

24 February 2022

To: President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis (MD&A) for the financial year 2021 ending as at 31 December 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 financial year 2021 ending at 31 December 2021 as follow;

Financial Overview

Description	Year 2021	Year 2020	Changes in % +/-	Ratio to Sales 2021	Ratio to Sales 2020
Sales Revenue	3,875.6	3,101.1	25.0%		
- Local Business	3,512.0	2,431.2	44.5%		
- Overseas Business	363.6	669.9	-45.7%		
Other Revenue	213.7	53.3	300.9%		
Total Revenue	4,089.3	3,154.4	29.6%		
Cost of Goods Sold (COGS)	2,990.0	2,601.4	14.9%	77.1%	83.9%
- Local Business	2,615.2	1,948.2	34.2%	74.5%	80.1%
- Overseas Business	374.8	653.2	-42.6%	103.1%	97.5%
Gross Profit	885.6	499.7	77.2%	22.9%	16.1%
- Local Business	896.8	483.0	85.7%	25.5%	19.9%
- Overseas Business	-11.2	16.7	-167.1%	-3.1%	2.5%
SG&A	411.5	349.9	17.6%	10.1%	11.1%
- Local Business	211.2	164.8	28.2%	6.0%	6.8%
- Overseas Business	200.3	185.1	8.2%	55.1%	27.6%
Net Profits	503.7	253.4	98.8%	12.3%	8.0%
- Local Business	689.8	340.0	102.9%	19.6%	14.0%
- Overseas Business	-68.5	-168.1	59.3%	-18.8%	-25.1%
- Loss from discontinued operation and Impairment of Overseas asset	-156.1	-5.8	2,591.4%	n.a	n.a
- FX Gain (Loss)	38.5	87.3	-55.9%	n.a	n.a

(Unit : THB million)

The automotive industry in 2021 had gradually improved amidst the outbreak situation of the Coronavirus Disease 2019 (“COVID-19”). The Automotive Industry Club, the Federation of Thai Industries, reported the information of overall automotive industry in 2021. Total production of vehicles in 2021 was 1,685,705 units, improving 18.1% from 1,426,970 units. The domestic

car sales in 2021 was 759,119 units, decreasing 4.4% from 792,146 units in 2020, whereas the vehicle export of 959,194 units increased 30% comparing to that of 2020 of 735,842 units, and for the production of 1-ton pickup trucks was 1,050,202 units, increasing 21.9% from 861,735 units in 2020.

Sales Revenue

The Company and its subsidiaries recorded Sales Revenue of Baht 3,875.6 million in 2021, increasing 25.0% from Baht 3,101.1 million in 2020, which resulted from changes of sales revenue from local and overseas business as follow;

- Local business: Sales revenue was at Baht 3,512.0 million in 2021, increasing 44.5% from Baht 2,431.2 million in 2020 due to improving of domestic automotive industry in 2021 together with soften measurement for controlling the outbreak situation of the Coronavirus Disease 2019 (“COVID-19”).
- The Company recorded sales from overseas business in 2021 in the amount of Baht 363.6 million, declining 45.7% from Baht 669.9 million in accordance with the recession in automotive industry in Germany pursuant to semiconductor shortage and the outbreak situation of the Coronavirus Disease 2019 (“COVID-19”) resulting in purchase order cancellation from major customers, especially during the latter half of 2021.

Other income

The Company and its subsidiaries recorded other income of Baht 213.7 million in 2021, increasing from Baht 53.3 million in 2020, which resulted from the subsidiaries in overseas recorded the revenue from the government subsidies of Baht 79.6 million regarding to the supporting program from the Government of Germany to the business that affected by the economic impact of the pandemic of COVID-19, recorded the revenue from the gain on sales of an oversea indirect subsidiary of Baht 36.3 million and gain from sale of unused equipment of oversea business of Baht 32.5 million.

