

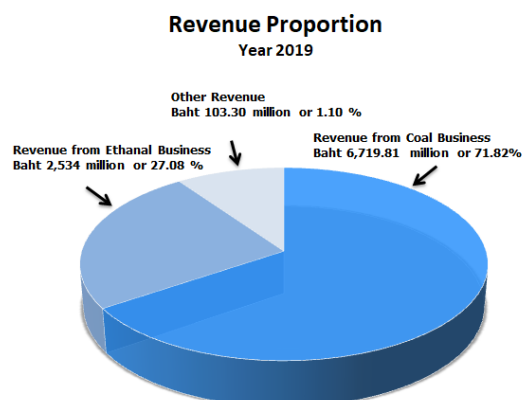
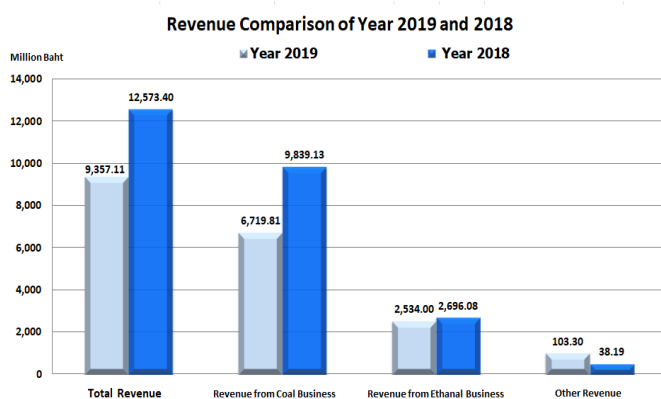
MANAGEMENT DISCUSSION AND ANALYSIS

(For the Consolidated Financial Statements of year 2019)

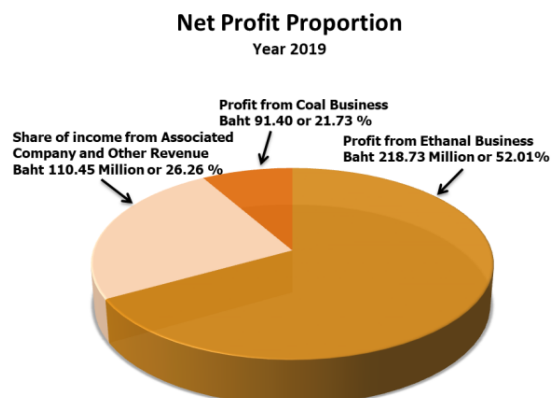
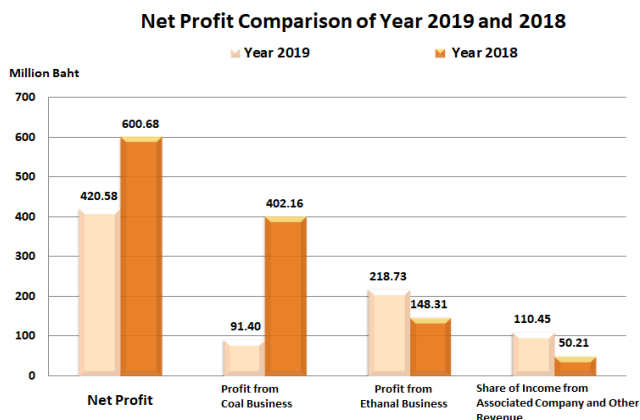
OVERALL OPERATING RESULTS

The overall operating results during year 2019 of the Company and subsidiary companies are still considered a good achievement in terms of revenue and profit, despite the fact that coal prices had been declining 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, has continued to be profitable and earned the highest profit since the start of the business for 15 years due to the decrease in molasses price, which is the raw material and major cost, and to the good ethanol production yield.

The Company and subsidiary companies had total revenue in year 2019 of Baht 9,357.11 million, which decreased from the previous year by Baht 3,216.29 million or 25.58 percent, The revenue proportion from coal business, ethanol business and other revenue accounted for 71.82, 27.08 and 1.10 percent, respectively.



