

February 13, 2018

The Director and Manager  
 The Stock Exchange of Thailand

Re: Information concerning Fiscal Year 2017 Operating Results

KCE Electronics PCL has the pleasure of submitting fiscal year 2017 operating results of the Company and its subsidiaries ("the Group") based on audited consolidated financial statements for the period ended December 31, 2017. The Group's sales and net profit totaled Bt14,195.4 million and Bt2,544.5 million, respectively, compared to Bt13,797.5 million and Bt3,038.7 million in fiscal year 2016. A summary of the Company's operating performance in 2017 and 2016 is shown in the following table:

[Amount in Baht Million]	FY2017	FY2016	<u>% Change</u> Y-o-Y [2017 VS. 2016]	FY2015	<u>% Change</u> Y-o-Y [2016 VS. 2015]	
Sales Revenue	14,195.4	13,797.5	+2.9%	12,448.8	+10.8%	
[ Sales Revenue, USD	\$420.4	\$394.0	+6.7%	\$364.9	+7.9%	]
Cost of Sales	9,933.1	8,985.0		8,535.0		
Gross margin, (%)	30.0%	34.9%		31.4%		
Selling&Administration	1,817.6	1,694.9		1,520.4		
Net Profit	2,544.5	3,038.7	-16.3%	2,240.1	+35.7%	
	17.9%	22.0%		18.0%		

The year 2017 was another challenging year for KCE when construction of the new Lat Krabang factory was completed, and production capacity of Phase 1 and 2 was expanded, which led to solid revenue growth and profitability. We experienced a number of challenging factors that occurred at the same time, such as production of new high-technology products, an increase in price of the Company's core raw material, copper foil, due to an unbalanced demand/supply in the market, as well as the appreciation of the THB in a short period of time and at a higher rate than other currencies in competing markets, especially China. Despite the increase in raw material price and the baht's strengthening, the Company was capable to maintain a satisfactory level of profitability that exceeded that of other leading PCB suppliers.

**Total Revenue**

Consolidated sales revenue rose from Bt13,797.5 million in 2016 to Bt14,195.4 million in 2017, representing growth of approximately 2.9% in THB terms, while sales revenue in USD terms grew by 6.7%. The increase was primarily due to an increase in capacity utilization at Phase 3 at the new plant, and an increase in product mix of high-layer PCBs, which led to a higher unit selling price.

However, sales in THB terms were negatively affected by the appreciation of the THB against both the USD and Euro, which resulted in THB sales declining by 3% of total sales or roughly Bt446 million in 2017.

### **Cost of Sales and Gross Profit**

In 2017, the cost of sales was an average 70% of sales, an increase from 65% in 2016, which resulted in the gross profit margin decreasing to 30% from 35% 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 to rise by 33% and copper anode by 24%, from the price in 2016, which eventually caused the cost of goods sold to rise to roughly 2.7% of sales. 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.

The average profit margin in 2017 was 30%, which is considered high compared to other competitors, although it is lower than the previous year. The decrease was due to the impact of a change in foreign currency exchange rates and a higher cost of goods sold. Thanks to the Company's latest investments undertaken in 2017, that enabled the factory to increase its utilization rate, which helped lessen the effect of the pressure on profit margin.

### **Administrative and Selling Expenses**

Selling, general, and administrative expense as a percent of sales increased slightly to 12.8% in 2017 compared to 12.3% in the previous year. The increased selling expense was due to a change in commercial trade terms, while freight costs were lower due to a change in incoterms from CIF to FCA and Ex-factory, furthermore sea shipments increased compared to last year. Administrative expense was unchanged from the previous year

### **Net Profit**

The Group reported a consolidated net profit of Bt2,544.5 million for FY2017, down from Bt3,038.7 million in 2016, 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. This resulted in a decrease in basic earnings per share from Bt5.23 for 2016 to Bt4.34 for 2017.

### **Total Asset**

Total assets as of December 31, 2017 amounted to Bt17,850 million, consisting of current assets of Bt7,505 million; property, plant and equipment of Bt9,510 million net; investment property of Bt166 million; intangible assets of Bt317 million; goodwill of Bt117 million; investments in associates of Bt110 million; deferred tax assets of Bt52 million; and other non-current assets of Bt73 million.

