

May 9, 2023

The Director and Manager  
The Stock Exchange of Thailand

Re: Information on First Quarter of 2023 Operating Results

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for the first quarter of 2023 based on reviewed consolidated financial statements for the three-month period ended March 31, 2023. The Group's sales are total at Bt4,024.9 million with a net profit of Bt345.5 million, compared to Bt4,532.6 million total sales and Bt589.8 million net profit in the first quarter of 2022. A summary of the Company's operating performance in the first quarter of 2023 and 2022 is shown in the following table:

[Amount: in Million Baht]	1Q23	4Q22	<u>%Change</u> Q-o-Q [1Q23 VS. 4Q22]	1Q22	<u>%Change</u> Y-o-Y [1Q23 VS. 1Q22]
FX: THB/USD	33.7117	36.0555		32.8854	
FX: THB/EUR	36.0673	36.7279		36.6821	
Sales Revenue	4,024.9	4,622.5	-12.93	4,532.6	-11.20
[Sales Revenue, (USD)]	\$119.4	\$128.2	-6.87	\$137.8	-13.38]
Cost of Sales	3,235.5	3,644.9		3,497.5	
Gross margin, (%)	19.6%	21.1%		22.8%	
Selling & Administration	480.4	467.1	+2.86	508.8	-5.57
Operating profit *	314.2	506.8	-38.00	557.7	-43.67
Net Profit	345.5	500.3	-30.95	589.8	-41.42
Net Profit Margin, (%)	8.6%	10.8%		13.0%	

[Remark \* Excludes foreign exchange rate effects and Gain/(loss) on investment]

**Sales Revenue**

Consolidated sales revenue of 1Q23 in Baht terms was reported at Bt4,024.9 million, declining 12.93% Q-o-Q and 11.20% Y-o-Y, while sales revenue in USD terms also decreased by 6.87% and 13.38% Q-o-Q and Y-o-Y respectively. The FX rate change of THB against the US dollar in the period resulted in a loss in revenue recognition in Thai Baht terms of Bt203.16 million in Q-o-Q, but a gain Bt56.96 million in Y-o-Y. (Table 1). The high fluctuation of the FX rate from 4Q22 to 1Q23 caused a negative impact on consignment sales in this particular period due to a higher pull of USD-contracted consignment stock in January which THB dramatically strengthen against USD causing significantly lower revenue recognition in Baht term. Furthermore, sales revenue was adversely impacted by unrealized consignment sales of Bt62.5 million in March 2023. (Table 3)

In 1Q23 the volume of PCB sales increased 3.07% Q-o-Q but decreased 11.95 % Y-o-Y due to the global economic situation, which slowed down customer demand since 4Q22. Double-side and Multi-Layer PCB orders continue the lower trend since 4Q22, while the demand for HDI PCB products show increasing. The

special grade PCB (HDI) portion increased 26.55 % Y-o-Y and kept increasing by 11.33% from the prior quarter. (Table 5)

### **Cost of Sales and Gross Profit**

The gross profit margin in 1Q23 was 19.6% of sales, decreased from 22.8% and 21.1% Y-o-Y and Q-o-Q respectively, main factor was the unfavorable impact of foreign exchange rates, Baht depreciation in 4Q22 then suddenly reversed to appreciation in 1Q23, while the cost of product sold was still at a high level according to material purchased during Baht-depreciation period. Consequently, it resulted in lower revenue recognition in 1Q23. Moreover, Copper, the main material of PCB manufacturing, prices started to decline in 4Q22, however, it slightly rebounded back to increase in 1Q23. (Table 2)

The overhead cost also increased, mainly because of the electricity rate that still continue to increase in 1Q23, which directly impacted the product cost. Overall actual production capacity of 1Q23 was at 79% due to the slowing down of market demand, while the fixed overhead costs, such as staff benefit, depreciation, and maintenance expense, were maintained. As a result, it drove the gross margin rate lower.

### **Administrative and Selling Expenses**

Total selling, general, and administrative expenses amounted to Bt480.4 million in 1Q23, or 11.9% of sales, an increase from Bt467.1 million or 10.1% of sales in 4Q22, but decrease from Bt508.8 million or 11.2% of sales in the same period of the previous year.

Selling expense amounted to Bt149.9 million in 1Q23, or 3.7% of sales, decreased from Bt153.6 million or 3.3% of sales in 4Q22 and Bt155.2 million or 3.4% of sales in the same period of previous year. Selling expense mainly decreased from sale commission in line with lower sales and a change in portion of freight cost carried by the customers. Administrative expense amounted to Bt330.5 million or 8.2% of sales in 1Q23, increased from Bt313.5 million or 6.8% of sales in 4Q22 but decreased Bt353.6 million or 7.8% of sales in the same period of previous year, which related mainly to staff costs with annual rate adjustment, R&D expense, consulting fee and insurance.

### **Net Profit**

The Group reported a consolidated net profit of Bt345.5 million in 1Q23, representing a decrease of 30.95% and 41.42 % Q-o-Q and Y-o-Y respectively. Operating profit in 1Q23 totaled Bt314.2 million (excluding a gain on the foreign currency exchange rate of Bt31.2 million), representing a decrease of 38% Q-o-Q and 43.67% Y-o-Y.

