



UMC YEAR 2000 ANNUAL REPORT

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DEAR SHAREHOLDERS

The year 2000 opened with the official consolidation of UMC's foundry operations on January 3rd. Our consolidation, accompanied by robust industry conditions in 2000, resulted in record revenues and profits for the year. Revenues increased 260.5% and profits 383.7% respectively, with UMC's gross margin leading all companies in the foundry industry at 51%. The following factors contributed to UMC's success in 2000, and are expected to set the stage for further growth in coming years.

TECHNOLOGY LEADERSHIP

A major factor in our company's success in 2000 was the ability to extend our leadership in the area of technology, testimony to the success of our research and development efforts and rapid deployment capabilities. This resulted in UMC's industry-leading 13% of revenue from 0.18-micron and below technologies. Over the course of the year, we set a string of pure-play foundry industry milestones that included:

- The first delivery of wafers utilizing copper interconnect technology
- The first successful production of 0.13-micron ICs
- The first release of a true low-k dielectric production technology ($k=2.7$)
- The first successful production of foundry ICs using 300mm wafers

These achievements represent significant competitive advantages for UMC and our customers. Apart from our strength in mainstream logic technologies, we made great strides in the development of other specialty processes, including RF CMOS, Liquid Crystal on Silicon (LCOS), CMOS sensor, and Flash memory technologies.

GLOBAL PARTNERSHIPS

In line with UMC's belief that integration, globalization and specialization are the key factors that determine success in the high technology economy, we continued to pursue a wide range of strategic partnerships with major semiconductor manufacturers and design companies. Among the many such alliances, several stand out as remarkable:

- Joint Development of 0.13 and 0.10-micron technology with IBM and Infineon
- Hitachi-UMC joint venture 300mm foundry establishment (Trecenti Technologies)
- Sharp Corporation's equity investment in UMC's Japan foundry subsidiary, NFI
- Singapore 300mm foundry company investment with Infineon

These developments reflect the growing importance of global partnerships between first-tier technology companies. They also highlight the fact that industry leaders around the world recognize UMC as a first-class foundry company, and as the partner of choice for long-term cooperation. We expect these partnerships to bring extraordinary benefits to our company in the years to come.

DIVERSIFICATION

As a world-leading foundry, we offer technologies designed to serve customers across the widest possible range of market sectors. This has enabled our company to expand its market share faster than any other pure-play foundry over the last five years, and may shield us from the worst effects of the silicon cycle that characterize the semiconductor industry. In 2000, we improved diversification on many levels, greatly decreasing the risks frequently associated with semiconductor manufacturing. These achievements include:

- Enhanced diversification of sales to computer, communications, and consumer sectors
- Improved geographical diversification of customer base, with Europe growing to an industry leading 22% of total revenues
- Diversification of manufacturing operations with large-scale investments in Japan, Singapore, and the Tainan Science-Based Industrial Park
- Increased business from IDM and systems company customers

300MM TECHNOLOGY ADOPTION

Increased productivity is a major driver of semiconductor industry growth, and the adoption of larger diameter wafers is a major step towards this goal. UMC is leading the entire industry in the move to 300mm wafers, with three major 300mm fab projects in progress. In 2000, we set many milestones in the 300mm arena, including:

- The first production of 300mm wafers in a dedicated 300mm fab
- The completion of the structure of UMC's Tainan-based 300mm fab (Fab 12A)
- The establishment of a 300mm foundry company in Singapore (US\$3.6 billion)

All of these developments put UMC firmly at the head of the industry in terms of 300mm technology and future capacity, and are expected to further increase the competitiveness of UMC and our customers.

POSITIONED FOR THE FUTURE

By any measure, 2000 was a benchmark year for our company. Not only did we achieve record revenues and profitability, we implemented a series of strategic initiatives that leave us strongly positioned to profit from the opportunities that await the foundry industry in the years to come.



A stylized, handwritten signature in black ink.

ROBERT TSAO
Chairman
UMC Group



A stylized, handwritten signature in black ink.

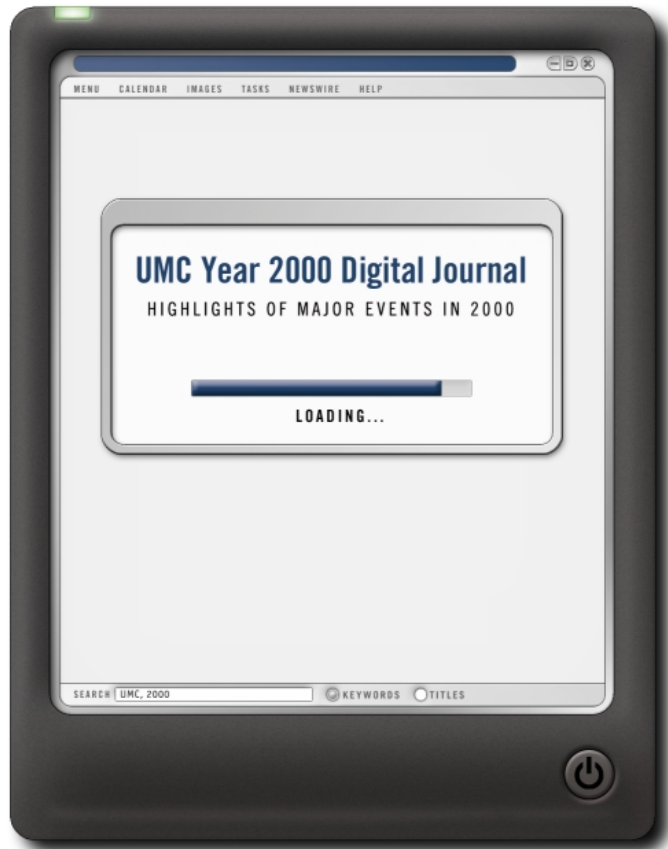
JOHN HSUAN
Chairman
UMC



A stylized, handwritten signature in black ink.

PETER CHANG
President & CEO
UMC

UMC YEAR 2000 DIGITAL JOURNAL



JANUARY 3, 2000

MENU

CALENDAR

IMAGES


TASKS

NEWSWIRE

HELP



USC ▶ UMC FAB 8B



USIC ▶ UMC FAB 8C



UTEK ▶ UMC FAB 8E



UMC Completes Consolidation of Joint Ventures

SUNNYVALE, CA and TAIPEI, Taiwan - January 3, 2000

UMC announced today the completed consolidation of its Taiwan-based joint venture companies. The consolidation greatly expands UMC's capacity and semiconductor fabrication capabilities, strengthening its position as a leading foundry to customers worldwide. UMC customers are already reaping benefits from the consolidation in terms of increased capacity allocation and new technology development. The consolidation will benefit UMC's business by taking advantage of research and development synergies, faster technology process deployment, and centralized management.

More News...

UMC forging ahead through better int
 Competition in the semiconductor ind


SUMMARY

UMC's joint venture strategy allowed UMC to quickly build market share through partnerships with leading fabless IC companies. With this successfully accomplished, consolidation will maximize operational and marketing efficiencies, and enhance customer satisfaction.

LOCATION

VIDEO FOOTAGE

SUMMARY



UMC_HEADQUARTERS.JPG

REVENUE

PRE-CONSOLIDATION

POST-CONSOLIDATION



| Year | Revenue (Billion NT) |
|------|----------------------|
| 1998 | 15 |
| 1999 | 30 |
| 2000 | 100 |

UNIT: BILLION NT

SEARCH

Consolidation, Synergies, Joint Venture

☒ KEYWORDS
 ☐ TITLES

"UMC'S CONSOLIDATION IS DEFINITELY IN THE BEST INTEREST OF OUR CUSTOMERS AND SHAREHOLDERS. WE WILL ACHIEVE ECONOMIES OF SCALE THAT WILL HAVE AN ALMOST IMMEDIATE EFFECT ON OUR EFFICIENCY AND AT THE SAME TIME IMPROVE CUSTOMER SERVICE."

PETER CHANG
PRESIDENT & CEO, UMC

"WE ARE HAPPY TO JOIN IBM AND INFINEON, TWO COMPANIES THAT CLEARLY
SHARE OUR COMMITMENT TO STATE-OF-THE-ART TECHNOLOGY. WE BELIEVE
THIS AGREEMENT REPRESENTS A PATH TO THE FUTURE FOR IC DESIGNERS
AROUND THE WORLD."

ROBERT TSAO

CHAIRMAN, UMC GROUP

JANUARY 27, 2000

MENU NEWSWIRE IMAGES TASKS CALENDAR HELP

UMC, Infineon and IBM Form Alliance to Develop Leading Chip Technologies

TAIPEI, Taiwan - January 27, 2000

UMC, Infineon Technologies, and IBM today announced plans to jointly develop leading technologies for use in the production of 0.13 and 0.10-micron semiconductors. This agreement is the first of its kind in the semiconductor industry, bringing together three major corporations from the US, Europe and Asia.

The joint development will focus on highly advanced technology processes, incorporating leading-edge copper interconnect technology and allowing for the combination of logic circuitry, mixed-signal circuitry and embedded DRAM memory onto a single chip. The combined efforts of UMC, Infineon and IBM in developing these new process technologies will likely define a new global-standard for logic semiconductor manufacturing. UMC will market the new technology under its WorldLogic brand name.

More News...

[Semiconductor leaders combine to create world-class SOC platform](#)

SUMMARY VIDEO FOOTAGE LOCATION ARCHIVE GLOSSARY

This joint development will allow UMC to speed up delivery of its 0.13 and 0.10-micron system-on-chip technology platforms. By applying both copper interconnects and low-k, the WorldLogic platform allows both embedded memory and logic circuitry to be used on high performance and low power consumption chips.

SEARCH Technology Alliance, Global Standard

KEYWORDS

CHIP PERFORMANCE

| Technology Node | Chip Performance (GHz) |
|-----------------|------------------------|
| 0.18um | ~1.1 |
| 0.13um | ~1.5 |
| 0.10um | 2.0 |

SOURCE: INTERNATIONAL SUMMARY ROADMAP FOR SEMICONDUCTORS (ITRS)

WORLDLOGIC.JPG

GLOBAL ALLIANCE

MARCH 27, 2000

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HELP

WAFER_PRODUCTION.JPG

COPPER ADVANTAGE

POWER CONSUMPTION ADVANTAGE
(LOWER IS BETTER)

| | |
|----------|------|
| COPPER | 0.5x |
| ALUMINUM | 1.0x |

SPEED ADVANTAGE
(HIGHER IS BETTER)

| | |
|----------|------|
| COPPER | 2.0x |
| ALUMINUM | 1.0x |

SOURCE: <http://www.novellus.com/>

29 Cu

SUNNYVALE, CA - March 27, 2000

UMC announced the immediate availability of the industry's first FPGA chips incorporating cutting-edge, advanced copper process technology. Fu Tai Liou, UMC Chief Technology Officer, said "UMC is the first semiconductor foundry to deliver wafers using copper interconnect technology. And, we are pleased to see that Xilinx has effectively implemented this technology to deliver the industry's first copper-based FPGAs." The use of copper in the production of these chips marks an important stage in the gradual transition from aluminum in chip fabrication. Copper's inherently lower resistance will greatly increase performance and circuit efficiency.

More News...

[New technology from UMC to enhance Xilinx chip performance](#)
[State-of-the-art copper technology](#)

SUMMARY

VIDEO FOOTAGE

LOCATION

ARCHIVE

GLOSSARY

UMC achieves another industry first, as the first foundry to ship integrated circuit devices using copper process in volume. Copper process technology will set the new standard for device performance for foundry customers.

COPPER_IC.JPG

SEARCH

Copper, Speed, Performance, Efficiency

KEYWORDS

TITLES

MAY 12, 2000

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UMC Produces Foundry Industry's First 0.13-micron Integrated Circuits

SUNNYVALE, CA - May 12, 2000


At its annual technology forum today, UMC announced it has successfully produced fully functional 2MB SRAM chips using its WorldLogicSM 0.13-micron logic technology. The state-of-the-art SRAM chips were taped-out during the first quarter of the year and were verified with natural good die yield on May 2. These chips feature full copper interconnect technology, 0.10-micron gate length devices, and the world's smallest foundry SRAM bitcell (6T) at 2.28um². UMC expects to enter pilot production for its 0.13-micron technology before the end of the year.

More News...


0.13-micron: Enabling high speed, low power applications

SUMMARY

The move to 0.13-micron marks UMC's continued commitment to cutting edge technology development, strengthening its position as the world's most technologically advanced foundry. UMC's successful integration of low-k dielectrics with copper interconnects on 0.13-micron design rules makes UMC the obvious choice for customers demanding the highest possible performance from their chips.



FIRST 0.13-MICRON WAFERS



0.13-MICRON SRAM

UMC TECHNOLOGY ROADMAP

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|------|------|--------|------|--------|--------|
| UMC | | 0.18um | | 0.13um | 0.10um |
| SIA* | | 0.18um | | 0.13um | |

* SEMICONDUCTOR INDUSTRY ASSOCIATION

SEARCH

WorldLogic, 0.13-micron

KEYWORDS

TITLES

SEPTEMBER 19, 2000

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UMC Makes its Debut on New York Stock Exchange

NEW YORK, NY - September 19, 2000

UMC, one of the world's largest independent semiconductor foundries, today announced its initial public offering of 90 Million SEC registered American Depositary Shares (ADSs), raising US\$1.3 billion. This transaction posted the largest dollar value achieved for any Taiwan-corporate initial SEC offering to date. The ADSs are listed on the New York Stock Exchange, and will trade under the symbol "UMC."

[More News...](#)

UMC Company History; A detailed look at the growth of UMC

UMC AMERICAN DEPOSITARY RECEIPT (ADR)

| | | | |
|--|--|--|--|
| <p>NUMBER</p> <p>AMERICAN DEPOSITORY RECEIPT for AMERICAN DEPOSITORY SHARES EXCEPTED IN CERTAIN STATES</p> |  | <p>AMERICAN DEPOSITORY SHARES</p> <p>Each American Depositary Share represents one fully paid and noncumulative share of the common stock of the Corporation.</p> <p>CUSIP 050808 00 0</p> | |
| <p>UNITED MICROELECTRONICS CORPORATION</p> <p><small>(Incorporated under the laws of the Republic of China)</small></p> <p><i>Established, N.Y., a national banking association organized and existing under the laws of the United States of America, as depository (the "Depository") hereby certifies that</i></p> | | | |
| <p><i>on registered securities, is the record owner of</i></p> | | | |
| <p>American Depositary Shares</p> | | | |

SUMMARY VIDEO FOOTAGE LOCATION ARCHIVE GLOSSARY

UMC's NYSE public offering greatly benefits UMC's plans for additional investment in research and development and global expansion. It brings broader opportunities for international investors to share in UMC's future development.



DAY'S EVENTS

| 5:00am | 6:00am | 7:00am | 8:00am | 9:00am | 10:00am | 11:00am | 12:00pm | 1:00pm | 2:00pm | 3:00pm |
|--------|--------|--------|--------|--------|---------|---------|---------|--------|--------|--------|
|--------|--------|--------|--------|--------|---------|---------|---------|--------|--------|--------|

Timeline of the day's activities:

- 8:00 AM: Morning Meeting
- 9:00 AM: Ring NYSE Bell
- 10:00 AM: Press Meeting
- 12:00 PM: Lunch Meeting
- 1:00 PM: Visit the Floor
- 3:00 PM: Press Interview
- 5:00 PM: End of Day

SEARCH Global Expansion

☒ KEYWORDS ☐ TITLES

STOCK SYMBOL UMC

OCTOBER 27, 2000

NEWSWIRE

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UMC Completes Tainan 300mm Fab Structure

TAINAN, Taiwan - October 27, 2000

UMC held an official Topping Off ceremony for its first 300mm facility, Fab 12A, in the Tainan Science-Based Industrial Park today. Production is slated to begin in Q3, 2001 using 0.18-micron CMOS technology, and will later move into more advanced 0.13 and 0.10-micron processes. Fab 12A is the world's most advanced 300mm fab, incorporating the industry's most advanced computerized manufacturing systems.

[More News...](#)

[UMC's 300mm Tainan Fab: Where new technologies are born](#)

WAFER EVOLUTION

1975

2001

4"

5"

6"

8"(200mm)

12"(300mm)

SOURCE: ROSE ASSOCIATES AND SCS ESTIMATES

SUMMARY

The completion of Fab 12A further validates UMC's pioneering role in the move to 300mm wafer production. This wholly-owned 300mm wafer fab will bring tremendous competitive advantage to both UMC and its customers through cost saving achieved by the larger wafer size, simultaneously extending UMC's long-term competitiveness. This is the first UMC wafer fab located in the new Tainan Science-Based Industrial Park.

CHIVE

VIDEO FOOTAGE

LOCATION

GLOSSARY

FAB_OPERATOR.JPG

UMC_FAB12A.JPG

TAIPEI

HSINCHU

TAIWAN

TAINAN

KAOHSIUNG

SEARCH

UMC Fab 12A

KEYWORDS

TITLES

DAY 301

NOVEMBER 2, 2000

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Sharp Announces Strategic Agreement with UMC Group Foundry NFI

TOKYO, Japan - November 2, 2000

Sharp Corporation and Nippon Foundry Incorporated (NFI), a UMC Group company, announced a long-term foundry supply agreement today. Sharp has agreed to invest JPY7 billion (US\$64 million) in NFI to ensure it has access to the production capacity it requires. The initial capacity agreement is for 6,000 wafers per month, with this number expected to increase to 10,000 wafers per month by 2002. Production will take place at NFI's Tateyama, Chiba facility, and is expected to begin in the second half of 2001. The investment will help upgrade NFI's capacity from the current planned capacity of 34,000 8-inch wafers per month to 40,000.

[More News...](#)

The Sharp-UMC alliance: IDM outsourcing to improve efficiency and secure capacity

SUMMARY

This agreement marks a breakthrough in the development of symbiotic relationships between Integrated Device Manufacturers (IDMs) and semiconductor foundries. This represents a true win-win situation with both companies sharing the risk of expansion while securing a long-term cooperation model.

LONG-TERM FOUNDRY OUTLOOK

TOTAL WAFER MARKET (PERCENTAGE OF REVENUE)

| Year | IDM (%) | Foundry (%) |
|------|---------|-------------|
| 2000 | 87% | 13% |
| 2010 | 50% | 50% |

SOURCE: FABLESS SEMICONDUCTOR ASSOCIATION

LOCATION
VIDEO FOOTAGE
SUMMARY
ARCHIVE
GLOSSARY

JAPAN
TOKYO
TATEYAMA

NFI_FAB.JPG

NFI_ENGINEERS.JPG

SEARCH
☒ KEYWORDS
☐ TITLES

DECEMBER 4, 2000

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NEWSWIRE


HELP

LOCATION





FIRST 300mm FOUNDRY WAFER



Trecenti Technologies
Produces World's First
300mm Foundry Wafers

HITACHINAKA CITY, Japan - December 4, 2000

Trecenti Technologies, Inc. (Trecenti), the joint venture foundry established by IC technology leaders Hitachi and UMC, set two major industry milestones with the successful production of its first ICs using 300mm (12 inch) wafers, which came two months ahead of the original schedule. In addition to being the world's first 300mm foundry wafers, they are also the world's first wafers fabricated in a 300mm production facility. The functional 4M and 8M SRAM chips were produced using 0.18-micron technology and demonstrated reasonable first-silicon yields.

More News...

UMC Snapshot: 300mm wafers and their role in 21st century technology

to reap the benefits of its alliance with UMC

300mm ADVANTAGES

300mm WAFER

200mm WAFER

A 300mm semiconductor wafer has over twice the usable area of a 200mm wafer, yielding as much as 2.5 times more die. 300mm wafers should reduce the cost of manufacturing by as much as 30% over 200mm wafers for the 0.13-micron generation.

LOCATION

SUMMARY

ARCHIVE

GLOSSARY

UMC achieves another industry milestone, as the first foundry to successfully manufacture 300mm wafers in a dedicated 300mm wafer fab. This achievement further demonstrates UMC's pioneering role in the move to 300mm wafer production in the foundry industry.

SEARCH

UMC, Trecenti Technologies, Hitachi, Joint Venture

KEYWORDS

TITLES

"UMC IS VERY EXCITED ABOUT EXPANDING OUR OPERATIONS INTO SINGAPORE. FOLLOWING THE SUCCESS OF NFI, OUR JOINT VENTURE FOUNDRY IN JAPAN, THE ESTABLISHMENT OF THIS COMPANY WILL FURTHER DIVERSIFY OUR MANUFACTURING OPERATIONS, ENHANCING OUR ABILITY TO SERVE OUR RAPIDLY GROWING INTERNATIONAL CUSTOMER BASE."

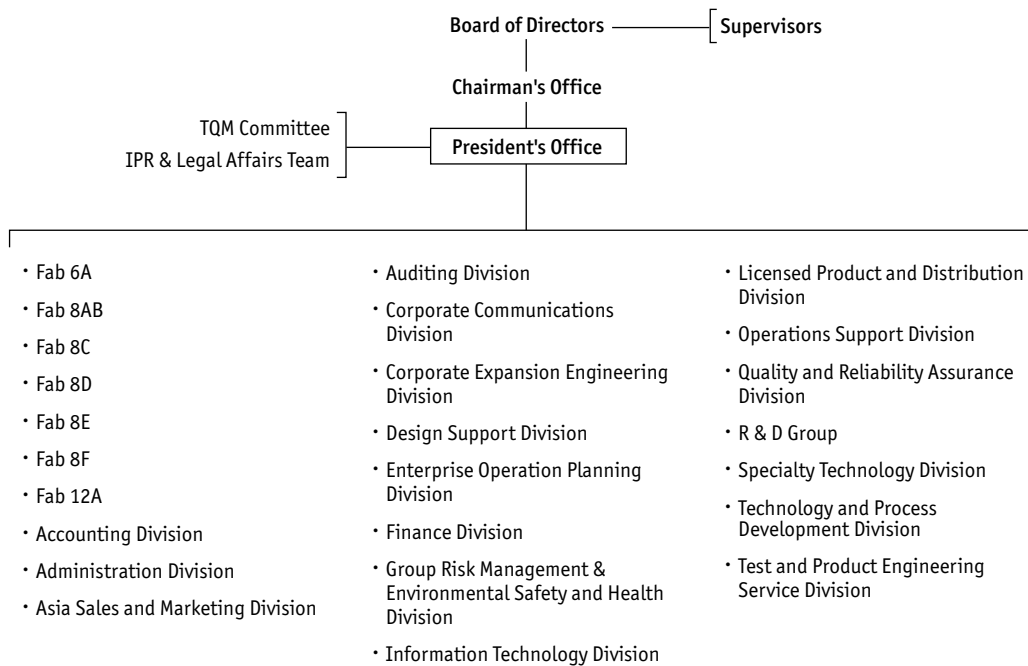
JOHN HSUAN

CHAIRMAN, UMC



CORPORATE OVERVIEW

CORPORATE ORGANIZATION CHART



CORPORATE PROFILE

Date Incorporated:

May 22, 1980

Core Business:

- Integrated circuits fabrication.
 - Semiconductor devices and related components, such as Hybrid Circuits, IC Cards, and Circuit Modules.
 - Microcomputers, microprocessors, peripheral devices, and related subsystems and systems, such as Contact Image Sensors (CIS) and Liquid Crystal Displays (LCD).
 - Semiconductor memory devices and related subsystems and systems for data acquisition and transmission.
 - Semiconductor devices and related subsystems and systems for data acquisition and transmission.
 - Semiconductor devices and related subsystems and systems for telecommunication.
 - Integrated circuits testing and packaging.
 - Mask ROM.
- R&D, design and production, sales, promotion and service of all the above items and their derivatives.*
- Import/export trading business related to UMC operations.

MAJOR OFFICER

| Title | Name | Since | Present Shareholding Common Stock (%) | Spouse & Minor Shareholding Common Stock (%) | Education |
|-----------|-------------|----------|--|---|---|
| President | Peter Chang | 2000.1.3 | 11,073,529 (0.10) | — (—) | Masters, Electrical Engineering, University of Texas at Austin |

Note: Present shareholding is based on actual holding shares, December 31, 2000.

DIRECTORS AND SUPERVISORS

| Title | Name | Date Elected (Term/Yrs.) | Shareholding When Elected Common Stock (%) | Present Shareholding Common Stock (%) | Spouse & Minor Shareholding Common Stock (%) | Experience |
|------------|---------------------|-----------------------------|--|---|--|--|
| Chairman | John Hsuan | 1998.5.5 (3) | 25,885,401 (0.62) | 56,275,121 (0.49) | 3,639,498 (0.03) | Chairman, UMC |
| Director | Robert H.C. Tsao | 1998.5.5 (3) | 28,544,328 (0.68) | 60,266,853 (0.53) | 3,092,356 (0.03) | Chairman, UMC Group |
| Director | Patrick C.J. Liang | 1998.5.5 (3) | 181,074,815 (4.32) | 335,106,094 (2.92) | — (—) | Chairman, Chiao Tung Bank |
| Director | Theodore M.H. Huang | 1998.5.5 (3) | 136,518,808 (3.26) | 173,182,781 (1.51) | — (—) | Chairman, TECO Electric & Machinery Co., Ltd. |
| Director | Donald W. Brooks | 1998.5.5 (3) | 112,688,095 (2.69) | 366,007,905 (3.19) | — (—) | Director, UMC |
| Director | Ing-Dar Liu | 1998.5.5 (3) | 18,025,089 (0.43) | 39,699,824 (0.35) | 1,680,367 (0.01) | Chairman, Unipac Optoelectronics Corporation |
| Director | Peter Chang | 1998.5.5 (3) | (representative of the same legal entity as Donald W. Brooks) | | | President, UMC |
| Director | Jing-Shan Aur | 1998.5.5 (3) | 13,000,000 (0.31) | 23,142,600 (0.20) | — (—) | Director, UMC |
| Director | Hong-Jen Wu | 1998.5.5 (3) | 31,200,000 (0.74) | 55,542,240 (0.48) | — (—) | Director, UMC |
| Director | Mao-Chung Lin | 1998.5.5 (3) | 6,103,041 (0.15) | 10,864,632 (0.09) | 543,471 (0.00) | President, Sunrox International Inc. |
| Director | Jack K.C. Wang | 1998.5.5 (3) | 9,873,208 (0.24) | 16,102,632 (0.14) | 144 (0.00) | Chairman, Sen Dah Investment Co., Ltd. |
| Director | Tsing-Yuan Hwang | 1998.5.5 (3) | 10,000 (0.00) | 17,802 (0.00) | — (—) | Chief Representative of Daiwa Institute of Research Ltd., Taipei Representative Office |
| Supervisor | Sheng-Chyuan Lin | 1998.5.5 (3) | (representative of the same legal entity as Theodore M.H. Huang) | | | President, TECO Electric & Machinery Co., Ltd. |
| Supervisor | Ming-Jan Chen | 1998.5.5 (3) | 20,131,775 (0.48) | 35,838,584 (0.31) | — (—) | Vice President, Industrial Technology Research Institute |
| Supervisor | Felix S.T. Chen | 1998.5.5 (3) | 188,175 (0.00) | 334,987 (0.00) | 22,332 (0.00) | Chairman, SAMPO Corporation |

Notes: Present shareholding is based on actual holding shares, December 31, 2000. Patrick C.J. Liang represents Chiao Tung Bank. Theodore M.H. Huang represents TECO Electric & Machinery Co., Ltd. Donald W. Brooks represents Hsun Chieh Investment Corporation. Peter Chang represents Hsun Chieh Investment Corporation. Jing-Shan Aur represents Chuin Li Investment Corporation. Hong-Jen Wu represents Chuin Tsie Investment Corporation. Tsing-Yuan Hwang represents Ming Shing Industrial Co., Ltd. Sheng-Chyuan Lin represents TECO Electric & Machinery Co., Ltd. Ming-Jan Chen represents Shieh Li Investment Corporation.

LIST OF MAJOR SHAREHOLDERS OF UMC'S MAJOR INSTITUTIONAL STOCKHOLDERS

| Major Institutional Stockholders | Major Shareholders of UMC's Major Institutional Stockholders |
|-------------------------------------|---|
| Chiao Tung Bank | Ministry of Finance, United Microelectronics Corporation, Hsun Chieh Investment Corporation, Administrative Committee of National Stabilization Fund, Bureau of Labor Insurance, Cathay Life Insurance Co., Ltd., Unipac Optoelectronics Corporation, Pacific Electric Wire & Cable Co., Ltd., Directorate General of Postal Remittances and Savings Banks, COSMOS Bank |
| TECO Electric & Machinery Co., Ltd. | United Microelectronics Corporation, Cathay Life Insurance Co., Ltd., Directorate General of Postal Remittances and Savings Banks, Tong-Kuang Investment Co., Ltd., Fubon Insurance Co., Ltd., Huang Po-Chih, YUBAN & Co., Kuang Yuan Enterprise Co., Ltd., Central Investment Holding Co., Ltd., Huang Jin-Hsiung |
| Chuin Li Investment Corporation | Robert H.C. Tsao, John Hsuan |
| Hsun Chieh Investment Corporation | United Microelectronics Corporation |
| Chuin Tsie Investment Corporation | Robert H.C. Tsao, John Hsuan |
| Ming Shing Industrial Co., Ltd. | Kuang-Hwa Investment Holding Co., Ltd. |
| Shieh Li Investment Corporation | Robert H.C. Tsao, John Hsuan |

STATUS OF CORPORATE BONDS AND PREFERRED STOCK ISSUES

- The Company has authorized capital of 15,000,000,000 shares of stock (of which 1,500,000,000 shares are reserved for convertible bonds issued in R.O.C or foreign countries) with NT\$10 par value per share. 11,471,451,900 shares were issued and outstanding as of December 31, 2000.
- The Company issued the second round of unsecured Euro convertible bonds in the amount of US\$300,000,000 on May 16 and June 3 of 1997. All of the bonds were converted into the Company's common stocks or redeemed prior to May 30, 2000.
- The Company issued the third round of unsecured domestic convertible bonds in the amount of NT\$15,000,000,000 on January 20, 1998. All of the bonds were converted into the Company's common stocks prior to June 1, 2000.
- The Company issued the first round of secured domestic bonds on April 27, 2000. The main terms of the issue are as follows:
 - Total amount: NT\$3,990,000,000
 - Issue price: The bonds were issued at par.
 - Face amount: NT\$1,000,000 each
 - Coupon rate: 5.60%
 - Interest payment: Interest will be paid semi-annually starting from the issue date.
 - Principal repayment: Two years after the issue date, principal will be repaid semi-annually in a total of seven installments.
 - Maturity: Five years from the issue date (from April 27, 2000 to April 27, 2005).
- The Company issued new shares to participate in the American Depositary Receipt (ADR) listing on September 19, 2000. The main terms of the issue are as follows:
 - Listing exchange: New York Stock Exchange; Symbol: UMC
 - Total amount raised: US\$1,291,500,000
 - Offering: 90,000,000 ADSs. Each ADS (American Depositary Share) represents five UMC common shares.
 - Depositary bank: Citibank, N.A.
 - Custodian bank: Citibank, N.A., Taipei Branch

OPERATION HIGHLIGHTS

LISTS OF MAJOR VENDORS/CUSTOMERS

LIST OF MAJOR VENDORS

| <i>In thousand NTD</i> | 2000 | | 1999 | |
|-------------------------------|-----------|-------------------|-----------|-------------------|
| | Amount | % (Net Purchases) | Amount | % (Net Purchases) |
| Shin-Etsu Handotai Taiwan Co. | 2,530,281 | 12% | 498,596 | 6% |
| UTEK Semiconductor Corp. | — | — | 1,506,076 | 17% |
| United Semiconductor Corp. | — | — | 1,274,357 | 15% |

LIST OF MAJOR CUSTOMERS

| <i>In thousand NTD</i> | 2000 | | 1999 | |
|------------------------|------------|---------------|-----------|---------------|
| | Amount | % (Net Sales) | Amount | % (Net Sales) |
| UMC Group (USA) | 42,609,198 | 41% | 5,559,165 | 19% |
| UMC BV | 11,849,367 | 11% | 2,819,624 | 10% |

Note: UTEK Semiconductor Corp. and United Semiconductor Corp. were merged with the Company on Jan. 3, 2000.

PRODUCTION AND SALES FIGURES FOR LAST TWO YEARS

PRODUCTION FIGURES FOR LAST TWO YEARS

| <i>In thousand NTD</i> | 2000 | | 1999 | |
|--------------------------|-----------|------------|----------|------------|
| | Quantity | Amount | Quantity | Amount |
| Wafer (pcs) | 2,382,545 | 41,674,246 | 761,980 | 8,517,151 |
| Chips (thousands) | 32,959 | 1,282,286 | 24,439 | 1,001,281 |
| Packaged ICs (thousands) | 175,153 | 9,440,178 | 166,300 | 10,143,120 |

SALES FIGURES FOR LAST TWO YEARS

| <i>In thousand NTD</i> | 2000 | | 1999 | |
|--------------------------|-----------|------------|----------|------------|
| | Quantity | Amount | Quantity | Amount |
| Wafer (pcs) | 2,303,544 | 86,840,833 | 761,287 | 14,269,689 |
| Chips (thousands) | 32,107 | 2,716,697 | 24,416 | 1,698,130 |
| Packaged ICs (thousands) | 141,751 | 11,916,697 | 140,142 | 10,859,934 |

Note: 1999 data was prepared under pre-merger basis.

OPERATIONS OVERVIEW

BUSINESS SCOPE

Major Business: Full service semiconductor wafer foundry.

Current Products and Services: Wafer foundry services, including embedded IC design, mask tooling, wafer fabrication, testing, etc.

Future Products and Services: UMC has reached world-class manufacturing levels and leads most of the major semiconductor companies in the introduction of advanced deep sub-micron processes. Its 0.18-micron process was introduced in the first quarter of 1999, and successful production of functional chips using 0.13-micron copper interconnect technology followed in the second quarter of 2000. For the 0.13 and 0.10-micron copper interconnect process generations, UMC is engaged in a joint technology development program with IBM and Infineon. The early introduction of advanced process technology is largely attributed to UMC's effective research and development efforts and efficient production management, resulting in shorter cycle time and reduced time-to-market for its customer's products. Furthermore, in response to the growing trend towards system-on-chip (SOC) products, the Company continues to develop embedded memory macros, mixed-signal process technology, and other system integration technologies used for SOC designs. UMC now operates a total of seven fabs (one 6-inch fab and six 8-inch fabs), and offers production for processes from 0.50-micron down to 0.13-micron.

UMC's Japanese subsidiary, Nippon Foundry Inc., has one fab in Japan, and UMC's joint venture with Hitachi, Trecenti Technologies, began pilot production in its 300mm fab in Japan in 2000. UMC is also nearing completion of a 300mm facility in Taiwan's Tainan Science-Based Industrial Park, and plans to begin pilot production in the third quarter of 2001.

MARKET AND SALES CONDITIONS

MARKET ANALYSIS

Major Sales Regions: Currently the majority of customers is located in North America and Asia. To better diversify its customer base and reduce risk, the Company also plans to place strong emphasis on the development of major accounts in Europe and Japan.

Future Supply and Demand Situation: According to Dataquest and the World Semiconductor Trade Statistics latest reports, the global IC market anticipates strong overall growth rates in 2001 of 27% and 22%, respectively. Dataquest also predicts the foundry service sector will have a high 40% growth rate. However, the slow-down in the demand for PC and cellular phone markets, and the OEM adjustment of inventory levels, lead some analysts to suggest recalculating the numbers stated above.

Revenue Target: With the industry shifting toward the vertical disintegration business model, UMC should be able to attain revenue growth which is higher than the semiconductor industry in general, due to its high proportion of advanced geometry capacity, technology leadership position, and capacity expansion plans.

MARKET ANALYSIS (CONTINUED)

Positive Factors Relating to Future Development:

- UMC has distinguished itself as a top-tier player in the foundry industry. The trend towards industry disintegration will create new opportunities for the Company as the market for foundry services continues to grow.
- Major IDMs are shifting to the strategy of increased outsourcing for IC manufacturing. This will help the growth of the foundry service market.
- UMC maintains relatively stable long-term orders through its strategic alliances with global industry leaders.
- UMC has an exceptional management team, which places a heavy emphasis on research and development for advanced process technologies.
- UMC is the leader in the implementation of 300mm wafer production with three 300mm projects in progress. In Taiwan, the Company has a 300mm facility in the Tainan Science-Based Industrial Park. In Japan, UMC has a 300mm joint venture foundry with Hitachi, Trecenti Technologies. The Company also announced the plan to establish another 300mm semiconductor foundry in Singapore with Infineon Technologies as a minority shareholder.
- UMC is on par with the world leaders in process technology development. Mainstream production is currently at the 0.18-micron level, our 0.15-micron production is growing steadily, and our 0.13-micron process is currently available for customer prototypes. This shift towards volume production of more advanced technologies creates higher profits for the Company, while offering value added benefits to the customers.

Negative Factors Relating to Future Development:

- The stability of US economy: it is uncertain how the global economy and the semiconductor industry will react to a prolonged US recession.
- The slow-down in the demand for PC and cellular phone markets, as well as the OEM adjustment of inventory levels, may have a negative influence on industry growth in the short term.

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. cellular phone communications and MPEG chips

Non-volatile memory processes: Flash memories, EEPROM memories, etc.

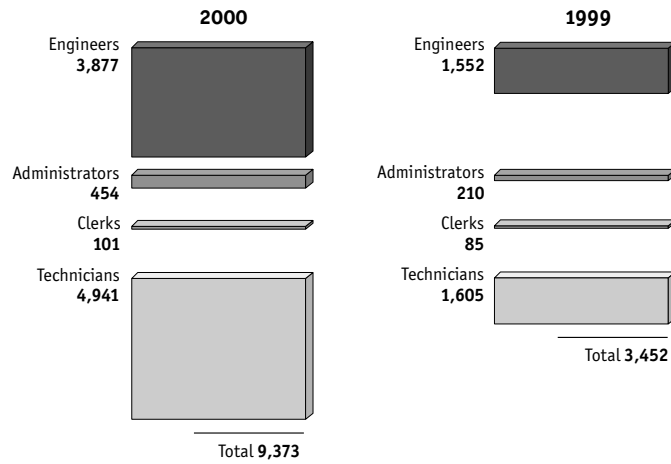
Embedded memory processes: Chips combining logic and memory functions

MARKET CONDITIONS OF THE CHIEF RAW MATERIALS USED AT UMC

UMC obtains its raw materials from reputable vendors with whom long-term, credible relationships have been established. This ensures price stability, a high standard of quality, quick delivery, and reasonable pricing from raw material suppliers.

