



Date 29 September 2022

Subject Discussion and Analysis of the Company's Performance for the 2021 Financial Statements

To President of the Stock Exchange of Thailand

Enclosures

Management Discussion and Analysis of the Company's Performance for the 2021 Financial Statements in Thai and English, one copy for each

Thai Eastern Group Holdings Public Company Limited would like to submit the 2021 financial statements for the year ended 31 December 2021 which were reviewed by certified public accountants to the Stock Exchange of Thailand.

For the Company's performance for the 2021 financial statements, it had a net profit of 562.64 million baht. In this regard, the Company would like to explain the reasons for its performance in 2021, details of which appear as attached.

Please be informed accordingly.

Respectfully yours,

A handwritten signature in blue ink, appearing to be "Dr. Kamolthip Komolyudtaphaet".

Dr. Kamolthip Komolyudtaphaet
(Chief Financial Officer)

Management Discussion and Analysis of the Company's Performance for the Year 2021**Thai Eastern Group Holdings Public Company Limited****1. Business Overview**

Thai Eastern Group Holdings Public Company Limited ("the Company" or "TEGH") is a holding company holding shares in other companies that operate 3 main businesses i.e. (1) natural rubber production and distribution, (2) crude palm oil production and distribution, and (3) renewable energy and organic waste management through the operation of 11 subsidiaries¹ and one joint venture (of which less than 50% shares are held directly and indirectly by the Company) (altogether referred to as "the Group").

Nevertheless, according to the terms specified in joint venture agreements and shareholders' agreements of some subsidiaries i.e. Thai Eastern Trat Company Limited ("TET"), Sumi Rubber Thai Eastern Plantation Company Limited ("STEP") and Thai Eastern Tops Seed Oil Company Limited ("TETSO") (before the purchase of TETSO's shares at the amount of 30% of its paid-up capital by EPO), the investments in TET, STEP and TETSO were recorded as joint ventures and the share of profit (loss) from the investments in joint ventures were recorded using the equity method in the Company's consolidated financial statements for the years ended 31 December 2019, 2020 and 2021. However, on 13 January 2022 EPO bought more TETSO's shares at the amount of 30% making the Company's holds 100% of TETSO's total paid-up capital (through shareholding in EPO) and has a controlling power over TETSO. Consequently, the Company has changed the accounting method from recording the investments in joint ventures into in one of the subsidiaries according to the Thai Financial Reporting Standard No. 3 Re: The Consolidated Financial Statements (TFRS 3) for the financial statements of 2022 onwards.

Natural Rubber Business

The Group produces and distributes natural rubber as raw materials to domestic and overseas manufacturers of various products. Its natural rubber products can be grouped into 2 main categories i.e. block rubber and concentrated latex under the Group's brands. There are 2 main types of block rubber product i.e. technically specified rubber and special grade block rubber; while the concentrated latex products are also divided into 2 main types i.e. standardized concentrated latex and special grade concentrated latex. Such classification of block rubber and concentrated latex products is based on the properties of block rubber specified by the Rubber Research Institute, the Department of Agriculture, and the Thai Industrial Standard for concentrated latex or TIS no. 980-2552 specified by the Thai Industrial Standard Institute (TISI), the Ministry of Industry respectively.

Crude Palm Oil Business

The Group produces and distributes crude palm oil as raw materials to domestic manufacturers. The crude palm oil products can be divided into 4 main categories i.e. crude palm oil, kernel, crude palm kernel oil

¹ Refer to the Notification of the Securities and Exchange Commission No. Kor Chor. 17/2551 Re: Determination of Definitions in Notifications relating to Issuance and Offer for Sale of Securities.

(CPKO) and kernel cake. Owing to the Group's standardized production process, leading companies have become its customers. Major customers for crude palm oil and crude palm kernel oil include vegetable oil manufacturers, biodiesel manufacturers and animal feed manufacturers; while major customers for kernel include manufacturers of crude palm kernel oil which is a raw material for various types of industry such as edible vegetable oil industry, food industry, animal feed industry, biodiesel industry and oleochemical industry.

