

February 12, 2019

The Director and Manager
 The Stock Exchange of Thailand

Re: Information concerning Fiscal Year 2018 Operating Results

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for fiscal year 2018 based on the audited consolidated financial statements for the period ended December 31, 2018. The Group's sales and net profit totaled Bt13,982.5 million and Bt2,014.9 million, respectively, compared to Bt14,195.4 million and Bt2,544.5 million in fiscal year 2017. A summary of the Company's operating performance in 2018 and 2017 is shown in the following table:

	FY2018	FY2017	<i>% Change</i> Y-o-Y [2018 VS. 2017]	FY2016	<i>% Change</i> Y-o-Y [2017 VS. 2016]	
[Amount in Baht Million]						
FX: THB/USD	32.0754	33.7691		35.018		
Sales Revenue	13,982.5	14,195.4	-1.5%	13,797.5	+2.9%	
[Sales Revenue, USD	\$435.9	\$420.4	+3.7%	\$394.0	+6.7%]
Cost of Sales	10,351.4	9,933.1		8,985.0		
Gross margin, (%)	26.0%	30.0%		34.9%		
Selling & Administration	1,804.3	1,817.6		1,694.9		
Net Profit	2,014.9	2,544.5	-20.8%	3,038.7	-16.3%	
	14.4%	17.9%		22.0%		

The year 2018 continued to be a challenging year for KCE when construction of the new Latkrabang factory was completed and production capacity of Phase 3 was partly expanded, which led to solid revenue growth and profitability. We still experienced a number of challenging factors that continued to occur since the previous year, such as the production of new high-technology products, an increase in the cost of goods sold resulting from a continuously high cost of raw materials Copper, Copper Foil, Laminate and Fiberglass, as well as the appreciation of the THB. Despite the increase in raw material prices and the THB's strengthening, an increase in capacity and efficiency gained from Phase 3 of the new plant that supported volume growth helped lessen the effect of the above on profit margin. The Company was capable to maintain a satisfactory level of profitability that higher than the average of PCB suppliers.

In addition, the company realized a gain of Bt65.7 million from its previously-held equity interest in an associate (KCE America, Inc.) prior to its change in status to that of a subsidiary since January 3, 2018.

Total Revenue

Consolidated sales revenue declined from Bt14,195.4 million in 2017 to Bt13,982.5 million in 2018, representing a slight reduction of approximately 1.5% in THB terms, while total sales revenue in USD terms grew by 3.7% to 435.9 million. The value of PCB shipments in 1H18 grew by 7.4% Y-o-Y as 2Q18 reached a new high primarily due to an increase in capacity utilization of Phase 3 at the new plant, but sales dropped in the following 2H18 (Table 4, PCB shipment value dropped 13% Q-o-Q in 4Q18) due to the typical low season and the effect of the new WLTP (Worldwide Harmonised Light Vehicle Test Procedure) that became mandatory from the start of September 2018, which affected mostly car sales in Europe.

However, sales in THB terms were continuously affected by the appreciation of the THB against both the USD and Euro, which resulted in THB sales declining by 4% of total sales (Table 1, Y-o-Y effect of change in FX rates on sales was Bt565 million). In addition, the decrease in Sales was due to product mix (Table 5) and an adverse effect of unrealized consignment sales (Table 3, unrealized revenue amounted to Bt115 million in 2018).

Cost of Sales and Gross Profit

In 2018, the cost of sales was 74% of sales, an increase from 70% in 2017, which resulted in the gross profit margin decreasing to 26% from 30% the previous year.

The higher cost of goods was directly due to the impact of an increase in global raw material prices, mainly copper. The price of copper resulted in the price of copper foil and copper anode rising from that in 2017, which eventually caused the cost of goods sold to increase to an additional 1% of sales on top of the 2.7% increase last year. However, the higher cost of goods sold was lower as it was partially offset by higher production volumes supported by an increase in capacity utilization of Phase 3 at the new plant.

