



LANNA RESOURCES PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS



**FOR THE CONSOLIDATED FINANCIAL STATEMENTS OF THE 3RD QUARTER 2016
AND THE FIRST 9-MONTH PERIOD OF 2016**



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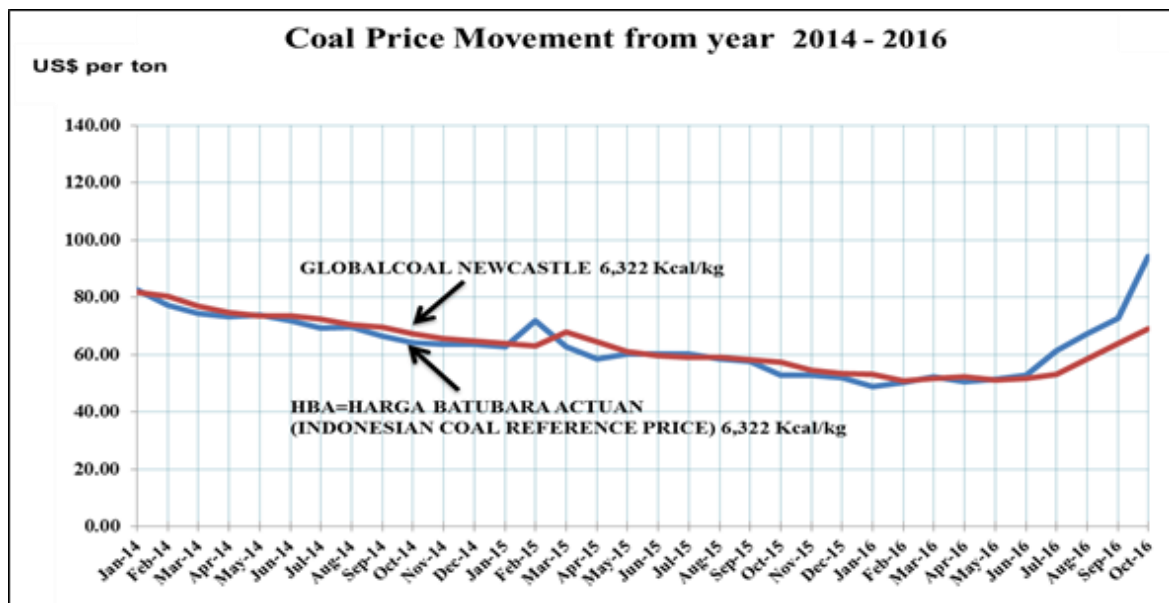
MANAGEMENT DISCUSSION AND ANALYSIS

(For the Consolidated Financial Statements of the 3rd Quarter 2016 and the First 9-Month Period of 2016)

OVERALL OPERATING RESULTS

The Company's revenue in the 3rd quarter 2016 and the first 9-month period of 2016 were Baht 2,121.95 million and Baht 6,959.16 million, which decreased from the same period last year by 1.26 and 8.93 percent, respectively. The net profit derived from shareholding proportion of the Company in the 3rd quarter 2016 and the first 9-month period of 2016 were Baht 74.23 million and Baht 258.72 million, which increased from the same period last year by 128.40 and 15.50 percent, respectively. This was due to the increase in profit from coal business together with the increase in interest received and foreign exchange gain.

COAL BUSINESS: The coal prices in global market have been continuously increasing since the 3rd quarter 2016 but there is no significant impact with the operations and net profit since the Company has entered into certain coal sales contracts in advance from the beginning of 2016.



In summary, the revenue from the coal business in the 3rd quarter 2016 was Baht 1,516.79 million which increased from the same period last year by 0.89 percent, but the revenue from coal business in the first 9-month period of 2016 was Baht 4,973.06 million, which decreased from the same period last year by 11.46 percent. Despite the increase in revenue from the coal business in the 3rd quarter 2016 and the first 9-month period of 2016 from the same period last year by 18.91 and 2.65 percent, the average coal selling price in the 3rd quarter 2016 and the first 9-month of 2016 were still lower than the same period last year by 15.15 and 13.74 percent, respectively. The net profit derived from shareholding proportion in the 3rd quarter 2016 and the first 9-month period of 2016 were Baht 30.28 million and Baht 91.43 million, which increased from the same period last year by 1,866.23 and 22.82 percent, respectively, as the Company was able to reduce cost of sales and other expenses, as well as choosing product mix for sale with good profit margin.

