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. 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 30 December 2012. 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 13-week third quarter of 2013 ended on 29 September 2013, while our 13-week first quarter of 2012, 13-week second quarter of 2012, 13-week third quarter of 2012, 14-week fourth quarter of 2012, 13-week first quarter of 2013 and 13-week second quarter of 2013 ended on 25 March 2012, 24 June 2012, 23 September 2012, 30 December 2012, 31 March 2013 and 30 June 2013, 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 29 September 2013. Temasek, a private limited company incorporated in Singapore, is wholly-owned by the Singapore Government through the Minister for Finance.

On 28 June 2013, we announced our plan for our Malaysia plant which involves the consolidation of our leaded wirebond packaging and related test operations in Kuala Lumpur, Malaysia into our Qingpu, Shanghai, China operations over several phases in 2013 and 2014, and the closure of our Malaysia plant by the end of 2014. The plant closure will affect approximately 1,100 of our employees in Malaysia, representing approximately 11% of our total global workforce. In the first three quarters of 2013, the Company recorded plant closure costs of $36.9 million, including employee severance and benefit costs of $18.2 million, non-cash asset impairment charges of $17.7 million and other associated costs of $1.0 million.

On 30 September 2013, we announced that we have successfully reached further insurance settlement of $19.6 million with our insurers as final compensation for our business interruption insurance claims related to the flooding of our Thailand plant in the fourth quarter of 2011.

This insurance recovery is in addition to the $26.7 million obtained in October 2012 as compensation for plant and equipment damages. The total insurance settlement is approximately $46.3 million.

To align costs with current business conditions, on 6 November 2013, the Company announced it will undertake restructuring actions to reduce operating costs in operations and support functions. The Company expects to incur restructuring charges of approximately $3 million to $4 million in the fourth quarter of 2013. These actions are anticipated to generate cost reduction of approximately $6 million to $8 million in financial year 2014.

Results of Operations and Selected Data

	Three Months Ended				Nine Months Ended			
	29 September 2013		23 September 2012		29 September 2013		23 September 2012	
	(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	400,775	*100.0*	408,323	*100.0*	1,203,502	*100.0*	1,221,192	*100.0*
Cost of revenues	(343,963)	*(85.8)*	(343,145)	*(84.0)*	(1,027,345)	*(85.4)*	(1,021,675)	*(83.7)*
Gross profit	56,812	*14.2*	65,178	*16.0*	176,157	*14.6*	199,517	*16.3*
Operating expenses:								
Selling, general and administrative	24,645	*6.2*	24,997	*6.1*	72,205	*6.0*	75,711	*6.2*
Research and development	10,855	*2.7*	12,518	*3.1*	35,930	*3.0*	36,744	*3.0*
Exchange offer and redemption expenses	–	*0.0*	–	*0.0*	15,701	*1.3*	–	*0.0*
Write-off of debt issuance costs	–	*0.0*	–	*0.0*	2,392	*0.2*	–	*0.0*
Restructuring charges	–	*0.0*	1,113	*0.3*	–	*0.0*	1,113	*0.1*
Operating expenses	35,500	*8.9*	38,628	*9.5*	126,228	*10.5*	113,568	*9.3*
Goodwill impairment	–	*0.0*	24,100	*5.9*	–	*0.0*	24,100	*2.0*
Equipment impairment	–	*0.0*	3,819	*0.9*	–	*0.0*	3,819	*0.3*
Total operating expenses	35,500	*8.9*	66,547	*16.3*	126,228	*10.5*	141,487	*11.6*
Operating income (loss) before exceptional items	21,312	*5.3*	(1,369)	*(0.3)*	49,929	*4.1*	58,030	*4.7*
Plant closure costs	(379)	*(0.1)*	–	*0.0*	(36,909)	*(3.0)*	–	*0.0*
Flood related insurance settlement	19,582	*4.9*	26,741	*6.5*	19,582	*1.6*	26,741	*2.2*
Flood related plan charges	(3,000)	*(0.7)*	(1,908)	*(0.4)*	(3,000)	*(0.2)*	(9,224)	*(0.7)*
Operating income after exceptional items	37,515	*9.4*	23,464	*5.8*	29,602	*2.5*	75,547	*6.2*
Other income (expenses), net:								
Interest income	296	*0.1*	283	*0.1*	976	*0.1*	1,160	*0.1*
Interest expense	(12,747)	*(3.2)*	(14,637)	*(3.6)*	(41,541)	*(3.5)*	(44,023)	*(3.6)*
Foreign currency exchange gain (loss)	244	*0.0*	613	*0.1*	(80)	*(0.0)*	226	*0.0*
Share of loss of associate	–	*0.0*	(85)	*(0.0)*	–	*0.0*	(739)	*(0.0)*
Other non-operating income (expenses), net	(20)	*(0.0)*	186	*0.0*	25	*0.0*	326	*0.0*
Total other expenses, net	(12,227)	*(3.1)*	(13,640)	*(3.4)*	(40,620)	*(3.4)*	(43,050)	*(3.5)*
Income (loss) before income taxes	25,288	*6.3*	9,824	*2.4*	(11,018)	*(0.9)*	32,497	*2.7*
Income tax expense	(9,615)	*(2.4)*	(5,471)	*(1.3)*	(18,136)	*(1.5)*	(11,953)	*(1.0)*
Net income (loss)	15,673	*3.9*	4,353	*1.1*	(29,154)	*(2.4)*	20,544	*1.7*
Less: Net income attributable to the non-controlling interest	(2,375)	*(0.6)*	(1,184)	*(0.3)*	(6,267)	*(0.5)*	(5,674)	*(0.5)*
Net income (loss) attributable to STATS ChipPAC Ltd.	13,298	*3.3*	3,169	*0.8*	(35,421)	*(2.9)*	14,870	*1.2*

