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NO. (SUTHA-SET) 002/2020/EN

26 February 2020

Subject: Management Discussion and Analysis of the Company and its subsidiary
for the year ended 31 December 2019

To: The President of the Stock Exchange of Thailand

Attachment: Management Discussion and Analysis ended 31 December 2019

As Golden Lime Public Company Limited (“the Company”) has submitted the Auditor’s report on the Consolidated Financial Statements ended 31 December 2019, 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

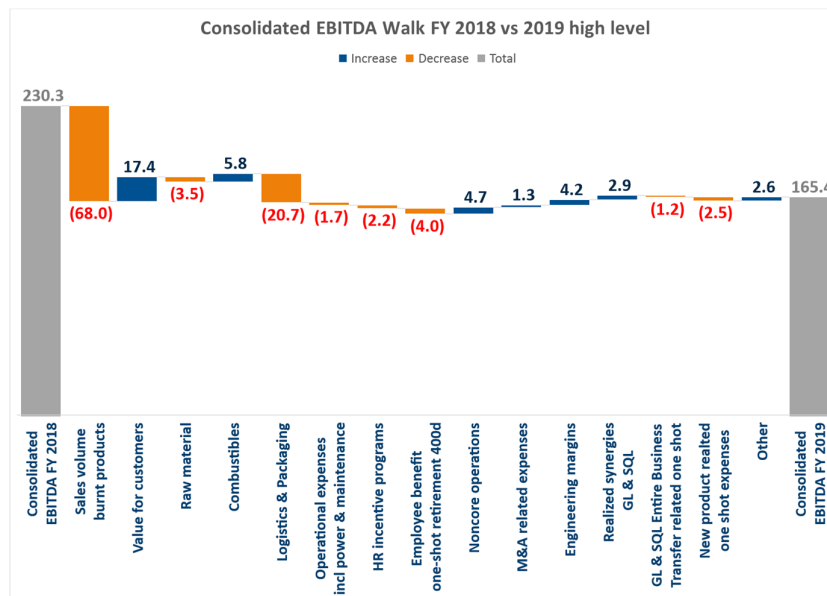
MANAGEMENT DISCUSSION AND ANALYSIS

For period ended 31 December 2019



1. Highlights

- ▶ Health and safety: There was **one lost time injury in Q4 2019**; there were **six lost time injuries for 2019FY**
- ▶ Revenue: **230mTHB in Q4 2019** compared to 268mTHB in Q4 2018 a decrease of 15%; **977mTHB in 2019FY** compared to 1,120mTHB in 2018FY a decrease of 13%
- ▶ EBITDA: **30mTHB in Q4 2019** compared to 54mTHB in Q4 2018 a decrease of 44%; **165mTHB in 2019FY** compared to 230mTHB in 2018FY a decrease of 28%
- ▶ Net income: **-9mTHB** in Q4 2019 compared to 22mTHB in Q4 2018; **7mTHB in 2019FY** compared to 84mTHB in 2018FY
- ▶ Burnt lime sales: **80k Mt** in Q4 2019 compared to 94k Mt Q4 2018 a 15% decrease; **335k Mt** in Q4 2019 compared to 405k Mt Q4 2018 a 17% decrease



Commenting Mr Geza Perlaki, Golden Lime Managing Director said:

“While the year 2019 has been very challenging (especially in comparison with the highly successful 2018 as basis) we stayed committed to long-term shareholder value generation laying the foundations of future improved results via new product development (introduction of dolomitic product line) and cost saving measures (Solar project launch, Saraburi Quicklime Entire Business Transfer to Golden Lime). The headwinds Golden Lime faced in 2019 were multiple : weak steel segment, a comparatively short sugar season due to draught conditions, the effect of the strong Thai Baht that limited the export performance of the Thai lime industry in general, and the proportionally high cost of combustible fuels





used by Golden Lime, as well as a series of one shot expenses (M&A related, Saraburi Quicklime Entire Business Transfer related costs, change in regulation for retirement provisioning). As a result after a very successful 2018 with over 24% topline and 30% EBITDA growth, this year has witnessed a 13% revenue and 28% consolidate EBITDA contraction primarily due to burnt products sales volumes down by 17%. On the upside, revenue and EBITDA realized per ton of burnt product sold were up 14% and 1%, as more value addition through higher quality and more service content to every unit of product sold was realised. This is encouraging for future performance as volumes recover and start to grow again.

