

UNITED MICROELECTRONICS CORP

Form 6-K

September 20, 2005

1934 Act Registration No. 1-15128

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# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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## FORM 6-K

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REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

Dated September 15, 2005

For the month of August 2005

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## United Microelectronics Corporation

(Translation of Registrant's Name into English)

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No. 3 Li Hsin Road II

Science Park

Hsinchu, Taiwan, R.O.C.

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(Address of Principal Executive Office)

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(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 )

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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: 9/16/2005

By /s/ Stan Hung

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Stan Hung  
Chief Financial Officer

**Exhibit**

<b>Exhibit</b>	<b>Description</b>
99.1	Announcement on August 16, 2005: Represent subsidiary Company Hsun Chieh Investment Co., Ltd to announce information on disposal of Mega Financial Holding Co., Ltd. securities
99.2	Announcement on August 16, 2005: Represent subsidiary Company Hsun Chieh Investment Co., Ltd to announce information on disposal of Faraday Technology Corp. securities
99.3	Announcement on August 22, 2005: Represent subsidiary Company Hsun Chieh Investment Co., Ltd to announce information on disposal of Unimicron Technology Corp. securities
99.4	Announcement on August 23, 2005: Rambus and UMC expand availability of Rambus PCI Express PHY IP for a broader range of process technologies
99.5	Announcement on August 29, 2005: To announce related materials on acquisition of machinery and equipment
99.6	Announcement on August 30, 2005: To announce related materials on acquisition of machinery and equipment
99.7	Announcement on August 30, 2005: UMC Clarifies Misleading Media Story Regarding Investment Activities
99.8	Announcement on September 6, 2005: Represent subsidiary Company Hsun Chieh Investment Co., Ltd to announce information on disposal of Mega Financial Holding Co., Ltd. securities
99.9	Announcement on September 6, 2005: To announce related materials on acquisition of machinery and equipment
99.10	Announcement on September 7, 2005: To announce related materials on acquisition of machinery and equipment
99.11	Announcement on September 7, 2005: August Revenue
99.12	Announcement on September 9, 2005: The board meeting approved a resolution to change the purpose of the Company's 8th phase of Share Repurchase Program
99.13	Announcement on September 12, 2005: Represent subsidiary Company Hsun Chieh Investment Co., Ltd to announce information on disposal of Unimicron Technology Corp. securities
99.14	Announcement on September 15, 2005: To announce related materials on acquisition of machinery and equipment
99.15	Announcement on September 15, 2005: To announce related materials on acquisition of machinery and equipment
99.16	Announcement on September 15, 2005: 1) the trading and pledge of UMC common shares by directors, supervisors, executive officers and 10% shareholders of UMC 2) the acquisition and disposition of assets by UMC
99.17	United Microelectronics Corporation Financial Statements with Report of Independent Auditors For The Six-Month Periods Ended June 30, 2005 and 2004
99.18	United Microelectronics Corporation and Subsidiaries Unaudited Consolidated Financial Statements with Review Report of Independent Accountants For The Six-Month Period Ended June 30, 2005

**Represent subsidiary Company Hsun Chieh Investment Co., Ltd to announce information on disposal of Mega Financial Holding Co., Ltd. securities**

1. Name of the securities: Common shares of Mega Financial Holding Co., Ltd.
2. Trading date: 2005/07/27~2005/08/16
3. Trading volume, unit price, and total monetary amount of the transaction: trading volume: 14,200,000 shares; average unit price: \$21.37 NTD; total amount: \$303,519,100 NTD
4. Gain (or loss) (not applicable in case of acquisition of securities): Loss of \$145,565,961 NTD
5. Relationship with the underlying company of the trade: None
6. Current cumulative volume, amount, and shareholding percentage of holdings of the security being traded (including the current trade) and status of any restriction of rights (e.g. pledges): cumulative volume: 30,948,683 shares; amount: 978,774,027 NTD; percentage of holdings: 0.27%; status of restriction of rights: no
7. Current ratio of long or short term securities investment (including the current trade) to the total assets and shareholder's equity as shown in the most recent financial statement and the operational capital as shown in the most recent financial statement: ratio of total assets: 83.39%; ratio of shareholder's equity: 83.58%; the operational capital as shown in the most recent financial statement: \$852,073 thousand NTD
8. Concrete purpose/objective of the acquisition or disposal: Financing operation
9. Do the directors have any objections to the present transaction? None
10. Any other matters that need to be specified: None

**Represent subsidiary Company Hsun Chieh Investment Co., Ltd to announce information on disposal of Faraday Technology Corp. securities**

1. Name of the securities: Common shares of Faraday Technology Corp.
2. Trading date: 2005/07/29~2005/08/16
3. Trading volume, unit price, and total monetary amount of the transaction: trading volume: 5,200,000 shares; average unit price: \$61.82 NTD; total amount: \$321,444,300 NTD
4. Gain (or loss) (not applicable in case of acquisition of securities): Loss of \$62,867,610 NTD
5. Relationship with the underlying company of the trade: investee company under equity method
6. Current cumulative volume, amount, and shareholding percentage of holdings of the security being traded (including the current trade) and status of any restriction of rights (e.g. pledges): cumulative volume: 4,885,452 shares; amount: 361,064,881 NTD; percentage of holdings: 1.88%; status of restriction of rights: no
7. Current ratio of long or short term securities investment (including the current trade) to the total assets and shareholder's equity as shown in the most recent financial statement and the operational capital as shown in the most recent financial statement: ratio of total assets: 83.39 %; ratio of shareholder's equity: 83.58 %; the operational capital as shown in the most recent financial statement: \$852,073 thousand NTD
8. Concrete purpose/objective of the acquisition or disposal: Financing operation
9. Do the directors have any objections to the present transaction? None
10. Any other matters that need to be specified: None

**Represent subsidiary Company Hsun Chieh Investment Co., Ltd to announce information on disposal of Unimicron Technology Corp. securities**

1. Name of the securities: Common shares of Unimicron Technology Corp.
2. Trading date: 2005/07/28~2005/08/22
3. Trading volume, unit price, and total monetary amount of the transaction: trading volume: 12,320,000 shares; average unit price: \$25.24 NTD; total amount: \$310,926,850 NTD
4. Gain (or loss) (not applicable in case of acquisition of securities): Gain of \$ 84,691,119 NTD
5. Relationship with the underlying company of the trade: investee company under equity method
6. Current cumulative volume, amount, and shareholding percentage of holdings of the security being traded (including the current trade) and status of any restriction of rights (e.g. pledges): cumulative volume: 79,052,265 shares; amount: 1,435,321,286 NTD; percentage of holdings: 9.06%; status of restriction of rights: no
7. Current ratio of long or short term securities investment (including the current trade) to the total assets and shareholder's equity as shown in the most recent financial statement and the operational capital as shown in the most recent financial statement: ratio of total assets: 82.07 %; ratio of shareholder's equity: 82.25 %; the operational capital as shown in the most recent financial statement: \$852,073 thousand NTD
8. Concrete purpose/objective of the acquisition or disposal: Financing operation
9. Do the directors have any objections to the present transaction? None
10. Any other matters that need to be specified: None

**Rambus and UMC expand availability of RAMBUS PCI Express PHY IP for a broader range of process technologies**

1. Date of occurrence of the event: 2005/08/23

2. Cause of occurrence:

LOS ALTOS, Calif. and HSINCHU, Taiwan August 23, 2005 Rambus Inc. (Nasdaq: RMBS), one of the world's premier technology licensing companies specializing in high-speed chip interfaces and UMC, a world leading semiconductor foundry (NYSE: UMC, TAIEX: 2303), today announced that they have extended the availability of Rambus's patented PCI Express\* PHY cells to UMC's 180nm, 150nm, and 90nm processes. This development expands on the existing 130nm licensing agreement between the two companies, which was signed in 2004.

Under the agreement, UMC foundry customers gain access to Rambus's broad portfolio of PCI Express-based interfaces. The Rambus PCI Express PHY cells have been designed to provide chip developers with a solution that optimizes link utilization, latency, power consumption and silicon footprint. The PCI Express interface standard is one of the industry's most successful for chip-to-chip interconnects and can be found in system applications ranging from supercomputers to PCs and digital TVs.

UMC customers currently in production with Rambus's PCI Express PHY cells include the high-volume PC chipset manufacturers ULi Electronics and the high-volume PC graphics manufacturer XGI Technology, Inc. Rambus PCI Express PHY cells are also in production in various bridge and communication IC products based on the UMC foundry process.

By partnering with UMC, Rambus continues to enable mass adoption for advanced interface technology that results in faster, lower cost, and more capable systems, said Laura Stark, vice president of Rambus's Platform Solutions Group. In addition, the availability of this combined offering helps chip and system developers bring new capabilities to market with lower risk.

We are pleased to expand our licensing agreement with Rambus to make its proven IP solutions available to a broader range of technologies, including our mainstream 90nm process, said Ken Liou, director of UMC's IP and Design Support Division. This agreement allows our customers designing SoCs targeting PCI Express applications to benefit from Rambus's broad offering of PCI Express PHY cells.

3. Countermeasures: none

4. Any other matters that need to be specified: none



**To announce related materials on acquisition of machinery and equipment**

1. Name and nature of the subject matter (e.g. land located at Sublot XX, Lot XX, North District, Taichung City): Machinery and equipment
2. Date of the occurrence of the event: 2005/01/25~2005/08/26
3. Transaction volume (e.g. XX square meters, equivalent to XX ping), unit price, total transaction price: Transaction volume: 34; average unit price: \$15,228,162 NTD; total transaction price: \$517,757,504
4. Counterparty to the trade and its relationship with the company (if the trading counterpart is a natural person and is not an actual related party of the Company, the name of the trading counterpart is not required to be disclosed): TOKYO ELECTRON LIMITED; non-related party transaction
5. Where the counterpart to the trade is an actual related party, a public announcement shall also include the reason for choosing the related party as trading counterpart and the identity of the previous owner (including its relationship with the company and the trading counterpart), price of transfer and the date of acquisition: Not applicable
6. Where a person who owned the property within the past five years has been an actual related person of the company, a public announcement shall also include the dates and prices of acquisition and disposal by the related person and the person's relationship to the company at those times: Not applicable
7. Anticipated loss or profit from the disposal (not applicable in cases of acquisition of assets) (where originally deferred, the status or recognition shall be stated and explained): Not applicable
8. Terms of delivery or payment (including payment period and monetary amount): 1) 90% paid upon shipment; 10% paid after acceptance  
2) 100% paid after acceptance
9. The manner of deciding on this transaction (such as tender invitation, price comparison, or price negotiation), the reference basis for the decision on price and the decision-making department: transaction: price negotiation; the reference basis for the decision on price: market price. The decision-making department: the Selection Meeting
10. Name of the professional appraisal institution and its appraisal amount: Not applicable
11. Reason for any significant discrepancy with the transaction amount, and opinion of the certifying CPA: Not applicable
12. Is the appraisal report price a limited price or specific price? Not applicable

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13. Has an appraisal report not yet been obtained? Not applicable
14. Reason an appraisal report has not yet been obtained: Not applicable
15. Broker and broker's fee: Not applicable
16. Concrete purpose or use of the acquisition or disposition: To produce integrated circuits
17. Do the directors have any objection to the present transaction? No
18. Any other matters that need to be specified: None

**To announce related materials on acquisition of machinery and equipment**

1. Name and nature of the subject matter (e.g. land located at Sublot XX, Lot XX, North District, Taichung City): Machinery and equipment
2. Date of the occurrence of the event: 2005/08/22~2005/08/29
3. Transaction volume (e.g. XX square meters, equivalent to XX ping), unit price, total transaction price: Transaction volume: 7; average unit price: \$93,771,896 NTD; total transaction price: \$656,403,270 NTD
4. Counterparty to the trade and its relationship with the company (if the trading counterpart is a natural person and is not an actual related party of the Company, the name of the trading counterpart is not required to be disclosed): APPLIED MATERIALS ASIA PACIFIC LTD; non-related party transaction
5. Where the counterpart to the trade is an actual related party, a public announcement shall also include the reason for choosing the related party as trading counterpart and the identity of the previous owner (including its relationship with the company and the trading counterpart), price of transfer and the date of acquisition: Not applicable
6. Where a person who owned the property within the past five years has been an actual related person of the company, a public announcement shall also include the dates and prices of acquisition and disposal by the related person and the person's relationship to the company at those times: Not applicable
7. Anticipated loss or profit from the disposal (not applicable in cases of acquisition of assets) (where originally deferred, the status or recognition shall be stated and explained): Not applicable
8. Terms of delivery or payment (including payment period and monetary amount): 1) 90% paid upon shipment; 10% paid after acceptance  
2) 100% paid after acceptance
9. The manner of deciding on this transaction (such as tender invitation, price comparison, or price negotiation), the reference basis for the decision on price and the decision-making department: transaction: price negotiation; the reference basis for the decision on price: market price. The decision-making department: the Selection Meeting
10. Name of the professional appraisal institution and its appraisal amount: Not applicable
11. Reason for any significant discrepancy with the transaction amount, and opinion of the certifying CPA: Not applicable
12. Is the appraisal report price a limited price or specific price? Not applicable

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13. Has an appraisal report not yet been obtained? Not applicable
14. Reason an appraisal report has not yet been obtained: Not applicable
15. Broker and broker's fee: Not applicable
16. Concrete purpose or use of the acquisition or disposition: To produce integrated circuits
17. Do the directors have any objection to the present transaction? No
18. Any other matters that need to be specified: None

**UMC Clarifies Misleading Media Story Regarding Investment Activities**

1. Name of the reporting media: Taiwan Next Magazine
2. Date of the report: 2005/08/25~2005/08/30
3. Content of the report: UMC was under serious financial pressure due to the fact that one of its invested companies
4. Summary of the information provided by investors: None
5. Company's explanation of the reportage or provided information:

HSINCHU, Taiwan, August 30, 2005 UMC responded today to a news story that appeared in Taiwan Next Magazine stating that UMC was under serious financial pressure due to the fact that one of its invested companies, with a paid-in capital of NT\$200 million, had closed its operations. To clarify the situation, UMC is in a very robust financial position with assets in excess of NT\$100 billion. Furthermore, UMC's invested companies are numerous and include many extremely successful companies, such as Mediatek, Novatek, and Faraday, to name a few. Taiwan Next Magazine's reports are completely detached from reality and are intended to mislead the public and stir unwarranted controversy. UMC reserves the right to seek legal action against Taiwan Next Magazine for the misleading reports that appear in their article.

