Premier Quality Starch Public Company Limited

Management Discussion and Analysis

For the Earning Result Q2/2026

3-month and 6-month period

Ending 30 June 2026

Released on 13 August 2026

Executive Summary and Key Events in Q2/2026

Premier Quality Starch Public Company Limited ("the Company") reported its operating results for Q2/2026 and the six-month period of 2026. For the first six months of 2026, the Company recorded total revenue of THB 1,060.9mn, an increase of THB 49.4mn, or 4.9% YoY, and a net loss of THB 17.3mn, compared with a net profit of THB 31.4mn in the same period of the previous year. Gross profit margin was 9.6%, while net loss margin was 1.6%. As of 30 June 2026, the Company had total assets of THB 2,750.9mn, total liabilities of THB 754.7mn, total shareholders' equity of THB 1,996.2mn, and cash and cash equivalents at period-end of THB 392.9mn.

A key positive factor during the first half of the year was the clear recovery in tapioca starch prices, particularly in Q2. Domestic prices reached a record high of THB 22 per kilogram in June, up from approximately THB 13.4–14.1 per kilogram at the end of 2025. Export prices also began to show positive momentum, rising from approximately USD 480 per ton at the end of 2025 to around USD 700 per ton.

Although the shortage of fresh cassava roots affected sales volume, production volume, and operating performance in Q2/2026, the Company's revenue for the six-month period of 2026 continued to grow while maintaining a positive gross profit margin. Several factors helped mitigate the impact of lower sales volume, including higher tapioca starch prices and growth in revenue from modified starch sales and transportation and logistics services. In addition, the Company maintained high liquidity and a solid financial structure. During the six-month period of 2026, the Company generated operating cash flow of THB 220.8mn, maintained a low debt-to-equity ratio of 0.4 times, and held cash of THB 392.9mn. This financial strength will support the Company in navigating short-term challenges.

To address raw material security, the Company is accelerating risk diversification into new businesses and shifting its strategy toward value-added products such as Modified Starch, while repositioning toward Gluten-Free and Non-GMO products. This is being pursued alongside expansion into new markets and supply-chain enhancement through technology partnerships involving IoT and Traceability systems to develop low-carbon cassava products, meet premium-market demand, and reduce long-term risks from raw material volatility.

Regarding significant events, between April and May 2026, four directors and the Company Secretary resigned from their positions. The Company completed the recruitment and appointment of replacement directors and a new Company Secretary, effective from 1 June 2026.

Management Outlook 2026

Supply security has been a key issue to which the Company has consistently given priority and sought solutions. Q2/2026 was the period in which the raw material shortage had a clear impact on the Company's production and operating performance. Although the impact was significant, it was not beyond expectations.

The Company has prepared measures to mitigate the short-term impact and develop long-term solutions. Financial resilience has been strengthened through liquidity and capital structure management to accommodate uncertainty in each quarter, particularly Q2, when fresh cassava root output is generally lower than in other periods. Over the long term, the Company has developed upstream farmer and cultivation management systems, improving its ability to control raw material quality and volume and reducing the impact of production volatility and procurement constraints when domestic cassava output and imports from neighboring countries are uncertain. In addition, expansion into modified tapioca starch and transportation and logistics businesses will play an important role in diversifying risks related to fresh cassava root security. Both businesses have continued to grow. Modified starch products also reduce reliance on fresh cassava roots because they are value-added products, enabling the Company to generate higher revenue and profit with lower raw material volume.

Since 2025, the Company has implemented the PQS Model, which creates collaboration with partners and stakeholders across the entire value chain to improve operations from upstream to downstream. This includes cooperation with farmers and projects that apply agricultural technology and innovation to improve production precision and efficiency under the Smart Farmer initiative. The Company also works with partners to integrate modern IoT technology into agriculture through Traceability systems, enabling the production of low-carbon cassava that is in high demand in premium markets. Several projects have already delivered improved results in both output volume and quality. While China remains the main market, the Company is seeking to expand into ASEAN markets with strong consumption growth, particularly Japan.

The modified starch plant in Mukdahan Province and the full resumption of operations at the Kalasin plant since late 2025 will be important factors supporting production potential in 2026 in terms of volume, quality, and cost efficiency. Modified starch products will serve as a key mechanism for entering the food and pharmaceutical industries and for future expansion into bio-based products and biomaterials. The Company will also continue its cost-reduction strategy by managing transportation and logistics through its subsidiary and operating the biogas power generation business to produce sufficient electricity for the Company's core operations, thereby reducing electricity costs.

Although raw material factors affected operating performance in Q2/2026, the Company believes that, over the long term, fresh cassava root prices will rise in line with market mechanisms, encouraging more farmers to cultivate cassava and enabling the Company to utilize production capacity more efficiently. More importantly, the return to full production capacity, the commencement of modified starch production, and growth in the transportation and logistics business will strengthen the Company's revenue structure and profitability in 2026, supporting a gradual recovery and long-term sustainability.

