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 August 15th, 2022

Subject: Management Discussion & Analysis (MD&A) for the Financial Statements of the 2nd Quarter of Fiscal Year 2022 Ended as of June 30th, 2022

To: The President
The Stock Exchange of Thailand

Aapico Hitech Public Company Limited (“the Company”) would like to explain the consolidated financial statements of the Company for the 2nd quarter of fiscal year 2022 ended as of June 30th, 2022, which can be summarized as follows:

1) Profit & Loss Analysis : Q2 2022 (3 Months)

(Unit : Million Baht unless otherwise stated)	Q2 2022	Q2 2021	Change	
			Amount	% Change
Total Revenues	6,345	4,978	1,367	27.5%
Sales and service income	6,145	4,833	1,312	27.2%
Gains on exchange rate	129	42	87	204.2%
Other income	71	103	-31	-30.6%
Cost of sales and services	5,523	4,273	1,250	29.3%
Gross Profit	622	559	62	11.1%
Gross Profit Margin (%)	10.1%	11.6%	-1.5%	
SG&A expenses	412	391	21	5.4%
EBIT before share of profit (loss) from investment in associates and joint venture	409	314	96	30.6%
Share of profit (loss) from investment in associates and joint venture	122	57	64	112.2%
EBIT	531	371	160	43.2%
Interest income	2	1	1	53.4%
Finance cost	-77	-89	12	-13.8%
Income tax expenses	-43	-33	-10	30.2%
Net profit (loss) attributable to equity holders	410	250	160	63.8%
Net profit (loss) attributable to equity holders Margin (%)	6.5%	5.0%	1.4%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	281	208	73	35.2%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	4.5%	4.2%	0.3%	
EBITDA	828	630	198	31.5%

Total revenue increased by 27.5% year-on-year. Sales and service income increased by 27.2%, with 23.7% increase in automotive parts businesses and 37.8% increase in dealership businesses respectively. The increase in revenue was higher than the industry growth (in terms of production volume) of 3.0% for the following reasons:

1) Automotive Parts Business; The model mix and higher volume from major customers created higher revenues. Thailand and Portugal operations were strong, grew 27.5% and 20.9% year-on-year respectively and outperformed the industry. Even though China operation was impacted by Shanghai lockdown, the revenue for 2nd quarter decreased by only 2% year-on-year.

2) Car Dealerships and Services Center Business; Higher sales in the dealership business both in Thailand and Malaysia was driven by openings of Mazda and MG showroom in Thailand which started in October 2021 and December 2021. In Malaysia, high demand for cars was partly driven by the end of Sales and Service Tax (SST) exemption in June 2022. The car booking before end of June would be eligible for SST exemption if registered before end of March 2023. In addition, in 2021 Thailand and Malaysia Dealership were impacted by the 3rd wave of Covid-19 and lockdown in June 2021, caused a low base in Q2 2021.

Cost of sales and services increased in accordance with higher sales. Gross profit increased 11.1% from Baht 559.5 million in Q2 2021 to Baht 621.6 million in Q2 2022. However, Gross profit margin decreased from 11.6% in Q2 2021 to 10.1% in Q2 2022 for the following reasons:

- 1) In Thailand, we can pass through most of the raw material's price increase to customers. Our gross profit in terms of amount was not affected. However, the selling price increase resulted in the increase in the material cost and the larger denominator resulted in lower gross profit margin.
- 2) Change in revenue mix with higher proportion of car dealership business in total sales revenue which generates lower gross profit margin than automotive parts business.
- 3) Portugal operation takes approximately 3-6 months to negotiate price adjustments in accordance with rise in raw material price with customers and thus, time lag in recognizing the compensation for increased raw material costs.

Selling and administrative expenses increased slightly by 5.4% from Baht 391.1 million in Q2 2021 to Baht 412.4 million in Q2 2022 while our revenue increase by 27.5%. SG&A in terms of % to revenue improved from 7.9% in Q2 2021 to 6.5% in Q2 2022.

Core operating profit (defined as Earnings before Interests and Taxes exclude interest income, gain (loss) on exchange rate and other irregular items) reached Baht 402.5 million in Q2 2022; a 22.5% increase from that of Q2 2021 of Baht 328.6 million and 25.5% increase from average quarterly operating profit in 2021 of Baht 320.6 million. The increase in core operating profit was mainly due to increased volume and revenue of automotive parts business.

