

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 14% year on year to THB 7,125 million for the fourth quarter of 2022 from THB 6,260 million for the fourth quarter 2021. Sales Revenue in USD terms increased 4% to USD 196m in Q4 2022 from USD 188m in Q4 2021. Earnings from Operations increased 49% to THB 582m in Q4 2022 from THB 391m in Q4 2021.

Net Profit increased to THB 1,075m in Q422 from a loss of THB -56m in Q421, due to exchange gain in 2022 from a weaker THB/USD, whereas Q421 had an exceptional expense from Credit Suisse Supply Chain fund writedown.

THB '000	Quarter		Quarter		Q422-Q421	%
	Q422		Q421			
PCBA (Lamphun, Thailand)	2,796,764	39%	2,446,702	39%	350,062	14%
PCBA (Jiaxing, China)	1,069,037	15%	942,218	15%	126,819	13%
PCBA (Cambodia)	63,008	1%	36,522	1%	26,486	73%
IC (Ayutthaya, Thailand)	2,289,866	32%	2,226,826	36%	63,040	3%
IC (Jiaxing, China)	347,845	5%	300,778	5%	47,067	16%
HTI (Ohio, USA)	394,953	6%	281,215	4%	113,738	40%
IC Korea	163,628	2%	25,738	0%	137,890	536%
Total Revenue	7,125,101	100%	6,259,999	100%	865,102	14%

Sales Revenue Analysis
Year on Year Sales Revenue Analysis

Quarter 4 2022 sales revenue for the group increased 4% year-on-year in USD terms to USD 196m from USD 188m in Q421. The average exchange rate for Q422 was 9% weaker at THB/USD 36.4 from THB/USD 33.4 in Q421. As a result the sales revenue in THB terms increased 14% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales increased by 5%. Sales in Lamphun increased 5% and Jiaxing increased by 4% year on year. The IC divisions sales revenues decreased -4% in Q422, with revenues of the IC division in Ayutthaya decreasing -6% and Jiaxing increasing by 6%. Hana Technologies Inc. 'HTI' the Microdisplay/RFID operation in Ohio sales revenue increased 29% in Q422 from Q421.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter, in USD terms, sales for the group decreased -5% to USD 196m in Q422 from USD 207m in Q322. Sales in the microelectronics divisions decreased -7% with Lamphun decreasing -6% and Jiaxing decreasing -10%. Sales revenues from the IC divisions decreased -7% in Q422 from Q322 with Ayutthaya sales decreasing -7% and Jiaxing IC sales decreasing by -10%. HTI sales increased 7% in Q422 compared to Q322.

Sales Revenue Split

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
PCBA (Lamphun, Thailand)	39%	39%	41%	44%	39%
PCBA (Jiaxing, China)	15%	16%	13%	12%	15%
PCBA (Cambodia)	1%	1%	0%	1%	1%
IC (Ayutthaya, Thailand)	32%	33%	36%	33%	36%
IC (Jiaxing, China)	5%	5%	5%	5%	5%
HTI (Ohio, USA)	6%	5%	5%	4%	4%
IC Korea	2%	1%	0%	1%	
	100%	100%	100%	100%	100%

Gross Profit / Cost of Sales Analysis

The Gross Profit margin increased 2% points to 13% in Q422 from 11% Q421. Gross Margin in Q422 increased due to higher Revenue during the quarter due and weaker exchange rate.

Operating Profit Analysis, Sales and Administration Analysis

Year-on-year Earnings from Operations, were 49% higher at THB 582m in Q422 compared to THB 391m in Q421. The Operating margin was 2% points higher at 8% in Q422 and 6% in Q421. SG&A expenses were 41% higher in Q422 than Q421 due to increased R&D expenses at Powermaster, expansion at HTI.

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 Q422 was THB/USD 36.38, Q421 was THB/USD 33.38 (and Q322 was THB/USD 36.41).

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 THB/USD 34.56 at 31/12/22, and 33.42 at 31/12/21 (37.91 at 30/09/22) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

In Q422 THB 402m dividend of THB 0.50 per share was paid as an interim dividend from the profits of 2022.

In Q222 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2021.

In Q421 THB 805m dividend of THB 1.00 per share was paid as an interim dividend from the profits of 2021.

