



LANNA RESOURCES Public Company Limited

บริษัท ลานนา รีซอร์สเซส จำกัด (มหาชน)

Ref. No. 0266/09E

February 28, 2023

Subject: Clarification on the Operating Results Year 2022

Attn: President

The Stock Exchange of Thailand

The Company wishes to report on the Company's operating results in year 2022, having details as follows:

Net profit of the Company and subsidiary companies in year 2022 totaled Baht 2,960.63 million, which increased from the previous year by Baht 1,385.39 million and net earnings per share was Baht 5.64 per share, which increased from the previous year by Baht 2.64 per share or 87.95 percent, due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company in year 2022 was Baht 2,785.39 million, which increased from the previous year by Baht 1,281.92 million or 85.26 percent. This was due to the increase in coal sales volume and average coal selling price of 15.56 percent and 48.20 percent, respectively.

(2) Net loss from ethanol business derived from shareholding proportion of the Company in year 2022 was Baht 43.80 million, which increased from the previous year by Baht 14.00 million or 46.98 percent. This was due to the decrease in ethanol sales volume of 14.09 percent; and

(3) Share of income from associated companies totaled Baht 219.04 million, which increased from the previous year by Baht 117.47 million or 115.65 percent due to the share of income from PT. Pesona Khatulistiwa Nusantara ("PKN") of Baht 207.88 million, which is the associated company that the Company has acquired shares in PKN at 10 percent of the total number of paid-up shares on August 31, 2021.

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

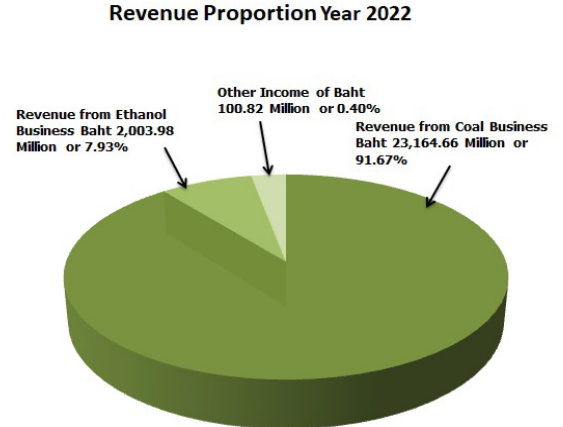
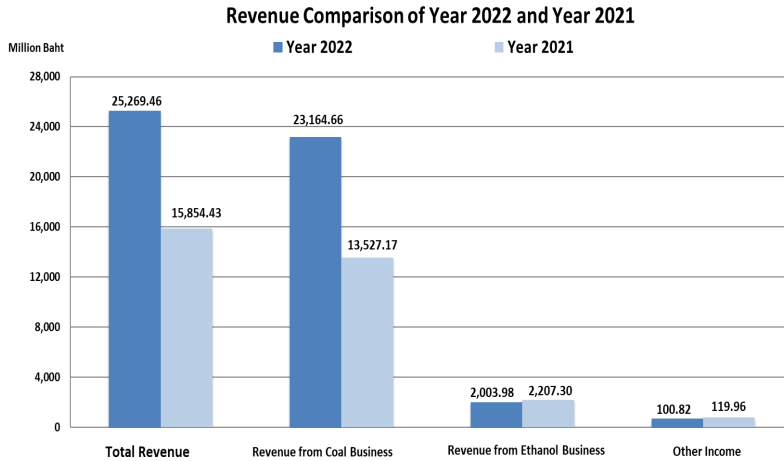
(Mrs. Petcharat Chayanon)
Chief Officer – Accounting and Finance

