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UMC Reports 2003 Third Quarter Results

4.2% Increase in Sequential Operating Income; Growth Expected to Continue

Third Quarter 2003 Highlights¹:

- **Year-over-year revenue increased 12.5% to NT\$21.54 billion (US\$638 million)**
- **Year-over-year net income increased 195.2% to NT\$4.20 billion (US\$124 million)**
- **Quarter-over-quarter wafer shipments declined 0.7% to 546 thousand 8-inch equivalent wafers; the blended average selling price rose 1% in US dollar terms**
- **EPS of NT\$0.28; EPADS of US\$0.041**
- **Anticipating quarter-over-quarter wafer shipment increase to reach 10% in 4Q03**

Taipei, Taiwan, ROC – October 29, 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 third quarter of 2003.

“We are pleased to report higher profitability in the third quarter. During the quarter, UMC experienced a steady increase in IC demand, driven by consumer applications as well as the computing sector. Demand for communications chips recovered strongly late in the third quarter. For the remainder of the year, we expect communications to be the strongest performing segment followed by the consumer and PC sectors. Anticipating further growth ahead, we are devoting our energy and resources to remaining at the forefront of foundry services to benefit our customers, shareholders, partners and employees,” said UMC CEO Dr. Jackson Hu.

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, 2003, the three-month period ending June 30, 2003, and the equivalent three-month period that ended September 30, 2002. For all 3Q03 results, New Taiwan Dollar (NT\$) amounts have been converted into U.S. dollars at the exchange rate of NT\$33.76 to one U.S. dollar.

Jackson continued, “We are also accelerating our investment in 300mm manufacturing facilities. UMC is the only dedicated foundry in the world that is simultaneously operating two 12-inch fabs. By the end of 2004, we plan to increase total 300mm capacity to 30-thousand 12-inch wafers per month. Our state-of-the-art 12-inch manufacturing facilities ensure that our customers receive the most cost-effective solution for their ICs based on our advanced technologies, such as 0.13um and below. This advantage helps our customers decrease their products' time-to-market and increase productivity through more sophisticated manufacturing.”

“We are now manufacturing the world's first 90nm family of programmable chips for one of our key customers, Xilinx,” said Dr. Hu. “Our 90nm production facilities are running smoothly and we are already increasing the speed of shipments to customers. To ensure that we maintain our leadership position and to demonstrate our commitment to cutting edge technologies, UMC will further strengthen its research and development of 90nm and below process technologies, and assure the availability of a complete catalog of relevant IP for integration in our customers' designs.”

Summary of Operating Results

(Figures in million NT\$)	3Q03	2Q03	QoQ	3Q02	YoY
			% change		% change
Revenue	21,539	21,706	(0.8)	19,152	12.5
Gross Profit	5,054	4,983	1.4	3,735	35.3
Operating Expenses	(2,465)	(2,499)	(1.4)	(2,482)	(0.7)
Operating Profit	2,589	2,484	4.2	1,253	106.6
Non-op Income and Exp.	2,015	610	230.3	175	1051.4
Net Income	4,203	2,687	56.4	1,424	195.2
EPS (NT\$ per share)	0.28	0.17		0.09	
(US\$ per ADR)	0.041	0.025		0.013	

Revenue for 3Q03 was NT\$21.54 billion, which represents a 12.5% YoY increase from NT\$19.15 billion in 3Q02, and a 0.8% QoQ decrease from NT\$21.71 billion in 2Q03. Operating profit for the quarter was NT\$2.59 billion, a 4.2% increase from NT\$2.48 billion in 2Q03. The increase in operating profit is primarily attributable to a richer product mix. Net income for 3Q03 was NT\$4.20 billion, an increase of 56.4% compared with NT\$2.69 billion in 2Q03, and was mainly due to the increase of non-operating income.

Earnings per ordinary share (EPS) for the quarter were NT\$0.28. Earnings per ADS (EPADS) were US\$0.041. This compares with earnings per ordinary share and ADS in 3Q02 of NT\$0.09 and US\$0.013 respectively. One ADS represents five Taiwan listed ordinary shares. Total weighted average outstanding shares in 3Q03 were 15,281,763,875 shares, compared with 15,283,598,816 shares in 2Q03 and 15,393,902,089 shares in 3Q02. Diluted total weighted average outstanding shares, which include the dilution effects of future ECB conversion and issued stock options, were 15,557,761,337 shares in 3Q03, compared with 15,489,942,510 shares in 2Q03 and 15,550,222,944 shares in 3Q02.

