

August 8, 2017

The Director and Manager
 The Stock Exchange of Thailand

Re: Information on Second Quarter of 2017 Operating Results

KCE Electronics PCL has the pleasure of submitting second quarter of 2017 operating results of the Company and its subsidiaries ("the Group") based on reviewed consolidated financial statements for the three-month period ended June 30, 2017. The Group's sales and net profit totaled Bt3,663.5 million and Bt672.3 million, respectively, compared to Bt3,578.6 million and Bt811.8 million in the second quarter of 2016. A summary of the Company's operating performance in the second quarter of 2017 and 2016 is shown in the following table:

[Amount: in Baht Million]	2Q17	1Q17	<u>%Change</u> Q-o-Q [2Q17 VS. 1Q17]	2Q16	<u>%Change</u> Y-o-Y [2Q17 VS. 2Q16]
Sales Revenue	3,663.5	3,536.4	+ 3.6 %	3,578.6	+ 2.4 %
Cost of Sales	2,528.2	2,452.5		2,308.6	
Gross margin, (percentage)	30.99%	30.65%		35.49%	
Selling & Administration	484.6	443.5		454.4	
Net Profit	672.3	662.2	+1.5 %	811.8	- 17.2 %

Total Revenue

Consolidated sales revenue in Baht terms rose slightly Y-o-Y from Bt3,578.6 million in 2Q16 to Bt3,663.5 million in 2Q17, and increased by 3.6% from 1Q17. The sales growth Y-o-Y was adversely impacted by 1) the THB's strengthening against the USD and EUR in the period, with the effect being about 2.7% on sales and 2) new selling prices that took effect in 2017 that represented a reduction of about 2% on average and a fire incident on June 18 that caused a backlog of order valued more than USD 2 million by the quarter end. However, consignment sales were totally realized in the current period, while unrealized sales accounted for approximately 2.6% in 2Q16.

The Q-o-Q increase in revenue was primarily due to sales volume growth that was supported by an increase in capacity from the investment in Phase 3 at the new plant, and the appreciation of the Baht.

Cost of Sales and Gross Profit

The profit margin increased slightly Q-o-Q, but dropped Y-o-Y due to the effect of the annual selling price adjustment, a change in foreign currency rates and an increase in the cost of goods sold resulting from a higher cost of raw materials Copper, Copper Foil, Laminate and Fiberglass. However, an increase in capacity and efficiency gained from the latest investment that supported sales volume growth helped lessen the effect of the above on profit margin.

Administrative and Selling Expenses

Selling, general, and administrative expense as a percent of sales increased slightly to 13.2% in 2Q17 compared to 12.5% in the previous quarter. Selling expense increased in line with higher sales volumes. Administrative expense increased mainly as a result of higher staff costs due to a higher headcount, a new minimum wage adjustment and annual salary increases from the beginning of the 2017 and an accrual of higher bonus payment for a better plant performance.

Net Profit

The Group reported a consolidated net profit of Bt672.3 million in 2Q17, representing a decline of 17.2% Y-o-Y and an increase of 1.5% Q-o-Q. The Y-o-Y decrease was primarily attributed to the reduction in gross profit rate, the substantial effect of a change in foreign currency exchange rates and an increased corporate tax liability, despite a lower finance cost. This resulted in basic earnings per share of Bt1.15 for the second quarter of 2017 and Bt2.28 for the first six-month period of 2017.

Total Asset

Total assets as of June 30, 2017 amounted to Bt17,543 million, consisting of current assets of Bt7,436 million; property, plant and equipment of Bt9,225 million net; intangible assets of Bt315 million; investment property Bt167 million; goodwill of Bt117 million; investments in associates of Bt103 million; deferred tax assets of Bt52 million; and other non-current assets of Bt129 million.

The increase in total assets of Bt216 million from the December 31, 2016 was due mainly to an increase of Bt177 million for the value of trade receivable and other receivable, an increase of Bt108 million of inventory as sales increased, and an increase of Bt88 million for the value of property, plant and equipment acquired for the new factory (Phase 3) and a decline of Bt144 million in cash.

Total Liabilities

Total liabilities decreased from Bt7,300 million at the end of 2016 to Bt6,828 million as of June 30, 2017; short-term debt as well as the long term loan decreased due to increased cash flow from operations and as the Company repaid the long-term loan in advance.

As of 30 June 2017, Net Interest-bearing Debt to Equity improved from 0.45 to 0.37 times as a result of lower debts and higher equity.

Shareholders' Equity

As of 30 June 2017, shareholders' Equity was Bt10,675 million, an increase of Bt685 million, mainly due to 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 rates

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

(Unit: Million)

Currency	2Q 2017		1Q 2017		Effect Q-o-Q		2Q 2016		Effect Y-o-Y	
	Rates	Sales	Rates	Sales	%	(Loss) M Baht	Rates	Sales	%	(Loss) M Baht
USD	34.1719	\$80.52	34.9124	\$76.63	-2.1	-59.62	35.0183	\$77.93	-2.4	-68.15
EUR	37.1458	€12.18	37.0433	€11.66	0.3	1.25	39.3540	€10.72	-5.6	-26.89
GBP	43.5433	£0.78	42.8288	£0.86	1.7	0.56	49.8851	£0.52	-12.7	-4.93
Total effect						-57.82				-99.97

2) a higher cost of main raw materials

Table 2: Raw material prices and purchased volume

The effect from copper was about 3.0 % on product sales price.

