

*The Foundry of Choice*

# ***UMC***

## ***2004 Q2 Financial Review***

***July 28, 2004***

**UMC**

# ***NOTE CONCERNING FORWARD-LOOKING 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.

# Operating Results Summary

	Unit: NT M		
	2004	2004	2003
	Q2 / Jun	Q1 / Mar	Q2 / Jun
<b>Net Operating Revenues</b>	29,177	25,326	21,706
<b>Net Income</b>	12,702	6,894	2,687
<b>EPS (NTD)</b>	0.83	0.45	0.17
<b>Cash and Cash Equivalents</b>	82,488	87,030	74,940
<b>Total Assets</b>	316,614	316,331	302,178
<b>Total Liabilities</b>	70,485	77,442	86,199
<b>Stockholders' Equity</b>	246,129	238,889	215,979
<b>Wafer Shipment</b> (in thousands- 8" wafer eq.)	710	647	550
<b>Utilization (%)</b>	99%	100%	85%

# Income Statement - QoQ

Unit: NT M

	Q2-04	%	Q1-04	%	Change %
<b>Net Operating Revenues</b>	<b>29,177</b>	<b>100.0</b>	<b>25,326</b>	<b>100.0</b>	<b>15.2</b>
<b>Gross Margin</b>	<b>10,058</b>	<b>34.5</b>	<b>7,612</b>	<b>30.1</b>	<b>32.1</b>
<b>Operating Expenses</b>	<b>(2,466)</b>	<b>(8.5)</b>	<b>(2,325)</b>	<b>(9.2)</b>	<b>6.1</b>
<b>Operating Income</b>	<b>7,592</b>	<b>26.0</b>	<b>5,287</b>	<b>20.9</b>	<b>43.6</b>
<b>Net Non-operating Income</b>	<b>5,111</b>	<b>17.5</b>	<b>1,639</b>	<b>6.4</b>	<b>211.8</b>
<b>Income Tax Expense</b>	<b>(1)</b>	<b>(0.0)</b>	<b>(32)</b>	<b>(0.1)</b>	<b>(97.6)</b>
<b>Net Income</b>	<b>12,702</b>	<b>43.5</b>	<b>6,894</b>	<b>27.2</b>	<b>84.2</b>
<b>EPS (NTD)</b>	<b>0.83</b>		<b>0.45</b>		
<b>EPADS (USD)</b>	<b>0.123</b>		<b>0.067</b>		

Note:

1. Information enclosed is UMC unconsolidated financial data.
2. Exchange rate 33.76 was used to translate NTD to USD.
3. 15,319 million and 15,420 million shares were used in EPS calculation for Q2-04 and Q1-04 , respectively.

# Income Statement - YoY: 6 Months

Unit: NT M

	1H-04	%	1H-03	%	Change %
<b>Net Operating Revenues</b>	<b>54,503</b>	<b>100.0</b>	<b>39,604</b>	<b>100.0</b>	<b>37.6</b>
<b>Gross Margin</b>	<b>17,670</b>	<b>32.4</b>	<b>7,723</b>	<b>19.5</b>	<b>128.8</b>
<b>Operating Expenses</b>	<b>(4,791)</b>	<b>(8.8)</b>	<b>(4,540)</b>	<b>(11.5)</b>	<b>5.5</b>
<b>Operating Income</b>	<b>12,879</b>	<b>23.6</b>	<b>3,183</b>	<b>8.0</b>	<b>304.6</b>
<b>Net Non-operating Income</b>	<b>6,750</b>	<b>12.4</b>	<b>315</b>	<b>0.8</b>	<b>2042.9</b>
<b>Income Tax Expense</b>	<b>(33)</b>	<b>0.0</b>	<b>(408)</b>	<b>(1.0)</b>	<b>(91.9)</b>
<b>Net Income</b>	<b>19,596</b>	<b>36.0</b>	<b>3,090</b>	<b>7.8</b>	<b>534.2</b>
<b>EPS (NTD)</b>	<b>1.28</b>		<b>0.20</b>		
<b>EPADS (USD)</b>	<b>0.190</b>		<b>0.030</b>		

Note:

1. Information enclosed is UMC unconsolidated financial data.
2. Exchange rate 33.76 was used to translate NTD to USD.
3. 15,370 million and 15,329 million shares were used in EPS calculation for 1H-04 and 1H-03, respectively.

