



PSi TECHNOLOGIES REPORTS SECOND QUARTER 2003 RESULTS

Santa Clara, CA & Manila, Philippines – August 6, 2003 – PSi Technologies Holdings, Inc., (NASDAQ: PSIT), a leading independent provider of assembly and test services for the power semiconductor market, today announced financial results for the second quarter ended June 30, 2003:

Highlights for the quarter

- ⇒ *Revenue of \$22.2 million, an increase of 10% on a quarter-over-quarter basis.*
- ⇒ *Gross margin of 3.5%, an increase of 337 basis points on a quarter-over-quarter basis.*
- ⇒ *EBITDA of \$2.3 million, an increase of 43% on a quarter-over-quarter basis.*
- ⇒ *EPS of \$(0.14) versus \$(0.19) in 1Q03.*

Second Quarter Financial Results

Revenues for the second quarter of 2003 totaled \$22.2 million, a 10% sequential increase compared to \$20.1 million in the previous quarter, and a 26% increase compared to \$17.7 million in revenues for the second quarter of 2002. Revenues from the top 5 customers of the Company were \$18.2 million, a 9% increase compared to \$16.7 million in the previous quarter, and a 35% increase compared to \$13.5 million in the second quarter of 2002.

“On balance, PSi adapted to difficult market conditions prevalent throughout the quarter due to our efforts to increase the level of customer outsourcing activities,” said Arthur J. Young, Jr., Chairman & CEO. “The outsourcing trend continues to accelerate as we grew more than twice the rate of the power semiconductor market on a sequential basis, based on data from the Semiconductor Industry Association (SIA).”

Power semiconductor packages comprised 94.4% of total second quarter revenue, or \$20.9 million, an 11% sequential increase in sales versus \$18.8 million in the previous quarter, and a 34% increase compared to \$15.6 million in revenues for the second quarter of 2002. Overall unit volumes increased 17% sequentially and were higher by 39% year-over-year.

“The 6% sequential decline in the Company’s average selling prices during the quarter was driven primarily by a change in product mix to lower ASP products and secondarily by price declines for packages to certain customers that were negotiated during the second half of 2002,” said Young.

In terms of geographic distribution, U.S. and European based customers comprised 40% and 50% of sales respectively. Sales to European based customers expanded by a sequential 11.3%, while those to the U.S. grew by 10.8%. In the second quarter of 2002, the U.S. and European markets accounted for 52% and 37% of sales, respectively, with Asia accounting for the remainder.

The Company's largest customers for the first quarter (in alphabetical order) were Fairchild Semiconductor, Infineon Technologies, ON Semiconductor, and Philips. Products packaged for those customers are used in a variety of end user applications, with particular focus on automotive systems, consumer electronics, communications equipment, industrial applications, home appliances and PC motherboards.

Through the quarter, PSi developed and increased our packaging capabilities for linear regulators, low dropout voltage regulators, high junction temperature diodes, enhanced alumina and aluminum nitride substrate design for power modules, and power mosFET in a module package.

Gross profit margin was 3.5%, compared with 0.1% in the previous quarter. It was 3.9% in the same period last year. Gross profit was \$773,180 in the second quarter, compared to \$23,162 in the previous quarter, and \$683,834 for the second quarter of 2002.

"During the second quarter, we mitigated the effects of the ASP decline in certain packages through material substitution activities. Efficiencies were also gained through the \$395,042 reduction in manufacturing expenses. This is equivalent to 1.8% of revenues," said Young. "Improved asset utilization led to a similar reduction in depreciation as a percent of revenue."

EBITDA for the second quarter of 2003 was \$2.3 million, a 42.9% sequential increase compared to \$1.6 million in the first quarter of 2003. EBITDA margin was 10.2% for the quarter.

Operating expenses increased by 1.1% sequentially due to higher research and development and administration expenses. Operating loss for the second quarter was lower at \$(1.6) million, compared to \$(2.3) million in the previous quarter and \$(1.6) million in the second quarter of 2002. Operating loss margin was (7.3)% versus (9.1)% in the same period last year. Operating loss margin was (11.6)% in the first quarter.

According to Young, "Despite the improvement in margins and performance relative to the first quarter, there is more that can be done in the areas of cost and asset management to improve the Company's profitability and consistency of performance."

