

22 February 2023

Subject Management discussion and analysis for the year ended 31 December 2022

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 2022, details are as follows:

Income Statement	2021		2022		% YoY	
	THB mn	%	THB mn	%		
Revenues from sale of goods	2,174.63	96.48%	2,442.12	96.43%	267.50	12.30%
Revenues from sale of electricity	28.41	1.26%	38.49	1.52%	10.07	35.45%
Other income	50.99	2.26%	51.98	2.05%	0.99	1.94%
Total revenues	2,254.03	100.00%	2,532.59	100.00%	278.56	12.36%
Cost of sale of goods	1,647.00	73.07%	1,923.65	75.96%	276.65	16.80%
Cost of sale of electricity	14.36	0.64%	15.40	0.61%	1.05	7.28%
Selling expenses	161.06	7.15%	160.94	6.35%	(0.13)	-0.08%
Administrative expenses	57.39	2.55%	93.67	3.70%	36.28	63.21%
Loss from fair value measurement of derivatives - net	0.94	0.04%	1.43	0.06%	0.49	51.54%
Loss on foreign exchange rate - net	31.39	1.39%	20.26	0.80%	(11.13)	35.47%
Total expenses	1,912.15	84.83%	2,215.35	87.47%	303.20	15.86%
Profit from operations	341.88	15.17%	317.24	12.53%	(24.64)	-7.21%
Finance costs	(18.06)	-0.80%	(14.52)	-0.57%	3.54	-19.59%
Income tax expense	(9.99)	-0.44%	(19.07)	-0.75%	(9.07)	90.77%
Profit for the years	313.82	13.92%	283.65	11.20%	(30.17)	-9.61%

Sales revenue

For 2022, the Company's revenue from selling native tapioca starch increased by 267.50 THB ล้านบาทเพิ่มเติม , or an increase of 12.30% compared to 2021. The increase in revenue was driven by an increase in average sales price while tapioca starch sales were similar remain the same as previous year. However, during the low season of the year the subsidiary has been improved to allow for increased production efficiency to support production during the low season in the coming production season, after improving efficiency, production can be accelerated to a similar level than the previous year. The average sale price for 2022 was 15.83 baht per kilogram. This is an increase compared to 2021 with an average price of about 13.32 baht per kilogram. The selling price is in line with the trend of market prices that will continue to increase in 2022.

Electricity sales revenue

For 2022, the Company's revenue from the sale of electricity from biogas was 38.49 THB mn. The increase was 10.07 THB mn or 35.45% compared to 2021 due to an increase in electricity sales volume of 0.40 million megawatt-hours (MWh) and an increase in the price of electricity per unit sold to Metropolitan Electricity Authority “MEA” in line with the increase in the agreed middle price.

Other income

The Company's other income e.g. revenue from the sale of scrap materials, interest income for 2022 of 51.98 THB mn. Increased by 0.99 THB mn or 1.94% YoY due to a Increase in revenue from the sale of scrap materials to third parties from the cost of raw materials.

Cost of sales

For 2022, the Company had a cost of sales 1,923.65 THB mn, or a ratio of cost of goods 78.77%, an increase in line with the increase in sales. In comparison, the proportion of cost of goods to revenue increased compared to 2021, partly due to the high stable price of cassava (the main raw materials). Meanwhile, selling prices are highly volatile due to rapidly strengthening exchange rates, especially at period before the end of the year.

For 2022, the Company had a cost of electricity sales equal to 15.40 THB mn, or a ratio of cost of electricity sales to revenue of 40.02 %, which decreased compared to 2021, with a ratio of cost of electricity sales to revenue of 50.53%, the decrease is due to a decrease in the proportion of depreciation to sales revenue, as well as lower repair and maintenance costs.

Distribution cost

For 2022, the Company's sales expenses slightly decreased compared to 2021, due to the sales volumes similar to the previous year, and the company well manage sales expenses, despite fluctuations from higher oil prices.

Administrative expenses

For 2022, the Company's administrative expenses increased by 36.28 THB mn or 63.21% compared to 2021, due to the increase in management expenses due to the restructuring organization in transformation from company limited to public company limited and the annual salary increase, as well as the cost of preparing to IPO and the increase in ERP system service fees.

