



LANNA RESOURCES Public Company Limited

บริษัท ลานนา รีซอร์สเซส จำกัด (มหาชน)

Ref. No. 0564/31E

May 14, 2021

Subject: Clarification on the Operating Results for the 1st Quarter 2021

Attn: President
The Stock Exchange of Thailand

The Company wishes to report on the Company's operating results for the 1st quarter 2021, having details as follows:

Net profit of the Company and subsidiary companies in the 1st quarter 2021 totaled Baht 242.63 million, which increased from the 1st quarter 2020 by Baht 64.27 million and net earnings per share was Baht 0.46 per share, which increased from the same period last year by Baht 0.12 per share or 36.03 percent, due to the following reasons:

(1) Net profit from coal business and wood pellet business derived from shareholding proportion of the Company was Baht 212.11 million, which increased from the same period last year by Baht 78.30 million or 58.52 percent. This was due to the increase in average coal selling price of 13.20 percent.

(2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 29.04 million, which decreased from the same period last year by Baht 13.62 million or 31.93 percent. This was due to the decrease in ethanol sales volume of 21.14 percent and the molasses price, which is a major cost of ethanol production, increased by over 23.77 percent.

(3) Share of income from associated company was Baht 1.48 million, which increased from the same period last year by Baht 0.41 million or 21.69 percent.

Please be informed accordingly.

Yours faithfully,
For and on behalf of
Lanna Resources Public Company Limited

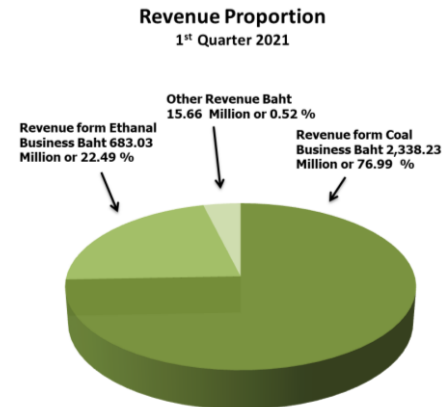
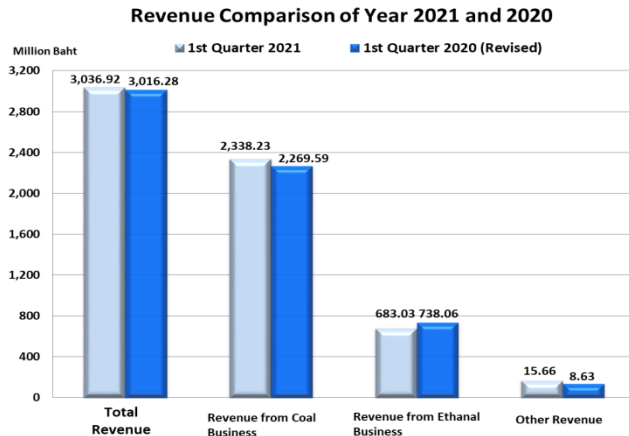
(Mrs. Petcharat Chayanon)
Chief Officer – Accounting and Finance