Cost of Goods Sold (COGS)

In 2021, the Company and its subsidiaries recorded COGS of Baht 2,990.0 million, increasing 14.9% from Baht 2,601.4 million in 2020, with the ratio of COGS to sales revenue of 77.1% from 83.9% in 2020, which resulted from changes of COSG from local and overseas business as follow;

- Local business: COGS recorded at Baht 2,615.2 million in 2021, increasing 34.2% from Baht 1,948.2 million in 2020 in accordance with local sales revenue increase with the ratio of COGS to sales revenue of 74.5%, reducing from 80.1% in 2020. Although there is an increase in the ratio of raw material cost to sale revenue as the result of the increase in raw material prices following the world market prices. But the declining of staff costs and depreciation to sale revenue ratios due to the significant increase in production is resulted to the economies of scale.
- Overseas business: COGS of Baht 374.8 million, decreasing 42.6% from Baht 653.2 million in 2020. The ratio of COGS to sales revenue of 103.1%, from 97.5% in 2020 which higher than the local business, especially materials and staff cost and due to the significant decrease in production as the result of purchase order cancellation from major customers in accordance with the recession in automotive industry in Germany.

Gross Profit

In accordance with the changes in Sale Revenue and COGS as described above in 2021, the Company and its subsidiaries recorded a gross profit of Baht 885.6 million, increasing 77.2% from gross profit of Baht 499.7 million in 2020. Gross profit

margin in 2021 was 22.9%, increasing from 16.1% in 2020, contributed from gross profit of local business of Baht 896.8 million and gross loss of overseas business of Baht 11.2 million, respectively.

Selling, General and Administrative Expenses (SG&A)

In 2021, the Company and its subsidiaries recorded SG&A of Baht 411.5 million, increasing 17.6% from Baht 349.9 million in 2020 with the ratio of SG&A to total revenue of 10.1%, which resulted from changes of SG&A from local and overseas business as follow;

- Local business: SG&A recorded at Baht 211.2 million in 2021, increasing 28.2% from Baht 164.8 million in 2020 following the increasing of sale revenue due to improving of domestic automotive industry in 2021, with the ratio of SG&A to total revenue of 6.0%.
- Overseas business: SG&A of Baht 200.3 million, increasing 8.2% from Baht 185.1 million in 2020 due to the loss from sale of investment property of Baht 31.5 million. The ratio of SG&A to total revenue in 2021 was 55.1%, improving from 27.6% in 2020.

Loss from discontinued operations and Impairment loss of overseas asset

In 2021, the Company recorded loss from discontinued operations of Baht 66.3 million and impairment loss of overseas asset of Baht 89.8 million, in the total amount of Baht 156.1 million in accordance with business operation cease of subsidiary in Hungary as well as the submission for insolvency proceeding of one subsidiary in Germany, which German Court had accepted the application and then resulted business operation and service cease since 16 December 2021, including the impairment assessment to the overall overseas business due to the recession in automotive industry in Germany as the result of the outbreak situation of the Coronavirus Disease 2019 (“COVID-19”) and the semiconductor shortage in 2021.

Foreign Exchange Gain (Loss)

In 2021, the Company recorded the unrealized gain from foreign exchange of Baht 38.5 million compared to the unrealized gain of Baht 87.3 million in 2020 pursuant to loans for overseas subsidiaries. The exchange rate of Baht currency against Euro as of 31 December 2021 was at Baht 37.5083.

Net Profit

In 2021, pursuant to Sales Revenue, COGS, SG&A and extraordinary items as mentioned above, the Company and its subsidiaries recorded a net profit of Baht 503.7 million, the earning per share of Baht 0.331, increasing 98.8% compared to the net profit in 2020 of Baht 253.4 million. Financial performance for local and overseas business could be analyzed as follow;

- Local business: The Company recorded a net profit in the amount of Baht 689.8 million in 2021, increasing 102.9% from Baht 340.0 million in 2020 due to improving sales revenue amidst the outbreak situation of the Coronavirus Disease 2019 (“COVID-19”) with more relieving measures from the government and intense cost and expense control. The ratio of local net profits to total revenue in 2021 was 19.6%.
- Overseas business: The Company encountered a net loss of Baht 68.5 million in 2021, lower net loss from Baht 168.1 million in 2020 due to other income from the government subsidies from the Government of Germany and gain from

sale of unused equipment. However, a net loss from normal operation for overseas business, excluding such other income, the overseas business shall have a net loss of Baht 216.9 million due to the downturn automotive industry in Germany and Hungary during 2021.

