

# **FINANCIAL REVIEW**

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**Brief Balance Sheets**

		In Thousand NTD			
	2001	2000	1999	1998	1997
Current assets	<b>77,251,780</b>	82,785,436	20,549,107	33,964,353	29,820,936
Funds and long-term investments	<b>77,051,045</b>	67,363,540	86,585,485	42,456,010	31,575,502
Property, plant and equipment	<b>155,211,838</b>	152,181,162	36,728,053	25,386,540	23,503,948
Intangible assets	<b>30,805</b>	—	—	12,403	20,958
Other assets	<b>7,839,477</b>	8,798,125	2,276,396	2,218,142	2,463,861
Total assets	<b>317,384,945</b>	311,128,263	146,139,041	104,037,448	87,385,205
Current liabilities					
Before distribution	<b>26,936,406</b>	35,853,347	17,190,521	8,384,035	8,818,905
After distribution	*	36,286,386	17,286,258	8,419,075	8,905,573
Long-term liabilities	<b>52,462,437</b>	34,357,021	9,147,685	18,765,061	11,461,861
Other liabilities	<b>4,520,403</b>	2,916,242	489,187	351,603	341,570
Total liabilities					
Before distribution	<b>83,919,246</b>	73,126,610	26,827,393	27,500,699	20,622,336
After distribution	*	73,559,649	26,923,130	27,535,739	20,709,004
Capital	<b>133,356,954</b>	114,714,519	66,549,966	55,418,013	41,344,647
Capital reserve	<b>82,115,682</b>	82,161,068	36,836,033	12,869,484	12,439,900
Retained earnings					
Before distribution	<b>34,152,379</b>	56,385,155	15,709,863	8,591,256	12,830,383
After distribution	*	37,309,681	5,777,965	5,533,967	4,204,732
Unrealized loss on long-term investments	<b>(9,920,139)</b>	(13,804,227)	(319,448)	(443,534)	—
Cumulative translation adjustment	<b>(160,470)</b>	24,202	535,234	101,530	147,939
Total equity					
Before distribution	<b>233,465,699</b>	238,001,653	119,311,648	76,536,749	66,762,869
After distribution	*	237,568,614	119,215,911	76,501,709	66,676,201

\* Subject to change following 2002 stockholders' meeting resolution.

**Brief Statements of Income**

	In Thousand NTD				
	2001	2000	1999	1998	1997
Operating revenues	<b>64,493,407</b>	105,084,720	29,147,056	18,431,602	25,088,995
Gross profit	<b>9,130,995</b>	53,601,521	9,831,988	4,099,729	7,556,340
Operating (loss) income	<b>(5,590,174)</b>	43,573,127	5,521,394	392,231	3,586,394
Non-operating income	<b>5,157,410</b>	10,495,729	7,253,604	6,245,264	7,867,379
Non-operating expenses	<b>5,919,983</b>	3,510,786	2,249,334	2,682,233	1,595,499
Income from continuing operations before income tax	<b>(6,352,747)</b>	50,558,070	10,525,664	3,955,262	9,858,274
Discontinued operations	—	—	—	—	—
Extraordinary item	—	—	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—	—
Net (loss) income	<b>(3,157,302)</b>	50,780,378	10,497,892	4,407,021	9,739,552
Earnings (loss) per share (NT\$)	<b>(0.24)</b>	3.93	1.14	0.50	1.16

**Note** The EPS calculation of 1997 - 2000 were based on the retroactive adjustment for capitalization of unappropriated earnings and bonus to employees; and the EPS calculation of 2001 is based on weighted average shares outstanding for the period.

**Auditors' Opinion**

Year	CPA	Auditors' opinion
1997	Albert Hsueh, James Tsai	An unqualified opinion
1998	Albert Hsueh, James Tsai	An unqualified opinion
1999	Albert Hsueh, James Tsai	An unqualified opinion
2000	James Wang, Thomas Yue	An unqualified opinion
<b>2001</b>	<b>James Wang, Thomas Yue</b>	<b>An unqualified opinion</b>

## Financial Analysis

	2001	2000	1999	1998	1997
Capital structure analysis (%)					
Debts ratio	<b>26.45</b>	23.50	18.36	26.43	23.60
Long-term funds to fixed assets	<b>184.22</b>	178.97	349.76	375.40	332.82
Liquidity analysis (%)					
Current ratio	<b>286.79</b>	230.90	119.54	405.11	338.15
Quick ratio	<b>250.66</b>	198.99	105.10	365.74	305.98
Interest guarantee (times)	<b>(1.46)</b>	16.76	9.51	3.03	11.36
Operating performance analysis					
Average collection turnover (times)	<b>5.56</b>	7.70	6.93	4.81	6.46
Average collection days	<b>66.00</b>	47.40	52.67	76.00	57.00
Average inventory turnover (times)	<b>7.31</b>	7.05	6.17	4.51	4.89
Average payable turnover (times)	<b>13.43</b>	12.47	7.33	5.91	6.56
Average inventory turnover days	<b>50.00</b>	51.77	59.17	80.93	75.00
Fixed assets turnover (times)	<b>0.42</b>	0.84	0.94	0.75	1.10
Total assets turnover (times)	<b>0.21</b>	0.39	0.23	0.19	0.33
Return on investment analysis (%)					
Return on total assets	<b>(0.41)</b>	19.52	9.18	6.33	13.87
Return on equity	<b>(1.34)</b>	25.48	10.72	6.15	17.20
Operating income to capital	<b>(4.19)</b>	37.98	8.30	0.71	8.67
Income before tax to capital	<b>(4.76)</b>	44.07	15.82	7.14	23.84
Net income to sales	<b>(4.88)</b>	48.32	36.02	23.91	38.82
Simple earnings per share (NT\$)	<b>(0.24)</b>	3.93	1.14	0.50	1.16
Cash flow (%)					
Cash flow ratio	<b>145.82</b>	186.60	59.22	91.22	114.98
Cash flow adequacy ratio	<b>90.34</b>	85.99	97.94	118.22	119.20
Cash flow reinvestment ratio	<b>10.37</b>	20.16	6.87	6.87	11.23
Degree					
Degree of operating leverage	<b>(9.52)</b>	1.88	3.52	24.55	7.00
Degree of financial leverage	<b>0.69</b>	1.06	1.22	(0.31)	1.36

**Note 1.** The beginning figures of 2000 are based on the pro forma consolidated balance sheet as of the merger date on January 3rd, 2000.

**Note 2.** The EPS calculations of 1997 - 2000 were based on the retroactive adjustment for capitalization of unappropriated earnings and bonus to employees; and the EPS calculation of 2001 is based on weighted average shares outstanding for the period.

