



บริษัท พาโตเคมีอุตสาหกรรม 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, 2017 operational performance are as follows:

Sales Revenue Sales revenue for 2017 of 867.70 million baht shows an increase of 158.27 million baht or 22.31% y-o-y. Cost of sales of 552.05 million baht shows an increase of 67.50 million baht or 13.93% y-o-y. Gross profit of 315.65 million baht shows an increase of 90.77 million baht or 40.36% y-o-y.

The reason for such changes was due to slight economic growth and rainfall were sufficient for cultivation. Water level in main dams adequately increased for irrigation ending drought crisis. Farmers were able to cultivate more crops in many areas resulting in the increase in the demand for all agrochemicals. Overall sales increased significantly in many areas in line with market demand. Compared to the previous year, the situation was under very different condition as it was in drought crisis during the first half of 2016. Sales for all types of agrochemicals increased, especially main products for rice paddy which increased significantly, except for acaricide which showed a decrease in sales. In addition, there is a new fungicide product which is used in fruit crops, ornamentals, and rice paddy. Price competition in the market became less intense because of higher demand. Cost of sales increased at a lower rate than the increase in sales volume resulting in a higher gross profit margin compared to 2016.

Cost of Sales Cost of sales for 2017 sees an increase in production. Even though the baht strengthened considerably, but the cost of imported raw materials kept increasing, resulting in increased cost of sales. Total labor cost including requirement of outsourced labors increased to fulfill rising demand. Overhead cost increased slightly in line with the increase in production and other factors. All in all, cost of sales increased by 13.93% y-o-y.

Even though the cost of sales of 2017 increased, but the rate of increase is lower than the rate of increase in sales, so gross profit increased by 40.36% y-o-y.



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Other Revenue in 2017, sees an increase mainly from investment. Stock market performance improved slightly. As a result, most of the gains were from divestment, unrealized capital gain, dividends, and interest received, totaling 10.62 million baht representing an increase of 1.14 million baht or a 12.06% y-o-y increase. Forex gain was caused by the appreciation of the Thai Baht exchange rate. The company policy to cover forex risk with forward contracts results in a forex gain of 0.18 million baht, a decrease of 1.28 million or a 87.36% y-o-y decrease.

Selling and Administrative Expenses in 2017 sees an increase of 13.78 and 2.29 million baht or an increase of 46.15% and 5.89% y-o-y respectively. The increase in sales from an increase in market demand. Price competition still existed due to market mechanism to maintain market share, cost of sales increased accordingly. Sales promotion of 12.93 million baht showed a difference of 10.24 million baht or an increase of 381.20% y-o-y. Other expenses, which are sales commission, fuel expenses, depreciation, transportation, and registration fees, increased. The increase in administrative expenses is mainly from the employee welfare.

Interest paid in 2017 of 0.62 million baht shows an increase of 0.14 million baht or a difference of 22.77% y-o-y due to shorter T/R and account payables payoff period.

Income Tax in 2017 of 46.40 million baht shows an increase of 15.86 million baht or a difference of 51.95% y-o-y due to the increase in company performance and resulting in an increase in income before tax.

The above reasons result in a net profit as of December 31, 2017 of 194.72 million baht. The difference of 57.42 million baht represents an increase of 41.83% y-o-y.

Financial Position Analysis of the company and its subsidiary as of December 31, 2017 and December 31, 2016 shows a total assets of 721.44 million baht, an increase of 30.13 million baht or 4.36% y-o-y. Total liabilities of 105.51 million baht is a decrease of 33.78 million baht or 24.25% y-o-y. Total shareholders' equity of 615.93 million baht is an increase of 63.91 million baht or 11.58% y-o-y. Cash, cash equivalents, and short-term investments show an increase of 75.65 million baht or 33.13% y-o-y. Account receivables and other receivables is a decrease of 15.03 million baht or 11.54% y-o-y. Inventories show a decrease of 39.72 million baht or 19.54% y-o-y. Available-for-sales investment is an increase from investment and unrealized capital gain of 10.39 million baht or 25.15% y-o-y. Property, plant, and



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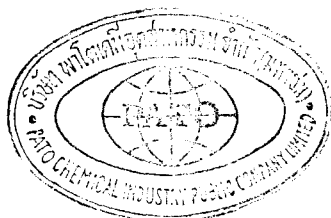
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equipment increased from plant renovation, new machineries, and new vehicles by 4.20 million baht or 7.82% y-o-y. Non-current assets and deferred tax decreased by 5.33 million baht or 15.47% y-o-y.

Liabilities show a decrease of short-term loan from financial institutions (mostly bank T/R's) of 20.45 million baht or 60.19% y-o-y. Trade and account payables decreased by 18.22 million baht or a decrease of 24.17% y-o-y. Accrued income tax increased by 1.19 million baht or an increase of 5.72% y-o-y. Accrued employment benefits see an increase by 3.81 million baht of 47.49% y-o-y due to service cost and interest cost obligation of 0.92 million baht. In addition, there was an actuarial loss from the mathematical estimate of 2.89 million baht.

Total sales continued to increase led to the purchasing of raw materials for production to fulfill customers' demand compared to 2016. Investment and divestment of short-term investment during the year was to increase liquidity and paid off receivables and raw material inventories. As a result, sales increased. A/R collection period was 51 days in 2017, compared to 65 days in 2016. Inventory period reduces from 149 days in 2016 to 121 days in 2017. The appreciation of Thai baht led the company to reduce the impact from exchange rate with forward contract and adopting a shorter T/R payoff period. T/R payable significantly decreased. Trade and account payables increased from purchasing of raw materials 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 4.64 million baht. According to yearly performance, the company has a strong capital structure with a current ratio of 6.23 and debt to equity ratio of 0.17 as of December 31, 2017.



Yours faithfully,

(Metha Trillit)

President