<u>**Media Release**</u>

(all figures in US$ unless otherwise stated)

# UTAC 2Q06 Net Profit More Than Doubles To $15.5 Million; Raises FY06 Revenue Growth Target To 70% From 40% Previously

- 2Q06 revenue grew 55.7% over 2Q05 to $120.5 million
- 12th consecutive quarter of sequential revenue growth and profitability
- Guidance of 30% to 35% sequential revenue growth in 3Q06 over 2Q06
- 2Q06 results include one month of contribution from new Thai subsidiary; 3Q06 results will see full quarter contribution from UTAC Thailand
- Revising FY06 revenue growth target from 40% to 70% over FY05

***Singapore, July 25, 2006 –*** Singapore Exchange-listed United Test and Assembly Center Limited ("UTAC" – SGX:UTAC), a leading independent global provider of semiconductor assembly and test services, announced today its financial results for the quarter ended 30 June 2006 ("2Q06"). The results for 2Q06 include a month of contribution from NS Electronics Bangkok (1993) Ltd, to be renamed UTAC Thai Ltd. ("UTL") which was acquired by UTAC in June 2006.

Group President and CEO of UTAC, Mr Lee Joon Chung, said, "2Q06 was a challenging quarter for us with a confluence of one-off factors affecting us such as the relocation of a customer's fab, a temporary shift in another customer's product mix, and the renovation of and relocation of equipment to our second Singapore facility. Nevertheless, we have managed to maintain double-digit margins even as we continued our record of 12 consecutive quarters of revenue growth and 12 consecutive quarters of profitability."

## Summary of 2Q06 and 1H06 Performance

| US$ (million) | 2Q06 | 2Q05 | Change % | 1Q06 | Change % |
|---|---|---|---|---|---|
| **Revenue** | 120.5 | 77.4 | 55.7% | 103.2 | 16.8% |
| **Gross Profit** | 29.8 | 15.7 | 89.9% | 30.3 | -1.7% |
| **Net Profit after MI** | 15.5 | 7.3 | 113.8% | 20.7 | -24.9% |
| **EBITDA Margin (%)** | 43.2% | 45.1% | -4.2% | 49.4% | -12.6% |
| **Earnings per share (cent)** | 1.04 | 0.50 | 108.0% | 1.40 | -25.7% |

| US$ (million) | 1H06 | 1H05 | Change % |
|---|---|---|---|
| **Revenue** | 223.7 | 140.6 | 59.2% |
| **Gross Profit** | 60.1 | 26.0 | 131.1% |
| **Net Profit after MI** | 36.2 | 11.2 | 224.0% |
| **EBITDA Margin (%)** | 46.1 | 42.1 | 9.5% |
| **Earnings per share (cent)** | 2.44 | 0.89 | 174.2% |

- 2Q06 net profit grew 113.8% over 2Q05 due to the increased revenue base and better utilisation year-on-year, but fell 24.9% on a sequential basis over 1Q06. The latter was primarily due to lower utilisation in our DRAM business and renovation and relocation expenses relating to the setup of our second Singapore facility.
- Basic earnings per share (“EPS”) in 2Q06 was 1.04 cents, compared to 0.50 cent in 2Q05 and 1.40 cents in 1Q06.
- Revenue for 2Q06 increased 55.7% to $120.5 million from $77.4 million in 2Q05, and by 16.8% on a sequential basis. Compared to 1Q06, the growth was driven by strength in the communications and flash memory sectors and one month of contribution from UTL, despite weakness in our DRAM business.
- 1H06 net profit grew 224.0% over 1H05, much faster than the 59.2% growth in revenue over the corresponding period.
- 2Q06 net margin increased to 12.9% from 9.4% in 2Q05, but was lower compared to 1Q06 due to weaker DRAM utilisation, a lower test-to-assembly mix and expenses relating to the partial relocation to and renovation of UTAC’s second facility.
- EBITDA margin was 43.2% in 2Q06, lower from 49.4% in 1Q06 due to the lower test-to-assembly mix. EBITDA generated in 2Q06 was $52.1 million, slightly higher than the $51.0 million generated in 1Q06.

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- Operating expenses in 2Q06 increased 34.1% to $14.7 million as compared to $10.9 million in 2Q05 due to increase in an sales activities and the acquisition of UTL.
- Finance cost in 2Q06 increased 301.7% to $3.1 million compared to $0.8 million in 2Q05 due to an increase in bank loans.
- UTAC's share of losses of associated companies for 1H06 was $1.0 million, primarily due to start-up losses at AT2, its joint venture with Semiconductor Manufacturing International Corporation ("SMIC") for assembly and test services in Chengdu, China, and Nepes Pte Ltd, its joint venture with Nepes Corporation of Korea for wafer bumping services in Singapore.
- Depreciation during the quarter was $31.1 million, compared to $27.7 million in 1Q06. This was due to the inclusion of depreciation charges at UTL and the purchase of new machinery and equipment to cater for the increasing orders from our customers.
- Capital expenditure ("capex") for equipment committed year to date for FY06 was $256.7 million principally for new capabilities and production equipment.
- The Group's balance sheet remains strong, with a leverage ratio of 47.3%. Cash and cash equivalents (cash plus liquid financial assets) were $108.2 million against total borrowings of $381.0 million as at 30 June 2006.
- Net assets stood at $577.0 million as at 30 June 2006. Net asset value per share increased to 38.68 cents at the end of 2Q06 from 37.43 cents at the end of 1Q06.
- During the quarter, we purchased additional 122 wirebonders, 6 memory testers and 18 MSLP testers, and added 549 wirebonders, 196 memory testers and 143 MSLP testers through the acquisition of UTL. As at 30 June 2006, the total number of wirebonders, memory testers and MSLP testers in the enlarged UTAC Group were 1,010, 396 and 351, respectively.

