



Ref. No. 0864/45E

August 13, 2021

Subject: Clarification on the Operating Results in the 2nd Quarter 2021 and the First 6-Month Period of 2021

Attn: President
The Stock Exchange of Thailand

The Company wishes to report on the Company's operating results in the 2nd quarter 2021 and the first 6-month period of 2021, having details as follows:

(1) Net profit of the Company and subsidiary companies in the 2nd quarter 2021 totaled Baht 322.61 million, which increased from the 2nd quarter 2020 by Baht 288.67 million and net earnings per share was Baht 0.61 per share, which increased from the same period last year by Baht 0.55 per share or 850.53 percent, due to the following reasons:

(1.1) Net profit from coal business and wood pellet business derived from shareholding proportion of the Company was Baht 342.84 million, which increased from the same period last year by Baht 314.37 million or 1,104.20 percent. This was due to the increase in coal sales volume and the average coal selling price of 37.58 and 45.77 percent, respectively.

(1.2) Net Loss from ethanol business derived from shareholding proportion of the Company was Baht 21.86 million, which decreased from the same period last year by Baht 25.60 million or 684.36 percent. This was due to the decrease in ethanol sale volume of 11.37 percent and the molasses price, which is a major cost of ethanol production, increased by over 33.26 percent; and

(1.3) Share of income from associated company was Baht 1.63 million, which slightly decreased from the same period last year by Baht 0.10 million or 5.78 percent.

(2) Net profit of the Company and subsidiary companies in the first 6-month period of 2021 totaled Baht 565.24 million, which increased from the first 6-month period of 2020 by Baht 352.95 million and net earnings per share was Baht 1.08 per share, which increased from the same period last year by Baht 0.68 per share or 166.26 percent, due to the following reasons:

(2.1) Net profit from coal business and wood pellet business derived from shareholding proportion of the Company was Baht 554.95 million, which increased from the same period last year by Baht 392.68 million or 241.99 percent. This was due to the increase in coal sales volume and the average coal selling price of 10.39 and 27.73 percent, respectively.

(2.2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 7.18 million, which decreased from the same period last year by Baht 39.22 million or 84.53 percent. This was due to the decrease in ethanol sale volume of 11.37 percent and the molasses price, which is a major cost of ethanol production, increased by over 27.28 percent; and

(2.3) Share of income from associated company was Baht 3.11 million, which slightly decreased from the same period last year by Baht 0.51 million or 14.09 percent.

Please be informed accordingly.

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

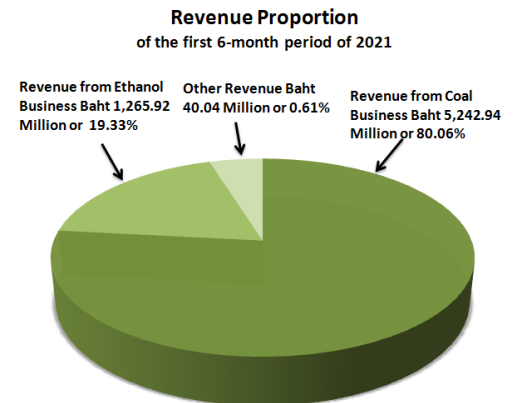
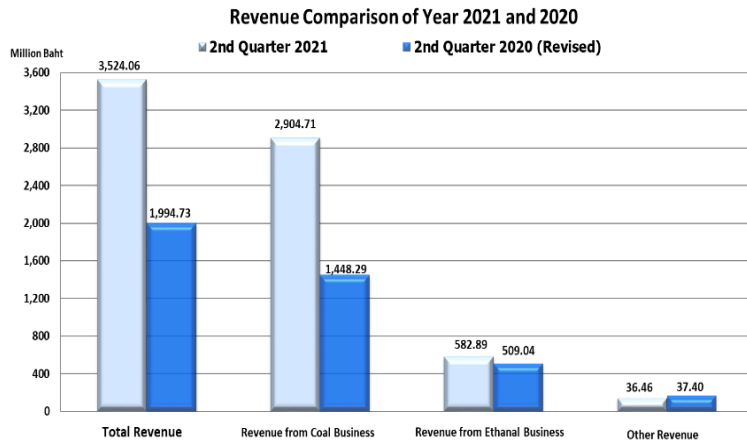
(Mrs. Petcharat Chayanon)
Chief Officer – Accounting and Finance

