

February 13, 2024

The Director and Manager
The Stock Exchange of Thailand

Re: Information Concerning Operating Results for the Year 2023

For KCE Electronics PCL's the financial performance of the fiscal year 2023, based on the audited consolidated financial statement ended on 31st December 2023, the company and its subsidiaries reported the group's total sales at Bt16,343.6 million, with Bt1,719.6 million net profit (10.5% of sales), compared to 2022's performance showing Bt18,456.3 million of total sales with Bt2,317.2 million net profit (12.6% of sales). The comparison of operating performance between FY23 vs FY22 is shown in the following table:

Operating performance

[Amount: in Million Baht]	Y2023	Y2022	<u>%Change</u> Y-o-Y [2023 VS. 2022]	Y2021	<u>%Change</u> Y-o-Y [2022 VS. 2021]
FX: THB/USD	34.6159	34.8192		31.8764	
FX: THB/EUR	37.2871	36.5020		37.4456	
Sales Revenue	16,343.6	18,456.3	-11.45	14,937.8	+23.55
[Sales Revenue, USD	\$472.1	\$530.1	-10.93	\$468.6	+13.11]
Cost of Sales	12,940.6	14,254.4		10,965.2	
Gross margin (%)	20.8%	22.8%		26.6%	
Selling & Administration	1,774.1	1,988.5	-10.78	1,655.7	+20.10
Operating profit *	1,569.4	2,280.9	-31.20	2,218.8	+2.80
Net Profit	1,719.6	2,317.2	-25.79	2,426.3	-4.50
Net Profit margin (%)	10.5%	12.6%		16.2%	

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

The group's operating performance of FY23 was impacted by the global economic slowdown, leading to a significant reduction in global demand for electronics in 1H23. There was a slight improvement in demand in 3Q23, but it did not return to normal. Despite the shortage of chips and semiconductor, which has been ongoing since last year, has seen an improved situation, the electronics industry had to adapt to high inventory levels with reduced demand. Another factor affected by the global economic situation include country's financial policies is the volatility of foreign exchange rates, particularly in 1Q23. The company had to adjust management plans throughout the year to mitigate various risks, closely

monitoring the situation and communicating with both customers and suppliers to align plans. Positive factors that helped alleviate the severity of the impact include a decrease in the price of key raw materials, such as copper, resulting in lower raw material costs compared to the previous year. Additionally, the electricity cost, a primary production overhead expense, which was a significant increase rate since 2022, continuously at high rate until 1H23, was a rate reduction in 2H23. The adjustments in raw material prices and electricity costs led to an improved gross profit rate in 2H23 compared to 1H23.

Nevertheless, due to the global economic recession in 2023, there were many factors that greatly affect sales and product costs. The company adapted management strategies, accelerate investment for production efficiency improvement and cost reduction, and properly controlled expenses to achieve overall efficiency while still achieving customers' expectations accordingly. As a result, The net profit of 2023 was Bt1,719.6 million or 10.5% of sales, compared with 2022 net profit was Bt2,317.2 million or 12.6% of sales.

Sales Revenue

Consolidated sales revenue in THB decreased from Bt18,456.3 million in FY22 to Bt16,343.6 million in FY23, representing a decline of 11.45% Y-o-Y, while sales revenue in USD decreased by 10.93% Y-o-Y, from USD 530.1 million in FY22 to USD 472.1 million in FY23 due to the fluctuation of FX rate, resulting a negative impact of revenue recognition in THB at Bt95 Million compared to FY22.

FY23 proved to be a challenging year for the electronics PCB industry, primarily due to the global economic downturn, resulting in diminished customer demand across all regions and the necessary adjustment of oversupplied inventory. Consequently, the total volume of PCB sales decreased by 9.8% Y-o-Y. However, despite these challenges, special-grade PCBs, particularly HDI products, continued a positive growth trend, showing a 1.3% Y-o-Y. The company also has a backlog of orders awaiting production and delivery for the upcoming year. Notably, these HDI products contributed to 22% of the total PCB sale volumes in FY23, compared to 19% and 11% in FY22 and FY21, respectively. (Table 5)

Cost of Sales and Gross Profit

In FY23, the primary factor impacting production costs was the substantial decrease in sales volumes, leading to a notable reduction in production line utilization. The actual production capacity utilization dropped to 77%, a decline from 85% in FY22. Consequently, fixed overheads in manufacturing, including depreciation, machinery and facility repair and maintenance expenses, and employee costs for operational support, posed a challenge in FY23. Regarding raw material costs, the price of copper, the main material, experienced a positive decrease, contributing to a 1.9% reduction in product costs (Table 2). Furthermore, improvements in the production process which support for better production efficiency, including a reduction in electricity rates in 2H23 due to government support policies, played a role in mitigating these challenges.

