

1.Executive Summary

Sahakol Equipment Public Company Limited (The Company) continues its operation conveying soil and coal in two main projects, the Mae Moh 8 Project and Hongsa Mine Project. In Q4/2021, the Company registered gross profit of 221 million baht, an increase of 10 million baht from Q3/2021 attributable to higher production volume (lower production in Q3/2021 was due to the rainy season). Cost of services increased in line with the production volume, particularly the maintenance cost from replacing conveyor belts as planned under the Mae Moh 8 project for full efficiency of the belt system up to the end of the project. Cost of fuel also increased as output increased and is also in line with higher global fuel prices. This increase was partially offset by an upward adjustment in the K-Factor value. This resulted in a net profit of 42 million baht in Q4/2021, an increase of 21 million baht compared to the previous quarter or an increase by 96%.

The Company registered total revenues of 4,803 million for the entire 2021, an increase of 32 million or by 1% compared to 2020. This increase in revenue was due to higher-than-projected output under the Mae Moh mining project while output was slightly lower than planned under the Hongsa project. Meanwhile, the total cost of services for all projects declined by 21 million baht, especially that related to the efficient management of conveyor belt under the Mae Moh 8 project resulted in reduction in subcontractor costs as well as other costs. Nevertheless, the Company has allocated impairment provisions for investments and advance payments for the Mai Khot project in the amount of 99 million baht under selling and administrative expenses due to political uncertainty in the Union of Myanmar.

Additionally, cash flow management and management of funding sources also contributed to lowering financial costs by 49 million baht or a reduction by 16% from 2020.

In 2021, the company registered total net profits of 351 million baht, an increase of 110 million baht or by 46%, representing a profit of 0.31 baht per share.

As for the new projects, the North Pit Wall Expansion project and the Build, Lease and Transfer (BLT) project operating under Hongsa, the former project will commence operation in mid-May 2022, whereas the BLT which is a construction project, will commence in early 2022.

2. Financial Performance

Unit : M THB	Q3/2021	Q4/2021	Q4/2020	% Gain (Loss) QoQ	% Gain (Loss) YoY	2020	2021	% Gain (Loss)
Total revenues	1,077	1,380	1,244	28%	11%	4,771	4,803	1%
Cost of Services (Include Depreciation ¹)	866	1,159	916	34%	26%	3,789	3,769	(1%)
¹ Depreciation	241	245	258	1%	(5%)	1,072	975	(9%)
Gross Profit (After Depreciation)	211	221	295	5%	(25%)	982	1,034	5%
Administrative expenses	124	124	182	(0%)	(32%)	436	440	1%
EBITDA	336	352	411	5%	(14%)	1,650	1,604	(3%)
Financial cost	63	68	73	7%	(8%)	316	264	(16%)
Net Profit*	21	42	72	96%	(41%)	241	351	46%
EBITDA margin (%)	31%	25%	33%	(6%)	(8%)	35%	33%	(1%)
Gross Profit Margin (%)	20%	16%	24%	(4%)	(8%)	21%	22%	1%
Net Profit Margin (%)	2%	3%	6%	1%	(3%)	5%	7%	2%

*Net Profit (Equity holder of the Company)

Operational results for the three-month period in Q4/2021 compared to Q3/2021 (QoQ)

In Q4/2021, the company registered total revenues of 1,380 million baht, an increase of 303 million baht or by 28% from Q3/2021 as both the Mae Moh 8 and the Hongsa project registered increased productivity compared to the previous quarter. Despite impacts from higher fuel prices, the increase in such expenses were offset by the increase in the K-Factor value. Key changes in costs and expenses are as follows:

- Fuel costs increased by 34 million baht owing to higher output and higher oil prices in line with global market conditions.
- Maintenance and repair costs increased by 227 million baht, mainly due to replacement of main belts that were worn out from planned usage under the Mae Moh 8 project. The replacement will enable the belt system to function at full efficiency till the end of the project.
- Explosives costs increased by 13 million baht according to the workplan and the site area of the Mae Moh 8 project.
- The cost of machinery rentals decreased by 8 million baht under the Mae Moh 8 project, due to planned improvements in machinery conditions to enable it to function at full efficiency.
- Subcontractor costs increased by 27 million baht from the Hongsa project, in line with the increase in revenues and certain parts of the work site that were not accessible by large machineries and required operation by the contractors.

- Administrative expenses remain unchanged. Additional provisions were made for the Mai Khot project as done in the previous quarter.
- Financial costs increased by 5 million baht from the issuance of additional debentures of 300 million baht.

As a result, the company registered gross profit of 221 million baht in Q4/2021, an increase of 10 million baht or by 5%. The gross profit margin declined from 20% to 16%, while net profits totaled 42 million baht, an increase of 21 million baht or by 96% compared to Q3/2021. The net profit margin increased from 2% to 3%.

