



บริษัท ปาโตเคมีอุตสาหกรรม 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 December 31, 2022 operational performance are as follows:

Unit : Million

	Comparison 2022 and 2021		
	Amount	Increase (Decrease)	% Change
Total sales	447.01	(198.83)	(30.79)
Cost of Sales	325.70	(102.76)	(23.98)
Gross Profit	121.31	(96.08)	(44.20)

Main reasons for the above 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% when compared to prices during normal condition, 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 northeastern region, especially Ubon Ratchathani province, the central region, and the southern region. As a result, the agricultural takes longer to recover after the water recedes, so that it can be cultivated as before.



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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 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 decreased pest infestations and 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 prices may decrease in the future coupled with continuing transportation problems. As a result, the demand for products on the market is greatly reduced.
4. Price competition intensity in the market increased compared to last year due to the market demand still existed, especially herbicide used in plantation crops and paddy fields.

The above factors result in total sales and gross profit of 2022 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 44.20%.

Unit : Million Baht

	Comparison 2022 and 2021		
	Amount	Increase (Decrease)	% Change
Gain from Investment	3.33	(4.89)	(59.49)
Forex Gain (Loss)	(6.59)	1.49	29.10
Other Revenue	0.73	(0.23)	(23.88)

Income from investments in 2022 decreased due to fluctuation of upward and downward trend of stock market throughout the year. SET index as of December 30, 2022 is 1,668.66 which is higher than the closing SET index as of December 30, 2021 of 1,657.62 or an increase of 11.04 points. The income from investments, which is mainly profits from sale of investments increased. Unrealized capital gain increased from changes in investment value. Dividend received sees a decrease. The Company has the



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policy to minimize forex risk exposure from fluctuations of depreciated baht from the exchange rate. The lowest depreciated exchange rate was in Q3 which was 38.0679 baht to a dollar and saw an appreciation at the end of Q4 on December 30, 2022 at 34.7335 baht to 1 dollar. The difference of 1.1406 baht represents a increase of 3.40% compared to the exchange rate on December 30,2021. The company has to cover the exposure with forward contracts and T/R to mitigate the impact of the exchange rate, and yet resulting in an increase in forex loss. Other income decreased from the selling of old vehicle and equipment.

Unit: Million Baht

	Comparison 2022 and 2021		
	Amount	Increase (Decrease)	% Change
Cost of sales	25.40	(8.46)	(24.98)
Administrative Cost	37.03	(3.54)	(8.73)
Financial Cost	1.04	0.81	342.63
Income Tax	10.39	(17.71)	(63.02)

Selling Expenses of 2022 see 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 promotion expenses, commission and transportation expenses. Administrative expenses see a decrease on employee benefits.

Financial Cost of 2022 shows an increase when 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 a situation, coupled with the adjusted increase in T/R at a higher interest rate than before, led to an increase in the interest burden.

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



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From the reasons mentioned above, the company sees a net profit ended of December 31, 2022 of 44.92 million baht, a decrease of 73.78 million baht represents a difference of 62.16%.

Unit: Million Baht

	Comparison Ended December 31, 2022 and December 31, 2021		
	Amount	Increase (Decrease)	% Change
Total Assets	579.80	(105.82)	(15.43)
Total Liabilities	83.79	(29.94)	(26.33)
Shareholders' Equity	496.01	(75.88)	(13.27)

Total assets decreased from the change in cash and cash equivalents, other current financial assets, account receivables, and other receivables decreased. The purchase of raw materials increased to be at appropriate quantity for current production and to meet market demand. Additionally, a decrease in other non-current financial assets was from the difference of fair value due to fluctuation of stock market all through 2022 as mentioned earlier and thus resulting in the increase in deferred tax. Intangible assets increased from product registration. Property, building, and equipment increased from vehicle replacement and the reinstallation of factory roof.

Total liabilities show a decrease as short-term loan from financial institutions and account payable decreased due to the volatility of the depreciated baht. The company therefore needs to do forward contracts and T/R to mitigate the impact of the exchange rate. T/R interest rate also increased greatly in 2022. The longer T/R payoff was from the waiting for favorable timing to buy forward contracts in order to minimize the impact from currency exchange rate fluctuation and T/R payoff in Q4 was 77.50 million baht. The domestic purchase of raw materials and imported raw materials purchased decreased. In addition, income tax payable decreased from income before tax decreased. As a result, current liabilities decreased. Provision for employee retirement benefits including cost of services and interest also decreased. There was also payment of compensation from the retirement of employees in 2022, as a result, total liabilities decreased.

The decrease in Shareholders' equity is from dividend payment. 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 due to the stock's value decreased.



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The company has a strong financial structure with a current ratio of 7.93 and debt-to-equity ratio of 0.17.

Yours faithfully



(Metha Trillit)

President