

November 12, 2024

The Director and Manager
The Stock Exchange of Thailand

Re: Information on Third Quarter of 2024 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 2024 based on reviewed consolidated financial statements for the three-month period ended September 30, 2024. The Group's revenue are total at Bt3,852.1 million with a net profit of Bt216.3 million, compared to Bt4,417.7 million total revenue and Bt519.5 million net profit in the third quarter of 2023. A summary of the Company's operating performance in the third quarter of 2024 and 2023 is shown in the following table:

Operating performance

[Amount: in Million Baht]	3Q24	2Q24	<u>%Change</u> Q-o-Q [3Q24 VS. 2Q24]	3Q23	<u>%Change</u> Y-o-Y [3Q24 VS.3Q23]
FX: THB/USD	34.6118	36.5593		34.9883	
FX: THB/EUR	37.8910	39.1615		37.9050	
Total Revenue	3,852.1	4,246.1	-9.28	4,417.7	-12.80
Sales Revenue	3,802.3	4,011.9	-5.22	4,326.5	-12.12
[Sales Revenue, USD	\$109.9	\$109.7	+0.11	\$123.7	-11.15]
Cost of Sales	3,032.8	3,017.7		3,375.5	
Gross margin, (%)	20.2%	24.8%		22.0%	
Selling & Administration	588.1	545.1	+7.9	458.0	+28.42
Operating profit *	385.7	530.8	-27.34	470.6	-18.04
Net Profit	216.3	635.1	-65.94	519.5	-58.36
Net Profit Margin (%)	5.7%	15.8%		12.0%	

[Remark * Excludes foreign exchange rate effects and special exceptional items]

Total Revenue

The total consolidated revenue of 3Q24 was reported at Bt3,852.1 million, decreasing 9.3% and 12.8% Q-o-Q and Y-o-Y respectively. This total revenue includes Bt3,802.3 million from product sales and Bt49.8 million from other income. The other income in 3Q24 decreased from Bt234.2 million in 2Q24 and from Bt91.2 million in 3Q23. When comparing 3Q24 to 3Q23, the major decrease in other income was due to the impact of exchange rate fluctuations, the recognition of foreign exchange gains has decreased. In the 2Q24, the company recorded a gain of Bt136.9 million from the sale of assets, including the sale of a subsidiary's old factory.

In summary, other income consists of the following key items:

	3Q24	2Q24	3Q23
[Amount: in Million Baht]			
Profit from sale of property	0.4	136.9	0
Profit from exchange rates	0	46.3	48.9
Other income	<u>49.4</u>	<u>51.0</u>	<u>42.3</u>
Total other income	<u>49.8</u>	<u>234.2</u>	<u>91.2</u>

Sales Revenue

Consolidated product sales revenue of 3Q24 in Baht terms was reported at Bt3,802.3 million, decreasing 5.22% Q-o-Q and 12.12% Y-o-Y. In USD terms, sales revenue slightly increased by 0.11% Q-o-Q but decreased by 11.15% Y-o-Y. The change in the FX rate of THB against the USD and Euro during the period resulted in a decreasing in revenue recognition in Thai Baht terms of Bt150.5 million Q-o-Q and Bt25.8 million Y-o-Y. (Table 1).

The total volume of PCB shipments for sales in 3Q24 decreased by 6.44% Q-o-Q and 10.55% Y-o-Y. Shipments for special grade PCB (HDI) decreased by 15.81% compared to 2Q24, but significantly increased by 9.98% compared to the same period last year, (Table 5). The main reason for the decrease in the export volume of HDI PCBs compared to the previous quarter is due to the machinery changing activity in the production process to new technology in this quarter. This involved removing old machinery, installing and testing the new machine, which resulted in a temporary reduction in production volume during the transition. The company is working with the machinery manufacturer to plan a gradual delivery plan of the new machines in order to minimize the impact on customer orders. The plan is to complete the upgrades within this year, which will enable the company to produce more specialized (HDI) products to serve customer demand.

As of the end of September 2024, the company still has a backlog of orders totaling approximately 6 million USD. Additionally, some products, valued at around 2.4 million USD, were delayed in delivery due to customer shipment authorization issues; these will contribute to revenue in 4Q24. The company remains focused on clearing all backlog orders, most of which are special-grade PCBs, by increasing manufacturing efficiency to boost HDI capacity.

