



Date: April 1, 2024

Subject Management Discussion and Analysis for the year ended December 31, 2023

To Managing Director,  
The Stock Exchange of Thailand

According to Asian Palm Oil Public Company Limited (“the Company”) had submitted the financial statements for the year ended December 31, 2023, which audited by a certified public accountant to the Stock Exchange of Thailand. For the year ended December 31, 2023, the Company had net profit of THB 12.99 million, a decrease of THB 15.23 million or 54.02% compared to same period last year, with a net profit margin of 0.85% which decrease from the year 2022 as of 1.35%. The reason for the change in operating results are as follows:

#### Summary of Operating Performance

Income Statement	Financial Statements (Audited)			
	2022		2023	
	MB	%	MB	%
Revenue from Sales	2,051.55	98.07%	1,482.04	97.12%
Revenue from By-product	40.39	1.93%	44.02	2.88%
<b>Total revenue</b>	<b>2,091.93</b>	<b>100.00%</b>	<b>1,526.06</b>	<b>100.00%</b>
Cost of Sales	1,989.13	95.09%	1,454.84	95.33%
<b>Gross Profit</b>	<b>102.80</b>	<b>4.91%</b>	<b>71.22</b>	<b>4.67%</b>
Other Income	4.71	0.23%	2.81	0.18%
<b>Profit (Loss) Before Operating Expenses</b>	<b>107.51</b>	<b>5.14%</b>	<b>74.03</b>	<b>5.85%</b>
Selling Expenses	26.99	1.29%	15.32	1.00%
Administrative Expenses	44.24	2.11%	43.32	2.84%
<b>Operating Profit (Loss)</b>	<b>36.29</b>	<b>1.73%</b>	<b>15.39</b>	<b>1.01%</b>
Finance Cost	3.45	0.16%	1.69	0.11%
<b>Profit (Loss) Before Income Tax Expense</b>	<b>32.84</b>	<b>1.57%</b>	<b>13.70</b>	<b>0.90%</b>
Income Tax Expense	(4.59)	(0.22%)	(0.71)	(0.05%)
<b>Profit for the Period</b>	<b>28.25</b>	<b>1.35%</b>	<b>12.99</b>	<b>0.85%</b>

The Company operates the business of extracting and selling crude palm oil as a main product and selling by-products to domestic customers only. Additionally, the Company operates a biogas power plant which sells electricity to the Provincial Electricity Authority (PEA). Crude palm oil is a commodity that has price movements based on the market mechanisms in both supply and demand. The fresh fruit bunches (FFB) which are the main raw material which account for approximately 95 percent of the cost of sales. In general, the prices of crude palm oil and the FFB tend to increase or decrease in the same direction. However, the price movement may be changed in different proportions. Nevertheless, the Company cannot control external factors that affect the prices of products and raw materials.



The Company's revenue structure by product type for the years 2022 and 2023 as follow:

Revenue Structure	2022		2023	
	MB	%	MB	%
Revenue from sales				
Crude Palm Oil (CPO)	1,787.88	85.47%	1,302.43	85.35%
Palm Kernel (PK)	260.40	12.45%	171.40	11.23%
Electricity	3.27	0.16%	8.20	0.54%
By Product <sup>/1</sup>	40.39	1.93%	44.02	2.88%
Total revenue from sales	2,091.93	100.00%	1,526.06	100.00%
Other Income <sup>/2</sup>	4.71	0.23%	2.81	0.18%
Total Revenue	2,096.65	100.23%	1,528.87	100.18%

Remark: <sup>/1</sup> By-products include Palm kernel (Shell), Empty fruit bunch, and Palm acid oil (PAO)

<sup>/2</sup> Other income consists of Interest income, Gains on Exchange Rate, Gain on Sale of Assets, Other income, and rental income.

## Revenue Analysis by Business Segment

### 1. Crude Palm Oil Extraction Business and Sales of Crude Palm Oil Extraction Products and By-Products

During the years 2022 and 2023, the Company generated revenue from crude palm oil extraction and by-products of 2,088.66 million baht and 1,517.86 million baht.

Item	2022		2023	
	MB	%	MB	%
Crude Palm Oil (CPO)	1,787.88	85.60%	1,302.43	85.81%
Palm Kernel (PK)	260.40	12.47%	171.40	11.29%
By Product <sup>/1</sup>	40.39	1.93%	44.02	2.90%
Total Revenue	2,088.66	100.00%	1,517.86	100.00%

