



Management Discussion and Analysis

Quarter 3 ended September 30, 2023

**Eureka Design Public Company
Limited**

Subject Profit and loss reporting for the third quarter of 2023 and explanation of more than 20 percent fluctuation in profit and loss compared to that of last year

To Dear Directors and Managers
Stock Exchange of Thailand

Eureka Design Public Company Limited and its subsidiaries (“UREKA” have) would like to inform the operating results for the third quarter of 2023 ending on September 30, 2023, details as follows:

Summary of UREKA's performance	EBIT 65.25 a.u.	Net profit 47.41 a.u.	Net profit margin 18.03%	Net profit 17.69 a.u.	Net profit margin 14.72%
Income Statement Unit: million baht	Q3 2023	Q3 2565	Change (% yoy)	Q3 2022	Change (% yoy)
Revenues					
Revenue from sales and services	250.91	154.31	63%	118.20	112%
Other income	11.98	45.58	-74%	1.94	518%
Total revenue	262.89	199.89	32%	120.14	119%
Expenses					
Cost of good sold	145.13	73.22	98%	55.77	160%
Selling costs	2.40	7.20	-67%	5.68	-58%
Administrative expenses	50.11	38.40	30%	25.75	95%
Interest expense	17.07	18.01	-5%	15.51	10%
Total expenses	214.71	136.83	57%	102.71	109%
Profit (loss) before income tax	48.18	63.06	-24%	17.43	176%
Income (expenses) income tax	(0.77)	(0.10)	670%	0.26	-396%
Net profit (loss)	47.41	62.96	-25%	17.69	168%

Note: The results of the third quarter of 2022* reflect the results of the quarter after the adjustment of information arising from the recognition of revenue from tap water sales in 2021 in which the auditor expressed the opinion that revenue cannot be recognized within the year 2021, therefore, the revenue recognition must be adjusted to the 1st quarter of the year 2022, and the improvement of revenue recognition from the cancellation of assets and liabilities under the financial lease agreement. This aims to reflect the actual performance comparison between the 3rd quarter of 2022 and the 3rd quarter of 2023

Business Overview for the third quarter of 2023

The overview of UREKA's consolidated profit and loss statement are as follows:

1. UREKA had revenue from sales and services for the nine months of the 3rd quarter of 2023, ending September 30, 2023, with sales and service income of 250.91 million baht, an increase of 96.60 million baht or an increase of 63% from the same period last year with sales and service income of 154.31 million baht. However, when comparing revenue from sales and services after adjusting information that is not relevant to the results of operations for the third quarter of 2022, which are the recognition of revenue from the sale of tap water in 2021 that the auditor expressed an opinion not to recognize revenue within the year 2021, therefore having to adjust the revenue recognition to the year 2022 instead. The Revenue from sales and services increased by 132.71 million baht, or an increase of 112 percent from the same period last year. The growth has driven by 4Rs strategy: Reform, Rebalance, Relation, Return. The strategy has allowed the company to shift its investments by focusing on investing in high growth potential businesses through holding and managing the business. Consequently, the main income of the current business consists of the recycled plastic resin business and the water supply business. The revenue from the production and distribution of recycled plastic pellets amounted to 193.32 million and revenue from the production and distribution of tap water to the Provincial Waterworks Authority according to the water purchase agreement to solve the water shortage problem at the Phan Thong water distribution station and Nong Ka Kha water distribution station was 57.59 million, resulting in a significant increase in revenue from the year of 2022.
2. UREKA had other income for the third quarter of 2023 ended September 30, 2023, other income was 11.98 million baht, a decrease of 33.60 million baht or 74 % decrease from the same period last year. with other income of 45.58 million baht due to a decrease in one-time income which is income from cancellation of assets and liabilities under finance lease agreements
3. UREKA had total revenue for the third quarter of 2023 ending September 30, 2023 with total revenue of 262.89 million baht, an increase of 63 million baht or an increase of 32 percent from the same period of the previous year which had total revenue of 199.89 million baht as a result of increasing sales and service income.
4. UREKA had cost of sales and services for the third quarter of 2023 ended September 30, 2023 in the amount of 145.13 million baht, an increase of 71.91 million baht or an increase of 98 % compared to the previous year with cost of sales and services of 73.22 million baht since the company has significantly expanded sales and service
5. UREKA had distribution costs for the Third quarter of 2023 ending September 30, 2023 in the amount of 2.40 million baht, a decrease of 4.80 million baht or a 67 percent reduction when compared to last year.

