

**UNITED MICROELECTRONICS CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

Notice to Readers :

The following financial statements were originally prepared in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
United Microelectronics Corporation

We have audited the accompanying consolidated balance sheets of United Microelectronics Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of UMC Group (USA), a wholly-owned subsidiary, and UMC Japan, a 51.74% owned subsidiary, whose statements reflect total assets of NT\$10,171 million and NT\$25,759 million, respectively, as of December 31, 2000, and total revenues of NT\$43,491 million and NT\$10,542 million, respectively, for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for UMC Group (USA) and UMC Japan, is based solely on the reports of the other auditors. As described in Note 4(6) to the consolidated financial statements, certain long-term investments were accounted for under the equity method based on the 2001 and 2000 financial statements of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment (loss) income amounting to NT\$(1,357) million and NT\$320 million for the years ended December 31, 2001 and 2000, respectively, and the related long-term investment balances of NT\$9,490 million and NT\$9,376 million as of December 31, 2001 and 2000, respectively, is based solely on the reports of the other auditors. As described in Note 3 to the consolidated financial statements, the Company's long-term investments in two investee companies were changed from equity method to the lower of aggregate cost or market value method because the Company became unable to exercise significant influence over the two investees' operating and financial policies.

We conducted our audit in accordance with generally accepted auditing standards in the Republic of China, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Microelectronics Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in the Republic of China.

January 18, 2002
Taipei, Taiwan
Republic of China

Notice to Readers

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000
(Expressed in thousand of New Taiwan dollars)

Assets	Notes	2001	2000	Liabilities and Stockholders' Equity	Notes	2001	2000
Current Assets				Current Liabilities			
Cash and cash equivalents	2, 4(1)	\$ 76,904,068	\$ 62,470,073	Short-term loans	4(8), 6	\$ 753,450	\$ 3,968,550
Marketable securities	2, 4(2)	1,286,434	-	Notes payable		21,128	410,733
Notes receivable	4(3)	113,681	296,032	Accounts payable		2,895,641	6,431,653
Notes receivable - related parties	5	102,011	189,545	Accounts payable - related parties	5	252,963	323,695
Accounts receivable	2, 4(4), 6	7,126,712	16,237,479	Income tax payable	2	219,877	803,933
Accounts receivable - related parties	2, 5	1,760,888	3,623,787	Accrued expenses		5,460,428	4,882,225
Other receivables	2	1,081,576	1,344,417	Other payables		12,482,283	13,991,449
Other receivables - related parties	2, 5	1,949,597	111,006	Current portion of long-term debts	4(9), 4(10), 5, 6	9,720,178	9,212,111
Inventories	2, 4(5)	5,717,203	10,790,577	Other current liabilities		2,718,257	2,082,931
Prepaid expenses		788,936	536,759	Subtotal		<u>34,524,205</u>	<u>42,107,280</u>
Deferred income tax assets - current	2, 4(16)	3,954,867	1,154,801				
Other current assets		567	5,759	Long-term Liabilities			
Subtotal		<u>100,786,540</u>	<u>96,760,235</u>	Bonds payable	2, 4(9)	38,450,511	3,990,000
				Long-term loans	4(10), 5, 6	16,244,823	31,543,951
Funds and Long-term Investments	2, 3, 4(6)			Subtotal		<u>54,695,334</u>	<u>35,533,951</u>
Long-term investments		41,225,981	41,526,766				
Prepaid long-term investments		-	256,960	Other Liabilities			
Allowance for market decline in long-term investment		(469,303)	(2,268,967)	Accrued pension liabilities	2, 4(11)	1,591,022	1,083,895
Subtotal		<u>40,756,678</u>	<u>39,514,759</u>	Capacity deposits and other deposits	7	865,546	1,833,832
				Minority interest	2	15,594,468	9,153,591
Property, Plant and Equipment	2, 4(7), 5, 6, 7, 9			Others		101,429	128,356
Land		1,854,306	1,805,241	Subtotal		<u>18,152,465</u>	<u>12,199,674</u>
Buildings		15,458,094	13,010,416				
Machinery and equipment		214,105,828	188,973,848	Total Liabilities		<u>107,372,004</u>	<u>89,840,905</u>
Transportation equipment		52,718	59,967				
Furniture and fixtures		1,785,562	1,435,473	Stockholders' Equity			
Leasehold improvements		93,535	91,318	Capital	4(12)		
Total Cost		233,350,043	205,376,263	Common stock		133,356,954	114,714,519
Less : Accumulated depreciation		(95,327,241)	(62,621,111)	Capital reserve			
Plus : Construction in progress and prepayments		31,098,366	20,660,283	Premiums		41,729,589	41,582,503
Net		<u>169,121,168</u>	<u>163,415,435</u>	Gain on disposal of property, plant and equipment		170,473	170,473
				Change in equities of long-term investments		23,063,166	23,255,638
Intangible Assets	2			Excess from merger		17,152,454	17,152,454
Trademarks		806	1,028	Retained earnings	4(14)		
Patents		30,805	14	Legal reserve		10,686,225	5,625,234
Technology know-how		646,312	-	Special reserve		2,242,284	-
Others		72,063	1,713	Unappropriated earnings		21,223,870	50,759,921
Subtotal		<u>749,986</u>	<u>2,755</u>	Unrealized loss on long-term investments	2, 4(6)	(470,931)	(2,265,279)
				Cumulative translation adjustment	2, 4(6)	(160,470)	24,202
Other Assets				Treasury stock	2, 4(13)	(35,671,361)	(31,071,718)
Leased assets	2	149,734	212,911	Total Stockholders' Equity		<u>213,322,253</u>	<u>219,947,947</u>
Idle assets		29,976	24				
Deposits out		617,787	322,860				
Deferred charges	2	2,935,595	2,268,374				
Deferred income tax assets - noncurrent	2, 4(16)	4,371,231	3,816,370				
Restricted deposits	6	264,700	2,947,400				
Others		910,862	527,729				
Subtotal		<u>9,279,885</u>	<u>10,095,668</u>				
Total Assets		<u>\$ 320,694,257</u>	<u>\$ 309,788,852</u>	Total Liabilities and Stockholders' Equity		<u>\$ 320,694,257</u>	<u>\$ 309,788,852</u>

The accompanying notes are an integral part of the consolidated financial statements.

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2001 and 2000
(Expressed in thousand of New Taiwan dollars, except for earnings per share)

Contents	Notes	2001	2000
Operating Revenues			
Sales revenues	2, 5	\$ 67,611,481	\$ 115,429,323
Less : Sales returns and allowances		<u>(711,210)</u>	<u>(1,934,402)</u>
Net Sales		66,900,271	113,494,921
Other operating revenues		<u>2,916,528</u>	<u>2,114,418</u>
Net Operating Revenues		<u>69,816,799</u>	<u>115,609,339</u>
Operating Costs			
Cost of goods sold	5	(60,498,905)	(54,712,570)
Other operating costs		<u>(489,353)</u>	<u>(2,349,625)</u>
Operating Costs		<u>(60,988,258)</u>	<u>(57,062,195)</u>
Gross Profit		8,828,541	58,547,144
Unrealized Intercompany Profit	2	(71,419)	(164,123)
Realized Intercompany Profit	2	<u>491,768</u>	<u>(184,727)</u>
Net		<u>9,248,890</u>	<u>58,198,294</u>
Operating Expenses			
Selling expenses		(2,275,884)	(1,153,160)
General and administrative expenses		(4,425,568)	(3,195,464)
Research and development expenses		<u>(8,959,691)</u>	<u>(6,306,273)</u>
Subtotal		<u>(15,661,143)</u>	<u>(10,654,897)</u>
Operating (Loss) Income		<u>(6,412,253)</u>	<u>47,543,397</u>
Non-operating Income			
Interest revenue		2,487,485	2,018,926
Investment income	2, 4(6)	-	1,726,345
Gain on disposal of property, plant and equipment	2, 5	186,013	372,938
Gain on disposal of investments	5	2,347,219	588,202
Exchange gain	2	648,169	2,922,412
Lease income		96,525	115,186
Other income		<u>504,889</u>	<u>711,395</u>
Subtotal		<u>6,270,300</u>	<u>8,455,404</u>
Non-operating Expenses			
Interest expense	4(7), 5	(2,525,937)	(2,367,401)
Investment loss	2, 4(6)	(1,828,341)	-
Loss on disposal of property, plant and equipment	2	(231,536)	(273,238)
Inventory loss	2	(1,529,823)	(610,327)
Banking charges		(220,610)	(306,387)
Depreciation and loss on idle assets		(28,160)	(61,797)
Other losses		<u>(59,677)</u>	<u>(50,493)</u>
Subtotal		<u>(6,424,084)</u>	<u>(3,669,643)</u>
(Loss) Income Before Income Taxes and Minority Interest		(6,566,037)	52,329,158
Income Tax Benefit	2, 4(16)	<u>3,039,989</u>	<u>91,062</u>
(Loss) Income Before Minority Interest		(3,526,048)	52,420,220
Minority Interest in Loss (Income)		<u>368,746</u>	<u>(1,639,842)</u>
Net (Loss) Income		<u>\$ (3,157,302)</u>	<u>\$ 50,780,378</u>
Earnings Per Share			
Net (Loss) Income (in New Taiwan dollars)	2, 4(15)	<u>\$ (0.25)</u>	<u>\$ 4.06</u>

The accompanying notes are an integral part of the consolidated financial statements.

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the years ended December 31, 2001 and 2000
(Expressed in thousand of New Taiwan dollars)

Contents	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Loss on Long-term Investments	Cumulative Translation Adjustment	Treasury Stock	Total
Balance as of January 1, 2000	\$ 66,549,966	\$ 36,836,033	\$ 4,579,516	\$ -	\$ 11,130,347	\$ (319,448)	\$ 535,234	\$ (16,691,822)	\$ 102,619,826
New shares issued due to merger on January 3, 2000	23,836,503	17,152,454	-	-	-	-	(1,083)	-	40,987,874
Appropriation of 1999 earnings:									
Appropriation for legal reserve	-	-	1,045,718	-	(1,045,718)	-	-	-	-
Stock dividends	9,049,268	-	-	-	(9,049,268)	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	(95,737)	-	-	-	(95,737)
Capitalization of employees' bonus	786,893	-	-	-	(786,893)	-	-	-	-
Capitalization of capital reserve	9,049,269	(9,049,269)	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	(1,479,064)	(1,479,064)
Net income for 2000	-	-	-	-	50,780,378	-	-	-	50,780,378
Gain on disposal of property, plant and equipment	-	170,473	-	-	(170,473)	-	-	-	-
Gain on disposal of property, plant and equipment from investees	-	2,715	-	-	(2,715)	-	-	-	-
Conversion of convertible bonds issued	942,620	2,486,512	-	-	-	-	-	-	3,429,132
Adjustment arising from changes in ownership percentage in investees	-	547,377	-	-	-	-	-	-	547,377
Unrealized loss on long-term investments	-	-	-	-	-	(1,194,849)	-	-	(1,194,849)
Unrealized loss on long-term investments of investees	-	-	-	-	-	(750,982)	-	-	(750,982)
Shares issued for American Depository Shares	4,500,000	34,014,773	-	-	-	-	-	-	38,514,773
Cumulative translation adjustment	-	-	-	-	-	-	(509,949)	-	(509,949)
Treasury stock due to consolidation	-	-	-	-	-	-	-	(12,900,832)	(12,900,832)
Balance as of December 31, 2000	\$ 114,714,519	\$ 82,161,068	\$ 5,625,234	\$ -	\$ 50,759,921	\$ (2,265,279)	\$ 24,202	\$ (31,071,718)	\$ 219,947,947
Appropriation of 2000 earnings:									
Appropriation for legal reserve	-	-	5,060,991	-	(5,060,991)	-	-	-	-
Appropriation for special reserve	-	-	-	2,242,284	(2,242,284)	-	-	-	-
Stock dividends	17,151,040	-	-	-	(17,151,040)	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	(433,039)	-	-	-	(433,039)
Capitalization of employees' bonus	1,491,395	-	-	-	(1,491,395)	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	(4,599,643)	(4,599,643)
Net loss for 2001	-	-	-	-	(3,157,302)	-	-	-	(3,157,302)
Adjustment arising from changes in ownership percentage in investees	-	(192,472)	-	-	-	-	-	-	(192,472)
Unrealized loss on long-term investments	-	-	-	-	-	1,514,297	-	-	1,514,297
Unrealized loss on long-term investments of investees	-	-	-	-	-	280,051	-	-	280,051
Issuance cost adjustment for American Depository Shares	-	147,086	-	-	-	-	-	-	147,086
Cumulative translation adjustment	-	-	-	-	-	-	(184,672)	-	(184,672)
Balance as of December 31, 2001	\$ 133,356,954	\$ 82,115,682	\$ 10,686,225	\$ 2,242,284	\$ 21,223,870	\$ (470,931)	\$ (160,470)	\$ (35,671,361)	\$ 213,322,253

The accompanying notes are an integral part of the consolidated financial statements.

