

Ref. EW/060/097/12

August 17, 2012

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis (MD&A) for Q2/2012

Dear Sir,

Attached please find Management Discussion and Analysis report of Q2/2012. This report reflects the rationale behind the operating result submitted together.

Please be informed accordingly.

Sincerely yours,

Namsak Wannavisute

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Investor Relations

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For the consolidated EASTW's performance in Q2/2012, the company and its subsidiaries had total revenue of 963.97 million baht, up 131.63 million baht or 15.81% YoY. The details of the performance are as follows:

1. Analysis of Comprehensive Income Statement

Unit: Million Baht		Q2/2555	Q2/2554	Increase(Decrease)	
				MB.	%
1	Raw Water Sales Volume (Million Cubic Meters-MCM)	70.44	65.72	4.72	7.18
2	Tap Water Sales Volume (Million Cubic Meters-MCM)	17.16	15.43	1.73	11.21
3	Revenue from Raw Water	668.30	569.60	98.70	17.33
4	Revenue from Tap Water	214.12	188.73	25.39	13.45
5	Revenue from Rental & Services and Other	81.55	74.01	7.54	10.19
6	Total Revenue	963.97	832.34	131.63	15.81
7	Total COGS and Expenses	461.31	449.80	11.51	2.56
8	Profit (Loss) before Interest and Tax	502.67	382.54	120.13	31.40
9	Interest Expense	18.57	18.53	0.04	0.22
10	Corporate Income Tax	104.90	107.50	(2.60)	(2.42)
11	Net Profit (Loss)	379.20	256.51	122.69	47.83

1.1 Analysis of Revenue

Raw water sale volume achieved 70.44 million cubic meters (MCM) increased 4.72 MCM or up 7.18% YoY. Total revenue increased 131.63 million baht or up 15.81%. Revenue from raw and tap water increased 17.33% and 13.45%, respectively. The main reasons are: 1) raw water demand growth from petrochemical industry in Rayong area; 2) expansion of Pattaya Waterworks capacity and; 3) raw tariff hike since March 2012 according to BOD's approval in 2008. Tap water sales volume also increased from higher demand for consumption.

1.2 Analysis of costs and expenses (consolidation)

Unit: Million Baht	Q2/2012	%	Q2/2011	%
Total Revenue	963.97	100%	832.34	100%
Cost of Goods Sold	355.57	37%	348.45	42%
Gross Profit	608.40	63%	483.89	58%
Selling and Administrative Expenses	105.74	11%	101.35	12%
EBIT	502.66	52%	382.54	46%
Finance Cost	18.57	2%	18.53	2%
EBT	484.09	50%	364.01	44%
Income Tax	104.90	11%	107.50	13%
Net Profit	379.19	39%	256.51	31%

The table above shows the structure of cost of sales as a percentage of total revenues in Q2/2012 compared to those of Q2/2011. Cost of Goods Sold to total revenue decreased from 42% in Q2/2011 to 37% in Q2/2012 due to capacity improvement in Dok-Krai pumping station. This is a part of cost control program which caused 4.7% reduction in electrical expense.

For SG&A Expense, the SG&A expense to total revenue declined from 12% in Q2/2011 to 11% in Q2/2012 because most of activities such as CSR activities, public relations, and the feasibility study of the company's business development projects may occur in the second half of the year.

2. Analysis of Statements of Financial Positions

		30/6/2012	31/12/2011	Increase(Decrease)	
				MB	%
1	Net cash from Operating Activities **	848.18	699.95	148.23	21.18
2	Total Asset	11,291.98	10,774.24	517.74	4.81
3	Total Liabilities	4,153.13	3,838.04	315.09	8.21
4	Total Equity	7,138.85	6,936.20	202.65	2.92

As of June 30, 2012, total assets were 11,291.98 million baht, an increase of 517.74 million baht from 10,774.24 million baht or up 4.81 % YoY, primarily from the delivery of the construction in progress and the advance payment of the construction projects especially the advance payment in an amount of 258.49 million baht for Tabma project and the delivery of the construction amount 292.76 million baht for Bangpra project.

Total Liabilities as of June 30, 2012 were recorded at 4,153.13 million baht, increasing 315.09 million baht from 3,838.04 or 8.21% compared to those of the end of the year 2011. As of June 30, 2012, the Company and its

subsidiaries had drawdown, net off loan repayment in an amount of 233.38 million baht mainly to support Tagma and Bangpra project.

1.3 Analysis of Cash Flow Statement

For the first 6 months of 2012, the company and its subsidiaries had cash and cash equivalents of beginning balance of 128.69 million baht. During the period, net cash decreased by 50.98 million baht consisting of the following:

- **Net cash inflow from operating activities** of 848.18 million baht, mainly from improved performance of the company's earnings before tax amounted to 903.99 million baht, with non-cash items including depreciation expense amounted 151.04 million baht net off amortization and the effect from changes in assets and liabilities from company's operation.
- **Net cash used in investing activities** were 840.62 million. The main reasons are the advance payment for the construction projects amount 306.68 million bath mostly for Tagma project.
- **Net cash used in financing activities** of 58.55 million baht from the main items included dividend payment of 499.14 million baht, 0.30 baht per share paid on April 24, 2012 and the net cash inflow of 442.52 million baht from both short and long-term loans from financial institutions, net off with loans repayment.

3. Key Financial Ratios

	Q2 2012	Q2 2011	Increase (decrease)
Raw water – gross profit margin (%)	71.56%	67.07%	4.48%
Tap water – gross profit margin (%)	47.97%	42.24%	5.73%
Net profit margin to total revenue (%)	39.34%	30.82%	8.52%
Return on equity (ROE) (%)	17.32%	13.02%	4.30%
Return on assets (ROA) (%)	11.30%	11.76%	(0.46%)
Debt to equity ratio (X)	0.58	0.55	0.03

- **Gross profit margin of Raw Water** – was at 71.56%, increased by 4.48% YoY due to 3 reasons: 1) the increase in sales volume 7.18%; 2) raw tariff hike since March 2012; and 3) effective cost management
- **Gross profit margin of Tap Water** – was at 47.97%, up by 5.73% YoY. The main reason was the increase in sales volume by 11.21% compared to those of Q2 2011.

- **Return on equity (ROE) and Return on Assets (ROA)** were at 17.32% and 11.30%, respectively, which ROE increased by 4.70% YoY due to the increase in net profit while ROA decline by 0.46 from the delivery of the construction in progress and the advance payment of the projects.
- **Debt-to-equity ratio (D/E Ratio)** - was at 0.58x, slightly up from the previous year, as the company's long term loan increased. The company's D/E ratio is maintained in line with those of the loan covenants, 2.0xD/E ratio.