## Financial Forecasts and Results

In Thousand NTD

	2001 Forecast (reviewed)		2001 Actual (audited)	
	Original	Updated	Achievement	Achievement %
Net operating revenues	85,018,598	63,546,101	64,493,407	101%
Operating costs	(60,679,530)	(55,515,029)	(55,869,710)	101%
Gross profit	24,339,068	8,031,072	8,623,697	107%
Realized (unrealized) intercompany profit	197,254	459,949	507,298	110%
Realized gross profit	24,536,322	8,491,021	9,130,995	108%
Operating expenses	(13,205,705)	(13,794,404)	(14,721,169)	107%
Operating income (loss)	11,330,617	(5,303,383)	(5,590,174)	95%
Non-operating income	5,847,959	4,900,213	5,157,410	105%
Non-operating expenses	(3,840,101)	(5,999,892)	(5,919,983)	99%
Income (loss) before income tax	13,338,475	(6,403,062)	(6,352,747)	101%
Net income (loss)	13,330,968	(3,207,525)	(3,157,302)	102%

Note Date of forecast update: Oct. 6th, 2001

### Reasons for the forecast update:

Due to the decline in the semiconductor business, sales unit price and quantities were readjusted. Investment income was also expected to decrease. These factors prevent us from achieving our original forecast.

	2000 Forecast (reviewed)		2000 Actual (audited)	
	Original	Updated	Achievement	Achievement %
Net operating revenues	88,028,920	105,506,683	105,084,720	100%
Operating costs	(52,116,342)	(52,355,419)	(51,337,139)	98%
Gross profit	35,912,578	53,151,264	53,747,581	101%
Realized (unrealized) intercompany profit	0	(478,046)	(146,060)	31%
Realized gross profit	35,912,578	52,673,218	53,601,521	102%
Operating expenses	(9,679,041)	(9,513,048)	(10,028,394)	105%
Operating income	26,233,537	43,160,170	43,573,127	101%
Non-operating income	6,557,796	9,541,612	10,495,729	110%
Non-operating expenses	(2,653,326)	(2,907,156)	(3,510,786)	121%
Income before income tax	30,138,007	49,794,626	50,558,070	102%
Net income	30,036,472	50,028,972	50,780,378	102%

Note Date of forecast update: Oct. 22nd, 2000

### Reasons for the forecast update:

(a) The semiconductor market boom led to an increase in the sales unit price and quantities. (b) Higher investment income was realized from equity investees. (c) Exchange gain from exchange rate fluctuations brought a higher income than the original forecast; original financial forecast was no longer applicable.

## Review and Analysis of Financial Status and Operating Results

### Liquidity Analysis

	December 31, 2001	December 31, 2000	Change %
Cash flow ratio (%)	<b>145.82</b>	186.60	(22)
Cash flow adequacy ratio (%)	<b>90.34</b>	85.99	5
Cash flow reinvestment ratio (%)	<b>10.37</b>	20.16	(49)

### Analysis of Operating Results

	2001	2000	Change Amount	In Thousand NTD Change %
Sales revenues	<b>62,463,287</b>	103,492,357	(41,029,070)	(40)
Sales returns and allowances	<b>(954,254)</b>	(2,018,130)	1,063,876	(53)
Net sales	<b>61,509,033</b>	101,474,227	(39,965,194)	(39)
Other operating revenues	<b>2,984,374</b>	3,610,493	(626,119)	(17)
Net operating revenues	<b>64,493,407</b>	105,084,720	(40,591,313)	(39)
Operating costs	<b>(55,869,710)</b>	(51,337,139)	(4,532,571)	9
Gross profit	<b>8,623,697</b>	53,747,581	(45,123,884)	(84)
Realized (unrealized) intercompany profit	<b>507,298</b>	(146,060)	653,358	447
Realized gross profit	<b>9,130,995</b>	53,601,521	(44,470,526)	(83)
Operating expenses	<b>(14,721,169)</b>	(10,028,394)	(4,692,775)	47
Operating (loss) income	<b>(5,590,174)</b>	43,573,127	(49,163,301)	(113)
Non-operating income	<b>5,157,410</b>	10,495,729	(5,338,319)	(51)
Non-operating expenses	<b>(5,919,983)</b>	(3,510,786)	(2,409,197)	69
Loss (income) before income tax	<b>(6,352,747)</b>	50,558,070	(56,910,817)	(113)
Income tax benefit	<b>3,195,445</b>	222,308	2,973,137	1337
Net (loss) income	<b>(3,157,302)</b>	50,780,378	(53,937,680)	(106)

### Impact on UMC's Financial Status if UMC and Its Affiliated Enterprises were to Face Financial Difficulty

N/A

## Supervisors' Report

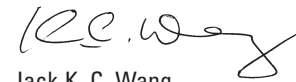
The Board of Directors has prepared and submitted to us the Company's 2001 financial statements. These statements have been audited by Diwan, Ernst & Young. The financial statements present fairly the financial position of the Company and the results of its operations and the cash flows. We, as the Supervisors of the Company, have reviewed these statements, report of operations and the proposals relating to distribution of net profit. According to article 219 of the Company Law, we hereby submit this report.

United Microelectronics Corporation

Supervisors:

  
Tzyy-Jang Tseng

  
Mao-Chung Lin

  
Jack K. C. Wang

March 14th, 2002

## Report of Independent Auditors

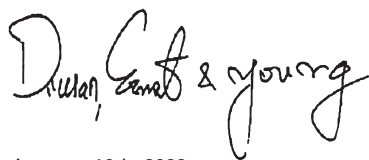
(English Translation of a Report Originally Issued in Chinese)

### To the Board of Directors and Stockholders of United Microelectronics Corporation

We have audited the accompanying balance sheets of United Microelectronics Corporation as of December 31, 2001 and 2000, and the related 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. As described in Note 4(6) to the 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\$(1,331) million and NT\$ 2,765 million for the years ended December 31, 2001 and 2000, respectively, and the related long-term investment balances of NT\$7,156 million and NT\$16,342 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of United Microelectronics Corporation as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the Republic of China.



January 18th, 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.

