

PP PRIME Public Company Limited
Management Discussion and Analysis
For the quarter 3rd year 2019 (Revised)

Company Performance Overview

For the quarter 3rd year 2019, PP Prime Public Company Limited (“The Company”) and subsidiaries recorded total revenues of 607.96 million Baht, consisting of total revenue from feed businesses and geothermal power business, and other income of 556.69 million Baht and 51.27 million Baht of total revenue respectively. This translates into 91.57% and 8.43% of total revenue respectively. The Company and subsidiaries had the revenue increase by 10.95% comparing to the same quarter of previous year which the main business revenue had increased 2.49% when comparing to the same quarter of previous year.

For the quarter 3rd year 2019, The Company and subsidiaries had net operating loss of 641.09 million Baht which increased by 1,092.73 % when comparing with the previous year. This was mainly due to loss from sales of investments in securities.

| Consolidated financial statements | Quarter 3 | Quarter 3 | Change | |
|---|------------------|------------------|-------------------|-------------------|
| Unit : Million Baht | 2019 | 2018 | Increase | Percent |
| | | | (Decrease) | |
| Sales | 556.69 | 543.19 | 13.50 | 2.49% |
| Other income | 51.27 | 4.76 | 46.51 | 977.10% |
| Total Revenue | 607.96 | 547.95 | 60.01 | 10.95% |
| Cost of sales | 453.83 | 468.59 | (14.76) | -3.15% |
| Selling and Administrative expenses | 91.97 | 93.27 | (1.30) | -1.39% |
| Loss from sales of investments in securities | 760.82 | - | 760.82 | 100% |
| Total expenses | 1,306.62 | 561.86 | 744.76 | 132.55% |
| Profit before finance cost and income expenses | (698.66) | (13.91) | (684.75) | -4,922.72% |
| Share of loss from investments in associates | - | - | - | - |
| Finance Cost | 32.93 | 34.07 | (1.14) | -3.35% |
| Profit (Loss) before income tax expenses | (731.59) | (47.98) | (683.61) | -1,424.78% |
| Income tax expenses (revenues) | (90.50) | 5.77 | (96.27) | -1,668.46% |
| Loss from continued operation for the period | (641.09) | (53.75) | (587.34) | -1,092.73% |

Explanation and Analysis of the Operating result for quarter 3rd year 2019

1.1 Revenue

Aquatic Feed Business

In quarter 3rd year 2019, the revenue from aquatic feed was 495.81 million Baht, or an increase of 2.48% comparing to the same quarter of previous year.

For the shrimp feed section, the situation is not different from the previous quarter, the company still use aggressive marketing and focus on the quality of products, therefore, the revenue for shrimp feed has increased 7.82% when compared to the same quarter of the previous year.

For fish feed section, from drought in 2019 effect to lacking water in some area resulting in decreasing of 6.6% in overall fish productions so that the sale has decreased by 3.15% compared to the same quarter of the previous year.

OEM Business

In quarter 3rd year 2019, the revenue from OEM of pet food was 45.25 million Baht has increased by 20.59% when compared to the same quarter of the previous year due to there was more order from customers.

Energy Business

The Company had produced and COD the geothermal electricity in Japan in quarter 3rd year 2019, the electricity sales were 15.55 million Baht has decreased by 28.67% when compared to the same quarter of the previous year due to some power plant being maintenance progress. Currently, the Company had the power plants that can commercially operate totals of 15 units.

1.2 Other income

In third quarter of 2019 was 51.27 million Baht, increased 46.51 million Baht or 977.10%. It was mainly due to the Company reversed allowance of impairment of advances payment for Riverside project of 47.10 million Baht.

1.3 Cost of sales

In quarter 3rd year 2019 the majority of the Company's cost of sales was cost of goods sold. The Company had cost of sales 453.83 million Baht, a decrease of 3.15% when compared to the same quarter of the previous year according to raw materials prices in foreign countries have decreased and the Company has improved cost management.

1.4 Gross Profit

In the quarter 3rd, year 2019, Gross Profit was 102.86 million Baht, increased by 37.88% when compared with the same quarter of the previous year which was 74.60 million Baht.

