

Ref. No. 0267/05E

February 28, 2024

Subject: Clarification on the Operating Results in year 2023

Attn: President  
The Stock Exchange of Thailand

The Company wishes to report on the Company's operating results in year 2023 having details as follows:

Net profit of the Company and subsidiary companies in year 2023 totaled Baht 2,088.11 million, which decreased from the previous year by Baht 877.58 million and net earnings per share was Baht 3.98 per share, which decreased from the previous year by Baht 1.67 per share or 29.59 percent, due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company in year 2023 was Baht 1,948.88 million, which decreased from the previous year by Baht 836.61 million or 30.03 percent. This was due to the increase in coal sales volume from the previous year of 10.10 percent, but the average coal selling price decreased from the previous year by 20.68 percent.

(2) Net Profit from ethanol business and soil conditioner byproduct derived from shareholding proportion of the Company in year 2023 was Baht 15.44 million, which increased from the previous year by Baht 54.18 million or 139.86 percent. This was due to the ethanol sales volume and average ethanol selling price increased from the previous year by 20.83 percent and 7.54 percent, respectively; and

(3) Share of income from associated companies totaled Baht 123.79 million, which decreased from the previous year by Baht 95.25 million or 43.49 percent due to the decrease in profit of the associated companies.

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

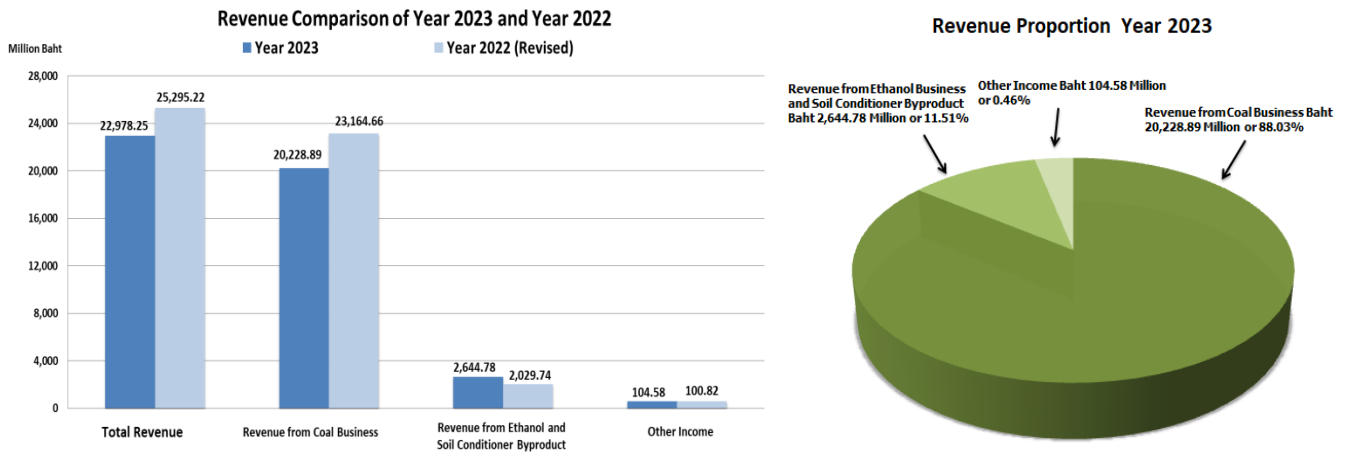
(Mrs. Petcharat Chayanon)  
Chief Officer – Accounting and Finance

