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UMC Reports 2004 First Quarter Results

Sequential Operating Income Jumps 27% on Full Loading & Higher ASP

First Quarter 2004 Highlights¹:

- Quarter-over-quarter revenue increased 6.8% to NT\$25.33 billion (US\$767 million)
 - Quarter-over-quarter operating income increased 27.0% to NT\$5.29 billion (US\$160 million)
 - Net income of NT\$6.89 billion (US\$209 million)
 - EPS of NT\$0.45; EPADS of US\$0.068
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Taipei, Taiwan, ROC – April 28, 2004 - **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 2004.

“Our first quarter results truly reflect the upturn in the global semiconductor industry,” said Dr. Jackson Hu, CEO at UMC. “During the first quarter, our quarter-over-quarter revenue growth reached 6.8%. This performance not only beat our original forecast, but also was significantly stronger than the seasonal pattern we have seen for the past few years. Strong demand from our customers, in particular from the communication and consumer sectors, was the main revenue driver for the quarter. The blended average selling price also benefited from the full utilization of advanced process capacity.”

Dr. Hu continued, “We continue to enhance our position as a leader in the semiconductor foundry industry. In order to expand our capacity in response to strong customer demand, we invested further in manufacturing facilities. Our expansion efforts were highlighted by additional investment in our two state-of-the-art 300mm fabs, as well as by the acquisition 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 March 31, 2004, the three-month period ending December 31, 2003, and the equivalent three-month period that ended March 31, 2003. For all 1Q04 results, New Taiwan Dollar (NT\$) amounts have been converted into U.S. dollars at the exchange rate of NT\$33.03 to one U.S. dollar.

SiS Microelectronics Corp. (SMC). Our total capacity, including the contribution of UMCi and SMC, will increase 20% year-over-year to 3.17 million 8-inch wafer equivalents by the end of 2004. In the deep sub-micron technology arena, we plan to further strengthen our leading-edge production technology and design support services. Our industry leading 90-nanometer technology entered full-scale commercial production at our 8-inch fab in the first quarter of 2004, and this technology will be extended to 12-inch production in the second quarter of 2004.”

Summary of Operating Results

Operating Results					
(Amount: NT\$ million)	1Q04	4Q03	QoQ % change	1Q03	YoY % change
Revenue	25,326	23,719	6.8	17,898	41.5
Gross Profit	7,612	6,665	14.2	2,740	177.8
Operating Expenses	(2,325)	(2,501)	(7.0)	(2,041)	13.9
Operating Profit	5,287	4,164	27.0	699	656.4
Non-op Income and Exp.	1,639	2,549	(35.7)	(295)	-
Net Income	6,894	6,727	2.5	403	1610.7
EPS (NT\$ per share)	0.45	0.44		0.03	
(US\$ per ADR)	0.068	0.067		0.005	

Revenue increased 6.8% QoQ to NT\$25.33 billion, from NT\$23.72 billion in 4Q03, and increased 41.5% YoY, from NT\$17.90 billion in 1Q03. Gross profit was NT\$7.61 billion, or 30.1% of revenue, compared to NT\$6.67 billion, or 28.1% of 4Q03 revenue. Operating profit for the quarter was NT\$5.29 billion, or 20.9% of revenue, a 27.0% increase from NT\$4.16 billion, or 17.6% of revenue in 4Q03. High capacity utilization and improved ASPs were the key reasons for the increase in profits, and gross and operating margins during the first quarter. Net income in 1Q04 was NT\$6.89 billion, an increase of 2.5% compared with NT\$6.73 billion in 4Q03.

