

---

**QUARTERLY REPORT FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30,  
2019**

**UTAC HOLDINGS LTD.**

November 14, 2019

## TABLE OF CONTENTS

	<u>Page</u>
CERTAIN DEFINITIONS AND CONVENTIONS .....	2
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE .....	4
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION .....	5
MATERIAL RECENT DEVELOPMENTS SINCE SEPTEMBER 30, 2019 .....	6
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .....	7
UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION .....	18

## CERTAIN DEFINITIONS AND CONVENTIONS

In this quarterly report, unless otherwise indicated, all references to “our company,” “we,” “our,” “us,” or “group” refer to UTAC Holdings Ltd., a company incorporated in Singapore, and its consolidated subsidiaries, and all references to “UTAC Holdings” are to UTAC Holdings Ltd., on a standalone basis.

In this quarterly report, we refer to members of our group as follows:

<b>Abbreviation</b>	<b>Name of group entity</b>
GATE .....	Global A&T Electronics Ltd.
UDG .....	UTAC Dongguan Ltd.
UGGS .....	UTAC Group Global Sales Ltd.
UHK .....	UTAC Hong Kong Limited
UHQ .....	UTAC Headquarters Pte. Ltd.
UID .....	PT UTAC Manufacturing Services Indonesia
UMS .....	UTAC Manufacturing Services Pte. Ltd.
UMS HK.....	UTAC Manufacturing Services Limited
UMS Holdings.....	UTAC Manufacturing Services Holdings Pte. Ltd.
UMY.....	UTAC Manufacturing Services Malaysia Sdn. Bhd
USC .....	UTAC (Shanghai) Co., Ltd.
USG America .....	UGS America Sales, Inc.
USG1 .....	United Test and Assembly Center Ltd.
USG2 .....	UTAC Manufacturing Services Singapore Pte. Ltd.
UTAC Cayman.....	UTAC Cayman Ltd.
UTAC Japan .....	UTAC Japan Co. Ltd.
UTC .....	UTAC (Taiwan) Corporation
UTH.....	UTAC Thai Holdings Limited
UTL .....	UTAC Thai Limited

References to:

- “2019 Indenture” are to the indenture dated February 7, 2013, as amended and supplemented from time to time, entered into among GATE, the GATE subsidiary guarantors and Citicorp International Limited, as trustee and security agent. The 2019 Notes (as defined below) were cancelled pursuant to GATE’s Joint Chapter 11 Plan of Reorganization dated December 22, 2017 (the “**Chapter 11 Plan**”) which became effective on January 12, 2018. For more information, see “*Description of Certain Indebtedness*” of our annual report for the year ended December 31, 2018;

- “2023 Indenture” are to the indenture dated January 12, 2018, as amended and supplemented from time to time, entered into among GATE as issuer, UTAC Holdings, the Original subsidiary guarantors and Wilmington Savings Fund Society FSB as trustee and security agent;
- “2019 Notes” are to the 10% Senior Secured Notes due 2019, issued on February 7, 2013 and on September 30, 2013, pursuant to the terms of the 2019 Indenture. The 2019 Notes were cancelled pursuant to the Chapter 11 Plan which became effective on January 12, 2018. For more information, see “*Description of Certain Indebtedness*” of our annual report for the year ended December 31, 2018;
- “2023 Notes” are to the 8.50% Senior Secured Notes due 2023, issued on January 12, 2018, pursuant to the terms of the 2023 Indenture;
- “GATE subsidiary guarantors” are to certain subsidiaries of GATE, being for the time being: USG, UHK, UTC, UTAC Cayman, UTH, UTL and UHQ; and
- “Original subsidiary guarantors” are to certain subsidiaries of UTAC Holdings, being for the time being: UHK, UID, UMS, UMS HK, USG1, USG2, UMS Holdings, UTAC Cayman, UTAC Japan, UHQ, UTC, UGS America and UGGS.

When we refer to “Singapore dollars” and “S\$” in this document, we are referring to Singapore dollars, the legal currency of Singapore. When we refer to “U.S. dollars,” “dollars,” “\$” and “US\$” in this document, we are referring to United States dollars, the legal currency of the United States. Certain amounts and percentages have been rounded to the first place after the decimal point; consequently, certain figures may add up to be more or less than the total amount and certain percentages may add up to be more or less than 100% due to rounding. In particular and without limitation, amounts expressed in millions contained in the discussions under the heading “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” have been rounded to a single decimal place for the convenience of readers.

## **INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

We incorporate by reference into this quarterly report, UTAC Holdings' annual report for the year ended December 31, 2018 dated April 15, 2019, its quarterly report for the three months ended March 31, 2019 dated May 9, 2019, and its quarterly report for the three months and six months ended June 30, 2019 dated August 6, 2019. Any document incorporated by reference is current only as of the date of such document, and the incorporation by reference of such document should not create any implication that there has been no change in our affairs since such date. The information incorporated by reference is considered to be part of this quarterly report. Information in this quarterly report supersedes any information incorporated by reference that was delivered to you prior to the date of this quarterly report. In other words, in the case of a conflict or inconsistency between information contained in this quarterly report and any information incorporated by reference into this quarterly report, you should rely on the information contained in the document that was delivered to you later.

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This quarterly report includes statements that are, or may be deemed to be, “forward-looking statements” within the meaning of U.S. securities laws. The terms “anticipates,” “expects,” “may,” “will,” “should” and other similar expressions identify forward-looking statements. These statements appear in a number of places throughout this quarterly report 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 industry 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 quarterly report.

Forward-looking statements include, but are not limited to, statements regarding our strategy and future plans, future business condition and financial results, our capital expenditure plans, our expansion plans, technological upgrades, investment in research and development, future market demand, future regulatory or other developments in our industry.

## **MATERIAL RECENT DEVELOPMENTS SINCE SEPTEMBER 30, 2019**

Other than as disclosed elsewhere in this quarterly report, there have been no material developments in our business since September 30, 2019.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion of our results of operations in conjunction with our unaudited consolidated condensed interim financial information as of and for the three months and nine months ended September 30, 2019, and the related notes thereto, included elsewhere in this quarterly report.*

*Our unaudited consolidated condensed interim financial information are reported in U.S. dollars and have been prepared in accordance with Singapore Financial Reporting Standards, or SFRS, which may differ in certain significant respects from generally accepted accounting principles in other countries.*

### Overview

We are a leading independent provider of semiconductor assembly and test services for a broad range of integrated circuits with diversified uses, including in communications devices (such as mobile, Bluetooth and WiFi), consumer devices, computing devices, automotive applications and industrial and medical applications. We provide assembly and test services primarily for four key semiconductor product categories, namely, analog, mixed-signal and logic, memory and others.

Our customers are primarily fabless companies, integrated device manufacturers and wafer foundries. Our expertise in assembly and test services accumulated through years of engineering experience has allowed us to develop long-standing and well-established relationships with our customers, many of whom are leaders in their respective product categories.

