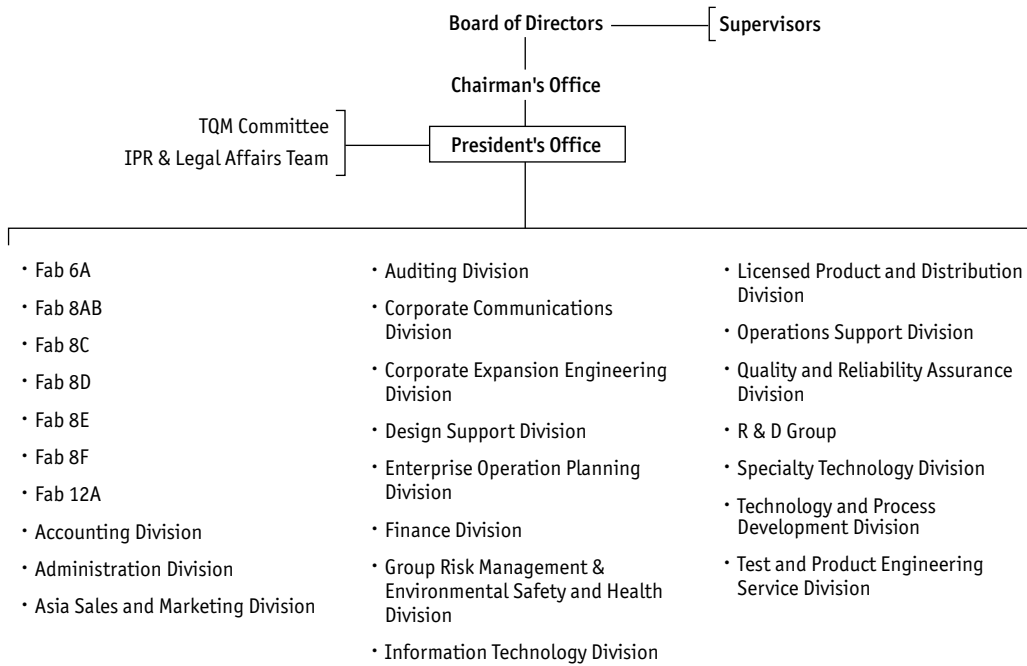


CORPORATE OVERVIEW

CORPORATE ORGANIZATION CHART



CORPORATE PROFILE

Date Incorporated:

May 22, 1980

Core Business:

- Integrated circuits fabrication.
- Semiconductor devices and related components, such as Hybrid Circuits, IC Cards, and Circuit Modules.
- Microcomputers, microprocessors, peripheral devices, and related subsystems and systems, such as Contact Image Sensors (CIS) and Liquid Crystal Displays (LCD).
- Semiconductor memory devices and related subsystems and systems for data acquisition and transmission.
- Semiconductor devices and related subsystems and systems for data acquisition and transmission.
- Semiconductor devices and related subsystems and systems for telecommunication.
- Integrated circuits testing and packaging.
- Mask ROM.
- *R&D, design and production, sales, promotion and service of all the above items and their derivatives.*
- Import/export trading business related to UMC operations.

MAJOR OFFICER

Title	Name	Since	Present Shareholding Common Stock (%)	Spouse & Minor Shareholding Common Stock (%)	Education
President	Peter Chang	2000.1.3	11,073,529 (0.10)	— (—)	Masters, Electrical Engineering, University of Texas at Austin

Note: Present shareholding is based on actual holding shares, December 31, 2000.

