



Head Office:

No. 89 Cosmo Office Park, 6th Floor, Unit H,
Popular Road , Banmai, Pakkret, Nonthaburi 11120 : THAILAND.

Registration No. / Tax ID.: 0107556000248

Tel. No. +66 (0) 2017 7461 - 3
Fax. No +66 (0) 2017 7460
Website: www.goldenlime.co.th
Email: glmis@goldenlime.co.th
sales@goldenlime.co.th

NO. (SUTHA-SET) 003/2019/EN

26 February 2019

Subject: Management Discussion and Analysis of the Company and its subsidiary
for the year ended 31 December 2018

To: The President of the Stock Exchange of Thailand

Attachment: Management Discussion and Analysis ended 31 December 2018

As Golden Lime Public Company Limited (“the Company”) has submitted the Auditor’s report on the Consolidated Financial Statements ended 31 December 2018, 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





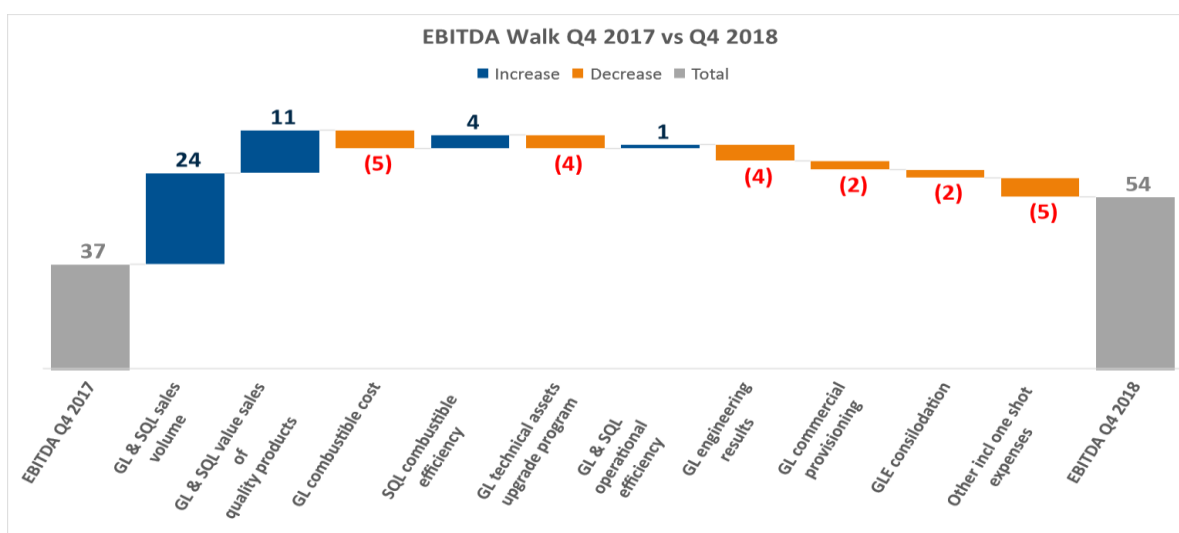
Golden Lime Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

For period ended 31 December 2018

1. Highlights

- ▶ Health and safety: There were **zero lost time injuries** in Q4 2018 and 2 LTIs for the entire 2018
- ▶ Revenue: **269mTHB** in Q4 2018 compared to 212mTHB in Q4 2017 an increase of 27%; 2018 full year revenue of **1121mTHB** compared to 920mTHB 2017 an increase of 22%
- ▶ EBITDA: **54mTHB** in Q4 2018 compared to 37mTHB in Q4 2017 an increase of 46%; 2018 full year **230mTHB** compared to 172mTHB in 2017 an increase of 34%
- ▶ Net income: **25mTHB** in Q4 2018 compared to 12mTHB in Q4 2017; full year income of **85mTHB** compared to 71mTHB in the same period of 2017 an increase of 19%
- ▶ Burnt lime sales: **92k Mt** in Q4 2018 compared to 68k Mt Q4 2017; 2018 full year volumes **399k Mt** as compared to 278k Mt in 2017 an increase of 43%



Commenting Mr Geza Perlaki, Golden Lime Managing Director said:

“2018 was a successful year for Golden Lime as we continued with our strategy that is based on three major pillars: topline growth, operational excellence, organization development. The “fixing the basics” program is nearly complete, resulting in upgrades of technical assets, high level of capacity availability, and significant advances in the consistency of our products. Parallel a shift is taking place in the corporate culture, that our improved health and safety record also resembles, while we will continue to improve on our journey to zero injuries.

