



บริษัท ปาโตเคมีอุตสาหกรรม จำกัด (มหาชน)
PATO CHEMICAL INDUSTRY PUBLIC CO., LTD.

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May 15, 2020

President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary for Q1/2020 ended March 31, 2020 operational performance are as follows:

Unit : Million

	Comparison 2020 and 2019		
	Amount	Increase(Decrease)	% Change
Total sales	101.35	(14.63)	(12.61)
Cost of Sales	81.36	(0.42)	(0.51)
Gross Profit	19.99	(14.21)	(41.55)

Main reasons for the above performance are as follows:

1. Situation of insufficient rainfalls and shortage of water in irrigation dams led to drought crisis, affecting the agricultural products to decrease, the income of farmers to decrease, farmers' purchasing power to decrease, therefore, demand for products reduced.
2. Generally low infestation of insect and diseases.
3. Delay of imported raw materials due to the pandemic of Covid-19. Transportation from China and other countries cannot be done properly. Production capacity is thus reduced.
4. Intense price competition in the market due to lower demand causing the Company to lower selling prices of several products in order to maintain market share. Selling price for some of the products are lower than cost led to loss from selling and the adjustment of product value.

The above factors result in total sales and gross profit to decrease. Even though the cost of sales in Q1/2020 decreased but the rate of decrease is lower than the rate of decrease in sales, so gross profit margin decreased by 41.55%.



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Unit : Million Baht

	Comparison 2020 and 2019		
	Amount	Increase (Decrease)	% Change
Gain from Investment	(3.57)	(6.86)	(207.56)
Forex Gain (Loss)	(2.49)	(3.24)	(430.08)
Other Revenue	0.02	(0.03)	(92.58)

Income from investments decreased in 2020 due to volatile stock market condition with substantially decreasing SET index in Q1/2020. SET index as of March 31, 2020 was 1,125.86 compared to SET index as of December 2019 of 1,579.84 or a decrease of 453.98. This was in the same way of global index affecting from the pandemic of virus. Investment result, mainly from profit from sales of investments, unrealized capital loss from equity and a decrease in dividend received. The Company has the policy to minimize forex risk exposure from fluctuations. The COVID-19 pandemic situation has caused the baht to depreciate. Even though Forward Contract and T / R are applied, the company still sees an increasing in forex loss. The decrease in other income was from the lower selling of obsolete packaging materials.

Unit: Million Baht

	Comparison 2020 and 2019		
	Amount	Increase(Decrease)	% Change
Cost of sales	5.49	(1.55)	(22.00)
Administrative Cost	8.02	(1.34)	(14.31)
Financial Cost	0.16	(0.36)	(68.58)
Income Tax	0.08	(4.20)	(98.11)

Selling Expenses in 2020 sees a decrease. The decrease in sales is from the decline in market demand. Price competition intensifies under tough market condition to maintain market share. Selling expenses decreased at a lower rate than the decrease in sales such as sales promotion, commission,



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transportation expenses, and registration fee. Administrative expenses sees a decrease on salary, employee benefits.

Financial Cost of 2020 shows a decrease from lower import of raw materials and the slight lengthen T/R payoff period awaiting for favorable time and opportunity to cover forex risk exposure with forward contracts to avoid impact from the currency exchange. From the situation, the longer T/R payoff period and the decrease of T/R interest rate, led to the increase in interest expenses.

Income Tax in 2020 decreased due to the decrease in sales revenue and led to the decrease in income before tax.

From the reasons mentioned above, the company sees a net profit ended March 2020 of 0.22 million baht, a decrease of 17.15 million baht or a difference of 98.75% y-o-y.

Unit: Million Baht

	Comparison Ended March 31, 2020 and December 31, 2019		
	Amount	Increase (Decrease)	% Change
Total Assets	602.23	(39.80)	(6.21)
Total Liabilities	83.72	(30.95)	(26.99)
Shareholders' Equity	518.51	(8.94)	(1.69)

Total assets decreased from the change in cash, cash equivalents decreased while other current assets increased from the increase in short-term investments in fund. Account receivables, other receivables, and inventories from the purchase of raw materials decreased at appropriate quantity for production to meet market demand. In addition, available-for-sales investment shows the loss from the difference of fair value due to the fluctuation of Stock Market to decline line and thus resulting in the increase in deferred tax. Product registration decreased. The accounting record of asset use and leasehold right in accordance with Thai Financial Reporting Standards No. 16 caused the total assets to decrease.

Liabilities show a decrease from decrease in sales volume. The decrease of import of raw material led to lower short-term loan from financial institutions. The company cover the exposure with forward contract and T/R arrangement to mitigate the impact of volatility of forex and weakening baht. The interest rate decreases in 2020. The longer T/R payoff was from the waiting for favorable timing and opportunity to cover the exposure in order to minimize impact from the currency exchange. The increase of liabilities



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recorded from office leasehold agreement in accordance with the Thai Financial Reporting Standards No. 16 led to the decrease in total liabilities.

The decrease in Shareholders' equity are from company and its subsidiary that gave less net profit coping with other items of shareholders' equity which are unrealized loss on securities available-for-sales due to decline stock prices by the end of Q1.

The company has a strong financial structure with a current ratio of 7.93 and debt-to-equity ratio of 0.16.

Regarding the case that the Department of Agriculture is proceeding with the draft of Ministry Announcement about the Type 4 Hazardous Substance List on October 22, 2019, the Hazardous Substance Committee came to a mutual agreement to banning the use of Paraquat, Chlorpyrifos, and Glyphosate proposed by the Ministry of Agriculture and Cooperatives to adjust the said pesticides from Type 3 Hazardous Substance into Type 4 Hazardous Substances (Hazardous Substances that are forbidden to be produced, imported, exported or possessed) with immediate enforcement from December 1, 2019.

On November 27, 2019, the Hazardous Substance Committee came to a consensus to postpone the termination of the use of Paraquat and Chlorpyrifos for another 6 months, or the use of the 2 products will end on June 1, 2020. For Glyphosate, it will be reversed back to limit of use according to the resolution of the Hazardous Substance Committee on May 23, 2018. The Committee assigned the Department of Agriculture, Ministry of Agriculture and Cooperatives to find the product substitutes and find measures to reduce the impact and report to the Hazardous Substances Committee for consideration within 4 months.

On March 31, 2020, the company has inventories in the said group of product totaling 24.50 million baht. In April 2020, the company sold out the whole quantity of the products. The company reduced reducing the value of inventories as at March 31, 2020 in accordance with the net realizable value in the amount of 3.80 million baht. Therefore, the resolution of the Hazardous Substance Committee to ban the use of Paraquat and Chlorpyrifos which will be enforced on June 1, 2020, will no longer has any effect on the Company.

Yours faithfully,

(Metha Trillit)

President

