

1.Executive Summary

Sahakol continues its operation in 2 main projects, Hongsa and Mae Moh 8. In Q4/2020, the Company registered a net profit of 72 million baht, an increase from Q3/2020 which registered a net profit of 17 million baht. This increase was due to operational efficiency under Mae Moh 8 and reallocation of machineries from Mae Moh 7 to compensate downtime for those that had to undergo maintenance. The Hongsa project on the other hand, was able to efficiently manage incremental workload and realized increased revenues from the additional workload beyond the expected targeted.

In terms of operating results for the entire 2020, the company realized total revenue of 4,776 million baht, comparable to that of 2019 despite Mae Moh 7 providing revenues for only Q1/2020. As for projects that are still under operation, particularly the Mae Moh 8 project which performed better than expected as the conveyor system operated at enhanced capacity. This increased efficiency was a result of improvements made on the conveyor system, alterations in organizational management including maintenance of the haul road in the mining area to reduce setbacks during the rainy season. At the same time, the Company was able to reduce production costs for all projects by a total of 300 million baht, namely fuel costs, subcontractor cost, explosives costs, along with depreciation and financing costs which were reduced by 82 and 75 million baht, respectively.

This resulted in a total net profit of 241 million baht in 2020 or 0.21 baht per share compared to a net profit of 1 million baht in the same period of the previous year.

As for the Mai Khot Coal Mine Project in 2020, the project was not able to be implemented due to the COVID-19 situation. This meant the project needed to undergo a review and reassessment of the risk factors and the preparation of a feasibility study for a 30 MW power plant to be executed as the impact of the COVID-19 situation abates.

2. Financial Performance

Unit : M THB	Q3/2020	Q4/2020	Q4/2019	% Gain (Loss) QoQ	% Gain (Loss) YoY	2019	2020	% Gain (Loss)
Total revenues	1,088	1,248	1,433	15%	(13%)	4,773	4,776	0%
Cost of Services (Include Depreciation ¹)	880	907	1,121	3%	(19%)	4,040	3,740	(7%)
¹ Depreciation	265	259	282	(2%)	(8%)	1,159	1,077	(7%)
Gross Profit (After Depreciation)	208	341	312	64%	9%	733	1,035	41%
Administrative expenses	108	197	81	82%	144%	349	487	39%
EBITDA	375	412	521	10%	(21%)	1,571	1,661	6%
Financial cost	79	72	95	(9%)	(25%)	389	314	(19%)
Net Profit*	17	72	116	324%	(38%)	1	241	>500%
EBITDA margin (%)	34%	33%	36%	(1%)	(3%)	33%	35%	2%
Gross Profit Margin (%)	19%	27%	22%	8%	6%	15%	22%	6%
Net Profit Margin (%)	2%	6%	8%	4%	(2%)	0%	5%	5%

*Net Profit (Equity holder of the Company)

Financial position for Q4/2020 compared with Q3/2020 (QoQ)

In Q4/2020, Sahakol's revenue totalled 1,248 million baht, an increase of 160 million baht or a 15% increase from Q3/2020. The increase was due to improved efficiency in machinery management and proper preparation of the work area while the early completion of machine maintenance well ahead of the scheduled time meant a more rapid return to capacity. Moreover, the Hongsa project was able to deliver incremental work beyond the expected target.

The Company therefore saw a change in the following key cost areas:

- Depreciation costs reduced by 6 million baht based on a reduction in machinery depreciation for those that have fully depreciated over its useful life.
- Fuel costs increased by 4 million baht based on the proportion of income to volume of work that increased according to the work plan. Moreover, the reallocation of machineries from Mae Moh 7 helped to enhance capacity. Subcontractor costs declined by 8 million baht from improved capacity of the conveyor system under Mae Moh 8 and subcontractor hiring cost adjustments to reflect the change in work area.
- Other costs declined by 14 million baht as there were no special items from Mae Moh 7.
- Administrative expenses increased by 89 million baht based on preparation of feasibility studies of new projects, increase in special compensation and improvements in welfare payments as motivational incentive for exceeding planned targets, consultancy fees for organizational restructuring.