Economic and Industry Outlook

Thailand's economy in Q2/2026 reflected a low and uneven recovery. Although the economy expanded by 2.8% YoY in Q1/2026, exceeding market expectations, and the Bank of Thailand revised its 2026 GDP growth forecast to 2.3%, the main growth drivers continued to come from exports and certain investment segments linked to the technology and AI cycle. Domestic demand remained constrained by the slow recovery in household income, rising living costs, and household debt that remained high at approximately 85.9% of GDP as of March 2026. In tourism, although cumulative international arrivals from the beginning of the year through 20 June 2026 exceeded 15.4mn and generated more than THB 745bn in revenue, momentum remained volatile due to the purchasing power of short-haul tourists, energy costs, and flight capacity. Inflation returned to positive territory, with headline CPI increasing by 2.42% YoY in June 2026 due to pressure from energy, transportation, and prepared food prices. This indicates that Thailand is facing a "low growth with cost pressure" environment rather than a broad-based, strong recovery. Key risks for the second half of 2026 remain the pass-through of energy costs, geopolitical uncertainty, U.S. trade policy, and weather impacts on the agricultural sector, which may constrain the recovery in purchasing power and domestic manufacturing.

The cassava industry in Q2/2026 benefited from significantly higher prices. Export prices rose from approximately USD 500 per ton at the beginning of the year to approximately USD 700 per ton at the end of June, while domestic wholesale tapioca starch prices reached a record high of THB 22 per kilogram. The price surge resulted from three concurrent factors. First, a shortage of fresh cassava roots caused by volatile weather, crop diseases such as cassava mosaic disease, and lower yield per rai led starch factories in Thailand and Vietnam to compete aggressively for fresh roots. Factory purchase prices for roots with 25%–30% starch content rose to THB 3.20–3.90 per kilogram. Because fresh roots must be processed within 24–48 hours to prevent spoilage, factories had to compete on raw material prices to maintain utilization rates. Second, higher energy and transportation costs increased freight and energy costs in the starch-drying process, adding a premium to end-market prices. Third, global demand remained strong despite higher prices, as major markets such as China, the United States, and Japan continued to purchase tapioca starch for food and beverage, paper, sweetener, and environmentally friendly packaging applications, where alternative crops are difficult to substitute in Gluten-Free or Clean-Label formulations.

Although tight fresh cassava root supply supported higher prices, it also created challenges for tapioca starch producers because insufficient raw materials restricted their ability to produce goods to meet market demand. Fresh cassava root output did not improve in Q2/2026. The Office of Agricultural Economics expects the harvested area in 2026 to decline from 2025, continuing the trend of the past four years. Thailand's cassava industry has experienced a significant contraction in both cultivated area and output, with planted area decreasing from approximately 10mn rai in 2021/2022 to approximately 8mn rai in 2023/2024 and remaining at around 8.5mn rai in 2024/2025. Fresh cassava root output declined from 33.5mn tons to 21.8mn tons and remained at approximately 25mn tons. In addition, the Thailand–Cambodia border closure restricted cassava root imports from Cambodia, further reducing raw material supply and intensifying domestic tightness. Consequently, some factories were unable to operate at full efficiency, particularly operators without strong procurement networks.

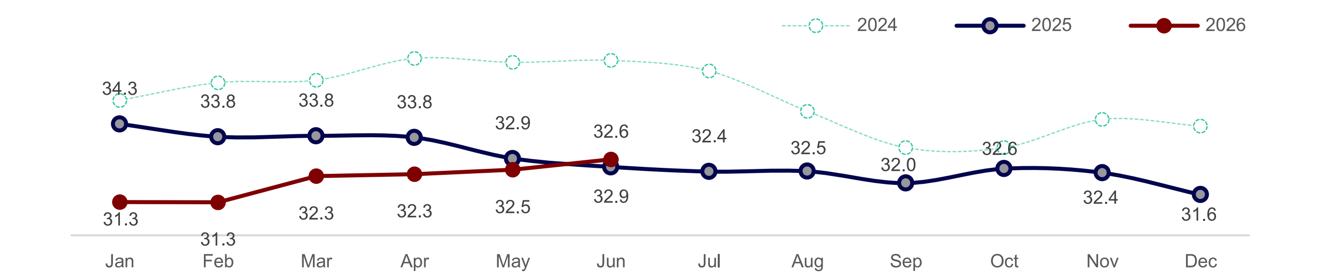
In exports, Thailand remained a major global tapioca starch exporter with diverse end markets, including China, the United States, the Philippines, and Malaysia. However, Thailand's cassava export industry continued to rely heavily on China, which accounted for more than 50% of export value, directly exposing Thai operators to fluctuations in Chinese demand. Throughout 2025 and the first half of 2026, the overall trend reflected a slowdown as China gradually reduced its dependence on imports and increased the use of alternative raw materials. At the same time, Thai exporters faced stronger price competition from neighboring countries such as Vietnam and Cambodia, which have increasingly competitive raw material and cost structures. This has made the limitations of Thailand's volume-driven growth model more evident.

