

August 11, 2020

The Director and Manager
 The Stock Exchange of Thailand

Re: Information on Second 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 second quarter of 2020 based on reviewed consolidated financial statements for the three-month period ended June 30, 2020. The Group's sales and net profit totaled Bt2,127.5 million and Bt71.3 million, respectively, compared to Bt2,992.8 million and Bt159.0 million in the second quarter of 2019. A summary of the Company's operating performance in the second quarter of 2020 and 2019 is shown in the following table:

| [Amount in Baht Million] | 2Q20 | 1Q20 | <u>% Change</u> Q-o-Q [2Q20 VS. 1Q20] | 2Q19 | <u>% Change</u> Y-o-Y [2Q20 VS. 2Q 19] | |
|--------------------------|---------|---------|---|----------|--|---|
| FX: THB/USD | 31.6345 | 31.1053 | | 31.3450 | | |
| Sales Revenue, THB | 2,127.5 | 3,259.7 | -34.7% | 2,992.8 | -28.9% | |
| [Sales Revenue, USD | \$67.2 | \$104.8 | -35.8% | \$95.5 | -29.6% |] |
| Cost of Sales | 1,740.9 | 2,477.7 | | 2,424.7 | | |
| Gross margin, % | 18.17% | 23.99% | | 18.98% | | |
| SG & A | 322.1 | 429.9 | | 415.5 | | |
| Operating Profit | 129.7** | 347.1* | -62.6% | 210.6*** | -38.4% | |
| Net Profit per F/S | 71.3 | 424.8 | -83.2% | 159.0 | -55.1% | |
| | 3.35% | 13.03% | | 5.31% | | |

[Remark * Excludes foreign exchange rate effects.

** Excludes foreign exchange rate effects and impairment loss.

*** Excludes foreign exchange rate effects and change in retirement benefit provisions.]

Sales Revenue

Consolidated sales revenue in Baht terms amounted to Bt2,127.5 million in 2Q20, representing a decrease of 34.7% Q-o-Q and 28.9% Y-o-Y, while sales revenue in USD terms decreased by 35.8% Q-o-Q and 29.6% Y-o-Y. Following the economic crisis facing the automotive industry due to COVID-19 and lock down measures implemented by many countries in which the Company operates, our customer orders fell sharply by 42% Q-o-Q and 37% Y-o-Y (Table 5). Whereas consignment stock usage was lower at Bt431.5 million in the second quarter, representing a decrease of 50% Q-o-Q and 43% Y-o-Y (Table 3). Changes in foreign



currency exchange rates had a minor impact on the revenue recognition in Thai baht terms in the current quarter (Table 1).

To minimize the impact of COVID-19 in the second quarter of 2020, KCE temporarily closed down one of its PCB factories (KCE International), reduced our headcount, and reduced working hours to two weeks per month to be in line with a decrease in production capacity level. We also had to cut costs in all areas, suspend our investment plan and reserve cash to maintain a strong finance position during the crisis.

Cost of Sales and Gross Profit

The gross profit margin as a percentage of sales dropped Q-o-Q and Y-o-Y to 18.17% in 2Q20 following a decrease in capacity utilization to nearly breakeven point at the KCE new plant during the second quarter. In addition, the THB depreciation and a decline in the price of copper used in the production process helped reduce the cost of goods sold (Table 2).

Administrative and Selling Expenses

Selling, general, and administrative expense amounted to Bt322.1 million in 2Q20, or 15.13% of sales, a decrease from Bt415.5 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. Administrative cost increased due to the shutdown of the KCEI plant, which was related to labor compensation payments, factory shutdown expense, and a change of monthly depreciation expense of unproductive machinery from COGS to administrative expense. In addition, the Group set aside an impairment provisions in the amount of Bt56.5 million for unproductive machines under the expired BOI project in the second quarter of 2020.

Net Profit

The Group reported a consolidated net profit of Bt71.3 million in 2Q20, representing a reduction of 83.2% Q-o-Q and 55.1% Y-o-Y. Operating profit in 2Q20 totaled Bt129.7 million (excluding a gain on foreign currency exchange rate and an impairment loss), representing a decline of 62.6% Q-o-Q and 38.4% Y-o-Y.

The substantial decrease in operating results of the second quarter 2020 was due mainly to the impact of COVID-19, which resulted in a decrease in sales revenue, an increase in the cost of goods sold and a reduction in gross margin. This resulted in basic earnings per share of Bt 0.06 for the second quarter of 2020.

Nevertheless, for the first half of 2020, the Group's net profit totaled Bt496.2 million, compared to Bt427.6 million in the first half of 2019, representing an increase of 16.0% Y-o-Y. The basic earnings per share was Bt0.42 for the six months of 2020.

