



บริษัท ไทยเซ็นทรัลเคมี จำกัด (มหาชน)

THAI CENTRAL CHEMICAL PUBLIC COMPANY LIMITED

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(Translation)

No. 012/2558

25 February 2015

Subject Clarification of the year 2014 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 year end performance of 2014 as in the attachment.

Please be informed accordingly.

Sincerely yours,

Mr. Chikahide Mori
President & CEO

Management Discussion and Analysis (MD&A)

(Business Overview)

The Company would like to report that the operational result of the Separate Financial Statement during January 1, 2014 to December 31, 2014 showed Total Comprehensive Income at 1,940 Million Baht and Earnings per Share at 3.32 Baht. It decreased by 278 Million Baht or 13% comparing to the operational result during January 1, 2013 to December 31, 2013 which showed Total Comprehensive Income at 2,218 Million Baht and Earnings per Share at 3.79 Baht.

There were lots of external factors affecting the Company's business in 2014, for instance, the small growth of Thailand economy which the GDP was growing only 0.7% as announced by Office of the National Economic and Social Development Board (NESDB); the political issues which occurred through the first half year that obstructed the governmental budget; the loss of confidence of investors, consumers and private sectors; and the unclear direction of the government policies, especially, the delay payment to farmers under the rice pledging scheme for the product of 2013/2014, which effected to farmers in investing for the new cultivation season; thus, the demand of chemical fertilizers declined. Furthermore, the government under NCPO directed the measure to support farmers by decreasing the production costs instead of product price guarantee or any subsidy. As a result the rice prices have fallen down more than 20% in comparison with the prices of 2013 which was at higher level than the actual market under the rice pledging scheme. In this regard, Department of Internal Trade, Ministry of Commerce governed the policy by requesting manufacturers and distributors for cooperation to lower the sale price of chemical fertilizers 40 – 50 baht per bag. In addition, rubber and other agricultural product prices have fallen as well due to the world economy recession.

In the mean time, the cultivation area in Thailand was decreased due to the draught and the low of rainfall volume, thus dams could not sufficiently supply water for the off-season cultivation; consequently, the demand of chemical fertilizers was declined. Besides, the government also conducted the policy to zoning the cultivation area by promoting and recommending farmers to plant agricultural products in suitable with the soils and environment of each zone area. This might take farmers some time to learn and accustom with the policy, and it might cause the change to the selection and the quantity of chemical fertilizers consumption.

In conclusion, the demand of chemical fertilizers in 2014 declined when comparing with 2013 due to the decrease of purchasing power and cultivation area. Thus, the Company's management adjusted the strategy to fit with the situation by increasing the export of chemical fertilizers to neighboring countries for maintaining the income and advertising the products and promoting the sale to secure the market share. Furthermore, the Company insisted on implementing these policies: 1) to create customer satisfactions, 2) to keep high standard and quality of our product, 3) to manage and control inventory at the appropriate level, 4) to manage risks by never speculating on raw material prices and foreign currency, 5) to utilize the effective advertising and marketing promotion, and 6) to cooperate

with the government policies whatever things we can do. In the overall of 2014, the Company has endeavored at the best effort to achieve the best performance and the highest return to all shareholders.

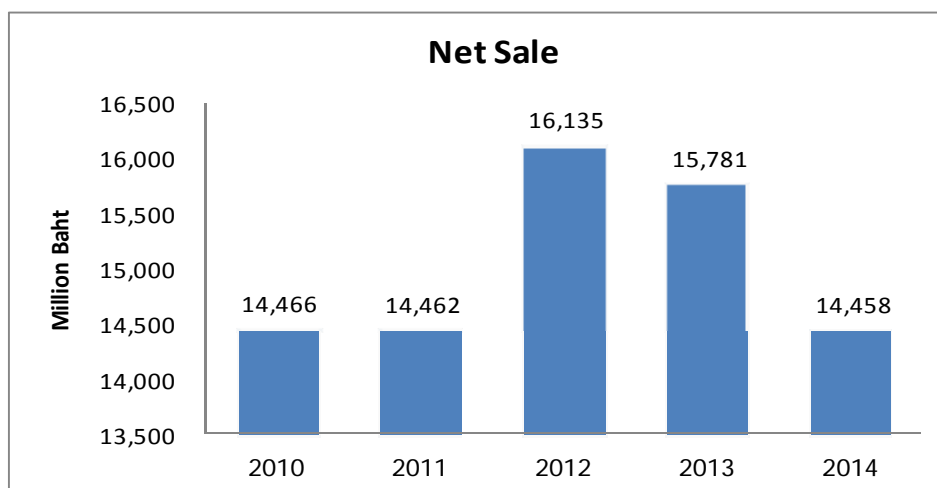
(Analysis of Operation Results)

