

PP PRIME Public Company Limited
Former Name: Thai Luxe Enterprises Public Company Limited

Management Discussion and Analysis for the quarter 3, 2018

Company Performance Overview

For the quarter 3, 2018, PP Prime Public Company Limited (*Former name: Thai Luxe Enterprises Public Company Limited*) (The Company") and subsidiaries recorded total revenues of 544.17 million Baht, consisting of total revenue from feed businesses and geothermal power business, and other income of 543.19 million Baht and 0.98 million Baht of total revenue respectively. This translates into 99.82% and 0.18% of total revenue respectively. The Company and subsidiaries had the revenue increase by 3.04% comparing to the same quarter of previous year which the main business revenue had increased 5.42% when comparing to the same quarter of previous year.

For the quarter 3, 2018, The Company and subsidiaries had net operating loss of 53.75 million Baht which translates to an increased 55.99% when comparing with the previous year. This was mainly due to decrease in selling and administrative expenses because in quarter 3, 2018, the Company had not recorded any expenses of acquisitions the subsidiaries in Japan and the Company had managed the expenses better than the previous year.

Consolidated financial statements	Quarter	Quarter	Change	Percent
Unit : Million Baht	3/2018	3/2017		
Sales	543.19	515.25	27.94	5.42%
Other income	0.98	12.89	-11.91	-92.40%
Total Revenue	544.17	528.14	16.03	3.04%
Cost of sales	468.59	428.23	40.36	9.42%
Selling and Administrative expenses	89.49	188.40	-98.91	-52.50%
Total expenses	558.08	616.63	-58.55	-9.50%
Profit before finance cost and income expenses	-13.91	-88.49	74.58	84.28%
Share of loss from investments in associates	0.00	-0.16	0.16	100.00%
Finance Cost	-34.07	-28.61	-5.46	-19.08%
Profit before income tax expenses	-47.98	-117.26	69.28	59.08%
Income tax expenses	-5.77	-4.88	-0.89	-18.24%
Profit (Loss) from continued operation for the period	-53.75	-122.14	68.39	55.99%
Loss from discontinued for the period	0.00	0.00	0.00	0.00%
Loss for the period	-53.75	-122.14	68.39	55.99%
Non-controlling interests of the subsidiaries	0.00	0.00	0.00	0.00%
Profit (Loss) attributed to equity holders of the Company	-0.14	-0.22	0.08	36.36%

Explanation and Analysis of the Operating result for quarter 3, 2018

1.1 Revenue

Aquatic Feed and Pet Food Business

In quarter 3, 2018, the revenue from aquatic feed and pet food was 521.39 million Baht, or an increase of 2.53% comparing to the same quarter of previous year.

For the shrimp feed section in quarter 3, 2018, the business of farming of Giant Tiger Prawn area had recorded an increase of 30%, therefore the revenue for shrimp feed increased 22.68% when compared to the same quarter of previous year.

For fish feed section, the business had the effect of experience on quality of water and heavy rain which causes the fish farm to record low productivity due to change of farming environment, therefore the revenue had decreased 5.34% when comparing to the same quarter of previous year.

For OEM of pet food, the business had been affected by decreasing of import from Indonesia because the market of pet food had an experience of a temporary recession, so the revenue from OEM of pet food decreased 34.40% comparing to the same quarter of the previous year.

For the Energy Business

The Company had produced and COD the geothermal electricity in Japan in quarter 3, 2018, the electricity sales were 21.80 million Baht or 4.01% of the total revenue of the company. Currently, the Company had the power plants that can commercially operate total of 15 units.

1.2 Cost of sales

In quarter 3, 2018 the majority of the Company's cost of sales was cost of raw material in production. The Company had cost of sales 468.59 million Baht, an increase of 9.42% when comparing to the same quarter of previous year due to increase in sales and price of raw material. The cost of sales per sales had increased from 83.11% in quarter 3, 2017 to 86.27% in quarter 3, 2018

1.3 Gross Profit

In the quarter 3, 2018, Gross Profit was 74.60 million Baht, decreased by 14.27 percent compared with the same quarter of previous year which was 87.02 million Baht.

