

13 August 2019

To: President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis (MD&A) for the Second Quarter of 2019 ending as at 30 June 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 second quarter of 2019 ending at 30 June 2019 as follow;

Financial Overview for Quarterly Comparison

Descriptions	Q2-2019	Q1-2019	Q2-2018	Changes QoQ (%)	Changes YoY (%)	Ratio to Sales Q2-2019	Ratio to Sales Q1-2019	Ratio to Sales Q2-2018
Sales Revenue	1,354.3	1,413.9	1,535.9	-4.2%	-11.8%			
- Local Business	905.5	997.8	1,042.1	-9.3%	-13.1%			
- Overseas Business	448.8	416.1	493.9	7.9%	-9.1%			
Other Revenue	31.9	21.4	157.6	49.1%	-79.8%			
Total Revenue	1,386.2	1,435.3	1,693.5	-3.4%	-18.1%			
Cost of Goods Sold	1,145.8	1,185.8	1,323.4	-3.4%	-13.4%	84.6%	83.9%	86.2%
- Local Business	749.4	786.4	882.5	-4.7%	-15.1%	82.8%	78.8%	84.7%
- Overseas Business	396.3	399.5	440.9	-0.8%	-10.1%	88.3%	96.0%	89.3%
Gross Profits	208.6	228.1	212.5	-8.6%	-1.9%	15.4%	16.1%	13.8%
SG&A	109.3	113.2	131.5	-3.5%	-16.9%	8.1%	8.0%	8.6%
- Local Business	37.4	34.8	40.5	7.6%	-7.6%	4.1%	3.5%	3.9%
- Overseas Business	71.9	78.4	91.0	-8.4%	-21.0%	16.0%	18.8%	18.4%
Provisions	202.0	0.0	0.0	n.a.	0.0%	14.6%	0.0%	0.0%
Fx Loss (Unrealized)	20.7	44.4	0.0	-53.3%	0.0%	1.5%	3.1%	0.0%
Tax / Financial Cost	10.6	7.3	10.7	44.9%	-0.9%	0.8%	0.5%	0.6%
Net Profit	-80.9	99.3	249.4	-181.5%	-132.4%	-6.0%	7.0%	16.2%
- Local Business	-57.2	153.0	258.4	-137.4%	-122.1%	-6.3%	15.3%	24.8%
- Overseas Business	-23.8	-53.7	-9.0	-55.7%	165.5%	-5.3%	-12.9%	-1.8%

(Unit : THB million)

The Automotive Industry Club, the Federation of Thai Industries, reported the information of overall automotive industry in the second quarter of 2019 presenting the second quarter of 2019 domestic car sales of 260,221 units, increasing 3.3% compared to that of year 2018 of 252,025 units but declining 1.3% from 263,549 units of last quarter. Vehicle export of 260,020 units decreased 2.5% comparing to that of year 2018 of 266,730 units and declining 13.3% from 299,841 units of last quarter. Total production

of cars in the second quarter of 2019 was 504,458 units, declining 2.4% compared to that of year 2018 of 516,879 units and declining 10.2% from 561,487 units of last quarter, whereas the production of 1-ton pickup truck was totaling 293,724 units, declining 0.5% compared to that of year 2018 of 295,146 units and declining 10.5% from 328,338 units of last quarter. The main reason for a slowdown was due to overall deterioration in economics situation of the country.

Sales Revenue

Pursuant to a slowdown in local auto industry environment in both local and overseas in the second quarter of 2019, the Company and its subsidiaries recorded Sales Revenue at Baht 1,354.3 million, declining 11.8% from Baht 1,535.9 million in the same period of 2018, and declining 4.2% from Baht 1,413.9 million in the first quarter of 2019, which resulted from changes of sales revenue from local and overseas business as follow;

- Local business: Sales revenue was at Baht 905.5 million, declining 13.1% from Baht 1,042.1 million in the same period of 2018 and declining 9.3% from Baht 997.8 million in the first quarter of 2019, due to lower program order from some customers as well as production ceased from certain clients.
- In the second quarter of 2019, the Company recorded the sales revenue generating from overseas business in the amount of Baht 448.8 million, declining 9.1% from Baht 493.9 million in the same period of 2018 but increasing 7.9% from Baht 416.2 million in the first quarter of 2019 due to more purchasing programs awarded significantly in Hungary.

Cost of Goods Sold (COGS)

In the second quarter of 2019, the Company and its subsidiaries recorded COGS of Baht 1,145.8 million, decreasing 13.4% from Baht 1,323.4 million in the same period of 2018, with the ratio of COGS to sales revenue of 84.6%, and decreasing 3.4% from Baht 1,185.8 million in the first quarter of 2019, which resulted from changes of COSG from local and overseas business as follow;

- Local business: COGS recorded at Baht 749.4 million, declining 15.1% from Baht 882.5 million in the same period of 2018 and declining 4.7% from Baht 786.4 million in the first quarter of 2019, in accordance with the declining of local sales revenue. The ratio of COGS to sales revenue in the second quarter of 2019 was 82.8%, lower from 77.6% in the same period of 2018 but higher from 84.7% in the first quarter of 2019, as a result of higher employee benefits.
- Overseas business: COGS of Baht 396.3 million in the second quarter of 2019 resulted the ratio of COGS to sales revenue of 88.3%, which was higher production cost than local business, especially on staff cost, tools & materials cost and utilities. The management has planned a target for continued cost saving.

