

MANAGEMENT DISCUSSION AND ANALYSIS

NFC PUBLIC COMPANY LIMITED

1st Quarter ended 31 March 2018

Financial Summary

Operating results of the Company and its subsidiary for the 3 months period ended 31st March 2018, net profit for the period is Baht 26.11 Million, which allocated profit to portion of the Company's shareholder amounting to Baht 26.21 Million and portion of non-controlling interests amounting to Baht (0.10) Million. Considering the results of operations for this period, the net profit to portion of the Company's shareholders decreasing by Baht 18.65 Million or decreasing to 41.57% comparing with the net profit of the Company's shareholders for the same period of 2017 amounting to Baht 44.86 Million. Since in the 1st quarter of 2017, the Company had the extraordinary transaction that was favorable from Other Income amounting to Baht 10.2 Million, while for the 1st quarter of 2018, the Company recognized Other Income about Baht 7.2 Million. We would like to summarize the operating results which have changed as follows:

Revenues

Revenue (MB.)	1Q-2017	4Q-2017	1Q-2018	%QoQ	%YoY
Sales of Chemical Products	250.29	271.70	275.78	1.50%	10.18%
Services	35.56	22.33	24.35	9.05%	(31.52%)
Total Revenues	285.85	294.03	300.13	2.07%	5.00%

Revenue from sales and services of the Company and its subsidiary for Q1-2018 were Baht 300.13 Million, increased Baht 14.28 Million or equivalent to 5.00% from Q1-2017, mainly resulted from the revenue from sales of chemical products increased by Baht 25.49 Million or equivalent to 10.18%. In this Q1-2018, the sale of sulfuric acid was increased by Baht 7.88 Million or equivalent to 7.36% higher even though the sale volume decreased by 34,477 Tons or 31.00% decrease when comparing to Q1-2017 but the average sale price per unit increased by 55.58% compared to the average sale price per unit in Q1-2017 which reflected from the higher import price due to the supply shortage in the world market.

The sale of Ammonia was increased by Baht 16.75 Million or equivalent to 12.13% reflected from the higher sale volume of 821 Tons or 12.61% increase when comparing to Q1-2017, in term of the average sale price per unit are still the same trend with Q1-2017.

The sale of Ammonium Hydroxide was increased by Baht 0.85 Million or equivalent to 16.63% reflected from the higher sale volume of 233 Tons or 33.58% increase when comparing to Q1-2017, however, the company had sacrificed some part of the sale price in order to win the bidding deal for gaining volume in Q1-2018.

The revenue from services decreased by Baht 11.21 Million or 31.52% lower when comparing to Q1-2017, due to the harbor service activities was declining starting from the end of 2nd quarter period of 2017.

Cost of Sales & Services

Costs of Sales & Service (MB.)	1Q-2017	4Q-2017	1Q-2018	%QoQ	%YoY
Chemical Products Sold	196.71	207.81	225.06	8.30%	14.41%
Cost of Services	7.45	4.73	4.68	(1.12%)	(37.18%)
Total Cost of Sales & Service	204.16	212.54	229.74	8.09%	12.53%
Gross Profit	81.69	81.49	70.39	(13.62%)	(13.83%)
Gross Profit %	28.58%	27.71%	23.45%	(15.37%)	(17.93%)

Cost of sales and services of the Company and its subsidiary was Baht 229.74 Million increasing Baht 25.58 Million or equivalent to 12.53% comparing to Q1-2017, which increased in a higher percentage when compared to Sales Increase. Therefore, the Company's Total Gross Profit Amount derived in Baht 70.39 Million decreasing Baht 11.30 Million or equivalent to 13.83% resulting the Gross Profit Ratio of 23.45% when comparing to 28.58% in the Q1-2017. The lower gross profit amount mainly resulted from the reduction of services segment approximately Baht 8.44 Million and the lower profitability ratio of chemical products about Baht 2.87 Million especially in Sulfuric Segment.

Cost of sales of chemical products increased Baht 28.35 Million or equivalent to 14.41% due to the higher average cost per unit of Sulfuric Acid reflecting from the higher import price as per the market trend and the higher overhead cost allocated to the Chemical Sales Segment due to the declining of other part of business i.e.

