

**UNITED MICROELECTRONICS CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS  
FOR THE THREE-MONTH PERIOD ENDED  
MARCH 31, 2008**

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The reader is advised that these financial statements have been prepared originally 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.

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

### English Translation of a Report Originally Issued in Chinese

To United Microelectronics Corporation

We have reviewed the accompanying consolidated balance sheet of United Microelectronics Corporation and subsidiaries (the "Company") as of March 31, 2008, and the related statement of income and cash flows for the three-month period ended March 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our review. As described in Note 3(8) to the consolidated financial statements, certain long-term investments were accounted for under the equity method based on financial statements as of March 31, 2008 of the investees, which were reviewed by the other auditors. Our review insofar as it relates to the investment loss amounted to NT\$45 million for the three-month period ended March 31, 2008, and the related long-term investment balance of NT\$4,255 million as of March 31, 2008, is based solely on the reports of the other auditors.

We conducted our review in accordance with the Statements of Auditing Standards No. 36, "Review of Financial Statements" of the Republic of China. A review is limited primarily to applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review and the reports of the other auditors, we are not aware of any material modifications or adjustments that should have been made to the consolidated financial statements referred to above in order for them to be in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the order VI-0960064020 issued by Financial Supervisory Commission, Executive Yuan, and accounting principles generally accepted in the Republic of China.

As described in Note 2 to the consolidated financial statements, effective January 1, 2008, the Company adopted Accounting Research and Development Foundation Interpretation No. 96-052, and recognized share-based employee bonuses and remunerations to directors and supervisors as expenses rather than as a distribution of retained earnings.

April 21, 2008  
Taipei, Taiwan  
Republic of China

#### **Notice to Readers**

The accompanying unaudited consolidated 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 review such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED BALANCE SHEET  
 March 31, 2008  
 (Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of March 31, 2008	Liabilities and Stockholders' Equity	Notes	As of March 31, 2008
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and cash equivalents	3(1)	\$ 41,097,714	Short-term loans	3(12)	\$ 743,883
Financial assets at fair value through profit or loss, current	3(2)	4,299,487	Financial liabilities at fair value through profit or loss, current	3(13)	170,638
Notes receivable		20,241	Accounts payable		5,229,501
Accounts receivable, net	3(3)	13,109,505	Income tax payable		1,348,366
Accounts receivable - related parties, net	4	437,945	Accrued expenses		7,463,530
Other receivables		468,212	Payable on equipment		2,868,930
Inventories, net	3(4)	11,564,132	Current portion of long-term liabilities	3(14)	10,499,910
Prepaid expenses		860,397	Other current liabilities	1, 2, 3(18)	598,500
Deferred income tax assets, current		1,280,454	<b>Total current liabilities</b>		<u>28,923,258</u>
<b>Total current assets</b>		<u>73,138,087</u>	<b>Long-term liabilities</b>		
<b>Funds and investments</b>			Bonds payable	3(14)	7,495,575
Financial assets at fair value through profit or loss, noncurrent	3(5)	48,834	<b>Total long-term liabilities</b>		<u>7,495,575</u>
Available-for-sale financial assets, noncurrent	3(6), 3(11)	42,227,377	<b>Other liabilities</b>		
Financial assets measured at cost, noncurrent	3(7), 3(11)	8,349,605	Accrued pension liabilities		3,185,757
Long-term investments accounted for under the equity method	3(8)	9,282,436	Deposits-in		12,556
<b>Total funds and investments</b>		<u>59,908,252</u>	Deferred income tax liabilities, noncurrent		13,696
<b>Property, plant and equipment</b>	3(9), 6		Other liabilities - others		446,889
Land		2,087,561	<b>Total other liabilities</b>		<u>3,658,898</u>
Buildings		22,783,227	<b>Totall liabilities</b>		<u>40,077,731</u>
Machinery and equipment		444,398,648	<b>Capital</b>	3(15), 3(16)	
Transportation equipment		84,531	Common stock		132,144,949
Furniture and fixtures		3,467,511	<b>Additional paid in capital</b>		
Leasehold improvements		40,088	Premiums		59,435,560
Total cost		472,861,566	Treasury stock transactions		274
Less : Accumulated depreciation		(355,516,829)	Change in equities of long-term investments		6,714,826
Add : Construction in progress and prepayments		10,213,997	<b>Retained earnings</b>	3(18)	
<b>Property, plant and equipment, net</b>		<u>127,558,734</u>	Legal reserve		18,476,942
<b>Intangible assets</b>			Special reserve		824,922
Goodwill		3,498,687	Unappropriated earnings		12,555,055
Other intangible assets		305	<b>Adjustment items to stockholders' equity</b>	3(6)	
<b>Total intangible assets</b>		<u>3,498,992</u>	Cumulative translation adjustment		(4,527,769)
<b>Other assets</b>			Unrealized gain or loss on financial instruments		13,539,721
Deferred charges		1,357,180	<b>Treasury stock</b>	3(17)	<u>(15,003,247)</u>
Deferred income tax assets, noncurrent		3,432,964	<b>Total stockholders' equity of parent company</b>		<u>224,161,233</u>
Other assets - others	3(10), 5	2,129,278	<b>Minority interests</b>		<u>6,784,523</u>
<b>Total other assets</b>		<u>6,919,422</u>	<b>Total stockholders' equity</b>		<u>230,945,756</u>
<b>Total assets</b>		<u>\$ 271,023,487</u>	<b>Total liabilities and stockholders' equity</b>		<u>\$ 271,023,487</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENT OF INCOME  
 For the three-month period ended March 31, 2008  
 (Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the three-month period ended March 31, 2008
<b>Operating revenues</b>	4	
Sales revenues		\$ 25,134,132
Less : Sales returns and discounts		(512,641)
Net Sales		24,621,491
Other operating revenues		518,667
<b>Net operating revenues</b>		25,140,158
<b>Operating costs</b>	1, 2	
Cost of goods sold		(21,035,019)
Other operating costs		(314,150)
<b>Operating costs</b>		(21,349,169)
<b>Gross profit</b>		3,790,989
Unrealized intercompany profit		(66,858)
Realized intercompany profit		85,543
<b>Gross profit-net</b>		3,809,674
<b>Operating expenses</b>	1, 2	
Sales and marketing expenses		(905,361)
General and administrative expenses		(869,610)
Research and development expenses		(2,065,785)
Subtotal		(3,840,756)
<b>Operating income</b>		(31,082)
<b>Non-operating income</b>		
Interest revenue		183,888
Gain on disposal of property, plant and equipment		5,842
Gain on disposal of investments		854,773
Gain on recovery of market value of inventories		1,056
Gain on valuation of financial assets		51,665
Gain on valuation of financial liabilities	3(13)	140,943
Other income		177,307
Subtotal		1,415,474
<b>Non-operating expenses</b>		
Interest expense	3(9), 3(12)	(36,758)
Investment loss accounted for under the equity method, net	3(8)	(331,721)
Loss on disposal of property, plant and equipment		(2,640)
Exchange loss, net		(730,338)
Financial expenses		(15,521)
Impairment loss	3(11)	(44,944)
Other losses		(36,595)
Subtotal		(1,198,517)
<b>Income from continuing operations before income tax</b>		185,875
<b>Income tax expense</b>		(92,551)
<b>Net income</b>		\$ 93,324
<b>Attributable to:</b>		
<b>Shareholders of the parent</b>		\$ 205,828
<b>Minority interests</b>		(112,504)
<b>Net income</b>		\$ 93,324
		Pre-tax      Post-tax
<b>Earnings per share-basic (NTD)</b>	3(19)	
Net income attributable to shareholders of the parent		\$ 0.03      \$ 0.02
<b>Earnings per share-diluted (NTD)</b>	3(19)	
Net income attributable to shareholders of the parent		\$ 0.01      \$ 0.01

