

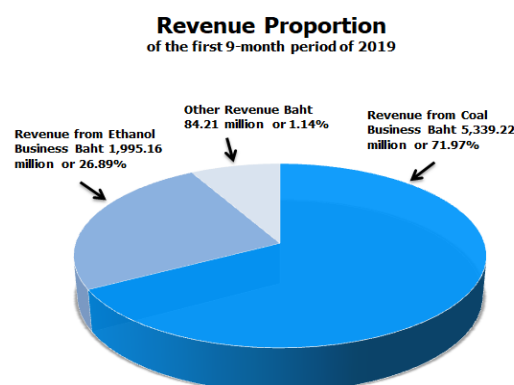
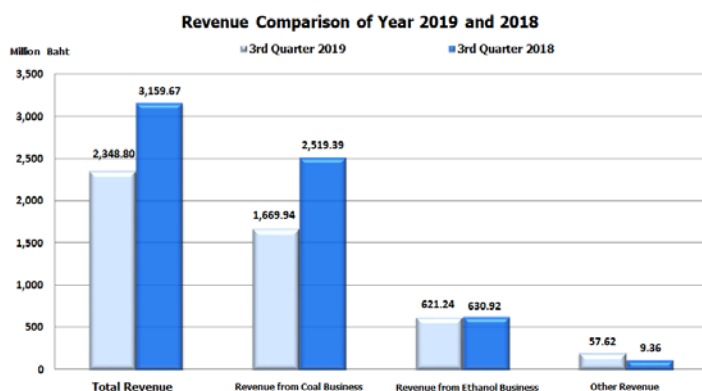
## MANAGEMENT DISCUSSION AND ANALYSIS

(For the Consolidated Financial Statements of the 3<sup>rd</sup> Quarter 2019 and the first 9-month period of 2019)

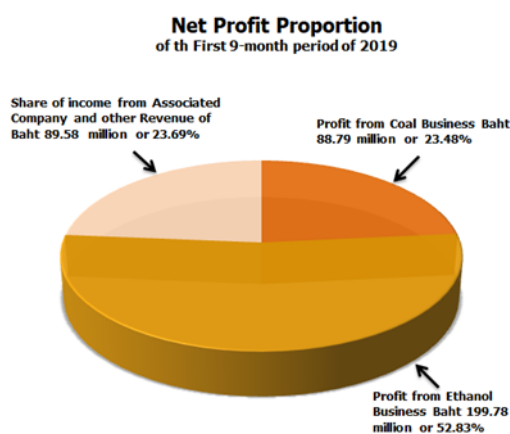
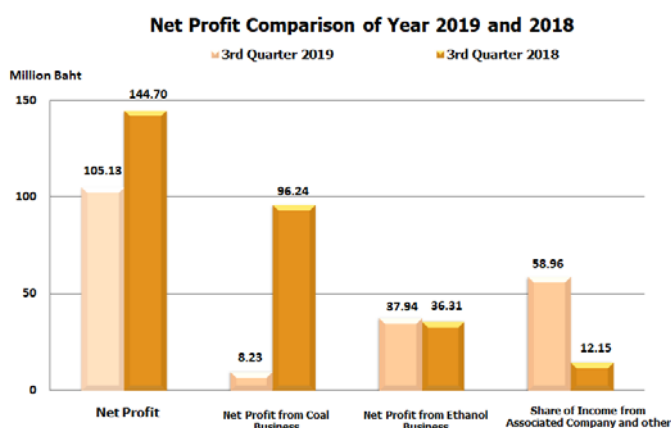
### OVERALL OPERATING RESULTS

The overall operating results during the 3<sup>rd</sup> Quarter 2019 and the first 9-month period of 2019 of the Company and subsidiary companies are 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, is still profitable due to the decrease in molasses price, which is the raw material and major cost, and good ethanol production yield.

