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UMC Reports 1Q02 Results

Results reflect a much stronger company; optimistic outlook for coming quarters

1Q02 Highlights[1]:

- **Net sales of NT$12.16 billion (US$347 million)**
- **Net income of NT$216 million (US$6 million)**
- **Earnings per ordinary share of NT$0.02, or earnings per ADS of US$0.003**
- **2002 CAPEX budget doubled to US$1.6 billion**

Taipei, Taiwan, R.O.C. – April 29, 2002 — United Microelectronics Corporation (NYSE: UMC; TAIEX: 2303), (UMC) today reported net income of NT$216 million for the three-month period ending on March 31, 2002, after reporting a loss for the last three consecutive quarters during one of the steepest downturns in the semiconductor industry.

UMC's operating loss for the first quarter narrowed QoQ to NT$2.45 billion, from a loss of NT$5.18 billion for 4Q01. At the same time, gross margin improved to 5.5 percent, from negative 2.1 percent, despite a QoQ decline in revenues of 12.8 percent.

UMC Vice Chairman & CEO John Hsuan said, "The important message that can be gained from our first quarter performance is that today we are a much stronger company than we were just one year ago."

"The unprecedented magnitude of the downturn experienced by the semiconductor industry in 2001 gave us – unfortunately – ample time to reorganize and carefully re-evaluate both internal and external policies. As a result, UMC today is not only a more solid company, but also a significantly more competitive one going forward."

[1] New Taiwan dollar (NT$) amounts have been converted into U.S. dollars at the ratio of NT$35.01 to one U.S. dollar.

"To date, we have made substantial adjustments to our Marketing, Sales and R&D departments, as well as in quality control and fab operations. Among other initiatives, we combined our R&D department and Fab8D into one single Central R&D (CRD) operation. We expect that, as a result of this initiative, we will benefit from an accelerated pace of research advances, thus better facilitating the production of new designs for our customers."

"Looking ahead, we see increasing improvements in the businesses of our customers and expect to continue to grow with them. In line with this, especially in light of the strength seen towards the latter part of the first quarter, we expect to see significant growth in our top line for quarter two. In fact, because of the strong demand pickup in 0.25- and 0.35-micron technologies, we cancelled the sale of the Fab8B 200-mm equipment that was announced in January. This became necessary to meet the growing capacity demand for applications such as optical storage drives, DVD players, LCD drivers and other consumer products. At the same time, during the first quarter we completed the civil works at our second 300-mm facility, UMCi. The Singapore-based fab currently expects to begin installing production equipment in January 2003, with the first pilot production scheduled for the second quarter of that year."

"Finally, in the current quarter we will begin mass production for customers adopting our 130-nanometer process technology. Early adopters include 2.5G/3G handset components, MPU/CPU, FPGA, and Graphic chips. We believe our continuous 130-nanometer generation design wins from the diversified applications of our customers will be the key driver of growth in the coming quarters."

Net Sales

UMC posted net sales for 1Q02 of NT$12.16 billion, representing a 48.5 percent decline from NT$23.59 billion for 1Q01, and a 12.8 percent decline from NT$13.94 billion for 4Q01. Average selling price (ASP) for the quarter declined QoQ by approximately 7 percent, mainly due to the seasonal decline in participation of 0.18-micron and below sales.

Table I shows the quarterly 8-inch equivalent wafer shipments, excluding shipments at UMCJ.

Table I Wafer Shipments, excluding JV's & subsidiaries

	1Q01	2Q01	3Q01	4Q01	1Q02
Wafer Shipments (thousands)	443	345	323	359	308

Tables II through VI offer a breakdown of unconsolidated UMC sales for 1Q02 by region, customer type, technology, application, and device type. Sales at UMCJ are not included in the calculations.

Table II shows a breakdown by geography of UMC sales classified according to the customer's geographical location.

