-yield production for customer products using 0.13-micron technology on 300-mm wafers,” UMC CEO Dr. Jackson Hu said.

“In the third quarter we expect demand to slow, particularly for handset components, due to high inventory levels caused by the recent SARS outbreak. The slowdown should be short and we are expecting demand to quickly return to normal levels. In the second half of the year

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, 2003, the three-month period ending March 31, 2003, and the equivalent three-month period that ended June 30, 2002. For all 2Q03 results, New Taiwan Dollar (NT\$) amounts have been converted into U.S. dollars at the exchange rate of NT\$34.61 to one U.S. dollar.

we are expecting demand for our 0.13-micron technology to improve and we also expect the economies of scale associated with our 300mm production facilities to result in reduced costs.” Jackson continued.

“By continuously enhancing our customer-oriented services, and pioneering manufacturing technologies, we will strengthen our position as one of the world’s most competitive semiconductor technology companies.”

Dr. Jackson Hu was appointed as UMC’s CEO on July 15, 2003. Dr. Hu joined UMC at the beginning of 2003 as the president of the New Business Development Group and the head of the Design Support division. He is a 25-year veteran of the high-tech industry. Prior to joining UMC, Dr. Hu was the president and CEO of SiRF Technology, a fabless integrated circuit and intellectual property company serving the communications industry. Other executive management experience includes serving as senior vice president and general manager of S3, where he helped grow the company into an industry leader with a 35 percent market share of the graphics processor sector. Hu’s other significant accomplishments include co-founding two fabless design companies - IC Ensemble and Verticom - which were later acquired by other leading technology companies.

Priorities and Goals of UMC as Outlined by Dr. Jackson Hu, CEO

1. UMC will accelerate its investment in 12-inch (300mm) manufacturing facilities. Before the end of next year, UMC expects to expand capacity at its Taiwan based Fab12A to 20,000 wafers per month, and capacity at its Singapore based affiliate, UMCi, to 10,000 wafers per month.
2. In order to ensure continued leadership in 12-inch wafer manufacturing, UMC will further strengthen its research and development in 90-nanometer and below process technologies, and ensure the availability of a complete catalog of relevant IP (silicon intellectual property) for integration in customers’ leading-edge designs.
3. UMC will continue to operate as a pure semiconductor foundry, while enhancing partnerships with customers. In order to ensure a diversified and sufficient customer base, UMC may choose to make investments in certain semiconductor design companies. At the same time, UMC will take all possible measures to avoid any conflict of interest with its existing customers.
4. UMC plans to carefully review its investment portfolio, and divest itself of non-core investments. With regard to its investments in listed semiconductor companies, UMC plans to gradually divest from these in a manner that will not negatively impact their share price or business relationship with UMC. Capital gains earned from these divestments will be used to enhance profitability. UMC strongly believes that its relationships with customers and partners should be based on UMC’s technical proficiency and outstanding foundry services and not based on investment or shareholding status.

Summary of Operating Results

(Figures in million NT\$)	2Q03	1Q03	QoQ % change	2Q02	YoY % change
Revenue	21,706	17,898	21.3	18,580	16.8
Gross Profit	4,983	2,740	81.9	4,205	18.5
Operating Expenses	(2,499)	(2,041)	22.4	(3,196)	(21.8)
Operating Profit	2,484	699	255.4	1,009	146.2
Non-op Income and Exp.	610	(295)	--	3,441	(82.3)
Net Income	2,687	403	566.7	4,446	(39.6)
EPS (NT\$ per share)	0.18	0.03		0.30	
(US\$ per ADR)	0.026	0.004		0.043	

Revenue for 2Q03 was NT\$21.71 billion, representing a 16.8% YoY increase from NT\$18.58 billion in 2Q02, and a 21.3% QoQ increase from NT\$17.90 billion in 1Q03. Operating profit for the quarter was NT\$2.48 billion, a 255.4% increase from NT\$699 million in 1Q03. The increase in operating profit is primarily attributable to higher gross profit and revenue. Net income for 2Q03 was NT\$2.69 billion, an increase of 566.7% compared to NT\$403 million in 1Q03.

Earnings per ordinary share (EPS) for the quarter were NT\$0.18. Earnings per ADS (EPADS) were US\$0.026. This compares with earnings per ordinary share and ADS in 2Q02 of NT\$0.30 and US\$0.043 respectively. One ADS represents five Taiwan listed ordinary shares. Total weighted average outstanding shares in 2Q03 were 14,639,462,467 shares, compared with 14,726,502,640 shares in 1Q03 and 14,751,351,270 shares in 2Q02. Diluted total weighted average outstanding shares, which include the dilution effects of future ECB conversion and issued stock options, were 14,837,109,684 shares in 2Q03, compared with 14,763,951,887 shares in 1Q03 and 14,918,805,462 shares in 2Q02.

