

Ref. No. 0566/27E

May 12, 2023

Subject: Clarification on the Operating Results in the 1st Quarter 2023

Attn: President
The Stock Exchange of Thailand

The Company wishes to report on the Company's operating results in the 1st quarter 2023, having details as follows:

Net profit of the Company and subsidiary companies in the 1st quarter 2023 totaled Baht 780.67 million, which increased from the same period last year by Baht 165.43 million and net earnings per share was Baht 1.49 per share, which increased from the same period last year by Baht 0.32 per share or 26.89 percent, due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company in the 1st quarter 2023 was Baht 714.29 million, which increased from the same period last year by Baht 128.40 million or 21.92 percent. This was due to the increase in coal sales volume and average coal selling price of 23.91 percent and 12.23 percent, respectively.

(2) Net profit from ethanol business derived from shareholding proportion of the Company in the 1st quarter 2023 was Baht 28.03 million, which increased from the same period last year by Baht 25.35 million or 945.90 percent. This was due to the increase in average ethanol selling price of 14.71 percent; and

(3) Share of income from associated companies totaled Baht 38.35 million, which increased from the same period last year by Baht 11.68 million or 43.79 percent due to the increase in share of income from PT. Pesona Khatulistiwa Nusantara ("PKN"), which is the associated company that the Company acquired shares in PKN at 10 percent of the total number of paid-up shares.

Details of the changes or impacts that occurred have been 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

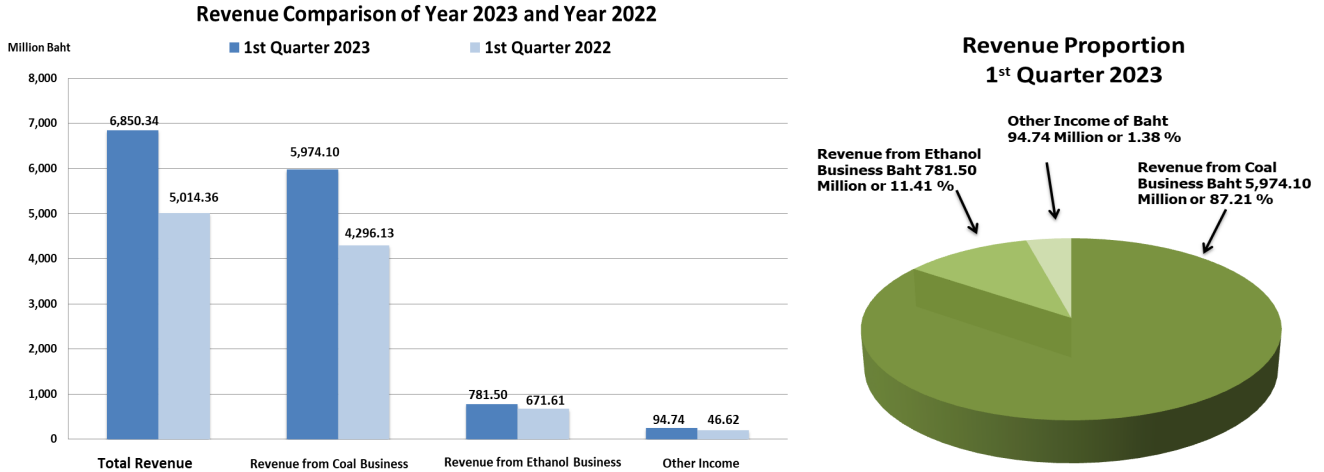
(Mrs. Petcharat Chayanon)
Chief Officer – Accounting and Finance

