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The Director and Manager
The Stock Exchange of Thailand

Re: Information Concerning Operating Results for the Year 2022

For KCE Electronics PCL's the financial performance of the fiscal year 2022, based on the audited consolidated financial statement ended on 31st December 2022, the company and its subsidiaries reported the group's total sales at Bt18,456.3 million, with Bt2,317.2 million net profit (12.6% of sales), compared to 2021's performance showing Bt14,937.8 million of total sales with Bt2,426.3 million net profit (16.2% of sales). The comparison of operating performance between FY22 vs FY21 is shown in the following table:

	Y2022	Y2021	<u>%Change</u> Y-o-Y [2022 VS 2021]	Y2020	<u>%Change</u> Y-o-Y [2021 VS 2020]
[Amt: in baht millions]					
FX: THB/USD	34.8192	31.8764		30.9757	
FX: THB/EUR	36.5020	37.4456		35.2339	
Sales Revenue	18,456.3	14,937.8	+23.55	11,527.2	+29.59
Sales Revenue, USD	\$530.1	\$468.6	+13.11	\$372.1	+25.93
Cost of Sales	14,254.4	10,965.2		9,015.1	
Gross margin, (%)	22.8%	26.6%		21.8%	
Selling & Administration	1,988.5	1,655.7	+20.1	1,449.2	+14.25
Operating Profit	2,280.9	2,218.8	+2.80	1,074.6	+106.53
Net Profit (attribute to company)	2,317.2	2,426.3	-4.5	1,126.8	+115.33
Net Profit Margin(%)	12.6%	16.2%		9.8%	

[Remark * Excluded foreign exchange rate effects and gain (loss) from investment]

The group's operating performance of FY22 got affected by the Russia-Ukraine conflict situation and the implementation of both economic & political policies in foreign countries especially in Europe which affect the manufacturing industries in a wide range, including the chip shortages incident. As a result, the order was slowed down during 2nd half of the year for Multi-layer PCB. Fortunately, there was still a consistent demand for HDI PCB products plus a remaining backlog order of Special Grade PCB (HDI) products that could partially compensate for the reduction of Multi-Layer PCB orders which supported to reduce the negative revenue impact, along with the depreciation of THB during the year resulting in more revenue recognition in THB.

On the other hand, the global economic situation caused the dramatic price incremental of copper, gold, and oil which are the world's market commodity prices. Consequently, overall material costs along with manufacturing overhead were increased and directly affects, the gross profit margin decreasing from 26.6% in FY21 to 22.8% in FY22. Anyhow, the price of copper, the main raw material, started declining in Q4'22 and going on, therefore, the cost of material is expected to be lower in 2023 after the remaining high-price inventory were consumed.

The company is well-aware of the tendency demand for HDI PCB products, so it has a plan to improve the production efficiency and quality control of the products with more complicated production process, to reduce defects and be able to respond to customers' requirements efficiently.

Nevertheless, due to the global economic recession in 2022, there were many factors that greatly affect sales and product costs. The company adapted management strategies and properly controlled expenses to achieve overall efficiency while still achieving customers' expectations accordingly. As a result, The net profit of 2022 was Bt 2,317.2 million or 12.6% of sales, compared with 2021 net profit was Bt 2,426.3 million or 16.2% of sales.

Sales Revenue

Consolidated sales revenue in THB increased from Bt 14,937.8 million in FY21 to Bt 18,456.3 million in FY22, representing a growth of 23.55% Y-o-Y, while sales revenue in USD increased by 13.11% Y-o-Y, from USD 468.6 million in FY21 to USD 530.1 million in FY22 due to the positive impact from THB depreciation against USD, resulting the incremental of revenue recognition in THB at approximately Bt 1,076.2 million compared with FY21. (Table 1)

The higher revenue in FY22 was a result of the price adjustment negotiation, effective since 2nd half of FY21 to compensate worldwide raw material price increase, along with change of product sales proportion (products mix). As shown in Table 5, considering the slight increase in total sales volume of PCB in FY22 which was only 0.82 % compared to FY21, but because of the changes in product mix, especially Special Grade PCB (HDI) which was increased by 77.74 % (of total volume) while Double side PCB decreased by 26.18 % (Table 5), it drove the higher sales revenue accordingly. However, there was also a negative impact by the unrealized value of consignment stock at Bt 103.7 million, which will be realized in FY23 when the customer withdraws the inventory. (Table 3)

Cost of Sales and Gross Profit

The main production factors that affect production costs in FY22 are raw materials, manufacturing overhead and depreciation. Especially raw materials, the price of copper, which is the main material, has continuously increased from 2021 until September 2022 and then started declining. However, the production in Q4'22 still utilized raw materials with a high purchase price. Even though there was a successful price increase negotiation with customers, it was partially compensate for the dramatic material and supply costs increase. (Table 2)

Besides the material cost increases, manufacturing overhead also increased significantly. Chemical and production consumables, electricity and gas are all important production cost elements which had affected by Russia-Ukraine conflicts situation that caused the worldwide price increases of oil & gas.

