



CAPITAL OVERVIEW

Capital and Shares

Source of Capital

DATE	ISSUE PRICE (PER SHARE)	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
January, 2007	NTD 10	26,000,000	260,000,000	19,131,193	191,311,927	Note 1	-	-
April, 2007	NTD 10	26,000,000	260,000,000	19,144,252	191,442,517	Note 2	-	-
August, 2007	NTD 10	26,000,000	260,000,000	18,952,185	189,521,847	Note 3	-	-
August, 2007	NTD 10	26,000,000	260,000,000	13,212,827	132,128,269	Note 4	-	-
December, 2007	NTD 10	26,000,000	260,000,000	13,214,495	132,144,949	Note 5	-	-

Notes (1) On January 16, 2007, the Science Park Administration approved the issuance of NTD 458,830 thousand from the execution of employee stock options during Q4 2006. The Company's paid-in capital was increased to NTD 191,311,927 thousand. (2) On April 4, 2007, the Science Park Administration approved the issuance of NTD 130,590 thousand from the execution of employee stock options during Q1 2007. The Company's paid-in capital was increased to NTD 191,442,517 thousand. (3) On August 2, 2007, the Science Park Administration approved the capital reduction of NTD 1,920,670 thousand due to cancellation of treasury shares. The Company's paid-in capital was decreased to NTD 189,521,847 thousand. (4) On August 21, 2007, the Science Park Administration approved the capital reduction of NTD 57,393,578 thousand due to cash return. The Company's paid-in capital was increased to NTD 132,128,269 thousand. (5) On December 31, 2007, the Science Park Administration approved the issuance of NTD 16,680 thousand from the execution of employee stock options during Q4 2007. The Company's paid-in capital was increased to NTD 132,144,949 thousand.

Unit: share

SHARE TYPE	AUTHORIZED SHARES			ALLOTMENT FOR CONVERTIBLE BONDS	ALLOTMENT FOR STOCK OPTION CERTIFICATES (UNITS)
	ISSUED SHARES	UN-ISSUED SHARES	TOTAL		
Common stock	13,214,494,883	12,785,505,117	26,000,000,000	1,500,000,000	2,000,000,000

Securities under General Application System

Not applicable.

Capital and Shares (cont.)

Status of Shareholders

Stock: common share

ITEM	GOVERNMENT AGENCIES	FINANCIAL INSTITUTIONS	OTHER LEGAL ENTITIES	DOMESTIC INDIVIDUALS	FOREIGN INSTITUTIONS & INDIVIDUALS	TOTAL
Number of shareholders	23	72	885	752,868	1,013	754,861
Shareholding (Shares)	91,931,067	337,100,275	2,264,547,141	4,889,380,995	5,629,867,405	13,212,826,883
Percentage (%)	0.70	2.56	17.14	37.00	42.60	100.00

Note The data shown above was recorded on September 30, 2007, which was the record date of the replacement of share certificates for capital reduction.

Distribution of Common Shares

CLASS OF SHAREHOLDING (UNIT: SHARES)	NUMBER OF SHAREHOLDERS	SHAREHOLDING (SHARES)	%
1 ~ 999	302,172	107,926,815	0.82
1,000 ~ 5,000	286,645	683,070,091	5.17
5,001 ~ 10,000	82,104	577,985,048	4.37
10,001 ~ 15,000	31,624	388,445,723	2.94
15,001 ~ 20,000	14,033	240,653,112	1.82
20,001 ~ 30,000	15,441	370,379,327	2.80
30,001 ~ 40,000	6,923	239,427,470	1.81
40,001 ~ 50,000	3,813	169,078,537	1.28
50,001 ~ 100,000	6,813	469,730,179	3.56
100,001 ~ 200,000	2,910	397,786,526	3.01
200,001 ~ 400,000	1,176	321,243,660	2.43
400,001 ~ 600,000	340	164,828,264	1.25
600,001 ~ 800,000	162	112,088,934	0.85
800,001 ~ 1,000,000	92	82,033,586	0.62
Over 1,000,001	613	8,888,149,611	67.27
Total	754,861	13,212,826,883	100.00

Note The data shown above was recorded on September 30, 2007, which was the record date of the replacement of share certificates for capital reduction.

Preferred Stock

None.

List of Major Shareholders

SHAREHOLDER'S NAME	SHAREHOLDING	
	COMMON SHARES	%
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	1,098,412,473	8.31
Hsun Chieh Investment Co., Ltd.	422,364,594	3.20
Silicon Integrated Systems Corp.	301,799,449	2.28
Deutsche Bank AG	281,597,587	2.13
Alliance Bernstein International Value Fund	233,745,541	1.77
Citicorp Financial Service Ltd., as representative of the ABN AMRO Bank N.V.	164,059,398	1.24
Cathay Life Insurance Co., Ltd.	121,443,015	0.92
Administrative Committee, Yao Hua Glass Co., Ltd.	104,222,212	0.79
Sanford Bernstein Emerging Markets Value Portfolio	101,600,738	0.77
Citicorp Financial Service Ltd., as representative of the Singapore Government Fund	97,083,937	0.73

Note The data shown above was recorded on September 30, 2007, which was the record date of the replacement of share certificates of capital reduction.

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

Unit: NTD

ITEM		2008 (NOTE 7)	2007	2006	
Market price per share	Highest market price	20.05	24.70	22.90	
	Adjusted highest market price (Note 1)	–	27.13	27.49	
	Lowest market price	16.60	17.00	17.35	
	Adjusted lowest market price (Note 1)	–	18.65	19.70	
	Average market price	17.97	19.74	19.36	
	Adjusted average market price (Note 1)	–	23.31	22.48	
Net worth per share	Before distribution	–	18.93	16.39	
	After distribution	–	*	15.55	
Earnings per share	Weighted average shares	–	15,618,485,643 shares	18,050,962,111 shares	
	Earnings per share (Note 2)	–	1.09	1.81	
	Earnings per share (Note 3)	–	*	1.81	
Dividends per share	Cash dividends	–	*	0.70	
	Stock dividends	Dividends from retained earnings	–	*	–
		Dividends from additional paid-in capital	–	*	–
	Accumulated unappropriated dividends	–	–	–	
Return on investment	Price / Earnings ratio (Note 4)	–	17.95	10.59	
	Price / Dividends ratio (Note 5)	–	*	27.39	
	Cash dividends yield rate (Note 6)	–	*	0.04	

* Subject to change following the 2008 shareholders' meeting resolution.

Notes (1) The calculation of adjusted market price was based on retroactive adjustment for capital reduction, capitalization of unappropriated earnings, additional paid-in capital, cash dividends and bonus to employees. (2) The calculation of EPS was based on weighted average shares outstanding for the year. (3) The calculation of EPS was based on retroactive adjustment for capitalization of unappropriated earnings, additional paid-in capital and bonus to employees. (4) Price / Earnings ratio = Average closing price / Earnings per share. (5) Price / Dividends ratio = Average closing price / Cash dividends per share. (6) Cash dividends yield rate = Cash dividends per share / Average closing price. (7) The data represented for 2008 was gathered until March 17, 2008. (8) The average closing prices for years 2006, 2007 and 2008 were NTD 19.17, NTD 19.57, and NTD 18.02, respectively.

