

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 19% year on year to THB 6.3 billion for the fourth quarter of 2021 from THB 5.3 billion for the fourth quarter 2020. Sales Revenue in USD terms increased 9% to USD 187m in Q4 2021 from USD 172m in Q4 2020. Earnings from Operations decreased 9% to THB 391m in Q4 2021 from THB 428m in Q4 2020.

Net Profit decreased 108% to loss THB 56m in Q421 from profit of THB 707m in Q420, due to inventory adjustment in Korean IC subsidiary, higher bonuses and exceptional item of THB 420m write-down of balance of Credit Suisse Supply Chain fund in Q421.

THB '000	Quarter		Quarter		Q421-Q420	% Q421-Q420
	Q421		Q420			
PCBA (Lamphun, Thailand)	2,446,702	39%	2,419,374	46%	27,328	1%
PCBA (Jiaxing, China)	942,218	15%	681,269	13%	260,949	38%
PCBA (Cambodia)	36,522	1%	31,875	1%	4,647	15%
IC (Ayutthaya, Thailand)	2,226,826	36%	1,752,513	33%	474,313	27%
IC (Jiaxing, China)	300,777	5%	218,195	4%	82,582	38%
HTI (Ohio, USA)	281,215	4%	159,654	3%	121,561	76%
Total Revenue	6,234,260	100%	5,262,880	100%	971,380	18%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 4 2021 sales revenue for the group increased 9% year-on-year in USD terms to USD 187m from USD 172m in Q420. The average exchange rate for Q421 was 9% weaker at THB/USD 33.4 from THB/USD 30.6 in Q420. As a result the sales revenue in THB terms increased 19% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales decreased by 1%. Sales in Lamphun decreased 9% and Jiaxing increased by 27% year on year. The IC divisions sales revenues increased 18% in Q421, with revenues of the IC division in Ayutthaya increasing 17% and Jiaxing increasing by 26%. Hana Technologies Inc, "HTI" the Microdisplay/RFID operation in Ohio sales revenue increased 63% in Q421 from Q420.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter, in USD terms, sales for the group decreased 1% to USD 187m in Q421 from USD 189m in Q321. Sales in the microelectronics divisions decreased 7% with Lamphun decreasing 11% and Jiaxing increasing 5%. Sales revenues from the IC divisions increased 5% in Q421 from Q321 with Ayutthaya sales increasing 8% and Jiaxing IC sales decreasing by 12%. HTI sales increased 11% in Q421 compared to Q321.

Sales Revenue Split

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
PCBA (Lamphun, Thailand)	39%	44%	45%	47%	46%
PCBA (Jiaxing, China)	15%	14%	12%	11%	13%
PCBA (Cambodia)	1%	0%	0%	0%	1%
IC (Ayutthaya, Thailand)	36%	33%	34%	35%	33%
IC (Jiaxing, China)	5%	5%	5%	4%	4%
HTI (Ohio, USA)	4%	4%	4%	3%	3%
	100%	100%	100%	100%	100%

Gross Profit / Cost of Sales Analysis

The Gross Profit margin was similar at 11% in Q421 and Q420. Gross Margin in Q421 was similar as despite higher Revenue during the quarter costs increased for Korean IC due to THB 243m adjustment in inventory value.

Operating Profit Analysis, Sales and Administration Analysis

Year-on-year Earnings from Operations, were 9% lower at THB 391m in Q421 compared to THB 428m in Q420. The Operating margin was down 2 percentage points to 6% in Q421 from 8% in Q420. SG&A expenses were 44% higher in Q421 than Q420 due to THB 69m lower bonuses paid in Q420, THB 34m in equipment provision. Exceptional items were THB 420m write down to zero of the balance of the Credit Suisse Supply Chain Fund.

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 Q421 was THB/USD 33.38, Q420 was Baht/USD 30.61 (and Q321 was THB/USD 32.92).

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 33.42 at 31/12/21, and 30.04 at 31/12/20 (33.92 at 30/09/21) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

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.

In Q420 THB 523m dividend of THB 0.65 per share was paid as an interim dividend from the profits of 2020.

In Q220 THB 523m dividend of THB 0.65 per share was paid as the final dividend from the profits of 2019.

Financial Status

Net Cash reserves and financial investments were THB 6.0 billion at the 31st December 2021 down from THB 9.7 billion at the 31st December 2020.

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 65 days in Q421 and 59 days in Q420.

	<u>31-Dec-21</u>	<u>31-Dec-20</u>	THB '000
Trade Receivables			
Less than 3 months	4,252,339	3,318,590	
3 - 6 months	52,465	18,861	
6 - 12 months	5,720	3,203	
More than 12 months	5,408	2,418	
Total accounts receivable - other companies	4,315,932	3,343,072	
Less : Allowance for doubtful accounts	(11,114)	(6,117)	
	<u>4,304,818</u>	<u>3,336,955</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 110 days as at 31st December, 2021 and 86 days as at 31st December, 2020.

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 56 days in Q421, 45 days in Q420.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q4 2021 was THB 718m which was 3% lower than Q4 2020 was THB 740mm.

