

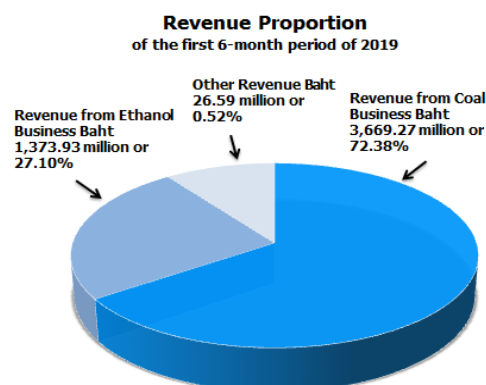
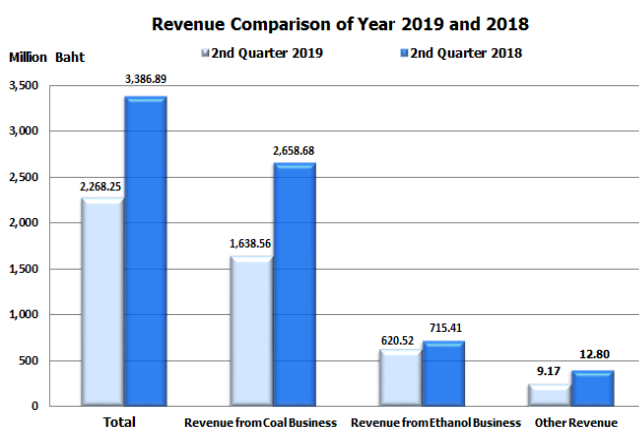
MANAGEMENT DISCUSSION AND ANALYSIS

(For the Consolidated Financial Statements of the 2nd Quarter 2019 and the first 6-month period of 2019)

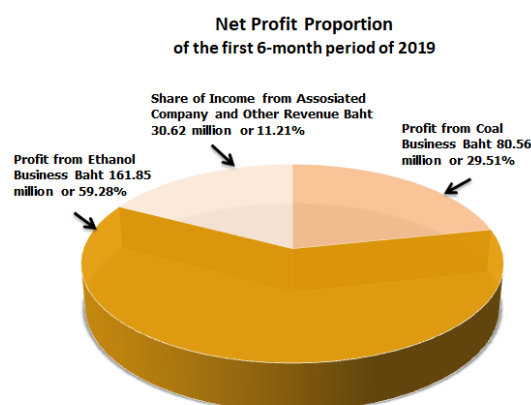
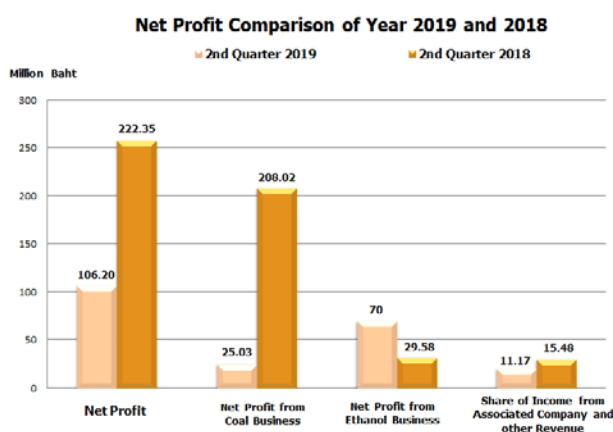
OVERALL OPERATING RESULTS

The overall operating results during the 2nd quarter 2019 and the first 6-month period of 2019 of the Company and subsidiary companies considered as good and satisfactory in terms of revenue and profit, despite the fact that coal prices had started to decline and the Indonesian Government policy (Domestic Market Obligation) has become more stringent, which stipulates higher portion of coal supply to the domestic consumers with lower selling price than that of export. For the ethanol-for-fuel business, which is the secondary core business, was still profitable due to the decrease in price of molasses, which is the raw material and major cost, as well as having good yield of ethanol production.

