

14 August 2020

Attention: The President

The Stock Exchange of Thailand

Subject: Management Discussion and Analysis For the operating results of the 2Q2020

PP Prime Public Company Limited

Management Discussion and Analysis For the operating results of the 1Q2020

Performance overview

In 2Q2020, PP Prime Public Company Limited ("the Company") and its subsidiaries had sales revenue of Baht 412.06 million, consisting of the revenue from the animal feed business, electric power business, and other incomes equal to Baht 405.82 million, Baht 6.23 million, and Baht 0.01 million respectively which accounted for 98.49%, 1.51% of the total revenue from sales respectively. The Company and its subsidiaries had total income decreased by 18.36% Q0Q in which the main business had revenue decreased by 19.25% Q0Q.

However, in 2Q2020, the Company and its subsidiaries had a total net loss of Baht 46.95 million, which decreased by 57.73% Q0Q due to acknowledgement of the impairment paid in advance for Baht 65.56 million.

Consolidated Financial Statements (Unit: Million Baht)	2Q2020	2Q2019	Change increase (decrease)	Percentage
Revenue from sales	412.06	510.31	(98.25)	-19.25%
Other incomes	8.60	4.96	3.64	73.39%
Total Revenues	420.66	515.27	(94.61)	-18.36%
Cost of Sales	360.97	426.66	(65.68)	-15.39%
Selling and Administrative Expenses	89.55	88.30	1.25	1.42%
Impairment	-	65.56	(65.56)	-100%
Loss from the Sales of Securities	-	12.35	(12.35)	-100%
Total Expenses	450.52	592.86	(142.34)	-24.01%
Profit (Loss) before finance costs and income tax expenses	(29.86)	(77.59)	47.73	61.52%
Finance Costs	(21.21)	(34.17)	(12.96)	-37.93%
Profit (Loss) before income tax expenses	(51.07)	(111.76)	60.69	54.30%
Income tax expenses	4.12	0.69	3.43	497.10%
Loss for the year	(46.95)	(111.07)	64.12	57.73%

Explanation and Analysis of Financial Status and Operating Results for 2Q2020

1.1 Income

Aquatic business selling

In 2Q2020, the Company had revenue from the aquatic business equal to Baht 342.23 million, a decrease of 24 % Q0Q.

The shrimp industry had faced with severe red-plagued white spot disease, white leptospirosis, and sudden death in shrimp as well as the outbreak of the Corona Virus 2019 disease (COVID-19), resulting Thai Feed Mill Association to announce the decrease of shrimp feed to reduce the cost of production to farmers; therefore, the revenue from the sales of shrimp feed decreased by 23.39% Q0Q.

The fish farming industry confronted with the drought, as well as the Outbreak of the Corona Virus 2019 disease (COVID-19), Thai Feed Mill Association to announce the decrease of fish feed to reduce the cost of production to farmers, the revenue from fish feed sales decreased by 23.75% Q0Q.

Pet Food Distribution Business

The Company had revenue from being hired to produce pet food equals to Baht 63.59 million. The revenue grew up approximately 50.62%, Q0Q.

Electric Power Business

The Company is engaged in the production and distribution of electricity from geothermal energy in Japan, having revenue in 2Q2020 at Baht 6.23 million, decrease by 69.46% Q0Q. Some projects are on renovation. Presently, the Company has a total of 15 power plants that can supply electricity into commercial systems.

1.2 Cost of sales

Most cost of sales comes from cost of raw materials for production. In 2Q2020, the Company's cost of sales was Baht 360.97 million, decrease of 15.39% Q0Q in conjunction with the sales reduction.

1.3 Gross profit

Gross profit in 2Q2020 equals to Baht 51.09 million, decrease of 38.93% Q0Q, with gross profit of Baht 83.66 million.

1.4 Selling and administrative expenses

Selling and administrative expenses in 2Q2020 was Baht 89.55 million, increase of Baht 1.25 million or 1.42% Q0Q. The increase in expenses is mainly due to the loss from the exchange rate, or Baht 7.54 million while the selling and administrative expenses is decreased due to the better management.

