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## UMC Revises its 2001 Financial Forecast

**Taipei, Taiwan, R.O.C. – October 5, 2001 — United Microelectronics Corporation (NYSE: UMC; TAIEX: 2303)**, (UMC) today announced its revised annual financial forecast for 2001 in accordance with Taiwan's regulatory requirements.

Due to a worse-than-expected semiconductor industry downturn and slow economic recovery, for fiscal year 2001, UMC expects to post net sales of NT\$63.55 billion, an operating loss of NT\$5.3 billion, a pre-tax loss of NT\$6.4 billion and net loss of NT\$3.2 billion, resulting in a net loss per share of approximately NT\$0.24. The Company will release a formal financial forecast statement after auditing.

Weakness in the global communication market has been the primary reason leading to the downward revision of our financial forecast. UMC's strength in the communication segment has resulted in a significant negative impact on near-term performance. Not only has volume demand from our communication customers shown a significant decline, ASP (average selling price) per wafer is also under pressure given that communication customers are the key clientele for our leading-edge capacity. Nonetheless, we remain confident that UMC is best positioned to capitalize from the long-term partnerships with our communication customers once the cycle starts to resume its fast growth.

Secondly, UMC remains committed to retaining industry leadership in the area of advanced technology, and we continue to make rapid progress in the deployment of deep sub-micron processes and the state-of-the-art 300mm manufacturing platform. As UMC continues to invest for the future, R&D expenses is expected to grow 47% YoY to reach NT\$8.75 billion or 14% of our revenues in 2001. Although our short-term financial performance is affected by the increase in R&D expenses, we expect the long-term payoff to be rewarding.

Furthermore, UMC has taken this downturn as an opportunity to enhance our competitiveness. Other than our plan to reduce our 8-inch wafer capacity by one-third, we have closed our Licensed Product Division (LPD) in order to protect ourselves from the volatile memory market. Write-off losses associated with the closure of LPD have caused the deterioration of our financial performance in 2001.

Despite the low visibility, we reaffirm our previously stated guidance for the third and fourth quarters as revenues should have hit the bottom in the third quarter with a 15 to 20 percent QoQ decline. We should begin to see an improvement in revenues QoQ in Q4. Cash flow from operations in Q3 remained positive reaching approximately NT\$5.4 billion and the company is in an extremely strong financial position with an estimated NT\$50 billion cash on hand by the end of 2001.

Updated guidance for Q4 of 2001 will be released on October 30 in conjunction with the company's Q3 earnings release conference.

## About UMC

UMC, a world leading semiconductor foundry, operates multiple wafer fabs in Taiwan's Hsinchu Science Park. UMC's Japanese subsidiary, UMC Japan, has one fab, and UMC's joint venture with Hitachi, Trecenti Technologies, began pilot production in its 300mm fab in Japan in 2000. UMC's 300mm facility in Taiwan's Tainan Science Park began pilot production in June 2001, and the company has begun construction on UMCi, a third 300mm fab based in Singapore. UMC is a leader in foundry technology, with facilities that reached an annual output of more than 2.4 million eight-inch equivalent wafers in 2000 and shipped more silicon wafers in 0.18 micron and smaller technologies than any other foundry that year. UMC's 0.13 micron process combines up to 8 copper metal layers with true low-k dielectric materials. UMC serves customers around the world through sales and marketing offices located in the United States, Japan, and the Netherlands. UMC can be found on the web at <http://www.umc.com>.

## Safe Harbor Statement

*Except for statements in respect of historical matters, the statements contained in this website 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 "Risk Factors" in our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on June 28, 2001.*

*Unless otherwise stated, the financial statements included in this website were prepared and published in accordance with ROC GAAP. Investors are cautioned that there are differences between ROC GAAP and US GAAP, as described in the notes to the*

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*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 website reflect the current belief of UMC as of the dates indicated and UMC undertakes no obligation to update these forecasts and forward-looking statements for events or circumstances that occur subsequent to such dates.*