**Market Dynamics**

The following tables contain information relating to revenue by business activity, product mix, application and geographic region.

| Activity (%) | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 1Q06 | 2Q06 |
|---|---|---|---|---|---|---|
| Final Test | 45 | 55 | 56 | 56 | 55 | 57 |
| Wafer Sort | 7 | 7 | 8 | 8 | 9 | 14 |
| Assembly | 48 | 38 | 36 | 36 | 36 | 50 |

| Product Mix (%) | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 1Q06 | 2Q06 |
|---|---|---|---|---|---|---|
| DRAM | 49 | 53 | 54 | 51 | 49 | 31 |
| Flash | 5 | 9 | 11 | 11 | 11 | 9 |
| Other Memory | 0 | 0 | 0 | 0 | 0 | 3 |
| MSLP | 46 | 38 | 35 | 38 | 40 | 57 |

| Application (%) | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 1Q06 | 2Q06 |
|---|---|---|---|---|---|---|
| Computing | 50 | 53 | 55 | 52 | 50 | 37 |
| Communication | 22 | 25 | 27 | 29 | 33 | 42 |
| Consumer | 26 | 20 | 17 | 18 | 16 | 19 |
| Others | 2 | 2 | 1 | 1 | 1 | 2 |

| Geographical Region (%) | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 1Q06 | 2Q06 |
|---|---|---|---|---|---|---|
| USA | 44 | 38 | 35 | 40 | 42 | 50 |
| Europe | 13 | 11 | 14 | 14 | 18 | 18 |
| Taiwan | 32 | 33 | 34 | 32 | 28 | 19 |
| Others (Asia) | 11 | 18 | 17 | 14 | 12 | 13 |

## Highlights for 2Q06

- Acquired NSEB for $175 million. The subsidiary will be renamed UTAC Thai Ltd.
- Began production at a new 376,000-square-foot facility in Singapore which will enable UTAC to expand both its test and assembly operations in Singapore.

## Review & Outlook

"2Q06 was a challenging quarter as well as a period of major expansion for the Group. Our newly acquired facility in Ang Mo Kio, Singapore, has already begun production and is helping the Group to win new customers and increase sales. In addition, we announced and completed the acquisition of NSEB within the quarter, which began contributing to the Group in June. The acquisition has helped the Group extend its range of assembly services, widen its customer base, diversify its industry exposure and ultimately create a more resilient business structure for the Group," said Mr Lee.

"At the same time, the Group also faced slower sales due to the slower-than-expected relocation of a customer's DRAM manufacturing facilities from Korea to China and one-off expenses related to the movement of equipment from our Serangoon North facility to our new Ang Mo Kio plant in Singapore. As a validation of our customer and sector diversification strategy, the weakness in the DRAM business was offset by strength in our communications, flash memory, and newly-acquired analog sectors," continued Mr Lee.

"For 3Q06, we expect to see a rebound in our DRAM business as we enter a seasonally stronger quarter for DRAM, combined with the continuing transition to the DDR II standard, the conclusion of the relocation of a customer's fab, and a shift of product mix back into our favour with a major customer. For the flash memory segment, we are more cautious due to rumoured delays of the launch of the next-generation of flash-based iPods."

"For the mixed-signal communications market sector, the outlook has turned somewhat mixed but we remain cautiously optimistic. Certain areas such as 3G, Bluetooth, 802.11n and digital TV appear to remain bright. We expect to ramp-up production for some new customers and some new programs for existing customers during the quarter. This should offset softness in some areas such as broadband. Our new analog market segment should see a fairly good quarter, contributing to the resilience of our overall business."

"Overall, we expect 3Q06 revenue to be 30% to 35% higher than that of 2Q06, as we add the first full quarter of contribution from UTL to our original growth estimates for our organic business."

"We are also seeing strategic opportunities to win meaningful loading with some prospective customers, which will further our on-going diversification efforts. This will require significant additional capex as it relates to starting these engagements with test services. Including UTL's capex, we are revising the enlarged Group's capex budget for FY06 up from $200 million to $350 million."

"Taking into account UTL's expected contribution and new business wins, we are revising our FY06 revenue growth target up from 40% to 70%," concluded Mr Lee.

**Information Access**

UTAC will host an analyst briefing today (July 25, 2006) at 5.45pm, Singapore time, to discuss its 2Q06 results and 3Q06 outlook. The presentation material will be available at UTAC's website at 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 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 company 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.

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