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February 27, 2013

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis (MD&A)

Dear Sir,

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

Sincerely yours,

Namsak Wannavisute

Executive Vice President, Finance and Accounting

Investor Relations Department

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For the consolidated EASTW's performance in the year 2012, the company and its subsidiaries had total revenue of 3,725.95 million baht, up 415.91 million baht or up 12.57% YoY. Net profit was reported 1,240.17 million baht, up 232.15 million baht or up 23.03% YoY. The details of the performance are as follow:

1. Financial Highlights

Sales Volume		2012	2011	Increase/(Decrease)	
				MCM.	%
1	Raw Water Sales Volume (Million Cubic Meters-MCM)	278.69	261.55	17.14	6.55
2	Tap Water Sales Volume (Million Cubic Meters-MCM)	66.82	62.67	4.15	6.62
Financial Performance		2012	2011	Increase/(Decrease)	
				MB.	%
1	Revenue from Raw Water	2,612.22	2,261.02	351.20	15.53
2	Revenue from Tap Water	841.60	765.85	75.75	9.89
3	Revenue from Rental & Services and Other	272.13	283.17	(11.04)	(3.90)
4	Total Revenue	3,725.95	3,310.04	415.91	12.57
5	Total COGS and Expenses	2,031.23	1,798.84	232.39	12.92
6	Profit (Loss) before Interest and Tax	1,694.72	1,511.20	183.52	12.14
7	Net Profit (Loss)	1,240.17	1,008.02	232.15	23.03

1.1 Analysis Report

1.1.1 Analysis of Revenue: In 2012, raw water sales volume increased 15.53% YoY from 2 main factors:

1) Raw water sales volume was 278.69 MCM., up 17.14 MCM. or 6.55% YoY from : (i) higher growth of tourism consumption in Chonburi, which affected sales volume in the area to increase by 13.57% (ii) higher demand from Petrochemical industrial sector in Rayong which affected sales volume in the area to increase by 3.48%. Tap water sales volume up 4.15 MCM or 6.62% YoY with an increasing sale proportion in Bangpakong, Chachoengsao, and Sattahip area.

2) Raw water tariff has been increased by 8.32% in accordance with Board's approval.

1.1.2 Analysis of costs and expenses (consolidation)

Unit: Million Baht	2012	%	2011	%
Total Revenue	3,725.95	100%	3,310.04	100%
Cost of Goods Sold	1,539.17	41%	1,397.22	42%
Gross Profit	2,186.78	59%	1,912.82	58%
Selling and Administrative Expense	492.05	13%	401.63	12%
EBIT	1,694.73	45%	1,511.19	46%
Finance Cost	89.99	2%	78.48	2%
EBT	1,604.73	43%	1,432.71	43%
Income Tax	364.56	10%	424.69	13%
Net Profit	1,240.17	33%	1,008.02	30%

For common size analysis table above, in 2012, the EASTW's gross profit has improved from 58% to 59%. The company has invested more to improve efficiency of Dokai pumping station from company's cost control program. As a result, gross profit margin increased to 62% in the first half of the year. For the second half, eastern part of Thailand faced with slightly decline of rainfall. The company decided to reserve more water for demand in 2013. As a result, cost of electricity (representing 41.14% of the total cost) increased by 32.36% according to the increase of sales volume. Moreover, sourcing water from Bangpakong River affected cost of electricity to rise by 15.70%. Sourcing from Prasae Reservoir and rising FT were also important factors. Therefore, cost of electricity per unit increased by 25.45%.

1.1.3 Analysis of SG&A Expenses: In 2012, SG&A to total revenue was 13.21%, increased by 1.08% compared to the previous year. Mostly from the occasion of 20th Anniversary, so that the company did CRM, news publish, and public relation of company's activities as well as CSR projects. In 2012, the important CSR project was RK Park, a huge living library and media technology at Taksin High School in Rayong area which we invested 13.14 million baht for the project.

1.1.4 Analysis of finance costs: In 2012, interest expense increased by 11.51 million baht, or 14.67% YoY to 89.99 million baht. Mainly from interest expenses from the projects completed in 2012. For the capitalized interest, it was recorded in the WIP in an amount of 60.20 million baht. During the year, the company drawdown 2,339.97 million

baht loan for support Tupma and Bangpra projects. As of December 31, 2012, the average rate for interest expense was 4.21%.

1.1.5 Analysis of Tax: Tax rate has been adjusted from 30% to 23% in accordance with government policy.

As a result, income taxes reduced in amount of 60.13 million baht from 2011.