In addition to the external factors mentioned above, there were also production improvements & capacity expansion activities since late 2021 that caused higher depreciation and maintenance costs which are a part of fixed cost in manufacturing overhead, but those new investments have not been fully utilized as

planned because of the slowdown order in 2nd half of 2022. Thus, the increasing fixed cost was a burden of FY22.

In summary, the incremental material cost, manufacturing overhead and a burden of fixed costs significantly and negatively reflect the cost of goods sold and consequently, the gross profit margin of FY22 which became 22.8 % of sales, decreased from 26.6 % in FY21.

Sales and Administrative Expenses

Selling, general and administrative expense amounted to Bt1,988.5 million in FY22 or 10.77 % of sales, an increase from Bt1,655.7 million in FY21 or 11.08% of sales. In 2022, selling expense amounted to Bt622.9 million or 3.37% of sales compared with 2021 that had amounted to Bt541.9 million or 3.62% of sales. The most selling expenses that increased in proportion to sales, such as freight costs, transportation costs, insurance and sales commissions. The administrative expenses amounted to Bt1,365.5 million or 7.39% of sales compared with 2021 that had amounted to Bt1,113.8 million or 7.45% of sales. The increase in administrative expense related mainly to staff costs included retirement benefit obligation, R&D expense and a fair value recognition on the financial asset.

Net Profit

As a result of higher costs as per mention above, the Group reported a consolidated net profit of Bt2,317.2 million in FY22, which represented a decrease of 4.5% Y-o-Y. Operating profit in FY22 totaled Bt2,280.9 million (excluding a gain on foreign currency exchange rate of Bt105.8 million and a loss from fair value of financial investment of Bt69.6 million), representing an increase of 2.80% Y-o-Y. This resulted in basic earnings per share of Bt1.96 compared to Bt2.06 per share in 2021.

Total Asset

Total assets as of December 31, 2022, amounted to Bt20,993.5 million, consisting of current assets Bt11,079.2 million and non-current assets Bt9,914.3 million that consisting of property plant and equipment of Bt8,864.1 million, net intangible assets of Bt169.6 million, contract costs assets of Bt384.2 million, investment property of Bt154.7 million, goodwill of Bt153.5 million, investments in associates of Bt35.8 million, deferred tax assets of Bt110.3 million and other non-current assets of Bt42.0 million.

In 2022, total assets was decreased Bt957.2 million, mainly due to a decrease in cash of Bt821.2 million, an increase in the value of trade receivable and other receivable of Bt505.7 million, an increase in inventory of Bt66.1 million, a decrease in other current financial asset of Bt507.9 million, an increase in other current assets of Bt42.5 million while non-current assets was decreased Bt242.4 million.

Total Liabilities

Total liabilities decreased from Bt8,508.6 million at the end of 2021 to Bt7,548.2 million as of December 31, 2022 mainly due to an increase of short-term debt of Bt374.9 million, a decrease of trade and other current payables of Bt997.3 million and a decrease of long term loan of Bt214.9 million, according to repayment schedule.

As of December 31, 2022, Net Interest-bearing Debt to Equity was 0.28 times still remain close the previous year at 0.27 times.

Shareholders' Equity

Total shareholders' equity as of December 31, 2022, according to the KCE consolidated financial statement amounted to Bt13,445.3 million, increased Bt3.2 million from December 31, 2021 due mainly to operating profit from the period, dividend payment and an additional paid-up capital from subscribed ESOP warrant.

Analysis of performance

Table 1: Foreign currency exchange rates and sales in foreign currency

(Unit : Million)

Currency	Y2022		Y2021		Effect 2022/2021		Y2020		Effect 2021/2020	
	Rates	Sales (Million)	Rates	Sales (Million)	%	Gain(Loss)	Rates	Sales (Million)	%	Gain(Loss)
USD	34.8835	\$356.76	31.838	\$298.72	9.6	1,086.51	30.9757	\$261.48	2.8	257.56
EUR	36.5020	€ 39.75	37.4456	€ 41.50	-2.5	(37.51)	35.2339	€ 31.31	6.3	91.78
JPY	0.2677	¥0.23	0.2819	¥0.72	-5.0	-	0.2906	¥0.02	-3.0	(0.01)
CNY	5.1414	¥121.93	4.9186	¥96.90	4.5	27.16	4.4615	¥43.51	10.2	44.30
Total Effect					Million Baht	1,076.16			Million Baht	393.63

Table 2: Raw material prices and purchased volume

The effect from copper usage on product sales price was 1.09% Y-o-Y in 2022.

