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UMC 2Q02 Revenues Jump 52.8% QoQ, Expects Further Market Share Gains Ahead

2Q02 Highlights¹:

- Net sales up 52.8% to NT\$18.58 billion (US\$554 million)
- Net income up, to NT\$4.45 billion (US\$133 million)
- Operating income up, at NT\$1.01 billion (US\$30 million)
- Blended average selling price up approximately 8% QoQ
- EPS of NT\$0.35, or EPADS of US\$0.052

Taipei, Taiwan, R.O.C. – July 30, 2002 — United Microelectronics Corporation (NYSE: UMC; TAIEX: 2303), (UMC) today reported a return to operating profitability and a jump in net income for the second quarter of 2002 to NT\$4.45 billion, from NT\$216 million for 1Q02. Operating income for the quarter was NT\$1.01 billion, compared with a loss of NT\$2.45 billion for 1Q02. At the same time, gross margin for the quarter improved significantly to 22.6 percent, from 5.5 percent for 1Q02.

UMC Vice Chairman & CEO John Hsuan said, “We are extremely pleased with our results for the quarter, especially the significant quarter-over-quarter growth in sales that topped our forecast. Clearly, even more important is our return to operating profitability.”

“Strong demand growth from our customers, in particular from the consumer and communication sectors, was the main driver behind our performance for the quarter. Additionally, our blended average selling price benefited from the accelerated ramp-up schedule of our customers’ state-of-the-art products adopting UMC’s most advanced technology processes.”

“During the second quarter, the combination of our industry-best customized co-engineering, customer-oriented services, and advanced technology manufacturing

¹ Unless otherwise stated, all financial figures discussed in this announcement are unaudited, unconsolidated, prepared in accordance with ROC GAAP, and represent comparisons between the three-month period ended June 30, 2002, and the equivalent three-month periods ended June 30, 2001. For all 2Q02 results, New Taiwan dollar (NT\$) amounts have been converted into dollars at the exchange rate of NT\$33.55 to one U.S. dollar.

capability resulted in an expansion in market share. In fact, we continue to see growth in our customer base and were extremely encouraged by the record-setting 2800-plus guests who attended UMC’s technology forums worldwide in June.”

“Supplementing the strength of our performance for this quarter, we are getting very positive feedback on our innovative Joint Engineering Effort (JEE) agreement model from IDM customers. The JEE program not only allows the continuity of IDM’s technology ownership but also ties in the foundry manufacturing relationship. We expect to see further market share expansion into coming quarters as several indicators already point to stronger IDM outsourcing in second half of this year and the foreseeable future.”

Net Sales

UMC posted net sales for 2Q02 of NT\$18.58 billion, representing a YoY 23.8 percent increase from NT\$15.00 billion for 2Q01, and a QoQ 52.8 percent increase from NT\$12.16 billion for 1Q02. Blended average selling price (ASP) in U.S.\$ for the quarter increased QoQ by approximately eight percent. This was mainly due to an improved product mix, as 0.18-micron and below sales for the quarter jumped to 23 percent, from 15 percent for 1Q02, while the percentage of 0.35-micron and above sales diminished.

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

Table I Wafer Shipments, excluding JV’s & subsidiaries

	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02
Wafer Shipments (thousands)	443	345	323	359	308	467

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

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

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

REGION	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02
North America	46%	39%	35%	32%	29%	35%
Asia Pacific	24%	36%	47%	49%	54%	50%
Europe	28%	21%	15%	15%	14%	11%
Japan	2%	4%	3%	4%	3%	4%

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

Table IV shows a breakdown of UMC sales by technology.

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

TECHNOLOGY	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02
0.15um and below	0%	2%	4%	3%	5%	6%
0.18um	23%	12%	13%	17%	10%	17%
0.18um < x <= 0.25um	32%	37%	34%	23%	27%	28%
0.25um < x <= 0.35um	21%	27%	31%	41%	40%	33%
0.5um and above	24%	22%	18%	16%	18%	16%

Table V shows the breakdown of UMC sales 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	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02
Computer	25%	31%	39%	41%	39%	31%
Communication	48%	34%	21%	22%	23%	28%
Consumer	26%	34%	38%	36%	36%	39%
Others	1%	1%	2%	1%	2%	2%

Table VI shows the breakdown of UMC sales 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, and graphic processors. The *DRAM* process is used for chips such as EDO DRAM, SGRAM, router CAM, and eDRAM. The *SRAM* process consists of chips such as high speed SRAM, low power SRAM, and eSRAM. The *Non-Volatile Memory* process consists of FLASH, EEPROM, CPLD, and Mask ROM.

