



## **Media Release**

(all figures in US\$ unless otherwise stated)

# **UTAC FY06 Profit Leaps 82% to \$76.2 Million**

- FY06 revenue grew 75.1% to \$569.9 million, exceeding UTAC's 70% growth target; includes 7 months of contribution from Thailand expansion
- 4Q06 net profit highest-ever at \$22.8 million, a 13.7% increase over 4Q05 and a 33.1% increase over 3Q06
- 4Q06 revenue grew 13.7% QoQ, exceeding prior guidance of 0% to 5%
- 14<sup>th</sup> consecutive quarter of sequential revenue growth and profit
- Guidance of -6% to 0% sequential revenue growth in 1Q07 vs. 4Q06, better than industry seasonal trend

**SINGAPORE, January 25, 2007** – Leading independent global provider of semiconductor assembly and test services, United Test and Assembly Center Ltd (“UTAC” – SGX: UTAC), announced today its financial results for the October to December 2006 quarter (“4Q06”) and for the financial year ended December 31, 2006 (“FY06”).

Group President and CEO of UTAC, Mr Lee Joon Chung, said, “We are thrilled to have registered record revenue and earnings for the year. Despite the difficult market conditions we encountered in the middle of the year, we recovered well and had a very good year in FY06 with most of the key financial metrics such as revenue, profit, gross margin and net margin all up compared to FY05. We recorded our 14<sup>th</sup> consecutive quarter of revenue growth and saw gross margin for 4Q06 recovering to 25.7% from 22.6% in 3Q06, demonstrating sequential improvement to UTAC’s profitability in 2H06. Performance for all our market segments exceeded expectations.”



## Summary of 4Q06 & FY06 Performance

| US\$ (million)            | FY06  | FY05  | Change % |
|---------------------------|-------|-------|----------|
| Revenue                   | 569.9 | 325.5 | 75.1     |
| Gross Profit              | 144.0 | 79.2  | 81.9     |
| Net Profit after MI       | 76.2  | 41.8  | 82.4     |
| EBITDA Margin (%)         | 42.6  | 45.3  | (6.0)    |
| Earnings per share (cent) | 5.12  | 3.06  | 67.3     |

| US\$ (million)            | 4Q06  | 4Q05  | Change % | 3Q06  | Change % |
|---------------------------|-------|-------|----------|-------|----------|
| Revenue                   | 184.2 | 100.5 | 83.2     | 162.0 | 13.7     |
| Gross Profit              | 47.3  | 30.9  | 53.1     | 36.6  | 29.3     |
| Net Profit after MI       | 22.8  | 20.1  | 13.7     | 17.1  | 33.1     |
| EBITDA Margin (%)         | 41.5  | 48.9  | (15.1)   | 39.0  | 6.4      |
| Earnings per share (cent) | 1.53  | 1.37  | 11.7     | 1.15  | 33.0     |

- 4Q06 net profit grew 33.1% on a sequential basis over 3Q06 due to higher utilisation across all market segments.
- Revenue for FY06 increased 75.1% to \$569.9 million from \$325.5 million for FY05, propelled by organic growth in both memory and mixed-signal test and assembly services, and a 7-month contribution from UTAC Thai Limited (“UTL”) (formerly known as NS Electronics Bangkok (1993) Ltd (“NSEB”)).
- Test services accounted for 46% and 52% of revenues for 4Q06 and FY06 respectively. The remaining 54% and 48% were from assembly services.
- Contribution from the memory segment grew significantly by 23.4% over 3Q06. Memory accounted for 41% of 4Q06, with the remaining 39% and 20% from the mixed-signal and analog sectors respectively.
- Increased test utilisation helped drive 4Q06 gross margin to 25.7% from 22.6% for 3Q06. Gross margin for FY06 was 25.3% compared to 24.3% for FY05.
- 4Q06 net margin (before minority interest) increased to 12.6% from 10.8% for 3Q06; FY06 net margin was 13.5% compared to 12.8% for FY05.
- EBITDA margin was 41.5% in 4Q06 due to an increase in test utilisation, resulting in record EBITDA of \$76.4 million generated for 4Q06. For FY06, the Group generated EBITDA of \$242.7 million.