EMPLOYEE ANALYSIS

NUMBER OF EMPLOYEES



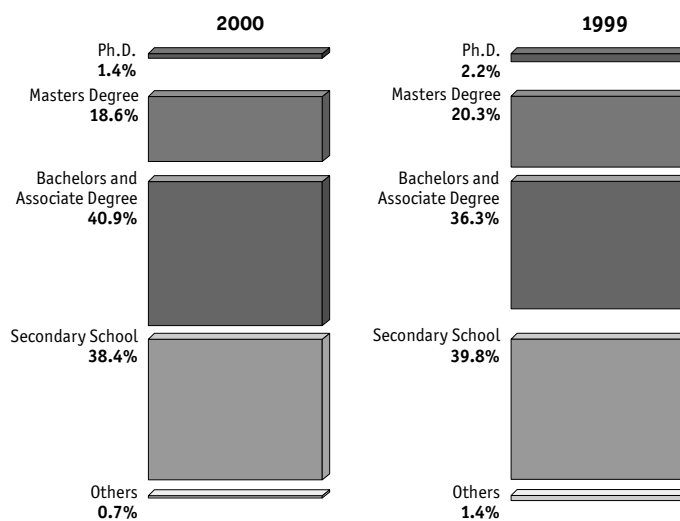
AVERAGE AGE



AVERAGE YEARS OF EMPLOYMENT



EMPLOYEE EDUCATION LEVEL BREAKDOWN



ENVIRONMENTAL PROTECTION

Environmental Protection is always a major consideration for UMC. With a philosophy of sustainable development and responsibility towards society, UMC not only complies with, but strives to exceed all applicable environmental and safety regulations. In our goal towards making UMC a more environmentally-friendly corporation, all production units are required to make efforts toward clean production, waste reduction, pollution prevention and risk management in addition to incorporating international environmental standards.

UMC's capital investment and operational expenses are clear indicators of the Company's determination toward environmental protection. In 2000, cumulative investment for pollution control equipment exceeded NT\$3 billion, with the investment for new fab construction on environmental protection reaching NT\$1 billion. Operation costs for relevant equipment are approximately NT\$20 million per month, plus a monthly waste treatment fee of around NT\$4 million. The major expenditures for future environmental protection programs include: NT\$600 million for new fab construction in Tainan; the costs required to upgrade or replace existing systems in Hsin-Chu; approximately NT\$20 million per month on operation costs for relevant equipment.

In addition to state-of-the-art equipment for pollution control, UMC also employs around 100 professionals working to ensure environmental protection. These efforts have helped UMC receive numerous awards recognizing performance regarding energy conservation, water conservation, and industrial pollution control.

UMC has not only made significant efforts towards environmental protection, but also has been devoted in establishing and maintaining an effective ISO-14001 Environmental Management System (EMS). UMC follows the Plan-Do-Check-Act management model of environmental protection. In 2000, UMC Fab 8C received both ISO-14001 and OHSAS-18001 (Occupational Health and Safety Assessment Series) certifications at the same time, becoming the first successful case of this kind in the semiconductor industry. The other UMC fabs will continue to pursue such achievements in order to ensure a safe, healthy, and environmentally protected working environment.

UMC also participates in a PFC reduction program to protect the atmosphere, and takes active part in environmental organizations, contingency response teams, and other public activities focused on raising the quality of environmental protection efforts.

In the past three years, UMC has had no material disputes involving environmental pollution. This is attributed to UMC's continuous efforts in the area of environmental protection. Notwithstanding, 8 citations were received from environmental authorities with the total cost of these penalties amounting to NT\$1.1 million. Among these penalties, there were two citations for NT\$300,000 each, issued in environmental impact statements to Fab 8E and Fab 8F. Since UMC Fabs 8E and 8F have since passed their environmental assessments, UMC management does not believe the environmental issues will present any material impact on the Company. The penalties for the other six citations range from NT\$60,000 to NT\$100,000. The major reason for these citations is a result of non-objective judgment on procedure violations rather than true pollution violations. UMC has filed a petition for administrative review of the NT\$300,000 penalty assessed against UMC in the second half of 2000. In addition, communication will continue to clarify any misunderstandings in the future.

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 management through many avenues, including departmental meetings, colleague symposiums, and opinion boxes. In addition, UMC has set up employee counseling services to further ensure the mental and physical health of UMC employees, and to develop a harmonious atmosphere between employees and management.

Due to its continuous efforts to create good labor relations, UMC has received several awards from the Council of Labor Affairs and other related organizations. These awards include such titles as “Model Institution for the Promotion of Labor Welfare”, “Model Enterprise for the Promotion of Labor Education”, and “Model Enterprise for Industrial Relations”.

MAJOR AGREEMENTS

TECHNOLOGY COOPERATION AND CONSTRUCTION CASES

International Business Machines Corp. and Infineon Technologies AG - UMC partnered with IBM and Infineon in joint development and licensing of advanced CMOS logic and eDRAM semiconductor technologies for 0.18-micron, 0.15-micron, and 0.13-micron.

Hitachi, Ltd. - UMC and Hitachi formed a joint venture in Ibaraki prefecture in Japan for the manufacture of 300mm wafers with leading edge technology; UMC has rights to 50% of the capacity.

Infineon Technologies AG - UMC and Infineon signed a Memorandum of Understanding for a joint venture in 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.

Various Construction Companies, such as Apex Science & Engineering Corp., L&K Engineering Co., Ltd., Taiwan Kumagai Co., Ltd., Topco Scientific Co., Ltd., etc. - UMC contracted with major construction companies to build semiconductor facilities to UMC’s specifications in Hsin-Chu and Tainan; total contract amounts exceed NT\$1.0 billion.

MAJOR LICENSES

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 has also entered cross licenses with major semiconductor company patent holders to ensure that UMC customers do not face infringement claims as a result of our wafer processing. Some of the major licenses include:

AT&T/Lucent - process & topography

Harris Corporation - process & topography

Hitachi, Ltd. - process & topography

International Business Machines Corp. - process, topography & design

Motorola, Inc. - process, topography & design

Texas Instruments Incorporated - process, topography & memory content

LITIGATION AND NON-LITIGATED INCIDENTS

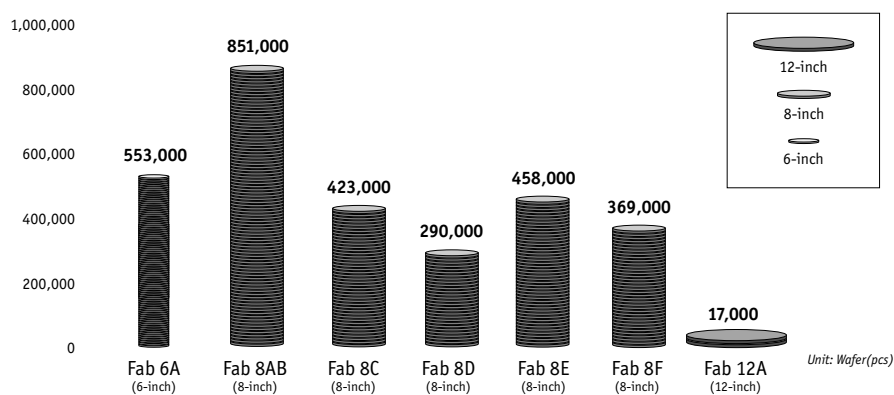
In February 1997, Micron Technology Inc. filed an anti-dumping petition regarding Static Random Access Memory (SRAM) made in Taiwan. An anti-dumping order, issued in April 1998, imposes various dumping duties on SRAM made in Taiwan, if and when those SRAM are imported into the USA. This order was subsequently reversed by the United States Court of International Trade. Regardless of any of these proceedings, UMC believes the SRAM order will have no material effect on its business or financial performance.

Oak Technology Inc. (OAKT) and UMC entered a settlement agreement in July 1997 concerning a complaint filed with the United States International Trade Commission (ITC) against UMC and others, alleging patent infringement regarding certain CD-ROM controllers. In December 1997, OAKT filed a civil action in a California federal district court, alleging that UMC had breached the settlement agreement. In April 1998, OAKT again filed with the ITC, reasserting against UMC these same patent and settlement claims. On September 27, 1999, the ITC issued its order finding no infringement and therefore no act of unfair competition. OAKT has appealed. Whatever the outcome of the ITC or District Court cases, UMC believes this OAKT matter will have no material effect on its business or financial performance.

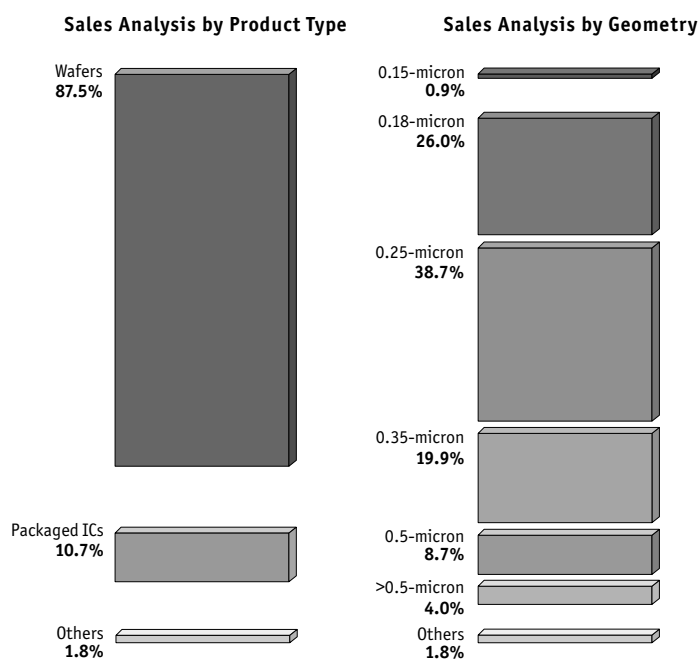
Micron Technology filed another anti-dumping petition against Taiwan in October 1998, this time complaining about Dynamic Random Access Memory (DRAM). By an order issued in November 1999, the ITC rejected Micron's allegations and found that there was no injury or threat of injury to U.S. industry by reason of "unfairly" traded subject DRAMs from Taiwan. Whatever resulting proceedings or appeals Micron might initiate, UMC does not believe the DRAM allegations or these proceedings will have a material effect on its business or financial performance.

PRODUCTION AND SALES PROJECTIONS

PRODUCTION PLANS (2001)



SALES PROJECTIONS (2001)



DISPOSAL/ACQUISITION PLAN FOR REAL ESTATE/ LONG-TERM INVESTMENTS IN 2001

UMC, jointly with other investors, plans to establish the world's most advanced 12-inch wafer foundry company in Singapore's Pasir Ris Wafer Fab Park. Infineon Technologies AG signed a memorandum of understanding, planning to take a minority stake in this company. The Company will operate as a subsidiary of UMC with a planned investment for the project of US\$3.6 billion.

RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND PLANS

R & D ACHIEVEMENTS

2000 offered many examples of UMC's continued commitment to provide customers with leading-edge technologies ahead of the competition. In early 2000, UMC released its 0.15-micron logic technology to customers for mass production, which at the time was one of the earliest 0.15-micron technologies available in the world. Furthermore, over half of all wafers manufactured at UMC in 2000 were for 0.25-micron and beyond (including 0.25-micron, 0.21-micron, 0.18-micron and 0.15-micron), providing solid testimony to our customers' confidence in UMC's advanced technology in helping them maintain their competitive advantage. In recognition of UMC's outstanding achievements in semiconductor technology research, the ROC government awarded UMC "Gold" medals acknowledging contributions to innovative semiconductor research made by both individual and company efforts in 2000. UMC was also honored by receiving the "Outstanding Technology Award" by the ROC President.

Early development of 0.13-micron logic technology was one of our primary focuses for 2000. In less than a year after we made 0.15-micron available to our customers, we announced that we had started prototyping chips using 0.13-micron logic technology with our strategic development partners, IBM and Infineon. This is the first true 0.13-micron technology that offers customers a maximum 8 layers of copper interconnect and Low K dielectric material (with $K = 2.7$). In this 0.13-micron generation, we currently provide one of the most competitive embedded SRAMs (cell size equal to $2.28 \mu\text{m}^2$) with transistors made as small as 0.08-micron, offering our customers the most advanced foundry process for applications including PC Periphery/Graphics, ASIC, and MPU (Microprocessors) designs. Also, the multiple sources of supply make this unprecedented design platform truly a global process. This 0.13-micron technology has attracted worldwide attention, with over a dozen customers already deciding to take advantage of this technology for prototyping of their most advanced product designs at the early adoption stage. In addition to the 0.13-micron standard logic process, Mixed Signal and RF CMOS technologies remain high priorities due to the rapidly expanding markets in applications involving communications, digital consumer products, and the Internet. Efforts to develop technologies in these areas have allowed us to realize the successful delivery of 0.25-micron and 0.18-micron Mixed Signal and RF CMOS technologies to our customers. Moreover, the 0.13-micron technology developed with IBM and Infineon includes high quality passive Mixed Signal and RF CMOS components such as metal-metal capacitors and metal inductors as the best offerings for our customers to use in their product designs. Regarding our memory technologies, three generations (0.25-micron, 0.21-micron and 0.18-micron) of (stack type) DRAM processes have been successfully developed in two years. In addition, we will jointly develop the Deep Trench embedded DRAM at the 0.13-micron generation with IBM and Infineon. With our embedded Flash and embedded EEPROM technologies, UMC provides complete solutions for our customers' leading-edge System-On-Chip (SOC) designs.

FUNDAMENTAL RESEARCH

Since becoming the first international member of the SRC (Semiconductor Research Corp.) in 1999, UMC has held an active presence at every SRC program, including determining future research directions, providing guidance, and sending senior staff to help manage SRC research programs as their liaisons. These are perfect opportunities for us to work with other SRC member companies such as Intel, IBM, TI, Motorola, and AMD for fundamental research in semiconductor technologies. Also through the SRC, UMC has facilitated the entry of many Taiwanese universities into international research programs, giving them the opportunity to compete with top North American universities. These types of competitions help us to cultivate our future designers and process engineers by stimulating innovation and raising their R&D standards to international levels. These activities will further enhance UMC's competitiveness: allowing us to pursue fundamental research while sponsoring university education. Additionally, the universities we sponsor provide us with the best quality students for our technology development now and in the future.

Our efforts at fundamental research have been recognized at the individual level as well. Dr. T R Yew, one of UMC's R&D managers and a former SRC program participant, won the "Gold" medal of ROC's Innovation Award in 2000.

PATENT DISCLOSURE AND GRANTED

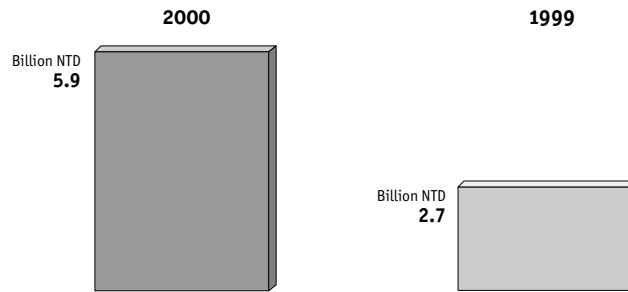
In 2000, there were 787 patents filed by UMC. For the year, UMC was granted 843 ROC patents, 503 US patents, and 79 patents from other countries.

UPCOMING R&D PLANS

UMC has always been devoted to developing next generation technologies. Since 0.18-micron, we have achieved parity with the most advanced IC manufacturing companies in terms of process maturity, complexity and time-to-market. Furthermore, our 0.15-micron and 0.13-micron logic technologies were developed in a very short period of time, one to two years ahead of the ITRS roadmap for current and next generation technologies. We expect to continue this rapid pace for R&D. Our 0.10-micron project is well under way, and studies on the key modules for 0.07-micron and 0.05-micron have been initiated with international research institutes such as the SRC and IMEC. In addition, we are developing Silicon Germanian(SiGe) and Silicon-On-Insulator(SOI) technologies to satisfy high frequency, low-power and high-speed requirements. We expect to offer these technologies to our customers starting from the 0.10-micron generation. Moreover, UMC aggressively recruits and trains our world-class R&D staff to meet the ongoing challenges of providing the best technical service along with our industry leading technologies.

UMC is committed to providing the shortest time-to-market for our customers. We offer comprehensive design resources (such as Library and IP) along with our technology, enabling our research achievements to become the real world tools that turn profits for our customers.

R&D EXPENDITURES 1999-2000



CAPITAL EXPENDITURE PLANS

In 2001, UMC's capital expenditure budget will be devoted mainly to the purchase of new production equipment, research and development of new process technology, and for the construction of Fab 12A. Capital expenditure will be funded by company profits, syndicated loans and issuance of bonds, etc. Return from these spending projects is expected to increase production quantities by 17% in 2001. Return from investment on Fab 12A will appear in 2002.

YEAR 2001 CAPITAL EXPENDITURE PLANS

| <i>In Million NTD</i> | <i>Amount</i> |
|----------------------------------|---------------|
| Fab 6A Equipment | 351 |
| Fab 8AB Equipment | 940 |
| Fab 8C Equipment | 782 |
| Fab 8D Equipment | 3,574 |
| Fab 8E Equipment | 787 |
| Fab 8F Equipment | 1,490 |
| Fab 12A Equipment | 26,590 |
| Information Technology Equipment | 2,062 |
| Testing & Packaging Equipment | 3,726 |
| R&D Equipment | 3,068 |
| Quality Control Equipment | 868 |
| Testing Tower Facility | 450 |
| Dormitory | 67 |
| Others | 4,364 |
| Total | 49,119 |

ISSUANCE OF AMERICAN DEPOSITARY RECEIPT IN 2000

The American Depositary Receipt issuance in 2000 was used to fund capital expenditures in connection with the expansion of Fabs 8D and 8E. The investment project will require a total of NT\$46.5 billion. There are three funding resources for this project: (a) the ADR issuance (NT\$40,333,545,000), (b) the Company's own resources, and (c) other financial instruments (b+c=NT\$6,166,455,000).

Due to strong demand for foundry capacity, the equipment move-in was ahead of schedule. Therefore, the actual completed expenditure was 75.50% by the end of 2000, compared to our original expectations of 55.91%.

FINANCIAL REVIEW

41 FINANCIAL REVIEW

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BRIEF BALANCE SHEETS

| <i>In thousand NTD</i> | 2000 | 1999 | 1998 | 1997 | 1996 |
|------------------------|-------------|-------------|-------------|------------|------------|
| Current assets | 82,785,436 | 20,549,107 | 33,964,353 | 29,820,936 | 26,079,437 |
| Fixed assets | 152,181,162 | 36,728,053 | 25,386,540 | 23,503,948 | 22,057,420 |
| Other assets | 8,798,125 | 2,276,396 | 2,218,142 | 2,463,861 | 1,765,527 |
| Current liabilities | | | | | |
| Before distribution | 35,853,347 | 17,190,521 | 8,384,035 | 8,818,905 | 6,996,309 |
| After distribution | — | 17,286,258 | 8,419,075 | 8,905,573 | 7,099,153 |
| Long-term liabilities | 34,357,021 | 9,147,685 | 18,765,061 | 11,461,861 | 13,010,993 |
| Capital | 114,714,519 | 66,549,966 | 55,418,013 | 41,344,647 | 29,344,798 |
| Capital reserve | 82,161,068 | 36,836,033 | 12,869,484 | 12,439,900 | 5,804,143 |
| Retained earnings | | | | | |
| Before distribution | 56,385,155 | 15,709,863 | 8,591,256 | 12,830,383 | 11,357,159 |
| After distribution | — | 5,777,965 | 5,533,967 | 4,204,732 | 3,200,691 |
| Total assets | 311,128,263 | 146,139,041 | 104,037,448 | 87,385,205 | 66,638,344 |
| Total liabilities | | | | | |
| Before distribution | 73,126,610 | 26,827,393 | 27,500,699 | 20,622,336 | 20,130,644 |
| After distribution | — | 26,923,130 | 27,535,739 | 20,709,004 | 20,233,488 |
| Total equity | | | | | |
| Before distribution | 238,001,653 | 119,311,648 | 76,536,749 | 66,762,869 | 46,507,700 |
| After distribution | — | 119,215,911 | 76,501,709 | 66,676,201 | 46,404,856 |

BRIEF STATEMENTS OF INCOME

| <i>In thousand NTD</i> | 2000 | 1999 | 1998 | 1997 | 1996 |
|--|-------------|------------|------------|------------|------------|
| Operating revenues | 105,084,720 | 29,147,056 | 18,431,602 | 25,088,995 | 22,605,652 |
| Gross profit | 53,601,521 | 9,831,988 | 4,099,729 | 7,556,340 | 9,634,492 |
| Operating income | 43,573,127 | 5,521,394 | 392,231 | 3,586,394 | 6,119,221 |
| Interest income | 1,817,382 | 778,966 | 1,863,116 | 948,149 | 767,655 |
| Interest expense | 2,343,013 | 989,357 | 1,647,177 | 951,196 | 901,398 |
| Income (loss) before tax | 50,558,070 | 10,525,664 | 3,955,262 | 9,858,274 | 7,190,211 |
| Net income (loss) | 50,780,378 | 10,497,892 | 4,407,021 | 9,739,552 | 7,646,896 |
| Primary earnings per share (NTD) | — | — | — | — | 1.17 |
| Fully diluted earnings per share (NTD) | — | — | — | — | 1.11 |
| Simple earnings per share (NTD) | 4.57 | 1.33 | 0.58 | 1.37 | — |

Note: Earnings per share is based on retroactively adjusted outstanding common stock.

MARKET PRICE, NET WORTH, EARNINGS AND DIVIDENDS PER SHARE

| <i>In NTD</i> | 2000 | 1999 | 1998 |
|---------------------------------------|-------|-------|-------|
| Average market price per share | | | |
| Common stock | 85.36 | 67.45 | 51.81 |
| Net worth per share | 20.75 | 17.93 | 13.81 |
| Primary earnings per share | — | — | — |
| Fully diluted earnings per share | — | — | — |
| Simple earnings per share | 4.57 | 1.33 | 0.58 |
| Dividends per share | | | |
| Stock dividends - Retained earnings | — | 1.0 | 0.5 |
| Stock from capital reserve allocation | — | 1.0 | 1.0 |

AUDITORS' OPINION

| Year | CPA | Auditors' opinion |
|------|--------------------------|------------------------|
| 1996 | Albert Hsueh, James Tsai | Note 1 |
| 1997 | Albert Hsueh, James Tsai | An unqualified opinion |
| 1998 | Albert Hsueh, James Tsai | An unqualified opinion |
| 1999 | Albert Hsueh, James Tsai | An unqualified opinion |
| 2000 | James Wang, Thomas Yue | An unqualified opinion |

Note 1: The auditors issued an unqualified opinion on the 1996 financial statements, except for the inconsistency in accounting principle applied arising from the adoption of R.O.C. GAAP No.18 for pensions beginning 1996. The auditors also consented to this change in accounting principle.

FINANCIAL ANALYSIS

| | 2000 | 1999 | 1998 | 1997 | 1996 |
|--|--------|--------|--------|--------|--------|
| Capital structure analysis (%) | | | | | |
| Debt ratio | 23.50 | 18.36 | 26.43 | 23.60 | 30.21 |
| Long-term funds to fixed assets | 178.97 | 349.76 | 375.40 | 332.82 | 269.84 |
| Liquidity analysis (%) | | | | | |
| Current ratio | 230.90 | 119.54 | 405.11 | 338.15 | 372.76 |
| Quick ratio | 198.99 | 105.10 | 365.74 | 305.98 | 311.51 |
| Interest guarantee (times) | 16.76 | 9.51 | 3.03 | 11.36 | 7.70 |
| Operating performance analysis | | | | | |
| Average collection turnover (times) | 7.70 | 6.93 | 4.81 | 6.46 | 6.73 |
| Average collection days | 47.40 | 52.67 | 76.00 | 57.00 | 54.00 |
| Average inventory turnover (times) | 7.05 | 6.17 | 4.51 | 4.89 | 3.46 |
| Average inventory turnover days | 51.77 | 59.17 | 80.93 | 75.00 | 105.00 |
| Fixed assets turnover (times) | 0.84 | 0.94 | 0.75 | 1.10 | 1.16 |
| Total assets turnover (times) | 0.39 | 0.23 | 0.19 | 0.33 | 0.39 |
| Return on investment analysis (%) | | | | | |
| Return on total assets | 19.52 | 9.18 | 6.33 | 13.87 | 14.93 |
| Return on equity | 25.48 | 10.72 | 6.15 | 17.20 | 19.51 |
| Operating income to capital | 37.98 | 8.30 | 0.71 | 8.67 | 20.90 |
| Income before tax to capital | 44.07 | 15.82 | 7.14 | 23.84 | 24.56 |
| Net income to sales | 48.32 | 36.02 | 23.91 | 38.82 | 33.83 |
| Primary earnings per share (NTD) | — | — | — | — | 1.17 |
| Fully diluted earnings per share (NTD) | — | — | — | — | 1.11 |
| Simple earnings per share (NTD) | 4.57 | 1.33 | 0.58 | 1.37 | — |
| Cash flow (%) | | | | | |
| Cash flow ratio | 186.60 | 59.22 | 91.22 | 114.98 | 142.40 |
| Cash flow adequacy ratio | 85.99 | 97.94 | 118.22 | 119.20 | 112.76 |
| Cash flow reinvestment ratio | 20.16 | 6.87 | 6.87 | 11.23 | 14.35 |
| Degree | | | | | |
| Degree of operating leverage | 1.88 | 3.52 | 24.55 | 7.00 | 2.04 |
| Degree of financial leverage | 1.06 | 1.22 | (0.31) | 1.36 | 1.17 |

REVIEW AND ANALYSIS OF FINANCIAL STATUS AND OPERATING RESULTS

LIQUIDITY ANALYSIS

| | December 31, 2000 | December 31, 1999 | Change % |
|------------------------------|-------------------|-------------------|----------|
| Cash flow ratio | 186.60 | 59.22 | 215 |
| Cash flow adequacy ratio | 85.99 | 97.94 | (12) |
| Cash flow reinvestment ratio | 20.16 | 6.87 | 193 |

ANALYSIS OF OPERATING RESULTS

| <i>In thousand NTD</i> | 2000 | 1999 | Change amount | Change % |
|----------------------------------|--------------|--------------|---------------|----------|
| Operating revenues | 107,102,850 | 29,686,236 | 77,416,614 | 261 |
| Less: Sales return and allowance | (2,018,130) | (539,180) | (1,478,950) | 274 |
| Net operating revenues | 105,084,720 | 29,147,056 | 75,937,664 | 261 |
| Operating cost | (51,337,139) | (19,025,553) | (32,311,586) | 170 |
| Gross profit | 53,747,581 | 10,121,503 | 43,626,078 | 431 |
| Less: Unrealized gross profit | (146,060) | (289,515) | 143,455 | (50) |
| Net gross profit | 53,601,521 | 9,831,988 | 43,769,533 | 445 |
| Operating expenses | (10,028,394) | (4,310,594) | (5,717,800) | 133 |
| Operating income | 43,573,127 | 5,521,394 | 38,051,733 | 689 |
| Non-operating income | 10,495,729 | 7,253,604 | 3,242,125 | 45 |
| Interest income | 1,817,382 | 778,966 | 1,038,416 | 133 |
| Other income | 8,678,347 | 6,474,638 | 2,203,709 | 34 |
| Non-operating expenses | (3,510,786) | (2,249,334) | (1,261,452) | 56 |
| Interest expenses | (2,343,013) | (989,357) | (1,353,656) | 137 |
| Other loss | (1,167,773) | (1,259,977) | 92,204 | (7) |
| Income before tax | 50,558,070 | 10,525,664 | 40,032,406 | 380 |
| Income tax benefit (expense) | 222,308 | (27,772) | 250,080 | 900 |
| Net income | 50,780,378 | 10,497,892 | 40,282,486 | 384 |

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of United Microelectronics Corporation,

We have audited the accompanying balance sheet of United Microelectronics Corporation as of December 31, 2000, and the related statements of income, change in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As described in Note 4(6) to the financial statements, certain long-term investments were accounted for under the equity method based on the 2000 financial statements of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment income amounting to NT\$2,765 million for the year ended December 31, 2000, and the related long-term investment balances of NT\$16,342 million as of December 31, 2000, which were included in the financial statements, are based solely on the reports of the other auditors. The financial statements of United Microelectronics Corporation as of December 31, 1999 were audited by other auditors, whose report dated February 5, 2000.

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

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



January 17, 2001

Taipei, Taiwan

Republic of China

Notice to Readers

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

BALANCE SHEETS

December 31, 2000 and 1999

In thousand NTD

| | 2000 | 1999 |
|--|-----------------------|-----------------------|
| Current Assets | | |
| Cash and cash equivalents (2,4(1)) | \$ 54,107,647 | \$ 11,083,601 |
| Marketable securities (2,4(2)) | — | 339,375 |
| Notes receivable (4(3)) | 288,067 | 144,663 |
| Notes receivable - related parties (5) | 189,545 | 156,984 |
| Accounts receivable (2,4(4)) | 5,028,330 | 1,549,355 |
| Accounts receivable - related parties (2,5) | 10,438,893 | 3,154,394 |
| Other receivables (2,4(16)) | 1,180,612 | 622,674 |
| Other receivables - related parties (2,5) | 111,144 | 555,084 |
| Inventories (2,4(5)) | 10,090,495 | 2,369,376 |
| Prepaid expenses | 472,416 | 111,989 |
| Deferred income tax assets - current (2,4(16)) | 878,287 | 461,612 |
| Subtotal | 82,785,436 | 20,549,107 |
| Funds and Long-term Investments (2,4(6)) | | |
| Long-term investments | 68,850,277 | 85,904,933 |
| Prepaid long-term investments | 27,560 | 1,000,000 |
| Allowance for loss on decline of long-term investments | (1,514,297) | (319,448) |
| Subtotal | 67,363,540 | 86,585,485 |
| Property, Plant and Equipment (2,4(7),6,7) | | |
| Land | 1,630,239 | 1,324,223 |
| Buildings | 9,419,843 | 6,262,274 |
| Machinery and equipment | 176,617,330 | 39,741,957 |
| Transportation equipment | 58,150 | 33,518 |
| Furniture and fixtures | 1,018,248 | 733,041 |
| Leasehold improvements | 53,096 | 42,131 |
| Total Cost | 188,796,906 | 48,137,144 |
| Less : Accumulated depreciation | (56,588,857) | (19,302,254) |
| Plus : Construction in progress and prepayments | 19,973,113 | 7,893,163 |
| Net | 152,181,162 | 36,728,053 |
| Other Assets | | |
| Leased assets | 212,911 | 156,758 |
| Idle assets | 24 | 26,917 |
| Deposits out (2) | 248,972 | 8,714 |
| Deferred assets (2) | 1,847,974 | 265,369 |
| Deferred income tax assets - noncurrent (2,4(16)) | 3,723,519 | 1,728,418 |
| Restricted deposits (6) | 2,660,800 | — |
| Others | 103,925 | 90,220 |
| Subtotal | 8,798,125 | 2,276,396 |
| Total Assets | \$ 311,128,263 | \$ 146,139,041 |

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

BALANCE SHEETS

December 31, 2000 and 1999

In thousand NTD

| | 2000 | 1999 |
|---|----------------|----------------|
| Current Liabilities | | |
| Short-term loans (4(8)) | \$ 3,489,325 | \$ 6,639,765 |
| Accounts payable | 5,380,827 | 2,089,125 |
| Accounts payable - related parties (5) | 370,034 | 396,440 |
| Income tax payable (2,4(16)) | 248,485 | 12,377 |
| Accrued expenses (7) | 3,289,073 | 1,051,815 |
| Other payables | 12,421,717 | 4,206,999 |
| Current portion of long-term loans (4(10),5) | 8,790,741 | 2,355,555 |
| Current portion of capacity deposit (7) | 1,256,420 | — |
| Other current liabilities | 606,725 | 438,445 |
| Subtotal | 35,853,347 | 17,190,521 |
| Long-term Liabilities | | |
| Bonds payable (2,4(9)) | 3,990,000 | 3,443,776 |
| Long-term loans (4(10),5) | 30,367,021 | 5,703,909 |
| Subtotal | 34,357,021 | 9,147,685 |
| Other Liabilities | | |
| Accrued pension liabilities (2,4(11)) | 1,038,164 | 473,932 |
| Capacity deposits and other deposits (7) | 1,828,342 | 519 |
| Others | 49,736 | 14,736 |
| Subtotal | 2,916,242 | 489,187 |
| Total Liabilities | 73,126,610 | 26,827,393 |
| Shareholders' Equity | | |
| Capital (4(12)) | | |
| Common stock | 114,714,519 | 66,549,966 |
| Capital reserve | | |
| Premiums | 41,582,503 | 14,089,776 |
| Gain on disposal of property, plant and equipment | 170,473 | 40,711 |
| Change in equities of long-term investments | 23,255,638 | 22,705,546 |
| Excess from consolidation | 17,152,454 | — |
| Retained earnings | | |
| Legal reserve | 5,625,234 | 4,579,516 |
| Unappropriated earnings (4(14)) | 50,759,921 | 11,130,347 |
| Unrealized loss on long-term investments (2,4(6)) | (13,804,227) | (319,448) |
| Cumulative translation adjustment (2,4(6)) | 24,202 | 535,234 |
| Treasury stocks (2,4(13)) | (1,479,064) | — |
| Total Shareholders' Equity | 238,001,653 | 119,311,648 |
| Total Liabilities and Shareholders' Equity | \$ 311,128,263 | \$ 146,139,041 |

STATEMENTS OF INCOME

For the Years Ended December 31, 2000 and 1999

In thousand NTD, except for earnings per share

| | 2000 | 1999 |
|---|----------------------|----------------------|
| Operating Revenues (2,5) | | |
| Sales revenue | \$ 103,492,357 | \$ 27,366,933 |
| Less : Sales returns and allowances | (2,018,130) | (539,180) |
| Net Sales | 101,474,227 | 26,827,753 |
| Other operating revenues | 3,610,493 | 2,319,303 |
| Net operating revenues | 105,084,720 | 29,147,056 |
| Cost of goods sold (5) | (48,987,514) | (18,316,947) |
| Other operating costs | (2,349,625) | (708,606) |
| Operating Costs | (51,337,139) | (19,025,553) |
| Gross Profit | 53,747,581 | 10,121,503 |
| Unrealized Intercompany Profit (2) | (164,123) | (383,767) |
| Realized Intercompany Profit (2) | 18,063 | 94,252 |
| Net | 53,601,521 | 9,831,988 |
| Operating Expenses | | |
| Selling expenses | (781,576) | (241,390) |
| Administrative expenses | (3,292,856) | (1,395,061) |
| Research and development expenses | (5,953,962) | (2,674,143) |
| Subtotal | (10,028,394) | (4,310,594) |
| Operating Income | 43,573,127 | 5,521,394 |
| Non-operating Income | | |
| Interest income | 1,817,382 | 778,966 |
| Investment income (2,4(6)) | 5,024,119 | 4,748,076 |
| Gain on disposal of property, plant and equipment (2) | 236,964 | 53,944 |
| Gain on disposal of investment (5) | 174,908 | 626,390 |
| Exchange gain | 2,835,809 | 217,413 |
| Lease income | 115,246 | 247,826 |
| Other income | 291,301 | 580,989 |
| Subtotal | 10,495,729 | 7,253,604 |
| Non-operating Expenses | | |
| Interest expense (5) | (2,343,013) | (989,357) |
| Loss on disposal of property, plant and equipment | (238,292) | (330,484) |
| Inventory loss (2) | (610,327) | (70,785) |
| Banking charges | (224,863) | (173,865) |
| Depreciation and loss on idle assets (2) | (61,797) | (372,481) |
| Other losses | (32,494) | (312,362) |
| Subtotal | (3,510,786) | (2,249,334) |
| Income Before Income Taxes | 50,558,070 | 10,525,664 |
| Income Tax Benefit (Expense) (2,4(16)) | 222,308 | (27,772) |
| Net Income | \$ 50,780,378 | \$ 10,497,892 |
| Earnings Per Share | | |
| Net income (in NTD) (2,4(15)) | \$ 4.57 | \$ 1.33 |

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2000 and 1999

| <i>In thousand NTD</i> | Capital Stock | Treasury Stock | Certificates Exchangeable for Common Shares | Capital Reserve | Legal Reserve | Unappropriated Earnings | Unrealized Loss On Long-term Investments | Cumulative Translation Adjustment | Total |
|--|------------------|-------------------|--|--------------------|------------------|----------------------------|---|---|----------------|
| Balance as of January 1, 1999 | \$ 55,382,695 | \$ — | \$ 35,318 | \$ 12,869,484 | \$ 4,140,512 | \$ 4,450,744 | \$ (443,534) | \$ 101,530 | \$ 76,536,749 |
| Appropriation of 1998 earnings: | | | | | | | | | |
| Appropriation for legal reserve | — | — | — | — | 439,004 | (439,004) | — | — | — |
| Stock dividends | 2,780,469 | — | — | — | — | (2,780,469) | — | — | — |
| Directors' and supervisors' remuneration | — | — | — | — | — | (35,040) | — | — | (35,040) |
| Capitalization of employees' bonus | 241,780 | — | — | — | — | (241,780) | — | — | — |
| Capitalization of capital reserve | 5,560,939 | — | — | (5,560,939) | — | — | — | — | — |
| Net income for 1999 | — | — | — | — | — | 10,497,892 | — | — | 10,497,892 |
| Transfer of gain from disposal of property, plant and equipment to capital reserve | — | — | — | 40,711 | — | (40,711) | — | — | — |
| Transfer of gain from disposal of property, plant and equipment of investee company to capital reserve | — | — | — | 454 | — | (454) | — | — | — |
| Conversion of convertible bonds issued | 2,584,083 | — | (35,318) | 7,216,438 | — | — | — | — | 9,765,203 |
| Adjustment of capital reserve and retained earnings accounted for under equity method | — | — | — | 22,269,885 | — | (280,831) | — | — | 21,989,054 |
| Unrealized loss on long-term investments | — | — | — | — | — | — | (268,988) | — | (268,988) |
| Unrealized loss on long-term investments of investee companies | — | — | — | — | — | — | 393,074 | — | 393,074 |
| Cumulative translation adjustment | — | — | — | — | — | — | — | 433,704 | 433,704 |
| Balance as of December 31, 1999 | \$ 66,549,966 | \$ — | \$ — | \$ 36,836,033 | \$ 4,579,516 | \$ 11,130,347 | \$ (319,448) | \$ 535,234 | \$ 119,311,648 |

