

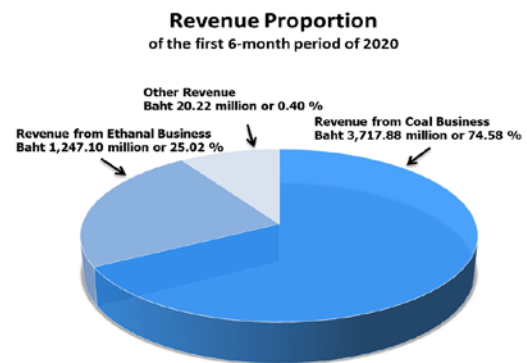
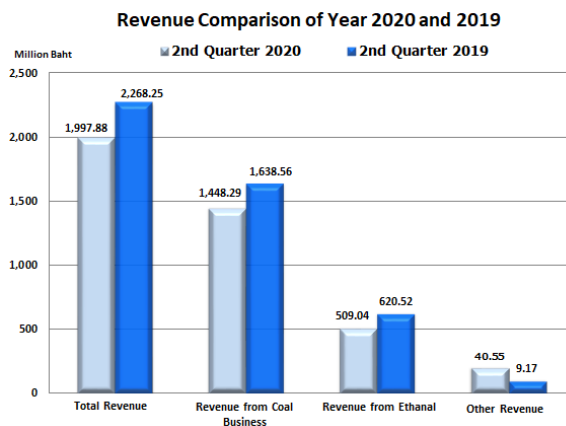
## MANAGEMENT DISCUSSION AND ANALYSIS

(For the Consolidated Financial Statements of the 2<sup>nd</sup> quarter 2020 and the first 6-month period of 2020)

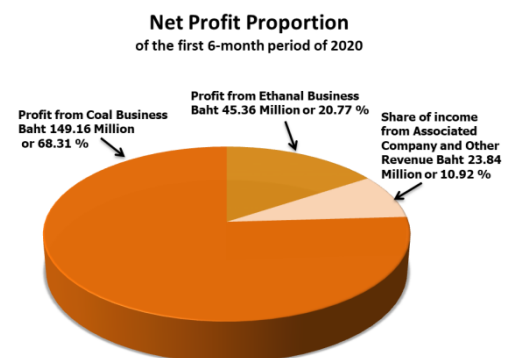
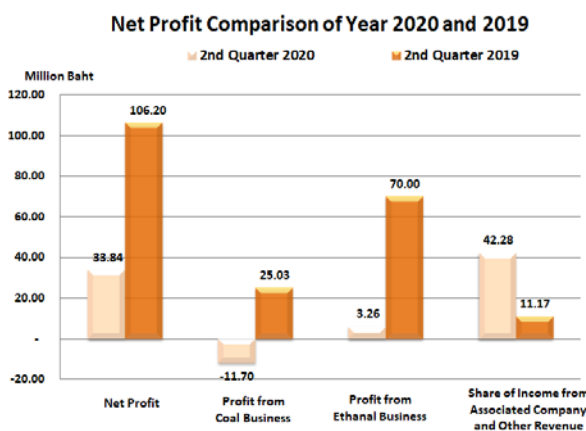
### OVERALL OPERATING RESULTS

The overall operating results in the 2<sup>nd</sup> quarter 2020 and the first 6-month period of 2020 of the Company and subsidiary companies declined due to the outbreak situation of the coronavirus disease (COVID-19), resulting in the reduction of energy demand. Nevertheless, the Company and subsidiary companies continue to be profitable.

The Company and subsidiary companies had total revenue in the 2<sup>nd</sup> quarter 2020 and the first 6-month period of 2020 of Baht 1,997.88 million and 4,985.20 million, which decreased from the same period last year by Baht 270.37 million and 84.59 million or 11.92 and 1.67 percent. The revenue proportion from coal business, ethanol business and other revenue in the first 6-month period of 2020 accounted for 74.58, 25.02 and 0.40 percent, respectively.