The Company and subsidiary companies had total revenue in the 2nd quarter 2019 and the first 6-month period of 2019 of Baht 2,268.25 million and 5,069.79 million, which decreased from the same period last year by Baht 1,118.64 million and 1,393.06 million or 33.03 and 21.55 percent, respectively. The revenue proportion from coal business, ethanol business and other revenue in the first 6-month period of 2019 accounted for 72.38, 27.10 and 0.52 percent, respectively.



The Company and subsidiary companies had total net profit during the 2nd quarter 2019 and the first 6-month period of 2019 of Baht 106.20 million and 273.03 million, which decreased from the same period last year by Baht 116.15 million and 206.81 million or 52.24 and 43.10 percent with net earnings per share of Baht 0.20 and 0.52, respectively. The net profit proportion from coal business, ethanol business, and share of income from associated company and other revenue in the first 6-month period of 2019 accounted for 29.51, 59.28 and 11.21 percent, respectively, with the net profit margin of 10.15 percent, the EBITDA margin of 21.94 percent, and the return on equity of 6.22 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at June 30, 2019 could be considered as good. The current ratio was as high as 1.93 times but the total debt to total assets ratio was as low as 31.60 percent with debt to equity ratio of only 46.20 percent.

Operating Results of the Coal Business or the Core Business: The total revenue in the 2nd quarter 2019 and the first 6-month period of 2019 was Baht 1,638.56 million and 3,669.27 million, which decreased from the same period last year by Baht 1,020.12 million and 1,446.06 million or 38.37 and 28.27 percent, respectively, due to the decrease in coal sales volume from the same period last year by 25.76 and 9.50 percent and the average coal selling price decreased by 16.98 and 20.74 percent, respectively. The net profit derived from shareholding proportion of the Company in the 2nd quarter 2019 and the first 6-month period of 2019 was Baht 25.03 million and 80.56 million, which decreased from the same period last year by Baht 152.26 million and 304.75 million or 85.88 and 79.09 percent, respectively, due to the decline in global coal prices since the second half of 2018.

Operating Results of the Ethanol-for-Fuel Business or the Secondary Core Business: The revenue in the 2nd quarter 2019 was Baht 620.52 million, which decreased from the same period last year by Baht 94.89 million or 13.26 percent due to the decrease in ethanol sales volume and average ethanol selling price from the same period last year by 6.58 and 7.16 percent, respectively. The revenue in the first 6-month period of 2019 was Baht 1,373.93 million, which increased from the same period last year by Baht 52.53 million or 3.95 percent due to the increase ethanol sales volume from the same period last year of 14.03 percent but the average ethanol selling price decreased from the same period last year by 8.87 percent. The net profit derived from shareholding proportion of the Company in the 2nd quarter 2019 and the first 6-month period of 2019 was Baht 70 million and 161.85 million, which increased from the same period last year by Baht 40.42 million and 99.89 million or 136.65 and 161.22 percent, respectively, which remains profitable and quite satisfactory.

OPERATING RESULTS ANALYSIS

Revenue (Unit: Million Baht)	Quarter			Increase (Decrease)		6-Month Period (Jan. – Jun.)		Increase (Decrease) (%)
	1/2019	2/2019	2/2018	YoY (%)	QoQ (%)	2019	2018	
Revenue from Coal Sales	2,030.71	1,638.56	2,658.68	(38.37)	(19.31)	3,669.27	5,115.33	(28.27)
Revenue from Ethanol Sales	753.41	620.52	715.41	(13.26)	(17.64)	1,373.93	1,321.70	3.95
Other Revenue	27.78	9.17	12.80	(28.36)	(66.99)	26.59	25.82	2.98
Total Revenue	2,811.90	2,268.25	3,386.89	(33.03)	(19.33)	5,069.79	6,462.85	(21.55)

REVENUE

(1) Revenue of the Company and subsidiary companies in the 2nd quarter 2019 totaled Baht 2,268.25 million, which decreased from the same period last year by Baht 1,118.64 million or 33.03 percent due to the following reasons:

(1.1) Revenue from coal business totaled Baht 1,638.56 million, which decreased from the same period last year by Baht 1,020.12 million or 38.37 percent. This was due to the decrease in coal sales volume and coal selling price as described above.