## Balance Sheets

December 31, 2001 and 2000

In Thousand NTD

Assets	Notes	2001	2000
<b>Current Assets</b>			
Cash and cash equivalents	2, 4(1)	\$ 58,517,186	\$ 54,107,647
Marketable securities	2, 4(2)	1,086,434	—
Notes receivable	4(3)	113,681	288,067
Notes receivable - related parties	5	102,011	189,545
Accounts receivable	2, 4(4)	2,848,724	5,028,330
Accounts receivable - related parties	2, 5	4,176,719	10,438,893
Other receivables	2	640,529	1,180,612
Other receivables - related parties	2	34,373	111,144
Inventories	2, 4(5)	5,190,134	10,090,495
Prepaid expenses		737,374	472,416
Deferred income tax assets - current	2, 4(16)	3,804,615	878,287
Subtotal		77,251,780	82,785,436
<b>Funds and Long-term Investments</b>			
Long-term investments	2, 3, 4(6)	77,051,045	68,850,277
Prepaid long-term investments		—	27,560
Allowance for market decline in long-term investment		—	(1,514,297)
Subtotal		77,051,045	67,363,540
<b>Property, Plant and Equipment</b>			
Land	2, 4(7), 5, 6, 7, 9	1,692,677	1,630,239
Buildings		11,750,573	9,419,843
Machinery and equipment		199,390,426	176,617,330
Transportation equipment		50,855	58,150
Furniture and fixtures		1,325,953	1,018,248
Leasehold improvements		53,005	53,096
Total Cost		214,263,489	188,796,906
Less: Accumulated depreciation		(88,240,091)	(56,588,857)
Plus: Construction in progress and prepayments		29,188,440	19,973,113
Net		155,211,838	152,181,162
<b>Intangible Assets</b>			
Patents	2	30,805	—
Subtotal		30,805	—
<b>Other Assets</b>			
Leased assets	2	149,734	212,911
Idle assets		29,976	24
Deposits out		525,017	248,972
Deferred charges	2	2,426,275	1,847,974
Deferred income tax assets - noncurrent	2, 4(16)	4,210,532	3,723,519
Restricted deposits	6	—	2,660,800
Others		497,943	103,925
Subtotal		7,839,477	8,798,125
<b>Total Assets</b>		<b>\$ 317,384,945</b>	<b>\$ 311,128,263</b>

Continued on next page

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

**Balance Sheets (Continued)**

December 31, 2001 and 2000

In Thousand NTD

<b>Liabilities and Stockholders' Equity</b>	Notes	2001	2000
<b>Current Liabilities</b>			
Short-term loans	4(8)	\$ —	\$ 3,489,325
Accounts payable		<b>2,316,518</b>	5,380,827
Accounts payable - related parties	5	<b>253,311</b>	370,034
Income tax payable	2	<b>63,281</b>	248,485
Accrued expenses		<b>5,181,602</b>	4,153,019
Other payables		<b>9,893,511</b>	11,269,188
Current portion of long-term debts	4(9), 4(10), 5	<b>7,002,725</b>	8,790,741
Other current liabilities	2	<b>2,225,458</b>	2,151,728
Subtotal		<b>26,936,406</b>	35,853,347
<b>Long-term Liabilities</b>			
Bonds payable	2, 4(9)	<b>38,450,511</b>	3,990,000
Long-term loans	4(10), 5	<b>14,011,926</b>	30,367,021
Subtotal		<b>52,462,437</b>	34,357,021
<b>Other Liabilities</b>			
Accrued pension liabilities	2, 4(11)	<b>1,508,963</b>	1,038,164
Capacity deposits and other deposits	7	<b>1,279,551</b>	1,828,342
Others		<b>1,731,889</b>	49,736
Subtotal		<b>4,520,403</b>	2,916,242
<b>Total Liabilities</b>		<b>83,919,246</b>	73,126,610
<b>Stockholders' Equity</b>			
Capital	4(12)		
Common stock		<b>133,356,954</b>	114,714,519
Capital reserve			
Premiums		<b>41,729,589</b>	41,582,503
Gain on disposal of property, plant and equipment		<b>170,473</b>	170,473
Change in equities of long-term investments		<b>23,063,166</b>	23,255,638
Excess from merger		<b>17,152,454</b>	17,152,454
Retained earnings	4(14)		
Legal reserve		<b>10,686,225</b>	5,625,234
Special reserve		<b>2,242,284</b>	—
Unappropriated earnings		<b>21,223,870</b>	50,759,921
Unrealized loss on long-term investments	2, 4(6)	<b>(9,920,139)</b>	(13,804,227)
Cumulative translation adjustment	2, 4(6)	<b>(160,470)</b>	24,202
Treasury stock	2, 4(13)	<b>(6,078,707)</b>	(1,479,064)
<b>Total Stockholders' Equity</b>		<b>233,465,699</b>	238,001,653
<b>Total Liabilities and Stockholders' Equity</b>		<b>\$ 317,384,945</b>	\$ 311,128,263

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

## Statements of Income

For the years ended December 31, 2001 and 2000

In Thousand NTD, except for earnings per share

	Notes	2001	2000
<b>Operating Revenues</b>			
Sales revenues	2, 5	\$ 62,463,287	\$ 103,492,357
Less: Sales returns and allowances		(954,254)	(2,018,130)
Net Sales		61,509,033	101,474,227
Other operating revenues		2,984,374	3,610,493
Net Operating Revenues		64,493,407	105,084,720
<b>Operating Costs</b>			
Cost of goods sold	5	(53,642,740)	(48,987,514)
Other operating costs		(2,226,970)	(2,349,625)
Operating Costs		(55,869,710)	(51,337,139)
<b>Gross Profit</b>			
Unrealized Intercompany Profit	2	(71,419)	(164,123)
Realized Intercompany Profit	2	578,717	18,063
Net		9,130,995	53,601,521
<b>Operating Expenses</b>			
Selling expenses		(1,705,073)	(781,576)
General and administrative expenses		(4,435,321)	(3,292,856)
Research and development expenses		(8,580,775)	(5,953,962)
Subtotal		(14,721,169)	(10,028,394)
<b>Operating (Loss) Income</b>			
		(5,590,174)	43,573,127
<b>Non-operating Income</b>			
Interest revenue		2,223,825	1,817,382
Investment income	2, 4(6)	—	5,024,119
Gain on disposal of property, plant and equipment	2, 5	59,401	236,964
Gain on disposal of investments	5	2,235,378	174,908
Exchange gain	2	438,105	2,835,809
Lease income		96,525	115,246
Other income		104,176	291,301
Subtotal		5,157,410	10,495,729
<b>Non-operating Expenses</b>			
Interest expense	4(7), 5	(2,488,239)	(2,343,013)
Investment loss	2, 4(6)	(1,730,447)	—
Loss on disposal of property, plant and equipment	2	(101,119)	(238,292)
Inventory loss	2	(1,322,072)	(610,327)
Banking charges		(219,956)	(224,863)
Depreciation and loss on idle assets		(28,160)	(61,797)
Other losses		(29,990)	(32,494)
Subtotal		(5,919,983)	(3,510,786)
(Loss) Income Before Income Taxes		(6,352,747)	50,558,070
Income Tax Benefit	2, 4(16)	3,195,445	222,308
<b>Net (Loss) Income</b>			
		\$ (3,157,302)	\$ 50,780,378
<b>Earnings Per Share</b>			
Net (Loss) Income (in New Taiwan Dollars)	2, 4(15)	\$ (0.24)	\$ 3.93