MANAGEMENT DISCUSSION AND ANALYSIS

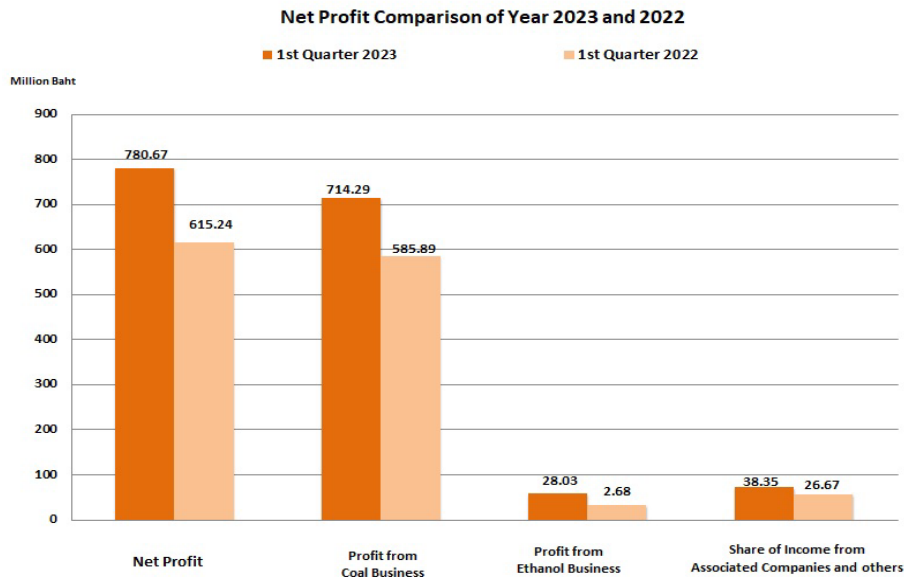
(For the Consolidated Financial Statements of the 1st quarter 2023)

OVERALL OPERATING RESULTS

The total revenue of the Company and subsidiary companies in the 1st quarter 2023 was Baht 6,850.34 million, which increased from the same period last year by Baht 1,835.98 million or 36.61 percent. The revenue proportion from coal business, ethanol business and other income in the 1st quarter 2023 accounted for 87.21 percent, 11.41 percent and 1.38 percent, respectively.



The net profit of the Company and subsidiary companies in the 1st quarter 2023 totaled Baht 780.67 million or Baht 1.49 per share, which increased from the same period last year by Baht 165.43 million or Baht 0.32 per share, accounted for 26.89 percent. The net profit proportion from coal business, ethanol business and other income accounted for 91.50 percent, 3.59 percent, and 4.91 percent, respectively, with the net profit margin of 19.02 percent, the EBITDA margin of 36.78 percent, and the return on equity of 10.00 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at March 31, 2023 were considered excellent. The current ratio was as high as 2.25 times, and the quick ratio was as high as 1.62 times, with the total debt to total assets ratio of 35.17 percent, and debt to equity ratio of 54.24 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 2023 of Baht 5,974.10 million, which increased from the same period last year by Baht 1,677.97 million or 39.06 percent, due to the increase in coal sales volume and average coal selling price from the same period last year of 23.91 percent and 12.23 percent, respectively. The net profit derived from shareholding proportion of the Company in the 1st quarter 2023 was Baht 714.29 million, which increased from the same period last year by Baht 128.40 million or 21.92 percent. This was due to China has increased coal imports to stimulate its economy following the reopening of the country and the termination of the Zero-COVID Policy. Additionally, India has declared emergency measures permitting power plants to import more coal in order to stock up for power generation during the summer months.

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 1st quarter 2023 of Baht 781.50 million, which increased from the same period last year by Baht 109.89 million or 16.36 percent, due to the increase in average ethanol selling price in the 1st quarter 2023 from the same period last year of 14.71 percent, despite the slight decrease in ethanol sales volume of 0.18 percent. However, the net profit derived from shareholding proportion of the Company in the 1st quarter 2023 was Baht 28.03 million, which increased from the same period last year by Baht 25.35 million or 945.90 percent.