The Company and subsidiary companies had total revenue in the 3<sup>rd</sup> Quarter 2019 and the first 9-month period of 2019 of Baht 2,348.80 million and 7,418.59 million, which decreased from the same period last year by Baht 810.87 million and 2,203.93 million or 25.66 and 22.90 percent, respectively. The revenue proportion from coal business, ethanol business and other revenue in the first 9-month period of 2019 accounted for 71.97, 26.89 and 1.14 percent, respectively.



The Company and subsidiary companies had total net profit during the 3<sup>rd</sup> Quarter 2019 and the first 9-month period of 2019 of Baht 105.13 million and 378.15 million, which decreased from the same period last year by Baht 39.57 million and 246.39 million or 27.35 and 39.45 percent with net earnings per share of Baht 0.20 and 0.72, respectively. The net profit proportion from coal business, ethanol business, and share of income from associated company and other revenue in the first 9-month period of 2019 accounted for 23.48, 52.83 and 23.69 percent, respectively, with the net profit margin of 9.52 percent, the EBITDA margin of 20.28 percent, and the return on equity of 8.53 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at September 30, 2019 are considered in good standing. The current ratio was as high as 1.95 times but the total debt to total assets ratio was as low as 33.53 percent with debt to equity ratio of only 50.44 percent.

**Operating Results of the Coal Business or the Core Business:** The total revenue in the 3<sup>rd</sup> Quarter 2019 and the first 9-month period of 2019 were Baht 1,669.94 million and 5,339.22 million, which decreased from the same period last year by Baht 849.45 million and 2,295.50 million or 33.72 and 30.07 percent, respectively, due to the decrease in coal sales volume from the same period last year by 10.98 and 9.98 percent and the average coal selling price decreased by 25.54 and 22.31 percent, respectively. The net profit derived from shareholding proportion of the Company in the 3<sup>rd</sup> Quarter 2019 and the first 9-month period of 2019 were Baht 8.23 million and 88.79 million, which decreased from the same period last year by Baht 88.01 million and 392.75 million or 91.45 and 81.56 percent, respectively, due to the decrease in coal sales volume and the global coal prices had been declining since the second half of 2018 as described above.

**Operating Results of the Ethanol-for-Fuel Business or the Secondary Core Business:** The revenue in the 3<sup>rd</sup> quarter 2019 was Baht 621.24 million, which decreased from the same period last year by Baht 9.68 million or 1.53 percent due to the increase in ethanol sales volume of 4.01 percent but the average ethanol selling price decreased by 5.41 percent. The revenue in the first 9-month period of 2019 was Baht 1,995.16 million, which increased from the same period last year by Baht 42.54 million or 2.18 percent due to the increase ethanol sales volume of 10.75 percent but the average ethanol selling price decreased by 7.77 percent. The net profit derived from shareholding proportion of the Company in the 3<sup>rd</sup> Quarter 2019 and the first 9-month period of 2019 were Baht 37.94 million and 199.78 million, which increased from the same period last year by Baht 1.63 million and 101.51 million or 4.49 and 103.30 percent, respectively, which remains profitable and quite satisfactory.

## OPERATING RESULTS ANALYSIS

Revenue (Unit: Million Baht)	3 <sup>rd</sup> Quarter (Jul. – Sep.)		Increase (Decrease) (%)	First 9-Month Period (Jan. – Sep.)		Increase (Decrease) (%)
	2019	2018		2019	2018	
Revenue from Coal Sales	1,669.94	2,519.39	(33.72)	5,339.22	7,634.72	(30.07)
Revenue from Ethanol Sales	621.24	630.92	(1.53)	1,995.16	1,952.62	2.18
Other Revenue	57.62	9.36	515.60	84.21	35.18	139.37
<b>Total Revenue</b>	<b>2,348.80</b>	<b>3,159.67</b>	<b>(25.66)</b>	<b>7,418.59</b>	<b>9,622.52</b>	<b>(22.90)</b>

