

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue was up 11% year on year at THB 5.0 billion for the third quarter of 2013 compared to THB 4.5 billion for the third quarter of 2012. Sales Revenue in USD terms increased by 17% to USD 158m from USD 144m in Q3 2012. Operating Profits increased 127% to THB 584m in Q3 2013 from THB 257m in Q3 2012.

	<u>Quarter</u> <u>30-Sep-13</u>		<u>Quarter</u> <u>30-Sep-12</u>		<u>%</u> <u>Q313-Q312</u>	
PCBA (Lamphun, Thailand)	2,206,638	44%	1,735,377	39%	471,261	27%
PCBA (Jiaxing, China)	1,023,009	21%	1,137,324	25%	(114,315)	-10%
IC (Ayutthaya, Thailand)	1,394,086	28%	1,221,766	27%	172,320	14%
IC (Jiaxing, China)	309,320	6%	355,057	8%	(45,737)	-13%
HMT (Ohio, USA)	33,202	1%	34,447	1%	(1,245)	-4%
Total Revenue	4,966,255		4,483,971		482,284	11%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 3 2013 sales revenue for the group increased 17% year-on-year in USD terms, from USD 144m in Q312 to USD 158m in Q313. The average exchange rate for Q313 was 1% weaker at THB/USD 31.48 from THB/USD 31.09 in Q312. As a result the sales revenue in THB terms was 11% higher year on year.

Year-on-year, the microelectronics divisions sales increased by 13% in USD terms. Sales in Lamphun increased 27% whilst JiaXing decreased by 10%. The IC divisions USD sales revenues increased 8% in Q313, with revenues of the IC divisions in Ayutthaya increasing by 14% and JiaXing decreasing by 13%. "HMT" the microdisplay/RFID operation in Ohio sales revenue decreased 4%.

Quarter on Quarter Sales Revenue Analysis

Group sales increased quarter on quarter by 16% from USD 143m in Q213 to USD 157m in Q313. Sales in the microelectronics division increased 9% with Lamphun increasing 11% and JiaXing increasing 5%. Sales revenues from the IC divisions were 14% higher with Ayutthaya sales increasing by 18% and JiaXing IC sales decreasing by 1%. The microdisplay division sales decreased 5% in Q313 compared to Q213. In THB equivalent the group sales increased by 16% in Q313 compared to Q213. The average THB/USD exchange rate strengthened by 5% to 31.48 in Q313 from 29.89 in Q213.

Sales Revenue Split

	<u>Q3 2013</u>	<u>Q2 2013</u>	<u>Q1 2013</u>	<u>Q4 2012</u>	<u>Q3 2012</u>
PCBA (Lamphun, Thailand)	44%	44%	42%	40%	39%
PCBA (Jiaxing, China)	21%	22%	22%	25%	25%
IC (Ayutthaya, Thailand)	28%	26%	28%	28%	27%
IC (Jiaxing, China)	6%	7%	6%	6%	8%
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 15% in Q313 up from 9% in Q312 due to higher sales revenue and weaker Thai Baht Exchange rate in Q313.

Operating Profit Analysis

Year-on-year operating profits were 127% higher in Q313 due to the higher sales revenue and gross profit in Q313. Operating margins were higher at 12% in Q313 from 6% in Q312 due to the higher gross margin in Q313. SG&A expenses were 4% higher in Q313 than in Q312. SG&A expenses in Q313 were 5% lower than in Q213.

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 Q313 was Baht/USD 31.48 from 31.09 in Q312 (and Baht/USD 29.89 in Q213).

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 31.39 at 30/09/13, and 30.83 at 30/09/12 (31.13 at 30/06/13) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid out in Q313.

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 30th September, 2013 were THB 7.0 billion and 30th September, 2012 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 53 days in Q313 and 56 days in Q312.