In summary, the significant drop in profitability was driven by the strengthened Baht against the US dollar, which negatively impacted lower revenue in Baht including the lower demand from the customers due to the global economic situation, while the cost of the product is still high because of high Baht-price raw material inventory consumption, along with manufacturing overhead increasing mainly from electricity charge which had a significantly higher rate in 1Q23, and a burden of other fixed overhead cost such as depreciation and machinery maintenance expense. This resulted in basic earnings per share of Bt0.29 for 1Q23.

### **Total Asset**

Total assets as of March 31, 2023, amounted to Bt20,998.0 million, consisting of current assets of Bt11,295.0 million, property, plant and equipment of Bt8,679.9 million, intangible assets of Bt162.7 million, contract costs assets of Bt377.9 million, investment property of Bt156.2 million, goodwill of Bt153.5 million, investments in associates of Bt40.0 million; deferred tax assets of Bt106.2 million and other non-current assets of Bt26.6 million.

Total assets slightly increase by Bt4.5 million from Bt20,993.5 million at the end of 2022, was due mainly to an increase in cash of Bt628.3 million, a decrease in the value of trade receivable and other receivable of

Bt479.5 million according to sale reduction, an increase in inventory of Bt82.8 million, a decrease in the value of property, plant and equipment of Bt184.2 million.

### Total Liabilities

Total liabilities decreased by Bt347.1 million from Bt7,548.2 million at the end of 2022 to Bt7,201.1 million as of March 31, 2023; was due mainly to short-term debt and long term loan from the financial institution decreased Bt512.1 million, trade and other current payables increased Bt174.3 according to payment on due term.

As of March 31, 2023, Net Interest-bearing Debt to Equity ratio was 0.24 times compared to 0.28 times as of December 31, 2022 as a result of lower debts and higher equity from this quarter profit.

### Shareholders' Equity

As of March 31, 2023, shareholders' Equity was Bt13,796.9 million, an increase of Bt351.6 million from Bt13,445.3 million as of December 31, 2022 due mainly to operating profit from the period, and an additional paid-up capital from ESOP.

### Analysis of performance

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

Currency	1Q 2023		4Q 2022		Q-o-Q Effect		1Q 2022		Y-o-Y Effect	
	Rates	Sales	Rates	Sales	%	Gain (Loss)	Rates	Sales	%	Gain (Loss)
USD	33.7117	\$82.88	36.0555	\$93.21	(6.5)	(194.26)	32.8854	\$87.46	2.5	68.48
EUR	36.0673	€9.33	36.7279	€9.07	(1.8)	(6.17)	36.6821	€11.42	(1.7)	(5.74)
JPY	0.0000	¥0.00	0.2569	¥0.06	0.0	0.00	0.2769	¥0.10	0.0	0.00
CNY	4.8993	¥24.38	5.0114	¥27.46	(2.2)	(2.73)	5.1363	¥26.38	(4.6)	(5.78)
Total effect					M Baht	(203.16)			M Baht	56.96

(Unit: Million)

**Table 2:** Raw material prices and purchased volume

Key Material		1Q 2023		4Q 2022		Q-o-Q Effect		1Q 2022		Y-o-Y Effect	
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE)	KG.	\$11.63	520,181	\$10.83	423,283	7.42	418.22	\$14.21	441,255	(18.12)	(1,339.56)
Copper Foil (TLM)	KG.	\$11.34	524,296	\$10.67	625,230	6.36	355.39	\$15.24	638,404	(25.58)	(2,044.43)
Copper Anode	KG.	\$9.34	508,400	\$8.37	499,000	11.58	492.82	\$10.40	540,000	(10.19)	(538.90)
Fiber glass	METRE	\$0.55	3,519,816	\$0.65	5,532,803	(15.11)	(346.75)	\$0.89	3,938,921	(37.86)	(1,187.06)
						Total US\$	919.68			Total US\$	(5,109.95)

The effect from copper usage on product sales price was decrease about 0.07 % Q-o-Q and 3.43 % Y-o-Y

**Table 3:** Consignment Sales

(Amount: in Million Baht)

	1Q 2023			1Q 2022		
	Stock Filling	Usage	Unrealized revenue (Higher Usage)	Stock Filling	Usage	Unrealized revenue (Higher Usage)
January	270.9	437.9	(167.0)	290.9	299.3	(8.4)
February	295.4	295.7	(0.3)	331.3	352.8	(21.5)
March	322.6	260.1	62.5	388.3	328.8	59.5
Total 1Q	888.9	993.7	(104.8)	1,010.5	980.9	29.6