In Q221 THB 604m dividend of THB 0.75 per share was paid as the final dividend from the profits of 2020.

Financial Status

Net Cash reserves and financial investments were THB 3.6 billion at the 31st December 2022 down from THB 6.0 billion at the 31st December 2021.

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 were 63 days at 31st December, 2022, and 65 days in 2021.

	<u>31-Dec-22</u>	<u>31-Dec-21</u>	THB '000
Trade Receivables			
Less than 3 months	4,754,011	4,252,339	
3 - 6 months	31,736	52,465	
6 - 12 months	97	5,720	
More than 12 months	3,418	5,408	
Total accounts receivable - other companies	4,789,262	4,315,932	
Less : Allowance for doubtful accounts	(13,289)	(11,114)	
	<u>4,775,973</u>	<u>4,304,818</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 138 days as at 31st December, 2022 and 110 days as at 31st December, 2021.

Accounts Payable

Credit terms with suppliers are mostly open account with credit terms varying from cash in advance to 90 days. The credit term has been determined in accordance with the principles of fair dealing between the Company and suppliers. Average accounts payable were 61 days in Q422, 56 days in Q421.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q4 2022 was THB 1,051m which was 46% higher than Q4 2021 at THB 718m.

Capital Expenditure

Capital Expenditure was THB 682m in Q4 2022 and THB 992m in Q4 2021. Generally, capital expenditure for production equipment will follow the increase in sales, particularly in the IC division. However, there is a 6 to 12 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 120m 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

Forward Looking Statement

Factors That May Effect the financial condition of the Operating Results

The principle risks which may affect the company's operations are, but not limited to: Customer retention, winning new customers, product price erosion, customers products success in their respective markets and lifecycle of such products, consistently manufacturing products to agreed specifications and delivery schedules with customers, recall, product liability risks in the event of product failures, suppliers price and consistent supply of raw materials to agreed specifications, supplier financial solvency, fluctuation in foreign exchange rates for each of our operations compared to both product sales currency which is primarily USD, materials purchasing currency which is primarily USD and the operating currency in each country which we operate, wages and salaries increases, availability and turnover of direct labour and skilled staff, credit risks, market, liquidity and funding, insurance, operational, regulatory compliance, strategic, reputation, legal and regulatory environment, competitive and systemic risks.

Our success in executing and completing mergers and acquisitions and subsequent operational risks.

Our success in developing and marketing new products and factory processes.

Success in protecting intellectual property developed.

Macro-economic stability of the countries in which we, our customers and suppliers operate. Global financial stability which may affect interest rates and access of funding of the company, its customers and suppliers. Pandemic risks such as the continuing severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic, of businesses' and governments' responses to the pandemic the extent to which the COVID-19 pandemic and related impacts, including global supply chain disruptions.

