



บริษัท ไทยเซ็นทรัลเคมี จำกัด (มหาชน)
THAI CENTRAL CHEMICAL PUBLIC COMPANY LIMITED

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Subject Clarification of the 2nd quarter performance of the year 2020

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 2020 shows Profit Attributable to Owners of the parent at the amount of THB 568 million, increasing by THB 200 million or 54% when compared with Profit Attributable to Owners of the parent of the corresponding period of last year which showed THB 368 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)

Key Summary

- Although domestic economy and fertilizer industry still struggled to make a recovery during the 2nd quarter, the Company was able to achieve a THB 200 Million or 54% increase in Profit Attributable to Owner of the parent YOY from THB 368 Million to THB 568 Million.
- The reason for such increase was mainly due to the strict management in internal operation including raw material control, fixed cost management and expenditure reduction to ensure the lowest operational cost incurred.
- In addition, while on-field marketing activities are facing several restrictions under emergency decree by government, more online activities were conducted during the quarter as another marketing channel to reach to existing and potential customers.
- The demand for chemical fertilizer in the 3rd quarter will be determined by the sufficient water supplies available for farming area as well as the financial support from the government. Both of which will help enhancing growers' willingness to cultivate during the main season.

Business Overview

The Company would like to report the operational result of the Consolidated Financial Statement for the 2nd quarter of the year 2020 during April 1, 2020 to June 30, 2020. The second quarter of 2020 showed Profit Attributable to Owner of the parent at THB 568 Million, and Earnings per Share at 0.97 THB. It increased by THB 200 Million or 54% compared with the second quarter of the year 2019, which showed Profit Attributable to Owner of the parent at THB 368 Million and Earnings per Share at 0.63 THB. The factors contributing to such increase were from the Management's operational control focused and the expansion of export markets.



Thailand's economy in the 2nd quarter of 2020 was still in a weak condition because the impact from COVID-19 was more severe than expected. Stricter and longer period of containment measures was implemented globally to prevent the spread of virus and it consequently caused a negative effect on the country's economic performance especially on export and tourism sectors. In addition, domestic consumption was reduced because of higher unemployment rate as well as more spending awareness during the pandemic. As a result, major government and research institutions gave predictions that this year's GDP growth will be down to more than – 8%.

The agricultural situation in Thailand during the 2nd quarter remained stagnant. Even though the amount of nationwide rainfall was slightly higher than that of the same period in 2019, it was not enough for growers to start cultivation since it was still below the average of normal years. In the meantime, despite receiving the government subsidy during the spread of COVID-19, growers' purchasing power has not been recovered resulting from the drought in previous months. Therefore, growers could not exploit an opportunity of increasing crop prices namely paddy and maize because of the inadequate rainfall and the weakness in their purchasing power. Without exception, the chemical fertilizer industry was affected by these two factors, thus entailing in a decline in fertilizer demand domestically.

To cope with these circumstances, the Management decided to carry out following strategies. First, the Management put emphasis on operation management, by controlling raw material, managing exchange rate risk and monitoring production, which were all done in an attempt to achieve a low cost position. Second, the Management also focused on expanding into nearby countries in order to increase customer base. Lastly, even though the COVID-19 pandemic prevented the Company from conducting marketing activities on a field basis, the Company shifted more attention into an online channel by creating a live program on the Facebook platform as another approach to boost brand awareness. By implementing these strategies, the Company earned an increase in the Profit Attributable to Owner of the parent comparing with the same quarter of previous year even though the domestic situation was still unfavorable.



Results of Operations and Profits

Unit : Thousand Baht	2nd Quarter Apr - Jun (3 months)		Change
	2019	2020	%
Revenues from Sales and Services	3,157,052	3,223,346	2
Cost of Goods Sold and Rendering of Services	(2,514,779)	(2,335,032)	(7)
Gross Profit	642,273	888,314	38
Other Income	22,528	23,166	3
Profit Before Expenses	664,801	911,480	37
Selling and Administration Expenses	(198,541)	(184,290)	(7)
Profit From Operating Activities	466,260	727,190	56
Finance Costs	(1,488)	(1,533)	3
Share of Profit from Investment in an Associate	74	67	(9)
Profit Before Income Tax Expense	464,846	725,724	56
Income Tax Expense	(94,667)	(154,643)	63
Profit for the Period	370,179	571,081	54
Profit Attributable to Owners of the Parent	367,716	567,553	54
Total Comprehensive Income Attributable to Owners of the Parent	357,289	556,299	56

