



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)
PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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February 26, 2019

President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary for yearly ended December 31, 2018 operational performance are as follows:

Unit : Million

	Comparison 2018 and 2017		
	Amount	Increase(Decrease)	% Change
Total sales	816.70	(50.99)	(5.88)
Cost of Sales	541.02	(11.02)	(2.00)
Gross Profit	275.68	(39.97)	(12.66)

Main reasons for the above performance are as follows:

1. Rainfalls during the period were sufficient for cultivation indicating no drought or shortage of irrigation water this year. Prices of agricultural products in many crops has fallen significantly, such as palm oil, para rubber, pineapple, and sugarcane. Average price of rice paddy increases slightly, but still not up to the level that would be considered good, except for Jasmin Rice. Therefore, purchasing power of farmers decreased, and demand for agrochemical product decreased as well.
2. Low infestation of insects as well as fungus-based diseases and mites.
3. Shortage of raw material and agrochemical products due to strict enforcement of environmental laws in China. Production capacity is limited while some manufacturers of raw materials are forced to shut down. Production capacity is reduced. Prices of raw material increase consequently.
4. Intense price competition in the market.
5. Weakening baht exchange rate resulting in higher cost of raw materials

The above factors result in total sales and gross profit of yearly 2018 decreased.



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Even though the cost of sales decreased but the rate of decrease is lower than the rate of decrease in sales, so gross profit margin decreased by 12.66%.

Unit : Million Baht

	Comparison 2018 and 2017		
	Amount	Increase (Decrease)	% Change
Gain from Investment	4.74	(5.88)	(55.35)
Forex Gain (Loss)	(0.17)	(0.36)	(193.84)
Other Revenue	1.46	1.32	999.51

Income from investments decreased in 2018. Due to volatile stock market condition with decreasing SET index for the year, net investment income, mainly from profit from sales of investments, unrealized capital gain from equity investments decreased but saw a decrease in dividend received. Though the Company has the policy to minimize forex risk exposure from fluctuations with forward contracts and still resulting in an increase of forex loss. Other income increased from trading in old vehicle, forklift, office equipment and sales of expired product packaging materials.

Unit: Million Baht

	Comparison 2018 and 2017		
	Amount	Increase(Decrease)	% Change
Cost of sales	42.87	(0.66)	(1.52)
Administrative Cost	40.57	(0.65)	(1.59)
Financial Cost	1.67	1.05	168.21
Income Tax	38.49	(7.91)	(17.05)

Selling Expenses in 2018 sees a slight decrease. The decrease in sales is from the decline in market demand. Price competition intensifies as market players struggle to maintain market share under tough market condition. Even though the company increased spending on sales promotions, selling expenses decreased slightly because most other spending decrease in line with the decrease in sales.

Administrative expenses of 2018 sees a slightly decrease on employee benefits.

Financial Cost for 2018 show significantly increase due to longer T/R payoff period awaiting for favorable time and opportunity to cover forex risk exposure with forward contracts during the weakened baht



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situation to avoid impact from the currency exchange and that took a longer period of T/R, led to the increase in interest expenses.

Income Tax of 2018 show a decrease due to the decrease in company performance and resulting in a decrease in income before tax.

From the reasons mentioned above, the company sees a net profit for 2018 ended December 31 of 158.01 million baht, a decrease of 36.77 million baht or a difference of 18.85% y-o-y.

Unit: Million Baht

	Comparison Ended December 31, 2018 with December 30, 2017		
	Amount	Increase (Decrease)	% Change
Total Assets	790.53	69.10	9.58
Total Liabilities	200.42	94.91	89.95
Shareholders' Equity	590.11	(25.82)	(4.19)

Total assets decrease from the change in cash, cash equivalents, and short-term investments. Account receivables, other receivables, and inventories increase from the purchase of raw materials especially in Q4 to fulfill production to meet market demand for the next quarter. In addition, available-for-sales investment see an increase from additional investment during the weakening of stock prices due to stock market volatility resulting in the increase in deferred tax.

Liabilities show an increase of short-term loan from financial institutions (T/R) due to the volatility of the forward contract done to mitigate the impact of forex, the increase of interest rate and the increase of imported raw materials, led to the increase in total liabilities.

The decrease in Shareholders' equity are from dividend payment and the decrease in net profit from operational result of the Company and its subsidiary, and other items including the decrease in unrealized gain on securities available-for-sales due to weakened stock prices by the quarter end.

The company has a strong financial structure with a current ratio of 3.46 and debt-to-equity ratio of 0.34

Yours faithfully

(Metha Trillit)

President