As a result, gross profit margin for the Company in Q4/2020 increased from 19% registered in Q3/2020 to 27%, with a net profit of 72 million baht, an increase from 17 million from Q3/2020 or by 324%.

Operational results for the three-month period in Q4/2020 compared to Q4/2019 (YoY)

Sahakol's total revenue declined by 185 million baht or by 13% compared to the same period in the previous year. The main reason for the decline compared to the previous period was due to realization of revenues from Mae Moh 7 in Q4/2019 up till the end of the project in Q1/2020.

As such, the Company's production costs decreased by 214 million baht where major changes included:

- Maintenance costs increased by 113 million baht due to machinery improvement plans for Mae Moh 8 and Hongsa in accordance to machine hours, maintenance, and installation of brake system of the conveyor as planned.
- Fuel cost decreased by 68 million baht as a result of changes in oil usage from B7 diesel to B10 diesel in compliance with government policy. The global decline in energy costs and alterations of the working area to enhance machine efficiency also contributed to fuel cost reductions.
- Explosives cost declined by 36 million baht from the completion of the Mae Moh 7 project while the Mae Moh 8 site does not require extensive use of explosives.
- Depreciation declined by 24 million baht and contractor costs decreased by 159 million baht. This pertained to machines under Mae Moh 7 having fully depreciated after completion of the project and have been reallocated to support the Mae Moh 8 project resulting in increased efficiency in the conveyor system, while adjustments in subcontractor hiring costs contributed to lowering contractor costs.
- Nevertheless, administrative expenses increased by 116 million baht due to preparation of feasibility studies for new projects, increased special compensation and employee benefits as incentive for exceeding planned targets, and consultancy fees for company restructuring.
- Financial costs were reduced by 23 million baht due to gradual repayment of long-term loans and management of short-term loan costs. Despite an increase in financial costs through the issuance of new debentures totally 300 million baht and securing a new loan to invest in improving the conveyor system, this did not contribute to any increase in overall financial costs over the period.

As a result, the Company realized a net profit of 72 million baht in Q4/2020 or a decrease of 45 million baht or by 38% compared to net profit of 116 baht in Q4/2019.

For the twelve-month period ending December 2020 compared with 2019

For FY2020, Sahakol's total revenues totalled 4,776 million baht, an increase by 3 million baht or by 0.1% from FY2019 despite Mae Moh 7 realizing revenues only up to Q1/2020, while other projects exceeded planned targets as follows:

- Increased revenue under Mae Moh 8 with overall performance exceeding planned targets as the conveyor system operated at full capacity compared to 2019. Additionally, adjustments made to organizational management increased operational efficiency as well as planned improvements on the roadway inside the mine and utilization of machineries from the completed Mae Moh 7 project reinforced capacity.
- Increased revenues from Hongsa mining project was due to new contracts and commencement of additional work in 2020 with escalated working hours of the conveyor system towards the end of 2020 owing to planned enhancements to the system.

In considering the decline in cost of services (including depreciation) by 300 million baht or by 7% from 2019, key changes to the costs include:

- Cost of repair and maintenance showed an increase of 228 million baht or by 39% from the Mae Moh 8 project and the Hongsa mine project. This included costs in improvements to machineries in line with its working hours along with improvements to machineries reallocated from the completed Mae Moh 7 project.
- Fuel costs showed a decrease of 186 million baht or by 24% due to the change in fuel type in accordance with administrative policy coupled with lower global fuel costs and enhanced efficiency of the conveyor system when compared to machinery operations in 2019.
- Rental costs increased by 24 million baht or by 40% from increased rental of auxiliary machineries to expedite repair of the conveyor system under Mae Moh 8 and to dismantle the conveyor system after completion of the Mae Moh 7 project.
- Labour costs increased by 30 million or by 10% from increased hiring for new contracts under the Hongsa project commencing in 2020.
- Cost of explosives decreased by 62 million or by 36% as the Mae Moh 7 project came to completion and the nature of the working site under Mae Moh 8 did not require extensive use of explosives.
- Subcontractor costs decreased by 143 million or by 7% as adjustments in machinery management plans resulted in enabling the conveyor system to operate at full capacity. Cost of hiring subcontractors therefore declined as the convey system fully functioned and reduced the distance covered by the subcontractors. Moreover, subcontractor hiring rates were also reduced to appropriately reflect the change in working area.
- Depreciation costs declined by 82 million baht or by 7% as certain machineries had fully depreciated.
- Administrative expenses increased by 141 million baht or by 41% due to compensation for legal termination of employees under Mae Moh 7 as the project concluded, preparations for feasibility studies on new projects, and increments in special compensation to employees as incentive for exceeding planned targets.

