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UMC Reports Record 2004 Third Quarter Results:

Record Revenue with 15% Sequential Increase in Operating Income

Third Quarter 2004 Highlights¹:

- Revenue increased 18.5% sequentially to NT\$34.58 billion (US\$1,018 million)
- Operating income increased 15.1% sequentially to NT\$8.74 billion (US\$257 million)
- Net income of NT\$10.91 billion (US\$321 million)
- Wafer shipments of 791 thousand 8-inch equivalent wafers; blended ASP up 5% compared to the previous quarter
- EPS of NT\$0.65; EPADS of US\$0.096

Taipei, Taiwan, ROC – October 27, 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 third quarter of 2004.

“We are extremely pleased with our record-setting performance in the third quarter. The combination of 791 thousand 8-inch equivalent wafer shipments and a 5% increase in the blended average selling price drove UMC’s revenue to increase 18.5% to a quarterly record and operating income to increase 15.1%. Strong demand and successful execution on capacity expansion were the key drivers behind our brilliant third-quarter performance,” said Dr. Jackson Hu, CEO at UMC.

Dr. Hu continued, “Compared to the second quarter, the percentage of 90nm business in terms of total revenue doubled to 2% in the third quarter. We expect this number to increase to at least 5% in the fourth quarter. This is a tremendous ramp-up in leading-edge technology production and once again demonstrates that we have a sound strategy of 90nm production at 300mm fabs as well as excellent R&D and mass-production capabilities. Additionally, UMC is working on the technological jump from 90nm to 65nm with our first-tier customers and expects to begin

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, 2004, the three-month period ending June 30, 2004, and the equivalent three-month period that ended September 30, 2003. For all 3Q04 results, New Taiwan Dollar (NT\$) amounts have been converted into U.S. dollars at the exchange rate of NT\$33.96 to one U.S. dollar.

production in early 2006. We are confident that our commitment to accelerate the development of advanced process technology will enable us to serve the world's first-tier foundry customers for years to come."

"The future of the foundry industry is bright, despite the recent slowdown in the semiconductor market. We have seen strong demand for advanced process technologies and sustained strength in outsourcing trends. We believe that these factors will be the primary drivers for a recovery for UMC within the next two quarters. We are therefore maintaining our CAPEX level as planned since we believe that continued development and innovations in R&D for advanced process technologies will help us capitalize on future and ongoing growth opportunities in the industry."

Summary of Operating Results

Operating Results					
(Amount: NT\$ million)	3Q04	2Q04	QoQ % change	3Q03	YoY % change
Revenue	34,580	29,177	18.5	21,539	60.5
Gross Profit	11,663	10,058	16.0	5,054	130.8
Operating Expenses	(2,926)	(2,466)	18.7	(2,465)	18.7
Operating Income	8,737	7,592	15.1	2,589	237.5
Non-op. Income (Expenses)	2,177	5,111	(57.4)	2,015	8.0
Net Income	10,914	12,702	(14.1)	4,203	159.7
EPS (NT\$ per share)	0.65	0.76		0.25	
(US\$ per ADS)	0.096	0.112		0.037	

Revenue increased 18.5% quarter-over-quarter to NT\$34.58 billion, from NT\$29.18 billion in 2Q04, and increased 60.5% year-over-year from NT\$21.54 billion in 3Q03. Gross profit for the quarter was NT\$11.66 billion, or 33.7% of revenue, compared to NT\$10.06 billion, or 34.5% of 2Q04 revenue. The decline in gross margin was due to the higher costs that were associated with sourcing wafers from UMCi. Excluding revenues that were generated at UMCi, the pro forma gross margin was 35.2%, which is an improvement over 2Q04. Operating income increased 15.1% sequentially and 237.5% from 3Q03 to NT\$8.74 billion. Net income in 3Q04 was NT\$10.91 billion, a 159.7% increase over 3Q03, though a sequential decrease of 14.1% compared to the high figure from 2Q04. The second quarter included a number of investment disposals that resulted in gains that were included in non-operating income.