The Company and subsidiary companies had total net profit in the 2<sup>nd</sup> quarter 2020 and the first 6-month period of 2020 of Baht 33.84 million and 218.36 million, which decreased from the same period last year by Baht 72.36 million and 54.67 million or 68.14 and 20.02 percent with net earnings per share of Baht 0.06 and 0.42, respectively. The revenue proportion from coal business, ethanol business and other revenue in the first 6-month period of 2020 accounted for 68.31, 20.77 and 10.92 percent, respectively, with the net profit margin of 6.80 percent, the EBITDA margin of 17.69 percent, and the return on equity of 4.95 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at June 30, 2020 were considered in good standing. The current ratio was as high as 1.65 times and the total debt to total assets ratio was at the low level of only 36.77 percent with debt to equity ratio of only 58.15 percent.

**Operating Results of the Coal Business or the Core Business:** The Company and subsidiary companies had total revenue in the 2<sup>nd</sup> quarter 2020 of Baht 1,448.29 million, which decreased from the same period last year by Baht 190.27 million or 11.61 percent, due to the decrease in coal sales volume and average coal selling price from the same period last year by 2.87 and 9 percent and had total revenue in the first 6-month period of 2020 of Baht 3,717.88 million, which increased from the same period last year by Baht 48.61 million or 1.32 percent, due to the increase in coal sales volume from the same period last year by 1.65 but the average coal selling price decreased from the same period last year by 0.32 percent. The net loss derived from shareholding proportion of the Company in the 2<sup>nd</sup> quarter 2020 was Baht 11.70 million, and the net profit decreased from the same period last year by Baht 36.73 million or 146.74 percent, due to the decrease in coal sales volume and average coal selling price from the same period last year as described above. The net profit derived from shareholding proportion of the Company in the first 6-month period of 2020 was Baht 149.16 million, which increased from the same period last year by Baht 68.60 million or 85.15 percent, due to the increase in coal sales volume from the same period last year as described above.

**Operating Results of the Ethanol-for-Fuel Business or the Secondary Core Business:** The Company and subsidiary company had total revenue in the 2<sup>nd</sup> quarter 2020 and the first 6-month period of 2020 of Baht 509.04 million and 1,247.10 million, which decreased from the same period last year by Baht 111.48 million and 126.83 million or 17.97 and 9.23 percent, due to the decrease in ethanol sales volume from the same period last year by 25.02 and 13.87 percent but the average ethanol selling price increased from the same period last year by 7.57 and 4.40 percent, respectively. The net profit derived from shareholding proportion of the Company in the 2<sup>nd</sup> quarter 2020 and the first 6-month period of 2020 was Baht 3.26 million and 45.36 million, which decreased from the same period last year by Baht 66.74 million and 116.49 million or 95.34 and 71.97 percent, respectively

#### OPERATING RESULTS ANALYSIS

Revenue	2 <sup>nd</sup> Quarter (Apr.-Jun.)		Increase (Decrease) (%)	First 6-Month Period (Jan. – Jun.)		Increase (Decrease) (%)
	2020	2019		2020	2019	
Revenue from Coal Sales	1,448.29	1,638.56	(11.61)	3,717.88	3,669.27	1.32
Revenue from Ethanol Sales	509.04	620.52	(17.97)	1,247.10	1,373.93	(9.23)
Other Revenue	40.55	9.17	342.20	20.22	26.59	(23.96)
<b>Total Revenue</b>	<b>1,997.88</b>	<b>2,268.25</b>	<b>(11.92)</b>	<b>4,985.20</b>	<b>5,069.79</b>	<b>(1.67)</b>

#### REVENUE:

(1) Revenue of the Company and subsidiary companies in the 2<sup>nd</sup> quarter 2020 totaled Baht 1,997.88 million, which decreased from the same period last year by Baht 270.37 million or 11.92 percent due to the following reasons:

(1.1) Revenue from coal business totaled Baht 1,448.29 million, which decreased from the same period last year by Baht 190.27 million or 11.61 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 509.04 million, which decreased from the same period last year by Baht 111.48 million or 17.97 percent. This was due to the decrease in ethanol sales volume as described above; and

(1.3) Other revenue totaled Baht 40.55 million, which increased from the same period last year by Baht 31.38 million or 342.20 percent. This was due to the increase in foreign exchange gain from the same period last year of Baht 31.96 million but interest received and other items decreased by Baht 0.58 million.

