

November 12, 2019

The Director and Manager  
 The Stock Exchange of Thailand

Re: Information on Operating Results for the Third Quarter of 2019

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for the third quarter of 2019 based on reviewed consolidated financial statements for the three-month period ended September 30, 2019. The Group's sales and net profit totaled Bt3,088.3 million and Bt255.1 million, respectively, compared to Bt3,690.4 million and Bt559.7 million in the third quarter of 2018. A summary of the Company's operating performance in the third quarter of 2019 and 2018 is shown in the following table:

[Amount in Baht Millions]	3Q19	2Q19	1Q19	<u>% Change</u> Q-o-Q [3Q19 VS. 2Q19]	3Q18	<u>% Change</u> Y-o-Y [3Q19 VS. 3Q18]	
FX: THB/USD	30.4541	31.3450	31.3204		32.6681		
Sales Revenue, THB	3,088.3	2,992.8	3,113.9	+3.2%	3,690.4	-16.3%	
[ Sales Revenue, USD	\$101.4	\$95.5	\$99.4	+6.2%	\$113.0	-10.2%	]
Cost of Sales	2,450.3	2,424.7	2,457.1		2,692.4		
Gross margin, %	20.66%	18.98%	21.09%		27.04%		
SG & A	421.8	415.5	403.1		463.7		
Operating Profit	217.0*	213.3**	248.2*	+ 1.7%	517.3*	-58.0%	
Consol. Net Profit	255.1	159.0	268.6	+60.4%	559.7	-54.4%	

[ Remark \* Excludes foreign exchange rate effects.

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

**Sales Revenue**

Consolidated sales revenue in Baht terms amounted to Bt3,088.3 million in 3Q19, representing an increase of 3.2% Q-o-Q but a reduction of 16.3% Y-o-Y, while sales revenue in USD terms grew by 6.2% Q-o-Q but declined by 10.2% Y-o-Y. The Q-o-Q sales growth was due mainly to an increase in production. In addition, there was a backlog of orders at the end of the quarter, and some shipments were not recognized as sales revenue this quarter in accordance with relevant incoterms. The Y-o-Y decrease in revenue was due mainly to a 13% decrease in sales volume (Table 4) and due to the strengthening of the Thai baht against the US dollar and Euro in the period, which resulted in THB sales declining by Bt215 million (Table 1).

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

The gross profit margin in 3Q19 of 20.7% increased Q-o-Q from 18.9% but decreased Y-o-Y. In principle, the cost of production is influenced by factors such as the capacity utilization rate, product mix, a change in LME copper price and foreign currency exchange rate in the period. During 3Q19, production increased as new machines were installed, which resulted in an increase in production capacity of special grade PCBs (Table 5). In addition, the price of copper continued to decline (Table 2), and therefore the cost of production was lower and profit improved, despite a significant impact from the continued strengthening of the Thai baht from the previous quarter.

### **Administrative and Selling Expenses**

Selling, general, and administrative expense amounted to Bt421.8 million in 3Q19, or 13.7% of sales, a decrease from Bt463.7 million in the same period the previous year. Selling expense, such as freight costs and sales commissions, decreased in line with lower sales. Administrative expense decreased mainly because of an adjustment of staff costs to be in line with the company's operating performance.

### **Net Profit**

The Group reported a consolidated net profit of Bt255.1 million in 3Q19, representing an increase of 60.4% Q-o-Q but a reduction of 54.4% Y-o-Y. Operating profit, which excluded a foreign exchange rate effect and a change in retirement benefit provisions, totaled Bt217.0 million compared to an operating profit in 2Q19 of Bt213.3 million, an increase of 1.7% Q-o-Q but a reduction of 58.0% Y-o-Y.

This resulted in basic earnings per share of Bt0.22 for the third quarter of 2019 and Bt0.58 for the nine months of 2019.

