

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue decreased -2% year on year to THB 6,752 million for the second quarter of 2024 from THB 6,910 million for the second quarter 2023. Sales Revenue in USD terms decreased -8% to USD 184m in Q2 2024 from USD 200m in Q2 2023. Earnings from Operations decreased -37% to THB 494m in Q2 2024 from THB 786m in Q2 2023.

Net Profit decreased to THB 376m in Q224 from THB 635m in Q223, due to lower sales revenue in Q224 compared to Q223.

THB '000	Quarter		Quarter		Q224-Q223	%
	Q224		Q223			
PCBA (Lamphun, Thailand)	3,232,391	48%	3,142,429	45%	89,962	3%
PCBA (Jiaxing, China)	1,003,979	15%	893,431	13%	110,548	12%
PCBA (Cambodia)	70,043	1%	128,107	2%	(58,064)	-45%
IC (Ayutthaya, Thailand)	1,604,026	24%	1,983,114	29%	(379,088)	-19%
IC (Jiaxing, China)	168,034	2%	293,032	4%	(124,998)	-43%
HTI (Ohio, USA)	503,518	7%	340,912	5%	162,606	48%
IC Korea	169,722	3%	129,258	2%	40,464	31%
Total Revenue	6,751,713	100%	6,910,283	100%	(158,570)	-2%

Sales Revenue Analysis
Year on Year Sales Revenue Analysis

Quarter 2 2024 sales revenue for the group decreased -8% year-on-year in USD terms to USD 184m from USD 200m in Q223. The average exchange rate for Q224 was -6.5% weaker at THB/USD 36.7 from THB/USD 34.5 in Q223. As a result the sales revenue in THB terms decreased -2% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales decreased by -1%. Sales in Lamphun decreased -3.4% and Jiaxing increased by 6% year on year. The IC divisions sales revenues decreased -27% in Q224, with revenues of the IC division in Ayutthaya decreasing -24% and Jiaxing decreasing by -46%. Power Master Semiconductor 'PMS', in Korea, sales revenue increased 23%. Hana Technologies Inc. 'HTI' the Microdisplay/RFID operation in Ohio, USA, sales revenue increased 38% in Q224 from Q223.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter, in USD terms, sales for the group increased 3% to 184m in Q224 from USD 179m in Q124. Sales in the microelectronics divisions increased 1% with Lamphun decreasing -1% and Jiaxing increasing 10%. Sales revenues from the IC divisions decreased -1% in Q224 from Q124 with Ayutthaya sales decreasing -4% and Jiaxing IC sales increasing by 31%. PMS sales increased 85% in Q224 compared to Q124. HTI sales increased 19% in Q224 compared to Q124.

Sales Revenue Split

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
PCBA (Lamphun, Thailand)	48%	50%	49%	47%	45%
PCBA (Jiaxing, China)	15%	14%	12%	12%	13%
PCBA (Cambodia)	1%	1%	1%	2%	2%
IC (Ayutthaya, Thailand)	24%	26%	27%	28%	29%
IC (Jiaxing, China)	2%	2%	2%	4%	4%
HTI (Ohio, USA)	7%	6%	7%	6%	5%
IC Korea	3%	1%	2%	1%	2%
	100%	100%	100%	100%	100%

Gross Profit / Cost of Sales Analysis

The Gross Profit margin decreased -3% points to 12% in Q224 from 15% Q223. Gross Margin in Q224 decreased due to lower sales revenue in IC Divisions and capacity ramp up in PMS.

Operating Profit Analysis, Sales and Administration Analysis

Year-on-year Earnings from Operations, were -37% lower at THB 494m in Q224 compared to THB 786m in Q223. The Operating margin decreased to 7% in Q224 from 11% in Q223. SG&A expenses increased 23% in Q224 compared to Q223 due to THB 66m increase in SGA expenses and THB 18m higher interest expense.

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 Q224 was THB/USD 36.71, Q223 was THB/USD 34.48, (Q124 was THB/USD 35.66).

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 36.85 at 30/06/24, and THB/USD 35.59 at 30/06/23 (36.47 at 31/03/24) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

In Q224 THB 443m final dividend of THB 0.50 per share was paid during the quarter from the profits of 2023.

In Q223 THB 402m final dividend of THB 0.50 per share was paid during the quarter from the profits of 2022.

Financial Status

Net Cash reserves and financial investments were THB 9.4 billion at the 30th June 2024 up from THB 3.2 billion at the 30th June 2023.

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 68 days at 30th June 2024, and 72 days in 2023.