6. Countermeasures: None
7. Any other matters that need to be specified: None

**Represent subsidiary Company Hsun Chieh Investment Co., Ltd to announce information on disposal of Mega Financial Holding Co., Ltd. securities**

1. Name of the securities: Common shares of Mega Financial Holding Co., Ltd.
2. Trading date: 2005/08/17~2005/09/06
3. Trading volume, unit price, and total monetary amount of the transaction: trading volume: 14,000,000 shares; average unit price: \$21.56 NTD; total amount: \$301,907,200 NTD
4. Gain (or loss) (not applicable in case of acquisition of securities): Loss of \$ 140,852,719 NTD
5. Relationship with the underlying company of the trade: None
6. Current cumulative volume, amount, and shareholding percentage of holdings of the security being traded (including the current trade) and status of any restriction of rights (e.g. pledges): cumulative volume: 16,948,683 shares; amount: 536,014,108 NTD; percentage of holdings: 0.15%; status of restriction of rights: no
7. Current ratio of long or short term securities investment (including the current trade) to the total assets and shareholder's equity as shown in the most recent financial statement and the operational capital as shown in the most recent financial statement: ratio of total assets: 83.19%; ratio of shareholder's equity: 83.38%; the operational capital as shown in the most recent financial statement: \$852,073 thousand NTD
8. Concrete purpose/objective of the acquisition or disposal: Financing operation
9. Do the directors have any objections to the present transaction? None
10. Any other matters that need to be specified: None

**To announce related materials on acquisition of machinery and equipment**

1. Name and nature of the subject matter (e.g. land located at Sublot XX, Lot XX, North District, Taichung City): Machinery and equipment
2. Date of the occurrence of the event: 2004/09/30~2005/09/05
3. Transaction volume (e.g. XX square meters, equivalent to XX ping), unit price, total transaction price: Transaction volume: 37; average unit price: \$13,688,701 NTD; total transaction price: \$506,481,949 NTD
4. Counterparty to the trade and its relationship with the company (if the trading counterpart is a natural person and is not an actual related party of the Company, the name of the trading counterpart is not required to be disclosed): AGILENT TECHNOLOGIES SINGAPORE; non-related party transaction
5. Where the counterpart to the trade is an actual related party, a public announcement shall also include the reason for choosing the related party as trading counterpart and the identity of the previous owner (including its relationship with the company and the trading counterpart), price of transfer and the date of acquisition: Not applicable
6. Where a person who owned the property within the past five years has been an actual related person of the company, a public announcement shall also include the dates and prices of acquisition and disposal by the related person and the person's relationship to the company at those times: Not applicable
7. Anticipated loss or profit from the disposal (not applicable in cases of acquisition of assets) (where originally deferred, the status or recognition shall be stated and explained): Not applicable
8. Terms of delivery or payment (including payment period and monetary amount): 1) 90% paid upon shipment; 10% paid after acceptance  
2) 100% paid after acceptance
9. The manner of deciding on this transaction (such as tender invitation, price comparison, or price negotiation), the reference basis for the decision on price and the decision-making department: transaction: price negotiation; the reference basis for the decision on price: market price. The decision-making department: the Selection Meeting
10. Name of the professional appraisal institution and its appraisal amount: Not applicable
11. Reason for any significant discrepancy with the transaction amount, and opinion of the certifying CPA: Not applicable
12. Is the appraisal report price a limited price or specific price? Not applicable

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13. Has an appraisal report not yet been obtained? Not applicable
14. Reason an appraisal report has not yet been obtained: Not applicable
15. Broker and broker's fee: Not applicable
16. Concrete purpose or use of the acquisition or disposition: To produce integrated circuits
17. Do the directors have any objection to the present transaction? No
18. Any other matters that need to be specified: None



**To announce related materials on acquisition of machinery and equipment**

1. Name and nature of the subject matter (e.g. land located at Sublot XX, Lot XX, North District, Taichung City): Machinery and equipment
2. Date of the occurrence of the event: 2005/09/06
3. Transaction volume (e.g. XX square meters, equivalent to XX ping), unit price, total transaction price: Transaction volume: 1; average unit price: \$567,905,690 NTD; total transaction price: \$567,905,690 NTD
4. Counterparty to the trade and its relationship with the company (if the trading counterpart is a natural person and is not an actual related party of the Company, the name of the trading counterpart is not required to be disclosed): ASML HONG KONG LTD. C/O; non-related party transaction
5. Where the counterpart to the trade is an actual related party, a public announcement shall also include the reason for choosing the related party as trading counterpart and the identity of the previous owner (including its relationship with the company and the trading counterpart), price of transfer and the date of acquisition: Not applicable
6. Where a person who owned the property within the past five years has been an actual related person of the company, a public announcement shall also include the dates and prices of acquisition and disposal by the related person and the person's relationship to the company at those times: Not applicable
7. Anticipated loss or profit from the disposal (not applicable in cases of acquisition of assets) (where originally deferred, the status or recognition shall be stated and explained): Not applicable
8. Terms of delivery or payment (including payment period and monetary amount): 1) 90% paid upon shipment; 10% paid after acceptance  
2) 100% paid after acceptance
9. The manner of deciding on this transaction (such as tender invitation, price comparison, or price negotiation), the reference basis for the decision on price and the decision-making department: transaction: price negotiation; the reference basis for the decision on price: market price. The decision-making department: the Selection Meeting
10. Name of the professional appraisal institution and its appraisal amount: Not applicable
11. Reason for any significant discrepancy with the transaction amount, and opinion of the certifying CPA: Not applicable
12. Is the appraisal report price a limited price or specific price? Not applicable

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13. Has an appraisal report not yet been obtained? Not applicable
14. Reason an appraisal report has not yet been obtained: Not applicable
15. Broker and broker's fee: Not applicable
16. Concrete purpose or use of the acquisition or disposition: To produce integrated circuits
17. Do the directors have any objection to the present transaction? No
18. Any other matters that need to be specified: None

## United Microelectronics Corporation

September 7, 2005

This is to report the changes or status of 1) Sales volume 2) Funds lent to other parties 3) Endorsements and guarantees 4) Financial derivative transactions for the period of August 2005

## 1) Sales volume (NT\$ Thousand)

<u>Period</u>	<u>Items</u>	<u>2005</u>	<u>2004</u>	<u>Changes</u>	<u>%</u>
<i>August</i>	<i>Invoice amount</i>	8,220,082	12,354,727	- 4,134,645	-33.47%
<i>2005</i>	<i>Invoice amount</i>	53,693,930	79,842,399	- 26,148,469	-32.75%
<i>August</i>	<i>Net sales</i>	8,010,667	11,514,242	- 3,503,575	-30.43%
<i>2005</i>	<i>Net sales</i>	54,804,546	77,218,871	- 22,414,325	-29.03%

## 2) Funds lent to other parties (NT\$ Thousand)

<u>Balance as of period end</u>	<u>This Month</u>	<u>Last Month</u>	<u>Limit of lending</u>
UMC	0	0	35,657,091
UMC's subsidiaries	22,646	22,059	565,680

## 3) Endorsements and guarantees (NT\$ Thousand)

	<u>Change in This Month</u>	<u>Balance as of period end</u>	<u>Limit of endorsements</u>
UMC	0	0	71,167,928
UMC's subsidiaries	0	0	8,054,240
UMC endorses for subsidiaries		0	0
UMC's subsidiaries endorse for UMC		0	0
UMC endorses for PRC companies		0	0
UMC's subsidiaries endorse for PRC companies		0	0

## 4) Financial derivatives transactions

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a Hedging purpose : NT\$ thousand

<i>Financial instruments</i>	<b>Forwards</b>	<b>Interests SWAP</b>
<i>Deposit Paid</i>	0	0
<i>Royalty Income (Paid)</i>	0	0
<i>Unwritten-off Trading Contracts</i>	4,115,160	15,000,000
<i>Net Profit from Fair Value</i>	(84,589)	(654,851)
<i>Written-off Trading Contracts</i>	26,697,665	0
<i>Realized profit (loss)</i>	(235,789)	0

b Trading purpose : NT\$ thousand

<i>Financial instruments</i>	<b>Credit-linked Deposits</b>
<i>Deposit Paid</i>	0
<i>Unwritten-off Trading Contracts</i>	1,227,400
<i>Net Profit from Market Value</i>	7,711
<i>Written-off Trading Contracts</i>	465,465
<i>Realized profit (loss)</i>	27,746

**The board meeting approved a resolution to change the purpose of the Company's 8th phase of Share Repurchase Program**

1. Date of the board of directors resolution: 2005/09/09
2. Purpose of the share repurchase after the change: For issuance of convertible bond
3. Original types of shares to be repurchased: Common shares
4. Original ceiling on total monetary amount of the share repurchase: 88,647,166 thousand NTD
5. Original scheduled period for the repurchase: 2005/05/16~2005/07/15
6. Original number of shares to be repurchased: 500,000,000 shares
7. Original repurchase price range: \$28.45~\$13.75 per share. If the market price of the Company stock is below the above range, the Company will continue to repurchase shares.
8. Original method for the repurchase: Purchase from Taiwan Stock Exchange
9. Original ratio of the shares to be repurchased to total issued shares of the Company:2.80%
10. Number and monetary amount of the Company's own shares held at the time of reporting: 692,067,000 shares; NTD 18,954,371,121.
11. Status of repurchases within three years prior to the time of reporting: From 2002/2/20 to 2004/7/15, 861,069,000 Company shares were repurchased.
12. Status of repurchases that have been reported but not yet completed:

The 1st repurchase is planned at 400,000,000 shares, but actually repurchased 37,425,000 shares. The reason for incomplete repurchase is to consider the stabilization of share price during the repurchase period, and to consider shareholder's rights, and employee's willingness to exercise the option in the future.

The 2nd repurchase is planned at 400,000,000 shares, but actually repurchased 0 shares. The reason for incomplete repurchase is to consider the stabilization of share price during the repurchase period, and to consider shareholder's rights, and employee's willingness to exercise the option in the future.

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The 3rd repurchase is planned at 130,000,000 shares, but actually repurchased 129,035,000 shares. The reason for incomplete repurchase is because on the last repurchase date (9/28), the Company failed to repurchase 965,000 shares out of the 22,023,000 shares planned to repurchase at that date.

The 4th repurchase is planned at 100,000,000 shares, but actually repurchased 49,114,000 shares. The reason for incomplete repurchase is to consider the stabilization of share price during the repurchase period, and to consider shareholder s rights, and employee s willingness to exercise the option in the future.

The 6th repurchase is planned at 500,000,000 shares, but actually repurchased 99,195,000 shares. The reason for incomplete repurchase is to consider the stabilization of share price during the repurchase period, and to consider shareholder s rights, and employee s willingness to exercise the option in the future.

The 7th repurchase is planned at 360,000,000 shares, but actually repurchased 192,067,000 shares. The reason for incomplete repurchase is to consider the stabilization of share price during the repurchase period, and to consider shareholder's rights, and employee's willingness to exercise the option in the future.

13. Minutes of the board of directors meeting that passed the resolution to change the purpose of the share repurchase: 9th term, 21th Board Meeting Minutes on 2005/09/09
14. The rules for transfer of shares set forth in Article 10 of the Guidelines for Repurchase of Shares by Listed and OTC Companies: Not applicable
15. The rules for conversion or subscription of shares set forth in Article 11 of the Guidelines for Repurchase of Shares by Listed and OTC Companies:
  - 1) Purpose: To purchase raw materials overseas
  - 2) Issue Size: Up to US\$500 million. Adjustments will be made according to market conditions
  - 3) Issue Date: Tentatively set during the third quarter 2005. The Securities are expected to be issued within three months after obtaining the approval of the Financial Supervisory Commission, Executive Yuan ( FSC ) of the R.O.C., and if necessary, application will be made with the FSC for extension of another three months.
  - 4) Maturity Date: The Maturity Date shall be the earlier of thirty months from the Issue Date or February 15, 2008.
  - 5) Conversion Property: Each bondholder will have the right to convert the Securities into the Issuer's ADSs supporting by existing shares of the Issuer.
  - 6) Conversion: Unless previously redeemed, converted, repurchased or cancelled and except during the Closed Period or suspension period (if any) the Securities may be converted at least 30 days after the Issue Date to 10 days prior to the Maturity Date into ADSs.
16. Declaration that the financial state of the Company has been considered by the board of directors and that its capital maintenance will not be affected: Not applicable
17. Appraisal by a CPA or securities underwriter of the reasonableness of the share repurchase price: Not applicable
18. Other particular specified by the Securities and Futures Commission: Not applicable

**Represent subsidiary Company Hsun Chieh Investment Co., Ltd to announce information on disposal of Unimicron Technology Corp. securities**

1. Name of the securities: Common shares of Unimicron Technology Corp.
2. Trading date: 2005/08/23~2005/09/12
3. Trading volume, unit price, and total monetary amount of the transaction: trading volume: 13,405,000 shares; average unit price: \$22.52 NTD; total amount: \$301,884,100 NTD
4. Gain (or loss) (not applicable in case of acquisition of securities): Gain of \$ 58,494,716 NTD
5. Relationship with the underlying company of the trade: investee company under equity method
6. Current cumulative volume, amount, and shareholding percentage of holdings of the security being traded (including the current trade) and status of any restriction of rights (e.g. pledges): cumulative volume: 65,647,265 shares; amount: 1,191,931,902 NTD; percentage of holdings: 6.86%; status of restriction of rights: no
7. Current ratio of long or short term securities investment (including the current trade) to the total assets and shareholder's equity as shown in the most recent financial statement and the operational capital as shown in the most recent financial statement: ratio of total assets: 81.98 %; ratio of shareholder's equity: 82.17 %; the operational capital as shown in the most recent financial statement: \$852,073 thousand NTD
8. Concrete purpose/objective of the acquisition or disposal: Financing operation
9. Do the directors have any objections to the present transaction? None
10. Any other matters that need to be specified: None



**To announce related materials on acquisition of machinery and equipment**

1. Name and nature of the subject matter (e.g. land located at Sublot XX, Lot XX, North District, Taichung City): Machinery and equipment
2. Date of the occurrence of the event: 2005/09/05~2005/09/14
3. Transaction volume (e.g. XX square meters, equivalent to XX ping), unit price, total transaction price: Transaction volume: 3; average unit price: \$171,277,400 NTD; total transaction price: \$513,832,200 NTD
4. Counterparty to the trade and its relationship with the company (if the trading counterpart is a natural person and is not an actual related party of the Company, the name of the trading counterpart is not required to be disclosed): APPLIED MATERIALS ASIA PACIFIC LTD; non-related party transaction
5. Where the counterpart to the trade is an actual related party, a public announcement shall also include the reason for choosing the related party as trading counterpart and the identity of the previous owner (including its relationship with the company and the trading counterpart), price of transfer and the date of acquisition: Not applicable
6. Where a person who owned the property within the past five years has been an actual related person of the company, a public announcement shall also include the dates and prices of acquisition and disposal by the related person and the person's relationship to the company at those times: Not applicable
7. Anticipated loss or profit from the disposal (not applicable in cases of acquisition of assets) (where originally deferred, the status or recognition shall be stated and explained): Not applicable
8. Terms of delivery or payment (including payment period and monetary amount): 1) 90% paid upon shipment; 10% paid after acceptance  
2) 100% paid after acceptance
9. The manner of deciding on this transaction (such as tender invitation, price comparison, or price negotiation), the reference basis for the decision on price and the decision-making department: transaction: price negotiation; the reference basis for the decision on price: market price. The decision-making department: the Selection Meeting
10. Name of the professional appraisal institution and its appraisal amount: Not applicable
11. Reason for any significant discrepancy with the transaction amount, and opinion of the certifying CPA: Not applicable
12. Is the appraisal report price a limited price or specific price? Not applicable

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13. Has an appraisal report not yet been obtained? Not applicable
14. Reason an appraisal report has not yet been obtained: Not applicable
15. Broker and broker's fee: Not applicable
16. Concrete purpose or use of the acquisition or disposition: To produce integrated circuits
17. Do the directors have any objection to the present transaction? No
18. Any other matters that need to be specified: None

