

1.Executive Summary

Sahakol's current operations includes conveying soil and coal under two main projects, the Mae Moh 8 Project and Hongsa Mine Project. In Q1/2022, the Company registered gross profit of 326 million baht, an increase of 139 million baht or by 74% compared to gross profits of 187 million baht in Q4/2021 due to a decrease in maintenance and replacement cost of the conveyor. Nevertheless, cost of fuel increased in line with rising global petroleum prices. This increase was partially compensated through the K-Factor value which has been adjusted upwards under contractor costs. Net profits for Q1/2022 stands at 209 million baht, representing an increase of 167 million baht compared to the previous quarter, or an increase of 398%.

As such, in Q1/2022, revenues totaled 1,240 million baht, which is a decrease of 141 million or by 10% compared to Q4/2021. The Mae Moh 8 project registered a slight increase in revenues in line with planned activities while revenues under the Hongsa project showed a decline of 28% owing to imposed COVID-19 related quarantine measures by the government on a large number of staff. The COVID-19 related restrictions are likely to be further relaxed in Q2/2022 and reduce any potential disruptions to operations.

The Company was able to reduce total cost service in all projects by 258 million baht or by 22% through more efficient management of the conveyor system under the Mae Moh 8 project. This helped to reduce contractor and other expenses. Additionally, cash management and funding sources also contributed to a decrease in financial costs by 7 million baht, or a decrease by 10% compared to Q4/2021.

As for the new projects, the North pit Wall Expansion project and the Build, Lease and Transfer (BLT) project operating under Hongsa, the former project will commence operation in mid-May 2022, whereas the BLT has commenced operations with revenue realization as a percentage of completion in the amount of 2.8 million baht.

2. Financial Performance

Unit : M THB	Q4/2021	Q1/2022	Q1/2021	% Gain (Loss) QoQ	% Gain (Loss) YoY
Total revenues	1,380	1,240	1,228	(10%)	1%
Cost of Services (Include Depreciation ¹)	1159	905	843	(22%)	7%
¹ Depreciation	245	234	250	(5%)	(6%)
Gross Profit (After Depreciation)	187	326	364	74%	(11%)
Administrative expenses	124	67	108	(46%)	(38%)
EBITDA	352	511	535	45%	(5%)
Financial cost	68	61	69	(10%)	(13%)
Net Profit*	42	209	239	398%	(13%)
EBITDA margin (%)	25%	41%	44%	16%	(2%)
Gross Profit Margin (%)	14%	26%	30%	13%	(4%)
Net Profit Margin (%)	3%	17%	19%	14%	(3%)

*Net Profit (Equity holder of the Company)

Operational results for the three-month period in Q1/2022 compared to Q4/2021 (QoQ)

In Q1/2022, the company registered total revenues of 1,240 million baht, a decrease of 141 million baht or by 10% from Q4/2021 as production under the Hongsa project registered a decline due to COVID-19 imposed restrictions requiring a large number of staff to quarantine themselves and unable to fully perform their functions. Despite impacts from higher fuel prices, the increase in such expenses were partially offset by the increase in the K-Factor value under contractor costs. Key changes in costs and expenses are as follows:

- Fuel costs decreased by 16 million baht owing to lower output under the Hongsa project
- Maintenance costs decreased by 237 million baht, as there were no costs related to replacement of main conveyor under the Mae Moh 8 project
- Explosives costs increased by 3 million baht according to the mining workplan and the site area of the Mae Moh 8 project
- Contractor costs decreased by 6 million baht under the Mae Moh 8 project as improvements were made to the conveyor system allowing for operation at full capacity
- Administrative expenses decreased by 58 million baht as there were no provisions made for the Mai Khot project and no disbursement of special compensation for employees
- Financial costs decreased by 7 million baht from gradual repayment of long-term loans, reducing the principal amount, along with efficient cash management

As a result, the company registered gross profit of 326 million baht in Q1/2022, which is an increase of 139 million baht or by 74%. The gross profit margin increased from 14% to 26%, while net profits totaled 209 million baht, an increase of 167 million baht or by 398%. The net profit margin increased from 3% to 17%.

