



บริษัท น้ำมันพืชไทย จำกัด (มหาชน)
THAI VEGETABLE OIL PUBLIC COMPANY LIMITED

TVO/CP/20/001

February 28, 2020

Subject : Report of the Financial Statement, ended of December 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 December 31, 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 the year ended December 31, 2019 and 2018 were as follows;

Unit: Million Baht	2019	2018	Increase/(Decrease)	
			Amount	%
Sales	23,226	24,496	(1,270)	(5.18)
Sale of packing materials	361	373	(12)	(3.22)
Total sales	23,587	24,869	(1,282)	(5.16)
Cost of sales	21,231	22,069	(838)	(3.80)
Gross profit	2,356	2,800	(444)	(15.86)
Profit (loss) on exchange rate	56	89	(33)	(37.08)
Other income	157	160	(3)	(1.88)
Selling expenses	514	513	1	0.19
Administrative expenses	247	241	6	2.49
Reversal of reduction of inventory to net realizable value	(2)	(12)	10	(83.33)
Financial cost	3	3	-	-
Profit before income tax expenses	1,807	2,304	(497)	(21.57)
Income tax expenses	352	398	(46)	(11.56)
Net profit attributable to equity holders of the Company	1,411	1,867	(456)	(24.42)
Non-controlling interests of the subsidiaries	45	39	6	15.38

In 2019, the Company and its subsidiary had a net profit Baht 1,411 million, decreased by Baht 456 million or down by 24.42% from Baht 1,867 million when compared to the year 2018. The main reasons were;

1. Sales Revenues

The Company and its subsidiary had total sales revenue of Baht 23,587 million, decreased by Baht 1,282 million or down by 5.16% from Baht 24,869 million when compared to the year 2018. The revenue from sales of products was Baht 23,226 million, decreased by Baht 1,270 million or down by 5.18% from Baht 24,496 million in the previous year, and the revenue from sales of packaging materials was Baht 361 million, decreased by Baht 12 million or down by 3.22% from Baht 373 million in the previous year. The details were as follows;

- **Revenue from sales of soybean meal and other animal feed ingredients** slightly decreased when compared to 2018, mainly driven by softened domestic soybean meal prices which was effected by the spread of African Swine Fever (ASF) especially in China, the world largest soybean consumer. However, the Company managed to increase sales volume of soybean meal and other animal feed ingredients by more than 7% when compared to the previous year mainly because customers increased their purchase order of soybean meal from the Company instead of buying from soybean meal importers since they were confident that the Company's products are ASF free. Moreover, the Company had modified the old soybean crushing unit with a capacity of 500 tons per day to be able to crush canola in the second quarter of 2019 and also increased soybean crushing capacity by 500 ton per day in December of 2019 thus the Company has more operating capacity than the previous year. Soybean meal price started to recover since December 2019 as China demand for soybean meal has bottomed out in the beginning of fourth quarter of 2019 when China started to increase the number of pig herd and sped up the raising other types of livestock to replace the reduced pork supply from ASF.

In addition, the largest soybean crushing plant in Argentina, the world's largest soybean meal exporter, had experienced financial problems because of extremely weak peso causing it to stop production and resulting in less export volume of soybean meal and soybean oil in the world market. Both of these factors continue to have effect in 2020.

- **Revenue from sales of refined soybean oil** slightly dropped from 2018, mainly driven by decreasing refined soybean oil prices which were pressured by ample level of domestic palm oil inventory throughout the first three quarter of 2019. However, the palm oil price in the second half of 2019 increased dramatically more than 70% resulting from drought and reducing of fertilizer in palm fruit plantations in the world major producers of palm fruit as Indonesia and Malaysia which has reduced the world palm oil outputs. Thus palm oil production and the palm oil inventory in Thailand started to decrease in October 2019. Moreover, the government had announced B10 mandate to replace the B7 for transportation sector, which has been effective since 1 January 2020. Thus, the biodiesel producers had purchased more palm oil building their stock in order to meet the mandate. The rising of domestic palm oil price in the late of 2019 has lead to higher demand on soybean oil which expressed in a rising domestic soybean oil price.

Overall in 2019, the Company managed to increase sales volume of soybean oil by more than 5% when compared to the previous year as the sales and sales volume of soybean oil in the fourth quarter of 2019 was higher by 12% and 16% respectively than the previous quarter. The trend of soybean oil price is expected to be clearer in 2020.

- **Revenue from sales of packaging materials** The Company's subsidiary sales slightly decreased when compared to 2018, mainly due to an intense price competition in the market, some existing customers delayed the purchase and the Company has switched the purchase of some product type from bottles to preforms.

2. Cost of Sales and Gross Profits

The Company and its subsidiary's cost of sales was Baht 21,231 million, decreased by Baht 838 million or 3.80% from Baht 22,069 million when compared to 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 price which dropped when compared to the previous year, the main reason was the uncertain results over US-China trade negotiations as both announced addition tariffs to each other's goods throughout 2019 before reaching some trade agreements in December. Furthermore, the spreading of African Swine Fever (ASF) in China and neighboring countries has also pressured soybean and soybean meal price. However, the decreasing rates of soybean meal price is higher compared to soybean price resulting in the revenue from sales of

soybean meal and other animal feed products has decreased more than the reducing of cost of sales. Eventually the gross profit of the Company was Baht 2,356 million, decreased by Baht 444 million or 15.86% from Baht 2,800 million when compared to 2018.

- **Cost of Sales and Gross Profits of the Company's subsidiary:** Cost of sales of the Company's subsidiary decreased by Baht 51 million or down by 8.76% when compared to last year, mainly from the declining trend of raw materials (plastic resin) price. The decreasing rates of cost of sales is higher compared to the revenue from the Company's subsidiary resulting in higher gross profit and gross profit margin when compared to the previous year.

3. Gain on Exchange Rate

The Company was able to manage and hedge against exchange rate risk, which resulted in a net gain on exchange rate totaling Baht 56 million in 2019. The gain was an aggregate of a realized gain on exchange rate of Baht 52 million and unrealized gain on Mark-to-Market (MTM) of Baht 2 million.

4. Selling and Administrative Expenses

The Company and its subsidiary's selling expenses was Baht 514 million, dropped by Baht 1 million or down by 0.19% from Baht 513 million when compared to year 2018 due to a decrease of transportation and export expenses in accordance with the Company's sale revenues.

Administrative Expenses was Baht 247 million, increased by Baht 6 million or 2.49% from Baht 241 million when compared to the year 2018, 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 2019, the Company recorded a reversal loss reduction of inventory to net realized value received Baht 4 million in some products items which was booked in 2018 and the reversal was recognized in the income statement.

Conclusion of the operational performance in 2019

For the year 2019, the Company and its subsidiary had total sales revenue of Baht 23,587 million, decreased by Baht 1,282 million or down by 5.16%. Total cost of sales was Baht 21,231 million, decreased by Baht 838 million or down by 3.80%. Total gross profit was Baht 2,356 million, decreased by Baht 444 million or down by 15.86%. While the total selling expense was Baht 514 million, increased by Baht 1 million or up by 0.19%. The total administrative expense was Baht 247 million, increased by Baht 6 million or up by 2.49%.

Overall, the Company and its subsidiary had a net profit of Baht 1,411 million, down by Baht 456 million or down by 24.42% when compared to the year 2018.

Yours sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'B' followed by a vertical line and a horizontal stroke at the top.

(Mr. Bowon Vongsinudom)

Chief Executive Officer and President