

## 1.Executive Summary

Sahakol continues its operation in 2 mining projects, Hongsa mine project and Mae Moh 8 project. In Q2/2020, the Company recorded a net profit of 51 million baht, a decline by 50% or 51 million baht when compared to a net profit of 102 million baht in Q1/2020. Compared to the second quarter of the previous year (Q2/2019), the Company's net profit decreased by 13% or 8 million baht.

In this quarter there was no revenue from the Mae Moh Mine 7 project which had finished production in the previous quarter. However, Mae Moh 7 project is in the process to resettle the project area before handing to the Electricity Generating Authority of Thailand (EGAT). Therefore, the expenses related to those activity were incurred in the second quarter of 2020. The Company is in the accounting settlement process of the assets of Mae Moh Project 7, while the Mae Moh 8 project is capable of producing according to plan with an increase by 5% from Q1/2020. For the Hongsa project, production increased from the previous quarter, but an improvement in the conveyor system in the Operation and Maintenance (O&M) section is still needed for maximum efficiency.

## 2. Financial Performance

Unit : M THB	Q1/2020	Q2/2020	Q2/2019	% Gain (Loss) QoQ	% Gain (Loss) YoY	6M/2019	6M/2020	% Gain (Loss) YE
Total revenues	1,307	1,132	1202	(13%)	(6%)	2,448	2,439	(0%)
Cost of Services (Include Depreciation <sup>1</sup> )	1023	931	946	(9%)	(2%)	1,922	1,953	2%
<sup>1</sup> Depreciation	275	278	293	1%	(5%)	585	553	(5%)
Gross Profit (After Depreciation)	284	201	256	(29%)	(21%)	526	485	(8%)
Administrative expenses	109	76	91	(30%)	(17%)	173	185	7%
EBITDA	478	432	486	(10%)	(11%)	987	910	(8%)
Financial cost	86	77	98	(10%)	(22%)	200	163	(19%)
Net Profit*	102	51	58	(50%)	(13%)	151	153	1%
EBITDA margin (%)	37%	38%	40%	2%	(2%)	40%	37%	(3%)
Gross Profit Margin (%)	22%	18%	21%	(4%)	(4%)	22%	20%	(2%)
Net Profit Margin (%)	8%	4%	5%	(3%)	(0%)	6%	6%	0%

\*Net Profit (Equity holder of the Company)

*Operational results for the three-month period in Q2/2020 compared with Q1/2020 (QoQ)*

In Q2/2020, Sahakol's revenue totalled 1,132 million baht, a decrease of 174 million baht or 13% compared to the previous quarter (Q1/2020). The decline in revenues was due to the completion of the Mae Moh 7 project. On the other hand, the Mae Moh 8 Project showed a slight increase in production from machinery management, enabled through support from machineries brought over from the concluded Mae Moh 7 project. Production under the Hongsa project has gradually increased. However, the increase of depreciation cost and maintenance cost resulting in decline of gross profit margin from 22% in Q1/2020 to 18% in Q2/2020.

Some significant cost changes include the following:

- Depreciation costs increased by 3 million baht from increased investment of Hongsa O&M project as planned
- Maintenance costs increased by 33 million baht from maintenance schedule and preparation for the raining period
- Financial costs decreased by 9 million baht due to the gradual repayment of long-term loans and reduction in the MLR rate
- Administrative expenses decreased by 33 million baht, back to the normal condition at approximately 70 -80 million baht per quarter .
- Fuel costs decreased by 63.2 million baht from the reduction of fuel price and site area management

As a result, Sahakol registered a net profit of 51 million baht in Q2/2020, a decline by 50% compared to net profit in Q1/2020.

Operational results for the three-month period in Q2/2020 compared to Q2/2019 (YoY)

Sahakol's total revenue decreased by 70 million baht, equivalent to a decline by 6% compared to the same period in the previous year. The decline was due to completion of the Mae Moh 7 project in the beginning of 2020. The Company has partially transferred machineries from Mae Moh 7 project to support operations of Mae Moh 8. This improved production in Mae Moh 8 by 15%.

Moreover, there were significant cost changes as follows:

- Cost of service decreased by 15 million baht due to lower fuel costs and lower fuel consumption from improved site management of the conveyor system thus reducing the distance required for relocating of the large machineries. This resulted in improved efficiency and lower depreciation costs from Mae Moh 7 as some machineries have fully depreciated. The remaining depreciation value will become part of the cost under Mae Moh 8
- A reduction in financial costs by 21 million baht from gradual repayment of long-term loans and a reductions in the MLR
- A decrease in administrative expenses by 15 million baht as the reserve amount for electricity costs are no longer required under Mae Moh 7 project

This resulted in a net profit of 51 million baht in Q2/2020 compared to a net profit of 58 million baht in Q2/2019, a decline by 8 million baht or by 13%.