Earnings per ordinary share (EPS) for the quarter were NT\$0.65. Earnings per ADS (EPADS) were US\$0.096. This compares with 2Q04 earnings per ordinary share and ADS of NT\$0.76 and US\$0.112 respectively. One ADS represents five Taiwan listed ordinary shares. There were 16,939,523,025 basic weighted average outstanding shares in 3Q04. This compares to 16,650,444,591 shares in 2Q04 and 16,609,738,923 shares in 3Q03. Diluted weighted average outstanding shares were 17,247,264,436 shares in 3Q04, compared with 16,996,418,755 shares in 2Q04 and 16,909,720,380 shares in 3Q03. These share increases in 3Q03 were primarily due to new share issuance for the SiSMC acquisition.

Detailed Financials Section

Depreciation and amortization were NT\$10.43 billion in 3Q04, compared with NT\$9.27 billion in 2Q04. Depreciation within COGS increased 8.3% to NT\$9.27 billion, mainly due to depreciation related to Fab 8S since July 1st. The sequential increase of other manufacturing costs within COGS to NT\$13.65 billion was due to increased wafer shipments and the higher costs at UMCi. Total operating expenses increased 18.7% to NT\$2.93 billion. R&D expense, which was 4.9% of revenue, increased 21.7% QoQ to NT\$1.68 billion. This was primarily due to increased developmental costs for 90nm and below process technologies at Fab 12A.

Net non-operating income was NT\$2.18 billion. Gains on the disposal of investments were NT\$2.24 billion, mainly from the sale of AU Optronics shares. Net investment income mainly consisted of NT\$851 million in cash dividends. The investment losses of NT\$264 million from UMCi and NT\$231 million from SiS in 3Q04 were offset by positive income from other investments.

Net cash inflow was NT\$2.78 billion in 3Q04. Operating cash inflow was NT\$21.06 billion, a NT\$4.72 billion sequential increase. The decrease in investing cash outflow primarily reflects the disposal of long-term investments. The NT\$6.71 billion of financing cash outflow was mainly due to the repayment of short-term and long-term loans. Over the next 12 months, we expect to repay NT\$8.39 billion of our bonds payable and pay NT\$2.92 billion to buy back 5% of UMCi shares.

COGS & Expenses					
(Amount: NT\$ million)	3Q04	2Q04	QoQ % change	3Q03	YoY % change
Revenue	34,580	29,177	18.5	21,539	60.5
COGS	(22,917)	(19,119)	19.9	(16,485)	39.0
Depreciation	(9,266)	(8,553)	8.3	(8,171)	13.4
Other Mfg. Costs	(13,651)	(10,566)	29.2	(8,314)	64.2
Gross Profit	11,663	10,058	16.0	5,054	130.8
Gross Margin (%)	33.7%	34.5%		23.5%	
Total Operating Exp.	(2,926)	(2,466)	18.7	(2,465)	18.7
G&A	(667)	(603)	10.6	(562)	18.7
Sales and Marketing	(579)	(482)	20.1	(373)	55.2
R&D	(1,680)	(1,381)	21.7	(1,530)	9.8
Operating Income	8,737	7,592	15.1	2,589	237.5
Operating Margin (%)	25.3%	26.0%		12.0%	

Non-operating Income (Expenses)			
(Amount: NT\$ million)	3Q04	2Q04	3Q03
Net Non-operating Income (Exp.)	2,177	5,111	2,015
Net Interest Income (Expense)	(114)	(113)	(64)
Net Investment Income (Loss)	886	99	557
Gain on Disposal of Investment	2,242	6,193	1,372
Exchange Gain (Loss)	49	(335)	112
Others	(886)	(733)	38