MANAGEMENT DISCUSSION AND ANALYSIS

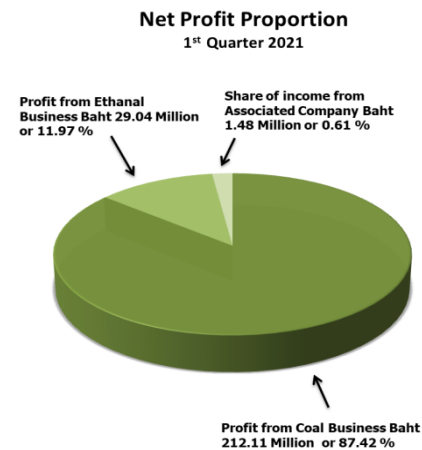
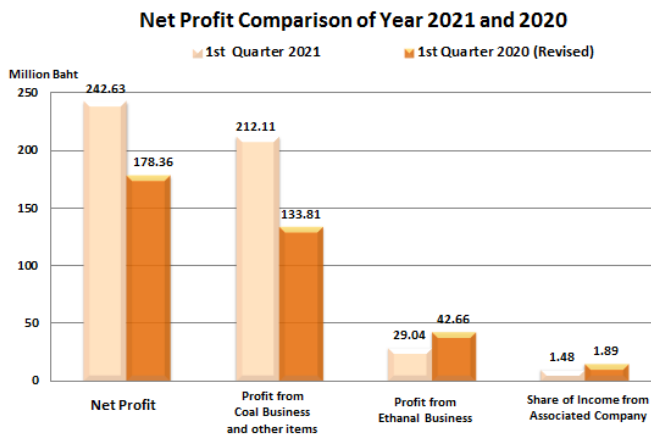
(For the Consolidated Financial Statements of the 1st quarter 2021)

OVERALL OPERATING RESULTS

The total revenue of the Company and subsidiary companies in the 1st quarter 2021 was Baht 3,036.92 million, which increased from the previous year by Baht 20.64 million or 0.68 percent. The revenue proportion from coal business, ethanol business and other revenue accounted for 76.99, 22.49 and 0.52 percent, respectively.



The Company and subsidiary companies had total net profit in the 1st quarter 2021 of Baht 242.63 million or 0.46 per share, which increased from the previous year by Baht 64.27 million or Baht 0.12 per share, accounted for 36.03 percent. The net profit proportion from coal business, ethanol business, and share of income from associated company accounted for 87.42, 11.97 and 0.61 percent, respectively, with the net profit margin of 13.70 percent, the EBITDA margin of 27.92 percent, and the return on equity of 5.32 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at March 31, 2021 were considered in good standing. The current ratio was as high as 1.76 times and the quick ratio was at 1.10 times and the total debt to total assets ratio was at the low level of only 35.62 percent with debt to equity ratio of only 55.33 percent.

Operating Results of the Coal Business or the Core Business: The Company and subsidiary companies had total revenue from coal business in the 1st quarter 2021 of Baht 2,338.23 million, which increased from the 1st quarter 2020 by Baht 68.64 million or 3.02 percent, due to the increase in the average coal selling price from the same period last year of 13.20 percent but coal sales volume decreased from the same period last year by 9.01 percent. The net profit derived from shareholding proportion of the Company was Baht 212.11 million, which increased from the 1st quarter 2020 by Baht 78.30 million or 58.52 percent.

Operating Results of the Ethanol-for-Fuel Business or the Secondary Core Business: The Company and subsidiary company had total revenue in the 1st quarter 2021 of Baht 683.03 million, which decreased from the 1st quarter 2020 by Baht 55.03 million or 7.46 percent, due to the decrease in ethanol sales volume from the same period last year of 21.14 percent but the average ethanol selling price increased from the same period last year by 17.37 percent. The net profit derived from shareholding proportion of the Company was Baht 29.04 million, which decreased from the 1st quarter 2020 by Baht 13.62 million, or 31.93 percent.

Operating Results Analysis

Revenue	1 st Quarter 2021		1 st Quarter 2020 (Revised)		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Coal Sales	2,338.23	76.99	2,269.59	75.24	68.64	3.02
Revenue from Ethanol Sales	683.03	22.49	738.06	24.47	(55.03)	(7.46)
Other Revenue	15.66	0.52	8.63	0.29	7.03	81.46
Total Revenue	3,036.92	100.00	3,016.28	100.00	20.64	0.68

REVENUE:

Revenue of the Company and subsidiary companies in the 1st quarter 2021 totaled Baht 3,036.92 million, which increased from the previous year by Baht 20.64 million or 0.68 percent due to the following reasons:

(1) Revenue from coal business, which is the core business, was Baht 2,338.23 million, which increased from the 1st quarter 2020 by Baht 68.64 million or 3.02 percent. This was due to the increase in average coal selling price from the same period last year of 13.20 percent as described above.