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

	Three Months Ended		Nine Months Ended	
	29 September 2013	23 Septmeber 2012	29 September 2013	23 September 2012
	%	%	%	%
Net revenues by product line:				
Advanced packaging	44.9	41.3	46.5	42.2
Wirebond packaging	32.4	39.0	31.3	38.0
Test	22.7	19.7	22.2	19.8
	100.0	100.0	100.0	100.0
Net revenues by end user market:				
Communications	65.0	70.8	69.8	65.4
Personal Computers	9.1	8.6	8.1	10.2
Consumer, Multi-applications and Others	25.9	20.6	22.1	24.4
	100.0	100.0	100.0	100.0

Three and nine months ended 29 September 2013 compared to three and nine months ended 23 September 2012

Net Revenues

We derive revenues primarily from the provision of advanced packaging, wirebond packaging and test services. Net revenues in the three and nine months ended 29 September 2013 were $400.8 million and $1,203.5 million, a decrease of 1.8% and 1.4% compared to $408.3 million and $1,221.2 million in the three and nine months ended 23 September 2012, respectively. The decrease in net revenues in the three months ended 29 September 2013 compared to the same period in 2012 reflected a bifurcation of the smartphone market with sluggish demand in the high-end segment partially offset by strength in the low-cost segment. The decrease in net revenues in the nine months ended 29 September 2013 compared to the same period in 2012 was due to lower demand in the personal computers, consumer, multi-applications and other markets.

In the three and nine months ended 29 September 2013, our advanced packaging revenues increased by 6.8% and 8.9% to $180.1 million and $560.0 million compared to the same periods in 2012, respectively, due to higher demand in wafer level packaging and advanced packaging for the wireless communications market, respectively. In the three and nine months ended 29 September 2013, our wirebond packaging revenues decreased by 18.5% and 18.9% to $129.8 million and $377.0 million compared to the same periods in 2012, respectively, due to a combination of demand weakness in the personal computers, consumer, multi-applications and other markets and transition of technology from leaded wirebonding to advanced packaging. In the three and nine months ended 29 September 2013, our test services revenue increased by 12.8% and 10.1% to 90.9 million and $266.5 million, compared to the same periods in 2012, respectively, due to an increase in turnkey test services. Our revenue from copper wirebond packaging accounted for 35.8% and 32.9% of our total wirebond packaging revenue in the three and nine months ended 29 September 2013, compared to 19.2% and 15.9% in the same periods in 2012, respectively.

