



บริษัท ไทยเซ็นทรัลเคมี จำกัด (มหาชน)

THAI CENTRAL CHEMICAL PUBLIC COMPANY LIMITED

21/35-46 อาคารไทยวา 1 ชั้น 14 -16 ถนนสาทรใต้ แขวงทุ่งมหาเมฆ เขตสาทร กรุงเทพฯ 10120

21/35-46 Thai Wah Tower 1,14-16th Fl., South Sathorn Rd., Thungmahamek, Sathorn, Bangkok 10120

Tel: (662) 639-8888 Fax: (662) 639-8999 E-mail : mailbox@thaicentral.co.th Website : www.tcccthai.com

ทะเบียนเลขที่ บมจ. 0107536000277 REG. No. 0107536000277

(Translation)

No. 016/2559

26 February 2016

Subject Clarification of the year 2015 performance

To President
The Stock Exchange of Thailand

Enclosure Management Analysis and Discussion (MD&A)

Referred to rules and regulations of the SEC providing that a listed company shall clarify reason in case of difference between company including its subsidiaries' performance of the current year and that of the corresponding period of the previous year exceeding 20%, the Company would like to clarify as follows.

Performance of the Company including its subsidiaries of 2015 shows Net Profit at the amount of THB 1.36 billion while in the corresponding period of the previous year showed Net Profit at the amount of THB 1.96 billion.

The reason of such result is shown in the Management Analysis and Discussion 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 that the operational result of the Consolidated Financial Statement of 2015 during 1 January 2015 to 31 December 2015 showed Profit Attributable to Owners of the parent Baht 1,365 million and Earnings per Share at 2.33 Baht. It decreased by Baht 592 million or 30% comparing to the operational result of 2014 during 1 January 2014 to 31 December 2014 which showed Profit Attributable to Owner of the parent at Baht 1,957 million and Earnings per Share at 3.35 Baht.

Accounting Policies

The Company's financial closing year is of the period from 1 January until 31 December of every year. The financial statements have been prepared in accordance with Thai Accounting Standard No. 1 (Revised 2012) and the Regulation of the Stock Exchange of Thailand. The financial statements have been prepared under the measurement basis of historical cost. The significant accounting policies is to recognize revenue from sales when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. For inventories, it is stated at the lower of cost or net realizable value. Cost is determined on a weighted average method.

Business Segment Information

Thai Central Chemical Public Company Limited's main business is to import, manufacture and distribute various chemical fertilizers. The Company's 2 subsidiaries main business are to import and distribute pesticide and finished product which used in agriculture, to provide tank rental and terminal operation for the storage of liquid chemicals mostly the raw materials for use in various industries. Thus, business segment shall be analyzed in 2 parts: the core business (chemical fertilizers) and the subsidiaries' business.

- **Core Business (Chemical fertilizers)**

There were lots of external factors affecting the Company's business in 2015 as follows.

1) The continuing drought crisis in Southeast Asia caused by El Nino since 2014. Thailand was affected by having insufficiency of water volume and water in dam for agriculture. Furthermore, the government announced to cease off-season cultivation in some areas. Thus, the cultivation area decreased, and the demand of chemical fertilizer also decreased in consequence.

2) Farmers have lower income due to the continuing fallen price of agricultural products (especially rice and para rubber). It resulted to farmers to have lower purchasing power for investing in the cultivation season of 2015/16. In addition, under such difficulties, farmers tended to spend in more careful manner, for instance, farmers decreased the

consumption of chemical fertilizers or used other type of soil improvement which were cheaper but lower quality for costs saving.

3) The raw material prices and currency exchange were changed in inverse. Although the supply of raw material in the world market increased causing the prices to be lower, Thai Baht was weaken against US Dollar from THB 33 at the early of 2015 to THB 36 in December 2015 causing the import costs to be unchanged. Under the circumstance, lots of dealers were holding the purchase order and carefully decreased to stock the inventory to prevent risks, thus it was more difficult to sell the products.