# Investment Income

Unit: NT M

	Q2-04	Q1-04
Investment income accounted for under the equity method	(82)	(582)
<i>UMCJ</i>	26	(39)
<i>UMCi</i>	(652)	(323)
<i>Faraday</i>	65	50
<i>Novatek</i>	179	156
<i>SiS</i>	(251)	(246)
<i>UMO</i>	(39)	(54)
<i>Unimicron</i>	125	74
<i>Others</i>	465	(200)
Cash dividends	181	-
Total	99	(582)

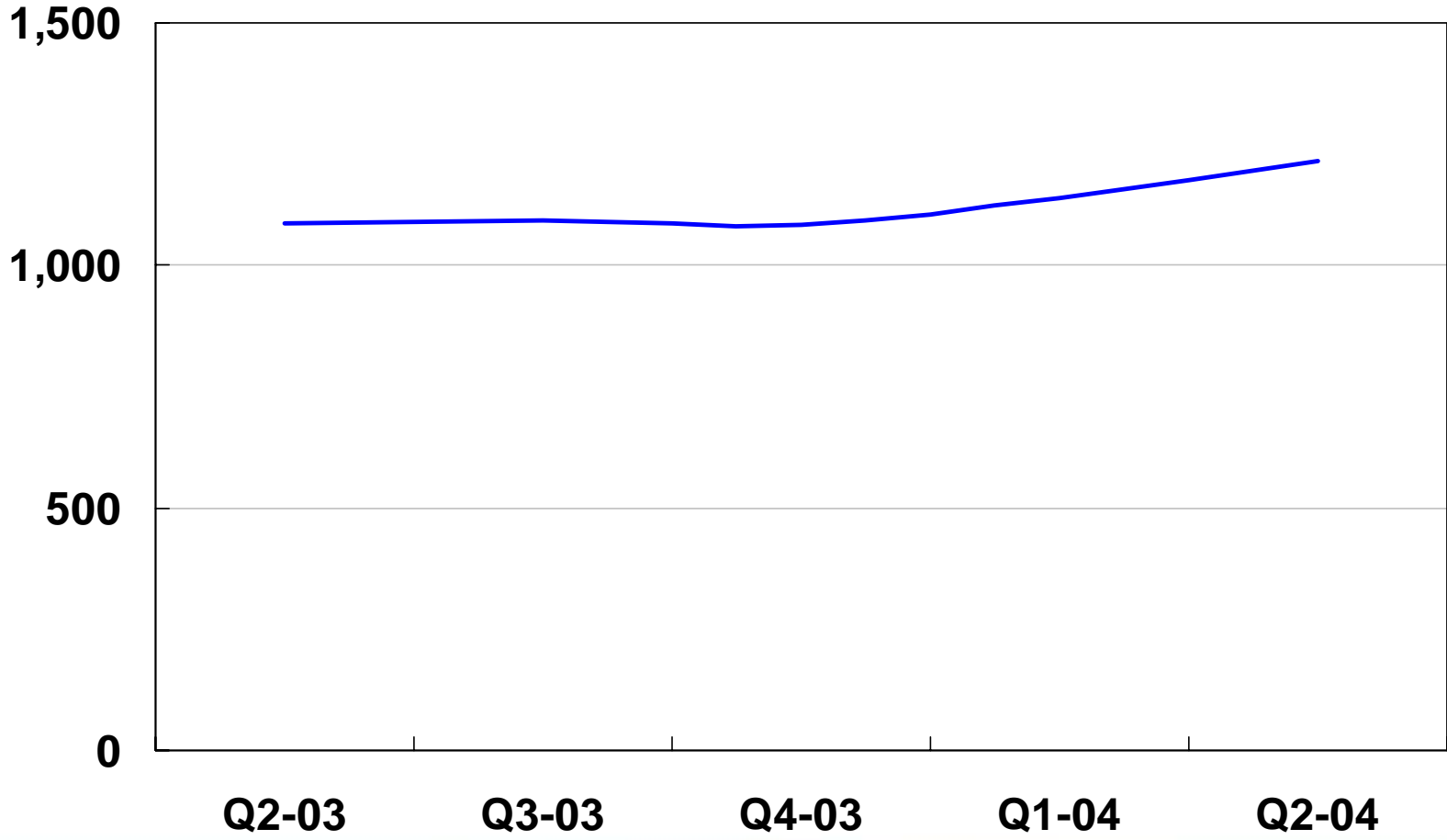
# ***Balance Sheet Highlight - Jun. 30, 2004***

