

August 8, 2023

The Director and Manager  
The Stock Exchange of Thailand

Re: Information on Second Quarter of 2023 Operating Results

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for the second quarter of 2023 based on reviewed consolidated financial statements for the three-month period ended June 30, 2023. The Group's sales are total at Bt3,897.8 million with a net profit of Bt376.2 million, compared to Bt4,667.4 million total sales and Bt571.9 million net profit in the second quarter of 2022. A summary of the Company's operating performance in the second quarter of 2023 and 2022 is shown in the following table:

[Amount: in Million Baht]	2Q23	1Q23	<u>%Change</u> Q-o-Q [2Q23 VS. 1Q23]	2Q22	<u>%Change</u> Y-o-Y [2Q23 VS. 2Q22]
FX: THB/USD	34.3134	33.7117		34.2695	
FX: THB/EUR	37.1808	36.0673		36.2798	
Sales Revenue	3,897.8	4,024.9	-3.16	4,667.4	-16.49
[Sales Revenue, USD]	\$113.6	\$119.4	-4.86	\$136.2	-16.60]
Cost of Sales	3,152.2	3,235.5		3,603.2	
Gross margin, (%)	19.1%	19.6%		22.8%	
Selling & Administration	415.2	480.4	-13.57	489.5	-15.17
Operating profit *	320.2	314.2	+1.91	601.6	-46.78
Net Profit	376.2	345.5	+8.89	571.9	-34.22
Net Profit Margin (%)	9.7%	8.6%		12.3%	

[Remark \* Exclude foreign exchange rate effects and special exception item]

**Sales Revenue**

Consolidated sales revenue of 2Q23 in Baht terms was reported at Bt3,897.8 million, declining 3.16% Q-o-Q and 16.49% Y-o-Y, while sales revenue in USD terms also decreased by 4.86% and 16.60% Q-o-Q and Y-o-Y respectively. The FX rate change of THB against the US dollar in the period resulted in a gain in revenue recognition in Thai Baht terms of Bt54.65 million and Bt2.90 million in Q-o-Q and Y-o-Y, respectively. (Table 1)

The volume of PCB shipment for sales of 2Q23 decreased by 7.17% and 18.91% Q-o-Q and Y-o-Y, respectively due to the slowdown of the global economy. (Table 5) Overall customer demand decreased mainly because of overstocking form aggressive stock building up during last year. However, the trend of customer demand is improving in 3Q23 after customer stock clearing.

**Cost of Sales and Gross Profit**

The gross profit margin in 2Q23 was 19.1% of sales, decreased from 19.6% and 22.8% Q-o-Q and Y-o-Y, respectively, main factor was the lower sales volume because of the slowdown of global economy and the

customers' stock clearing situation. Overall actual production capacity of 2Q23 was at 77%, incorporated with a long holidays in April, compared to 79% Q-o-Q and 85% Y-o-Y, respectively. Nevertheless, the fixed manufacturing costs were a burden of 2Q23 which can be offset with the lower raw material and supplies cost including the energy cost control, it results in the gross profit margin can be maintained over 19% in 2Q23.

### **Administrative and Selling Expenses**

Total selling, general, and administrative expenses amounted to Bt415.2 million in 2Q23, or 10.7% of sales, a decrease from Bt480.4 million or 11.9% of sales in 1Q23, and decrease from Bt489.5 million or 10.5% of sales in the same period of the previous year.

Selling expense amounted to Bt127.0 million in 2Q23, or 3.3% of sales, decreased from Bt149.9 million or 3.7% of sales in 1Q23 and Bt149.8 million or 3.2% of sales in the same period of previous year. Selling expense mainly decreased from sale commission in line with lower sales and a change in portion of freight cost carried by the customers. Administrative expense amounted to Bt288.3 million or 7.4% of sales in 2Q23, decreased from Bt330.5 million or 8.21% of sales in 1Q23 and Bt339.7 million or 7.3% of sales in the same period of previous year, which related mainly to staff costs included other staff welfare, R&D expense, consulting fee and insurance.

### **Net Profit**

The Group reported a consolidated net profit of Bt376.2 million in 2Q23, representing an increase of 8.89% Q-o-Q but decrease of 34.2 % Y-o-Y. Operating profit in 2Q23 totaled Bt320.2 million (excluding a gain on the foreign currency exchange rate of Bt59.2 million and oversea withholding tax of dividend receipt Bt3.2 million), representing a slightly increase of 1.91% Q-o-Q but decrease significantly 46.78% Y-o-Y.

In summary, the significant drop in profitability was driven by the lower demand from the customers due to the slowdown of the global economic and overstocking of customer stock, which causes lower production and facility utilization directly. While the company bears the burden of fixed overhead costs such as depreciation and machinery maintenance expenses, it consequently results in basic earnings per share of Bt0.32 for 2Q23.