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

DEVICE TYPE	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02
Logic/Mixed Mode	63%	68%	66%	83%	84%	82%
DRAM	10%	7%	12%	2%	3%	3%
SRAM	4%	4%	5%	4%	1%	1%
Non-Volatile	23%	21%	17%	11%	12%	14%

Gross profit and gross margin

Gross profit for the quarter was NT\$4.21 billion, representing a 78.9 percent increase from NT\$2.35 billion for 2Q01. QoQ, gross profit improved by 523.9 percent, from NT\$674 million. Gross margin for the period was 22.6 percent, compared with gross margin of 15.7 percent for 2Q01 and 5.5 percent for 1Q02. The QoQ improvement in gross margin was mainly due to the significant increase in revenues for the period.

Operating expenses

Operating expenses for the quarter increased YoY by 2.4 percent to NT\$3.20 billion, or 17.2 percent of net sales, from 20.8 percent for the year-ago quarter at NT\$3.12 billion, and from 25.7 percent for 1Q02 at NT\$3.13 billion. R&D expenditures for the quarter represented 64.1 percent of operating expenses, or 11.0 percent of net sales.

Non-operating income

Net non-operating income for 2Q02 was NT\$3.44 billion, of which NT\$3.25 billion was a gain from the sale of 105 million shares in AU Optronics, a world-leading manufacturer of large-size thin film transistor liquid crystal display (TFT-LCD) panels; NT\$1.40 billion was a disposal gain from UMC's withdrawal from the Trecenti joint venture; and, NT\$673 million was a gain from the sale of MediaTek shares. In addition, during the quarter the Company wrote off long-term investments for a total of NT\$976 million, including a loss of NT\$561 million for Pixtech, a flat panel display company using Field Emission Display ("FED") technology, and a loss of NT\$244 million for Tonbu, a startup company providing e-commerce platform solutions.

Capacity & Capital Expenditures

For fiscal year 2002, UMC currently expects to make total unconsolidated capital expenditures of US\$1.3 billion, slightly down from the US\$1.6 billion forecasted in 1Q02 to more accurately reflect UMC's own most recent customer demand forecast. Within the revised CAPEX plan, UMC remains committed to spend in full the amounts originally budgeted for Fab12A capacity expansion and 130-nanometer copper modules. On the other hand, UMC will reduce to the amount allocated to increase eight-inch wafer capacity for Fab 8F.

Capacity for 2Q02 was 649 thousands eight-inch equivalent wafers. UMC currently estimates that 3Q02 capacity will be slightly down to 641 thousands eight-inch equivalent wafers, mainly due to a capacity adjustment across fabs. Fab 8C, Fab 8D and Fab 8E equipment will be reshuffled to optimize each fab's productivity, and Fab 8D will be transformed into a full copper production line.

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	\$1.3

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
Fab 8AB	8"	0.35 – 0.18	780	926	943
Fab 8C	8"	0.35 – 0.15	213	416	460
Fab 8D	8"	0.18 – 0.09	--	94	290
Fab 8E	8"	0.35 – 0.18	180	373	474
Fab 8F	8"	0.25 – 0.15	--	139	351
Fab 12A	12"	0.18 – 0.13	--	--	22
Total (8" eq.)⁽²⁾			1650	2329	2885
YoY Growth Rate			35%	41%	24%

(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	2Q02
Utilization rate (%)	70%	44%	36%	48%	50%	72%
Total Capacity (8-inch eq. in thousands)	665	728	742	750	616	649

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

Table X Quarterly Capacity Plan by fab² in thousands of 8-inch wafer equivalents, excluding JV's & subsidiaries

FAB	1Q02	2Q02	3Q02(e)	4Q02(e)
Fab 6A	82	89	89	89
Fab 8AB	202	208	227	233
Fab 8C	93	100	79	85
Fab 8D	59	59	43	56
Fab 8E	90	94	100	111
Fab 8F	75	79	73	87
Fab 12A	15	20	30	60
Total (8-inch eq.)	616	649	641	721

Net Income

Net income for 2Q02 was NT\$4.45 billion, compared with net income of NT\$216 million for 1Q02. For the second quarter of 2001, UMC posted a net loss of NT\$1.85 billion. Net margin for the quarter improved to 23.9 percent, from 1.8 percent for 1Q02 and negative 12.4 percent for the year-ago equivalent period.