Cost of Sales and Gross Profit

The gross profit margin in 3Q24 was 20.2% of sales, decreased from 24.8% and 22.0% Q-o-Q and Y-o-Y, respectively. This decline was significantly impacted by the appreciation of the Thai baht, which substantially reduced revenue recognition in baht terms, while the cost of goods sold was for products manufactured during a period of high production costs. In particular, consignment sales negatively affected performance, as products were withdrawn from high-cost stock but revenue was recognized during a period when the baht was strong. This led to a significant reduction in revenue recognition in baht terms during the third quarter. (Table 3)

Regarding the main raw material costs, the price of copper increased in 3Q24. The impact of copper usage on product costs increased by approximately 1.91% of sales Q-o-Q and increased by 1.66% of sales Y-o-Y. (Table 2)

Regarding production overheads, electricity costs, which are the main expenses in manufacturing, remained at the same rate as 2Q24 but were lower than the rate in 3Q23. The company has not fully utilized its production capacity due to ongoing machinery upgrades in the production process and the global market slowdown. The actual production capacity in 3Q24 was at 71%, compared to 73% in 2Q24 and 77% in 3Q23, which still bears the burden of fixed production costs. However, the company continues

to focus on reducing production costs, including lowering energy consumption and labor costs in the production process, as well as improving production efficiency.

Administrative and Selling Expenses

Total selling, general, and administrative expenses amounted to Bt588.1 million in 3Q24, or 15.5% of sales, significantly higher than Bt545.1 million or 13.6% of sales in 2Q24, and higher than Bt458.0 million or 10.6% of sales in the same period of the previous year.

Selling expense amounted to Bt121.7 million in 3Q24, or 3.2% of sales, lower than Bt128.1 million or 3.2% of sales in 2Q24 but slightly higher than Bt119.0 million or 2.8% of sales in the same period of previous year. Selling expense mainly increased from sale commission in line with sales and a change in portion of freight cost carried by the customers including the higher freight rate from changing mode from sea to air freight due to container shortage for some shipments to serve the customers.

Administrative expenses in 3Q24 amounted to Bt466.4 million, representing 12.3% of sales. This is a significant increase from Bt416.9 million or 10.4% of sales in 2Q24 and an increase from Bt338.9 million or 7.8% of sales in the same period of previous year. A significant impact came from recording a foreign exchange loss of Bt169.9 million after hedging adjustments. Excluding this item, administrative expenses in 3Q24 would have been Bt296.5 million, or 7.8% of total sales.

Net Profit

The Group reported a consolidated net profit of Bt216.3 million in 3Q24, representing a significantly decreased compared to the previous quarter and the same period of last year. The operating profit in 3Q24 totaled Bt385.7 million (excluding a loss on the foreign currency exchange rate of Bt169.9 million) representing a decrease of 27.3% and 18.0% Q-o-Q and Y-o-Y respectively. This is primarily due to the impact of lower revenue recognition from sales, which resulted from the appreciation of the Thai baht, as previously explained.

In summary, the significant decrease in profitability was driven by the rapid appreciation of the Thai baht against the U.S. dollar, which impacted revenue recognition. Additionally, there was a slowdown in customer orders due to the global economic situation, while product costs were based on high-cost inventory and the rising prices of key raw materials, resulting in a basic earnings per share of Bt0.18 for 3Q24.

Total Asset

Total assets as of September 30, 2024, amounted to Bt18,085.3 million, consisting of current assets of Bt9,489.9 million, net property, plant and equipment of Bt7,606.5 million, intangible assets of Bt101.6 million, contract costs assets of Bt358.4 million, investment property of Bt151.7 million, right-of-use assets of Bt35.5 million, goodwill of Bt153.5 million, investments in associates of Bt27.1 million; deferred tax assets of Bt132.3 million and other non-current assets of Bt28.8 million.

Total assets decreased by Bt1,108.0 million from Bt19,193.3 million at the end of 2023, was due mainly to a decrease in the value of property, plant and equipment of Bt518.0 million and a decrease in intangible asset by Bt29.1 million, attributed to higher depreciation than the additional investment in assets (CAPEX), a decrease in assets held for sale of Bt14.7 million as these assets were sold since 2Q24, a decrease of other current financial assets by Bt14.7 million due to cash flow hedge accounting adjustments, a decrease in cash by Bt302.5 million, and a decrease of accounts receivable by Bt387.3 million, driven by lower revenue. There was an increase of inventory by Bt142.8 million, primarily due to products waiting for customer shipment authorization, which is partially impacted by current sea and air freight shortages.

