

Media Release

(all figures in US\$ unless otherwise stated)

GATE Announces 2Q15 Sales of \$166.8M

Singapore, 3 August 2015 – Global A&T Electronics Ltd (GATE or the Company), subsidiary of UTAC Holdings Ltd (UTAC), a leading semiconductor assembly and test services provider headquartered in Singapore, today announced unaudited second quarter (2Q15) sales of \$166.8M, down 3.2% quarter-on-quarter (qoq) from \$172.2M in 1Q15 and down 9.7% from \$184.8M in 2Q14.

“Industry conditions were extremely challenging in 2Q15 due to elevated customer inventories, especially amongst fabless customers, driven by weak end market demand across computing, consumer and communication sectors. We saw weakness in demand starting from March after the Chinese New Year before a significant reduction in customer orders in April. While orders picked up in the second half of 2Q15, the current weak demand environment is likely to extend into 3Q15.

We are taking steps to improve our financial and competitive positions, such as reviewing our cost structure, cutting discretionary spending, and reprioritizing our planned capital spending. Despite the weak market conditions, we are winning new businesses in Analog and MSLP and will continue to invest in capabilities to secure new customers. With these efforts, we believe we will be in a stronger position to ride through these difficult times,” said Dr. John Nelson, Chief Executive Officer of UTAC.

GATE 2Q15 Results Highlights

- MSLP sales declined 7% qoq to \$77.3M in 2Q15 as fabless customers adjusted their inventory levels given the weak end market demand for communications and consumer devices. Analog sales declined 1% qoq to \$69.8M. Memory increased 5% qoq to \$19.8M due to higher DRAM sales which was offset by lower NAND sales.
- Sales mix between assembly and test remained relatively constant at 64% and 36% of sales in 2Q15 respectively, compared to 65% and 35% in 1Q15.

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- **Gross profit margin** was below guidance, declining to 14.1% in 2Q15 from 17.1% in 1Q15. The lower gross profit margin is primarily due to lower revenue and our cost structure being aligned to higher than expected 2Q15 revenue.
- **Operating expenses** increased to \$22.6M in 2Q15 compared to \$20.3M in 1Q15 mainly due to higher other operating expenses. SG&A and R&D expenses were at relatively similar levels to 1Q15 at 10% and 1% of sales respectively.
- GATE recorded a \$3.0M provision under **Other Operating Expenses** in relation to the initial audit findings by Tessera's appointed auditors under a technology license agreement between GATE's Singapore subsidiary and Tessera. Tessera's auditors reported that GATE's Singapore subsidiary owes Tessera a total of \$6.0M. GATE is disputing and intends to challenge the findings.
- **Tax expense** increased to \$3.6M in 2Q15 from \$1.9M 1Q15 due to capital gains tax on patent transfers from Thailand and Taiwan entities to UTAC Headquarters.
- **Adjusted EBITDA** was \$40.3M representing 24.2% of sales in 2Q15, compared to \$47.9M which represented 27.8% of 1Q15 sales. 2Q15 adjusted EBITDA excludes a \$3.0M provision as stated above and \$1.4M in other expense mainly for costs associated with corporate actions.
- **Net cash from operations** declined to \$36.3M in 2Q15 from \$40.0M in 1Q15 due to lower profitability and higher tax payment.
- **Net cash used in investing activities** declined to \$12.2M in 2Q15 from \$32.1M in 1Q15 due to lower capex of \$24.2M, compared to \$34.0M in 1Q15, and a \$12.1M loan repayment from UTAC.
- **Net cash used in financing activities** was \$703,000 in 2Q15 which decreased from \$57.7M in 1Q15 as GATE was not required to make interest payments for the senior notes in 2Q15.
- **Cash balance** was \$214.9M as of end of 2Q15 compared to \$191.5M in 1Q15.