Gross Profit

Gross profit in the three and nine months ended 29 September 2013 was $56.8 million and $176.2 million, compared to $65.2 million and $199.5 million in the three and nine months ended 23 September 2012, respectively. Gross profit as a percentage of revenues was 14.2% and 14.6% in the three and nine months ended 29 September 2013, compared to 16.0% and 16.3% in the three and nine months ended 23 September 2012, respectively. Gross profit for the three and nine months ended 29 September 2013 decreased mainly due to lower revenue compared to the same periods in 2012, respectively. Overall equipment utilisation was approximately 67% in both the three months and nine months ended 29 September 2013 compared to 75% in both the three and nine months ended 23 September 2012, respectively. 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.

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 and depreciation of equipment used in selling, general and administrative activities. Selling, general and administrative expenses were $24.6 million and $72.2 million in the three and nine months ended 29 September 2013, a decrease of 1.4% and 4.6% compared to $25.0 million and $75.7 million in the three and nine months ended 23 September 2012, respectively. The decrease was primarily due to lower payroll-related costs in the three and nine months ended 29 September 2013. As a percentage of revenues, selling, general and administrative expenses were 6.2% and 6.0% in the three and nine months ended 29 September 2013, compared to 6.1% and 6.2% in the three and nine months ended 23 September 2012, respectively.

Research and Development

Research and development expenses consist 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 $10.9 million and $35.9 million in the three and nine months ended 29 September 2013, compared to $12.5 million and $36.7 million in the three and nine months ended 23 September 2012, respectively. The decrease of 13.3% and 2.2% in research and development expenses in the three and nine months ended 29 September 2013, respectively, was primarily due to lower payroll-related costs and lower headcount following completion of certain research and development initiatives. As a percentage of revenues, research and development expenses were 2.7% and 3.0% in the three and nine months ended 29 September 2013, compared with 3.1% and 3.0% in the three and nine months ended 23 September 2012, respectively.

Exchange Offer and Redemption Expenses and Write-Off of Debt Issuance Costs
In the nine months ended 29 September 2013, we recorded $14.1 million of redemption premium expenses related to redemption of the outstanding $241.6 million of 7.5% Senior Notes due 2015 and $1.6 million of exchange offer expenses related to the cash portion of our exchange offer of the 7.5% Senior Notes due 2015 for the 4.5% Senior Notes due 2018. In connection with the exchange offer and redemption of the 7.5% Senior Notes due 2015, we recorded $2.4 million on write-off of debt issuance costs in the nine months ended 29 September 2013. No exchange offer and redemption expenses and write-off of debt issuance costs were incurred in the three months ended 29 September 2013 and the three and nine months ended 23 September 2012.

Plant Closure Costs
In the three and nine months ended 29 September 2013, we recorded plant closure costs of $0.4 million and $36.9 million related to our announced plan for our Malaysia plant. The plant closure costs included employee severance and benefit costs of $18.2 million, non-cash asset impairment charges of $17.7 million and other associated costs of $1.0 million. No plant closure costs were incurred in the three and nine months ended 23 September 2012.

Flood Related Plan Income (Expenses)
In the three and nine months ended 29 September 2013, we recognised $19.6 million of insurance settlement as final compensation for our business interruption insurance claims related to the flood in Thailand. In the three months ended 29 September 2013, we incurred flood related plan charges totalling $3.0 million which primarily relate to additional land and building impairment on the Thailand plant. Flood related plan charges of $1.9 million and $9.2 million in the three and nine months ended 23 September 2012 primarily relate to on suspended production operations and labour and other expenses to support production shift from the Thailand plant to other manufacturing locations of STATS ChipPAC.

Net Interest Income (Expense)
Net interest expense was $12.5 million and $40.6 million in the three and nine months ended 29 September 2013, compared to $14.4 million and $42.9 million in the three and nine months ended 23 September 2012, respectively. Interest income was $0.3 million and $1.0 million in the three and nine months ended 29 September 2013, compared to $0.3 million and $1.2 million in the three and nine months ended 23 September 2012, respectively.