MANAGEMENT DISCUSSION AND ANALYSIS

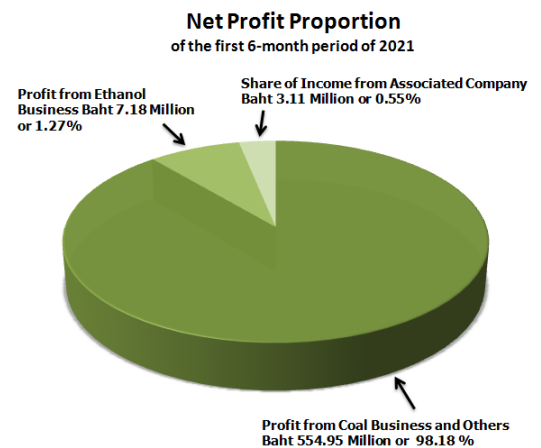
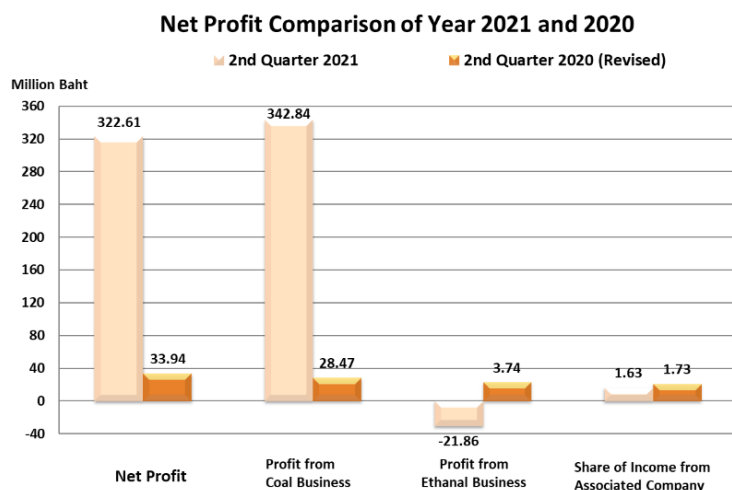
(For the Consolidated Financial Statements of the 2nd quarter 2021 and the first 6-month period of 2021)

OVERALL OPERATING RESULTS

The total revenue of the Company and subsidiary companies in the 2nd quarter 2021 and the first 6-month period of 2021 were Baht 3,524.06 million and Baht 6,548.90 million, which increased from the previous year by Baht 1,529.33 million and Baht 1,570.14 or 76.67 percent and 31.54 percent. The revenue proportion from coal business, ethanol business and other revenue in the first 6-month period of 2021 accounted for 80.06 percent, 19.33 percent and 0.61 percent, respectively.



The Company and subsidiary companies had total net profit in the 2nd quarter 2021 and the first 6-month period of 2021 of Baht 322.61 million and Baht 565.24 million or Baht 0.61 and 1.08 per share, which increased from the previous year by Baht 288.67 million and Baht 352.95 million or Baht 0.55 and Baht 0.68 per share, accounted for 850.53 percent and 166.26 percent. The net profit proportion from coal business, ethanol business, and share of income from associated company in the first 6-month period of 2021 accounted for 98.18 percent, 1.27 percent and 0.55 percent, respectively, with the net profit margin of 14.23 percent, the EBITDA margin of 29.06 percent, and the return on equity of 12.13 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at June 30, 2021 were considered in good standing. The current ratio was as high as 1.68 times and the quick ratio was at 1.15 times and the total debt to total assets ratio was only 36.80 percent with debt to equity ratio of only 58.22 percent.

Operating Results of the Coal Business or the Core Business: The Company and subsidiary companies had total revenue from coal business in the 2nd quarter 2021 and the first 6-month period of 2021 of Baht 2,904.71 million and Baht 5,242.94 million, which increased from the same period last year by Baht 1,456.42 million and Baht 1,525.06 million or 100.56 percent and 41.02 percent, due to the increase in the average coal selling price from the same period last year of 45.77 percent and 27.73 percent and the increase in coal sales volume from the same period last year of 37.58 percent and 10.39 percent, respectively. The net profit derived from shareholding proportion of the Company in the 2nd quarter 2021 and the first 6-month period of 2021 were Baht 342.84 million and Baht 554.95 million, which increased from the same period last year by Baht 314.37 million and Baht 392.68 million or 1,104.20 percent and 241.99 percent, respectively.

