

May 14, 2019

The Director and Manager
 The Stock Exchange of Thailand

Re: Information on First Quarter of 2019 Operating Results

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for the first quarter of 2019 based on reviewed consolidated financial statements for the three-month period ended March 31, 2019. The Group's sales and net profit totaled Bt3,113.9 million and Bt268.6 million, respectively, compared to Bt3,440.2 million and Bt541.6 million in the first quarter of 2018. A summary of the Company's operating performance in the first quarter of 2019 and 2018 is shown in the following table:

[Amount in Baht Million]	1Q19	4Q18	<u>% Change</u> Q-o-Q [1Q19 VS. 4Q18]	1Q18	<u>% Change</u> Y-o-Y [1Q19 VS. 1Q18]	
FX: THB/USD	31.3204	32.5876		31.5288		
Sales Revenue, THB	3,113.9	3,208.7	-3.0%	3,440.2	-9.5%	
[Sales Revenue, USD	\$99.4	\$98.5	+1.0%	\$109.1	-8.9%]
Cost of Sales	2,457.1	2,478.7		2,551.4		
Gross margin, %	21.09%	22.75%		25.84%		
SG & A	403.1	403.1		466.2		
Operating Profit *	248.2	309.0	-19.7%	409.9	-39.4%	
Net Profit per FS	268.6	355.5	-24.4%	541.6	-50.4%	
	8.63%	11.08%		15.74%		

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

Sales Revenue

Consolidated sales revenue in Baht terms declined slightly to Bt3,113.9 million in 1Q19, representing a reduction of 3.0% Q-o-Q and 9.5% Y-o-Y, while sales revenue in USD terms grew by 1.0% Q-o-Q but declined by 8.9% Y-o-Y. The lower revenue recognition in Baht terms was due to the strengthening Thai baht against the US dollar and Euro in the period, which resulted in THB sales declining by Bt111 million (Table 1). The drop in revenue in 1Q19 was mainly pressured by a decrease in sales volume by 1% Q-o-Q and 11% Y-o-Y (Table 4), due partly to the WLTP issue, which resulted in lower orders from automotive suppliers, as most suppliers shifted their priority to stock management. In 1Q19, consignment stock filling totaled Bt647 million, while consignment usage was much higher at Bt779 million (Table 3). The decline in sales in 1Q19 represented new prices that took effect in January 2019 with an effective markdown of about 1.8% of sales.

Cost of Sales and Gross Profit

The gross profit margin in 1Q19 of 21.1% declined Q-o-Q and Y-o-Y due to the effect of an annual selling price adjustment, a change in foreign currency exchange rate and an increase in the cost of goods sold. The higher cost of goods sold was due to an increase in the production of new high-technology products, such as the special grade PCB (HDI) that grew by 18% Q-o-Q and 81% Y-o-Y (Table 5), which on the other hand caused a reduction in production efficiency. Furthermore, as total production volume decreased, product costs rose, all of which pressured the profit margin. The price of copper decreased, which resulted in the cost of goods sold decreasing by 1.2% in 1Q19.

Administrative and Selling Expenses

Selling, general, and administrative expense as a percent of sales decreased slightly to 12.9% in 1Q19 compared to 13.5% in the same period in previous year. Selling expense decreased in line with lower sales. Administrative expense decreased mainly because of the adjustment of the staff costs, which was over accrued in the last year.

Net Profit

The Group reported a consolidated net profit of Bt268.6 million in 1Q19, representing a reduction of 24.4% Q-o-Q and 50.4% Y-o-Y. Whereas the Operating profit in 1Q19 was at Bt248.2 million (excluding a gain on FX rate and a gain on equity interest in an associate), representing a reduction of 19.7% Q-o-Q and 39.5% Y-o-Y.

The decrease in the operating results was primarily due to a decrease in sales revenue, an increase in the cost of goods sold, a reduction in gross margin and the effect of a change in foreign currency exchange rates. This resulted in basic earnings per share of Bt0.23 for the first quarter of 2019.

