

November 10, 2020

The Director and Manager
The Stock Exchange of Thailand

Re: Information on Third Quarter of 2020 Operating Results

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for the third quarter of 2020 based on reviewed consolidated financial statements for the three-month period ended September 30, 2020. The Group's sales and net profit totaled Bt2,721.8 million and Bt250.0 million, respectively, compared to Bt3,088.3 million and Bt255.1 million in the third quarter of 2019. A summary of the Company's operating performance in the third quarter of 2020 and 2019 is shown in the following table:

[Amount in Baht Million]	3Q20	2Q20	1Q20	<i>% Change</i> Q-o-Q [3Q20 VS. 2Q20]	3Q19	<i>% Change</i> Y-o-Y [3Q20 VS. 3Q19]	
FX: THB/USD	31.0892	31.6345	31.1053		30.4541		
Sales Revenue, THB	2,721.8	2,127.5	3,259.7	+27.9%	3,088.3	-11.9%	
[Sales Revenue, USD	\$87.5	\$67.2	\$104.8	+30.2%	\$101.4	-13.7%]
Cost of Sales	2,204.3	1,740.9	2,477.7		2,450.3		
Gross margin, %	19.01%	18.17%	23.99%		20.66%		
SG & A	308.6	322.1	429.9		421.8		
Operating Profit	179.9*	129.7**	347.1*	+38.7%	217.0*	-17.1%	
Net Profit per F/S	250.0	71.3	424.8	+250.6%	255.1	-2.0%	
	9.19%	3.35%	13.03%		8.26%		

[Remark * Excludes foreign exchange rate effects.

** Excludes foreign exchange rate effects and impairment loss of Bt56.5 M]

Sales Revenue

Consolidated sales revenue in Baht terms in 3Q20 amounted to Bt2,721.8 million, representing an increase of 27.9% Q-o-Q but a reduction of 11.9% Y-o-Y, while sales revenue in USD terms grew by 30.2% Q-o-Q but declined by 13.7% Y-o-Y. Following the recovery in the automotive market and the easing of COVID-19 lockdown measures, customer orders returned nearly to normal levels, particularly in September, and PCB sales increased by 26.6% Q-o-Q (Table 4), despite an order backlog of approximately USD4.5 million at the end of the quarter. Consignment stock usage was much higher at Bt917.5 million compared to Bt431.5 million in the previous quarter (Table 3). Changes in foreign currency exchange rates had an impact on revenue recognition in Thai baht terms, which resulted in a loss of Bt24 million Q-o-Q and a gain of Bt.59 million Y-o-Y (Table 1).



Various measures to minimize the impact of COVID-19 remain in place, which will help sustain operations in the long term.

Cost of Sales and Gross Profit

The cost of goods produced during 3Q20 declined gradually following an increase in orders and production capacity utilization, particularly in September. Sales of products, including consignment usage, comprised finished products in inventory that were produced the previous month that carried a higher cost, and as a result, the average gross profit margin as a percentage of sales widened slightly Q-o-Q to 19.01% from 18.17% despite the THB appreciation and a higher price of copper used (Table 2), but declined Y-o-Y.

Administrative and Selling Expenses

Selling, general, and administrative expense amounted to Bt308.6 million in 3Q20, or 11.34% of sales, a decrease from Bt421.8 million in the same period last year. Selling expense, such as freight costs and sales commissions, decreased in line with lower sales. Administrative expense decreased mainly as a consequence of cost control measures in place, reducing headcount, working hours and OT, and other employee expenses together with expense cuts in all areas. In addition, expense was recognized for subscribed share warrants (ESOP-W6) in the amount of Bt5.5 million in the period.

Net Profit

The Group reported a consolidated net profit of Bt250.0 million in 3Q20, representing an increase of 250.6% Q-o-Q and a slightly reduction of 2.0% Y-o-Y. Operating profit in 3Q20 totaled Bt179.9 million (excluding a gain on foreign currency exchange rate of Bt70.1 million), representing an increase of 38.7% Q-o-Q and a decline of 17.1% Y-o-Y.