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
 For the three-month period ended March 31, 2008  
 (Expressed in Thousands of New Taiwan Dollars)

	For the three-month period ended March 31, <u>2008</u>
Cash flows from operating activities:	
Net income attributable to shareholders of the parent	\$ 205,828
Net loss attributable to minority interests	(112,504)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	9,514,057
Amortization	383,903
Bad debt expenses	1,367
Gain on recovery in market value and obsolescence of inventories	(1,056)
Cash dividends received under the equity method	134,924
Investment loss accounted for under the equity method	331,721
Gain on valuation of financial assets and liabilities	(192,608)
Impairment loss	44,944
Gain on disposal of investments	(854,773)
Gain on disposal of property, plant and equipment	(3,202)
Amortization of bond discounts	6,205
Exchange gain on financial assets and liabilities	(60,765)
Exchange gain on long-term liabilities	(177,917)
Amortization of deferred income	(37,870)
Changes in assets and liabilities:	
Financial assets and liabilities at fair value through profit or loss	537,878
Notes and accounts receivable	1,311,521
Other receivables	38,947
Inventories	141,668
Prepaid expenses	(207,513)
Deferred income tax assets	(183,291)
Accounts payable	14,341
Income tax payable	55,107
Accrued expenses	(438,654)
Other current liabilities	(42,240)
Accrued pension liabilities	14,604
Capacity deposits	(4,447)
Other liabilities - others	(8,389)
Net cash provided by operating activities	10,411,786
Cash flows from investing activities:	
Acquisition of available-for-sale financial assets	(148,015)
Proceeds from disposal of available-for-sale financial assets	1,254,145
Acquisition of financial assets measured at cost	(275,520)
Proceeds from disposal of financial assets measured at cost	63,030
Acquisition of long-term investments accounted for under the equity method	(11,833)
Proceeds from disposal of long-term investments accounted for under the equity method	535
Proceeds from capital reduction and liquidation of investments	57,666
Acquisition of property, plant and equipment	(5,741,629)
Proceeds from disposal of property, plant and equipment	5,315
Increase in deferred charges	(342,092)
Decrease in other assets - others	8,449
Net cash used in investing activities	(5,129,949)

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
 For the three-month period ended March 31, 2008  
 (Expressed in Thousands of New Taiwan Dollars)

	For the three-month period ended March 31, 2008
<b>(continued)</b>	
Cash flows from financing activities:	
Increase in short-term loans	\$ 403,550
Redemption of bonds	(12,216,623)
Decrease in deposits-in	(1,817)
Net cash used in financing activities	(11,814,890)
Effect of exchange rate changes on cash and cash equivalents	(47,380)
Decrease in cash and cash equivalents	(6,580,433)
Cash and cash equivalents at beginning of period	47,678,147
Cash and cash equivalents at end of period	\$ 41,097,714
Supplemental disclosures of cash flow information:	
Cash paid for interest	\$ 4,116
Cash refunded for income tax	\$ (27,466)
Investing activities partially paid by cash:	
Acquisition of property, plant and equipment	\$ 2,574,285
Add: Payable at beginning of period	6,036,274
Less: Payable at end of period	(2,868,930)
Cash paid for acquiring property, plant and equipment	\$ 5,741,629

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

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

United Microelectronics Corporation and the consolidated entities (the “Company”) has prepared the notes in conformity with the order VI-0960064020 issued by Financial Supervisory Commission, Executive Yuan as of November 15, 2007, which simplifies the disclosure requirement. According to this order, the Company is only required to disclose the differences of accounting policies between the latest audited consolidated financial statements and the current ones and to disclose the consolidated entities. The following items can be exempt from disclosures:

- i. History and organization;
- ii. Income tax;
- iii. Pension plan;
- iv. Summary of operation cost and expenses including salary, depreciation, depletion, and amortization; and
- v. Attachments pertaining to significant transactions, investments, and investments in Mainland China.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, the order VI-0960064020 issued by Financial Supervisory Commission under the Executive Yuan, Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (R.O.C.).

Significant accounting policies adopted in preparing the accompanying consolidated financial statements are those adopted in preparing the annual consolidated financial statements of 2007, except those stated below:

(1) General Description of the Reporting Entities

a. Principles of Consolidation

Investees in which United Microelectronics Corporation (UMC), directly or indirectly, holds more than 50% of voting rights or de facto control with less than 50% of voting rights, are consolidated into UMC’s financial statements.

Transactions between consolidated entities are eliminated in the consolidated financial statements. Prior to January 1, 2006, the difference between the acquisition cost and the net equity of a subsidiary as of the acquisition date was amortized over 5 years; however effective January 1, 2006, goodwill arising from new acquisitions is analyzed and accounted for under the ROC Statement of Financial Accounting Standard (SFAS) No. 25, “Business Combination – Accounting Treatment under Purchase Method”, and goodwill is not subject to amortization.

b. The consolidated entities are as follows:

As of March 31, 2008

Investor	Subsidiary	Business nature	Percentage of ownership (%)
UMC	UMC GROUP (USA)	IC Sales	100.00
UMC	UNITED MICROELECTRONICS (EUROPE) B.V.	IC Sales	100.00
UMC	UMC CAPITAL CORP.	Investment holding	100.00
UMC	UNITED MICROELECTRONICS CORP. (SAMOA)	Investment holding	100.00
UMC	TLC CAPITAL CO., LTD.	Consulting and planning for investment in new business	100.00
UMC	UMC I LTD.	Sales and manufacturing of integrated circuits	100.00
UMC	FORTUNE VENTURE CAPITAL CORP. (FORTUNE)	Consulting and planning for investment in new business	99.99
UMC	UNITED MICRODISPLAY OPTRONICS CORP. (UMO)	Sales and manufacturing of LCOS	85.24
UMC	UMC JAPAN	Sales and manufacturing of integrated circuits	50.09
FORTUNE	UNITRUTH INVESTMENT CORP. (UNITRUTH)	Investment holding	100.00
UMC CAPITAL CORP.	UMC CAPITAL (USA)	Investment holding	100.00
UMC CAPITAL CORP.	ECP VITA LTD.	Insurance	100.00
UMO	UMO (HK) LIMITED	Investment holding	100.00

(2) Employee Stock Option Plan

The Company used the intrinsic value method to recognize compensation cost for its employee stock options issued between January 1, 2004 and December 31, 2007, in accordance with Accounting Research and Development Foundation interpretations No. 92-070 through 072. For stock options granted on or after January 1, 2008, the Company recognizes compensation cost using the fair value method in accordance with ROC SFAS No. 39 "Accounting for Share-Based Payment."