1.5 Impairment

The impairment is decreased for Baht 65.56 million, or 100% QoQ as the Board of Directors has resolved to suspend the investment of the Riverside Project in 2Q2020 due to the delay of project as agreed. However, due to the uncertainty to receive the fund from the joint investor, the Company has acknowledged the impairment of advance payment on such project.

1.6 Loss from the Sales of Securities

Such securities originally represented the fair value of the securities for sales, being acknowledged the difference of fair value and cost in profit that has not yet occurred from the valuation of security shown on the profit and loss statement. The Company then arranged the classification as the security for sales. As of the date classify such transaction, the fair value is higher on cost of security by acknowledging the difference of profit not yet occurred from the valuation of such security in shareholder's equity directly on the statement of comprehensive income. The loss from the sales of security was at Baht 12.35 million, being occurred from the fair value of the security being decreased on the date classify the transaction, and that has higher fair value than the cost of security

1.7 Net profit (loss)

In 2Q2020, the Company and its subsidiaries had a net loss of Baht 46.95 million or Baht -0.07 per share.

Financial status

2.1 Assets

As of 30 June 2020, the Company and its subsidiaries had total assets of Baht 2,396.52 million, a decrease of Baht 60.74 million, or 2.47%. Most of them are decreased from inventories for Baht 85.56 million due to better policy of inventory control.

2.2 Liabilities

As of 30 June 2020, the Company and its subsidiaries had total liabilities of Baht 2,036.56 million, an increase of Baht 23.45 million or an increase of 1.16% as of 31 December 2019. Even though the Company exercises the right to redeem partial bond for Baht 30 million, the increase of the account payable as well as the creditors are of Baht 82.39 million from the usual operation resulting the increase of liabilities from last year.

2.3 Shareholders' Equity

As of 30 June 2020, the Company and its subsidiaries have shareholders' equity of Baht 359.96 million, a decrease of Baht 84.19 million or a 18.96% mainly due to a loss from operation in 2020 for the amount of Baht 52.96 million and the loss from the expired warrant for the amount of Baht 38.71 million.

Liquidity

In 2Q2020, the Company and its subsidiaries had net cash flows from operating activities in the amount of Baht 212.69 million, cash flow used in investment activities of Baht 13.21 million and cash used in financing activities in the amount of Baht 101.72 million, affecting the exchange rate of Baht 36.00 million, resulting in the company having cash and cash equivalents increased by Baht 61.76 million. As a result, as of 30 June 2020 the Company had cash and cash equivalents for Baht 107.30 million.

Summary of shrimp industry situation in 2Q2020

Due to the external factors that are likely to improve both the COVID-19 situation in the country, the situation of the red and white disease epidemic, white disease and EMS that have a lower tendency to spread since April 2020, together with the weather that began to enter the rainy season resulting in reduction of water salinity which is most suitable for raising shrimp. Moreover, the Animal Feed Traders Association announced a reduction in shrimp feed prices, a major cost for shrimp farming to help reduce cost for farmers and as a motivation. As a result, farmers prepare shrimp ponds to increase by 20% from 1Q2020. In addition, domestic and foreign demand has increased. In the country, the government has helped push forward the COVID-19 situation from the opening of the store's services. Tourist attraction and entertainment venues while foreign countries had damaged from the situation of COVID-19 is not suitable for shrimp farming. Therefore, shrimp must be imported to meet domestic consumption, especially China.

From the above situation, resulting 2Q2020 situation of the shrimp industry has increased. Their output to the domestic market has increased from 10 - 15% and the number of flights for shrimp exports has increased, especially exported to China. Due to the damage to shrimp farming in China, more imports are needed. The situation is expected to continue rising in the shrimp industry.

Shrimp Industry Outlook 3Q2020

The trend of continuous improvement in production and distribution in 2Q2020, the situation of COVID-19 has been reduced as the Thai government has more control over the outbreak of COVID-19 situation, and weather condition improved. More rain; therefore, the salinity and temperature decreased, suitably for shrimp farming. In 3Q2020, the situation of shrimp farming in Thailand therefore increased new shrimp more than 2Q2020 by 20-30% of the farming area. In addition, Thailand has more opportunities to export shrimp than other shrimp

producers in Asia such as China, Vietnam, India, etc., especially India. This will take quite some time to recover. Damage in productivity in India does not meet the target which is normally able to produce six to seven hundred thousand tons of shrimp per year; however, in 3Q2020 still cannot control the outbreak of COVID-19, thus affecting production and export.