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

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

Proposed Distribution of Dividend

The Company's proposal for 2007 earnings distribution was passed during the 11th board meeting of the 10th term. This proposal, a cash dividend of NTD 0.75 per share and capitalization of 45 shares from retained earnings and capital reserve for every 1,000 shares held, will be discussed at the annual shareholders' meeting.

Impact of Stock Dividends on Operating Results, EPS and ROE

Not Applicable.

Employee Bonus and Directors' & 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 45.

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

The Company's resolution on earnings distribution was passed at the 11th board meeting of the 10th term. Details regarding earnings distribution are as follows:

- (a) Stock bonus for employees is NTD 1,146,165,670 and cash bonus for employees is NTD 286,541,418. The remuneration paid to directors and supervisors is NTD 11,939,226.
- (b) Stock bonus for employees is 114,616,567 shares, accounting for 53.38% of the capitalization of 2007 retained earnings.
- (c) In consideration of employee bonus and remuneration to directors and supervisors, pro forma diluted EPS is NTD 0.99.

Details of the 2006 Employee Bonus Settlement and Directors' & Supervisors' Remuneration are as Follows:

For the year ended December 31, 2006

DETAILS			AS APPROVED AT 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)		-	-	-	-	
	Amount (In thousand NTD)		-	-	-	-	
	Percentage on total number of outstanding shares at year end		-	-	-	-	
Settlement of employees' bonus by cash (In thousand NTD)		2,324,120	2,324,120	-	-		
Remuneration paid to directors and supervisors (In thousand NTD)		15,494	15,494	-	-		
Effect on earnings per share before retroactive adjustments	Earnings per share (NTD)	Basic	1.81	1.81	-	-	
		Diluted	1.74	1.74	-	-	
	Pro forma earnings per share taking into consideration employees' bonus and directors' & supervisors' remuneration (NTD)	Basic	Basic	1.68	1.68	-	-
			Diluted	1.62	1.62	-	-
		Diluted	Basic				
			Diluted				

Share Buy-back History

None.

Corporate Bonds

TYPE	UNSECURED CORPORATE BONDS
Issue date	2001.4.16~2001.4.27
Face amount	NTD 1,000,000
Listing exchange	R.O.C. OTC Securities Exchange
Issue amount	NTD 1,000,000
Issue size	NTD 15 billion
Coupon rate	1A01~1A10: 5.1850% 1A11~1A19: 5.1195% 1B01~1B10: 5.2850% 1B11~1B19: 5.2170%
Maturity	1A-5 years; 2006.4.16~2006.4.27 1B-7 years; 2008.4.16~2008.4.27
Guarantor	-
Trustee	Trust Dept., Mega International Commercial Bank Co., Ltd.
Address of trustee	2F, 550, Sec. 4, Chung Hsiao E. Road, Taipei, Taiwan R.O.C.
Underwriter	-
Registrar, principal paying, conversion and transfer agent	-
Address of agent	-
Legal counsel	Chen & Lin Attorneys-at-Law
Auditor	Ernst & Young
Redemption	1A is a five-year term, and total size is NTD 7.5 billion. Principal will be paid after three, four, and five years at 30%, 30%, and 40% respectively. 1B is a seven-year term, and total size is NTD 7.5 billion. Principal will be paid after five, six, and seven years at 30%, 30%, and 40% respectively. Interest will be paid annually.
Principal payable	NTD 3 billion
Redemption	-
Covenant	-
Name of rating company, date and result of rating	Taiwan Ratings Corporation, 2001.3.8, twAA
Other obligation	-
Effect due to dilution	-
Name of custodian	-

Corporate Bonds (cont.)

TYPE	UNSECURED CORPORATE BONDS
Issue date	2003.5.21~2003.6.24
Face amount	NTD 5,000,000
Listing exchange	R.O.C. OTC Securities Exchange
Issue amount	NTD 5,000,000
Issue size	NTD 15 billion
Coupon rate	3A: The annual coupon rate is 4.0% minus the floating rate, but no less than 0%. The rate is adjusted annually based on the “floating rate” of the second London business date prior to the issued date of each “interest accrued period”. The interest is calculated per annum. 3B: The annual coupon rate is 4.3% minus the floating rate, but no less than 0%. The rate is adjusted annually based on the “floating rate” of the second London business date prior to the issued date of each “interest accrued period”. The interest is calculated per annum. “Interest accrued period” is the period starting from a year prior to the interest payout date to one day prior to the interest payout date. “Interest accrued method” is defined as the coupon rate times the number of days in the interest period divided by actual days of the year. The rate is calculated to five figures after the decimal point. “Business date” is referred to the London financial business date, or is otherwise referred to the Taiwan, Taipei and Kaohsiung financial business date. “Floating rate” is referred to the USD 12-Month LIBOR rate shown on London time 11am, Moneyline Telerate pg. 3750. The initial interest pricing date is set as the second London business date prior to the bond issuance date.
Maturity	3A-5 years; 2008.5.21~2008.6.24 3B-7 years; 2010.5.21~2010.6.24
Guarantor	-
Trustee	Trust Dept., Mega International Commercial Bank Co., Ltd.
Address of trustee	2F, 550, Sec. 4, Chung Hsiao E. Road, Taipei, Taiwan R.O.C.
Underwriter	-
Registrar, principal paying, conversion and transfer agent	-
Address of agent	-
Legal counsel	Chen & Lin Attorneys-at-Law
Auditor	Ernst & Young
Redemption	3A is a five-year term, and total size is NTD 7.5 billion. Principal will be paid in full at maturity. 3B is a seven-year term, and total size is NTD 7.5 billion. Principal will be paid in full at maturity. Interest will be paid annually.
Principal payable	NTD 15 billion
Redemption	-
Covenant	-
Name of rating company, date and result of rating	Taiwan Ratings Corporation, 2003.4.24, twAA-
Other obligation	-
Effect on the current shareholders due to dilution	-
Name of custodian	-

Corporate Bonds (cont.)