Table II Breakdown by Geography, excluding JV's & subsidiaries

REGION	4Q00	1Q01	2Q01	3Q01	4Q01	1Q02
North America	47%	46%	39%	35%	32%	29%
Asia Pacific	27%	24%	36%	47%	49%	54%
Europe	24%	28%	21%	15%	15%	14%
Japan	2%	2%	4%	3%	4%	3%

Table III shows a breakdown of UMC sales by customer type with customers classified as fabless companies, integrated device manufacturers (IDMs) and system companies.

Table III Breakdown by Customer Type, excluding JV's & subsidiaries

CUSTOMER TYPE	4Q00	1Q01	2Q01	3Q01	4Q01	1Q02
Fabless	70%	67%	71%	81%	78%	82%
IDM	26%	28%	28%	18%	21%	17%
System	4%	5%	1%	1%	1%	1%

Table IV shows a breakdown of UMC sales by technology divided into 0.18-micron and below; between 0.18-micron and 0.25-micron; between 0.25-micron and 0.35-micron; and, 0.50-micron and above.

Table IV Breakdown by Technology, excluding JV's & subsidiaries

TECHNOLOGY	4Q00	1Q01	2Q01	3Q01	4Q01	1Q02
<= 0.18um	17%	23%	14%	17%	20%	15%
0.18um < x <= 0.25um	37%	32%	37%	34%	23%	27%
0.25um < x < = 0.35um	28%	21%	27%	31%	41%	40%
>= 0.5um	18%	24%	22%	18%	16%	18%

Table V shows the breakdown by application. *Computer* consists of ICs such as HD controllers, DVD-ROM/CD-ROM drivers, LCD drivers, System DRAM and graphic processors. *Communication* consists of xDSL, DSP, WLAN, LAN controllers, Low Power-SRAM, handset components and others. *Consumer* consists of ICs used for DVD players, PDAs, smart card ICs, game consoles, digital cameras, caller ID devices and others.

Table V Breakdown by Application, excluding JV's & subsidiaries

APPLICATION	4Q00	1Q01	2Q01	3Q01	4Q01	1Q02
Computer	33%	25%	31%	39%	41%	39%
Communication	40%	48%	34%	21%	22%	23%
Consumer	23%	26%	34%	38%	36%	36%
Others	4%	1%	1%	2%	1%	2%

Table VI shows the breakdown by device type. *Logic/Mixed Mode*, *DRAM*, *SRAM* and *Non-Volatile Memory*. The Logic/Mixed Mode process is used for chips such as ASIC, FPGA, MPU, MCU, graphic processors, and other. The *DRAM* process is used for chips such as EDO DRAM, SGRAM, router CAM, eDRAM and other. The *SRAM* process consists of chips such as high speed SRAM, low power SRAM, eSRAM and other. The *Non-Volatile Memory* process consists of FLASH, EEPROM, CPLD, Mask ROM, and other.

Table VI Breakdown by Device Type, excluding JV's & subsidiaries

DEVICE TYPE	4Q00	1Q01	2Q01	3Q01	4Q01	1Q02
Logic/Mixed Mode	63%	63%	68%	66%	83%	84%
DRAM	13%	10%	7%	12%	2%	3%
SRAM	5%	4%	4%	5%	4%	1%
Non-Volatile	19%	23%	21%	17%	11%	12%

Gross profit and gross margin

Gross profit for the quarter was NT$674 million, compared with a gross profit of NT$9.60 billion for 1Q01 and a loss of NT$288 million for 4Q01. Gross margin for the quarter was 5.5 percent, compared with gross margin of 40.7 percent for 1Q01 and negative 2.1 percent for 4Q01. The QoQ improvement in gross margin was mainly due to the inventory clean up of the Licensed Products Division (LPD) in 4Q01, which was closed in 3Q01.

