Golden Lime Public Company Limited
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) 020/2023/EN

15 August 2023

Subject: Management Discussion and Analysis of the Company and its subsidiary for period ended 30 June 2023

To: The President of the Stock Exchange of Thailand

Attachment: Management Discussion and Analysis ended 30 June 2023

As Golden Lime Public Company Limited ("the Company") and its subsidiaries have submitted the Interim Consolidated Financial Statements the three-months and the six-months period ended 30 June 2023, 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 2023

1. Highlights

- Health and safety: There was **NO lost time injury** in 2023.

- Consolidated Sales revenue: **337mTHB in Q2 2023** compared with 382mTHB in Q2 2022 a decrease of 12%; **755mTHB in H1 2023** compared with 773mTHB in H1 2022 a decrease of 2%

- Consolidated EBITDA: statutory **109mTHB in H1 2023** compared with statutory 144mTHB in H1 2022 a decrease of 24%, Consolidated EBITDA normalized (excluding exceptional items) **131mTHB in H1 2023** compared with normalized 144mTHB H1 2022 a decrease of 9%

- Consolidated Net income: **18mTHB in H1 2023** compared with 58mTHB in H1 2023; Consolidated Net income normalized **45mTHB in H1 2023** compared with 58mTHB in H1 2022 a decrease of 23%

Commenting Mr. Geza Perlaki, Golden Lime Managing Director said:

THAILAND growth experienced a slowdown in Q2 (GDP growth slowed down to annualized 2.9% only, growth of industrial output, while on the rise since 18 consecutive months, was the slowest in nearly 2 years, export declined) that left a mark on the performance of key segments consuming GL's products. We expect that in Q3 and Q4 the growth prospects remain steady slashing the annual expectation from 4% to below 3%. The Bank of Thailand (BOT) policy of steady rate rises to 2% at the end of the quarter, still the gap to the USD at 5.25% in the same period, resulted in pressure on the THB that remained in the 34-35 THB/USD range, giving a moderate boost to Thai export competitiveness, while once the current unprecedented -3% gap between USD and THB rates starts to shrink, and correspondingly the THB starts to gain ground vs the USD, the Q2 2023 or FY 2024. The relatively low interest rate environment in Thailand on the other hand helps investments, makes business development capital expenditures more attractive, and keep financing costs of ongoing projects under control.

THAILAND MARKET trends: largest market segment steel experienced headwinds due to global trends in the steel industry, the import cost of semi-finished goods billets and slabs dropped, giving an incentive to multiple Electric Arc Furnace (EAF) mills to slow down or pause hot operations. The dolime market competition, in the form of imported magnesium-sinter materials, was still under influence of the presence of this alternative product that offered lower direct cost (but much higher total cost of ownership, from a more holistic cost perspective). The chemical industry (apart from exports) performed relatively strong. The sugar market was a major disappointment in Q2, as it became apparent that the expected 110Mt cane harvest will certainly not materialize, ending up with only 94Mt (peak year 2019 saw 120Mt) thus performed -15% vs expectations, and the volume drop concentrated on Q2. The construction segment performance was mixed: AAC offtake of low-reactivity special product, the plasters, and mortars industry, as well as soil-stabilization performed well, while the road construction related products (RMX) as well as ornamental stone demand (marble) was sluggish. We see little improvement in the environmental (FGC, flue gas treatment, water treatment) segments, as projects go ahead slowly. The overall market situation on the domestic market was thus somewhat disappointing in this quarter, while we do not change the predicted long term +5% CAGR long term growth projection, as new projects (chemical industry, AAC, nonferrous) will ultimately represent a market growth of 100-120ktpy (approx. 10%) in the 2024-2026 period.

EXPORT MARKET access for Thai producers improved significantly further, with container freight in Q2 2023 basically normalizing back to 2019 levels. The relatively weak (34-35 THB/USD) exchange rate also helped the export competitiveness. Same time, due to organic growth on major export markets in SE Asia, vs available capacity in the region, the supply-demand equilibrium improved in the last 2-3 years, the FOB pricing in Q2 2023 was in USD terms still +20-40% higher vs 2021-2022 levels (with the exception of the WA market, where pricing declined due to special circumstances)

FUEL costs: The energy markets cooled very significantly somewhat after a rocky 2022 (that saw spikes multiple times, after the Ukraine crisis in April and again in September due to global shortage of combustibles), still Q2 we still experienced 1.5-2.0 times higher coal and petcoke prices in the global markets, vs the relatively uneventful and stable 2015-2020 period.