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2001 and 2000
(Expressed in thousand of New Taiwan dollars)

Contents	2001	2000
Cash flows from operating activities:		
Net (loss) income	\$ (3,157,302)	\$ 50,780,378
Adjustments to reconcile net (loss) income to cash and cash equivalents:		
Minority interest in (loss) income	(368,746)	1,639,842
Depreciation	34,390,192	24,403,320
Amortization	1,877,551	1,176,713
(Reversal) provision for bad debts expense	(108,892)	52,940
Provision for inventory loss	1,529,823	610,327
Long-term investment loss (income) accounted for under equity method	1,554,402	(2,077,487)
Cash dividends received under equity method	227,025	18,900
Loss on decline in market value of long-term investments	535,890	414,560
Gain on disposal of investments	(2,347,219)	(588,202)
Loss (gain) on disposal of property, plant and equipment	45,523	(99,700)
Depreciation and loss on idle assets	28,160	61,797
Patent right return	(93,990)	-
Interest saving on bonds payable transferred to capital reserve	-	74,313
Changes in assets and liabilities:		
Notes receivable	261,920	1,394,574
Accounts receivable	11,341,957	(7,426,562)
Other receivable	(1,384,871)	(373,817)
Inventories	3,493,492	(6,428,624)
Prepaid expenses	(399,153)	(352,588)
Other current assets	-	(454,005)
Deferred income tax assets	(3,394,095)	(7,239)
Notes payable	-	(59,309)
Accounts payable	(4,266,257)	(1,016,603)
Income tax payable	(754,950)	(18,625)
Other liabilities	-	(119,689)
Accrued expenses	726,672	2,667,916
Other current liabilities	(693,509)	269,347
Compensation interest payable	4,415	(11,494)
Capacity deposit	236,902	3,083,578
Accrued pension liabilities	471,411	462,623
Net cash provided by operating activities	<u>39,756,351</u>	<u>68,077,184</u>
Cash flows from investing activities:		
Marketable securities	(1,256,567)	1,838,352
Acquisition of long-term investments	(4,417,786)	(10,041,492)
Proceeds from disposal of long-term investments	4,878,280	1,723,271
Acquisition of property, plant and equipment	(43,050,831)	(83,482,670)
Proceeds from disposal of property, plant and equipment	544,099	1,509,680
Withdrawal of prepayments for long-term investments	1,772	1,000,000
Increase in deferred charges	(2,373,213)	(2,579,618)
Decrease (increase) in restricted deposits	2,660,800	(2,580,724)
Increase in intangible assets	(35,849)	-
Increase in other assets	(207,749)	(231,642)
Cash proceeds from merger	-	19,162,146
Net cash used in investing activities	<u>(43,257,044)</u>	<u>(73,682,697)</u>

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2001 and 2000
(Expressed in thousand of New Taiwan dollars)

Contents	2001	2000
(continued)		
Cash flows from financing activities:		
Decrease in short-term loans, net	\$ (3,243,955)	\$ (7,111,095)
Proceeds from long-term loans	5,185,910	9,423,941
Repayment for long-term loans	(20,996,521)	(6,681,765)
Proceeds from bonds issued	35,596,096	6,896,000
Proceeds from issuance of American Depositary Receipts	-	38,514,773
Redemption of bonds	-	(33,015)
Cash payment for fraction of one share arising from bonds conversion	-	(4)
Increase in deposits in	361	608
Purchase of treasury stock	(4,599,643)	(1,479,064)
Directors' and supervisors' remuneration paid	(433,039)	(95,737)
Proceeds from minority stockholders on stock issuance of subsidiaries	7,106,287	1,976,031
Net cash provided by financing activities	<u>18,615,496</u>	<u>41,410,673</u>
Effect of exchange rates on cash and cash equivalents	<u>(680,808)</u>	<u>(137,522)</u>
Net increase in cash and cash equivalents	14,433,995	35,667,638
Cash and cash equivalents at the beginning of the year	<u>62,470,073</u>	<u>26,802,435</u>
Cash and cash equivalents at the end of the year	<u>\$ 76,904,068</u>	<u>\$ 62,470,073</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest (excluding interest capitalized)	<u>\$ 2,189,369</u>	<u>\$ 2,155,932</u>
Cash paid for income tax	<u>\$ 1,196,418</u>	<u>\$ 436,766</u>
Investing activities partially paid by cash:		
Acquisition of property, plant and equipment	\$ 41,541,665	\$ 86,325,850
Add: Payable at the beginning of the year	13,991,449	7,099,954
Add: Increase in payable from merger	-	4,048,315
Less: Payable at the end of the year	<u>(12,482,283)</u>	<u>(13,991,449)</u>
Cash paid for acquiring property, plant and equipment	<u>\$ 43,050,831</u>	<u>\$ 83,482,670</u>
Cash proceeds from merger:		
Stock issuance for merger	\$ -	\$ 23,836,503
Erasure of shares for merged companies	-	23,227,738
Capital reserve arising from merger	-	17,152,454
Increase in net assets (excluding cash) from merger	-	(37,514,670)
Less :Cash and cash equivalents of merged subsidiary, which has been included at the beginning of year	<u>-</u>	<u>(7,539,879)</u>
Cash proceeds from merger	<u>\$ -</u>	<u>\$ 19,162,146</u>
Financing activities not affecting cash flows:		
Conversion of convertible bonds issued	<u>\$ -</u>	<u>\$ 7,255,492</u>

The accompanying notes are an integral part of the consolidated financial statements.

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

1. GENERAL DESCRIPTIONS OF REPORTING ENTITIES

United Microelectronics Corporation (“United Microelectronics” or “the Company”) was incorporated in May 1980 and commenced operations in April 1982. The Company’s major business activity is the dedicated manufacturing or fabrication of semiconductor products. The Company has a broad base of clients throughout the world. The Company’s products are used in a range of applications in the telecommunications, computing, networking, consumer electronics and other markets. The Company’s common shares were publicly listed on the Taiwan Stock Exchange in July 1985 and its American Depository Shares (“ADSs”) were listed on the New York Stock Exchange in September of 2000.

United Microelectronics, United Integrated Circuits Corporation (“United Integrated Circuits”), United Silicon Incorporated (“United Silicon”), United Semiconductor Corporation (“United Semiconductor”) and UTEK Semiconductor Corporation (“UTEK Semiconductor”) were merged into one publicly-traded entity, United Microelectronics, on January 3, 2000 (See Note 10 to the consolidated financial statements).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of United Microelectronics and certain majority owned (50% or more) subsidiaries. All inter-company accounts and transactions have been eliminated in the consolidated financial statements.

Pursuant to ROC Financial Accounting Standard No. 7 and the regulations of the Taiwan Securities and Futures Commission (“SFC”), if the total assets and operating revenues of a subsidiary are less than 10% of the total non-consolidated assets and operating revenues of United Microelectronics, respectively, the subsidiary’s financial statements may, at the option of United Microelectronics, not be consolidated. Irrespective of the above test, when the total combined assets or operating revenues of all such non-consolidated subsidiaries constitute up to 30% of United Microelectronics’ total non-consolidated assets or operating revenues, then each individual subsidiary with total assets or operating revenues up to 3% of United Microelectronics’ total non-consolidated assets or operating revenues has to be included in the consolidation.

The Company's consolidated financial statements include the following subsidiaries:

Hsun Chieh Investment Co., Ltd. ("Hsun Chieh"), incorporated on December 31, 1999, was created for the purpose of merging the following six companies as of that date: Hung Tien Investment Corporation ("Hung Tien"), Ta Lien Investment Corporation ("Ta Lien"), Hung Lien Investment Corporation ("Hung Lien"), Tung Hsin Investment Corporation, Hsun Chieh Corporation and Holtek Investment Corporation. The Company owned 99.97% of interest in Hsun Chieh as of December 31, 2001 and December 31, 2000.

Nippon Foundry Inc. ("Nippon Foundry") was incorporated in May 1984 in Japan and is in the business of manufacturing semiconductor products. During the year 2001, Nippon Foundry was renamed to UMC Japan ("UMCJ"). The Company owned 51.51% and 51.74% of interest in UMC Japan as of December 31, 2001 and 2000, respectively.

UMC Group (USA) ("UMC-USA") was incorporated on August 5, 1997, and is engaged in the business of sales of semiconductor products and providing related foundry services. The Company owned 100% of interest in UMC-USA as of December 31, 2001 and 2000.

UMCi Pte. Ltd. ("UMCi") was incorporated in January, 2001. United Microelectronics held a 49.82% equity interest in UMCi as of December 31, 2001. In accordance with the foundry venture agreement, The Company has the controlling influence over the UMCi's decisions on its operations, personnel, and financial policies. Therefore, UMCi is included in the consolidation.

Fortune Venture Capital Corporation and United Foundry Services Inc. were excluded from consolidation in accordance with the exclusion rules (see Note 2 - Principles of Consolidation) for the years ended December 31, 2001 and 2000. UMC Capital Corporation was excluded from consolidation in accordance with the same exclusion rules for the year ended December 31, 2001.

Principle of Business Combinations

United Microelectronics' merger in 2000 was accounted for under the purchase method.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from those estimates.

Translation of Foreign Currency Transactions

The accounts of United Microelectronics are maintained in New Taiwan dollars, the functional currency. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing on the transaction dates. Receivables, other monetary assets, and liabilities denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing at the balance sheet date. Exchange gains or losses are included in the current year's results. The financial statements of foreign subsidiaries and investees are translated into New Taiwan dollars using the spot rates as of each financial statement date for asset and liability accounts, average exchange rates for profit and loss accounts and historical exchange rates for equity accounts. The cumulative translation effects for subsidiaries and investees using functional currencies other than the New Taiwan dollars are included in the cumulative translation adjustment in stockholders' equity.

Derivative Financial Instruments

The Company has entered into interest rate swap and cap agreements to manage its exposure to interest rate risk. These agreements are accounted for on an accrual basis with cash settlements recorded as an adjustment to interest expense.

UMC Japan has entered into forward foreign exchange contract in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. In accordance with the Japanese new accounting standard for financial instruments which became effective January 1, 2001, derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or liability.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks or changes in value because of changes in interest rates.

Marketable Securities

Marketable securities are recorded at cost when acquired and are stated at the lower of aggregate cost or market value at the balance sheet date. The market value of listed equity securities or closed-end funds is determined by the average closing price during the last month of the fiscal year. The market value for open-ended funds is determined by their equity per unit at the balance sheet date. The amount by which aggregate cost exceeds market value is reported as a loss in the current year. In subsequent periods, recoveries of market value are recognized as a gain to the extent that the market value does not exceed the original aggregate cost of the investment.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on management's judgment and on the evaluation of collectibility and aging analysis of accounts and other receivables.

Inventories

Inventories are recorded at cost when acquired and stated at the lower of aggregate cost, based on weighted average method, or market value at the balance sheet date. The market values of raw materials and supplies are determined on the basis of net realizable value. An allowance for loss on decline in market value and obsolescence is provided, when necessary.

Long-term Investments

Investments in less than 20% owned listed companies where significant influence on operational decisions of the investees does not reside with the Company, are accounted for by the lower of aggregate cost or market value method. The unrealized loss resulting from the decline in market value of investments that are held for long-term investment purposes is deducted from the stockholders' equity. The Company's investments in less than 20% owned unlisted companies are accounted for under the cost method, unless an other than temporary impairment is evident, in which case they are written down to fair value as a new cost basis.

Investment income or loss from investments in both listed and unlisted companies is accounted for under the equity method provided that the Company owns at least 20% of the outstanding voting shares of the investees and has significant influence on operational decisions of the investees. The difference of the acquisition cost and the underlying equity in the investee's net assets is amortized over five years.

Unrealized intercompany gains and losses are eliminated under the equity method. Profit from sales of depreciable assets between the investee and the Company is amortized and recognized based on the assets' economic service lives. Profit from other types of intercompany transactions is recognized when realized. The increase in the Company's proportionate share in the net assets of its investee resulting from its subscription to additional shares of stock, issued by such investee, at the rate not proportionate to its existing equity ownership in such investee, is credited to a capital reserve account. Any decrease in the Company's proportionate share in the net assets of investee is debited against the existing balance of the similar capital reserve account, where the credit balance can only be offset to zero. If any excess amount exists, it will be debited against unappropriated retained earnings.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Interest incurred on loans used to finance the construction of property, plant and equipment is capitalized and depreciated accordingly.

Depreciation is provided on the straight-line basis using the economic service lives of the assets less any salvage value. When the economic service lives are completed, property, plant and equipment, which are still in use, are depreciated over the newly estimated remaining useful lives of the salvage value. The economic service lives of the property, plant and equipment are as follows: buildings - 3 to 55 years; machinery and equipment - 5 years; transportation equipment - 2 to 5 years; furniture and fixtures - 2 to 20 years; leasehold improvements - the lease period, or economic service lives, whichever is shorter.

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated accordingly. When property, plant and equipment are disposed of, their original cost and accumulated depreciation are written off and related gain, net of income tax, is transferred to capital reserve in the current year. While, gain from disposal of property, plant and equipment shall not be transferred to capital reserve starting 2001 in accordance with an amendment to Taiwan's Company Law.

Intangible Assets

Patents are amortized using the straight-line method over economic service lives. Technology know-how which consists of par value of technical shares issued to Infineon Technologies AG, will be amortized over 5 years on the straight-line basis starting from the date of operation of UMCi.

Deferred Charges

Deferred charges are stated at cost and amortized on a straight-line basis as follows: intellectual property - the contract period, or economic service lives, which ever is shorter; software - 3 years; right to use facility - 15 years; and bond issuance costs - over the life of the bonds.

Convertible Bonds

The excess of the stated redemption price over the par value is accrued as compensation interest payable over the redemption period, using the effective interest method.

When bondholders exercise their conversion rights, the book value of bonds is credited to common stock at an amount equal to the par value of the common stock and the excess is credited to capital reserve; no gain or loss is recognized on bond conversion.

Pension Plan

The Company has a funded defined benefit pension plan covering all regular employees. The net pension cost is computed based on an actuarial valuation in accordance with the provision of ROC SFAS No. 18, which requires consideration of pension cost components such as service cost, interest cost, expected return on plan assets and amortization of net obligation at transition. The unrecognized net asset or obligation at transition is amortized on a straight-line basis over 15 years. The pension fund is managed by an independently administered pension fund association.

Income Tax

Provision for income tax includes deferred tax resulting from temporary differences and investment tax credits. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.

Income taxes (10%) on unappropriated earnings generated starting January 1, 1998 are recorded as expenses in the year when the stockholders have resolved that the earnings shall be retained.

Revenue Recognition

The Company has two revenue channels. In the first channel, direct sales, the Company receives orders directly from the customers and bills and ships products to the customers. In the second channel, the Company receives orders from the agents of the customers but bills and ships products to the customer directly. The agents that initiated the sales are entitled to a commission, which is billed separately by the agent to the Company. In both revenue channels, revenue is recognized based on the invoiced amounts to the customers when shipment is made and when the payment is realized or realizable.

Research and Development

Costs incurred by the Company in research and development activities are expensed as incurred.

Minority Interests

Minority interest in the income statement includes interest in the earnings or losses of less than wholly owned subsidiaries and the pre-acquisition earnings of companies acquired during the year that the Company was not entitled to recognize.

Earnings Per Share

Simple earnings per share is applied and calculated by dividing net income by weighted average number of shares outstanding during the year.

Certain Risks and Uncertainties

The Company is engaged in the foundry business of manufacturing semiconductor products and sells its products primarily in Taiwan, Asia, North America and Europe, generally without requiring collateral. The Company's products are concentrated in the semiconductor industry, which is highly competitive and rapidly changing, and its inventories are subject to rapid technological obsolescence. While the Company has programs to minimize the required inventories on hand and considers technological obsolescence in estimating required allowances to reduce amount to fair market value, such estimates could change in the future. Significant technological changes in the industry could affect operating results adversely.