TYPE	EURO CONVERTIBLE BONDS DUE 2008
Issue date	2005.10.05
Face amount	USD 10,000
Listing exchange	EuroMTF Market of the Luxembourg Stock Exchange
Issue amount	USD 10,000
Issue size	USD 381,400,000
Coupon rate	0%
Maturity	2008.2.15
Guarantor	-
Trustee	Citibank, N.A.
Address of trustee	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom
Underwriter	Morgan Stanley Services Limited and Lehman Brothers International (Europe)
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	Ernst & Young
Redemption	The bonds will be redeemed at 100% of their principal amount by the Company on the maturity date unless: (a) 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.(b) The bondholders shall have exercised the conversion right before maturity; or (c) The bonds shall have been purchased by the issuer and cancelled.
Principal payable	USD 0
Redemption or early redemption clause	(a) On or at any time after April 5, 2007, if the closing price of the ADSs listed on the NYSE has been at least 130% of either the conversion price or the last adjusted conversion price, for 20 out of 30 consecutive ADS trading days, the Company may redeem all, but not some only, of the bonds. (b) If at least 90% in principal amount of the bonds has already been redeemed, repurchased, cancelled or converted, the Company may redeem all, but not some only, of the bonds. (c) In the event that the Company's ADSs or shares officially cease to be listed or admitted for trading on the New York Stock Exchange or the Taiwan Stock Exchange, as the case may be, each bondholder shall have the right, at such bondholder's option, to require the Company to repurchase all, but not in part of, such bondholder's bonds at their principal amount. (d) In the event of certain changes in taxation in the R.O.C. resulting in the Company becoming required to pay additional amounts, the Company may redeem all, but not part of, the bonds at their principal amount. Bondholders may elect not to have their bonds redeemed by the Company in such event, in which case the bondholders shall not be entitled to receive payments of such additional amounts. (e) If a change of control occurs with respect to the Company, each bondholder shall have the right at such bondholder's option, to require the Company to repurchase all, but not in part of, such bondholder's bonds at their principal amount.

Corporate Bonds (cont.)

TYPE		EURO CONVERTIBLE BONDS DUE 2008
Covenant		-
Name of rating company, date and result of rating		Taiwan Ratings Corporation, 2005.8.15, twAA
Other obligation	Balance of amount converted to (exchangeable or warrant) shares, ADSs, or other types of securities as of printing date	-
	Policy of issuing or converting (exchangeable or warrant)	(a) Bondholders have the right hereunder to convert the bonds into the Company's ADSs.(b) The bondholders may from November 4, 2005 to February 5, 2008 convert the bonds into the Company's ADSs as a substitute for the issuer's cash redemption. In addition, the bondholders will not be able to effect conversions into ADSs during any closed period.
Effect on the current shareholders due to dilution		The underlying conversion for ECB is treasury shares. If the ECB is fully converted, the dilution ratio to original shareholders is 2.6%. The impact to the dilution is minimal.
Name of custodian		Citibank, N.A.

Exchangeable Bonds Information

None.

Euro Convertible Bonds Information

ZERO COUPON CONVERTIBLE BONDS DUE 2008		2008	2007	2006	2005	2005.10.05 (ISSUE DATE)
The quantity of holding converted securities (Common shares)		348,583,215	348,583,215	500,000,000	500,000,000	500,000,000
Convertible price		USD 4.253	USD 4.253	USD 3.693	USD 3.814	USD 3.814
Market price	High	99.89	111.21	112.50	105.25	-
	Low	99.41	99.72	98.38	97.50	-
	Average	99.67	104.25	103.65	102.12	-
Reference shares				UMC ADS		

Note The data represented for 2008 was gathered until February 15, 2008.

Warrant Bonds Information

None.

Preferred Stock

None.

American Depositary Receipts

ISSUE DATE	2006.11.6	2006.9.1	2005.9.1	2005.1.20	2004.11.16	2004.8.19
Listing exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange
Issue amount	USD 108.2 million	Stock dividend	Stock dividend	USD 84.2 million	USD 76.3 million	Stock dividend
Listing price/unit	USD 3.05	-	-	USD 3.33	USD 3.47	-
Issue units	35,456,000	2,831,464	25,833,137	25,290,000	22,000,000	15,088,684
Underlying representing shares	UMC common shares	UMC common shares	UMC common shares	UMC common shares	UMC common shares	UMC common shares
Number of equivalent local shares per ADS	5 shares	5 shares	5 shares	5 shares	5 shares	5 shares
Rights and obligations of ADS holder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder
Trustee	N/A	N/A	N/A	N/A	N/A	N/A
Depository bank	Citibank, N.A.	Citibank, N.A.	Citibank, N.A.	Citibank, N.A.	Citibank, N.A.	Citibank, N.A.
Custodian bank	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch
Outstanding balance (Units)	The total outstanding balance is 315,107,776 units.					
Issuing expenses and maintenance fees	Except for IPO and dividends, the issuing expenses will be borne by the selling shareholders. The maintenance fees will be borne by the Company.					
Important terms and conditions of depositary agreement and custodian agreement	-	-	-	-	-	-

Note The data shown above was gathered until March 17, 2008.

American Depositary Receipt Trading Data

CLOSING PRICE PER SHARE (USD)	2008			2007		
	HIGH	LOW	AVERAGE	HIGH	LOW	AVERAGE
	3.51	2.75	3.12	3.94	2.79	3.22

Note The data represented for 2008 was gathered until March 17, 2008.

2004.1.2	2003.12.23	2003.8.15	2002.9.9	2002.3.19	2001.8.17	2000.9.19
New York Stock Exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange	New York Stock Exchange
USD 13.8 million	USD 24.4 million	Stock dividend	Stock dividend	USD 439.7 million	Stock dividend	USD 1,291.5 million
USD 4.92	USD 4.75	-	-	USD 9.25	-	USD 14.35
2,804,000	5,146,000	6,965,107	22,655,667	47,537,780	13,500,000	90,000,000
UMC common shares	UMC common shares	UMC common shares	UMC common shares	UMC common shares	UMC common shares	UMC common shares
5 shares	5 shares	5 shares	5 shares	5 shares	5 shares	5 shares
Same as the common shareholder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder	Same as the common shareholder
N/A	N/A	N/A	N/A	N/A	N/A	N/A
Citibank, N.A.	Citibank, N.A.	Citibank, N.A.	Citibank, N.A.	Citibank, N.A.	Citibank, N.A.	Citibank, N.A.
Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch	Citibank, N.A. Taipei Branch
The total outstanding balance is 315,107,776 units.						
Except for IPO and dividends, the issuing expenses will be borne by the selling shareholders. The maintenance fees will be borne by the Company.						
-	-	-	-	-	-	-

Employee Stock Option Certificates

Status of Stock Option Plan and Impact on Stockholders' Equity

TYPE	EMPLOYEE STOCK OPTION CERTIFICATES		
	1 ST ISSUED, 1 ST ROUND 2007	3 RD ISSUED, 1 ST ROUND 2005	2 ND ISSUED, 1 ST ROUND 2005
Date of approval	2007.10.9	2005.12.22	2005.12.22
Issue date	2007.12.13	2006.8.24	2006.5.22
Units issued	500,000,000	28,140,000	42,058,000
Ratio of issue shares to outstanding shares (%)	3.78	0.21	0.32
Option duration	2007.12.13~2013.12.12	2006.8.24~2012.8.23	2006.5.22~2012.5.21
Method for performance of contract	The issue of new shares	The issue of new shares	The issue of new shares
Vesting schedule	The grant period for employee options is six years. Employees may exercise up to 50% of the options after two years, up to 75% after three years and up to 100% after four years.		
Exercised shares	-	-	-
Exercised amount	-	-	-
Un-exercised shares	500,000,000	19,700,000	26,860,000
Exercise price	NTD 18.95	NTD 18.35 (Original) NTD 25.32 (Adjusted)	NTD 19.80 (Original) NTD 26.48 (Adjusted)
Ratio of un-exercised shares to outstanding shares (%)	3.78	0.15	0.20
Effect on current shareholders due to dilution	The strike price for the shares is the market price at the time of issuance and the vesting period for employee options is from two years to four years. The dilution effect to current shareholders is insignificant.		

