UNITED MICROELECTRONICS CORP
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March 22, 2017

UNITED MICROELECTRONICS CORPORATION

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED

DECEMBER 31, 2016 AND 2015

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

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The reader is advised that these consolidated 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.

Independent Auditors' Report

To United Microelectronics Corporation

Opinion

We have audited the accompanying consolidated balance sheets of United Microelectronics Corporation and its subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2016 and 2015, and its consolidated financial performance and cash flows for the years ended December 31, 2016 and 2015, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2016 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue Recognition

Net sales recognized by the Company amounted to NT$142,817 million for the year ended December 31, 2016. The Company provides comprehensive wafer fabrication services and ships wafers mainly under the trade term, Free Carrier (“FCA”), through which the title and risk of loss for the wafers are transferred to the customers upon delivery to carriers approved by the customers. However, there remains a risk of sales being recorded in an inappropriate period before the risks and rewards have been transferred to the customers where physical deliveries have not been fulfilled. Therefore, we considered this a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policy of revenue recognition; evaluating and testing the design and operating effectiveness of internal controls around revenue recognition; selecting samples to perform tests of details and reviewing significant terms and condition of contracts to verify the occurrence of transactions and reasonableness of the timing of revenue recognition; confirming significant trade terms; performing cut-off testing by selecting a sample of transactions from either side of year-end and vouching them to supporting evidences to ensure the reasonableness of revenue cut-off; reviewing significant subsequent sales returns and discounts to verify the occurrence of sales transactions recorded before the balance sheet date; and executing tests of journal entries prepared by management and reviewing manual sales journal entries to validate the consistency with the substance of transactions.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Note 6 to the Company’s consolidated financial statements.

2. Valuation for slow-moving inventories

As of December 31, 2016, the Company’s net inventories amounted to NT$16,998 million. As the semiconductor industry is characterized by rapid changes in technology, management has to evaluate loss due to write-downs of slow moving inventories to their net realizable values. Considering the amount of inventories was significant and the identification of slow-moving inventories and the assessment of the amount of inventory write-downs require significant management judgement, we determined this a key audit matter.

Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around slow-moving inventories, including the methodologies and assumptions used; testing key assumptions relating to the valuation of write-downs from slow-moving inventories, including performing a retrospective evaluation of the reasonableness of reserve ratio determined by management; testing the operating effectiveness of application controls in relation to the calculation of inventory aging; and comparing actual results to the estimate made in the prior year to determine the reasonableness of management's estimates of slow-moving inventories.

We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the Company's consolidated financial statements.

3. Valuation of financial assets in Level 3 fair value measurement

The Company invested in financial assets, of which NT$9,834 million was classified as Level 3 (as significant pricing inputs to them are unobservable), mainly comprised of common stocks of unlisted companies. Considering valuation of these Level 3 investments involved application of different valuation techniques and judgment in relation to various assumptions, such as discounts for lack of marketability and a selection of comparable listed companies, etc., which have significant impact on the estimates of fair value of financial assets, we considered this a key audit matter.

Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around valuation of financial assets, including management's decision and approval of the methods and assumptions used in the valuation model; reassessing the reasonableness of the selection of comparable entities and discounts for lack of marketability for individual investments with the assistance of our internal valuation specialists on a sample basis; assessing whether the valuations performed by management were within a reasonable range compared to the valuations performed by our internal valuation specialists; and validating the accuracy of inputs of financial information of the selected comparable entities by benchmarking them with public information.

We also assessed the adequacy of disclosures of financial assets. Please refer to Notes 5 and 12 to the Company's consolidated financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT$6,357 million and NT$4,142 million, representing 1.64% and 1.23% of consolidated total assets as of December 31, 2016 and 2015, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT$258 million and NT$152 million, representing 5.32% and 1.11% of the consolidated income before tax for the years ended December 31 2016 and 2015, respectively, and the related shares of other comprehensive income (loss) from the associates and joint ventures under the equity method amounted to NT$(337) million and NT$(803) million, representing 7.72% and 44.77% of the consolidated other comprehensive income (loss) for the years ended December 31, 2016 and 2015, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2016 and 2015.