Accounts receivable - other companies	<u>30-Sep-13</u>	<u>30-Sep-12</u>	'000
Less than 3 months	2,833,856	2,680,433	
3 - 6 months	2,766	40,885	
6 - 12 months	21,654	10,188	
More than 12 months	9,727	3,685	
Total accounts receivable - other companies	<u>2,868,003</u>	<u>2,735,191</u>	
Less : Allowance for doubtful accounts	(8,237)	(6,915)	
	<u>2,859,766</u>	<u>2,728,276</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 68 days as at 30th September, 2013 and 67 days as at 30th September, 2012.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q3 2013 was THB 885m which was 51% higher than Q3 2012 which was THB 587m.

Capital Expenditure

Capital Expenditure was THB 259m in Q3 2013 and THB 282m in Q3 2012. 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% 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 groups 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 30m was received as a further part payment for the property claim settlement in Q113.

THB 712m recorded in Q213 as exceptional income to complete the THB 1,042m settlement of the building and machinery property insurance claim in regards to the 2011 flood.

No further flood related insurance payments were booked in Q313.

Insurance claims for inventory damage and business interruption are still in progress.

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.

Subsequent Event

None

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>30-Sep-13</u>		<u>30-Sep-12</u>		<u>Q313-Q312</u>	<u>Q313-Q312</u>
REVENUES						
Sales	4,966,255		4,483,971		482,284	11%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	2,206,638	44%	1,735,377	39%	471,261	27%
<i>PCBA (Jiaxing, China)</i>	1,023,009	21%	1,137,324	25%	(114,315)	-10%
<i>CPG (Bangkok, Thailand)</i>	-	0%	-	0%	-	
<i>IC (Ayutthaya, Thailand)</i>	1,394,086	28%	1,221,766	27%	172,320	14%
<i>IC (Jiaxing, China)</i>	309,320	6%	355,057	8%	(45,737)	-13%
<i>HMT (Ohio, USA)</i>	33,202	1%	34,447	1%	(1,245)	-4%
	<u>4,966,255</u>	100%	<u>4,483,971</u>	100%	<u>482,284</u>	11%
Share of Assoc. company Profit	-		-		-	
Interest	40,870		39,309		1,561	4%
Other Income - Operating	67,620		72,767		(5,147)	-7%
Other Income - Non Operating	34,096		(5,715)		39,811	
TOTAL REVENUES	<u>5,108,841</u>		<u>4,590,332</u>		<u>518,509</u>	11%
EXPENSES						
Cost of Sales	4,226,601	85%	4,085,259	91%	141,342	3%
Selling & Admin. Expenses	223,162	4%	214,255	5%	8,907	4%
Interest Expenses	2,310		2,025		285	
TOTAL EXPENSES	<u>4,452,073</u>	90%	<u>4,301,539</u>	96%	<u>150,534</u>	3%
EARNINGS from Operation	<u>656,768</u>	0.129	<u>288,793</u>	0.063	<u>367,975</u>	127%
Exchange Gain (Loss)	43,162		85,757		(42,595)	
Share of Assoc. company Loss	-		-		-	
EARNINGS before Income Tax	<u>699,930</u>	14%	<u>374,550</u>	8%	<u>325,380</u>	87%
Corporate Income Tax	(22,677)	3%	(45,595)	12%	22,918	-50%
Earnings before Exceptional Items	<u>677,253</u>		<u>328,955</u>		<u>348,298</u>	106%
Exceptional Items	(110,401)		311,739		(422,140)	
NET EARNINGS for the Period	<u>566,852</u>	11%	<u>640,694</u>	14%	<u>(73,842)</u>	-12%
EARNINGS % of SALES	11%		14%		-3%	
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & ex	0.79		0.30		0.49	
EARNINGS per SHARE (baht) after exceptionals	0.70		0.80		0.09	
Operating Profit (EBIT)	584,112		257,224		326,888	
	12%		6%			
Depreciation	300,951		329,813		(28,862)	
EBITDA (excl exchange gain/loss)	885,063		587,037		298,026	
EBITDA % of Sales Revenue	18%		13%			
Cashflow Earnings per Share	1.10		0.73		0.37	

