



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 period ended March 31, 2022 operational performance are as follows:

Unit : Million Baht

	Comparison 2022 and 2021		
	Amount	Increase (Decrease)	% Change
Total sales	93.77	(33.14)	(26.11)
Cost of Sales	64.73	(23.05)	(26.26)
Gross Profit	29.04	(10.09)	(25.79)

Main reasons for the above performance are as follows:

1. Some products are in short supply in Q1/2022 due to China, the world's largest manufacturer and exporter is experiencing an energy crisis continuously from Q4/2021 causing a shortage of electricity and coal. In addition, the greenhouse gas emissions are strictly controlled by limiting electricity consumption and production, and thus directly affecting the production industry and supply chain of the entire agrochemical system. Besides, since the new pandemic of COVID-19, China has taken measures to control the outbreak until it announced a decisive lockdown in the area where the outbreak occurred, causing the production and transportation of goods from China to be delayed. The shortage of containers from the situations led to an inadequacy of various products to fulfill market demand and causing sales to decrease.
2. The sharp increase in product prices as a result of the crisis of the suppliers mentioned above, has increased the importing cost. Therefore, the Company had to conservatively take into consideration of the quantities, prices, and seasonal timing of imports for production and distribution, so that they do not lead to overstocking and eventually getting stuck with unworkably high cost relative to both the current and future market selling prices.



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3. Price competition intensity in the market increased compared to the last year due to the market demand still existed in some products used in plantation crops and herbicide. The company has also cooperated with the government to reduce the prices for farmers to maintain market share, yet sales revenue decreased.
4. External factor affecting the global economy is the war between Russia and Ukraine, Thailand has been affected with higher oil prices, especially the company using petroleum by-products as raw materials. Besides, the volatility of the baht has resulted in the cost of imported raw materials to rise.

The above factors result in total sales, cost of sales, and gross profit to decrease when compared to the previous year with all of similar declines in 2022. Gross profit margin decreased by 25.79% y-o-y.

Unit : Million Baht

	Comparison 2022 and 2021		
	Amount	Increase (Decrease)	% Change
Gain from Investment	1.66	(1.90)	(53.32)
Forex Gain (Loss)	(0.20)	2.82	93.36
Other Revenue	0.41	0.40	3,318.29

Income from investments decreased in 2022 due to volatile stock market condition with increasing SET index during the first quarter. SET index as of ending of Q1 is 1,695.24 points, which is higher than the closing SET index as of December 30, 2021 at 1,587.20 or an increase of 108.04 points, in line with global market. This was the impact of the new round pandemic of COVID-19 situation in various countries including Thailand. The income from investments, which is mainly profits from sale of investments, unrealized capital gain occurred from changes in investment value and the dividend received saw a decrease. The sales revenue decreased while the import of raw materials increased to meet Q2 market demand. T/R payables increased. The company has the policy to minimize forex risk exposure from fluctuations with forward contracts and T/R arrangements, resulting in a decrease of forex loss.



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Unit: Million Baht

	Comparison 2022 and 2021		
	Amount	Increase (Decrease)	% Change
Cost of sales	6.26	0.50	8.74
Administrative Cost	9.58	0.04	0.04
Financial Cost	0.01	(0.04)	(72.59)
Income Tax	2.87	(1.64)	(36.41)

Selling expenses in 2022 see a slight increase. The decrease in sales was due to a shortage of products. Price competition sees higher intensity in line with market condition. In order to maintain the company's market share, selling expenses increased on fuel costs, promotions, and product registration fees, etc., while administrative expenses increased on employee welfare expenses, maintenance, and other service expenses, etc.

Financial Cost of 2021 shows a decrease from the import of raw materials with an increase in payments. The policy to lengthen the T/R payoff period due to the fluctuation of the rate all the time, the company is awaiting for a favorable time and opportunity to buy forward contracts and T/R to avoid the risk from baht currency exchange rate fluctuation. Such a situation requires a longer period of time. In addition, payment under the old T/R interest rate which is lower than the new increased rate, help reduce interest expenses.

Income Tax in 2022 decreased due to the decrease in sales revenue and led to the decrease in income before tax.

From the reasons mentioned above, the company sees a net profit ended December 31, 2022 of 12.18 million baht, a decrease of 7.64 million baht or a difference of 38.55%.

Unit: Million Baht

	Comparison Ended March 31, 2022 and December 31 2021		
	Amount	Increase (Decrease)	% Change
Total Assets	727.79	42.16	6.15
Total Liabilities	140.46	26.73	23.50
Shareholders' Equity	587.33	15.43	2.70



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Total assets increased from the change in cash while cash equivalents increased and other current financial assets also increased. Account receivables and other receivables decreased while inventories increased due to the decrease in sales and the purchase of raw materials increased to be at appropriate quantity for current production and to meet market demand in the next quarter. Additionally, an increase in other non-current financial assets was from the difference of fair value due to the upward trend of Stock Market mentioned earlier and thus resulting in the decrease in deferred tax. Intangible assets increased from the increase in product registration. Property, buildings and equipment increased from the write-offs and the selling of obsolete equipment and the purchase for replacement.

Total liabilities show an increase from short-term loan from financial institutions and account payable. Due to the fluctuation of baht exchange rate, the company has covered the exposure with forward contract and T/R arrangement to mitigate the impact of volatility of forex. The interest rate increased in 2022. The longer T/R payoff was from the waiting 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. Income tax payable and other current liabilities increased, as a result, current liabilities increased. In addition, an increase in the provision for employee retirement benefits with a new valuation resulting in an actuarial loss of 0.47 million baht including cost of services and interest. As a result, total liabilities increased.

The increase in Shareholders' equity are from the performance of the company and its subsidiary yielding lower net profit compared to the previous year, and other items of shareholders' equity which are unrealized gain on other non-current financial assets due to improved stock prices by quarter-end.

The company has a strong financial structure with a current ratio of 5.27 and debt-to-equity ratio of 0.24.



Yours faithfully,

(Metha Trillit)

President