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UMC Reports Third Quarter 2015 Results

Inventory correction dampening 4Q15 demand; cyclical bottom approaching

Third Quarter 2015 Overview¹:

- **Revenue: NT\$35.32 billion (US\$1.07 billion)**
- **Gross margin: 19.6%; operating margin: 2.8%**
- **Foundry revenue from advanced nodes: 10% from 28nm, 25% from 40nm**
- **Foundry capacity utilization rate: 89%**
- **Net income attributable to the stockholders of the parent: NT\$1.71 billion (US\$52 million)**
- **Earnings per share: NT\$0.14; earnings per ADS: US\$0.021**

Taipei, Taiwan, ROC – October 28, 2015 – United Microelectronics Corporation (NYSE: UMC; TWSE: 2303) (“UMC” or “The Company”), a leading global semiconductor foundry, today announced its consolidated operating results for the third quarter of 2015.

Revenue was NT\$35.32 billion, with gross margin at 19.6% and operating margin at 2.8%. Net income attributable to the stockholders of the parent was NT\$1.71 billion, with earnings per ordinary share of NT\$0.14.

Po-Wen Yen, CEO of UMC, said “In the third quarter of 2015, our foundry segment posted revenue of NT\$35.08 billion, with gross margin at 20.3%. Wafer shipments totaled 1.47 million 8-inch equivalent wafers, leading to an overall capacity utilization rate of 89%. Our 40nm revenue contribution grew to 25% of sales, driven by demand strength in the communication and consumer segments. Our 8” fab utilization maintained above 95%, reflecting stable demand for logic and specialty applications. To better take advantage of the opportunities within mature nodes, UMC will leverage the advancements made in proven technologies to help customers compete in the IoT market. We recently announced volume

¹Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with TIFRSs recognized by Financial Supervisory Commission in the ROC, which is different from IFRSs issued by the International Accounting Standards Board. They represent comparisons among the three-month period ending Sep 30, 2015, the three-month period ending Jun 30, 2015, and the equivalent three-month period that ended Sep 30, 2014. For all 3Q15 results, New Taiwan Dollar (NT\$) amounts have been converted into U.S. Dollars at the Sep 30, 2015 exchange rate of NT\$ 32.92 per U.S. Dollar.

production for touch controller ICs based on UMC's 0.11um embedded flash process that uses the most aggressive aluminum metal design rules to strengthen customers' product and market competitiveness through lower die cost. In terms of corporate sustainability, in the third quarter 2015, UMC was selected as a DJSI global component for the eighth consecutive year."

CEO Yen continued, "Although the continuing IC inventory adjustment will dampen fourth quarter wafer shipments, UMC continues on the path towards long-term growth. While Moore's Law continues, 28nm remains a strong and long-lasting node, with many applications migrating to this geometry. Throughout 2015, UMC engineers and Fab12A have worked tirelessly to bring several new 28nm product tape-outs into volume production. At the same time, we have also received multiple customer inquiries requesting optimized, cost-effective solutions derived from our fundamental 28nm High-K Metal Gate process. UMC is working to bring a timely conversion of new 28nm requirements into production, which will strengthen our business. In addition, UMC is also leveraging mature node technology development to deliver specialty technology platforms addressing customer applications, further diversifying our product mix. Going forward, UMC will continue to drive process innovations across leading and legacy technologies, as well as proactively expanding worldwide manufacturing services to support our growth in the IC industry."