Second quarter net loss was \$(1.9) million or \$(0.14) per diluted share compared to \$(2.5) million, or \$(0.19) per diluted share in the previous quarter, and \$(1.7) million or \$(0.13) per diluted share in the second quarter of 2002.

First Half 2003 Results

Revenues for the first half were \$42.3 million, an increase of 32% from the first half 2002. Gross profit was \$796,339, or 1.9% of revenues.

Operating expenses were kept in check at 11.2% of revenues or \$4.7 million, as compared to 12.9% of revenue or \$4.2 million in the first half of 2002. Operating loss was \$(4.0) million, or (9.3)% of revenues versus (10.3)% in the first half of 2002. Net loss was \$(4.4) million, or \$(0.33) per diluted share, compared to net loss of \$(3.5) million, or \$(0.26) per diluted share for the same period last year.

Reviewing first half results, Young said, "The outsourcing trend and underlying industry growth continues to drive PSi's 32% year-over-year revenue performance. In contrast, currently available data from SIA shows the underlying industry grew by just 11% over the same period

last year. The Company's profitability was weighed down by the decline in ASP during the period that led to an increase in raw material costs as a percentage of sales. This was partially mitigated by increased efficiency in the deployment of direct labor. We have been working to mitigate the negative pricing trend prevailing throughout our industry, and are encouraged to report progress during the second quarter."

Balance Sheet Highlights

Cash and cash equivalents totaled \$1.0 million on June 30, 2003, versus \$1.2 million in the previous quarter.

"We continue to execute on our commitment to improve the management of our cash resources. I am pleased to report that we have lowered our receivable and inventory days to 52 and 35 days respectively, from 70 and 45 days in December 2002," said Thelma G. Oribello, Chief Financial Officer.

Reporting on the Company's balance sheet restructuring activities, Oribello said, "In parallel with these efforts were negotiations with our major shareholder and various financial institutions for long-term financing facilities to strengthen our balance sheet and refinance our short-term obligations. After the quarter ended, we issued a \$4 million 5-year senior subordinated exchangeable note to our majority shareholder Merrill Lynch Global Emerging Markets Partners (MLGEMP). The proceeds of the note are being used to pay certain liabilities related to the Company's capital expenditures that were incurred over the past year which are due by the end of the second and third quarters of 2003, and were not payable out of current cash flow from operations or available lines of credit. We are also in the process of securing an additional \$5 million from one of our European creditors, with whom we have an existing \$5 million credit facility. It is expected that the term of this combined \$10 million facility will be extended to 1.5 years from 1 year."

Capital expenditures (CAPEX) amounted to \$6 million for the first six months of the year. For the full year 2003, the Company's CAPEX budget is \$10 million.

Tangible book value was \$5.2 per share on June 30, 2003, with outstanding shares of 13,289,525 shares.

Business Outlook

Commenting on the Company's business outlook and going forward strategies, Young said, "We believe we face a challenging revenue environment in the third quarter, due to the SARS related buildup in our customers' inventories in key end applications such as consumer electronics and wireless handheld devices. Correspondingly, we forecast flat to a 5% sequential decline in revenue for the third quarter, as customers exposed to those end markets lower their loading plan to compensate for the inventory buildup. We are hopeful that as customer inventories clear, the orders will accelerate, and as a result fourth quarter revenues will improve."

"We continue to reduce the Company's cost base. We reduced overall headcount by over 300 employees, from the peak in May, and expect to further reduce headcount by another 200 employees before the end of August. Other manpower cost reduction initiatives are also being put in place. The downsizing of the organization is an important part of our ongoing efforts to increase productivity by eliminating non-value added functions and streamlining our manufacturing process. We are also adjusting our operations schedule with our production plan,

to reduce utilities costs and other associated expenses,” said Young. “Our goal here is to achieve total cost savings of \$850,000 over a full quarter.”

“Finally, we are finalizing the rationalization of our asset base moving towards equipment supporting high run-rate and higher margin packages. Combined, our restructuring and asset rationalization initiatives may result in a one-time charge, to be incurred in the third quarter. These will drive us closer to our goal of profitability,” concluded Young.

Conference Call and Webcast

Company management will hold a conference call on its second quarter 2003 operating results on Wednesday, August 6, 2003, at 5:00 p.m. Eastern/2:00 p.m. Pacific. Interested parties should call 888-792-1093 (for domestic callers) or 703-871-3597 (for international callers) at least 5 minutes before start time, and ask the operator for the PSi conference call. A live webcast will also be available through the Investor Relations section of the Company’s website at www.psitechnologies.com under ‘Quarterly Webcasts,’ or at www.companyboardroom.com.

