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 February 28<sup>th</sup>, 2023

**Subject:** Management Discussion & Analysis (MD&A) for the financial statements of fiscal year 2022 ended as of December 31, 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 fiscal year 2022 ended as of December 31, 2022, which can be summarized as follows:

**1) Profit & Loss Analysis : Q4 2022 (3 Months)**

(Unit : Million Baht unless otherwise stated)	Q4 2022	Q4 2021	Change	
			Amount	% Change
Total Revenues	<b>7,878.0</b>	5,848.9	2,029.2	34.7%
Sales and service income	<b>7,792.1</b>	5,770.0	2,022.0	35.0%
Other income	<b>86.0</b>	78.8	7.1	9.0%
Cost of sales and services	<b>6,782.4</b>	5,192.1	1,590.2	30.6%
Gross Profit	<b>1,009.7</b>	577.9	431.8	74.7%
Gross Profit Margin (%)	<b>13.0%</b>	10.0%	2.9%	
SG&A expenses	<b>406.0</b>	438.5	-32.5	-7.4%
Loss on exchange rate	<b>237.0</b>	31.0	206.0	664.8%
EBIT before share of profit (loss) from investment in associates and joint venture	<b>452.7</b>	187.2	265.4	141.8%
Share of profit (loss) from investment in associates and joint venture	<b>95.0</b>	71.5	23.5	32.8%
EBIT	<b>547.7</b>	258.8	288.9	111.6%
Finance Income	<b>2.5</b>	-0.5	3.0	N/A
Finance cost	<b>97.7</b>	82.5	15.2	18.4%
Income tax (expenses)	<b>-37.8</b>	-34.0	-3.8	11.3%
Net profit (loss) attributable to equity holders	<b>410.7</b>	128.5	282.2	219.7%
Net profit (loss) attributable to equity holders Margin (%)	<b>5.2%</b>	2.2%	3.0%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	<b>647.7</b>	159.5	488.3	306.2%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	<b>8.2%</b>	2.7%	5.5%	
EBITDA	<b>856.4</b>	521.5	334.9	64.2%

**Total revenue** increased by 34.7% year-on-year. Sales and service income increased by 35.0%, with 39.3% increase in automotive parts businesses and 26.1% increase in dealership businesses respectively whilst industry production was up by 9.7%. The increase in revenue was due to the following reasons:

1) **Automotive Parts Business;** Higher volume from major customers, new model launch, new product launch, new order from overseas customer and management's effort to diversify into more product range led to higher revenues. Thailand operations were very strong; recording 53.5% growth year-on-year. Portugal operations were also growing, recording 6.6% growth year-on-year. Both Thailand and Portugal operations outperformed average industry growth. However, China operations decreased slightly by 4.8% due to the rapid spread of Covid-19 after the relaxation of China's zero Covid policy during December which resulted in a decrease in automobile output. The decrease in revenue of China operation was lower than China average industry growth which decreased by 5.8%.

2) **Car Dealerships Business;** Higher sales in dealership business both in Thailand and Malaysia. In Thailand, sales growth was driven by openings of MG showroom in Thailand in December 2021 and opening of Mitsubishi and Ford showroom in April 2022 and August 2022 respectively. Ford also launched a new model, started in Q3 2022 which help boost sales from Q3 2022. In Malaysia, high demand for cars was partly driven by the end of Sales and Service Tax (SST) exemption expiring in June 2022. Car booking before end of June would be eligible for SST exemption if registered before end of March 2023. Therefore, the car booking before June 2022 continued to be registered in Q4 2022.

**Cost of sales and services** increased in accordance with higher sales. Gross profit increased 74.7% from Baht 577.9 million in Q4 2021 to Baht 1,009.7 million in Q4 2022. Gross profit margin increased from 10.0% in Q4 2021 to 13.0% in Q4 2022 for the following reasons:

- 1) Higher volume, new model launch, new product launch and new order from overseas customer of auto parts manufacturing business in Thailand.
- 2) Price adjustment of Portugal operation started to reflect since Q3 2022 onward
- 3) New model launch and adding of new brands to our dealership portfolio.

**Selling and administrative expenses** decreased by 7.4% from Baht 438.5 million in Q4 2021 to Baht 406.0 million in Q4 2022 due to the repayment of legal fee from Sakthi Group, following the court's decision in favor of the Company under the English Commercial Court's hearing. If we add back this amount to SG&A expenses, the SG&A expenses would be Baht 463.0 million which increased 5.6% from previous year while our total revenue increased 34.7%. SG&A in terms of % to revenue improved from 7.5% in Q4 2021 to 5.9% in Q4 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 784.7 million in Q4 2022; a 161.3% increase from that of Q4 2021 of Baht 300.2 million and 144.7% 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.

