



**KCE ELECTRONICS
PUBLIC COMPANY LIMITED**

Registration No. 0107535000354

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August 9, 2016

The Director and Manager
The Stock Exchange of Thailand

Re: Summary of the Company's Operating Results for the Second Quarter of 2016

KCE Electronics PCL has the pleasure of submitting operating results of the Company and its subsidiaries ("the Group") for the second quarter of 2016 based on reviewed consolidated financial statements for the three-month period ended June 30, 2016. The Group's sales and net profit totaled Bt3,578.6 million and Bt811.8 million, respectively, compared to Bt3,047.1 million and Bt490.1 million in the second quarter of 2015. A summary of the Company's operating performance in the second quarter of 2016 and 2015 is shown in the following table:

[Amount: in Baht Million]	2Q16	1Q16	<u>Change</u> Q-o-Q [2Q16 VS. 1Q16]	2Q15	<u>Change</u> Y-o-Y [2Q16 VS. 2Q15]
Sales Revenue	3,578.6	3,529.2	+ 1.4%	3,047.1	+ 17.4%
Cost of Sales	2,308.6	2,331.2		2,109.8	
Gross margin, (percentage)	35.49%	33.95%		30.77%	
Selling & Administration	454.4	423.0		382.9	
Operating Profit*	768.3	727.9	+ 5.5%	502.1	+ 53.0%
Net Profit	811.8	751.0	+ 8.1%	490.1	+ 65.6%

[Remark* Operating profit excludes foreign exchange rate effects]

2Q16 Earnings hit a new high despite slower sales growth Q-o-Q

Consolidated sales revenue rose from Bt3,047.1 million in 2Q15 to Bt3,578.6 million in 2Q16, representing growth of approximately 17.4% Y-o-Y and an increase of 1.4% Q-o-Q. The growth in revenue was due to higher volumes supported by a higher utilization rate of Phase 1 & 2 at the new plant. However, sales increased at a slow rate in 2Q16 because of a delay in revenue realization that resulted from a change in Supply Chain Management of some customers, and the appreciated Baht, with the total effect on sales being about 4%.

The gross margin jumped to a new high of 35.5% in 2Q16 following an increase in efficiency at the new plant and better economies of scale, while defects were maintained at a low rate. As a result, costs became more competitive.

Selling, general, and administrative expense as a percent of sales increased slightly to 12.7% in 2Q16 compared to 12.0% in the previous quarter. Selling expense increased slightly as sales volume rose and a change in logistics. Administrative expense increased as a result of higher incentives for staff and expense associated with the shutdown of the old plant.

Operating profit rose significantly and reached a new high of Bt768.3 million in 2Q16, representing an increase of 53.0% Y-o-Y and 5.5% Q-o-Q. The strong performance was driven by sales growth of 17.4% Y-o-Y, and a record-high gross margin of 35.5% supported by the plant achieving a high level of production efficiency.

The Group reported a consolidated net profit of Bt811.8 million for 2Q16, or a 65.6% increase from Bt490.1 million in 2Q15. The development was the result of efficiency at the new plant, sales growth and the effect of changing foreign currency exchange rates, whereas the gross margin widened and SG&A remained stable. This resulted in basic earnings per share of Bt1.41 for 2Q16 and Bt2.71 for the first half of 2016.

With optimized capacity utilization achieved during the second half of this year, management believes earnings in the period will be the strongest. Additional investment in Phase 3 of the new plant that is to gradually commence operations in the first quarter of 2017 will result in the new plant achieving an impressive performance.

Forwarded for your information.

Sincerely yours,



(Mrs. Voraluksana Ongkosit)
Executive Vice Chairperson