A replay of the conference call will be available at 888-266-2086 (for domestic callers) and 703-925-2435 (for international callers) through August 13, 2003; the access code is 209838. The webcast replay will be available for 90 days.

About PSi Technologies

PSi Technologies is a focused independent semiconductor assembly and test service provider to the power semiconductor market. The Company provides comprehensive package design, assembly and test services for power semiconductors used in telecommunications and networking systems, computers and computer peripherals, consumer electronics, electronic office equipment, automotive systems and industrial products. Their customers include most of the major power semiconductor manufacturers in the world such as Fairchild Semiconductor, Infineon Technologies, ON Semiconductor, Philips Semiconductor, and ST Microelectronics. For more information, visit the Company’s web site at www.psitechnologies.com or call:

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Safe Harbor Statement

This press release contains forward-looking statements that involve risks and uncertainties. Actual results and outcomes may differ materially. Factors that might cause a difference include, but are not limited to, those relating to the pace of development and market acceptance of PSi’s products and the power semiconductor market generally, commercialization and technological delays or difficulties, the impact of competitive products and technologies, competitive pricing pressures, manufacturing risks, the possibility of our products infringing patents and other intellectual property of third parties, product defects, costs of product development, manufacturing and government regulation, the possible spread of SARS and the economic effects thereof, risks inherent in emerging markets, including but not limited to, currency volatility and depreciation, restricted access to financing and political and social unrest. PSi undertakes no responsibility to update these forward-looking statements to reflect events or circumstances after the date hereof. More detailed information about potential factors that could

affect PSi's financial results is included in the documents PSi files from time to time with the Securities and Exchange Commission.

-Financial Tables Follow-

| PSi Technologies Holdings, Inc. | | | | |
|--|-----------------------|-----------------------|------------------------|------------------------|
| Unaudited Income Statement | | | | |
| | (in US Dollars) | | (in US Dollars) | |
| | For 3 months ended | | For 6 Months ended | |
| | 30-Jun-03 | 30-Jun-02 | 30-Jun-03 | 30-Jun-02 |
| Sales | \$ 22,186,139.51 | \$ 17,653,307.33 | \$ 42,332,737.02 | \$ 32,184,092.89 |
| Cost of Sales | 21,412,959.92 | 16,969,472.85 | \$ 41,536,398.46 | \$ 31,354,823.80 |
| Gross Profit | <u>773,179.59</u> | <u>683,834.48</u> | <u>796,338.56</u> | <u>829,269.09</u> |
| Operating Expense | | | | |
| Research and Development | 438,813.13 | 386,822.48 | \$ 871,502.68 | \$ 650,758.26 |
| Stock compensation cost | 59,988.21 | 59,988.21 | \$ 119,976.42 | \$ 119,976.42 |
| Administrative Expenses | 1,677,242.21 | 1,539,202.31 | \$ 3,333,663.48 | \$ 2,785,294.47 |
| Marketing Expenses | 212,002.53 | 306,359.23 | \$ 424,651.97 | \$ 596,445.01 |
| Subtotal | <u>2,388,046.08</u> | <u>2,292,372.23</u> | <u>4,749,794.55</u> | <u>4,152,474.16</u> |
| Operating Profit/(Loss) | (1,614,866.49) | (1,608,537.75) | (3,953,455.99) | (3,323,205.07) |
| Other Income / (Charges) | (266,012.26) | (58,833.23) | \$ (470,111.72) | \$ (148,062.93) |
| Income before Tax | (1,880,878.75) | (1,667,370.98) | (4,423,567.71) | (3,471,268.00) |
| Minority Interest | (428.59) | 5,407.38 | \$ (544.11) | \$ 10,308.88 |
| Net Income | <u>(1,881,307.34)</u> | <u>(1,661,963.59)</u> | <u>(4,424,111.82)</u> | <u>(3,460,959.12)</u> |
| EBITDA | 2,258,449.30 | 46,938.13 | \$ 3,838,803.67 | \$ 2,664,207.04 |
| No. of Shares Outstanding | 13,289,525 | 13,289,525 | 13,289,525 | 13,289,525 |
| EPS | (0.14) | (0.13) | (0.33) | (0.26) |

