

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue was up 15% year on year at THB 5.7 billion for the third quarter of 2014 compared to THB 5.0 billion for the third quarter of 2013. Sales Revenue in USD terms increased by 13% to USD 178m from USD 158m in Q3 2013.

Operating Profits decreased 9% to THB 531m in Q3 2014 from THB 584m in Q3 2013.

Net Profit increased by 4% to THB 587m in Q314 from THB 567m in Q313 as Q313 had THB 110m for income tax and fine related to the 1997 income tax case as detailed in Note 18.5 of the financial statements for Q313.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>30-Sep-14</u>		<u>30-Sep-13</u>		<u>Q314-Q313</u>	
					<u>Q314-Q313</u>	
PCBA (Lamphun, Thailand)	2,716,741	47%	2,206,638	44%	510,103	23%
PCBA (Jiaxing, China)	1,169,511	20%	1,023,009	21%	146,502	14%
IC (Ayutthaya, Thailand)	1,467,039	26%	1,394,086	28%	72,953	5%
IC (Jiaxing, China)	327,033	6%	309,320	6%	17,713	6%
HMT (Ohio, USA)	51,211	1%	33,202	1%	18,009	54%
Total Revenue	5,731,535		4,966,255		765,280	15%

**Sales Revenue Analysis**

**Year on Year Sales Revenue Analysis**

Quarter 3 2014 sales revenue for the group increased 13% year-on-year in USD terms, from USD 158m in Q313 to USD 179m in Q314. The average exchange rate for Q314 was 2% weaker at THB/USD 32.10 from THB/USD 31.48 in Q313. As a result the sales revenue in THB terms was 15% higher year on year.

Year-on-year, the microelectronics divisions sales increased by 18% in USD terms. Sales in Lamphun increased 20% whilst JiaXing increased by 12%. The IC divisions USD sales revenues increased 3% in Q314, with revenues of the IC divisions in Ayutthaya increasing by 3% and JiaXing decreasing by 3%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 49%.

**Quarter on Quarter Sales Revenue Analysis**

Group sales increased quarter on quarter by 5% from USD 170m in Q214 to USD 179m in Q314. Sales in the microelectronics division increased 8% with Lamphun increasing 9% and JiaXing increasing 4%. Sales revenues from the IC divisions were 1% lower with Ayutthaya sales decreasing by 3% and JiaXing IC sales decreasing by 1%. The microdisplay division sales increased 6% in Q314 compared to Q214. In THB equivalent the group sales increased by 4% in Q314 compared to Q214. The average THB/USD exchange rate strengthened by 1% to 32.11 in Q314 from 32.45 in Q214.

**Sales Revenue Split**

	<u>Q3 2014</u>	<u>Q2 2014</u>	<u>Q1 2014</u>	<u>Q4 2013</u>	<u>Q3 2013</u>
PCBA (Lamphun, Thailand)	47%	45%	47%	45%	44%
PCBA (Jiaxing, China)	20%	21%	20%	22%	21%
IC (Ayutthaya, Thailand)	26%	28%	26%	26%	28%
IC (Jiaxing, China)	6%	5%	6%	6%	6%
HMT (Ohio, USA)	1%	1%	1%	1%	1%
	100%	100%	100%	100%	100%

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

The Gross Profit margin was lower in Q314 at 13% down from 15% in Q313 due to change in product mix in both the PCBA and IC divisions resulting in a lower value added even though sales revenue was higher.

### **Operating Profit Analysis**

Year-on-year operating profits were 9% lower at THB 531m in Q314 due to the lower gross margin in Q314. The Operating margin was lower at 9% in Q314 from 12% in Q313 due to the lower gross margin in Q314. SG&A expenses were 13% higher in Q314 than in Q313 due to higher salary expenses in Q314 and provision reversals in Q313. SG&A expenses in Q314 were 6% higher than in Q214 due to provision reversal in Q214.

### **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 Q314 was Baht/USD 32.10 from 31.48 in Q313 (and Baht/USD 32.45 in Q214).

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 32.37 at 30/09/14, and Baht/USD 31.39 at 30/09/13 (32.46 at 30/06/14) or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

No dividends were paid out during the quarter.

