

## Dear Shareholders,

**Return to Profitability** 2002 was an extremely challenging year for the high technology industry due to a contraction of the global semiconductor market and a lingering surplus of production capacity. Despite the challenges, UMC managed a return to

profitability in 2002 by fine-tuning our foundry marketing strategy, optimizing resource allocation, and reorganizing to enhance our customer-oriented services and solutions. These moves have led to a much more competitive UMC, and will enable us to maximize profitability in the future. UMC revenues in 2002 were NT\$67.4 billion, and we achieved earnings of NT\$0.48 per share.

UMC remains focused on maximizing return on investment while maintaining a strategy of rational capacity expansion and timely process technology development. Our goal is to maximize our customers' competitiveness by providing the best possible foundry services, and to deliver the greatest possible return to our shareholders. In 2002, the Company remained cash flow positive, and our solid financial structure over the years has enabled us to maintain our competitiveness and technology advantages through one of the worst slowdowns in the history of the semiconductor industry. We strongly believe that our consistent investment in technology development will lead to better profitability in the years to come.

**The Partnership Foundry** Success in the semiconductor industry largely depends on a company's ability to adjust business strategies to an ever-changing business environment. The lessons of the last several years have shown us that the "traditional foundry" model no longer delivers optimal benefits to our partners and shareholders. By "traditional foundry" model, we mean the strategy of developing generic process technologies for use by any and all companies that require wafer manufacturing. With the increased complexity of advanced process technology and system-on-chip applications, customization has become the trend, rather than standardization. In response to these challenges, we believe that UMC will maximize its competitive advantages by developing comprehensive customized solutions for a select group of foundry customers through long-term synergistic partnerships that generate higher added value. Our belief is that by delivering the best service to a limited number of partners, we will be able to gain a higher percentage of their business. With this approach, we expect to steadily grow our business as we become more active in assisting our partners to win market share. A fundamental part of our partnership strategy will be our ability to provide solutions, technologies, and services so beneficial that our partners will not look elsewhere for foundry sources. We expect this strategy to differentiate UMC as a foundry in the years to come, and we believe that each UMC partner will quickly recognize the added value a long-term partnership with UMC offers in comparison with alternatives from our competition.

In line with our new emphasis on enhanced partnerships, UMC continues to fine-tune its customer portfolio. We maintain a healthy level of diversification in terms of region (America, Europe, Asia,



Japan), market segment (consumer, communications, computer) and customer type (Fabless and IDM). We continue to believe that we must leverage our ability to serve leaders in all of these areas to achieve extraordinary growth in the years to come.

**Continuing to Lead in the Transition to 300mm Wafer Manufacturing** Technology leadership remains an important cornerstone of UMC's foundry strategy. In 2002, UMC continued its drive to bring 300mm foundry services to the mainstream, clearly leading the industry in terms of number of 300mm wafers shipped to customers. This leadership was achieved through the successful production ramp-up at UMC's 300mm facility in southern Taiwan, Fab 12A. UMC was the earliest foundry company to initiate 300mm production and this has put us well ahead of the competition on the learning curve for this new manufacturing technology.

By the end of the year, yields for products on 300mm were actually better than those of similar products fabricated on 200mm wafers. UMC's ability to bring 300mm into the mainstream and deliver the economic advantages of the larger wafer size to our customers has surpassed the expectations of many people in the industry.

UMC's leadership in 300mm manufacturing was further advanced with the completion of construction on our affiliate fab in Singapore, UMCi. This is the second of UMC's 300mm mega-fabs, and the combined capacity of these two facilities will enable UMC to respond rapidly to any industry expansion that may occur in the foreseeable future.

**Advanced Technology Solutions Drive Growth** In 2002, we saw significant breakthroughs in moving our leading-edge 0.13-micron technology into large-scale volume production. Several of our customers

#### UMC Board of Directors and Key Management Staff



Left to right: S.W. Sun, Stan Hung, Peter Courture, H.J. Wu, John Hsuan, Robert Tsao, Peter Chang, Ching-Chang Wen, Chris Chi, Fu-Tai Liou, Jackson Hu



started to take shipments of products built on our leading-edge process technology. By the end of the year, 0.13-micron shipments accounted for 6% of our revenues. 0.18-micron and 0.15-micron shipments also experienced significant growth as these technologies became firmly positioned in the mainstream. We believe that 0.13-micron production will be one of the major drivers of revenue growth for the Company in 2003. UMC is well positioned to meet the requirements of our customers future System-on-Chip products due to our industry-leading technology portfolio. We are making great progress in our development programs for 90-nanometer and beyond process generations, and in the delivery of comprehensive solutions that include mixed signal and RF CMOS components, embedded memories, silicon verified IP, design support tools, and online resources.

**Positioned for Growth in 2003** We strongly believe that UMC's response to the extreme challenges of 2002 have made us a more competitive company. In 2003, we will be positioned to benefit greatly from any economic recovery due to our success in developing the best technology along with a comprehensive package of value-added customer solutions. We believe that our partnership strategy, deep technology portfolio, and position as an industry leader are all factors that should help us to outperform other companies in the high technology industry in coming years. We will continue to work to maximize the benefits of our customers, shareholders, and employees in 2003.



Robert H.C. Tsao  
Chairman, UMC



John Hsuan  
CEO, UMC





UMC's objective is to be the foundry of choice for our customers, creating a network of partnerships where synergy is generated through long-term alliances and added value can be shared among the partner companies.

# Corporate Overview



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## Corporate Profile

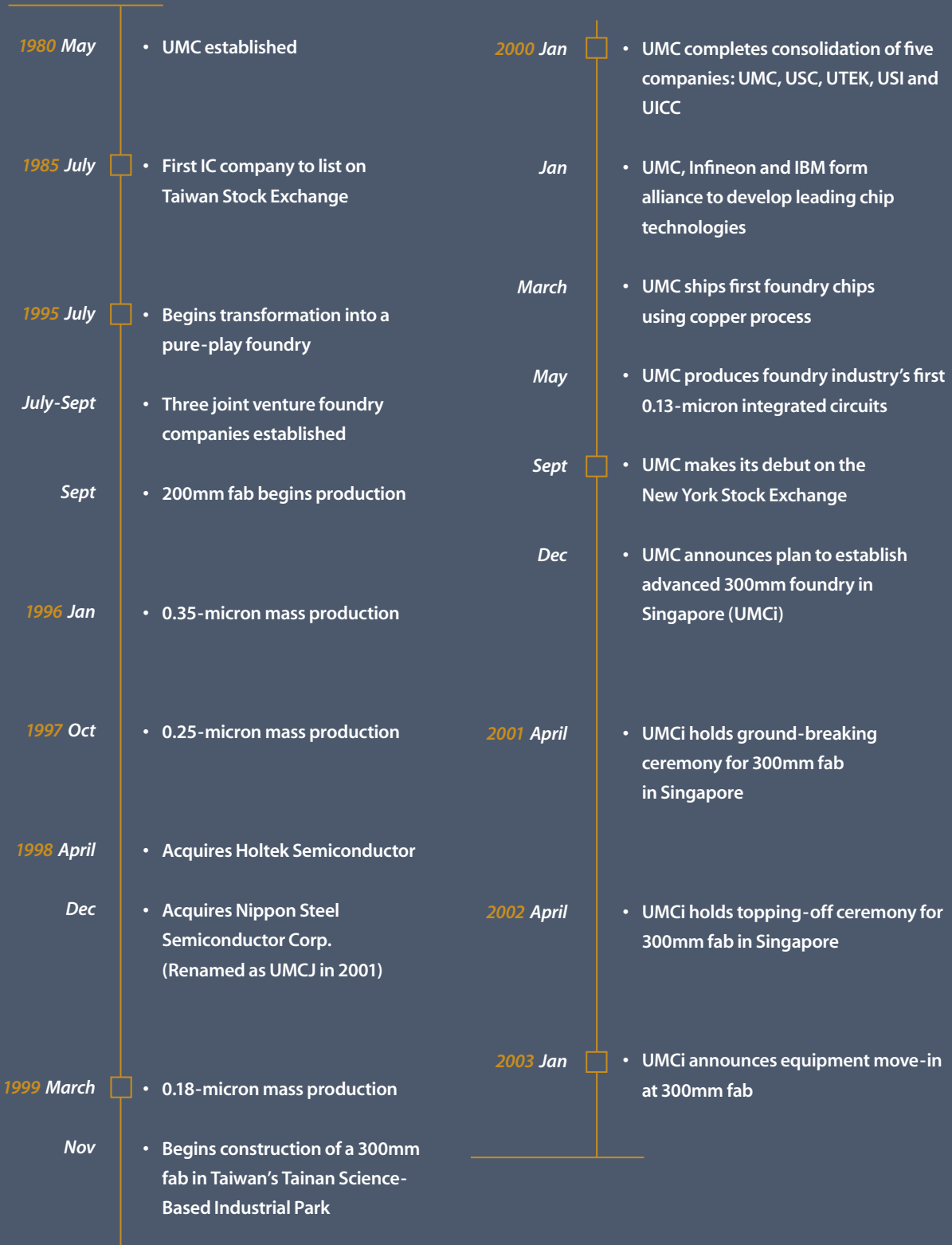
UMC is a world-leading semiconductor foundry that manufactures advanced process ICs for applications spanning every major sector of the semiconductor industry. The company's cutting-edge foundry technologies enable the creation of faster and more powerful chips to meet today's demanding applications. UMC's technology portfolio includes a wide range of advanced materials and processes, including copper interconnects, low-k dielectrics, embedded DRAM, and mixed signal/RF CMOS. As an industry pioneer, it was the first foundry to ship wafers using copper materials; the first to produce chips using 0.13-micron processes; the first to produce chips on 300mm wafers; and the first to deliver functional 90-nanometer ICs to its customers.

UMC led the development of a commercial

semiconductor industry in Taiwan. It was the first local company to offer foundry services, as well as the first semiconductor company to list on the Taiwan Stock Exchange (1985). UMC is responsible for many local industry innovations, including the introduction of an employee share bonus system, often credited as a primary factor in the development of a prominent electronics industry in Taiwan. UMC employs over 8,500 people worldwide, and over 60% of the employees have advanced degrees. With sales offices in Taiwan, Japan, Singapore, Mainland China, Europe, and the United States, UMC has an extensive service network to meet the needs of its global clientele.

**Date of Incorporation** May 22, 1980

# Major Milestones



# Corporate Organization



March 25, 2003

## Directors' and Supervisors' Information

Name	Title	Date Elected (Date Assumed)	Term (Yrs.)	Shareholding When Elected		Present Shareholding		Spouse & Minor Shareholding	
				Common Shares	(%)	Common Shares	(%)	Common Shares	(%)
Robert H.C. Tsao	Director, Chairman	2001.5.30 (2001.6.6)	3	60,266,853	(0.53)	79,702,912	(0.52)	4,089,640	(0.03)
John Hsuan	Director	2001.5.30	3	56,275,121	(0.49)	76,688,847	(0.50)	4,813,235	(0.03)
Peter Chang	Director	2001.5.30	3	366,007,905	(3.19)	484,045,453	(3.13)	-	(-)
Peter J. Courture	Director	2001.5.30	3	23,142,600	(0.20)	30,606,088	(0.20)	-	(-)
Hong-Jen Wu	Director	2001.5.30	3	55,542,240	(0.48)	73,454,612	(0.47)	-	(-)
Ching-Chang Wen	Director	2001.5.30	3	55,542,240	(0.48)	73,454,612	(0.47)	-	(-)
Chris Chi	Director	2001.5.30	3	23,142,600	(0.20)	30,606,088	(0.20)	-	(-)
Fu-Tai Liou	Director	2001.5.30	3	35,838,584	(0.31)	47,396,526	(0.31)	-	(-)
Stan Hung	Director	2001.5.30	3	35,838,584	(0.31)	47,396,526	(0.31)	-	(-)
Tsing-Yuan Hwang	Director	2001.5.30	3	366,007,905	(3.19)	484,045,453	(3.13)	-	(-)
Tzyy-Jang Tseng	Supervisor	2001.5.30	3	366,007,905	(3.19)	484,045,453	(3.13)	-	(-)
Mao-Chung Lin	Supervisor	2001.5.30	3	10,864,632	(0.09)	14,368,474	(0.09)	718,739	(0.00)
Jack K.C. Wang	Supervisor	2001.5.30	3	16,102,632	(0.14)	21,295,729	(0.14)	189	(0.00)

**Notes** (1) Present shareholding figures are actual number of shares held on December 31, 2002. (2) Peter Chang represents Hsun Chieh Investment Co., Ltd; Peter J. Courture represents Chuin Li Investment Corporation; Hong-Jen Wu represents Chuin Tsie Investment Corporation; Ching-Chang Wen represents Chuin Tsie Investment Corporation; Chris Chi represents Chuin Li Investment Corporation; Fu-Tai Liou represents Shieh Li Investment Corporation; Stan Hung represents Shieh Li Invest-

## Officers' Information

Name	Title	Date Assumed	Present Shareholding		Spouse & Minor Shareholding	
			Common Shares	(%)	Common Shares	(%)
John Hsuan	CEO	2002.4.1	76,688,847	(0.50)	4,813,235	(0.03)
Peter Chang	President	2000.1.3	17,046,117	(0.11)	616,526	(0.00)
Hong-Jen Wu	Business Group President	1997.12.1	31,211,299	(0.20)	-	(-)
Ching-Chang Wen	Business Group President	2000.1.3	10,240,284	(0.07)	51,577	(0.00)
Chris Chi	CMO	2003.2.13	3,529,640	(0.02)	-	(-)
Fu-Tai Liou	Business Group President	2002.12.17	5,692,301	(0.04)	-	(-)
Stan Hung	CFO	2000.1.3	12,500,214	(0.08)	1,628,090	(0.01)

**Notes** (1) Shareholding figures are actual number of shares held on December 31, 2002. (2) Officers are not spouses or siblings of other managers. (3) Officers did not hold shares through other parties. (4) The remuneration amount includes the employee stock bonus and each share is calculated based on par value of NT\$10.

