

10 August 2021

To: President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis (MD&A) for the Second Quarter of 2021 ending as at 30 June 2021

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 2021 ending at 30 June 2021 as follow;

Financial Overview for Quarterly Comparison

Descriptions	Q2-2021	Q1-2021	Q2-2020	Changes QoQ (%)	Changes YoY (%)	Ratio to Sales Q2- 2021	Ratio to Sales Q1- 2021	Ratio to Sales Q2- 2020
Sales Revenue	1,140.7	1,262.2	501.4	-9.6%	127.5%			
- Local Business	852.1	937.1	235.2	-9.1%	262.3%			
- Overseas Business	288.6	325.1	266.2	-11.2%	8.4%			
Other Revenue	27.9	23.4	43.2	19.1%	-35.5%			
Total Revenue	1,207.0	1,286.2	544.6	-6.2%	121.6%			
Cost of Goods Sold	894.1	992.9	586.4	-10.0%	52.5%	78.4%	78.7%	117.0%
- Local Business	621.9	698.7	298.1	-11.0%	108.6%	73.0%	74.6%	126.7%
- Overseas Business	272.2	294.2	288.3	-7.5%	-5.6%	94.3%	90.5%	108.3%
Gross Profits	246.6	269.3	(85.0)	-8.4%	-390.1%	21.6%	21.3%	-17.0%
- Local Business	230.2	238.4	(62.9)	-3.4%	-466.0%	27.0%	25.4%	-26.7%
- Overseas Business	16.4	30.9	(22.1)	-47.0%	-174.2%	5.7%	9.5%	-8.3%
SG&A	118.9	124.5	101.8	-4.5%	16.8%	10.4%	9.9%	20.3%
- Local Business	44.7	46.6	33.5	-4.0%	33.6%	5.2%	5.0%	14.2%
- Overseas Business	74.2	77.9	68.3	-4.7%	8.6%	25.7%	23.9%	25.7%
Net Profit	173.6	119.8	(155.9)	44.9%	-211.4%	14.4%	9.3%	-28.6%
- Local Business	181.8	175.3	(57.8)	3.7%	-414.4%	21.3%	18.7%	-24.6%
- Overseas Business	(46.6)	(24.0)	(68.4)	94.3%	-31.8%	-16.2%	-7.4%	-25.7%
- Loss on sales of investment properties	0.0	(32.1)	0.0	0.0%	n.a.	0.0%	-2.5%	0.0%
Fx Loss (Unrealized)	38.5	0.6	(29.7)	>100%	-229.5%	3.2%	0.0%	-5.5%

(Unit : THB million)

The Automotive Industry Club, the Federation of Thai Industries, reported the information of overall automotive industry in the second quarter of 2021 presenting domestic car sales of 175,838 units, increasing 36.8% compared to that of 2020 of 128,540 units but declining 6.7% from 188,463 units of last quarter. Vehicle export of 215,381 units increased 114.8% comparing to that of 2020 of 100,269 units but declining 16.6% from 258,108 units of last quarter. Total production of cars in the second quarter of 2021 was 378,768 units, increasing 148.5% compared to that of 2020 of 152,450 units but declining 18.7% from 465,833 units of last quarter, whereas the production of 1-ton pickup truck was totaling 243,441 units, increasing 154.2% compared to that of year 2020 of 95,754 units but declining 15.6% from 288,481 units of last quarter.

Sales Revenue

In the second quarter of 2021, the Company and its subsidiaries recorded Sales Revenue at Baht 1,140.7 million, increasing 127.5% from Baht 501.4 million in the same period of 2020, but declining 9.6% from Baht 1,262.2 million in the first quarter of 2021, which resulted from changes of sales revenue from local and overseas business as follow;

- Local business: Sales revenue was at Baht 852.1 million, increasing 262.3% from Baht 235.2 million in the same period of 2020 but declining 9.1% from Baht 937.1 million in the first quarter of 2021, due to temporary close down of production lines in 2020 as a result of the Covid-19 pandemic situation whereas normal business operation in 2021. The decline from the first quarter of 2021 was due to the normal seasonality of the domestic automotive industry from the long weekend in April.
- In the second quarter of 2021, the Company recorded the sales revenue generating from overseas business in the amount of Baht 288.6 million, increasing 8.4% from Baht 266.2 million in the same period of 2020 but declining 11.2% from Baht 325.1 million in the first quarter of 2021 due to the shortage of semiconductor parts (Chips), which was a consequence of outbreak situation for COVID-19 occurring in the automobile industry worldwide, including European region.