(2) Revenue from ethanol business, which is the secondary core business, was Baht 683.03 million, which decreased from the 1st quarter 2020 by Baht 55.03 million or 7.46 percent. This was due to the decrease in ethanol sales volume from the same period last year of 21.14 percent as described above.

(3) Other revenue totaled Baht 15.66 million, which increased from the same period last year by Baht 7.03 million or 81.46 percent. This was due to the subsidiary company in Indonesia had an increase in revenue from port services.

Expenses	1 st Quarter 2021		1 st Quarter 2020 (Revised)		Increase (Decrease)	
	Million Baht	% Sales	Million Baht	% Sales	Million Baht	% Sales
Coal Business						
Cost of Sales	1,119.78	47.89	1,252.92	55.20	(133.14)	(10.63)
Selling and Administrative Expenses	659.21	28.19	708.84	31.23	(49.63)	(7.00)
Financial Expense	1.03	0.04	0.44	0.02	0.59	134.09
Corporate Income Tax	216.38	9.25	111.94	4.93	104.44	93.30
Ethanol Business						
Cost of Sales	589.76	86.34	621.40	84.19	(31.64)	(5.09)
Selling and Administrative Expenses	20.83	3.05	19.39	2.63	1.44	7.43
Financial Expense	8.88	1.30	12.24	1.66	(3.36)	(27.45)
Corporate Income Tax	6.62	0.97	1.93	0.26	4.69	243.01

COAL BUSINESS EXPENSES

Coal business expenses of the Company and subsidiary companies in the 1st quarter 2021 totaled Baht 1,996.40 million, which decreased from the 1st quarter 2020 by Baht 77.74 million or 3.75 percent, due to the following reasons:

(1) Cost of coal sales decreased from the same period last year by Baht 133.14 million or 10.63 percent, due to the decrease in coal sales volume of 9.01 percent as described above.

(2) Selling and administrative expenses decreased from the same period last year by Baht 49.63 million or 7.00 percent in line with the decrease in coal sales volume as described above.

(3) Financial expense increased from the same period last year by Baht 0.59 million or 134.09 percent due to the increase in interest expense; and

(4) Corporate income tax increased from the same period last year by Baht 104.44 million or 93.30 percent due to the increase in profit.

ETHANOL BUSINESS EXPENSES

Ethanol business expenses of the subsidiary company in the 1st quarter 2021 totaled Baht 626.09 million, which decreased from the 1st quarter 2020 by Baht 28.87 million or 4.41 percent, due to the following reasons:

(1) Cost of ethanol sales decreased from the same period last year by Baht 31.64 million or 5.09 percent due to the decrease in ethanol sales volume of 21.14 percent as described above.

(2) Selling and administrative expenses increased from the same period last year by Baht 1.44 million or 7.43 percent due to the increase in freight cost.

(3) Financial expense decreased from the same period last year by Baht 3.36 million or 27.45 percent due to the decrease in interest expenses; and

(4) The corporate income tax increased from the same period last year by Baht 4.69 million or 243.01 percent due to the expiration of corporate income tax exemption of the Production Line No. 2 of the ethanol production plant since April 2, 2020.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
1st Quarter 2021						
Revenues from sales	2,338.23	100.00	683.03	100.00	3,021.26	100.00
Less Cost of sales	1,119.78	47.89	589.76	86.34	1,709.54	56.58
Gross Profit	1,218.45	52.11	93.27	13.66	1,311.72	43.42
1st Quarter 2020						
Revenues from sales	2,269.59	100.00	738.06	100.00	3,007.65	100.00
Less Cost of sales	1,252.92	55.20	621.40	84.19	1,874.32	62.32
Gross Profit	1,016.67	44.80	116.66	15.81	1,133.33	37.68