(3) Share-Based Employee Bonuses and Remunerations Paid to Directors and Supervisors

In accordance with Accounting Research and Development Foundation interpretation No. 96-052 effective January 1, 2008, share-based employee bonuses and remunerations paid to directors and supervisors are accounted for as expenses and charged to current income at fair value rather than as a reduction of retained earnings.

## 2. ACCOUNTING CHANGES

### (1) Employee Stock Options

Effective January 1, 2008, the Company adopted ROC SFAS No. 39, "Accounting for Share-Based Payment" to account for share-based payments. This change in accounting principles had no effect on consolidated net income or on consolidated earnings per share for the three-month period ended March 31, 2008.

### (2) Share-Based Employee Bonuses and Remunerations Paid to Directors and Supervisors

Effective January 1, 2008, the Company adopted Accounting Research and Development Foundation interpretation No. 96-052 to account for share-based employee bonuses and remunerations paid to directors and supervisors. The adoption resulted in an unfavorable effect on consolidated net income in the amount of NT\$54 million, thereby reducing consolidated earnings per share by NT\$0.004 for the three-month period ended March 31, 2008.

## 3. CONTENTS OF SIGNIFICANT ACCOUNTS

### (1) CASH AND CASH EQUIVALENTS

	<u>As of March 31, 2008</u>
Cash:	
Cash on hand	\$2,957
Checking and savings accounts	6,710,429
Time deposits	28,568,639
Subtotal	<u>35,282,025</u>
 Cash equivalents:	 5,815,689
Total	<u><u>\$41,097,714</u></u>

### (2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT

	<u>As of March 31, 2008</u>
<u>Held for trading</u>	
Listed stocks	\$4,180,169
Open-end fund	3,960
Forward contract	115,358
Total	<u><u>\$4,299,487</u></u>

During the three-month period ended March 31, 2008, net gain of financial assets at fair value through profit or loss, current, was NT\$75 million.

(3) ACCOUNTS RECEIVABLE, NET

	<u>As of March 31, 2008</u>
Accounts receivable	\$14,183,217
Less: Allowance for sales returns and discounts	(1,070,093)
Less: Allowance for doubtful accounts	(3,619)
Net	<u>\$13,109,505</u>

(4) INVENTORIES, NET

	<u>As of March 31, 2008</u>
Raw materials	\$1,158,136
Supplies and spare parts	2,253,646
Work in process	8,088,168
Finished goods	905,326
Total	<u>12,405,276</u>
Less : Allowance for loss on decline in market value and obsolescence	(841,144)
Net	<u>\$11,564,132</u>

Inventories were not pledged.

(5) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS,  
NONCURRENT

	<u>As of March 31, 2008</u>
Convertible bonds	<u>\$48,834</u>

During the three-month period ended March 31, 2008, net gain of financial assets at fair value through profit or loss, noncurrent, was NT\$1 million.

(6) AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

	<u>As of March 31, 2008</u>
Common stock	\$41,977,360
Depository receipts	121,375
Funds	128,642
Total	<u>\$42,227,377</u>

During the three-month period ended March 31, 2008, the total unrealized loss adjustment to consolidated stockholders' equity due to changes in fair value of available-for-sale assets was NT\$7,504 million. The Company recognized a net gain of NT\$821 million due to the disposal of available-for-sale assets during the three-month period ended March 31, 2008. Among the available-for-sale assets, five million shares of EPITECH TECHNOLOGY CORP. (EPITECH) were acquired on March 1, 2007 through the exchange of HIGHLINK TECHNOLOGY CORP. (HIGHLINK) shares, which were previously obtained by the Company through private placement since February 2006. On March 1, 2007, HIGHLINK was merged into EPISTAR CORP. The Company's holding of EPISTAR CORP. is classified as available-for-sale. Additionally, the Company acquired 5.5 million shares of Simplo Technology Co., LTD were acquired through private placement in July 2006. The exchanges of these shares listed above are restricted by the provisions in Article 43 paragraph 8 of the Securities and Exchange Law.

(7) FINANCIAL ASSETS MEASURED AT COST, NONCURRENT

	<u>As of March 31, 2008</u>
Common stock	\$5,323,702
Preferred stock	2,336,647
Convertible bond	15,352
Funds	673,904
Total	<u><u>\$8,349,605</u></u>

The Company acquired 0.074 million shares of Ralink Technology Corp. through private placement in July 2007, 4 million shares of INPAQ Technology Co., LTD through private placement in November 2007, and 4.6 million shares of First International Telecom Corp. through private placement in March 2008. The exchanges of these shares listed above are restricted by the provision in Article 43 paragraph 8 of the Securities and Exchange Law.

(8) LONG-TERM INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

a. Details of long-term investments accounted for under the equity method are as follows:

	<u>As of March 31, 2008</u>	
<u>Investee Company</u>	<u>Amount</u>	<u>Percentage of Ownership or Voting Rights</u>
<u>Unlisted companies</u>		
PACIFIC VENTURE CAPITAL CO., LTD. (PACIFIC) (Note A)	\$127,379	49.99
MTIC HOLDING PTE LTD.	79,954	49.94
UWAVE TECHNOLOGY CORP. (UWAVE) (Note B)	-	48.64
YUNG LI INVESTMENTS, INC.	269,293	45.16
MEGA MISSION LIMITED PARTENRSHIP	1,950,952	45.00
SMEDIA TECHNOLOGY CORP.	165,517	44.86

As of March 31, 2008		
Investee Company	Amount	Percentage of Ownership or Voting Rights
ACHIEVE MADE INTERNATIONAL LTD.	22,085	43.29
UNITECH CAPITAL INC.	799,226	42.00
ANOTO TAIWAN CORP.	21,958	39.20
AEVOE INTERNATIONAL LTD.	12,870	38.62
HSUN CHIEH INVESTMENT CO., LTD.	3,659,311	36.49
UC FUND II	128,667	35.45
WALTOP INTERNATIONAL CORP.	158,569	34.79
NEXPOWER TECHNOLOGY CORP.	770,726	34.55
UNIMICRON HOLDING LIMITED	595,793	33.78
CRYSTAL MEDIA INC.	43,451	32.87
CTC CAPITAL PARTNERS I, L.P.	136,930	32.11
XGI TECHNOLOGY INC.	33,491	31.49
ALLIANCE OPTOTEK CORP.	72,139	27.76
AMIC TECHNOLOGY CORP.	88,536	25.90
HIGH POWER LIGHTING CORP.	43,931	23.00
MOBILE DEVICES INC.	48,268	21.51
TRANSLINK CAPITAL PARTNERS I L.P. (TRANSLINK)(Note C)	53,390	18.05
Total	\$9,282,436	

Note A : On June 27, 2006, PACIFIC set July 3, 2006 as its liquidation date through a decision at its shareholders' meeting. The liquidation has not been completed as of March 31, 2008.

