

ETE- 66/025

August 10, 2023

Subject Management's Discussion and Analysis for the Second Quarter and Six-Month Period Ending June 30, 2023

To Board of Directors and Management

Stock Exchange of Thailand

Eastern Technical Engineering Public Co., Ltd. (“the Company”) would like to provide an overview of the consolidated performance of the Company and its subsidiaries for the second quarter and the six-month period ending June 30, 2023. This information was approved during the 3rd/2023 board meeting held on August 10, 2023. The details are as follows.

Results of Operations for the 3-month and 6-month periods ending on June 30, 2023

The Company and its subsidiaries reported a net profit of 5.66 million baht for the second quarter ending on June 30, 2023, representing an increase of 3.06 million baht or a growth of 118.05 percent compared to the same period last year, where there was a net profit of 2.60 million baht. Additionally, for the 6-month period ending on June 30, 2023, the Company and its subsidiaries recorded a net profit of 19.78 million baht, indicating an increase of 21.80 million baht or a growth of 1082.69 percent compared to the same period last year, where there was a net loss of 2.01 million baht. These positive results can be attributed to the following factors.

Performance results	Consolidated financial information (Unit : Million Baht)				Consolidated financial information (Unit : Million Baht)			
	Quarter 2	Quarter 2	Change	% Change	6 Months	6 Months	Change	% Change
	2023	2022			2023	2022	Change	% Change
Revenue from construction service	165.15	56.54	108.60	192.07%	327.71	95.33	232.38	243.76%
Revenue from management service	168.97	180.55	(11.58)	-6.41%	336.29	355.80	(19.51)	-5.48%
Revenue from alternative energy	41.28	32.27	9.01	27.92%	88.86	68.82	20.05	29.13%
Revenue from sale of goods and other services	1.06	0.04	1.01		2.20	0.08	2.12	
Revenue	376.45	269.40	107.05	39.74%	755.06	520.03	235.03	45.20%
Cost	329.28	234.37	94.91	40.49%	656.07	451.43	204.64	45.33%
Gross profit	47.17	35.03	12.14	34.66%	98.99	68.60	30.39	44.29%
Other income	0.28	2.55	(2.27)	-88.92%	1.10	2.75	(1.65)	-59.90%
Selling & Admin expenses	28.15	28.94	(0.78)	-2.71%	55.16	59.96	(4.80)	-8.01%
Finance costs	12.76	4.59	8.17	177.93%	23.89	12.53	11.37	90.74%
Share of loss from associate	0.01	0.14	(0.12)	-89.36%	0.04	0.34	(0.31)	-89.54%
Income(Revenue) tax expense	0.87	1.32	(0.45)	-34.19%	1.22	0.54	0.68	126.25%
Profit for the period	5.66	2.60	3.06	118.05%	19.78	(2.01)	21.80	-1082.69%



Revenue

The Company and its subsidiaries reported total revenue of 376.45 million baht for the second quarter ending on June 30, 2023, representing an increase of 107.05 million baht or a growth of 39.74 percent compared to the same period last year, where the total revenue was 269.40 million baht. Additionally, for the 6-month period ending on June 30, 2023, the Company and its subsidiaries recorded total revenue of 755.06 million baht, indicating an increase of 235.03 million baht or a growth of 45.20 percent compared to the same period last year, where the total revenue was 520.03 million baht. The total gross profit for the 6-month period amounted to 98.99 million baht, which increased by 30.39 million baht, or 44.29 percent, compared to the same period last year. These positive results can be attributed to the following main reasons:

1. Revenue from Engineering Services for the second quarter ending on June 30, 2023, amounted to 165.15 million baht, increasing by 108.60 million baht or a growth of 192.07 percent compared to the same period last year, where the revenue was 56.54 million baht. Additionally, for the 6-month period ending on June 30, 2023, the revenue amounted to 327.71 million baht, showing an increase of 232.38 million baht or a growth of 243.76 percent compared to the same period last year, where the revenue was 95.33 million baht. This growth is primarily attributed to an increase in project deliveries as compared to the previous year's 6-month period.
2. Revenue from Management Services for the second quarter ending on June 30, 2023, amounted to 168.97 million baht, decreasing by 11.58 million baht or a decline of 6.41 percent compared to the same period last year, where the revenue was 180.55 million baht. Additionally, for the 6-month period ending on June 30, 2023, the revenue amounted to 336.29 million baht, showing a decrease of 19.51 million baht or a decline of 5.48 percent compared to the same period last year, where the revenue was 355.80 million baht. This decline is attributed to the management's decision to accept projects with lower risk of budget postponement or cancellation in the future.
3. Revenue from Renewable Energy Power Generation for the second quarter ending on June 30, 2023, amounted to 41.28 million baht, increasing by 9.01 million baht or a growth of 27.92 percent compared to the same period last year, where the revenue was 32.27 million baht. Additionally, for the 6-month period ending on June 30, 2023, the revenue amounted to 88.86 million baht, showing an increase of 20.05 million baht or a growth of 29.13 percent compared to the same period last year, where the revenue was 68.82 million baht. This increase is due to the Company recognizing revenue from the Biomass Power Generation business, which achieved its Commercial Operation Date (COD) on November 14, 2022, while there was no revenue recognition from this business in the corresponding period of the previous year.