COSTS beyond fuel also saw major escalation compared with same period last year: electricity (despite a correction in May, still +30% vs Q2 2022, diesel fuel also despite some correction still +20% vs last year, fixed costs linked to inflation (peaked 7% in Q4 2022) including HR costs, transportation of finished goods to customers linked to diesel, quarrying costs linked to electricity and diesel, all up significantly vs same period last year.

As consequence GL had to continue to pass on these cost escalations, maintaining the prices of its burnt products, vs the previous quarter. Going forward, if the energy prices stay on the current somewhat moderated levels, we predict there will be a “new normal” at or close to current levels in H2 2023 and 2024.

The core BURNT PRODUCT (quicklime and dolomitic lime) sales experienced in Q2 2023 a volume decrease, due to market overall offtake, a weak steel demand, and an abrupt end to the sugar season, all in -27% volume vs last year same period. The revenue realization, due to pricing exclusively, experienced a smaller drop of -12%

The crude AGGREGATE product sales of both GL and TMC, due to ready-mix and environmental sales, increased beyond last year’s level, due to improved product quality primarily.

The ground calcium carbonate (GCC) also increased above last year level, to new customers entering the market.

The MARBLE activity of TMC, started to improve in Q4 2022, that continued in Q1 2023, but we see this trend stalling in Q2 2023,

GL installed 2.5MW solar capacity so far and considers a phase III SOLAR project adding 1.0MW (project start is permitting and BOI dependent)

GL was able to use in Q1 multiple solid fuels, including petroleum-coke, milled and lump bituminous coal, as per actual market conditions for an overall optimum cost structure. First time since 2021 GL also acquired larger coal shipment in Q2, that covers its needs into Q3 2023, this however resulted some costing disparity vs spot conditions, as the coal market eased in Q2 further.

NEW PRODUCT for the Autoclaved aerated concrete (AAC) segment last year is performing well on the market, ramping up sales, acquiring a regular customer base already, we expect further sales increase as the market appreciates the superior techno-commercial value offered, GL invested in a 2nd line that will come on stream in Q3 2023.

The FINANCING structure of GL has shifted with the realization of the January EGM approved capital increase, issuing in RO 1:4 ratio 62m additional shares at 4THB/share, raising 249mTHB total. The declared target of this capital increase was to reduce debt (that is more expensive now, than in the last 3-to-5-year period, due to elevated interest rates), to shift the financing structure from debt-heavy (as result of the fully leveraged acquisitions of SQL and TMC) to more balanced debt-equity direction, and to service the expected 50% capital requirements of a future capacity addition. All planned steps in this direction were completed in Q2 2023. The other objective of the RO was capacity addition via installation of 8^{th} kiln in the HPW plant of GL, this project is being further analyzed and remains on the agenda, while multiple alternative routes of capacity escalation are also explored.

The TMC Khao Kao limestone and marble quarry renewal process concluded at the end of Q2 with a successful 20-year extension of the concession until 2043, securing the raw material supply of GL, for the foreseeable future.

The FINANCIAL PERFORMANCE, with EBITDA generation normalized (excluding one-off effects) 131mTHB in H1 2023 vs 144m in H1 2022, represents the net effect of volume and cost evolution vs revenue per unit sold, while the statutory result of 109mTHB vs 143.9m in H1 includes two major one-off effect, one is related to the TMC Khao Kao quarry concession renewal process in Q1 and the other in relation to Ready-mix stone stock provisioning in Q2, combined closing most of the gap between the statutory vs normalized result.

2. Outlook

The Macro environment in 2023 will continue to show healthy growth, however expectations now are more limited vs the enthusiasm earlier this year, this is somewhat compensated by improving export opportunities. The key FUEL combustible costs, after some moderation, will undoubtedly continue to represent the major challenge in H2 2023.

GL will target entry to all new developing markets, in the AAC and Chemical industry, further penetration of the steel markets via dolime, development of blends for the soil stabilization market, and exploring of opportunities capitalize on regained competitiveness of Thailand as an export platform.

Also, GL will explore, after successful tests in Q1 and Q2 this year, introduction of BIOMASS, as a green carbon neutral fuel, feeding into our ambition of “net zero by 2050” waging this first step.

The FINANCING mix has shifted with 249mTHB capital increase to a more balanced debt/equity structure, resulted significant debt reduction, that will continue to represent a priority also in the rest of the year, the use of funds is reported to the SET twice a year in July and December.