Operating expenses

Operating expenses for the quarter increased YoY by 4.3 percent to NT$3.13 billion, or 25.7 percent of net sales, from 12.7 percent for the year-ago quarter at NT$3.00 billion, and from 35.1 percent for 4Q01 at NT$4.89 billion. R&D expenditures for the quarter represented 63.7 percent of operating expenses, or 16.4 percent of net sales. Operating expenses dropped significantly from the previous quarter. In Q401, operating expenses reached extraordinary levels due to a significant rise in activities related to new design tapeouts and the resumption of regular employee salary adjustments.

Investment income (loss)

Investment income for 1Q02 was NT$405 million, compared with an investment income of NT$140 million for 1Q01 and an investment loss of NT$366 million for 4Q01. Investment income for 1Q02 included a loss of NT$391 million for the now-ended JV Trecenti, and income of NT$148 million at UMCJ.

Non-operating income

Net non-operating income for 1Q02 was NT$2.67 billion, of which NT$1.99 billion was a gain from the sale of 2.86 million shares in MediaTek, a leading fabless semiconductor design company, which was spun off from UMC in 1997.

Capacity & Capital Expenditures

For fiscal year 2002, UMC currently expects to make unconsolidated capital expenditures of US$1.6 billion, double the US$800 million initially forecasted at the end of 2001. Better than expected demand drove the acceleration in capacity expansion. The CAPEX plan will be mainly used for Fab12A capacity expansion, 130-nanometer copper modules in Fab8D, and a small portion to alleviate operation bottlenecks at other fabs. The Company remains committed to its 12-inch expansion plan. With respect to the expansion schedule of UMCi, it was readjusted to better reflect the changing demand. At this stage, the Company expects to initiate equipment installation at UMCi in 1Q03.

Tables VII offers a detailed breakdown of UMC's planned CAPEX by year. The 2002 CAPEX figure does not include UMCJ and UMCi.

Table VII Capital Expenditures by Year, excluding JV's & subsidiaries

CAPEX PLAN – IN BILLIONS OF US$					
Year	**1998**	**1999**	**2000**	**2001**	**2002(e)**
	$1.7	$1.9	$2.8	$1.1	$1.6

Table VIII summarizes the estimated annual full capacity of each fab for the years 1999 through 2001 and the expected capacity at each fab for 2002. Because of the capacity migration to increased finer line-width geometries, all 8-inch fab capacity is shown as shrinking in 2002(e).

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

FAB		Geometry (um)	1999	2000	2001	2002(e)
Fab 5A[1]	5"	>0.8	159	33	--	--
Fab 6A	6"	3.5-0.45	318	348	345	349
Fab 8A	8"	0.35 – 0.25	375	491	528	470
Fab 8B	8"	0.35 – 0.18	405	435	415	394
Fab 8C	8"	0.35 – 0.15	213	416	460	394
Fab 8D	8"	0.25 – 0.09	--	94	290	251
Fab 8E	8"	0.35 – 0.18	180	373	474	374
Fab 8F	8"	0.25 – 0.15	--	139	351	361
Fab 12A	12"	0.18 – 0.13	--	--	22	125
Total (8" eq.) [2]			**1650**	**2329**	**2885**	**2718**
YoY Growth Rate			35%	41%	24%	-6%

(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.

Table IX shows the quarterly capacity utilization rates, which were calculated from quarterly wafer-out quantity divided by total 8-inch equivalent capacity.

Table IX Quarterly Capacity Utilization Rate, excluding JV's & subsidiaries

	1Q01	2Q01	3Q01	4Q01	1Q02
Utilization rate (%)	70%	44%	36%	48%	50%
Total Capacity (8-inch eq. in thousands)	665	728	742	750	616

Table X summarizes the estimated quarterly full capacity from 1Q01 through 4Q02(e).