Operating Results of the Ethanol-for-Fuel Business or the Secondary Core Business: The Company and subsidiary company had total revenue from ethanol business in the 2nd quarter 2021 and the first 6-month period of 2021 of Baht 582.89 million and Baht 1,265.92 million, which increased from same period last year by Baht 73.85 million and Baht 18.82 million or 14.51 percent and 1.51 percent, due to the ethanol sales volume and the average ethanol selling price in the 2nd quarter 2021 increased from the same period last year by 3.65 percent and 12.31 percent, respectively. The net loss derived from shareholding proportion of the Company in the 2nd quarter 2021 was Baht 21.86 million, which decreased from the 2nd quarter 2020 by Baht 25.60 million or 684.36 percent. The net profit derived from shareholding proportion of the Company in the first 6-month period of 2021 was Baht 7.18 million, which decreased from same period last year by Baht 39.22 million or 84.53 percent, due to the increase in the average ethanol selling price of 15.58 percent but the ethanol sales volume decreased from the same period last year by 11.37 percent.

Operating Results Analysis

Revenue (Unit : Million Baht)	2 nd Quarter (Apr.-Jun.)		Increase (Decrease) (%)	First 6-Month Period (Jan. – Jun.)		Increase (Decrease) (%)
	2021	2020 (Revised)		2021	2020 (Revised)	
Revenue from Coal Sales	2,904.71	1,448.29	100.56	5,242.94	3,717.88	41.02
Revenue from Ethanol Sales	582.89	509.04	14.51	1,265.92	1,247.10	1.51
Other Revenue	36.46	37.40	(2.51)	40.04	13.78	190.57
Total Revenue	3,524.06	1,994.73	76.67	6,548.90	4,978.76	31.54

REVENUE:

(1) Revenue of the Company and subsidiary companies in the 2nd quarter 2021 totaled Baht 3,524.06 million, which increased from the 2nd quarter 2020 by Baht 1,529.33 million or 76.67 percent due to the following reasons:

(1.1) Revenue from coal business, which is the core business, was Baht 2,904.71 million, which increased from the 2nd quarter 2020 by Baht 1,456.42 million or 100.56 percent. This was due to the increase in coal sales volume and average coal selling price from the same period last year of 37.58 and 45.77 percent as described above.

(1.2) Revenue from ethanol business, which is the secondary core business, was Baht 582.89 million, which increased from the 2nd quarter 2020 by Baht 73.85 million or 14.51 percent. This was due to the increase in average ethanol selling price from the same period last year of 12.31 percent as described above.

(1.3) Other revenue totaled Baht 36.46 million, which decreased from the 2nd quarter 2020 by Baht 0.94 million or 2.51 percent. This was due to the decrease in foreign exchange gain.

(2) Revenue of the Company and subsidiary companies in the first 6-month period of 2021 totaled Baht 6,548.90 million, which increased from the first 6-month period of 2020 by Baht 1,570.14 million or 31.54 percent due to the following reasons:

(2.1) Revenue from coal business, which is the core business, was Baht 5,242.94 million, which increased from the first 6-month period of 2020 by Baht 1,525.06 million or 41.02 percent. This was due to the fact that coal sales volume and the average coal selling price increased from the same period last year by 10.39 percent and 27.73 percent as described above.

(2.2) Revenue from ethanol business, which is the secondary core business, was Baht 1,265.92 million, which increased from the first 6-month period of 2020 by Baht 18.82 million or 1.51 percent. This was due to the increase in average ethanol selling price from the same period last year of 15.58 percent as described above.

(2.3) Other revenue totaled Baht 40.04 million, which increased from the same period last year by Baht 26.26 million or 190.57 percent. This was due to the increase in revenue from port services of the subsidiary companies in Indonesia.