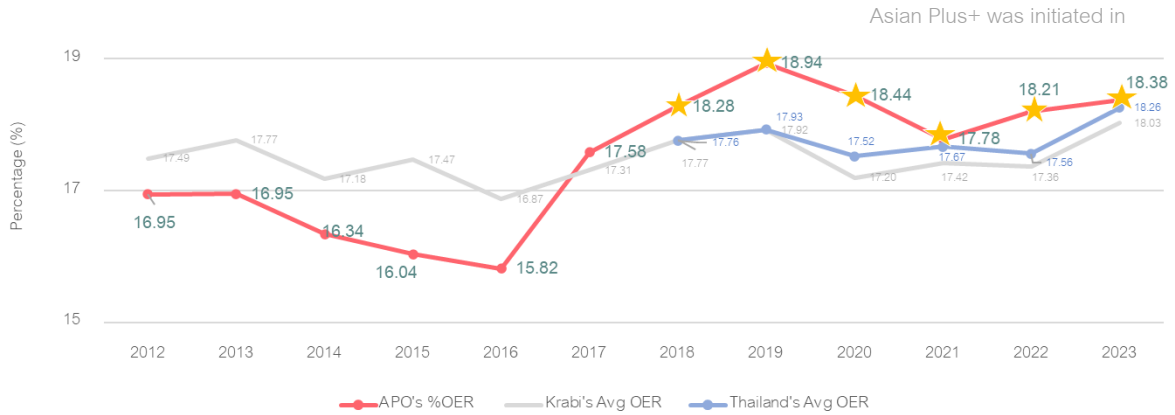
Remark: <sup>/1</sup> By-products include Palm kernel (Shell), Empty fruit bunch, and Palm acid oil (PAO)

The revenue from the sale of all products shown in the table are products derived from the crude palm oil extraction business, both main and by-products. The main factors affecting the revenue of the crude palm oil extraction business consist of 2 factors: 1. Sales volume and 2. Selling price. When considering the sales volume factor, which is affected by 2 components which are raw materials that are introduced into the production process and the production yield rate. In terms of the procurement of fresh fruit bunches for the production process, since the Company's raw material is fresh fruit bunches, which is an agricultural product, the quantity and quality may be affected by the volatility of climate and seasonality (Seasonal).

Fresh fruit bunches (FFB) are a type of agricultural crop that must be considered for their freshness and quality. As a result, leaving FFB for a long time will affect the oil extraction rate. Therefore, the Company's procurement of FFB will be based on the production plan, ensuring an adequate supply of quality raw materials to be imported into the production process within 24 hours. Additionally, the quality inspection of FFB is important to producing high quality palm oil with high production yield of each type, especially for crude palm oil, which has the highest value. As a result, the oil extraction rate (OER) is an important factor for the Company to focus on and is



the reason of the Asian Plus+ quality palm project initiation in 2018. The comparison between the Company's and Krabi province's OER can be shown in the following graph.



Source: Average OER of Krabi from the Krabi Provincial Commerce Office.

The efficiency measurement of palm kernel (PK) production follows a similar pattern as it involves the same production process, resulting in simultaneous production of both palm kernels and crude palm oil (CPO). Therefore, the quantity of palm kernels is considered alongside the crude palm oil. This allows for the assessment of the quantity based on the raw materials input into the process and the Kernel Extraction Rate (KER), which measures the rate of kernel extraction from the palm fruit.

However, to analyze the sales volume factor, referencing the production volume achieved, the reasons can be explained by the two aforementioned components: raw materials introduced into the production process and the production yield rate. The details are as follows:

Item	Unit	2022	2023
Installed production capacity	Tons of fresh fruit bunches per hour	60	60
Maximum capacity	Tons	432,000	432,000
Quantity of fresh fruit bunches processed	Tons	241,711	232,655
Utilization rate	%	55.95%	53.86%
Crude palm oil produced	Tons	44,005	42,754
Crude palm oil extraction rate (OER)	%	18.21%	18.38%
Crude palm oil sales volume	Tons	43,538	42,500
Palm kernels produced	Tons	11,759	11,971
Kernel extraction rate (KER)	%	4.86%	5.15%
Palm kernel sales volume	Tons	11,713	11,936

Remark: Maximum capacity is calculated based on a production rate of 60 tons/hour by using a capacity of 24 hours/day, calculated over 300 days/year or 25 days/month



In 2023, the Company had sales volumes of 42,500 tons of crude palm oil, a decrease of 1,038 tons or 2.38 percent compared to the previous year. The company sold 11,936 tons of palm kernels, an increase of 223 tons or 1.90 percent compared to the previous year. The decrease in sales was due to a decrease in the quantity of palm fruit entering the production process, which was 232,655 tons, a decrease of 9,056 tons or 3.75 percent compared to the previous year. The average capacity utilization rate was 53.86 percent, a decrease of 2.10 percent from the same period of the previous year. The decrease in capacity utilization was due to a decrease in the yield of fresh palm fruit nationwide, which was 850,747 tons or 4.48 percent lower than the previous year. As a result, the decrease in yield was caused by the El Niño phenomenon, which led to a decrease in agricultural production.

