



Ref. ETE-62/035

November 6, 2019

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 2019

Eastern Technical Engineering Public Company Limited would like to submit consolidated and separate financial information for the nine-month period ended 30 September 2019 and management discussion and analysis. Please see the attached document for the information

Please be informed accordingly.

Sincerely yours,

Mr.Raivin Lekavorrnan

Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- Explanation and analysis of financial performance for the three-month period ended 30 September 2019
- Explanation and analysis of financial performance for the nine-month period ended 30 September 2019
- Explanation and analysis of financial status as at 30 September 2019

Explanation and analysis of financial performance for the three-month period ended 30 September 2019

	Consolidated financial information (Unit : Million Baht)			
	For three-month period ended 30 Sep		Change	% Change
	2019	2018		
Revenue	466	383	▲ 83	22%
Cost	412	396		
Gross profit	54	(13)	▲ 67	-515%
Gross profit margin	11.6%	(3.4%)		
Other income	-	1	▼ (1)	
Selling & Admin expenses	29	27	▲ 2	7%
	6.2%	7.0%		
Expense from delayed project		57	▼ (57)	
Finance costs	13	14	▼ (1)	-7%
Income tax expense	3	(1)	▲ 4	
Profit for the quarter	9	(109)	▲ 118	
	1.9%	(28.5%)		

Compared to the same period last year, the company's performance increased Baht 118 million as the following reasons:

- Total revenue increased Baht 83 million or (22%) from Baht 383 million in Q3/2018 to Baht 466 million in Q3/2019. The increase was derived from all business units: engineering service, management service, solar energy, and trading business.
- Overall gross profit margin increased from (3.4%) to 11.6% amount Baht 67 million.

Operating results by business for the three-month period ended 30 September 2019

3 Months	Revenue			Gross profit			Gross profit margin		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
Engineering	196	167	▲ 29	19	(34)	▲ 53	9.7%	-20.4%	▲ 30.1%
Management	222	190	▲ 32	20	11	▲ 9	9.0%	5.8%	▲ 3.2%
Solar energy	29	26	▲ 3	11	10	▲ 1	37.9%	38.5%	▼ -0.5%
Trading	19	-	▲ 19	4	-	▲ 4	21.1%		
	466	383	▲ 83	54	(13)	▲ 67	11.6%	-3.4%	▲ 15.0%

- Increase in gross profit was mainly derived from the following reasons:
 1. Engineering service (“EN”) had an increase in gross profit for Baht 53 million because of no revision of estimated project cost of construction and electrical engineering and increase in revenue Baht 29 million.
 2. Management Service (“MS”) had an increase in gross profit for Baht 9 million. 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. While there is no opening project cost in this period and increase in revenue Bath 32 million.
 3. Gross profit of Solar energy (“SE”) increased Baht 1 million and the same level of gross profit margin.
 4. Trading business had revenue in Q3/2019 Bath 19 million at the high level of gross profit margin 21.1%.

Selling and administrative expenses

Selling and administrative expenses increased Baht 2 million due to commissions fee from electrical engineering projects. However, in comparison with total operating revenue, SG&A per revenue decreased from 7.0% in 3/2018 to 6.2% in 3/2019 due to budgeting control policy.

Finance costs

The company had a small decrease in finance costs for the solar energy unit Baht (1) million or (7.1%). It was since the repayment of long-term borrowing in the solar energy business.

Income tax expense

Income tax increased Baht 4 million which was mainly derived from the overall operating results.

Cost and expense from delayed project

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 57 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 19 million and additional cost of project of Baht 4 million. All the effects of such event were recorded in the statement of comprehensive income in the third quarter of 2018.

