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NO. (SUTHA-SET) 003/2018/EN

26 January 2018

Subject: Management Discussion and Analysis of the Company and subsidiary
for the year ended 31 December 2017

To: The President of the Stock Exchange of Thailand

Attachment: Management Discussion and Analysis ended 31 December 2017

As the Golden Lime Public Company Limited (“the Company”) has submitted the Auditor’s report on the Consolidated Financial Statements ended 31 December 2017, which have been audited by the Company’s authorized auditor.

The company would like to clarify the operating results of the Company and its subsidiary, please kindly find the following attachment.

Please kindly be informed accordingly.

Yours faithfully,

Mr. Geza Emil Perlaki
Managing Director





Golden Lime Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

For period ended 31 December 2017



1. Highlights

- ▶ Health and safety: There was **one lost time injury** in Q4 2017 and internal lost time injuries **reduced from 6 in 2016 to 4 in 2017**. We are committed to our ultimate objective of zero accidents
- ▶ Revenue: **212mTHB** in Q4 2017 compared to 185mTHB in Q4 2016 an increase of 15%; 2017 full year revenue of **920mTHB** compared to 804mTHB compared to 2016 an increase of 14%
- ▶ EBITDA: **37mTHB** in Q4 2017 compared to 29mTHB in Q4 2016 an increase of 25%; 2017 full year **172mTHB** down from 179mTHB in 2016 a decrease of 4%
- ▶ Net income: **12mTHB** in Q4 2017 compared to 4mTHB in Q4 2016 tripling year on year; full year income of **71mTHB** compared to 68mTHB in the same period of 2016 an increase of 4%
- ▶ Burnt lime sales: **69k Mt** in Q4 2017 compared to 56k Mt Q4 2016 an increase of 22%; 2017 full year volumes **278k Mt** as compared to 251k Mt in 2016 an increase of 11%

Commenting Mr Geza Perlaki, Golden Lime Managing Director said:

“We continued the momentum of the third quarter and with the restart of two fully re-engineered kilns that represents 30% of our production capacity and took advantage of our increased capacity to maximize production in anticipation of a strong sugar season. The fourth quarter was even stronger than forecasted with volumes up over 30% in December compared to last year and we see this continuing into the first quarter of 2018. The year as a whole was focused on increasing topline growth which has been achieved with a 115mTHB or +14% increase in total revenues. Additionally, we have focused on stabilizing the operations while introducing sustainable processes particularly in maintenance and further focused on quality which has set us up to maximize market opportunities in 2018.”

2. Outlook

General economic conditions are favorable: there is growing expectation that Q4 2017 GDP growth in Thailand will have accelerated to 4.5% y/y (versus 4.3% in Q3, 3.8% through September 2017) and 0.7% q/q. This would result in 4% GDP growth for 2017 and with the close correlation of GDP to lime usage this is positive for the business. Q4 GDP growth was driven by improving domestic economic conditions, buoyant exports and the tourism sector. The market expects private consumption to have expanded, with higher spending on durable goods – particularly commercial and passenger cars. Export-related manufacturing production, especially automotive, has continued to improve. The consensus view for 4% GDP growth in 2018 maybe revised upwards given the strong end to 2017. The main lime consuming sectors of the industry continue to expand: we maintain the view that the **sugar** cane harvest will be 10-15% stronger compared to last season, which translated into higher lime demand in Q4 2017 and will continue into Q1 2018. The **steel** industry has closed its third year of continuous recovery in 2017, with total output up over 10%. Further volume increase is anticipated in



2018 as steel consumption in Thailand continues to grow with the economy. Certain other key segments like **chemical** and **construction** (AAC block manufacturing) also show positive tendencies. On the downside the **nonferrous mining** segment is likely to underperform versus previous years. Pricing impact on revenue: the company realized overall higher prices in Q4 compared with previous months on same-customer comparison basis given the robust demand and increased input cost pressure on all market players. However, as more capacity returns price pressure will impact on certain segments of the market. An increase in volumes due to the addition of the Hua Pha Way new production site of Golden Lime operating a 7th kiln and adding 15% production capacity, will positively impact revenue in Q1 2018.

