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

The following discussion of our business, financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included in this report, as well as our audited consolidated financial statements for the year ended 25 December 2011 and the related notes thereto included in our Annual Report for the year ended 25 December 2011 filed with the Singapore Exchange Securities Trading Limited ("SGX-ST"). This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in our Annual Report for the year ended 25 December 2011. Our 52-53 week fiscal year ends on the Sunday nearest and prior to 31 December. Our fiscal quarters end on a Sunday and our 14-week fourth quarter of 2012 and 53-week fiscal year 2012 ended on 30 December 2012, while our 13-week first quarter of 2012, second quarter of 2012, third quarter of 2012, first quarter of 2011, second quarter of 2011, third quarter of 2011, fourth quarter of 2011 and 52-week fiscal year 2011 ended on 25 March 2012, 24 June 2012, 23 September 2012, 27 March 2011, 26 June 2011, 25 September 2011, 25 December 2011 and 25 December 2011, respectively.

The financial statements included in this release have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

Business Overview

We are a leading service provider of semiconductor packaging design, bump, probe, assembly, test and distribution solutions. We have the scale to provide a comprehensive range of semiconductor packaging and test solutions to a diversified global customer base servicing the computing, communications and consumer markets. Our services include:

- *Advanced packaging and wirebond packaging services:* providing advanced Integrated Circuit ("IC") packages technology such as wafer bump, redistribution layer design and fabrication, flip chip interconnect, fan-out wafer level package ("FOWLP") or embedded Wafer Level Ball Grid Array ("eWLB"), wafer level chip-scale package ("WLCSP"), Through Silicon Via ("TSV"), integrated passive devices ("IPD"), and wirebond IC packages such as leaded, laminate and memory card to customers for a wide variety of electronics applications. As part of our full turnkey packaging services, we offer package design; electrical, mechanical and thermal simulation; measurement and design of leadframes and laminate substrates; and wafer processing and bumping on 200mm and 300mm wafers with options for wafer repassivation, redistribution and IPD layers;

- *Test services:* including wafer probe and final testing on a diverse selection of test equipment covering the major test platforms in the industry. We have expertise in testing a broad variety of semiconductors, especially mixed-signal, radio frequency ("RF"), analog and high-performance digital devices. We also offer test-related services such as burn-in process support, reliability testing, thermal and electrical characterisation, dry pack, and tape and reel; and

- *Pre-production and post-production services:* such as package development, test software and related hardware development, warehousing and drop shipment services.

We are among the leaders in providing advanced package technology, such as flip chip, wafer level packaging and services (including TSV mid-end and back-end processes), die and package stacking, System-in-Package and 3D integration. We are also among the leaders in testing mixed-signal, RF semiconductors or semiconductors combining the use of analog and digital circuits in a chip. Mixed-signal and RF semiconductors are used extensively in fast-growing communications and consumer applications. We have strong expertise in testing a wide range of high-performance digital devices in System-on-Chip ("SoC").

We have been successful in attracting new customers with our packaging and test capabilities and then expanding our relationship with such customers to provide full turnkey solutions tailored to their individual needs.

We are headquartered in Singapore and have manufacturing facilities in South Korea, Singapore, China, Malaysia, and Taiwan (which includes the facilities of our 52%-owned Taiwan subsidiary, STATS ChipPAC Taiwan Semiconductor Corporation). We market our services through our direct sales force in the United States, South Korea, Japan, China, Singapore, Malaysia, Taiwan and Switzerland.

Temasek Holdings (Private) Limited ("Temasek"), through its wholly-owned subsidiary, Singapore Technologies Semiconductors Pte Ltd ("STSPL"), beneficially owned approximately 83.8% of the Company as of 30 December 2012. Temasek, a private limited company incorporated in Singapore, is wholly-owned by the Singapore Government through the Minister for Finance.

On 1 February 2012, we announced that we will not resume assembly operations in our Thailand plant, which has been suspended due to the flooding in Thailand during the fourth quarter of 2011 due to extensive equipment and facility damages beyond economic restoration. Partial operations in test and WLCSP were supported from the Thailand plant until the third quarter of 2012. Operations in the Thailand plant ceased in October 2012. We have shifted production to our other manufacturing locations in Singapore, South Korea and China to support demand from the customers affected by the disruption of the Thailand plant. We have received $26.7 million property damage insurance settlement in October 2012. Our business interruption insurance claim in 2012 is still in progress and, as of the financial year ended 30 December 2012, we are unable to determine the amount that will be recovered through our business interruption insurance claim.