Operational results for the three-month period in Q4/2021 compared to Q4/2020 (YoY)

The company's revenue increased by 136 million baht or by 11% compared to the same period in the previous year. This was attributed to the productivity increase under the Hongsa project. Cost of services increased by 243 million baht, or by 26%. The major changes in costs components are as follows:

- Cost of depreciation decreased by 13 million baht as some machines have fully depreciated.
- Maintenance costs increased by 185 million baht, mainly attributed to the Mae Moh 8 project. The increase is due to replacement of some main belts that have worn out through planned usage.
- Fuel costs increased by 73 million baht due to higher output and higher oil prices in line with global market conditions.
- Subcontractor hiring costs and rental of machineries decreased by 10 million baht and 16 million baht respectively, owing to efficient management of existing machineries and the conveyor system working at full efficiency, thus resulted in lower cost.
- Administrative expenses declined by 58 million baht as there were no special administrative expenses in this quarter.
- Financial costs decreased by 6 million baht as gradual repayment of long-term loans in accordance with the contract resulted in lower principal amounts, while increased efficiency in cash management also contributed to reducing financial costs.

As a result, the company registered gross profit of 221 million baht in Q4/2021, a decrease of 74 million baht or by 25%. Gross profit margin declined from 24% to 16%, while net profit totaled 42 million baht, representing a decrease by 30 million baht, or by 41% compared to Q4/2020. Net profit margin decreased from 6% to 3%.

For the twelve-month period ending December 2021 compared with 2020

The Company registered an increase in revenues by 32 million baht, or an increase by 1% in 2021 compared to 2020. Overall, the Mae Moh 8 project was more productive than planned despite the fact that the conveyor system brought over from the Mae Moh 7 project was not in operation since Q3/2020, while the Hongsa project performed slightly below plan. Moreover, cost of services decreased by 21 million baht or by 1% based on efficient management of the conveyor system under the Mae Moh 8 project. Key changes in cost components are as follows:

- The cost of hiring contractors decreased by 235 million baht while cost for rental of machineries decreased by 51 million baht owing to improved management of machineries and efficient functioning of the conveyor belt system.
- Depreciation costs decreased by 97 million baht as there were no depreciation expenses from Mae Moh 7 project while some machineries have fully depreciated.
- Maintenance and repair costs increased by 259 million baht, mainly due to replacement costs on main belts that have been worn out from planned usage under the Mae Moh 8 project. This will allow the conveyor system to function at full efficiency until the end of the project.
- Fuel costs increased by 134 million baht due to higher output and the rise in global oil price.
- Financial costs declined by 52 million baht due to gradual repayment of long-term loans resulting in a decrease in the principal amount, while increased efficiency in cash management also helped to reduce financial costs.

As a result, the Company realized a net profit of 351 million baht in 2021 compared to 2020, which is an increase of 110 million baht or a 46% increase from the previous year. Net profit margin thus increased to 7% from 5%.

3.Operation Result by Project

Unit : M THB	Q3/2021	Q4/2021	Q4/2020	% Gain (Loss) QoQ	% Gain (Loss) YoY	2020	2021	% Gain (Loss)
Mae Moh 8								
Service Revenue	733	913	873	25%	5%	3,277	3,269	(0%)
Cost of Services (Include Depreciation ¹)	596	833	636	40%	31%	2,552	2,700	6%
¹ Depreciation	183	186	200	1%	(7%)	770	743	(4%)
Gross Profit	137	80	237	(42%)	(66%)	725	568	(22%)
Gross Profit (%)	19%	9%	27%	(10%)	(18%)	22%	17%	(5%)
Hongsa								
Service Revenue	325	433	357	33.4%	21.4%	1203	1,444	20.0%
Cost of Services (Include Depreciation ¹)	268	324	271	20.9%	19.5%	981	1094	11.6%
¹ Depreciation	57	58	57	2%	2%	243	229	(6%)
Gross Profit	57	109	86	92%	27%	222	349	58%
Gross Profit (%)	18%	25%	24%	8%	1%	18%	24%	6%

Mae Moh 8

The increase in revenues under the Mae Moh 8 project by 181 million baht or 25% from Q3/2021 was due to increased production volume. Gross profit decreased by 57 million baht or 42% due to higher maintenance and repair costs from replacement of some main belts that were worn out from planned usage. Higher oil prices in line with global market conditions also contributed to the decline in gross profits. Consequently, gross profit margin declined to 9% in Q4/2021 from 19% in Q3/2021.

In considering the operating results compared to the same period of the previous year, gross profit declined by 157 million baht or 66% due to the replacement of some of the main belts that had deteriorated from utilization as mentioned above. The increase in oil price compared to the same period in the previous year was offset by a decrease in cost of maintenance and repair in other areas. As such, gross profit margin declined to 9% from 27% compared to Q4/2020.

In 2021, the Mae Moh 8 project registered gross profit of 568 million baht, a decrease of 157 million baht or a 22% decline from gross profit of 725 million baht in 2020.