Capital Expenditure

Net Capital Expenditure was THB 992m in Q4 2021 and THB 407m in Q4 2020. 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 group's 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 group's 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 group's 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		%	
		Q421	Q420	Q421-Q420	Q421-Q420		
REVENUES							
Sales		6,259,998	5,266,783	993,215	19%		
consisting of:							
PCBA (Lamphun, Thailand)		2,446,702	39%	2,419,374	46%	27,328	1%
PCBA (Jiaxing, China)		942,218	15%	681,269	13%	260,949	38%
PCBA (Cambodia)		36,522	1%	31,875	1%	4,647	15%
IC (Ayutthaya, Thailand)		2,226,826	36%	1,752,513	33%	474,313	27%
IC (Jiaxing, China)		300,777	5%	218,195	4%	82,582	38%
HTI (Ohio, USA)		281,215	4%	159,654	3%	121,561	76%
IC (Korea)		25,738	0%	3,902		21,836	560%
		<u>6,259,998</u>	100%	<u>5,266,782</u>	100%	<u>993,216</u>	19%
Other Income		66,512		104,040		(37,528)	-36%
TOTAL OPERATING REVENUES		<u>6,326,510</u>		<u>5,370,822</u>		<u>955,688</u>	18%
EXPENSES							
Cost of Sales		5,586,587	89%	4,701,901	89%	884,686	19%
Selling & Admin. Expenses		343,346	5%	215,235	4%	128,111	60%
R&D Expenses		5,964	0%	25,171	0%	(19,208)	-76%
Other Expenses		-	0%	-	0%	-	0%
TOTAL EXPENSES		<u>5,935,897</u>	95%	<u>4,942,308</u>	94%	<u>993,589</u>	20%
OPERATING EARNINGS		<u>390,613</u>	6%	<u>428,514</u>	8%	<u>(37,901)</u>	-9%
Other Income - non operating		459		387		73	19%
Interest		27,669		28,860		(1,192)	-4%
Finance Expenses		(2,729)		(3,572)		844	
EARNINGS before Income Tax		<u>416,012</u>	7%	<u>454,189</u>	8%	<u>(38,177)</u>	-8%
Corporate Income Tax		(11,280)	0%	17,380	0%	(28,660)	-165%
Earnings before Exch. & Exceptional Items		<u>404,732</u>		<u>471,569</u>		<u>(66,837)</u>	-14%
Exchange Gain (Loss)		(40,671)		255,618		(296,289)	
Exceptional Items		(420,498)		(25,511)		(394,987)	
NET EARNINGS for the Period		<u>(56,437)</u>	-1%	<u>701,676</u>	13%	<u>(758,113)</u>	-108%
EARNINGS % of SALES							
Average number of shares (1 Baht par)		804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals		0.50		0.59		0.09	
EARNINGS per SHARE (baht) after exceptionals		- 0.07		0.87		0.94	
Earnings from Operations		390,613		428,516		(37,902)	-9%
Earnings from Operations Margin		6%		8%			
Depreciation		327,823		311,656		16,167	
EBITDA (excl exchange gain/loss)		718,436		740,171		(21,734)	-3%
EBITDA % of Sales Revenue		11%		14%			

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 31-Dec-21</u>	<u>Quarter 31-Dec-20</u>
Cashflow from Operating Activities		
Net Earnings before tax	(45,156)	684,296
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	327,823	311,656
Unrealised (gain) Loss on exchange	(154,994)	(101,306)
Increase (Decrease) in allowance for doubtful debts	2,261	227
Increase (Decrease) in allowance for obsolete inventories	48,601	22,465
Change in other provisions	416,600	(55,939)
	<u>640,291</u>	<u>177,103</u>
Working Capital (increase) decrease		
Trade accounts receivable	(129,920)	(265,249)
Inventories	(588,459)	504,582
Trade accounts payable	(193,367)	(120,312)
Other	(22,941)	(5,061)
	<u>(934,687)</u>	<u>113,961</u>
Net Cashflow from Operating Activities	<u>(339,552)</u>	<u>975,361</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	557,296	795,810
Increase in property, plant and equipment	(977,508)	(1,263,175)
Proceeds from sale of fixed assets	21,576	828,490
Increase (decrease) in translation adjustment	13,662	1,311,487
Revaluation deficit on investments	(35,296)	58,733
Other		
	<u>(420,269)</u>	<u>1,731,346</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	-	(0)
Dividend paid	(804,879)	(1,046,343)
Other	(1,910)	(522,822)
Net cash (used in) from financing activities	<u>(806,789)</u>	<u>(1,569,165)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(1,566,611)	1,137,541
Cash and Equivalents at the beginning of the period	<u>4,870,784</u>	<u>4,262,717</u>
Cash and Equivalents at the end of the period	3,304,173	5,400,258

HANA MICROELECTRONICS GROUP

Financial Ratios

'000 Baht	<u>Quarter</u> <u>31-Dec-21</u>	<u>Quarter</u> <u>31-Dec-20</u>	<u>Q421-Q420</u>	
Profitability Ratios				
Gross Profit Margin (%)	11%	11%		
Operating Profit Margin (%)	6%	9%	-3%	
Net Profit before Exceptional Margin (%)	6%	9%	-3%	
Net Profit after Exceptional Margin (%)	-1%	13%	-14%	
EBITDA margin (%)	11%	14%	-3%	
Return On Equity (%) pa	-1%	13%	-14%	
Return On Assets (%) pa	-1%	11%	-12%	
Return On Operating Capital Employed (%) pa	9%	14%	-5%	
Efficiency Ratios				
Working Capital turnover	4	4		
Account Receivable days	65	59	6	
Inventory days	110	86	24	
Accounts Payable days	56	45	11	
Liquidity Ratios				
Current Ratio	4	6	-	2
Quick Ratio	3	5	-	2
Financial Capital Ratios				
Debt / Equity	0	0		
Net Debt to Equity	0	0		
Interest Coverage	n/a	n/a		