Results of Operations and Selected Data

	Three Months Ended				Twelve Months Ended			
	30 December 2012		25 December 2011		30 December 2012		25 December 2011	
	(In US$'000, except for ratio)				(In US$'000, except for ratio)			
		% of net revenues		% of net revenues		% of net revenues		% of net revenues
Net revenues	480,357	*100.0*	426,711	*100.0*	1,701,549	*100.0*	1,706,500	*100.0*
Cost of revenues	(392,370)	*(81.7)*	(354,683)	*(83.1)*	(1,414,045)	*(83.1)*	(1,416,833)	*(83.0)*
Gross profit	87,987	*18.3*	72,028	*16.9*	287,504	*16.9*	289,667	*17.0*
Operating expenses:								
Selling, general and administrative	47,247	*9.8*	30,427	*7.1*	122,958	*7.2*	105,541	*6.2*
Research and development	14,978	*3.1*	13,556	*3.2*	51,722	*3.0*	52,962	*3.1*
Restructuring charges	4,602	*1.0*	—	*0.0*	5,715	*0.4*	—	*0.0*
Write-off of debt issuance costs	—	*0.0*	—	*0.0*	—	*0.0*	7,593	*0.4*
Operating expenses	66,827	*13.9*	43,983	*10.3*	180,395	*10.6*	166,096	*9.7*
Goodwill impairment	—	*0.0*	—	*0.0*	24,100	*1.4*	—	*0.0*
Equipment impairment	—	*0.0*	—	*0.0*	3,819	*0.2*	—	*0.0*
Total operating expenses	66,827	*13.9*	43,983	*10.3*	208,314	*12.2*	166,096	*9.7*
Operating income before flood related income (expenses)	21,160	*4.4*	28,045	*6.6*	79,190	*4.7*	123,571	*7.3*
Property damage insurance settlement	—	*0.0*	—	*0.0*	26,741	*1.5*	—	*0.0*
Flood related plan charges	(837)	*(0.2)*	(55,504)	*(13.0)*	(10,061)	*(0.6)*	(55,504)	*(3.3)*
Operating income (loss) after flood related income (expenses)	20,323	*4.2*	(27,459)	*(6.4)*	95,870	*5.6*	68,067	*4.0*
Other income (expenses), net:								
Interest income	358	*0.1*	762	*0.2*	1,518	*0.1*	1,912	*0.1*
Interest expense	(15,806)	*(3.3)*	(14,707)	*(3.5)*	(59,829)	*(3.5)*	(59,772)	*(3.5)*
Foreign currency exchange gain	357	*0.1*	549	*0.1*	583	*0.0*	3,086	*0.2*
Share of loss of associate	—	*0.0*	(894)	*(0.2)*	(739)	*(0.0)*	(1,045)	*(0.1)*
Other non-operating income, net	151	*0.0*	28	*0.0*	477	*0.0*	168	*0.0*
Total other expenses, net	(14,940)	*(3.1)*	(14,262)	*(3.4)*	(57,990)	*(3.4)*	(55,651)	*(3.3)*
Income (loss) before income taxes	5,383	*1.1*	(41,721)	*(9.8)*	37,880	*2.2*	12,416	*0.7*
Income tax expense	(2,070)	*(0.4)*	(3,419)	*(0.8)*	(14,023)	*(0.8)*	(10,594)	*(0.6)*
Net income (loss)	3,313	*0.7*	(45,140)	*(10.6)*	23,857	*1.4*	1,822	*0.1*
Less: Net income attributable to the non-controlling interest	(1,620)	*(0.3)*	(852)	*(0.2)*	(7,294)	*(0.4)*	(4,324)	*(0.2)*
Net income (loss) attributable to STATS ChipPAC Ltd.	1,693	*0.4*	(45,992)	*(10.8)*	16,563	*1.0*	(2,502)	*(0.1)*

Net revenues by product line and by end user market were:

	Three Months Ended		Twelve Months Ended	
	30 December 2012	25 December 2011	30 December 2012	25 December 2011
	%	%	%	%
Net revenues by product line:				
Advanced packaging	51.2	42.1	44.7	35.3
Wirebond packaging	27.9	38.4	35.2	45.2
Test	20.9	19.5	20.1	19.5
	100.0	100.0	100.0	100.0
Net revenues by end user market:				
Communications	75.8	67.1	68.3	59.3
Personal computers	6.0	9.4	9.0	13.1
Consumer, multi-applications and others	18.2	23.5	22.7	27.6
	100.0	100.0	100.0	100.0

Three and twelve months ended 30 December 2012 compared to three and twelve months ended 25 December 2011

Net Revenues

We derive revenues primarily from the provision of advanced packaging, wirebond packaging and test services. Net revenues in the three months ended 30 December 2012 was $480.4 million, an increase of 12.6% compared to $426.7 million in the three months ended 25 December 2011. The increase in net revenues in the three months ended 30 December 2012 compared to the same period in 2011 reflected strong demand for advanced packaging and test services for high end smartphones and tablets and the benefit of an extra week in the three months ended 30 December 2012. Net revenues for the twelve months ended 30 December 2012 was $1,701.5 million which was flat compared to $1,706.5 million in the same period in 2011.

In the three and twelve months ended 30 December 2012, our advanced packaging revenues increased by 37.0% and 26.3% to $246.0 million and $760.4 million, respectively, compared to the same periods in 2011, due to increased demand in the wireless communications market, particularly smartphones and tablets. In the three and twelve months ended 30 December 2012, the weak demand in the personal computers market and consumer, multi-applications and other markets resulted in a net decrease of our wirebond packaging revenues by 18.4% and 22.3% to $133.8 million and $598.5 million, respectively. In the three and twelve months ended 30 December 2012, our test services revenue increased by 20.9% and 2.6% to $100.6 million and $342.7 million, respectively, compared to the same periods in 2011 due to an increase in turnkey test services. Our revenue from copper wirebond packaging accounted for 24.7% and 17.8% of our total wirebond packaging revenue in the three and twelve months ended 30 December 2012, compared to 13.4% and 9.2% in the same periods in 2011, respectively. Commencing with the three and nine months ended 23 September 2012, we reported net revenues by the advanced packaging, wirebond packaging and test product lines to align with our business focus. We have disclosed our net revenues for the three and twelve months ended 25 December 2011 on a similar basis for comparative purposes. We have previously reported net revenues by packaging-laminate, packaging-leaded, test and wafer level processing and other services.

Gross Profit

Gross profit in the three and twelve months ended 30 December 2012 was $88.0 million and $287.5 million, compared to $72.0 million and $289.7 million in the three and twelve months ended 25 December 2011, respectively. Gross profit as a percentage of revenues was 18.3% and 16.9% in the three and twelve months ended 30 December 2012, compared to 16.9% and 17.0% in the three and twelve months ended 25 December 2011, respectively. Gross profit for the three months ended 30 December 2012 increased due to leverage from higher revenue and better product and volume mix. Gross profit for the twelve months ended 30 December 2012 remained stable compared to the same period in 2011. Overall equipment utilisation was approximately 78% and 75% in the three and twelve months ended 30 December 2012 compared to 76% and 79% in the three and twelve months ended 25 December 2011. Our cost of revenues consist principally of fixed costs such as depreciation and leasing expenses and variable costs such as direct and indirect labour, materials and overhead expenses. We continue to experience higher cost as a result of external global economic factors, such as higher substrate and gold prices which affected our cost of materials, and the adverse effect of the strengthening of the Singapore dollar, the South Korean Won, the Chinese Renminbi, the Malaysian Ringgit and the New Taiwan Dollar against the United States dollar.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of payroll-related costs for administrative personnel, external fees such as consultancy, legal, administrative, profession and regulatory fees, depreciation of equipment used in selling, general and administrative activities and litigation settlement charges. Selling, general and administrative expenses were $47.2 million and $123.0 million in the three and twelve months ended 30 December 2012, an increase of 55.3% and 16.5% compared to $30.4 million and $105.5 million in the three and twelve months ended 25 December 2011, respectively. The increase was primarily due to litigation settlement charges recorded based on the discounted value of the scheduled payments, partially offset by lower payroll-related costs and lower headcount in the three and twelve months ended 30 December 2012. As a percentage of revenues, selling, general and administrative expenses were 9.8% and 7.2% in the three and twelve months ended 30 December 2012, respectively, compared to 7.1% and 6.2% in the three and twelve months ended 25 December 2011, respectively.