Kuo, Shao-Pin

Song, Meng-Lin

Ernst & Young, Taiwan

February 22, 2017

Notice to Readers

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

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

		As of December 31,	
Assets	Notes	2016	2015
Current assets			
Cash and cash equivalents	4, 6(1)	$ 57,578,981	$ 53,290,433
Financial assets at fair value through profit or loss, current	4, 5, 6(2), 12(7)	714,169	664,918
Notes receivable	4	8,029	58,588
Accounts receivable, net	4, 6(3)	22,901,461	19,059,774
Accounts receivable-related parties, net	4, 7	136,910	213,460
Other receivables	4	918,652	632,885
Current tax assets	4	38,022	24,335
Inventories, net	4, 5, 6(4)	16,997,815	17,641,385
Prepayments		10,851,786	2,164,296
Other current assets		323,769	1,066,447
Total current assets		110,469,594	94,816,521
Non-current assets			
Financial assets at fair value through profit or loss, noncurrent	4, 5, 6(2), 12(7)	214,735	81,933
Available-for-sale financial assets, noncurrent	4, 5, 6(5), 7, 12(7)	20,415,541	23,800,686
Financial assets measured at cost, noncurrent	4, 6(6)	2,760,615	3,888,309
Investments accounted for under the equity method	4, 6(7)	11,375,608	12,379,859
Property, plant and equipment	4, 5, 6(8), 8	224,983,404	186,433,395
Intangible assets	4, 6(9), 7	4,088,303	4,504,088
Deferred tax assets	4, 5, 6(23)	4,981,169	2,294,935
Prepayment for equipment		1,178,736	2,333,981
Refundable deposits	8	2,203,658	2,638,788
Other noncurrent assets-others		3,983,819	4,194,315
Total non-current assets		276,185,588	242,550,289
Total assets		$ 386,655,182	$ 337,366,810

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

		As of December 31,	
Liabilities and Equity	Notes	2016	2015
Current liabilities			
Short-term loans	6(10)	$ 20,550,801	$ 5,505,049
Financial liabilities at fair value through profit or loss, current	4, 5, 6(11), 12(7)	60,855	999
Notes and accounts payable		6,854,849	5,954,249
Other payables		12,400,450	12,522,765
Payables on equipment		15,036,892	14,657,626
Current tax liabilities	4	3,183,886	1,996,006
Current portion of long-term liabilities	4, 6(12), 6(13), 8	10,500,929	6,601,721
Other current liabilities	6(15)	3,389,800	1,007,103
Total current liabilities		71,978,462	48,245,518
Non-current liabilities			
Bonds payable	4, 6(12)	34,481,505	41,636,670
Long-term loans	6(13), 8	26,247,187	5,887,737
Deferred tax liabilities	4, 5, 6(23)	1,842,272	1,674,432
Net defined benefit liabilities, noncurrent	4, 5, 6(14)	3,968,894	3,890,801
Guarantee deposits		491,089	509,708
Other noncurrent liabilities-others	4, 6(15), 9(5)	28,904,149	6,704,541
Total non-current liabilities		95,935,096	60,303,889
Total liabilities		167,913,558	108,549,407
Equity attributable to the parent company			
Capital	4, 6(16), 6(17)		
Common stock		126,243,187	127,581,329
Additional paid-in capital	4, 6(12), 6(16), 6(17)		
Premiums		36,862,383	37,253,121
Treasury stock transactions		1,744,988	1,509,386
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries		707,386	705,819
Share of changes in net assets of associates and joint ventures accounted for using equity method		110,214	109,365
Stock options		1,572,121	1,572,121
Other		-	501,757
Retained earnings	6(16)		
Legal reserve		9,070,841	7,725,978
Unappropriated earnings		38,584,335	42,981,664
Other components of equity	4		
Exchange differences on translation of foreign operations		63,437	1,978,583
Unrealized gains or losses on available-for-sale financial assets		6,340,040	8,696,821
Treasury stock	4, 6(16)	(4,719,037)	(3,825,606)

