

PP Prime Public Company Limited

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

Performance overview

In 1Q2020, PP Prime Public Company Limited ("the Company") and its subsidiaries had sales revenue of Baht 434.90 million, consisting of major income from the animal feed business, electric power business, and other incomes equal to Baht 429.53 million, Baht 5.31 million, and Baht 0.06 million respectively which accounted for 98.77%, 1.22% and 0.01% of the total revenue from sales respectively. The Company and its subsidiaries had total income decreased by 11.03% Q0Q in which the main business had revenue decreased by 15.07% Q0Q.

However, in 1Q2020, the company and its subsidiaries had a total net loss of 6 million baht, which decreased by 88.13% Q0Q due to effective cost management.

Consolidated Financial Statements (Unit: Million Baht)	1Q2020	1Q2019	Change increase (decrease)	Percentage
Revenue from sales	434.90	512.08	(77.18)	-15.07%
Other incomes	25.02	4.84	20.18	416.94%
Total Revenues	459.92	516.92	(57.00)	-11.03%
Cost of Sales	358.52	433.44	(74.92)	-17.28%
Selling and Administrative Expenses	78.23	88.47	(10.24)	-11.57%
Total Expenses	436.75	521.91	(85.16)	-16.32%
Profit (Loss) before finance costs and income tax expenses	23.17	(4.99)	28.16	564.33%
Finance Costs	(24.22)	(33.83)	(9.61)	-28.41%
Profit (Loss) before income tax expenses	(1.05)	(38.82)	37.77	97.3%
Income tax expenses	(4.95)	(11.71)	(6.76)	-57.73%
Loss for the year	(6.00)	(50.53)	44.53	88.13%

Explanation and Analysis of Financial Status and Operating Results for 1Q2020

1.1 Income

Aquatic business selling

In 1Q2020, the Company had revenue from the aquatic business equal to Baht 377 million, a decrease of 13.45 % Q0Q.

The shrimp industry had faced with severe red-plagued white spot disease, white leptospirosis, and sudden death in shrimp as well as the situation of Corona virus 2019 disease (COVID-19), therefore, the revenue from the sales of shrimp feed decreased by 10.66% Q0Q.

The fish farming industry confronted with the drought, as well as the Corona virus 2019 disease (COVID-19), the revenue from fish feed sales decreased by 16.11% Q0Q.

Pet Food Distribution Business

Pet food production grew by approximately 6.51% Q0Q.

Electric Power Business

The Company is engaged in the production and distribution of electricity from geothermal energy in Japan, having revenue in 1Q2020 at Baht 5.31 million, decrease by 80.43% Q0Q. Some projects are on renovation. Currently, 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 1Q2020, the Company's cost of sales was Baht 358.52 million, decrease of 17.28% Q0Q in conjunction with the sales reduction.

1.3 Gross profit

Gross profit in 1Q2020 equals to Baht 76.38 million, decrease of 2.87% Q0Q, with gross profit of Baht 78.64 million.

1.4 Selling and administrative expenses

Selling and administrative expenses in 1Q2020 was Baht 78.23 million, decrease of Baht 10.24 million or 11.57% Q0Q. The decrease in expenses mainly due to the loss from the exchange rate, or Baht 5.83 million and the Company has effective management.

1.5 Net profit (loss)

In 1Q2020, the Company and its subsidiaries had a net loss of Baht 6 million or Baht -0.01 per share

Financial status

2.1 Assets

As of 31 March 2020, the Company and its subsidiaries had total assets of Baht 2,327.00 million, a decrease of Baht 49.01 million, or 2.06% due to account receivable, other receivables, and inventories. The Company has better management of receivables and inventories.

2.2 Liabilities

As of 31 March 2020, the Company and its subsidiaries had total liabilities of Baht 1,995.22 million, a decrease of Baht 1.68 million or a decrease of 0.08% as of December 2019 due to usual business operations.

Debt to equity ratio as of 31 March 31 2020 and 31 December 2019 equals 6.01 times and 5.27 times, respectively.

2.3 Shareholders' Equity

As of 31 March 2019, the Company and its subsidiaries have shareholders' equity of Baht 331.78 million, a decrease of Baht 47.34 million or a 12.49% mainly due to a loss from the sale of investment of Baht 35.92 million.