DIRECTORS AND SUPERVISORS

Title	Name	Date Elected (Term/Yrs.)	Shareholding When Elected Common Stock (%)	Present Shareholding Common Stock (%)	Spouse & Minor Shareholding Common Stock (%)	Experience
Chairman	John Hsuan	1998.5.5 (3)	25,885,401 (0.62)	56,275,121 (0.49)	3,639,498 (0.03)	Chairman, UMC
Director	Robert H.C. Tsao	1998.5.5 (3)	28,544,328 (0.68)	60,266,853 (0.53)	3,092,356 (0.03)	Chairman, UMC Group
Director	Patrick C.J. Liang	1998.5.5 (3)	181,074,815 (4.32)	335,106,094 (2.92)	— (—)	Chairman, Chiao Tung Bank
Director	Theodore M.H. Huang	1998.5.5 (3)	136,518,808 (3.26)	173,182,781 (1.51)	— (—)	Chairman, TECO Electric & Machinery Co., Ltd.
Director	Donald W. Brooks	1998.5.5 (3)	112,688,095 (2.69)	366,007,905 (3.19)	— (—)	Director, UMC
Director	Ing-Dar Liu	1998.5.5 (3)	18,025,089 (0.43)	39,699,824 (0.35)	1,680,367 (0.01)	Chairman, Unipac Optoelectronics Corporation
Director	Peter Chang	1998.5.5 (3)	(representative of the same legal entity as Donald W. Brooks)			President, UMC
Director	Jing-Shan Aur	1998.5.5 (3)	13,000,000 (0.31)	23,142,600 (0.20)	— (—)	Director, UMC
Director	Hong-Jen Wu	1998.5.5 (3)	31,200,000 (0.74)	55,542,240 (0.48)	— (—)	Director, UMC
Director	Mao-Chung Lin	1998.5.5 (3)	6,103,041 (0.15)	10,864,632 (0.09)	543,471 (0.00)	President, Sunrox International Inc.
Director	Jack K.C. Wang	1998.5.5 (3)	9,873,208 (0.24)	16,102,632 (0.14)	144 (0.00)	Chairman, Sen Dah Investment Co., Ltd.
Director	Tsing-Yuan Hwang	1998.5.5 (3)	10,000 (0.00)	17,802 (0.00)	— (—)	Chief Representative of Daiwa Institute of Research Ltd., Taipei Representative Office
Supervisor	Sheng-Chyuan Lin	1998.5.5 (3)	(representative of the same legal entity as Theodore M.H. Huang)			President, TECO Electric & Machinery Co., Ltd.
Supervisor	Ming-Jan Chen	1998.5.5 (3)	20,131,775 (0.48)	35,838,584 (0.31)	— (—)	Vice President, Industrial Technology Research Institute
Supervisor	Felix S.T. Chen	1998.5.5 (3)	188,175 (0.00)	334,987 (0.00)	22,332 (0.00)	Chairman, SAMPO Corporation

Notes: Present shareholding is based on actual holding shares, December 31, 2000. Patrick C.J. Liang represents Chiao Tung Bank. Theodore M.H. Huang represents TECO Electric & Machinery Co., Ltd. Donald W. Brooks represents Hsun Chieh Investment Corporation. Peter Chang represents Hsun Chieh Investment Corporation. Jing-Shan Aur represents Chuin Li Investment Corporation. Hong-Jen Wu represents Chuin Tsie Investment Corporation. Tsing-Yuan Hwang represents Ming Shing Industrial Co., Ltd. Sheng-Chyuan Lin represents TECO Electric & Machinery Co., Ltd. Ming-Jan Chen represents Shieh Li Investment Corporation.

LIST OF MAJOR SHAREHOLDERS OF UMC'S MAJOR INSTITUTIONAL STOCKHOLDERS

Major Institutional Stockholders	Major Shareholders of UMC's Major Institutional Stockholders
Chiao Tung Bank	Ministry of Finance, United Microelectronics Corporation, Hsun Chieh Investment Corporation, Administrative Committee of National Stabilization Fund, Bureau of Labor Insurance, Cathay Life Insurance Co., Ltd., Unipac Optoelectronics Corporation, Pacific Electric Wire & Cable Co., Ltd., Directorate General of Postal Remittances and Savings Banks, COSMOS Bank
TECO Electric & Machinery Co., Ltd.	United Microelectronics Corporation, Cathay Life Insurance Co., Ltd., Directorate General of Postal Remittances and Savings Banks, Tong-Kuang Investment Co., Ltd., Fubon Insurance Co., Ltd., Huang Po-Chih, YUBAN & Co., Kuang Yuan Enterprise Co., Ltd., Central Investment Holding Co., Ltd., Huang Jin-Hsiung
Chuin Li Investment Corporation	Robert H.C. Tsao, John Hsuan
Hsun Chieh Investment Corporation	United Microelectronics Corporation
Chuin Tsie Investment Corporation	Robert H.C. Tsao, John Hsuan
Ming Shing Industrial Co., Ltd.	Kuang-Hwa Investment Holding Co., Ltd.
Shieh Li Investment Corporation	Robert H.C. Tsao, John Hsuan

