

UNITED MICROELECTRONICS CORP

Form 6-K

June 27, 2003

1934 Act Registration No. 1-15128

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

Dated June 27, 2003

United Microelectronics Corporation

(Translation of Registrant's Name into English)

No. 3 Li Hsin Road II

Science-Based Industrial Park

Hsinchu, Taiwan, R.O.C.

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(Address of Principal Executive Office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of form 20-F or Form 40-F.)

Form 20-F

Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes

No

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable)

This current report on Form 6-K is hereby incorporated by reference into our Registration Statement on Form F-3 filed with the Commission on January 2, 2002, as amended (File No.333-14256).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

United Microelectronics Corporation

Date: June 27, 2003

By: /s/ Stan Hung

Stan Hung

Chief Financial Officer

UNITED MICROELECTRONICS CORPORATION
UNAUDITED FINANCIAL STATEMENTS
WITH REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2003 AND 2002

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To the Board of Directors and Shareholders of

United Microelectronics Corporation

We have reviewed the accompanying balance sheets of United Microelectronics Corporation as of March 31, 2003 and 2002, and the related statements of income and cash flows for the three-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report on these financial statements based on our reviews. As described in Note 4(6) to the financial statements, certain long-term investments were accounted for under the equity method based on the financial statements of the investees for the three-month periods ended March 31, 2003 and 2002, which were reviewed by other independent accountants. Our reviews insofar as it relates to the investment income amounting to NT\$27 million and NT\$82 million for the three-month periods ended March 31, 2003 and 2002, respectively, and the related long-term investment balances of NT\$4,316 million and NT\$4,383 million as of March 31, 2003 and 2002, respectively, is based solely on the review reports of the other independent accountants.

We conducted our reviews in accordance with the Statements of Auditing Standards No. 36, "Review of Financial Statements", of the Republic of China. A review is limited primarily to applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, we are not aware of any material modifications or adjustments that should be made to the financial statements referred to above in order for them to be in conformity with accounting principles generally accepted in the Republic of China.

April 16, 2003

Taipei, Taiwan

Republic of China

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION

UNAUDITED BALANCE SHEETS

March 31, 2003 and 2002

(Expressed in Thousands of New Taiwan Dollars)

| Assets | Notes | As of March 31, | |
|---|--------------|--------------------|--------------------|
| | | 2003 | 2002 |
| Current assets | | | |
| Cash and cash equivalents | 2,4(1) | \$ 58,570,264 | \$ 60,812,323 |
| Marketable securities, net | 2,4(2) | 2,840,920 | 49,900 |
| Notes receivable | 4(3) | 99,233 | 98,623 |
| Notes receivable related parties | 5 | 72,653 | 97,557 |
| Accounts receivable, net | 2,4(4) | 4,641,119 | 2,594,918 |
| Accounts receivable related parties, net | 2,5 | 7,566,339 | 4,307,362 |
| Other receivables | 2 | 963,257 | 551,674 |
| Other receivables related parties | 2,5 | 193,507 | 26,865 |
| Inventories, net | 2,4(5) | 8,147,585 | 6,532,628 |
| Prepaid expenses | | 459,754 | 600,754 |
| Deferred income tax assets | 2,4(16) | 2,233,659 | 3,507,296 |
| Total current assets | | 85,788,290 | 79,179,900 |
| Funds and long-term investments | | | |
| | 2,4(6) | | |
| Long-term investments accounted for under the equity method | | 45,215,567 | 39,539,277 |
| Long-term investments accounted for under the cost method | | 15,496,828 | 18,099,517 |
| Total funds and long-term investments | | 60,712,395 | 57,638,794 |
| Property, plant and equipment | | | |
| | 2,4(7),5,6,7 | | |
| Land | | 1,618,731 | 1,639,376 |
| Buildings | | 12,312,057 | 11,806,322 |
| Machinery and equipment | | 234,222,275 | 202,577,053 |
| Transportation equipment | | 64,667 | 50,855 |
| Furniture and fixtures | | 1,996,393 | 1,369,770 |
| Leased assets | | 47,783 | 47,783 |
| Leasehold improvements | | 44,930 | 49,530 |
| Total Cost | | 250,306,836 | 217,540,689 |
| Less: Accumulated depreciation | | (128,719,637) | (96,270,582) |
| Plus: Construction in progress and prepayments | | 15,870,299 | 27,571,315 |
| Property, plant and equipment, net | | 137,457,498 | 148,841,422 |

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| | | | |
|--------------------------------|---------|-----------------------|-----------------------|
| Intangible assets | | | |
| Patents | 2 | 15,899 | 27,823 |
| Total Intangible assets | | 15,899 | 27,823 |
| Other assets | | | |
| Assets leased to others | | 167,352 | 221,774 |
| Idle assets | 2 | 14,908 | 25,716 |
| Deposits out | | 828,101 | 521,860 |
| Deferred charges | 2 | 1,836,025 | 2,226,031 |
| Deferred income tax assets | 2,4(16) | 5,781,488 | 4,507,851 |
| Others | | 122,651 | 495,975 |
| Total other assets | | 8,750,525 | 7,999,207 |
| Total assets | | \$ 292,724,607 | \$ 293,687,146 |

| | | As of March 31, | |
|---|--------------|-------------------|-------------------|
| Liabilities and Stockholders' Equity | Notes | 2003 | 2002 |
| Current liabilities | | | |
| Accounts payable | | \$ 2,557,064 | \$ 1,971,463 |
| Accounts payable - related parties | 5 | 454,542 | 551,201 |
| Income tax payable | 2 | 63,281 | 63,281 |
| Accrued expenses | | 3,907,210 | 5,368,908 |
| Other payables | | 5,081,039 | 9,884,587 |
| Current portion of long-term interest-bearing liabilities | 4(9),4(10),5 | 16,031,764 | 6,009,410 |
| Other current liabilities | 7 | 1,973,220 | 1,845,060 |
| Total current liabilities | | 30,068,120 | 25,693,910 |
| Long-term interest-bearing liabilities | | | |
| Bonds payable | 2,4(9) | 34,890,352 | 38,476,440 |
| Long-term loans | 4(10),5 | 7,868,940 | 13,155,198 |
| Total long-term interest-bearing liabilities | | 42,759,292 | 51,631,638 |
| Other liabilities | | | |
| Accrued pension liabilities | 2,4(11) | 1,919,009 | 1,628,222 |
| Capacity deposits and other deposits | 7 | 2,718 | 1,260,453 |
| Deferred credits | 2 | 2,033,610 | 1,729,313 |
| Total other liabilities | | 3,955,337 | 4,617,988 |
| Total liabilities | | 76,782,749 | 81,943,536 |
| Capital | | | |
| Common stock | 4(12) | 154,748,456 | 133,356,954 |
| Capital reserve | | | |
| Premiums | | 41,729,589 | 41,729,589 |
| Gain on disposal of property, plant and equipment | | | 170,473 |

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| | | | |
|---|---------|-----------------------------|-----------------------------|
| Change in equities of long-term investments | | 23,060,047 | 23,098,719 |
| Excess from merger | | 17,152,454 | 17,152,454 |
| Retained earnings | 4(14) | | |
| Legal reserve | | 10,686,225 | 10,686,225 |
| Special reserve | | 631,982 | 2,242,284 |
| Unappropriated earnings | | 9,088,858 | 21,439,852 |
| Adjusting items in stockholders' equity | | | |
| Unrealized loss on long-term investments | 2 | (10,957,875) | (9,446,373) |
| Cumulative translation adjustment | 2 | 707,643 | (120,329) |
| Treasury stock | 2,4(13) | (30,905,521) | (28,566,238) |
| | | <u> </u> | <u> </u> |
| Total stockholders' equity | | 215,941,858 | 211,743,610 |
| | | <u> </u> | <u> </u> |
| | | | |
| Total liabilities and stockholders' equity | | \$ 292,724,607 | \$ 293,687,146 |
| | | <u> </u> | <u> </u> |

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

English Translation of Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION

UNAUDITED STATEMENTS OF INCOME

For the three-month periods ended March 31, 2003 and 2002

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

| | Notes | For the three-month period ended March 31, | |
|---|--------|---|---------------|
| | | 2003 | 2002 |
| Operating revenues | 2,5 | | |
| Sales revenues | | \$ 17,122,049 | \$ 11,436,524 |
| Less : Sales returns and discounts | | (6,668) | (71,500) |
| Net sales | | 17,115,381 | 11,365,024 |
| Other operating revenues | | 783,255 | 793,816 |
| Net operating revenues | | 17,898,636 | 12,158,840 |
| Operating costs | 4(15) | | |
| Cost of goods sold | 5 | (14,460,307) | (10,909,718) |
| Other operating costs | | (697,150) | (608,519) |
| Operating costs | | (15,157,457) | (11,518,237) |
| Gross profit | | 2,741,179 | 640,603 |
| Unrealized intercompany profit | 2 | (69,339) | (38,457) |
| Realized intercompany profit | 2 | 68,558 | 71,419 |
| Net | | 2,740,398 | 673,565 |
| Operating expenses | 4(15) | | |
| Selling expenses | | (265,654) | (200,804) |
| General and administrative expenses | | (510,180) | (933,220) |
| Research and development expenses | | (1,265,260) | (1,991,394) |
| Subtotal | | (2,041,094) | (3,125,418) |
| Operating income (loss) | | 699,304 | (2,451,853) |
| Non-operating income | | | |
| Interest revenue | | 270,725 | 364,629 |
| Investment income accounted for under the equity method | 2,4(6) | | 405,183 |
| Gain on disposal of property, plant and equipment | 2,5 | 50,591 | 1,548 |
| Gain on disposal of investments | | 112,799 | 2,125,379 |
| Exchange gain | 2 | 68,954 | 69,886 |

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| | | | |
|--|---------|-------------------|-------------------|
| Written back of allowance for inventories | 2 | | 187,113 |
| Other income | | 39,558 | 103,993 |
| | | <u> </u> | <u> </u> |
| Subtotal | | 542,627 | 3,257,731 |
| | | <u> </u> | <u> </u> |
| Non-operating expenses | | | |
| Interest expense | 4(7),5 | (290,268) | (424,729) |
| Investment loss accounted for under the equity method | 2,4(6) | (123,998) | |
| Loss on disposal of property, plant and equipment | 2 | (48,337) | (4,849) |
| Loss on decline in market value and obsolescence of inventories | 2 | (305,140) | (75,806) |
| Depreciation and loss on idle assets | 2 | (10,134) | (16,673) |
| Other losses | | (59,722) | (65,513) |
| | | <u> </u> | <u> </u> |
| Subtotal | | (837,599) | (587,570) |
| | | <u> </u> | <u> </u> |
| Income before income taxes | | 404,332 | 218,308 |
| Income tax expenses | 2,4(16) | (1,645) | (2,326) |
| | | <u> </u> | <u> </u> |
| Net income | | \$ 402,687 | \$ 215,982 |
| | | <u> </u> | <u> </u> |
| Earnings per share-basic (in New Taiwan Dollars) | | | |
| | 2,4(17) | | |
| Income before income taxes | | \$ 0.03 | \$ 0.01 |
| | | <u> </u> | <u> </u> |
| Net income | | \$ 0.03 | \$ 0.01 |
| | | <u> </u> | <u> </u> |
| Earnings per share-diluted (in New Taiwan Dollars) | | | |
| | 2,4(17) | | |
| Income before income taxes | | \$ 0.03 | \$ 0.01 |
| | | <u> </u> | <u> </u> |
| Net income | | \$ 0.03 | \$ 0.01 |
| | | <u> </u> | <u> </u> |
| Pro forma information on earnings as if subsidiaries investment in the Company is not treated as treasury stock | | | |
| | 2,4(17) | | |
| Net income | | \$ 402,687 | \$ 215,982 |
| | | <u> </u> | <u> </u> |
| Earnings per share-basic (in New Taiwan Dollars) | | \$ 0.03 | \$ 0.01 |
| | | <u> </u> | <u> </u> |
| Earnings per share-diluted (in New Taiwan Dollars) | | \$ 0.03 | \$ 0.01 |
| | | <u> </u> | <u> </u> |

