



บริษัท ไทยเซ็นทรัลเคมี จำกัด (มหาชน)

THAI CENTRAL CHEMICAL PUBLIC COMPANY LIMITED

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Subject Clarification of the 2nd quarter of year 2018 performance

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 of year 2018 as in the attachment.

Please be informed accordingly.

Sincerely yours,

Mr. Yoshihiro Tamura

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 2018 during April 1, 2018 to June 30, 2018. The 2nd quarter of year 2018 showed Profit Attributable to Owner of Parent at THB 678 Million, and Earnings per Share at THB 1.16. It decreased by THB 76 Million or 10% compared with the 2nd quarter of year 2017, which showed Profit Attributable to Owner of Parent at THB 754 Million and Earnings per Share at THB 1.29.

Thailand economy in the 2nd quarter of 2018 expanded more robustly than expected, driven by healthy demands from both domestic and abroad. Despite there is a looming fear of the U.S. protectionist trade policies and the retaliation from its partners, the significant impact has not yet been realized. Moreover, the big economies have shown a clearer sign of growth. As a result, Thailand export reached double digits expansion in the 2nd quarter of 2018. Additionally, the expansion in tourism, domestic consumption, private investment and government spending were all the contributions to Thailand economy growth. Given this pace of growing, the actual expansion of Thailand economy could see the 4.5% level in 2018.

The agriculture sector was beneficial from the optimal rainfall during the beginning of rainy season. The agricultural production increased by 12.9% compared to the same quarter last year with rice, fruit and palm oil took a lead in the expansion. On the other hand, the agricultural price in 2nd quarter of year 2018 still continued to be in negative territory with the contraction by 5.9%. Consequently, the nominal farm income increased by 6.2% compared to the same quarter last year. The chemical fertilizer demand, however, was not in tandem with the increase in agricultural production. This was largely due to the not-so-strong purchasing power and high debt level of smallholder farmers.

Under this circumstance, the management focused on the management of raw material costs, currency exchange risks and expenditure to control costs of operation. Moreover, the marketing and promotion campaigns were strategically employed during the relatively high

competitive market. For the market expansion strategy, the Company had started the operation of packing and warehousing facilities in Myanmar in the 2nd quarter of year 2018. This new establishment will provide a new opportunity for the Company to strongly expand its presence in the growing Myanmar market.

Results of Operations and Profits

Unit : Thousand Baht	The 2 nd Quarter Apr - Jun (3 months)		Change
	2017	2018	%
Revenues from Sales and Services	3,993,832	3,907,088	(2)
Cost of Goods Sold and Rendering of Services	(2,924,571)	(2,932,427)	0
Gross Profit	1,069,261	974,661	(9)
Other Income	24,818	59,062	138
Profit Before Expenses	1,094,079	1,033,723	(6)
Selling and Administration Expenses	(146,439)	(173,700)	19
Profit Before Finance Costs and Income Tax Expense	947,640	860,023	(9)
Finance Costs	(935)	(519)	(44)
Share of Profit from Investment in an Associate	62	72	16
Profit Before Income Tax Expense	946,767	859,576	(9)
Income Tax Expense	(188,934)	(176,847)	(6)
Profit for the Period	757,833	682,729	(10)
Profit Attributable to Owners of Parent	753,774	677,539	(10)
Total Comprehensive Income Attributable to Owners of Parent	748,253	698,228	(7)

Revenues from Sales and Services of the Company in the 2nd quarter of year 2018 showed THB 3,907 Million which decreased by 2% compared with THB 3,994 Million of the same quarter of year 2017. Despite the slightly higher volume of sales, there was little decrease in the Revenues from Sales. The main reason was that the smallholder farmers with limited purchasing power opted to use cheaper fertilizer formulas for their cultivation. Besides, the Cost of Goods Sold and Rendering of Services remained relatively unchanged. Consequently, Gross Profit decreased by THB 95 Million or 9%. Meanwhile, Selling and Administration Expenses increased by THB 27 Million or 19% which was due to higher cost of marketing and promotion in the midst of high competitive fertilizer market.

From all reasons mentioned above, Total Comprehensive Income Attributable to Owners of parent in the 2nd quarter of year 2018 was THB 698 Million, decreased by THB 50 Million or 7% compared with THB 748 Million in the same quarter of year 2017.

Analysis of Liquidity and Capital Resources

Note to Statement of Financial Position (Consolidated)

Description	June 30, 2017		June 30, 2018	
	Thousand Baht	Percentage to Total Asset	Thousand Baht	Percentage to Total Asset
Current Assets	8,680,434	77	9,285,970	77
Non-current Assets	2,620,943	23	2,738,610	23
Total Assets	11,301,377	100	12,024,580	100
Current Liabilities	2,123,046	19	2,338,856	20
Non-current Liabilities	262,910	2	254,751	2
Shareholders' Equity	8,915,421	79	9,430,973	78
Total Liabilities and Shareholders' Equity	11,301,377	100	12,024,580	100

As of the end of 2nd quarter of year 2018, Total Assets of the Company showed THB 12,025 Million, increased by THB 723 million or 6% compared with the same period of year 2017. Main details of assets are as follows:

Description	June 30, 2017 Thousand Baht	June 30, 2018 Thousand Baht	Change %
Cash and cash equivalents	3,895,207	4,435,350	13.9
Total trade and other current receivables	1,160,490	1,041,522	(10.3)
Inventories	3,163,302	3,616,141	14.3
Assets	11,301,377	12,024,580	6.4

Cash and cash equivalents increased by 13.9%. In addition, Inventories increased by 14.3% as a result from higher raw material cost and inventories preparation at the new warehouse in Myanmar. Meanwhile, the Total trade and other current receivables decreased by 10.3%.

As of the end of 2nd quarter of year 2018 compared with the same period of year 2017, Total Liabilities of the Company showed THB 2,594 Million, increased by THB 208 Million or 9%. Shareholders' Equity of the Company showed THB 9,431 Million, increased by THB 516 Million or 6%.

Economic & Business Forecast 2018

The global economy is expected to gain further in the second half of 2018. The U.S., Europe and Japan have shown better sentiment of steady growth with low unemployment rates. This situation is favorable for Thailand economy as it will fuel the export and tourism industry. However the risks still remain to be watched with caution. The monetary normalization policy in many big economies could restraint the overall growth. Besides, the U.S. trade policy might bring about fierce retaliation from its trade partner and hamper the global trade. Furthermore, the geopolitical risk in the Middle East could potentially affect the oil price and reverse the growth outlook in the latter half of 2018.

The fertilizer consumption in Thailand is expected to recover in the third quarter of 2018 due to the adequate water supply to farmland. Government supporting scheme and recovery of agricultural price could also boost the purchasing power of farmers and increase the demand for fertilizer. For the third quarter of 2018, the crucial factors which would determine the fertilizer business are;

- 1) Adequate water supply to farmland
- 2) Recovery of purchasing power of farmers
- 3) Government supporting schemes
- 4) Stable raw material prices and exchange rate