## REVENUE

(1) Revenue of the Company and subsidiary companies in the 3<sup>rd</sup> quarter 2019 totaled Baht 2,348.80 million, which decreased from the same period last year by Baht 810.87 million or 25.66 percent due to the following reasons:

(1.1) Revenue from coal business totaled Baht 1,669.94 million, which decreased from the same period last year by Baht 849.45 million or 33.72 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 621.24 million, which decreased from the same period last year by Baht 9.68 million or 1.53 percent. This was due to the decrease in ethanol selling price as described above; and

(1.3) Other revenue totaled Baht 57.62 million, which increased from the same period last year by Baht 48.26 million or 515.60 percent. This was due to the subsidiary company having received insurance compensation for damage from flooding incident in year 2017 of Baht 40 million.

(2) The revenue of the Company and subsidiary companies in the first 9-month period of 2019 totaled Baht 7,418.59 million, which decreased from the same period last year by Baht 2,203.93 million or 22.90 percent due to the following reasons:

(2.1) Revenue from coal business totaled Baht 5,339.22 million, which decreased from the same period last year by Baht 2,295.50 million or 30.07 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 1,995.16 million, which increased from the same period last year by Baht 42.54 million or 2.18 percent. This was due to the increase in ethanol sales volume as described above; and

(2.3) Other revenue totaled Baht 84.21 million, which increased from the same period last year by Baht 49.03 million or 139.37 percent. This was due to the subsidiary company having received insurance compensation for damage from flooding incident in year 2017 of Baht 40 million.

Expenses (Unit: Million Baht)	3 <sup>rd</sup> Quarter (Jul. – Sep.)		Increase (Decrease) (%)	First 9-Month Period (Jan. – Sep.)		Increase (Decrease) (%)
	2019	2018		2019	2018	
<b>Coal Business</b>						
Cost of sales	1,101.50	1,501.98	(26.66)	3,299.66	4,381.42	(24.69)
Selling and administrative expenses	518.83	731.47	(29.07)	1,686.67	1,932.72	(12.73)
Financial cost	1.19	5.03	(76.34)	31.11	17.93	73.51
Corporate income tax	29.19	104.26	(72.00)	138.24	457.49	(69.78)
<b>Ethanol Business</b>						
Cost of sales	474.38	527.30	(10.04)	1,453.58	1,658.33	(12.35)
Selling and administrative expenses	24.10	15.90	51.57	66.07	59.09	11.81
Financial cost	7.95	10.01	(20.58)	26.47	29.24	(9.47)
Corporate income tax	1.45	6.03	(75.95)	15.80	11.82	33.67

### COAL BUSINESS EXPENSES

(1) Coal business expenses of the Company and subsidiary companies in the 3<sup>rd</sup> quarter 2019 totaled Baht 1,650.71 million, which decreased from the same period last year by Baht 692.03 million or 29.54 percent, due to the following reasons:

(1.1) Cost of coal sales decreased from the same period last year by Baht 400.48 million or 26.66 percent, due to the decrease in coal sales volume and the average cost of coal sales of 10.98 and 17.62 percent, respectively.

(1.2) Selling and administrative expenses decreased from the same period last year by Baht 212.64 million or 29.07 percent due to the decrease in coal sales volume as described above.

(1.3) Financial expense decreased from the same period last year by Baht 3.84 million or 76.34 percent due to the decrease in interest expense; and

(1.4) Corporate income tax decreased from the same period last year by Baht 75.07 million or 72 percent due to the decrease in profit.

(2) Coal business expenses of the Company and subsidiary companies in the first 9-month period of 2019 totaled Baht 5,155.68 million, which decreased from the same period last year by Baht 1,633.88 million or 24.06 percent, due to the following reasons:

(2.1) Cost of coal sales decreased from the same period last year by Baht 1,081.76 million or 24.69 percent, due to the decrease in coal sales volume and the average cost of coal sales of 9.98 and 16.34 percent, respectively.