### **Financial Status**

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 30th September, 2014 were THB 9.2 billion and 30th September, 2013 were THB 7.0 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 55 days in Q314 and 53 days in Q313.

	<u>30-Sep-14</u>	<u>30-Sep-13</u>	'000
Trade Receivables			
Less than 3 months	3,362,960	2,833,856	
3 - 6 months	16,633	2,766	
6 - 12 months	2,602	21,654	
More than 12 months	4,195	9,727	
Total accounts receivable - other companies	<u>3,386,390</u>	<u>2,868,003</u>	
Less : Allowance for doubtful accounts	(20,181)	(8,237)	
	<u>3,366,209</u>	<u>2,859,766</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 62 days as at 30th September, 2014 and 68 days as at 30th September, 2013.

#### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q3 2014 was THB 806m which was 9% lower than Q3 2013 at THB 885m.

#### **Capital Expenditure**

Capital Expenditure was THB 242m in Q3 2014 and THB 259m in Q3 2013. 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 as no net interest bearing debt and operating working capital is positive the groups

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 groups sales revenue are in foreign currency (primarily USD) and USD currency costs are approximately 60% 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 groups foreign exchange exposure, USD 100m 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**

None

**Subsequent Event**

None

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>30-Sep-14</u>		<u>30-Sep-13</u>		<u>Q314-Q313</u>	<u>Q314-Q313</u>
<b>REVENUES</b>						
Sales	5,731,535		4,966,255		765,280	15%
consisting of:						
PCBA (Lamphun, Thailand)	2,716,741	47%	2,206,638	44%	510,103	23%
PCBA (Jiaxing, China)	1,169,511	20%	1,023,009	21%	146,502	14%
CPG (Bangkok, Thailand)	-	0%	-	0%	-	
IC (Ayutthaya, Thailand)	1,467,039	26%	1,394,086	28%	72,953	5%
IC (Jiaxing, China)	327,033	6%	309,320	6%	17,713	6%
HMT (Ohio, USA)	51,211	1%	33,202	1%	18,009	54%
	<u>5,731,535</u>	100%	<u>4,966,255</u>	100%	<u>765,280</u>	15%
Share of Assoc. company Profit	-		-		-	
Other Income - Operating	58,484		67,620		(9,136)	-14%
<b>TOTAL OPERATING REVENUES</b>	<u>5,790,019</u>		<u>5,033,875</u>		<u>756,144</u>	15%
<b>EXPENSES</b>						
Cost of Sales	5,006,077	87%	4,226,601	85%	779,476	18%
Selling & Admin. Expenses	253,256	4%	223,162	4%	30,094	13%
<b>TOTAL EXPENSES</b>	<u>5,259,333</u>	92%	<u>4,449,763</u>	90%	<u>809,570</u>	18%
<b>OPERATING EARNINGS</b>	<u>530,686</u>	9%	<u>584,112</u>	12%	<u>(53,426)</u>	-9%
Other Income - Non Operating	16,227		34,096		(17,869)	
Interest	55,572		40,870		14,702	36%
Interest Expenses	(1,943)		(2,310)		367	
<b>EARNINGS before Income Tax</b>	<u>600,542</u>	10%	<u>656,768</u>	13%	<u>(56,226)</u>	-0
Corporate Income Tax	(24,381)	0%	(22,677)	0%	(1,704)	8%
<b>Earnings before Exch. &amp; Exceptional Items</b>	<u>576,161</u>		<u>634,091</u>		<u>(57,930)</u>	-9%
Exchange Gain (Loss)	10,694		43,162		(32,468)	
Exceptional Items	-		(110,401)		110,401	
<b>NET EARNINGS for the Period</b>	<u>586,855</u>	10%	<u>566,852</u>	11%	<u>20,003</u>	4%
EARNINGS % of SALES	10%		11%		-1%	
Average number of shares (1 Baht par)	804,879		804,879		-	
<b>EARNINGS per SHARE (baht) before exch. &amp; ex</b>	0.72		0.79		-	0.07
<b>EARNINGS per SHARE (baht) after exceptionals</b>	0.73		0.70			0.02
Operating Profit (EBIT)	530,686		584,112		(53,426)	
	9%		12%			
Depreciation	274,859		300,951		(26,092)	
EBITDA (excl exchange gain/loss)	805,545		885,063		(79,518)	
EBITDA % of Sales Revenue	14%		18%			
Cashflow Earnings per Share	1.00		1.10		-	0.10