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

English Translation of Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION

UNAUDITED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31, 2003 and 2002

(Expressed in Thousands of New Taiwan Dollars)

| | For the three-month period ended March 31, | |
|---|---|-------------|
| | 2003 | 2002 |
| Cash flows from operating activities: | | |
| Net income | \$ 402,687 | \$ 215,982 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 8,845,036 | 8,066,199 |
| Amortization | 318,977 | 628,739 |
| Bad debts expense | 58,249 | 20,954 |
| Loss on decline in market value and obsolescence of inventories (written back of allowance for inventories) | 305,140 | (111,307) |
| Long-term investment loss (income) accounted for under the equity method | 123,998 | (405,183) |
| Gain on disposal of investments | (112,799) | (2,125,379) |
| (Gain) loss on disposal of property, plant and equipment | (2,254) | 3,301 |
| Depreciation and loss on idle assets | 10,134 | 16,673 |
| Exchange gain on long-term loans | (6,110) | (131,732) |
| Changes in assets and liabilities: | | |
| Notes receivable | (86,515) | 19,512 |
| Accounts receivable | (3,040,989) | 95,069 |
| Other receivables | 268,565 | 103,503 |
| Inventories | (760,447) | (1,231,187) |
| Prepaid expenses | 267,715 | 136,620 |
| Accounts payable | 350,065 | 171,120 |
| Accrued expenses | 516,473 | (293,929) |
| Other current liabilities | (13,038) | (92,144) |
| Other payables | | 2,671,762 |
| Compensation interest payable | 19,861 | 19,881 |
| Capacity deposit | (1,070) | (308,061) |
| Accrued pension liabilities | (15,150) | 119,259 |
| Net cash provided by operating activities | 7,448,528 | 7,589,652 |
| Cash flows from investing activities: | | |
| (Increase) decrease in marketable securities, net | (370,120) | 1,048,270 |
| Acquisition of long-term investments | (4,861,576) | (59,296) |
| Proceeds from disposal of long-term investments | 386,163 | 2,228,014 |
| Acquisition of property, plant and equipment | (2,826,577) | (4,569,125) |
| Proceeds from disposal of property, plant and equipment | 149,526 | 42,109 |
| Increase in deferred charges | (92,088) | (97,802) |
| (Increase) decrease in deposits-out, net | (6,761) | 3,157 |

| | | |
|---------------------------------------|--------------------|--------------------|
| Net cash used in investing activities | <u>(7,621,433)</u> | <u>(1,404,673)</u> |
|---------------------------------------|--------------------|--------------------|

English Translation of Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION

UNAUDITED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31, 2003 and 2002

(Expressed in Thousands of New Taiwan Dollars)

| | For the three-month period ended March 31, | |
|---|---|-----------------------------|
| | 2003 | 2002 |
| (continued) | | |
| Cash flows from financing activities: | | |
| Decrease in short-term loans, net | \$ (100,000) | \$ |
| Repayment of long-term loans | (1,858,217) | (1,712,263) |
| Increase in deposits-in, net | 20 | 709 |
| Purchase of treasury stock | (1,777,653) | (2,178,288) |
| | <u> </u> | <u> </u> |
| Net cash used in financing activities | (3,735,850) | (3,889,842) |
| | <u> </u> | <u> </u> |
| Net (decrease) increase in cash and cash equivalents | (3,908,755) | 2,295,137 |
| Cash and cash equivalents at beginning of period | 62,479,019 | 58,517,186 |
| | <u> </u> | <u> </u> |
| Cash and cash equivalents at end of period | \$ 58,570,264 | \$ 60,812,323 |
| | <u> </u> | <u> </u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 86,365 | \$ 182,608 |
| | <u> </u> | <u> </u> |
| Cash paid for income taxes | \$ 20,128 | \$ 25,931 |
| | <u> </u> | <u> </u> |
| Investing activities partially paid by cash: | | |
| Acquisition of property, plant and equipment | \$ 891,708 | \$ 1,888,439 |
| Add: Payable at beginning of period | 7,015,908 | 9,893,511 |
| Less: Payable at end of period | (5,081,039) | (7,212,825) |
| | <u> </u> | <u> </u> |
| Cash paid for acquiring property, plant and equipment | \$ 2,826,577 | \$ 4,569,125 |
| | <u> </u> | <u> </u> |

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

UNITED MICROELECTRONICS CORPORATION

NOTES TO UNAUDITED FINANCIAL STATEMENTS

March 31, 2003 and 2002

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

1. HISTORY AND ORGANIZATION

United Microelectronics Corporation (United Microelectronics or the Company) was incorporated in May 1980 and commenced operations in April 1982. The Company's major business activity is providing dedicated semiconductor wafer foundry services. The Company provides a variety of services to fit individual customer's needs, including intellectual property, embedded IC design, design verification, mask tooling, wafer fabrication, and testing. The Company's common shares were publicly listed on the Taiwan Stock Exchange in July 1985 and its American Depository Shares (ADSs) were listed on the New York Stock Exchange in September 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. Summary of significant accounting policies is as follows:

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks on changes in value resulting from 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, convertible bonds or closed-end funds is determined by the average closing price during the last month of the fiscal year. The market value for open-end funds is determined by their equity per unit at the balance sheet date. The amount by which aggregate cost exceeds market value is reported as a loss in the current year. In subsequent periods, recoveries of market value are recognized as a gain to the extent that the market value does not exceed the original aggregate cost of the investment.

Allowance for Doubtful Accounts

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

Inventories

Inventories are recorded at cost when acquired and stated at the lower of aggregate cost, based on the 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 replacement cost while the work in process and finished goods are determined by net realizable values. An allowance for loss on decline in market value and obsolescence is provided, when necessary.

Long-term Investments

Long-term investments are recorded at cost when acquired. Investments acquired by contribution of technological know-how are credited to deferred credits among affiliates, which will be amortized to income over a period of five years.

Investments in less than 20% owned listed and unlisted companies where significant influence on operational decisions of the investees does not reside with the Company, are accounted for by the lower of aggregate cost or market value method and the cost method, respectively. The market value is determined by the average closing price during the last month of the fiscal year and the unrealized loss resulting from the decline in market value of investments that are held for long-term investment purposes is deducted from the stockholders' equity. Impairment losses for the investees will be recognized if an other than temporary impairment is evident.

Investment income or loss from investments in both listed and unlisted companies is accounted for under the equity method provided that the Company owns at least 20% of the outstanding voting shares of the investees and has significant influence on operational decisions of the investees. The difference of the acquisition cost and the underlying equity in the investee's net assets is amortized over five years.

Unrealized intercompany gains and losses are eliminated under the equity method. Profit from sales of depreciable assets between the investee and the Company is amortized and recognized based on the assets' economic service lives. Profit from other types of intercompany transactions is recognized when realized. The increase in the Company's proportionate share in the net assets of its investee resulting from its subscription to additional shares of stock, issued by such investee, at the rate not proportionate to its existing equity ownership in such investee, is credited to a capital reserve account. Any decrease in the Company's proportionate share in the net assets of the investee is debited against the existing balance of the similar capital reserve account, where the credit balance can only be offset to zero. If any excess amount exists, it will be debited against unappropriated retained earnings.

Property, Plant and Equipment

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

Depreciation is provided on the straight-line basis using the economic service lives of the assets less any salvage value. When the economic service lives are completed, property, plant and equipment, which are still in use, are depreciated over the newly estimated remaining useful lives of the salvage value. The economic service lives of the property, plant and equipment are as follows: buildings 20 to 55 years; leased assets and leasehold improvements the lease period, or economic service lives, whichever is shorter; others 5 years.

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated accordingly. When property, plant and equipment are disposed of, their original cost and accumulated depreciation are written off and the related gain or loss is included as non-operating income or expenses. Idle assets are transferred to other assets according to the lower of net book or net realizable value, with the difference charged to non-operating expenses. The corresponding depreciation expenses provided are classified as non-operating expenses also.

Intangible Assets

Patents are stated at cost and amortized over their economic service lives using straight-line method.

Deferred Charges

Deferred charges are stated at cost and amortized on a straight-line basis as follows: intellectual property and technology license fee the term of contract or economic lives of the related technology; software 3 years; and bonds issuance costs over the life of the bonds.

Convertible and Exchangeable 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 convertible 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.

When exchangeable bondholders exercise their rights to exchange for the reference shares, the book value of bonds is to be offset with the book value of the investment in reference shares and the related stockholder's equities accounts, with the difference recognized as gain or loss on

disposal of investments.

Pension Plan

The Company has a funded defined benefit pension plan covering all regular employees and the pension fund is managed by an independently administered pension fund association. The net pension cost is computed based on an actuarial valuation in accordance with the provision of the Statements of Financial Accounting Standards of the Republic of China (ROC SFAS) No. 18, which requires consideration of pension cost components such as service cost, interest cost, expected return on plan assets and amortization of net obligation at transition.

Treasury Stock

The Company adopted the ROC SFAS No. 30, which requires that treasury stock held by the Company itself be accounted for under the cost method. Cost of treasury stock is shown as a deduction to stockholders' equity, while gain or loss of selling treasury stock is treated as an adjustment to capital reserves. The Company's stock held by its subsidiaries is also treated as treasury stock in United Microelectronic's account.

Revenue Recognition

Revenue is recognized when title and liability for risk of loss or damage to the products have been transferred to customers usually upon shipment. Sales returns and discounts taking into consideration customers' complaint and past experience are accrued in the same year of sales. The connected cost is to be deducted from the cost of goods sold.

Capital Expenditures versus Operating Expenditures

An expenditure is treated as an asset when it is probable that future economic benefits associated with the expenditure will flow to the Company, and the total amount exceeds certain level. Otherwise it is charged to expense as incurred.

Translation of Foreign Currency Transactions

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

Income Tax

The Company adopted the ROC SFAS No. 22 Accounting for Income Taxes for inter-period and intra-period income tax allocation. Provision for income tax includes deferred tax resulting from temporary differences and investment tax credits. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.

Income taxes (10%) on unappropriated earnings generated from January 1, 1998 are recorded as expense in the year when the shareholders have resolved that the earnings shall be retained.

According to the ROC SFAS No. 12, the Company recognized the tax benefit from the tax credit incurred at the year equipment acquired, or the year the expenditure arises from research and development.

Earnings Per Share

Earnings per share is calculated according to the ROC SFAS No. 24. Basic earnings per share is computed by dividing net income (loss) by weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by taking basic 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 (loss) would also be adjusted for the interest derived from any underlying dilutive share equivalents. The weighted-average outstanding shares are restated for stock dividends and bonus share issues.

3. ACCOUNTING CHANGE

None.

4. CONTENTS OF SIGNIFICANT ACCOUNTS(1) CASH AND CASH EQUIVALENTS

| | <u>As of March 31,</u> | |
|--|------------------------|----------------------|
| | <u>2003</u> | <u>2002</u> |
| Cash: | | |
| Cash on hand | \$ 1,528 | \$ 1,645 |
| Checking and savings accounts | 1,350,962 | 12,698,223 |
| Certificates of deposit (including credit-linked deposits) | 49,328,461 | 35,780,388 |
| Subtotal | 50,680,951 | 48,480,256 |
| Cash equivalents: | | |
| Commercial paper | 2,403,957 | 2,444,366 |
| Repurchase obligations | 5,485,356 | 9,887,701 |
| Subtotal | 7,889,313 | 12,332,067 |
| Total | \$ 58,570,264 | \$ 60,812,323 |

Please refer to Note 10 for disclosures on risks of credit-linked deposits.

(2) MARKETABLE SECURITIES

| | <u>As of March 31,</u> | |
|---|------------------------|------------------|
| | <u>2003</u> | <u>2002</u> |
| Mutual funds | \$ 10,000 | \$ 10,000 |
| Convertible bonds | 2,840,920 | 39,900 |
| Subtotal | 2,840,920 | 49,900 |
| Less: Allowance for loss on decline in market value | | |
| Net | \$ 2,840,920 | \$ 49,900 |

(3) NOTES RECEIVABLE

| | <u>As of March 31,</u> | |
|------------------|------------------------|-------------|
| | <u>2003</u> | <u>2002</u> |
| Notes receivable | \$ 99,233 | \$ 98,623 |

(4) ACCOUNTS RECEIVABLE, NET

| | <u>As of March 31,</u> | |
|---|------------------------|---------------------|
| | <u>2003</u> | <u>2002</u> |
| Accounts receivable | \$ 4,709,947 | \$ 2,665,767 |
| Less: Allowance for sales returns and discounts | (11,357) | |
| Less: Allowance for doubtful accounts | (57,471) | (70,849) |
| Net | \$ 4,641,119 | \$ 2,594,918 |

(5) INVENTORIES, NET

| | <u>As of March 31,</u> | |
|--|------------------------|---------------------|
| | <u>2003</u> | <u>2002</u> |
| Raw materials | \$ 192,651 | \$ 297,469 |
| Supplies and spare parts | 1,289,114 | 1,146,868 |
| Work in process | 6,636,632 | 4,816,186 |
| Finished goods | 491,677 | 744,476 |
| Subtotal | 8,610,074 | 7,004,999 |
| Less: Allowance for loss on decline in market value and obsolescence | (462,489) | (472,371) |
| Net | \$ 8,147,585 | \$ 6,532,628 |

a. The insurance coverage for inventories was sufficient as of March 31, 2003 and 2002.

b. Inventories were not pledged.