- **The Subsidiaries' Business**

The Company sold its shares in MC Industrial Chemical Co., Ltd., MC Plastics Co., Ltd., and MC Solvents Co., Ltd., out in 2015, and reclassified the operational result of the Consolidated Financial Statement of 2014. Therefore, the Company's income derived from the subsidiaries was only from MC Agro-Chemicals Co., Ltd., whose main business is to import and distribute pesticide and finished product which used in agriculture, and N.I.M. Co., Ltd., whose main business is to provide tank rental and terminal operation for the storage of liquid chemicals which used in various industries. The income of the two subsidiaries in 2015 was only 3.6% of the total income (income from the sale of chemical fertilizers was 96.4%) which was insignificant.

Policy, Strategy and Goal

The Company adheres to the main policies which are high quality of product and efficient inventory management. In addition, the Company attaches importance to principle of Corporate Social Responsibility as the Company believes that living happily together within the society leads to sustainable growth. As focusing on fertilizer business, the demand of chemical fertilizers in 2015 declined when comparing with 2014 due to the drought and the decrease of purchasing power. 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. Through the whole year of 2015, the Company has endeavored at the best effort in administrating the business to achieve the best performance and the highest return for all shareholders.

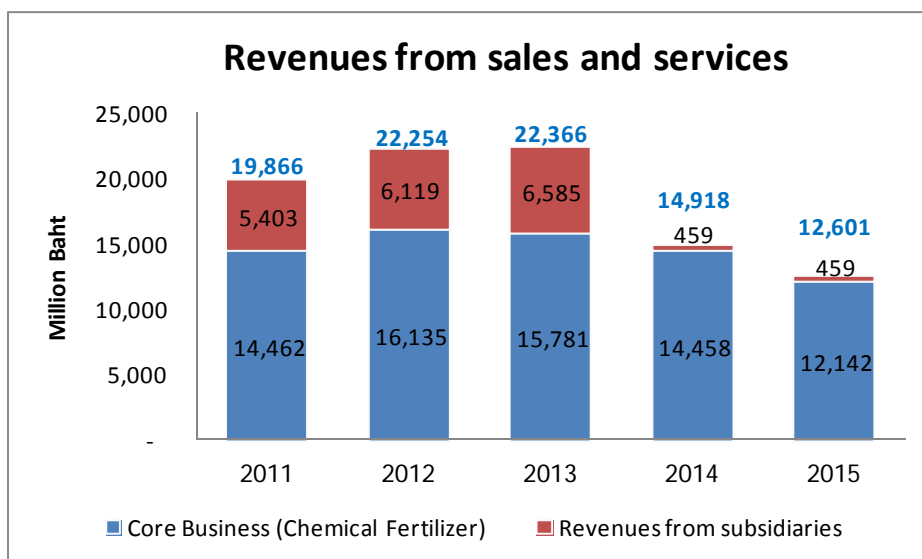
(Results of Operations)

1. Overview of the Operation

Statement of Profit or Loss and Other Comprehensive Income as of December 31, 2015 compares with the Statement of Profit or Loss and Other Comprehensive Income as of December 31, 2014

Unit : Million Baht	Year		Change
	2014	2015	%
Revenues from sales and services	14,918	12,601	(16)
Cost of Goods Sold and services	(12,108)	(10,400)	(14)
Gross Profit	2,810	2,201	(22)
Other Income	165	274	66
Profit Before Expense	2,975	2,475	(17)
Selling and Administration Expenses	(624)	(702)	13
Profit Before Financial Cost and Tax	2,351	1,773	(25)
Financial Cost	(23)	(16)	(31)
Profit Before Income Tax	2,328	1,757	(25)
Income Tax Expense	(376)	(364)	(3)
Profit (loss) for the year from discontinued operations	32	(2)	-
Other Comprehensive Income (Loss)	(4)	2	-
Total Comprehensive Income	1,980	1,393	(30)
Profit Attributable to Owners of the parent	1,957	1,365	(30)
Total Comprehensive Income Attributable to Owner of the parent	1,954	1,367	(30)

