

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue increased 5% year on year to THB 6.4 billion for the second quarter of 2022 from THB 6.1 billion for the second quarter 2021. Sales Revenue in USD terms decreased 4% to USD 186m in Q2 2022 from USD 193m in Q2 2021. Earnings from Operations decreased 22% to THB 592m in Q2 2022 from THB 759m in Q2 2021.

Net Profit decreased 67% to THB 245m in Q222 from a profit of THB 737m in Q221, due to lower operating profit and higher exchange loss in Q222.

THB '000	Quarter		Quarter		Q222-Q221	%
	Q222		Q221			
PCBA (Lamphun, Thailand)	2,602,597	41%	2,681,488	45%	(78,891)	-3%
PCBA (Jiaxing, China)	838,290	13%	724,861	12%	113,429	16%
PCBA (Cambodia)	30,367	0%	25,138	0%	5,229	21%
IC (Ayutthaya, Thailand)	2,274,719	36%	2,070,376	34%	204,343	10%
IC (Jiaxing, China)	301,192	5%	303,431	5%	(2,239)	-1%
HTI (Ohio, USA)	311,927	5%	252,457	4%	59,470	24%
IC Korea	30,545	0%	6,942	0%	23,603	340%
Total Revenue	6,389,637	100%	6,064,693	100%	324,944	5%

**Sales Revenue Analysis**

**Year on Year Sales Revenue Analysis**

Quarter 2 2022 sales revenue for the group decreased 4% year-on-year in USD terms to USD 186m from USD 193m in Q221. The average exchange rate for Q222 was 10% weaker at THB/USD 34.4 from THB/USD 31.4 in Q221. As a result the sales revenue in THB/terms increased 5% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales decreased by 8%. Sales in Lamphun decreased 12% and Jiaxing increased by 5% year on year. The IC divisions sales revenues decreased 1% in Q222, with revenues of the IC division in Ayutthaya similar and Jiaxing decreasing by 9%. Hana Technologies Inc, "HTI" the Microdisplay/RFID operation in Ohio sales revenue increased 13% in Q222 from Q221.

**Quarter on Quarter Sales Revenue Analysis**

Quarter-on-Quarter, in USD terms, sales for the group increased 1% to USD 186m in Q222 from USD 185m in Q122. Sales in the microelectronics divisions decreased 5% with Lamphun decreasing 9% and Jiaxing increasing 13%. Sales revenues from the IC divisions increased 8% in Q222 from Q122 with Ayutthaya sales increasing 9% and Jiaxing IC sales increasing by 2%. HTI sales increased 15% in Q222 compared to Q122.

**Sales Revenue Split**

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
PCBA (Lamphun, Thailand)	41%	44%	39%	44%	45%
PCBA (Jiaxing, China)	13%	12%	15%	14%	12%
PCBA (Cambodia)	0%	1%	1%	0%	0%
IC (Ayutthaya, Thailand)	36%	33%	36%	33%	34%
IC (Jiaxing, China)	5%	5%	5%	5%	5%
HTI (Ohio, USA)	5%	4%	4%	4%	4%
IC Korea	0%	1%			
	100%	100%	100%	100%	100%

**Gross Profit / Cost of Sales Analysis**

The Gross Profit margin decreased 3 percentage point to 14% in Q222 from 17% Q221. Gross Margin in Q222 decreased despite higher Revenue during the quarter due to lower Gross Profit (Loss) for Korean IC THB 105m.

## **Operating Profit Analysis, Sales and Administration Analysis**

Year-on-year Earnings from Operations, were 22% lower at THB 592m in Q222 compared to THB 759m in Q221. The Operating margin was down 4 percentage points to 9% in Q222 from 13% in Q221. SG&A expenses was 9% higher in Q222 than Q221.

## **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 Q222 was THB/USD 34.40, Q221 was Baht/USD 31.36 (and Q122 was THB/USD 33.09).

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 35.30 at 30/06/22, and 32.05 at 30/06/21 (33.33 at 31/03/22) or the respective rate applicable to each offshore subsidiary's base currency.