MANAGEMENT DISCUSSION AND ANALYSIS

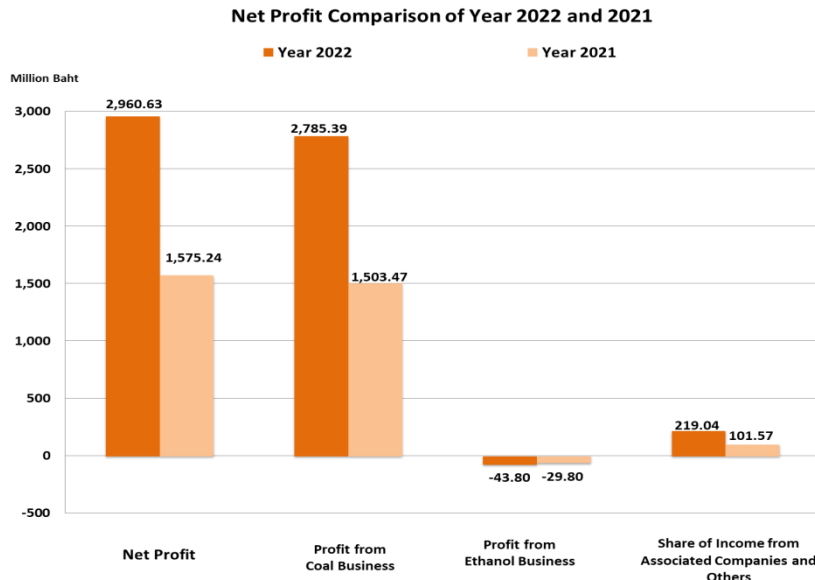
(For the Consolidated Financial Statements of year 2022)

OVERALL OPERATING RESULTS

The total revenue of the Company and subsidiary companies in year 2022 was Baht 25,269.46 million, which increased from the previous year by Baht 9,415.03 million or 59.38 percent. The revenue proportion from coal business, ethanol business and other income in year 2022 accounted for 91.67 percent, 7.93 percent and 0.40 percent, respectively.



The net profit of the Company and subsidiary companies in year 2022 totaled Baht 2,960.63 million or Baht 5.64 per share, which increased from the previous year by Baht 1,385.39 million or Baht 2.64 per share, accounted for 87.95 percent, which is the highest net profit the Company has recorded since its establishment in 1985, with the net profit margin of 19.36 percent, the EBITDA margin of 35.26 percent, and the return on equity of 45.13 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at the end of year 2022 were considered excellent. The current ratio was as high as 2.13 times and the quick ratio was as high as 1.55 times and the total debt to total assets ratio was only 35.26 percent with debt to equity ratio of only 54.45 percent.

Operating Results of the Coal Business or the Core Business: The Company and subsidiary companies had total revenue from coal business in year 2022 of Baht 23,164.66 million, which increased from the previous year by Baht 9,637.49 million or 71.25 percent, due to the increase in coal sales volume and average coal selling price from the previous year of 15.56 percent and 48.20 percent, respectively. The net profit derived from shareholding proportion of the Company in year 2022 was Baht 2,785.39 million, which increased from the previous year by Baht 1,281.92 million or 85.26 percent. Coal prices continued to remain high as the war between Russia and Ukraine resulted in a surge in energy prices, leading to more demand for renewable energy. Additionally, the European Union (EU) expanded sanctions against Russia, causing the EU to buy more coal to replace Russian gas imports. Moreover, other countries such as Korea, Japan, India planned to increase coal stocks for winter in order to reduce natural gas imports that were a lot more expensive, resulting in the rising coal prices in the global market in line with the increasing demand for coal.

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 2022 of Baht 2,003.98 million, which decreased from the previous year by Baht 203.32 million or 9.21 percent, due to the ethanol sales volume in year 2022 decreased by 14.09 percent, while the average ethanol selling price increased by 5.68 percent from the previous year. The net loss derived from shareholding proportion of the Company in year 2022 was Baht 43.80 million, which increased from the previous year by Baht 14.00 million or 46.98 percent. This was due to the increase of 3.57 percent in molasses price, which is the main raw material for ethanol production, and the shortage of raw material caused the subsidiary company to temporarily stop its ethanol production for the Production Line No.1.

Operating Results Analysis

Revenue	Year 2022		Year 2021		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Coal Sales	23,164.66	91.67	13,527.17	85.32	9,637.49	71.25
Revenue from Ethanol Sales	2,003.98	7.93	2,207.30	13.92	(203.32)	(9.21)
Other Income	100.82	0.40	119.96	0.76	(19.14)	(15.96)
Total Revenue	25,269.46	100.00	15,854.43	100.00	9,415.03	59.38

REVENUE

Revenue of the Company and subsidiary companies in year 2022 totaled Baht 25,269.46 million, which increased from the previous year by Baht 9,415.03 million or 59.38 percent due to the following reasons:

(1) Revenue from coal business, which is the core business, was Baht 23,164.66 million, which increased from year 2021 by Baht 9,637.49 million or 71.25 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 2,003.98 million, which decreased from year 2021 by Baht 203.32 million or 9.21 percent. This was due to the decrease in ethanol sales volume as described above; and

(3) Other income totaled Baht 100.82 million, which decreased from the previous year by Baht 19.14 million or 15.96 percent. This was due to the decrease in foreign exchange gain.