(1.2) Revenue from ethanol business totaled Baht 620.52 million, which decreased from the same period last year by Baht 94.89 million or 13.26 percent. This was due the decrease in ethanol sales volume and ethanol selling price as described above; and

(1.3) Other revenue totaled Baht 9.17 million, which decreased from the same period last year by Baht 3.63 million or 28.36 percent. This was due to the decrease in interest received.

(2) The revenue of the Company and subsidiary companies in the first 6-month period of 2019 totaled Baht 5,069.79 million, which decreased from the same period last year by Baht 1,393.06 million or 21.55 percent due to the following reasons:

(2.1) Revenue from coal business totaled Baht 3,669.27 million, which decreased from the same period last year by Baht 1,446.06 million or 28.27 percent. This was due to the decrease in coal sales volume and coal selling price as described above.

(2.2) Revenue from ethanol business totaled Baht 1,373.93 million, which increased from the same period last year by Baht 52.23 million or 3.95 percent. This was due the increase in ethanol sales volume as described above; and

(2.3) Other revenue totaled Baht 26.59 million, which increased from the same period last year by Baht 0.77 million or 2.98 percent. This was due to the increase in foreign exchange gain.

Expenses (Unit: Million Baht)	Quarter			Increase (Decrease)		6-Month Period (Jan. – Jun.)		Increase (Decrease) (%)
	1/2019	2/2019	2/2018	YoY (%)	QoQ (%)	2019	2018	
Coal Business								
Cost of sales	1,220.56	977.62	1,517.76	(35.59)	(19.90)	2,198.16	2,879.44	(23.66)
Selling and administrative expenses	647.92	530.27	644.59	(17.74)	(18.16)	1,167.84	1,201.25	(2.78)
Financial cost	27.53	2.38	6.73	(64.64)	(91.35)	29.91	12.91	131.68
Corporate income tax	52.98	56.07	178.42	(68.57)	5.83	109.06	353.21	(69.12)
Ethanol Business								
Cost of sales	528.53	450.66	621.91	(27.54)	(14.73)	979.20	1,131.03	(13.42)
Selling and administrative expenses	16.62	25.36	19.49	30.12	52.59	41.97	43.20	(2.85)
Financial cost	9.55	8.97	10.74	(16.48)	(6.07)	18.52	19.22	(3.64)
Corporate income tax	17.94	(3.59)	4.79	(174.95)	(120.01)	14.35	5.79	147.84

COAL BUSINESS EXPENSES

(1) Coal business expenses of the Company and subsidiary companies in the 2nd quarter 2019 totaled Baht 1,566.34 million, which decreased from the same period last year by Baht 781.16 million or 33.28 percent, due to the following reasons:

(1.1) Cost of coal sales decreased from the same period last year by Baht 540.14 million or 35.59 percent, due to the decrease in coal sales volume and the average cost of coal sales of 25.76 and 13.23 percent, respectively.

(1.2) Selling and administrative expenses decreased from the same period last year by Baht 114.32 million or 17.74 percent due to the decrease in coal sales volume.

(1.3) Financial expense decreased from the same period last year by Baht 4.35 million or 64.64 percent due to the decrease in interest expense; and

(1.4) Corporate income tax decreased from the same period last year by Baht 122.35 million or 68.57 percent due to the decrease in profit.