Item		Y2022		Y2021		Effect 2022/2021		Y2020		Effect 2021/2020	
		unit price	Volume	unit price	Volume	%	'000 USD	unit price	Volume	%	'000 USD
Copper Foil KCE	KG	\$12.86	1,883,241	\$12.90	2,040,594	-0.33	-81.34	\$9.52	1,318,918	35.55	6,906.22
Copper Foil TLM	KG	\$13.26	2,030,313	\$14.35	2,951,382	-7.58	-2,207.79	\$9.63	1,966,291	49.01	13,926.70
Copper Anode	KG	\$9.44	2,093,200	\$9.68	2,034,000	-2.44	-494.99	\$6.68	1,509,001	44.91	6,101.24
Fiber glass	Metre	\$0.76	17,902,396	\$0.70	18,656,831	8.39	1,057.80	\$0.56	13,512,993	25.54	2,672.42
						Total US\$	-1,726.32			Total US\$	29,606.58

Table 3: Consignment Sales

(Amount in Million Baht)

	Y2022			Y2021		
	Stock Filling	Usage	Unrealized Revenue	Stock Filling	Usage	Unrealized Revenue
Total Q1	1,010.6	980.9	29.7	777.8	769.4	8.4
Total Q2	1,115.5	984.5	131.0	971.5	727.0	244.6
Total Q3	1,306.0	977.6	328.4	875.3	778.8	96.5
Total Q4	878.7	1,264.1	(385.4)	976.5	855.9	120.6
Total Year	4,310.7	4,207.0	103.7	3,601.1	3,131.0	470.1

Table 4: Sales and volume sold, by Region (PCB Sales @ Factory price)

								% In/(Decrease)	
								Y-o-Y	Q-o-Q
		Y2021	1Q22	2Q22	3Q22	4Q22	Y2022	Y22/Y21	4Q22/3Q22
EUROPE	SALES-USD	201,967,735	53,283,059	50,729,981	58,630,336	48,057,442	210,700,817	4.32	(18.03)
	VOLUME-SQFT	15,008,342	3,716,868	3,614,205	4,107,352	3,348,622	14,787,047	(1.47)	(18.47)
USA	SALES-USD	85,196,877	26,393,499	28,538,080	25,589,092	23,411,302	103,931,973	21.99	(8.51)
	VOLUME-SQFT	6,760,446	1,887,429	2,117,280	1,862,264	1,584,855	7,451,828	10.23	(14.90)
ASIA (Excl.CHINA)	SALES-USD	29,405,945	6,594,961	7,156,109	6,087,512	5,745,508	25,584,090	(13.00)	(5.62)
	VOLUME-SQFT	2,031,777	476,359	526,442	433,107	420,503	1,856,411	(8.63)	(2.91)
CHINA	SALES-USD	44,036,301	14,242,003	16,301,497	13,767,777	12,950,990	57,262,267	30.03	(5.93)
	VOLUME-SQFT	3,508,669	1,038,809	1,138,870	983,257	919,700	4,080,636	16.30	(6.46)
THAI	SALES-USD	42,332,228	12,538,025	10,216,914	6,473,253	7,932,332	37,160,524	(12.22)	22.54
	VOLUME-SQFT	3,929,676	1,103,044	890,677	575,839	750,573	3,320,133	(15.51)	30.34
TOTAL-USD		402,939,086	113,051,547	112,942,581	110,547,970	98,097,574	434,639,672	7.87	(11.26)
TOTAL-SQFT		31,238,910	8,222,508	8,287,474	7,961,819	7,024,253	31,496,054	0.82	(11.78)

Nevertheless, considering that the technology of PCB manufacturing has been developing very fast, therefore, the company is now carefully studying and testing various types of machines with many machinery makers in order to select the best-in-class machines that possess high manufacturing efficiency, with lower power consumption and suitable for customers' products, so the overall production capacity & efficiency will be able to support the customer's demand and also future business expansion.

The new factory construction has already started since Q4'2022 more progress of this project will be continually updated.

Forwarded for your information

Sincerely yours,



(Mrs.Voraluksana Ongkosit)
Executive Vice Chairperson