Cost of Goods Sold (COGS)

In the second quarter of 2021, the Company and its subsidiaries recorded COGS of Baht 894.1 million, increasing 52.5% from Baht 586.4 million in the same period of 2020, with the ratio of COGS to sales revenue of 78.4%, but decreasing 10% from Baht 992.9 million in the first quarter of 2021, which resulted from changes of COSG from local and overseas business as follow;

- Local business: COGS was at Baht 621.9 million, increasing 108.6% from Baht 298.1 million in the same period of 2020 but declining 11% from Baht 698.7 million in the first quarter of 2021. The ratio of COGS to sales revenue in the second quarter of 2021 was 73.0%, declining from 126.7% in the same period of 2020 and declining from 74.6% in the first quarter of 2021 as a result of declining sales revenue and fixed cost for the excess capacity which included in COGS in the second quarter of 2020.
- Overseas business: COGS was Baht 272.2 million in the second quarter of 2021, decreasing 5.6% from Baht 288.3 million in the same period of 2020 and decreasing 7.5% from Baht 294.2 million in the first quarter of 2021, resulted the ratio of COGS to sales revenue of 94.3%. Such declining was as a result of fixed cost for the excess capacity which included in COGS in the second quarter of 2020.

Gross Profit

In accordance with the changes in Sale Revenue and COGS as described above, in the second quarter of 2021, the Company and its subsidiaries had Gross Profit of Baht 246.6 million, increasing 390.1% from Gross loss of Baht 85.0 million in the same period of 2020. Gross profit margin was 21.6%, contributed from local and overseas business of Baht 230.2 million and Baht 16.4 million, respectively.

Selling, General and Administrative Expenses (SG&A)

In the second quarter of 2021, the Company and its subsidiaries recorded SG&A of Baht 118.9 million, increasing 16.8% from Baht 101.8 million in the same period of 2020, but decreasing 4.5% from Baht 124.5 million in the first quarter of 2020, with the ratio of SG&A to sales revenue of 10.4%, which resulted from changes of SG&A from local and overseas business as follow;

- Local business: SG&A recorded at Baht 44.7 million, increasing 33.6% from Baht 33.5 million in the same period of 2020 but decreasing 4.0% from Baht 46.6 million in the first quarter of 2020, with the ratio of SG&A to sales revenue of 5.2%. The expense was back to normal level after overall cost reduction and control of the Company under Covid-19 outspread situation in the second quarter of 2020.
- Overseas business: SG&A of Baht 74.2 million in the second quarter of 2021, increasing 8.6% from Baht 68.3 million in the second quarter of 2020 but decreasing 4.7% from the first quarter of Baht 77.9 million. The ratio of SG&A to sales revenue of 25.7%.

Loss on sales of investment properties

In the first quarter of 2021, the Company recorded the loss on sales of investment properties of Euro 0.88 or approximately Baht 32.1 million, from the sale of unused assets in operation of the overseas business to a foreign non-related company. The sale assets are land and building in Germany, which were one of the assets acquired by the Company as the acquisition assets list of overseas business in 2017.

Foreign Exchange Gain/Loss

In the second quarter of 2021, the Company recorded the unrealized gain on foreign exchange of Baht 38.5 million, compared with the unrealized loss on foreign exchange of Baht 29.7 million in the same period of 2020 and the unrealized gain on foreign exchange of Baht 0.6 million in the first quarter of 2021 pursuant to loans to overseas subsidiaries in Germany and Hungary. Baht currency against Euro as of 30 June 2021 was at Baht 37.7588.

Net Profit

In the second quarter of 2021, the Company and its subsidiaries recorded a net profit of Baht 173.6 million with the net profit margin of 14.4% and net profit per share of Baht 0.11, compared with the net loss of Baht 155.9 million in the same period of 2020 and the net profit in the first quarter of 2021 of Baht 119.8 million. If excluding unrealized gain/loss from foreign exchange and loss on sales of investment properties, the Company shall record a net profit of Baht 135.1 million, comparing to a net loss of Baht 126.2 million in the same period of 2020, and a net profit from Baht 151.3 million in the first quarter of 2020. Financial performance for local and overseas business could be analyzed as follow;

- Local business: The Company recorded a net profit of Baht 181.8 million in the second quarter of 2021, with a net profit margin of 21.3%, comparing to a net loss of Baht 57.8 million in the same period of 2020 and a net profit of Baht 175.3 million in the first quarter of 2021.
- Overseas business: The Company had a net loss of Baht 46.6 million in the second quarter of 2021, with the ratio of a net loss to sales revenue of 16.2%, decreasing from a net loss of Baht 68.4 million in the same period of 2020 but increasing from a net loss of Baht 24.0 million the first quarter of 2021.

