

1.Executive Summary

Sahakol continues its operation in 3 mining projects, Mae Moh 7, Mae Moh 8 and Hongsa. The Mae Moh 7 has reached the final phase and concluded in February 2020. The Operating and Maintenance (O&M) conveyor project in Hongsa commenced its operation in 2020 for which the company are gradually learning how to improve the conveyor system to maximize its long-term efficiency.

In Q1/2020, the Company recorded a net profit of 102 million baht, a decline by 18% or 22 million baht when compared to a net profit of 124 million baht in Q4/2019. Compared to the first quarter of the previous year (Q1/2019), the Company increased its net profit by 10% or 10 million baht and continued to maintain its profitability rate. This is due to increased production in Mae Moh 8 project enabled by achieving its planned production capacity and increased capacity from machineries brought over from the Mae Moh 7 project that had concluded towards the end of the first quarter. Moreover, the organizational restructuring commenced during the end of 2019 also brought about more effective work processes and machine management for the Mae Moh 8 project.

Regarding a progress on the Mai Khot Coal Mine Project, the joint venture company is currently in the process of obtaining an export license. However, due to the COVID-19 outbreak has resulted in a halt in business activities including restricted cross border movements as well as within the country, particularly in Yangon. The Company therefore made appropriate adjustments to its work plan and expect production and export to resume at the beginning of 2021.

The company has strictly follow the Thai governments rules and regulations to prevent the spread of the coronavirus (COVID-19). Currently, the company do not foresee any adverse impacts significantly from the virus on its operations.

In going forward, the Company will continue its restructuring efforts which started at the end of 2019 in view of strengthening its operational and support teams, increasing flexibility in management decision making, and reducing unnecessary operational costs.

2. Financial Performance

Unit : M THB	Q4/2019	Q1/2020	Q1/2019	% Gain (Loss) QoQ	% Gain (Loss) YoY
Total revenues	1,433	1,307	1246	(9%)	5%
Cost of Services (Include Depreciation ¹)	1121	1,023	976	(9%)	5%
¹ Depreciation	282	275	291	(3%)	(6%)
Gross Profit (After Depreciation)	312	284	271	(9%)	5%
Administrative expenses	81	109	81	34%	34%
EBITDA	521	458	487	(12%)	(6%)
Financial cost	95	86	102	(10%)	(16%)
Net Profit*	124	102	92	(18%)	10%
EBITDA margin (%)	36%	35%	39%	(1%)	(4%)
Gross Profit Margin (%)	22%	22%	22%	(0%)	0%
Net Profit Margin (%)	9%	8%	7%	(1%)	0%

*Net Profit (Equity holder of the Company)

Operational results for the three-month period in Q1/2020 compared with Q4/2019 (QoQ)

In Q1/2020, Sahakol's revenue totalled 1,307 million baht, an decrease of 127 million baht or 9% compared to the previous quarter (Q4/2019). The decline in revenues was due to lower production at Hongsa caused by a relocation of conveyor and several halts in production to repair the conveyor and the completion of the Mae Moh 7 project in February 2020. However, the Company was able to realize additional revenue from the O&M along with increased capacity at the Mae Moh 8 project enabled through support from machineries brought over from the concluded Mae Moh 7 project towards the end of the first quarter. The organizational restructuring efforts commenced during the end of 2019 brought about more effective work processes and machine management for the Mae Moh 8 project which contributed to the Company's ability to maintain a profitability rate of 22%

Some significant cost changes include the following:

- Depreciation costs decreased by 7 million baht under the Mae Moh 7 project as some machineries has been fully depreciated;
- Financial costs decreased by 8 million baht due to the gradual repayment of long-term loans and reduction in the MLR rate;
- Administrative expenses increased by 26 million baht, partially due to a write-off of assets no longer in operation;
- Demolition costs for the Mae Moh 7 project in the amount of 3 million baht;
- Decrease in electricity cost for the Mae Moh 7 project by 27 million baht, which is fully paid as the project concluded.

As a result, Sahakol registered a net profit of 102 million baht in Q1/2020, a decline by 22 million baht or 18% compared to Q4/2019.

Operational results for the three-month period in Q1/2020 compared to Q1/2019 (YoY)

Sahakol's total revenue increased by 60 million baht, equivalent to 5% compared to the same period in the previous year. The increase was due to improved productivity in Mae Moh 8 from more effective work processes and machine management.

Moreover, there were significant cost changes as follows:

- A reduction in depreciation costs by 16 million baht from Mae Moh 7 as some machineries have fully depreciated;
- A reduction in financial costs by 14 million baht from gradual repayment of long-term loans and adjusted reductions in the MLR;
- An increase in administrative expenses by 26 million baht, partly due to a write-off of assets no longer in operation.

This resulted in a net profit of 102 million baht in Q1/2020 compared to a net profit of 92 million baht in Q1/2019, an increase of 10 million baht or by 10%.

3.Operation Result by Project

Unit : M THB	Q4/2019	Q1/2020	Q1/2019	% Gain (Loss) QoQ	% Gain (Loss) YoY
Mae Moh 7					
Service Revenue	432	224	261	(48%)	(14%)
Cost of Services (Include Depreciation ¹)	369	217	267	(41%)	(19%)
¹ Depreciation	67	44	62	(33%)	(29%)
Gross Profit	63	7	(5)	(89%)	226%
Gross Profit (%)	15%	3%	(2%)	(12%)	5%
Hongsa					
Service Revenue	308	298	297	(3%)	0%
Cost of Services (Include Depreciation ¹)	230	236	201	3%	18%
¹ Depreciation	60	64	57	8%	13%
Gross Profit	79	62	96	(21%)	(36%)
Gross Profit (%)	26%	21%	32%	(5%)	(12%)
Mae Moh 8					
Service Revenue	647	768	673	19%	14%
Cost of Services (Include Depreciation ¹)	517	568	507	10%	12%
¹ Depreciation	155	166	170	7%	(2%)
Gross Profit	130	199	166	53%	20%
Gross Profit (%)	20%	26%	25%	6%	1%

Mae Moh 7

For Q1/2020, Mae Moh 7 project reported gross profit of 7 million baht compared to Q4/2019 with gross profit of 63 million baht. This decline in gross profit is due to the early completion of the Mae Moh 7 project in the second month of the quarter. Servicing costs also declined in line with lower revenues.