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	YTD		YTD		YTD		YTD %	
	30-Sep-14		30-Sep-13		Q314-Q313		Q314-Q313	
<b>REVENUES</b>								
Sales	15,924,608		12,849,457		3,075,151			24%
consisting of:								
PCBA (Lamphun, Thailand)	7,425,798	47%	5,629,920	44%	1,795,878			32%
PCBA (Jiaxing, China)	3,238,013	20%	2,753,580	21%	484,433			18%
IC (Ayutthaya, Thailand)	4,234,306	27%	3,530,714	27%	703,592			20%
IC (Jiaxing, China)	885,423	6%	833,761	6%	51,662			6%
HMT (Ohio, USA)	141,068	1%	101,482	1%	39,586			39%
	<u>15,924,608</u>	100%	<u>12,849,457</u>	100%	<u>3,075,151</u>			24%
Other Income - Operating	167,660		208,187		(40,527)			-19%
<b>TOTAL OPERATING REVENUES</b>	<u>16,092,268</u>		<u>13,057,644</u>		<u>3,034,624</u>			23%
<b>EXPENSES</b>								
Cost of Sales	13,819,237	87%	11,443,229	89%	2,376,008			21%
Selling & Admin. Expenses	732,651	5%	691,916	5%	40,735			6%
<b>TOTAL EXPENSES</b>	<u>14,551,888</u>	91%	<u>12,135,145</u>	94%	<u>2,416,743</u>			20%
<b>OPERATING EARNINGS</b>	<u>1,540,380</u>	10%	<u>922,499</u>	7%	<u>617,881</u>			67%
Other Income - Non Operating	36,070		87,586		(51,516)			-59%
Interest	155,320		119,715		35,605			30%
Interest Expenses	(6,228)		(6,956)		728			
<b>EARNINGS before Income Tax</b>	<u>1,725,542</u>	11%	<u>1,122,844</u>	9%	<u>602,698</u>			54%
Corporate Income Tax	(353,465)	20%	(40,559)	4%	(312,906)			771%
<b>Earnings before Exch. &amp; Exceptional Items</b>	<u>1,372,077</u>		<u>1,082,285</u>		<u>289,792</u>			27%
Exchange Gain (Loss)	141,421		9,233		132,188			
Exceptional Items	1,350,000		631,814		718,186			
<b>NET EARNINGS for the Period</b>	<u>2,863,498</u>	18%	<u>1,723,332</u>	13%	<u>1,140,166</u>			66%
<b>EARNINGS % of SALES</b>		18%		13%				5%
Average number of shares (1 Baht par)	804,879		808,586		(3,707)			
<b>EARNINGS per SHARE (baht) before exch. &amp; ex</b>	1.70		1.34		0.37			
<b>EARNINGS per SHARE (baht) after exceptionals</b>	3.56		2.13		1.43			
Operating Profit (EBIT)	1,540,380		922,499		617,881			
	10%		7%					
Depreciation	846,252		903,830		(57,578)			
EBITDA (excl exchange gain/loss)	2,386,632		1,826,329		560,303			
EBITDA % of Sales Revenue	15%		14%					
Cashflow Earnings per Share	2.97		2.26		0.71			