After the Company's investments undertaken in 2018, available capacity increased in 2H2018, but volume decreased due to the effect of the WLTP, which resulted in a low production utilization rate and led to a higher cost of goods and pressure on profit margin.

The average profit margin in 2018 was 26%, which is still considered high compared to others in the PCB industry, although it is lower than the previous year. The decrease was mainly due to the impact of a change in foreign currency exchange rates and a higher cost of goods sold.

Administrative and Selling Expenses

Selling, general, and administrative expense as a percent of sales increased slightly to 12.9% in 2018 compared to 12.8% the previous year. Selling expense as a percent of sales decreased slightly in line with higher sales volumes. Administrative expense increased mainly because of higher staff costs due to a higher headcount and annual salary increases. In addition, after KCE America became a subsidiary in 2018, general administrative and selling expenses of the sales office was consolidated in the Group's P&L. Overall administrative and selling expense amount was slightly lower from the previous year

Net Profit

The Group reported a consolidated net profit of Bt2,014.9 million for FY2018, down from Bt2,544.5 million in 2017, attributed mainly to the substantial effect of changes in foreign currency exchange rates and an increase in core raw material prices that caused a decrease in profit margin. In addition, the company realized a gain of Bt65.7 million on its previously-held equity interest in an associate (KCE America, Inc.) prior to its change in status to that of a subsidiary.

This resulted in a decrease in basic earnings per share from Bt2.17 for 2017 to Bt1.72 for 2018.

Total Asset

Total assets as of December 31, 2018, amounted to Bt18,121 million, consisting of current assets of Bt7,969 million; property, plant and equipment of Bt9,364 million net; intangible assets of Bt284 million; investment property of Bt163 million; goodwill of Bt153 million; investments in associates of Bt41 million; deferred tax assets of Bt58 million; and other non-current assets of Bt88 million.

The increase in total assets of Bt271 million from the previous year was due mainly to an increase in cash of Bt243 million, a decrease of Bt146 million in the value of property, plant and equipment-net (consisting of the acquisition of asset of Bt637 million, which was mainly an additional investment in a new factory (Phase 3), and KCEA's property of Bt167 million; and depreciation & amortization cost of Bt986 million), an increase of Bt764 million in inventory, and an increase of Bt36 million in Goodwill.

Total Liabilities

Total liabilities decreased from Bt6,576 million at the end of 2017 to Bt6,114 million as of December 31, 2018; short-term debt increased for working capital, while long-term debt decreased due to increased cash flow from operations and as the Company gradually repaid its long-term loan in advance and set-off the total USD loan before maturity date by the end of 2018.

As of December 31, 2018, Net Interest-bearing Debt to Equity improved from 0.31 to 0.25 times as a result of lower debt and higher equity.

Shareholders' Equity

As of December 31, 2018, Shareholders' Equity totaled Bt12,007 million, an increase of Bt733 million, due mainly to operating profit from 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

Overall effect from copper usage was about 0.88 % and 2.7% on product sales price in 2018 and 2017, respectively.

Table 3: Consignment

In FY2018, unrealized revenue from consignment sales was Bt115.5 million.

(Amount: in Baht Million)

	2018			2017		
	Sales	Usage	Unrealized revenue	Sales	Usage	Unrealized revenue
October	275.9	290.3		237.9	253.8	
November	261.5	306.6		260.2	262.1	
December	249.5	264.0		258.2	229.4	
	2018			2017		
	Sales	Usage	Unrealized revenue	Sales	Usage	Unrealized revenue
Total 4Q	786.9	860.9	-74.0	756.2	745.3	10.9
Total 3Q	940.2	835.0	105.2	772.1	751.7	20.4
Total 2Q	917.7	808.8	108.9	762.9	775.9	-13.0
Total 1Q	777.5	802.1	-24.6	797.9	675.4	122.5
Total Year	3,422.3	3,306.8	115.5	3,089.1	2,948.3	140.8