GATE's 1H15 capex as a percentage of sales was at 17.3%. GATE has limited flexibility to adjust capex commitments in the mid-term. GATE's 1H2015 cash capital expenditure stood at \$58.7M of which approximately 84% were for FY2014 commitments. 1H2015 capex breakdown: 62% mainly for MSLP testers, 17% for WLCSP assembly lines, 6.4% for Analog, and 7.8% for IT and infrastructure support functions.

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3Q15 Outlook

Based on current visibility, GATE has the following expectations for 3Q15:

- 3Q15 sales are expected to decline 1% to 8% on continued high Fabless customers' inventory levels and slower end market demand in consumer, communications and computing sectors.
- GATE expects 3Q15 gross margins to be 12% to 15%. While GATE has implemented many cost reduction initiatives in response to current market conditions; these initiatives are expected to be partially offset by unfavorable product mix and ongoing market weakness.
- 3Q15 ending cash balance expected to be significantly lower than 2Q15 due to interest payment on the senior notes.

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Revenue Segmentation by business segments

US\$ Millions	1Q15	2Q15	QOQ
MSLP	82.98	77.27	-7%
Analog	70.51	69.79	-1%
Memory	18.75	19.77	5%

US\$ Millions	1Q15	2Q15	QOQ
Assembly	111.9	106.3	-5%
Test	60.3	60.6	0.4%

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Summary of 2Q15 Unaudited Consolidated Statement of Income (all figures in US\$)

Income Statement (\$'000)

	Q2'14	Q1'15	Q2'15
Sales	184,762	172,238	166,827
Cost of Sales	(156,448)	(142,757)	(143,300)
Gross Profit	28,314	29,481	23,527
<i>Gross Profit Margin</i>	<i>15.3%</i>	<i>17.1%</i>	<i>14.1%</i>
SG&A	(14,389)	(17,815)	(17,390)
R&D	(2,999)	(2,111)	(2,076)
Other operating expenses	(26)	(387)	(3,171)
Operating Profit	10,899	9,168	890
Other income	1,898	1,832	1,039
Other (losses)/gain - net	(139)	657	174
Finance cost	(30,578)	(30,063)	(30,753)
Loss before tax	(17,920)	(18,406)	(28,650)
Income tax expense	(1,352)	(1,871)	(3,615)
Net Income	(19,272)	(20,277)	(32,265)
Income tax expense/(credit)	1,352	1,871	3,615
Finance expenses	30,578	30,063	30,753
EBIT	12,659	11,657	2,103
Depreciation of property, plant and equipment	33,375	30,158	29,657
Amortization of intangible assets	4,023	3,984	3,947
EBITDA	50,057	45,798	35,707
Restructuring cost	188	443	205
Dividend income	(107)	-	-
Provision for Tessera's initial audit findings pursuant to the technology license agreement	-	-	3,000
Fair value loss on derivatives financial instruments	-	-	37
Others	-	1,650	1,356
Adjusted EBITDA	50,138	47,891	40,304
<i>Adjusted EBITDA Margin</i>	<i>27.1%</i>	<i>27.8%</i>	<i>24.2%</i>

Cash Flow (\$'000)

Cash Balance at beginning of Period	191,748	241,253	191,411
Profit after tax	(19,272)	(20,277)	(32,265)
Depreciation	33,375	30,158	29,656
Amortisation	4,023	3,984	3,947
Finance Expense and Interest Income	30,244	29,542	30,547
Fair value loss on derivative financial instruments	-	-	37
Provision for Tessera's initial audit findings pursuant to the technology license agreement	-	-	3,000
Change in Working Capital	(3,539)	(4,057)	4,442
Others	(4,442)	610	(3,023)
Net Cash Provided by Operating Activities	40,389	39,960	36,341
Payment for Acquisition of Fixed Assets and Intangible Assets	(32,903)	(33,977)	(24,753)
Proceeds from the Sale of Fixed Assets	1,693	2,114	2
Interest	200	232	136
(Amount due from)/repayment of loan from immediate holding company	(11,000)	-	12,084
Others	-	(466)	301
Net Cash Provided (Used) in Investing Activities	(42,010)	(32,097)	(12,230)
Interest paid	(557)	(56,922)	(560)
Proceed/repayment loan and borrowing, net	(67)	(87)	(143)
Others	(2,140)	(696)	-
Net Cash Provided (Used) in Financing Activities	(2,764)	(57,705)	(703)
Restricted cash	46	47	47
Cash Balance at End of Period	187,409	191,458	214,866