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the Years Ended December 31, 2000 and 1999

| <i>In thousand NTD</i> | Capital Stock | Treasury Stock | Certificates Exchangeable for Common Shares | Capital Reserve | Legal Reserve | Unappropri- ated Earnings | Unrealized Loss Long-term Investments | Cumulative Translation Adjustment | Total |
|--|------------------|-------------------|--|--------------------|------------------|---------------------------------|--|---|----------------|
| Balance as of January 1, 2000 | \$ 66,549,966 | \$ — | \$ — | \$ 36,836,033 | \$ 4,579,516 | \$ 11,130,347 | \$ (319,448) | \$ 535,234 | \$ 119,311,648 |
| Stock issuance at January 3, 2000 for acquisition purpose | 23,836,503 | — | — | 17,152,454 | — | — | — | (1,083) | 40,987,874 |
| Appropriation of 1999 earnings: | | | | | | | | | |
| Appropriation for legal reserve | — | — | — | — | 1,045,718 | (1,045,718) | — | — | — |
| Stock dividends | 9,049,268 | — | — | — | — | (9,049,268) | — | — | — |
| Directors' and supervisors' remuneration | — | — | — | — | — | (95,737) | — | — | (95,737) |
| Capitalization of employees' bonus | 786,893 | — | — | — | — | (786,893) | — | — | — |
| Capitalization of capital reserve | 9,049,269 | — | — | (9,049,269) | — | — | — | — | — |
| Purchase of treasury stock | — | (1,479,064) | — | — | — | — | — | — | (1,479,064) |
| Net income for 2000 | — | — | — | — | — | 50,780,378 | — | — | 50,780,378 |
| Transfer of gain from disposal of property, plant and equipment to capital reserve | — | — | — | 170,473 | — | (170,473) | — | — | — |
| Transfer of gain from disposal of property, plant and equipment of investee company to capital reserve | — | — | — | 2,715 | — | (2,715) | — | — | — |
| Conversion of convertible bonds issued | 942,620 | — | — | 2,486,512 | — | — | — | — | 3,429,132 |
| Adjustment of capital reserve and retained earnings accounted for under equity method | — | — | — | 547,377 | — | — | — | — | 547,377 |
| Unrealized loss on long-term investments | — | — | — | — | — | — | (1,194,849) | — | (1,194,849) |
| Unrealized loss on long-term investments of investee companies | — | — | — | — | — | — | (12,289,930) | — | (12,289,930) |
| Shares issued for American Depository Receipts | 4,500,000 | — | — | 34,014,773 | — | — | — | — | 38,514,773 |
| Cumulative translation adjustment | — | — | — | — | — | — | — | (509,949) | (509,949) |
| Balance as of December 31, 2000 | \$ 114,714,519 | \$ (1,479,064) | \$ — | \$ 82,161,068 | \$ 5,625,234 | \$ 50,759,921 | \$ (13,804,227) | \$ 24,202 | \$ 238,001,653 |

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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000 and 1999

In thousand NTD

| | 2000 | 1999 |
|---|---------------|---------------|
| Cash flows from operating activities: | | |
| Net income | \$ 50,780,378 | \$ 10,497,892 |
| Adjustments to reconcile net income to cash and cash equivalents: | | |
| Depreciation | 22,856,468 | 5,228,306 |
| Amortization | 1,660,705 | 278,053 |
| Provision for bad debts expense | 43,409 | 18,504 |
| Recovery from decline in market value of marketable securities | — | (163,710) |
| Provision for loss on obsolescence of inventories | 610,327 | 70,785 |
| Long-term investment income accounted for under equity method | (5,343,140) | (5,163,378) |
| Loss on decline in market value of long-term investments | 368,684 | 498,412 |
| Gain on disposal of investments | (174,908) | (626,390) |
| Loss on disposal of property, plant and equipment (including idle assets) | 1,328 | 287,074 |
| Transfer from property, plant and equipment, and idle assets to expense | 61,797 | 232,872 |
| Interest saving on bonds payable transferred to capital reserve | 74,313 | 323,634 |
| Changes in assets and liabilities | | |
| Notes receivable | 199,444 | 66,247 |
| Accounts receivable | (4,835,332) | (1,898,517) |
| Other receivable | (374,295) | (523,612) |
| Inventories | (6,223,526) | 679,816 |
| Prepaid expenses | (302,327) | 61,280 |
| Deferred income tax assets | 270,799 | (54,893) |
| Accounts payable | 2,128,268 | (222,483) |
| Income tax payable | (59,395) | 12,377 |
| Other liabilities | (30,063) | — |
| Accrued expenses | 1,615,605 | 97,425 |
| Other current liabilities | 68,546 | 231,028 |
| Compensation interest payable | (11,494) | 243,645 |
| Capacity deposit | 3,083,578 | — |
| Accrued pension liabilities | 433,914 | 123,187 |
| Net cash provided by operating activities | 66,903,083 | 10,297,554 |
| Cash flows from investing activities: | | |
| Marketable securities | 1,289,615 | 889,147 |
| Acquisition of long-term investments | (8,234,109) | (17,814,430) |
| Proceeds from disposal of long-term investments | 756,749 | 1,356,172 |
| Acquisition of property, plant and equipment | (76,594,203) | (14,751,631) |
| Proceeds from disposal of property, plant and equipment | 1,297,568 | 1,025,935 |
| Withdrawal of prepayments for long-term investments | 1,000,000 | — |
| Increase in deferred assets | (2,665,544) | (276,999) |
| (Increase) decrease in other assets | (56,295) | 9,145 |
| Cash proceeds from consolidation | 26,702,025 | — |
| Net cash used in investing activities | (56,504,194) | (29,562,661) |

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended December 31, 2000 and 1999

In thousand NT\$

| | 2000 | 1999 |
|--|----------------------|----------------------|
| Cash flows from financing activities: | | |
| Increase in restricted deposits | \$ (2,660,800) | \$ — |
| (Decrease) increase in short-term loans, net | (7,176,850) | 5,564,203 |
| Proceeds from long-term loans | 8,247,011 | 2,150,000 |
| Repayment for long-term loans | (6,681,765) | (2,579,497) |
| Proceeds from bonds issued | 3,990,000 | — |
| Proceeds from issuance of American Depositary Receipts | 38,514,773 | — |
| Redemption of bonds | (33,015) | (1,635) |
| Cash payment for fraction of one share arising from bonds conversion | (4) | (18) |
| Increase (decrease) in deposits-in, net | 608 | (339) |
| Purchase of treasury stock | (1,479,064) | — |
| Directors' and supervisors' remuneration paid | (95,737) | (35,040) |
| Net cash provided by financing activities | 32,625,157 | 5,097,674 |
| Net increase (decrease) in cash and cash equivalents | 43,024,046 | (14,167,433) |
| Cash and cash equivalents at the beginning of year | 11,083,601 | 25,251,034 |
| Cash and cash equivalents at the end of year | \$ 54,107,647 | \$ 11,083,601 |
| Supplemental disclosures of cash flow information | | |
| Cash paid for interest (excluding interest capitalized) | \$ 2,135,064 | \$ 432,091 |
| Cash paid for income tax | \$ 58,569 | \$ 70,287 |
| Investing activities partially paid by cash | | |
| Acquisition of property, plant and equipment | \$ 79,637,010 | \$ 17,956,895 |
| Add: Payable at beginning of the year | 4,178,066 | 972,802 |
| Add: Increase in payable from consolidation | 4,048,315 | — |
| Less: Payable at year-end | (11,269,188) | (4,178,066) |
| Cash paid for acquiring property, plant and equipment | \$ 76,594,203 | \$ 14,751,631 |
| Cash proceeds from merger | | |
| Stock issuance for merger | \$ 23,836,503 | \$ — |
| Erasure of shares for merged companies | 23,227,738 | — |
| Capital reserve arising from merger | 17,152,454 | — |
| Increase in net assets (excludes cash) from merger | (37,514,670) | — |
| Cash proceeds from merger | \$ 26,702,025 | \$ — |
| Financing activities not affecting cash flows | | |
| Conversion of convertible bonds issued | \$ 2,896,492 | \$ 8,804,994 |

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

1. HISTORY AND ORGANIZATION

United Microelectronics Corporation ("United Microelectronics") was incorporated in May 1980 and commenced operations in April 1982. United Microelectronics major business activity is the dedicated manufacturing or fabrication of semiconductor products. United Microelectronics has a broad base of clients throughout the world. United Microelectronics' products are used in a range of applications in the telecommunications, computing, networking, consumer electronics and other markets. United Microelectronics was publicly listed on the Taiwan Stock Exchange in July 1985 and listed on the New York Stock Exchange in September of 2000.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principle of Business Combinations

United Microelectronics' acquisitions in 1999 and 2000 were accounted for under the purchase method.

Translation of Foreign Currency Transactions

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

Derivative Financial Instruments

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

Cash and Cash Equivalents

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

Marketable Securities

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

Allowance for Doubtful Accounts

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

Inventories

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

Long-term Investments

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

Investment income or loss from investments in both listed and unlisted companies is accounted for under the equity method provided that the Company owns over 20% of the voting outstanding shares of the investee company and has significant influence on operational decisions of the investee company. The excess of the acquisition cost over the underlying equity in the investee's net assets is capitalized and amortized over its useful life.

Unrealized inter-company gains and losses are eliminated under the equity method. Profit from sales of depreciable assets between the investee and the Company is amortized and recognized based on the assets' economic service lives. Profit from other types of inter-company transactions is recognized when realized. When the Company's proportional interest in an equity investee changes when the latter issues additional shares, the effect of the change in the Company's holding ratio in the long-term investment is adjusted first to capital reserve. If the capital reserve account is insufficient, the effect is included in retained earnings.

Property, Plant and Equipment

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

Depreciation is provided on the straight-line basis using the economic useful lives of the assets less any salvage value. When the economic useful live are completed, fixed assets which are still in use are depreciated over the newly estimated remaining useful life of the salvage value. The economic useful lives of the fixed assets are as follows: Buildings — 20 to 55 years; Leasehold improvements — the lease period; Others — 5 years.

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated accordingly. When fixed assets are disposed of, their original cost and accumulated depreciation are written-off and related gain, net of income tax, is transferred to capital reserve in the current year.

Deferred Charges

Deferred charges are stated at cost and amortized on a straight-line basis as follows: royalty — the contract period; software — 3 years; and convertible bond issuance costs — the life of the bonds. Software consists of over-the-counter software that is not modified.

Pension Plan

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

Convertible Bonds

The excess of the stated redemption price over the par value is accrued as compensation interest payable over the redemption period, using the effective interest method. When the redemption right expires, the balance of the compensation interest payable is amortized over the period from the expiration date to the maturity date using the effective interest method.

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

Income Tax

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

Revenue Recognition

The Company has two revenue channels. In the first channel, direct sales, the Company bills and ships products to the customer. In the second channel, commission-based sales, the Company bills and ships products to the customer directly and the affiliate or distributor that initiated the sale is entitled to a commission, which is billed separately by the intermediary. In both revenue channels, revenue is recognized when shipment is made and when the payment is realized or realizable.

Earnings Per Share

Simple earnings per share is calculated by dividing net income by weighted average number of shares outstanding during the year. Primary earnings per share is computed by taking simple earnings per share into consideration plus additional common share equivalents. Fully diluted earnings per share is calculated by taking primary earnings per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. The net income would also be adjusted for the interest derived from any underlying dilutive share equivalents. The weighted-average outstanding shares are restated for stock dividends issued, with the exception of bonus share issues.

Treasury Stock

The Company adopted ROC Statement of Financial Accounting Standards No. 30, "Accounting for Treasury Stocks." The Statement requires that treasury stocks be accounted for under cost method. Cost of treasury stock is shown as a deduction to shareholders' equity, while gain or loss of selling treasury stocks is treated as adjustment to capital reserves.

3. REASON AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES

None.

4. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

In thousand NTD

| | 2000 | 1999 |
|------------------------------|---------------|---------------|
| Cash: | | |
| Cash on hand | \$ 2,269 | \$ 2,926 |
| Checking and demand accounts | 2,918,926 | 1,605,852 |
| Time deposits | 42,546,681 | 7,046,069 |
| Subtotal | \$ 45,467,876 | \$ 8,654,847 |
| Cash equivalents: | | |
| Commercial paper | 3,223,898 | 656,856 |
| Repurchase bonds | 5,415,873 | 1,771,898 |
| Total | \$ 54,107,647 | \$ 11,083,601 |

(2) Marketable Securities

In thousand NTD

| | 2000 | 1999 |
|---|------|------------|
| Mutual funds | \$ — | \$ 324,504 |
| Listed equity securities | — | 37,771 |
| Subtotal | — | 362,275 |
| Allowance for loss on decline in market value | — | (22,900) |
| Net | \$ — | \$ 339,375 |

(3) Notes Receivable

In thousand NTD

| | 2000 | 1999 |
|---------------------------------|------------|------------|
| Notes receivable | \$ 288,067 | \$ 144,663 |
| Allowance for doubtful accounts | — | — |
| Net | \$ 288,067 | \$ 144,663 |

(4) Accounts Receivable

In thousand NTD

| | 2000 | 1999 |
|---|--------------|--------------|
| Accounts receivable | \$ 5,927,637 | \$ 1,636,246 |
| Allowance for sales returns and discounts | (753,286) | (27,246) |
| Allowance for doubtful accounts | (146,021) | (59,645) |
| Net | \$ 5,028,330 | \$ 1,549,355 |

(5) Inventories

In thousand NTD

| | 2000 | 1999 |
|--|---------------|--------------|
| Raw materials | \$ 386,513 | \$ 81,792 |
| Supplies and spare parts | 1,354,151 | 553,302 |
| Work in process | 6,263,190 | 1,137,766 |
| Finished goods | 2,722,847 | 746,900 |
| Inventory in-transit | — | 46,810 |
| Subtotal | 10,726,701 | 2,566,570 |
| Allowance for loss on decline in market value and obsolescence | (636,206) | (197,194) |
| Net | \$ 10,090,495 | \$ 2,369,376 |

a. Inventories were not pledged.

b. The insurance coverage for inventories was sufficient as of December 31, 2000 and 1999, respectively.

(6) Long-term Investments

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

| In thousand NTD | | Percentage of Ownership as of | |
|---|-------------------|-------------------------------|------------|
| Investee Company | December 31, 2000 | 2000 | 1999 |
| Investments accounted for under equity method: | | | |
| UMC Group (USA) | 100.00% | \$ 718,271 | \$ 505,215 |
| United Foundry Service Inc. | 100.00% | 67,432 | — |
| Fortune Venture Capital Corporation | 99.99% | 3,766,868 | 3,388,305 |
| Hsun Chieh Investment Corporation | 99.97% | 28,611,676 | 38,959,276 |
| United MicroMachining Corp. | 60.91% | 26,399 | 28,165 |
| Pacific Venture Capital Co., Ltd. | 49.99% | 353,158 | 321,202 |
| DuPont Photomasks Taiwan Ltd. | 47.16% | 942,897 | 777,872 |
| Nippon Foundry Inc. | 47.10% | 6,960,008 | 1,550,124 |
| Trecenti Technologies, Inc. | 40.00% | 3,427,304 | — |
| Broadmedia, Inc. | 39.38% | — | 225,600 |
| World Wiser Electronics Incorporated | 38.97% | 2,596,312 | 1,554,585 |
| Unipac Optoelectronics Corp. | 38.71% | 7,774,055 | 7,515,473 |
| Holtek Semiconductor Inc. | 35.39% | 657,281 | — |
| Novatek Microelectronics Corp. | 29.80% | 861,690 | 551,339 |
| Integrated Technology Express Inc. | 28.78% | 336,495 | 304,758 |
| Applied Component Technology Corporation | 27.96% | 120,328 | 126,816 |
| Faraday Technology Corp. | 21.43% | 346,998 | 214,745 |
| Mediatek Incorporation | 18.98% | 1,246,785 | 650,268 |
| Integrated Telecom Express, Inc. | 16.39% | 826,184 | 242,554 |
| AMIC Technology (Taiwan), Inc. | 14.06% | 126,066 | — |
| Focused Semiconductor Corp. | — | — | 121,896 |
| United Silicon Inc. | — | — | 5,745,592 |
| United Semiconductor Corporation | — | — | 7,110,072 |
| AMIC Technology Inc. | — | — | 221,494 |
| United Integrated Circuits Corp. | — | — | 8,286,487 |
| UTEK Semiconductor Corp. | — | — | 2,088,890 |
| Subtotal | | 59,766,207 | 80,490,728 |
| Investments accounted for under cost method or the lower of cost or market method: | | | |
| PixTech, Inc. | 18.10% | 561,080 | 137,750 |
| United Industrial Gases Co., Ltd. | 11.25% | 146,250 | 146,250 |
| Sino-Aerospace Investment Corp. | 11.11% | 86,588 | 86,588 |
| National Venture Capital Corp. | 11.09% | 60,000 | 60,000 |
| Pacific Technology Partners L.P. | 11.00% | 51,353 | — |
| TECO Information Systems Co., Ltd. | 8.05% | 500,880 | 715,542 |
| Vialta.com, Inc. | 7.82% | 622,835 | 312,998 |
| Subtron Technology Co., Ltd. | 7.41% | 240,000 | — |
| Industrial Bank of Taiwan | 5.00% | 1,150,000 | — |
| TECO Electric & Machinery Co., Ltd. | 3.96% | 1,535,895 | 1,535,895 |
| Tonbu, Inc. | 3.43% | 243,750 | — |
| Chiao Tung Bank | 3.07% | 3,108,656 | 1,026,527 |
| SAMPO Corporation | 2.96% | 443,598 | 443,598 |
| Dyna Image Corp. | 1.67% | 28,663 | 28,663 |
| National Securities Corporation | 1.26% | 239,316 | 239,316 |

continued on next page

| | Percentage of | | |
|--|-------------------|---------------|---------------|
| | Ownership as of | | |
| Investee Company | December 31, 2000 | 2000 | 1999 |
| Investments accounted for under cost method or the lower of cost or market method: | | | |
| <i>continued from previous page</i> | | | |
| Stark Technology Inc. | 1.16% | 10,552 | 10,552 |
| Premier Camera Taiwan Ltd. | 0.72% | 27,964 | 27,964 |
| Lexar Media, Inc. | 0.17% | 2,488 | — |
| Catalyst Semiconductor, Inc. | — | — | 107,328 |
| Subtotal | | 9,059,868 | 4,878,971 |
| Prepaid long-term investments | | 27,560 | 1,000,000 |
| | | 68,853,635 | 86,369,699 |
| Cumulative translation adjustment | | 24,202 | 535,234 |
| Allowance for loss on decline in market value | | (1,514,297) | (319,448) |
| Total | | \$ 67,363,540 | \$ 86,585,485 |

b. The total long-term investment income under equity method recognized by the Company for the year 2000 based on the audited financial statements of the investee companies was NT\$5,343 million. Investment income amounting to NT\$2,765 million for the year ended December 31, 2000, and the related long-term investment balance of NT\$16,342 million as of December 31, 2000, were determined based on the investees' financial statements, which were audited by other auditors.

c. Nippon Foundry Inc., the Company's investee accounted for equity method, changed its method of computing depreciation from declining balance method to straight-line method for year 2000 because the direction of its main business changed from DRAM to foundry business. The straight-line method, other than declining balance method, is better suited for foundry business due to its stability in price and profit. The other auditors of Nippon Foundry Inc. also concur the change. As a result of the change, income before income tax of Nippon Foundry Inc. for the year 2000 increased by approximately NT\$574 million and the investment income in equity of the Company for year 2000 increased by approximately NT\$297 million. The effect on the comparability of the Company's financial statements for the years 2000 and 1999 is immaterial.

d. The Company prepared its consolidated financial statements for the year 2000, which include Hsun Chieh Investment Corporation, UMC Group (USA), and Nippon Foundry Inc. The other subsidiaries were not consolidated into the Company's financial statements since neither the total assets and operating revenues of each subsidiary exceed 10% of those of the Company, nor their combined total assets and operating revenues exceed 30% of those of the Company.

e. The long-term equity investments were not pledged.

(7) Property, Plant and Equipment

a. Total capitalized interest amounted to NT\$813 million and NT\$221 million for the years ended December 31, 2000 and 1999, respectively.

b. The insurance coverage for property, plant and equipment amounted to NT\$188,158 million and NT\$44,205 million as of December 31, 2000 and 1999, respectively.

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

(8) Short-term Loans

| In thousand NTD | 2000 | | 1999 | |
|-----------------|------|-----------|------|-------------|
| | | | | |
| Secured loans | \$ | 34,685 | \$ | — |
| Unsecured loans | | 3,454,640 | | 6,639,765 |
| Total | \$ | 3,489,325 | \$ | 6,639,765 |
| Interest rates | | 0.83%-8% | | 0.75%-7.10% |

a. The Company's unused short-term lines of credits amounted to NT\$32,135 million and NT\$4,296 million as of December 31, 2000 and 1999, respectively.

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

(9) Bonds Payable

In thousand NTD

| | 2000 | 1999 |
|------------------------------------|---------------------|---------------------|
| Secured bonds payable | \$ 3,990,000 | \$ — |
| Unsecured bonds payable | — | 1,892,900 |
| Euro convertible bonds payable | — | 1,036,607 |
| Add: Compensating interest payable | — | 514,269 |
| | <u>\$ 3,990,000</u> | <u>\$ 3,443,776</u> |

a. On May 16, 1997, the Company issued the second Euro convertible bonds amounting to US\$300 million. These convertible bonds were redeemed and/or converted into the Company's common stocks before May 30, 2000.

b. On January 20, 1998, the Company issued the third unsecured convertible bond amounting to NT\$15,000 million. These convertible bonds were redeemed and/or converted into the Company's common stocks before June 1, 2000.

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

(10) Long-term Loans

In thousand NTD

| | 2000 | 1999 |
|--------------------|----------------------|---------------------|
| Secured bank loans | \$ 39,157,762 | \$ 8,059,464 |
| Current portion | (8,790,741) | (2,355,555) |
| | <u>\$ 30,367,021</u> | <u>\$ 5,703,909</u> |
| Interest rates | 5.098%-8.03% | 6.35%-8.08% |

a. The Company will repay its long-term debts in installments. The last payment is scheduled at September 25, 2009.

b. The Company's long-term debts denominated in foreign currencies amounted to US\$390 million and US\$105 million as of December 31, 2000 and 1999, respectively.

c. Please refer to Note 6 for assets pledged for long-term loans.

(11) Pension Fund

a. All of the regular employees of the Company are covered by the pension plan. Under the plan, the Company contributes an amount equal to 2% of the employees' total salaries on a monthly basis to the pension fund, deposited at the Central Trust of China. Pension benefits are generally based on service years. Each employee is limited up to 45 points. Retirement benefits are paid from fund previously provided.

b. Based on actuarial assumptions for the year 2000, the discount rate and expected rate of return on plan asset are 6%, and the rate of compensation increase is 6%. The transition obligation is amortized equally over 15 years. The funding status of the pension plan is listed as follows:

In thousand NTD

| | December 31, 2000 (the actuarial date) | November 1, 1999 (the actuarial date) |
|---|---|--|
| Vested benefit obligation | \$ (5,558) | \$ (3,241) |
| Non-vested benefit obligation | (571,136) | (242,642) |
| Accumulated benefit obligation | (576,694) | (245,883) |
| Effect on projected salary increase | (1,660,536) | (941,402) |
| Projected benefit obligation | (2,237,230) | (1,187,285) |
| Market-related value of plan assets | 503,865 | 283,974 |
| Funded status | (1,733,365) | (903,311) |
| Unrecognized transition obligation | 281,672 | 309,839 |
| Unrecognized gain or loss | 428,616 | 119,149 |
| Accrued pension cost per actuarial report | (1,023,077) | (474,323) |
| Over (under) accrual | (15,087) | 391 |
| Accrued pension liabilities | \$ (1,038,164) | \$ (473,932) |
| Vested benefit | \$ 5,558 | \$ 3,751 |

c. The components of net periodic pension cost for 2000 and 1999 are as follows:

| | 2000 | 1999 |
|---|------------|------------|
| Service cost | \$ 374,756 | \$ 103,232 |
| Interest cost | 106,244 | 45,758 |
| Expected return on plan assets | (26,106) | (15,024) |
| Amortization of transition obligation | 28,167 | 28,167 |
| Amortization of unrecognized gain or loss | 13,582 | (11,057) |
| Net periodic pension cost | \$ 496,643 | \$ 151,076 |

(12) Capital Stock

a. Based on the resolution of the shareholders' annual general meeting on May 13, 1999, the Company issued 858,318,783 new shares from the capitalization of retained earnings of NT\$2,780 million, employees' bonus of NT\$242 million and capital reserve of NT\$5,561 million.

b. On June 14, 1999, the Company's Board of Directors passed a resolution for the Company's merger with United Semiconductor, United Integrated Circuits, United Silicon, and UTEK Semiconductor. According to the merger agreement, the Company is the surviving company and would later issue new shares in exchange of the shares of USC, UICC, USI and UTEK at the swap ratio of 1:1, 1:3, 1:1.35 and 1:2, respectively. As of January 3, 2000, the officially merged date, the Company issued 2,383,650,273 shares for the merger.

c. Based on the resolution of the shareholders' meeting on April 7, 2000, the Company issued new shares of 1,888,543,007 shares from the capitalization of retained earnings of NT\$9,049 million, employees' bonus of NT\$787 million and capital reserve of NT\$9,049 million. The Company's authorized capital was also increased to 15,000,000,000 shares.

d. Based on the resolution of the shareholders' meeting on April 28, 2000, the Company issued 90,000,000 units of American Depositary Receipts (ADR), representing 450,000,000 common shares, on the New York Stock Exchange, on September 19, 2000. Owners of ADR are able to withdraw the underlying shares from the Company's ADR facility after three months of the issuing date. As of December 31, 2000, the outstanding ADR was 90,000,000 units.

e. As of December 31, 2000, the authorized capital was 15,000,000,000 shares at par of NT\$10, and 11,471,451,900 common shares were issued and outstanding.

(13) Treasury Stock

Following the resolution of the board of directors' meeting on December 22, 2000, the Company purchased its own shares from the open market as treasury stocks. The purpose and ending balance of treasury stocks were as follows:

| Purpose | Beginning(shares) | Addition(shares) | Disposal(shares) | Ending(shares) |
|----------------------|-------------------|------------------|------------------|----------------|
| Transfer to Employee | — | 32,435,000 | — | 32,435,000 |

According to Stock Exchange Regulations of Taiwan, total shares of treasury stocks shall not exceed 10% of the Company's stocks issued and outstanding. Total purchase amount shall not exceed sum of retained earnings and additional paid-in capital and realized capital reserves. The Company's treasury stock possession did not, at any time during 2000, violate the regulation stated above. As of December 31, 2000, the Company held 32,435,000 shares of treasury stock which amounted to NT\$1,479 million.

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

(14) Retained Earnings

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

(a) paying all taxes and dues;

(b) covering prior years' operating losses, if any;

(c) setting aside 10% of the remaining amount, after deducting (a) and (b), as legal reserve;

(d) allocating 1% of the remaining amount, after deducting (a), (b), and (c) above from the current year's earnings, as directors' and supervisors' fees; and

(e) retaining or distributing the remaining amount as follows: 92% as common stockholders' bonus and 8% to employees as employees' bonus.

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

c. As of December 31, 2000, the ending balance of unappropriated earnings amounted to NT\$50,760 million, of which NT\$64 million was earned prior to January 1, 1998.

d. As of December 31, 2000, the balance of shareholders tax credit was NT\$103 million. The estimated rate of deductible tax credit for the appropriation of 2000 earnings will be 0.20%. The rate of deductible tax credit for the appropriation of 1999 earnings was 1.03%.

(15) Earnings Per Share

| | 2000 (thousand shares) | 1999 (thousand shares) |
|--|---------------------------|---------------------------|
| Outstanding averagely weighted shares at beginning | 6,654,997 | 5,541,802 |
| 1999 stock dividend at 15.50% | — | 858,319 |
| 1999 convertible bonds converted | — | 144,848 |
| 2000 shares issued for acquisition | 2,383,650 | — |
| 2000 equivalents shares due to ADR offering | 127,500 | — |
| 2000 stock dividends at 20.87% | 1,886,366 | 1,365,198 |
| 2000 convertible bonds converted | 67,952 | — |
| 2000 purchase of treasury stocks | (330) | — |
| Outstanding averagely weighted shares | 11,120,135 | 7,910,167 |
| Net income (in thousand NTD) | \$ 50,780,378 | \$ 10,497,892 |
| Earnings per share (in NTD) | \$ 4.57 | \$ 1.33 |

(16) Income Tax*In thousand NTD*

| | 2000 | 1999 |
|--|---------------|--------------|
| Income tax per accounting income | \$ 10,111,614 | \$ 2,105,133 |
| Estimated permanent differences | (5,104,391) | (1,678,663) |
| Investment tax credit | (5,288,099) | (481,363) |
| Estimated 10% corporate income tax on unappropriated earnings | — | 12,377 |
| Adjustment of prior year's tax expense | 28,226 | 276 |
| Tax on interest income subject to separate withholding income tax | 30,342 | 70,012 |
| Income tax expense (benefit) | (222,308) | 27,772 |
| Net effect of deferred tax assets | 279,000 | 54,893 |
| Adjustment of prior year's tax expense | (28,226) | (276) |
| Tax on interest income subjected to separate withholding income tax | (30,342) | (70,012) |
| Prepaid income tax | (135,662) | (55,389) |
| Income tax receivable | \$ (137,538) | \$ (43,012) |

Deferred income tax assets and liabilities were as follows:

In thousand NTD

| | 2000 | 1999 |
|---|--------------|--------------|
| Deferred income tax assets – current | \$ 3,269,940 | \$ 894,244 |
| Deferred income tax liabilities – current | (23,211) | (12,632) |
| Valuation allowance for deferred tax assets | (2,368,442) | (420,000) |
| Net | \$ 878,287 | \$ 461,612 |
| Deferred income tax assets – noncurrent | \$ 9,179,575 | \$ 2,962,812 |
| Deferred income tax liabilities-noncurrent | (2,238,379) | (560,282) |
| Valuation allowance for deferred tax assets | (3,217,677) | (674,112) |
| Net | \$ 3,723,519 | \$ 1,728,418 |

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

| <i>In thousand NTD</i> | Amount | 2000 Tax effect | Amount | 1999 Tax effect |
|--|-----------------|--------------------|----------------|--------------------|
| Current items: | | | | |
| Temporary difference | | | | |
| Allowance on sales return and discount | \$ 1,063,161 | \$ 212,632 | \$ 536,679 | \$ 107,336 |
| Others | 622,437 | 124,487 | (296,604) | (59,321) |
| Investment tax credits | — | 2,909,610 | — | 833,597 |
| Valuation allowance | — | (2,368,442) | — | (420,000) |
| Net | \$ 1,685,598 | \$ 878,287 | \$ 240,075 | \$ 461,612 |
| Non-current items | | | | |
| Temporary difference | | | | |
| Depreciation | \$ (11,191,893) | \$ (2,238,378) | \$ (2,801,409) | \$ (560,282) |
| Pension | 926,423 | 185,284 | 471,728 | 94,346 |
| Amortization of organization cost | 408,883 | 81,777 | — | — |
| Amortization of expertise | 787,500 | 157,500 | — | — |
| Others | 235,128 | 47,025 | 576,564 | 115,312 |
| Investment tax credits | — | 8,707,988 | — | 2,753,154 |
| Valuation allowance | — | (3,217,677) | — | (674,112) |
| Net | \$ (8,833,959) | \$ 3,723,519 | \$ (1,753,117) | \$ 1,728,418 |

The Company's income tax returns through the year 1997, except for 1995, were assessed and approved by the Tax Authority.

Pursuant to the "Statute for the Establishment and Administration of Science-Based Industrial Park", the Company was granted several periods of tax holidays with respect to income derived from approved investments. The tax holidays will expire on December 31, 2003. As of December 31, 2000, the Company's unused investment tax credits amounted to NT\$11,618 million.