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

## Statements of Changes in Stockholders' Equity

For the years ended December 31, 2001 and 2000

In Thousand NTD

	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappro- riated Earnings	Unrealized Loss on Long-term Investments	Cumulative Translation Adjustment	Treasury Stock	Total
<b>Balance as of January 1, 2000</b>	\$ 66,549,966	\$ 36,836,033	\$ 4,579,516	\$ —	\$ 11,130,347	\$ (319,448)	\$ 535,234	\$ —	<b>\$ 119,311,648</b>
New shares issued due to merger on January 3, 2000	23,836,503	17,152,454	—	—	—	—	(1,083)	—	<b>40,987,874</b>
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)	—	—	—	<b>(95,737)</b>
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)	<b>(1,479,064)</b>
Net income for 2000	—	—	—	—	50,780,378	—	—	—	<b>50,780,378</b>
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	—	—	—	—	—	—	<b>3,429,132</b>
Adjustment arising from changes in ownership percentage in investees	—	547,377	—	—	—	—	—	—	<b>547,377</b>
Unrealized loss on long-term investments	—	—	—	—	—	(1,194,849)	—	—	<b>(1,194,849)</b>
Unrealized loss on long-term investments of investees	—	—	—	—	—	(12,289,930)	—	—	<b>(12,289,930)</b>
Shares issued for American Depository Shares	4,500,000	34,014,773	—	—	—	—	—	—	<b>38,514,773</b>
Cumulative translation adjustment	—	—	—	—	—	—	(509,949)	—	<b>(509,949)</b>
<b>Balance as of December 31, 2000</b>	<b>\$ 114,714,519</b>	<b>\$ 82,161,068</b>	<b>\$ 5,625,234</b>	<b>\$ —</b>	<b>\$ 50,759,921</b>	<b>\$ (13,804,227)</b>	<b>\$ 24,202</b>	<b>\$ (1,479,064)</b>	<b>\$ 238,001,653</b>
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)	—	—	—	<b>(433,039)</b>
Capitalization of employees' bonus	1,491,395	—	—	—	(1,491,395)	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(4,599,643)	<b>(4,599,643)</b>
Net loss for 2001	—	—	—	—	(3,157,302)	—	—	—	<b>(3,157,302)</b>
Adjustment arising from changes in ownership percentage in investees	—	(192,472)	—	—	—	—	—	—	<b>(192,472)</b>
Unrealized loss on long-term investments	—	—	—	—	—	1,514,297	—	—	<b>1,514,297</b>
Unrealized loss on long-term investments of investees	—	—	—	—	—	2,369,791	—	—	<b>2,369,791</b>
Issuance cost adjustment for American Depository Shares	—	147,086	—	—	—	—	—	—	<b>147,086</b>
Cumulative translation adjustment	—	—	—	—	—	—	(184,672)	—	<b>(184,672)</b>
<b>Balance as of December 31, 2001</b>	<b>\$ 133,356,954</b>	<b>\$ 82,115,682</b>	<b>\$ 10,686,225</b>	<b>\$ 2,242,284</b>	<b>\$ 21,223,870</b>	<b>\$ (9,920,139)</b>	<b>\$ (160,470)</b>	<b>\$ (6,078,707)</b>	<b>\$ 233,465,699</b>

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

## Statements of Cash Flows

For the years ended December 31, 2001 and 2000

In Thousand NTD

	2001	2000
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (3,157,302)	\$ 50,780,378
Adjustments to reconcile net (loss) income to cash and cash equivalents:		
Depreciation	31,998,131	22,856,468
Amortization	2,292,771	1,660,705
(Reversal) provision for bad debts expense	(97,609)	43,409
Provision for inventory loss	1,322,072	610,327
Long-term investment (loss) income accounted for under the equity method	1,461,275	(5,343,140)
Cash dividends received under the equity method	221,376	18,900
Loss on decline in market value of long-term investments	420,242	368,684
Gain on disposal of investments	(2,235,378)	(174,908)
Loss on disposal of property, plant and equipment	41,718	1,328
Depreciation and loss on idle assets	28,160	61,797
Interest saving on bonds payable transferred to capital reserve	—	74,313
Changes in assets and liabilities:		
Notes receivable	261,920	199,444
Accounts receivable	8,539,389	(4,835,332)
Other receivables	616,854	(374,295)
Inventories	3,578,289	(6,223,526)
Prepaid expenses	(409,478)	(302,327)
Deferred income tax assets	(3,413,341)	270,799
Accounts payable	(3,181,032)	2,128,268
Income tax payable	(185,204)	(59,395)
Other liabilities	—	(30,063)
Accrued expenses	1,175,669	1,615,605
Other current liabilities	(712,324)	68,546
Compensation interest payable	4,415	(11,494)
Capacity deposit	236,902	3,083,578
Accrued pension liabilities	470,799	433,914
Net cash provided by operating activities	<b>39,278,314</b>	<b>66,921,983</b>
<b>Cash flows from investing activities:</b>		
Marketable securities	(1,060,106)	1,289,615
Acquisition of long-term investments	(7,353,051)	(8,234,109)
Proceeds from disposal of long-term investments	3,002,713	737,849
Acquisition of property, plant and equipment	(37,609,128)	(76,594,203)
Proceeds from disposal of property, plant and equipment	392,789	1,297,568
Withdrawal of prepayments for long-term investments	—	1,000,000
Increase in deferred charges	(2,373,213)	(2,665,544)
Decrease (increase) in restricted deposits	2,660,800	(2,660,800)
Increase in intangible assets	(35,773)	—
Increase in other assets	(285,145)	(56,295)
Cash proceeds from merger	—	26,702,025
Net cash used in investing activities	<b>(42,660,114)</b>	<b>(59,183,894)</b>

Continued on next page

## Statements of Cash Flows (Continued)

For the years ended December 31, 2001 and 2000

In Thousand NTD

	2001	2000
<b>Cash flows from financing activities:</b>		
Decrease in short-term loans, net	\$ (3,489,325)	\$ (7,176,850)
Proceeds from long-term loans	—	8,247,011
Repayment for long-term loans	(19,283,111)	(6,681,765)
Proceeds from bonds issued	35,596,096	3,990,000
Proceeds from issuance of American Depositary Shares	—	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)
Net cash provided by financing activities	7,791,339	35,285,957
Net increase in cash and cash equivalents	4,409,539	43,024,046
Cash and cash equivalents at the beginning of the year	54,107,647	11,083,601
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 58,517,186</b>	<b>\$ 54,107,647</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest (excluding interest capitalized)	\$ 2,111,416	\$ 2,135,064
Cash paid for income tax	\$ 482,815	\$ 58,569
<b>Investing activities partially paid by cash:</b>		
Acquisition of property, plant and equipment	\$ 36,233,451	\$ 79,637,010
Add: Payable at the beginning of the year	11,269,188	4,178,066
Add: Increase in payable from merger	—	4,048,315
Less: Payable at the end of the year	(9,893,511)	(11,269,188)
Cash paid for acquiring property, plant and equipment	\$ 37,609,128	\$ 76,594,203
<b>Cash proceeds from merger:</b>		
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)
Cash proceeds from merger	\$ —	\$ 26,702,025
<b>Financing activities not affecting cash flows:</b>		
Conversion of convertible bonds issued	\$ —	\$ 2,896,492

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

## Notes to Financial Statements

December 31, 2001 and 2000

### 1. History and Organization

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 financial statements).