ETHANOL BUSINESS: The revenue in the 3rd quarter 2016 and the first 9-month period of 2016 were Baht 585.15 million and Baht 1,916.01 million, which decreased from the same period last year by 8.38 and 4.25 percent, respectively. Despite the increase in ethanol sales volume in the 3rd quarter 2016 and the first 9-month of 2016 from the same period last year by 0.57 and 7.40 percent but the average ethanol selling price in the 3rd quarter 2016 and the first 9-month of 2016 were still lower than the same period last year by 8.88 and 10.86 percent, respectively. This was due to the fact that the global fuel price remained at low level. The net profit derived from shareholding proportion of the Company in the 3rd quarter 2016 was Baht 19.66 million which increased from the same period last year by 0.20 percent but the net profit derived from shareholding proportion in the first 9-month period of 2016 was Baht 83.70 million, which decreased from the same period last year by 22.70 percent. The ethanol business has been continuously profitable as well as the coal business as mentioned above.

OPERATING RESULTS ANALYSIS

Revenue (Unit: Million Baht)	Quarter			Increase (Decrease)		First 9-Month Period (Jan. – Sept.)		Increase (Decrease) (%)
	2/2016	3/2016	3/2015	YoY (%)	QoQ (%)	2016	2015	
Revenue from Coal Sales	1,571.54	1,516.79	1,503.36	0.89	(2.90)	4,973.06	5,616.55	(11.46)
Revenue from Ethanol Sales	680.65	585.15	638.67	(8.38)	(14.69)	1,916.01	2,001.13	(4.25)
Other Revenue	12.23	20.01	6.94	188.33	20.55	70.09	24.03	191.68
Total	2,264.42	2,121.95	2,148.97	(1.26)	(5.54)	6,959.16	7,641.71	(8.93)

REVENUE

(1) The Company's revenue in the 3rd quarter 2016 totaled Baht 2,121.95 million, which decreased from the same period last year by Baht 27.02 million or 1.26 percent due to the following reasons:

(1.1) Revenue from coal business were Baht 1,516.79 million, which increased from the same period last year by Baht 13.43 million or 0.89 percent. This was due to the increase in coal sales volume of 18.91 percent but the average coal selling price decrease by 15.15 percent. Despite recent increase in global coal prices, the Company had entered into certain coal sales contracts in advance from the beginning of 2016.

(1.2) Revenue from ethanol business were Baht 585.15 million, which decreased from the same period last year by Baht 53.52 million or 8.38 percent due to an increase in ethanol sales volume of 0.57 percent, but the average ethanol selling price decreased by 8.88 percent due to the falling global fuel prices, which had remained at low level.

(1.3) Other revenues were Baht 20.01 million, which increased from the same period last year by Baht 13.07 million or 188.33 percent due to the increase in interest received and foreign exchange gain.

(2) The Company's revenue in the first 9-month period of 2016 totaled Baht 6,959.16 million, which decreased from the same period last year by Baht 682.55 million or 8.93 percent due to the following reasons:

(2.1) Revenue from coal business were Baht 4,973.06 million, which decreased from the same period last year by Baht 643.49 million or 11.46 percent. This was due to the increase in coal sales volume of 2.65 percent but the average coal selling price decrease by 13.74 percent. Despite recent increase in global coal prices, the Company had entered into certain coal sales contracts in advance from the beginning of 2016.

(2.2) Revenue from ethanol business were Baht 1,916.01 million, which decreased from the same period last year by Baht 85.12 million or 4.25 percent due to an increase in ethanol sales volume of 7.40 percent, but the average ethanol selling price decreased by 10.86 percent due to the falling global gasoline prices, which had remained at low level.

(2.3) Other revenues were Baht 70.09 million, which increased from the same period last year by Baht 46.06 million or 191.68 percent due to the increase in interest received and foreign exchange gain.