(2) Coal business expenses of the Company and subsidiary companies in the first 6-month period of 2019 totaled Baht 3,504.97 million, which decreased from the same period last year by Baht 941.84 million or 21.18 percent, due to the following reasons:

(2.1) Cost of coal sales decreased from the same period last year by Baht 681.28 million or 23.66 percent, due to the decrease in coal sales volume the average cost of coal sales of 9.50 and 15.65 percent, respectively.

(2.2) Selling and administrative expenses decreased from the same period last year by Baht 33.41 million or 2.78 percent due to the decrease in coal sales volume.

(2.3) Financial expense increased from the same period last year by Baht 17 million or 131.68 percent due to the increase in interest expense; and

(2.4) Corporate income tax decreased from the same period last year by Baht 244.15 million or 69.12 percent due to the decrease in profit.

ETHANOL BUSINESS EXPENSES

(1) Ethanol business expenses of the subsidiary company in the 2nd quarter 2019 totaled Baht 481.40 million, which decreased from the same period last year by Baht 175.53 million or 26.72 percent, due to the following reasons:

(1.1) Cost of ethanol sales decreased from the same period last year by Baht 171.25 million or 27.54 percent. This was due to the decrease in ethanol sales volume and the average cost of ethanol sales of 6.58 and 22.43 percent, respectively, according to the decrease in price of the raw material, molasses, of 25.32 percent, which is a major cost.

(1.2) Selling and administrative expenses increased from the same period last year by Baht 5.87 million or 30.12 percent due to the increase in freight cost and employee benefits expenses.

(1.3) Financial expense decreased from the same period last year by Baht 1.77 million or 16.48 percent due to the decrease in interest expense; and

(1.4) The corporate income tax decreased from the same period last year by Baht 8.38 million or 174.95 percent due to the Ethanol Production Line No. 1 has received additional corporate income tax exemption according to the investment promotion from improvement of ethanol production efficiency to reduce the environment impact.

(2) Ethanol business expenses of the subsidiary company in the first 6-month period of 2019 totaled Baht 1,054.04 million, which decreased from the same period last year by Baht 145.20 million or 12.11 percent, due to the following reasons:

(2.1) Cost of ethanol sales decreased from the same period last year by 151.83 million or 13.42 percent despite the ethanol sales volume increased by 14.03 percent but the average cost of ethanol sales decreased by 24.09 percent according to the decrease in price of the raw material, molasses, of 26.48 percent, which is a major cost.

(2.2) Selling and administrative expenses decreased from the same period last year by Baht 1.23 million or 2.85 percent due to in the first 6-month period of 2018 there was an additional compensation payment to the affected villagers from flood incident that caused damage and collapse of wastewater treatment pond of Baht 2.25 million but there was no such expense in 2019.

(2.3) Financial expense decreased from the same period last year by Baht 0.70 million or 3.64 percent due to the decrease in interest expense; and

(2.4) The corporate income tax increased from the same period last year by Baht 8.56 million or 147.84 percent in line with the increase in profit.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
2nd Quarter (April - June)						
Year 2019						
Revenues from sales	1,638.56	100.00	620.52	100.00	2,259.08	100.00
Less Cost of sales	977.62	59.66	450.66	72.63	1,428.28	63.22
Gross Profit	660.94	40.34	169.86	27.37	830.80	36.78
Year 2018						
Revenues from sales	2,658.68	100.00	715.41	100.00	3,374.09	100.00
Less Cost of sales	1,517.76	57.09	621.91	86.93	2,139.67	63.41
Gross Profit	1,140.92	42.91	93.50	13.07	1,234.42	36.59
6-Month Period (January – June)						
Year 2019						
Revenues from sales	3,669.27	100.00	1,373.93	100.00	5,043.20	100.00
Less Cost of sales	2,198.16	59.91	979.20	71.27	3,177.36	63.00
Gross Profit	1,471.11	40.09	394.73	28.73	1,865.84	37.00
Year 2018						
Revenues from sales	5,115.33	100.00	1,321.70	100.00	6,437.03	100.00
Less Cost of sales	2,879.44	56.29	1,131.03	85.57	4,010.47	62.30
Gross Profit	2,235.89	43.71	190.67	14.43	2,426.56	37.70