(2) Revenue of the Company and subsidiary companies in the first 6-month period of 2020 totaled Baht 4,985.20 million, which decreased from the same period last year by Baht 84.59 million or 1.67 percent due to the following reasons:

(2.1) Revenue from coal business totaled Baht 3,717.88 million, which increased from the same period last year by Baht 48.61 million or 1.32 percent. This was due to the increase in coal sales volume as described above.

(2.2) Revenue from ethanol business totaled Baht 1,247.10 million, which decreased from the same period last year by Baht 126.83 million or 9.23 percent. This was due to the decrease in ethanol sales volume as described above; and

(2.3) Other revenue totaled Baht 20.22 million, which decreased from the same period last year by Baht 6.37 million or 23.96 percent. This was due to the decrease in foreign exchange gain from the same period last year of Baht 9.22 million but interest received and other items increased by Baht 2.85 million.

Expenses	2 <sup>nd</sup> Quarter (Apr. - Jun.)		Increase (Decrease) (%)	First 6-Month Period (Jan. - Jun.)		Increase (Decrease) (%)
	2020	2019		2020	2019	
<b>Coal Business</b>						
Cost of sales	948.48	977.62	(2.98)	2,201.47	2,198.16	0.15
Selling and administrative expenses	478.49	530.27	(9.76)	1,148.85	1,167.84	(1.63)
Financial cost	5.42	2.38	127.73	9.15	29.91	(69.41)
Corporate income tax	21.07	56.07	(62.42)	133.01	109.06	21.96
<b>Ethanol Business</b>						
Cost of sales	453.40	450.66	0.61	1,074.80	979.20	9.76
Selling and administrative expenses	27.64	25.36	8.99	47.03	41.97	12.06
Financial cost	10.58	8.97	17.95	22.82	18.52	23.22
Corporate income tax	10.59	(3.59)	394.99	12.52	14.35	(12.75)

### COAL BUSINESS EXPENSES

(1) Coal business expenses of the Company and subsidiary companies in the 2<sup>nd</sup> quarter 2020 totaled Baht 1,453.46 million, which decreased from the same period last year by Baht 112.88 million or 7.21 percent, due to the following reasons:

(1.1) Cost of coal sales decreased from the same period last year by Baht 29.14 million or 2.98 percent, due to the decrease in coal sales volume and average cost of coal sales of 2.87 and 0.12 percent, respectively.

(1.2) Selling and administrative expenses decreased from the same period last year by Baht 51.78 million or 9.76 percent due to the decrease in coal sales volume as described above.

(1.3) Financial expense increased from the same period last year by Baht 3.04 million or 127.73 percent due to the increase in interest expense; and

(1.4) Corporate income tax decreased from the same period last year by Baht 35 million or 62.42 percent due to the decrease in profit.

(2) Coal business expenses of the Company and subsidiary companies in the first 6-month period of 2020 totaled Baht 3,492.48 million, which decreased from the same period last year by Baht 12.49 million or 0.36 percent, due to the following reasons:

(2.1) Cost of coal sales increased from the same period last year by Baht 3.31 million or 0.15 percent, due to the increase in coal sales volume of 1.65 percent but the average cost of coal sales slightly decreased by 1.48 percent.

(2.2) Selling and administrative expenses decreased from the same period last year by Baht 18.99 million or 1.63 percent due to the decrease in compensation paid to the government of the subsidiary companies.

(2.3) Financial expense decreased from the same period last year by Baht 20.76 million or 69.41 percent due to the decrease in interest expense; and

(2.4) Corporate income tax increased from the same period last year by Baht 23.95 million or 21.96 percent due to the increase in deferred tax of subsidiary companies.

### **ETHANOL BUSINESS EXPENSES**

(1) Ethanol business expenses of the subsidiary company in the 2<sup>nd</sup> quarter 2020 totaled Baht 502.21 million, which increased from the same period last year by Baht 20.81 million or 4.32 percent, due to the following reasons:

(1.1) Cost of ethanol sales increased from the same period last year by Baht 2.74 million or 0.61 percent due to the molasses price, which is the raw material and a major cost of ethanol production, increased by 32.22 percent.

(1.2) Selling and administrative expenses increased from the same period last year by Baht 2.28 million or 8.99 percent due to expenses on wastewater evaporation plant which was under construction and commissioning process.