<i>Experience</i>	<i>Also Serves Concurrently as</i>
Chairman, UMC Group	Director, TECO Electric & Machinery Co., Ltd.; Director, Unimicron Technology Corp.; Chairman, Faraday Technology Corp.; Chairman, UMC Japan; Chairman, UMCi Pte. Ltd.; Director, Mega Financial Holding Company; Chairman, Fortune Venture Capital Corporation; Chairman, Hsun Chieh Investment Co., Ltd.
Chairman, UMC	Director, Unimicron Technology Corp.; Director, Faraday Technology Corp.; Director, UMC Japan; Director, UMCi Pte. Ltd.; Chairman, Silicon Integrated Systems Corp.; Director, Fortune Venture Capital Corporation; Director, Hsun Chieh Investment Co., Ltd.
Director, UMC	Director, UMC Japan; Director, UMCi Pte. Ltd.
Director, UMC	Director, UMC Group (USA); Director & President, United Foundry Service, Inc.; Director & President, UMC Capital (USA)
Director, UMC	Chairman, DuPont Photomasks Taiwan Limited; Director, AU Optronics Corp.; Director & President, UMC Japan
Director, UMC	Director, DuPont Photomasks Taiwan Limited
Director, UMC	Director and President, UMCi Pte. Ltd.
Director, UMC	None
CFO, UMC	Director, UMC Japan; Supervisor, TECO Electric & Machinery Co., Ltd.; Supervisor, Novatek Microelectronics Corp.; Supervisor, Springsoft Co., Ltd.; Director, Harvatek Corp.; Director, Mega Financial Holding Company; Director, Fortune Venture Capital Corporation; Supervisor, Hsun Chieh Investment Co., Ltd.
Executive Officer, Daiwa Securities SMBC Co., Ltd.	Executive Officer, Daiwa Securities SMBC Co., Ltd.; Director, President Chain Store Corp.; Director, Hon Hai Precision Industry Co., Ltd.
Chairman, Unimicron Technology Corp.	Chairman, Unimicron Technology Corp.; Director, Premier Image Technology Corporation; Chairman, Harvatek Corp.; Supervisor, Fortune Venture Capital Corp.
President, Sunrox International Inc.	President, Sunrox International Inc.
Chairman, Sen Dah Investment Co., Ltd.	Chairman, Sen Dah Investment Co., Ltd.

ment Corporation; Tsing-Yuan Hwang represents Hsun Chieh Investment Co., Ltd.; Tzyy-Jang Tseng represents Hsun Chieh Investment Co., Ltd. Hsun Chieh Investment Co., Ltd. is among the top 10 shareholders of the Company. (3) Directors and supervisors are not spouses or siblings of other managers, directors, and supervisors. (4) Directors' and supervisors' election date is the same day they assumed their positions. (5) No transportation allowances or remunerations were paid to directors and supervisors in 2002. (6) Directors and supervisors did not hold shares through other parties.

<i>Experience</i>	<i>Also Serves Concurrently as</i>	<i>2002 Remuneration (Note 4)</i>	<i>Other Compensation (in thousand NTD)</i>		<i>Units of Stock Options Granted</i>
			<i>Home Rental</i>	<i>Automobile (Book Value)</i>	
Chairman, UMC	As Detailed Above	Note 5	657	1,759	10,000,000
Director, UMC	As Detailed Above	Note 5	467	2,200	10,000,000
Director, UMC	As Detailed Above	Note 5	–	320	10,000,000
Director, UMC	As Detailed Above	Note 5	247	–	10,000,000
Director, UMC	As Detailed Above	Note 6	279	382	10,000,000
Director, UMC	None	Note 6	247	558	10,000,000
CFO, UMC	As Detailed Above	Note 6	–	–	10,000,000

(5) The remuneration amount of NT\$49,311 thousand is the sum of remunerations paid to John Hsuan, Peter Chang, Hong-Jen Wu, and Ching-Chang Wen. (6) The remuneration amount of NT\$26,011 thousand is the sum of remunerations paid to Chris Chi, Fu-Tai Liou, and Stan Hung.

## Directors' and Supervisors' Professional Knowledge and Independence Information

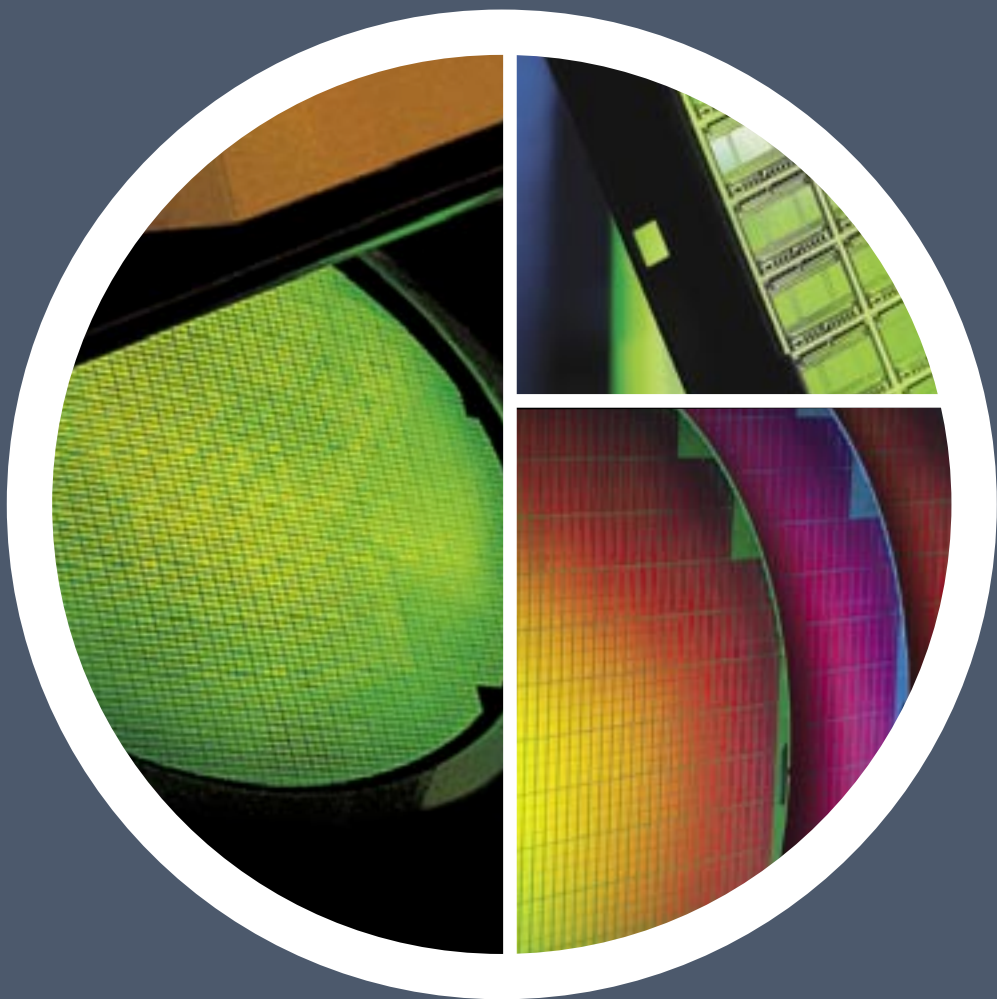
Name	Five or More Years Experience in Business, Law, Finance, or Corporate Business Related Fields	Independence Status (Note)							Remarks
		1	2	3	4	5	6	7	
Robert H.C. Tsao	Yes	-	✓	✓	-	-	✓	✓	-
John Hsuan	Yes	-	✓	✓	-	-	✓	✓	-
Peter Chang	Yes	-	✓	✓	✓	-	✓	-	Represents Hsun Chieh Investment Co., Ltd.
Peter J. Courture	Yes	-	✓	✓	✓	-	-	-	Represents Chuin Li Investment Corporation
Hong-Jen Wu	Yes	-	✓	✓	✓	-	✓	-	Represents Chuin Tsie Investment Corporation
Ching-Chang Wen	Yes	-	✓	✓	✓	-	✓	-	Represents Chuin Tsie Investment Corporation
Chris Chi	Yes	-	✓	✓	✓	-	✓	-	Represents Chuin Li Investment Corporation
Fu-Tai Liou	Yes	-	✓	✓	✓	✓	✓	-	Represents Shieh Li Investment Corporation
Stan Hung	Yes	-	✓	✓	-	-	✓	-	Represents Shieh Li Investment Corporation
Tsing-Yuan Hwang	Yes	-	✓	✓	✓	✓	✓	-	Represents Hsun Chieh Investment Co., Ltd.
Tzyy-Jang Tseng	Yes	-	✓	✓	✓	-	✓	-	Represents Hsun Chieh Investment Co., Ltd.
Mao-Chung Lin	Yes	✓	✓	✓	✓	✓	✓	✓	-
Jack K.C. Wang	Yes	✓	✓	✓	✓	✓	✓	✓	-

**Note** For those directors and supervisors who match the conditions listed below, " ✓ " is marked in the appropriate space. (1) Is not an employee of the Company; nor a director, supervisor, or employee of its affiliated enterprises. (2) Does not directly or indirectly own more than 1% of the Company's outstanding shares; nor is one of the top ten non-institutional shareholders of the Company. (3) Is not a spouse or immediate relation (child, parent, grandchild, grandparent, or sibling) to any person specified in the preceding two columns. (4) Is not a director, supervisor, or employee of a legal entity which directly or indirectly owns more than 5% of the Company's issued shares; nor a director, supervisor or employee of the top five legal entities which are owners of the Company's issued shares. (5) Is not a director, supervisor, or manager of a company which has a business relationship with the Company; nor a shareholder who owns more than 5% of such a company. (6) Is not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Company and its affiliates with financial, business consulting, or legal services in the past year. (7) Is not a legal entity owner or its representative pursuant to Article 27 of the ROC Company Law.

## List of Major Shareholders of UMC's Major Institutional Shareholders

Major Institutional Shareholders	Major Shareholders of UMC's Major Institutional Shareholders
Hsun Chieh Investment Co., Ltd.	United Microelectronics Corporation
Chuin Tsie Investment Corporation	Robert H.C. Tsao, John Hsuan
Chuin Li Investment Corporation	Robert H.C. Tsao, John Hsuan
Shieh Li Investment Corporation	Robert H.C. Tsao, John Hsuan

**Advanced Technologies** – Advanced manufacturing technologies are key to UMC's competitiveness in the global semiconductor supply chain. UMC consistently introduces technologies ahead of the industry standard ITRS roadmap, and is unchallenged in its ability to move newly developed technologies to high volume production.



## Change in Shareholding of Directors, Supervisors, Officers and Major Shareholders

Unit: Share

Name	Title and/or Seats on Board	2002		2003	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Robert H.C. Tsao	Chairman, Director	10,396,032	-	-	-
John Hsuan	CEO, Director	10,872,458	-	-	-
Hsun Chieh Investment Co., Ltd.	Director (2), Supervisor (1)	63,136,363	-	-	-
Chuin Tsie Investment Corporation	Director (2)	9,581,036	61,654,612	-	-
Chuin Li Investment Corporation	Director (2)	3,992,098	10,801,098	-	-
Shieh Li Investment Corporation	Director (2)	6,182,155	30,876,526	-	-
Mao-Chung Lin	Supervisor	1,874,148	-	-	-
Jack K.C. Wang	Supervisor	2,777,703	-	-	-
Peter Chang	President	3,092,971	-	-	-
Hong-Jen Wu	Business Group President	4,905,821	-	-	-
Ching-Chang Wen	Business Group President	2,211,471	-	-	-
Chris Chi	CMO	1,160,040	-	-	-
Fu-Tai Liou	Business Group President	1,368,126	-	-	-
Stan Hung	CFO	1,756,549	-	-	-

Notes (1) No shareholders own 10% or more of UMC shares. (2) The data represented for 2003 was gathered until March 25, 2003. (3) Counterparts of the shareholding transferred or pledged are not related parties.