(6) LONG-TERM INVESTMENTS

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

(Equity securities refer to common shares unless otherwise stated)

| Invested Company | As of March 31, | | | |
|--|--|------------|--|------------|
| | 2003 | | 2002 | |
| | Percentage of Ownership or Voting Rights | Amount | Percentage of Ownership or Voting Rights | Amount |
| Investments accounted for under the equity method: | | | | |
| UMC Group (USA) | 100.00 | \$ 469,865 | 100.00 | \$ 510,106 |
| United Foundry Service, Inc. | 100.00 | 92,596 | 100.00 | 89,627 |
| United Microelectronics (Europe) B.V. | 100.00 | 199,830 | | |
| UMC Capital Corporation | 100.00 | 1,022,326 | 100.00 | 345,766 |
| United Microelectronics Corp. (Samoa) | 100.00 | 4,929 | 100.00 | 17,479 |
| Fortune Venture Capital Corporation | 99.99 | 2,990,577 | 99.99 | 3,398,573 |
| Hsun Chieh Investment Co., Ltd. | 99.97 | 10,354,482 | 99.97 | 11,961,021 |
| United Microdisplay Optronics Corp. | 85.00 | 659,722 | | |
| Pacific Venture Capital Co., Ltd. | 49.99 | 307,407 | 49.99 | 352,392 |
| UMCi Pte. Ltd. | 49.74 | 7,014,331 | 49.82 | 7,401,929 |
| UMC Japan | 47.59 | 8,033,040 | 47.10 | 6,623,491 |
| DuPont Photomasks Taiwan Ltd. | 45.51 | 1,126,882 | 46.26 | 1,116,231 |
| Unitech Capital Inc. | 42.00 | 732,911 | | |
| Novatek Microelectronics Corp. | 25.93 | 1,298,692 | 26.70 | 1,081,296 |
| Holtek Semiconductor Inc. | 25.61 | 582,067 | 28.76 | 564,520 |
| Integrated Technology Express Inc. | 24.58 | 325,390 | 28.78 | 353,096 |
| Unimicron Technology Corp. | 23.81 | 3,063,883 | 24.20 | 2,934,283 |
| Applied Component Technology Corp. | 22.57 | 86,541 | 28.15 | 144,014 |
| Faraday Technology Corp. | 19.71 | 609,233 | 20.31 | 455,805 |
| Integrated Telecom Express, Inc. | 16.42 | 583,482 | 16.36 | 740,005 |
| Silicon Integrated Systems Corp. (Note A) | 16.18 | 5,601,339 | | |
| AMIC Technology (Taiwan), Inc. | 13.62 | 56,042 | 13.62 | 73,251 |
| Archtek Telecom Corporation | 13.24 | | | |
| Trecenti Technologies, Inc. | | | 40.00 | 1,376,392 |
| Broadmedia, Inc. | | | 32.60 | |
| Subtotal | | 45,215,567 | | 39,539,277 |

Note A: The Company's investment in Silicon Integrated Systems Corp. (SIS) includes 14,030 thousand Global Depository Shares, of which each representing 10 common shares of SIS, and another 76,136 thousand shares of common stock.

| Invested Company | As of March 31, | | | |
|--|--|---------------|--|---------------|
| | 2003 | | 2002 | |
| | Percentage of Ownership or Voting Rights | Amount | Percentage of Ownership or Voting Rights | Amount |
| Investments accounted for under the cost method or the lower of cost or market value method: | | | | |
| Pacific United Technology, L.P. (Fund) | 25.00 | 34,600 | 25.00 | 34,600 |
| PixTech, Inc. | 17.63 | | 17.63 | 561,080 |
| MediaTek Incorporation | 13.13 | 1,206,670 | 14.27 | 1,259,866 |
| AU Optronics Corp. (Note B) | 11.37 | 6,759,855 | 18.86 | 8,318,624 |
| Sino-Aerospace Investment Corp. | 11.11 | | 11.11 | 25,748 |
| Pacific Technology Partners, L.P. (Fund) | 9.85 | 238,628 | 9.85 | 146,301 |
| Aptos Corp. | 9.68 | 30,302 | 9.68 | 30,302 |
| Vialta, Inc. | 8.90 | 622,835 | | 622,835 |
| United Industrial Gases Co., Ltd. | 8.44 | 146,250 | 8.52 | 146,250 |
| TECO Nanotech Co., Ltd. | 8.05 | | 8.05 | 145,654 |
| Subtron Technology Co., Ltd. | 7.41 | 240,000 | 7.41 | 240,000 |
| Industrial Bank of Taiwan Corp. | 5.00 | 1,150,000 | 5.00 | 1,150,000 |
| TECO Electric & Machinery Co., Ltd. | 4.02 | 1,535,099 | 3.94 | 1,535,298 |
| Billionton Systems Inc. | 3.93 | 30,948 | | |
| Mega Financial Holding Company | 0.83 | 3,108,655 | 3.07 | 3,108,655 |
| Premier Image Technology Corporation | 0.64 | 27,964 | 0.70 | 27,964 |
| SAMPO Corporation | 0.50 | 65,022 | 2.94 | 442,590 |
| National Venture Capital Corp. | | | 11.09 | 60,000 |
| Taiwan High Speed Rail Corporation (Preferred shares) | | 300,000 | | |
| Tonbu, Inc. (Preferred shares) | | | | 243,750 |
| Subtotal | | 15,496,828 | | 18,099,517 |
| Total | | \$ 60,712,395 | | \$ 57,638,794 |

Note B : Among the shares held by the Company in AU Optronics Corp., approximately 139,770 thousand shares with the book value of NT\$2,075 million were utilized as reference shares for the Company's zero coupon exchangeable bonds issued in May 2002.

b. Investment loss or income accounted for under the equity method, which was based on the reviewed financial statements of the investees, were NT\$124 million and NT\$405 million for the three-month periods ended March 31, 2003 and 2002, respectively. Among which, investment income amounting to NT\$27 million and NT\$82 million for the three-month periods ended March 31, 2003 and 2002, respectively, and the related long-term investment balances of NT\$4,316 million and NT\$4,383 million as of March 31, 2003 and 2002, respectively, were determined based on the investees' financial statements reviewed by other independent accountants.

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

(7) PROPERTY, PLANT AND EQUIPMENT

a. Total interest expense before capitalization amounted to NT\$431 million and NT\$536 million for the three-month periods ended March 31, 2003 and 2002, respectively.

b. Details of capitalized interest are as follows:

| | For the three-month period ended | |
|-------------------------------------|----------------------------------|--------------------|
| | March 31, | |
| | 2003 | 2002 |
| Machinery and equipment | \$ 137,297 | \$ 111,060 |
| Other property, plant and equipment | 3,178 | 701 |
| Total interest capitalized | \$ 140,475 | \$ 111,761 |
| Interest rates applied | 3.30~3.39% | 3.46%~3.83% |

c. The insurance coverage for property, plant and equipment was sufficient as of March 31, 2003 and 2002.

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

(8) SHORT-TERM LOANS

The Company's unused short-term lines of credits amounted to NT\$15,468 million and NT\$16,796 million as of March 31, 2003 and 2002, respectively.

(9) BONDS PAYABLE

| | As of March 31, | |
|----------------------------------|-----------------|--------------|
| | 2003 | 2002 |
| Secured domestic bonds payable | \$ 2,850,001 | \$ 3,990,000 |
| Unsecured domestic bonds payable | 25,000,000 | 25,000,000 |
| Euro convertible bonds payable | 10,526,544 | 10,602,144 |
| Exchangeable bonds payable | 8,180,350 | |
| Compensation interest payable | 103,253 | 24,296 |

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| | | |
|-----------------------|----------------------|----------------------|
| Subtotal | 46,660,148 | 39,616,440 |
| Less: Current portion | (11,769,796) | (1,140,000) |
| Net | <u>\$ 34,890,352</u> | <u>\$ 38,476,440</u> |

- a. On April 27, 2000, the Company issued five-year secured bonds amounting to NT\$3,990 million with stated interest rate of 5.6%. The bonds are repayable in installments every six months from April 27, 2002 to April 27, 2005.

- b. During the period from April 16 to April 27, 2001, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, with face value of NT\$7,500 million, and stated interest rates of 5.1850% through 5.1195% and 5.2850% through 5.2170%, respectively. The five-year bonds and seven-year bonds are repayable starting from April 2004 to April 2006 and April 2006 to April 2008, respectively, both in three yearly installments at the rates of 30%, 30% and 40%.
- c. During the period from October 2 to October 15, 2001, the Company issued three-year and five-year unsecured bonds totaling NT\$10,000 million, each with face value of NT\$5,000 million, and with stated interest rates of 3.3912% through 3.420% and 3.4896% through 3.520%, respectively. The three-year bonds and five-year bonds are repayable in October 2004 and October 2006, respectively, upon the maturity of the bonds.
- d. On December 12, 2001, the Company issued zero coupon convertible bonds amounting to US\$302.4 million on the Luxembourg Stock Exchange (LSE). The terms and conditions of the bonds are as follows:
 - (a) Final Redemption

Unless previously redeemed, repurchased, cancelled or converted, the bonds will be redeemed at 101.675% of their principal amount on March 1, 2004.

- (b) Redemption at the Option of the Company

The Company may redeem all, but not some only, of the bonds, subject to giving no less than 30 nor more than 60 days advance notice, at the early redemption amount, provided that:

- i. On or at any time after June 13, 2003, the closing price of the ADSs on the New York Stock Exchange or other applicable securities exchange on which the ADSs are listed on any ADS trading day for 20 out of 30 consecutive ADS trading days ending at any time within the period of five ADS trading days prior to the date of the redemption notice shall have been at least 130% of the conversion price or last adjusted conversion price, as the case may be, on each such day, or
 - ii. At any time prior to maturity at least 90% in principal amount of the bonds have already been redeemed, repurchased, cancelled or converted.
- (c) Conversion Period
 - i. In respect of the Shares, on or after January 22, 2002 up to and including February 20, 2004 or
 - ii. In respect of the ADSs, on or after the later of January 22, 2002 and the date on which the shelf registration statement covering resales of certain ADSs issuable upon conversion of the bonds has been declared effective by the US SEC, up to and including February 20, 2004.

(d) Conversion Price

The conversion price

- i. In respect of the Shares, will be NT\$69.60 per Share, and
- ii. In respect of the ADSs, will be US\$10.098 per ADS.

The applicable conversion price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, including Shares represented by ADSs, bonus issues, right issues, distributions of cash and stock dividends and other dilutive events.

- e. On May 10, 2002, the Company issued LSE listed zero coupon exchangeable bonds exchangeable for common shares or ADSs of AU Optronics Corp. (AU) with an aggregate principal amount of US\$235 million. The terms and conditions of the bonds are as follows:

(a) Final Redemption

Unless previously redeemed, exchanged or purchased and cancelled, the bonds will be redeemed at their principal amounts in US dollars on May 10, 2007.

(b) Redemption at the Option of the Company

The Company may redeem the bonds, in whole or in part, in principal amount thereof, on or after August 10, 2002 and prior to May 10, 2007 at their principal amount, if the market price of the AU common shares, translated into US dollars at the prevailing exchange rate, for a period of 20 consecutive trading days, the last of which occurs not more than 10 days prior to the date upon which notice of such redemption is published, is at least 120% of the exchange price then in effect translated into US dollars at the rate of NT\$34.645=US\$1.00.

The Company may also redeem the bonds, in whole, but not in part, at their principal amount if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

(c) Redemption at the Option of Bondholders

The Company will, at the option of the holders, redeem such bonds on February 10, 2005 at its principal amount.

(d) Tax Redemption

The Company may redeem all, but not part, of the bonds, at any time at their principal amount in US dollars, in the event of certain changes in the ROC's tax rules which would require the Company to gross up for payments of principal, or to gross up for payments of interest or premium, if any, at a rate exceeding 20%.

(e) Exchange

Subject to prior permitted redemption and as otherwise provided in the offering, the bonds are exchangeable at any time on or after June 19, 2002 and prior to April 10, 2007, into AU shares or AU ADSs at an exchange price of NT\$58.25 per share, determined on the basis of a fixed exchange rate of NT\$34.645=US\$1.00; provided however, that if the exercise date falls within five business days from the beginning of, and during, any closed period, the right of the exchanging holder of the bonds to vote with respect to the shares it receives will be subject to certain restriction.

The exchange price will be subject to adjustment upon the occurrence of certain events including free distribution of AU common shares by AU; subdivision, consolidation or reclassification of AU common shares, distribution of stock dividends by AU, right issues and other dilutive events.

(10) LONG-TERM LOANS

| | As of March 31, | |
|-----------------------|-----------------|---------------|
| | 2003 | 2002 |
| Secured bank loans | \$ 12,130,908 | \$ 18,024,608 |
| Less: Current portion | (4,261,968) | (4,869,410) |
| Net | \$ 7,868,940 | \$ 13,155,198 |
| Interest rates | 1.94%~3.35% | 2.69%~4.00% |

- a. The above long-term loans will be repaid in installments with the last payment on May 14, 2009.
- b. The Company's long-term loans denominated in foreign currency amounted to US\$97million and US\$154 million as of March 31, 2003 and 2002, respectively.
- c. Please refer to Note 6 for assets pledged for long-term loans.

(11) PENSION FUND

The net pension cost recognized for the three-month periods ended March 31, 2003 and 2002 was NT\$6 million and NT\$142 million, respectively, and the balances of the pension fund deposited at the Central Trust of China as of March 31, 2003 and 2002 were NT\$774 million and NT\$670 million, respectively.