	<u>30-Jun-24</u>	<u>30-Jun-23</u>	THB '000
Trade Receivables			
Less than 3 months	4,828,713	5,232,922	
3 - 6 months	144,157	53,176	
6 - 12 months	38,298	23,945	
More than 12 months	11,518	10,079	
Total accounts receivable - other companies	5,022,686	5,320,122	
Less : Allowance for doubtful accounts	(7,668)	(14,479)	
	<u>5,015,018</u>	<u>5,305,643</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 133 days as at 30th June 2024 and 146 days as at 30th June 2023.

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 60 days in Q224, 63 days in Q223.

Liquidity

Liquidity Current ratio is over 3 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q2 2024 was THB 933m which was -23% lower than Q2 2023 at THB 1,212m.

Capital Expenditure

Capital Expenditure was THB 642m in Q2 2024 and THB 930m in Q2 2023. 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

The group has debt to fund certain subsidiaries capital expenditure. However, as the operating working capital is positive, the groups major 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, as of the 30th September 2023 all foreign exchange contracts to hedge the Baht against the USD have been unwound so there is zero net outstanding THB/USD contracts. This action was taken due to weakening THB/USD and high interest rate differential between USD and THB. At the end of Q223 USD 120m was hedged (sell USD buy THB).

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

On 19 July 2024, a subsidiary, Hana Semiconductor (Ayutthaya) Co., LTD entered into a contract for the purchase of land and buildings located next to the subsidiary's factory in Hi-Tech Industrial Estate, Ban Wa, Phra Nakhon Si Ayutthaya Province, for the amount of Baht 86.0 million.

On 8 August 2024 payment of THB 372,400,000 to the increase in the share capital of associate company FT1 Corporation LTD.

On 9 August 2024, a subsidiary, received from Credit Suisse, USD 8,535,821 being the final payment due from the voluntary redemption offer for the termination of Credit Suisse Asset Management (Switzerland) AG Supply Chain Fund in 2021.

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 COVID-19, may occur which may affect customer demand and the global supply chain.

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

	'000 Baht	Quarter		Quarter		%	
		Q224		Q223		Q224-Q223	Q224-Q223
REVENUES							
Sales		6,751,713		6,910,283		(158,570)	-2%
consisting of:							
PCBA (Lamphun, Thailand)		3,232,391	48%	3,142,429	45%	89,962	3%
PCBA (Jiaxing, China)		1,003,979	15%	893,431	13%	110,548	12%
PCBA (Cambodia)		70,043	1%	128,107	2%	(58,064)	-45%
IC (Ayutthaya, Thailand)		1,604,026	24%	1,983,114	29%	(379,088)	-19%
IC (Jiaxing, China)		168,034	2%	293,032	4%	(124,998)	-43%
HTI (Ohio, USA)		503,518	7%	340,912	5%	162,606	48%
IC (Korea)		169,722	3%	129,258	2%	40,464	31%
		<u>6,751,713</u>	100%	<u>6,910,283</u>	100%	<u>(158,570)</u>	-2%
Other Income		79,068		99,941		(20,873)	-21%
TOTAL OPERATING REVENUES		<u>6,830,781</u>		<u>7,010,224</u>		<u>(179,443)</u>	-3%
EXPENSES							
Cost of Sales		5,917,585	88%	5,871,484	85%	46,101	1%
Selling & Admin. Expenses		390,585	6%	328,844	5%	61,741	19%
R&D Expenses		28,431	0%	24,174	0%	4,257	18%
Other Expenses		-	0%	-	0%	-	0%
		<u>6,336,601</u>	94%	<u>6,224,502</u>	90%	<u>112,099</u>	2%
OPERATING EARNINGS		<u>494,180</u>	7%	<u>785,722</u>	11%	<u>(291,542)</u>	-37%
Other Income - non operating		71		53		18	34%
Interest Income		49,415		20,820		28,595	137%
Finance Expenses		(25,856)		(8,039)		(17,817)	
EARNINGS before Income Tax		<u>517,810</u>	8%	<u>798,556</u>	11%	<u>(280,746)</u>	-35%
Corporate Income Tax		(30,922)	0%	(32,866)	0%	1,944	-6%
Earnings before Exch. & Exceptional Items		<u>486,888</u>		<u>765,690</u>		<u>(278,802)</u>	-36%
Revaluation of Financial Instruments		-		-		-	
Exchange Gain (Loss)		(110,504)		(130,309)		19,805	
Exceptional Items		-		-		-	
NET EARNINGS for the Period		<u>376,384</u>	6%	<u>635,381</u>	9%	<u>(258,997)</u>	-41%
EARNINGS % of SALES		6%		9%		-4%	
Average number of shares (1 Baht par)		885,367		804,879		80,488	
EARNINGS per SHARE (baht) before exch. & exceptionals		0.55		0.95		0.40	
EARNINGS per SHARE (baht) after exceptionals		0.43		0.79		0.36	
Earnings from Operations		494,180		785,722		(291,542)	-37%
Earnings from Operations Margin		7%		11%			
Depreciation		438,845		426,498		12,347	
EBITDA (excl exchange gain/loss)		933,025		1,212,220		(279,195)	-23%
EBITDA % of Sales Revenue		14%		18%			