Research and Development

Research and development expenses consists primarily of payroll-related cost for research and development, external fees such as consultancy and legal, and depreciation of equipment and consumables used in research and development activities. Research and development expenses were $15.0 million and $51.7 million in the three and twelve months ended 30 December 2012 compared to $13.6 million and $53.0 million in the three and twelve months ended 25 December 2011, respectively. The increase of 10.5% in research and development expenses in the three months ended 30 December 2012 was primarily due to higher depreciation. The decrease of 2.3% in research and development expenses in the twelve months ended 30 December 2012 was primarily due to lower payroll-related cost and higher government grants, partially offset by higher depreciation. As a percentage of revenues, research and development expenses were 3.1% and 3.0% in the three and twelve months ended 30 December 2012 compared to 3.2% and 3.1% in the three and twelve months ended 25 December 2011, respectively.

Restructuring Charges

In the three and twelve months ended 30 December 2012, severance and related charges of $4.6 million and $5.7 million related to the reduction of workforce by 243 and 283 employees, respectively, were expensed, as part of our ongoing cost focus and alignment with business condition. No restructuring charges was incurred in the three and twelve months ended 25 December 2011.

Write-Off of Debt Issuance Cost
In the three months ended 27 March 2011 and twelve months ended 25 December 2011, we wrote off $7.6 million of debt issuance cost pursuant to our voluntary repayment of $234.5 million on our $360.0 million senior credit facility. No write-off of debt issuance cost was incurred in the three and twelve months ended 30 December 2012.

Goodwill and Equipment Impairment
In the twelve months ended 30 December 2012, goodwill impairment of $24.1 million and equipment impairment of $3.8 million were recorded in connection with our evaluation of the fair value of the equipment in our Malaysia plant to mainly align with the transition of technology by certain customers from leaded wirebonding to advanced packaging.

Property Damage Insurance Settlement
In the twelve months ended 30 December 2012, we recorded $26.7 million of property damage insurance settlement as compensation for plant and equipment damages arising from the flooding of our Thailand plant that resulted in a plant and equipment impairment of $16.3 million recorded in the fourth quarter of 2011.

Flood Related Plan Charges
In the three and twelve months ended 30 December 2012, we incurred flood related plan charges totalling $0.8 million and $10.1 million, respectively, which primarily related to depreciation on suspended production operations and labour and other expenses to support production shift from our Thailand plant to other manufacturing locations of STATS ChipPAC.

In the three and twelve months ended 25 December 2011, we incurred flood related charges totalling $55.5 million comprising of goodwill impairment of $24.5 million, plant and equipment impairment of $16.3 million, and other related charges of $14.7 million. The goodwill and plant and equipment impairment were the consequence of the flood in Thailand in the fourth quarter of 2011 where extensive equipment and facility damages severely affected the ability to support ongoing demand from customers and resulted in substantially reduced manufacturing capability and scale of our Thailand plant.

Net Interest Income (Expense)
Net interest expense was $15.4 million and $58.3 million in the three and twelve months ended 30 December 2012, compared to $13.9 million and $57.9 million in the three and twelve months ended 25 December 2011, respectively. Interest income was $0.4 million and $1.5 million in the three and twelve months ended 30 December 2012 and $0.8 million and $1.9 million in the three and twelve months ended 25 December 2011, respectively.

Interest expense was $15.8 million and $59.8 million in the three and twelve months ended 30 December 2012, compared to $14.7 million and $59.8 million in the three and twelve months ended 25 December 2011, respectively. The increase in interest expense in the three months ended 30 December 2012 was due to higher borrowings. Total outstanding interest-bearing debt was $843.3 million and $810.3 million as of 30 December 2012 and 25 December 2011, respectively.

Foreign Currency Exchange Gain
Net foreign currency exchange gain was $0.4 million and $0.6 million in the three and twelve months ended 30 December 2012, compared to $0.5 million and $3.1 million in the three and twelve months ended 25 December 2011, respectively. These non-cash gains and losses were due primarily to the fluctuations during the three and twelve months ended 30 December 2012, compared to the same periods in 2011, between the exchange rate of the United States dollar and the New Taiwan Dollar, the Singapore dollar, the South Korean Won, the Chinese Renminbi and the Malaysian Ringgit.

Other Non-Operating Income, Net
Net other non-operating income was $0.2 million and $0.5 million in the three and twelve months ended 30 December 2012, compared to net other non-operating income of $0.03 million and $0.2 million in the three and twelve months ended 25 December 2011, respectively.

Income Tax Expense
Our consolidated income tax expense was $2.1 million and $14.0 million in the three and twelve months ended 30 December 2012, compared to $3.4 million and $10.6 million in the three and twelve months ended 25 December 2011, respectively, based on the mix of tax rates and taxable income across the various jurisdictions in which we do business. Our primary tax jurisdictions are Singapore, South Korea, China, Malaysia, Taiwan, Thailand and the United States.

The $2.1 million and $14.0 million tax expense in the three and twelve months ended 30 December 2012, included tax benefit adjustments to the effective tax rate related to $2.0 million and $2.8 million of tax benefit due to a change in tax estimates of tax positions in 2011. In the three and twelve months ended 30 December 2012, we incurred approximately $12.1 million and $45.7 million of non-tax deductible expenses related to our capital reduction transaction in 2010.