Note B : On June 29, 2007, UWAVE reached the decision to liquidate the company at its shareholders' meeting. The liquidation has not been completed as of March 31, 2008.

Note C : According to the partnership contract, the Company has significant influence over TRANSLINK, and it is accounted for under the equity method.

- b. Total loss arising from investments accounted for under the equity method, based on the reviewed financial statements of the investees, was NT\$ 332 million for the three-month period ended March 31, 2008. Investment loss amounted to NT\$45 million for the three-month period ended March 31, 2008, and the related long-term investment balance of NT\$4,255 million as of March 31, 2008, was determined based on the investees' financial statements reviewed by the other auditors.
- c. The long-term equity investments were not pledged.

(9) PROPERTY, PLANT AND EQUIPMENT

	As of March 31, 2008		
	Cost	Accumulated Depreciation	Book Value
Land	\$2,087,561	\$-	\$2,087,561
Buildings	22,783,227	(8,368,608)	14,414,619
Machinery and equipment	444,398,648	(344,407,903)	99,990,745
Transportation equipment	84,531	(66,684)	17,847
Furniture and fixtures	3,467,511	(2,635,177)	832,334
Leasehold improvement	40,088	(38,457)	1,631
Construction in progress and prepayments	10,213,997	-	10,213,997
Total	<u>\$483,075,563</u>	<u>\$(355,516,829)</u>	<u>\$127,558,734</u>

- a. Total interest expense before capitalization amounted to NT\$50 million for the three-month period ended March 31, 2008.

Details of capitalized interest are as follows:

	For the three-month period ended March 31, 2008
Machinery and equipment	\$10,279
Other property, plant and equipment	3,018
Total interest capitalized	<u>\$13,297</u>
Interest rates applied	<u>0.68%~0.91%</u>

- b. Property, plant and equipment were not pledged.

(10) OTHER ASSETS — OTHERS

	As of March 31, 2008
Leased assets	\$1,191,301
Deposits-out	745,254
Others	192,723
Total	<u>\$2,129,278</u>

Please refer to Note 5 for deposits-out pledged as collateral.

(11) IMPAIRMENT

	For the three-month period ended March 31, 2008
Available for sale financial assets, noncurrent	\$23,655
Financial assets measured at cost, noncurrent	21,289
Total	<u>\$44,944</u>

(12) SHORT-TERM LOANS

	As of March 31, 2008
Unsecured bank loans	\$743,883
Interest rates	2.88%~3.51%

The Company's unused short-term lines of credits amounted to NT\$14,137 million as of March 31, 2008.

(13) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT

	As of March 31, 2008
Interest rate swaps	\$170,638

During the three-month period ended March 31, 2008, net gain arising from financial liabilities at fair value through profit or loss, current was NT\$141 million.

(14) BONDS PAYABLE

	As of March 31, 2008
Domestic unsecured bonds:	\$3,000,000
Issued in April 2001 and due on April 2008, 5.2170% ~ 5.2850% interest payable annually	
Issued in May ~ June 2003 and due on May ~ June 2008, 4.0% minus USD 12-Month LIBOR interest payable annually	7,500,000
Issued in May ~ June 2003 and due on May ~ June 2010, 4.3% minus USD 12-Month LIBOR interest payable annually	7,500,000
Discounts on convertible bonds	(4,515)
Subtotal	17,995,485
Less: Current portion	(10,499,910)
Net	\$7,495,575

- a. 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, each with a face value of NT\$7,500 million. The interest is paid annually with stated interest rates of 5.1195% through 5.1850% and 5.2170% through 5.2850%, respectively. The five-year bonds and seven-year bonds are repaid starting from 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%. On April 27, 2006, the five-year bonds were fully redeemed.

b. During the period from May 21 to June 24, 2003, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, each with a face value of NT\$7,500 million. The interest is paid annually with stated interest rates of 4.0% minus USD 12-Month LIBOR and 4.3% minus USD 12-Month LIBOR, respectively. Stated interest rates are reset annually based on the prevailing USD 12-Month LIBOR. The five-year bonds and seven-year bonds are repayable in 2008 and 2010, respectively, upon the maturity of the bonds.

c. On October 5, 2005, the Company issued zero coupon convertible bonds on the Luxembourg Stock Exchange. The terms and conditions of the bonds are as follows:

(a) Issue Amount: US\$381.4 million

(b) Period: October 5, 2005 ~ February 15, 2008 (Maturity date)

(c) Redemption:

- i. On or at any time after April 5, 2007, if the closing price of the ADSs listed on the NYSE has been at least 130% of either the conversion price or the last adjusted conversion price, for 20 out of 30 consecutive ADS trading days, the Company may redeem all, but not some only, of the bonds.
- ii. If at least 90% in principal amount of the bonds have already been redeemed, repurchased, cancelled or converted, the Company may redeem all, but not some only, of the bonds.
- iii. In the event that the Company's ADSs or shares have officially ceased to be listed or admitted for trading on the NYSE or the TSE, as the case may be, each bondholder shall have the right, at such bondholder's option, to require the Company to repurchase all, but not in part, of such bondholder's bonds at their principal amount.
- iv. In the event of certain changes in taxation in the R.O.C. resulting in the Company becoming required to pay additional amounts, the Company may redeem all, but not part, of the bonds at their principal amount; bondholders may elect not to have their bonds redeemed by the Company in such event, in which case the bondholders shall not be entitled to receive payments of such additional amounts.
- v. If a significant change of control occurs with respect to the Company, each bondholder shall have the right at such bondholder's option, to require the Company to repurchase all, but not in part, of such bondholder's bonds at their principal amount.
- vi. The Company will pay the principal amount of the bonds at its maturity date, February 15, 2008.

(d) Conversion:

- i Conversion Period: Except for the closed period, the bonds may be converted into the Company's ADSs on or after November 4, 2005 and on or prior to February 5, 2008.
- ii Conversion Price and Adjustment: The conversion price is US\$4.253 per ADS. The applicable conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(e) Redemption at maturity date

At the maturity date of February 15, 2008, the Company had redeemed the bonds at 100%.

d. Repayments of the above-mentioned bonds in the future years are as follows:

<u>Bonds repayable in</u>	<u>Amount</u>
2008(2 <sup>nd</sup> quarter and thereafter)	\$10,500,000
2009	-
2010	7,500,000
Total	<u><u>\$18,000,000</u></u>

(15) CAPITAL STOCK

- a. The Company had 26,000 million common shares authorized to be issued, and 13,214 million shares were issued as of March 31, 2008, each at a par value of NT\$10.
- b. The Company had issued a total of 1,098 million ADSs, which were traded on the NYSE as of March 31, 2008. The total number of common shares of the Company represented by all issued ADSs was 220 million shares as of March 31, 2008. One ADS represents five common shares.