(2.2) Selling and administrative expenses decreased from the same period last year by Baht 246.05 million or 12.73 percent due to the decrease in coal sales volume as described above.

(2.3) Financial expense increased from the same period last year by Baht 13.18 million or 73.51 percent due to the increase in interest expense; and

(2.4) Corporate income tax decreased from the same period last year by Baht 319.25 million or 69.78 percent due to the decrease in profit.

### **ETHANOL BUSINESS EXPENSES**

(1) Ethanol business expenses of the subsidiary company in the 3<sup>rd</sup> quarter 2019 totaled Baht 507.88 million, which decreased from the same period last year by Baht 51.36 million or 9.18 percent, due to the following reasons:

(1.1) Cost of ethanol sales decreased from the same period last year by Baht 52.92 million or 10.04 percent. Despite the increase in ethanol sales volume of 4.10 percent but the average cost of ethanol sales decreased by 13.58 percent due to the decrease in molasses price of 16.14 percent, which is the raw material and major cost.

(1.2) Selling and administrative expenses increased from the same period last year by Baht 8.20 million or 51.57 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 2.06 million or 20.58 percent due to the decrease in interest expense from partial loan repayment; and

(1.4) The corporate income tax decreased from the same period last year by Baht 4.58 million or 75.95 percent as 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 9-month period of 2019 totaled Baht 1,561.92 million, which decreased from the same period last year by Baht 196.56 million or 11.18 percent, due to the following reasons:

(2.1) Cost of ethanol sales decreased from the same period last year by 204.75 million or 12.35 percent despite the ethanol sales volume increased by 10.75 percent but the average cost of ethanol sales decreased by 20.85 percent due to the decrease in molasses price of 23.23 percent, which is the raw material and major cost.

(2.2) Selling and administrative expenses increased from the same period last year by Baht 6.98 million or 11.81 percent due to the increase in freight cost and employee benefits expenses.

(2.3) Financial expense decreased from the same period last year by Baht 2.77 million or 9.47 percent due to the decrease in interest expense from partial loan repayment; and

(2.4) The corporate income tax increased from the same period last year by Baht 3.98 million or 33.67 percent in line with the increase in profit.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>3<sup>rd</sup> Quarter (July - September)</b>						
<b>Year 2019</b>						
Revenues from sales	1,669.94	100.00	621.24	100.00	2,291.18	100.00
Less Cost of sales	1,101.50	65.96	474.38	76.36	1,575.88	68.78
<b>Gross Profit</b>	<b>568.44</b>	<b>34.04</b>	<b>146.86</b>	<b>23.64</b>	<b>715.30</b>	<b>31.22</b>
<b>Year 2018</b>						
Revenues from sales	2,519.39	100.00	630.92	100.00	3,150.31	100.00
Less Cost of sales	1,501.98	59.62	527.30	83.58	2,029.28	64.42
<b>Gross Profit</b>	<b>1,017.41</b>	<b>40.38</b>	<b>103.62</b>	<b>16.42</b>	<b>1,121.03</b>	<b>35.58</b>
<b>9-Month Period (January – September)</b>						
<b>Year 2019</b>						
Revenues from sales	5,339.22	100.00	1,995.16	100.00	7,334.38	100.00
Less Cost of sales	3,299.66	61.80	1,453.58	72.86	4,753.24	64.81
<b>Gross Profit</b>	<b>2,039.56</b>	<b>38.20</b>	<b>541.58</b>	<b>27.14</b>	<b>2,581.14</b>	<b>35.19</b>
<b>Year 2018</b>						
Revenues from sales	7,634.72	100.00	1,952.62	100.00	9,587.34	100.00
Less Cost of sales	4,381.42	57.39	1,658.33	84.93	6,039.75	63.00
<b>Gross Profit</b>	<b>3,253.30</b>	<b>42.61</b>	<b>294.29</b>	<b>15.07</b>	<b>3,547.59</b>	<b>37.00</b>