Total equity attributable to the parent company		216,579,895	226,790,338
Non-controlling interests	6(16)	2,161,729	2,027,065
Total equity		218,741,624	228,817,403
Total liabilities and equity		$ 386,655,182	$ 337,366,810

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

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the yea Decemb 2016
Operating revenues	4, 6(18), 7, 14	
Sales revenues		$ 145,824,921
Less: Sales returns and discounts		(3,008,002)
Net sales		142,816,919
Other operating revenues		5,053,205
Net operating revenues		147,870,124
Operating costs	4, 6(4), 6(14), 6(17), 6(19), 14	
Costs of goods sold		(114,527,070)
Other operating costs		(2,963,624)
Operating costs		(117,490,694)
Gross profit		30,379,430
Operating expenses	4, 6(14), 6(17), 6(19), 7, 14	
Sales and marketing expenses		(4,589,563)
General and administrative expenses		(5,800,810)
Research and development expenses		(13,532,356)
Subtotal		(23,922,729)
Net other operating income and expenses	4, 6(8), 6(15), 6(20), 14	(263,125)
Operating income		6,193,576
Non-operating income and expenses		
Other income	4, 6(21)	899,983
Other gains and losses	4, 6(21), 6(25), 7, 14	859,400
Finance costs	6(8), 6(21)	(1,414,303)
Share of profit or loss of associates and joint ventures	4, 6(7), 14	(190,114)
Exchange gain, net	4, 12	-
Exchange loss, net	4, 12	(1,501,904)
Subtotal		(1,346,938)
Income from continuing operations before income tax		4,846,638
Income tax expense	4, 5, 6(23), 14	(983,563)
Net income		3,863,075
Other comprehensive income (loss)	6(22)	
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit pension plans	6(14)	(75,893)
Share of remeasurements of defined benefit plans of associates and joint ventures		2,459
Income tax related to items that will not be reclassified	4, 5, 6(23)	12,899
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations		(1,815,947)
Unrealized gain (loss) on available-for-sale financial assets		(1,969,636)
Share of other comprehensive income (loss) of associates and joint ventures	4, 6(7)	(505,189)

Income tax related to items that may be reclassified subsequently	4, 5, 6(23)	(13,473)
Total other comprehensive income (loss), net of tax		(4,364,780)
Total comprehensive income (loss)		$ (501,705)
Net income attributable to:		
Stockholders of the parent		$ 8,315,660
Non-controlling interests		(4,452,585)
		$ 3,863,075
Comprehensive income (loss) attributable to:		
Stockholders of the parent		$ 3,983,198
Non-controlling interests		(4,484,903)
		$ (501,705)
Earnings per share (NTD)	4, 6(24)	
Earnings per share-basic		$ 0.68
Earnings per share-diluted		$ 0.63

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

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English Translation of Consolidated Financial Statements Originally Issu
UNITED MICROELECTRONICS CORPORATION AND SUBSI
CONSOLIDATED STATEMENTS OF CHANGES IN EQU
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

		Equity Attributable to the Parent Company						
		Capital			Retained Earnings		Other Components o	
	Notes	Common Stock	Collected in Advance	Additional Paid-in Capital	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealize Los Available Financia
Balance as of January 1, 2015	6(16)	$ 127,252,078	$ 50,970	$ 39,447,879	$ 6,511,844	$ 37,827,179	$ (899,979)	$ 1
Appropriation and distribution of 2014 retained earnings	6(16)							
Legal reserve		-	-	-	1,214,134	(1,214,134)	-	
Cash dividends		-	-	-	-	(6,939,322)	-	
Net income for the year ended December 31, 2015	6(16)	-	-	-	-	13,448,624	-	
Other comprehensive income (loss), net of tax for the year ended December 31, 2015	6(16), 6(22)	-	-	-	-	(35,222)	2,878,562	(4
Total comprehensive income (loss)		-	-	-	-	13,413,402	2,878,562	(4
Share-based payment transaction	4, 6(16), 6(17)	329,251	(50,970)	254,974	-	-	-	
Embedded conversion options derived from convertible bonds	4, 6(12)	-	-	1,572,121	-	-	-	
Treasury stock acquired	4, 6(16)	-	-	-	-	-	-	
Share of changes in net		-	-	18,126	-	-	-	