Operational results for the three-month period in Q1/2022 compared to Q1/2021 (YoY)

The company's revenue increased by 11 million baht or by 1% compared to the same period in the previous year. This was attributed to the increase in service price per unit under the Mae Moh 8 project by 62 million baht, representing an increase by 7%. Key changes in cost components are as follows:

- Maintenance costs increased by 39 million baht, partly due to regular maintenance of machineries under the Mae Moh 8 project. There were also no other special adjustments in this component from other projects in this quarter
- Fuel costs increased by 41 million baht due to rising global oil prices
- Contractor costs decreased by 7 million baht and cost of machinery rentals declined by 4 million baht, owing to efficient management of existing machineries and the conveyor system was able to function at full capacity
- Depreciation cost decreased by 16 million baht as some machines have fully depreciated.
- Administrative expenses declined by 41 million baht as there were provisions made for the Mai Khot provision expense this quarter
- Financial costs decreased by 8 million baht from gradual repayment of long-term loans in accordance with the contract resulting in lower principal amounts, while improved efficiency in cash management also contributed to reducing financial costs

As a result, the company registered gross profit of 326 million baht in Q1/2022, a decrease of 38 million baht or by 11%. Gross profit margin declined from 30% to 26%, while net profit totaled 209 million baht, representing a decrease by 30 million baht, or by 13% compared to Q1/2021. Net profit margin decreased from 19% to 17%.

3.Operation Result by Project

Unit : M THB	Q4/2021	Q1/2022	Q1/2021	% Gain (Loss) QoQ	% Gain (Loss) YoY
Mae Moh 8					
Service Revenue	913	916	850	0%	8%
Cost of Services (Include Depreciation ¹)	833	614	602	(26%)	2%
¹ Depreciation	183	173	192	(6%)	(10%)
Gross Profit	80	302	248	278%	21%
Gross Profit (%)	9%	33%	29%	24%	4%
Hongsa					
Service Revenue	433	311	356	(28.1%)	(12.6%)
Cost of Services (Include Depreciation ¹)	324	284	259	(12.2%)	9.9%
¹ Depreciation	58	59	57	1%	4%
Gross Profit	109	27	98	(75%)	(72%)
Gross Profit (%)	25%	9%	27%	(17%)	(19%)

Mae Moh 8

The increase in revenues under the Mae Moh 8 project totaled 3 million baht from Q4/2021. Gross profit increased by 222 million baht or 278% due to lower maintenance as there were no replacement of conveyor belts. Consequently, gross profit margin increased to 33% in Q1/2022 from 9% in Q4/2021.

In considering the operating results compared to the same period of the previous year, gross profits increased by 53 million baht, or by 21% as the price per unit increased according to the contract. Gross profit margin increased to 33% in Q1/2022 compared to 29% in Q1/2021.

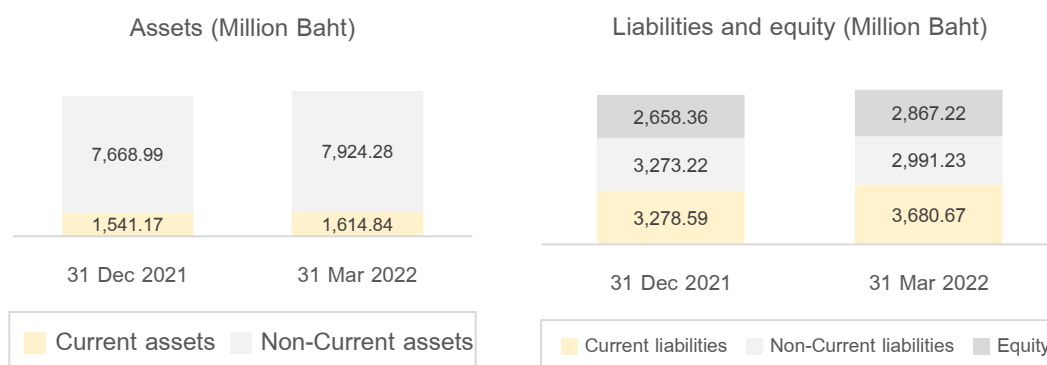
Hongsa

The Hongsa project registered a decrease in revenue by 122 million baht or by 28% from Q4/2021 due to lower production stemming from strict government COVID-19 preventive measures requiring a large number of staff to undergo screening and quarantine, delaying their entry into the work site. At the same time, depreciation costs registered only a slight decrease. As a result, gross profit decreased by 82 million baht, or a decrease by 75%. The gross profit margin decreased to 9% from 25% in Q4/2021.

