

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED

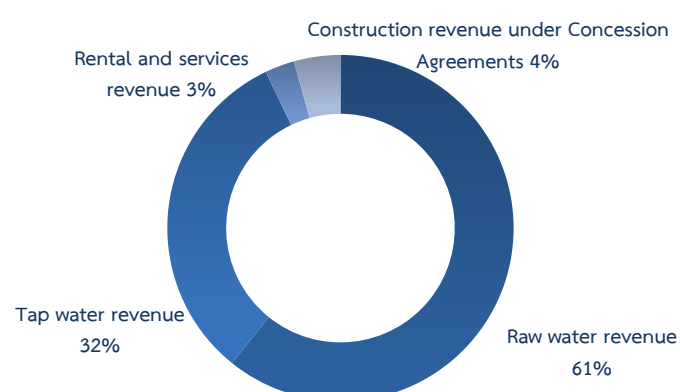
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2019

1. ANALYSIS OF FINANCIAL PERFORMANCE

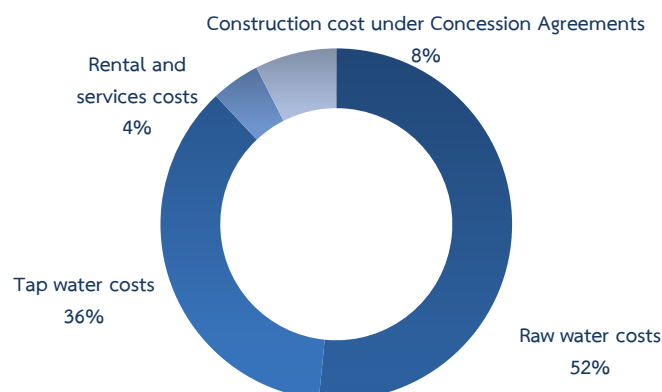
For the year 2019, East Water Group had total consolidated sales and services income of 4,680.08 million Baht, increased by 459.09 million Baht or 10.88% compared to the year 2018 as the raising in raw water sales volume. However, the costs of sales and services were totally 2,706.44 million Baht, increased by 481.81 million Baht or 21.66% mainly because of an increasing electricity cost. Net profit attributable to equity holders of the parent company of 1,044.79 million Baht, decreased by 72.73 million Baht or 6.51%.

Proportion of revenues and cost

Revenue of Jan - Dec 2019 = 4,680.08 million Baht



Cost of Jan - Dec 2019 = 2,706.44 million Baht



Income statement (Million Baht)	For the three-month period				Year 2019	Year 2018	YOY	%
	Q4/2019	Q4/2018	YOY	%				
Total Sales and Services revenue	1,159.83	1,050.08	109.76	10.45%	4,680.08	4,220.99	459.09	10.88%
Raw water revenue	707.12	588.09	119.03	20.24%	2,844.70	2,393.82	450.88	18.84%
Tap water revenue	372.74	361.96	10.78	2.98%	1,503.16	1,438.40	64.76	4.50%
Rental and services revenue	33.98	38.44	(4.47)	(11.62%)	129.10	156.20	(27.10)	(17.35%)
Construction revenue under Concession Agreements ¹⁾	46.00	61.59	(15.59)	(25.31%)	203.13	232.57	(29.45)	(12.66%)
Costs of Sales and Services	703.35	578.92	124.43	21.49%	2,706.44	2,224.62	481.81	21.66%
Raw water cost	387.91	245.32	142.59	58.12%	1,396.16	944.24	451.92	47.86%
Tap water cost	238.40	241.09	(2.69)	(1.12%)	985.44	912.60	72.84	7.98%
Rental and services cost	31.05	30.93	0.12	0.38%	121.71	135.21	(13.50)	(9.98%)
Construction cost under Concession Agreements ¹⁾	46.00	61.59	(15.59)	(25.31%)	203.13	232.57	(29.45)	(12.66%)
Gross profit	456.48	471.16	(14.68)	(3.11%)	1,973.64	1,996.37	(22.72)	(1.14%)
Other income	14.68	9.45	5.24	55.40%	49.19	34.34	14.86	43.27%
Selling and administrative expenses	169.04	150.34	18.71	12.44%	538.52	482.53	55.99	11.60%
Operating profit	302.12	330.27	(28.15)	(8.52%)	1,484.32	1,548.17	(63.86)	(4.12%)
Finance cost	42.08	54.83	(12.75)	(23.25%)	166.05	157.21	8.84	5.62%
Income tax expenses	51.07	35.20	15.87	45.10%	262.36	261.19	1.17	0.45%
Net profit	208.98	240.25	(31.27)	(13.02%)	1,055.91	1,129.77	(73.87)	(6.54%)
Net profit attributable to the parent	205.93	236.49	(30.56)	(12.92%)	1,044.79	1,117.52	(72.73)	(6.51%)
Earnings per share (EPS)	0.12	0.14	(0.02)	(12.92%)	0.63	0.67	(0.04)	(6.51%)

