



Date 27 February 2023

Subject Discussion and Analysis of the Company's Performance from the Financial Reporting
For the Year Ended 31 December 2022

To President of the Stock Exchange of Thailand

Enclosure

Management Discussion and Analysis of the Company's Performance from the Financial Reporting
for the Year Ended 31 December 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 year ended 31 December 2022 which was audited by certified public accountants to the Stock Exchange of Thailand.

According to the Company's performance stated in the financial reporting for the year ended 31 December 2022, it had a net profit of 684.05 million baht. In this regard, the Company would like to explain the reasons for its performance stated in the financial reporting for the year ended 31 December 2022, details of which appear as attached.

Please be informed accordingly.

Respectfully yours,

A handwritten signature in blue ink, appearing to be "K. Komolthip", written in a cursive style.

Dr. Kamolthip Komolyudtaphaet
(Chief Financial Officer)

Management Discussion and Analysis for the Year Ended 31 December 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 year ended 31 December 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 23.0 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 year ended 31 December 2022 and 2021, the Group's revenues from the sale of goods and rendering of services increased by 4,315.56 million baht or 38.92%, 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 Year Ended 31 December			
	2022		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Natural Rubber Business	11,882.54	77.14	9,214.23	83.10
Crude Palm Oil Business	3,401.04	22.08	1,779.58	16.05
Renewable Energy and Organic Waste Management Business	108.54	0.71	80.56	0.73
Others ⁽²⁾	11.20	0.07	13.39	0.12
Total Revenue from the Sale of Goods and Rendering of Services	15,403.32	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 year ended 31 December 2022 and 2021, the Group's revenues from the natural rubber business were at 11,882.54 million baht and 9,214.23 million baht respectively. Most of the revenue of this business were from the production and distribution of block rubber. This can be summarized as the table below:

Revenue from Natural Rubber Business	For Year Ended 31 December			
	2022		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
1. Revenue from the Sale of Block Rubber	11,207.65	94.32	8,559.85	92.90
2. Revenue from the Sale of Concentrated Latex	654.28	5.51	640.47	6.95
3. Others	20.61	0.17	13.91	0.15
Total Revenue from Natural Rubber Business	11,882.54	100.00	9,214.23	100.00

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

For the year ended 31 December 2022 and 2021, the Group's revenue from natural rubber business increased by 2,68.31 million baht or 28.96%. Such change was mainly due to:

- An increase in the revenue from the sale of block rubber by 2,647.80 million baht or 30.93% 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 from previous year; 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 concentrated latex by 13.81 million baht or 2.16% 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 few rise in rubber price in the market.

(2) Revenue from crude palm oil business

For the year ended 31 December 2022 and 2021, the Group's revenues from crude palm oil business were at 3,401.04 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	For Year Ended 31 December			
	2022		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Crude Palm Oil	2,045.72	60.15	1,528.25	85.88
Kernel ⁽²⁾	314.25	9.24	251.33	14.12
Crude Palm Kernel Oil ⁽³⁾	931.44	27.39	-	-
Others	109.63	3.22	-	-
Total Revenue from Crude Palm Oil Business	3,401.04	100.00	1,779.58	100.00

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

⁽²⁾ 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. The revenue from the sales of palm kernel of 2022, was from trading to nonrelated parties.

⁽³⁾ The revenue from the sale of crude palm kernel oil of 2021, was from trading transactions to fulfil the demand of EPO's regular customers.

For the year ended 31 December 2022 and 2021, the Group's revenue from the crude palm oil business rose by 1,621.46 million baht or 91.12%. Such change was primarily due to:

- The revenue from the sale of crude palm oil increased by 517.47 million baht or 33.86% mainly as a result of a higher sales volume of crude palm oil and a higher average selling price of crude palm oil in accordance with the market price.
- The revenue from the sale of crude palm kernel oil increased by 931.44 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 year ended 31 December 2022 and 2021, the Group's revenues from the renewable energy and organic waste management business were at 108.54 million baht and 80.56 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 Year Ended 31 December			
	2022		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Organic Waste Management Service	78.02	71.88	55.36	68.72
Biogas ⁽²⁾	3.58	3.30	2.83	3.51
Electricity Generation from Biogas	26.94	24.82	22.37	27.77
Total Revenue from Renewable Energy and Organic Waste Management Business	108.54	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.

For the year ended 31 December 2022 and 2021, the Group's revenues from the renewable energy and organic waste management business increased by 22.66 million baht or 40.92%. 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 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 year ended 31 December 2022 and 2021, the Group's other revenues were at 46.56 million baht and 32.80 million baht respectively, increasing by 13.76 million baht mainly because the Group received insurance compensation during the year 2022.

