



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

Pato Building, 3388 New Petchburi Road, Bangkok 10310, Thailand
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August 11, 2022

President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary for Q2/2022 and 6-month-period ended June 30, 2022 operational result are as follows:

Unit : Million

	Comparison Q2/2022 and Q2/2021			Comparison 6-Month Period 2022 and 2021		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Total sales	138.18	(76.27)	(35.57)	231.95	(94.02)	(28.27)
Cost of Sales	98.59	(37.59)	(27.61)	163.33	(50.54)	(22.82)
Gross Profit	39.59	(38.67)	(49.42)	68.62	(43.48)	(39.16)

Main reasons for the above 3-month and 6-month performance are as follows:

1. The factor affecting the global economy is the war between Russia and Ukraine causing the world oil price crisis to rise. Countries around the world are experiencing higher rates of inflation than usual. The price of the product has increased greatly causing higher import costs, such as price of chemical fertilizers that have increased by more than 100%, as well as pesticides that have a use process related to the use of chemical fertilizers. As a result, pesticide prices have risen. It was also affected by the weakening baht volatility. The company had to conservatively take into consideration of the seasonal timing of imports for production and distribution, so that they do not lead to overstocking and eventually getting stuck with unworkably high cost and causing higher selling prices, affecting sales in the market.
2. From the above factors, it has been found that many farmers have reduced their cultivation because chemical fertilizers, key factor in planting process, have increased by more than 100% in price, making the investment not worth it. The cost will increase even more for farmers who do not have their own land and have to rent farms for cultivations. The orders from the distributors fluctuated in response to the declining market demand. Orders have been made in sufficient small quantities, just-in-time basis, to avoid keeping in stock excessively expensive products. They expect that the prices



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may change and decrease in the future. As a result, the demand for products in the market is greatly reduced.

3. Price competition intensity in the market increased compared to last year due to the market demand still existed in pesticides used in plantation crops and paddy fields. The company has also cooperated with the government to reduce the prices for farmers to maintain market share, yet sales revenue decreased.

The above factors result in total sales and gross profit of Q2/2022 and 6-month-period to decrease. The cost of sales decreased but the rate of decrease is lower than the rate of decrease in sales, consequently, gross profit margin decreased by 49.42% and 39.16% respectively.

Unit : Million

	Comparison Q2/2022 and Q2/2021			Comparison 6-Month Period 2022 and 2021		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Gain from Investment	(1.97)	(3.62)	(200.05)	(0.31)	(5.52)	(105.99)
Forex Gain (Loss)	(5.49)	4.17	317.38	(5.69)	1.36	31.30
Other Revenue	0.22	0.14	193.45	0.66	0.57	664.83

Income from investments decreased in Q2/2022 due to volatile stock market condition with slightly declining SET index during the second quarter. SET index as of end of Q2 is 1,568.33 which is lower than the closing SET index as of March 31, 2022 of 1,695.24 or a decrease of 126.91 points, in line with global market. This was the impact of the pandemic of COVID-19 situation. The global economy under war between Russia and Ukraine led to worldwide inflation. 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 see a decrease. The Company has the policy to minimize forex risk exposure from fluctuations of depreciated baht with forward contracts and T/R arrangements, but still resulting in an increase of forex loss. Other income increased from the selling of old vehicle.



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Income from investments decreased for 6-month period of 2022, due to volatile stock market condition with increasing SET index for the first period of 2022 and slightly decreasing SET index during the second quarter. SET index as of June 30, 2022, closed at 1,568.33 points, a decrease from the closing on December 30, 2021 of 1,657.62 points, decrease of 89.29 points. The income from investment, mainly from profit from sales of investments, unrealized capital gain from equity investments and dividend received see a decrease. The Company has the policy to minimize forex risk exposure from fluctuations of depreciated baht with forward contracts and T/R arrangements, but still resulting in an increase of forex loss. Other income increased from the selling of old vehicle.

