



LANNA RESOURCES Public Company Limited

บริษัท ลานนา รีซอร์สเซส จำกัด (มหาชน)

Ref. No. 0265/04E

February 24, 2022

Subject: Clarification on the Operating Results in year 2021

Attn: President  
The Stock Exchange of Thailand

The Company wishes to report on the Company's operating results in year 2021, having details as follows:

Net profit of the Company and subsidiary companies in year 2021 totaled Baht 1,575.24 million, which increased from the same period last year by Baht 1,288.42 million and net earnings per share was Baht 3.00 per share, which increased from the same period last year by Baht 2.45 per share or 449.21 percent, due to the following reasons:

(1) Net profit from coal business and wood pellet business derived from shareholding proportion of the Company totaled Baht 1,503.47 million, which increased from the same period last year by Baht 1,260.49 million or 518.76 percent. This was due to the increase in coal sales volume and average coal selling price from the same period last year of 8.69 and 75.17 percent, respectively.

(2) Net loss from ethanol business derived from shareholding proportion of the Company totaled Baht 29.80 million, with the decrease in net profit from the same period last year by Baht 65.59 million or 183.26 percent due to 28.05 percent increase in the molasses price, which is the raw material and a major cost of ethanol production; and

(3) Share of income from associated companies totaled Baht 101.57 million, which increased from the same period last year by Baht 93.52 million or 1,161.74 percent. This was due to the share of income of Baht 93.59 million from the operating results of PT. Pesona Khatulistiwa Nusantara ("PKN"), which is the associated company that the Company acquired new issued shares in PKN at 10 percent of the total number of paid-up shares on August 31, 2021.

Details of the changes and impacts are described in the Management Discussion and Analysis (MD&A).

Please be informed accordingly.

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

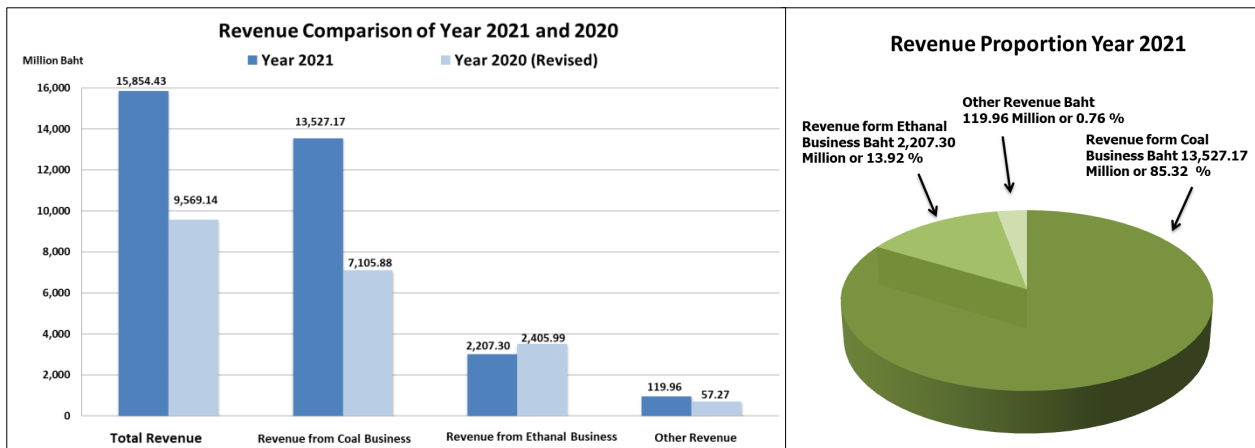
(Mrs. Petcharat Chayanon)  
Chief Officer – Accounting and Finance