Summary of Operating Results

Operating Results					
(Amount: NT\$ million)	3Q15	2Q15	QoQ % change	3Q14	YoY % change
Net Operating Revenues	35,320	38,012	(7.1)	35,214	0.3
Gross Profit	6,911	8,723	(20.8)	7,559	(8.6)
Operating Expenses	(5,126)	(4,864)	5.4	(5,270)	(2.7)
Net Other Operating Income and Expenses	(804)	17	-	(602)	33.6
Operating Income	981	3,876	(74.7)	1,687	(41.8)
Net Non-Operating Income and Expenses	410	1,304	(68.6)	1,305	(68.6)
Net Income Attributable to Stockholders of the Parent	1,708	4,600	(62.9)	2,916	(41.4)
EPS (NT\$ per share)	0.14	0.37		0.23	
(US\$ per ADS)	0.021	0.056		0.035	

In 3Q15, the foundry segment posted NT\$35.08 billion in revenue. Consolidated revenue for the quarter was NT\$35.32 billion, down 7.1% from 2Q15, reflecting the semiconductor inventory correction. Net income from the foundry business totaled NT\$1.75 billion. On a consolidated basis, gross profit reached NT\$6.91 billion, or 19.6% of revenue, while operating income was NT\$0.98 billion or 2.8% of revenue. Net income attributable to the stockholders of the parent was NT\$1.71 billion, compared to NT\$4.60 billion in 2Q15.

Earnings per ordinary share for the quarter were NT\$0.14. Earnings per ADS were US\$0.021. The basic weighted average number of outstanding shares in 3Q15 was 12,524,504,594, compared with 12,572,497,200 shares in 2Q15 and 12,500,808,739 shares in 3Q14. The diluted weighted average number of outstanding shares was 13,694,010,855 in 3Q15, compared with 13,222,544,584 shares in 2Q15 and 12,582,502,645 shares in 3Q14. The fully diluted share count on September 30, 2015 was approximately 13,858,726,000. In the third quarter, UMC purchased approximately 200 million shares from the 16th share buy-back program. As a result, on September 30, 2015, UMC held 334 million treasury shares.

Detailed Financials Section

Consolidated revenue during the quarter was NT\$35.32 billion. Depreciation grew 2.7% QoQ to NT\$9.65 billion, mainly due to 28nm capacity expansion. Other manufacturing costs decreased 5.7% sequentially to NT\$18.76 billion. Operating expenses increased 5.4% from 2Q15 to NT\$5.13 billion. Sales & marketing expenses rose 12.4% QoQ, which included higher mask expenses. R&D expenses grew 4.1% sequentially to NT\$3.14 billion, including higher costs for 28nm and 14nm engineering wafers. Net operating income was NT\$0.98 billion.

COGS & Expenses					
(Amount: NT\$ million)	3Q15	2Q15	QoQ % change	3Q14	YoY % change
Net Operating Revenues	35,320	38,012	(7.1)	35,214	0.3
COGS	(28,409)	(29,289)	(3.0)	(27,655)	2.7
Depreciation	(9,654)	(9,404)	2.7	(8,483)	13.8
Other Mfg. Costs	(18,755)	(19,885)	(5.7)	(19,172)	(2.2)
Gross Profit	6,911	8,723	(20.8)	7,559	(8.6)
Gross Margin (%)	19.6%	22.9%		21.5%	
Operating Expenses	(5,126)	(4,864)	5.4	(5,270)	(2.7)
G&A	(942)	(919)	2.5	(845)	11.5
Sales & Marketing	(1,045)	(930)	12.4	(957)	9.2
R&D	(3,139)	(3,015)	4.1	(3,468)	(9.5)
Net Other Operating Income & Expenses	(804)	17	-	(602)	33.6
Operating Income	981	3,876	(74.7)	1,687	(41.8)

Net non-operating income in 3Q15 totaled NT\$410 million. Gains recognized on disposal of investment and exchange reached NT\$612 million and NT\$471 million respectively. Net investment loss of NT\$396 million included a NT\$216 million loss recognized from the holdings of Unimicron. Other losses of NT\$254 million represented the loss of valuation in financial liabilities.