Treasury Stock

The Company adopted ROC SFAS No. 30, "Accounting for Treasury Stocks" for treasury stocks held by the Company itself in accordance with the notice issued by the Securities and Futures Commission. The Statement requires that treasury stocks be accounted for under the cost method. Cost of treasury stock is shown as a deduction to stockholders' equity, while gain or loss of selling treasury stocks is treated as adjustment to capital reserves.

3. ACCOUNTING CHANGES

The Company's long-term investments in Unipac Optoelectronics Corporation and Mediatek Incorporation were previously accounted for under the equity method. As of September 1, 2001, Unipac Optoelectronics Corporation was merged into Acer Display Technology Inc. which is the surviving corporate entity and was renamed as AU Optronics Corporation where significant influence on operational decisions does not reside with the Company anymore. Therefore, the valuation method of the Company's investment in AU Optronics Corporation has been changed and accounted for by the lower of aggregate cost or market value method. In addition, after Mediatek Incorporation's common shares were publicly listed on the Taiwan Stock Exchange, the Company became unable to exercise significant influence over Mediatek Incorporation's decisions on its operations, personnel, and financial policies. Accordingly, the valuation method of the Company's investment in Mediatek Incorporation has been changed and accounted for by the lower of aggregate cost or market value method since the third quarter of 2001. The net impact caused by the accounting changes is considered insignificant.

4. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

In thousand NTD

	As of December 31,	
	2001	2000
Cash:		
Cash on hand	\$4,050	\$3,287
Checking and savings accounts	19,837,524	3,487,621
Certificates of deposit	47,070,856	49,999,821
Subtotal	<u>66,912,430</u>	<u>53,490,729</u>
Cash equivalents:		
Commercial paper	722,273	3,563,471
Repurchase obligations	9,269,365	5,415,873
Subtotal	<u>9,991,638</u>	<u>8,979,344</u>
Total	<u>\$76,904,068</u>	<u>\$62,470,073</u>

(2) MARKETABLE SECURITIES

In thousand NTD

	As of December 31,	
	2001	2000
Mutual funds	\$1,003,900	\$-
Listed equity securities	242,634	-
Convertible bonds	39,900	-
Net	<u>\$1,286,434</u>	<u>\$-</u>

(3) NOTES RECEIVABLE

In thousand NTD

	As of December 31,	
	2001	2000
Notes receivable	\$113,681	\$296,032
Less: Allowance for doubtful accounts	-	-
Net	<u>\$113,681</u>	<u>\$296,032</u>

(4) ACCOUNTS RECEIVABLE

In thousand NTD

	As of December 31,	
	2001	2000
Accounts receivable	\$7,336,782	\$17,155,008
Less: Allowance for sales returns and discounts	(157,205)	(753,286)
Less: Allowance for doubtful accounts	(52,865)	(164,243)
Net	<u>\$7,126,712</u>	<u>\$16,237,479</u>

(5) INVENTORIES

In thousand NTD

	As of December 31,	
	2001	2000
Raw materials	\$219,166	\$390,616
Supplies and spare parts	1,206,801	1,438,100
Work in process	3,863,899	6,721,770
Finished goods	1,284,206	2,876,297
Subtotal	6,574,072	11,426,783
Less: Allowance for loss on decline in market value and obsolescence	(856,869)	(636,206)
Net	<u>\$5,717,203</u>	<u>\$10,790,577</u>

a. The insurance coverage for inventories was sufficient as of December 31, 2001 and 2000, respectively.

b. Inventories were not pledged.

(6) LONG-TERM INVESTMENTS

a. Details of long-term investments are as follows:

<i>In thousand NTD</i>	As of December 31,			
	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Investments accounted for under the equity method:				
UMC Capital Corporation	100.00	\$338,228	-	\$-
United Foundry Service, Inc.	100.00	78,226	100.00	67,432
Fortune Venture Capital Corporation	99.99	3,413,388	99.99	3,766,868
Pacific Venture Capital Co., Ltd.	49.99	351,420	49.99	353,158
DuPont Photomasks Taiwan Ltd.	46.32	1,093,113	47.16	942,897
Trecenti Technologies, Inc.	40.00	1,789,838	40.00	3,427,304
Broadmedia, Inc.	39.28	-	39.38	-
Unimicron Technology Corp.	36.87	4,283,241	38.97	2,596,312
UC Fund II	35.45	161,225	-	-
Cheng Hsun Electronics Inc.	31.50	30,322	31.50	31,500
Applied Component Technology Corporation	31.00	154,821	27.96	120,328
Integrated Technology Express Inc.	28.78	330,522	28.78	336,495
Holtek Semiconductor Inc.	28.76	555,441	35.39	657,281
Radio Tek Corporation	26.90	13,450	-	-
Novatek Microelectronics Corp.	26.82	1,019,532	29.80	861,690
Faraday Technology Corp.	26.68	1,686,448	27.96	1,633,509
Harvatek Corporation	26.14	179,295	33.37	204,541
Plato Electronics (Cayman) Limited	24.50	657,858	30.00	424,539
Integrated TelecomExpress, Inc.	18.99	818,348	21.24	1,039,205
Patentop, Ltd.	18.00	20,963	-	-
Advance Materials Corporation	15.78	183,209	15.78	207,521
AMIC Technology (Taiwan), Inc.	13.62	37,120	14.06	126,066
High Bandwidth Access, Inc	11.92	19,191	31.00	31,000
SerComm Corporation	7.81	58,619	-	-
United MicroMachining Corp.	-	-	60.91	26,399
Unimicron Technology Corp. (Note)	-	-	43.93	1,364,153
Unipac Optoelectronics Corp.	-	-	38.71	7,774,055
Mediatek Incorporation	-	-	18.98	1,246,785
Enovation Group, Inc.	-	-	14.34	73,807
Subtotal		<u>17,273,818</u>		<u>27,312,845</u>

Note: Hsun Chieh's investment in Unimicron Technology Corp. was previously accounted for under the equity method. As of October 31, 2001, Unimicron Technology Corp. was merged into World Wiser Electronics Incorporated which is the surviving corporate entity, renamed as Unimicron Technology Corp.

In thousand NTD

Invested Company	As of December 31,			
	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Investments accounted for under the cost method or the lower of cost or market method:				
Aptos Corp.	26.07	\$104,861	-	\$-
Pacific United Technology, L.P.	25.00	34,600	-	-
Elite Flash Storage Technology Inc.	19.50	19,500	19.50	19,500
Giga Solution Technology Co., Ltd.	19.44	105,000	19.44	105,000
Everglory Resource Technology Co., Ltd.	19.03	74,000	-	-
AU Optronics Corp.	18.86	8,317,535	-	-
PixTech, Inc.	17.63	561,080	18.10	561,080
Kits On Line Technology Corp.	16.41	38,656	16.41	38,656
InComm Technology Co., Ltd.	16.00	44,480	-	-
Mediatek Incorporation	15.17	1,339,839	-	-
Union Technology Corp.	15.00	18,000	15.00	18,000
Enovation Group, Inc.	14.34	73,807	-	-
Integrated Photonics, Inc.	11.46	6,244	11.46	6,244
Sino-Aerospace Investment Corp.	11.11	25,748	11.11	86,588
National Venture Capital Corp.	11.09	60,000	11.09	60,000
Subtron Technology Co., Ltd.	11.02	339,000	11.02	339,000
Golden Technology Venture Capital Investment Corp.	10.67	80,000	10.67	80,000
NCTU Spring I Technology Venture Capital Investment Corp.	10.06	43,482	8.57	30,000
Pacific Technology Partners, L. P.	9.85	104,755	11.00	51,353
TECO Information Systems Co., Ltd.	9.26	167,602	9.26	607,924
Ascend Semiconductor Corp.	9.00	36,000	9.00	36,000
United Technology Co., Ltd.	8.52	146,250	11.25	146,250
ProSys Technology integration, Inc.	6.70	18,000	6.70	18,000
NCTU Spring Venture Capital Co., Ltd.	6.28	20,000	6.28	20,000
Vialta, Inc.	6.20	1,248,457	16.17	1,241,718
Advanced Microelectronics Product Inc.	5.50	126,000	6.36	126,000
Coretronic Corp.	5.49	276,192	-	-
Fortune Semiconductor Corp.	5.13	40,000	-	-
Cosmos Technology Venture Capital Investment Corp.	5.03	40,000	5.03	40,000
Industrial Bank of Taiwan	5.00	1,150,000	8.81	1,240,000

In thousand NTD

<i>Invested Company</i>	As of December 31,			
	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Chiao Tung Bank	4.98	4,991,630	4.98	4,991,630
RF Integration Corporation	4.51	98,610	-	-
Taiwan Asia Pacific Venture Fund	4.15	29,295	4.17	29,295
TECO Electric & Machinery Co., Ltd.	3.94	1,535,895	3.96	1,535,895
IBT Venture Corp.	3.81	90,000	-	-
Hantek Technology Co., Ltd.	3.14	42,330	3.34	45,030
Prokia Technology Co., Ltd.	3.13	48,000	-	-
SAMPO Corporation	2.95	443,598	2.96	443,598
Tonbu, Inc.	2.93	428,767	3.43	428,767
Sheng-Hua Venture Capital Corp.	2.50	50,000	2.50	50,000
PixArt Imaging Inc.	2.00	10,000	2.00	10,000
Largan Optoelectronics, Co., Ltd.	1.96	102,380	-	-
Premier Camera Taiwan Ltd.	0.70	27,964	0.27	27,964
Ingenus Corp.	0.65	29,812	-	29,812
King Yuan Electronics Co., Ltd.	0.37	70,000	0.38	70,000
Stark Technology Inc.	0.19	1,824	1.16	10,552
Amkor Technology, Inc.	0.09	99,541	-	-
LightCross, Inc.	-	206,880	-	-
NetEmpower Software Technologies, Inc.	-	92,388	9.42	92,388
Linden Technologies, Inc.	-	92,385	11.17	92,385
Aurora Systems, Inc.	-	72,226	2.99	72,226
Octillion Communications, Inc.	-	65,740	-	-
ForteMedia, Inc.	-	65,000	-	-
ChinaYES Infomedia (Cayman), Inc.	-	63,146	-	-
Epogy Communication, Inc.	-	49,704	-	-
Alpha & Omega Semiconductor Inc.	-	46,883	9.09	46,883
SandCraft, Inc.	-	43,063	-	-
VenGlobal Capital Fund III, L.P.	-	33,195	4.00	16,190
Primarion, Inc.	-	31,800	1.26	31,800
Formerica International Holding Inc.	-	30,898	6.51	30,898
AEM Technology, Inc.	-	28,715	17.60	28,715
Triscend Corp.	-	17,409	2.19	16,913
Broadcom Corporation	-	7,092	3.38	70,941
NetLogic Microsystems Inc.	-	3,195	0.34	3,195

In thousand NTD

<i>In thousand NTD</i>	As of December 31,			
	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Patentop, Ltd.	-	-	18.00	22,356
cnYES . Com	-	-	9.81	62,640
Sampo Semiconductor Corp.	-	-	3.38	84,420
Dyna Image Corp.	-	-	1.67	28,663
National Securities Corporation	-	-	1.26	239,316
Lite Lineonit Corp.	-	-	0.33	58,400
Lexar Media, Inc.	-	-	0.17	2,488
Unimicron Technology Corp. (convertible bonds)	-	-	-	635,572
Subtotal		<u>23,708,453</u>		<u>14,180,245</u>
Prepaid long-term investments:				
Pacific Technology Partners, L.P.	-	-	-	27,560
NCTU Spring I Technology Venture Capital Investment Corp.	-	-	-	135,995
Epogy Communication, Inc.	-	-	-	62,130
Evertrac, Inc.	-	-	-	31,275
Subtotal		<u>-</u>		<u>256,960</u>
Golf Club Membership Card		<u>60,000</u>		<u>60,000</u>
Subtotal		<u>41,042,271</u>		<u>41,810,050</u>
Cumulative translation adjustment		183,710		(26,324)
Allowance for loss on decline in market value		<u>(469,303)</u>		<u>(2,268,967)</u>
Total		<u>\$40,756,678</u>		<u>\$39,514,759</u>

b. Investment loss and income accounted for under the equity method, which were based on the audited financial statements of the investees, were NT\$(1,510) million and NT\$2,077 million for the years ended December 31, 2001 and 2000, respectively. Investment loss and income amounting to NT\$(1,357) million and NT\$320 million for the years ended December 31, 2001 and 2000, respectively and the related long-term investment balances of NT\$9,490 million and NT\$9,376 million as of December 31, 2001 and 2000, respectively, were determined based on the investees' financial statements, which were audited by other auditors.

- c. The Company's investments in Unipac Optoelectronics Corp. and Mediatek Incorporation were previously accounted for under the equity method. As of September 1, 2001, Unipac Optoelectronics was merged into Acer Display Technology Inc. which is the surviving corporate entity and was renamed AU Optronics Corporation. The Company owned 18.86% interest of AU Optronics Corporation upon completion of the merger and became unable to exercise significant influence over AU Optronics' operations, personnel and financial policies. Mediatek Incorporation's shares have been publicly listed on the Taiwan Stock Exchange since July 2001. The Company also became unable to exercise significant influence over Mediatek's operations, personnel and financial policies. Accordingly, the valuation method of the Company's investments in Mediatek Incorporation and AU Optronics Corporation has been changed and accounted for by the lower of aggregate cost or market value method since the third quarter of 2001. The net impact caused by the accounting changes is considered insignificant.
- d. Long-term investments of Hsun Chieh in Radio Tek Corporation, SerComm Corporation, UC Fund II, Patentop, Ltd, Harvatek Corporation, Advance Materials Corporation, Hsun Huei Technologies Inc., Cheng Hsun Electronics Inc. and Plato Electronics (Cayman) Limited were accounted for under the equity method, and related investment income (loss) were recognized in the next year.
- e. The long-term equity investments were not pledged.

(7) PROPERTY, PLANT AND EQUIPMENT

- a. Total interest expense before capitalization amounted to NT\$2,730 million and NT\$3,181 million for the years ended December 31, 2001 and 2000, respectively.
- b. Details of capitalized interest are as follows :

<i>In thousand NTD</i>	For the year ended December 31,	
	2001	2000
Machinery and equipment	\$202,873	\$807,653
Other property, plant and equipment	1,150	5,757
Total interest capitalized	\$204,023	\$813,410
Interest rates applied	1.55% ~ 7.25%	5.08% ~7.15%

c. The insurance coverage for property, plant and equipment amounted to NT\$262,593 million and NT\$223,681 million as of December 31, 2001 and 2000, respectively.

d. Please refer to Note 6 for property, plant and equipment pledged as collateral.