Detailed Financials Section

Depreciation and amortization expenses were NT\$9.37 billion in 2Q03, compared to NT\$9.16 billion in 1Q03. Depreciation within COGS increased by 8.2% to NT\$8.11 billion. Total operating expenses increased by NT\$458 million. Sales and marketing expenses increased by NT\$191 million to NT\$457 million, mainly due to increased expenditure on IP acquired in anticipation of future customer demand. R&D spending increased 16.8% QoQ to NT\$1.48 billion mainly due to increased spending associated with our 90-nanometer generation process technology.

COGS & Expenses					
(Amount: NT\$ million)	2Q03	1Q03	QoQ %change	2Q02	YoY %change
Revenue	21,706	17,898	21.3	18,580	16.8
COGS	(16,723)	(15,158)	10.3	(14,375)	16.3
Depreciation	(8,114)	(7,501)	8.2	(7,090)	14.4
Other Mfg. Costs	(8,609)	(7,657)	12.4	(7,285)	18.2
Gross Profit	4,983	2,740	81.9	4,205	18.5
Gross Margin (%)	23.0%	15.3%		22.6%	
Total Op. Exp.	(2,499)	(2,041)	22.4	(3,196)	(21.8)
G&A	(565)	(510)	10.8	(1,049)	(46.1)
Selling and Mktg	(457)	(266)	71.8	(99)	361.6
R&D	(1,477)	(1,265)	16.8	(2,048)	(27.9)
Operating Profit	2,484	699	255.4	1,009	146.2
Operating Margin (%)	11.5%	3.9%		5.4%	

Net non-operating income for 2Q03 was NT\$610 million, of which NT\$179 million was attributable to investment income. Gains on disposal of investments were NT\$1.06 billion, and was mainly contributed from the liquidation of ITEX (Integrated Telecom Express, Inc.), an integrated circuit and software solutions provider to the broadband access communications equipment industry. Other non-operating expenses consist of NT\$230 million worth of losses associated with wafer scraps, and NT\$366 million worth of inventory losses incurred due to customers withdrawing from specific markets and halting WIP (working in process).

Non-operating Income (Expenses)			
(Amount: NT\$ million)	2Q03	1Q03	2Q02
Net Non-Operating Income (Loss)	610	(295)	3,441
Net Interest Income (Expense)	(45)	(20)	(20)
Net Investment Income (Loss)	179	(124)	(1,428)
Gain on Disposal of Investment	1,063	113	5,377
Exchange Gain (Loss)	59	69	(126)
Others	(646)	(333)	(362)

Net cash inflow was NT\$21.66 billion in 2Q03. Cash outflow from investing activities primarily consists of equipment expenditures totaling NT\$2.59 billion. Cash flow from financing activities primarily consists of NT\$15 billion in funds raised from new unsecured domestic bonds issued during the period, and the retirement of NT\$5.2 billion worth of long-term debt. Over the next 12 months, we expect to decrease our long-term loans and bond obligations by NT\$15.3 billion.

Cash Flow Summary		
(Amount: NT\$ million)	For the 3-Month Period Ended June 30, 2003	For the 3-Month Period Ended Mar. 31, 2003
Cash Flow from Operations	12,867	7,449
Net Income (Loss)	2,687	403
Depreciation & Amortization	9,369	9,164
Changes in working capital	1,508	(2,495)
Others	(697)	377
Cash Flow from Investing	1,007	(7,622)
Capital Expenditures	(2,593)	(2,827)
Others	3,600	(4,795)
Cash Flow from Financing	7,783	(3,736)
Net Cash Flow	21,657	(3,909)

Cash and equivalents increased by NT\$22.37 billion to NT\$74.94 billion. This is mostly due to increased revenue and our NT\$15 billion bond issue as highlighted above. Notes & accounts receivable increased by NT\$560 million QoQ to NT\$12.94 billion, mainly due to significant revenue growth during the quarter. On a sequential basis, days sales outstanding² decreased to 53 days, and inventory turns decreased to 44 days.