The improvement in operating results was due mainly to a recovery of sales post COVID-19 and a reduction in the cost of goods sold that led to a higher profit margin. This resulted in basic earnings per share of Bt 0.21 for the third quarter of 2020 and Bt0.64 for the nine months of 2020.

Total Asset

Total assets as of September 30, 2020, amounted to Bt16,765 million, consisting of current assets of Bt7,417 million; property, plant and equipment of Bt8,267 million net; intangible assets of Bt242 million; contract costs assets of Bt368 million: investment property of Bt160 million; goodwill of Bt153 million; investments in associates of Bt26 million; deferred tax assets of Bt101 million; and other non-current assets of Bt31 million.

An increase in assets of Bt264 million from Bt16,501 million at the end of 2019, was due mainly to an increase in cash of Bt1,188 million for a liquidity reserve, a decrease in the value of trade receivable and other receivable of Bt274 million, a decrease in inventory of Bt200 million, an increase in contract costs of Bt136 million and a decrease in the value of property, plant and equipment of Bt572 million.

Total Liabilities

Total liabilities increased from Bt4,739 million at the end of 2019 to Bt5,152 million as of September 30, 2020. An increase was due mainly to an increase in short-term debt of Bt585 million due to liquidity reserve measure during the crisis, a decrease in trade and other current payables of Bt407 million, an increase in long-term loan of Bt163 million and an increase in employee benefit provision of Bt59 million.



As of September 30, 2020, Net Interest-bearing Debt to Equity declined from 0.30 to 0.24 times as a result of lower debts and slightly lower equity.

Shareholders' Equity

As of September 30, 2020, shareholders' Equity was Bt11,612 million, a decrease of Bt150 million, mainly due to operating profit from the period and dividend payment.

Analysis of performance

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

Currency	3Q 2020		2Q 2020		Q-o-Q Effect		3Q 2019		Y-o-Y Effect	
	Rates	Sales	Rates	Sales	%	Gain/(Loss) M Baht	Rates	Sales	%	Gain/(Loss) M Baht
USD	31.0892	\$64.70	31.6345	\$44.54	(1.7)	(35.27)	30.4541	\$75.25	2.1	41.09
EUR	36.2137	€6.59	34.5529	€5.64	4.8	10.94	33.6840	€10.77	7.5	16.67
JPY	-	-	29.0865	¥0.02	-	-	-	-	-	-
CNY	4.4378	¥11.16	4.4163	¥9.40	0.5	0.24	4.2692	¥7.86	4.0	1.88
Total Effect						(24.09)				59.64

(Unit: Million)

Table 2: Raw material prices and purchased volume

		3Q 2020		2Q 2020		Q-o-Q Effect		3Q 2019		Y-o-Y Effect			
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$		
Copper Foil (KCE)	KG.	\$9.17	225,717	\$9.12	323,725	0.47	9.77	\$9.34	352,418	(1.83)	(38.55)		
Copper Foil (TLM)	KG.	\$9.57	114,525	\$9.34	455,499	2.40	25.66	\$9.04	578,522	5.83	60.33		
Copper Anode	KG.	\$6.88	330,000	\$5.65	292,000	21.78	406.24	\$6.40	476,000	7.62	160.76		
Fiber glass	METRE	\$0.56	3,797,166	\$0.59	1,802,737	(6.11)	(137.53)	\$0.63	4,015,315	(11.62)	(277.77)		
						Total US\$	304.14						
						Total US\$	(95.23)						

Table 3: Consignment Sales

(Amount: in Baht Million)

	YR 2020			YR 2019		
	Stock Filling	Usage	Unrealized revenue	Stock Filling	Usage	Unrealized revenue
July	186.3	316.5		280.9	280.9	
August	223.7	319.1		260.7	239.3	
September	273.7	281.9		288.0	294.5	
Total 3Q	683.7	917.5	-233.8	829.6	814.7	14.9
Total 2Q	470.9	431.5	39.4	812.9	760.0	52.9
Total 1Q	924.9	831.3	93.6	647.0	778.9	-131.9



