



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

ห้อง 801-806, 809-810 ชั้น 8 มิตรทาวน์ ออฟฟิศ ทาวเวอร์ 944 ถนนพระราม 4 แขวงวังใหม่ เขตปทุมวัน กรุงเทพมหานคร 10330
Room 801-806, 809-810, 8th Floor, Mitrtown Office Tower, 944 Rama 4 Road, Wangmai, Pathumwan, Bangkok 10330
Tel: (662) 639 8888 Fax: (662) 639 8999 E-mail : mailbox@thaicentral.co.th Website : www.tcccthai.com
ทะเบียนเลขที่ บมจ. 0107536000277 REG. No. 0107536000277

(Translation)

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24 February 2021

Subject Clarification of the year 2020 performance

To President
The Stock Exchange of Thailand

Enclosure Management Analysis and Discussion (MD&A)

Referred to rules and regulations of the SEC providing 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 2020 shows the Profit Attributable to Owners of the parent at the amount of THB 1,472 million, increasing by 60% compared with the corresponding period of the previous year which showed the amount of THB 922 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

Company Secretary / Photchara Tel. 0 2639 8888 ext 8909



Management Discussion and Analysis (MD&A)

Business Overview

The Company reported the Consolidated Financial Statements of 2020 from January 1 to December 31, 2020 that the Company achieved Profit Attributable to Owners of the parent of THB 1,472 million, increased by 60 % or THB 550 million from the previous year of THB 922 million. The reason for such increase were due to the positive external factors that stimulate farmers to apply fertilizer and effective management in an internal operation. As a result, Earnings per Share for the year 2020 was 2.52 Baht, increased from 1.58 Baht in 2019.

Business Segment Information

The Company main business is to import, manufacture and distribute various formulas of chemical fertilizer. In the meantime, the Company has 3 subsidiaries, 1) TCCC Myanmar Ltd., an importer and distributor of chemical fertilizer in Myanmar, 2) MC Agro-Chemicals Co., Ltd., an importer and distributor of herbicide, fungicide, and insecticide for agriculture, and 3) N.I.M. Co., Ltd., an owner and operator of the tank terminal for storage of liquid chemicals for industrial uses. The Company's performance is analyzed in the segment of Core Business and Subsidiaries businesses.

- **Core Business (Chemical Fertilizers)**

Even though the COVID-19 pandemic caused difficulties in various industries, the chemical fertilizer industry was less affected by such incident as the sufficient amount of rainfalls especially on main season period increased fertilizer demand compared with the year 2019. Moreover, other contributions including the attractive price of major crops especially paddy, the higher purchasing power and government financial supporting scheme on COVID-19 also triggered farmers' willingness to cultivate. Therefore, these factors led to an increase in the demand for chemical fertilizer compared with the previous year.

With regard to the Company's strategy to respond to the mentioned environment, online activities have become the major channel to raise brand awareness throughout the year since on-field activities were limited due to the coronavirus containment measures. In the meantime, although physical activities were less conducted, the Company has decided to launch "Perm Khao" project as another approach to continue doing activities on area basis because the project has been collaborated with universities and influential farmers in local areas with an aim to increase rice productivity.



- **Other Businesses**

The share of Sales Revenue and Service Income from the two non-fertilizer businesses was insignificant at 4 % compared with the total revenue in 2020.

Sales Revenue and Service Income of MC Agro-Chemicals was down by 13 % from the year 2019 due to the government's restriction on Glyphosate, which is one of the main agro-chemicals.

On the other hand, Service Income of N.I.M. slightly increased by 1 % comparing with the previous year due to stable demand for basic chemicals.

Policy and Strategy

The Company adheres to the main strategies of; 1) supplying high quality products for farmers to achieve high yield, 2) providing best services to the customers to meet their requirements, and 3) controlling production and procurement to maintain the optimal level of inventory, so as to generate highest income from the operation. As a manufacturer, the Company also emphasizes on the importance of safety and environmental protection in a production process and achieves “Green Industry Reward Level 4” award in 2019. We are continuously paying every efforts to be more environment conscious manufacturer and become a good corporate citizen in the local communities.

