

## 1.Executive Summary

Sahakol continues its operation in 3 mining projects, Mae Moh 7, Mae Moh 8 and Hongsa. The Mae Moh 7 has entered the final phase and will conclude by Q1/2020. From January 2020 onwards, the Operating and Maintenance (O&M) conveyor project in Hongsa will commence operation with expected revenue of 2,265 million baht with operating period of 7 years.

Due to increased operational efficiency, productivity increased in all projects with the Company registering a net profit of 124 million baht in Q4/2019 compared to Q3/2019 which register a net loss of 266 million baht.

In terms of the progress of Mai Khot Coal Mine Project, the joint venture company is currently in the process of obtaining an export license. The license is expected to be obtained in Q2/2020, after which will enable the joint venture company to export coal to be sold outside of the Republic of the Union of Myanmar. The initial target is to export 60,000 tons in 2020 and increase to 300,000 tons by 2021.

## 2. Financial Performance

Unit : M THB	Q3/2019	Q4/2019	Q4/2018	% Gain (Loss) QoQ	% Gain (Loss) YoY	2018	2019	% Gain (Loss) YTD
Total revenues	891	1,433	1181	61%	21%	3,624	4,773	32%
Cost of Services (Include Depreciation <sup>1</sup> )	997	1,121	987	12%	14%	3,445	4,040	17%
<sup>1</sup> Depreciation	292	282	295	(3%)	(4%)	1,019	1,159	14%
Gross Profit (After Depreciation)	(106)	312	194	396%	61%	179	733	310%
Administrative expenses	96	81	84	(15%)	(4%)	311	349	12%
EBITDA	98	521	413	432%	26%	912	1,571	72%
Financial cost	94	95	105	2%	(9%)	287	389	36%
Net Profit	(266)	124	11	147%	1,056%	(285)	1	100%
EBITDA margin (%)	11%	36%	35%	25%	1%	25%	33%	8%
Gross Profit Margin (%)	(12%)	22%	16%	34%	5%	5%	15%	10%
Net Profit Margin (%)	(30%)	9%	1%	39%	8%	(8%)	0%	8%

### Financial position for Q4/2019 compared with Q3/2019 (QoQ)

In Q4/2019, Sahakol's revenue totalled 1,433 million baht, an increase of 542 million baht or 61% from Q3/2019. The increase was due to increased capacity in all projects according to plan and the conveyor system is back in operation at full capacity.

At the same time, some significant operating overheads were maintained with a slight reduction as follows:

- Financial costs increased by 1 million baht;
- Depreciation decreased by 10 million baht.

As a result, Sahakol registered a net profit of 124 million baht in Q4/2019 compared to Q3/2019 which registered a net loss of 266 million baht, an increase of 390 million baht or 147%.

### Operational results for the three-month period in Q4/2019 compared to Q4/2018 (YoY)

Sahakol's total revenue increased by 253 million baht, equivalent to 21% compared to the same period in the previous year. The increase was due to improved productivity in Mae Moh 7 from adjustments in the conveyor system to replace parts that are worn out. Moreover, there were significant cost reductions as follows:

- A reduction in financial cost of 10 million baht from repayment of short- and long-term loans according to the loan repayment schedule;
- A reduction in depreciation costs by 13 million baht from Mae Moh 7 as some machineries have fully depreciated.

This resulted in a net profit of 124 million baht in Q4/2019 compared to 11 million baht in Q4/2018, which is an increase of 113 million baht or by 1,056%.

**For the twelfth-month period ended December 2019 compared with 2018**

For FY2019, Sahakol's total revenues totalled 4,773 million baht, increasing by 1,149 million baht or an increase of 32% from FY2018 resulting from:

- Increased revenues from Mae Moh 8 in line as planned and operation was at full capacity compared to the lowered capacity in 2018 due to the unexpected landslide
- Increased revenues from Mae Moh 7 due to increased capacity to deliver prior to the agreed time when compared to 2018
- Increased revenues from Hongsa in line with an extension of distance

On the other hand, cost of services (including depreciation) increased by 594 million baht or an increase by 17% from 2018. As a proportion of revenues, cost of services registered a decline due to:

- Increase in fuel consumption by 36 million baht or 11%. This is in line with increased production. Fuel consumption in 2019 as a proportion of revenues was at 17% in 2019, which is a decrease from 21% in 2018;
- Increase in contractor costs by 74 million baht or 11% in line with increased production. As a proportion of revenues at 16% in 2019 is considered a reduction compared to 19% in 2019;
- Increase in depreciation costs by 139 million baht, an increase of 14% in line with increased capacity of machineries. As a proportion of revenues at 25% in 2019, this was considered to be a reduction compared to 29% in 2018;
- Increase in sale and administration costs by 38 million baht or 12% due to an increase in surveying costs of up to 14 million baht (for survey of new projects) and increase in insurance premiums by 13 million baht as insurance premiums were realized for the entire year in 2019;
- Increase in financial costs by 102 million baht or an increase of 36% due to drawdown of long-term loan in full amount in 2018 for payment of machineries and equipment for Mae Moh 8 and interests for debentures of 700 million baht in 2019.