Expenses (Unit : Million Baht)	2 nd Quarter (Apr.- Jun.)		Increase (Decrease) (%)	First 6-Month Period (Jan. – Jun.)		Increase (Decrease) (%)
	2021	2020 (Revised)		2021	2020 (Revised)	
Coal Business						
Cost of sales	1,189.69	948.23	25.46	2,309.47	2,201.14	4.92
Selling and administrative expenses	846.40	478.61	76.85	1,493.56	1,155.21	29.29
Financial expense	0.75	2.27	(67.40)	1.78	2.72	(34.56)
Corporate income tax	346.68	21.10	1,543.03	563.06	133.04	323.23
Ethanol Business						
Cost of sales	601.19	453.40	32.60	1,190.95	1,074.80	10.81
Selling and administrative expenses	22.26	27.64	(19.46)	43.07	47.03	(8.42)
Financial expense	9.74	10.58	(8.03)	18.61	22.82	(18.45)
Corporate income tax	(6.91)	10.59	(165.25)	(0.29)	12.52	(102.32)

COAL BUSINESS EXPENSES

(1) Coal business expenses of the Company and subsidiary companies in the 2nd quarter 2021 totaled Baht 2,383.52 million, which increased from the 2nd quarter 2020 by Baht 933.31 million or 64.36 percent, due to the following reasons:

(1.1) Cost of coal sales increased from the same period last year by Baht 241.46 million or 25.46 percent, due to the increase in coal sales volume of 37.58 percent as described above.

(1.2) Selling and administrative expenses increased from the same period last year by Baht 367.79 million or 76.85 percent in line with the increase in coal sales volume as described above.

(1.3) Financial expense decreased from the same period last year by Baht 1.53 million or 67.40 percent due to the decrease in interest expense; and

(1.4) Corporate income tax increased from the same period last year by Baht 325.58 million or 1,543.03 percent due to the increase in profit.

(2) Coal business expenses of the Company and subsidiary companies in the first 6-month period of 2021 totaled Baht 4,367.87 million, which increased from the first 6-month period of 2020 by Baht 875.76 million or 25.08 percent, due to the following reasons:

(2.1) Cost of coal sales increased from the same period last year by Baht 108.33 million or 4.92 percent, due to the increase in coal sales volume of 10.39 percent as described above.

(2.2) Selling and administrative expenses increased from the same period last year by Baht 338.35 million or 29.29 percent in line with the increase in coal sales volume as inscribed above.

(2.3) Financial expense decreased from the same period last year by Baht 0.94 million or 34.56 percent due to the decrease in interest expense; and

(2.4) Corporate income tax increased from the same period last year by Baht 430.02 million or 323.23 percent due to the increase in profit.

ETHANOL BUSSINESS EXPENSES

(1) Ethanol business expenses of the subsidiary company in the 2nd quarter 2021 totaled Baht 626.28 million, which increased from the 2nd quarter of 2020 by Baht 124.06 million or 24.70 percent, due to the following reasons:

(1.1) Cost of ethanol sales increased from the same period last year by Baht 147.79 million or 32.60 percent due to 33.26 percent increase in molasses price, which is the main raw material.

(1.2) Selling and administrative expenses decreased from the same period last year by Baht 5.38 million or 19.46 percent due to the decrease in directors' remunerations.

(1.3) Financial expense decreased from the same period last year by Baht 0.85 million or 8.03 percent due to the decrease in interest expenses; and

(1.4) Corporate income tax decreased from the same period last year by Baht 17.50 million or 165.25 percent due to the decrease in profit.

(2) Ethanol business expenses of the subsidiary company in the first 6-month period of 2021 totaled Baht 1,252.34 million, which increased from the first 6-month period of 2020 by Baht 95.17 million or 8.22 percent, due to the following reasons:

(2.1) Cost of ethanol sales increased from the same period last year by Baht 116.15 million or 10.81 percent due to 27.28 percent increase in molasses price, which is the main raw material.

(2.2) Selling and administrative expenses decreased from the same period last year by Baht 3.96 million or 8.42 percent due to the decrease in directors' remunerations.

(2.3) Financial expense decreased from the same period last year by Baht 4.21 million or 18.45 percent due to the decrease in interest expenses; and

(2.4) Corporate income tax decreased from the same period last year by Baht 12.81 million or 102.32 percent due to the decrease in profit.

