

November 7, 2017

The Director and Manager  
 The Stock Exchange of Thailand

Re: Information on Third Quarter of 2017 Operating Results

KCE Electronics PCL has the pleasure of submitting third 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 September 30, 2017. The Group's sales and net profit totaled Bt3,602.0 million and Bt612.4 million, respectively, compared to Bt3,515.2 million and Bt786.0 million in the third quarter of 2016. A summary of the Company's operating performance in the third quarter of 2017 and 2016 is shown in the following table:

[Amount: in Baht Million]	3Q17	2Q17	<i>%Change</i> Q-o-Q [3Q17 VS. 2Q17]	3Q16	<i>%Change</i> Y-o-Y [3Q17 VS. 3Q16]
Sales Revenue	3,602.0	3,663.5	- 1.7 %	3,515.2	+ 2.5 %
Cost of Sales	2,519.0	2,528.2		2,251.0	
Gross margin, (percentage)	30.07%	30.99%		35.96%	
Selling & Administration	485.1	484.6		437.0	
Net Profit	612.4	672.3	- 8.9 %	786.0	- 22.1 %

**Total Revenue**

Consolidated sales revenue in Baht terms rose slightly Y-o-Y from Bt3,515.2 million in 3Q16 to Bt3,602.0 million in 3Q17, but decreased Q-o-Q by 1.7% from 2Q17. The sales growth Y-o-Y was adversely impacted by 1) the THB's strengthening against the USD in the period, with the effect being about 3.0% on sales and 2) new selling prices that took effect in 2017 that represented a reduction of about 2% on average. However, consignment sales were almost fully realized in the current period.

The Q-o-Q decrease 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, but mainly offset by the appreciation of the Baht.

**Cost of Sales and Gross Profit**

The profit margin decreased slightly Q-o-Q, and 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 13.5% in 3Q17 compared to 13.2% 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 and an accrual of higher bonus payment for a better plant performance.

### Net Profit

The Group reported a consolidated net profit of Bt612.4 million in 3Q17, representing a decline of 22.1% Y-o-Y and decrease of 8.9% 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, despite a lower finance cost. This resulted in basic earnings per share of Bt1.04 for the third quarter of 2017 and Bt3.32 for the nine-month period of 2017.

### Total Asset

Total assets as of September 30, 2017 amounted to Bt17,587 million, consisting of current assets of Bt7,393 million; property, plant and equipment of Bt9,310 million net; intangible assets of Bt324 million; investment property Bt166 million; goodwill of Bt118 million; investments in associates of Bt106 million; deferred tax assets of Bt52 million; and other non-current assets of Bt118 million.

The increase in total assets of Bt259 million from the December 31, 2016 was due mainly to an increase of Bt103 million for the value of cash and cash equivalent, and an increase of Bt173 million for the value of property, plant and equipment acquired for the new factory (Phase 3) and a decline of Bt25 million in of trade receivable and other receivable.

### Total Liabilities

Total liabilities decreased from Bt7,300 million at the end of 2016 to Bt6,909 million as of September 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 September, 2017, Net Interest-bearing Debt to Equity improved from 0.45 to 0.39 times as a result of lower debts and higher equity.

### Shareholders' Equity

As of 30 September, 2017, shareholders' Equity was Bt10,637 million, an increase of Bt647 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	3Q 2017		2Q 2017		Effect Q-o-Q		3Q 2016		Effect Y-o-Y	
	Rates	Sales	Rates	Sales	%	(Loss) M Baht	Rates	Sales	%	(Loss) M Baht
USD	33.2651	\$82.77	34.1719	\$80.52	-2.7	-75.06	34.5968	\$76.90	-3.8	-110.23
EUR	38.3062	€11.24	37.1458	€12.18	3.1	13.05	38.4001	€12.31	-0.2	-1.06
GBP	43.2410	£0.05	43.5433	£0.78	-0.7	-0.02	45.2324	£0.47	-4.4	-0.11
<b>Total effect</b>						<b>-62.03</b>				<b>-111.39</b>

2) a higher cost of main raw materials

**Table 2:** Raw material prices and purchased volume

The effect from copper usage was about 3% on product sales price, due to less buy in the third quarter in order to burn the old stock.

	3Q 2017		2Q 2017		Effect Q-o-Q		3Q 2016		Effect Y-o-Y	
	Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE.KG)	\$10.34	300,924	\$10.91	446,163	-5.21%	-170.90	\$8.41	458,398	22.95%	580.69
Copper Foil (TLMKG)	\$10.22	347,297	\$10.68	749,751	-4.35%	-161.54	\$8.30	612,030	23.20%	668.40
Copper Anode KG.	\$6.66	417,000	\$6.23	405,000	6.94%	180.09	\$5.34	400,000	24.72%	550.35
Fiber glass METRE	\$0.63	3,556,865	\$0.65	6,131,105	-2.44%	-55.93	\$0.59	4,496,932	6.78%	142.27

**Table 3:** Consignment

In 3Q 2017, consignment sales were almost 100% realized.

