



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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May 12, 2023

President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary for period ended March 31, 2023 operational performance are as follows:

Unit : Million Baht

	Comparison 2023 and 2022		
	Amount	Increase (Decrease)	% Change
Total sales	108.77	15.00	15.99
Cost of Sales	86.38	21.64	33.43
Gross Profit	22.39	(6.65)	(22.89)

1. The factor affecting the global economy is the war between Russia and Ukraine causing continuous effect to world oil price fluctuated throughout the year. Currently, the volatility has decreased, inflation has declined, but is still at a higher rate than usual. Overall product prices tended to decrease, causing the cost of imports start to decrease, but still higher than normal, such as the price of chemical fertilizers which have increased significantly and tend to decrease. This also includes pesticides whose processes are related to the use of chemical fertilizers. As a result, the cost of pesticides tends to be in the same direction. It was still 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 unworkable high cost and causing higher selling prices, affecting sales in the market.
2. Although the above economic conditions began to show a better trend including the recovery of tourism industry and higher private consumption in the country, however, it is still affected by the average cost of inventory raw materials which have a high cost and have to be formulated to meet market demand. The increased labor costs and production overheads causing higher production costs. Therefore, it is a factor in considering importing goods for production and distribution, taking into account the seasonal use period in order not to produce too much inventory, so that they do not lead to overstocking and



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- eventually getting stuck with unworkable high cost and causing higher selling prices, affecting sales in the market.
3. From the above factors, it has been found that many farmers had to face with the price of chemical fertilizers, which is an important factor of the cultivation, resulting in higher costs for farmers than normal. The cost will increase even more for farmers who do not have their own land and have to rent farms for cultivation. 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 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. In addition, price competition intensity in the market increased compared to last year. Although the overall import cost price tends to decrease, there are some products whose import prices have dropped dramatically and continue to decline. In order to maintain market share, the company has to adjust the selling price according to current market conditions, resulting in reduced profits. Current market conditions, multinational suppliers have entered the competition at dealer customers level in Thailand which are the company's main target group. As a result, price competition to maintain market share is even more intense and affect the performance of the company.

The above factors result in total sales to increase but gross profit of Q1/2023 to decrease. The cost of sales increased at the higher rate of increase in sales, consequently gross profit margin decreased by 22.89%.

Unit : Million Baht

	Comparison 2023 and 2022		
	Amount	Increase (Decrease)	% Change
Gain from Investment	0.94	(0.72)	(43.36)
Forex Gain (Loss)	2.92	3.12	1,556.02
Other Revenue	0.02	(0.38)	(94.51)

Income from investments in 2023 decreased due to fluctuation of upward and downward trend of stock market throughout the year. SET index as of March 31, 2023 is 1,609.71 which is higher than the closing SET index as of December 30, 2022 of 1,587.20 or an increase of 21.97 points. And when compared to the SET



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index as of March 31, 2022 closed at 1,695.24 points, resulting in income from investments, which mainly is unrealized losses from sales of investments decreased. The change in capital value and dividend received sees a decrease. The Company has the policy to minimize forex risk exposure from fluctuations of depreciated baht from the exchange rate. The depreciated exchange rate in Q1 was 34.2631 baht to a dollar at the end of Q1 on March 31, 2023. The company has to cover the exposure with forward contracts and T/R to mitigate the impact of the exchange rate, and resulting in an increase in forex gain. Other income decreased from the selling of old vehicle and obsolete packaging materials.

Unit: Million Baht

	Comparison 2023 and 2022		
	Amount	Increase (Decrease)	% Change
Cost of sales	6.59	0.33	5.25
Administrative Cost	8.96	(0.62)	(6.51)
Financial Cost	0.21	0.20	1,423.67
Income Tax	1.62	(1.25)	(43.61)

Selling Expenses of 2023 see an increase. The increase in sales is from the increasing in market demand. Price competition increased in intensity according to market condition to maintain market share. Selling expenses increased at a lower rate than the increase in sales such as promotion expenses, commission and transportation expenses. Administrative expenses see a decrease on employee benefits and service costs from actuarial calculations, etc.

Financial Cost of 2023 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 2023 decreased due to the increase in sales is at the lower rate than the increase in cost of sales and resulting in decrease in income before tax.



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From the reasons mentioned above, the company sees a net profit ended of March 31, 2023 of 8.89 million baht, a decrease of 3.29 million baht represents a difference of 27.01%.

Unit: Million Baht

	Comparison Ended March 31, 2023 and December 31, 2022		
	Amount	Increase (Decrease)	% Change
Total Assets	604.34	24.55	4.23
Total Liabilities	103.60	19.82	23.65
Shareholders' Equity	500.74	(71.15)	(12.44)

Total assets increased from the change in cash and cash equivalents, other current financial assets, while 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 as mentioned earlier and thus resulting in the increase in deferred tax. Intangible assets increased from product registration. Property, building, and equipment decreased from the increase of depreciation and the new equipment.

Total liabilities show an increase as short-term loan from financial institutions and account payable increased 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 significantly in 2023. 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. The domestic purchase of raw materials and imported raw materials purchased decreased. In addition, income tax payable decreased from income before tax 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 2023, as a result, total liabilities increased.



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The decrease in Shareholders' equity is from 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.

The company has a strong financial structure with a current ratio of 6.21 and debt-to-equity ratio of 0.21.



Yours faithfully,

(Metha Trillit)

President