STATUS OF CORPORATE BONDS AND PREFERRED STOCK ISSUES

- The Company has authorized capital of 15,000,000,000 shares of stock (of which 1,500,000,000 shares are reserved for convertible bonds issued in R.O.C or foreign countries) with NT\$10 par value per share. 11,471,451,900 shares were issued and outstanding as of December 31, 2000.
- The Company issued the second round of unsecured Euro convertible bonds in the amount of US\$300,000,000 on May 16 and June 3 of 1997. All of the bonds were converted into the Company's common stocks or redeemed prior to May 30, 2000.
- The Company issued the third round of unsecured domestic convertible bonds in the amount of NT\$15,000,000,000 on January 20, 1998. All of the bonds were converted into the Company's common stocks prior to June 1, 2000.
- The Company issued the first round of secured domestic bonds on April 27, 2000. The main terms of the issue are as follows:
 - Total amount: NT\$3,990,000,000
 - Issue price: The bonds were issued at par.
 - Face amount: NT\$1,000,000 each
 - Coupon rate: 5.60%
 - Interest payment: Interest will be paid semi-annually starting from the issue date.
 - Principal repayment: Two years after the issue date, principal will be repaid semi-annually in a total of seven installments.
 - Maturity: Five years from the issue date (from April 27, 2000 to April 27, 2005).
- The Company issued new shares to participate in the American Depositary Receipt (ADR) listing on September 19, 2000. The main terms of the issue are as follows:
 - Listing exchange: New York Stock Exchange; Symbol: UMC
 - Total amount raised: US\$1,291,500,000
 - Offering: 90,000,000 ADSs. Each ADS (American Depositary Share) represents five UMC common shares.
 - Depository bank: Citibank, N.A.
 - Custodian bank: Citibank, N.A., Taipei Branch

OPERATION HIGHLIGHTS

LISTS OF MAJOR VENDORS/CUSTOMERS

LIST OF MAJOR VENDORS

<i>In thousand NTD</i>	2000		1999	
	Amount	% (Net Purchases)	Amount	% (Net Purchases)
Shin-Etsu Handotai Taiwan Co.	2,530,281	12%	498,596	6%
UTEK Semiconductor Corp.	—	—	1,506,076	17%
United Semiconductor Corp.	—	—	1,274,357	15%

LIST OF MAJOR CUSTOMERS

<i>In thousand NTD</i>	2000		1999	
	Amount	% (Net Sales)	Amount	% (Net Sales)
UMC Group (USA)	42,609,198	41%	5,559,165	19%
UMC BV	11,849,367	11%	2,819,624	10%

Note: UTEK Semiconductor Corp. and United Semiconductor Corp. were merged with the Company on Jan. 3, 2000.

PRODUCTION AND SALES FIGURES FOR LAST TWO YEARS

PRODUCTION FIGURES FOR LAST TWO YEARS

<i>In thousand NTD</i>	2000		1999	
	Quantity	Amount	Quantity	Amount
Wafer (pcs)	2,382,545	41,674,246	761,980	8,517,151
Chips (thousands)	32,959	1,282,286	24,439	1,001,281
Packaged ICs (thousands)	175,153	9,440,178	166,300	10,143,120

SALES FIGURES FOR LAST TWO YEARS

<i>In thousand NTD</i>	2000		1999	
	Quantity	Amount	Quantity	Amount
Wafer (pcs)	2,303,544	86,840,833	761,287	14,269,689
Chips (thousands)	32,107	2,716,697	24,416	1,698,130
Packaged ICs (thousands)	141,751	11,916,697	140,142	10,859,934

Note: 1999 data was prepared under pre-merger basis.

OPERATIONS OVERVIEW

BUSINESS SCOPE

Major Business: Full service semiconductor wafer foundry.

Current Products and Services: Wafer foundry services, including embedded IC design, mask tooling, wafer fabrication, testing, etc.

Future Products and Services: UMC has reached world-class manufacturing levels and leads most of the major semiconductor companies in the introduction of advanced deep sub-micron processes. Its 0.18-micron process was introduced in the first quarter of 1999, and successful production of functional chips using 0.13-micron copper interconnect technology followed in the second quarter of 2000. For the 0.13 and 0.10-micron copper interconnect process generations, UMC is engaged in a joint technology development program with IBM and Infineon. The early introduction of advanced process technology is largely attributed to UMC's effective research and development efforts and efficient production management, resulting in shorter cycle time and reduced time-to-market for its customer's products. Furthermore, in response to the growing trend towards system-on-chip (SOC) products, the Company continues to develop embedded memory macros, mixed-signal process technology, and other system integration technologies used for SOC designs. UMC now operates a total of seven fabs (one 6-inch fab and six 8-inch fabs), and offers production for processes from 0.50-micron down to 0.13-micron.

UMC's Japanese subsidiary, Nippon Foundry Inc., has one fab in Japan, and UMC's joint venture with Hitachi, Trecenti Technologies, began pilot production in its 300mm fab in Japan in 2000. UMC is also nearing completion of a 300mm facility in Taiwan's Tainan Science-Based Industrial Park, and plans to begin pilot production in the third quarter of 2001.

MARKET AND SALES CONDITIONS

MARKET ANALYSIS

Major Sales Regions: Currently the majority of customers is located in North America and Asia. To better diversify its customer base and reduce risk, the Company also plans to place strong emphasis on the development of major accounts in Europe and Japan.