**To announce related materials on acquisition of machinery and equipment**

1. Name and nature of the subject matter (e.g. land located at Sublot XX, Lot XX, North District, Taichung City): Machinery and equipment
2. Date of the occurrence of the event: 2005/08/29~2005/09/14
3. Transaction volume (e.g. XX square meters, equivalent to XX ping), unit price, total transaction price: Transaction volume: 14; average unit price: \$91,426,746 NTD; total transaction price: \$1,279,974,441 NTD
4. Counterparty to the trade and its relationship with the company (if the trading counterpart is a natural person and is not an actual related party of the Company, the name of the trading counterpart is not required to be disclosed): TOKYO ELECTRON LIMITED; non-related party transaction
5. Where the counterpart to the trade is an actual related party, a public announcement shall also include the reason for choosing the related party as trading counterpart and the identity of the previous owner (including its relationship with the company and the trading counterpart), price of transfer and the date of acquisition: Not applicable
6. Where a person who owned the property within the past five years has been an actual related person of the company, a public announcement shall also include the dates and prices of acquisition and disposal by the related person and the person's relationship to the company at those times: Not applicable
7. Anticipated loss or profit from the disposal (not applicable in cases of acquisition of assets) (where originally deferred, the status or recognition shall be stated and explained): Not applicable
8. Terms of delivery or payment (including payment period and monetary amount): 1) 90% paid upon shipment; 10% paid after acceptance  
2) 100% paid after acceptance
9. The manner of deciding on this transaction (such as tender invitation, price comparison, or price negotiation), the reference basis for the decision on price and the decision-making department: transaction: price negotiation; the reference basis for the decision on price: market price. The decision-making department: the Selection Meeting
10. Name of the professional appraisal institution and its appraisal amount: Not applicable
11. Reason for any significant discrepancy with the transaction amount, and opinion of the certifying CPA: Not applicable
12. Is the appraisal report price a limited price or specific price? Not applicable

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13. Has an appraisal report not yet been obtained? Not applicable
14. Reason an appraisal report has not yet been obtained: Not applicable
15. Broker and broker's fee: Not applicable
16. Concrete purpose or use of the acquisition or disposition: To produce integrated circuits
17. Do the directors have any objection to the present transaction? No
18. Any other matters that need to be specified: None

## United Microelectronics Corporation

For the month of August, 2005

This is to report 1) the trading of directors, supervisors, executive officers and 10% shareholders of United Microelectronics Corporation ( UMC ) (NYSE: UMC) 2) the pledge and clear of pledge of UMC common shares by directors, supervisors, executive officers and 10% shareholders of UMC 3) the acquisition assets by UMC 4) the disposition of assets by UMC for the month of August, 2005

## 1) The trading of directors, supervisors, executive officers and 10% shareholders

<i>Title</i>	<i>Name</i>	<i>Number of shares</i>		<i>Changes</i>
		<i>held as of</i> <i>July 31, 2004</i>	<i>held as of</i> <i>August 31, 2005</i>	
President	Peter Chang	8,748,039	10,777,440	2,029,401
Business Group President	Hong-Jen Wu	25,243,501	25,032,937	(210,564)*
Supervisor	Tzyy-Jang Tseng	17,835,959	19,650,715	1,814,756
Vice President	Henry Liu	10,194,148	11,693,391	1,499,243
Vice President	Tai-Sheng Feng	1,054,866	1,543,439	488,573
Vice President	Nick Nee	4,190,306	4,870,568	680,262
Vice President	Ing-Ji Wu	11,413,338	12,817,039	1,403,701
Vice President	Lee Chung	160,000	566,468	406,468

Note: 3,000,000 shares were transferred to trust account; 2,789,436 shares were dividends and bonus.

## 2) The pledge and clear of pledge of UMC common shares by directors, supervisors, executive officers and 10% shareholders :

<i>Title</i>	<i>Name</i>	<i>Number of shares</i>		<i>Changes</i>
		<i>pledge as of</i> <i>July 31, 2004</i>	<i>pledge as of</i> <i>August 31, 2005</i>	
Vice President	Nick Nee	4,150,000	4,000,000	(150,000)

## 3) The acquisition assets (NT\$ Thousand)

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<u>Description of assets</u>	<u>August</u>	<u>2005</u>
Semiconductor Manufacturing Equipment	1,416,328	7,044,906
Fixed assets	18,309	207,667

4) The disposition of assets (NT\$ Thousand)

<u>Description of assets</u>	<u>August</u>	<u>2005</u>
Semiconductor Manufacturing Equipment	5,055	78,214
Fixed assets	0	0

**UNITED MICROELECTRONICS CORPORATION**  
**FINANCIAL STATEMENTS**  
**WITH REPORT OF INDEPENDENT AUDITORS**  
**FOR THE SIX-MONTH PERIODS ENDED**  
**JUNE 30, 2005 AND 2004**

Address: No. 3 Li-Hsin Road II, Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C.

Telephone: 886-3-578-2258

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.

**REPORT OF INDEPENDENT AUDITORS**

English Translation of a Report Originally Issued in Chinese

To the Board of Directors and Shareholders of

United Microelectronics Corporation

We have audited the accompanying balance sheets of United Microelectronics Corporation as of June 30, 2005 and 2004, and the related statements of income, changes in stockholders' equity and cash flows for the six-month periods ended June 30, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As described in Note 4(7) to the financial statements, certain long-term investments were accounted for under the equity method based on financial statements as of June 30, 2005 and 2004, of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment income amounting to NT\$144 million and NT\$306 million for the six-month periods ended June 30, 2005 and 2004, respectively, and the related long-term investment balances of NT\$5,559 million and NT\$5,337 million as of June 30, 2005 and 2004, respectively, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of United Microelectronics Corporation as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the six-month periods ended June 30, 2005 and 2004, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

As described in Note 3 to the financial statements, effective from January 1, 2005, United Microelectronics Corporation has adopted the R.O.C. Statement of Financial Accounting Standards No.35, "Accounting for Asset Impairment" to account for the impairment of its assets.

We have also reviewed the consolidated financial statements of United Microelectronics Corporation as of and for the six-month period ended June 30, 2005, and have expressed an unqualified review report with explanatory paragraph on such financial statements.

July 19, 2005

Taipei, Taiwan

Republic of China



**Notice to Readers**

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

English Translation of Financial Statements Originally Issued in Chinese

## UNITED MICROELECTRONICS CORPORATION

## BALANCE SHEETS

June 30, 2005 and 2004

(Expressed in Thousands of New Taiwan Dollars)

	Notes	As of June 30,	
		2005	2004
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2, 4(1)	\$ 68,065,457	\$ 82,488,024
Marketable securities, net	2, 4(2)	3,058,579	3,102,600
Notes receivable	4(3)	288	1,156
Notes receivable - related parties	5	57,853	114,583
Accounts receivable, net	2, 4(4)	3,756,298	5,789,501
Accounts receivable - related parties, net	2, 5	5,832,767	9,795,673
Other receivables	2	611,559	742,537
Other financial assets, current	2, 4(5),10	63,080	180,248
Inventories, net	2, 4(6)	7,898,701	8,617,086
Prepaid expenses		820,875	803,466
Deferred income tax assets, current	2, 4(19)	3,413,529	2,828,940
<b>Total current assets</b>		<b>93,578,986</b>	<b>114,463,814</b>
<b>Funds and long-term investments</b>			
	2, 4(7)		
Long-term investments accounted for under the equity method		37,304,798	66,436,346
Long-term investments accounted for under the cost method		7,715,876	8,306,704
<b>Total funds and long-term investments</b>		<b>45,020,674</b>	<b>74,743,050</b>
<b>Other financial assets, noncurrent</b>	2, 4(5), 10	<b>1,153,028</b>	<b>1,710,788</b>
<b>Property, plant and equipment</b>			
	2, 4(8), 6, 7		
Land		1,132,576	1,132,576
Buildings		15,860,960	12,119,790
Machinery and equipment		348,877,930	256,262,691
Transportation equipment		88,095	80,546
Furniture and fixtures		2,119,552	1,941,066
Leased assets			47,783
<b>Total cost</b>		<b>368,079,113</b>	<b>271,584,452</b>
Less : Accumulated depreciation		(228,295,715)	(169,437,104)
Add : Construction in progress and prepayments		20,087,650	15,443,534
<b>Property, plant and equipment, net</b>		<b>159,871,048</b>	<b>117,590,882</b>
<b>Intangible assets</b>			
Patents	2		994

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Goodwill	2, 4(21)	4,168,997	
Technology know-how	2	399,178	
<b>Total intangible assets</b>		<b>4,568,175</b>	<b>994</b>
<b>Other assets</b>			
Deferred charges	2	1,800,209	1,462,493
Deferred income tax assets, noncurrent	2, 4(19)	3,922,375	4,381,964
Other assets - others	2, 4(9)	2,069,695	2,260,227
<b>Total other assets</b>		<b>7,792,279</b>	<b>8,104,684</b>
<b>Total assets</b>		<b>\$ 311,984,190</b>	<b>\$ 316,614,212</b>
<b>Liabilities and Stockholders Equity</b>			
<b>Current liabilities</b>			
Short-term loans	4(10)	\$ 1,645,280	\$ 2,028,600
Accounts payable		3,797,102	4,883,728
Income tax payable	2	60,389	60,389
Accrued expenses		5,274,099	5,687,428
Dividend payable		1,758,736	
Payable on equipment		3,413,036	7,266,813
Other payables	10	54,481	
Current portion of long-term interest-bearing liabilities	4(11), 4(12), 5, 6	5,250,000	8,815,049
Other current liabilities	7	820,413	1,347,220
<b>Total current liabilities</b>		<b>22,073,536</b>	<b>30,089,227</b>
<b>Long-term interest-bearing liabilities</b>			
Bonds payable	2, 4(7), 4(11)	28,347,240	33,809,661
Long-term loans	4(12), 6		26,372
<b>Total long-term interest-bearing liabilities</b>		<b>28,347,240</b>	<b>33,836,033</b>
<b>Other liabilities</b>			
Accrued pension liabilities	2, 4(13)	2,962,723	2,468,281
Deposits-in		20,636	7,478
Deferred credits - intercompany profits	2	9,806	4,084,362
Other liabilities - others		510,637	
<b>Total other liabilities</b>		<b>3,503,802</b>	<b>6,560,121</b>
<b>Total liabilities</b>		<b>53,924,578</b>	<b>70,485,381</b>
<b>Capital</b>			
Common stock	2, 4(14), 4(15), 4(21)	177,794,314	161,407,435
Stock dividends for distribution		19,560,220	13,996,855
<b>Capital reserve</b>	2, 4(7), 4(15), 4(21)		
Premiums		64,227,411	58,220,744
Change in equities of long-term investments		20,786,958	20,957,291
<b>Retained earnings</b>	4(17)		
Legal reserve		15,996,839	12,812,501
Special reserve		1,744,171	90,871
Unappropriated earnings		3,622,790	20,138,527
<b>Adjusting items in stockholders equity</b>	2		
Unrealized loss on long-term investments		(9,597,290)	(9,459,714)
Cumulative translation adjustment		(1,998,163)	572,967
<b>Treasury stock</b>	2, 4(16)	(34,077,638)	(32,608,646)

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<b>Total stockholders equity</b>	<u>258,059,612</u>	<u>246,128,831</u>
<b>Total liabilities and stockholders equity</b>	<u>\$ 311,984,190</u>	<u>\$ 316,614,212</u>

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

English Translation of Financial Statements Originally Issued in Chinese

## UNITED MICROELECTRONICS CORPORATION

## STATEMENTS OF INCOME

For the six-month periods ended June 30, 2005 and 2004

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

	Notes	For the six-month period ended June 30,	
		2005	2004
<b>Operating revenues</b>	2, 5		
Sales revenues		\$ 39,605,151	\$ 53,416,080
Less : Sales returns and discounts		(729,298)	(475,846)
Net sales		38,875,853	52,940,234
Other operating revenues		852,773	1,562,537
<b>Net operating revenues</b>		39,728,626	54,502,771
<b>Operating costs</b>	4(18)		
Cost of goods sold	5	(36,279,398)	(35,741,875)
Other operating costs		(266,257)	(1,052,767)
<b>Operating costs</b>		(36,545,655)	(36,794,642)
<b>Gross profit</b>		3,182,971	17,708,129
Unrealized intercompany profit	2	(68,741)	(145,159)
Realized intercompany profit	2	154,417	106,702
<b>Gross profit-net</b>		3,268,647	17,669,672
<b>Operating expenses</b>	4(18), 5		
Sales and marketing expenses		(1,050,885)	(959,559)
General and administrative expenses		(1,298,115)	(1,137,058)
Research and development expenses		(3,956,436)	(2,693,909)
Subtotal		(6,305,436)	(4,790,526)
<b>Operating (loss) income</b>		(3,036,789)	12,879,146
<b>Non-operating income</b>			
Interest revenue		436,914	493,767
Dividend income		36,789	180,726
Gain on disposal of property, plant and equipment	2	33,840	130,254
Gain on disposal of investments	2, 4(11)	6,439,830	8,700,594
Exchange gain, net	2, 10	41,233	
Gain on recovery of market value of inventory	2	315,151	
Other income		390,360	95,549

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Subtotal		7,694,117	9,600,890
<b>Non-operating expenses</b>			
Interest expense	4(8)	(447,071)	(683,331)
Investment loss accounted for under the equity method, net	2, 4(7)	(2,144,439)	(664,616)
Loss on disposal of property, plant and equipment	2	(63,344)	(110,525)
Exchange loss, net	2, 10		(377,006)
Loss on decline in market value and obsolescence of inventories	2		(143,212)
Financial expenses		(149,905)	(235,042)
Other losses	2, 4(11)	(34,472)	(637,038)
Subtotal		(2,839,231)	(2,850,770)
<b>Income before income tax</b>		1,818,097	19,629,266
<b>Income tax expense</b>	2, 4(19)	(397)	(33,483)
<b>Net income</b>		\$ 1,817,700	\$ 19,595,783
<b>Earnings per share-basic (NTD)</b>			
Income before income tax	2, 4(20)	\$ 0.11	\$ 1.18
Net income		\$ 0.11	\$ 1.17
<b>Earnings per share-diluted (NTD)</b>			
Income before income tax	2, 4(20)	\$ 0.11	\$ 1.15
Net income		\$ 0.11	\$ 1.15
<b>Pro forma information on earnings as if subsidiaries investment in the Company is not treated as treasury stock</b>			
Net income	2, 4(20)	\$ 1,817,700	\$ 19,595,783
Earnings per share-basic (NTD)		\$ 0.10	\$ 1.13
Earnings per share-diluted (NTD)		\$ 0.10	\$ 1.11

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

English Translation of Financial Statements Originally Issued in Chinese

## UNITED MICROELECTRONICS CORPORATION

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the six-month periods ended June 30, 2005 and 2004

(Expressed in Thousands of New Taiwan Dollars)

	Notes	Capital			Retained Earnings					Treasury Stock	Total	
		Common Stock	Stock Dividends for Distribution	Collected in Advance	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Loss on Long-term Investments			Cumulative Translation Adjustment
Balance as of January 1, 2004	4(14)	\$ 161,407,435	\$	\$	\$ 80,074,184	\$ 11,410,475	\$ 1,346,994	\$ 14,036,822	\$ (9,537,237)	\$ 913,877	\$ (27,410,626)	\$ 232,241,924
Appropriation of 2003 retained earnings	4(17)											
Legal reserve						1,402,026		(1,402,026)				
Special reserve							(1,256,123)	1,256,123				
Stock dividends			12,224,284					(12,224,284)				
Directors and supervisors remuneration									(12,618)			(12,618)
Employees bonus			1,111,273					(1,111,273)				
Transfer of reserved capital to common stock	4(17)		661,298		(661,298)							
Purchase of treasury stock	2, 4(16)										(5,198,020)	(5,198,020)
Net income in the first half of 2004								19,595,783				19,595,783
Adjustment of capital reserve accounted for under the equity method	2				(234,851)							(234,851)
Changes in unrealized loss on long-term investments of investees	2								77,523			77,523
Changes in cumulative translation adjustment	2									(340,910)		(340,910)

