

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR Q1/2017

1. ANALYSIS OF FINANCIAL PERFORMANCE

In Q1/2017, East Water Group had total consolidated sales and services revenue of 1,163.24 million Baht, increased by 60.00 million Baht or 5.44% compared to Q1/2016 (Total consolidated sales and services income excluding construction revenue under concession agreement of 1,064.82 million Baht, decreased by 30.52 million Baht or 2.79% compared to Q1/2016) and Net profit attributable to Equity holders of the parent company was 361.58 million Baht, decreased by 17.00 million Baht or 4.49% compared to Q1/2016.

Income statement (MB)	Q1/2016	Q1/2017	Increased (Decreased)	%
Total Sales and services revenue	1,103.24	1,163.24	60.00	5.44%
Raw water revenue	699.61	670.98	(28.63)	(4.09%)
Tap water revenue	344.55	346.81	2.25	0.65%
Rental and services revenue	51.17	47.03	(4.14)	(8.09%)
Construction revenue under Concession Agreements ⁽¹⁾	7.91	98.42	90.52	1,144.46%
Costs of Sales and Services	517.96	603.30	85.35	16.48%
Raw water cost	271.22	262.24	(8.98)	(3.31%)
Tap water cost	198.90	205.21	6.31	3.17%
Rental and services cost	39.93	37.43	(2.50)	(6.25%)
Construction cost under Concession Agreements ⁽¹⁾	7.91	98.42	90.52	1,144.46%
Gross profit	585.28	559.94	(25.35)	(4.33%)
Other income	7.80	20.48	12.69	162.74%
Selling and administrative expenses	87.07	96.21	9.14	10.50%
Operating profit	506.01	484.21	(21.81)	(4.31%)
Finance cost	31.23	36.29	5.06	16.21%
Income tax expenses	91.42	81.28	(10.14)	(11.09%)
Net profit	383.36	366.63	(16.73)	(4.37%)
Net profit attributable to owner of the parent	378.58	361.58	(17.00)	(4.49%)
Earnings per share (EPS)	0.23	0.22	(0.01)	(4.49%)

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

EBITDA (MB)	Q1/2559	Q1/2560	เพิ่ม (ลด)	%
Operating profit	506.01	484.21	(21.81)	(4.31%)
Depreciation	93.89	95.25	1.36	1.45%
Amortization	64.96	67.71	2.74	4.22%
EBITDA	664.86	647.16	(17.70)	(2.66%)

2. Economic Situation

During the first quarter of 2017, Thailand's economy was on the upward trend, driven by a stronger expansion of export sector. Private consumption expanded well following to the overall sentiment and the farmer's income also enhanced. Moreover, Tourism sector improved from the last quarter of 2016 which had affected from the illegal travel agents. However, the private investment was slightly slowing down after the accelerating in the previous quarter. For the Economic stability, Headline inflation was growing following to the domestic retail oil prices.

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR Q1/2017

Economic condition for the year 2017 was expected to grow by 3.6%, supported by the demand from overseas and the export of goods and services was anticipated to improve to 2.4%. The government spending would still be the crucial driver for Thai Economy, especially the investment in large transportation infrastructure projects such as Double-track railway project and sky train, motorway routes, and airport development, of which caused to the rapid government investment spending continuously. For the progress on the Eastern Economic Corridor Development (EEC) project, EEC development plan has 2 urgent projects that will push to be completed within 3 months including U-Tapao Airport development project, which would be announced as the first special promotion zone of the EEC, as well as the construction of high-speed train and Double-track railway between Bangkok - Rayong to link the 3 airports altogether, U-Tapao - Suvarnabhumi - Donmuang with no obstruction.

3. Water Resources

As of 2 May 2017, the water supply situation in Chonburi province improved compared to the same period of the year 2016 because of the rainfall in the area from the end of 2016 to the present, and additional raw water pumped from Bangpakong River into Bangpra reservoir. The water supply in most of the reservoirs in Rayong province also improved, compared to the same period of the previous year due to rainfall in the area, and the Company has been pumping water from Prasae reservoir into Nongplalai reservoir continuously. For Prasae reservoir, water reserve was relatively below average since the company has been pumped more water to Klonyai and Nongplalai reservoir while the water flowing into Prasae reservoir during the beginning of the year was also lower compared to the same period of last year. The average water in the reservoirs in Chonburi and Rayong were 58% and 60% of total capacity respectively.