Operating Results Analysis

Revenue	1 st Quarter 2023		1 st Quarter 2022 (Revised)		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Coal Sales	5,974.10	87.21	4,296.13	85.68	1,677.97	39.06
Revenue from Ethanol Sales	781.50	11.41	671.61	13.39	109.89	16.36
Other Income	94.74	1.38	46.62	0.93	48.12	103.22
Total Revenue	6,850.34	100.00	5,014.36	100.00	1,835.98	36.61

REVENUE

Revenue of the Company and subsidiary companies in the 1st quarter 2023 totaled Baht 6,850.34 million, which increased from the same period last year by Baht 1,835.98 million or 36.61 percent due to the following reasons:

(1) Revenue from coal business, which is the core business, was Baht 5,974.10 million, which increased from the 1st quarter 2022 by Baht 1,677.97 million or 39.06 percent. This was due to the increase in coal sales volume and average coal selling price as described above.

(2) Revenue from ethanol business, which is the secondary core business, was Baht 781.50 million, which increased from the 1st quarter 2022 by Baht 109.89 million or 16.36 percent. This was due to the increase in average ethanol selling price; and

(3) Other income totaled Baht 94.74 million, which increased from the same period last year by Baht 48.12 million or 103.22 percent. This was due to the increase in foreign exchange gain.

Expenses	1 st Quarter 2023		1 st Quarter 2022		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Coal Business						
Cost of sales	2,308.69	38.64	1,636.59	38.09	672.10	41.07
Selling and administrative expenses	1,782.23	29.83	1,175.76	27.37	606.47	51.58
(Income) Financial expense	(9.50)	(0.16)	(5.28)	(0.12)	(4.22)	(79.92)
Corporate income tax	750.38	12.56	556.02	12.94	194.36	34.96
Ethanol Business						
Cost of sales	682.39	87.32	633.94	94.39	48.45	7.64
Selling and administrative expenses	41.22	5.27	22.21	3.31	19.01	85.59
Financial expense	17.05	2.18	10.32	1.54	6.73	65.21
Corporate income tax	13.29	1.70	(0.12)	(0.02)	13.41	N/A

COAL BUSINESS EXPENSES

Coal business expenses of the Company and subsidiary companies in the 1st quarter 2023 totaled Baht 4,831.80 million, which increased from the 1st quarter 2022 by Baht 1,468.71 million or 43.67 percent, due to the following reasons:

- (1) Cost of coal sales increased from the 1st quarter 2022 by Baht 672.10 million or 41.07 percent, due to the increase in coal sales volume and cost of coal sales per metric ton of 23.91 percent and 13.85 percent, respectively.
- (2) Selling and administrative expenses increased from the 1st quarter 2022 by Baht 606.47 million or 51.58 percent due to the increase in royalty fee payment paid to the government in accordance with the increase in coal sales volume.
- (3) Financial expense decreased from the 1st quarter 2022 by Baht 4.22 million or 79.92 percent due to the increase in interest received; and
- (4) Corporate income tax increased from the 1st quarter 2022 by Baht 194.36 million or 34.96 percent due to the increase in profit.

ETHANOL BUSINESS EXPENSES

Ethanol business expenses of the subsidiary company in the 1st quarter 2023 totaled Baht 753.95 million, which increased from the 1st quarter 2022 by Baht 87.60 million or 13.15 percent, due to the following reasons:

- (1) Cost of ethanol sales increased from the 1st quarter 2022 by Baht 48.45 million or 7.64 percent due to the increase in ethanol sales volume per liter of 7.84 percent. This was due to the increase of 5.34 percent in molasses price, which is the main raw material for ethanol production.
- (2) Selling and administrative expenses increased from the 1st quarter 2022 by Baht 19.01 million or 85.59 percent. This was due to the transportation costs for ethanol sales increased following the rise in oil prices.
- (3) Financial expense increased from the 1st quarter 2022 by Baht 6.73 million or 65.21 percent due to the increase in interest expense; and
- (4) Corporate income tax increased from the 1st quarter 2022 by Baht 13.41 million due to the increase in profit.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
1st Quarter 2023						
Revenues from sales	5,974.10	100.00	781.50	100.00	6,755.60	100.00
Less Cost of sales	2,308.69	38.64	682.39	87.32	2,991.08	44.28
Gross Profit	3,665.41	61.36	99.11	12.68	3,764.52	55.72
1st Quarter 2022 (Revised)						
Revenues from sales	4,296.13	100.00	671.61	100.00	4,967.74	100.00
Less Cost of sales	1,636.59	38.09	633.94	94.38	2,270.53	45.71
Gross Profit	2,659.54	61.91	37.67	5.61	2,697.21	54.29