5. RELATED PARTY TRANSACTION

(1) Name and Relationship of Related Parties

| Name of related parties | Relationship with the Company |
|--|---|
| United Semiconductor Corporation (USC) | Investee company |
| United Silicon Inc. (USI) | Investee company |
| United Integrated Circuits Corp. (UICC) | Investee company |
| UTEK Semiconductor Corp. (UTEK) | Investee company |
| Nippon Foundry Inc. (NFI) | Investee company |
| United Foundry Service Inc. (UFS) | Investee company |
| Integrated Technology Express Inc. (ITE) | Investee company |
| Novatek Microelectronics Corp. (Novatek) | Investee company |
| Mediatek Incorporation (Mediatek) | Investee company |
| Unipac Optoelectronics Corp. (Unipac) | Investee company |
| Applied Component Technology Corp. (ACT) | Investee company |
| AMIC Technology (Taiwan), Inc. (AMIC-Taiwan) | Investee company |
| World Wiser Electronics Incorporated (WWEI) | Investee company |
| Fortune Venture Capital Corp. (FVC) | Investee company |
| DuPont Photomasks Taiwan Ltd. (DPT) | Investee company |
| Holtek Semiconductor Inc. (Holtek) | Investee company |
| UMC Group (USA) (UMC-USA) | Investee company |
| Faraday Technology Corporation (Faraday) | Investee company |
| Hung Lien Investment Corp. (Hung Lien) | Investee's reinvestee |
| Davicom International Corp. (Davicom) | Investee's reinvestee |
| Chiao Tung Bank (Chiao Tung) | A director of the Company |
| Industrial Bank of Taiwan (IBT) | The Company is its major shareholder |
| Aptos (Taiwan) Corp. (Aptos) | The chairman is the CEO of the Company |
| TECO Electric & Machinery Co., Ltd. (TECO) | Director and supervisor of the Company |
| United Microelectronics (Europe) B.V. (UMC BV) | A director is the chairman of the Company |
| United Microelectronics Co., Ltd. Hong Kong (UMCL) | A director is the chairman of the Company |
| Formosa Links Pte Ltd. (Formosa) | A director is the chairman of the Company |

(2) Significant Related Party Transactions

a. Operating revenues

| In thousand NTD | 2000 | | 1999 | |
|-----------------|---------------|------------|---------------|------------|
| | Amount | Percentage | Amount | Percentage |
| UMC-USA | \$ 42,609,198 | 40% | \$ 5,559,165 | 19% |
| UMC BV | 11,849,367 | 11% | 2,819,624 | 10% |
| Mediatek | 4,938,704 | 5% | 1,045,700 | 3% |
| AMIC-Taiwan | 2,286,648 | 2% | — | — |
| Novatek | 1,752,171 | 2% | 959,424 | 3% |
| Formosa | 1,370,859 | 1% | 895,755 | 3% |
| Holtek | 1,007,099 | 1% | — | — |
| Faraday | 1,001,979 | 1% | 356,432 | 1% |
| ACT | 887,125 | 1% | 851,877 | 3% |
| UMCL | 697,223 | 1% | 1,488,911 | 5% |
| ITE | 610,022 | 1% | 839,692 | 3% |
| Others | 426,863 | — | 2,490,387 | 9% |
| Total | \$ 69,437,258 | 66% | \$ 17,306,967 | 59% |

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

b. Purchases

| In thousand NTD | 2000 | | 1999 | |
|-----------------|--------------|------------|--------------|------------|
| | Amount | Percentage | Amount | Percentage |
| DPT | \$ 961,567 | 5% | \$ 69,875 | 1% |
| NFI | 579,827 | 3% | 620,765 | 7% |
| ACT | 490,142 | 2% | — | — |
| UTEK | — | — | 1,506,076 | 17% |
| USC | — | — | 1,274,357 | 15% |
| USI | — | — | 744,164 | 9% |
| Others | 3,504 | — | 49,098 | — |
| Total | \$ 2,035,040 | 10% | \$ 4,264,335 | 49% |

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

c. Notes receivable

| In thousand NTD | 2000 | | 1999 | |
|-----------------|------------|------------|------------|------------|
| | Amount | Percentage | Amount | Percentage |
| Holtek | \$ 161,785 | | \$ — | |
| Others | 27,760 | | 156,984 | |
| Net | \$ 189,545 | | \$ 156,984 | |

d. Accounts receivable

| <i>In thousand NTD</i> | 2000 | 1999 |
|---|---------------|--------------|
| UMC-USA | \$ 6,854,152 | \$ 888,779 |
| UMC BV | 2,119,103 | 816,164 |
| AMIC-Taiwan | 551,392 | — |
| Formosa | 404,382 | 120,011 |
| Mediatek | 189,338 | 224,043 |
| UMCL | 182,677 | 337,291 |
| Novatek | 172,035 | 168,356 |
| Holtek | 151,285 | — |
| Faraday | 144,500 | 86,007 |
| Others | 242,041 | 575,505 |
| Subtotal | 11,010,905 | 3,216,156 |
| Allowance for sales returns and discounts | (454,747) | (11,270) |
| Allowance for doubtful accounts | (117,265) | (50,492) |
| Net | \$ 10,438,893 | \$ 3,154,394 |

e. Other receivables

| <i>In thousand NTD</i> | 2000 | 1999 |
|---------------------------------|------------|------------|
| NFI | \$ 69,408 | \$ 55,919 |
| USC | — | 268,590 |
| USI | — | 144,087 |
| Aptos | — | 43,838 |
| Others | 42,239 | 42,650 |
| Subtotal | 111,647 | 555,084 |
| Allowance for doubtful accounts | (503) | — |
| Net | \$ 111,144 | \$ 555,084 |

f. Accounts payable

| <i>In thousand NTD</i> | 2000 | 1999 |
|------------------------|------------|------------|
| DPT | \$ 181,075 | \$ 20,763 |
| ACT | 85,444 | — |
| NFI | 65,196 | 129,797 |
| UTEK | — | 128,163 |
| USI | — | 46,367 |
| WWEI | 34,513 | 39,550 |
| USC | — | 22,609 |
| Others | 3,806 | 9,191 |
| Total | \$ 370,034 | \$ 396,440 |

g. Loans

| In thousand NTD | Maximum balance | | Ending balance | Interest rate | 2000 Interest expense |
|-----------------|-----------------|-------|----------------|---------------|--------------------------|
| | Amount | Month | | | |
| Chiao Tung | \$ 5,543,077 | March | \$ 4,014,861 | 0.87-8.39% | \$ 285,863 |
| IBT | 998,750 | June | 998,750 | 6.1-6.43% | 64,137 |
| Total | \$ 6,541,827 | | \$ 5,013,611 | | \$ 350,000 |

| In thousand NTD | Maximum balance | | Ending balance | Interest rate | 1999 Interest expense |
|-----------------|-----------------|-------|----------------|---------------|--------------------------|
| | Amount | Month | | | |
| Chiao Tung | \$ 1,146,530 | May | \$ 923,910 | 6.64% | \$ 64,285 |

h. Acquisition of long-term investment

| In thousand NTD | Item | 1999 Amount |
|-----------------|---|----------------|
| Hung Lien | Common stocks of World Wiser Electronics Incorporated | \$ 438,014 |

i. Disposal of long-term investments

| In thousand NTD | Item | Amount | 2000 Gain (Loss) |
|-----------------|---------------------------------------|------------|---------------------|
| AMIC-Taiwan | Common stocks of AMIC Technology Inc. | \$ 135,000 | \$ (80,517) |

| In thousand NTD | Item | Amount | 1999 Gain (Loss) |
|-----------------|--|------------|---------------------|
| FVC | Common stocks of Tripath Technology Inc. and Silicon Perspective Corp., etc. | \$ 334,984 | \$ 15,710 |
| Mediatek | Common stocks of Legend Venture Capital Investment Corp. | 57,500 | 7,500 |
| Aptos | Common stocks of APTOS Corp. | 79,241 | (79,488) |
| Total | | \$ 471,725 | \$ (56,278) |

j. Disposal of property, plant and equipment

| In thousand NTD | Item | Amount | 1999 Gain (Loss) |
|-----------------|--------------------------|------------|---------------------|
| DPT | Machineries and software | \$ 477,246 | \$ 7,842 |
| Unipac | Plant facility | 242,224 | 9,983 |
| NFI | Machineries | 156,267 | 24,432 |
| Others | Machineries, etc. | 69,238 | 5,071 |
| Total | | \$ 944,975 | \$ 47,328 |

k. Other transactions

| <i>In thousand NTD</i> | Item | 2000 | 1999 |
|------------------------|-------------------------|------------|------------|
| USC | Facility revenues, etc. | \$ — | \$ 428,018 |
| USI | Facility revenues, etc. | — | 309,338 |
| UICC | Facility revenues, etc. | — | 115,353 |
| Unipac | Facility revenues, etc. | 68,552 | 9,881 |
| Others | Facility revenues, etc. | 41,144 | 115,353 |
| Total | | \$ 109,696 | \$ 977,943 |

| <i>In thousand NTD</i> | Item | 2000 | 1999 |
|------------------------|---|------------|--------------|
| USI | Research fee and mask charges | \$ — | \$ 978,040 |
| WWEI | Processing expenditures | 299,239 | 192,943 |
| UMC-USA | Commissions | 127,961 | — |
| Others | Service charges and processing expenditures, etc. | 174,611 | 123,144 |
| Total | | \$ 601,811 | \$ 1,294,127 |

6. ASSETS PLEDGED AS COLLATERAL

| <i>In thousand NTD</i> | 2000 | 1999 | Subject of collateral |
|------------------------|---------------|---------------|--------------------------------|
| Time deposits | \$ 2,660,800 | \$ — | Long-term loans |
| Land | 452,915 | 452,915 | Long-term loans |
| Building | 2,778,469 | 4,048,416 | Short-term and long-term loans |
| Machinery | 50,905,639 | 13,712,787 | Short-term and long-term loans |
| Total | \$ 56,797,823 | \$ 18,214,118 | |

7. COMMITMENTS AND CONTINGENT LIABILITIES

- a. The Company's unused letters of credit for import materials and machinery were NT\$3,738 million as of December 31, 2000.
- b. The Company entered into contracts, amounted to US\$617 million, with third parties for rights to use patents registered by the third parties. Royalty payable for the consecutive 5 years starting 2001 through 2005 are US\$97 million, US\$79 million, US\$97 million, US\$31 million, and US\$34 million, respectively.
- c. The Company has signed several construction contracts for the expansion of its factory space. As of December 31, 2000, these construction contracts amounted to NT\$5,065 million with the un-accrued portion of the contracts in NT\$2,182 million.
- d. A number of third parties have notified the Company of its alleged infringement on the patents held by those third parties (including EMI, Intel, NEC, etc.), and have demanded that the Company obtain a license for various semiconductor fabrication techniques and circuit designs. The Company commenced evaluation of the specific patents involved, and the preliminary discussions with the third parties regarding licensing terms. Company management indicated a willingness to obtain licenses, wherever required and necessary, to continue the Company's business.
- e. In April 1998, Oak Technology Inc. filed a lawsuit with International Trade Commission (ITC) of USA against the Company for alleged violation of the settlement agreement for patents held in relation to its CD ROM controller chip. On September 27, 1999, the ITC issued a ruling affirming that there was no infringement. Oak has appealed the finding of non-infringement to the Federal Circuit Court of Appeals. The Company's management believes that this complaint will not have a material adverse effect on the Company's operations and financial performances, since the Company no longer includes any sales of UMC CD ROM controllers in its financial plans.

f. The Company entered into several operating lease contracts for land. Future minimum lease payments under those leases are:

In thousand NTD

| Year | Amount |
|-----------|--------------|
| 2001 | \$ 121,809 |
| 2002 | 115,578 |
| 2003 | 115,578 |
| 2004 | 115,578 |
| 2005 | 115,578 |
| 2006-2010 | 516,990 |
| 2011-2015 | 382,617 |
| 2016-2018 | 62,110 |
| Total | \$ 1,545,838 |

g. The Company entered into several wafer-processing contracts with its main clients. According to the contracts, the Company shall guarantee processing capacity, while the clients make deposits to the Company or pay penalties in case the clients' orders do not meet the capacity guaranteed.

h. The Company entered into two three-year purchase agreements which committed the Company to purchase at least 75% of its 8-inch wafer consumption from two of its suppliers for a period of three years.

i. The Company has signed a Memorandum with Infineon Technologies AG and Singapore's Economic Development Board Investments Pte Ltd. to form a joint venture in Singapore. The venture plans to manufacture 300mm wafers and to provide related foundry services using 0.18-micron and more advanced technologies. The expected capital expenditure is about US\$3,600 million for a planned production output of 40,000 pcs 12-inch wafers per month. According to the agreed-upon Memorandum, the Company is entitled to acquire and represent the controlling ownership of the venture.

j. The Company and Hitachi, Ltd. have established a joint wafer fabrication company in Japan for the purpose of manufacturing 12-inch wafers, named Trecenti Technologies, Inc. ("Trecenti") on March 15, 2000. The Company has invested JPY12,000 million for 40% equity interest as of December 31, 2000.

8. SIGNIFICANT DISASTER LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENT

None.

10. BUSINESS ACQUISITION

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

The following unaudited pro forma data summarizes the results of operations for the years ended December 31, 2000 and 1999, respectively, as if the acquisitions had been completed on January 1, 2000 and 1999, respectively. The pro forma data show the effect on actual operating results prior to the acquisition and the increase in the depreciation expense as a result of a step up in the fair value of fixed assets acquired.

These pro forma amounts do not propose to be indicative of the results that would have actually been obtained if the acquisition had occurred on January 1, 2000 and 1999 or that may be obtained in the future.

PRO FORMA STATEMENTS OF INCOME

For the Years Ended December 31, 2000 and 1999 (Unaudited)

In thousand NTD

| | 2000 | 1999 |
|-------------------------------------|----------------|---------------|
| Sales | \$ 105,084,720 | \$ 54,630,561 |
| Cost of sales | (51,337,139) | (36,074,151) |
| Gross Profit | 53,747,581 | 18,556,410 |
| Unrealized inter-company profit-net | (146,060) | (365,781) |
| Realized gross profit | 53,601,521 | 18,190,629 |
| Operating expenses | | |
| Selling expense | (781,772) | (1,231,426) |
| Administrative expense | (3,294,081) | (2,256,027) |
| Research and development expense | (5,954,696) | (3,904,625) |
| Subtotal | (10,030,549) | (7,392,078) |
| Operating income | 43,570,972 | 10,798,551 |
| Non-operating income | | |
| Interest income | 1,824,102 | 1,988,080 |
| Investment income | 5,024,119 | 2,524,102 |
| Miscellaneous income | 3,654,228 | 1,984,115 |
| Subtotal | 10,502,449 | 6,496,297 |
| Non-operating expense | | |
| Interest expense | (2,354,173) | (2,498,366) |
| Miscellaneous loss | (1,167,802) | (1,420,776) |
| Subtotal | (3,521,975) | (3,919,142) |
| Income before income tax | 50,551,446 | 13,375,706 |
| Income tax benefit (expense) | 222,308 | (424,976) |
| Net income | \$ 50,773,754 | \$ 12,950,730 |

11. INVESTMENT IN MAINLAND CHINA

None.

12. SPECIAL DISCLOSURE ITEMS

The following related information on significant transactions and investee companies for the year 2000 was prepared based on the audited financial statements.

- a. Loans to others attributed to financial activities as of December 31, 2000: Please see attachment-1.
- b. The endorsements and guarantees provided by the Company to others as of December 31, 2000: Please see attachment-2.
- c. The ending balance of securities held by the Company as of December 31, 2000: Please see attachment-3.
- d. The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000: Please see attachment-4.
- e. Acquisition of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock for the year 2000: Please see attachment-5.
- f. Disposal of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock for the year 2000: Please see attachment-6.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock for the year 2000: Please see attachment-7.
- h. Receivables from related parties exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock as of December 31, 2000: Please see attachment-8.
- i. Related information on investee companies as of December 31, 2000: Please see attachment-9.

13. SEGMENT INFORMATION

a. Operations in different industries

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

b. Operations in different geographic areas

The Company has no significant foreign operations.

c. Export sales

In thousand NTD

| | 2000 | 1999 |
|-------------------|----------------|---------------|
| North America | \$ 46,625,687 | \$ 4,976,762 |
| Europe | 18,672,062 | 2,363,783 |
| Asia | 6,787,493 | 4,119,989 |
| Other | 1,069,011 | — |
| Sales to Overseas | 73,154,253 | 11,460,534 |
| Domestic sales | 28,319,974 | 15,367,219 |
| Net sales | \$ 101,474,227 | \$ 26,827,753 |

d. Major customers

In thousand NTD

| | 2000 | | |
|-----------------|---------------|----|-------------------|
| Customers | Sales amount | % | Sales segment |
| UMC Group (USA) | \$ 42,609,198 | 41 | The whole Company |
| UMC BV | 11,849,367 | 11 | The whole Company |
| Total | \$ 54,458,565 | 52 | |

In thousand NTD

| | 1999 | | |
|-----------------|--------------|----|-------------------|
| Customers | Sales amount | % | Sales segment |
| UMC Group (USA) | \$ 5,559,165 | 19 | The whole Company |
| UMC BV | 2,819,624 | 10 | The whole Company |
| Total | \$ 8,378,789 | 29 | |

14. FINANCIAL INSTRUMENTS

a. Derivative Financial Instruments

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

(1) Purpose: to hedge interest rate risk. The Company entered into several Interest Rate Swap contracts in 2000, the related interest income amounted to \$8 million.

(2) Notional amount and contract period:

As of December 31, 2000:

| Notional amount | Contract period |
|-----------------|---|
| US\$10 million | November 28, 1996 – May 28, 2001 (As the result of last closing for the contract, there would be no more mutual interest obligation for the period from November 28, 2000 through May 28, 2001.) |

As of December 31, 1999:

| Notional amount | Contract period |
|-----------------|---------------------------------------|
| US\$10 million | November 28, 1996 – May 28, 2001 |
| US\$40 million | December 19, 1997 – December 19, 2000 |
| US\$20 million | December 23, 1997 – December 27, 2000 |

(3) Term and characteristics of the swaps:

- Term: These transactions are settled on a semi-annual basis. The Company agrees to pay to the banks on each payment date, an amount equal to the notional amount multiplied by a fixed rate. The Company receives the floating rate interest, which is based on the 6 months USD-LIBOR-BBA rate on the day that is two London Banking Days preceding any reset date, from bank.
- Credit risk: There is no significant credit risk with respect to the above three transactions because the banks have good global standing.
- Market risk: The market risk is low due to the nature of the swaps.
- The gains (or losses) resulted from the IRS contracts were NT\$0.4 million and (NT\$20 million) for the years ended December 31, 2000 and 1999, respectively.

b. Non-derivative Instruments

In thousand NTD

| Financial Assets | 2000 | | 1999 | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| Cash and cash equivalents | \$ 54,107,647 | \$ 54,107,647 | \$ 11,083,601 | \$ 11,083,601 |
| Notes and accounts receivable | 15,944,835 | 15,944,835 | 5,005,396 | 5,005,396 |
| Marketable securities | — | — | 339,375 | 350,661 |
| Long-term investments | 67,363,540 | 98,029,567 | 86,585,485 | 152,917,639 |

In thousand NTD

| Financial Liabilities | 2000 | | 1999 | |
|---|--------------|--------------|--------------|--------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| Short-term loans | \$ 3,489,325 | \$ 3,489,325 | \$ 6,639,765 | \$ 6,639,765 |
| Accounts payable | 21,710,136 | 21,710,136 | 7,756,756 | 7,756,756 |
| Long-term loans (including current portion) | 39,157,762 | 39,157,762 | 8,059,464 | 8,059,464 |
| Bonds payable | 3,990,000 | 4,024,031 | 3,443,776 | 8,386,642 |

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

- (1) The carrying amounts of short-term financial assets and liabilities approximate fair values due to their short maturities.
- (2) The fair values of marketable securities and long-term investments are based on the market value of the securities or, if market value is unavailable, the net equities of the investee companies are used as fair value.
- (3) Fair value of bonds payable is estimated by the market value.
- (4) The book value of long-term loans is used as fair value as the loans bear floating rates.

ATTACHMENTS TO NOTES

Attachment 1 - Loans to others attributed to financial activities as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

| No. | Names of lending company | Accounts name | Name of the borrowers | The credit limit set up by the company for its respective borrower | The highest balance during 2000 | The ending balance | Interest rate | The reason for lending | Collateral | Value of collateral | The yearly amount of sales to (purchase from) the borrower | The ceiling of fund financing for the borrower |
|-----|--------------------------|----------------------------------|-------------------------|--|---------------------------------|--------------------|---------------|------------------------|------------|---------------------|--|--|
| 1 | UMC Group (USA) | Receivable from employee's loans | The Company's employees | N/A | USD 3,308,000 | USD 2,618,000 | 7.00% | Employee loan | None | N/A | None | N/A |

Attachment 2 - The endorsements and guarantees provided by the Company to others as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

| No. | Guarantor | Guarantee | Relationship with the Company | The limit of guarantee for such party | The highest outstanding guarantee amount during 2000 | The outstanding guarantee amount at Dec. 31, 2000 | The amount of guarantee with collateral placed | The ratio of accumulated guarantee amount to net value of the Company | The ceiling of the outstanding guarantee for the respective party |
|-----|---------------------|-------------------------|-------------------------------|---------------------------------------|--|---|--|---|---|
| 1 | Nippon Foundry Inc. | A director and employee | A director and employee | JPY 1,125,248,000 | JPY 1,200,640,000 | JPY 1,125,248,000 | JPY 1,000,000,000 | 1.70% | JPY 1,125,248,000 |

Attachment 3 - The ending balance of securities held by the Company as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

| Kinds of marketable securities | Name of marketable securities | The relationship of the issuers with the Company | General ledger accounts | December 31, 2000 | | | | |
|-------------------------------------|--|--|-------------------------|-----------------------------|------------|------------|--------------|---------------------------------|
| | | | | Number of shares (thousand) | Book value | Percentage | Market value | Shares as collateral (thousand) |
| December 31, 2000 | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | |
| Stock | United Foundry Service Inc. | Investee company | Long-term investment | 2,005 | 67,432 | 100.00% | N/A | None |
| Stock | UMC Group (USA) | Investee company | Long-term investment | 16,438 | 718,271 | 100.00% | N/A | None |
| Stock | Fortune Venture Capital Corporation | Investee company | Long-term investment | 299,994 | 3,766,868 | 99.99% | N/A | None |
| Stock | Hsun Chieh Investment Corporation | Investee company | Long-term investment | 1,417,294 | 28,611,676 | 99.97% | N/A | None |
| Stock | United MicroMachining Corp. | Investee company | Long-term investment | 6,000 | 26,399 | 60.91% | N/A | None |
| Stock | Pacific Venture Capital Co., Ltd. | Investee company | Long-term investment | 30,000 | 353,158 | 49.99% | N/A | None |
| Stock | Dupont Photomasks Taiwan Ltd. | Investee company | Long-term investment | 77,810 | 942,896 | 47.16% | N/A | None |
| Stock | Nippon Foundry Inc. | Investee company | Long-term investment | 120 | 6,960,008 | 47.10% | 31,560,298 | None |
| Stock | Trecenti Technologies, Inc. | Investee company | Long-term investment | 240 | 3,427,304 | 40.00% | N/A | None |
| Stock | Broadmedia, Inc. | Investee company | Long-term investment | 10,000 | — | 39.38% | N/A | None |
| Stock | World Wiser Electronics Incorporated | Investee company | Long-term investment | 132,093 | 2,596,312 | 38.97% | 5,979,172 | None |
| Stock | Unipac Optoelectronics Corp. | Investee company | Long-term investment | 530,247 | 7,774,055 | 38.71% | 9,378,014 | None |
| Stock | Holtek Semiconductor Inc. | Investee company | Long-term investment | 43,170 | 657,281 | 35.39% | N/A | None |
| Stock | Novatek Microelectronics Corp. | Investee company | Long-term investment | 45,045 | 861,690 | 29.80% | N/A | None |
| Stock | Integrated Technology Express Inc. | Investee company | Long-term investment | 26,855 | 336,495 | 28.78% | N/A | None |
| Stock | Applied Component Technology Corporation | Investee company | Long-term investment | 10,048 | 120,328 | 27.96% | 137,989 | None |
| Stock | Faraday Technology Corp. | Investee company | Long-term investment | 18,541 | 346,998 | 21.43% | 3,565,509 | None |
| Stock | Mediatek Incorporation | Investee company | Long-term investment | 41,160 | 1,246,785 | 18.98% | N/A | None |
| Stock | Integrated Telecom Express, Inc. | Investee company | Long-term investment | 7,000 | 826,184 | 16.39% | 1,549,792 | None |
| Stock | AMIC Technology (Taiwan), Inc. | Investee company | Long-term investment | 13,500 | 126,066 | 14.06% | N/A | None |
| Stock | PixTech, Inc. | None | Long-term investment | 9,883 | 561,080 | 18.10% | 423,226 | None |
| Stock | United Industrial Gases Co., Ltd. | None | Long-term investment | 11,566 | 146,250 | 11.25% | N/A | None |
| Stock | Sino-Aerospace Investment Corp. | None | Long-term investment | 28,500 | 86,588 | 11.11% | N/A | None |
| Stock | National Venture Capital Corporation | None | Long-term investment | 6,000 | 60,000 | 11.09% | N/A | None |
| Stock | Pacific Technology Partners, L.P. | None | Long-term investment | — | 51,353 | 11.00% | N/A | None |
| Stock | TECO Information Systems Co., Ltd. | None | Long-term investment | 47,358 | 500,880 | 8.05% | N/A | None |
| Stock | Vialta.com, Inc. | None | Long-term investment | 7,600 | 622,835 | 7.82% | N/A | None |
| Stock | Subtron Technology Co., Ltd. | None | Long-term investment | 16,000 | 240,000 | 7.41% | N/A | None |
| Stock | Industrial Bank of Taiwan | The Promoter | Long-term investment | 116,725 | 1,150,000 | 5.00% | N/A | None |
| Stock | TECO Electric & Machinery Co., Ltd. | The director and supervisor of the Company | Long-term investment | 70,713 | 1,535,895 | 3.96% | 1,299,910 | None |
| Stock | Tonbu, Inc. | None | Long-term investment | 938 | 243,750 | 3.43% | N/A | None |

Attachment 3 - Continued (Amount in thousand NTD unless otherwise stated)

| Kinds of marketable securities | Name of marketable securities | The relationship of the issuers with the Company | General ledger accounts | December 31, 2000 | | | | |
|-------------------------------------|--|--|-------------------------|-----------------------------|------------|------------|--------------|---------------------------------|
| | | | | Number of shares (thousand) | Book value | Percentage | Market value | Shares as collateral (thousand) |
| December 31, 2000 | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | |
| Stock | Chiao Tung Bank | The director of the Company | Long-term investment | 75,000 | 3,108,656 | 3.07% | 1,887,738 | None |
| Stock | SAMPO Corporation | The director of the Company | Long-term investment | 30,950 | 443,599 | 2.96% | 393,065 | None |
| Stock | Dyna Image Corp. | None | Long-term investment | 4,244 | 28,663 | 1.67% | 77,137 | None |
| Stock | National Securities Corporation | None | Long-term investment | 14,251 | 239,316 | 1.26% | 125,565 | None |
| Stock | Stark Technology Inc. | None | Long-term investment | 967 | 10,552 | 1.16% | 133,760 | None |
| Stock | Premier Camera Taiwan Ltd. | None | Long-term investment | 2,041 | 27,964 | 0.72% | 93,138 | None |
| Stock | Lexar Media Inc. | None | Long-term investment | 100 | 2,488 | 0.17% | 10,377 | None |
| Hsun Chieh Investment Corporation | | | | | | | | |
| Stock | UniMicron Technology Corp. | Investee company | Long-term investment | 84,559 | 1,364,153 | 43.93% | N/A | None |
| Stock | Harvatek Corporation | Investee company | Long-term investment | 15,351 | 204,541 | 33.37% | N/A | None |
| Stock | Advance Materials Corporation | Investee company | Long-term investment | 14,994 | 207,521 | 15.78% | N/A | None |
| Stock | Enovation Group, Inc. | Investee company | Long-term investment | 7,172 | 73,807 | 14.34% | N/A | None |
| Stock | Integrated Photonics, Inc. | None | Long-term investment | 300 | 6,244 | 11.46% | N/A | None |
| Stock | Golden Technology Venture Capital Investment | The director of the Company | Long-term investment | 8,000 | 80,000 | 10.67% | N/A | None |
| Stock | Cnyes.Com, Inc. | None | Long-term investment | 5,000 | 62,640 | 9.81% | N/A | None |
| Stock | Ascend Semiconductor Corporation | The Company is the director and supervisor | Long-term investment | 3,600 | 36,000 | 9.00% | N/A | None |
| Stock | NCTU Spring I Technology Venture Capital | The Company is the director | Long-term investment | 4,284 | 43,482 | 8.60% | N/A | None |
| Stock | Faraday Technology Corp. | Investee company to UMC | Long-term investment | 5,648 | 1,286,510 | 6.77% | 1,308,880 | None |
| Stock | Pst International, Inc. | The Company is the director | Long-term investment | 1,200 | 18,000 | 6.70% | N/A | None |
| Stock | Advance Microelectronics Product Inc. | None | Long-term investment | 7,000 | 126,000 | 6.36% | N/A | None |
| Stock | NCTU Spring Venture Capital Co., Ltd. | The Company is the director | Long-term investment | 2,000 | 20,000 | 6.28% | N/A | None |
| Stock | Cosmos Technology Venture Capital Investment | The Company is the director | Long-term investment | 4,000 | 40,000 | 5.03% | N/A | None |
| Stock | Integrated Telecom Express, Inc. | Investee company | Long-term investment | 1,163 | 213,021 | 4.85% | N/A | None |
| Stock | Nippon Foundry Inc. | Investee company to UMC | Long-term investment | 11 | 777,044 | 4.41% | N/A | None |
| Fund | Taiwan Asia Pacific Venture Fund | None | Long-term investment | 115 | 29,295 | 4.17% | N/A | None |
| Stock | Subtron Technology Co., Ltd. | The Company is the director | Long-term investment | 7,800 | 99,000 | 3.61% | N/A | None |
| Stock | Sampo Semiconductor Corporation | None | Long-term investment | 8,442 | 84,420 | 3.38% | N/A | None |
| Stock | United Microelectronics Corporation | Parent company | Long-term investment | 366,008 | 29,592,654 | 3.19% | 18,053,706 | None |
| Stock | Sheng-Hua Venture Capital Corporation | None | Long-term investment | 5,000 | 50,000 | 2.50% | N/A | None |
| Stock | PixArt Imaging Inc. | None | Long-term investment | 1,000 | 10,000 | 2.00% | N/A | None |
| Stock | Chiao Tung Bank | The director of the Company | Long-term investment | 46,721 | 1,882,974 | 1.91% | 1,175,962 | None |
| Stock | TECO Information Systems Co., Ltd. | None | Long-term investment | 7,136 | 107,044 | 1.20% | N/A | None |
| Stock | Ingenu Corp. | None | Long-term investment | 240 | 29,813 | 0.66% | 2,713 | None |
| Stock | Cheng Hsun Electronics, Inc. | Investee company | Long-term investment | 3,150 | 31,500 | 31.50% | N/A | None |
| Stock | Hsun Huei Technology, Inc. | Investee company | Long-term investment | 3,100 | 31,000 | 31.00% | N/A | None |
| Stock | Plato Electronics (Cayman) Limited | Investee company | Long-term investment | 28 | 424,539 | 30.00% | N/A | None |
| Stock | Elite Flash Storage Technology, Inc. | The Company is the director | Long-term investment | 1,950 | 19,500 | 19.50% | N/A | None |
| Stock | Giga Solution | None | Long-term investment | 8,750 | 105,000 | 19.44% | N/A | None |
| Stock | Patentop, Ltd. | None | Long-term investment | 720 | 22,356 | 18.00% | N/A | None |
| Stock | AEM Technology, Inc. | None | Long-term investment | 1,760 | 28,714 | 17.60% | N/A | None |
| Stock | Kits On Line Technology Corp. | None | Long-term investment | 3,200 | 38,656 | 16.41% | N/A | None |
| Stock | Union Technology Corp. | The Company is the director | Long-term investment | 1,800 | 18,000 | 15.00% | N/A | None |
| Stock | Epogy Communication, Inc. | None | Long-term investment | 4,000 | 62,130 | 13.33% | N/A | None |
| Stock | Linden Technologies Inc. | None | Long-term investment | 300 | 92,385 | 11.17% | N/A | None |
| Stock | NetEmpower Software Technologies Inc. | None | Long-term investment | 1,500 | 92,388 | 9.42% | N/A | None |
| Stock | Alpha & Omega Semiconductor Inc. | None | Long-term investment | 1,500 | 46,883 | 9.09% | N/A | None |
| Stock | Vialta.com, Inc. | None | Long-term investment | 7,600 | 618,883 | 8.35% | N/A | None |
| Stock | Tonbu, Inc. | None | Long-term investment | 2,000 | 185,017 | 7.90% | N/A | None |
| Stock | Formerica International Holding Inc. | None | Long-term investment | 2,000 | 30,898 | 6.51% | N/A | None |
| Stock | VenGlobal Capital Fund III, L.P. | None | Long-term investment | — | 16,190 | 4.00% | N/A | None |
| Stock | Industrial Bank of Taiwan | None | Long-term investment | 9,000 | 90,000 | 3.81% | N/A | None |
| Stock | Broadcom Corporation. | None | Long-term investment | 700 | 70,941 | 3.38% | N/A | None |
| Stock | Hantek Technology Co., Ltd. | None | Long-term investment | 1,501 | 45,030 | 3.34% | N/A | None |
| Stock | Aurora System, Inc. | None | Long-term investment | 550 | 72,226 | 2.99% | N/A | None |
| Stock | Trisected Corp. | None | Long-term investment | 360 | 16,913 | 2.19% | N/A | None |
| Stock | Primarion, Inc. | None | Long-term investment | 418 | 31,800 | 1.26% | N/A | None |
| Stock | King-Yuan Electronics Co., Ltd. | None | Long-term investment | 1,000 | 70,000 | 0.38% | N/A | None |
| Stock | Netlogic Microsystems Inc. | None | Long-term investment | 100 | 3,195 | 0.34% | N/A | None |
| Stock | Lite Lineonit Corp. | None | Long-term investment | 800 | 58,400 | 0.33% | N/A | None |
| Stock | Evertrac, Inc. | None | Long-term investment | — | 31,275 | — | N/A | None |
| Membership Card | Golf Club Membership Card | None | Long-term investment | — | 60,000 | — | N/A | None |

Attachment 3 - Continued (Amount in thousand NTD unless otherwise stated)

| Kinds of marketable securities | Name of marketable securities | The relationship of the issuers with the Company | General ledger accounts | December 31, 2000 | | | | |
|-------------------------------------|--|--|-------------------------|-----------------------------|------------|------------|--------------|---------------------------------|
| | | | | Number of shares (thousand) | Book value | Percentage | Market value | Shares as collateral (thousand) |
| December 31, 2000 | | | | | | | | |
| Fortune Venture Capital Corporation | | | | | | | | |
| Stock | APTOS Corp. | Investee company | Long-term investment | 36,886 | 393,250 | 35.13% | N/A | None |
| Stock | Broadmedia Inc. | Investee company | Long-term investment | 12,500 | 138,464 | 24.53% | N/A | None |
| Stock | Systematic Designs International Inc. | None | Long-term investment | 1,300 | 10,178 | 19.50% | N/A | None |
| Stock | Silicon Perspective Corp. | None | Long-term investment | 800 | 57,600 | 19.16% | N/A | None |
| Stock | PixArt Imaging Inc. | The Company is the director | Long-term investment | 8,372 | 117,917 | 16.74% | N/A | None |
| Stock | Softchina Venture Group Ltd. | The Company is the director | Long-term investment | 6,000 | 60,000 | 15.00% | N/A | None |
| Stock | Epitech Corp. | The Company is the director | Long-term investment | 4,658 | 47,300 | 14.33% | N/A | None |
| Stock | Thin Film Module, Inc. | None | Long-term investment | 5,287 | 52,870 | 13.91% | N/A | None |
| Stock | Advance Materials Corporation | Investee company | Long-term investment | 12,800 | 137,989 | 13.47% | N/A | None |
| Stock | AMIC Technology (Taiwan), Inc. | Investee company | Long-term investment | 12,716 | 243,106 | 13.25% | N/A | None |
| Stock | Urex Precision, Inc. | None | Long-term investment | 1,977 | 19,772 | 13.18% | N/A | None |
| Stock | Triscend Corporation | None | Long-term investment | 1,750 | 188,957 | 10.23% | N/A | None |
| Stock | Integrated Telecom Express Inc. | Investee company | Long-term investment | 4,000 | 421,101 | 9.70% | N/A | None |
| Stock | Linktech Microelectronics Corp. | None | Long-term investment | 1,215 | 34,450 | 8.10% | N/A | None |
| Stock | Shin-Etsu Handdotal Taiwan Co., Ltd. | None | Long-term investment | 10,500 | 105,000 | 7.00% | N/A | None |
| Stock | Trident Technologies, Inc. | None | Long-term investment | 1,350 | 16,875 | 6.75% | N/A | None |
| Stock | Pst International, Inc. | None | Long-term investment | 1,200 | 12,000 | 6.70% | N/A | None |
| Stock | Programmable Microelectronics (Taiwan) Corp. | None | Long-term investment | 2,004 | 20,042 | 6.68% | N/A | None |
| Stock | Tripath Technology, Inc. | None | Long-term investment | 500 | 158,235 | 5.50% | 262,230 | None |
| Stock | Vialta.com, Inc. | None | Long-term investment | 3,800 | 313,205 | 4.18% | N/A | None |
| Stock | The 3CX U.S.A. | None | Long-term investment | 180 | 5,814 | 3.95% | N/A | None |
| Stock | SiRF Technology Inc. | None | Long-term investment | 875 | 119,436 | 3.51% | N/A | None |
| Stock | Ominivision Vision Technology Inc. | None | Long-term investment | 540 | 22,272 | 3.34% | 130,318 | None |
| Stock | Tvia, Inc. | None | Long-term investment | 700 | 14,435 | 2.41% | 154,224 | None |
| Stock | CTS Computer Technology System Corp. | None | Long-term investment | 1,717 | 27,694 | 2.00% | N/A | None |
| Stock | Hsin Chu Chen-Tao CATV Co., Ltd. | None | Long-term investment | 349 | 3,489 | 1.40% | N/A | None |
| Stock | Orchid Biocomputer, Inc. | None | Long-term investment | 380 | 90,478 | 1.20% | 124,465 | None |
| Stock | Velio Communications Inc. | None | Long-term investment | 110 | 30,817 | 0.54% | N/A | None |
| Stock | Springsoft Inc. | None | Long-term investment | 214 | 6,832 | 0.46% | 27,303 | None |
| Stock | Sino-American Silicon Products Inc. | None | Long-term investment | 284 | 6,635 | 0.33% | N/A | None |
| Stock | Shuttle Inc. | None | Long-term investment | 360 | 7,828 | 0.26% | 2,647 | None |
| Stock | United Microelectronics Corporation | Investor company | Long-term investment | 13,333 | 171,858 | 0.12% | 657,680 | None |
| Stock | Aurora System, Inc. | None | Long-term investment | 2,500 | 222,072 | 13.87% | N/A | None |
| Stock | Iglobe Partners Fund L.P. | None | Long-term investment | — | 63,318 | 7.42% | N/A | None |
| Stock | Alpha & Omega Semiconductor | None | Long-term investment | 1,500 | 46,312 | 5.00% | N/A | None |
| Stock | IXNICO Inc. | None | Long-term investment | 333 | 49,534 | 4.44% | N/A | None |
| Stock | EPIC Technologies Inc. | None | Long-term investment | 23 | 34,240 | 2.24% | N/A | None |
| Stock | Rise Technology | None | Long-term investment | 500 | 41,811 | 2.14% | N/A | None |
| Stock | Monetary Design Systems Inc. | None | Long-term investment | 394 | 34,201 | 2.06% | N/A | None |
| Stock | Arcadia Design Systems Inc. | None | Long-term investment | 162 | 26,203 | 1.45% | N/A | None |
| Stock | Crystal Internet Venture Fund II | None | Long-term investment | 20 | 41,757 | 0.99% | N/A | None |

Attachment 4 - The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

| Name of the securities | Beginning balance | | Addition | | Disposal | | | Ending balance | | Gain/Loss from disposal |
|--|-----------------------------|-----------|-----------------------------|-----------|-----------------------------|---------|---------|-----------------------------|-----------|----------------------------|
| | No. of shares (thousand) | Amount | No. of shares (thousand) | Amount | No. of shares (thousand) | Amount | Cost | No. of shares (thousand) | Amount | |
| December 31, 2000 | | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | | |
| Yuan-Ta New Main Stream Fund | 9,500 | 9,500 | — | — | 9,500 | 117,895 | 95,000 | — | — | 22,895 |
| Truswell Truswell Fund | 16,000 | 160,000 | — | — | 16,000 | 159,777 | 160,000 | — | — | (223) |
| Shanghai Fudan Microelectronics Company Limited | — | — | 12,372 | 39,808 | 12,372 | 125,841 | 39,808 | — | — | 86,032 |
| Nippon Foundry Inc. | 107 | 1,550,124 | 13 | 3,835,112 | — | — | — | 120 | 6,960,009 | — |
| Trecenti Technologies, Inc. | — | — | 240 | 3,664,000 | — | — | — | 240 | 3,427,304 | — |
| PixTech, Inc. | 1,111 | 137,750 | 9,320 | 454,440 | — | — | — | 9,883 | 561,080 | — |
| Tonbu, Inc. | — | — | 938 | 243,750 | — | — | — | 938 | 243,750 | — |
| Subtron Technology Co., Ltd. | — | — | 16,000 | 240,000 | — | — | — | 16,000 | 240,000 | — |
| AMIC Technology (Taiwan), Inc. | — | — | 13,500 | 135,000 | — | — | — | 13,500 | 126,066 | — |
| Focus Semiconductor Corp. | 24,600 | 121,896 | — | — | 24,600 | 121,897 | 121,896 | — | — | 1 |

Attachment 4 - Continued (Amount in thousand NTD unless otherwise stated)

| Name of the securities | Beginning balance | | Addition | | Disposal | | Ending balance | | Gain/Loss from disposal | |
|-------------------------------------|-----------------------------|-----------|-----------------------------|---------|-----------------------------|---------|----------------|-----------------------------|----------------------------|----------|
| | No. of shares (thousand) | Amount | No. of shares (thousand) | Amount | No. of shares (thousand) | Amount | Cost | No. of shares (thousand) | | Amount |
| December 31, 2000 | | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | | |
| Unipac Optoelectronics Corp. | 510,741 | 7,515,473 | — | — | 7,494 | 224,820 | 165,402 | 503,247 | 7,774,055 | 59,418 |
| Catalyst Semiconductor, Inc. | 650 | 107,328 | — | — | 650 | 179,830 | 107,328 | — | — | 52,903 |
| AMIC Technology Inc. | 15,000 | 221,494 | — | — | 15,000 | 135,000 | 215,517 | — | — | (80,517) |
| Fortune Venture Capital Corporation | | | | | | | | | | |
| Unipac Optoelectronics Corp. | 25,245 | 354,973 | — | — | 25,245 | 409,616 | 354,973 | — | — | 54,643 |
| APTOS Corp. | 25,523 | 291,812 | 11,363 | 170,443 | — | — | — | 36,886 | 393,250 | — |
| AMIC Technology (Taiwan), Inc. | 7,200 | 72,000 | 5,516 | 137,900 | — | — | — | 12,716 | 243,106 | — |
| Hsun Chieh Investment Corporation | | | | | | | | | | |
| Unimicron Technology Corp. | 85,990 | 1,059,610 | 8,389 | 192,948 | 9,820 | 339,000 | 133,214 | 84,559 | 1,364,153 | 205,786 |
| Advance Materials Corp. | 4,054 | 44,212 | 10,940 | 163,950 | — | — | — | 14,994 | 207,521 | — |
| Unipac Optoelectronics Corp. | 28,832 | 513,222 | — | — | 28,832 | 558,700 | 513,222 | — | — | 45,478 |
| Tonbu, Inc. | — | — | 2,000 | 185,017 | — | — | — | 2,000 | 185,017 | — |
| Plato Electronics (Cayman) Limited | — | — | 28 | 424,539 | — | — | — | 28 | 424,539 | — |
| China Unicon Ltd. | — | — | 11,500 | 708,922 | 11,500 | 826,261 | 708,922 | — | — | 117,339 |
| Giga Solution | — | — | 8,750 | 105,000 | — | — | — | 8,750 | 105,000 | — |

Remark(1): The ending balance also includes other additions or deductions not shown on the above schedule, including long-term equity investment income or loss, cumulative translation adjustment, changes in long-term investment due to unappropriate changes in ownership, and unrealized loss in long-term investment, etc.