In considering the operating results compared to the same period of the previous year, the Hongsa project registered a decrease in gross profit by 71 million baht, a decrease by 72% due to lower output volumes. Consequently, the gross profit margin showed a decrease to 9% from 27% in Q1/2021.

It is likely that staff will be able to return to the worksite at almost full capacity in Q2/2022 as the COVID-19 situation is under control and preventive and restrictive measures are further relaxed.

4. Financial Position and Cash Flow



Balance Sheet Position

Assets

Total assets as of 31 March 2022 totaled 9,539.12 million baht, an increase by 328.95 million baht from that as of 31 December 2021 which totaled 9,210.17 million baht or 3.57% with the following details:

	(Million Baht)			
	31 March 2022	31 Dec 2021	change	change %
Current Assets	1,614.84	1,541.17	73.66	4.78
Non – Current Assets	7,924.28	7,668.99	255.29	3.33
Total assets	9,539.12	9,210.17	328.95	3.57

Liabilities

Total liabilities as of 31 March 2022 were 6,671.90 million baht. Compared to liabilities of 6,551.81 million baht as of 31 December 2021, total liabilities an increase by 120.09 million baht or by 1.83% due to a gradual debt repayment of long-term loans have been made with the following details:

	(Million Baht)			
	31 March 2022	31 Dec 2021	change	change %
Current liabilities	3,680.67	3,278.59	402.07	12.26
Non - Current liabilities	2,991.23	3,273.22	(281.99)	(8.61)
Total liabilities	6,671.90	6,551.81	120.09	1.83

Shareholder's equity

Shareholder's equity as of 31 March 2022 amounted to 2,867.22 million baht, an increase by 208.87 million baht or 7.86% from Net profit for this period with details as follows:

(Million Baht)				
	31 March 2022	31 Dec 2021	change	change %
Total shareholders' equity	2,867.22	2,658.36	208.87	7.86

Statement of Cash Flows

As of 31 March 2022, cash and cash equivalents stood at 223.11 million baht, an increase by 61.48 million baht or 38% from those in 2021 which had cash and cash equivalents amounted to 161.63 million baht as summarized below:

(Million Baht)	
Cash flows from operating activities	338.37
Cash flows from investing activities	(138.66)
Cash flows from financing activities	(138.23)
Currency translation difference	-
Net decrease in cash and cash equivalents	61.48

Cash flows from operating activities was 338.37 million baht from operating profit

Cash flows from investing activities amounting at (138.66) million baht, mainly due to asset acquisition according to the project investment plan.

Cash flows from financing activities in the amount of (138.23) million baht, mainly arising from from short-term loans repayment and included long-term loans repayment

Financial Cost

Financial cost for Q1/2022 and Q1/2021 were 60.58 million baht and 69.37 million baht respectively, a 12.67% decrease. The main contributing factors mainly because of repayment of long-term loans.

(Million Baht)				
	31 March 2022	31 Dec 2021	change	change %
Financial cost	60.58	69.37	(8.79)	(12.67)

5. Key Financial Ratios

Profitability Ratios		2021	Q1/2022
Gross Profit (After Depreciation)	(Percent)	20.03	26.47
EBITDA	(Percent)	34.04	41.54
EBIT	(Percent)	12.61	21.80
Net Profit	(Percent)	7.30	16.85

Efficiency Ratios		2021	*Q1/2022
Return on Assets	(Percent)	3.65	3.42
Return on Fix Assets	(Percent)	18.88	18.93
Return on Equity	(Percent)	13.83	11.61

Leverage Ratios		2021	Q1/2022
Debt to Equity ratio	(times)	2.46x	2.33x
Interest Bearing Debt to Equity ratio	(times)	2.18x	1.97x

Note

*Key financial ratios as of 31 March 2021 was calculated based on last 12 months.