## Total Percentage of Ownership of Investees

Investees	UMC Investments		Investments from Directors, Supervisors, Managers, and Directly or Indirectly Controlled Businesses		Total Investments	
	Shares	Percentage of Ownership(%)	Shares	Percentage of Ownership(%)	Shares	Percentage of Ownership(%)
Applied Component Technology Corp.	12,067,800	23.66	0	0.00	12,067,800	23.66
Unimicron Technology Corp.	168,929,751	23.81	110,067,637	15.52	278,997,388	39.33
Faraday Technology Corp.	33,710,329	19.71	10,145,525	5.93	43,855,854	25.64
Fortune Venture Capital Corp.	299,994,000	99.99	2,000	0.00	299,996,000	99.99
Hsun Chieh Investment Co., Ltd.	1,417,294,000	99.97	209,500	0.02	1,417,503,500	99.99
Pacific Venture Capital Co., Ltd.	30,000,000	49.99	0	0.00	30,000,000	49.99
Novatek Microelectronics Corp.	74,610,600	25.83	22,050	0.01	74,632,650	25.84
Integrated Technology Express Inc.	24,111,187	24.58	3,772,040	3.84	27,883,227	28.42
DuPont Photomasks Taiwan Limited	99,747,891	45.51	0	0.00	99,747,891	45.51
Holtek Semiconductor Inc.	44,853,860	25.61	1,802,833	1.03	46,656,693	26.64
AMIC Technology (Taiwan), Inc.	16,200,000	13.62	15,576,533	13.10	31,776,533	26.72
United Microdisplay Optronics Corp.	76,499,000	85.00	0	0.00	76,499,000	85.00
Integrated Telecom Express Inc.	7,000,000	16.36	5,112,500	11.95	12,112,500	28.31
Archtek Telecom Corporation	14,200,000	26.49	0	0.00	14,200,000	26.49
UMC Group (USA)	16,437,500	100.00	0	0.00	16,437,500	100.00
United Foundry Service, Inc.	2,005,000	100.00	0	0.00	2,005,000	100.00
UMC Japan	479,092	47.06	44,880	4.41	523,972	51.47
UMCi Pte. Ltd.	212,250,000	49.82	10,125,020	2.38	222,375,020	52.20
UMC Capital Corporation	30,000,000	100.00	0	0.00	30,000,000	100.00
United Microelectronics Corp. (Samoa)	500,000	100.00	0	0.00	500,000	100.00
United Microelectronics (Europe) B.V.	9,000	100.00	0	0.00	9,000	100.00
Unitech Capital Inc.	21,000,000	42.00	0	0.00	21,000,000	42.00
MediaTek Incorporation	60,806,040	13.21	0	0.00	60,806,040	13.21
AU Optronics Corp.	455,276,250	11.37	12,190,466	0.31	467,466,716	11.68
TECO Electric & Machinery Co., Ltd.	77,079,134	4.02	0	0.00	77,079,134	4.02
SAMPO Corporation	17,773,137	1.73	193,983	0.02	17,967,120	1.75
Sino-Aerospace Investment Corp.	28,500,000	11.11	0	0.00	28,500,000	11.11
TECO Nanotech Co., Ltd.	19,416,757	8.05	2,925,876	1.22	22,342,633	9.27
United Industrial Gases Co., Ltd.	13,185,529	8.44	0	0.00	13,185,529	8.44
Mega Financial Holding Company	91,900,779	0.83	57,249,379	0.52	149,150,158	1.35
Premier Image Technology Corporation	2,939,515	0.64	1,112,700	0.24	4,052,215	0.88
Industrial Bank of Taiwan Corp.	119,424,849	5.00	0	0.00	119,424,849	5.00
Subtron Technology Co., Ltd.	16,000,000	7.41	7,800,000	3.61	23,800,000	11.02
Silicon Integrated Systems Corp.	48,483,000	4.46	47,406,000	4.35	95,889,000	8.81
Aptos Corp.	1,771,979	9.68	3,014,766	16.47	4,786,745	26.15
PixTech, Inc.	9,883,470	17.63	0	0.00	9,883,470	17.63
Vialta, Inc.	8,360,000	8.90	12,540,000	13.35	20,900,000	22.25
Pacific Technology Partners, L.P.	-	9.85	-	0.00	-	9.85
Tonbu, Inc.	937,500	-	2,000,000	-	2,937,500	-
Pacific United Technology, L.P.	-	25.00	-	0.00	-	25.00

Notes (1) The companies listed above are UMC's long-term investments. (2) Shareholding figures are actual number of shares held on December 31, 2002.

## Capital and Shares

### Source of Capital

Date	Issue Price	Authorized Shares		Issued Shares		Remarks		
		Shares (In thousands)	Total (In thousand NTD)	Shares (In thousands)	Total (In thousand NTD)	Source of Capital	Assets Other than Cash Used for Capital	Other
June, 2002	NT\$10 per share	22,000,000	220,000,000	15,474,845.6	154,748,456	Note	-	-

Note On June 24, 2002, the ROC SFC approved the issuance of NT\$21,391,502,300 from the capitalization of retained earnings. The Company's paid-in capital was increased to NT\$154,748,456,460.

Unit: share

Share Type	Authorized Shares		Allotment for Convertible Bonds	Allotment for Stock Option Certificates
	Issued Shares	Un-issued Shares		
TSE-listed Registered Common Shares	15,474,845,646	6,525,154,354	22,000,000,000	1,500,000,000

Note TSE: Taiwan Stock Exchange

### Status of Shareholders

Stock: Common Share

Item	Government Agencies	Financial Institutions	Other Legal Entities	Domestic Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	13	57	1,318	806,363	1,338	809,089
Shareholding (shares)	659,287,684	710,547,749	2,113,723,260	6,984,806,469	5,006,480,484	15,474,845,646
Holding Percentage (%)	4.26	4.59	13.66	45.14	32.35	100.00

Note The data shown above was recorded on August 11, 2002, which was the record date for the distribution of 2001 stock dividends.

### Distribution of Common Shares

Class of Shareholding (unit: share)	No. of Shareholders	Shareholding (shares)	Holding Percentage (%)
1 - 999	177,681	67,727,272	0.44
1,000 - 5,000	400,133	941,976,206	6.09
5,001 - 10,000	110,149	771,355,767	4.98
10,001 - 15,000	46,159	561,579,028	3.63
15,001 - 20,000	21,034	361,690,489	2.34
20,001 - 30,000	21,336	517,778,976	3.35
30,001 - 50,000	15,155	577,756,430	3.73
50,001 - 100,000	9,574	655,283,867	4.23
100,001 - 200,000	4,145	565,726,975	3.66
200,001 - 400,000	1,803	492,542,177	3.18
400,001 - 600,000	586	286,263,778	1.85
600,001 - 800,000	245	169,341,315	1.09
800,001 - 1,000,000	202	179,218,334	1.16
Over 1,000,001	887	9,326,605,032	60.27
Total	809,089	15,474,845,646	100.00

Notes (1) The data shown above was recorded on August 11, 2002, which was the record date for the distribution of 2001 stock dividends. (2) The par value of a common share is NT\$10.

**UMC Fab 12A** – Our first 300mm fab is the pioneer for foundry manufacturing using the latest generation of IC production tools. Operating since 2001, Fab 12A has moved rapidly to 0.13-micron volume production and will soon offer UMC's 90-nanometer process on 300mm wafers.



## List of Major Shareholders

Shareholder's Name	Shareholding	
	Common Shares	Percentage (%)
Citicorp Financial Service Ltd., as representative of holders of the ADRs and as nominee for Citibank, N.A., as Depositary, pursuant to a Deposit Agreement, dated as of September 21, 2000 among United Microelectronics Corporation, the Depositary and holders and beneficial owners from time to time of the ADRs issued thereunder	868,467,235	5.61
Hsun Chieh Investment Co., Ltd.	484,045,453	3.13
Xilinx Holding Three Ltd.	352,666,664	2.28
Chiao Tung Bank	350,453,309	2.26
Chunghwa Post Co., Ltd.	276,189,195	1.78
Alliance Semiconductor (S.A.) (PTY) Ltd.	206,823,609	1.34
TECO Electric & Machinery Co., Ltd.	177,482,947	1.15
Ministry of Economic Affairs, ROC	177,055,963	1.14
SanDisk Corporation	176,333,331	1.14
Administrative Committee, Yao Hua Glass Co., Ltd.	162,173,447	1.05

Note The data shown above was recorded on August 11, 2002, which was the record date for the distribution of 2001 stock dividends.

## Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NTD

Item		2003 (Note 6)	2002	2001	
Market Price per Share	Highest market price	23.80	57.00	61.50	
	Lowest market price	19.20	20.00	23.40	
	Average market price	20.89	37.66	44.90	
Net Worth per Share	Before distribution	–	14.75	17.73	
	After distribution	–	*	15.24	
Earnings per Share	Weighted average shares	–	14,753,187,484	13,256,090,988	
	Earnings per share (Note 1)	–	0.48	(0.24)	
	Earnings per share (Note 2)	–	*	(0.20)	
Dividend per Share	Cash dividends	–	*	–	
	Stock dividends	Dividends from retained earnings	–	*	1.5
		Dividends from capital reserve	–	*	–
	Accumulated unappropriated dividend	–	–	–	
Return on Investment	Price / Earning ratio (Note 3)	–	78.46	N/A	
	Price / Dividends ratio (Note 4)	–	*	–	
	Cash dividends yield rate (Note 5)	–	*	–	

\* Subject to change following 2003 shareholders' meeting resolution.

Notes (1) The calculation of EPS was based on weighted average shares outstanding for the year. (2) The calculation of EPS was based on retroactive adjustment for capitalization of unappropriated earnings and bonus to employees. (3) Price / Earning ratio = Average market price / Earnings per share. (4) Price / Dividends ratio = Average market price / Cash dividends per share. (5) Cash dividends yield rate = Cash dividends per share / Average market price. (6) The data represented for 2003 was gathered until March 25, 2003.

## Dividend Policy and Status

**Dividend Policy in the Company's Articles of Incorporation** 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% of the remaining amount after deducting items (a), (b), and (c) as directors' and supervisors' remuneration; and
- (e) After deducting items (a), (b), and (c) above from the current year's earnings, any portion of the remaining amount together with the prior years' unappropriated earnings is to be allocated as follows: no less than 5% as employees' bonus which will be settled through issuance of new shares of the Company.
- (f) The distribution of the remaining portion, if any, will be recommended by the board of directors and approved by the shareholders' meeting.

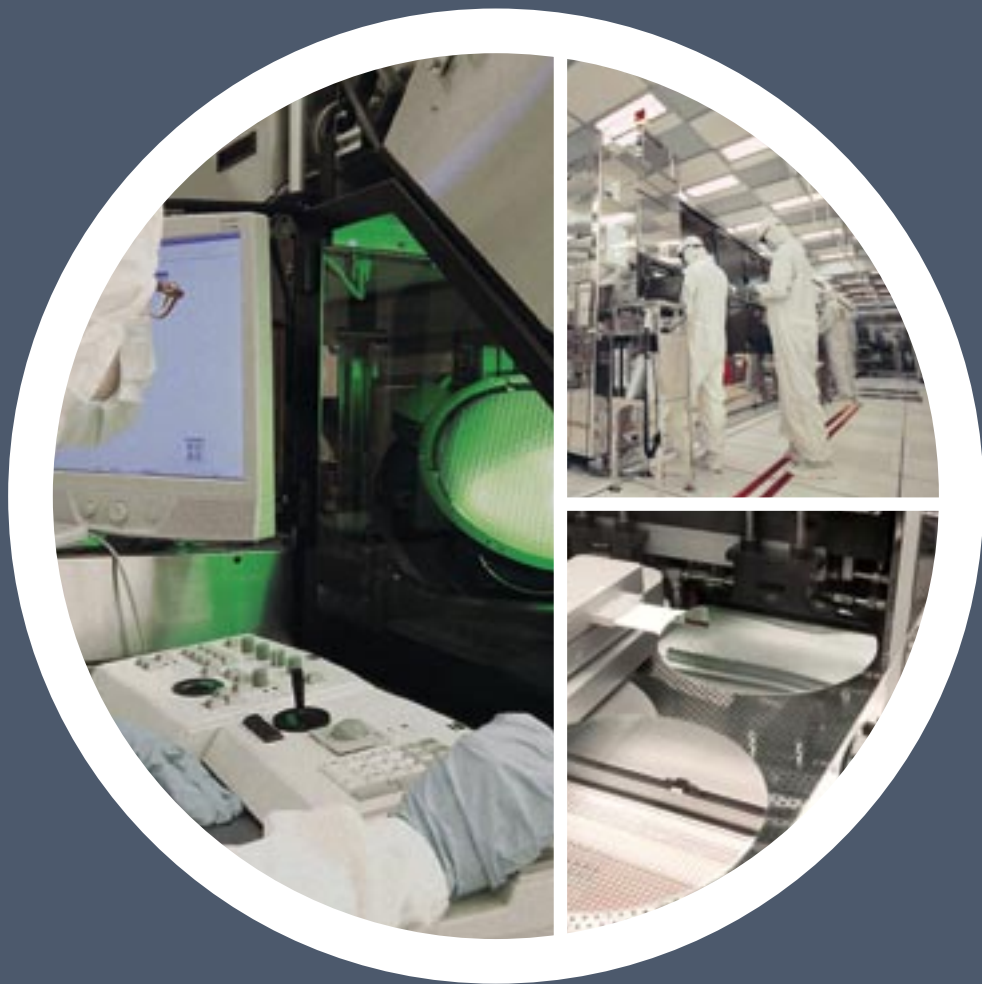
The Company is in its growth stage. The policy for distribution for share bonuses should reflect

such factors as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the benefit of shareholders, share bonus equilibrium, and long-term financial planning. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that at least 50% of the dividends to shareholders, if any, must be paid in the form of stock dividends. Accordingly, no more than 50% of the dividends can be paid in the form of cash.