Remark(2): Gain/Loss from disposal of security were computed by deducting cost, handling charge and exchange loss or gain from sale amount.

Attachment 5 - Acquisition of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

| Name of the properties | Date of transaction | Transaction amount | Status of payment | Counter party | The relationship with the Company | Original owner who sold the property to the counter party | The relationship of the original owner with the Company | Date of the original transaction | Amount | The bases or reference used in deciding the price | Other commitments |
|--|---------------------|--------------------|-------------------|---------------|-----------------------------------|---|---|----------------------------------|--------|---|-------------------|
| December 31, 2000 | | | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | | | |
| Land | Dec.15, 2000 | 127,457 | Paid | An individual | None | — | — | — | — | Market value | — |

Attachment 6 - Disposal of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

| Names of the properties | Date of transaction | Acquisition date of the properties | Book value | Transaction amount | Status of payment receiving | Gain/ Loss on disposal | Counter party | The relationship with the Company | Reason for disposal | The bases or reference used in deciding the price | Other commitments |
|--|---------------------|------------------------------------|------------|--------------------|-----------------------------|------------------------|--------------------------|-----------------------------------|--------------------------|---|-------------------|
| December 31, 2000 | | | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | | | |
| UMC Fab 5A | April 8, 2000 | May 31, 1991 - March 21, 2000 | 138,373 | 109,000 | Received | (29,373) | Episil Technologies Inc. | None | Retiring phased-out fabs | Market value | None |

Attachment 7 - Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

| Name of related parties transactions | Relationship with the Company | Transactions | | | | Notes & Accounts receivable (payable) | |
|---|---|-------------------|-------------------|--------------------------------|--------|---------------------------------------|-----------------------|
| | | Purchase (Sales) | Amount | Percentage of purchase (sales) | Term | Balance | Percentage of account |
| 2000 | | | | | | | |
| United Microelectronics Corporation | | | | | | | |
| UMC Group (USA) | Investee company | Sales | 42,609,198 | 40% | 60days | 6,854,152 | 43% |
| United Microelectronics (Europe) B.V. | The director is the chairman of the Company | Sales | 11,849,367 | 11% | 60days | 2,119,103 | 13% |
| United Microelectronics Co., Ltd. Hong Kong | The director is the chairman of the Company | Sales | 697,223 | 1% | 60days | 182,677 | 1% |
| Mediatek Incorporation. | Investee company | Sales | 4,938,704 | 5% | 60days | 189,338 | 1% |
| AMIC Technology (Taiwan), Inc. | Investee company | Sales | 2,286,648 | 2% | 60days | 564,810 | 4% |
| Novatek Microelectronics Corp. | Investee company | Sales | 1,752,171 | 2% | 60days | 172,035 | 1% |
| Formosa Links Pte Ltd. | The director is the chairman of the Company | Sales | 1,370,859 | 1% | 60days | 404,382 | 3% |
| Applied Component Technology Corp. | Investee company | Sales | 887,125 | 1% | 60days | 65,547 | — |
| Integrated Technology Express Inc. | Investee company | Sales | 610,022 | 1% | 60days | 53,702 | — |
| DAVICOM Semiconductor Inc. | Investee's subsidiary | Sales | 343,942 | — | 60days | 18,523 | — |
| Faraday Technology Corp. | Investee company | Sales | 1,001,979 | 1% | 60days | 144,500 | 1% |
| Holtek Semiconductor Inc. | Investee company | Sales | 1,007,099 | 1% | 60days | 313,070 | 2% |
| Applied Component Technology Corp. | Investee company | Purchase | 490,142 | 2% | 60days | (85,444) | 1% |
| Dupont Photomasks Taiwan Ltd. | Investee company | Purchase | 961,567 | 5% | 60days | (181,075) | 3% |
| Nippon Foundry Inc. | Investee company | Purchase | 579,827 | 3% | 60days | (65,196) | 1% |
| UMC Group (USA) | | | | | | | |
| United Microelectronics Corporation | Parent company | Purchase | USD 1,360,399,000 | 99.6% | 55days | (USD 207,821,000) | 100% |
| Nippon Foundry Inc. | Subsidiary | Purchase | USD 5,984,000 | 0.4% | 60days | (USD 81,000) | — |
| Integrated Technology Express Inc. | Subsidiary | Sales | USD 15,921,000 | 1.1% | — | USD 4,111,000 | 1.8% |
| Nippon Foundry Inc. | | | | | | | |
| United Microelectronics Corporation | Parent company | Sales | JPY 1,933,285,000 | 5.3% | 60days | JPY 348,221,000 | 2.7% |
| United Microelectronics Corporation | Parent company | Operating expense | JPY 502,112,000 | 2.0% | — | JPY 1,185,000 | 0.3% |
| UMC Group (USA) | Affiliated company | Sales | JPY 626,943,000 | 17% | 60days | JPY 11,651,000 | 0.1% |

Attachment 8 - Receivable from related parties exceeding the lower of NT\$100 million and 20 percent of the capital stock as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

| Name of the counter party | Relationship with the counter party | Balance of receivable from related party | | | | Turnover rate (times) | Overdue receivable | | Subsequent received amount | Bad debt allowance provided |
|--|---|--|---------------------|-------------------|-----------------|-----------------------|--------------------|-------------------|----------------------------|-----------------------------|
| | | Notes Receivable | Accounts Receivable | Other Receivables | Amount | | Amount | Collection | | |
| December 31, 2000 | | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | | |
| United Microelectronics (Europe) B.V. | The director is the chairman of the Company | — | 2,119,103 | — | 2,119,103 | 8.07 | 871 | — | 863,198 | 20,983 |
| UMC Group (USA) | Investee company | — | 6,854,152 | — | 6,854,152 | 11.40 | 1,826 | — | 42,371 | 69,886 |
| AMIC Technology (Taiwan), Inc. | Investee company | 13,418 | 551,392 | 1,806 | 566,616 | 8.00 | 162,014 | Credit Collecting | — | 7,150 |
| Formosa Links Pte Ltd. | The director is the chairman of the Company | — | 404,382 | — | 404,382 | 6.81 | 1 | Credit Collecting | — | 4,008 |
| Mediatek Incorporation | Investee company | — | 189,338 | 404 | 189,742 | 23.89 | 2,453 | Credit Collecting | — | 2,363 |
| United Microelectronics Co., Ltd., Hong Kong | A director is the chairman of the Company | — | 182,677 | — | 182,677 | 2.68 | 62,034 | — | 15,775 | 2,381 |
| Novatek Microelectronics Corp. | Investee company | — | 172,035 | 371 | 172,406 | 10.30 | — | Credit Collecting | 986 | 1,724 |
| Holtek Semiconductor Inc. | Investee company | 161,785 | 151,285 | 2,874 | 315,944 | 5.89 | 138 | Credit Collecting | — | 1,584 |
| Faraday Technology Corp. | Investee company | — | 144,500 | — | 144,500 | 9.39 | 20,201 | Credit Collecting | — | 4,135 |
| Ascend Semiconductor Corp. | Investee company | — | 102,814 | — | 102,814 | 4.02 | 3,362 | Credit Collecting | — | 1,062 |
| Nippon Foundry Inc. | | | | | | | | | | |
| United Microelectronics Corporation | Parent company | — | JPY 348,211,000 | — | JPY 348,211,000 | — | — | — | — | 0.5% of Accounts Receivable |

Attachment 9 - Related information on investee companies as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

| Investee company Address | The main business scopes | Initial Investment | | Shares held by the Company | | | The net income of the investee company | The gain /loss recorded by the Company | Note |
|--|--|--------------------|----------------------|-----------------------------------|------------|-------------------------------|---|--|-------|
| | | Ending balance | Beginning balance | Number of shares (thousand) | Percentage | Book value | | | |
| December 31, 2000 | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | |
| UMC Group (USA) 488 DeGuigne Drive Sunnyvale, CA 94086, USA | IC Sales | USD 16,437,000 | USD 13,150,000 | 16,438 | 100.00% | 718,271 | USD 3,443,000 | 92,468 | |
| United Foundry Service, Inc. 489 DeGuigne Drive Sunnyvale, CA 94086, USA | Supervising and monitoring group project | USD 2,005,000 | — | 2,005 | 100.00% | 67,432 | USD 173,000 | 5,357 | |
| Fortune Venture Capital Corporation 2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan | Consulting and planning for investment in new business | 2,999,940 | 2,999,940 | 299,994 | 99.99% | 3,766,868 | (37,082) | (37,078) | |
| Hsun Chieh Investment Corporation 2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan | Investment | 14,172,940 | 13,998,000 | 1,417,294 | 99.97% | 28,611,676 | 1,022,231 | 1,021,226 | |
| United MicroMachining Corp. 1557A Center Pointe Dr., Milpitas, CA 95035 | R&D, manufacturing & sales of delicate machinery | USD 1,500,000 | USD 1,500,000 | 6,000 | 60.91% | 26,399 | USD 5,392,000 | (1,766) | |
| Pacific Venture Capital Co., Ltd. 5F, No.420, Fu-Hsin N. Rd. Taipei | Venture capital consultation | 300,000 | 300,000 | 30,000 | 49.99% | 353,158 | 101,602 | 50,856 | |
| Dupont Photomasks Taiwan Ltd. No.3, Li-Shin Rd. 2, Science-Based Industrial Park, Hsin-Chu, Taiwan | Manufacturing of photomasks | 780,502 | 785,005 | 77,810 | 47.16% | 942,896 | 359,017 | 169,783 | |
| Nippon Foundry Inc. No.1580 Yamamoto, Tateyama-City, Chiba, Japan | Sales and manufacturing of integrated circuit fabrication | JPY 20,126,316,000 | JPY 8,327,638,000 | 120 | 47.10% | 6,960,008 | JPY 13,175,863,000 | 2,301,690 | |
| Trecenti Technologies, Inc. 751, Horiguchi, Hitachinaka-Shi, Ibaraki-ken, Japan | IC production and sales | JPY 30,000,000,000 | — | 240 | 40.00% | 3,427,304 (JPY 1,993,514,000) | | (236,696) | Note1 |
| Broadmedia, Inc. 1135 Kern Avenue, Sunnyvale, CA 94086 | Telecom IC design and sales | USD 5,000,000 | USD 5,000,000 | 10,000 | 39.38% | — | (USD 9,183,000) | (74,499) | |
| World Wiser Electronics Inc. No.66-6, Hou Pi Tso, 9 Lin, Keng Kou Village, Lu-Chu, Taoyuan, Taiwan | PCB production | 2,548,658 | 1,250,121 | 132,093 | 38.97% | 2,596,312 | 950,923 | 277,938 | |
| Unipac Optoelectronics Corp. No.3, Industrial East Rd. 3, Science-Based Industrial Park, Hsin-Chu, Taiwan | LCD component sales and manufacturing | 7,631,687 | 7,745,333 | 503,247 | 38.71% | 7,774,055 | 1,101,502 | 371,116 | |
| Holtek Semiconductor Inc. No. 3, Creation Rd. 2, Science-Based Industrial Park, Hsin-Chu, Taiwan | IC production and sales | 456,709 | — | 43,170 | 35.39% | 657,281 | 611,262 | 228,800 | |
| Novatek Microelectronics Corp. 2F, No.13, Innovation Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan | IC production and sales | 150,000 | 150,000 | 45,045 | 29.80% | 861,690 | 1,085,991 | 336,451 | |
| Integrated Technology Express, Inc. 3F, No.13, Innovation Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan | IC production and sales | 239,770 | 239,770 | 26,855 | 28.78% | 336,495 | 123,832 | 40,667 | |
| Applied Component Technology Corp. 12F-5, No.171 Sung The Rd., Taipei | Electronic component design and sales | 15,558 | 18,000 | 10,048 | 27.96% | 120,328 | 42,621 | 14,193 | |
| Faraday Technology Corp. 7F-3, No.9, Prosperity Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan | ASIC design and production | 62,455 | 62,455 | 18,541 | 21.43% | 346,998 | 649,202 | 142,800 | |
| Mediatek Incorporation 1F, No.13, Innovation Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan | IC production and sales | 90,000 | 90,000 | 41,160 | 18.98% | 1,364,153 | 3,326,543 | 661,396 | |
| Integrated Telecom Express, Inc. 2710 Walsh Ave., Santa Clara, CA 95095 | IC production and sales | USD 2,000,000 | USD 2,000,000 | 7,000 | 16.39% | 826,184 | (USD 16,838,000) | (102,559) | |
| AMIC Technology (Taiwan), Inc. 15F, No.3, Li-Hsin Rd. 2, Science-Based Industrial Park, Hsin-Chu, Taiwan | IC production and sales | 135,000 | — | 13,500 | 14.06% | 126,066 | 441,482 | (8,934) | |
| Hsun Chieh Investment Corporation | | | | | | | | | |
| UniMicron Technology Corp. No.66-5, Hou Pi Tso, 9 Lin, Keng Kou Village, Lu-Chu, Taoyuan, Taiwan | PCB production | 1,287,393 | 1,094,446 | 84,559 | 43.93% | 1,364,153 | 502,761 | 229,079 | |
| Harvatek Corporation No. 21, Alley 17, Lane 99, Chung Hwa Rd., Hsin-Chu, Taiwan | IC testing, production, packaging and sales | 212,465 | 212,465 | 15,351 | 33.37% | 204,541 | 10,108 | (7,690) | |

Attachment 9 (Continued) (Amount in thousand NTD unless otherwise stated)

| Investee company Address | The main business scopes | Initial Investment | | Shares held by the Company | | | The net income of the investee company | The gain /loss recorded by the Company | Note |
|---|--|--------------------|----------------------|-----------------------------------|------------|------------|---|--|-------|
| | | Ending balance | Beginning balance | Number of shares (thousand) | Percentage | Book value | | | |
| December 31, 2000 | | | | | | | | | |
| Chieh Investment Corporation | | | | | | | | | |
| Cheng Hsun Electronics Inc. 3F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan | Electronic component production | 31,500 | — | 3,150 | 31.50% | 31,500 | — | — | Note2 |
| Hsun Huei Technology Inc. 2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan | | 31,000 | — | 3,100 | 31.00% | 31,000 | — | — | Note2 |
| Plato Electronic (Cayman) Limited Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, Cayman Islands, British West Indies | Holding Company | 424,539 | — | 28 | 30.00% | 424,539 | — | — | Note2 |
| Advance Materials Corporation No.498-2, Nan Shan Road Sec.2, Lu-Chu, Taoyuan, Taiwan | | 208,162 | — | 14,994 | 15.78% | 207,521 | (18,260) | (1,932) | |
| Enovation Group, Inc. 6F-7, No.103, Sec.2, Fu Shin S. Rd., Taipei, Taiwan | Development and sales of internet applications | 80,000 | 80,000 | 7,172 | 14.34% | 73,807 | (178,117) | (6,012) | |
| Faraday Technology Corp. 7F-3, No.9, Prosperity Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan | ASIC design and production | 1,308,880 | — | — | 6.53% | 1,286,511 | 649,202 | (19,158) | |
| Integrated Telecom Express, Inc. 2710 Walsh Avenue, Santa Clara, CA 95051, USA | IC production and sales | 96,248 | — | 1,163 | 4.85% | 213,021 | (USD 16,838,000) | (43,989) | |
| Nippon Foundry Inc. No.1580 Yamamoto, Tateyama-City, Chiba, Japan | Sales and manufacturing of integrated circuit fabrication | 240,665 | 240,655 | 11 | 4.41% | 777,044 | JPY 13,175,863,000 | 298,814 | |

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

Note2: Investment income/loss was recognized in the next year.

CONSOLIDATED FINANCIAL REVIEW

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of United Microelectronics Corporation,

We have audited the accompanying consolidated balance sheet of United Microelectronics Corporation and Subsidiaries as of December 31, 2000, and the related consolidated statements of income, change in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of UMC Group (USA), a wholly-owned subsidiary, and Nippon Foundry Inc., a 51.74% owned subsidiary, which statements reflect total assets of NT\$10,171 million and NT\$25,759 million, respectively, as of December 31, 2000, and total revenues of NT\$43,491 million and NT\$10,542 million, respectively, for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for UMC Group (USA) and Nippon Foundry Inc., are based solely on the reports of the other auditors. As described in Note 4(6) to the consolidated financial statements, certain long-term investments were accounted for under the equity method based on the 2000 financial statements of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment income amounting to NT\$320 million for the year ended December 31, 2000, and the related long-term investment balance of NT\$9,376 million as of December 31, 2000, which were included in the financial statements, are also based solely on the reports of the other auditors. The consolidated financial statements of United Microelectronics Corporation and Subsidiaries as of December 31, 1999 were audited by other auditors, whose report dated February 5, 2000.

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

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



January 17, 2001

Taipei, Taiwan

Republic of China

Notice to Readers

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

CONSOLIDATED BALANCE SHEETS

December 31, 2000 and 1999

In thousand NTD

| | 2000 | 1999 |
|--|-----------------------|-----------------------|
| Current Assets | | |
| Cash and cash equivalents (2,4(1)) | \$ 62,756,673 | \$ 26,802,435 |
| Marketable securities (2,4(2)) | — | 449,134 |
| Notes receivable (4(3)) | 296,032 | 1,426,677 |
| Notes receivable - related parties (5) | 189,545 | 156,984 |
| Accounts receivable (2,4(4)) | 16,237,479 | 3,173,899 |
| Accounts receivable - related parties (2,5) | 3,623,787 | 2,241,783 |
| Other receivables (2,4(16)) | 1,344,417 | 797,119 |
| Other receivables - related parties (2,5) | 111,006 | 491,831 |
| Inventories (2,4(5)) | 10,790,577 | 3,058,579 |
| Prepaid expenses | 536,759 | 148,664 |
| Deferred income tax assets-current (2,4(16)) | 1,154,801 | 507,251 |
| Other current assets | 5,759 | 494,764 |
| Subtotal | 97,046,835 | 39,749,120 |
| Funds and Long-term Investments (2,4(6)) | | |
| Long-term investments | 41,526,766 | 58,831,564 |
| Prepaid long-term investments | 256,960 | 1,073,620 |
| Allowance for loss on decline of long-term investments | (13,807,915) | (339,965) |
| Subtotal | 27,975,811 | 59,565,219 |
| Property, Plant and Equipment (2,4(7),6,7) | | |
| Land | 1,805,241 | 1,510,704 |
| Buildings | 13,010,416 | 10,158,104 |
| Machinery and equipment | 188,973,848 | 46,269,641 |
| Transportation equipment | 59,967 | 39,385 |
| Furniture and fixtures | 1,435,473 | 1,170,766 |
| Leasehold improvements | 91,318 | 78,472 |
| Total Cost | 205,376,263 | 59,227,072 |
| Less : Accumulated depreciation | (62,621,111) | (24,977,088) |
| Plus : Construction in progress and prepayments | 20,660,283 | 9,470,354 |
| Net | 163,415,435 | 43,720,338 |
| Intangible Assets (2) | | |
| Trademarks | 1,028 | 1,262 |
| Patents | 14 | 215 |
| Others | 466,867 | 441,340 |
| Subtotal | 467,909 | 442,817 |
| Other Assets | | |
| Leased assets | 212,911 | 156,758 |
| Idle assets (2) | 24 | 26,917 |
| Deposits out | 322,860 | 58,969 |
| Deferred assets (2) | 1,803,220 | 469,621 |
| Deferred income tax assets - noncurrent (2,4(16)) | 3,816,370 | 1,746,086 |
| Others | 527,729 | 2,433,605 |
| Restricted deposits (6) | 2,660,800 | — |
| Subtotal | 9,343,914 | 4,891,956 |
| Total Assets | \$ 298,249,904 | \$ 148,369,450 |

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

CONSOLIDATED BALANCE SHEETS

December 31, 2000 and 1999

In thousand NTD

| | 2000 | 1999 |
|---|----------------|----------------|
| Current Liabilities | | |
| Short-term loans (4(8)) | \$ 3,968,550 | \$ 7,469,725 |
| Notes Payable | 410,733 | 1,633,587 |
| Accounts payable | 9,153,914 | 4,790,392 |
| Accounts payable - related parties (5) | 323,695 | 484,071 |
| Income tax payable (2,4(16)) | 803,933 | 526,882 |
| Accrued expenses (7) | 4,017,901 | 1,758,446 |
| Other payables | 12,442,367 | 5,474,472 |
| Current portion of long-term loans (4(10), 5) | 9,212,111 | 2,355,555 |
| Current portion of capacity deposit (7) | 1,256,420 | — |
| Other current liabilities | 517,656 | 156,863 |
| Subtotal | 42,107,280 | 24,649,993 |
| Long-term Liabilities | | |
| Bonds payable (2,4(9)) | 3,990,000 | 4,990,776 |
| Long-term loans (4(10), 5) | 31,543,951 | 5,703,909 |
| Subtotal | 35,533,951 | 10,694,685 |
| Other Liabilities | | |
| Accrued pension liabilities (2,4(11)) | 1,083,895 | 492,055 |
| Capacity deposits and other deposits (7) | 1,833,832 | 519 |
| Minority Interest | 9,153,591 | 9,897,636 |
| Others | 128,356 | 14,736 |
| Subtotal | 12,199,674 | 10,404,946 |
| Total Liabilities | 89,840,905 | 45,749,624 |
| Shareholders' Equity | | |
| Capital (4(12)) | | |
| Common stock | 114,714,519 | 66,549,966 |
| Capital reserve | | |
| Premiums | 41,582,503 | 14,089,776 |
| Gain on disposal of property, plant and equipment | 170,473 | 40,711 |
| Change in equities of long-term investments | 23,255,638 | 22,705,546 |
| Excess from consolidation | 17,152,454 | — |
| Retained earnings | | |
| Legal reserve | 5,625,234 | 4,579,516 |
| Unappropriated earnings (4(14)) | 50,759,921 | 11,130,347 |
| Unrealized loss on long-term investments (2,4(6)) | (13,804,227) | (319,448) |
| Cumulative translation adjustment (2,4(6)) | 24,202 | 535,234 |
| Treasury stocks (2,4(13)) | (31,071,718) | (16,691,822) |
| Total Shareholders' Equity | 208,408,999 | 102,619,826 |
| Total Liabilities and Shareholders' Equity | \$ 298,249,904 | \$ 148,369,450 |

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

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2000 and 1999

In thousand NTD, except for earnings per share

| | 2000 | 1999 |
|---|----------------|---------------|
| Operating Revenues (2,5) | | |
| Sales revenue | \$ 115,429,323 | \$ 32,840,737 |
| Less : Sales returns and allowances | (1,934,402) | (786,566) |
| Net Sales | 113,494,921 | 32,054,171 |
| Other operating revenues | 2,114,418 | 1,680,680 |
| Net Operating Revenues | 115,609,339 | 33,734,851 |
| Cost of goods sold (5) | (54,712,570) | (23,758,819) |
| Other operating costs | (2,349,625) | (1,069,578) |
| Operating Costs | (57,062,195) | (24,828,397) |
| Gross Profit | 58,547,144 | 8,906,454 |
| Unrealized intercompany profit (2) | (164,123) | (101,023) |
| Realized intercompany profit (2) | (184,727) | 94,252 |
| Realized Gross Profit | 58,198,294 | 8,899,683 |
| Operating Expenses | | |
| Selling expenses | (1,153,160) | (406,885) |
| Administrative expenses | (3,195,464) | (1,288,452) |
| Research and development expenses | (6,306,273) | (3,130,425) |
| Subtotal | (10,654,897) | (4,825,762) |
| Operating Income | 47,543,397 | 4,073,921 |
| Non-operating Income | | |
| Interest income | 2,018,926 | 1,197,309 |
| Investment income (2,4(6)) | 1,726,345 | 2,716,633 |
| Gain on disposal of property, plant and equipment (2) | 372,938 | 190,950 |
| Gain on disposal of investment (5) | 588,202 | 3,737,357 |
| Exchange gain | 2,922,412 | 207,399 |
| Lease income | 115,186 | 263,333 |
| Other income | 711,395 | 15,591,521 |
| Subtotal | 8,455,404 | 23,904,502 |
| Non-operating Expenses | | |
| Interest expense (5) | (2,367,401) | (1,081,841) |
| Loss on disposal of property, plant and equipment | (273,238) | (3,072,392) |
| Inventory loss (2) | (610,327) | (305,008) |
| Banking charges | (306,387) | (238,797) |
| Depreciation and loss on idle assets (2) | (61,797) | (372,481) |
| Other losses | (50,493) | (649,164) |
| Subtotal | (3,669,643) | (5,719,683) |
| Income Before Income Taxes and Minority Interest | 52,329,158 | 22,258,740 |
| Income Tax Benefit (Expense) (2,4(16)) | 91,062 | (828,964) |
| Net Income Before Minority Interest | 52,420,220 | 21,429,776 |
| Minority Interest in Income | (1,639,842) | (10,931,884) |
| Net Income | \$ 50,780,378 | \$ 10,497,892 |
| Earnings Per Share | | |
| Net Income (in NTD) (2,4(15)) | \$ 4.72 | \$ 1.37 |

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2000 and 1999

| <i>In thousand NTD</i> | Capital Stock | Treasury Stock | Certificates Exchangeable for Common Shares | Capital Reserve | Legal Reserve | Unappropriated Earnings | Unrealized Loss On Long-term Investments | Cumulative Translation Adjustment | Total |
|--|------------------|-------------------|--|--------------------|------------------|----------------------------|---|---|----------------|
| Balance as of January 1, 1999 | \$ 55,382,695 | \$ (4,584,697) | \$ 35,318 | \$ 12,869,484 | \$ 4,140,512 | \$ 4,450,744 | \$ (443,534) | \$ 101,530 | \$ 71,952,052 |
| Appropriation of 1998 earnings: | | | | | | | | | |
| Appropriation for legal reserve | — | — | — | — | 439,004 | (439,004) | — | — | — |
| Stock dividends | 2,780,469 | — | — | — | — | (2,780,469) | — | — | — |
| Directors' and supervisors' remuneration | — | — | — | — | — | (35,040) | — | — | (35,040) |
| Capitalization of employees' bonus | 241,780 | — | — | — | — | (241,780) | — | — | — |
| Capitalization of capital reserve | 5,560,939 | — | — | (5,560,939) | — | — | — | — | — |
| Net income for 1999 | — | — | — | — | — | 10,497,892 | — | — | 10,497,892 |
| Transfer of gain from disposal of property, plant and equipment to capital reserve | — | — | — | 40,711 | — | (40,711) | — | — | — |
| Transfer of gain from disposal of property, plant and equipment of investee company to capital reserve | — | — | — | 454 | — | (454) | — | — | — |
| Conversion of convertible bonds issued | 2,584,083 | — | (35,318) | 7,216,438 | — | — | — | — | 9,765,203 |
| Adjustment of capital reserve and retained earnings accounted for under equity method | — | — | — | 22,269,885 | — | (280,831) | — | — | 21,989,054 |
| Unrealized loss on long-term investments | — | — | — | — | — | — | (268,988) | — | (268,988) |
| Unrealized loss on long-term investments of investee companies | — | — | — | — | — | — | 393,074 | — | 393,074 |
| Cumulative translation adjustment | — | — | — | — | — | — | — | 433,704 | 433,704 |
| Treasury stock due to consolidation | — | (12,107,125) | — | — | — | — | — | — | (12,107,125) |
| Balance as of December 31, 1999 | \$ 66,549,966 | \$ (16,691,822) | \$ — | \$ 36,836,033 | \$ 4,579,516 | \$ 11,130,347 | \$ (319,448) | \$ 535,234 | \$ 102,619,826 |

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the Years Ended December 31, 2000 and 1999

| <i>In thousand NTD</i> | Capital Stock | Treasury Stock | Certificates Exchangeable for Common Shares | Capital Reserve | Legal Reserve | Unappropri- ated Earnings | Unrealized Loss On Long-term Investments | Cumulative Translation Adjustment | Total |
|--|------------------|-------------------|--|--------------------|------------------|---------------------------------|---|---|----------------|
| Balance as of January 1, 2000 | \$ 66,549,966 | \$ (16,691,822) | \$ — | \$ 36,836,033 | \$ 4,579,516 | \$ 11,130,347 | \$ (319,448) | \$ 535,234 | \$ 102,619,826 |
| Stock issuance at January 3, 2000 for acquisition | 23,836,503 | — | — | 17,152,454 | — | — | — | (1,083) | 40,987,874 |
| Appropriation of 1999 earnings: | | | | | | | | | |
| Appropriation for legal reserve | — | — | — | — | 1,045,718 | (1,045,718) | — | — | — |
| Stock dividends | 9,049,268 | — | — | — | — | (9,049,268) | — | — | — |
| Directors' and supervisors' remuneration | — | — | — | — | — | (95,737) | — | — | (95,737) |
| Capitalization of employees' bonus | 786,893 | — | — | — | — | (786,893) | — | — | — |
| Capitalization of capital reserve | 9,049,269 | — | — | (9,049,269) | — | — | — | — | — |
| Purchase of treasury stock | — | (1,479,064) | — | — | — | — | — | — | (1,479,064) |
| Net income for 2000 | — | — | — | — | — | 50,780,378 | — | — | 50,780,378 |
| Transfer of gain from disposal of property, plant and equipment to capital reserve | — | — | — | 170,473 | — | (170,473) | — | — | — |
| Transfer of gain from disposal of property, plant and equipment of investee company to capital reserve | — | — | — | 2,715 | — | (2,715) | — | — | — |
| Conversion of convertible bonds issued | 942,620 | — | — | 2,486,512 | — | — | — | — | 3,429,132 |
| Adjustment of capital reserve and retained earnings accounted for under equity method | — | — | — | 547,377 | — | — | — | — | 547,377 |
| Unrealized loss on long-term investments | — | — | — | — | — | — | (1,194,849) | — | (1,194,849) |
| Unrealized loss on long-term investments of investee companies | — | — | — | — | — | — | (12,289,930) | — | (12,289,930) |
| Shares issued for American Depositary Receipts | 4,500,000 | — | — | 34,014,773 | — | — | — | — | 38,514,773 |
| Cumulative translation adjustment | — | — | — | — | — | — | — | (509,949) | (509,949) |
| Treasury stock due to consolidation | — | (12,900,832) | — | — | — | — | — | — | (12,900,832) |
| Balance as of December 31, 2000 | \$ 114,714,519 | \$ (31,071,718) | \$ — | \$ 82,161,068 | \$ 5,625,234 | \$ 50,759,921 | \$ (13,804,227) | \$ 24,202 | \$ 208,408,999 |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000 and 1999

In thousand NT\$

| | 2000 | 1999 |
|---|---------------|---------------|
| Cash flows from operating activities: | | |
| Net income | \$ 50,780,378 | \$ 10,497,892 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Minority interest in income | 1,639,842 | 10,931,884 |
| Depreciation and amortization | 25,580,033 | 6,598,076 |
| Provision for doubtful accounts | 52,940 | 25,469 |
| Recovery from decline in market value of marketable securities | — | (392,938) |
| Provision for loss on obsolescence of inventories | 610,327 | 258,244 |
| Long-term investment income accounted for under equity method | (2,077,487) | (3,056,545) |
| Loss on decline in market value of long-term investments | 414,560 | 500,138 |
| Gain on disposal of investments | (588,202) | (3,737,357) |
| Loss on disposal of property, plant and equipment (including idle assets) | (37,904) | 3,324,312 |
| Forfeited interest on converted bonds | 74,313 | 323,634 |
| Profit due to cancellation of debt | — | (14,692,252) |
| Changes in assets and liabilities: | | |
| Notes receivable | 1,394,574 | (1,227,481) |
| Accounts receivable | (7,426,562) | (2,898,166) |
| Other receivable | (373,817) | (632,988) |
| Inventories | (6,428,624) | 1,746,946 |
| Prepaid expenses | (352,588) | (212,100) |
| Other current liabilities | (39,508) | (83,041) |
| Deferred income tax assets | (7,239) | 204,614 |
| Notes payable | (59,309) | — |
| Accounts payable | 156,576 | 1,199,800 |
| Income tax payable | (18,625) | 464,654 |
| Accrued expenses | 1,803,592 | 1,547,031 |
| Other liabilities | (119,688) | — |
| Compensation interest payable | (11,494) | 243,645 |
| Accrued pension liabilities | 462,623 | 138,174 |
| Capacity deposits | 3,083,578 | — |
| Other current assets | (87,329) | 22,288 |
| Net cash provided by operating activities | 68,424,960 | 11,093,933 |
| Cash flows from investing activities: | | |
| Marketable securities | 1,838,352 | 3,891,617 |
| Acquisition of long-term investments | (10,041,492) | (19,988,766) |
| Proceeds from disposal of long-term investments | 1,742,171 | 5,231,357 |
| Acquisition of property, plant and equipment | (83,482,670) | (19,047,047) |
| Proceeds from disposal of property, plant and equipment | 1,509,680 | 1,229,019 |
| Withdrawal of prepayments for long-term investments | 1,000,000 | — |
| Increase in deferred assets | (2,579,618) | (279,311) |
| (Increase) decrease in other assets | (231,642) | 141,467 |
| Cash proceeds from merger | 19,162,146 | 8,251,090 |
| Net cash used in investing activities | (71,083,073) | (20,570,574) |

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended December 31, 2000 and 1999

In thousand NTD

| | 2000 | 1999 |
|--|----------------|---------------|
| Cash flows from financing activities: | | |
| Increase in restricted deposits | \$ (2,660,800) | \$ (266,675) |
| (Decrease) increase in short-term loans, net | (7,111,095) | 5,375,494 |
| Proceeds from long-term loans | 9,423,941 | 2,150,000 |
| Repayment for long-term loans | (6,681,765) | (2,579,497) |
| Proceeds from bonds issued | 6,896,000 | 1,547,000 |
| Proceeds from issuance of American Depositary Shares | 38,514,773 | — |
| Redemption of bonds | (33,015) | (1,635) |
| Cash payment for fraction of one share arising from bonds conversion | (4) | (18) |
| Increase (decrease) in deposits-in | 608 | (339) |
| Purchase of treasury stock | (1,479,064) | 990,070 |
| Directors' and supervisors' remuneration paid | (95,737) | (35,040) |
| Proceeds from minority shareholders on stock issue for cash | 1,976,031 | 1,923,762 |
| Net cash provided by financing activities | 38,749,873 | 9,103,122 |
| The effect of applying various exchange rates | (137,522) | 377,157 |
| Net increase in cash and cash equivalents | 35,954,238 | 3,638 |
| Cash and cash equivalents at the beginning of year | 26,802,435 | 26,798,797 |
| Cash and cash equivalents at the end of year | \$ 62,756,673 | \$ 26,802,435 |
| Supplemental disclosures of cash flow information | | |
| Cash paid for interest (excluding interest capitalized) | \$ 2,155,932 | \$ 522,861 |
| Cash paid for income tax | \$ 436,766 | \$ 159,907 |
| Investing activities partially paid by cash | | |
| Acquisition of property, plant and equipment | \$ 86,325,850 | \$ 22,252,311 |
| Add: Payable at the beginning of year | 7,099,954 | 972,802 |
| Add: Increase on payable from consolidation | 4,048,315 | — |
| Less: Payable at the end of year | (13,991,449) | (4,178,066) |
| Cash paid for acquiring property, plant and equipment | \$ 83,482,670 | \$ 19,047,047 |
| Cash proceeds from merger | | |
| Stock issuance for merger | \$ 23,836,503 | \$ — |
| Erasure of shares for merged companies | 23,227,738 | — |
| Capital reserve arising from merger | 17,152,454 | — |
| Increase on net assets (excluding cash) from merger | (37,514,670) | — |
| Less: Cash and cash equivalents of merged subsidiary, which has been included at the beginning of year | (7,539,879) | — |
| Cash proceeds from merger | \$ 19,162,146 | \$ — |
| Financing activities not affecting cash flows | | |
| Conversion of convertible bonds issued | \$ 7,255,492 | \$ 8,804,994 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

1. HISTORY AND ORGANIZATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of United Microelectronics and all majority owned (50% or more) subsidiaries (hereinafter referred to individually or collectively as, the “Company”). All inter-company accounts and transactions have been eliminated in the consolidated financial statements.

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

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

Hsun Chieh Investment Co., Ltd. (“Hsun Chieh”), incorporated on December 31, 1999, was created for the purpose of merging the following six companies as of that date: Hung Tien Investment Corporation (“Hung Tien”), Ta Lien Investment Corporation (“Ta Lien”), Hung Lien Investment Corporation (“Hung Lien”), Tung Hsin Investment Corporation, Hsun Chieh Corporation and Holtek Investment Corporation. United Microelectronics’ shareholdings in Hsun Chieh as of December 31, 2000 and December 31, 1999 were 99.97% and 99.74%, respectively. Hsun Chieh was consolidated as of the year ended December 31, 2000 and 1999. United Microelectronics consolidated Hung Tien, Ta Lien, Hung Lien, Tung Hsin and Hsun Chieh Corporation, as United Microelectronics owned approximately 100% of each company through direct and indirect share holdings.