Renewable Energy and Organic Waste Management Business

The Group has launched its biogas production project by establishing Thai Eastern Bio Power Company Limited ("TEBP") to invest in the construction of anaerobic ponds and biogas plant located in the factory area of its head office in Nongyai District, Chonburi. The total capacity of biogas plant is 23 million cubic meters per year. The purpose of this business is to promote sustainable business growth by utilizing organic wastes discharged from the factory's process. Also, the Group manages organic wastes discharged from agro-industry, bio-agriculture and food and beverage processing industry of its counterparties using a standardized and proper method to produce biogas. This business creates a green economy that reduces environmental impacts, lowers production costs, and generates steady incomes for the Group.

Currently, the Group's renewable energy and organic waste management business consists of 3 parts of products and services as follows:

1. Organic waste management services which are divided into 2 types :
 - 1.1. Solid Organic Waste (SOW)
 - 1.2. Liquid Organic Waste (LOW)
2. Biogas production and distribution
3. Production and distribution of electricity from biogas

2. The Group's Business Performance

2.1 Revenue from the Sale of Goods and Rendering of Services

In 2021, the Group's revenue from the sale of goods and rendering of services increased from 2020 by 2,891.51 million baht or 35.28%, the main part of which was from the revenue of natural rubber business. This can be summarized as the table below:

Revenue by Type of Business	For the Years Ended 31 December			
	2020		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Natural Rubber Business	6,919.84	84.43	9,214.23	83.10
Crude Palm Oil Business	1,184.33	14.45	1,779.58	16.05
Renewable Energy and Organic Waste Management	76.73	0.94	80.56	0.73
Others ⁽²⁾	15.34	0.19	13.39	0.12
Total Revenue from the Sale of Goods and Rendering of Services	8,196.25	100.00	11,087.76	100.00

Notes: ⁽¹⁾ Percentage of the total revenue from the sale of goods and rendering of services

⁽²⁾ Others mainly comprise revenue from rendering of transportation service of TEL

(1) Revenue from natural rubber business

For the years ended 31 December 2020 and 2021, the Group's revenues from the natural rubber business were at 6,919.84 million baht and 9,214.23 million baht respectively. Most of the revenue of this business was from the production and distribution of special grade block rubber. This can be summarized as the table below:

Revenue from Natural Rubber Business	For the Years Ended 31 December			
	2020		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
1. Block Rubber				
1.1 Technically Specified Rubber	41.02	0.59	25.04	0.27
1.2 Special Grade Block Rubber	6,269.70	90.60	8,534.81	92.63
Total Revenue from the Sale of Block Rubber	6,310.72	91.20	8,559.85	92.90
2. Concentrated Latex				
2.1 Standardized Concentrated Latex	216.83	3.13	257.41	2.79
2.2 Special Grade Concentrated Latex	375.68	5.43	383.05	4.16
Total Revenue from the Sale of Concentrated Latex	592.51	8.56	640.47	6.95
3. Others	16.62	0.24	13.91	0.15
Total Revenue from Natural Rubber Business	6,919.84	100.00	9,214.23	100.00

Notes: ⁽¹⁾ Percentage of the total revenue from natural rubber business

In 2021, the Group's revenue from natural rubber business increased from 2020 by 2,294.39 million baht or 33.16% mainly due to:

- An increase in the revenue from the sale of special grade block rubber by 2,265.11 million baht or 36.13% which was resulted from (a) a higher sales volume of special grade rubber to overseas customers as the tire industry has recovered along with the gradual global economy recovery after the COVID-19 Pandemic, in which the Group was able to manage to deliver products to customer properly despite of insufficient supply of containers and carriers; and (b) an increase in its average selling price as a result of a rise in rubber price in the market.
- An increase in the revenue from the sale of concentrated latex by 47.69 million baht or 8.09% due to a higher average selling price for the same reason as the block rubber average selling price.

(2) Revenue from crude palm oil business

For the years ended 31 December 2020 and 2021, the Group had the revenues from crude palm oil business at 1,184.33 million baht and 1,779.58 million baht respectively. Most of this revenue were from the production and distribution of crude palm oil which can be summarized as follows:

Revenue from Crude Palm Oil Business ⁽²⁾	For the Years Ended 31 December			
	2020		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Crude Palm Oil	865.03	73.04	1,528.25	85.88
Kernel ⁽³⁾	272.23	22.99	251.33	14.12
Crude Palm Kernel Oil ⁽⁴⁾	47.07	3.97	-	-
Total Revenue from Crude Palm Oil Business	1,184.33	100.00	1,779.58	100.00

Notes: ⁽¹⁾ Percentage of the total revenue from crude palm oil business

⁽²⁾ The sales of each product includes the sales of by product on each product category

⁽³⁾ Most of the revenue from the sale of kernel are from selling to TETSO, the Company's joint venture. However, on 13 January 2022 EPO bought additional 30% of TETSO's paid-up share capital, making the Group holds 100% of TETSO's paid-up share capital (through shareholding in EPO). Such transaction resulted in the status of investment in TETSO changed from a joint venture into a subsidiary of the Company and therefore the revenue from the sale of kernel to TETSO including relating expenses would not appear in the Company's consolidated financial statements from 13 January 2022 onwards.