The table below shows, for the periods indicated, the amount and percentage of our sales attributable to each of our assembly services and test services:

	Three Months ended September 30,				Nine Months ended September 30,			
	2018		2019		2018		2019	
Service type	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales
Assembly.....	137.7	68.3%	129.5	70.6%	402.1	68.1%	367.4	69.3%
Test .....	60.8	30.2%	53.7	29.3%	176.9	30.0%	155.6	29.3%
Liquidated damages.....	3.0	1.5%	0.1	0.1%	11.1	1.9%	7.4	1.4%
<b>Total .....</b>	<b>201.5</b>	<b>100.0%</b>	<b>183.3</b>	<b>100.0%</b>	<b>590.1</b>	<b>100.0%</b>	<b>530.4</b>	<b>100.0%</b>

The following table sets forth the composition of our sales by product category as a percentage of sales, which has been prepared based on our management's determination of the product categories that are served by our customers:

	Three Months ended September 30,				Nine Months ended September 30,			
	2018		2019		2018		2019	
Product category	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales
Analog.....	98.5	48.9%	96.0	52.3%	289.8	49.1%	280.2	52.8%
Mixed-signal and logic.....	69.4	34.4%	62.6	34.1%	197.9	33.5%	168.5	31.8%
Memory.....	16.7	8.3%	15.1	8.3%	47.2	8.0%	42.5	8.0%
Others.....	13.9	6.9%	9.5	5.2%	44.0	7.5%	31.8	6.0%
Liquidated damages.....	3.0	1.5%	0.1	0.1%	11.2	1.9%	7.4	1.4%
<b>Total .....</b>	<b>201.5</b>	<b>100.0%</b>	<b>183.3</b>	<b>100.0%</b>	<b>590.1</b>	<b>100.0%</b>	<b>530.4</b>	<b>100.0%</b>



For information about our liquidated damages service type and product category, see “*Management’s Discussions and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Liquidated damages under take-or-pay contracts*” of our annual report for the year ended December 31, 2018.

Sales from our analog product category decreased by 3.3% to \$280.2 million for the nine months ended September 30, 2019 from \$289.8 million for the nine months ended September 30, 2018, primarily due to decreased sales to a Japanese customer which were partially offset by growth in sales to other key customers.

Sales from our mixed-signal and logic product category decreased by 14.9% to \$168.5 million for the nine months ended September 30, 2019 from \$197.9 million for the nine months ended September 30, 2018, primarily due to decreased sales to a Japanese customer and other logic customers.

Sales from our memory product category decreased by 10.0% to \$42.5 million for the nine months ended September 30, 2019 from \$47.2 million for the nine months ended September 30, 2018, primarily due to memory market weakness.

Sales from our others product category decreased by 27.7% to \$31.8 million for the nine months ended September 30, 2019 from \$44.0 million for the nine months ended September 30, 2018, primarily due to decreased sales to a Japanese customer.

Sales attributed to liquidated damages under take-or-pay contracts decreased by 33.9% to \$7.4 million for the nine months ended September 30, 2019 from \$11.2 million for the nine months ended September 30, 2018, primarily due to the scheduled decrease in the amount of services and products that our customer has committed to purchase under our take-or-pay contract with such customer through June 2019. For further details about liquidated damages, see “*Management’s Discussions and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Liquidated damages under take-or-pay contracts*” of our annual report for the year ended December 31, 2018.

We have a diversified customer base on the basis of geographical distribution. We account for geographical distribution of our sales based on the countries in which our customers are headquartered, which we classify into five regions: United States, Japan, Europe, Asia (excluding Japan) and Others. The table below sets forth the geographical distribution of our sales.

	Three Months ended September 30,				Nine Months ended September 30,			
	2018		2019		2018		2019	
Service type	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales
United States .....	110.7	54.9%	100.2	54.7%	310.2	52.6%	282.4	53.2%
Japan .....	46.0	22.8%	29.3	16.0%	144.6	24.5%	110.5	20.8%
Europe .....	26.9	13.4%	33.8	18.4%	81.3	13.8%	86.7	16.4%
Asia (excluding Japan) .....	17.1	8.5%	18.0	9.8%	50.0	8.5%	46.8	8.8%
Others .....	0.8	0.4%	2.0	1.1%	4.0	0.6%	4.0	0.8%
<b>Total .....</b>	<b>201.5</b>	<b>100.0%</b>	<b>183.3</b>	<b>100.0%</b>	<b>590.1</b>	<b>100.0%</b>	<b>530.4</b>	<b>100.0%</b>

Sales from our customers in the United States decreased to \$282.4 million for the nine months ended September 30, 2019 compared to \$310.2 million for the nine months ended September 30, 2018. This decrease was primarily due to market weakness, especially in the mobile communications end market. Our sales in Japan decreased to \$110.5 million for the nine months ended September 30, 2019 from \$144.6 million for the nine months ended September 30, 2018, mainly due to lower contribution from a major Japanese customer.

## Results of Operations

	Three Months ended September 30,				Nine Months ended September 30,			
	2018		2019		2018		2019	
	Amount	Percentage of sales	Amount	Percentage of sales	Amount	Percentage of sales	Amount	Percentage of sales
	(\$ in millions, except percentages)							
Sales .....	201.5	100.0%	183.3	100.0%	590.1	100.0%	530.4	100.0%
Cost of sales.....	(161.2)	(80.0%)	(151.4)	(82.6%)	(479.2)	(81.2%)	(440.9)	(83.1%)
Gross profit .....	40.3	20.0%	31.9	17.4%	110.9	18.8%	89.5	16.9%
Other income .....	2.1	1.0%	3.5	1.9%	253.3	42.9%	8.7	1.6%
Other gains/(losses) — net .....	(2.0)	(1.0%)	0.3	0.2%	(2.1)	(0.4%)	(1.5)	(0.3%)
Expenses:								
Selling, general and administrative .....	(17.7)	(8.8%)	(18.6)	(10.1%)	(70.8)	(12.0%)	(56.1)	(10.6%)
Research and development .....	(3.9)	(1.9%)	(6.5)	(3.5%)	(11.8)	(2.0%)	(16.4)	(3.1%)
Finance.....	(14.2)	(7.0%)	(14.7)	(8.0%)	(42.4)	(7.2%)	(44.1)	(8.3%)
Others.....	0.3	0.1%	(3.5)	(1.9%)	(3.1)	(0.5%)	(8.6)	(1.6%)
Profit/(Loss) before tax.....	4.9	2.4%	(7.6)	(4.1%)	234.0	39.7%	(28.5)	(5.4%)
Income tax (expense) / credit....	(1.5)	(0.7%)	(0.7)	(0.4%)	(5.5)	(0.9%)	(4.7)	(0.9%)
Profit/(Loss) after tax .....	3.4	1.7%	(8.3)	(4.5%)	228.5	38.7%	(33.2)	(6.3%)
Non-controlling interests .....	0.2	0.1%	0.2	0.1%	0.5	0.1%	0.4	0.1%
Profit/(Loss) after non-controlling interest .....	3.2	1.6%	(8.5)	(4.6%)	228.0	38.6%	(33.6)	(6.3%)

### Three months ended September 30, 2019 compared to three months ended September 30, 2018

**Sales.** Sales decreased by 9.0% to \$183.3 million for the three months ended September 30, 2019 from \$201.5 million for the three months ended September 30, 2018.

Our assembly services sales decreased by 6.0% to \$129.5 million for the three months ended September 30, 2019 from \$137.7 million for the three months ended September 30, 2018, primarily due to decreases in sales from our analog product category, mixed-signal and logic product category and other product category, partially offset by an increase in sales from our memory product category.

