



บริษัท น้ำมันพืชไทย จำกัด (มหาชน)

THAI VEGETABLE OIL PUBLIC COMPANY LIMITED

TVO/CP/19/015

November 14, 2019

Subject : Report of the Financial Statement, ended of September 30, 2019

Attention : The President of the Stock Exchange of Thailand

Thai Vegetable Oil Public Company Limited would like to inform you the operating results of the Company and its subsidiary (collectively called the “Company”) as ended September 30, 2019, together with the management discussion and analysis as an information for investors and those who found interested.

Operating Results

Operating results of the Company and its subsidiary for three-month and nine-month period ended September 30, 2019 and 2018 were as follows;

| Unit: Million Baht | For three-month period, ended September 30 | | | | For nine-month period, ended September 30 | | | |
|---|---|--------------|---------------------|----------------|--|---------------|---------------------|----------------|
| | 2019 | 2018 | Increase/(Decrease) | | 2019 | 2018 | Increase/(Decrease) | |
| Sales | 5,714 | 6,312 | (598) | -9.47% | 17,407 | 18,365 | (958) | -5.22% |
| Sale of packing materials | 74 | 90 | (16) | -17.78% | 297 | 268 | 29 | 10.82% |
| Total sales | 5,788 | 6,402 | (614) | -9.59% | 17,704 | 18,633 | (929) | -4.99% |
| Cost of sales | 5,192 | 5,692 | (500) | -8.78% | 15,991 | 16,329 | (338) | -2.07% |
| Gross profit | 596 | 710 | (114) | -16.06% | 1,713 | 2,304 | (591) | -25.65% |
| Profit (loss) on exchange rate | 16 | 4 | 12 | 300.00% | 34 | 58 | (24) | -41.38% |
| Other income | 62 | 47 | 15 | 31.91% | 139 | 118 | 21 | 17.80% |
| Selling expenses | 125 | 127 | (2) | -1.57% | 393 | 380 | 13 | 3.42% |
| Administrative expenses | 65 | 53 | 12 | 22.64% | 186 | 174 | 12 | 6.90% |
| Reversal of reduction of inventory to net realizable value | 4 | 3 | 1 | 33.33% | 2 | (29) | 31 | 106.90% |
| Financial cost | 1 | 1 | - | - | 2 | 3 | (1) | -33.33% |
| Profit before income tax expenses | 479 | 577 | (98) | -16.98% | 1,303 | 1,952 | (649) | -33.76% |
| Income tax expenses | 91 | 112 | (21) | -18.75% | 249 | 326 | (77) | -23.62% |
| Net profit attributable to equity holders of the Company | 377 | 457 | (80) | -17.51% | 1,015 | 1,597 | (582) | -36.44% |
| Non-controlling interests of the subsidiaries | 11 | 8 | 3 | 37.50% | 39 | 29 | 10 | 34.48% |

In the third quarter of 2019, the Company and its subsidiary had a net profit Baht 377 million, decreased by Baht 80 million or 17.51% from Baht 457 million when compared to the same quarter of 2018. The main reasons were;

1. Sales Revenues

The Company and its subsidiary had total sales revenue of Baht 5,788 million, decreased by Baht 614 million or down by 9.59% from Baht 6,402 million when compared to the same quarter last year. The revenue from sales of products was Baht 5,714 million, decreased by Baht 598 million or down by 9.47% from Baht 6,312 million in the same quarter last year, and the revenue from sales of packaging materials was Baht 74 million, decreased by Baht 16 million or down by 17.78% from Baht 90 million in the same quarter last year. The details were as follows;

