



**KCE ELECTRONICS
PUBLIC COMPANY LIMITED**

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The Director and Manager
The Stock Exchange of Thailand

Re: Information concerning Fiscal Year 2019 Operating Results

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for fiscal year 2019 based on the audited consolidated financial statements for the period ended December 31, 2019. The Group's sales and net profit totaled Bt12,097.4 million and Bt934.5 million, respectively, compared to Bt13,982.5 million and Bt2,014.9 million in fiscal year 2018. A summary of the Company's operating performance in 2019 and 2018 is shown in the following table:

[Amount in Baht Million]	FY2019	FY2018	<u>% Change</u> Y-o-Y [2019 VS. 2018]	FY2017	<u>% Change</u> Y-o-Y [2018 VS. 2017]	
FX: THB/USD	30.7810	32.0754		33.7691		
FX: THB/EUR	34.2753	37.7340		37.7119		
Sales Revenue	12,097.4	13,982.5	-13.5%	14,195.4	-1.5%	
[Sales Revenue, USD	\$393.0	\$435.9	-9.8%	\$420.4	+3.7%]
Cost of Sales	9,643.6	10,351.4		9,933.1		
Gross margin, (%)	20.3%	26.0%		30.0%		
Selling & Administration	1,612.8	1,804.3		1,817.6		
Net Profit	934.5	2,014.9	-53.6%	2,544.5	-20.8%	
	7.7%	14.4%		17.9%		

The year 2019 continued to be a tough year for KCE. The Company experienced a number of challenges, such as the slowdown in the world automotive market that caused a delayed startup of new projects in the current year, upgrading technology in order to increase output of HDI products and the unexpected appreciation of the THB against foreign currencies, which had the effect of a decline in sales revenue, a low production utilization rate to available capacity, and eventually a higher cost of goods produced and low margin. To offset a slowdown in orders, the Company reduced costs by obtaining better sources of raw materials procurement thanks to a decrease in the cost of copper, implementing artificial intelligence technology (AI) in the workplace to improve the production process and efficiency, and reducing the Company's headcount. This will help not only strengthen our core platform but also ensure sustainable long-term growth.

In addition, the Company set aside additional provisions for employee retirement benefits in the amount of Bt57.4 million in 2019 in accordance with an amendment of the Labor Protection Act on April 5, 2019.

Sales Revenue

Consolidated sales revenue in Baht terms declined from Bt13,982.5 million in 2018 to Bt12,097.4 million in 2019, representing a reduction of 13.5% Y-o-Y, while sales revenue in USD terms declined by 9.8% Y-o-Y to USD393.0 million.

The Y-o-Y decrease in revenue was due mainly to an 11% decrease in sales volume (Table 4). The value of PCB shipments in 1H19 dropped following the new WLTP method and a slowdown of the automotive market, but sales volume improved in 2H19. In addition, there was a backlog of orders at the end of the year and unrealized consignment sales (Table 3). However, sales in THB terms were affected by the appreciation of the THB against both the USD and Euro, which resulted in sales in THB terms declining by Bt534 million (Table 1).

Cost of Sales and Gross Profit

In 2019, the cost of sales was 80%, an increase from 74% in 2018, which resulted in the gross profit margin narrowing to 20% from 26% the previous year. The decrease was due mainly to the impact of a higher cost of goods sold and a change in foreign currency exchange rates.

The cost of goods was associated with the level of capacity utilization, product mix, production efficiency, LME copper price and foreign currency exchange rate in the period. During 2019, the production of special grade PCBs, mainly HDI PCBs, increased (Table 5) as new machinery was installed and the price of copper continued to decline (Table 2). However, the majority of factory's costs are fixed whereas the total production volume decreased, which resulted in a higher breakeven point as well as an increase in the unit production cost. In addition, the marked appreciation of the THB caused the gross profit to decrease.

Administrative and Selling Expenses

Selling, general, and administrative expense amounted to Bt1,612.8 million in 2019, or 13.3% of sales, a decrease from Bt1,804.3 million the previous year. Selling expense, such as freight costs and sales commissions, decreased in line with lower sales. Administrative expense decreased mainly because of an adjustment of staff costs to be in line with the company's operating performance, while the increase was due to an additional amount of provisions set aside for employee retirement benefits in the amount of Bt57.4 million in the second quarter of 2019 in accordance with an amendment of the Labor Protection Act on April 5, 2019.

Net Profit

The Group reported a consolidated net profit of Bt934.5 million for FY2019, down from Bt2,014.9 million in 2018. The decrease in the operating results attributed mainly to a decrease in sales revenue, an increase in the cost of goods sold, a reduction in gross margin, as well as the appreciation of the THB.

In addition, the Company set aside additional provisions of Bt57.4 million for employee retirement benefits in 2019, whereas in 2018, the company realized a gain of Bt65.7 million from its previously-held equity interest in an associate.