2.2 Costs of Sales and Services

For the year ended 31 December 2022 and 2021, the Group's costs of sales and services were at 13,818.43 million baht and 9,903.40 million baht respectively, increasing by 3,915.03 million baht or 39.53%. The costs of sales and services can be grouped by type of business as follows:

Costs of Sales and Services	For Year Ended 31 December			
	2022		2021	
	MTHB	Percent ⁽¹⁾	MTHB	Percent ⁽¹⁾
Cost of Natural Rubber Business	10,284.61	74.43	8,091.66	81.70
Cost of Crude Palm Oil Business	3,421.15	24.76	1,719.94	17.37
Cost of Renewable Energy and Organic Waste Management Business	98.79	0.71	78.25	0.79
Other Costs of Sales and Services ⁽²⁾	13.88	0.10	13.55	0.14
Total Costs of Sales and Services	13,818.43	100.00	9,903.40	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, an energy cost, and depreciation and amortization. Regarding the year ended 31 December 2022 and 2021, the Group's cost of natural rubber business increased by 2,192.95 million baht or 27.10% mainly due to a higher cost resulted from higher volume and increase in para rubber 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 year ended 31 December 2022 and 2021, the cost of crude palm oil business increased by 1,701.21 million baht or 98.91% mainly due to (a) a higher raw material cost resulting from an increasing market price of fresh fruit bunch and palm kernel, (b) an increase in machinery maintenance and (c) 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 transportation cost, a labor cost, a maintenance cost and depreciation and amortization. Regarding the year ended 31 December 2022 and 2021, the cost of this business increased by 20.55 million baht or 26.26% mainly due to (a) a higher transportation expense (b) a rental and (c) a machinery maintenance.

2.3 Gross Profit

For the year ended 31 December 2022 and 2021, the Group had gross profits at 1,584.89 million baht and 1,184.36 million baht respectively, equaling to gross profit margins of 10.29% and 10.68% respectively. The table below summarized the gross profits.

Gross Profit	For Year Ended 31 December			
	2022		2021	
	Value (MTHB)	Gross Profit (Loss) Margin (Percent) ⁽¹⁾	Value (MTHB)	Gross Profit (Loss) Margin (Percent) ⁽¹⁾
Natural Rubber Business	1,597.93	13.45	1,122.57	12.18
Crude Palm Oil Business	(20.11)	(0.59)	59.64	3.35
Renewable Energy and Organic Waste Management Business	9.75	8.99	2.32	2.88
Other Businesses	(2.68)	(23.98)	(0.17)	(1.23)
Total Gross Profit	1,584.89	10.29	1,184.36	10.68

Notes: ⁽¹⁾ Percentage of the total revenue from sales of each business

(1) Natural rubber business

For the year ended 31 December 2022 and 2021, the gross profit margins of the natural rubber business were at 13.45% and 12.18% respectively. Such increase was mainly caused by increase in sales volume and selling price.

(2) Crude palm oil business

For the year ended 31 December 2022 and 2021, the gross profit (loss) margins of the crude palm oil business were at (0.59)% and 3.35% respectively. Such decrease was mainly caused by (a) 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 and (b) an increase in machinery maintenance.

(3) Renewable energy and organic waste management business

For the year ended 31 December 2022 and 2021, the gross profit margins of this business were at 8.99% and 2.88% respectively. Such increase was mainly resulted from (a) an increased amount of organic waste and (b) a higher average service fee.

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 year ended 31 December 2022 and 2021, the Group's sales and distribution expenses were at 551.34 million baht and 297.10 million baht respectively. The Group's sales and distribution expenses increased by 254.24 million baht or 85.57% 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 and change in incoterms of some customer by at DAP (Delivered at Place).

2.5 Administrative Expenses

Most of the Group's administrative expenses include employee benefits expense, service fee and depreciation and amortization. For the year ended 31 December 2022 and 2021, the Group's administrative expenses were at 229.48 million baht and 185.25 million baht respectively. the Group's administrative expenses increased by 44.23 million baht or 23.88% 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 year ended 31 December 2022 and 2021, the Group's net profits were at 684.05 million baht and 562.64 million baht respectively, increasing by 121.42 million baht or 21.58%. Such increase in net profit was resulted from 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.

3. Analysis of the Group's Financial Position

3.1 Assets

Comparing as at 31 December 2022 and as at 31 December 2021, the total assets increased by 455.78 million baht or 7.03% since the trade account and other receivables increased by 435.40 million baht following an increase in the revenue from the sales and an increase in the land, building and equipment of 392.52 million baht which 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 31 December 2022; and (b) the construction for production capacity expansion of EQR and TEI.

3.2 Liabilities

Comparing as at 31 December 2022 and 31 December 2021, the total liabilities decreased by 705.36 million baht or 16.04% mainly due to a decrease in bank overdrafts and short-term borrowings from financial institutions.

3.3 Equity

As at 31 December 2022 and 31 December 2021, the Group's equities were at 3,245.63 million baht and 2,084.49 million baht respectively, increasing by 1,161.14 million baht or 55.70%. Such increase was mainly due to (a) an increase in the issued and paid-up capital (b) a share premium was from initial public offering.