Liquidity

In 1Q2020, the Company and its subsidiaries had net cash flows from operating activities in the amount of Baht 176.89 million, cash flow used in investment activities of Baht 2.84 million and cash used in financing activities in the amount of Baht 80.58 million, affecting the exchange rate of Baht 77.38 million, resulting in the company having cash and cash equivalents increased by Baht 16.09 million. As a result, as of March 31, 2020 the Company had cash and cash equivalents for Baht 61.63 million.

Summary of shrimp industry situation in 1Q2020

The 1st quarter starting from January - February 2020, shrimp farmers have encountered a serious problem of white spot red plague, white fever and shrimp death disease (EMS) resulting in hidden costs from damage. Shrimp are not fully grown, in which many farms has reduced the density of farming by 20% -30% to reduce the risk of such disease. The production decreased by 10-15%. In addition, the continued shrimp price from the 4th quarter of 2019, resulting in the loss of farming. Also the baht depreciation causing competitive in exporting. This is the major problem for small shrimp farmers to access funding. Thus they have to face with the epidemic of the Corona virus 2019 disease (COVID-19) causing the decrease in domestic consumption As a result, farmers are not confident in pricing and market as a consequence they postpone the farming.

The trend of the shrimp industry in the 2nd quarter of 2020

The reduction of the Corona virus 2019 (COVID-19) is expected to improve in the second quarter. Many Asian countries, especially China, are able to control the disease. New shrimp imports have increased from the first quarter from 10% to 30% due to the appropriate weather conditions. Raining causes the salinity and the

warmer water temperature which is suitable for farming. Most of them still raise 80% white shrimp, 15% black tiger shrimp and 5% lobster.

From the analysis of the global demand in the second quarter, as many competing countries have to start production again. India takes a long time to recover. China and Vietnam were damaged. The product does not meet target. Exports, especially the tiger shrimp to China, therefore started to increase in competition causing the increased price and the decrease in world production, the price of white shrimp is likely to increase in the second quarter.

Summary of fish farming situation, 1st quarter 2020

The farming situation are confronting with drought. The water in the dam has decreased, especially in the northern region and the northeast region affecting the market in some areas. Farmers are raising 70% of the tilapia, 20% catfish and 10% other fish and extend the period of raising due to the slow draining of the fish meat. The problem of the Corona virus 2019 disease (COVID-19), from the original 100 tons of fish being caught in the market per day, and Bang Phae stop to buy due to consumption in tourist destinations in the north such as Chiang Mai and Chiang Rai, the southern region such as Surat Thani, Songkhla, Krabi, and Phuket decreased, while the northeastern regions were Nakhon Ratchasima, Khon Kaen and Ubon Ratchathani unable to drain the fish into the market in the central region, the Thai market and the Bangkok fish market.

From the situation mentioned, most agriculture therefore reduced the amount of feeding in fish, cages and ponds focus on using food that is cheaper than quality. It is not still accelerating growth Raising to allow the market to drain the fish affecting the payment of customers having the opportunity to extend payment from outstanding fish ponds and unable to release the produce at this time.

Trends of fish farming in Q2 / 2020

After the coronary pandemic virus outbreak in 2019 (COVID-19) decreased, the end of April to May was the period when more production was released to the market due to the government announcing a relaxation of opening a city and better exports to neighboring countries resulting in a good fish price trend towards the end of the second quarter, which is the rainy season, the amount of water above the dam. Both farmers have increased the number of new crop croppers. In addition, the Association of Pet Food Traders announced a reduction in fish food prices to help farmers Therefore, there is continuous acceleration in fish farming.

Summary of pet situation quarter 1/2020

From the corona virus outbreak in 2019 (COVID-19), the domestic pet market has less impact than shrimp and fish feed due to the longer product shelf life. And there are sales through various channels such as online, retail stores and wholesalers Which from the policy that closed stores Or shopping center The said channel can be traded normally.

Pet food trends in 2Q2020

The domestic pet market is still growing steadily, 10-15% higher than the first quarter. Currently, domestic pet raising is still popular. And use more ready-made food After the outbreak of the Coronary Artery Disease in 2019 (COVID-19), the pet market is reopening and bustling again. As for the international market, after the country has been opened for importing and exporting in Asia, Europe, America, especially the Chinese market, which is a big market with high demand for pet food. And the economic system has less impact than other countries Therefore, in the second quarter, the export volume tends to increase. And return to normal.

Yours faithfully,

PP Prime Public Company Limited

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(Mr. Waroon Atthakorn)

Chief Executive Officer