The Company and subsidiary companies had total net profit during year 2019 of Baht 420.58 million, which decreased from the previous year by Baht 180.10 million or 29.98 percent with net earnings per share of Baht 0.80. The net profit proportion from coal business, ethanol business, and share of income from associated company and other revenue accounted for 21.73, 52.01 and 26.26 percent, respectively, with the net profit margin of 8.46 percent, the EBITDA margin of 18.81 percent, and the return on equity of 9.64 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at December 31, 2019 were considered in good standing. The current ratio was as high as 1.61 times and the total debt to total assets ratio was at the low level of only 38.57 percent with debt to equity ratio of only 62.78 percent.

Operating Results of the Coal Business or the Core Business: The total revenue of the Company and subsidiary companies in year 2019 were Baht 6,719.81 million, which decreased from the previous year by Baht 3,119.32 million or 31.70 percent and the net profit derived from shareholding proportion of the Company were Baht 91.40 million, which decreased from the previous year by Baht 310.76 million or 77.27 percent due to the decrease in coal sales volume and the average coal selling price from the previous year of 14.05 and 20.53 percent respectively, by which the coal prices had been declining since the second half of 2018.

Operating Results of the Ethanol-for-Fuel Business or the Secondary Core Business: The revenue from ethanol business in year 2019 was Baht 2,534 million, which decreased from the previous year by Baht 162.08 million or 6.01 percent and the net profit derived from shareholding proportion of the Company were Baht 218.73 million, which increased from the previous year by Baht 70.42 million or 47.48 percent, due to the increase in ethanol sales volume of 1.03 percent but the average ethanol selling price decreased by 7 percent, which is still consistently profitable and quite satisfactory.

OPERATING RESULTS ANALYSIS

Revenue (Unit: Million Baht)	Year 2019		Year 2018		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Coal Sales	6,719.81	71.82	9,839.13	78.25	(3,119.32)	(31.70)
Revenue from Ethanol Sales	2,534.00	27.08	2,696.08	21.44	(162.08)	(6.01)
Other Revenue	103.30	1.10	38.19	0.31	65.11	170.49
Total Revenue	9,357.11	100.00	12,573.40	100.00	(3,216.29)	(25.58)

REVENUE: Revenue of the Company and subsidiary companies in year 2019 totaled Baht 9,357.11 million, which decreased from the previous year by Baht 3,216.29 million or 25.58 percent due to the following reasons:

(1) Revenue from coal business totaled Baht 6,719.81 million, which decreased from the previous year by Baht 3,119.32 million or 31.70 percent. This was due to the decrease in coal sales volume and coal selling price as described above.

(2) Revenue from ethanol business totaled Baht 2,534 million, which decreased from the previous year by Baht 162.08 million or 6.01 percent. This was due to the decrease in ethanol selling price as described above; and

(3) Other revenue totaled Baht 103.30 million, which increased from the previous year by Baht 65.11 million or 170.49 percent. This was due to the subsidiary company having received insurance compensation for damage from flooding incident in year 2017 of Baht 40 million and increase in foreign exchange gain of Baht 17.56 million.

Expenses (Unit: Million Baht)	Year 2019		Year 2018		Increase (Decrease)	
	Million Baht	% Sales	Million Baht	% Sales	Million Baht	% Sales
Coal Business						
Cost of sales	4,163.84	61.96	6,010.43	61.09	(1,846.59)	(30.72)
Selling and administrative expenses	2,135.67	31.78	2,679.41	27.23	(543.74)	(20.29)
Financial cost	33.15	0.49	22.27	0.23	10.88	48.85
Corporate income tax	176.85	2.63	421.88	4.29	(245.03)	(58.08)
Ethanol Business						
Cost of Sales	1,924.47	75.95	2,257.91	83.75	(333.44)	(14.77)
Selling and Administrative Expenses	86.22	3.40	77.38	2.87	8.84	11.42
Financial Expense	36.79	1.45	40.79	1.51	(4.00)	(9.81)
Corporate Income Tax	16.12	0.64	27.49	0.61	(11.37)	(41.36)