Non-Operating Income and Expenses			
(Amount: NT\$ million)	3Q15	2Q15	3Q14
Non-Operating Income and Expenses	410	1,304	1,305
Net Interest Income and Expenses	(23)	(46)	(8)
Net Investment Gain and Loss	(396)	(247)	487
Gain and Loss on Disposal of Investment	612	1,319	580
Exchange Gain and Loss	471	11	114
Other Gain and Loss	(254)	267	132

Cash inflow from operations was NT\$16.29 billion. Cash outflow from investing activities totaled NT\$20.42 billion, including NT\$20.23 billion CAPEX spending for the foundry segment, resulting in a free cash outflow of NT\$3.94 billion. Cash outflow from financing activities reached NT\$9.82 billion, mainly from a NT\$6.94 billion issuance of cash dividends and a NT\$2.20 billion purchase of treasury shares. Over the next 12 months, the company expects to repay NT\$6.31 billion in bank loans.

Cash Flow Summary		
(Amount: NT\$ million)	For the 3-Month Period Ended Sep. 30, 2015	For the 3-Month Period Ended Jun. 30, 2015
Cash Flow from Operating Activities	16,286	11,459
Net income before tax	1,391	5,180
Depreciation & Amortization	11,592	11,194
Bad debt reversal	(4)	(173)
Net loss (gain) of financial assets at FVTPL	321	(36)
Gain on disposal of investments	(612)	(1,319)
Impairment loss on financial assets	744	416
Impairment loss on non-financial assets	795	-
Exchange loss (gain) on financial assets and liabilities	83	(204)
Changes in working capital	2,241	(2,066)
Income tax paid	(574)	(1,305)
Other	309	(228)
Cash Flow from Investing Activities	(20,416)	(14,757)
Capital expenditures	(20,227)	(12,034)
Acquisition of available-for-sale financial assets	(235)	(665)
Proceeds from disposal of available-for-sale financial assets	645	519
Proceeds from capital reduction and liquidation of investments	294	0
Disposal of subsidiaries	-	(835)
Acquisition of intangible assets	(230)	(349)
Changes in refundable deposits	(57)	(1,286)
Changes in other noncurrent assets	(589)	(54)
Other	(17)	(53)
Cash Flow from Financing Activities	(9,822)	13,824
Bank loans	330	(5,253)
Bonds Issued	-	18,425
Treasury stock acquired	(2,203)	-
Treasury stock sold to employees	-	677
Acquisition of subsidiaries	(935)	-
Cash Dividends	(6,939)	-
Other	(75)	(25)
Effect of Exchange Rate	2,049	(443)
Net Cash Flow	(11,903)	10,083
Beginning balance	64,046	53,632
Changes in non-current assets held for sale	-	331
Ending Balance	52,143	64,046

Cash and cash equivalents decreased to NT\$52.14 billion, mainly from a NT\$6.94 billion issuance of cash dividends and a NT\$2.20 billion acquisition of treasury shares. Days sales outstanding and days of inventory both increased 3 days in 3Q15, to 53 and 52 days respectively.

Current Assets			
(Amount: NT\$ billion)	3Q15	2Q15	3Q14
Cash and Cash Equivalents	52.14	64.05	42.74
Notes & Accounts Receivable	19.76	21.44	21.93
Days Sales Outstanding	53	50	56
Inventories, net	16.56	16.05	14.31
Days of Inventory	52	49	46
Total Current Assets	95.03	109.22	91.08

Current liabilities increased to NT\$44.47 billion, from the net result of an NT\$4.78 billion increase in payables on equipment, an NT\$3.51 billion increase in short-term credit and a reduction of NT\$6.94 billion from the payment of cash dividends. The reclassification of long-term credit to short-term credit decreased long-term credit/bonds to NT\$47.79 billion. Debt to equity ratio decreased to 47%.