1.4 Selling and Administrative expenses

Selling and Administrative expenses in quarter 3, 2018 was 89.49 million Baht, decreased 52.50% when compared with the same quarter of previous year, it was mainly due to the Company had not recorded any expenses of acquisitions the subsidiaries in Japan and the

Company had the good management of expenses better than the same quarter of previous year.

1.5 Net profit (loss)

In the quarter 3, 2018, the consolidated financial statements showed net loss 53.75 million Baht, or net loss 0.14 Baht per share due to higher cost of goods sold.

Financial Position

2.1 Asset

As of 30 September 2018, the consolidated financial statements showed total asset of 3,506.64 million Baht, decreased 481.13 million Baht or decreased 12.07% from 31 December 2017. The decreasing was from lower valuation of long-term investment.

2.2 Liabilities

As of 30 September 2018, the consolidated financial statements showed total liabilities of 2,493.25 million Baht, decreased 117.50 million Baht or decreased 4.50% from 31 December 2017 due to repayment to bond holder.

As of 30 September 2018 and 31 December 2017, Debt to Equity ratio of the Company were 2.46 times and 1.90 times respectively.

2.3 Shareholder's Equity

As of 30 September 2018, the consolidated financial statements showed total Shareholder's Equity of 1,013.39 million Baht, decreased 363.63 million Baht or decreased 26.41% from 31 December 2017 due to unrealized loss in securities available for sale and net operating loss for the period of 9 months in 2018.

Liquidity

In the quarter 3, 2018, the consolidated financial statements showed used in operating activities at the amount of (49.50) million Baht, Net cash flow from investing activities at the amount of 237.35 million Baht from investments in subsidiaries and cash used in financing activities at (203.27) million Baht. Cash and cash equivalents were decreased by amount of (7.21) million Baht. As the result of 30 September 2018, cash and cash equivalents at the end of period as of the was 26.26 million Baht.

Report on feed business situation in 2018

The trend of aquatic feed industry in quarter 3 and quarter 4

The Situation of shrimp industry in quarter 3 of 2018

Continuing of declining price of Pacific white shrimp in the 3 quarter of 2018, therefore the breeding of shrimp larvae during January – September 2018 was shrunk 21% comparing with 2017. The farmer had look for other feeding to replace farming the Pacific white shrimp. At that time, Gain Tiger Prawn had become more recognize due to higher selling price comparing to the Pacific white shrimp, therefore the farm area of Gain Tiger Prawn increased 30% (Calculated from place the Gain Tiger Prawn's breed on July – September 2018) and continuing increase, which effect to overview in shrimp business had better

The trend of shrimp industry in quarter 4

In the 4 quarter of 2018, the production of Pacific white shrimp still stable, but the Gain Tiger Prawn has increased continuously (From report of place and reserves the Gain Tiger Prawn's breed on October – December 2018) and still increase because on November – May is the peak period in China's market, which effect to overview in shrimp business has better

The Situation of fish industry in quarter 3 of 2018

The feeding fish was stable, however the fish had shortage, the farmer had controlled the feeding related to the market, to manage the feeding system for selling to market with reasonable price.

In the 3 quarter of 2018, had slightly better than 2 quarter of 2018 even the problem of the quality of water and heavy rain to strong water effected to the fish die and pledge from envelopment change, the marketing still emphasize to old client, maintain the quality and customer service by provide the salesman as the adviser, for expanding the market of old and new client.

The trend of fish industry in quarter 4

In the 4 quarter of 2018 every company has promotion to increase sales to maintain the market share, the challenge still continuing high, the marketing must develop the product to match with the client wants. The overview of fish feed will stable from 3 quarter, the sales must increase the potential of competition to old and new client to challenge the market.