### **Total Asset**

Total assets as of June 30, 2023 amounted to Bt20,038.5 million, consisting of current assets of Bt10,510.9 million, property, plant and equipment of Bt8,523.2 million, intangible assets of Bt152.2 million, contract costs assets of Bt372.7 million, investment property of Bt155.6 million, goodwill of Bt153.5 million, investments in associates of Bt26.0 million; deferred tax assets of Bt107.7 million and other non-current assets of Bt36.6 million.

Total assets decrease by Bt955.0 million from Bt20,993.5 million at the end of 2022, was due mainly to a decrease in the value of trade receivable and other receivable of Bt551.8 million according to sale reduction, a decrease in inventory of Bt203.9 million and a decrease in the value of property, plant and equipment of Bt340.9 million.

### **Total Liabilities**

Total liabilities decreased by Bt976.7 million from Bt7,548.2 million at the end of 2022 to Bt6,571.5 million as of June 30, 2023; was due mainly to a decrease of short-term debt and long term loan from the financial institution decreased Bt626.2 million, trade and other current payables decreased Bt312.3 due to lower of production according to slow of sale order.

As of June 30, 2023, Net Interest-bearing Debt to Equity ratio was 0.24 times compared to 0.28 times as of December 31, 2022 as a result of lower debts and higher equity from this quarter profit and dividend paid.

## Shareholders' Equity

As of June 30, 2023, shareholders' Equity was Bt13,467.1 million, a slightly increase of Bt21.8 million from Bt13,445.3 million as of December 31, 2022 due mainly to operating profit from the period, and annual dividend payment.

## Analysis of performance

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

(Unit: Million)

Currency	2Q 2023		1Q 2023		Q-o-Q Effect		2Q 2022		Y-o-Y Effect	
	Rates	Sales	Rates	Sales	%	Gain (Loss)	Rates	Sales	%	Gain (Loss)
USD	34.3134	\$75.95	33.7117	\$82.88	1.8	45.70	34.2695	\$88.48	0.1	3.33
EUR	37.1808	€9.46	36.0673	€9.33	3.1	10.54	36.2798	€9.28	2.5	8.53
JPY	0.2474	¥0.07	0.2569	¥0.00	(3.7)	0.00	0.2648	¥0.05	(6.6)	0.00
CNY	4.8476	¥30.76	4.8993	¥24.38	(1.1)	(1.59)	5.1388	¥35.04	(5.7)	(8.96)
Total effect					<b>M Baht</b>	54.65			<b>M Baht</b>	2.90

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

Key Material		2Q 2023		1Q 2023		Q-o-Q Effect		2Q 2022		Y-o-Y Effect	
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE)	KG.	\$11.86	393,498	\$11.63	520,181	1.93	88.26	\$13.76	577,738	(13.84)	(749.89)
Copper Foil (TLM)	KG.	\$11.72	499,045	\$11.34	524,296	3.36	190.04	\$14.74	387,784	(20.45)	(1,504.35)
Copper Anode	KG.	\$9.23	442,200	\$9.34	508,400	(1.18)	(48.86)	\$10.41	477,000	(11.32)	(521.07)
Fiber glass	METRE	\$0.52	4,133,965	\$0.55	3,519,816	(5.82)	(133.22)	\$0.81	4,662,532	(35.39)	(1,180.32)
						Total US\$	96.22			Total US\$	(3,955.63)

The effect from price change of copper usage on product sales was increase about 0.16% Q-o-Q and decrease 2.48 % Y-o-Y

**Table 3:** Consignment Sales

(Amount: in Baht Million)

	2Q 2023			2Q 2022		
	Stock Filling	Usage	Unrealized revenue (Higher Usage)	Stock Filling	Usage	Unrealized revenue (Higher Usage)
April	200.4	256.4	(56.0)	305.8	307.3	(1.5)
May	337.0	311.0	26.0	367.8	302.7	65.1
June	338.7	302.5	36.2	441.8	374.4	67.4
Total 2Q	876.1	869.9	6.2	1,115.4	984.4	131.0