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Balance as of June 30, 2004		\$ 161,407,435	\$ 13,996,855	\$ 79,178,035	\$ 12,812,501	\$ 90,871	\$ 20,138,527	\$ (9,459,714)	\$ 572,967	\$ (32,608,646)	\$ 246,128,831
Balance as of January 1, 2005	4(14)	\$ 177,919,819	\$ 4,040	\$ 84,933,195	\$ 12,812,501	\$ 90,871	\$ 29,498,329	\$ (9,871,086)	\$ (1,319,452)	\$ (27,685,463)	\$ 266,382,754
Appropriation of 2004 retained earnings	4(17)										
Legal reserve				3,184,338			(3,184,338)				
Special reserve						1,653,300	(1,653,300)				
Cash dividends							(1,758,736)				(1,758,736)
Stock dividends			17,587,365				(17,587,365)				
Directors and supervisors remuneration							(27,005)				(27,005)
Employees bonus			1,972,855				(1,972,855)				
Purchase of treasury stock	2, 4(16)								(8,570,374)		(8,570,374)
Cancellation of treasury stock	2, 4(16)	(491,140)		(177,419)			(1,509,640)			2,178,199	
Net income in the first half of 2005							1,817,700				1,817,700
Adjustment of capital reserve accounted for under the equity method	2			(20,055)							(20,055)
Changes in unrealized loss on long-term investments of investees	2							273,796			273,796
Exercise of employees stock options	2, 4(15)	361,595		278,648							640,243
Common stock transferred from capital collected in advance		4,040	(4,040)								
Changes in cumulative translation adjustment	2								(678,711)		(678,711)
Balance as of June 30, 2005		\$ 177,794,314	\$ 19,560,220	\$ 85,014,369	\$ 15,996,839	\$ 1,744,171	\$ 3,622,790	\$ (9,597,290)	\$ (1,998,163)	\$ (34,077,638)	\$ 258,059,612

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





English Translation of Financial Statements Originally Issued in Chinese

## UNITED MICROELECTRONICS CORPORATION

## STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30, 2005 and 2004

(Expressed in Thousands of New Taiwan Dollars)

	For the six-month period ended June 30,	
	2005	2004
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,817,700	\$ 19,595,783
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	22,080,111	18,279,654
Amortization	1,111,695	524,038
Bad debt expenses (reversal)	(116,245)	4,626
(Gain) loss on decline in market value and obsolescence of inventories	(315,151)	143,212
Cash dividends received under the equity method	7,500	
Investment loss accounted for under the equity method	2,144,439	664,616
Gain on disposal of investments	(6,439,830)	(8,700,594)
Loss (gain) on disposal of property, plant and equipment	29,504	(19,729)
Gain on settlement of exchangeable bonds	(9,789)	(93,517)
Amortization of bond premiums		(10,050)
Loss on reacquisition of bonds		59
Amortization of deferred income	(26,732)	
Changes in assets and liabilities:		
Notes and accounts receivable	2,004,339	(1,773,507)
Other receivables	(46,543)	(187,662)
Inventories	1,528,698	(1,392,539)
Prepaid expenses	(510,188)	(127,321)
Other financial assets	101,641	116,840
Accounts payable	(920,209)	755,433
Income tax payable		10,696
Accrued expenses	(3,287,674)	1,154,462
Other current liabilities	(124,763)	76,168
Compensation interest payable		(126,111)
Capacity deposits	(201,216)	(10,909)
Accrued pension liabilities	272,212	215,790
Other liabilities - others	107,962	
<b>Net cash provided by operating activities</b>	<b>19,207,461</b>	<b>29,099,438</b>
<b>Cash flows from investing activities:</b>		
Increase in marketable securities, net		(1,514,788)
Cash proceeds from merger	943,862	
Decrease in other financial assets, net	467,216	1,307,966
Acquisition of long-term investments	(2,327,268)	(8,121,139)
Proceeds from disposal of long-term investments	7,229,911	1,080,085
Proceeds from liquidation of long-term investments	95,090	
Acquisition of property, plant and equipment	(7,812,374)	(17,106,714)
Proceeds from disposal of property, plant and equipment	78,242	227,505
Increase in deferred charges	(686,340)	(405,467)

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(Increase) decrease in other assets, net	(129,531)	629,590
Increase in other receivables	(5,137,760)	
	<u>                    </u>	<u>                    </u>
Net cash used in investing activities	(7,278,952)	(23,902,962)
	<u>                    </u>	<u>                    </u>

English Translation of Financial Statements Originally Issued in Chinese

## UNITED MICROELECTRONICS CORPORATION

## STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30, 2005 and 2004

(Expressed in Thousands of New Taiwan Dollars)

	For the six-month period ended June 30,	
	2005	2004
<b>(continued)</b>		
Cash flows from financing activities:		
Increase (decrease) in short-term loans, net	(259,120)	2,028,600
Repayment of long-term loans	(16,153,714)	(1,595,888)
Redemption of bonds	(2,820,004)	(10,766,941)
Reacquisition of bonds		(41,392)
Decrease in deposits-in, net	(1,437)	(368)
Purchase of treasury stock	(8,570,374)	(5,198,020)
Exercise of employees' stock options	640,243	
Net cash used in financing activities	(27,164,406)	(15,574,009)
Currency exchange	(45,975)	
Net decrease in cash and cash equivalents	(15,281,872)	(10,377,533)
Cash and cash equivalents at beginning of period	83,347,329	92,865,557
Cash and cash equivalents at end of period	\$ 68,065,457	\$ 82,488,024
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 1,130,964	\$ 1,471,245
Cash paid for income tax	\$ (27,513)	\$ 36,083
Investing activities partially paid by cash:		
Acquisition of property, plant and equipment	\$ 4,947,474	\$ 20,315,587
Add: Payable at beginning of period	4,704,299	4,057,940
Payable transferred in from the Branch at beginning of period	1,573,637	
Less: Payable at end of period	(3,413,036)	(7,266,813)

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Cash paid for acquiring property, plant and equipment	\$ 7,812,374	\$ 17,106,714
	<u>                    </u>	<u>                    </u>
Investing and financing activities not affecting cash flows:		
Principal amount of exchangeable bonds exchanged by bondholders	\$	\$ 11,614,141
Book value of reference shares delivered for exchange		(3,898,638)
Elimination of related balance sheet accounts		90,983
	<u>                    </u>	<u>                    </u>
Recognition of gain on disposal of investments	\$	\$ 7,806,486
	<u>                    </u>	<u>                    </u>

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

UNITED MICROELECTRONICS CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005 and 2004

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

1. HISTORY AND ORGANIZATION

United Microelectronics Corporation ( the Company ) was incorporated in May 1980 and commenced operations in April 1982. The Company is a full service semiconductor wafer foundry, and provides a variety of services to fit individual customer needs. These services include 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 (TSE) in July 1985 and its American Depositary Shares (ADSs) were listed on the New York Stock Exchange (NYSE) in September 2000.

Based on the resolution of the board of directors' meeting on February 26, 2004, the effective date of the merger with SiS Microelectronics Corp. (SiSMC) was July 1, 2004. The Company was the surviving company, and SiSMC was the dissolved company. The merger was approved by the relevant government authorities. All the assets, liabilities, rights, and obligations of SiSMC have been fully incorporated into the Company since July 1, 2004.

Based on the resolution of the board of directors' meeting on August 26, 2004, UMCi had transferred its businesses, operations, and assets to newly incorporated Singapore branch ( the Branch ) since April 1, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (R.O.C.).

Summary of significant accounting policies is as follows:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that will affect the amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial

statements and the reported amount of revenues and expenses during the reported period. The actual results may differ from those estimates.

#### Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rates prevailing at 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. However, exchange gains or losses from investments in foreign entities are recognized as cumulative translation adjustments in stockholders' equity.

#### Translation of Foreign Currency Financial Statements

The financial statements of the Branch 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. The cumulative translation effects from the Branch using functional currencies other than the New Taiwan Dollars are included in the cumulative translation adjustment in stockholders' equity.

#### 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, including commercial paper with original maturities of three months or less.

#### Marketable Securities

Marketable securities are recorded at cost at acquisition and are stated at the lower of aggregate cost or market value on the balance sheet date. Cash dividends are recognized as dividend income at the point of receipt. Costs of bond funds, equity funds and short-term notes are identified specifically while other marketable securities are determined on the weighted-average method. The market values of listed securities, convertible bonds and closed-end funds are determined by the average closing price during the last month of the fiscal year. The market value of open-end funds is determined by the net asset value at the balance sheet date. The amount for which the aggregate cost exceeds the market value is reported as a loss in the current period. If recovery of the market value occurs in subsequent periods, a gain will be recognized 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 accounted for on a perpetual basis. Raw materials are recorded at actual purchase costs, while the work in process and finished goods are recorded at standard costs and adjusted to actual costs using the weighted-average method at the end of each month. Inventories are stated at the lower of aggregate cost 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 is to be determined for the instances of decline in market value and obsolescence.

### 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 5 years.

Investments of less than 20% of the outstanding voting shares in listed investees, where significant influence on operating decisions of the investees does not reside with the Company, shall be accounted for by the lower of aggregate cost or market value method. The unrealized loss resulting from the decline in market value of investments that are held for long-term investment purpose is deducted from the stockholders equity. The market value is determined by the average closing price during the last month of the fiscal year. Investments of less than 20% of the outstanding voting shares in unlisted investees are accounted for under the cost method. Impairment losses for the investees will be recognized if there is significant decrease in the market values of the shares, and where such decrease is deemed irrecoverable. The losses shall be treated in the new cost basis of such investment.

Investment income or loss from investments in both listed and unlisted investees 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 5 years.

The change 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 charged to the capital reserve and long-term investments account.

Unrealized intercompany gains and losses arising from downstream transactions with investees accounted for under the equity method are eliminated in proportion to the Company's ownership percentage while those from transactions with majority-owned (above 50%) subsidiaries are eliminated entirely.

Unrealized intercompany gains and losses arising from upstream transactions with investees accounted for under the equity method are eliminated in proportion to the Company's ownership percentage. Unrealized intercompany gains and losses arising from transactions between investees accounted for under the equity method are eliminated in proportion to the multiplication of the Company's ownership percentages; while those arising from transactions between majority-owned subsidiaries are eliminated in proportion to the Company's ownership percentage in the subsidiary.

In compliance with the Statements of Financial Accounting Standards of the Republic of China (R.O.C. SFAS) No.23 Interim Financial Reporting and Disclosures, gain or losses arising from investments accounted for under the equity method have been recognized as of June 30, 2005, in proportion to the Company's share ownership in the investees.

Investees in which the Company, directly or indirectly, holds more than 50% of voting rights or controls more than half of the members of board of directors, by whom the investee is controlled, are consolidated into the Company's financial statements in accordance with the R.O.C. SFAS No.7 Consolidation of Financial Statements.

#### 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.

Maintenance and repairs are recognized as expense as incurred. Significant renewals and improvements are treated as capital expenditure and are depreciated accordingly. When property, plant and equipment are disposed, their original cost and accumulated depreciation shall be written off and the related gain or loss is classified 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 recognized as non-operating expenses. The corresponding depreciation expenses provided are also classified as non-operating expenses.

Depreciation is provided on the straight-line basis using the estimated economic life of the assets less salvage value, if any. In the cases where the estimated economic life for property, plant and equipment that are still in use expires, these assets shall be depreciated over the amended estimated useful life using the salvage value. The estimated economic life of the property, plant and equipment is as follows: buildings - 20 to 55 years; machinery and equipment - 5 years; transportation equipment - 5 years; furniture and fixtures - 5 years; leased assets - the lease period, or estimated economic life, whichever is shorter.

Intangible Assets

Patents are stated at cost and amortized over their estimated economic life using the straight-line method. Goodwill arising from the merger is amortized using the straight-line method over 15 years. As a result of the reorganization of UMCi Ltd., the difference between the acquisition cost and net equity is recognized as goodwill and amortized over 5 years. Technology know-how are recorded at cost of acquisition and amortized over their estimated economic life.

Where signs of permanent devaluation of intangible assets exist, with remote likelihood of value recovery, impairment loss shall be recognized in the current period. The carrying value after recognizing the impairment loss shall be recorded as the new cost.

Deferred Charges

Deferred charges are stated at cost and amortized on a straight-line basis as follows: bonds issuance costs - over the life of the bonds, patent license fees - the term of contract or estimated economic life of the related technology, and software - 3 years.

Where signs of permanent devaluation of deferred charges exist, with remote likelihood of value recovery, impairment loss shall be recognized in the current period. The carrying value after recognizing the impairment loss shall be recorded as the new cost.

Convertible and Exchangeable Bonds

The issuance costs of convertible and exchangeable bonds are classified as deferred charges and amortized over the life of the 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 shall be credited to common stock at an amount equal to the par value of the common stock and the excess is credited to the 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 the bonds shall be offset against the book value of the investments in reference shares and the related stockholders' equity accounts, with the difference recognized as gain or loss on disposal of investments.

#### Pension Plan

All regular employees are covered by a benefit pension plan that is managed by an independently administered pension fund committee within the Company. Pension benefits for employees of the Singapore branch are provided in accordance with the local regulations.

The net pension cost is computed based on an actuarial valuation in accordance with the R.O.C. SFAS No.18, which requires consideration of pension cost components such as service cost, interest cost, expected return on plan assets, and the amortization of net obligation at transition, pension gain or loss, and prior service cost.

The Labor Pension Act of R.O.C. ( the Act ), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to follow either the Act, and retain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees following the Act, the Company shall make monthly contributions to the employees individual pension accounts on a basis no less than 6% of the employees monthly wages.

#### Employee Stock Option Plan

The Company applies intrinsic value method to recognize the difference between the market price of the stock and the exercise price of its employee stock option as compensation cost. Starting January 1, 2004, the Company also discloses pro forma net income and earnings per share under the fair value method only for options granted since January 1, 2004.

#### Treasury Stock

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

#### Revenue Recognition

The main sales term of the Company is Free on Board (FOB) or Free Carrier (FCA). Revenue is recognized at the point where ownership 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 complaints and past experiences are accrued in the same year of sales.

#### Capital Expenditure versus Operating Expenditure

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An expenditure shall be capitalized if it is probable that future economic benefits associated with the expenditure will flow to the Company and the expenditure amount exceeds a predetermined level. Otherwise it is recognized as expense when incurred.

### Income Tax

The Company adopted the R.O.C. SFAS No. 22 Accounting for Income Taxes for inter-period and intra-period income tax allocation. Provision for income tax includes deferred income tax resulting from temporary differences, loss carry-forward and investment tax credits. Deferred income 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 if the difference is expected to reverse. Valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.

According to the R.O.C. SFAS No. 12, the Company recognized the tax benefit from the purchase of equipment and technology, research and development expenditure, employee training, and certain equity investments by the flow-through method.

Income tax (10%) on unappropriated earnings is recorded as expense in the year when the shareholders have resolved that the earnings shall be retained.

### Earnings Per Share

Earnings per share is computed according to the R.O.C. 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 computed 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 and other income or expenses derived from any underlying dilutive share equivalents. The weighted-average outstanding shares are adjusted retroactively for stock dividends and bonus share issues.

