

February 16, 2021

The Director and Manager
 The Stock Exchange of Thailand

Re: Information concerning Fiscal Year 2020 Operating Results

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for fiscal year 2020 based on the audited consolidated financial statements for the period ended December 31, 2020. The Group's sales and net profit totaled Bt11,527.2 million and Bt1,126.8 million, respectively, compared to Bt12,097.4 million and Bt934.5 million in fiscal year 2019. A summary of the Company's operating performance in 2020 and 2019 is shown in the following table:

[Amount in Baht Million]	FY2020	FY2019	<u>% Change</u> Y-o-Y [2020 VS. 2019]	FY2018	<u>% Change</u> Y-o-Y [2019 VS. 2018]	
FX: THB/USD	30.9757	30.7824		32.0815		
FX: THB/EUR	35.2339	34.3100		37.7391		
Sales Revenue	11,527.2	12,097.4	-4.7%	13,982.5	-13.5%	
[Sales Revenue, USD	\$372.1	\$393.0	-5.3%	\$435.9	-9.8%]
Cost of Sales	9,015.1	9,643.6		10,351.4		
Gross margin, (%)	21.8%	20.3%		26.0%		
Selling & Administration	1,449.2	1,612.8		1,804.3		
Net Profit	1,126.8	934.5	+20.6%	2,014.9	-53.6%	
	9.8%	7.7%		14.4%		

We began the first quarter of 2020 with good results that continued from the last quarter of 2019 following a recovery of the automotive market from the impact of the WLTP matter and the US-China trade war. Unfortunately, by the end of the first quarter of 2020, the automotive industry once again faced a major economic crisis due to the COVID-19 pandemic. KCE was inevitably affected by this situation, as seen by a sharp fall in customer orders and nearly reaching the breakeven level. In this unprecedented situation, KCE had to indefinitely close one of its PCB factories in May 2020 and implemented various measures to cope with the market slowdown so as to minimize the impact of COVID-19.

By the end of the third quarter, following a recovery of the automotive industry due to the easing of COVID-19 lockdown measures, customer orders returned nearly to normal levels and consignment stock was utilized. The situation continued to improve during the fourth quarter of 2020 when customer orders reached a record high in December. As a result, the fourth quarter was the best quarter of the year despite



the unexpected appreciation of the Thai baht, an increase in the price of copper, and recent transportation logistics problems that caused some shipments to be delayed.

In addition, the Company set aside an impairment provision in the amount of Bt56.5 million for unproductive machinery under an expired BOI project in the second quarter of 2020 and recognized share warrants (ESOP-W6) that were subscribed in the amount of Bt7.2 million for the year 2020. Besides, administrative expense also included an one-off expense of about Bt19.3 million, which was related to the temporary closure of a subsidiary (KCE International 'KCEI') in 2Q20.

Sales Revenue

Consolidated sales revenue in Thai baht terms declined slightly from Bt12,097.4 million in 2019 to Bt11,527.2 million in 2020, representing a reduction of 4.7% Y-o-Y, while sales revenue in USD terms declined by 5.3% Y-o-Y to USD372.1 million.

The Y-o-Y decrease in revenue was due mainly to a 12% decrease in sales volume (Table 4), as customer orders dropped sharply in 2Q20 following a major economic crisis that faced the automotive industry due to COVID-19 and lockdown measures. However, sales orders improved at end of the third quarter and continued to ramp up in the fourth quarter of 2020 after a recovery occurred in the automotive market. In 2020, despite a decline in sales volume, special grade PCB (HDI) sales grew considerably by 44% Y-o-Y (Table 5), and customer orders reached a record high in December 2020.

Changes in foreign currency exchange rates had an impact on revenue recognition in Thai baht terms, which resulted in a gain of Bt82.4 million Y-o-Y (Table 1).