Balance Sheet

Total Group assets increased $104.5 million to $2,268.3 million as of 30 December 2012 compared to $2,163.8 million as of 25 December 2011, mainly due to an increase in plant and equipment by $119.9 million and accounts receivable by $35.0 million, partially offset by a decrease in cash and cash equivalents and available-for-sale financial assets by $27.9 million and goodwill by $24.1 million.

The increase in property, plant and equipment was due to our capital expenditure of $409.9 million, partially offset by depreciation of $280.2 million. The increase in accounts receivable was due to higher revenue in the fourth quarter of 2012. The Group had cash, cash equivalents and available-for-sale financial assets of $210.2 million as of 30 December 2012 compared to $238.1 million as of 25 December 2011. The decrease in cash and cash equivalents as of 30 December 2012 compared to 25 December 2011 was mainly due to the timing of accounts receivable collection and financing of our capital expenditure.

Total Group liabilities increased $67.6 million to $1,245.7 million as of 30 December 2012 compared to $1,178.1 million as of 25 December 2011, mainly due to an increase in accounts payables by $31.4 million, payables related to property, plant and equipment purchases by $22.9 million, short-term borrowings by $30.7 million and other non-current liabilities by $19.7 million, partially offset by a decrease in accrued operating expenses by $36.9 million. The increase in accounts and other payables and payables related to property, plant and equipment purchases were mainly due to higher capital expenditure and timing of payment. The increase in other non-current liabilities were mainly due to payment liabilities related to the litigation settlement charges recorded based on the discounted value of the scheduled payments. The decrease in accrued operating expenses was mainly due to a decrease in unrealised cash flow hedge liabilities, payment of staff severance benefits to employees of our Thailand plant and lower accrued payroll cost.

Total shareholders' equity attributable to STATS ChipPAC Ltd. increased by $36.9 million to $1,022.6 million mainly due to our net income of $16.6 million and a marked-to-market hedging gain of $13.9 million arising from the changes in fair values of our cash flow hedges recorded in comprehensive income in the twelve months ended 30 December 2012.

Liquidity and Total Borrowings

Our principal sources of liquidity consist of cash flows from operating activities, bank facilities and other debt financing, and our existing cash, cash equivalents and available-for-sale financial assets. As of 30 December 2012, we had cash, cash equivalents and available-for-sale financial assets of $210.2 million. We also have available lines of credit and banking facilities consisting of loans, overdrafts, letters of credit and bank guarantees, including those available to our consolidated subsidiaries, which amounted to an aggregate of $281.1 million, of which $175.4 million of credit facilities and $42.0 million of other banking facilities were available as of 30 December 2012. Our liquidity needs arise primarily from servicing our outstanding debts, working capital needs and the funding of capital expenditures and investments. Our capital expenditures are largely driven by the demand for our services, primarily to increase our packaging and testing capacity, to replace packaging and testing equipment from time to time, and to expand our facilities and service offerings. Depending on business conditions, we expect our capital expenditure in the first quarter 2013 to be approximately $80 million to $100 million. We spent $55.2 million and $409.9 million on capital expenditures in the three and twelve months ended 30 December 2012, focused on capacity expansion in advanced packaging and turnkey test for high end smartphones and tablets market, compared to $53.2 million and $304.2 million in the same periods in 2011, respectively.

As of 30 December 2012, our total debt outstanding consisted of $843.3 million of borrowings, which included $600.0 million of our 7.5% Senior Notes due 2015, $200.0 million of our 5.375% Senior Notes due 2016, and other short-term borrowings.

On 29 August 2012, we obtained a $50.0 million of revolving credit facility from DBS Bank Ltd. The purpose of the facility is for our general corporate funding. As of 30 December 2012, $36.0 million principal was outstanding on this facility. The principal and interest of the $5.0 million and $31.0 million loans under this facility are payable on maturity on 7 February 2013 and 13 February 2013, respectively. Both loans bear interest at the rate of 1% per annum.

On 31 July 2012, we obtained a $50.0 million of revolving credit facility from Oversea-Chinese Banking Corporation Limited. The purpose of the $50.0 million credit facility is for our general corporate funding. As of 30 December 2012, there was no drawdown on this facility. On 31 December 2012 and 2 January 2013, we drew down $10.0 million on each date and the principal and interest of the $10.0 million each are payable on maturity on 13 February 2013 and 28 February 2013. Both loans bear interest at the rate of 1% per annum.

On 11 May 2012, STATS ChipPAC Shanghai Co., Ltd. renewed a short term loan facility from Bank of Communications Co., Ltd. with a credit limit of $12.0 million. As of 30 December 2012, there was no drawdown on this facility.

On 3 October 2011, we obtained an additional $20.0 million of credit facility from Oversea-Chinese Banking Corporation Limited to supplement the existing $10.0 million facility. The purpose of the $30.0 million credit facility is for our general corporate funding. As of 30 December 2012, there was no drawdown on this facility.

On 2 August 2011, we obtained a $30.0 million revolving credit facility from The Hongkong and Shanghai Banking Corporation Limited. The purpose of the facility is for our general corporate funding. As of 30 December 2012, we have outstanding of $15.0 million and the principal and interest of the $10.0 million and $5.0 million loan are payable on maturity on 7 February 2013 and 13 February 2013, respectively. Both loans bear interest at the rate of 1% per annum.

On 26 April 2011, we obtained a $40.0 million revolving credit facility from Bank of America, NA. The purpose of the facility is for our general corporate funding. As at 30 December 2012, there was no outstanding on this facility.

