



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, 2023

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, 2023 operational performance are as follows:

Unit : Million

	Comparison Q2/2023 and Q2/2022			Comparison 6-Month-Period 2023 and 2022		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Total sales	157.66	19.47	14.09	226.43	34.47	14.86
Cost of Sales	119.51	20.91	21.21	205.89	42.56	26.06
Gross Profit	38.15	(1.44)	(3.63)	60.54	(8.08)	(11.78)

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 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 costs 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 the 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 caused 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



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overstocking and 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 placed 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 affects the performance of the company.

The above factors result in total sales and gross profit of Q2/2023 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 3.63% and 11.78% respectively.

Unit : Million

	Comparison Q2/2023 and Q2/2022			Comparison 6-Month-Period 2023 and 2022		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Gain from Investment	(0.70)	(1.27)	(64.34)	0.24	0.55	176.20
Forex Gain (Loss)	0.10	5.59	101.91	3.02	8.71	153.14
Other Revenue	0.03	(0.19)	(85.99)	0.05	(0.61)	(91.98)

Unit : Million



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Income from investments in Q2/2023 decreased due to fluctuation of downward trend of stock market throughout Q2. SET index as of June 30, 2023 is 1,503.10 which is lower than the closing SET index as of March 31, 2023 of 1,609.17 or a decrease of 106.07 points. Due to the impact of the domestic political situation and the economic situation under the Russia - Ukraine war that causes global inflation. As a result, income from investments, most of which are losses from the sale of investments and the unrealized losses from changes in the value of investments are less than last year, dividend received also see a decrease. The company has to cover the exposure with forward contracts of both baht and dollar T/R to mitigate the impact of fluctuation of the exchange rate, and resulting in an increase in forex gain. Other income increased from the selling of old equipment.

Income from investments increased for 6-month- period of 2023, due to volatile stock market condition with increasing SET index for the first period of 2023 and slightly decreasing SET index during the second quarter. SET index as of June 30, 2023, closed at 1,503.10 points, a decrease from the closing on December 30, 2022 of 1,587.20 points, decrease of 84.10 points. The income from investment, mainly from loss 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 of both baht and dollar T/R arrangements, and resulting in an increase in forex gain. Other income increased from the selling of old equipment.

Unit: Million Baht

	Comparison Q2/2023 and Q2/2022			Comparison 6-Month-Period 2023 and 2022		
	Amount	Increase(Decrease)	% Change	Amount	Increase(Decrease)	% Change
Cost of sales	7.58	0.82	12.10	14.18	1.15	8.81
Administrative Cost	9.51	0.16	1.75	18.47	(0.50)	(2.61)
Financial Cost	0.49	0.23	89.46	0.71	0.43	157.96
Income Tax	3.86	0.82	26.84	5.48	(0.44)	(7.37)



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Selling Expenses in Q2/2023 see an increase. The increase in sales is from the increasing in market demand. Price competition increased in intensity according to market conditions 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 slightly increase on employee benefits, etc.

Similarly, the selling expenses for 6-month-period of 2023 see an increase. The increase in sales was from the increase in market demand. Price competition increased in intensity according to market condition to maintain market share. Selling expenses increased at the lower rate than the increase in sales, such as sales promotion, commission, and transportation expenses. Administrative expenses see a decrease on employee benefits, stationery, donations, and other miscellaneous expenses.

Financial Cost in Q2/2023 shows an increase due to higher T/R payoff 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.

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Income Tax in Q2/2023 increased. Due to the increase in sales compared to the same period of the previous year was at the higher rate than the increase in cost of sales with a slightly increase in administrative expenses, and resulting in an increase in income before tax.

Income Tax for 6-month period of 2023 decreased. Due to the increase in sales compared to the same period of the previous year was at the lower rate than the increase in cost of sales and the slightly increase in administrative expenses, and resulting in a decrease in income before tax.

From the reasons mentioned above, the company sees a net profit for Q2/2023 and 6-month-period of 2023 ended June 30, 2023 of 16.14 and 25.03 million baht, an increase of 3.21 million baht and a decrease of 0.08 million baht or a difference of 24.79% and (0.33%) y-o-y respectively.



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Unit: Million Baht

	Comparison Ended June 30, 2023 and December 31, 2022		
	Amount	Increase (Decrease)	% Change
Total Assets	565.30	(14.50)	(2.50)
Total Liabilities	111.00	27.21	32.48
Shareholders' Equity	454.30	(41.71)	(8.41)

Total assets decreased from the change in cash and cash equivalents, other current financial assets, while account receivables, and other receivables increased. Inventories increased due to the purchase of raw materials increased to be at appropriate quantity for current production and to meet market demand in the next quarter. Additionally, a decrease in other non-current financial assets was from the difference of fair value due to fluctuation of stock market see an upward trend in Q1/2023 but downward trend in Q2/2023 as mentioned earlier and thus resulting in an increase in deferred tax. Intangible assets increased from field trials as preparation for product registration.

Total liabilities show an increase in short-term loan from financial institutions from the increase in imported raw materials. Due to the volatility of the depreciated baht, the company therefore needs to do forward contracts and both baht and dollar T/R to mitigate the impact of the exchange rate and T/R interest rate also increased significantly in 2023, T/R payoff was longer to wait for favorable timing to buy forward contracts in order to minimize the impact from currency exchange rate fluctuation. Account payables and other current payables decreased from the decrease of domestic raw materials and packing materials purchased. However, some of which have faster payment period in order to get cash discounts. In addition, there are some decrease in imported raw materials with credit term and no T/R requirement. As well as a decrease in the provision for retirement benefits with the revaluation, there was an actuarial loss of 0.10 million baht including service cost and interest. There were severance payments from employee retirement, as a result, total liabilities increased.

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 by 8.75 million baht from the fair value adjustment at the end of the period, due to stock market volatility with a decline index during the second quarter.



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The company has a strong financial structure with a current ratio of 5.28 and debt-to-equity ratio of 0.24.



Yours faithfully,

(Dr. Viwat Trillit)

Managing Director