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NO. (SUTHA-SET) 012/2018/EN

15 August 2018

Subject: Management Discussion and Analysis of the Company and subsidiary
for the period ended 30 June 2018

To: The President of the Stock Exchange of Thailand

Attachment: Management Discussion and Analysis ended 30 June 2018

As the Golden Lime Public Company Limited ("the Company") has submitted the Review report on the Consolidated Interim Financial Statements the three-month and the six-month period ended 30 June 2018, which have been reviewed 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





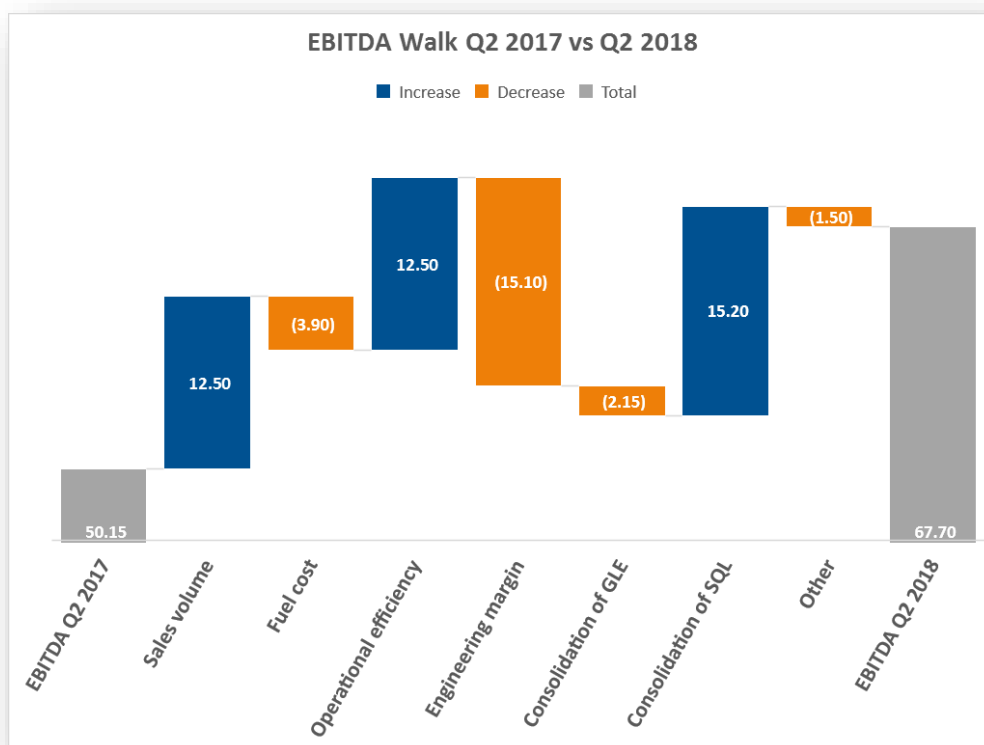
Golden Lime Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

For period ended 30 June 2018

1. Highlights

- ▶ Health and safety: There were **three lost time injuries** in Q2 2018. We are committed to our ultimate objective of zero accidents
- ▶ Revenue: **296mTHB** in Q2 2018 compared to 233mTHB in Q2 2017; **549mTHB** in H1 2018 compared to 505mTHB in H1 2017
- ▶ EBITDA: **68mTHB** in Q2 2018 compared to 50mTHB in Q2 2017; **121mTHB** in H1 2018 compared to 102mTHB in H1 2017
- ▶ Net income: **25mTHB** in Q2 2018 compared to 23mTHB in Q2 2017; **46mTHB** in H1 2018 compared to 48mTHB in H1 2017
- ▶ Burnt lime sales: **84k Mt** in Q2 2018 compared to 64 Mt Q2 2017; **203k Mt** in H1 2018 compared to 144 Mt H1 2017



Commenting Mr Geza Perlaki, Golden Lime Managing Director said:

“We continued the strong performance from the start of the year into Q2. Operationally, apart from planned maintenance from mid-June in Kiln 2 and production trials in Kiln 7 we ran at nearly full capacity of 9 kilns including 2 kilns in the new acquisition Saraburi Quicklime. The market was strong as the sugar season was prolonged and infrastructure projects supported our key markets of steel and construction. The Thai economy continues to outperform expectations and while we forecast some of the factors that contributed to our over performance in the first half to ease towards the end of the year we look forward to a strong H2. On the cost side we face some headwinds in variable costs as our fuel expenses have increased in recent months in line with the general trends on the solid fuel market. The operational efficiency improvement projects will along with fixed cost discipline ease this pressure, and with the upward trend in prices, we will continue to expect healthy margins.”