To achieve sustainable growth, the Company determines to increase manufacturing capabilities to offer high quality chemical fertilizer with a goal to help farmers achieve a high yield and a better quality of life.

Accounting Policies

The Company's financial year is of the period from January 1 until December 31 of every year. The financial statements have been prepared in accordance with Thai Accounting Standards (“TAS”) No.1 and the Regulation of the Stock Exchange of Thailand. The significant accounting policies is to recognize revenue from sales when the Company has transferred the control of the goods to customers. Inventory is recorded either at lower of cost or net reliable value, whichever is lower. Meanwhile, cost is determined by a weighted average method except for a subsidiary, MC Agro-Chemicals Company Limited, which is determined by a first-in, first-out approach.



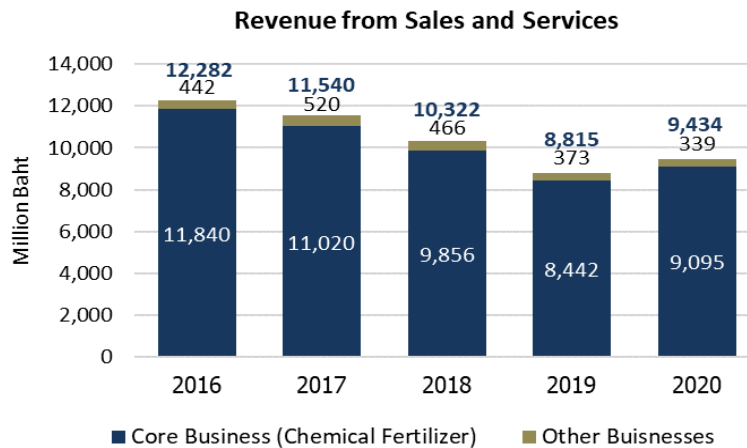
Results of Operations

1. Overview of the Operation

Statements of Comprehensive Income as of December 31, 2020 compares with December 31, 2019.

Unit : Million Baht	Year		Change
	2019	2020	%
Revenues from Sales and Services	8,815	9,434	7
Cost of Goods Sold and Rendering of Services	(7,024)	(6,997)	0
Gross Profit	1,791	2,437	36
Other Income	106	108	2
Profit Before Expenses	1,897	2,545	34
Selling and Administration Expenses	(704)	(670)	(5)
Profit from Operating Activities	1,193	1,875	57
Finance Costs	(5)	(5)	0
Profit Before Income Tax	1,188	1,870	57
Income Tax Expense	(249)	(380)	53
Profit for the Year	939	1,490	59
Profit Attributable to Owners of Parent	922	1,472	60
Total Comprehensive Income Attributable to Owner of Parent	886	1,474	66

2. Revenues from Sales and Services



- Core Business (Chemical Fertilizer)

In 2020, the Company received revenue from chemical fertilizer in the total amount of THB 9,095 million, increased by THB 653 million or 8 % comparing with the year 2019. The major reason for an increase resulted from the slightly higher amount of rainfalls than the previous year that encourage farmers to start farming activities and apply chemical fertilizer.



- Income from the Other Businesses

Overall, income from other businesses was from the sales of pesticides used in the agricultural sector as well as servicing tank rental and terminal operation for the storage of liquid chemicals. The revenue generated by these businesses in 2020 was 339 million baht, down by 34 million or 9 % compared with 373 million baht in 2019.

3. Cost of Goods Sold and Services

In 2019, the Cost of Goods Sold and Services showed a slight decrease of THB 27 million from 7,024 million baht in 2019 to 6,997 million baht in 2020 since the Company continued maintaining the management of raw material purchase and production operation at the optimal level.