The cost of distribution amounted to 7.20 million baht. The subsidiary company has changed the conditions for selling products to some foreign customers from CNF export conditions to FOB, resulting in a decrease in expenses for exporting abroad

6. UREKA had administrative expenses for the Third quarter of 2023 ending September 30, 2023 in the amount of 50.11 million baht, an increase of 11.71 million baht or an increase of 30 percent reduction when compared to last year. The administrative expenses amounted to 30.84 million baht. This is because the cost of managing water resource allocation of the subsidiaries has increased. which is a result of drought conditions due to reduced rainfall. However, the costs of managing and allocating water resources are likely to be better controlled. The subsidiary has prepared to deal with drought conditions by reducing reliance on such natural water resources.
7. UREKA had net profit for the 3rd quarter of 2023 ended September 30, 2023 which amounts to 47.41 million baht, a decrease of 15.55 million baht or a decrease of 25% compared to the same period of the previous year which had a profit of 62.96 million baht. Reasons for a significant were, first, in 2022, there was an improvement in the recognition of income from the cancellation of assets and liabilities under the finance lease and the improvement in the recognition of income from the sale of tap water in 2021 that was recognized as income in the 1st quarter of 2022, second, there was an improvement in leasehold's right income recognition in the 2nd quarter of 2022. However, after compared net operating income without the improvement in the sale of tap water income recognition in 2021, and without an improvement in the recognition of income from the cancellation of assets and liabilities under the finance lease, the company has an increase in net profit of 29.72 million baht, or an increase of 168% comparing to the same period last year. The increase is from the growth in operating income and profit, the growth in plastic pellets production business, and the expertise to operate tap water production business. Meanwhile, operating costs and expenses are also being managed more effectively. For example, during the 3rd quarter of 2023, a natural disaster resulting in drought affected the company's ability to provide water supply to meet the minimum requirement. The company proceeded with a more permanent solution to have its own raw water pond, that can supply raw water from the supply pond and are also permitted to pump water from natural pond. This solution ensures that the company will be able to provide enough water supply in the future.

Unit: million baht	Q3	Year	Change
Current assets	2023	2022	(% yoy)
Non-current assets	223.90	184.17	22%
Total assets	1,549.30	1,507.68	3%
Liability	1,773.20	1,691.85	5%
Equity	343.48	363.52	-6%
Liability and Equity	1,429.72	1,328.33	8%
Total Liability and Equity	1,773.20	1,691.85	65%

The overview of UREKA's consolidated financial statement are as follows:

1. UREKA had total assets as of September 30, 2023 of 1,773.20 million baht, divided into current assets of 223.90 million baht, of which the main components are cash and cash equivalents of 45.93 million baht and accrued receivables and accrued income totaling 177.97 million baht, and non-current assets of 1,549.30 million baht, of which the main components are property, buildings and equipment in the amount of 1,235.09 million baht. The Company had total assets as of September 30, 2023, increased from September 30, 2022 in the amount of 81.35 million baht or an increase of 5% which was a consequence of business expansion and business potential enhancement
2. UREKA had liabilities as of September 30, 2023 in the amount of 343.48 million baht, an decrease of 20.04 million baht or 6% from liabilities as of September 30, 2022. This was mainly due to an increase in long-term loans from financial institutions which was a consequence of investing in expanding production capacity and raw material storage facility
3. Shareholders' equity increased from 2 main reasons: 1) the issuance of the convertible debentures "Convertible debentures granting the right to convert into ordinary shares of Eureka Design Public 2) The improved performance resulted in the company's retained earnings as of September 30, 2023 in the amount of 60.94 million baht, compared to the retained earnings as of December 31, 2022, with retained earnings in the amount of 8.68 million baht

Key financial ratios	Q3/2023	YE2022
Leverage Ratio		
D/E	0.24	0.27
Liquidity Ratio		
Current Ratio	1.64	1.62
Profitability Ratios		
Net Profit Margin	18%	31%
ROE	3%	5%

Please be informed accordingly and publish to investors

Best regards,

(Sunisa Jirawuttikul)

Chief Executive Officer and Director