GROSS PROFIT

Gross profit of the Company and subsidiary companies in the 1st quarter 2021 totaled Baht 1,311.72 million or 43.42 percent of the sales revenue, which increased from the 1st quarter 2020 with the gross profit of Baht 1,133.33 million or 37.68 percent of the sales revenue, due to the following reasons:

(1) Gross profit from coal business in the 1st quarter 2021 was 52.11 percent of the sales revenue, which increased from the 1st quarter 2020 with gross profit of 44.80 percent of the sales revenue. This was due to the increase in average coal selling price of 13.20 percent and the average cost of coal sales decreased by 1.77 percent.

(2) Gross profit from ethanol business in the 1st quarter 2021 was 13.66 percent of the sales revenue, which decreased from the 1st quarter 2020 with gross profit of 15.81 percent of the sales revenue. This was due to the average ethanol selling price slightly increased by 17.37 percent but the average cost of ethanol sales increased by 20.36 percent due to 23.77 percent increase in the molasses price, which is the raw material and a major cost of ethanol production.

Net Profit	1 st Quarter 2021		1 st Quarter 2020 (Revised)		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit (Loss) from Coal Business and Wood Pallet Business	212.11	87.42	133.81	75.02	78.30	58.52
Profit form Ethanol Business	29.04	11.97	42.66	23.92	(13.62)	(31.93)
Share of Income from Associated Company	1.48	0.61	1.89	1.06	(0.41)	(21.69)
Net Profit	242.63	100.00	178.36	100.00	64.27	36.03
Net Earnings per share (Baht per share)	0.46		0.34		0.12	36.03
Remarks: Registered par value of Baht 1 per share						

NET PROFIT

The net profit of the Company and subsidiary companies in the 1st quarter 2021 totaled Baht 242.63 million, which increased from the 1st quarter 2020 by Baht 64.27 million and net earnings per share was Baht 0.46 per share, which increased from the same period last year by Baht 0.12 per share or 36.03 percent, due to the following reasons:

(1) Net profit from coal business and wood pellet business derived from shareholding proportion of the Company was Baht 212.11 million, which increased from the same period last year

by Baht 78.30 million or 58.52 percent. This was due to the increase in coal selling price as described above.

(2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 29.04 million, which decreased from the same period last year by Baht 13.62 million or 31.93 percent due to the decrease in ethanol sales volume and the increase in molasses price, which is the raw material and a major cost of ethanol production as described above.

(3) Share of income from associated company was Baht 1.48 million, which slightly decreased from the previous year by Baht 0.41 million or 21.69 percent.

EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in the 1st quarter 2021 was Baht 847.84 million, which increased from the same period last year by Baht 215.65 million or 34.11 percent and EBITDA margin was at 27.92 percent, which increased from the same period last year by 33.20 percent.

(2) Net profit margin of the Company and subsidiary companies in the 1st quarter 2021 was at 13.70 percent, which increased from the same period last year by 42.90 percent.

(3) Return on equity of the Company and subsidiary companies in the 1st quarter 2021 was at 5.32 percent, which increased from the same period last year by 34.66 percent.

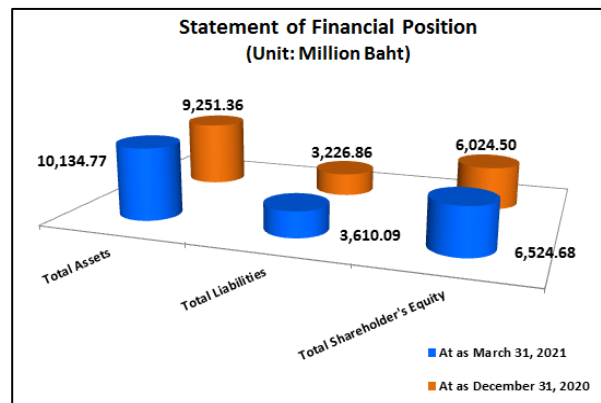
(4) Return on total assets of the Company and subsidiary companies in the 1st quarter 2021 was at 4.29 percent, which increased from the previous year by 48.30 percent. The return on fixed assets in the 1st quarter 2021 was at 14.20 percent, which increased from the same period last year by 25.40 percent.