This resulted in a decrease in basic earnings per share from Bt1.72 for 2018 to Bt0.80 for 2019.

Total Asset

Total assets as of December 31, 2019, amounted to Bt16,501 million, consisting of current assets of Bt6,640 million; property, plant and equipment of Bt8,918 million net; intangible assets of Bt258 million; contract costs of Bt232 million; investment property of Bt161 million; goodwill of Bt154 million; investments in associates of Bt38 million; deferred tax assets of Bt75 million; and other non-current assets of Bt26 million.

A decrease in assets of Bt1,620 million from Bt18,121 million at the end of 2018, was due mainly to a decrease in inventory of Bt570 million, a decrease in cash of Bt425 million, a decrease in the value of property, plant and equipment of Bt446 million, a decrease in the value of trade receivable and other receivable of Bt300 million, and an increase in contract costs of Bt150 million.

Total Liabilities

Total liabilities decreased from Bt6,114 million at the end of 2018 to Bt4,739 million as of December 31, 2019; short-term debt as well as trade and other current payables decreased due to increased cash flow from operations; long-term debt increased to support the investment of new machines, and provisions for employee benefits increased in accordance with an amendment of the Labor Protection Act since 2Q19.

As of December 31, 2019, Net Interest-bearing Debt to Equity improved from 0.25 to 0.18 times as a result of lower debt and lower equity.

Shareholders' Equity

As of December 31, 2019, Shareholders' Equity totaled Bt11,762 million, a decrease of Bt245 million, due mainly 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

Currency	FY 2019		FY 2018		Y-o-Y Effect	
	Rates	Sales (in M)	Rates	Sales (in M)	%	(Loss) M Baht
USD	30.7824	\$288.55	32.0815	\$328.17	(4.0)	(378.66)
EUR	34.3100	€41.24	37.7391	€43.41	(9.1)	(141.76)
CNY	4.3942	¥36.46	4.7918	¥42.47	(8.3)	(14.01)
Total effect						(534.43)

Currency	4Q 2019		3Q 2019		Q-o-Q Effect		4Q 2018		Y-o-Y Effect	
	Rates	Sales (in M)	Rates	Sales (in M)	%	(Loss) M Baht	Rates	Sales (in M)	%	(Loss) M Baht
USD	30.0127	\$70.18	30.4541	\$75.25	(1.4)	(30.98)	32.5876	\$76.03	(7.9)	(180.72)
EUR	33.0478	€9.64	33.6840	€10.77	(1.9)	(6.13)	36.9669	€10.20	(10.6)	(37.77)
CNY	4.2104	¥11.34	4.2692	¥7.86	(1.4)	(0.67)	4.6507	¥10.09	(9.5)	(4.99)
Total effect						(37.78)				(223.48)

2) A change of main raw materials price

Table 2: Raw material prices and purchased volume

	FY 2019		FY 2018		Effect 2019/2018		FY 2017		Y-o-Y Effect	
	Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE) KG.	\$9.52	1,484,330	\$10.95	1,863,119	(13.09)	(2,126.89)	\$10.70	1,617,167	2.36	469.97
Copper Foil (TLM) KG.	\$9.39	2,313,117	\$10.90	2,509,956	(13.89)	(3,503.50)	\$10.47	2,509,293	4.12	1,082.06
Copper Anode KG.	\$6.53	1,568,000	\$7.16	1,981,040	(8.73)	(979.57)	\$6.63	1,593,000	7.92	1,039.96
Fiber glass METRE	\$0.66	16,004,806	\$0.73	18,403,306	(10.72)	(1,260.53)	\$0.68	19,824,698	8.84	1,098.24
					Total US\$	(7,870.49)			Total US\$	3,690.23

	4Q 2019		3Q 2019		Q-o-Q Effect		4Q 2018		Y-o-Y Effect	
	Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE) KG.	\$8.98	471,956	\$9.34	352,418	(3.85)	(169.50)	\$10.29	400,526	(12.79)	(621.67)
Copper Foil (TLM) KG.	\$9.00	657,939	\$9.04	578,522	(0.44)	(26.35)	\$10.25	454,579	(12.16)	(819.53)
Copper Anode KG.	\$6.33	362,000	\$6.40	476,000	(1.10)	(25.43)	\$6.67	445,000	(5.17)	(124.79)
Fiber glass METRE	\$0.61	3,707,911	\$0.63	4,015,315	(3.11)	(72.52)	\$0.74	3,914,885	(17.30)	(472.99)
					Total US\$	(293.79)			Total US\$	(2,038.98)

The price of copper decreased, resulted in the cost of goods sold decreasing by 1.5% in 2019.