(12) CAPITAL STOCK

- a. As of March 31, 2003, 22,000,000,000 common shares were authorized to be issued and 15,474,845,646 common shares were issued, each at par of NT\$10.
- b. The Company has issued 173,693 thousand ADSs as of March 31, 2003. The number of common shares represented by the ADSs is 868,467 thousand shares.
- c. On September 11, 2002, the Company was authorized by the relevant government authorities to issue Employee Stock Options. The total number of options to be granted under the plan is one billion units, with each unit entitling the optionee to subscribe for one share of the Company's common stock. Settlement upon the exercise of the stock options will be made through the issuance of new shares by the Company. The grant period for options is six years and an optionee may exercise his/her options in accordance with certain schedules as prescribed by the plan starting from two years after the grant. Detailed information relevant to the Employee Stock Options is disclosed as follows:

| <u>Date of grant</u> | <u>Total number of options granted (in thousands)</u> | <u>Total number of options outstanding (in thousands)</u> | <u>Exercise price (in NTD)</u> |
|----------------------|---|---|------------------------------------|
| October 7, 2002 | 939,000 | 909,157 | \$ 20.0 |
| January 3, 2003 | 61,000 | 55,780 | \$ 22.5 |

(13) TREASURY STOCK

The Company bought back its own shares from the open market. Details of the treasury stock transactions are as follows:

(In thousand shares)

| <u>Purpose</u> | <u>As of</u> | | | <u>As of</u> |
|---|------------------------|-----------------|-----------------|-----------------------|
| | <u>January 1, 2003</u> | <u>Increase</u> | <u>Decrease</u> | <u>March 31, 2003</u> |
| For transfer to employees | 86,539 | 85,450 | | 171,989 |
| For conversion of the convertible bonds into shares | 149,728 | | | 149,728 |
| Total shares | 236,267 | 85,450 | | 321,717 |

According to Stock Exchange Regulations of Taiwan, total shares of treasury stock shall not exceed 10% of the Company's stock issued. Total purchase amount shall not exceed sum of retained earnings and capital reserve-premiums and realized capital reserve. As such, the maximum number of shares of treasury stock that the Company can hold as of March 31, 2003 is 1,547,485 thousand shares while the ceiling of the amount is NT\$54,125 million. As of March 31, 2003, the Company held 321,717 thousand shares of treasury stock, which amounted to NT\$10,596 million.

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

As of March 31, 2003, the Company's subsidiaries, Hsun Chieh Investment Co., Ltd. and Fortune Venture Capital Corporation, held 484,045 thousand shares and 17,633 thousand shares of the Company's stock, with a book value of NT\$20.27 and NT\$9.75 per share, respectively. As of March 31, 2003, the market value per share was NT\$20.27.

(14) RETAINED EARNINGS

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

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items a and b as a legal reserve;
- d. Set aside 0.1% of the remaining amount after deducting items a, b, and c as directors' and supervisors' remuneration;
- e. After deducting items a, b, and c above from the current year's earnings, any portion of the remaining amount together with the prior years' unappropriated earnings is to be allocated as follows: no less than 5% as employees' bonus which will be settled through issuance of new shares of the Company; and
- f. The distribution of the remaining portion, if any, will be recommended by the board of directors and approved by the shareholders meeting.

The Company's Articles of Incorporation further provides that at least 50% of the dividends to the Company's shareholders, if any, must be paid in the form of stock dividends. Accordingly, no more than 50% of the dividends can be paid in the form of cash.

Details of the distribution of 2002 dividends and employees' bonus recommended by the board of directors on March 25, 2003 and the distribution of 2001 dividends and employees' bonus approved by the shareholders' meeting on June 3, 2002 were as follows:

| | <u>2002</u> | <u>2001</u> |
|--|-------------|-------------|
| Cash dividends per share (in NTD) | \$ | \$ |
| Stock dividends per share (in NTD) | 0.4 | 1.5 |
| Employees' cash bonus (in thousand NTD) | | |
| Employees' stock bonus (in thousand NTD) | 579,727 | 1,711,320 |

(15) OPERATING COSTS AND EXPENSES

The Company's personnel, depreciation, and amortization expenses are summarized as follows:

| | <u>For the three-month period ended March 31,</u> | | | | | |
|--------------------------------|---|---------------------------|--------------|------------------------|---------------------------|--------------|
| | <u>2003</u> | | | <u>2002</u> | | |
| | <u>Operating costs</u> | <u>Operating expenses</u> | <u>Total</u> | <u>Operating costs</u> | <u>Operating expenses</u> | <u>Total</u> |
| Personnel expenses | | | | | | |
| Salaries | \$ 1,187,587 | \$ 358,100 | \$ 1,545,687 | \$ 964,797 | \$ 375,571 | \$ 1,340,368 |
| Personnel and health insurance | 79,568 | 23,352 | 102,920 | 60,901 | 28,897 | 89,798 |
| Pension | (32,117) | 37,873 | 5,756 | 92,410 | 49,118 | 141,528 |
| Other personnel expenses | 7,870 | 2,582 | 10,452 | 11,241 | 4,201 | 15,442 |
| Depreciation | 8,388,050 | 456,986 | 8,845,036 | 7,661,698 | 404,501 | 8,066,199 |
| Amortization | 40,385 | 234,636 | 275,021 | 51,180 | 537,362 | 588,542 |

The numbers of employees as of March 31, 2003 and 2002 were 8,788 and 8,757, respectively.

(16) INCOME TAX

Reconciliation between the income tax expense and the income tax calculated on pre-tax financial income based on the statutory tax rate is as follows:

| | For the three-month period ended March 31, | |
|---|---|-----------------|
| | 2003 | 2002 |
| Tax on pre-tax income at statutory tax rate | \$ 101,083 | \$ 54,577 |
| Estimated temporary and permanent differences | 16,877 | (654,018) |
| Change in investment tax credit | 997,637 | (1,767,151) |
| Change in valuation allowance for deferred tax assets | (1,115,597) | 2,366,592 |
| Tax on interest revenue separately taxed | 1,645 | 2,326 |
| Income tax expense | \$ 1,645 | \$ 2,326 |

Deferred income tax assets and liabilities were as follows:

| | As of March 31, | |
|---|---------------------|---------------------|
| | 2003 | 2002 |
| Deferred income tax assets current | \$ 7,649,939 | \$ 6,832,108 |
| Deferred income tax liabilities current | (246,627) | (75,280) |
| Valuation allowance for deferred tax assets | (5,169,653) | (3,249,532) |
| Net | \$ 2,233,659 | \$ 3,507,296 |
| Deferred income tax assets noncurrent | \$ 18,308,400 | \$ 18,631,746 |
| Deferred income tax liabilities noncurrent | (5,440,000) | (4,461,123) |
| Valuation allowance for deferred tax assets | (7,086,912) | (9,662,772) |
| Net | \$ 5,781,488 | \$ 4,507,851 |

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

| | As of March 31, | | | |
|---|-----------------|---------------------|-----------------|---------------------|
| | 2003 | | 2002 | |
| | Amount | Tax effect | Amount | Tax effect |
| Current items: | | | | |
| Temporary difference | | | | |
| Unrealized exchange gain | \$ (986,509) | \$ (246,627) | \$ (301,119) | \$ (75,280) |
| Amortization of organization cost | 412 | 103 | 90,866 | 22,717 |
| Allowance for loss on decline in market value and obsolescence of inventories | 462,490 | 115,622 | 472,371 | 118,093 |
| Allowance for sales returns and discounts | 356,963 | 89,241 | 48,607 | 12,152 |
| Others | 161,407 | 40,352 | 38,457 | 9,614 |
| Loss carryforward | 7,821,000 | 1,955,250 | 13,666,452 | 3,420,000 |
| Investment tax credits | | 5,449,371 | | 3,249,532 |
| Valuation allowance | | (5,169,653) | | (3,249,532) |
| Net | | \$ 2,233,659 | | \$ 3,507,296 |
| Non-current items: | | | | |
| Temporary difference | | | | |
| Depreciation | \$ (21,759,998) | \$ (5,440,000) | \$ (17,837,568) | \$ (4,459,392) |
| Pension | 1,807,268 | 451,817 | 1,516,480 | 379,120 |
| Others | 10,830 | 2,707 | 16,679 | 4,169 |
| Loss carryforward | 7,224,502 | 1,806,126 | 4,422,679 | 1,102,283 |
| Investment tax credits | | 16,047,750 | | 17,144,443 |
| Valuation allowance | | (7,086,912) | | (9,662,772) |
| Net | | \$ 5,781,488 | | \$ 4,507,851 |

The Company's income tax returns for all fiscal years through 1999 have been 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 four-year income tax exemption periods with respect to income derived from expansion of operations located in Hsinchu Science-Based Industrial Park. The starting date of the exemption period attributable to the expansion in 1999 has not yet been decided by the Company. The other exemption periods will expire in December 2007.

An enterprise earns an investment tax credit for the amount invested in production equipment, research and development expenditure, employee training expenditure and other related costs. This credit may be applied over a period of five years.

As of March 31, 2003, the Company's unused investment tax credit is as follows:

| <u>Expiration Year</u> | <u>Investment tax credits</u> |
|------------------------|-----------------------------------|
| 2003 | \$ 3,974,393 |
| 2004 | 5,899,913 |
| 2005 | 3,393,150 |
| 2006 | 5,946,406 |
| 2007 | 2,283,259 |
| | <u>\$ 21,497,121</u> |

Under the rules of Income Tax Law, operating loss can be carried forward for 5 years. As of March 31, 2003, the unutilized accumulative loss brought forward amounted to NT\$15,046 million, which will expire in 2006 and 2007.

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.

The ending balance of unappropriated earnings available for 2003 appropriation amounted to NT\$8,686 million, of which NT\$64 million was earned prior to January 1, 1998.

As of March 31, 2003, the balance of imputation credit account (ICA) was NT\$92 million. The expected creditable ratio for the appropriation of 2002 retained earnings was 1.07% while the actual creditable ratio for the appropriation of 2001 retained earnings was 1.79%.

(17) EARNINGS PER SHARE

- a. The calculation of basic and diluted earnings per share, for the three-month periods ended March 31, 2003 and 2002, is disclosed as follows:

| | For the three-month period ended March 31, | |
|--|---|-------------------------------------|
| | 2003 | 2002 (retroactively adjusted) |
| | (shares expressed in thousands) | |
| Income before income taxes | \$ 404,332 | \$ 218,308 |
| Net income | 402,687 | 215,982 |
| Effect of dilution: | | |
| Employee stock options | | |
| Adjusted income before income taxes assuming dilution | 404,332 | 218,308 |
| Adjusted net income assuming dilution | 402,687 | 215,982 |
| Weighted average number of shares | 14,726,503 | 14,786,324 |
| Effect of dilution: | | |
| Employee stock options | 37,449 | |
| Adjusted weighted average number of shares assuming dilution | 14,763,952 | 14,786,324 |
| Earnings per share-basic and diluted (in NTD) | | |
| Income before income taxes | \$ 0.03 | \$ 0.01 |
| Net income | \$ 0.03 | \$ 0.01 |

- b. Pro forma information on earnings as if subsidiaries investment in the Company is not treated as treasury stock is set out as follows:

| | For the three-month period ended March 31, 2003 | |
|---|--|------------|
| | Basic | Diluted |
| | (shares expressed in thousands) | |
| Net income | \$ 402,687 | \$ 402,687 |
| Outstanding weighted average shares at beginning | 15,238,579 | 15,238,579 |
| Weighted average treasury stock purchased during the period | (10,397) | (10,397) |
| Weighted average employee stock options accounted for under the treasury stock method | | 37,449 |
| Outstanding weighted average shares | 15,228,182 | 15,265,631 |
| Earnings per share (in NTD) | | |
| Net income | \$ 0.03 | \$ 0.03 |

| | For the three-month period ended March 31, 2002 |
|---|--|
| | Basic and diluted |
| | (shares expressed in thousands) |
| Net income | \$ 215,982 |
| Outstanding weighted average shares at beginning | 15,315,821 |
| Weighted average treasury stock purchased during the period | (22,147) |
| Outstanding weighted average shares | 15,293,674 |
| Earnings per share (in NTD) | |
| Net income | \$ 0.01 |

5. RELATED PARTY TRANSACTIONS

(1) Name and Relationship of Related Parties

| Name of related parties | Relationship with the Company |
|---|---|
| UMC Group (USA) (UMC-USA) | Investee company |
| UMC Japan (UMCJ) | Investee company |
| DuPont Photomasks Taiwan Ltd. (DPT) | Investee company |
| Holtek Semiconductor Inc. (Holtek) | Investee company |
| Faraday Technology Corp. (Faraday) | Investee company |
| MediaTek Incorporation (MediaTek) | The Company is its supervisor |
| Industrial Bank of Taiwan Corp. (IBT) | The Company is its major shareholder |
| Chiao Tung Bank (Chiao Tung) | The Company is its parent company's director and supervisor |
| Shin-Etsu Handotai Taiwan Co., Ltd. (Shin-Etsu) | The Company's investee is its director |

(2) Significant Related Party Transactions

a. Operating revenues

| For the three-month period ended March 31, | |
|--|------|
| 2003 | 2002 |
| | |