Cash Flow Summary		
(Amount: NT\$ million)	For the 3-Month Period Ended Sep. 30, 2004	For the 3-Month Period Ended Jun. 30, 2004
Cash Flow from Operations	21,059	16,342
Net Income (Loss)	10,914	12,702
Depreciation & Amortization	10,432	9,269
Changes in working capital	800	137
Others	(1,087)	(5,766)
Cash Flow from Investing	(11,565)	(13,907)
Capital Expenditures	(15,140)	(11,216)
Others	3,575	(2,691)
Cash Flow from Financing	(6,712)	(6,977)
Net Cash Flow	2,782	(4,542)

Cash and cash equivalents increased by NT\$2.78 billion to NT\$85.27 billion due to higher cash inflow from operations. The increase in notes and accounts receivable is mainly due to the upward trend of our business. Days sales outstanding² decreased to 44 days, and average inventory turnover decreased to 36 days.

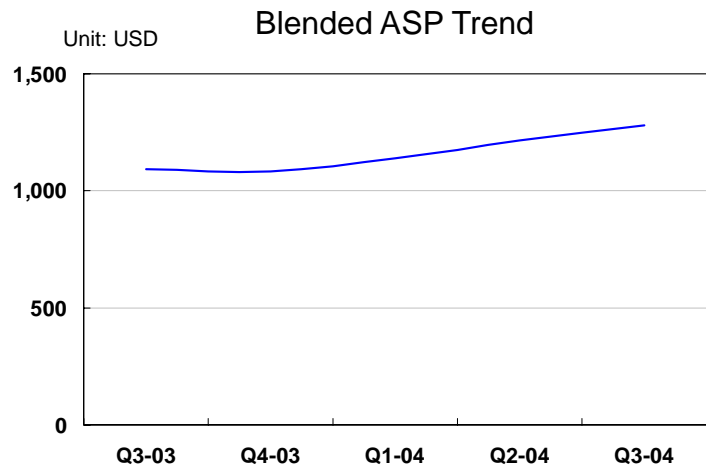
Current Assets			
(Amount: NT\$ billion)	3Q04	2Q04	3Q03
Cash & Cash Equivalents	85.27	82.49	79.30
Notes & Accounts Receivable	17.42	15.70	11.57
Days Sales Outstanding	44	49	52
Inventory	9.03	8.62	7.32
Avg. Inventory Turnover	36	42	42
Total Current Assets	119.85	114.46	106.59

Total liabilities increased slightly by NT\$1.78 billion to NT\$72.27 billion in 3Q04. The increase in accounts payable was primarily due to the incremental payment for new equipment. As a result, the company's debt to equity ratio decreased to 27%.

Liabilities			
(Amount: NT\$ billion)	3Q04	2Q04	3Q03
Total Current Liabilities	32.02	30.09	28.36
Accounts Payable	6.43	4.88	3.85
Short-term Credit / Bonds	8.39	10.84	15.13
Others	17.20	14.37	9.38
Long-term Liabilities	33.83	33.84	54.58
Total Liabilities	72.27	70.49	89.41
Debt to Equity	27%	29%	41%

Blended Average Selling Price Trend

The blended average selling price (ASP) rose 5% quarter-over-quarter mainly due to an increase in wafer shipments for advanced technology products.



² Days Sales Outstanding = 365 / [(Operating revenues for three-month period end *4) / [(Beginning NR&AR balance, net + Ending NR&AR balance, net)/2]]
 Average Inventory Turnover = 365 / [(COGS for three-month period end *4) / [(Beginning Inventory balance, net + Ending Inventory balance, net)/2]]

Analysis of Revenue³

The percentage of revenue contributed from Europe grew to 19% in 3Q04 while the percentage of revenue from the Asia Pacific region decreased to 33% in the quarter.