Service Segment. Therefore, the Gross Profit Ratio of chemical products sale were showing the decreasing trend when comparing 18.39% in Q1-2018 vs. 21.41% in Q1-2017.

The cost of services decreased about Baht 2.77 Million or equivalent to 37.18% when comparing to Q1-2017 resulting from the lower service revenue, however the Gross Profit Ratio of service business were showing the same trend when comparing 79.05% in Q1-2018 vs. 80.78% in Q1-2017.

Other Income

The Company and its subsidiary's other revenues Baht 7.15 Million, showing the other income decreased by Baht 3.00 Million or equivalent to 41.86% when comparing to Q1-2017. Since in Q1-2017, there was a reversal of allowance for doubtful account higher than Q1-2018 by Baht 7.15 Million and a gain from Sales of Fixed Assets higher than Q1-2018 by Baht 1.62 Million.

In the Q1-2018, the Company received revenue from Gypsum in Bulk higher than Q1-2017 by Baht 4.64 Million (net of related expenses and reversal of its provisions) and Interest Income from Short-Term Investment by Baht 0.90 Million and Other Income of Baht 0.23 Million.

Total Expenses

The Company and its subsidiary's total expenses was Baht 53.71 Million which increased Baht 4.14 Million or equivalent to 8.35% comparing to Q1-

2017, accordingly the Selling and Administrative Expenses (net of depreciation from under-utilized fixed assets) ratio when compared to Revenue is slightly higher i.e. 12.58% in Q1-2018 vs. 11.51% in Q1-2017.

EBITDA and Net Profit

The Company and its subsidiary's EBITDA (before other items) was Baht 50.69 Million which decreased 27.28%, resulting from the decrease of overall gross profit. Since during Q1/2018, the Company had the higher proportion from Chemical Products Sale to total Revenue. In addition, the Company also had the net difference of lower other income of Baht 3.00 Million.

In Q1-2018, the Company and its subsidiary's Net profit portion of the Company's shareholder was Baht 26.21 Million which decreased by Baht 18.65 Million or 41.57%, comparing to Baht 44.86 Million in Q1-2017, caused from Gross Profit reduction of Baht 11.30 Million, Higher Expenses by Baht 4.14 Million, Lower Other Income by Baht 3.00 Million, Lower Financial Cost by Baht (0.11) Million, Lower Deferred Tax Income by Baht 0.31 Million and Lower portion of Non-Controlling Interest in Subsidiary of Baht 0.01 Million.

Balance Sheet and Key Financial Information

Statement of Financial Position (MB.)	YE-2017	1Q-2018	%Change
Cash and Cash Equivalent	310.37	391.68	26.20%
Other Current Assets	260.08	239.05	(8.09%)
Property, Plant and Equipment	492.57	466.87	(5.22%)
Other Non-Current Assets	96.44	98.68	2.32%
Total Assets	1,159.46	1,196.28	3.18%
Current Liabilities	147.98	160.70	8.60%
Non-Current Liabilities	52.53	49.88	(5.04%)
Total Liabilities	200.51	210.58	5.02%
Total Shareholders' Equity	958.95	985.70	2.79%
Total Liabilities & Shareholders' Equity	1,159.46	1,196.28	3.18%
<i>Book Value (Baht per share)</i>	<i>0.88</i>	<i>0.91</i>	<i>2.79%</i>

At the 1st Quarter period ended 31 March 2018, the Company and its subsidiary's total assets amounted to Baht 1,196.28 Million, increasing by Baht 36.82 Million from Baht 1,159.46 Million or 3.18% from the end of year 2017, reflected into the incremental of cash and cash equivalent together with temporary investments amounted to Baht 81.32 Million, mainly benefited from Operating cash flow about Baht 80.87 Million, comprised of Net Profit from Operation (before Tax) of Baht 23.65 Million, Depreciation & Amortization of Baht 26.85 Million and Lower Net Working Capital approximately Baht 32.96 Million and Other adjustment & reversal of Baht (2.59) Million.