1. Overview of the Operation

Statement of Comprehensive Income as of December 31, 2014 compares with the Statement of Comprehensive Income as of December 31, 2013

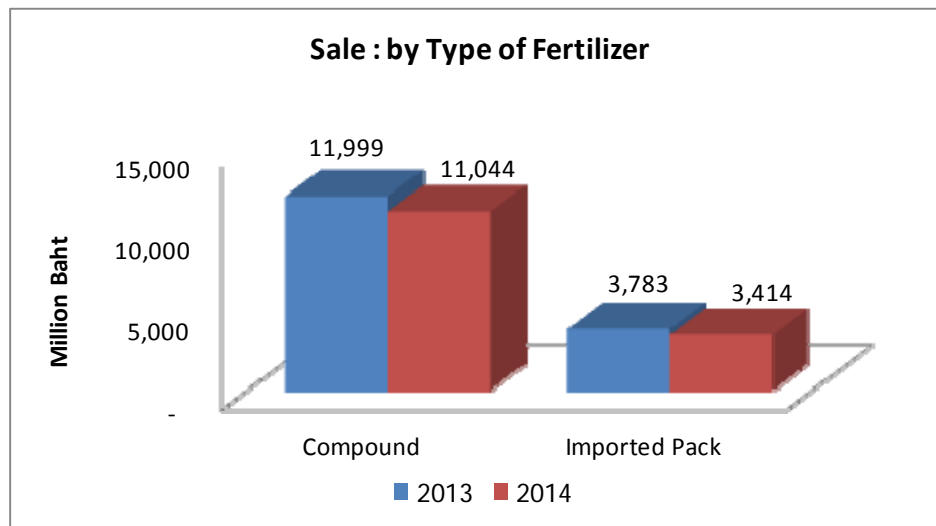
Unit : Million Baht	Year		Change
	2013	2014	%
Sale	15,781	14,458	(8)
Cost of Goods Sold	(12,452)	(11,757)	(6)
Gross Profit	3,329	2,701	(19)
Other Income	164	191	16
Profit Before Expense	3,494	2,892	(17)
Selling and Administration Expenses	(704)	(562)	(20)
Profit Before Financial Cost and Tax	2,790	2,330	(17)
Financial Cost	(26)	(20)	(22)
Profit Before Income Tax	2,764	2,310	(16)
Income Tax and etc.	(547)	(370)	(32)
Total Comprehensive Income	2,218	1,940	(13)

2. Income from Net Sales



In 2014, the Company generated income from sales of chemical fertilizers in total of 14,458 Million Baht decreasing by 1,323 Million Baht or 8% from 2013 (15,781 Million Baht). There were 2 major reasons for the decrease of income from sales: 1) the adjustment of sale prices to be aligned with the purchasing power of farmers in the

country and the reduction of raw material prices in the world market. 2) the participation of the policy to support farmers in the season of 2014/2015 by lowering the sale prices of chemical fertilizers 40 – 50 baht per bag. Nevertheless, the Company conducted the business with care and caution under the market trend and situation and also the competitiveness in the market. Eventually, in 2014, the Company achieved to increase the quantity of product delivery by 10,000 metric tons by comparing with 2013. The quantity of product delivery has been continuously increasing since 2012 in the reverse of income from sales.



The Company's chemical fertilizers can be categorized in 2 types: Compound fertilizers manufactured by the Company and Imported-Pack fertilizers. The income from selling the Compound fertilizers was in the amount of 11,044 Million Baht decreasing by 955 Million Baht or 8% from 2013, while the income from selling the Imported-Pack fertilizers was in the amount of 3,414 Million Baht decreasing by 369 Million Baht or 10% from 2013.

The demand of chemical fertilizers in 2014 was declined due to the lower of rainfall volume, the shortage of water supply, the bad weather, the fall of agricultural product prices, and the dramatic decrease of farmers' purchasing power. As the fertilizer market has continuously declined, therefore the Company had to try to increase the sale volume to maintain the income under such difficult situations. Finally, the Company was able to slightly increase, in comparison with 2013, the sale volume of chemical fertilizers for rice in spite of the fall of rice prices and the decrease of cultivation area. Meanwhile, the Company was able to increase the sale volume of chemical fertilizers for other plants to compensate the decrease of sale volume of chemical fertilizers for rubbers, and also to increase the export volume to the neighboring countries for 8.4% to compensate the decrease of sale volume in Thailand.

