



บริษัท ไทยเซ็นทรัลเคมี จำกัด (มหาชน)

THAI CENTRAL CHEMICAL PUBLIC COMPANY LIMITED

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Subject Clarification of the 2nd quarter performance of the year 2017

To President
The Stock Exchange of Thailand

Enclosure Management Analysis and Discussion (MD&A)

Thai Central Chemical Public Company Limited would like to submit Management Analysis and Discussion (MD&A) of the 2nd quarter performance of the year 2017 as in the attachment.

Please be informed accordingly.

Sincerely yours,

(Mr. Kyosuke Sasaki)

President & CEO

Management Discussion and Analysis (MD&A)

Business Overview

The Company would like to report the operational result of the Consolidated Financial Statements for the 2nd quarter of year 2017 during April 1, 2017 to June 30, 2017. The 2nd quarter of year 2017 showed Profit Attributable to Owner of the parent at THB 754 Million, and Earnings per Share at THB 1.29. It increased by THB 122 Million or 19% compared with the 2nd quarter of year 2016, which showed Profit Attributable to Owner of the parent at THB 632 Million and Earnings per Share at THB 1.08.

Overall Thailand economy in the 2nd quarter of 2017 continued its growth at moderate pace. Global geopolitical risks, the uncertainties derived from the U.S. policies, and anxiety of spreading trade protectionism have played imperative roles in impending global economy. However, its impact on Thailand economy was minuscule. With contribution from higher-than-expected growth in exports, rising farm incomes, and unabated government spending, actual growth of economy of Thailand keeps its pace to reach 3.5% level towards the end of this year.

In agriculture sector, continued rainfall since the middle of May have enabled farmers to start cultivation right time of the main season in this year. Sufficient water supply to farmland has also made it possible for farmers to extend cultivation area. The rising agricultural production and farm incomes to some extent helped increasing demand of fertilizers. However, fertilizer demand in the 2nd quarter was not as strong as increase of cultivation, as the farmers' purchasing power seems not having recovered fully from difficulties caused by hard drought in 2015/2016. In the 2nd quarter, the Company had to encounter challenges from following factors.

1. Still weak purchasing power of farmers
2. Competitive market with depressing selling prices of fertilizers, mainly lead by urea

In this circumstance, the management maintained flexibility of business administration. The management focused on management of the raw material costs, currency exchange risks, expenditure to control costs of the operation, and on development of new market to increase sales volume of the products. The Company increased sales volume in the 2nd quarter from the same period of the last year especially of the high valued products, which contributed to increase of revenue even in the market environment where fertilizer prices were decreasing. Reduction of selling and administration expenses in the 2nd quarter also contributed to increase of the Company profit.

Results of Operations and Profits

Unit : Thousand Baht	The 2 nd Quarter Apr - Jun (3 months)		Change
	2016	2017	%
Revenues from Sales and Services	3,873,998	3,993,832	3
Cost of Goods Sold and Rendering of Services	(2,925,283)	(2,924,571)	(0)
Gross Profit	948,715	1,069,261	13
Other Income	24,833	24,818	(0)
Profit Before Expense	973,548	1,094,079	12
Selling and Administration Expenses	(178,879)	(146,439)	(18)
Profit Before Financial Costs and Tax	794,669	947,640	19
Financial Costs	(1,944)	(935)	(52)
Share of Profit from Investment in an Associate	73	62	(15)
Profit Before Income Tax	792,798	946,767	19
Income Tax	(157,654)	(188,934)	20
Profit For The Period	635,144	757,833	19
Profit Attributable to Owners of the parent	632,406	753,774	19
Total Comprehensive Income Attributable to Owners of the parent	632,406	748,253	18

Revenues from Sales and Services of the Company in the 2nd quarter of year 2017 showed THB 3,994 Million which increased by 3% compared with THB 3,874 Million of the same quarter of year 2016. Besides, the Cost of Goods Sold and Rendering of Services remained relatively unchanged. Consequently, Gross Profit increased by THB 121 Million or 13%. Meanwhile, Other Income remained relatively unchanged. Selling and Administration Expenses, on the other hand, decreased by THB 32 Million or 18% which was due to better cost management and reduction in sales promotion expenses.

From all reasons mentioned above, Total Comprehensive Income Attributable to Owners of the parent in the 2nd quarter of year 2017 was THB 748 Million, increased by THB 116 Million or 18% compared with THB 632 Million in the same quarter of year 2016.

Analysis of Liquidity and Capital Resources

Note to Statement of Financial Position (Consolidated)

Description	June 30, 2016		June 30, 2017	
	Thousand Baht	Percentage to Total Asset	Thousand Baht	Percentage to Total Asset
Current Assets	7,899,458	75	8,680,434	77
Non-current Assets	2,578,060	25	2,620,943	23
Total Assets	10,477,518	100	11,301,377	100
Current Liabilities	2,042,026	19	2,123,046	19
Non-current Liabilities	269,915	3	262,910	2
Shareholders' Equity	8,165,577	78	8,915,421	79
Total Liabilities and Shareholders' Equity	10,477,518	100	11,301,377	100

As of the end of 2nd quarter of year 2017, Total Assets of the Company showed THB 11,301 Million increased by THB 824 million or 8% compared with the same period of year 2016. Main details of assets are as follows:

Description	June 30, 2016 Thousand Baht	June 30, 2017 Thousand Baht	Change %
Cash and cash equivalents	3,986,409	3,895,207	(2.3)
Total trade and other receivables	1,587,805	1,160,490	(26.9)
Inventories	2,171,263	3,163,302	45.7
Assets	10,477,518	11,301,377	7.9

Inventories, as of the end of 2nd quarter of year 2017, showed a significant increase by 45.7%. The increase was due to the preparation to adequately supply products during the upcoming high season. Moreover, the decrease in Total trade and other receivables by 26.9% was, contrary to the same quarter last year, caused by the relatively unhurried demand from dealers.

As of the end of 2nd quarter of year 2017 compared with the same period of year 2016, Total Liabilities of the Company showed THB 2,386 Million, increased by THB 74 Million or 3%. Shareholders' Equity of the Company showed THB 8,915 Million, increased by THB 750 Million or 9%.

Economic & Business Forecast 2017

Global economy is expected to gain stronger momentum in the latter half of 2017 mainly from steady growth in the U.S., better economic sentiment in Europe, and stabilizing Chinese economy, while the overall geopolitical risks remain to be watched with caution. In Thailand, robust export, recovery of domestic consumption and sustained government spending will drive economy to keep growing stronger than the last year.

The growth of farmers' income, which is attributed to increase of cultivation in this season, is expected to produce a recovery of farmers' purchasing power towards the end of the year. With adequate rainfall, fertilizer consumption in Thailand should remain steady in the second half of this year.

Consequently the important factors which would affect fertilizer business in the second half of the year will be;

- 1) Moderate water supply to farmland (adequate rainfall and no flooding)
- 2) Recovery of purchasing power of farmers
- 3) Stable raw material prices and exchange rate
- 4) Good marketing to push demand not only in Thailand but also in CLM market.