Operationally our continued focus on quality and services resulted in recognition from our customers in the form of higher value, that translates into higher revenue per unit sold. This supported the strong 22% revenue increase year on year also helped by a supportive market particularly in our key segments of sugar, steel and other lime dependent industries. Along with the supportive external factors our





acquisition of Saraburi Quicklime and the efforts of the team to successfully integrate the business and improve its efficiency brought both top-line and bottom-line growth. The increased capacity and market synergies of the acquisition contributed to the growth in revenue while variable cost synergies (particularly on fuel specific consumption optimization) contributed positively to consolidated EBITDA increasing 34%.

Along with this acquisition the start-up of kiln 7 also contributed additional capacity which was particularly significant during the peak sugar season and also gave us the room to take advantage of additional market opportunities which arose due to operational issues at some of our competitors. This was in addition to the “fix the basics” technical upgrade program which resulted in full capacity availability to supply all of our customers. We continue to strengthen the organization with the addition of talent at all levels.

Looking to 2019 although we expect a slight easing in some of the market segments such as sugar and steel, which both saw a particularly strong 2018, we expect a continuation of current conditions. The landscape will however remain competitive, with new players entering on some export markets (Laos) so our plan to introduce new product lines, along with a pick-up in our services business Golden Lime Engineering, will be key to maintaining the positive momentum of returning value to our shareholders”.

2.Outlook

In 2018 as a whole, the Thai economy expanded 4.1%, +4.0% year-on-year and looking ahead, the economy is expected to continue growing at a robust pace in 2019. However, the pace of expansion is expected to ease if downside risks, such as the continuing U.S. and China trade dispute, materialize. In addition, Thailand is scheduled to hold elections on 24th of March with this political risk potentially denting consumer and business sentiment as well as investment activity. Aside from these risks the industrial trends impacting the lime business are positive. Fixed investment grew 4.2% in Q4 versus the same period in 2017 and up 3.9% from Q3. Private-sector investment expenditure on machinery and equipment picked up pace and this industrial expansion is encouraging.

The main lime consuming sectors of the industry continue to expand: the sugar cane harvest will be flat compared to last season which was a record year. The steel industry will continue to grow but at a slower pace than 2018 at around 7-8 % supported by fixed asset investment. 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 and we face competition in Laos. The potential strength of the Thai baht, which is forecasted to appreciate 4% in 2019, will make exports challenging competitively.

Pricing in Q4 continued to trend upwards and we ended the year at levels up 3% from the same quarter last year. While the increased competition will impact current trends the introduction of new products with significant added value to customers in certain industrial areas will positively impact overall pricing.



3. Financial highlights (based on Thai FRS)

Q4 2018 Financial Position Summary as of 31 December 2018 compared to Q4 2017:

	Q4 2018	Q4 2017	YoY change	YoY % change
Unit: Million Thai Baht (THB)				
Sales and service income	266.92	209.13	57.79	28%
Gain from exchange rate	1.06	0.44		
Other income	1.07	2.19	-1.12	-51%
Total revenues	269.05	211.76	57.29	27%
Cost of sales and services	185.46	153.62	31.84	21%
Gross profit	81.47	55.51	25.95	47%
Gross profit margin	30%	26%		
SG&A	50.31	42.04	8.26	20%
EBITDA	53.90	36.93	16.97	46%
EBITDA margin	20%	17%		
Depreciation and amortization	20.61	20.83	-0.22	-1%
EBIT	33.28	16.10	17.19	107%
Finance cost	-5.56	-1.22	4.33	354%
Income tax expenses	-2.59	-2.74	-0.16	-6%
Net income for period	25.14	12.13	13.02	107%
Earnings per share (THB)	0.08	0.04	0.04	107%