GROSS PROFIT

Gross profit of the Company and subsidiary companies in the 1st quarter 2023 accounted for 55.72 percent of the sales revenue, which increased from the 1st quarter 2022 with the gross profit of 54.29 percent of the sales revenue, due to the following reasons:

- (1) Gross profit from coal business in the 1st quarter 2023 accounted for 61.36 percent of the sales revenue, which slightly decreased from the 1st quarter 2022 with gross profit of 61.91 percent of the sales revenue. Despite the increase in average coal selling price of 12.23 percent but the average cost of coal sales increased by over 13.85 percent; and
- (2) Gross profit from ethanol business in the 1st quarter 2023 accounted for 12.68 percent of the sales revenue, which increased from the 1st quarter 2022 with gross profit of 5.61 percent of the sales revenue. This was due to the increase in average ethanol selling price of 14.71 percent but the cost of ethanol sales increased by only 7.84 percent.

Net Profit	1 st Quarter 2023		1 st Quarter 2022 (Revised)		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business	714.29	91.50	585.89	95.23	128.40	21.92
Profit (Loss) from Ethanol Business	28.03	3.59	2.68	0.44	25.35	945.90
Share of income from associated company and other revenue	38.35	4.91	26.67	4.33	11.68	43.79
Net Profit	780.67	100.00	615.24	100.00	165.43	26.89
Net Earnings per Share - Baht per Share	1.49		1.17		0.32	26.89
Remark: Registered par value of Baht 1 per share						

NET PROFIT

The net profit of the Company and subsidiary companies in the 1st quarter 2023 totaled Baht 780.67 million, which increased from the 1st quarter 2022 by Baht 165.43 million and net earnings per share was Baht 1.49 per share, which increased from the 1st quarter 2022 by Baht 0.32 per share or 26.89 percent, due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company in the 1st quarter 2023 was Baht 714.29 million, which increased from the 1st quarter 2022 by Baht 128.40 million or 21.92 percent. This was due to the increase in coal sales volume and average coal selling price as described above.

(2) Net profit from ethanol business derived from shareholding proportion of the Company in the 1st quarter 2023 was Baht 28.03 million, which increased from the 1st quarter 2022 by Baht 25.35 million or 945.90 percent. This was due to the increase in average ethanol selling price as described above; and

(3) Share of income from associated companies totaled Baht 38.35 million, which increased from the 1st quarter 2022 by Baht 11.68 million or 43.79 percent due to the increase in share of income from PT. Pesona Khatulistiwa Nusantara ("PKN"), which is the associated company that the Company acquired shares in PKN at 10 percent of the total number of paid-up shares.

EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in the 1st quarter 2023 was Baht 2,519.59 million, which increased from the 1st quarter 2022 by Baht 711.36 million or 39.34 percent and EBITDA margin was at 36.78 percent, which increased from the 1st quarter 2022 by 1.99 percent.

(2) Net profit margin of the Company and subsidiary companies in the 1st quarter 2023 was at 19.02 percent, which decreased from the 1st quarter 2022 by 5.72 percent.