3. Cost of Goods Sold

Cost of Goods Sold in 2014 showed at 11,757 Million Baht decreasing by 695 Million Baht or 6% from 2013 (12,452 Million Baht). The overall of Cost of Goods sold has gradually decreased since 2012 due to the decrease of raw material prices in the world market, and it has kept maintaining until the beginning of 2014 before slightly increasing again due to the higher demand of raw materials in Latin America region. However, in 2014, the Company was able to manufacture the products in higher volume than 2013, so the cost per unit was decreased. In addition, with the continuous effort to always improve its productivity, the Company was able to control the other costs such as energy, wage, and transportation to be lower than 2013; thus, the Cost of Goods Sold was decreased in the overall of 2014.

4. Selling and Administration Expenses

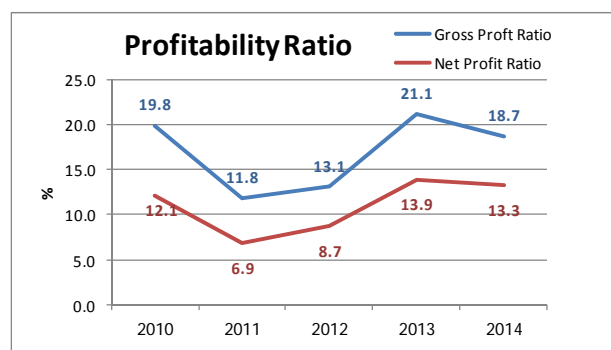
The Company bore the Selling and Administration Expenses at 562 Million Baht decreasing by 142 Million Baht or 20% from 2013 (704 Million Baht), which resulted from the following reasons:

- Decreasing of the advertising and promoting expenses. The Company's management reduced such expenses in following to the market situation, and concentrate the advertising and promoting on specific area as appropriation. Furthermore, the Company had no expenses for celebrating the 40th anniversary of the Company establishment as 2013.
- Decreasing of the Administration Expenses in allocating factory fixed cost. As the factory was operating with the normal shutdown, therefore such fixed cost was decreased.

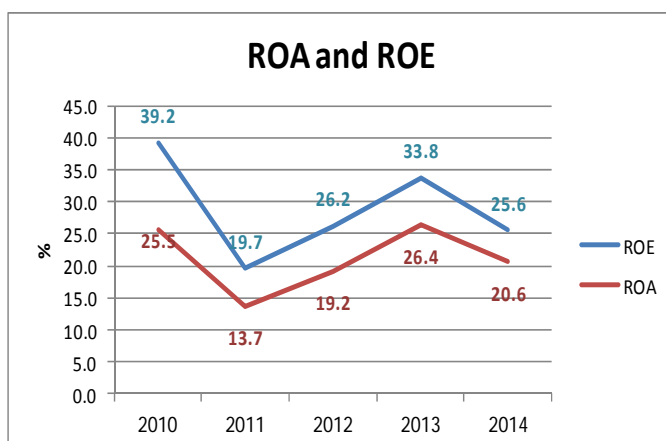
5. Profitability Analysis

Unit	Year		Change
	2013	2014	%
Gross Profit (Million Baht)	3,329	2,701	(19)
Total Comprehensive Income (Million Baht)	2,218	1,940	(13)
Earning Per Share (Baht)	3.79	3.32	(12)

In 2014, The Company's Gross Profit showed at 2,701 Million Baht decreasing by 628 Million Baht or 19% from 2013 (3,329 Million Baht). The decrease of Gross Profit was resulted from the lower of sale prices to incorporate with the decrease of farmers' purchasing power. Thus, the Gross Profit Ratio of 2014 was 18.7%, which was smaller than 2013 that showed 21.1 %



For Total Comprehensive Income of 2014, the Company earned at 1,940 Million Baht decreasing by 278 Million Baht or 13% from 2013 (2,218 Million Baht). The slight decrease of Net Profit was caused by the decrease of Selling and Administration Expenses in following to the business situation, as well as a decrease of Cost of Goods Sold. Furthermore, the Company was benefited from tax privilege of BOI under the Co - Generation Project. All of these reasons caused the Net Profit Ratio to decrease from 13.9% of 2013 to 13.3% in 2014, and the profit per share to decrease from Baht 3.79 of 2013 to Baht 3.32 in 2014 decreasing by Baht 0.47 per share or 12%.