Gain on foreign currency exchange rate was at Baht 128.9 million in Q2 2022, compared to a gain on foreign currency exchange of Baht 42.4 million in Q2 2021, caused by depreciation of Thai Baht. This gain on foreign currency exchange was mainly associated with the USD loan related to the SGAH transaction and was non-cash in nature.

Net profit (loss) attributable to equity holders was Baht 409.8 million, as compared to net profit of Baht 250.2 million in Q2 2021. Net profit margin increased from 5.0% in Q2 2021 to 6.5% in Q2 2022. This is attributable to better cost control and improved product margins of new products.

Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate was Baht 280.9 million, compared to Baht 207.8 million in Q2 2021. Excluding gain (loss) on foreign exchange, net profit margin improved from 4.2% in Q2 2021 to 4.5% in Q2 2022 due to the following reasons:

- 1) Strong performance of automotive parts business, especially in Thailand.
- 2) Improved performance of dealership businesses in Malaysia.
- 3) Increased profit sharing from associates and joint ventures from Baht 57.5 million in Q2 2021 to Baht 121.9 million in Q2 2022.
- 4) Improved SG&A in terms of % to revenue.

2) **Profit & Loss Analysis : 1H 2022 (6 Months)**

(Unit : Million Baht unless otherwise stated)	January - June		Change	
	2022	2021	Amount	% Change
Total Revenues	13,157	10,717	2,440	22.8%
Sales and service income	12,875	10,419	2,456	23.6%
Gains on exchange rate	125	145	-19	-13.4%
Other income	156	153	3	2.1%
Cost of sales and services	11,508	9,185	2,323	25.3%
Gross Profit	1,367	1,234	133	10.8%
Gross Profit Margin (%)	10.6%	11.8%	-1.2%	
SG&A expenses	805	781	24	3.0%
EBIT before share of profit (loss) from investment in associates and joint venture	845	751	93	12.4%
Share of profit (loss) from investment in associates and joint venture	204	145	59	41.0%
EBIT	1,049	896	153	17.0%
Interest income	4	3	1	51.7%
Finance cost	-158	-177	18	-10.4%
Income tax expenses	-71	-58	-13	22.9%
Net profit (loss) attributable to equity holders	812	661	151	22.9%
Net profit (loss) attributable to equity holders Margin (%)	6.2%	6.2%	0.0%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	687	516	171	33.1%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	5.3%	4.9%	0.4%	
EBITDA	1,618	1,403	215	15.3%

Total revenue increased by 22.8% year-on-year. Sales and service income of the Company increased by 23.6%, automotive parts businesses increased by 23.3% and dealership businesses increased by 24.2%. Increase in total revenue was attributable to increase in customer orders from existing clients and orders increase due to higher demand for cars. Dealership businesses contributed higher growth in 1H 2022 due to opening of the Mazda and MG showroom in Thailand and partly driven by the end of Sales and Service Tax (SST) exemption in June 2022 in Malaysia.

Cost of sales and services increased in accordance with higher sales. Gross profit increased by 10.8% from Baht 1,234.3 million in Q2 2021 to Baht 1,367.4 million in Q2 2022. However, Gross profit margin decreased from 11.8% in 1H 2021 to 10.6% in 1H 2022 due to the same reasons as explained for Q2 2022 (3months) above.

Selling and administrative expenses increased slightly by 3.0% from Baht 781.0 million in 1H 2021 to Baht 804.7 million in 1H 2022 while our revenue increased by 22.8%. SG&A in terms of % to revenue improved from 7.3% in 1H 2021 to 6.1% in 1H 2022.

Core Operating Profit (defined as Earnings before Interests and Taxes exclude interest income, gain (loss) on exchange rate and other irregular items) for 1H 2022 was also notable at Baht 923.4 million, compared to 751.3 million in 1H 2021.

Gain on foreign currency exchange rate was at Baht 125.4 million in 1H 2022, compared to a gain on exchange rate of Baht 144.7 million in 1H 2021. Gain on exchange rate was caused by depreciation of Thai Baht at the end of 2nd quarter 2022 vs. year-end 2021. Gain on exchange rate was non-cash and mainly associated with the USD loan related to the SGAH transaction.