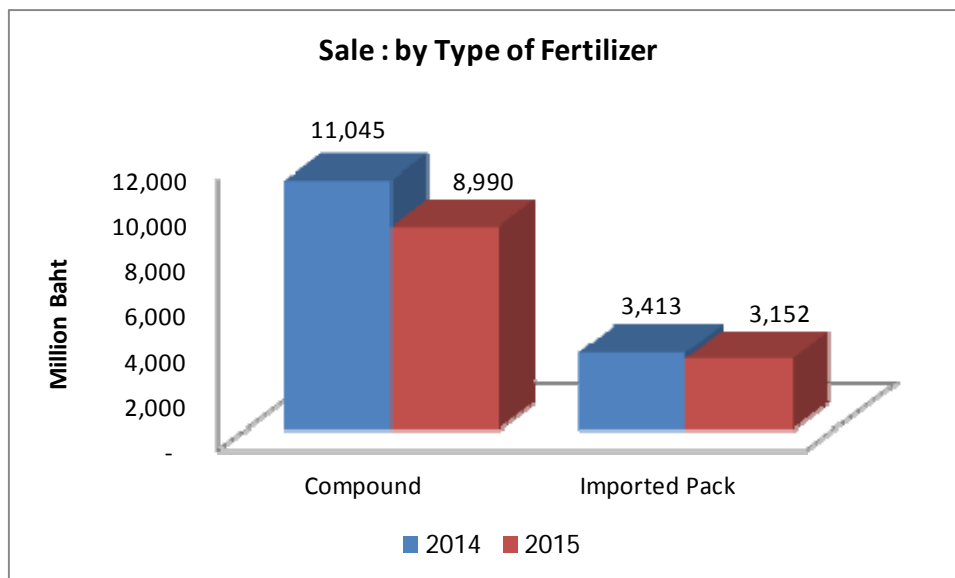
2. Revenues from Sales and Services



Remark: Income from Net Sales of 2014 was adjusted by excluding the income from MC Industrial Chemical Co., Ltd., MC Plastic Co., Ltd., and MC Solvents Co., Ltd., which the Company sold its shares in those companies out in 2015.

- **Core Business (Chemical Fertilizers)**

In 2015, the Company generated income from sales of chemical fertilizers in total of Baht 12,142 million decreasing by Baht 2,316 million or 16% from 2014 (Baht 14,458 million). There were 2 major reasons for the decrease of income from sales: 1) the decline delivery of chemical fertilizer due to less demand affected from the drought and insufficiency of water volume in irrigation systems. 2) the adjustment of sale prices to be aligned with the market situation, purchasing power of farmers, raw material import costs, and reduction of sale prices under the policy to support farmers governed by Department of Internal Trade, Ministry of Commerce. As the aforementioned, under such a fragile market condition in 2015, the Company strived to maintain the market and the competitiveness in the market in order to achieve the highest return for the shareholders.



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 Baht 8,990 million decreasing by Baht 2,054 million or 18.6% from 2014, while the income from selling the Imported-Pack fertilizers was in the amount of Baht 3,152 million decreasing by Baht 262 million or 7.7% from 2014.

- **Income from the Subsidiaries' Business**

In 2015, income from the Subsidiaries' business was from selling technical pesticide and finished product which used in agriculture and servicing tank rental and terminal operation for the storage of liquid chemicals used in various industries, which was in the amount of Baht 459 million which unchanged comparing to Baht 459 million of 2014.

3. Cost of Goods Sold and Services

Cost of Goods Sold in 2015 showed at Baht 10,400 million decreasing by Baht 1,708 million Baht or 14% from 2014 (Baht 12,108 million). The overall of Cost of Goods sold had gradually decreased since 2012 due to the decrease of raw material prices in the world market. It kept maintaining throughout the first to third quarter of 2015, and decreased again during the last quarter of 2015. However, Baht currency was weaken against US Dollar since May 2015 onward; thus the raw material import costs was maintain at the same level. Nevertheless, for other costs such as energy and transportation, they also decreased due to the decline of crude oil in the world market; it is supported the Company to control the Costs of Goods Sold in the appropriate level. In conclusion, the Cost of Goods Sold was decreased in the overall of 2015.