PSi Technologies Holdings, Inc.
Unaudited Consolidated Balance Sheet
(In US Dollars)

| ASSETS | 30-Jun-03 | 30-Jun-02 |
|---|--------------------|--------------------|
| Cash & Cash Equivalents | 962,434 | 1,659,169 |
| Accounts Receivable | 14,559,331 | 12,580,818 |
| Inventories | 8,545,406 | 8,458,596 |
| Prepaid Expenses & Tax Credits | <u>2,896,501</u> | <u>3,333,320</u> |
| Total Current Assets | <u>26,963,672</u> | <u>26,031,903</u> |
| Property Plant & Equipment | 144,372,741 | 129,694,768 |
| Accumulated Depreciation | <u>61,410,453</u> | <u>46,309,065</u> |
| Property Plant & Equipment - Net | <u>82,962,288</u> | <u>83,385,703</u> |
| Investment & Advances | 141,906 | 142,390 |
| Other Assets | <u>1,416,614</u> | <u>2,579,112</u> |
| TOTAL ASSETS | <u>111,484,479</u> | <u>112,139,107</u> |
| | | |
| LIABILITIES & STOCKHOLDER'S EQUITY | | |
| Accounts Payable and Other Expenses | 20,447,222 | 15,497,450 |
| Accounts Payable CAPEX | 6,975,669 | 9,802,325 |
| Bank Loans | 7,700,000 | 4,750,000 |
| Trust Receipts | 4,220,256 | 2,145,005 |
| Current Portion of Long-term Debt | 2,572,397 | 77,228 |
| Current Portion of Obligation under Capital Lease | <u>96,946</u> | <u>76,635</u> |
| Total Current Liabilities | <u>42,012,490</u> | <u>32,348,643</u> |
| Long-term liability (net of current) | - | 2,525,238 |
| Obligation Under Capital Leases (net of current) | <u>129,769</u> | <u>163,524</u> |
| TOTAL LIABILITIES | <u>42,142,259</u> | <u>35,037,405</u> |
| Minority Interest | 169,197 | 205,927 |
| Equity | | |
| TOTAL EQUITY | <u>69,173,023</u> | <u>76,895,775</u> |
| TOTAL LIABILITIES & S'HOLDERS' EQUITY | <u>111,484,479</u> | <u>112,139,107</u> |

PSi Technologies Holdings, Inc.
Unaudited Consolidated Statement of Cash Flows
(In US Dollars)

| | For the 3 Months ended 30-Jun-03 | For the 6 Months ended 30-Jun-03 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | - | |
| Net Income | (1,881,307) | (4,424,112) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Minority interest | 429 | 544 |
| Equity in net loss (gain) of an investee 2002 | - | - |
| Stock compensation cost | 59,988 | 119,976 |
| Depreciation and amortization | 4,047,861 | 7,949,933 |
| Provision for (benefit from) deferred income tax | - | - |
| Equity in net loss (gain) of an investee | - | - |
| Change in assets and liabilities: | | |
| Decrease (increase) in: | - | - |
| Accounts receivables | 676,810 | (584,888) |
| Inventories | (556,144) | (74,350) |
| Other Current Assets and tax credit receivable | 170,408 | (663,516) |
| Increase (decrease) in : | | |
| Accounts payable and other expenses | 2,303,575 | 4,846,392 |
| Net cash provided by operating activities | 4,821,620 | 7,169,979 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property and equipment | (5,469,631) | (9,985,916) |
| Decrease (increase) in investments and advances | 1,307 | 99,058 |
| Decrease (increase) in other assets | 254,181 | 46,865 |
| Net cash used in investing activities | (5,214,143) | (9,839,993) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net availment/(payments) of short-term loans | - | 1,200,000 |
| Trust receipts and acceptances payable | 184,129 | 551,522 |
| Net availment/(payments) of stock issuance cost | - | - |
| Net availment/(payments) of long term loan | 0 | 0 |
| Net availment/(payments) of obligation under capital leases | (35,043) | (24,921) |
| Net cash provided by (used in) financing activities | 149,086 | 1,726,601 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (243,437) | (943,413) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 1,205,871 | 1,905,847 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 962,434 | 962,434 |
| SUPPLEMENTAL INFORMATION ON NONCASH FINANCING & INVESTING ACTIVITIES | | |
| Property and equipment acquired (paid) on account under accounts payable | (2,564,059) | (3,830,677) |

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