## GROSS PROFIT

(1) Gross profit of the Company and subsidiary companies in the 3<sup>rd</sup> quarter 2019 totaled Baht 715.30 million, or 31.22 percent of the sales revenue, which decreased from the same period last year with the gross profit of Baht 1,121.03 million or 35.58 percent of the sales revenue, due to the following reasons:

(1.1) Gross profit from coal business was 34.04 percent of the sales revenue, which decreased from the same period last year with gross profit of 40.38 percent of the sales revenue. This was due to the decrease in average coal selling price of 25.54 percent, while the cost of coal sales decreased by only 17.62 percent; and

(1.2) Gross profit from ethanol business was 23.64 percent of the sales revenue, which increased from the same period last year with gross profit of 16.42 percent of the sales revenue. Despite the decrease in average ethanol selling price of 5.41 percent but the average cost of ethanol sales decreased by over 13.58 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 9-month period of 2019 totaled Baht 2,581.14 million or 35.19 percent of the sales revenue, which decreased from the same period last year with the gross profit of Baht 3,547.59 million or 37 percent of the sales revenue, due to the following reasons:

(2.1) Gross profit from coal business was 38.20 percent of the sales revenue, which decreased from the same period last year with gross profit of 42.61 percent of the sales revenue.

This was due to the decrease in average coal selling price of 22.31 percent, while the average cost of coal sales decreased by only 16.34 percent; and

(2.2) Gross profit from ethanol business was 27.14 percent of the sales revenue, which increased from the same period last year with gross profit of 15.07 percent of the sales revenue. Despite the decrease in average ethanol selling price of 7.77 percent but the average cost of ethanol sales decreased by over 20.85 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)	3 <sup>rd</sup> Quarter (Jul. – September.)		Increase (Decrease) %	9-Month Period (Jan. – Jun.)		Increase (Decrease) %
	2019	2018		2019	2018	
Profit from Coal Business	8.23	96.24	(91.45)	88.79	481.54	(81.56)
Profit from Ethanol Business	37.94	36.31	4.49	199.78	98.27	103.30
Other revenue and share of income from associated company	58.96	12.15	385.27	89.58	44.73	100.27
<b>Net Profit</b>	<b>105.13</b>	<b>144.70</b>	<b>(27.35)</b>	<b>378.15</b>	<b>624.54</b>	<b>(39.45)</b>
<b>Net Earnings per Share (Baht per Share)</b>	<b>0.20</b>	<b>0.28</b>	<b>(27.35)</b>	<b>0.72</b>	<b>1.19</b>	<b>(39.45)</b>
<b>Remarks: Registered par value of Baht 1 per share</b>						

## NET PROFIT

(1) The net profit of the Company and subsidiary companies in the 3<sup>rd</sup> quarter 2019 totaled Baht 105.13 million, which decreased from the same period last year by Baht 39.57 million with net earnings per share of Baht 0.20, which decreased from the same period last year by Baht 0.08 per share or 27.35 percent due to the following reasons:

(1.1) Net profit from coal business derived from shareholding proportion of the Company was Baht 8.23 million or 7.83 percent of the total net profit, which decreased from the same period last year by Baht 88.01 million or 91.45 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 37.94 million or 36.09 percent of the total net profit, which increased from the same period last year by Baht 1.63 million or 4.49 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 58.96 million or 56.08 percent of the total net profit, which increased from the same period last year by Baht 46.81 million or 385.27 percent having received insurance compensation for damage from flooding incident in year 2017 as described above.

(2) The net profit of the Company and subsidiary companies in the first 9-month period of 2019 totaled Baht 378.15 million, which decreased from the same period last year by Baht 246.39 million with net earnings per share of Baht 0.72, which decreased from the same period last year by Baht 0.47 per share or 39.45 percent, due to the following reasons:

(2.1) Net profit from coal business derived from shareholding proportion of the Company was Baht 88.79 million or 23.48 percent of the total net profit, which decreased from the same period last year by Baht 392.75 million or 81.56 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 199.78 million or 52.83 percent of the total net profit, which increased from the



same period last year by Baht 101.51 million or 103.30 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 89.58 million or 23.69 percent of the total net profit, which increased from the same period last year by Baht 44.85 million or 100.27 percent having received insurance compensation for damage from flooding incident in year 2017 as described above.

### EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in the first 9-month period of 2019 was Baht 1,504.29 million, which decreased from the same period last year by Baht 609.04 million or 28.82 percent and EBITDA margin was at 20.28 percent, which decreased from the same period last year by 7.67 percent.

(2) Net profit margin of the Company and subsidiary companies in the first 9-month period of 2019 was at 9.52 percent, which decreased from the same period last year by 15.48 percent.

(3) Return on equity of the Company and subsidiary companies in the first 9-month period of 2019 was at 8.53 percent, which decreased from the same period last year by 41.06 percent.

(4) Return on total assets of the Company and subsidiary companies in the first 9-month period of 2019 was at 7.49 percent, which decreased from the same period last year by 36.45 percent. The return on fixed assets in the first 9-month period of 2019 was at 30.24 percent, which decreased from the same period last year by 29.13 percent.

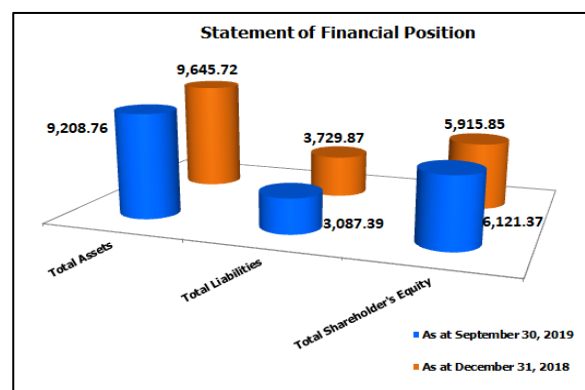
### STATEMENTS OF FINANCIAL POSITION

Description	Unit: Million Baht		Increase (Decrease)	
	As at September 30, 2019	As at December 31, 2018	Million Baht	%
Total Assets	9,208.76	9,645.72	(436.96)	(4.53)
Total Liabilities	3,087.39	3,729.87	(642.48)	(17.23)
Total Shareholders' Equity	6,121.37	5,915.85	205.52	3.47
<b>Book Value-Baht per Share</b>	<b>8.58</b>	<b>8.31</b>	<b>0.27</b>	<b>3.25</b>
<b>Remark: Registered par value of Baht 1 per share</b>				

**ASSETS:** The total assets of the Company and subsidiary companies as at September 30, 2019 was Baht 9,208.76 million, which decreased from the same period last year by Baht 436.96 million or 4.53 percent, due to (1) current assets decreased by Baht 506.37 million or 11.72 percent, consisting of: (A) cash and cash equivalent increased by Baht 16.49 million or 1.32 percent; (B) trade accounts receivable and other accounts receivable decreased by Baht 143.49 million or 13.17 percent; (C) inventories increased by Baht 251.05 million or 67.92 percent; and (D) other current assets most of which were prepaid corporate income tax, advance payment for goods, etc., decreased by Baht 630.42 million or 39.20 percent; and (2) non-current assets increased by Baht 69.41 million or 1.30 percent.

**LIABILITIES:** The total liabilities of the Company and subsidiary companies as at September 30, 2019 was Baht 3,087.39 million, which decreased from the same period last year by Baht 642.48 million or 17.23 percent, due to (1) trade accounts payable and other accounts payable decreased by

Baht 152.79 million or 24.77 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 281.26 million or 14.07 percent (3) accrued expenses, most of which were overburden removal expenses and freight cost, etc., decreased by Baht 149.67 million or 25.62 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 58.76 million or 11.08 percent.