assets of associates and joint ventures accounted for using equity method								
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	4, 6(16)	-	-	357,477	-	-	-	
Changes in subsidiaries' ownership	4, 6(16)	-	-	(84)	-	(105,461)	-	
Adjustments for dividends subsidiaries received from parent company		-	-	8,838	-	-	-	
Decrease in non-controlling interests	6(16)	-	-	-	-	-	-	
Others		-	-	(7,762)	-	-	-	
Balance as of December 31, 2015	6(16)	127,581,329	-	41,651,569	7,725,978	42,981,664	1,978,583	8
Appropriation and distribution of 2015 retained earnings	6(16)							
Legal reserve		-	-	-	1,344,863	(1,344,863)	-	
Cash dividends		-	-	-	-	(6,906,973)	-	
Net income for the year ended December 31, 2016	6(16)	-	-	-	-	8,315,660	-	
Other comprehensive income (loss), net of tax for the year ended December 31, 2016	6(16), 6(22)	-	-	-	-	(60,535)	(1,915,146)	(2
Total comprehensive		-	-	-	-	8,255,125	(1,915,146)	(2

income (loss)								
Treasury stock acquired	4, 6(16)	-	-	-	-	-	-	
Treasury stock cancelled	4, 6(16)	(1,338,142)	-	(164,220)	-	-	-	
Share of changes in net assets of associates and joint ventures accounted for using equity method		-	-	849	-	-	-	
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	4, 6(16)	-	-	1,567	-	-	-	
Changes in subsidiaries' ownership	4, 6(16)	-	-	-	-	(572,454)	-	
Adjustments for dividends subsidiaries received from parent company		-	-	9,084	-	-	-	
Others		-	-	(501,757)	-	(3,828,164)	-	
Balance as of December 31, 2016	6(16)	$ 126,243,187	$ -	$ 40,997,092	$ 9,070,841	$ 38,584,335	$ 63,437	$

The accompanying notes are an integral part of the consolidated financi

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net income before tax	$ 4,846,638	$ 13,712,145
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation	49,691,035	43,473,008
Amortization	2,292,566	1,999,101
Bad debt expenses (reversal)	125	(183,957)
Net loss (gain) of financial assets and liabilities at fair value through profit or loss	(150,770)	94,453
Interest expense	1,249,583	470,310
Interest income	(293,790)	(356,084)
Dividend income	(606,193)	(692,858)
Share-based payment	-	838
Share of loss (profit) of associates and joint ventures	190,114	(69,457)
Gain on disposal of property, plant and equipment	(73,014)	(97,366)
Gain on disposal of non-current assets held for sale	-	(41,203)
Gain on disposal of investments	(2,097,818)	(2,495,921)
Impairment loss on financial assets	785,345	1,245,491
Impairment loss on non-financial assets	1,292,229	1,021,010
Exchange loss (gain) on financial assets and liabilities	1,308,669	(125,836)
Amortization of deferred government grants	(118,757)	(34,405)
Income and expense adjustments	53,469,324	44,207,124
Changes in operating assets and liabilities:		
Financial assets and liabilities at fair value through profit or loss	(100)	(36,262)
Notes receivable and accounts receivable	(3,690,072)	3,429,797
Other receivables	(366,675)	(22,615)
Inventories	517,760	(1,917,966)
Prepayments	(9,455,729)	(696,632)
Other current assets	815,618	2,116,853
Notes and accounts payable	933,164	(498,776)
Other payables	370,635	1,079,596
Other current liabilities	1,397,687	(181,193)
Net defined benefit liabilities	2,200	25,112
Other noncurrent liabilities-others	(149,637)	277,722
Cash generated from operations	48,690,813	61,494,905
Interest received	303,631	368,617
Dividend received	794,484	917,040

Interest paid	(1,016,329)	(648,938)
Income tax paid	(2,322,102)	(2,343,390)
Net cash provided by operating activities	46,450,497	59,788,234