COAL BUSINESS EXPENSES : Coal business expenses of the Company and subsidiary companies in year 2019 totaled Baht 6,509.51 million, which decreased from the previous year by Baht 2,624.48 million or 28.73 percent, due to the following reasons:

(1) Cost of coal sales decreased from the previous year by Baht 1,846.59 million or 30.72 percent, due to the decrease in coal sales volume and the average cost of coal sales of 14.05 and 19.39 percent, respectively.

(2) Selling and administrative expenses decreased from the previous year by Baht 543.74 million or 20.29 percent due to the decrease in coal sales volume as described above.

(3) Financial expense increased from the previous year by Baht 10.88 million or 48.85 percent due to the increase in interest expense; and

(4) Corporate income tax decreased from the previous year by Baht 245.03 million or 58.08 percent due to the decrease in profit.

ETHANOL BUSINESS EXPENSES: Ethanol business expenses of the subsidiary company in year 2019 totaled Baht 2,063.60 million, which decreased from the previous year by Baht 339.97 million or 14.14 percent, due to the following reasons:

(1) Cost of ethanol sales decreased from the previous year by Baht 333.44 million or 14.77 percent. Despite the increase in ethanol sales volume of 1.03 percent but the average cost of ethanol sales decreased by 15.60 percent due to the decrease in molasses price of 19.38 percent, which is the raw material and major cost.

(2) Selling and administrative expenses increased from the previous year by Baht 8.84 million or 11.42 percent due to the increase in freight cost and employee benefits expenses.

(3) Financial expense decreased from the previous year by Baht 4 million or 9.81 percent due to the decrease in interest expense from partial loan repayment; and

(4) The corporate income tax decreased from the previous year by Baht 11.37 million or 41.36 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.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
Year 2019						
Revenues from sales	6,719.81	100.00	2,534.00	100.00	9,253.81	100.00
Less Cost of sales	4,163.84	61.96	1,924.47	75.95	6,088.31	65.79
Gross Profit	2,555.97	38.04	609.53	24.05	3,165.50	34.21
Year 2018						
Revenues from sales	9,839.13	100.00	2,696.08	100.00	12,535.21	100.00
Less Cost of sales	6,010.43	61.09	2,257.91	83.75	8,268.34	65.96
Gross Profit	3,828.70	38.91	438.17	16.25	4,266.87	34.04

GROSS PROFIT : Gross profit of the Company and subsidiary companies in year 2019 totaled Baht 3,165.50 million, or 34.21 percent of the sales revenue, which decreased from the previous year with the gross profit of Baht 4,266.87 million or 34.04 percent of the sales revenue, due to the following reasons:

(1) Gross profit from coal business was 38.04 percent of the sales revenue, which decreased from the previous year with gross profit of 38.91 percent of the sales revenue. This was due to the decrease in average coal selling price of 20.53 percent, while the cost of coal sales decreased by only 19.39 percent; and

(2) Gross profit from ethanol business was 24.05 percent of the sales revenue, which increased from the previous year with gross profit of 16.25 percent of the sales revenue. Despite the decrease in average ethanol selling price of 7 percent but the average cost of ethanol sales decreased by 15.60 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)	Year 2019		Year 2018		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business	91.40	21.73	402.16	66.95	(310.76)	(77.27)
Profit form Ethanol Business	218.73	52.01	148.31	24.69	70.42	47.48
Share of Income from Associated Company and Other Revenue	110.45	26.26	50.21	8.36	60.24	119.98
Net Profit	420.58	100.00	600.68	100.00	(180.10)	(29.98)
Net Earnings per share (Baht per share)	0.80		1.14		(0.34)	(29.98)
Remarks: Registered par value of Baht 1 per share						

NET PROFIT : The net profit of the Company and subsidiary companies in year 2019 totaled Baht 420.58 million, which decreased from the previous year by Baht 180.10 million with net earnings per share of Baht 0.80, which decreased from the previous year by Baht 0.34 per share or 29.98 percent due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company was Baht 91.40 million or 21.73 percent of the total net profit, which decreased from the previous year by Baht 310.76 million or 77.27 percent. This was due to the decrease in coal sales volume and coal selling price as described above.

