

August 7, 2018

The Director and Manager
 The Stock Exchange of Thailand

Re: Information on Second Quarter of 2018 Operating Results

KCE Electronics PCL has the pleasure of submitting the operating results of the Company and its subsidiaries ("the Group") for the second quarter of 2018 based on reviewed consolidated financial statements for the three-month period ended June 30, 2018. The Group's sales and net profit totaled Bt3,643.3 million and Bt558.0 million, respectively, compared to Bt3,663.5 million and Bt672.3 million in the second quarter of 2017. A summary of the Company's operating performance in the second quarter of 2018 and 2017 is shown in the following table:

[Amount in Baht Million]	2Q18	1Q18	<u>% Change</u> Q-o-Q [2Q18 vs 1Q18]	2Q17	<u>% Change</u> Y-o-Y [2Q18 vs 2Q17]	
FX: THB/USD	31.575	31.529		34.172		
Sales Revenue	3,643.3	3,440.2	+5.9%	3,663.5	-0.6%	
[Sales Revenue, USD	\$115.4	\$109.1	+5.8%	\$107.2	+7.6%]
Cost of Sales	2,628.9	2,551.4		2,528.2		
Gross margin, %	27.84%	25.84%		30.99%		
SG & A	471.4	466.2		484.6		
Operating Profit*	527.1	409.9	+28.6%	616.0	-14.4%	
Net Profit per F/S	558.0	516.7	+8.0%	672.3	-17.0%	
	15.31%	15.02%		18.35%		

[Remark* Excludes foreign exchange rate effects and gain on equity interest in an associate]

Total Revenue

Consolidated sales revenue in Baht terms increased to Bt3,643.3 million in 2Q18, representing an increase of 5.9% Q-o-Q, but a reduction of 0.6% Y-o-Y. Total Sales revenue in USD terms grew by 5.8% Q-o-Q and 7.6% Y-o-Y, while PCB shipment value raised 6.55% Q-o-Q and 9.89% Y-o-Y (Table 5). The Y-o-Y Sales decreased in Baht terms due to the Baht's continued to strengthening against the USD in the period (Table 1, Y-o-Y effect of change in FX rates on sales was Bt214 million). USD Sales reached a new high of USD115.4 million. The increase was primarily due to volume growth of 3.3% Q-o-Q and 5.6% Y-o-Y (Table 4), which was supported by an increase in capacity from Phase 3 at the new plant and an adverse

effect of unrealized consignment sales (Table 3, unrealized revenue amounted to USD3 million, or Bt109 million in 2Q18).

Cost of Sales and Gross Profit

The profit margin in 2Q18 widened Q-o-Q to 27.84% but narrowed Y-o-Y due to the effect of a change in FX rate and an increase in the cost of goods sold resulting from high costs of raw materials Copper, Copper Foil and Laminate. However, a recent 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.

Administrative and Selling Expenses

Selling, general, and administrative expense as a percent of sales decreased slightly to 12.9% in 2Q18 compared to 13.2% in the same period in 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 sales office was included in the Group's P&L.

Net Profit

The Group reported a consolidated net profit of Bt558.0 million in 2Q18, representing an increase of 8.0% Q-o-Q, but a reduction of 17.0% Y-o-Y, which was due to an increase in the cost of goods sold, a reduction in gross margin and the effect of a change in FX rates.

However, operating profit in 2Q18 (excluding FX rate effect and a gain on equity interest in an associate) rose significantly by 28.6% from the previous quarter as a result of higher sales and better economies of scale at the new plant.

This resulted in basic earnings per share of Bt0.48 for the second quarter of 2018 and Bt0.92 for the first six-month period of 2018.

Total Asset

Total assets as of June 30, 2018, amounted to Bt18,499 million, consisting of current assets of Bt8,222 million; property, plant and equipment of Bt9,510 million net; intangible assets of Bt301 million; investment property of Bt165 million; goodwill of Bt176 million; investments in associates of Bt28 million; deferred tax assets of Bt55 million; and other non-current assets of Bt42 million.

The increase in total assets of Bt649 million from December 31, 2017, was due mainly to an increase in cash of Bt95 million, a small decrease in the value of property, plant and equipment-net (consisting of the acquisition of an additional investment in a new factory of Bt320 million and KCEA's property of Bt167 million; and depreciation cost & write-off of Bt480 million), an increase of Bt118 million in the value of trade receivable and other receivables, an increase of Bt490 million in inventory, and an increase of Bt58 million in Goodwill.

Total Liabilities

Total liabilities increased from Bt6,576 million at the end of 2017 to Bt6,777 million as of June 30, 2018; short-term debt increased for working capital, while the long-term loan decreased due to increased cash flow from operations and as the Company repaid long-term loans in advance.

As of June 30, 2018, Net Interest-bearing Debt to Equity increased slightly from 0.25 to 0.32 times as a result of higher debts and lower equity after the annual dividend payment.

