



ที่ EE/SET/016/2567

13 August 2024

Subject: Management Discussion and Analysis for Financial Statements Q2/2024 ended 30 June 2024

Attention: President

The Stock Exchange of Thailand

Eternal Energy Public Company Limited and its subsidiaries (the “Company”) would like to explain operation results for Q2/2024 ended 30 June 2024 which had a net loss of Baht 113.79 million, decreased by Baht 46.63 million or 29.07% from Q2/2023, details as follows:

Statements of Comprehensive Income

1. Gross profit decreased by Baht 0.63 million or 172.08%, because in Q2/2023, the company recorded loss for decline in value of inventory amounting to Baht 6.21 million.
2. Other income increased by Baht 55.01 million or 116.56%. mainly consists of
 - 2.1. Gains on change in value of equity investments designated at fair value through profit or loss decreased by Baht 66.29 million or 100%, due to no change in the market price of trading securities in Q2/2024, resulting in no profit (loss), which is different from in Q2/2023, cost of shares are lower than market price, resulting in the Company recognized gain on change in value of equity investment have not yet been sold.
 - 2.2. Gains on change in fair value of biological assets decreased by Baht 9.55 million or 55.20%, because in Q2/2024, the Company has delaying its planting plan while preparing the because changed from growing hemp to cannabis by cannabis has a higher selling price than hemp and the costs are not different, making the expected value higher than hemp.
 - 2.3. Other income decreased by Baht 1.55 million or 95.70%, mainly caused by the decrease to profits from the sale of securities for trading in equity instruments, due to no trading in Q2/2024.

3. Total expenses increased by Baht 1.96 million or 1.80%, mainly consisting of
- 3.1. Administrative expenses decreased by Baht 3.19 million or 18.09%, mainly caused by in Q2/2024 the decrease by salary and consulting fees because the Company has restructuring to reduce unnecessary expenses in line with the decrease in no of employee and advertising expenses. Moreover, office service fees decreased due to the office relocation.
- 3.2. Management benefit expenses decreased by Baht 0.68 million or 20.30%, because in Q2/2024, the Company due the decrease in management, resulting in a decrease in management benefit expenses by Baht 1.03 million and the meeting allowance of the directors increased by Baht 0.35 million due to the calling of an meeting regarding the company's operations.
- 3.3. Impairment loss of goodwill of investment in subsidiary increased by Baht 3.71 million or 4.21%, caused by Q2/24, the present value of cash flows of its subsidiaries expected to receive in the future lower than estimated, the Company has determined the recoverable amount of CBDB and CW by applying discounted cash flow derived from the estimates of expected future cashflow generating from its group of assets, then adjusted with current operating performance. The Company compares the above recoverable amounts to the carrying amounts of such assets and found that the carrying amounts exceeds the recoverable amounts. Therefore, the Company had recognised an impairment loss of CBDB and CW for goodwill in the consolidated financial statements and for its investment in subsidiaries.

(Unit : Million Baht)

| Test Date/ Susidaries | Impairment loss of goodwill | | | Impairment loss on investment in subsidiaries | | |
|--------------------------|-----------------------------|---------------|---------------|---|---------------|---------------|
| | CBDB | CW | Total | CBDB | CW | Total |
| June 30, 2023 | 88.14 | - | 88.14 | 88.14 | - | 88.14 |
| September 30, 2023 | - | 122.96 | 122.96 | - | 157.16 | 157.16 |
| December 31, 2023 | 16.57 | 243.85 | 260.42 | 74.14 | 253.86 | 328.00 |
| March 31, 2024 | 6.72 | 16.99 | 23.71 | 7.84 | 19.52 | 27.36 |
| June 30, 2024 | 53.18 | 17.18 | 70.36 | 49.07 | 27.37 | 76.44 |
| | <u>164.61</u> | <u>400.98</u> | <u>565.59</u> | <u>219.19</u> | <u>457.91</u> | <u>677.10</u> |

Movements during the six-month period ended June 30, 2024 and the year ended December 31, 2023 are as follows

| | (Unit : Baht) | |
|---------------------------------------|------------------------|----------------------------|
| | Consolidated | |
| | As at June 30, 2024 | As at December 31, 2023 |
| Beginning balance of the period/ year | 719,219,333 | 1,190,741,333 |
| Less Impairment loss of goodwill | | |
| - CBD Bioscience Co., Ltd. | (59,900,000) | (104,705,000) |
| - Cannabiz way Co., Ltd. | (34,170,000) | (366,817,000) |
| Total | (94,070,000) | (471,522,000) |
| Ending balance of the period/ year | 625,149,333 | 719,219,333 |

Therefore, the company has considered establishing a direction for future operations to ensure the company maintains consistent and sustainable revenue and operational performance. This includes innovation and adaptation based on past experiences to achieve high-quality production outcomes. It also involves creating high-quality products tailored to meet the diverse needs of all customer segments and supporting sustainable growth in the future. Cost reduction in cultivation is prioritized to achieve low costs while still maintaining quality and quantity within market standards, ensuring products can be sold at competitive market prices. There is also a focus on adjusting the cultivation plan, emphasizing the cultivation of various strains of cannabis to increase production volume to meet the future market demands to the fullest extent possible.

The primary focus of problem-solving strategies will encompass: (1) Revenue management: Emphasis will be placed on developing the core business to be efficient and diverse according to market demands and to ensure revenue stability. This involves adapting to consumer behaviors, fostering cooperative relationships with partners, and sharing gains and losses to enhance product and service quality. Exploring new business opportunities related to the company's current operations to expand future business prospects, including seeking potential business partnerships to enhance opportunities and operational efficiency within the group of companies. (2) Cost and expense management: There will be considerations to adjust the business structure to align with the current situation, including restructuring debts and capital within subsidiary companies to reduce financial costs. Cost reduction in cultivation will also be prioritized to achieve low costs while maintaining quality and quantity within market standards, allowing products to be sold at competitive market prices. The Board of Directors will carefully consider and discuss with the management team all operational strategies, prioritizing the company's and shareholders' benefits.

Please be informed accordingly.

Yours sincerely.

(Mr.Issara Rounsuk-udom)

Chief Executive Officer

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