Our test services sales decreased by 11.7% to \$53.7 million for the three months ended September 30, 2019 from \$60.8 million for the three months ended September 30, 2018, primarily due to decreases in sales from our mixed-signal and logic product category, memory product category and other product category, partially offset by an increase in sales from our analog product category.

**Cost of sales.** Cost of sales decreased by 6.1% to \$151.4 million for the three months ended September 30, 2019 from \$161.2 million for the three months ended September 30, 2018. The decrease was primarily attributable to a decrease in sales, coupled with lower depreciation expenses and cost control initiatives, partially offset by higher costs of utilities due to increased rates and a weakened U.S. dollar during part of the period, which increased our costs in local currencies such as costs relating to payroll and certain materials.

**Gross profit.** Gross profit decreased by 20.8% to \$31.9 million for the three months ended September 30, 2019 from \$40.3 million for the three months ended September 30, 2018. Gross profit as a percentage of sales, or gross profit margin, was 17.4% for the three months ended September 30, 2019 compared to 20.0% for the three months ended September 30, 2018. The decreases in our gross profit and gross profit margin were primarily due to decreased sales, higher costs of utilities due to increased rates and a weakened U.S. dollar during part of the period, which increased our costs in local currencies such as costs relating to payroll and certain materials, partially offset by lower depreciation expenses and cost control initiatives.

**Other income.** Other income increased to \$3.5 million for the three months ended September 30, 2019 from \$2.1 million for the three months ended September 30, 2018, primarily due to increases in government grant income of \$0.9 million, interest income of \$0.3 million and scrap sales of \$0.2 million.

*Other gains/(losses) - net.* We had other gains – net of \$0.3 million for the three months ended September 30, 2019 compared to other losses – net of \$2.0 million for the three months ended September 30, 2018. Other gains – net increased primarily due to an increase in gain from disposal of property, plant and equipment of \$1.5 million and increase in net foreign exchange gain of \$0.8 million.

*Selling, general and administrative expenses.* Selling, general and administrative expenses increased to \$18.6 million for the three months ended September 30, 2019 from \$17.7 million for the three months ended September 30, 2018, primarily due to the recognition of share-based compensation expenses, partially offset by cost control initiatives.

*Research and development expenses.* Research and development expenses increased to \$6.5 million for the three months ended September 30, 2019 from \$3.9 million for the three months ended September 30, 2018 primarily due to costs associated with customer-related projects.

*Finance expenses.* Finance expenses increased 3.5% to \$14.7 million for the three months ended September 30, 2019 from \$14.2 million for the three months ended September 30, 2018, primarily due to recognition of finance cost for right-of-use assets of \$0.5 million due to the adoption of FRS 116 pursuant to which we were required to recognize our right-of-use assets.

*Other income/(expenses).* Other expenses were \$3.5 million for the three months ended September 30, 2019 compared to other income of \$0.3 million for the three months ended September 30, 2018. Other expenses increased primarily due to an increase in severance expenditure of \$3.2 million.

*Profit/(Loss) before tax.* Our loss before tax was \$7.6 million for the three months ended September 30, 2019 compared to a profit before tax of \$4.9 million for the three months ended September 30, 2018, primarily due to the decrease in gross profit and moderate increases in expenses described above.

*Income tax expense.* Our income tax expense decreased to \$0.7 million for the three months ended September 30, 2019 from \$1.5 million for the three months ended September 30, 2018. The decrease primarily related to lower tax provisions for our subsidiary in Thailand due to lower profitability.

*Non-controlling interests.* Non-controlling interests were consistent at \$0.2 million for the three months ended September 30, 2019 as well as the three months ended September 30, 2018.

### ***Nine months ended September 30, 2019 compared to nine months ended September 30, 2018***

*Sales.* Sales decreased by 10.1% to \$530.4 million for the nine months ended September 30, 2019 from \$590.1 million for the nine months ended September 30, 2018.

Our assembly services sales decreased by 8.6% to \$367.4 million for the nine months ended September 30, 2019 from \$402.1 million for the nine months ended September 30, 2018, primarily due to decreases in sales from our mixed-signal and logic product category, analog product category, memory product category and other product category.

Our test services sales decreased by 12.0% to \$155.6 million for the nine months ended September 30, 2019 from \$176.9 million for the nine months ended September 30, 2018, primarily due to decreases in sales from our mixed-signal and logic product category, memory product category and other product category, partially offset by an increase in sales from our analog product category.

*Cost of sales.* Cost of sales decreased by 8.0% to \$440.9 million for the nine months ended September 30, 2019 from \$479.2 million for the nine months ended September 30, 2018, primarily due to decreases in sales, coupled with lower depreciation expenses, a strengthened U.S. dollar throughout the majority of the period, which decreased our costs in local currencies such as payroll and certain materials and cost control initiatives, partially offset by higher costs of utilities due to increased rates.

*Gross profit.* Gross profit decreased by 19.3% to \$89.5 million for the nine months ended September 30, 2019 from \$110.9 million for the nine months ended September 30, 2018. Gross profit margin was 16.9% for the nine months ended September 30, 2019 compared to 18.8% for the nine months ended September 30, 2018. The decreases in our gross profit and gross profit margin were primarily due to decreased sales and higher costs of utilities due to increased rates, partially offset by lower depreciation expenses and a strengthened U.S. dollar throughout the majority of the period, which decreased our costs in local currencies such as costs relating to payroll and certain materials and cost control initiatives.

*Other income.* Other income decreased to \$8.7 million for the nine months ended September 30, 2019 from \$253.3 million for the nine months ended September 30, 2018. Other income in the nine months ended September 30, 2018 included a one-off gain from our debt restructuring of \$143.4 million and the reversal of accrued interest on the 2019 Notes of \$103.3 million.

*Other losses - net.* Other losses – net were \$1.5 million for the nine months ended September 30, 2019 compared to \$2.1 million for the nine months ended September 30, 2018. Other losses – net decreased primarily due to an increase in gain from disposal of property, plant and equipment of \$1.4 million, which was partially offset by an increase in net foreign exchange losses of \$0.7 million.

*Selling, general and administrative expenses.* Selling, general and administrative expenses decreased to \$56.1 million for the nine months ended September 30, 2019 from \$70.8 million for the nine months ended September 30, 2018, primarily due to lower costs associated with corporate actions relating to debt restructuring and cost control initiatives, partially offset by share-based compensation expenses.

*Research and development expenses.* Research and development expenses increased to \$16.4 million for the nine months ended September 30, 2019 from \$11.8 million for the nine months ended September 30, 2018 primarily due to costs associated with customer-related projects.

*Finance expenses.* Finance expenses increased 4.0% to \$44.1 million for the nine months ended September 30, 2019 compared to \$42.4 million for the nine months ended September 30, 2018, primarily due to recognition of finance cost for right-of-use assets of \$1.6 million due to the adoption of FRS 116 pursuant to which we were required to recognize our right-of-use assets.

*Other expenses.* Other expenses increased to \$8.6 million for the nine months ended September 30, 2019 compared to \$3.1 million for the nine months ended September 30, 2018. The increase was primarily due to impairment of property, plant and equipment of \$2.1 million and severance expenditure of \$3.4 million.