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2016	2015
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	$ (246,624)	$ (136,264)
Proceeds from disposal of financial assets at fair value through profit or loss	167,580	-
Acquisition of available-for-sale financial assets	(322,177)	(4,800,576)
Proceeds from disposal of available-for-sale financial assets	3,626,315	1,964,457
Acquisition of financial assets measured at cost	(81,517)	(95,310)
Proceeds from disposal of financial assets measured at cost	575,860	57,584
Acquisition of investments accounted for under the equity method	(840,000)	(2,474,851)
Proceeds from capital reduction and liquidation of investments	221,646	559,830
Acquisition of subsidiaries (net of cash acquired)	-	414,958
Disposal of subsidiaries	-	(834,955)
Acquisition of property, plant and equipment	(91,560,639)	(60,504,149)
Proceeds from disposal of property, plant and equipment	77,607	148,316
Proceeds from disposal of non-current assets held for sale	-	641,866
Increase in refundable deposits	(826,845)	(1,818,998)
Decrease in refundable deposits	1,138,869	316,180
Acquisition of intangible assets	(1,554,251)	(1,088,313)
Cash inflow from combination	-	1,583
Government grants related to assets acquisition	9,566,327	254,645
Increase in other noncurrent assets-others	(572,209)	(1,116,501)
Decrease in other noncurrent assets-others	544,186	29,349
Net cash used in investing activities	(80,085,872)	(68,481,149)
Cash flows from financing activities:		
Increase in short-term loans	48,085,068	14,965,506
Decrease in short-term loans	(32,955,646)	(14,900,862)
Proceeds from bonds issued	-	18,424,800
Bonds issuance costs	-	(83,880)
Proceeds from long-term loans	24,628,607	4,952,870
Repayments of long-term loans	(7,624,030)	(5,337,929)
Increase in guarantee deposits	9,290	50,061
Decrease in guarantee deposits	(19,524)	(10,064)
Increase in other financial liabilities	15,979,088	6,107,635
Cash dividends	(6,906,726)	(6,939,016)
Exercise of employee stock options	-	289,413
Treasury stock acquired	(2,395,793)	(2,203,442)
Treasury stock sold to employees	-	681,614
Acquisition of subsidiaries	(5,028)	(932,367)
Changes in non-controlling interests	183	(15,102)
Net cash provided by financing activities	38,795,489	15,049,237
Effect of exchange rate changes on cash and cash equivalents	(871,566)	721,688
Net increase in cash and cash equivalents	4,288,548	7,078,010

Cash and cash equivalents at beginning of year	53,290,433	46,212,423
Cash and cash equivalents at end of year	$ 57,578,981	$ 53,290,433

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

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UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

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

1. HISTORY AND ORGANIZATION

United Microelectronics Corporation (UMC) was incorporated in Republic of China (R.O.C.) in May 1980 and commenced operations in April 1982. UMC is a full service semiconductor wafer foundry, and provides a variety of services to satisfy customer needs. UMC's ordinary shares were publicly listed on the Taiwan Stock Exchange (TWSE) in July 1985 and its American Depositary Shares (ADSs) were listed on the New York Stock Exchange (NYSE) in September 2000.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of UMC and its subsidiaries ("the Company") were authorized for issue in accordance with a resolution of the Board of Directors' meeting on February 22, 2017.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

a. Standards issued by International Accounting Standards Board (IASB) and endorsed by Financial Supervisory Commission (FSC) but not yet applicable are listed below:

No.	The projects of Standards or Interpretations	Effective for annual periods beginning on or after
IAS 36	Impairment of Assets	January 1, 2014
IFRIC 21	Levies	January 1, 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IAS 19	Defined Benefit Plans: Employee Contributions	July 1, 2014
	Improvements to International Financial Reporting Standards (2010-2012 cycle)	
IFRS 2	Share-based Payment	July 1, 2014

IFRS 3	Business Combinations	July 1, 2014
IFRS 8	Operating Segments	July 1, 2014
IFRS 13	Fair Value Measurement	-
IAS 16	Property, Plant and Equipment	