Thailand Tapioca Starch Export Value [1]

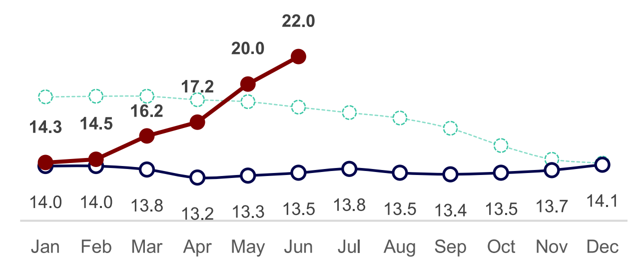
Countries that imported from Thailand	Value (THB mn)	
	6M/2025	6M/2026
CHINA	12,024	9,791
TAIWAN	1,725	1,701
MALAYSIA	1,493	1,161
U.S.A.	957	832
JAPAN	684	730
INDONESIA	1,746	438
SINGAPORE	623	414
PHILIPPINES	787	368
NETHERLANDS	135	157
AUSTRALIA	118	157
Others	1,627	988
Total value	21,921	16,736
Quantity (Tons)	1,652,383	1,090,994

Tapioca starch export value in the first six months of 2026 declined to THB 16,736mn from THB 21,921mn, a contraction of approximately 24% YoY. The main pressure continued to come from key markets such as China, where export value decreased to THB 9,791mn from THB 12,024mn (-19% YoY), and Indonesia, which fell sharply to THB 438mn from THB 1,746mn (-75% YoY). Several other markets also weakened, including Malaysia, which declined to THB 1,161mn from THB 1,493mn (-22% YoY); the United States, which decreased to THB 832mn from THB 957mn (-13% YoY); Singapore, which declined to THB 414mn from THB 623mn (-34% YoY); the Philippines, which decreased to THB 368mn from THB 787mn (-53% YoY); and Taiwan, which declined slightly to THB 1,701mn from THB 1,725mn (-1% YoY). Although some markets continued to expand, including Japan, where export value increased to THB 730mn from THB 684mn (+7% YoY); the Netherlands, which rose to THB 157mn from THB 135mn (+16% YoY); and Australia, which increased to THB 157mn from THB 118mn (+32% YoY), this growth was insufficient to offset the slowdown in major markets. Although export value to China declined, the contraction was relatively limited compared with Indonesia and the Philippines, indicating that Chinese demand remained weak but did not deteriorate as sharply as in certain other markets. Export volume declined to 1,090,994 tons from 1,652,383 tons (-34% YoY), a greater contraction than export value, indicating that the average export price per unit improved by approximately 16% YoY and partially offset the impact of lower export volume.

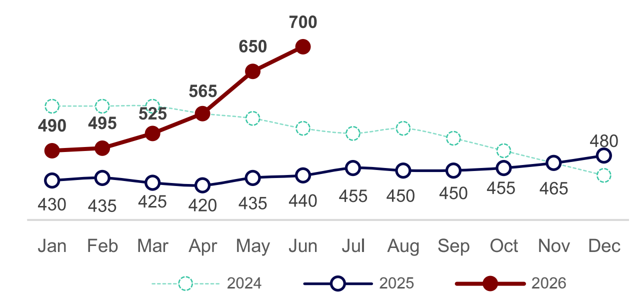
Exchange rate (THB/USD) [2]



Domestic Tapioca Prices (THB/kilogram) [3]



Tapioca Export Price (FOB) (USD/Tonne) [2]



[1] https://tradereport.moc.go.th/th/stat/reporthscodeexport01

[2] https://app.bot.or.th/BTWS_STAT/statistics/BOTWEBSTAT.aspx?reportID=123&language=TH

[3] Thai Tapioca Starch Association

Financial Performance

Profit and Loss Statement

	3-month					6-month		
(unit: THB mn)	Q2/2025	Q1/2026	Q2/2026	%QoQ	%YoY	6M/2025	6M/2026	%YoY
Revenue from sales and services	520.1	630.4	392.4	(37.8%)	(24.6%)	979.0	1,022.8	4.5%
Cost of sales and services	458.7	547.2	377.2	(31.1%)	(17.8%)	790.6	924.4	16.9%
Gross profit	**61.4**	**83.3**	**15.1**	**(81.8%)**	**(75.3%)**	**188.4**	**98.4**	**(47.8%)**
Other income*	7.5	27.7	5.9	(78.9%)	(22.2%)	20.3	33.6	65.3%
Gain (loss) from derivatives and exchange rates - Net	5.9	0.5	(1.0)	(288.1%)	(116.3%)	12.2	(0.5)	(103.7%)
Selling and administrative expenses	91.5	84.6	51.9	(38.6%)	(43.3%)	175.4	136.5	(22.1%)
Profit before finance costs and income tax expense	**(16.7)**	**26.9**	**(31.9)**	**(218.6%)**	**(90.8%)**	**45.6**	**(5.0)**	**(111.0%)**
Financial costs	6.6	6.4	5.9	(7.2%)	(10.2%)	12.8	12.3	(3.8%)
Income tax expense	(3.1)	0.6	(0.7)	(205.2%)	78.2%	1.4	(0.0)	(102.3%)
Net Profit (loss)	**(20.2)**	**19.9**	**(37.2)**	**(286.8%)**	**(83.6%)**	**31.4**	**(17.3)**	**(155.0%)**

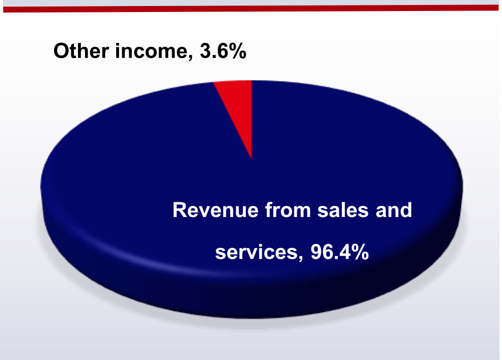
**Other income (expenses) comprise the sales of scrap materials obtained from cassava processing, such as cassava pulp, cassava roots, soil peel, peel wash, wastewater,*

The details of the income statement for Q2/2026, 3-month period

Revenue from sales and services

In Q2/2026, the Company recorded revenue from sales and service of THB 392.4mn, comprising THB 385.6mn from tapioca starch sales, THB 3.0mn from electricity sales, and THB 3.7mn from transportation and logistics services. Compared with the same period of the previous year, sales and service revenue decreased by THB 127.7mn, or 24.6% YoY. Revenue from tapioca starch sales decreased by THB 129.9mn, or 25.2% YoY, and revenue from electricity sales decreased by THB 1.5mn, or 33.6% YoY, while revenue from transportation and logistics services increased from no revenue in the same period of the previous year.