### Derivative Financial Instruments

The interest rate swap agreements entered into for hedging purposes are accounted for on a net accrual basis in accordance with the contractual interest rate as an adjustment to the interest income or expense of the hedged items.

Foreign exchange forward contracts are held to hedge the exchange rate risk arising from net assets or liabilities denominated in foreign currency. These forward contracts are translated and recorded using the spot rate at the inception of the contracts, and the discount or premium of the forward contracts is amortized over their lifespan. The difference between the spot rate at the inception of a forward contract and the spot rate at the balance sheet date is reflected in the statement of income. The receivables and payables of the foreign exchange forward contracts are offset and the resulting balances are recognized as either assets or liabilities. Exchange gains or losses from the settlement of forward contracts are included in the current period's earnings.

The Company has entered into options contracts and arising exchange differences upon settlement of those contracts are recognized in the statement of income. Received (or paid) premium for the sale (or purchase) of options is amortized over the contract period and recognized as gain or loss.

#### Merger

The Company merged with SiSMC and recognized the sum of the difference between the acquisition costs, which are the market price of equity stocks issued and other related costs, and the fair value of the identifiable net assets acquired as goodwill in compliance with the R.O.C. SFAS No. 25 Enterprise Mergers Accounting of Purchase Method . The fair value of identifiable net assets and goodwill deducted from the par value of the equity stocks issued and other related costs is recognized as capital reserve.

#### Asset Impairment

Pursuant to the R.O.C. SFAS No. 35, the Company assesses indicators of impairment for all its assets within the scope of the standard at each balance sheet date. If impairment is indicated, the Company shall then compare the carrying amount with the recoverable amount of the assets or the cash-generating unit (CGU) and write down the carrying amount to the recoverable amount where applicable. The recoverable amount is defined as the higher of fair values less costs to sell and the values in use.

For previously recognized losses, the Company shall assess, at the balance sheet date, whether there is any indication that the impairment loss may no longer exist or may have decreased. If there is any such indication, the Company has to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior years.

In addition, a goodwill-allocated CGU or group of CGUs is tested for impairment each year, regardless of whether impairment is indicated. If impairment test reveals that the carrying amount (including goodwill) of CGU or group of CGUs is greater than its recoverable amount, impairment loss shall be recognized. While recognizing impairment losses, the portion of goodwill allocated shall write down at the outset. After goodwill has been written off, the remaining impairment loss shall be shared among the other assets pro rata to their carrying amount.

The write-down in goodwill cannot be reversed under any circumstances in subsequent periods.

Impairment loss (reversal) is classified as non-operating losses/(income).

3. ACCOUNTING CHANGE

The Company had adopted the R.O.C. SFAS No. 35, Accounting for Asset Impairment to account for the impairment of its assets for its financial statements started on and after January 1, 2005. No retroactive adjustment is required under the standard. Such a change in accounting principles does not have any impact on the Company's net income, earnings per share and total assets as of June 30, 2005.

4. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	As of June 30,	
	2005	2004
Cash:		
Cash on hand	\$ 1,617	\$ 1,417
Checking and savings accounts	1,932,245	838,990
Time deposits	57,396,748	73,171,014
Subtotal	59,330,610	74,011,421
Cash equivalents:		
Government bonds acquired under repurchase agreements	8,734,847	8,476,603
Total	\$ 68,065,457	\$ 82,488,024

(2) MARKETABLE SECURITIES, NET

	As of June 30,	
	2005	2004
Beneficiary certificate	\$	\$ 10,000
Convertible bonds	1,657,323	1,672,748
Listed equity securities	1,401,256	1,419,852
Total	\$ 3,058,579	\$ 3,102,600

(3) NOTES RECEIVABLE

	As of June 30,	
	2005	2004



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Notes receivable	\$ 288	\$ 1,156
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(4) ACCOUNTS RECEIVABLE, NET

	As of June 30,	
	2005	2004
Accounts receivable	\$ 3,934,878	\$ 5,888,144
Less: Allowance for sales returns and discounts	(107,062)	(8,131)
Less: Allowance for doubtful accounts	(71,518)	(90,512)
Net	\$ 3,756,298	\$ 5,789,501

(5) OTHER FINANCIAL ASSETS, CURRENT

	As of June 30,	
	2005	2004
Credit-linked deposits and repackaged bonds	\$ 1,216,108	\$ 1,879,338
Interest rate swaps		4,594
Forward contracts		7,104
<b>Total</b>	<b>1,216,108</b>	<b>1,891,036</b>
Less: Non-current portion	(1,153,028)	(1,710,788)
<b>Net</b>	<b>\$ 63,080</b>	<b>\$ 180,248</b>

Please refer to Note 10 for disclosures on risks of other financial assets.

(6) INVENTORIES, NET

	As of June 30,	
	2005	2004
Raw materials	\$ 126,994	\$ 132,323
Supplies and spare parts	1,734,764	1,601,447
Work in process	6,760,326	6,973,813
Finished goods	520,695	363,034
<b>Total</b>	<b>9,142,779</b>	<b>9,070,617</b>
Less: Allowance for loss on decline in market value and obsolescence	(1,244,078)	(453,531)
<b>Net</b>	<b>\$ 7,898,701</b>	<b>\$ 8,617,086</b>

a. The insurance coverage for inventories was sufficient as of June 30, 2005 and 2004, respectively.

b. Inventories were not pledged.

(7) LONG-TERM INVESTMENTS

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

(Equity securities refer to common shares unless otherwise stated)

<u>Investee Company</u>	As of June 30,			
	2005		2004	
	<u>Amount</u>	<u>Percentage of Ownership or Voting Rights</u>	<u>Amount</u>	<u>Percentage of Ownership or Voting Rights</u>

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Investments accounted for under the equity method:

UMC Group (USA)	\$ 708,829	100.00	\$ 526,146	100.00
United Microelectronics (Europe) B.V.	283,099	100.00	267,814	100.00
UMC Capital Corporation	1,306,287	100.00	1,277,043	100.00
United Microelectronics Corp. (Samoa)	14,897	100.00	6,364	100.00
UMCi Ltd. (Note A)	14,604	100.00	27,501,698	95.23
Fortune Venture Capital Corporation	3,758,856	99.99	2,575,783	99.99
Hsun Chieh Investment Co., Ltd. (Hsun Chieh)	10,409,009	99.97	10,445,995	99.97

As of June 30,

Investee Company	2005		2004	
	Amount	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights
United Microdisplay Optronics Corp.	201,914	83.48	543,003	83.48
Pacific Venture Capital Co., Ltd.	300,407	49.99	306,772	49.99
UMC Japan	7,269,416	47.42	9,242,660	47.42
Toppan Photomasks Taiwan Ltd. (formerly DuPont Photomasks Taiwan Ltd.)	1,012,456	45.35	1,085,234	45.35
Unitech Capital Inc.	710,102	42.00	806,885	42.00
Holtek Semiconductor Inc.	797,730	25.23	703,556	25.44
ITE Tech. Inc.	292,828	22.21	276,652	22.23
Unimicron Technology Corp.	3,640,017	20.85	3,402,201	21.70
Faraday Technology Corp. (Note B)	907,782	18.38	816,039	19.10
Silicon Integrated Systems Corp. (Note C)	4,048,689	16.16	4,771,170	16.18
Thintek Optronics Corp. (Note B)	30,383	14.26		
Novatek Microelectronics Corp. (Note C)	1,428,604	13.24	1,620,482	20.14
AMIC Technology Corporation (Note B)	60,134	11.83	114,620	11.83
Aptos (Taiwan) Corporation (Note B)	108,755	9.72		
United Foundry Service, Inc. (Note D)			102,441	100.00
United Fu Shen Chen Technology Corporation (formerly Applied Component Technology Corp.) (Note E)			43,788	19.30
<b>Subtotal</b>	<b>37,304,798</b>		<b>66,436,346</b>	
<b>Investments accounted for under the cost method or the lower of cost or market value method:</b>				
United Fu Shen Chen Technology Corporation (formerly Applied Component Technology Corp.) (Note E)	\$	16.44	\$	
EPITECH Technology Corp.	299,993	10.08		
United Industrial Gases Co., Ltd.	146,250	8.11	146,250	8.27
MediaTek Incorporation	726,309	7.54	1,042,968	11.00
Industrial Bank of Taiwan Corp.	1,139,196	4.95	1,149,230	4.99
Subtron Technology Co., Ltd.	172,800	4.92	172,800	5.47
South Epitaxy Corporation	143,661	4.15		
Chipbond Technology Corporation	174,735	3.20		
Billionton Systems Inc.	30,948	2.71	30,948	2.79
AU Optronics Corp. (Note F)	959,082	1.44	1,931,279	2.89
Mega Financial Holding Company	3,108,656	0.84	3,108,656	0.84
Premier Image Technology Corporation	27,964	0.61	27,964	0.62
Pacific Technology Partners, L.P. (Note G)	359,722		299,889	
Pacific United Technology, L.P. (Note G)	126,560		96,720	
Taiwan High Speed Rail Corporation (Note H)	300,000		300,000	
<b>Subtotal</b>	<b>7,715,876</b>		<b>8,306,704</b>	
<b>Total</b>	<b>\$ 45,020,674</b>		<b>\$ 74,743,050</b>	



- Note A: During 2004, the Company acquired an additional 24.95% of interests in UMCi Ltd., totaling 227,938 thousand shares amounting to NT\$10,762 million. Based on the resolution of the board of directors meeting on August 26, 2004, UMCi had transferred its businesses, operations, and assets to the Branch since April 1, 2005.
- Note B: The equity method was applied for investees of which the percentage of ownership directly and indirectly held by the Company was greater than 20%.
- Note C: The equity method was applied for investees in which the Company held the highest percentage of the outstanding voting shares and had significant influences on operating decisions.
- Note D: United Foundry Service, Inc. liquidated in April 2005. All businesses, operations, and assets of the company were transferred to UMC Group (USA).
- Note E: Since January 1, 2005, the Company was no longer a majority stockholder of United Fu Shen Chen Technology Corporation. As the Company had no majority voting rights or significant influences, the cost method was applied.
- Note F: As of June 30, 2005 and 2004, 71,215 thousand shares and 66,109 thousand shares with book values of NT\$959 million and NT\$890 million, respectively, held by the Company in AU Optronics Corp. were utilized as reference shares for the Company's zero coupon exchangeable bonds.
- Note G: The amount represented the investment in limited partnership without voting rights. As the Company was not able to exercise significant influences, the investments were accounted for under the cost method.
- Note H: The amount represented investment in 30 million preferred shares. As the Company did not possess voting rights or significant influence, the cost method was applied.
- b. Investment loss accounted for under the equity method, which were based on the audited financial statements of the investees were NT\$2,144 million and NT\$665 million for the six-month periods ended June 30, 2005 and 2004, respectively. Among which, investment income amounting to NT\$144 million and NT\$306 million for the six-month periods ended June 30, 2005 and 2004, respectively, and the related long-term investment balances of NT\$5,559 million and NT\$5,337 million as of June 30, 2005 and 2004, respectively, were determined based on the investees' financial statements audited by other auditors.
- c. The long-term investments were not pledged.

(8) PROPERTY, PLANT AND EQUIPMENT

	As of June 30, 2005		
	Cost	Accumulated Depreciation	Book Value
Land	\$ 1,132,576	\$	\$ 1,132,576
Buildings	15,860,960	(4,298,474)	11,562,486
Machinery and equipment	348,877,930	(222,554,924)	126,323,006
Transportation equipment	88,095	(57,657)	30,438
Furniture and fixtures	2,119,552	(1,384,660)	734,892
Construction in progress and prepayments	20,087,650		20,087,650
<b>Total</b>	<b>\$ 388,166,763</b>	<b>\$ (228,295,715)</b>	<b>\$ 159,871,048</b>

	As of June 30, 2004		
	Cost	Accumulated Depreciation	Book Value
Land	\$ 1,132,576	\$	\$ 1,132,576
Buildings	12,119,790	(3,361,639)	8,758,151
Machinery and equipment	256,262,691	(164,866,036)	91,396,655
Transportation equipment	80,546	(49,003)	31,543
Furniture and fixtures	1,941,066	(1,120,607)	820,459
Leased assets	47,783	(39,819)	7,964
Construction in progress and prepayments	15,443,534		15,443,534
<b>Total</b>	<b>\$ 287,027,986</b>	<b>\$ (169,437,104)</b>	<b>\$ 117,590,882</b>

- a. Total interest expense before capitalization amounted to NT\$643 million and NT\$758 million for the six-month periods ended June 30, 2005 and 2004, respectively.

Details of capitalized interest are as follows:

	For the six-month period ended June 30,	
	2005	2004
Machinery and equipment	\$ 192,785	\$ 72,557
Other property, plant and equipment	2,922	2,457
<b>Total interest capitalized</b>	<b>\$ 195,707</b>	<b>\$ 75,014</b>
<b>Interest rates applied</b>	<b>2.88%~4.20%</b>	<b>2.30%~3.38%</b>

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- b. The insurance coverage for property, plant and equipment was sufficient as of June 30, 2005 and 2004, respectively.
- c. Please refer to Note 6 for property, plant and equipment pledged as collateral.



(9) OTHER ASSETS-OTHERS

	As of June 30,	
	2005	2004
Leased assets	\$ 1,363,681	\$ 1,414,742
Deposits-out	584,339	722,576
Others	121,675	122,909
<b>Total</b>	<b>\$ 2,069,695</b>	<b>\$ 2,260,227</b>

a. The insurance coverage for leased assets was sufficient as of June 30, 2005 and 2004, respectively.

b. Please refer to Note 6 for deposits-out pledged as collateral.

(10) SHORT-TERM LOANS

	As of June 30,	
	2005	2004
Unsecured bank loans	\$ 1,645,280	\$ 2,028,600
Interest rates	3.22%~3.73%	1.38%~1.62%

The Company's unused short-term lines of credits amounted to NT\$8,872 million and NT\$9,856 million as of June 30, 2005 and 2004, respectively.

(11) BONDS PAYABLE

	As of June 30,	
	2005	2004
Secured domestic bonds payable	\$	\$ 1,140,003
Unsecured domestic bonds payable	30,500,000	37,750,000
Exchangeable bonds payable	3,097,240	3,309,661
<b>Total</b>	<b>33,597,240</b>	<b>42,199,664</b>
Less: Current portion	(5,250,000)	(8,390,003)
<b>Net</b>	<b>\$ 28,347,240</b>	<b>\$ 33,809,661</b>

- a. On April 27, 2000, the Company issued five-year secured bonds amounting to NT\$3,990 million. The interest was paid semi-annually with a stated interest rate of 5.6%. The bonds were repayable in installments every six months from April 27, 2002 to April 27, 2005. On April 27, 2005, the bonds were fully repaid.
  
- 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, each with a face value of NT\$7,500 million. The interest is paid annually with stated interest rates of 5.1195% through 5.1850% and 5.2170% through 5.2850%, 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 annual 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 a face value of NT\$5,000 million. The interest is paid annually with stated interest rates of 3.3912% through 3.420% and 3.4896% through 3.520%, respectively. The three-year bonds were repaid at 100% of its principal amount during the period from October 2 to October 15, 2004. The five-year bonds will be repayable in October 2006, upon the maturity of the bonds.
  
- d. On December 12, 2001, the Company issued zero coupon convertible redeemable 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 can 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 NYSE or other applicable securities exchange on which the ADSs are listed on any ADSs trading day for 20 out of 30 consecutive ADS trading days ending at any time within the period of 5 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 common shares, on or after January 22, 2002 and on or prior to 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 the resale of certain ADSs issuable upon conversion of the bonds has been declared effective by the U.S. Securities and Exchange Commission, on or prior to February 20, 2004.