In summary, the Company's financial performance having continuously improved in positive direction after outbreak situation of Covid-19 during the second quarter of 2020 until present was mainly due to a success of continued cost reduction and expense saving programs together with restructuring of production line to enhance more automation and robotics, resulting staff reduction to an optimize number for production and then leading to favorable financial result for the second quarter of 2021. Although the Company is still during negative situation of severe outspread of Covid-19 since the beginning of the year, the Company embedded with intense screening measure of Covid-19 for all employees before entering into workplace together with supporting for vaccination to all staffs and implementing remoted office in order to reduce risk for spreading infection. As a result, there is no employee found for Covid-19 infection at this stage and overall business production is still operated continuously.

Financial Overview for Half Year Comparison

Description	1H 2021	1H 2020	Changes YoY (%)	Ratio to Sales 1H-2021	Ratio to Sales 1H-2020
Sales Revenue	2,402.9	1,764.3	36.2%		
- Local Business	1,789.2	1,049.2	70.5%		
- Overseas Business	613.7	715.1	-14.2%		
Other Revenue	51.2	23.4	118.9%		
Total Revenue	2,493.2	1,858.4	34.2%		
Cost of Goods Sold	1,887.0	1,665.3	13.3%	78.5%	94.4%
- Local Business	1,320.6	935.5	41.2%	73.8%	89.2%
- Overseas Business	566.4	729.7	-22.4%	92.3%	102.0%
Gross Profit	515.9	99.0	421.1%	21.5%	5.6%
- Local Business	468.6	113.7	312.3%	26.2%	10.8%
- Overseas Business	47.3	(14.7)	-422.9%	7.7%	-2.0%
SG&A	242.8	234.2	9.6%	10.1%	13.3%
- Local Business	91.3	88.3	3.4%	5.1%	8.4%
- Overseas Business	151.5	145.9	3.8%	24.7%	20.4%

Description	1H 2021	1H 2020	Changes YoY (%)	Ratio to Sales 1H-2021	Ratio to Sales 1H-2020
Net Profit	293.4	(36.8)	-897.6%	11.8%	-2.0%
- Local Business	357.0	58.8	507.1%	20.0%	5.6%
- Overseas Business	(70.2)	(129.4)	-45.8%	-11.4%	-18.1%
- Loss on sales of investment properties	(32.6)	0.0	0.0%	-1.3%	0.0%
Fx Loss (Unrealized)	39.1	33.8	15.8%	1.6%	1.8%

Sales Revenue

The Company and its subsidiaries recorded sales revenue for the first half of 2021 at Baht 2,402.9 million, increasing 36.2% from Baht 1,764.3 million in the same period of 2020, which resulted from changes of sales revenue from local and overseas business as follow;

- Local business: Sales revenue was at Baht 1,789.2 million in the first half of 2021, increasing 70.5% from Baht 1,049.2 million in the same period of 2020 due to the strict measures taken due to Covid-19 pandemic situation during the second quarter of 2020.
- Overseas business, the Company recorded the sales revenue in the amount of Baht 613.7 million in the first half of 2021, declining 14.2% from Baht 715.1 million in the same period of 2020 since the pandemic situation of Corona Virus (Covid-19) in European region as well as chip shortage for vehicle production in overseas.

Cost of Goods Sold (COGS)

In the first half of 2021, the Company and its subsidiaries recorded COGS of Baht 1,887.0 million with the ratio of COGS to sales revenue of 78.5%, increasing from the first half of 2020 of Baht 1,665.3 million with the ratio of COGS to sales revenue of 94.4%. Such ratio of COGS to sale revenue for overseas business was higher than the local due to higher material, supplies used in production and labor cost together with the declining sales revenue due to the strict measures taken and fixed cost for the excess capacity included in COGS in the second quarter of 2020. As a result, gross profit margin for the Company and its subsidiaries was 21.5%, contributed from local and overseas business at the rate of 26.2% and 7.7%, respectively.