**Unit: NT M**

<b>Cash and Cash Equivalents</b>	<b>82,488</b>
<b>Long-term Investments</b>	<b>74,743</b>
<b>Fixed Assets</b>	<b>117,591</b>
<b>Total Assets</b>	<b>316,614</b>
<b>Current Liabilities</b>	<b>30,089</b>
<b>Long-term Debts</b>	<b>33,836</b>
<b>Stockholders' Equity</b>	<b>246,129</b>
<i>Depreciation Expense (YTD)</i>	<i>18,280</i>

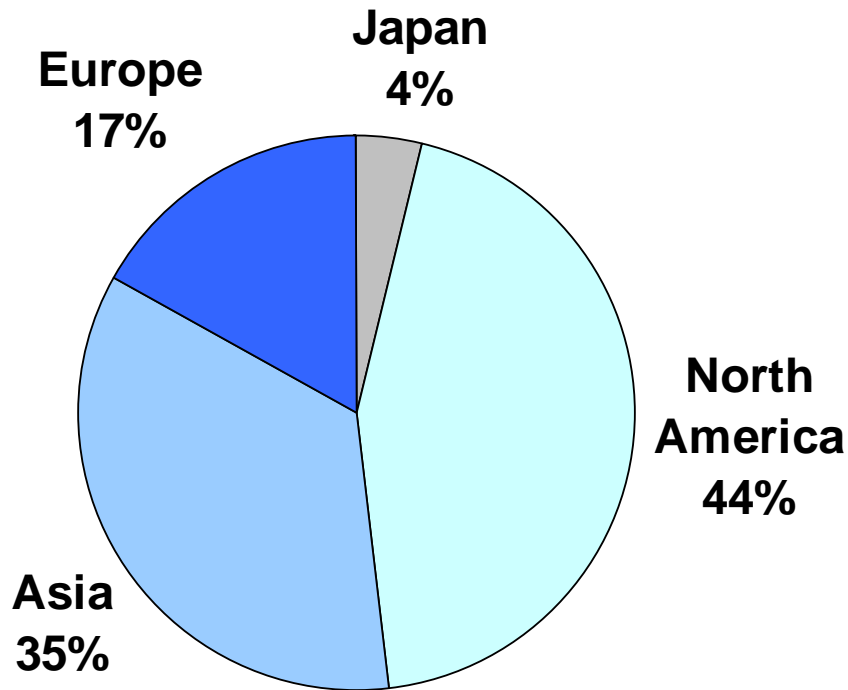
# Average Selling Price Trend- 8" Wafer Equivalent