(16) EMPLOYEE STOCK OPTIONS

On September 11, 2002, October 8, 2003, September 30, 2004, December 22, 2005, and October 9, 2007, the Company was approved by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan, to issue employee stock options with a total number of 1 billion, 150 million, 150 million, 350 million, and 500 million units, respectively. Each unit entitles an optionee to subscribe to 1 share of the Company's common stock. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company. The exercise price of the options was set at the closing price of the Company's common stock on the grant date. The contractual life is 6 years and an optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. Detailed information relevant to the employee stock options is disclosed as follows:

Date of grant	Total number of options granted (in thousands)	Total number of options outstanding (in thousands)	Exercisable number of options (Note)	Exercise price (NTD) (Note)
October 7, 2002	939,000	397,997	277,470	\$22.52
January 3, 2003	61,000	41,191	28,717	\$25.39
November 26, 2003	57,330	42,257	29,460	\$35.43
March 23, 2004	33,330	19,120	13,330	\$32.85
July 1, 2004	56,590	40,343	28,126	\$29.69
October 13, 2004	20,200	9,901	6,902	\$25.53
April 29, 2005	23,460	12,738	8,881	\$23.52
August 16, 2005	54,350	35,314	24,619	\$30.98
September 29, 2005	51,990	42,043	29,311	\$28.27
January 4, 2006	39,290	22,157	15,447	\$24.36
May 22, 2006	42,058	31,642	22,060	\$26.48
August 24, 2006	28,140	20,540	14,320	\$25.32
December 13, 2007	500,000	491,578	491,578	\$18.95
Total	1,906,738	1,206,821	990,221	

Note: The employee stock options granted prior to August 7, 2007, effective date of capital reduction, are adjusted in accordance with capital reduction rate. Each option unit entitles an optionee to subscribe for about 0.7 share of the Company's common stock. The exercise price of the options is also adjusted according to capital reduction rate. Each stock option unit granted after August 7, 2007 remains to be subscribed for 1 share of the Company's common stock.

A summary of the equity-settled share-based payment transactions, and related information for the three-month period ended March 31, 2008 is as follows:

(1)

	For the three-month period ended March 31, 2008		
	Option (in thousands)	Shares available to option holders (in thousands)	Weighted- average Exercise Price per share (NTD)
Outstanding at beginning of period	1,287,407	1,048,832	\$22.14
Granted	-	-	\$-
Exercised	-	-	\$-
Forfeited	(80,586)	(58,611)	\$22.40
Outstanding at end of period	<u>1,206,821</u>	<u>990,221</u>	\$22.13
Exercisable at end of period	<u>590,097</u>	<u>411,396</u>	\$24.46
Weighted-average fair value of options granted during the period		\$-	

(2) The information of the equity-settled share-based payment transactions as of March 31, 2008, is as follows:

Authorization Date	Range of Exercise Price	Outstanding Stock Options				Exercisable Stock Options		
		Option (in thousands)	Shares available to option holders (in thousands)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per share (NTD)	Option (in thousands)	Shares available to option holders (in thousands)	Weighted-average Exercise Price per share (NTD)
2002.09.11	\$22.52~\$25.39	439,188	306,187	0.54	\$22.79	438,944	306,017	\$22.79
2003.10.08	\$29.69~\$35.43	101,720	70,916	1.95	\$32.67	91,492	63,785	\$32.98
2004.09.30	\$23.52~\$30.98	99,996	69,713	3.30	\$28.35	49,694	34,645	\$28.41
2005.12.22	\$24.36~\$26.48	74,339	51,827	4.10	\$25.53	9,967	6,949	\$24.36
2007.10.09	\$18.95	491,578	491,578	5.70	\$18.95	-	-	\$-
		<u>1,206,821</u>	<u>990,221</u>	3.58	\$22.13	<u>590,097</u>	<u>411,396</u>	\$24.46

The Company used the intrinsic value method to recognize compensation costs for its employee stock options issued between January 1, 2004 and December 31, 2007. Effective January 1, 2008, the Company adopted ROC SFAS No. 39 “Accounting for Share-Based Payment,” which requires stock options to be recognized as compensation costs at fair value. Compensation costs for the three-month period ended March 31, 2008 was NT\$0.

The pro forma net income and earnings per share resulted from the adoption of using the fair value method on the options granted before the effective date of ROC SFAS No. 39 “Accounting for Share-Based Payment” are as follows:

	For the three-month period ended March 31, 2008	
	Basic earnings per share	Diluted earnings per share
Net Income	\$205,828	\$75,918
Earnings per share (NTD)	\$0.02	\$0.01
Pro forma net income	\$(36,441)	\$(166,351)
Pro forma earnings per share (NTD)	\$(0.003)	\$(0.01)

The fair value of the options granted was estimated at the grant date using the Black-Scholes options pricing model with the following weighted-average assumptions for the three-month period ended March 31, 2008.

	For the three-month period ended March 31, 2008
Expected dividend yields	1.37%~1.71%
Volatility factors of the expected market price	36.29%~49.10%
Risk-free interest rate	1.85%~2.85%
Weighted-average expected life of the options (year)	4~5

(17) TREASURY STOCK

- a. The Company bought back its own shares from the open market during the three-month period ended March 31, 2008. Details of the treasury stock transactions are as follows:

For the three-month period ended March 31, 2008

*(In thousands of shares)*

Purpose	As of January 1, 2008	Increase	Decrease	As of March 31, 2008
For transfer to employees	355,716	-	-	355,716
For conversion of the convertible bonds into shares	348,583	-	-	348,583
Total shares	704,299	-	-	704,299

- b. According to the Securities and Exchange Law of the R.O.C., the total shares of treasury stock shall not exceed 10% of UMC's issued stocks, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital – premiums, and realized additional paid-in capital. As such, the maximum number of shares of treasury stock that UMC could hold as of March 31, 2008, was 1,321 million shares, while the ceiling amount was NT\$79,465 million.
- c. In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends. Stock held by subsidiaries is treated as treasury stock. These subsidiaries have the same rights as other stockholders except for subscription to new stock issuance. Starting June 22, 2005, stocks held by subsidiaries no longer have voting rights according to the revised Companies Act.
- d. As of March 31, 2008, UMC's subsidiary, FORTUNE VENTURE CAPITAL CORP., held 15 million shares of UMC's stock, with a book value of NT\$ 18.70 per share. The closing price on March 31, 2008 was NT\$18.70.

(18) RETAINED EARNINGS AND DIVIDEND POLICIES

According to UMC's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order :

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as a legal reserve;
- d. Set aside 0.1% of the remaining amount after deducting items (a), (b), and (c) as directors' and supervisors' remuneration; and
- e. After deducting items (a), (b), and (c) above from the current year's earnings, no less than 5% of the remaining amount together with the prior years' unappropriated earnings is to be allocated as employees' bonus, which will be settled through issuance of new shares of UMC, or cash. Employees of UMC's subsidiaries, meeting certain requirements determined by the board of directors, are also eligible for the employees' bonus.

- f. The distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the shareholders' meeting.

The policy for dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the benefit of shareholders, share bonus equilibrium, and long-term financial planning. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 80% of the dividends to shareholders, if any, must be paid in the form of stock dividends. Accordingly, at least 20% of the dividends must be paid in the form of cash.