In summary, the Company's financial performance having gradually improved in positive direction after the first 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 third quarter of 2021. Although the Company is still during negative situation of Covid-19 situation since the beginning of the year, the Company strongly 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.

Statement of Financial Position

Descriptions	As of 31 Dec 2021	As of Dec 2020	+ / (-)
Current assets	3,162.9	3,082.7	80.2
Non-current assets	2,473.5	2,655.3	-181.8
Total assets	5,636.4	5,738.0	-101.6
Current liabilities	594.8	571.9	22.9
Non-current liabilities	416.1	433.6	-17.5
Total liabilities	1,011.0	1,005.5	5.5
Paid-up share capital	1,525.0	1,525.0	-
Share premium	2,741.7	2,741.7	-
Retained earnings	296.6	402.5	-105.9
Total shareholders' equity	4,625.4	4,732.5	-107.1

(Unit: Baht million)

Total Assets as of 31 December 2021 were Baht 5,636.4 million. Current assets increased by Baht 80.2 million from Baht 3,082.7 million as of 31 December 2020. Cash and cash equivalents increased by Baht 226.3 million from the cashflow from operation, other current financial assets; fixed deposits decreased by Baht 463.0 million, inventories increased by Baht 123.7 million and higher account receivable of Baht 96.6 million in accordance with increasing in production and sales revenue. Non-current asset decreased by Baht 181.8 million due to an increase of the advances to invest in Thai government bonds of Baht 400 million and a decrease from annual depreciation of Baht 445.2 million, including a decrease from the disposal of investment properties in overseas of Baht 150.1 million.

Total liabilities as of 31 December 2021 were Baht 1,011.0 million, increased by Baht 5.5 million from Baht 1,005.5 million at 31 December 2020 mainly due to the increasing of current liabilities of Baht 22.9 million from trade accounts payable as a result of a increasing in production and the decreasing of non-current liabilities of Baht 17.5 million due to a decrease from the payment

of lease liabilities and an increase from the provision for long-term employee benefits according to the normal increase in the number of years.

Equity as of 31 December 2021 were Baht 4,600.4 million, declined by Baht 132.1 million comparing to the equity as of 31 December 2020 mainly due to the dividend payment to shareholders of Baht 610.0 million during the year and the increasing in the profit for the year of Baht 478.7 million.

Cash Flow Statement

Descriptions	As at 31 Dec. 2021	As at 31 Dec. 2020	Changes +/(-)
Cash flows from operating activities	779.4	960.7	(181.3)
Cash flows from (used in) investing activities	166.6	(558.4)	725.0
Cash flows used in financing activities	(710.6)	(235.4)	(475.2)
Net increase in cash and cash equivalents	217.7	99.2	118.5
Cash and cash equivalents at the end of the year	1,029.4	803.1	226.3

(Unit : THB million)

The Company's net cash flow as of 31 December 2021 was Baht 217.7 million. Cash flow from operating activities was Baht 779.4 million and used in investing activities of Baht 166.6 million mostly due to the investment adjustment from short-term fixed deposits to investing in Thai government bonds, net increased by Baht 63.0 million, and cash received from sale of investment in subsidiary, investment properties and equipment of Baht 226.5 million as well as purchase of machines and equipment of Baht 133.8 million. Cash used in financing activities of Baht 710.6 million was for the payment of lease liabilities and the payment of long-term loan from financial institution in overseas of Baht 79.2 million and the dividend payment of Baht 610.0 million to the Company's shareholder in 2021.

Please be informed accordingly.

Sincerely Yours,



(Mr. Angkrit Rungrotkitiyot)

Chief Executive Officer