## **Payout Analysis**

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

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

## **Financial Status**

Net Cash reserves and financial investments were THB 4.5 billion at the 30th June 2022 down from THB 9.1 billion at the 30th June 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 days were 68 days in Q222 and 63 days in Q221.

	<u>30-Jun-22</u>	<u>30-Jun-21</u>	THB '000
Trade Receivables			
Less than 3 months	4,615,685	3,977,257	
3 - 6 months	5,106	2,047	
6 - 12 months	5,868	19	
More than 12 months	14,920	4,806	
Total accounts receivable - other companies	<u>4,641,579</u>	<u>3,984,129</u>	
Less : Allowance for doubtful accounts	(18,102)	(4,455)	
	<u>4,623,477</u>	<u>3,979,674</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 135 days as at 30th June, 2022 and 97 days as at 30th June, 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 71 days in Q222, 64 days in Q221.

## **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q2 2022 was THB 974m which was 9% lower than Q2 2021 was THB 1,070m.

### **Capital Expenditure**

Net Capital Expenditure was THB 600m in Q2 2022 and THB 1,121m in Q2 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 group's funding is from the shareholders' equity.

### **Major Factors which could have an Impact on the Company's Performance**

The company's 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's 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 effect concerning its movement.

### **Exceptional Items**

None

### **Subsequent Event**

None

### **Forward Looking Statement**

#### **Factors That May Effect the financial condition of the Operating Results**

The principal 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 <u>Q222</u>		Quarter <u>Q221</u>		<u>Q222-Q221</u>	<u>% Q222-Q221</u>
<b>REVENUES</b>						
Sales	6,389,637		6,064,693		324,944	5%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	2,602,597	41%	2,681,488	45%	(78,891)	-3%
<i>PCBA (Jiaxing, China)</i>	838,290	13%	724,861	12%	113,429	16%
<i>PCBA (Cambodia)</i>	30,367	0%	25,138	0%	5,229	21%
<i>IC (Ayutthaya, Thailand)</i>	2,274,719	36%	2,070,376	34%	204,343	10%
<i>IC (Jiaxing, China)</i>	301,192	5%	303,431	5%	(2,239)	-1%
<i>HTI (Ohio, USA)</i>	311,927	5%	252,457	4%	59,470	24%
<i>IC (Korea)</i>	30,545	0%	6,942	0%	23,603	340%
	<u>6,389,637</u>	100%	<u>6,064,693</u>	100%	<u>324,944</u>	5%
Other Income	118,931		116,280		2,651	2%
<b>TOTAL OPERATING REVENUES</b>	<u>6,508,568</u>		<u>6,180,973</u>		<u>327,595</u>	5%
<b>EXPENSES</b>						
Cost of Sales	5,511,715	86%	5,048,385	83%	463,330	9%
Selling & Admin. Expenses	362,590	6%	315,208	5%	47,382	15%
R&D Expenses	42,402	1%	58,751	1%	(16,349)	-28%
Other Expenses	-	0%	-	0%	-	0%
	<u>5,916,707</u>	93%	<u>5,422,344</u>	89%	<u>494,363</u>	9%
<b>OPERATING EARNINGS</b>	<u>591,861</u>	9%	<u>758,629</u>	12%	<u>(166,768)</u>	-22%
Other Income - non operating	548		713		(165)	-23%
Interest	22,876		28,594		(5,718)	-20%
Finance Expenses	(2,663)		(1,758)		(905)	
<b>EARNINGS before Income Tax</b>	<u>612,622</u>	9%	<u>786,178</u>	13%	<u>(173,556)</u>	-22%
Corporate Income Tax	(14,984)	0%	(17,684)	0%	2,700	-15%
<b>Earnings before Exch. &amp; Exceptional Items</b>	<u>597,638</u>		<u>768,494</u>		<u>(170,856)</u>	-22%
Exchange Gain (Loss)	(352,679)		(31,718)		(320,961)	
Exceptional Items	-		-		-	
<b>NET EARNINGS for the Period</b>	<u>244,959</u>	4%	<u>736,776</u>	12%	<u>(491,817)</u>	-67%
EARNINGS % of SALES	4%		12%		-8%	
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals	0.74		0.95		-	0.21
EARNINGS per SHARE (baht) after exceptionals	0.30		0.92		-	0.62
Earnings from Operations	591,861		758,629		(166,768)	-22%
Earnings from Operations Margin	9%		13%			
Depreciation	382,249		311,802		70,447	
EBITDA (excl exchange gain/loss)	974,110		1,070,431		(96,321)	-9%
EBITDA % of Sales Revenue	15%		18%			