During the three-month period ended March 31, 2008, the amounts of the employee bonuses and remunerations to directors and supervisors were estimated at NT\$84 million and NT\$1 million, respectively. The board of directors estimated the amount by taking into consideration the Company's Articles of Incorporation, government regulations and industrial average. Estimated employee bonuses and remunerations to directors and supervisors were charged to current income. If the board modifies the estimates significantly in the subsequent periods during the year, the Company will recognize the change as an adjustment to current income in the period the modification is made. Moreover, if the amounts were modified by the shareholders' meeting of the following year, the adjustment will be regarded as a change of accounting estimate and will be reflected in the consolidated statement of income in the following year.

The appropriation of 2007 retained earnings has not yet been approved by the shareholder's meeting as of the reporting date. Information on the board of directors' recommendations and shareholders' approval can be obtained from the "Market Observation Post System" on the Taiwan Stock Exchange website.

The distribution of retained earnings for the year 2007 was recommended by the board of directors on March 17, 2008. Details of the distribution are as follows:

	2007 (as recommended by the board of directors)
Cash Dividend	\$0.75 per share
Stock Dividend	0.08 per share
Employees' bonuses – Cash Dividend (NTD thousands)	286,541
Employees' bonuses – Stock Dividend (NTD thousands)	1,146,166
Directors' and Supervisors' remunerations(NTD thousands)	11,939

Pursuant to Article 41 of the Securities and Exchange Law of the R.O.C., a special reserve is set aside from the current net income and prior unappropriated earnings with an amount equal to the amount of items that are accounted for as deductions to stockholders' equity, such as unrealized loss on long-term investment and cumulative translation adjustments. When the deductions to stockholders' equity are reversed, the set-aside special reserve can be distributed.

(19) EARNINGS PER SHARE

- a. The Company had both zero coupon convertible bonds and employee stock options outstanding during the three-month period ended March 31, 2008. Therefore, in consideration of such complex structure, the calculated basic and diluted earnings per share for the three-month period ended March 31, 2008, are disclosed as follows:

	For the three-month period ended March 31, 2008				
	Amount		Shares expressed in thousands	Earnings per share (NTD)	
	Income before income tax	Net income		Income before income tax	Net income
Earning per share-basic (NTD)					
Income available to common stock shareholders	\$315,771	\$205,828	12,494,810	<u>\$0.03</u>	<u>\$0.02</u>
Effect of dilutive equivalent shares					
Employee stock options	\$(173,214)	\$(129,910)	226,658		
Earning per share-diluted:					
Income available to common stock shareholders	\$142,557	\$75,918	12,721,468	<u>\$0.01</u>	<u>\$0.01</u>

The employee stock options were not dilutive when calculating the diluted earning per share for the three-month period ended March 31, 2008; therefore, they were not included in the diluted earning per share calculation.

#### 4. RELATED PARTY TRANSACTIONS

##### (1) Name and Relationship of Related Parties

<u>Name of related parties</u>	<u>Relationship with the Company</u>
UNITECH CAPITAL INC.	Equity Investee
MEGA MISSION LIMITED PARTNERSHIP	Equity Investee
MTIC HOLDINGS PTE. LTD.	Equity Investee
UNIMICRON HOLDING LIMITED	Equity Investee
HSUN CHIEH INVESTMENT CO., LTD.	Equity Investee
AMIC TECHNOLOGY CORP.	Equity Investee
PACIFIC VENTURE CAPITAL CO., LTD.	Equity Investee
XGI TECHNOLOGY INC.	Equity Investee
NEXPOWER TECHNOLOGY CORP.	Equity Investee
SILICON INTEGRATED SYSTEMS CORP. (SILICON)	The Company's director
UWAVE TECHNOLOGY CORP.	Subsidiary's equity investee
UCA TECHNOLOGY INC. (Liquidation finished on March 17, 2008)	Subsidiary's equity investee
SMEDIA TECHNOLOGY CORP.	Subsidiary's equity investee
CRYSTAL MEDIA INC.	Subsidiary's equity investee
MOBILE DEVICES INC.	Subsidiary's equity investee

##### (2) Significant Related Party Transactions

###### a. Operating revenues

	<u>For the three-month period ended March 31, 2008</u>	
	<u>Amount</u>	<u>Percentage</u>
SILICON	\$499,627	2
Others	195,257	1
Total	<u>\$694,884</u>	<u>3</u>

The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for overseas sales to related parties was net 60 days, while the terms for domestic sales were month-end 45~60 days. The collection period for third party overseas sales was net 30~60 days, while the terms for third party domestic sales were month-end 30~60 days.

###### b. Accounts receivable

	<u>As of March 31, 2008</u>	
	<u>Amount</u>	<u>Percentage</u>
SILICON	\$379,872	2
Others	123,968	1
Total	503,840	3
Less: Allowance for sales returns and discounts	(65,895)	-
Net	<u>\$437,945</u>	<u>3</u>

5. ASSETS PLEDGED AS COLLATERAL

As of March 31, 2008

	<u>Amount</u>	<u>Party to which asset(s) was pledged</u>	<u>Purpose of pledge</u>
Deposit-out (Time deposit)	<u>\$620,213</u>	Customs	Customs duty guarantee

6. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) The Company has entered into several patent license agreements and development contracts of intellectual property for a total contract amount of approximately NT\$8.5 billion. Royalties and development fees payable in future years are NT\$3.5 billion as of March 31, 2008.
- (2) The Company signed several construction contracts for the expansion of its factory space. As of March 31, 2008, these construction contracts have amounted to approximately NT\$3 billion and the unpaid portion of the contracts was approximately NT\$1 billion.
- (3) The Company entered into several operating lease contracts for land and office. These renewable operating leases will expire in various years through 2032 and are renewable. Future minimum lease payments under those leases are as follows:

<u>For the year ended December 31,</u>	<u>Amount</u>
2008 (2 <sup>nd</sup> quarter and thereafter)	\$222,210
2009	275,791
2010	261,720
2011	253,713
2012	243,441
2013 and thereafter	1,911,960
Total	<u>\$3,168,835</u>

- (4) On February 15, 2005, the Hsinchu District Prosecutor's Office conducted a search of the Company's facilities. On February 18, 2005, the Company's former Chairman Mr. Robert H.C. Tsao, released a public statement, explaining that its assistance to Hejian Technology Corp. (Hejian) did not involve any investment or technology transfer.

Furthermore, from the very beginning there was a verbal indication that, at the proper time, the Company would be compensated appropriately for its assistance, and circumstances permitting, at some time in the future, it will push through the merger between two companies. However, no promise was made by the Company and no written agreement was made and executed. Upon the Company's request to materialize the said verbal indication by compensating in the form of either cash or equity, the Chairman of the holding company of Hejian offered 15% of the approximately 700 million outstanding shares of the holding company of Hejian in return for the Company's past assistance and for continued assistance in the future.