**Loss on foreign currency exchange rate** was Baht 237.0 million in Q4 2022, compared to a loss on foreign currency exchange of Baht 31.0 million in Q4 2021, caused by appreciation of Thai Baht. This loss on foreign currency exchange was mainly associated with the USD loan related to the SG&A transaction and was non-cash in nature.

**Net profit (loss) attributable to equity holders** was Baht 410.7 million, as compared to net profit of Baht 128.5 million in Q4 2021. Net profit margin increased from 2.2% in Q4 2021 to 5.2% in Q4 2022. This is attributable to higher sale volume, new car model launch and new product launch.

**Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate** was Baht 647.7 million, compared to Baht 159.5 million in Q4 2021. Excluding gain (loss) on foreign exchange, net profit margin improved from 2.7% in Q4 2021 to 8.2% in Q4 2022 due to the following reasons:

- 1) Strong performance of automotive parts business in Thailand. Portugal performed well in Q4 2022, turned from a big loss in Q4 2021 to a profit in this quarter.
- 2) Improved performance of dealership businesses in Thailand.
- 3) Increased profit sharing from associates and joint ventures from Baht 71.5 million in Q4 2021 to Baht 95.0 million in Q4 2022.
- 4) Improved SG&A in terms of % to revenue.

## 2) **Profit & Loss Analysis : 12 Months**

(Unit : Million Baht unless otherwise stated)	2022	2021	Change	
			Amount	% Change
Total Revenues	<b>28,348.1</b>	20,967.2	7,380.9	35.2%
Sales and service income	<b>27,967.2</b>	20,433.2	7,534.0	36.9%
Gains on exchange rate	<b>63.1</b>	221.6	-158.5	-71.5%
Other income	<b>317.8</b>	312.5	5.3	1.7%
Cost of sales and services	<b>24,776.6</b>	18,224.8	6,551.9	36.0%
Gross Profit	<b>3,190.6</b>	2,208.4	982.2	44.5%
Gross Profit Margin (%)	<b>11.4%</b>	10.8%	0.6%	
SG&A expenses	<b>1,666.1</b>	1,529.5	136.6	8.9%
EBIT before share of profit (loss) from investment in associates and joint venture	<b>1,905.3</b>	1,213.0	692.4	57.1%
Share of profit (loss) from investment in associates and joint venture	<b>451.5</b>	280.5	171.0	61.0%
EBIT	<b>2,356.9</b>	1,493.5	863.4	57.8%
Finance income	<b>9.0</b>	3.4	5.7	170.0%
Finance cost	<b>341.9</b>	346.0	-4.1	-1.2%
Income tax (expenses)	<b>-177.1</b>	-113.4	-63.7	56.1%
Net profit (loss) attributable to equity holders	<b>1,823.6</b>	1,024.0	799.7	78.1%
Net profit (loss) attributable to equity holders Margin (%)	<b>6.4%</b>	4.9%	1.5%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	<b>1,760.5</b>	<b>802.4</b>	958.2	119.4%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	<b>6.2%</b>	<b>3.9%</b>	2.4%	
EBITDA	<b>3,510.6</b>	<b>2,524.3</b>	986.3	39.1%

Total revenue increased by 35.2% year-on-year. Sales and service income increased by 36.9%, with 33.7% increase in automotive parts businesses and 45.9% increase in dealership businesses respectively. Increase in total revenue was attributable to increase in customer orders from existing clients, new car model launch, new product launch and new order from overseas customer. Dealership businesses contributed higher growth in 2022 due to opening of the Mazda and MG showroom since Q4 2021 and opening of Mitsubishi and Ford showroom in April 2022 and August 2022 in Thailand and partly driven by the end of Sales and Service Tax (SST) exemption in June 2022 in Malaysia, which created accelerated buying decisions.

**Cost of sales and services** increased in accordance with higher sales. Gross profit increased by 44.5% from Baht 2,208.4 million in 2021 to Baht 3,190.6 million in 2022. Gross profit margin slightly increased from 10.8% in 2021 to 11.4% in 2022 due to price adjustments of Portugal operation has started to record in Q3 2022 leading to improved Gross profit margin from Q3 2022 onwards.

**Selling and administrative expenses** increased by 8.9% from Baht 1,529.5 million in 2021 to Baht 1,666.1 million in 2022. However, if we added back the repayment of legal fee received in Q4 2022 from Sakthi Group, following the court's decision in favor of the Company under the English Commercial Court's hearing to SG&A expenses, the SG&A expenses would be Baht 1,723.1 million which increased 12.7% from previous year while our total revenue increased 35.2%. SG&A in terms of % to revenue improved from 7.3% in 2021 to 6.1% in 2022.