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>Q422</u>		<u>Q421</u>		<u>Q422-Q421</u>	<u>Q422-Q421</u>
REVENUES						
Sales	7,125,101		6,259,998		865,103	14%
consisting of:						
PCBA (Lamphun, Thailand)	2,796,764	39%	2,446,702	39%	350,062	14%
PCBA (Jiaxing, China)	1,069,037	15%	942,218	15%	126,819	13%
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IC (Jiaxing, China)	347,845	5%	300,778	5%	47,067	16%
HTI (Ohio, USA)	394,953	6%	281,215	4%	113,738	40%
IC (Korea)	163,628	2%	25,738	0%	137,890	536%
	<u>7,125,101</u>	100%	<u>6,259,999</u>	100%	<u>865,102</u>	14%
Other Income	118,638		66,512		52,126	78%
TOTAL OPERATING REVENUES	<u>7,243,739</u>		<u>6,326,511</u>		<u>917,228</u>	14%
EXPENSES						
Cost of Sales	6,171,393	87%	5,586,587	89%	584,806	10%
Selling & Admin. Expenses	450,394	6%	343,346	5%	107,047	31%
R&D Expenses	40,222	1%	5,964	0%	34,258	574%
Other Expenses	-	0%	-	0%	-	0%
TOTAL EXPENSES	<u>6,662,009</u>	94%	<u>5,935,897</u>	95%	<u>726,112</u>	12%
OPERATING EARNINGS	<u>581,730</u>	8%	<u>390,614</u>	6%	<u>191,117</u>	49%
Other Income - non operating	584		459		125	27%
Interest Income	22,599		27,669		(5,070)	-18%
Finance Expenses	(5,880)		(2,729)		(3,151)	
EARNINGS before Income Tax	<u>599,034</u>	8%	<u>416,013</u>	7%	<u>183,020</u>	44%
Corporate Income Tax	(31,440)	0%	(11,280)	0%	(20,159)	179%
Earnings before Exch. & Exceptional Items	<u>567,594</u>		<u>404,733</u>		<u>162,861</u>	40%
Revaluation of Financial Instruments	(6,657)		-		(6,657)	
Exchange Gain (Loss)	514,545		(40,671)		555,216	
Exceptional Items	-		(420,498)		420,498	
NET EARNINGS for the Period	<u>1,075,482</u>	15%	<u>(56,436)</u>	-1%	<u>1,131,918</u>	-2006%
EARNINGS % of SALES	15%		-1%		16%	
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals	0.71		0.50		0.21	
EARNINGS per SHARE (baht) after exceptionals	1.34	-	0.07		1.41	
Earnings from Operations	581,730		390,613		191,117	49%
Earnings from Operations Margin	8%		6%			
Depreciation	469,374		327,823		141,551	
EBITDA (excl exchange gain/loss)	1,051,105		718,436		332,668	46%
EBITDA % of Sales Revenue	15%		11%			

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>31-Dec-22</u>	Quarter <u>31-Dec-21</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	1,106,921	(45,156)
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	469,374	327,823
Unrealised (gain) Loss on exchange	(111,207)	(120,106)
Increase (Decrease) in allowance for doubtful debts	(7,380)	2,261
Increase (Decrease) in allowance for obsolete inventories	37,989	48,601
Change in other provisions	29,913	381,712
	<u>418,688</u>	<u>640,291</u>
Working Capital (increase) decrease		
Trade accounts receivable	606,950	(129,920)
Inventories	(366,626)	(588,459)
Trade accounts payable	(529,553)	(193,367)
Other	(48,837)	(22,941)
	<u>(338,066)</u>	<u>(934,687)</u>
Net Cashflow from Operating Activities	<u>1,187,544</u>	<u>(339,552)</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	308,154	559,363
Increase in property, plant and equipment	(363,542)	(977,508)
Proceeds from sale of fixed assets	2,997	21,576
Increase (decrease) in translation adjustment	(759,394)	13,662
Revaluation deficit on investments	(18,584)	(37,363)
Other		
	<u>(830,368)</u>	<u>(420,269)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	0	-
Dividend paid	(402,439)	(804,879)
Other	(3,716)	(1,910)
Net cash (used in) from financing activities	<u>(406,155)</u>	<u>(806,789)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(48,979)	(1,566,610)
Cash and Equivalents at the beginning of the period	<u>2,423,687</u>	<u>4,870,784</u>
Cash and Equivalents at the end of the period	<u>2,374,708</u>	<u>3,304,173</u>

HANA MICROELECTRONICS GROUP

Financial Ratios

'000 Baht	Quarter <u>31-Dec-22</u>	Quarter <u>21-Dec-21</u>	<u>Q422-Q421</u>	
Profitability Ratios				
Gross Profit Margin (%)	13%	11%		2%
Operating Profit Margin (%)	9%	6%		3%
Net Profit before Exceptional Margin (%)	8%	6%		2%
Net Profit after Exceptional Margin (%)	15%	-1%		16%
EBITDA margin (%)	15%	11%		4%
Return On Equity (%) pa	18%	-1%		19%
Return On Assets (%) pa	14%	-1%		15%
Return On Operating Capital Employed (%) pa	11%	9%		2%
Efficiency Ratios				
Working Capital turnover	3	3		
Account Receivable days	63	65	-	2
Inventory days	138	110		28
Accounts Payable days	61	56		5
Liquidity Ratios				
Current Ratio	4	4		
Quick Ratio	2	3	-	1
Financial Capital Ratios				
Debt / Equity	0	0		
Net Debt to Equity	0	0		
Interest Coverage	n/a	n/a		