### **Total Asset**

Total assets as of September 30, 2019, amounted to Bt16,766 million, consisting of current assets of Bt6,805 million; property, plant and equipment of Bt9,068 million; intangible assets of Bt261 million; contract costs of Bt176 million; investment property of Bt162 million; goodwill of Bt154 million; deferred tax assets of Bt64 million; investments in associates of Bt33 million and other non-current assets of Bt43 million.

A decrease in assets of Bt1,355 million from Bt18,121 million at the end of 2018, was due mainly to a decrease in inventory of Bt603 million, a decrease in the value of property, plant and equipment of Bt296 million, a decrease in cash of Bt271 million, a decrease in the value of trade receivable and other receivable of Bt253 million, and an increase in contract costs of Bt94 million.

### **Total Liabilities**

Total liabilities decreased from Bt6,114 million at the end of 2018 to Bt5,221 million as of September 30, 2019; short-term debt as well as trade and other current payables decreased due to increased cash flow from operations; long-term debt increased to support the investment of new machines, and provisions for employee benefits increased in accordance with an amendment of the Labor Protection Act since 2Q19.

As of September 30, 2019, Net Interest-bearing Debt to Equity decreased slightly from 0.25 times to 0.23 times as a result of lower debt and lower equity after an interim dividend payment in the third quarter of 2019.

### **Shareholders' Equity**

Shareholders' Equity decreased from Bt12,007 million as of December 31, 2018, to Bt11,545 million as of September 30, 2019, due mainly to a decrease in operating profit in the period and a dividend payment.

## Analysis of performance

**Gross Profit Margin** was affected by two major factors:

1) A change in foreign currency exchange rates

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

(Unit: Million)

Currency	3Q 2019		2Q 2019		Q-o-Q Effect		3Q 2018		Y-o-Y Effect	
	Rates	Sales	Rates	Sales	%	(Loss) M Baht	Rates	Sales	%	(Loss) M Baht
USD	30.4541	\$75.25	31.3450	\$69.99	(2.8)	(67.04)	32.6681	\$85.09	(6.8)	(166.61)
EUR	33.6840	€10.77	35.0563	€9.72	(3.9)	(14.77)	37.8335	€10.51	(11.0)	(44.68)
CNY	4.2692	¥7.86	4.5509	¥8.47	(6.2)	(2.22)	4.7274	¥10.30	(9.7)	(3.60)
Total effect						(84.03)				(214.89)

2) A change of main raw materials price

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

		3Q 2019		2Q 2019		Q-o-Q Effect		3Q 2018		Y-o-Y Effect	
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE)	KG.	\$9.34	352,418	\$9.89	285,175	(5.61)	(195.47)	\$10.98	503,095	(14.96)	(578.91)
Copper Foil (TLM)	KG.	\$9.04	578,522	\$9.67	430,240	(6.48)	(362.55)	\$10.88	601,923	(16.86)	(1,060.75)
Copper Anode	KG.	\$6.40	476,000	\$6.81	332,000	(6.05)	(195.94)	\$6.95	525,040	(8.01)	(265.05)
Fiber glass	METRE	\$0.63	4,015,315	\$0.66	3,873,874	(3.97)	(104.40)	\$0.73	4,543,137	(13.74)	(402.76)
							Total US\$				Total US\$
							(858.36)				(2,307.47)

The price of copper decreased, resulted in the cost of goods sold decreasing by 1.6% in 3Q19.

**Table 3:** Consignment Sales

In 3Q 2019, revenue of consignment sales were realized for less than the stock filling.