⁽⁴⁾ The revenue from the sale of crude palm kernel oil in 2020 was from trading transactions to fulfil the demand of EPO's regular customers.

In 2021, the Group's revenue from crude palm oil business rose from 2020 by 595.25 million baht or 50.26% mainly because of:

- A rise in the revenue from the sale of crude palm oil by 663.22 million baht or 76.67% mainly due to a higher sales volume and an increase in the average selling price of crude palm oil as a result of the industry recovery, hence a higher demand for crude palm oil.
- Nonetheless, the revenue from the sale of kernel decreased by 20.90 million baht or 7.68% mainly due to a lower sales volume of kernel since the production of TETSO, to which a part of kernel was sold, was temporality slowed down during the negotiation to buy more TETSO's shares.

(3) Revenue from renewable energy and organic waste management business

For the years ended 31 December 2020 and 2021, the Group's revenues from renewable energy and organic waste management business were at 76.73 million baht and 80.56 million baht respectively. Most of this revenue were from the rendering of waste management service. This can be summarized as the table below:

Renewable Energy and Organic Waste Management Business	For the Years Ended 31 December			
	2020		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Organic Waste Management Service	50.23	65.47	55.36	68.72
Biogas ⁽²⁾	3.48	4.53	2.83	3.51
Electricity Generation from Biogas	23.02	30.00	22.37	27.77
Total Revenue from Renewable Energy and Organic Waste Management Business	76.73	100.00	80.56	100.00

Notes: ⁽¹⁾ Percentage of the total revenue from renewable energy and organic waste management business.

⁽²⁾ A part of revenue from the sale of biogas was from selling to TETSO, the Company's joint venture. However, on 13 January 2022 EPO bought additional 30% of TETSO's paid-up share capital, making the Group holds 100% of TETSO's paid-up share capital (through

shareholding in EPO). Such transaction resulted in the status of investment in TETSO changed from a joint venture into a subsidiary of the Company and therefore the revenue from the sale of biogas to TETSO including relating expenses would not appear in the Company's consolidated financial statements from 13 January 2022 onwards.

In 2021, the Group's revenue from renewable energy and organic waste management business increased by 3.83 million baht or 5.00% from the year 2020 due to (a) a higher amount of organic waste from industrial factories being managed as a result of an increasing factory manufacturing which was in line with a gradual recovery of the industry sector; and (b) a higher average service fee as the Group had new customers and a higher proportion of organic waste management service with the higher average service fee.

(4) Other revenues

The Group's other revenues include a profit from currency exchange, a rent revenue from leasing out movable and immovable properties to the Company's employees as a part of housing benefit, and a revenue from government grants under the Energy Conservation Promotion Fund for the biogas technology promotion program which will be recognized gradually by a straight-line method over the useful life of relevant assets.

For the years ended 31 December 2020 and 2021, the Group's other revenues were at 28.61 million baht and 32.79 million baht respectively, increasing by 4.18 million baht which was considered an insignificant change.

2.2 Costs of Sales and Services

For the years ended 31 December 2020 and 2021, the Group's costs of sales and services were at 7,586.95 million baht and 9,903.40 million baht respectively, increasing by 2,316.45 million baht or 30.53%. This can be summarized as follows:

Costs of Sales and Services	For the Years Ended 31 December			
	2020		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Cost of Natural Rubber Business	6,275.57	82.72	8,091.66	81.70
Cost of Crude Palm Oil Business	1,225.41	16.15	1,719.94	17.37
Cost of Renewable Energy and Organic Waste Management Business	76.81	1.01	78.25	0.79
Other Costs of Sales and Services ⁽²⁾	9.16	0.12	13.55	0.14
Total Costs of Sales and Services	7,586.95	100.00	9,903.40	100.00

Notes: ⁽¹⁾ Percentage of total cost of sales and service.

