

August 13, 2019

The Director and Manager
 The Stock Exchange of Thailand

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

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for the second quarter of 2019 based on reviewed consolidated financial statements for the three-month period ended June 30, 2019. The Group's sales and net profit totaled Bt2,992.8 million and Bt159.0 million, respectively, compared to Bt3,643.3 million and Bt558.0 million in the second quarter of 2018. A summary of the Company's operating performance in the second quarter of 2019 and 2018 is shown in the following table:

[Amount in Baht Millions]	2Q19	1Q19	<u>% Change</u> Q-o-Q [2Q19 VS. 1Q19]	2Q18	<u>% Change</u> Y-o-Y [2Q19 VS. 2Q18]	
FX: THB/USD	31.3450	31.3204		31.5750		
Sales Revenue, THB	2,992.8	3,113.9	-3.9%	3,643.3	-17.8%	
[Sales Revenue, USD	\$95.5	\$99.4	-3.9%	\$115.4	-17.2%]
Cost of Sales	2,424.7	2,457.1		2,628.9		
Gross margin, %	18.98%	21.09%		27.84%		
SG & A	415.5	403.1		471.4		
Operating Profit *	213.3	248.2	-14.1%	527.1	-59.5%	
Net Profit-Consol. F/S	159.0	268.6	-40.8%	558.0	-71.5%	

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

Sales Revenue

Consolidated sales revenue in Baht terms declined slightly to Bt2,992.8 million in 2Q19, representing a reduction of 3.9% Q-o-Q and 17.8% Y-o-Y, while sales revenue in USD terms declined in line with Baht sales. The Q-o-Q sales drop was due mainly to a backlog of orders at the end of the quarter. In addition, some shipments were not recognized as sales revenue in the second quarter in accordance with relevant incoterms, and partly due to consignment stock: consignment fill-up totaled Bt813 million, while consignment usage was lower at Bt760 million (Table 3). The Y-o-Y decrease in revenue was due mainly to a 14.8% decrease in sales volume (Table 4), and due partly to the strengthening of the Thai baht against the US dollar and Euro in the period, which resulted in THB sales declining by Bt46 million (Table 1)

Cost of Sales and Gross Profit

The gross profit margin in 2Q19 of 19.0% declined Q-o-Q and Y-o-Y due to the effect of a change in foreign currency exchange rate and an increase in the cost of goods sold. The higher cost of goods sold was due to a decrease in production capacity utilization, which was partially offset by a lower cost of the copper (Table 2). Furthermore, as the majority of factory burden costs are fixed, whereas total production volume decreased, which resulted in a higher breakeven point as well as an increase in the unit production cost.

Administrative and Selling Expenses

Selling, general, and administrative expense as a percent of sales increased slightly to 13.9% in 2Q19 compared to 12.9% in the same period in the previous year. Selling expense, such as freight costs and sales commissions, decreased compared to 2Q18 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, while the increase was due to an additional amount of provisions set aside for employee retirement benefits in the amount of Bt57.4 million in the second quarter of 2019 in accordance with an amendment of the Labor Protection Act on April 5, 2019.

Net Profit

The Group reported a consolidated net profit of Bt159.0 million in 2Q19, representing a reduction of 40.8% Q-o-Q and 71.5% Y-o-Y. Operating profit in 2Q19 totaled Bt213.3 million (excluding a gain on foreign currency exchange rate and a change in retirement benefit provisions), representing a reduction of 14.1% Q-o-Q and 59.5% Y-o-Y.

The decrease in the operating results was due primarily to a decrease in sales revenue, an increase in the cost of goods sold, a reduction in gross margin, as well as the appreciation of the THB. This resulted in basic earnings per share of Bt0.14 for the second quarter of 2019.

Total Asset

Total assets as of June 30, 2019 amounted to Bt17,015 million, consisting of current assets of Bt6,899 million; property, plant and equipment of Bt9,245 million net; intangible assets of Bt267 million; investment property of Bt162 million; goodwill of Bt154 million; investments in associates of Bt28 million; deferred tax assets of Bt65 million; contract costsof Bt149 million; and other non-current assets of Bt46 million.

The decrease in total assets of Bt1,106 million from December 31, 2018, was due mainly to a decrease of Bt279 million for the value of trade receivable and other receivable, a decrease of Bt433 million of inventory, a decrease in cash of Bt302 million, a decrease of Bt119 million for the value of property, plant and equipment, a decrease of Bt13 million of investments in associates and an increase of Bt66 million of contract costs.

Total Liabilities

Total liabilities decreased from Bt6,114 million at the end of 2018 to Bt5,241 million as of June 30, 2019; short-term debt as well as the long term loan decreased due to increased cash flow from operations and provisions for employee benefits increased in accordance with an amendment of the Labor Protection Act.

As of June 30, 2019, Net Interest-bearing Debt to Equity decreased slightly from 0.25 to 0.24 times as a result of lower debts and lower equity after the annual dividend payment in the second quarter of 2019.