**Proposed Distribution of Dividend** The Company's proposal for dividend distribution in 2002 was passed on the 21<sup>st</sup> board meeting of the 8<sup>th</sup> term. This proposal, a stock dividend of 40 common shares for every 1,000 shares held, will be discussed at the annual shareholders' meeting.

**Impact of Stock Dividends on Operation Results and EPS** Not Applicable.

**World-class Manufacturing Efficiency** – UMC's fabs never rest, employing three rotating shifts to keep production lines working 24 hours a day. UMC's engineering teams constantly challenge themselves to set industry benchmarks for cycle times and yields.



## Employee Bonus and Directors' and Supervisors' Remuneration

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the manner described on page 21.

**Information on the earnings per share and amount of employee bonus and remuneration to directors and supervisors passed by the board of directors:**

The Company's resolution on earning distribution was passed on the 21<sup>st</sup> and 23<sup>rd</sup> board meeting of the 8<sup>th</sup> term. Details regarding earning

distribution are as follows:

- (a) Stock distribution for employees is NT\$579,726,720 and remuneration paid to directors and supervisors is NT\$5,649,816.
- (b) Stock bonus for employees is 57,972,672 shares, accounting for 8.71% of the 2002 stock dividend.
- (c) In consideration of employee bonuses and remuneration to directors and supervisors, pro forma diluted EPS is NT\$0.44.

**Details of the settlement of 2001 employee bonus and directors' and supervisors' remuneration are as follows:**

Details	For the year ended December 31, 2001				
	As Approved by the Shareholders' Meeting	As Recommended by the Board of Directors	Differences	Reasons for Differences	
Settlement of Employees' Bonus by Issuance of New Shares	Number of shares (in thousands)	171,132	171,132	-	-
	Amount (in thousand NTD)	1,711,320	1,711,320	-	-
	Percentage on total number of outstanding shares at end of year (%)	1.30	1.30	-	-
Remuneration paid to Directors and Supervisors (in thousand NTD)		0	0	-	-
Effect on (Loss) Earnings per Share Before Retroactive Adjustments	Basic and diluted loss per share (NTD)	(0.24)	(0.24)	-	-
	Pro forma basic and diluted loss per share taking into consideration of the employees' bonus (NTD)	(0.37)	(0.37)	-	-

## Share Buy-back History

Instance	4 <sup>th</sup> Round	5 <sup>th</sup> Round	6 <sup>th</sup> Round
Purpose	To transfer to employees	For ECB conversion	To transfer to employees
Buy-back Period	2002.2.20-2002.4.19	2002.8.12-2002.10.11	2003.3.5-2003.5.4
Price Range (NTD)	31-71	21-54	13.8-31
Classification and Volume (shares)	49,114,000	20,693,000	53,450,000
Amount (NTD)	2,178,199,334	561,717,289	1,113,095,373
Cancellation and Transfer Volume (shares)	None	None	None
Cumulative Holding (shares)	215,574,000	236,267,000	289,717,000
Cumulated Holding as a Percentage of Total Issued Shares (%)	1.62	1.53	1.87

Notes (1) The data shown above includes transactions from January 1, 2002 to March 25, 2003. (2) Shares purchased are common shares.

## Corporate Bonds

Type	Secured Corporate Bonds	Unsecured Corporate Bonds	Unsecured Corporate Bonds
Issue Date	2000.4.27	2001.4.16 - 2001.4.27	2001.10.2-2001.10.15
Face Amount	NT\$1,000,000	NT\$1,000,000	NT\$1,000,000
Listing Exchange	ROC OTC Securities Exchange	ROC OTC Securities Exchange	ROC OTC Securities Exchange
Issue Amount	NT\$1,000,000	NT\$1,000,000	NT\$1,000,000
Issue Size	NT\$3.99 billion	NT\$15 billion	NT\$10 billion
Coupon Rate	5.60%	1A01-1A10:5.1850% 1A11-1A19:5.1195% 1B01-1B10:5.2850% 1B11-1B19:5.2170%	2A01-2A09:3.420% 2A10-2A17:3.3912% 2B01-2B09:3.520% 2B10-2B18:3.4896%
Maturity	5 years 2005.4.27	1A – 5 years 2006.4.16-2006.4.27 1B – 7 years 2008.4.16-2008.4.27	2A – 3 years 2004.10.2 - 2004.10.15 2B – 5 years 2006.10.2 - 2006.10.15
Guarantor	ICBC and twenty other banks	–	–
Trustee	Trust Dept., Chiao Tung Bank	Trust Dept., Chiao Tung Bank	Trust Dept., Chiao Tung Bank
Address of Trustee	2F, No.550, Sec 4, Chung Hsiao E. Road, Taipei, Taiwan ROC	2F, No.550, Sec 4, Chung Hsiao E. Road, Taipei, Taiwan ROC	2F, No.550, Sec 4, Chung Hsiao E. Road, Taipei, Taiwan ROC
Underwriter	Daiwa Global Securities Co., Ltd.	–	–
Registrar, Principal Paying, Conversion and Transfer Agent	–	–	–
Address of Agent	–	–	–
Legal Counsel	Chen & Lin Attorneys-at-Law	Chen & Lin Attorneys-at-Law	Chen & Lin Attorneys-at-Law
Auditor	PricewaterhouseCoopers	Diwan, Ernst & Young	Diwan, Ernst & Young
Redemption	Principal will be paid semi-annually after two years, in seven installments. Interest will be paid semi-annually.	1A is a 5-year term, and total size is NT\$7.5 billion. Principal will be paid after 3, 4, and 5 years at 30%, 30%, and 40% respectively. 1B is a 7-year term, and total size is NT\$7.5 billion. Principal will be paid after 5, 6, and 7 years at 30%, 30%, and 40% respectively. Interest will be paid annually.	2A is a 3-year term, and total size is NT\$5 billion. Principal will be paid in full after 3 years. 2B is a 5-year term, and total size is NT\$5 billion. Principal will be paid in full after 5 years. Interest will be paid annually.
Principal Payable	NT\$2.85 billion	NT\$15 billion	NT\$10 billion
Redemption	–	–	–
Covenant	–	–	–
Name of Rating Company, Date and Result of Rating	–	Taiwan Ratings Corporation, 2001.3.8, twAA	Taiwan Ratings Corporation, 2001. 8.28, twAA
Other Obligation	–	–	–
Effect due to Dilution	–	–	–
Name of Custodian	–	–	–

## Corporate Bonds (cont.)

Type	Zero Coupon Convertible Bonds Due 2004	
Issue Date	2001.12.12	
Face Amount	US\$10,000	
Listing Exchange	Luxembourg Stock Exchange	
Issue Amount	US\$10,000	
Issue Size	US\$302,400,000	
Coupon Rate	0%	
Maturity	2 years and 3 months ; 2004.3.1	
Guarantor	-	
Trustee	Citibank, N.A.	
Address of Trustee	Cottons Centre, Hays Lane, London SE1 2QT, United Kingdom	
Underwriter	Morgan Stanley	
Registrar, Principal Paying, Conversion and Transfer Agent	Citibank, N.A.	
Address of Agent	5 Carmelite Street, London EC4Y 0PA, United Kingdom	
Legal Counsel	Simpson Thacher & Bartlett	
Auditor	Diwan, Ernst & Young	
Redemption	Unless previously redeemed, repurchased, cancelled or converted, the bonds will be redeemed at 101.675% of their principal in accordance with the indenture.	
Principal Payable	US\$302,400,000	
Redemption or Early Redemption	After 1.5 years from the issue date, if the USD market value of the ADSs into which the bonds are convertible is at least 130% of the early redemption amount of the bonds for 20 out of 30 consecutive trading days prior to the publication of the redemption notice. The issuer may also redeem the bonds in whole but not in part at any time at the early redemption amount if less than 10% of the issue size in principal amount of the bonds remains outstanding pursuant to the provisions of the indenture.	
Covenant	-	
Name of Rating Company, Date and Result of Rating	-	
Other Obligation	Balance of converting (exchangeable or warrant) shares, ADSs, or other type of securities as of printing date	-
	Policy of issuing or converting (exchangeable or warrant)	Except during the closed period, the bonds are convertible at any time (1) into the common shares of the issuer, on or after 40 days after the issue date up to and including 10 days before the maturity date, or (2) into the ADSs representing the common shares of the issuer, on or after the date on which the shelf registration statement in respect of the ADSs and common shares into which the bonds are convertible undertaken to be filed by the issuer with the United States Securities and Exchange Commission (the Commission) is first declared effective by the Commission, but in no case later than 180 days after issue date, up to and including 10 days before the maturity date. Unless otherwise provided in the indenture, the closed period refers to (1) the period during which under the laws of the ROC, the issuer is required to close its stock transfer books, or (2) the period beginning on the 3rd business day prior to the date on which the issuer holds its board meeting for approving the annual dividend up to (and including) the dividend record date.
Effect on the Current Shareholders due to Dilution	The dilution effect to original shareholders is no more than 0.98% after conversion. The dilution effect is insignificant.	
Name of Custodian	-	

Continued on next page

## Corporate Bonds (cont.)

Type	Zero Coupon Exchangeable Bonds Due 2007
Issue Date	2002.5.10
Face Amount	US\$10,000
Listing Exchange	Luxembourg Stock Exchange
Issue Amount	US\$10,000
Issue Size	US\$235,000,000
Coupon Rate	0%
Maturity	5 years ; 2007.5.10
Guarantor	-
Trustee	Citibank, N.A.
Address of Trustee	Cottons Centre, Hays Lane, London SE1 2QT, United Kingdom
Underwriter	Lehman Brothers Inc.
Registrar, Principal Paying, Exchange and Transfer Agent	Citibank, N.A.
Address of Agent	5 Carmelite Street, London EC4Y 0PA, United Kingdom
Legal Counsel	Simpson Thacher & Bartlett
Auditor	Diwan, Ernst & Young
Redemption	On the maturity date, the issuer will redeem the bonds at their principal amount plus accrued interest, if any, unless, prior to such date: (1) The issuer shall have redeemed the bonds at the option of the issuer, or the bonds shall have been redeemed at the option of the bondholders (2) The bondholders shall have exercised the conversion right before maturity; or (3) The bonds shall have been purchased by the issuer and cancelled.
Principal Payable	US\$235,000,000
Redemption or Early Redemption	(1) The issuer has the option to call all or any portion of the bonds on or at any time after 3 months after the issue date and prior to the maturity date based on the price to be agreed upon, if the closing price of the common shares on the Taiwan Stock Exchange in US dollars, calculated at the prevailing exchange rate, for each of the 20 consecutive trading days, the last of which occurring not more than 10 days prior to the date of the notice of such redemption, is at least 120% of the exchange price in effect on each such trading day translated into US dollars at the rate of exchange established on the pricing date. (2) The Company may redeem the outstanding bonds in whole, but not in part, at their principal amount in the event that 90% of the bonds have been previously exchanged, redeemed or purchased and cancelled. (3) The issuer may redeem all, but not part, of the bonds, at their principal amount in the event of changes in ROC taxation resulting in addition costs to the issuer.
Covenant	-
Name of Rating Company, Date and Result of Rating	-
Other Obligation	-
Balance of converting (exchangeable or warrant) shares, ADSs, or other type of securities as of printing date	
Policy of issuing or converting (exchangeable or warrant)	(1) Bondholders have the right hereunder to exchange the bonds into common shares or ADSs of AU Optronics Corp. (AU). (2) The bondholders may, from forty days after the last issue date to the thirty days prior to the maturity date, exchange the bonds into the common shares or ADSs of AU as a substitute for the issuer's cash redemption. The detailed exchanging procedures and the rights and obligations of bondholders who exchange five business days prior to and during the closed period will be subject to the indenture and the paying, exchange and registrar agency agreement.
Effect on the Current Shareholders due to Dilution	The bonds are eligible to be exchanged into common shares or ADSs of AU. This will not result in any dilution effect to UMC shareholders.
Name of Custodian	Citibank, N.A.

