



Ref. ETE-61/037

August 9, 2018

The President of the Stock Exchange of Thailand

Subject: Submission of consolidated and separate financial information

and management discussion and analysis for the six-month period ended 30 June 2018

Eastern Technical Engineering Public Company Limited would like to submit consolidated and separate financial information for the six-month period ended 30 June 2018 and management discussion and analysis.

Please see the attached document for the information

Please be informed accordingly.

Sincerely yours,

Mr.Raivin Lekavorranan

Chief Executive Officer

Management Discussion and Analysis, for the quarter 2/2018

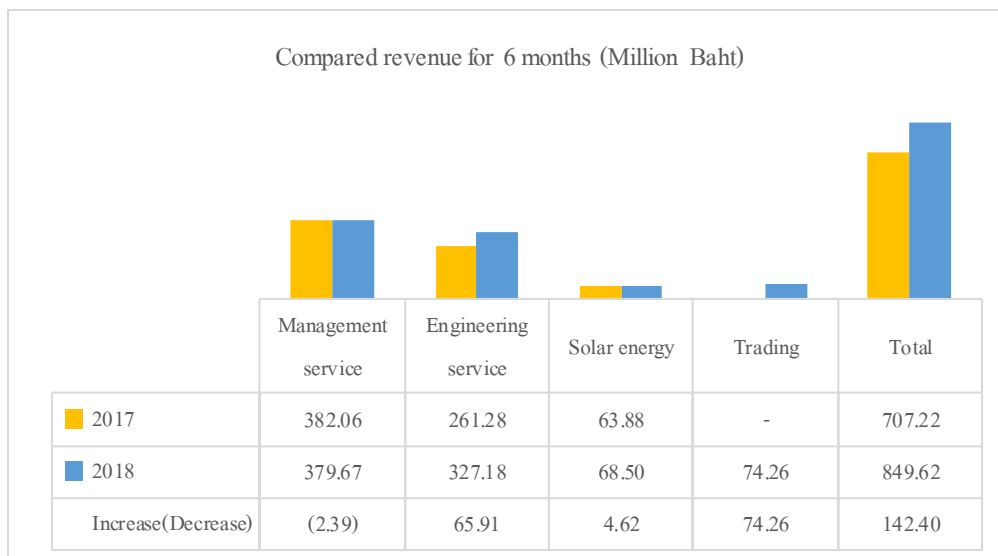
- The analysis of operating results for the six-month period ended of June 30, 2018
- The analysis of operating results for the three-month period ended of June 30, 2018
- The analysis of financial position as at June 30, 2018

The analysis of operating results for the six-month period ended of June 30, 2018

| | Consolidated financial information | | | | |
|----------------------------------|------------------------------------|----------|-----------------------|----------|------|
| | 6 Months | 6 Months | (Unit : Million Baht) | | |
| | 2018 | 2017 | Change | % Change | |
| Revenue | 849.62 | 707.22 | ▲ | 142.40 | 20% |
| Cost | 721.26 | 596.69 | | | |
| Gross profit | 128.36 | 110.53 | ▲ | 17.83 | 16% |
| Gross profit margin | 15.11% | 15.63% | | | |
| Other income | 0.24 | 3.80 | ▼ | (3.56) | -94% |
| Selling expenses | 1.89 | 2.13 | ▼ | (0.24) | -11% |
| Administrative expenses | 60.69 | 52.29 | ▲ | 8.40 | 16% |
| Earnings before interest and tax | 66.02 | 59.91 | | | |
| Finance costs - Main businesses | 9.87 | 15.30 | ▼ | (5.42) | -35% |
| Finance costs - Solar energy | 18.05 | 16.76 | ▲ | 1.29 | 8% |
| Profit before income tax | 38.10 | 27.85 | | | |
| Income tax expense | 4.48 | 1.92 | ▲ | 2.56 | 133% |
| Profit for 6 months | 33.62 | 25.93 | ▲ | 7.69 | 30% |
| | 3.96% | 3.67% | | | |

Comparing accumulated operating results with the same period of the prior year, the group's net profits increased by Baht 7.69 million, or increased 30% due to the following reasons:



- Revenue increased by Baht 142.40 million or increased 20%, from Baht 707.22 million in the first half of 2017 to Baht 849.62 million compared with the same period of 2018. The main reasons for the increase were derived from the revenue of the engineering service and trading revenue first recognized in 2018.