YTD 2018 Financial Position Summary compared to YTD 2017:

	FY 2018	FY 2017	YoY change	YoY % change
Unit: Million Thai Baht (THB)				
Sales and service income	1113.33	912.19	201.14	22%
Gain from exchange rate	1.06	0.44	0.62	
Other income	6.25	7.13	-0.88	-12%
Total revenues	1120.64	919.76	200.88	22%
Cost of sales and services	794.09	655.12	138.97	21%
Gross profit	319.23	257.07	62.17	24%
Gross profit margin	28%	28%		
SG&A	208.04	178.06	29.98	17%
EBITDA	230.09	172.04	58.05	34%
EBITDA margin	21%	19%		
Depreciation and amortization	111.58	85.46	26.12	31%
EBIT	118.51	86.58	31.93	37%
Finance cost	-19.00	-3.41	15.59	458%
Income tax expenses	-14.95	-12.38	2.57	21%
Net income for period	84.56	70.79	13.77	19%
Earnings per share (THB)	0.28	0.24	0.05	19%

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





3.1. Analysis of Q4 2018 in comparison with Q4 2017 results

Continuing the trend for the year the key drivers of Q4 2018 performance on the positive side were the higher volumes and higher prices. The 27% increase in revenue compared to Q4 2017 was positively driven by these two factors particularly the added capacity in Golden Lime and the addition of Saraburi Quicklime. Burnt lime sales volumes for the quarter were up 25kMt versus 2017 same period in Golden Lime consolidated. Similar to Q3 2018, the revenue was primarily from core business without significant contribution from engineering – actually Engineering has a negative contribution due to provisioning needs for old receivables. A similar impact is seen year to date where core business is running well beyond the same period in 2017 while the impact from lack of engineering contribution is a drag of over 50mTHB annually in revenue. We do expect Golden Lime Engineering to contribute to top line growth as there are promising projects being negotiated and should materialize in the first half of 2019.

On the costs side SG&A has again shown further improvement and versus 2017 overall dropped 1% as a percentage of revenue as the synergies of integrating Saraburi Quicklime impact positively. On the variable cost side, apart from normal inflation, as highlighted since Q2 fuel prices have increased versus the same period in 2017. The latest fuel shipment in December was more economical than the peak in Q1 2018 therefore easing somewhat the 2019 cost pressure. The optimization in plant layouts, internal logistics and peak electricity consumption has resulted in cost savings that have offset the increase in fuel keeping costs of sales at 71% of revenue the same percentage as 2017. With continuous focus on cost saving throughout the organization and the lower fuel price we expect variable costs in 2019 to drop as a percentage of revenue.

Q4 2018 EBITDA rose considerably versus Q4 2017 and is more than double as again the positive contribution from both higher volumes and price shows its effect. Full year 2018 EBITDA is also up 34% with again the contribution from Saraburi Quicklime and the increased capacity impacting positively along with value sales. EBITDA in 2018 also has negative contribution from Golden Lime Engineering which we expect to positively reverse in 2019. Investment in HR will continue in 2019 as we further strengthen the organization, however overall SG&A is expected to decline as a percentage of revenue as Saraburi Quicklime synergies continue to contribute. We have recently aligned the compensation structures and extended the management incentive plan in order to maintain the motivation of the teams who have made strong contributions in 2018.

As highlighted in previous quarters with the startup of the additional and kiln 7 in Huai Pa Wai in Q1 adding over 200mTHB to the Golden Lime fix assets the depreciation full year 2018 is higher than 2017 (+27mTHB). However, Q4 there was a change to the depreciation length for kiln 7 (increased to 20 years) to reflect the reality of the useful life based on equivalent machines which has kept depreciation flat vs the same period 2017.





Finance cost has increased in Q4 2018 vs Q4 2017 +4mTHB as expected with the main increase coming from the interest on the new 330mTHB facility used for the Saraburi Quicklime acquisition, and additional WC for fuel. The same trend impacts full year up 16mTHB versus 2017 full year.

Income tax was flat Q4 2018 vs Q4 2017. However, there is a small 2.5mTHB rise year on year due to the increased results.