(2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 218.73 million or 52.01 percent of the total net profit, which increased from the previous year by Baht 70.42 million or 47.48 percent due to the decrease in molasses price, which is a raw material and a major cost as described above; and

(3) Other revenue and share of income from associated company were Baht 110.45 million or 26.26 percent of the total net profit, which increased from the previous year by Baht 60.24 million or 119.98 percent having received insurance compensation for damage from flooding incident in year 2017 and increase in foreign exchange gain, as described above.

EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in year 2019 was Baht 1,760.14 million, which decreased from the previous year by Baht 531.17 million or 23.18 percent and EBITDA margin was at 18.81 percent, which increased from the previous year by 3.22 percent.

(2) Net profit margin of the Company and subsidiary companies in year 2019 was at 8.46 percent, which decreased from the previous year by 1.45 percent.

(3) Return on equity of the Company and subsidiary companies in year 2019 was at 9.64 percent, which decreased from the previous year by 30.88 percent.

(4) Return on total assets of the Company and subsidiary companies in year 2019 was at 8.16 percent, which decreased from the previous year by 28.24 percent. The return on fixed assets in year 2019 was at 34.92 percent, which decreased from the previous year by 23.79 percent.

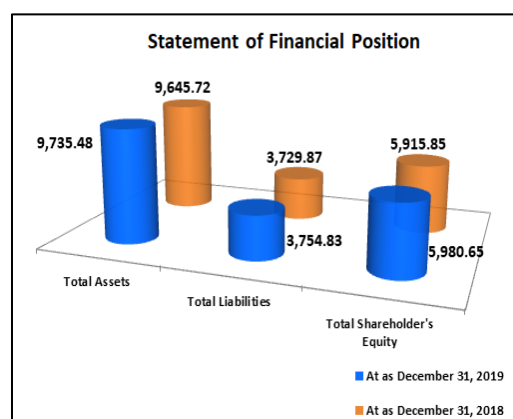
STATEMENTS OF FINANCIAL POSITION

Description	Unit: Million Baht		Increase (Decrease)	
	As at December 31, 2019	As at December 31, 2018	Million Baht	%
Total Assets	9,735.48	9,645.72	89.76	0.93
Total Liabilities	3,754.83	3,729.87	24.96	0.67
Total Shareholders' Equity	5,980.65	5,915.85	64.80	1.10
Book Value-Baht per Share	8.31	8.31	0.00	0.00
Remark: Registered par value of Baht 1 per share				

ASSETS: The total assets of the Company and subsidiary companies as at December 31, 2019 was Baht 9,735.48 million, which increased from the previous year by Baht 89.76 million or 0.93 percent, due to (1) current assets decreased by Baht 46.14 million or 1.07 percent, consisting of: (A) cash and cash equivalent decreased by Baht 162.51 million or 12.98 percent; (B) trade accounts receivable and other accounts receivable decreased by Baht 383.42 million or 35.19 percent; (C) inventories increased by Baht 359.70 million or 97.31 percent; and (D) other current assets most of which were prepaid corporate income tax, advance payment for goods, etc., increased by Baht 140.09 million or 8.71 percent; and (2) non-current assets increased by Baht 135.90 million or 2.55 percent.

