

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue was up 7% year on year at THB 5.0 billion for the first quarter of 2015 compared to THB 4.7 billion for the first quarter of 2014. Sales Revenue in USD terms increased by 7% to USD 153m from USD 143m in Q1 2014. Operating Profits decreased 1% to THB 386m in Q1 2015 from THB 391m in Q1 2014.

Net Profit decreased 68% to THB 517m in Q115 from THB 1,590m in Q114, which included THB 1,350m proceeds from business interruption insurance claim of subsidiary Hana Semiconductor (Ayutthaya) from the flood in 2011.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>31-Mar-15</u>		<u>31-Mar-14</u>		<u>Q115-Q114</u>	
					<u>Q115-Q114</u>	
PCBA (Lamphun, Thailand)	2,295,586	46%	2,200,198	47%	95,388	4%
PCBA (Jiaxing, China)	951,348	19%	929,845	20%	21,503	2%
IC (Ayutthaya, Thailand)	1,413,376	28%	1,235,720	26%	177,656	14%
IC (Jiaxing, China)	281,525	6%	263,076	6%	18,449	7%
HMT (Ohio, USA)	51,731	1%	41,194	1%	10,537	26%
Total Revenue	4,993,566		4,670,033		323,533	7%

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

Quarter 1 2015 sales revenue for the group increased 7% year-on-year in USD terms, from USD 143m in Q114 to USD 153m in Q115. The average exchange rate for Q115 was similar at THB/USD 32.65 from THB/USD 32.66 in Q114. As a result the sales revenue in THB terms was also 7% higher year on year.

Year-on-year, the microelectronics divisions sales increased by 4% in USD terms. Sales in Lamphun increased 4% whilst JiaXing decreased by 2%. The IC divisions USD sales revenues increased 13% in Q115, with revenues of the IC divisions in Ayutthaya increasing by 14% and JiaXing increasing by 7%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 26%.

**Quarter on Quarter Sales Revenue Analysis**

Group sales decreased quarter on quarter by 6% from USD 162m in Q414 to USD 153m in Q115. Sales in the microelectronics division decreased 10% with Lamphun decreasing 9% and JiaXing decreasing 10%. Sales revenues from the IC divisions were 2% higher in Q115 with Ayutthaya sales increasing by 4% and JiaXing IC sales decreasing by 10%. The microdisplay division sales decreased 1% in Q115 compared to Q414. In THB equivalent the group sales decreased by 6% in Q115 compared to Q414. The average THB/USD exchange rate was similar at 32.65 in Q115 from 32.71 in Q414.

**Sales Revenue Split**

	<u>Q1 2015</u>	<u>Q4 2014</u>	<u>Q3 2014</u>	<u>Q2 2014</u>	<u>Q1 2014</u>
PCBA (Lamphun, Thailand)	46%	48%	47%	45%	47%
PCBA (Jiaxing, China)	19%	20%	20%	21%	20%
IC (Ayutthaya, Thailand)	28%	25%	26%	28%	26%
IC (Jiaxing, China)	6%	6%	6%	5%	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 similar in Q115 to Q114 at 12%.

### **Operating Profit Analysis**

Year-on-year operating profits were 1% lower at THB 386m in Q115 compared to THB 391m in Q114. The Operating margin was similar at 8% in Q115 and Q114. SG&A expenses were 9% higher in Q115 than in Q114 due to increased building depreciation and other costs due to the opening the new factory in Lamphun in Q414. SG&A expenses in Q115 were 13% lower than in Q414 due to withholding tax on dividend reinvestment in the subsidiary in China in Q414.

### **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 Q115 was Baht/USD 32.65 from 32.66 in Q114 (and Baht/USD 32.71 in Q414).

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 32.56 at 31/03/15, and Baht/USD 32.44 at 31/03/14 (32.96 at 31/12/14) or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

No dividends were paid in Q115.

### **Financial Status**

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st March, 2015 were THB 9.0 billion up from 31st March, 2014 of THB 8.6 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 57 days in Q115 and 57 days in Q114.

	<u>31-Mar-15</u>	<u>31-Mar-14</u>	'000
Trade Receivables			
Less than 3 months	2,988,077	2,819,711	
3 - 6 months	17,806	67,979	
6 - 12 months	7,025	2,403	
More than 12 months	28	2,952	
Total accounts receivable - other companies	<u>3,012,936</u>	<u>2,893,045</u>	
Less : Allowance for doubtful accounts	(18,426)	(22,343)	
	<u>2,994,510</u>	<u>2,870,702</u>	

#### **Inventory**

In general, Hana's production is based on clients' orders, 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 68 days as at 31st March, 2015 and 71 days as at 31st March, 2014.

#### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q1 2015 was THB 582m which was 4% lower than Q1 2014 which was THB 605m.

#### **Capital Expenditure**

Net Capital Expenditure was THB 427m in Q1 2015 and THB 278m in Q1 2014. 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 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 200m 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 140m 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>31-Mar-15</u>		<u>31-Mar-14</u>		<u>Q115-Q114</u>	<u>Q115-Q114</u>
<b>REVENUES</b>						
Sales	4,993,566		4,670,033		323,533	7%
consisting of:						
PCBA (Lamphun, Thailand)	2,295,586	46%	2,200,198	47%	95,388	4%
PCBA (Jiaxing, China)	951,348	19%	929,845	20%	21,503	2%
CPG (Bangkok, Thailand)	-	0%	-	0%	-	
IC (Ayutthaya, Thailand)	1,413,376	28%	1,235,720	26%	177,656	14%
IC (Jiaxing, China)	281,525	6%	263,076	6%	18,449	7%
HMT (Ohio, USA)	51,731	1%	41,194	1%	10,537	26%
	<u>4,993,566</u>	100%	<u>4,670,033</u>	100%	<u>323,533</u>	7%
Share of Assoc. company Profit	-		-		-	
Other Income - Operating	44,621		50,314		(5,693)	-11%
<b>TOTAL OPERATING REVENUES</b>	<u>5,038,187</u>		<u>4,720,347</u>		<u>317,840</u>	7%
<b>EXPENSES</b>						
Cost of Sales	4,390,094	88%	4,089,004	88%	301,090	7%
Selling & Admin. Expenses	261,696	5%	239,991	5%	21,705	9%
<b>TOTAL EXPENSES</b>	<u>4,651,790</u>	93%	<u>4,328,995</u>	93%	<u>322,795</u>	7%
<b>OPERATING EARNINGS</b>	<u>386,397</u>	8%	<u>391,352</u>	8%	<u>(4,955)</u>	-1%
Other Income - Non Operating	4,549		12,395		(7,846)	
Interest	54,196		42,469		11,727	28%
Interest Expenses	(1,918)		(1,909)		(9)	
<b>EARNINGS before Income Tax</b>	<u>443,224</u>	9%	<u>444,307</u>	9%	<u>(1,083)</u>	0%
Corporate Income Tax	(14,539)	0%	(277,628)	-6%	263,089	-95%
<b>Earnings before Exch. &amp; Exceptional Items</b>	<u>428,685</u>		<u>166,679</u>		<u>262,006</u>	157%
Exchange Gain (Loss)	88,005		73,641		14,364	
Exceptional Items	-		1,350,000		(1,350,000)	
<b>NET EARNINGS for the Period</b>	<u>516,690</u>	10%	<u>1,590,320</u>	34%	<u>(1,073,630)</u>	-68%
EARNINGS % of SALES	10%		34%		-24%	
Average number of shares (1 Baht par)	804,879		804,879		-	
<b>EARNINGS per SHARE (baht) before exch. &amp; ex</b>	0.53		0.21		0.32	
<b>EARNINGS per SHARE (baht) after exceptionals</b>	0.64		1.98	-	1.34	
Operating Profit (EBIT)	386,397		391,352		(4,955)	-1%
Operating Profit Margin	8%		8%			
Depreciation	285,089		288,588		(3,499)	
EBITDA (excl exchange gain/loss)	671,486		679,940		(8,454)	-1%
EBITDA % of Sales Revenue	13%		15%			
Cashflow Earnings per Share	0.83		0.84	-	0.01	