Shareholders' Equity

As of June 30, 2018, shareholders' Equity was Bt1,723 million, an increase of Bt448 million, mainly due 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

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

(Unit: Million)

Currency	2Q 2018		1Q 2018		Effect Q-o-Q		2Q 2017		Effect Y-o-Y	
	Rates	Sales	Rates	Sales	%	(Loss) M Baht	Rates	Sales	%	(Loss) M Baht
USD	31.5750	\$85.31	31.5288	\$81.74	0.1	3.94	34.1719	\$80.52	-7.6	-221.55
EUR	37.7985	€11.59	38.2974	€11.11	-1.3	-5.78	37.1458	€12.18	1.8	7.56
GBP	0.0000	£0.00	0.0000	£0.00	0.0	0.00	43.5433	£0.78	0.0	0.00
CNY	4.8923	¥11.48	4.8797	¥10.61	0.3	0.14	4.9245	¥4.70	-0.7	-0.37
Total effect						-1.70				-214.36

- 2) A higher cost of main raw materials

Table 2: Raw material prices and purchased volume

	2Q 2018		1Q 2018		Effect Q-o-Q		2Q 2017		Effect Y-o-Y	
	Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE KG.	\$11.26	368,037	\$11.17	591,461	0.80%	33.00	\$10.91	446,163	3.28%	131.46
Copper Foil (TLMKG.	\$11.16	573,168	\$11.10	880,286	0.56%	35.49	\$10.68	749,751	4.44%	272.03
Copper Anode KG.	\$7.43	497,000	\$7.52	514,000	-1.24%	-46.19	\$6.23	405,000	19.24%	595.51
Fiber glass METRE	\$0.73	4,301,139	\$0.74	5,644,145	-0.48%	-15.38	\$0.65	6,131,105	13.69%	380.34

Total US\$1,379.34

The effect from copper usage was about 0.92 % on product sales price.

Table 3: Consignment

In 2Q 2018, unrealized revenue from consignment sales was Bt108.9 million.

(Amount: in Baht Million)

	2018			2017		
	Sales	Usage	Unrealized revenue	Sales	Usage	Unrealized revenue
April	264.2	269.0		251.7	233.2	
May	343.5	264.9		259.6	296.7	
June	310.0	274.9		251.6	246.0	
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

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

		2Q17	3Q17	4Q17	Y2017	1Q18	2Q18	% Increase	
								Y-o-Y	Q-o-Q
								2Q18vs2Q17	2Q18vs1Q18
EUROPE	SALES-USD	45,548,062	50,501,621	42,603,831	183,575,427	48,915,225	49,736,475		
	VOLUME-SQFT	3,763,686	4,134,137	3,392,678	15,044,490	3,936,341	3,790,763	0.72	(3.70)
USA	SALES-USD	15,180,380	15,154,808	14,549,303	58,303,970	15,455,535	18,042,194		
	VOLUME-SQFT	1,206,647	1,209,021	1,152,000	4,667,436	1,257,933	1,418,004	17.52	12.72
ASIA	SALES-USD	30,794,423	28,822,898	31,573,879	122,903,266	29,569,038	33,538,086		
	VOLUME-SQFT	2,344,697	2,170,651	2,387,190	9,285,448	2,248,454	2,569,189	9.57	14.26
LOCAL	SALES-USD	7,111,616	6,926,361	7,629,212	28,684,475	7,778,443	7,067,880		
	VOLUME-SQFT	683,834	672,189	743,639	2,811,102	739,152	671,913	(1.74)	(9.10)
TOTAL	SALES-USD	98,634,481	101,405,688	96,356,225	393,467,138	101,718,241	108,384,635		
	VOLUME-SQFT	7,998,864	8,185,998	7,675,508	31,808,476	8,181,881	8,449,868	5.64	3.28

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

PD-Mix		2Q17	3Q17	4Q17	Y2017	1Q18	2Q18	% Increase	
								Y-o-Y	Q-o-Q
								2Q18vs2Q17	2Q18vs1Q18
02	SALES-US\$	15,979,055	16,834,123	16,485,315	65,746,657	16,731,973	14,736,555	(7.78)	(11.93)
	VOLUME-SQFT	1,812,760	1,892,927	1,853,112	7,458,962	1,903,532	1,689,203	(6.82)	(11.26)
04	SALES-US\$	48,345,251	50,625,388	45,477,676	191,584,385	49,238,128	52,770,215	9.15	7.17
	VOLUME-SQFT	4,181,369	4,360,887	3,861,597	16,496,509	4,237,670	4,496,869	7.55	6.12
>06	SALES-US\$	29,782,012	29,488,323	30,648,182	119,140,799	30,070,231	32,057,359	7.64	6.61
	VOLUME-SQFT	1,811,780	1,753,875	1,817,231	7,159,921	1,807,683	1,900,758	4.91	5.15
Special	SALES-US\$	4,528,164	4,457,854	3,745,051	16,995,297	5,677,909	8,820,506	94.79	55.35
	VOLUME-SQFT	192,955	178,309	143,567	693,084	232,995	363,039	88.15	55.81
TOTAL-USS		98,634,481	101,405,688	96,356,225	393,467,138	101,718,241	108,384,635	9.89	6.55
TOTAL-SQFT		7,998,864	8,185,998	7,675,508	31,808,476	8,181,881	8,449,868	5.64	3.28

Table 6: KCE New Plant Capacity

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

Table 7: Capital Expenditure

Capital Budget in 2018 USD15 million

Forwarded for your information.

Sincerely yours,



(Mrs.Voraluksana Ongkosit)
Executive Vice Chairperson

