



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 for Q1 ended March 31, 2017 operational performance are as follows:

Sales Revenue Sales revenue for Q1/2017 of 186.87 million baht shows an increase of 81.13 million baht or 76.73% y-o-y. Cost of sales of 118.05 million baht shows an increase of 43.30 million baht or 57.92% y-o-y. Gross profit of 68.83 million baht shows an increase of 37.84 million baht or 122.10% y-o-y.

The reason for such changes was due to the slight economic growth continuously to the first quarter of this year. Rainfalls during the period were sufficient for cultivation. Water level in the main dams increase significantly ending the irrigation water shortage 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, Thrips, 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 a lower rate of increase than that of the sales volume resulting in the increase of gross profit by 36.83%.

Cost of Sales Cost of sales in Q1 sees the increase in production. The cost of imported raw materials increased in line with the market price trend while being continuously affected by the baht exchange rate volatility. Cost of raw material increased consequently. Total labor cost including requirement of outsourced labors increased to fulfill rising demand. Overhead cost increased in line with the increase in production and some other factors. Thus, cost of sales increased by 57.92% y-o-y.

Even though the cost of sales increased, but the rate of increase is lower than the rate of increase in sales, so gross profit increased by 122.10% y-o-y.

Other Revenue which are mostly gain from investment declined. The volatility of the stock market led to lower revenue from investment which are gain from divestment and unrealized loss from



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value adjustment and dividends received, totaling 1.09 million baht, a decrease of 3.48 million baht represent a decrease of 76.13% y-o-y. Forex gain (loss) from the volatility of foreign exchange rate, however, the company policy is to cover forex risk with forward contracts results in a forex gain of 0.57 million baht or an increase of 106.35% y-o-y.

Selling and Administrative Expenses increased by 4.57 and 0.76 million baht or an increase of 81.87 and 7.19% y-o-y respectively. The increase in sales was from an increase in market demand. Selling expenses increased as sales promotion of 2.65 million baht showed an increase of 2.58 million baht or an increase of 3,688.64%. Other expenses, which are sales commission, transportation, and registration fees, also increased. The increase in administrative expenses is mainly from employee's benefit.

Cost of financing increased slightly due to faster T/R payment with an increase in the number of transactions.

Corporate income tax totaled 3.90 million baht, an increase of 1.54 million baht or 65% y-o-y, was from the increase in profit before tax.

Thus, from the reasons mentioned above, the company sees a net profit of 38.96 million baht, an increase of 24.06 million baht marks an increase of 161.45% y-o-y.

Financial Position Analysis of the company and its subsidiary as of March 31, 2017 and December 31, 2016 shows a total assets of 711.94 million baht, an increase of 20.63 million baht or 3.00% y-o-y. Total liabilities of 120.55 million baht is a decrease of 18.74 million baht or 13.45% y-o-y. Total shareholders' equity of 591.39 million baht is an increase of 39.37 million baht or 7.13% y-o-y. Cash, cash equivalents, and short-term investments show an increase of 6.39 million baht or 2.80% y-o-y. Account receivables and other receivables is an increase of 4.16 million baht or 3.20% y-o-y. Inventories show an increase of 9.80 million baht or 4.80% y-o-y. Raw material purchase increased to fulfill market demand in Q2. Available-for-sales investment is an increase from investment and unrealized capital gain of 2.51 million baht or 6.10% y-o-y as stock market improved. Non-current assets decreased by 1.50 million baht or 4.50% y-o-y from amortization. Deferred tax decreased slightly.

Liabilities show a decrease of short-term loan from financial institutions (T/R) due to volatility of the baht resulting in increase in settlement of T/R and trade and account payables. Short-term loan from financial institution decreased by 6.40 million baht or 18.83% y-o-y. Trade and account payables and other payables decreased by 22.30 million baht or 29.58% y-o-y. Accrued income tax of 9.41 million baht is an



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increase of 45.23% y-o-y.

Total sales continued to increase leading to increased raw materials purchase for production to fulfill customers' demand in Q1/2016 compared to 2015. To maintain company liquidity, there was divestment of short-term investment in order to pay for raw materials purchase. Outstanding receivables and inventories increased. A/R collection period maintains same level of 64 days while inventory period increased from 151 days in 2016 to 159 days in 2017. 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 account payables and other payables decreased.

The increase in 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 2.45 million baht, an increase of 0.41 million baht or 20.10% as share value increased at the end of the quarter. According to Q1/2017 performance, the company has a strong capital structure with a current ratio of 5.19 times and debt to equity ratio of 0.20.

Yours faithfully,

(Metha Trillit)

President