Selling, General and Administrative Expense (SG&A)

In the first half of 2021, the Company and its subsidiaries had the expense of Baht 242.8 million with the ratio of expense to sales revenue of 10.1%, increasing from the first half of 2020 of Baht 234.2 million with the ratio of expense to sales revenue of 13.3%. 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.

Foreign Exchange Gain

In the first half of 2021, the Company recorded the unrealized gain on foreign exchange of Baht 39.1 million, compared with the unrealized gain on foreign exchange of Baht 33.8 million in the same period of 2020. Baht currency against Euro as of 30 June 2021 was at Baht 37.7588.

Net Profit (loss)

The Company and subsidiaries recorded a net profit for the first half of 2021 in the amount of Baht 293.4 million, with profit margin of 11.8% and a net profit per share of Baht 0.19, compared to a net loss of Baht 36.8 million in the same period of 2020. However, if excluding foreign exchange gain and loss on sales of investment properties, the Company shall have a net profit from normal operation of Baht 286.9 million for the first half of 2021, comparing to a net loss of Baht 70.6 million in the same period of 2020.

Statement of Financial Position

Descriptions	As of 30 June 2021	As of 31 Dec 2020	Changes + / (-)
Current Assets	3,204.6	3,082.7	121.9
Non-current Assets	2,423.9	2,655.3	-231.4
Total Assets	5,628.6	5,738.0	-109.4
Current Liabilities	561.1	571.9	-10.8
Non-current Liabilities	428.2	433.6	-5.4
Total Liabilities	989.3	1,005.5	-16.2
Paid-up Share Capital	1,525.0	1,525.0	0.0
Share Premium	2,741.7	2,741.7	0.0
Retained Earnings	314.8	402.5	-87.7
Total Shareholders' Equity	4,639.3	4,732.5	-93.2

(Unit: Baht million)

Total Assets as of 30 June 2021 were Baht 5,628.6 million. Current Assets increased by Baht 121.9 million from Baht 3082.7 million as of 31 December 2020. Cash and cash equivalents decreased by Baht 22.9 million from. Trade accounts receivable increased by Baht 77.7 million in accordance with improving sales revenue in the second quarter of 2021. Inventories increased by Baht 60.0 million in line with a higher production. Non-current asset decreased of Baht 231.1 million due to the disposal of certain investment properties of overseas business and depreciation in the second quarter of 2021.

Total liabilities as of 30 June 2021 were Baht 989.3 million, decreased by Baht 16.2 million from 31 December 2020, due to the repayment of short-term loan to the financial institution in the whole amount of overseas business. Besides, trade and other accounts payable increased by Baht 31.1 million in line with a higher production.

Equity as of 30 June 2021 were Baht 4,639.3 million, declined by Baht 93.2 million comparing to that as of 31 December 2020 due to dividend payment to shareholders in May 2021 pursuant to the resolution of the Annual General Shareholders Meeting 2021.

Cash Flow Statement

Descriptions	As at 30 June 2021	As at 30 June 2020	Changes +/(-)
Cash flows from operating activities	440.9	654.2	-213.8
Cash flows from investing activities	8.3	(982.9)	991.2
Cash used in financing activities	(454.5)	(192.1)	-262.4
Exchange differences on translation of financial statements in foreign currency	(19.4)	(16.8)	-2.0
Net increase (decrease) in cash	(24.7)	537.7	
Cash and cash equivalents	780.2	614.9	

(Unit : THB million)

The Company's net cash flow as of 30 June 2021 was Baht 1,675.5 million (the cash in savings accounts of Baht 780.2 million and the short-term investments in local financial institutions of Baht 895.3 million). Cash flow from operating activities was Baht 440.9 million and cash from investing activities of Baht 8.3 million was net received from sales of investment properties and sales of non-operating machine/equipment of Baht 63.0 million, against payment for a purchase of equipment of Baht 58.5 million. Cash used in financing activities was Baht 454.5 million due mainly to dividend payment to shareholders of Baht 381.3 million and the short-term loan repayment of overseas business and the payment of lease liabilities of Baht 73.2 million.

Please be informed accordingly.

Sincerely Yours,



(Mr. Angkrit Rungrotkitiyot)

Chief Executive Officer