

## 1.Executive Summary

Sahakol's continues its operation in 3 mining projects, Mae Moh 7, Mae Moh 8 and Hongsa. Compared to Q1 net profit of 92 million baht, for Q2/2019, the company net profit of 58 million baht which chiefly resulted from (1) Mae Moh 8 project interrupted from rainfall in the end of Q2/2019 despite achieving full capacity of conveyor system (2) lower gross profit of Hongsa project from the contractor's 12 days conveyor relocation and maintenance activities during May to June 2019. (3) Good production efficiency of Mae Moh 7 project despite slight decrease in production, resulting in a higher gross profit of 23 million baht. Nevertheless, in Q2/2019, Sahakol has signed a Memorandum of Understanding (MOU) with Golden Lake Company Limited to receive the rights to develop such mines from concession owner on July 11, 2019 and has signed O&M contract with Hongsa Power Company Limited on July 25, 2019.

For the three months' Financial position of Q2/2019 compared with Q1/2019, Sahakol has net profit of 58 million baht compared to Q1/2019 net profit of 92 million baht. The primarily reasons were from (1) decrease in production of Hongsa project due to the contractor's 12 days conveyor relocation and maintenance activities resulting in lower gross profit margin (2) Slight decrease in Mae Moh 8 production due to rainfall in the end of Q2/2019 despite having achieved near full capacity of conveyor system

For the three months' Financial position of Q2/2019 compared with Q2/2018, the company has net profit of 58 million baht when compared to Q2 /2018 net loss of 58 million baht. This primary resulted from the increase in production of Mae Moh 8 from the main conveyor system operating which replaced the operating by truck in the same period of last year during the landslide incident. Total corporate revenue were 1,202 million baht in Q2/2019, increased 383 million baht when compared to Q2/2018.

In accordance to its growth strategy in the region, Sahakol has sought new projects from abroad such as Mine Khot Coal Mine Project in Myanmar. Sahakol has signed a Memorandum of Understanding (MOU) with Golden Lake Company Limited to receive the rights to develop the mine from the concession owner, as joint venture partner. In the initial phase of the project Sahakol will engage in the operation of the excavation of soil and coal and to export coal to potential customers. In the next phase, the company will thoroughly study the possibilities in the development of a power plant.

An injection of investment in Mine Khot Project will be done step by step in line with the progress of the project development. More importantly, Sahakol has to be assured with the certainty of the relevant rights granted by the Myanmar authorities together with reliable legal opinion from experts before further project development in order to secure all the fund raised to finance this project.

On July 25, 2019 Sahakol has signed O&M contract with Hongsa Power Company Limited at Hongsa Coal mine, in amount of 2,265 million baht of project value, which will start in January 2020. The company has started preparation for the contract which includes mobilization and facilities setup according to plan.

## 2. Financial Performance

Unit : M THB	Q1/2019	Q2/2019	Q2/2018	% Gain (Loss) QoQ	% Gain (Loss) YoY	6M/2018	6M/2019	% Gain (Loss) Year
Total revenues	1,246	1,202	819	(4%)	47%	1,656	2,448	48%
Cost of Services (Include Depreciation <sup>1</sup> )	976	946	827	(3%)	14%	1,592	1,922	21%
<sup>1</sup> Depreciation	291	293	233	1%	26%	450	585	30%
SG&A	81	91	69	12%	32%	140	173	23%
EBITDA	487	465	162	(5%)	186%	385	952	148%
Financial cost	102	98	61	(4%)	62%	97	200	105%
Gross Profit (After Depreciation)	271	256	(7)	(5%)	3,539%	64	526	723%
Net Profit	92	58	(58)	(37%)	201%	(96)	151	257%
EBITDA margin (%)	39%	39%	20%	(0%)	19%	23%	39%	16%
Gross Profit Margin (%)	22%	21%	(1%)	(0%)	22%	4%	22%	18%
Net Profit Margin (%)	7%	5%	(7%)	(3%)	12%	(6%)	6%	12%

### Financial position for second quarter 2019 compared with first quarter 2019 (QoQ)

In Q2/2019 Sahakol has revenue of 1,202 million baht, which decreased by 44 million baht or 4%, when compared with Q1/2019. The decrease was primarily due to:

- Decrease in production of Hongsa project due to the contractor's 12 days conveyor relocation and maintenance activities during May to June 2019 and there is some rainfall in the end of Q2/2019.
- Slight decrease in production of Mae Moh 7 project from rainfall in the end of Q2/2019.
- Slight decrease in production of Mae Moh 8 conveyor system due to rainfall in the end of Q2/2019 despite having reached full capacity compared to Q1/2019 capacity of 85-90%