On 12 January 2011, we issued $200.0 million of 5.375% Senior Notes due 2016 for proceeds of $198.0 million after deducting debt issuance cost. These notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured senior basis, by all of our existing subsidiaries, except STATS ChipPAC Shanghai Co. Ltd., STATS ChipPAC Semiconductor Shanghai Co., Ltd. and STATS ChipPAC Taiwan Semiconductor Corporation (collectively "Non-Guarantor Subsidiaries") and our future restricted subsidiaries except where prohibited by local law. These notes are our senior unsecured obligations and are listed on the SGX-ST. On 18 January 2011, we repaid the $234.5 million outstanding principal under the $360.0 million senior credit facility with the net proceeds from the $200.0 million of 5.375% Senior Notes due 2016 and cash on hand. These notes will mature on 31 March 2016, bearing interest at the rate of 5.375% per annum payable semi-annually on 31 March and 30 September of each year, commencing 31 March 2011. Prior to 31 March 2014, we may redeem all or part of these notes at any time by paying a "make-whole" premium plus accrued and unpaid interest. We may redeem all, but not less than all, of these notes at any time in the event of certain changes affecting withholding taxes at 100% of their principal amount plus accrued and unpaid interest. On or after 31 March 2014, we may redeem all or a part of these notes at any time at the redemption prices specified under the terms and conditions of these notes plus accrued and unpaid interest. In addition, prior to 31 March 2014, we may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon certain circumstances including a change of control as defined in the indenture related to these notes, we may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The STATS ChipPAC consolidated group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, are subject to the covenant restrictions. Therefore the Non-Guarantor Subsidiaries, STATS ChipPAC Shanghai Co. Ltd. and STATS ChipPAC Semiconductor Shanghai Co., Ltd. (collectively, the "China Non-Guarantor Subsidiaries"), are also Restricted Subsidiaries as defined under these notes. The covenant restrictions include, among other things, limit their ability to incur additional indebtedness, prepay subordinated debts, make investments, declare or pay dividends, enter into transactions with related parties, sell assets, enter into sale and leaseback transactions, incur liens and encumbrances and enter into merger and consolidations.

On 12 August 2010, we issued $600.0 million of 7.5% Senior Notes due 2015 for proceeds of $589.7 million after deducting debt issuance cost. These notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured senior basis, by all of our existing subsidiaries (except the Non-Guarantor Subsidiaries) and our future restricted subsidiaries (except where prohibited by local law). These notes are our senior unsecured obligations and are listed on the SGX-ST. These notes will mature on 12 August 2015, bearing interest at the rate of 7.5% per annum payable semi-annually on 12 February and 12 August of each year, commencing 12 February 2011. Prior to 12 August 2013, we may redeem all or part of these notes at any time by paying a "make-whole" premium plus accrued and unpaid interest. We may redeem all, but not less than all, of these notes at any time in the event of certain changes affecting withholding taxes at 100% of their principal amount plus accrued and unpaid interest. On or after 12 August 2013, we may redeem all or a part of these notes at any time at the redemption prices specified under the terms and conditions of these notes plus accrued and unpaid interest. In addition, prior to 12 August 2013, we may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon certain circumstances including a change of control as defined in the Indenture related to these notes, we may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The STATS ChipPAC consolidated group, including the Non-Guarantor Subsidiaries with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, are subject to the covenant restrictions, which, among other things, limit their ability to incur additional indebtedness, prepay subordinated debts, make investments, declare or pay dividends, enter into transactions with related parties, sell assets, enter into sale and leaseback transactions, incur liens and encumbrances and enter into merger and consolidations.

In May 2009, STATS ChipPAC Taiwan Semiconductor Corporation obtained a NT$200.0 million (approximately $6.9 million based on exchange rate as of 30 December 2012) and NT$50.0 million (approximately $1.7 million based on exchange rate as of 30 December 2012) credit facility from Mega Bank and Taishin Bank, respectively. These credit facilities are subject to yearly renewal. The NT$200.0 million (approximately $6.9 million based on exchange rate as of 30 December 2012) credit facility, which was originally due to expire in January 2013, was renewed for one year on 22 January 2013 and will expire in January 2014. The NT$ 50.0 million (approximately $1.7 million based on exchange rate as of 30 December 2012) credit facility will expire in April 2013. As of 30 December 2012, there was no drawdown on these facilities. On 22 January 2013, STATS ChipPAC Taiwan Semiconductor Corporation obtained another NT$300.0 million (approximately $10.3 million based on exchange rate as of 30 December 2012) credit facility from Mega Bank, which will expire in January 2014.

We believe that our cash on hand, existing credit facilities and anticipated cash flows from operations will be sufficient to meet our currently anticipated capital expenditure requirements, investment requirements, as well as debt service repayment and liability obligations for the next 12 months. We regularly evaluate our current and future financing needs and may take advantage of favourable market conditions to raise additional financing. We may also from time to time seek to refinance our outstanding debt, or retire or purchase our outstanding debt through cash purchases and/or exchanges for securities, in the open market purchases, privately negotiated transactions or otherwise. From time to time, we may make acquisitions of, or investments in, other companies and businesses that we believe could expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities. Such additional financing, refinancing, repurchases, exchanges, acquisitions or investments, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

There can be no assurance that our business activity would be maintained at the expected level to generate the anticipated cash flows from operations or that our credit facilities would be available or sufficient. If the market conditions deteriorate, there can be no assurance that demand for our services will not be adversely affected, resulting in our cash flows from operations being lower than anticipated. If our cash flows from operations is lower than anticipated, including as a result of a downturn in the market conditions generally or the semiconductor industry, or shortages in supply of key components and disruption in supply chain, or otherwise, or our capital requirements exceed our expectations as a result of higher than anticipated growth in the semiconductor industry, acquisition or investment opportunities, or the expansion of our business or otherwise, we may have to seek additional financing. In such events, there can be no assurance that additional financing will be available or, if available, that such financings can be obtained on terms favourable to us or that any additional financing will not be dilutive to our shareholders or detrimental to our creditors.

Guarantor Subsidiaries and Non-Guarantor Subsidiaries

In August 2010, the Company issued $600.0 million of 7.5% Senior Notes due 2015, which are fully and unconditionally guaranteed, jointly and severally, on a senior basis, by its subsidiaries, with the exception of the Non-Guarantor Subsidiaries. Of the Non-Guarantor Subsidiaries, the China Non-Guarantor Subsidiaries are Restricted Subsidiaries as defined under these notes. STATS ChipPAC Taiwan Semiconductor Corporation, which is not a wholly-owned subsidiary, is not a Restricted Subsidiary. These notes are the Company’s senior unsecured obligations and are listed on the SGX-ST.

