



บริษัท ไทยเซ็นทรัลเคมี จำกัด (มหาชน)

THAI CENTRAL CHEMICAL PUBLIC COMPANY LIMITED

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Subject Clarification of the 1st quarter performance of the year 2019

To President
The Stock Exchange of Thailand

Enclosure Management Analysis and Discussion (MD&A)

Referred to rules and regulations of the SEC which provides that a listed company shall clarify reason in case of difference between company including its subsidiaries' performance of the current year and that of the corresponding period of the previous year exceeding 20%, the Company would like to clarify as follows.

Performance of the Company including its subsidiaries of the 1st quarter of 2019 shows Profit Attributable to Owners of the parent at the amount of THB 65 million, decreasing by THB 97 million or 60% when compared with Profit Attributable to Owners of the parent of the corresponding period of last year which showed THB 162 Million.

The reason of such result is shown in the Management Analysis and Discussion as in the attachment.

Please be informed accordingly.

Sincerely yours,

(Mr. Yoshihiro Tamura)
President & CEO

Management Discussion and Analysis (MD&A)

Business Overview

The Company would like to report the operational result of the Consolidated Financial Statement for the first quarter of year 2019 during January 1, 2019 to March 31, 2019. The first quarter of year 2019 showed Profit Attributable to Owner of the parent at THB 65 Million, and Earnings per Share at THB 0.11. It decreased by THB 97 Million or 60% compared with the first quarter of year 2018, which showed Profit Attributable to Owner of the parent at THB 162 Million and Earnings per Share at THB 0.28.

Thailand's economy in the first quarter of year 2019 expanded at a decelerated pace compared with the previous quarter. Despite the still-strong domestic consumption and public investment, the broad-based contraction in export as a result from lower global demand is having considerable impact in slowing the expansion. In addition, the less robust growth in tourism sector was another factor attributed to cooling down the economy. Consequently, given these increasing negative factors, the GDP growth for year 2019 would be at an approximate of lower than 4.0%.

Agricultural sector was not yet recovered in the first quarter of year 2019. The farm gate price index remained low, which resulted in farm income index also decreased year on year basis. Coupled with the drought in several off-season crop areas, the farming situation in Thailand for the first quarter of year 2019 was among the worst in years. Likewise, the agricultural situation in neighboring countries where the Company has presences was in no different condition.

Inevitably, the chemical fertilizer industry was affected by these difficulties. Farmers in several crops decided not to cultivate during the off-season. In some other crops, with the necessity of the chemical fertilizer usage, farmers opted to use cheaper but less effective fertilizer formulas instead for their farms. This resulted in lower than expected demand values for chemical fertilizer. Besides, the request from government to reduce the price of key chemical fertilizer formulas had put another pressure on the performance of the key players in the chemical fertilizer industry in the first quarter of 2019.

Under the aforementioned economic and industry situation, the management maintained flexibility of business administration and adjusted the policy to accommodate the changing government policy, raw material cost fluctuation and currency exchange risk. In addition, sales promotion campaigns were strategically launched by spot to match with highly competitive market. To achieve higher growth, the management is undertaking the expansion to neighboring country markets especially Myanmar, Laos and Cambodia where there is plenty of rooms to grow. Moreover, the management are making efforts on implementing new strategic initiatives to encounter changes and generate new values for the Company.

Results of Operations and Profits

Unit : Thousand Baht	1st Quarter Jan - Mar (3 months)		Change
	2018	2019	%
Revenues from Sales and Services	1,663,702	1,267,384	(24)
Cost of Goods Sold and Rendering of Services	(1,304,392)	(1,060,958)	(19)
Gross Profit	359,310	206,426	(43)
Other Income	19,662	29,277	49
Profit Before Expenses	378,972	235,703	(38)
Selling and Administration Expenses	(162,029)	(145,475)	(10)
Profit Before Finance Costs and Income Tax Expense	216,943	90,228	(58)
Finance Costs	(400)	(1,024)	156
Share of Profit from Investment in an Associate	65	77	18
Profit Before Income Tax Expense	216,608	89,281	(59)
Income Tax Expense	(50,015)	(19,984)	(60)
Profit for the Period	166,593	69,297	(58)
Profit Attributable to Owners of the Parent	162,391	64,987	(60)
Total Comprehensive Income Attributable to Owners of the Parent	144,934	57,953	(60)