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 THE YEAR 2019

1. ANALYSIS OF FINANCIAL PERFORMANCE (Cont.)

EBITDA (Million Baht)	For the three-month period				Year	Year	YoY	%
	Q4/2019	Q4/2018	YoY	%	2019	2018		
Operating profit	302.12	330.27	(28.15)	(8.52%)	1,484.32	1,548.17	(63.86)	(4.12%)
Depreciation	129.07	127.12	1.95	1.53%	504.40	432.02	72.38	16.75%
Amortization	81.31	76.69	4.62	6.03%	320.36	300.72	19.64	6.53%
EBITDA	512.50	534.08	(21.58)	(4.04%)	2,309.08	2,280.92	28.16	1.23%

2. ECONOMIC SITUATION

Thailand economic situation in Q4/2019 in Central and Eastern area were contracted compared to the same period of 2018 due to global economic and domestic consumption weak, that were impacted from Baht appreciation, affected to production competitiveness that manufacturers made decision to shift production base or import materials from foreign. Similarly, private investment sector and employment were slowdown followed economic recession, excluded construction sector that had bidding competition from Chinese entrepreneurs. In terms of investment and employment, there were affected from labor substitution by Automation. Substitution. For production costs, it was as value as last year, due to businesses made forward contracts with material source, and imported raw material and goods were lower value because of Baht appreciation.

Business outlook for Q1/2020 was expected that Thailand economy would be depressed compared to the same period of 2019, in line with economic and the slowdown of private investment which depending on government policies, direction of Baht currency and delay of 2020 government budget approval. Also, Coronavirus outbreak and the droughts in Thailand have been affecting to the export sector, especially the agricultural sector.

3. WATER SITUATION

As of 31 January 2020, the water supply situation in Chonburi and Rayong were in water shortage warning level. Water supply in the reservoirs was approximately lower than the average water quantity of the past 10 years as the drought impact during the last year. 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 10% during February 2020 – March 2020 and the same level as average on April 2020. The average water in the reservoirs in Chonburi and Rayong were 36% and 31% of total capacity respectively.

Water Volume (Million Cu.M)	Chonburi		Rayong			
	Bangpra	Nongkho	Dokkrai	Nongplalai	Klongyai	Prasae
Water reserve	44.08	5.19	30.14	37.62	8.13	103.22
Percentage of total capacity	38%	24%	38%	23%	20%	35%
Average (2010-2019)	72.76	12.96	56.19	137.79	29.97	213.98
Above/(below) average (2010-2019)	(28.68)	(7.77)	(26.05)	(100.17)	(21.84)	(110.76)

4. SIGNIFICANT EVENTS

As of 26 June 2019, TRIS Rating affirmed the company rating and senior unsecured debenture rating of Eastern Water Resources Development and Management PLC at “A+” with “stable” outlook, which reflects the company’s financial strength as the key raw water provider with a comprehensive pipeline network in the Eastern Seaboard area, rising of water demand in the Eastern Economic Corridor (EEC) area, its high profitability, and highly predictable cash flows.