**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company and subsidiary companies as at September 30, 2019 was 6,121.37 million, which increased from the same period last year by Baht 205.52 million or 3.47 percent, resulting in an increase of the share's book value from Baht 8.31 per share to Baht 8.58 per share, an increase of Baht 0.27 per share or 3.25 percent. This was due to: (1) an increase in retained earnings of Baht 220.65 million or 7.08 percent due to an increase in net profit of Baht 378.15 million but there was a dividend payment of Baht 157.50 million (2) a net decrease in translation adjustment in financial of Baht 77.78 million or 182.54 percent; and (3) an increase in minority shareholders' equity of Baht 62.65 million or 4.04 percent.

#### CASH FLOWS

Description	Unit: Million Baht	
	First 9-month period of 2019	First 9-month period of 2018
Cash Flows from (used in) Operating Activities	1,559.02	1,023.57
Cash Flows from (used in) Investing Activities	(924.06)	(1,383.57)
Cash Flows from (used in) Financing Activities	(796.66)	(214.39)
Increase (Decrease) in Translation Adjustments in Financial Statements	24.53	(16.46)
Net Increase (Decrease) in Cash	(137.17)	(590.85)
Cash at the beginning of the period	605.36	1,128.07
<b>Cash at the end of the period</b>	<b>468.19</b>	<b>537.22</b>

(1) The net cash from operating activities of the Company and subsidiary companies in the first 9-month period of 2019 totaled Baht 1,559.02 million, consisting of: (A) income before corporate income tax and interest expense of Baht 860.41 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 653.28 million; (C) a decrease in operating assets of Baht 599.87 million; (D) a decrease in operating liabilities of Baht 235.48 million; and (E) an increase in interest received of Baht 11.64 million; and (F) an increase in interest expense and taxes of Baht 330.70 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in the first 9-month period of 2019 totaled Baht 924.06 million, consisting of: (A) properties, buildings and equipment, most of which were the coal transport jetty construction of the Company and wastewater treatment system construction of the subsidiary companies increased by Baht 492.60



million (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 285.98 million; and (C) short-term capital investment and other items increased by Baht 145.48 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in the first 9-month period of 2019 totaled Baht 796.66 million, consisting of: (A) a decrease in loan of Baht 272.13 million, (B) cash payment under investment lease agreement of Baht 101.48 million (C) dividend payment of Baht 379.30 million; and (D) a decrease in minority shareholders' equity of Baht 43.75 million.

#### **ASSET MANAGEMENT CAPABILITY**

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at September 30, 2019 were 10.27 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 3<sup>rd</sup> quarter 2019.

(2) Inventory of the Company and subsidiary companies as at September 30, 2019 was 6.74 percent of total assets without deterioration or impairment of the products. Therefore, there was no allowance for impairment loss of inventory in the 3<sup>rd</sup> quarter 2019.

(3) The Company's goodwill incurred from investment in the subsidiary company in Indonesia as at September 30, 2019 was accounted for 2.02 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 provision of goodwill impairment from investment in the 3<sup>rd</sup> quarter 2019.

#### **LIQUIDITY AND SUFFICIENCY OF CAPITAL**

(1) The total debt-to-equity ratio of the Company and subsidiary companies as at September 30, 2019 was as low as 0.50:1 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 September 30, 2019 was as high as 1.95 times despite the quick ratio was only 1.08 times but there was no liquidity problem. The Company and subsidiary companies have credit facilities sufficient for future investment projects.

(3) The cash cycle of the Company and subsidiary companies in the 3<sup>rd</sup> quarter 2019 was only 38 days as in the same period last year. The average debt collection period was at 35 days, which increased from the same period last year by 2 days. The average inventory turnover was at 28 days as in the same period last year, but the average debt repayment period was at 25 days, which increased from the same period last year by 2 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 molasses price, which is the raw material and major cost, and good ethanol production yield. 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 to save electricity consumption. Furthermore, 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, with commercial revenue from sale of potassium humate expected in the beginning of 2020.

**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.

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