Total revenue contribution Q2/2026



Compared with the previous quarter, sales and service revenue decreased by THB 238.1mn, or 37.8% QoQ. Revenue from tapioca starch sales decreased by THB 236.3mn, or 38.0% QoQ, and revenue from electricity sales decreased by THB 3.5mn, or 53.8% QoQ, while revenue from transportation and logistics services increased by THB 1.8mn, or 89.6% QoQ.

The Company's revenue declined significantly both YoY and QoQ, directly reflecting lower tapioca starch sales and production volumes. Seasonality was one factor, as Q1 is typically the period with the highest tapioca starch production and sales volumes each year; therefore, Q2 production and sales declined from the peak. The YoY decline was driven by tight domestic cassava raw material supply, the contraction in cultivated area, volatile weather, crop diseases, and particularly the Thailand–Cambodia border closure, which prevented the Company from procuring sufficient raw materials to operate production at full efficiency. However, tapioca starch prices increased significantly in Q2/2026, helping revenue decline by less than sales volume and partially mitigating the impact. Revenue from modified starch sales and transportation and logistics services also continued to grow, helping diversify risk and further reduce the impact.

Other income

Other income mainly consists of income from the sale of by-products from the tapioca starch production process, interest income, and government grants. In Q2/2026, the Company recorded other income of THB 5.9mn, decreasing by THB 1.7mn, or 22.2% YoY, and by THB 21.9mn, or 78.9% QoQ, in line with lower tapioca starch sales and production volumes. The QoQ decline was greater due to seasonality, as Q1 is the period with the highest tapioca starch production volume of the year.

Cost of sales

In Q2/2026, cost of sales and services amounted to THB 377.2mn, decreasing by THB 81.5mn, or 17.8% YoY, and by THB 169.9mn, or 31.1% QoQ, mainly in line with lower tapioca starch sales and production volumes.

Gross profit (loss) and gross profit (loss) margin

Gross profit in Q2/2026 amounted to THB 15.1mn, decreasing by THB 46.2mn, or 75.3% YoY, and by THB 68.1mn, or 81.8% QoQ. As a result, gross profit margin was 3.9%, down from 11.8% in Q2/2025 and 13.2% in Q1/2026. Although most production costs are variable, certain costs, such as depreciation, are fixed; therefore, gross profit margin declined as revenue decreased.

Selling and administrative expenses (SG&A)

Selling and administrative expenses in Q2/2026 amounted to THB 51.9mn, decreasing by THB 39.6mn, or 43.3% YoY, and by THB 32.7mn, or 38.6% QoQ. Selling expenses amounted to THB 19.2mn, decreasing by THB 30.5mn, or 61.3% YoY, and by THB 30.7mn, or 61.4% QoQ. Administrative expenses amounted to THB 32.7mn, decreasing by THB 9.2mn, or 21.9% YoY, and by THB 2.0mn, or 5.8% QoQ. The decreases were mainly in line with lower revenue.

Finance cost

Finance costs in Q2/2026 amounted to THB 5.9mn, decreasing by THB 0.7mn, or 10.2% YoY, and by THB 0.5mn, or 7.2% QoQ, partly due to lower borrowings from financial institutions.

Net profit (loss) and net profit (loss) margin

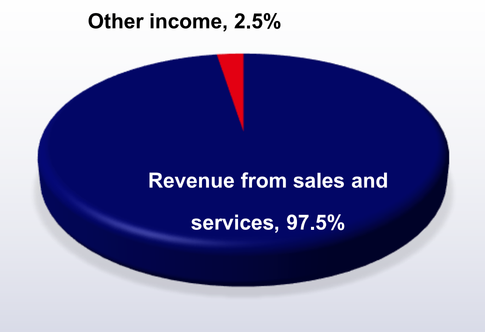
In Q2/2026, the Company recorded a net loss of THB 37.2mn, with the loss increasing by THB 16.9mn, or 83.6% YoY, from a net loss of THB 20.2mn in the same period of the previous year. The result also reversed from a net profit of THB 19.9mn in the previous quarter, representing a decline of THB 57.0mn, or 286.8% QoQ.

As a result, the net loss margin was 9.2%, compared with a net loss margin of 3.8% in Q2/2025 and a net profit margin of 3.0% in Q1/2026.

The summaryof the income statement for 6M/2026

Sales and service revenue for the first six months of 2026 amounted to THB 1,022.8mn, increasing by THB 43.8mn, or 4.5% YoY, from THB 979.0mn in the same period of the previous year. Revenue from tapioca starch sales amounted to THB 1,007.6mn, increasing by THB 41.6mn, or 4.3% YoY. Revenue from electricity sales amounted to THB 9.5mn, decreasing by THB 3.5mn, or 27.0% YoY, while revenue from transportation and logistics services amounted to THB 5.7mn, increasing from no revenue in the same period of the previous year. Other income amounted to THB 33.6mn, increasing by THB 13.3mn, or 65.3% YoY. Revenue for the six-month period continued to grow despite the decline in Q2/2026 because Q1 is the peak cassava production season, during which the Company was able to procure raw materials and operate production efficiently, resulting in relatively strong revenue growth.