*Profit/(Loss) before tax.* Our loss before tax was \$28.5 million for the nine months ended September 30, 2019 compared to a profit before tax of \$234.0 million for the nine months ended September 30, 2018 primarily due to the decrease in other income described above.

*Income tax expense.* Our income tax expense decreased to \$4.7 million for the nine months ended September 30, 2019 from \$5.5 million for the nine months ended September 30, 2018. The decrease primarily related to lower tax provisions for our subsidiary in Thailand due to lower profitability.

*Non-controlling interests.* Non-controlling interests were relatively consistent at \$0.4 million for the nine months ended September 30, 2019 and \$0.5 million for the nine months ended September 30, 2018.

### *Non-SFRS Measures*

EBITDA and adjusted EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation.

We have included EBITDA because we believe it is an indicative measure of our operating performance and is used by investors and analysts to evaluate companies in our industry. We define EBITDA as profit/(loss) after tax adjusted for (i) income tax expense; (ii) finance expenses/(income); and (iii) depreciation and amortization, which represent depreciation of property, plant and equipment and amortization of intangible assets.

We have included adjusted EBITDA because we believe it is a more indicative measure of our baseline performance as it excludes certain charges that our management considers to be outside of our core operating results. We define adjusted EBITDA as EBITDA adjusted for extraordinary items including, for the periods under review, (i) fair value gain on derivatives financial instruments; (ii) foreign exchange loss; (iii) debt restructuring costs; (iv) debt restructuring gain; (v) severance expenditure; (vi) impairment of property, plant and equipment, (vii) loss on disposal of property, plant and equipment and (viii) other one-time expenditures, including expenditure incurred from the share-based compensation (restricted stock units), USC closure and others.

EBITDA and adjusted EBITDA are not measures of financial performance or liquidity under SFRS or U.S. GAAP and should not be considered as alternatives to total profit, operating profit or any other performance measures derived in accordance with SFRS or U.S. GAAP or as an alternative to cash flow from operating activities as a measure of liquidity.

The following table reconciles our profit/(loss) after tax to EBITDA and adjusted EBITDA, in each case, for the periods indicated:

	<b>Three Months ended September 30,</b>		<b>Nine Months ended September 30,</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
	(\$ in millions)			
<b>Profit/(Loss) after tax</b> .....	<b>3.4</b>	<b>(8.3)</b>	<b>228.5</b>	<b>(33.2)</b>
Add/(deduct):				
Income tax expense .....	1.5	0.7	5.5	4.7
Finance expenses/(income).....	13.5	13.8	(62.6)	41.3
Depreciation of property, plant and equipment .....	24.2	23.9	74.8	72.3
Amortization of intangible assets .....	1.2	1.2	3.6	3.5
<b>EBITDA</b> .....	<b>43.8</b>	<b>31.3</b>	<b>249.8</b>	<b>88.6</b>
Add/(deduct):				
Fair value gain on derivatives financial instruments .....	-	(0.4)	-	(0.5)
Foreign exchange loss .....	-	-	-	2.1
Debt restructuring costs .....	-	0.1	16.0	0.2
Debt restructuring gain .....	-	-	(143.4)	-
Severance expenditure .....	(0.5)	2.7	1.9	5.3
Impairment of property, plant and equipment .....	-	-	-	2.1
Loss on disposal of property, plant and equipment .....	1.9	-	1.9	0.9
Shared-based compensation (Restricted Stock Units) .....	-	2.3	-	6.9
USC closure.....	0.2	0.1	1.5	0.4
Others .....	1.1	1.3	1.5	2.1
<b>Adjusted EBITDA</b>	<b>46.5</b>	<b>37.4</b>	<b>129.2</b>	<b>108.1</b>

## Liquidity and Capital Resources

Our operations are capital intensive. We have funded our operations and growth primarily through a mixture of short- and long-term loans and cash flows from operations. As of September 30, 2019, our primary sources of liquidity included cash and bank deposits of \$212.3 million and our undrawn credit facilities of \$6.2 million and unutilized bank guarantee facilities of \$1.6 million.

The following table sets forth our consolidated cash flows with respect to operating activities, investing activities and financing activities for the periods indicated.

	Three Months ended September 30,		Nine Months ended September 30,	
	2018	2019	2018	2019
	(\$ in millions)			
Net cash provided by operating activities .....	39.7	31.9	101.9	102.1
Net cash used in investing activities .....	(18.7)	(24.8)	(44.8)	(69.7)
Net cash used in financing activities.....	(0.1)	(1.9)	(18.5)	(30.2)
Net increase/(decrease) in cash and cash equivalents .....	20.9	5.2	38.6	2.2
Cash and cash equivalents at beginning of financial period .....	202.3	207.1	184.6	210.1
Cash and cash equivalents at end of financial period .....	223.2	212.3	223.2	212.3

### *Three months ended September 30, 2019 compared to three months ended September 30, 2018*

#### *Cash Flows from Operating Activities*

We generated \$31.9 million in net cash from our operating activities for the three months ended September 30, 2019, a decrease from \$39.7 million for the three months ended September 30, 2018. Our cash flows generated from operating activities for the three months ended September 30, 2019 are calculated by adjusting our loss after tax of \$8.3 million by (i) non-cash and other items, including \$23.9 million of depreciation of property, plant and equipment, \$14.7 million of finance expense, \$1.2 million of amortization of intangible assets and \$0.7 million in income tax expense and (ii) changes in working capital described below.

Working capital sources of cash for the three months ended September 30, 2019 included primarily a decrease in cash of \$8.1 million from trade and other receivables, an increase in cash of \$0.8 million from inventories and an increase in cash of \$5.6 million from trade and other payables. For the three months ended September 30, 2019, we made cash payments of \$3.1 million in respect of income tax expense.

We generated \$39.7 million in net cash from our operating activities for the three months ended September 30, 2018, an increase from \$22.1 million for the three months ended September 30, 2017. Our cash flows generated from operating activities for the three months ended September 30, 2018 are calculated by adjusting our profit after tax of \$3.4 million by (i) non-cash and other items, including \$24.2 million of depreciation of property, plant and equipment, \$14.2 million of finance expense, \$1.2 million of amortization of intangible assets and \$1.5 million in income tax expense and (ii) changes in working capital described below.

Working capital sources of cash for the three months ended September 30, 2018 included primarily a decrease in cash of \$7.5 million from trade and other receivables, a decrease in cash of \$0.3 million from inventories and an increase in cash of \$4.4 million from trade and other payables. For the three months ended September 30, 2018, we made cash payments of \$3.8 million in respect of income tax expense.

### *Cash Flows used in Investing Activities*

Net cash used in investing activities was \$24.8 million during the three months ended September 30, 2019. The primary component of the cash outflow was \$25.2 million used for purchases of property, plant and equipment, which was partially offset by proceeds of \$0.3 million from the disposal of property, plant and equipment.

Net cash used in investing activities was \$18.7 million during the three months ended September 30, 2018. The primary component of the cash outflow was \$22.9 million used for purchases of property, plant and equipment, which was partially offset by proceeds of \$3.6 million from the disposal of property, plant and equipment.

