



24 February 2020

To: President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis (MD&A) for the financial year 2019 ending as at 31 December 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 financial year 2019 ending at 31 December 2019 as follow;

#### Financial Overview

Description	Year 2019	Year 2018	Changes in % +/-	Ratio to Sales 2019	Ratio to Sales 2018
Sales Revenue	5,231.7	5,586.0	-6.3%		
- Local Business	3,570.3	4,354.4	-18.0%		
- Overseas Business	1,661.4	1,231.7	34.9%		
Total Revenue	5,340.0	5,813.3	-8.1%		
Cost of Goods Sold (COGS)	4,478.7	4,728.0	-5.3%	85.6%	84.6%
- Local Business	2,868.7	3,538.0	-18.9%	80.3%	81.3%
- Overseas Business	1,610.1	1,190.0	35.3%	96.9%	96.6%
Gross Profit	753.0	851.8	-13.1%	14.4%	15.2%
SG&A	509.7	458.7	11.1%	9.7%	8.2%
- Local Business	181.4	181.0	0.2%	5.1%	4.2%
- Overseas Business	328.4	277.7	18.3%	19.8%	22.5%
Foreign Exchange (Loss)	102.4	67.4	51.8%	n.a.	n.a.
Provisions for Bad Debts	-185.1	-220.5	-16.1%	n.a.	n.a.
Net Profits	75.2	358.8	-79.1%	1.4%	6.2%
- Local Business	290.0	533.3	-45.6%	8.1%	12.2%
- Overseas Business	-214.9	-174.6	23.1%	-12.9%	-14.2%

(Unit : THB million)

The Automotive Industry Club, the Federation of Thai Industries, reported the information of overall automotive industry in 2019 presenting a fluctuation business environment. The growth of the automotive industry in the beginning of the year 2019 had continued from the end of year 2018, but after middle of the year 2019 the industry had been impacted from trade war situation between China and U.S., especially exports, together with continued appreciation of Baht currency, so overall vehicle production had declined until the end of the year 2019. The domestic car sales in 2019 was 1,007,552 units, declining 3.3% from 1,041,739 units in 2018. Auto export of 1,054,103 units in 2019 had declined 7.6% from 1,140,640 units. Total production of cars in 2019 was 2,013,710 units, declining 7.1% from 2,167,694 units, whereas the production of 1-ton pickup trucks was 1,178,026 units, declining 5.8% from 1,250,483 units in 2018.



### Sales Revenue

The Company and its subsidiaries recorded Sales Revenue of Baht 5,231.7 million in 2019, declining 6.3% from Baht 5,586.0 million in 2018, which resulted from changes of sales revenue from local and overseas business as follow;

- Local business: Sales revenue was at Baht 3,570.3 million in 2019, declining 18.0% from Baht 4,354.4 million in 2018 due to overall slowdown of automotive industry in 2019.
- The Company recorded sales from overseas business in 2019 in the amount of Baht 1,661.4 million, increasing 34.9% from Baht 1,231.6 million in accordance with the full year sales recognition in 2019 comparing to 9-month operation in 2018 in accordance with the business operation in Germany and Hungary in April 2018.

### Cost of Goods Sold (COGS)

In 2019, the Company and its subsidiaries recorded COGS of Baht 4,478.7 million, declining 5.3% from Baht 4,728.0 million in 2018, with the ratio of COGS to sales revenue of 85.6% from 84.6% in 2018, which resulted from changes of COSG from local and overseas business as follow;

- Local business: COGS recorded at Baht 2,868.7 million in 2019, declining 18.9% from Baht 3,538.0 million in 2018 in accordance with overall local sales revenue slowdown in 2019 with the ratio of COGS to sales revenue of 80.3%, improving from 81.3% in 2018 as a result of production improvement and cost reduction as well as lower depreciation cost from utilizing of machines in good condition after fully depreciated.
- Overseas business: COGS of Baht 1,610.1 million, increasing 35.3% from Baht 1,190.0 million in 2018 in accordance with sales growth. The ratio of COGS to sales revenue of 96.9%, from 96.6% in 2018, was due to higher production cost than local business, especially materials cost, staff cost, utilities, and depreciation cost.

### Selling, General and Administrative Expenses (SG&A)

In 2019, the Company and its subsidiaries recorded SG&A of Baht 509.7 million, increasing 11.1% from Baht 458.7 million in 2018 with the ratio of SG&A to total revenue of 9.7%, which resulted from changes of SG&A from local and overseas business as follow;

- Local business: SG&A recorded at Baht 181.4 million in 2019, slightly increasing from Baht 181.0 million in 2018, with the ratio of SG&A to total revenue of 5.1%.
- Overseas business: SG&A of Baht 304.8 million, increasing 9.8% from Baht 277.7 million in 2018 due mainly to full year operations in 2019 comparing to 9-month in 2018 in accordance with the business operation in Germany and Hungary in April 2018. The ratio of SG&A to total revenue in 2019 was 19.8%, improving from 22.5% in 2018.