On the other hand, some cost of services changed :

- Decrease in maintenance cost by 45 million baht as planned
- Decrease in financial cost of 3 million baht because of repayment of long term loans and paid up of financial lease payable.
- Increase in employee benefits obligation in amount of 7.9 million baht from the effective of Act no.7 B.E.2019 indicated employee who have work for a consecutive period of 20 years or more to receive 400 days based on their salary as at the date of retirement

As a result, Sahakol has Q2/2019 net profit of 58 million baht, which decreased by 34 million baht or 37% when compared to Q1/2019.

*Financial position for second quarter 2019 compared with second quarter 2018 (YoY)*

When compared revenue for Q2/2019 of 1,202 million baht with the same period last year, Sahakol had an increase in revenue by 383 million baht or 47%. The primary reason was due to an increase in production from Mae Moh 8 conveyor system.

However, fixed costs also increased primarily from:

- Increase in financial cost of 37 million baht from Mae Moh 8 project long term loan
- Increase in depreciation cost of 60 million baht from Mae Moh 8 project, which has been fully realized

As a result, Sahakol has a Q2/2019 net profit of 58 million baht, increase from Q2/2018 which has net loss of 58 million baht.

### 3.Operation Result by Project

Unit : M THB	Q1/2019	Q2/2019	Q2/2018	% Gain (Loss) QoQ	% Gain (Loss) YoY	6M/2018	6M/2019	% Gain (Loss) Year
<b>Mae Moh 7</b>								
Service Revenue	261	246	245	(6%)	0%	511	507	(1%)
Cost of Services (Include Depreciation <sup>1</sup> )	267	228	255	(14%)	(11%)	482	495	3%
<sup>1</sup> Depreciation	62	62	96	(1%)	(35%)	165	125	(25%)
Gross Profit	(5)	18	(11)	427%	(263%)	30	12	(59%)
Gross Profit (%)	(2%)	7%	(4%)	9%	12%	6%	2%	(3%)
<b>Hongsa</b>								
Service Revenue	297	266	207	(10%)	28%	480	563	17%
Cost of Services (Include Depreciation <sup>1</sup> )	201	217	178	8%	22%	375	418	12%
<sup>1</sup> Depreciation	57	57	50	(0%)	13%	100	114	14%
Gross Profit	96	49	29	(49%)	68%	106	145	37%
Gross Profit (%)	32%	18%	14%	(14%)	4%	22%	26%	4%
<b>Mae Moh 8</b>								
Service Revenue	673	665	351	(1%)	89%	638	1,338	110%
Cost of Services (Include Depreciation <sup>1</sup> )	507	500	392	(1%)	27%	735	1,007	37%
<sup>1</sup> Depreciation	170	173	87	2%	98%	185	343	86%
Gross Profit	166	165	(41)	(1%)	500%	(97)	332	443%
Gross Profit (%)	25%	25%	(12%)	0%	37%	(15%)	25%	40%

#### Mae Moh 7

For Q2/2019, Mae Moh 7 project reported gross profit of 18 million baht, improved when compared to Q1/2019 gross profit loss of 5 million baht. The main reason was due to improve operating efficiency meanwhile depreciation cost remain fixed from previous quarter. This resulted in Q2/2019 higher gross profit margin of 7 percent, increased from Q1/2019 which has gross profit margin of -2%.

When compared Q2/2019 to Q2/2018, Mae Moh 7 project reported gross profit loss of 18 million baht, from gross profit of 11 million baht in Q2/2018. This primarily resulted from lower depreciation cost in amount of 34 million baht, because some equipment were fully depreciated in the previous period.. Therefore, resulting in a higher gross profit of this project.

Hongsa

For Q2/2019, Hongsa project reported gross profit of 49 million baht, a decrease of 47 million baht or 49% when compared to gross profit of 96 million baht in Q1/2019. This primarily resulted from decrease in operating hours due to the contractor's 12 days conveyor relocation and a rainfall in the end of second quarter.

When compared Q2/2019 to Q2/2018, Hongsa project reported gross profit increase of 20 million baht or 68%, from gross profit of 29 million baht in Q2/2018. This primarily resulted from increase in revenue from deployment of new equipment to meet increase in production target according to the contract .