## 3. Operation Result by Project

Unit : M THB	Q1/2020	Q2/2020	Q2/2019	% Gain (Loss) QoQ	% Gain (Loss) YoY	6M/2019	6M/2020	% Gain (Loss) YE
<b>Hongsa</b>								
Service Revenue	298	282	266	(5%)	6%	563	580	3%
Cost of Services (Include Depreciation <sup>1</sup> )	236	238	217	1%	10%	418	474	13%
<sup>1</sup> Depreciation	64	64	57	(0%)	13%	114	129	13%
Gross Profit	62	44	49	(29%)	(10%)	145	106	(27%)
Gross Profit (%)	21%	16%	18%	(5%)	(3%)	26%	18%	(8%)
<b>Mae Moh 8</b>								
Service Revenue	768	829	665	8%	25%	1,338	1,597	19%
Cost of Services (Include Depreciation <sup>1</sup> )	568	671	500	18%	34%	1,007	1,239	23%
<sup>1</sup> Depreciation	166	206	173	24%	19%	343	372	8%
Gross Profit	199	158	165	(21%)	(4%)	332	358	8%
Gross Profit (%)	26%	19%	25%	(7%)	(6%)	25%	22%	(2%)

Hongsa

Hongsa registered gross profit of 44 million baht, a decrease by 18 million baht or by 29% from Q1/2020 which had gross profit of 62 million baht. Overall production showed a slight increase, however, an additional profit recognition from additional work in Q1/2020 resulted in a decline in gross profit margin from 21% to 16%.

In comparing performance in Q2/2020 with Q2/2019, gross profit declined by 5 million baht or by 10% owing to lower production than planned and a halt in the conveyor system under the Operation and Maintenance (O&M) for replacement of the conveyor belt which was postponed from Q1/2020.

Mae Moh 8

Mae Moh 8 project reported an increase in revenue by 61 million baht compared to Q1/2020, owing to improved management of machineries and additional capacity from machines brought over from the Mae Moh 7 project resulting in increased productivity. Gross profit however, totalled 158 million baht, which is a decrease by 41 million baht compared to Q1/2020. As the depreciation costs for the entire quarter was brought over from Mae Moh 7, this resulted in a lower gross profit of 19% in Q2/2020 compared to 26% in Q1/2020.

Performance for Mae Moh 8 in Q2/2020 compared to the same period in the preceding year recorded a decline in gross profit by 7 million baht or a 4% decline from gross profit of 165 million baht. The gross profit margin decreased from 25% in Q2/2019 to 19% in Q2/2020.

#### 4. Summary of Financial Position

##### Balance Sheet Position

##### Assets

Total assets as of 30 June 2020 totaled 10,961.1 million baht, a decrease by 145.1 million baht from that as of 31 December 2019 which totaled 11,106.2 million baht or 1.3% with the following details:

	(Million Baht)			
	Q2/2020	2019	change	change %
Current Assets	2,163.4	2,065.2	98.2	4.8
Non – Current Assets	8,797.7	9,041.0	(243.3)	(2.7)
<b>Total assets</b>	<b>10,961.1</b>	<b>11,106.2</b>	<b>(145.1)</b>	<b>(1.3)</b>

##### Liabilities

Total liabilities as of 30 June 2020 were 8,643.6 million baht. Compared to liabilities of 8,941.3 million baht as of 31 December 2019, total liabilities declined by 297.7 million baht or by 3.3% due to a gradual debt repayment of short-term loans and long-term loans have been made with the following details:

	(Million Baht)			
	Q2/2020	2019	change	change %
Current liabilities	3,949.7	3,555.2	394.5	11.1
Non - Current liabilities	4,693.9	5,386.1	(692.2)	(12.9)
<b>Total liabilities</b>	<b>8,643.6</b>	<b>8,941.3</b>	<b>(297.7)</b>	<b>(3.3)</b>

##### Shareholder's equity

Shareholder's equity as of 30 June 2020 amounted to 2,317.5 million baht, an increase by 152.6 million or 7.0% from that as of 31 December 2019 which totaled 2,164.9 million baht because of Net profit for this period with details as follows:

	(Million Baht)			
	Q2/2020	2019	change	change %
<b>Total shareholders' equity</b>	<b>2,317.5</b>	<b>2,164.9</b>	<b>152.6</b>	<b>7.0</b>

Statement of Cash Flows

As of 30 June 2020, cash and cash equivalents stood at 172.8 million baht, decreased by 90.3 million baht or 34.3% 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	585.9
Cash flows from investing activities	(321.3)
Cash flows from financing activities	(356.2)
Currency translation difference	1.3
<b>Net decrease in cash and cash equivalents</b>	<b>(90.3)</b>

Cash flows from operating activities was 585.9 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 (321.3) million baht, mainly due to asset acquisition according to the project investment plan.

Cash flows from financing activities in the amount of (356.2) million baht, the decrease was mainly due to repayment of short-term loans and long-term loans, paid up of financial lease payable.

Financial Cost

Financial cost for Q2/2020 and Q2/2019 were 76.9 million baht and 98.1 million baht respectively, a 21.6% 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	3M/2020	6M/2020
Gross Profit (After Depreciation)	(Percent)	13.86	21.18	19.08
EBITDA	(Percent)	33.32	35.33	36.03
EBIT	(Percent)	8.19	13.50	12.45
Net (Loss) Profit	(Percent)	0.02	7.80	6.25

Efficiency Ratios		2019	3M/2020	*6M/2020
Return on Assets	(Percent)	0.01	0.10	0.03
Return on Fix Assets	(Percent)	8.46	13.40	13.26
Return on Equity	(Percent)	0.05	0.48	0.26

Leverage Ratios		2019	3M/2020	6M/2020
Debt to Equity ratio	(times)	4.13x	3.89x	3.73x
Interest Bearing Debt to Equity ratio	(times)	3.59x	3.32x	3.07x

### Note

\*Key financial ratios as of 30 June 2020 was calculated based on last 12 months annualized.