Liabilities			
(Amount: NT\$ billion)	3Q15	2Q15	3Q14
Total Current Liabilities	44.47	43.49	45.44
Notes & Accounts Payable	6.34	6.47	6.75
Short-Term Credit / Bonds	8.84	5.33	15.26
Payables on Equipment	14.08	9.30	10.40
Dividends payable	-	6.94	-
Other	15.21	15.45	13.03
Long-Term Credit / Bonds	47.79	50.75	31.98
Long-Term Investment Liabilities	6.24	5.98	-
Total Liabilities	105.21	106.87	84.43
Debt to Equity	47%	48%	39%

Analysis of Revenue² for Foundry Segment

North America and Asia-Pacific revenue contribution in 3Q15 decreased 1% in each region, to 45% and 41% respectively.

Revenue Breakdown by Region

Region	3Q15	2Q15	1Q15	4Q14	3Q14
North America	45%	46%	47%	45%	45%
Asia Pacific	41%	42%	40%	42%	44%
Europe	6%	6%	7%	8%	6%
Japan	8%	6%	6%	5%	5%

28nm revenue contribution stayed flat, accounting for 10% of revenue in 3Q15. 40nm revenue represented 25% of sales.

Revenue Breakdown by Geometry

Geometry	3Q15	2Q15	1Q15	4Q14	3Q14
28nm and below	10%	11%	9%	7%	3%
28nm<x<=40nm	25%	22%	24%	21%	24%
40nm<x<=65nm	21%	21%	23%	24%	26%
65nm<x<=90nm	4%	6%	5%	7%	7%
90nm<x<=0.13um	14%	14%	13%	14%	14%
0.13um<x<=0.18um	11%	12%	12%	12%	12%
0.18um<x<=0.35um	12%	11%	11%	12%	11%
0.5um and above	3%	3%	3%	3%	3%

Revenue from fabless customers decreased to 88%.

Revenue Breakdown by Customer Type

Customer Type	3Q15	2Q15	1Q15	4Q14	3Q14
Fabless	88%	89%	90%	90%	91%
IDM	12%	11%	10%	10%	9%

Communication business continued to account for 55% of sales in 3Q15. Revenue contribution from the consumer and computer applications decreased by 1% each, to 27% and 11% of sales respectively.

Revenue Breakdown by Application ⁽¹⁾

Application	3Q15	2Q15	1Q15	4Q14	3Q14
Computer	11%	12%	13%	14%	15%
Communication	55%	55%	56%	54%	54%
Consumer	27%	28%	26%	28%	28%
Others	7%	5%	5%	4%	3%

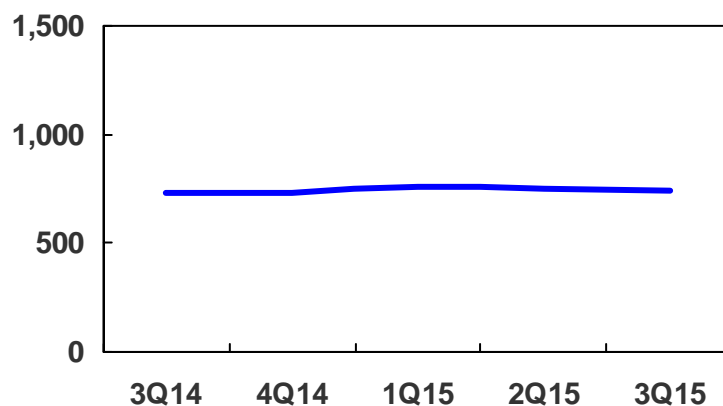
⁽¹⁾ **Computer** consists of ICs such as CPU, GPU, HDD controllers, DVD/CD-RW control ICs, PC chipset, audio codec, keyboard controller, monitor scaler, USB, I/O chipset. **Communication** consists of handset components, broadband, WLAN, bluetooth, Ethernet, LAN, DSP, etc. **Consumer** consists of ICs used for DVD players, DTV, STB, MP3/MP4, flash controller, game consoles, DSC, smart cards, toys, etc.

² Revenue in this section represents wafer sales

Blended ASP Trend for Foundry Segment

Blended average selling price (ASP) decreased slightly in 3Q15.