2.Outlook

Overall Thai economic activity in the first quarter of 2018 beat expectations with an impressive 4.8% growth. Central bank forecasts for the full year are around 4.5% and with inflation only just breaking into the 1-4% target band (1.2% in Q2) coupled with uncertainty around global trade the central bank is likely to keep interest rates low for the foreseeable future. Economic indicators for June and the second quarter of this year suggested an expansion in private investment and consumption. Car sales in June rose 26% year on year – an 18-month winning streak – and this led to a 24% gain year on year in the second quarter.

After a record **sugar** season 30% ahead of last year other sectors of the economy using significant quantities of lime are also showing remarkable growth. The **steel** industry continued to expand more than 10% year on year. In the **construction** sector the use of autoclaved aerated concrete blocks is gaining further ground. The **nonferrous mining** segment in our key export market Laos remains strong. Generally, export growth in Thailand has also translated into lime exports which grew 35% in the first half of 2018 versus the same period in 2017.

Average prices have continued on an upward trend throughout H1 and Q2. We consider this as a recognition from the market, that the value mix that Golden Lime and Saraburi Quicklime offers to its customers (high level of supply security, continuous improvement of quality, services in logistics and application of the products, flexibility to follow rapid changes in customer demand) are highly valued by our customers.



3. Financial highlights (based on Thai FRS)

Q2 2018 Financial Position Summary as of 30 June 2018 compared to Q2 2017:

	Q2 2018	Q2 2017	YoY change	YoY % change
Unit: Million Thai Baht (THB)				
Sales and service income	292.69	231.08	61.61	27%
Gain from exchange rate				
Other income	3.03	2.10	0.94	45%
Total revenues	295.72	233.17	62.55	27%
Cost of sales and services	208.23	159.63	48.60	30%
Gross profit	84.46	71.44	13.01	18%
Gross profit margin	29%	31%		
SG&A	51.73	44.75	6.98	16%
EBITDA	67.69	50.15	17.54	35%
EBITDA margin	23%	22%		
Depreciation and amortization	31.94	21.36	10.58	50%
EBIT	35.76	28.79	6.97	24%
Finance cost	-5.22	-0.73	4.49	611%
Income tax expenses	-5.80	-4.89	0.91	19%
Net income for period	24.74	23.17	1.57	7%
Earnings per share (THB)	0.08	0.08	0.00	0%

H1 2018 Financial Position Summary as of 30 June 2018 compared to H1 2017:

	FY 2018	FY 2017	YoY change	YoY % change
Unit: Million Thai Baht (THB)				
Sales and service income	544.85	501.60	43.25	9%
Gain from exchange rate			0.00	
Other income	4.40	3.73	0.67	18%
Total revenues	549.25	505.33	43.92	9%
Cost of sales and services	381.93	352.43	29.49	8%
Gross profit	162.92	149.16	13.76	9%
Gross profit margin	30%	30%		
SG&A	104.37	94.76	9.61	10%
EBITDA	121.44	102.34	19.10	19%
EBITDA margin	22%	20%		
Depreciation and amortization	58.49	44.20	14.29	32%
EBIT	62.95	58.14	4.81	8%
Finance cost	-7.49	-1.26	6.23	493%
Income tax expenses	-9.69	-8.70	1.00	11%
Net income for period	45.77	48.18	-2.41	-5%
Earnings per share (THB)	0.15	0.16	-0.01	-5%

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



3.1. Analysis of Q2 and H1 2018 results

The key drivers of Q2 2018 performance on the positive side was the higher volumes (due to both market demand and the acquisition of Saraburi Quicklime) which led to an 27% increase in revenues compared to Q2 2017. Burnt lime sales volumes for the quarter were up 20kMt versus 2017 same period in Golden Lime standalone with a further 26kMt coming from Saraburi Quicklime. This revenue was generated from the nearly full utilization of the additional 50,000 Mt of capacity (new Kiln 7 started in Hua Pha Way in Q1) and the full effect of Saraburi Quicklime added on March 19th. Similar to Q1 2018, the revenue was from core business, that is a major shift compared with H1 2017 when the contribution of Engineering was a very significant revenue (54mTHB) and gross margin (30mTHB) contributor. We continue to expect Golden Lime Engineering to contribute to top line growth in 2018 with a number of promising opportunities. Similar trends are reflected in H1 2018 performance where the increased volumes led to an 9% rise in revenue.

On the costs SG&A while higher year on year in absolute terms was lower as a percentage of revenue dropping by 1% as some of the synergies of integrating Saraburi Quicklime start to take effect. Looking at H1 2018 vs H1 2017 SG&A as a percentage of revenue remained constant. On the COGS side apart from normal inflation fuel prices have increased and this increase will last into the end of the year and into early 2019. On the positive side optimization in plant layouts is expected to result in savings in logistics cost and electricity in the coming few months once the new operating procedures stabilize.