## MANAGEMENT DISCUSSION AND ANALYSIS

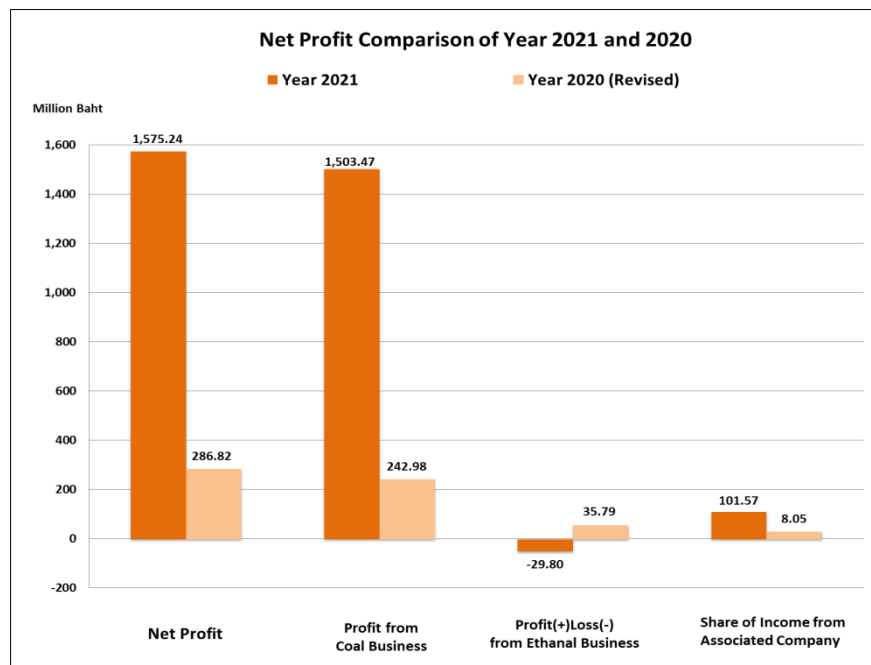
(For the Consolidated Financial Statements of year 2021)

### OVERALL OPERATING RESULTS

The total revenue of the Company and subsidiary companies in year 2021 was Baht 15,854.43 million, which increased from the previous year by Baht 6,285.29 million or 65.68 percent. The revenue proportion from coal business, ethanol business and other revenue in year 2021 accounted for 85.32 percent, 13.92 percent and 0.76 percent, respectively.



The net profit of the Company and subsidiary companies in year 2021 totaled Baht 1,575.24 million or Baht 3.00 per share, which increased from the previous year by Baht 1,288.42 million or Baht 2.45 per share, a 449.21 percent increase, which is the highest net profit the Company has recorded since its establishment in 1985, having the net profit margin of 17.14 percent, the EBITDA margin of 32.80 percent, and the return on equity of 31.23 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at the end of year 2021 were considered in excellent standing. The current ratio was as high as 1.92 times and the quick ratio was at 1.35 times and the total debt to total assets ratio was only 36.99 percent with debt to equity ratio of only 58.70 percent.

**Operating Results of the Coal Business or the Core Business:** The Company and subsidiary companies had total revenue from coal business in year 2021 of Baht 13,527.17 million, which increased from the previous year by Baht 6,421.29 million or 90.37 percent, due to the increase in coal sales volume and average coal selling price from the previous year of 8.69 percent and 75.17 percent, respectively. The net profit derived from shareholding proportion of the Company in year 2021 was Baht 1,503.47 million, which increased from the previous year by Baht 1,260.49 million or 518.76 percent, which is the highest net profit the Company has recorded since its establishment in 1985. This was due to the rising coal prices in the global market as a result of an increasing demand for coal, especially from China, which imported more coal from Indonesia.

**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 year 2021 of Baht 2,207.30 million, which decreased from previous year by Baht 198.69 million or 8.26 percent, due to the fact that even though there was an increase in average ethanol selling price in year 2021 from the previous year of 12.24 percent, but the ethanol sales volume in year 2021 decreased by 18.23 percent. The net loss derived from shareholding proportion of the Company in year 2021 totaled Baht 29.80 million, with the decrease in net profit from the previous year of Baht 65.59 million or 183.26 percent.

#### Operating Results Analysis

Revenue	Year 2021		Year 2020 (Revised)		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Coal Sales	13,527.17	85.32	7,105.88	74.26	6,421.29	90.37
Revenue from Ethanol Sales	2,207.30	13.92	2,405.99	25.14	(198.69)	(8.26)
Other Revenue	119.96	0.76	57.27	0.60	62.69	109.46
<b>Total Revenue</b>	<b>15,854.43</b>	<b>100.00</b>	<b>9,569.14</b>	<b>100.00</b>	<b>6,285.29</b>	<b>65.68</b>

#### REVENUE:

Revenue of the Company and subsidiary companies in year 2021 totaled Baht 15,854.43 million, which increased from the previous year by Baht 6,285.29 million or 65.68 percent due to the following reasons:

(1) Revenue from coal business, which is the core business, was Baht 13,527.17 million, which increased from the previous year by Baht 6,421.29 million or 90.37 percent. This was due to the increase in coal sales volume and average coal selling price from the previous year of 8.69 and 75.17 percent as described above.