Selling and Administrative Expenses

Selling and administrative expenses for the second quarter ending on June 30, 2023, amounted to 28.15 million baht, showing a slight decrease compared to the same period last year, where the expenses were 28.94 million baht. Additionally, for the 6-month period ending on June 30, 2023, the selling and administrative expenses amounted to 55.16 million baht, decreasing by 4.80 million baht or a decline of 8.01 percent compared to the same period last year, where the expenses were 59.96 million baht. This reduction is due to the Company's cost reduction and control measures implemented in the office, as there were no losses from inventory write-downs and foreign exchange rates in the 6-month period of 2023, which had occurred in the corresponding period of the previous year.

Financial Costs

Financial costs for the second quarter ending on June 30, 2023, amounted to 12.76 million baht, increasing by 8.17 million baht or a growth of 177.93 percent compared to the same period last year, where the costs were 4.59 million baht. Additionally, for the 6-month period ending on June 30, 2023, the financial costs amounted to 23.89 million baht, increasing by 11.37 million baht or a growth of 90.74 percent compared to the same period last year, where the costs were 12.53 million baht. This increase is due to higher borrowings for working capital purposes in the business and an upward adjustment in the interest rate for revolving capital by commercial banks in accordance with the revised interest rate policy.

Financial Position as of June 30, 2023

Consolidated financial information (Unit : Million Baht)			
	June 30	December 31	Change
	2023	2022	
Current assets	1,220.77	844.96	375.82
Non-current assets	1,267.07	1,293.46	(26.39)
Total assets	2,487.84	2,138.42	349.42
Current liabilities	1,154.80	821.26	333.53
Non-current liabilities	383.16	410.25	(27.09)
Total liabilities	1,537.96	1,231.51	306.45
Equity	949.88	906.91	42.98



Total Assets

The Company and its subsidiaries have a total asset of 2,487.84 million baht as of June 30, 2023, which increased from the end of 2022 when it was 349.42 million baht. This increase can be attributed to the following main reasons:

- Trade and other receivables reaching 619.10 million baht increased by 311.11 million baht compared to the end of 2022. This increase is mainly due to higher trade receivables from engineering services projects that were billable during this period.
- The inventory totalled 156.52 million baht, marking an increase of 95.68 million baht compared to the end of 2022. This rise in inventory is attributed to goods awaiting installation for engineering services projects.
- Contract assets amounted to 222.51 million baht, representing a decrease of 124.24 million baht compared to the end of 2022. This decline is a result of engineering services projects that were billable during this period, leading to a reduction in assets from contracts.
- The value of property, plant and equipment amounted to 1,067.06 million baht, showing a decrease of 26.49 million baht compared to the end of 2022. This reduction is primarily attributed to depreciation calculations during this period.

Total Liabilities

The Company and its subsidiaries have total liabilities amounting to 1,537.96 million baht as of June 30, 2023, which increased from the end of 2022 when it was 306.45 million baht. This increase can be attributed to the following main reasons:

- The amount of bank overdrafts and short-term borrowings from financial institutions reached 712.27 million baht, marking an increase of 236.96 million baht compared to the end of 2022. This increment was made to provide additional working capital for the business.
- The balance of trade and other payables amounted to 327.35 million baht, reflecting an increase of 103.91 million baht compared to the end of 2022. This rise is attributed to the growth in trade payables and construction-related payables.
- Long-term borrowings from financial institutions amounted to 381.78 million baht, showing a decrease of 33.98 million baht compared to the end of 2022. This decrease is a result of making regular debt repayments during this period as per the usual conditions.



Shareholder's Equity

As of June 30, 2023, the Company and its subsidiaries have shareholder's equity amounting to 949.88 million baht, which increased from 42.98 million baht as of December 31, 2022. This increase is attributed to the net profit growth of 19.78 million baht during the interim period, and additional equity issuance by a subsidiary company held at 51% ownership, resulting in an increment of 23.19 million baht in non-controlling interest. As a result, the shareholder's equity has increased according to the mentioned amounts.

Please be informed accordingly.

Sincerely,

(Mr. Preecha Suan)
Chief Financial Officer

Bangkok Office

Surat Thani Office

