



บริษัท ไทยเซ็นทรัลเคมี จำกัด (มหาชน)

THAI CENTRAL CHEMICAL PUBLIC COMPANY LIMITED

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Subject Clarification of the 2nd quarter performance of the year 2016

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 2016 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 Statement for the 2nd quarter of year 2016 during April 1, 2016 to June 30, 2016. The 2nd quarter of year 2016 showed Profit Attributable to Owner of the parent at THB 632 Million, and Earnings per Share at THB 1.08. It increased by THB 63 Million or 11% compared to the 2nd quarter of year 2015, which showed Profit Attributable to Owner of the parent at THB 570 Million and Earnings per Share at THB 0.97.

Overall, Thailand's economy in the 2nd quarter of year 2016 faced with unpredictable downward swing risk of international economy. For example, the United Kingdom's leaving the European Union (EU) had a chance of limited impact to Thailand's economy. And both expansion of public investments and tourism industry gave Thailand's economy mild upbeat. As a result, real economic growth rate was forecasted by approximate 3%. Meanwhile, Long drought ended. Thailand's agriculture was just able to start cultivation since mid of May. The continual rainfall was expected to lead to increased agricultural production of farmers. The price of agricultural products showed some sign of picking up during the recovery process from the drought. Thus, the purchasing power of farmer started recovering in late of this quarter.

However, this quarter, the Company's business still had impact from external factors as follows;

- 1) Though long drought ended by mid of May, low rainfall and drought during April until mid of May impacted against demand for fertilizer consumption as cultivation season delay.
- 2) After April 2016, depreciation of Thai Baht currency resulted in increase of cost of imported raw materials.
- 3) The Company cooperated with Department of Internal Trade (DIT) to reduce fertilizer price for supporting farmers until end of year 2016.

Under the aforementioned economical situation, the management has maintained flexibility of business administration. The management focused on raw material costs, currency exchange risks and a search for new market development to increase the sale volume.

And the management endeavored to achieve the best performance and the sustainable growth. As a result, Profit Attributable to Owner of the parent of the 2nd quarter of 2016 was better than the same quarter of year 2015 by THB 63 Million or 11%.

Results of Operations and Profits

Unit : Thousand Baht	The 2 nd Quarter Apr - Jun (3 months)		Change
	2015	2016	%
Revenues from Sales and Services	4,152,680	3,873,998	(7)
Cost of Goods Sold and Rendering of Services	(3,394,706)	(2,925,283)	(14)
Gross Profit	757,974	948,715	25
Other Income	136,543	24,833	(82)
Profit Before Expense	894,517	973,548	9
Selling and Administration Expenses	(147,499)	(178,879)	21
Profit Before Financial Cost and Tax	747,018	794,669	6
Financial Cost	(5,747)	(1,944)	(66)
Share of Profit from Investment In an Associate	78	73	(6)
Profit Before Income Tax	741,349	792,798	7
Income Tax	(168,460)	(157,654)	(6)
Total Comprehensive Income for the period	572,889	635,144	11
Total Comprehensive Income Attributable to Owners of the parent	569,838	632,406	11

Revenues from Sales and Service of the Company in the 2nd quarter of year 2016 showed THB 3,874 Million which decreasing by 7% compared with THB 4,153 Million of the same quarter of year 2015. Such decrease was caused by decline in average unit price sale of fertilizer, as well as lower demand from drought during April until mid of May. However, the Cost of Goods Sold decreased by 14% compare with the same period of year 2015. Consequently, Gross Profit increased by THB 191 Million or 25%. On the other hand, Other Income decreased by THB 112 Million or 82%, the major item of this decline was coming from Gain on fair value recognition of investment as the 2nd quarter of year 2016 had no transaction. In the meantime, Selling and Administration Expenses increased by THB 31 Million or 21% because the Company had tried to increase revenues by spending sales promotion expense.

From all the reasons mentioned above, Total Comprehensive Income Attributable to Owners of the parent in the 2nd quarter of year 2016 amounted of THB 632 Million, increasing by THB 63 Million or 11% compared with THB 570 Million of the same quarter of year 2015.

Analysis of Liquidity and Capital Resources

Note to Statement of Financial Position (Consolidated)

Description	June 30, 2015		June 30, 2016	
	Thousand Baht	Percentage to Total Asset	Thousand Baht	Percentage to Total Asset
Current Assets	7,712,740	77	7,899,458	75
Non-current Assets	2,347,450	23	2,578,060	25
Total Asset	10,060,190	100	10,477,518	100
Current Liabilities	2,185,401	21	2,042,026	19
Non-current Liabilities	269,056	3	269,915	3
Shareholders' Equity	7,605,733	76	8,165,577	78
Total Liabilities and Shareholders' Equity	10,060,190	100	10,477,518	100

As of the end of 2nd quarter of year 2016, compared with the same period of year 2015, Total Assets of the Company showed THB 10,478 Million increasing by THB 417 million or 4%. Main details of assets were as follows,

Description	June 30, 2015 Thousand Baht	June 30, 2016 Thousand Baht	Change %
Cash and cash equivalents	3,268,957	3,986,409	21.9
Total trade and other receivables	834,145	1,587,805	90.4
Inventory	3,449,824	2,171,263	(37.1)
Asset	10,060,190	10,477,518	4.1

As of the end of 2nd quarter of year 2016 compared with the same period of year 2015, Total Liabilities of the Company showed THB 2,312 decreasing by THB 143 Million or 6%, and Shareholders' Equity of the Company showed THB 8,166 Million increasing by THB 560 Million or 7%.

Economic & Business Forecast 2016

Global economy would still be fragile as big economic countries such as USA, EU, Japan, and China are trying best to boost their economy in various ways, which the results may be impact to all over the world. Therefore Thailand's economy lacks of stability, but the tendency of year 2016, Thailand's economy is expected to make a mild growth by government's infrastructure projects and tourism industry. In addition, the increase of agricultural product prices and the recovery of agricultural production may increase the famers' purchasing power for chemical fertilizer.

With long drought ended and farmers cultivation started, the fertilizer consumption has be more and more in second half of this year. The company will supply sufficient quantities and will expand the sales volume as possible.

Therefore, the key success factors that would affect chemical fertilizer business in the second half of the year are as follows:

- 1) Continue of rainfall and sufficient water supply for agricultural production
- 2) Recovery in purchasing power of farmers.
- 3) Raw material import price and exchange rate.
- 4) Harmonizing maintenance of supply capacity with marketing for sales expansion

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