

13 May 2019

To: President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis (MD&A) for the First Quarter of 2019 ending as at 31 March 2019

P.C.S. Machine Group Holding Public Company Limited (the “Company”) would like to inform the Management Discussion and Analysis (MD&A) for the first quarter of 2019 ending at 31 March 2019 as follow;

Financial Overview

Description	Quarter 1 2019	Quarter 4 2018	Quarter 1 2018	Changes QoQ (%)	Changes YoY (%)	Ratio to Sales Q1-2019	Ratio to Sales Q4-2018	Ratio to Sales Q1-2018
Sales Revenue	1,413.9	1,409.0	1,146.9	0.3%	23.3%			
- Local Business	1,001.7	1,079.3	1,146.9	(7.2%)	(12.7%)			
- Overseas Business	412.2	329.7	-	25.0%	100.0%			
- Other Revenue	21.4	40.2	12.5	(46.8%)	70.8%			
Total Revenue	1,435.3	1,449.2	1,159.4	(1.0%)	23.8%			
Cost of Goods Sold	1,185.8	1,212.5	894.7	(2.2%)	32.5%	83.9%	86.1%	78.0%
- Local Business	786.4	889.4	894.7	(11.6%)	(12.1%)	78.5%	82.4%	78.0%
- Overseas Business	399.5	323.1	-	23.6%	100.0%	96.9%	98.0%	-
Gross Profit	16.1%	13.9%	22.0%	2.2%	(5.9%)			
SG&A	113.2	145.1	49.9	(22.0%)	126.8%	8.0%	10.3%	4.4%
- Local Business	36.4	47.5	42.3	(23.5%)	(14.0%)	3.6%	4.4%	3.7%
- Overseas Business	76.8	97.6	7.6	(21.3%)	914.9%	18.6%	29.6%	0.0%
Net Profits	99.3	(152.5)	200.5	(165.1%)	(50.5%)	7.0%	(10.8%)	17.5%
- Local Business	179.7	160.8	219.8	11.8%	(18.2%)	17.9%	14.9%	19.2%
- Overseas Business	(36.1)	(73.2)	(7.6)	(50.7%)	376.9%	(8.8%)	(22.2%)	0.0%
- Provision for doubtful account	-	(220.6)	-	(100.0%)	0.0%	0.0%	(15.7%)	0.0%
- Loss on Fx	(44.4)	(19.4)	(11.7)	128.1%	277.9%	(3.1%)	(1.4%)	(1.0%)

(Unit : THB million)

The Automotive Industry Club, the Federation of Thai Industries, reported the information of overall automotive industry in the first quarter of 2019 presenting a result from the policy of economic and investment stimulus that had a positive factor for Thailand economy as well as various special offers from car companies to motivate the customers’ decision to buy car. These positive factors supported the continuous growth of the car market in Thailand, resulting the first quarter of 2019 domestic car sales of 263,549 units, increasing 11.2% compared to that of year 2018 of 237,093 units. Vehicle export of 299,841 units was slightly

increased 1.6% comparing to that of year 2018 of 295,230 units. Total production of cars in the first quarter of 2019 was 561,487 units, increasing 4.0 percent compared to that of year 2018 of 539,690 units, whereas the production of 1-ton pickup truck was totaling 328,338 units, increasing 5.8% compared to that of year 2018 of 310,348 units.

Sales Revenue

Pursuant to the favorable local auto industry environment, but slowdown in the first quarter of 2019, together with the investment in overseas subsidiaries since April 2018, the Company and its subsidiaries recorded Sales Revenue in the first quarter of 2019 at Baht 1,413.9 million, increasing 23.3% from Baht 1,146.9 million in the same period of 2018, but increasing only 0.3% from Baht 1,409 million in the fourth quarter of 2018, which resulted from changes of sales revenue from local and overseas business as follow;

- Local business: Sales revenue was at Baht 1,001.7 million in the first quarter of 2019, declining 12.7% from Baht 1,146.9 million in the same period of 2018 and also declining 7.2% from Baht 1,079.3 million in the fourth quarter of 2018, due to lower program order from some customers per car model change as well as production ceased from certain client.
- In the first quarter of 2019, the Company recorded the sales revenue generating from overseas business in the amount of Baht 412.2 million, whereas the sales revenue in the first quarter of 2018 was from local business only due to the purchase and asset transfer of business in Germany and Hungary occurring in April 2018. Overseas sales revenue in this quarter increased 25% from Baht 329.7 million in the fourth quarter of 2018.

Cost of Goods Sold (COGS)

In the first quarter of 2019, the Company and its subsidiaries recorded COGS of Baht 1,185.8 million, increasing 32.5% from Baht 894.7 million in the same period of 2018, with the ratio of COGS to sales revenue of 83.9%, but declining 2.2% from Baht 1,212.5 million in the fourth quarter of 2018, which resulted from changes of COGS from local and overseas business as follow;

- Local business: COGS recorded at Baht 786.4 million in the first quarter of 2019, declining 12.1% from Baht 894.7 million in the same period of 2018 and declining 11.6% from Baht 889.4 million in the fourth quarter of 2018, in accordance with the declining of local sales revenue. The ratio of COGS to sales revenue in the first quarter of 2019 was 78.5 %, higher from 78.0% in the same period of 2018 but lower from 82.4% in the fourth quarter of 2018, as a result of production improvement and cost reduction.
- Overseas business: COGS of Baht 399.5 million in the first quarter of 2019 resulted the ratio of COGS to sales revenue of 96.9%, which was higher production cost than local business, especially on staff cost, tools & materials cost and utilities.