Earnings per ordinary share (EPS) for the quarter were NT\$0.45. Earnings per ADS (EPADS) were US\$0.068. This compares with 4Q03 earnings per ordinary share and ADS of NT\$0.44 and US\$0.067 respectively. One ADS represents five Taiwan listed ordinary shares. Total weighted average outstanding shares in 1Q04 were 15,420,105,361 shares, compared with 15,314,433,875 shares in 4Q03 and 15,374,468,756 shares in 1Q03. Diluted total weighted average outstanding shares, which include the dilution effects of ECB conversion and issued stock options, were 15,851,472,750 shares in 1Q04, compared with 15,649,369,676 shares in 4Q03 and 15,413,565,770 shares in 1Q03.

Detailed Financials Section

Depreciation and amortization totaled NT\$9.54 billion in 1Q04, compared with NT\$9.52 billion in 4Q03. Depreciation within COGS increased by 2.4% to NT\$8.59 billion. Other manufacturing costs within COGS increased to NT\$9.12 billion, due to increased wafer shipments QoQ. Total operating expenses decreased by 7.0% to NT\$2.33 billion. R&D spending decreased 7.9% QoQ to NT\$1.31 billion primarily due to the final posting of amortized expenses related to the IBM-Infineon-UMC joint development program.

COGS & Expenses					
(Amount: NT\$ million)	1Q04	4Q03	QoQ % change	1Q03	YoY % change
Revenue	25,326	23,719	6.8	17,898	41.5
COGS	(17,714)	(17,054)	3.9	(15,158)	16.9
Depreciation	(8,591)	(8,389)	2.4	(7,501)	14.5
Other Mfg. Costs	(9,123)	(8,665)	5.3	(7,657)	19.1
Gross Profit	7,612	6,665	14.2	2,740	177.8
Gross Margin (%)	30.1%	28.1%		15.3%	
Total Op. Exp.	(2,325)	(2,501)	-7.0	(2,041)	13.9
G&A	(534)	(539)	-0.9	(510)	4.7
Sales and Mktg	(478)	(537)	-11.0	(266)	79.7
R&D	(1,313)	(1,425)	-7.9	(1,265)	3.8
Operating Profit	5,287	4,164	27.0	699	656.4
Operating Margin (%)	20.9%	17.6%		3.9%	

Net non-operating income during 1Q04 was NT\$1.64 billion. Gains on the disposal of investments were NT\$2.51 billion. This included gains from the sale of MediaTek and AU Optronics shares amounting to NT\$0.19 billion and NT\$2.21 billion respectively. Net investment loss was NT\$0.58 billion, and was primarily due to attributable losses of NT\$0.32 billion from UMCi and NT0.25 billion from SiS.

Non-operating Income (Expenses)			
(Amount: NT\$ million)	1Q04	4Q03	1Q03
Net Non-operating Income (Loss)	1,639	2,549	(295)
Net Interest Income (Expense)	(77)	(139)	(20)
Net Investment Income (Loss)	(582)	(1,163)	(124)
Gain on Disposal of Investment	2,507	4,026	113
Exchange Gain (Loss)	(42)	14	69
Others	(167)	(189)	(333)

Compared with the previous quarter, the decrease in investing cash flow primarily reflects the NT\$3.95 billion investment in UMCi. The decrease in financing cash flow is mainly from ECB redemptions during the quarter. Over the next 12 months, we expect to repay NT\$1.30 billion of our long-term loans and to retire NT\$8.39 billion of our bond obligations.

Cash Flow Summary		
(Amount: NT\$ million)	For the 3-Month Period Ended Mar. 31, 2004	For the 3-Month Period Ended Dec. 31, 2003
Cash Flow from Operations	12,757	11,432
Net Income (Loss)	6,894	6,727
Depreciation & Amortization	9,535	9,522
Changes in working capital	(1,425)	(2,145)
Others	(2,247)	(2,672)
Cash Flow from Investing	(9,996)	1,676
Capital Expenditures	(5,891)	(4,646)
Others	(4,105)	6,322
Cash Flow from Financing	(8,597)	461
Net Cash Flow	(5,836)	13,569

Cash and cash equivalents decreased by NT\$5.84 billion to NT\$87.03 billion due to cash outflow for capital expenditure for capacity expansion, debt repayment, and the purchase of additional UMCi shares. Notes & accounts receivables increased by NT\$1.45 billion to NT\$15.57 billion. On a sequential basis, days sales outstanding² increased to 54 days, and average inventory turnover increased to 42 days.

