



Date 29 September 2022

Subject Discussion and Analysis of the Company's Performance from the Interim Financial Reporting
For the Six-Month Period Ended 30 June 2022

To President of the Stock Exchange of Thailand

Enclosure

Management Discussion and Analysis of the Company's Performance from the Interim Financial
Reporting for the Six-Month Period Ended 30 June 2022 in Thai and English, one copy for each

Thai Eastern Group Holdings Public Company Limited ("the Company") would like to submit the interim financial reporting for the six-month period ended 30 June 2022 which was reviewed by certified public accountants to the Stock Exchange of Thailand.

According to the Company's performance stated in the interim financial reporting for the six-month period ended 30 June 2022, it had a net profit of 367.28 million baht. In this regard, the Company would like to explain the reasons for its performance stated in the interim financial reporting for the six-month period ended 30 June 2022, 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 for the Six-Month Period Ended 30 June 2022**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

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

For the six-month periods ended 30 June 2021 and 2022, the Group's revenues from the sale of goods and rendering of services increased by 2,322.19 million baht or 44.53%, 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 Six-Month Periods Ended 30 June			
	2021		2022	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Natural Rubber Business	4,231.28	81.14	5,693.40	75.54
Crude Palm Oil Business	937.19	17.97	1,786.50	23.70
Renewable Energy and Organic Waste Management Business	39.57	0.76	52.51	0.70
Others ⁽²⁾	6.55	0.13	4.37	0.06

Revenue by Type of Business	For Six-Month Periods Ended 30 June			
	2021		2022	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Total Revenue from the Sale of Goods and Rendering of Services	5,214.59	100.00	7,536.79	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 six-month periods ended 30 June 2021 and 2022, the Group's revenues from the natural rubber business were at 4,231.28 million baht and 5,693.40 million baht respectively. Most of the revenue of this business were from the production and distribution of special grade block rubber. This can be summarized as the table below:

Revenue from Natural Rubber Business	For Six-Month Periods Ended 30 June			
	2021		2022	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
1. Block Rubber				
1.1 Technically Specified Rubber	12.02	0.28	18.97	0.33
1.2 Special Grade Block Rubber	3,907.69	92.35	5,318.87	93.42
Total Revenue from the Sale of Block Rubber	3,919.70	92.64	5,337.85	93.75
2. Concentrated Latex				
2.1 Standardized Concentrated Latex	111.86	2.64	202.71	3.56
2.2 Special Grade Concentrated Latex	191.98	4.54	144.40	2.54
Total Revenue from the Sale of Concentrated Latex	303.84	7.18	347.11	6.10
3. Others	7.74	0.18	8.44	0.15
Total Revenue from Natural Rubber Business	4,231.28	100.00	5,693.40	100.00

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

For the six-month periods ended 30 June 2021 and 2022, the Group's revenue from natural rubber business increased by 1,462.12 million baht or 34.56%. Such change was mainly due to:

- An increase in the revenue from the sale of special grade block rubber by 1,411.19 million baht or 36.11% which was resulted from (a) a higher sales volume as the tire industry has recovered along with the gradual global economy recovery after the COVID-19 Pandemic; and (b) an increase in the average selling price because of a rise in rubber price in the market.
- An increased on the revenue from the sale of standardized concentrated latex by 90.86 million baht or 81.22% which was primarily resulted from (a) a higher sales volume according to the higher demand from customers who are rubber thread manufacturers; and (b) an increase in the average selling price because of a rise in rubber price in the market.

(2) Revenue from crude palm oil business

For the six-month periods ended 30 June 2021 and 2022, the Group's revenues from crude palm oil business were at 937.19 million baht and 1,786.50 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 Six-Month Periods Ended 30 June			
	2021		2022	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Crude Palm Oil	798.32	85.18	1,051.65	58.87
Kernel ⁽³⁾	122.57	13.08	99.05	5.54
Crude Palm Kernel Oil ⁽⁴⁾	16.30	1.74	635.80	35.59
Total Revenue from Crude Palm Oil Business	937.19	100.00	1,786.50	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 was from trading transactions to fulfil the demand of EPO's regular customers.