Current Assets			
(Amount: NT\$ Bn)	2Q03	1Q03	2Q02
Cash & Equiv.	74.94	52.57	61.39
Notes & Accounts Receivable	12.94	12.38	12.17
Days Sales Outstanding	53	55	47
Inventories	7.50	8.15	7.43
Inventory Turns	44	49	46
Total Current Assets	102.89	85.79	93.71

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

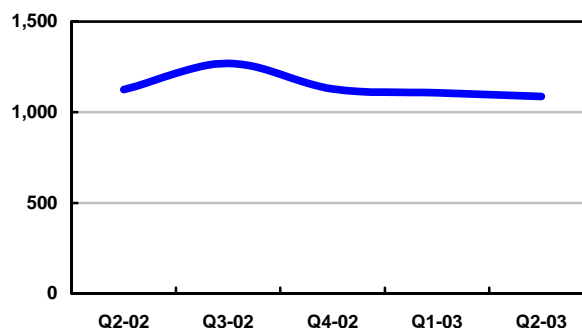
Total debt increased by NT\$ 9.41 billion to NT\$86.20 billion in 2Q03. The increase was due to the net effect of the Company's NT\$15 billion bond issue and the payback of NT\$5.2 billion in long-term loans. The decision to issue bonds and reduce loan exposure was taken to reduce overall interest expense while enhancing operating capital. As a result, UMC's debt to equity ratio increased to 40%.

Liabilities			
(Amount: NT\$ Bn)	2Q03	1Q03	2Q02
Total Current Liabilities	31.05	30.07	29.25
Accounts Payable	3.76	3.01	3.58
Short-term Credit / Bonds	15.27	16.03	5.85
Others	12.02	11.03	19.82
Long-term Liabilities	51.09	42.76	57.06
Total Debts	86.20	76.79	89.79
Debt to Equity	40%	36%	42%

Blended Average Selling Price Trend

The blended average selling price (ASP) for the second quarter declined 1% compared with 1Q03, and was in line with the QoQ ASP guidance previously provided by UMC. For the quarter, wafer price per technology node was for the most part stable. Pricing for 0.15-micron technology products declined slightly due to several new large volume orders in the PC segment.

Blended ASP Trend



CAPEX

For fiscal year 2003, planned capital expenditure (UMC only) is US\$500 million. By the end of the second quarter of 2003, UMC's YTD capex totaled US\$157 million. The updated breakdown of our full year budget is 50% on Fab12A capacity expansion, 20% on R&D facilities and the remaining 30% on upgrading 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

UMC is committed to expanding its 300mm capacity. By the end of 2004, the Company plans to bring total capacity at Fab12A to 20,000 wafers per month, and total capacity at UMCi to 10,000 wafers per month. Between July 2003 and the end of 2004, UMC plans to invest approximately US\$500 million in Fab12A and US\$1.0 billion in UMCi.

12-inch Capacity Expansion Plan

300mm CAPEX Plan from July 2003 to the End of 2004		
	Fab12A	UMCi
CAPEX (US\$ million)	~500	~1,000
Capacity Target at the End of 2004 (pieces of 300mm wafers / month)	20,000	10,000

Analysis of Revenue³

The percentage of revenue contributed from North America grew to 43% in 2Q03 mainly due to new product launches by customers. The percentage of revenue from Europe declined to 14% due to inventory adjustments from sizeable European customers.

The percentage of revenue from 0.18-micron and below technologies in the second quarter was 38%. The percentage of revenue from 0.15-micron sales increased to 8%, compared with 3% in 1Q03, mainly due to stronger PC demand.

IDM orders accounted for 22% of total net wafer sales. The percentage of revenue from IDM sales declined to 22% due to inventory adjustments from European IDM customers in 2Q03.

Revenue from the computer market segment increased significantly, and accounted for 31% of total revenue in 2Q03. Most of the increase was due to order growth in chipsets and graphic cards.

REVENUE BREAKDOWN BY REGION

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

REVENUE BREAKDOWN BY TECHNOLOGY

Technology	2Q02	3Q02	4Q02	1Q03	2Q03
0.13um	1%	2%	6%	7%	6%
0.15um	5%	9%	8%	3%	8%
0.15um < x <= 0.18um	17%	26%	22%	28%	24%
0.18um < x <= 0.25um	28%	25%	23%	25%	22%
0.25um < x <= 0.35um	33%	22%	27%	25%	28%
0.5um and above	16%	16%	14%	12%	12%

REVENUE BREAKDOWN BY CUSTOMER TYPE

Customer Type	2Q02	3Q02	4Q02	1Q03	2Q03
Fabless	82%	71%	75%	71%	78%
IDM	17%	28%	24%	29%	22%
System	1%	1%	1%	0%	0%

REVENUE BREAKDOWN BY APPLICATION⁽¹⁾

Application	2Q02	3Q02	4Q02	1Q03	2Q03
Computer	29%	24%	25%	27%	31%
Communication	25%	37%	40%	40%	36%
Consumer	37%	31%	28%	28%	28%
Memory	7%	6%	5%	4%	3%
Others	2%	2%	2%	1%	2%

(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.