Detailed Financials Section

Depreciation and amortization expenses were NT\$9.36 billion in 3Q03, compared with NT\$9.37 billion in 2Q03. Depreciation within COGS increased by 0.7% to NT\$8.17 billion. Total operating expenses decreased by 1.4% to NT\$2.47 billion. Sales and marketing expenses decreased by NT\$84 million to NT\$373 million, mainly due to effective cost reduction efforts. R&D spending increased 3.6% QoQ to NT\$1.53 billion primarily due to increased developmental costs associated with our 90-nanometer generation process technology.

COGS & Expenses					
(Amount: NT\$ million)	3Q03	2Q03	QoQ % change	3Q02	YoY % change
Revenue	21,539	21,706	(0.8)	19,152	12.5
COGS	(16,485)	(16,723)	(1.4)	(15,417)	6.9
Depreciation	(8,171)	(8,114)	0.7	(7,502)	8.9
Other Mfg. Costs	(8,314)	(8,609)	(3.4)	(7,915)	5.0
Gross Profit	5,054	4,983	1.4	3,735	35.3
Gross Margin (%)	23.5%	23.0%		19.5%	
Total Op. Exp.	(2,465)	(2,499)	(1.4)	(2,482)	(0.7)
G&A	(562)	(565)	(0.5)	(662)	(15.1)
Sales and Mktng	(373)	(457)	(18.4)	(253)	47.4
R&D	(1,530)	(1,477)	3.6	(1,567)	(2.4)
Operating Profit	2,589	2,484	4.2	1,253	106.6
Operating Margin (%)	12.0%	11.5%		6.5%	

Net non-operating income for 3Q03 was NT\$2.02 billion. It primarily consisted of NT\$1.37 billion in gains from the disposal of investments, and NT\$791 million in cash dividends. Principal gains on the disposal of investments include a NT\$1.25 billion gain from the sale of MediaTek shares, and a NT\$95 million gain from a partially converted exchangeable bond that was issued on July 15, 2003, for common shares in AU Optronics Corp.

Non-operating Income (Expenses)			
(Amount: NT\$ million)	3Q03	2Q03	3Q02
Net Non-operating Income (Loss)	2,015	610	175
Net Interest Income (Expense)	(64)	(45)	(1)
Net Investment Income (Loss)	557	179	306
Gain on Disposal of Investment	1,372	1,063	77
Exchange Gain (Loss)	112	59	70
Others	38	(646)	(277)

Net cash inflow was NT\$4.36 billion in 3Q03. Compared with the previous quarter, the increased operating cash flow mainly reflects higher profitability during the quarter. Cash flow used in investing activities primarily consisted of UMC's increased investment in UMCi totaling NT\$12.38 billion and equipment expenditures totaling NT\$2.52 billion. Over the next 12 months, we expect to repay NT\$3.49 billion of our long-term loans and to retire NT\$11.64 billion of our bond obligations.

Cash Flow Summary		
(Amount: NT\$ million)	For the 3-Month Period Ended Sep. 30, 2003	For the 3-Month Period Ended Jun. 30, 2003
Cash Flow from Operations	13,850	12,867
Net Income (Loss)	4,203	2,687
Depreciation & Amortization	9,357	9,369
Changes in working capital	1,807	1,508
Others	(1,517)	(697)
Cash Flow from Investing	(13,086)	1,007
Capital Expenditures	(2,517)	(2,593)
Others	(10,569)	3,600
Cash Flow from Financing	3,593	7,783
Net Cash Flow	4,357	21,657

Cash and cash equivalents increased by NT\$4.36 billion to NT\$79.30 billion. Notes & accounts receivable decreased by NT\$1.37 billion to NT\$11.57 billion. On a sequential basis, days sales outstanding² decreased to 52 days, and average inventory turnover decreased to 42 days.

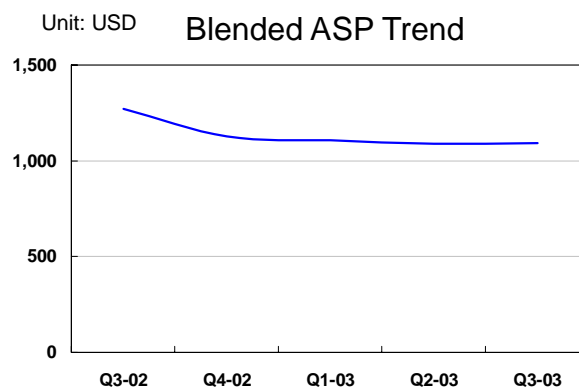
Current Assets			
(Amount: NT\$ Bn)	3Q03	2Q03	3Q02
Cash & Cash Equiv.	79.30	74.94	53.40
Notes & Accounts Receivable	11.57	12.94	11.47
Days Sales Outstanding	52	53	56
Inventory	7.32	7.50	7.67
Avg. Inventory Turnover	42	44	46
Total Current Assets	106.59	102.89	81.66

