

17th August 2020

Subject Management Discussion and Analysis
Financial Performance for the quarter ended 30th June 2020

To President
The Stock Exchange of Thailand

Earth Tech Environment Public Company Limited (“the Company”) provides Management Discussion and Analysis for the three months and six months ended 30th June 2020 as follows

Overview of the financial performance for the second quarter of 2020

In the second quarter of 2020, the Company reported revenue of THB 176 million, which increased by THB 90 million from revenue of THB 86 million in the same period a year earlier. Rising by THB 39 million, its net profit in the second quarter of 2020 was THB 62 million compared with THB 23 million in the same period of last year. The Company's net profit margin increased from 27% in the second quarter of 2019 to 35% in the second quarter of 2020 because its sales of electricity increased as it recognized RH's and AVA's sales of electricity in the entire second quarter of 2020, while in the second quarter of 2019 it recognized sales of electricity only from ETC's operations. Also, the Company's administrative costs and management compensation declined because of high employee benefit expenses and utility costs last year. In 2019, the high employee benefit expenses were due to an amendment of a labour protection law that employees were entitled to termination pay of 400 days of the last wage earned, which increased from 300 days of the last wage earned, when their employment was terminated. Also, in 2019 the high utility costs were because the Company's subsidiaries were developing their power plants.

Financial summary for the three months ended 30th June 2020

Item	Three months ended 30 th June 2020		Three months ended 30 th June 2019		Change	
	THB million	%	THB million	%	THB million	%
Sales of electricity	175.94	100.00	85.70	100.00	90.25	105.31
Cost of goods sold	(77.17)	-43.86	(36.95)	-43.12	(40.22)	108.84
Gross profit	98.77	56.14	48.74	56.88	50.03	102.63
Other income	0.08	0.04	3.77	4.40	(3.70)	-98.01
Earnings before expenses	98.85	56.18	53.52	62.45	45.33	84.70
Administrative costs and management compensation	(13.10)	-7.44	(18.50)	-21.59	5.41	-29.23
Financial costs	(24.01)	-13.65	(9.61)	-11.21	(14.41)	149.94
Net profit	61.74	35.09	22.99	26.83	38.75	168.50
Key operating information						
EBITDA	112.92	64.18	50.23	58.62	62.69	124.79

Financial Performance for the three months ended 30th June 2020

The Company's net profit increased by THB 39 million to THB 62 million in the second quarter of 2020 from THB 23 million in the second quarter of 2019. Its net profit margin widened to 35% in the second quarter of 2020 from 27% in the same period last year mainly because of key factors as follows.

1. Sales of electricity were THB 176 million in the second quarter of 2020, which increased by THB 90 million or 105% 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 second quarter of 2020, while in the second quarter of 2019 it recognized sales of electricity only from ETC's operations.

2. Gross profit was THB 99 million in the second quarter of 2020, which grew by THB 50 million or was equivalent to a gross profit margin of 56% that was essentially unchanged from gross profit margin in the second quarter of 2019.

3. Administrative costs and management compensation were THB 13 million in the second quarter of 2020, which decreased by THB 5 million or 29% from the same period last year, because of high employee benefit expenses and utility costs last year. In 2019, the high employee benefit expenses were due to an amendment of a labour protection law that employees were entitled to termination pay of 400 days of the last wage earned, which increased from 300 days of the last wage earned, when their employment was

terminated. Also, in 2019 the high utility costs were because the Company's subsidiaries were developing their power plants.

4. Financial costs were THB 24 million in the second quarter of 2020, which increased by THB 14 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 second quarter of 2019, the Company was 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.

Financial summary for the six months ended 30th June 2020

Item	Six months ended 30 th June 2020		Six months ended 30 th June 2019		Change	
	THB million	%	THB million	%	THB million	%
Sales of electricity	310.84	100.00	161.17	100.00	149.67	92.87
Cost of goods sold	(143.01)	-46.01	(74.11)	-45.98	(68.90)	92.98
Gross profit	167.83	53.99	87.06	54.02	80.77	92.77
Other income	0.09	0.03	6.97	4.32	(6.88)	-98.78
Earnings before expenses	167.91	54.02	94.03	58.34	73.89	78.58
Administrative costs and management compensation	(43.34)	-13.94	(33.55)	-20.82	(9.79)	29.17
Financial costs	(38.71)	-12.45	(20.90)	-12.97	(17.81)	85.23
Net profit	85.10	27.38	36.12	22.41	48.99	135.64
Key operating information						
EBITDA	175.41	56.43	90.58	56.20	84.83	93.66

Financial Performance for the six months ended 30th June 2020

For the first six months of 2020, the Company's net profit was THB 85 million that increased by THB 49 million from its net profit for the first six months of 2019, which was THB 36 million. Its net profit margin for the first six months of 2020 was 27% increasing from 22% in the same period last year mainly because of key factors as follows.

1. Sales of electricity were THB 311 million for the first six months of 2020 that increased by THB 150 million or 93% from the same period last year mainly because the Company recognized electricity sales of

RH and AVA additionally, while for the first six 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 six months and of AVA for about the three months as AVA has accepted an ownership transfer of the power plant since 20th March 2020.

2. Gross profit for the first six months of 2020 was THB 168 million that increased in revenue of THB 81 million or was equivalent to a gross profit margin of 54%, which was essentially unchanged from the same period last year.

3. Administrative costs and management compensation for the first six months of 2020 were THB 43 million, which rose by THB 10 million or 29% 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 months of 2020 were THB 39 million that increased by THB 18 million or 85% from the same period last year. RH's power plant had been booked in RH's operational assets while AVA's power plant was booked in AVA's operational assets for about 3 months since 20th March 2563. The Company recognized financial costs associated with RH's and AVA's power plants in the income statement. For the first six months of 2019, the Company recognized financial costs mainly from ETC's power plant in the income statement as the subsidiaries' power plants were under construction in which financial costs were booked as construction costs in the balance sheet.

Financial position

1. Total assets were THB 2,628 million as of 30th June 2020, which grew by 1% from THB 2,600 million as of 31st December 2019. The increase in the assets was largely due to 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 1,650 million as of 30th June 2020, which dropped by 3% from THB 1,706 million as of 31st 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 979 million as of 30th June 2020, which rose by 10% from THB 893 million as of 31st December 2019. The increase in the equity was mostly because the Company recognized a net profit for the six months ended 30th June 2020.

Yours Sincerely,

(Ekarin Luengviriya)

Managing Director

Earth Tech Environment Public Company Limited