STATEMENTS OF FINANCIAL POSITION

Description	Unit: Million Baht		Increase (Decrease)	
	As at March 31, 2021	As at December 31, 2020 (Revised)	Million Baht	%
Total Assets	10,134.77	9,251.36	883.41	9.55
Total Liabilities	3,610.09	3,226.86	383.23	11.88
Total Shareholders' Equity	6,524.68	6,024.50	500.18	8.30
Book Value-Baht per Share	8.98	8.38	0.60	7.16

Remark: Registered par value of Baht 1 per share

ASSETS: The total assets of the Company and subsidiary companies as at March 31, 2021 was Baht 10,134.77 million, which increased from the end of year 2020 by Baht 883.41 million or 9.55 percent, due to (1) current assets increased by Baht 843.93 million or 22.67 percent, consisting of: (A) cash and cash equivalent increased by Baht 371.25 million or 26.83 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 197.97 million or 21.25 percent; (C) inventories increased by Baht 247.96 million or



82.02 percent; and (D) other current assets most of which were prepaid corporate income tax, advance payment for goods, etc., increased by Baht 26.75 million or 2.43 percent; and (2) non-current assets increased by Baht 39.48 million or 0.71 percent.

LIABILITIES: The total liabilities of the Company and subsidiary companies as at March 31, 2021 was Baht 3,610.09 million, which increased from the end of year 2020 by Baht 383.23 million or 11.88 percent, due to (1) trade accounts payable and other accounts payable decreased by Baht 17.50 million or 3.64 percent (2) short-term loan and long-term loan of the subsidiary companies increased by Baht 277.94 million or 16.73 percent (3) accrued expenses, most of which were overburden removal expenses and freight cost, etc., increased by Baht 175.66 million or 39.32 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., decreased by Baht 52.87 million or 8.29 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company and subsidiary companies as at March 31, 2021 was Baht 6,524.68 million, which increased from the end of year 2020 by Baht 500.18 million or 8.30 percent, resulting in an increase of the share's book value from Baht 8.38 per share to Baht 8.98 per share, an increase of Baht 0.60 per share or 7.16 percent. This was due to (1) an increase in retained earnings of Baht 246.39 million or 7.56 percent due to the net profit of Baht 242.63 million in the 1st quarter 2021 and the adjustment to comprehensive income of Baht 3.76 million; (2) an increase in translation adjustment in financial of Baht 68.48 million or 105.35 percent; and (3) an increase in minority shareholders' equity of Baht 185.31 million or 11.40 percent.

CASH FLOWS

Description	Unit: Million Baht	
	1 st Quarter 2021	1 st Quarter 2020 (Revised)
Cash Flows from (used in) Operating Activities	274.89	690.48
Cash Flows from (used in) Investing Activities	(176.72)	(115.75)
Cash Flows from (used in) Financing Activities	275.83	(223.56)
Increase (Decrease) in Translation Adjustments in Financial Statements	(2.76)	(59.88)
Net Increase (Decrease) in Cash	371.24	291.29
Cash at the beginning of the period	832.70	477.62
Cash at the end of the period	1,203.94	768.91

