

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue decreased -4% year on year, at THB 26,152 million in year 2023 from THB 27,167 million in year 2022. Sales Revenue in USD terms decreased by -3% to USD 751m in 2023 from USD 775m in 2022. Earnings from Operations decreased -26% to THB 1,787m in 2023 from THB 2,422m in 2022.

Net Profit decreased by -16% to THB 1,761m in 2023 from THB 2,102m in 2022 due to a downturn in the semiconductor cycle in 2023 and inventory adjustment at IC Korea.

Past Performance Analysis**Revenue Analysis**

Group sales decreased -4% in 2023 to THB 26,152m from 2022 at THB 27,167m driven by a downturn in the semiconductor cycle. USD sales were -3% lower in 2023 at USD751m down from USD775m in 2022. The average THB/USD exchange rate strengthened 1% to THB/USD 34.8 in 2023 from THB/USD 35.1 in 2022.

The Microelectronics divisions' sales revenue in USD increased 5% [5% in THB terms] in 2023 over 2022. The microelectronics operation in Lamphun sales increased 12% [11% in THB terms] and Jiaying decreased by -13% [-15%] in 2023.

In 2023 IC assembly sales overall decreased by -20% [-21% in THB terms]. Specifically, IC AYT sales decreased -18% [-19%] and IC JXG USD sales decreased by -20% [-21% in THB terms].

Hana Technologies Inc. 'HTI', sales increased 12% [11% THB] for the year.

The annual sales split was:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
PCBA (Thailand)	47%	41%	41%
PCBA (China)	12%	14%	14%
PCBA (Cambodia)	2%	1%	1%
IC (Thailand)	28%	33%	34%
IC (China)	3%	5%	5%
HTI (USA)	6%	5%	5%
IC (Korea)	2%	1%	0%
	100%	100%	100%

Gross Profit / Cost of Sales Analysis and Sales and Administration Analysis

Gross Profit decreased by THB -681m with the gross margin decreasing -2% point to 11% in 2023 from 13% in 2022 due to the downturn in the semiconductor cycle [-1%] and IC Korea inventory and development expenses adjustment [-1%] USD 7.7m [THB 262m].

Operating Profit Analysis

Earnings from Operations margin decreased to 7% in 2023 from 9% in 2022. SGA including R&D expenses were -2.0% lower in 2023 than 2022.

Payout Analysis

In Q423 THB 442m dividend of THB 0.50 per share was paid as an interim dividend 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.

In Q422 THB 402m dividend of THB 0.50 per share was paid as an interim dividend from the profits of 2022.

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

In Q421 THB 805m dividend of THB 1.00 per share was paid as an interim dividend from the profits of 2021.

Financial Status

Net Cash reserves and financial investments were THB 7.8 billion at the 31st December 2023 up from THB 3.6 billion at the 31st December 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 71 days in 2023, 62 days in 2022 and 62 days in 2021.

Trade Receivables	'000	<u>2023</u>	<u>2022</u>	<u>2021</u>
Less than 3 months		4,846,118	4,754,011	4,252,339
3 - 6 months		45,888	31,736	52,465
6 - 12 months		20,445	97	5,720
More than 12 months		8,950	3,418	5,408
Total accounts receivable - other companies		4,921,401	4,789,262	4,315,932
Less : Allowance for doubtful accounts		(15,964)	(13,289)	(11,114)
		4,905,437	4,775,973	4,304,818

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 145 days in 2023, 101 days in 2022 and 101 days in 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. Accounts payable were 59 days in 2023, 52 days in 2022 and 52 days in 2021.

Liquidity

The group has THB 7.8 billion in cash and financial investments. Liquidity ratios are high at over 3 times current liabilities.

Operating Cashflow (EBITDA) was THB 3,490m in 2023, -14% lower than THB 4,052m in 2022 and THB 3,520 m in 2021.

Cash and financial investments in 2023 increased to THB 7.8 billion, due to EBITDA 3.5 billion less final dividend THB 0.4b 2022 paid in Q223, interim dividend Q423 THB 0.4b, net capital expenditure THB 2.7b, share capital increase THB 4.6 billion, other items THB -0.4b.

Cash and financial investments in 2022 decreased to THB 3.6 billion, due to EBITDA 4.1 billion less final dividend THB 0.8b 2021 paid in Q222, interim dividend Q422 THB 0.4b, net capital expenditure THB 2.9b, other items THB -2.5b.

Cash and financial investments in 2021 decreased to THB 6.0 billion, due to EBITDA 3.5 billion less final dividend THB 0.8b 2020 paid in Q221, interim dividend Q421 THB 0.6b , net capital expenditure THB 3.9b, other items THB -1.9b.

Capital Expenditure

Capital Expenditure was THB 2,689m in 2023, THB 2,876m in 2022, and THB 3,895m in 2021.

Capital Expenditure in 2023 was mainly for IC Korea plant due to investment in expansion of Silicon Carbide devices and building purchase for Hana Technologies expansion, whereas in 2022 and 2021 capital expenditure was across the IC divisions.

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 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% 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 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, 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.

For Hana being an export group of companies the currency movements cause volatility in earnings due to effects on the operating margins and also inventory valuations (which the management report each quarter when there is a material effect on the profits) and margins.

Other factors which may affect operating performance of the company 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.

Foreign Exchange Rates

The THB/USD currency movements reflected the increase in relative interest rates in the USA in 2022 & 2023. The average rate for 2023 was THB/USD 34.80 which was 1% stronger than 2022 was THB/USD 35.07 which was 10% weaker than the 2021 at THB/USD 31.98.

Exceptional Items

The company issued 80.5m new shares in 2023 at THB 57 baht per share raising THB 4.6b. There were no Exceptional Items in 2022. In Q4 2021 we wrote down the balance invested in Credit Suisse (Lux) Supply Chain Finance Fund of THB 404m (USD 12.7m) to zero. The original invested amount totalled USD 35m. Whilst there may be some further recoveries from the fund we believe it is prudent to provide for the balance of the fund.

Subsequent Event

None