(d) Conversion Price

- i. In respect of the common shares, will be NT\$66.67 per share, and
- ii. In respect of the ADSs, will be US\$9.673 per ADS.

The applicable conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(e) Reacquisition of the Bonds

As of June 30, 2004, the Company had reacquired a total amount of US\$63 million of the bonds from the open market. The corresponding loss on the reacquisition amounting to NT\$0.06 million for the six-month period ended June 30, 2004, was recognized as other losses.

(f) Redemption of the Bonds

On February 27, 2004, the remaining balance of bonds was redeemed.

- e. On May 10, 2002, the Company issued LSE listed zero coupon exchangeable bonds exchangeable for common shares or ADSs of AU Optronics Corp. (AUO) 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 must be redeemed at their principal amount 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 closing price of the AUO common shares on the TSE, 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 to US\$1.00.

The Company may also redeem the bonds, in whole, but not in part, 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 their principal amount.

(d) Tax Redemption

The Company may redeem all, but not part, of the bonds, at any time, in the event of certain changes in the R.O.C.'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.

(e) Terms of 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 AUO shares or AUO ADSs at an exchange price of NT\$51.30 per share, determined on the basis of a fixed exchange rate of NT\$34.645 to US\$1.00; provided however, that if the exercise date falls within 5 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 restrictions.

The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(f) Exchange of the Bonds

As of June 30, 2005 and 2004, certain bondholders have exercised their rights to exchange their bonds with the total principal amount of US\$137 million and US\$131 million, respectively, into AUO shares. The corresponding gains on the exchange amounting to NT\$0 and NT\$3,457 million for the six-month periods ended June 30, 2005 and 2004, respectively, were recognized as gain on disposal of investments.

- f. During the period from May 21 to June 24, 2003, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, each with a face value of NT\$7,500 million. The interest is paid annually with stated interest rates of 4.0% minus USD 12-Month LIBOR and 4.3% minus USD 12-Month LIBOR, respectively. Stated interest rates are reset annually based on the prevailing USD 12-Month LIBOR. The five-year bonds and seven-year bonds are repayable in 2008 and 2010, respectively, upon the maturity of the bonds.
- g. On July 15, 2003, the Company issued its second LSE listed zero coupon exchangeable bonds exchangeable for common shares of AUO with an aggregate principal amount of US\$206 million. The issue price was set at 103.0% of the principal amount. The terms and conditions of the bonds are as follows:

(a) Final Redemption

Unless previously redeemed, exchanged or purchased and cancelled, the bonds must be redeemed at their principal amount in US Dollars on July 15, 2008.

(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 January 15, 2004 and on or prior to July 15, 2005, at their principal amount plus a certain premium (the Early Redemption Amount ) and thereafter until July 15, 2008 at their principal amount, if the closing price of the AUO common shares on the TSE, 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 125% of the exchange price then in effect translated into US Dollars at the rate of NT\$34.390 to US\$1.00.

The Company may also redeem the bonds, in whole, but not in part, 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 any bondholder, redeem such bonds starting on July 15, 2005, at their principal amount.

(d) Tax Redemption

The Company may redeem all, but not part, of the bonds, at any time, in the event of certain changes in the R.O.C.'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.

(e) Terms of Exchange

Subject to prior permitted redemption and as otherwise provided in the offering, the bonds are exchangeable at any time on or after August 14, 2003 and prior to June 30, 2008, into AUO shares at an exchange price of NT\$36.387 per share, determined on the basis of a fixed exchange rate of NT\$34.390 to 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 restrictions.

The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(f) Exchange of the Bonds

As of June 30, 2004, all bondholders have exercised their rights to exchange their bonds into AUO shares. The corresponding gain on the exchange amounting to NT\$4,349 million for the six-month period ended June 30, 2004, was recognized as a gain on disposal of investments.

- h. Repayments of the above bonds in the future years are as follows:

(Assuming the convertible bonds and exchangeable bonds are both paid off upon maturity.)

<u>Bonds repayable in</u>	<u>Amount</u>
2005 (3 <sup>rd</sup> quarter thereafter)	\$
2006	10,250,000
2007	5,347,240
2008	10,500,000
2009	
2010 and thereafter	7,500,000
<b>Total</b>	<b>\$ 33,597,240</b>

(12) LONG-TERM LOANS

	<u>As of June 30,</u>	
	<u>2005</u>	<u>2004</u>
Secured long-term loans	\$	\$ 451,418
Less: Current portion		(425,046)
<b>Net</b>	<b>\$</b>	<b>\$ 26,372</b>
<b>Interest rates</b>		<b>2.20%~2.22%</b>

- a. As of June 30, 2004, the Company's long-term loans denominated in foreign currency amounted to US\$13 million;
- b. Assets pledged as collateral to secure these loans are detailed in Note 6.

(13) PENSION FUND

Pension costs amounting to NT\$344 million and NT\$264 million were recognized for the six-month periods ended June 30, 2005 and 2004, respectively. The corresponding totals of the pension fund were NT\$1,013 million and NT\$902 million as of June 30, 2005 and 2004, respectively.

(14) CAPITAL STOCK

- a. As of June 30, 2004, 22,000,000 thousand common shares were authorized to be issued and 16,140,744 thousand common shares were issued, each at a par value of NT\$10.



- b. Based on the resolution of the board of directors meeting on February 26, 2004, the Company merged with SiSMC on July 1, 2004, the effective date, through the issuance of 357,143 thousand new shares at a par value of \$10 each. 2.24 shares of SiSMC were exchanged to 1 share of the Company, the surviving company.

- c. As recommended by the board of directors and amended by the shareholders' meeting on June 1, 2004, the Company issued 1,399,685 thousand new shares from the capitalization of retained earnings that amounted to NT\$13,335 million and capital reserve that amounted to NT\$661 million, of which NT\$12,224 million were stock dividends and NT\$1,111 million were employees' bonus.
- d. On July 22, 2004, the Company wrote off 149,728 thousand shares of treasury stock, which were bought back during the period from August 1 to September 28, 2001 and the period from August 14 to September 25, 2002 for conversion of the convertible bonds.
- e. The employee stock options issued by the Company on October 7, 2002 were exercised into 44,138 thousand shares during 2004. The effective date of issuance of new shares was December 28, 2004.
- f. The employee stock options issued by the Company on October 7, 2002, and January 3, 2003, were exercised into 36,563 thousand shares during the six-month period ended June 30, 2005.
- g. On April 26, 2005, the Company wrote off 49,114 thousand shares of treasury stocks, which were bought back during the period from February 20 to April 19, 2002, for the conversion of convertible bonds.
- h. As recommended by the board of directors and amended by the shareholders' meeting on June 13, 2005, the Company issued 1,956,022 thousand new shares from capitalization of retained earnings that amounted to NT\$19,560 million, of which NT\$17,587 million were stock dividends and NT\$1,973 million were employees' bonus.
- i. As of June 30, 2005, 22,000,000 thousand common shares were authorized to be issued and 17,779,431 thousand common shares were issued, each at a par value of NT\$10. The limit of share capital was increased to NT\$260,000 million based on the resolution of the shareholders' meeting on June 13, 2005.
- j. The Company has issued a total of 250,987 thousand ADSs which were traded on the NYSE as of June 30, 2005. The total number of common shares represented by all issued ADSs is 1,254,936 thousand shares (one ADS represents five common shares).

(15) EMPLOYEE STOCK OPTIONS

On September 11, 2002, October 8, 2003, and September 30, 2004, the Company was authorized by the relevant government authorities to issue Employee Stock Options with a total number of 1 billion, 150 million, and 150 million units, respectively. Each unit entitles an optionee to subscribe to 1 share of the Company's common stock. Settlement upon the exercise of the options will be made through the issuance of new shares by the

Company. The exercise price of options was set at the closing price of the Company's common stock on the date of grant. The grant period of the options is 6 years and an optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the date of 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 (NTD)</u>
October 7, 2002	939,000	729,311	\$ 17.7
January 3, 2003	61,000	50,030	\$ 19.9
November 26, 2003	57,330	50,140	\$ 27.8
March 23, 2004	33,330	27,640	\$ 25.7
July 1, 2004	56,590	48,920	\$ 23.2
October 13, 2004	20,200	17,340	\$ 20.0
April 29, 2005	23,460	22,310	\$ 18.4

- a. A summary of the Company's stock option plans, and related information for the six-month periods ended June 30, 2005 and 2004, are as follows:

	<u>For the six-month period ended June 30,</u>			
	<u>2005</u>		<u>2004</u>	
	<u>Option (in thousands)</u>	<u>Weighted-average Exercise Price (NTD)</u>	<u>Option (in thousands)</u>	<u>Weighted-average Exercise Price (NTD)</u>
Outstanding at beginning of year	973,858	\$ 18.9	980,664	\$ 18.4
Granted	23,460	\$ 18.4	33,330	\$ 25.7
Exercised	(36,563)	\$ 17.7		
Forfeited	(15,064)	\$ 19.9	(23,692)	\$ 19.2
Outstanding at end of period	945,691	\$ 18.9	990,302	\$ 18.6
Exercisable at end of period	357,276			
Weighted-average fair value of options granted during the year (NTD)	\$ 6.0		\$ 4.5	

- b. The information of the Company's outstanding stock options as of June 30, 2005, is as follows:

<u>Authorization Date</u>	<u>Range of Exercise Price</u>	<u>Outstanding Stock Options</u>			<u>Exercisable Stock Options</u>	
		<u>Option (in thousands)</u>	<u>Weighted-average Expected Remaining Years</u>	<u>Weighted-average Exercise Price (NTD)</u>	<u>Option (in thousands)</u>	<u>Weighted-average Exercise Price (NTD)</u>

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91.09.11	\$ 17.7-\$19.9	779,341	1.7	\$ 17.8	357,276	\$ 17.9
92.10.08	\$ 23.2-\$27.8	126,700	3.1	\$ 25.6		
93.09.30	\$ 18.4-\$20.0	39,650	4.0	\$ 19.1		
		945,691	1.9	\$ 18.9	357,276	\$ 17.9

- c. The Company has used the intrinsic value method to recognize compensation costs for its employee stock options issued since January 1, 2004. The compensation cost for the six-month period ended June 30, 2005 is NT\$0. Pro forma information using the fair value method on net income and earnings per share is as follows:

<u>For the six-month period ended June 30, 2005</u>		
	<u>Basic earnings per share</u>	<u>Diluted earnings per share</u>
Net Income	\$ 1,817,700	\$ 1,817,700
Earnings per share (NTD)	\$ 0.11	\$ 0.11
Pro forma net income	\$ 1,741,162	\$ 1,741,162
Pro forma earnings per share (NTD)	\$ 0.11	\$ 0.10

The fair value of the options granted after January 1, 2004, was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the six-month period ended June 30, 2005: expected dividend yields of 1.63%; volatility factors of the expected market price of the Company's common stock of 42.39%; risk-free interest rate of 2.24%; and a weighted-average expected life of the options of 4.4 years.

(16) TREASURY STOCK

- a. The Company bought back its own shares from the open market during the six-month periods ended June 30, 2005 and 2004. Details of the treasury stock transactions are as follows:

For the six-month period ended June 30, 2005

*(In thousands of shares)*

<u>Purpose</u>	<u>As of</u>	<u>Increase</u>	<u>Decrease</u>	<u>As of</u>
	<u>January 1, 2005</u>			<u>June 30, 2005</u>
For transfer to employees	241,181	374,960	(49,114)	567,027

For the six-month period ended June 30, 2004

*(In thousands of shares)*

<u>Purpose</u>	<u>As of</u>	<u>Increase</u>	<u>Decrease</u>	<u>As of</u>
	<u>January 1, 2004</u>			<u>June 30, 2004</u>
For transfer to employees	49,114	192,067		241,181
For conversion of the convertible bonds into shares				149,728

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Total shares	<u>198,842</u>	<u>192,067</u>	<u>390,909</u>
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- b. According to the Securities and Exchange Law of the R.O.C., total shares of treasury stock should not exceed 10% of the Company's stock issued. Total purchase amount should not exceed the sum of the retained earnings, capital reserve-premiums, and realized capital reserve. As such, the maximum number of shares of treasury stock that the Company could hold as of June 30, 2005 and 2004, was 1,777,943 thousand shares and 1,614,074 thousand shares while the ceiling of the amount was NT\$83,442 million and NT\$74,019 million, respectively. As of June 30, 2005 and 2004, the Company held 567,027 thousand shares and 390,909 thousand shares of treasury stock that amounted to NT\$13,768 million and NT\$12,299 million, respectively.
- c. In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it entitle voting rights or receive dividends.
- d. As of June 30, 2005, the Company's subsidiaries, Hsun Chieh Investment Co., Ltd. and Fortune Venture Capital Corporation, held 543,732 thousand shares and 19,808 thousand shares of the Company's stock, with a book value of NT\$23.19 and NT\$8.68 per share, respectively. The average closing price during June 2005 was NT\$23.19.

As of June 30, 2004, the Company's subsidiaries, Hsun Chieh Investment Co., Ltd. and Fortune Venture Capital Corporation, held 503,456 thousand shares and 18,340 thousand shares of the Company's stock, with a book value of NT\$24.83 and NT\$9.37 per share, respectively. The average closing price during June 2004 was NT\$24.83.

(17) RETAINED EARNINGS AND DIVIDEND POLICIES

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

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

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

Details of the 2004 and 2003 dividend distribution and directors and supervisors remuneration are as follows:

	2004	2003
Cash dividend (per share)	\$ 0.10	\$
Stock dividend (per share)	\$ 1.03	\$ 0.76
Capitalization from reserved capital (per share)	\$	\$ 0.04
Employees stock dividend	\$ 1,973 million	\$ 1,111 million
Directors and supervisors remuneration	\$ 27 million	\$ 13 million

Pursuant to Article 41 of the Securities and Exchange Law of the R.O.C., a special reserve is set aside from the current net income and prior unappropriated earnings for items that are accounted for as deductions to stockholders' equity such as unrealized loss on long-term investments and cumulative translation adjustments. However, there are the following exceptions for the Company's investees' unrealized loss on long-term investments arising from the merger which was recognized by the Company in proportion to the Company's ownership percentage:

- a. According to the explanatory letter No. 101801 of the Securities and Futures Commission (SFC), if the Company recognizes the investees' capital reserve excess from the merger in proportion to the ownership percentage then the special reserve is exempted for the amount originated from the acquisition of the long-term investments.
- b. However, if the Company and its investees transfer a portion of the capital reserve to increase capital, a special reserve equal to the amount of the transfer shall be provided according to the explanatory letter No.101801-1 of the SFC.
- c. In accordance with the explanatory letter No.170010 of the SFC applicable to listed companies, in the case where the market value of the Company's stock held by its subsidiaries at year-end is lower than the book value, a special reserve shall be provided in the Company's accounts in proportion to its ownership percentage.

For the 2004 appropriations approved by the shareholders' meeting on June 13, 2005, unrealized loss on long-term investments exempted from the provision of special reserve pursuant to the above regulations amounted to NT\$18,667 million.



