

14 February 2023

Subject Management discussion and analysis for the year ended 31 December 2021

To President
The Stock Exchange of Thailand

Premier Quality Starch Public Company Limited and its subsidiaries (hereinafter reference to as “Company”) would like to clarify the operation results of the Company for the year ended 31 December 2021, details are as follows:

Income Statement	2020		2021		% YoY	
	THB mn	%	THB mn	%		
Revenues from sale of goods	1,224.05	95.48%	2,174.63	96.48%	950.58	77.66%
Revenues from sale of electricity	25.16	1.96%	28.41	1.26%	3.25	12.93%
Other income	32.84	2.56%	50.99	2.26%	18.15	55.26%
Total revenues	1,282.05	100.00	2,254.03	100.00%	971.98	75.81%
Cost of sale of goods	1,037.27	80.91%	1,647.00	73.07%	609.73	58.78%
Cost of sale of electricity	13.45	1.05%	14.36	0.64%	0.91	6.75%
Selling expenses	78.94	6.16%	161.06	7.15%	82.12	104.03%
Administrative expenses	50.02	3.90%	57.39	2.55%	7.37	14.74%
Loss from fair value measurement of derivatives - net	0.01	0.00%	0.94	0.04%	0.93	9341.37%
Loss on foreign exchange rate - net	0.90	0.07%	31.39	1.39%	30.49	3387.69%
Total expenses	1,180.59	92.09%	1,912.15	84.83%	731.56	61.97%
Profit from operations	101.46	7.91%	341.88	15.17%	240.42	236.96%
Finance costs	(17.66)	-1.38%	(18.06)	-0.80%	(0.40)	2.28%
Income tax expense	(1.71)	-0.13%	(9.99)	-0.44%	(8.28)	484.46%
Profit for the years	82.09	6.40%	313.82	13.92%	231.73	282.29%

Sales revenue

For 2021, the Company's revenue from selling native tapioca starch increased by 950.58 THB mn, or an increase of 77.66% compared to 2020. This is primarily due to the increase in the volume of foreign sales increased by 61,371 tons, or 110.59% YoY. Meanwhile, domestic sales volume decreased by 1,827 tones, or 3.19%, with an increase in sales volumes to foreign sales as a result of increased orders abroad due to demand for goods. And the covid-19 situation is starting to ease and open up the country to more international trade. In terms of selling price, the average sale price in 2021 is 13.86 baht per kilogram. The average selling price is approximately 12.26 baht per kilogram, which is in line with the trend of market price increases continuously from the beginning of 2020 to the end of 2021.

Electricity sales revenue

For 2021, the revenue from electricity sales increased compared to 2020 due to an increase in the volume of power units sold to the Provincial Electricity Authority from 9.78 million megawatt-hours (MWh) to 10.88 million MWh.

Other income

For 2021, the Company's other income increased from 2020 to 18.15 THB mn, or 55.26% compared to the previous year, due to an increase in revenue from the sale of scrap materials compared to 2020. Most of the byproducts produced are cassava shells, fresh waste, and burnt husks.

Cost of sales

The cost of goods sold in 2021 increased from product costs, in line with the increase in the sales of the company's products, but when comparing with 2020, the proportion of cost of goods sold to

revenue decreased, due to the proportion of raw material costs. Labor costs, production overhead costs continued to decline as well as in 2020, where all three types of costs decreased as a result of an increase in actual production capacity in 2021 compared to 2020.

In 2021, the cost of electricity sales of 13.45 THB mn, or 50.53%, which has a lower proportion of the cost of selling electricity compared to 2020, with the ratio 53.46%. As a result, the company's electricity generation is continuous and quality.

Distribution cost

In 2021, sales expenses increased compared to 2020 by 82.12 THB mn or 104.03% compared to the previous year, driven by increased freight and freight costs abroad, in line with the increase in sales.