- Total capital expenditure (“capex”) for equipment committed for FY06 was \$350.0 million principally for new capabilities and production equipment.
- Depreciation during the quarter was \$39.1 million, compared to \$37.0 million for 3Q06. This was due to the purchase of new machinery and equipment to cater for increased orders from our customers.
- Selling, general and administrative expenses for 4Q06 were flat against 3Q06 at \$9.3 million. Finance costs for 4Q06 increased 7.9% from 3Q06 to \$6.6 million
- Tax expenses during the quarter were \$6.3 million compared to \$2.9 million for 3Q06.
- The Group’s balance sheet remains strong, with a leverage ratio of 46.9%. Cash and cash equivalents (cash plus liquid financial assets) were \$94.0 million against total borrowings of \$392.0 million as at 31 December 2006.
- Net assets stood at \$636.0 million as at 31 December 2006.
- As at 31 December 2006, the total number of wirebonders, memory testers and MSLP testers were 1273, 396 and 395, respectively.

### **Highlights for FY06**

- Announced 3<sup>rd</sup> manufacturing facility in Thailand; production to start in 2H07
- Raised \$190 million from the issue of convertible bonds
- Acquired NSEB for up to \$175 million in cash; completed in June and renamed UTAC Thai Limited
- Opened 2<sup>nd</sup> facility in Singapore; production commenced in 2Q06
- Awarded “Supplier of the Year” for 2005 by Medtronic Microelectronics Center
- Attained TS 16949 certification for chips designed for automotive applications



## **Review & Outlook**

“We managed to exceed both our full year revenue growth target of 70% and our fourth quarter sequential revenue growth guidance of 0% to 5%. The fourth quarter came in much stronger than we had originally anticipated with several factors contributing to this – the buoyant memory market, strong demand for UTL’s products and improving inventory situation in selected mixed-signal sectors,” said Mr Lee.

“The memory business grew strongly with both our DRAM and flash memory segments doing better than expected. DRAM grew 22.7% QoQ while flash memory was up 35.2%, the latter due to seasonally strong demand for consumer devices that use flash memory.”

“In our 3Q06 results announcement, we were conservative on our projections for the mixed-signal sector. Fortunately, the situation improved as inventory was digested during the holiday quarter.”

“During the year, we announced and completed the \$175 million acquisition of NSEB, welcoming the new UTAC Thai subsidiary into the Group. UTL has been an excellent contributor to the Group and is expected to continue being so as we realise more synergies in 2007.”

“We are now entering the first half of the year where demand is seasonally softer. While the industry has seen an overall inventory reduction, not all the application areas are out of the woods yet. We expect the mixed-signal sector to outperform historical seasonal trends and DRAM demand to remain healthy with the pending launch of Windows Vista to consumers. Seasonal demand for analog is typically softer but continuing traction for UTL’s QFN packaging solutions should mitigate this weakness.”

“Generally, the semiconductor sector, and in particular the outsourced segment, should see another year of healthy growth for 2007. As in the past, we expect our annual revenue growth to outpace the general industry growth rate. Having said that, UTAC



expects its 1Q07 revenue to better seasonal trends and come in slightly below or comparable to that achieved in 4Q06 (ie. -6% to 0%).”

“To meet the higher overall demand expected in 2007, UTAC expects to incur capex of about \$260 million to expand production floor space, capacities and capabilities which will be funded from internal resources,” concluded Mr Lee.

### **Information Access**

UTAC will host an analyst briefing today (January 25, 2007) at 5.30pm, Singapore time, to discuss its 4Q06 results and 1Q07 outlook. The presentation material will be available at UTAC’s website at [www.utacgroup.com](http://www.utacgroup.com), under the Investor Relations section. Interested parties may also listen “live” to the briefing at the same website. The recorded audio podcast and video webcast of the briefing will be made available on the website following the conclusion of the event.

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### **About United Test and Assembly Center Ltd (“UTAC”)**

United Test and Assembly Center Ltd (“UTAC”, SGX-ST: UTAC) is a leading independent provider of semiconductor assembly and testing services for a broad range of integrated circuits including memory, mixed-signal, logic and radio-frequency ICs. The Group offers a full range of package and test development, engineering and manufacturing services and solutions to a worldwide customer base, comprising leading integrated device manufacturers (“IDMs”), fabless companies and wafer foundries. UTAC operates manufacturing facilities in Singapore, Thailand, Taiwan and China, in addition to its global network of sales offices in the United States, Europe, Japan, Korea, China and Singapore. More information on the company can be found at [www.utacgroup.com](http://www.utacgroup.com).

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