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## UMC Reports Third Quarter 2001 Results

**3Q01 Highlights<sup>1</sup>:**

- **Net sales down YoY by 59.4 percent to NT\$11.96 billion (US\$346 million)**
- **Net loss of NT\$4.02 billion (US\$117 million), compared with net income of NT\$14.56 billion for 3Q00**
- **Loss per ordinary share of NT\$0.30, or loss per ADS of US\$0.04**

**Taipei, Taiwan, R.O.C. – October 30, 2001 — United Microelectronics Corporation (NYSE: UMC; TAIEX: 2303)**, (UMC) today reported a net loss of NT\$4.02 billion for the three-month period ended September 30, 2001. The Company's performance for the quarter resulted mainly from continued weak demand in the semiconductor sector and non-recurring charges in connection with the closing of its License Product Department (LPD) in August.

UMC Vice Chairman Peter Chang said: "This was another challenging quarter for UMC and the entire semiconductor sector, during which we saw our capacity utilization down to an historical low of 36 percent. On the positive side, we believe that this was the bottom for us in 2001 and expect to see a quarter-over-quarter improvement in sales in the fourth quarter. Furthermore, even in the worst quarter, our financial position continues to be particularly strong. Cash inflows from operations was NT\$5 billion with NT\$50 billion cash on hand on September 30, 2001."

"This downturn, for as sharp as it has been, is an opportunity for us to enhance our competitiveness. In fact, our investments in R&D, as a percentage of revenues, have remained well ahead of the rest of the industry throughout. While we realize that this has not helped our short-term financial performance, we are confident that our commitment to accelerating the development of advanced technology will continue to make us the foundry of choice for the best companies. "

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<sup>1</sup> New Taiwan dollar (NT\$) amounts have been converted into U.S. dollars at the ratio of NT\$34.53 to one U.S. dollar.

“So far this year we have acquired more than 80 product tapeouts from over 40 customers that have adopted our 0.13-micron process. Our successful pilot production in Fab 12A has demonstrated that 300mm wafer production can deliver better yield rates than 200mm wafer production. The cost savings of 300mm wafer production will benefit both our customers and UMC, when we reach the economies of scale associated with high volume production. Our focus on 300mm technology, with investments in three dedicated facilities, consolidates our position as a world leading provider of advanced semiconductor technology.”

“Finally, in August we closed our License Product Department (LPD). Although the closing of LPD impacted our short-term financial performance, the decision was taken to put a stop to widening losses in a much deteriorated memory market and avoid competitive conflicts of interest with our memory customers.”

## Net Sales

UMC posted net sales for 3Q01 of NT\$11.96 billion, representing a 59.4 percent decline from NT\$29.48 billion for 3Q00. QoQ, net sales decreased by 20.3 percent, from NT\$15.0 billion for 2Q01. The deterioration in net sales for the quarter mainly reflected the worse-than-expected semiconductor industry downturn and slow economic recovery. Average selling price (ASP) for the quarter declined QoQ by approximately 14 percent, mainly due to the continued decline in demand from the Company’s communication customers, which represent the most significant portion of 0.18-micron and below sales. In 3Q01, the Company shipped 323 thousand units of 8-inch equivalent wafers, compared with 345 thousand units for 2Q01 and 443 thousand units for 1Q01, not including shipments at UMC-Japan (UMCJ, formerly Nippon Foundry Inc. or NFI), a dedicated foundry company in Japan 51.5 percent-owned by UMC.

Tables I through V offer a breakdown of UMC sales for 3Q01 by region, customer type, technology, application, and device type. Sales at UMCJ are not included in the calculations.

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

**Table I Breakdown by Geography**

REGION	3Q00	4Q00	1Q01	2Q01	3Q01
North America	43%	47%	46%	39%	35%
Asia Pacific	33%	27%	24%	36%	47%
Europe	22%	24%	28%	21%	15%
Japan	2%	2%	2%	4%	3%

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

**Table II Breakdown by Customer Type**

CUSTOMER TYPE	3Q00	4Q00	1Q01	2Q01	3Q01
Fabless	70%	70%	67%	71%	81%
IDM	24%	26%	28%	28%	18%
System	6%	4%	5%	1%	1%

Table III 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 III Breakdown by Technology**

TECHNOLOGY	3Q00	4Q00	1Q01	2Q01	3Q01
X < 0.18um	12%	17%	23%	14%	17%
0.18um < x < 0.25um	36%	37%	32%	37%	34%
0.25um < x < 0.35um	35%	28%	21%	27%	31%
X >= 0.5um	17%	18%	24%	22%	18%

Table IV shows the breakdown by application. *Computer* consists of ICs such as HD controllers, System DRAM, graphic processors, and other. *Communication* consists of xDSL, DSP, LAN controllers, Low Power-SRAM, and other. *Consumer* consists of ICs used for DVD, PDA, smart card IC, game console, digital camera, and other.