Future Supply and Demand Situation: According to Dataquest and the World Semiconductor Trade Statistics latest reports, the global IC market anticipates strong overall growth rates in 2001 of 27% and 22%, respectively. Dataquest also predicts the foundry service sector will have a high 40% growth rate. However, the slow-down in the demand for PC and cellular phone markets, and the OEM adjustment of inventory levels, lead some analysts to suggest recalculating the numbers stated above.

Revenue Target: With the industry shifting toward the vertical disintegration business model, UMC should be able to attain revenue growth which is higher than the semiconductor industry in general, due to its high proportion of advanced geometry capacity, technology leadership position, and capacity expansion plans.

MARKET ANALYSIS (CONTINUED)

Positive Factors Relating to Future Development:

- UMC has distinguished itself as a top-tier player in the foundry industry. The trend towards industry disintegration will create new opportunities for the Company as the market for foundry services continues to grow.
- Major IDMs are shifting to the strategy of increased outsourcing for IC manufacturing. This will help the growth of the foundry service market.
- UMC maintains relatively stable long-term orders through its strategic alliances with global industry leaders.
- UMC has an exceptional management team, which places a heavy emphasis on research and development for advanced process technologies.
- UMC is the leader in the implementation of 300mm wafer production with three 300mm projects in progress. In Taiwan, the Company has a 300mm facility in the Tainan Science-Based Industrial Park. In Japan, UMC has a 300mm joint venture foundry with Hitachi, Trecenti Technologies. The Company also announced the plan to establish another 300mm semiconductor foundry in Singapore with Infineon Technologies as a minority shareholder.
- UMC is on par with the world leaders in process technology development. Mainstream production is currently at the 0.18-micron level, our 0.15-micron production is growing steadily, and our 0.13-micron process is currently available for customer prototypes. This shift towards volume production of more advanced technologies creates higher profits for the Company, while offering value added benefits to the customers.

Negative Factors Relating to Future Development:

- The stability of US economy: it is uncertain how the global economy and the semiconductor industry will react to a prolonged US recession.
- The slow-down in the demand for PC and cellular phone markets, as well as the OEM adjustment of inventory levels, may have a negative influence on industry growth in the short term.

APPLICATIONS OF MAJOR PROCESSES

CMOS-logic processes: Chips for logic-calculation functions, e.g. graphics chips, audio chips, and microprocessors

Mixed-signal processes: Chips for processing mixed-signals, e.g. cellular phone communications and MPEG chips

Non-volatile memory processes: Flash memories, EEPROM memories, etc.

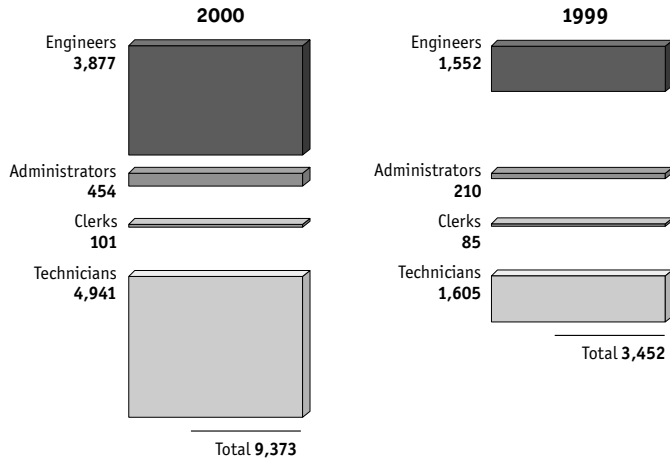
Embedded memory processes: Chips combining logic and memory functions

MARKET CONDITIONS OF THE CHIEF RAW MATERIALS USED AT UMC

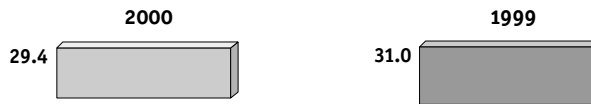
UMC obtains its raw materials from reputable vendors with whom long-term, credible relationships have been established. This ensures price stability, a high standard of quality, quick delivery, and reasonable pricing from raw material suppliers.