GROSS PROFIT

(1) Gross profit of the Company and subsidiary companies in the 2nd quarter 2019 totaled Baht 830.80 million, or 36.78 percent of the sales revenue, which decreased from the same period last year with the gross profit of Baht 1,234.42 million or 36.59 percent of the sales revenue, due to the following reasons:

(1.1) Gross profit from coal business was 40.34 percent of the sales revenue, which decreased from the same period last year with gross profit of 42.91 percent of the sales revenue. This was due to the decrease in average coal selling price of 16.98 percent, while the cost of coal sales decreased only by 13.23 percent; and

(1.2) Gross profit from ethanol business was 27.37 percent of the sales revenue, which increased from the same period last year with gross profit of 13.07 percent of the sales revenue. Despite the decrease in average ethanol selling price of 7.16 percent but the average cost of ethanol sales decreased by 22.43 percent due to the decrease in molasses price, which is a raw material and a major cost as described above.

(2) Gross profit of the Company and subsidiary companies in the first 6-month period of 2019 totaled Baht 1,865.84 million or 37 percent of the sales revenue, which decreased from the same period last year with the gross profit of Baht 2,426.56 million or 37.70 percent of the sales revenue, due to the following reasons:

(2.1) Gross profit from coal business was 40.09 percent of the sales revenue, which decreased from the same period last year with gross profit of 43.71 percent of the sales revenue. This was due to the decrease in average coal selling price of 20.74 percent, while the average cost of coal sales decreased only by 15.65 percent; and

(2.2) Gross profit from ethanol business was 28.73 percent of the sales revenue, which increased from the same period last year with gross profit of 14.43 percent of the sales revenue. Despite the decrease in average ethanol selling price of 8.87 percent but the average cost of ethanol sales decreased by 24.09 percent due to the decrease in molasses price, which is a raw material and a major cost as described above.

Net Profit (Unit: Million Baht)	Quarter			Increase (Decrease)		6-Month Period (Jan. – Jun.)		Increase (Decrease) (%)
	1/2019	2/2019	2/2018	YoY (%)	QoQ (%)	2019	2018	
Profit from Coal Business	45.16	25.03	177.29	(85.88)	(44.57)	80.56	385.31	(79.09)
Profit from Ethanol Business	91.85	70.00	29.58	136.65	(23.79)	161.85	61.96	161.22
Other revenue and share of income from associated company	29.81	11.17	15.48	(27.84)	(62.53)	30.62	32.57	(5.99)
Net Profit	166.82	106.20	222.35	(52.24)	(36.34)	273.03	479.84	(43.10)
Net Earnings per Share (Baht per Share)	0.32	0.20	0.42	(52.24)	(36.34)	0.52	0.91	(43.10)
Remarks: Registered par value of Baht 1 per share								

NET PROFIT

(1) The net profit of the Company and subsidiary companies in the 2nd quarter 2019 totaled Baht 106.20 million, which decreased from the same period last year by Baht 116.15 million with net earnings per share of Baht 0.20, which decreased from the same period last year by Baht 0.22 per share or 52.24 percent due to the following reasons:

(1.1) Net profit from coal business derived from shareholding proportion of the Company was Baht 25.03 million or 23.57 percent of the total net profit, which decreased from the same period last year by Baht 152.26 million or 85.88 percent. This was due to the decrease in coal sales volume and coal selling price as described above.

(1.2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 70 million or 65.91 percent of the total net profit, which increased from the same period last year by Baht 40.42 million or 136.65 percent due to the decrease in molasses price, which is a raw material and a major cost as described above; and

(1.3) Other revenue and share of income from associated company were Baht 11.17 million or 10.52 percent of the total net profit, which decreased from the same period last year by Baht 4.31 million or 27.84 percent due to the decrease in interest received and share of income from associated company.