For the six-month periods ended 30 June 2021 and 2022, the Group's revenue from the crude palm oil business rose by 849.31 million baht or 90.62%. Such change was primarily due to:

- The revenue from the sale of crude palm oil increased by 253.33 million baht or 31.73% mainly as a result of a higher average selling price of crude palm oil in accordance with the market price notwithstanding a lower sales volume of crude palm oil because of annual factory and machinery maintenance during April 2022. For the year 2021, such annual factory and machinery maintenance was conducted during the second half of 2021.
- The revenue from the sale of crude palm kernel oil increased by 619.50 million baht resulting from the buying of TETSO shares in which a share of profit from investment was changed from being recorded in joint ventures into in a subsidiary. After the buying of shares, TETSO's revenue from sales has increased owing to a revision of business plan in which TETSO has expanded its customer base.

(3) Revenue renewable energy and organic waste management business

For the six-month periods ended 30 June 2021 and 2022, the Group's revenues from the renewable energy and organic waste management business were at 39.57 million baht and 52.51 million baht respectively, most of which were from the revenue from organic waste management service. This can be summarized as follows:

Renewable Energy and Organic Waste Management Business	For Six-Month Periods Ended 30 June			
	2021		2022	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Organic Waste Management Service	27.66	69.91	39.52	75.27
Biogas ⁽²⁾	0.18	0.46	0.32	0.61
Electricity Generation from Biogas	11.73	29.63	12.66	24.12
Total Revenue from Renewable Energy and Organic Waste Management Business	39.57	100.00	52.51	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.

For the six-month periods ended 30 June 2021 and 2022, the Group's revenues from the renewable energy and organic waste management business increased by 12.94 million baht or 32.69%. The change in revenue was caused by (a) an increased amount of organic waste being managed following a higher demand of existing customers as well as new customers; and (b) a higher average service fee as the Group has increased its standard service fee for both existing and new customers.

(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 six-month periods ended 30 June 2021 and 2022, the Group's other revenues were at 14.18 million baht and 29.01 million baht respectively, increasing by 14.83 million baht mainly because the Group received insurance compensation during the six-month period ended 30 June 2022.

2.2 Costs of Sales and Services

For the six-month periods ended 30 June 2021 and 2022, the Group's costs of sales and services were at 4,642.76 million baht and 6,826.34 million baht respectively, increasing by 2,183.58 million baht or 47.03%. The costs of sales and services can be grouped by type of business as follows:

Costs of Sales and Services	For Six-Month Periods Ended 30 June			
	2021		2022	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Cost of Natural Rubber Business	3,696.12	79.61	5,017.35	73.50
Cost of Crude Palm Oil Business	895.81	19.29	1,762.84	25.82
Cost of Renewable Energy and Organic Waste Management Business	42.13	0.91	43.59	0.64
Other Costs of Sales and Services ⁽²⁾	8.70	0.19	2.56	0.04
Total Costs of Sales and Services	4,642.76	100.00	6,826.34	100.00

Notes: ⁽¹⁾ Percentage of the total costs of sales and services.

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

(1) Natural rubber business

Major costs in the natural rubber business include a raw material cost, a labor cost, and depreciation and amortization. Regarding the six-month periods ended 30 June 2021 and 2022, the Group's cost of natural rubber business increased by 1,321.23 million baht or 35.75% mainly due to a higher raw material cost resulted from para rubber increased in price.

(2) Crude palm oil business

Major costs in the crude palm oil business include a raw material cost, a labor cost, and depreciation and amortization. Regarding the six-month periods ended 30 June 2021 and 2022, the cost of crude palm oil business rose by 867.03 million baht or 96.79% mainly due to (a) a higher raw material cost resulting from an increasing market price of fresh fruit bunch, and (b) an increase in depreciation and amortization as a result of the buying of TETSO shares by EPO.

(3) 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. Regarding the six-month periods ended 30 June 2021 and 2022, the cost of this business increased by 1.46 million baht or 3.46% which was considered an insignificant change.