In 2013, EASTW's net profit increased 232.15 million baht or up 23.03% from above details. EBT (Earning before tax) was 1,604.73 million baht or up 12.01%

1.2 Statements of Financial Positions

		2012 (MB)	2011 (MB)	Increase(Decrease)	
				MB	%
1	Total Asset	12,440.09	10,774.24	1,665.85	15.46
2	Total Liabilities	5,119.63	3,838.04	1,281.59	33.39
3	Total Equity	7,320.46	6,936.20	384.26	5.54

1.2.1 Analysis of Assets: As of December 31, 2012, total assets were 12,440.09 million baht, an increase of 1,665.85 million baht or up 15.46 % YoY. Total assets increased mainly from construction of Tapma reservoir and Bangpra pumping station projects. Both projects incurred WIP in amount of 522.80 million baht and 475.19 million baht respectively. As for Nongplalai-Mapthaphut, the third pipeline, it was recorded as assets in part of pipeline and head tank which affected depreciation for the year in an amount of 13.27 million baht.

1.2.2 Analysis of Liabilities: Overall, the company has better used long term loan to finance the construction of Tupma reservoir and Bangpra pumping station projects. Outstanding loan from financial institution was recorded at 4,193.97 million baht up 1247.95 million baht or 42.36%. The total capital expenditures (CAPEX) for both projects are 2,728 million baht and 849 million baht respectively. This is to increase sources of raw water to serve future higher demand.

1.2.3 Analysis of Equity: As of December 31, 2012, the Company and its subsidiaries reported total equity 7,320.46 million baht, resulted from net off between net profit for the year 2012 amount 1,240.17 million baht and dividend payment total 831.86 million baht. In 2012, the company paid the dividend as following: 1) For the year 2011, 0.30 bath per share on April 24, 2012 2) Interim dividend for 6-month performance of ending June 30, 2012, amount 0.20 baht per share on September 20, 2012.

2. Analysis of Cash flow

For the year 2011, the company and its subsidiaries had cash and cash equivalents of beginning balance of 128.69 million baht. During the period, net cash increased by 109.78 million baht consisting of the following:

- **Net cash inflow from operating activities** of 1,635.82 million baht, mainly from :
Improvement in performance of the company's earnings before tax amounted to 1,604.73 million baht, with non-cash items including depreciation expense amounted 313.56 million baht
- **Net cash used in investing activities** were 1,957.63 million. The main reasons are as follows:
 - The CAPEX in fixed assets valued 1,562.23 million baht which was mainly invested in the construction of Tapma reservoir and Bangpra pumping station projects.
 - Advanced payment amounted 366.53 million baht from such projects.
 - Cash outflow investing in short-term investment amounted 51.31 million baht was to manage cash on hand with interest rate from 2.27%-2.55%.
- **Net cash from financing activities** of 431.59 million baht from the two main items,
 - Net cash inflow of 2,727.97 million baht from both short and long-term loans from financial institutions, net off with loans repayment of 1,402.02 million baht.
 - Dividend payment of 831.86 million baht as details in 1.2.3

3. Key Financial Ratios

	2012	2011	Increase (decrease)
Raw water – gross profit margin (%)	66.27%	65.91%	0.36%
Tap water – gross profit margin (%)	45.74%	43.39%	2.35%
Total gross profit margin to total revenue (%)	58.69%	57.79%	0.90%
Net profit margin to total revenue (%)	33.28%	30.46%	2.82%
Return on equity (ROE) (%)	17.40%	14.91%	2.49%
Return on assets (ROA) (%)	10.68%	9.75%	0.93%
Debt to equity ratio (X)	0.70	0.55	0.15
DSCR (X)	2.51	2.67	(0.16)

- **Gross profit margin of Raw Water** – Gross profit margin was at 66.27%, increased by 0.36% YoY due to higher tariff and volume with growth of 6.55% and 8.32% respectively.
Gross profit margin of Tap Water – Gross profit margin was at 45.74%, up by 2.35% YoY. The main reason was that depreciation expense from some plants were expired.
- **Return on equity (ROE) and Return on Assets (ROA)** were at 17.40% and 14.91%, respectively, due to higher growth in revenue and lower income taxes rate.
- **Debt-to-equity ratio (D/E Ratio) and Debt Service Coverage Ratio (DSCR)**. D/E ratio and DSCR was at 0.70x and 2.51x respectively, slightly up from the previous year, as the company's long term loan and non-current liabilities increased. The company's D/E ratio and DSCR are maintained in line with those of the loan covenants, 2.0xD/E ratio and 1.1x DSCR