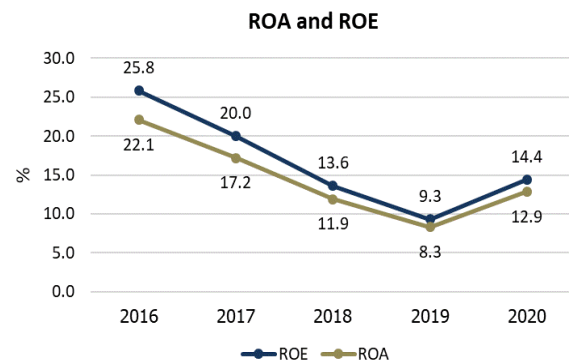
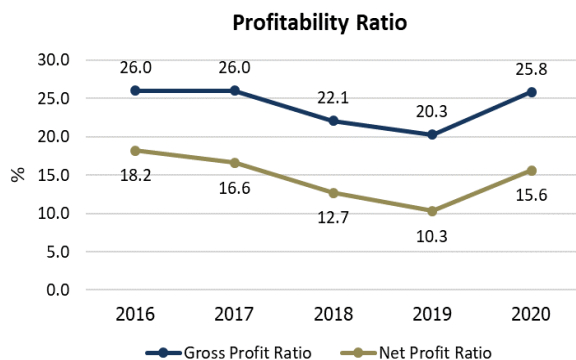
4. Selling and Administration Expenses

The Company's Selling and Administration Expenses decreased by 5 % from THB 704 million in 2019 to THB 670 million in 2020 due to the lower expense on area-based sales and marketing activities that being legally restricted during the first wave of COVID-19.

5. Profitability Analysis

Description	Year		Change
	2019	2020	%
Gross Profit (Million Baht)	1,791	2,437	36
Profit Attributable to Owners of parent (Million Baht)	922	1,472	60
Earning Per Share (Baht)	1.58	2.52	59

In 2020, The Company's gross profit was THB 2,437 million, increased by THB 646 million or 36 % from the year 2019 that earned THB 1,791 million. The rise in gross profit was mainly from increased sales quantity of chemical fertilizer. Furthermore, since the Company continued controlling operational activities in an effective manner, it consequently support the increase of Company's gross profit ratio from 20.3 % in 2019 to 25.8 % in 2020.





Regarding the Profit Attributable to Owners of parent in 2020, the Company gained THB 1,472 million baht, which increased from 2019 by THB 550 million or 60 %. As a result, Earning per Share (EPS) increased from 1.58 baht in 2019 to 2.52 baht in 2020.

As a result of an increasing net profit, both Return on Equity (ROE) and Return on Asset (ROA) increased from 9.3 % to 14.4 % and from 8.3 % to 12.9 % respectively. The Company persevered in its attempts to acquire sufficient profitability for the benefit of shareholders and utilize all assets to generate best performance.

Analysis of Liquidity and Financial Position

1. Overview of Financial Statements

Main Components of Statement of Financial Position (Consolidated)

Description	December 31, 2019		December 31, 2020	
	Million Baht	Percentage to Total Assets	Million Baht	Percentage to Total Assets
Current Assets	8,498	77	9,683	80
Non-current Assets	2,534	23	2,464	20
Total Assets	11,032	100	12,147	100
Current Liabilities	811	7	1,040	8
Non-current Liabilities	288	3	341	3
Total Liabilities	1,099	10	1,381	11
Shareholders' Equity	9,933	90	10,766	89
Total Liabilities and Shareholders' Equity	11,032	100	12,147	100

2. Assets

As of December 31 2020, Total Assets of the Company increased from THB 11,032 million in 2019 to THB 12,147 million or by 10 %. Details are shown in the next table:

Description	December 31, 2019	December 31, 2020	Change %
	Million Baht	Million Baht	
Cash and Cash Equivalents	3,507	2,903	(17)
Current Investments	2,675	4,496	68
Trade and Other Current Receivables	559	628	12
Inventories	1,756	1,654	(6)
Assets	11,032	12,147	10

The Company's Cash and Cash Equivalents decreased by 17 % because of an aim to utilize cash more efficiently. Therefore, it resulted in the 68 % increase of Current Investments from



THB 2,675 in 2019 million to THB 4,496 million in 2020 since the Company allocated cash in time deposits to gain higher returns. In the meantime, a higher demand for chemical fertilizer during the year consequently led to a 12 % rise in Trade and Other Current Receivables as well as a 6 % decline in Inventories.

Investments Goodwill and Amortization.