Water Volume (M.Cu.M)	Chonburi		Rayong			
	Bangpra	Nongkho	Dokkrai	Nongplalai	Klonyai	Prasae
Water reserve	68.25	12.12	47.98	97.96	23.96	99.23
Percentage of total capacity	58%	57%	60%	60%	60%	40%
Average (2004-2016)	48.41	9.10	37.81	100.83	23.56	172.47
Above/(below) average (2004-2016)	19.84	3.02	10.17	(2.87)	0.40	(73.24)

4. Other issues

The resolution of the Annual General Shareholders Meeting for the year 2016 on 18 April 2017 had approved the dividend payment of 0.47 Baht per share (Dividend for the year 2015 was 0.47 Baht per share) or totally 781.95 million Baht for the fiscal year of 2016. This amount of dividend consists of an interim dividend of 0.20 Baht per share (based on the operating result from January – June 2016) paid on 26 September 2016, and dividend for the second half operating results (July – December 2016) at 0.27 Baht per share which will be paid on 16 May 2017

5. Raw Water Business

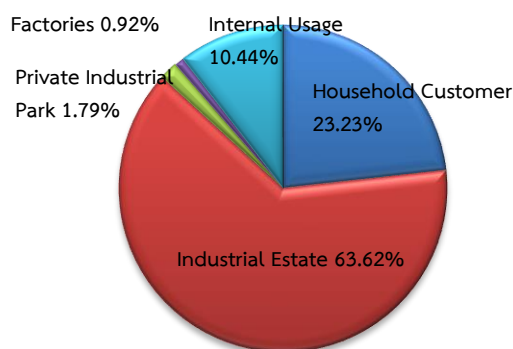
Raw water revenue in Q1/2017 was 670.98 million Baht, decreased by 28.63 million Baht or 4.09% compared to Q1/2016. Total water sales volume was 62.02 million Cu.M. (excluding internal usage for tap water production of 7.96 million Cu.M.), decreased by 3.03 million Cu.M., or 4.66% compared to Q1/2016 due to the declining in raw water sales volume of the household customers. The average raw water tariff stayed at 10.82 Baht per Cu.M., increased by 0.06 Baht per Cu.M., or 0.60% compared to Q1/2016, due to the declining in the portion of household customers, who paid lower tariffs than other customer groups.

**EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR Q1/2017**

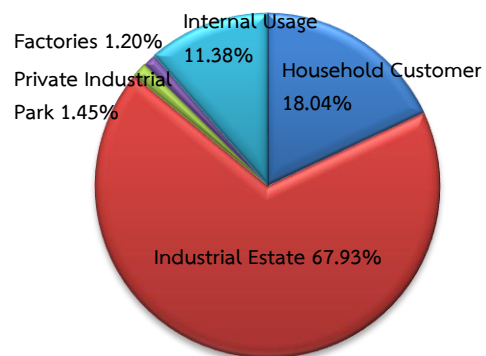
Raw Water Volume (Million Cu.M)	Q1/2016	Q1/2017	Increased (Decreased)	%
Total distribution volume	72.63	69.98	(2.65)	(3.65%)
Internal usage for tap water	7.58	7.96	0.38	5.04%
Net Raw Water Sales Volume	65.05	62.02	(3.03)	(4.66%)

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

Jan – Mar 2016 = 72.63 million Cu.M.

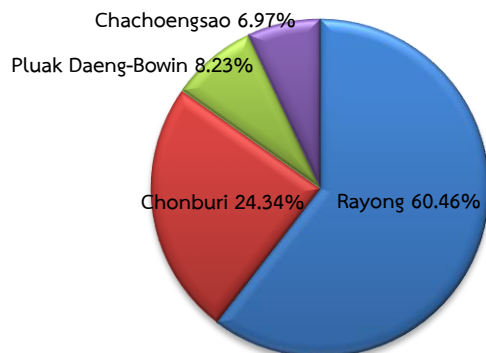


Jan – Mar 2017 = 69.98 million Cu.M.

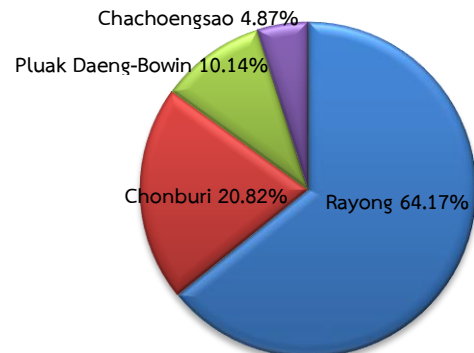


Raw Water Distribution by Area (Internal usage for tap water production is included)

Jan – Mar 2016 = 72.63 million Cu.M.



Jan – Mar 2017 = 69.98 million Cu.M.