Net income was also considerably higher for the quarter by more than double 2017 given higher operational performance and the change in depreciation for kiln 7. On a full year consolidated basis net income rose 19%.

3.2. Assets, Liabilities & Shareholders' Equity

Similar to comments made in Q3 the main contributors to the increase in total assets are from an increase in property, plant and equipment due to Hui Pa Wai Kiln 7 being activated and the additional assets from the Saraburi Quicklime acquisition.

On the liabilities side the short-term borrowing facility increased due to the use of a TR (Trust Receipt) of 75mTHB in order to pay for a fuel shipment during the quarter. This new shipment added to full year inventory which saw an increase of +108mTHB. The increase in long-term liabilities is due to the 330mTHB term loan used to acquire Saraburi Quicklime as no further long-term liabilities have been added and the older term loan in Golden Lime continues to be paid down. The outstanding long-term loan in Saraburi Quicklime has been fully repaid.

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

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

Unit: Million Thai Baht (THB)	31st Dec 2018	31st Dec 2017	YoY change	YoY % change
Total current assets	504.70	370.45	134.24	36%
Total non-current assets	936.09	612.03	324.06	53%
Total assets	1,440.79	982.48	458.31	47%
Total current liabilities	510.14	332.51	177.63	53%
Total non-current liabilities	340.91	69.46	271.45	391%
Total liabilities	851.05	401.97	449.08	112%
Total shareholders equity	589.74	580.51	9.23	2%
Total liabilities plus shareholders equity	1,440.79	982.48	458.31	47%



3.3. Cash Flow Analysis

Cash and cash equivalents in 4Q 2018 end decreased to 39mTHB, down by 11mTHB from the 50mTHB at the end of Q3 2018. Major changes are increased financing cost due to the acquisition in Q1, income tax paid and cash used for dividends. Year on year operating cashflow has increased due to the higher revenue but was offset somewhat by higher fuel prices.

Net cash flows from investing activities increased due to the acquisition of Saraburi Quicklime however Capex was kept in line with forecasts which is a major improvement year on year. Capex discipline is a key focus area and in 2019 capital expenditure will be limited to projects with short paybacks, such as the new product introduction, and also necessary repairs as per the multi-year preventative maintenance program. Golden Lime is also looking at divesting non-core real estate assets which will positively impact cashflow.

Net cash from financing activities increased due to the long-term borrowing for the Saraburi Quicklime acquisition. Short-term working capital increased versus 2017 as fuel price increased and also fuel procurement in Saraburi Quicklime is now on a long-term contract basis as opposed to the previous spot. While this is a significant saving in terms of lime production it does however require an investment in working capital which will peak in Q1 2019 but then will drop as the fuel is utilized in production.

Dividend cash out has increased year on year however 2019 we plan a significant increase based on the forecasted increase in operational cashflow and divestments. This also includes dividend upstreaming from the two subsidiaries Saraburi Quicklime and Golden Lime Engineering.

2018 Cash flow Summary as of 31 December 2018 compared to 31 December 2017:

Unit: Million Thai Baht (THB)	Q4 YTD 2018	Q4 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	92.16	54.53	37.63	69%
Net cash flows used in investing activities	-394.45	-121.17	273.29	226%
Net cash flows from (used in) financing activities	290.80	20.19	270.61	1340%
Net increase (decrease) in cash and cash equivalents	-11.49	-46.44	34.95	-75%
Cash and cash equivalents at end of period	38.85	50.34	-11.49	-23%



4. Financial Ratios

	Q4 2018	Q4 2017	FY 2018	FY 2017
Return on Equity (ROE)	17%	8%	14%	12%
Return on Assets (ROA)	8%	5%	7%	7%
Return on Fixed Assets (ROFA)	34%	23%	29%	28%
Debt/Equity Ratio	1.44	0.69	1.44	0.69
Net Debt/Equity Ratio	1.18	0.44	1.18	0.44
Leverage (Net Debt/EBITDA)	3.24	1.72	3.03	1.48

Note: Net Debt = Interest bearing liabilities – cash and cash equivalents

Mr. Geza Perlaki

Authorized Director

Mr. Krishnan Subramanian Aylur

Authorized Director

