



บริษัท ปาโตนเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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

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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, 2016 operational performance are as follows:

Sales Revenue Sales revenue for 2016 of 709.43 million baht shows an increase of 61.65 million baht or 9.52% y-o-y. Cost of sales of 484.54 million baht shows an increase of 30.05 million baht or 6.61% y-o-y. Gross profit of 224.88 million baht shows an increase of 31.59 million baht or 16.35% y-o-y.

The reason for such changes was due to slow economic growth and continuous drought, shortage of rain, and irrigation water were at critically low level until middle of June. Rainfall during the second half of the year were sufficient for cultivation. Water level in the main dams increase significantly ending the irrigation water shortages problem. Farmers were able to cultivate new crops in many areas. There were outbreaks of weeds, diseases, and insects such as Rice Blast, Brown Plant Hoppers, resulting in the increase in the demand for all agrochemicals. As a result, sales for all types of agrochemicals increased, especially those for rice paddy which increased significantly. Price competition in the market became less intense because of higher demand and sales volume of agrochemicals. Cost of sales increased at the lower rate of increase in sales volume resulting in the increase of gross profit by 31.70% y-o-y in 2016.

Cost of Sales Cost of sales for 2016 sees 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 baht exchange rate volatility. Total labor cost including requirement of outsourced labors increased to fulfill rising demand. Overhead cost slightly increased in line with the increase in production and sales. Thus, cost of sales increased by 6.61% y-o-y.

Even though the cost of sales of 2016 increased, but the rate of increase is lower than the rate of increase in sales, so gross profit increased by 16.35% y-o-y.



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Other Revenue in 2016 see the increase in the revenues from investment, which are mostly gain (loss) from divestment, unrealized capital gain (loss), and dividends received, totaling 8.47 million baht or an increase of 843.61% y-o-y. The volatility of foreign exchange rate led to a forex gain (loss). The company policy to cover forex risk with forward contracts results in a forex gain of 3.30 million baht or an increase of 179.42% y-o-y.

Selling and Administrative Expenses in 2016 decreased by 0.66 million baht or a decrease of 2.18% and an increase 0.83 million baht or 2.19% 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 2.69 million baht showed a decrease of 4.47 million or a decrease of 62.46%. Other expenses, which are sales commission, fuel expenses, depreciation, transportation, and registration fees, increased. The increase in administrative expenses is mainly from the welfare while the employee benefits under ESOP program from previous year was reduced.

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, which help generate higher income.

The above reasons result in a net profit as of December 31, 2016 of 137.29 million baht. The difference of 37.47 million baht represents an increase of 37.53% y-o-y.

Financial Position Analysis of the company and its subsidiary as of December 31, 2016 and December 31, 2015 shows a total assets of 691.31 million baht, an increase of 51.21 million baht or 8.00% y-o-y. Total liabilities of 139.29 million baht is an increase of 11.97 million baht or 9.40% y-o-y. Total shareholders' equity of 552.02 million baht is an increase of 39.24 million baht or 7.65% y-o-y. Cash, cash equivalents, and short-term investments show an increase of 18.52 million baht or 8.83% y-o-y. Account receivables and other receivables is an increase of 4.28 million baht or 3.40% y-o-y. Inventories show an increase of 5.39 million baht or 2.70% y-o-y. Available-for-sales investment is an increase from investment and unrealized capital gain of 19.86 million baht or 90.24% y-o-y. Property, plant, and equipment increased from plant renovation, new machineries, and new vehicles by 8.07 million baht or 17.67% y-o-y. Non-current assets and deferred tax decreased by 4.59 million baht or 11.77% y-o-y.



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Liabilities show a decrease of short-term loan from financial institutions (mostly bank T/R's) of 15.45million baht or 31.27% y-o-y. Trade and account payables increased by 22.06 million baht or an increase of 41.37% y-o-y. Accrued income tax of 6.11 million baht or an increase of 41.55% y-o-y.

Total sales continued to increase led to the purchasing of raw materials for production to fulfill customers' demand compared to 2015. Outstanding receivables and inventories increased. A/R collection period maintains same level of 65 days while inventory period reduces from 165 days in 2015 to 151 days in 2016. The volatile baht led the company to reduce the impact from exchange rate 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.

The increase of Shareholders' equity are from the increase in 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 2.04 million baht. According to yearly 2016 performance, the company has a strong capital structure with a current ratio of 4.28 times and debt to equity ratio of 0.25 as of December 31, 2016.

Yours faithfully,

(Metha Trillit)

President