(8) SHORT-TERM LOANS

In thousand NTD

	As of December 31,	
	2001	2000
Unsecured bank loans	\$403,050	\$3,933,865
Secured bank loans	350,400	34,685
Total	\$753,450	\$3,968,550
Interest rates	0.59%-9.50%	0.68%-9.50%

a. The Company's unused short-term lines of credits amounted to NT\$20,272 million and NT\$32,151 million as of December 31, 2001 and 2000, respectively.

b. Please refer to Note 6 for assets pledged for short-term loans.

(9) BONDS PAYABLE

In thousand NTD

	As of December 31,	
	2001	2000
Secured domestic bonds payable	\$3,990,000	\$3,990,000
Unsecured domestic bonds payable	25,000,000	-
Euro convertible bonds payable	10,596,096	-
Compensation interest payable	4,415	-
Subtotal	39,590,511	3,990,000
Less : Current portion	(1,140,000)	-
Net	\$38,450,511	\$3,990,000

a. On April 27, 2000, the Company issued five-year secured bond amounting to NT\$3,990 million with stated interest rate of 5.6%. The bonds are repayable in installments every six months from April 27, 2002 to April 27, 2005.

b. During the period from April 16 to April 27, 2001, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, with face value of NT\$7,500 million, with stated interest rates of 5.1850% through 5.1195% and 5.2850% through 5.2170%, respectively. The five-year bonds and seven-year bonds are repayable starting April 2004 to April 2006 and April 2006 to April 2008, respectively, both in three yearly installments at the rates of 30%, 30% and 40%.

c. During the period from October 2 to October 15, 2001, the Company issued three-year and five-year unsecured bonds totaling NT\$10,000 million, each with face value of NT\$5,000 million, and with stated interest rates of 3.3912% through 3.420% and 3.4896% through 3.520%, respectively. The three-year bonds and five-year bonds are repayable in October 2004 and October 2006, respectively, upon the maturity of the bonds.

d. On December 12, 2001, the Company issued zero coupon convertible bonds amounting to US\$302.4 million on the Luxembourg Stock Exchange. The terms and conditions of the bonds are as follows :

(a) Final Redemption

Unless previously redeemed, repurchased, cancelled or converted, the bonds will be redeemed at 101.675% of their principal amount on March 1, 2004.

(b) Redemption at the Option of the Company

The Company may redeem all, but not some only, of the bonds, subject to giving no less than 30 nor more than 60 days' advance notice, at the early redemption amount, provided that:

- i. On or at any time after June 13, 2003, the closing price of the ADSs on the New York Stock Exchange or other applicable securities exchange on which the ADSs are listed on any ADS trading day for 20 out of 30 consecutive ADS trading days ending at any time within the period of five ADS trading days prior to the date of the redemption notice shall have been at least 130% of the conversion price or last adjusted conversion price, as the case may be, on each such day, or
- ii. At any time prior to maturity at least 90% in principal amount of the bonds have already been redeemed, repurchased, cancelled or converted.

(c) Conversion Period

- i. In respect of the shares, on or after January 22, 2002 up to and including February 20, 2004 or
- ii. In respect of the ADSs, on or after the later of January 22, 2002 and the date on which the shelf registration statement covering resales of certain ADSs issuable upon conversion of the bonds has been declared effective by the US SEC, up to and including February 20, 2004.

(d) Conversion Price

The initial conversion price

- i. In respect of the Shares, will be NT\$80.76 per Share, and
- ii. In respect of the ADSs, will be US\$11.718 per ADS.

The applicable conversion price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, including Shares represented by ADSs, bonus issues, right issues, distributions of cash and stock dividends and other dilutive events.

(10) LONG-TERM LOANS

In thousand NTD

	As of December 31,	
	2001	2000
Unsecured long-term loans	\$3,022,875	\$290,600
Secured long-term loans	21,802,126	40,465,462
Less: Current portion	(8,580,178)	(9,212,111)
Net	\$16,244,823	\$31,543,951
Interest rates	1.55%-5.34%	1.60%-8.03%

- a. The above long-term loans will be repaid by installments with the last payment on May 14, 2009.
- b. The Company's long-term loans denominated in foreign currency amounted to US\$176 million, ¥18,423 million and US\$390 million, ¥5,500 million as of December 31, 2001 and 2000, respectively.
- c. Please refer to Note 6 for assets pledged for long-term loans.

(11) PENSION FUND

- a. All of the regular employees of the Company are covered by the pension plan. Under the plan, the Company contributes an amount equal to 2% of the employees' total salaries on a monthly basis to the pension fund, deposited at the Central Trust of China. Pension benefits are generally based on service years. Retirement benefits are paid from fund previously provided.

b. The components of net periodic pension cost are as follows:

<i>In thousand NTD</i>	For the year ended December 31,	
	2001	2000
Service cost	\$375,812	\$413,264
Interest cost	142,885	115,600
Expected return on plan assets	(38,335)	(34,870)
Recognition of transition assets	38,523	39,367
Recognition of actuarial loss	11,433	13,636
Net periodic cost	<u>\$530,318</u>	<u>\$546,997</u>

The actuarial assumptions underlying are as follows :

	For the year ended December 31,			
	2001		2000	
	The Company	UMC Japan	The Company	UMC Japan
Discount rate	4.50%	2.00%	6.00%	3.00%
Increase rate of compensation	6.50%	3.71%	6.00%	3.71%
Expected return on plan assets	4.50%	1.00%	6.00%	4.62%

c. The funding status of the pension plan is listed as follows :

<i>In thousand NTD</i>	As of December 31,	
	2001	2000
Vested benefit obligation	\$(267,530)	\$(232,773)
Non-vested benefit obligation	(544,677)	(583,038)
Accumulated benefit obligation	(812,207)	(815,811)
Effect on projected salary increase	(1,824,856)	(1,733,296)
Projected benefit obligation	(2,637,063)	(2,549,107)
Market-related value of plan assets	824,092	693,559
Funded status	(1,812,971)	(1,855,548)
Unrecognized transition obligation	326,000	322,759
Unrecognized gain or loss	63,354	460,289
Other	(2,699)	-
Accrued pension payable	(74,946)	-
Accrued pension cost per actuarial report	(1,501,262)	(1,072,500)
Over accrual	(89,760)	(11,395)
Accrued pension liabilities	<u>\$(1,591,022)</u>	<u>\$(1,083,895)</u>
Vested benefit	<u>\$267,530</u>	<u>\$232,773</u>

(12) Capital Stock

- a. As of January 3, 2000, the official merger date, the Company completed its merger with United Semiconductor, United Integrated Circuits, United Silicon, and UTEK Semiconductor through the issuance of 2,383,650,273 shares at par of NT\$10. According to the merger agreement, the Company is the surviving company.
- b. Based on the resolution of the stockholders' meeting on April 7, 2000, the Company issued 1,888,543,007 new shares from the capitalization of retained earnings of NT\$9,049 million, employees' bonus of NT\$787 million and capital reserve of NT\$9,049 million. The Company's authorized capital was also increased to 15,000,000,000 shares.
- c. Based on the resolution of the stockholders' meeting on April 7, 2000, the Company issued 90,000,000 units of American Depositary Shares ("ADSs"), representing 450,000,000 common shares, on the New York Stock Exchange on September 19, 2000. Owners of ADSs are able to withdraw the underlying shares from the Company's ADSs facility after three months of the issuing date. As of December 31, 2001, the outstanding ADS was 103,500,000 units.
- d. Based on the resolution of the stockholders' meeting on May 30, 2001, the Company issued 1,864,243,516 new shares from the capitalization of retained earnings of NT\$17,151 million and employees' bonus of NT\$1,491 million.
- e. As of December 31, 2001, 15,000,000,000 common shares were authorized to be issued and 13,335,695,416 common shares were issued with 13,169,235,416 common shares outstanding, each at par of NT\$10.
- f. Capital information of UMC Japan for 2001 and 2000 was as follows:
 - (a) UMC Japan had issued consecutive convertible bonds, which were fully converted into common stocks during the year 2000. Total common shares converted amounted to 17,303 shares, and capital was increased by ¥6,499 million.
 - (b) On February 18, 2000, UMC Japan had a two-for-one stock split, which increases common shares by 113,171 shares. On November 22, 2000, UMC Japan issued 10,627 shares at premium of ¥941,000 per share, which resulted in the increase of ¥5,000 million on both capital and capital reserve.
 - (c) As of December 31, 2001, UMC Japan had paid-in capital amounted to ¥26,921 million, representing 254,272 shares.

(13) TREASURY STOCK

The Company brought back its own shares from open market during the years ended December 31, 2001 and 2000. Details of the treasury stock transactions are as follows :

<i>In thousand shares</i>	Shares brought during the year		As of December 31,
	ended December 31,		
Purpose	2000	2001	2001
For transfer to employees	32,435	4,990	37,425
For conversion of the convertible bonds into shares	-	129,035	129,035
Total	32,435	134,025	166,460

According to Stock Exchange Regulations of Taiwan, total shares of treasury stocks shall not exceed 10% of the Company's stocks issued. Total purchase amount shall not exceed sum of retained earnings and capital reserve-premiums and realized capital reserves. The Company's treasury stock possession did not, at any time during 2001, violate the regulation stated above. As of December 31, 2001, the Company held 166,460,000 shares of treasury stocks, which amounted to NT\$6,079 million.

Treasury stock shall not be pledged, nor does it possess voting rights or receive dividends, in compliance with Stock Exchange Regulations of Taiwan.

The Company and subsidiary (Hsun Chieh) owned treasury stocks of 587,369,090 shares in total cost of NT\$35,671 million as of December 31, 2001.

(14) RETAINED EARNINGS

In accordance with the United Microelectronics' Articles of Incorporation, current year's earnings before tax, if any, shall be distributed in the following order :

- a. Payment of all taxes and dues;
- b. Offset prior years' operating losses;
- c. Set aside 10% of the remaining amount after deducting items a and b as legal reserve;
- d. Set aside 0.1% (the year 2000 : 1%) of the remaining amount after deducting items a, b, and c as directors' and supervisors' remuneration; and
- e. After deducting items a, b, c and d above from the current year's earning, any portion of the remaining amount is allocated as follows: 8% as employees' bonus; and 92% as stockholders' dividends.

Our articles of incorporation further provide that at least 65% of the dividends to our stockholders, if any, must be paid in the form of stock dividends. Accordingly, no more than 35% of the dividends can be paid in the form of cash.

(15) EARNINGS PER SHARE

In thousand NTD

For the year ended December 31,

	<u>2001</u>	<u>2000</u>
Net (loss) income	<u>\$ (3,157,302)</u>	<u>\$ 50,780,378</u>

In thousand shares

Outstanding shares at beginning	11,439,017	6,654,997
New shares issued due to merger	-	2,383,650
Equivalents shares due to ADSs offering	-	127,500
Stock dividends and employees' bonus at 20.87%	-	1,886,366
Shares converted from convertible bonds	-	67,952
Stock dividends and employees' bonus at 16.30%	1,864,244	1,812,636
Weighted average treasury stocks	<u>(473,646)</u>	<u>(426,051)</u>
Outstanding weighted average shares	<u>12,829,615</u>	<u>12,507,050</u>

Earnings per share

Net (loss) income (in New Taiwan dollars)	<u>\$ (0.25)</u>	<u>\$ 4.06</u>
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(16) INCOME TAX

Reconciliation between the income tax benefit and the income tax calculated on pre-tax financial income based on the statutory tax rate is as follows :

<i>In thousand NTD</i>	<u>For the year ended December 31,</u>	
	<u>2001</u>	<u>2000</u>
Tax on pre-tax (loss) income at statutory tax rate	\$(1,868,553)	\$11,750,697
Estimated temporary and permanent differences	(180,903)	(5,037,098)
Change in investment tax credit	(8,842,305)	(5,288,099)
Change in valuation allowance against deferred tax assets	6,861,925	-
Change in tax rate	(1,142,582)	-
10% income tax on unappropriated earnings	1,909,261	-
Adjustment of prior year's tax expense	201,480	(136,744)
Loss carryforward	-	(1,410,160)
Tax on interest revenue separately taxed	21,688	30,342
Income tax benefit	<u>\$(3,039,989)</u>	<u>\$ (91,062)</u>

Deferred income tax assets and liabilities were as follows:

<i>In thousand NTD</i>	<u>As of December 31,</u>	
	<u>2001</u>	<u>2000</u>
Deferred income tax assets - current	\$7,407,818	\$3,546,454
Deferred income tax liabilities - current	(18,177)	(23,211)
Valuation allowance for deferred tax assets	<u>(3,434,774)</u>	<u>(2,368,442)</u>
Net	<u>\$3,954,867</u>	<u>\$1,154,801</u>
Deferred income tax assets - noncurrent	\$16,091,885	\$9,272,426
Deferred income tax liabilities - noncurrent	(4,222,898)	(2,238,379)
Valuation allowance for deferred tax assets	<u>(7,497,756)</u>	<u>(3,217,677)</u>
Net	<u>\$4,371,231</u>	<u>\$3,816,370</u>

Significant components of deferred income tax assets and liabilities were as follows:

<i>In thousand NTD</i>	As of December 31,			
	2001		2000	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Temporary difference				
Allowance for sales returns and discounts	\$448,037	\$112,009	\$1,063,161	\$212,632
Others	1,504,156	446,295	1,288,802	401,001
Loss carryforward	13,945,181	3,532,955	-	-
Investment tax credits		3,298,382		2,909,610
Valuation allowance		<u>(3,434,774)</u>		<u>(2,368,442)</u>
Net		<u>\$3,954,867</u>		<u>\$1,154,801</u>
Non-current items:				
Temporary difference				
Depreciation	\$(16,786,227)	\$(4,195,274)	\$(11,184,189)	\$(2,235,162)
Pension	1,404,227	352,229	932,463	187,805
Others	256,107	70,182	1,640,217	373,416
Loss carryforward	750,853	313,407	-	-
Investment tax credits		15,328,442		8,707,988
Valuation allowance		<u>(7,497,755)</u>		<u>(3,217,677)</u>
Net		<u>\$4,371,231</u>		<u>\$3,816,370</u>

The Company's income tax returns through the year 1997 were assessed and approved by the Tax Authority.

Pursuant to the "Statute for the Establishment and Administration of Science-Based Industrial Park", the Company was granted several periods of tax holidays with respect to income derived from approved investments. The tax holidays will expire on December 31, 2003. As of December 31, 2001, the Company's unused investment tax credits amounted to NT\$18,627 million.

