



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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

November 11, 2022

President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary for Q3/2022 and 9-month-period ended September 30, 2022 operational result are as follows:

Unit : Million

	Comparison Q3/2022 and Q3/2021			Comparison 9-Month Period 2022 and 2021		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Total sales	92.94	(45.43)	(32.83)	324.90	(154.84)	(32.28)
Cost of Sales	68.39	(22.39)	(24.67)	231.72	(83.04)	(26.38)
Gross Profit	24.55	(23.04)	(48.40)	93.18	(71.80)	(43.52)

Main reasons for the above 3-month and 9-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 great depression has caused the price of many products 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. There has been flooding in many provinces of the country, such as the northern region, the central region, the southern region, and the northeastern region, especially Ubon Ratchathani province. The water level in many provinces has remained high for a long time.
3. From the above factors, it has been found that many farmers have reduced their cultivation because of flooding situation and chemical fertilizers, a 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



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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

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 due to their fear that flooding would damage the purchased products. 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 may change and decrease in the future. Besides, transportation in some areas cannot be done because of the flooding. As a result, the demand for products in the market is greatly reduced.

4. 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 Q3/2022 and 9-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 48.40% and 43.52% respectively.

Unit : Million

	Comparison Q3/2022 and Q3/2021			Comparison 9-Month Period 2022 and 2021		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Gain from Investment	1.27	(0.58)	(31.29)	0.96	(6.10)	(86.45)
Forex Gain (Loss)	(2.27)	(2.01)	(46.93)	(7.96)	(0.65)	(7.59)
Other Revenue	0.04	0.03	203.38	0.70	0.60	599.14

Income from investments decreased in Q3/2022 due to higher volatile stock market condition with during the third quarter. SET index as of end of Q3 is 1,589.51 which is higher than the closing SET index as of June 30, 2022 of 1,568.33 or an increase of 21.18 points, in line with global market. This was the impact of the global economy under war between Russia and Ukraine led to worldwide inflation and economic crisis. 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



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

Pato Building, 3388 New Petchburi Road, Bangkok 10310, Thailand

Tel: (+662) 318-0360 Fax: (+662) 318-0367 E-mail: pato1@cscoms.com

forex risk exposure from fluctuations of depreciated baht with forward contracts and T/R arrangements, resulting in a decrease in forex loss. Other income increased from the selling of old vehicle and equipment.

Income from investments decreased for 9-month period of 2022, due to volatile stock market condition with increasing SET index for the first period of 2022, slightly decreasing SET index during the second quarter, and slightly increasing SET index during the third quarter. SET index as of September 30, 2022, closed at 1,589.51 points, an increase from the closing on December 30, 2021 of 1,657.62 points, a decrease of 68.11 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, resulting in a decrease in forex loss. Other income increased from the selling of old vehicle and equipment.

Unit: Million Baht

	Comparison Q3/2022 and Q3/2021			Comparison 9-Month Period 2022 and 2021		
	Amount	Increase(Decrease)	% Change	Amount	Increase(Decrease)	% Change
Cost of sales	5.96	(2.44)	(29.05)	18.99	(6.01)	(24.04)
Administrative Cost	8.51	(0.75)	(8.12)	27.47	(2.08)	(7.05)
Financial Cost	0.55	0.47	598.64	0.82	0.62	300.86
Income Tax	1.42	(3.68)	(72.19)	7.33	(13.22)	(64.33)

Selling Expenses in Q3/2022 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 lower rate than the decrease in sales such as sales promotion, commission, and transportation expenses. Administrative expenses see a decrease on employee benefits and donations.

Similarly, the selling expenses for 9-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 Q3/2022 shows an increase from higher T/R payoff compared to Q3/2021. The all-time fluctuation of baht caused the company to wait for favorable timing and opportunity to cover forex risk



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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

exposure with forward contracts and to extend T/R payments to avoid impact from the currency exchange rate fluctuation. Such situation coupled with the increase in T/R interest rate, led to the increase in interest burden.

Financial Cost for 9-month period of 2022 shows a decrease from lower T/R payoff compared to the previous year. The all-time fluctuation of baht caused the company to wait for favorable timing and opportunity to cover forex risk exposure with forward contracts and to extend T/R payments to avoid impact from the currency exchange rate fluctuation. Such situation coupled with the increase in T/R interest rate, led to the increase in interest burden.

Income Tax for Q3/2022 and the 9-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 Q3/2022 and 9-month period of 2022 ended September 30, 2022 of 7.16 and 32.27 million baht, a decrease of 15.17 million baht and 55.94 million baht or a difference of 67.94% and 63.42% y-o-y respectively.

Unit: Million Baht

	Comparison Ended September 30, 2022 and December 31 2021		
	Amount	Increase (Decrease)	% Change
Total Assets	602.48	(83.13)	(12.13)
Total Liabilities	121.21	7.48	6.58
Shareholders' Equity	481.27	(90.62)	(15.85)

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 fluctuation of upward and downward trend of Stock Market all through 9 months of 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



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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

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 slightly 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 addition, a decrease 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 2.65 million baht due to the fair value adjustment by quarter-end when the stock market volatility during the whole period.

The company has a strong financial structure with a current ratio of 5.07 and debt-to-equity ratio of 0.25.

Yours faithfully,

(Metha Trillit)

President