The increase in total assets of Bt523 million from the previous year was due mainly to an increased in cash of Bt248 million, a decline of Bt204 million for the value of trade receivable and other receivable, an increase of Bt163 million of inventory as sales increased, and an increase of Bt373 million for the value of property, plant and equipment acquired for the new factory (Phase 3) and for the Efficiency improvement at the subsidiaries.

## Total Liabilities

Total liabilities decreased from Bt7,300 million at the end of 2016 to Bt6,576 million as of December 31, 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 December 31, 2017, Net Interest-bearing Debt to Equity improved from 0.45 to 0.31 times as a result of lower debts and higher equity.

## Shareholders' Equity

As of December 31, 2017, shareholders' Equity was Bt11,274 million, an increase of Bt1,247 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	FY 2017		FY 2016		Effect Y-o-Y	
	Rates	Sales	Rates	Sales	%	(Loss) M Baht
USD	33.7709	\$317.04	35.0116	\$299.71	-3.5	-393.34
EUR	37.7043	€45.62	38.6262	€43.42	-2.4	-42.06
GBP	43.1708	£1.70	49.9144	£2.06	-13.5	-11.44
<b>Total effect</b>						<b>-446.85</b>

(Unit: Million)

Currency	4Q 2017		3Q 2017		Effect Q-o-Q		4Q 2016		Effect Y-o-Y	
	Rates	Sales	Rates	Sales	%	(Loss) M Baht	Rates	Sales	%	(Loss) M Baht
USD	32.7609	\$77.12	33.2651	\$82.77	-1.5	-38.88	35.0576	\$68.51	-6.6	-177.12
EUR	38.4379	€10.55	38.3062	€11.24	0.3	1.39	37.7530	€10.11	1.8	7.22
GBP	43.3047	£0.00	43.2410	£0.05	0.1	0.00	43.4480	£0.48	-0.3	0.00
<b>Total effect</b>						<b>-37.50</b>				<b>-169.89</b>

2) a higher cost of main raw materials

The effect from copper usage was about 2.7% on product sales price.

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

	FY 2017		FY 2016		Effect Y-o-Y	
	Unit price	Volume	Unit price	Volume	%	'000 US\$
Copper Foil (KCE,KG)	\$11.06	1,564,849	\$8.29	1,588,056	33.33%	4324.57
Copper Foil (TLMKG)	\$10.47	2,509,293	\$8.09	2,537,367	29.49%	5984.54
Copper Anode KG	\$6.63	1,593,000	\$5.35	1,554,000	23.98%	2042.66
Fiber glass METRE	\$0.68	19,824,698	\$0.59	17,431,566	15.03%	1749.31

	4Q 2017		3Q 2017		Effect Q-o-Q		4Q 2016		Effect Y-o-Y	
	Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE,KG)	\$12.45	367,161	\$10.34	300,924	20.47%	776.79	\$9.04	445,119	37.81%	1254.52
Copper Foil (TLMKG)	\$10.79	729,897	\$10.22	347,297	5.55%	413.87	\$8.90	593,740	21.20%	1377.37
Copper Anode KG	\$7.31	396,000	\$6.66	417,000	9.79%	258.11	\$5.48	360,000	33.31%	723.44
Fiber glass METRE	\$0.72	5,197,970	\$0.63	3,556,865	14.21%	465.41	\$0.57	3,838,676	25.15%	751.67

**Table 3:** Consignment

A change in commercial terms to a Customer Manage Inventory (CMI)/ consignment basis caused revenue realization of approximately Bt140 million in 2017 to be realized in 2018 instead.

(Amount: in Baht Million)

	FY 2017			FY 2016		
	Sales	Usage	Unrealized revenue	Sales	Usage	Unrealized revenue
Q1	797.9	675.4		23.9	36.7	
Q2	762.9	775.9		124.2	29.2	
Q3	772.1	751.7		365.3	189.3	
Q4	756.2	745.3		603.0	407.0	
Total Year	<u>3,089.1</u>	<u>2,948.4</u>	<u>140.7</u>	<u>1,116.3</u>	<u>662.2</u>	<u>454.2</u>

