

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue decreased -13% year on year to THB 6,555 million for the third quarter of 2023 from THB 7,545 million for the third quarter 2022. Sales Revenue in USD terms decreased -10% to USD 186m in Q3 2023 from USD 207m in Q3 2022. Earnings from Operations decreased -19% to THB 698m in Q3 2023 from THB 864m in Q3 2022.

Net Profit increased to THB 734m in Q323 from THB 417m in Q322, due to foreign exchange gain in Q323 and foreign exchange loss in Q322 offsetting decreased Earnings from Operations.

THB '000	Quarter		Quarter		Q323-Q322	%
	Q323		Q322			
PCBA (Lamphun, Thailand)	3,093,717	47%	2,962,554	39%	131,163	4%
PCBA (Jiaxing, China)	785,380	12%	1,188,876	16%	(403,496)	-34%
PCBA (Cambodia)	130,868	2%	67,469	1%	63,399	94%
IC (Ayutthaya, Thailand)	1,826,504	28%	2,463,527	33%	(637,023)	-26%
IC (Jiaxing, China)	237,844	4%	383,806	5%	(145,962)	-38%
HTI (Ohio, USA)	388,827	6%	369,584	5%	19,243	5%
IC Korea	91,548	1%	109,349	1%	(17,801)	-16%
Total Revenue	6,554,688	100%	7,545,165	100%	(990,477)	-13%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 3 2023 sales revenue for the group decreased -10% year-on-year in USD terms to USD 186m from USD 207m in Q322. The average exchange rate for Q323 was -3.4% stronger at THB/USD 35.2 from THB/USD 36.4 in Q322. As a result the sales revenue in THB terms decreased -13% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales decreased by -3%. Sales in Lamphun increased 8% and Jiaxing decreased by -32% year on year. The IC divisions sales revenues decreased -25% in Q323, with revenues of the IC division in Ayutthaya decreasing -23% and Jiaxing decreasing by -36%. Hana Technologies Inc. 'HTI' the Microdisplay/RFID operation in Ohio sales revenue increased 8% in Q323 from Q322.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter, in USD terms, sales for the group decreased -7% to 186m in Q323 from USD 196m in Q223. Sales in the microelectronics divisions decreased -6% with Lamphun decreasing -3% and Jiaxing decreasing -14%. Sales revenues from the IC divisions decreased -11% in Q323 from Q223 with Ayutthaya sales decreasing -10% and Jiaxing IC sales decreasing by -20%. HTI sales increased 11% in Q323 compared to Q223.

Sales Revenue Split

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
PCBA (Lamphun, Thailand)	47%	45%	48%	39%	39%
PCBA (Jiaxing, China)	12%	13%	12%	15%	16%
PCBA (Cambodia)	2%	2%	1%	1%	1%
IC (Ayutthaya, Thailand)	28%	29%	28%	32%	33%
IC (Jiaxing, China)	4%	4%	4%	5%	5%
HTI (Ohio, USA)	6%	5%	5%	6%	5%
IC Korea	1%	2%	2%	2%	1%
	100%	100%	100%	100%	100%

Gross Profit / Cost of Sales Analysis

The Gross Profit margin increased 1% points to 16% in Q323 from 15% Q322. Gross Margin in Q323 increased due to lower labour cost and lower indirect material costs.

Operating Profit Analysis, Sales and Administration Analysis

Year-on-year Earnings from Operations, were -19% lower at THB 698m in Q323 compared to THB 864m in Q322. The Operating margin was similar at 11% in Q323 and 11% in Q322. SG&A expenses increased 11% in Q323 compared to Q322.

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 Q323 was THB/USD 35.17, Q322 was THB/USD 36.41 (and Q223 was THB/USD 34.48).

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 36.56 at 30/09/23, and 37.91 at 30/09/22 (35.59 at 30/06/23) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid out during the quarter.

Financial Status

Net Cash reserves and financial investments were THB 3.6 billion at the 30th September 2023 down from THB 3.8 billion at the 30th September 2022.

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 73 days at 30th September 2023, and 70 days in 2022.

	<u>30-Sep-23</u>	<u>30-Sep-22</u>	THB '000
Trade Receivables			
Less than 3 months	5,071,611	5,551,726	
3 - 6 months	80,613	13,647	
6 - 12 months	11,850	3,686	
More than 12 months	10,817	11,128	
Total accounts receivable - other companies	5,174,891	5,580,187	
Less : Allowance for doubtful accounts	(14,758)	(20,669)	
	<u>5,160,133</u>	<u>5,559,518</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 162 days as at 30th September 2023 and 129 days as at 30th September 2022.

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 68 days in Q323, 68 days in Q322.

Liquidity

Liquidity Current ratio is approximately 3 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q3 2023 was THB 1,127m which was -12% lower than Q3 2022 at THB 1,284m.

Capital Expenditure

Capital Expenditure was THB 672m in Q3 2023 and THB 805m in Q3 2022. 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 19th October, 2023 the company issued 80,487,800 ordinary shares at THB 57.00 per share, through a private placement raising THB 4,587,804,600.

The purpose of the funds utilisation is to finance the investment in machinery for silicon carbide production of Power Master Semiconductor Co., LTD and to finance the investment in machinery to expand the company's core business.

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.