



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

Pato Building, 3388 New Petchburi Road, Huaykwang, Bangkok 10310, Thailand.
Tel: (+662) 318-0360, 318-5612 Fax: (+662) 318-0367 E-mail: pato1@cscoms.com

August 14, 2020

President

The Stock Exchange of Thailand

The consolidated financial statement of Pato Chemical Industry Plc. and its subsidiary for Q2/2020 ended June 30, 2020 operational performance are as follows:

Unit : Million

	Comparison Q2/2020 and Q2/2019			Comparison 6-Month Period 2020 and 2019		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Total sales	180.73	(1.07)	(0.59)	282.08	(15.70)	(5.27)
Cost of Sales	129.35	3.45	2.74	210.71	3.04	1.46
Gross Profit	51.38	(4.52)	(8.09)	71.37	(18.73)	(20.79)

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. Production and transportation from China and India were delayed. Production could not be done to meet demand. Sales of some products were 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.
5. Products that were in short supply last year due to the enforcement of environmental laws in China, such as Granule pesticide products can be produced and sold this year. This caused the sales of granule pesticide products to increase.



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The above factors result in total sales and gross profit to decrease. The cost of sales for both 3-month and 6-month increased, so gross profit margin decreased by 8.09% and 20.79% respectively.

Unit : Million Baht

	Comparison Q2/2020 and Q2/2019			Comparison 6-Month Period 2020 and 2019		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Gain from Investment	3.31	1.69	104.46	(0.25)	(5.17)	(105.03)
Forex Gain (Loss)	2.75	0.81	41.28	0.27	(2.43)	(904.76)
Other Revenue	0.02	0.001	9.55	0.04	(0.28)	(87.63)

Income from investments in the 3-month period increased from the stock market conditions increased throughout the second quarter, with the SET index as of June 30, 2020, closed at 1,339.03 points, an increase from the closing on March 31, 2020 at 1,125.86 points, an increase of 213.17 points in line with global market. The impact of the epidemic situation began to subside. Therefore, the income from investments, which is mainly profits from sale of investments, and unrealized capital gain occurred from changes in investment value. As for the dividend received saw a decrease. The company has a policy to cover the risk of exchange rate fluctuation with forward contracts and T/R, thus increasing forex gain. The decrease in other income was from the lower selling of obsolete packaging materials.

Income from investments decreased for 6-month period of 2020. Due to volatile stock market condition with decreasing SET index for the period, with the SET index as of June 30, 2020, closed at 1,339.03 points, a decrease from the closing on December 31, 2019 at 1,579.84 points, a decrease of 240.81 points. Net investment income, mainly from profit from sales of investments, unrealized capital gain from equity investments decreased. Dividend received also saw a decrease. The Company has the policy to minimize forex risk exposure from fluctuations with forward contracts and Baht T/R, but still resulting in a decrease of forex gain. Other income reduced from the selling of expired product packaging materials decreased.



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Unit: Million Baht

	Comparison Q2/2020 and Q2/2019			Comparison 6-Month Period 2020 and 2019		
	Amount	Increase (Decrease)	% Change	Amount	Increase (Decrease)	% Change
Cost of sales	7.76	(0.62)	(7.41)	13.25	(2.17)	(14.07)
Administrative Cost	9.77	(3.59)	(26.86)	17.79	(4.93)	(21.69)
Financial Cost	0.07	(0.52)	(88.85)	0.23	(0.88)	(79.30)
Income Tax	8.07	0.80	11.02	8.15	(3.39)	(29.40)

Selling Expenses in Q2/2020 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, and registration fee. Administrative expenses sees a decrease as in Q2/2019, the company booked the retirement benefit amount of 4.10 million baht to reflect the effectiveness of the current Labor Protection Law regarding retirement compensation for employees who have completed 20 years or more. The compensation benefit calculated will be 400 days compared with the previous law that employees who have completed 10 years or more received the compensation benefit of 300 days.

Similarly, the selling expenses for 6-month period of 2020 decreased. The decrease in sales was from the decrease in market demand. Price competition intensifies as market players struggle to maintain market share under tough market condition. Selling expenses decreased at the higher rate than the decrease in sales such as sales promotion, commission, transportation expenses, and registration fee. Administrative expenses sees a decrease on employee benefits. As during Q2/2019, the company booked the retirement benefit amount of 3.95 million baht to reflect the effectiveness of the current Labor Protection Law regarding retirement compensation for employees who have completed 20 years or more. The compensation benefit calculated will be 400 days compared with the previous law that employees who have completed 10 years or more received the compensation benefit of 300 days.

Financial Cost of for both Q2/2020 and 6-month period shows a decrease from lower import of raw materials and the slight lengthening of T/R payoff period awaiting for favorable time and opportunity to



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cover forex risk exposure with forward contracts to avoid impact from the currency exchange rate fluctuation. From the situation, the longer T/R payoff period and the decrease of T/R interest rate, led to the decrease in interest expenses.

Corporate Income Tax in Q2/2020 increased due to due to lower sales revenue while expenses were greatly reduced, as a result, profit before tax increased y-o-y. Income Tax for the 6-month period decreased due to the lower overall sales. As a result, profit before tax was reduced y-o-y.

From the reasons mentioned above, the company sees a net profit for Q2/2020 ended June 30, 2020 and 6-month period of 31.79 million baht, and 32.01 million baht, an increase of 1.90 million baht and a decrease of 15.25 million baht or a difference of 6.37% and (32.27) y-o-y respectively.

Unit: Million Baht

	Comparison Ended June 30, 2020 and December 31, 2019		
	Amount	Increase (Decrease)	% Change
Total Assets	571.59	(70.52)	(10.98)
Total Liabilities	103.28	(11.38)	(9.93)
Shareholders' Equity	468.31	(59.14)	(11.21)

Total assets decreased from the change in cash, cash equivalents increased while short-term investments in fund decreased. Account receivables, other receivables, and inventories decreased due to the increase in sales by the end of Q2/2020. The purchase of raw materials also decreased to be at appropriate quantity for production to meet market demand of next quarter. In addition, available-for-sales investment shows the loss from the difference of fair value due to the fluctuation of Stock Market to decline and thus resulting in the increase in deferred tax. Intangible assets were reduced due to write-off and the cancellation of some registrations and thus transferred for the expensed of discontinued product.

Liabilities show a decrease from decrease short-term loan from financial institutions due to the decrease of import of raw materials. The company cover the exposure with forward contract and T/R arrangement to mitigate the impact of volatility of forex. The interest rate also decreases. 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 rate fluctuation. The increase of liabilities recorded from office leasehold agreement in accordance with the Thai Financial Reporting Standards No. 16 led to the decrease in total liabilities.



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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 Q2.

The company has a strong financial structure with a current ratio of 5.62 and debt-to-equity ratio of 0.22.

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 was enforced on June 1, 2020, is no longer has any effect on the Company.

On June 30, 2020, the company has no balance of such products. All of them were sold in the first and second quarter of 2020.



Yours faithfully,

(Metha Trillit)

President