### *Cash Flows used in Financing Activities*

Net cash used in financing activities during the three months ended September 30, 2019 was \$1.9 million and related to the repayment of finance lease liabilities.

Net cash used in financing activities during the three months ended September 30, 2018 was \$0.1 million and related to the repayment of finance lease liabilities.

### ***Nine months ended September 30, 2019 compared to nine months ended September 30, 2018***

#### *Cash Flows from Operating Activities*

We generated \$102.1 million in net cash from our operating activities for the nine months ended September 30, 2019, an increase from \$101.9 million for the nine months ended September 30, 2018. Our cash flows generated from operating activities for the nine months ended September 30, 2019 are calculated by adjusting our loss after tax of \$33.2 million by (i) non-cash and other items, including \$72.3 million of depreciation of property, plant and equipment, \$44.1 million of finance expense, \$3.5 million of amortization of intangible assets and \$4.7 million in income tax expense, and (ii) changes in working capital described below.

Working capital sources of cash for the nine months ended September 30, 2019 included primarily an increase in cash of \$6.6 million from trade and other receivables and an increase in cash of \$6.2 million from inventories, which were offset by a decrease in cash of \$7.8 million from trade and other payables. For the nine months ended September 30, 2019, we made cash payments of \$6.2 million in respect of income tax expense.

We generated \$101.9 million in net cash from our operating activities for the nine months ended September 30, 2018, a decrease from \$102.7 million for the nine months ended September 30, 2017. Our cash flows generated from operating activities for the nine months ended September 30, 2018 are calculated by adjusting our profit after tax of \$228.5 million by (i) non-cash and other items, including \$74.8 million of depreciation of property, plant and equipment, \$42.4 million of finance expense, \$3.6 million of amortization of intangible assets and \$5.5 million in income tax expense, and (ii) changes in working capital described below.

Working capital sources of cash for the nine months ended September 30, 2018 included primarily an increase in cash of \$11.6 million from trade and other receivables and an increase in cash of \$5.6 million from inventories, which were offset by a decrease in cash of \$21.4 million from trade and other payables. For the nine months ended September 30, 2018, we made cash payments of \$7.5 million in respect of income tax expense.

### *Cash Flows used in Investing Activities*

Net cash used in investing activities was \$69.7 million during the nine months ended September 30, 2019. The principal component of the cash outflow was \$71.9 million used for purchases of property, plant and equipment, which was partially offset by proceeds of \$1.4 million from the disposal of property, plant and equipment.

Net cash used in investing activities was \$44.8 million during the nine months ended September 30, 2018. The principal component of the cash outflow was \$50.3 million used for purchases of property, plant and equipment, which was partially offset by proceeds of \$4.0 million from the disposal of property, plant and equipment.

### *Cash Flows used in Financing Activities*

Net cash used in financing activities during the nine months ended September 30, 2019 was \$30.2 million, which primarily comprised of \$28.3 million in interest payments and \$1.9 million in repayment of finance lease liabilities.

Net cash used in financing activities during the nine months ended September 30, 2018 was \$18.5 million, which primarily comprised of \$28.1 million in interest payments and \$0.4 million in repayment of finance lease liabilities offset by a decrease of \$10.0 million in depository trust account.

### **Capital Expenditures**

We had cash outflows in respect of capital expenditures, or cash capital expenditures, of \$72.2 million for the nine months ended September 30, 2019 compared to \$50.3 million for the nine months ended September 30, 2018.

We expect our capital expenditures for 2019 to be around \$95.0 million to \$105.0 million, approximately 10% of which is expected to be related to spending on new strategic customer projects.

We plan our capital expenditure based on the expected sales and seek to invest only when we believe there are opportunities to generate certain expected returns on investment. We expect to fund our budgeted capital expenditure through existing cash and cash generated from operations. We periodically review our budgeted capital expenditure during the financial year. We may adjust our capital expenditures based on market conditions, the progress of our expansion plans and cash flow from operations.

### **Total Borrowings**

As of September 30, 2019, the total amount outstanding under our long-term and short-term borrowings was \$664.4 million (after deducting unamortized loan facility and related issuance costs).

### **Long-Term Borrowings**

The following table sets out certain details relating to our long-term borrowings (without including finance leases):

<b>Facility</b>	<b>Borrower/ Issuer</b>	<b>Amount outstanding as of September 30, 2019</b>	<b>Total committed amount</b>	<b>Interest rate</b>	<b>Maturity</b>
2023 Notes.....	Global A&T Electronics	665.0 <sup>(1)</sup>	(\$ in millions) 665.0	8.5%	January 2023

Notes:

- (1) This amount represented the total indebtedness outstanding under the 2023 Notes as of September 30, 2019, without deducting unamortized loan facility and related issuance costs of \$0.6million.

Sales of our subsidiaries (who are not guarantors of the 2023 Notes) accounted for approximately \$1.5 million, or 0.2%, of our total sales for the nine months ended September 30, 2019, and assets accounted for approximately \$22.1 million, or 1.5%, of our total assets, and liabilities accounted for approximately \$15.8 million, or 1.9%, of our total liabilities, in each case as of September 30, 2019.

Sales of our subsidiaries (who are not guarantors of the 2023 Notes) accounted for approximately \$0.7 million, or 0.3%, of our total sales for the nine months ended September 30, 2018, and assets accounted for approximately \$8.8 million, or 0.6%, of our total assets, and liabilities accounted for approximately \$2.8 million, or 0.3%, of our total liabilities, in each case as of September 30, 2018.



### ***Short-Term Borrowings***

Our short-term borrowings comprise primarily of revolving credit facilities and trade financing facilities.

UTL has a revolving credit facility of up to 175.0 million Thai Baht (approximately \$5.7 million as of September 30, 2019) with Siam Commercial Bank Public Company Limited, or Siam Commercial Bank, which may be utilized for working capital purposes. As of September 30, 2019, these facilities have not been utilized.

UTL has bank guarantee facilities for an aggregate of up to 85.0 million Thai Baht (approximately \$2.8 million as of September 30, 2019) with Siam Commercial Bank, which may be utilized for working capital purposes. As of September 30, 2019, guarantees of an aggregate amount of 66.8 million Thai Baht (approximately \$2.2 million as of September 30, 2019) have been issued under these facilities.

UTC has bank guarantee facilities of \$1.0 million with Far Eastern International Bank, which may be utilized for working capital purposes. As of September 30, 2019, these facilities have not been utilized.

UMY has a credit facility of up to RM3.0 million (approximately \$0.7 million as of September 30, 2019) with Malayan Banking Berhad, which may be utilized for working capital purposes. As of September 30, 2019, facilities of an aggregate amount of RM1.2 million (approximately \$0.3 million) have been utilized.

### ***Leases***

We have leased certain plant and equipment. As of September 30, 2019, our total lease obligations were \$21.2 million mainly as a result of the adoption of FRS 116 pursuant to which we were required to recognize our right-of-use assets and lease liability. Lease terms generally range from one to five years with options to purchase at the end of the lease term. Lease terms generally do not contain restrictions concerning dividends, additional debts or further leasing and do not provide for contingent rents. The liabilities under the leases are secured on the plant and equipment, which are the subject of the lease contracts.

### **Off-balance Sheet Arrangements**

As of September 30, 2019, other than disclosed in elsewhere of this document, we do not have any off-balance sheet arrangements.