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| | <u>Amount</u> | <u>Percentage</u> | <u>Amount</u> | <u>Percentage</u> |
|--------------|----------------------|-------------------|---------------------|-------------------|
| UMC-USA | \$ 7,064,406 | 39 | \$ 4,020,758 | 33 |
| MediaTek | 1,708,418 | 10 | 1,958,637 | 16 |
| Others | 2,931,012 | 16 | 1,801,734 | 15 |
| Total | \$ 11,703,836 | 65 | \$ 7,781,129 | 64 |

The sales to the 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. The collection period for overseas sales was net 45 days for the related parties and third-party customers, while the terms for domestic sales were month-end 30~60 days for both the related parties as well as the third-party customers.

b. Purchases

| | For the three-month period ended March 31, | | | |
|--------------|--|------------|-------------------|------------|
| | 2003 | | 2002 | |
| | Amount | Percentage | Amount | Percentage |
| Shin-Etsu | \$ 536,742 | 13 | \$ 607,758 | 21 |
| Others | 39,861 | 1 | 60,982 | 2 |
| Total | \$ 576,603 | 14 | \$ 668,740 | 23 |

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

c. Notes receivable

| | As of March 31, | | | |
|--------------|------------------|------------|------------------|------------|
| | 2003 | | 2002 | |
| | Amount | Percentage | Amount | Percentage |
| Holtek | \$ 71,432 | 41 | \$ 79,966 | 41 |
| Others | 1,221 | 1 | 17,591 | 9 |
| Total | \$ 72,653 | 42 | \$ 97,557 | 50 |

d. Accounts receivable, net

| | As of March 31, | | | |
|--|-----------------|------------|--------|------------|
| | 2003 | | 2002 | |
| | Amount | Percentage | Amount | Percentage |

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| | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| UMC-USA | \$ 4,262,395 | 35 | \$ 1,901,826 | 28 |
| MediaTek | 1,246,706 | 10 | 1,286,029 | 19 |
| Others | 2,503,081 | 21 | 1,267,968 | 18 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Subtotal | 8,012,182 | 66 | 4,455,823 | 65 |
| | | <u> </u> | | <u> </u> |
| Less: Allowance for sales returns and discounts | (345,606) | | (48,607) | |
| Less: Allowance for doubtful accounts | (100,237) | | (99,854) | |
| | <u> </u> | | <u> </u> | |
| Net | \$ 7,566,339 | | \$ 4,307,362 | |
| | <u> </u> | | <u> </u> | |

e. Other accounts receivable, net

| | As of March 31, | | | |
|---------------------------------------|-------------------|------------|------------------|------------|
| | 2003 | | 2002 | |
| | Amount | Percentage | Amount | Percentage |
| UMCJ | \$ 140,067 | 12 | \$ 318 | |
| Others | 55,658 | 5 | 26,986 | 5 |
| Subtotal | 195,725 | 17 | 27,304 | 5 |
| Less: Allowance for doubtful accounts | (2,218) | | (439) | |
| Net | \$ 193,507 | | \$ 26,865 | |

f. Accounts payable

| | As of March 31, | | | |
|--------------|-------------------|------------|-------------------|------------|
| | 2003 | | 2002 | |
| | Amount | Percentage | Amount | Percentage |
| Shin-Etsu | \$ 436,018 | 14 | \$ 518,333 | 21 |
| Others | 18,524 | 1 | 32,868 | 1 |
| Total | \$ 454,542 | 15 | \$ 551,201 | 22 |

g. Loans

| | For the three-month period ended March 31, 2003 | | | | |
|------------|---|---------|---------------------|---------------|-----------------|
| | Maximum balance | | Ending | Interest | Interest |
| | Amount | Month | balance | rate | expense |
| Chiao Tung | \$ 868,195 | January | \$ 827,347 | 2.07% ~ 3.00% | \$ 4,288 |
| IBT | 783,296 | January | 467,841 | 2.54% ~ 2.89% | 2,022 |
| | | | \$ 1,295,188 | | \$ 6,310 |

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For the three-month period ended March 31, 2002

| | Maximum balance | | Ending | Interest | Interest |
|------------|-----------------|---------|---------------------|---------------|------------------|
| | Amount | Month | balance | rate | expense |
| Chiao Tung | \$ 1,224,575 | January | \$ 1,198,417 | 3.88% ~ 4.00% | \$ 11,963 |
| IBT | 998,750 | January | 953,295 | 3.81% ~ 3.94% | 9,394 |
| | | | <u>\$ 2,151,712</u> | | <u>\$ 21,357</u> |

h. Disposal of property, plant and equipment

For the three-month period ended March 31, 2003

| | Item | Proceeds | Gain |
|------|-------------------------|-------------------|-----------------|
| UMCJ | Machinery and equipment | <u>\$ 140,546</u> | <u>\$ 1,565</u> |

The Company had no significant disposal of property, plant and equipment to related parties for the three-month period ended March 31, 2002.

i. Other transactions

The Company has made several other transactions, including service charges, joint intellectual property development contracts, processing expenditures and commissions etc., with related parties for an approximate total of NT\$56 million and NT\$38 million for the three-month periods ended March 31, 2003 and 2002, respectively.

Among the transactions, the Company has entered into joint intellectual property development contracts, amounting to approximately NT\$1,229 million, with Faraday. As of March 31, 2003, a total amount of NT\$356 million was paid. In addition, the Company has purchased approximately NT\$133 million and NT\$232 million of supplies from DPT during the three-month periods ended March 31, 2003 and 2002, respectively.

6. ASSETS PLEDGED AS COLLATERAL

| | As of March 31, | | Subject of collateral |
|-------------------------|----------------------|----------------------|-----------------------|
| | 2003 | 2002 | |
| Land | \$ 452,915 | \$ 452,915 | Long-term loans |
| Buildings | 2,495,015 | 3,664,502 | Long-term loans |
| Machinery and equipment | 17,360,803 | 28,815,987 | Long-term loans |
| Total | \$ 20,308,733 | \$ 32,933,404 | |

7. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) The Company's unused letters of credit for imports of machinery and equipment were approximately NT\$327 million as of March 31, 2003.
- (2) The Company has entered into contracts, amounting to approximately NT\$15.7 billion, with third parties for rights to use patents registered by the third parties. The contract period is from 1995 to 2011. Royalty payables for the consecutive 5 years starting from April 1, 2003 are approximately NT\$2.7 billion, NT\$1.3 billion, NT\$1.3 billion, NT\$1.2 billion, and NT\$1.3 billion, respectively.
- (3) The Company has signed several construction contracts for the expansion of its factory. As of March 31, 2003, these construction contracts amounted to approximately NT\$1.05 billion and the unaccrued portion of the contracts was approximately NT\$0.2 billion.

- (4) On October 27, 1997, Oak Technology Inc. (Oak) filed a complaint seeking damages of US\$750 million in the Northern District of California alleging that the Company breached a Settlement Agreement entered on July 31, 1997 with respect to a settlement of a dispute between the Company and Oak concerning certain CD ROM controller products made by the Company and a patent owned by Oak. The Company denied Oak s allegations and on December 24, 1997, filed its answer and affirmative defenses refuting Oak s claims. Based on the allegations that it is Oak which has breached the Settlement, the Company simultaneously filed a counterclaim against Oak, seeking damages and a return of the millions paid to Oak under the Settlement. In addition, the Company further seeks a declaration that the Oak patent is invalid and/or unenforceable. Though Oak filed a complaint later with the International Trade Commission (ITC) repeating the allegations made in the District Court, both the ITC and the Court of Appeals for the Federal Circuit issued a ruling affirming that there was no infringement and no violation.

Oak filed enforceable commitments that it would no longer seek recoveries in connection with the Oak patent and accordingly, the District Court concluded there was no longer dispute between Oak and United Microelectronics on the patent and the Company s claim for a declaration of invalidity and unenforceability will be dismissed. The Company intends to continue to defend these matters vigorously. Furthermore, the management does not believe the Oak complaints will have any material adverse impact on the Company s operations and/or financial performance.

- (5) The Company entered into several operating lease contracts for land. Future minimum lease payments under those leases with original maturities, which extend for more than one year as of March 31, 2003, are as follows:

| For the twelve-month period ended | Amount (in billion NTD) |
|-----------------------------------|-------------------------|
| March 31, 2004 | \$0.12 |
| March 31, 2005 | 0.12 |
| March 31, 2006 | 0.12 |
| March 31, 2007 | 0.11 |
| March 31, 2008 | 0.10 |
| April 1, 2008 and thereafter | 0.82 |
| Total | \$1.39 |

- (6) The Company entered into several wafer-processing contracts with its main clients. According to the contracts, the Company shall guarantee processing capacity, while the clients make deposits to the Company. In case the clients orders do not meet the capacity

guaranteed, the client needs to pay the Company penalties.

- (7) As a condition precedent to the making of the loan contemplated by a US\$600 million Amortizing Term Loan Facility Agreement among UMCi Pte. Ltd. (UMCi), a subsidiary of the Company, and several financial institutions, the Company has provided a letter of undertaking to the financial institutions and Citicorp Investment Bank (Singapore) Ltd., the facility agent, to undertake that:
- a. The Company shall continue to own and control, directly or indirectly, a minimum of 40% of the total issued and outstanding shares of UMCi. The Company shall also provide technical support to UMCi and maintain management control with no less than half of the seats of the board of directors.
 - b. The Company shall take necessary actions to ensure UMCi to have at least US\$600 million of issued and paid-in capital in cash by December 31, 2003, to make investments necessary to complete the 300mm fab plant on time, and to meet all the obligations under the Facility Agreement.

8. SIGNIFICANT DISASTER LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENT

None.

10. OTHERS

- (1) Certain comparative amounts have been reclassified to conform to the current period's presentation.

(2) Financial instruments

| | As of March 31, | | | |
|--|-----------------|---------------|---------------|---------------|
| | 2003 | | 2002 | |
| | Book Value | Fair Value | Book Value | Fair Value |
| Financial Assets | | | | |
| Cash and cash equivalents | \$ 58,570,264 | \$ 58,570,264 | \$ 60,812,323 | \$ 60,812,323 |
| Marketable securities | 2,840,920 | 2,854,425 | 49,900 | 93,443 |
| Receivables | 13,536,108 | 13,536,108 | 7,676,999 | 7,676,999 |
| Long-term investments | 60,712,395 | 71,560,954 | 57,638,794 | 140,379,371 |
| Financial Liabilities | | | | |
| Payables | 12,063,136 | 12,063,136 | 17,839,440 | 17,839,440 |
| Bonds payable (current portion included) | 46,660,148 | 47,596,581 | 39,616,440 | 42,085,339 |
| Long-term loans (current portion included) | 12,130,908 | 12,130,908 | 18,024,608 | 18,024,608 |

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

- i. The carrying amounts of short-term financial assets and liabilities (excluding marketable securities) approximate fair values due to their short maturities.
- ii. 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 values.
- iii. The fair value of bonds payable is determined by the market value.
- iv. The carrying value of long-term loans approximates the fair value as the loans bear floating rates.

(3) The Company held several credit-linked deposits principally for the earning of interest income. Details are disclosed as follows:

a. Principal amount in original currency (in thousands)

| Credit-linked deposits referenced to | As of March 31, | |
|--------------------------------------|------------------|------------------|
| | 2003 | 2002 |
| | Principal amount | Principal amount |
| Domestic bonds (in NTD) | \$ 200,000 | \$ |
| Euro convertible bonds (in NTD) | 100,000 | |
| Euro convertible bonds (in USD) | 147,500 | 70,000 |
| Euro convertible bonds (in JPY) | 2,000,000 | 1,000,000 |

b. Credit Risk

The counter parties of the above investments are major international financial institutions. The repayment in full of these deposits is subject to the non-occurrence of one or more credit events, which are referenced to the entities fulfillment of their own obligations as well as repayment of their corporate bonds. Upon the occurrence of one or more of such credit events, the Company may receive nil or less than full amount of these deposits. The Company has undertaken to minimize the credit risk by selecting reference entities with high credit ratings.

c. Liquidity Risk

Though early withdrawal is not allowed for the above credit-linked deposits unless called by the issuer, the anticipated liquidity risk is low as most of the contracts are mature within one year.

d. Market Risk

There is no market risk for the above investments except for the fluctuations in the exchange rates of US dollars and Japanese Yen to NT dollars.

11. ADDITIONAL DISCLOSURES

(1) The followings are the additional disclosures for United Microelectronics and its affiliates pursuant to ROC Securities and Futures Commission requirements:

- a. Loans to others attributed to financial activities as of March 31, 2003: Please see Attachment-1.
- b. The endorsements and guarantees provided to others as of March 31, 2003: Please see Attachment-2.
- c. The ending balance of securities held as of March 31, 2003: Please see Attachment-3.
- d. The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2003: Please see Attachment-4.
- e. Acquisition of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of capital stock for the three-month period ended March 31, 2003: Please see Attachment-5.
- f. Disposal of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of capital stock for the three-month period ended March 31, 2003: Please see Attachment-6.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the three-month period ended March 31, 2003: Please see Attachment-7.
- h. Receivables from related parties exceeding the lower of NT\$100 million or 20 percent of capital stock as of March 31, 2003: Please see Attachment-8.
- i. Related information on investee companies as of March 31, 2003: Please see Attachment-9.
- j. Financial instruments: Please see Note 10.