Notes (1) The data shown above was gathered until March 17, 2008. (2) The date of approval refers to the date when the R.O.C. FSC 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.

Employee Stock Option Certificates (cont.)

TYPE	EMPLOYEE STOCK OPTION CERTIFICATES		
	1 ST ISSUED, 1 ST ROUND 2005	4 TH ISSUED, 1 ST ROUND 2004	3 RD ISSUED, 1 ST ROUND 2004
Date of approval	2005.12.22	2004.9.30	2004.9.30
Issue date	2006.1.4	2005.9.29	2005.8.16
Units issued	39,290,000	51,990,000	54,350,000
Ratio of issue shares to outstanding shares (%)	0.30	0.39	0.41
Option duration	2006.1.4~2012.1.3	2005.9.29~2011.9.28	2005.8.16~2011.8.15
Method for performance of contract	The issue of new shares	The issue of new shares	The issue of new shares
Vesting schedule	The grant period for employee options is six years. Employees may exercise up to 50% of the options after two years, up to 75% after three years and up to 100% after four years.		
Exercised shares	-	-	-
Exercised amount	-	-	-
Un-exercised shares	15,168,101	27,470,354	10,198,861
Exercise price	NTD 18.30 (Original) NTD 24.36 (Adjusted)	NTD 19.95 (Original) NTD 28.27 (Adjusted)	NTD 21.90 (Original) NTD 30.98 (Adjusted)
Ratio of un-exercised shares to outstanding shares (%)	0.11	0.21	0.08
Effect on current shareholders due to dilution	The strike price for the shares is the market price at the time of issuance and the vesting period for employee options is from two years to four years. The dilution effect to current shareholders is insignificant.		

Employee Stock Option Certificates (cont.)

TYPE	EMPLOYEE STOCK OPTION CERTIFICATES		
	2 ND ISSUED, 1 ST ROUND 2004	1 ST ISSUED, 1 ST ROUND 2004	3 RD ISSUED, 1 ST ROUND 2003
Date of approval	2004.9.30	2004.9.30	2003.10.8
Issue date	2005.4.29	2004.10.13	2004.7.1
Units issued	23,460,000	20,200,000	56,590,000
Ratio of issue shares to outstanding shares (%)	0.18	0.15	0.43
Option duration	2005.4.29~2011.4.28	2004.10.13~2010.10.12	2004.7.1~2010.6.30
Method for performance of contract	The issue of new shares	The issue of new shares	The issue of new shares
Vesting schedule	The grant period for employee options is six years. Employees may exercise up to 50% of the options after two years, up to 75% after three years and up to 100% after four years.		
Exercised shares	-	907,000	145,000
Exercised amount	-	16,144,600	4,305,050
Un-exercised shares	8,553,458	6,059,676	25,866,413
Exercise price	NTD 18.40 (Original) NTD 23.52 (Adjusted)	NTD 20.00 (Original) NTD 25.53 (Adjusted)	NTD 25.20 (Original) NTD 29.69 (Adjusted)
Ratio of un-exercised shares to outstanding shares (%)	0.06	0.05	0.20
Effect on current shareholders due to dilution	The strike price for the shares is the market price at the time of issuance and the vesting period for employee options is from two years to four years. The dilution effect to current shareholders is insignificant.		

Employee Stock Option Certificates (cont.)

TYPE	EMPLOYEE STOCK OPTION CERTIFICATES			
	2 ND ISSUED, 1 ST ROUND 2003	1 ST ISSUED, 1 ST ROUND 2003	2 ND ISSUED, 1 ST ROUND 2002	1 ST ISSUED, 1 ST ROUND 2002
Date of approval	2003.10.8	2003.10.8	2002.9.11	2002.9.11
Issue date	2004.3.23	2003.11.26	2003.1.3	2002.10.7
Units issued	33,330,000	57,330,000	61,000,000	939,000,000
Ratio of issue shares to outstanding shares (%)	0.25	0.43	0.46	7.11
Option duration	2004.3.23~2010.3.22	2003.11.26~2009.11.25	2003.1.3~2009.1.2	2002.10.7~2008.10.6
Method for performance of contract	The issue of new shares	The issue of new shares	The issue of new shares	The issue of new shares
Vesting schedule	The grant period for employee options is six years. Employees may exercise up to 50% of the options after two years, up to 75% after three years and up to 100% after four years.			
Exercised shares	-	-	1,974,000	263,264,750
Exercised amount	-	-	36,303,650	4,325,767,485
Un-exercised shares	12,050,554	22,336,564	6,145,830	82,261,671
Exercise price	NTD 27.90 (Original) NTD 32.85 (Adjusted)	NTD 30.20 (Original) NTD 35.43 (Adjusted)	NTD 22.50 (Original) NTD 25.39 (Adjusted)	NTD 20.00 (Original) NTD 22.52 (Adjusted)
Ratio of un-exercised shares to outstanding shares (%)	0.09	0.17	0.05	0.62
Effect on current shareholders due to dilution	The strike price for the shares is the market price at the time of issuance and the vesting period for employee options is from two years to four years. The dilution effect to current shareholders is insignificant.			

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

UNITS GRANTED	UNITS GRANTED / TOTAL OUTSTANDING SHARES (%)	EXERCISED UNITS	EXERCISE PRICE (NTD)	EXERCISED AMOUNT (IN THOUSAND NTD)
53,000,000	0.40	2,300,000	15.7	36,110
5,000,000	0.04	-	-	-
18,370,000	0.14	-	-	-
2,000,000	0.02	-	-	-
10,400,000	0.08	-	-	-

TITLE	NAME
Chairman and CEO	Jackson Hu
President of Central Integrated Manufacturing & Technology	Ching-Chang Wen
President of Quality & Reliability Assurance	Fu-Tai Liou
Chief Operating Officer	Shih-Wei Sun
Senior Vice President	Henry Liu
Senior Vice President	Tai-Sheng Feng
Senior Vice President	Wen-Yang Chen
Vice President	Nick Nee
Vice President	Ying-Chih Wu
Vice President	Chia-Pin Lee
Vice President	Lee Chung
Vice President	Shan-Chieh Chien
Vice President	Po-Wen Yen
Vice President	Tsung-Hsi Ko
Vice President	Terry Tsao
Vice President	Kevin Lee
Vice President	Ming Hsu
Chief SoC Architect	Patrick T. Lin
CFO	Chitung Liu

Notes (1) The data shown above was gathered until March 17, 2008. (2) Employees listed in this table are the top 10 holders of stock options and each subscription amount exceeds NTD 30 million.