Even under these trying conditions, Golden Lime made a number of advances including launching dolomitic lime, starting the construction of a solar project, which will reduce the total power consumption by 15% from H2 2020 and expansion on the export markets in Cambodia and Australia. Additionally we further strengthened the leadership team and middle management (while reducing the overall headcount via automation and reorganization of workflows), enhanced quality parameters well beyond targets, and merged the subsidiary Saraburi Quicklime into Golden Lime (EBT), which will result in SG&A synergies from 2020 onwards.

We are looking forward to these enhancements benefitting both the top and bottom line as we expect 2020 to be a more successful year”

2.Outlook

Economic growth was approximately 1.6% in Q4 2019 compared to the same period last year with overall 2019 growth at 2.4% the lowest in five years. Exports were hit by trade tensions and the appreciation of the Thai baht had a detrimental effect, which fed through to the domestic economy. The downturn in the goods-producing sector intensified, while agricultural output continued to fall amid a lingering drought. Consequently, annual private consumption growth moderated, while business and consumer sentiment worsened.

As in the previous quarter, in Q4 the main lime consuming sectors of the industry were impacted by the macro economy. However, despite the current challenges in the economy particularly the tourism sector, Q1 outlook is optimistic for Golden Lime as the new dolime product gains traction and with the positive impact from the sugar season. The delayed 3.2 trillion baht budget is expected to have a positive impact from May, which should see a pick up in lime demand from key segments like chemical, and construction. The Thai baht has started to weaken from its 2019 highs, which will support exports, and potential fiscal stimulus would have a positive impact on lime consuming segments of the economy.



3. Financial highlights (based on Thai FRS)

Q4 2019 Financial Statement Summary as of 31 December 2019 compared to Q4 2018:

	Q4 2019	Q4 2018	YoY change	YoY % change
Unit: Million Thai Baht (THB)				
Sales and service income	228.64	266.92	-38.28	-14%
Other income	0.51	1.16	-0.65	-56%
Total revenues	229.15	268.08	-38.93	-15%
Cost of sales and services	180.27	187.61	-7.34	-4%
Gross profit	48.37	79.30	-30.93	-39%
Gross profit margin	21%	30%		
SG&A	49.48	49.34	0.14	0%
EBITDA	30.38	53.89	-23.51	-44%
EBITDA margin	13%	20%		
Depreciation and amortization	30.98	22.76	8.22	36%
EBIT	-0.60	31.13	-31.73	-102%
Finance cost	-6.74	-5.56	1.18	21%
Income tax expenses	-2.11	-3.22	-1.11	-34%
Net income for period	-9.45	22.35	-31.80	-142%
Earnings per share (THB)	-0.03	0.07	-0.11	-142%
	FY 2019	FY 2018	YoY change	YoY % change
Unit: Million Thai Baht (THB)				
Sales and service income	973.06	1113.33	-140.27	-13%
Other income	4.26	6.25	-1.99	-32%
Total revenues	977.32	1119.58	-142.26	-13%
Cost of sales and services	736.14	794.09	-57.95	-7%
Gross profit	236.92	319.23	-82.31	-26%
Gross profit margin	24%	29%		
SG&A	197.62	206.98	-9.36	-5%
EBITDA	165.38	230.09	-64.71	-28%
EBITDA margin	17%	21%		
Depreciation and amortization	121.82	111.58	10.24	9%
EBIT	43.56	118.51	-74.95	-63%
Finance cost	-25.70	-19.00	6.70	35%
Income tax expenses	-10.70	-14.95	-4.25	-28%
Net income for period	7.16	84.56	-77.40	-92%
Earnings per share (THB)	0.02	0.28	-0.26	-92%

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





3.1. Analysis of 2019FY in comparison with 2018FY results

While there was a deterioration in Lost Time Injuries compared to 2018 a renewed focus on safety including a dedicated fulltime safety officer will support an improvement in 2020.

The biggest impact on revenues was the loss of volumes due to the weak steel and sugar segments with burnt lime shipments down 70kt or 17% year on year. On the positive side EBITDA per tonne increased 1% and as fuel is expected to reduce in 2020 the trend is encouraging.

On the costs side SG&A decreased by -5% as a focus on optimizing costs has shown good progress. This will continue as the impact from the integration of Saraburi Quicklime has an effect. On the variable cost side fuel costs were higher than in the same period last year and also in fixed costs related to production maintenance cost increased due to the earlier than expected improvement projects on the kilns. However, maintenance has normalized and the average cost of fuel will reduce so variable costs per tonne will come down in 2020.

Lower volumes again impacted on 2019FY EBITDA which has decreased by 28% from the previous year. Price has generally met expectations and every effort will be made to maintain the positive trend we saw since 2018 although the competitive pressure continues to increase. The engineering business was a drag on EBITDA in 2019 however we expect a positive impact in 2020.

