

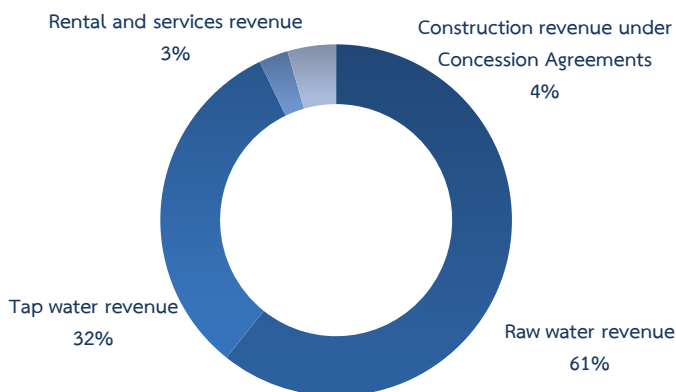
## EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED MANAGEMENT DISCUSSION AND ANALYSIS FOR Q3/2019

### 1. ANALYSIS OF FINANCIAL PERFORMANCE

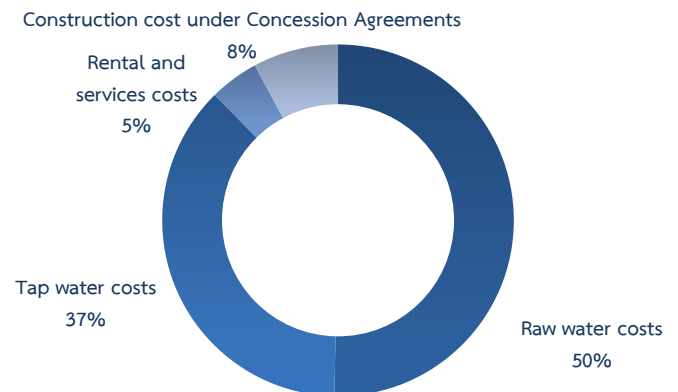
For the 9 months ended September 2019, East Water Group had total consolidated sales and services income of 3,520.24 million Baht, increased by 349.33 million Baht or 11.02% compared to the same period of 2018 as the raising in raw water sales volume while costs of sales and services totally 2,003.08 million Baht, increased by 357.38 million Baht or 21.72% because of increasing of electricity cost. Net profit attributable to equity holders of the parent company of 838.86 million Baht, decreased by 42.17 million Baht or 4.79%.