1.5 Selling and Administrative expenses

Selling and Administrative expenses in quarter 3rd, year 2019 was 91.97 million Baht, decreased 1.3 million Baht or 1.39% when compared with the same quarter of the previous year, it was mainly due to normal operations.

1.6 Loss from sales of investments in securities

In the first time, the securities were presented at fair value as trading securities so that was recognized the difference between fair value and book value in unrealized gain on investments in securities through statement of income after that the Company classified to be available-for-sale securities which on classified date the fair value has amount more than book value which was recognized unrealized gain on investments in securities transfer other comprehensive income into shareholders' equity. The loss from the sale of securities in the amount of 760.82 million baht is caused by the decrease in fair value of securities from date of classification which fair value has amount more than book value.

1.7 Net profit (loss)

In the quarter 3rd year 2019, the consolidated financial statements showed net loss 641.09 million Baht, or net loss 0.95 Baht per share.

Financial Position

2.1 Asset

As of 30 September 2019, the consolidated financial statements showed total asset of 2,851.98 million Baht, decreased by 487.89 million Baht or decreased 14.61% from 31 December 2018. It was mainly due to the Company has sold investments in securities.

2.2 Liabilities

As of 30 September 2019, the consolidated financial statements showed total liabilities of 2,085.63 million Baht, decreased 441.24 million Baht or decreased 17.46% from 31 December 2018 due to repayments such as short-term borrowing, promissory notes and bond etc.

2.3 Shareholder's Equity

As of 30 September 2019, the consolidated financial statements showed total Shareholder's Equity of 766.36 million Baht, decreased by 46.65 million Baht or decreased 5.74% from 31 December 2018 due to operating loss for 9 months 802.92 million Baht, loss from translated adjustment 18.45 million baht, gain on valuation of available for sales securities 526.17 million Baht and received cash from right offering (RO) 248.55 million Baht.

Liquidity

In the quarter 3rd year 2019, the consolidated financial statements showed net cash from in operating activities at the amount of 5.69 million Baht, net cash from investing activities at the amount of 223.55 million Baht and cash used in financing activities at 253.53 million Baht, Effect of exchange rate at the amount of 51.38 million Baht. Cash and cash equivalents was decreased by amount of 27.08 million Baht. As the result of 30 September 2019, cash and cash equivalents at the end of period as of the was 38.18 million Baht.

Report on feed business situation in 2019

The Situation of shrimp industry in quarter 4th of 2019

In the quarter 3rd year 2019, shrimp farms in another country who have potential in farm expansion are still going to expand capacity of shrimp farm continuously such as India, along with raising more kinds of aquatic animals and try to raise Black Tiger Shrimp for export in a higher proportion due to the world market still a lot of demand Black Tiger Shrimp and avoid market competition of quantity and price of Vannamei Shrimp. In the country who can't expand the capacity of shrimp farm focus quality farm (non-chemical) which certifications to increase standards, To enter the consumer market that places importance on quality and food safety standards. The shrimp market has divided many products for the demand especially for consumers in China that the biggest importer shrimp in the world one of the BIG's 3 (USA, EU and China).

The Situation of fish industry in quarter 4st of 2019

Trends in the 4th quarter of 2019 and 2020, the government has farmer development project called Smart Farmer to develop farmers' potential in production, processing and marketing for raising Tilapia by using new technology to increase productivity, reduce costs and encourage farmers can be processors and distributors, including production planning in accordance with the market demand to solve the decline of price problem. Moreover, the government has the policy to manage agricultural products to balance the market by using Pacharat project that there is integration from government, private and farmers. In order to develop new markets and expand the market for farmers.

The company has a plan to develop Tilapia farm, to increase production efficiency wherewith develop breeding technology, develop Tilapia spicy to withstand seasonal diseases and develop vaccines for disease prevention. Support farmers by developing the information system of Tilapia and advice farmer and consumer to access the electronic system (E-learning, Application) for breeding information and production sources. Support the integration and creation of a network of producers of Tilapia products. Promote the image and consumption of Tilapia products in Thailand and abroad. Develop processing to increase value of Tilapia products.

Yours sincerely,

(Mr. Waroon Atthakorn)

Chief Executive Officer

PP Prime Public Company Limited