The Company is located in the Hsin-Chu Science-Based Industrial Park (“HSIP”). In order for business operations to be eligible to locate in the HSIP, the operations must be high technology related manufacturing activities. Based on the HSIP regulations, a preferential income tax rate of 20%, instead of 25% applicable to other business entities located in Taiwan, is imposed on profits generated from HSIP business operations through 2000. Starting 2001, the preferential income tax rate of 20% is no longer available to HSIP business operations and was changed to the standard rate of 25%.

The new Taiwan imputation tax system requires that any undistributed current earnings, on tax basis of a company derived on or after January 1, 1998 be subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional tax on undistributed earnings paid by the Company can be used as tax credit by stockholders, including foreign stockholders, against the withholding tax on dividends. In addition, the domestic stockholders can claim a proportionate share in the Company’s corporate income tax as tax credit against its individual income tax liability effective 1998.

As of December 31, 2001, the ending balance of unappropriated earnings amounted to NT\$ 21,179 million, of which NT\$64 million was earned prior to January 1, 1998.

As of December 31, 2001, the balance of imputation credit account (“ICA”) was NT\$372 million. The expected creditable ratio for the appropriation of 2001 earnings is 1.76 %. The actual creditable ratio for the appropriation of 2000 earnings was 1.04%.

5. RELATED PARTY TRANSACTION

(1) Name and Relationship of Related Parties

Name of related parties	Relationship with the Company and subsidiaries
AMIC Technology (Taiwan), Inc. (AMIC-Taiwan)	Investee of the Company
DuPont Photomasks Taiwan Ltd. (DPT)	Investee of the Company
Holtek Semiconductor Inc. (Holtek)	Investee of the Company
Faraday Technology Corporation (Faraday)	Investee of the Company
Mediatek Incorporation (Mediatek)	The Company is its director and supervisor
Chiao Tung Bank (Chiao Tung)	The Company is its director and supervisor
Industrial Bank of Taiwan (IBT)	The Company is its major stockholder
United Microelectronics (Europe) B.V. (UMC BV)	A director is the chairman of the Company
Infineon Technologies, Asia Pacific Pte Ltd. (ITAP)	Affiliated company of UMCi

(2) Significant Related Party Transactions

a. Operating revenues

In thousand NTD

	For the year ended December 31,			
	2001		2000	
	Amount	Percentage	Amount	Percentage
UMC BV	\$6,038,583	9	\$11,922,113	11
Mediatek	3,569,172	5	4,938,704	4
Others	5,249,313	7	11,856,181	10
Total	<u>\$14,857,068</u>	<u>21</u>	<u>\$28,716,998</u>	<u>25</u>

The sales to above related parties were dealt with in the ordinary course of business with the sales price made in the way similar to the sales to third-party customers. Prior to June 2000, the collection period was net 60 days for overseas sales while month end 60 days for domestic sales. Starting from June 2000, the collection periods for overseas sales are net 45~60 days for the related parties and third-party customers, while the terms for domestic sales are month end 45~60 days for both the related parties as well as the third-party customers.

b. Purchases

In thousand NTD

	For the year ended December 31,			
	2001		2000	
	Amount	Percentage	Amount	Percentage
DPT	\$1,080,725	6	\$961,567	2
Others	255,872	1	493,646	1
Total	<u>\$1,336,597</u>	<u>7</u>	<u>\$1,455,213</u>	<u>3</u>

The purchases from above related parties were dealt with in the ordinary course of business similar to those from third-party suppliers. The payment terms for purchase from overseas were net 30~60 days for the related parties and third-party suppliers, respectively, while the terms for domestic purchase were month end 30~60 days and month end 30~90 days for the related parties and third-party suppliers, respectively.

c. Notes receivable

In thousand NTD

	As of December 31,			
	2001		2000	
	Amount	Percentage	Amount	Percentage
Holtek	\$77,843	36	\$161,785	33
Others	24,168	11	27,760	6
Total	<u>\$102,011</u>	<u>47</u>	<u>\$189,545</u>	<u>39</u>

d. Accounts receivable

In thousand NTD

	As of December 31,			
	2001		2000	
	Amount	Percentage	Amount	Percentage
Mediatek	\$1,046,372	12	\$189,338	1
UMC BV	116,965	1	2,119,103	10
Others	983,923	11	1,887,358	10
Subtotal	2,147,260	24	4,195,799	21
Less : Allowance for sales returns and discounts	(290,832)	(3)	(454,747)	(2)
Less : Allowance for doubtful accounts	(95,540)	(1)	(117,265)	(1)
Net	<u>\$1,760,888</u>	<u>20</u>	<u>\$3,623,787</u>	<u>18</u>

e. Other receivables

In thousand NTD

	As of December 31,			
	2001		2000	
	Amount	Percentage	Amount	Percentage
ITAP	\$1,922,207	63	\$-	-
Others	28,095	1	111,509	8
Subtotal	1,950,302	64	111,509	8
Less: Allowance for doubtful accounts	(705)	-	(503)	-
Net	<u>\$1,949,597</u>	<u>64</u>	<u>\$111,006</u>	<u>8</u>

f. Accounts payable

In thousand NTD

	As of December 31,			
	2001		2000	
	Amount	Percentage	Amount	Percentage
DPT	\$218,285	7	\$181,075	3
Others	34,678	1	142,620	2
Total	<u>\$252,963</u>	<u>8</u>	<u>\$323,695</u>	<u>5</u>

g. Loans

In thousand NTD

	For the year ended December 31, 2001				
	Maximum balance		Ending	Interest	Interest
	Amount	Month	balance	rate	expense
Chiao Tung	\$4,091,316	January	\$1,224,575	4.00%-7.00%	\$221,359
IBT	998,750	January	998,750	3.94%-6.42%	54,582
			<u>\$2,223,325</u>		<u>\$275,941</u>

In thousand NTD

	For the year ended December 31, 2000				
	Maximum balance		Ending	Interest	Interest
	Amount	Month	balance	rate	expense
Chiao Tung	\$5,543,077	March	\$4,014,861	0.87%-8.39%	\$285,863
IBT	998,750	June	998,750	6.10%-6.43%	64,137
			<u>\$5,013,611</u>		<u>\$350,000</u>

h. Disposal of long-term investments

None for the year ended December 31, 2001.

<i>In thousand NTD</i>	For the year ended December 31, 2000		
	Item	Amount	Gain (Loss)
AMIC-Taiwan	Common stocks of AMIC Technology Inc.	<u>\$135,000</u>	<u>\$(80,517)</u>

i. Disposal of property, plant and equipment

<i>In thousand NTD</i>	For the year ended December 31, 2001		
	Item	Amount	Gain (Loss)
Holtek	Building and facilities	<u>\$173,250</u>	<u>\$31,468</u>

None for the year ended December 31, 2000.

j. Other transactions

The Company and subsidiaries have made several transactions, including processing expenditures, commissions, service charges etc, with other related parties totaled to approximately NT\$249 million and NT\$474 million for the years ended December 31, 2001 and 2000, respectively.

Among other transactions, the Company has entered into an intellectual property development contract, amounted to approximately NT\$526 million, with Faraday Technology Corporation during 2001. As of December 31, 2001, the Company had paid NT\$72 million with the unaccrued portion of the contract in approximately NT\$454 million.

6. ASSETS PLEDGED AS COLLATERAL

<i>In thousand NTD</i>	As of December 31,		Subject of collateral
	2001	2000	
Accounts receivable	\$2,798,906	\$-	Short-term loans
Restricted deposits	264,700	2,947,400	Long-term loans
Land	614,544	627,917	Long-term loans
Buildings	6,126,811	5,442,085	Long-term loans
Machinery and equipment	33,513,570	53,433,054	Long-term and short-term loans
Total	<u>\$43,318,531</u>	<u>\$62,450,456</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) The Company's and subsidiary's unused letters of credit for import machinery were approximately NT\$2,292 million as of December 31, 2001.
- (2) The Company and subsidiary entered into contracts, amounted to approximately NT\$21.9 billion, with third parties for rights to use patents registered by the third parties. Royalty payable for the consecutive 5 years starting 2002 through 2006 are approximately NT\$4.6 billion, NT\$2.9 billion, NT\$1.2 billion, NT\$1.3 billion, and NT\$1.3 billion, respectively, with the rest of the contract period, starting 2007 through 2011, payable of NT\$0.5 billion.
- (3) The Company and subsidiaries have signed several construction contracts for the expansion of factory space. As of December 31, 2001, these construction contracts amounted to approximately NT\$5.9 billion with the unaccrued portion of the contracts in approximately NT\$4 billion.
- (4) A number of third parties have notified the Company of its alleged infringement on the patents held by those third parties (including EMI, Intel, NEC, etc.), and have demanded that the Company obtain a license for various semiconductor fabrication techniques and circuit designs. The Company commenced evaluation of the specific patents involved, and the preliminary discussions with the third parties regarding licensing terms. The Company's management indicated a willingness to obtain licenses, wherever required and necessary, to continue the Company's business. As of December 31, 2001, the Company evaluated that there was no need to accrue any related expense yet.

- (5) In April 1998, Oak Technology Inc. filed a lawsuit with International Trade Commission (ITC) of USA against the Company for alleged violation of the settlement agreement for patents held in relation to its CD ROM controller chip. On September 27, 1999, the ITC issued a ruling affirming that there was no infringement. Oak has appealed the finding of non-infringement to the Federal Circuit Court of Appeals. The Company's management believes that this complaint will not have a material adverse effect on the Company's operations and financial performances, since the Company no longer includes any sales of UMC CD ROM controllers in its financial plans.
- (6) The Company and subsidiaries entered into several operating lease contracts. Future minimum lease payments under those leases with original maturities, which extend for more than one year as of December 31, 2001, are as follows:

In thousand NTD

For the year ended	Amount
December 31, 2002	\$185,244
December 31, 2003	187,662
December 31, 2004	186,050
December 31, 2005	178,342
December 31, 2006	153,288
January 1, 2007 and thereafter	1,886,149
Total	\$2,776,735

- (7) The Company entered into several wafer-processing contracts with its main clients. According to the contracts, the Company shall guarantee processing capacity, while the clients make deposits to the Company. In case the clients' orders do not meet the capacity guaranteed, the clients need to pay the Company penalties.
- (8) The Company entered into two three-year purchase agreements that committed the Company to purchase at least 75% of its 8-inch wafer consumption from two of its suppliers for the contract period.
- (9) As of December 31, 2001, Hsun Chieh has committed to repurchase marketable securities at the amount of NT\$130 million.
- (10) As of December 31, 2001, UMC Japan has guaranteed the debts of its employees amounted to ¥138 million.

8. SIGNIFICANT DISASTER LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENT

At January 18, 2002, the company has entered into an agreement with Happy Wealth Holdings Limited to sell certain machinery and equipment at the price of approximately US\$255 million. The carrying value of the machinery to be sold as of December 31, 2001 was approximately NT\$8.9 billion.

10. OTHERS

(1) The Company completed its merger with United Semiconductor, United Integrated Circuits, United Silicon and UTEK Semiconductor on January 3, 2000 through the issuance of 2,383,650,273 shares. Under ROC GAAP, the fair value of the net assets received is deemed to be the value of the consideration for the acquisition of the remaining interests in United Semiconductor, United Silicon, UTEK Semiconductor and United Integrated Circuits and is reflected in the common stock and capital reserve in the balance sheet.

(2) Certain reclassifications have been made for consistent presentation.

(3) The elimination entries between the controlling company and subsidiaries.

a. Elimination of the investment in subsidiaries and the related equity balances

<i>In thousand NTD</i>	2001		2000	
	Debit	Credit	Debit	Credit
Accumulated depreciation	1,556,809		1,057,094	
Other intangible assets	22,779		1,713	
Common Stock	21,927,913		17,109,886	
Capital reserve	46,250,900		28,426,769	
Cumulative translation adjustment	-		134,675	
Retained earnings	6,322,206		9,757,395	
Long-term investments		46,200,091		33,338,210
Minority interests		16,006,978		7,513,749
General and administrative expenses		545,518		551,976
Unrealized loss on long-term investments		9,918,510		12,293,617
Buildings		1,729,788		1,729,788
Machinery and equipment		864,894		864,894
Deferred charges		78,119		195,298
Treasury stock		8		-
Cumulative translation adjustment		736,701		-

b. Elimination of holding interests

Entries	2001		2000	
	Debit	Credit	Debit	Credit
Treasury stock	29,592,654		29,592,654	
Allowance for loss on decline of long-term investments	9,449,208		11,538,948	
Long-term investment		29,592,654		29,592,654
Unrealized loss on long-term investments		9,449,208		11,538,948

c. Elimination of inter-company profits and losses

Entries	2001		2000	
	Debit	Credit	Debit	Credit
Minority interests	412,510		-	
Sales revenue	27,542,970		42,191,764	
Other operating revenues	67,846		1,623,192	
Realized intercompany profit	86,949		202,790	
Other current liabilities	-		89,625	
Investment income	197,345		3,714,197	
Other income	3,206		3,171	
Rental revenue	-		60	
Minority interest in income	-		1,639,842	
Cost of goods sold		25,568,589		43,427,238
Selling expenses		-		127,961
General and administrative expenses		3,146		60
Other operating costs		1,737,617		-
Other losses		60		3,171
Deferred charges		-		89,625
Inventories		-		90,684
Minority interest in loss		368,746		-
Sales returns and allowances		482,243		306,745
Long-term investments		150,425		3,779,315
Minority interest		-		1,639,842

d. Elimination of other reciprocal balance

Entries	2001		2000	
	Debit	Credit	Debit	Credit
Capacity deposits and other deposits	414,005		2,010,494	
Other liabilities - other	1,712,138		-	
Accounts payable - related parties	2,415,901		6,918,723	
Accrued expenses	89,510		-	
Other current liabilities	1,555,766		-	
Accounts receivable - related parties		2,415,831		6,918,245
Other receivables - related parties		89,580		478
Prepaid expenses		60		-
Technology know-how		1,712,138		-
Deposits out		1,969,711		2,010,494

11. INVESTMENT IN MAINLAND CHINA

None.

