

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue was up 12% year on year at THB 4.1 billion for the fourth quarter of 2012 compared to THB 3.6 billion for the fourth quarter of 2011. Sales Revenue in USD terms increased by 13% to USD 132m from USD 117m in Q4 2011. Operating Profits increased 82% to THB 189m in Q4 2012 from THB 103m in Q4 2011.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>31-Dec-12</u>		<u>31-Dec-11</u>		<u>Q412-Q411</u>	<u>Q412-Q411</u>
PCBA (Lamphun, Thailand)	1,606,409	40%	1,777,187	49%	(170,778)	-10%
PCBA (Jiaxing, China)	1,007,865	25%	992,903	27%	14,962	2%
CPG (Bangkok, Thailand)	-	0%	52,841	1%	(52,841)	-100%
IC (Ayutthaya, Thailand)	1,155,748	28%	505,844	14%	649,904	128%
IC (Jiaxing, China)	243,538	6%	240,979	7%	2,559	1%
HMT (Ohio, USA)	47,707	1%	63,859	2%	(16,152)	-25%
Total Revenue	4,061,267		3,633,613		427,654	12%

**Sales Revenue Analysis****Year on Year Sales Revenue Analysis**

Quarter 4 2012 sales revenue for the group increased 14% year-on-year in USD terms, from USD 117m in Q411 to USD 132m in Q412. The average exchange rate for Q412 was 1% stronger at THB/USD 30.68 from THB/USD 31.02 in Q411. As a result the sales revenue in THB terms was 12% higher year on year.

Year-on-year, the microelectronics divisions sales decreased by 4% in USD terms. Sales in Lamphun decreased 9% whilst JiaXing increased by 4%. The IC divisions USD sales revenues were 190% higher, with revenues of the IC divisions in Ayutthaya increasing by 230% (due to the negligible sales in Q411 as a result of the flood) and JiaXing increasing by 9%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 14%.

**Quarter on Quarter Sales Revenue Analysis**

Group sales decreased quarter on quarter by 6% from USD 142m in Q312 to USD 133m in Q412. Sales in the microelectronics division decreased 6% with Lamphun decreasing 5% and JiaXing decreasing 9%. Sales revenues from the IC divisions were 8% lower with Ayutthaya sales decreasing by 3% and JiaXing IC sales decreasing by 25%. The microdisplay division sales decreased 6% in Q412 compared to Q312. In THB equivalent the group sales decreased by 9% in Q412 compared to Q312. The average THB/USD exchange rate strengthened by 2% from 31.36 in Q312 to 30.68 in Q412.

**Sales Revenue Split**

	<u>Q4 2012</u>	<u>Q3 2012</u>	<u>Q2 2012</u>	<u>Q1 2012</u>	<u>Q4 2011</u>
PCBA (Lamphun, Thailand)	40%	39%	42%	46%	49%
PCBA (Jiaxing, China)	25%	25%	25%	24%	27%
CPG (Bangkok, Thailand)	0%	0%	0%	2%	1%
IC (Ayutthaya, Thailand)	28%	27%	25%	21%	14%
IC (Jiaxing, China)	6%	8%	7%	6%	7%
HMT (Ohio, USA)	1%	1%	1%	1%	2%
	100%	100%	100%	100%	100%

**Gross Profit / Cost of Sales Analysis and Sales and Administration Analysis**

The Gross Profit margin was 8% in Q412 down from 10% in Q411. 1% due to higher depreciation costs in Ayutthaya due to damaged equipment from the flood being taken off the books in Q411 and depreciation from the replacement equipment added to expenses in Q412; and 1% due to higher labour costs from the minimum wage increase in April 12.

### **Operating Profit Analysis**

Year-on-year operating profits were 82% higher in Q412 and operating margins were 2% higher at 5% in Q412 from 3% in Q411 due to the low gross profit in Q411 as a result of the flood. SG&A expenses were 31% lower in Q412 than in Q411 which incurred higher expenses related to the flood. SG&A expenses in Q412 were 12% higher than in Q312 due to higher flood related material provision in Q412. THB 100m exceptional expense in Q412 relates to increased flood related damage materials provision.

### **Foreign Exchange Rates**

Each week's sales and purchases are booked based on the exchange rate at the close of the previous week. The average exchange rate for Q412 was Baht/USD 30.68 from 31.02 in Q411 (and Baht/USD 31.09 in Q312).