### **Contingent Liabilities**

From time to time, we are subject to claims that arise in the normal course of business. These claims may include allegations of infringement of intellectual property rights of others, environmental liability, labor, products, as well as other claims of liability.

On April 19, 2019, a major wireless customer commenced an arbitration against USG1 and UHK for intellectual property related claims relating to a third party intellectual property vendor. The arbitration relates to the amounts that the customer had incurred in defending against, and settling, patent infringement claims brought by a third party intellectual property vendor. The customer is seeking contribution on an indemnity basis from various suppliers of products involved in the suits, including USG1 and UHK. The matter is in its early stage and is not expected to be financially material. USG1 and UHK have submitted answers in opposition to the arbitration complaint. The matter is ongoing.

### **Critical Accounting Policies**

Our critical accounting policies are disclosed in our annual report for the year ended December 31, 2018. During the nine months ended September 30, 2019, there have been no significant changes in our critical accounting policies.

## **Recent Accounting Pronouncements under SFRS**

### ***New Accounting Standards and SFRS Interpretations Effective 2019***

Certain new standards, amendments and interpretations to existing standards that have been published, and are relevant for UTAC Holdings' accounting periods beginning on or after January 1, 2019 or later periods and which UTAC Holdings has not already adopted. We anticipate that the adoption of these Financial Reporting Standards, or FRS, International Financial Reporting Standards and amendments to the FRS in the future periods will not have a material impact on the financial statements of the UTAC Holdings in the period of their initial adoption. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Accounting Pronouncements under SFRS*" in our annual report for the year ended December 31, 2018 incorporated by reference into this quarterly report.

### **Quantitative and Qualitative Disclosures about Market Risk**

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various financial market risks in our ordinary course business transactions, primarily from interest rate movements on non-current variable rate borrowings and exchange rate movements. For details of quantitative and qualitative disclosures about market risk, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk*" in our annual report for the year ended December 31, 2018 incorporated by reference into this quarterly report.

**UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION**

1 ..... UTAC Holdings Ltd. Unaudited Consolidated Condensed Interim Financial Information for the three and nine months ended September 30, 2019

**UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE**  
**INCOME**

*For the three-month and nine-month period ended September 30, 2019*

	<b>Three-month period ended September 30,</b>		<b>Nine-month period ended September 30,</b>	
	<b>2018 US\$'000</b>	<b>2019 US\$'000</b>	<b>2018 US\$'000</b>	<b>2019 US\$'000</b>
Sales.....	201,507	183,285	590,100	530,385
Cost of sales.....	(161,197)	(151,430)	(479,164)	(440,867)
Gross profit.....	<u>40,310</u>	<u>31,855</u>	<u>110,936</u>	<u>89,518</u>
Other income.....	2,094	3,499	253,281	8,658
Other gains/(losses) – net.....	(1,952)	350	(2,056)	(1,456)
Expenses				
- Selling, general and administrative	(17,764)	(18,520)	(70,779)	(56,068)
- Research and development.....	(3,946)	(6,464)	(11,766)	(16,416)
- Finance.....	(14,197)	(14,711)	(42,436)	(44,120)
- Others.....	344	(3,522)	(3,099)	(8,640)
Profit/(Loss) before income tax.....	<u>4,889</u>	<u>(7,513)</u>	<u>234,081</u>	<u>(28,524)</u>
Income tax expense.....	(1,470)	(744)	(5,532)	(4,673)
<b>Profit/(Loss) after tax.....</b>	<b><u>3,419</u></b>	<b><u>(8,257)</u></b>	<b><u>228,549</u></b>	<b><u>(33,197)</u></b>
<b>Other comprehensive income/(loss):</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Increase in capital from restructuring	-	-	310,000	-
Others	(28)	(3)	(14)	(78)
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurements on post-employment benefit obligation.....	13	1	48	38
Financial assets, at FVOCI.....	-	(184)	-	(2)
<b>Other comprehensive income/(loss), net of tax.....</b>	<b><u>(15)</u></b>	<b><u>(186)</u></b>	<b><u>310,034</u></b>	<b><u>(42)</u></b>
<b>Total comprehensive income/(loss).....</b>	<b><u>3,404</u></b>	<b><u>(8,443)</u></b>	<b><u>538,583</u></b>	<b><u>(33,239)</u></b>
<b>Profit/(Loss) attributable to:</b>				
Equity holders of the Company.....	3,246	(8,410)	227,966	(33,632)
Non-controlling interests.....	173	153	583	435
	<u>3,419</u>	<u>(8,257)</u>	<u>228,549</u>	<u>(33,197)</u>
<b>Total comprehensive income/(loss) attributable to:</b>				
Equity holders of the Company.....	3,231	(8,601)	537,998	(33,705)
Non-controlling interests.....	173	158	585	466
	<u>3,404</u>	<u>(8,443)</u>	<u>538,583</u>	<u>(33,239)</u>

**UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
*As at September 30, 2019*

	<b>December 31, 2018</b>	<b>September 30, 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and bank deposits.....	210,087	212,331
Trade and other receivables.....	122,054	117,162
Inventories.....	44,881	38,658
Other assets.....	9,654	6,732
	<b>386,676</b>	<b>374,883</b>
Non-current assets held-for-sale.....	-	-
	<b>386,676</b>	<b>374,883</b>
<b>Non-current assets</b>		
Other assets.....	2,733	3,228
Deferred income tax assets.....	8,662	7,190
Financial assets, FVOCI.....	3,233	3,233
Property, plant and equipment.....	438,726	464,549
Goodwill.....	643,405	643,405
Intangible assets.....	13,198	10,051
	<b>1,109,957</b>	<b>1,131,656</b>
<b>Total assets</b> .....	<b>1,496,633</b>	<b>1,506,539</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables.....	115,570	134,669
Current income tax liabilities.....	5,207	2,008
Deferred income.....	-	642
Borrowings.....	321	2,697
Provisions.....	-	-
	<b>121,098</b>	<b>140,016</b>
<b>Non-current liabilities</b>		
Trade and other payables.....	-	-
Borrowings.....	664,774	682,947
Deferred income tax liabilities.....	14,447	14,928
Long-term benefit obligations.....	29,561	31,743
	<b>708,782</b>	<b>729,618</b>
<b>Total liabilities</b> .....	<b>829,880</b>	<b>869,634</b>
<b>NET ASSETS</b> .....	<b>666,753</b>	<b>636,905</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the equity holder of the Company</b>		
Share capital.....	510,884	510,884
Capital contribution.....	497,116	497,116
Other reserves.....	14,458	21,283
Accumulated losses.....	(361,549)	(398,688)
	<b>660,909</b>	<b>630,595</b>
Non-controlling interests.....	5,844	6,310
<b>Total equity</b> .....	<b>666,753</b>	<b>636,905</b>

**UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
*For the nine months ended September 30, 2019*

	Attributable to equity holder of the Company				Total	Non-controlling interest	Total equity
	Share capital	Capital contribution	Other reserves	Accumulated losses			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>As at January 1, 2019</b> .....	<b>510,884</b>	<b>497,116</b>	<b>14,458</b>	<b>(361,549)</b>	<b>660,909</b>	<b>5,844</b>	<b>666,753</b>
Adoption of FRS 116.....	-	-	-	(3,507)	(3,507)	-	(3,507)
Share-based compensation...	-	-	6,898	-	6,898	-	6,898
Total comprehensive income/(loss) for the period .....	-	-	(73)	(33,632)	(33,705)	466	(33,239)
<b>As at September 30, 2019</b> ..	<b>510,884</b>	<b>497,116</b>	<b>21,283</b>	<b>(398,688)</b>	<b>630,595</b>	<b>6,310</b>	<b>636,905</b>
<b>As at January 1, 2018</b> .....	<b>510,884</b>	<b>187,116</b>	<b>(8,355)</b>	<b>(578,417)</b>	<b>111,228</b>	<b>5,138</b>	<b>116,366</b>
Total comprehensive income/(loss) for the period .....	-	-	310,032	227,966	537,998	585	538,583
<b>As at September 30, 2018</b> ..	<b>510,884</b>	<b>187,116</b>	<b>301,677</b>	<b>(350,451)</b>	<b>649,226</b>	<b>5,723</b>	<b>654,949</b>

**UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
*For the three-month and nine-month period ended September 30, 2019*

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2019	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cash flows from operating activities</b>				
Profit/(Loss) after tax .....	3,419	(8,257)	228,549	(33,197)
Adjustments for:				
- Income tax expense .....	1,470	744	5,532	4,673
- Depreciation of property, plant and equipment.....	24,233	23,934	74,800	72,294
- Amortization of intangible assets .....	1,191	1,153	3,635	3,478
- Net gain on disposal of property, plant and equipment and non-current asset held for sale .....	1,425	(47)	1,251	(155)
- Dividend income .....	-	(104)	(26)	(104)
- (Reversal of)/Impairment loss on property, plant and equipment .....	(34)	-	(26)	2,127
- Fair value gain on derivative financial instruments .....	-	(412)	-	(510)
- Write-off of property, plant and equipment .....	-	-	3	(73)
- Finance expenses .....	14,197	14,716	42,436	44,124
- Interest income .....	(659)	(967)	(105,062)	(2,724)
- Government grant income .....	(50)	(995)	(451)	(1,151)
- Share-based compensation.....	-	2,297	-	6,898
- Debt restructuring gain .....	-	-	(143,406)	-
Change in working capital:				
- Derivative financial instruments .....	-	629	-	510
- Trade and other receivables .....	(7,504)	(8,107)	11,595	6,558
- Inventories .....	(297)	782	5,615	6,224
- Other assets.....	1,114	2,349	6,420	3,854
- Trade and other payables .....	4,397	5,638	(21,374)	(7,776)
- Long-term benefit obligations .....	673	284	(399)	1,589
- Currency translation difference .....	(113)	(215)	(184)	(65)
Government grant received.....	50	1,591	450	1,747
Income tax paid.....	(3,791)	(3,128)	(7,456)	(6,227)
<b>Net cash provided by operating activities .....</b>	<b>39,721</b>	<b>31,885</b>	<b>101,902</b>	<b>102,094</b>
<b>Cash flows from investing activities</b>				
Payment for acquisition of property, plant and equipment .....	(22,871)	(25,163)	(50,336)	(71,879)
Payment for acquisition of intangible assets .....	-	(95)	(27)	(330)
Proceeds from disposal of property, plant and equipment and non-current assets held for sale.....	3,630	262	3,969	1,417
Dividend received.....	-	104	26	104
Interest received.....	564	137	1,584	983
<b>Net cash used in investing activities.....</b>	<b>(18,677)</b>	<b>(24,755)</b>	<b>(44,784)</b>	<b>(69,705)</b>
<b>Cash flows from financing activities</b>				
Repayment of finance lease liabilities.....	(110)	(1,903)	(396)	(1,903)
Interest paid .....	-	-	(28,105)	(28,263)
Net decrease in depository trust account <sup>1</sup> .....	-	-	10,000	-
<b>Net cash used in financing activities .....</b>	<b>(110)</b>	<b>(1,903)</b>	<b>(18,501)</b>	<b>(30,166)</b>
<b>Net increase/(decrease) in cash and cash equivalents .....</b>	<b>20,934</b>	<b>5,227</b>	<b>38,617</b>	<b>2,223</b>
Cash and cash equivalents at the beginning of the financial period .....	202,288	207,104	184,605	210,108
<b>Cash and cash equivalents at the end of the financial period..</b>	<b>223,222</b>	<b>212,331</b>	<b>223,222</b>	<b>212,331</b>

<sup>1</sup> Deposit placed in accordance with the Restructuring Support Agreement.

**UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION**  
*For the three months and nine months ended September 30, 2019*

**1. Basis of preparation**

The consolidated condensed financial information and related disclosures as of September 30, 2018 and 2019 for the nine months ended September 30, 2018 and 2019 are unaudited. The consolidated statement of financial position as of December 31, 2018 was derived from the audited financial statements, but does not include all the disclosures required to be prepared in accordance with SFRS.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with SFRS have been condensed or omitted for the purposes of the interim financial information. Intercompany accounts and transactions have been eliminated. The preparation of these consolidated condensed financial information and related notes requires our management to make estimates and assumptions that affect the amounts reported in this consolidated condensed financial information. Actual results could differ materially from those estimates. The unaudited consolidated condensed financial information should be read in conjunction with the audited consolidated financial statements and related notes thereto for the financial year ended December 31, 2018.

The results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for the full financial year.

**2. Sales**

Sales decreased to \$530.4 million for the nine months ended September 30, 2019 from \$590.1 million for the nine months ended September 30, 2018. Breakdowns of sales by service type and product category are as follows:

<b>Service type</b>	<b>Nine months ended September 30,</b>			
	<b>2018</b>		<b>2019</b>	
	<i>(in thousands of U.S. dollars, except percentages)</i>			
Assembly .....	402,110	68.1%	367,332	69.3%
Test .....	176,842	30.0%	155,618	29.3%
Liquidated damages .....	11,148	1.9%	7,435	1.4%
<b>Total</b> .....	<b>590,100</b>	<b>100.0%</b>	<b>530,385</b>	<b>100.0%</b>

  

<b>Product category</b>	<b>Nine months ended September 30,</b>			
	<b>2018</b>		<b>2019</b>	
	<i>(in thousands of U.S. dollars, except percentages)</i>			
Analog .....	289,888	49.1%	280,226	52.8%
Mixed-signal and logic .....	197,856	33.5%	168,506	31.8%
Memory .....	47,199	8.0%	42,483	8.0%
Others .....	44,009	7.5%	31,735	6.0%
Liquidated damages .....	11,148	1.9%	7,435	1.4%
<b>Total</b> .....	<b>590,100</b>	<b>100.0%</b>	<b>530,385</b>	<b>100.0%</b>



**UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION**  
*For the three months and nine months ended September 30, 2019*

**2. Sales (continued)**

Sales decreased to \$183.3 million for the three months ended September 30, 2019 from \$201.5 million for the three months ended September 30, 2018. Breakdowns of sales by service type and product category are as follows:

