

(Translation)

SGP/SET-176

August 7, 2019

Subject Explanation of the change in operating results for the 2nd quarter and six-month period ended June 30, 2019 over 20% compared with the same period of the previous year

To President
The Stock Exchange of Thailand

Siamgas and Petrochemicals Public Company Limited would like to explain the change in operating results for the 2nd quarter and six-month period ended June 30, 2019 compared with the same period of the previous year as follows:-

For the three-month in Q2/2019 compared with the same period of the previous year

Siamgas and Petrochemicals Public Company Limited and its subsidiaries had the operating results in Q2/2019 with the net loss attributable to owners of the parent company of Baht 126.68 million compared with the same period in Q2/2018, the net profit attributable to owners of the parent company of Baht 765.71 million which decreased by Baht 892.39 million or 116.54% with main reasons as follows:

1. Revenue from sales, transportation, services

In Q2/2019, the Company and its subsidiaries had revenue from sales, transportation and services of Baht 16,688.47 million compared with the same period in Q2/2018 of Baht 15,982.10 million which increased by Baht 706.37 million or 4.42%. These mainly resulted from increasing in sales volume of oversea LPG trading business while the LPG world price (CP Saudi Aramco) was lower than the same period as the previous year. The average LPG world price for 3 months as at Q2/2019 and Q2/2018 was USD 492 per metric ton and USD 512 per metric ton respectively.

2. Cost of Sales & Services, Cost of Transportation and Gross Profit

During the period of Q2/2019, the average of LPG world price (CP Saudi Aramco) had decreased from the first quarter, compared with the same period last year which had increased. These mainly resulted in a higher cost of sales of the overseas LPG trading business and the gross profit decreased by Baht 751.07 million or 71.22% compared with the same period of the previous year. The Group of companies overall gross profit as Q2/2019 and Q2/2018 were of Baht 303.53 million or 1.82% and Baht 1,054.60 million or 6.60% respectively.

3. Selling and administrative expenses

In Q2/2019, the Group of companies had selling and administrative expenses amounting to Baht 402.35 million, compared to Q2/2018 amounting to Baht 341.70 million which increased by Baht 60.65 million or 17.75%. These mainly resulted from the retirement benefit obligation which has increased amount Baht 27.40 million by the changing of the labor Protection Act and the impairment of value on equipment Baht 39.77 million.

4. Financial Costs

In Q2/2019, the Group of companies had financial costs of Baht 138.74 million compared to Q2/2018 which was Baht 109.68 million, increased by Baht 29.06 million or 26.50% as mainly resulted from the short-term borrowings from financial institution for working capital in LPG business.

For the six-month in Q2/2019 compared with the same period of the previous year

The Company and its subsidiaries had the operating results for the six-month period in Q2/2019 with the net profit attributable to Owners of the parent company of Baht 433.35 million compared with the same period in Q2/2018, the net Profit attributable to Owners of the parent company of Baht 866.48 million which decreased by Baht 433.13 million or 49.99% with the major reasons as follows:

1. Revenue from sales, transportation, services

The Company and its subsidiaries had revenue from sales, transportation and services for the six-month period in Q2/2019 of Baht 34,337.16 million compared with six-month period in Q2/2018 of Baht 31,575.89 million which increased by Baht 2,761.27 million or 8.74%. These mainly resulted from LPG trading business in overseas increased in volume sales. The average LPG world price for 6 months as at Q2/2019 and Q2/2018 were of USD 477 per metric ton and USD 517 per metric ton respectively.

2. Cost of Sales & Services, Cost of Transportation and Gross Profit

The Company and its subsidiaries generated overall gross profit for the six-month ended 30 June, 2019 of Baht 1,310.64 million or 3.82% compared with the same period in Q2/2018 with gross profit of Baht 1,523.44 million or 4.82%. The gross profit decreased by Baht 212.80 million or 13.97% compared with the same period in Q2/2018. Main reason from the decreasing of LPG world price (CP Saudi Aramco) which was explained on the gross margin for 3 months period as above (item 2). Then, it effected to the cost of sales and the gross profit for the 6 months in Q2/2019, as table below;

	Unit: Million Baht		
Gross profit	Y 2019	Y 2018	(Decreased)Increased
Q1	1,007.11	468.84	538.27
Q2	303.53	1,054.60	(751.07)
Total	1,310.64	1,523.44	(212.80)

3. Selling and administrative expenses

In Q2/2019, the Group of companies had selling and administrative expenses amounting to Baht 756.12 million, compared to Q2/2018 amounting to Baht 680.03 million which increased by Baht 76.09 million or 11.19%. These mainly resulted from the retirement benefit obligation which has increased amount Baht 27.40 million by the changing of the labor Protection Act and the impairment of value on equipment Baht 39.77 million.

4. Financial Costs

For the six-month ended June 30, 2019, the Group of companies had financial costs of Baht 281.23 million compared with the same period of previous year which was Baht 216.71 million, increased by Baht 64.52 million as mainly resulted from the short-term borrowings from financial institution for working capital in LPG business.

Please be informed accordingly,

Sincerely yours,

(Mrs. Jintana Kingkaew)

Deputy Managing Director/CFO