- The gross profit increased by Baht 17.83 million or increased 16%; from Baht 110.53 million to Baht 128.36 million. due to the following reasons:
 1. In 2018, Management put emphasis on renewing the contracts with more margin projects.
 2. Solar energy began to recognize revenue for the whole six-month month period in the year 2018.
 3. Trading began to recognize revenue in Q1/18.



Operating results classified by business are as follows:

Management service business

| | Consolidated financial information | | (Unit : Million Baht) | |
|---------------------------------|------------------------------------|--------|---|----------|
| | 2018 | 2017 | Change | % Change |
| Revenue from management service | 379.67 | 382.06 |  (2.39) | -1% |
| Cost of management service | 345.99 | 351.54 | | |
| Gross profit | 33.68 | 30.52 |  3.16 | 10% |
| Gross profit margin | 8.87% | 7.99% | | |

Revenue from management service decreased by Baht (2.39) million or decreased (1%) from Baht 382.06 million in the first half of 2018 to Baht 379.67 million in the same period of 2017. Whereas, the profit from management service increased from Baht 30.52 million in 2017 to Baht 33.68 million in 2018 or increased 10%, due to management selecting mainly to renew the contracts with projects that have an appropriate gross profit margin.

Engineering service business

| | Consolidated financial information | | (Unit : Million Baht) | |
|----------------------------------|------------------------------------|--------|---|----------|
| | 2018 | 2017 | Change | % Change |
| Revenue from engineering service | 327.18 | 261.28 |  65.91 | 25% |
| Cost of engineering service | 279.37 | 211.82 | | |
| Gross profit | 47.81 | 49.46 |  (1.65) | -3% |
| Gross profit margin | 14.61% | 18.93% | | |

Revenue from engineering service increased by Baht 65.91 million, it increased from Baht 261.28 million to Baht 327.18 million or increased 25% due to the following reasons:

- 1.Revenue increasing from electrical engineering; some projects signed contract in 2017.
- 2.Revenue increasing from telecommunication engineering; started a new project in Q1/18.

Gross profit decreased by Baht (1.65) million compared to the same period of the prior year. The main reason was derived from a large electrical engineering project requiring budget revision.

Solar Energy Business

| | Consolidated financial information | | (Unit : Million Baht) | |
|---------------------------|------------------------------------|--------|-----------------------|----------|
| | 2018 | 2017 | Change | % Change |
| Revenue from solar energy | 68.50 | 63.88 | ▲ 4.62 | 7% |
| Cost of solar energy | 32.88 | 33.33 | | |
| Gross profit | 35.62 | 30.55 | ▲ 5.07 | 17% |
| Gross profit margin | 52.00% | 47.82% | | |

Revenue from solar energy business increased by Baht 4.62 million, due to in Q1/17 the group began to recognize revenue in Mid-January but in Q1/18 the group has fully recognized revenue for the whole month of January.

Trading Business

| | Consolidated financial information | | (Unit : Million Baht) | |
|----------------------------|------------------------------------|------|-----------------------|--|
| | 2018 | 2017 | Change | |
| Revenue from sale of goods | 74.26 | - | ▲ 74.26 | |
| Cost of goods sold | 63.01 | - | | |
| Gross profit | 11.25 | - | ▲ 11.25 | |
| Gross profit margin | 15.15% | | | |

Trading business; the new business of the group began to recognize revenue in Q1/18. The operating result for the six-month period shows gross profit Baht 11.25 million.

Other income

Other income decreased by Baht (3.56) million, due to the group gaining profit from the exchange rate of imported solar cells in the solar energy business. This specific transaction occurs once only in 2017.

Selling and Administrative expenses

Selling expenses decreased by Baht (0.24) million due to most customers in the government sector changing their bidding process to E-bidding which has lower cost and expense.

Administrative expenses increased by Baht 8.39 million; this mainly comes from 1. The group recovered bad debt in 2017 of Baht 3.62 million which leads to expense decreasing in 2017. However, there is no recovered bad debt in 2018. 2. Employee expense Baht 2.78 million.

Finance costs

Finance costs of existing businesses decreased by Baht (5.42) million or decreased 35% comparing to the same period of the prior year, due to the repayment of short-term loan, with the group using money from the initial public offering to make this payment in Q3/17 which leads to the financial cost of existing business significantly decreasing from Q2/17 until now.

Finance costs in solar energy business slightly increased by Baht 1.29 million due to the group received money from a bank loan in mid-Q1/17, so the interest expense will be not fully calculated in that quarter.