Expenses (Unit: Million Baht)	Quarter			Increase (Decrease)		First 9-Month Period (Jan. – Sept.)		Increase (Decrease) (%)
	2/2016	3/2016	3/2015	YoY (%)	QoQ (%)	2016	2015	
Coal Business								
Cost of sales	1,114.21	1,055.82	1,039.63	1.56	(4.41)	3,493.51	3,818.31	(8.51)
Selling and administrative expenses	418.97	377.73	453.01	(16.62)	(9.34)	1,238.09	1,573.15	(21.30)
Financial cost	0.83	1.12	2.60	(56.92)	19.33	3.45	9.11	(62.13)
Corporate income tax	20.85	34.60	28.03	23.44	29.42	102.20	141.11	(27.57)
Ethanol Business								
Cost of sales	613.14	524.45	575.62	(8.89)	(16.82)	1,664.84	1,697.15	(1.90)
Selling and administrative expenses	17.19	11.59	11.88	(2.44)	(40.97)	42.46	36.48	16.39
Financial cost	9.98	8.24	10.60	(22.26)	(16.04)	29.08	38.92	(25.28)
Corporate income tax	2.39	1.29	1.69	(23.67)	(11.35)	13.36	14.83	(9.91)

COAL BUSINESS EXPENSES

(1) Coal business expenses in the 3rd quarter 2016 totaled Baht 1,469.27 million, which decreased from the same period last year by Baht 54 million or 3.55 percent, due to the following reasons:

(1.1) Cost of coal sales increased from the same period last year by Baht 16.19 million or 1.56 percent. This was due to the increase in coal sales volume by 18.91 percent, but the cost of coal sales decreased by 14.59 percent.

(1.2) Selling and administrative expenses decreased from the same period last year by Baht 75.28 million or 16.62 percent due to foreign exchange loss in the 3rd quarter 2016 of Baht 87.16 million but no such incurred expenses in the 3rd quarter 2016.

(1.3) Financial expenses decreased from the same period last year by Baht 1.48 million or 56.92 percent.

(1.4) Corporate income tax increased from the same period last year by Baht 6.57 million or 23.44 percent due to the increase in profit.

(2) Coal business expenses in the first 9-month period of 2016 totaled Baht 4,837.25 million, which decreased from the same period last year by Baht 704.43 million or 12.71 percent, due to the following reasons:

(2.1) Cost of coal sales decreased from the same period last year by Baht 324.80 million or 8.51 percent. This was due to the increase in coal sales volume by 2.65 percent, but cost of coal sales decreased by 10.86 percent.

(2.2) Selling and administrative expenses decreased from the same period last year by Baht 335.06 million or 21.30 percent. This was due to the decrease in coal sales volume and foreign exchange loss in the first 9-month period of 2016 of Baht 132.54 million but no such incurred expenses in the first 9-month of 2016

(2.3) Financial expenses decreased from the same period last year by Baht 5.66 million or 62.13 percent.

(2.4) Corporate income tax decreased from the same period last year by Baht 38.91 million or 27.57 percent.

ETHANOL BUSINESS EXPENSES

(1) Ethanol business expenses in the 3rd quarter 2016 totaled Baht 545.57 million, which decreased from the same period last year by Baht 54.22 million or 9.04 percent, due to the following reasons:

(1.1) Cost of ethanol sales decreased from the same period last year by 51.17 million or 8.89 percent. This was due to the increase in ethanol sales volume of 0.57 percent but the molasses price, which is a raw material and a major cost, decreased by 11.11 percent.

(1.2) Selling and administrative expenses decreased from the same period last year by Baht 0.29 million or 2.44 percent.

(1.3) Financial expenses decreased from the same period last year by Baht 2.36 million or 22.26 percent due to loan repayment according to terms and repayment schedule in the loan agreement.

(1.4) There was no corporate income tax on the earnings from the Ethanol Production Line No. 2, having received the Board of Investment Promotion according to the Investment Promotion Act B.E. 2520. However, the Investment Promotion for the Ethanol Production Line No. 1 has been expired, with incurred corporate income tax of Baht 1.29 million, which decreased from the same period last year by Baht 0.40 million or 23.67 percent due to the decrease in profit.

(2) Ethanol business expenses in the first 9-month period of 2016 totaled Baht 1,749.74 million, which decreased from the same period last year by Baht 36.17 million or 2.02 percent, due to the following reasons:

(2.1) Cost of ethanol sales decreased from the same period last year by Baht 32.31 million or 1.90 percent. Despite the increase in ethanol sales volume of 7.40 percent but the molasses price, which is a raw material and a major cost, decreased by 10.29 percent.