EBITDA rose considerably versus Q2 2017 an increase of 35% as again the positive contribution from higher volumes shows its effect. The impact is reduced somewhat when we compare EBITDA on a half yearly basis (since Saraburi Quicklime is only consolidated from March 19th onwards) but it is still up 19%, and this without contribution from Golden Lime Engineering in 2018. Comparing with last year only the core business performance, the EBITDA increase is more than 50%. The impact of the weaker US dollar on exports continues, however the dollar has strengthened recently and is again above 33THB. Our investment in Human Resources will continue in 2018 as we further strengthen the organization, however as we saw in the SG&A for the quarter the impact from Saraburi Quicklime synergies is set to contribute positively.

With the startup of Hua Pha Way in Q1 adding over 200mTHB to the Golden Lime fix assets the depreciation in H1 and Q2 is significantly above last year.

Finance cost has increased as expected with the main increase coming from the interest on the new 330mTHB facility used for the Saraburi Quicklime acquisition.

Income tax was slightly higher on higher pre-tax earnings compared to the same period in 2017.

As a combined effect of higher depreciation, financing costs, and taxation, the EBITDA increase did not translate fully into net result in the same proportion. Still, the net income was higher for the quarter as the full impact of Saraburi Quicklime was felt and this trend is set to continue.



3.2. Assets, Liabilities & Shareholders' Equity

Similar to comments made in Q1 the main contributors to the increase in total assets are from an increase in property, plant and equipment due to Hua Pha Way Kiln 7 being activated and the additional assets from the Saraburi Quicklime acquisition.

On the liabilities side while the short-term borrowing facility is stable an increase in long-term liabilities due to the 330mTHB term loan used to acquire Saraburi Quicklime impacted total liabilities.

Shareholder equity increased in-line with the additional net result.

Balance Sheet Summary as of 30 June 2018 compared to 31 December 2017:

Unit: Million Thai Baht (THB)	30th Jun 2018	31st Dec 2017	YoY change	YoY % change
Total current assets	516.22	370.45	145.76	39%
Total non-current assets	942.28	612.03	330.24	54%
Total assets	1458.49	982.48	476.01	48%
Total current liabilities	515.87	332.51	183.36	55%
Total non-current liabilities	346.47	69.46	277.00	399%
Total liabilities	862.34	401.97	460.37	115%
Total shareholders equity	596.15	580.51	15.64	3%
Total liabilities plus shareholders equity	1458.49	982.48	476.01	48%

3.3. Cash Flow Analysis

Cash and cash equivalents in 2Q 2018 increased to 64mTHB, up by 14mTHB from the 50mTHB at the end of Q1 2018. Year on year operating cashflow has decreased due to a lack of contribution from Golden Lime Engineering although we do forecast a contribution in the second half of 2018.

Net cash flows from investing activities was negative due to the acquisition of Saraburi Quicklime (320mTHB) along with some investment in Capex although capex investment has reduced significantly compared to the same period in 2017. There are major kiln repairs scheduled for the second half of 2018 which will require further Capex investment in the range of 30mTHB however this has been planned and budgeted for.

Net cash from financing activities increased due to the long-term borrowing for the Saraburi Quicklime acquisition.



2018 Cash flow Summary as of 30 June 2018 compared to 30 June 2017:

Unit: Million Thai Baht (THB)	Q2 YTD 2018	Q2 YTD 2017	YoY change	YoY % change
Cash and cash equivalents at beginning of period	50.34	96.78	-46.44	-48%
Net cash flows from operating activities	27.24	38.48	-11.24	-29%
Net cash flows used in investing activities	-350.57	-33.35	317.22	951%
Net cash flows from (used in) financing activities	336.71	11.25	325.47	2894%
Net increase (decrease) in cash and cash equivalents	13.38	16.38	-3.00	-18%
Cash and cash equivalents at end of period	63.72	113.16	-49.44	-44%

4. Financial Ratios

	Q2 2018	Q2 2017	FY 2018	FY 2017
Return on Equity (ROE)	17%	16%	16%	16%
Return on Assets (ROA)	8%	10%	7%	10%
Return on Fixed Assets (ROFA)	35%	33%	32%	34%
Debt/Equity Ratio	1.45	0.64	1.45	0.64
Net Debt/Equity Ratio	1.11	0.22	1.11	0.22
Leverage (Net Debt/EBITDA)	2.45	0.66	2.73	0.65

- Note:
- 1) Net Debt = Interest bearing liabilities – cash and cash equivalent
 - 2) Leverage Q2 and FY use annualized EBITDA
 - 3) ROFA = (Net profit + Depreciation)/ Average (Q2 2018 and Q4 2017) of property, plant and equipment

Mr. Geza Perlaki

Authorized Director

Mr. Krishnan Subramanian Aylur

Authorized Director