Selling, General and Administrative Expenses (SG&A)

In the second quarter of 2019, the Company and its subsidiaries recorded SG&A of Baht 109.3 million, decreasing 16.9% from Baht 131.5 million in the same period of 2018, and also decreasing 3.5% from Baht 113.2 million in the first quarter of 2019, with the ratio of SG&A to sales revenue of 8.1%, which resulted from changes of SG&A from local and overseas business as follow;

- Local business: SG&A recorded at Baht 37.4 million, declining 7.6% from Baht 40.5 million in the same period of 2018 but increasing 7.6% from Baht 34.8 million in the first quarter of 2019, with the ratio of SG&A to sales revenue of 4.1% due to continuing cost reduction program.

- Overseas business: SG&A of Baht 71.9 million in the second quarter of 2019 resulted the ratio of SG&A to sales revenue of 16.0% due to expenses related to business restructuring of overseas business. If comparing with that of the same quarter of 2018 and the first quarter of 2019, SG&A continuously declined 21.0% from Baht 91.0 million and 8.4% from Baht 78.4 million, respectively.

Provision for Doubtful Debts

In accordance with the Company having a long term loan offering to other company in overseas in the amount of 12 million Euro, with interest rate at 2% per annum, such company encountered with liquidity situation until it had entered into insolvency procedure in Germany, so there was the repayment risk incurred from such situation. Therefore, in the second quarter of 2019, the Company recorded the unrealized loss of Baht 202.0 million as a provision of doubtful debts from interest receivable and loans to other company in overseas. This amount is the last portion with full provision after the first provision of 220.6 million Euro had been recorded in the fourth quarter of 2018. Therefore, there shall be no more provision occurring from this 12 million Euro loan in the financial statement of the Company and subsidiaries.

Foreign Exchange Loss

In the second quarter of 2019, the Company recorded the unrealized loss from foreign exchange of Baht 20.7 million from loan to overseas subsidiaries and other company in Germany and Hungary due to stronger Baht currency against Euro.

Net Profit

In the second quarter of 2019, pursuant to accounting record for the provision of doubtful debts from interest receivable and loans to other company in overseas together with foreign exchange loss, the Company and its subsidiaries recorded a net loss of Baht 80.9 million with the ratio of net loss to sales revenue of 6.0% and loss per share of Baht 0.053, compared with the net profit in the same period of 2018 and the first quarter of 2019 of Baht 249.4 million and Baht 99.3 million, respectively. Financial performance for local and overseas business could be analyzed as follow;

- Local business: The Company recorded a net loss of Baht 57.2 million in the second quarter of 2019, comparing to Baht 258.4 million and Baht 153.0 million in the same period of 2018 and the first quarter of 2019, respectively. If excluding the provision of doubtful debts and foreign exchange loss, the Company shall record a normal profit from local operation of Baht 144.3 million in the second quarter of 2019.
- Overseas business: The Company had a net loss of Baht 23.8 million in the second quarter of 2019 but if excluding the provision of doubtful debts and foreign exchange loss, the Company will encounter a slight loss from overseas operation of Baht 2.5 million, comparing to a net loss of Baht 9.0 million and Baht 53.7 million in the same period of 2018 and the first quarter of 2019, respectively. The financial performance had gradually improved from continuing business reorganization and purchase order increase during the past periods.

Financial Overview for Half Year Comparison

Description	1H 2019	1H 2018 (Restated)	Changes YoY (%)	Ratio to Sales 1H-2019	Ratio to Sales 1H-2018
Sales Revenue	2,768.2	2,682.8	3.2%		
- Local Business	1,903.3	2,188.9	-13.0%		
- Overseas Business	864.9	493.9	75.1%		
Other Revenue	53.3	170.1	-68.7%		
Total Revenue	2,821.6	2,852.9	-1.1%		
Cost of Goods Sold	2,331.6	2,218.0	5.1%	84.2%	82.7%
- Local Business	1,535.7	1,777.2	-13.6%	80.7%	81.2%
- Overseas Business	795.9	440.8	80.6%	92.0%	89.2%
Gross Profits	436.6	464.7	-6.0%	15.8%	17.3%
SG&A	222.4	181.3	22.7%	8.0%	6.8%
- Local Business	72.1	83.2	-13.3%	3.8%	3.8%
- Overseas Business	150.3	98.1	53.2%	17.4%	19.9%
Provisions	202.0	0.0	n.a.	7.3%	0.0%
Fx Loss (Unrealized)	65.1	11.7	456.4%	2.4%	0.4%
Tax / Financial Cost	18.0	8.2	119.5%	0.7%	0.3%
Net Profit	18.3	450.0	-95.9%	0.7%	16.8%
- Local Business	95.9	466.0	-79.4%	5.0%	21.3%
- Overseas Business	-77.6	-16.0	382.0%	-9.0%	-3.3%