Revenue from crude palm oil (CPO) separated by volume and selling price.

Item	Unit	2022	2023
Crude palm oil sales volume	Tons	43,538	42,500
Average selling price	Baht/kg	41.07	30.65
Revenue from crude palm oil sales	MB	1,787.88	1,302.43

In 2023, the company had the sale volume of 42,500 tons of crude palm oil (CPO) at an average selling price of 30.65 baht/kg, resulting in revenue from CPO sales of 1,302.43 million baht, a decrease of 485.45 million baht or 27.15 percent compared to the previous year. The decrease was due to a 2.38 percent decrease in sales volume, as mentioned in the volume analysis, and a 10.42 baht/kg or 25.37 percent decrease in average selling price compared to the previous year. The decrease in average selling price was due to the easing of the COVID-19 pandemic and the Russia-Ukraine war, which led to a decrease in consumer demand for CPO. As a result, the global CPO inventory remained high, causing CPO prices to decline.

(Source: Center for Oil Palm and Oil Palm Information, Department of Internal Trade)

**1. Biogas Power Plant, which Sell Electricity to the Provincial Electricity Authority**

In 2022 and 2023, the Company's revenue from the biogas power generation business was 3.27 million baht and 8.20 million baht, respectively.

The company's electricity sales revenue increased to 4.93 million baht, or 150.76%, due to the continued improvement in the efficiency of the biogas power generation system since the year 2022, which started operating in a stable manner. The company considers that additional capacity could be added until the full capacity under the electricity contract. There was an increase in machinery for the production of electricity during the third quarter of the year.

**Cost of Sales and Gross Profit**

**Cost of Sales and Gross Profit Analysis by Business Segment**

**1. Manufacturing and Distributing of Crude Palm Oil and Its By-products Business**

The Company's revenue, cost of sales, and gross profit are as follows:



Item	2022		2023	
	MB	%	MB	%
Revenue	2,088.66	100.00%	1,517.86	100.00%
Cost of sales	1,986.74	95.12%	1,450.13	95.54%
Gross profit	101.93	4.88%	67.73	4.46%

The main raw material in manufacturing and distributing crude palm oil and its by-products business is the fresh fruit bunches (FFB), which its price correlated with the price of crude palm oil. This directly affects the cost of sales, as well as the revenue. When the price of crude palm oil increases, the price of FFB will also increase; however, the change may not be at the same rate. Labor costs and production costs are additional factors that affect the profit margin.

In 2023, the Company had a cost of sales of 1,450.13 million baht, or 95.54 percent of the revenue, compared to the previous year that the company had a cost of goods sold of 1,986.74 million baht, representing a cost of goods sold ratio of 95.12 percent. As a result of the factors of crude palm fruit quantity and price, the quantity of fresh palm fronds entering the process was 232,655 tons, a decrease of 9,056 tons or 3.75 percent, which is close to the amount from the previous year. When considering the price of FFB, it fluctuates according to the price of crude palm oil, which has decreased compared to 2022; whereas in 2022, the price of crude palm oil increased due to factors related to the COVID-19 pandemic and the Russia-Ukraine war.

In 2023, the company had a gross profit of 67.73 million baht, representing a gross profit margin of 4.46 percent. The gross profit margin decreased by 0.42 percent from the previous year, which had a gross profit margin of 4.88%. The main factor was the volatility of FFB prices from a decrease in FFB supply and inconsistent yields, as a result of the El Niño phenomenon. As a result, FFB prices became highly volatile and spiked at certain times due to the uncertainty of a shortage of raw materials. This was considered an abnormal period as CPO and FFB prices usually positively correlated. If the El Niño phenomenon subsides, FFB prices should return to normal. In contrast, the gross profit margin in 2022 was affected by the volatility of CPO prices, which was caused by the COVID-19 pandemic and the Russia-Ukraine war. In the first half of 2022, many countries, especially India, had a significantly increased demand for CPO. However, as the situation passed its critical point and began to improve, prices drastically decreased. This caused the gross profit margin in the first half of 2022 to be higher than the gross profit margin in the second half of 2022. Nevertheless, the profit margin for the year 2022 was still higher than in 2023.