Table 3: Consignment Sales

(Amount: in Baht Million)

	Y 2019			FY 2018		
	Stock Filling	Usage	Unrealized revenue	Stock Filling	Usage	Unrealized revenue
October	269.5	270.9		275.9	290.3	
November	248.2	258.9		261.5	306.6	
December	324.6	266.5		249.5	264.0	
Total 4Q	842.3	796.3	46.0	786.9	860.9	-74.0
Total 3Q	829.6	814.7	14.9	940.2	835.0	105.2
Total 2Q	812.9	760.0	52.9	917.7	808.8	108.9
Total 1Q	647.0	778.9	-131.9	777.5	802.1	-24.6
Total Year	3,131.8	3,149.9	-18.1	3,422.3	3,306.8	115.5

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

									% Incr. (Decr.)	
									Y-o-Y	Q-o-Q
		4Q18	Y2018	1Q19	2Q19	3Q19	4Q19	Y2019	Y19 / Y18	4Q19/3Q19
EUROPE	SALES-USD	46,889,688	220,334,530	49,291,162	46,911,973	48,227,557	47,249,824	191,680,516		
	VOLUME-SQFT	3,686,035	17,312,205	3,863,956	3,754,761	3,668,200	3,629,523	14,916,440	(13.84)	(1.05)
USA	SALES-USD	18,100,656	79,261,043	16,602,960	17,525,709	20,610,785	15,577,947	70,317,402		
	VOLUME-SQFT	1,479,355	6,389,310	1,430,275	1,455,111	1,634,305	1,264,631	5,784,321	(9.47)	(22.62)
ASIA (Excl.CHINA)	SALES-USD	8,840,030	32,630,523	7,483,324	6,723,753	7,796,395	7,711,365	29,714,837		
	VOLUME-SQFT	651,767	2,464,099	567,976	515,794	581,433	544,734	2,209,937	(10.31)	(6.31)
CHINA	SALES-USD	10,266,997	44,507,189	9,003,746	10,284,849	10,000,244	10,444,313	39,733,150		
	VOLUME-SQFT	788,501	3,300,571	698,438	795,076	790,305	852,271	3,136,089	(4.98)	7.84
LOCAL	SALES-USD	7,781,373	31,451,906	7,416,947	7,119,307	7,523,765	7,412,350	29,472,370		
	VOLUME-SQFT	740,881	2,991,964	705,949	674,096	699,108	682,821	2,761,974	(7.69)	(2.33)
TOTAL	SALES-USD	91,878,743	408,185,190	89,798,140	88,565,592	94,158,746	88,395,798	360,918,275	(11.58)	(6.12)
	VOLUME-SQFT	7,346,538	32,458,147	7,266,594	7,194,837	7,373,351	6,973,980	28,808,762	(11.24)	(5.42)

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

									% Incr. (Decr.)	
									Y-o-Y	Q-o-Q
PD-Mix		4Q18	Y2018	1Q19	2Q19	3Q19	4Q19	Y2019	Y19 / Y18	4Q19/3Q19
02	SALES-US\$	13,986,350	60,549,936	13,099,949	13,026,667	12,913,836	11,155,407	50,195,860	(17.10)	(13.62)
	VOLUME-SQFT	1,601,835	6,959,111	1,530,033	1,527,002	1,497,208	1,286,388	5,840,630	(16.07)	(14.08)
04	SALES-US\$	44,029,724	197,666,156	42,812,538	42,626,341	43,574,404	40,731,172	169,744,455	(14.13)	(6.53)
	VOLUME-SQFT	3,775,797	16,951,190	3,745,073	3,772,163	3,796,810	3,611,860	14,925,906	(11.95)	(4.87)
06 +	SALES-US\$	26,402,948	120,425,372	25,214,311	24,418,014	25,812,547	25,141,016	100,585,888	(16.47)	(2.60)
	VOLUME-SQFT	1,611,305	7,246,057	1,569,610	1,488,373	1,579,335	1,559,294	6,196,612	(14.48)	(1.27)
Special Grade	SALES-US\$	7,459,721	29,543,727	8,671,342	8,494,569	11,857,959	11,368,204	40,392,073	36.72	(4.13)
	VOLUME-SQFT	357,601	1,301,788	421,879	407,299	499,998	516,438	1,845,614	41.78	3.29
TOTAL-USD		91,878,743	408,185,190	89,798,140	88,565,592	94,158,746	88,395,798	360,918,276	(11.58)	(6.12)
TOTAL-SQFT		7,346,538	32,458,147	7,266,594	7,194,837	7,373,351	6,973,980	28,808,762	(11.24)	(5.42)

Table 6: KCE (New Plant)Full Capacity

1Q2019	1.70 million sq.ft/month
2Q2019	1.70 million sq.ft/month
3Q2019	1.75 million sq.ft/month
4Q2019	1.75 million sq.ft/month

Table 7: Capital Expenditure (New Plant)

CAPEX Plan - Y2019	USD 8.0 million
Actual Spend- Y2019	USD 9.0 million

Forwarded for your information.

Sincerely yours,



(Mrs.Voraluksana Ongkosit)
Executive Vice Chairperson

