

12 May 2020

To: President
The Stock Exchange of Thailand

Re: Management Discussion and Analysis (MD&A) for the First Quarter of 2020 ending as at 31 March 2020

P.C.S. Machine Group Holding Public Company Limited (the “Company”) would like to inform the Management Discussion and Analysis (MD&A) for the first quarter of 2020 ending at 31 March 2020 as follow;

Financial Overview

Description	Quarter 1 2020	Quarter 4 2019	Quarter 1 2019	Changes QoQ (%)	Changes YoY (%)	Ratio to Sales Q1-2020	Ratio to Sales Q4-2019	Ratio to Sales Q1-2019
Sales Revenue	1,263.0	1,155.3	1,414.0	9.3%	-10.7%			
- Local Business	814.0	765.5	997.8	6.3%	-18.4%			
- Overseas Business	449.0	389.8	416.2	15.2%	7.9%			
- Other Revenue	21.7	7.3	21.4	197.3%	1.4%			
Total Revenue	1,284.7	1,162.6	1,435.4	10.5%	-10.5%			
Cost of Goods Sold	1,078.9	1,022.4	1,185.9	5.5%	-9.0%	85.4%	88.5%	83.9%
- Local Business	637.4	606.4	786.4	5.1%	-18.9%	78.3%	79.2%	78.8%
- Overseas Business	441.5	416.0	399.5	6.1%	10.5%	98.3%	106.7%	98.3%
Gross Profit	184.1	132.9	228.1	38.5%	-19.3%	14.6%	11.5%	16.1%
SG&A	132.4	126.2	113.2	4.9%	17.0%	10.5%	10.9%	8.0%
- Local Business	54.8	53.8	34.8	1.9%	57.5%	6.7%	7.0%	3.5%
- Overseas Business	77.6	72.4	78.4	7.2%	-1.0%	17.3%	18.6%	18.8%
Net Profits	119.1	13.2	99.3	802.3%	20.0%	9.3%	1.1%	6.9%
- Local Business	116.6	122.3	196.2	-4.7%	-40.6%	14.3%	16.0%	19.7%
- Overseas Business	(62.6)	(103.1)	(52.5)	-39.3%	19.2%	-13.9%	-26.4%	-13.9%
- Provision for doubtful account	0.0	(8.0)	0.0	-100.0%	n.a.	0.0%	-0.7%	0.0%
- Gain (Loss) on Fx	65.1	2.0	(44.4)	3155.0%	-246.6%	5.1%	0.2%	-3.1%

(Unit : THB million)

The Automotive Industry Club, the Federation of Thai Industries, reported the information of overall automotive industry in the first quarter of 2020 presenting a continued slowdown of automotive industry in Thailand from the end of 2019 together with the current outbreak of the Coronavirus Disease 2019 (“COVID-19”). These negative factors resulted a decline of the automotive market in Thailand, resulting the first quarter of 2020 domestic car sales of 200,064 units, decreasing 31.7% compared to the same period of 2019 of 263,549 units. Vehicle export of 250,281 units was decreased 16.5% comparing to the first quarter of

2019 of 299,841 units. Total production of cars in the first quarter of 2020 was 453,682 units, declining 19.2 percent compared to the same period of 2019 of 561,487 units, whereas the production of 1-ton pickup truck was totaling 272,808 units, decreasing 16.9% compared to the same period of 2019 of 328,338 units.

Sales Revenue

Pursuant to the slowdown of auto industry in Thailand since 2019 and the outbreak of the Coronavirus Disease 2019 (“COVID-19”) in the first quarter of 2020, the Company and its subsidiaries recorded Sales Revenue in the first quarter of 2020 at Baht 1,263.0 million, decreasing 10.7% from Baht 1,414.0 million in the same period of 2019, but increasing 9.3% from Baht 1,155.3 million in the fourth quarter of 2019, which resulted from changes of sales revenue from local and overseas business as follow;

- Local business: Sales revenue was at Baht 814.0 million in the first quarter of 2020, declining 18.4% from Baht 997.8 million in the same period of 2019, but increasing 6.3% from Baht 765.5 million in the fourth quarter of 2019, due to adjustment for program order from customers pursuant to car model change per overall auto market in the country.
- In the first quarter of 2020, the Company recorded the sales revenue generating from overseas business in the amount of Baht 449.0 million, increasing 7.9% from Baht 416.2 million in the same period of 2019 due to aggressive sales to existing and new target customers in Germany and also increasing 15.2% from Baht 389.8 million in the fourth quarter of 2019 due to seasonal reason which a lot of holidays were for European countries during the fourth quarter of 2019.

Cost of Goods Sold (COGS)

In the first quarter of 2020, the Company and its subsidiaries recorded COGS of Baht 1,078.9 million, decreasing 9.0% from Baht 1,185.9 million in the same period of 2019, with the ratio of COGS to sales revenue of 85.4%, but increasing 5.5% from Baht 1,022.4 million in the fourth quarter of 2019, which resulted from changes of COGS from local and overseas business as follow;

- Local business: COGS recorded at Baht 637.4 million in the first quarter of 2020, declining 18.9% from Baht 786.4 million in the same period of 2019 but increasing 5.1% from Baht 606.4 million in the fourth quarter of 2019, in relation to local sales revenue. The ratio of COGS to sales revenue in the first quarter of 2020 was 78.3%, lower from 78.8% in the same period of 2019 and lower from 79.2% in the fourth quarter of 2019, as a result of continued production improvement and cost reduction.
- Overseas business: COGS of Baht 441.5 million in the first quarter of 2020, increasing 10.5% from Baht 399.5 million in the same period of 2019 and increasing 6.1% from Baht 416.0 million in the fourth quarter of 2019, with the ratio of COGS to sales revenue of 98.3%, which had higher production cost than local business, especially on staff cost, materials cost and repair & maintenance cost.

