



บริษัท ปาโตนเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

Pato Building, 3388 New Petchburi Road, Bangkok 10310, Thailand

Tel: (+662) 318-0360 Fax: (+662) 318-0367 E-mail: pato1@cscoms.com

November 11, 2016

President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary ended September 30, 2016 operational performance are as follows:

Sales Revenue for Q3/2016 of 260.63 million baht shows an increase of 77.06 million baht or 41.98% y-o-y. Cost of sales of 171.27 million baht shows an increase of 47.47 million baht or 38.34% y-o-y. Gross profit of 89.36 million baht shows an increase of 29.59 million baht or 49.51% y-o-y.

Sales revenue for 9 months of 535.72 million baht shows an increase of 59.33 million baht or 12.45% y-o-y. Cost of sales of 371.59 million baht shows an increase of 32.30 million baht or 9.52% y-o-y. Gross profit of 164.13 million baht shows an increase of 27.03 million baht or 19.72% y-o-y.

The past severe drought crisis due to extended shortage of rainfall and irrigation water has ended. The amount of rainfall and water level in the main irrigation dam during Q3 were sufficient for cultivation. Farmers were able to cultivate new crops in many areas. There were outbreak of weeds, insects, and diseases in rice paddy field. Demand for agrochemical increased. As a result, sales revenue for all types of products increased, especially those for rice paddy which increased significantly. Price competition intensity in the market decreased because of higher demand and sales volume of agrochemical. Cost of sales increased at a lower rate than the rate of increase in sales, as a result, gross profit margin during Q3 and 9-month were 34.29% and 30.64% y-o-y respectively.

Cost of Sales for Q3/2016 see the increase in production. The cost of imported raw materials decreased in line with the weakening market price trend while being continuously affected by the fluctuation of the baht exchange rate. Raw material cost reduced accordingly. Total labor cost including requirement of outsourced labors increased in line with increase in sales volume. Overhead cost increased slightly in line with the increase in production. Thus, cost of sales increased by 38.34% y-o-y.

Cost of sales for 9 months of 2016 see the increase in production. The cost of imported raw materials decreased in line with the weakening market price trend while being continuously affected by



บริษัท ปาโตนเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

Pato Building, 3388 New Petchburi Road, Bangkok 10310, Thailand

Tel: (+662) 318-0360 Fax: (+662) 318-0367 E-mail: pato1@cscoms.com

significant fluctuation of the baht exchange rate. Raw material cost reduced accordingly. Total labor cost including requirement of outsourced labors increased in line with increase in sales volume. Overhead cost increased slightly in line with the increase in production. Thus, cost of sales increased by 9.52% y-o-y.

Even though the cost of sales for 3 months and 9 months increased, but the rate of increase is lower than the rate of increase in sales, so gross profit increased by 49.51% and 19.72% y-o-y respectively.

Other Revenue for both Q3/2016 and 9 months see mainly the increase in the revenues from investment. Volatility of the stock market led to an increase in value of investment, mostly from unrealized capital gain and dividends received, which is 4.72 million Baht or an increase of 170.63% y-o-y for Q3/2016 and 8.27 million Baht or an increase of 1,658.22% y-o-y for 9 months respectively. Despite the company policy to cover forex risk with forward contracts, forex loss due to the depreciation of baht totaled 2.51 million baht or an increase of 99.93% y-o-y for 3 month. The continuous volatility of foreign exchange rate led to a forex loss of 1.83 million baht or an increase of 71.51% y-o-y for 9 months.

Selling and Administrative Expenses decreased by 0.29 million baht and 1.03 million baht respectively. They represent a decrease of 1.45% and 1.97% y-o-y respectively. The increase in sales from an increase in market demand. Price competition was less intensified, cost of sales reduced accordingly. Sales promotion of 0.74 million baht showed a decrease of 3.14 million or a decrease of 81.03%. Other expenses which are sales commission, welfare, transportation, and registration fees increased. The decrease in administrative expenses is mainly from the welfare and employee benefits under ESOP program from previous year.

Selling and administrative expenses for 9 months of 2016 decreased by 1.80 million baht or 7.67% y-o-y and increased by 0.77 million baht or 2.70% y-o-y respectively. The increase in sales and market demand led to less intensified price competition and cost of sales. Sales promotion of 0.74 million baht, a difference of 3.14 million baht represents 81.03% y-o-y. The increase in selling expenses are mainly from sales commission, welfare, transportation and registration expenses. The increase in administrative expenses is from welfare while benefit from ESOP was deducted.



บริษัท ปาโตนเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

Pato Building, 3388 New Petchburi Road, Bangkok 10310, Thailand

Tel: (+662) 318-0360 Fax: (+662) 318-0367 E-mail: pato1@cscoms.com

The overall decrease in cost of sales and administration expenses under the increase in total sales reflects the Company's efficiency in cost management and expenses control thus generating higher income.

The above reasons result in a net profit for Q3 of 57.65 million baht. The difference of 29.42 million baht represents an increase of 104.20% y-o-y. Net profit for 9 months of 2016 ended September 30 is 97.35 million baht. The difference of 30.80 million baht represents an increase of 46.28% y-o-y.

Financial Position Analysis of the company and its subsidiary as of September 30, 2016 and December 31, 2015 show a total assets of 634.65 million baht, a decrease of 5.44 million baht which represents 0.85% y-o-y. Total liabilities of 121.84 million baht is a decrease of 5.48 million baht or 4.30% y-o-y. Total shareholders' equity of 512.82 million baht is an increase of 0.04 million baht or 0.01% y-o-y. Cash, cash equivalents, and short-term investments show a decrease of 48.67 million baht or 23.20% y-o-y. Account receivables and other receivables is an increase of 76.95 million baht or 61.10% y-o-y. Inventories show a decrease of 45.69 million baht or 23.09% y-o-y. Available-for-sales investment is an increase from investment and unrealized capital gain of 13.95 million baht or 64.30% y-o-y. Property, plant, and equipment, other non-current assets, and deferred tax are slightly decreased by 1.90 million baht or 2.24% y-o-y.

Liabilities show a decrease of short-term loan from financial institutions (mostly bank T/R's) of 38.94 or 78.84% y-o-y. Trade and account payables increased by 34.78 or an increase of 65.24% y-o-y. Accrued income tax of 0.55 million baht or a decrease of 3.78% y-o-y.

Total sales continued to increase led to the purchasing of raw materials for production in Q3 increased from Q2 to fulfill customers' demand. Trade off short-term investments to pay off debt is a result of increasing sales in Q3 and as a result, outstanding receivables increased and inventories declined. A/R collection period decreased from 88 days to 85 days while inventory period is from 168 days in Q2 to 127 days in Q3. Weakening baht caused the company to reduce the impact of exchange rates by adopting a quicker and higher debt pay-off ratio. T/R payable significantly decreased. Trade and account payables increased from purchasing of raw material to fulfill market demand.



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

Pato Building, 3388 New Petchburi Road, Bangkok 10310, Thailand

Tel: (+662) 318-0360 Fax: (+662) 318-0367 E-mail: pato1@cscoms.com

The increase of Shareholders' equity are from the increase net profit from operational result of the Company and its subsidiary. Other component of shareholders' equity that see an increase is the unrealized gain on securities available-for-sale of 2.78 million baht. According to Q3 performance, the company has stable capital structure with a current ratio of 4.54 times and debt to equity ratio of 0.24 as of September 30, 2016.

Yours faithfully,

(Metha Trillit)

President