Total revenue contribution 6M/2025



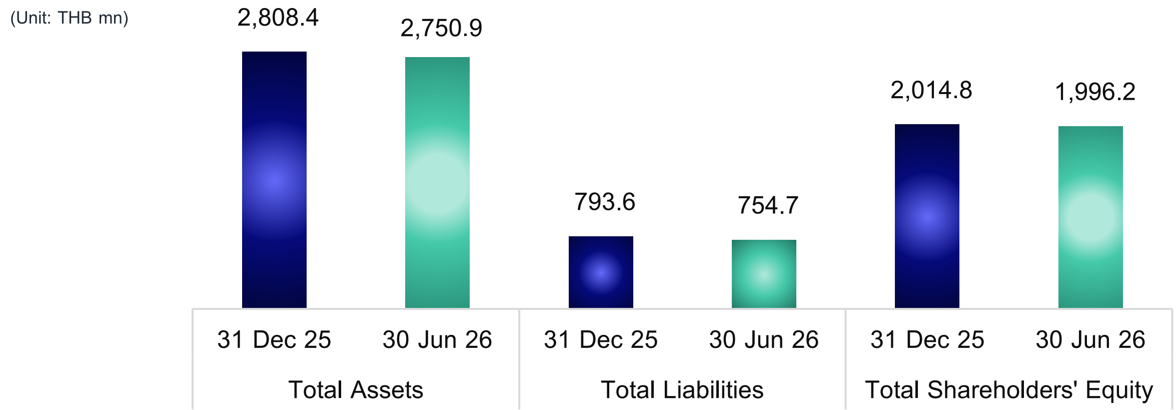
Cost of sales and services for the first six months of 2026 amounted to THB 924.4mn, increasing by THB 133.8mn, or 16.9% YoY. As a result, gross profit decreased by THB 90.0mn, or 47.8% YoY, to THB 98.4mn from THB 188.4mn in the same period of the previous year, while gross profit margin decreased to 9.6% from 19.2%. This was mainly due to raw material prices for fresh cassava roots increasing at a higher rate than tapioca starch selling prices. Although tapioca starch prices increased in Q2/2026, gross profit margin did not improve because sales and production volumes declined.

Selling and administrative expenses amounted to THB 136.5mn, decreasing by THB 38.8mn, or 22.1% YoY, comprising selling expenses of THB 69.1mn and administrative expenses of THB 67.4mn. As a result, the Company recorded an operating loss of THB 5.0mn, compared with an operating profit of THB 45.6mn in the same period of the previous year. Finance costs amounted to THB 12.3mn, decreasing by THB 0.5mn, or 3.8% YoY. Consequently, the Company recorded a net loss of THB 17.3mn, compared with a net profit of THB 31.4mn in the same period of the previous year, and a net loss margin of 1.6%, compared with a net profit margin of 3.1%.

Summary of Profit Margins

	3-month					6-month		
	Q2/2025	Q1/2026	Q2/2026	%QoQ	%YoY	6M/2025	6M/2026	%YoY
Gross profit (THB mn)	61.4	83.3	15.1	(81.8%)	(75.3%)	188.4	98.4	(47.8%)
Gross margin (%)	11.8%	13.2%	3.9%	(9.3 ppts)	(7.9 ppts)	19.2%	9.6%	(9.6 ppts)
EBITDA (THB mn)	26.5	74.1	11.7	(84.3%)	(56.0%)	130.5	85.7	(34.3%)
EBITDA margin (%)	5.0%	11.1%	2.9%	(8.2 ppts)	(2.1 ppts)	12.9%	8.1%	(4.8 ppts)
EBIT (THB mn)	(16.7)	26.9	(31.9)	(218.6%)	(90.8%)	45.6	(5.0)	(111.0%)
EBIT margin (%)	(3.1%)	4.0%	(7.9%)	(12.0 ppts)	(4.8 ppts)	4.5%	(0.5%)	(5.0 ppts)
Net profit (loss) (THB mn)	(20.2)	19.9	(37.2)	(286.8%)	(83.6%)	31.4	(17.3)	(155.0%)
Net profit margin (%)	(3.8%)	3.0%	(9.2%)	(12.2 ppts)	(5.4 ppts)	3.1%	(1.6%)	(4.7 ppts)
Earnings per share (THB)	(0.030)	0.030	(0.055)	(286.8%)	(83.6%)	0.047	(0.026)	(155.0%)

Statement of Financial Position



(unit: THB mn)	6M/2025	6M/2026
Net cash from (used in) operating activities	95.2	220.8
Net cash from (used in) investing activities	(108.0)	(74.8)
Net cash from (used in) financing activities	(112.7)	(52.3)
Cash and cash equivalent increased (decreased) - net	(125.5)	93.6
Cash and cash equivalent at the beginning of the period	467.8	299.4
Cash and cash equivalent at the end of the period	342.3	392.9

Total Assets

As of 30 June 2026, total assets amounted to THB 2,750.9mn, a decrease of 2.0% from THB 2,808.4mn as of the end

- **Current assets** amounted to THB 689.9mn, decreasing by THB 57.2mn, or 7.7%, from THB 747.1mn as of the end of 2025. The decrease was mainly attributable to a THB 176.4mn reduction in trade and other receivables, while cash and cash equivalents increased by THB 93.6mn and inventories increased by THB 25.9mn.
- **Non-current assets** amounted to THB 2,060.9mn, broadly in line with THB 2,061.3mn as of the end of 2025, representing a decrease of THB 0.3mn. The decrease was mainly attributable to a THB 17.1mn reduction in property, plant and equipment and a THB 0.9mn reduction in intangible assets, while right-of-use assets increased by THB 17.3mn.