Explanation and analysis of financial performance for the nine-month period ended 30 September 2019

	Consolidated financial information (Unit : Million Baht)			
	For nine-month period ended 30 Sep		Change	% Change
	2019	2018		
Revenue	1,292	1,233	▲ 59	5%
Cost	1,150	1,117		
Gross profit	142	116	▲ 26	22%
Gross profit margin	11.0%	9.4%		
Other income	6	1	▲ 5	500%
Selling & Admin expenses	83	90	▼ (7)	-8%
	6.4%	7.3%		
Cost and expense from delayed project		57	▼ (57)	
Finance costs	39	42	▼ (3)	-7%
Income tax expense	6	3	▲ 3	100%
Profit for the quarter	20	(75)	▲ 95	
	1.5%	(6.1%)		

Compared to the same period last year, the company's performance increased Baht 95 million as the following reasons:

- Total revenue increased Baht 59 million or (5%) from Baht 1,233 million in the first 9 months of 2018 to Baht 1,292 million in the same period of 2019. The increase was derived from engineering service and management service.
- Overall gross profit margin increased from 9.4% to 11.0% amount Baht 26 million.

Operating results by business for the nine-month period ended 30 September 2019

9 Months	Revenue			Gross profit			Gross profit margin		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
Engineering	523	495	▲ 28	42	15	▲ 27	8.0%	3.0%	▲ 5.0%
Management	635	570	▲ 65	49	44	▲ 5	7.7%	7.7%	▼ 0.0%
Solar energy	94	94	■ -	44	46	▼ (2)	46.8%	48.9%	▼ -2.1%
Trading	40	74	▼ (34)	7	11	▼ (4)	17.5%	14.9%	▲ 2.6%
	1,292	1,233	▲ 59	142	116	▲ 26	11.0%	9.4%	▲ 1.6%

- Increase in gross profit was mainly derived from the following reasons:
 1. Engineering service (“EN”) had an increase in gross profit for Baht 27 million because in Q3/2018 the company had an extra expense from a delayed project and it is one time cost. Moreover, revenue increased Bath 28 million.
 2. Management Service (“MS”) had a increase in gross profit for Baht 5 million. 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. While there is no opening project cost in this period and increase in revenue Bath 65 million.
 3. Gross profit of Solar energy (“SE”) decreased Baht (2) million, which mainly comes from O&M expense for efficiency of solar energy plant.
 4. Trading business had a decrease in gross profit for the first 9 months of 2019 due to the decrease in revenue. However, gross profit margin increased slightly.

Other income

Other income increased Baht 5 million mainly due to insurance claim for opportunity cost of an incident of electrical short circuit in Q3/2018 amount Baht 4 million.

Selling and administrative expenses

Selling and administrative expenses decreased Baht (6) million or 7.2% in 2018 to 6.4% in 2019 due to budgeting control policy. This resulted in decrease in office expenses and staff cost.

Finance costs

The company had a small decrease in finance costs for the solar energy unit Baht (3) million or (7.1%). It was since the repayment of long-term borrowing in the solar energy business.

Income tax expense

Income tax increased Baht 3 million which was mainly derived from the overall operating results.

Explanation and analysis of financial status as at 30 September 2019

Consolidated financial information (Unit : Million Baht)				
	September 30	December 31	Change	
	2019	2018		
Current assets	965	927	▲	38
Non-current assets	1,192	1,199	▼	(7)
Total assets	2,157	2,126	▲	31
Current liabilities	756	1,299	▼	(543)
Non-current liabilities	584	27	▲	557
Total liabilities	1,340	1,326	▲	14
Equity	817	800	▲	17

The group's assets increased by Baht 31 million, mainly due to the following reasons:

- Inventories increased by Baht 115 million. This was primarily due to prepaid expenses and raw materials for engineering service and trading business.
- Other non-current assets increased by Baht 15 million due to withholding tax and work retention.
- Trade and other receivables decreased by Baht (94) million due to decrease in trade accounts receivable Baht (45) million and unbilled contract revenue Baht (56) million.

The group's liabilities increased by Baht 14 million, mainly due to the following reasons:

- Bank overdrafts and short-term borrowings from financial institutions increased by Baht 84 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 (14) million because decrease in deposits received in advanced Baht (35) million, while trade accounts payable and accrued construction cost increased Bath 12 and 10 million respectively.
- Long-term borrowings from financial institutions decreased by Baht (53) million, which mainly comes from the repayment of long-term borrowing in the solar energy business.

The group's equity increased by Baht 17 million, mainly due to the following reasons:

- Operating income of first 9 months of 2019 Baht 17 million.