LIABILITIES: The total liabilities of the Company and subsidiary companies as at December 31, 2019 was Baht 3,754.83 million, which increased from the previous year by Baht 24.96 million or 0.67 percent, due to (1) trade accounts payable and other accounts payable decreased by Baht 97.81 million or 15.86 percent (2) short-term loan and long-term loan of the subsidiary company increased by Baht 362.40 million or 18.13 percent (3) accrued expenses, most of which were overburden removal expenses and freight cost, etc., decreased by Baht 222.35 million or 38.07 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 17.28 million or 3.25 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company and subsidiary companies as at December 31, 2019 was 5,980.65 million, which increased from the previous year by Baht 64.80 million or 1.10 percent, which is equivalent to the previous year of Baht 8.31 per share. This was due to (1) an increase in retained earnings of Baht 97.18 million or 3.12 percent due to an increase in net profit of Baht 420.58 million but there was a dividend payment of Baht 315 million and losses adjustment in other comprehensive income of Baht 8.40 million (2) a net decrease in translation adjustment in financial of Baht 96.52 million or 226.54 percent; and (3) an increase in minority shareholders' equity of Baht 64.14 million or 4.13 percent.



CASH FLOWS

Description	Unit: Million Baht	
	Year 2019	Year 2018
Cash Flows from (used in) Operating Activities	1,122.32	1,071.15
Cash Flows from (used in) Investing Activities	(935.18)	(1,464.32)
Cash Flows from (used in) Financing Activities	(346.95)	(120.86)
Increase (Decrease) in Translation Adjustments in Financial Statements	32.07	(8.68)
Net Increase (Decrease) in Cash	(127.74)	(522.71)
Cash at the beginning of the period	605.36	1,128.07
Cash at the end of the period	477.62	605.36

(1) The net cash from operating activities of the Company and subsidiary companies in year 2019 totaled Baht 1,122.32 million, consisting of (A) income before corporate income tax and interest expense of Baht 984.13 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 799.31 million; (C) an increase in operating assets of Baht 14.78 million; (D) a decrease in operating liabilities of Baht 254.95 million; and (E) an increase in interest received of Baht 16.01 million; and (F) an increase in interest expense and taxes of Baht 407.40 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in year 2019 totaled Baht 935.18 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 601.76 million (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 378.70 million; and (C) short-term capital investment and other items decreased by Baht 45.28 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in year 2019 totaled Baht 346.95 million, consisting of (A) an increase in loan of Baht 373.22 million, (B) cash payment under investment lease agreement of Baht 101.48 million (C) dividend payment of Baht 563.78 million; and (D) a decrease in minority shareholders' equity of Baht 54.91 million.

ASSET MANAGEMENT CAPABILITY

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at December 31, 2019 were 7.25 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 year 2019.

(2) Inventory of the Company and subsidiary companies as at December 31, 2019 was 7.49 percent of total assets without deterioration or impairment of the products. Therefore, there was no allowance for impairment loss of inventory in year 2019.

(3) The Company's goodwill incurred from investment in the subsidiary company in Indonesia as at December 31, 2019 was accounted for 1.91 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 year 2019.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The total debt-to-equity ratio of the Company and subsidiary companies as at December 31, 2019 was as low as 0.63:1 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 December 31, 2019 was as high as 1.61 times despite the quick ratio was only 0.67 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 year 2019 was only 38 days an increase from the previous year of 9 days. The average debt collection period was at 34 days, which increased from the previous year by 1 day. The average inventory turnover was at 32 days an increase from the previous year of 15 days, but the average debt repayment period was at 28 days, which increased from the previous year by 7 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 2020, despite the fact that coal prices had been declining and the Indonesian Government policy became more stringent. Nevertheless, coal is still the world's primary fuel with increase in utilization rate every year, due to the fact that coal is less expensive than other types of fuel. 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 2020, despite the increase in molasses price, which is the raw material and major cost, due to the decrease in sugar production resulted from the drought. Nevertheless, the subsidiary company has developed technology to be able to use other raw materials to substitute molasses, as well as the wastewater evaporation plant with capacity of 3,000 cubic meters per day (Evaporator System for Bio Methanated Spent Wash), which is under construction and during the commissioning process, and 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 middle 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 2020 and enable the Company to proceed with regular dividend payments to shareholders according to the established policy.