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2019

4. SIGNIFICANT EVENTS (Cont.)

As of 14 August 2019, the Board of Director’s meeting No. 9/2019 had a resolution on the interim dividend payment, based on the operating results of six months ended 30 June 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.

As of 29 November 2019, the company has been selected as one of 98 listed companies in the list of Thailand Sustainability Investment, known as "2019 Sustainable Stocks," as shares of registered companies that conduct environmental business, social, and outstanding governance (ESG). Stakeholders are considered both socially and environmentally, including management procedures for creating sustainability and received the 2019 Rising Star Sustainability Awards, in the Sustainability Excellence category, which is an award for listed companies that have outstanding sustainable business practices.

As of 11 December 2019, the company was awarded an honorary award of Sustainability Disclosure Recognition, from Thaipat Institute, that enables stakeholders to grow alongside the company, and in respond to Sustainable Development Goals: (SDGs) efficiently.

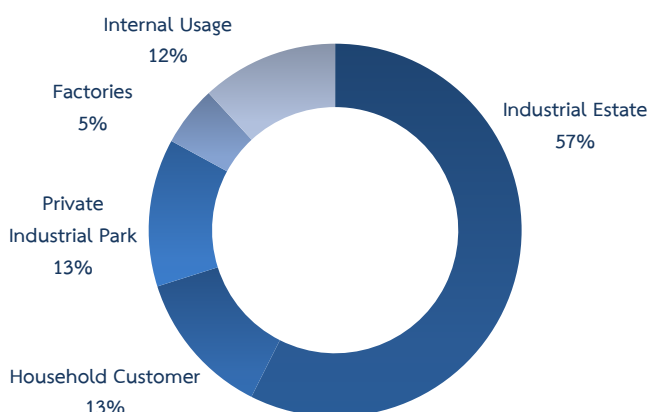
5. RAW WATER BUSINESS

Raw water revenue in 2019 was 2,844.70 million Baht, increased by 450.88 million Baht or 18.84% compared to the year 2018. Total water sales volume was 282.23 million Cu.M. (excluding internal usage for tap water production of 31.18 million Cu.M.), increased by 62.25 million Cu.M., or 28.30% due to the raising of raw water sales volume from the household customers. The average raw water tariff was at 10.08 Baht per Cu.M., decreased by 0.80 Baht per Cu.M., or 7.38%, as the rising portion of household customers, who paid lower tariffs than other customer groups and the discount for such group.

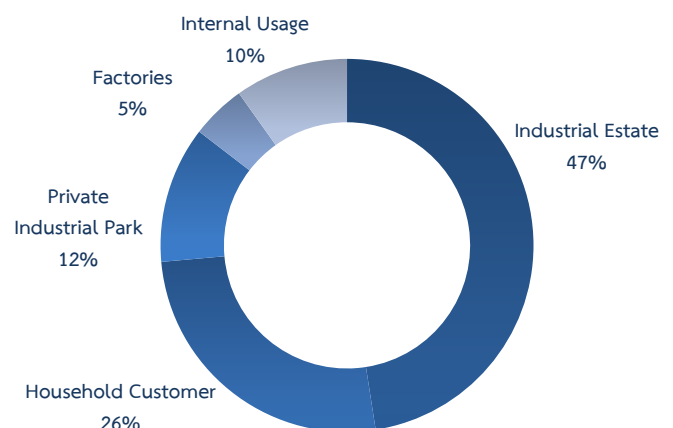
Raw Water Volume (Million Cu.M)	For the three-month period				Year	Year	YoY	%
	Q4/2019	Q4/2018	YoY	%	2019	2018		
Total distribution volume	78.09	61.62	16.47	26.73%	313.41	249.75	63.67	25.49%
Internal usage for tap water	8.03	7.45	0.58	7.82%	31.18	29.76	1.42	4.76%
Net raw water sales volume	70.06	54.17	15.89	29.33%	282.23	219.98	62.25	28.30%

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

Jan – Dec 2018 = 249.75 million Cu.M.



Jan – Dec 2019 = 313.41 million Cu.M.