Table X Quarterly Capacity Plan by fab[2] in thousands of 8-inch wafer equivalents, excluding JV's & subsidiaries

FAB	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02(e)	3Q02(e)	4Q02(e)
Fab 6A	79	88	89	89	82	89	89	89
Fab 8A	125	133	135	135	113	119	119	119
Fab 8B	94	105	108	108	89	89	108	108
Fab 8C	107	117	118	118	93	100	100	101
Fab 8D	65	75	75	75	59	64	64	64
Fab 8E	114	120	120	120	90	94	95	95
Fab 8F	81	90	90	90	75	79	96	111
Fab 12A			7	15	15	20	30	60
Total (8-inch eq.)	**665**	**728**	**742**	**750**	**616**	**654**	**701**	**747**

Net Income/Loss[3]

Net income for 1Q02 was NT$216 million, compared with a net loss of NT$3.75 billion for 4Q01. Net income for the same quarter in 2001 was NT$6.47 billion. Net margin for the quarter increased to 1.8 percent, from negative 26.9 percent for 4Q01. Net margin for the year-ago same period was 27.4 percent.

Income per ADS for the quarter was US$0.003. One ADS represents five Taiwan-listed ordinary shares.

Second Quarter of 2002 Outlook & Guidance

Revenue for the second quarter of 2002 is expected to show strong QoQ growth with capacity utilization rate growing to approximately 70 percent, from 50 percent for 1Q02. ASP per wafer should also improve QoQ by high single digit percentage points due to better sales mix. Operating profit margin, as a result, is expected to return to the positive territory.

[2] 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.
[3] Net income per ordinary share for 1Q02 under ROC GAAP was NT$0.02. Total weighted average outstanding shares for 1Q02, were 12,713,949,993 shares, compared with 13,298,095,694 shares for 1Q01. Total weighted average outstanding shares for 4Q01 were 13,169,235,416 shares.

Recent Developments & News

Trident and UMC Announce Industry Breakthrough Performance-Per-Watt DX8.1 Graphics Processor for Notebooks

On April 16, 2002, Trident Microsystems, Inc. (Nasdaq: TRID), and UMC announced that Trident is now sampling the XP4 the industry's first 3D graphics processor fabricated using UMC's advanced 130-nanometer CMOS process technology. The XP4 fully implements the DirectX 8.1 graphics standard from Microsoft and delivers one billion pixels/sec performance while consuming less than three watts (max). The breakthrough performance-per-watt is more than twice that of all other competitors.

The XP4 uses only 30 million transistors, which is less than half the number of transistors of the nearest desktop equivalent in functionality and performance.

UMCi Holds Topping Off Ceremony for 300-mm Semiconductor Fab in Singapore

On April 11, 2002, UMCi, the Singapore-based joint venture between the world-leading semiconductor foundry UMC, Infineon Technologies AG (IFX), and EDBI, held the topping off ceremony for its 300-mm wafer fab in the Pasir Ris Wafer Fab Park in Singapore. Robert Tsao, Chairman of UMC and UMCi, and UMCi President Chris Chi hosted the event. The "topping off" ceremony was held to commemorate the completion of the roofing structure of the fab, an important milestone in the completion of the civil construction stage of the facility. UMCi is now on a new schedule to install production equipment in January 2003 in preparation for pilot production in the following quarter.

Investment in the facility is expected to reach US$3.6 billion, with a total planned capacity of 40,000 wafers per month. Production will begin in the second quarter of 2003 and will focus on large die-size system-on-chip (SOC) chips utilizing UMC's advanced 130-nanometer and 90-nanometer copper/low k process technologies.

UMC and Micronas Collaborate on Low-cost, High-performance Flat-panel Video Controller ICs

On April 2, 2002, Micronas, the Germany-based IC developer, and UMC announced the first-pass silicon success of the DPS 9450 video controller chip. The DPS 9450, designed in UMC's 0.18-micron mixed-mode CMOS technology, provides a single-chip solution that greatly simplifies integration of video and TV functionality for the fast-growing flat-panel display market that includes LCD and plasma displays.

The DPS 9450 is a true system-on-chip design that includes IP, embedded memories, I/Os and customized high-performance analog macros. The combination of these elements into one IC ensures that the DPS 9450 controller chip is able to deliver higher performance with greater efficiency at lower system costs over traditional multi-chip configurations.