Shareholders' Equity

As of June 30, 2019, shareholders' Equity was Bt11,773 million, a decrease of Bt234 million, due mainly to a decrease in operating profit in the period and 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	2Q 2019		1Q 2019		Q-o-Q Effect		2Q 2018		Y-o-Y Effect	
	Rates	Sales	Rates	Sales	%	(Loss) M Baht	Rates	Sales	%	(Loss) M Baht
USD	31.3450	\$69.99	31.3204	\$73.13	0.1	1.72	31.5750	\$85.31	(0.7)	(16.10)
EUR	35.0563	€9.72	35.3588	€11.11	(0.9)	(2.93)	37.7985	€11.59	(7.3)	(26.65)
CNY	4.5509	¥8.47	4.5919	¥8.79	(0.9)	(0.35)	4.8923	¥11.48	(7.0)	(2.89)
Total effect						(1.56)				(45.64)

2) A change of main raw materials price

Table 2: Raw material prices and purchased volume

		2Q 2019		1Q 2019		Q-o-Q Effect		2Q 2018		Y-o-Y Effect			
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$		
Copper Foil (KCE)	KG.	\$9.89	285,175	\$10.08	374,782	(1.87)	(53.86)	\$11.26	368,037	(12.18)	(391.10)		
Copper Foil (TLM)	KG.	\$9.67	430,240	\$9.91	646,416	(2.44)	(103.97)	\$11.16	573,168	(13.36)	(641.36)		
Copper Anode	KG.	\$6.81	332,000	\$6.64	398,000	2.49	55.02	\$7.43	497,000	(8.30)	(204.71)		
Fiber glass	METRE	\$0.66	3,873,874	\$0.72	4,407,706	(8.92)	(248.65)	\$0.73	4,301,139	(10.71)	(304.47)		
						Total US\$	(351.46)	Total US\$ (1,541.64)					

The price of copper decreased, resulted in the cost of goods sold decreasing by 1.4% in 2Q19.

Table 3: Consignment Sales

In 2Q 2019, revenue of consignment sales were realized for less than the stock filling.

(Amount: in Baht Million)

	2Q 2019			2Q 2018		
	Stock Filling	Usage	Unrealized revenue	Stock Filling	Usage	Unrealized revenue
April	270.3	255.0		264.2	269.0	
May	276.7	269.0		343.5	264.9	
June	265.9	236.0		310.0	274.9	
Total 2Q	812.9	760.0	52.9	917.7	808.8	108.9



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

								% Incr. (Decr.)	
								Y-o-Y	Q-o-Q
		2Q18	3Q18	4Q18	Y2018	1Q19	2Q19	2Q19/2Q18	2Q19/1Q19
EUROPE	SALES-USD	59,774,379	55,901,775	46,889,688	220,334,530	49,291,162	46,911,973	(17.99)	(2.83)
	VOLUME-SQFT	4,578,348	4,418,438	3,686,035	17,312,205	3,863,956	3,754,761		
USA	SALES-USD	21,540,194	21,148,062	18,100,656	79,261,043	16,602,960	17,525,709	(15.12)	1.74
	VOLUME-SQFT	1,714,391	1,684,303	1,479,355	6,389,310	1,430,275	1,455,111		
ASIA (Excl.CHINA)	SALES-USD	7,506,011	9,615,291	8,840,030	32,630,523	7,483,324	6,723,753	(10.50)	(9.19)
	VOLUME-SQFT	576,325	720,060	651,767	2,464,099	567,976	515,794		
CHINA	SALES-USD	12,080,700	11,274,700	10,266,997	44,507,189	9,003,746	10,284,849	(10.46)	13.84
	VOLUME-SQFT	887,974	845,224	788,501	3,300,571	698,438	795,076		
LOCAL	SALES-USD	7,483,351	8,263,743	7,781,373	31,451,906	7,416,947	7,119,307	(2.70)	(4.51)
	VOLUME-SQFT	692,831	811,835	740,881	2,991,964	705,949	674,096		
TOTAL	SALES-USD	108,384,635	106,203,571	91,878,743	408,185,190	89,798,140	88,565,592	(18.29)	(1.37)
	VOLUME-SQFT	8,449,868	8,479,860	7,346,538	32,458,147	7,266,594	7,194,837	(14.85)	(0.99)

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

								% Incr. (Decr.)	
								Y-o-Y	Q-o-Q
Product		2Q18	3Q18	4Q18	Y2018	1Q19	2Q19	2Q19/2Q18	2Q19/1Q19
02	SALES-US\$	14,736,555	15,095,057	13,986,350	60,549,936	13,099,949	13,026,667	(11.60)	(0.56)
	VOLUME-SQFT	1,689,203	1,764,541	1,601,835	6,959,111	1,530,033	1,527,002	(9.60)	(0.20)
04	SALES-US\$	52,770,215	51,628,089	44,029,724	197,666,156	42,812,538	42,626,341	(19.22)	(0.43)
	VOLUME-SQFT	4,496,869	4,440,854	3,775,797	16,951,190	3,745,073	3,772,163	(16.12)	0.72
06 +	SALES-US\$	32,057,359	31,894,834	26,402,948	120,425,372	25,214,311	24,418,014	(23.83)	(3.16)
	VOLUME-SQFT	1,900,758	1,926,312	1,611,305	7,246,057	1,569,610	1,488,373	(21.70)	(5.18)
Special Grade	SALES-US\$	8,820,506	7,585,591	7,459,721	29,543,727	8,671,342	8,494,569	(3.70)	(2.04)
	VOLUME-SQFT	363,039	348,153	357,601	1,301,788	421,879	407,299	12.19	(3.46)
TOTAL-USD		108,384,635	106,203,571	91,878,743	408,185,190	89,798,140	88,565,592	(18.29)	(1.37)
TOTAL-SQFT		8,449,868	8,479,860	7,346,538	32,458,147	7,266,594	7,194,837	(14.85)	(0.99)

Table 6: KCE (New Plant) Capacity

1Q 2019	1.70 million sq.ft/month
2Q 2019	1.70 million sq.ft/month
3Q 2019 (Plan)	1.75 million sq.ft/month
4Q 2019 (Plan)	1.75 million sq.ft/month

Table 7: Capital Expenditure (New Plant)

CAPEX Plan - Y2019	USD 8.0 million
Actual Spend - YTD 2Q19	USD 6.6 million

Forwarded for your information.

Sincerely yours,



(Mrs.Voraluksana Ongkosit)
Executive Vice Chairperson