(2) The net profit of the Company and subsidiary companies in the first 6-month period of 2019 totaled Baht 273.03 million, which decreased from the same period last year by Baht 206.81 million with net earnings per share of Baht 0.52, which decreased from the same period last year by Baht 0.39 per share or 43.10 percent, due to the following reasons:

(2.1) Net profit from coal business derived from shareholding proportion of the Company was Baht 80.56 million or 29.51 percent of the total net profit, which decreased from the same period last year by Baht 304.75 million or 79.09 percent. This was due to the decrease in coal sales volume and coal selling price as described above.

(2.2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 161.85 million or 59.28 percent of the total net profit, which increased from the same period last year by Baht 99.89 million or 161.22 percent due to the decrease in molasses price, which is a raw material and a major cost as described above; and

(2.3) Other revenue and share of income from associated company were Baht 30.62 million or 11.21 percent of the total net profit, which decreased from the same period last year by Baht 1.95 million or 5.99 percent due to the decrease in interest received and share of income from associated company.

EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in the first 6-month period of 2019 was Baht 1,112.17 million, which decreased from the same period last year by Baht 416.13 million or 27.23 percent and EBITDA margin was at 21.94 percent, which decreased from the same period last year by 7.23 percent.

(2) Net profit margin of the Company and subsidiary companies in the first 6-month period of 2019 was at 10.15 percent, which decreased from the same period last year by 20.31 percent.

(3) Return on equity of the Company and subsidiary companies in the first 6-month period of 2019 was at 6.22 percent, which decreased from the same period last year by 43.18 percent.

(4) Return on total assets of the Company and subsidiary companies in the first 6-month period of 2019 was at 5.56 percent, which decreased from the same period last year by 37.93 percent. The return on fixed assets in the first 6-month period of 2019 was at 22.22 percent, which decreased from the same period last year by 26.16 percent.

STATEMENTS OF FINANCIAL POSITION

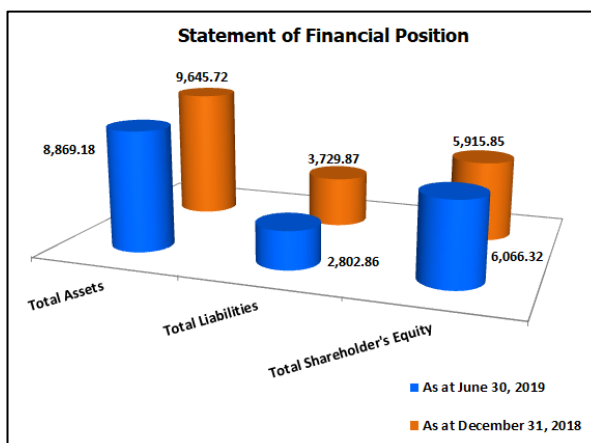
Description	Unit: Million Baht		Increase (Decrease)	
	As at June 30, 2019	As at December 31, 2018	Million Baht	%
Total Assets	8,869.18	9,645.72	(776.54)	(8.05)
Total Liabilities	2,802.86	3,729.87	(927.01)	(24.85)
Total Shareholders' Equity	6,066.32	5,915.85	150.47	2.54
Book Value-Baht per Share	8.40	8.31	0.09	1.08
Remark: Registered par value of Baht 1 per share				

ASSETS: The total assets of the Company and subsidiary companies as at June 30, 2019 was Baht 8,869.18 million, which decreased from the same period last year by Baht 776.54 million or 8.05 percent, due to (1) current assets decreased by Baht 776.25 million or 17.97 percent, consisting of: (A) cash and cash equivalent decreased by Baht 219.55 million or 17.54 percent; (B) trade accounts receivable and other accounts receivable decreased by Baht 346.83 million or 31.83 percent; (C) inventories increased by Baht 252.50 million or 68.31 percent; and (D) other current assets most of which were prepaid corporate income tax, advance payment for goods, etc., decreased by Baht 462.37 million or 28.75 percent; and (2) non-current assets slightly decreased by Baht 0.29 million or 0.01 percent.