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

Region		1Q22	2Q22	3Q22	4Q22	Y2022	1Q23	% Incr/(Decrease)	
								Y-o-Y	Q-o-Q
								1Q23 / 1Q22	1Q23 / 4Q22
EUROPE	SALES-USD	53,283,059	50,729,981	58,630,336	48,057,442	210,700,817	51,551,137	(3.25)	7.27
	VOLUME-SQFT	3,716,868	3,614,205	4,107,352	3,348,622	14,787,047	3,542,932	(4.68)	5.80
USA	SALES-USD	26,393,499	28,538,080	25,589,092	23,411,302	103,931,973	23,936,782	(9.31)	2.24
	VOLUME-SQFT	1,887,429	2,117,280	1,862,264	1,584,855	7,451,828	1,614,653	(14.45)	1.88
ASIA (Excl.CHINA)	SALES-USD	6,594,961	7,156,109	6,087,512	5,745,508	25,584,090	5,475,581	(16.97)	(4.70)
	VOLUME-SQFT	476,359	526,442	433,107	420,503	1,856,411	403,943	(15.20)	(3.94)
CHINA	SALES-USD	14,242,003	16,301,497	13,767,777	12,950,990	57,262,267	12,416,295	(12.82)	(4.13)
	VOLUME-SQFT	1,038,809	1,138,870	983,257	919,700	4,080,636	872,628	(16.00)	(5.12)
LOCAL	SALES-USD	12,538,025	10,216,914	6,473,253	7,932,332	37,160,524	9,546,972	(23.86)	20.36
	VOLUME-SQFT	1,103,044	890,677	575,839	750,573	3,320,133	805,522	(26.97)	7.32
TOTAL-USD		113,051,547	112,942,581	110,547,970	98,097,574	434,639,672	102,926,767	(8.96)	4.92
TOTAL-SQFT		8,222,508	8,287,474	7,961,819	7,024,253	31,496,054	7,239,678	(11.95)	3.07

**Table 5:** Sales and volume shipment, by Product mix (PCB Sales @ Factory price)

Product-Mix		1Q22	2Q22	3Q22	4Q22	Y2022	1Q23	% Incr/(Decrease)	
								Y-o-Y	Q-o-Q
								1Q23 / 1Q22	1Q23 / 4Q22
02 Layer	SALES-US\$	11,696,539	10,520,906	8,557,634	8,547,941	39,323,019	8,918,068	(23.75)	4.33
	VOLUME-SQFT	1,205,843	1,137,172	890,541	918,904	4,152,460	906,034	(24.86)	(1.40)
04 Layer	SALES-US\$	48,196,469	46,507,866	42,480,998	36,887,835	174,073,169	36,763,402	(23.72)	(0.34)
	VOLUME-SQFT	4,021,972	3,917,977	3,582,703	3,145,088	14,667,740	3,059,487	(23.93)	(2.72)
06 + Layer	SALES-US\$	26,986,638	27,993,761	30,162,167	23,586,266	108,728,833	25,503,162	(5.50)	8.13
	VOLUME-SQFT	1,624,592	1,711,969	1,856,235	1,402,855	6,595,651	1,540,282	(5.19)	9.80
Special Grade	SALES-US\$	26,171,900	27,920,048	29,347,171	29,075,531	112,514,650	31,742,136	21.28	9.17
	VOLUME-SQFT	1,370,101	1,520,356	1,632,340	1,557,406	6,080,203	1,733,875	26.55	11.33
TOTAL-USD		113,051,547	112,942,581	110,547,970	98,097,574	434,639,672	102,926,767	(8.96)	4.92
TOTAL-SQFT		8,222,508	8,287,474	7,961,819	7,024,253	31,496,054	7,239,678	(11.95)	3.07

**Table 6:** KCE - Production Capacity

Maximum Capacity:

1Q 2023 – 4Q 2023	2.10 million Sq.ft./month for Lat Krabang Plant
1Q 2023 – 4Q 2023	1.50 million Sq.ft./month for HiTech Ayutthaya Plant

Actual Capacity Utilization in 1Q23	79% to available capacity
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**Table 7:** Capital Expenditure

**CAPEX Plan - Y2023** **Bt 829 million** (exclude Rojana New Factory)

Consisted of  
 Bt 500 million /Efficiency Improvement of Lat Krabang Plant  
 Bt 283 million /Efficiency Improvement of HiTech Plant  
 Bt 46 million /Efficiency Improvement of Thai Laminate

Actual Spent in 1Q 2023	Bt 77.3 million (exclude Rojana New Factory)
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**CAPEX Plan for Rojana New Plant in Y2023** **Bt 830 million**

Project Plan (Million Baht)	Y2023	Y2024	Y2025	Total
Factory Building	700	2,900	-	3,600
Machine and Equipment	130	3,020	210	3,360
Total Plan (as of 31 March 2023)	830	5,920	210	6,960

Actual Spent as of 31 March 2023	Bt 40.5 million (Design and Construction)
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For the new factory investment at Rojana Industrial Park, the process of Land preparation is finished and ready for construction. However, the building construction has to wait for the re-design of machinery selection during 1Q-2Q 2023 due to the new technology development. However, the timeline for the Piling work will start in 3Q23 properly. The company put focus on modern and high manufacturing technology to build in this new factory to reach the highest efficiency while considering also energy saving to support the customers' requirement in the future.

Forwarded for your information.

Sincerely yours,



(Mrs. Voraluksana Ongkosit)  
 Executive Vice Chairperson