EMPLOYEE ANALYSIS

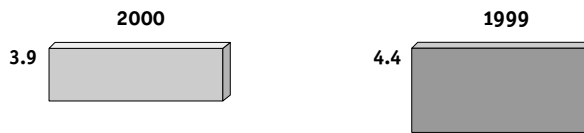
NUMBER OF EMPLOYEES



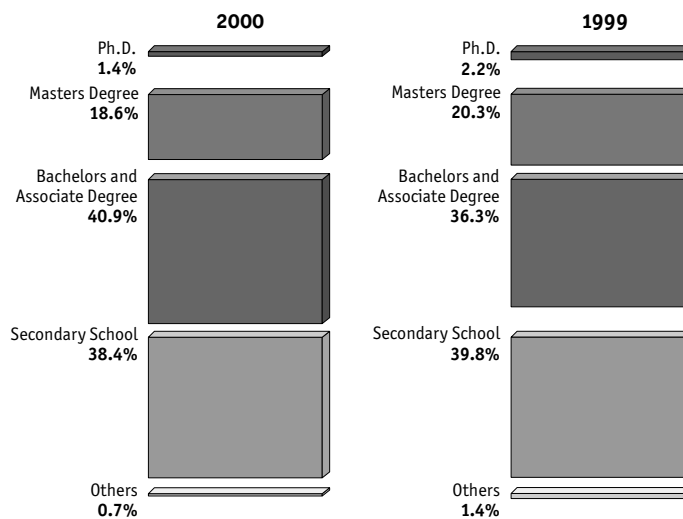
AVERAGE AGE



AVERAGE YEARS OF EMPLOYMENT



EMPLOYEE EDUCATION LEVEL BREAKDOWN



ENVIRONMENTAL PROTECTION

Environmental Protection is always a major consideration for UMC. With a philosophy of sustainable development and responsibility towards society, UMC not only complies with, but strives to exceed all applicable environmental and safety regulations. In our goal towards making UMC a more environmentally-friendly corporation, all production units are required to make efforts toward clean production, waste reduction, pollution prevention and risk management in addition to incorporating international environmental standards.

UMC's capital investment and operational expenses are clear indicators of the Company's determination toward environmental protection. In 2000, cumulative investment for pollution control equipment exceeded NT\$3 billion, with the investment for new fab construction on environmental protection reaching NT\$1 billion. Operation costs for relevant equipment are approximately NT\$20 million per month, plus a monthly waste treatment fee of around NT\$4 million. The major expenditures for future environmental protection programs include: NT\$600 million for new fab construction in Tainan; the costs required to upgrade or replace existing systems in Hsin-Chu; approximately NT\$20 million per month on operation costs for relevant equipment.

In addition to state-of-the-art equipment for pollution control, UMC also employs around 100 professionals working to ensure environmental protection. These efforts have helped UMC receive numerous awards recognizing performance regarding energy conservation, water conservation, and industrial pollution control.

UMC has not only made significant efforts towards environmental protection, but also has been devoted in establishing and maintaining an effective ISO-14001 Environmental Management System (EMS). UMC follows the Plan-Do-Check-Act management model of environmental protection. In 2000, UMC Fab 8C received both ISO-14001 and OHSAS-18001 (Occupational Health and Safety Assessment Series) certifications at the same time, becoming the first successful case of this kind in the semiconductor industry. The other UMC fabs will continue to pursue such achievements in order to ensure a safe, healthy, and environmentally protected working environment.

UMC also participates in a PFC reduction program to protect the atmosphere, and takes active part in environmental organizations, contingency response teams, and other public activities focused on raising the quality of environmental protection efforts.

In the past three years, UMC has had no material disputes involving environmental pollution. This is attributed to UMC's continuous efforts in the area of environmental protection. Notwithstanding, 8 citations were received from environmental authorities with the total cost of these penalties amounting to NT\$1.1 million. Among these penalties, there were two citations for NT\$300,000 each, issued in environmental impact statements to Fab 8E and Fab 8F. Since UMC Fabs 8E and 8F have since passed their environmental assessments, UMC management does not believe the environmental issues will present any material impact on the Company. The penalties for the other six citations range from NT\$60,000 to NT\$100,000. The major reason for these citations is a result of non-objective judgment on procedure violations rather than true pollution violations. UMC has filed a petition for administrative review of the NT\$300,000 penalty assessed against UMC in the second half of 2000. In addition, communication will continue to clarify any misunderstandings in the future.

LABOR RELATIONS

UMC places great importance on employee salaries and benefits, and actively engages in employee training, the enforcement of all labor laws, and the protection of employee rights in an effort to provide the best possible working environment.

Employees can communicate with management through many avenues, including departmental meetings, colleague symposiums, and opinion boxes. In addition, UMC has set up employee counseling services to further ensure the mental and physical health of UMC employees, and to develop a harmonious atmosphere between employees and management.

Due to its continuous efforts to create good labor relations, UMC has received several awards from the Council of Labor Affairs and other related organizations. These awards include such titles as “Model Institution for the Promotion of Labor Welfare”, “Model Enterprise for the Promotion of Labor Education”, and “Model Enterprise for Industrial Relations”.

