

## **Part 3**

### **Financial and Performance**

## Auditing Report

### 1. Auditor

#### Asian Seafoods Coldstorage PLC. and its 5 subsidiaries

Ms. Sumalee Reewarabundit  
 Certified Public Accountant (Thailand) No. 3970  
 of EY Office Limited

### 2. Auditor Report for the past 3 years

The auditor of the company for the past 3 years has audited and expressed an unqualified opinion to the consolidated and company financial statements of the company. The consolidated and company statements of comprehensive income, changes in shareholders' equity and cash flows present fairly, in all material respects, in accordance with Thai Financial Reporting Standards.

### 3. Auditor's fee of 2018

<b>Audit fee</b>	<b>The Company</b>	<b>Subsidiaries</b>
Audit fee for quarterly and year ended statement	1,830,000 Baht	2,890,000 Baht
<b>Other Services</b>	<b>The Company</b>	<b>Subsidiaries</b>
BOI Certificate Review (per certificate)	80,000 Baht	80,000 Baht

### 4. Important Accounting Policies

See also at the notes to consolidated and company financial statements in this report.

### 5. The Company Performance

The financial performance of the Company, consolidated and separated financial statement, were presented in the Auditor's Report section in this report

## Revenue by Business Segment

Business Segment	Company	ASIAN Shareholding portion %	2018		2017		2016	
			Domestic	Export	Domestic	Export	Domestic	Export
Frozen Business	ASIAN	-	136	1,742	101	1,941	233	2,018
	SURAT	100	183	2,006	112	2,009	118	2,447
Tuna Business	AAI	100	153	911	155	929	350	912
Pet Food Business	AAI	100	119	2,968	109	2,536	136	1,511
Aquaculture Feed Business	AFEED	100	1,077	20	1,423	45	1,189	21
Distribution Business	ASIAN	-	257		323	-	250	-
	AFOOD	100	351		394	-	361	-
Others	ASIAN	-	81		100	-	106	-
Deduct Elimination of inter-company transaction			(355)		(438)		(447)	-
Total Revenue			2,002	7,647	2,280	7,460	2,296	6,909

Note: ASIAN Refer to Asian Seafoods Coldstorage PLC.  
 SURAT Refer to Asian Seafoods Coldstorage (Suratthani) Co., Ltd.  
 AAI Refer to Asian Alliance International Co., Ltd.  
 AFEED Refer to Asian Feed Co., Ltd.  
 AFOOD Refer to Asian Food Co., Ltd.

## Management Discussion and Analysis

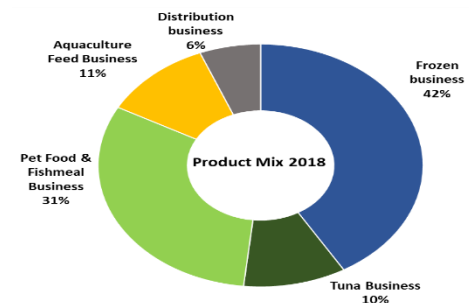
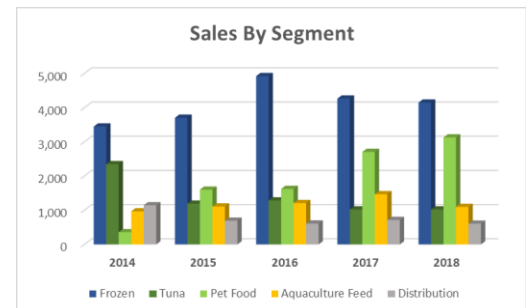
### Operating Result

The company operate its business in 5 business segments, which are Frozen business, Tuna business, Pet Food business, Aquaculture Feed business, and Distribution business. Sales revenues for the full year were 9,649 million baht, a decrease of 0.9%. This was mainly a result of a weaker USD (-3.8%) and lower aqua feed and distribution sales, partly off-set with higher sales in pet food. The average exchange rate with the USD decreased 4.8% y.o.y. and around 80% of sales revenues are directly or indirectly denominated in USD.

#### Frozen Business

Sales of frozen business for the full year, volumes were up 7% and sales revenues 3% down y.o.y. to 4,067 million baht, as a result of lower market prices of shrimp raw material and baht strengthen over USD pressure sales prices even volume was improved, particularly in Q3 which is the high season of the business. Squid sales also picked up a bit compared to the previous year, while Sillago was quite stable both volume and baht.

Gross profit of shrimp product was in line with last year, but with higher portion of value-added products. Profitability of squid was improved compare to the year before as market price remain stable after Thai squid develop into a high quality niche market. Squid raw material price was lower in average. Sillago margins were satisfactory and stable.