3. Financial highlights (based on Thai FRS)

Q2 2023 Income Statement Summary as of 30 June 2023 compared to Q2 2022:

	Q2 2023	Q2 2022	Q2 2021	YoY change Q2 2023 vs Q2 2022	YoY %change Q2 2023 vs Q2 2022
Unit: Million Thai Baht (THB)					
Sales and service income	337,04	382,11	289,81	-45,07	-12%
Other income	1,17	1,51	1,15	-0,34	-23%
Total revenues	338,21	383,62	290,96	-45,41	-12%
Cost of sales and services	271,39	287,43	214,77	-16,04	-6%
Gross profit	65,65	94,68	75,04	-29,03	-31%
Gross profit margin	19%	25%	26%		
SG&A	61,42	63,19	59,09	-1,77	-3%
EBITDA	36,80	67,79	55,06	-30,99	-46%
EBITDA margin	11%	18%	19%		
Depreciation and amortization	31,40	34,79	37,96	-3,39	-10%
EBIT	5,40	33,00	17,10	-27,60	-84%
Finance cost	-11,53	-8,46	-9,92	3,07	36%
Income tax expenses	2,10	1,40	0,68	-0,70	50%
Net income for period	-4,03	25,94	7,86	-29,97	-116%
Earnings per share (THB)	-0,01	0,09	0,03	-0,10	-113%

H1 2023 Income Statement Summary as of 30 June 2023 compared to H1 2022:

	FY 2023	FY 2022	FY 2021	YoY change FY 2023 vs FY 2022	YoY % change FY 2023 vs FY 2022
Unit: Million Thai Baht (THB)					
Sales and service income	754.61	772.75	632.45	-18.14	-2%
Other income	7.26	3.63	2.38	3.63	100%
Total revenues	761.87	776.38	634.83	-14.51	-2%
Cost of sales and services	579.95	573.77	455.19	6.18	1%
Gross profit	174.66	198.98	177.26	-24.32	-12%
Gross profit margin	23%	26%	28%		
SG&A	136.82	129.10	121.69	7.72	6%
EBITDA	109.33	143.69	134.05	-34.36	-24%
EBITDA margin	14%	19%	21%		
Depreciation and amortization	64.23	70.18	76.10	-5.95	-8%
EBIT	45.10	73.51	57.95	-28.41	-39%
Finance cost	-21.49	-17.47	-18.85	4.02	23%
Income tax expenses	-5.26	2.09	-1.51	7.35	-352%
Net income for period	18.35	58.13	37.59	-39.78	-68%
Earnings per share (THB)	0.05	0.19	0.13	-0.14	-74%

3.1. Analysis of 2023 in comparison with 2022 results

Revenue from sales and services in Q2 and H1 2023 were lower from the same period last year mainly from the lower volume of core burnt product (quicklime and dolomitic lime) due to higher price (from cost push) the sugar cane harvest volume lower than expected, and steel customer stopped production in Q1 period on dolomitic lime. However, the construction segment improved from last year, together with the sales from our subsidiary, the marble business started to recover. In addition, the engineering business revenue also decreased due to there are no big projects. While last year, kiln construction project in Indonesia revenue was recognized.

Other income in H1 2023 increased from last year as there was one-time transaction from insurance claim.

Cost of sales and services compared to the same period last year, has significantly increased due to fuel cost, diesel cost, and electricity cost, the company has increased the sales prices in multiple steps to cover the higher cost exposure together with the use of FLEX-FUEL project which best diversifying our energy mix. In addition, there was one-time exceptional item of an allowance for cost reduction as the net realizable value for the goods in the limestone mining business. As a result, gross profit margin in 2023 dropped by 3% compared to the same period last year. However, if exclude this transaction the gross profit margin in 2023 dropped only 1% compared to the same period last year

SG&A in Q2 2023 was lower than the same period last year while H1 2023 higher than the same period last year mainly from the one-time quarry concession renewal expense, if exclude this transaction the SG&A was also decreased from 2022.

EBITDA (Earnings before tax, depreciation, and amortization) in Q2 2023 and H1 2023 lower than the same period last year mainly from one-time exceptional items. The normalized EBITDA H1 2023 (excluding quarry concession renewal fee, stock provisioning) decreased by 9% compared to the same period last year.

Depreciation this year has slightly decreased from last year as some of the assets have fully depreciated.

Finance costs during the first half of 2023 rose by 23% compared to the corresponding period in the previous year. Simultaneously, the policy interest rate in Thailand experienced a substantial surge of over 200%. Despite this, our prudent approach of consistently repaying principal and adopting a more conservative approach to utilizing working capital has effectively minimized the resulting impact.