Total Liabilities

Total liabilities decreased by Bt919.9 million from Bt5,444.0 million at the end of 2023 to Bt4,524.1 million as of September 30, 2024; was due mainly to short-term debt and long term loan from the financial institution decreased by Bt1,306.0 million, a decrease in contract liability by Bt36.4 million, which was the deposit for assets held for sale as these assets were sold since 2Q24, a decrease in corporate income tax of Bt45.8 million due to the mid-year tax payment, trade and other current payables increased by Bt463.0 million according to payment-to creditors, this includes payments to suppliers for machinery purchases.

As of September 30, 2024, Net Interest-bearing Debt to Equity ratio was 0.07 times compared to 0.16 times as of December 31, 2023 as a result of lower debts and higher equity from the operating profit.

Shareholders' Equity

As of September 30, 2024, shareholders' Equity was Bt13,561.2 million, a decrease of Bt188.1 million from Bt13,749.3 million as of December 31, 2023 due mainly to operating profit from the period, and annual dividend payment.

Analysis of performance

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

Currency	3Q 2024		2Q 2024		Q-o-Q Effect		3Q 2023		Y-o-Y Effect	
	Rates	Sales	Rates	Sales	%	Gain (Loss)	Rates	Sales	%	Gain (Loss)
USD	34.6118	\$66.30	36.5593	\$71.39	(5.3)	(129.12)	34.9883	\$80.73	(1.1)	(24.96)
EUR	37.8910	€12.17	39.1615	€12.53	(3.2)	(15.46)	37.9050	€9.13	(0.0)	(0.17)
JPY	0.2257	¥0.00	0.2314	¥0.02	(2.4)	0.00	0.2414	¥0.00	(6.5)	0.00
CNY	4.7625	¥25.05	5.0001	¥31.12	(4.8)	(5.95)	4.7901	¥33.81	(0.6)	(0.69)
Total effect					M Baht	(150.53)			M Baht	(25.82)

(Unit: Million)

Table 2: Raw material prices and purchased volume

Key Material		3Q 2024		2Q 2024		Q-o-Q Effect		3Q 2023		Y-o-Y Effect	
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE)	KG.	\$12.51	487,067	\$11.35	398,554	10.18	562.98	\$11.09	398,175	12.76	689.44
Copper Foil (TLM)	KG.	\$12.30	707,426	\$11.29	610,702	8.92	712.51	\$11.19	320,085	9.87	781.61
Copper Anode	KG.	\$9.95	496,604	\$10.02	553,600	(0.65)	(32.28)	\$9.02	420,400	10.31	462.13
Fiber glass	METRE	\$0.46	4,505,709	\$0.47	3,413,180	(0.39)	(8.25)	\$0.53	2,293,256	(12.40)	(296.25)
						Total US\$	1,234.96			Total US\$	1,636.93

The effect from copper usage on product sales price was increase about 1.91 Q-o-Q and 1.66 Y-o-Y

Table 3: Consignment Sales

(Amount: in Million Baht)

	3Q 2024			3Q 2023		
	Stock Filling	Usage	Unrealized revenue (Higher Usage)	Stock Filling	Usage	Unrealized revenue (Higher Usage)
July	273.3	300.1	(26.8)	304.3	340.3	(36.0)
August	301.6	338.7	(37.1)	383.8	338.9	44.9
September	315.0	322.1	(7.1)	336.9	305.9	31.0
Total 3Q	889.9	960.9	(71.0)	1,025.0	985.1	39.9

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

Region		3Q23	4Q23	Y2023	1Q24	2Q24	3Q24	%Increase/(Decrease)	
								3Q24 / 3Q23	3Q24 / 2Q24
EUROPE	SALES-USD	51,118,787	46,177,105	193,986,870	53,262,527	51,323,989	45,561,417	(10.87)	(11.23)
	VOLUME-SQFT	3,496,967	3,125,782	13,223,752	3,722,424	3,611,564	3,039,597	(13.08)	(15.84)
USA	SALES-USD	20,493,284	22,998,151	89,865,667	18,443,874	20,422,688	21,014,606	2.54	2.90
	VOLUME-SQFT	1,575,556	1,664,129	6,473,605	1,424,369	1,598,635	1,614,860	2.49	1.01
ASIA (Excl.CHINA)	SALES-USD	5,308,574	4,414,084	20,074,864	3,679,935	4,297,941	4,120,387	(22.38)	(4.13)
	VOLUME-SQFT	400,764	333,200	1,509,852	290,640	339,666	317,993	(20.65)	(6.38)
CHINA	SALES-USD	13,917,400	10,215,066	49,327,586	9,545,474	10,098,865	8,320,069	(40.22)	(17.61)
	VOLUME-SQFT	1,018,064	811,582	3,625,332	760,599	818,234	661,473	(35.03)	(19.16)
LOCAL	SALES-USD	11,511,899	10,518,502	39,615,529	9,465,598	8,547,380	11,819,587	2.67	38.28
	VOLUME-SQFT	1,020,234	1,002,841	3,576,581	858,831	813,605	1,085,215	6.37	33.38
TOTAL-USD		102,349,944	94,322,908	392,870,515	94,397,407	94,690,863	90,836,066	(11.25)	(4.07)
TOTAL-SQFT		7,511,585	6,937,535	28,409,123	7,056,863	7,181,704	6,719,139	(10.55)	(6.44)