### Provision for Doubtful Debts

In accordance with the Company having acquired the business in Germany and Hungary in 2018 under asset acquisition scheme and loan offering for the subsidiaries and other company of the seller (Kuepper Group), which was the condition for such business acquisition under Bankruptcy Law of Germany. During that time, the Company select the companies in Kuepper Group, that are able to be synergize with the local business in Thailand, to be subsidiaries of the Company, whereas other company were solely offering the loan to conform with the requirement for business acquisition, totaling 12 million Euro with interest rate of 2% p.a. The Company's Board of Directors at that time considered as beneficial to the Company in long term, though having risk for loan offering to that company.

Later, that 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 fourth quarter of 2018, the first provision of Baht 220.5 million had been recorded and, in the second quarter of 2019, the Company recorded the remaining loss of Baht 185.1 million as a provision of doubtful debts from interest receivable and loans to other company in overseas. This amount was the last portion with full provision. Therefore, there shall be no more provision occurring from this 12 million Euro loan in the financial statements of the Company and subsidiaries.

#### Foreign Exchange Loss

In 2019, the Company recorded the unrealized loss from foreign exchange of Baht 102.4 million from loan to overseas subsidiaries and other company. The loans were resulted of the business acquisition in Germany and Hungary in 2018.

#### Net Profit

In 2019, pursuant to Sales Revenue, COGS, SG&A as mentioned above, the Company and its subsidiaries recorded a net profit of Baht 75.2 million, the earning per share of Baht 0.05, declining 79.1% compared to the net profit in 2018 of Baht 358.8 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 290.0 million in 2019, declining 45.6% from Baht 533.3 million in 2018 due mainly to declining in sales revenue pursuant to local automotive industry, whereas cost and expense control was implemented continuously. The ratio of local net profits to total revenue in 2018 was 8.1%
- Overseas business: The Company encountered a net loss of Baht 214.8 million in 2019, higher net loss from Baht 174.6 million in 2018 due to provision for bad debts from loan offering as well as account payables to Kuepper Group as well as selling expense for marketing in 2019.

However, a net profit from normal operation for local business, excluding provision for doubtful debts and foreign exchange losses, the company will have a net profit of Baht 577.5 million in 2019, declining 29.7% from a net profit in 2018 of Baht 821.3 million.

#### Statement of Financial Position

Descriptions	2019	2018	+ / (-)
Current assets	2,708.4	2,276.0	432.5
Non-current assets	2,728.7	3,365.1	(636.4)
Total assets	5,437.2	5,641.4	(203.9)
Current liabilities	504.3	467.4	36.9
Non-current liabilities	154.0	110.5	43.5
Total liabilities	658.3	577.9	80.4



Descriptions	2019	2018	+ / (-)
Paid-up share capital	1,525.0	1,525.0	-
Share premium	2,741.7	2,741.7	-
Retained earnings	445.8	688.8	(243.0)
Total shareholders' equity	4,778.8	5,063.1	(284.3)

(Unit: Baht million)

Total Assets as of 31 December 2019 were Baht 5,423.2 million. Current Assets increased by Baht 432.5 million from Baht 2,276.0 million as of 31 December 2108. Cash and cash equivalents increased by Baht 651.2 million from normal business operation, whereas lower account receivable of Baht 200.6 million. Non-current asset decreased of Baht 636.4 million from declining building and equipment of Baht 407.9 million due to general asset depreciation during the year. Loan offering to other company reduced by Baht 220.6 million in connection to provision for bad debt as mentioned above.

Total liabilities as of 31 December 2019 were Baht 658.3 million, increased by Baht 80.4 million from Baht 555.2 million at 31 December 2018, mainly due to higher trade accounts payable of Baht 36.9 million from normal business operation and non-current liabilities from employee benefit of Baht 54.7 million.

Equity as of 31 December 2019 were Baht 4,778.9 million, decreased by Baht 284.3 million comparing to the equity as of 31 December 2018 mainly due to interim dividend payments to shareholders of Baht 305 million during the year.

#### Cash Flow Statement

Descriptions	As at 31 Dec. 2019	As at 31 Dec. 2018	Changes +/-(-)
Cash flows from operating activities	1,156.3	804.3	352.0
Cash flows from investing activities	(229.3)	(1,385.4)	1,156.1
Cash used in financing activities	(301.3)	(414.0)	112.7
Increase in translation adjustments	28.6	-	
Net increase (decrease) in cash and cash equivalents	651.2	(995.0)	
<b>Cash and cash equivalents at the end of the year</b>	<b>1,153.4</b>	<b>502.3</b>	

(Unit : THB million)

The Company's net cash flow as of 31 December 2019 was Baht 1,153.4 million. Cash flow from operating activities was Baht 1,156.3 million and used in investing activities of Baht 229.3 million for land, building and equipment. Cash used in financing activities of Baht 301.3 million was mostly for the dividend payment to the Company's shareholder in 2019.

Please be informed accordingly.

Sincerely Yours,

(Mr. Angkrit Rungrotkitiyot)

Director