Interest expense was $12.7 million and $41.5 million in the three and nine months ended 29 September 2013, compared to $14.7 million and $44.0 million in the three and nine months ended 23 September 2012, respectively. The decrease in interest expense in the three and nine months ended 29 September 2013 was mainly due to lower interest rate on our long term borrowings as we refinanced our $600.0 million of 7.5% Senior Notes due 2015 with $611.2 million of 4.5% Senior Notes due 2018. Total outstanding interest-bearing debt was $908.5 million and $842.4 million as of 29 September 2013 and 23 September 2012, respectively.

Foreign Currency Exchange Gain (Loss)
Net foreign currency exchange gain (loss) was $0.2 million and $(0.1) million in the three and nine months ended 29 September 2013, compared to $0.6 million and $0.2 million in the three and nine months ended 23 September 2012, respectively. These non-cash gains and losses were due primarily to the fluctuations during the three and nine months ended 29 September 2013, compared to the same periods in 2012, 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 (Expenses), Net
Net other non-operating income (expenses) was $(0.02) million and $0.03 million in the three and nine months ended 29 September 2013, compared to net other non-operating income of $0.2 million and $0.3 million in the three and nine months ended 23 September 2012.

Income Tax Expense
Our consolidated income tax expense was $9.6 million and $18.1 million in the three and nine months ended 29 September 2013, compared to $5.5 million and $12.0 million in the three and nine months ended 23 September 2012, 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 $9.6 million and $18.1 million tax expense in the three and nine months ended 29 September 2013, respectively, included $4.5 million net tax expense related to changes in tax estimates for prior years' tax positions. In the three and nine months ended 29 September 2013, we incurred approximately $6.9 million and $26.0 million of non-tax deductible expenses related to our capital reduction transaction in 2010. The $5.5 million and $12.0 million tax expense in the three and nine months ended 23 September 2012 included tax benefit adjustments of $0.8 million due to a change in tax estimates of tax positions in 2011.

Balance Sheet

Total Group assets increased $49.0 million to $2,317.2 million as of 29 September 2013 compared to $2,268.3 million as of 30 December 2012, mainly due to increase in property, plant and equipment by $70.9 million and other receivables by $12.6 million, partially offset by a decrease in cash, cash equivalents and bank deposits by $15.8 million and accounts receivable by $16.8 million.

The Group had cash, cash equivalents and bank deposits of $194.8 million as of 29 September 2013 compared to $210.6 million as of 30 December 2012. The decrease in cash, cash equivalents and bank deposits was due to the financing activities including the redemption of the outstanding $241.6 million of our 7.5% Senior Notes due 2015 on 19 April 2013 with proceeds from the $255.0 million of 4.5% Senior Notes due 2018 issued in March 2013. The decrease in accounts receivable was mainly due to timing of cash collections and cash realisation program. The increase in property, plant and equipment was due to our capital expenditure of $306.9 million, partially offset by depreciation of $215.0 million and property, plant and equipment impairment of $17.7 million related to our announced plan for our Malaysia plant in the three months ended 30 June 2013. The increase in other receivables was mainly due to insurance settlement receivable of $19.6 million.

Total Group liabilities increased $84.6 million to $1,330.2 million as of 29 September 2013 compared to $1,245.7 million as of 30 December 2012, mainly due to an increase in short and long-term borrowings by $65.2 million and other non-current liabilities by $16.5 million, and partially offset by a decrease in accrued operating expenses by $13.0 million. The increase in short and long-term borrowings was mainly for working capital funding. The increase in other non-current liabilities was mainly due to the provision for employee severance and benefit costs related to our announced plan for our Malaysia plant. The decrease in accrued operating expenses was mainly due to payment of employee bonus and decrease in accrued interest expense.

Total shareholders' equity attributable to STATS ChipPAC Ltd. decreased by $35.8 million to $935.0 million mainly due to our net loss of $35.4 million, and partially offset by a marked-to-market hedging gain of $0.5 million arising from the changes in fair values of our cash flow hedges recorded in comprehensive income in the nine months ended 29 September 2013.

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 bank deposits. As of 29 September 2013, we had cash, cash equivalents and bank deposits of $194.8 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 $428.7 million, of which $255.6 million of credit facilities and $37.5 million of other banking facilities were available as of 29 September 2013. 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 fourth quarter of 2013 to be approximately $90 million to $100 million, including approximately $19 million to $21 million for progressive construction of our new factory in Korea. We spent $108.7 million and $306.9 million on capital expenditures in the three and nine months ended 29 September 2013 as we invested in long lead-time equipment for wafer level packaging and test turnkey services, compared to $159.6 million and $354.7 million in the three and nine months ended 23 September 2012, respectively.