Exchange rate and fair value of derivative gain (loss)

For 2022, the Company had exchange rate losses and losses on derivatives valuations 21.69 THB mn or 0.86% 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 Forward Contract with banks. 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

For 2022, the company had a financial cost of 14.52 THB mn, or 0.58% of total revenue, down from 3.64 THB mn in 2021, or 19.59% compared to 2021. As of late 2021, the company has changed lender banks to optimize its financial costs. This makes it possible to better manage liquidity and financial costs.

Net profit

For 2022, the company's gross profit was 518.48 THB mn or 20.47%, with the company's gross margin decreasing by 9.15 THB mn or 1.73%, the gross margin of native starch declining compared to 2021 from 24.26% to 21.22%. Meanwhile, selling prices fluctuated sharply from rising exchange rates, especially at the late of the year. The company's gross margin from cost of electricity sales increased from 49.47% in 2021 to 59.98% in 2022 due to lower production costs such as depreciation, maintenance costs, etc.

Net profit for 2022 was 283.65 THB mn. In 2022, decreased compared to 2021, with a decrease in net profit margin compared to 2021 with a net profit margin of 13.92%. The company's gross margin decreased in terms of increased administrative expenses due to the increase in the number of executives and annual salary increases, as well as the cost of preparing for IPO. In addition to 2022, the Company's income tax expenses increased by 19.07 THB mn or increased by 90.77% compared to 2021 due to an

increase in non-investment promotion revenues. However, the Company has a decrease in derivative-net fair value losses and a decrease in exchange-net losses. Compared to 2021. As a result, the overall net profit margin decreased from 2021 to 30.17 THB mn or decreased by 9.61%.

Financial Position

Financial Position (Unit : THB mn)	31 December		% YoY	
	2564	2565		
Total Assets	1,560.00	1,784.40	224.40	14.38%
Total Liabilities	629.22	777.94	148.72	23.64%
Total Equity	930.78	1,006.46	75.68	8.13%
D/E Ratio) : Times	0.68	0.77	0.09	14.34%

Assets

As at 31 December 2022, the Company had a total asset value of 1,784.40 THB mn, increased from 2021 amounting to 224.40 THB mn or 14.38%. The Company's cash and cash equivalents as at 31 December 2022, amounting to 238.87 THB mn, increased by 143.27 THB mn or 149.87% due to the Company's higher performance in 2022. The Company's inventories 232.41 THB mn, increased by 65.63 THB mn, or an increase of 39.35%, primarily due to finished goods. Some of them were in delivery process, which has not yet been completed, yet revenues cannot be realized in sales. There is also a shortage of containers to export. This will result in the remaining orders being realized in the next installment.

Liabilities

As at 31 December 2022, the Company had total debts of 148.72 THB mn or an increase of 23.64% from 2021. The mainly increased is from short-term loans 180.00 THB mn or 72.00% due to the use of working capital to purchase the Company's raw materials. Whereas, as of 31 December 2022, the Company had long-term loans (excluding those due within one year) equal to 215.05 THB mn. Decreased from 2021 by 38.12 THB mn or 15.06% from partial loan repayment. The loan agreement specifies the condition that the Group must maintain a total debt-to-equity ratio of not more than 2 times, which as of December 31, 2022, the Company has such a ratio of 0.77 times.

Total Equity

As of 31 December 2022, the Company had equity of 1,006.46 THB mn, increased from 2021 75.68 THB mn. During 2022, the Company increased its registered capital by 69.00 THB mn. As a result, the company currently has a registered capital of 500.00 THB mn. Meanwhile, the accumulated profit decreased from the allocation of legal reserves by 27.64 million baht and dividend payment in 2022 total of 275.84 THB mn. Net profit increased during the year to 283.65 THB mn.

Financial Ratio

As at 31 December 2022, the Company's debt-to-equity ratio increased from 2021 due to an increase in total debt of 148.72 THB mn or an increase of 22.64%, driven by an increase in short-term loans from financial institutions in the promissory note category of 180.00 THB mn. Meanwhile, shareholders' equity slightly increased as the company had a net profit in 2022 of 283.65 THB mn. However, the company paid dividends during the year of 275.84 THB mn. The increase in debt and dividend payment of such companies has resulted in an increase in the debt-to-equity ratio as of 31 December 2022 compared to 2021.

Regards,

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