Total Asset

Total assets as of June 30, 2020, amounted to Bt17,369 million, consisting of current assets of Bt7,780 million; property, plant and equipment of Bt8,516 million net; intangible assets of Bt241 million; contract costs assets of Bt361 million; investment property of Bt160 million; goodwill of Bt153 million; investments in associates of Bt24 million; deferred tax assets of Bt89 million; and other non-current assets of Bt43 million.

An increase in assets of Bt868 million from Bt16,501 million at the end of 2019, was due mainly to an increase in cash of Bt1,520 million for a liquidity reserve, a decrease in the value of trade receivable and



other receivable of Bt562 million, an increase in inventory of Bt170 million, an increase in contract costs of Bt129 million and a decrease in the value of property, plant and equipment of Bt402 million.

Total Liabilities

Total liabilities increased from Bt4,739 million at the end of 2019 to Bt5,574 million as of June 30, 2020. An increase was due mainly to an increase in short-term debt of Bt1,445 million due to liquidity reserve measure during the crisis and a decrease in trade and other current payables of Bt650 million in line with lower business.

As of June 30, 2020, Net Interest-bearing Debt to Equity raised from 0.16 to 0.30 times as a result of higher debts and slightly higher equity.

Shareholders' Equity

As of June 30, 2020, shareholders' Equity was Bt11,795 million, an increase of Bt34 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 | 2Q 2020 | | 1Q 2020 | | Q-o-Q Effect | | 2Q 2019 | | Y-o-Y Effect | |
|--------------|---------|---------|---------|---------|--------------|-----------------------|---------|---------|--------------|-----------------------|
| | Rates | Sales | Rates | Sales | % | Gain (Loss) M Baht | Rates | Sales | % | Gain (Loss) M Baht |
| USD | 31.6345 | \$44.54 | 31.1053 | \$74.43 | 1.7 | 23.57 | 31.3450 | \$69.99 | 0.9 | 12.89 |
| EUR | 34.5529 | €5.64 | 34.1773 | €9.42 | 1.1 | 2.12 | 35.0563 | €9.72 | (1.4) | (2.84) |
| JPY | 29.0865 | ¥0.02 | - | - | - | - | - | - | - | - |
| CNY | 4.4163 | ¥9.40 | 4.4116 | ¥7.98 | 0.1 | 0.04 | 4.5509 | ¥8.47 | (3.0) | (1.26) |
| Total Effect | | | | | | 25.73 | | | | 8.79 |

(Unit: Million)

Table 2: Raw material prices and purchased volume

| | | 2Q 2020 | | 1Q 2020 | | Q-o-Q Effect | | 2Q 2019 | | Y-o-Y Effect | |
|-------------------|-------|------------|-----------|------------|-----------|--------------|------------|------------|-----------|--------------|------------|
| | | Unit price | Volume | Unit price | Volume | % | '000 US\$ | Unit price | Volume | % | '000 US\$ |
| Copper Foil (KCE) | KG. | \$9.12 | 323,725 | \$9.51 | 361,478 | (4.12) | (126.93) | \$9.89 | 285,175 | (7.77) | (248.85) |
| Copper Foil (TLM) | KG. | \$9.34 | 455,499 | \$9.33 | 653,817 | 0.18 | 7.61 | \$9.67 | 430,240 | (3.35) | (147.54) |
| Copper Anode | KG. | \$5.65 | 292,000 | \$6.48 | 425,000 | (12.70) | (240.12) | \$6.81 | 332,000 | (16.97) | (337.42) |
| Fiber glass | METRE | \$0.59 | 1,802,737 | \$0.58 | 4,331,001 | 1.59 | 16.75 | \$0.66 | 3,873,874 | (9.60) | (113.45) |
| | | | | | | | Total US\$ | | | | Total US\$ |
| | | | | | | | (342.69) | | | | (847.26) |

Table 3: Consignment Sales

(Amount: in Baht Million)

| | 2Q 2020 | | | 2Q 2019 | | |
|----------|---------------|-------|--------------------|---------------|-------|--------------------|
| | Stock Filling | Usage | Unrealized revenue | Stock Filling | Usage | Unrealized revenue |
| April | 224.9 | 97.6 | | 270.3 | 255.0 | |
| May | 126.0 | 96.1 | | 276.7 | 269.0 | |
| June | 120.0 | 237.8 | | 265.9 | 236.0 | |
| Total 2Q | 470.9 | 431.5 | 39.4 | 812.9 | 760.0 | 52.9 |