	2Q 2017		2Q 2016		Effect
	Unit price	Volume			
Copper Foil (KCE' KG.	\$10.91	446,163	\$7.91	320,611	37.87%
Copper Foil (TLM KG.	\$10.68	749,751	\$7.85	550,608	36.14%
Copper Anode KG.	\$6.23	405,000	\$5.42	410,000	14.90%
Fiber glass MET	\$0.65	6,131,105	\$0.58	6,172,251	11.62%

Table 3: Consignment

In 2Q 2017, consignment sales were totally realized.

(Amount: in Baht Million)

	2Q 2017			2Q 2016		
	Sales	Usage	Unrealized revenue	Sales	Usage	Unrealized revenue
April	251.7	233.2		6.5	7.5	
May	259.6	296.7		28.5	7.2	
June	251.6	246.0		89.1	14.6	
Total 2Q	762.9	775.9	-13.1	124.2	29.2	94.9

Table 4: Sales and volume sold, by region

		1Q16	2Q16	3Q16	4Q16	Y2016	1Q17	2Q17	% Increase	
									2Q17vs2Q16	2Q17vs1Q17
EUROPE	SALES-USD	43,495,873	46,753,100	46,404,948	41,361,453	178,015,374	44,921,913	45,548,062		
	VOLUME-SQFT	3,521,518	3,800,145	3,743,837	3,275,300	14,340,800	3,753,989	3,763,686	(0.96)	0.26
USA	SALES-USD	14,978,877	13,064,770	15,599,497	13,173,877	56,817,021	13,419,479	15,180,380		
	VOLUME-SQFT	1,204,801	1,093,063	1,300,923	1,079,515	4,678,302	1,099,769	1,206,647	10.39	9.72
ASIA	SALES-USD	28,100,026	31,136,824	31,767,892	29,308,049	120,312,790	31,712,066	30,794,423		
	VOLUME-SQFT	2,093,495	2,282,039	2,315,100	2,130,383	8,821,017	2,382,909	2,344,697	2.75	(1.60)
LOCAL	SALES-USD	7,064,603	8,008,473	7,179,694	5,970,739	28,223,509	7,017,286	7,111,616		
	VOLUME-SQFT	700,712	800,685	719,887	578,272	2,799,556	711,439	683,834	(14.59)	(3.88)
TOTAL	SALES-USD	93,639,379	98,963,166	100,952,031	89,814,118	383,368,694	97,070,745	98,634,481		
	VOLUME-SQFT	7,520,526	7,975,932	8,079,747	7,063,471	30,639,676	7,948,106	7,998,864	0.29	0.64

Table 5: Sales and volume sold, by product mix

PD-Mix		1Q16	2Q16	3Q16	4Q16	Y2016	1Q17	2Q17	% Increase	
									2Q17vs2Q16	2Q17vs1Q17
02	SALES-US\$	17,890,695	19,042,759	19,130,376	14,555,578	70,619,407	16,448,165	15,979,055	(16.09)	(2.85)
	VOLUME-SQFT	1,994,877	2,134,496	2,122,983	1,633,456	7,885,812	1,900,164	1,812,760	(15.07)	(4.60)
04	SALES-US\$	46,545,873	49,349,939	49,946,238	44,661,590	190,503,640	47,136,070	48,345,251	(2.04)	2.57
	VOLUME-SQFT	3,899,135	4,123,253	4,147,908	3,713,878	15,884,175	4,092,656	4,181,369	1.41	2.17
>06	SALES-US\$	26,881,074	28,561,978	29,323,624	27,941,458	112,708,134	29,222,282	29,782,012	4.27	1.92
	VOLUME-SQFT	1,532,777	1,637,823	1,707,100	1,611,387	6,489,088	1,777,034	1,811,780	10.62	1.96
Special	SALES-US\$	2,321,737	2,008,490	2,551,793	2,655,492	9,537,512	4,264,228	4,528,164	125.45	6.19
	VOLUME-SQFT	93,737	80,360	101,757	104,749	380,602	178,252	192,955	140.11	8.25
TOTAL-US\$		93,639,379	98,963,166	100,952,031	89,814,118	383,368,694	97,070,745	98,634,481	(0.33)	1.61
TOTAL-SQFT		7,520,526	7,975,932	8,079,747	7,063,471	30,639,676	7,948,106	7,998,864	0.29	0.64

Table 6: KCE New Plant Capacity (Plan)

1Q2017	1.3 million sq.ft / month
2Q2017	1.5 million sq.ft / month
4Q2017	1.7 million sq.ft / month
2Q2018	2.0 million sq.ft /month

Table 7: Capital Expenditure

1Q2017	Bt268.7 million
2Q2017	Bt233.7 million

An additional investment in Phase 3 of the new plant was made in the second quarter of 2017, which will commence operation in the third quarter of this year. With the additional capacity utilization from Phase 3, management believes the Company's performance for the full-year 2017 will remain strong.

Forwarded for your information.

Sincerely yours,



(Mrs.Voraluksana Ongkosit)
Executive Vice Chairperson