## Corporate Bonds (cont.)

### Convertible Bonds Information

Zero Coupon Convertible Bonds Due 2004		2003	2002	2001.12.12 (Closing Date)
Issuance Conversion Price/	Common share	NT\$69.60	NT\$69.60	NT\$80.76
Adjusted Conversion Price	ADS (representing 5 common shares)	US\$10.10	US\$10.10	US\$11.72
Market Price	High	99.50	117.38	–
	Low	98.75	96.00	–
	Average	99.17	103.22	–
Underlying Conversion		Treasury Stock	Treasury Stock	Treasury Stock

Note The data represented for 2003 was gathered until March 25, 2003.

### Exchangeable Bonds Information

Zero Coupon Exchangeable Bonds Due 2007		2003	2002	2002.5.10 (Closing Date)
The Quantity of Holding Exchanged Securities (Shares)		455,276,250	455,276,250	560,276,250
Exchangeable Price		NT\$58.25	NT\$58.25	NT\$59.34
Market Price	High	95.13	100.00	–
	Low	94.88	92.65	–
	Average	95.00	95.18	–
Reference Shares		Common Shares or ADSs of AU Optronics Corp.		

Note The data represented for 2003 was gathered until March 25, 2003.

### Warrant Bonds Information

None.

## Preferred Stock

None.

## American Depositary Receipts

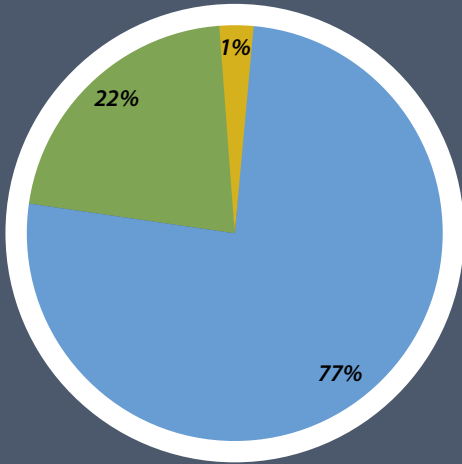
<i>Issue Date</i>	2002.9.9	2002.3.19	2001.8.17	2000.9.19
<i>Listing Exchange</i>	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange
<i>Issue Amount</i>	Stock dividend	US\$439.7 million	Stock dividend	US\$1,291.5 million
<i>Listing Price / Unit</i>	–	US\$9.25	–	US\$14.35
<i>Issue Shares</i>	22,655,667	47,537,780	13,500,000	90,000,000
<i>Underlying Representing Shares</i>	UMC common shares	UMC common shares	UMC common shares	UMC common shares
<i>Number of Equivalent Local Shares per ADS</i>	5 shares	5 shares	5 shares	5 shares
<i>Rights and Obligations of ADS Holder</i>	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder
<i>Trustee</i>	N/A	N/A	N/A	N/A
<i>Depository Bank</i>	Citibank, N.A.	Citibank, N.A.	Citibank, N.A.	Citibank, N.A.
<i>Custodian Bank</i>	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch
<i>Outstanding Balance</i>	22,655,667	47,537,780	13,500,000	90,000,000
<i>Issuing Expenses and Maintenance Fees</i>	During the term of the ADR, the issuing expenses will be borne by the issuer, and maintenance fees will be borne by the Company.			
<i>Important Terms and Conditions of Depositary Agreement and Custodian Agreement</i>	–	–	–	–

## American Depositary Receipt Trading Data

<i>Closing Price per Share (USD)</i>	2003			2002		
	<i>High</i>	<i>Low</i>	<i>Average</i>	<i>High</i>	<i>Low</i>	<i>Average</i>
	3.85	2.96	3.32	11.08	2.98	6.15

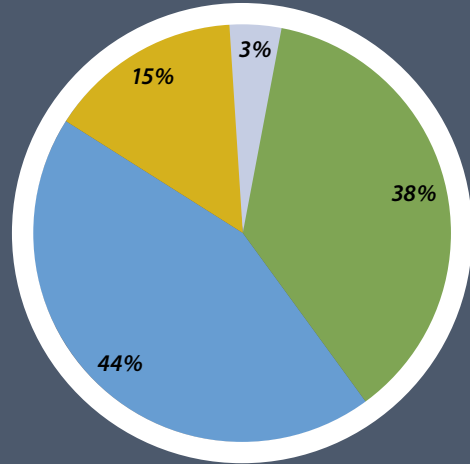
*Note* The data represented for 2003 was gathered until March 25, 2003.

# UMC 2002 Sales Breakdown



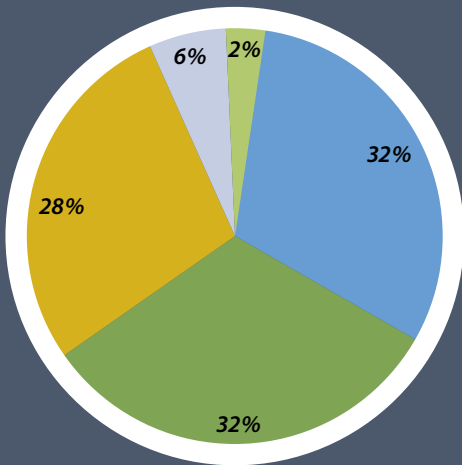
By Customer

■ Fabless ■ IDM ■ System



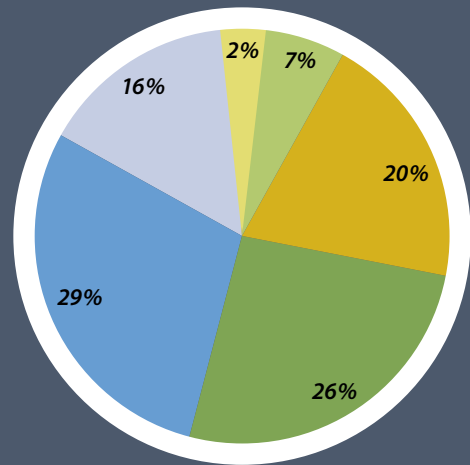
By Region

■ Asia ■ North America  
■ Europe ■ Japan



By Application

■ Communication ■ Consumer  
■ Computer ■ Memory ■ Other



By Technology

■ 0.35-micron ■ 0.25-micron ■ 0.18-micron  
■ ≥0.5-micron ■ 0.15-micron ■ ≤0.13-micron

## Employee Stock Option Certificates

### Status of Stock Option Plan and Impact on Stockholders' Equity

Type	Employee Stock Option Certificates (1 <sup>st</sup> Round)	Employee Stock Option Certificates (1 <sup>st</sup> Round)
Date of Approval	2002.9.11	2002.9.11
Issue Date	2002.10.7	2003.1.3
Units Issued	939,000,000	61,000,000
Ratio of Issue Shares to Outstanding Shares (%)	6.07	0.39
Vesting Period	2002.10.7-2008.10.6	2003.1.3-2009.1.2
Method for Performance of Contract	The issue of new shares	The issue of new shares
Vesting Schedule	The vesting period for employee options is 6 years. Employees may exercise up to 50% of the options after two years, up to 75% after three years and up to 100% after 4 years.	
Exercised Shares	0	0
Exercised Amount	0	0
Un-exercised Shares	939,000,000	61,000,000
Exercise Price	NT\$20.00	NT\$22.50
Ratio of Un-exercised Shares to Outstanding Shares (%)	6.07	0.39
Effect on Current Shareholders Due to Dilution	The strike price for the shares is the market price at the time of issue and the vesting period for employee options is 6 years. The dilution effect to current shareholders is insignificant.	

Notes (1) The data shown above was gathered until March 25, 2003. (2) The date of approval refers to the date when the ROC SFC approved the Stock Option Plan. (3) Each unit of the stock option entitles the recipient to subscribe to one share of the Company's common shares.

### List of Officers and Top 10 Employees Participating in Employee Stock Option Plan

Title	Name	Units Granted	Units granted /total outstanding shares (%)	Un-exercised units	Exercise price	Un-exercised Amount (in thousand NTD)	Units un-exercised /total outstanding shares (%)
Chairman	Robert H.C. Tsao	10,000,000	0.06	10,000,000	20	200,000	0.06
CEO	John Hsuan	10,000,000	0.06	10,000,000	20	200,000	0.06
President	Peter Chang	10,000,000	0.06	10,000,000	20	200,000	0.06
Business Group President	Hong-Jen Wu	10,000,000	0.06	10,000,000	20	200,000	0.06
Business Group President	Ching-Chang Wen	10,000,000	0.06	10,000,000	20	200,000	0.06
CMO	Chris Chi	10,000,000	0.06	10,000,000	20	200,000	0.06
Business Group President	Fu-Tai Liou	10,000,000	0.06	10,000,000	20	200,000	0.06
CFO	Stan Hung	10,000,000	0.06	10,000,000	20	200,000	0.06
Vice President	W Y Chen	8,000,000	0.05	8,000,000	20	160,000	0.05
Vice President	Henry Liu	8,000,000	0.05	8,000,000	20	160,000	0.05

Notes (1) The data shown above was gathered until March 25, 2003. (2) Employees listed in this table are the top 10 holders of stock options and each subscription amount exceeds NT\$30 million.

## Mergers And Acquisitions or the Issue of New Shares to Acquire Another Company's Shares

None.

**300mm Fab Automation** – UMC responds to the rigorous requirements for manufacturing efficiency, flexibility, and control with state-of-the-art automated systems featuring Front Opening Universal Pods (FOUPs), Automated Material Handling Systems (AMHS), and overhead Rail Guided Vehicles (RGV).



## Operations Overview



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## Business Scope

### **Major Business**

Full Service Semiconductor Wafer Foundry.

### **Current Products and Services**

UMC provides a variety of services to fit individual customer's needs, including intellectual property, embedded IC design, design verification, mask tooling, wafer fabrication, and testing. Wafer fabrication accounts for 95.5% of 2002 revenues.

### **Future Products and Services**

#### ***Advanced 90-nanometer and 65-nanometer Processes***

UMC has reached world-class manufacturing levels and leads most of the major semiconductor companies in the introduction of advanced deep sub-micron processes. In 2002, customer products were in volume production using UMC's advanced 0.13-micron copper technology. Significant progress is also being made for UMC's 90-nanometer

and 65-nanometer process development.

### ***300mm Manufacturing Technologies***

UMC is a leader in 300mm manufacturing. UMC's 300mm facility in Taiwan's Tainan Science-Based Industrial Park, Fab 12A, began volume production in 2002. UMC's joint venture with Infineon, UMCi Pte. Ltd., began construction of a 300mm Fab in Singapore in 2001 and began equipment move-in in the first quarter of 2003. UMCi is scheduled for product qualification in the second quarter of 2003.

### ***SoC Process Technologies***

In response to the growing trend towards System-on-Chip (SoC) products, UMC continues to develop resources for SoC designers including embedded memory macros, RF CMOS and mixed-signal processes, and other system integration technologies used for SoC designs.

## Research & Development Achievements and Plans

The mandate of our R&D team is to provide the highest performance technologies at the lowest possible costs. In achieving this goal, we have consistently introduced our leading-edge technology ahead of the International Technology Roadmap for Semiconductor (ITRS) roadmap by one or two years. Furthermore, we continue to shorten the transition time between technology development and mass production, thereby improving the time-to-market margin for our customers. In 2002, over half of UMC's revenue came from products built using 0.25-micron and below technologies, including 0.21-micron, 0.18-micron, 0.15-micron, and 0.13-micron processes.

Our 0.13-micron standard logic process is designed to offer the lowest process cost while incorporating multiple device options to accommodate different design applications, including High Speed, Standard Performance, and Low Leakage devices. Besides successfully delivering our 0.13-micron copper process and low-k inter-metal dielectric technology, our development team achieved breakthroughs in yield enhancement that enabled PC periphery, graphic, ASIC, MPU, PLD and communication customers to enter mass production of their products using this technology.

In addition to our 0.13-micron standard logic process, we also developed a Metal-Insulator-Metal capacitor (MIM capacitor) and inductor for our Mixed-Signal and RF CMOS technology platform, ideal for communications, digital consumer product, and internet applications.

With regard to our memory technologies, our development team has successfully developed and qualified 0.13-micron Deep-Trench embedded DRAM, 1T-SRAM, 6T-SRAM, embedded 6T-SRAM and embedded flash memory. With these technologies, UMC is the only foundry company that can provide low, medium, and very high density embedded memory solutions for leading-edge System-on-Chip (SoC) designs.

In 90-nanometer technology development, by the first quarter of 2003, we had successfully completed a pilot run and verified customer designs for this technology. We expect to begin volume production later in the year. This technology features 70-nanometer transistor gate lengths, 9 copper interconnect layers, and low-k inter-metal dielectric. In addition, we are cooperating with several Integrated Device Manufacturers (IDMs) early in the process development stage to jointly develop tailored technologies and shorten product development and manufacturing cycle times.