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

		4Q16	Y2016	1Q17	2Q17	3Q17	4Q17	Y2017	% Increase	
									Y17vsY16	4Q17vs3Q17
EUROPE	SALES-USD	41,361,453	178,015,374	44,921,913	45,548,062	50,501,621	42,603,831	183,575,427		
	VOLUME-SQFT	<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>	<b>3,392,678</b>	<b>15,044,490</b>	4.91	(17.94)
USA	SALES-USD	13,173,877	56,817,021	13,419,479	15,180,380	15,154,808	14,549,303	58,303,970		
	VOLUME-SQFT	<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>	<b>1,152,000</b>	<b>4,667,436</b>	(0.23)	(4.72)
ASIA	SALES-USD	29,308,049	120,312,790	31,712,066	30,794,423	28,822,898	31,573,879	122,903,266		
	VOLUME-SQFT	<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>	<b>2,387,190</b>	<b>9,285,448</b>	5.27	9.98
LOCAL	SALES-USD	5,970,739	28,223,509	7,017,286	7,111,616	6,926,361	7,629,212	28,684,475		
	VOLUME-SQFT	<b>578,272</b>	<b>2,799,556</b>	<b>711,439</b>	<b>683,834</b>	<b>672,189</b>	<b>743,639</b>	<b>2,811,102</b>	0.41	10.63
<b>TOTAL</b>	<b>SALES-USD</b>	<b>89,814,118</b>	<b>383,368,694</b>	<b>97,070,745</b>	<b>98,634,481</b>	<b>101,405,688</b>	<b>96,356,225</b>	<b>393,467,138</b>		
	<b>VOLUME-SQFT</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>7,675,508</b>	<b>31,808,476</b>	<b>3.81</b>	<b>(6.24)</b>

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

									% Increase	
									Y-o-Y	Q-o-Q
PD-Mix		4Q16	Y2016	1Q17	2Q17	3Q17	4Q17	Y2017	Y17vsY16	4Q17vs3Q17
02	SALES-US\$	14,555,578	70,619,407	16,448,165	15,979,055	16,834,123	16,485,315	65,746,657	(6.90)	(2.07)
	VOLUME-SQFT	1,633,456	<b>7,885,812</b>	1,900,164	1,812,760	1,892,927	1,853,112	<b>7,458,962</b>	(5.41)	(2.10)
04	SALES-US\$	44,661,590	190,503,640	47,136,070	48,345,251	50,625,388	45,477,676	191,584,385	0.57	(10.17)
	VOLUME-SQFT	3,713,878	<b>15,884,175</b>	4,092,656	4,181,369	4,360,887	3,861,597	<b>16,496,509</b>	3.85	(11.45)
>06	SALES-US\$	27,941,458	112,708,134	29,222,282	29,782,012	29,488,323	30,648,182	119,140,799	5.71	3.93
	VOLUME-SQFT	1,611,387	<b>6,489,088</b>	1,777,034	1,811,780	1,753,875	1,817,231	<b>7,159,921</b>	10.34	3.61
Special	SALES-US\$	2,655,492	9,537,512	4,264,228	4,528,164	4,457,854	3,745,051	16,995,297	78.19	(15.99)
	VOLUME-SQFT	104,749	<b>380,602</b>	178,252	192,955	178,309	143,567	<b>693,084</b>	82.10	(19.48)
<b>TOTAL-US\$</b>		89,814,118	383,368,694	97,070,745	98,634,481	101,405,688	96,356,225	393,467,138	<b>2.63</b>	<b>(4.98)</b>
<b>TOTAL-SQFT</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>7,675,508</b>	<b>31,808,476</b>	<b>3.81</b>	<b>(6.24)</b>

Table 6: KCE New Plant Capacity (Plan)

1Q-2Q 2017:	1.3 million sq.ft / month
3Q-4Q 2017:	1.5 million sq.ft / month
2Q2018 (Plan)	1.7 million sq.ft / month
4Q2018 (Plan)	2.0 million sq.ft /month

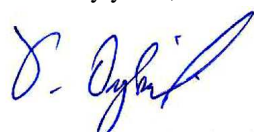
Table 7: Capital Expenditure

1Q2017	Bt 268 million
2Q2017	Bt 234 million
3Q2017	Bt 305 million
4Q2017	Bt 418 million

An additional investment in Phase 3 of the new plant during 2017, will commence operational in the first half of next year. With the full capacity utilization from Phase 3, management believes that the Company's performance for 2018 will be strong.

Forwarded for your information.

Sincerely yours,



(Mrs. Voraluksana Ongkosit)

Executive Vice Chairperson