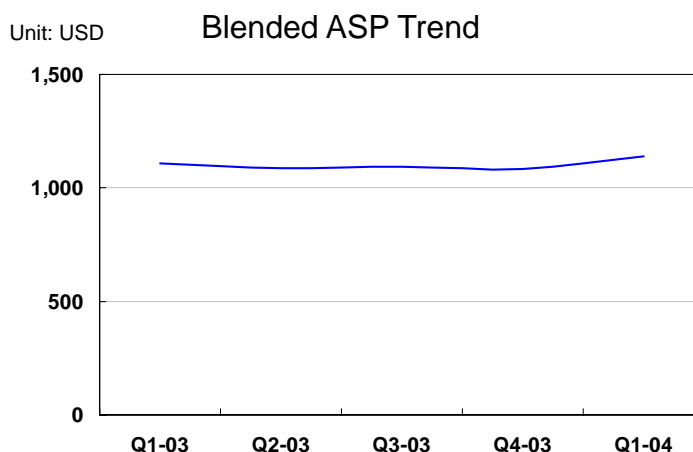
Current Assets			
(Amount: NT\$ billion)	1Q04	4Q03	1Q03
Cash & Cash Equiv.	87.03	92.87	52.57
Notes & Accounts Receivable	15.57	14.12	12.38
Days Sales Outstanding	54	49	55
Inventory	8.41	7.37	8.15
Avg. Inventory Turnover	42	40	49
Total Current Assets	119.98	122.31	85.79

Total debt decreased by NT\$10.43 billion to NT\$77.44 billion in 1Q04. The decrease was primarily due to the repayment and redemption of loans and corporate bonds. As a result, UMC's debt to equity ratio decreased to 32%.

Liabilities			
(Amount: NT\$ billion)	1Q04	4Q03	1Q03
Total Current Liabilities	26.20	32.75	30.07
Accounts Payable	4.65	4.12	3.01
Short-term Credit / Bonds	9.69	18.52	16.03
Others	11.86	10.11	11.03
Long-term Liabilities	44.58	48.55	42.76
Total Debts	77.44	87.87	76.79
Debt to Equity	32%	38%	36%

Blended Average Selling Price Trend

The blended average selling price (ASP) rose 5% during 1Q04 due to increasing demand for advanced technology products. It was at the upper end of the QoQ ASP guidance range previously provided by UMC.



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

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

CAPEX

Capital expenditure during 1Q04 was US\$178 million. 2004 full year CAPEX plans remain largely unchanged except for a US\$30 million increase in total CAPEX due to capacity expansion at Fab 8S (obtained through the acquisition of SMC).

Year	1999	2000	2001	2002	2003	2004E
CAPEX	\$ 1.9	\$ 2.8	\$ 1.1	\$ 0.8	\$ 0.37	\$ 1.18

2004 CAPEX Plan

	8" fab	12" fab	12" R&D	Total
UMC	15%	70%	15%	1,180 million USD
UMCJ	100%	-	-	120 million USD
UMCi	-	100%	-	850 million USD

Shipment and Utilization Rate

647 thousand 8-inch equivalent wafers were shipped in 1Q04, a 0.5% increase from 644 thousand 8-inch equivalents shipped in the previous quarter. Overall utilization rate for the quarter was 100%, compared to 96% for the previous quarter. The 100% utilization rate during 1Q04 is net of a 5% productivity loss due to scheduled annual maintenance.