As of 29 September 2013, our total debt outstanding consisted of $908.5 million of borrowings, which included $611.2 million of our 4.5% Senior Notes due 2018, $200.0 million of our 5.375% Senior Notes due 2016, and other short-term and long-term borrowings.

In February 2013, we commenced a private offer to exchange any and all of our outstanding $600.0 million of 7.5% Senior Notes due 2015 for U.S. dollar-denominated fixed rate senior notes due 2018. On 15 March 2013, upon the expiry of the exchange offer, an aggregate principal amount of $358.4 million of 7.5% Senior Notes due 2015, representing 59.7% of these notes were validly tendered. The notes that were validly tendered in the exchange offer were cancelled immediately upon exchange for the new 4.5% Senior Notes due 2018. On 20 March 2013, we issued a further $255.0 million of 4.5% Senior Notes due 2018 to fund the redemption of the remaining outstanding $241.6 million of 7.5% Senior Notes due 2015 for cash proceeds of $247.6 million, after deducting debt issuance cost. On 19 April 2013, we redeemed our remaining outstanding $246.1 million of 7.5% Senior Notes due 2015 for $255.7 million pursuant to the redemption price terms of the indenture. We financed the redemption with the proceeds from the issuance of the 4.5% Senior Notes due 2018 and short-term borrowings. The notes were cancelled upon redemption. Redemption premium of $14.1 million and debt issuance costs of $2.2 million were expensed in the income statement for the second quarter of 2013.

The aggregate principal amount of 4.5% Senior Notes due 2018 issued pursuant to the exchange offer and private placement of these notes for cash amounted to $611.2 million. These notes are our senior unsecured obligations and are listed on the SGX-ST. These notes are guaranteed, on an unsecured senior basis, by all of our existing subsidiaries (except STATS ChipPAC 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 will mature on 20 March 2018 bearing interest at the rate of 4.5% per annum payable semi-annually on 20 March and 20 September of each year, commencing 20 September 2013. Prior to 20 March 2016, 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 20 March 2016, 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 20 March 2016, 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 and STATS ChipPAC Shanghai Co. Ltd. (the "China Non-Guarantor Subsidiary") 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 29 August 2012, we obtained a $50.0 million revolving credit facility from DBS Bank Ltd. The purpose of the facility is for our general corporate funding. As of 29 September 2013, we have outstanding of $20.0 million. The principal and interest are payable on maturity in November 2013. The loans bear interest at the rate of 1% per annum. On 26 September 2013, the revolving credit facility was extended up to February 2015 and the facility amount was increased to $75.0 million.

On 31 July 2012, we obtained a $50.0 million revolving credit facility from Oversea-Chinese Banking Corporation Limited. The purpose of the facility is for our general corporate funding. As of 29 September 2013, we have outstanding of $47.1 million. The principal and interest of the loan are payable on maturity in October 2013. The loan bears interest at the rate of 1% per annum. On 27 September 2013, the revolving credit facility was extended up to October 2015 and the facility amount was increased to $75.0 million.

On 26 September 2013, our subsidiary, STATS ChipPAC Korea Ltd. entered into a $120.0 million five-year secured term loan with Hana Bank. The purpose of the loan is to finance capital expeditures. The facility is collateralised by equipment located at our Korean subsidiary and upon completion of construction, the new facility in the Incheon Free Economic Zone. The principal is payable upon maturity. As of 29 September 2013, there was no drawdown 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 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. 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 China Non-Guarantor Subsidiaries are also Restricted Subsidiaries as defined under these notes. The covenant restrictions, 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.

Other unsecured revolving credit facilities comprised of $130.0 million, $2.8 million, $26.2 million and $4.1 million of facilities issued to the Company and its subsidiaries in Korea, Taiwan and China, respectively. The purpose of these facilities are for our general corporate funding. As of 29 September 2013, we have outstanding of loans of $60.0 million and the principal and interest of the loans are payable on maturity in October 2013. The loans bear interest at the rate of 1% per annum.