MAJOR AGREEMENTS

TECHNOLOGY COOPERATION AND CONSTRUCTION CASES

International Business Machines Corp. and Infineon Technologies AG - UMC partnered with IBM and Infineon in joint development and licensing of advanced CMOS logic and eDRAM semiconductor technologies for 0.18-micron, 0.15-micron, and 0.13-micron.

Hitachi, Ltd. - UMC and Hitachi formed a joint venture in Ibaraki prefecture in Japan for the manufacture of 300mm wafers with leading edge technology; UMC has rights to 50% of the capacity.

Infineon Technologies AG - UMC and Infineon signed a Memorandum of Understanding for a joint venture in Pasir Ris Wafer Fab Park in Singapore for the manufacture of 300mm wafers with leading technology; UMC will be the controlling shareholder with rights to more than 60% of the output.

Various Construction Companies, such as Apex Science & Engineering Corp., L&K Engineering Co., Ltd., Taiwan Kumagai Co., Ltd., Topco Scientific Co., Ltd., etc. - UMC contracted with major construction companies to build semiconductor facilities to UMC’s specifications in Hsin-Chu and Tainan; total contract amounts exceed NT\$1.0 billion.

MAJOR LICENSES

UMC is committed to the protection and enhancement of intellectual property. Based on over twenty years of investment, UMC has been awarded more US patents in the semiconductor field than any other independent foundry in the world. UMC has also entered cross licenses with major semiconductor company patent holders to ensure that UMC customers do not face infringement claims as a result of our wafer processing. Some of the major licenses include:

AT&T/Lucent - process & topography

Harris Corporation - process & topography

Hitachi, Ltd. - process & topography

International Business Machines Corp. - process, topography & design

Motorola, Inc. - process, topography & design

Texas Instruments Incorporated - process, topography & memory content

LITIGATION AND NON-LITIGATED INCIDENTS

In February 1997, Micron Technology Inc. filed an anti-dumping petition regarding Static Random Access Memory (SRAM) made in Taiwan. An anti-dumping order, issued in April 1998, imposes various dumping duties on SRAM made in Taiwan, if and when those SRAM are imported into the USA. This order was subsequently reversed by the United States Court of International Trade. Regardless of any of these proceedings, UMC believes the SRAM order will have no material effect on its business or financial performance.

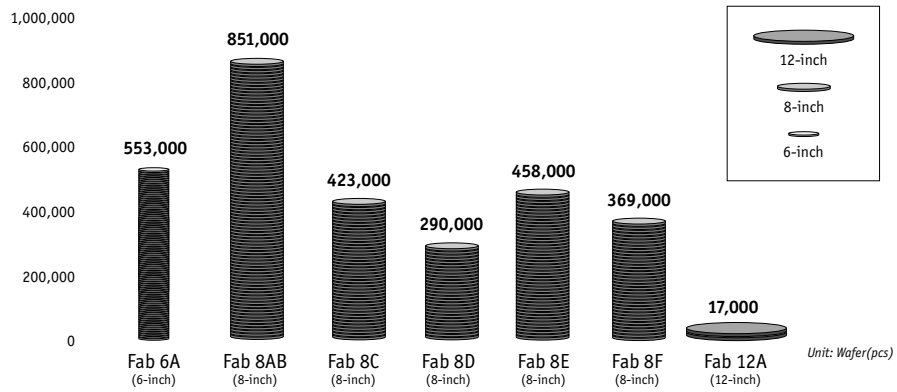
Oak Technology Inc. (OAKT) and UMC entered a settlement agreement in July 1997 concerning a complaint filed with the United States International Trade Commission (ITC) against UMC and others, alleging patent infringement regarding certain CD-ROM controllers. In December 1997, OAKT filed a civil action in a California federal district court, alleging that UMC had breached the settlement agreement. In April 1998, OAKT again filed with the ITC, reasserting against UMC these same patent and settlement claims. On September 27, 1999, the ITC issued its order finding no infringement and therefore no act of unfair competition. OAKT has appealed. Whatever the outcome of the ITC or District Court cases, UMC believes this OAKT matter will have no material effect on its business or financial performance.

Micron Technology filed another anti-dumping petition against Taiwan in October 1998, this time complaining about Dynamic Random Access Memory (DRAM). By an order issued in November 1999, the ITC rejected Micron's allegations and found that there was no injury or threat of injury to U.S. industry by reason of "unfairly" traded subject DRAMs from Taiwan. Whatever resulting proceedings or appeals Micron might initiate, UMC does not believe the DRAM allegations or these proceedings will have a material effect on its business or financial performance.