In January 2011, the Company issued $200.0 million of 5.375% Senior Notes due 2016, which are fully and unconditionally guaranteed, jointly and severally, on a senior basis, by its subsidiaries, with the exception of the Non-Guarantor Subsidiaries. Of the Non-Guarantor Subsidiaries, the China Non-Guarantor Subsidiaries are Restricted Subsidiaries as defined under these notes. STATS ChipPAC Taiwan Semiconductor Corporation, which is not a wholly-owned subsidiary, is not a Restricted Subsidiary. These notes are the Company’s senior unsecured obligations and are listed on the SGX-ST.

For the three and twelve months ended 30 December 2012, the Non-Guarantor Subsidiaries, after eliminations of transactions and balances within these entities (but before taking into account any transactions and balances between the Non-Guarantor Subsidiaries, the guarantor subsidiaries and STATS ChipPAC Ltd.), generated $104.1 million and $407.0 million of net revenues (representing 21.7% and 23.9% of our consolidated net revenues) and $7.0 million and $37.3 million of operating income (representing 34.6% and 38.9% of our consolidated operating income). As of 30 December 2012 and 25 December 2011, the Non-Guarantor Subsidiaries held $619.0 million and $560.2 million of assets (representing 27.3% and 25.9% of our consolidated total assets), respectively.

For the three and twelve months ended 30 December 2012, STATS ChipPAC Korea Ltd. generated $191.1 million and $641.7 million of net revenues (representing 39.8% and 37.7% of our consolidated net revenues) and $10.8 million and $42.4 million of operating income (representing 53.0% and 44.2% of our consolidated operating income). As of 30 December 2012 and 25 December 2011, STATS ChipPAC Korea Ltd. held $728.8 million and $685.5 million of assets (representing 32.1% and 31.7% of our consolidated total assets), respectively.

For the three and twelve months ended 30 December 2012, the China Non-Guarantor Subsidiaries generated $93.1 million and $363.5 million of net revenues (representing 19.4% and 21.4% of our consolidated net revenues) and $2.5 million and $19.4 million of operating income (representing 12.4% and 20.2% of our consolidated operating income). As of 30 December 2012 and 25 December 2011, the China Non-Guarantor Subsidiaries held $521.3 million and $448.2 million of assets (representing 23.0% and 20.7% of our consolidated total assets), respectively.

As of 30 December 2012 and 25 December 2011, STATS ChipPAC Korea Ltd. had no indebtedness outstanding and approximately $168.5 million and $161.5 million of trade payables and other liabilities outstanding, respectively.

As of 30 December 2012 and 25 December 2011, the China Non-Guarantor Subsidiaries had no indebtedness outstanding and $163.1 million and $128.3 million of trade payables and other liabilities outstanding, respectively, and STATS ChipPAC Taiwan Semiconductor Corporation had no indebtedness outstanding and $7.9 million and $11.8 million of trade payables and other liabilities outstanding, respectively.

Off-Balance Sheet Arrangements

We have no significant investment in any unconsolidated entities. Our off-balance sheet commitments are limited to operating leases, royalty/license agreements and purchase obligations. Our total off-balance sheet obligations were approximately $364.6 million as of 30 December 2012.

Contractual Obligations

Our total commitments on our loans, operating leases, other obligations and agreements as of 30 December 2012 were as follows:

	Payments Due (in US$'000)				
	Within 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
On balance sheet commitments:					
7.5% Senior Notes due 2015 (1)	—	600,000	—	—	600,000
5.375% Senior Notes due 2016 (1)	—	—	200,000	—	200,000
Short-term loans (1)	51,000	—	—	—	51,000
Retirement benefits	981	188	159	—	1,328
Other non-current liabilities (2)	—	—	—	—	—
Total on balance sheet commitments	51,981	600,188	200,159	—	852,328
Off balance sheet commitments:					
Operating leases	18,721	15,913	2,041	4,783	41,458
Royalty/ licensing agreements	8,055	16,110	15,921	—	40,086
Purchase obligations:					
- Capital commitments	206,448	2,485	—	—	208,933
- Inventory purchase commitments	74,074	—	—	—	74,074
Total off balance sheet commitments	307,298	34,508	17,962	4,783	364,551
Total commitments (3)	359,279	634,696	218,121	4,783	1,216,879

Notes:

(1) Our senior notes, short-term and long-term loans agreements contain provisions for the payment of interest either on a monthly, quarterly, semi-annual or annual basis at a stated rate of interest over the term of the debt. These payment obligations are not reflected in the table above. The interest payments due within one year, 1-3 years and 3-5 years amount to $55.8 million, $111.5 million and $5.4 million, respectively.

(2) Our other non-current liabilities as of 30 December 2012 were $21.5 million, including $0.4 million related to non-current retirement benefits for our employees in Malaysia. Also included in the other non-current liabilities is $1.1 million related to severance benefits for our employees in South Korea which were not included in the table due to lack of contractual certainty as to the timing of payments. The table does not include non-current liabilities related to the litigation settlement charges included in our selling, general and administrative expenses for the fourth quarter of 2012.

(3) On 19 November 2012, we announced our expansion plans in South Korea for the investment of a new integrated facility in the Incheon Free Economic Zone. The expansion remains under planning and no significant capital or lease commitments have been incurred to-date. The construction of the new facility is expected to begin in the third quarter of 2013 and the new facility is expected to be operational in the second half of 2015.

Contingencies

We are subject to claims and litigations that arise in the normal course of business. These claims may include allegations of infringement of intellectual property rights of others as well as other claims of liability. We accrue liability associated with these claims and litigations when they are probable and reasonably estimable.

In February 2006, our Company, STATS ChipPAC Inc. ("ChipPAC"), and STATS ChipPAC (BVI) Limited were named as defendants in a patent infringement lawsuit filed in the United States Federal Court for the Northern District of California (the "California Litigation"). The plaintiff, Tessera Inc. ("Tessera") has asserted that semiconductor chip packaging, specifically devices having Ball Grid Array ("BGA") and multi-chip BGA configurations used by the defendants, infringe certain patents of Tessera. As of September 2010, all of the asserted patents have expired.