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CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	YTD		YTD		YTD	YTD %
	<u>30-Sep-13</u>		<u>30-Sep-12</u>		<u>Q313-Q312</u>	<u>Q313-Q312</u>
REVENUES						
Sales	12,849,457		13,171,502		(322,045)	-2%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	5,629,920	44%	5,574,316	42%	55,604	1%
<i>PCBA (Jiaxing, China)</i>	2,753,580	21%	3,272,683	25%	(519,103)	-16%
<i>CPG (Bangkok, Thailand)</i>	-	0%	73,710	1%	(73,710)	-100%
<i>IC (Ayutthaya, Thailand)</i>	3,530,714	27%	3,207,985	24%	322,729	10%
<i>IC (Jiaxing, China)</i>	833,761	6%	930,128	7%	(96,367)	-10%
<i>HMT (Ohio, USA)</i>	101,482	1%	112,680	1%	(11,198)	-10%
	<u>12,849,457</u>	100%	<u>13,171,502</u>	100%	<u>(322,045)</u>	-2%
Interest	119,715		126,867		(7,152)	-6%
Other Income - Operating	208,187		238,440		(30,253)	-13%
Other Income - Non Operating	87,586		49,497		38,089	77%
TOTAL REVENUES	<u>13,264,945</u>		<u>13,586,306</u>		<u>(321,361)</u>	-2%
EXPENSES						
Cost of Sales	11,443,229	89%	11,824,651	90%	(381,422)	-3%
Selling & Admin. Expenses	691,916	5%	698,417	5%	(6,501)	-1%
Interest Expenses	6,956		5,805		1,151	
TOTAL EXPENSES	<u>12,142,101</u>	94%	<u>12,528,873</u>	95%	<u>(386,772)</u>	-3%
EARNINGS from Operation	<u>1,122,844</u>	0.085	<u>1,057,433</u>	0.078	<u>65,411</u>	6%
Exchange Gain (Loss)	9,233		119,316		(110,083)	
EARNINGS before Income Tax	<u>1,132,077</u>	9%	<u>1,176,749</u>	9%	<u>(44,672)</u>	-4%
Corporate Income Tax	(40,559)	4%	(81,744)	7%	41,185	-50%
Earnings before Exceptional Items	<u>1,091,518</u>		<u>1,095,005</u>		<u>(3,487)</u>	0%
Exceptional Items	631,814		337,730		294,084	
NET EARNINGS for the Period	<u>1,723,332</u>	13%	<u>1,432,735</u>	11%	<u>290,597</u>	20%
EARNINGS % of SALES						
Average number of shares (1 Baht par)	804,879		808,586		(3,707)	
EARNINGS per SHARE (baht) before exch. & ex	1.34		1.21		0.14	
EARNINGS per SHARE (baht) after exceptionals	2.14		1.77		0.37	
Operating Profit (EBIT)	922,499		886,874		35,625	
	7%		7%			
Depreciation	903,830		917,232		(13,402)	
EBITDA (excl exchange gain/loss)	1,826,329		1,804,106		22,223	
EBITDA % of Sales Revenue	14%		14%			
Cashflow Earnings per Share	2.27		2.23		0.04	