LIABILITIES: The total liabilities of the Company and subsidiary companies as at June 30, 2019 was Baht 2,802.86 million, which decreased from the same period last year by Baht 927.01 million or 24.85 percent, due to (1) trade accounts payable and other accounts payable decreased by Baht 109.23 million or 17.71 percent (2) short-term loan and long-term loan of the subsidiary company as working capital for the procurement of raw material for ethanol production and as investment capital for construction of spent wash evaporation plant decreased by Baht 496.62 million or 24.85 percent

(3) accrued expenses, most of which were overburden removal expenses and freight cost, etc., decreased by Baht 255.36 million or 43.72 percent; and (4) other liabilities, most of which were the lease agreement on coal loading jetty acquisition and provision for mine rehabilitation of the subsidiary company and allowance for long-term benefits of employees, etc., decreased by Baht 65.80 million or 12.40 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company and subsidiary companies as at June 30, 2019 was 6,066.32 million, which increased from the same period last year by Baht 150.47 million or 2.54 percent, resulting in an increase of the share's book value from Baht 8.31 per share to Baht 8.40 per share, an increase of Baht 0.09 per share or 1.08 percent. This was due to: (1) an increase in retained earnings of Baht 115.53 million or 3.71 percent due to an increase in net profit of Baht 273.03 million but there was a dividend payment of Baht 157.50 million (2) a net decrease in translation adjustment in financial of Baht 70.85 million or 166.28 percent; and (3) an increase in minority shareholders' equity of Baht 105.79 million or 6.82 percent.



CASH FLOWS

Description	Unit: Million Baht	
	First 6-month period of 2019	First 6-month period of 2018
Cash Flows from (used in) Operating Activities	1,184.90	375.92
Cash Flows from (used in) Investing Activities	(461.84)	(680.19)
Cash Flows from (used in) Financing Activities	(879.16)	124.03
Increase (Decrease) in Translation Adjustments in Financial Statements	20.98	8.54
Net Increase (Decrease) in Cash	(135.12)	(171.70)
Cash at the beginning of the period	605.36	1,128.07
Cash at the end of the period	470.24	956.37

(1) The net cash from operating activities of the Company and subsidiary companies in the first 6-month period of 2019 totaled Baht 1,184.90 million, consisting of: (A) income before corporate income tax and interest expense of Baht 683.22 million; (B) transactions that did not affect the cash such as depreciation and amortization of assets, most of which were mostly transactions concerning coal mining operations of the subsidiary companies in Indonesia of Baht 460.89 million; (C) a decrease in operating assets of Baht 569.79 million; (D) a decrease in operating liabilities of Baht 314.70 million; and (E) an increase in interest received of Baht 8.05 million; and (F) and increase in interest expense and taxes of Baht 222.35 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in the first 6-month period of 2019 totaled Baht 461.84 million, consisting of: (A) properties, buildings and equipment increased by Baht 340.58 million (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 195.53 million; and (C) short-term capital investment and other items decreased by Baht 74.27 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in the first 6-month period of 2019 totaled Baht 879.16 million, consisting of: (A) a decrease in loan of Baht 487.58 million, (B) cash payment under investment lease agreement of Baht 98.08 million (C) dividend payment of Baht 253.93 million; and (D) a decrease in minority shareholders' equity of Baht 39.57 million.

ASSET MANAGEMENT CAPABILITY

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at June 30, 2019 were 8.37 percent of total assets. The provisions of doubtful debts are considered based on review of receivable period and assessment of past debt collection experience. Accordingly, there was no provision of doubtful debt in the 2nd quarter 2019.

(2) Inventory of the Company and subsidiary companies as at June 30, 2019 was 7.01 percent of total assets without deterioration of the products. Therefore, there was no allowance for impairment loss of inventory in the 2nd quarter 2019.