(2.2) Selling and administrative expenses increased from the same period last year by Baht 5.98 million or 16.39 percent. This was due to the increase in ethanol sales volume.

(2.3) Financial expenses decreased from the same period last year by Baht 9.84 million or 25.28 percent due to loan repayment according to terms and repayment schedule in the loan agreement.

(2.4) There was no corporate income tax on the earnings from the Ethanol Production Line No. 2, having received the Board of Investment Promotion according to the Investment Promotion Act B.E. 2520. However, the Investment Promotion for the Ethanol Production Line No. 1 has been expired, with incurred corporate income tax of Baht 13.36 million, which decreased from the same period last year by Baht 1.47 million or 9.91 percent due to the decrease in profit.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
3rd Quarter (July - September)						
Year 2016						
Revenues from sales	1,516.79	100.00	585.15	100.00	2,101.94	100.00
Less Cost of sales	1,055.82	69.61	524.45	89.63	1,580.27	75.18
Gross Profit	460.97	30.39	60.70	10.37	521.67	24.82
Year 2015						
Revenues from sales	1,503.36	100.00	638.67	100.00	2,142.03	100.00
Less Cost of sales	1,039.63	69.15	575.62	90.13	1,615.25	75.41
Gross Profit	463.73	30.85	63.05	9.87	526.78	24.59
9-Month Period (January – September)						
Year 2016						
Revenues from sales	4,973.06	100.00	1,916.01	100.00	6,889.07	100.00
Less Cost of sales	3,493.51	70.25	1,664.84	86.89	5,158.35	74.88
Gross Profit	1,479.55	29.75	251.17	13.11	1,730.72	25.12
Year 2015						
Revenues from sales	5,616.55	100.00	2,001.13	100.00	7,617.68	100.00
Less Cost of sales	3,818.31	67.98	1,697.15	84.81	5,515.46	72.40
Gross Profit	1,798.24	32.02	303.98	15.19	2,102.22	27.60

GROSS PROFIT

(1) The Company's gross profit in the 3rd quarter 2016 was Baht 521.67 million, or 24.82 percent of the sales revenue. When compared with the gross profit of the same period last year of Baht 526.78 million or 24.59 percent of the sales revenue, the gross profit decreased due to the following reasons:

(1.1) Gross profit from coal business was 30.39 percent of the sales revenue, which slightly decreased from the same period last year with gross profit of 30.85 of the sales revenue. This was due to the decrease in coal selling price of 15.15 percent, while the cost of coal sales decreased by only 14.59 percent.

(1.2) Gross profit from ethanol business was 10.37 percent of the sales revenue, which increased from the same period last year with gross profit of 9.87 percent of the sales revenue. This was due to the decrease in ethanol selling price of 8.88 percent, but the cost of ethanol sales decreased by 9.40 percent.

(2) The Company's gross profit in the first 9-month period of 2016 was Baht 1,730.72 million, or 25.12 percent of the sales revenue. When compared with the gross profit of the same period last year of Baht 2,102.22 million or 27.60 percent of sales revenue, the gross profit decreased due to the following reasons:

(2.1) Gross profit margin from coal business was 29.75 percent of the sales revenue, which decreased from the same period last year with gross profit of 32.02 of the sales revenue. This was due to the decrease in coal selling price of 13.74 percent, while the cost of coal sales decreased by only 10.86 percent.

(2.2) Gross profit margin from ethanol business was 13.11 percent of the sales revenue, which decreased from the same period last year with gross profit of 15.19 percent of the sales revenue. This was due to the decrease in ethanol selling price of 10.86 percent, but the cost of ethanol sales decreased by 8.70 percent.