**Core Operating Profit** (defined as Earnings before Interests and Taxes exclude interest income, gain (loss) on exchange rate and other irregular items) in 2022 was also notable at Baht 2,293.8 million, compared to 1,282.3 million in 2021.

**Gain on foreign currency exchange rate** was at Baht 63.1 million in 2022, compared to a gain on exchange rate of Baht 221.6 million in 2021. Gain on exchange rate was caused by depreciation of Thai Baht at the end of 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 1,823.6 million (6.4%) in 2022, compared to the net profit of Baht 1,024.0 million (4.9%) in 2021. The Company's net profit in terms of absolute amount has improved by 78.1% compared to 2021.

**Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate** was Baht 1,760.5 million (6.2%) in 2022, compared to Baht 802.4 million (3.9%) in 2021, representing a 119.4% increase year-on-year.

### 3) **Financial Position Analysis**

(Unit : Million Baht)	December	December	Change	
	2022	2021	Amount	% Change
Total Assets	25,469.0	22,722.5	2,746.5	12.1%
Total Liabilities	15,539.5	13,907.7	1,631.8	11.7%
Total Equities	9,929.5	8,814.8	1,114.7	12.6%

For the Q4 2022, the Company's **total assets** increased by Baht 2,746.5 million, largely attributable to increase of trade account receivables and inventories, in line with higher sale and also increase of investments in associates and right of uses. **Total liabilities** also increased by Baht 1,631.8 million, largely attributable to increase of trade account payable. **Total shareholders' equity** increased by Baht 1,114.7 million driven by increase of profit during the period.

#### 4) **Key Financial Performance**

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Return on equity (ROE)	12.8%	12.0%	13.5%	17.1%	20.1%
Return on asset (ROA)	4.6%	4.4%	5.0%	6.5%	7.7%
Interest bearing Debt / Equity (IBD/Equity)	0.9	0.8	0.8	0.8	0.8

**Return on equity (ROE) and Return on assets (ROA)** as of Q4 2022 were at 20.1% and 7.7% respectively. The Company's profitability indicators improved from those of Q4 2021 in line with improved profitability. Interest bearing debts to equity (IBD/Equity) ratio improved to 0.8 times as at Q4 2022 from 0.9 times as at Q4 2021.

#### 5) **Thailand Automotive Industry**

(Unit: Cars)	Quarter 4			January – December		
	2022	2021	% Change	2022	2021	% Change
Production	519,478	473,759	9.7%	1,883,515	1,685,705	11.7%
Domestic	215,701	227,188	-5.1%	849,388	759,119	11.9%
Export	293,812	281,713	4.3%	1,000,256	959,194	4.3%

Total vehicle production volume in Q4 2022 increased by 9.7% to 519,478 units, compared to 473,759 units for the same period last year. Domestic demand decreased by 5.1% to 215,701 units. Export volume increased by 4.3% to 293,812 units due to easing of semiconductors shortage and some parts of some car models became available. Export to most market increased. It can be seen that in December 2022, we exported more to Asia, middle east, Africa, Central America, and South America markets and the export number is highest over the last 3 years and 9 months.

For the period of January to December, total vehicle production volume increased by 11.7% year-on-year to 1,883,515 units. Domestic demands increased by 11.9% to 849,388 units. Export volume increased by 4.3% to 1,000,256 units.

In 2023, the Federation of Thai Industries (FTI) forecast the car production to be at 1,950,000 units or increased by 3.7% from 2022, which were divided into production for exporting of 1,050,000 units and production for domestic sale of 900,000 units.

Our China operation was impacted by lockdown in April and rapid spread of Covid-19 in December, after the relaxation of zero Covid policy. However, with fast actions taken, our China operation had negligible impact and was able to generate profit over that period.

2021 was our recovery year which resulted in Net Profit of Baht 1,024.0 million (Core Net Profit of Baht 802.4 million), compared to Net Profit of Baht 147.8 million (Core Net Profit of Baht 161.1 million) in 2020 during which the Company's performance was adversely impacted by COVID-19 pandemic. For 2022, with significantly higher volume from our major customers, new car model launches, new product launches, increase of EV related products and Kaizen activities implemented to reduce the fixed cost of the company during the COVID period, our revenue increased 35.2%; higher than our target of 30.0% from year 2021. 2022 was our good year, reflected in our much improved core net profit of Baht 1,760.5 million, compared to that of 2021 of Baht 802.4 million or increased 119.4% year-on-year. Our 2022 performance was the best historical results for AAPICO Group since our inception and we expect our 2023 performance to be better than 2022.

Yours sincerely,



(Mr. Yeap Swee Chuan)  
Chairman and President