



บริษัท ไทยเซ็นทรัลเคมี จำกัด (มหาชน)

THAI CENTRAL CHEMICAL PUBLIC COMPANY LIMITED

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Subject Clarification of the 2nd 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 2nd quarter of 2019 shows Profit Attributable to Owners of the parent at the amount of THB 368 million, decreasing by THB 310 million or 46% when compared with Profit Attributable to Owners of the parent of the corresponding period of last year which showed THB 678 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 Statements for the 2nd quarter of year 2019 during April 1, 2019 to June 30, 2019. The 2nd quarter of year 2019 showed Profit Attributable to Owners of the Parent at THB 368 Million, and Earnings per Share at THB 0.63. It decreased by THB 310 Million or 46% compared with the 2nd quarter of year 2018, which showed Profit Attributable to Owner of Parent at THB 678 Million and Earnings per Share at THB 1.16.

Thailand economy in the 2nd quarter of 2019 expanded at a slower pace than previously expected. The decline in export and the decelerated growth in tourism sector amid the US-China trade friction were the major contributions to the country's disappointing economic performance. Moreover, following the sluggish global demand, the domestic consumption was not showing a good sentiment. In a similar fashion, private investment was also stagnant as the investors were holding their decisions during the cabinet formation. As a result, these several headwinds had prompted several government agencies and research houses to give downward revisions of the year's growth to barely above 3%, largely below the previous expectations.

Agricultural sector during the cultivation season was badly hit by the worst drought in several years. In the 2nd quarter of 2019, the accumulated rainfalls in North and Northeast region had been decreased by 35% and 30% respectively. The delayed rainfalls in major farming areas especially in these two regions made it almost impossible for non-irrigated farmers to start their crop regularly in the season and can only wait for the rains. In addition, the key crop prices were not showing signs of strong recoveries. Consider that the debt level of farmers was already high while the purchasing power is low, this situation had cut off both willingness and ability of farmers to start the cultivation. The chemical fertilizer industry was inevitably affected by these factors as the chemical fertilizer demand dwindled. In addition, the extension of chemical fertilizer price control from the government was another important factor pressuring the chemical fertilizer industry during the unfavorable market situation.

Under the aforementioned circumstance, the management focused on the management of raw material costs, currency exchange risks and expenditure to control costs of operation.

Moreover, the marketing and promotion campaigns were strategically employed in specific areas where sales can be improved from the activities. In addition, the management monitored the water situation closely to make sure the company will be able to adequately supply chemical fertilizer once the farmers start their crops in the season.

Results of Operations and Profits

Unit : Thousand Baht	The 2 nd Quarter Apr - Jun (3 months)		Change
	2018	2019	%
Revenues from Sales and Services	3,907,088	3,157,052	(19)
Cost of Goods Sold and Rendering of Services	(2,932,427)	(2,514,779)	(14)
Gross Profit	974,661	642,273	(34)
Other Income	59,062	22,528	(62)
Profit Before Expenses	1,033,723	664,801	(36)
Selling and Administration Expenses	(173,700)	(198,541)	14
Profit Before Finance Costs and Income Tax Expense	860,023	466,260	(46)
Finance Costs	(519)	(1,488)	187
Share of Profit from Investment in an Associate	72	74	3
Profit Before Income Tax Expense	859,576	464,846	(46)
Income Tax Expense	(176,847)	(94,667)	(46)
Profit for the Period	682,729	370,179	(46)
Profit Attributable to Owners of the Parent	677,539	367,716	(46)
Total Comprehensive Income Attributable to Owners of the Parent	698,228	357,289	(49)

Revenues from Sales and Services of the Company in the 2nd quarter of year 2019 showed THB 3,157 Million which decreased by 19% compared with THB 3,907 Million of the same quarter of year 2018. The decrease was caused by the lower sales volume due to the drought situation, and the lower selling price due to the government's price control. The Cost of Goods Sold and Rendering of Services, in tandem with the drop in sales volume, decreased by 14% compared with the same quarter of year 2018. Consequently, Gross Profit decreased by THB 332 Million or 34%. Meanwhile, Selling and Administration Expenses increased by THB 25 Million or 14% which was due to higher cost of marketing and promotion to keep the company's competitive edge during the unfavorable market situation.

From all reasons mentioned above, Total Comprehensive Income Attributable to Owners of the parent in the 2nd quarter of year 2019 was THB 357 Million, decreased by THB 341 Million or 49% compared with THB 698 Million in the same quarter of year 2018.

Analysis of Liquidity and Capital Resources

Description	June 30, 2018		June 30, 2019	
	Thousand Baht	Percentage to Total Asset	Thousand Baht	Percentage to Total Asset
Current Assets	9,285,970	77	8,841,467	77
Non-current Assets	2,738,610	23	2,617,953	23
Total Assets	12,024,580	100	11,459,420	100
Current Liabilities	2,338,856	20	1,737,677	16
Non-current Liabilities	254,751	2	268,444	2
Total Liabilities	2,593,607	22	2,006,121	18
Shareholders' Equity	9,430,973	78	9,453,299	82
Total Liabilities and Shareholders' Equity	12,024,580	100	11,459,420	100

As of the end of 2nd quarter of year 2019, Total Assets of the Company showed THB 11,459 Million, decreased by THB 566 million or 5% compared with the same period of year 2018. Main details of assets are as follows:

Description	June 30, 2018 Thousand Baht	June 30, 2019 Thousand Baht	Change %
Cash, cash equivalents and current investments	4,595,536	4,393,347	(4)
Total trade and other current receivables	1,041,522	1,206,349	16
Inventories	3,616,141	3,241,666	(10)
Assets	12,024,580	11,459,420	(5)

Cash, cash equivalents and current investments decreased by 4% while the total trade and other receivables increased by 16%. The increase in trade receivables was because the company consider providing attractive credit term for some credible customers to compete with other competitors and gain more sales. Meanwhile, Inventories decreased by 10% because the company adjusted inventories level to match with the demand.

As of the end of 2nd quarter of year 2019 compared with the same period of year 2018, Total Liabilities of the Company showed THB 2,006 Million, decreased by THB 587 Million or 23%. Shareholders' Equity of the Company showed THB 9,453 Million, increased by THB 22 Million or 0.24%.

Economic & Business Forecast 2019

The global economy is expected to see decelerated growth as a result mainly from the increasing threats of trade wars between the US and China, slowing down growth in big economies and geopolitical risks especially the Brexit case. Thailand as an export-led and tourist- reliant economic country could see more risks that might affect the overall growth in the latter half of year 2019.

The fertilizer consumption recovery in Thailand in the third quarter of 2019 is challenging. As some farmers have already given up the cultivation due to the serious drought, the farming areas have reduced in this season. Meanwhile, the announcement of government to support farmers in drought-affected areas as well as other agricultural supporting schemes might help farmers' motivation to cultivate crops, which may contribute to increase the demand of fertilizer subject to weather condition. The company will keep monitoring these factors closely and will adjust the strategy to remain competitive in the market.

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