Immediately after the Company had received such offer, it filed an application with the Investment Commission of the Ministry of Economic Affairs on March 18, 2005 (Ref. No. 94-Lian-Tung-Tzu-0222), for their executive guidance for the successful transfer of said shares to the Company. The shareholders meeting dated June 13, 2005 resolved that to the extent permitted by law the Company shall try to get the 15% of the outstanding shares offered by the holding company of Hejian as an asset of the Company. The holding company of Hejian offered 106 million shares of its outstanding common shares in return for the Company's assistance. The holding company of Hejian has put all such shares in escrow. The Company was informed of such escrow on August 4, 2006. The subscription price per share of the holding company of Hejian in the last offering was US\$1.1. Therefore, the total market value of the said shares is worth more than US\$110 million. However, the Company may not acquire the ownership of nor exercise the rights of the said shares with any potential stock dividend or cash dividend distributed in the future until the ROC laws and regulations allow the Company to acquire and exercise. In the event that any stock dividend or cash dividend is distributed, the Company's stake in the holding company of Hejian will accumulate accordingly.

In April 2005, the Company's former Chairman Mr. Robert H.C. Tsao was personally fined with in the aggregate amount of NT\$3 million by the Financial Supervisory Commission, Executive Yuan, R.O.C. (ROC FSC) for failure to disclose material information relating to Hejian in accordance with applicable rules. As a result of the imposition of the fines by the ROC FSC, the Company was also fined in the amount of NT\$30,000 by Taiwan Stock Exchange (TSE) for the alleged non-compliance with the disclosure rules in relation to the material information. The Company and its former Chairman Mr. Robert H.C. Tsao have filed for administrative appeal and reconsideration with the Executive Yuan, R.O.C. and TSE, respectively. Mr. Robert H.C. Tsao's administrative appeal was dismissed by the Execution Yuan, R.O.C. on February 21, 2006 and the ROC FSC transferred the case against Mr. Robert H.C. Tsao to the Administrative Enforcement Agency for enforcement of the fine. Mr. Robert H.C. Tsao has filed an administrative action against the ROC FSC with Taipei High Administrative Court on April 14, 2006. On December 27, 2007, the Administrative High Court revoked the decision and ruled in favor of Mr. Tsao.

For the Company's assistance to Hejian Technology Corp., the Company's former Chairman Mr. Robert H.C. Tsao, former Vice Chairman Mr. John Hsuan, and Mr. Duen-Chian Cheng, the General Manager of Fortune Venture Capital Corp., which is 99.99% owned by the Company, were indicted for violating the Business Entity Accounting Act and breach of trust under the Criminal Law by Hsinchu District Court's Prosecutor's Office on January 9, 2006. Mr. Robert H.C. Tsao and Mr. John Hsuan had officially resigned from their positions of the Company's Chairman, Vice Chairman and directors prior to the announcement of the prosecution; for this reason, at the time of the prosecution, Mr. Robert H.C. Tsao and Mr. John Hsuan no longer served as the Company's directors and had not executed their duties as the Company's Chairman and Vice Chairman.

In the future, if a guilty judgment is pronounced by the court, such consequences would be Mr. Robert H.C. Tsao, Mr. John Hsuan and Mr. Duen-Chian Cheng's personal concerns only; the Company would not be subject to indictment regarding this case. Mr. Robert H.C. Tsao, Mr. John Hsuan and Mr. Duen-Chian Cheng were pronounced innocent of the charge by Hsinchu District Court on October 26, 2007. On November 15, 2007, Taiwan's Hsinchu District Court Prosecutor's Office filed an appeal, which is currently under trial.

On February 15, 2006, the Company was fined in the amount of NT\$5 million for unauthorized investment activities in Mainland China, implicating violation of Article 35 of the Act "Governing Relations Between Peoples of the Taiwan Area and the Mainland Area" by the R.O.C. Ministry of Economic Affairs (MOEA). However, as the Company believes it was illegally and improperly fined, the Company had filed an administrative appeal against MOEA to the Executive Yuan on March 16, 2006. On October 19, 2006, Executive Yuan denied the administrative appeal filed by the Company. The Company had filed an administrative litigation case against MOEA on December 8, 2006. Taipei High Administrative Court announced and reversed MOEA's administrative sanction on July 19, 2007. MOEA filed an appeal against the Company on August 10, 2007.

7. SIGNIFICANT DISASTER LOSS

None.

8. SIGNIFICANT SUBSEQUENT EVENT

None.

9. OTHERS

(1) Financial risk management objectives and policies

The Company's principal financial instruments, other than derivatives, is comprised of cash and cash equivalents, common stock, preferred stock, convertible bonds, open-end funds, short-term loans, and bonds payable. The main purpose of these financial instruments is to manage financing for the Company's operations. The Company also holds various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The Company also enters into derivative transactions, including interest rate swaps and forward currency contracts. The purpose of these derivative transactions is to mitigate interest rate risk and foreign currency exchange risks arising from the Company's operations and financing activities.

The main risks arising from the Company's financial instruments include cash flow interest rate risk, foreign currency risk, commodity price risk, credit risk, and liquidity risk.

#### Cash flow interest rate risk

The Company utilizes interest rate swap agreements to avoid its cash flow interest rate risk on the counter-floating rate of its unsecured domestic bonds issued during the period from May 21 to June 24, 2003. The terms of the interest rate swap agreements are the same as those of the domestic bonds, which are five and seven years. The floating rate is reset annually.

#### Foreign currency risk

The Company has foreign currency risk arising from purchases or sales. The Company utilizes spot or forward contracts to avoid foreign currency risk. The notional amounts of the foreign currency contracts are the same as the amount of the hedged items. In principal, the Company does not carry out any forward contracts for uncertain commitments.

#### Commodity price risk

The Company's exposure to commodity price risk is minimal.

#### Credit risk

The Company trades only with established and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, which consequently minimizes the Company's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Company, which is comprised of cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Company's exposure to credit risk arising from the default of counter-parties is limited to the carrying amount of these instruments.

Although the Company trades only with established third parties, it will request collateral to be provided by third parties with less favorable financial positions.

#### Liquidity risk

The Company's objective is to maintain a balance of funding continuity and flexibility through the use of financial instruments such as cash and cash equivalents, short-term loans and bonds.

(2) Information of financial instruments

a. Fair value of financial instruments

Financial Assets	As of March 31, 2008	
	Book Value	Fair Value
<u>Non-derivative</u>		
Cash and cash equivalents	\$41,097,714	\$41,097,714
Financial assets at fair value through profit or loss, current	4,184,129	4,184,129
Notes and accounts receivable	14,035,903	14,035,903
Financial assets at fair value through profit or loss, noncurrent	48,834	48,834
Available-for-sale financial assets, noncurrent	42,227,377	42,227,377
Financial assets measured at cost, noncurrent	8,349,605	-
Long-term investments accounted for under the equity method	9,282,436	8,991,133
Deposits-out	745,254	745,254
<u>Derivative</u>		
Forward contract	\$115,358	\$115,358
<u>Financial Liability</u>		
<u>Non-derivative</u>		
Short-term loans	\$743,883	\$743,883
Payables	16,910,327	16,910,327
Bonds payable (current portion included)	17,995,485	17,503,005
<u>Derivative</u>		
Interest rate swaps	\$170,638	\$170,638

b. The methods and assumptions used to measure the fair value of financial instruments are as follows:

- i. The book values of short-term financial instruments approximate their fair value due to their short maturities. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable, current portion of capacity deposits, and payables.
- ii. The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets are based on the quoted market prices. If there are restrictions on the sale or transfer of an available-for-sale financial asset, the fair value of the asset will be determined based on similar but unrestricted financial assets quoted market price with appropriate discounts for the restrictions.