As a result, in FY 2019 Sahakol has a net profit of 1 million baht which is an increase from the net loss of 285 million baht registered in 2018.

### 3.Operation Result by Project

Unit : M THB	Q3/2019	Q4/2019	Q4/2018	% Gain (Loss) QoQ	% Gain (Loss) YoY	2018	2019	% Gain (Loss) YE
<b>Mae Moh 7</b>								
Service Revenue	150	432	188	188%	130%	848	1,090	29%
Cost of Services (Include Depreciation <sup>1</sup> )	281	369	288	31%	28%	1044	1,146	10%
<sup>1</sup> Depreciation	61	67	75	8%	(11%)	324	253	(22%)
Gross Profit	(131)	63	(100)	148%	163%	(196)	(56)	71%
Gross Profit (%)	(87%)	15%	(53%)	102%	68%	(23%)	(5%)	18%
<b>Hongsa</b>								
Service Revenue	235	308	346	32%	(11%)	1027	1,107	8%
Cost of Services (Include Depreciation <sup>1</sup> )	219	230	216	5%	6%	775	866	12%
<sup>1</sup> Depreciation	58	60	56	3%	6%	209	231	10%
Gross Profit	16	79	130	394%	(39%)	252	241	(5%)
Gross Profit (%)	7%	26%	38%	19%	(12%)	25%	22%	(3%)
<b>Mae Moh 8</b>								
Service Revenue	475	647	608	36%	6%	1,673	2,461	47%
Cost of Services (Include Depreciation <sup>1</sup> )	493	517	482	5%	7%	1,622	2,017	24%
<sup>1</sup> Depreciation	172	155	162	(10%)	(5%)	483	670	39%
Gross Profit	(18)	130	126	835%	3%	51	444	770%
Gross Profit (%)	(4%)	20%	21%	24%	(1%)	3%	18%	15%

#### Mae Moh 7

For Q4/2019, Mae Moh 7 project reported gross profit of 63 million baht compared to Q3/2019 with gross loss of 131 million baht. The gross profit is associated with operations returning to normal after the rainy season and other factors as follows:

- Reduction in excess electricity costs in Q4/2019;
- Improvement of the conveyor system to replace the old system resulting in operation at full capacity;
- Reduction in maintenance costs in the current quarter as such costs were expended in Q3/2019.

In comparing performance of Q4/2019 to Q4/2018, the project registered gross profit of 163 million baht primarily due to the ability to produce in line with targeted volume, a reduction in maintenance costs and increased production capacity.

For the whole of 2019, gross profit registered a loss of 56 million baht, lower than the loss registered in the previous year with the primary reason being the problems faced in Q3/2019 which caused a halt in the

conveyor system for repair. This resulted in lower working hours and required adjustments to be made at the working site to enable trucks to operate compensating the loss of conveyor working hours.

#### Hongsa

Hongsa registered gross profit of 79 million baht, an increase by 63 million baht or 394% from Q3/2019 which had gross profit of 16 million baht. In Q3/2019, working hours returned to regular schedule after reduced hours during the rainy season, resulting in increased revenues, while proportion of operation costs did not increase. Revenue increase was also due to increase in number of rounds and distance.

In comparing performance in Q4/2019 with Q4/2018 gross profit declined by 51 million baht or by 39%. The main reason for the decline was the earthquake during the end of 2019 at the project site causing a halt in the power plant and a slowdown in other operations for safety reasons.

In 2019, the Hongsa project registered gross profit of 241 million baht, a decline by 11 million baht or 5% from 2018. The average annual profitability rate declined to 22% from 25% in 2018 as depreciation costs increased along with machineries needed to carry out additional work.

#### Mae Moh 8

In Q4/2019, Mae Moh 8 project reported gross profit of 130 million baht, an increase of 148 million baht from Q3/2019 which registered a loss of 18 million baht. Operation was at full capacity in Q4/2019 without any disruptions from the rainy season as in Q3/2019.