Net Profit (Unit: Million Baht)	Quarter			Increase (Decrease)		First 9-Month Period (Jan. –Sept.)		Increase (Decrease) (%)
	2/2016	3/2016	3/2015	YoY (%)	QoQ (%)	2016	2015	
Profit from Coal Business	15.49	30.28	1.54	1,866.23	32.41	91.43	74.44	22.82
Profit from Ethanol Business	18.81	19.66	19.62	0.20	1.88	83.70	108.28	(22.70)
Other revenue and share of income from investment in associate company	15.14	24.29	11.34	114.12	20.72	83.59	41.28	102.50
Net Profit	49.44	74.23	32.50	128.40	18.36	258.72	224.00	15.50
Net Earnings per Share (Baht per Share)	0.09	0.14	0.06	128.40	18.36	0.49	0.43	15.50

NET PROFIT

(1) The Company's net profit in the 3rd quarter 2016 was Baht 74.23 million, or net earnings per share of Baht 0.14. When compared with the same period last year, the net profit increased by Baht 41.73 million, or an increase in net earnings per share of Baht 0.08 or 128.40 percent, due to the following reasons:

(1.1) Net profit from coal business derived from shareholding proportion of the Company was Baht 30.28 million or 40.79 percent of the total net profit, which increased from the same period last year by Baht 28.74 million or 1,866.23 percent. This was due to the increase in coal sales volume and the decrease in selling and administrative expenses and financial expenses as mentioned above.

(1.2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 19.66 million or 26.49 percent of the total net profit, which increased from the same period last year by Baht 0.04 million or 0.20 percent due to the decrease in the average ethanol selling price of 8.88 percent but the molasses price, which is a raw material and a major cost, decreased by 11.11 percent.

(1.3) Other revenues and share of income from investment in the associate company was Baht 24.29 million or 32.72 percent of the total net profit, which increased from the same period last year by Baht 12.95 million or 114.20 percent due to the increase in interest received and foreign exchange gain.

(2) The Company's net profit in the first 9-month period of 2016 was Baht 258.72 million, or net earnings per share of Baht 0.49. When compared with the same period last year, the net profit increased by Baht 34.72 million, or an increase of net earnings per share of Baht 0.06 or 15.50 percent, due to the following reasons:

(2.1) Net profit from coal business derived from shareholding proportion of the Company was Baht 91.43 million or 35.34 percent of the total net profit, which increased from the same period last year by Baht 16.99 million or 22.82 percent due to the increase in coal sales volume and the decrease in selling and administrative expenses and financial expenses as mentioned above.

(2.2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 83.70 million or 32.35 percent of the total net profit, which decreased from the same period last year by Baht 24.58 million or 22.70 percent due to the decrease in the average ethanol selling price of 10.86 percent, but the molasses price, which is a raw material and a major cost, decreased by 10.29 percent.

(2.3) Other revenues and share of income from investment in the associate company was Baht 83.59 million or 32.31 percent of the total net profit, which increased from the same period last year by Baht 42.31 million or 102.50 percent due to the increase in interest received and foreign exchange gain.

EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) in the first 9-month period of 2016 was Baht 915.83 million, which decreased from the same period last year by Baht 96.39 million or 9.52 percent and EBITDA margin was at 13.16 percent, which decreased from the same period last year by 0.65 percent.

(2) Net profit margin in the first 9-month period of 2016 was at 5.54 percent, which increased from the same period last year by 28.37 percent.

(3) Return on equity in the first 9-month period of 2016 was at 6.09 percent, which increased from the same period last year by 15.94 percent.

(4) Return on total assets in the first 9-month period of 2016 was at 4.59 percent, which increased from the same period last year by 22.13 percent. The return on fixed assets in the first 9-month period of 2016 was at 23.29 percent, which decreased from the same period last year by 1.93 percent.