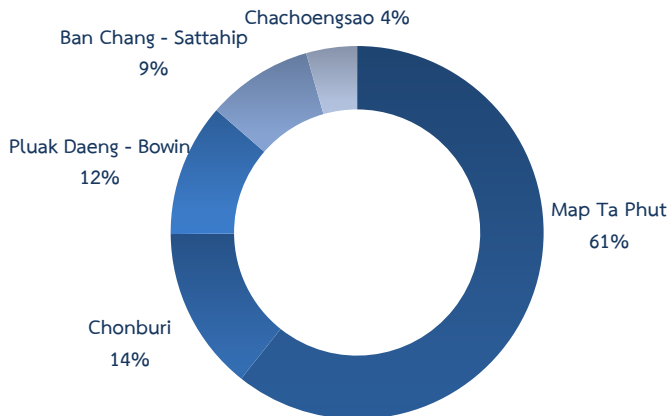


EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2019

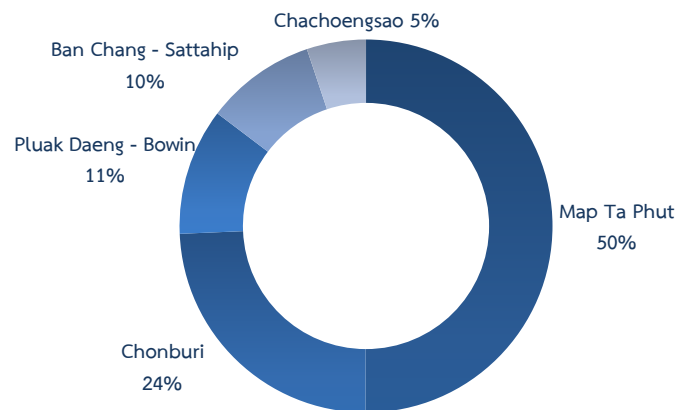
5. RAW WATER BUSINESS (Cont.)

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

Jan – Dec 2018 = 249.75 million Cu.M.



Jan – Dec 2019 = 313.41 million Cu.M.



Gross Profit of Raw Water Business in 2019 was 1,448.54 million Baht, decreased by 1.04 million Baht or 0.07% compared to 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 drought situation nationwide including Eastern area. The detail is as follows:

- 1) Electricity cost increased due to the higher raw water distribution to Chonburi area. Since the water supply in Chonburi was insufficient, therefore; the company needed to 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) Maintenance cost increased because of the pipeline moving along the motorway road and the rising in pumping volume.
- 4) 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 50.92%.

Major costs of raw water business (Million Baht)	For the three-month period				Year 2019	Year 2018	YoY	%
	Q4/2019	Q4/2018	YoY	%				
Raw Water Revenue	707.12	588.09	119.03	20.24%	2,844.70	2,393.82	450.88	18.84%
Costs of Raw Water	387.91	245.32	142.59	58.12%	1,396.16	944.24	451.92	47.86%
Raw Water	54.44	28.12	26.32	93.63%	196.90	141.40	55.50	39.25%
Electricity	132.09	64.64	67.46	104.36%	515.54	268.64	246.90	91.91%
Depreciation	101.44	96.65	4.79	4.95%	397.28	326.09	71.19	21.83%
Maintenance	56.92	17.25	39.67	230.02%	114.00	59.18	54.82	92.62%
Others	43.02	38.67	4.35	11.25%	172.44	148.92	23.52	15.79%
Gross Profit	319.21	342.77	(23.56)	(6.87%)	1,448.54	1,449.58	(1.04)	(0.07%)
Gross Profit Margin	45.14%	58.29%			50.92%	60.55%		

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2019

6. TAP WATER BUSINESS

Tap water revenue in 2019 was 1,503.16 million Baht, increased by 64.76 million Baht or 4.50%. Total tap water sales volume was 99.84 million Cu.M., increased by 3.29 million Cu.M. or 3.41% compared to 2018.