- Financing costs decreased by 75 million or by 19% from repayment of long-term loans as planned, resulting in lower debt burden coupled with bank's policy lower lending rates meant lower interest payments.

Operating results for the entire 2020 saw a net profit of 241 million baht which is an increase from the operating results in 2019 which registered a net profit of 1 million baht.

3.Operation Result by Project

Unit : M THB	Q3/2020	Q4/2020	Q4/2019	% Gain (Loss) QoQ	% Gain (Loss) YoY	2019	2020	% Gain (Loss)
Mae Moh 7								
Service Revenue	0	0	432	N/A	N/A	1,090	223	(80%)
Cost of Services (Include Depreciation ¹)	3	11	369	N/A	N/A	1,146	252	(78%)
¹ Depreciation	4	0	56	N/A	N/A	242	56	(77%)
Gross Profit	(3)	(11)	63	N/A	N/A	(56)	(29)	49%
Gross Profit (%)	N/A	N/A	15%	N/A	N/A	(5%)	(13%)	(8%)
Hongsa								
Service Revenue	266	357	308	33.9%	15.6%	1107	1,203	8.7%
Cost of Services (Include Depreciation ¹)	222	266	230	19.6%	15.8%	866	963	11.1%
¹ Depreciation	58	57	60	(1%)	(4%)	231	243	5%
Gross Profit	44	90	79	107%	15%	241	240	(0%)
Gross Profit (%)	16%	25%	26%	9%	(0%)	22%	20%	(2%)
Mae Moh 8								
Service Revenue	807	873	647	8%	35%	2,461	3,277	33%
Cost of Services (Include Depreciation ¹)	654	628	517	(4%)	21%	2,017	2,522	25%
¹ Depreciation	202	201	166	(1%)	21%	681	775	14%
Gross Profit	153	245	130	60%	89%	444	756	70%
Gross Profit (%)	19%	28%	20%	9%	8%	18%	23%	5%

Mae Moh 7

The Mae Moh 7 project came to a completion and the working site was handed over to the Electricity Generating Authority of Thailand in accordance with the agreement on 30 April 2020. Some machineries were retained, repaired, and reallocated to the Mae Moh 8 project and the Hongsa project.

Hongsa

The Hongsa project registered gross profit of 90 million baht, an increase from Q3/2020 by 107%. Of this amount, costs of services increased by 20%, which is a 34% increase in the proportion of income while depreciation costs declined as a proportion of machineries have fully depreciated. This resulted in an increase in gross profits from 16% in Q3/2020 to 25% in Q4/2020.

When considering operational results for the same period of the previous year, gross profit for Hongsa increased by 11 million baht or 15%, while the gross profit margin saw a slight decline from 26% in Q4/2019 to 25% in Q4/2020 as the Company is currently operating at the beginning stages of the Operation and Maintenance (O&M) project which requires appropriate repairs and improvements to the conveyor system. At

the same time, the conveyor system hours are being monitored for consistency with coal demand of the power plant (as the plant is under maintenance and repair as planned).

For 2020, the Hongsa project registered gross profit of 240 million baht, a slight decrease in gross profit margin by 2% from the 22% seen in 2019 to 20% in 2020.