In summary, the decline in revenue, influenced by the slowdown in the global electronics industry, coupled with fixed costs due to lower production capacity utilization, has affected the gross profit margin in FY23. Despite improvements in the production process and lower prices of key materials, the gross profit margin of FY23 stands at 20.8% of sales, a decrease from 22.8% in FY22.

Sales and Administrative Expenses

In FY23, the selling, general, and administrative expenses totaled Bt1,774.1 million, representing 10.86% of sales. This marks a decrease from FY22 when the expenses were Bt1,988.5 million, accounting for

10.77% of sales. Specifically, in 2023, selling expenses amounted to Bt515.2 million or 3.15% of sales, a reduction from FY22 where they were Bt623.0 million or 3.38% of sales. The decline in major selling expenses, including sales commission, transportation, freight, and packing expenses, is proportional to the lower sales volume. Additionally, improvements in the freight management process effectively controlled freight costs. The administrative expenses totaled Bt1,259.0 million, accounting for 7.70% of sales, compared to 2022 when they amounted to Bt1,365.5 million or 7.40% of sales. The reduction in administrative expenses mainly due to a one-time loss on investment in FY22 amounting to Bt69.6 million, which no longer impact this year and lower loss on asset sold by Bt13 million. Additionally, expenses reduction related to other staff cost due to a decrease in workforce and the management of working hours for administrative support aligning with the adjusted production plan.

Net Profit

As a result of higher costs as per mention above, the Group reported a consolidated net profit of Bt1,719.6 million in FY23, which represented a decrease of 25.8% Y-o-Y. Operating profit in FY23 totaled Bt1,569.4 million (excluding a gain on foreign currency exchange rate of Bt153.4 million and oversea withholding tax of dividend receipt Bt-3.2 million), representing a decrease of 31.2% Y-o-Y. This resulted in basic earnings per share of Bt1.45 compared to Bt1.96 per share in 2022.

Total Asset

Total assets as of December 31, 2023, amounted to Bt19,193.3 million, consisting of current assets Bt10,079.4 million and non-current assets Bt9,113.9 million that consisting of property plant and equipment of Bt8,124.5 million, net intangible assets of Bt130.7 million, contract costs assets of Bt368.7 million, investment property of Bt153.3 million, goodwill of Bt153.5 million, investments in associates of Bt31.9 million, deferred tax assets of Bt116.1 million and other non-current assets of Bt35.1 million.

In FY23, total assets decreased by Bt1,800.2 million, primarily driven by a reduction in the value of trade receivables and other receivables by Bt521.5 million, reflecting lower sales. There was also a deliberate reduction in inventory by Bt1,115.1 million as part of strategic management to align with the decreased demand. Additionally, there was a decrease in net property, plant, and equipment of Bt739.6 million, attributed to higher depreciation than the additional investment in assets (CAPEX). This is due to considering investments in new machinery and equipment as appropriate to enhance production efficiency. This effective working capital management and strategic planning for new investments in machinery have resulted in an increase in cash position by Bt622.3 million, preparing for future growth plans.

Total Liabilities

Total liabilities decreased from Bt7,548.2 million at the end of 2022 to Bt5,444.0 million as of December 31, 2023 mainly due to a decrease of short-term debt of Bt892.0 million, a decrease of trade and other current payables of Bt484.0 million and a decrease of long term loan of Bt714.1 million, according to repayment schedule.

As of December 31, 2023, Net Interest-bearing Debt to Equity was 0.16 times compared to 0.28 times as of December 31, 2022 as a result of lower debts and higher equity from this year profit and dividend paid.

Shareholders' Equity

Total shareholders' equity as of December 31, 2023, according to the KCE consolidated financial statement amounted to Bt13,749.3 million, increased Bt304.0 million from December 31, 2022 due mainly to operating profit of the year and dividend payment.