Selling, General and Administrative Expenses (SG&A)

In the first quarter of 2019, the Company and its subsidiaries recorded SG&A of Baht 113.2 million, increasing 126.8% from Baht 49.9 million in the same period of 2018, but declining 22.0% from Baht 145.1 million in the fourth quarter of 2018, with the ratio of SG&A to sales revenue of 8.0%, which resulted from changes of SG&A from local and overseas business as follow;

- Local business: SG&A recorded at Baht 36.4 million in the first quarter of 2019, declining 14.0% from Baht 42.3 million in the same period of 2018 and declining 23.5% from Baht 47.5 million in the fourth quarter of 2018, with the

ratio of SG&A to sales revenue of 3.6% due to continuing cost reduction program.

- Overseas business: SG&A of Baht 76.8 million in the first quarter of 2019 resulted the ratio of SG&A to sales revenue of 18.6% due to expenses related to business restructuring of overseas business, legal consulting fee, and doubtful expense from some customers. If comparing with that of the fourth quarter of 2018, SG&A declined 21.3% from Baht 97.6 million.

Foreign Exchange Loss

In the first quarter of 2019, the Company recorded the unrealized loss from foreign exchange of Baht 44.4 million from loan to overseas subsidiaries and other company. The loans were resulted of the business acquisition in Germany and Hungary since April 2018.

Net Profit

In the first quarter of 2019, pursuant to sales revenue, COGS, SG&A including overseas business acquisition, the Company and its subsidiaries recorded a net profit of Baht 99.3 million with the ratio of net profit to sales revenue of 7.0%, the earning per share of Baht 0.07, declining of 50.5% compared with the net profit in the same period of 2018 of Baht 200.5 million. The Company could turned from net loss of Baht 152.5 million in the fourth quarter of 2018. Financial performance for local and overseas business could be analyzed as follow;

- Local business: The Company recorded a net profit of Baht 179.7 million in the first quarter of 2019, decreasing 18.2% from Baht 219.8 million in the same period of 2018, with the ratio of local net profits to sales revenue of 17.9%, but the net profit enhanced by 11.8% from Baht 160.8 million in the fourth quarter of 2018.
- Overseas business: The Company encountered a net loss of Baht 36.1 million in the first quarter of 2019, with the ratio of net loss from overseas to sales revenue was 8.8%, but the net loss was lower 50.7% from Baht 73.2 million in the fourth quarter of 2018, which performance trend was improving from 2018 after continuing business reorganization and management restructure during the past periods.

Statement of Financial Position

Descriptions	As of 31 March 2019	As of 31 December 2018	Changes + / (-)
Current Assets	2,670.9	2,276.0	394.9
Non-current Assets	3,198.7	3,342.4	(143.7)
Total Assets	5,869.6	5,618.4	251.2
Current Liabilities	658.8	467.4	191.4
Non-current Liabilities	80.9	87.9	(7.0)
Total Liabilities	739.8	555.2	184.6
Paid-up Share Capital	1,525.0	1,525.0	0
Share Premium	2,741.7	2,741.7	0
Retained Earnings	660.0	560.8	99.2
Total Shareholders' Equity	5,129.8	5,063.1	66.7

(Unit: Baht million)

Total Assets as of 31 March 2019 were Baht 5,869.6 million. Current Assets increased by Baht 394.9 million from Baht 2,276.0 million as of 31 December 2018. Cash and cash equivalents increased by Baht 338.3 million from profitable business operation, especially local business. Inventories increased slightly by Baht 47.0 million which was recorded for both local and overseas subsidiaries. Non-current asset decreased of Baht 143.7 million due to normal asset depreciation as well as fair value adjustment pursuant to overseas business acquisition of the Company.

Total liabilities as of 31 March 2019 were Baht 739.8 million, increased by Baht 184.6 million from 31 December 2018, due to normal trade accounts payable and other payables.

Equity as of 31 March 2019 were Baht 5,129.8 million, increased by 66.7 million comparing to the equity as of 31 December 2018.

Cash Flow Statement

Descriptions	As at 31 Mar. 2019	As at 31 Dec. 2018	Changes +/-
Cash flows from operating activities	381.9	282.1	99.8
Cash flows from investing activities	(19.7)	(932.9)	913.2
Cash used in financing activities	(0.9)	-	(0.9)
Exchange differences on translation of financial statements in foreign currency	(24.7)	(26.6)	1.9
Net increase (decrease) in cash and cash equivalents	336.6	(677.8)	
Cash and cash equivalents at the end of the year	840.6	820.0	

(Unit : THB million)

The Company's net cash flow as of 31 March 2019 was Baht 840.6 million. Cash flow from operating activities was Baht 381.9 million and used in investing activities of Baht 19.7 million was mostly for purchases of property, plant and equipment. Cash used in financing activities of Baht 0.9 million.

Please be informed accordingly.

Sincerely Yours,



(Mr. Angkrit Rungrotkitiyot)

Director