Sales Revenue

The Company and its subsidiaries recorded sales revenue for the first half of 2019 at Baht 2,768.2 million, increasing 3.2% from Baht 2,682.8 million in the same period of 2018, which resulted from changes of sales revenue from local and overseas business as follow;

- Local business: Sales revenue was at Baht 1,903.3 million in the first half of 2019, declining 13.0% from Baht 2,188.9 million in the same period of 2018 due to a slowdown in local auto industry environment.
- For overseas business, the Company recorded the sales revenue in the amount of Baht 864.9 million in the first half of 2019, increasing 75.1% from Baht 493.9 million in the same period of 2018 since the Company started the recognition and recorded the overseas revenue in the second quarter of 2018.

Cost of Goods Sold (COGS)

In the first half of 2019, the Company and its subsidiaries recorded COGS of Baht 2,331.6 million with the ratio of COGS to sales revenue of 84.2%, increasing from the first half of 2018 of Baht 2,218.0 million with the ratio of COGS to sales revenue of 82.7%. Such ratio of COGS to sale revenue for overseas business was higher than the local due to higher material and labor cost. COGS of the local business was decreased from 2018 due to continued cost reduction.

Selling, General and Administrative Expense (SG&A)

In the first half of 2019, the Company and its subsidiaries had the expense of Baht 222.4 million with the ratio of expense to sales revenue of 8.0%, increasing from the first half of 2018 of Baht 181.3 million with the ratio of expense to sales revenue of 6.8%. Such ratio of expense to sale revenue for overseas business was higher than the local due to higher general administrative and staff cost in European zone. The ratio for local business was largely stable between the first half of 2018 and 2019, whereas that for overseas business was declined due to continued business restructuring and cost reduction.

Net Profit

Pursuant to the provision for doubtful debts from interest receivable and loans to other company in overseas in the second quarter of 2019 in the amount of Baht 202.0 million together with foreign exchange loss of Baht 65.1 million, the Company and subsidiaries recorded a net profit of Baht 18.3 million, declining from profit of Baht 450. Million in the first half of 2018. However, if excluding such extraordinary losses, the Company shall have net profit from normal operation of Baht 285 million.

Statement of Financial Position

Descriptions	As of 30 June 2019	As of 30 June 2018	Changes + / (-)
Current Assets	2,636.7	2,276.0	360.7
Non-current Assets	2,940.2	3,342.4	(402.2)
Total Assets	5,576.9	5,618.4	(41.5)
Current Liabilities	578.0	467.4	110.6
Non-current Liabilities	107.0	87.9	19.1
Total Liabilities	685.0	555.2	129.7
Paid-up Share Capital	1,525.0	1,525.0	0
Share Premium	2,741.7	2,741.7	0
Retained Earnings	426.6	560.8	(134.2)
Total Shareholders' Equity	4,891.9	5,063.1	(171.2)

(Unit: Baht million)

Total Assets as of 30 June 2019 were Baht 5,576.9 million. Current Assets increased by Baht 360.7 million from Baht 2,276.0 million as of 31 December 2018. Cash and cash equivalents increased by Baht 337.8 million from profitable business operation, especially local business. Inventories increased by Baht 122.9 million which was recorded for both local and overseas subsidiaries. Non-current asset decreased of Baht 402.2 million due to normal asset depreciation as well as value of loans adjustment pursuant to overseas business operation of the Company.

Total liabilities as of 30 June 2019 were Baht 685.0 million, increased by Baht 129.7 million from 31 December 2018, due to other payables.

Equity as of 30 June 2019 were Baht 4,891.9 million, declined by 171.2 million comparing to the equity as of 31 December 2018 due to dividend payment to shareholders in May 2019 pursuant to resolution of the Annual General Shareholders Meeting 2019.

Cash Flow Statement

Descriptions	As at 30 June 2019	As at 30 June 2018	Changes +/-
Cash flows from operating activities	572.9	476.1	96.8
Cash flows from investing activities	(83.9)	(1,148.5)	1,064.6
Cash used in financing activities	(155.7)	(259.8)	104.1
Exchange differences on translation of financial statements in foreign currency	7.8	-	7.8
Net increase (decrease) in cash	341.1	(932.1)	1,273.2
Cash and cash equivalents	840.1	568.3	271.8

(Unit : THB million)

The Company's net cash flow as of 30 June 2019 was Baht 840.1 million. Cash flow from operating activities was Baht 572.9 million and used in investing activities of Baht 83.9 million was mostly for purchases of property, plant and equipment. Cash used in financing activities was Baht 155.7 million due to dividend payment to shareholders.

Please be informed accordingly.

Sincerely Yours,



(Mr. Angkrit Rungrotkitiyot)

Chief Executive Officer