Total Asset

Total assets as of March 31, 2019 amounted to Bt17,775 million, consisting of current assets of Bt7,597 million; property, plant and equipment of Bt9,306 million net; intangible assets of Bt274 million; investment property of Bt163 million; goodwill of Bt154 million; investments in associates of Bt46 million; deferred tax assets of Bt58 million; contract costs of Bt105 million; and other non-current assets of Bt73 million.

The decrease in total assets of Bt346 million from December 31, 2018, was due mainly to a decrease in cash of Bt200 million, a decrease of Bt172 million of inventory, a decrease of Bt58 million for the value of property, plant and equipment, an increase of Bt47 million for the value of trade receivable and other receivable, and an increase of Bt22 million of contract costs.

Total Liabilities

Total liabilities decreased from Bt6,114 million at the end of 2018 to Bt5,498 million as of March 31, 2019; short-term debt as well as the long term loan decreased due to increased cash flow from operations.

As of March 31, 2019, Net Interest-bearing Debt to Equity improved from 0.25 to 0.21 times as a result of lower debts and higher equity.

Shareholders' Equity

As of March 31, 2019, shareholders' Equity was Bt12,277 million, an increase of Bt270 million, mainly due to operating profit from the period.

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

Currency	1Q 2019		4Q 2018		Q-o-Q Effect		1Q 2018		Y-o-Y Effect	
	Rates	Sales	Rates	Sales	%	(Loss) M Baht	Rates	Sales	%	(Loss) M Baht
USD	31.3204	\$73.13	32.5876	\$76.03	(3.9)	(92.68)	31.5288	\$81.74	(0.7)	(15.24)
EUR	35.3588	€11.11	36.9669	€10.20	(4.4)	(17.86)	38.2974	€11.11	(7.7)	(32.65)
CNY	4.5919	¥8.79	4.6507	¥10.09	(1.3)	(0.52)	4.8797	¥10.61	(5.9)	(2.53)
Total Effect						(111.06)				(50.42)

- 2) A change of main raw materials price

The effect from copper usage was about 1.2 % on product sales price in 1Q19.

Table 2: Raw material prices and purchased volume

		1Q 2019		4Q 2018		Q-o-Q Effect		1Q 2018		Y-o-Y Effect			
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$		
Copper Foil (KCE)	KG.	\$10.08	374,782	\$10.29	400,526	(2.08)	(80.42)	\$11.17	591,461	(9.78)	(409.60)		
Copper Foil (TLM)	KG.	\$9.91	646,416	\$10.25	454,579	(3.29)	(218.00)	\$11.10	880,286	(10.70)	(767.38)		
Copper Anode	KG.	\$6.64	398,000	\$6.67	445,000	(0.43)	(11.35)	\$7.52	514,000	(11.64)	(348.35)		
Fiber glass	METRE	\$0.72	4,407,706	\$0.74	3,914,885	(2.42)	(78.54)	\$0.74	5,644,145	(2.44)	(79.27)		
						Total US\$	(388.30)						
						Total US\$	(1,604.60)						

Table 3: Consignment Sales

In 1Q 2019, revenue of consignment sales were realized for more than the stock filling.

(Amount: in Baht Million)

	1Q 2019			1Q 2018		
	Stock Filling	Usage	Unrealized revenue	Stock Filling	Usage	Unrealized revenue
January	223.5	233.6		263.3	271.5	
February	199.1	278.8		226.5	237.4	
March	224.4	266.5		287.6	293.2	
Total 1Q	647.0	778.9	(131.9)	777.5	802.1	(24.6)