#### Proportion of revenues and cost

##### Revenue of Jan - Sep 2019 = 3,520.24 million Baht



##### Cost of Jan - Sep 2019 = 2,003.08 million Baht



Income statement (Million Baht)	For the three-month period				For the nine-month period			
	Q3/2019	Q3/2018	YOY	%	9M/2019	9M/2018	YOY	%
<b>Total Sales and Services revenue</b>	<b>1,159.49</b>	<b>1,077.84</b>	<b>81.66</b>	<b>7.58%</b>	<b>3,520.24</b>	<b>3,170.91</b>	<b>349.33</b>	<b>11.02%</b>
Raw water revenue	707.63	620.57	87.06	14.03%	2,137.58	1,805.73	331.85	18.38%
Tap water revenue	378.49	364.08	14.41	3.96%	1,130.42	1,076.44	53.98	5.01%
Rental and services revenue	26.66	34.80	(8.14)	(23.38%)	95.12	117.75	(22.63)	(19.22%)
Construction revenue under Concession Agreements <sup>1)</sup>	46.72	58.39	(11.67)	(19.99%)	157.13	170.99	(13.86)	(8.11%)
<b>Costs of Sales and Services</b>	<b>691.49</b>	<b>536.09</b>	<b>155.40</b>	<b>28.99%</b>	<b>2,003.08</b>	<b>1,645.70</b>	<b>357.38</b>	<b>21.72%</b>
Raw water cost	364.63	228.99	135.64	59.23%	1,008.25	698.93	309.33	44.26%
Tap water cost	255.81	219.59	36.22	16.49%	747.04	671.51	75.53	11.25%
Rental and services cost	24.34	29.12	(4.78)	(16.43%)	90.67	104.28	(13.62)	(13.06%)
Construction cost under Concession Agreements <sup>1)</sup>	46.72	58.39	(11.67)	(19.99%)	157.13	170.99	(13.86)	(8.11%)
<b>Gross profit</b>	<b>468.00</b>	<b>541.74</b>	<b>(73.74)</b>	<b>(13.61%)</b>	<b>1,517.16</b>	<b>1,525.21</b>	<b>(8.05)</b>	<b>(0.53%)</b>
Other income	8.21	12.03	(3.82)	(31.73%)	34.51	24.89	9.62	38.67%
Selling and administrative expenses	126.97	132.72	(5.75)	(4.33%)	369.48	332.19	37.29	11.22%
<b>Operating profit</b>	<b>349.25</b>	<b>421.06</b>	<b>(71.81)</b>	<b>(17.06%)</b>	<b>1,182.19</b>	<b>1,217.90</b>	<b>(35.71)</b>	<b>(2.93%)</b>
Finance cost	42.59	35.33	7.26	20.55%	123.97	102.39	21.59	21.08%
Income tax expenses	74.36	82.22	(7.85)	(9.55%)	211.29	225.99	(14.70)	(6.51%)
<b>Net profit</b>	<b>232.29</b>	<b>303.51</b>	<b>(71.22)</b>	<b>(23.46%)</b>	<b>846.93</b>	<b>889.53</b>	<b>(42.60)</b>	<b>(4.79%)</b>
<b>Net profit attributable to owner of the parent</b>	<b>229.38</b>	<b>300.41</b>	<b>(71.02)</b>	<b>(23.64%)</b>	<b>838.86</b>	<b>881.03</b>	<b>(42.17)</b>	<b>(4.79%)</b>
<b>Earnings per share (EPS)</b>	<b>0.14</b>	<b>0.18</b>	<b>(0.04)</b>	<b>(23.64%)</b>	<b>0.50</b>	<b>0.53</b>	<b>(0.03)</b>	<b>(4.79%)</b>

Note: 1) Revenue and Cost that were recognized when there is construction under concession agreements for tap water according to accounting standard TFRIC12

**EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED**  
**MANAGEMENT DISCUSSION AND ANALYSIS FOR Q3/2019**

### 1. ANALYSIS OF FINANCIAL PERFORMANCE (Cont.)

EBITDA (Million Baht)	For the three-month period				For the nine-month period			
	Q3/2019	Q3/2018	YoY	%	9M/2019	9M/2018	YoY	%
Operating profit	349.25	421.06	(71.81)	(17.06%)	1,182.19	1,217.90	(35.71)	(2.93%)
Depreciation	126.10	102.89	23.22	22.56%	375.34	304.90	70.44	23.10%
Amortization	80.88	76.13	4.75	6.24%	239.05	224.04	15.01	6.70%
<b>EBITDA</b>	<b>556.23</b>	<b>600.08</b>	<b>(43.85)</b>	<b>(7.31%)</b>	<b>1,796.58</b>	<b>1,746.84</b>	<b>49.74</b>	<b>2.85%</b>

### 2. ECONOMIC SITUATION

Thailand economic situation in Q3/2019 in Central and Eastern area were contracted as the same period of 2018 due to global economic weaker from protectionist trade policies between US and China and effect of Baht appreciation, which affected to export sector and industrial sector, especially in electronic components manufacturing business. Similarly, private investment sector was slowdown regarding to the concern about uncertain government spending except in the electronics group that moved production base from abroad and the expanding construction business group supporting the EEC project. In terms of economic stability, employment rate decreased following to the economic situation while the cost of production reduced, especially for the imported raw material and goods because of Baht appreciation.