**Fundamental Research** Since becoming the first international member of the Semiconductor Research Corporation (SRC) in 2000, UMC has been an active participant on every SRC program, working with fellow member companies such as Intel, IBM, TI, Motorola, and AMD on fundamental research in semiconductor technologies. Through the SRC, UMC has facilitated the entry of many Taiwanese universities into international research programs. This experience helps cultivate more international-standard local designers and process engineers. These efforts further enhance UMC's competitiveness while also encouraging competitive innovation among universities, whose students will form the future backbone of our industry.

**Patent Applications and Patents Granted** From the beginning of 2002 through March 25, 2003, UMC filed 515 patent applications. For the same period, UMC was granted 429 ROC patents, 320 U.S. patents, and 53 patents from other countries.

### R&D Expenditures

In thousand NTD	2003	2002
Expenditures	963,730	7,031,971

*Note* The data represented for 2003 was gathered until March 25, 2003; the figure represented was unaudited.

## Market and Sales Conditions

**Major Sales Regions** UMC's technologies and services have proven themselves by contributing to the success of our customers, many of who are major players in the global IC industry. Currently, the majority of our customers are located in North America and Asia, with Europe following closely behind. Japanese customers' orders primarily go to UMC's subsidiary in Japan, UMCJ, although a few customers deal directly with UMC. To better diversify its customer base and reduce risk, UMC continues to place strong emphasis on the development of major accounts and advanced products in Japan.

**Market Share** UMC is a leading company in the foundry industry. UMC's sales revenue in 2002 was US\$1.94 billion, representing a global foundry market share of 26%. TSMC & Chartered are considered major competitors. Together, TSMC, UMC and Chartered are estimated to account for approximately 94% of the foundry market share. In 2002, sales revenues for TSMC and Chartered were US\$4.65 billion and US\$449 million, respectively. In 2002, TSMC and Chartered had a market share of 62% and 6%, respectively.

### **Future Market Supply, Demand, and Growth Potential**

According to reports by the World Semiconductor Trade Statistics (WSTS), the Semiconductor Industry Association (SIA), and IC Insights, the world semiconductor market in 2003 is estimated to grow about 15%-19%. The reports are also optimistic about the market outlook for 2004, and estimate growth of an additional 19%-21% in 2004.

Fabless design companies have historically performed better than the overall semiconductor market. Furthermore, increasing numbers of Integrated Device Manufacturers (IDMs) are adopting the strategy of using external foundry services. Therefore, the foundry service market is expected to grow at a faster rate than the overall semiconductor industry.

In 2001 and 2002, semiconductor companies significantly decreased their capacity expansion spending for advanced process technologies, which has led to a shortage in advanced technology capacity. This situation is expected to continue through 2003.

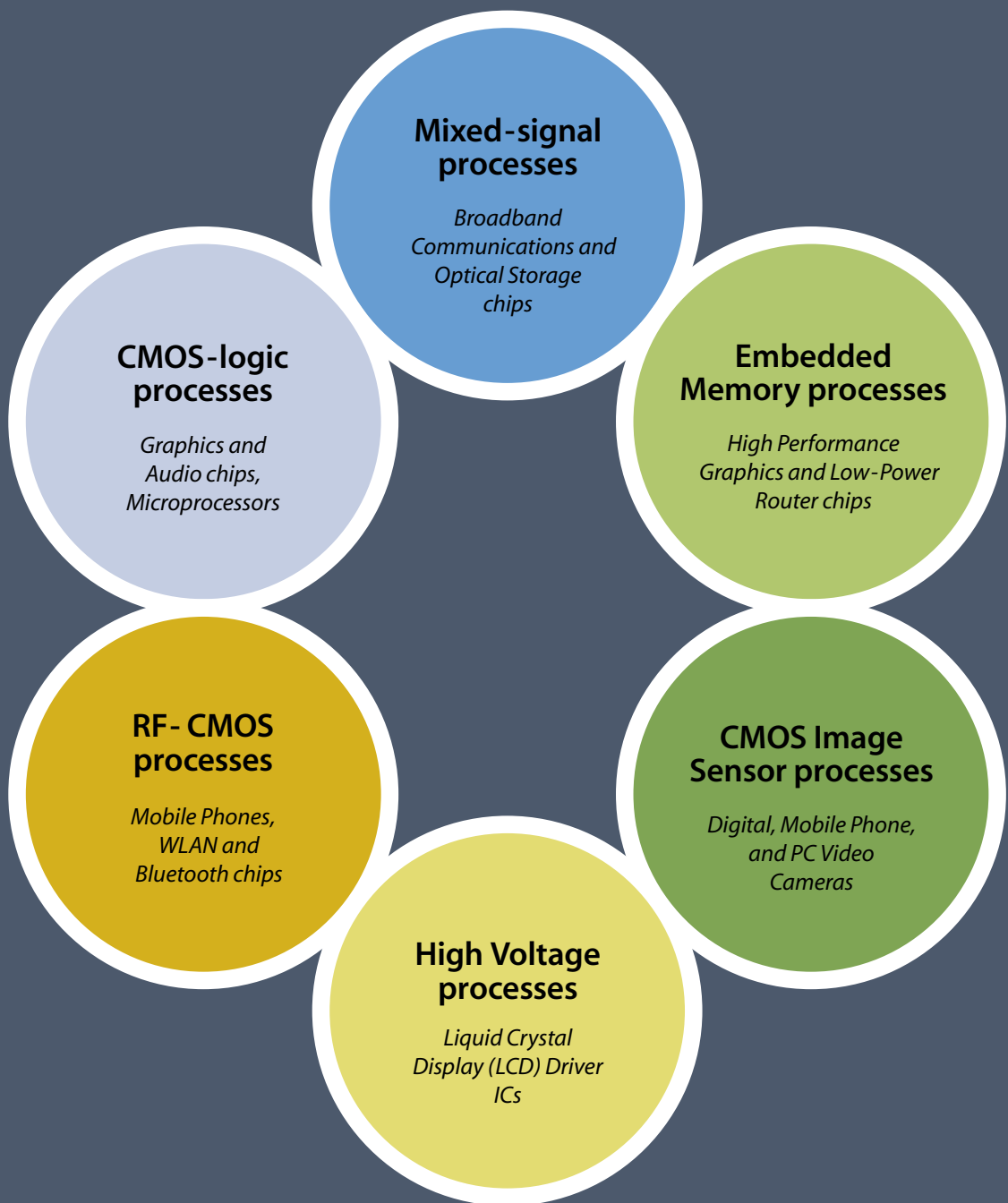
**Competitive Advantages** IC design companies in Taiwan are performing well, and are second only to North American IC design firms. UMC has a high market share in the Taiwan market and can directly enjoy the advantages accompanying the rapid growth of Taiwan's IC design companies.

The IC industry in Taiwan is well structured and is very competitive in terms of efficiency and cost. UMC plays an important role in the IC industry supply chain, and together with the Company's technology leadership, UMC is able to realize the competitive advantages of Taiwan's IC industry.

### **Positive Factors Relating to Future Development**

Considering the long-term steady growth of the IC industry, the relative advantages of foundry manufacturing, and UMC's technical excellence, we believe that the following factors will contribute positively to the future development of the Company:

- UMC has distinguished itself as a top-tier company in the foundry industry. The trend towards increased disintegration within the industry will create new opportunities for the Company as the market for foundry services continues to grow.
- Major IDMs are shifting their strategy to increase their use of external foundry services, which will help the growth of the foundry service market.
- UMC maintains stable long-term orders through its strategic alliances with global industry leaders.
- UMC has an exceptional management team that strongly emphasizes the research and development of advanced process technologies.
- UMC is the industry leader in the implementation of 300mm wafer production. The Company has a 300mm facility, Fab 12A, in the Tainan



### The Foundry Industry's Most Comprehensive Technology Portfolio

UMC serves its customers around the globe with an unparalleled portfolio of leading-edge process technologies, each optimized to meet the unique requirements of a wide range of consumer, communications, and computer applications.

## Market and Sales Conditions (cont.)

Science-Based Industrial Park. The Company also has another 300mm semiconductor foundry company in Singapore, UMCi Pte. Ltd., a joint venture with Infineon. UMC's aggressive expansion into 300mm capacity will help attract more outsourcing orders from IDMs and fabless companies.

- UMC is in volume production for 0.13-micron process technology. As the Company produces more advanced technology products, the Company reaps higher profits while offering customers value-added benefits.
- In response to the trend of producing greater numbers of SoC products, UMC continues to develop embedded memory macros, mixed-signal processes, and other system integration technologies used in SoC designs.
- After a year of consolidation with 1-3% growth in 2002, the global semiconductor market is estimated to grow at a significant rate of 15-19% in 2003.
- The industry is currently suffering from a shortage of advanced technology capacity. UMC is one of the very few foundries that can provide this type of capacity.

### Negative Factors Relating to Future Development

- The demand slowdown in the personal computer markets (from high growth to medium-low growth) may negatively influence the industry.
- The recent prosperity of the foundry market has attracted many new competitors into the market; this may negatively impact the market balance.

### Adaptations to Market Situation

- In response to other foundry market entrants, UMC will build on its competitive advantages, such as leading-edge technologies, high manufacturing yields, and comprehensive customer services. This will widen the gap with these new competitors, and differentiate UMC from the rest

of the industry. This strategy will ensure UMC remains a primary choice for foundry customers.

- The Company will strive to provide the most advanced technologies for various IC applications and simultaneously meet high performance, low power consumption needs while helping customers to reduce overall costs.
- UMC will also strengthen marketing effectiveness, strive for service excellence and continue with efforts to increase customer satisfaction.
- UMC will strengthen its partnerships with existing customers to facilitate enhanced growth for both the Company and its customers.

### Applications of Major Processes

- CMOS-logic processes: Chips for logic-calculation functions, e.g. graphics chips, audio chips, and microprocessors.
- Mixed-signal processes: Chips for processing mixed-signals, e.g. broadband communications and optical storage chips.
- RF CMOS processes: Chips for wireless communications, e.g. cellular phones, WLAN, and Bluetooth chips.
- Embedded memory processes: Chips combining logic and memory functions for high performance; low power consumption chips, e.g. graphics and router chips.
- High Voltage processes: for manufacturing LCD Driver ICs.
- CMOS Image Sensor processes: for manufacturing CMOS Image Sensors used in digital and PC cameras.

**Product Manufacturing Process** The IC manufacturing process can be broken down into five major steps including circuit design, mask tooling, wafer fabrication, assembly and test. UMC excels in the research and development of pioneering IC process technologies, and provides outstanding manufacturing capabilities and solutions for our customers to rapidly realize their designs in silicon.

## Major Vendors and Customers

### Major Vendors

In thousand NTD

Name	2002		Name	2001	
	Amount	Percent- age of Net Purchases		Amount	Percent- age of Net Purchases
Shin-Etsu Handotai Taiwan Co., Ltd.	2,273,128	15	Shin-Etsu Handotai Taiwan Co., Ltd.	1,805,200	17
San Fu Chemical Co., Ltd.	952,321	6	San Fu Chemical Co., Ltd.	823,613	8
Applied Materials Taiwan	790,655	5	Formosa Komatsu Silicon Corporation	619,498	6
Taisil Electronic Materials Corp.	773,368	5	Taisil Electronic Materials Corp.	565,523	5
Marketech International Corp.	568,077	4	Marketech International Corp.	385,636	4
Formosa Komatsu Silicon Corporation	552,703	4	Mitsui & Co., Ltd.	342,712	3
TOPCO Scientific Co., Ltd.	469,125	3	Dery Resources Taiwan Inc.	314,784	3
Rodel Inc.	409,948	3	TOPCO Scientific Co., Ltd.	297,026	3
Air Liquide Far Eastern Ltd.	367,523	2	Wah Lee Industrial Corp.	238,690	2
Toshiba Ceramics Co., Ltd.	319,358	2	Applied Component Technology Corporation	234,153	2

*Reasons for changes in procurement amount* Purchase amounts increased in 2002 from the previous year because of increased needs and a consolidation of orders among fewer vendors to obtain lower prices.

### Major Customers

In thousand NTD

Name	2002		Name	2001	
	Amount	Percent- age of Net Sales		Amount	Percent- age of Net Sales
UMC Group (USA)	27,917,057	41	UMC Group (USA)	27,055,238	42
a	7,313,672	11	United Microelectronics (Europe) B.V.	6,038,583	9
b	4,469,331	7	b	4,402,394	7
United Microelectronics (Europe) B.V.	3,822,123	6	a	3,569,172	6
c	2,810,606	4	d	2,453,032	4
d	2,762,128	4	c	1,558,517	2
e	1,468,483	2	h	1,085,535	2
f	1,436,216	2	g	1,058,715	2
g	1,266,681	2	e	1,031,611	2
h	1,250,554	2	f	999,170	2

*Reasons for changes in sales amount* Sales to a, c, e, and f in 2002 increased over 20% from 2001, primarily because of the semiconductor industry recovery and the increase in demand from market end users. However, sales to United Microelectronics (Europe) B.V. declined more than 20% from 2001, primarily because of a decrease in customer orders.