## MANAGEMENT DISCUSSION AND ANALYSIS

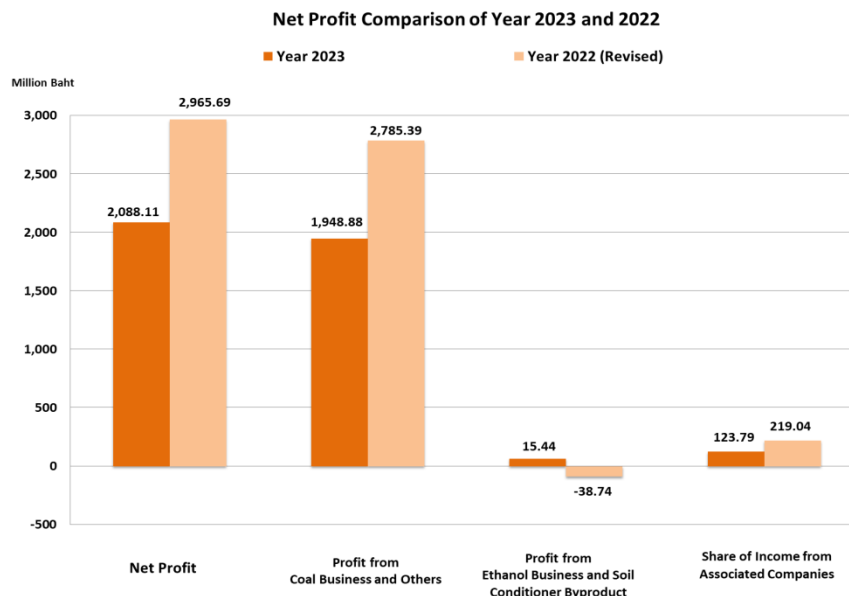
(For the Consolidated Financial Statements of year 2023)

### OVERALL OPERATING RESULTS

The total revenue of the Company and subsidiary companies in year 2023 were Baht 22,978.25 million, which decreased from the previous year by Baht 2,316.97 million or 9.16 percent. The revenue proportion from coal business, ethanol business and soil conditioner byproduct, and other income in year 2023 accounted for 88.03 percent, 11.51 percent and 0.46 percent, respectively.



The net profit of the Company and subsidiary companies in year 2023 totaled Baht 2,088.11 million or Baht 3.98 per share, which decreased from the previous year by Baht 877.58 million, accounted for 29.59 percent. The net profit proportion from coal business, ethanol business and soil conditioner byproduct, and other income in year 2023 accounted for 93.33 percent, 0.74 percent and 5.93 percent, respectively, with the net profit margin of 14.68 percent, the EBITDA margin of 29.47 percent, and the return on equity of 26.88 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at the end of year 2023 were considered excellent. The current ratio was as high as 2.91 times and the quick ratio was as high as 1.81 times and the total debt to total assets ratio was only 28.06 percent with debt to equity ratio of only 39.01 percent.

**Operating Results of the Coal Business or the Core Business:** The Company and subsidiary companies had total revenue from coal business in year 2023 of Baht 20,228.89 million, which decreased from the previous year by Baht 2,935.77 million or 12.67 percent. This was due to the increase in coal sales volume from the previous year of 10.10 percent, but the average coal selling price decreased from the previous year by 20.68 percent. The net profit derived from shareholding proportion of the Company in year 2023 was Baht 1,948.88 million, which decreased from the previous year by Baht 836.51 million or 30.03 percent. This was due to a significant decline in coal prices, and a reduction in China's coal imports due to economic slowdown.

**Operating Results of the Ethanol-for-Fuel Business and Soil Conditioner Byproduct or the Secondary Core Business:** The Company and subsidiary company had total revenue from ethanol business and soil conditioner byproduct in year 2023 of Baht 2,644.78 million, which increased from the previous year by Baht 615.04 million or 30.30 percent. This was due to the ethanol sales volume and the average ethanol selling price in year 2023 increased from the previous year by 20.83 percent and 7.54 percent, respectively. The net profit derived from shareholding proportion of the Company in year 2023 was Baht 15.44 million, which increased from the previous year by Baht 54.18 million or 139.86 percent.