(2) Investment in Mainland China

None.

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ATTACHMENT- 1 (Loans to others attributed to financial activities as of March 31, 2003) (Amounts in thousand NTD unless otherwise stated)

| Name of the borrowers | Accounts name | The highest balance during the three-month period ended March 31, 2003 | Ending balance | Interest rate | Nature of financing | Yearly amount of sales to (purchase from) the borrower | Reason of lending | Bad debt allowance provided | Collateral | Value of collateral | Cre se the f res bo |
|--|---------------------------------|---|----------------|---------------|---------------------|--|-------------------|-----------------------------|------------|-------------------------|---------------------|
| SA) Employees | Receivable from employees loans | USD 876K | USD 876K | 7.00% | Note 1 | None | Employee loan | | Securities | Higher than loan amount | |
| Infineon Technologies, Asia Pacific Pte Ltd. | Other receivable | USD 55,000K | USD 55,000K | Note 2 | Note 1 | None | Company's loan | | None | N/A | |

Note 1: Need for short-term financing.

Note 2: 1.32%, based on 3-month LIBOR.

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ATTACHMENT-2 (The endorsements and guarantees provided by the Company to others as of March 31, 2003) (Amount in thousand NTD unless otherwise stated)

| No. | Guarantor | Guarantee | Relationship with the Company | Limit of guarantee for such party | The highest outstanding guarantee amount during | | | Ratio of accumulated guarantee amount to net value of the Company | Ceiling of the outstanding guarantee for the respective party |
|------|-----------|-----------|-------------------------------|-----------------------------------|---|--|--|---|---|
| | | | | | the three-month period ended March 31,2003 | Outstanding guarantee amount at March 31, 2003 | Amount of guarantee with collateral placed | | |
| None | | | | | | | | | |

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ATTACHMENT-3 (The ending balance of securities held by the Company as of March 31, 2003) (Amount in thousand NTD unless otherwise stated)

| Types of marketable securities | Name of marketable securities | Relationship of the issuers with the Company | General ledger accounts | March 31, 2003 | | | Market value | Shares as collateral (in thousands) |
|--|---|--|-------------------------|--|------------|------------|--------------|-------------------------------------|
| | | | | Number of shares/ units (in thousands) | Book value | Percentage | | |
| <u>United Microelectronics Corporation</u> | | | | | | | | |
| Convertible bonds | China Development Financial Holding Corporation | None | Short-term investment | 60,000 | 2,052,000 | N/A | 2,068,105 | None |
| Convertible bonds | SpringSoft Inc. | None | Short-term investment | 12,000 | 418,800 | N/A | 416,520 | None |
| Convertible bonds | King Yuan Electronics Co., Ltd. | None | Short-term investment | | 370,120 | N/A | 369,800 | None |
| Stock | UMC Group (USA) | Investee company | Long-term investment | 16,438 | 469,865 | 100.00 | N/A | None |
| Stock | United Foundry Service, Inc. | Investee company | Long-term investment | 2,005 | 92,596 | 100.00 | N/A | None |
| Stock | UMC Capital Corporation | Investee company | Long-term investment | 30,000 | 1,022,326 | 100.00 | N/A | None |
| Stock | United Microelectronics Corp. (Samoa) | Investee company | Long-term investment | 500 | 4,929 | 100.00 | N/A | None |
| Stock | United Microelectronics (Europe) B.V. | Investee company | Long-term investment | 9 | 199,830 | 100.00 | N/A | None |
| Stock | Fortune Venture Capital Corporation | Investee company | Long-term investment | 299,994 | 2,990,577 | 99.99 | N/A | None |
| Stock | Hsun Chieh Investment Co., Ltd. | Investee company | Long-term investment | 1,417,294 | 10,354,482 | 99.97 | N/A | None |
| Stock | United Microdisplay Optronics Corp. | Investee company | Long-term investment | 76,499 | 659,722 | 85.00 | N/A | None |
| Stock | Pacific Venture Capital Co., Ltd. | Investee company | Long-term investment | 30,000 | 307,407 | 49.99 | N/A | None |
| Stock | UMCi Pte. Ltd. | Investee company | Long-term investment | 211,871 | 7,014,331 | 49.74 | N/A | None |
| Stock | UMC Japan | Investee company | Long-term investment | 484 | 8,033,040 | 47.59 | 8,689,087 | None |
| Stock | DuPont Photomasks Taiwan Ltd. | Investee company | Long-term investment | 99,748 | 1,126,882 | 45.51 | N/A | None |
| Stock | Unitech Capital Inc. | Investee company | Long-term investment | 21,000 | 732,911 | 42.00 | N/A | None |
| Stock | Novatek Microelectronics Corp. | Investee company | Long-term investment | 74,911 | 1,298,692 | 25.93 | 4,756,823 | None |
| Stock | Holtek Semiconductor Inc. | Investee company | Long-term investment | 44,854 | 582,067 | 25.61 | 1,088,244 | None |
| Fund | Pacific United Technology, L.P. | None | Long-term investment | | 34,600 | 25.00 | N/A | None |
| Stock | Integrated Technology Express Inc. | Investee company | Long-term investment | 24,111 | 325,390 | 24.58 | 545,033 | None |
| Stock | Unimicron Technology Corp. | Investee company | Long-term investment | 168,930 | 3,063,883 | 23.81 | 2,631,757 | None |
| Stock | Applied Component Technology Corp. | Investee company | Long-term investment | 11,512 | 86,541 | 22.57 | 123,234 | None |
| Stock | Faraday Technology Corp. | Investee company | Long-term investment | 33,710 | 609,233 | 19.71 | 2,684,792 | None |
| Stock | PixTech, Inc. | None | Long-term investment | 9,883 | | 17.63 | 995 | None |
| Stock | Integrated Telecom Express, Inc. | Investee company | Long-term investment | 7,000 | 583,482 | 16.42 | 455,982 | None |
| GDS and stock | Silicon Integrated Systems Corp. | Investee company | Long-term investment | 216,435 | 5,601,339 | 16.18 | 5,438,045 | None |
| Stock | AMIC Technology (Taiwan), Inc. | Investee company | Long-term investment | 16,200 | 56,042 | 13.62 | N/A | None |
| Stock | Archtek Telecom Corporation | Investee company | Long-term investment | 7,100 | | 13.24 | N/A | None |
| Stock | MediaTek Incorporation | The Company is its supervisor | Long-term investment | 60,456 | 1,206,670 | 13.13 | 16,222,169 | None |
| Stock | AU Optronics Corp. | The Company is its director and supervisor | Long-term investment | 455,276 | 6,759,855 | 11.37 | 9,565,354 | None |
| Stock | Sino-Aerospace Investment Corp. | None | Long-term investment | 28,500 | | 11.11 | N/A | None |

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ATTACHMENT-3 (The ending balance of securities held by the Company as of March 31, 2003) (Amount in thousand NTD unless otherwise stated)

| Types of marketable securities | Name of marketable securities | Relationship of the issuers with the Company | General ledger accounts | March 31, 2003 | | | Market value | Shares as collateral (in thousands) |
|--|--|--|-------------------------|--|------------|------------|--------------|-------------------------------------|
| | | | | Number of shares/ units (in thousands) | Book value | Percentage | | |
| <u>United Microelectronics Corporation</u> | | | | | | | | |
| Fund | Pacific Technology Partners, L.P. | None | Long-term investment | | 238,628 | 9.85 | N/A | None |
| Stock | Aptos Corp. | None | Long-term investment | 1,772 | 30,302 | 9.68 | N/A | None |
| Stock | Vialta, Inc. | None | Long-term investment | 8,360 | 622,835 | 8.90 | 116,371 | None |
| Stock | United Industrial Gases Co., Ltd. | None | Long-term investment | 13,185 | 146,250 | 8.44 | N/A | None |
| Stock | TECO Nanotech Co., Ltd. | None | Long-term investment | 19,417 | | 8.05 | N/A | None |
| Stock | Subtron Technology Co., Ltd. | None | Long-term investment | 16,000 | 240,000 | 7.41 | N/A | None |
| Stock | Industrial Bank of Taiwan Corp. | The Company is its major shareholder | Long-term investment | 119,425 | 1,150,000 | 5.00 | N/A | None |
| Stock | TECO Electric & Machinery Co., Ltd. | The Company is its director and supervisor | Long-term investment | 77,069 | 1,535,099 | 4.02 | 845,217 | None |
| Stock | Billionton Systems Inc. | None | Long-term investment | 1,538 | 30,948 | 3.93 | 32,345 | None |
| Stock | Mega Financial Holding Company | The Company is its director and supervisor | Long-term investment | 91,901 | 3,108,655 | 0.83 | 1,505,886 | None |
| Stock | Premier Image Technology Corporation | None | Long-term investment | 2,940 | 27,964 | 0.64 | 141,867 | None |
| Stock | SAMPO Corporation | None | Long-term investment | 5,158 | 65,022 | 0.50 | 60,510 | None |
| Preferred stock | Tonbu, Inc. | None | Long-term investment | 938 | | | N/A | None |
| Preferred stock | Taiwan High Speed Rail Corporation | None | Long-term investment | 30,000 | 300,000 | | N/A | None |
| <u>Hsun Chieh Investment Co., Ltd.</u> | | | | | | | | |
| Stock | Shanghai Fudan Microelectronics Co., Ltd | None | Short-term investment | 7,280 | 20,530 | 1.17 | 20,530 | None |
| Stock | Sigence Inc. | Investee company | Long-term investment | 1,880 | 18,795 | 94.00 | N/A | None |
| Stock | Chariotek Inc. | Investee company | Long-term investment | 2,850 | 28,500 | 47.50 | N/A | None |
| Stock | Afa Technology, Inc. | Investee company | Long-term investment | 2,365 | 20,567 | 47.30 | N/A | None |
| Stock | Star Semiconductor Corp. | Investee company | Long-term investment | 2,203 | 21,659 | 46.82 | N/A | None |
| Stock | Ubit Technology Inc. | Investee company | Long-term investment | 1,990 | 19,900 | 39.80 | N/A | None |
| Stock | VistaPoint, Inc. | Investee company | Long-term investment | 2,852 | 18,294 | 35.65 | N/A | None |
| Stock | UC Fund II | Investee company | Long-term investment | 5,000 | 164,162 | 35.45 | N/A | None |
| Stock | VastView Technology Inc. | Investee company | Long-term investment | 5,210 | 62,215 | 34.73 | N/A | None |
| Stock | Accelerated Communications, Inc. | Investee company | Long-term investment | 10,000 | 99,972 | 33.33 | N/A | None |
| Stock | RiRa Electronics Inc. | Investee company | Long-term investment | 6,499 | 43,355 | 32.50 | N/A | None |
| Stock | United Radiotek Incorporation | Investee company | Long-term investment | 2,937 | 21,796 | 29.37 | N/A | None |
| Stock | Ayuttha Technology Corp. | Investee company | Long-term investment | 2,730 | 40,950 | 27.30 | N/A | None |
| Stock | Wiseware Technology Corporation | Investee company | Long-term investment | 3,750 | 37,500 | 25.00 | N/A | None |
| Stock | High Bandwidth Access, Inc | Investee company | Long-term investment | 7,213 | 43,710 | 20.04 | N/A | None |
| Stock | Giga Solution Tech. Co., Ltd. | The Company is its director | Long-term investment | 8,750 | 105,000 | 19.44 | N/A | None |