Tap water sales volume (Million Cu.M)	For the three-month period				Year 2019	Year 2018	YoY	%
	Q4/2019	Q4/2019	Q4/2019	Q4/2019				
Tap water sales volume	5.27	5.18	0.09	1.79%	22.36	20.96	1.39	6.65%
Tap water sales volume of the subsidiaries	19.30	19.13	0.17	0.87%	77.49	75.59	1.90	2.51%
Total tap water sales volume	24.57	24.31	0.26	1.06%	99.84	96.55	3.29	3.41%

Gross Profit of Tap Water Business in 2019 was 517.72 million Baht, decreased by 8.08 million Baht or 1.54% compared to 2018. The reasons were from the rising of raw water cost since the company had purchased raw water from higher-cost sources, incurred pipeline maintenance cost, as well as the estimation replacement cost and depreciation & amortization from capacity expansion investment.

Major Costs of Tap Water Business (Million Baht)	For the three-month period				Year 2019	Year 2018	YoY	%
	Q4/2019	Q4/2019	Q4/2019	Q4/2019				
Tap Water Revenue	372.74	361.96	10.78	2.98%	1,503.16	1,438.40	64.76	4.50%
Costs of Tap Water	238.40	241.09	(2.69)	(1.12%)	985.44	912.60	72.84	7.98%
Raw Water	53.56	45.67	7.89	17.28%	196.61	169.57	27.04	15.94%
Electricity	37.85	35.85	2.01	5.60%	150.95	143.82	7.14	4.96%
Chemical	11.27	8.73	2.55	29.21%	43.49	33.51	9.99	29.80%
Payroll, Outsource Expenses & Maintenance	47.29	64.77	(17.48)	(26.98%)	229.97	219.77	10.20	4.64%
Depreciation	81.34	81.32	0.01	0.02%	321.52	300.79	20.73	6.89%
Others	7.09	4.76	2.33	48.94%	42.89	45.14	(2.25)	(4.98%)
Gross Profit	134.34	120.87	13.47	11.15%	517.72	525.80	(8.08)	(1.54%)
Gross Profit Margin	36.04%	33.39%			34.44%	36.55%		

7. FINANCIAL POSITION ANALYSIS

Financial Position (MB)	As of 31 Dec 2019	As of 31 Dec 2018	Increased (Decreased)	%
Total Assets	21,180.88	20,140.90	1,039.98	5.16%
Total Liabilities	10,167.06	9,335.75	831.31	8.90%
Equity	11,013.82	10,805.15	208.66	1.93%
- Equity attributable to owners of the parents	10,839.60	10,624.66	214.95	2.02%

1) Assets At the end of 31 December 2019, total assets were 21,180.88 million Baht, increased by 1,039.98 million Baht or 5.16% from the end of the year 2018 due to the changes in the following items:

- Cash & Cash equivalents were 58.21 million Baht, decreased by 520.00 million Baht mainly from project investment in 2019 and dividend payment to the shareholder.

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2019

7. FINANCIAL POSITION ANALYSIS (Cont.)

- Property, plant and equipment were 15,260.95 million Baht, increased by 878.72 million Baht mainly from progress of construction 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 939.63 million Baht, rose by 597.05 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 31 December 2019, total liabilities were 10,167.06 million Baht, increased by 831.31 million Baht or 8.90% from the end of the year 2018 due to changes in the following items:

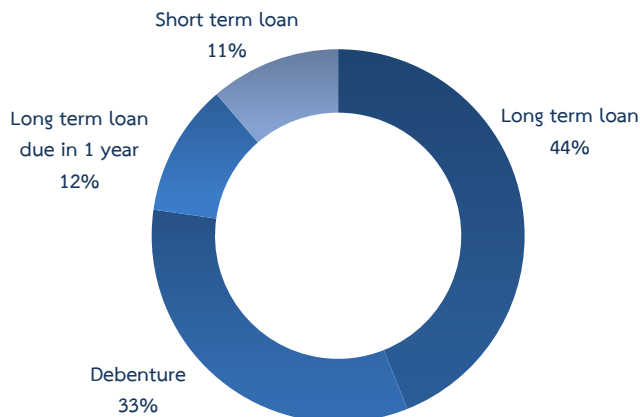
- Long-term loans from financial institutions were 4,656.20 million Baht, increased by 663.80 million Baht mainly from the drawdown of long-term loan by 1,490.00 million Baht for project construction net off with the repayment of long term loan as schedule in an amount of 826.20 million Baht.

