



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

Pato Building, 3388 New Petchburi Road, Huaykwang, Bangkok 10310, Thailand.
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November 13, 2018

President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary for Q3 and 9 months ended September 30, 2018 operational performance are as follows:

Unit : Million

	Comparison Q3 2018 and 2017			Comparison 9-Month Period 2018 and 2017		
	Amount	Increase(Decrease)	% Change	Amount	Increase(Decrease)	% Change
Total sales	190.12	(49.65)	(20.71)	592.92	(103.05)	(14.81)
Cost of Sales	126.32	(21.60)	(14.60)	389.93	(48.43)	(11.05)
Gross Profit	63.80	(28.05)	(30.54)	202.99	(54.62)	(21.20)

Main reasons for the above performance of 3-month and 9-month periods are as follows:

1. Rainfalls during the period were sufficient for cultivation indicating no drought or shortage of irrigation water this year. Prices of agricultural products in many crops has fallen significantly, such as palm oil, para rubber, pineapple, and sugarcane. Average price of rice paddy increases slightly, but still not up to the level that would be considered good, except for Jasmin Rice. Therefore, purchasing power of farmers decreased, and demand for agrochemical product decreased as well.
2. Low infestation of insects as well as fungus-based diseases and mites.
3. Shortage of raw material and agrochemical products due to strict enforcement of environmental laws in China. Production capacity is limited while some manufacturers of raw materials are forced to shut down. Production capacity is reduced. Prices of raw material increase consequently.
4. Intense price competition in the market.
5. Weakening baht exchange rate resulting in higher cost of raw materials

The above factors result in total sales and gross profit of Q3 and 9-month period decreased.



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Even though the cost of sales decreased for both Q3 and 9 months of 2018, but the rate of decrease is lower than the rate of decrease in sales, so gross profit margin decreased by 30.54% and 21.20% y-o-y respectively.

Unit : Million Baht

	Comparison Q3 2018 and 2017			Comparison 9-Month Period 2018 and 2017		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Gain from Investment	3.69	0.63	20.60	6.16	(0.60)	(21.20)
Forex Gain (Loss)	1.35	1.59	663.83	(1.19)	0.75	172.51
Other Revenue	0.11	0.10	784.91	1.21	1.14	1,672.57

Income from investments increased in Q3/2018. Due to volatile stock market condition with increasing SET index for the quarter, net investment income, mainly from profit from sales of investments, dividends and unrealized capital gain from equity investments increased but saw a decrease in dividend received. The Company has the policy to minimize forex risk exposure from fluctuations with forward contracts, resulting in a gain on forex. Other income increased from trading in office equipment and sales of expired product packaging materials.

Income from investments decreased for 9-month period of 2018. Due to volatile stock market condition with decreasing SET index for the period, net investment income, mainly from profit from sales of investments, dividends and unrealized capital gain from equity investments decreased but saw an increase in dividend received. The Company has the policy to minimize forex risk exposure from fluctuations with forward contracts, but still resulting in an increase of forex loss. Other income increased from trading in old vehicle and sales of expired product packaging materials.

Unit: Million Baht

	Comparison Q3 2018 and 2017			Comparison 9-Month Period 2018 and 2017		
	Amount	Increase(Decrease)	% Change	Amount	Increase(Decrease)	% Change
Cost of sales	11.24	0.24	2.17	32.61	(0.78)	(2.33)
Administrative Cost	9.95	(0.89)	(8.22)	30.88	(2.10)	(6.35)
Financial Cost	0.65	0.48	271.94	1.20	0.69	137.61
Income Tax	9.27	(4.94)	(34.75)	26.34	(10.36)	(28.22)



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Selling Expenses in Q3/2018 sees a slight increase. The decrease in sales is from the decline in market demand. Price competition intensifies as market players struggle to maintain market share under tough market condition. The company needs to increase spending on sales promotions and product registration fee.

Selling expenses for 9-month period of 2018 decreased slightly. The decrease in sales was from the decrease in market demand. Price competition intensifies as market players struggle to maintain market share under tough market condition. Even though the company increased spending on sales promotions, selling expenses decreased slightly because most other spending decrease in line with the decrease in sales.

Administrative expenses for Q3 and 9-month period of 2018 sees a slightly decrease on employee benefits.

Financial Cost for Q3 and 9-month period of 2018 show significantly increase due to longer T/R payoff period awaiting for favorable time and opportunity to cover forex risk exposure with forward contracts during the weakened baht situation to avoid impact from the currency exchange and led to the increase in interest expenses.

Income Tax in Q3 and 9-month of 2018 show a decrease 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 Q3 and 9-month period ended September 2018 of 37.84 million baht and 116.39 million baht, a decrease of 20.62 million baht and 42.31 million baht or a difference of 35.27% and 26.60% y-o-y respectively.

Unit: Million Baht

	Comparison Ended September 30, 2018 with December 30, 2017		
	Amount	Increase (Decrease)	% Change
Total Assets	686.46	(34.98)	(4.85)
Total Liabilities	132.31	26.80	25.40
Shareholders' Equity	554.15	(61.78)	(10.03)

Total assets decrease from the change in cash, cash equivalents, and short-term investments. Account receivables, other receivables, and inventories increase from the purchase of raw materials to fulfill production to meet market demand for the next quarter. In addition, available-for-sales investment saw an



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increase from additional investment during the weakening of stock prices due to stock market volatility resulting in the increase in deferred tax.

Liabilities show an increase of short-term loan from financial institutions (T/R) due to the volatility of the forward contract done to mitigate the impact of forex, the increase of interest rate and the increase of imported raw materials, led to the increase in total liabilities.

The decrease in Shareholders' equity are from dividend payment and the decrease in net profit from operational result of the Company and its subsidiary, and other items including the decrease in unrealized gain on securities available-for-sales due to weakened stock prices by the quarter end.

The company has a strong financial structure with a current ratio of 4.53 and debt-to-equity ratio of 0.24.



Yours faithfully,

(Metha Trillit)

President