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ATTACHMENT - 3 (The ending balance of securities held by the Company as of March 31, 2003) (Amount in thousand NTD unless otherwise stated)

| Name of marketable securities | Relationship of the issuers with the Company | General ledger accounts | March 31, 2003 | | | | Market value (in thousand NTD) |
|---|--|-------------------------|---------------------------------------|------------|------------|--------------------------------|--------------------------------|
| | | | Number of shares/units (in thousands) | Book value | Percentage | Market value (in thousand NTD) | |
| High Investments Co., Ltd. | | | | | | | |
| Harvatek Corp. | Investee company | Long-term investment | 15,774 | 297,073 | 21.24 | 796,152 | |
| Patentop, Ltd. | Investee company | Long-term investment | 720 | 11,688 | 18.00 | N/A | |
| Kits On Line Technology Corp. | The Company is its director | Long-term investment | 3,200 | 38,656 | 16.41 | N/A | |
| Aptos Corp. | None | Long-term investment | 3,000 | 81,774 | 16.39 | N/A | |
| InComm Technologies Co., Ltd. | The Company is its director | Long-term investment | 3,200 | 44,480 | 16.00 | N/A | |
| Advance Materials Corporation | Investee company | Long-term investment | 14,994 | 166,443 | 15.78 | N/A | |
| Everglory Resource Technology Co., Ltd. | None | Long-term investment | 3,700 | 74,000 | 15.14 | N/A | |
| Enovation Group Inc. | None | Long-term investment | 1,148 | 11,809 | 14.34 | N/A | |
| Unimicron Technology Corp. | Investee company to UMC | Long-term investment | 88,440 | 1,566,383 | 12.47 | 1,377,799 | |
| Integrated Photonics, Inc. | None | Long-term investment | 300 | | 11.46 | N/A | |
| SerComm Corporation | Investee company | Long-term investment | 8,367 | 173,513 | 11.13 | 236,587 | |
| Golden Technology Venture Capital Investment Corp. | The Company is its director | Long-term investment | 8,000 | 80,000 | 10.67 | N/A | |
| PrintTek International Inc. | The Company is its director and supervisor | Long-term investment | 3,000 | 30,000 | 10.53 | N/A | |
| NCTU Spring I Technology Venture Capital Investment Corp. | None | Long-term investment | 4,284 | 43,482 | 10.06 | N/A | |
| Archtek Telecom Corporation | Investee company to UMC | Long-term investment | 5,300 | 66,886 | 9.89 | N/A | |
| RF Integration Corporation | The Company is its director | Long-term investment | 3,900 | 98,610 | 9.76 | N/A | |
| Ascend Semiconductor Corp. | The Company is its director and supervisor | Long-term investment | 1,440 | 14,400 | 9.00 | N/A | |
| Union Technology Corporation | None | Long-term investment | 1,800 | 18,000 | 9.00 | N/A | |
| Vialta, Inc. | None | Long-term investment | 8,360 | 625,622 | 8.90 | 116,371 | |
| Fortune Semiconductor Corporation | The Company is its director | Long-term investment | 1,700 | 71,500 | 8.72 | N/A | |
| ProSys Technology Integration, Inc. | None | Long-term investment | 1,200 | 4,258 | 6.70 | N/A | |
| NCTU Spring Venture Capital Co., Ltd. | The Company is its director | Long-term investment | 2,000 | 20,000 | 6.28 | N/A | |
| Faraday Technology Corp. | Investee company to UMC | Long-term investment | 10,085 | 1,198,849 | 5.90 | 803,212 | |
| Advanced Microelectronic Products, Inc. | None | Long-term investment | 7,420 | 126,000 | 5.50 | N/A | |
| Cosmos Technology Venture Capital Investment Corp. | The Company is its director | Long-term investment | 4,000 | 40,000 | 5.03 | N/A | |
| Parawin Venture Capital Corp. | The Company is its director | Long-term investment | 5,000 | 50,000 | 5.00 | N/A | |
| Leadtek Resarch Inc. | None | Long-term investment | 5,707 | 99,875 | 4.78 | 100,363 | |
| Coretronic Corporation | The Company is its director and supervisor | Long-term investment | 14,865 | 276,192 | 4.59 | 378,429 | |
| UMC Japan | Investee company to UMC | Long-term investment | 45 | 777,392 | 4.41 | 805,102 | |

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ATTACHMENT-3 (The ending balance of securities held by the Company as of March 31, 2003) (Amount in thousand NTD unless otherwise stated)

| | | | | March 31, 2003 | | | |
|--|--|-------------------------|---------------------------------------|----------------|------------|--------------|--------------|
| Name of marketable securities | Relationship of the issuers with the Company | General ledger accounts | Number of shares/units (in thousands) | Book | | | Market value |
| | | | | Value | Percentage | Market value | |
| <u>Investment Co., Ltd.</u> | | | | | | | |
| Taiwan Asia Pacific Venture Fund | None | Long-term investment | 115 | 29,295 | 4.15 | | N/A |
| IBT Venture Co. | The Company is its director | Long-term investment | 9,000 | 90,000 | 3.81 | | N/A |
| Ultra Chip Inc. | None | Long-term investment | 2,000 | 38,000 | 3.70 | | N/A |
| Subtron Technology Co., Ltd. | The Company is its director and supervisor | Long-term investment | 7,800 | 99,000 | 3.61 | | N/A |
| United Microelectronics Corporation | Investor company | Long-term investment | 484,045 | 29,592,654 | 3.13 | 9,810,149 | |
| Prokia Technology Co., Ltd. | None | Long-term investment | 4,000 | 48,000 | 3.13 | | N/A |
| Hantek Technology Co., Ltd. | None | Long-term investment | 1,623 | 42,330 | 2.70 | | N/A |
| Integrated Telecom Express, Inc. | Investee company to UMC | Long-term investment | 1,113 | 132,726 | 2.61 | 72,501 | |
| Sheng-Hua Venture Capital Corp. | None | Long-term investment | 5,000 | 50,000 | 2.50 | | N/A |
| Holtek Semiconductor Inc. | Investee company to UMC | Long-term investment | 3,797 | 93,801 | 2.17 | 92,123 | |
| Pixart Imaging Inc. | None | Long-term investment | 780 | 10,140 | 1.95 | | N/A |
| Largan Optoelectronics, Co., Ltd. | The Company is its director | Long-term investment | 1,235 | 79,989 | 1.45 | 252,006 | |
| TECO Nanotech Co., Ltd. | None | Long-term investment | 2,926 | | 1.21 | | N/A |
| Ingenus Corp. | None | Long-term investment | 240 | 29,812 | 0.62 | 12 | |
| Novatek Microelectronics Corp. | Investee company to UMC | Long-term investment | 1,500 | 100,066 | 0.52 | 95,250 | |
| Mega Financial Holding Company | None | Long-term investment | 57,249 | 1,882,974 | 0.52 | 938,088 | |
| King Yuan Electronics Co., Ltd. | None | Long-term investment | 1,600 | 70,000 | 0.35 | 21,128 | |
| Lattice Semiconductor Corporation | None | Long-term investment | 342 | 45,704 | 0.30 | 88,352 | |
| Princeton Technology Corporation | None | Long-term investment | 211 | 9,839 | 0.23 | 10,440 | |
| Averlogic Corporation | None | Long-term investment | 40 | 1,391 | 0.19 | 2,086 | |
| Amkor Technology, Inc. | None | Long-term investment | 218 | 101,696 | 0.13 | 37,964 | |
| Broadcom Communications | None | Long-term investment | 3 | 7,092 | | 1,505 | |
| Chip Express Corporation | None | Long-term investment | 2,667 | 68,198 | | | N/A |
| AEM Technology Inc. | None | Long-term investment | 1,760 | | | | N/A |
| Alpha & Omega Semiconductor Inc. | None | Long-term investment | 1,500 | 46,883 | | | N/A |
| Aurora Systems, Inc. | None | Long-term investment | 550 | 72,226 | | | N/A |
| ChinaYES InfoMedia (Cayman), Inc. | None | Long-term investment | 10,000 | 63,146 | | | N/A |
| Formerica International Holding, Inc. | The Company is its director | Long-term investment | 2,000 | 30,898 | | | N/A |
| ForteMedia, Inc. | None | Long-term investment | 4,000 | 65,000 | | | N/A |
| LightCross, Inc. | None | Long-term investment | 3,896 | 206,880 | | | N/A |
| Linden Technologies, Inc. | None | Long-term investment | 300 | 92,385 | | | N/A |
| NetEmpower Software Technologies, Inc. | None | Long-term investment | 1,500 | | | | N/A |
| Netlogic Microsystems, Inc. | None | Long-term investment | 100 | 3,195 | | | N/A |

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ATTACHMENT - 3 (The ending balance of securities held by the Company as of March 31, 2003) (Amount in thousand NTD unless otherwise stated)

| Name of marketable securities | Relationship of the issuers with the Company | General ledger accounts | Number of shares/units (in thousands) | March 31, 2003 | | | Market value | Shareholder (in thousands) |
|-------------------------------------|--|-------------------------|---------------------------------------|----------------|------------|---------|--------------|----------------------------|
| | | | | Book value | Percentage | | | |
| High Investment Co., Ltd. | | | | | | | | |
| Primarion, Inc. | None | Long-term investment | 500 | 38,816 | | | N/A | |
| SandCraft, Inc. | None | Long-term investment | 450 | 43,063 | | | N/A | |
| Tonbu, Inc. | None | Long-term investment | 2,000 | | | | N/A | |
| Triscend Corp. | None | Long-term investment | 360 | 17,409 | | | N/A | |
| VenGlobal Capital Fund III, L.P. | None | Long-term investment | | 33,195 | | | N/A | |
| Capital Corporation | | | | | | | | |
| UMC Capital (USA) | Investee company | Long-term investment | 200 | USD 234K | 100.00 | | N/A | |
| Corrent Corp. | None | Long-term investment | 1,732 | USD 1,473K | | | N/A | |
| LightCross, Inc. | None | Long-term investment | 649 | USD 1,000K | | | N/A | |
| MaXXan Systems, Inc. | None | Long-term investment | 1,655 | USD 1,000K | | | N/A | |
| Leda Systems, Inc. | None | Long-term investment | 1,600 | USD 2,506K | | | N/A | |
| Virtual Silicon Technology, Inc. | None | Long-term investment | 619 | USD 1,000K | | | N/A | |
| Programmable Silicon Solutions | None | Long-term investment | 216 | USD 540K | | | N/A | |
| Integrated Optics Comm. Corp. | None | Long-term investment | 2,000 | USD 2,000K | | | N/A | |
| Aicent Technology, Inc. | The Company is its director | Long-term investment | 2,000 | USD 1,000K | | | N/A | |
| Spreadtrum Communications, Inc. | The Company is its director | Long-term investment | 1,333 | USD 1,000K | | | N/A | |
| WIS Technologies, Inc. | The Company is its director | Long-term investment | 12,399 | USD 2,000K | | | N/A | |
| Siscon 7, Inc. | The Company is its director | Long-term investment | 1,203 | USD 4,000K | | | N/A | |
| GCT Semiconductor, Inc. | None | Long-term investment | 1,571 | USD 1,000K | | | N/A | |
| Venture Capital Corporation | | | | | | | | |
| Aptos (Taiwan) Corporation | Investee company | Long-term investment | 43,705 | 431,222 | 26.49 | | N/A | |
| Davicom Semiconductor, Inc. | Investee company | Long-term investment | 12,200 | 117,206 | 22.96 | | N/A | |
| Pixart Imaging Inc. | The Company is its director | Long-term investment | 6,530 | 105,409 | 16.32 | | N/A | |
| Thin Film Module, Inc. | The Company is its director and supervisor | Long-term investment | 5,287 | 52,870 | 13.91 | | N/A | |
| Advance Materials Corporation | Investee company | Long-term investment | 12,800 | 142,194 | 13.47 | | N/A | |
| AMIC Technology (Taiwan), Inc. | Investee company to UMC | Long-term investment | 15,259 | 140,130 | 12.83 | | N/A | |
| Urex Precision, Inc. | None | Long-term investment | 2,537 | | 12.68 | | N/A | |
| High Bandwidth Access, Inc | Investee company | Long-term investment | 4,308 | 45,017 | 11.97 | | N/A | |
| Epitech Corporation | The Company is its director and supervisor | Long-term investment | 6,137 | 73,916 | 11.16 | | N/A | |
| Integrated Telecom Express, Inc. | Investee company to UMC | Long-term investment | 4,000 | 334,004 | 9.38 | 260,561 | | |
| Shin-Etsu Handotai Taiwan Co., Ltd. | The Company is its director | Long-term investment | 10,500 | 105,000 | 7.00 | | N/A | |

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ATTACHMENT - 3 (The ending balance of securities held by the Company as of March 31, 2003) (Amount in thousand NTD unless otherwise stated)

| Name of marketable securities | Relationship of the issuers with the Company | General ledger accounts | March 31, 2003 | | | |
|--|--|-------------------------|---------------------------------------|-------------|------------|--------------|
| | | | Number of shares/units (in thousands) | Book value | Percentage | Market value |
| al Corporation | | | | | | |
| Trident Technologies, Inc. | The Company is its director and supervisor | Long-term investment | 1,350 | | 6.75 | N/A |
| ProSys Technology Integration, Inc | None | Long-term investment | 1,200 | 4,258 | 6.70 | N/A |
| Iglobe Partners Fund, L.P. | None | Long-term investment | | 80,603 | 6.30 | N/A |
| Programmable Microelectronics (Taiwan) Corp. | None | Long-term investment | 3,392 | 33,920 | 6.17 | N/A |
| Averlogic Corporation | The Company is its director and supervisor | Long-term investment | 1,148 | 24,820 | 5.58 | 59,840 |
| Vialta, Inc. | None | Long-term investment | 4,180 | 313,205 | 4.45 | 58,186 |
| Archtek Telecom Corporation | Investee company to UMC | Long-term investment | 1,800 | 22,716 | 3.36 | N/A |
| CTS Computer Technology System Corp. | None | Long-term investment | 1,717 | | 2.04 | N/A |
| Monterey Design Systems Inc. | None | Long-term investment | 394 | 34,201 | 1.23 | N/A |
| Crystal Internet Venture Fund II | None | Long-term investment | | 41,757 | 0.99 | N/A |
| Cadence Design Systems, Inc. | None | Long-term investment | 965 | 7,342 | 0.36 | 24,073 |
| United Microelectronics Corporation | Investor company | Long-term investment | 17,633 | 171,857 | 0.11 | 357,375 |
| SpringSoft Inc. | None | Long-term investment | 88 | 1,621 | 0.10 | 6,317 |
| Triscend Corporation | The company is its director | Long-term investment | 3,500 | 469,902 | | N/A |
| Aurora Systems, Inc. | None | Long-term investment | 5,133 | 308,957 | | N/A |
| Systematic Designs International Inc. | None | Long-term investment | 1,300 | | | N/A |
| SiRF Technology Holdings, Inc. | None | Long-term investment | 875 | 119,436 | | N/A |
| Alpha & Omega Semiconductor Inc. | None | Long-term investment | 1,500 | 46,313 | | N/A |
| Velio Communications, Inc. | None | Long-term investment | 110 | 30,817 | | N/A |
| Arcadia Design Systems, Inc. | None | Long-term investment | 162 | 26,204 | | N/A |
| EPIC Technologies Inc. | None | Long-term investment | 23 | | | N/A |
| Rise Technology Inc. | None | Long-term investment | 500 | | | N/A |
| The 3CX U.S.A. | None | Long-term investment | 513 | | | N/A |
| Morgan Stanley Repackage Bond | None | Long-term investment | | ¥2,000,000K | | N/A |