2.3 Gross Profit

For the six-month periods ended 30 June 2021 and 2022, the Group had gross profits at 571.83 million baht and 710.45 million baht respectively, equaling to gross profit margins of 10.97% and 9.43% respectively. The table below summarized the gross profits.

Gross Profit	For Six-Month Period Ended 30 June			
	2021		2022	
	Value (MTHB)	(Percent) ⁽¹⁾	Value (MTHB)	(Percent) ⁽¹⁾
Natural Rubber Business	535.16	12.65	676.05	11.87
Crude Palm Oil Business	41.38	4.42	23.66	1.32
Renewable Energy and Organic Waste Management Business	(2.56)	(6.46)	8.92	16.99
Other Businesses	(2.15)	(32.86)	1.81	41.37
Total Gross Profit	571.83	10.97	710.45	9.43

Notes: ⁽¹⁾ Gross Profit (Loss) Margin

(1) Natural rubber business

For the six-month periods ended 30 June 2021 and 2022, the gross profit margins of the natural rubber business were at 12.65% and 11.87% respectively. Such decrease was mainly caused by a higher raw material cost.

(2) Crude palm oil business

For the six-month periods ended 30 June 2021 and 2022, the gross profit margins of the crude palm oil business were at 4.42% and 1.32% respectively. Such decrease was mainly caused by the inclusion of crude palm kernel oil business performance following the buying of TETSO shares by EPO which made the status of investment in TETSO being changed from the Company's joint venture into a subsidiary; while TETSO's crude palm kernel oil business had a lower gross profit margin than EPO's crude palm oil business. However, the Group is in a process of improving TETSO's operation in order to increase its profitability.

(3) Renewable energy and organic waste management business

For the six-month periods ended 30 June 2021 and 2022, the gross profit (loss) margins of this business were at (6.46)% and 16.99% respectively. Such increase was mainly resulted from a higher revenue from organic waste management service, enabling the Group to utilize the assets transferred from E.Q.Rubber Company Limited ("EQR"), Thai Eastern Rubber Company Limited ("TER") and Eastern Palm Oil ("EPO") in a more efficient way.

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 six-month periods ended 30 June 2021 and 2022, the Group's sales and distribution expenses were at 153.76 million baht and 168.41 million baht respectively, which can be summarized as follows:

Sales and Distribution Expenses	For Six-Month Periods Ended 30 June			
	2021		2022	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Contributions to the Rubber Replanting Aid Fund	87.30	56.78	93.21	55.34
Transportation Expense	24.79	16.12	42.19	25.05

Sales and Distribution Expenses	For Six-Month Periods Ended 30 June			
	2021		2022	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Export Expense	30.92	20.11	21.96	13.04
Brokerage Fee	2.81	1.83	3.88	2.30
Other Sales and Distribution Expenses	7.94	5.16	7.18	4.26
Total Sales and Distribution Expenses	153.76	100.00	168.41	100.00

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

Regarding the six-month periods ended 30 June 2021 and 2022, the Group's sales and distribution expenses increased by 14.65 million baht or 9.53% mainly due to higher contributions to the Rubber Replanting Aid Fund which was in line with a higher export volume, and a higher transportation expense because of an increase in price in the global oil market.

2.5 Administrative Expenses

Most of the Group's administrative expenses include employee benefits expense, consultant fee and depreciation and amortization. For the six-month periods ended 31 June 2021 and 2022, the Group's administrative expenses were at 81.25 million baht and 105.42 million baht respectively, which can be summarized as follows:

Administrative Expenses	For Six-Month Periods Ended 30 June			
	2021		2022	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Employee Benefits Expense ⁽²⁾	38.20	47.02	53.51	50.76
Consultant Fee	11.48	14.13	10.50	9.96
Depreciation and Amortization	9.74	11.98	10.97	10.41
Office Expenses	1.96	2.42	3.67	3.48
Other Administrative Expenses ⁽³⁾	19.87	24.46	26.78	25.40
Total Administrative Expenses	81.25	100.00	105.42	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 mainly comprise fees, utility charges, etc.