Unit: USD

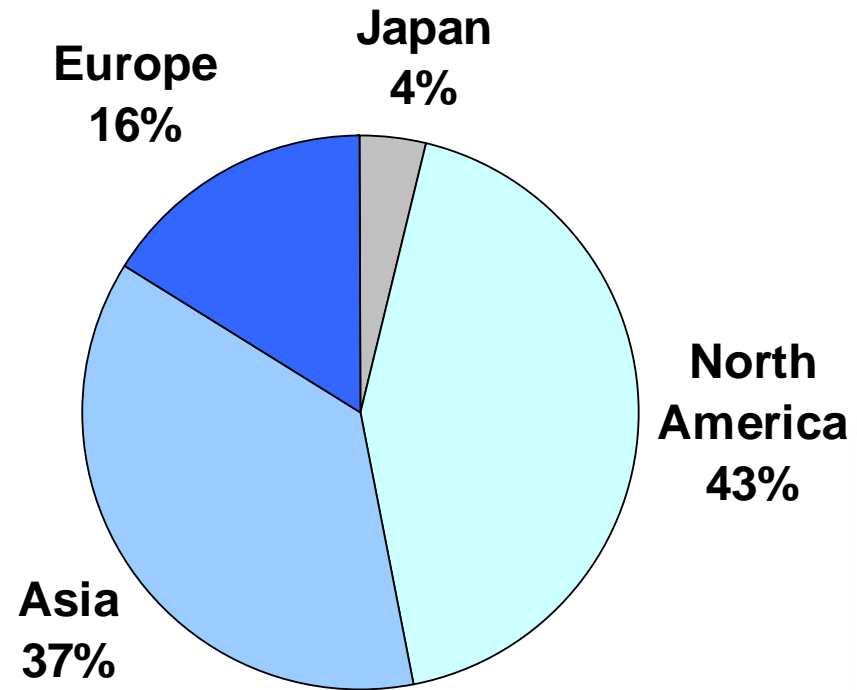


# Sales Breakdown by Geography

**2004 Q2**

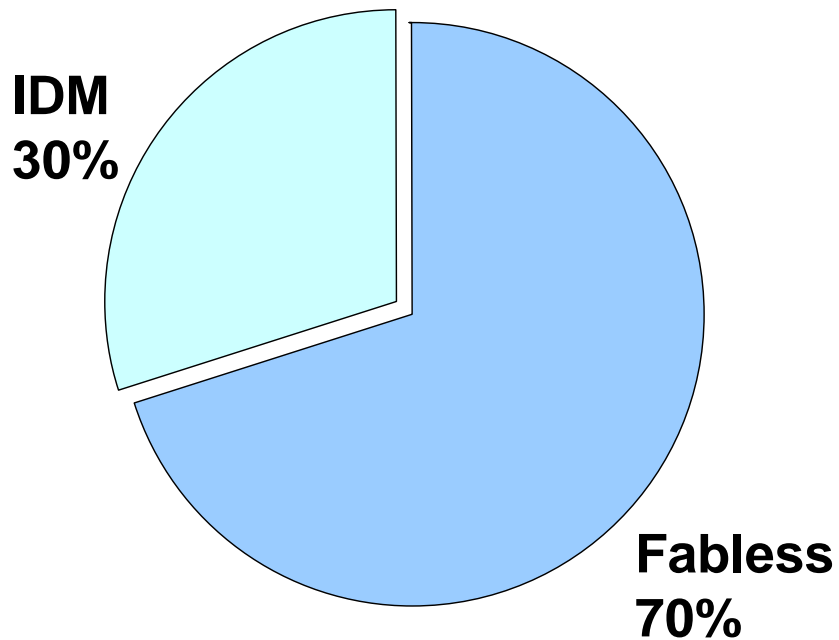


**2004 Q1**

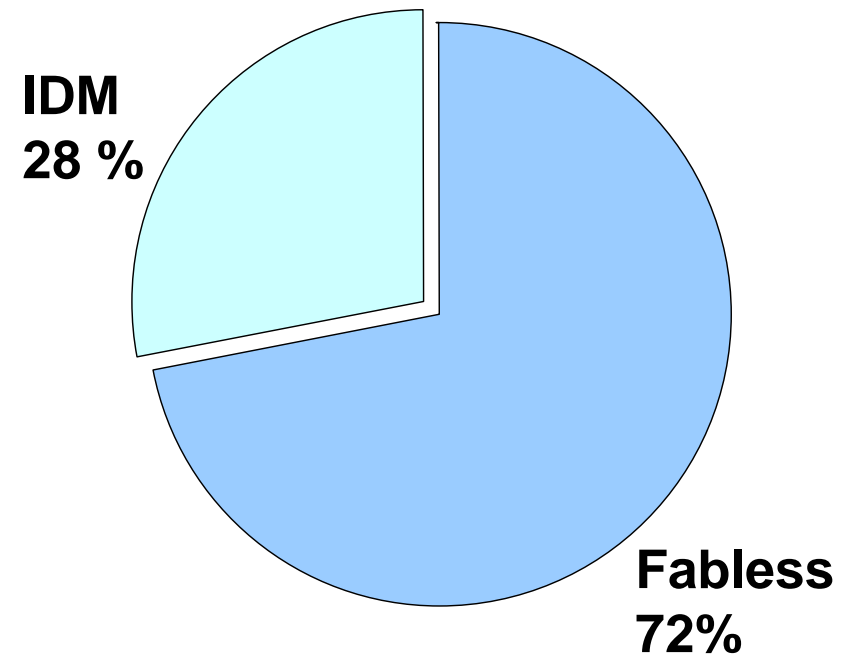


# Sales Breakdown by Customer

2004 Q2

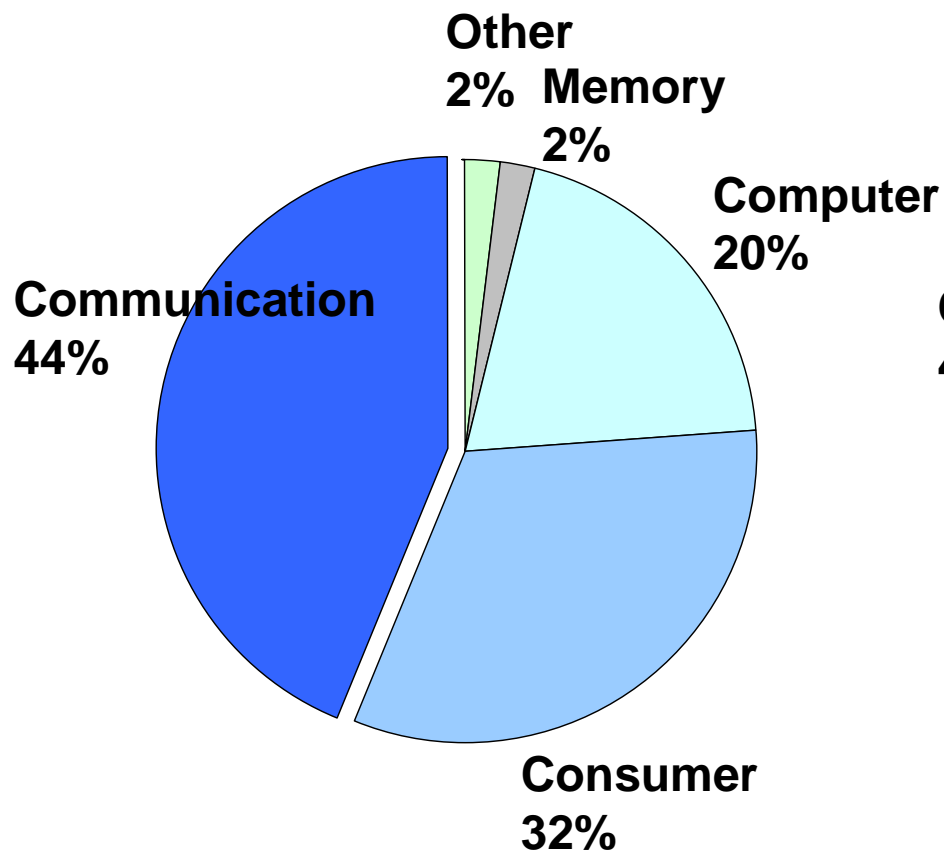


2004 Q1

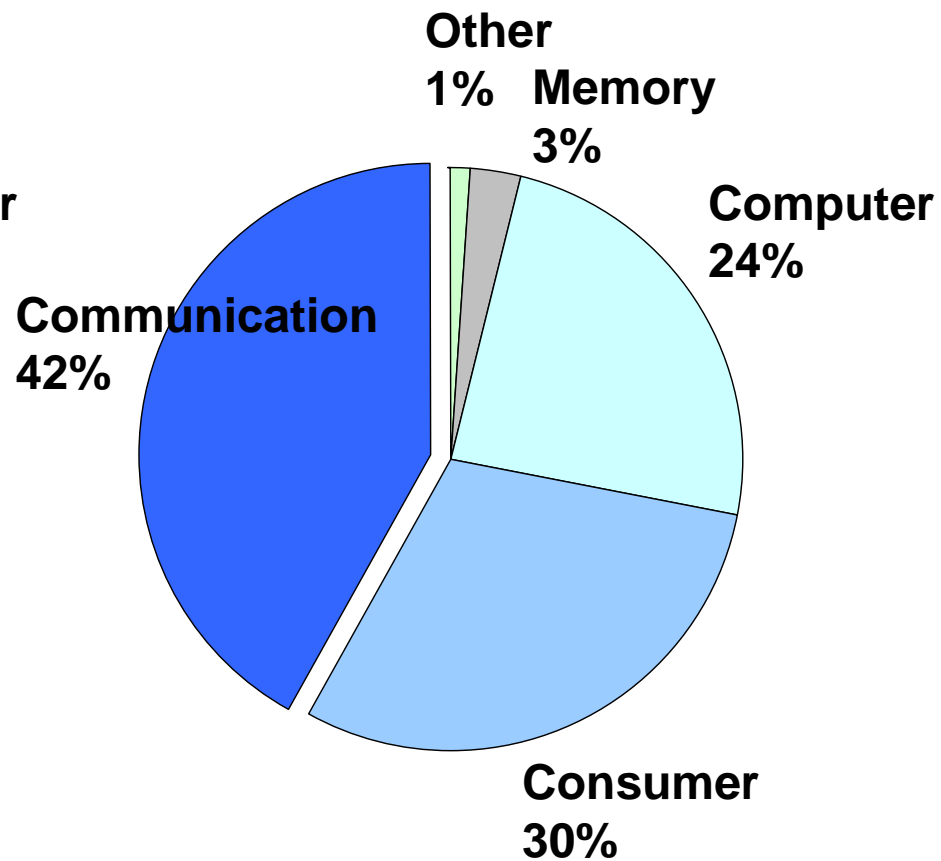


# Sales Breakdown by Application

**2004 Q2**

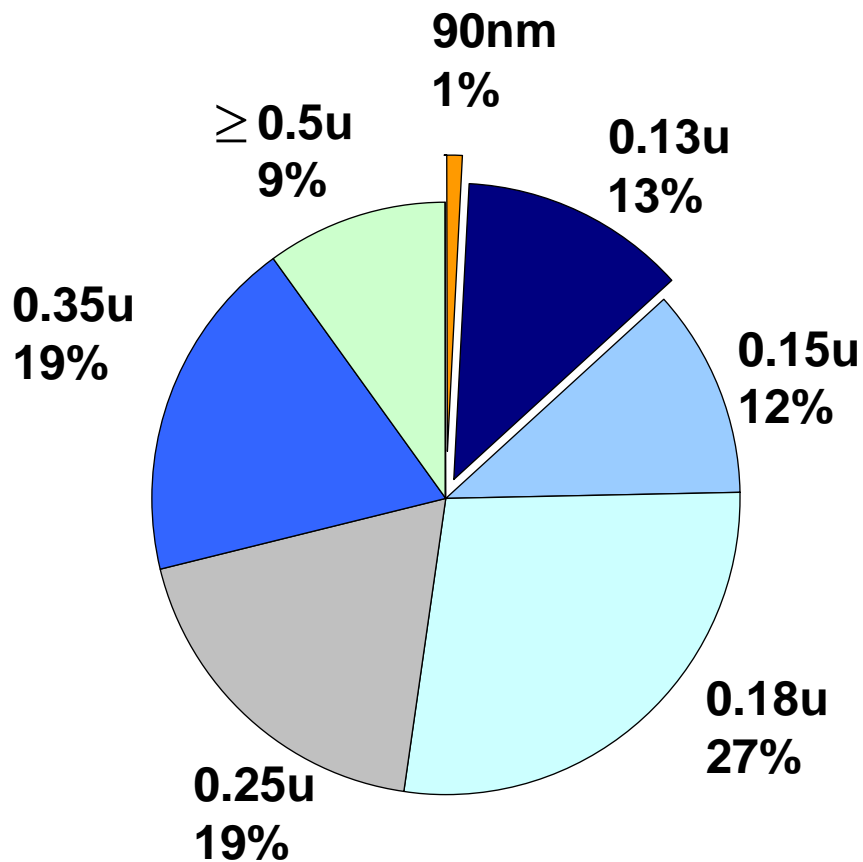


**2004 Q1**

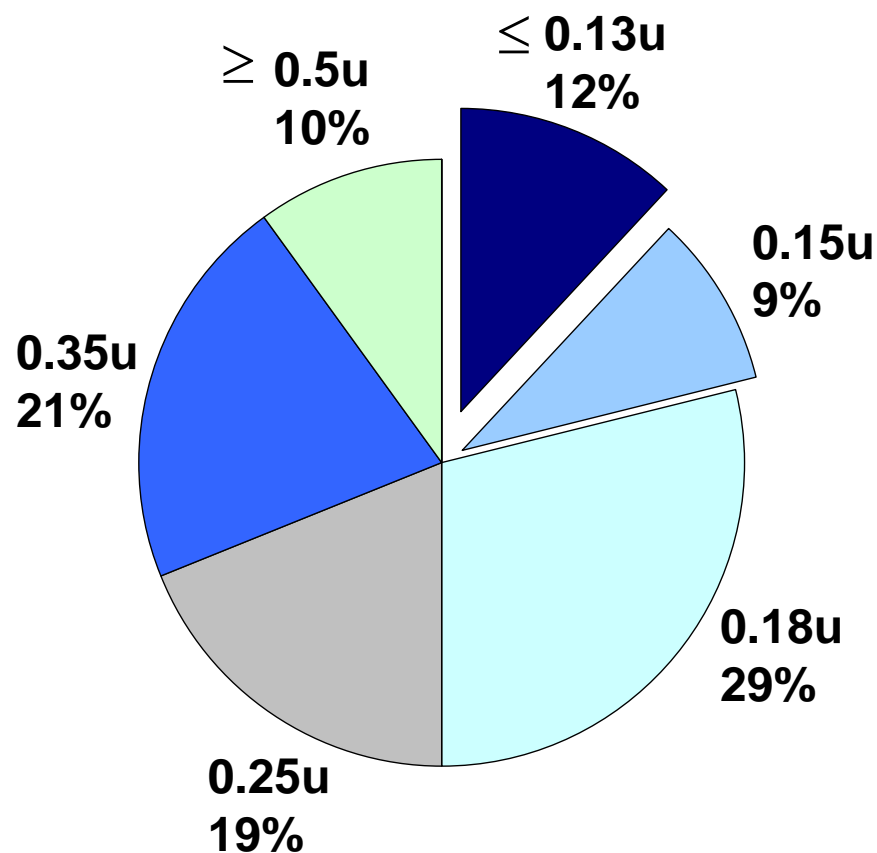