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

									% Increase	
		4Q17	Y2017	1Q18	2Q18	3Q18	4Q18	Y2018	Y-o-Y Y18vsY17	Q-o-Q 4Q18vs3Q18
EUROPE	SALES-USD	42,603,831	183,575,427	48,915,225	49,736,475	42,559,217	34,892,771	176,103,688		
	VOLUME-SQFT	3,392,678	15,044,490	3,936,341	3,790,763	3,365,668	2,740,264	13,833,035	(8.05)	(18.58)
USA	SALES-USD	14,549,303	58,303,970	15,455,535	18,042,194	16,738,372	14,021,037	64,257,138		
	VOLUME-SQFT	1,152,000	4,667,436	1,257,933	1,418,004	1,312,598	1,143,945	5,132,481	9.96	(12.85)
ASIA	SALES-USD	31,573,879	122,903,266	29,569,038	33,538,086	38,962,447	35,410,236	137,479,806		
	VOLUME-SQFT	2,387,190	9,285,448	2,248,454	2,569,189	3,005,752	2,731,072	10,554,467	13.67	(9.14)
LOCAL	SALES-USD	7,629,212	28,684,475	7,778,443	7,067,880	7,943,535	7,554,700	30,344,558		
	VOLUME-SQFT	743,639	2,811,102	739,152	671,913	795,842	731,258	2,938,165	4.52	(8.12)
TOTAL	SALES-USD	96,356,225	393,467,138	101,718,241	108,384,635	106,203,571	91,878,743	408,185,190	3.74	(13.49)
	VOLUME-SQFT	7,675,508	31,808,476	8,181,881	8,449,868	8,479,860	7,346,538	32,458,147	2.04	(13.36)

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

PD-Mix		4Q17	Y2017	1Q18	2Q18	3Q18	4Q18	Y2018	% Increase	
									Y18vsY17	4Q18vs3Q18
02	SALES-US\$	16,485,315	65,746,657	16,731,973	14,736,555	15,095,057	13,986,350	60,549,936	(7.90)	(7.34)
	VOLUME-SQFT	1,853,112	7,458,962	1,903,532	1,689,203	1,764,541	1,601,835	6,959,111	(6.70)	(9.22)
04	SALES-US\$	45,477,676	191,584,385	49,238,128	52,770,215	51,628,089	44,029,724	197,666,156	3.17	(14.72)
	VOLUME-SQFT	3,861,597	16,496,509	4,237,670	4,496,869	4,440,854	3,775,797	16,951,190	2.76	(14.98)
>06	SALES-US\$	30,648,182	119,140,799	30,070,231	32,057,359	31,894,834	26,402,948	120,425,372	1.08	(17.22)
	VOLUME-SQFT	1,817,231	7,159,921	1,807,683	1,900,758	1,926,312	1,611,305	7,246,057	1.20	(16.35)
Special	SALES-US\$	3,745,051	16,995,297	5,677,909	8,820,506	7,585,591	7,459,721	29,543,727	73.83	(1.66)
	VOLUME-SQFT	143,567	693,084	232,995	363,039	348,153	357,601	1,301,788	87.83	2.71
TOTAL-US\$		96,356,225	393,467,138	101,718,241	108,384,635	106,203,571	91,878,743	408,185,190	3.74	(13.49)
TOTAL-SQFT		7,675,508	31,808,476	8,181,881	8,449,868	8,479,860	7,346,538	32,458,147	2.04	(13.36)

Table 6: KCE New Plant Capacity

1Q2018	1.5 million sq.ft /month
2Q2018	1.5 million sq.ft /month
3Q2018	1.7 million sq.ft /month
4Q2018	1.7 million sq.ft /month

Table 7: Capital Expenditure (New Plant-Phase 3)

CAPEX Budget 2018	USD 15 million
Actual Spending 2018	USD 13 million

An additional investment in Phase 3 of the new plant during 2018, will commence operational in the first half of 2019. With the increased capacity utilization from Phase 3, management believes that the Company's performance for 2019 will be strong.

Forwarded for your information.

Sincerely yours,



(Mrs.Voraluksana Ongkosit)

Executive Vice Chairperson