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht

	Quarter 30-Sep-14	Quarter 30-Sep-13	Q314-Q313
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	6,070,975	4,891,017	1,179,958
Financial Investments	2,813,172	2,240,344	572,828
Accounts Receivable - trade	3,489,628	2,926,445	563,183
Amounts due from Related Companies	-	-	
Inventories	3,457,760	3,216,454	241,306
Other Current Assets	107,683	98,966	8,717
<b>TOTAL CURRENT ASSETS</b>	<b>15,939,218</b>	<b>13,373,226</b>	<b>2,565,992</b>
LOAN TO OTHER COMPANY	328,471	97	328,374
<b>FIXED ASSETS (net)</b>	<b>6,524,850</b>	<b>6,685,461</b>	<b>(160,611)</b>
OTHER ASSETS	179,019	67,730	111,289
<b>TOTAL ASSETS</b>	<b>22,971,558</b>	<b>20,126,514</b>	<b>2,845,044</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	-	16,529	(16,529)
Accounts & Notes Payable	3,362,839	3,078,171	284,668
Corporate Income Tax Payable	142,135	17,206	124,929
Accrued Expenses	362,493	528,407	(165,914)
Other Current Liabilities	101,169	81,008	20,161
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,968,636</b>	<b>3,721,321</b>	<b>247,315</b>
<b>LONG TERM LIABILITIES</b>	<b>425,997</b>	<b>426,348</b>	<b>(351)</b>
<b>TOTAL LIABILITIES</b>	<b>4,394,633</b>	<b>4,147,669</b>	<b>246,964</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	804,879	804,879	(0)
Treasury Shares	-	-	
Share Premium	1,723,219	1,723,219	(0)
Retained Earnings			
Appropriated Statutory Reserve	386,272	375,919	10,353
Unappropriated	15,349,368	13,089,675	2,259,693
Translation adj. & Investment revaluation	313,187	(14,847)	328,034
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>18,576,925</b>	<b>15,978,845</b>	<b>2,598,080</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<b>22,971,558</b>	<b>20,126,514</b>	<b>2,845,044</b>
	0	-	
Cash & Equivalents	8,884,147	7,131,361	1,752,786
Liabilities	4,394,633	4,147,669	246,964
Debt/Equity	0.24	0.26	-0.02
Net Debt (Net cash)	-4,489,514	-2,983,692	-1,505,822
Net Debt/Equity	-0.24	-0.19	-0.05

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 30-Sep-14</u>	<u>Quarter 30-Sep-13</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings before tax	611,236	589,529
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	275,639	301,928
Unrealised (gain) Loss on exchange	2,728	(40,144)
Increase (Decrease) in allowance for doubtful debts	4,224	(229)
Increase (Decrease) in allowance for obsolete inventories	(52,479)	(110,671)
Change in other provisions	(23,925)	89,285
	<u>206,187</u>	<u>240,169</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	(76,049)	69,913
Inventories	(39,443)	(271,366)
Trade accounts payable	321,991	513,152
Other	(256,211)	(11,841)
	<u>(49,712)</u>	<u>299,858</u>
<b>Net Cashflow from Operating Activities</b>	<u>767,711</u>	<u>1,129,556</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	(24,589)	(24,534)
Increase in property, plant and equipment	(170,466)	(345,197)
Proceeds from sale of fixed assets	6,172	13,227
Increase (decrease) in translation adjustment	3,192	81,611
Revaluation deficit on investments	4,352	14,984
Other		
	<u>(181,339)</u>	<u>(259,909)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	(88)	(146)
Dividend paid	-	-
Other	(13,422)	(2,105)
Net cash (used in ) from financing activities	<u>(13,510)</u>	<u>(2,251)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	572,862	867,396
Cash and Equivalents at the beginning of the period	<u>5,498,114</u>	<u>4,023,621</u>
Cash and Equivalents at the end of the period	<u>6,070,976</u>	<u>4,891,017</u>

# HANA MICROELECTRONICS GROUP

# Financial Ratios

'000 Baht	Quarter <u>30-Sep-14</u>	Quarter <u>30-Sep-13</u>	<u>Q314-Q313</u>
<b>Profitability Ratios</b>			
Gross Profit Margin (%)	13%	15%	-2%
Operating Profit Margin (%)	9%	12%	-3%
Net Profit before Exceptional Margin (%)	10%	13%	-3%
Net Profit after Exceptional Margin (%)	10%	11%	-1%
EBITDA margin (%)	14%	18%	-4%
Return On Equity (%) pa	13%	14%	-2%
Return On Assets (%) pa	10%	11%	-1%
Return On Operating Capital Employed (%) pa	22%	27%	-5%
<b>Efficiency Ratios</b>			
Working Capital turnover	7	11	- 4
Account Receivable days	55	53	2
Inventory days	62	68	- 6
Accounts Payable days	60	66	- 5
<b>Liquidity Ratios</b>			
Current Ratio	4	4	0
Quick Ratio	3	3	0
<b>Financial Capital Ratios</b>			
Debt / Equity	0	0	0
Net Debt to Equity	0	0	0
Interest Coverage	n/a	n/a	