

11<sup>th</sup> November 2020

Subject Management Discussion and Analysis  
Financial Performance for the quarter ended 30<sup>th</sup> September 2020

To President  
The Stock Exchange of Thailand

Earth Tech Environment Public Company Limited (“the Company”) would like to inform the management’s explanation and analysis for the Company’s operating results for three months and nine months periods ended 30<sup>th</sup> September 2020 as follows:

### Overview of the financial performance for the third quarter of 2020

In the third quarter of 2020, the Company reported revenue of THB 173 million, which increased by THB 81 million from revenue of THB 91 million in the same period a year earlier. Net profit in the third quarter of 2020 was THB 50 million compared with THB 17 million in the same period of last year or increased by THB 32 million. The Company’s net profit margin increased from 19% in the third quarter of 2019 to 29% in the third quarter of 2020 because its sales of electricity increased as it recognized RH’s and AVA’s sales of electricity in the entire third quarter of 2020, while in the third quarter of 2019, it recognized sales of electricity only from ETC’s operations.

### Summary of income statement for the three-month period ended 30<sup>th</sup> September 2020

Item	Three months ended 30 <sup>th</sup> September 2020		Three months ended 30 <sup>th</sup> September 2019		Adjustment	
	THB million	%	THB million	%	THB million	%
Sales of electricity	172.56	100.00	91.32	100.00	81.24	88.95
Cost of goods sold	(85.66)	-49.64	(45.86)	-50.22	(39.80)	86.78
Gross profit	86.90	50.36	45.46	49.78	41.44	91.14
Other incomes	0.03	0.02	0.61	0.66	(0.58)	-95.42
Earnings before expenses	86.93	50.38	46.07	50.12	40.86	88.67
Administrative expenses	(12.68)	-7.35	(14.12)	-15.36	1.44	-10.21
Management benefit expenses	(5.26)	-3.05	(3.84)	-4.17	(1.42)	37.05
Financial costs	(19.15)	-11.10	(10.17)	-11.06	(8.98)	88.34
Income tax expense	(0.01)	-0.01	(0.47)	-0.51	0.46	-98.10
Net profit	49.83	28.87	17.47	19.00	32.36	185.19
<b>Key operating information</b>						
EBITDA	96.50	55.91	43.88	47.73	52.62	119.93

### Financial Performance for the three-months period ended 30<sup>th</sup> September 2020

The Company's net profit increased by THB 32 million to THB 50 million in the third quarter of 2020 from THB 17 million in the third quarter of 2019. Its net profit margin widened to 29% in the third quarter of 2020 from 19% in the same period last year mainly because of following key factors:

1. **Revenue from sales of electricity** were THB 173 million in the third quarter of 2020, which increased by THB 81 million or 89% from the same period last year. The increase was mainly because the Company recognized RH's and AVA's sales of electricity in the entire third quarter of 2020, while in the third quarter of 2019, it recognized sales of electricity only from ETC's operations.
2. **Gross profit** was THB 87 million in the third quarter of 2020, which grew by THB 41 million or was equivalent to a gross profit margin of 50% that was essentially unchanged from gross profit margin in the third quarter of 2019.
3. **Administrative costs and management compensation** were THB 18 million in the third quarter of 2020, which was similar to the amount of the costs in the same period of the previous year.
4. **Financial costs** were THB 19 million in the third quarter of 2020, which increased by THB 9 million from the same period last year because RH's and AVA's power plants had been booked in the subsidiaries' operational assets. As a result, the Company recognized the financial costs of each project in the income statement. In the third quarter of 2019, the Company was in the process of developing the power plants of RH and AVA, so it booked the financial costs associated with developing these power plants during the period as construction costs in the balance sheet while the financial costs in the income statement were mainly from operations of ETC's power plant.