Total Liabilities

As of 30 June 2026, total liabilities amounted to THB 754.7mn, a decrease of 4.9% from THB 793.6mn as of the end

- **Current liabilities** amounted to THB 310.7mn, decreasing by THB 354.3mn, or 53.3%, from THB 665.1mn as of the end of 2025. The decrease was mainly attributable to a THB 395.0mn reduction in short-term borrowings from financial institutions and a THB 17.9mn reduction in trade and other payables, while the current portion of long-term borrowings from financial institutions increased by THB 54.1mn. The short-term borrowings decreased following the completion of refinancing, with the relevant short-term borrowings converted into long-term borrowings classified as non-current liabilities.

- **Non-current liabilities** amounted to THB 443.9mn, increasing by THB 315.4mn, or 245.4%, from THB 128.5mn as of the end of 2025. The increase was mainly attributable to a THB 302.9mn increase in long-term borrowings from financial institutions, a THB 11.3mn increase in lease liabilities, and a THB 1.4mn increase in employee benefit obligations.

Shareholders‘ Equity

As of 30 June 2026, shareholders' equity amounted to THB 1,996.2mn, a decrease of THB 18.6mn, or 0.9%, from THB 2,014.8mn as of the end of 2025, mainly due to the net loss recorded in the first six months of 2026.

Cash Flow

For 6M/2026, the Company generated cash flows from the following activities:

- **Net cash from operating activities** was THB 220.8mn, mainly due to a cash inflow of THB 176.4mn from the decrease in trade and other current receivables.
- **Net cash used in investing activities** was THB 74.8mn, mainly comprising maintenance capital expenditure to repair or maintain assets in normal operating condition.
- **Net cash used in financing activities** was THB 52.3mn, mainly attributable to repayments of long-term borrowings and finance cost payments. Net cash used in financing activities decreased significantly compared with the same period of the previous year because the Company did not pay dividends this year.
- As a result of the above activities, cash and cash equivalents increased by a net THB 93.6mn during the first six months of 2026, from beginning cash of THB 299.4mn to cash and cash equivalents of THB 392.9mn as of 30 June 2026.

Key Financial Ratios

	Q2/2025	Q2/2026
ROE * (%)	6.9%	(6.2%)
ROA ** (%)	5.9%	(3.7%)
D/E (times)	0.4 times	0.4 times

** ROE คำนวณจาก กำไร (ขาดทุน) ของส่วนที่เป็นของบริษัทใหญ่ ของผลประกอบการ ย้อนหลัง 12 เดือนล่าสุด (Trailing 12 Months)*

*** ROA คำนวณจาก กำไรจากการดำเนินงาน+ส่วนแบ่งกำไร (ขาดทุน) จากเงินลงทุนในบริษัทร่วม+รายได้ทางการเงิน ของผลประกอบการ ย้อนหลัง 12 เดือนล่าสุด (Trailing 12 Months)*

Risks and Opportunities

1. War Situation in the Middle East

Tensions in the Middle East have led to higher volatility in energy prices and freight rates, directly pressuring production and transportation costs for tapioca starch exporters, particularly fuel, electricity, and maritime shipping costs. In addition, uncertainty in international logistics routes has extended lead times and increased order management risk. At the same time, a global economic slowdown driven by energy pressures may reduce demand for products in downstream industries.

2. Thailand-Cambodia Border Closure

Restrictions on importing cassava roots from neighboring countries, especially Cambodia, have reduced the inflow of raw materials into the system and tightened domestic raw material availability, causing cassava root prices to rise continuously. This factor pressures production costs and may prevent some factories from operating at full efficiency, particularly operators that rely on the spot market and lack strong procurement networks. However, tight raw material conditions may help support selling prices in certain periods if those costs can be passed on to customers.

3. Climate Change

Climate change affects fresh cassava root yields through rising temperatures and greater variability in rainfall. Although cassava is a drought-tolerant crop, prolonged temperatures above optimal levels reduce photosynthetic efficiency and starch accumulation in the roots. At the same time, irregular rainfall patterns, such as prolonged dry spells or excessive rainfall, may cause water stress or root rot, reducing both yield per rai and root quality. Climate change may also create conditions that facilitate the spread of pests and diseases and make certain cultivation areas less suitable than before, prompting some farmers to switch to other crops and increasing long-term uncertainty in raw material supply. Furthermore, from mid-2026 through 2027, climate experts worldwide have forecast a high probability of a “Super El Niño,” which could cause severe drought and the most significant water shortages in several hundred years. During this period, fresh cassava root output may therefore be affected more severely than usual.

Overall, the impact of climate change is at a critical juncture. The changes may occur in the short term or may represent a long-term structural shift. The effects are multidimensional and are not limited to lower output; they also increase supply volatility, which is transmitted to global cassava prices and creates risks to revenue stability and profit margins for operators in the industry.