⁽²⁾ Other costs mainly comprise the cost of transportation service.

(1) Cost of natural rubber business

Major costs in the natural rubber business include a raw material cost, a labor cost, and depreciation and amortization. In 2021, the Group's cost of natural rubber business increased by 1,816.09 million baht or 28.94% from 2020 mainly due to a higher raw material cost which was resulted from (a) a significant increase

in block rubber sales volume, hence a higher amount of raw material required for production; and (b) an increasing market price of cup lump, a main raw material for block rubber production.

(2) Cost of crude palm oil business

Major costs in the crude palm oil business include a raw material cost, a labor cost, and depreciation and amortization. In 2021, the Group's cost of crude palm oil business rose by 494.53 million baht or 40.36% from 2020 mainly due to a higher raw material cost which was resulted from (a) a significant increase in crude palm oil sales volume, hence a higher amount of raw material required for production; and (b) an increasing market price of fresh fruit bunch, a main raw material for crude palm oil production, throughout the year 2021.

(3) Cost of renewable energy and organic waste management business

Major costs in the renewable energy and organic waste management business include a raw material cost, a labor cost, and depreciation and amortization. In 2021, the Group's cost of renewable energy and organic waste management business increased by 1.43 million baht or 1.86% from 2020 mainly due to a higher depreciation which was considered an insignificant change.

2.3 Gross Profit

For the years 31 December 2020 and 2021, the Group had gross profits of 609.30 million baht and 1,184.36 million baht respectively, equaling to the gross profit margins of 7.43 and 10.68% respectively. This can be summarized as follows:

Gross Profit	For the Years Ended 31 December			
	2020		2021	
	Value (MTHB)	(Percent) ⁽¹⁾	Value (MTHB)	(Percent) ⁽¹⁾
Natural Rubber Business	644.27	9.31	1,122.57	12.18
Crude Palm Oil Business	(41.08)	(3.47)	59.64	3.35
Renewable Energy and Organic Waste Management Business	(0.08)	(0.11)	2.31	2.87
Other Businesses	6.19	40.33	(0.16)	(1.20)
Total Gross Profit	609.30	7.43	1,184.36	10.68

Notes: ⁽¹⁾ Gross Profit (Less) Margin

(1) Natural rubber business

For the years ended 31 December 2020 and 2021, the Group's gross profit margins were at 9.31% and 12.18% respectively, mainly due to a higher selling price as a result of an increasing overall demand along with the global economy.

(2) Crude palm oil business

For the years ended 31 December 2020 and 2021, the gross profit (loss) margins of the crude palm oil business were at (3.47)% and 3.35% respectively. The increase was resulted mainly from a higher oil

extraction rate due to a repair of boilers in the 4th quarter of 2020, leading to more efficient oil extraction, higher extraction rate and more amount of CPO being produced.

(3) Renewable energy and organic waste management business

For the years ended 31 December 2020 and 2021, the Group's gross profit (loss) margins for this business were at (0.11)% and 2.87% respectively which mainly due to an increase in the revenue from organic waste processing service while there was no significant change in other costs.

2.4 Sales and Distribution Expenses

Most of the Group's sales and distribution expenses include contributions to the Rubber Replanting Aid Fund, transportation expense and export expense. For the years ended 2020 and 2021, the sales and distribution expenses were at 259.03 million baht and 297.10 million baht respectively. Such expenses are summarized below:

Sales and Distribution Expenses	For the Years Ended 31 December			
	2020		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Contributions to the Rubber Replanting Aid Fund	121.64	46.96	170.77	57.48
Transportation Expense	52.61	20.31	55.58	18.71
Export Expense	42.30	16.33	48.52	16.33
Brokerage Fee	31.50	12.16	6.04	2.03
Other Sales and Distribution Expenses	10.98	4.24	16.20	5.45
Total Sales and Distribution Expenses	259.03	100.00	297.10	100.00

Notes: ⁽¹⁾ Percentage of the total sales and distribution expenses

In 2021, the Group's sales and distribution expenses increased by 38.07 million baht or 14.70% from 2020 mainly due to higher contributions to the Rubber Replanting Aid Fund which was in line with a higher export volume.