Major costs of raw water business (MB)	Q1/2016	Q1/2017	Increased (Decreased)	%
Raw Water Revenue	699.61	670.98	(28.63)	(4.09%)
Costs of Raw Water	271.22	262.24	(8.98)	(3.31%)
Raw Water	51.04	34.47	(16.56)	(32.45%)
Electricity	99.50	111.18	11.68	11.74%
Depreciation	73.86	72.36	(1.50)	(2.03%)
Maintenance	10.18	10.55	0.37	3.62%
Others	36.65	33.69	(2.96)	(8.08%)
Gross Profit	428.39	408.74	(19.65)	(4.59%)
Gross Profit Margin	61.23%	60.92%		(0.32%)

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR Q1/2017

Gross Profit of Raw Water Business for Q1/2017 was 408.74 million Baht or accounting to 60.92% of the sales revenue from raw water, decreased by 19.65 million Baht or 4.59% as compared to Q1/2016 due to an increase in electricity cost by 11.68 million Baht. This was because the company had received the electricity compensation for water diversion from Prasae reservoir according to the agreement upon the solutions against drought during the year 2015 from some of the customers totally 20.69 million Baht during Q1/2016. If excluding such compensation, the electricity cost for Q1/2017 would decrease by 9.01 million Baht, compared to Q1/2016. Moreover, the raw water costs also decreased by 16.56 million Baht because of the reduced sales volume and the company did not purchase raw water from private water source during the period

6. Tap Water Business

Tap water revenue in Q1/2017 was 346.81 million Baht, increased by 2.25 million Baht or 0.65% compared to Q1/2016. Total tap water sales volume was 23.45 million Cu.M., increased by 0.46 million Cu.M. or 1.98% compared to Q1/2016.

Major Costs of Tap Water Business (MB)	Q1/2016	Q1/2017	Increased (Decreased)	%
Tap Water Revenue	344.55	346.81	2.25	0.65%
Costs of Tap Water	198.90	205.21	6.31	3.17%
Raw Water	34.53	37.53	3.00	8.69%
Electricity	38.05	35.42	(2.63)	(6.91%)
Chemical	7.16	5.03	(2.13)	(29.76%)
Payroll & Outsource Expenses	47.24	48.63	1.38	2.93%
Depreciation	66.33	72.64	6.30	9.50%
Others	5.59	5.97	0.38	6.74%
Gross Profit	145.65	141.60	(4.05)	(2.78%)
Gross Profit Margin	42.27%	40.83%		(1.44%)

Gross Profit of Tap Water Business in Q1/2017 was 141.60 million Baht, decreased by 4.05 million Baht or 2.78% compared to Q1/2016, representing a gross profit margin of 40.83% due to the higher cost of sales which was 205.21 million Baht, increased by 6.31 million Baht or 3.17% compared to Q1/2016. Raw water cost rose by 3.00 million Baht from the higher raw water cost per unit of Chonburi Waterworks and the increasing of depreciation and amortization by 6.30 million Baht from the amortized assets under concession agreements that the company has invested to improve the production stability for Sattahip and Borwin Waterworks.

7. Rental and Services Revenue

Rental and services revenue in Q1/2017 was 47.03 million Baht, decreased by 4.14 million Baht or 8.09%, because the Waterworks management business's revenue recognition method has been changed from using full amount of pipeline installation as revenue to recognize by the actual cost of work instead.

8. Selling and Administrative Expenses

Selling and administrative expenses in Q1/2017 was 96.21 million Baht, increased by 9.14 million Baht or 10.50% compared to Q1/2016. The main reasons were the expenses related to company's litigation in an amount of 2.9 million Baht, IT system maintenance 2.0 million Baht, and the CSR funding according to the memorandum of pumping water from Prasae – Klonyai reservoir amounted to 3.88 million Baht in Q1/2017.

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR Q1/2017

9. Financial Position Analysis

Financial Position (MB)	As of 31 Dec 2016	As of 31 Mar 2017	Increased (Decreased)	%
Total Assets	19,860.40	19,684.25	(176.14)	(0.89%)
Total Liabilities	9,812.10	9,270.70	(541.39)	(5.52%)
Equity	10,048.30	10,413.55	365.25	3.63%
- Equity attributable to owners of the parents	9,841.76	10,201.96	360.20	3.66%

1) Assets At the end of March 2017, total assets were 19,684.25 million Baht, decreased by 176.14 million Baht or 0.89% from the end of the year 2016 due to changes in the following items:

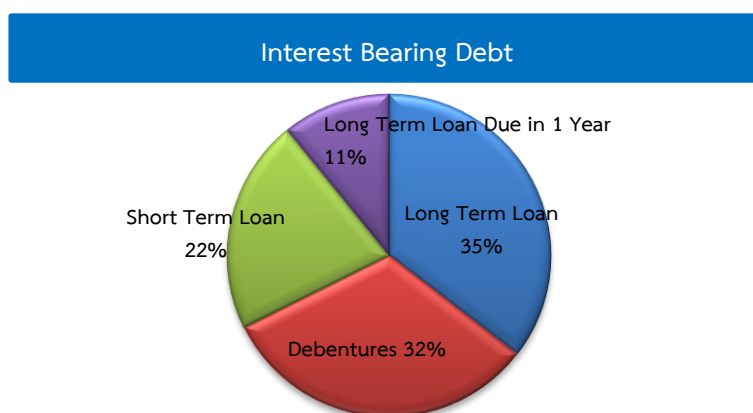
- Cash and short term investment was 627.42 million Baht, decreased by 294.61 million Baht due to loan repayment as schedule by 560 million Baht in March 2017.

