



Ref. ETE-61/052

November 14, 2018

The President of the Stock Exchange of Thailand

Subject: Submission of consolidated and separate financial information

and management discussion and analysis for the nine-month period ended 30 September 2018

Eastern Technical Engineering Public Company Limited would like to submit consolidated and separate financial information for the nine-month period ended 30 September 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

Explanation and analysis of financial performance and status for Q3/2018

- Explanation and analysis of financial performance for the nine months at the end of 30 September 2018
- Explanation and analysis of financial performance for the three months as at 30 September 2018
- Explanation and analysis of financial status as at 30 September 2018

Financial performance for the nine months at the end of 30 September 2018

Consolidated financial information (Unit : Million Baht)

	9 Months 2018	9 Months 2017		Change	% Change
Revenue	1,233.10	1,111.90	▲	121.20	11%
Cost	1,117.51	941.45			
Gross profit	115.59	170.45	▼	(54.86)	-32%
Gross profit margin	9.37%	15.33%			
Other income	1.12	4.77	▼	(3.64)	-76%
Selling expenses	2.97	2.66	▲	0.31	12%
Administrative expenses	86.79	80.76	▲	6.03	7%
Allowance for doubtful accounts	56.85	-	▲	56.85	
Earnings before interest and tax	(29.90)	91.79			
Finance costs - Main businesses	15.25	19.63	▼	(4.37)	-22%
Finance costs - Solar energy	26.77	26.33	▲	0.44	2%
Profit before income tax	(71.91)	45.84			
Income tax expense	3.27	2.41	▲	0.86	36%
Profit for 9 months	(75.19)	43.43	▼	(118.62)	-273%

Compared to that of the same period of the last year, the company's nine months performance decreased (118.62) million baht or 273% as the following reasons:-

- Total income increased 121.20 million baht or 11% from 1,111.90 million baht in the nine months of year 2017 to 1,233.10 million baht in the nine months of year 2018. The main increase was derived from the engineering service income and the trading income which was recognized for the first time in year 2018.

Financial performance for the nine months at the end of 30 September 2018 and 2017

9 Months 18	MS	EE	TL	SE	TD	Total
Revenue	569.56	366.57	128.23	94.48	74.26	1,233.10
Gross profit	44.31	(12.12)	26.13	46.02	11.25	115.59
Gross profit margin	7.78%	-3.31%	20.38%	48.71%	15.15%	9.37%

  

9 Months 17	MS	EE	TL	SE	TD	Total
Revenue	578.85	336.70	101.73	94.62		1,111.90
Gross profit	47.48	56.21	23.02	43.74		170.45
Gross profit margin	8.20%	16.69%	22.63%	46.23%		15.33%

  

Change	MS	EE	TL	SE	TD	Total
Revenue	(9.29)	29.87	26.50	(0.14)	74.26	121.20
Gross profit	(3.17)	(68.33)	3.11	2.28	11.25	(54.86)
Gross profit margin	-0.42%	-20.00%	-2.25%	2.48%	15.15%	-5.96%

- Change in gross profit of the company was (54.86) million baht between 2016 and 2015 or decreased 32% from 170.45 million baht to 115.59 million baht, which were mainly derived from the following reasons:-
  1. Management Service (“MS”) had a decrease of gross profit for (3.17) million baht. Main reason was that, in Q3/2018, the company already had a renew contract from the main repeat customer who requested the company to prepare the training courses, uniforms and all security equipment for the hired employees. Therefore, the company had all those expenses in Q3/2018 approximately (5.4) million baht.
  2. Electric Engineering service (“EE”) had a decrease of gross profit for (68.33) million baht. Please see the following main reasons:-
    - 2.1 In Q3/2018, the company had an extra expenses from a delayed project. Those expenses were composed of both a fine from the delayed project (19.00) million baht and extra cost for the delayed project (3.76) million baht.
    - 2.2 In addition, for such a delayed project, the company also had a decrease of the project’s budget (13.55) million baht. It was since the company had a necessary to complete such a delayed project on time. That was why the company had to have an extra expense.
    - 2.3 The company had a big project which had a revenue recognition in the nine months of year 2018 lower than those in the nine months of year 2017 approximately (24.89) million baht.

#### Other incomes

The company had other incomes in the nine months of year 2018 lower than those in the nine months of year 2017 approximately (3.64) million baht. It was since that the company had gain on exchange in year 2017 from importing solar equipment for the solar energy business of the company. Such a transaction happened only in year 2017, no more in year 2018.

#### Selling and administration expenses.

Selling expenses increased 0.31 million baht, which was mainly derived from the increase of the MS bidding activities.