Business outlook for Q4/2019 was expected that Thailand economy would be stable compared to the same period of 2018, in line with economic and the slowdown of private investment which depending on Baht exchange rate and government policies.

### 3. WATER SITUATION

As of 1 November 2019, the water supply situation in Chonburi and Rayong were in moderate level. Water supply in the reservoirs was approximately lower than the average water quantity of the past 10 years as decreasing rainfall in that area. The weather forecast of the Department of Meteorology was expected that the total rainfall in the Eastern part of Thailand will be lower than average level about 20% during November 2019 – January 2020. The average water in the reservoirs in Chonburi and Rayong were 53% and 52% of total capacity respectively.

Water Volume (Million Cu.M)	Chonburi		Rayong			
	Bangpra	Nongkho	Dokkrai	Nongplalai	Klongyai	Prasae
<b>Water reserve</b>	<b>66.16</b>	<b>7.80</b>	<b>35.48</b>	<b>97.30</b>	<b>20.01</b>	<b>146.49</b>
Percentage of total capacity	57%	36%	45%	59%	50%	50%
Average (2006-2018)	77.47	16.70	70.80	154.98	39.52	256.43
Above/(below) average (2006-2018)	(11.31)	(8.90)	(35.32)	(57.68)	(19.51)	(109.94)

### 4. SIGNIFICANT EVENTS

The Board of Director's meeting No. 9/2019 held on 14 August 2019 had a resolution on the interim dividend payment, based on the operating results of six months end at 30 September 2019, at 0.21 Baht per share, totally 349.38 million Baht. The record date which shareholders had the right to receive the interim dividend was on 28 August 2019 and the dividend paid on 11 September 2019.

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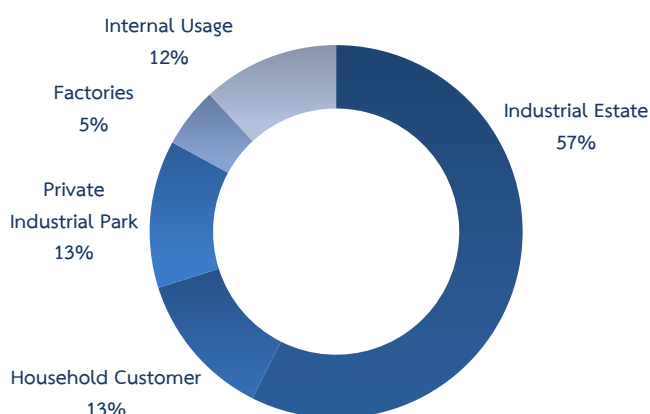
**5. RAW WATER BUSINESS**

Raw water revenue in 9 months of 2019 was 2,137.58 million Baht, increased by 331.85 million Baht or 18.38% compared to the same period of 2018. Total water sales volume was 212.18 million Cu.M. (excluding internal usage for tap water production of 23.15 million Cu.M.), increased by 46.37 million Cu.M., or 27.96% due to the raising of raw water sales volume from the household customers. The average raw water tariff was at 10.07 Baht per Cu.M., decreased by 0.82 Baht per Cu.M., or 7.49%, due to the rising portion of household customers, who paid lower tariffs than other customer groups and the discount for Provincial Waterworks Authority (PWA).