### Operating Results Analysis

Revenue	Year 2023		Year 2022 (Revised)		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Coal Sales	20,228.89	88.03	23,164.66	91.58	(2,935.77)	(12.67)
Revenue from Ethanol Business and Soil Conditioner Byproduct	2,644.78	11.51	2,029.74	8.02	615.04	30.30
Other Income	104.58	0.46	100.82	0.40	3.76	3.73
<b>Total Revenue</b>	<b>22,978.25</b>	<b>100.00</b>	<b>25,295.22</b>	<b>100.00</b>	<b>(2,316.97)</b>	<b>(9.16)</b>

### REVENUE

Revenue of the Company and subsidiary companies in year 2023 totaled Baht 22,978.25 million, which decreased from the previous year by Baht 2,316.97 million or 9.16 percent due to the following reasons:

(1) Revenue from coal business, which is the core business, was Baht 20,228.89 million, which decreased from the previous year by Baht 2,935.77 million or 12.67 percent. This was due to the decrease in average coal selling price as described above.

(2) Revenue from ethanol business and soil conditioner byproduct, which is the secondary core business, was Baht 2,644.78 million, which increased from the previous year by Baht 615.04 million or 30.30 percent. This was due to the increase in ethanol sales volume and average ethanol selling price as described above; and

(3) Other income totaled Baht 104.58 million, which slightly increased from the previous year by Baht 3.76 million or 3.73 percent.

### EXPENSES

Expenses	Year 2023		Year 2022 (Revised)		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Coal Business</b>						
Cost of sales	9,275.92	45.85	8,678.94	37.47	596.98	6.88
Selling and administrative expenses	5,889.82	29.12	6,917.52	29.86	(1,027.70)	(14.86)
Corporate income tax	1,969.42	9.74	2,926.27	12.63	(956.85)	(32.70)
<b>Ethanol Business and Soil Conditioner Byproduct</b>						
Cost of sales	2,414.48	91.29	1,928.64	95.02	485.84	25.19
Selling and administrative expenses	158.56	6.00	148.17	7.30	10.39	7.01
Corporate income tax	7.73	0.29	(14.79)	(0.73)	22.52	152.27

## COAL BUSINESS EXPENSES

Coal business expenses of the Company and subsidiary companies in year 2023 totaled Baht 17,135.16 million, which decreased from the previous year by Baht 1,387.57 million or 7.49 percent, due to the following reasons:

(1) Cost of coal sales increased from the previous year by Baht 596.98 million or 6.88 percent, due to the increase in the coal sales volume of 10.10 percent, while the cost of coal sales per metric ton decreased by only 2.93 percent.

(2) Selling and administrative expenses decreased from the previous year by Baht 1,027.70 million or 14.86 percent due to the decrease in royalty fee payment to the government in accordance with the decrease in average coal selling price; and

(3) Corporate income tax decreased from the previous year by Baht 956.85 million or 32.70 percent due to the decrease in profit.

## ETHANOL BUSINESS AND SOIL CONDITIONER BYPRODUCT EXPENSES

Ethanol business and soil conditioner byproduct expenses of the Company and subsidiary company in year 2023 totaled Baht 2,580.77 million, which increased from the previous year by Baht 518.75 million or 25.16 percent, due to the following reasons:

(1) Cost of sales increased from the previous year by Baht 485.84 million or 25.19 percent due to the increase in ethanol sales volume and average ethanol selling price of 20.83 percent and 3.61 percent, respectively.

(2) Selling and administrative expenses increased from the previous year by Baht 10.39 million or 7.01 percent due to the increase in freight cost in line with the rise in fuel prices; and

(3) Corporate income tax increased from the previous year by Baht 22.52 million due to the increase in profit.

## FINANCIAL INCOME AND FINANCIAL EXPENSE

Description	Unit : Million Baht						Increase (Decrease) (%)	
	2023			2022 (Revised)				
	Coal Business	Ethanol Business and Soil Conditioner Byproduct	Total	Coal Business	Ethanol Business and Soil Conditioner Byproduct	Total		
Financial income	71.55	1.29	72.84	29.41	0.04	29.45	43.39	147.33
Financial expense	16.15	69.41	85.56	10.81	45.18	55.99	29.57	52.81

(1) The Company and subsidiary companies had financial income in year 2023 of Baht 72.84 million, which increased from the previous year by Baht 43.39 million accounted for 147.33 percent. This was due to an increase in interest received; and

(2) The Company and subsidiary companies had financial expense in year 2023 of Baht 85.56 million, which increased from the previous year by Baht 29.57 million accounted for 52.81 percent. This was due to an increase in interest rates.