**Table IV Breakdown by Application**

APPLICATION	3Q00	4Q00	1Q01	2Q01	3Q01
Computer	37%	33%	25%	31%	39%
Communications	36%	40%	48%	34%	21%
Consumer	25%	23%	26%	34%	38%
Others	2%	4%	1%	1%	2%

Table V 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, and other. The *SRAM* process consists of chips such as high speed SRAM, low power SRAM, and other. The *Non-Volatile Memory* process consists of FLASH, EEPROM, CPLD, Mask ROM, and other.

**Table V Breakdown by Device Type**

DEVICE TYPE	3Q00	4Q00	1Q01	2Q01	3Q01
Logic/Mixed Mode	63%	63%	63%	68%	66%
DRAM	12%	13%	10%	7%	12%
SRAM	6%	5%	4%	4%	5%
Non-Volatile	19%	19%	23%	21%	17%

## Gross profit and gross margin

Gross profit for the quarter was negative NT\$2.54 billion, compared with gross profit of NT\$15.34 billion for 3Q00 and NT\$2.35 billion for 2Q01. Gross margin for the quarter was negative 21.2 percent, compared with gross margin of 52.0 percent for 3Q00 and 15.7 percent for 2Q01. Gross profit and margin for the quarter continued to trend downward amid the LPD closure and the fragile market environment.

## Operating expenses

Operating expenses for the quarter increased YoY by 55.6 percent to NT\$3.72 billion, or 31.1 percent of net sales for the quarter, from 8.1 percent for the year-ago quarter at NT\$2.39 billion and from 20.8 percent for 2Q01 at NT\$3.1 billion. R&D expenditures continued to represent a large portion of operating expenses, as UMC views R&D as an integral part of its strategy to maintain its status of leader in advanced technology. In 3Q01, R&D expenditures, as a percentage of net sales, amounted to 19.4 percent. At the same time, since the beginning of the year the Company has implemented several cost-cutting programs to battle the deteriorating market and at least partially limit its impact on short-term profitability.

## Investment income (loss)

Investment loss for 3Q01 reached NT\$651 million, compared with an investment income of NT\$1,481 million for 3Q00 and an investment loss of NT\$853 million for 2Q01. The YoY and QoQ variances in investment income (loss) reflected the deteriorating market environment and slowdown in certain sectors in which UMC invests, some of which are of strategic importance to the Company. Investment losses for 3Q01 included results of Unipac (merged with Acer Display as Au Optronics on September 1, 2001), with a loss NT\$270 million, and UMCJ, with a loss of NT\$89 million.

## Capacity & Capital Expenditures

As announced in conjunction with 2Q01 results, UMC decided to reduce its 8-inch capacity by approximately one-third and expects to conclude this process by 2Q02. At the same time, the Company remains committed to its 12-inch expansion plan. The construction of the Company's 300mm Fab in Singapore, UMCi, which will be the third such production facility available to the Company, remains on schedule.

The Company has revised its capital expenditures plan (CAPEX) for fiscal year 2001 down to approximately US\$1.1 billion, from the previously announced US\$1.5 billion. The majority of this amount will be destined for 300mm processing equipment and advanced copper modules for 200mm. Through September 30, 2001, UMC spent approximately 83 percent, or US\$891 million, of the revised CAPEX for the entire year.

Tables VI offer a detailed breakdown of UMC's planned CAPEX by year. The 2001 CAPEX figure does not include UMCJ or the UMC-Hitachi joint venture in Japan, Trecenti.

**Table VI Capital Expenditures by Year**

<b>CAPEX PLAN – IN BILLION OF US\$</b>				
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001(e)</b>
	\$1.7	\$1.9	\$2.8	\$1.1

Table VII summarizes the estimated annual full capacity of each fab for the years 1999 through 2000 and the expected capacity at each fab for 2001.