4. Tapioca Starch Price Volatility

Tapioca starch prices are volatile and directly affect the Company’s revenue. The volatility in 2025 and the first half of 2026 provides a clear example. In 2025, tapioca starch export prices fell as low as USD 420 per ton, before surging to USD 700 per ton by mid-2026. Tapioca starch prices are influenced by several factors, including overall global demand, energy costs, production costs, and fresh cassava root output. In general, tapioca starch prices and fresh cassava root prices move in the same direction, allowing tapioca starch producers to pass costs on to customers and maintain gross profit margins. However, producers must manage raw materials and inventories efficiently to reduce the risk arising from differences between costs and selling prices.

In addition, tapioca starch producers' selling prices and profit margins depend on competition in the global market. For Thai producers, China is the largest buyer and importer, while competitors include the CLMV countries—Cambodia, Laos, Myanmar, and Vietnam. Intense competition may prevent selling prices from rising in line with raw material prices. Furthermore, tapioca starch price volatility may attract speculative trading, particularly in China, where traders may stockpile products, further increasing price volatility. In the short term, market prices may therefore not reflect the product's actual supply and demand.

5. Trends in Cassava Cultivation Area and Cassava Root Imports

Cassava cultivation area in Thailand remains below previous levels, reflecting constraints on expanding domestic raw material supply. At the same time, uncertainty surrounding cassava root imports from neighboring countries has further tightened supply, increasing competition for raw material procurement and putting pressure on producers' cost structures, especially for factories without efficient raw material source management. These factors also limit the potential for further expansion in production capacity and exports.

6. Government Support for Export Market Expansion

Expanding export markets to Japan and to new areas in China, such as Chongqing, is an important supporting factor that helps reduce reliance on traditional Chinese markets and increases opportunities to access customers in higher value-added industries. The Japanese market in particular places strong emphasis on product quality, standards, and safety, while Chongqing serves as a logistics and industrial hub in western China, helping broaden the customer base into new regions. These factors have the potential to create long-term revenue stability. However, penetrating such markets requires stronger product standards and the ability to meet specific customer requirements.

7. Expansion into Value-Added Products

The trend toward developing products into value-added offerings, such as Modified Starch and products that respond to health and environmental trends, including Gluten-Free, Non-GMO, and customer segments that emphasize ESG and sustainability, is an important factor supporting stronger profitability and lower volatility from commodity prices. Shifting the product portfolio toward more differentiated and higher value-added products also strengthens competitiveness in international markets. However, investment in technology, research and development, and production standards is necessary to upgrade such products.

8. Low Carbon Starch

The Company has established a strategic partnership with Sojitz Agriculture DX Co., Ltd. (KDX) and Sojitz Corporation, a leading international trading group from Japan, with the goal of developing Low Carbon Starch with traceability throughout the supply chain. The project uses KDX Connect technology to collect data from farmers, including cultivation information, satellite imagery, and AI analysis, in order to calculate the product's carbon footprint. It began with a pilot group of 20 farmers and plans to expand to 200 farmers in the next phase. Carbon reduction approaches include optimizing fertilizer use based on soil conditions, using organic fertilizer, and applying biochar, as well as transferring knowledge to farmers to improve production efficiency. This collaboration aims to elevate Thai tapioca starch into markets that place importance on ESG and sustainability.

The collaboration above will be an important factor in executing the Company's product value enhancement strategy. By applying digital technology and traceability systems throughout the supply chain, the Company can better meet the needs of customers that place greater emphasis on ESG and sustainability. This gives the Company an opportunity to expand into customer segments with strong value-added potential and reduce reliance on price competition in commodity markets.

At the same time, this collaboration also helps strengthen raw material security by developing farmer management and upstream cultivation systems, enabling the Company to improve control over raw material quality and quantity while reducing the long-term impact of yield volatility and domestic raw material sourcing constraints. Farmer development and cultivation improvement approaches also help increase yield per rai and raise raw material quality to meet the requirements of high-standard markets, enabling the Company to manage costs and production continuity more effectively.

Sustainability Performance

The Sustainability and ESG Committee has revised the Vision and Mission to reflect current and future conditions, as follows:

Vision

“Driving sustainable starch business with innovation, good governance,
and responsible growth for people and the planet.”

PQS strives to be a leader in the tapioca starch and related products industry, driven by innovation, global standards, and a strong commitment to social and environmental responsibility. We aim to create a balance between business growth and sustainable care for the world.

Mission

- Embed ESG into all levels of strategy and operations.
- Build a transparent, resilient, and inclusive cassava supply chain.
- Pursue Net Zero through effective energy, water, and waste management.
- Elevate communities and partners through shared value creation.
- Foster a culture of governance, transparency, and lifelong learning.

Environmental Performance (E)

- Develop a low-carbon cassava supply chain by supporting farmers with agricultural inputs, appropriate fertilizer use, and cultivation-data monitoring to increase yields, reduce resource consumption, and lower greenhouse gas emissions.Conduct Research and Development (R&D) through Smart Experimental Plots covering a total area of 40 hectares (250 rai). These are divided into sub-plots to study yield optimization and determine the ideal harvest window of 8–10 months, ensuring maximum cassava root quality and starch content.
- Research and develop a smart experimental farm covering approximately 250 rai (40 hectares) to study yield optimization, efficient input use, and optimal harvesting periods, with the aim of improving starch quality and quantity.
- Improve energy and water efficiency by upgrading production processes and equipment.
- Ensure the continuous verification of greenhouse gas emissions (GHG Scope 1 and Scope 2).