3. Financial highlights (based on Thai FRS)

Q4 2017 Financial Position Summary as of 31 December 2017 compared to Q4 2016:

	Q4 2017	Q4 2016	YoY change	YoY % change
Unit: Million Thai Baht (THB)				
Sales and service income	209.13	181.21	27.92	15%
Gain from exchange rate	0.44	0.57	-0.13	-23%
Other income	2.19	3.10	-0.91	-29%
Total revenues	211.76	184.87	26.88	15%
Cost of sales and services	153.62	136.23	17.39	13%
Gross profit	55.51	44.98	10.53	23%
Gross profit margin	26%	24%		
SG&A	42.04	44.50	-2.46	-6%
EBIT	16.10	4.14	11.95	288%
EBITDA	36.93	29.54	7.38	25%
EBITDA margin	17%	16%		
Finance cost	-1.22	-0.68	-0.55	80%
Income tax expenses	-2.74	0.33	-3.07	934%
Net income for period	12.13	3.79	8.33	220%
Earnings per share (THB)	0.04	0.01	0.03	220%



YTD 2017 Financial Position Summary compared to YTD 2016:

	FY 2017	FY 2016	YoY change	YoY % change
Unit: Million Thai Baht (THB)				
Sales and service income	912.19	791.20	120.99	15%
Gain from exchange rate	0.44	0.57	-0.13	-23%
Other income	7.13	12.58	-5.45	-43%
Total revenues	919.76	804.35	115.42	14%
Cost of sales and services	655.12	552.57	102.56	19%
Gross profit	257.07	238.63	18.44	8%
Gross profit margin	28%	30%		
SG&A	178.06	171.59	6.47	4%
EBIT	86.58	80.19	6.39	8%
EBITDA	172.04	179.14	-7.10	-4%
EBITDA margin	19%	22%		
Finance cost	-3.41	-4.51	1.10	-24%
Income tax expenses	-12.38	-7.68	-4.70	61%
Net income for period	70.79	68.00	2.79	4%
Earnings per share (THB)	0.24	0.23	0.01	4%

Note: Gross profit = Sales and service income – Cost of sales and services (does not include other income)

3.1. Analysis of Q4 2017 and 2016 results

The key drivers of Q4 2017 performance on the positive side were improving sales prices and higher volumes which led to an 15% increase in total revenues compared to Q4 2016 keeping the company on track in 2017 to exceed 2016 overall revenues.

Due to investments in operational improvements and upgrading material management practices in 2017 key input material costs per ton of lime reduced, while fuel prices were up 33% vs Q4 2016. Despite increased fuel cost, cost of sales and services were kept in line with the revenue growth. Like in Q3 the impact of a lower US dollar affected the export sales price in Thai baht. The reduction in the overall headcount, savings in logistics costs and certain reclassification in SG&A versus COGS compared with last year, have all helped to reduce SG&A costs by 6% compared to the same quarter last year. Finally, higher maintenance costs from scheduled kiln overhauls were a main contributor to the cost increase however that was a necessary sacrifice to improve capacity availability. Income tax was higher due to the higher pre-tax earnings.





We realised our goal for the year of increasing topline growth. Full year results showed an increase in burnt volumes of 27k Mt compared to full year 2016 and this was realized almost exclusively in Q3 and Q4 2017 underlying the improving operational trends in recent months. Prices on average have seen a decline but towards the end of the Q4 that trend had reversed and at key domestic customers prices have been rising. The impact of the weak US dollar is impacting average pricing expressed in Thai Baht but as exports are limited this is not impacting us as much as in more export orientated industries. Our investment in HR in order to improve our knowledge base has contributed to a higher overall SG&A cost up 4% versus 2016 but as the number of full time employees has reduced SG&A has started to trend lower (as demonstrated in the fourth quarter).

While there was an increase in short-term financing facilities overall financing costs have reduced as the long-term loan is repaid. Income tax was higher due to an increase in the topline and a decrease in the impact of BOI. EBITDA was 4% lower than 2016, however Q4 showed significant improvement versus same period last year. Moreover, net income has increased 4% as there was lower depreciation for the year given the new kiln was not activated.