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

	YTD		YTD		YTD	
	'000 Baht	30-Jun-22	30-Jun-21	Q222-Q221	Q222-Q221	YTD %
<b>REVENUES</b>						
Sales		12,496,897	11,279,168	1,217,729		11%
consisting of:						
PCBA (Lamphun, Thailand)		5,361,755	42% 5,042,828	45% 318,927		6%
PCBA (Jiaxing, China)		1,548,221	12% 1,291,689	11% 256,532		20%
PCBA (Cambodia)		68,611	1% 50,303	0% 18,308		36%
IC (Ayutthaya, Thailand)		4,285,011	34% 3,919,574	35% 365,437		9%
IC (Jiaxing, China)		586,836	5% 526,528	5% 60,308		11%
HTI (Ohio, USA)		574,710	5% 433,548	4% 141,163		33%
IC (Korea)		71,753	1% 14,698	0% 57,054		388%
		<u>12,496,897</u>	100% <u>11,279,168</u>	100% <u>1,217,729</u>		11%
Other Income		227,430	193,350	34,080		18%
<b>TOTAL OPERATING REVENUES</b>		<u>12,724,327</u>	<u>11,472,518</u>	<u>1,251,809</u>		11%
<b>EXPENSES</b>						
Cost of Sales		10,956,395	88% 9,641,648	85% 1,314,747		14%
Selling & Admin. Expenses		714,166	6% 640,037	6% 74,129		12%
R&D Expenses		77,633	1% 58,751	1% 18,882		32%
Other Expenses		-	0% -	0% -		0%
<b>TOTAL EXPENSES</b>		<u>11,748,194</u>	94% <u>10,340,436</u>	92% <u>1,407,758</u>		14%
<b>OPERATING EARNINGS</b>		<u>976,133</u>	8% <u>1,132,082</u>	10% <u>(155,949)</u>		-14%
Other Income - non operating		1,013	1,123	(110)		
Interest		47,376	57,658	(10,282)		-18%
Finance Expenses		(4,116)	(3,192)	(924)		
<b>EARNINGS before Income Tax</b>		<u>1,020,406</u>	8% <u>1,187,671</u>	10% <u>(167,265)</u>		-14%
Corporate Income Tax		(29,692)	3% (19,509)	2% (10,183)		52%
<b>Earnings before Exch. &amp; Exceptional Items</b>		<u>990,714</u>	<u>1,168,162</u>	<u>(177,448)</u>		-15%
Exchange Gain (Loss)		(380,760)	(130,191)	(250,569)		
Exceptional Items		-	-	-		
<b>NET EARNINGS for the Period</b>		<u>609,954</u>	5% <u>1,037,971</u>	9% <u>(428,017)</u>		-41%
<b>EARNINGS % of SALES</b>		5%	9%	-4%		
Average number of shares (1 Baht par)		804,879	804,879	-		
EARNINGS per SHARE (baht) before exch. & exceptionals		1.23	1.45	- 0.22		
EARNINGS per SHARE (baht) after exceptionals		0.76	1.29	- 0.53		
Earnings from Operations		976,133	1,132,082	(155,949)		
Earnings from Operations Margin		8%	10%			
Depreciation		740,983	633,578	107,405		
EBITDA (excl exchange gain/loss)		1,717,116	1,765,660	(48,544)		
EBITDA % of Sales Revenue		14%	16%			