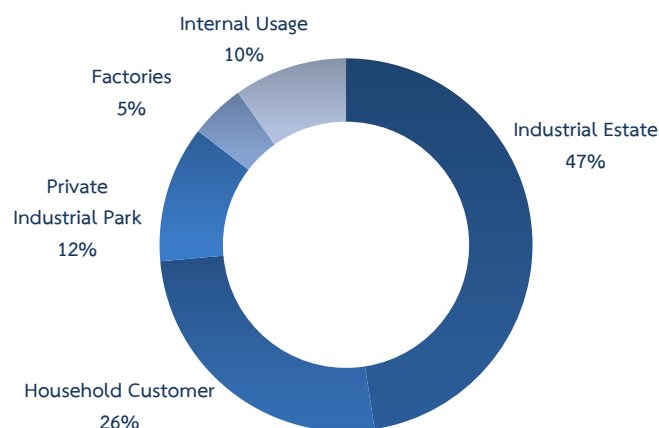
Raw Water Volume (Million Cu.M)	For the three-month period				For the nine-month period			
	Q3/2019	Q3/2018	YoY	%	9M/2019	9M/2018	YoY	%
Total distribution volume	78.09	64.56	13.54	20.97%	235.33	188.13	47.20	25.09%
Internal usage for tap water	7.94	7.39	0.55	7.49%	23.15	22.32	0.83	3.73%
<b>Net raw water sales volume</b>	<b>70.15</b>	<b>57.17</b>	<b>12.98</b>	<b>22.71%</b>	<b>212.18</b>	<b>165.81</b>	<b>46.37</b>	<b>27.96%</b>

**Raw Water Distribution by Customer Group (Internal usage for tap water production is included)**

**Jan – Sep 2018 = 188.13 million Cu.M.**

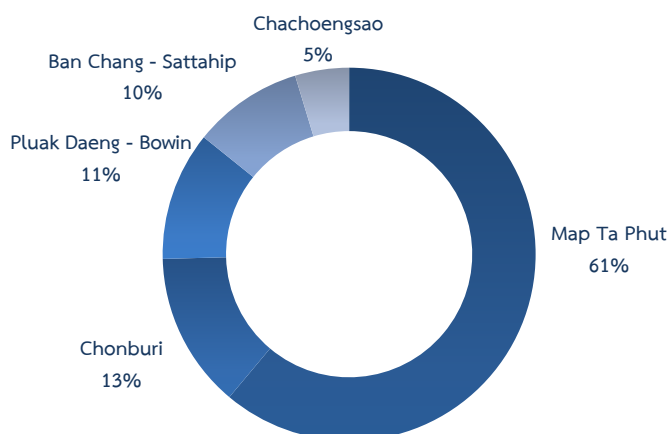


**Jan – Sep 2019 = 235.33 million Cu.M.**

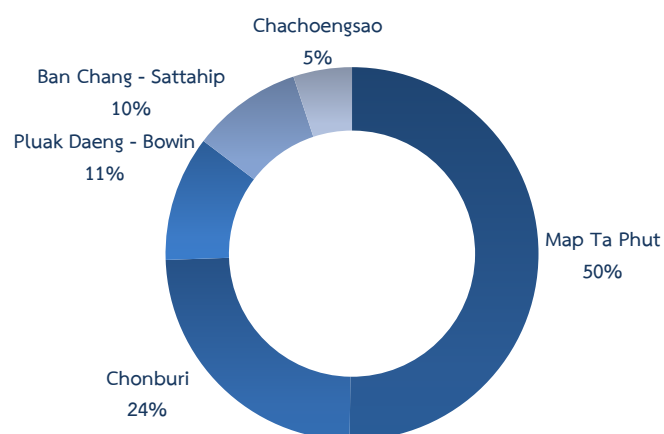


**Raw Water Distribution by Area (Internal usage for tap water production is included)**

**Jan – Sep 2018 = 188.13 million Cu.M.**



**Jan – Sep 2019 = 235.33 million Cu.M.**



**EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED**  
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**5. RAW WATER BUSINESS (Cont.)**

**Gross Profit of Raw Water Business** for the 9 months of 2019 was 1,129.33 million Baht, increased by 22.52 million Baht or 2.03% compared to the same period of 2018 following to the increasing sales volume of the household customer. On the other hand, cost of goods sold increased in line with the increasing sales volume and the reasons as follows:

1) Electricity cost increased due to the raising of demand in Chonburi area. Therefore; the company must transfer water from Prasae reservoir to Chonburi area.

2) Raw water cost increased from purchasing raw water from private source in order to remain the stability in raw water distribution system.

3) Rising depreciation and amortization from investment to increase raw water distribution capacity.