Revenue from Sales and Services of the Company in the 2nd quarter showed a slight increase of 2% from THB 3,157 Million in 2019 to THB 3,223 Million in 2020, which was resulted from the sales in overseas market including Cambodia, Myanmar and Laos. Furthermore, the Company's strict control on the purchase of raw material and production management led to a 7% decrease in the Cost of Goods Sold and Rendering of Services from THB 2,515 Million in 2019 to THB 2,335 in 2020. As a result, these factors contributed to an increase in the Company's gross profit by THB 246 Million or 38% compared with the 2nd quarter of 2019. In the meantime, the Company's adjustment in managing area-based sales and marketing activities during the spread of COVID-19 resulted in a decrease in the Selling and Administration Expenses from THB 199 Million in 2019 to THB 184 Million in 2020 or 7%.

From all reasons mentioned above, Total Comprehensive Income Attributable to Owners of the parent in the 2nd quarter of 2020 was THB 556 Million, increasing by THB 199 Million or 56% when compared with THB 357 Million in the same quarter of 2019.



Analysis of Liquidity and Financial Position

Main Components of Statement of Financial Position (Consolidated)

Description	June 30, 2019		June 30, 2020	
	Thousand Baht	Percentage to Total Asset	Thousand Baht	Percentage to Total Asset
Current Assets	8,841,467	77	9,324,032	78
Non-current Assets	2,617,953	23	2,563,605	22
Total Assets	11,459,420	100	11,887,637	100
Current Liabilities	1,734,397	15	1,612,456	13
Non-current Liabilities	271,724	3	335,054	3
Total Liabilities	2,006,121	18	1,947,510	16
Total Shareholders' Equity	9,453,299	82	9,940,127	84
Total Liabilities and Shareholders' Equity	11,459,420	100	11,887,637	100

As of the end of 2nd quarter in 2020, Total Assets of the Company showed THB 11,888 Million, increased by THB 428 Million or 4% compared with the same period of 2019. More details of assets are as follows:

Description	June 30, 2019 Thousand Baht	June 30, 2020 Thousand Baht	Change %
Cash, cash equivalents and current investments*	4,393,347	5,450,642	24
Total trade and other receivables	1,206,349	1,232,834	2
Inventory	3,241,666	2,636,776	(19)
Assets	11,459,420	11,887,637	4

*Current investments is defined as a time deposit account with maturity date over 3 months to less than 1 year and classified under other current financial assets in the statement of financial position.

Cash, cash equivalents and current investments was significantly risen by 24% from THB 4,393 Million to THB 5,451 Million because the Company wanted to keep sufficient cash for maintaining its financial stability during the current economic and market situation. Consequently, it reflected in a 19% decrease in the Company's Inventory from THB 3,242 Million in 2019 to THB 2,637 Million in 2020 to increase cash on hand as well as to response to the fluctuation of fertilizer market during the period. At the same time, Total trade and other receivables remained at the same level comparing with the same period of the previous year.



Total Liabilities of the Company were THB 1,948 Million representing a decrease by THB 59 Million or 3 % while Shareholders' Equity of the Company was THB 9,940 Million representing an increase by THB 487 Million or 5%.

Economic & Business Forecast 2020

Global economy is expected to gradually recover in the 2nd half of the year since many countries, including Thailand, have started to manage the spread of COVID-19 in a more effective manner. Thus, more economic activities will be allowed to resume after the relaxation of containment measures. Nevertheless, the likelihood of a new wave of Coronavirus as well as the re-emergence of trade war between the U.S and China are serious incidents that might obstruct the recovery of global economy' during the latter half of 2020.

The fertilizer consumption during a main season largely depends on the adequacy of water supplies to farmland. In addition to this, the government's financial supporting scheme related to cultivation such as factors of production subsidy or delayed loan repayment are important factors that can also trigger the growers' willingness to cultivate. Therefore, the Company will constantly monitor on these factors and adjust its strategies to be responsive for any changes that might occur in the market.