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

								% Incr/(Decrease)	
								Y-o-Y	Q-o-Q
Region		2Q22	3Q22	4Q22	Y2022	1Q23	2Q23	2Q23/2Q22	2Q23 / 1Q23
EUROPE	SALES-USD	50,729,981	58,630,336	48,057,442	210,700,817	51,551,137	45,139,841	(11.02)	(12.44)
	VOLUME-SQFT	3,614,205	4,107,352	3,348,622	14,787,047	3,542,932	3,058,072	(15.39)	(13.69)
USA	SALES-USD	28,538,080	25,589,092	23,411,302	103,931,973	23,936,782	22,437,449	(21.38)	(6.26)
	VOLUME-SQFT	2,117,280	1,862,264	1,584,855	7,451,828	1,614,653	1,619,267	(23.52)	0.29
ASIA (Excl.CHINA)	SALES-USD	7,156,109	6,087,512	5,745,508	25,584,090	5,475,581	4,876,625	(31.85)	(10.94)
	VOLUME-SQFT	526,442	433,107	420,503	1,856,411	403,943	371,945	(29.35)	(7.92)
CHINA	SALES-USD	16,301,497	13,767,777	12,950,990	57,262,267	12,416,295	12,778,825	(21.61)	2.92
	VOLUME-SQFT	1,138,870	983,257	919,700	4,080,636	872,628	923,058	(18.95)	5.78
LOCAL	SALES-USD	10,216,914	6,473,253	7,932,332	37,160,524	9,546,972	8,038,156	(21.33)	(15.80)
	VOLUME-SQFT	890,677	575,839	750,573	3,320,133	805,522	747,984	(16.02)	(7.14)
TOTAL-USD		112,942,581	110,547,970	98,097,574	434,639,672	102,926,767	93,270,896	(17.42)	(9.38)
TOTAL-SQFT		8,287,474	7,961,819	7,024,253	31,496,054	7,239,678	6,720,326	(18.91)	(7.17)

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

								% Incr/(Decrease)	
								Y-o-Y	Q-o-Q
Product-Mix		2Q22	3Q22	4Q22	Y2022	1Q23	2Q23	2Q23 / 2Q22	2Q23 / 1Q23
02 Layer	SALES-US\$	10,520,906	8,557,634	8,547,941	39,323,019	8,918,068	10,174,524	(3.29)	14.09
	VOLUME-SQFT	1,137,172	890,541	918,904	4,152,460	906,034	1,080,811	(4.96)	19.29
04 Layer	SALES-US\$	46,507,866	42,480,998	36,887,835	174,073,169	36,763,402	32,799,032	(29.48)	(10.78)
	VOLUME-SQFT	3,917,977	3,582,703	3,145,088	14,667,740	3,059,487	2,784,205	(28.94)	(9.00)
06 + Layer	SALES-US\$	27,993,761	30,162,167	23,586,266	108,728,833	25,503,162	23,348,307	(16.59)	(8.45)
	VOLUME-SQFT	1,711,969	1,856,235	1,402,855	6,595,651	1,540,282	1,436,815	(16.07)	(6.72)
Special Grade	SALES-US\$	27,920,048	29,347,171	29,075,531	112,514,650	31,742,136	26,949,032	(3.48)	(15.10)
	VOLUME-SQFT	1,520,356	1,632,340	1,557,406	6,080,203	1,733,875	1,418,495	(6.70)	(18.19)
TOTAL-USD		112,942,581	110,547,970	98,097,574	434,639,672	102,926,767	93,270,896	(17.42)	(9.38)
TOTAL-SQFT		8,287,474	7,961,819	7,024,253	31,496,054	7,239,678	6,720,326	(18.91)	(7.17)

**Table 6:** KCE - Production Capacity

Maximum Capacity:

1Q 2023 – 4Q 2023                      2.10 million Sq.ft./month for Lat Krabang Plant  
1Q 2023 – 4Q 2023                      1.50 million Sq.ft./month for HiTech Ayutthaya Plant

Actual Capacity Utilization in 2Q23	77% to available capacity
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**Table 7:** Capital Expenditure

**CAPEX Plan - Y2023**

**Bt 829 million** (exclude Rojana New Factory)

Consisted of                      Bt 500 million /Efficiency Improvement of Lat Krabang Plant  
   Bt 283 million /Efficiency Improvement of HiTech Plant  
   Bt 46 million /Efficiency Improvement of Thai Laminate

Actual Spent in 1 <sup>st</sup> Half year 2023	Bt183.5 million (exclude Rojana New Factory)
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**CAPEX Plan for Rojana New Plant in Y2023**                      **Bt 200 million**

Project Plan (Million Baht)	Y2023	Y2024	Y2025	Total
Factory Building	200	2,700	700	3,600
Machine and Equipment	-0-	800	2,560	3,360
Total Plan (as of 30 June 2023)	200	3,500	3,260	6,960

Actual Spent as of June 30, 2023	Bt 41.3 million	(Design and Construction)
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The investment of a new plant at Rojana Industrial Park is still on progress, the process of land preparation has finished and is ready for building construction. However, according to the slow global economic growth, the company decided to delay the construction, which as well to provide more time for machinery sourcing activities. Manufacturing technology is rapidly developing; therefore, to properly serve the customer expectation, it requires certain of time to prudentially assess the actual manufacturing capabilities & efficiency of each machine from each manufacturer.

The company keeps monitoring the global market situation closely, so the construction plan can be adjusted accordingly and ensure capacity expansion to match future market demand. The foundation piles installation will be started in 4Q23 so the construction can be started quickly when ready. The progress updates will be announced accordingly in the next quarter.

Forwarded for your information.

Sincerely yours,



(Mrs. Voraluksana Ongkosit)  
Executive Vice Chairperson