## 2. Biogas Power Plant, which Sell Electricity to the Provincial Electricity Authority

The Company's revenue, cost of sales, and gross profit are as follows:



Item	2022		2023	
	MB	%	MB	%
Revenue	3.27	100.00%	8.20	100.00%
Cost of sales	2.40	73.41%	4.71	57.45%
Gross profit	0.87	26.59%	3.49	42.55%

For the Biogas power plant, there are no raw material costs in production because the Company utilized biogas that is generated from the wastewater treatment process to produce electricity. Therefore, the cost includes depreciation, cost of consumables, cost of repairment, salary and so forth. Therefore, the cost of sales for this business might not directly correlate with revenue. In 2022, the company upgraded its biogas digester used to generate electricity, which will result in lower maintenance costs but higher depreciation. As a result, the Company had a gross profit of 0.87 million baht, or a gross profit margin of 26.59 percent. The upgrade in 2022 was made to increase the electricity generation per unit. Once the production process was stabilized, the company considered the additional production capacity that could be added to reach the full production capacity under the power purchase agreement. As a result, additional electricity generation equipment was added in the third quarter of 2023 and the results of operations were reflected in the fourth quarter of 2023. This resulted in a significant increase in revenue compared to the previous year. However, the cost of sales did not increase in the same proportion due to the absence of raw material costs. As a result, the company had a gross profit of 3.49 million baht in 2023, or a gross profit margin of 42.55 percent.

#### Distribution Costs

The Company's distribution costs in 2022 and 2023 were 26.99 million baht and 15.32 million baht. This represents 1.29 percent and 1.00 percent of revenue, respectively. In 2023, even though the unit price of products decreased, the Company's distribution costs per unit decreased due to a change in delivery terms. Under the new terms, customers are responsible for picking up goods themselves, which decreases the Company's distribution costs.

#### Administrative Expenses

The Company's administrative expenses in 2022 and 2023 were 44.24 million baht and 43.32 million baht. This represents 2.11 percent and 2.84 percent of sales revenue. In 2023, the Company's administrative expenses was at a similar level to 2022.

#### Financial Costs

The company's financial costs were 3.45 million baht in 2022 and 1.69 million baht in 2023. This represents 0.16 percent and 0.11 percent of sales revenue. In 2023, the company used less working capital and repaid loans from financial institutions, which led to a decrease in financial costs.



## Net Profit (Loss) and Net Profit (Loss) Margin

Item	Unit	2022	2023
Utilization Rate	%	55.95%	53.86%
OER: Oil Extraction Rate	%	18.21%	18.38%
Crude Palm Oil Sales Volume	Tons	43,538	42,500

Item	2022	2023
Unit	MB	MB
Revenue from manufacturing and distributing of crude palm oil and its by-products	2,088.66	1,517.86
Revenue from biogas powerplant	3.27	8.20
Gross profit from manufacturing and distributing of crude palm oil and its by-products	101.93	67.63
Gross profit from biogas powerplant	0.87	3.49
Other income <sup>1</sup>	4.71	2.81
<b>Profit before operating expenses</b>	<b>107.51</b>	<b>74.03</b>
Distribution costs	26.99	15.32
Administrative expenses	44.24	43.32
<b>Profit (loss) from operating activities</b>	<b>36.29</b>	<b>15.39</b>
Financial costs	3.45	1.69
<b>Profit (loss) before income tax expenses</b>	<b>32.84</b>	<b>13.70</b>
Income tax expense	(4.59)	(0.71)
<b>Net profit (loss) for the period</b>	<b>28.25</b>	<b>12.99</b>

Remark: <sup>1</sup> Other income consists of Interest income, Gains on Exchange Rate, Gain on Sale of Assets, Other income, and rental income (excluding income from the sale of by-products, which is included in income from the business of manufacturing crude palm oil and selling products from the extraction of crude palm oil and by-products).

The Company's net profit (loss) for 2022 and 2023 was 28.25 million baht and 12.99 million baht, this represents net profit margins of 1.35 percent and 0.85 percent. The details are as follows:

Net profit (loss) for 2023 was 12.99 million baht, or a net profit (loss) margin of 0.85 percent, a decrease from the previous year of 15.26 million baht, or a decrease of 54.02 percent. This was due to gross profit from the manufacturing and distributing of crude palm oil and its by-products business of 67.63 million baht, gross profit from the producing electricity from biogas business of 3.49 million baht, and other income of 2.81 million baht. This resulted in a profit before operating expenses of 74.03 million baht, a decrease of 33.48 million baht or 31.14 percent from the same period of the previous year. The decrease was due to a decrease in gross profit from the manufacturing and distributing of crude palm oil and its by-products business compared to the same period of the previous year. The main factor was the volatility of FFB prices. This was due to concerns about a decrease in FFB supply and uneven yields caused by the El Niño phenomenon. As a result, the price of FFB fluctuated greatly and spiked at times due to concerns about a shortage of raw materials. In contrast, the price of CPO tended to decrease as the COVID-19 pandemic and the Russia-Ukraine war eased. Consumers no longer needed to stockpile CPO, so the global inventory of CPO remained high. This led to a decline in the price of CPO. This situation was considered abnormal because the prices of CPO and FFB usually move in tandem. The high cost of raw materials, therefore,



led to higher costs. Although distribution and administrative expenses decreased by 12.58 million baht, the decline in profit before operating expenses was greater, resulting in a decrease in net profit.