Depreciation was 9% higher versus with 2018 as the improvements in the kilns were recognized along with additional machinery for dolime production.

Income tax expense has decreased due to the lower net result.

Net income was down significantly due to the reduced revenues and increased finance cost which will reduce in 2020 as long-term loans are repaid.





3.2. Assets, Liabilities & Shareholders' Equity

Current assets have decreased largely due to reduced inventory predominantly fuel as it is used in production. Non-current assets have decreased with depreciation and increased as new machinery and kiln repair work is added.

On the liabilities side the short-term borrowing facility increased due to an increase in the amount of Promissory Notes (PN) used which is the lowest cost of financing. Non-current liabilities have decreased as the Saraburi Acquisition loan and the Hua-Pha-Way Kiln 7 loan continue to be repaid.

Shareholder equity reduced with the lower net result and reduced current assets.

Financial Position Summary as of 31 December 2019 compared to 31 December 2018:

Unit: Million Thai Baht (THB)	31st Dec 2019	31st Dec 2018	YoY change	YoY % change
Total current assets	439.78	504.70	-64.92	-13%
Total non-current assets	901.66	936.09	-34.43	-4%
Total assets	1,341.44	1,440.79	-99.35	-7%
Total current liabilities	632.37	510.14	122.23	24%
Total non-current liabilities	221.78	340.91	-119.13	-35%
Total liabilities	854.15	851.05	3.10	0%
Total shareholders equity	487.29	589.74	-102.45	-17%
Total liabilities plus shareholders equity	1,341.44	1,440.79	-99.35	-7%

3.3. Cash Flow Analysis

Cash and cash equivalents at the end of Q4 2019 increased significantly from the start of the period to 83.4mTHB. The main differences on a year-on-year comparison is the increase in operational cashflow which is coming from the use of fuel inventory and also efforts to reduce working capital in Q4 2019.

Net cash flows from investing activities is in line with the investments in Capex in 2018 which includes the 320mTHB purchase of Saraburi Quicklime. Removing this one off impact there is no major change. We have made significant strides in Capex discipline, which will continue into 2020 and future years.

Net cash from long-term financing activities decreased year-on-year again from the impact of the loan for the acquisition. The first repayment on the acquisition loan of 38mTHB in March was completed along with repayments of trust receipts for fuel purchases and also the utilization of the Promissory Notes (PN).





There was a dividend payment of 1Q 2019 of 0.12THB/share or 36mTHB total and 0.09THB/share or 27mTHB total in Q2 and 0.03THB/share or 9mTHB in Q3 giving a total 2019 pay-out of 0.24THB/share or 72mTHB. There will be no Q4 dividend given the challenging market conditions however regular dividends are expected to resume in Q1 2020.

Cash Flows Summary as of 31 December 2019 compared to 31 December 2018:

Unit: Million Thai Baht (THB)	FY 2019 YTD	FY 2018 YTD	YoY change	YoY % change
Cash and cash equivalents at beginning of period	38.85	50.34	-11.49	-23%
Net cash flows from operating activities	291.82	92.16	199.66	217%
Net cash flows used in investing activities	-71.34	-394.45	-323.11	-82%
Net cash flows from (used in) financing activities	-175.94	290.80	-466.74	-161%
Net increase (decrease) in cash and cash equivalents	44.54	-11.49	56.03	-488%
Cash and cash equivalents at end of period	83.39	38.85	44.54	115%

4. Financial Ratios

	Q4 2019	Q4 2018	FY 2019	FY 2018
Return on Equity (ROE)	-7.02%	15.28%	1.33%	14.45%
Return on Assets (ROA)	-2.72%	7.38%	0.51%	6.98%
Return on Fixed Assets (ROFA)	11.83%	26.84%	17.72%	29.17%
Debt/Equity Ratio	1.75	1.44	1.75	1.44
Net Debt/Equity Ratio	1.28	1.18	1.28	1.18
Leverage (Net Debt/EBITDA)	3.76	3.03	3.76	3.03

- Note:
- 1) Net Debt = Interest bearing liabilities – cash and cash equivalents
 - 2) Leverage Q4 and FY use annualized EBITDA for the previous 4 quarters
 - 3) ROFA = (Net profit + Depreciation)/ Average (Q4 2019 and Q4 2018) of property, plant and equipment

Mr. Geza Perlaki

Authorized Director

Mr. Krishnan Subramanian Aylur

Authorized Director