Cost of Sales and Gross Profit Margin

In 2020, the cost of sales decreased slightly to 78.2% from 79.7% in 2019, which resulted in the gross profit margin increasing to 21.8% from 20.3% the previous year. The cost of goods produced during the second half of 2020 declined gradually following an increase in orders and production capacity utilization, particularly in the fourth quarter. As a result, the gross profit margin increased to 24.2% of sales in 4Q20 that enabled the average gross profit margin widened slightly Y-o-Y despite the Thai baht's appreciation and a higher price of copper used (Table 2).

Sales and Administrative Expenses

Selling, general, and administrative expense amounted to Bt1,449.2 million in 2020, or 12.5% of sales, a decrease from Bt1,612.8 million the previous year. Selling expense, such as freight costs and sales commissions, decreased in line with lower sales. The decrease in administrative expense was mainly due to cost control measures in place, a reduction in headcount, a decrease in working hours and overtime and other employee expense together with expense cuts in all areas. In addition, administrative expense also included the shutdown expense of the KCEI plant in the amount of Bt47.6 million, which was related to labor compensation payments, factory shutdown expense, and depreciation cost on non-productive machines.

In addition, the Group set aside an impairment provision in the amount of Bt56.5 million for unproductive machinery under an expired BOI project in the second quarter of 2020 and recognized share warrants (ESOP-W6) that were subscribed in the amount of Bt7.2 million in 2020.



Net Profit

The Group reported a consolidated net profit of Bt1,126.8 million for FY2020, representing an increase of 20.6% Y-o-Y. Normalized profit in FY2020 totaled Bt1,093.9 million (excluding a foreign exchange gain of Bt108.7 million, an impairment cost of Bt56.5 million and an one-off expense related to KCEI closure of Bt19.3 million), compared to Bt889.8 million the previous year, representing an increase of 22.9% Y-o-Y.

The improvement in operating results was due mainly to a recovery of sales post-COVID-19 and a reduction in the cost of goods sold that led to a higher gross profit margin. Moreover, the transfer of KCEI operations to the KCE Latkrabang plant created synergy and helped boost capacity utilization to achieve economies of scale, which eventually improved costs and consolidated operating results.

This resulted in an increase in basic earnings per share from Bt0.80 for 2019 to Bt0.96 for 2020.

Total Asset

Total assets as of December 31, 2020, amounted to Bt17,377 million, consisting of current assets of Bt8,185 million; property, plant and equipment of Bt8,107 million net; intangible assets of Bt246 million; contract costs assets of Bt374 million; investment property of Bt159 million; goodwill of Bt153 million; investments in associates of Bt28 million; deferred tax assets of Bt101 million; and other non-current assets of Bt24 million.

An increase in assets of Bt876 million from Bt16,501 million at the end of 2019, was due mainly to an increase in cash of Bt1,385 million for a liquidity reserve, an increase in the value of trade receivable and other receivable of Bt202 million, a decrease in inventory of Bt107 million, an increase in contract costs of Bt142 million and a decrease in the value of property, plant and equipment of Bt732 million.

Total Liabilities

Total liabilities increased from Bt4,739 million at the end of 2019 to Bt5,315 million as of December 31, 2020. An increase was due mainly to an increase in short-term debt of Bt216 million due to liquidity reserve measure during the crisis, an increase in trade and other current payables of Bt164 million, an increase in corporate tax payable of Bt55 million, an increase in long-termed loan of Bt80 million and an increase in employee benefit provision of Bt66 million.

As of December 31, 2020, Net Interest-bearing Debt to Equity increased slightly from 0.18 to 0.20 times as a result of higher debts and a bit higher equity.