Revenues from Sales and Services of the Company in the first quarter of year 2019 showed THB 1,267 Million which decreased by THB 396 Million or 24% compared with THB 1,663 Million in the same quarter of year 2018. The decrease in revenue was due to two factors: 1) the drop in sales quantity from the lower demand in chemical fertilizer industry and 2) the drop in selling price resulted from government price control policy. For the Cost of Goods Sold and Rendering of Services, it decreased by THB 244 Million or 19%. The relatively higher proportion of Cost of Goods Sold compared with the Sales Revenues was because there were less production and hence lower factory utilization. In the meantime, Selling and Administration Expenses decreased by THB 16 Million or 10% as the management tried best to control the cost during the difficult market situation.

From all reasons mentioned above, Total Comprehensive Income Attributable to Owners of the parent in the first quarter of year 2019 was THB 58 Million, decreased by THB 87 Million or 60% compared with THB 145 Million in the same quarter of year 2018.

Analysis of Liquidity and Financial Position

Main Components of Statement of Financial Position (Consolidated)

Description	March 31, 2018		March 31, 2019	
	Thousand Baht	Percentage to Total Asset	Thousand Baht	Percentage to Total Asset
Current Assets	9,503,156	78	8,600,682	77
Non-current Assets	2,702,666	22	2,638,997	23
Total Assets	12,205,822	100	11,239,679	100
Current Liabilities	3,230,395	26	1,859,391	17
Non-current Liabilities	247,872	2	268,366	2
Total Liabilities	3,478,267	28	2,127,757	19
Total Shareholders' Equity	8,727,555	72	9,111,922	81
Total Liabilities and Shareholders' Equity	12,205,822	100	11,239,679	100

As of the end of the first quarter of year 2019, Total Assets of the Company showed THB 11,239 Million, decreased by THB 966 million or 8% compared with the same period of year 2018. More details of assets are as follows:

Description	March 31, 2018 Thousand Baht	March 31, 2019 Thousand Baht	Change %
Cash, cash equivalents and current investments	5,276,734	5,263,521	(0)
Total trade and other receivables	1,182,454	582,453	(51)
Inventory	2,870,659	2,748,849	(4)
Assets	12,205,822	11,239,679	(8)

As of the end of the first quarter of year 2019, Cash, cash equivalents and current investments were relatively unchanged. Total trade and other receivables on the other hands showed THB 582 Million, decreased THB 600 Million or 51%. The decrease was because the slowing down sales as well as the Company were more cautious on providing credit terms during the current market situation. Meanwhile, Inventory showed little change from the same period in previous year as the Management tried to control the inventory level to be best suit with the current situation and to prepare to adequately serve the farmers during the upcoming in-season period.

As of the end of the first quarter of year 2019 compared with the same period of year 2018, Total Liabilities of the Company showed THB 2,128 Million, decreased by THB 1,350 Million or 39%. Shareholders' Equity of the Company showed THB 9,112 Million, increased by THB 384 Million or 4%.

Economic & Business Forecast Q2-2019

The global economy is expected to see the increasing threats from the trade wars between big economies especially the US and China. The Thai export sector will be prone to this risk and consequently may affect the country's growth in year 2019. In addition, the after-election politics that is still full of uncertainties could further hinder the overall economic growth. In the meantime, the agricultural sector still remains vulnerable amidst the low agricultural price and the potential drought during the farming season.

The chemical fertilizer consumption in the in-season period during the 2nd and 3rd quarter will determine the overall chemical industry for the year 2019. The purchasing power of farmers and their confidence to start the crop can be boosted by the improving key agricultural product prices as well as the strong support from the government. Moreover, the water level could determine the type of crops, timing of application and quantity of demand for chemical fertilizer. The company will keep monitoring these factors closely and will adjust the strategy to maintain the competitive edge in the market.