4. Selling and Administration Expenses

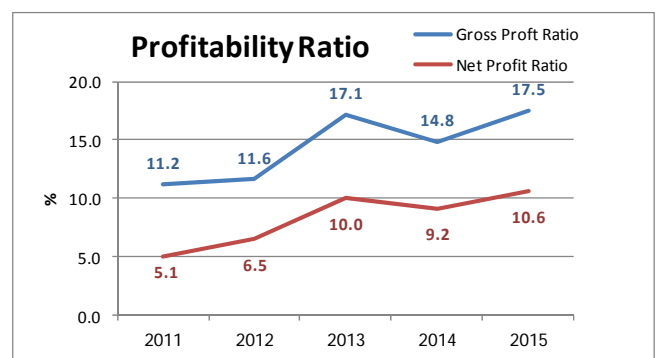
The Company bore the Selling and Administration Expenses at Baht 702 million increasing by Baht 78 million or 13% from 2014 (Baht 624 million), which resulted from the following reasons:

- Increasing of the advertising and promoting expenses. The Company's management boosted such expenses in following to the market situation for attracting and assuring the consumers' confidence in order to gain the sale volume and secure the market shares including expanding the new market i.e. export to the neighboring countries.
- Allocating the fixed costs of the plants to be as the Administration Expenses because the production quantity of compound fertilizer reduced to follow demand of compound fertilizers in 2015. Thus the Company moved some of the factory expenses to be as the Administration Expenses causing the expenses to be higher.

5. Profitability Analysis

Unit	Year		Change
	2014	2015	%
Gross Profit (Million Baht)	2,810	2,201	(22)
Profit Attributable to Owners of the parent	1,957	1,365	(30)
Earning Per Share (Baht)	3.35	2.33	(30)

In 2015, The Company's Gross Profit showed at Baht 2,201 million decreasing by Baht 609 million or 22% from 2014 (Baht 2,810 million). The decrease of Gross Profit was resulted from decline of sales volume, which cause from the insufficiency of water volume for agriculture and the decrease of farmers' purchasing power. On the other hand, the Gross Profit Ratio of 2015 was 17.5%, which

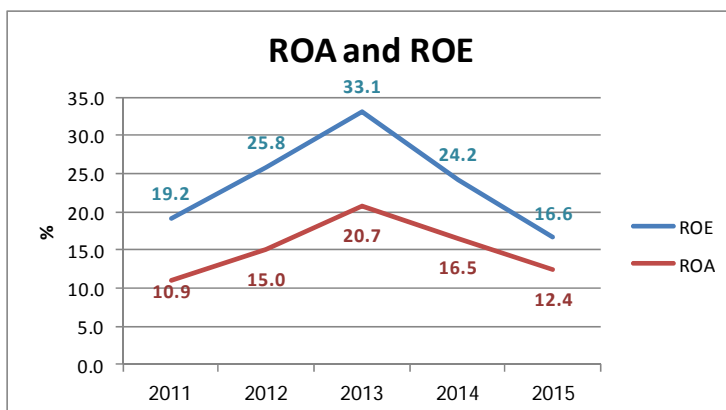


was bigger than 2014 that showed 14.8%.

(Remark: the ratio of 2011 – 2014 included MC Industrial Chemical Co., Ltd., MC Plastic Co., Ltd. and MC Solvents Co., Ltd., which the Company sold its shares out in 2015)

For Profit Attributable to Owners of the parent of 2015, the Company earned at Baht 1,365 million decreasing by Baht 592 million or 30% from 2014 (Baht 1,957 million). The great decrease of the Profit was caused by the great decrease of Revenue from sales and Gross Profit. Furthermore, the BOI tax privilege under the Co - Generation Project was expired on the early of 2015, thus the corporate tax rate compare with the profit before income tax expense for 2015 was higher from the previous year. In this regard, the profit per share decreased from 3.35 Baht of 2014 to 2.33 Baht in 2015 decreasing by 1.02 Baht per share or 30%.

(Remark: Net profit ratio that increased from 9.15 in 2014 to 10.62 in 2015 was resulted from the financial ratio of 2011 – 2014 that included MC Industrial Chemical Co., Ltd., MC Plastic Co., Ltd., and MC Solvents Co., Ltd., which the Company sold its shares out in 2015.)