Unit: Million Baht

	Comparison Q2/2022 and Q2/2021			Comparison 6-Month Period 2022 and 2021		
	Amount	Increase(Decrease)	% Change	Amount	Increase(Decrease)	% Change
Cost of sales	6.76	(4.07)	(37.59)	13.03	(3.57)	(21.51)
Administrative Cost	9.35	(1.40)	(13.05)	18.96	(1.33)	(6.55)
Financial Cost	0.26	0.18	244.96	0.27	0.15	116.29
Income Tax	3.04	(7.90)	(72.19)	5.91	(9.54)	(61.74)

Selling Expenses in Q2/2022 sees a decrease. The decrease in sales is from the reducing in market demand. Price competition increased in intensity according to market condition to maintain market share. Selling expenses decreased at a higher rate than the decrease in sales such as sales promotion, commission, and transportation expenses. Administrative expenses see a decrease on employee benefits.

Similarly, the selling expenses for 6-month period of 2022 decreased. The decrease in sales was from the decrease in market demand. Price competition increased in intensity according to market condition to maintain market share. Selling expenses decreased at the lower rate than the decrease in sales such as sales promotion, commission, and transportation expenses. Administrative expenses see a decrease on employee benefits.

Financial Cost of Q2/2022 shows an increase from higher T/R payoff compared to Q2/2021. The fluctuation of baht caused the company to wait for favorable timing and opportunity to cover forex risk exposure with forward contracts and T/R arrangements to avoid impact from the currency exchange rate fluctuation. In addition, T/R interest rate increased and led to the increase in interest expenses.



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Financial Cost for 6-month period of 2022 shows a decrease from lower T/R payoff compared to the previous year. The fluctuation of baht caused the company to wait for favorable timing and opportunity to cover forex risk exposure with forward contracts and T/R arrangements to avoid impact from the currency exchange rate fluctuation. In addition, T/R interest rate increased led to the increase in interest expenses.

Income Tax for Q2/2022 and the 6-month period decreased from the decrease in sales revenue. However, the decrease in cost of sales was lower than the decrease in sales revenue, as a result, profit before tax was decreased y-o-y.

From the reasons mentioned above, the company sees a net profit for Q2/2022 and 6-month period of 2022 ended June 30, 2022 of 12.93 and 25.11 million baht, a decrease of 33.13 million baht and 40.77 million baht or a difference of 71.93% and 61.89% y-o-y respectively.

Unit: Million Baht

Comparison Ended June 30, 2022 and December 31 2021			
	Amount	Increase (Decrease)	% Change
Total Assets	648.30	(37.32)	(5.44)
Total Liabilities	173.22	59.49	52.31
Shareholders' Equity	475.08	(96.81)	(16.93)

Total assets decreased from the change in cash and cash equivalents, other current financial assets, 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 downward trend of Stock Market from Q2/2022 and thus resulting in the increase in deferred tax. Intangible assets increased from field trials in preparation of product registration.

Total liabilities show an increase as short-term loan from financial institutions increased due to the increase of raw materials imported. With the volatility of the depreciated baht, the company therefore needs to do forward contracts to mitigate the impact of the exchange rate. T/R interest rate also increased. 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. Account payable and other current payable decreased due to domestic purchase of raw materials and packing materials. Imported raw materials purchased with credit terms and without T/R also decreased due to the decrease in sales revenue. As a result, current liabilities increased. In



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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. There was also payment of compensation from the retirement of employees, as a result, total liabilities increased.

The decrease in Shareholders' equity is from dividend payment. Although the Company's performance and its subsidiary's yielding lower net profit, and other items of shareholders' equity which are unrealized loss from the sale of other non-current financial assets decreased by 1.69 million baht due to the fair value adjustment by quarter-end when the stock market volatility declined during the second quarter.

The company has a strong financial structure with a current ratio of 3.57 and debt-to-equity ratio of 0.36.



Yours faithfully,

(Metha Trillit)

President