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 January 2011 and March 2013, the Company issued $200.0 million of 5.375% Senior Notes due 2016 and $611.2 million of 4.5% Senior Notes due 2018, respectively, 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 nine months ended 29 September 2013, 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 $97.1 million and $284.4 million of net revenues (representing 24.2% and 23.6% of our consolidated net revenues) and $5.8 million and $16.0 million of operating income (representing 15.4% and 54.0% of our consolidated operating income). The operating income for the three and nine months ended 29 September 2013 included exceptional income (expenses) of $16.2 million and $(20.3) million related to the Thailand flood and closure of our Malaysia subsidiary and reflected in our guarantor subsidiaries. Excluding the exceptional items, the Non-Guarantor Subsidiaries' operating income represented 27.2% and 32.0% of our consolidated operating income. As of 29 September 2013 and 30 December 2012, the Non-Guarantor Subsidiaries held $624.4 million and $619.0 million of assets (representing 26.9% and 27.3% of our consolidated total assets), respectively.

For the three and nine months ended 29 September 2013, STATS ChipPAC Korea Ltd. generated $146.1 million and $458.7 million of net revenues (representing 36.5% and 38.1% of our consolidated net revenues) and $8.0 million and $22.3 million of operating income (representing 21.2% and 75.4% of our consolidated operating income). Excluding the exceptional items, STATS ChipPAC Korea Ltd.'s operating income represented 37.3% and 44.7% of our consolidated operating income. As of 29 September 2013 and 30 December 2012, STATS ChipPAC Korea Ltd. held $712.7 million and $728.8 million of assets (representing 30.8% and 32.1% of our consolidated total assets), respectively.

For the three and nine months ended 29 September 2013, the China Non-Guarantor Subsidiaries generated $82.8 million and $249.4 million of net revenues (representing 20.7% each of our consolidated net revenues) and $(0.7) million and $1.1 million of operating income (loss) (representing (1.8%) and 3.7% of our consolidated operating income). Excluding the exceptional items, the China Non-Guarantor Subsidiaries' operating income (loss) represented (3.1%) and 2.2% of our consolidated operating income. As of 29 September 2013 and 30 December 2012, the China Non-Guarantor Subsidiaries held $504.8 million and $521.3 million of assets (representing 21.8% and 23.0% of our consolidated total assets), respectively.

As of 29 September 2013 and 30 December 2012, STATS ChipPAC Korea Ltd. had no indebtedness outstanding and approximately $135.1 million and $168.5 million of trade payables and other liabilities outstanding, respectively.

As of 29 September 2013 and 30 December 2012, the China Non-Guarantor Subsidiaries had no indebtedness outstanding and $168.3 million and $163.1 million of trade payables and other liabilities outstanding, respectively, and STATS ChipPAC Taiwan Semiconductor Corporation had no indebtedness outstanding and $11.0 million and $7.9 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 $552.0 million as of 29 September 2013.

Contractual Obligations

Our total commitments on our loans, operating leases, other obligations and agreements as of 29 September 2013 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:					
4.5% Senior Notes due 2018 (1)	—	—	611,152	—	611,152
5.375% Senior Notes due 2016 (1)	—	200,000	—	—	200,000
Short-term bank borrowings (1)	60,000	—	—	—	60,000
Long-term bank borrowings (1)	—	67,100	—	—	67,100
Retirement benefits	383	17,773	—	—	18,156
Other non-current liabilities (2)	—	—	—	—	—
Total on balance sheet commitments	60,383	284,873	611,152	—	956,408
Off balance sheet commitments:					
Operating leases	31,940	25,353	1,436	4,280	63,009
Royalty/ licensing agreements	6,660	13,320	12,630	—	32,610
Purchase obligations:					
- Capital commitments (3)	352,357	16,895	—	—	369,252
- Inventory purchase commitments	87,167	—	—	—	87,167
Total off balance sheet commitments	478,124	55,568	14,066	4,280	552,038
Total commitments	538,507	340,441	625,218	4,280	1,508,446

Notes:

(1) Our senior notes, short-term and long-term bank borrowings 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 $38.3 million, $76.5 million and $41.3 million, respectively.