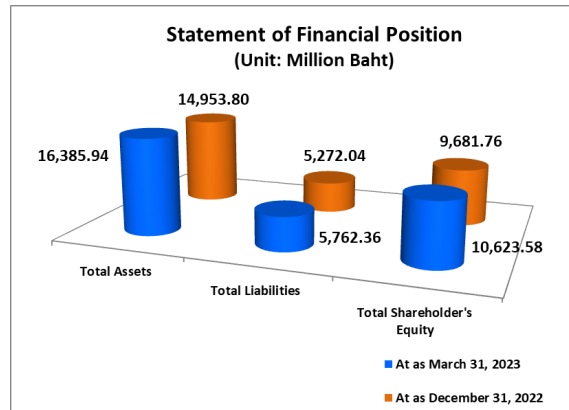
(3) Return on equity of the Company and subsidiary companies in the 1st quarter 2023 was at 10.00 percent, which decreased from the 1st quarter 2022 by 2.61 percent; and

(4) Return on total assets and the return on fixed assets of the Company and subsidiary companies in the 1st quarter 2023 were at 8.31 percent and 42.03 percent, which increased from the 1st quarter 2022 by 6.02 percent and 41.66 percent, respectively.

STATEMENTS OF FINANCIAL POSITION

Description	Unit	As at March 31, 2023	As at December 31, 2022 (Revised)	Increase (Decrease)	%
Total Assets	Million Baht	16,385.94	14,953.80	1,432.14	9.58
Total Liabilities	Million Baht	5,762.36	5,272.04	490.32	9.30
Total Shareholders' Equity	Million Baht	10,623.58	9,681.76	941.82	9.73
Book Value	Baht per Share	15.59	14.16	1.43	10.10
Remark: Registered par value of Baht 1 per share					

ASSETS: The total assets of the Company and subsidiary companies as at March 31, 2023 was Baht 16,385.94 million, which increased from the end of year 2022 by Baht 1,432.14 million or 9.58 percent, due to (1) current assets increased by Baht 1,548.65 million or 17.87 percent, consisting of: (A) cash and cash equivalent increased by Baht 121.79 million or 2.72 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 979.40 million or 52.11 percent; (C) inventories increased by Baht 551.09 million or 94.49 percent; and (D) other current assets most of which were prepaid corporate income tax, advance payment for goods, etc., decreased by Baht 103.63 million or 5.99 percent; and (2) non-current assets decreased by Baht 116.51 million or 1.85 percent.



LIABILITIES: The total liabilities of the Company and subsidiary companies as at March 31, 2023 was Baht 5,762.36 million, which increased from the end of year 2022 by Baht 490.32 million or 9.30 percent, due to (1) trade accounts payable and other accounts payable increased by Baht 132.89 million or 17.78 percent (2) accrued expenses, most of which were overburden removal expenses and freight cost, etc., increased by Baht 267.43 million or 16.10 percent (3) other liabilities, most of which were deferred tax, provision for mine rehabilitation of the subsidiary companies, and allowance for long-term benefits of employees, etc., increased by Baht 65.81 million or 7.71 percent; and (4) short-term loan and long-term loan of the subsidiary companies increased by Baht 24.19 million or 1.20 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company and subsidiary companies as at March 31, 2023 was Baht 10,623.58 million, which increased from the end of year 2022 by Baht 941.82 million or 9.73 percent, resulting in an increase of the share's book value from Baht 14.16 per share to Baht 15.59 per share, an increase of Baht 1.43 per share or 10.10 percent. This was due to (1) an increase in retained earnings of Baht 780.65 million or 12.93 percent, having the net profit of Baht 780.67 million and revised comprehensive income items decreased by Baht 0.02 million, (2) a decrease in translation adjustment in financial statements of Baht 28.03 million or 14.85 percent; and (3) an increase in minority shareholders' equity of Baht 189.21 million or 8.41 percent.

CASH FLOWS

Description	Unit: Million Baht	
	1 st Quarter 2023	1 st Quarter 2022 (Revised)
Cash Flows from (used in) Operating Activities	752.40	88.18
Cash Flows from (used in) Investing Activities	(577.08)	(307.61)
Cash Flows from (used in) Financing Activities	(316.11)	292.15
Increase (Decrease) in Translation Adjustments in Financial Statements	12.55	4.01
Net Increase (Decrease) in Cash	(128.24)	76.73
Cash at the beginning of the period	3,028.67	2,163.72
Cash at the end of the period	2,900.43	2,240.45