UNITS EXERCISED / TOTAL OUTSTANDING SHARES (%)	UN-EXERCISED UNITS	EXERCISE PRICE (NTD)	UN-EXERCISED AMOUNT (IN THOUSAND NTD)	UNITS UN-EXERCISED/TOTAL OUTSTANDING SHARES (%)
0.02	13,747,020	22.52	309,583	0.10
-	3,485,833	25.39	88,505	0.03
-	12,806,948	35.43	453,750	0.10
-	1,394,333	32.85	45,804	0.01
-	10,400,000	18.95	197,080	0.08

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

None.

Financing Plans and Execution Status

None.



OPERATIONS OVERVIEW

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 silicon intellectual property (IP), IC design support, design verification, mask tooling, wafer fabrication, and testing.

Future Products and Services

ADVANCED 65-NANOMETER AND 45-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. UMC has been in volume production for advanced 65-nanometer technology in wireless handset baseband, FPGA and Graph-

ics applications, and also has expanded to 65-nanometer RF CMOS wireless networking. Currently, there are two 12-inch fabs in production for 65-nanometer technology. Furthermore, with 45-nanometer test wafers produced in Q4 2006, UMC continues to actively develop 45-nanometer process technology for customer product validation. 45-nanometer processes technology, which is scheduled to release for volume production in 2008, will significantly increase the competitive advantages of UMC customers.

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, Mixed-Signal/RF CMOS processes, and other system integration technologies used for SoC designs.

Industry Scope

Current Industry Products & Development

The functions of electronic products increase and evolve on a daily basis, leading to an enormous increase in design and process complexity for today's semiconductors. As far as manufacturing efficiency is concerned, wafer sizes have also migrated to the next generation of larger 300mm wafers. The combination of both advancing technologies and larger wafers has somewhat slowed overall development, while investment has increased to bring these new technologies to maturity.

This trend has increased the challenges involved in semiconductor design, production, packaging, and testing. For the most part, semiconductor companies find it difficult to manage every aspect of the IC supply chain, adding to the attraction of the vertically disintegrated business model.

While entering 65-nanometer and below advanced technologies, investment for process development and equipment increases dramatically compared to previous technology nodes. More and more IDM companies have announced Fab-Lite strategies and increased their level of outsourcing, which is expected to benefit the foundry industry.

The Relationship Between Up-, Mid-, and Down-stream Supply Chain Services

The semiconductor industry has continuously evolved in order to support down-stream (end-user) electronic products. Therefore, IC manufacturers must develop new process technologies early to enable up-stream chip developers' sophisticated designs for more powerful ICs. This in turn allows down-stream companies to innovate new applications and products that can take advantage of the better performing semiconductors.

Development Trends

Advanced technologies have enabled electronic products, especially those in the Computer, Communication, and Consumer sectors, to merge their functions in ways previously unseen. Networking capabilities have allowed electronic products such as computers, cell phones, televisions, PDAs, CD-ROMs, and digital cameras to communicate with each other to exchange information. More powerful chips are required to drive multimedia functions (processing visual data, etc.) and to resolve network bandwidth issues. At the same time, the trend towards more personalized electronic devices means that products are becoming smaller and consuming less power. Process technology must also shrink aggressively to accommodate this trend to integrate more functions, reduce the number of parts needed to operate, and lower IC power consumption. Dedicated semiconductor foundries will need to achieve this process improvement, and at the same time develop multiple process technologies to satisfy the varying needs of Computer, Communication, and Consumer applications.

A Competitive Market

The stable growth rate that is seen every year for the foundry industry has attracted more and more competitors, including IDM companies such as Samsung, and pure-play foundries like China's SMIC and HHNEC and Korea's Dongbu. While entering 65-nanometer and 45-nanometer advanced technologies, the foundry industry and UMC have enhanced competitiveness by expanding 300mm wafer capacity strategically and effectively. Meanwhile, the Company continuously strengthens its advantage through on-going development in advanced and specialty process technologies.

Research & Development Achievements and Plans

On May 22, 2007, UMC marked its 27th anniversary celebration with the opening of the company's most advanced 300mm R&D center, which is located at UMC's fab complex in Tainan Science Park, Taiwan. The facility, which will focus on R&D for advanced 45-, 32-nanometer and below technologies for 300mm manufacturing, is located adjacent to 300mm Fab 12A at UMC's Tainan Science Park site. The close proximity of the new R&D center to UMC's most advanced fabs enhances the company's ability to rapidly migrate newly-developed technologies to mass production, resulting in increased competitiveness for UMC customers. The R&D center will be staffed with over 1,000 employees when fully operational, most of which will consist of R&D engineers. The R&D center is another clear testament to UMC's commitment to strengthen its position as a global leader in advanced-foundry technologies and to embrace the upcoming and constantly emerging semiconductor process development challenges. This commitment will ensure that UMC's broad customer portfolio bases from across the entire spectrum of semiconductor applications can count on UMC's evolving advanced technologies to continuously extend the lifetime of their products.

UMC has been actively engaging with new 65-nanometer customers and extending the product spectrum of manufactured products to range from low-power handheld applications in the GSM and CDMA wireless domain to high-performance networking, switching and computing graphic products. In June 2005, UMC was the first foundry to deliver 65-nanometer customer products, and currently has 12 customers for this technology node with over 40 product tape-outs. Over 25 products have been functionally validated with 7 products already in volume production. Two advanced 300mm fabs have been dedicated to 65-nanometer production. The UMC 55SP process (shrinking L65 feature sizes to 90% of its original size) has also successfully passed the qualification stage. This offering is expected to help customers migrate their 65-nanometer products for more density and performance while delivering more competitive cost incentives to further extend their product life. In addition to manufacturing success, UMC is constantly adding Sys-

tem-on-Chip (SoC) variety into existing CMOS compatible processes. This includes adding a 65-nanometer RF CMOS solution, which features fundamental libraries, IP, and the foundry industry's first transformer library to help customers jump-start their design-in process. Full characterization reports, models with mismatch Monte Carlo simulation, advance HF noise model and foundry design kits (FDK) complement the 65-nanometer RF process, with RF SPICE models and ESD manuals and support ready. This offering is targeted for next generation wireless System-on-Chip (SoC) applications including WiFi, WiMax, wireless USB, and cellular.