Revenue Breakdown by Region

Region	3Q03	4Q03	1Q04	2Q04	3Q04
North America	40%	39%	43%	44%	44%
Asia Pacific	38%	41%	37%	35%	33%
Europe	18%	17%	16%	17%	19%
Japan	4%	3%	4%	4%	4%

The percentage of revenue from 90nm, 0.13 and 0.15-micron geometries grew to 2%, 18% and 15%, respectively, in the third quarter due to an increase of high-end capacity that was available to satisfy demand. The percentage of revenue from 0.18-micron and below technologies in the third quarter increased to 60%, compared to 53% in 2Q04.

Revenue Breakdown by Geometry

Geometry	3Q03	4Q03	1Q04	2Q04	3Q04
90nm	0%	0%	0%	1%	2%
0.13um	9%	12%	12%	13%	18%
0.15um	8%	9%	9%	12%	15%
0.15um<x<=0.18um	26%	25%	29%	27%	25%
0.18um<x<=0.25um	25%	22%	19%	19%	14%
0.25um<x<=0.35um	22%	23%	21%	19%	17%
0.5um and above	10%	9%	10%	9%	9%

Revenue from IDM customers accounted for 32% of revenue in 3Q04.

Revenue Breakdown by Customer Type

Customer Type	3Q03	4Q03	1Q04	2Q04	3Q04
Fabless	71%	71%	72%	70%	68%
IDM	29%	29%	28%	30%	32%
System	0%	0%	0%	0%	0%

The revenue breakdown from the communication, computer and consumer market segments in 3Q04 remained unchanged over 2Q04.

Revenue Breakdown by Application ⁽¹⁾

Application	3Q03	4Q03	1Q04	2Q04	3Q04
Computer	28%	26%	24%	20%	20%
Communication	34%	38%	42%	44%	44%
Consumer	32%	31%	30%	32%	32%
Memory	4%	3%	3%	2%	2%
Others	2%	2%	1%	2%	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. All revenue breakdown tables exclude JV's and subsidiaries.

Capacity⁴

Capacity for 3Q04, including UMCi, was 846 thousand 8-inch equivalent wafers. The incremental increase in capacity of 132 thousand 8-inch equivalent wafers during 3Q04 was mainly due to capacity expansion at Fab12A and UMCi and recognized capacity from Fab 8S. We are estimating that installed capacity in the fourth quarter will be 918 thousand 8-inch equivalent wafers. The increase in estimated capacity during the fourth quarter is primarily due to the additional 12-inch capacity expansion at 300mm fabs. However, approximately 1% of this installed capacity will be unavailable for use due to annual maintenance at UMCi and Fab 8E that is scheduled in October and December, respectively.

**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	792
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	131
Fab 12A	12"	22	119	234	392
Subtotal ⁽¹⁾		2,885	2,578	2,646	3,057
UMCi	12"	0	0	0	101
Total		2,885	2,578	2,646	3,158
YoY Growth Rate		24%	-11%	3%	19%

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

FAB	1Q04	2Q04	3Q04	4Q04E
Fab 6A	88	86	86	86
Fab 8AB	196	196	200	200
Fab 8C	90	96	99	105
Fab 8D	58	61	65	72
Fab 8E	96	101	102	102
Fab 8F	81	81	92	95
Fab 8S	0	0	60	71
Fab 12A	68	84	113	127
Subtotal	677	705	817	858
UMCi	3	9	29	60
Total	680	714	846	918

⁽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.

Shipment and Utilization Rate⁵

8-inch equivalent wafer shipments increased sequentially by 81k pcs to 791k pcs. This represents an 11.4% QoQ increase. The utilization rate for the quarter was 94%.

Wafer Shipments

	3Q03	4Q03	1Q04	2Q04	3Q04
Wafer Shipments (K 8-inch eq.)	546	644	647	710	791

Quarterly Capacity Utilization Rate

	3Q03	4Q03	1Q04	2Q04	3Q04
Utilization Rate	84%	96%	100% ⁽¹⁾	99%	94%
Total Capacity (K 8-inch eq.)	659	672	680	714	846

⁽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.