Total debt increased by NT\$3.21 billion to NT\$89.41 billion in 3Q03. The increase was the net effect of repaying NT\$3.20 billion in long-term loans and issuing a NT\$7.29 billion exchangeable bond in July, which has since been partially converted. As a result, UMC's debt to equity ratio increased slightly to 41%.

Liabilities			
(Amount: NT\$ Bn)	3Q03	2Q03	3Q02
Total Current Liabilities	28.36	31.05	23.07
Accounts Payable	3.85	3.76	2.91
Short-term Credit / Bonds	15.13	15.27	5.58
Others	9.38	12.02	14.58
Long-term Liabilities	54.58	51.09	57.08
Total Debts	89.41	86.20	83.97
Debt to Equity	41%	40%	39%

Blended Average Selling Price Trend

The blended average selling price (ASP) rose 1% during 3Q03 due to increasing demands for advanced processes technologies, such as 0.13um geometry. This was in line with the QoQ ASP guidance previously provided by UMC. For the quarter, the wafer price per technology node was, for the most part, stable.



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

UMC regularly takes advantage of purchase incentives offered by equipment vendors to secure favorable payment terms. As a result of improved terms, UMC has slightly modified its cash based capital expenditure budget to US\$350 million for 2003. By the end of the third quarter of 2003, UMC's YTD capex totaled US\$235 million.

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	\$0.35

In the near term, UMC plans to aggressively expand its 300mm production capacity. By the end of 2004, the Company expects to bring total capacity at Fab12A to 20,000 wafers per month, and total capacity at UMCi to 10,000 wafers per month. UMC is the only dedicated foundry in the world that is simultaneously operating two 12-inch fabs.

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

Shipment and Utilization Rate

546 thousand 8-inch equivalent wafers were shipped in 3Q03, a slight decrease from the 550 thousand 8-inch equivalents shipped in the previous quarter.

Wafer Shipments

	3Q02	4Q02	1Q03	2Q03	3Q03
Wafer Shipments (K 8-inch eq.)	435	434	446	550	546

UMC's utilization rate for the quarter was 84%, which was higher than the approximately 80% we expected in our previously provided guidance.

Quarterly Capacity Utilization Rate

	3Q02	4Q02	1Q03	2Q03	3Q03
Utilization rate	68%	64%	67%	85%	84%
Total Capacity (K 8-inch eq.)	640	673	668	647	659

Analysis of Revenue³

The percentage of revenue contributed from Europe grew to 18% in 3Q03. The percentage of revenue contributed from Asia Pacific and Japan remained stable.

REVENUE BREAKDOWN BY REGION

Region	3Q02	4Q02	1Q03	2Q03	3Q03
North America	43%	41%	39%	43%	40%
Asia Pacific	34%	41%	40%	39%	38%
Europe	20%	15%	18%	14%	18%
Japan	3%	3%	3%	4%	4%

The percentage of revenue from 0.13-micron sales increased to 9%, compared with 6% in 2Q03, mainly due to stronger demand for 0.13um communications chips. The percentage of revenue from 0.18-micron and below technologies in the third quarter increased to 43%, compared with 38% in 2Q03.

REVENUE BREAKDOWN BY TECHNOLOGY

Technology	3Q02	4Q02	1Q03	2Q03	3Q03
0.13um	2%	6%	7%	6%	9%
0.15um	9%	8%	3%	8%	8%
0.15um < x <= 0.18um	26%	22%	28%	24%	26%
0.18um < x <= 0.25um	25%	23%	25%	22%	25%
0.25um < x <= 0.35um	22%	27%	25%	28%	22%
.0.5um and above	16%	14%	12%	12%	10%

IDM orders accounted for 29% of revenue compared with 22% in 2Q03, due to strong demand from European and North American IDM customers in 3Q03.

REVENUE BREAKDOWN BY CUSTOMER TYPE

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

Revenue from the consumer market segment increased significantly, and accounted for 32% of total revenue in 3Q03. Most of the increase was due to strong demand for optical storage drives and Set-Top-Box ICs.