### 2. Summary of Significant Accounting Policies

#### 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.

#### 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 - 20 to 55 years; leasehold improvements - the lease period, or economic service lives, whichever is shorter; others - 5 years.

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.

#### **Deferred Charges**

Deferred charges are stated at cost and amortized on a straight-line basis as follows: intellectual property - the contract period or economic services lives, whichever is shorter; software - 3 years; and bonds 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 and recorded as expense 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.

**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 Change

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

As of December 31	2001	In Thousand NTD 2000
Cash:		
Cash on hand	\$ 1,590	\$ 2,269
Checking and savings accounts	9,246,309	2,918,926
Certificates of deposit	39,407,278	42,546,681
Subtotal	48,655,177	45,467,876
Cash equivalents:		
Commercial paper	592,644	3,223,898
Repurchase obligations	9,269,365	5,415,873
Subtotal	9,862,009	8,639,771
Total	\$ 58,517,186	\$ 54,107,647

### (2) Marketable Securities

As of December 31	2001	In Thousand NTD 2000
Mutual funds	\$ 1,003,900	\$ —
Listed equity securities	42,634	—
Convertible bond	39,900	—
Net	\$ 1,086,434	\$ —

### (3) Notes Receivable

As of December 31	2001	In Thousand NTD 2000
Notes receivable	\$ 113,681	\$ 288,067
Less: Allowance for doubtful accounts	—	—
Net	\$ 113,681	\$ 288,067

### (4) Accounts Receivable

As of December 31	2001	In Thousand NTD 2000
Accounts receivable	\$ 3,052,997	\$ 5,927,637
Less: Allowance for sales returns and discounts	(157,205)	(753,286)
Less: Allowance for doubtful accounts	(47,068)	(146,021)
Net	\$ 2,848,724	\$ 5,028,330

**(5) Inventories**

As of December 31

In Thousand NTD

	2001	2000
Raw materials	<b>\$ 209,479</b>	\$ 386,513
Supplies and spare parts	<b>1,136,274</b>	1,354,151
Work in process	<b>3,463,727</b>	6,263,190
Finished goods	<b>1,040,138</b>	2,722,847
Subtotal	<b>5,849,618</b>	10,726,701
Less: Allowance for loss on decline in market value and obsolescence	<b>(659,484)</b>	(636,206)
Net	<b>\$ 5,190,134</b>	\$ 10,090,495

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:

As of December 31

In Thousand NTD

Invested Company	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
<b>Investments accounted for under the equity method:</b>				
UMC Group (USA)	100.00	\$ 593,171	100.00	\$ 718,271
United Foundry Service, Inc.	100.00	78,226	100.00	67,432
UMC Capital Corporation	100.00	338,228	—	—
Fortune Venture Capital Corporation	99.99	3,413,388	99.99	3,766,868
Hsun Chieh Investment Corporation	99.97	31,062,635	99.97	28,611,676
Pacific Venture Capital Co., Ltd.	49.99	351,420	49.99	353,158
UMCi Pte. Ltd.	49.82	7,167,916	—	—
UMC Japan	47.10	7,149,137	47.10	6,960,008
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	—
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
Novatek Microelectronics Corp.	26.82	1,019,532	29.80	861,690
Unimicron Technology Corp.	24.20	2,850,322	38.97	2,596,312
Faraday Technology Corp.	20.45	435,458	21.43	346,998
Integrated Telecom Express, Inc.	16.39	634,606	16.39	826,184
AMIC Technology (Taiwan), Inc.	13.62	37,120	14.06	126,066
MediaTek Incorporation	—	—	18.98	1,246,785
United MicroMachining Corp.	—	—	60.91	26,399
Unipac Optoelectronics Corp.	—	—	38.71	7,774,055
Subtotal		<u>59,054,894</u>		<u>59,766,207</u>

Continued on next page

**(6) Long-Term Investments (Continued)**

As of December 31

In Thousand NTD

Invested Company	2001		2000	
	Percentage of Ownership	Amount	Percentage of Ownership	Amount
<b>Investments accounted for under the cost method or the lower of cost or market value method:</b>				
Pacific United Technology, L.P.	25.00	34,600	—	—
AU Optronics Corporation	18.86	8,317,535	—	—
PixTech, Inc.	17.63	561,080	18.10	561,080
MediaTek Incorporation	15.17	1,339,839	—	—
Sino-Aerospace Investment Corp.	11.11	25,748	11.11	86,588
National Venture Capital Corp.	11.09	60,000	11.09	60,000
Pacific Technology Partners, L.P.	9.85	104,755	11.00	51,353
Aptos Corp.	9.68	23,087	—	—
United Technology Co., Ltd.	8.52	146,250	11.25	146,250
TECO Information Systems Co., Ltd.	8.05	145,654	8.05	500,880
Subtron Technology Co., Ltd.	7.41	240,000	7.41	240,000
Industrial Bank of Taiwan	5.00	1,150,000	5.00	1,150,000
TECO Electric & Machinery Co., Ltd.	3.94	1,535,895	3.96	1,535,895
Vialta, Inc.	3.10	622,835	7.82	622,835
Chiao Tung Bank	3.07	3,108,656	3.07	3,108,656
SAMPO Corporation	2.95	443,598	2.96	443,598
Tonbu, Inc.	2.93	243,750	3.43	243,750
Premier Camera Taiwan Ltd.	0.70	27,964	0.72	27,964
Stark Technology Inc.	0.19	1,824	1.16	10,552
Dyna Image Corp.	—	—	1.67	28,663
National Securities Corporation	—	—	1.26	239,316
Lexar Media, Inc.	—	—	0.17	2,488
Subtotal		<b>18,133,070</b>		<b>9,059,868</b>
Prepaid long-term investment		—		27,560
Subtotal		<b>77,187,964</b>		<b>68,853,635</b>
Cumulative translation adjustment		(136,919)		24,202
Allowance for loss on decline in market value		—		(1,514,297)
Total		<b>\$ 77,051,045</b>		<b>\$ 67,363,540</b>

b. Investment loss or income accounted for under the equity method, which was based on the audited financial statements of the investees, were NT\$(1,446) million and NT\$5,343 million for the years ended December 31, 2001 and 2000, respectively. Investment loss or income amounting to NT\$(1,331) million and NT\$2,765 million for the years ended December 31, 2001 and 2000, respectively and the related long-term investment balances of NT\$7,156 million and NT\$16,342 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 have 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. The long-term equity investments were not pledged.