From the analysis of the selling price situation and the global market demand in 3Q2020 showed that the selling price of white shrimp will be rising 85% of the export market. Due to the drop of global output from 2Q2020, demand in the world market is higher, followed by 10% crustaceans, most of which are exported to China, and 5% are lobsters that are mainly consumed domestically.

Summary of the situation of fish farming in 2Q2020

The situation of fish farming in 2Q2020 is likely to increase steadily, resulting from higher domestic and foreign demand of consumption. Due to the weather that is entering the rainy season The amount of water above the dam and the amount of water in natural water bodies has increased. The fish raft returned to buy fish as usual. In addition, the Animal Feed Traders Association has announced a reduction in fish feed prices to help reduce production costs for farmers. As a result, farmers are raising new crop fish in increasing quantity. Moreover, after the government announced the recovery of the COVID-19 situation, the COVID-19 outbreak decreased from late April to May 2020, causing more sellers to sell products to the market. Moreover, it has continued to export to neighboring countries such as Laos, Cambodia and Myanmar, resulting in a positive trend in selling fish prices in late 2Q2020.

The situation of the fish farming in the Northern and the Northeast - more fry was taken and now the fish raft is back to buy as usual. The consumption in the North has also increased, especially in tourist cities such as Chiang Mai and Chiang Rai, the Isaan region such as Nakhon Ratchasima, Khon Kaen and Ubon Ratchathani which can drain fish better than 1Q2020, the Southern region is the sales of fish from Surat Thani and 3 southern provinces Fish can be sold in the tourist cities of Songkhla, Krabi and Phuket. Farmers prefer to raise 70% of tilapia because it is easy to grow and grow faster, followed by 20% catfish and 10% of other fish, 90-95% of fresh fish consumption and 5% dried fish.

Situation of fish prices tends to rise especially, white snapper fish, size 7-9 ticks, have a better price at Baht 85-90 per kg from Baht 55-60, while tilapia is likely to increase Baht 5-10 per kg, increasing to Baht 60-70 baht per kg

Fish Farming Trend in 3Q2020

Due to the situation in 2 Q2 0 2 0 , there is a trend in fish farming and draining tendency to improve, which hatcheries can produce more fry to feed to the market. Farmers accelerate the introduction of new crop fish continuously, increasing 20-30% of the area, and tends to increase steadily because of the suitability of the water source and avoid the spread of infectious disease of tilapia fish, that is, streptococcosis which often has severe outbreaks in the winter. Exports to neighboring countries such as Laos, Cambodia, exports continue to improve. As a result, the trend of fish prices returned better than in the end of 2Q2020.

Summary of the pet situation in 2Q2020

In 2Q2020, the situation of the COVID-19 outbreak has decreased, the government has taken measures for more relaxation, causing the domestic pet market to be active. People started shopping for pet food at the retail trading and wholesalers. After the airlines started to fly again allowing it possible to export to foreign countries both neighboring countries in ASEAN, which is a big market such as Malaysia, Indonesia and Singapore, and countries in Europe and America, where exports are likely to increase comparing to 1Q2020

Pet Food Trends in 3Q2020

The domestic pet market is likely to grow 1 0 % higher than 2Q2020, in contrast to the current economic downturn. The nature of raising domestic animals needs convenience and time reduction of feeding. Therefore, ready meals are still popular, especially dry feed which accounts for 80% of the market and the remaining 20% is wet food

Asian export market and Southeast Asia has a higher growth trend especially the big markets of Asia like China and Japan, which still has high demand for pet food and the economy has less impact than other countries. The European and American markets have been exported continuously as there is still a problem with the outbreak of COVID-19 causing more imports than exports. Therefore, in the third quarter of 2020, the export volume is expected to increase.

Yours sincerely,

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Director / Chief Executive Officer