REVENUE BREAKDOWN BY APPLICATION⁽¹⁾

Application	3Q02	4Q02	1Q03	2Q03	3Q03
Computer	24%	25%	27%	31%	28%
Communication	37%	40%	40%	36%	34%
Consumer	31%	28%	28%	28%	32%
Memory	6%	5%	4%	3%	4%
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 during 3Q03 was 659 thousand eight-inch equivalent wafers. Due to higher demand and capacity constraints, the plan to retire certain lagging-edge equipment in FAB8AB and Fab8E has been slowed down. During the quarter, the capacity of Fab8C increased and the capacity of Fab8D decreased, due to equipment being transferred to Fab8C from Fab8D. The transfer improved process management flows at both fabs.

Estimated 4Q03 capacity is 672 thousand eight-inch equivalent wafers. The increase in 4Q03 estimated capacity is due to an expansion of Fab12A. Estimated capacity of Fab8E has been increased due to an expected change in product mix.

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	352
Fab 8AB	8"	0.5 – 0.25	926	943	853	801
Fab 8C	8"	0.35 – 0.15	416	460	355	325
Fab 8D	8"	0.18 – 0.09	94	290	214	238
Fab 8E	8"	0.5 – 0.18	373	474	376	354
Fab 8F	8"	0.25 – 0.15	139	351	312	342
Fab 12A	12"	0.18 – 0.09	--	22	119	234
Total ⁽²⁾			2,329	2,885	2,578	2,646
YoY Growth Rate			41%	24%	-11%	3%

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

FAB	1Q03	2Q03	3Q03	4Q03E	1Q04E
Fab 6A	88	88	88	88	88
Fab 8AB	216	195	195	195	195
Fab 8C	75	75	85	90	90
Fab 8D	63	63	58	54	57
Fab 8E	83	83	92	96	96
Fab 8F	89	89	83	81	81
Fab 12A	54	54	58	68	76
Total	668	647	659	672	683

(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.

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

Consolidated Long-term Investments as of September 30, 2003

(Amount: NT\$ million)	As of End of 3Q03				As of End of 2Q03			
	Book value	%	Fair value	%	Book value	%	Fair value	%
Foundry Industry	35,862	50	50,438	37	20,424	36	28,041	31
Strategic Semiconductor Investments	12,926	18	50,478	37	13,572	24	38,116	42
Other Investments	23,561	32	37,219	26	23,307	40	25,311	27
Total	72,349	100	138,135	100	57,303	100	91,468	100

As of September 30, 2003, the total book value of long-term investments held by UMC was NT\$72.35 billion, and the estimated fair value of long-term investments held by UMC was NT\$138.14 billion. During the third quarter, UMC increased its investment in UMCi by NT\$12.38 billion. UMC bought Infineon's entire stake in UMCi and participated in UMCi's third capital raising exercise. At the end of 3Q03 UMC's total accumulated ownership of UMCi was 75.03%.

Recent Developments / Announcements

- Oct. 9 UMC Expands ARM Core Availability with Licensing of ARM926EJ Core
- Oct. 8 MAGMA and UMC Release Validated RTL-to-GDSII Reference Flow for UMC 恆
0.18-micron, 0.13-micron and 90-nanometer Process Technologies
- Sep. 18 UMCJ Expands Technology and Manufacturing Capabilities with Investment in
UMCi
- Sep. 17 UMC and Ricoh Broaden 0.13-micron Manufacturing Partnership
- Aug. 27 UMC and Faraday to Expand Silicon Verified IP Offerings
- Aug. 06 UMC and Infineon Announce Success and Optimization of their Technology and
Manufacturing Partnership; UMC would buy back Infineon's equity share in UMCi
- Aug. 05 ZyDAS Aligns with UMC for Production of 802.11b Compliant IC

*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 (September of 2003) with the number of shares owned by the UMC Group as of September 30, 2003. 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, 2003) and is used as the fair value.

Fourth Quarter of 2003 Outlook & Guidance

Quarter-over-quarter comparison:

- Wafer shipments: to increase by approximately 10%
- Wafer ASP: flat in US dollar terms
- Capacity utilization rate: greater than 90%
- Operating profit: to increase by more than 20%
- Percentage of 0.18-micron & below revenues: in the high 40s range with 0.13-micron to exceed 10%
- The communication segment is expected to post the strongest growth, followed by the consumer and computer segments

Conference Call / Webcast Announcement

Wednesday, October 29, 2003

Time: 9:00 PM (Taipei) / 8:00 AM (New York) / 1:00 PM (London)

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A live webcast and replay of the 3Q03 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 90-nanometer copper, 0.13-micron 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 is now in pilot 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 -