Furthermore, the average sales price was lower from rising demand from household customer. As a result, gross profit margin of raw water business dropped to 52.83%.

Major costs of raw water business (Million Baht)	For the three-month period				For the nine-month period			
	Q3/2019	Q3/2018	YoY	%	9M/2019	9M/2018	YoY	%
<b>Raw Water Revenue</b>	<b>707.63</b>	<b>620.57</b>	<b>87.06</b>	<b>14.03%</b>	<b>2,137.58</b>	<b>1,805.73</b>	<b>331.85</b>	<b>18.38%</b>
<b>Costs of Raw Water</b>	<b>364.63</b>	<b>228.99</b>	<b>135.63</b>	<b>59.23%</b>	<b>1,008.25</b>	<b>698.93</b>	<b>309.33</b>	<b>44.26%</b>
Raw Water	34.67	28.42	6.25	21.99%	142.46	113.29	29.17	25.75%
Electricity	154.14	73.93	80.21	108.50%	383.45	204.00	179.44	87.96%
Depreciation	98.87	77.78	21.08	27.10%	295.84	229.44	66.40	28.94%
Maintenance	30.03	9.54	20.49	214.67%	57.08	41.94	15.14	36.11%
Others	46.92	39.31	7.61	19.34%	129.42	110.26	19.17	17.38%
<b>Gross Profit</b>	<b>343.00</b>	<b>391.58</b>	<b>(48.58)</b>	<b>(12.41%)</b>	<b>1,129.33</b>	<b>1,106.80</b>	<b>22.52</b>	<b>2.03%</b>
<b>Gross Profit Margin</b>	<b>48.47%</b>	<b>63.10%</b>			<b>52.83%</b>	<b>61.29%</b>		

**6. TAP WATER BUSINESS**

Tap water revenue for the 9 months of 2019 was 1,130.42 million Baht, increased by 53.98 million Baht or 5.01%. Total tap water sales volume was 75.27 million Cu.M., increased by 3.03 million Cu.M. or 4.20% compared to the first 9 months of 2018.

Tap water sales volume (Million Cu.M)	For the three-month period				For the nine-month period			
	Q3/2019	Q3/2018	YoY	%	9M/2019	9M/2018	YoY	%
Tap water sales volume	5.69	5.25	0.44	8.34%	17.08	15.78	1.30	8.25%
Tap water sales volume of the subsidiaries	19.29	19.10	0.19	0.99%	58.19	56.46	1.73	3.06%
<b>Total tap water sales volume</b>	<b>24.98</b>	<b>24.35</b>	<b>0.63</b>	<b>2.57%</b>	<b>75.27</b>	<b>72.24</b>	<b>3.03</b>	<b>4.20%</b>

**Gross Profit of Tap Water Business** for the 9 months of 2019 was 383.38 million Baht, decreased by 21.55 million Baht or 5.32% compared to the first 9 months of 2018. The reasons were from the rising in pipeline maintenance, estimate replacement cost and depreciation & amortization from capacity expansion investment.

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**6. TAP WATER BUSINESS (Cont.)**

Major Costs of Tap Water Business (Million Baht)	For the three-month period				For the nine-month period			
	Q3/2019	Q3/2018	YoY	%	9M/2019	9M/2018	YoY	%
<b>Tap Water Revenue</b>	<b>378.49</b>	<b>364.08</b>	<b>14.41</b>	<b>3.96%</b>	<b>1,130.42</b>	<b>1,076.44</b>	<b>53.98</b>	<b>5.01%</b>
<b>Costs of Tap Water</b>	<b>255.81</b>	<b>219.59</b>	<b>36.22</b>	<b>16.49%</b>	<b>747.04</b>	<b>671.51</b>	<b>75.53</b>	<b>11.25%</b>
Raw Water	50.98	37.75	13.23	35.06%	143.05	123.90	19.15	15.45%
Electricity	39.25	36.14	3.11	8.61%	113.10	107.97	5.13	4.75%
Chemical	11.93	8.15	3.77	46.28%	32.22	24.78	7.44	30.01%
Payroll, Outsource Expenses & Maintenance	58.28	49.47	8.81	17.81%	182.68	155.00	27.68	17.85%
Depreciation	81.14	74.43	6.71	9.01%	240.19	219.47	20.72	9.44%
Others	14.24	13.66	0.58	4.26%	35.80	40.38	(4.58)	(11.33%)
<b>Gross Profit</b>	<b>122.68</b>	<b>144.49</b>	<b>(21.81)</b>	<b>(15.10%)</b>	<b>383.38</b>	<b>404.94</b>	<b>(21.55)</b>	<b>(5.32%)</b>
<b>Gross Profit Margin</b>	<b>32.41%</b>	<b>39.69%</b>			<b>33.92%</b>	<b>37.62%</b>		