Nippon Foundry Inc. (“Nippon Foundry”) was incorporated in May 1984 in Japan and is in the business of manufacturing semiconductor products. United Microelectronics owned 51.74% and 52.30% share holding in Nippon Foundry as of December 31, 2000 and 1999, respectively.

UMC Group (USA) (“UMC-USA”) was incorporated on August 5, 1997, and is engaged in the business of sales of semiconductor products and providing related foundry services. United Microelectronics owned 100% and 80% share holdings in UMC-USA as of December 31, 2000 and 1999, respectively.

Fortune Venture Capital Corporation, United MicroMachining Corporation and United Foundry Services Inc. were excluded from consolidation in accordance with the aforementioned exclusion rules.

Principle of Business Combinations

United Microelectronics' acquisitions in 2000 and 1999 were accounted for under the purchase method.

Use of Estimates

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

Translation of Foreign Currency Transactions

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

Derivative Financial Instruments

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

Cash and Cash Equivalents

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

Marketable Securities

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

Allowance for Doubtful Accounts

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

Inventories

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

Long-term Investments

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

Investment income or loss from investments in both listed and unlisted companies is accounted for under the equity method provided that the Company owns over 20% of the voting outstanding shares of the investee company and has significant influence on operational decisions of the investee company. The excess of the acquisition cost over the underlying equity in the investee's net assets is capitalized and amortized over its useful life.

Unrealized intercompany gains and losses are eliminated under the equity method. Profit from sales of depreciable assets between the investee and the Company is amortized and recognized based on the assets' economic service lives. Profit from other types of intercompany transactions is recognized when realized. When the Company's proportional interest in an equity investee changes when the latter issues additional shares, the effect of the change in the Company's holding ratio in the long-term investment is adjusted first to capital reserve. If the capital reserve account is insufficient, the effect is included in retained earnings.

Property, Plant and Equipment

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

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

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated accordingly. When fixed assets are disposed of, their original cost and accumulated depreciation are written off and related gain, net of income tax, is transferred to capital reserve in the current year.

Intangible Assets

Intangible assets are stated at cost and amortized on a straight-line basis over the following periods: patents—the legal period and trademarks—the contract period.

Deferred Assets

Deferred assets are stated at cost and amortized on a straight-line basis as follows: royalty — the contract period or economic service lives whichever is short; software — 2 to 5 years; right to use facility — 15 years; and convertible bond issuance costs — over the life of the bonds.

Pension Plan

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

Convertible Bonds

The excess of the stated redemption price over the par value is accrued as compensation interest payable over the redemption period, using the effective interest method. When the redemption right expires, the balance of the compensation interest payable is amortized over the period from the expiration date to the maturity date using the effective interest method.

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

Capital Reserve

According to the Company Law of the Republic of China and under ROC GAAP, the following shall accrue as capital reserve; (1) any premiums on capital stock; (2) the net appraisal surplus of each fiscal year; (3) any gain on disposal of assets; (4) the fair market value of assets received from a merged company in excess of assumed liabilities and payment for shares held by shareholders of the merged company; (5) any donated surplus; and (6) change in an equity investee's capital structure. Capital reserve shall be exclusively used to cover accumulated deficits when the legal reserve is insufficient to cover the deficits or distribution of stock dividends.

Income Tax

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

or under provision of prior years' income tax liabilities are included in the current year's income tax expense.

Investment Tax Credit

Investment tax credit is accounted for using the flow through method. Therefore, income tax expense is reduced by the investment tax credit in the year the latter arises.

Revenue Recognition

The Company has two revenue channels. In the first channel, direct sales, the Company bills and ships products to the customer. In the second channel, commission-based sales, the Company bills and ships products to the customer directly and the affiliate or distributor that initiated the sale is entitled to a commission, which is billed separately by the intermediary. In both revenue channels, revenue is recognized when shipment is made and when the payment is realized or realizable.

Research and Development

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

Minority Interests

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

Earnings Per Share

Simple earnings per share is calculated by dividing net income by weighted average number of shares outstanding during the year. Primary earnings per share is computed by taking simple earnings per share into consideration plus additional common share equivalents. Fully diluted earnings per share is calculated by taking primary earnings per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. The net income would also be adjusted for the interest derived from any underlying dilutive share equivalents. The weighted-average outstanding shares are restated for stock dividends issued, with the exception of bonus share issues.

Certain Risks and Uncertainties

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

Treasury Stock

The Company adopted ROC Statement of Financial Accounting Standards No. 30, "Accounting for Treasury Stocks." The Statement requires that treasury stocks be accounted for under cost method. Cost of treasury stock is shown as a deduction to shareholders' equity, while gain or loss of selling treasury stocks is treated as an adjustment to capital reserves.

3. REASONS AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES

Nippon Foundry changed its depreciation method from declining-balance method to straight-line method in the year 2000, with concurrence of its auditors, due to the change in business direction from general-purpose DRAM business to foundry business. The straight-line method is better suited for providing appropriate operation result for the foundry business because of its stability in price and profit. This accounting change caused depreciation expense to decrease by NT\$638 million. From consolidated point of view, income before income tax and minority interest increased by about NT\$574 million and minority interest in income increased by NT\$277 million. The effect on the comparability of the Company's consolidated financial statements for the years 2000 and 1999 is immaterial.

4. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

| <i>In thousand NTD</i> | 2000 | 1999 |
|------------------------------|---------------|---------------|
| Cash: | | |
| Cash on hand | \$ 3,287 | \$ 3,820 |
| Checking and demand accounts | 3,487,621 | 2,545,027 |
| Time deposits | 50,286,421 | 21,055,065 |
| Subtotal | 53,777,329 | 23,603,912 |
| Cash equivalents: | | |
| Commercial paper | 3,563,471 | 1,426,625 |
| Repurchase bonds | 5,415,873 | 1,771,898 |
| Total | \$ 62,756,673 | \$ 26,802,435 |

(2) Marketable Securities

| <i>In thousand NTD</i> | 2000 | 1999 |
|---|------|------------|
| Mutual funds | \$ — | \$ 434,254 |
| Listed equity securities | — | 37,780 |
| Subtotal | — | 472,034 |
| Allowance for loss on decline in market value | — | (22,900) |
| Net | \$ — | \$ 449,134 |

(3) Notes Receivable

| <i>In thousand NTD</i> | 2000 | 1999 |
|---------------------------------|------------|--------------|
| Notes receivable | \$ 296,032 | \$ 1,426,677 |
| Allowance for doubtful accounts | — | — |
| Net | \$ 296,032 | \$ 1,426,677 |

(4) Accounts Receivable

| <i>In thousand NTD</i> | 2000 | 1999 |
|---|---------------|--------------|
| Accounts receivable | \$ 17,155,008 | \$ 3,273,168 |
| Allowance for sales returns and discounts | (753,286) | (27,246) |
| Allowance for doubtful accounts | (164,243) | (72,023) |
| Net | \$ 16,237,479 | \$ 3,173,899 |

(5) Inventories

| <i>In thousand NTD</i> | 2000 | 1999 |
|--|---------------|--------------|
| Raw materials | \$ 390,616 | \$ 94,136 |
| Supplies and spare parts | 1,438,100 | 636,741 |
| Work in process | 6,721,770 | 1,644,982 |
| Finished goods | 2,876,297 | 838,948 |
| Inventory in-transit | — | 46,810 |
| Subtotal | 11,426,783 | 3,261,617 |
| Allowance for loss on decline in market value and obsolescence | (636,206) | (203,038) |
| Net | \$ 10,790,577 | \$ 3,058,579 |

a. Inventories were not pledged.

b. The insurance coverage for inventories was sufficient as of December 31, 2000 and 1999, respectively.

(6) Long-term Investments

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

| <i>In thousand NTD</i> | Percentage of Ownership as of December 31, 2000 | 2000 | 1999 |
|---|---|------------|------------|
| Investments accounted for under equity method: | | | |
| United Foundry Service Inc. | 100.00% | \$ 67,432 | \$ — |
| Fortune Venture Capital Corporation | 99.99% | 3,766,868 | 3,388,305 |
| AMIC Technology Inc. | — | — | 221,494 |
| United MicroMachining Corp. | 60.91% | 26,399 | 28,165 |
| Pacific Venture Capital Co., Ltd. | 49.99% | 353,158 | 321,202 |
| DuPont Photomasks Taiwan Ltd. | 47.16% | 942,897 | 777,872 |
| UniMicron Technology Corp. | 43.93% | 1,364,153 | 1,059,610 |
| Trecenti Technologies, Inc. | 40.00% | 3,427,304 | — |
| World Wiser Electronics Incorporated | 38.97% | 2,596,312 | 1,554,585 |
| Unipac Optoelectronics Corp. | 38.71% | 7,774,055 | 8,028,695 |
| Holtek Semiconductor Inc. | 35.39% | 657,281 | — |
| Harvatek Corporation | 33.37% | 204,541 | 204,991 |
| Cheng Hsun Electronics, Inc. | 31.50% | 31,500 | — |
| Hsun Huei Technology, Inc. | 31.00% | 31,000 | — |
| Plato Electronics (Cayman) Limited | 30.00% | 424,539 | — |
| Novatek Microelectronics Corp. | 29.80% | 861,690 | 551,339 |
| Integrated Technology Express Inc. | 28.78% | 336,495 | 304,758 |
| Faraday Technology Corp. | 27.96% | 1,633,509 | 1,523,625 |
| Applied Component Technology Corporation | 27.96% | 120,328 | 126,816 |
| Integrated Telecom Express, Inc. | 21.24% | 1,039,205 | 338,802 |
| Mediatek Incorporation | 18.98% | 1,246,785 | 650,268 |
| Advance Materials Corp. | 15.78% | 207,521 | — |
| Enovation Group, Inc. | 14.34% | 73,807 | 80,000 |
| AMIC Technology (Taiwan), Inc. | 14.06% | 126,066 | — |
| Broadmedia, Inc. | 39.38% | — | 225,600 |
| United Silicon Inc. | — | — | 5,745,592 |
| United Semiconductor Corporation | — | — | 20,483,121 |
| Focused Semiconductor Corp. | — | — | 121,896 |
| UTEK Semiconductor Corp. | — | — | 3,371,443 |
| Subtotal | | 27,312,845 | 49,108,179 |

continued on next page

| Investee Company | Percentage of Ownership as of | | 1999 |
|--|----------------------------------|-----------|-----------|
| | December 31, 2000 | 2000 | |
| <i>continued from previous page</i> | | | |
| Investments accounted for under cost method or the lower of cost or market method: | | | |
| Giga Solution | 19.44% | 105,000 | — |
| Elite Flash Storage Technology Inc. | 19.50% | 19,500 | — |
| PixTech, Inc. | 18.10% | 561,080 | 137,750 |
| Patentop, Ltd. | 18.00% | 22,356 | — |
| AEM Technology, Inc. | 17.60% | 28,714 | — |
| Kits On Line Technology Corp. | 16.41% | 38,656 | — |
| Vialta.com, Inc. | 16.17% | 1,241,718 | 934,450 |
| Union Technology Corp. | 15.00% | 18,000 | — |
| Integrated Photonics, Inc. | 11.46% | 6,244 | 6,290 |
| United Industrial Gases Co., Ltd. | 11.25% | 146,250 | 146,250 |
| Linden Technologies Inc. | 11.17% | 92,385 | — |
| Sino-Aerospace Investment Corp. | 11.11% | 86,588 | 86,588 |
| National Venture Capital Corp. | 11.09% | 60,000 | 60,000 |
| Subtron Technology Co., Ltd. | 11.02% | 339,000 | 72,000 |
| Pacific Technology Partners L.P. | 11.00% | 51,353 | — |
| Golden Technology Venture Capital Investment Corp. | 10.67% | 80,000 | 80,000 |
| Cynes Com, Inc. | 9.81% | 62,640 | 62,900 |
| NetEmpower Software Technologies Inc. | 9.42% | 92,388 | — |
| TECO Information Systems Co., Ltd. | 9.26% | 607,924 | 868,462 |
| Alpha & Omega Semiconductor Inc. | 9.09% | 46,883 | — |
| Ascend Semiconductor Corp. | 9.00% | 36,000 | 36,000 |
| Industrial Bank of Taiwan | 8.81% | 1,240,000 | — |
| NCTU Spring I Technology Venture Capital Investment Corp. | 8.57% | 30,000 | 30,000 |
| PST International, Inc. | 6.70% | 18,000 | 18,000 |
| Formerica International Holding Inc. | 6.51% | 30,898 | — |
| Advanced Microelectronics Product Inc. | 6.36% | 126,000 | 126,000 |
| NCTU Spring Venture Capital Co., Ltd. | 6.28% | 20,000 | 20,000 |
| Cosmos Technology Venture Capital Investment Corp. | 5.03% | 40,000 | 40,000 |
| Chiao Tung Bank | 4.98% | 4,991,630 | 4,099,214 |
| Taiwan Asia Pacific Venture Fund | 4.17% | 29,295 | 29,295 |
| VenGlobal Capital Fund III, L.P. | 4.00% | 16,190 | — |
| TECO Electric & Machinery Co., Ltd. | 3.96% | 1,535,895 | 1,535,895 |
| Broadcom Corporation | 3.38% | 70,941 | — |
| Sampo Semiconductor Corp. | 3.38% | 84,420 | 88,700 |
| Tonbu, Inc. | 3.43% | 428,767 | — |
| Hantek Technology Co., Ltd. | 3.34% | 45,030 | — |
| Aurora Systems, Inc. | 2.99% | 72,226 | — |
| SAMPO Corporation | 2.96% | 443,598 | 494,216 |
| Sheng-Hua Venture Capital Fund Corp. | 2.50% | 50,000 | 50,000 |
| Trisected Corp. | 2.19% | 16,913 | 16,983 |
| PixArt Imaging Inc. | 2.00% | 10,000 | 10,000 |
| Dyna Image Corp. | 1.67% | 28,663 | 28,663 |
| National Securities Corporation | 1.26% | 239,316 | 239,316 |
| Primarion, Inc. | 1.26% | 31,800 | — |
| Catalyst Semiconductor, Inc. | — | — | 107,328 |

continued on next page

| Investee Company | Percentage of Ownership as of December 31, 2000 | 2000 | 1999 |
|---|---|---------------|---------------|
| Investments accounted for under cost method or the lower of cost or market method: | | | |
| <i>continued from previous page</i> | | | |
| Stark Technology Inc. | 1.16% | 10,552 | 10,552 |
| King-Yuan Electronics Co., Ltd | 0.38% | 70,000 | — |
| Premier Camera Taiwan Ltd. | 0.27% | 27,964 | 27,964 |
| Lite Lineonit Corp. | 0.33% | 58,400 | — |
| Netlogic Microsystems Inc. | 0.34% | 3,195 | — |
| Lexar Media, Inc. | 0.17% | 2,488 | — |
| World Wiser Electronics Incorporated (convertible bonds) | — | 635,572 | — |
| Ingenus Corp. | — | 29,813 | — |
| Aspec Technology Inc. | — | — | 29,812 |
| IC Ensemble, Inc. | — | — | 23,588 |
| Comtrend Corp. | — | — | 42,000 |
| Advance Materials Corp. | — | — | 44,212 |
| Subtotal | | 14,180,245 | 9,602,428 |
| Prepaid long-term investments | | 256,960 | 1,073,620 |
| Golf Club Membership Card | | 60,000 | — |
| | | 41,810,050 | 59,784,227 |
| Cumulative translation adjustment | | (26,324) | 120,957 |
| Allowance for loss on decline in market value of long-term investments | | (13,807,915) | (339,965) |
| Total | | \$ 27,975,811 | \$ 59,565,219 |

b. The total long-term investment income under equity method recognized by the Company for the year 2000 based on the audited financial statements of the investee companies was NT\$2,077 million. Investment income amounting to NT\$320 million for the year ended December 31, 2000, and the related long-term investment balance of NT\$9,376 million as of December 31, 2000, were determined based on the investee companies' financial statements, which were audited by other auditors.

c. As of December 31, 2000, the long-term equity investments were not pledged. Please refer to Note 6 for long-term equity investments pledged as collateral as of December 31, 1999.

(7) Property, Plant and Equipment

- Total capitalized interest amounted to NT\$813 million and NT\$221 million for the years ended December 31, 2000 and 1999, respectively.
- The insurance coverage for property, plant and equipment amounted to NT\$204,631 million as of December 31, 2000.
- Please refer to Note 6 for property, plant and equipment pledged as collateral.

(8) Short-Term Loans

| <i>In thousand NTD</i> | 2000 | 1999 |
|------------------------|--------------|--------------|
| Unsecured loans | \$ 3,933,865 | \$ 6,843,725 |
| Secured loans | 34,685 | 626,000 |
| | \$ 3,968,550 | \$ 7,469,725 |
| Interest rates | 0.68%-9.50% | 0.75%-8.50% |

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

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

(9) Bonds Payable

In thousand NTD

| | 2000 | 1999 |
|------------------------------------|---------------------|---------------------|
| Secured bonds payable | \$ 3,990,000 | \$ — |
| Unsecured bonds payable | — | 4,476,507 |
| Add: Compensation interest payable | — | 514,269 |
| | <u>\$ 3,990,000</u> | <u>\$ 4,990,776</u> |

a. On May 16, 1997, the Company issued the second Euro convertible bonds amounting to US\$300 million. These convertible bonds were redeemed and/or converted into the Company's common stocks before May 30, 2000.

b. On January 20, 1998, the Company issued the third unsecured convertible bond amounting to NT\$15,000 million. These convertible bonds were redeemed and/or converted into the Company's common stocks before June 1, 2000.

c. On August 19, 1999, Nippon Foundry Inc. issued the first unsecured convertible bond amounting to JPY5,000 million. These convertible bonds were redeemed and/or converted into Nippon Foundry's common stocks before August 29, 2000.

d. Nippon Foundry Inc. issued the second unsecured convertible bond amounting to JPY10,000 million during 2000. These convertible bonds were redeemed and/or converted into Nippon Foundry's common stocks before June 14, 2000.

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

(10) Long-term Loans

In thousand NTD

| | 2000 | 1999 |
|---------------------------|----------------------|---------------------|
| Unsecured long-term loans | \$ 290,600 | \$ — |
| Secured long-term loans | 40,465,462 | 8,059,464 |
| Less: Current portion | (9,212,111) | (2,355,555) |
| | <u>\$ 31,543,951</u> | <u>\$ 5,703,909</u> |
| Interest rates | 1.60%-8.03% | 6.35%-8.08% |

a. The Company will repay its long-term debts in installments. The last payment is scheduled at September 25, 2009.

b. The Company's long-term debts denominated in foreign currencies amounted to US\$390 million, JPY5,500 million and US\$105 million as of December 31, 2000 and 1999, respectively.

c. Please refer to Note 6 for assets pledged for long-term loans.

(11) Pension Fund

a. All of the regular employees of the Company are covered by the pension plan. Under the plan, the Company contributes an amount equal to 2% of the employees' total salaries on a monthly basis to the pension fund, deposited at the Central Trust of China. Pension benefits are generally based on service years. Each employee is limited up to 45 points. Retirement benefits are paid from fund previously provided.

b. Based on actuarial assumptions for the year 2000, the discount rate, expected rate of return on plan asset, and the rate of compensation increase are 3.00% – 6.00%, 4.62% – 6.00%, and 3.71% – 6.00%, respectively. The transition obligation is amortized equally over 15 years. The funding status of pension plan is listed as follows:

In thousand NTD

| | 2000 | 1999 |
|-------------------------------------|--------------------|------------------|
| Vested benefit obligation | \$ (232,773) | \$ (3,241) |
| Non-vested benefit obligation | (583,038) | (431,417) |
| Accumulated benefit obligation | (815,811) | (434,658) |
| Effect on projected salary increase | (1,733,296) | (1,005,701) |
| Projected benefit obligation | (2,549,107) | (1,440,359) |
| Market-related value of plan assets | 693,559 | 449,863 |
| Funded status | <u>(1,855,548)</u> | <u>(990,496)</u> |

continued on next page

In thousand NTD

| | 2000 | 1999 |
|---|----------------|--------------|
| <i>continued from previous page</i> | | |
| Unrecognized transition obligation | 322,759 | 396,228 |
| Unrecognized gain or loss | 460,289 | 102,213 |
| Accrued pension cost per actuarial report | (1,072,500) | (492,055) |
| Over accrual | (11,395) | — |
| Accrued pension liabilities | \$ (1,083,895) | \$ (492,055) |
| Vested benefit | \$ 232,773 | \$ 3,751 |

c. The components of net periodic pension cost for 2000 and 1999 are as follows:

| | 2000 | 1999 |
|---|------------|------------|
| <i>In thousand NTD</i> | | |
| Service cost | \$ 413,264 | \$ 118,738 |
| Interest cost | 115,600 | 46,497 |
| Expected return on plan assets | (34,870) | (15,560) |
| Amortization of transition obligation | 39,367 | 28,335 |
| Amortization of unrecognized gain or loss | 13,636 | (10,766) |
| Net periodic pension cost | \$ 546,997 | \$ 167,244 |

(12) Capital Stock

a. Based on the resolution of the shareholders' annual general meeting on May 13, 1999, the Company issued 858,318,783 new shares from the capitalization of retained earnings of NT\$2,780 million, employees' bonus of NT\$242 million and capital reserve of NT\$5,561 million.

b. On June 14, 1999, the Company's Board of Directors passed a resolution for the Company's merger with United Semiconductor, United Integrated Circuits, United Silicon, and UTEK Semiconductor. According to the merger agreement, the Company is the surviving company and would later issue new shares in exchange of the shares of USC, UICC, USI and UTEK at the swap ratio of 1:1, 1:3, 1:1.35 and 1:2, respectively. As of January 3, 2000, the officially merged date, the Company issued 2,383,650,273 shares for the merger.

c. Based on the resolution of the shareholders' meeting on April 7, 2000, the Company issued new shares of 1,888,543,007 shares from the capitalization of retained earnings of NT\$9,049 million, employees' bonus of NT\$787 million and capital reserve of NT\$9,049 million. The Company's authorized capital was also increased to 15,000,000,000 shares.

d. Based on the resolution of the shareholders' meeting on April 28, 2000, the Company issued 90,000,000 units of American Depositary Receipts (ADR), representing 450,000,000 common shares, on the New York Stock Exchange, on September 19, 2000. Owners of ADR are able to withdraw the underlying shares from the Company's ADR facility after three months of the issuing date. As of December 31, 2000, the outstanding ADR was 90,000,000 units.

e. As of December 31, 2000, the authorized capital was 15,000,000,000 shares at par of NT\$10, and 11,471,451,900 common shares were issued and outstanding.

f. Capital information of Nippon Foundry for 2000 and 1999 were as follows:

(a) On March 27, 1999, Nippon Foundry issued 58,600 shares at premium of JPY256,000 per share, which resulted in the increase of JPY7,501 million on both capital and capital reserve. On December 27, 1999, Nippon Foundry had a two-for-one stock split.

(b) Nippon Foundry had issued consecutive convertible bonds, which were fully converted into common stocks during year 2000. Total common shares converted amounted to 17,303 shares, and capital was increased by JPY6,499 million.

(c) On February 18, 2000, Nippon Foundry had a two-for-one stock split, which increased common shares by 113,171 shares. On November 22, 2000, Nippon Foundry issued 10,627 shares at premium of JPY470,500 per share, which resulted in the increase of JPY5,000 million on both capital and capital reserve.

(d) As of December 31, 2000, Nippon Foundry had paid-in capital amounted to JPY26,921 million, divided into 254,272 shares.

(13) Treasury Stock

a. Following the resolution of the Board of Directors' meeting on December 22, 2000, the Company entered into open market for treasury stocks. The purpose and ending balance of treasury stocks were as follows:

| Purpose | Beginning(shares) | Addition(shares) | Disposal(shares) | Ending(shares) |
|----------------------|-------------------|------------------|------------------|----------------|
| Transfer to Employee | — | 32,435,000 | — | 32,435,000 |

b. According to Stock Exchange Regulations of Taiwan, total shares of treasury stocks shall not exceed 10% of the Company's stocks issued and outstanding. Total purchase amount shall not exceed sum of retained earnings and additional paid-in capital and realized capital reserves. The Company's treasury stock possession did not, at any time during year 2000, violate the regulation stated above. As of December 31, 2000, the Company holds 32,435,000 shares of treasury stock which amounted to NT\$1,479 million.

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

d. The Company and subsidiary (Hsun Chieh) owned treasury stocks of 398,442,905 shares in total cost of NT\$31,072 million as of December 31, 2000.

(14) Retained Earnings

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

(a) paying all taxes and dues;

(b) covering prior years' operating losses, if any;

(c) setting aside 10% of the remaining amount, after deducting (a) and (b), as legal reserve;

(d) allocating 1% of the remaining amount, after deducting (a), (b), and (c) above from the current year's earnings, as directors' and supervisors' remuneration; and

(e) retaining or distributing the remaining amount as follows: 92% as common shareholders' bonus and 8% to employees as employees' bonus.

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

c. As of December 31, 2000, the ending balance of unappropriated earnings amounted to NT\$50,760 million, of which NT\$64 million was earned prior to January 1, 1998.

d. As of December 31, 2000, the balance of shareholders tax credit was NT\$135 million. The estimated rate of deductible tax credit for the appropriation of 2000 earnings will be 0.26%. The rate of deductible tax credit for the appropriation of 1999 earnings was 1.03%.

(15) Simple Earnings Per Share

| In thousand NTD | 2000 | 1999 |
|--|-------------------|-------------------|
| | (thousand shares) | (thousand shares) |
| Weighted average outstanding common shares | 10,754,127 | 7,646,114 |
| Net income | \$ 50,780,378 | \$ 10,497,892 |
| Earnings per share (in NTD) | \$ 4.72 | \$ 1.37 |

(16) Income Tax

| <i>In thousand NTD</i> | 2000 | 1999 |
|--|---------------|--------------|
| Expected tax on income before income tax | \$ 11,750,697 | \$ 5,345,589 |
| Tax adjustment of permanent differences | (5,037,098) | (154,452) |
| Income tax credit | (5,288,099) | (141,676) |
| Estimated 10% corporate income tax on un-appropriated earnings | — | 436,003 |
| Adjustment of prior year's tax expense | (136,744) | 276 |
| Loss carryforward | (1,410,160) | (4,727,481) |
| Tax on interest income subjected to separate withholding income tax | 30,342 | 70,705 |
| Income tax (benefit) expense | (91,062) | 828,964 |
| Net effect of deferred tax assets | 578,235 | (250,885) |
| Adjustment of prior year's tax expense | 136,744 | (276) |
| Tax on interest income subjected to separate withholding income tax | (30,342) | (70,705) |
| Prepaid income tax | (186,361) | (187,285) |
| Income tax payable – current | 407,214 | 319,813 |
| Income tax payable picked up from merger | 248,485 | — |
| Included in other current assets | 148,234 | 207,069 |
| Income tax payable at the end of year | \$ 803,933 | \$ 526,882 |

Deferred income tax assets and liabilities were as follows:

| <i>In thousand NTD</i> | 2000 | 1999 |
|--|--------------|--------------|
| Deferred income tax assets – current | \$ 3,546,454 | \$ 939,883 |
| Deferred income tax liabilities – current | (23,211) | (12,632) |
| Valuation allowance for deferred tax assets-current | (2,368,442) | (420,000) |
| Net | \$ 1,154,801 | \$ 507,251 |
| Deferred income tax assets – noncurrent | \$ 9,272,426 | \$ 8,402,680 |
| Deferred income tax liabilities-noncurrent | (2,238,379) | (597,550) |
| Valuation allowance for deferred tax assets-noncurrent | (3,217,677) | (6,059,044) |
| Net | \$ 3,816,370 | \$ 1,746,086 |

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

| <i>In thousand NTD</i> | Amount | 2000 Tax effect | Amount | 1999 Tax effect |
|---|--------------|--------------------|------------|--------------------|
| Current items: | | | | |
| Temporary difference | | | | |
| Allowance on sales return and discount | \$ 1,063,161 | \$ 212,632 | \$ 536,679 | \$ 107,336 |
| Organization Cost | — | — | 120,668 | 24,134 |
| Others | 1,288,802 | 401,001 | (235,994) | (37,816) |
| Investment tax credits | — | 2,909,610 | — | 833,597 |
| Valuation allowance for deferred tax assets | — | (2,368,442) | — | (420,000) |
| Net | \$ 2,351,963 | \$ 1,154,801 | \$ 421,353 | \$ 507,251 |

| In thousand NTD | Amount | 2000 Tax effect | Amount | 1999 Tax effect |
|---|-----------------|--------------------|----------------|--------------------|
| Non-current items: | | | | |
| Temporary difference | | | | |
| Depreciation | \$ (11,184,189) | \$ (2,235,162) | \$ (2,809,638) | \$ (563,800) |
| Pension | 932,463 | 187,805 | 471,728 | 94,346 |
| Amortization of technical shares | 787,500 | 157,500 | (562,500) | (33,750) |
| Organization Cost | 617,589 | 168,891 | 103,176 | 6,191 |
| Others | 235,128 | 47,025 | 769,144 | 163,457 |
| Loss carryforward | — | — | 14,072,004 | 5,347,362 |
| Investment tax credits | — | 8,707,988 | — | 2,791,324 |
| Valuation allowance for deferred tax assets | — | (3,217,677) | — | (6,059,044) |
| Net | \$ (8,611,509) | \$ 3,816,370 | \$ 12,043,914 | \$ 1,746,086 |

The Company's income tax returns through the year 1997, except for 1995, were assessed and approved by the Tax Authority.

Pursuant to the "Statute for the Establishment and Administration of Science-Based Industrial Park", the Company was granted several periods of tax holidays with respect to income derived from approved investments. The tax holidays will expire on December 2003. As of December 31, 2000, the Company's unused investment tax credits amounted to \$11,618 million.

5. RELATED PARTY TRANSACTION

(1) Name and Relationship of Related Parties

| Name of related parties | Relationship with the Company |
|--|--|
| United Semiconductor Corporation (USC) | Investee company |
| United Silicon Inc. (USI) | Investee company |
| United Integrated Circuits Corp. (UICC) | Investee company |
| UTEK Semiconductor Corp. (UTEK) | Investee company |
| United Foundry Service, Inc. (UFS) | Investee company |
| Integrated Technology Express Inc. (ITE) | Investee company |
| Novatek Microelectronics Corp. (Novatek) | Investee company |
| Mediatek Incorporation (Mediatek) | Investee company |
| Unipac Optoelectronics Corp. (Unipac) | Investee company |
| Applied Component Technology Corp. (ACT) | Investee company |
| AMIC Technology (Taiwan), Inc. (AMIC-Taiwan) | Investee company |
| World Wiser Electronics Incorporated (WWEI) | Investee company |
| Fortune Venture Capital Corp. (FVC) | Investee company |
| DuPont Photomasks Taiwan Ltd. (DPT) | Investee company |
| Holtek Semiconductor Inc. (Holtek) | Investee company |
| Faraday Technology Corporation (Faraday) | Investee company |
| Hung Lien Investment Corp. (Hung Lien) | Investees' reinvestee |
| Davicom International Corp. (Davicom) | Investees' reinvestee |
| Chiao Tung Bank (Chiao Tung) | A Director of the Company |
| Industrial Bank of Taiwan (IBT) | The Company is its major shareholder. |
| Aptos (Taiwan) Corp. (Aptos) | The Board chairman is the CEO of the Company. |
| TECO Electric & Machinery Co., Ltd. (TECO) | Director and supervisor of the Company |
| United Microelectronics (Europe) B.V. (UMC BV) | A Director is the Board chairman of the Company. |
| United Microelectronics Co., Ltd. Hong Kong (UMCL) | A Director is the Board chairman of the Company. |
| Formosa Link Pte Ltd. (Formosa) | A Director is the Board chairman of the Company. |

(2) Significant Related Party Transactions

a. Operating revenues

| <i>In thousand NTD</i> | 2000 | | 1999 | |
|------------------------|---------------|------------|---------------|------------|
| | Amount | Percentage | Amount | Percentage |
| UMC BV | \$ 11,922,113 | 10% | \$ 2,819,624 | 8% |
| Mediatek | 4,938,704 | 4% | 1,045,700 | 3% |
| AMIC-Taiwan | 2,286,648 | 2% | — | — |
| Novatek | 1,752,171 | 2% | 959,424 | 3% |
| Formosa | 1,370,859 | 1% | 895,755 | 3% |
| Holtek | 1,007,099 | 1% | — | — |
| Faraday | 1,001,979 | 1% | 356,432 | 1% |
| ACT | 887,125 | 1% | 851,877 | 3% |
| UMCL | 697,223 | 1% | 1,719,576 | 5% |
| ITE | 610,022 | 1% | 839,692 | 2% |
| Others | 2,243,055 | 2% | 2,587,865 | 8% |
| Total | \$ 28,716,998 | 26% | \$ 12,075,945 | 36% |

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

b. Purchases

| <i>In thousand NTD</i> | 2000 | | 1999 | |
|------------------------|--------------|------------|--------------|------------|
| | Amount | Percentage | Amount | Percentage |
| DPT | \$ 961,567 | 2% | \$ 69,875 | 1% |
| ACT | 490,142 | 1% | — | — |
| UTEK | — | — | 1,509,618 | 11% |
| USC | — | — | 2,156,916 | 16% |
| USI | — | — | 756,605 | 5% |
| Others | 3,504 | — | 319,409 | 2% |
| Total | \$ 1,455,213 | 3% | \$ 4,812,423 | 35% |

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

c. Notes receivable

| <i>In thousand NTD</i> | 2000 | | 1999 | |
|------------------------|------------|------------|------------|------------|
| | Amount | Percentage | Amount | Percentage |
| Holtek | \$ 161,785 | | \$ — | |
| Others | 27,760 | | 156,984 | |
| Net | \$ 189,545 | | \$ 156,984 | |

d. Accounts receivable

In thousand NTD

| | 2000 | 1999 |
|---|--------------|--------------|
| UMC BV | \$ 2,119,103 | \$ 888,779 |
| AMIC-Taiwan | 551,392 | — |
| Formosa | 404,382 | 120,011 |
| Mediatek | 189,338 | 224,043 |
| UMCL | 182,677 | 337,291 |
| Novatek | 172,035 | 168,356 |
| Holtek | 151,285 | — |
| Faraday | 144,500 | — |
| ACT | 65,547 | 152,906 |
| ITE | 52,470 | 155,519 |
| Others | 163,070 | 256,714 |
| Subtotal | 4,195,799 | 2,303,619 |
| Allowance for sales returns and discounts | (454,747) | (11,270) |
| Allowance for doubtful accounts | (117,265) | (50,566) |
| Net | \$ 3,623,787 | \$ 2,241,783 |

e. Other receivables

In thousand NTD

| | 2000 | 1999 |
|---------------------------------|------------|------------|
| Unipac | \$ 24,633 | \$ 844 |
| USC | — | 268,590 |
| USI | — | 144,087 |
| Others | 86,876 | 78,310 |
| Subtotal | 111,509 | 491,831 |
| Allowance for doubtful accounts | (503) | — |
| Net | \$ 111,006 | \$ 491,831 |

f. Accounts payable

In thousand NTD

| | 2000 | 1999 |
|--------|------------|------------|
| DPT | \$ 181,075 | \$ 20,763 |
| ACT | 85,444 | — |
| WWEI | 34,513 | — |
| UTEK | — | 132,787 |
| USI | — | 46,367 |
| USC | — | 282,232 |
| Others | 22,663 | 1,922 |
| Total | \$ 323,695 | \$ 484,071 |

g. Loans

| | Amount | Maximum balance Month | Ending balance | Interest rate | 2000 Interest expense |
|------------|--------------|--------------------------|-------------------|------------------|-----------------------------|
| Chiao Tung | \$ 5,543,077 | March | \$ 4,014,861 | 0.87-8.39% | \$ 285,863 |
| IBT | 998,750 | June | 998,750 | 6.1-6.43% | 64,137 |
| Total | \$ 6,541,827 | | \$ 5,013,611 | | \$ 350,000 |

| In thousand NTD | Maximum balance | | Ending balance | Interest rate | 1999 Interest expense |
|-----------------|-----------------|-------|----------------|---------------|-----------------------|
| | Amount | Month | | | |
| Chiao Tung | \$ 1,146,530 | May | \$ 923,910 | 6.64% | \$ 64,285 |

h. Disposal of Long-term Investments

| In thousand NTD | Item | Amount | 2000 Gain (Loss) |
|-----------------|--------------------------------------|------------|------------------|
| AMIC-Taiwan | Common stock of AMIC Technology Inc. | \$ 135,000 | \$ (80,517) |

| In thousand NTD | Item | Amount | 1999 Gain (Loss) |
|-----------------|--|------------|------------------|
| FVC | Common stocks of Tripath Technology Inc. and Silicon Perspective Corp., etc. | \$ 334,984 | \$ 15,710 |
| Aptos | Common stocks of APTOS Corp. | 79,241 | (79,488) |
| Mediatek | Common stocks of Legend Venture Capital Investment Corp. | 57,500 | 7,500 |
| Total | | \$ 471,725 | \$ (56,278) |

i. Disposal of property, plant and equipment

The company had no significant property transactions with related parties in 2000.

| In thousand NTD | Item | Amount | 1999 Gain (Loss) |
|-----------------|------------------------|------------|------------------|
| DPT | Machinery and software | \$ 477,246 | \$ 7,842 |
| Unipac | Plant facility | 242,224 | 9,983 |
| Others | Machinery, etc. | 69,238 | 5,071 |
| Total | | \$ 788,708 | \$ 22,896 |

j. Other transactions

| In thousand NTD | Item | 2000 | 1999 |
|-----------------|-------------------------|------------|------------|
| Unipac | Facility revenues, etc | \$ 68,552 | \$ 9,881 |
| USC | Facility revenues, etc. | — | 428,018 |
| USI | Facility revenues, etc. | — | 309,338 |
| Others | Facility revenues, etc. | 41,144 | 115,692 |
| Total | | \$ 109,696 | \$ 862,929 |

| In thousand NTD | Item | 2000 | 1999 |
|-----------------|---|------------|--------------|
| WWEI | Processing expenditures | \$ 299,239 | \$ 192,943 |
| USI | Research fee and mask charges | — | 978,040 |
| Others | Service charges and processing expenditures, etc. | 174,611 | 125,225 |
| Total | | \$ 473,850 | \$ 1,296,208 |

6. ASSETS PLEDGED AS COLLATERAL

| <i>In thousand NTD</i> | 2000 | 1999 | Subject of collateral |
|------------------------|---------------|---------------|-----------------------------------|
| Time Deposits | \$ 2,947,400 | \$ 366,676 | Long-term loans and employee loan |
| Land | 627,917 | 452,915 | Long-term loans |
| Building | 5,442,085 | 4,048,416 | Short-term and long-term loans |
| Machinery | 53,433,054 | 13,712,787 | Short-term and long-term loans |
| Stocks | — | 1,412,123 | Short-term loans |
| Total | \$ 62,450,456 | \$ 19,992,917 | |

7. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) The Company's unused letters of credit for import materials and machinery were NT\$3,738 million as of December 31, 2000.
- (2) The Company entered into contracts, amounted to US\$617 million, with third parties for rights to use patents registered by the third parties. Royalty payable for the consecutive 5 years starting 2001 through 2005 are US\$97 million, US\$79 million, US\$97 million, US\$31 million, and US\$34 million, respectively.
- (3) The Company has signed several construction contracts for the expansion of its factory space. As of December 31, 2000, these construction contracts amounted to NT\$5,065 million with the un-accrued portion of the contracts in NT\$2,182 million.
- (4) A number of third parties have notified the Company of its alleged infringement on the patents held by those third parties (including EMI, Intel, NEC, etc.), and have demanded that the Company obtain a license for various semiconductor fabrication techniques and circuit designs. The Company commenced evaluation of the specific patents involved, and the preliminary discussions with the third parties regarding licensing terms. Company management indicated a willingness to obtain licenses, wherever required and necessary, to continue the Company's business.
- (5) In April 1998, Oak Technology Inc. filed a lawsuit with International Trade Commission (ITC) of USA against the Company for alleged violation of the settlement agreement for patents held in relation to its CD ROM controller chip. On September 27, 1999, the ITC issued a ruling affirming that there was no infringement. Oak has appealed the finding of non-infringement to the Federal Circuit Court of Appeals. Company management believes that this complaint will not have a material adverse effect on the Company's operations and financial performances, since the Company no longer includes any sales of UMC CD ROM controllers in its financial plans.
- (6) The Company entered into several operating lease contracts for land. Future minimum lease payments under those leases are:

| <i>In thousand NTD</i> | Amount |
|------------------------|--------------|
| Year | |
| 2001 | \$ 308,386 |
| 2002 | 364,633 |
| 2003 | 397,019 |
| 2004 | 384,122 |
| 2005 | 320,784 |
| 2006-2010 | 516,990 |
| 2011-2015 | 382,617 |
| 2016-2018 | 62,110 |
| Total | \$ 2,736,661 |

- (7) The Company entered into several wafer-processing contracts with its main clients. According to the contracts, the Company shall guarantee processing capacity, while the clients make deposits to the Company or pay penalties in case the clients' orders do not meet the capacity guaranteed.