The offshore subsidiaries income statements are translated at the average rate for the quarter, (for their respective currencies). The Balance sheets of the offshore companies were translated at the closing rate of Baht/USD 30.63 at 31/12/12, and 31.69 at 31/12/11 (30.83 at 30/09/12) or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

THB 402m dividend of THB 0.50 per share was paid during the quarter as an interim dividend. In Q212 THB 805m dividend of THB 1.00 per share was paid during the quarter.

In Q211 THB 1,248m dividend of THB 1.55 per share was paid during the quarter as the first and final dividend from the profits of 2010.

### **Financial Status**

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st December, 2012 were THB 5.5 billion up from 31st December, 2011 at THB 5.8 billion.

### **Asset Quality**

#### **Accounts Receivable**

Most of customers are well known and have good reputation in the IC, and electronics industry. Provision is made of amounts outstanding over 90 days and amounts which the management believe may be doubtful. Accounts receivable days were 61 days in Q412 and 64 days in Q411.

Accounts receivable - other companies	<u>31-Dec-12</u>	<u>31-Dec-11</u>	'000
Less than 3 months	2,653,880	2,445,169	
3 - 6 months	23,758	20,670	
6 - 12 months	16,349	7,236	
More than 12 months	3,173	5,380	
Total accounts receivable - other companies	2,697,160	2,478,455	
Less : Allowance for doubtful accounts	(6,904)	(11,189)	
	<u>2,690,256</u>	<u>2,467,266</u>	

#### **Inventory**

In general, Hana's production is based on clients' order, consequently, the majority of inventory are raw materials, expendable tools and work in process with little finished goods pending for customer delivery. The group companies normally write-off out-of-date inventory, and make provision for aged inventory and depletion in the value of fixed assets, if material, each quarter. Inventory days were 69 days as at 31st December, 2012 and 73 days as at 31st December, 2011.

#### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q4 2012 was THB 432m which was 19% higher than Q4 2011 was THB 363m.

### **Capital Expenditure**

Capital Expenditure was THB 286m in Q4 2012 and THB 155m in Q4 2011. Generally, capital expenditure for production equipment will follow the increase in sales, particularly in the IC division. However, there is a 3 to 6 month time lag due to the ordering lead time. Plant expansion will depend on the current building utilisation and lead time to construct new plant or expand in an existing plant.

### **Source of Financial Capital**

As the group has no net interest bearing debt and operating working capital is positive the group's funding is from the shareholders equity.

### **Major Factors which could have an Impact on the Company's Performance**

The company business is that of an electronics manufacturing service company. The company manufactures products on behalf of its customers for shipment to them or their customers. Therefore, the company's performance is mostly affected by its ability to win and retain business from the existing and new customers. In turn, customer demand is affected by world economic growth and the customer's sales growth.

The group's sales revenue are in foreign currency (primarily USD) and USD currency costs are approximately 60% percent of sales revenues. The Group operating profit sensitivity to change in the Thai Baht/USD and Chinese CNY/USD exchange rates is currently about Baht 170m per quarter for every 10% change in the average Baht/USD and CNY/USD rates (i.e.  $(1 - 0.60) \times \text{Sales Revenue} \times 10\%$  ). Out of the group's foreign exchange exposure, USD 80m is hedged, Foreign exchange contracts are used to buy THB and Sell USD on a rolling 3 or 6 months basis.

Whilst the book value of the offshore companies are represented in foreign currency, the effect of the change in the exchange rate is shown by the movement of the foreign currency 'Translation Adjustment' in the shareholders funds section of the balance sheet. There is no cash affect concerning its movement.

### **Exceptional Items**

The plant of Hana Semiconductor (Ayutthaya) Co., LTD, a 100% owned subsidiary of the company, which is located in Hitech Industrial Estate in Ayutthaya province, was inundated in early October 2011 as a result of the extensive flooding in Thailand during the fourth quarter of 2011.

The plant, equipment and business of the subsidiary suffered major damage with approximately USD 40m of property damage and significant business interruption losses. In the 2011 Financial Statements the subsidiary made full provision for the book value of the damaged property which is to be replaced. The subsidiary has also expensed repairs incurred during the fourth quarter in the 2011 accounts with further repairs of THB 84m accounted for in Q1 2012 and THB 72m in Q2 2012 for repairs and materials damage. The subsidiary is in the process of making claims on its property and business interruption insurance policies for the damage resulting from the flood at its Ayutthaya facility. In Q2 2012 THB 204m was received as the part payment for the first interim payment for the business interruption insurance claim. In Q3 2012 THB 196m was received as the remaining payment for the first interim payment for the business interruption insurance claim. THB 130m provision for damaged equipment from the flood was reversed in Q3 2012. THB 100m exceptional expense in Q412 relates to increased flood related damage materials provision.