Selling, General and Administrative Expenses (SG&A)

In the first quarter of 2020, the Company and its subsidiaries recorded SG&A of Baht 132.4 million, increasing 17.0% from Baht 113.2 million in the same period of 2019, and increasing 4.9% from Baht 126.2 million in the fourth quarter of 2019, with the ratio of SG&A to sales revenue of 10.5%, which resulted from changes of SG&A from local and overseas business as follow;

- Local business: SG&A recorded at Baht 54.8 million in the first quarter of 2020, increasing 57.5% from Baht 34.8 million in the same period of 2019 and increasing 1.9% from Baht 53.8 million in the fourth quarter of 2019, with the ratio of SG&A to sales revenue of 6.7% due to reclassification for costing after Entire Business Transfer (EBT) on

1 July 2019.

- Overseas business: SG&A of Baht 77.6 million in the first quarter of 2020, declining 1.0% from Baht 78.4 million in the same period of 2019 but increasing 7.2% from Baht 72.4 million in the fourth quarter of 2019. SG&A to sales revenue was 17.3%.

Foreign Exchange Gain / Loss

In the first quarter of 2020, the Company recorded the unrealized gain from foreign exchange of Baht 65.1 million, comparing to the unrealized foreign exchange loss of Baht 44.4 million in the same period of 2019, from loan to overseas subsidiaries, which the exchange rate as at 31 March 2020 was 35.6113 Baht per 1 Euro.

Net Profit

In the first quarter of 2020, the Company and its subsidiaries recorded a net profit of Baht 119.1 million with the ratio of net profit to sales revenue of 9.3%, the earning per share of Baht 0.08, enhancing 20.0% compared with the net profit in the same period of 2019 of Baht 99.3 million and net profit of Baht 13.2 million in the fourth quarter of 2019. If excluding unrealized gain/loss from foreign exchange, the Company shall record a lower net profit of Baht 54.0 million, comparing to a net profit of Baht 143.7 million in the same period of 2019, but higher net profit from Baht 11.2 million in the fourth quarter of 2019. Financial performance for local and overseas business could be analyzed as follow;

- Local business: The Company recorded a net profit of Baht 116.6 million in the first quarter of 2020, decreasing 40.6% from Baht 196.2 million in the same period of 2019, with the ratio of local net profits to sales revenue of 14.3%, and decreasing by 4.7% from Baht 122.3 million in the fourth quarter of 2019.
- Overseas business: The Company encountered a net loss of Baht 62.6 million in the first quarter of 2020, higher loss by 19.2% from net loss of Baht 52.5 million in the same period of 2019, with the ratio of a net loss from overseas business to sales revenue was 13.9%, but the net loss was lower 39.3% from Baht 103.1 million in the fourth quarter of 2019.

Statement of Financial Position

Descriptions	As of 31 March 2020	As of 31 December 2019	Changes + / (-)
Current Assets	2,890.2	2,708.5	181.7
Non-current Assets	2,919.5	2,728.7	190.8
Total Assets	5,809.7	5,437.2	372.5
Current Liabilities	516.5	504.3	12.2
Non-current Liabilities	396.9	154.0	242.9
Total Liabilities	913.4	658.3	255.1
Paid-up Share Capital	1,525.0	1,525.0	-
Share Premium	2,741.7	2,741.7	-
Retained Earnings	565.0	445.8	119.2
Total Shareholders' Equity	4,896.3	4,778.9	117.4

(Unit: Baht million)

Total Assets as of 31 March 2020 were Baht 5,809.7 million. Current Assets increased by Baht 181.7 million from Baht 2,708.5 million as of 31 December 2019. Cash and cash equivalents increased by Baht 209.7 million from profitable business operation, especially local business. Account Receivable decreased by Baht 39.6 million in accordance with declining sales revenue in the first quarter of 2020. Non-current asset increased of Baht 190.8 million due to an increase of Right of Use for assets in the amount of 234.3 million pursuant to first-time implementation of Thai Financial Reporting Standard No. 16 Lease Agreement as at 1 January 2020.

Total liabilities as of 31 March 2020 were Baht 913.4 million, increased by Baht 255.1 million from 31 December 2019, due to an increase of Lease Liabilities in the amount of 234.3 million pursuant to first-time implementation of Thai Financial Reporting Standard No. 16 Lease Agreement as at 1 January 2020.

Equity as of 31 March 2020 were Baht 4,896.3 million, increased by 117.4 million comparing to the equity as of 31 December 2019.

Cash Flow Statement

Descriptions	As at 31 Mar 2020	As at 31 Mar 2019	Changes +/-
Cash flows from operating activities	288.5	381.9	(93.4)
Cash flows from investing activities	(28.4)	(19.7)	(8.7)
Cash used in financing activities	(7.3)	(0.9)	(6.4)
Exchange differences on translation of financial statements in foreign currency	(42.4)	(24.7)	(17.7)
Net increase (decrease) in cash and cash equivalents	210.3	336.5	
Cash and cash equivalents at the end of period	1,363.2	840.6	

(Unit : THB million)

The Company's total cash and cash equivalents as of 31 March 2020 was Baht 1,363.2 million. Cash flow from operating activities was Baht 288.5 million and used in investing activities of Baht 28.4 million was mostly for purchases of property, plant and equipment. Cash used in financing activities of Baht 7.3 million.

Please be informed accordingly.

Sincerely Yours,



(Mr. Angkrit Rungrotkitiyot)

Chief Executive Officer