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CONSOLIDATED STATEMENT OF EARNINGS

	YTD		YTD		YTD	
	'000 Baht	30-Jun-24	30-Jun-23	Q224-Q223	Q224-Q223	YTD %
REVENUES						
Sales		13,122,222	13,376,261	(254,039)		-2%
consisting of:						
PCBA (Lamphun, Thailand)		6,408,639	49% 6,174,804	46% 233,835		4%
PCBA (Jiaxing, China)		1,888,148	14% 1,690,690	13% 197,458		12%
PCBA (Cambodia)		130,895	1% 210,370	2% (79,476)		-38%
IC (Ayutthaya, Thailand)		3,227,586	25% 3,798,946	28% (571,360)		-15%
IC (Jiaxing, China)		292,712	2% 540,143	4% (247,431)		-46%
HTI (Ohio, USA)		914,232	7% 686,233	5% 227,999		33%
IC (Korea)		260,010	2% 275,075	2% (15,065)		-5%
		<u>13,122,222</u>	100% <u>13,376,261</u>	100% <u>(254,040)</u>		-2%
Other Income		174,533	219,782	(45,249)		-21%
TOTAL OPERATING REVENUES		<u>13,296,755</u>	<u>13,596,043</u>	<u>(299,289)</u>		-2%
EXPENSES						
Cost of Sales		11,601,027	88% 11,784,371	88% (183,344)		-2%
Selling & Admin. Expenses		778,033	6% 691,483	5% 86,550		13%
R&D Expenses		56,189	0% 59,404	0% (3,215)		-5%
Other Expenses		-	0% -	0% -		0%
		<u>12,435,249</u>	95% <u>12,535,258</u>	94% <u>(100,009)</u>		-1%
OPERATING EARNINGS		<u>861,506</u>	6% <u>1,060,785</u>	8% <u>(199,280)</u>		-19%
Other Income - non operating		71	53	18		
Interest Income		84,856	37,914	46,942		124%
Finance Expenses		(49,712)	(9,809)	(39,903)		
EARNINGS before Income Tax		<u>896,721</u>	7% <u>1,088,943</u>	8% <u>(192,223)</u>		-18%
Corporate Income Tax		(57,570)	6% (44,567)	4% (13,003)		29%
Earnings before Exch. & Exceptional Items		<u>839,151</u>	<u>1,044,376</u>	<u>(205,226)</u>		-20%
Revaluation of Financial Instruments		-	-	-		
Exchange Gain (Loss)		(149,566)	(142,505)	(7,061)		
Exceptional Items		-	-	-		
NET EARNINGS for the Period		<u>689,585</u>	5% <u>901,871</u>	7% <u>(212,287)</u>		-24%
EARNINGS % of SALES		5%	7%	-1%		
Average number of shares (1 Baht par)		885,367	804,879	80,488		
EARNINGS per SHARE (baht) before exch. & exceptionals		0.95	1.30	- 0.35		
EARNINGS per SHARE (baht) after exceptionals		0.78	1.12	- 0.34		
Earnings from Operations		861,506	1,060,785	(199,279)		
Earnings from Operations Margin		7%	8%			
Depreciation		877,856	847,481	30,375		
EBITDA (excl exchange gain/loss)		1,739,362	1,908,266	(168,904)		
EBITDA % of Sales Revenue		13%	14%			