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

								% Incr. (Decr.)	
								Y-o-Y	Q-o-Q
		3Q19	4Q19	Y2019	1Q20	2Q20	3Q20	3Q20 / 3Q19	3Q20 / 2Q20
EUROPE	SALES-USD	48,227,557	47,249,824	191,680,516	50,309,931	26,111,790	31,383,617		
	VOLUME-SQFT	3,668,200	3,629,523	14,916,440	3,974,969	1,975,239	2,422,499	(33.96)	22.64
USA	SALES-USD	20,610,785	15,577,947	70,317,402	20,031,233	11,339,764	15,862,139		
	VOLUME-SQFT	1,634,305	1,264,631	5,784,321	1,673,992	889,194	1,229,524	(24.77)	38.27
ASIA (Excl.CHINA)	SALES-USD	7,796,395	7,711,365	29,714,837	8,174,843	6,153,770	6,402,337		
	VOLUME-SQFT	581,433	544,734	2,209,937	582,794	425,508	444,593	(23.53)	4.49
CHINA	SALES-USD	10,000,244	10,444,313	39,733,150	8,816,259	6,867,450	10,685,658		
	VOLUME-SQFT	790,305	852,271	3,136,089	736,956	576,081	886,552	12.18	53.89
LOCAL	SALES-USD	7,523,765	7,412,350	29,472,370	8,701,827	4,756,720	5,601,859		
	VOLUME-SQFT	699,108	682,821	2,761,974	874,567	445,664	508,653	(27.24)	14.13
TOTAL-USD		94,158,746	88,395,798	360,918,275	96,034,092	55,229,495	69,935,610	(25.73)	26.63
TOTAL-SQFT		7,373,351	6,973,980	28,808,762	7,843,278	4,311,686	5,491,821	(25.52)	27.37

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

								% Incr. (Decr.)	
								Y-o-Y	Q-o-Q
		3Q19	4Q19	Y2019	1Q20	2Q20	3Q20	3Q20 / 3Q19	3Q20 / 2Q20
PD-Mix									
02 Layer	SALES-US\$	12,913,836	11,155,407	50,195,860	13,631,771	6,227,641	8,517,095	(34.05)	36.76
	VOLUME-SQFT	1,497,208	1,286,388	5,840,630	1,611,007	745,892	981,968	(34.41)	31.65
04 Layer	SALES-US\$	43,574,404	40,731,172	169,744,455	44,372,295	23,838,942	31,110,980	(28.60)	30.50
	VOLUME-SQFT	3,796,810	3,611,860	14,925,906	3,956,494	2,099,945	2,769,555	(27.06)	31.89
06 + Layer	SALES-US\$	25,812,547	25,141,016	100,585,888	26,504,582	14,746,207	17,915,852	(30.59)	21.49
	VOLUME-SQFT	1,579,335	1,559,294	6,196,612	1,701,166	936,955	1,143,239	(27.61)	22.02
Special Grade	SALES-US\$	11,857,959	11,368,204	40,392,073	11,525,444	10,416,705	12,391,683	4.50	18.96
	VOLUME-SQFT	499,998	516,438	1,845,614	574,611	528,893	597,060	19.41	12.89
TOTAL-USD		94,158,746	88,395,798	360,918,276	96,034,092	55,229,495	69,935,610	(25.73)	26.63
TOTAL-SQFT		7,373,351	6,973,980	28,808,762	7,843,278	4,311,686	5,491,821	(25.52)	27.37

Table 6: KCE New Plant Capacity

1Q2020 – 4Q2020 (Plan)

1.75 million Sq. ft./ month

Table 7: Capital Expenditure (KCE New Plant)

CAPEX Plan - Y2020	THB 200.0 million
Actual Spend- 1Q2020	THB 16.6 million
Actual Spend- 2Q2020	THB 90.3 million
Actual Spend- 3Q2020	<u>THB 15.9 million</u>
Actual Spend- 3QYTD 2020	<u>THB 122.8 million</u>

Forwarded for your information.

Sincerely yours,



(Mrs.Voraluksana Ongkosit)
Executive Vice Chairperson

