



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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February 25, 2022

President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary for yearly ended December 31, 2021 operational performance are as follows:

Unit : Million

	Comparison 2021 and 2020		
	Amount	Increase (Decrease)	% Change
Total sales	645.84	93.83	17.00
Cost of Sales	428.45	40.48	10.43
Gross Profit	217.39	53.35	32.52

Main reasons for the above performance are as follows:

1. Drought caused the water level in the main irrigation dams to be insufficient for cultivation. Although the amount of rainfall during the first 6 months was higher compared to last year, the rainfall slowed down drastically in July and August. Farmers in some areas have dredged groundwater to alleviate drought. Then during September, Thailand encountered several storms, causing severe flooding in many provinces in the northeast, the lower north and the central region. Farmers were able to cultivate after the flood water recedes in the fourth quarter. Demand for agrochemical products in the market was therefore increased. These factors led to an increase in sales of all types of products, especially products used in rice fields.
2. Some products are in short supply in the fourth quarter due to China, the world's largest manufacturer and exporter is experiencing an energy crisis, causing the country to have a shortage of electricity and coal. In addition, the greenhouse gas emissions are strictly controlled by limiting the use of electricity in many industries. Agrochemicals and raw materials used in the production of agrochemicals are included, and thus directly affecting the production industry and supply chain of the entire agrochemical system. Besides, the pandemic of COVID-19 which caused the production



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and transportation of goods from China and India to be delayed due to the shortage of containers from this situation. Therefore, the market is expected to have product shortage in the near future. As a result, the demand for products in the market has increased above normal situation, and sales increased accordingly.

3. Price competition intensity in the market decreased compared to last year due to the increasing market demand. However, there were still some products for plantation crops that need to be sold at price lower than cost to maintain market demand, coupled with the cooperation with the government to reduce the price of products for farmers, and thus, resulting in some loss from sales and stock revaluation during the year.

The above factors result in total sales and gross profit of 2021 to increase. Even though the cost of sales increased but the rate of increase was lower than the rate of increase in sales, so gross profit margin increased by 32.52% y-o-y.

Unit : Million

	Comparison 2021 and 2020		
	Amount	Increase (Decrease)	% Change
Gain from Investment	8.22	5.24	175.84
Forex Gain (Loss)	(5.10)	(7.27)	(335.02)
Other Revenue	0.96	0.83	638.46

Income from investments increased in 2021 due to impact of stock market condition have been rising throughout the year with the SET index as of December 30, 2021 closed at 1,657.62 points, which is higher than the closed SET index as of December 30, 2020 of 1,449.35 or an increase of 208.27 points. The income from investments decreased, which is mainly profits from sale of investments, unrealized capital gain occurred from changes in investment value, while dividend received saw an increase. The Company has the policy to minimize forex risk exposure from fluctuations of depreciated baht from the exchange rate which was 30.2068 to as dollar as of December 30, 2020, with the highest depreciated exchange rate was in the third quarter at 34.0908 baht and began to slightly appreciate to 33.5929 baht to a dollar as of December 30, 2021. The difference of 3.3321 baht, represented 11.03% change. The Company has covered the exposure with forward contracts and Baht T/R, but



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still resulting in an increase of forex loss. Other income increased from the selling of old vehicle and expired packaging materials.

Unit : Million

	Comparison 2021 and 2020		
	Amount	Increase (Decrease)	% Change
Cost of sales	33.86	4.88	16.84
Administrative Cost	40.57	2.68	7.07
Financial Cost	0.24	(0.12)	(33.33)
Income Tax	28.10	7.81	38.47

Selling Expenses in 2021 see an increase. The increase in sales is from the multiply in market demand. Price competition sees less intensity in line with market condition. To maintain market share, selling expenses increased at the similar rate to the increase in sales, such as sales promotion, transportation expenses, and commission. Administrative expenses see an increase on employee benefits while it was significantly decreased during last year.

Financial Cost of 2021 shows a decrease from the import of raw materials with an increase in payments. The policy to lengthen of the T/R payoff period due to the fluctuation of the baht rate all the time, the company is awaiting a favorable time and opportunity to buy forward contracts and T/R to avoid the risk from currency exchange rate fluctuation. Such a situation requires a longer period of time. In addition, the decrease in T/R interest rates compared to the previous year led to a decrease in interest expenses.

Income Tax in 2021 increased due to the increase in sales revenue and led to the increase in income before tax.

From the reasons mentioned above, the company sees a net profit ended December 31, 2021 of 118.70 million baht, an increase of 36.90 million baht or a difference of 45.12%.



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Unit : Million

	Comparison Ended December 31, 2021 and 2020		
	Amount	Increase (Decrease)	% Change
Total Assets	685.62	76.67	12.59
Total Liabilities	113.73	27.26	31.52
Shareholders' Equity	571.89	49.41	9.46

Total assets increased from the change in cash while cash equivalents decreased and other current financial assets also increased. Account receivables, other receivables and inventories increased due to the increase in sales and the purchase of raw materials also increased to be at appropriate quantity for production to meet market demand. Additionally, an increase in other non-current financial assets was from the difference of fair value due to the fluctuation of Stock Market all through 2021 and thus resulting in the decrease in deferred tax. Intangible assets were reduced due to write-off. Using rights, property, land, buildings and equipment decreased from trading off old vehicles and write-offs.

Total liabilities show an increase from short-term loan from financial institutions and increased trade accounts payable. Because of the fluctuation of baht exchange rate with depreciated baht, the company have to cover the exposure with forward contract and T/R arrangement to mitigate the impact of volatility of forex, and the decrease rate of T/R interest in 2021 led to longer T/R payoff to wait for favorable timing and opportunity to cover the exposure in order to minimize impact from the currency exchange rate fluctuation. The import of raw materials and local purchasing increased. The decrease of liabilities recorded from office leasehold agreement in accordance with the Thai Financial Reporting Standards No. 16 which has been amortized and led to the increase in current liabilities. Apart from that, an increase in the provision for retirement benefits including service costs and interest led to the increase in total liabilities.

The increase in Shareholders' equity are from dividend payment and performance of the company, its subsidiary yielding more net profit, and other items of shareholders' equity which are unrealized loss on securities available-for-sales due to increase stock prices by year end.



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The company has a strong financial structure with a current ratio of 6.53 and debt-to-equity ratio of 0.20.



Yours faithfully,

(Metha Trillit)

President