Mae Moh 8

The Mae Moh 8 mine project realized an increase in gross profit of 92 million baht or a 9% increase from Q3/2020 due to improved management of machineries to operate at full capacity without any rain to hamper operations. Moreover, machineries were reallocated from the concluded Mae Moh 7 project to enhance capacity. Therefore, gross profits under Mae Moh 8 increased to 28% from 19% in Q3/2020.

When considering operational results for the same period of the previous year, gross profit increased by 245 million baht compared to Q4/2019 which registered gross profit of 130 million baht. This increase is attributed to operation of the conveyor system at full capacity through efficient management and corporate restructuring that enhanced operational efficiency, while also benefiting from additional machineries reallocated from the completed project.

For 2020, gross profit under Mae Moh 8 totaled 756 million baht, which is an increase of 312 million baht or by 70% from 2019 where gross profit totaled 444 million baht.

4.Summary of Financial Position

Balance Sheet Position

Assets

Total assets as of 31 December 2020 totaled 10,016.68 million baht, a decrease by 1,089.53 million baht from that as of 31 December 2019 which totaled 11,106.2 million baht or a decrease by 9.8% with the following details:

	(Million Baht)			
	2020	2019	change	change %
Current Assets	1,738.79	2,065.20	(318.95)	(15.5)
Non – Current Assets	8,277.89	9,041.00	(770.57)	(8.5)
Total assets	10,016.68	11,106.20	(1,089.53)	(9.8)

Liabilities

Total liabilities as of 31 December 2020 were 7,604.41 million baht. Compared to liabilities of 8,941.3 million baht as of 31 December 2019, total liabilities declined by 1,336.85 million baht or by 15% due to a gradual debt repayment of long-term loans made with the following details:

	(Million Baht)			
	2020	2019	change	change %
Current liabilities	2,927.14	3,555.20	(628.02)	(17.7)
Non - Current liabilities	4,677.28	5,386.10	(708.83)	(13.2)
Total liabilities	7,604.41	8,941.30	(1,336.85)	(15)

Shareholder's equity

Shareholder's equity as of 31 December 2020 amounted to 2,412.26 million baht, an increase by 247.33 million baht or 11.4% from that as of 31 December 2019 which totaled 2,164.9 million from net profit for this period with details as follows:

	(Million Baht)			
	2020	2019	change	change %
Total shareholders' equity	2,412.26	2,164.90	247.33	11.4

Statement of Cash Flows

As of 31 December 2020, cash and cash equivalents stood at 241.7 million baht, a decrease by 13.9 million baht or 5.4% from those in 2019 which cash and cash equivalents amounted to 255.6 million baht as summarized below:

	(Million Baht)
Cash flows from operating activities	1,193.24
Cash flows from investing activities	(299.92)
Cash flows from financing activities	(906.92)
Currency translation difference	(0.29)
Net decrease in cash and cash equivalents	(13.90)

Cash flows from operating activities was 1,193.24 million baht mainly from operations with net profit before income tax.

Cash flows from investing activities at (299.92) million baht, mainly due to asset acquisition according to the project investment plan of the Hongsa O&M project, and machinery overhaul program in Mae Moh Mine 8 Project and Hongsa Project.

Cash flows from financing activities in the amount of (906.92) million baht, mainly arising from repayment of long-term loans and paid up of financial lease payable.

Financial Cost

Financial cost for FY2020 and FY2019 were 313.59 million baht and 389.27 million baht respectively, reflecting a 19.4% decrease. The main contributing factors were repayment of long-term loans and the lowered MLR interest rate.

5.Key Financial Ratios

Profitability Ratios		2019	2020
Gross Profit (After Depreciation)	(Percent)	13.86	20.86
EBITDA	(Percent)	33.32	34.85
EBIT	(Percent)	8.19	11.52
Net (Loss) Profit	(Percent)	0.02	5.05

Efficiency Ratios		2019	2020
Return on Assets	(Percent)	0.01	2.28
Return on Fix Assets	(Percent)	8.46	10.66
Return on Equity	(Percent)	0.05	10.53

Leverage Ratios		2019	2020
Debt to Equity ratio	(times)	4.13x	3.15x
Interest Bearing Debt to Equity ratio	(times)	3.59x	2.85x