Throughout the year, the company focus on efficiency improvement and cost saving in its Frozen Business. Several important moves had been taken. First, overall frozen business units were optimizing coldstorage capacity together for cost saving in total. Then, the company terminated the production of sillago in the Klong Toei plant and moved to the Samut Sakhon plant. Overall staff number was reduced. In sales function, Frozen sales has been re-organized in order to achieve better efficiency. Moreover, an initial production of Asian Seabass fillets, or barramundi, was done, together with development of frozen product for domestic market which were expected to launch in 2019. The company believed those will result in lower cost and better profitability.

#### Tuna Business

Canned Tuna volumes decreased 12% compared to the previous year with sales revenues slightly lower to 1,064 million baht (2017:1084 million baht). No long or short position in tuna inventories are maintained and order intake is selective. Profitability of human tuna improved compared to the year before.

#### Petfood Business

Petfood and fishmeal volume was up 9% due to higher pet food sales, partly off-set with lower fishmeal sales. Sales revenues were up 17% y.o.y. to 3,087 million baht. After several extensions, capacity is sufficient for the next 6 months and depending on developments a next increase may be required in Q3 2019.

In 2018, the company decided to invest in the construction of a 15,000 pellets fully automated warehouse which is expected to be operational by the end of 2019. Capex will be 280 million baht. This will allow termination of rented storage and smoothen the shipping operations.

#### Aquaculture Feed Business

For the full year volumes and sales were down 27% and 25% respectively. Volumes were down in both shrimp and fish, partly due to termination of government incentives to catfish farmers. The low shrimp volume also affected the aqua feed market in Thailand. Overall lower shrimp feed volume intensified competition and with farm profits under pressure credit risk remained high.

Throughout the course of 2018, the company remain tighten its credit policy for better quality of customers portfolio and reduce its allowance for doubtful debts. In December, a nutritionist panel was established with the objective to continuously improve performance and costing of the feeds. It is expected this will improve margins throughout the course of 2019.

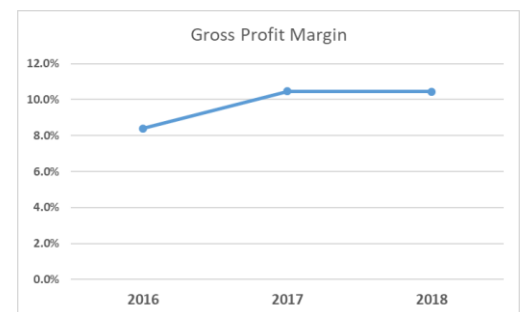
#### Distribution Business

Distribution revenue is around 608 million baht, 15% decrease compare to the year before. Q4 is the best quarter which sales and margin were satisfied.

As the company strategy is to increase portion of value-added products in every business segment, the gross profit was at 10.3% in 2018, remain in line with last year and target even weaken USD pressure the profitability so much in the first and the last quarter of the year.

Net profit for 2018 is around 362 million baht compared to 418 million baht in 2017. EBIT from operations decreased 8.3% to 490 million baht, mainly due to a slow first quarter, when in addition a significant decline of the USD during the quarter impacted margins.

Non-recurring expenses were down to 15 million baht, partly as a result of the sale of a portfolio bad debtors which was recorded as non-recurring income.



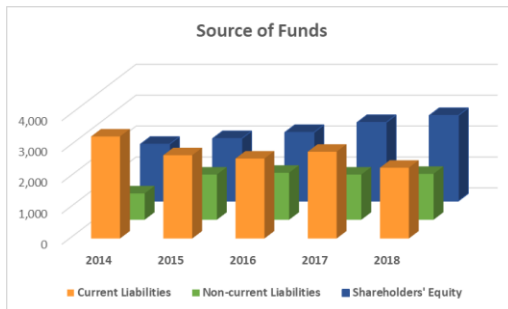
EBIT for the year was 3.5% lower y.o.y. to 490 million baht. And finance cost were down to 132 million baht due to lower average debt outstanding.

Tax credits were 5 million baht, lower than last year when revaluation of deferred tax assets included a credit of 47 million baht.

## Financial Position

### Assets

The company and its subsidiaries have total assets of 6,542 million baht, decreased 269 million baht from last year mainly from lower inventory. The capital expenditures in 2018 amounted to 242 million baht (2017: 194 million baht) and were, apart from replacement capex, mainly for expansion of pet food production capacity, initial cash-out for the automatic warehouse project and investment in joint ventures. Depreciation amounted to 198 million baht.