Unit: USD



Shipment and Utilization Rate³ for Foundry Segment

3Q15 wafer shipments decreased 4.5% to 1,467K. Quarterly capacity increased to 1,685K, resulting in an overall utilization rate of 89%.

Wafer Shipments

	3Q15	2Q15	1Q15	4Q14	3Q14
Wafer Shipments (8" K equivalents)	1,467	1,536	1,481	1,431	1,462

Quarterly Capacity Utilization Rate

	3Q15	2Q15	1Q15	4Q14	3Q14
Utilization Rate	89%	94%	93%	93%	93%
Total Capacity (8" K equivalents)	1,685	1,659	1,583	1,577	1,586

³ Utilization Rate = Quarterly Wafer Out / Quarterly Capacity

Capacity⁴ for Foundry Segment

Total capacity in the third quarter increased 1.5% to 1,685K 8-inch equivalent wafers. Continuous expansion of 28nm capacity at Fab 12A grew quarterly capacity to 206K in 3Q15 from 198K in 2Q15. The deployment of 8" capacity at Fab8N increased to 178K in 3Q15 up from 162K in 2Q15. Projected total capacity for the fourth quarter will grow to 1,690K 8-inch equivalent wafers due to continuous expansion at Fab 8N.

Annual Capacity in thousands of wafers

FAB	Geometry (um)	2015E	2014	2013	2012
WTK*	6"	311	-	-	-
Fab 6A	6"	111	448	448	481
Fab 8A	8"	813	813	813	815
Fab 8C	8"	347	347	347	360
Fab 8D	8"	341	358	382	371
Fab 8E	8"	418	418	418	449
Fab 8F	8"	388	388	388	389
Fab 8S	8"	335	335	335	348
Fab 8N	8"	667	547	469	-
Fab 12A	12"	793	700	651	579
Fab 12i	12"	572	573	550	537
Total⁽¹⁾		6,617	6,323	6,107	5,514
YoY Growth Rate		5%	4%	11%	4%

Quarterly Capacity in thousands of wafers

FAB	4Q15E	3Q15	2Q15	1Q15
WTK*	99	99	113	-
Fab 6A	-	-	-	111
Fab 8A	204	204	204	201
Fab 8C	87	87	87	86
Fab 8D	86	86	86	84
Fab 8E	105	105	105	103
Fab 8F	98	98	98	96
Fab 8S	84	84	84	83
Fab 8N	183	178	162	144
Fab 12A	206	206	198	183
Fab 12i	144	144	144	139
Total	1,690	1,685	1,659	1,583

2012 figures account for UMC parent company only.

⁽¹⁾One 6-inch wafer is converted into 0.5625(6²/8²) 8-inch equivalent wafer; one 12-inch wafer is converted into 2.25(12²/8²) 8-inch equivalent wafers. Capacity total figures are expressed in 8-inch equivalent wafers.

*UMC sold part of plants and equipment to WTK; WTK figures represent 6-inch CMOS capacity.

CAPEX for Foundry Segment

In 3Q15, CAPEX spending was US\$627 million. Capital expenditures for the three quarters reached US\$1.48 billion. 2015 CAPEX will be approximately US\$1.8 billion, with 87% of the amount dedicated towards 12" advanced capacity expansion.

Capital Expenditure by Year - in US\$ billion

Year	2014	2013	2012	2011	2010
CAPEX	\$ 1.4	\$ 1.1	\$ 1.7	\$ 1.6	\$ 1.8

2010-2012 figures account for UMC parent company only.

2015 CAPEX Plan

8"	12"	Total
13%	87%	US\$1.8 billion

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-up.