The Return on Equity (ROE) ratio of 2015 was 16.6, which was less than the 24.2 ratio of 2014. The Return on Asset (ROA) ratio of 2015 was 12.4, which was less than the 16.5 ratio of 2014. Even both ratios were decreased by the affect of the external factors, but the Company endeavored to maintain the capability to make profit for shareholders and substantially operate the business for the best performance by utilizing all

existing assets.

(Remark: The ratio in year 2011 – 2014 included MC Industrial Chemical Co., Ltd., MC Plastic Co., Ltd., and MC Solvents Co., Ltd., which the Company sold its shares out in 2015.)

Analysis of Liquidity and Capital Resources

1. Overview of Financial Statement

Note to Statement of Financial Position

Description	December 31, 2014		December 31, 2015	
	Million Baht	Percentage to Total Assets	Million Baht	Percentage to Total Assets
Current Assets	10,038	81	7,096	74
Non-current Assets	2,322	19	2,505	26
Total Assets	12,360	100	9,601	100
Current Liabilities	3,525	29	1,015	10
Non-current Liabilities	303	2	280	3
Shareholders' Equity	8,532	69	8,306	87
Total Liabilities and Shareholders' Equity	12,360	100	9,601	100

2. Assets

As of 31 December 2015, the Company's Total Asset showed at Baht 9,601 million decreasing by Baht 2,759 million or 22.3%, from the end of 2014, details as shown in the below table:-

Description	December 31, 2014	December 31, 2015	Change %
	Million Baht	Million Baht	
Cash on Hand	5,160	4,662	(10)
Accounts Receivable	1,771	666	(62)
Inventories	2,865	1,545	(46)
Assets	12,360	9,601	(22)

(Remark: The ratio in year 2011 – 2014 included MC Industrial Chemical Co., Ltd., MC Plastic Co., Ltd., and MC Solvents Co., Ltd., which the Company sold its shares out in 2015.)

- Cash on hand was lower than 2014 by 10%, while Inventory decreased by Baht 1,320 million or 46%. Because of, the Company concentrates on the policy to keep the inventory at the low level, but it would still be sufficient for the market demands for maintaining the competitiveness in the market. In this regard, the Company managed the procurement in flexible under the market demands, and the inventory by decreasing the procurement of goods in transit at the end of 2015, which it decreased in the amount of Baht 800 million. Furthermore, the decrease was caused by the lower value of finished product incurred from the sale of subsidiaries' shares in 2015, thus it was excluded from the calculation.

• The Company had Accounts Receivable at Baht 666 million decreasing by Baht 1,105 million or 62% from 2014 (Baht 1,771 million). The dramatic decrease was resulted from the sale of subsidiaries' shares, which the subsidiaries had many customers. In addition, the sale of chemical fertilizers during the off-season cultivation (November and December 2015) also decreased which caused from the significant decrease of off-season cultivation as the government limited the supply of water for cultivation. Thus the Accounts Receivable as of 31 December 2015 was lower. While the Company's Collection Period was at the average of 35 days increasing by 2 days from 2014. The total Account Receivable as shown in the table was 701 Million Baht as of 31 December 2015. The allowance for doubtful accounts was set at Baht 35 million, which would cover the Accounts Receivable that overdue more than 12 months as showed at Baht 22 million.

Accounts Receivable	2014		2015	
	Million ฿	%	Million ฿	%
<u>Other companies</u>				
Current	1,220	66	613	88
Overdue - less than or up to 3 months	557	30	59	8
Overdue - more than 3 months up to 6 months	6	0	0	0
Overdue - more than 6 months up to 12 months	1	0	7	1
Overdue - more than 12 months	61	3	22	3
Total - Other companies	1,845	99	701	100
<u>Related companies</u>				
Current	10	1	0	0
Overdue - less than or up to 3 months	-	0	-	-
Total - Related companies	10	1	0	0
Total trade accounts receivable	1,855	100	701	100
Less Allowance for doubtful accounts	(83)	(4)	(35)	(5)
Trade accounts receivable - net	1,771	96	666	95
<u>Number of trade accounts receivable</u>	<u>2,907</u>		<u>421</u>	