# Sales Breakdown by Technology

2004 Q2



2004 Q1



# Quarterly Capacity

unit: in thousands (8" wafer eq.)

<b>FAB</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04E</b>	<b>4Q04E</b>
<b>Fab 6A</b>	<b>88</b>	<b>88</b>	<b>86</b>	<b>86</b>	<b>86</b>
<b>Fab 8AB</b>	<b>195</b>	<b>196</b>	<b>196</b>	<b>200</b>	<b>200</b>
<b>Fab 8C</b>	<b>90</b>	<b>90</b>	<b>96</b>	<b>99</b>	<b>105</b>
<b>Fab 8D</b>	<b>54</b>	<b>58</b>	<b>61</b>	<b>65</b>	<b>72</b>
<b>Fab 8E</b>	<b>96</b>	<b>96</b>	<b>101</b>	<b>102</b>	<b>102</b>
<b>Fab 8F</b>	<b>81</b>	<b>81</b>	<b>81</b>	<b>92</b>	<b>95</b>
<b>Fab 8S</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>75</b>
<b>Fab 12A</b>	<b>68</b>	<b>68</b>	<b>84</b>	<b>120</b>	<b>127</b>
<b>Subtotal</b>	<b>672</b>	<b>677</b>	<b>705</b>	<b>824</b>	<b>862</b>
<b>UMCi</b>	<b>0</b>	<b>3</b>	<b>9</b>	<b>29</b>	<b>60</b>
<b>Total</b>	<b>672</b>	<b>680</b>	<b>714</b>	<b>853</b>	<b>922</b>

# ***2004 Capital Expenditure Plan***

	<b>8" Fab</b>	<b>12" Fab</b>	<b>12" R&amp;D</b>	<b>Total</b>
<b>UMC</b>	<b>15%</b>	<b>70%</b>	<b>15%</b>	<b>1,180 million USD</b>
<b>UMCJ</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>120 million USD</b>
<b>UMCi</b>	<b>-</b>	<b>100%</b>	<b>-</b>	<b>850 million USD</b>

For more information regarding UMC

**[www.umc.com](http://www.umc.com)**

For all inquiries, suggestions, and comments

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