**7. FINANCIAL POSITION ANALYSIS**

Financial Position (MB)	As of 30 Sep 2019	As of 31 Dec 2018	Increased (Decreased)	%
Total Assets	20,474.48	20,140.90	333.58	1.66%
Total Liabilities	9,671.78	9,335.75	336.03	3.60%
Equity	10,802.70	10,805.15	(2.45)	(0.02%)
<b>- Equity attributable to owners of the parents</b>	<b>10,626.64</b>	<b>10,624.66</b>	<b>1.98</b>	<b>0.02%</b>

**1) Assets** At the end of 30 September 2019, total assets were 20,474.48 million Baht, increased by 333.58 million Baht or 1.66% from the end of the year 2018 due to the changes in the following items:

- Cash & Cash equivalents were 52.06 million Baht, decreased by 526.16 million Baht mainly from project investment in 2019 and dividend payment to the shareholder.

- Property, plant and equipment were 14,547.08 million Baht, increased by 164.85 million Baht mainly from construction in progress including clarified water & total water solution projects, Bangpakong pumping project and Tubma reservoir project; after depreciation and amortization of the completed projects.

- Other Non-current assets were 1,004.86 million Baht, rose by 662.29 million Baht mainly due to advance payment for construction projects and development cost of water supply, Khlong Luang Rachalothorn Reservoir Project.

**2) Liabilities** At the end of 30 September 2019, total liabilities were 9,671.78 million Baht, increased by 336.03 million Baht or 3.60% from the end of the year 2018 due to changes in the following items:

- Long-term loans from financial institutions were 3,966.20 million Baht, decreased by 26.20 million Baht mainly from the repayment of long term loan as schedule in an amount of 826.20 million Baht and the drawdown of long-term loan by 800.00 million Baht for project construction.

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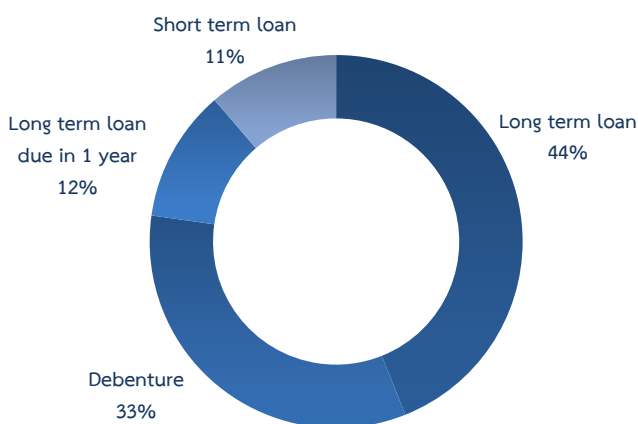
**7. FINANCIAL POSITION ANALYSIS (Cont.)**

- Account payables were 304.99 million Baht, increased by 157.79 million Baht from discount for PWA.