The 45-nanometer node is a challenging technology generation that simultaneously introduces new materials and process modules. It incorporates sophisticated immersion lithography for its critical layers and the latest transistor advancements such as ultra shallow junction and mobility enhancement techniques that include embedded SiGe source/drain processes, dual stress liners, and ultra low-k dielectrics ($k=2.5$). During 2007, UMC focused on improving transistor performance and defect density to meet 45-nanometer mass-production goals and preparing the technology for adoption by UMC's foundry customers. UMC has successfully delivered functional samples with an SRAM bit cell size of less than 0.26 μm^2 for customers' product validation. UMC is among the first companies in the world to produce working 45-nanometer silicon, with successful results realized for the initial 45-nanometer wafer lots. In addition, UMC is in the final process optimization stage of a shrink version of its 45-nanometer process technology, called the UMC 40SP process (shrinking L45 feature sizes to 90% of its original size). This offering is expected to help customers migrate their 45-nanometer products for more density and performance while delivering more competitive cost incentives to further extend their product life.

Optimized memory solutions have been the deciding factor for today's SoC product success. UMC's embedded 6T-SRAM, with its industry leading footprint and performance, has been an integral part of the Company's standard SoC solution for 65-nanometer and 45-nanometer.

Research & Development Achievements and Plans (cont.)

The improvement of high-density 6T-SRAM yield to the maturity level of >90% has been a key achievement for 65-nanometer programs. The 45-nanometer development is in the final product qualification stage for UMC's low power family and on track for a Q4 2008 launch for the 40-nanometer standard performance family. In addition, an innovative high density, low cost logic-compatible embedded memory IP offering has been developed and qualified to replace traditional embedded DRAM. The memory bit-cell is 1/4 to 1/5 the size of 6T-SRAM and its macro area is approximately 1/2 to 1/3 times smaller than SRAM, which in turn allows for more efficient chip area utilization and flexibility. Such a high-density, low power, smaller chip area embedded memory (called URAM) solution has been targeted for a wide range of applications including communications, graphics and imaging systems, and storage devices. A UMC customer has successfully adopted UMC's 90-nanometer URAM solution to their latest Mobile TV product. Another embedded flash (e-Flash) memory solution utilizing Uniform Channel Fowler Nordheim (UCFN) tunneling mode of operation shows better scaling capability and wider reliability margin on data retention and endurance. This cell shows unequivocal robust reliability performance and has passed extremely high quality demand standards for 0.18-micron automotive IC chip products, and is in the final sampling stage for UMC's 0.13-micron e-flash integrated FPGA products. The development activity of UMC's 90-nanometer/65-nanometer e-Flash is being pursued full-speed according to customers' demand. Commodity NOR type flash for mobile phone applications is also in production at UMC on the 0.13-micron node. 90-nanometer is under development and will be in production in Q1 2009.

UMC is also actively pursuing a joint development program with the leading DRAM manufacturer, Elpida, for advanced DRAM with copper low-k backend, as well as for phase-change random access memory (PRAM). Elpida and UMC's cooperation targets the development of advanced DRAM by joining Elpida's DRAM technology expertise with UMC's advanced copper low-k processes. With the success of this collaboration, UMC will license Elpida under UMC's

copper low-k technology for Elpida's production and Elpida will license UMC to offer DRAM as part of UMC's advanced System-on-Chip (SoC) solutions. In addition, Elpida and UMC will cooperate to develop PRAM technology, coupling Elpida's expertise in GST materials with UMC's expertise in high performance CMOS logic technologies. The joint effort is a significant step forward for future memory development, as copper low-k technology will be the key elements for future high performance DRAM production. UMC's leading-edge copper low-k technology together with Elpida's advanced DRAM technology will enable UMC's SoC customers using DRAM to achieve high speeds, low-power consumption and high density, while accelerating the commercialization of PRAMs, an important next generation memory technology.

The display driver market shows vast application possibilities including portable phone/PDA, computer monitors, TVs, digital camera and commercial displays. UMC's high voltage (HV) development has been as diversified as possible to meet each market's spec. UMC's 0.162-micron high voltage (HV) process is now in the mass production phase and is targeted for the growing portable liquid crystal display (LCD) driver market. To improve overall HV performance, UMC is piloting 0.135/0.13-micron HV chips and further advanced 0.11-micron/90-nanometer nodes are under development to enable our customers' growing SoC demand on integrating driver, processor and memory elements together for better product applications. The demand for various Power Management IC (PMIC) drivers also warrants the successful qualification of super high voltage ($\geq 600V$) process production and various 0.18-micron PMICs with different voltage capabilities (20V, 30V, 40V and 60V) for special applications such as LED driver, audio amplifier, DC-AC converter and motor driver. As for CMOS Image Sensor (CIS) technology development, the 0.13-micron process node has passed product qualification and entered the mass production phase. UMC has also completed the development of its 0.11-micron CIS process node with AL BEOL, which enables lower cost high-resolution camera phones offered at a lower cost level.

It is well known that IC designs produced at the 65-nanometer node and below face multiple production challenges such as increasing process variations and rapidly diminishing printability, which often lead to undesirable manufacturing yields and unacceptable performance variations. To help designers offset their 65-nanometer production challenges, UMC has been closely collaborating with the industry's leading EDA vendors to successfully deliver optimal DFM solutions. UMC's latest innovation is the comprehensive all-in-one 65-nanometer design for manufacturing (DFM) support package. The new DFM Design Enablement Kit (DEK) encompasses all the models required by qualified model-based DFM tools that support UMC's 65-nanometer process technology. The company collaborated with leading EDA vendors to develop the DEK in order to provide an easy to use DFM solution for its 65-nanometer customers. UMC's DEK package consists of 65-nanometer DFM solutions in three main areas: Critical Area Analysis (CAA) to improve Defect-Limited Yield (DLY), Chemical Mechanical Polishing (CMP) with CMP thickness analysis and simulation based to determine thickness impact and dummy optimization, and finally Lithography Simulation Check (LSC) to use lithography simulation tools to analyze potential layout hotspots. The 65-nanometer DFM DEK offering is UMC's testimony to its commitment to deliver to its customers the foundry industry's most comprehensive and user-friendly DFM solutions.

UMC continually works to provide its customers with design and manufacturing solutions that help ensure silicon success. SoC designers today require proven design support solutions to help them overcome the challenges encountered during the design cycle. UMC has successfully introduced a Reference Design Flow with silicon-proven design methodologies in 90-nanometer and 65-nanometer technologies. The UMC Reference Design Flows incorporate 3rd-party EDA vendors' baseline design flows to address issues such as timing closure, signal integrity, leakage power and Design For Manufacturability (DFM). The flow has been successfully validated utilizing the open-source LEON2 SPARC

processor in 65-nanometer silicon. They cover schematic/RTL coding all the way to GDS-II generation and support Cadence, Magma, Mentor and Synopsys EDA tools. The availability of UMC's newest and most comprehensive reference flows help SoC designers find the easiest path to silicon success for advanced technologies. In order to address customer's SoC design needs of intellectual properties (IP), UMC operates an extensive coverage of 3rd-party IP partnerships with industry-leading vendors including ARM, Virage, Synopsys, Faraday, and Silicon Image, offering a range of services from physical libraries to analog mixed-signal IP that supports industry standards such as PCI-E, SATA, and HDMI. In addition, UMC successfully developed a series of reliable, high quality intellectual properties (IP). These include DFM-compliant, process-tuned 65-nanometer libraries, ultra high-speed PLL, and various state-of-the-art analog mixed-signal IPs that support industry standards for advanced audio/video applications, all of which will be utilized in customer SoC designs to help shorten their design cycle time. Finally, UMC has opened a customer support office in India's Hyderabad Technology Park. The new office will provide design support services for India-based customers and existing UMC customers who operate design centers in the area. The India office enhances UMC's global customer design support network, which also includes offices in Japan, Taiwan, Singapore, and Sunnyvale, California.