### Source of Fund

The company and its subsidiaries have their source of fund as follow:

- **Shareholders' Equity:** The company's equity was 2,765 million baht, 227 million baht increased from last year as retain earning increased.
- **Current Liabilities:** Total current liabilities were 2,291 million baht, decrease 518 million baht compare to 2017. Net working capital at the end of the year decreased 390 million baht to 2,905 million baht as inventory of shrimp and squid was

decreased significantly. Short term facilities the company and its subsidiaries have by the end of December 2018 are as follow:

Type of facilities (million baht)	Total Facilities	Outstanding Balance	Available
Short-term	2,473.0	1,061.0	1,412.0
B/E	500.0	-	500.0

- **Long term debts & debentures:** In 2018, the Company's long-term credit and debentures were as follows:

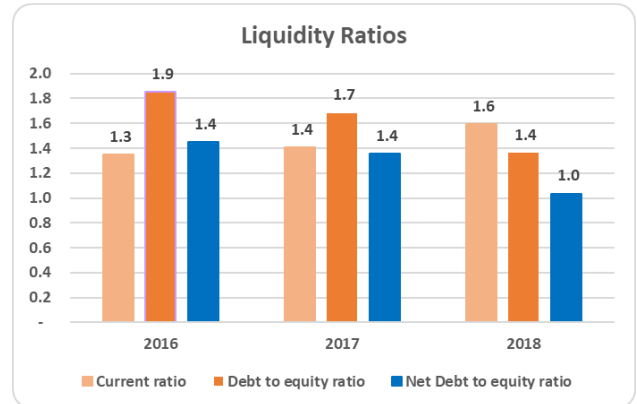
Type of Loans (million baht)	Total Facilities (million baht)	Approval Dates	Outstanding as of Dec 31 <sup>st</sup> , 2018 (million baht)	Current Portion (million baht)
Long Term Loan	850.0	July 2014	70.0	70.0
Long Term Loan	1,500.0	July 2017	1,220.0	340.0
Long Term Loan	550.0	June 2018	510.7	78.6

As of 31<sup>st</sup> December, 2018, the company has no outstanding bonds or debentures even the shareholders already approved that the Management can commit in the bonds not exceed of 2,000 million baht.

## Liquidity

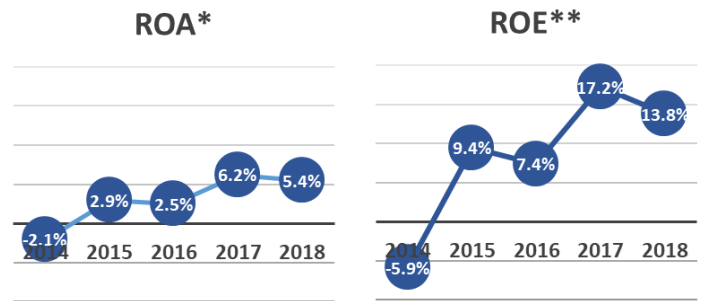
The Current Ratio is 1.6. The Debt to Equity ratio decreased from 1.7 a year before to 1.4 as per 31st December 2018. Under the terms of long-term loan agreements, the D/E ratio must be below 2.0 at year-end 2017 till the maturity date. Net Debt to Equity ratio was 1.0 at year end.

AR days of the company is at the same rate compare to last year. AP days improved a bit while inventory days is below 100 days again as frozen inventory volume decreased.



## Asset Management Efficiency

Asset Management efficiency is slightly lower compared to the year before as Return on assets is 5.4% compare to 6.2% last year. Return on Equity is at 13.8%, which is satisfied. Book value per share increased to 5.09 baht per share comparing to 4.68 baht per share last year from the operating profit this year (calculated at 542.73 million shares which are the number of shares at 31<sup>st</sup> December 2018).



\* ROA= last 4 quarter net profit/Average total asset

\*\* ROE= last 4 quarter net profit/Average total shareholders' equity

## Obligations or Other significant factors

### Ability to maintain its financial covenant

For the long-term credit facilities, the Company agreed to the covenant with financial institutions, requiring the Company's debt to equity (D/E) ratio not to exceed 2.0 times since 2017 till maturity date, and maintain current ratio at least 1.2 times since 2016 to the payment due date. Under the restrictive covenants of the long-term credit facilities, the Company is also required to maintain a minimum debt service coverage ratio of 1.2 times. Otherwise, the Company is unable to pay dividend or any other benefits to shareholders.

In 2018, the Company managed to maintain D/E and current ratio as required. The Company's debt service coverage ratio also surpassed 1.2 times.

### Dividend Payout

In 2018, the Board of Directors resolved to propose to the Annual General Meeting of Shareholders to consider and approve the dividend payment for the operating results of the year 2018 to the shareholders of the company at the rate of 0.25 baht per share, paid from the profits of businesses that are not exempted from corporate income tax (Non-BOI), all of which is approximately 37.46% of the net profit from the consolidated operating results of the company and subsidiaries because it considers that the company needs to maintain liquidity to have sufficient potential to support the investment plan during the year 2019-2021 as well as to support changes in economic conditions both domestically and internationally.

Significant non-recurring transactions

- 27 million baht of allowance for doubtful debt was booked over the year from Aquaculture feed business. In the mean time, sale of a portfolio bad debtors was recorded at around 30 million baht.
- The termination of sillago production line and move of those to Samut Sakorn cost around 13 MB from expenses and machine write-off.
- In tuna and petfood business, obsolete packing were booked at around 20 million baht.