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ATTACHMENT-4 (The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31,2003)

(Amount in thousand NTD unless otherwise stated)

| Name of the securities | Beginning balance | | Addition | | Disposal | | | Gain (Loss) from disposal | Number of shares (in thousands) |
|------------------------------------|---------------------------------|--------------|---------------------------------|-----------|---------------------------------|--------------|--------------|---------------------------|---------------------------------|
| | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Cost | | |
| Electronics Corporation | | | | | | | | | |
| King Yuan Electronics Co., Ltd. | | | | 370,120 | | | | | |
| UMC Japan | 479 | 7,857,204 | 5 | 120,560 | | | | | 484 |
| Silicon Integrated Systems Corp. | 48,483 | 1,267,580 | 167,952 | 4,392,733 | | | | | 216,435 |
| Taiwan High Speed Rail Corporation | | | 30,000 | 300,000 | | | | | 30,000 |
| SAMPO Corporation | 17,773 | 224,044 | | | 12,615 | 179,695 | 159,022 | 20,673 | 5,158 |
| ment Co., Ltd. | | | | | | | | | |
| Novatek Microelectronics Corp. | | | 1,500 | 100,066 | | | | | 1,500 |
| Smart Idea Holding Limited | 6,000 | 205,069 | | | 6,000 | 211,226 | 205,069 | 6,157 | |
| Morgan Stanley Repackage Bond | | ¥ 3,000,000K | | | | ¥ 1,000,000K | ¥ 1,000,000K | | ¥ 1,000,000K |
| Silicon 7, Inc. | | | 1,203 | USD4,000K | | | | | 1,203 |

Note1: The ending balance includes long-term equity investment income of NT\$77,072K, unrealized loss in long-term investment of NT\$(1,945K) and cumulative translation adjustment of NT\$(19,851K).

Note2: The ending balance includes long-term equity investment loss of NT\$(111,910K), investment due to unproportionate changes in ownership of NT\$54,044K, unrealized loss in long-term investment of NT\$(1,107K) and cumulative translation adjustment of NT\$(1K).

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ATTACHMENT - 5 (Acquisition of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the first quarter of 2003) (Amount in thousand NTD unless otherwise stated)

| Properties | Date of transaction | Transaction amount | Status of payment | Counter party | Relationship with the Company | Original owner who sold the property to the counter party | Relationship of the original owner with the Company | Date of the original transaction | Amount of the original transaction | Bases or references used in deciding the price |
|------------------------------|---------------------|--------------------|-------------------|--------------------------------|-------------------------------|---|---|----------------------------------|------------------------------------|--|
| Microelectronics Corporation | 2003.03.04 | 131,031 | not fully paid | Yih Shin Construction Co.,Ltd. | | | | | | cost |

ATTACHMENT - 6 (Disposal of real estate with an amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2003) (Amount in thousand NTD unless otherwise stated)

| | Acquisition date | Transaction | Status of | Gain/Loss on | Relationship | Bases or references |
|---------------------|-------------------|-------------|-----------|---------------|--------------------|----------------------|
| of the properties | of the properties | amount | payment | disposal | with the | used in deciding the |
| Date of transaction | Book value | amount | receiving | disposal | Company | price |
| | | | | | Reason of disposal | |
| | | | | Counter party | | |

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ATTACHMENT-7(Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2003) (Amount in thousand NTD unless otherwise stated)

| Name of related parties transactions | Relationship with the Company | Transactions | | | Notes & accounts receivable (pay) | | |
|--|--|------------------|--------------|--------------------------------|-----------------------------------|--------------|-----------------------|
| | | Purchase (Sales) | Amount | Percentage of purchase (sales) | Term | Balance | Percentage of account |
| United Microelectronics Corporation | | | | | | | |
| MC Group (USA) | Investee company | Sales | 7,064,406 | 39.47 | 45days | 4,262,395 | 33.0 |
| United Microelectronics (Europe) B.V. | Investee company | Sales | 1,241,870 | 6.94 | 45days | 1,195,981 | 9.2 |
| Integrated Technology Express Inc. | Investee company | Sales | 105,017 | 0.59 | 45days | 70,667 | 0.5 |
| Novatek Microelectronics Corp. | Investee company | Sales | 723,195 | 4.04 | 45days | 467,700 | 3.6 |
| Paraday Technology Corp. | Investee company | Sales | 259,495 | 1.45 | 45days | 191,861 | 1.4 |
| MIC Technology (Taiwan) Inc. | Investee company | Sales | 197,504 | 1.10 | 45days | 142,752 | 1.1 |
| MediaTek Incorporation | The Company is its supervisor | Sales | 1,708,418 | 9.54 | 45days | 1,246,706 | 9.6 |
| Chin Etsu Handotai Taiwan Co., Ltd. | The Company's investee is its director | Purchase | 536,742 | 13.49 | 60 ~ 90 days | 436,018 | 14.4 |
| MC Group (USA) | | | | | | | |
| United Microelectronics Corporation | Investor company | Purchase | USD 200,919K | 100.00 | Net 55 Days | USD 122,801K | 100.0 |

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ATTACHMENT-8 (Receivable from related parties exceeding the lower of NT\$100 million or 20 percent of capital stock as of March 31, 2003)
(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 | | |
| <u>United Microelectronics Corporation</u> | | | | | | | | | | |
| UMC Group (USA) | Investee company | | 4,262,395 | 8 | 4,262,403 | 7.49 | | Credit Collecting | 901,374 | 42,540 |
| United Microelectronics (Europe) B.V. | Investee company | | 1,195,981 | | 1,195,981 | 5.71 | 286,002 | Credit Collecting | 363,822 | 14,790 |
| UMC Japan | Investee company | | | 140,067 | 140,067 | | 109 | Credit Collecting | | 1,408 |
| Novatek Microelectronics Corp. | Investee company | | 467,700 | 750 | 468,450 | 6.33 | | Credit Collecting | 8 | 4,673 |
| Holtek Semiconductor Inc. | Investee company | 71,432 | 54,204 | | 125,636 | 2.35 | | Credit Collecting | 38,952 | 542 |
| Faraday Technology Corp. | Investee company | | 191,861 | 6 | 191,867 | 5.27 | 2,070 | Credit Collecting | 9 | 1,935 |
| AMIC Technology (Taiwan) Inc. | Investee company | | 142,752 | 110 | 142,862 | 5.76 | 931 | Credit Collecting | 71 | 1,434 |
| MediaTek Incorporation | The Company is its supervisor | | 1,246,706 | | 1,246,706 | 5.10 | 32,977 | Credit Collecting | 639,532 | 12,770 |

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ATTACHMENT - 9 (Related information on invested companies as of March 31, 2003) (Amount in thousand NTD unless otherwise stated)

| Company | Address | Main business scopes | Initial Investment | | Shares held by the Company | | | The net income (loss) of the investee company |
|--|--|--|--------------------|-------------------|---------------------------------|------------|------------|---|
| | | | Ending balance | Beginning balance | Number of shares (in thousands) | Percentage | Book value | |
| United Microelectronics Corporation | | | | | | | | |
| United Microelectronics Corp. | Sunnyvale, California, USA | IC Sales | USD16,438K | USD16,438K | 16,438 | 100.00 | 469,865 | USD(184,000) |
| United Microelectronics Corp. | Sunnyvale, California, USA | Supervising and monitoring group projects | USD2,005K | USD2,005K | 2,005 | 100.00 | 92,596 | USD39,000 |
| United Microelectronics Corp. | Cayman, Cayman Islands | Investment | USD30,000K | USD30,000K | 30,000 | 100.00 | 1,022,326 | USD(168,000) |
| United Microelectronics Corp. | Apia, Samoa | Investment | USD500K | USD500K | 500 | 100.00 | 4,929 | USD(50,000) |
| United Microelectronics Corp. (Europe) | The Netherlands | IC Sales | USD5,421K | USD5,421K | 9 | 100.00 | 199,830 | USD(328,000) |
| United Microelectronics Corp. Capital Corporation | Taipei, Taiwan | Consulting and planning for investment in new business | 2,999,940 | 2,999,940 | 299,994 | 99.99 | 2,990,577 | (63,400) |
| United Microelectronics Corp. Investment Co., Ltd. | Taipei, Taiwan | Investment | 14,172,940 | 14,172,940 | 1,417,294 | 99.97 | 10,354,482 | 22,600 |
| United Microelectronics Corp. Optonics Corp. | Science-Based Industrial Park, Hsinchu | Sales and manufacturing of LCOS | 764,990 | 764,990 | 76,499 | 85.00 | 659,722 | (50,300) |
| United Microelectronics Corp. Optonics Co., Ltd. | Taipei, Taiwan | Venture capital consultation | 300,000 | 300,000 | 30,000 | 49.99 | 307,407 | (17,700) |
| United Microelectronics Corp. Optonics Co., Ltd. | Singapore | Sales and manufacturing of integrated circuits | USD211,858K | USD212,250K | 211,871 | 49.74 | 7,014,331 | USD(6,958K) |
| United Microelectronics Corp. Optonics Co., Ltd. | Chiba, Japan | Sales and manufacturing of integrated circuits | ¥20,537,634K | ¥20,126,316K | 484 | 47.59 | 8,033,040 | ¥(444,657K) |
| United Microelectronics Corp. Optonics Co., Ltd. | Science-Based Industrial Park, Hsinchu | Manufacturing of photomasks | 773,795 | 773,795 | 99,748 | 45.51 | 1,126,882 | (40,600) |
| United Microelectronics Corp. Optonics Corp. | British Virgin Islands | Investment | USD21,000K | USD21,000K | 21,000 | 42.00 | 732,911 | USD214,000 |
| United Microelectronics Corp. Optonics Corp. | Science-Based Industrial Park, Hsinchu | Sales and manufacturing of integrated circuits | 155,941 | 138,030 | 74,911 | 25.93 | 1,298,692 | 331,700 |
| United Microelectronics Corp. Optonics Corp. | Science-Based Industrial Park, Hsinchu | IC design production and sales | 357,628 | 357,628 | 44,854 | 25.61 | 582,067 | 70,800 |
| United Microelectronics Corp. Optonics Corp. | Science-Based Industrial Park, Hsinchu | Sales and manufacturing of integrated circuits | 205,025 | 205,025 | 24,111 | 24.58 | 325,390 | 75,200 |
| United Microelectronics Corp. Optonics Corp. | Taoyuan, Taiwan | PCB production | 2,592,013 | 2,592,013 | 168,930 | 23.81 | 3,063,883 | 187,200 |
| United Microelectronics Corp. Optonics Corp. | Taipei, Taiwan | IC production sales | 47,013 | 49,284 | 11,512 | 22.57 | 86,541 | (37,500) |
| United Microelectronics Corp. Optonics Corp. | Science-Based industrial Park, Hsinchu | ASIC design and production | 81,032 | 81,032 | 33,710 | 19.71 | 609,233 | 198,500 |
| United Microelectronics Corp. Optonics Corp. | Santa Clara, California, USA | Sales and manufacturing of integrated circuits | USD2,000K | USD2,000K | 7,000 | 16.42 | 583,482 | USD(2,601K) |
| United Microelectronics Corp. Optonics Corp. | Science-Based Industrial Park, Hsinchu | Sales and manufacturing of integrated circuits | 5,660,313 | 1,267,580 | 216,435 | 16.18 | 5,601,339 | (95,900) |
| United Microelectronics Corp. Optonics Corp. (Taiwan) Inc. | Science-Based Industrial Park, Hsinchu | IC design, production and sales | 135,000 | 135,000 | 16,200 | 13.62 | 56,042 | (20,300) |
| United Microelectronics Corp. Optonics Corp. | Taipei, Taiwan | Sales and manufacturing of broadband access products | | | 7,100 | 13.24 | | (42,000) |