(2) Revenue from ethanol business, which is the secondary core business, was Baht 2,207.30 million, which decreased from the previous year by Baht 198.69 million or 8.26 percent. This was due to the decrease in ethanol sales volume from the previous year of 18.23 percent as described above; and

(3) Other revenue totaled Baht 119.96 million, which increased from the previous year by Baht 62.69 million or 109.46 percent. This was due to the increase in foreign exchange gain and revenue from port services of the subsidiary company in Indonesia.

Expenses	Year 2021		Year 2020 (Revised)		Increase (Decrease)	
	Million Baht	% Sales	Million Baht	% Sales	Million Baht	% Sales
<b>Coal Business</b>						
Cost of sales	5,649.13	41.76	4,432.79	62.38	1,216.34	27.44
Selling and administrative expenses	3,729.02	27.57	2,225.05	31.31	1,503.97	67.59
Financial expense	2.29	0.02	4.52	0.06	(2.23)	(49.34)
Corporate income tax	1,592.35	11.77	170.64	2.40	1,421.71	833.16
<b>Ethanol Business</b>						
Cost of sales	2,142.49	97.06	2,206.71	91.72	(64.22)	(2.91)
Selling and administrative expenses	102.03	4.62	85.64	3.56	16.39	19.14
Financial expense	36.74	1.66	40.01	1.66	(3.27)	(8.17)
Corporate income tax	(14.97)	(0.68)	6.07	0.25	(21.04)	(346.62)

### COAL BUSINESS EXPENSES

Coal business expenses of the Company and subsidiary companies in year 2021 totaled Baht 10,972.79 million, which increased from the previous year by Baht 4,139.79 million or 60.59 percent, due to the following reasons:

- (1) Cost of coal sales increased from the previous year by Baht 1,216.34 million or 27.44 percent, due to the increase in coal sales volume of 8.69 percent as described above.
- (2) Selling and administrative expenses increased from the previous year by Baht 1,503.97 million or 67.59 percent due to the increase in coal sales volume of 8.69 percent as described above.
- (3) Financial expense decreased from the previous year by Baht 2.23 million or 49.34 percent due to the decrease in interest expense; and
- (4) Corporate income tax increased from the previous year by Baht 1,421.71 million or 833.16 percent due to the increase in profit.

### ETHANOL BUSSINESS EXPENSES

Ethanol business expenses of the subsidiary company in year 2021 totaled Baht 2,266.29 million, which decreased from the previous year by Baht 72.14 million or 3.08 percent, due to the following reasons:

- (1) Cost of ethanol sales decreased from the previous year by Baht 64.22 million or 2.91 percent due to decrease in ethanol sales volume of 18.23 percent as described above.
- (2) Selling and administrative expenses increased from the previous year by Baht 16.39 million or 19.14 percent due to the cost of the temporary suspension of ethanol production in Production Line No. 1, which was recorded as an increase in administrative expense.
- (3) Financial expense decreased from the previous year by Baht 3.27 million or 8.17 percent due to the decrease in interest expense; and
- (4) Corporate income tax decreased from the previous year by Baht 21.04 million or 346.62 percent due to the increase in deferred tax assets.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Year 2021</b>						
Revenue from sales	13,527.17	100.00	2,207.30	100.00	15,734.47	100.00
<b>Less</b> Cost of sales	5,649.13	41.76	2,142.49	97.06	7,791.62	49.52
<b>Gross Profit</b>	<b>7,878.04</b>	<b>58.24</b>	<b>64.81</b>	<b>2.94</b>	<b>7,942.85</b>	<b>50.48</b>
<b>Year 2020 (Revised)</b>						
Revenue from sales	7,105.88	100.00	2,405.99	100.00	9,511.87	100.00
<b>Less</b> Cost of sales	4,432.79	62.38	2,206.71	91.72	6,639.50	69.80
<b>Gross Profit</b>	<b>2,673.09</b>	<b>37.62</b>	<b>199.28</b>	<b>8.28</b>	<b>2,872.37</b>	<b>30.20</b>