	3Q 2017			3Q 2016		
	Sales	Usage	Unrealized revenue	Sales	Usage	Unrealized revenue
July	244.1	202.8		92.0	35.6	
August	262.0	265.4		138.0	61.8	
September	266.0	283.5		135.4	92.0	
<b>Total 3Q</b>	<b>772.1</b>	<b>751.7</b>	<b>20.4</b>	<b>365.3</b>	<b>189.3</b>	<b>176.0</b>

(Amount: in Baht Million)

**Table 4:** Sales and volume sold, by region:

		2Q16	3Q16	4Q16	Y2016	1Q17	2Q17	3Q17	% Increase	
									3Q17vs3Q16	3Q17vs2Q17
EUROPE	SALES-USD	46,753,100	46,404,948	41,361,453	178,015,374	44,921,913	45,548,062	50,501,621		
	VOLUME-SQFT	<b>3,800,145</b>	<b>3,743,837</b>	<b>3,275,300</b>	<b>14,340,800</b>	<b>3,753,989</b>	<b>3,763,686</b>	<b>4,134,137</b>	10.43	9.84
USA	SALES-USD	13,064,770	15,599,497	13,173,877	56,817,021	13,419,479	15,180,380	15,154,808		
	VOLUME-SQFT	<b>1,093,063</b>	<b>1,300,923</b>	<b>1,079,515</b>	<b>4,678,302</b>	<b>1,099,769</b>	<b>1,206,647</b>	<b>1,209,021</b>	(7.06)	0.20
ASIA	SALES-USD	31,136,824	31,767,892	29,308,049	120,312,790	31,712,066	30,794,423	28,822,898		
	VOLUME-SQFT	<b>2,282,039</b>	<b>2,315,100</b>	<b>2,130,383</b>	<b>8,821,017</b>	<b>2,382,909</b>	<b>2,344,697</b>	<b>2,170,651</b>	(6.24)	(7.42)
LOCAL	SALES-USD	8,008,473	7,179,694	5,970,739	28,223,509	7,017,286	7,111,616	6,926,361		
	VOLUME-SQFT	<b>800,685</b>	<b>719,887</b>	<b>578,272</b>	<b>2,799,556</b>	<b>711,439</b>	<b>683,834</b>	<b>672,189</b>	(6.63)	(1.70)
<b>TOTAL</b>	<b>SALES-USD</b>	98,963,166	100,952,031	89,814,118	383,368,694	97,070,745	98,634,481	101,405,688		
	<b>VOLUME-SQFT</b>	<b>7,975,932</b>	<b>8,079,747</b>	<b>7,063,471</b>	<b>30,639,676</b>	<b>7,948,106</b>	<b>7,998,864</b>	<b>8,185,998</b>	1.32	2.34

**Table 5:** Sales and volume sold, by product mix:

									% Increase	
									Y-o-Y	Q-o-Q
PD-Mix		2Q16	3Q16	4Q16	Y2016	1Q17	2Q17	3Q17	3Q17vs3Q16	3Q17vs2Q17
02	SALES-US\$	19,042,759	19,130,376	14,555,578	<b>70,619,407</b>	16,448,165	15,979,055	16,834,123	(12.00)	5.35
	VOLUME-SQFT	2,134,496	2,122,983	1,633,456	<b>7,885,812</b>	1,900,164	1,812,760	1,892,927	(10.84)	4.42
04	SALES-US\$	49,349,939	49,946,238	44,661,590	<b>190,503,640</b>	47,136,070	48,345,251	50,625,388	1.36	4.72
	VOLUME-SQFT	4,123,253	4,147,908	3,713,878	<b>15,884,175</b>	4,092,656	4,181,369	4,360,887	5.13	4.29
>06	SALES-US\$	28,561,978	29,323,624	27,941,458	<b>112,708,134</b>	29,222,282	29,782,012	29,488,323	0.56	(0.99)
	VOLUME-SQFT	1,637,823	1,707,100	1,611,387	<b>6,489,088</b>	1,777,034	1,811,780	1,753,875	2.74	(3.20)
Special	SALES-US\$	2,008,490	2,551,793	2,655,492	<b>9,537,512</b>	4,264,228	4,528,164	4,457,854	74.69	(1.55)
	VOLUME-SQFT	80,360	101,757	104,749	<b>380,602</b>	178,252	192,955	178,309	75.23	(7.59)
<b>TOTAL-US\$</b>		98,963,166	100,952,031	89,814,118	<b>383,368,694</b>	97,070,745	98,634,481	101,405,688	<b>0.45</b>	<b>2.81</b>
<b>TOTAL-SQFT</b>		<b>7,975,932</b>	<b>8,079,747</b>	<b>7,063,471</b>	<b>30,639,676</b>	<b>7,948,106</b>	<b>7,998,864</b>	<b>8,185,998</b>	<b>1.32</b>	<b>2.34</b>

**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	Bt 268.7 million
2Q2017	Bt 233.7 million
3Q2017	Bt 305.4 million

An additional investment in Phase 3 of the new plant since the second quarter of 2017, which will commence operational in the second half of this year. With the additional capacity utilization from Phase 3, management believes that the company's performance for this year and 2018 will be greatly improved.

Forwarded for your information.

Sincerely yours,



(Mrs. Voraluksana Ongkosit)  
Executive Vice Chairperson