(1.3) Financial expense increased from the same period last year by Baht 1.61 million or 17.95 percent due to the increase in loan for operation and the construction of the wastewater evaporation plant, resulting in an increase in interest expenses; and

(1.4) The corporate income tax increased from the same period last year by Baht 14.18 million or 394.99 percent due to the expiration of the corporate income tax exemption according to the investment promotion for Production Line No. 2 of the ethanol production plant.

(2) Ethanol business expenses of the subsidiary company in the first 6-month period of 2020 totaled Baht 1,157.17 million, which increased from the same period last year by Baht 103.13 million or 9.78 percent, due to the following reasons:

(2.1) Cost of ethanol sales increased from the same period last year by Baht 95.60 million or 9.76 percent due to the molasses price, which is the raw material and a major cost of ethanol production, increased by 30.30 percent.

(2.2) Selling and administrative expenses increased from the same period last year by Baht 5.06 million or 12.06 percent due to expenses on wastewater evaporation plant which was under construction and commissioning process.

(2.3) Financial expense increased from the same period last year by Baht 4.30 million or 23.22 percent due to the increase in loan for operation and the construction of the wastewater evaporation plant, resulting in an increase in interest expenses; and

(2.4) The corporate income tax decreased from the same period last year by Baht 1.83 million or 12.75 percent due to the decrease in profit.

Gross Profit (Unit : Million Baht)	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>2<sup>nd</sup> Quarter 2020 (April – June 2020)</b>						
Revenues from sales	1,448.29	100.00	509.04	100.00	1,957.33	100.00
Less Cost of sales	948.48	65.49	453.40	89.07	1,401.88	71.62
<b>Gross Profit</b>	<b>499.81</b>	<b>34.51</b>	<b>55.64</b>	<b>10.93</b>	<b>555.45</b>	<b>28.38</b>
<b>2<sup>nd</sup> Quarter 2019 (April – June 2019)</b>						
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
<b>Gross Profit</b>	<b>660.94</b>	<b>40.34</b>	<b>169.86</b>	<b>27.37</b>	<b>830.80</b>	<b>36.78</b>
<b>First 6-Month Period of 2020 (January – June 2020 )</b>						
Revenues from sales	3,717.88	100.00	1,247.10	100.00	4,964.98	100.00
Less Cost of sales	2,201.47	59.21	1,074.80	86.18	3,276.27	65.99
<b>Gross Profit</b>	<b>1,516.41</b>	<b>40.79</b>	<b>172.30</b>	<b>13.82</b>	<b>1,688.71</b>	<b>34.01</b>
<b>First 6-Month Period of 2019 (January – June 2019 )</b>						
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
<b>Gross Profit</b>	<b>1,471.11</b>	<b>40.09</b>	<b>394.73</b>	<b>28.73</b>	<b>1,865.84</b>	<b>37.00</b>

## GROSS PROFIT

(1) Gross profit of the Company and subsidiary companies in the 2<sup>nd</sup> quarter 2020 totaled Baht 555.45 million or 28.38 percent of the sales revenue, which decreased from the same period last year with the gross profit of Baht 830.80 million or 36.78 percent of the sales revenue, due to the following reasons:

(1.1) Gross profit from coal business was 34.51 percent of the sales revenue, which decreased from the same period last year with gross profit of 40.34 percent of the sales revenue. This was due to the decrease in average coal selling price of 9 percent, and

(1.2) Gross profit from ethanol business was 10.93 percent of the sales revenue, which decreased from the same period last year with gross profit of 27.37 percent of the sales revenue. This was due to the increase in average ethanol selling price of 7.57 percent but the average ethanol selling cost increased by 34.17 percent due to the increase in molasses price, which is the raw material and a major cost of ethanol production as described above.