12. ADDITIONAL DISCLOSURES

The followings are the additional disclosure requirements for United Microelectronics and affiliates pursuant to SFC requirements:

- (1) Loans to others attributed to financial activities as of December 31, 2001: Please see Attachment-1.
- (2) The endorsements and guarantees provided to others as of December 31, 2001: Please see Attachment-2.
- (3) The ending balance of securities held as of December 31, 2001: Please see Attachment-3.
- (4) The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001: Please see Attachment-4.
- (5) Acquisition of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of capital stock for the year 2001: Please see Attachment-5.
- (6) Disposal of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of capital stock for the year 2001: Please see Attachment-6.
- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year 2001: Please see Attachment-7.
- (8) Receivables from related parties exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2001: Please see Attachment-8.
- (9) Related information on invested companies as of December 31, 2001: Please see Attachment-9.

(10) Transactions of derivative financial instruments:

The relevant information on the derivative financial instruments entered into by the Company and subsidiary is as follows:

a. The Company entered into some Interest Rate Swap (“IRS”) contracts with certain banks. The major information is as follows:

(a) Purposes: to hedge interest rate risk. The Company entered into several Interest Rate Swap contracts in 2000. The related interest revenue amounted to approximately NT\$8 million.

(b) Notional amount and contract period:

As of December 31, 2000:

<u>Notional amount</u>	<u>Contract period</u>	
US\$10 million	November 28, 1996	May 28, 2001

(As a result of last closing for the contract, there was no more mutual interest obligation for the period from November 28, 2000 through May 28, 2001.)

(c) Terms and characteristics of the swaps:

i. Term: These transactions were settled on a semi-annual basis. The Company agreed to pay to the banks on each payment date, an amount equal to the notional amount multiplied by a fixed rate. The Company received the floating rate interest, which was based on the 6 months USD-LIBOR-BBA rate on the day that was two London Banking Days preceding any reset date, from the bank.

ii. Credit risk: There was no significant credit risk with respect to the above three transactions because the banks had good global standing.

iii. Market risk: The market risk was low due to the nature of the swaps.

iv. The gains resulted from the IRS contracts were NT\$0.4 million for the year ended December 31, 2000.

b. UMC Japan entered into foreign currency forward exchange contract with certain bank on December 17, 2001. The major information is as follows:

(a) Purposes: to manage certain risks arising from adverse fluctuations in foreign currency exchange rates.

(b) Notional amount and contract period:

As of December 31, 2001:

<u>Notional amount</u>	<u>Contract period</u>	
US\$3 million	January 4, 2002	January 31, 2002

(c) Terms and characteristics of the forward exchange:

i. Term: UMC Japan agrees to purchase US\$3 million using the contracted forward rate in USD/¥127.77 during the contract period.

ii. Credit risk: There is no significant credit risk with respect to the above transaction because the bank has good global standing.

iii. Market risk: The market risk is low due to the nature of the forward exchange.

c. Non-derivative financial instruments

<i>In thousand NTD</i>	<u>As of December 31,</u>			
	<u>2001</u>		<u>2000</u>	
<u>Financial Assets</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$76,904,068	\$76,904,068	\$62,470,073	\$62,470,073
Marketable securities	1,286,434	1,461,610	-	-
Receivables	12,134,465	12,134,465	21,802,266	21,802,266
Long-term investments	40,756,678	82,879,283	39,514,759	45,029,489
<u>Financial Liabilities</u>				
Short-term loans	753,450	753,450	3,968,550	3,968,550
Payables	21,332,320	21,332,320	26,843,688	26,843,688
Long-term loans (current portion included)	24,825,001	24,825,001	40,756,062	40,756,062
Bonds payable (current portion included)	39,590,511	41,805,353	3,990,000	4,024,031

The methods and assumptions used to measure the fair values of non-derivative financial instruments are as follows:

- (a) The carrying amounts of short-term financial assets and liabilities (excluding marketable securities) approximate fair values due to their short maturities.
- (b) The fair values of marketable securities and long-term investments are based on the market value of the securities or, if market value is unavailable, the net equities of the investees are used as fair value.
- (c) Fair value of bonds payable is determined by the market value.
- (d) The carrying value of long-term loans approximates the fair value as the loans bear floating rates.

13. SEGMENT INFORMATION

(1) Operations in different industries:

The Company operates principally in one industry. The Company's major operation is the manufacture of semiconductor products.

(2) Operations in different geographic areas:

In thousand NTD

	2001				Consolidated
	Taiwan	North America	Others	Eliminations	
Sales to unaffiliated customers	\$37,415,078	\$27,732,855	\$4,668,866	\$-	\$69,816,799
Sales between geographic areas	27,078,329	-	50,244	(27,128,573)	-
Net operating revenues	<u>\$64,493,407</u>	<u>\$27,732,855</u>	<u>\$4,719,110</u>	<u>\$(27,128,573)</u>	<u>\$69,816,799</u>
Gross profit	<u>\$9,130,995</u>	<u>\$529,532</u>	<u>\$(502,321)</u>	<u>\$90,684</u>	\$9,248,890
Operating expenses					(15,661,143)
Non-operating income					6,270,300
Non-operating expenses					(6,424,084)
Net loss before income taxes and minority interest					<u>\$(6,566,037)</u>
Minority interest in loss					<u>\$368,746</u>
Identifiable assets	<u>\$241,286,977</u>	<u>\$5,538,479</u>	<u>\$40,392,656</u>	<u>\$(7,280,533)</u>	\$279,937,579
Long-term investments					<u>40,756,678</u>
Total assets					<u>\$320,694,257</u>

In thousand NTD

2000					
North					
	Taiwan	America	Others	Eliminations	Consolidated
Sales to unaffiliated customers	\$62,136,345	\$43,490,898	\$9,982,096	\$-	\$115,609,339
Sales between geographic areas	42,948,375	-	559,836	(43,508,211)	-
Net operating revenues	<u>\$105,084,720</u>	<u>\$43,490,898</u>	<u>\$10,541,932</u>	<u>\$(43,508,211)</u>	<u>\$115,609,339</u>
Gross profit	<u>\$53,601,521</u>	<u>\$678,815</u>	<u>\$4,201,721</u>	<u>\$(283,763)</u>	\$58,198,294
Operating expenses					(10,654,897)
Non-operating income					8,455,404
Non-operating expenses					<u>(3,669,643)</u>
Net income before income taxes and minority interest					<u>\$52,329,158</u>
Minority interest in (income)					<u>\$(1,639,842)</u>
Identifiable assets	<u>\$245,943,055</u>	<u>\$10,170,841</u>	<u>\$25,000,896</u>	<u>\$(10,840,699)</u>	\$270,274,093
Long-term investments					<u>39,514,759</u>
Total assets					<u>\$309,788,852</u>

(3) Export sales:

In thousand NTD

	For the year ended December 31,	
	2001	2000
	Sales Revenue	Sales Revenue
Asia (Taiwan excluded)	\$8,787,824	\$13,076,590
North America	24,671,440	50,246,886
Europe and others	13,533,853	21,851,471
Total	<u>\$46,993,117</u>	<u>\$85,174,947</u>

(4) Major customers:

The customer that accounts for at least 10% of net sales for the years ended December 31, 2001 and 2000 :

In thousand NTD

	For the year ended December 31,			
	2001		2000	
	Amount	Percentage	Amount	Percentage
Customer A	\$7,727,540	11	\$13,846,867	12

ATTACHMENT-1 (Loans to others attributed to financial activities as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

No.	Name of the lending company	Name of the borrowers	Accounts name	The highest balance during 2001	The ending balance	Interest rate	Nature of financing	The yearly amount of sales to (purchase from) the borrower	The reason for lending	Bad debt allowance provided	Collateral	Value of collateral	The credit limit set up by the Company for its respective borrower	The ceiling of fund financing
1	UMC Group (USA)	The Company's employees	Receivable from employees' loans	US\$ 2,729,341	US\$ 2,708,451	7.00%	Note	None	Employee loan	-	Employee securities	Higher	N/A	N/A
2	UMCi Pte. Ltd.	Infineon Technologies, Asia Pacific Pte Ltd.	Other receivable	US\$ 55,000,000	US\$ 55,000,000	BBA 3-Months Libor	Note	None	Company's loan	-	None	N/A	N/A	N/A

Note : Need for short-term financing.

ATTACHMENT-2 (The endorsements and guarantees provided by the Company to others as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

No.	Guarantor	Guarantee	Relationship with the Company	The limit of guarantee for such party	The highest outstanding guarantee amount during 2001	The outstanding guarantee amount at December 31, 2001	The amount of guarantee with collateral placed	The ratio of accumulated guarantee amount to net value of the Company	The ceiling of the outstanding guarantee for the respective party
1	UMC Japan	A director and employee	A director and employee	N/A	¥1,200,640,000	¥138,240,000	¥1,000,000,000	0.20	¥1,000,000,000

ATTACHMENT-3 (The ending balance of securities held by the Company as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company		December 31, 2001				Shares as collateral (thousand)
				General ledger accounts	Number of shares (thousand)	Book value	Percentage	
<u>United Microelectronics Corporation</u>								
Fund	KGI Pioneer Fund	None	Short-term investment	500	5,000	N/A	5,505	None
Fund	IIT Increment Fund	None	Short-term investment	6,862	95,000	N/A	95,360	None
Fund	PITC Home Run Bond Fund	None	Short-term investment	7,337	93,900	N/A	94,236	None
Fund	FGIT Duo-Li-II Bond Fund	None	Short-term investment	6,735	90,000	N/A	90,343	None
Fund	Capital Safe Income Bond Fund	None	Short-term investment	7,090	95,000	N/A	95,340	None
Fund	NITC Taiwan Bond Fund	None	Short-term investment	6,238	80,000	N/A	80,284	None
Fund	Jih Sun Bond Fund	None	Short-term investment	6,436	80,000	N/A	80,282	None
Fund	FGIT Wan-Tai Bond Fund	None	Short-term investment	7,404	95,000	N/A	95,349	None
Fund	FGIT Duo-Li Bond Fund	None	Short-term investment	5,913	90,000	N/A	90,320	None
Fund	Apolloes B.B Bond Fund	None	Short-term investment	8,720	90,000	N/A	90,326	None
Fund	PITC Janes Bond Fund	None	Short-term investment	6,736	95,000	N/A	95,301	None
Fund	IIT High-Yield Fund	None	Short-term investment	7,224	95,000	N/A	95,296	None
Convertible bonds	Coretronic Corp. - Convertible bonds	None	Short-term investment	399	39,900	N/A	49,073	None
Stock	Aluminum Corporation of China Ltd.	None	Short-term investment	7,000	42,634	N/A	42,415	None
Stock	United Foundry Service, Inc.	Investee company	Long-term investment	2,005	78,226	100.00	N/A	None
Stock	UMC Group (USA)	Investee company	Long-term investment	16,438	593,171	100.00	N/A	None
Stock	UMC Capital Corporation	Investee company	Long-term investment	10,000	338,228	100.00	N/A	None
Stock	Fortune Venture Capital Corporation	Investee company	Long-term investment	299,994	3,413,388	99.99	N/A	None
Stock	Hsun Chieh Investment Corporation	Investee company	Long-term investment	1,417,294	31,062,635	99.97	N/A	None
Stock	UMCi Pte. Ltd.	Investee company	Long-term investment	212,250	7,167,916	49.82	N/A	None
Stock	Pacific Venture Capital Co., Ltd.	Investee company	Long-term investment	30,000	351,420	49.99	N/A	None
Stock	UMC Japan	Investee company	Long-term investment	120	7,149,137	47.10	33,281,183	None
Stock	DuPont Photomasks Taiwan Ltd.	Investee company	Long-term investment	88,057	1,093,113	46.32	N/A	None
Stock	Trecenti Technologies, Inc.	Investee company	Long-term investment	240	1,789,838	40.00	N/A	None
Stock	Broadmedia, Inc.	Investee company	Long-term investment	10,000	-	39.28	N/A	None
Stock	Applied Component Technology Corporation	Investee company	Long-term investment	15,808	154,821	31.00	288,271	None

ATTACHMENT-3 (The ending balance of securities held by the Company as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company		December 31, 2001				Shares as collateral (thousand)
				Number of shares (thousand)	Book value	Percentage	Market value	
<u>United Microelectronics Corporation</u>								
Stock	Integrated Technology Express Inc.	Investee company	Long-term investment	26,854	330,522	28.78	N/A	None
Stock	Holtek Semiconductor Inc.	Investee company	Long-term investment	44,114	555,441	28.76	N/A	None
Stock	Novatek Microelectronics Corp.	Investee company	Long-term investment	63,068	1,019,532	26.82	5,420,778	None
Stock	Unimicron Technology Corp.	Investee company	Long-term investment	157,879	2,850,322	24.20	5,267,135	None
Stock	Faraday Technology Corp.	Investee company	Long-term investment	25,958	435,458	20.45	4,142,888	None
Stock	AU Optronics Corp.	The Company is the director and supervisor	Long-term investment	560,276	8,317,535	18.86	18,379,862	None
Stock	PixTech, Inc.	None	Long-term investment	9,883	561,080	17.63	129,084	None
Stock	Integrated Telecom Express, Inc.	Investee company	Long-term investment	7,000	634,606	16.39	392,795	None
Stock	Mediatek Incorporation	The Company is the director and supervisor	Long-term investment	47,949	1,339,839	15.17	24,289,322	None
Stock	AMIC Technology (Taiwan), Inc.	Investee company	Long-term investment	16,200	37,120	13.62	N/A	None
Stock	Sino-Aerospace Investment Corp.	None	Long-term investment	28,500	25,748	11.11	N/A	None
Stock	National Venture Capital Corporation	None	Long-term investment	6,000	60,000	11.09	N/A	None
Stock	Aptos Corp.	None	Long-term investment	1,772	23,087	9.68	N/A	None
Stock	United Technology Co., Ltd.	None	Long-term investment	13,185	146,250	8.52	N/A	None
Stock	TECO Information Systems Co., Ltd.	None	Long-term investment	19,417	145,654	8.05	N/A	None
Stock	Subtron Technology Co., Ltd.	None	Long-term investment	16,000	240,000	7.41	N/A	None
Stock	Industrial Bank of Taiwan	The Company is its major stockholder	Long-term investment	118,242	1,150,000	5.00	N/A	None
Stock	TECO Electric & Machinery Co., Ltd.	None	Long-term investment	77,109	1,535,895	3.94	839,179	None
Stock	Tonbu, Inc.	None	Long-term investment	938	243,750	2.93	N/A	None
Stock	Vialta, Inc.	None	Long-term investment	8,360	622,835	3.10	N/A	None
Stock	Chiao Tung Bank	The Company is the director and supervisor	Long-term investment	83,250	3,108,656	3.07	1,734,753	None
Stock	SAMPO Corporation	None	Long-term investment	35,190	443,598	2.95	294,087	None
Stock	Premier Camera Taiwan Ltd.	None	Long-term investment	2,450	27,964	0.70	158,117	None
Stock	Stark Technology Inc.	None	Long-term investment	254	1,824	0.19	33,086	None
Fund	Pacific United Technology, L.P.	None	Long-term investment	-	34,600	25.00	N/A	None
Fund	Pacific Technology Partners, L.P.	None	Long-term investment	-	104,755	9.85	N/A	None