Shareholders' Equity

As of December 31, 2020, shareholders' Equity was Bt12,062 million, an increase of Bt300 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

(Unit: Million)

Currency	FY 2020		FY 2019		Y-o-Y Effect		
	Rates	Sales	Rates	Sales	%	(Loss) M Baht	
USD	30.9757	\$261.48	30.7824	\$288.55	0.6	50.57	
EUR	35.2339	€31.31	34.3100	€41.24	2.7	28.92	
JPY	29.0644	¥0.02	29.0865	-	-	-	
CNY	4.4615	¥43.51	4.3942	¥36.46	1.5	2.93	
Total effect							82.42

(Unit: Million)

Currency	4Q 2020		3Q 2020		Q-o-Q Effect		4Q 2019		Y-o-Y Effect	
	Rates	Sales	Rates	Sales	%	(Loss) M Baht	Rates	Sales	%	(Loss) M Baht
USD	30.3803	\$77.81	31.0892	\$64.70	(2.3)	(55.16)	30.0127	\$70.18	1.2	28.61
EUR	35.9938	€9.66	36.2137	€6.59	(0.6)	(2.12)	33.0478	€9.64	8.9	28.45
JPY	28.6001	¥0.00	-	-	-	-	-	-	-	-
CNY	4.5345	¥14.92	4.4378	¥11.21	2.2	1.44	4.2104	¥11.34	7.7	4.83
Total effect										61.89

Table 2: Raw material prices and purchased volume

The effect from copper usage was about 0.91% on product sales price in 4Q20.

		FY 2020		FY 2019		Effect 2020/2019		FY 2018		Effect 2019/2018			
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$		
Copper Foil (KCE)	KG.	\$9.52	1,318,918	\$9.52	1,484,330	0.02	2.60	\$10.95	1,863,119	(13.09)	(2,126.89)		
Copper Foil (TLM)	KG.	\$9.63	1,966,291	\$9.39	2,313,117	2.54	468.74	\$10.90	2,509,956	(13.89)	(3,503.50)		
Copper Anode	KG.	\$6.68	1,509,001	\$6.53	1,568,000	2.28	224.44	\$7.16	1,981,040	(8.73)	(979.57)		
Fiber glass	METRE	\$0.56	13,512,993	\$0.66	16,004,806	(14.53)	(1,288.66)	\$0.73	18,403,306	(10.72)	(1,260.53)		
Total US\$							(592.88)	Total US\$ (7,870.49)					



		4Q 2020		3Q 2020		Q-o-Q Effect		4Q 2019		Y-o-Y Effect		
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$	
Copper Foil (KCE)	KG.	\$10.03	407,998	\$9.17	225,717	9.45	353.29	\$8.98	471,956	11.74	430.14	
Copper Foil (TLM)	KG.	\$10.08	742,451	\$9.57	114,525	5.30	376.28	\$9.00	657,939	11.93	797.13	
Copper Anode	KG.	\$7.37	462,001	\$6.88	330,000	7.03	223.73	\$6.33	362,000	16.46	481.26	
Fiber glass	METRE	\$0.52	3,582,089	\$0.56	3,797,166	(6.15)	(122.61)	\$0.61	3,707,911	(14.40)	(314.60)	
Total US\$							830.69	Total US\$				1,393.93

Table 3: Consignment Sales

(Amount: in Baht Million)

	FY 2020			FY 2019		
	Stock Filling	Usage	Unrealized revenue	Stock Filling	Usage	Unrealized revenue
October	327.0	288.2		269.5	270.9	
November	238.1	266.3		248.2	258.9	
December	264.7	243.6		324.6	266.5	
Total 4Q	829.7	798.0	31.7	842.3	796.3	46.0
Total 3Q	683.7	917.5	-233.8	829.6	814.7	14.9
Total 2Q	470.9	431.5	39.4	812.9	760.0	52.9
Total 1Q	925.0	831.3	93.7	647.0	778.9	-131.9
Total Year	2,909.3	2,978.3	-69.0	3,131.8	3,149.9	-18.1