## Major Raw Materials Status

Material Categories	Major Vendors	Vendors' Market Position	UMC's Procurement Strategies
Raw Silicon Wafers	<p>S.E.H. (manufactured in the U.S., Japan, Taiwan, and Malaysia)</p> <p>MEMC (manufactured in the U.S. and Taiwan)</p> <p>Komatsu (manufactured in Japan and Taiwan)</p>	<p>UMC's vendors are major raw silicon wafer suppliers to the world. Their factories, located in the U.S., Japan, Taiwan, and throughout Southeast Asia, can consistently supply high-quality silicon wafers in sizes ranging from 150mm to 300mm.</p>	<p>1. UMC maintains good relationships with the world's major silicon wafer suppliers to assure a stable supply.</p> <p>2. UMC's decision to procure wafers made locally has not only reduced logistical risks, but has also reduced costs.</p> <p>3. UMC allocates procurement among its vendors according to their overall performance, which is evaluated quarterly by UMC's internal Suppliers Management Committee.</p>

## Production and Sales Figures

### Production Figures

	2002		2001	
	Quantity	Amount (In thousand NTD)	Quantity	Amount (In thousand NTD)
Wafers (pcs)	1,639,525	53,372,766	1,284,593	46,037,705
Chips (in thousands)	–	–	19,832	701,396
Packaged ICs (in thousands)	11,159	1,637,572	104,907	8,936,365
<b>Total Amount</b>		<b>55,010,338</b>		<b>55,675,466</b>
Capacity (pcs)	2,663,000		2,859,061	

Note Wafer quantity and capacity are expressed in 200mm wafer equivalents.

### Sales Figures

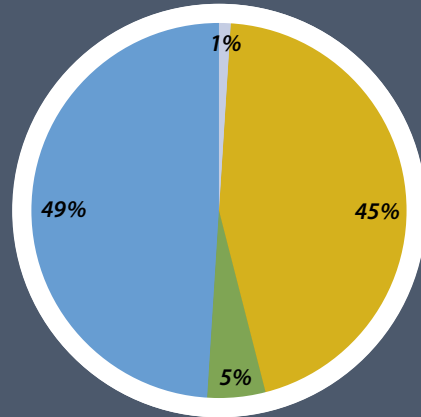
		2002		2001	
		Quantity	Amount (In thousand NTD)	Quantity	Amount (In thousand NTD)
Wafers (pcs)	Domestic	857,750	26,217,747	556,276	17,007,210
	Export	676,506	31,552,147	661,922	34,632,498
Chips (in thousands)	Domestic	863	71,947	15,897	176,930
	Export	40,843	4,864,833	32,842	3,394,360
Packaged ICs (in thousands)	Domestic	132	12,708	56,481	2,723,014
	Export	11,022	1,663,312	46,951	3,575,021
Total	Domestic		26,302,402		19,907,154
	Export		38,080,292		41,601,879

Note Wafer quantity is expressed in 200mm wafer equivalents.

# Employee Analysis

## Number of Employees

Year	2003	2002	2001
Engineers	3,851	4,113	3,753
Administrators	430	452	425
Clerks	88	91	114
Technicians	4,291	4,478	4,251
<i>Total</i>	8,660	9,134	8,543



## Average Age

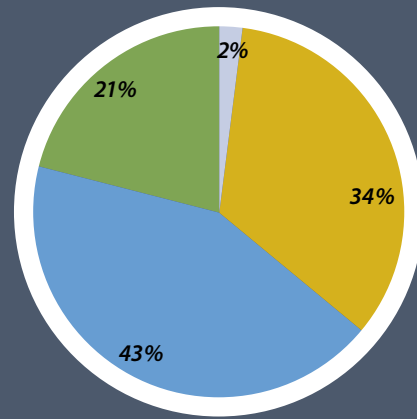
Year	2003	2002	2001
Average Age	30.0	30.9	30.5

## Average Years of Employment

Year	2003	2002	2001
Average Number of Years	5.0	4.5	4.0

## Level of Education (%)

Year	2003	2002	2001
Ph.D.	1.5	1.5	1.5
Masters Degree	20.3	21.1	19.8
Bachelors/Associate Degree	43.4	43.3	42.5
Secondary School	34.3	33.6	35.6
Others	0.5	0.5	0.6



*Note* The data represented for 2003 was gathered until March 25, 2003.

## Environmental Protection Information

At UMC, environmental protection is as important to us as the development of our core semiconductor business. Our achievements in this area have not gone unnoticed. The World Bank Group, during its 2002 Global Summit of Sustainable Development, recognized UMC's excellent environmental protection performance. This honor affirms UMC's belief that environmental protection is not only compatible with, but is a cornerstone of our business development. Our environmental management goals are not only to abide by local and international regulations, but also to be a responsible citizen of the global village by setting a positive example.

UMC's environmental protection and pollution control plan addresses all aspects of the environment. In 2002, capital expenditures for pollution control equipment were NT\$230 million and the average monthly operational cost was NT\$20 million. Monthly waste disposal fees were NT\$5 million and the annual cost for the environmental monitoring program was NT\$15 million. Major environmental protection expenses in the future will include: (a) the costs required to maintain or upgrade existing systems; (b) operational costs for pollution control equipment (NT\$20 million per month); (c) waste disposal fees (NT\$5 million

per month); and (d) the cost for the environmental monitoring program (NT\$10 million annually).

UMC employs professionals to implement its environmental policy, in areas ranging from pollution prevention to sustainable development. In the past year, UMC not only met environmental regulations, but also distinguished itself with its environmental protection performance. Over the years, UMC has received many widely recognized awards such as the National Outstanding Award of Environmental Protection, the National Outstanding Award of the Performance of Industrial Pollution Control, the Energy Conservation Award, the Green Office Award, the Excellent Environmental Professional Award, and the Excellent Award of 2002 Hsinchu City Environmental Report Assessment.

In 2002, Fab 12A received both certification for ISO-14001 and OHSAS-18001 (OHSAS, Occupational Health and Safety Assessment Series) by Det Norske Veritas (DNV) at the same time. UMC also achieved the integration of the ISO-14001 and OHSAS-18001 system in all its Taiwan fabs. In the future, UMC plans to further integrate its environmental protection, safety and health (ESH) management system into daily operations to realize its vision.

## Labor Relations

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

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

To provide our employees with a facility to

improve their health and well-being, UMC began building an employee recreation center in 2001, which subsequently opened in March 2003. The employee recreation center is equipped to support a variety of activities, such as sports, entertainment, the arts, and community meetings.

The Council of Labor Affairs and other organizations have recognized UMC's efforts in developing good labor relations. These organizations awarded UMC the Model Institution for the Promotion of Labor Welfare, Model Enterprise for the Promotion of Labor Education, and the Model Enterprise for Industrial Relations distinctions.

## Major Agreements

### Major Long-term Supply and Marketing Agreements

In order to maintain a worldwide marketing presence, UMC has entered into long-term distribution, sales, service and support agreements. In

addition, UMC has maintained a long-term supply business relationship with major wafer material vendors. The major contents of these agreements are described below:

Company Name	Contract Period	Major Contents	Limitations
UMC Group (USA)	2002.1.1-2003.12.31	Semiconductor products sales and relevant services	None material
United Microelectronics (Europe) B.V.	Indefinite Period	Semiconductor products sales and relevant services	None material
Shin-Etsu Handotai Taiwan Co., Ltd.	Indefinite Period	150mm, 200mm and 300mm raw wafer supply	None material

**Major License Agreements** UMC is committed to the protection and enhancement of intellectual property. Based on over twenty years of investment, UMC has been awarded more US patents in the semiconductor field than any other independent

foundry in the world. UMC also has cross licensing agreements with major semiconductor patent holders to ensure that customers do not face infringement claims as a result of UMC services. Some of the major licenses include:

Cross License (Company Name)	License Period	Fields of Protection	Limitations
American Telephone & Telegraph Corporation/ Lucent Technologies GRL Corporation/ Agere Systems Guardian Corporation	1999.1.1-2003.12.31	Process and topography	None material
Harris Corporation	1997.11.28-2003.12.31	Process and topography	None material
Hitachi, Ltd.	1999.4.8-2003.12.31	Process and topography	None material
International Business Machines Corporation	1998.8.1-2005.12.31	Process, topography and design	None material
Motorola, Inc.	1995.1.1-2002.12.31	Process, topography and design	None material
Texas Instruments Incorporated	1998.8.28-2007.12.31	Process, topography and memory content	None material

### Major Joint Venture and Construction Agreements

Company Name	Contract Period	Major Contents	Limitations
UMCi Pte. Ltd., Infineon Technologies AG, EDB Investments Pte Ltd.	Since 2001.3.30	UMC, UMCi, Infineon and EBD Investments entered into a joint venture in the Pasir Ris Wafer Fab Park in Singapore for the manufacture of 300mm wafers with leading technology; UMC will be the controlling shareholder with rights to more than 60% of the output.	None material
Various Construction or Engineering Companies, such as: Taiwan Kumagai Co., Ltd., Shing Chyou Engineering Co., Ltd., Hueng Luei Co., Ltd., Chung-Hsin Electric & Machinery Mfg Corporation, Go-In Engineering Co., Ltd.	2002.1.1-2003.12.31	UMC contracted with major construction and engineering companies to build or expand semiconductor facilities in the Hsinchu Science-Based Industrial Park and Tainan Science-Based Industrial Park with total contract amounts exceeding NT\$0.2 billion.	None material
Advanced Micro Devices, Inc.	2002.1.31-indefinite	UMC and AMD entered into agreements for joint development of 90-nanometer and 65-nanometer processes, a joint venture fabrication facility in Singapore, and a foundry relationship covering the manufacture of a significant portion of AMD's semiconductor fabrication needs. In December 2002, UMC and AMD verbally agreed to wind down their joint development efforts, but their other agreements remain in place.	AMD and UMC agreed to avoid using jointly developed processes in direct competition with one another.

## Major Agreements (cont.)

**Major Long-term Loan Agreements** UMC is committed to building and maintaining state-of-the-art wafer fabrication facilities that will allow UMC to maintain its position as a premier independent wafer foundry and maintain the capacity needed

to support its continued growth. In order to provide the necessary capital required to support such projects, UMC has, from time to time, obtained loans from commercial banks. Some of these loans include:

<i>Company Name</i>	<i>Contract Period</i>	<i>Major Contents</i>	<i>Limitations</i>
Chinatrust Commercial Bank and 12 other participant banks	1995.2.23 – 2002.2.23	Chinatrust Commercial Bank arranged the syndicated loan and the facility amount was approximately NT\$8.8 billion. The loan was for Fab 8A's capital expenditure.	None material
Citibank and 13 other participant banks	1996.6.19 – 2002.8.2	Citibank arranged the syndicated loan and the facility amount was US\$100 million. The loan was for Fab 8A's capital expenditure.	None material
Chiao Tung Bank and 9 other participant Banks.	1996.6.20 – 2004.4.11	Chiao Tung Bank arranged the syndicated loan and the facility amount was approximately NT\$4.3 billion. The loan was for Fab 8E's capital expenditure.	None material
Chiao Tung Bank and 17 other participant Banks.	1996.9.20 – 2005.5.26	Chiao Tung Bank arranged the syndicated loan and the facility amount was approximately NT\$12.3 billion. The loan was for Fab 8C's capital expenditure.	None material
Chiao Tung Bank and 8 other participant Banks.	1998.2.18 – 2005.9.18	Chiao Tung Bank arranged the syndicated loan and the facility amount was approximately NT\$4.3 billion. The loan was for Fab 8E's capital expenditure.	None material
Citibank and 13 other participant banks	1998.8.18 – 2003.8.18	Citibank arranged the syndicated loan and the facility amount was NT\$2.7 billion. The loan was for Fab 8C's capital expenditure.	None material
Taiwan Cooperative Bank	1998.11.14 – 2009.5.14	UMC contracted with Taiwan Cooperative Bank for Testing Building financing. The facility amount was NT\$700 million.	None material
Taipei Bank	1999.3.25 – 2009.2.25	UMC contracted with Taipei Bank for United Tower Building financing. The facility amount was NT\$1.5 billion.	None material
Chiao Tung Bank and 13 other participant Banks.	1999.11.22 – 2007.9.25	Chiao Tung Bank arranged the syndicated loan and the facility amount was approximately NT\$3.9 billion. The loan was for Fab 8E's capital expenditure.	None material
The International Commercial Bank of China and 20 other participant Banks.	2000.1.28 – 2007.1.28	The International Commercial Bank of China arranged the syndicated loan and the facility amount was approximately NT\$8 billion. The loan was for Fab 8F's capital expenditure.	None material

## Litigation and Non-litigated Incidents

In February 1997, Micron Technology Inc. (Micron) filed an antidumping petition regarding Static Random Access Memory (SRAM) made in Taiwan. An antidumping order, issued in April 1998, imposed various dumping duties on SRAM made in Taiwan, if and when those SRAM are imported into the USA. This order was subsequently reversed by the United States Court of International Trade, and that reversal was upheld, on September 21, 2001, by the United States Court of Appeals for the Federal Cir-

cuit. On January 3, 2002 (USA time), the US International Trade Commission announced in the Federal Register its final negative determination, made pursuant to this reversal. Accordingly, this matter will have no material effect on the Company's business or financial performance.