Expenses	Year 2022		Year 2021		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Coal Business						
Cost of sales	8,678.94	37.47	5,649.13	41.76	3,029.81	53.63
Selling and administrative expenses	6,917.52	29.86	3,729.02	27.57	3,188.50	85.51
Financial expense	(18.60)	(0.08)	2.29	0.02	(20.89)	(912.23)
Corporate income tax	2,926.27	12.63	1,592.35	11.77	1,333.92	83.77
Ethanol Business						
Cost of sales	1,917.95	95.71	2,142.49	97.06	(224.54)	(10.48)
Selling and administrative expenses	148.17	7.39	102.03	4.62	46.14	45.22
Financial expense	45.14	2.25	36.74	1.66	8.40	22.86
Corporate income tax	(19.94)	(1.00)	(14.97)	(0.68)	(4.97)	(33.20)

COAL BUSINESS EXPENSES

Coal business expenses of the Company and subsidiary companies in year 2022 totaled Baht 18,504.13 million, which increased from year 2021 by Baht 7,531.34 million or 68.64 percent, due to the following reasons:

(1) Cost of coal sales increased from the previous year by Baht 3,029.81 million or 53.63 percent, due to the increase in coal sales volume and cost of coal sales per metric ton of 15.56 percent and 32.95 percent, respectively.

(2) Selling and administrative expenses increased from the previous year by Baht 3,188.50 million or 85.51 percent due to the increase in royalty fee payment paid to the government in accordance with the increase in coal sales volume, which varies according to rising coal selling prices.

(3) Financial expense decreased from the previous year by Baht 20.89 million or 912.23 percent due to the increase in interest received; and

(4) Corporate income tax increased from the previous year by Baht 1,333.92 million or 83.77 percent due to the increase in profit.

ETHANOL BUSSINESS EXPENSES

Ethanol business expenses of the subsidiary company in year 2022 totaled Baht 2,091.32 million, which decreased from year 2021 by Baht 174.97 million or 7.72 percent, due to the following reasons:

(1) Cost of ethanol sales decreased from the previous year by Baht 224.54 million or 10.48 percent due to the decrease in ethanol sales volume per liter of 14.09 percent, but the average cost of ethanol sales per liter increased by 4.22 percent.

(2) Selling and administrative expenses increased from the previous year by Baht 46.14 million or 45.22 percent. This was due to the transfer of expenses of the Production Line No. 1 to selling and administrative expenses since there was a shortage of raw materials, which had caused a temporary stop in ethanol production for the Production Line No. 1.

(3) Financial expense increased from the previous year by Baht 8.40 million or 22.86 percent due to the increase in interest expense; and

(4) Corporate income tax decreased from the previous year by Baht 4.97 million or 33.20 percent due to the decrease in profit.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
Year 2022						
Revenues from sales	23,164.66	100.00	2,003.98	100.00	25,168.64	100.00
Less Cost of sales	8,678.94	37.47	1,917.95	95.71	10,596.89	42.10
Gross Profit	14,485.72	62.53	86.03	4.29	14,571.75	57.90
Year 2021						
Revenues from sales	13,527.17	100.00	2,207.30	100.00	15,734.47	100.00
Less Cost of sales	5,649.13	41.76	2,142.49	97.06	7,791.62	49.52
Gross Profit	7,878.04	58.24	64.81	2.94	7,942.85	50.48

GROSS PROFIT

Gross profit of the Company and subsidiary companies in year 2022 accounted for 57.90 percent of the sales revenue, which increased from year 2021 with the gross profit of 50.48 percent of the sales revenue, due to the following reasons:

(1) Gross profit from coal business in year 2022 accounted for 62.53 percent of the sales revenue, which increased from year 2021 with gross profit of 58.24 percent of the sales revenue. This was due to the increase in average coal selling price of 48.20 percent but the average cost of coal sales increased by only 32.95 percent; and

(2) Gross profit from ethanol business in year 2022 accounted for 4.29 percent of the sales revenue, which increased from year 2021 with gross profit of 2.94 percent of the sales revenue. This was due to the increase in average ethanol selling price of 5.68 percent but the cost of ethanol sales increased by only 4.22 percent.