### (7) Property, Plant and Equipment

a. Total interest expense before capitalization amounted to NT\$2,651 million and NT\$3,156 million for the years ended December 31, 2001 and 2000, respectively.

b. Details of capitalized interest are as follows:

For the year ended December 31	2001	In Thousand NTD 2000
Machinery and equipment	<b>\$ 161,220</b>	\$ 807,653
Other property, plant and equipment	<b>1,150</b>	5,757
Total interest capitalized	<b>\$ 162,370</b>	\$ 813,410
Interest rates applied	<b>4.08% - 7.25%</b>	5.08% - 7.15%

c. The insurance coverage for property, plant and equipment amounted to NT\$241,706 million and NT\$207,208 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**

As of December 31

In Thousand NTD

	2001	2000
Unsecured bank loans	\$ —	\$ 3,454,640
Secured bank loans	—	34,685
Total	<b>\$ —</b>	<b>\$ 3,489,325</b>
Interest rates	—	0.83% - 8.00%

a. The Company's unused short-term lines of credits amounted to NT\$20,097 million and NT\$32,135 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**

As of December 31

In Thousand NTD

	2001	2000
Secured domestic bonds payable	<b>\$ 3,990,000</b>	\$ 3,990,000
Unsecured domestic bonds payable	<b>25,000,000</b>	—
Euro convertible bonds payable	<b>10,596,096</b>	—
Compensation interest payable	<b>4,415</b>	—
Less: Current portion	<b>(1,140,000)</b>	—
	<b>\$ 38,450,511</b>	<b>\$ 3,990,000</b>

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**

As of December 31

In Thousand NTD

	2001	2000
Secured bank loans	<b>\$ 19,874,651</b>	\$ 39,157,762
Less: Current portion	<b>(5,862,725)</b>	(8,790,741)
Net	<b>\$ 14,011,926</b>	\$ 30,367,021
Interest rates	<b>2.69% - 5.34%</b>	5.098% - 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 and US\$390 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:

For the year ended December 31	In Thousand NTD	
	2001	2000
Service cost	<b>\$ 340,206</b>	\$ 374,756
Interest cost	<b>134,234</b>	106,244
Expected return on plan assets	<b>(30,232)</b>	(26,106)
Recognition of transition assets	<b>28,167</b>	28,167
Recognition of actuarial (loss) gain	<b>11,383</b>	13,582
Net periodic cost	<b>\$ 483,758</b>	\$ 496,643

The actuarial assumptions underlying are as follows:

For the year ended December 31	2001	2000
Discount rate	<b>4.5%</b>	6.0%
Increase rate of compensation	<b>6.5%</b>	6.0%
Expected return on plan assets	<b>4.5%</b>	6.0%

c. The transition obligation is amortized equally over 15 years.

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

As of December 31	In Thousand NTD	
	2001	2000
Vested benefit obligation	<b>\$ (4,513)</b>	\$ (5,558)
Non-vested benefit obligation	<b>(528,543)</b>	(571,136)
Accumulated benefit obligation	<b>(533,056)</b>	(576,694)
Effect on projected salary increase	<b>(1,737,804)</b>	(1,660,536)
Projected benefit obligation	<b>(2,270,860)</b>	(2,237,230)
Market-related value of plan assets	<b>624,302</b>	503,865
Funded status	<b>(1,646,558)</b>	(1,733,365)
Unrecognized transition obligation	<b>253,505</b>	281,672
Unrecognized gain or loss	<b>(26,150)</b>	428,616
Accrued pension cost per actuarial report	<b>(1,419,203)</b>	(1,023,077)
Over accrual	<b>(89,760)</b>	(15,087)
Accrued pension liabilities	<b>\$ (1,508,963)</b>	\$ (1,038,164)
Vested benefit	<b>\$ 4,513</b>	\$ 5,558

**(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 common 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 ADSs 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.

**(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:

Purpose	Shares brought during the year ended December 31		In Thousand Shares As of December 31
	2001	2000	2001
For transfer to employees	4,990	32,435	37,425
For conversion of the convertible bonds into shares	129,035	—	129,035
Total	134,025	32,435	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 reserve. 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.

### (14) Retained Earnings

According to the Company'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% (the year 2000: 1%) of the remaining amount after deducting items a, b, and c as directors' and supervisors' remuneration; and
- e. After distributing 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

For the year ended December 31

	2001	In Thousand NTD 2000
Net (loss) income	<b>\$ (3,157,302)</b>	\$ 50,780,378
		In Thousand Shares
Outstanding shares at beginning	<b>11,439,017</b>	6,654,997
New shares issued due to merger	—	2,383,650
Equivalent 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
Weighted average treasury stocks	<b>(47,169)</b>	(330)
Stock dividends and employees' bonus at 16.30%	<b>1,864,244</b>	1,812,582
Outstanding weighted average shares	<b>13,256,092</b>	12,932,717
		Earnings per share
Net (loss) income (in New Taiwan Dollars)	<b>\$ (0.24)</b>	\$ 3.93

**(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:

For the year ended December 31	2001	In Thousand NTD 2000
Tax on pre-tax income at statutory tax rate	<b>\$ (1,588,187)</b>	\$ 10,111,614
Estimated temporary and permanent differences	<b>(132,940)</b>	(5,104,391)
Change in investment tax credit	<b>(8,842,305)</b>	(6,459,674)
Change in valuation allowance against deferred tax assets	<b>6,459,593</b>	1,171,575
Change in tax rate	<b>(1,142,582)</b>	—
10% income tax on unappropriated earnings	<b>1,833,079</b>	—
Adjustment of prior year's tax expense	<b>196,209</b>	28,226
Tax on interest revenue separately taxed	<b>21,688</b>	30,342
Income tax benefit	<b>\$ (3,195,445)</b>	\$ (222,308)

Deferred income tax assets and liabilities were as follows:

As of December 31	2001	In Thousand NTD 2000
Deferred income tax assets - current	<b>\$ 7,100,615</b>	\$ 3,269,940
Deferred income tax liabilities - current	<b>—</b>	(23,211)
Valuation allowance for deferred tax assets	<b>(3,296,000)</b>	(2,368,442)
Net	<b>\$ 3,804,615</b>	\$ 878,287
Deferred income tax assets - noncurrent	<b>\$ 15,685,290</b>	\$ 9,179,575
Deferred income tax liabilities - noncurrent	<b>(4,225,046)</b>	(2,238,379)
Valuation allowance for deferred tax assets	<b>(7,249,712)</b>	(3,217,677)
Net	<b>\$ 4,210,532</b>	\$ 3,723,519