The analysis of operating results for the three-month period ended June 30, 2018

| | Consolidated financial information | | | | (Unit : Million Baht) |
|----------------------------------|------------------------------------|----------|--------|----------|-----------------------|
| | 3 Months | 3 Months | Change | % Change | |
| | 2018 | 2017 | | | |
| Revenue | 443.08 | 355.86 | ▲ | 87.22 | 25% |
| Cost | 384.03 | 302.81 | | | |
| Gross profit | 59.05 | 53.05 | ▲ | 6.00 | 11% |
| Gross profit margin | 13.33% | 14.91% | | | |
| Other income | 0.14 | 0.29 | ▼ | (0.15) | -52% |
| Selling expenses | 0.48 | 0.35 | ▲ | 0.13 | 36% |
| Administrative expenses | 32.84 | 29.90 | ▲ | 2.93 | 10% |
| Earnings before interest and tax | 25.87 | 23.08 | | | |
| Finance costs - Main businesses | 5.49 | 4.46 | ▲ | 1.03 | 23% |
| Finance costs - Solar energy | 8.99 | 9.48 | ▼ | (0.49) | -5% |
| Profit before income tax | 11.39 | 9.14 | | | |
| Income tax expense | 2.06 | 0.50 | ▲ | 1.56 | 312% |
| Profit for 3 months | 9.32 | 8.64 | ▲ | 0.68 | 8% |
| | 2.10% | 2.43% | | | |

Comparing operating results for the three-month with the same period of the prior year, the results are in line with explanation of the operating results for the six-month period. However, there were few accounting items that occurred only during the three-month period such as;

Selling expense increased by Baht 0.12 million, due to management service tender in Q2/18.

Finance cost of existing businesses increased by Baht 1.03 million, due to liquidity management in engineering business and trading business. However, trading business had revenue Baht 74.26 million and all the payment has been made within Q2/18.

Finance cost of solar energy business decreased by baht (0.49) million in Q2/17 due to starting the long-term loan drawdown. This directly impacts the interest of solar energy business, as this long-term loan will slightly decrease from instalment payments. Solar production was also beyond projections which led to a decrease in Q2/18 interest.

Financial position as at June 30, 2018

| Consolidated financial information | | | | |
|------------------------------------|-----------------|-----------------|-----------------------|---------|
| | June 30 | December 31 | (Unit : Million Baht) | |
| | 2018 | 2017 | | Change |
| Current assets | 1,010.13 | 945.33 | ▲ | 64.80 |
| Non-current assets | 1,332.87 | 1,334.99 | | |
| Total assets | 2,343.00 | 2,280.32 | ▲ | 62.68 |
| Current liabilities | 772.78 | 692.25 | ▲ | 80.53 |
| Non-current liabilities | 669.86 | 704.53 | ▼ | (34.67) |
| Total liabilities | 1,442.64 | 1,396.78 | ▲ | 45.86 |
| Equity | 900.37 | 883.54 | ▲ | 16.82 |

The group's assets increased by Baht 62.68 million, mainly due to the following reasons:

- Trade and other receivables increased by Baht 41.79 million, primarily due to the increase in trade receivables of management service and engineering service.
- Inventory increased by Baht 61.78 million, due to inventory in the warehouse and material requirements for processing project in the electrical engineering business.
- Cash and cash equivalent decreased Baht (34.38) million.

The group's liabilities increased by Baht 45.86 million, mainly due to the following reasons:

- Bank overdrafts and short-term borrowings from financial institutions increased by Baht 115.84 million due to an increase in short-term borrowings from financial institutions to use as revolving credit for the group.
- Other current liability increased by Baht 3.63 million because of previously suspended tax payments. It corresponds to an increase in billed trade accounts receivable.
- Employee benefit obligations increased by Baht 2.97 million, which is calculated and reported by the actuaries.
- Trade and other payables decreased by Baht (40.51) million due to decrease in the accrued cost in construction project (calculated as accounting standard). The decrease is mainly from equipment requisition, engineering service fees and advance deposit deductions.
- Long-term borrowings from financial institutions decreased by Baht (35.37) million, which mainly comes from the repayment of long-term borrowing in the solar energy business.

The group's equity increased by Baht 16.82 million, mainly due to the following reasons:

- Total comprehensive income for 6 months Baht 33.62 million.
- Dividend paid Baht 16.80 million from the operating result 2017.