The Return on Equity (ROE) ratio of 2014 was 25.6, which was less than the 33.8 ratio of 2013. The Return on Asset (ROA) ratio of 2014 was 20.6, which was less than the 26.4 ratio of 2013. Even both ratios were decreased, but the rates were still high; thus, it showed that the Company was capable to maintain the capability to make profit for shareholders and substantially operate the business by utilizing all existing assets effectively.

Analysis of Liquidity and Capital Resources

1. Overview of Financial Statement

Note to Statement of Financial Position

Description	December 31, 2013		December 31, 2014	
	Million Baht	Percentage to Total Assets	Million Baht	Percentage to Total Assets
Current Assets	6,778	74	7,426	76
Non-current Assets	2,334	26	2,348	24
Total Assets	9,111	100	9,774	100
Current Liabilities	1,615	18	1,614	17
Non-current Liabilities	226	2	236	2
Shareholders' Equity	7,270	80	7,924	81
Total Liabilities and Shareholders' Equity	9,111	100	9,774	100

2. Assets

As of 31 December 2014, The Company's Total Asset showed at 9,774 Million Baht increasing by 663 Million Baht or 7.3%, from the end of 2013, details as shown in the below table:-

Description	December 31, 2013 Million Baht	December 31, 2014 Million Baht	Change %
Cash on Hand	4,380	4,668	6.6
Account Receivable	697	328	(53)
Inventories	1,635	2,365	44.6
Assets	9,111	9,774	7.3

- Cash on hand was higher than 2013 by 6.6%, while Inventory increased by 44.6% due to the delivery was lower than expected at the last quarter of 2014. In addition, the increase of the inventory was due to the goods in transit for the year 2015 which was purchased and shipped at the last quarter of 2014. Nevertheless, the Company still concentrates on the policy to keep the inventory at the most appropriate level with the market demand to enhance the ability to compete in the market.

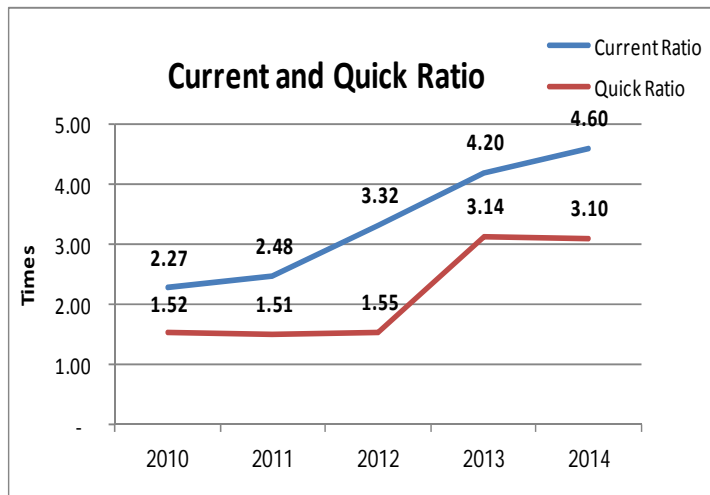
- The Company had Account Receivable at 328 Million Baht decreasing by 369 Million Baht or 53% from 2013 (697 Million Baht) due to the dramatic decrease of purchase order during November and December 2014 which caused from the significant decrease of off-season cultivation as the government limited the supply of water by the dam; the decrease of farmers' purchasing power for the new cultivation season; and the unclear policy to support farmers including the policy to reform the new agricultural structure, thus the customers reduced the purchase order and would not like to keep the inventory at the end of 2014. While, the Company's Collection Period was at the average of 13 days decreasing by 2 days from 2013. The total Account Receivable as shown in the table was 362 Million Baht as of December 31, 2014. The allowance for doubtful accounts was set at 34 Million Baht, which would cover the Account Receivable aging more than 12 months showing 29 Million Baht.

