



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 Q2 ended June 30, 2017 operational performance are as follows:

Sales Revenue Sales revenue for Q2/2017 of 269.33 million baht shows an increase of 99.98 million baht or 59.04% y-o-y. Cost of sales of 172.40 million baht shows an increase of 46.83 million baht or 37.29% y-o-y. Gross profit of 96.93 million baht shows an increase of 53.15 million baht or 121.43% y-o-y.

Sales revenue for 6 months of 456.20 million baht shows an increase of 181.11 million baht or 65.84% y-o-y. Cost of sales of 290.44 million baht shows an increase of 90.12 million baht or 44.99% y-o-y. Gross profit of 165.76 million baht shows an increase of 90.99 million baht or 121.70% y-o-y.

The reason for such changes was due to the slight economic growth continuously to the second quarter of this year. Rainfalls during the period were sufficient for cultivation. Water level in the main dams increase without 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, Stemborer, 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 compared with 3 month and six month period of the previous year.

Cost of Sales Cost of sales in Q2 sees the increase in production. Even though the Baht have strengthened significantly, but the price of imported raw materials were on a continuous upward trend, thus the 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 37.29% y-o-y.



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Cost of sales for 6 months of 2017 see the increase in production. Even though the Baht have strengthened significantly, but the price of imported raw materials were on a continuous upward trend, thus the cost of raw material increased consequently. Total labor cost including requirement of outsourced labors increased in line with increase in sales volume. Overhead cost increased in line with the increase in production and other factors. Thus, cost of sales increased by 44.99% y-o-y.

Even though the cost of sales increased for both Q2 and 6 months of 2017, but the rate of increase is lower than the rate of increase in sales, so gross profit increased by 121.43 and 121.70% y-o-y respectively.

Other Revenue for Q2 2017 which are mostly gain from investment slightly increased. The slightly improved stock market led to higher revenue from investment which are gain from divestment and unrealized loss and dividends received, totaling 2.61 million baht, an increase of 0.36 million baht represent an increase of 16.22% y-o-y. Forex loss was from the strengthening of the baht. The company policy is to cover forex risk with forward contracts results in a forex loss of 0.23 million baht or an increase of 0.04 million baht representing an increase of 18.09% y-o-y.

Other Revenue for 6 months of 2017 which are mostly gain from investment declined. The slightly improved stock market led to higher revenue from investment which are gain from divestment and unrealized loss and dividends received, totaling 3.70 million baht, a decrease of 3.12 million baht represent a decrease of 45.70% y-o-y. Forex loss was from the strengthening of the baht. The company policy is to cover forex risk with forward contracts resulting in a forex loss of 0.20 million baht or a decrease of 0.53 million baht representing an increase of 72.75% y-o-y.

Selling and Administrative Expenses in Q2 2017 increased by 5.90 and 1.72 million baht or an increase of 93.15 and 18.80% y-o-y respectively. The increase in sales was from an increase in market demand. Price competition was less intensified. Selling expenses increased due to sales promotion of 2.80 million baht which is an increase of 2.73 million baht or 3,894.73% y-o-y. Other expenses, which are sales commission, transportation, and registration fees, also increased. The increase in administrative expenses is mainly from employee's benefit.

Selling and administrative expenses for 6 months of 2017 increased by 10.47 million baht and 2.47 million baht or an increase of 87.87% and 12.58% y-o-y respectively. The increase in sales was from an increase in market demand. Price competition was less intensified. Selling expenses increased due to



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sales promotion of 5.45 million baht, which is an increase of 5.31 million baht or 3,791.69% y-o-y. 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 for both Q2 and 6 months of 2017 due to faster T/R payment with an increase in the number of transactions.

Corporate income tax for Q2 and 6 months of 2017 totaled 14.80 and 24.22 million baht, an increase of 9.23 and 14.76 million baht or 165.70% and 155.85% y-o-y respectively, was from the increase sales revenue and profit before tax.

Thus, from the reasons mentioned above, the company sees a net profit for Q2 of 61.28 million baht, an increase of 36.48 million baht marks an increase of 147.07% y-o-y. Net profit for 6 months ended June 30, 2017 of 100.24 million baht, an increase of 60.53 million baht marks an increase of 152.47% y-o-y.

Financial Position Analysis of the company and its subsidiary as of June 30, 2017 and December 31, 2016 shows a total assets of 668.47 million baht, a decrease of 22.84 million baht or 3.30% y-o-y. Total liabilities of 149.29 million baht is an increase of 10.00 million baht or 7.18% y-o-y. Total shareholders' equity of 519.18 million baht is a decrease of 32.84 million baht or 5.95% y-o-y. Cash, cash equivalents, and short-term investments show a decrease of 81.00 million baht or 35.48% y-o-y. Account receivables and other receivables is an increase of 84.35 million baht or 64.79% y-o-y. Inventories show a decrease of 27.64 million baht or 13.60% y-o-y. Raw material purchase increased to fulfill market demand. Available-for-sales investment is an increase from investment and unrealized capital gain of 6.42 million baht or 15.54% y-o-y as stock market slightly improved. Non-current assets decreased by 4.12 million baht or 12.35% 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 of 41.05 million baht, an increase of 7.06 million baht or 20.79% y-o-y. Trade and account payables and other payables of 66.73 million baht, a decrease of 8.64 million baht or 11.46% y-o-y. Accrued income tax of 24.10 million baht, an increase of 3.29 million baht or 15.82% y-o-y.

Total sales continued to increase leading to increased raw materials purchase for production to fulfill customers' demand for 6 months of 2017 compared to 2016. To maintain company liquidity, there



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was divestment of short-term investment in order to pay for raw materials purchase. Outstanding receivables and inventories increased. A/R collection period was 68 days decreased from 88 days of the previous year. Inventory period decreased from 168 days in 2016 to 116 days in 2017. The strengthened baht led the company to reduce the impact from exchange rate by adopting a quicker and higher debt pay-off ratio. T/R payable slightly increased. Trade account payables and other payables decreased.

The decrease in Shareholders' equity was from dividend payment of 130.98 million baht. The operational result of the Company and its subsidiary see net profit. Other component of shareholders' equity that see an increase is the unrealized gain on securities available-for-sale of 2.37 million baht, an increase of 0.33 million baht or 15.92% as share value increased at the end of the quarter.

According to Q2/2017 performance, the company has a strong financial position with a current ratio of 3.89 times and debt to equity ratio of 0.29.

Yours faithfully,

(Metha Trillit)

President