ATTACHMENT-3 (The ending balance of securities held by the Company as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	December 31, 2001				Shares as collateral (thousand)
				Number of shares (thousand)	Book value	Percentage	Market value	
<u>Hsun Chieh Investment Corporation</u>								
Stock	UC Fund II	Investee company	Long-term investment	5,000	161,225	35.45	N/A	None
Stock	Cheng Hsun Electronics Inc.	Investee company	Long-term investment	3,150	30,322	31.50	N/A	None
Stock	Harvatek Corporation	Investee company	Long-term investment	14,033	179,295	26.14	N/A	None
Stock	Plato Electronics (Cayman) Limited	Investee company	Long-term investment	14,193	657,858	24.50	N/A	None
Stock	Elite Flash Storage Technology, Inc.	The Company is the director and supervisor	Long-term investment	1,950	19,500	19.50	N/A	None
Stock	Giga Solution Technology Co., Ltd.	The Company is the director and supervisor	Long-term investment	8,750	105,000	19.44	N/A	None
Stock	Everglory Resource Technology Co., Ltd.	The Company is the director	Long-term investment	3,700	74,000	19.03	N/A	None
Stock	Patentop, Ltd.	Investee company	Long-term investment	720	20,963	18.00	N/A	None
Stock	Kits On Line Technology Corp.	The Company is the director	Long-term investment	3,200	38,656	16.41	N/A	None
Stock	Aptos Corp.	The Company is the director	Long-term investment	3,000	81,774	16.39	N/A	None
Stock	InComm Technology Co., Ltd.	The Company is the director	Long-term investment	3,200	44,480	16.00	N/A	None
Stock	Advance Materials Corporation	Investee company	Long-term investment	14,994	183,209	15.78	N/A	None
Stock	Union Technology Corp.	The Company is the director and supervisor	Long-term investment	1,800	18,000	15.00	N/A	None
Stock	Enovation Group, Inc.	The Company is the director	Long-term investment	7,172	73,807	14.34	N/A	None
Stock	High Bandwidth Access, Inc	Investee company	Long-term investment	2,861	19,191	11.92	N/A	None
Stock	Integrated Photonics, Inc.	None	Long-term investment	300	6,244	11.46	N/A	None
Stock	Golden Technology Venture Capital Investment Corp.	The Company is the director	Long-term investment	8,000	80,000	10.67	N/A	None
Stock	RF Integration Corporation	The Company is the director	Long-term investment	3,900	98,610	4.51	N/A	None
Stock	NTCU Spring I Technology Venture Capital Investment Corp.	The Company is the director	Long-term investment	4,284	43,482	10.06	N/A	None
Stock	Ascend Semiconductor Corporation	The Company is the director and supervisor	Long-term investment	3,600	36,000	9.00	N/A	None
Stock	ProSys Technology integration, Inc	The Company is the director	Long-term investment	1,200	18,000	6.70	N/A	None
Stock	NCTU Spring Venture Capital Co., Ltd.	The Company is the director	Long-term investment	2,000	20,000	6.28	N/A	None
Stock	Faraday Technology Corp.	Investee company to UMC	Long-term investment	7,908	1,250,990	6.23	1,262,117	None
Stock	Advance Microelectronics Product Inc.	None	Long-term investment	7,420	126,000	5.50	N/A	None
Stock	Coretronic Corp.	The Company is the director and supervisor	Long-term investment	12,388	276,192	5.49	710,827	None

ATTACHMENT-3 (The ending balance of securities held by the Company as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company		December 31, 2001				Shares as collateral (thousand)
				General ledger accounts	Number of shares (thousand)	Book value	Percentage	
<u>Hsun Chieh Investment Corporation</u>								
Stock	Fortune Semiconductor Corporation	The Company is the director	Long-term investment	1,000	40,000	5.13	N/A	None
Stock	Cosmos Technology Venture Capital Investment Corp.	The Company is the director	Long-term investment	4,000	40,000	5.03	N/A	None
Stock	UMC Japan	Investee company to UMC	Long-term investment	11	698,286	4.41	3,050,775	None
Fund	Taiwan Asia Pacific Venture Fund	None	Long-term investment	115	29,295	4.15	N/A	None
Stock	IBT Venture Corp.	The Company is the director	Long-term investment	9,000	90,000	3.81	N/A	None
Stock	Subtron Technology Co., Ltd.	The Company is the director and supervisor	Long-term investment	7,800	99,000	3.61	N/A	None
Stock	United Microelectronics Corporation	Investor company	Long-term investment	420,909	29,592,654	3.16	20,143,446	None
Stock	Hantek Technology Co., Ltd.	None	Long-term investment	1,411	42,330	3.14	N/A	None
Stock	Prokia Technology Co., Ltd.	None	Long-term investment	4,000	48,000	3.13	N/A	None
Stock	Amkor Technology, Inc.	None	Long-term investment	139	99,541	0.09	79,085	None
Stock	Alpha & Omega Semiconductor Inc.	None	Long-term investment	1,500	46,883	-	N/A	None
Stock	Integrated Telecom Express, Inc.	Investee company to UMC	Long-term investment	1,113	183,742	2.60	N/A	None
Stock	Sheng-Hua Venture Capital Corporation	None	Long-term investment	5,000	50,000	2.50	N/A	None
Stock	PixArt Imaging Inc.	None	Long-term investment	1,000	10,000	2.00	N/A	None
Stock	Largan Optoelectronics, Co., Ltd.	The Company is the director	Long-term investment	1,216	102,380	1.96	N/A	None
Stock	Chiao Tung Bank	None	Long-term investment	51,860	1,882,974	1.91	1,080,660	None
Stock	TECO Information Systems Co., Ltd.	None	Long-term investment	2,926	21,948	1.21	N/A	None
Stock	Ingenus Corp.	None	Long-term investment	240	29,812	0.65	5,434	None
Stock	King Yuan Electronics Co., Ltd.	None	Long-term investment	1,600	70,000	0.37	20,781	None
Stock	Vialta, Inc.	None	Long-term investment	8,360	625,622	3.10	N/A	None
Stock	ChinaYES Infomedia (Cayman), Inc.	None	Long-term investment	10,000	63,146	-	N/A	None
Fund	VenGlobal Capital Fund III, L.P.	None	Long-term investment	-	33,195	-	N/A	None
Stock	AEM Technology, Inc.	None	Long-term investment	1,760	28,715	-	N/A	None
Stock	Epogy Communication, Inc.	None	Long-term investment	3,200	49,704	-	N/A	None
Stock	Tonbu, Inc.	None	Long-term investment	2,000	185,017	-	N/A	None
Stock	Formerica International Holding Inc.	None	Long-term investment	2,000	30,898	-	N/A	None
Stock	Broadcom Corp.	None	Long-term investment	3	7,092	-	4,413	None
Stock	Triscend Corp.	None	Long-term investment	360	17,409	-	N/A	None
Stock	Radio Tek Corporation	Investee company	Long-term investment	1,345	13,450	26.90	N/A	None
Stock	Unimicron Technology Corp.	Investee company to UMC	Long-term investment	82,654	1,432,919	12.67	2,757,503	None

ATTACHMENT-3 (The ending balance of securities held by the Company as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company		December 31, 2001				Shares as collateral (thousand)
				General ledger accounts	Number of shares (thousand)	Book value	Percentage	
<u>Hsun Chieh Investment Corporation</u>								
Stock	SerComm Corporation	Investee company	Long-term investment	4,798	58,619	7.81	N/A	None
Stock	Linden Technologies, Inc.	None	Long-term investment	300	92,385	-	N/A	None
Stock	NetEmpower Software Technologies, Inc.	None	Long-term investment	1,500	92,388	-	N/A	None
Stock	Aurora System, Inc.	None	Long-term investment	550	72,226	-	N/A	None
Stock	Primarion, Inc.	None	Long-term investment	418	31,800	-	N/A	None
Stock	NetLogic Microsystems Inc.	None	Long-term investment	100	3,195	-	N/A	None
Stock	ForteMedia, Inc.	None	Long-term investment	4,000	65,000	-	N/A	None
Stock	LightCross, Inc.	None	Long-term investment	3,896	206,880	-	N/A	None
Stock	SandCraft, Inc.	None	Long-term investment	450	43,063	-	N/A	None
Stock	Octillion Communication, Inc.	None	Long-term investment	2,500	65,740	-	N/A	None
Stock	The Supply, Inc.	None	Long-term investment	588	-	-	N/A	None
Membership Card.	Golf Club Membership Card.	None	Long-term investment	-	60,000	-	N/A	None
Convertible bonds	AU Optronics Corp. - Convertible bonds	None	Short-term investment	2,000	200,000	-	362,180	None
<u>UMC Capital Corporation</u>								
Stock	UMC Capital (USA)	Investee company	Long-term investment	200	US\$205,356	100.00	N/A	None
Stock	LightCross, Inc.	None	Long-term investment	649	US\$1,000,000	-	N/A	None
Stock	Corrent Corp.	None	Long-term investment	500	US\$571,750	-	N/A	None
Stock	MaXXan System, Inc.	None	Long-term investment	828	US\$500,000	-	N/A	None
Stock	Leda System, Inc.	None	Long-term investment	1,000	US\$1,006,000	-	N/A	None
Stock	Virtual Silicon Technology, Inc.	None	Long-term investment	641	US\$1,000,000	-	N/A	None

ATTACHMENT-3 (The ending balance of securities held by the Company as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	December 31, 2001				Shares as collateral (thousand)
				Number of shares (thousand)	Book value	Percentage	Market value	
<u>Fortune Venture Capital Corporation</u>								
Stock	Aptos (Taiwan) Corp.	Investee company	Long-term investment	36,886	334,218	35.13	N/A	None
Stock	Davicom Semiconductor, Inc.	Investee company	Long-term investment	13,000	110,025	24.46	N/A	None
Stock	High Bandwidth Access, Inc	Investee company	Long-term investment	4,308	77,544	17.95	N/A	None
Stock	PixArt Imaging Inc.	The Company is the supervisor	Long-term investment	8,372	117,917	16.74	N/A	None
Stock	Thin Film Module, Inc.	The Company is the director and supervisor	Long-term investment	5,287	52,870	13.91	N/A	None
Stock	Advance Materials Corporation	Investee company	Long-term investment	12,800	156,717	13.47	N/A	None
Stock	AMIC Technology (Taiwan), Inc.	Investee company to UMC	Long-term investment	15,259	163,491	12.83	N/A	None
Stock	Urex Precision, Inc.	None	Long-term investment	2,537	26,766	12.68	N/A	None
Stock	Epitech Corp.	The Company is the director and supervisor	Long-term investment	4,658	47,300	11.65	N/A	None
Stock	Integrated Telecom Express Inc.	Investee company to UMC	Long-term investment	4,000	413,363	9.35	N/A	None
Stock	Averlogic Corporation	The Company is the director and supervisor	Long-term investment	1,385	34,450	7.93	N/A	None
Stock	Shin-Etsu Handotai Taiwan Co., Ltd.	None	Long-term investment	10,500	105,000	7.00	N/A	None
Stock	Trident Technologies, Inc.	The Company is the director and supervisor	Long-term investment	1,350	16,875	6.75	N/A	None
Stock	ProSys Technology integration, Inc	None	Long-term investment	1,200	12,000	6.70	N/A	None
Fund	Iglobe Partners Fund, L.P.	None	Long-term investment	-	80,603	6.34	N/A	None
Stock	Programmable Microelectronics (Taiwan) Corp.	None	Long-term investment	3,392	33,920	6.17	N/A	None
Stock	CTS Computer Technology System Corp.	None	Long-term investment	1,717	6,267	2.04	N/A	None
Stock	Hsin Chu Chen-Tao CATV Co., Ltd.	None	Long-term investment	349	3,489	1.40	N/A	None
Fund	Crystal Internet Venture Fund II	None	Long-term investment	-	41,757	0.99	N/A	None
Stock	Alpha & Omega Semiconductor Inc.	None	Long-term investment	1,500	46,313	-	N/A	None
Stock	Vialta, Inc.	None	Long-term investment	4,180	313,205	1.60	N/A	None
Stock	Monterey Design Systems Inc.	None	Long-term investment	394	34,201	-	N/A	None
Stock	Spring Soft, Inc.	The Company is the supervisor	Long-term investment	285	6,821	0.44	36,540	None
Stock	Sino-American Silicon Products, Inc.	None	Long-term investment	297	6,032	0.30	3,071	None
Stock	Shuttle Inc.	None	Long-term investment	360	7,828	0.26	8,830	None

ATTACHMENT-3 (The ending balance of securities held by the Company as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company		December 31, 2001				Shares as collateral (thousand)
				General ledger accounts	Number of shares (thousand)	Book value	Percentage	
<u>Fortune Venture Capital Corporation</u>								
Stock	Orchid BioSciences, Inc.	None	Long-term investment	56	13,310	0.14	9,102	None
Stock	United Microelectronics Corporation	Investor company	Long-term investment	15,333	171,857	0.11	733,807	None
Stock	Systematic Designs International Inc.	None	Long-term investment	1,300	10,178	-	N/A	None
Stock	Cadence Design Systems, Inc.	None	Long-term investment	522	57,600	-	415,643	None
Stock	Aurora Systems Inc.	None	Long-term investment	2,500	222,072	-	N/A	None
Stock	Triscend Corp.	None	Long-term investment	1,750	188,957	-	N/A	None
Stock	The 3CX U.S.A.	None	Long-term investment	513	55,348	-	N/A	None
Stock	SiRF Technology Inc.	None	Long-term investment	875	119,436	-	N/A	None
Stock	EPIC Technologies Inc.	None	Long-term investment	23	34,240	-	N/A	None
Stock	Rise Technology Inc.	None	Long-term investment	500	41,811	-	N/A	None
Stock	Arcadia Design Systems Inc.	The Company is the director	Long-term investment	162	26,203	-	N/A	None
Stock	Velio Communications Inc.	None	Long-term investment	110	30,817	-	N/A	None