On 29 January 2013, the Company, ChipPAC and STATS ChipPAC (BVI) Limited signed a definitive Patent License and Settlement Agreement with Tessera, Inc. (the "Agreement"). This Agreement results in the dismissal of all claims and counterclaims between Tessera, Inc. and the Company, ChipPAC and STATS ChipPAC (BVI) Limited and ends the patent litigation between the companies. Under the Agreement, the Company has agreed to make scheduled payments to Tessera, the discounted value of which the Company has fully provisioned for and recorded under the selling, general and administrative expenses for the three and twelve months ended 30 December 2012. The Agreement also provides the Company and its subsidiaries, including ChipPAC and STATS ChipPAC (BVI) Limited, with a 5-year license to Tessera Inc.'s complete patent portfolio for semiconductor packaging technology.

We also, from time to time, receive from customers request for indemnification against pending or threatened infringement claims brought against such customers, such as the Tessera cases described above. The resolution of any future allegation or request for indemnification could have a material adverse effect on our business, financial condition and results of operations.

In addition, we are subject to various taxes in the different jurisdictions in which we operate. These include taxes on income, property, goods and services, and other taxes. We submit tax returns and claims with the appropriate government taxing authorities, which are subject to examination and agreement by those taxing authorities. We regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine adequacy of provision for taxes.

Cash Flow Information

	Three Months Ended		Twelve Months Ended	
	30 December 2012	**25 December 2011**	**30 December 2012**	**25 December 2011**
	(In US$'000)		**(In US$'000)**	
Net cash provided by operating activities	114,002	113,849	375,199	389,240
Net cash used in investing activities	(92,931)	(72,638)	(371,375)	(266,209)
Net cash used in financing activities	(4,275)	(15,025)	(28,059)	(124,630)

Cash Flows from Operating Activities

In the three and twelve months ended 30 December 2012, cash provided by operations was $114.0 million and $375.2 million compared to $113.8 million and $389.2 million in the three and twelve months ended 25 December 2011. Cash provided by operations is calculated by adjusting our net income (loss) by non-cash related items such as income tax expense, depreciation and amortisation, loss or gain from sale of assets, goodwill impairment, plant and equipment impairment, loss or gain from repurchase of senior notes and tender offer expenses, write-off of debt issuance costs, foreign currency exchange loss or gain, share of profit (loss) of associate, interest income, interest expense and by changes in assets and liabilities. In the three and twelve months ended 30 December 2012, non-cash related items included $2.1 million and $14.0 million of income tax expense, respectively, $76.3 million and $286.4 million related to depreciation and amortisation, respectively, $(0.4) million and $1.2 million (loss) gain from the sale of equipment, respectively, nil and $24.1 million of goodwill impairment, respectively, nil and $3.8 million of equipment impairment, respectively, $0.3 million and $0.6 million of foreign currency exchange loss, respectively, nil and $0.7 million from share of loss of associate, respectively, $0.4 million and $1.5 million of interest income, respectively, and $15.8 million and $59.8 million of interest expense, respectively.

In the three and twelve months ended 25 December 2011, non-cash related items included income tax expense of $3.4 million and $10.6 million, respectively, $72.9 million and $292.2 million related to depreciation and amortisation, respectively, nil and $7.6 million of write-off of debt issuance costs, respectively, $0.2 million and $2.5 million gain from the sale of equipment, respectively, $(1.2) million and $6.7 million from foreign currency exchange gain (loss), respectively, and $0.9 million and $1.0 million loss from share of loss of associate, respectively.

Working capital uses of cash in the three months ended 30 December 2012 included an increase in accounts receivables and decreases in amount due to related parties. Working capital sources of cash in the three months ended 30 December 2012 included decreases in inventories and other receivables, prepaid expenses and other assets and increases in accounts payable, accrued operating expenses.

Working capital uses of cash in the twelve months ended 30 December 2012 included increases in accounts receivable and inventories. Working capital sources of cash in the twelve months ended 30 December 2012 included decreases in other receivables, prepaid expenses and other assets and increases in accounts payable, accrued operating expenses and other payables.

Accounts receivables as of 30 December 2012 were higher compared to 25 December 2011 due to higher revenue in the fourth quarter of 2012. Accounts payable and payables related to property, plant and equipment purchases increased as of 30 December 2012 as compared to 25 December 2011 primarily due to timing of quarterly purchases and higher capital expenditure. Additionally, accrued operating expenses and other payables as of 30 December 2012 decreased as compared to 25 December 2011 primarily due to decreases in unrealised cash flow hedge liabilities, payment of staff severance benefits to employees of our Thailand plant and lower accrued payroll cost.

Cash Flows from Investing Activities

In the three and twelve months ended 30 December 2012, cash used in investing activities was $92.9 million and $371.4 million compared to $72.6 million and $266.2 million in the same periods in 2011, respectively. The primary usage of cash in investing activities was related to the acquisition of property and equipment, net of changes in payables related to property, plant and equipment purchases of $105.4 million and $387.1 million in the three and twelve months ended 30 December 2012 compared to $71.6 million and $327.1 million in the same periods in 2011. In the three and twelve months ended 30 December 2012, we invested $1.3 million and $5.4 million, compared to $1.5 million and $7.0 million in the same periods in 2011, in the acquisition of software, licenses and other intangible assets. In the three and twelve months ended 30 December 2012, we purchased $23.2 million and $82.9 million of financial assets, available-for-sale compared to

$26.8 million and $108.3 million, respectively, in the same periods in 2011. In the three and twelve months ended 30 December 2012, we received proceeds from the sale and maturity of our available-for-sale financial assets of $25.7 million and $88.3 million compared to $26.8 million and $171.6 million, respectively, in the same periods in 2011. We received $0.4 million and $1.2 million of interest income in the three and twelve months ended 30 December 2012, compared to $0.1 million and $1.5 million in the same periods in 2011, respectively.

Cash Flows from Financing Activities

In the three and twelve months ended 30 December 2012, cash used in financing activities was $4.3 million and $28.1 million, respectively, compared to $15.0 million and $124.6 million in the same periods in 2011, respectively. In the three and twelve months ended 30 December 2012, $41.0 million and $139.3 million of bank borrowings were incurred and $41.0 million and $108.3 million of our borrowings were repaid. In the three and twelve months ended 30 December 2012, we paid $5.6 million and $56.2 million of interest expense. In the three and twelve months ended 30 December 2012, we received $1.3 million and $2.2 million of government grants, respectively. In the three and twelve months ended 25 December 2011, nil and $42.5 million of bank borrowings were incurred and $9.9 million and $285.1 million of our borrowings were repaid. In the three months ended 27 March 2011, $198.0 million of proceeds, after deducting debt issuance cost, were received from the issuance of our $200.0 million of 5.375% Senior Notes due 2016. In the three and twelve months ended 25 December 2011, we paid $5.4 million and $54.0 million of interest expense, respectively.