(18) OPERATING COSTS AND EXPENSES

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

	For the six-month period ended June 30,					
	2005			2004		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salaries	\$ 1,590,737	\$ 707,813	\$ 2,298,550	\$ 2,820,736	\$ 884,599	\$ 3,705,335
Labor and health insurance	202,468	55,159	257,627	177,328	47,710	225,038
Pension	254,043	89,986	344,029	192,236	71,633	263,869
Other personnel expenses	29,028	8,065	37,093	29,328	7,466	36,794
Depreciation	21,159,529	911,915	22,071,444	17,345,727	933,927	18,279,654
Amortization	73,478	968,702	1,042,180	31,812	451,033	482,845

The numbers of employees as of June 30, 2005 and 2004, were 11,588 and 9,662, respectively.

(19) INCOME TAX

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

	For the six-month period ended June 30,	
	2005	2004
Income tax on pre-tax income at statutory tax rate	\$ 831,762	\$ 4,907,307
Permanent differences	(757,916)	(4,442,722)
Change in investment tax credit	6,512,323	1,088,110
Change in valuation allowance	(6,586,169)	(1,523,310)
Income tax on interest revenue separately taxed	397	4,098
Income tax expense	\$ 397	\$ 33,483

- b. Significant components of deferred income tax assets and liabilities are as follows:

	As of June 30,	
	2005	2004

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	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Deferred income tax assets				
Investment tax credit		\$ 15,124,463		\$ 17,416,622
Loss carry-forward	\$ 14,994,930	3,748,732	\$ 14,953,722	3,738,431
Pension	2,962,723	740,681	2,356,540	589,135
Allowance on sales returns and discounts	382,310	95,578	638,934	159,733
Allowance for loss on obsolescence of inventories	811,580	202,895	453,531	113,383
Others	282,944	70,736	166,866	41,716
		<u>19,983,085</u>		<u>22,059,020</u>
Total deferred income tax assets		(8,975,040)		(10,576,722)
Valuation allowance				
Net deferred income tax assets		<u>11,008,045</u>		<u>11,482,298</u>

	As of June 30,			
	2005		2004	
	Amount	Tax effect	Amount	Tax effect
Deferred income tax liabilities				
Unrealized exchange gain	(548,978)	(137,245)	(1,608,131)	(402,033)
Depreciation	(14,139,585)	(3,534,896)	(15,477,444)	(3,869,361)
Total deferred income tax liabilities		(3,672,141)		(4,271,394)
Total net deferred income tax assets		\$ 7,335,904		\$ 7,210,904
Deferred income tax assets - current		\$ 5,255,111		\$ 7,820,060
Deferred income tax liabilities - current		(137,245)		(420,033)
Valuation allowance		(1,704,337)		(4,589,087)
Net		3,413,529		2,810,940
Deferred income tax assets - noncurrent		14,727,974		14,238,960
Deferred income tax liabilities - noncurrent		(3,534,896)		(3,869,361)
Valuation allowance		(7,270,703)		(5,987,635)
Net		3,922,375		4,381,964
Total net deferred income tax assets		\$ 7,335,904		\$ 7,210,904

- c. The Company's income tax returns for all the fiscal years through 1999 and 2002 have been assessed and approved by the Tax Authority.
- d. Pursuant to the Statutes for the Establishment and Administration of Science Park of R.O.C., the Company was granted several four-year income tax exemption periods for income derived from the expansion of operations. The starting date of the exemption granted for the expansions of operations in 2000 and 2001 had not yet been decided. The income tax exemption for other periods will expire on December 31, 2009.
- e. The Company earns investment tax credits for the amount invested in production equipment, research and development, and employee training.

As of June 30, 2005, the Company's unused investment tax credit was as follows:

Expiration Year	Investment tax credits earned	Balance of unused investment tax credits
2005	\$4,323,403	\$1,844,524
2006	3,656,565	3,656,565
2007	1,996,790	1,996,790
2008	3,166,290	3,166,290
2009	4,460,294	4,460,294

Total	\$17,603,342	\$15,124,463
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- f. Under the rules of the Income Tax Law of the R.O.C., net loss can be carried forward for 5 years. As of June 30, 2005, the unutilized accumulated loss was as follows:

<u>Expiration Year</u>	<u>Accumulated loss</u>	<u>Unutilized accumulated loss</u>
2006	\$11,096,582	\$11,096,582
2007	3,857,140	3,857,140
2008 (Transferred in from merger with SiSMC)	2,283	2,283
2009 (Transferred in from merger with SiSMC)	38,925	38,925
<b>Total</b>	<b>\$14,994,930</b>	<b>\$14,994,930</b>

- g. The balance of the Company's imputation credit accounts as of June 30, 2005 and 2004 were NT\$67 million and NT\$76 million, respectively. The actual creditable ratio for 2004 and 2003 was 0.23% and 0.69%, respectively.
- h. The ending balances of unappropriated earnings as of June 30, 2005 and 2004 were as follows:

	<u>As of June 30,</u>	
	<u>2005</u>	<u>2004</u>
Prior to January 1, 1998	\$ 16,565	\$ 16,565
After January 1, 1998	3,622,790	20,121,962
<b>Total</b>	<b>\$ 3,622,790</b>	<b>\$ 20,138,527</b>

(20) EARNINGS PER SHARE

- a. The Company held employee stock options during the six-month period ended June 30, 2005, and thus has a complex capital structure. The calculation of basic and diluted earnings per share, for the six-month period ended June 30, 2005 and 2004, is disclosed as follows:

	<u>For the six-month period ended</u>	
	<u>June 30,</u>	
<i>(shares expressed in thousands)</i>	<u>2005</u>	<u>2004 (retroactively adjusted)</u>
Income before income tax	\$ 1,818,097	\$ 19,629,266
Effect of dilution:		
Employee stock options		
Convertible bonds		39,626

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Adjusted income before income tax assuming dilution	<u>\$ 1,818,097</u>	<u>\$ 19,668,892</u>
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<i>(shares expressed in thousands)</i>	For the six-month period ended June 30,	
	2005	2004 (retroactively adjusted)
Net income	\$ 1,817,700	\$ 19,595,783
Effect of dilution:		
Employee stock options		
Convertible bonds		29,720
Adjusted net income assuming dilution	\$ 1,817,700	\$ 19,625,503
Weighted-average of shares outstanding	16,579,598	16,705,273
Effect of dilution:		
Employee stock options	92,221	345,074
Convertible bonds		44,910
Adjusted weighted-average of shares outstanding assuming dilution	16,671,819	17,095,257
Earnings per share-basic (NTD)		
Income before income tax	\$ 0.11	\$ 1.18
Net income	\$ 0.11	\$ 1.17
Earnings per share-diluted (NTD)		
Income before income tax	\$ 0.11	\$ 1.15
Net income	\$ 0.11	\$ 1.15

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

<i>(shares expressed in thousands)</i>	For the six-month period ended June 30, 2005	
	Basic	Diluted
Net income	\$ 1,817,700	\$ 1,817,700
Weighted-average of shares outstanding:		
Beginning balance	17,550,801	17,550,801
Purchase of 374,960 thousand shares of treasury stock from January 1 to June 30	(39,313)	(39,313)
Exercise of 36,563 thousand units of employees stock options	20,172	20,172
Dilutive shares of employee stock options accounted for under treasury stock method		92,221
Ending balance	17,531,660	17,623,881

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Earnings per share			
Net income (NTD)	\$	0.10	\$ 0.10
		<u>          </u>	<u>          </u>



<i>(shares expressed in thousands)</i>	<b>For the six-month period ended June 30, 2004</b>	
	<b>(retroactively adjusted)</b>	
	<b>Basic</b>	<b>Diluted</b>
Net income	\$ 19,595,783	\$ 19,625,503
<b>Weighted-average of shares outstanding:</b>		
Beginning balance	15,941,901	15,941,901
Purchase of 192,067 thousand shares of treasury stock from January 1 to June 30, 2004	(50,445)	(50,445)
Stock dividends and employees' bonus at 8.7% in 2004	1,380,957	1,380,957
Dilutive shares of employee stock options accounted for under treasury stock method		345,074
Dilutive shares issued assuming conversion of bonds		44,910
Ending balance	17,272,413	17,662,397
Earnings per share		
Net income (NTD)	\$ 1.13	\$ 1.11

- c. Pro forma information on retroactively adjusted earnings per share as if 2004 earnings are distributed:

	<b>For the period ended June 30, 2005</b>	
	<b>Basic</b>	<b>Diluted</b>
Net income	\$ 1,817,700	\$ 1,817,700
<b>Weighted-average of shares outstanding:</b>		
Shares (capitalization of 2004 earnings ordinary at 11.4%)	18,477,495	18,580,272
Earnings per share (NTD)	\$ 0.10	\$ 0.10
	<b>For the period ended June 30, 2004 (retroactively adjusted)</b>	
	<b>Basic</b>	<b>Diluted</b>
Net income	\$ 19,595,783	\$ 19,625,503
<b>Weighted-average of shares outstanding:</b>		
Shares (capitalization of 2004 earnings ordinary at 11.4%)	18,617,557	19,052,183
Earnings per share (NTD)	\$ 1.05	\$ 1.03



(21) MERGER

In order to integrate resources, reduce operating costs, enlarge business scales, and improve its financial structure, profitability and global competitiveness, based on the resolution of the board of directors' meeting on February 26, 2004, the Company merged with SiSMC, the dissolved company, on July 1, 2004. The merger was approved by the relevant government authorities. All the assets, liabilities, rights, and obligations of SiSMC have been fully incorporated into the Company since July 1, 2004. The accounting treatment regarding the merger is in compliance with the R.O.C. SFAS No. 25 Enterprise Mergers' Accounting of Purchase Method.

Relevant information required by R.O.C. SFAS No. 25 is disclosed as follows:

a. Information of the dissolved company:

SiSMC was split from Silicon Integrated Systems Corp. on December 15, 2003. It was mainly engaged in manufacturing of integrated circuits and components of semiconductors.

b. Effective date, percentage of acquisition and accounting treatment:

Based on the agreement and the resolution of the board of directors' meeting, the effective date of the merger was July 1, 2004. All the stocks of the dissolved company were exchanged by the surviving company's newly issued shares, and the merger was accounted for under the purchase method.

c. The period of combining the dissolved company's operating result:

The operating result for the period from July 1, 2004 to December 31, 2004 of the dissolved company was integrated into the operating result of the Company.

d. Acquisition costs and the types, quantities, and amounts of securities issued for the merger:

According to the agreement, 357,143 thousand common shares, amounting to NT\$3,571 million, were newly issued by the Company for the merger. The newly issued shares were allocated to the dissolved company's shareholders in proportion to their ownership. 2.24 common shares were exchanged for 1 new share. Since SiSMC was not a listed company, there is no market value. Thus, the acquisition cost was determined based on the appraisal report made by China Property Appraising Center Co., Ltd.

e. Amortization method and useful lives for goodwill or deferred credit:

The difference between the acquisition cost and the fair value of identifiable net assets was recognized as goodwill, which is amortized under the straight-line method for 15 years according to the Article 35 of Enterprise Mergers and Acquisitions Law of the R.O.C.



f. Contingent price, warrants, or commitments and accounting treatments in the merger contracts:

None.

g. Decisions of disposal of significant assets from the merger:

None.

h. Pro forma information on operating results:

The operating result for the period from July 1, 2004 to December 31, 2004 of the dissolved company was consolidated into the financial statements of the Company.

The pro forma operating results from January 1, 2004 to June 30, 2004 of SiSMC are included in the following pro forma information. The pro forma information on the operating results stated below is based on the assumption that the Company merged with SiSMC on January 1, 2004.

<i>(Shares expressed in thousands)</i>	<b>For the six-month period ended June 30, 2004</b>
Net operating revenues	\$ 56,758,278
Net income	\$ 18,422,384
Weighted-average of shares outstanding	17,093,452
Earnings per share-basic (NTD)	\$ 1.08

## 5. RELATED PARTY TRANSACTIONS

(1) Name and Relationship of Related Parties

<b>Name of related parties</b>	<b>Relationship with the Company</b>
UMC Group (USA) (UMC-USA)	Equity investee
United Foundry Service, Inc. (liquidated in April 2005)	Equity investee
United Microelectronics (Europe) B.V. (UME BV)	Equity investee
UMC Capital Corporation	Equity investee
United Microelectronics Corp. (Samoa)	Equity investee
Fortune Venture Capital Corporation (Fortune)	Equity investee
Hsun Chieh Investment Co., Ltd. (Hsun Chieh)	Equity investee
UMCi Ltd.	Equity investee
United Microdisplay Optronics Corp. (UMO)	Equity investee
UMC Japan (UMCJ)	Equity investee
Toppan Photomasks Taiwan Ltd. (formerly DuPont Photomasks Taiwan Ltd.) (Toppan)	Equity investee
Unitech Capital Inc.	Equity investee
Holtek Semiconductor Inc. (Holtek)	Equity investee
ITE Tech. Inc.	Equity investee

Name of related parties	Relationship with the Company
Unimicron Technology Corp.	Equity investee
Novatek Microelectronics Corp.	Equity investee
Faraday Technology Corp. (Faraday)	Equity investee
Silicon Integrated Systems Corp.	Equity investee
AMIC Technology Corporation. (AMIC)	Equity investee
Pacific Venture Capital Co., Ltd.	Equity investee
Aptos (Taiwan) Corporation (Aptos)	Equity investee
Thintek Optronics Corporation	Equity investee
Chiao Tung Bank Co., Ltd. (Chiao Tung) (ceded the supervisory role on May 30, 2005)	The Company's supervisor
Unitruth Investment Corporation. (Unitruth)	Subsidiary's equity investee
Davicom Semiconductor, Inc.	Subsidiary's equity investee
Uwave Technology Corp. (formerly United Radiotek Incorporation)	Subsidiary's equity investee
UCA Technology, Inc.	Subsidiary's equity investee
Afa Technologies, Inc.	Subsidiary's equity investee
Star Semiconductor Corp.	Subsidiary's equity investee
AEVOE Inc.	Subsidiary's equity investee
USBest Technology Inc.	Subsidiary's equity investee
U-Media Communications, Inc.	Subsidiary's equity investee
Chip Advanced Technology Corp.	Subsidiary's equity investee
Crystal Media Inc.	Subsidiary's equity investee
Smedia Technology Corp.	Subsidiary's equity investee
ULi Electronics Inc.	Subsidiary's equity investee
XGI Technology Inc.	Subsidiary's equity investee

(2) Significant Related Party Transactions

a. Operating revenues

	For the six-month period ended June 30,			
	2005		2004	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$ 18,179,163	46	\$ 24,508,013	45
UME BV	3,818,862	9	8,431,152	15
Others	5,996,113	15	4,139,145	8
<b>Total</b>	<b>\$ 27,994,138</b>	<b>70</b>	<b>\$ 37,078,310</b>	<b>68</b>

The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for overseas sales was net 30~60 days, while the terms for domestic sales were month-end 30~60 days.

b. Purchases

	For the six-month period ended June 30,			
	2005		2004	
	Amount	Percentage	Amount	Percentage
UMCi	\$ 1,244,347	12	\$ 65,324	1
Others			135,435	1
<b>Total</b>	<b>\$ 1,244,347</b>	<b>12</b>	<b>\$ 200,759</b>	<b>2</b>

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 purchases from overseas were net 60 days for the related parties and net 30~90 days for the third-party suppliers, while the terms for domestic purchases were month-end 60~90 days for the related parties and month-end 30~90 days for the third-party suppliers.

