



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary for Q3/2023 and 9-month-period ended September 30, 2023 operational performance are as follows:

Unit : Million

	Comparison Q3/2023 and Q3/2022			Comparison 9-Month-Period 2023 and 2022		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Total sales	180.46	87.51	94.16	446.89	121.99	37.55
Cost of Sales	127.11	58.73	85.88	333.00	101.28	43.71
Gross Profit	53.35	28.78	117.21	113.89	20.70	22.21

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 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 use 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 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 and higher private consumption. Including agricultural products, there is a tendency for prices to increase as well. In particular, the prices of in-season rice and off-season rice increased when compared to the same period of last year. The decrease in productivity is due to a shortage of water because of the drought and causing the outbreak of pests. The company is still affected by the average cost of inventory raw materials, which have a high cost from the effect of the volatility of the depreciated baht and have to be formulated to meet market demand. The increased labor costs and



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- 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 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 higher price of chemical fertilizers, which is an important factor in cultivation, resulting in higher costs for farmers than usual. 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 on a just-in-time basis. Market demand has increased due to the price of rice, which increased greatly, and the severe outbreak of rice stem borers in the rice fields. As a result, various pesticides in rice fields have increased in sales volume compared to last year, causing total sales to increase.
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 customer level in Thailand, which is 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 Q3/2023 and 9-month-period to increase. The cost of sales 3-month-period increased but at the lower than the rate of increase in sales. On the contrary, for 9-month-period, the increase in cost of sales is higher than the rate of increase in sales. Consequently, gross profit margin increased by 117.21% and 22.21%, respectively.



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Unit : Million

	Comparison Q3/2023 and Q3/2022			Comparison 9-Month-Period 2023 and 2022		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Gain from Investment	0.56	(0.71)	(56.20)	0.79	(0.16)	(17.05)
Forex Gain (Loss)	(2.63)	0.36	15.79	0.39	8.35	104.92
Other Revenue	0.02	(0.02)	(58.80)	0.07	(0.63)	(89.93)

Unit : Million

Income from investments in Q3/2023 decreased due to the fluctuation of downward trend of stock market throughout the 3 quarters. SET index as of September 30, 2023 is 1,471.43 which is lower than the closing SET index as of June 30, 2023 of 1,503.10 or a decrease of 31.67 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 decreased from 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 the fluctuation of the exchange rate due to the volatility of the depreciated baht at the end of Q3 and resulting in lower forex gain. Other income increased from the selling of old equipment and vehicles.

Income from investments decreased for 9-month- period of 2023, due to the volatile stock market condition increased and decreased throughout 3 quarters. SET index as of September 30, 2023, closed at 1,471.43 points, a decrease from the closing on December 30, 2022 of 1,587.20 points, decrease of 115.77 points. The income from investment, mainly from loss from sales of investments, unrealized capital loss from equity investments, and dividend received see a decrease. Even though the company has the policy to minimize forex risk exposure from fluctuations with forward contracts of both baht and dollar T/R arrangements due to the volatility of the depreciated baht at the end of Q3 yet, resulting in a decrease in forex gain. Other income increased from the selling of old equipment and vehicles.



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Unit: Million Baht

	Comparison Q3/2023 and Q3/2022			Comparison 9-Month-Period 2023 and 2022		
	Amount	Increase(Decrease)	% Change	Amount	Increase(Decrease)	% Change
Cost of sales	9.53	3.57	59.79	23.71	4.71	24.82
Administrative Cost	9.52	1.01	11.82	27.99	0.51	1.86
Financial Cost	0.67	0.12	22.18	1.38	0.55	67.41
Income Tax	6.20	4.78	336.91	11.68	4.34	59.27

Selling Expenses in Q3/2023 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, transportation expenses, and depreciation. Administrative expenses see a slightly increase on employee benefits, etc.

Similarly, the selling expenses for 9-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 slightly increase on employee benefits and depreciation, etc.

Financial Cost in Q3/2023 show an increase due to a decrease T/R payoff when compared to the same period of last 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 both baht and dollar to avoid the impact of the currency exchange rate fluctuation. Such a situation, coupled with the adjusted increase in T/R at a higher interest rate than before, including net interest costs on obligations under the employee retirement benefit plan, led to an increase in the interest burden.

Financial Cost for 9-month-period of 2023 show higher increase due to a decrease 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 both baht and dollar to avoid the impact of the currency exchange rate fluctuation. Such a situation, coupled with the adjusted



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increase in T/R at a higher interest rate than before, including net interest costs on obligations under the employee retirement benefit plan, led to an increase in the interest burden.

Income Tax in Q3/2023 increased from the increase in sales compared to the same period of the previous year. The cost of sales and administrative expenses increased at the lower rate of total sales, resulting in an increase in income before tax.

Income Tax for 9-month period of 2023 increased from the increase in sales of 3 quarters compared to the same period of the previous year. The cost of sales and administrative expenses increased at the lower rate of total sales, resulting in an increase in income before tax.

From the reasons mentioned above, the company sees a net profit for Q3/2023 and 9-month-period of 2023 ended September 30, 2023 of 25.37 and 50.39 million baht, an increase of 18.21 and 18.13 million baht, or a difference of 254.50% and 56.19% y-o-y respectively.

Unit: Million Baht

	Comparison Ended September 30, 2023 and December 31, 2022		
	Amount	Increase (Decrease)	% Change
Total Assets	611.97	32.17	5.55
Total Liabilities	135.22	51.42	61.37
Shareholders' Equity	476.75	(19.25)	(3.88)

Total assets increased from the change in cash and cash equivalents, while other current financial assets decreased. Account receivables, and other receivables increased. Inventories decreased from higher 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. The company extend T/R payoff to wait for favorable timing and avoid the impact of the currency exchange rate, led to an increased in cash balance. Additionally, a decrease in other non-current financial assets was from the difference of fair value due to the fluctuation of the stock market see an upward trend in Q1/2023 but downward trend in Q2 - Q3/2023 as mentioned earlier and thus resulting in an increase in deferred tax. Fixed assets increased from the purchasing new cars and machinery to replace old ones that were out of use. 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



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with 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 of currency exchange rate fluctuation. Account payables and other current payables increased from the increased of domestic raw materials and packing materials purchased. However, some of which have a faster payment period in order to get cash discounts. In addition, there are some decrease in imported raw materials with credit terms and no T/R requirement. As well as an increased 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 even though the Company's performance and its subsidiary's yielding higher net profit. Other items of shareholders' equity which are unrealized loss from the sale of other non-current financial assets increased by 11.66 million baht from the fair value adjustment at the end of the period, due to stock market volatility with a decline index during Q3.

The company has a strong financial structure with a current ratio of 4.53 and debt-to-equity ratio of 0.28.



Yours faithfully,

(Dr. Viwat Trillit)

Managing Director