3.2. Assets, Liabilities & Shareholders' Equity

The main contributors to the increase in total assets are from an increase in property, plant and equipment due to upgrades of key production infrastructure, and continued investment in the Hua Pha Way new plant Kiln 7. Major repair work to the refractory was brought forward to ensure sustainability in kiln operation.

On the liabilities side an increase in the short-term borrowing facility in order to fund the earlier than planned Capex required to return the kilns to full capacity contributed to the increase in current liabilities while the pay down of the term loan helped to decrease non-current liabilities.

Shareholder equity was impacted by higher net income due to lower depreciation. As Kiln 7 comes on stream in 2018 higher depreciation will impact net income for the coming year along with the impact of the additional assets on the balance sheet.



Balance Sheet Summary as of 31 December 2017 compared to 31 December 2016:

Unit: Million Thai Baht (THB)	31st Dec 2017	31st Dec 2016	YoY change	YoY % change
Total current assets	370.45	378.61	-8.16	-2.2%
Total non-current assets	612.03	559.91	52.12	9.3%
Total assets	982.48	938.52	43.96	4.7%
Total current liabilities	332.51	257.97	74.54	28.9%
Total non-current liabilities	69.46	101.98	-32.52	-31.9%
Total liabilities	401.97	359.95	42.02	11.7%
Total shareholders equity	580.51	578.57	1.94	0.3%
Total liabilities plus shareholders equity	982.48	938.52	43.96	4.7%

3.3. Cash Flow Analysis

Cash and cash equivalents at the end of 2017 declined 46mTHB to 50mTHB compared to the end of 2016 due to the impact from the following factors.

Net cashflow from operating activities reduced as there was a decline in prepayment from engineering activities a significant amount in basis period 2016. Higher inventory (spare parts), higher net receivables (increased sales) and payables also contributed.

The negative swing in net cash flows from investing activities was due to a one-time effect on the sale of investments in 2016 which contributed over 50mTHB cash. Additionally, higher Capex (+19mTHB) spend, from the completion and startup of the new Hua Pha Way plant (Kiln 7) and lower sales of equipment further impacted the cash balance.

Net cash from financing activities increased significantly as short-term financing was used to fund Capex (+143mTHB) in 2017 of that over 90mTHB was spent on Kiln 7. On the upside lower repayments for long term loans compared to 2016 (-27mTHB) and lower outflow for interest and dividend payments reduced net outflow.



2017 Cash flow Summary as of 31 December 2017 compared to 31 December 2016:

Unit: Million Thai Baht (THB)	Q4 YTD 2017	Q4 YTD 2016	YoY change	YoY % change
Cash and cash equivalents at beginning of period	96.78	46.30	50.48	109.01%
Net cash flows from operating activities	54.53	263.15	-208.62	-79.28%
Net cash flows used in investing activities	-121.17	-60.24	-60.93	-101.14%
Net cash flows from (used in) financing activities	20.19	-152.43	172.63	113.25%
Net increase (decrease) in cash and cash equivalents	-46.44	50.48	-96.92	-192.01%
Cash and cash equivalents at end of period	50.34	96.78	-46.44	-47.99%

4. Financial Ratios

	Q4 2017	Q4 2016	FY 2017	FY2016
Return on Equity (ROE)	8.37%	2.52%	12.22%	11.29%
Return on Assets (ROA)	5.05%	1.56%	7.37%	6.97%
Return on Fixed Assets (ROFA)	23.35%	22.33%	27.68%	31.92%
Debt/Equity Ratio	0.69	0.62	0.69	0.62
Net Debt/Equity Ratio	0.44	0.19	0.44	0.19
Leverage (Net Debt/EBITDA)	1.72	0.91	1.48	0.60

- Note:
- 1) Net Debt = Interest bearing liabilities – cash and cash equivalent
 - 2) Leverage Q4 uses annualized EBITDA
 - 3) ROFA = (Net profit + Depreciation)/ Average (Q4 2017 and Q4 2016) of property, plant and equipment

Mr. Geza Perlaki

Authorized Director

Mr. Krishnan Subramanian Aylur

Authorized Director