The main intangible asset is Right for use of trademarks. The Company engaged an independent appraiser to determine the fair value of the right to use the trademarks referred to above in accordance with the Notification of the Stock Exchange Commission dated April 30, 2004 regarding the opinion for accounting treatment for intangible assets. According to the reports of the independent appraiser dated January 7, 2021 and January 14, 2020, the appraisal values of the fair value of such right as at January 2, 2021 and January 2, 2020, respectively, are higher than the carrying values.

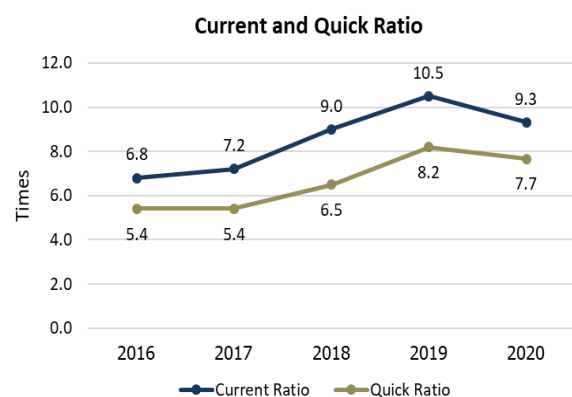
For the year ended December 31, 2020 and 2019, sale under these trademarks were approximately 90 % and 95 % of the Company's total revenue from sales respectively.

3. Liabilities and Equity

- On December 31, 2020, the Company had Total Liabilities of THB 1,381 million, increased by 282 million baht or 26 % from the year 2019.
- On December 31, 2020, the Company had Total Equity of THB 10,766 million, increased by THB 833 million or 8 % from the year 2019.

4. Liquidity and Cash Flows

Even though there were reductions in Current and Quick Ratios from 10.5 to 9.3 times and 8.2 to 7.7 times respectively in the year 2020, the Company's performance on liquidity management still performed well as the number of current assets were sufficient enough to cover short-term liabilities. In other words, the Company had a strong financial stability since short-term obligations were fully covered.



Regarding the Cash Flow Activities, the Net Cash Flow provided by operating activities increased from THB 1,410 million in 2019 to THB 1,883 million in 2020 or 34 % due to the rise of Company's net profit and the reduction of inventories.



Meanwhile, the Net Cash Flow used in financing activities showed a 28 % decline from THB 852 million in 2019 to THB 610 million in 2020. The reason for such decrease was because the Company paid out less dividend, which resulting from the performance of the year 2019.

Lastly, the Net Cash Flow used in investing activities decreased by 27 % from THB 2,565 million in 2019 to THB 1,875 million in 2020 as the Company proportionately invested less in time deposits.

Economic & Business Forecast 2021

The global economy will still be full of uncertainties in 2021. Even though the major economic countries including the U.S and China are expected to have a certain rebound due to its' financial stimulus package and effective control on the COVID-19 pandemic respectively, the impact of the virus has caused developing countries to recover at a slow pace. In addition, the unpredictable outbreak of coronavirus could slow down or even stall the overall economy from expected recovery. Thus, worldwide vaccine deployment will be an important factor bringing economic activities back to normal.

Thai economy in the year 2021 will heavily depend on the recovery performance of international markets since Thailand is an export and tourism reliant country. In addition, the recent spread of COVID-19 inside the country has caused a return of contraction in private consumption. As a result, government spending and its financial supporting schemes will be key engines to support domestic economy until the vaccine can be effectively used.

The agricultural sector in Thailand is expected to be slightly better than the previous year because the ongoing La Niña effect may have a positive impact on the rainfalls in general aspect. However, the Company will closely monitor other factors including the prices of agricultural products and related governmental policies, which will affect farmers' cultivating decision and consequently lead to the demand for chemical fertilizer.

In the meantime, the fluctuation of raw material prices and exchange rate will be crucial elements to influence the Company's production cost whilst the competition in chemical fertilizer market and farmers' cultivating behavior will determine sales and marketing direction. Therefore, it is important for the Management to constantly follow up these situations to find proper solutions for each incident and help the Company remain competitive in the market.