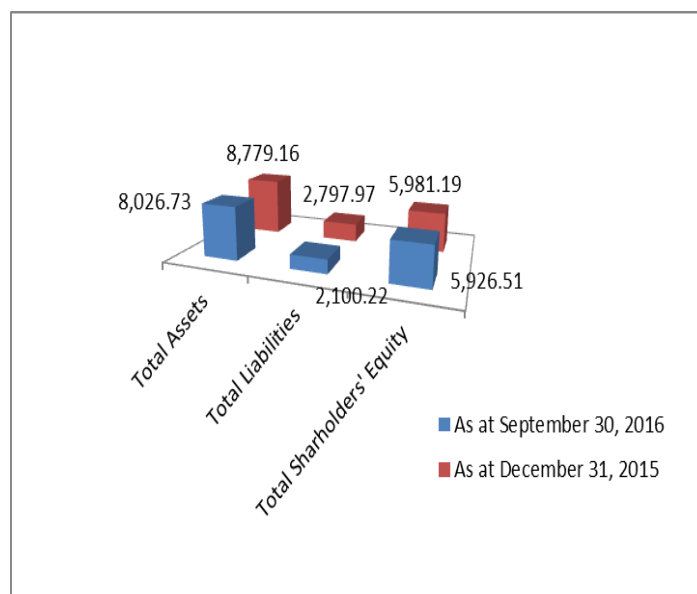
STATEMENT OF FINANCIAL POSITION

Financial Position	Unit: Million Baht		Increase (Decrease)	
	As at September 30, 2016	As at December 31, 2015	Million Baht	%
Total Assets	8,026.73	8,779.16	(752.43)	(8.57)
Total Liabilities	2,100.22	2,797.97	(697.75)	(24.94)
Total Shareholders' Equity	5,926.51	5,981.19	(54.68)	(0.91)
Book Value-Baht per Share	8.08	8.11	(0.03)	(0.37)

Remark: Registered par value of Baht 1 per share

ASSETS: The Company's total assets as at September 30, 2016 decreased from end of year of 2015 by Baht 752.43 million or a decrease of 8.57 percent, consisting of: (1) Current assets decreased from end of year of 2015 by Baht 580.35 million or 12.99 percent, due to (A) cash and cash equivalent increased by Baht 268.20 million or 17.75 percent; (B) trade accounts receivable and other accounts receivable decreased by Baht 232.79 million or 28.86 percent; (C) inventories increased by Baht 49.67 million or 10.39 percent; and (D) other current assets decreased by Baht 665 million or 39.92 percent. (2) Non-current assets, most of which were deposits with guarantee, decreased from end of year of 2015 by Baht 172.08 million or 3.79 percent.

LIABILITIES: The Company's total liabilities as at September 30, 2016 decreased from end of year of 2015 by Baht 697.75 million or 24.94 percent, consisting of: (1) Trade accounts payable and other accounts payable decreased from end of year of 2015 by Baht 96.09 million or 23.39 percent (2) Loan decreased from end of year of 2015 by Baht 493.50 million or 32.58 percent due to loan repayment by subsidiary company according to the terms and repayment schedule in the loan agreement.(3) Accrued expenses, most of which were overburden removal expenses, freight cost, etc., decreased from end of year of 2015 by Baht 137.04 million or 25.54 percent. (4) Other liabilities, most of which were provision for mine rehabilitation and allowance for long-term benefits of employees, etc., increased from end of year of 2015 by Baht 28.88 million or 8.59 percent.



TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at September 30, 2016 decreased from end of year of 2015 by Baht 54.68 million or 0.91 percent, resulting in a decrease of the share's book value from Baht 8.11 per share to Baht 8.08 per share, a decrease of Baht 0.03 per share or 0.37 percent. This was due to: (1) an increase in net profit of Baht 48.72 million or 1.71 percent, due to an increase in net profit of Baht 258.72 million but there was a dividend payment of Baht 210 million (2) a net decrease in translation adjustment in financial statements and other items of Baht 62.82 million or 48.26 percent, and (3) a decrease in minority shareholders' equity of Baht 40.58 million or 2.35 percent.

CASH FLOWS

Description	Unit: Million Baht	
	First 9-Month Period of 2016	First 9-Month Period of 2015
Cash Flows from (used in) Operating Activities	1,357.41	1,610.91
Cash Flows from (used in) Investing Activities	(347.09)	(496.94)
Cash Flows from (used in) Financing Activities	(873.00)	(771.23)
Increase (Decrease) in Translation Adjustments in Financial Statements	26.95	(118.24)
Net Increase (Decrease) in Cash	164.27	224.50
Cash at the beginning of the period	660.15	446.92
Cash at the end of the period	824.42	671.42

(1) The Company's net cash from operating activities in the first 9-month period of 2016 was Baht 1,357.41 million, consisting of: (A) income before corporate income tax and interest expense of Baht 501.23 million; (B) transactions that did not affect the cash such as depreciation and amortization of assets of Baht 427.67 million, most of which were mostly transactions concerning coal mining operations of the subsidiary companies in Indonesia; (C) a decrease in operating assets of Baht 755.57 million due to a decrease in current assets; (D) a decrease in operating liabilities of Baht 255.41 million due to a decrease in trade accounts payable and in accrued expenses; and (E) an increase in interest received of Baht 17.59 million, despite an increase in interest expense and taxes of Baht 89.24 million.