For exploratory technologies, the true limits of immersion lithography are being constantly challenged, while further Resolution Enhancement Techniques (RETs) are being explored actively for 32-nanometer and below technology. The mini-pilot line for high-k dielectric/metal gate development has narrowed down the number of material choices for dual work function metal gates and a possible integration scheme to enable such new materials. The search for new advanced CMOS device schemes leads to multi-gate field-effect transistors (MuGFETs), and various mobility enhancement structures. The new and innovative transistor scheme is being explored for 32-nanometer and beyond technology development.

R&D Expenditures

In thousand NTD

	2008	2007
Expenditures	1,383,997	9,487,543

Note The data represented for 2008 was gathered until March 17, 2008; the figure represented was unaudited.

Long-term and Short-term Business Development Plan

UMC operates as the SoC Solution Foundry, dedicated to providing comprehensive SoC solutions for its customers. This approach involves collaborating closely with customers as well as partners throughout the entire supply chain, including equipment, EDA tool, IP and test and packaging vendors to work synergistically towards each customer's SoC silicon success. This strategy has resulted in a broad range

of resources available to SoC designers, including silicon validated reference flows, a broad IP portfolio, free-of-charge libraries and extensive test and packaging capabilities. Combine these with UMC's advanced process technology and state-of-the-art 300mm manufacturing, and the result is shortened time-to-market for customers' SoC products.

Market and Sales Conditions

Major Sales Regions

UMC's technologies and services have proven themselves by contributing to the success of its customers, many of whom are major players in the global IC industry. Currently, the majority of the Company's 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. UMC will enhance its partnerships with world-class customers around the globe by continuing to develop customers' high-end products to ensure the steady growth of UMC for the mid and long-terms.

Market Share

UMC is a leading company in the foundry industry, with a 2007 sales revenue figure of USD 3.236 billion. UMC possessed a global pure-play foundry market share of 18%. TSMC, SMIC and Chartered are considered major competitors. Together in 2007, UMC, TSMC, SMIC and Chartered are estimated to account for approximately 81% of the pure-play foundry market share. In 2007, TSMC, SMIC and Chartered had a market share of 48%, 8% and 7% respectively (market share information and revenues of the competitors are based on their financial releases and data from IC Insights).

Future Market Supply, Demand, and Growth Potential

According to reports by the World Semiconductor Trade Statistics (WSTS), the Semiconductor Industry Association (SIA), Dataquest, and In-Stat and IC Insights, the global semiconductor market in 2008 is estimated to exhibit growth in the range of 5% around, following growth of 4% in 2007.

To provide an indicator of future market supply, demand and growth potential by industry breakdown, Fabless design companies have historically outperformed 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.

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's technology leadership leveraged with the advantages of Taiwan's IC industry will result in greater competitiveness for the Company.

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 two 300mm facilities, Fab 12A in the Tainan Science Park, and Fab 12i in Singapore. Furthermore, a third 300mm facility is under construction in the Tainan Science Park. UMC's aggressive expansion into 300mm manufacturing will help attract more outsourcing orders from IDMs and fabless companies.

Market and Sales Conditions (cont.)

- UMC is in volume production for 65-nanometer process technology. UMC is one of the few foundries in the world that is capable of providing this technology capability. 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/RF CMOS processes, and other system integration technologies used in SoC designs to meet customers' needs and firmly establish the company's leading position for the development of SoC technologies.
- As the need continues to rise for consumer products such as digital televisions, LCD televisions, DVD players, MP3 players and smart phones, the semiconductor industry is expected to enter another growth stage.

Negative Factors Relating to Future Development

- 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 and low power consumption needs while helping customers to reduce overall costs.

- UMC will strengthen its 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 micro-processors.
- Mixed-Signal processes: Chips for processing analog/digital 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 and Power Management ICs.
- CMOS Image Sensor processes: for manufacturing CMOS Image Sensors used in digital cameras, cell phones 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 leading manufacturing technologies, materials and equipment for its customers to rapidly realize their designs in silicon.

Major Raw Materials Status

MATERIAL CATEGORIES	MAJOR VENDORS	VENDORS' MARKET POSITION	UMC'S PROCUREMENT STRATEGIES
Raw Silicon Wafers	S.E.H. (manufactured in the U.S., Japan, Taiwan and Malaysia) MEMC (manufactured in the U.S. Japan and Taiwan) SUMCO Group (manufactured in Japan and Taiwan)	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.	(a) UMC maintains good relationships with the world's major silicon wafer suppliers to assure a stable supply. (b) UMC's decision to procure wafers made locally has not only reduced logistical risks, but has also reduced costs. (c) UMC allocates procurement among its vendors according to their overall performance, which is evaluated quarterly by UMC's internal Suppliers Management Committee.

Major Vendors and Customers

Major Vendors

In thousand NTD

2007			2006		
NAME	AMOUNT	PERCENTAGE OF NET PURCHASES	NAME	AMOUNT	PERCENTAGE OF NET PURCHASES
Topco Scientific Co., Ltd.	4,557,568	15	Shin-Etsu Handotai Taiwan Co., Ltd.	3,353,721	13

Reasons for changes in procurement amount: UMC's purchase amount with Topco Scientific increased for 2007 due to a greater variety of materials purchased from the company during the year, along with the transfer of business from Shin-Etsu to Topco Scientific.

Major Customers

In thousand NTD

2007			2006		
NAME	AMOUNT	PERCENTAGE OF NET OPERATING REVENUES	NAME	AMOUNT	PERCENTAGE OF NET OPERATING REVENUES
UMC Group (USA)	51,894,797	49	UMC Group (USA)	54,476,329	52
Customer "A"	15,704,992	15	Customer "A"	8,274,751	8

Reasons for changes in sales amount: Sales to UMC Group (USA) accounted for more than 10% of net operating revenues in 2007. The net sales to UMC Group (USA) in 2007 are less than the amount in 2006 primarily due to the depression of the semiconductor industry in Q4 2007 and the decrease in demand of communication, consumer and computer products. Sales to Customer "A" accounted for more than 10% of net operating revenues in 2007 and the percentage of net operating revenues of Customer "A" increased 7% over than 2006. This resulted primarily from the increased demand in communication products in 2007.