Wafer Shipments

Customer Type	1Q03	2Q03	3Q03	4Q03	1Q04
Wafer Shipments (K 8-inch eq.)	446	550	546	644	647

Quarterly Capacity Utilization Rate

Customer Type	1Q03	2Q03	3Q03	4Q03	1Q04
Utilization Rate	67%	85%	84%	96%	100% ⁽¹⁾
Total Capacity (K 8-inch eq.)	668	647	659	672	677

⁽¹⁾ Utilization rate was calculated based on 1Q04 available capacity, which is 95% of total capacity after factoring in a 5% productivity loss due to annual scheduled maintenance.

Analysis of Revenue³

The percentage of revenue contributed from North America and Japan grew to 43% and 4% respectively in 1Q04. The percentage of revenue contributed from Asia Pacific and Europe decreased to 37% and 16% respectively in 1Q04.

Revenue Breakdown by Region

Region	1Q03	2Q03	3Q03	4Q03	1Q04
North America	39%	43%	40%	39%	43%
Asia Pacific	40%	39%	38%	41%	37%
Europe	18%	14%	18%	17%	16%
Japan	3%	4%	4%	3%	4%

The percentage of revenue from 0.13 and 0.15-micron geometries remained at 12% and 9% respectively in the first quarter due to capacity constraints. The percentage of revenue from 0.18-micron and below technologies in the first quarter increased to 50%, compared with 46% in 4Q03.

Revenue Breakdown by Geometry

Geometry	1Q03	2Q03	3Q03	4Q03	1Q04
0.13um	7%	6%	9%	12%	12%
0.15um	3%	8%	8%	9%	9%
0.15um<x<=0.18um	28%	24%	26%	25%	29%
0.18um<x<=0.25um	25%	22%	25%	22%	19%
0.25um<x<=0.35um	25%	28%	22%	23%	21%
0.5um and above	12%	12%	10%	9%	10%

IDM orders accounted for 28% of revenue in 1Q04.

Revenue Breakdown by Customer Type

Customer Type	1Q03	2Q03	3Q03	4Q03	1Q04
Fabless	71%	78%	71%	71%	72%
IDM	29%	22%	29%	29%	28%
System	0%	0%	0%	0%	0%

Revenue from the communication market segment increased and accounted for 42% of total revenue in 1Q04. Most of the increase was due to the strong demand for DSP chips, which are used in cellular phones.

Revenue Breakdown by Application⁽¹⁾

Application	1Q03	2Q03	3Q03	4Q03	1Q04
Computer	27%	31%	28%	26%	24%
Communication	40%	36%	34%	38%	42%
Consumer	28%	28%	32%	31%	30%
Memory	4%	3%	4%	3%	3%
Others	1%	2%	2%	2%	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. All revenue breakdown tables exclude JV's and subsidiaries.

Capacity⁴

Capacity during 1Q04, including UMCi, was 680 thousand 8-inch equivalent wafers. Compared to 4Q03, the increase of 8 thousand 8-inch equivalent wafers was mainly due to capacity expansion at UMCi. Estimated installed capacity in 2Q04 is 720 thousand 8-inch equivalent wafers. The increase in estimated capacity during 2Q04 is primarily due to additional 12-inch capacity expansion. Fab 8S capacity is expected to become available on July 1, 2004 when the acquisition of SMC is officially completed.

Annual Capacity in thousands of 8-inch wafer equivalents

FAB	Geometry (um)	2001	2002	2003	2004E
Fab 6A	6"	345	349	352	346
Fab 8AB	8"	943	853	801	788
Fab 8C	8"	460	355	325	390
Fab 8D	8"	290	214	238	256
Fab 8E	8"	474	376	354	401
Fab 8F	8"	351	312	342	349
Fab 8S	8"	0	0	0	135
Fab 12A	12"	22	119	234	405
Subtotal ⁽¹⁾		2,885	2,578	2,646	3,070
UMCi	12"	0	0	0	99
Total		2,885	2,578	2,646	3,169
YoY Growth Rate		24%	-11%	3%	20%

Quarterly Capacity in thousands of 8-inch wafer equivalents

FAB	3Q03	4Q03	1Q04	2Q04E	3Q04E
Fab 6A	88	88	88	86	86
Fab 8AB	195	195	196	196	196
Fab 8C	85	90	90	96	99
Fab 8D	58	54	58	61	65
Fab 8E	92	96	96	101	102
Fab 8F	83	81	81	81	92
Fab 8S	0	0	0	0	60
Fab 12A	58	68	68	90	120
Subtotal	659	672	677	711	820
UMCi	0	0	3	9	27
Total	659	672	680	720	847

(1) 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.