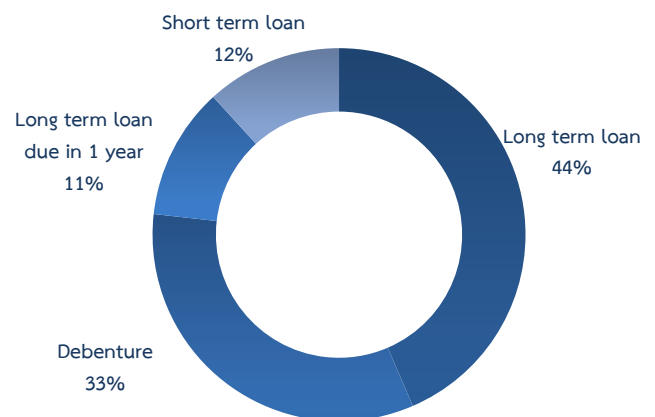
- Payable for purchase of fixed assets were 1,015.74 million Baht, rose by 153.54 million Baht from recording of account payable according to increase in process of Tubma reservoir project.

**Proportion of Interest-Bearing Debt**

**As of 31 Dec 2018 = 7,204.35 million Baht**



**As of 30 Sep 2019 = 7,214.46 million Baht**



**Note:** According to the debentures and long-term loan agreements, the company was required to maintain its D/E ratio of not higher than 2.0 times. For the long-term loan agreements, there is additional condition to maintain DSCR of not less than 1.1 times.

**3) Shareholder's Equity** At the end of 30 September 2019, Shareholders' equity attributable to owners of the parent was 10,626.64 million Baht, increased by 1.98 million Baht or 0.02% from the end of the year 2018, basically from the net profit for the 9 months of 2019 after dividend payment.

**8. LIQUIDITY ANALYSIS AND FUNDING ADIQUACY**

For the first 9 months of 2019, the company had beginning cash and cash equivalents of 578.21 million Baht, whereby during the financial period, net cash was decreased by 526.16 million Baht. This comprised of the following items:

**1) Net cash received from Operating Activities** totaling Baht 1,730.42 million Baht from the net income and the changes in assets and liabilities from operations

**2) Net cash used in Investment Activities** amounted to 1,340.55 million Baht. This was mainly due to the investment in fixed assets, advance payment for the construction, and investment in other non-current assets as well as concession assets in an amount of 1,246.87 million Baht while the net short-term investment also increased by 67.34 million Baht.

**3) Net cash used in Financing Activities** amounted to 916.03 million Baht, mainly due to repayment of long-term loan and dividend payment of 826.20 and 810.95 million Baht respectively, this was net off with the long-term loan drawdown of 800.00 million Baht for project investment.

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## 9. KEY FINANCIAL RATIOS

Key Financial Ratios	As of 30 Sep 2019	As of 30 Sep 2018
<b>Liquidity Ratio</b>		
Current ratio (time)	0.45	0.41
<b>Profitability Ratio <sup>1)</sup></b>		
Gross profit / total sales and services revenue (%)	45.11%	50.89%
Net profit / total sales and services revenue (%)	25.18%	29.65%
<b>Performance Ratio</b>		
Return on Equity (ROE) (%)	10.23%	10.82%
Return on Assets (ROA) (%)	5.38%	5.66%
<b>Capital Structure and Debt Ratio</b>		
Debt to Equity ratio (time)	0.91	0.86
Debt Service Coverage ratio (DSCR) (time)	2.25	2.13

**Note:** 1) Gross profit and Net profit were excluded construction revenue under concession agreement and other income.

In the 9 months of 2019, East Water Group reported a declining in net profit and the profit margin decreased from the same period of 2018 because of the higher electricity costs following to the increasing of sales volume in Chonburi area. Therefore; gross profit margin and net profit margin was down to 45.51% and 25.18% respectively.

Return on Equity (ROE) and Return on Asset (ROA) decreased to 10.23% and 5.38% respectively compared to the same period of the year 2018 due to the lower net profit.

For the liquidity analysis, current ratio improved to 0.45 times. Debt to equity ratio was at 0.91 times and Debt service coverage ratio (DSCR) remained strong at 2.25 times.