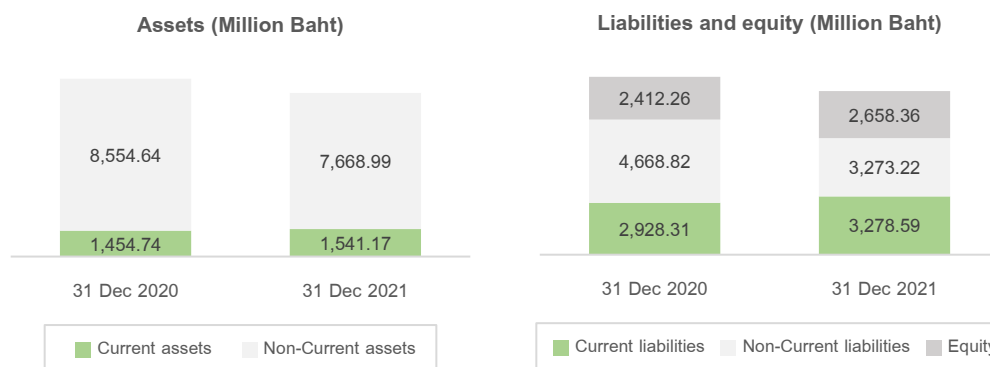
Hongsa

The Hongsa project registered an increase in revenue by 108 million baht from Q3/2021 due to increased soil and coal excavation. Cost of services increased accordingly, while depreciation costs registered a slight change. As a result, gross profit increased by 52 million baht, or an increase of 92%. The gross profit margin increased to 25% from 18% in Q3/2021.

In considering the operating results compared to the same period of the previous year, the Hongsa project registered an increase in gross profit by 23 million baht, an increase of 27% due to higher output volumes. Consequently, the gross profit margin showed a slight increase to 25% from 24% in Q4/2020.

For the entire 2021, the Hongsa project registered gross profit of 349 million baht, an increase of 127 million baht or a 58% increase from gross profit of 222 million baht in 2020, attributed to higher annual output as per the contract.

4. Financial Position and Cash Flow



Balance Sheet Position

Assets

Total assets as of 31 December 2021 totaled 9,210.17 million baht, a decrease by 799.22 million baht from that as of 31 December 2020 which totaled 10,009.39 million baht or 7.98% with the following details:

	(Million Baht)			
	31 Dec 2021	31 Dec 2020	change	change %
Current Assets	1,541.17	1,454.74	86.43	5.94%
Non – Current Assets	7,668.99	8,554.64	(885.65)	(10.35%)
Total assets	9,210.17	10,009.39	(799.22)	(7.98%)

Liabilities

Total liabilities as of 31 December 2021 was 6,551.81 million baht. Compared to liabilities of 7,597.12 million baht as of 31 December 2020, total liabilities declined by 1,045.31 million baht or by 13.76% due to a gradual debt repayments of long-term loans have been made with the following details:

	(Million Baht)			
	31 Dec 2021	31 Dec 2020	change	change %
Current liabilities	3,278.59	2,928.31	350.29	11.96%
Non - Current liabilities	3,273.22	4,668.82	(1,395.60)	(29.89%)
Total liabilities	6,551.81	7,597.12	(1,045.31)	(13.76%)

Shareholder's equity

Shareholder's equity as of 31 December 2021 amounted to 2,658.36 million baht, an increase by 246.09 million baht or 10.20% from Net profit for this period with details as follows:

(Million Baht)				
	31 Dec 2021	31 Dec 2020	change	change %
Total shareholders' equity	2,658.36	2,412.26	246.09	10.20%

Statement of Cash Flows

As of 31 December 2021, cash and cash equivalents stood at 161.63 million baht, decreased by 81.10 million baht or 33.41% from those in 2020 which had cash and cash equivalents amounted to 242.73 million baht as summarized below:

(Million Baht)	
Cash flows from operating activities	1,334.66
Cash flows from investing activities	(119.08)
Cash flows from financing activities	(1,296.86)
Currency translation difference	0.18
Net decrease in cash and cash equivalents	(81.10)

Cash flows from operating activities was 1,334.66 million baht from operating profit

Cash flows from investing activities amounting at (119.08) million baht, mainly due to asset acquisition according to the project investment plan.

Cash flows from financing activities in the amount of (1,296.86) million baht, mainly arising from from short-term loans repayment, included long-term loans repayment, Dividend paid and Debenture repayment.

Financial Costs

Financial costs for FY2021 and 2020 were 263.79 million baht and 315.66 million baht respectively, a 16.43% decrease. The main contributing factor was due to repayment of long-term loans.

(Million Baht)				
	31 Dec 2021	31 Dec 2020	change	change %
Finance costs	263.79	315.66	(51.87)	(16.43%)

5. Key Financial Ratios

Profitability Ratios		2020	2021
Gross Profit (After Depreciation)	(Percent)	20.86	20.03
EBITDA	(Percent)	34.85	34.04
EBIT	(Percent)	11.52	12.61
Net (Loss) Profit	(Percent)	5.05	7.30

Efficiency Ratios		2020	2021
Return on Assets	(Percent)	2.28	3.65
Return on Fix Assets	(Percent)	10.66	18.88
Return on Equity	(Percent)	10.53	13.83

Leverage Ratios		2020	2021
Debt to Equity ratio	(times)	3.15x	2.46x
Interest Bearing Debt to Equity ratio	(times)	2.85x	2.18x