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CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Sep-13</u>	Quarter <u>30-Sep-12</u>	<u>Q313-Q312</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	4,891,017	3,414,603	1,476,414
Financial Investments	2,240,344	2,348,433	(108,089)
Accounts Receivable - trade	2,926,445	2,808,718	117,727
Amounts due from Related Companies	-	-	
Inventories	3,216,454	3,026,382	190,072
Other Current Assets	98,966	268,430	(169,464)
TOTAL CURRENT ASSETS	<u>13,373,226</u>	<u>11,866,566</u>	<u>1,506,660</u>
LOAN TO OTHER COMPANY	97	97	
FIXED ASSETS (net)	6,685,461	6,541,910	143,551
OTHER ASSETS	67,730	111,247	(43,517)
TOTAL ASSETS	<u>20,126,514</u>	<u>18,519,820</u>	<u>1,606,694</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	16,529	25,610	(9,081)
Accounts & Notes Payable	3,078,171	2,479,164	599,007
Corporate Income Tax Payable	17,206	28,338	(11,132)
Accrued Expenses	528,407	447,992	80,415
Other Current Liabilities	81,008	35,531	45,477
TOTAL CURRENT LIABILITIES	<u>3,721,321</u>	<u>3,016,635</u>	<u>704,686</u>
LONG TERM LIABILITIES	426,348	389,277	37,071
TOTAL LIABILITIES	<u>4,147,669</u>	<u>3,405,912</u>	<u>741,757</u>
SHAREHOLDERS EQUITY			
Share Capital	804,879	804,879	
Treasury Shares	-	-	
Share Premium	1,723,219	1,723,219	
Retained Earnings			
Appropriated Statutory Reserve	375,919	352,497	23,422
Unappropriated	13,089,675	12,404,247	685,428
Translation adj. & Investment revaluation	(14,847)	(170,934)	156,087
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>15,978,845</u>	<u>15,113,908</u>	<u>864,937</u>
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>20,126,514</u>	<u>18,519,820</u>	<u>1,606,694</u>
	-	-	
Cash & Equivalents	7,131,361	5,763,036	1,368,325
Liabilities	4,147,669	3,405,912	741,757
Debt/Equity	0.26	0.23	0.03
Net Debt (Net cash)	-2,983,692	-2,357,124	-626,568
Net Debt/Equity	-0.19	-0.16	-0.03

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CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Sep-13</u>	Quarter <u>30-Sep-12</u>
Cashflow from Operating Activities		
Net Earnings before tax	589,529	686,289
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	301,928	330,609
Unrealised (gain) Loss on exchange	(40,144)	31,975
Increase (Decrease) in allowance for doubtful debts	(229)	1,479
Increase (Decrease) in allowance for obsolete inventories	(110,671)	(36,355)
Change in other provisions	89,285	(129,557)
	<u>240,169</u>	<u>198,151</u>
Working Capital (increase) decrease		
Trade accounts receivable	69,913	545,468
Inventories	(271,366)	(23,532)
Trade accounts payable	513,152	(647,669)
Other	(11,841)	(128,881)
	<u>299,858</u>	<u>(254,614)</u>
Net Cashflow from Operating Activities	<u>1,129,556</u>	<u>629,826</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	(24,534)	4,350
Increase in property, plant and equipment	(345,197)	(303,911)
Proceeds from sale of fixed assets	13,227	1,721
Increase (decrease) in translation adjustment	81,611	(207,020)
Revaluation deficit on investments	14,984	(25,498)
Other		
	<u>(259,909)</u>	<u>(530,358)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	(146)	-
Dividend paid	-	-
Other	(2,105)	25,610
Net cash (used in) from financing activities	<u>(2,251)</u>	<u>25,610</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	867,396	125,078
Cash and Equivalents at the beginning of the period	<u>4,023,621</u>	<u>3,289,525</u>
Cash and Equivalents at the end of the period	4,891,017	3,414,603

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Financial Ratios

'000 Baht	<u>Quarter</u> <u>30-Sep-13</u>	<u>Quarter</u> <u>30-Sep-12</u>	<u>Q313-Q312</u>	
Profitability Ratios				
Gross Profit Margin (%)	15%	9%		6%
Operating Profit Margin (%)	12%	6%		6%
Net Profit before Exceptional Margin (%)	14%	7%		6%
Net Profit after Exceptional Margin (%)	11%	14%		-3%
EBITDA margin (%)	18%	13%		5%
Return On Equity (%) pa	14%	17%		-3%
Efficiency Ratios				
Working Capital turnover	6.2	5.3		0.8
Account Receivable days	53	56	-	3.3
Inventory days	68	67		1.8
Accounts Payable days	66	55		10.9
Liquidity Ratios				
Current Ratio	3.6	3.9	-	0.3
Quick Ratio	2.7	2.8	-	0.1
Financial Capital Ratios				
Debt / Equity	0.3	0.2		0.0
Net Debt to Equity	-0.2	-0.2	-	0.0
Interest Coverage	n/a	n/a		