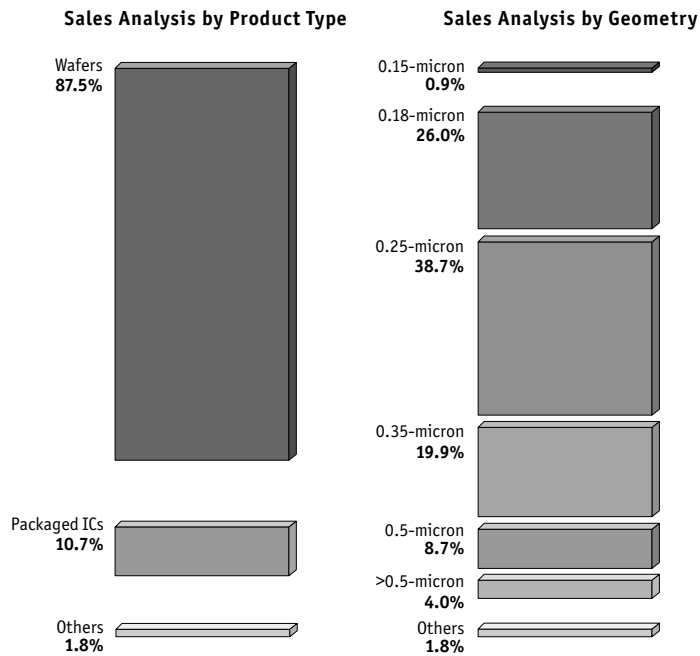
BUSINESS PLANS

PRODUCTION AND SALES PROJECTIONS

PRODUCTION PLANS (2001)



SALES PROJECTIONS (2001)



DISPOSAL/ACQUISITION PLAN FOR REAL ESTATE/ LONG-TERM INVESTMENTS IN 2001

UMC, jointly with other investors, plans to establish the world's most advanced 12-inch wafer foundry company in Singapore's Pasir Ris Wafer Fab Park. Infineon Technologies AG signed a memorandum of understanding, planning to take a minority stake in this company. The Company will operate as a subsidiary of UMC with a planned investment for the project of US\$3.6 billion.

RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND PLANS

R & D ACHIEVEMENTS

2000 offered many examples of UMC's continued commitment to provide customers with leading-edge technologies ahead of the competition. In early 2000, UMC released its 0.15-micron logic technology to customers for mass production, which at the time was one of the earliest 0.15-micron technologies available in the world. Furthermore, over half of all wafers manufactured at UMC in 2000 were for 0.25-micron and beyond (including 0.25-micron, 0.21-micron, 0.18-micron and 0.15-micron), providing solid testimony to our customers' confidence in UMC's advanced technology in helping them maintain their competitive advantage. In recognition of UMC's outstanding achievements in semiconductor technology research, the ROC government awarded UMC "Gold" medals acknowledging contributions to innovative semiconductor research made by both individual and company efforts in 2000. UMC was also honored by receiving the "Outstanding Technology Award" by the ROC President.

Early development of 0.13-micron logic technology was one of our primary focuses for 2000. In less than a year after we made 0.15-micron available to our customers, we announced that we had started prototyping chips using 0.13-micron logic technology with our strategic development partners, IBM and Infineon. This is the first true 0.13-micron technology that offers customers a maximum 8 layers of copper interconnect and Low K dielectric material (with $K = 2.7$). In this 0.13-micron generation, we currently provide one of the most competitive embedded SRAMs (cell size equal to 2.28 um^2) with transistors made as small as 0.08-micron, offering our customers the most advanced foundry process for applications including PC Periphery/Graphics, ASIC, and MPU (Microprocessors) designs. Also, the multiple sources of supply make this unprecedented design platform truly a global process. This 0.13-micron technology has attracted worldwide attention, with over a dozen customers already deciding to take advantage of this technology for prototyping of their most advanced product designs at the early adoption stage. In addition to the 0.13-micron standard logic process, Mixed Signal and RF CMOS technologies remain high priorities due to the rapidly expanding markets in applications involving communications, digital consumer products, and the Internet. Efforts to develop technologies in these areas have allowed us to realize the successful delivery of 0.25-micron and 0.18-micron Mixed Signal and RF CMOS technologies to our customers. Moreover, the 0.13-micron technology developed with IBM and Infineon includes high quality passive Mixed Signal and RF CMOS components such as metal-metal capacitors and metal inductors as the best offerings for our customers to use in their product designs. Regarding our memory technologies, three generations (0.25-micron, 0.21-micron and 0.18-micron) of (stack type) DRAM processes have been successfully developed in two years. In addition, we will jointly develop the Deep Trench embedded DRAM at the 0.13-micron generation with IBM and Infineon. With our embedded Flash and embedded EEPROM technologies, UMC provides complete solutions for our customers' leading-edge System-On-Chip (SOC) designs.