In comparing performance of Q1/2020 to Q1/2019, the project registered an increase in gross profit of 12 million baht primarily due to improved production efficiency and decreased depreciation costs.

Hongsa

Hongsa registered gross profit of 62 million baht, a decrease by 17 million baht or by 21% from Q4/2019 which had gross profit of 79 million baht. A planned halt in production by 22 days to relocate the conveyor along with periodic pauses in production to make improvements to the conveyor carried over from the previous contractor for the O&M at the beginning of 2020 both resulted in lower production compared to the previous

quarter. Although, the Company was able to realize revenues from the O&M, gross profit margin declined from 26% to 21%.

In comparing performance in Q1/2020 with Q1/2019 gross profit declined by 34 million baht or by 36% owing to the need to relocate and make improvements to the conveyor belt.

Mae Moh 8

In Q1/2020, Mae Moh 8 project reported a gross profit of 199 million baht, an increase of 69 million baht from Q4/2019 due to achieving its planned production capacity, along with increased production enabled through additional capacity from machines brought over and improved from the Mae Moh 7 project towards the end of the first quarter. This resulted in higher increase in revenues to cover the increase in depreciation costs from machineries that had fully depreciated together with more efficient organization and machine management following the organizational restructuring at the end of 2019. This resulted in an increase in gross profit margin from 20% in Q4/2019 to 26% in Q1/2020.

Performance for Mae Moh 8 in Q1/2020 compared to the same period in the preceding year recorded an increase in gross profit by 33 million baht or a 20% increase from gross profit of 166 million baht. The gross profit margin increased from 25% in Q4/2019 to 26% in Q1/2020.

4. Summary of Financial Position

Balance Sheet Position

Assets

Total assets as of 31 March 2020 totaled 11,115.4 million baht, an increase by 9.2 million baht from that as of 31 December 2019 which totaled 11,106.2 million baht or 0.08% with the following details:

	(Million Baht)			
	Q1/2020	2019	change	change %
Current Assets	2,166.2	2,065.2	101	4.9
Non – Current Assets	8,949.2	9,040.0	(91.7)	(1.0)
Total assets	11,115.4	11,106.2	9.2	0.08

Liabilities

Total liabilities as of 31 March 2020 were 8,845.0 million baht. Compared to liabilities of 8,941.3 million baht as of 31 December 2019, total liabilities declined by 96.2 million baht or by 1.1% due to a gradual debt repayments of long-term loans have been made with the following details:

	(Million Baht)			
	Q1/2020	2019	change	change %
Current liabilities	3,646.0	3,555.2	90.85	2.56
Non - Current liabilities	5,199.0	5,386.1	(187.1)	(3.5)
Total liabilities	8,845.0	8,941.3	(96.2)	(1.1)

Shareholder's equity

Shareholder's equity as of 31 March 2020 amounted to 2,270.4 million baht, an increase by 105.5 million baht or 4.9% from Net profit for this period with details as follows:

	(Million Baht)			
	Q1/2020	2019	change	change %
Total shareholders' equity	2,270.4	2,164.9	105.5	4.9

Statement of Cash Flows

As of 31 March 2020, cash and cash equivalents stood at 182.4 million baht, decreased by 80.7 million baht or 30.7% from those in 2019 which had cash and cash equivalents amounted to 263.1 million baht as summarized below:

	(Million Baht)
Cash flows from operating activities	339.8
Cash flows from investing activities	(184.6)
Cash flows from financing activities	(240.5)
Currency translation difference	4.6
Net decrease in cash and cash equivalents	(80.7)

Cash flows from operating activities was 339.8 million baht from operating profit and from increase in trade payable and other payable in accordance with payment terms.

Cash flows from investing activities amounting at (184.6) million baht, mainly due to asset acquisition according to the project investment plan.

Cash flows from financing activities in the amount of (240.5) million baht, the decrease was mainly due to repayment of long-term loans, paid up of financial lease payable.

Financial Cost

Financial cost for Q1/2020 and Q1/2019 were 85.8 million baht and 99.6 million baht respectively, a 13.8% decrease. The main contributing factors mainly because of repayment of long-term loans and the interest rate MLR has decreased.

5.Key Financial Ratios

Profitability Ratios		2019	Q1/2020
Gross Profit (After Depreciation)	(Percent)	13.86	21.18
EBITDA	(Percent)	33.32	35.33
EBIT	(Percent)	8.19	13.50
Net (Loss) Profit	(Percent)	0.02	7.80

Efficiency Ratios		2019	*Q1/2020
Return on Assets	(Percent)	0.01	0.10
Return on Fix Assets	(Percent)	8.46	13.40
Return on Equity	(Percent)	0.05	0.48

Leverage Ratios		2019	Q1/2020
Debt to Equity ratio	(times)	4.13x	3.89x
Interest Bearing Debt to Equity ratio	(times)	3.59x	3.32x

Note

*Key financial ratios as of 31 March 2020 was calculated based on last 12 months annualized.