2.5 Administrative Expenses

Most of the Group's administrative expenses include employee benefits expense, consultant fee and depreciation and amortization. For the years ended 31 December 2020 and 2021, the administrative expenses were at 165.65 million baht and 185.25 million baht respectively. This can be summarized as the table below:

Administrative Expenses	For the Years Ended 31 December			
	2020		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Employee Benefits Expense ⁽²⁾	75.43	45.53	96.20	51.93
Consultant Fee	26.99	16.29	26.09	14.09
Depreciation and Amortization	20.37	12.30	19.77	10.67
Office Expenses	4.39	2.65	3.63	1.96
Other Administrative Expenses ⁽³⁾	38.47	23.23	39.55	21.35
Total Administrative Expenses	165.65	100.00	185.25	100.00

Notes: ⁽¹⁾ Percentage of the total administrative expenses.

⁽²⁾ Employee benefits expense includes salary and benefits provided by the Group to its employees.

⁽³⁾ Other administrative expenses mostly comprise fees, utility charges, etc.

In 2021, the Group's administrative expenses increased by 19.60 million baht or 11.83% from 2020 mainly due to the employee benefits expense since the Group paid a bonus to its employees according to its business operation in 2021.

2.6 Net Profit and Net Profit Margin

For the years ended 31 December 2020 and 2021, the Group's net profits were at 37.65 million baht and 562.64 million baht respectively, increasing significantly in 2021, or equaling to the net profit margins of 0.46% and 5.06% respectively. Such rise in the net profit and net profit margin was resulted from (a) an increase in the profit of natural rubber and crude palm oil businesses due to higher average selling prices and higher sales volumes following the industry recovery; and (b) a higher share of profit from investment in joint ventures due to a similar reason.

On 13 January 2022, EPO bought additional TETSO shares at the amount of 30% of its paid-up capital. Such transaction resulted in the Group holding shares of TETSO at 100.0% of its paid-up capital (through shareholding in EPO), making the status of investment in TETSO changed from a joint venture into a subsidiary of the Company which was shown in the statement of financial position under the Company's consolidated financial statements as at 31 December 2021. However, the Company's consolidated financial statements for the year ended 31 December 2021 still showed the share of profit (loss) from the investment in TETSO since EPO began holding additional shares of TETSO on 13 January 2022.

The business performance of TETSO for the years ended 2020 and 2021 can be summarized as follows:

TETSO Business Performance	For the Years Ended 31 December			
	2020		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Revenue from sales	483.41	100.00	379.84	100.00
Costs of sales	522.46	108.08	424.56	111.77
Sales and Distribution Expenses	7.01	1.45	5.01	1.32
Administrative Expenses	6.36	1.32	2.90	0.76
Net Profit (Loss)	(61.43)	(12.71)	(56.50)	(14.87)

Notes: ⁽¹⁾ Percentage of the revenue from sales

3. Analysis of the Group's Financial Position

3.1 Assets

As at 31 December 2021, the Group's total assets were at 6,482.31 million baht. Major assets included inventories, trade account and other receivables, and land, building and equipment. The percentage of current assets to the Group's total assets was 58.79%.

3.2 Liabilities

As at 31 December 2021, the Group's total liabilities were at 4,391.83 million baht. Major liabilities included (1) bank overdrafts and short-term borrowings from financial institutions, (2) short-term loans from related parties, (3) long-term borrowings from financial institutions, and (4) account payable and other payables. The percentage of current liabilities to the Group total liabilities was 85.49%.

3.3 Equity

Equity comprises issued and paid-up capital, retained earnings, and a surplus from business combination under common control. As at 31 December 2021, the Group's total equity was 2,084.49 million baht, increasing by 645.14 million baht or 30.95% from the end of previous year. The main reason was an increase in additional unappropriated retained earnings from the net profit of the year 2021. Furthermore, in 2021 the Company made a call on shares at the amount of 82.50 million baht, resulting in the Company being fully paid-up.

3.4 Statement of Cash Flow

In 2021, the Group had cash and cash equivalents at the beginning of the year at 113.96 million baht. The operating cash flow which primarily came from the Group's operating profit was used at the amount of 35.59 million including a decrease in cash flow due to changes in operating assets and liabilities mainly due to an increase in inventories and other non-current assets. Moreover, the Group used 292.07 million baht of the investing cash flow mainly for an increase in bank deposits with collateral obligations, loans to joint ventures, purchase of building and equipment, purchase of intangible assets, and purchases for use rights assets. As a result, the cash and cash equivalents at the end of the year decreased to 38.93 million baht despite the Group's cash inflows from financing activities of 252.63 million baht.