Analysis of performance

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

(Unit: Million)

Currency	FY 2023		FY 2022		Effect 2023/2022		FY 2021		Effect 2022/2021	
	Rates	Sales	Rates	Sales	%	Gain (Loss)	Rates	Sales	%	Gain (Loss)
USD	34.5979	\$314.30	34.8835	\$356.76	(0.8)	(89.76)	31.8380	\$298.72	9.6	1,086.51
EUR	37.2871	€37.30	36.5020	€39.75	2.2	29.29	37.4456	€41.50	(2.5)	(37.51)
JPY	0.2446	¥0.09	0.2677	¥0.23	(8.6)	0.00	0.2819	¥0.72	(5.0)	0.00
CNY	4.8473	¥116.32	5.1414	¥121.93	(5.7)	(34.21)	4.9186	¥96.90	4.5	27.16
Total effect					M Baht	(94.68)			M Baht	1,076.16

Table 2: Raw material prices and purchased volume

Key Material		FY 2023		FY 2022		Effect 2023/2022		FY 2021		Effect 2022/2021	
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE)	KG.	\$11.49	1,731,618	\$12.86	1,883,241	(10.69)	(2,380.63)	\$12.90	2,040,594	(0.33)	(81.34)
Copper Foil (TLM)	KG.	\$11.32	1,734,503	\$13.26	2,030,313	(14.59)	(3,355.68)	\$14.35	2,951,382	(7.58)	(2,207.79)
Copper Anode	KG.	\$9.11	1,796,400	\$9.44	2,093,200	(3.56)	(603.85)	\$9.68	2,034,000	(2.44)	(494.99)
Fiber glass	METRE	\$0.52	13,344,733	\$0.76	17,902,396	(31.82)	(3,240.26)	\$0.70	18,656,831	8.39	1,057.80
						Total US\$	(9,580.42)			Total US\$	(1,726.32)

The effect from price change of copper usage on product sales was decrease about 1.91 % Y-o-Y in 2023.

Table 3: Consignment Sales

(Amount: in Million Baht)

	FY 2023			FY 2022		
	Stock Filling	Usage	Unrealized revenue (Higher Usage)	Stock Filling	Usage	Unrealized revenue (Higher Usage)
Total Q1	889.0	993.7	(104.8)	1,010.6	980.9	29.7
Total Q2	876.2	869.9	6.3	1,115.5	984.5	131.0
Total Q3	1,025.0	985.1	39.9	1,306.0	977.6	328.4
Total Q4	1,081.2	1,054.9	26.3	878.7	1,264.1	(385.4)
Total Year	3,871.4	3,903.6	(32.2)	4,310.7	4,207.0	103.7

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

							%Increase/(Decrease)		
							Y-o-Y	Q-o-Q	
Region		Y2022	1Q23	2Q23	3Q23	4Q23	Y2023	Y23 / Y22	4Q23 / 3Q23
EUROPE	SALES-USD	210,700,817	51,551,137	45,139,841	51,118,787	46,177,105	193,986,870	(7.93)	(9.67)
	VOLUME-SQFT	14,787,047	3,542,932	3,058,072	3,496,967	3,125,782	13,223,752	(10.57)	(10.61)
USA	SALES-USD	103,931,973	23,936,782	22,437,449	20,493,284	22,998,151	89,865,667	(13.53)	12.22
	VOLUME-SQFT	7,451,828	1,614,653	1,619,267	1,575,556	1,664,129	6,473,605	(13.13)	5.62
ASIA (Excl.CHINA)	SALES-USD	25,584,090	5,475,581	4,876,625	5,308,574	4,414,084	20,074,864	(21.53)	(16.85)
	VOLUME-SQFT	1,856,411	403,943	371,945	400,764	333,200	1,509,852	(18.67)	(16.86)
CHINA	SALES-USD	57,262,267	12,416,295	12,778,825	13,917,400	10,215,066	49,327,586	(13.86)	(26.60)
	VOLUME-SQFT	4,080,636	872,628	923,058	1,018,064	811,582	3,625,332	(11.16)	(20.28)
LOCAL	SALES-USD	37,160,524	9,546,972	8,038,156	11,511,899	10,518,502	39,615,529	6.61	(8.63)
	VOLUME-SQFT	3,320,133	805,522	747,984	1,020,234	1,002,841	3,576,581	7.72	(1.70)
TOTAL-USD		434,639,672	102,926,767	93,270,896	102,349,944	94,322,908	392,870,515	(9.61)	(7.84)
TOTAL-SQFT		31,496,054	7,239,678	6,720,326	7,511,585	6,937,535	28,409,123	(9.80)	(7.64)