- **Investments Goodwill and Amortization**

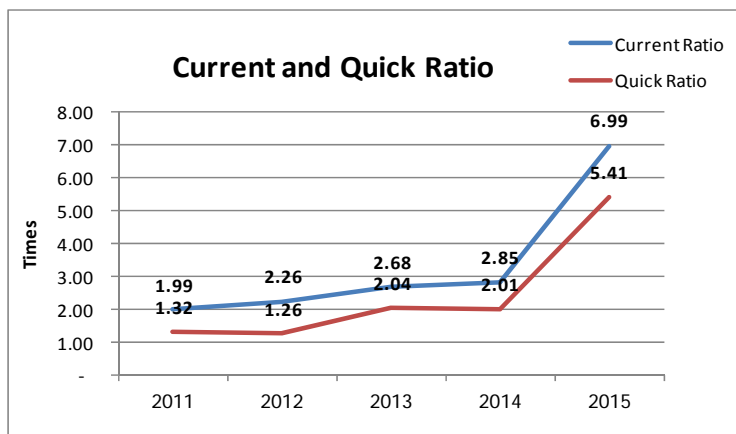
The main intangible asset is Right for use of trademarks .The Company engaged an independent appraiser to determine the fair value of the right to use the trademarks referred to above in accordance with the Notification of the Stock Exchange Commission dated 30 April 2004 regarding the opinion for accounting treatment for intangible assets. According to the reports of the independent appraiser dated 11 January 2016, and 6 January 2015, the appraisal values of the fair value of such right as of 30 December 2015 and 22 December 2014, respectively, by using the Discounted Cash Flow Approach were higher than the carrying values.

3. Liabilities and Equity

- On 31 December 2015, the Company had Total Liabilities at Baht 1,295 million decreasing by Baht 2,533 million or 66% from the end of 2014. The decrease was because the Company had no liabilities of the subsidiaries as the Company sold its subsidiaries' shares out in 2015. Furthermore, the Company's core business (chemical fertilizers) was operated by the operational cash without any short-term borrowings.

- On 31 December 2015, the Company had Total Equity at Baht 8,306 million decreasing by Baht 226 million or 2.6% from the end of 2014 due to the decrease of retained earnings on non-controlling interests.

4. Liquidity



The Company's Liquidity was considered to be very well. The Current Ratio was increased from 2.85 at the end of 2014 to 6.99 at the end of 2015; the Quick Ratio was increased from 2.01 at the end of 2014 to 5.41 at the end of 2015. The great increase was resulted from the Company sold the three subsidiaries' shares out, which such subsidiaries operated the

business in trading and having a great number of inventories and a great deal of current liabilities, thus the current and quick ration before the sale was lower than after the sale in 2015. In the mean time, the Company was able to manage the inventories at the end of 2015 (in part of core business) in better manner, which it significantly escalated the Current and Quick Ratio.

The Net Cash Flow provided by operating activities of 2015 was Baht 1,660 million increasing by Baht 3 million or 0.2% from 2014 (Baht 1,657 million), while the Net Cash Flow used in financing activities in 2015 was Baht 1,682 million increasing by Baht 504 million or 43 % from 2014 (Baht 1,178 million).

For the financing source and activities and the suitability of finance structure, the Company's policy is to spend the investments for business operation effectively by managing the borrowing for business operation to be at the least. In 2015, the Company had bank overdrafts and short-term borrowings from financial institutions decreasing from Baht 1,402 million in 2014 to Baht 22 million in 2015, decreased by Baht 1,380 million or 98% because the Company sold its subsidiaries' share out in 2015. Thus the borrowings of such subsidiaries were excluded from financial statement in 2015.

For the investing activities in 2015, the Company invested on property, plant and equipment in the total amount of Baht 336 million. The major investment was for improving the plants' logistic system in order to deliver the products much faster and more effective.