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht

	Quarter <u>31-Mar-15</u>	Quarter <u>31-Mar-14</u>	<u>Q115-Q114</u>	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash in Hand & at Banks	6,008,567	5,933,274	75,293	
Financial Investments	2,700,918	2,675,690	25,228	
Accounts Receivable - trade	3,159,458	2,964,738	194,720	
Amounts due from Related Companies	-	-		
Inventories	3,339,076	3,230,253	108,823	
Other Current Assets	160,160	207,907	(47,747)	
<b>TOTAL CURRENT ASSETS</b>	<u>15,368,179</u>	<u>15,011,862</u>	<u>356,317</u>	
Fixed Deposit	327,651	-	327,651	
<b>FIXED ASSETS (net)</b>	6,532,852	6,627,664	(94,812)	
<b>OTHER ASSETS</b>	201,038	190,591	10,447	
<b>TOTAL ASSETS</b>	<u>22,429,720</u>	<u>21,830,117</u>	<u>599,603</u>	
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Bank Overdrafts & Loans	-	13,698	(13,698)	
Accounts & Notes Payable	2,531,501	2,573,329	(41,828)	
Corporate Income Tax Payable	167,291	294,757	(127,466)	
Accrued Expenses	362,443	422,196	(59,753)	
Other Current Liabilities	61,048	74,815	(13,767)	
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,122,283</u>	<u>3,378,795</u>	<u>(256,512)</u>	
<b>LONG TERM LIABILITIES</b>	540,621	399,198	141,423	
<b>TOTAL LIABILITIES</b>	<u>3,662,904</u>	<u>3,777,993</u>	<u>(115,089)</u>	
<b>SHAREHOLDERS EQUITY</b>				
Share Capital	804,879	804,879		
Treasury Shares	-	-		
Share Premium	1,723,219	1,723,219		
Retained Earnings				
Appropriated Statutory Reserve	386,272	375,919	10,353	
Unappropriated	15,545,523	14,891,422	654,101	
Translation adj. & Investment revaluation	306,923	256,685	50,238	
Unrealised gain(loss) on change in investments	-	-		
Excess Cost over Net Book Value of Subsidiary Investments	-	-		
<b>TOTAL SHAREHOLDERS EQUITY</b>	<u>18,766,816</u>	<u>18,052,124</u>	<u>714,692</u>	
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<u>22,429,720</u>	<u>21,830,117</u>	<u>599,603</u>	
	(0)	(0)		
Cash & Equivalents	9,037,136	8,608,964	428,172	5%
Liabilities	3,662,904	3,777,993	-115,089	
Debt/Equity	0.20	0.21	-0.01	
Net Debt (Net cash)	-5,374,232	-4,830,971	-543,261	
Net Debt/Equity	-0.29	-0.27	-0.02	

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 31-Mar-15</u>	<u>Quarter 31-Mar-14</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings before tax	531,229	1,867,948
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	285,089	288,588
Unrealised (gain) Loss on exchange	(55,442)	2,682
Increase (Decrease) in allowance for doubtful debts	(5,984)	18,074
Increase (Decrease) in allowance for obsolete inventories	13,421	9,084
Change in other provisions	(5,382)	(23,196)
	<u>231,702</u>	<u>295,232</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	184,105	199,309
Inventories	(23,583)	(67,356)
Trade accounts payable	92,638	96,742
Other	(106,038)	(203,890)
	<u>147,122</u>	<u>24,805</u>
<b>Net Cashflow from Operating Activities</b>	<u>910,053</u>	<u>2,187,985</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	198,310	(85,935)
Increase in property, plant and equipment	(434,291)	(198,788)
Proceeds from sale of fixed assets	3,260	6,352
Increase (decrease) in translation adjustment	(110,486)	(156,017)
Revaluation deficit on investments	(25,502)	(3,655)
Other		
	<u>(368,709)</u>	<u>(438,043)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	-	(119)
Dividend paid	-	-
Other	-	(2,248)
Net cash (used in ) from financing activities	<u>-</u>	<u>(2,367)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	541,344	1,747,575
Cash and Equivalents at the beginning of the period	<u>5,467,223</u>	<u>4,185,699</u>
Cash and Equivalents at the end of the period	<u>6,008,567</u>	<u>5,933,274</u>

# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	Quarter <u>31-Mar-15</u>	Quarter <u>31-Mar-14</u>	<u>Q115-Q114</u>
<b>Profitability Ratios</b>			
Gross Profit Margin (%)	12%	12%	0%
Operating Profit Margin (%)	8%	8%	-1%
Net Profit before Exceptional Margin (%)	9%	4%	5%
Net Profit after Exceptional Margin (%)	10%	34%	-24%
EBITDA margin (%)	15%	17%	-1%
Return On Equity (%) pa	11%	36%	-25%
Return On Assets (%) pa	9%	29%	-20%
Return On Operating Capital Employed (%) pa	15%	16%	-2%
<b>Efficiency Ratios</b>			
Working Capital turnover	5	9	- 4
Account Receivable days	57	57	- 0
Inventory days	68	71	- 3
Accounts Payable days	52	57	- 5
<b>Liquidity Ratios</b>			
Current Ratio	5	4	0
Quick Ratio	4	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	