Accounts Receivable	2013		2014	
	Million ฿	%	Million ฿	%
Current	591	80	218	60
Overdue - less than or up to 3 months	115	16	115	32
Overdue - more than 3 months up to 6 months	0	0	0	0
Overdue - more than 6 months up to 12 months	1	0	0	0
Overdue - more than 12 months	30	4	29	8
Total trade accounts receivable	737	100	362	100
Less Allowance for doubtful accounts	(40)	(5)	(34)	(9)
Trade accounts receivable - net	697	95	328	91
Number of trade accounts receivable	235		148	

3. Liabilities and Equity

- On 31 December 2014, the Company had Total Liabilities at 1,850 Million Baht increasing by 9 Million Baht or 0.5% from the end of 2013. In 2014, the Company tried to reduce liability and used more of our own operational cash. As the result Interest Coverage increased from 296.12 of 2013 to 929.43 in 2014.
- On 31 December 2014, the Company had Total Equity at 7,924 Million Baht increasing by 654 Million Baht or 9% from the end of 2013 due to the increase of retained earnings, thus Debt to Equity ratio dropped from 0.25 of 2013 to 0.23 in 2014, which was quite a small ratio.

4. Liquidity



The Company's Liquidity was considered to be very well. The Current Ratio was increased from 4.20 at the end of 2013 to 4.60 at the end of 2014; the Quick Ratio was slightly decreased from 3.14 at the end of 2013 to 3.10 at the end of 2014. The reason why the Quick Ratio was decreased was that the Company had increased inventories at the end of 2014 by 730 Million Baht.

The Net Cash Flow provided by operating activity of 2014 was 1,726 Million Baht decreasing by 1,708 Million Baht or 50% from 2013 (3,434 Million Baht), while the Net Cash Flow used in financing activities in 2014 was 1,292 Million Baht increasing by 465 Million Baht or 56 % from 2013 (827 Million Baht).

Economic & Business Forecast 2015

For tendency and situation of 2015, the Management views that solution measure for economy slow down in Japan and Euro zone countries, in particular of Greece, is the essential factor affecting the stability of the world economy, in addition, the suspicious growth of Chinese economy shall have to be monitored closely because Thailand economy is depended on the export to China, Japan, USA and Europe. For domestic factor, it is viewed that if the politic issues are unfolded, government policies and economic measures shall be much clearer in direction; furthermore, the mega project on building the transportation infrastructure shall be the crucial part in driving the economy and gaining the confidence back from investors and consumers. The Management would like to analyze the factors that can impact our future operation as follows.

1. Agricultural Product Prices and Purchasing Power of Farmers

The agricultural product prices declines continuously, especially the rice prices which is the economic plants of Thailand. Besides, the purchasing power of farmers was dramatically decreased at the last quarter of 2014; if the government is still unable to clearly direct a measure to elevate the prices of agricultural products, the problem would still carry on and it would significantly affect the demand of chemical fertilizers throughout 2015. In this regard, the management will closely monitor and frequently evaluate the impact, which it is anticipated that the situation will get better in the near future.

2. Drought and Decrease of Cultivation Area

At the last quarter of 2014, the government directed the measure on limiting the supply of water by dams for cultivation. As a result, the off-season cultivation was considerably decreased and the cultivation tended to depend on rainfalls instead of irrigation. Furthermore, the government seeks to reform the whole agricultural structure to manage and zoning cultivation areas, this might led to the new face of agricultural product of Thailand farmers. In conclusion, rainfall volume and government measures in zoning cultivation areas shall be the crucial factors for the demand of chemical fertilizers in 2015.

3. Raw Material Prices and Currency

The raw material prices changed in following to the demand and supply of the world market. Although the oil price in the world market substantially declined, it had little relationship with the import prices of raw materials, in the other hands, the import prices could be independently inflated. The Company forecasts the raw material prices in 2015 to be at the similar level in 2014; however, there may be some raw materials which its price would hike. In addition, Thai currency has weakened resulted in the increase in import costs. Nevertheless, the Company will strive to deal with the inflation of raw material prices and be flexible in procuring raw materials to be appropriate with such situation and the market demand for achieving maximum profit to the shareholders.

In order for the Company to be well prepared for managing the impacted factors including the mentioned as above, the Company shall:

- Keep monitoring the market carefully and obtaining the market demand as accurate as possible.
- Flexibly change production and procurement plan according to the market demand from time to time and always keep the inventory at the most appropriate level.
- Create customers and farmers' satisfaction.
- Keep the high standard and the quality of our product.
- Keep developing our manufacture for the constant productivity improvement.
- Manage risks by never speculating on raw material prices and foreign currency.
- Utilize the effective advertising and marketing promotion.
- Cooperate with the government policies whatever things we can do.

In conclusion, the Company adheres to operate and manage the Company's business to grow constantly for the best benefit of the shareholders.

Remark: This financial analysis is based on separate financial statement