Regarding the six-month periods ended 30 June 2021 and 2022, the Group's administrative expenses increased by 24.17 million baht or 29.75% mainly due to an increase in the employee benefits expense since the Group paid a bonus according to its business operation and improved its employee benefits.

2.6 Net Profit and Net Profit Margin

For the six-month periods ended 30 June 2021 and 2022, the Group's net profits were at 258.15 million baht and 367.28 million baht respectively, significantly increasing by 109.13 million baht in the six-month period ended 30 June 2022. These equals to the net profit margins of 4.94% and 4.85% respectively. Such increase in net profit was resulted from (a) a higher profit of natural rubber business due to an increase in the average selling price and sales volume in accordance with the industry recovery; and (b) an increase in a share

of profit from investment in joint ventures owing to a change in recording method of the investment in TETSO from a joint venture into a subsidiary.

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 TESTO since EPO began holding additional shares of TETSO on 13 January 2022.

3. Analysis of the Group's Financial Position

3.1 Assets

Comparing as at 31 December 2021 and as at 30 June 2022, the total assets increased by 259.38 million baht or 4.00% since the trade account and other receivables increased by 241.53 million baht following an increase in the revenue from the sales and an increase in the land, building and equipment of 312.45 million baht in total. This was caused by (a) the buying of TETSO shares leading a change of 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), therefore the TETSO's assets were included in the Company's consolidated financial statements as at 30 June 2022; and (b) the construction for production capacity expansion of EQR and TEI.

3.2 Liabilities

Comparing as at 31 December 2021 and 30 June 2022, the total liabilities decreased by 131.38 million baht or 2.99% mainly due to a decrease in bank overdrafts and short-term borrowings from financial institutions, long-term borrowings from financial institutions, and trade account and other payables.

3.3 Equity

As at 31 December 2021 and 30 June 2022, the Group's equities were at 2,084.49 million baht and 2,475.25 million baht respectively, increasing by 390.76 million baht or 18.75%. Such increase was mainly due to higher additional unappropriated retained earnings from the net profit of the six-month period ended 30 June 2022, and an increase in the issued and paid-up capital during the six-month period ended 30 June 2022.

3.4 Statement of Cash Flow

For the six-month period ended 30 June 2022, the Group had the operating profit before changes in operating assets and liabilities of 525.36 million baht from the Group's normal business operation. And the Group had the cash flow from changes in operating assets and liabilities of 78.84 million baht which mainly caused by (1) a decrease in inventories by 429.14 million baht, (2) a decrease in other non-current assets by 9.33 million baht, and (3) an increase in other current liabilities by 42.44 million baht; notwithstanding (1) an

increase in trade account and other receivables by 209.16 million baht, (2) an increase in other current assets by 53.34 million baht and (3) a decrease in trade account and other payables by 138.40 million baht. Therefore, the Group had the operating cash flow of 605.20 million baht.

The Group used the cash flow for investing activities at 150.26 million baht which mainly came from the sum of (1) an increase in restricted bank deposits by 21.56 million baht, (2) an increase in short-term loans to related parties by 1.53 million baht, (3) the purchase of building and equipment of 164.98 million baht, (4) the purchase of intangible assets of 0.53 million baht and (5) the purchase of right-to-use assets of 0.53 million baht being aggregated and then offset by the cash inflows from (1) the purchase of investments and change in investment position of 14.87 million baht, (2) the sale of building and equipment of 0.50 million baht and (3) the dividend received from joint ventures of 24.00 million baht; consequently the Group's cash outflow for investing activities was 150.26 million baht in total.

The Group used the cash flow for financing activities at 438.92 million baht most of which mainly came from the sum of (1) the repayment of bank overdrafts and short-term borrowings from financial institutions of 375.55 million baht, (2) the repayment of the principle portion of the lease liability of 26.29 million baht, (3) the repayment of long-term borrowings from financial institutes of 60.57 million baht and (4) dividend paid to non-controlling interests of the subsidiaries of 0.52 million baht being aggregated and then offset by the cash inflows from the issuance of newly issued ordinary shares of 24.01 million baht; consequently the Group's cash outflow for financing activities was 438.92 million baht in total.