(1) The net cash from operating activities of the Company and subsidiary companies in the 1st quarter 2021 totaled Baht 274.89 million, consisting of (A) income before corporate income tax and interest expense of Baht 638.90 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 241.91 million; (C) an increase in operating assets of Baht 456.09 million; (D) a decrease in operating liabilities of Baht 114.45 million; (E) an increase in interest received of Baht 3.50 million; and (F) a net increase in interest expense and taxes of Baht 38.88 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in the 1st quarter 2021 totaled Baht 176.72 million, consisting of (A) properties, buildings and equipment, most of which were wood pellet production plant of the subsidiary company increased by Baht 37.30 million (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 73.17 million; and (C) short-term capital investment and other items increased by Baht 66.25 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in the 1st quarter 2021 totaled Baht 275.83 million, consisting of (A) an increase in loan of Baht 263.81 million (B) dividend payment of Baht 26.77 million; and (C) a decrease in minority shareholders' equity of Baht 38.79 million.

ASSET MANAGEMENT CAPABILITY

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at March 31, 2021 were 11.19 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 1st quarter 2021.

(2) Inventory of the Company and subsidiary companies as at March 31, 2021 was 5.43 percent of total assets without deterioration or impairment of the products. Therefore, there was no allowance for impairment loss of inventory in the 1st quarter 2021.

(3) The Company's goodwill incurred from investment in the subsidiary company as at March 31, 2021 was accounted for 2.32 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 1st quarter 2021.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The total debt-to-equity ratio of the Company and subsidiary companies as at March 31, 2021 was as low as 0.55:1 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 March 31, 2021 was as high as 1.76 times despite the quick ratio was only 1.10 times but there was no liquidity problem. The Company and subsidiary companies have sufficient credit facilities for future working capital.

(3) The cash cycle of the Company and subsidiary companies in the 1st quarter 2021 was 30 days, which decreased from the previous year by 17 days. The average debt collection period was at 30 days, which increased from the previous year by 7 days. The average inventory turnover was at 22 days, which decreased from the previous year by 23 days but the average debt repayment period was at 22 days, which increased from the previous year by 1 day.

DEBT OBLIGATION

(1) 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, which is the lender as follows:

(1.1) The subsidiary company must maintain its D/E ratio (Debt to Equity Ratio) not exceeding 2.5 times and DSCR (Debt Service Coverage Ratio) of no less than 1.1 times until the expiration of the loan agreement. The abovementioned subsidiary company is able to maintain the D/E ratio and DSCR as required by the contractual obligation of the loan without any default.

(1.2) 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.

(1.3) 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 abovementioned 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.

(2) The subsidiary company in a business of wood pellet production and distribution has obligation according to the terms and conditions of the loan agreement with a local commercial bank, which is the lender as follows:

(2.1) The subsidiary company must maintain its DSCR (Debt Service Coverage Ratio) not exceeding 1.1 times and IBDE (Interest Bearing Debt to EBITDA) not exceeding 1.5 times. The lending bank shall consider the above obligations at the end of each year.

(2.2) The Company must maintain its shareholding proportion in the abovementioned subsidiary company of no less than 80 percent of the total number of registered capital.

FUTURE TREND

Coal Business: The operating results in the 1st quarter 2021 are expected to improve as global coal prices began to rise. Nevertheless, the COVID-19 pandemic situation has to be closely monitored. Although the situation in China has improved, but in India, which is another major customer, continues to have a severe outbreak of COVID-19. 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 molasses price outlook in year 2021 is expected to increase as the molasses, which is a by-product of sugarcane production and the main raw material for the ethanol production has been reduced due to drought situation. Nevertheless, the subsidiary company has made strategic adjustment by procuring other raw materials to substitute the molasses. It is expected that the crude oil price in the global market in 2021 will increase as the COVID-19 pandemic situation tends to improve and the economy is expected to recover, the ethanol selling price in 2021 is therefore likely to increase.

Overall Business: The COVID-19 pandemic situation is expected to have significant impact on the global economy including Thailand, affecting the performance of the Company and subsidiary companies in year 2021. Nevertheless, the overall operating results of the Company and subsidiary companies in year 2021 are expected to continue to be profitable and enable the Company to proceed with regular dividend payments to shareholders according to the established policy.