c. Notes receivable

	As of June 30,			
	2005		2004	
	Amount	Percentage	Amount	Percentage
Holtek	\$ 57,853	100	\$ 60,094	52
AMIC			53,659	46
Others			830	1
<b>Total</b>	<b>\$ 57,853</b>	<b>100</b>	<b>\$ 114,583</b>	<b>99</b>

d. Accounts receivable, net

	As of June 30,			
	2005		2004	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$ 3,550,827	37	\$ 6,071,240	39
UME BV	704,927	7	3,028,808	19
Others	1,975,107	21	1,434,544	9
<b>Total</b>	<b>6,230,861</b>	<b>65</b>	<b>10,534,592</b>	<b>67</b>

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Less: Allowance for sales returns and discounts	(275,248)	(630,803)
Less: Allowance for doubtful accounts	(122,846)	(108,116)
<b>Net</b>	<b>\$ 5,832,767</b>	<b>\$ 9,795,673</b>

e. Financial activities

Other receivables related parties

For the six-month period ended June 30, 2005

	Maximum balance		Ending	Interest	Interest
	Amount	Month	balance	rate	revenue
UMCi	\$ 5,137,760	March	\$	2.74%~3.05%	\$ 7,669



## Loans

## For the six-month period ended June 30, 2004

	Maximum balance		Ending balance	Interest rate	Interest expense
	Amount	Month			
Chiao Tung	\$ 282,547	January	\$ 162,923	1.83%~2.53%	\$ 1,529

## f. Property, plant and equipment transactions

## For the six-month period ended June 30, 2005

	Item	Amount
Fortune	Purchase of Aptos stock	\$ 140,231
Fortune	Purchase of Epitech Corporation stock	185,840
Hsun Chieh	Purchase of Epitech Corporation stock	97,658
Unitruth	Purchase of Epitech Corporation stock	16,495
		\$ 440,224

## For the six-month period ended June 30, 2004

	Item	Amount
UMCJ	Purchase of UMCi Stock	\$ 3,947,580

In 2004, the Company acquired 90,000 thousand shares of UMCi from UMCJ amounting to approximately NT\$3,948 million. The purchase price of US\$1.3 per share was based on UMCi's net asset value, considerations of future industry competition and operating strategies. The Company has complied with Regulations Governing the Acquisition or Disposition of Assets by Public Companies to obtain fairness opinions from a security expert and a Certified Public Accountant to evaluate the reasonableness of the purchase price. Gains arising from the upstream transaction amounting to NT\$475 million were recognized by UMCJ, and the Company eliminated NT\$254 million in proportion to its ownership percentage while recognizing the investment gain or loss of UMC Japan.

## g. Other transactions

The Company has made several other transactions, including service charges, development expenses of intellectual property, subcontract expenses, and commissions etc., with related parties totaling approximately NT\$413 million and NT\$634 million for the six-month periods ended June 30, 2005 and 2004, respectively.



As of June 30, 2005, the development contracts of intellectual property entered into with Faraday have amounted to approximately NT\$2,318 million, and a total amount of NT\$1,266 million has been paid. As of June 30, 2004, the development contracts of intellectual property entered into with Faraday have amounted to approximately NT\$1,719 million, and a total amount of NT\$677 million has been paid.

The Company has purchased approximately NT\$166 million and NT\$222 million of masks from Toppan during the six-month periods ended June 30, 2005 and 2004, respectively.

6. ASSETS PLEDGED AS COLLATERAL

As of June 30, 2005

	<u>Amount</u>	<u>Financial institution that assets were pledged to</u>	<u>Purpose of pledge</u>
Deposits-out (Time deposit)	\$ 523,730	Customs	Customs duty guarantee

As of June 30, 2004

	<u>Amount</u>	<u>Financial institution that assets were pledged to</u>	<u>Purpose of pledge</u>
Deposits-out (Time deposit)	\$ 513,627	Customs	Customs duty guarantee
Machinery and equipment	5,909,993	The International Commercial Bank of China, etc.	Bonds payable and long-term loans
<b>Total</b>	<b>\$ 6,423,620</b>		

7. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) The Company has entered into several patent license agreements and development contracts of intellectual property for a total contract amount of approximately NT\$18.9 billion. Royalties and development fees for the future years are set out as follows:

<u>For the year ended December 31,</u>	<u>Amount</u>
2005 (3 <sup>rd</sup> quarter thereafter)	\$ 3,228,821
2006	1,464,037
2007	1,566,904
2008	286,564
2009	131,479
<b>Total</b>	<b>\$ 6,677,805</b>

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- (2) The Company signed several construction contracts for the expansion of its factory space. As of June 30, 2005, these construction contracts have amounted to approximately NT\$0.55 billion and the unpaid portion of the contracts was approximately NT\$0.14 billion.

- (3) Oak Technology, Inc. (Oak) and the Company entered into a settlement agreement on July 31, 1997 concerning a complaint filed with the United States International Trade Commission (ITC) by Oak against the Company and others, alleging unfair trade practices based on alleged patent infringement regarding certain CD-ROM controllers. On October 27, 1997, Oak filed a civil action in a California federal district court, alleging claims for breach of the settlement agreement and fraudulent misrepresentation. The Company has formally denied the material allegations of the Complaint, and asserted counterclaims against Oak for breach of contract, intentional interference with economic advantage and rescission and restitution based on fraudulent concealment and/or mistake. The Company also asserted declaratory judgment claims for invalidity and unenforceability of the relevant Oak patent. On May 2, 2001, the United States Court of Appeals for the Federal Circuit upheld the ITC's findings of no patent infringement and no unfair trade practice arising out of a second ITC case filed by Oak against the Company and others. Based on the Federal Circuit's opinion and on a covenant not to sue filed by Oak, the declaratory judgment patent counterclaims were disclaimed from the district court case. However, in connection with its breach of contract and other claims, Oak seeks damages in excess of US\$750 million. The district court has set dates for dispositive motions or for trial after December 5, 2005. The Company believes that Oak's claims are meritless, and intends to vigorously defend the suit, and to pursue its counterclaims. As with all litigation, however, the Company cannot predict the outcome with certainty.
- (4) The Company entered into several operating lease contracts for land in Hsinchu Science Park, Tainan Science Park, and Pasir Ris Wafer Fab Park in Singapore. These operating leases expire in various years through 2032 and are renewable. Future minimum lease payments under those leases are as follows:

<b>For the year ended December 31,</b>	<b>Amount</b>
2005 (3rd quarter thereafter)	\$ 97,317
2006	194,874
2007	181,048
2008	178,534
2009	178,857
2010 and thereafter	2,012,836
<b>Total</b>	<b>\$ 2,843,466</b>

- (5) The Company entered into several wafer-processing contracts with its customers. According to the contracts, the Company shall guarantee processing capacity, while these customers make deposits to the Company.

- (6) The Company has entered into contracts for the purchase of materials and masks with certain vendors. These contracts obliged the Company to purchase specified amounts or quantities of materials and masks. Should the Company fail to fulfill the conditions set out in the contracts, the differences between the actual purchase and the required minimum will be reconciled between the Company and its vendors.
  
- (7) On February 15, 2005, the Hsinchu District Prosecutor's Office conducted a search of the Company's facilities. The Company was informed that such search was regarding certain allegations made on the ground of the Securities Exchange Act. On February 18, 2005, the Chairman of the Company released a public statement, explaining that although it had delivered assistance to Hejian Technology Corporation ( Hejian ), given the restrictions of laws and regulations, such assistance did not involve any investment or technology transfer.

From the very beginning Hejian had a verbal indication that, at the proper time, the Company would be compensated appropriately for its assistance. Furthermore, circumstances permitting, at some time in the future, it will push through the merger between two companies. Notwithstanding the foregoing, no written agreement was made and executed at that time. Upon the Company's request to materialize the verbal indication of Hejian by compensating in the form of either cash or equity, the Chairman of the holding company of Hejian offered a 15% of the outstanding shares of the holding company of Hejian in return for the Company's past assistance and for continued assistance in the future.

The holding company has already issued a total of 700 million shares and the subscription price per share in the last offering is US\$1.1. Therefore, the total market value of the holding company is estimated at over US\$700 million, with 15% of this figure being worth more than US\$110 million. Immediately after the Company had received the offer, it filed an application with the Investment Commission of the Ministry of Economic Affairs on March 18, 2005 (Ref. No. 94-Lian-Tung-Tzu-0222), for their executive guidance for the successful transfer of said shares to the Company. The representative of Hejian has indicated that it is also an alternative to put the shares in escrow or adopt other measures so as to protect the Company's interests. In the event Hejian distributes any stock dividend or cash dividend, the Company's stake in Hejian will accumulate accordingly.

As of June 30, 2005, no charge had been filed by the prosecutor against the Company or the Chairman and the result of investigation had not been finalized.

In April 2005, the Chairman of the Company was fined with in the aggregate amount of NT\$3 million by the Financial Supervisory Commission, Executive Yuan, R.O.C. ( R.O.C. SFC ) for failure to disclose material information relating to Hejian in accordance with applicable rules. As a result of the imposition of the fines by the R.O.C. FSC, the Company was also fined in the amount of NT\$30,000 by Taiwan Stock Exchange ( TSE ) for the alleged non-compliance with the disclosure rules in relation to the material information. The Company and its Chairman have filed for administrative appeal and reconsideration with R.O.C. SFC and TSE, respectively.

8. SIGNIFICANT DISASTER LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENT

None.

10. OTHERS

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

(2) Financial instruments

	As of June 30,			
	2005		2004	
	Book Value	Fair Value	Book Value	Fair Value
<b>Non-derivative Financial Instruments</b>				
<b>Financial assets</b>				
Cash and cash equivalents	\$ 68,065,457	\$ 68,065,457	\$ 82,488,024	\$ 82,488,024
Marketable securities	3,058,579	3,164,734	3,102,600	3,403,912
Notes and accounts receivables	10,258,765	10,258,765	16,443,450	16,443,450
Long-term investments	45,020,674	84,194,312	74,743,050	118,148,791
Deposits-out	584,339	584,339	722,576	722,576
<b>Financial liabilities</b>				
Short-term loans	1,645,280	1,645,280	2,028,600	2,028,600
Payables	14,357,843	14,357,843	17,898,358	17,898,358
Capacity deposits (current portion)	649,633	649,633	1,094,546	1,094,546
Bonds payable (current portion included)	33,597,240	34,435,174	42,199,664	43,721,530
Long-term loans (current portion included)			451,418	451,418

	As of June 30,			
	2005		2004	
	Book Value	Fair Value	Book Value	Fair Value
<b>Derivative Financial Instruments</b>				
Credit-linked deposits and repackaged bonds - Trading purpose	\$ 1,216,108	\$ 1,216,108	\$ 1,879,338	\$ 1,879,338
Interest rate swaps - Non-trading purpose	(11,059)	(578,783)	4,594	(516,400)
Forward contracts - Non-trading purpose	(16,416)	(16,416)	(21,549)	(21,549)
Options contracts - Trading purpose				(3,200)

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

- a. The book values of short-term financial instruments and other financial assets (credit-linked deposits and repackage bonds) approximate to fair values due to their short maturities. The majority of investment portfolios of the credit-linked deposits and repackage bonds are either corporate bonds of maturity within one year, or highly liquidable secondary market bonds. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable, short-term loans, current portion of capacity deposits and payables.
  - b. The fair values of marketable securities and long-term investments are based on the quoted market value. If the market values of marketable securities and long-term investments are unavailable, the net assets values of the investees are used as fair values.
  - c. The fair values of deposits-out are based on the book values since the remittance dates cannot be ascertained.
  - d. The fair values of bonds payable are determined by the market value. The book values of long-term loans approximate to the fair values since the loans bear floating rates.
  - e. The fair values of derivative financial instruments are based on the amount the Company expects to receive (positive) or to pay (negative) assuming that the contracts are settled early at the balance sheet date.
- (3) The Company and its subsidiary, UMC Japan, held credit-linked deposits and repackage bonds for the earning of interest income. Details are disclosed as follows:
- a. Principal amount in original currency

As of June 30, 2005

The Company

<u>Credit-linked deposits and repackage bonds referenced to</u>	<u>Amount</u>		<u>Due Date</u>
Siliconware Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD	400 million	2007.02.05
Siliconware Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD	200 million	2007.02.05
UMC Japan European Convertible Bonds	JPY	640 million	2007.03.28
UMC Japan European Convertible Bonds	JPY	600 million	2007.11.29
Chi Feng Blinds Industry Co., Ltd. European Convertible Bonds	USD	2 million	2005.12.19
Advanced Semiconductor Engineering Inc. European Convertible Bonds and Loans	NTD	200 million	2007.09.25



UMC Japan

<u>Credit-linked deposits and repackage bonds referenced to</u>	<u>Amount</u>	<u>Due Date</u>
UMC Japan European Convertible Bonds	JPY 500 million	2007.03.29
UMC Japan European Convertible Bonds	JPY 400 million	2007.11.29

As of June 30, 2004

The Company

<u>Credit-linked deposits and repackage bonds referenced to</u>	<u>Amount</u>	<u>Due Date</u>
Siliconware Precision Industries Co., Ltd. European Convertible Bonds and Loans	USD 5 million	2004.08.01
Siliconware Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD 400 million	2007.02.05
Siliconware Precision Industries Co., Ltd. European Convertible Bonds & Loans	NTD 200 million	2007.02.05
Chi Feng Blinds Industry Co., Ltd. European Convertible Bonds	USD 2 million	2005.12.19
Hannstar Display Corporation European Convertible Bonds	USD 5 million	2005.10.19
UMC Japan European Convertible Bonds	JPY 640 million	2007.03.28
UMC Japan European Convertible Bonds	JPY 600 million	2007.11.29
UMC Japan European Convertible Bonds	JPY 400 million	2007.11.29
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD 3 million	2005.05.23
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD 2 million	2005.05.23
Advanced Semiconductor Engineering Inc. European Convertible Bonds and Loans	NTD 200 million	2007.09.25

UMC Japan

<u>Credit-linked deposits and repackage bonds referenced to</u>	<u>Amount</u>	<u>Due Date</u>
UMC Japan European Convertible Bonds	JPY 1,100 million	2007.03.29
UMC Japan European Convertible Bonds	JPY 1,000 million	2007.11.29
UMC Japan European Convertible Bonds	JPY 2,000 million	2007.11.28

## b. Credit risk

The counterparties of the above investments are major international financial institutions. The repayment in full of these investments 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 and its subsidiary, UMC Japan, may receive nil or less than full amount of these investments. The Company and its subsidiary, UMC Japan, have selected reference entities with high credit ratings to minimize the credit risk.

c. Liquidity risk

Early withdrawal is not allowed for the above investments unless called by the issuer. However, the anticipated liquidity risk is low since most of the investments will be matured within 1 year or are relatively liquid in the secondary market.

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 at the balance sheet date and the settlement date.

(4) The Company entered into interest rate swap and forward contracts and its subsidiary, UMC Japan, entered into forward contracts for hedging the interest rate risks arising from the counter-floating rate of domestic bonds and for hedging the exchange rate risks arising from the net assets or liabilities denominated in foreign currency. The hedging strategy was developed with the objective to reduce the market risk, and not for trading purpose. The relevant information on the derivative financial instruments entered into by the Company and its subsidiary, UMC Japan, is as follows:

a. The Company utilized interest rate swap agreements to hedge its interest rate risks on its counter-floating rate domestic bonds issued from May 21 to June 24, 2003. The periods of the interest rate swap agreements are the same as those of the domestic bonds, which are five and seven years. The floating rate is reset annually. The details of interest rate swap agreements are summarized as follows:

As of June 30, 2005 and 2004, the Company had the following interest rate swap agreements in effect:

**Notional Amount**

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**Contract Period**

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