Mae Moh 8

For Q1/2019, Mae Moh 8 project reported gross profit of 165 million baht, decrease of 1 million baht or 1% when compared to gross profit of 166 million baht in Q1/2019. This result from an increase in utilization of the main conveyor system from 85-90% in Q1/2019 to full capacity utilization in Q2/2019; however, revenue did not escalate from previous quarter as there is rainfall in the end of Q2/2019. Nevertheless, Mae Moh 8 project still maintain 25% gross profit margin from the previous quarter.

When compared Q2/2019 to Q2/2018, Mae Moh 8 project reported gross profit increase of 206 million baht, from gross profit loss of 41 million baht in Q2/2018. This primarily resulted from increase in revenue of 314 million baht or 89% due to the operation of main conveyor system which was impacted from the land slide last year.

## 4. Summary of Financial Position

### Balance Sheet Position

Total assets as of 30 June 2019 were 11,588.4 million baht, decreased by 398.4 million baht or 3.3% from those as of 31 December 2018. Total current assets stood at 2,288.8 million baht, decreased by 14.9 million baht. Total non-current assets as of 30 June 2019 were 9,299.6 million baht, decreased by 383.5 million baht from depreciation of equipment.

Total liabilities as of 30 June 2019 were 9,271.7 million baht, decreased by 549 million baht or 5.6%. Total current liabilities stood by 3,445.2 million baht, decreased by 769.3 million baht compared to 31 December 2018. Total non-current liabilities were 5,826.5 million baht, an increase by 220.3 million baht. Although the company issued the debenture in amount of 700 million baht, but payables for hire purchase of assets significantly decreased as well.

Shareholder's equity as of 30 June 2019 amounted to 2,316.7 million baht, an increase by 150.6 million baht or 7% which resulted from operating profit in Q1/2019 and Q2/2019.

### Statement of Cash Flows

As of 30 June 2019, cash and cash equivalents stood at 356.6 million baht, an increase by 33.2 million baht or 10.3% from that ended in 31 December 2018 which had cash and cash equivalents amounted to 323.4 million baht.

**Cash flows from operating activities** was 617.4 million baht from operating profit and from the change in trade payable and other payable in accordance with payment terms.

**Cash flows from investing activities** decreased (457.4) million baht from last year, mainly due to asset acquisition according to the project investment plan.

**Cash flows from financing activities** was (126.7) million baht, mainly from repayment of long term loans and paid up of financial lease payable.

### Financial Cost

Financial cost for Q2/2019 and Q2/2018 were 98.2 million baht and 60.8 million baht respectively, An increase of 61.6% was mainly due to an increase of interest payment from the full long term loan drawdown for Mae Moh 8 together with the Hire Purchase interest cost, which increased from previous year.

## 5. Key Financial Ratios

Profitability Performance	2018	3M/2019	6M/2019
Gross Profit (After Depreciation) (Percent)	3.41	21.30	20.17
EBITDA (Percent)	25.33	39.30	39.21
EBIT (Percent)	-3.71	15.24	13.90
Net (Loss) Profit (Percent)	-7.85	7.41	4.85

Company Performance	2018	*3M/2019	*6M/2019
Return on Assets (Percent)	-2.56	-1.30	-1.12
Return on Fix Assets (Percent)	5.86	10.10	11.22
Return on Equity (Percent)	-12.00	-6.95	-5.69

Debt Performance	2018	*3M/2019	*6M/2019
Debt to Equity ratio (times)	4.53x	4.19x	4.00x
Interest Bearing Debt to Equity ratio (times)	3.68x	3.43x	3.59x

**Remark** \*Key financial ratios as of 30 June 2019 was calculated based on last 12 months.



## 6. Future Company Outlook

In Q2/2019, even though the Mae Moh 8 project conveyor system is able to achieve full conveyor utilization, its production was affected by interruption of rainfall during the end of Q2/2019 and is expect to continue for the next couple of months The rainfall effect is also expected in Hongsa and Mae Moh 7 project. Nevertheless, Sahakol has continued to pursue its growth strategy. Not only acquiring the O&M of conveyor system project in Hongsa, Sahakol is also seeking for new project to expand the company's profile into other area of energy-related qualification, such as the Mai Khot coal mine.

Given the rights to develop the Mine Khot coal mine project in Myanmar, an injection of investment in this Project will be done step by step in line with the progress of the project development. More importantly, Sahakol has to be assured with the certainty of the relevant rights granted by the Myanmar authorities together with reliable legal opinion from experts before further project development in order to secure all the fund raised to finance this project.