FUNDAMENTAL RESEARCH

Since becoming the first international member of the SRC (Semiconductor Research Corp.) in 1999, UMC has held an active presence at every SRC program, including determining future research directions, providing guidance, and sending senior staff to help manage SRC research programs as their liaisons. These are perfect opportunities for us to work with other SRC member companies such as Intel, IBM, TI, Motorola, and AMD for fundamental research in semiconductor technologies. Also through the SRC, UMC has facilitated the entry of many Taiwanese universities into international research programs, giving them the opportunity to compete with top North American universities. These types of competitions help us to cultivate our future designers and process engineers by stimulating innovation and raising their R&D standards to international levels. These activities will further enhance UMC's competitiveness: allowing us to pursue fundamental research while sponsoring university education. Additionally, the universities we sponsor provide us with the best quality students for our technology development now and in the future.

Our efforts at fundamental research have been recognized at the individual level as well. Dr. T R Yew, one of UMC's R&D managers and a former SRC program participant, won the "Gold" medal of ROC's Innovation Award in 2000.

PATENT DISCLOSURE AND GRANTED

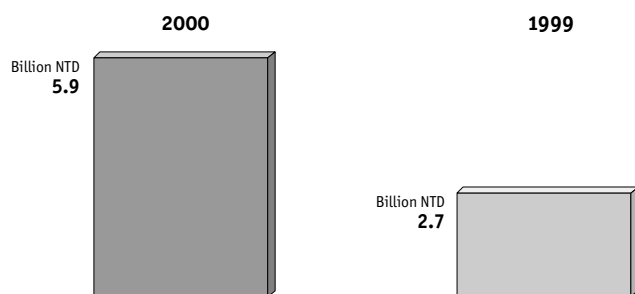
In 2000, there were 787 patents filed by UMC. For the year, UMC was granted 843 ROC patents, 503 US patents, and 79 patents from other countries.

UPCOMING R&D PLANS

UMC has always been devoted to developing next generation technologies. Since 0.18-micron, we have achieved parity with the most advanced IC manufacturing companies in terms of process maturity, complexity and time-to-market. Furthermore, our 0.15-micron and 0.13-micron logic technologies were developed in a very short period of time, one to two years ahead of the ITRS roadmap for current and next generation technologies. We expect to continue this rapid pace for R&D. Our 0.10-micron project is well under way, and studies on the key modules for 0.07-micron and 0.05-micron have been initiated with international research institutes such as the SRC and IMEC. In addition, we are developing Silicon Germanian(SiGe) and Silicon-On-Insulator(SOI) technologies to satisfy high frequency, low-power and high-speed requirements. We expect to offer these technologies to our customers starting from the 0.10-micron generation. Moreover, UMC aggressively recruits and trains our world-class R&D staff to meet the ongoing challenges of providing the best technical service along with our industry leading technologies.

UMC is committed to providing the shortest time-to-market for our customers. We offer comprehensive design resources (such as Library and IP) along with our technology, enabling our research achievements to become the real world tools that turn profits for our customers.

R&D EXPENDITURES 1999-2000



CAPITAL EXPENDITURE PLANS

In 2001, UMC's capital expenditure budget will be devoted mainly to the purchase of new production equipment, research and development of new process technology, and for the construction of Fab 12A. Capital expenditure will be funded by company profits, syndicated loans and issuance of bonds, etc. Return from these spending projects is expected to increase production quantities by 17% in 2001. Return from investment on Fab 12A will appear in 2002.

YEAR 2001 CAPITAL EXPENDITURE PLANS

<i>In Million NTD</i>	Amount
Fab 6A Equipment	351
Fab 8AB Equipment	940
Fab 8C Equipment	782
Fab 8D Equipment	3,574
Fab 8E Equipment	787
Fab 8F Equipment	1,490
Fab 12A Equipment	26,590
Information Technology Equipment	2,062
Testing & Packaging Equipment	3,726
R&D Equipment	3,068
Quality Control Equipment	868
Testing Tower Facility	450
Dormitory	67
Others	4,364
Total	49,119

ISSUANCE OF AMERICAN DEPOSITARY RECEIPT IN 2000

The American Depositary Receipt issuance in 2000 was used to fund capital expenditures in connection with the expansion of Fabs 8D and 8E. The investment project will require a total of NT\$46.5 billion. There are three funding resources for this project: (a) the ADR issuance (NT\$40,333,545,000), (b) the Company's own resources, and (c) other financial instruments (b+c=NT\$6,166,455,000).

Due to strong demand for foundry capacity, the equipment move-in was ahead of schedule. Therefore, the actual completed expenditure was 75.50% by the end of 2000, compared to our original expectations of 55.91%.