(Amount: in Baht Million)

	3Q 2019			3Q 2018		
	Stock Filling	Usage	Unrealized revenue	Stock Filling	Usage	Unrealized revenue
July	280.9	280.9		341.0	280.2	
August	260.7	239.3		314.9	278.9	
September	288.0	294.5		284.3	275.9	
Total 2Q	829.6	814.7	14.9	940.2	835.0	105.2

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

								% Incr. (Decr.)	
								Y-o-Y	Q-o-Q
		3Q18	4Q18	Y2018	1Q19	2Q19	3Q19	3Q19/3Q18	3Q19/2Q19
EUROPE	SALES-USD	55,901,775	46,889,688	220,334,530	49,291,162	46,911,973	48,227,557		
	VOLUME-SQFT	4,418,438	3,686,035	17,312,205	3,863,956	3,754,761	3,668,200	(16.98)	(2.31)
USA	SALES-USD	21,148,062	18,100,656	79,261,043	16,602,960	17,525,709	20,610,785		
	VOLUME-SQFT	1,684,303	1,479,355	6,389,310	1,430,275	1,455,111	1,634,305	(2.97)	12.31
ASIA (Excl.CHINA)	SALES-USD	9,615,291	8,840,030	32,630,523	7,483,324	6,723,753	7,796,395		
	VOLUME-SQFT	720,060	651,767	2,464,099	567,976	515,794	581,433	(19.25)	12.73
CHINA	SALES-USD	11,274,700	10,266,997	44,507,189	9,003,746	10,284,849	10,000,244		
	VOLUME-SQFT	845,224	788,501	3,300,571	698,438	795,076	790,305	(6.50)	(0.60)
LOCAL	SALES-USD	8,263,743	7,781,373	31,451,906	7,416,947	7,119,307	7,523,765		
	VOLUME-SQFT	811,835	740,881	2,991,964	705,949	674,096	699,108	(13.89)	3.71
<b>TOTAL</b>	SALES-USD	106,203,571	91,878,743	408,185,190	89,798,140	88,565,592	94,158,746	(11.34)	6.32
	VOLUME-SQFT	8,479,860	7,346,538	32,458,147	7,266,594	7,194,837	7,373,351	(13.05)	2.48

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

								% Incr.(Decr.)	
								Y-o-Y	Q-o-Q
PD-Mix		3Q18	4Q18	Y2018	1Q19	2Q19	3Q19	3Q19/3Q18	3Q19/2Q19
02	SALES-US\$	15,095,057	13,986,350	60,549,936	13,099,949	13,026,667	12,913,836	(14.45)	(0.87)
	VOLUME-SQFT	1,764,541	1,601,835	6,959,111	1,530,033	1,527,002	1,497,208	(15.15)	(1.95)
04	SALES-US\$	51,628,089	44,029,724	197,666,156	42,812,538	42,626,341	43,574,404	(15.60)	2.22
	VOLUME-SQFT	4,440,854	3,775,797	16,951,190	3,745,073	3,772,163	3,796,810	(14.50)	0.65
06 +	SALES-US\$	31,894,834	26,402,948	120,425,372	25,214,311	24,418,014	25,812,547	(19.07)	5.71
	VOLUME-SQFT	1,926,312	1,611,305	7,246,057	1,569,610	1,488,373	1,579,335	(18.01)	6.11
Special Grade	SALES-US\$	7,585,591	7,459,721	29,543,727	8,671,342	8,494,569	11,857,959	56.32	39.59
	VOLUME-SQFT	348,153	357,601	1,301,788	421,879	407,299	499,998	43.61	22.76
<b>TOTAL-USD</b>		106,203,571	91,878,743	408,185,190	89,798,140	88,565,592	94,158,746	(11.34)	6.32
<b>TOTAL-SQFT</b>		8,479,860	7,346,538	32,458,147	7,266,594	7,194,837	7,373,351	(13.05)	2.48

**Table 6:** KCE (New Plant) Capacity

1Q2019	1.70 million sq.ft/month
2Q2019	1.70 million sq.ft/month
3Q2019	1.75 million sq.ft/month
4Q2019 (Plan)	1.75 million sq.ft/month

**Table 7:** Capital Expenditure (New Plant)

CAPEX Plan - Y2019	USD 8.0 million
Actual Spend- YTD 3Q19	USD 6.8 million

Forwarded for your information.

Sincerely yours,



(Mrs.Voraluksana Ongkosit)  
Executive Vice Chairperson