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Jun-24</u>	Quarter <u>30-Jun-23</u>	<u>Q224-Q223</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	2,902,545	2,768,399	134,146
Financial Investments	7,649,746	1,236,653	6,413,093
Accounts Receivable - trade	5,130,009	5,509,501	(379,492)
Amounts due from Related Companies	-	-	
Inventories	8,729,610	9,493,308	(763,698)
Other Current Assets	151,454	168,352	(16,898)
TOTAL CURRENT ASSETS	<u>24,563,364</u>	<u>19,176,213</u>	<u>5,387,151</u>
Long Term Financial Investments	-	151	(151)
FIXED ASSETS (net)	12,079,700	11,351,586	728,114
OTHER ASSETS	538,593	487,538	51,055
TOTAL ASSETS	<u>37,181,657</u>	<u>31,015,488</u>	<u>6,166,169</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	1,134,500	800,759	333,741
Accounts & Notes Payable	3,931,327	4,139,468	(208,141)
Accrued Expenses	-	-	
Short Term Provisions	368,497	355,893	12,604
Corporate Income Tax Payable	39,949	28,944	11,005
Current portion of Long Term Loan	50,581	4,904	45,677
Current portion of Lease Liabilities	1,416	2,319	(903)
Other Current Liabilities	156,747	349,201	(192,454)
TOTAL CURRENT LIABILITIES	<u>5,683,017</u>	<u>5,681,488</u>	<u>1,529</u>
Long Term Loans	388,462		388,462
Other Long Term Liabilities	932,868	878,264	54,604
TOTAL LIABILITIES	<u>7,004,347</u>	<u>6,559,752</u>	<u>444,595</u>
SHAREHOLDERS EQUITY			
Share Capital	885,367	804,879	80,488
Treasury Shares	-	-	
Share Premium	6,230,536	1,723,219	4,507,317
Retained Earnings			
Appropriated Statutory Reserve	543,531	539,086	4,445
Unappropriated	21,375,037	20,730,755	644,282
Other components of shareholders equity	1,142,839	657,797	485,042
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>30,177,310</u>	<u>24,455,736</u>	<u>5,721,574</u>
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>37,181,657</u>	<u>31,015,488</u>	<u>6,166,169</u>

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Jun-24</u>	Quarter <u>30-Jun-23</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	407,306	668,247
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	438,845	426,498
Unrealised (gain) Loss on exchange	24,593	166,834
Increase (Decrease) in allowance for doubtful debts	(9,122)	(3,122)
Increase (Decrease) in allowance for obsolete inventories	16,837	18,281
Change in other provisions	(54,096)	62,450
	<u>417,057</u>	<u>670,941</u>
Working Capital (increase) decrease		
Trade accounts receivable	(97,141)	(295,422)
Inventories	572,313	(289,815)
Trade accounts payable	(2,206)	489,160
Other	(5,601)	27,573
	<u>467,365</u>	<u>(68,504)</u>
Net Cashflow from Operating Activities	<u>1,291,728</u>	<u>1,270,684</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	(575,570)	(83,166)
Increase in property, plant and equipment	(394,566)	(1,000,753)
Proceeds from sale of fixed assets	4,901	6,704
Increase (decrease) in translation adjustment	170,249	242,721
Revaluation deficit on investments	(100,912)	41,200
Other		
	<u>(895,898)</u>	<u>(793,294)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	(31,377)	(176)
Dividend paid	(442,683)	(402,439)
Other	210,266	846,850
Net cash (used in) from financing activities	<u>(263,794)</u>	<u>444,235</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	132,036	921,625
Cash and Equivalents at the beginning of the period	<u>2,825,591</u>	<u>1,846,774</u>
Cash and Equivalents at the end of the period	<u>2,957,627</u>	<u>2,768,399</u>

HANA MICROELECTRONICS GROUP

Financial Ratios

'000 Baht	Quarter <u>30-Jun-24</u>	Quarter <u>30-Jun-23</u>	<u>Q224-Q223</u>	
Profitability Ratios				
Gross Profit Margin (%)	12%	15%		-3%
Operating Profit Margin (%)	8%	12%		-4%
Net Profit before Exceptional Margin (%)	7%	11%		-4%
Net Profit after Exceptional Margin (%)	6%	9%		-3%
EBITDA margin (%)	14%	18%		-4%
Return On Equity (%) pa	5%	10%		-5%
Return On Assets (%) pa	4%	8%		-4%
Return On Operating Capital Employed (%) pa	9%	14%		-5%
Efficiency Ratios				
Working Capital Turnover (A/R+Inventory-A/P)	3	3		
Account Receivable days	68	72	-	4
Inventory days	133	146	-	13
Accounts Payable days	60	63	-	3
Liquidity Ratios				
Current Ratio	4	3		1
Quick Ratio	3	2		1
Financial Capital Ratios				
Debt / Equity	0	0		
Net Debt to Equity	0	0		
Interest Coverage	n/a	n/a		