(8) The Company entered into two three-year purchase agreements that committed the Company to purchase at least 75% of its 8-inch wafer consumption from two of its suppliers for a period of three years.

(9) The Company has signed a Memorandum with Infineon Technologies AG and Singapore's Economic Development Board Investments Pte Ltd to form a joint venture in Singapore. The venture plans to manufacture 300 mm wafers and to provide related foundry services using 0.18-micron and more advanced technologies. The expected capital expenditure is about US\$3,600 million for a planned production output of 40,000 pcs 12-inch wafers per month. According to the agreed-upon Memorandum, the Company is entitled to acquire and represent the controlling ownership of the venture.

(10) The Company and Hitachi, Ltd. have established a joint wafer fabrication company in Japan for the purpose of manufacturing 12-inch wafers, named Trecenti Technologies, Inc. ("Trecenti") on March 15, 2000. The Company has invested JPY12,000 million for 40% equity interest as of December 31, 2000.

(11) As of December 31, 2000, Hsun Chieh Investment has committed to repurchase marketable securities at the amount of NT\$290 million.

(12) As of December 31, 2000, Nippon Foundry has guaranteed debts for its employees amounted to JPY1,125 million.

8. SIGNIFICANT DISASTER LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENT

None.

10. BUSINESS ACQUISITION

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

The following unaudited pro forma data summarizes the results of operations for the years ended December 31, 2000 and 1999, respectively, as if the acquisitions had been completed on January 1, 2000 and 1999, respectively. The pro forma data show the effect on actual operating results prior to the acquisition and the increase in the depreciation expense as a result of a step up in the fair value of fixed assets acquired.

These pro forma amounts do not propose to be indicative of the results that would have actually been obtained if the acquisition had occurred on January 1, 2000 and 1999 or that may be obtained in the future.

PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2000 and 1999 (Unaudited)

In thousand NTD

| | 2000 | 1999 |
|--|----------------|---------------|
| Sales | \$ 115,609,339 | \$ 57,857,912 |
| Cost of sales | (57,062,195) | (41,383,096) |
| Gross Profit | 58,547,144 | 16,474,816 |
| Unrealized inter-company profit-net | (348,850) | (83,037) |
| Realized gross profit | 58,198,294 | 16,391,779 |
| Operating expenses | | |
| Selling expense | (1,153,356) | (900,151) |
| Administrative expense | (3,196,689) | (3,212,817) |
| Research and development expense | (6,307,007) | (2,985,580) |
| Subtotal | (10,657,052) | (7,098,548) |
| Operating income | 47,541,242 | 9,293,231 |
| Non-operating income | | |
| Interest income | 2,025,646 | 2,043,595 |
| Investment income | 1,726,345 | 441,060 |
| Miscellaneous income | 4,473,169 | 19,976,795 |
| Subtotal | 8,225,160 | 22,461,450 |
| Non-operating expense | | |
| Interest expense | (2,378,561) | (2,589,771) |
| Miscellaneous loss | (1,065,307) | (4,470,856) |
| Subtotal | (3,443,868) | (7,060,627) |
| Income before income tax and minority interest | 52,322,534 | 24,694,054 |
| Income tax benefit (expense) | 91,062 | (908,060) |
| Net income before minority interest | 52,413,596 | 23,785,994 |
| Minority interest income | (1,639,842) | (11,092,836) |
| Net income | \$ 50,773,754 | \$ 12,693,158 |

The elimination entries between the controlling company and subsidiaries.

1. Elimination of reciprocal investment in subordinate company and subordinate company equity balances

In thousand NTD

| Entries | 2000 | 1999 |
|-----------------------------------|------------|------------|
| | Debit | Credit |
| Accumulated depreciation | 1,057,094 | 557,996 |
| Goodwill due to consolidation | 1,713 | |
| Minority interest in income | 1,698,835 | |
| Pre-acquisition income | 19,062 | 12,754,634 |
| Investment income | 3,791,944 | 1,919,171 |
| Common Stock | 17,109,886 | 33,251,047 |
| Capital reserve | 28,426,769 | 25,452,633 |
| Cumulative translation adjustment | 134,675 | 713,481 |
| Retained earnings | 9,757,395 | |

continued on next page

In thousand NTD

| Entries | Debit | 2000 Credit | Debit | 1999 Credit |
|--|-------|----------------|-----------|----------------|
| <i>continued from previous page</i> | | | | |
| Other assets-others | | | 2,231,984 | |
| Long-term investments | | 37,164,445 | | 49,956,044 |
| Minority interests | | 9,197,355 | | 9,897,636 |
| Amortization expenses | | 551,976 | | 875,069 |
| Unrealized loss on long-term investments | | 12,293,617 | | |
| Buildings | | 1,729,788 | | 1,729,788 |
| Machinery and equipment | | 864,894 | | 864,894 |
| Intangible Assets | | 195,298 | | 195,298 |
| Retained earnings | | | | 9,134,190 |
| Negative Goodwill | | | | 2,405,277 |
| Minority interest in income | | | | 1,822,750 |

2. Elimination of mutual holdings

In thousand NTD

| Entries | Debit | 2000 Credit | Debit | 1999 Credit |
|-----------------------|------------|----------------|------------|----------------|
| Treasury stock | 29,592,654 | | 16,691,822 | |
| Long-term investment | | 29,592,654 | | 16,219,605 |
| Short-term investment | | | | 472,217 |

3. Elimination of inter-company profits and losses

In thousand NTD

| Entries | Debit | 2000 Credit | Debit | 1999 Credit |
|---------------------------------|------------|----------------|-----------|----------------|
| Minority interests | 43,764 | | | |
| Sales | 42,191,764 | | 5,915,701 | |
| Other operating revenues | 1,623,192 | | 1,311,811 | |
| Inventories | | | 65,118 | |
| Realized inter-company profit | 202,790 | | | |
| Deferred assets | 89,625 | | 282,744 | |
| Other income | 3,171 | | 5,050 | |
| Rental revenue | 60 | | | |
| Long-term investment | 46,920 | | | |
| Cost of goods sold | | 43,427,238 | | 6,861,365 |
| Unrealized inter-company profit | | | | 282,744 |
| Selling expenses | | 127,961 | | 6,694 |
| Administrative expenses | | 60 | | |
| Other operating costs | | | | 5,050 |
| Other losses | | 3,171 | | 115,353 |
| Deferred charges | | 89,625 | | 309,218 |
| Inventories | | 90,684 | | |
| Investment income | | 77,747 | | |
| Minority interest in income | | 78,055 | | |
| Sales returns and allowances | | 306,745 | | |

4. Elimination of other reciprocal balance

In thousand NTD

| Entries | 2000 | | 1999 | |
|-------------------------|-----------|-----------|-----------|-----------|
| | Debit | Credit | Debit | Credit |
| Deposits in | 2,010,494 | | | |
| Other liabilities-other | | | 2,250,000 | |
| Accounts payable | 6,918,723 | | 1,166,256 | |
| Accrued expenses | | | 330 | |
| Accounts receivable | | 6,918,245 | | 1,102,260 |
| Other receivables | | 478 | | 64,326 |
| Intangible assets | | | | 2,250,000 |
| Deposits out | | 2,010,494 | | |

11. INVESTMENT IN MAINLAND CHINA

None.

12. SPECIAL DISCLOSURE ITEMS

The following related information on significant transactions and investee of the year 2000 was prepared based on the audited financial statements.

- (1) Loans to others attributed to financial activities as of December 31, 2000: Please see Attachment-1.
- (2) The endorsements and guarantees provided by the Company to others as of December 31, 2000: Please see Attachment-2.
- (3) The securities held by the Company as of December 31, 2000: Please see Attachment-3.
- (4) The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year ended December 31, 2000: Please see Attachment-4.
- (5) Acquisition of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock for the year ended December 31, 2000: Please see Attachment-5.
- (6) Disposal of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock for the year ended December 31, 2000: Please see Attachment-6.
- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock for the year ended December 31, 2000: Please see Attachment-7.
- (8) Receivables from related parties exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock as of December 31, 2000: Please see Attachment-8.
- (9) Related information on investee companies as of December 31, 2000: Please see Attachment-9.

13. SEGMENT INFORMATION

(1) Operations in different industries

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

(2) Operations in different geographic areas

| <i>In thousand NTD</i> | 2000 | | 1999 | |
|------------------------|-----------------------|-----------------------|----------------------|----------------------|
| | Sales Revenue | Long-lived Assets | Sales Revenue | Long-lived Assets |
| Taiwan | \$ 29,454,412 | \$ 154,190,745 | \$ 17,074,544 | \$ 38,102,529 |
| Asia | 14,747,805 | 11,585,225 | 6,841,990 | 6,553,524 |
| North America | 50,948,264 | 123,529 | 6,992,267 | 115,965 |
| Europe and others | 20,458,858 | — | 2,826,050 | — |
| | <u>\$ 115,609,339</u> | <u>\$ 165,899,499</u> | <u>\$ 33,734,851</u> | <u>\$ 44,772,018</u> |

(3) Major customers

There is no customer with which revenue represents over 10% of net sales for the years ended December 31, 2000 and 1999, respectively.

14. FINANCIAL INSTRUMENTS

Derivative Financial Instruments

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

(1) Purposes: The IRS contracts were entered into for the purpose of hedging interest rate risk, primarily of long-term loan. The interest income resulted from the IRS contracts for the year 2000 totaled to NT\$8 million.

(2) Notional amount and contract period:

As of December 31, 2000:

| Notional amount | Contract period |
|-----------------|---|
| US\$10 million | November 28, 1996 – May 28, 2001 (As the result of last closing for the contract, there would be no more mutual interest obligation for the period from November 28, 2000 through May 28, 2001.) |

As of December 31, 1999:

| Notional amount | Contract period |
|-----------------|---------------------------------------|
| US\$10 million | November 28, 1996 – May 28, 2001 |
| US\$40 million | December 19, 1997 – December 19, 2000 |
| US\$20 million | December 23, 1997 – December 27, 2000 |

(3) Term and characteristics of the swaps:

- Term: These transactions are settled on a semi-annual basis. The Company agrees to pay to the banks on each payment date, an amount equal to the notional amount multiplied by a fixed rate. The Company receives the floating rate interest, which is based on the 6 months USD-LIBOR-BBA rate on the day that is two London Banking Days preceding any reset date, from the bank.
- Credit risk: There is no significant credit risk with respect to the above three transactions because the banks have good global standing.
- Market risk: The market risk is low due to the nature of the swaps.
- The gains (or losses) resulted from the IRS contracts that were outstanding as of December 31, 2000 were NT\$0.4 million and (NT\$20 million) for the years 2000 and 1999, respectively.

Non-derivative Instruments

In thousand NTD

| Financial Assets | 2000 | | 1999 | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| Cash and cash equivalents | \$ 62,756,673 | \$ 62,756,673 | \$ 26,802,435 | \$ 26,802,435 |
| Notes and accounts receivable | 20,346,843 | 20,346,843 | 6,999,343 | 6,999,343 |
| Marketable securities | — | — | 449,134 | 464,650 |
| Long-term investments | 27,975,811 | 32,675,746 | 59,565,219 | 70,446,173 |

In thousand NTD

| Financial Liabilities | 2000 | | 1999 | |
|---|--------------|--------------|--------------|--------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| Short-term loans | \$ 3,968,550 | \$ 3,968,550 | \$ 7,469,725 | \$ 7,469,725 |
| Payables | 27,152,543 | 27,152,543 | 14,667,850 | 14,667,850 |
| Long-term loans (including current portion) | 40,756,062 | 40,756,062 | 8,059,464 | 8,059,464 |
| Bonds payable | 3,990,000 | 4,024,031 | 4,990,766 | 9,933,642 |

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

- The carrying amounts of short-term financial assets and liabilities approximate fair values due to their short maturities.
- The fair values of marketable securities and long-term investments are based on the market value of the securities or, if market value is unavailable, the net equities of the investee companies are used as fair value.
- Market value is used for determining the fair value of bonds payable.
- Book value of long-term loans is used as fair value as the loans bear floating rates.

ATTACHMENTS TO NOTES

Attachment 1 - Loans to others attributed to financial activities as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

| No. | Names of lending company | Accounts name | Name of the borrowers | The credit limit set up by the company for its respective borrower | The highest balance during 2000 | The ending balance | Interest rate | The reason for lending | Collateral | Value of collateral | The yearly amount of sales to (purchase from) the borrower | The ceiling of fund financing for the borrower |
|-----|--------------------------|----------------------------------|-------------------------|--|---------------------------------|--------------------|---------------|------------------------|------------|---------------------|--|--|
| 1 | UMC Group (USA) | Receivable from employee's loans | The Company's employees | N/A | USD 3,308,000 | USD 2,618,000 | 7.00% | Employee loan | None | N/A | None | N/A |

Attachment 2 - The endorsements and guarantees provided by the Company to others as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

| No. | Guarantor | Guarantee | Relationship with the Company | The limit of guarantee for such party | The highest outstanding guarantee amount during 2000 | The outstanding guarantee amount at Dec. 31, 2000 | The amount of guarantee with collateral placed | The ratio of accumulated guarantee amount to net value of the Company | The ceiling of the outstanding guarantee for the respective party |
|-----|---------------------|-------------------------|-------------------------------|---------------------------------------|--|---|--|---|---|
| 1 | Nippon Foundry Inc. | A director and employee | A director and employee | JPY 1,125,248,000 | JPY 1,200,640,000 | JPY 1,125,248,000 | JPY 1,000,000,000 | 1.70% | JPY1,125,248,000 |

Attachment 3 - The ending balance of securities held by the Company as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

| Kinds of marketable securities | Name of marketable securities | The relationship of the issuers with the Company | General ledger accounts | December 31, 2000 | | | | |
|-------------------------------------|--|--|-------------------------|-----------------------------|------------|------------|--------------|---------------------------------|
| | | | | Number of shares (thousand) | Book value | Percentage | Market value | Shares as collateral (thousand) |
| December 31, 2000 | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | |
| Stock | United Foundry Service Inc. | Investee company | Long-term investment | 2,005 | 67,432 | 100.00% | N/A | None |
| Stock | UMC Group (USA) | Investee company | Long-term investment | 16,438 | 718,271 | 100.00% | N/A | None |
| Stock | Fortune Venture Capital Corporation | Investee company | Long-term investment | 299,994 | 3,766,868 | 99.99% | N/A | None |
| Stock | Hsun Chieh Investment Corporation | Investee company | Long-term investment | 1,417,294 | 28,611,676 | 99.97% | N/A | None |
| Stock | United MicroMachining Corp. | Investee company | Long-term investment | 6,000 | 26,399 | 60.91% | N/A | None |
| Stock | Pacific Venture Capital Co., Ltd. | Investee company | Long-term investment | 30,000 | 353,158 | 49.99% | N/A | None |
| Stock | Dupont Photomasks Taiwan Ltd. | Investee company | Long-term investment | 77,810 | 942,896 | 47.16% | N/A | None |
| Stock | Nippon Foundry Inc. | Investee company | Long-term investment | 120 | 6,960,008 | 47.10% | 31,560,298 | None |
| Stock | Trecenti Technologies, Inc. | Investee company | Long-term investment | 240 | 3,427,304 | 40.00% | N/A | None |
| Stock | Broadmedia, Inc. | Investee company | Long-term investment | 10,000 | — | 39.38% | N/A | None |
| Stock | World Wiser Electronics Incorporated | Investee company | Long-term investment | 132,093 | 2,596,312 | 38.97% | 5,979,172 | None |
| Stock | Unipac Optoelectronics Corp. | Investee company | Long-term investment | 530,247 | 7,774,055 | 38.71% | 9,378,014 | None |
| Stock | Holtek Semiconductor Inc. | Investee company | Long-term investment | 43,170 | 657,281 | 35.39% | N/A | None |
| Stock | Novatek Microelectronics Corp. | Investee company | Long-term investment | 45,045 | 861,690 | 29.80% | N/A | None |
| Stock | Integrated Technology Express Inc. | Investee company | Long-term investment | 26,855 | 336,495 | 28.78% | N/A | None |
| Stock | Applied Component Technology Corporation | Investee company | Long-term investment | 10,048 | 120,328 | 27.96% | 137,989 | None |
| Stock | Faraday Technology Corp. | Investee company | Long-term investment | 18,541 | 346,998 | 21.43% | 3,565,509 | None |
| Stock | Mediatek Incorporation | Investee company | Long-term investment | 41,160 | 1,246,785 | 18.98% | N/A | None |
| Stock | Integrated Telecom Express, Inc. | Investee company | Long-term investment | 7,000 | 826,184 | 16.39% | 1,549,792 | None |
| Stock | AMIC Technology (Taiwan), Inc. | Investee company | Long-term investment | 13,500 | 126,066 | 14.06% | N/A | None |
| Stock | PixTech, Inc. | None | Long-term investment | 9,883 | 561,080 | 18.10% | 423,226 | None |
| Stock | United Industrial Gases Co., Ltd. | None | Long-term investment | 11,566 | 146,250 | 11.25% | N/A | None |
| Stock | Sino-Aerospace Investment Corp. | None | Long-term investment | 28,500 | 86,588 | 11.11% | N/A | None |
| Stock | National Venture Capital Corporation | None | Long-term investment | 6,000 | 60,000 | 11.09% | N/A | None |
| Stock | Pacific Technology Partners, L.P. | None | Long-term investment | — | 51,353 | 11.00% | N/A | None |
| Stock | TECO Information Systems Co., Ltd. | None | Long-term investment | 47,358 | 500,880 | 8.05% | N/A | None |
| Stock | Vialta.com, Inc. | None | Long-term investment | 7,600 | 622,835 | 7.82% | N/A | None |
| Stock | Subtron Technology Co., Ltd. | None | Long-term investment | 16,000 | 240,000 | 7.41% | N/A | None |
| Stock | Industrial Bank of Taiwan | The Promoter | Long-term investment | 116,725 | 1,150,000 | 5.00% | N/A | None |
| Stock | TECO Electric & Machinery Co., Ltd. | The director and supervisor of the Company | Long-term investment | 70,713 | 1,535,895 | 3.96% | 1,299,910 | None |
| Stock | Tonbu, Inc. | None | Long-term investment | 938 | 243,750 | 3.43% | N/A | None |

Attachment 3- Continued (Amount in thousand NTD unless otherwise stated)

| Kinds of marketable securities | Name of marketable securities | The relationship of the issuers with the Company | General ledger accounts | December 31, 2000 | | | | |
|-------------------------------------|--|--|-------------------------|-----------------------------|------------|------------|--------------|---------------------------------|
| | | | | Number of shares (thousand) | Book value | Percentage | Market value | Shares as collateral (thousand) |
| December 31, 2000 | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | |
| Stock | Chiao Tung Bank | The director of the Company | Long-term investment | 75,000 | 3,108,656 | 3.07% | 1,887,738 | None |
| Stock | SAMPO Corporation | The director of the Company | Long-term investment | 30,950 | 443,599 | 2.96% | 393,065 | None |
| Stock | Dyna Image Corp. | None | Long-term investment | 4,244 | 28,663 | 1.67% | 77,137 | None |
| Stock | National Securities Corporation | None | Long-term investment | 14,251 | 239,316 | 1.26% | 125,565 | None |
| Stock | Stark Technology Inc. | None | Long-term investment | 967 | 10,552 | 1.16% | 133,760 | None |
| Stock | Premier Camera Taiwan Ltd. | None | Long-term investment | 2,041 | 27,964 | 0.72% | 93,138 | None |
| Stock | Lexar Media Inc. | None | Long-term investment | 100 | 2,488 | 0.17% | 10,377 | None |
| Hsun Chieh Investment Corporation | | | | | | | | |
| Stock | UniMicron Technology Corp. | Investee company | Long-term investment | 84,559 | 1,364,153 | 43.93% | N/A | None |
| Stock | Harvatek Corporation | Investee company | Long-term investment | 15,351 | 204,541 | 33.37% | N/A | None |
| Stock | Advance Materials Corporation | Investee company | Long-term investment | 14,994 | 207,521 | 15.78% | N/A | None |
| Stock | Enovation Group, Inc. | Investee company | Long-term investment | 7,172 | 73,807 | 14.34% | N/A | None |
| Stock | Integrated Photonics, Inc. | None | Long-term investment | 300 | 6,244 | 11.46% | N/A | None |
| Stock | Golden Technology Venture Capital Investment | The director of the Company | Long-term investment | 8,000 | 80,000 | 10.67% | N/A | None |
| Stock | Cnyes.Com, Inc. | None | Long-term investment | 5,000 | 62,640 | 9.81% | N/A | None |
| Stock | Ascend Semiconductor Corporation | The Company is the director and supervisor | Long-term investment | 3,600 | 36,000 | 9.00% | N/A | None |
| Stock | NCTU Spring I Technology Venture Capital | The Company is the director | Long-term investment | 4,284 | 43,482 | 8.60% | N/A | None |
| Stock | Faraday Technology Corp. | Investee company to UMC | Long-term investment | 5,648 | 1,286,510 | 6.77% | 1,308,880 | None |
| Stock | Pst International, Inc. | The Company is the director | Long-term investment | 1,200 | 18,000 | 6.70% | N/A | None |
| Stock | Advance Microelectronics Product Inc. | None | Long-term investment | 7,000 | 126,000 | 6.36% | N/A | None |
| Stock | NCTU Spring Venture Capital Co., Ltd. | The Company is the director | Long-term investment | 2,000 | 20,000 | 6.28% | N/A | None |
| Stock | Cosmos Technology Venture Capital Investment | The Company is the director | Long-term investment | 4,000 | 40,000 | 5.03% | N/A | None |
| Stock | Integrated Telecom Express, Inc. | Investee company | Long-term investment | 1,163 | 213,021 | 4.85% | N/A | None |
| Stock | Nippon Foundry Inc. | Investee company to UMC | Long-term investment | 11 | 777,044 | 4.41% | N/A | None |
| Fund | Taiwan Asia Pacific Venture Fund | None | Long-term investment | 115 | 29,295 | 4.17% | N/A | None |
| Stock | Subtron Technology Co., Ltd. | The Company is the director | Long-term investment | 7,800 | 99,000 | 3.61% | N/A | None |
| Stock | Sampo Semiconductor Corporation | None | Long-term investment | 8,442 | 84,420 | 3.38% | N/A | None |
| Stock | United Microelectronics Corporation | Parent company | Long-term investment | 366,008 | 29,592,654 | 3.19% | 18,053,706 | None |
| Stock | Sheng-Hua Venture Capital Corporation | None | Long-term investment | 5,000 | 50,000 | 2.50% | N/A | None |
| Stock | PixArt Imaging Inc. | None | Long-term investment | 1,000 | 10,000 | 2.00% | N/A | None |
| Stock | Chiao Tung Bank | The director of the Company | Long-term investment | 46,721 | 1,882,974 | 1.91% | 1,175,962 | None |
| Stock | TECO Information Systems Co., Ltd. | None | Long-term investment | 7,136 | 107,044 | 1.20% | N/A | None |
| Stock | Ingenus Corp. | None | Long-term investment | 240 | 29,813 | 0.66% | 2,713 | None |
| Stock | Cheng Hsun Electronics, Inc. | Investee company | Long-term investment | 3,150 | 31,500 | 31.50% | N/A | None |
| Stock | Hsun Huei Technology, Inc. | Investee company | Long-term investment | 3,100 | 31,000 | 31.00% | N/A | None |
| Stock | Plato Electronics (Cayman) Limited | Investee company | Long-term investment | 28 | 424,539 | 30.00% | N/A | None |
| Stock | Elite Flash Storage Technology, Inc. | The Company is the director | Long-term investment | 1,950 | 19,500 | 19.50% | N/A | None |
| Stock | Giga Solution | None | Long-term investment | 8,750 | 105,000 | 19.44% | N/A | None |
| Stock | Patentop, Ltd. | None | Long-term investment | 720 | 22,356 | 18.00% | N/A | None |
| Stock | AEM Technology, Inc. | None | Long-term investment | 1,760 | 28,714 | 17.60% | N/A | None |
| Stock | Kits On Line Technology Corp. | None | Long-term investment | 3,200 | 38,656 | 16.41% | N/A | None |
| Stock | Union Technology Corp. | The Company is the director | Long-term investment | 1,800 | 18,000 | 15.00% | N/A | None |
| Stock | Epgoy Communication, Inc. | None | Long-term investment | 4,000 | 62,130 | 13.33% | N/A | None |
| Stock | Linden Technologies Inc. | None | Long-term investment | 300 | 92,385 | 11.17% | N/A | None |
| Stock | NetEmpower Software Technologies Inc. | None | Long-term investment | 1,500 | 92,388 | 9.42% | N/A | None |
| Stock | Alpha & Omega Semiconductor Inc. | None | Long-term investment | 1,500 | 46,883 | 9.09% | N/A | None |
| Stock | Vialta.com, Inc. | None | Long-term investment | 7,600 | 618,883 | 8.35% | N/A | None |
| Stock | Tonbu, Inc. | None | Long-term investment | 2,000 | 185,017 | 7.90% | N/A | None |
| Stock | Formerica International Holding Inc. | None | Long-term investment | 2,000 | 30,898 | 6.51% | N/A | None |
| Stock | VenGlobal Capital Fund III, L.P. | None | Long-term investment | — | 16,190 | 4.00% | N/A | None |
| Stock | Industrial Bank of Taiwan | None | Long-term investment | 9,000 | 90,000 | 3.81% | N/A | None |
| Stock | Broadcom Corporation. | None | Long-term investment | 700 | 70,941 | 3.38% | N/A | None |
| Stock | Hantek Technology Co., Ltd. | None | Long-term investment | 1,501 | 45,030 | 3.34% | N/A | None |
| Stock | Aurora System, Inc. | None | Long-term investment | 550 | 72,226 | 2.99% | N/A | None |
| Stock | Trisected Corp. | None | Long-term investment | 360 | 16,913 | 2.19% | N/A | None |
| Stock | Primarion, Inc. | None | Long-term investment | 418 | 31,800 | 1.26% | N/A | None |
| Stock | King-Yuan Electronics Co., Ltd. | None | Long-term investment | 1,000 | 70,000 | 0.38% | N/A | None |
| Stock | NetLogic Microsystems Inc. | None | Long-term investment | 100 | 3,195 | 0.34% | N/A | None |
| Stock | Lite Lineonit Corp. | None | Long-term investment | 800 | 58,400 | 0.33% | N/A | None |
| Stock | Evertrac, Inc. | None | Long-term investment | — | 31,275 | — | N/A | None |
| Membership Card | Golf Club Membership Card | None | Long-term investment | — | 60,000 | — | N/A | None |

Attachment 3 - Continued (Amount in thousand NTD unless otherwise stated)

| Kinds of marketable securities | Name of marketable securities | The relationship of the issuers with the Company | General ledger accounts | December 31, 2000 | | | | |
|-------------------------------------|--|--|-------------------------|-----------------------------|------------|------------|--------------|---------------------------------|
| | | | | Number of shares (thousand) | Book value | Percentage | Market value | Shares as collateral (thousand) |
| December 31, 2000 | | | | | | | | |
| Fortune Venture Capital Corporation | | | | | | | | |
| Stock | APTOS Corp. | Investee company | Long-term investment | 36,886 | 393,250 | 35.13% | N/A | None |
| Stock | Broadmedia Inc. | Investee company | Long-term investment | 12,500 | 138,464 | 24.53% | N/A | None |
| Stock | Systematic Designs International Inc. | None | Long-term investment | 1,300 | 10,178 | 19.50% | N/A | None |
| Stock | Silicon Perspective Corp. | None | Long-term investment | 800 | 57,600 | 19.16% | N/A | None |
| Stock | PixArt Imaging Inc. | The Company is the director | Long-term investment | 8,372 | 117,917 | 16.74% | N/A | None |
| Stock | Softchina Venture Group Ltd. | The Company is the director | Long-term investment | 6,000 | 60,000 | 15.00% | N/A | None |
| Stock | Epitech Corp. | The Company is the director | Long-term investment | 4,658 | 47,300 | 14.33% | N/A | None |
| Stock | Thin Film Module, Inc. | None | Long-term investment | 5,287 | 52,870 | 13.91% | N/A | None |
| Stock | Advance Materials Corporation | Investee company | Long-term investment | 12,800 | 137,989 | 13.47% | N/A | None |
| Stock | AMIC Technology (Taiwan), Inc. | Investee company | Long-term investment | 12,716 | 243,106 | 13.25% | N/A | None |
| Stock | Urex Precision, Inc. | None | Long-term investment | 1,977 | 19,772 | 13.18% | N/A | None |
| Stock | Triscend Corporation | None | Long-term investment | 1,750 | 188,957 | 10.23% | N/A | None |
| Stock | Integrated Telecom Express Inc. | Investee company | Long-term investment | 4,000 | 421,101 | 9.70% | N/A | None |
| Stock | Linktech Microelectronics Corp. | None | Long-term investment | 1,215 | 34,450 | 8.10% | N/A | None |
| Stock | Shin-Etsu Handdotai Taiwan Co., Ltd. | None | Long-term investment | 10,500 | 105,000 | 7.00% | N/A | None |
| Stock | Trident Technologies, Inc. | None | Long-term investment | 1,350 | 16,875 | 6.75% | N/A | None |
| Stock | Pst International, Inc. | None | Long-term investment | 1,200 | 12,000 | 6.70% | N/A | None |
| Stock | Programmable Microelectronics (Taiwan) Corp. | None | Long-term investment | 2,004 | 20,042 | 6.68% | N/A | None |
| Stock | Tripath Technology, Inc. | None | Long-term investment | 500 | 158,235 | 5.50% | 262,230 | None |
| Stock | Vialta.com, Inc. | None | Long-term investment | 3,800 | 313,205 | 4.18% | N/A | None |
| Stock | The 3CX U.S.A. | None | Long-term investment | 180 | 5,814 | 3.95% | N/A | None |
| Stock | SiRF Technology Inc. | None | Long-term investment | 875 | 119,436 | 3.51% | N/A | None |
| Stock | Ominivision Vision Technology Inc. | None | Long-term investment | 540 | 22,272 | 3.34% | 130,318 | None |
| Stock | Tvia, Inc. | None | Long-term investment | 700 | 14,435 | 2.41% | 154,224 | None |
| Stock | CTS Computer Technology System Corp. | None | Long-term investment | 1,717 | 27,694 | 2.00% | N/A | None |
| Stock | Hsin Chu Chen-Tao CATV Co., Ltd. | None | Long-term investment | 349 | 3,489 | 1.40% | N/A | None |
| Stock | Orchid Biocomputer, Inc. | None | Long-term investment | 380 | 90,478 | 1.20% | 124,465 | None |
| Stock | Velio Communications Inc. | None | Long-term investment | 110 | 30,817 | 0.54% | N/A | None |
| Stock | Springsoft Inc. | None | Long-term investment | 214 | 6,832 | 0.46% | 27,303 | None |
| Stock | Sino-American Silicon Products Inc. | None | Long-term investment | 284 | 6,635 | 0.33% | N/A | None |
| Stock | Shuttle Inc. | None | Long-term investment | 360 | 7,828 | 0.26% | 2,647 | None |
| Stock | United Microelectronics Corporation | Investor company | Long-term investment | 13,333 | 171,858 | 0.12% | 657,680 | None |
| Stock | Aurora System, Inc. | None | Long-term investment | 2,500 | 222,072 | 13.87% | N/A | None |
| Stock | Iglobe Partners Fund L.P. | None | Long-term investment | — | 63,318 | 7.42% | N/A | None |
| Stock | Alpha & Omega Semiconductor | None | Long-term investment | 1,500 | 46,312 | 5.00% | N/A | None |
| Stock | IXNICO Inc. | None | Long-term investment | 333 | 49,534 | 4.44% | N/A | None |
| Stock | EPIC Technologies Inc. | None | Long-term investment | 23 | 34,240 | 2.24% | N/A | None |
| Stock | Rise Technology | None | Long-term investment | 500 | 41,811 | 2.14% | N/A | None |
| Stock | Monetary Design Systems Inc. | None | Long-term investment | 394 | 34,201 | 2.06% | N/A | None |
| Stock | Arcadia Design Systems Inc. | None | Long-term investment | 162 | 26,203 | 1.45% | N/A | None |
| Stock | Crystal Internet Venture Fund II | None | Long-term investment | 20 | 41,757 | 0.99% | N/A | None |

Attachment 4 - The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

| Name of the securities | Beginning balance | | Addition | | | | Disposal | Ending balance | | Gain/Loss from disposal |
|---|--------------------------|-----------|--------------------------|-----------|--------------------------|---------|----------|--------------------------|-----------|-------------------------|
| | No. of shares (thousand) | Amount | No. of shares (thousand) | Amount | No. of shares (thousand) | Amount | Cost | No. of shares (thousand) | Amount | |
| December 31, 2000 | | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | | |
| Yuan-Ta New Main Stream Fund | 9,500 | 9,500 | — | — | 9,500 | 117,895 | 95,000 | — | — | 22,895 |
| Truswell Truswell Fund | 16,000 | 160,000 | — | — | 16,000 | 159,777 | 160,000 | — | — | (223) |
| Shanghai Fudan Microelectronics Company Limited | — | — | 12,372 | 39,808 | 12,372 | 125,841 | 39,808 | — | — | 86,032 |
| Nippon Foundry Inc. | 107 | 1,550,124 | 13 | 3,835,112 | — | — | — | 120 | 6,960,009 | — |
| Trecenti Technologies, Inc. | — | — | 240 | 3,664,000 | — | — | — | 240 | 3,427,304 | — |
| PixTech, Inc. | 1,111 | 137,750 | 9,320 | 454,440 | — | — | — | 9,883 | 561,080 | — |
| Tonbu, Inc. | — | — | 938 | 243,750 | — | — | — | 938 | 243,750 | — |
| Subtron Technology Co., Ltd. | — | — | 16,000 | 240,000 | — | — | — | 16,000 | 240,000 | — |
| AMIC Technology (Taiwan), Inc. | — | — | 13,500 | 135,000 | — | — | — | 13,500 | 126,066 | — |
| Focus Semiconductor Corp. | 24,600 | 121,896 | — | — | 24,600 | 121,897 | 121,896 | — | — | 1 |
| Unipac Optoelectronics Corp. | 510,741 | 7,515,473 | — | — | 7,494 | 224,820 | 165,402 | 503,247 | 7,774,055 | 59,418 |

Attachment 4 - Continued (Amount in thousand NTD unless otherwise stated)

| Name of the securities | Beginning balance | | Addition | | | | Disposal | Ending balance | | Gain/Loss from disposal |
|-------------------------------------|-----------------------------|-----------|-----------------------------|---------|-----------------------------|---------|----------|-----------------------------|-----------|----------------------------|
| | No. of shares (thousand) | Amount | No. of shares (thousand) | Amount | No. of shares (thousand) | Amount | Cost | No. of shares (thousand) | Amount | |
| December 31, 2000 | | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | | |
| Catalyst Semiconductor, Inc. | 650 | 107,328 | — | — | 650 | 179,830 | 107,328 | — | — | 52,903 |
| AMIC Technology Inc. | 15,000 | 221,494 | — | — | 15,000 | 135,000 | 215,517 | — | — | (80,517) |
| Fortune Venture Capital Corporation | | | | | | | | | | |
| Unipac Optoelectronics Corp. | 25,245 | 354,973 | — | — | 25,245 | 409,616 | 354,973 | — | — | 54,643 |
| APTOS Corp. | 25,523 | 291,812 | 11,363 | 170,443 | — | — | — | 36,886 | 393,250 | — |
| AMIC Technology (Taiwan), Inc. | 7,200 | 72,000 | 5,516 | 137,900 | — | — | — | 12,716 | 243,106 | — |
| Hsun Chieh Investment Corporation | | | | | | | | | | |
| Unimicron Technology Corp. | 85,990 | 1,059,610 | 8,389 | 192,948 | 9,820 | 339,000 | 133,214 | 84,559 | 1,364,153 | 205,786 |
| Advance Materials Corp. | 4,054 | 44,212 | 10,940 | 163,950 | — | — | — | 14,994 | 207,521 | — |
| Unipac Optoelectronics Corp. | 28,832 | 513,222 | — | — | 28,832 | 558,700 | 513,222 | — | — | 45,478 |
| Tonbu, Inc. | — | — | 2,000 | 185,017 | — | — | — | 2,000 | 185,017 | — |
| Plato Electronics (Cayman) Limited | — | — | 28 | 424,539 | — | — | — | 28 | 424,539 | — |
| China Unicon Ltd. | — | — | 11,500 | 708,922 | 11,500 | 826,261 | 708,922 | — | — | 117,339 |
| Giga Solution | — | — | 8,750 | 105,000 | — | — | — | 8,750 | 105,000 | — |

Remark(1): The ending balance also includes other additions or deductions not shown on the above schedule, including long-term equity investment income or loss, cumulative translation adjustment, changes in long-term investment due to unapportionate changes in ownership, and unrealized loss in long-term investment, etc.