### GROSS PROFIT

Gross profit of the Company and subsidiary companies in year 2021 totaled Baht 7,942.85 million or 50.48 percent of the sales revenue, which increased from the previous year with the gross profit of Baht 2,872.37 million or 30.20 percent of the sales revenue, due to the following reasons:

(1) Gross profit from coal business in year 2021 totaled Baht 7,878.04 million or 58.24 percent of the sales revenue from the increase in sale, which increased from the previous year with gross profit of Baht 2,673.09 million or 37.62 percent of the sales revenue. This was due to the increase in average coal selling price of 75.17 percent but the average cost of coal sales increased by only 17.25 percent; and

(2) Gross profit from ethanol business in year 2021 totaled Baht 64.81 million or 2.94 percent of the sales revenue, which decreased from the previous year with gross profit of Baht 199.28 million or 8.28 percent of the sales revenue, due to the molasses price, which is a major cost of ethanol production, increased by over 28.05 percent.

Net Profit	Year 2021		Year 2020 (Revised)		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business	1,503.47	95.44	242.98	84.72	1,260.49	518.76
Profit (Loss) from Ethanol Business	(29.80)	(1.89)	35.79	12.48	(65.59)	(183.26)
Share of income from associated company and other revenue	101.57	6.45	8.05	2.80	93.52	1,161.74
<b>Net Profit</b>	<b>1,575.24</b>	<b>100.00</b>	<b>286.82</b>	<b>100.00</b>	<b>1,288.42</b>	<b>449.21</b>
<b>Net Earnings per Share (Baht per Share)</b>	<b>3.00</b>		<b>0.55</b>		<b>2.45</b>	
<b>Remark: Registered par value of Baht 1 per share</b>						

### NET PROFIT

The net profit of the Company and subsidiary companies in year 2021 totaled Baht 1,575.24 million, which increased from the previous year by Baht 1,288.42 million and net earnings per share was Baht 3.00 per share, which increased from the previous year by Baht 2.45 per share or 449.21 percent, due to the following reasons:

(1) Net profit from coal business and wood pellet business derived from shareholding proportion of the Company in year 2021 was Baht 1,503.47 million, which increased from the previous year by Baht 1,260.49 million or 518.76 percent. This was due to the increase in coal sales volume and average coal selling price as described above.

(2) Net loss from ethanol business derived from shareholding proportion of the Company in year 2021 was Baht 29.80 million, with the decrease in net profit from the previous year of Baht 65.59 million or 183.26 percent due to the increase in molasses price, which is a major cost of ethanol production, as described above; and

(3) Share of income from associated companies totaled Baht 101.57 million, which increased from the previous year by Baht 93.52 million or 1,161.74 percent. This was due to the share of income of Baht 93.59 from the operating results of PT. Pesona Khatulistiwa Nusantara ("PKN"), which is the associated company that the Company acquired new issued shares in PKN at 10 percent of the total number of paid-up shares on August 31, 2021.

### EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in year 2021 was Baht 5,200.37 million, which increased from the previous year by Baht 3,746.74 million or 257.75 percent and EBITDA margin was at 32.80 percent, which increased from the previous year by 115.92 percent.

(2) Net profit margin of the Company and subsidiary companies in year 2021 was at 17.14 percent, which increased from the previous year by 304.14 percent.

(3) Return on equity of the Company and subsidiary companies in year 2021 was at 31.23 percent, which increased from the previous year by 377.19 percent.

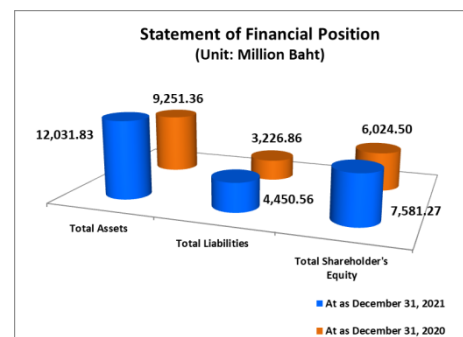
(4) Return on total assets of the Company and subsidiary companies in year 2021 was at 25.53 percent, which increased from the previous year by 497.34 percent. The return on fixed assets in year 2021 was at 83.69 percent, which increased from the previous year by 199.74 percent.