Gross Profit (Unit : Million Baht)	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
2nd Quarter 2021 (April – June 2021)						
Revenues from sales	2,904.71	100.00	582.89	100.00	3,487.60	100.00
Less Cost of sales	1,189.69	40.96	601.19	103.14	1,790.88	51.35
Gross Profit	1,715.02	59.04	(18.30)	(3.14)	1,696.72	48.65
2nd Quarter 2020 (April – June 2020)						
Revenues from sales	1,448.29	100.00	509.04	100.00	1,957.33	100.00
Less Cost of sales	948.23	65.47	453.40	89.07	1,401.63	71.61
Gross Profit	500.06	34.53	55.64	10.93	555.70	28.39
First 6-Month Period of 2021 (January – June 2021)						
Revenues from sales	5,242.94	100.00	1,265.92	100.00	6,508.86	100.00
Less Cost of sales	2,309.47	44.05	1,190.95	94.08	3,500.42	53.78
Gross Profit	2,933.47	55.95	74.97	5.92	3,008.44	46.22
First 6-Month Period of 2020 (January – June 2020)						
Revenues from sales	3,717.88	100.00	1,247.10	100.00	4,964.98	100.00
Less Cost of sales	2,201.14	59.20	1,074.80	86.18	3,275.94	65.98
Gross Profit	1,516.74	40.80	172.30	13.82	1,689.04	34.02

GROSS PROFIT

(1) Gross profit of the Company and subsidiary companies in the 2nd quarter 2021 totaled Baht 1,696.72 million or 48.65 percent of the sales revenue, which increased from the 2nd quarter 2020 with the gross profit of Baht 555.70 million or 28.39 percent of the sales revenue, due to the following reasons:

(1.1) Gross profit from coal business in the 2nd quarter 2021 totaled Baht 1,715.02 million or 59.04 percent of the sales revenue, which increased from the 2nd quarter 2020 with gross profit of Baht 500.06 million or 34.53 percent of the sales revenue. This was due to the increase in average coal selling price of 45.77 percent and the average cost of coal sales decreased by 8.81 percent.

(1.2) Gross loss from ethanol business in the 2nd quarter 2021 totaled Baht 18.30 million or 3.14 percent of the sales revenue, which decreased from the 2nd quarter 2020 with gross profit of Baht 55.64 million or 10.93 percent of the sales revenue, despite the increase in average ethanol selling price of 12.31 percent but the average cost of ethanol sales increased by 23.70 percent due to the increase in the molasses price, which is 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 2021 totaled Baht 3,008.44 million or 46.22 percent of the sales revenue, which increased from the first 6-month period of 2020 with the gross profit of Baht 1,689.04 million or 34.02 percent of the sales revenue, due to the following reasons:

(2.1) Gross profit from coal business in the first 6-month period of 2021 totaled Baht 2,933.47 million or 55.95 percent of the sales revenue, which increased from first the 6-month period of 2020 with gross profit of Baht 1,516.74 million or 40.80 percent of the sales revenue. This was due to the increase in average coal selling price of 27.73 percent and the average cost of coal sales decreased by 4.95 percent.

(2.2) Gross profit from ethanol business in the first 6-month period of 2021 totaled Baht 74.97 million or 5.92 percent of the sales revenue, which decreased from the first 6-month period of 2020 with gross profit of Baht 172.30 million or 13.82 percent of the sales revenue, despite the increase in average ethanol selling price of 15.58 percent but the average cost of ethanol sales increased by 22.86 percent due to the increase in the molasses price, which is a major cost of ethanol production, as described above.

Net Profit (Unit: Million Baht)	2 nd Quarter (Apr. – Jun.)		Increase (Decrease) (%)	First 6-Month Period (Jan. – Jun.)		Increase (Decrease) (%)
	2021	2020 (Revised)		2021	2020 (Revised)	
Profit from Coal Business	342.84	28.47	1,104.20	554.95	162.27	241.99
Profit (Loss) from Ethanol Business	(21.86)	3.74	(684.36)	7.18	46.40	(84.53)
Share of income from associated company and other revenue	1.63	1.73	(5.78)	3.11	3.62	(14.09)
Net Profit	322.61	33.94	850.53	565.24	212.29	166.26
Net Earnings per Share (Baht per Share)	0.61	0.06	850.53	1.08	0.40	166.26
Remark: Registered par value of Baht 1 per share						

NET PROFIT

(1) The net profit of the Company and subsidiary companies in the 2nd quarter 2021 totaled Baht 322.61 million, which increased from the 2nd quarter 2020 by Baht 288.67 million and net earnings per share was Baht 0.61 per share, which increased from the same period last year by Baht 0.55 per share or 850.53 percent, due to the following reasons:

(1.1) Net profit from coal business and wood pellet business derived from shareholding proportion of the Company was Baht 342.84 million, which increased from the same period last year by Baht 314.37 million or 1,104.20 percent. This was due to the increase in coal sales volume and average coal selling price as described above.