(1) The net cash from operating activities of the Company and subsidiary companies in the 1st quarter 2023 totaled Baht 752.40 million, consisting of (A) income before corporate income tax and interest expense of Baht 2,066.62 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 443.40 million (C) an increase in operating assets of Baht 1,457.87 million (D) an increase in operating liabilities of Baht 122.10 million (E) interest received of Baht 9.69 million; and (F) interest expenses and taxes of Baht 431.54 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in the 1st quarter 2023 totaled Baht 577.08 million, consisting of (A) properties, buildings and equipment increased by Baht 125.72 million, most of which were the costs for construction of second coal processing plant and the expansion of the port and jetty of the subsidiary company in Indonesia (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 310.77 million (C) short-term capital investment and other items increased by Baht 183.97 million; and (D) loans to related parties decreased by Baht 43.38 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in the 1st quarter 2023 totaled Baht 316.11 million, consisting of (A) an increase in loan of Baht 16.95 million (B) dividend payment of Baht 315.81 million; and (C) an increase in minority shareholders' equity of Baht 17.25 million.

ASSET MANAGEMENT CAPABILITY

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at March 31, 2023 were 17.45 percent of total assets.

(2) Inventory of the Company and subsidiary companies as at March 31, 2023 was 6.92 percent of total assets.

(3) The Company's goodwill incurred from investment in the subsidiary company as at March 31, 2023 accounted for 1.14 percent of total assets.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and the quick ratio of the Company and subsidiary companies as at March 31, 2023 were as high as 2.25 times and 1.62 times, respectively. In addition, the Company and subsidiary companies have sufficient credit facilities for future working capital.

(2) The total debt-to-equity ratio of the Company and subsidiary companies as at March 31, 2023 was as low as 0.54:1, having appropriate capital structure. The Company has sufficient cash generation and credit facilities for future investment projects.

(3) The cash cycle of the Company and subsidiary companies in the 1st quarter 2023 was 37 days, which decreased from the same period last year by 12 days. The average debt collection period was at 31 days, which decreased from the same period last year by 9 days. The average inventory turnover was at 26 days, which decreased from the same period last year by 4 days, but the average debt repayment period was at 20 days, which decreased from the same period last year by 1 day.

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. As at March 31, 2023, 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 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 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 in the 2nd quarter 2023 has tendency to decline, which reflects a gradual reduction in coal demand in the medium and long term period, as several countries are transitioning to renewable energy sources for electricity generation instead of coal. In this regard, the Company and subsidiary companies have given importance to the Environmental, Social, and Governance (“ESG”), and continuously aim for sustainable development on renewable energy by exploring clean energy investment projects both domestically and overseas, to mitigate environmental impacts and greenhouse gas emissions, ensuring sustainable growth in the long term. Despite these efforts, the Company and subsidiary companies anticipate that coal business will remain profitable and continue to generate satisfactory operating results in 2023.

Ethanol Business: The quantity of sugar cane processed during the production season of 2023 tends to decrease compared to the previous year due to drought, resulting in a lower supply of molasses, which is the main raw material for ethanol production. Moreover, the high demand for cassava chips from both domestic and overseas markets causes fluctuating prices, which will cause the ethanol production cost to remain high in 2023. To address the insufficient domestic molasses supply, the subsidiary is considering importing molasses from overseas to meet domestic demand. Additionally, since the 1st quarter 2023, the subsidiary company has commenced commercial production and distribution of soil conditioners, the by-product of water evaporation process, to generate additional revenue and profit besides its ethanol business for the Company and subsidiary company.

Overall Business: The COVID-19 pandemic situation has improved and is no longer a cause of concern, leading to a recovery of the global economy, including Thailand. Therefore, the overall operating results of the Company and subsidiary companies in year 2023 are expected to continue to be profitable as the energy business has clearly recovered in line with the overall macroeconomic situation. However, there are still variables requiring close monitoring, such as the outcome of wars and geopolitical developments that may extend across East Asia and Southeast Asia.