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

Capacity⁴

Capacity for 2Q03 was 647 thousand eight-inch equivalent wafers. Capacity at Fab 8AB decreased due to changes in product mix and the retirement of a small amount of equipment. Estimated 3Q03 capacity is 632 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	336
Fab 8AB	8"	0.5 – 0.25	926	943	853	769
Fab 8C	8"	0.35 – 0.15	416	460	355	318
Fab 8D	8"	0.18 – 0.09	94	290	214	246
Fab 8E	8"	0.5 – 0.18	373	474	376	319
Fab 8F	8"	0.25 – 0.15	139	351	312	356
Fab 12A	12"	0.18 – 0.13	--	22	119	227
Total ⁽²⁾			2,329	2,885	2,578	2,571
YoY Growth Rate			41%	24%	-11%	0%

(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.

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

FAB	4Q02	1Q03	2Q03	3Q03E	4Q03E
Fab 6A	89	88	88	80	80
Fab 8AB	216	216	195	182	176
Fab 8C	83	75	75	84	84
Fab 8D	53	63	63	60	60
Fab 8E	92	83	83	78	75
Fab 8F	86	89	89	90	88
Fab 12A	54	54	54	58	61
Total	673	668	647	632	624

Shipment and Utilization Rate

Wafer shipments exceeded previously released guidance and increased by 104 thousand 8-inch equivalent wafers, representing a 23.3% sequential increase.

Utilization for the quarter was 85%, better than the approximately 80% we expected in previously provided guidance.

Wafer Shipments

	2Q02	3Q02	4Q02	1Q03	2Q03
Wafer Shipments (K 8-inch eq.)	467	435	434	446	550

Quarterly Capacity Utilization Rate

	2Q02	3Q02	4Q02	1Q03	2Q03
Utilization rate	72%	68%	64%	67%	85%
Total Capacity (K 8-inch eq.)	649	640	673	668	647

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.

Long-term Investments⁵

UMC Consolidated Long-term Investments as of June 30, 2003

(Amount: NT\$ million)	Book value	%	Fair value	%
Foundry Industry	20,424	36	28,041	31
Strategic Semiconductor Investments	13,572	24	38,116	42
Other Investments	23,307	40	25,311	27
Total	57,303	100	91,468	100

As of June 30, 2003, the total book value of long-term investments held by UMC was NT\$57.30 billion, and the estimated fair value of long-term investments held by UMC was NT\$91.47 billion. UMC plans to carefully adjust its long-term investments, focusing on its core foundry business and related strategic semiconductor investments. The ultimate goal is to pursue maximizing UMC's ROE (return on equity).

Recent Developments / Announcements

- Jul. 21 UMCi Continues Equipment Move-in at 300mm Fab
- Jul. 16 UMC Selected by TrendChip for Manufacturing of Taiwan First Turnkey ADSL Residential Solution
- Jul. 15 UMC Appoints Dr. Jackson Hu to CEO
- Jul. 07 SuperH SH4-202 CPU Core Achieves Silver IP Status at UMC
- Jul. 02 UMC and HBA Achieve Working 90-nanometer Silicon for HBA's High Speed SRAM
- Jun. 30 Spirea and UMC to Deliver ICs for Multimode WLAN Radios
- Jun. 12 UMC Introduces Its Strained Silicon Process with Wafers Built on AmberWave Technology
- Jun. 09 UMC Shareholders Approved NT\$0.401 Stock Dividend for Fiscal Year 2002
- May 29 Artisan and UMC Collaborate on PCI Express Compliant 0.13-micron PHY Core

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

⁵ The long-term investments information disclosed is UMC Group consolidated data, including UMC, Hsun Chieh Investment Corp., Fortune Venture Capital Corp. and UMC Capital Corp. For publicly quoted investments, fair value is calculated by multiplying the average closing price during the last month of the accounting period (June of 2003) and the number of shares owned by the UMC Group on June 30, 2003, together; otherwise, book value or underlying equity in net value of investments as recorded on the balance sheet at the end of the accounting period (June 30, 2003) is used as the fair value.

Third Quarter of 2003 Outlook & Guidance

Quarter-over-quarter comparison:

- Wafer ASP: flat to up
- Wafer shipments: decrease by low-to-mid single digit percentage
- Capacity utilization rate: close to 80%
- Operating profit margins: close to double-digit
- Percent of revenue from 0.18 micron & below technology: approximately 45%
- The consumer segment is expected to post the strongest growth, while the communications segment is expected to remain weak.

Conference Call / Webcast Announcement

Wednesday, July 30, 2003

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

Dial-in numbers and Access Codes:

Asia/Europe: +1 (719) 457-2727

North America: +1 (800) 474-8920

Access Code: UMC

A live webcast and replay of the 2Q03 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 90nm copper, 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 Singapore-based UMCi 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, 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 Annual Report on Form 20-F for year 2002 filed with the U.S. Securities and Exchange Commission on June 25, 2003.

The financial statements included in this release were 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 the note 28 to the financial statements included in our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on June 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 -