Net profit (loss) attributable to equity holders was Baht 812.3 million (6.2%) in 1H 2022, compared to the net profit of Baht 660.9 million (6.2%) in 1H 2021. The Company's net profit in terms of absolute amount has improved by 22.9% compared to 1H 2021.

Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate was Baht 686.9 million (5.3%) in 1H 2022, compared to Baht 516.2 million (4.9%) in 1H 2021, a 0.4% improvement.

3) Financial Position Analysis

(Unit : Million Baht)	June	December	Change	
	2022	2021	Amount	% Change
Total Assets	24,308	22,722	1,586	7.0%
Total Liabilities	14,838	13,908	931	6.7%
Total Equities	9,470	8,815	655	7.4%

For the Q2 2022, the Company's **total assets** increased by Baht 1,586.0 million, largely attributable to increase of trade account receivables and inventories, in line with higher sale. **Total liabilities** also slightly increased by Baht 930.8 million, largely attributable to increase of trade account payable. **Total shareholders' equity** increased by Baht 655.2 million driven by increase of profit during the period.

4) Key Financial Performance

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Return on equity (ROE)	14.8%	13.1%	12.8%	12.0%	13.5%
Return on asset (ROA)	5.1%	4.6%	4.6%	4.4%	5.0%
Interest bearing Debt / Equity (IBD/Equity)	1.0	1.0	0.9	0.8	0.8

Return on equity (ROE) and Return on assets (ROA) as of Q2 2022 were at 13.5% and 5.0% respectively. The Company's profitability indicators improved from those of Q2 2021 in line with improved profitability. Interest bearing debts to equity (IBD/Equity) ratio improved to 0.8 times as at Q2 2022; improved from 1.0 times in Q2 2021.

5) Thailand Automotive Industry

(Unit: Cars)	Quarter 2			January – June		
	2022	2021	% Change	2022	2021	% Change
Production	390,033	378,768	3.0%	870,111	844,601	3.0%
Domestic	196,107	181,579	8.0%	427,296	375,716	13.7%
Export	206,520	215,381	-4.1%	449,644	473,489	-5.0%

Total vehicle production volume in Q2 2022 increased by 3.0% to 390,033 units, compared to 378,768 units for the same period last year. Domestic demand increased by 8.0% to 196,017 units due to further easing of Covid-19 restrictions and government stimulus measures. However, export volume decreased by 4.1% to 206,520 units due to a shortage of semiconductors, China's zero-Covid policy that was disrupting global supply chains, and the impact of the Russia-Ukraine war on raw material supplies.

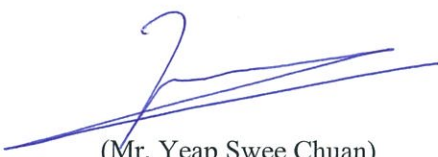
For the period of January to June, total vehicle production volume increased by 3.0% year-on-year to 870,111 units. Domestic demands increased by 13.7% to 427,296 units. However, export volume decreased by 5.0% to 449,644 units.

In 2022, the Federation of Thai Industries (FTI) forecast the car production to be at 1,800,000 units or increased by 6.8% from 2021, which were divided into production for exporting of 1,000,000 units and production for domestic sale of 800,000 units.

Our China operation was impacted by lockdown in April, however, with fast actions taken, our China operation was able to generate profit in April during the lockdown period and also generated profit for a full quarter. China operation resumed normal production in the first week of May. Therefore, there was not much impact from China operation to overall profit of 2nd Quarter.

Last year was our recovery year which resulted in Net Profit of Baht 1,024 million (Core Profit of Baht 805.4 million), compared to Net Profit of Baht 147.8 million (Core Profit of Baht 145.9 million) in 2020 which the Company's performance was negatively impacted by COVID-19 pandemic. For this year, with the easing supply of the semiconductor, significantly higher volume from our major customers and new product launch in March, we expect this year to be our good year. This is reflected in our much improved 1H 2022 core profit of Baht 686.9 million compared to that of 1H 2021 of Baht 516.2 million. Our full-year performance for 2022 continues to be on track and is expected to be better than that of 2021.

Yours sincerely,



(Mr. Yeap Swee Chuan)
Chairman and President