### **Subsequent Event**

None

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>31-Dec-12</u>		<u>31-Dec-11</u>		<u>Q412-Q411</u>	<u>Q412-Q411</u>
<b>REVENUES</b>						
Sales	4,061,267		3,633,613		427,654	12%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	1,606,409	40%	1,777,187	49%	(170,778)	-10%
<i>PCBA (Jiaxing, China)</i>	1,007,865	25%	992,903	27%	14,962	2%
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<i>HMT (Ohio, USA)</i>	47,707	1%	63,859	2%	(16,152)	-25%
	<u>4,061,267</u>	100%	<u>3,633,613</u>	100%	<u>427,654</u>	12%
Share of Assoc. company Profit	-		-		-	
Interest	43,829		47,543		(3,714)	-8%
Other Income - Operating	92,606		82,631		9,974	12%
Other Income - Non Operating	35,485		2,374		33,111	
<b>TOTAL REVENUES</b>	<u>4,233,186</u>		<u>3,766,161</u>		<u>467,025</u>	12%
<b>EXPENSES</b>						
Cost of Sales	3,725,473	92%	3,263,935	90%	461,539	14%
Selling & Admin. Expenses	239,706	6%	348,902	10%	(109,196)	-31%
Interest Expenses	1,673		1,984		(311)	
<b>TOTAL EXPENSES</b>	<u>3,966,853</u>	98%	<u>3,614,821</u>	99%	<u>352,032</u>	10%
<b>EARNINGS from Operation</b>	<u>266,334</u>	0.063	<u>151,341</u>	0.04	<u>114,993</u>	76%
Exchange Gain (Loss)	49,084		15,444		33,640	
Share of Assoc. company Loss	-		-		-	
<b>EARNINGS before Income Tax</b>	<u>315,418</u>	7%	<u>166,785</u>	4%	<u>148,633</u>	89%
Corporate Income Tax	12,861	-4%	(9,241)	6%	22,103	-239%
<b>Earnings before Exceptional Items</b>	<u>328,279</u>		<u>157,543</u>		<u>170,736</u>	108%
Exceptional Items	(100,488)		(99,294)		(1,194)	
<b>NET EARNINGS for the Period</b>	<u>227,791</u>	5%	<u>58,249</u>	2%	<u>169,542</u>	291%
<b>EARNINGS % of SALES</b>	6%		2%		4%	
Average number of shares (1 Baht par)	804,879		804,879		-	
<b>EARNINGS per SHARE (baht) before exch. &amp; ex</b>	0.35		0.18		0.17	
<b>EARNINGS per SHARE (baht) after exceptionals</b>	0.28		0.07		0.21	
Operating Profit (EBIT)	188,693		103,408		85,285	
	5%		3%			
Depreciation	311,754		284,770		26,984	
EBITDA (excl exchange gain/loss)	500,447		388,177		112,270	
EBITDA % of Sales Revenue	12%		11%			
Cashflow Earnings per Share	0.62		0.48		0.14	

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 31-Dec-12</u>	<u>Quarter 31-Dec-11</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings before tax	214,930	42,138
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	309,358	286,917
Unrealised (gain) Loss on exchange	(45,912)	(18,743)
Increase (Decrease) in allowance for doubtful debts	(11)	2,774
Increase (Decrease) in allowance for obsolete inventories	33,728	171,432
Change in other provisions	38,616	246,610
	<u>335,780</u>	<u>688,990</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	56,573	168,202
Inventories	144,886	(108,203)
Trade accounts payable	(440,085)	78,213
Other	85,118	(537,900)
	<u>(153,509)</u>	<u>(399,688)</u>
<b>Net Cashflow from Operating Activities</b>	<u>397,201</u>	<u>331,439</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	32,513	(13,541)
Increase in property, plant and equipment	(357,890)	(193,623)
Proceeds from sale of fixed assets	11,390	16,793
Increase (decrease) in translation adjustment	(30,099)	146,680
Revaluation deficit on investments	47,077	(2,256)
Other		
	<u>(297,009)</u>	<u>(45,947)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	(0)	-
Dividend paid	(402,439)	-
Other	(1,174)	(13,701)
Net cash (used in ) from financing activities	<u>(403,614)</u>	<u>(13,701)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(303,422)	271,790
Cash and Equivalents at the beginning of the period	<u>3,414,603</u>	<u>3,552,356</u>
Cash and Equivalents at the end of the period	3,111,180	3,824,147