(2) Gross profit of the Company and subsidiary companies in the first 6-month period of 2020 totaled Baht 1,688.71 million or 34.01 percent of the sales revenue, which decreased from the same period last year with the gross profit of Baht 1,865.84 million or 37 percent of the sales revenue, due to the following reasons:

(2.1) Gross profit from coal business was 40.79 percent of the sales revenue, which slightly increased from the same period last year with gross profit of 40.09 percent of the sales revenue. This was due to the decrease in average coal selling price of 0.32 percent, but the cost of coal sales decreased by 1.48 percent; and

(2.2) Gross profit from ethanol business was 13.82 percent of the sales revenue, which decreased from the same period last year with gross profit of 28.73 percent of the sales revenue. This was due to the increase in average ethanol selling price of 4.40 percent but the average cost of ethanol sales increased by 29.71 percent due to the increase in molasses price, which is the raw material and a major cost of ethanol production as described above.

Net Profit (Unit: Million Baht)	2 <sup>nd</sup> Quarter (Apr. – Jun.)		Increase (Decrease) (%)	First 6-Month Period (Jan. – Jun.)		Increase (Decrease) (%)
	2020	2019		2020	2019	
Profit (Loss) from Coal Business	(11.70)	25.03	(146.74)	149.16	80.56	85.16
Profit from Ethanol Business	3.26	70.00	(95.34)	45.36	161.85	(71.97)
Share of income from associated company and other revenue	42.28	11.17	278.51	23.84	30.62	(22.14)
<b>Net Profit</b>	<b>33.84</b>	<b>106.20</b>	<b>(68.14)</b>	<b>218.36</b>	<b>273.03</b>	<b>(20.02)</b>
<b>Net Earnings per Share (Baht per Share)</b>	<b>0.06</b>	<b>0.20</b>	<b>(68.14)</b>	<b>0.42</b>	<b>0.52</b>	<b>(20.02)</b>
<b>Remark: Registered par value of Baht 1 per share</b>						

## NET PROFIT

(1) The net profit of the Company and subsidiary companies in the 2<sup>nd</sup> quarter 2020 totaled Baht 33.84 million, which decreased from the same period last year by Baht 72.36 million with net earnings per share of Baht 0.06, which decreased from the same period last year by Baht 0.14 per share or 68.14 percent due to the following reasons:

(1.1) Net loss from coal business derived from shareholding proportion of the Company was Baht 11.70 million, which decreased from the same period last year by Baht 36.73 million or 146.74 percent. This was due to the decrease in coal sales volume and average coal selling price as described above.

(1.2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 3.26 million, which decreased from the same period last year by Baht 66.74 million or 95.34 percent due to the increase in molasses price, which is the raw material and a major cost of ethanol production, as described above; and

(1.3) Share of income from associated company and other revenue was Baht 42.28 million, which increased from the same period last year by Baht 31.11 million or 278.51 percent, due to the increase in foreign exchange gain as described above.

(2) The net profit of the Company and subsidiary companies in the first 6-month period of 2020 totaled Baht 218.36 million, which decreased from the same period last year by Baht 54.67 million with net earnings per share of Baht 0.42, which decreased from the same period last year by Baht 0.10 per share or 20.02 percent due to the following reasons:

(2.1) Net profit from coal business derived from shareholding proportion of the Company was Baht 149.16 million or 68.31 percent of the total net profit, which increased from the same period last year by Baht 68.60 million or 85.15 percent. This was due to the increase in coal sales volume as described above.

(2.2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 45.36 million or 20.77 percent of the total net profit, which decreased from the same period last year by Baht 116.49 million or 71.97 percent due to the increase in molasses price, which is the raw material and a major cost of ethanol production, as described above; and

(2.3) Share of income from associated company and other revenue was Baht 23.84 million or 10.92 percent of the total net profit, which decreased from the same period last year by Baht 6.78 million or 22.14 percent, due to the decrease 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 the first 6-month period of 2020 was Baht 882.10 million, which decreased from the same period last year by Baht 230.07 million or 20.69 percent and EBITDA margin was at 17.69 percent, which decreased from the same period last year by 19.34 percent.

(2) Net profit margin of the Company and subsidiary companies in the first 6-month period of 2020 was at 6.80 percent, which decreased from the same period last year by 33 percent.

(3) Return on equity of the Company and subsidiary companies in the first 6-month period of 2020 was at 4.95 percent, which decreased from the same period last year by 20.43 percent.