(3) The Company's goodwill incurred from investment in the subsidiary company in Indonesia as at June 30, 2019 was accounted for 2.10 percent of total assets, by which the Company considered financial projection and impact in various aspects and found that it was not yet necessary for establishment of allowance for goodwill impairment from investment in the 2nd quarter 2019.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The total debt to equity ratio of the Company and subsidiary companies as at June 30, 2019 was as low as 0.46:1 with appropriate capital structure. The Company has cash generation and credit facilities sufficient for future investment projects.

(2) The current ratio of the Company and subsidiary companies as at June 30, 2019 was as high as 1.93 times despite the quick ratio was only 0.93 times but there was no liquidity problem. The Company and subsidiary companies has credit facilities sufficient for future investment projects.

(3) The cash cycle of the Company and subsidiary companies in the 2nd quarter 2019 was only 33 days, which decreased from the same period last year by 4 days. The average debt collection period was at 31 days, which decreased from the same period last year by 3 days. The average inventory turnover was at 28 days, which increased from the same period last year by 3 days, but the average debt repayment period was at 26 days, increased from the same period last year by 4 days.

DEBT OBLIGATION

The subsidiary company in a business of ethanol production and distribution for fuel purpose has obligation according to the terms and conditions of the loan agreement with a local commercial bank as follows:

(1) The subsidiary company must maintain its debt to equity ratio (D/E ratio) not exceeding 2.5 times and debt service coverage ratio (DSCR) of no less than 1.10 times until the expiration of the loan agreement. The subsidiary company is able to maintain the D/E ratio and DSCR as required by the contractual obligation of the loan without any default.

(2) The lending bank has stipulated that the Company must maintain its shareholding proportion in the subsidiary company of no less than 50 percent of the total number of shares during the whole duration of the loan agreement. Accordingly, the Company has no plan to sell or decrease its shareholding proportion in the subsidiary company to below 50 percent of the total number of shares.

(3) The lending bank has stipulated that the subsidiary company cannot pay dividend to its shareholders, including the Company, if the subsidiary company cannot comply with the conditions as stipulated within the loan agreement, such as the maintenance of D/E ratio, DSCR, and shareholding proportion of the Company in the subsidiary company, etc. Accordingly, the subsidiary company has never breached the conditions of loan agreements and has been provided with good financial support from lending banks.

FUTURE TREND

Coal Business: It is expected that the operating results of the coal business, which is a core business, will continue to be profitable in year 2019, despite the fact that coal prices had been declining since the second half of 2018 as global economy began to slow down and the Indonesian Government policy became more stringent. Nevertheless, the Company and subsidiary companies will endeavor to manage and resolve problems with prudence in order to reduce costs and various expenses to be as low as possible to maintain good operating results.

Ethanol Business: It is expected that the operating results of the ethanol business, which is a secondary core business, will continue to be profitable in year 2019, due to the decrease in price of molasses, which is the raw material and major cost, as well as having good yield of ethanol production. At present, the wastewater evaporation plant construction with capacity of 3,000 cubic meters per day (Evaporator System for Bio Methanated) has been completed and is during the commissioning process, which is deemed an effective and sustainable solution for treatment of wastewater from the ethanol production process to reduce the environment impact. In addition, water resource consumption can be significantly reduced by over 90 percent as water condensation from the spent wash evaporation process can be reused for ethanol production process with an excess electricity produced from this project that can be used in ethanol production plant and can save electricity consumption. Furthermore, a potassium humate will be derived as a by-product from this wastewater evaporation process at approximately 50,000 metric tons per year, which can be sold for additional revenue and profit.

Overall Business: The overall operating results of the coal business, which is a core business, and the ethanol business, regarded as a secondary core business, are expected to continue to be profitable in year 2019 and enable the Company to proceed with regular dividend payments to shareholders according to the established policy.