- Property, plant and equipment was 14,118.53 million Baht, increased by 56.31 million Baht mainly from the investment of projects under construction, including Prasae-Nongplalai pipeline project after netting off depreciation.

- Intangible assets were 3,729.60 million Baht, increased by 36.87 million Baht from assets under concession agreements which was the investment to improve production stability of Sattahip and Borwin Waterworks offset with the amortization.

2) Liabilities At the end of March 2017, total liabilities were 9,270.70 million Baht, decreased by 541.39 million Baht or 5.52% from the end of the year 2016 because the long term loan from financial institutions decreased by 560.00 million Baht

- Interest Bearing Debt comprised of 1,600 million Baht as short-term loans, 808.20 million Baht in long-term loans due within 1 year, 2,640.60 million Baht in long-term loans, and 2,397.28 million Baht in debentures. According to the debentures and long-term loans agreements, the company was required to maintain its D/E ratio of not higher than 2 times and DSCR of not less than 1.1 times. The company was able to maintain these ratios per the terms and conditions of the agreements.



3) Shareholder's Equity As of March 2017, Shareholders' equity attributable to owners of the parent was 10,201.96 million Baht, increased by 360.20 million Baht or 3.66% from the end of the year 2016, basically from the net profit of the period.

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR Q1/2017

10. Liquidity Analysis and Source of Fund Sufficiency

In Q1/2017, the Company had beginning cash and cash equivalents of 177.97 million Baht, whereby during the financial period, net cash was decreased by 37.77 million Baht. This comprised of the following items:

1) Net cash received from Operating Activities totaling Baht 554.74 million Baht from the net income netting off with the changes in assets and liabilities from operations

2) Net cash used in Investment Activities amounted to 11.03 million Baht. This was mainly due to:

- The investment in property, plant and equipment as well as advance payments for construction in an amount of 139.73 million Baht, mainly for Prasae-Nongplalai pipeline project.

- Investment of concession asset amounted to 110.70 million Baht

- Cash received from the withdrawal of short-term investment as schedule by 257.92 million Baht

- The capitalized interest of the project under construction 19.70 million Baht

3) Net cash used in Financing Activities amounting to 581.48 million Baht, mainly due to the repayment of long term loan 560.00 million Baht and 16.28 million Baht for interest payment by cash.

11. Key Financial Ratios

Key Financial Ratios	As of 31 Mar 2016	As of 31 Mar 2017
Liquidity Ratio		
Working capital ratio (times)	0.49	0.38
Quick working capital ratio (times)	0.48	0.36
Cash flow ratio (times)	0.80	0.68
Profitability Ratio		
Gross profit ⁽¹⁾ / total sales and services revenue (%)	53.43%	52.59%
Net profit ⁽¹⁾ / total sales and services revenue (%)	35.00%	34.43%
Performance Ratio		
Return on Equity (ROE) (%)	14.77%	12.91%
Return on Assets (ROA) (%)	7.70%	6.52%
Capital Structure and Debt Ratio		
Debt to Equity ratio (time)	1.01	0.91
Debt Service Coverage ratio (DSCR) (time)	2.60	2.23

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

In conclusion Q1/2017, East Water Group reported slightly lower profitability compared to Q1/2016 but still demonstrated the satisfactory profit making capability. Gross profit margin and Net profit margin was at 52.59% and 34.43% respectively, while Return on equity (ROE) was 12.91% and return on asset (ROA) was 6.52%, which declined from the Q1/2016 since the Company has been continually investing in huge projects in order to meet long-term future demand. For the liquidity analysis; current ratio, quick ratio, and cash flow ratio were all deteriorated due to the reduction of cash and short-term investment but still representing sufficient operating cash on hand. Debt to equity ratio improved to 0.91 times due to the repayment of long term debt according to repayment as scheduled in Q1/2017 and the net debt to equity ratio (debt after deduction of cash and short-term

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS FOR Q1/2017

investment) was 0.85 times. Debt service coverage ratio (DSCR) remained strong at 2.23 times, showing the company's ability to repay its debts.