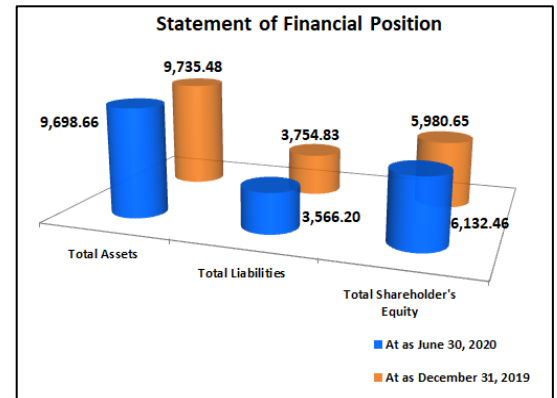
(4) Return on total assets of the Company and subsidiary companies in the first 6-month period of 2020 was at 3.49 percent, which decreased from the same period last year by 37.23 percent. The return on fixed assets in the first 6-month period of 2020 was at 15.98 percent, which decreased from the same period last year by 28.09 percent.

#### STATEMENTS OF FINANCIAL POSITION

Description	Unit: Million Baht		Increase (Decrease)	
	As at June 30, 2020	As at December 31, 2019	Million Baht	%
Total Assets	9,698.66	9,735.48	(36.82)	(0.38)
Total Liabilities	3,566.20	3,754.83	(188.63)	(5.02)
Total Shareholders' Equity	6,132.46	5,980.65	151.81	2.54
<b>Book Value-Baht per Share</b>	<b>8.48</b>	<b>8.31</b>	<b>0.17</b>	<b>2.05</b>
<b>Remark: Registered par value of Baht 1 per share</b>				

**ASSETS:** The total assets of the Company and subsidiary companies as at June 30, 2020 was Baht 9,698.66 million, which decreased from the end of year 2019 by Baht 36.82 million or 0.38 percent, due to (1) current assets decreased by Baht 338.22 million or 7.92 percent, consisting of: (A) cash and cash equivalent increased by Baht 59.89 million or 5.50 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 159.55 million or 22.59 percent; (C) inventories increased by Baht 214.63 million or 29.43 percent; and (D) other current assets most of which were prepaid corporate income tax, advance payment for goods, etc., decreased by Baht 772.29 million or 44.17 percent; and (2) non-current assets increased by Baht 301.40 million or 5.52 Percent.

**LIABILITIES:** The total liabilities of the Company and subsidiary companies as at June 30, 2020 was Baht 3,566.20 million, which decreased from the end of year 2019 by Baht 188.63 million or 5.02 percent, due to (1) trade accounts payable and other accounts payable decreased by Baht 44.41 million or 8.56 percent (2) short-term loan and long-term loan of the subsidiary companies decreased by Baht 291.88 million or 12.36 percent (3) accrued expenses, most of which were overburden removal expenses and freight cost, etc., increased by Baht 25.85 million or 7.15 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 companies and allowance for long-term benefits of employees, etc., increased by Baht 121.81 million or 23.73 percent.



**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company and subsidiary companies as at June 30, 2020 was Baht 6,132.46 million, which increased from the end of year 2019 by Baht 151.81 million or 2.54 percent, resulting in an increase of the share's book value from Baht 8.31 per share to Baht 8.48 per share, an increase of Baht 0.17 per share or 2.05 percent. This was due to (1) an increase in retained earnings of Baht 60.86 million or 1.89 percent due to the net profit of Baht 218.36 million, but there was a dividend payment of Baht 157.50 million (2) a net increase in translation adjustment in financial of Baht 27.65 million or 51.29 percent; and (3) an increase in minority shareholders' equity of Baht 63.30 million or 3.92 percent.