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Summary of 2Q15 Unaudited Consolidated Balance Sheet (all figures in US\$)

Balance Sheet (\$'000)

	Q2'14	Q1'15	Q2'15
Current Assets			
Cash and Cash Equivalents	187,409	191,458	214,866
Trade and Other Receivables	131,917	111,711	109,688
Inventories	38,753	41,437	39,036
Other Current Assets	6,642	10,719	10,245
Total Current Assets	364,721	355,325	373,835
Non-Current Assets			
Plant Property and Equipment	511,460	490,593	502,686
Goodwill	643,405	643,405	643,405
Intangible Assets	57,415	45,698	42,328
Trade and Other Receivables	-	12,014	-
Other Non-Current Assets	37,033	6,714	7,229
Total Non-Current Assets	1,249,312	1,198,424	1,195,648
Total Assets	1,614,034	1,553,749	1,569,483
Current Liabilities			
Trade and other payable	123,028	108,258	128,493
Accrued interest payable	47,629	18,474	46,969
Deferred Income	-	-	44
Other current liabilities	7,306	14,213	14,010
Total Current Liabilities	177,963	140,945	189,516
Non-Current Liabilities			
Long Term Debt	1,096,049	1,100,156	1,101,863
Deferred Tax Liabilities	7,865	6,066	4,922
Deferred Income	123	63	-
Long Term Benefit Obligations	21,864	22,598	21,669
Total Non-Current Liabilities	1,125,901	1,128,883	1,128,454
Total Liabilities	1,303,864	1,269,828	1,317,970
Total Equity	310,170	283,921	251,513
Total Equity and Liabilities	1,614,034	1,553,749	1,569,483

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Forward-looking statements

This press release includes statements that are, or may be deemed to be, "forward-looking statements" within the meaning of U.S. securities laws. These statements appear in a number of places throughout this press release and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and our actual results of operations, financial condition and liquidity, and the development of the semiconductor industry may differ materially from those made in or suggested by the forward-looking statements contained in this press release. Important factors that could cause those differences include, but are not limited to: the cyclical nature of the semiconductor industry; our reliance on certain major customers, our history of substantial losses; our ability to manage our geographically diverse manufacturing facilities and expand our business, our significant indebtedness affecting our operations and our ability to repay or refinance our indebtedness as it falls due; increased competition from other companies and our ability to retain and increase our market share; pending litigation by certain holders of our senior secured notes, litigation relating to our intellectual property and other potential legal liabilities; our ability to successfully develop new technologies; our ability to acquire equipment and supplies necessary to meet our business needs; our ability to generate sufficient cash to meet our capital expenditure requirements; our ability to hire and maintain qualified personnel; fires, natural disasters, acts of terrorism and other developments outside our control; the political stability of our local region; and general local and global economic conditions.

Given the risks and uncertainties which may cause actual future results, performance or achievements to be materially different from those expected, expressed or implied by forward-looking statements in this press release, undue reliance must not be placed on those statements or information. GATE does not represent or warrant that their actual future results, performance or achievements will be as discussed in those forward looking statements. Further, GATE disclaims any responsibility, and undertakes no obligation to update or revise any forward-looking statements contained in this press release to reflect any change in their expectations with respect to such statements or information after the date of this press release or to reflect any change in events, conditions or circumstances on which GATE based any such statements.