Performance in Q4/2019 compared to the same period in the preceding year recorded an increase in gross profit by 4 million baht or a 3% increase from gross profit of 126 million baht. The average profitability rate is comparable at 20% and 21% in 2019 and 2018, respectively.

Performance for the entire 2019 resulted gross profit of 444 million baht, an increase 393 million baht or 770% compared to gross profit of 51 million baht in 2018. Production capacity went as planned and the conveyor system operated at full capacity (in 2018 the landslide caused production to be lower than planned).

#### 4. Summary of Financial Position

##### Balance Sheet Position

##### Assets

Total assets as of 31 December 2019 totaled 11,106.2 million baht, a decline by 880.6 million baht from that as of 31 December 2018 which totaled 11,986.8 million baht or a decline by 7.4% due to depreciation costs and purchase of new machineries and equipment with the following details:

	(Million)			
	2019	2018	change	change %
Current Assets	2,065.2	2,303.7	(238.5)	(10.4)
Non – Current Assets	9,040.0	9,683.1	(642.1)	(6.6)
<b>Total assets</b>	<b>11,106.2</b>	<b>11,986.8</b>	<b>(880.6)</b>	<b>(7.4)</b>

##### Liabilities

Total liabilities as of 31 December 2019 were 8,941.3 million baht. Compared to liabilities of 9,820.7 million baht as of 31 December 2018, total liabilities declined by 879.4 million baht or by 9% despite issuance of debentures amounting to 700 million baht. The number of creditors declined, and gradual debt repayments have been made as follows:

	(Million)			
	2019	2018	change	change %
Current liabilities	3,555.2	4,214.5	(659.4)	(15.7)
Non - Current liabilities	5,386.1	5,606.2	(220.1)	(3.9)
<b>Total liabilities</b>	<b>8,941.3</b>	<b>9,820.7</b>	<b>(879.4)</b>	<b>(9)</b>

##### Shareholder's equity

Shareholder's equity as of 31 December 2019 amounted to 2,164.9 million baht, a decrease by 1.1 million baht or 0.05% with details as follows:

	(Million)			
	2019	2018	change	change %
<b>Total shareholders' equity</b>	<b>2,164.9</b>	<b>2,166.1</b>	<b>(1.1)</b>	<b>(0.05)</b>

Statement of Cash Flows

As of 31 December 2019, cash and cash equivalents stood at 263.1 million baht, decreased by 60.36 million baht or 18.6% from those in 2018 which had cash and cash equivalents amounted to 323.4 million baht as summarized below:

	(Million)
Cash flows from operating activities	1,159.6
Cash flows from investing activities	(424.0)
Cash flows from financing activities	(794.8)
Currency translation difference	(1.0)
เงินสดและรายการเทียบเท่าเงินสดลดลง – สุทธิ	(60.3)

Cash flows from operating activities was 1,159.6 million baht from operating profit and from increase in depreciation costs and trade payable and other payable in accordance with payment terms.

Cash flows from investing activities amounting at (424.0) million baht, mainly due to asset acquisition according to the project investment plan and paid for exploration and development costs of new projects.

Cash flows from financing activities in the amount of (794.8) million baht, the decrease was mainly due to repayment of long-term loans, paid up of financial lease payable and earnings from issuance of debentures in the amount of 694.7 million baht.

Financial Cost

Financial cost for FY2019 and FY2018 were 389.3 million baht and 286.9 million baht respectively, a 35.7% increase. The main contributing factors are the long-term loan drawdown for Mae Moh 8 for investment in machineries as planned, together with liabilities from issuance of debentures amounting at 700 million baht in mid-2019.

## 5.Key Financial Ratios

Profitability Performance	2018	2019
Gross Profit (After Depreciation) (Percent)	3.41	13.86
EBITDA (Percent)	25.33	33.32
EBIT (Percent)	-3.71	8.19
Net (Loss) Profit (Percent)	-7.85	0.02

Company Performance	2018	2019
Return on Assets (Percent)	-2.56	0.01
Return on Fix Assets (Percent)	5.86	8.46
Return on Equity (Percent)	-12.00	0.05

Debt Performance	2018	2019
Debt to Equity ratio (times)	4.53x	4.13x
Interest Bearing Debt to Equity ratio (times)	3.68x	3.59x



## 6.Future Company Outlook

Mae Moh 7 is expected to phase out by Q1/2020 while revenue realization for the O&M conveyor system (Operation and Maintenance Agreement) in Hongsa is set to begin in January 2020 as initially scheduled. The Mai Khot Coal Mine Project is expected to realize profit in Q3/2020 onwards.