Administration expenses increased 6.03 million baht derived from the following reasons.

1. In year 2017, the company had return from bad debts approximately 3.62 million baht, but no more those in year 2018.
2. The company had an increase of staff costs approximately 3.49 million baht.

Allowance for doubtful account from the delayed project 56.85 million baht had the detailed explanation as follows:-

In November 2015, the Company was hired as a contractor to install electricity transmission network with total project value of Baht 125.00 million. Under the contract, the project was due to complete in February 2018. Nevertheless, during installation, the installation areas were continuously affected by floods which caused delay in the installation. Following such incidents, the Company received extension of completion due date under a resolution of the Cabinet to relieve construction contractors who were affected by the floods. The Company continuously attempts to accelerate the installation afterward, however, the project still remains incomplete until now which is beyond the extended due date already. Until date, the Company is waiting for approval for further extension of completion due date from the customer.

In the third quarter of 2018, the Company has assessed the impact from such delay in project completion. In relation to this project, there were unbilled contract revenue amounting to Baht 56.85 million, which the collectability are directly affected by the delay. Therefore, the Company considered to record allowance for doubtful accounts with total amount of such unbilled receivables. Cost incurred from the delay under the contract consists of penalty amounting to Baht 18.90 million and additional cost of project of Baht 3.86 million. All the effects of such event were recorded in the statement of comprehensive income in the third quarter of 2018.

#### Financial cost.

In the nine months of year 2018, the company had a decrease in financial cost for the ordinary business units (4.37) million baht or (22%) when compared to those in the nine months of year 2017. It was mainly since the company use the money from IPO paid to clear bank borrowing in March of 2017. Until now, the company had lower financial cost.

Apart from the financial cost for the ordinary business units above, the company had few increase in financial cost for the solar energy unit 0.44 million baht. It was since the company borrowed money for the solar energy unit in Q1/2017, not a full year.

#### Financial performance for Q3 at the end of 30 September 2018

Consolidated financial information (Unit : Million Baht)					
	3 Months	3 Months			
	2018	2017		Change	% Change
Revenue	383.48	404.67	▼	(21.19)	-5%
Cost	396.25	344.76			
Gross profit	(12.77)	59.91	▼	(72.68)	-121%
Gross profit margin	-3.33%	14.81%			
Other income	0.88	0.97			
Selling expenses	1.08	0.53	▲	0.55	105%
Administrative expenses	26.10	28.47	▼	(2.37)	-8%
Allowance for doubtful accounts	56.85	-	▲	56.85	
Earnings before interest and tax	(95.92)	31.89			
Finance costs - Main businesses	5.38	4.33	▲	1.05	24%
Finance costs - Solar energy	8.72	9.57	▼	(0.85)	-9%
Profit before income tax	(110.02)	17.99			
Income tax expense	(1.20)	0.49	▼	(1.70)	-345%
Profit for 3 months	(108.81)	17.49	▼	(126.31)	-722%

Financial performance for Q3 at the end of 30 September 2018 and 2017

3 Months 18	MS	EE	TL	SE	Total
Revenue	189.89	132.56	35.06	25.97	383.48
Gross profit	10.63	(41.17)	7.37	10.40	(12.77)
Gross profit margin	5.60%	-31.06%	21.02%	40.05%	-3.33%

  

3 Months 17	MS	EE	TL	SE	Total
Revenue	196.79	136.18	40.97	30.74	404.68
Gross profit	16.96	19.82	9.95	13.19	59.92
Gross profit margin	8.62%	14.55%	24.29%	42.91%	14.81%

  

ผลต่าง	MS	EE	TL	SE	Total
Revenue	(6.90)	(3.62)	(5.91)	(4.77)	(21.20)
Gross profit	(6.33)	(60.99)	(2.58)	(2.79)	(72.69)
Gross profit margin	-3.02%	-45.61%	-3.26%	-2.86%	-18.14%

Change in gross profit of the company was (72.69) million baht between 2016 and 2015 or decreased 18.14%, which were mainly derived from the following reasons:-

- 1 Management Service (“MS”) had a decrease of gross profit for (6.33) million baht. Main reason was that, in Q3/2018, the company already had a renew contract from the main repeat customer who requested the company to prepare the training courses, uniforms and all security equipment for the hired employees. Therefore, the company had all those expenses in Q3/2018 approximately (5.4) million baht.
  