Outlook for the First Quarter of 2013

In terms of outlook, based on current visibility, STATS ChipPAC expects net revenues in the first quarter of 2013 to be approximately 13% to 19% decrease from the three months ended 30 December 2012, with adjusted EBITDA(1) in the range of 20% to 25% as a percentage of revenue. Compared to the prior quarter, the revenue outlook for first quarter of 2013 is impacted by seasonality and excludes the benefit of an extra week. STATS ChipPAC expects capital expenditure(2) in the first quarter of 2013 to be approximately $80 million to $100 million.

Notes:

(1) Adjusted EBITDA is not required by, or presented in accordance with, FRS. We define adjusted EBITDA as net income attributable to STATS ChipPAC Ltd. plus income tax expense, interest expense, net, depreciation and amortisation, restructuring charges, share-based compensation, goodwill and equipment impairment, tender offer expenses and write-off of debt issuance cost. We present adjusted EBITDA as a supplemental measure of our performance. Management believes the non-FRS financial measure is useful to investors in enabling them to perform additional analysis.

(2) Capital expenditure refers to acquisitions of production equipment, asset upgrades and infrastructure investments.

The outlook for the first quarter of 2013 is based on a fiscal 13-week quarter and is subject to a number of risks and uncertainties that could cause actual events or results to differ materially from those disclosed in the outlook statements. These statements are based on our management's beliefs and assumptions, which involve judgments about future trends, events and conditions, all of which are subject to change and many of which are beyond our control.

Investors should consider these assumptions and make their own assessment of the future performance of STATS ChipPAC and note that there may not be direct correlation between the net income of the Group with adjusted EBITDA as a percentage of revenue.

Outlook Assumptions

The outlook for the first quarter of 2013 ("Outlook"), has been prepared based on certain major assumptions. The major assumptions made in preparing the Outlook for the first quarter of 2013 are set out below. These assumptions are considered to be reasonable as at the date of this three months ended 30 December 2012 results. Investors should consider these assumptions and make their own assessment of the future performance of STATS ChipPAC.

1. Net Revenues

We derive revenue primarily from advanced packaging, wirebond packaging and test services. We prepared the Outlook for net revenues based on current visibility on our estimated sales volume and product mix for the first quarter of 2013. This estimate is based on purchase orders that we have received or expect to receive from our customers in the first quarter of 2013, taking into account periodic forecast guidance provided by our customers to us.

2. Cost of Revenues

Cost of revenues consist principally of fixed costs such as depreciation and leasing expenses and variable costs such as direct and indirect labour, materials and overhead expenses. Our cost of revenues has been estimated based on our expected sales volume, product mix and expected purchase cost for the first quarter of 2013.

Cost of materials relates to the cost of lead-frames or laminate substrates, gold and copper wire, molding compound, epoxy, tubes and trays. The estimated purchase cost of materials is largely based on the estimated revenue in the first quarter of 2013. Estimated depreciation expense includes depreciation on existing property, plant and equipment, and depreciation on property, plant and equipment that we expect to capitalise during the first quarter of 2013. Labour cost, as well as overheads such as utilities and insurance, have been estimated largely based on our expected sales volume and expected production activities for the first quarter of 2013.

3. Selling, General and Administrative

Selling, general and administrative expenses consist primarily of payroll-related costs for administrative personnel, external fees such as consultancy, legal, administrative, profession and regulatory fees, depreciation of equipment used in selling, general and administrative activities. We estimate selling, general and administrative expenses for the first quarter of 2013 largely based on our expected headcount and related expenses for the first quarter of 2013.

4. Research and Development

Research and development expenses consists primarily of payroll-related cost for research and development expenses, external fees such as consultancy and legal, depreciation of equipment and consumables used in research and development activities. A large proportion of our research and development expenses are fixed in nature. We estimate our expenses for research and development for the first quarter of 2013 largely based on our estimated expenses and headcount to reflect research and development initiatives in the first quarter of 2013.

5. Capital Expenditure

Capital expenditure is estimated using the revenue estimate against the internal capacity, availability and prioritisation to support these customers forecast by each factory and budgeted infrastructure investments. The capital expenditure for the first quarter of 2013 is continuously reviewed during the quarter to respond to our strategic customers' forecast and demand.

Other Assumptions

Other assumptions underlying the Outlook are set out below:

1. Accounting standards

We have assumed that there will be no change in applicable accounting standards or other financial reporting requirements under FRS that may have a material effect on the Outlook. Significant accounting policies adopted in the preparation of the Outlook are consistent with those used to prepare our consolidated financial statements for the year ended 25 December 2011 as set forth in our 2011 Annual Report.

2. Other assumptions

The following additional assumptions were made in preparing the Outlook:

(i) No material adverse effect from any changes in the economic and financial positions of our Company, our suppliers or our customers;

(ii) No material decline in value of investments which requires material impairment to the carrying values of investments of our Company;

(iii) No material decline in value of goodwill or property, plant and equipment that requires material impairment to the carrying values of goodwill or property, plant and equipment of our Company;

(iv) No material changes in estimated useful lives, obsolescence, adverse change in physical condition or residual values of property, plant and equipment;

(v) No material changes in obsolescence and impairment of inventory;

(vi) No significant disruptions arising from shortages in supply of key components and disruption in supply chain, industrial disputes or the supply of labour or other causes that will affect the operations of our Company;

(vii) No material changes in inflation rates;

(viii) No material changes in the principal activities of our Company;

(ix) No material changes in the management and organisation structure of our Company; and

(x) No material changes in the existing economic, political, legal or regulatory, social and weather conditions affecting the activities of our Company or the industry, countries or the markets in which we operate.