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

Product-Mix		3Q23	4Q23	Y2023	1Q24	2Q24	3Q24	%Increase/(Decrease)	
								3Q24 / 3Q23	3Q24 / 2Q24
02 Layer	SALES-US\$	10,227,495	9,849,749	39,169,836	9,320,699	8,377,024	9,047,875	(11.53)	8.01
	VOLUME-SQFT	1,084,469	1,055,976	4,127,290	989,820	916,347	963,127	(11.19)	5.11
04 Layer	SALES-US\$	38,127,775	33,823,316	141,513,525	33,114,532	34,621,904	32,580,199	(14.55)	(5.90)
	VOLUME-SQFT	3,288,568	2,957,640	12,089,900	2,909,160	3,055,690	2,821,451	(14.20)	(7.67)
06 + Layer	SALES-US\$	27,651,833	22,561,292	99,064,594	20,996,634	20,192,629	20,602,575	(25.49)	2.03
	VOLUME-SQFT	1,686,050	1,367,033	6,030,180	1,326,585	1,312,297	1,337,169	(20.69)	1.90
Special Grade	SALES-US\$	26,342,841	28,088,551	113,122,560	30,965,542	31,499,306	28,605,416	8.59	(9.19)
	VOLUME-SQFT	1,452,498	1,556,885	6,161,753	1,831,298	1,897,372	1,597,392	9.98	(15.81)
TOTAL-USD		102,349,944	94,322,908	392,870,515	94,397,407	94,690,863	90,836,066	(11.25)	(4.07)
TOTAL-SQFT		7,511,585	6,937,535	28,409,123	7,056,863	7,181,704	6,719,139	(10.55)	(6.44)

Table 6: KCE - Production Capacity

Maximum Capacity:

1Q 2024 – 4Q 2024 2.10 million Sq.ft./month for Lat Krabang Plant

1Q 2024 – 4Q 2024 1.50 million Sq.ft./month for HiTech Ayutthaya Plant

Actual Capacity Utilization in 3Q 2024 71% to available capacity

Table 7: Capital Expenditure

CAPEX Plan - Y2024

Bt 780 million (exclude Rojana New Factory)

Consisted of

Bt 493 million /Efficiency Improvement of Lat Krabang Plant

Bt 105 million /Efficiency Improvement of HiTech Plant

Bt 182 million /Efficiency Improvement of Thai Laminate

Actual investment in 9 Months 2024 Bt 313.9 million (exclude Rojana New Factory)

CAPEX Plan for Rojana New Plant

Project Plan (Million Baht)	Y2024	Y2025	Y2026	Total
Factory Building	300	2,900	400	3,600
Machine and Equipment	-0-	3,000	360	3,360
Total Plan (as of September 30, 2024)	300	5,900	760	6,960

Actual investment as of September 30, 2024 Bt 44.5 million (Design and Land Preparation)

The plan to increase production capacity by building a new factory at Rojana Industrial Park is still under consideration regarding the construction start date. This is because the company is currently upgrading its machinery with modern technology to expand the production capacity of special-grade PCBs (HDI) at the current factories, both Lat Krabang and Ayutthaya, which will allow the company to accommodate an increased number of orders to some extent. However, the company continues to monitor the economic situation and global market demand closely to plan the new factory construction in a way that aligns with future market growth and ensures good returns on investment. Further information about this project and future business expansion opportunities will be provided in due course.

Forwarded for your information.

Sincerely yours,



(Mrs. Voraluksana Ongkosit)

Executive Vice Chairperson