Earnings per ordinary share (EPS) for the quarter were NT\$0.35, or earnings per ADS (EPADS) of US\$0.052, compared with loss per ordinary share for the equivalent quarter last year of NT\$0.14, or a loss per ADS of US\$0.021. One ADS represents five Taiwan-listed ordinary shares. Total weighted average outstanding shares for 2Q02 were 12,683,878,994 shares, compared with 12,713,949,993 shares for 1Q02 and 13,297,773,285 shares for 2Q01.

Third Quarter of 2002 Outlook & Guidance

ASP per wafer in NT\$ for the third quarter of 2002 should improve QoQ by seven percent, or 10 percent plus in U.S.\$, as a result of an expected improvement in the sales mix. Wafer shipments for 3Q02 are expected to decline by approximately five percent, from 467 thousand eight-inch wafer equivalents for 2Q02. Operating margin for the quarter is expected to be in the high single digit percentage points and thus operating income for the period should continue to show sequential growth.

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.

Corporate Governance at UMC

Recently, the topic of corporate governance has raised heated discussion and public attention after financial scandals were exposed in other companies. In Taiwan, UMC has been the pioneer in setting standards of corporate discipline and has continuously improved its corporate governance policies.

- Family members of middle management level employees and above are prohibited from being hired.
- UMC management is not allowed to convert ADS.
- Dual listings on the NYSE and TSE, is regulated by their respective regulatory bodies, the U.S. SEC and the R.O.C. SFC. UMC makes available both R.O.C. GAAP financial statements & U.S. GAAP reconciled statements on its website.
- UMC initiated the lowering of the board of director's bonus ratio. Compensation for all Board Directors and Supervisors was reduced from 1% to 0.1% of earnings in 2001.
- UMC initiated the practice of continuously lowering the employee bonus shares payout percentage. UMC lowered the employee bonus shares from 12% of distributable dividend shares to 8% in 1996, and again lowered it from 8% to 5% plus in 2002.
- Dilution from the employee bonus is lower than the industry average and competitors. The average 5 year share dilution rate is about 0.91 percent.

Recent Developments & News

- AMD, Infineon and UMC to jointly develop advanced manufacturing platform technologies - 7/30
- UMC and Intellon produce INT51X1 powerline networking solution - 7/24
- STMicroelectronics and UMC announce multi-year foundry manufacturing agreement and cooperation on manufacturing science - 7/18
- Synad and UMC collaboration delivers Mercury5G chipset: sets industry standard for dual band wireless LAN (WLAN) - 6/27
- More than 2800 guests attended UMC's 2002 Technology Forums in the U.S., Japan, and Taiwan. - 6/26
- UMC's 0.15um copper process enables SandCraft's SR71040A, the industry's highest performance per dollar MIPS64 CPU - 6/24
- UMC launches e-procurement portal - 6/17
- Micronas and UMC form long-term foundry relationship - 6/11
- MIPS Technologies and UMC announce licensing and co-marketing agreement - 6/3
- UMCi awards contracts for next construction phase of 300-mm semiconductor fab - 5/31
- Customers capitalize on AMCC's 0.13-micron CMOS leadership; UMC's 0.13-micron process delivers on promise of high performance, high integration and low power advantages - 5/21
- Matrox and UMC announce collaboration on Matrox Parhelia™-512 graphics chip - 5/20
- UMC and Ricoh broaden long-term manufacturing partnership - 5/13
- Xilinx Virtex series reaches one billion dollars in cumulative revenue, in record time - 5/13

- Faraday expands free library offerings for UMC's 130nm (0.13um) Logic Process - 4/25
- UMC first foundry to offer SuperH, Inc. microprocessor core - 4/23

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

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 0.13um 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 its global customer base: Fab 12A in Taiwan, UMCi in Singapore (pilot production in Q2 2003) 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 Annual Report on Form 20-F 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 29 to the financial statements included in our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on June 13, 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 -