- **Revenue from sales of soybean meal and other animal feed ingredients** decreased from the same quarter last year, mainly driven by softened domestic soybean meal prices which followed international market prices lower. However, the Company managed to increase sales volume of soybean meal and other animal feed ingredients by more than 6% when compared to the same quarter last year. The African Swine Fever (ASF) has been spreading in the neighboring countries and caused customers to be more cautious about the biosecurity of soybean meal that they procured, thus customers increased their purchase order of soybean meal from the Company since they were confident that the Company had placed great importance to the prevention of ASF. Biosecurity systems have been implemented to transportation process such as spraying disinfectant on tires and wheels of every truck and vehicle entering and leaving the factories, as well as taking care of all staffs in the production lines and the factory area to make sure that the Company's products are ASF free.
- **Revenue from sales of refined soybean oil** dropped from the same quarter last year. Even though the sale volumes of refined soybean oil decreased only slightly, but ample level of domestic palm oil inventory had pressured domestic soybean oil and palm oil prices from increasing along with the higher international market prices. Moreover, an intense price competition in vegetable oil market was another factor that pressured the sales in this quarter. However, the government had just announced B10 mandate to replace the current B7 for transportation sector, which will be effective on 1 January 2020. Given the higher biodiesel mandate, domestic palm oil inventory is expected to come back down to normal level within 6 months which will help elevate palm oil prices and also lend support to soybean oil prices.
- **Revenue from sales of packaging materials** decreased from the same quarter last year, due to less purchase order from customers in juices sector and vegetable oil sector. However, the sales volume of bottled oil of the Company has not decrease.

2. Cost of Sales and Gross Profits

The Company and its subsidiary's cost of sales was Baht 5,192 million, decreased by Baht 500 million or 8.78% from Baht 5,692 million when compared to the same quarter of 2018. The main reasons were;

- **Cost of Sales and Gross Profits of the Company:** The cost of sales of the Company decreased in accordance with raw material soybean cost which dropped more than 7% when compared to the same period last year, the main reason was the intensifying U.S.-China trade negotiation especially after the U.S. announced addition tariffs on \$200 billion worth of goods import from China from the rate of 10% to 25%. The worsened Trade War caused soybean and soybean meal prices in international market to weaken, resulted in lower Sale revenue from soybean meal and animal feed ingredients in the domestic market. As a result, the Company's gross profit was down from Baht 684 million to Baht 563 million, decreased by Baht 121 million or down by 17.69% when compare to the same quarter last year. However, the Company's gross profit increased by Bath 92 million or up by 19.53% when compared to the previous quarter.
- **Cost of Sales and Gross Profits of the Company's subsidiary:** Cost of sales of the Company's subsidiary decreased mainly from the decline of raw materials (plastic resin) price which continued from early 2019, led to higher gross profit and gross profit margin when compared to the same quarter last year.

3. Gain on Exchange Rate

The Company was able to managed and hedged against exchange rate risk, which resulted in a net gain on exchange rate totaling Baht 16 million in the third quarter of 2019. The gain was an aggregate of a realized gain on exchange rate of Baht 12 million and unrealized gain on Mark-to-Market (MTM) of Baht 4 million.

4. Selling and Administrative Expenses

The Company and its subsidiary's selling expenses was Baht 125 million, dropped by Baht 2 million or down by 1.57% from Baht 127 million when compared to the same quarter last year due to a decrease of transportation and export expenses in accordance with the Company's sale revenues.

Administrative Expenses was Baht 65 million, increased by Baht 12 million or 22.64% from Baht 53 million when compared to the same quarter last year, due to an increase of wages and salaries expense as well as charity donation.

5. Reversal of reduction of inventory to net realizable value

In the third quarter of 2019, the Company recorded a reversal loss reduction of inventory to net realized value received Baht 4 million in some product items which increased by Bath 1 million or up by 33.33% from Baht 3 million when compared to the same quarter last year.

Conclusion of the operational performance for the nine-month period ended September 30, 2019

For the first nine-month of 2019, the Company and its subsidiary had total sales revenue of Baht 17,704 million, decreased by Baht 929 million or down by 4.99%. Total cost of sales was Baht 15,991 million, decreased by Baht 338 million or down by 2.07%. Total gross profit was Baht 1,713 million, decreased by Baht 591 million or down by 25.65%. The total selling expense was Baht 393 million, increased by Baht 13 million or up by 3.42%. The total administrative expense was Baht 186 million, increased by Baht 12 million or up by 6.90%. Overall, the Company and its subsidiary had a net profit of Baht 1,015 million, down by Baht 582 million or down by 36.44% when compared to the same period last year.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Bowon Vongsinudom', written in a cursive style.

(Mr. Bowon Vongsinudom)

Chief Executive Officer and President