(2) Our other non-current liabilities as of 29 September 2013 were $38.0 million, including $17.9 million related to non-current retirement benefits for our employees in Malaysia. Also included in the other non-current liabilities is $1.6 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. As of 29 September 2013, the capital commitments and facilitisation costs related to the expansion are expected to be $201.8 million, with $167.2 million expected within one year and $34.6 million expected within the next 1-3 years. As of 29 September 2013, commitments of $160.9 million and $16.9 million have been included in our purchase obligations within one year and within the next 1-3 years, respectively. The construction of the new facility began in the third quarter of 2013 and the new facility is expected to be operational in the first quarter of 2015. The remaining capital commitments of $191.5 million refer to our purchase obligations within one year on production equipment, asset upgrades and other infrastructure investments.

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.

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 in our financial statement for the year ended 30 December 2012. 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		Nine Months Ended	
	29 September 2013	23 September 2012	29 September 2013	23 September 2012
	(In US$'000)		(In US$'000)	
Net cash provided by operating activities	85,136	102,619	286,347	261,197
Net cash used in investing activities	(96,367)	(94,516)	(300,687)	(278,444)
Net cash provided by (used in) financing activities	13,923	719	(8,728)	(23,784)

Cash Flows from Operating Activities

In the three and nine months ended 29 September 2013, cash provided by operations was $85.1 million and $286.3 million compared to $102.6 million and $261.2 million in the three and nine months ended 23 September 2012, respectively. 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 exchange offer and redemption 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 nine months ended 29 September 2013, non-cash related items included $9.6 million and $18.1 million of income tax expense, respectively, $73.4 million and $219.8 million related to depreciation and amortisation, respectively, nil and $2.4 million of debt issuance costs written off, respectively, nil and $15.7 million of exchange offer and redemption expenses, respectively, $3.0 million and $20.7 million on asset impairment, respectively, $0.3 million and $0.8 million gain from the sale of equipment, respectively, $0.2 million and $(0.3) million of foreign currency exchange (gain) loss, respectively, $0.3 million and $1.0 million of interest income, respectively, and $12.7 million and $41.5 million of interest expense, respectively.

In the three and nine months ended 23 September 2012, non-cash related items included income tax expense of $5.5 million and $12.0 million, respectively, $69.9 million and $210.2 million related to depreciation and amortisation, respectively, $0.5 million and $1.6 million gain from the sale of equipment, respectively, $24.1 million each of goodwill impairment, $3.8 million each of equipment impairment, $0.4 million and $0.3 million of foreign currency exchange loss, respectively, $0.1 million and $0.7 million from share of loss of associate, respectively, $0.3 million and $1.2 million of interest income, respectively, and $14.6 million and $44.0 million of interest expense, respectively.

Working capital uses of cash in the three months ended 29 September 2013 included increases in accounts receivables and other receivables, prepaid expenses and other assets, and decreases in amounts due to related parties. Working capital sources of cash in the three months ended 29 September 2013 included decreases in inventories and increases in accounts payable, accrued operating expenses and other payables.

Working capital uses of cash in the nine months ended 29 September 2013 included increases in inventories and other receivables, prepaid expenses and other assets. Working capital sources of cash in the nine months ended 29 September 2013 included decreases in accounts receivable, and increases in accounts payable, accrued operating expenses and other payables and amount due to related parties.

Accounts receivables as of 29 September 2013 were lower compared to 30 December 2012 mainly due to timing of cash collections and cash realisation program. Accounts payable and payables related to property, plant and equipment purchases increased as of 29 September 2013 as compared to 30 December 2012 primarily due to timing of quarterly purchases. Additionally, accrued operating expenses and other payables decreased as compared to 30 December 2012 primarily due to payment of bonus and decrease in accrued interest expense.