### STATEMENTS OF FINANCIAL POSITION

Description	Unit	As at December 31, 2021	As at December 31, 2020 (Revised)	Increase (Decrease)	%
Total Assets	Million Baht	12,031.83	9,251.36	2,780.47	30.05
Total Liabilities	Million Baht	4,450.56	3,226.86	1,223.70	37.92
Total Shareholders' Equity	Million Baht	7,581.27	6,024.50	1,556.77	25.84
<b>Book Value</b>	<b>Baht per Share</b>	<b>10.83</b>	<b>8.38</b>	<b>2.45</b>	<b>29.24</b>

**Remark: Registered par value of Baht 1 per share**

**ASSETS:** The total assets of the Company and subsidiary companies as at the end of year 2021 was Baht 12,031.83 million, which increased from the end of year 2020 by Baht 2,780.47 million or 30.05 percent, due to (1) current assets increased by Baht 2,447.38 million or 65.75 percent, consisting of: (A) cash and cash equivalent increased by Baht 1,331.03 million or 96.19 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 730.25 million or 78.03 percent; (C) inventories increased by Baht 223.20 million or 73.83 percent; and (D) other current assets most of which were prepaid corporate income tax, advance payment for goods, etc., increased by Baht 162.90 million or 14.80 percent; and (2) non-current assets increased by Baht 333.09 million or 6.02 percent.



**LIABILITIES:** The total liabilities of the Company and subsidiary companies as at the end of year 2021 was Baht 4,450.56 million, which increased from the end of year 2020 by Baht 1,223.70 million or 37.92 percent, due to (1) trade accounts payable and other accounts payable increased by Baht 48.67 million or 10.12 percent (2) accrued expenses, most of which were overburden removal expenses and freight cost, etc., increased by Baht 1,151.76 million or 257.83 percent (3) other liabilities, most of which were the lease agreement on coal loading jetty acquisition and provision for mine rehabilitation of the subsidiary companies and allowance for long-term benefits of employees, etc., increased by Baht 10.31 million or 1.62 percent; and (4) short-term loan and long-term loan of the subsidiary companies increased by Baht 12.96 million or 0.78 percent.

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company and subsidiary companies as at the end of year 2021 was Baht 7,581.27 million, which increased from the end of year 2020 by Baht 1,556.77 million or 25.84 percent, resulting in an increase of the share's book value from Baht 8.38 per share to Baht 10.83 per share, an increase of Baht 2.45 per share or 29.24 percent. This was due to (1) an increase in retained earnings of Baht 1,107.49 million or 33.98 percent due to the net profit and revised comprehensive income items of Baht 1,579.99 million in year 2021 but there was dividend payment of Baht 472.50 million (2) an increase in translation adjustment in financial of Baht 180.16 million or 277.17 percent; and (3) an increase in minority shareholders' equity of Baht 269.12 million or 16.56 percent.

## CASH FLOWS

Description	Unit: Million Baht	
	Year 2021	Year 2020
Cash Flows from (used in) Operating Activities	3,623.81	2,217.74
Cash Flows from (used in) Investing Activities	(940.62)	(686.33)
Cash Flows from (used in) Financing Activities	(1,365.01)	(1,173.64)
Increase (Decrease) in Translation Adjustments in Financial Statements	12.84	(2.69)
Net Increase (Decrease) in Cash	1,331.02	355.08
Cash at the beginning of the period	832.70	477.62
<b>Cash at the end of the period</b>	<b>2,163.72</b>	<b>832.70</b>

(1) The net cash from operating activities of the Company and subsidiary companies in year 2021 totaled Baht 3,623.81 million, consisting of (A) income before corporate income tax and interest expense of Baht 4,294.31 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 973.87 million (C) an increase in operating assets of Baht 1,236.51 million (D) an increase in operating liabilities of Baht 202.19 million (E) interest received of Baht 14.08 million; and (F) a net increase in interest expense and taxes of Baht 624.13 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in year 2021 totaled Baht 940.62 million, consisting of (A) properties, buildings and equipment, most of which were wood pellet production plant of the subsidiary company increased by Baht 140.87 million (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 631.42 million (C) short-term capital investment and other items increased by Baht 176.08 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 year 2021 totaled Baht 1,365.01 million, consisting of (A) a decrease in loan of Baht 18.83 million (B) dividend payment of Baht 1,454.64 million; and (C) an increase in minority shareholders' equity of Baht 108.46 million.