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

| | | | | | | | | % Incr/(Decr) | |
|----------------------|-------------|------------|------------|------------|-------------|------------|------------|----------------------|----------------------|
| | | 2Q19 | 3Q19 | 4Q19 | Y2019 | 1Q20 | 2Q20 | Y-o-Y 2Q20 / 2Q19 | Q-o-Q 2Q20 / 1Q20 |
| EUROPE | SALES-USD | 46,911,973 | 48,227,557 | 47,249,824 | 191,680,516 | 50,309,931 | 26,111,790 | | |
| | VOLUME-SQFT | 3,754,761 | 3,668,200 | 3,629,523 | 14,916,440 | 3,974,969 | 1,975,239 | (47.39) | (50.31) |
| USA | SALES-USD | 17,525,709 | 20,610,785 | 15,577,947 | 70,317,402 | 20,031,233 | 11,339,764 | | |
| | VOLUME-SQFT | 1,455,111 | 1,634,305 | 1,264,631 | 5,784,321 | 1,673,992 | 889,194 | (38.89) | (46.88) |
| ASIA (Excl.CHINA) | SALES-USD | 6,723,753 | 7,796,395 | 7,711,365 | 29,714,837 | 8,174,843 | 6,153,770 | | |
| | VOLUME-SQFT | 515,794 | 581,433 | 544,734 | 2,209,937 | 582,794 | 425,508 | (17.50) | (26.99) |
| CHINA | SALES-USD | 10,284,849 | 10,000,244 | 10,444,313 | 39,733,150 | 8,816,259 | 6,867,450 | | |
| | VOLUME-SQFT | 795,076 | 790,305 | 852,271 | 3,136,089 | 736,956 | 576,081 | (27.54) | (21.83) |
| LOCAL | SALES-USD | 7,119,307 | 7,523,765 | 7,412,350 | 29,472,370 | 8,701,827 | 4,756,720 | | |
| | VOLUME-SQFT | 674,096 | 699,108 | 682,821 | 2,761,974 | 874,567 | 445,664 | (33.89) | (49.04) |
| TOTAL | SALES-USD | 88,565,592 | 94,158,746 | 88,395,798 | 360,918,275 | 96,034,092 | 55,229,495 | (37.64) | (42.49) |
| | VOLUME-SQFT | 7,194,837 | 7,373,351 | 6,973,980 | 28,808,762 | 7,843,278 | 4,311,686 | (40.07) | (45.03) |

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

| | | | | | | | | % Incr/(Decr) | |
|------------|-------------|------------|------------|------------|-------------|------------|------------|----------------------|----------------------|
| | | 2Q19 | 3Q19 | 4Q19 | Y2019 | 1Q20 | 2Q20 | Y-o-Y 2Q20 / 2Q19 | Q-o-Q 2Q20 / 1Q20 |
| PD-Mix | | | | | | | | | |
| 02 | SALES-US\$ | 13,026,667 | 12,913,836 | 11,155,407 | 50,195,860 | 13,631,771 | 6,227,641 | (52.19) | (54.32) |
| | VOLUME-SQFT | 1,527,002 | 1,497,208 | 1,286,388 | 5,840,630 | 1,611,007 | 745,892 | (51.15) | (53.71) |
| 04 | SALES-US\$ | 42,626,341 | 43,574,404 | 40,731,172 | 169,744,455 | 44,372,295 | 23,838,942 | (44.07) | (46.28) |
| | VOLUME-SQFT | 3,772,163 | 3,796,810 | 3,611,860 | 14,925,906 | 3,956,494 | 2,099,945 | (44.33) | (46.92) |
| 06 + | SALES-US\$ | 24,418,014 | 25,812,547 | 25,141,016 | 100,585,888 | 26,504,582 | 14,746,207 | (36.61) | (44.36) |
| | VOLUME-SQFT | 1,488,373 | 1,579,335 | 1,559,294 | 6,196,612 | 1,701,166 | 936,955 | (37.05) | (44.92) |
| Special | SALES-US\$ | 8,494,569 | 11,857,959 | 11,368,204 | 40,392,073 | 11,525,444 | 10,416,705 | 22.63 | (9.62) |
| | VOLUME-SQFT | 407,299 | 499,998 | 516,438 | 1,845,614 | 574,611 | 528,893 | 29.85 | (7.96) |
| TOTAL-USD | | 88,565,592 | 94,158,746 | 88,395,798 | 360,918,276 | 96,034,092 | 55,229,495 | (37.64) | (42.49) |
| TOTAL-SQFT | | 7,194,837 | 7,373,351 | 6,973,980 | 28,808,762 | 7,843,278 | 4,311,686 | (40.07) | (45.03) |

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 Bt 200.0 million
Actual Spend- 1H2020 Bt106.9 million

Forwarded for your information.

Sincerely yours,



(Mrs. Voraluksana Ongkosit)

Executive Vice Chairperson