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

Long-term Investments⁵

Consolidated Long-term Investments as of March 31, 2004

(Amount: NT\$ million)	As of End of 1Q04				As of End of 4Q03			
	Book value	%	Fair value	%	Book value	%	Fair value	%
Foundry Industry	39,589	55	45,697	35	36,499	52	46,705	38
Strategic Semiconductor Investments	13,189	18	47,442	37	13,595	19	42,470	34
Other Investments	19,990	27	36,512	28	20,807	29	34,128	28
Total	72,768	100	129,651	100	70,901	100	123,303	100

As of March 31, 2004, the total book value of long-term investments held by UMC was NT\$72.77 billion, and the estimated fair value of long-term investments was NT\$129.65 billion. The increase in the book value and fair value of long-term investments is due to an increase in UMCi share holdings, and the increase in share prices of several investments, respectively.

Recent Developments / Announcements

- Apr. 20, 2004 Chipidea's USB 2.0 OTG High Speed IP Core Silicon Proven on UMC's 0.13um Technology
- Apr. 19, 2004 UMC and Cadence Deliver Analog Reference Flow for Mixed-Signal Designs
- Apr. 14, 2004 ZyDAS Aligns with UMC for Production of 802.11a/b/g Compliant IC
- Apr. 08, 2004 UMC and XGI™ License Rambus Raser™ PHY Technology
- Apr. 05, 2004 MoSys' 1T-SRAM-Q Technology Verified on UMC's 0.13 Micron Logic Process
- Mar. 31, 2004 UMC Increases its Stake in UMCi
- Mar. 29, 2004 UMC Launches its e-Workshop Online Seminar
- Mar. 23, 2004 UMC Announces Share Buy-Back Program and Employee Stock Options
- Mar. 12, 2004 UMC Board of Directors Announces Proposals for its Annual Shareholders Meeting
- Mar. 02, 2004 UMCi Moves to Full Scale Production
- Feb. 26, 2004 UMC Acquires SiS Subsidiary Company, SMC
- Feb. 23, 2004 IC Media Validates 2.8 x 2.8 Micron CMOS Sensor Implementation on UMC's CMOS Image Sensor Process

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

⁵ The long-term investment information disclosed is UMC Group consolidated data, which includes 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 daily closing price of the last month of the accounting period (March of 2004) with the number of shares owned by the UMC Group as of March 31, 2004. Otherwise, book value or underlying equity net value of investments is taken as recorded on the balance sheet at the end of the accounting period (March 31, 2004) and is used as the fair value.

Second Quarter of 2004 Outlook & Guidance

Quarter-over-quarter comparison:

- Wafer shipments: increase of approximately 10%
- Wafer ASP: expected to increase by up to 5% in US dollar terms
- Capacity utilization rate: approximately 100%
- Profitability: gross margins to continue improving due to higher ASPs and increased wafer shipments
- Percentage of 0.18um & below revenues: in the mid-fifty percent range with the percentage of revenue from 0.13um expected to reach the mid-teens
- The communication segment is expected to remain the largest followed by consumer and then computer segments

Conference Call / Webcast Announcement

Wednesday, April 28, 2004

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

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Access Code: UMC

A live webcast and replay of the 1Q04 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 has just entered volume production. 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 note 30 to the financial statements on Form 6-K filed with the U.S. Securities and Exchange Commission on September 24, 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 -