



บริษัท พาโตเคมีอุตสาหกรรม จำกัด (มหาชน)
PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

Pato Building, 3388 New Petchburi Road, Huaykwang, Bangkok 10310, Thailand.
Tel: (+662) 318-0360, 318-5612 Fax: (+662) 318-0367 E-mail: pato1@cscoms.com

August 14, 2018

President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary for Q2 and 6 months ended June 30, 2018 operational performance are as follows:

Sales Revenue for Q2/2018 of 257.93 million baht shows a decrease of 11.39 million baht or 4.23% y-o-y. Cost of sales of 170.32 million baht shows a decrease of 2.08 million baht or 1.20% y-o-y. Gross profit of 87.61 million baht shows a decrease of 9.32 million baht or 9.61% y-o-y.

Sales revenue for 6 months of 402.80 million baht shows a decrease of 53.40 million baht or 11.71% y-o-y. Cost of sales of 263.61 million baht shows a decrease of 26.83 million baht or 9.24% y-o-y. Gross profit of 139.19 million baht shows a decrease of 26.57 million baht or 16.03% y-o-y.

Rainfalls during the period were sufficient for cultivation indicating a very low chance of drought this year. The price of agricultural products in some crops has fallen significantly, such as sugarcane, pineapple, para rubber. Average price of rice paddy maintains same level. Therefore, the purchasing power of farmers decreased. Insects outbreak also decreased. Some products are in short supply due to strict enforcement of environmental laws in China. Production capacity is limited while some manufacturers of raw materials are closed. Production volume is reduced. Prices of raw material increase consequently. Price competition is highly intense resulting in decrease in both sales and gross profit margin. Sales of several insecticides for rice and herbicides for plantation crops decreased significantly compared to the same quarter of last year.

Cost of Sales in Q2/2018 sees the decrease in production. The weakening baht resulted in increased cost of imported raw materials. The raw materials shortage or the ability to fulfill at lower quantity from the raw materials suppliers, resulting in increased cost of raw materials. Total labor cost slightly increased. Overhead cost decreased slightly in line with the decrease in production and other factors. All in all, cost of sales decreased by 2.79% y-o-y.

Cost of sales for 6 months of 2018 is affected by same factors as the 3 months period, cost of sales decreased by 10.03% y-o-y.



บริษัท พาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

Pato Building, 3388 New Petchburi Road, Huaykwang, Bangkok 10310, Thailand.
Tel: (+662) 318-0360, 318-5612 Fax: (+662) 318-0367 E-mail: pato1@cscoms.com

Even though the cost of sales decreased for both Q2 and 6 months of 2018, but the rate of decrease is lower than the rate of decrease in sales, so gross profit decreased by 9.61% and 16.03% y-o-y respectively.

Other Revenue in Q2/2018, sees a decrease of 2.22 million baht represent a decrease of 83.62% y-o-y. They are mainly from the increase in investment. Due to high volatility of the stock market with resulting decreased SET index for the quarter, the net investment income, mainly from profit from sales of investments, dividends and unrealized capital gain (or loss) from equity investments, amounted to 0.41 million baht, a decrease of 2.20 million baht represents a decrease of 84.18 % y-o-y.

Other Revenue for 6 months of 2018 sees a decrease of 0.18 million baht represent a decrease of 4.80% y-o-y. They are mainly from the decrease from income of investment. Due to high volatility of the stock market with resulting decreased SET index for the quarter, the net investment income, mainly from profit from sales of investments, dividends and unrealized capital gain (or loss) from equity investments, amounted to 2.47 million baht, a decrease of 1.23 million baht represent a decrease of 33.17 % y-o-y. Other revenue amounted to 1.10 million baht, an increase of 1.05 million baht or 1,863.98% was from the selling of used car by 1.03 million baht.

Selling and Administrative Expenses in Q2/2018 sees an increase of 0.66 and 3.01 million baht or an increase of 5.43% and 27.19% y-o-y respectively. The decrease in sales is from the decline in market demand. Price competition intensifies in line with market mechanism to maintain market share. The company needs to invest in term of expenses, cost of sales increased while sales decreased. Sales promotion of 4.19 million baht showed an increase of 1.39 million baht or 49.59% y-o-y. Similarly, administrative expenses increased from assets depreciation, office rental fee, and forex loss caused by the depreciation of the baht. Even though the Company's policy is to cover forex risk with forward contracts as much as possible, but still a forex loss of 2.85 million baht or an increase of 2.61 million baht representing an increase of 1,124.44% y-o-y was seen.