CAPEX

UMC will keep its planned CAPEX spending for 2004 unchanged at US\$1.18 billion. Capital expenditure for UMC and UMCi during the third quarter was US\$446 million and US\$269 million, respectively. By the end of the third quarter of 2004, UMC and UMCi's year-to-date CAPEX totaled US\$950 million and US\$759 million, respectively.

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

⁵ Quarterly utilization rate = Quarterly wafer out / Estimated quarterly capacity

Long-term Investments⁶

Consolidated Long-term Investments as of September 30, 2004

(Amount: NT\$ million)	As of End of 3Q04				As of End of 2Q04			
	Book value	%	Fair value	%	Book value	%	Fair value	%
Foundry Industry	42,173	59	40,845	42	42,535	58	43,879	42
Strategic Semiconductor Investments	12,394	18	36,748	38	13,129	18	38,191	37
Other Investments	16,573	23	19,055	20	17,377	24	22,296	21
Total	71,140	100	96,648	100	73,041	100	104,366	100

As of September 30, 2004, the total book value of long-term investments held by UMC was NT\$71.14 billion, and the estimated fair value of long-term investments was NT\$96.65 billion. The decrease in book value of foundry industry investments and strategic semiconductor investments is mainly due to the recognition of losses in the Company's investments in UMCi and SiS. The decrease in fair value of strategic semiconductor investments is mainly due to the decrease in the share prices of several investments. The decrease in other investments is due to the disposal of AU Optronics shares and a decrease in the share price of several investments.

In 4Q04, as we expect to liquidate UMCi in order to prepare for the acquisition by UMC, we expect to book a one-time impairment loss of NT\$3.5 billion to recognize the difference between the book value and market value of UMCi.

Recent Developments / Announcements

Oct. 18, 2004	UMC Appoints Lee Chung as Vice President of Corporate Marketing
Sep. 20, 2004	UMC Expands Embedded Memory Portfolio to Target Fast Growing Smart Card Market
Sep. 15, 2004	Ricoh Extends Partnership with UMC to 90nm
Sep. 07, 2004	UMC and CADENCE Deliver Digital Reference Flow for Advanced Processes
Aug. 26, 2004	UMC Acquires its Subsidiary Company
Aug. 26, 2004	SRC Expands Fellowship Program Outside of U.S.
Aug. 18, 2004	UMC First Foundry to Introduce 0.18um 32 Volt High Voltage Process
Aug. 02, 2004	UMC Introduces Enhanced Prototyping Program for its Most Advanced Production Technologies

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

⁶ 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 (September of 2004) with the number of shares owned by the UMC Group as of September 30, 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 (September 30, 2004) and is used as the fair value.

Fourth Quarter of 2004 Outlook & Guidance

Quarter-over-quarter Guidance:

- Wafer ASP: flat
- Wafer shipments: a decrease of 15% to 17%
- Capacity utilization rate: approximately 70%
- Profitability: operating profit margins to slip 10 percentage points due to lower utilization rates and wafer shipments
- Percentage of 0.18um & below revenues: in the mid-sixty percent range with revenue from 90nm expected to exceed 5%
- The PC segment is expected to show seasonal strength followed by communication and then consumer segments
- 2005 Capex is expected to be within the range of US\$1 billion to US\$2 billion

Conference Call / Webcast Announcement

Wednesday, October 27, 2004

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

Dial-in numbers and Access Codes:

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Access Code: UMC

A live webcast and replay of the 3Q04 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, and mixed signal/RFCMOS. UMC is also a leader in 300mm manufacturing; Fab 12A in Taiwan and Singapore-based UMCi are both in volume production for a variety of customer products. UMC employs over 10,500 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. 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 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 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 2003 filed with the U.S. Securities and Exchange Commission on June 17, 2004.

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 31 to the financial statements on Form 20-F filed with the U.S. Securities and Exchange Commission on June 17, 2004.

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 -