Metric	2025	1H/2026	Notes
Electricity generated from renewable energy (kWh)	17,090,447	**7,826,932**	
Share of Renewable Energy in Production Process (%)	46%	**44%**	
Electricity consumption per unit of production (kWh/ton)	241	**270**	
Water consumption per unit of production (m^3/ton)	8.67	**8.15**	
Hazardous waste sent for off-site disposal (kg)	42,730	**- None -**	
GHG Scope 1 / Scope 2 emissions (tCO_2e)	35,721	**Pending verification**	Verified by the University of Phayao

Impact on the Company from Environmental Initiatives:

1. **Market and Customers:** Enhanced the Company's product positioning toward sustainability-focused markets, particularly among major food and beverage manufacturers committed to carbon reduction. This aligns with environmental disclosure frameworks such as IFRS S2 and GRI indicators (e.g., GRI 305-5), strengthening PQS's potential to access premium markets and expand its international customer base.
2. **Community relations:** Helps ensure that communities surrounding the factory have sufficient drinking and household water during the dry season, while fostering positive relations between the company and local communities.
3. **Operational efficiency:** The company can reduce fluctuations in electricity costs, enabling more accurate financial forecasting and more effective cash flow management. This helps mitigate long-term financial cost risks.

Social Performance (S)

- Organize activities that positively impact communities surrounding the factory, such as educational programs for young people, training on disease-free cassava cultivation, and sporting events that strengthen bonds among families and community members while promoting social resilience against drug abuse.
- Provide comprehensive employee training, including occupational safety, health, and workplace environment topics, to help employees work systematically, understand their rights and responsibilities, and foster a positive organizational environment where they can work happily.

Metric	2025	1H/2026
Number of employees with disabilities (persons)	3	**5**
Employee turnover rate (%)	25.6	**11.2**
Average training hours per employee (hours/person)	38.2	**23.7**
Lost-time accidents reported (employees / contractors) (cases per 1,000,000 hours)	1.97 / 0	**1.03 / 0**
Human rights violations (cases)	0	**0**
Community support / contributions (THB)	985,650	**168,151**

Impact on the Company from Social Initiatives:

1. **Strong Community Relations:** The Company has earned trust and long-term cooperation from local communities, fostering stability and mutual support for sustainable operations.
2. **Safe Factory Environment:** The Company's facilities are located in safe and drug-free areas, contributing to a secure environment that enhances employees' quality of life.
3. **Employee Well-being and Retention:** A positive work environment has improved employee satisfaction, reducing recruitment and turnover costs.
4. **Attraction of High-Caliber Talent:** A strong corporate culture and positive reputation help attract skilled and motivated employees, driving the Company's long-term growth and competitiveness.
5. **Enhanced Corporate Image:** PQS is increasingly recognized as an environmentally and socially responsible manufacturer, strengthening its brand reputation, supporting expansion into premium markets, and attracting socially conscious investors.

Governance Performance (G)

- Strengthen corporate governance through an appropriate board structure and the appointment of independent directors to support checks and balances in management and internal controls.
- Provide shareholders with equal access to information by conducting the Annual General Meeting of Shareholders systematically and transparently. Senior executives also participate in Stock Exchange of Thailand activities to present quarterly performance results on a regular basis.
- Enhance ethical standards and anti-corruption practices by participating in the Thai Private Sector Collective Action Against Corruption (Thai CAC) and regularly providing employee training.
- Establish a whistleblowing system that enables all stakeholders to report suspected fraud or misconduct safely and equitably.

Metric	2025	1H/2026	Notes
CGR rating (1–5 stars)	5 stars (Excellent)	**To be announced**	
AGM Checklist score (out of 100)	100	**99**	Assessed by the Thai Investors Association (TIA)
Total directors (persons)	8	**7**	
Independent directors (number, % of total board members)	5 (62.5%)	**4 (57.1%)**	
Non-executive directors (number, % of total board members)	7 (87.5%)	**6 (85.7%)**	
Female directors (number, % of total board members)	1 (12.5%)	**1 (14.3%)**	
CAC certification	Certified	**Certified**	Certified by Thai CAC
Violations of laws or company policies (cases)	0	**0**	
Whistleblowing complaints (cases)	4	**1**	Handled by the Internal Audit Department
Material fraud or ethics cases (cases)	0	**0**	Handled by the Internal Audit Department

Impact on the Company from Governance Initiatives:

1. **Trust from Farmers and Business Partners:** The Company has strengthened long-term trust and collaboration with suppliers and farmers through transparent, responsible, and fair business practices.
2. **Improved Management Decision-Making:** Executives are now able to make data-driven decisions with higher accuracy and accountability, reducing organizational risks and internal conflicts.
3. **Effective Grievance Management:** With a clear Non-Retaliation Policy, employees feel confident in reporting concerns safely, enabling the Company to resolve issues promptly while ensuring labor rights protection and sound governance risk management.
4. **Sustainable Long-Term Growth:** A transparent, technology-supported governance framework enhances operational efficiency, minimizes errors, and promotes sustainable corporate growth, reinforcing stakeholder confidence across all levels.

Yours faithfully,
Mr. Pavint Ruangvoraboon
Chief Accounting and Finance Officer