5. COMMITMENT AND CONTINGENT LIABILITIES AND OUT BALANCE SHEET

- 5.1 The Company had capital commitment for capital expenditure as at 31 December 2015 and 2014 of Baht 96.23 million and Baht 19.27 million, respectively.
- 5.2 As at 31 December 2015 and 2014, the Company and its subsidiaries had leased office buildings, warehouse, vehicles and office equipment under operating lease agreements. The future lease payments are summarized as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	2015 Baht	2014 Baht	2015 Baht	2014 Baht
Within 1 year	19,105,482	31,711,776	19,105,482	18,939,632
1 - 5 years	9,625,621	34,327,244	9,625,621	21,459,598
Total	<u>28,731,103</u>	<u>66,039,020</u>	<u>28,731,103</u>	<u>40,399,230</u>

- 5.3 The Company had commitments with banks for letters of guarantee issued as at 31 December 2015 and 2014 of Baht 8.66 million and Baht 21.19 million, respectively. Certain subsidiaries had commitment with banks for letters of guarantee issued in the amount of Baht 0.18 million and Baht 194.02 million as at 31 December 2015 and 2014, respectively.
- 5.4 The Company had commitment with bank regarding the outstanding letters of credit amounting to Baht 93.93 million (USD 2.58 million and EUR 0.01 million) and

Baht 237.45 million (USD 6.91 million and GBP 0.16 million) as at 31 December 2015 and 2014, respectively.

Certain subsidiaries had commitments with banks regarding the outstanding letters of credit amounting to Baht 3.42 million (USD 0.09 million) and Baht 24.44 million (USD 0.74 million) as at 31 December 2015 and 2014, respectively.

5.5 SIGNIFICANT AGREEMENTS

5.5.1 Technical assistance agreement

The Company had a technical assistance agreement with a company in Japan. The Company was obligated to pay a basic retaining fee of USD 50,000 per annum. The agreement was in effect for a period of one year and is automatically renewed on a yearly basis unless either party expresses its intention not to renew the agreement by written notice to other party at least three months before the expiring date.

5.5.2 Energy performance agreement

The Company entered into Energy Performance Contract (EPC) with a company. The Company would be advised to improve the efficiency of energy saving and had to pay monthly advisory fees based on percentage of the electricity power saving value in each month as specified in the agreement. The period of payment started when the cogeneration project was complete and would pay some saving amount according to Energy Performance Contract.

Economic & Business Forecast 2016

For tendency and situation of 2016, the Management views that the world economy would still be in fragile condition. In addition, the lower growth of Chinese economy would significantly affect the export of Thailand. While the increase of interest rate in U.S. would continuously weaken Baht currency, and this would also affect the Company's import of raw materials. For domestic factor, it is viewed that the government policy to support farmers and stimulate local economy would recover farmers purchasing power and accordingly improve demand of chemical fertilizer. In this regards the Management would like to analyze the factors that can impact our future operation as follows.

1. Drought Crisis

In 2015, the Company operation was affected from the decrease of chemical fertilizer demands as there was insufficiency of water for agriculture because of the delay and the lower of rainfall; furthermore, the government also suspended the water supply from dams for the agriculture. The Management anticipates that this difficult situation would get better in 2016 as El Nino should be last around the middle of year. It is viewed that if the water supply is sufficient for agriculture, the chemical fertilizer demand should go back to normal, which shall significantly affect to the Company's sale in 2016.

2. Agricultural Product Prices and Purchasing Power of Farmers

The farmers' income decreases because of the decline of agricultural product prices (especially rice and para rubber), thus farmers' purchasing and investing power for the new cultivation also decrease as well. The Management expects that the government shall have the clear measure to solve the decline of agricultural product prices including find the new market for increasing farmers' income and putting fund into the economical system of agriculture, which would increase the chemical fertilizer demands in 2016. The Management shall monitor and evaluate the situation closely.

3. Raw Material Prices and Currency

The raw material prices would change following the demand and supply in the world market. It is forecasted that the raw material market in 2016 would be nearly the same as in 2015; in addition, some of raw materials should be lower in price. However, the weak of Baht currency would increase the 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 in 2016, the Company lays down the administration direction as follows:

- Creates customers and farmers' satisfaction.
- Keeps high standard and quality of our product.
- Keeps monitoring the market carefully and obtaining the market demand as accurate as possible. And, flexibly changes production and procurement plan according to the market demand from time to time and always keep the inventory at the most appropriate level.
- Controls and plan for all expenses effectively for lowering costs.
- Keeps developing better manufacturing process and productivity improvement.
- Manages risks by never speculating on raw material prices and foreign currency.

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