(1.2) Net loss from ethanol business derived from shareholding proportion of the Company was Baht 21.86 million, which decreased from the same period last year by Baht 25.60 million or 684.36 percent due to the increase in molasses price, which is a major cost of ethanol production, as described above.

(1.3) Share of income from associated company was Baht 1.63 million, which slightly decreased from the same period last year by Baht 0.10 million or 5.78 percent.

(2) The net profit of the Company and subsidiary companies in the first 6-month period of 2021 totaled Baht 565.24 million, which increased from the first 6-month period of 2020 by Baht 352.95 million and net earnings per share was Baht 1.08 per share, which increased from the same period last year by Baht 0.68 per share or 166.26 percent, due to the following reasons:

(2.1) Net profit from coal business and wood pellet business derived from shareholding proportion of the Company was Baht 554.95 million, which increased from the same period last year by Baht 392.68 million or 241.99 percent. This was due to the increase in coal sales volume and average coal selling price as described above.

(2.2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 7.18 million, which decreased from the same period last year by Baht 39.22 million or 84.53 percent due to the decrease in ethanol sales volume and the increase in molasses price, which is a major cost of ethanol production, as described above.

(2.3) Share of income from associated company was Baht 3.11 million, which slightly decreased from the same period last year by Baht 0.51 million or 14.09 percent.

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 2021 was Baht 1,903.02 million, which increased from the same period last year by Baht 1,027.12 million or 117.26 percent and EBITDA margin was at 29.06 percent, which increased from the same period last year by 65.39 percent.

(2) Net profit margin of the Company and subsidiary companies in the first 6-month period of 2021 was at 14.23 percent, which increased from the same period last year by 112.94 percent.

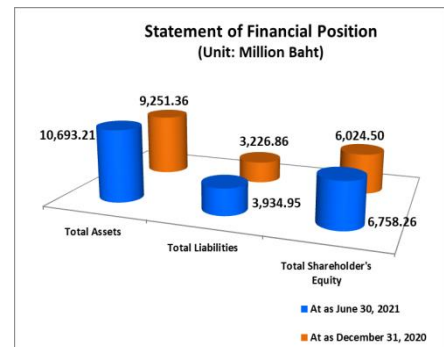
(3) Return on equity of the Company and subsidiary companies in the first 6-month period of 2021 was at 12.13 percent, which increased from the same period last year by 151.96 percent.

(4) Return on total assets of the Company and subsidiary companies in the first 6-month period of 2021 was at 9.34 percent, which increased from the same period last year by 172.58 percent. The return on fixed assets in the 2nd quarter 2021 was at 30.58 percent, which increased from the same period last year by 93.08 percent.

STATEMENTS OF FINANCIAL POSITION

Description	Unit: Million Baht		Increase (Decrease)	
	As at June 30, 2021	As at December 31, 2020 (Revised)	Million Baht	%
Total Assets	10,693.21	9,251.36	1,441.85	15.59
Total Liabilities	3,934.95	3,226.86	708.09	21.94
Total Shareholders' Equity	6,758.26	6,024.50	733.76	12.18
Book Value-Baht per Share	9.37	8.38	0.99	11.81
Remark: Registered par value of Baht 1 per share				

ASSETS: The total assets of the Company and subsidiary companies as at June 30, 2021 was Baht 10,693.21 million, which increased from the end of year 2020 by Baht 1,441.85 million or 15.59 percent, due to (1) current assets increased by Baht 1,371.10 million or 36.83 percent, consisting of: (A) cash and cash equivalent increased by Baht 443.32 million or 32.04 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 774.94 million or 82.81 percent; (C) inventories increased by Baht 362.26 million or 119.83 percent; and (D) other current assets most of which were prepaid corporate income tax, advance payment for goods, etc., decreased by Baht 209.42 million or 19.03 percent; and (2) non-current assets increased by Baht 70.75 million or 1.28 percent.



