



บริษัท ปาโตนเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary ended December 31, 2015 operational performance are as follows:

Sales Revenue Sales revenue for 2015 of 647.79 million baht shows a decrease of 63.87 million baht or 8.97% y-o-y. Cost of sales of 454.50 million baht shows a decrease of 34.34 million baht or 7.03% y-o-y. Gross profit of 193.29 million baht shows a decrease of 29.53 million baht or 13.25% y-o-y.

The reason for such changes was due to poor economic downturn and severe drought. There was shortage of irrigation water. The remaining reservoir water was barely adequate for consumption only. Farmers were unable to cultivate rice in many areas. As a result, demand for agrochemicals is greatly reduced, especially in rice fields and plantation crops. Agricultural prices slumped. The decrease in purchasing power of farmers led to the decline in market demand. Sales revenues decreased accordingly. Such higher competitive market requires special measures and strategies to maintain market share such as pricing strategy. Volatile baht exchange rate weakened from around 33.9 baht to 36.25 baht to a dollar or about 6.93% during the second half of the year, thus making the cost of sales higher. But overall, gross profit declined y-o-y.

Cost of Sales Cost of sales for 2015 see the decrease in production. The imported raw materials are affected by significantly weakened baht. Total labor cost including requirement of outsourced labors are not much different. Overhead cost was reduced from the decrease in production and sales. Thus, cost of sales was reduced by 7.03% y-o-y.

Even though the cost of sales of 2015 decreased, but % of decrease is lower than the % of decrease in sales, so gross profit decreased by 13.25% y-o-y.

Total Revenue Total revenue for 2015 which include revenues from investment decreased due to the significant decline of the stock market and led to the decrease in the Company's other income including profit (loss) on sale of investments, profit (loss) from unrealized value of investments, dividends



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and interest receivable decreased by 11.74 million baht or a decrease of 92.21%. Forex loss due to the depreciation of 2.16 million baht or 671.45% y-o-y, despite the company policy to cover forex risk with forward contracts to minimize such loss.

Selling and Administrative Expenses Selling and administrative expenses for 2015 decreased by 5.21 million baht and 2.46 million baht respectively. They represent decreases of 14.57% and 6.07% y-o-y respectively in line with the decrease in sales. The decrease in selling expenses are mainly from sales commission, sales promotions, and transportation expenses. The decrease in administrative expenses is mainly from the welfare and employee benefits under the ESOP program, for instance.

The above reasons result in a net profit of 99.82 million baht. The difference of 29.33 million baht represents a decrease of 22.71% y-o-y.

Financial Position Analysis of the company and its subsidiary as of December 31, 2015 and December 31, 2014 show a total assets of 640.09 million baht an increase of 1.28 million baht which represents 0.20% y-o-y. Total liabilities of 127.32 million baht is an increase of 9.77 million baht or 8.31% y-o-y. Total shareholders' equity of 512.78 million baht is a decrease of 8.49 million baht or 1.63% y-o-y. Cash, cash equivalents, and short-term investments show an increase of 3.63 million baht or 1.76% y-o-y. Account receivables and other receivables is an increase of 16.44 million baht or 15.02% y-o-y. Inventories is a decrease of 20.54 million baht or 9.40% y-o-y. Available-for-sales investment is an increase from investment and unrealized gain adjustment by 1.85 million baht or 9.33% y-o-y. Property, plant, and equipment, other non-current assets and deferred tax are slightly decreased.

Liabilities show a decrease of short-term loan from financial institutions (mostly bank T/R's) by 1.65 million baht or 3.24% y-o-y. Account payables and other payables is an increase of 10.69 million baht or 25.10% y-o-y. Accrued corporate income tax increases by 1.10 million baht or a decrease of 8.07% y-o-y.

Total sales continued to decline from last year led to the purchasing of raw materials for production in 2015 decreased but still fulfill customers' demand. During Q4, which is the last quarter, the company need to adopt reduced pricing strategy to boost sales volume and led to an increase in outstanding receivables and lower inventories. Weakening baht caused the company to reduce the impact of exchange rates by adopting a quicker and higher debt pay-off ratio. Trade payables and T/R decreased accordingly.



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The Company continued to buy local raw materials during Q4 in line with the boosted sales. Trade payables increased accordingly.

Shareholders' equity decrease due to the decrease net profit from operational result of the Company and its subsidiary. The exercise of warrants under the ESOP program for 2,372,000 shares at 8.20 baht per share, on December 30, 2015 led to a premium on ordinary shares totaled 162.01 million baht, an increase of 27.01 million baht which represents 20.01% y-o-y. There is also a decrease in the accrual for unexercised warrants under the ESOP program totaled 7.19 million baht or a decrease of 100%. The unexercised warrants were nulled by the termination of the program. The Company has a good financial position with a current ratio of 4.51, and debt to equity ratio of 0.25.

Yours faithfully,

(Mr. Metha Trillit)

President