



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)

PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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February 29, 2024

President

The Stock Exchange of Thailand

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

Unit : Million Baht

	Comparison 2023 and 2022		
	Amount	Increase (Decrease)	% Change
Total sales	593.22	146.21	32.71
Cost of Sales	436.69	111.00	34.08
Gross Profit	156.52	35.21	29.02

Main reasons for the above 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 observed that many farmers are facing higher prices for chemical fertilizers, which is an important factor in cultivation, leading to higher costs 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 market demand. Orders have been placed in sufficient quantities on a just-in-time basis in order not to store too many high-cost products. 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. Severe natural disasters in India causing the government to apply a policy to restrict and control the export of agricultural products, such as rice and sugar. The demand of agricultural products from Thailand hence increased, and resulting in 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 of 2023 increase. The cost of sales increased but at the higher level than the rate of increase in sales. Consequently, gross profit margin decreased by 29.02%.



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	Comparison 2023 and 2022		
	Amount	Increase (Decrease)	% Change
Gain from Investment	1.19	(2.14)	(64.23)
Forex Gain (Loss)	3.19	9.78	148.82
Other Revenue	0.10	(0.63)	(85.76)

Income from investments in 2023 decreased due to the fluctuation of downward trend of stock market throughout the year. SET index as of December 28, 2023 is 1,415.85 which is lower than the closing SET index as of December 30, 2022 of 1,587.20 or a decrease of 171.35 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 appreciated baht at the end of Q4 and resulting in higher forex gain compared to last year. Other income decreased from the selling of old equipment and vehicles.

Unit: Million Baht

	Comparison 2023 and 2022		
	Amount	Increase (Decrease)	% Change
Cost of sales	32.95	7.55	29.71
Administrative Cost	38.51	1.48	3.99
Financial Cost	1.76	0.72	68.98
Income Tax	16.95	6.56	63.14

Selling Expenses in 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 and depreciation, etc.



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Financial Cost in 2023 show a drastically increase due to an increase T/R payoff when compared to 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 last year, including net interest costs on obligations under the employee retirement benefit plan and such interest did not include in last year plan, led to an increase in the interest burden.

Income Tax in 2023 increased from the increase in sales resulting in the increase in income before tax.

From the reasons mentioned above, the company sees a net profit in 2023 ended December 31, 2023 of 70.84 million baht, an increase of 25.92 million baht, or a difference of 57.71% y-o-y.

Unit: Million Baht

	Comparison Ended December 31, 2023 and December 31, 2022		
	Amount	Increase (Decrease)	% Change
Total Assets	568.30	(11.49)	(1.98)
Total Liabilities	74.19	(9.60)	(11.46)
Shareholders' Equity	494.11	(1.90)	(0.38)

Total assets decreased from the change in cash, cash equivalents, and other current financial assets decreased. While account receivables, and other receivables increased. Inventories decreased from the higher sales. 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 paid off all outstanding T/R, consequently, no outstanding balance of short-term loan and foreign trade payable by the end of the year, in order to minimize the impact from currency exchange rate fluctuation. This led to a decrease 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 a downward trend throughout 2023 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, and there were also expenses on renovation of factory fence and walkway. Intangible assets increased from field trials as preparation for product registration.

Total liabilities show a decrease in short-term loan from financial institutions and foreign trade creditor with no outstanding balance. Due to the volatility of the baht, the company therefore needs to do forward contracts with T/R to mitigate the impact of the exchange rate and T/R interest rate also increased significantly in 2023. When the exchange rate was within the appropriate range, all outstanding balance have been paid off. Domestic purchase of raw materials and packing materials increased. However, some of which have a faster payment period



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in order to get cash discounts resulting in the decrease in trade creditors and other creditors. The corporate income tax payable increased from the increase in profits before taxes and thus reducing current liabilities. The increase 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 decreased.

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 14.75 million baht from the fair value adjustment at the end of the period, due to stock market volatility with a decline index in 2023.

The company has a strong financial structure with a current ratio of 9.48 and debt-to-equity ratio of 0.15.



Yours faithfully,

(Dr. Viwat Trillit)

Managing Director