LIABILITIES: The total liabilities of the Company and subsidiary companies as at June 30, 2021 was Baht 3,934.95 million, which increased from the end of year 2020 by Baht 708.09 million or 21.94 percent, due to (1) trade accounts payable and other accounts payable increased by Baht 48.66 million or 10.11 percent (2) short-term loan and long-term loan of the subsidiary companies increased by Baht 153.64 million or 9.25 percent (3) accrued expenses, most of which were overburden removal expenses and freight cost, etc., increased by Baht 511.40 million or 114.48 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 5.61 million or 0.88 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company and subsidiary companies as at June 30, 2021 was Baht 6,758.26 million, which increased from the end of year 2020 by Baht 733.76 million or 12.18 percent, resulting in an increase of the share's book value from Baht 8.38 per share to Baht 9.37 per share, an increase of Baht 0.99 per share or 11.81 percent. This was due to (1) an increase in retained earnings of Baht 412.13 million or 12.65 percent due to the net profit of Baht 565.24 million in the the 6-month period 2021 and the adjustment to comprehensive income of Baht 4.39 million, but there was dividend payment of Baht 157.50 million (2) an increase in translation adjustment in financial of Baht 106.67 million or 164.11 percent; and (3) an increase in minority shareholders' equity of Baht 214.96 million or 13.23 percent.

CASH FLOWS

Description	Unit: Million Baht	
	2 nd Quarter 2021	2 nd Quarter 2020 (Revised)
Cash Flows from (used in) Operating Activities	971.55	1,154.70
Cash Flows from (used in) Investing Activities	(343.51)	29.42
Cash Flows from (used in) Financing Activities	(181.74)	(625.66)
Increase (Decrease) in Translation Adjustments in Financial Statements	(1.92)	(23.75)
Net Increase (Decrease) in Cash	444.38	534.71
Cash at the beginning of the period	832.70	477.62
Cash at the end of the period	1,277.08	1,012.33

(1) The net cash from operating activities of the Company and subsidiary companies in the first 6-month period of 2021 totaled Baht 971.55 million, consisting of (A) income before corporate income tax and interest expense of Baht 1,494.57 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 478.46 million (C) an increase in operating assets of Baht 1,069.83 million (D) an increase in operating liabilities of Baht 104.43 million (E) interest received of Baht 6.55 million; and (F) a net increase in interest expense and taxes of Baht 42.63 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in the first 6-month period of 2021 totaled Baht 343.51 million, consisting of (A) properties, buildings and equipment, most of which were wood pellet production plant of the subsidiary company increased by Baht 76.71 million (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 205.32 million (C) short-term capital investment and other items increased by Baht 69.23 million; and (D) income dividend from subsidiary companies of Baht 7.75 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in the first 6-month period of 2021 totaled Baht 181.74 million, consisting of (A) an increase in loan of Baht 127.89 million (B) dividend payment of Baht 372.19 million; and (C) an increase in minority shareholders' equity of Baht 62.56 million.

ASSET MANAGEMENT CAPABILITY

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at June 30, 2021 were 16 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 2nd quarter 2021.

(2) Inventory of the Company and subsidiary companies as at June 30, 2021 was 6.21 percent of total assets without deterioration or impairment of the products. Therefore, there was no allowance for impairment loss of inventory in the 2nd quarter 2021.

(3) The Company's goodwill incurred from investment in the subsidiary company as at June 30, 2021 was accounted for 2.20 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 2nd quarter 2021.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The total debt-to-equity ratio of the Company and subsidiary companies as at June 30, 2021 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, 2021 was as high as 1.68 times despite the quick ratio was only 1.15 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 first 6-month period of 2021 was 37 days, which decreased from the same period last year by 14 days. The average debt collection period was at 35 days, which increased from the same period last year by 7 days. The average inventory turnover was at 25 days, which decreased from the previous year by 21 days but the average debt repayment period was at 23 days, same as the previous year.

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. Accordingly, the Company has no plan to sell or decrease its shareholding proportion in the subsidiary company to below 80 percent of registered capital.

FUTURE TREND

Coal Business: The operating results in 2021 are expected to significantly improve due to the rise in global coal prices. 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; therefore, the subsidiary company has made strategic adjustment by procuring other raw materials to substitute the molasses. However, as the Covid-19 outbreak situation having occurred again and become very severe during the 2nd quarter 2021 and it is expected to intensify further, by which the government had to issue strict control measures, resulting in reduction in fuel consumption. It is anticipated that the economy will continue to slow down in the second half of 2021 and therefore, the reduction in ethanol sales volume in the second half of 2021 is also expected. Nevertheless, the Company will endeavor to effectively and efficiently manage the cost of ethanol production in order to have as best operating results as possible during current situation.

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.