#### CASH FLOWS

Description	Unit: Million Baht	
	First 6-month period of 2020	First 6-month period of 2019
Cash Flows from (used in) Operating Activities	1,154.54	1,184.90
Cash Flows from (used in) Investing Activities	29.42	(461.84)
Cash Flows from (used in) Financing Activities	(625.66)	(879.16)
Increase (Decrease) in Translation Adjustments in Financial Statements	(23.59)	20.98
Net Increase (Decrease) in Cash	534.71	(135.12)
Cash at the beginning of the period	477.62	605.36
<b>Cash at the end of the period</b>	<b>1,012.33</b>	<b>470.24</b>

(1) The net cash from operating activities of the Company and subsidiary companies in the first 6-month period of 2020 totaled Baht 1,154.54 million, consisting of (A) income before corporate income tax and interest expense of Baht 484.70 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 428.65 million; (C) a decrease in operating assets of Baht 349.12 million; (D) a decrease in operating liabilities of Baht 47.10 million; (E) an increase in interest received of Baht 7.10 million; and (F) an increase in interest expense and taxes of Baht 67.93 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in the first 6-month period of 2020 totaled Baht 29.42 million, consisting of (A) properties, buildings and equipment, most of which were the coal transport jetty construction of the Company and wastewater treatment plant construction of the subsidiary company increased by Baht 138.83 million (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 196.46 million; (C) investment in subsidiary companies' ordinary shares increased by Baht 74.48 million; and (D) short-term capital investment and other items decreased by Baht 439.19 million.



(3) The net cash used in financing activities of the Company and subsidiary companies in the first 6-month period of 2020 totaled Baht 625.66 million, consisting of (A) a decrease in loan of Baht 410.65 million (B) dividend payment of Baht 231 million; and (C) an increase in minority shareholders' equity of Baht 15.99 million.

#### **ASSET MANAGEMENT CAPABILITY**

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at June 30, 2020 were 8.93 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 2<sup>nd</sup> quarter 2020 and the first 6-month period of 2020.

(2) Inventory of the Company and subsidiary companies as at June 30, 2020 was 9.73 percent of total assets without deterioration or impairment of the products. Therefore, there was no allowance for impairment loss of inventory in the 2<sup>nd</sup> quarter 2020 and the first 6-month period of 2020.

(3) The Company's goodwill incurred from investment in the subsidiary company as at June 30, 2020 was accounted for 2.42 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 2<sup>nd</sup> quarter 2020 and the first 6-month period of 2020.

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

(1) The total debt-to-equity ratio of the Company and subsidiary companies as at June 30, 2020 was as low as 0.58:1 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, 2020 was as high as 1.65 times despite the quick ratio was only 0.83 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 the first 6-month period of 2020 was 51 days, an increase from the same period last year of 18 days. The average debt collection period was at 28 days, which decreased from the same period last year by 3 days. The average inventory turnover was at 46 days, an increase from the same period last year of 18 days but the average debt repayment period was at 23 days, which decreased from the same period last year by 3 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:** The operating results in the second half of 2020 are expected to decline due to the severe global economic downturn from the outbreak situation of the coronavirus disease (COVID-19), especially customers in China and India, which are the main customers, having reduced their coal import volume. As a result, coal exports of the subsidiary companies have decreased and reduction of coal production capacity is necessary with the situation closely monitored. In this regard, the Company and subsidiary companies will endeavor to manage and resolve problems with prudence in order to reduce costs and various expenses as much as possible in order to maintain good operating results.

**Ethanol Business:** The demand for fuel has decreased significantly, causing the subsidiary company's ethanol sales to be lower; moreover, the molasses price, which is the raw material, has increased due to drought situation in the past year, resulting in a significant decline in ethanol business performance in the 2<sup>nd</sup> quarter 2020 and the first 6-month period of 2020. Nevertheless, the subsidiary company has made adjustments by procuring other raw materials to substitute part of the molasses. Also, there is the wastewater evaporation plant with capacity of 3,000 cubic meters per day (Evaporator System for Bio-Methanated Spent Wash), which is deemed an effective and sustainable solution for treatment of wastewater from the ethanol production process to reduce impact to the environment. 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 excess electricity produced from this project that can be used in the ethanol production plant to save electricity consumption. Furthermore, potassium humate can 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. The ethanol business performance in the second half of 2020 is expected to be not much different than that of the first half of 2020 due to the continuing outbreak situation of the COVID-19 until the economy recover, which will be a factor supporting an increase in fuel consumption.

**Overall Business:** The outbreak of the coronavirus disease (COVID-19) has a significant impact on the global economy, and to the operating results of the Company and subsidiary companies, which is expected to continue to have impact in the second half of 2020. Nevertheless, the overall operating results of the coal business, which is the core business, and the ethanol-for-fuel business, regarded as the 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.