(2) The Company's net cash used in investing activities in the first 9-month period of 2016 was Baht 347.09 million, consisting of: (A) an increase in properties, buildings and equipment of Baht 115.27 million, most of which was construction of a biogas power plant and molasses tanks of the subsidiary company; (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 164 million; and (C) short-term capital investment and other items which increased by a total of Baht 67.82 million.

(3) The Company's net cash used in financing activities in the first 9-month period of 2016 was Baht 873 million, including (A) a decrease in loan of Baht 495.47 million, (B) dividend payment of Baht 339.87 million, and (D) a decrease in minority shareholders' equity of Baht 37.66 million.

ASSET MANAGEMENT CAPABILITY

(1) The Company's trade accounts receivable and other accounts receivable as at September 30, 2016 were 7.22 percent of total asset. The provision of doubtful debts are considered based on a review of receivable period and assessment of past debt collection experience.

Accordingly, the Company has experienced very little bad debt and has not found any unusual transaction and therefore, there was no provision for doubtful debt in the first 9-month period of 2016.

(2) Inventory as at September 30, 2016 was 6.58 percent of total assets, having established allowance for impairment loss of inventory in the 3rd quarter 2016 due to lower market price of Baht 6.46 million.

(3) Goodwill from investment in the subsidiary company in Indonesia as at September 30, 2016 is accounted for 2.32 percent of total assets, of which the Company has considered financial projection and impact in various aspects and found that it was not yet necessary for establishment of allowance for goodwill impairment from investment in the first 9-month period of 2016.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The Company's total debt to equity ratio as at September 30, 2016 was as low as 0.35 to 1. By having appropriate capital structure, the Company should still be able to borrow additional capital for future investment projects as the interest coverage ratio in the first 9-month period of 2016 is as high as 28.15 times. Therefore, the Company should not have any problem concerning with default of interest payment.

(2) The Company's current ratio and quick ratio as at September 30, 2016 were as high as 2.54 times and 1.53 times, respectively. In addition, the Company and its subsidiary companies have adequate credit line for working capital in the future and therefore have no financial liquidity problem.

(3) The Company's cash cycle in the first 9-month period of 2016 was at 37 days, a decrease from the same period last year of 3 days. The average debt collection period was at 27 days, an increase from the same period last year of 2 days. The average inventory turnover was at 26 days, a decrease from the same period last year of 9 days. However, the average debt repayment period was at 16 days or a decrease from the same period last year of 4 days, which is still within normal standard.

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 times and debt service coverage ratio (DSCR) of no less than 1.25 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 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.

IMPACT TO FUTURE OPERATIONS

Coal Business: It is expected that coal prices in global market during the last 6 months of 2016 will continue to rise. However, there is no significant impact with the operations and the net profit of the Company since the Company has entered into coal sales contracts in advance from the beginning of 2016. Meanwhile, the Company has revised its investment plan to invest in coal-fired power plant projects in Thailand and Indonesia. The Company and its subsidiary companies have capability to invest in such projects, having its own coal mine concessions which should generate more revenue and profit in the future.

Ethanol Business: According to Thai Government has announced the Alternative Energy Development Plan B.E. 2558–2579 which aims to increase ethanol consumption from 3.49 million liters per day in 2015 to 11.30 million liters per day within 2036 and to increase pricing difference between Gasohol E20 and E10 as incentive for Gasohol E20 usage via the Oil Fund mechanism. This should have a positive impact to overall ethanol industry. Regardless, fuel prices in the global market still fluctuate, which has an impact on ethanol sales volume and selling price in the future. Accordingly, the Company has put in place a plan to improve ethanol production efficiency and effectiveness in order to reduce costs and other expenses to ensure continuous profitability.

Nonetheless, the Company and the subsidiary companies can still be profitable in both businesses in 2016, despite the downtrend of global fuel markets. Accordingly, the Company shall endeavor to manage and resolve all the problems with prudence to ensure good operating results in 2016 and proceed with regular dividend payments according to the established policy.