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

FAB		Geometry	1999	2000	2001(e)
Fab 5A <sup>(1)</sup>	5"	>0.8	159	33	--
Fab 6A	6"	>0.5	318	348	345
Fab 8A	8"	0.5 – 0.25	375	491	527
Fab 8B	8"	0.35 – 0.18	405	435	415
Fab 8C	8"	0.35 – 0.15	213	416	458
Fab 8D	8"	0.25 – 0.13	--	94	290
Fab 8E	8"	0.5 – 0.25	180	373	474
Fab 8F	8"	0.25 – 0.13	--	139	351
Fab 12A	12"	0.18 – 0.10	--	--	32
<b>Total (8" eq.)</b>			<b>1650</b>	<b>2329</b>	<b>2891</b>
<b>Growth Rate</b>			<b>35%</b>	<b>41%</b>	<b>24%</b>

(1) Fab 5A was sold in 2Q00

Table VIII summarizes the estimated quarterly full capacity from 2Q00 through 4Q01(e).

**Table VIII Quarterly Capacity Plan by fab<sup>2</sup>**

FAB	2Q00	3Q00	4Q00	1Q01	2Q01	3Q01	4Q01(e)
Fab 6A	86	89	89	79	88	89	89
Fab 8A	119	129	137	125	133	135	135
Fab 8B	107	115	109	94	105	108	108
Fab 8C	102	114	118	107	117	118	118
Fab 8D	12	29	53	65	75	75	75
Fab 8E	87	95	113	114	120	120	120
Fab 8F	21	43	72	81	90	90	90
Fab 12A						7	25
<b>Total (8-inch eq.)</b>	<b>533</b>	<b>613</b>	<b>691</b>	<b>664</b>	<b>727</b>	<b>741</b>	<b>759</b>

## Net Income/Loss

Net loss for 3Q01 reached NT\$4.02 billion, compared with net income of NT\$14.56 billion for the same quarter in 2000. Net margin for the quarter declined to negative 33.7 percent, from 49.4 percent for the year-ago period.

Loss per ordinary share for 3Q01 under ROC GAAP was NT\$0.30. Total weighted average outstanding shares were 13,285,361 thousand on September 30, 2001, and 12,796,754 thousand on September 30, 2000.

Loss per ADS for the quarter was US\$0.04. One ADS represents five Taiwan-listed ordinary shares.<sup>2</sup>

## Other Developments

### **FLEXTRONICS SEMICONDUCTOR JOINS UMC's ASICplus PROGRAM**

On October 10, Flextronics Semiconductor, a business unit of Flextronics (NASDAQ: FLEX), a global provider of operational services focused on delivering design, engineering, manufacturing and logistic solutions to branded technology companies, announced that it had reached an agreement to become a member of UMC's ASICplus™ Program. As a member of the program, Flextronics Semiconductor will be able to offer start-up companies and established OEMs seamless access to UMC's most-advanced process technologies.

The ASICplus program was established to enable UMC and its fabless ASIC partners to offer comprehensive, front-to-back ASIC development capabilities from design initiation, manufacturing and testing, to packaging. In particular, the ASICplus program provides its members with guaranteed access to UMC's leading-edge process technologies, including the 0.13 micron generation.

### **Micronas Selects UMC's Fabs for Production of World's First Hybrid Analog/Digital TV Decoder Chip**

On October 8, Micronas, the Germany-based IC developer, announced that it had chosen UMC for the production of its MDE 9500 IC, the industry's first hybrid analog/digital TV decoder. The MDE 9500 is the flagship of Micronas' mixed-signal decoder family and will use UMC's 0.18-micron technology to target the upcoming hybrid digital/analog TV market. Micronas intends to utilize a host of UMC's advanced technology resources, including mixed-signal transistors and high-density memory solutions. In addition, UMC and Micronas are working on further leveraging embedded DRAM technology for a multi-dimensional approach to meet the demanding high-performance graphics generation requirements mandatory for Integrated Digital Television (IDTV) applications.

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<sup>2</sup> New Taiwan (NT) dollar amounts have been converted into U.S. dollar at the ratio of NT\$34.53 to one U.S. dollar.

## **LIGHTCROSS, INC. AND UMC SUCCESSFULLY FABRICATE NEW CLASS OF PHOTONICS COMPONENTS**

On October 4, LightCross, Inc., a leading integrated optical networking components company, and UMC announced that they had successfully produced working Arrayed Waveguide Gratings (AWGs) devices on UMC silicon. This event marked the first time that integrated optical devices had been produced at a leading integrated circuit foundry.