- 2 Electric Engineering service (“EE”) had a decrease of gross profit for (60.99) million baht. Please see the following main reasons:-
  - 2.1 In Q3/2018, the company had an extra expenses from a delayed project. Those expenses were composed of both a fine from the delayed project (19.00) million baht and extra cost for the delayed project (3.76) million baht.
  - 2.2 In addition, for such a delayed project, the company also had a decrease of the project’s budget (13.55) million baht. It was since the company had a necessary to complete such a delayed project on time. That was why the company had to have an extra expense.
  - 2.3 The company had a big project which had a revenue recognition in the nine months of year 2018 lower than those in the nine months of year 2017 approximately (24.89) million baht.

3. Telecom service (“TL”) had a project progress in Q3/2018 a little bit lower than that in Q3/2017. It is since in Q3/2018, the company already started many new projects, which can’t recognized fully revenue at the beginning of the projects.
4. Income of the Solar energy service (“SE”) decreased from an accident in short circuit, which had an impact on loss of 1 MW out of 16.47 MW. However, the company had an “all risk” insurance which covers all risks on the company’s Solar energy units. In fact, the company already received claims of damaged assets in Q3/2018 and expected to received opportunity cost claims in Q1/2019.

Administration expenses in Q3/2018 decreased (2.37) million baht from Q3/2017, derived from a decrease of depreciation, premium of some insurances and other admin expenses.

Allowance for doubtful account from the delayed project 56.85 million baht had the detailed explanation as follows:-

In November 2015, the Company was hired as a contractor to install electricity transmission network with total project value of Baht 125.00 million. Under the contract, the project was due to complete in February 2018. Nevertheless, during installation, the installation areas were continuously affected by floods which caused delay in the installation. Following such incidents, the Company received extension of completion due date under a resolution of the Cabinet to relieve construction contractors who were affected by the floods. The Company continuously attempts to accelerate the installation afterward, however, the project still remains incomplete until now which is beyond the extended due date already. Until date, the Company is waiting for approval for further extension of completion due date from the customer.

In the third quarter of 2018, the Company has assessed the impact from such delay in project completion. In relation to this project, there were unbilled contract revenue amounting to Baht 56.85 million, which the collectability are directly affected by the delay. Therefore, the Company considered to record allowance for doubtful accounts with total amount of such unbilled receivables. Cost incurred from the delay under the contract consists of penalty amounting to Baht 18.90 million and additional cost of project of Baht 3.86 million. All the effects of such event were recorded in the statement of comprehensive income in the third quarter of 2018.

#### Financial cost.

In Q3/2018, the company had an increase in financial cost for the ordinary business units 1.05 million baht when compared to those in Q3/2017. It was mainly since the company needed money to expand projects for engineering and trading units.

Apart from the financial cost for the ordinary business units above, the company had few decrease in financial cost for the solar energy unit (0.85) million baht. It was since the company had repayment to bank continuously.

#### Financial position as at September 30, 2018

Consolidated financial information (Unit : Million Baht)				
	September 30	December 31		
	2018	2017		Change
Current assets	928.99	945.33	▼	(16.34)
Non-current assets	1,206.94	1,334.99	▼	(128.05)
<b>Total assets</b>	<b>2,135.93</b>	<b>2,280.32</b>	▼	<b>(144.39)</b>
Current liabilities	691.29	692.25		
Non-current liabilities	653.09	704.53	▼	(51.44)
<b>Total liabilities</b>	<b>1,344.38</b>	<b>1,396.78</b>	▼	<b>(52.40)</b>
Equity	791.55	883.54	▼	(91.99)

The group's assets increased by Baht (144.39) million, mainly due to the following reasons:

- Cash and cash equivalent decreased Baht (29.36) million.
- Trade and other receivables decreased by Baht (83.81) million, primarily due to allowance for doubtful account from the delayed project (56.85), cash received from unbilled contract revenue, and decrease in prepaid expenses.
- Property, plant and equipment decreased Baht (33.97) million due to depreciation for 9 Months.

The group's liabilities decreased by Baht (52.40) million, mainly due to the following reasons:

- Bank overdrafts and short-term borrowings from financial institutions increased by Baht 76.05 million due to an increase in short-term borrowings from financial institutions to use as revolving credit for the group and paying to trade payables.
- Trade and other payables decreased by Baht (79.98) million as due of payment.
- Long-term borrowings from financial institutions decreased by Baht (53.06) million, which mainly comes from the repayment of long-term borrowing in the solar energy business.

The group's equity decreased by Baht (91.99) million, mainly due to the following reasons:

- Total comprehensive income for 9 months Baht (75.19) million.
- Dividend paid Baht (16.80) million from the operating result 2017.