Gross Profit	Coal Business		Ethanol Business and Soil Conditioner Byproduct		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Year 2023</b>						
Revenues from sales	20,228.89	100.00	2,644.78	100.00	22,873.67	100.00
<b>Less</b> Cost of sales	9,275.92	45.85	2,414.48	91.29	11,690.40	51.11
<b>Gross Profit</b>	<b>10,952.97</b>	<b>54.15</b>	<b>230.30</b>	<b>8.71</b>	<b>11,183.27</b>	<b>48.89</b>
<b>Year 2022 (Revised)</b>						
Revenues from sales	23,164.66	100.00	2,029.74	100.00	25,194.40	100.00
<b>Less</b> Cost of sales	8,678.94	37.47	1,928.64	95.02	10,607.58	42.10
<b>Gross Profit</b>	<b>14,485.72</b>	<b>62.53</b>	<b>101.10</b>	<b>4.98</b>	<b>14,586.82</b>	<b>57.90</b>

## GROSS PROFIT

Gross profit of the Company and subsidiary companies in year 2023 totaled Baht 11,183.27 million or 48.89 percent of the sales revenue, which decreased from the previous year with the gross profit of Baht 14,586.82 million or 57.90 percent of the sales revenue, due to the following reasons:

(1) Gross profit from coal business in year 2023 totaled Baht 10,952.97 million or 54.15 percent of the sales revenue, which decreased from the previous year with gross profit of Baht 14,485.72 million or 62.53 percent of the sales revenue. This was due to the decrease in average coal selling price of over 20.68 percent, but the average cost of coal sales decreased by only 2.93 percent; and

(2) Gross profit from ethanol business and soil conditioner byproduct in year 2023 totaled Baht 230.30 million or 8.71 percent of the sales revenue, which increased from the previous year with gross profit of Baht 101.10 million or 4.98 percent of the sales revenue. This was due to the increase in average ethanol selling price of 7.54 percent, but the cost of ethanol sales increased by only 3.61 percent.

Net Profit	Year 2023		Year 2022 (Revised)		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business and Others	1,948.88	93.33	2,785.39	93.92	(836.51)	(30.03)
Profit (Loss) from Ethanol Business and Soil Conditioner Byproduct	15.44	0.74	(38.74)	(1.31)	54.18	139.86
Share of Income from Associated Companies	123.79	5.93	219.04	7.39	(95.25)	(43.49)
<b>Net Profit</b>	<b>2,088.11</b>	<b>100.00</b>	<b>2,965.69</b>	<b>100.00</b>	<b>(877.58)</b>	<b>(29.59)</b>
<b>Net Earnings per Share (Baht per Share)</b>	<b>3.98</b>		<b>5.65</b>		<b>(1.67) (29.59)</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 2023 totaled Baht 2,088.11 million, which decreased from the previous year by Baht 877.58 million and net earnings per share was Baht 3.98 per share, which decreased from the previous year by Baht 1.67 per share or 29.59 percent, due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company in year 2023 was Baht 1,948.88 million, which decreased from the previous year by Baht 836.51 million or 30.03 percent. This was due to the decrease in average coal selling price as described above.

(2) Net profit from ethanol business and soil conditioner byproduct derived from shareholding proportion of the Company in year 2023 was Baht 15.44 million, which increased from the previous year by Baht 54.18 million or 139.86 percent. This was due to the increase in ethanol sales volume and average ethanol selling price as described above; and

(3) Share of income from associated companies totaled Baht 123.79 million, which decreased from the previous year by Baht 95.25 million or 43.49 percent due to the decrease in profit of the associated companies.

## EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in year 2023 was Baht 6,771.59 million, which decreased from the previous year by Baht 2,153.71 million or 24.13 percent and EBITDA margin was at 29.47 percent, which decreased from the previous year by 16.48 percent.

(2) Net profit margin of the Company and subsidiary companies in year 2023 was at 14.68 percent, which decreased from the previous year by 24.26 percent.