Net Profit	Year 2022		Year 2021		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business	2,785.39	94.08	1,503.47	95.44	1,281.92	85.26
Profit (Loss) from Ethanol Business	(43.80)	(1.48)	(29.80)	(1.89)	(14.00)	(46.98)
Share of income from associated company and other revenue	219.04	7.40	101.57	6.45	117.47	115.65
Net Profit	2,960.63	100.00	1,575.24	100.00	1,385.39	87.95
Net Earnings per Share - Baht per Share	5.64		3.00		2.64	
Remark: Registered par value of Baht 1 per share						

NET PROFIT

The net profit of the Company and subsidiary companies in year 2022 totaled Baht 2,960.63 million, which increased from the previous year by Baht 1,385.39 million and net earnings per share was Baht 5.64 per share, which increased from the previous year by Baht 2.64 per share or 87.95 percent, due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company in year 2022 was Baht 2,785.39 million, which increased from the previous year by Baht 1,281.92 million or 85.26 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 2022 was Baht 43.80 million, which increased from the previous year by Baht 14.00 million or 46.98 percent. This was due to the decrease in ethanol sales volume as described above; and

(3) Share of income from associated companies totaled Baht 219.04 million, which increased from the previous year by Baht 117.47 million or 115.65 percent due to the share of income from PT. Pesona Khatulistiwa Nusantara ("PKN") of Baht 207.88 million, which is the associated company that the Company acquired 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 2022 was Baht 8,910.23 million, which increased from the previous year by Baht 3,709.87 million or 71.34 percent and EBITDA margin was at 35.26 percent, which increased from the previous year by 7.50 percent.

(2) Net profit margin of the Company and subsidiary companies in year 2022 was at 19.36 percent, which increased from the previous year by 12.99 percent.

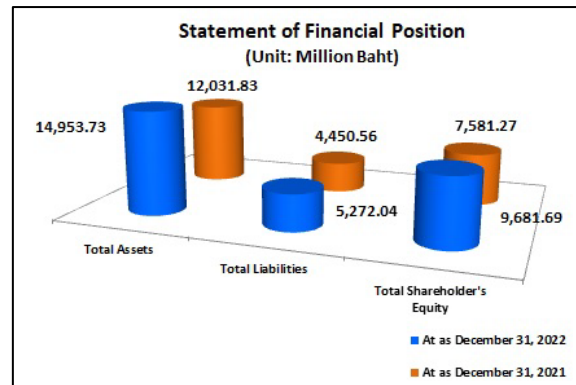
(3) Return on equity of the Company and subsidiary companies in year 2022 was at 45.13 percent, which increased from the previous year by 44.49 percent.

(4) Return on total assets and the return on fixed assets of the Company and subsidiary companies in year 2022 were at 36.26 percent and 142.97 percent, which increased from the previous year by 42.04 percent and 70.83 percent, respectively.

STATEMENTS OF FINANCIAL POSITION

Description	Unit	As at December 31, 2022	As at December 31, 2021	Increase (Decrease)	%
Total Assets	Million Baht	14,953.73	12,031.83	2,921.90	24.28
Total Liabilities	Million Baht	5,272.04	4,450.56	821.48	18.46
Total Shareholders' Equity	Million Baht	9,681.69	7,581.27	2,100.42	27.71
Book Value	Baht per Share	14.16	10.83	3.33	30.75
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 2022 was Baht 14,953.73 million, which increased from the end of year 2021 by Baht 2,921.90 million or 24.28 percent, due to (1) current assets increased by Baht 2,486.34 million or 40.30 percent, consisting of: (A) cash and cash equivalent increased by Baht 1,757.42 million or 64.73 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 213.43 million or 12.81 percent; (C) inventories increased by Baht 49.19 million or 9.36 percent; and (D) other current assets most of which were prepaid corporate income tax, advance payment for goods, etc., increased by Baht 466.30 million or 36.91 percent; and (2) non-current assets increased by Baht 435.56 million or 7.43 percent.



LIABILITIES: The total liabilities of the Company and subsidiary companies as at the end of year 2022 was Baht 5,272.04 million, which increased from the end of year 2021 by Baht 821.48 million or 18.46 percent, due to (1) trade accounts payable and other accounts payable increased by Baht 217.78 million or 41.11 percent (2) accrued expenses, most of which were overburden removal expenses and freight cost, etc., increased by Baht 62.64 million or 3.92 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 206.08 million or 31.80 percent; and (4) short-term loan and long-term loan of the subsidiary companies increased by Baht 334.98 million or 20.01 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company and subsidiary companies as at the end of year 2022 was Baht 9,681.69 million, which increased from the end of year 2021 by Baht 2,100.42 million or 27.71 percent, resulting in an increase of the share's book value from Baht 10.83 per share to Baht 14.16 per share, an increase of Baht 3.33 per share or 30.75 percent. This was due to (1) an increase in retained earnings of Baht 1,672.74 million or 38.31 percent due to the net profit and revised comprehensive income items of Baht 2,958.99 million, but there was a dividend payment of Baht 1,286.25 million (2) an increase in translation adjustment in financial of Baht 73.63 million or 63.94 percent; and (3) an increase in minority shareholders' equity of Baht 354.05 million or 18.69 percent.