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

									% Incr/(Decr)	
		4Q19	Y2019	1Q20	2Q20	3Q20	4Q20	Y2020	Y20 / Y19	4Q20 / 3Q20
EUROPE	SALES-USD	47,249,824	191,680,516	50,309,931	26,111,790	31,383,617	47,700,569	155,505,907		
	VOLUME-SQFT	3,629,523	14,916,440	3,974,969	1,975,239	2,422,499	3,565,853	11,938,560	(19.96)	47.20
USA	SALES-USD	15,577,947	70,317,402	20,031,233	11,339,764	15,862,139	19,085,440	66,318,576		
	VOLUME-SQFT	1,264,631	5,784,321	1,673,992	889,194	1,229,524	1,567,293	5,360,003	(7.34)	27.47
ASIA (Excl.CHINA)	SALES-USD	7,711,365	29,714,837	8,174,843	6,153,770	6,402,337	8,447,945	29,178,894		
	VOLUME-SQFT	544,734	2,209,937	582,794	425,508	444,593	600,898	2,053,793	(7.07)	35.16
CHINA	SALES-USD	10,444,313	39,733,150	8,816,259	6,867,450	10,685,658	14,371,695	40,741,063		
	VOLUME-SQFT	852,271	3,136,089	736,956	576,081	886,552	1,149,402	3,348,991	6.79	29.65
LOCAL	SALES-USD	7,412,350	29,472,370	8,701,827	4,756,720	5,601,859	8,823,952	27,884,359		
	VOLUME-SQFT	682,821	2,761,974	874,567	445,664	508,653	794,340	2,623,225	(5.02)	56.17
TOTAL-USD		88,395,798	360,918,275	96,034,092	55,229,495	69,935,610	98,429,601	319,628,799	(11.44)	40.74
TOTAL-SQFT		6,973,980	28,808,762	7,843,278	4,311,686	5,491,821	7,677,786	25,324,571	(12.09)	39.80

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

									% Incr/(Decr)	
									Y-o-Y	Q-o-Q
PD-Mix		4Q19	Y2019	1Q20	2Q20	3Q20	4Q20	Y2020	Y20 / Y19	4Q20 / 3Q20
02 Layer	SALES-US\$	11,155,407	50,195,860	13,631,771	6,227,641	8,517,095	11,707,800	40,084,308	(20.14)	37.46
	VOLUME-SQFT	1,286,388	5,840,630	1,611,007	745,892	981,968	1,324,479	4,663,346	(20.16)	34.88
04 Layer	SALES-US\$	40,731,172	169,744,455	44,372,295	23,838,942	31,110,980	43,626,872	142,949,089	(15.79)	40.23
	VOLUME-SQFT	3,611,860	14,925,906	3,956,494	2,099,945	2,769,555	3,843,570	12,669,564	(15.12)	38.78
06 + Layer	SALES-US\$	25,141,016	100,585,888	26,504,582	14,746,207	17,915,852	24,717,619	83,884,260	(16.60)	37.97
	VOLUME-SQFT	1,559,294	6,196,612	1,701,166	936,955	1,143,239	1,552,813	5,334,174	(13.92)	35.83
Special Grade	SALES-US\$	11,368,204	40,392,073	11,525,444	10,416,705	12,391,683	18,377,310	52,711,141	30.50	48.30
	VOLUME-SQFT	516,438	1,845,614	574,611	528,893	597,060	956,924	2,657,488	43.99	60.27
TOTAL-USD		88,395,798	360,918,276	96,034,092	55,229,495	69,935,610	98,429,601	319,628,799	(11.44)	40.74
TOTAL-SQFT		6,973,980	28,808,762	7,843,278	4,311,686	5,491,821	7,677,786	25,324,571	(12.09)	39.80

Table 6: KCE New Plant Capacity

1Q2020 – 4Q2020 1.75 million Sq. ft./ month

Table 7: Capital Expenditure (KCE New Plant – LatKrabang)

CAPEX Plan - Y2020 THB 200 million

Actual Spend - Y2020 THB 195 million

Forwarded for your information.

Sincerely yours,



(Mrs. Voraluksana Ongkosit)
Executive Vice Chairperson