### Summary of income statement for the nine-month period ended 30<sup>th</sup> September 2020

Item	Nine months ended 30 <sup>th</sup> September 2020		Nine months ended 30 <sup>th</sup> September 2019		Adjustment	
	THB million	%	THB million	%	THB million	%
Sales of electricity	483.40	100.00	252.49	100.00	230.91	91.45
Cost of goods sold	(228.67)	-47.31	(119.97)	-47.51	(108.70)	90.61
Gross profit	254.73	52.69	132.52	52.49	122.21	92.21
Other incomes	0.11	0.02	7.58	2.91	(7.47)	-98.50
Earnings before expenses	254.84	52.71	140.10	53.87	114.74	81.90
Administrative costs	(45.39)	-9.39	(39.33)	-15.12	(6.06)	15.40
Management compensation	(15.89)	-3.29	(12.18)	-4.68	(3.71)	30.46
Financial costs	(57.86)	-11.97	(31.06)	-11.94	(26.80)	86.25
Income tax expense	(0.72)	-0.15	(3.94)	-1.51	3.22	81.64
Net profit	134.98	27.92	53.59	20.60	81.39	151.90
<b>Key operating information</b>						
EBITDA	271.91	56.24	134.46	51.70	137.45	102.23

**Financial Performance for the nine-months period ended 30<sup>th</sup> September 2020**

For the first nine months of 2020, the Company's net profit was THB 135 million that increased by THB 81 million from its net profit for the first nine months of 2019, which was THB 54 million. Its net profit margin for the first nine months of 2020 was 28% increasing from 21% in the same period last year mainly because of following key factors:

- 1. Sales of electricity** were THB 483 million for the first nine months of 2020 that increased by THB 231 million or 91% from the same period last year mainly because the Company recognized electricity sales of RH and AVA additionally, while for the first nine months of 2019 the Company recognized the sales of electricity only from ETC's power plant. It recognized the sales of RH for the entire nine months and of AVA for about six months as AVA has accepted an ownership transfer of the power plant since 20<sup>th</sup> March 2020.
- 2. Gross profit** for the first nine months of 2020 was THB 255 million that increased in revenue of THB 122 million or was equivalent to a gross profit margin of 53%, which was essentially unchanged from the same period last year.
- 3. Administrative costs and management compensation** for the first nine months of 2020 were THB 61 million, which rose by THB 10 million or 19% from the same period last year. The increase in these costs and compensation was because the Company recognized damages associated with power plant construction that it has been in the process of filing a claim against a contractor, and a foreign exchange loss from importing machinery from overseas.
- 4. Financial costs** for the first nine months of 2020 were THB 58 million that increased by THB 27 million or 86% from the same period last year. Since in the first nine months of 2020, the RH power plant has been fully recorded as a ready-to-use asset while the AVA power plant has been recorded as assets ready-for-use for a period of approximately six months. The Company accepted the transfer of such assets from the contractor since 20<sup>th</sup> March 2020, causing the Company to recognize the financial costs incurred for each project in the statement of comprehensive income. For the first nine months of 2019, the Company is in the process of developing the RH and AVA power plant projects, which the Company recognized financial costs associated with developing these power plants during the period as construction costs in the balance sheet while the financial costs in the income statement were mainly from operations of ETC's power plant.

**Financial position**

- 1. Total assets** were THB 4,044 million as of 30<sup>th</sup> September 2020, which grew by 56% from THB 2,600 million as of 31<sup>st</sup> December 2019. The increase in the assets was largely due to cash raised from an initial public offering (IPO) and the first-time adoption of Thai Financial Reporting Standards (TFRS) No. 16 Leases that required long-term operating leases to be booked as an asset at the present value.
- 2. Total liabilities** were THB 1,542 million as of 30<sup>th</sup> September 2020, which dropped by 10% from THB 1,706 million as of 31<sup>st</sup> December 2019. The decrease in the liabilities was mainly because of the repayment of long-term loans from financial institutions.

**3. Total equity** was THB 2,502 million as of 30<sup>th</sup> September 2020, which rose by 180% from THB 893 million as of 31<sup>st</sup> December 2019. The increase in the equity was mostly because of an increase in equity capital from the IPO and a recognition of a net profit for the nine months period ended 30<sup>th</sup> September 2020.

Yours Sincerely,

(Ekarin Luengviriya)

Managing Director

Earth Tech Environment Public Company Limited