Income tax expense in H1 2023 has significantly increased compared to the same period last year from the profit net results that caused to the utilisation of the unused tax losses which was booked last year as deferred tax assets, the company recorded the reversal of deferred tax assets into income tax expense in this year.

All in all, from above mentioned resulting in the statutory **Net income** in both Q2 and H1 have decreased compared to the same period last year. The normalized net income H1 2023 (excluding quarry concession renewal fee, Stock provisioning, and deferred tax) decreased by 23% compared to the same period last year.

3.2. Assets, Liabilities & Shareholders' Equity

Current assets: increased from the fuel purchasing for this year production and an increase in Account receivable.

Non-current assets: decreased from the depreciation of fixed assets and amortization of intangible assets, together with the reversal of deferred tax asset.

Current liabilities: the short-term loan has decreased from the repayment together with the current portion of long-term has been re-categorized due to the financial condition was met.

Non-current liabilities: the long-term loan increased from the loan re-categorized. However, if exclude this transaction the long-term loan decreases from the repayment of long-term loan.

Shareholder equity: increased from the capital increase and the accumulated net results.

Financial Position Summary as of 30 June 2023 compared to 31 December 2022:

Unit: Million Thai Baht (THB)	30th Jun 2023	31st Dec 2022	31st Dec 2021	YoY change 2023 vs 2022	YoY % change 2023 vs 2022
Total current assets	805.58	758.40	775.07	47.18	6%
Total non-current assets	1,395.91	1,442.33	1,457.82	-46.42	-3%
Total assets	2,201.49	2,200.73	2,232.89	0.76	0%
Total current liabilities	830.97	1,142.65	1,183.60	-311.68	-27%
Total non-current liabilities	386.92	339.91	423.50	47.01	14%
Total liabilities	1,217.89	1,482.56	1,607.10	-264.67	-18%
Total shareholders equity	983.60	718.17	625.79	265.43	37%
Total liabilities plus shareholders equity	2,201.49	2,200.73	2,232.89	0.76	0%

3.3. Cash Flow Analysis

Cash and cash equivalents at the end of Q2 2023 were 39mTHB, slightly less than the beginning of the year balance. **Net cash flows provided by operating activities** decreased from the fuel purchasing that can be used in the next 3-4 months, the increase in account receivable, and the continuity of paying suppliers.

Net cash flows used in investing activities at the end of Q1 2023 was at the same level as last year same period.

Net cash flows provided by financing activities at the end of Q2 2023 have increased compared to last year from the capital increase in February and was partly repaid to both short term and long-term loan.

Cashflow Summary as of 30 June 2023 compared to 31 December 2022:

Unit: Million Thai Baht (THB)	FY 2023 YTD	FY 2022 YTD	FY 2021 YTD	YoY change FY 2023 vs FY 2022	YoY % change FY 2023 vs FY 2022
Cash and cash equivalents at beginning of period	44.44	40.10	133.48	4.34	11%
Net cash flows provided by (used in) operating activities	22.09	137.20	26.47	-115.11	-84%
Net cash flows from (used in) investing activities	-37.24	-37.11	-71.67	0.13	0%
Net cash flows from (used in) financing activities	9.57	-71.48	-39.66	81.05	-113%
Net increase (decrease) in cash and cash equivalents	-5.58	28.61	-84.87	-34.19	-120%
Cash and cash equivalents at end of period	38.86	68.71	48.61	-29.85	-43%

4. Financial Ratios

	Q2 2023	Q2 2022	Q2 2021	FY 2023	FY 2022	FY 2021
Return on Equity (ROE)	-1.89%	15.84%	5.16%	4.31%	17.75%	12.33%
Return on Assets (ROA)	-0.73%	4.62%	1.41%	1.67%	5.18%	3.38%
Return on Fixed Assets (ROFA)	9.09%	19.53%	14.36%	13.71%	20.63%	17.82%
Debt/Equity Ratio	1.24	2.30	2.66	1.24	2.30	2.66
Net Debt/Equity Ratio	0.91	1.63	1.99	0.91	1.63	1.99
Leverage (Net Debt/EBITDA)	4.67	4.57	5.03	4.67	4.57	5.03
Collection period (Days)	53.19	45.95	46.98	47.51	45.44	43.06

Note: 1) Net Debt = Interest bearing liabilities – cash and cash equivalents

2) Leverage Q2 and FY use annualized EBITDA for the previous 4 quarters

3) ROFA = (Net profit + Depreciation)/ Average (Q2 2023 and Q4 2022) of property, plant and equipment

Mr. Geza Perlaki

Authorized Director

Mr. Krishnan Subramanian Aylur

Authorized Director