- Short-term loans from financial institutions were 305.00 million Baht, decreased by 509.00 million Baht.

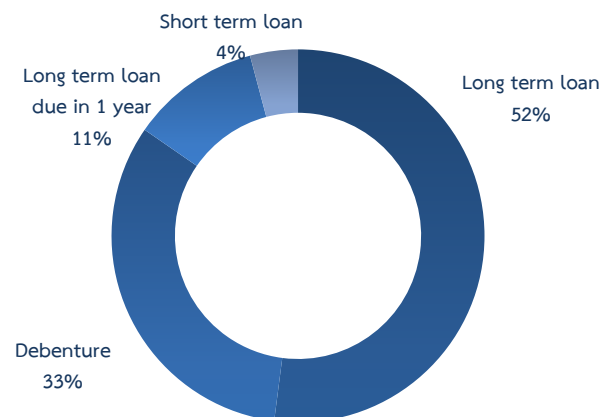
- Payable for purchase of fixed assets were 1,319.37 million Baht, increased by 358.38 million Baht from recording of account payable following to the progress of Tubma reservoir project.

Proportion of Interest-Bearing Debt

As of 31 Dec 2018 = 7,204.35 million Baht



As of 31 Dec 2019 = 7,359.56 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 31 December 2019, Shareholders' equity attributable to owners of the parent was 10,839.60 million Baht, increased by 214.95 million Baht or 2.02% from the end of the year 2018, basically from the net profit in 2019 net off with dividend payment.

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2019

8. LIQUIDITY ANALYSIS AND FUNDING ADIQUACY

In 2019, the company had beginning cash and cash equivalents of 578.21 million Baht, whereby during the financial period, net cash was decreased by 520.00 million Baht. This comprised of the following items:

1) Net cash received from Operating Activities totaling 2,233.70 million Baht from the net income and the changes in assets and liabilities from operations

2) Net cash used in Investment Activities amounted to 1,922.42 million Baht. This was mainly due to the investment in fixed assets, advance payment for the construction, the development of pipeline system to increase water supply, as well as the investment in concession assets in an amount of 1,764.46 million Baht and the net short-term investment by 106.41 million Baht.

3) Net cash used in Financing Activities amounted to 831.28 million Baht, mainly due to the dividend payment and the net repayment of long-term loan amounted to 815.91 and 509.00 million Baht respectively, this was net off with the long-term loan drawdown of 663.80 million Baht for project investment.

9. KEY FINANCIAL RATIOS

Key Financial Ratios	As of 31 Dec 2019	As of 31 Dec 2018
Liquidity Ratio		
Current ratio (time)	0.37	0.66
Profitability Ratio ¹⁾		
Gross profit / total sales and services revenue (%)	44.08%	50.05%
Net profit / total sales and services revenue (%)	23.59%	28.33%
Performance Ratio		
Return on Equity (ROE) (%)	9.74%	10.71%
Return on Assets (ROA) (%)	5.06%	5.64%
Capital Structure and Debt Ratio		
Debt to Equity ratio (time)	0.94	0.88
Debt Service Coverage ratio (DSCR) (time)	2.20	2.19

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

In 2019, East Water Group reported a declining in net profit and the profit margin compared to the year 2018 because of the higher costs following to severely drought nationwide including Eastern area. Therefore; gross profit margin and net profit margin was down to 44.08% and 23.59% respectively.

Return on Equity (ROE) and Return on Asset (ROA) decreased to 9.74% and 5.06% respectively compared to the same period of the year 2018 due to the lower net profit.

For the liquidity analysis, current ratio decreased to 0.37 times because of decreasing in cash on hand and increasing in payable for purchase of fixed assets. Debt to equity ratio was at 0.94 times in-line with increasing in payable for purchase of fixed assets following to the progress of Tubma construction project and Debt service coverage ratio (DSCR) remained strong at 2.20 times.