

10 August 2020

To: President  
The Stock Exchange of Thailand

Re: Management Discussion and Analysis (MD&A) for the Second Quarter of 2020 ending as at 30 June 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 second quarter of 2020 ending at 30 June 2020 as follow;

### Financial Overview

Description	Quarter 2 2020	Quarter 1 2020	Quarter 2 2019	Changes QoQ (%)	Changes YoY (%)	Ratio to Sales Q2-2020	Ratio to Sales Q1-2020	Ratio to Sales Q2-2019
Sales Revenue	501.4	1,263.0	1,354.3	-60.3%	-63.0%			
Other Revenue	48.4	21.7	31.9	123.0%	51.7%			
Total Revenue	549.8	1,284.7	1,386.2	-57.2%	-60.3%			
Cost of Goods Sold	586.4	1,078.9	1,145.8	-45.7%	-48.8%	117.0%	85.4%	84.6%
Gross Profit	(85.0)	184.1	208.6	-146.2%	-140.8%	-17.0%	14.6%	15.4%
SG&A	99.9	132.4	109.2	-24.5%	-8.5%	19.9%	10.5%	8.1%
Provision for doubtful account	(1.9)	(1.9)	(202.0)	0.0%	-99.1%	-0.3%	-0.1%	-14.6%
Gain (Loss) on Fx	(29.6)	63.4	(20.7)	-146.7%	43.0%	-5.4%	4.9%	-1.5%
Financial Cost / Tax	12.1	(17.7)	10.6	-168.4%	14.2%	2.2%	-1.4%	0.8%
Net Profits	(155.9)	119.1	(80.9)	-230.9%	92.7%	-28.4%	9.3%	-5.8%

(Unit : THB million)

The Automotive Industry Club, the Federation of Thai Industries, reported the information of overall automotive industry in the second quarter of 2020 presenting that due to 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”), the second quarter of 2020 domestic car sales of 128,540 units, decreasing 53.0% compared to the same period of 2019 of 273,489 units and declining 35.8% from the previous quarter of 200,064 units. Vehicle export of 100,269 units was also decreased 66.2% comparing to the same period of 2019 of 296,312 units and declining 59.9% from the previous quarter of 250,281 units. Total production of cars in the second quarter of 2020 was 152,450 units, declining 69.8 percent compared to the same period of 2019 of 504,458 units and declining 66.4% from the previous quarter of 453,682 units, whereas the production of 1-ton pickup truck was totaling 95,754 units, decreasing 67.4% compared to the same period of 2019 of 293,724 units and declining 64.9% from the previous quarter of 272,808 units.

**Sales Revenue**

Pursuant to the slowdown of auto industry in Thailand and the outbreak of the Coronavirus Disease 2019 (“COVID-19”) since the beginning of 2020, the Company and its subsidiaries recorded Sales Revenue in the second quarter of 2020 at Baht 501.4 million, decreasing 63.0% from Baht 1,354.3 million in the same period of 2019, and decreasing 60.3% from Baht 1,263.0 million in the first quarter of 2020. However, the impact for overseas business was less than local due to aggressive marketing strategy for the existing and new customers in Germany.

**Cost of Goods Sold (COGS)**

In the second quarter of 2020, the Company and its subsidiaries recorded COGS of Baht 586.4 million, decreasing 48.8% from Baht 1,145.8 million in the same period of 2019, with the ratio of COGS to sales revenue of 117.0%, and decreasing 45.7% from Baht 1,078.9 million in the first quarter of 2020 as a result of significantly declining sales revenue in the second quarter of 2020 and fixed cost for the excess capacity which included in COGS.

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

In the second quarter of 2020, the Company and its subsidiaries recorded SG&A of Baht 99.9 million, decreasing 8.5% from Baht 109.2 million in the same period of 2019, and decreasing 24.5% from Baht 132.4 million in the first quarter of 2020, with the ratio of SG&A to sales revenue of 19.9% due to overall cost reduction and control of the Company under Covid-19 situation and reclassification of costing after entire business transfer on 1 July 2019.

**Foreign Exchange Gain / Loss**

In the second quarter of 2020, the Company recorded the unrealized loss from foreign exchange of Baht 29.6 million, comparing to the unrealized foreign exchange loss of Baht 20.7 million in the same period of 2019 and the unrealized foreign exchange gain of Baht 63.7 million in the first quarter of 2020 from loan to overseas subsidiaries in Germany and Hungary, which the exchange rate as at 30 June 2020 was 34.3318 Baht per Euro.