Cash Flows from Investing Activities

In the three and nine months ended 29 September 2013, cash used in investing activities was $96.4 million and $300.7 million compared to $94.5 million and $278.4 million in the same periods in 2012, 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 $99.9 million and $303.0 million in the three and nine months ended 29 September 2013, compared to $101.2 million and $281.6 million in the same periods in 2012, respectively. In the three and nine months ended 29 September 2013, we invested $1.3 million and $3.6 million, compared to $1.4 million and $4.1 million in the same periods in 2012, respectively, in the acquisition of software, licenses and other intangible assets. In the three and nine months ended 29 September 2013, we purchased $18.8 million and $58.8 million of bank deposits compared to $15.1 million and $59.7 million in the same periods in 2012, respectively. In the three and nine months ended 29 September 2013, we received proceeds from the maturity of our bank deposits of $22.9 million and $61.7 million compared to $21.8 million and $62.6 million in the same periods in 2012, respectively. We received $0.1 million and $0.5 million of interest income in the three and nine months ended 29 September 2013, compared to $0.1 million and $0.8 million in the same periods in 2012, respectively.

Cash Flows from Financing Activities

In the three and nine months ended 29 September 2013, cash provided by (used in) financing activities was $13.9 million and $(8.7) million, compared to $0.7 million and $(23.8) million in the same periods in 2012, respectively. In the three and nine months ended 29 September

2013, $65.0 million and $260.6 million of bank borrowings were incurred and $33.0 million and $184.5 million of our borrowings were repaid. In the nine months ended 29 September 2013, $247.6 million of proceeds, after deducting debt issuance cost of $7.4 million were received from the issuance of our $255.0 million 4.5% Senior Notes due 2018. In February 2013, we commenced a private exchange offer for our $600.0 million 7.5% Senior Notes due 2015. In connection with our refinancing of our $600.0 million of 7.5% Senior Notes due 2015 with $611.2 million of 4.5% Senior Notes due 2018, we made cash payment of $280.7 million comprising redemption premium of $14.1 million and redemption of $241.6 million principal of our 7.5% Senior Notes due 2015 on 19 April 2013, cash portion of $25.0 million relating to our exchange offer of the 7.5% Senior Notes due 2015, and received net cash proceeds of $247.6 million from the issuance of $255.0 million of 4.5% Senior Notes due 2018 in March 2013. In the three and nine months ended 29 September 2013, we paid $14.1 million and $48.4 million of interest expense, respectively. In the three and nine months ended 29 September 2013, we received $0.6 million and $1.1 million of government grants, respectively. In the three and nine months ended 23 September 2012, $59.0 million and $98.3 million of bank borrowings were incurred and $31.0 million and $67.3 million of our borrowings were repaid. In the three and nine months ended 23 September 2012, we paid $22.6 million and $50.7 million of interest expense, respectively.

Outlook for the Fourth Quarter of 2013

In terms of outlook, based on current visibility, STATS ChipPAC expects net revenues in the fourth quarter of 2013 to be flat to 5% decrease compared to the three months ended 29 September 2013, with adjusted EBITDA[(1)] in the range of 21% to 25% as a percentage of revenue. STATS ChipPAC expects capital expenditure[(2)] in the fourth quarter of 2013 to be approximately $90 million to $100 million, including approximately $19 million to $21 million for progressive construction of the new factory in Korea.

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, debt exchange or debt redemption expenses and write-off of debt issuance costs. Adjusted EBITDA excludes the plant closure costs related to our announced plan for the Malaysia Plant and our restructuring actions. 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 fourth quarter of 2013 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.

As disclosed above, to align costs with current business conditions, on 6 November 2013, the Company announced it will undertake restructuring actions to reduce operating costs in operations and support functions. The Company expects to incur restructuring charges of approximately $3 million to $4 million in the fourth quarter of 2013. These actions are anticipated to generate cost reduction of approximately $6 million to $8 million in financial year 2014.

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 fourth quarter of 2013 (“Outlook”), has been prepared based on certain major assumptions. The major assumptions made in preparing the Outlook for the fourth quarter of 2013 are set out below. These assumptions are considered to be reasonable as at the date of this three months ended 29 September 2013 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 fourth quarter of 2013. This estimate is based on purchase orders that we have received or expect to receive from our customers in the fourth 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 fourth 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 fourth 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 fourth 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 fourth 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 fourth quarter of 2013 largely based on our expected headcount and related expenses for the fourth 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 fourth quarter of 2013 largely based on our estimated expenses and headcount to reflect research and development initiatives in the fourth 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 fourth 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 30 December 2012 as set forth in our 2012 Annual Report and as disclosed in item 5 of the SGX Appendix 7.2 on our third quarter of 2013 results announcement.

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.