Selling expenses for 6 months of 2018 decreased by 1.02 million baht or 4.42% y-o-y while Administrative expenses increased by 1.14 million baht or 5.31% y-o-y. The decrease in sales was from a decrease in market demand. Price competition intensifies in line with market mechanism to maintain market share. The company needs to increase expenses, while cost of sales decreased at a lower rate the decreased in sales. Promotion expenses increased by 1.75 million baht or 32.06% y-o-y. Commission,



บริษัท พาโตเคมีอุตสาหกรรม จำกัด (มหาชน)
PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

Pato Building, 3388 New Petchburi Road, Huaykwang, Bangkok 10310, Thailand.
Tel: (+662) 318-0360, 318-5612 Fax: (+662) 318-0367 E-mail: pato1@cscoms.com

transportation, and registration fees and assets depreciation also decreased. Similarly, the increase in administrative expenses is mainly from assets depreciation, office rental, forex loss from and the forex loss caused by the depreciation of the baht. Even though the Company's policy is to cover forex risk with forward contracts as much as possible, but still a forex loss of 2.55 million baht or an increase of 2.35 million baht representing an increase of 1,182.72% y-o-y was seen.

Interest paid in Q2/2018 and 6 months of 2018 of 0.34 and 0.56 million baht show an increase of 0.15 and 0.23 million baht or a difference of 80.36% and 70.68% y-o-y respectively due to longer T/R payoff period awaiting for favorable time and opportunity to cover the forex exposure with forward contract during the weakened baht situation to avoid impact from the currency exchange and led to the increase in interest expenses.

Income Tax in Q2 and 6 months of 2018 of 11.78 and 18.80 million baht show a decrease of 3.03 and 5.42 million baht or a difference of 20.45% and 22.39% y-o-y respectively due to the decrease in company performance and resulting in an increase in income before tax.

From the reasons mentioned above, the company sees a net profit in Q2/2018 of 48.94 million baht, a decrease of 12.34 million baht or a difference of 20.13% y-o-y. Net profit for 6 months, 2018 of 78.55 million baht, a decrease of 21.69 million baht marks a decrease of 21.64% y-o-y.

Financial Position Analysis of the company and its subsidiary ended June 30, 2018 and December 31, 2017 shows a total assets of 689.77 million baht, a decrease of 31.67 million baht or 4.39%. Total liabilities of 174.44 million baht is an increase of 68.93 million baht or 65.33%. Total shareholders' equity of 515.33 million baht is a decrease of 100.60 million baht or 16.33%. Cash, cash equivalents, and short-term investments show a decrease of 123.93 million baht or 40.77%. Account receivables and other receivables is an increase of 74.83 million baht or 65.00%. Inventories show an increase of 10.26 million baht or 6.27%. Sales decrease compared to the same period of last year. However, as it is a high season of each year result in the increase in accounts receivable. The purchase of raw materials decrease slightly to fulfill production to meet market demand result in the increase in inventories. Cash and cash equivalents and temporary investment decrease due to dividend payment. Available-for-sales investment is an increase from additional investment and unrealized gain of 7.77 million baht or an increase of 15.04% y-o-y. The volatility and decline of the stock market value result in the increase in deferred tax of 1.10 million baht or 91.23% y-o-y. Non-current assets decrease by 1.10 million baht or 4.05% y-o-y from amortization.



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

Pato Building, 3388 New Petchburi Road, Huaykwang, Bangkok 10310, Thailand.
Tel: (+662) 318-0360, 318-5612 Fax: (+662) 318-0367 E-mail: pato1@cscoms.com

Liabilities show an increase of short-term loan from financial institutions (T/R) due to the volatility of the currency, the baht depreciates, as a result, the payment on T/R payoff period are lengthened to wait for favorable time and opportunity to cover the forex exposure with forward contract to mitigate the impact of foreign exchange. As a result T/R increase by 89.97 million baht, an increase of 76.44 million baht is equivalent to 564.93% y-o-y. Trade and account payables and other payables of 51.40 million baht, a decreased of 5.75 million baht or 10.06% y-o-y. Accrued income tax of 18.59 million baht, a decrease of 3.41 million is a decrease of 15.52%.

Total sales declined compared to the same period of last year, however, it is the high season of the year, leading to an increase in account receivables. The raw materials purchase for production to fulfill customers' demand for 6 months of 2018 slightly decreased. A/R collection period maintains at 68 days while inventory period maintains at 115 days. The currency volatility led to the depreciation of the baht result in longer payment on T/R payoff period to wait for a favorable time and opportunity to cover the exposure with forward contract to mitigate the impact of foreign exchange. T/R payable increased while trade account payables and other payables decreased.

The decrease in Shareholders' equity are from dividend payment of 175.18 million baht and the decrease in net profit from operational result of the Company and its subsidiary, and other item including the unrealized gain on securities available-for-sales of 0.60 million baht, a decrease of 4.03 million baht is an equivalent of 86.98% y-o-y as the stock exchange declined by the quarter end.

The company has a strong capital structure with a current ratio of 3.35 and debt to equity ratio of 0.34.



Yours faithfully,

(Metha Trillit)

President