Fourth Quarter of 2015 Outlook & Guidance

Quarter-over-Quarter Guidance:

- Wafer Shipments: To decrease by less than 5%
- ASP in US\$: To decrease by approximately 1%
- Profitability: Gross profit margin will be in the high teens % range
- Foundry Segment Capacity Utilization: Approximately low 80% range
- 2015 CAPEX for Foundry Segment: US\$1.8bn

Recent Developments / Announcements

- Oct. 8, 2015 [UMC Ranked Second in 2015 Channel NewsAsia Sustainability Ranking, First in Taiwan](#)
- Sep. 22, 2015 [UMC Enters Volume Touch IC Production Using Foundry Industry's First 0.11um eFlash](#)
- Sep. 11, 2015 [UMC Selected as a DJSI Global Component for Eighth Consecutive Year](#)
- Aug. 19, 2015 [UMC Receives Sixth Corporate Citizenship Award from Taiwan's CommonWealth Magazine](#)
- Jul. 29, 2015 [UMC 2Q 2015 Financial Results](#)

Please visit UMC's website for further details regarding the above announcements

Conference Call / Webcast Announcement

Wednesday, October 28, 2015

Time: 5:00 PM (Taipei) / 5:00 AM (New York) / 09:00 AM (London)

Dial-in numbers and Access Codes:

USA Toll Free: 1-800 871-3110, 1-888 700-7397

Taiwan Number: 02-2192-8016

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Access Code: UMC

A live webcast and replay of the 3Q15 results announcement will be available at www.umc.com under the "Investors / Events" section.

About UMC

UMC (NYSE: UMC, TWSE: 2303) is a leading global semiconductor foundry that provides advanced IC production for applications spanning every major sector of the electronics industry. UMC's robust foundry solutions enable chip designers to leverage the company's sophisticated technology and manufacturing, which include volume production 28nm gate-last High-K/Metal Gate technology, ultra-low power platform processes specifically engineered for Internet of Things (IoT) applications and the automotive industry's highest-rated AEC-Q100 Grade-0 manufacturing capabilities for production of ICs found in cars. UMC's 10 wafer fabs are strategically located throughout Asia and are able to produce over 500,000 wafers per month. The company employs more than 17,000 people worldwide, with offices in Taiwan, mainland China, Europe, Japan, Korea, Singapore, and the United States. UMC can be found on the web at <http://www.umc.com>

Note from UMC Concerning Forward-Looking Statements

Some of the statements in the foregoing announcement are forward looking within the meaning of the U.S. Federal Securities laws, including statements about future outsourcing, wafer capacity, technologies, business relationships and market conditions. 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 from UMC; and technological and development risks. Further information regarding these and other risks is included in UMC's filings with the U.S. Securities and Exchange Commission, including its registration statements and reports on Forms F-1, F-3, F-6 and 20-F and 6-K, in each case as amended. UMC does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.

Safe Harbor Statements

This release contains forward-looking statements. These statements constitute “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by use of words such as “strategy,” “expects,” “continues,” “plans,” “anticipates,” “believes,” “will,” “estimates,” “intends,” “projects,” “goals,” “targets” and other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts.

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 is stated or 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, but not limited to: (i) our dependence upon the frequent introduction of new services and technologies based on the latest developments in our industry; (ii) the intensely competitive semiconductor, communications, consumer electronics and computer industries and markets; (iii) the risks associated with international global business activities; (iv) our dependence upon key personnel; (v) general economic and political conditions; (vi) possible disruptions in commercial activities caused by natural and human-induced events and disasters, including terrorist activity, armed conflict and highly contagious diseases; (vii) reduced end-user purchases relative to expectations and orders; and (viii) fluctuations in foreign currency exchange rates. Further information regarding these and other risks is included in UMC’s filings with the U.S. Securities and Exchange Commission, including its registration statements and reports on Form F-1, F-3, F-6 and 20-F and 6-K, in each case as amended. UMC does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.

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This presentation is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or selling security holder and that will contain detailed information about the company and management, as well as financial statements.

- FINANCIAL TABLES TO FOLLOW -