- iii. The fair value of long-term investments accounted for under equity method is based on the quoted market prices. If market prices are unavailable, the Company estimates the fair value based on the book values.
  - iv. The fair value of financial assets measured at cost is unable to be estimated since there is no active market in trading those unlisted investments.
  - v. The fair value of deposits-out is based on their book value since the deposit periods are principally within one year and renewed upon maturity.
  - vi. The fair value of bonds payable is determined by the market price.
  - vii. The fair value of derivative financial instruments is based on the amount the Company expects to receive (positive) or to pay (negative) assuming that the contracts are settled in advance at the balance sheet date.
- c. The fair value of the Company's financial instruments is determined by the quoted prices in active markets, or if the market for a financial instrument is not active, the Company establishes fair value by using a valuation technique:

	As of March 31, 2008	
	Active Market Quotation	Valuation Technique
<u>Non-derivative Financial Instruments</u>		
Financial assets		
Financial assets at fair value through profit or loss, current	\$4,184,129	\$-
Financial assets at fair value through profit or loss, noncurrent	48,834	-
Available-for-sale financial assets, noncurrent	40,981,922	1,245,455
Long-term investments accounted for under the equity method	-	8,991,133
Financial liabilities		
Short-term loans	-	743,883
Bonds payable (current portion included)	17,503,005	-
<u>Derivative Financial Instruments</u>		
Financial assets		
Forward contract	\$-	\$115,358
Financial liabilities		
Interest rate swaps	-	170,638

d. The Company recognized a net gain of NT\$813 million from financial liabilities at fair value through profit or loss for the three-month period ended March 31, 2008.

e. The Company's financial liabilities with cash flow interest rate risk exposure was NT\$171 million as of March 31, 2008.

f. During the three-month period ended March 31, 2008, total interest revenues for financial assets or liabilities that are not at fair value through profit or loss was NT\$184 million, while interest expense for the three-month period ended March 31, 2008 was NT\$50 million.

(3) The Company entered into interest rate swap and forward contracts for hedging the interest rate risk arising from the counter-floating rate of its domestic bonds and for hedging the exchange rate risk arising from the net assets or liabilities denominated in foreign currency. The Company entered into these derivative financial instruments in connection with its hedging strategy to reduce the market risk of the hedged items and these financial instruments were not held for trading purpose. The relevant information on the derivative financial instruments entered into by the Company is as follows:

a. The Company utilized interest rate swap agreements to hedge its interest rate risks on the counter-floating rate of its unsecured domestic bonds issued during the period from May 21 to June 24, 2003. The terms of the interest rate swap agreements are the same as those of the domestic bonds, which are five and seven years. The floating rate is reset annually. The details of interest rate swap agreements are summarized as follows:

As of March 31, 2008, the Company had the following interest rate swap agreements in effect:

<u>Notional Amount</u>	<u>Contract Period</u>	<u>Interest Rate Received</u>	<u>Interest Rate Paid</u>
NT\$7,500 million	May 21, 2003 to June 24, 2008	4.0% minus USD 12-Month LIBOR	1.52%
NT\$7,500 million	May 21, 2003 to June 24, 2010	4.3% minus USD 12-Month LIBOR	1.48%

b. The details of forward contracts entered into by the Company are summarized as follows:

As of March 31, 2008

<u>Type</u>	<u>Notional Amount</u>	<u>Contract Period</u>
Forward contracts	Sell US\$348 million	Feb 21, 2008 to May 6, 2008

c. Transaction risk

(a) Credit risk

There is no significant credit risk exposure with respect to the above transactions as the counter-parties are reputable financial institutions with good global standing.

(b) Liquidity and cash flow risk

The cash flow requirements on the interest rate swap agreements are limited to the net interest payables or receivables arising from the differences in the swap rates. The cash flow requirements on forward contracts are limited to the net difference between the forward and spot rates at the settlement date. Therefore, no significant cash flow risk is anticipated since the working capital is sufficient to meet the cash flow requirements.

(c) Market risk

Interest rate swap agreements and forward contracts are intended for hedging purposes. Gains or losses arising from the fluctuations in interest rates and exchange rates are likely to be offset against the gains or losses from the hedged items. As a result, no significant exposure to market risk is anticipated.

d. Presentation of derivative financial instruments on the financial statements

As of March 31, 2008, the Company's interest rate swap agreements were classified as current liabilities amounted to NT\$171 million. The related valuation gain of NT\$148 million was recorded under non-operating revenue for the three-month period ended March 31, 2008.

As of March 31, 2008, the forward contracts that were classified as current assets amounted to the NT\$115 million and the related valuation gain of NT\$665 million was recorded under non-operating revenue for the three-month period ended March 31, 2008.

(6) Significant intercompany transactions among consolidated entities for the three-month period ended March 31, 2008 are disclosed in Attachment 1.

(7) Details of subsidiaries that hold UMC's stock are as follows:

As of March 31, 2008

<u>Subsidiary</u>	<u>No. of Shares (in thousands)</u>	<u>Amount</u>	<u>Purpose</u>
FORTUNE VENTURE CAPITAL CORP.	15,386	\$287,725	Long-term investment

ATTACHMENT 1 (Significant intercompany transactions between consolidated entities)  
(Amount in thousand; Currency denomination in NTD unless otherwise specified)

For the three-month period ended March 31, 2008

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 4)
				Account	Amount	Terms (Note 3)	
0	UNITED MICROELECTRONICS CORPORATION	UMC GROUP (USA)	1	Sales	\$14,099,240	Net 60 days	56%
0	UNITED MICROELECTRONICS CORPORATION	UMC GROUP (USA)	1	Accounts receivable	6,772,020	-	2%
0	UNITED MICROELECTRONICS CORPORATION	UNITED MICROELECTRONICS (EUROPE) B.V.	1	Sales	2,739,063	Net 60 days	11%
0	UNITED MICROELECTRONICS CORPORATION	UNITED MICROELECTRONICS (EUROPE) B.V.	1	Accounts receivable	1,788,979	-	1%
0	UNITED MICROELECTRONICS CORPORATION	UMC JAPAN	1	Sales	441,389	Net 60 days	2%
0	UNITED MICROELECTRONICS CORPORATION	UMC JAPAN	1	Accounts receivable	254,554	-	-

Note 1: UMC and its subsidiaries are coded as follows:

1. UMC is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The sales price to the above related parties was determined through mutual agreement based on the market conditions.

Note 4: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.