**Net Profit (Loss)**

In the second quarter of 2020, in accordance with Covid-19 pandemic situation, the Company and its subsidiaries recorded a net loss of Baht 155.9 million with the ratio of net loss margin of 28.4%, the loss per share of Baht 0.102, compared with the net loss in the same period of 2019 of Baht 80.9 million and the net profit of Baht 119.1 million in the first quarter of 2020. If excluding unrealized gain/loss from foreign exchange, the Company shall have a lower net loss of Baht 126.3 million, comparing to a net loss of Baht 60.2 million in the same period of 2019 and the net profit of Baht 55.7 million in the first quarter of 2020.

Since the situation of Covid-19 outbreak had been continuously controlled and the government started to release several state actions to overcome the outspread, the Company foresees a business recover signal in the latter period of the second quarter of 2020 and is confident that its business and financial performance for both local and overseas business will gradually improve and eventually gain a profit due to the Company’s strength and advantages of production technology, personnel expertise, internal control, customer royalty and marketing.

### Statement of Financial Position

Descriptions	As of 30 June 2020	As of 31 December 2019	Changes + / (-)
Current Assets	2,500.7	2,708.5	-207.9
Non-current Assets	2,837.0	2,728.7	108.3
<b>Total Assets</b>	<b>5,337.6</b>	<b>5,437.2</b>	<b>-99.6</b>
Current Liabilities	446.1	504.3	-58.2
Non-current Liabilities	453.2	154.0	299.2
<b>Total Liabilities</b>	<b>899.3</b>	<b>658.3</b>	<b>241.0</b>
Paid-up Share Capital	1,525.0	1,525.0	0.0
Share Premium	2,741.7	2,741.7	0.0
Retained Earnings	104.2	445.8	-341.6
<b>Total Shareholders' Equity</b>	<b>4,438.4</b>	<b>4,778.9</b>	<b>-340.5</b>

(Unit: Baht million)

Total Assets as of 30 June 2020 were Baht 5,337.6 million. Current Assets decreased by Baht 207.9 million from Baht 2,708.5 million as of 31 December 2019. Cash and cash equivalents increased by Baht 345.5 million from short term investment. Account Receivable decreased by Baht 483.5 million in accordance with declining sales revenue in the second quarter of 2020. Inventory declined by Baht 57.6 million in accordance with reduced production. Non-current asset increased of Baht 108.3 million due to an increase of Right of Use for assets pursuant to first-time implementation of Thai Financial Reporting Standard No. 16 Lease Agreement commenced on 1 January 2020. Investment in machine and equipment increased Baht 126.7 million against normal depreciation of baht 286.4 million in the first half of 2020. Withholding tax receivable was Baht 16 million.

Total liabilities as of 30 June 2020 were Baht 899.3 million, increased by Baht 241.0 million from 31 December 2019, due to an increase of Lease Liabilities pursuant to first-time implementation of Thai Financial Reporting Standard No. 16 Lease Agreement as at 1 January 2020. Account Payable decreased by Baht 167 million from 31 December 2019 was in accordance with reduction of production capacity during the second quarter of 2020.

Total Shareholders' Equity as of 30 June 2020 were Baht 4,438.4 million, decreased by 340.5 million comparing to the equity as of 31 December 2019 due to interim dividend payment to shareholders in April 2020 pursuant to the resolution of the Board of Directors and operational loss in the second quarter of 2020 in connection to pandemic situation of Covid-19.

### Cash Flow Statement

Descriptions	As at 30 June 2020	As at 30 June 2019	Changes +/(-)
Cash flows from operating activities	654.2	572.9	81.3
Cash flows from investing activities	-982.9	-83.9	-899
Cash used in financing activities	-192.1	-155.7	-36.4

Exchange differences on translation of financial statements in foreign currency	-16.8	7.8	-24.6
Net increase (decrease) in cash and cash equivalents	537.7	341.1	196.6
<b>Cash and cash equivalents at the end of period</b>	<b>614.9</b>	<b>840.1</b>	<b>-225.2</b>

(Unit : THB million)

The Company's total cash and cash equivalents as of 30 June 2020 was Baht 1,499.0 million. Cash flow from operating activities was Baht 654.2 million and used in investing activities of Baht 982.9 million mostly due to cash investment in financial institutions (Baht 884.1 million) as well as purchase of machines and equipment (Baht 126.7 million). Cash used in financing activities of Baht 192.1 million was due to interim dividend payment to shareholders of Baht 305.0 million.

Please be informed accordingly.

Sincerely Yours,



(Mr. Angkrit Rungrotkitiyot)

Chief Executive Officer