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

As of December 31

	2001		In Thousand NTD 2000	
	Amount	Tax Effect	Amount	Tax Effect
<b>Current items:</b>				
Temporary difference				
Allowance for sales returns and discounts	\$ 448,037	\$ 112,009	\$ 1,063,161	\$ 212,632
Others	1,094,443	273,611	622,437	124,487
Loss carryforward	13,666,452	3,416,613	—	—
Investment tax credits		3,298,382		2,909,610
Valuation allowance		(3,296,000)		(2,368,442)
Net		<u>\$ 3,804,615</u>		<u>\$ 878,287</u>
<b>Non-current items:</b>				
Temporary difference				
Depreciation	\$ (16,793,892)	\$ (4,198,473)	\$ (11,191,893)	\$ (2,238,379)
Recovery on loss of idle assets	(106,293)	(26,573)	—	—
Pension	1,397,221	349,305	926,423	185,284
Amortization of organization cost	550	138	408,883	81,777
Amortization of expertise	—	—	787,500	157,500
Others	29,624	7,405	235,128	47,026
Investment tax credits		15,328,442		8,707,988
Valuation allowance		(7,249,712)		(3,217,677)
Net		<u>\$ 4,210,532</u>		<u>\$ 3,723,519</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 regulation, 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 Transactions

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

Name of related parties	Relationship with the Company
UMC Group (USA) (UMC-USA)	Investee company
DuPont Photomasks Taiwan Ltd. (DPT)	Investee company
Holtek Semiconductor Inc. (Holtek)	Investee company
Faraday Technology Corporation (Faraday)	Investee company
AMIC Technology (Taiwan), Inc. (AMIC-Taiwan)	Investee 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

### (2) Significant Related Party Transactions

#### a. Operating revenues

For the year ended December 31

In Thousand NTD

	2001		2000	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$ 27,055,238	42	\$ 42,609,198	40
UMC BV	6,038,583	9	11,849,367	11
MediaTek	3,569,172	6	4,938,704	5
Others	5,249,313	8	10,039,989	10
Total	\$ 41,912,306	65	\$ 69,437,258	66

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

For the year ended December 31

	In Thousand NTD			
	2001		2000	
	Amount	Percentage	Amount	Percentage
DPT	\$ 1,080,725	8	\$ 961,567	5
Others	302,279	2	1,073,473	5
Total	\$ 1,383,004	10	\$ 2,035,040	10

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

As of December 31

	In Thousand NTD			
	2001		2000	
	Amount	Percentage	Amount	Percentage
Holtek	\$ 77,843	36	\$ 161,785	34
Others	24,168	11	27,760	6
Net	\$ 102,011	47	\$ 189,545	40

## d. Accounts receivable

As of December 31

	In Thousand NTD			
	2001		2000	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$ 2,482,744	35	\$ 6,854,152	44
MediaTek	1,046,372	15	189,338	1
UMC BV	116,965	1	2,119,103	14
Others	917,010	13	1,848,312	12
Subtotal	4,563,091	64	11,010,905	71
Less: Allowance for sales returns and discounts	(290,832)	(4)	(454,747)	(3)
Less: Allowance for doubtful accounts	(95,540)	(1)	(117,265)	(1)
Net	\$ 4,176,719	59	\$ 10,438,893	67

## e. Accounts Payable

As of December 31

	In Thousand NTD			
	2001		2000	
	Amount	Percentage	Amount	Percentage
DPT	\$ 218,285	9	\$ 181,075	3
Others	35,026	1	188,959	3
Total	\$ 253,311	10	\$ 370,034	6

## f. Loans

For the year ended December 31, 2001

In Thousand NTD

	Maximum balance		Ending balance	Interest rate	Interest expense
	Amount	Month			
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
			\$ 2,223,325		\$ 275,941

For the year ended December 31, 2000

In Thousand NTD

	Maximum balance		Ending balance	Interest rate	Interest expense
	Amount	Month			
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
			\$ 5,013,611		\$ 350,000

## g. Disposal of long-term investments

None for the year ended December 31, 2001

For the year ended December 31, 2000

In Thousand NTD

	Item	Amount	Gain (Loss)
AMIC-Taiwan	Common stocks of AMIC Technology Inc.	\$ 135,000	\$ (80,517)

## h. Disposal of property, plant and equipment

For the year ended December 31, 2001

In Thousand NTD

	Item	Amount	Gain (Loss)
Holtek	Building and facilities	\$ 173,250	\$ 31,468

None for the year ended December 31, 2000

#### i. Other transactions

The Company has made several transactions, including processing expenditures, commissions, service charges etc, with other related parties totaled to approximately NT\$396 million and NT\$602 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

As of December 31

In Thousand NTD

	2001	2000	Subject of collateral
Restricted deposits	\$ —	\$ 2,660,800	Long-term loans
Land	452,915	452,915	Long-term loans
Buildings	3,720,173	2,778,469	Long-term loans
Machinery and equipment	31,183,019	50,905,639	Short-term and long-term loans
Total	<u>\$ 35,356,107</u>	<u>\$ 56,797,823</u>	

## 7. Commitments and Contingent Liabilities

(1) The Company's unused letters of credit for import machinery were approximately NT\$ 2,289 million as of December 31, 2001.

(2) The Company entered into contracts, amounted to approximately NT\$21.8 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\$4.5 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 has signed several construction contracts for the expansion of its factory space. As of December 31, 2001, these construction contracts amounted to approximately NT\$1.8 billion with the unaccrued portion of the contracts in approximately NT\$0.6 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. Company 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 entered into several operating lease contracts for land. 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:

For the year ended	Amount	In Thousand NTD
December 31, 2002	<b>\$ 112,185</b>	
December 31, 2003	<b>112,185</b>	
December 31, 2004	<b>112,185</b>	
December 31, 2005	<b>112,185</b>	
December 31, 2006	<b>112,185</b>	
January 1, 2007 and thereafter	<b>889,401</b>	
Total	<b><u>\$ 1,450,326</u></b>	

(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 client needs 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.

## 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. Business Acquisition

(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.

## 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) Financial instruments

### a. Derivative Financial Instruments

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

- (a) Purpose: 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

Notional amount	Contract period
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. Terms: 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 bank.
- ii. Credit risk: There was no significant credit risk with respect to the above transaction 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 contract were NT\$0.4 million for the year ended December 31, 2000.