## **ASSET MANAGEMENT CAPABILITY**

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at the end of year 2021 were 13.85 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 year 2021.

(2) Inventory of the Company and subsidiary companies as at the end of year 2021 was 4.37 percent of total assets as there was allowance for impairment loss of inventory of Baht 16.31 million due to deterioration or impairment of the products and having higher cost than market price.

(3) The Company's goodwill incurred from investment in the subsidiary company as at the end of year 2021 accounted for 1.95 percent of total assets, having provision of goodwill impairment from investment in wood pellet production project of Baht 48.77 million.

## **LIQUIDITY AND SUFFICIENCY OF CAPITAL**

(1) The total debt-to-equity ratio of the Company and subsidiary companies as at the end of year 2021 was as low as 0.59:1 with appropriate capital structure. The Company has cash generation and credit facilities sufficient for future investment projects.

(2) The current ratio and the quick ratio of the Company and subsidiary companies as at the end of year 2021 were as high as 1.92 times and 1.35 times, respectively. In addition, 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 end of year 2021 was 29 days, which decreased from the previous year by 6 days. The average debt collection period was at 29 days, which increased from the previous year by 1 day. The average inventory turnover was at 19 days, which decreased from the previous year by 9 days but the average debt repayment period was at 19 days, which decreased from the previous year by 4 days.

## **DEBT OBLIGATION**

The subsidiary company in a business of ethanol production and distribution for fuel purpose has obligation according to the terms and conditions of the loan agreement with a local commercial bank, which is the lender as follows:

(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. It appears that as at December 31, 2021, the abovementioned subsidiary company is unable to maintain the DSCR as required by the contractual obligation of the loan, in which the subsidiary company has classified a portion of long-term loan as long-term loan that is due to be paid within one year's time. Nevertheless, on October 27, 2021, the lending bank has issued a waiver letter regarding such conditions.

(2) The lending bank has stipulated that the Company must maintain its shareholding proportion in the subsidiary company of no less than 50 percent of the total number of shares during the whole duration of the loan agreement. Accordingly, the Company has no plan to sell or decrease its shareholding proportion in the subsidiary company to below 50 percent of the total number of shares.

(3) The lending bank has stipulated that the subsidiary company cannot pay dividend to its shareholders, including the Company, if the subsidiary company cannot comply with the conditions as stipulated within the loan agreement, such as the maintenance of D/E ratio, DSCR, and shareholding proportion of the Company in the 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.



## FUTURE TREND

**Coal Business:** Coal prices has started to increase since the end of year 2021 and returned to the same highest level of year 2021 due to the start of winter season and the Indonesian Government announced coal export ban for one month starting from January 1, 2022 as the anticipation was that coal volume for domestic power generation would not be sufficient. Nonetheless, despite the fact that the Indonesian Government has already allowed coal export to continue again since the end of January 2022, control measures are still in place for all the coal producers to place importance in domestic market obligation by supplying coal at no less than 25 percent of total coal sales, especially for the distribution of coal to the state-owned power plants in order to prevent impact to the domestic electricity consumption as in the past years. Most importantly, domestic coal prices are stipulated currently at 50 percent lower than the export prices. In addition, China still bans coal import from Australia, causing coal price increase. Therefore, it is expected that the Company's performance in 2022 will continue to be profitable. The Company has emphasized the importance of strict compliance with relevant laws and regulations so that there is no impact to the business and coal export in the future.

**Ethanol Business:** There is an increasing trend for the volume of important raw materials for ethanol production, including both molasses and cassava, as the volume of sugarcane milling has increased from the previous year for over 28.64 percent, resulting in an increase in the molasses volume, being the by-product. Similarly, the cassava volume is expected to increase from the previous year by 4.20 percent; however, the prices of both molasses and cassava tend to highly fluctuate as there are increasing demands for cassava from overseas countries. It is anticipated that the demand for ethanol should increase in line with the recovery of economic situation.

**Overall Business:** The COVID-19 pandemic situation should improve with reducing severeness of covid strain, which should result in a recovery of global economy including Thailand. Therefore, the overall operating results of the Company and subsidiary companies in 2022 are expected to continue to be profitable as the energy business has clearly recovered in line with the overall macroeconomic situation.

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