(3) Return on equity of the Company and subsidiary companies in year 2023 was at 26.88 percent, which decreased from the previous year by 40.55 percent.

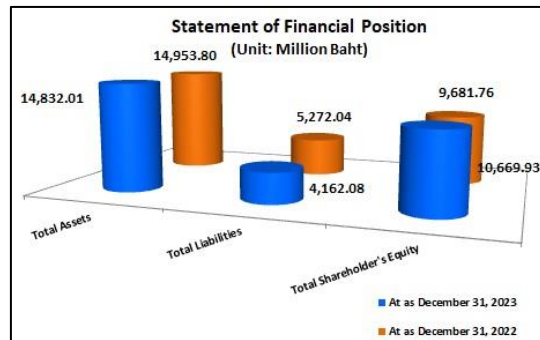
(4) Return on total assets and the return on fixed assets of the Company and subsidiary companies in year 2023 were at 22.65 percent and 90.80 percent, which decreased from the previous year by 37.67 percent and 27.75 percent, respectively.

## STATEMENTS OF FINANCIAL POSITION

Description	Unit	As at December 31, 2023	As at December 31, 2022 (Revised)	Increase (Decrease)	%
Total Assets	Million Baht	14,832.01	14,953.80	(121.79)	(0.81)
Total Liabilities	Million Baht	4,162.08	5,272.04	(1,109.96)	(21.05)
Total Shareholders' Equity	Million Baht	10,669.93	9,681.76	988.17	10.21
<b>Book Value</b>	<b>Baht per Share</b>	<b>15.44</b>	<b>14.15</b>	<b>1.29</b>	<b>9.12</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 2023 was Baht 14,832.01 million, which decreased from the end of year 2022 by Baht 121.79 million or 0.81 percent, due to (1) current assets decreased by Baht 31.94 million or 0.37 percent, consisting of: (A) cash and cash equivalent decreased by Baht 159.41 million or 3.56 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 244.09 million or 12.99 percent; (C) inventories decreased by Baht 13.20 million or 2.26 percent; and (D) other current assets most of which were corporate income tax, advance payment for goods, etc., decreased by Baht 103.42 million or 5.98 percent; and (2) non-current assets decreased by Baht 89.85 million or 1.43 percent.



**LIABILITIES:** The total liabilities of the Company and subsidiary companies as at the end of year 2023 was Baht 4,162.08 million, which decreased from the end of year 2022 by Baht 1,109.96 million or 21.05 percent, due to (1) trade accounts payable and other accounts payable decreased by Baht 166.29 million or 22.35 percent (2) accrued expenses, most of which were overburden removal expenses and freight cost, etc., decreased by Baht 739.86 million or 44.44 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 56.77 million or 6.65 percent; and (4) short-term loan and long-term loan of the subsidiary companies decreased by Baht 260.58 million or 12.97 percent.

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company and subsidiary companies as at the end of year 2023 was Baht 10,669.93 million, which increased from the end of year 2022 by Baht 988.17 million or 10.21 percent, resulting in an increase of the share's book value from Baht 14.16 per share to Baht 15.44 per share, an increase of Baht 1.28 per share or 9.04 percent. This was due to (1) an increase in retained earnings of Baht 703.97 million or 11.66 percent due to an increase in net profit of Baht 2,088.11 million and an increase in revised comprehensive income items of Baht 7.11 million, with a dividend payment of Baht 1,391.25 million (2) a decrease in translation adjustment in financial of Baht 28.14 million or 14.91 percent; and (3) an increase in minority shareholders' equity of Baht 312.34 million or 13.88 percent.