<b>Service type</b>	<b>Three months ended September 30,</b>			
	<b>2018</b>		<b>2019</b>	
	<i>(in thousands of U.S. dollars, except percentages)</i>			
Assembly .....	137,720	68.3%	129,404	70.6%
Test .....	60,803	30.2%	53,746	29.3%
Liquidated damages .....	2,984	1.5%	135	0.1%
<b>Total</b> .....	<b>201,507</b>	<b>100.0%</b>	<b>183,285</b>	<b>100.0%</b>

<b>Product category</b>	<b>Three months ended September 30,</b>			
	<b>2018</b>		<b>2019</b>	
	<i>(in thousands of U.S. dollars, except percentages)</i>			
Analog .....	98,515	48.9%	95,907	52.3%
Mixed-signal and logic .....	69,372	34.4%	62,577	34.1%
Memory .....	16,728	8.3%	15,141	8.3%
Others .....	13,908	6.9%	9,525	5.2%
Liquidated damages .....	2,984	1.5%	135	0.1%
<b>Total</b> .....	<b>201,507</b>	<b>100.0%</b>	<b>183,285</b>	<b>100.0%</b>

**3. Cost of sales**

Cost of sales consists principally of direct materials and direct labor, indirect labor, indirect materials (being ancillary materials and other supplies used in the assembly and test process), utilities, equipment maintenance, operating supplies and tooling, and depreciation and general expenses incurred in maintaining our facilities.

Cost of sales decreased to \$440.9 million for the nine months ended September 30, 2019 from \$479.2 million for the nine months ended September 30, 2018.

**4. Cash and bank deposits**

	<b>As of December 31, 2018</b>	<b>As of September 30, 2019</b>
Cash and bank deposits		
	<i>(in thousands of U.S. dollars)</i>	
Cash at bank and on hand .....	119,758	165,930
Short-term bank deposits .....	90,329	46,401
<b>Total</b> .....	<b>210,087</b>	<b>212,331</b>

At the balance sheet date, the carrying amounts of cash and cash equivalents approximated their fair values.

**UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION**  
*For the three months and nine months ended September 30, 2019*

**5. Trade and other receivables**

	<b>As of December 31, 2018</b>	<b>As of September 30, 2019</b>
Trade and other receivables		
	<i>(in thousands of U.S. dollars)</i>	
<i>Current</i>		
Trade receivables – non-related parties .....	114,547	111,882
Less: Allowance for impairment of receivables - non-related parties .....	(25)	(65)
	<u>114,522</u>	<u>111,817</u>
Non-trade receivables		
- non-related parties.....	7,532	5,345
<b>Total.....</b>	<b><u>122,054</u></b>	<b><u>117,162</u></b>

**6. Trade and other payables**

	<b>As of December 31, 2018</b>	<b>As of September 30, 2019</b>
Trade and other payables		
	<i>(in thousands of U.S. dollars)</i>	
Trade payables to non-related parties		
- Purchase of property, plant and equipment.....	18,999	29,809
- Other purchases .....	36,472	38,448
	<u>55,471</u>	<u>68,257</u>
Other payables – non-related parties.....	12,223	9,423
Accrued interest payable .....	-	14,131
Other accrual for operating expenses .....	46,292	41,368
Deposits and advances from customers .....	1,584	1,490
<b>Total for current portion .....</b>	<b><u>115,570</u></b>	<b><u>134,669</u></b>
<i>Non-current</i>		
Deferred payment on legal settlement to a third party.....	<u>-</u>	<u>-</u>

**7. Intangible assets**

Intangible assets decreased by \$3.1 million to \$10.1 million as at September 30, 2019 from \$13.2 million as at December 31, 2018. The decrease was primarily due to amortization for the period of \$3.5 million, partially offset by the addition of \$0.4 million of intangible assets.

**8. Property, Plant and Equipment**

Property, plant and equipment increased to \$464.5 million as at September 30, 2019 from \$438.7 million as at December 31, 2018. The increase was primarily due to a one-off recognition of leased assets on our balance sheet of \$15.2 million due to the adoption of FRS 116 pursuant to which we were required to recognize our right-of-use assets and the addition of \$95.2 million of property, plant and equipment, partially offset by depreciation expenses of \$72.2 million, impairment of property, plant and equipment of \$2.1 million and the disposal of property, plant and equipment of \$10.3 million for the period.

**UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION**  
*For the three months and nine months ended September 30, 2019*

**9. Capital commitments**

Capital expenditures contracted for at the balance sheet date but not recognized in the financial statements are analyzed as follows:

	<b>As at December 31, 2018</b>	<b>As at September 30, 2019</b>
	<i>(in thousands of U.S. dollars)</i>	
Capital commitments		
Property, plant and equipment.....	31,345	22,361

**10. Contingencies**

From time to time, we are subject to claims that arise in the normal course of business. These claims may include allegations of infringement of intellectual property rights of others.

We assess the likelihood of an adverse judgment or outcome for these matters, as well as the range of potential losses. A determination of the reserves required, if any, is made after careful analysis. The required reserves may change in the future due to new developments impacting the probability of a loss, the estimate of such loss, and the probability of recovery of such loss from third parties.

**11. Segment Information**

<b>Nine months ended</b>	Assembly	Test	Others	Total
<b>September 30, 2019</b>	(in thousands of U.S. dollars)			
Segment sales/ Sales to external parties .....	367,332	155,618	7,435	530,385
Segment gross profit	52,840	29,243	7,435	89,518
<b>September 30, 2018</b>				
Segment sales/ Sales to external parties .....	402,110	176,842	11,148	590,100
Segment gross profit	58,591	41,197	11,148	110,936
<b>Three months ended</b>	Assembly	Test	Others	Total
<b>September 30, 2019</b>	(in thousands of U.S. dollars)			
Segment sales/ Sales to external parties .....	129,404	53,746	135	183,285
Segment gross profit	21,107	10,613	135	31,855
<b>September 30, 2018</b>				
Segment sales/ Sales to external parties .....	137,720	60,803	2,984	201,507
Segment gross profit	20,412	16,914	2,984	40,310

**UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION**  
*For the three months and nine months ended September 30, 2019*

**Reconciliation**

A reconciliation of segment gross profit to profit/(loss) before income tax is as follows:

	<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2019</b>
	<i>(in thousands of U.S. dollars)</i>	
Segment gross profit of reportable segments .....	110,936	89,518
Other income .....	253,281	8,658
Other gains/(losses) – net .....	(2,056)	(1,456)
Selling, general and administrative expenses .....	(70,779)	(56,068)
Research and development costs .....	(11,766)	(16,416)
Finance costs .....	(42,436)	(44,120)
Other expenses .....	(3,099)	(8,640)
Profit/(Loss) before income tax.....	<u>234,081</u>	<u>(28,524)</u>

	<b>Three months ended September 30,</b>	
	<b>2018</b>	<b>2019</b>
	<i>(in thousands of U.S. dollars)</i>	
Segment gross profit of reportable segments .....	40,310	31,855
Other income .....	2,094	3,499
Other gains/(losses) – net .....	(1,952)	350
Selling, general and administrative expenses .....	(17,764)	(18,520)
Research and development costs .....	(3,946)	(6,464)
Finance costs .....	(14,197)	(14,711)
Other income/(expenses).....	344	(3,522)
Profit/(Loss) before income tax.....	<u>4,889</u>	<u>(7,513)</u>