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Jun-22</u>	Quarter <u>30-Jun-21</u>	<u>Q22-Q21</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	3,382,096	9,093,887	(5,711,791)
Financial Investments	1,448,488	-	1,448,488
Accounts Receivable - trade	4,846,356	4,249,342	597,014
Amounts due from Related Companies	-	-	
Inventories	8,254,871	5,465,145	2,789,726
Other Current Assets	234,418	135,768	98,650
<b>TOTAL CURRENT ASSETS</b>	<u>18,166,229</u>	<u>18,944,142</u>	<u>(777,913)</u>
Long Term Financial Investments	97	97	
<b>FIXED ASSETS (net)</b>	10,249,987	8,177,996	2,071,991
OTHER ASSETS	616,802	594,836	21,966
<b>TOTAL ASSETS</b>	<u>29,033,115</u>	<u>27,717,071</u>	<u>1,316,044</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	300,000	-	300,000
Accounts & Notes Payable	4,332,084	3,614,509	717,575
Short Term Provisions	359,429	327,459	31,970
Corporate Income Tax Payable	29,045	28,340	705
Current portion of Lease Liabilities	-	-	
Other Current Liabilities	236,046	193,074	42,972
<b>TOTAL CURRENT LIABILITIES</b>	<u>5,256,604</u>	<u>4,163,382</u>	<u>1,093,222</u>
<b>LONG TERM LIABILITIES</b>	829,936	777,197	52,739
<b>TOTAL LIABILITIES</b>	<u>6,086,540</u>	<u>4,940,579</u>	<u>1,145,961</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	514,958	456,463	58,495
Unappropriated	19,149,028	19,673,872	(524,844)
Translation adj. & Investment revaluation	754,491	118,059	636,432
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<u>22,946,575</u>	<u>22,776,492</u>	<u>170,083</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<u>29,033,115</u>	<u>27,717,071</u>	<u>1,316,044</u>

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Jun-22</u>	Quarter <u>30-Jun-21</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings before tax	259,943	754,460
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	382,249	311,802
Unrealised (gain) Loss on exchange	54,203	(4,945)
Increase (Decrease) in allowance for doubtful debts	3,351	(614)
Increase (Decrease) in allowance for obsolete inventories	8,701	(16,761)
Change in other provisions	(25,434)	17,499
	<u>423,070</u>	<u>306,981</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	(18,549)	(223,979)
Inventories	(856,048)	(704,343)
Trade accounts payable	368,967	486,610
Other	(4,553)	(50,341)
	<u>(510,183)</u>	<u>(492,053)</u>
<b>Net Cashflow from Operating Activities</b>	<u>172,830</u>	<u>569,388</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	427,453	706,700
Increase in property, plant and equipment	(640,813)	(1,076,908)
Proceeds from sale of fixed assets	6,411	-
Increase (decrease) in translation adjustment	430,109	317,378
Revaluation deficit on investments	9,458	10,017
Other		
	<u>232,618</u>	<u>(42,813)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	-	-
Dividend paid	(804,879)	(603,659)
Other	297,939	(2,004)
Net cash (used in ) from financing activities	<u>(506,940)</u>	<u>(605,663)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(101,492)	(79,088)
Cash and Equivalents at the beginning of the period	<u>3,483,588</u>	<u>5,044,999</u>
Cash and Equivalents at the end of the period	<u>3,382,096</u>	<u>4,965,911</u>

# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	<u>Quarter</u> <u>30-Jun-22</u>	<u>Quarter</u> <u>30-Jun-21</u>	<u>Q222-Q221</u>	
<b>Profitability Ratios</b>				
Gross Profit Margin (%)	14%	17%	-	-3%
Operating Profit Margin (%)	10%	13%	-	-3%
Net Profit before Exceptional Margin (%)	9%	13%	-	-4%
Net Profit after Exceptional Margin (%)	4%	12%	-	-8%
EBITDA margin (%)	15%	18%	-	-3%
Return On Equity (%) pa	4%	13%	-	-9%
Return On Assets (%) pa	3%	11%	-	-8%
Return On Operating Capital Employed (%) pa	12%	21%	-	-9%
<b>Efficiency Ratios</b>				
Working Capital turnover	3	4	-	1
Account Receivable days	68	63	-	5
Inventory days	135	97	-	38
Accounts Payable days	71	64	-	7
<b>Liquidity Ratios</b>				
Current Ratio	3	5	-	2
Quick Ratio	2	3	-	1
<b>Financial Capital Ratios</b>				
Debt / Equity	0	0	-	-
Net Debt to Equity	0	0	-	-
Interest Coverage	n/a	n/a	-	-