## CASH FLOWS

Description	Unit: Million Baht	
	Year 2023	Year 2022 (Revised)
Cash Flows from (used in) Operating Activities	3,752.84	5,529.87
Cash Flows from (used in) Investing Activities	(2,382.61)	(2,095.36)
Cash Flows from (used in) Financing Activities	(2,663.73)	(2,566.52)
Increase (Decrease) in Translation Adjustments in Financial Statements	(33.42)	(3.04)
Net Increase (Decrease) in Cash	(1,326.92)	864.95
Cash at the beginning of the period	3,028.67	2,163.72
<b>Cash at the end of the period</b>	<b>1,701.75</b>	<b>3,028.67</b>

(1) The net cash from operating activities of the Company and subsidiary companies in year 2023 totaled Baht 3,752.84 million, consisting of (A) income before corporate income tax and interest expense of Baht 5,350.54 million (B) transactions that did not affect the cash such as depreciation and amortization of assets, most of which were transactions concerning coal mining operations of the subsidiary companies in Indonesia of Baht 1,367.84 million (C) an increase in operating assets of Baht 11.63 million (D) a decrease in operating liabilities of Baht 254.43 million (E) interest received of Baht 69.04 million; and (F) interest expenses and income tax of Baht 2,768.52 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in year 2023 totaled Baht 2,382.61 million, consisting of (A) an increase in properties, buildings and equipment, most of which were the construction cost and the expansion of the port and jetty of the subsidiary company in Indonesia, of Baht 334.10 million (B) an increase in expenses of coal mine projects of the subsidiary companies in Indonesia of Baht 984.33 million (C) short-term capital investment and other items increased by Baht 1,131.82 million (D) loans to related parties decreased by Baht 57.00 million; and (E) a dividend received from associated company of Baht 10.64 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in year 2023 totaled Baht 2,663.73 million, consisting of (A) a decrease in loan of Baht 294.46 million (B) dividend payment of Baht 2,351.98 million; and (C) a decrease in minority shareholders' equity of Baht 17.29 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 2023 were 14.32 percent of total assets.

(2) Inventory of the Company and subsidiary companies as at the end of year 2023 was 3.84 percent of total assets.

(3) The Company's goodwill incurred from investment in the subsidiary company as at the end of year 2023 accounted for 1.25 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 the end of year 2023 were as high as 2.91 times and 1.81 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 the end of year 2023 was as low as 0.39:1 with appropriate capital structure. The Company has cash generation and credit facilities sufficient for future investment projects.

(3) The cash cycle of the Company and subsidiary companies in year 2023 was 33 days, which increased from the previous year by 7 days. The average debt collection period was at 31 days, which increased from the previous year by 7 days. The average inventory turnover was at 18 days, which decreased from the previous year by 1 day, but the average debt repayment period was at 16 days, which decreased from the previous 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. It appears that as at the end of year 2023, the subsidiary company is unable to maintain the DSCR as required by the contractual obligation of the loan. Nevertheless, the lending bank has issued a waiver letter regarding such conditions on September 28, 2023.

(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 (Debt to Equity Ratio), DSCR (Debt Service Coverage Ratio), 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:** It is anticipated that coal prices in 2024 will remain stable. Nonetheless, there may be some support for coal price increase in the short term due to a delay of the winter season compared to previous year. However, several countries are transitioning to renewable energy sources for electricity generation instead of coal. Additionally, the global economic slowdown, particularly in China, has led to a slowdown in coal demand. 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 to mitigate environmental impacts and greenhouse gas emissions, ensuring sustainable growth of the Company and subsidiary companies in the long term. It is expected that coal business will remain profitable and continue to generate satisfactory operating results in 2024.

**Ethanol Business:** The demand for ethanol is expected to remain stable in year 2024 following the Government's announcement regarding the termination of the price subsidies from the state Oil Fund for E20 and E85, effective November 24, 2023. Moreover, if the policy to support biofuels is completed in 2024, it is anticipated to increase the demand for ethanol. However, due to drought conditions in 2023, it is anticipated that the price of molasses, the main raw material for ethanol production, will rise and may be insufficient to meet domestic demand. Therefore, the subsidiary company has adjusted its strategy by using cassava as a raw material for ethanol production instead. In addition, the plan to produce and distribute soil conditioner, the byproduct of wastewater evaporation process, resulting in increased revenue and profit for the Company and subsidiary companies.

**Overall Business:** The global economic outlook for 2024 is anticipated to decline due to ongoing slowdown in the Chinese economy. Nevertheless, the overall operating results of the Company and subsidiary companies in year 2024 are expected to remain profitable with satisfactory performance.

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