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

								% Incr. (Decr.)	
								Y-o-Y	Q-o-Q
		1Q18	2Q18	3Q18	4Q18	Y2018	1Q19	1Q19/1Q18	1Q19/ 4Q18
EUROPE	SALES-USD	57,768,688	59,774,379	55,901,775	46,889,688	220,334,530	49,291,162		
	VOLUME-SQFT	4,629,384	4,578,348	4,418,438	3,686,035	17,312,205	3,863,956	(16.53)	4.83
USA	SALES-USD	18,472,131	21,540,194	21,148,062	18,100,656	79,261,043	16,602,960		
	VOLUME-SQFT	1,511,261	1,714,391	1,684,303	1,479,355	6,389,310	1,430,275	(5.36)	(3.32)
ASIA (Excl.CHINA)	SALES-USD	6,669,191	7,506,011	9,615,291	8,840,030	32,630,523	7,483,324		
	VOLUME-SQFT	515,947	576,325	720,060	651,767	2,464,099	567,976	10.08	(12.86)
CHINA	SALES-USD	10,884,792	12,080,700	11,274,700	10,266,997	44,507,189	9,003,746		
	VOLUME-SQFT	778,872	887,974	845,224	788,501	3,300,571	698,438	(10.33)	(11.42)
LOCAL	SALES-USD	7,923,439	7,483,351	8,263,743	7,781,373	31,451,906	7,416,947		
	VOLUME-SQFT	746,417	692,831	811,835	740,881	2,991,964	705,949	(5.42)	(4.71)
TOTAL	SALES-USD	101,718,241	108,384,635	106,203,571	91,878,743	408,185,190	89,798,140	(11.72)	(2.26)
	VOLUME-SQFT	8,181,881	8,449,868	8,479,860	7,346,538	32,458,147	7,266,594	(11.19)	(1.09)

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

								% Incr.(Decr.)	
								Y-o-Y	Q-o-Q
PD-Mix		1Q18	2Q18	3Q18	4Q18	Y2018	1Q19	1Q19/1Q18	1Q19/ 4Q18
02	SALES-US\$	16,731,973	14,736,555	15,095,057	13,986,350	60,549,936	13,099,949	(21.71)	(6.34)
	VOLUME-SQFT	1,903,532	1,689,203	1,764,541	1,601,835	6,959,111	1,530,033	(19.62)	(4.48)
04	SALES-US\$	49,238,128	52,770,215	51,628,089	44,029,724	197,666,156	42,812,538	(13.05)	(2.76)
	VOLUME-SQFT	4,237,670	4,496,869	4,440,854	3,775,797	16,951,190	3,745,073	(11.62)	(0.81)
06 +	SALES-US\$	30,070,231	32,057,359	31,894,834	26,402,948	120,425,372	25,214,311	(16.15)	(4.50)
	VOLUME-SQFT	1,807,683	1,900,758	1,926,312	1,611,305	7,246,057	1,569,610	(13.17)	(2.59)
Special Grade	SALES-US\$	5,677,909	8,820,506	7,585,591	7,459,721	29,543,727	8,671,342	52.72	16.24
	VOLUME-SQFT	232,995	363,039	348,153	357,601	1,301,788	421,879	81.07	17.97
TOTAL USD		101,718,241	108,384,635	106,203,571	91,878,743	408,185,190	89,798,140	(11.72)	(2.26)
TOTAL-SQFT		8,181,881	8,449,868	8,479,860	7,346,538	32,458,147	7,266,594	(11.19)	(1.09)

Table 6: KCE New Plant Capacity (Maximum)

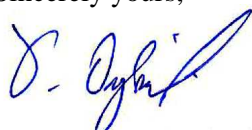
1Q 2019	1.70 million sq.ft /month
2Q 2019 (Plan)	1.70 million sq.ft /month
3Q 2019 (Plan)	1.85 million sq.ft /month
4Q 2019 (Plan)	1.85 million sq.ft /month

Table 7: Capital Expenditure

CAPEX Plan in 2019	USD 8.0 million
Actual Spend in 1Q19	USD 2.9 million

Forwarded for your information.

Sincerely yours,



(Mrs.Voraluksana Ongkosit)
Executive Vice Chairperson