Production and Sales Figures

Production Figures

	2007		2006	
	QUANTITY	AMOUNT (IN THOUSAND NTD)	QUANTITY	AMOUNT (IN THOUSAND NTD)
Wafers (Pcs)	3,263,224	71,361,759	3,030,999	76,232,056
Chips (In thousands)	138,494	12,220,745	84,918	6,635,478
Packaged ICs (In thousands)	3	152	599	43,148
Total amount		83,582,656		82,910,682
Capacity (Pcs)	4,308,000		4,017,000	

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

Sales Figures

		2007		2006	
		QUANTITY	AMOUNT (IN THOUSAND NTD)	QUANTITY	AMOUNT (IN THOUSAND NTD)
Wafers (Pcs)	Domestic	1,655,826	38,331,946	1,372,006	32,839,086
	Export	1,558,500	54,730,239	1,618,731	62,001,889
Chips (In thousands)	Domestic	59	101,108	56	58,508
	Export	138,216	10,282,195	84,807	5,677,686
Packaged ICs (In thousands)	Domestic	3	104	374	26,803
	Export			203	16,579
Others	Domestic		14,013		122,026
	Export		549,593		570,829
Total	Domestic		38,447,171		33,046,423
	Export		65,562,027		68,266,983

Note Wafer quantity is expressed in 200mm wafer equivalents.

Employee Analysis

Number of Employees

	2008	2007	2006
Engineers	7,054	7,046	6,774
Administrators	547	556	550
Clerks	49	51	60
Technicians	5,944	6,067	5,881
Total	13,594	13,720	13,265

Average Age

	2008	2007	2006
Average age	31.2	31.0	30.6

Average Years of Employment

	2008	2007	2006
Average number of years	6.0	5.9	5.4

Level of Education (%)

	2008	2007	2006
Ph.D.	1.3	1.2	1.2
Masters degree	22.3	22.1	21.8
Bachelors/ Associate degree	48.8	48.8	48.7
Secondary school and others	27.6	27.9	28.3

Note The data represented for 2008 was gathered until March 17, 2008.

Environmental Protection Information

In the past year, UMC met all environmental regulations and government requirements and distinguished itself with its environmental protection performance. Moreover, there was no penalty or loss associated with pollution from Company operations.

UMC follows the ISO14001 and OHSAS18001 standards for environmental, safety and health risks in business operations and implements proper prevention and correction measures accordingly, including facility modification, employee education and training and operating system reinforcement.

In 2007, the total expenditures in environmental, safety and health management were approximately NTD 1.95 billion. UMC's environmental protection and pollution control plan addresses all aspects of the environment. In 2007, capital expenditures for pollution control equipment were NTD 168 million and the average monthly operational fees were NTD 27 million. Handling fees for monthly waste

treatment were NTD 4.11 million and the annual cost for the environmental monitoring program was NTD 3.05 million. In addition, UMC incorporated the QC 080000 IECQ HSPM (Hazardous Substance Process Management) system in 2006 to align itself with the RoHS Directive announced by the EU. This demonstrates UMC's capabilities in managing hazardous substances and meeting RoHS Directives. The qualification also assures UMC's continual access to European markets to help its customers expand their market share. The annual certification costs for the QC 080000 IECQ HSPM system, product testing, and relative education total approximately NTD 0.52 million.

Estimated expenditures in the future will include: 1. Modernization and upgrade of current pollution control facilities, 2. Operational fees of NTD 27 million per month for pollution control facilities, 3. Handling fees related to waste treatment of NTD 4 million per month and 4. Environmental monitoring fees of NTD 3 million.

Labor Relations

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

UMC makes every effort to develop a positive working relationship between employees and management. Employees can communicate with their superiors through many channels, including departmental meetings, colleague symposiums, and opinion boxes. The mental and physical well-being of UMC employees are equally as important, and the Company offers employee-counseling services and has a health clinic on-site.

UMC has its own employee recreation center to provide its staff with a facility to improve their quality of life and encourage social interaction among company personnel. The employee recreation center is equipped to support a variety of activities, such as sports, entertainment, arts, and community meetings.

UMC follows a training policy that is implemented to not only benefit the Company, but also cultivate individual growth and development.

To protect the rights and interests of employees, UMC follows the Labor Standards Law. UMC's employee retirement policy also corresponds with existing related labor laws.

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

In recent years, up to the publish date of the annual report, there have been no disputes between employees and employers, nor has the Company realized any financial impact resulting from disputes between employees and employers. Disputes within the organization or financial loss could be averted by following the complete administrative practices listed above and through constant efforts to avoid such circumstances.

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 with the companies listed below. In

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

COMPANY NAME	CONTRACT PERIOD	MAJOR CONTENTS	LIMITATIONS
UMC Group (USA)	2006.1.1~2007.12.31	Semiconductor products sales and relevant services	None material
United Microelectronics (Europe) B.V.	2005.1.1~2008.12.31	Semiconductor products sales and relevant services	None material
UMC Japan	2006.1.1~2007.12.31	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 more than 20 years of investment, UMC has a leading position amongst independent foundries worldwide for number of US patents issued in the

semiconductor field. 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
Agere Systems Inc.	2004.1.1~2008.12.31 (This agreement was terminated on May 9, 2007)	Process and topography	None material
International Business Machines Corporation	2006.1.1~2010.12.31	Process, topography and design	None material
Texas Instruments Incorporated	1998.8.28~2007.12.31	Process, topography and memory content	None material
Freescale Semiconductor, Inc.	2005.12.7~2010.12.31	Process and topography	None material
Renesas Technology Corp.	2006.1.1~2010.12.31	Process and topography	None material

Major Agreements (cont.)

Major Construction Agreements

COMPANY NAME	CONTRACT PERIOD	MAJOR CONTENTS	LIMITATIONS
Various construction or engineering companies, such as: Yih-Shin Construction Co., Ltd.; Excelair Cond. Co., Ltd.; Hueng Luei Industry Co., Ltd.	2007.1.1~2008.12.31	UMC has contracts with major construction and engineering companies to expand semiconductor facilities in the Tainan Science Park. Total contract amounts exceed NTD 2.4 billion.	None material

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:

COMPANY NAME	CONTRACT PERIOD	MAJOR CONTENTS	LIMITATIONS
Mega International Commercial Bank Co., Ltd. and 13 other participant banks. (Note This case had been paid off in 2004)	1999.11.22~2007.9.25	Mega International Commercial Bank Co., Ltd. arranged the syndicated loan and the facility amount was approximately NTD 3.9 billion. The loan was for Fab 8E's capital expenditure.	None material
Mega International Commercial Bank Co., Ltd. and 20 other participant banks. (Note This case had been paid off in April of 2005)	2000.1.28~2007.1.28	Mega International Commercial Bank Co., Ltd. arranged the syndicated loan and the facility amount was approximately NTD 8 billion. The loan was for Fab 8F's capital expenditure.	None material