ATTACHMENT-4 (The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001) (Amount in thousand NTD unless otherwise stated)

Name of the securities	Beginning balance		Addition		Disposal			Ending balance		Gain/Loss from disposal
	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Cost	Number of shares (thousand)	Amount	
<u>United Microelectronics Corporation</u>										
UMCi Pte. Ltd.	-	-	212,250	6,332,378	-	-	-	212,250	7,167,916	-
UMC Capital Corporation	-	-	10,000	339,500	-	-	-	10,000	338,228	-
Holtek Semiconductor Inc.	43,170	657,281	-	-	6,100	274,500	92,874	44,114	555,441	181,626
Novatek Microelectronics Corp.	45,045	861,690	-	-	3,000	332,233	60,292	63,068	1,019,532	271,941
National Securities Corporation	14,251	239,315	-	-	14,251	171,187	239,315	-	-	(68,128)
Stark Technology Inc.	967	10,552	-	-	845	168,050	8,728	254	1,824	159,322
Unipac Optoelectronics Corp.	503,247	7,774,055	66,792	1,335,842	-	-	-	-	-	- Note 2
Mediatek Incorporation	41,160	1,246,785	-	-	6,911	1,921,258	277,273	47,949	1,339,839	1,643,985
<u>Fortune Venture Capital Corporation</u>										
Tripath Technology Inc.	500	158,235	-	-	500	89,432	158,235	-	-	(68,803)
<u>UMC Japan</u>										
World Wise Electronics	20	¥2,217,629,000	-	-	20	¥2,215,624,000	¥2,217,629,000	-	-	¥(2,005,000)
Optoma Corp.	-	-	1.4	¥1,632,540,000	1.4	¥1,730,705,000	¥1,632,540,000	-	-	¥98,165,000
Premier Image Tech.	-	-	10	¥1,164,479,000	10	¥1,273,648,000	¥1,164,479,000	-	-	¥109,169,000
<u>Hsun Chieh Investment Corporation</u>										
Plato Electronics (Cayman) Limited	9,187	424,538	5,006	212,607	-	-	-	14,193	657,858	-
UC Fund II	-	-	5,000	161,225	-	-	-	5,000	161,225	-
LightCross, Inc.	-	-	3,896	206,880	-	-	-	3,896	206,880	-
Unicap Electronics Industrial Corp.	-	-	7,028	194,441	7,028	126,738	194,441	-	-	(67,703)
Coretronic Corporation	-	-	10,323	276,192	-	-	-	12,388	276,192	-

Note1: The ending balance also includes other additions or deductions not shown on the above schedule, including long-term equity investment income or loss, cumulative translation adjustment, changes in long-term investment due to unapportionate changes in ownership, and unrealized loss in long-term investment, etc.

Note2: The Company's investment in Unipac Optoelectronics Corp. was previously accounted for on equity method. As of September 1, 2001, Unipac Optoelectronics Corp., which is the expiry corporate entity, was merged into Acer Display Technology Inc.

ATTACHMENT-5 (Acquisition of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001) (Amount in thousand NTD unless otherwise stated)

Name of the properties	Date of transaction	Transaction amount	Status of payment	Counter party	The relationship with the Company	Original owner who sold the property to the counter party	The relationship of the original owner with the Company	Date of the original transaction	Amount	The bases or reference used in deciding the price	Other commitments
<u>United Microelectronics Corporation</u>											
Employees' dormitory	October 1, 2001 ~ November 21, 2001	266,000	Not Paid	N/A	N/A	N/A	N/A	N/A	N/A	Acquisition cost	None
Fab 12A	September 28, 2001 ~ November 28, 2001	2,163,000	Not Paid	N/A	N/A	N/A	N/A	N/A	N/A	Acquisition cost	None

ATTACHMENT-6 (Disposal of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001) (Amount in thousand NTD unless otherwise stated)

<u>Names of the properties</u>	<u>Date of transaction</u>	<u>Acquisition date of the properties</u>	<u>Book value</u>	<u>Transaction amount</u>	<u>Status of payment receiving</u>	<u>Gain/ Loss on disposal</u>	<u>Counter party</u>	<u>The relationship with the Company</u>	<u>Reason for disposal</u>	<u>The bases or reference used in deciding the price</u>	<u>Other commitments</u>
<u>United Microelectronics Corporation</u>											
Building and facilities	February 15, 2001	January 3, 2000	141,782	173,250	Received	31,468	Holtek Semiconductor Inc.	Investee company	Products combination change	Market value	None

ATTACHMENT-7 (Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year 2001) (Amount in thousand NTD unless otherwise stated)

Name of related parties transactions	Relationship with the Company	Transactions				Notes & accounts receivable (payable)	
		Purchase (Sales)	Amount	Percentage of purchase (sales)	Term	Balance	Percentage of account
<u>United Microelectronics Corporation</u>							
UMC Group (USA)	Investee company	Sales	27,055,238	41.95	60days	2,482,744	31.70
United Microelectronics (Europe) B.V	The director is the chairman of the Company	Sales	6,038,583	9.36	60days	116,965	1.49
Mediatek Incorporation	The Company is the director and supervisor	Sales	3,569,172	5.53	45days	1,046,372	13.36
Novatek Microelectronics Corp.	Investee company	Sales	1,558,517	2.42	45days	262,223	3.35
AMIC Technology (Taiwan) Inc.	Investee company	Sales	781,834	1.21	45days	275,175	3.51
Faraday Technology Corp.	Investee company	Sales	714,583	1.11	45days	160,393	2.05
Holtek Semiconductor Inc.	Investee company	Sales	547,928	0.85	45days	121,856	1.56
Applied Component Technology Corp.	Investee company	Sales	497,592	0.77	45days	891	0.01
Integrated Technology Express Inc.	Investee company	Sales	398,744	0.62	45days	70,460	0.90
Formosa Links Pte Ltd.	The director is the chairman of the Company	Sales	307,769	0.48	60days	-	-
Ascend Semiconductor Corp.	The director and supervisor is the investee company of the Company	Sales	214,470	0.33	60days	60,864	0.78
DuPont Photomasks Taiwan Ltd.	Investee company	Purchase	1,080,725	8.10	60days	(218,285)	8.49
Applied Component Technology Corp.	Investee company	Purchase	234,153	1.75	Note	(20,300)	0.79

Note : Invoice date net 30 days

UMC Group (USA)

United Microelectronics Corporation	Investor company	Purchase	US\$804,028,220	100.00	Net 55days	(US\$68,505,921)	100.00
UMC Japan	Affiliated company	Purchase	US\$136,019	-	Net 60days	-	-

ATTACHMENT-8 (Receivable from related parties exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

Name of the counter party	Relationship with the counter party	Balance of receivable from related party				Turnover rate (times)	Overdue receivable		Subsequent received amount	Bad debt allowance provided
		Notes receivable	Accounts receivable	Other receivables	Amount		Amount	Collection		
<u>United Microelectronics Corporation</u>										
UMC Group (USA)	Investee company	-	2,482,744	-	2,482,744	5.80	-	Credit Collecting	278,236	74,769
United Microelectronics (Europe) B.V	The director is the chairman of the Company	-	116,965	-	116,965	5.40	36,579	Credit Collecting	-	1,154
AMIC Technology (Taiwan) Inc.	Investee company	7,288	267,887	55	275,230	1.86	77,968	Credit Collecting	-	3,423
Mediatek Incorporation	The Company is the director and supervisor	-	1,046,372	377	1,046,749	5.78	-	Credit Collecting	377	10,318
Novatek Microelectronics Corp.	Investee company	-	262,223	365	262,588	7.18	-	Credit Collecting	134,893	2,590
Holtek Semiconductor Inc.	Investee company	77,843	44,013	-	121,856	2.52	-	Credit Collecting	-	435
Faraday Technology Corp.	Investee company	-	160,393	-	160,393	4.69	3,087	Credit Collecting	-	1,612

ATTACHMENT-9 (Related information on invested companies as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

Invested company	Address	Main business scopes	Initial Investment		Shares held by the Company			The net income of the invested company	The gain (loss) recorded by the		Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage	Book value		Company	Company	
<u>United Microelectronics Corporation</u>											
UMC Capital Corporation	Cayman, Cayman Islands	Investment	US\$10,000,000	-	10,000	100.00	338,228	US\$(38,000)	(1,272)		
UMC Group (USA)	Sunnyvale, California, USA	IC Sales	US\$16,438,000	US\$16,438,000	16,438	100.00	593,171	US\$ (3,338,000)	(125,100)		
United Foundry Service, Inc.	Sunnyvale, California, USA	Supervising and monitoring group project	US\$2,005,000	US\$2,005,000	2,005	100.00	78,226	US\$ 319,000	10,794		
Fortune Venture Capital Corporation	Taipei, Taiwan	Consulting and planning for investment in new business	2,999,940	2,999,940	299,994	99.99	3,413,388	(271,185)	(288,401)		
Hsun Chieh Investment Corporation	Taipei, Taiwan	Investment	14,172,940	14,172,940	1,417,294	99.97	31,062,635	151,506	151,439		
Pacific Venture Capital Co., Ltd.	Taipei, Taiwan	Venture capital consultation	300,000	300,000	30,000	49.99	351,420	88,326	44,162		
UMCi Pte. Ltd.	Singapore	Sales and manufacturing of integrated circuit fabrication	US\$212,250,000	-	212,250	49.82	7,167,916	US\$(829,973)	1,547		
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuit fabrication	¥20,126,316,000	¥20,126,316,000	120	47.10	7,149,137	¥(3,044,396,000)	189,129		
DuPont Photomasks Taiwan Ltd.	Science-Based Industrial Park, Hsin-Chu	Manufacturing of photomasks	777,016	780,502	88,057	46.32	1,093,113	360,560	168,878		
Trecenti Technologies, Inc.	Ibaraki-ken, Japan	Sales and manufacturing of integrated circuit fabrication	¥12,000,000,000	¥12,000,000,000	240	40.00	1,789,838	(¥ 14,574,833,000)	(1,626,957)	Note1	
Broadmedia, Inc.	Sunnyvale, California, USA	Telecom IC design and sales	US\$5,000,000	US\$5,000,000	10,000	39.28	-	-	-		
Applied Component Technology Corp.	Taipei, Taiwan	IC production sales	64,557	15,558	15,808	31.00	154,821	(39,399)	(10,785)		
Integrated Technology Express, Inc.	Science-Based Industrial Park, Hsin-Chu	Sales and manufacturing of integrated circuit fabrication	239,770	239,770	26,854	28.78	330,522	81,140	23,567		
Holtek Semiconductor Inc.	Science-Based Industrial Park, Hsin-Chu	IC design production and sales	392,176	456,709	44,114	28.76	555,441	310,735	86,330		
Novatek Microelectronics Corp.	Science-Based Industrial Park, Hsin-Chu	Sales and manufacturing of integrated circuit fabrication	140,010	150,000	63,068	26.82	1,019,532	889,848	274,243		
Unimicron Technology Corp.	Taoyuan, Taiwan	PCB production	2,592,013	2,548,658	157,879	24.20	2,850,322	1,227,686	252,648		
Faraday Technology Corp.	Science-Based industrial Park, Hsin-Chu	ASIC design and production	62,455	62,455	25,958	20.45	435,458	602,503	126,488		
Integrated Telecom Express, Inc.	Santa Clara, California, USA	Sales and manufacturing of integrated circuit fabrication	US\$2,000,000	US\$2,000,000	7,000	16.39	634,606	(US\$ 39,174,000)	(212,043)		
AMIC Technology (Taiwan) Inc.	Science-Based Industrial Park, Hsin-Chu	IC design production and sales	135,000	135,000	16,200	13.62	37,120	(529,756)	(85,387)		

Note1: Investment income/loss was recognized in the next season.

ATTACHMENT-9 (Related information on invested companies as of December 31, 2001) (Amount in thousand NTD unless otherwise stated)

Invested company	Address	Main business scopes	Initial Investment		Shares held by the Company			The net income of the invested company	The gain (loss) recorded by the	
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage	Book value		Company	Note
Hsun Chieh Investment Corporation										
UC Fund II	Grand Cayman Ialand West British	Venture capital business	161,225	-	5,000	35.45	161,225	N/A	N/A	Note1
Cheng Hsun Electronics Inc.	Taipei, Taiwan	Electronic component production	31,500	31,500	3,150	31.50	30,322	(3,741)	(1,178)	Note1
Radio Tek Corporation	Science-Based industrial Park, Hsin-Chu	PF and IC design	13,450	-	1,345	26.90	13,450	N/A	N/A	Note1
Harvatek Corporation	Hsin-Chu, Taiwan	IC testing, production, packaging and sales	162,945	204,991	14,033	26.14	179,295	88,022	21,545	Note1
Plato Electronic (Cayman) Limited	Cayman Islands, British West Indies	Holding Company	637,146	424,539	14,193	24.50	657,858	83,124	8,016	Note1
Patentop, Ltd	Tortola, British Virgin Island	Patent sales	22,356	22,356	720	18.00	20,963	(20,695)	(3,725)	Note1
Advance Materials Corporation	Taoyuan, Taiwan	Synthetic resin and electronic component productio	208,162	208,162	14,994	15.78	183,209	12,207	706	Note1
Unimicron Technology Corp.	Taoyuan, Taiwan	PCB production	1,070,213	1,123,352	82,654	12.67	1,432,919	1,227,686	21,697	Note2
High Bandwith Access, Inc	Science-Based Industrial Park, Hsin-Chu	Product design and software sales	29,094	31,000	2,861	11.92	19,191	(37,052)	(11,486)	Note1
SerComm Corporation	Science-Based industrial Park, Hsin-Chu	Server product and sales	58,619	-	4,798	7.81	58,619	N/A	N/A	Note1
Faraday Technology Corp.	Science-Based industrial Park, Hsin-Chu	IC design	1,308,880	1,308,880	7,908	6.23	1,250,990	602,503	(23,942)	
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuit	240,665	240,665	11	4.41	698,286	¥(3,044,396,000)	(19,670)	
Integrated Telecom Express, Inc.	Santa Clara, California, USA	Sales and manufacturing of integrated circuit	92,108	96,248	1,113	2.60	183,742	US\$(39,174,000)	(55,458)	

Note1: Investment income/loss was recognized in the next year.

Note2: The Company's investment in Unimicron Technology Corp. were previously accounted for using equity method. As of October 31, 2001, Unimicron Technology Corp. was merged into World Wiser Electronics Incorporated, which is the surviving corporate entity, renamed as Unimicron Technology Corp.