Remark(2): Gain/Loss from disposal of security were computed by deducting cost, handling charge and exchange loss or gain from sale amount.

Attachment 5 - Acquisition of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

| Name of the properties | Date of transaction | Transaction amount | Status of payment | Counter party | The relationship with the Company | Original owner who sold the property to the counter party | The relationship of the original owner with the Company | Date of the original transaction | Amount | The bases or reference used in deciding the price | Other commitments |
|--|---------------------|--------------------|-------------------|---------------|-----------------------------------|---|---|----------------------------------|--------|---|-------------------|
| December 31, 2000 | | | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | | | |
| Land | Dec.15, 2000 | 127,457 | Paid | An individual | None | — | — | — | — | Market value | — |

Attachment 6 - Disposal of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

| Names of properties | Date of transaction | Acquisition date of the properties | Book value | Transaction amount | Status of payment | Gain/ Loss on disposal | Counter party | The relationship with the Company | Reason for disposal | The bases or reference used in deciding the price | Other commitments |
|--|---------------------|------------------------------------|------------|--------------------|-------------------|------------------------|--------------------------|-----------------------------------|--------------------------|---|-------------------|
| December 31, 2000 | | | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | | | |
| UMC Fab 5A | April 8, 2000 | May 31, 1991 - March 21, 2000 | 138,373 | 109,000 | Received | (29,373) | Episil Technologies Inc. | None | Retiring phased-out fabs | Market value | None |

Attachment 7 - Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

| Name of related parties transactions | Relationship with the Company | Transactions | | | Notes & Accounts receivable (payable) | | |
|---|---|-------------------|-------------------|--------------------------------|---------------------------------------|-------------------|-----------------------|
| | | Purchase (Sales) | Amount | Percentage of purchase (sales) | Term | Balance | Percentage of account |
| 2000 | | | | | | | |
| United Microelectronics Corporation | | | | | | | |
| UMC Group (USA) | Investee company | Sales | 42,609,198 | 40% | 60days | 6,854,152 | 43% |
| United Microelectronics (Europe) B.V | The director is the chairman of the Company | Sales | 11,849,367 | 11% | 60days | 2,119,103 | 13% |
| United Microelectronics Co., Ltd. Hong Kong | The director is the chairman of the Company | Sales | 697,223 | 1% | 60days | 182,677 | 1% |
| Mediatek Incorporation. | Investee company | Sales | 4,938,704 | 5% | 60days | 189,338 | 1% |
| AMIC Technology (Taiwan), Inc. | Investee company | Sales | 2,286,648 | 2% | 60days | 564,810 | 4% |
| Novatek Microelectronics Corp. | Investee company | Sales | 1,752,171 | 2% | 60days | 172,035 | 1% |
| Formosa Links Pte Ltd. | The director is the chairman of the Company | Sales | 1,370,859 | 1% | 60days | 404,382 | 3% |
| Applied Component Technology Corp. | Investee company | Sales | 887,125 | 1% | 60days | 65,547 | — |
| Integrated Technology Express Inc. | Investee company | Sales | 610,022 | 1% | 60days | 53,702 | — |
| DAVICOM Semiconductor Inc. | Investee’s subsidiary | Sales | 343,942 | — | 60days | 18,523 | — |
| Faraday Technology Corp. | Investee company | Sales | 1,001,979 | 1% | 60days | 144,500 | 1% |
| Holtek Semiconductor Inc. | Investee company | Sales | 1,007,099 | 1% | 60days | 313,070 | 2% |
| Applied Component Technology Corp. | Investee company | Purchase | 490,142 | 2% | 60days | (85,444) | 1% |
| Dupont Photomasks Taiwan Ltd. | Investee company | Purchase | 961,567 | 5% | 60days | (181,075) | 3% |
| Nippon Foundry Inc. | Investee company | Purchase | 579,827 | 3% | 60days | (65,196) | 1% |
| | | | | | | | |
| UMC Group (USA) | | | | | | | |
| United Microelectronics Corporation | Parent company | Purchase | USD 1,360,399,000 | 99.6% | 55days | (USD 207,821,000) | 100% |
| Nippon Foundry Inc. | Subsidiary | Purchase | USD 5,984,000 | 0.4% | 60days | (USD 81,000) | — |
| Integrated Technology Express Inc. | Subsidiary | Sales | USD 15,921,000 | 1.1% | — | USD 4,111,000 | 1.8% |
| | | | | | | | |
| Nippon Foundry Inc. | | | | | | | |
| United Microelectronics Corporation | Parent company | Sales | JPY 1,933,285,000 | 5.3% | 60days | JPY 348,221,000 | 2.7% |
| United Microelectronics Corporation | Parent company | Operating expense | JPY 502,112,000 | 2.0% | — | JPY 1,185,000 | 0.3% |
| UMC Group (USA) | Affiliated company | Sales | JPY 626,943,000 | 17% | 60days | JPY 11,651,000 | 0.1% |

Attachment 8 - Receivable from related parties exceeding the lower of NT\$100 million and 20 percent of the capital stock as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

| Name of the counter party | Relationship with the counter party | Balance of receivable from related party | | | | Turnover rate (times) | Overdue receivable | | Subsequent received amount | Bad debt allowance provided |
|--|---|--|-----------------|-------------|-----------------|-----------------------|--------------------|-------------------|----------------------------|-----------------------------|
| | | Notes | Accounts | Other | | | Amount | Collection | | |
| | | Receivable | Receivable | Receivables | Amount | | | | | |
| December 31, 2000 | | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | | |
| United Microelectronics (Europe) B.V | The director is the chairman of the Company | — | 2,119,103 | — | 2,119,103 | 8.07 | 871 | — | 863,198 | 20,983 |
| UMC Group (USA) | Investee company | — | 6,854,152 | — | 6,854,152 | 11.40 | 1,826 | — | 42,371 | 69,886 |
| AMIC Technology (Taiwan), Inc. | Investee company | 13,418 | 551,392 | 1,806 | 566,616 | 8.00 | 162,014 | Credit Collecting | — | 7,150 |
| Formosa Links Pte Ltd. | The director is the chairman of the Company | — | 404,382 | — | 404,382 | 6.81 | 1 | Credit Collecting | — | 4,008 |
| Mediatek Incorporation | Investee company | — | 189,338 | 404 | 189,742 | 23.89 | 2,453 | Credit Collecting | — | 2,363 |
| United Microelectronics Co., Ltd., Hong Kong | A director is the chairman of the Company | — | 182,677 | — | 182,677 | 2.68 | 62,034 | — | 15,775 | 2,381 |
| Novatek Microelectronics Corp. | Investee company | — | 172,035 | 371 | 172,406 | 10.30 | — | Credit Collecting | 986 | 1,724 |
| Holtek Semiconductor Inc. | Investee company | 161,785 | 151,285 | 2,874 | 315,944 | 5.89 | 138 | Credit Collecting | — | 1,584 |
| Faraday Technology Corp. | Investee company | — | 144,500 | — | 144,500 | 9.39 | 20,201 | Credit Collecting | — | 4,135 |
| Ascend Semiconductor Corp. | Investee company | — | 102,814 | — | 102,814 | 4.02 | 3,362 | Credit Collecting | — | 1,062 |
| Nippon Foundry Inc. | | | | | | | | | | |
| United Microelectronics Corporation | Parent company | — | JPY 348,211,000 | — | JPY 348,211,000 | — | — | — | — | 0.5% of Accounts Receivable |

Attachment 9 - Related information on investee companies as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

| Investee company Address | The main business scopes | Initial Investment | | Shares held by the Company | | | The net income of the investee company | The gain /loss recorded by the Company | Note |
|--|--|--------------------|----------------------|-----------------------------------|------------|------------|---|--|-------|
| | | Ending balance | Beginning balance | Number of shares (thousand) | Percentage | Book value | | | |
| December 31, 2000 | | | | | | | | | |
| United Microelectronics Corporation | | | | | | | | | |
| UMC Group (USA) 488 DeGuigne Drive Sunnyvale, CA 94086, USA | IC Sales | USD 16,437,000 | USD 13,150,000 | 16,438 | 100.00% | 718,271 | USD 3,443,000 | 92,468 | |
| United Foundry Service, Inc. 489 DeGuigne Drive Sunnyvale, CA 94086, USA | Supervising and monitoring group project | USD 2,005,000 | — | 2,005 | 100.00% | 67,432 | USD 173,000 | 5,357 | |
| Fortune Venture Capital Corporation 2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan | Consulting and planning for investment in new business | 2,999,940 | 2,999,940 | 299,994 | 99.99% | 3,766,868 | (37,082) | (37,078) | |
| Hsun Chieh Investment Corporation 2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan | Investment | 14,172,940 | 13,998,000 | 1,417,294 | 99.97% | 28,611,676 | 1,022,231 | 1,021,226 | |
| United MicroMachining Corp. 1557A Center Pointe Dr., Milpitas, CA 95035 | R&D, manufacturing & sales of delicate machinery | USD 1,500,000 | USD 1,500,000 | 6,000 | 60.91% | 26,399 | USD 5,392,000 | (1,766) | |
| Pacific Venture Capital Co., Ltd. 5F, No.420, Fu-Hsin N. Rd. Taipei | Venture capital consultation | 300,000 | 300,000 | 30,000 | 49.99% | 353,158 | 101,602 | 50,856 | |
| Dupont Photomasks Taiwan Ltd. No.3, Li-Shin Rd. 2, Science-Based Industrial Park, Hsin-Chu, Taiwan | Manufacturing of photomasks | 780,502 | 785,005 | 77,810 | 47.16% | 942,896 | 359,017 | 169,783 | |
| Nippon Foundry Inc. No.1580 Yamamoto, Tateyama-City, Chiba, Japan | Sales and manufacturing of integrated circuit fabrication | JPY 20,126,316,000 | JPY 8,327,638,000 | 120 | 47.10% | 6,960,008 | JPY 13,175,863,000 | 2,301,690 | |
| Trecenti Technologies, Inc. 751, Horiguchi, Hitachinaka-Shi, Ibaraki-ken, Japan | IC production and sales | JPY 30,000,000,000 | — | 240 | 40.00% | 3,427,304 | (JPY 1,993,514,000) | (236,696) | Note1 |
| Broadmedia, Inc. 1135 Kern Avenue, Sunnyvale, CA 94086 | Telecom IC design and sales | USD 5,000,000 | USD 5,000,000 | 10,000 | 39.38% | — | (USD 9,183,000) | (74,499) | |
| World Wiser Electronics Inc. No.66-6, Hou Pi Tso, 9 Lin, Keng Kou Village, Lu-Chu, Taoyuan, Taiwan | PCB production | 2,548,658 | 1,250,121 | 132,093 | 38.97% | 2,596,312 | 950,923 | 277,938 | |
| Unipac Optoelectronics Corp. No.3, Industrial East Rd. 3, Science-Based Industrial Park, Hsin-Chu, Taiwan | LCD component sales and manufacturing | 7,631,687 | 7,745,333 | 503,247 | 38.71% | 7,774,055 | 1,101,502 | 371,116 | |
| Holtek Semiconductor Inc. No. 3, Creation Rd. 2, Science-Based Industrial Park, Hsin-Chu, Taiwan | IC production and sales | 456,709 | — | 43,170 | 35.39% | 657,281 | 611,262 | 228,800 | |
| Novatek Microelectronics Corp. 2F, No.13, Innovation Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan | IC production and sales | 150,000 | 150,000 | 45,045 | 29.80% | 861,690 | 1,085,991 | 336,451 | |
| Integrated Technology Express, Inc. 3F, No.13, Innovation Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan | IC production and sales | 239,770 | 239,770 | 26,855 | 28.78% | 336,495 | 123,832 | 40,667 | |
| Applied Component Technology Corp. 12F-5, No.171 Sung The Rd., Taipei | Electronic component design and sales | 15,558 | 18,000 | 10,048 | 27.96% | 120,328 | 42,621 | 14,193 | |
| Faraday Technology Corp. 7F-3, No.9, Prosperity Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan | ASIC design and production | 62,455 | 62,455 | 18,541 | 21.43% | 346,998 | 649,202 | 142,800 | |
| Mediatek Incorporation 1F, No.13, Innovation Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan | IC production and sales | 90,000 | 90,000 | 41,160 | 18.98% | 1,364,153 | 3,326,543 | 661,396 | |
| Integrated Telecom Express, Inc. 2710 Walsh Ave., Santa Clara, CA 95095 | IC production and sales | USD 2,000,000 | USD 2,000,000 | 7,000 | 16.39% | 826,184 | (USD 16,838,000) | (102,559) | |
| AMIC Technology (Taiwan), Inc. 15F, No.3, Li-Hsin Rd. 2, Science-Based Industrial Park, Hsin-Chu, Taiwan | IC production and sales | 135,000 | — | 13,500 | 14.06% | 126,066 | 441,482 | (8,934) | |
| Hsun Chieh Investment Corporation | | | | | | | | | |
| UniMicron Technology Corp. No.66-5, Hou Pi Tso, 9 Lin, Keng Kou Village, Lu-Chu, Taoyuan, Taiwan | PCB production | 1,287,393 | 1,094,446 | 84,559 | 43.93% | 1,364,153 | 502,761 | 229,079 | |
| Harvatek Corporation No. 21, Alley 17, Lane 99, Chung Hwa Rd., Hsin-Chu, Taiwan | IC testing, production, packaging and sales | 212,465 | 212,465 | 15,351 | 33.37% | 204,541 | 10,108 | (7,690) | |

Attachment 9 (Continued) (Amount in thousand NTD unless otherwise stated)

| Investee company Address | The main business scopes | Initial Investment | | Shares held by the Company | | | The net income of the investee company | The gain /loss recorded by the Company | Note |
|---|--|--------------------|----------------------|-----------------------------------|------------|------------|---|--|-------|
| | | Ending balance | Beginning balance | Number of shares (thousand) | Percentage | Book value | | | |
| December 31, 2000 | | | | | | | | | |
| Hsun Chieh Investment Corporation | | | | | | | | | |
| Cheng Hsun Electronics Inc. 3F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan | Electronic component production | 31,500 | — | 3,150 | 31.50% | 31,500 | — | — | Note2 |
| Hsun Huei Technology Inc. 2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan | | 31,000 | — | 3,100 | 31.00% | 31,000 | — | — | Note2 |
| Plato Electronic (Cayman) Limited Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, Cayman Islands, British West Indies | Holding Company | 424,539 | — | 28 | 30.00% | 424,539 | — | — | Note2 |
| Advance Materials Corporation No.498-2, Nan Shan Road Sec.2, Lu-Chu, Taoyuan, Taiwan | | 208,162 | — | 14,994 | 15.78% | 207,521 | (18,260) | (1,932) | |
| Enovation Group, Inc. 6F-7, No.103, Sec.2, Fu Shin S. Rd., Taipei, Taiwan | Development and sales of internet applications | 80,000 | 80,000 | 7,172 | 14.34% | 73,807 | 178,117) | (6,012) | |
| Faraday Technology Corp. 7F-3, No.9, Prosperity Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan | ASIC design and production | 1,308,880 | — | — | 6.53% | 1,286,511 | 649,202 | (19,158) | |
| Integrated Telecom Express, Inc. 2710 Walsh Avenue, Santa Clara, CA 95051, USA | IC production and sales | 96,248 | — | 1,163 | 4.85% | 213,021 | (USD 16,838,000) | (43,989) | |
| Nippon Foundry Inc. No.1580 Yamamoto, Tateyama-City, Chiba, Japan | Sales and manufacturing of integrated circuit fabrication | 240,665 | 240,655 | 11 | 4.41% | 777,044 | JPY 13,175,863,000 | 298,814 | |

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

Note2: Investment income/loss was recognized in the next year.

SPECIAL DISCLOSURES

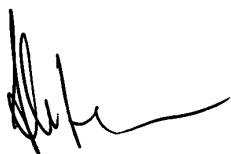
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LETTER OF REPRESENTATION

We confirm, to the best of our knowledge and belief, the following representations:

1. The companies represented in the consolidated financial statements of "United Microelectronics Corporation and its Affiliated Enterprises" for the year ended December 31, 2000 were made in accordance with "The Rules Governing Preparation of Affiliated Enterprises Consolidated Operating Report, Affiliated Enterprises Consolidated Financial Statements and Relationship Report", and are the identical companies represented in the consolidated financial statements of "United Microelectronics Corporation and Subsidiaries" for the year ended December 31, 2000 made in accordance with ROC Statement of Financial Accounting Standards No. 7.
2. The disclosures to the consolidated financial statements of "United Microelectronics Corporation and Its Affiliated Enterprises" for the year ended December 31, 2000 are made in accordance with "The Rules Governing Preparation of Affiliated Enterprises Consolidated Operating Report, Affiliated Enterprises Consolidated Financial Statements and Relationship Report", and are fully presented in the consolidated financial statements of "United Microelectronics Corporation and Subsidiaries" for the year ended December 31, 2000 made in accordance with ROC Statement of Financial Accounting Standards No. 7.
3. The consolidated financial statements of "United Microelectronics Corporation and Its Affiliated Enterprises" for the year ended December 31, 2000 are made in accordance with "The Rules Governing Preparation of Affiliated Enterprises Consolidated Operating Report, Affiliated Enterprises Consolidated Financial Statements and Relationship Report" and are presented in the consolidated financial statements of "United Microelectronics Corporation and Subsidiaries" as of December 31, 2000 made in accordance with ROC Statement of Financial Accounting Standards No. 7.



John Hsuan

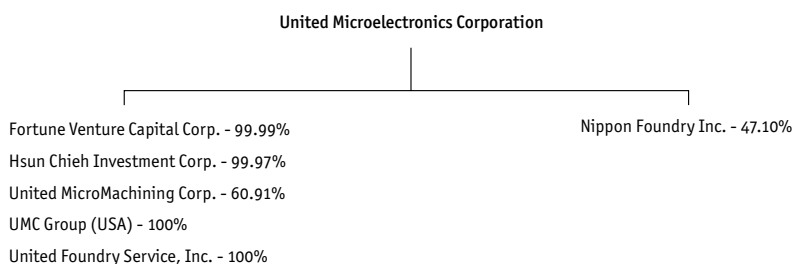
Chairman

United Microelectronics Corporation

January 17, 2001

SUMMARY OF AFFILIATED ENTERPRISES

ORGANIZATION CHART



BASIC DATA OF AFFILIATED ENTERPRISES

In thousand NTD

| Name of Corporation | Date of Establishment | Address | Outstanding Capital | Major Business /Production Items |
|-------------------------------|-----------------------|--|-----------------------------------|---|
| Fortune Venture Capital Corp. | 1993/09/21 | 2F, No. 76, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan, R.O.C. | 3,000,000 | Consulting & Planning for Investment in New Business |
| Hsun Chieh Investment Corp. | 2000/01/12 | 2F, No.76, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan, R.O.C. | 14,177,110 | Investment |
| UMC Group (USA) | 1997/10 | 488 De Guigne Dr., Sunnyvale, CA 94086, USA | 527 (USD 16,000) | IC Sales |
| United MicroMachining Corp. | 1996/07/19 | 1557A Centre Pointe Dr., Milpitas, CA 95035, USA | 325 (USD 9,850) | R&D, Manufacturing & Sales of Delicate Machinery |
| Nippon Foundry Inc. | 1984/05/15 | No. 1580, Yamamoto, Tateyama-City, Chiba, Japan | 7,720,887 (JPY 26,920,806,000) | Sales & Manufacturing of Integrated Circuits Fabrication |
| United Foundry Service, Inc. | 1996/07/29 | 488 De Guigne Dr., Sunnyvale, CA 94086, USA | 66 (USD 2,005) | Supervising and Monitoring Group Project |

Note: USD:NTD=1:32.96 JPY:NTD=1:0.2868

DATA OF COMMON SHAREHOLDERS OF TREATED-AS CONTROLLED COMPANIES AND AFFILIATES

None.

BUSINESS OF UNITED MICROELECTRONICS CORPORATION (UMC) & ITS AFFILIATED ENTERPRISES

The business of UMC and its affiliated enterprises covers investment industry, manufacturing industry, trade industry, electronics industry, semiconductor wafers manufacturing, and machinery industry, etc.

DIRECTORS, SUPERVISORS & PRESIDENTS OF AFFILIATED ENTERPRISES

| Name of Corporation | Title | Name of Representative | Shareholding | |
|--------------------------------------|------------|---|---------------|--------|
| | | | Shares | % |
| Fortune Venture Capital Corp. | Chairman | United Microelectronics Corp. Representative: Robert H.C. Tsao | 299,994,000 | 99.99% |
| | | | — | — |
| | Director | United Microelectronics Corp. Representative: John Hsuan | 299,994,000 | 99.99% |
| | | | — | — |
| | Director | United Microelectronics Corp. Representative: Hsin-Chien Tuan | 299,994,000 | 99.99% |
| | | | — | — |
| | Director | United Microelectronics Corp. Representative: Chia-Tsung Hung | 299,994,000 | 99.99% |
| | | | — | — |
| | Director | Ming-Kai Tsai | 1,000 | 0.00% |
| | Supervisor | United Microelectronics Corp. Representative: Tzu-Chang Tseng | 299,994,000 | 99.99% |
| | | | — | — |
| Hsun Chieh Investment Corp. | Chairman | United Microelectronics Corp. Representative: Robert H.C. Tsao | 1,417,294,000 | 99.97% |
| | | | — | — |
| | Director | United Microelectronics Corp. Representative: John Hsuan | 1,417,294,000 | 99.97% |
| | | | — | — |
| | Director | United Microelectronics Corp. Representative: Ing-Dar Liu | 1,417,294,000 | 99.97% |
| | | | — | — |
| | Supervisor | United Microelectronics Corp. Representative: Chia-Tsung Hung | 1,417,294,000 | 99.97% |
| | | | — | — |
| UMC Group (USA) | Director | Tony Yu | — | — |
| | Director | Peter Courture | — | — |
| | President | Jim Kupec | — | — |
| United MicroMachining Corp. | Director | United Microelectronics Corp. Representative: Robert H.C. Tsao | 6,000,000 | 60.91% |
| | | | — | — |
| | Director | United Microelectronics Corp. Representative: John Hsuan | 6,000,000 | 60.91% |
| | | | — | — |
| | Director | Peter Courture | — | — |
| | President | Web Chang | 500,000 | 5.08% |
| Nippon Foundry Inc. | Chairman | Robert H.C. Tsao | — | — |
| | President | Yukio Sakamoto | 100 | 0.04% |
| | Director | John Hsuan | — | — |
| | Director | Theodore M.H. Huang | — | — |
| | Director | Tsing-Yuan Hwang | — | — |
| | Director | Hong-Jen Wu | — | — |
| | Director | Peter Chang | — | — |
| | Director | Chia-Tsung Hung | — | — |
| | Director | Semi Wang | 272 | 0.10% |
| | Director | Donald W. Brooks | — | — |
| | Director | Ing-Dar Liu | — | — |

Continued on next page

| Name of Corporation | Title | Name of Representative | Shareholding | |
|------------------------------|----------------------|------------------------|--------------|--------|
| | | | Shares | % |
| Continued from previous page | | | | |
| Nippon Foundry Inc. | Director | Henry Liu | 288 | 0.11% |
| | Director | Hiromitsu Takeuchi | 522 | 0.22% |
| | Director | Frank Wen | — | — |
| | Supervisor | Kuang-Yeh Chang | 272 | 0.10% |
| | Supervisor | Jin-Shuang Chen | — | — |
| | Supervisor | Eiichi Arakawa | 66 | 0.026% |
| United Foundry Service, Inc. | President & Director | Peter Courture | — | — |

SUMMARIZED OPERATION RESULTS OF AFFILIATED ENTERPRISES

In thousand NTD

| Name of Corporation | Outstanding Capital | Total Assets | Total Liabilities | Net Worth | Net Operating Revenues | Operating Income | Net Income | Earnings Per Share (NTD) |
|-------------------------------|---------------------|--------------|-------------------|------------|------------------------|------------------|------------|--------------------------|
| Fortune Venture Capital Corp. | 3,000,000 | 3,662,914 | 17,493 | 3,645,421 | 574,535 | (37,336) | (37,082) | (0.12) |
| Hsun Chieh Investment Corp. | 14,177,110 | 28,742,697 | 82,605 | 28,660,092 | 2,321,273 | 815,962 | 1,022,231 | 0.72 |
| UMC Group (USA) | 527 | 10,173,928 | 9,498,182 | 675,746 | 45,900,096 | 140,508 | 113,481 | 6.92 |
| United MicroMachining Corp. | 325 | 51,832 | 1,123 | 50,709 | 8,585 | (2,827) | 178 | 0.03 |
| Nippon Foundry Inc. | 7,720,887 | 25,760,641 | 6,842,557 | 18,918,085 | 10,436,404 | 3,423,926 | 2,246,238 | 8,834 |
| United Foundry Service, Inc. | 66 | 72,897 | 1,284 | 71,613 | 90,686 | 5,150 | 5,693 | 2.97 |

Note 1: USD:NTD=1:32.96 JPY:NTD=1:0.2868

Note 2: Earnings per share of NFI is calculated based on outstanding shares of 254,272.2.

DIVIDEND POLICY AND STATUS

If there are earnings for distribution at the end of each fiscal year, they will be paid but in the following order:

- Tax Payment.
- Coverage of losses.
- 10% addition to the contributed surplus in accordance with statutory mandate.
- Remuneration for Directors and Supervisors: one percent (1%) of the amount remaining after the previous 3 items have been paid out.
- Shareholder and employee bonuses will be distributed or retained, with a distribution or retention ratio of 92% for shareholders and 8% for employees.

The Company 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 estimates; 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 to the Shareholders Meeting.

IMPACT OF DIVIDENDS ON OPERATION RESULTS, EPS AND ROE

In thousand NTD, except for earnings per share

| | | | 1999 | 2000 |
|--|--|---------------------------------------|---------------|---------------|
| Paid-in capital at Jan.1 of the year | | | \$ 55,418,013 | \$ 66,549,966 |
| Dividend | Cash dividend per share | | — | — |
| | Stock dividend from earnings per share | | 0.05 | 0.10 |
| | Stock dividend from capital reserve per share | | 0.10 | 0.10 |
| | | | | |
| Operation results | Operating income | | \$ 5,521,394 | \$ 43,573,127 |
| | Increase (decrease) of operating income as % of the previous year | | 1308% | 689% |
| | Net income | | \$ 10,497,892 | \$ 50,780,378 |
| | Increase (decrease) of net income as % of the previous year | | 138% | 384% |
| | Earnings per share | | \$ 1.60 | \$ 4.57 |
| | Increase (decrease) of earnings per share as % of the previous year | | 97% | 186% |
| | Annual return on investment (reciprocal of annual P/E) | | 2.37% | 5.35% |
| | | | | |
| Pro forma earnings per share and P/E ratio | If stock dividend from earnings is distributed in full as cash dividend | Pro forma earnings per share | \$ 1.65 | \$ 4.94 |
| | | Pro forma annual return on investment | 2.45% | 5.79% |
| | If no stock dividend from capital reserve is distributed | Pro forma earnings per share | \$ 1.75 | \$ 4.97 |
| | | Pro forma annual return on investment | 2.59% | 5.82% |
| | If no stock dividend from capital reserve is distributed, and stock dividend from earnings is distributed in full as cash dividend | Pro forma earnings per share | \$ 1.81 | \$ 5.42 |
| | | Pro forma annual return on investment | 2.68% | 6.35% |

Notes

1. Assumptions of estimated or pro forma data applied on this table are as follows:

(1) The 1998 effective tax rate of 8% is applied for 1999.

(2) The 1999 effective tax rate of 3% is applied for tax rate estimation in 2000. The tax rate is calculated based on the formula: income tax payable/income before tax.

(3) The estimated interest rate is 7.5%.

2. The pro forma earnings per share if stock dividend from earnings was distributed in full as a cash dividend.

= [Net income – assumed interest accrued from cash dividend * x (1 – tax rate %)] / [The outstanding shares at year-end – shares increased due to the stock dividend from earnings**]

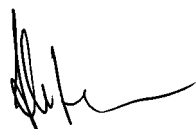
*The capitalized earnings x the annual primary interest rate

**Shares increased by the capitalized earnings of the previous year.

3. The total outstanding number of shares at year-end and shares increased by capital reserve and stock dividend are calculated based on weighted average method.

4. The annual P/E ratio = (The annual average market price of the share) / (earnings per share of the year)

SPECIAL DISCLOSURES



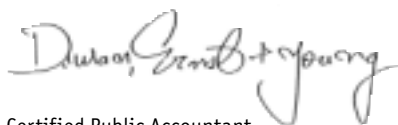
Chairman



CFO



Manager



Certified Public Accountant

OTHER DISCLOSURES

Disclosures of events which may have significant influence on stockholders' equity or stock price, in compliance with Item 2, Paragraph 2 of Article 36 of the Securities and Exchange Law.

a. At the twenty-third board meeting of the seventh-term on May 3, 2000, Vice Chairman John Hsuan was elected as Chairman of UMC. The board meeting passed a resolution to invite Robert H. C. Tsao, the former Chairman, to serve as Chairman of UMC Group to continue to provide strategic guidance and advice to the company.

b. The twenty-eighth board meeting of the seventh-term board of directors and supervisors passed a resolution to change the Company's auditing Certified Public Accountants from PricewaterhouseCooper's Albert Hsueh and James Tsai to Diwan, Ernest & Young's James Wang and Thomas Yue, due to management reasons. This change became effective from November 29, 2000.

UMC 2000 ANNUAL REPORT

SUPPLEMENTARY INFORMATION

SUPERVISORS' REPORT OF UNITED MICROELECTRONICS CORPORATION

STATEMENT OF INTERNAL CONTROL

IMPACT OF DIVIDENDS ON OPERATION RESULTS, EPS AND ROE

SUPERVISORS' REPORT OF UNITED MICROELECTRONICS CORPORATION

The Board of Directors has prepared and submitted to us the Company's 2000 balance sheets, statements of income, changes in stockholders' equity, cash flows and principal property. These statements have been audited by Diwan, Ernst & Young. The financial statements present fairly the financial position of the Company and the results of its operations and the cash flows. We, as the Supervisors of the Company, have reviewed these statements, report of operations and the proposals relating to distribution of net profit. According to the article 219 of Company Law, we hereby submit this report.

United Microelectronics Corporation

Supervisors:



Felix S.T. Chen



Ming-Jan Chen

March 27, 2001

STATEMENT OF INTERNAL CONTROL

The self-assessment of UMC's internal control was conducted for the year ended December 31, 2000 based on UMC's internal control system. The results are described as follows:

1. UMC acknowledges that the Board of Directors and the management are responsible for establishing, executing and maintaining a sufficient internal control system, which has been already set up. The purposes of the internal control system are to provide a reasonable assurance of achieving the goals of efficiency and effectiveness of the operations, such as profitability, performance and the safeguard of the assets, the reliability of the financial reports and the compliance with the applicable laws and regulations.

2. The internal control system has its inherent constraints, and it could only provide reasonable assurance of achieving the three goals mentioned above no matter how well it has been designed. The effectiveness of the internal control system could be changed due to changes of the environment and the situations. UMC has established an internal control system with the function of self-monitoring which could undertake corrective actions whenever a shortcoming is identified.

3. UMC's assessment of the effectiveness of the design and execution of the internal control system is based on the execution points (the Points). The Points are covered by the guidelines of establishing the public company's internal control system issued by the Securities and Futures Commission of the Ministry of Finance, which specify the judgement items for evaluating the effectiveness of internal control.

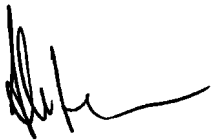
The internal control is divided into five components, based on the process of management control, according to the judgement points for internal control employed by the Items, such as: (1) Control Environment, (2) Risk Assessments, (3) Control Activities, (4) Information and Communication, and (5) Monitoring. Each component consists of certain items, which could be referred to the Items as described.

4. UMC has employed the judgement items mentioned above to evaluate the effectiveness of the design and execution of the internal control system.

5. UMC believes that the effectiveness of the design and execution of its internal control system during the above mentioned assessment period provides reasonable assurance of achieving the goals of the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.

6. The Statement of Internal Control will be an integral part of UMC's annual report and prospectus that are open to the public, and within which any illegal acts, such as misstatement or concealment, would subject to the legal liabilities of Code 20, Code 32, Code 171 and Code 174 of the Securities Exchange Laws.

7. UMC's Board of Directors has approved the Statement of Internal Control (the Statement) on March 27, 2001. Ten directors attended and agreed with the content of the Statement.



UMC Chairman



UMC President

March 27, 2001

IMPACT OF DIVIDENDS ON OPERATION RESULTS, EPS AND ROE

In thousand NTD, except for earnings per share

| In thousand NTD, except for earnings per share | | | 1999 | 2000 | 2001 Est. |
|--|--|---------------------------------------|---------------|---------------|----------------|
| Paid-in capital at Jan.1 of the year | | | \$ 55,418,013 | \$ 66,549,966 | \$ 114,714,519 |
| Dividend | Cash dividend per share | | — | — | — |
| | Stock dividend from earnings per share | | 0.05 | 0.10 | 0.15 |
| | Stock dividend from capital reserve per share | | 0.10 | 0.10 | — |
| Operation results | Operating income | | \$ 5,521,394 | \$ 43,573,127 | \$ 11,330,617 |
| | Increase (decrease) of operating income as % of the previous year | | 1308% | 689% | (74%) |
| | Net income | | \$ 10,497,892 | \$ 50,780,378 | \$ 13,330,968 |
| | Increase (decrease) of net income as % of the previous year | | 138% | 384% | (74%) |
| | Earnings per share | | \$ 1.60 | \$ 4.57 | \$ 1.00 |
| | Increase (decrease) of earnings per share as % of the previous year | | 97% | 186% | (78%) |
| | Annual return on investment (reciprocal of annual P/E ratio) | | 2.37% | 5.35% | 1.87% |
| Pro forma earnings per share and P/E ratio | If stock dividend from earnings is distributed in full as cash dividend | Pro forma earnings per share | \$ 1.65 | \$ 4.94 | \$ 1.05 |
| | | Pro forma annual return on investment | 2.45% | 5.79% | 1.96% |
| | If no stock dividend from capital reserve is distributed | Pro forma earnings per share | \$ 1.75 | \$ 4.97 | \$ 1.00 |
| | | Pro forma annual return on investment | 2.59% | 5.82% | 1.87% |
| | If no stock dividend from capital reserve is distributed, and stock dividend from earnings is distributed in full as cash dividend | Pro forma earnings per share | \$ 1.81 | \$ 5.42 | \$ 1.05 |
| | | Pro forma annual return on investment | 2.68% | 6.35% | 1.96% |

Notes

1. Assumptions of estimated or pro forma data applied on this table are as follows:

(1) The 1998 effective tax rate of 8% is applied for 1999.

(2) The 1999 effective tax rate of 3% is applied for tax rate estimation in 2000. The tax rate is calculated based on the formula: income tax payable/income before tax.

(3) The 2000 estimated tax rate of 9% is applied for tax rate estimation in 2001.

(4) The estimated interest rate is 7.5%.

2. The pro forma earnings per share if stock dividend from earnings was distributed in full as a cash dividend.

= [Net income – assumed interest accrued from cash dividend* x (1 – tax rate %)]/[The outstanding shares at year-end – shares increased due to the stock dividend from earnings**]

*The capitalized earnings x the annual primary interest rate

**Shares increased by the capitalized earnings of the previous year.

3. The total outstanding number of shares at year-end and shares increased by capital reserve and stock dividend are calculated based on weighted average method.

4. The annual P/E ratio = (The annual average market price of the share)/(earnings per share of the year)

5. Paid-in capital at the beginning of the year does not eliminate the effect of the treasury stock.

Chairman

CFO

Manager

Certified Public Accountant

CORPORATE INFORMATION

Spokesman

Jing-Shan Aur

Executive Board Director

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Shareholder Service Representatives are available

Monday through Friday, 8:30a.m. to 6:00p.m.

Eastern time.

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Diwan, Ernst & Young

James Wang, Thomas Yue

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