## **CADENCE AND UMC EXPAND PARTNERSHIP FOR DEEP SUBMICRON CMOS DESIGNS**

Cadence Design Systems, Inc. (NYSE:CDN) and UMC have worked together to provide more complete solutions to designers of digital, analog, RF, and mixed-signal ICs. Cadence, the world's leading supplier of electronic design products and services, and UMC announced on October 1 the initial deliverables of their ongoing joint development work -- 10 new process design kits (PDKs). The new PDKs are expected to substantially streamline the design process.

The new PDKs will encompass UMC's array of offerings within its 0.25, 0.18 and 0.13 micron CMOS technologies. They enable UMC and Cadence customers to begin designs immediately and focus on designing chips rather than developing required process design kits. The PDKs provide a symbol library and technology file for the design automation flow, and DRC-correct parameterized cells to automate device generation. They are validated with UMC's Cadence Spectre models in the Cadence RF/analog mixed-signal design solution, which includes Composer, Analog Design Environment, Spectre/Spectre-RF, Virtuoso and Assura/Diva for physical verification.

## **UMC EXTENDS RANGE OF 1T-SRAM® MEMORY MACROS**

On September 24, UMC and MoSys (NASDAQ: MOSY) announced they had extended their cooperation to offer ultra-high density 1T-SRAM memories to UMC's foundry customers, by porting MoSys' 1T-SRAM memory technology to UMC's 0.15- and 0.13-micron standard logic processes. This builds on the earlier successful porting and silicon verification of MoSys' 1T-SRAM memory to UMC's 0.18-micron standard logic process.

By using a single transistor bit cell, MoSys' 1T-SRAM memory delivers embedded memory macros with double the density of traditional SRAM, while still delivering the fast random access cycle performance required by today's System-on-Chip (SoC) designs. The use of the standard logic process permits designers to economically embed large quantities of memory in the process that is optimum for the logic circuitry of the SoC design.

## Conexant and UMC Sign a Long-term Semiconductor Wafer Supply Agreement

On September 4, Conexant Systems, Inc. (NASDAQ: CNXT), a global leader in semiconductor system solutions for communications applications, and UMC announced a five-year agreement that makes UMC the principal advanced CMOS semiconductor wafer supplier for Conexant's personal networking business. UMC has manufactured integrated circuits for Conexant since 1998.

The two companies will share and collaborate on detailed product and technology roadmaps, and UMC will manufacture the majority of the advanced CMOS-based products required by Conexant's personal networking business, which consists of wireless communications, digital infotainment and personal computing. The agreement covers 0.18-micron-and-below CMOS process technologies.

### Notes to Editors

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 0.13 micron-copper/low k, embedded DRAM, and mixed signal/RFCMOS. In addition, UMC is a leader in 300mm manufacturing with three 300mm fabs strategically located worldwide to serve the Company's global customer base: Trecenti Technologies in Japan, Fab 12A in Taiwan, and UMCi in Singapore (completion in 2002). 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>.

Unless otherwise noted, the Company's historical financial data for fiscal 1999 discussed in this announcement are on a pro forma basis, reflecting the merger, which was completed on January 3, 2000, of Utek Semiconductor Corporation (UTEK), United Semiconductor Corporation (USC), United Integrated Circuit Corporation (UICC) and United Silicon Incorporated (USIC), into UMC, as if it had occurred on January 1, 1999. Additionally, all financial information used in the discussion and analysis of the Company's financial conditions and results of operations for each quarter are prepared in accordance with ROC GAAP. The company will provide a reconciliation of its financial statements on a consolidated basis with US GAAP in its year-end results.

## Safe Harbor Statement

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 any future such matters implied by such forward-looking statements. Investors are cautioned that actual events and results could differ materially from these statements as a result of a variety of factors, including conditions in the overall semiconductor market and economy, acceptance and demand for products, and technological and development risks.

The risks, uncertainties and factors include, among others, those stated in the section entitled "Item 3. Key Information-D. Risk Factors" in UMC's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on June 28, 2001.

The forecasted financial information included in this release was published on October 4, 2001, and was prepared in accordance with the Republic of China Securities and Futures Commission's requirements and ROC GAAP. Investors are cautioned that there are differences between ROC GAAP and US GAAP, as described in the notes to the financial statements included in our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.

The financial forecasts and 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 forecasts and forward-looking statements for events or circumstances that occur subsequent to such date.