CASH FLOWS

Description	Unit: Million Baht	
	Year 2022	Year 2021
Cash Flows from (used in) Operating Activities	5,523.30	3,623.81
Cash Flows from (used in) Investing Activities	(2,088.79)	(940.62)
Cash Flows from (used in) Financing Activities	(2,566.52)	(1,365.01)
Increase (Decrease) in Translation Adjustments in Financial	(3.04)	12.84
Net Increase (Decrease) in Cash	864.95	1,331.02
Cash at the beginning of the period	2,163.72	832.70
Cash at the end of the period	3,028.67	2,163.72

(1) The net cash from operating activities of the Company and subsidiary companies in year 2022 totaled Baht 5,523.30 million, consisting of (A) income before corporate income tax and interest expense of Baht 7,799.38 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 924.07 million (C) an increase in operating assets of Baht 753.70 million (D) an increase in operating liabilities of Baht 155.43 million (E) interest received of Baht 26.75 million; and (F) interest expenses and taxes of Baht 2,628.63 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in year 2022 totaled Baht 2,088.79 million, consisting of (A) properties, buildings and equipment, most of which were the second coal processing plant and the expansion of the port and jetty to increase the production capacity of the subsidiary company in Indonesia, increased by Baht 289.73 million (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 856.13 million (C) short-term capital investment and other items decreased by Baht 970.13 million (D) loans to related parties decreased by Baht 18.62 million; and (E) dividend income of Baht 8.58 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in year 2022 totaled Baht 2,566.52 million, consisting of (A) an increase in loan of Baht 296.99 million (B) dividend payment of Baht 2,913.48 million; and (C) an increase in minority shareholders' equity of Baht 49.97 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 2022 were 12.57 percent of total assets.

(2) Inventory of the Company and subsidiary companies as at the end of year 2022 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 2022 accounted for 1.24 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 2022 were as high as 2.13 times and 1.55 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 2022 was as low as 0.54:1 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 2022 was 26 days, which decreased from the previous year by 3 days. The average debt collection period was at 24 days, which decreased from the previous year by 5 days. The average inventory turnover was at 19 days, which was the same as the previous year but the average debt repayment period was at 17 days, which decreased from the previous year by 2 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, 2022, the abovementioned subsidiary company was unable to maintain the DSCR as required by the contractual obligation of the loan. Nevertheless, the lending bank issued a waiver letter regarding such conditions on November 3, 2022.

(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 continue to rise as many countries have started relaxing lockdown restrictions and begun to open up as the COVID-19 pandemic situation has improved, which has brought the economy back to normal, resulting in an increase in energy demand, as well as the prolonged Russo-Ukrainian war has led to a rise in energy prices. As a result of China open up the country, energy prices have remained high. It is expected that the Company and subsidiary companies will sustain profitable performance throughout 2023. In this regard, the Company and subsidiary companies place importance on strict compliance with laws and regulations, as well as adherence to environmental, social, and governance (ESG) principles. Apart from coal-fired power business, the Company and subsidiary companies seek to pursue energy sustainability by exploring and investing in renewable energy projects both domestically and overseas, with the goal of transitioning into a clean energy business in order to minimize the impact on the environment and greenhouse gases, for the Company to grow sustainably.

Ethanol Business: It is anticipated that in year 2023, the quantity of cane processed during the production season will be lower compared to the previous year, leading to a decrease in the amount of molasses, the main raw material for ethanol production, and there is high volatility of cassava chip prices resulting from domestic and overseas demand. Therefore, the cost of production is expected to remain high in 2023. Although demand for ethanol decreased in late 2022 to early 2023 due to the cancellation of the E20 and E85 gasohol fund compensation measures, the Company believes that the demand for ethanol will rise if the government implements measures to seriously promote the use of gasohol E20 as a base oil.

Overall Business: The COVID-19 pandemic situation is improving, which should result in a recovery of 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.