

## PP Prime Public Company Limited

### Management Discussion and Analysis

#### for the performance of 2019

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#### Performance overview

In 2019, PP Prime Public Company Limited ("The Company") and its subsidiaries had a total revenue of Baht 2,133.46 million, consisting of the major income from the animal feed business, the electric power business and the other incomes equal to Baht 2,119.42 million and Baht 14.04 million respectively, representing 99.34 percent and 0.66 percent of total revenue respectively. The Company and its subsidiaries had the total revenue increased by 0.47% in which the major business revenue increased by 2.84% YoY.

However, in 2019 the Company and its subsidiaries had a total net loss of Baht 1,460.59 million, increased by 1,226.84% YoY due to the impairment loss and the loss from disposal of investment in securities.

Financial statements (Unit: Million Baht)	2019	2018	change Increase / (decrease)	Percentage
Revenues from sales	2,119.42	2,060.98	58.44	2.84%
Other income	14.04	62.59	(48.55)	-77.57%
Total revenues	2,133.46	2,123.57	9.89	0.47%
Cost of sales	1,757.39	1,793.56	(36.17)	-2.02%
Selling and administrative expenses	367.20	307.01	60.19	19.61%
Loss from allowance for impairment	680.79	-	680.79	100%
Loss from sales of securities	771.94	-	771.94	100%
Total expenses	3,577.32	2,100.57	1,476.75	70.30%
Profit (loss) before finance costs and income tax expenses	(1,443.86)	23.00	(1,466.86)	-6,377.65%
Share of loss from investments in associates	-	-	-	-
Finance costs	125.47	125.96	(0.49)	-0.39%
Profit (loss) before income tax expenses	(1,569.33)	(102.96)	(1,466.37)	-1,424.21%
Income tax expenses (income)	(108.74)	7.12	(115.86)	-1,627.25%
<b>Loss for the year</b>	<b>(1,460.59)</b>	<b>(110.08)</b>	<b>(1,350.51)</b>	<b>-1,226.84%</b>

## Explanation and Analysis of Financial Status and Operating Results for the Year 2019

### 1. Performance

#### 1.1 Income

##### Pet Food Distribution Business

In 2019, the Company had income from the animal feeds business equal to Baht 2,047.69 million, or an increase of 3.20 % YoY.

The shrimp farm industry is not much different from the previous quarter. The Company approaches the market proactively, and also focuses on food quality; therefore, our income from shrimp feed sales increased by 8.66 % YoY.

Due to the drought in 2019, the fish farm industry had an impact on lacking of water in some regions, resulting the decrease in the fish feed sales volume. As a consequence, the revenue from sales decreased by 1.73% YoY.

The revenue of the pet food industry comes from the production for the customer; therefore, it is not much different from the previous years. The revenue from sale of pet food increased by 0.95 % YoY.

##### Electric Power Business

The Company operates the business on production and distribution of electricity from the geothermal energy in Japan. The revenue from electricity distribution from its subsidiaries in 2019 equals Baht 71.52 million, dropped by 6.66% from the previous year as some projects are under construction. Presently, the Company has 15 power plants for commercial operation.

#### 1.2 Cost of sales

The cost of sales majorly comes from the raw materials for production. In 2019, the Company has cost of sales Baht 1,757.39 million, decreased by 2.02 % from the previous year caused by the appreciation of the Thai Baht in this year effect to the cost of raw material prices in foreign countries decreased. In addition, the Company is well managed the cost effectively.

### **1.3 Gross profit**

In 2019, our gross profit was Baht 362.03 million, an increase of 35.38% YoY with a gross profit of Baht 267.42 million.

### **1.4 Other income**

In 2019, the other income equals to Baht 14.04 million, a decrease of Baht 48.55 million or 77.57% due to the fact that the Company had recognized an allowance for impairment of accrued interest. Therefore, the Company earned less interest income from 2018 for Baht 6.99 million. In addition, the group of company received compensation from the contract parties and the reversal of a large amount of asset allowances resulting the difference as described.

### **1.5 Selling and administrative expenses**

Selling and administrative expenses in the year 2019 was Baht 367.20 million, an increase of Baht 60.19 million or 19.61% compared to the previous year. The increased cost came from the company normal operations.