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

							%Increase /(Decrease)		
							Y-o-Y	Q-o-Q	
Product-Mix		Y2022	1Q23	2Q23	3Q23	4Q23	Y2023	Y23 / Y22	4Q23 / 3Q23
02 Layer	SALES-US\$	39,323,019	8,918,068	10,174,524	10,227,495	9,849,749	39,169,836	(0.39)	(3.69)
	VOLUME-SQFT	4,152,460	906,034	1,080,811	1,084,469	1,055,976	4,127,290	(0.61)	(2.63)
04 Layer	SALES-US\$	174,073,169	36,763,402	32,799,032	38,127,775	33,823,316	141,513,525	(18.70)	(11.29)
	VOLUME-SQFT	14,667,740	3,059,487	2,784,205	3,288,568	2,957,640	12,089,900	(17.57)	(10.06)
06 + Layer	SALES-US\$	108,728,833	25,503,162	23,348,307	27,651,833	22,561,292	99,064,594	(8.89)	(18.41)
	VOLUME-SQFT	6,595,651	1,540,282	1,436,815	1,686,050	1,367,033	6,030,180	(8.57)	(18.92)
Special Grade	SALES-US\$	112,514,650	31,742,136	26,949,032	26,342,841	28,088,551	113,122,560	0.54	6.63
	VOLUME-SQFT	6,080,203	1,733,875	1,418,495	1,452,498	1,556,885	6,161,753	1.34	7.19
TOTAL-USD		434,639,672	102,926,767	93,270,896	102,349,944	94,322,908	392,870,515	(9.61)	(7.84)
TOTAL-SQFT		31,496,054	7,239,678	6,720,326	7,511,585	6,937,535	28,409,123	(9.80)	(7.64)

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 Y2023	77% to available capacity
--------------------------------------	---------------------------

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 investment in Y2023	Bt 336.6 million (exclude Rojana New Factory)
----------------------------	---

CAPEX Plan for Rojana New Plant

Project Plan (Million Baht)	Y2023	Y2024	Y2025	Y2026	Total
Factory Building	-0-	900	2,700	-0-	3,600
Machine and Equipment	-0-	-0-	960	2,400	3,360
Total Plan (as of 31 Dec. 2023)	-0-	900	3,660	2,400	6,960

Actual investment as of December 31, 2023 Bt 42.2 million (Design and Land Preparation)

Considering various industry challenges, KCE has decided to postpone the construction of the new plant project at Rojana Industrial Park from FY23 to the upcoming year. With factors like weak demand, high inventory oversupply, low utilization, and intense competition, KCE is carefully reviewing customer demand and closely monitoring the global market to adjust the construction plan appropriately to project for capacity expansion that aligns with the growth of both existing customers and new market opportunities. Despite lower demand in the electronics industry during FY23 and an anticipated slowdown in the PCB market in 1H24, a growth trend is expected in 2H24, especially in the automotive industry and the server/data storage segment.

The updated construction plan will commence with the installation of foundation piles starting in June 24 to prepare a foundation for the designed building construction. The first-phase production capacity will be 1 million sq.ft/month, with a total of 3 million sq.ft/month across three phases of machine installation. The expansion will be contingent on future innovations and advancements in manufacturing technology. KCE is rigorously testing new machinery and technologies, focusing on innovation, upgrades, and advancements for the new factory to enhance efficiency, reduce power consumption, and accommodate evolving needs. In addition to technological advancements, extensive research is being conducted on infrastructure, including water usage and treatment, to design an efficient and environmentally friendly resource utilization system. Further updates on this exciting project and opportunities for future expansions will be announced.

Forwarded for your information.

Sincerely yours,



(Mrs.Voraluksana Ongkosit)
Executive Vice Chairperson