UMC Appoints John Hsuan as CEO

On April 1, 2002, UMC announced that effective April 1st, Robert Tsao will no longer serve as the company CEO. The position will be taken over by Vice Chairman John Hsuan, while Robert will continue to serve as Chairman for the company.

UMC expressed, "This top-level reorganization will allow our management team to maximize our efficiency by allowing us to better specialize our individual efforts. Vice Chairman John Hsuan possesses extensive sales and marketing experience, making him a particularly ideal candidate for the CEO position. This move also reflects UMC's customer-centric mentality, as it will create a more dynamic management team allowing us to further focus our efforts towards gaining market share as the industry recovers."

UMC Board Passes Dividend Proposal

On March 14, 2002, UMC held a meeting of the Board of Directors and Supervisors, at which the Board passed the following items for proposal at the 2002 General Shareholders Meeting to be held on June, 3, 2002 (Monday) at 9:30 AM (Taipei Time) at the Hsinchu Science Park Workers Recreation Center:

1. The company's revenue for 2001 was NT$64,493 million with an after tax loss of NT$3,157 million. This is an after tax loss of NT$0.24 per share.

2. The company adopted a proposal for the distribution of a stock dividend of 150 common shares for every 1000 shares held by shareholders.

3. The company will issue 171,132,018 new shares for distribution as employee bonuses.

ARM and UMC Expand Foundry Program Alliance

On Mar. 12, 2002 - UMC and ARM [(LSE: ARM); (Nasdaq: ARMHY)], the industry's leading provider of embedded RISC processor technology, today announced that UMC has licensed the ARM946E™ core and the ARM1022E™ core. With this new agreement, UMC, an ARM Foundry Program Partner, offers an expanded portfolio of ARM® cores to designers of ARM core-based solutions.

XILINX and UMC Announce Revolutionary CPLD Process Roadmap

On February 25, 2002, Xilinx, Inc. (NASDAQ:XLNX) and UMC unveiled the industry's first CPLD process technology scalable to 90-nanometer. Xilinx began shipping samples of its 0.18-micron, 1.8 volt CoolRunner-II RealDigital CPLDs, based on the new process technology, late in 2001 and plans introduction of a 130-nanometer CPLD process in the first half of 2003. The 130-nanometer devices will operate at 1.5 to 1.2 volt.

Hitachi and UMC End Trecenti Joint Venture Agreement

On February 19, 2002, Hitachi, Ltd. (Hitachi)(NYSE: HIT) and UMC announced that they have agreed to discontinue the joint management of Trecenti Technologies, Inc. (Trecenti), the 300mm fab company located in Hitachinaka City, Ibaraki prefecture, Japan. In early April, UMC transferred its 40% equity interest in Trecenti to Hitachi. UMC will concentrate on its wholly owned Fab 12A in Taiwan and UMCi subsidiary in Singapore, while Hitachi focuses on Trecenti.

About UMC

UMC (NYSE: UMC, TSE: 2303) is a world-leading semiconductor foundry that manufactures advanced process ICs for applications spanning every major sector of the semiconductor industry. UMC delivers the cutting-edge foundry technologies that enable sophisticated system-on-chip (SOC) designs, including 130-nanometer copper/low k, embedded DRAM, and mixed signal/RFCMOS. In addition, UMC is a leader in 300mm manufacturing with three strategically located 300mm fabs to serve our global customer base: Fab 12A in Taiwan, UMCi in Singapore (completion in early 2002), and AU Pte. Ltd., a joint venture facility with AMD that is also located in Singapore (production in 2005). 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 are "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 which 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 disasters, including terrorist activity and armed conflict, 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 Registration Statement on Form F-3 filed with the U.S. Securities and Exchange Commission on January 2, 2002, as amended and supplemented.

The financial statements included in this release were 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 notes to the financial statements on Form 6-K filed with the U.S. Securities and Exchange Commission on March 29, 2002.

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 -