### **1.6 Loss from allowance for impairment**

In 2019, the Company has set up an allowance for impairment of geothermal power plant assets, loans, accrued interest and advance payment of Baht 680.79 million. The Company has estimated the recoverable amount of each the cash-generating unit and the opportunity to receive repayment of loan.

### **1.7 Loss from sales of 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 771.94 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.

### **1.8 Net profit (loss)**

In 2019, the Company and its subsidiaries had a net loss of Baht 1,460.59 million or loss per share of Baht 2.34.

## **2. Financial status**

### **2.1 Assets**

As at 31 December 2019, the Company and its subsidiaries had total assets of Baht 2,376.02 million, a decrease of Baht 963.86 million from 31 December 2018, representing 28.86%, mainly due to the fact that the Company has considered setting up allowance for impairment of geothermal power plant assets, loans, accrued interest and advance payment of Baht 680.79 million.

### **2.2 Liabilities**

As at 31 December 2019, the Company and its subsidiaries had total liabilities of Baht 1,996.90 million, a decrease of Baht 529.97 million from 31 December 2018, representing 20.97% mainly due to the payment of due debts such as short-term loans, promissory notes, and debentures etc.

### **2.3 Shareholders' Equity**

As at 31 December 2019, the Company and its subsidiaries had shareholders' equity of Baht 379.12 million, a decrease of Baht 433.89 million from 31 December 2018, representing 53.37% mainly due to loss from sales of securities of Baht 771.94 million, loss from allowance for impairment of Baht 680.79 million, loss from the translation of financial statements of Baht 27.38 million, surplus on changes in value of available-for-sale investments of Baht 540.57 million, the surplus from asset revaluation of Baht 264.95 million and the proceeds from the capital increase of Baht 248.57 million.

## **3. Liquidity**

In 2019, the Company and its subsidiaries had net cash flow from operating activities in the amount of Baht 59.25 million, cash flow from investment activities in the amount of Baht 276.19 million, cash flow used in financing activities for Baht 364.65 million and the effect of exchange rate in the amount of Baht 54.24 million allowing the Company have cash and cash equivalents increased by Baht 25.03 million. As a result, as at 31 December 2019, the Company has cash and cash equivalents amounted to Baht 45.54 million.

## Industry trends

### The situation of the shrimp feed industry in 2020

Shrimp feed industry trend is expected that the amount of white shrimp farming decreased by 50 % of the total area due to the lowest market price in 3 years. There are no solutions for the disease EMS, EHP, white wax and the outbreak of white blotting. Large farmers mainly focus on raising white shrimp while the minor farmers are decreased as they are unable to bear the burden of costs. Large farmers own the farms in many areas while the minor farmers are likely to decrease.

The volumes of black tiger shrimp farm are likely to be increased by 15-20% of the total area, as a consequence of the unsuccessful farmers who raise to white shrimp and then turned to raise black tiger shrimp instead. In addition, the black tiger shrimp species recently grow well and with good feedback. Price of the black tiger shrimp is likely to be positive. Farmers are confident even though there are export problem to China due to the outbreak of the Corona Virus 2019 (COVID-19).

The Company has continuously researched and developed the species of black tiger shrimp and expanded the area of shrimp feed marketing in the Central region using the giant freshwater pawn species as the agency has the potential as well as financial factors. The collection period is shorter compared to other areas even though the proportion of the profit is dropped as most of the products are in the lower groups.

### Situation of the Fish Feed Industry in 2020

The trend for fish feed industry is expected that to face with drought. The amount of water in the dam has decreased, especially in the northern and northeast regions resulting insufficient water for fish farming, affecting the lack of fish and the higher fish price. The Company however expected to continuously drive the market under highly competitive situations as the existing customers have increased the order, the market opportunity towards the target customer

including the marketing of meat-eating seafood fish which generates sales continuously The Company drive the markets both domestic and international in forms of OBM and OEM which is recognized for the reputation and quality of fish food.

#### Pet food industry situation in 2020

The trend for pet food industry trends is expected to grow with an average of 10% each year. This will be an opportunity to drive sales and also which is the product with debt shorter collection period, allowing better cash flow. The most important factor is less risk compared to fish and shrimp feed as pet feeding does not refer to weather and the environment. In addition, in 2020 the management recognizes on the importance to push for OEM and ODM which is able to distributed to the market desire and respond to customer need.