## b. Non-derivative Financial Instruments

As of December 31

In Thousand NTD

	2001		2000	
	Book Value	Fair Value	Book Value	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 58,517,186	\$ 58,517,186	\$ 54,107,647	\$ 54,107,647
Marketable securities	1,086,434	1,099,430	—	—
Notes and accounts receivable	7,916,037	7,916,037	17,236,591	17,236,591
Long-term investments	77,051,045	144,285,722	67,363,540	98,029,567
<b>Financial Liabilities</b>				
Short-term loans	—	—	\$ 3,489,325	\$ 3,489,325
Payables	17,708,223	17,708,223	21,421,553	21,421,553
Long-term loans (current portion included)	19,874,651	19,874,651	39,157,762	39,157,762
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 value 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 investee companies 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. Segmental 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

The Company has no significant foreign operations.

#### (3) Export sales

For the year ended December 31

In Thousand NTD

Area	2001	2000
North America	<b>\$ 25,776,028</b>	\$ 46,625,687
Europe	<b>10,384,521</b>	18,672,062
Asia, other than Taiwan	<b>4,430,729</b>	6,787,493
Other	<b>1,010,601</b>	1,069,011
Total	<b>\$ 41,601,879</b>	\$ 73,154,253

#### (4) Major Customers

For the year ended December 31

In Thousand NTD

Customers	2001	
	Sales amount	Percentage
UMC Group (USA)	<b>\$ 27,055,238</b>	<b>42</b>
UMC BV	<b>6,038,583</b>	<b>9</b>
Total	<b>\$ 33,093,821</b>	<b>51</b>

For the year ended December 31

In Thousand NTD

Customers	2000	
	Sales amount	Percentage
UMC Group (USA)	\$ 42,609,198	41
UMC BV	11,849,367	11
Total	\$ 54,458,565	52

## Attachments to Notes

### 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	General ledger accounts	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
<b>United Microelectronics Corporation</b>								
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	Tracenti 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
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

Continued on next page

**Attachment 3 (Continued)** 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	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
<b>United Microelectronics Corporation</b>								
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
<b>Hsun Chieh Investment Corporation</b>								
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

Continued on next page

**Attachment 3 (Continued)** 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	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
<b>Hsun Chieh Investment Corporation</b>								
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
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
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

Continued on next page

**Attachment 3 (Continued)** 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	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)
<b>UMC Capital Corporation</b>								
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
<b>Fortune Venture Capital Corporation</b>								
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
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	Note
	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Cost	Number of shares (thousand)	Amount		
<b>United Microelectronics Corporation</b>											
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	
<b>Fortune Venture Capital Corporation</b>											
Tripath Technology Inc.	500	158,235	—	—	500	89,432	158,235	—	—	(68,803)	
<b>UMC Japan</b>											
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	
<b>Hsun Chieh Investment Corporation</b>											
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	—	

**Note 1.** 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 unappropriated changes in ownership, and unrealized loss in long-term investment, etc.

**Note 2.** 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 basis or reference used in deciding the price	Other commitments
<b>United Microelectronics Corporation</b>											
Employees' dormitory	2001.10.1 - 2001.11.21	266,000	Not Paid	N/A	N/A	N/A	N/A	N/A	N/A	Acquisition cost	None
Fab 12A	2001.9.28 - 2001.11.28	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)

Name of the properties	Date of transaction	Acquisition date of the properties	Book Value	Transaction Amount	Status of payment receiving	Gain/Loss on disposal	Counter party	The relationship with the Company	Reason for disposal	The basis or reference used in deciding the price	Other commitments
<b>United Microelectronics Corporation</b>											
Building and facilities	2001.2.15	2000.1.3	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
<b>United Microelectronics Corporation</b>							
UMC Group (USA)	Investee company	Sales	27,055,238	41.95	60 days	2,482,744	31.70
United Microelectronics (Europe) B.V	The director is the chairman of the Company	Sales	6,038,583	9.36	60 days	116,965	1.49
MediaTek Incorporation	The Company is the director and supervisor	Sales	3,569,172	5.53	45 days	1,046,372	13.36
Novatek Microelectronics Corp.	Investee company	Sales	1,558,517	2.42	45 days	262,223	3.35
AMIC Technology (Taiwan) Inc.	Investee company	Sales	781,834	1.21	45 days	275,175	3.51
Faraday Technology Corp.	Investee company	Sales	714,583	1.11	45 days	160,393	2.05
Holtek Semiconductor Inc.	Investee company	Sales	547,928	0.85	45 days	121,856	1.56
Applied Component Technology Corp.	Investee company	Sales	497,592	0.77	45 days	891	0.01
Integrated Technology Express Inc.	Investee company	Sales	398,744	0.62	45 days	70,460	0.90
Formosa Links Pte Ltd.	The director is the chairman of the Company	Sales	307,769	0.48	60 days	—	—
Ascend Semiconductor Corp.	The director and supervisor is the investee company of the Company	Sales	214,470	0.33	60 days	60,864	0.78
DuPont Photomasks Taiwan Ltd.	Investee company	Purchase	1,080,725	8.10	60 days	(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 55 days	US\$ (68,505,921)	100.00
UMC Japan	Affiliated company	Purchase	US\$ 136,019	—	Net 60 days	—	—

**Attachment 8** Receivable from related parties exceeding the lower of NT\$100 million or 20 percent of the 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		
<b>United Microelectronics Corporation</b>										
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 Company	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage	Book value			
<b>United Microelectronics Corporation</b>										
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)	Note
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	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)	

Continued on next page

**Note** Investment income/loss was recognized in the next season.

**Attachment 9 (Continued)** 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 Company	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage	Book value			
<b>Hsun Chieh Investment Corporation</b>										
UC Fund II	Grand Cayman Island West British	Venture capital business	161,225	—	5,000	35.45	161,225	N/A	N/A	Note 1
Cheng Hsun Electronics Inc.	Taipei, Taiwan	Electronic component production	31,500	31,500	3,150	31.50	30,322	(3,741)	(1,178)	Note 1
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	Note 1
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	Note 1
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	Note 1
Patentop, Ltd	Tortola, British Virgin Island	Patent sales	22,356	22,356	720	18.00	20,963	(20,695)	(3,725)	Note 1
Advance Materials Corporation	Taoyuan, Taiwan	Synthetic resin and electronic component production	208,162	208,162	14,994	15.78	183,209	12,207	706	Note 1
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	Note 2
High Bandwidth 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)	Note 1
SerComm Corporation	Science-Based Industrial Park, Hsin-Chu	Server product and sales	58,619	—	4,798	7.81	58,619	N/A	N/A	Note 1
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 fabrication	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 fabrication	92,108	96,248	1,113	2.60	183,742	US\$ (39,174,000)	(55,458)	

**Note 1.** Investment income/loss was recognized in the next year.

2. 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.