Administrative expenses

In 2021, administrative expenses increased compared to 2020 by 7.38 THB mn, or 14.75%, as a result of the increase in staff salaries, depreciation of new vehicle assets and office supplies replacement. However, the proportion of administrative expenses to revenue from the sale of goods, decreased as a result of the increase in revenue, most of the expenses that were not proportional to revenue, this includes lower administrative electricity costs, from increased electricity consumption from a subsidiary service.

Exchange rate and fair value of derivative gain (loss)

In 2021, the Company had a loss on exchange rates of 30.39 THB mn or 1.35% compared to total revenue. The Company has gains and losses on foreign exchange rates and gains and losses on derivatives valuations because it sells products abroad in foreign currencies. Therefore, it has implemented a policy of preventing foreign exchange risks for foreign sales continuously from closing positions. Therefore, the above list of foreign exchange gains (losses) is only a profit (loss) incurred on the accounting side. This does not affect the performance in any way.

Finance Cost

In 2021, the Company's financial costs increased by 0.40 THB mn or 2.26% compared to 2020, due to an increase in interest on loans from directors, by 2.39 THB mn to manage liquidity and interest cost from employee benefits by 0.11 THB mn, which are compensation for employees upon retirement.

Net profit

In 2021, gross margin increased compared to 2020 by 340.85 THB mn or 182.49%, mainly due to improve capacity utilization of the Company and its subsidiaries. From the recovery of the volume of cassava raw materials that were plagued by the pandemic in 2020.

In 2021, the Company's net profit of 313.82 THB mn, continued to increase due to an increase in the efficient use of production capacity. At the same time, the Company had a lower proportion of administrative expenses due to economic of scale from executive and employee salaries, as well as lower administrative electricity costs due to increased electricity consumption from subsidiaries.

Financial Position

Financial Position (Unit : THB mn)	31 December		% YoY	
	2563	2564		
Total Assets	1,358.87	1,560.00	201.13	14.80%
Total Liabilities	741.91	629.22	(112.69)	15.19%
Total Equity	616.96	930.78	313.82	50.87%
D/E Ratio) : Times	1.20	0.68	(0.53)	43.78%

Assets

As at 31 December 2021, the Company had a total asset value of 1,560.00 THB mn, increased by 201.13 THB mn or 14.80% from 2020. The Company's assets increasing from cash and cash equivalents by 78.01 THB mn. due to the company's high operating activities performance, including trade receivables and other current receivables, by 124.95 THB mn, or 166.38%, in line with the company's increased sales. Meanwhile, land, buildings and equipment declined due to asset depreciation. However, in 2021, the Company purchased additional assets such as land in 9.27 THB mn, the construction in progress and assets under installation in subsidiaries. 41.47 THB mn. This is less than the depreciation,

which has a total depreciation value of 78.55 THB mn. As a result, the company property, plant and equipment slightly declined from 2020.

Liabilities

As at 31 December 2021, the Company's total debt decreased from 2020 in the total of 112.69 THB mn or 15.19%, mainly due to short-term loans from financial institutions decreased by 129.34 THB from short-term loans repayment, paid for short-term loans from related parties during the year in the amount of 160.00 THB mn. While, the Company's long-term loans increased net by 164.41 THB mn.

Total Equity

As at 31 December 2021, the Company had equity of 930.78 THB mn. An increase of 313.82 THB mn or 50.87%, due to the company's unallocated retained earnings from the company's operating results.

Financial Ratio

As at 31 December 2021, the Company's debt-to-equity ratio decreased from 2020 due to an increase in equity of 313.82 THB mn or 50.87%, as a result of the increase in unallocated retained earnings, which was due to the Company's operating results. Meanwhile, the Company's total debt decreased by 112.69 THB mn or 15.19%, driven by a decrease in the short-term loans from financial institutions of 129.34 THB mn from short-term loan repayment, decreased in short term loan from related parties repayment 160.00 THB mn, While, the Company's equity increase and the Company's debt decrease resulted an increase in the debt-to-equity ratio compared to 2020.

Regards,

(Aphirat Thawatchutikorm)
Chief Finance Officer
Premier Quality Starch Public Company Limited