Oak Technology, Inc. (Oak) and UMC entered into a settlement agreement on July 31, 1997 concerning a complaint filed with the United States International Trade Commission (ITC) by Oak against

## Litigation and Non-litigated Incidents (cont.)

UMC and others, alleging unfair trade practices based on alleged patent infringement regarding certain CD-ROM controllers. On October 27, 1997, Oak filed a civil action in a California federal district court, alleging claims for breach of the settlement agreement and fraudulent misrepresentation. UMC has formally denied the material allegations of the Complaint, and asserted counterclaims against Oak for breach of contract, intentional interference with economic advantage and rescission and restitution based on fraudulent concealment and/or mistake. UMC also asserted declaratory judgment claims for invalidity and unenforceability of the relevant Oak patent. On May 2, 2001, the United States Court of Appeals for the Federal Circuit upheld the ITC's findings of no patent infringement and no unfair trade practice arising out of a second ITC case filed by Oak against UMC and others. Based on the Federal Circuit's opinion and on a covenant not to sue filed by Oak, the declaratory judgment patent counterclaims were dismissed from the district court case. However, Oak seeks damages in excess of US\$750 million on its breach of contract and other claims. UMC believes that Oak's claims are meritless, and intends to vigorously defend the suit, and to pursue its counterclaims. As with all litigation, however, UMC cannot predict the outcome with certainty.

UMC filed a civil action in California federal district court against Silicon Integrated Systems and its U.S. subsidiary (collectively, SiS) in December 2000, for patent infringement, unfair competition, breach of contract, intentional interference with contract, misappropriation of trade secrets, and unjust enrichment. In January 2001, UMC filed a petition with the United States International Trade Commission (ITC), alleging patent infringement by SiS regarding certain processes for the manufacture of integrated circuits and regarding certain integrated circuit

devices. The ITC issued its Final Determination on October 7, 2002, finding that SiS infringed a UMC patent and rejected all SiS defenses with respect to that claim. The ITC issued an exclusion order that took force in December 2002 and bars the importation of SiS products made with the infringing process. On March 12, 2003, UMC and SiS entered a final settlement of the district court and ITC proceedings, which obligates the parties to file dismissals of the pending proceedings, and grants SiS a license under the patents involved. Subsequently, UMC and SiS filed requests to have the proceedings dismissed or resolved, and the parties expect the matters will shortly be concluded. Whatever the outcome of the ITC or district court cases, UMC believes these matters will have no material adverse effect on its business or financial performance.

In November of 2002, Library Technologies, Inc. (LTI) filed suit against Virtual Silicon Technology (VST), Silicon Metrics Corporation (SMC), UMC, and UMC's subsidiary UMC Group (USA) (collectively, UMC) in Federal District Court in San Francisco, California. LTI alleges in this case that UMC infringed LTI's copyrights, committed unfair competition, trade secret misappropriation, and tortious interference with contract in connection with the allegedly unauthorized copying and use of LTI's software related to library characterization tools. For the most part, the claims arise from allegedly wrongful conduct by VST, which UMC is alleged to have encouraged. UMC has filed a motion to dismiss the claims against UMC. UMC intends to continue to defend this matter vigorously. UMC management does not believe this matter will have any material adverse impact on UMC's operations and/or financial performance. The case is in the early stages, however, and so it is premature to comment on the likely eventual outcome.

**UMCi, Pasir Ris Science Park, Singapore** – When UMC’s affiliated foundry enters production in 2003, it will be the most advanced manufacturing facility in Southeast Asia, and a symbol of UMC’s support for Singapore’s development as a world-class high-tech industry center.



## Acquisition and Disposal of Major Assets

### Acquisition of Major Assets

#### United Microelectronics Corporation

Asset	Acquisition Date	Purchase Price (In thousands)	Seller	Relation with the Company	Used for
Equipment	2001.8.8 - 2002.2.7	NT\$320,206	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2002.3.15 - 2002.3.22	NT\$731,284	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2002.2.8 - 2002.3.27	NT\$588,040	ASML Hong Kong Ltd.	None	IC manufacturing
Equipment	2001.9.28 - 2002.3.29	NT\$690,465	KLA-Tencor Corporation	None	IC manufacturing
Equipment	2002.4.1	NT\$351,047	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2002.4.9	NT\$467,169	ASML Hong Kong Ltd.	None	IC manufacturing
Equipment	2002.4.9 - 2002.4.18	NT\$455,545	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2002.3.29 - 2002.4.18	NT\$422,653	SpeedFam - IPEC, Inc.	None	IC manufacturing
Equipment	2001.9.6 - 2002.4.26	NT\$357,870	Lam Research Corporation	None	IC manufacturing
Equipment	2002.4.19 - 2002.4.29	NT\$700,605	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2002.4.30	NT\$754,940	ASML Hong Kong Ltd.	None	IC manufacturing
Equipment	2001.11.26 - 2002.4.30	NT\$531,802	Tokyo Electron Limited	None	IC manufacturing
Equipment	2002.5.2	NT\$380,181	ASML Hong Kong Ltd.	None	IC manufacturing
Equipment	2002.5.3	NT\$319,424	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2002.5.13	NT\$370,086	ASM Japan K.K.	None	IC manufacturing
Equipment	2002.4.10 - 2002.5.16	NT\$302,114	Agilent Technologies Singapore	None	IC manufacturing
Equipment	2002.5.17 - 2002.5.29	NT\$730,646	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2002.3.29 - 2002.5.30	NT\$351,959	Novellus Systems, Inc.	None	IC manufacturing
Equipment	2002.4.25 - 2002.6.3	NT\$376,191	Matson Technology Inc.	None	IC manufacturing
Equipment	2001.9.20 - 2002.6.3	NT\$309,278	Boc Edwards	None	IC manufacturing
Equipment	2002.5.28 - 2002.6.4	NT\$324,554	Tokyo Electron Limited	None	IC manufacturing
Equipment	2002.6.10	NT\$317,492	SpeedFam - IPEC, Inc.	None	IC manufacturing
Equipment	2002.6.11 - 2002.6.21	NT\$326,444	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2002.6.21	NT\$1,208,418	ASML Hong Kong Ltd.	None	IC manufacturing
Equipment	2002.6.6 - 2002.6.21	NT\$474,507	Tokyo Electron Limited	None	IC manufacturing
Equipment	2002.7.4 - 2002.7.22	NT\$408,087	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2002.4.19 - 2002.7.26	NT\$356,095	KLA-Tencor Corporation	None	IC manufacturing
Equipment	2002.3.19 - 2002.7.30	NT\$307,779	SEZ Singapore Pte. Ltd.	None	IC manufacturing
UMC Capital Corporation Common Shares	2002.8.7	US\$20,000	UMC Capital Corporation	Investee company	Long-term investment
United Microdisplay Optronics Corp. Common Shares	2002.8.16 - 2002.10.4	NT\$539,990	United Microdisplay Optronics Corp.	Investee company	Long-term investment
Equipment	2002.7.30 - 2002.10.15	NT\$457,492	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Unitech Capital Inc. Common Shares	2002.11.18	US\$21,000	Unitech Capital Inc.	Investee company	Long-term investment
Equipment	2002.6.11 - 2002.11.18	NT\$386,188	Novellus Systems, Inc.	None	IC manufacturing
Silicon Integrated Systems Corp. Common Shares	2002.12.10 - 2003.3.19	NT\$1,944,350	Taiwan Stock Exchange	None	Long-term investment
Silicon Integrated Systems Corp. GDR	2003.1.17	US\$103,821	Luxembourg Stock Exchange	None	Long-term investment
Taiwan High Speed Rail Corp. Convertible Preferred Shares (A)	2003.1.27	NT\$300,000	Taiwan High Speed Rail Corp.	None	Long-term investment
Equipment	2002.11.20-2003.3.24	NT\$544,467	Applied Materials Asia Pacific Ltd.	None	IC manufacturing

Note (1) Acquisition of assets with purchase price over 20% of paid-in capital or over NT\$300 million. (2) The data represented for 2003 was gathered until March 25, 2003.

## Acquisition and Disposal of Major Assets (cont.)

### Acquisition of Major Assets

#### UMCi Pte. Ltd.

Asset	Acquisition Date	Purchase Price (In thousands)	Seller	Relation with the Company	Used for
Facilities	2002.7.1	NT\$832,272	M+W Zanders Ptd. Ltd.	None	IC manufacturing
Facilities	2002.7.1	NT\$655,200	Singapore Oxygen AIR LIQUID Pte. Ltd.	None	IC manufacturing
Facilities	2002.4.1 - 2002.7.1	NT\$599,424	Kajima Overseas Asia Ptd. Ltd.	None	IC manufacturing
Facilities	2002.7.1	NT\$352,800	Sumitomo Engineering Co. Ltd	None	IC manufacturing
Facilities	2002.7.1	NT\$308,112	L&K Engineering Co. Ltd.	None	IC manufacturing
Equipment	2002.12.25 - 2002.12.30	NT\$392,111	Tokyo Electron Limited	None	IC manufacturing
Equipment	2002.12.23 - 2002.12.30	NT\$353,556	KLA-Tencor Corporation	None	IC manufacturing
Equipment	2003.1.3 - 2003.1.14	NT\$773,192	Applied Materials Asia Pacific Ltd.	None	IC manufacturing
Equipment	2003.1.14	NT\$432,285	ASML Hong Kong Ltd.	None	IC manufacturing

Notes (1) Acquisition of assets with purchase price over 20% of paid-in capital or over NT\$300 million. (2) The data represented for 2003 was gathered until March 25, 2003.

### Disposal of Major Assets

#### United Microelectronics Corporation

In thousand NTD

Asset	Acquisition Date	Disposal Date	Book Value	Selling Price	Profit (Loss)	Buyer	Relation with the Company
AU Optronics Corp. Common Shares	2001.9	2002.4	1,187,634	3,800,000	2,612,366	Public Offering	None
Trecenti Technologies Inc. Common Shares	2000.3	2002.4	1,409,614	2,806,610	1,396,996	Hitachi Ltd.	None
AU Optronics Corp. Common Shares	2001.9	2002.5	371,135	992,995	621,860	Taiwan Stock Exchange	None
MediaTek Incorporation Common Shares	1997.6- 2002.10	2002.1- 2003.1	128,180	3,059,612	2,931,432	Taiwan Stock Exchange	None
Sampo Corp. Common Shares	1992.11- 2001.6	2002.1- 2003.1	345,612	370,688	25,076	Taiwan Stock Exchange	None

Notes (1) Disposal of assets with selling price over 20% of paid-in capital or over NT\$300 million. (2) The data represented for 2003 was gathered until March 25, 2003.

#### Hsun Chieh Investment Co., Ltd.

In thousand NTD

Asset	Acquisition Date	Disposal Date	Book Value	Selling Price	Profit (Loss)	Buyer	Relation with the Company
Plato Electronics (Cayman) Limited Common Shares	1999.12	2002.12	656,108	753,946	97,838	Hemingway International Limited	None

Notes (1) Disposal of assets with selling price over 20% of paid-in capital or over NT\$300 million. (2) The data represented for 2003 was gathered until March 25, 2003.

## Financing Plans and Execution Status

In April 2001, NT\$15 billion of unsecured domestic bonds were issued to invest in UMCi Pte. Ltd. The investment project requires a total of NT\$20.475 billion. There are three funding sources for this project: (a) domestic bond issuance (NT\$15 billion), (b) the Company's own resources, and (c) other financial instruments (b + c = NT\$5.475 billion). The actual completed expenditure was 25.65% by the end of 2002, compared to our original expectations of 50%. Due to the sluggish economy, progress on UMCi Pte. Ltd. fab construction and capacity expansion has slowed down, and is behind the original schedule. As the economy improves, the project will be completed in line with original expectations. There will be no significant impact to shareholders' equities. This investment project is expected to complete capital injection by the fourth quarter of 2003, and will hold 46.25% of equity interest. When this fab reaches full production in 2005, it will have a production capacity of 40,000 300mm wafers per month.

*Date which information was submitted to TSE website:  
February 27, 2001*

In May 2002, US\$235 million of exchangeable bond issuance was used to purchase equipment for Fab 8D. The investment project requires a total of US\$235 million. The funding source for this project is through the issue of exchangeable bonds (US\$235 million). The percentage of actual completed expenditure was 72.84% by the end of 2002, compared to our original expectations of 74.11%. When this project is completed, it will have a production capacity of 20,000 wafers per month. The benefit from capacity expansion has already begun to materialize because revenues and shipments in December 2002 increased by 38% and 17% respectively, compared to June 2002. Gross margin also increased significantly.

*Date which information was submitted to TSE website:  
April 4, 2002*