



บริษัท เอบิโก้ โฮลดิ้งส์ จำกัด (มหาชน)

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Management Discussion and Analysis (MD&A) ABICO HOLDINGS ABICO HOLDINGS PUBLIC COMPANY LIMITED

FOR THE SECOND QUARTER 2018 THREE MONTHES AND SIX MONTHS

1. STATEMENTS OF COMPREHENSIVE INCOME

1.1 Revenues from sales and services

(Unit: Million Baht)

	For the second quarter		For the period of six months		Movement for the second quarter		Movement for the period of six months	
	2018	2017	2018	2017	Increase (decrease)	%	Increase (decrease)	%
Producer and distributor of ready-to-drink milk, drinks	178.92	106.37	346.52	213.90	72.55	68.21	132.62	62.00
Immovable property business	4.72	2.82	9.38	5.53	1.90	67.38	3.85	69.62
Agriculture and dairy farm	17.76	10.44	35.14	20.57	7.32	70.11	14.57	70.83
Total	201.40	119.63	391.04	240.00	81.77	68.35	151.04	62.93

- Contract manufacturing business of ready-to-drink milk and pasteurized fruit juices saw its income increase by Baht 72.55 million, or 68.21%, in Q2'18, and by Baht 132.62 million, or 62%, in the six-month period. Due to more production orders from the customers, the Company had more manufacturing and delivery of products in Q2'18, both in the three-month period and the six-month period. The increases were 62.62% and 73.37% respectively compared to those of the same periods of last year.
- Immovable property business saw its income increase both in the three-month period and the six-month period by Baht 1.90 million and Baht 3.85 million respectively, due to the improvement on the rental building which made the leasable area increase from Q2'17 both in the three-month period and the six-month period.
- Farm business saw its income increase both in the three-month period and the six-month period by Baht 7.32 million and Baht 14.57 million respectively, due to more delivery of raw milk to the customers compared to those of the same periods last year both in the three-month period and the six-month period. The increases were 70.69% and 71.40% respectively.

1.2 Cost of sales and service, Administrative expenses

(Unit: Million Baht)

	For the second quarter		For the period of six months		Movement for the second quarter		Movement for the period of six months	
	2018	2017	2018	2017	Increase (decrease)	%	Increase (decrease)	%
Cost of sales and service	163.05	101.40	319.72	205.62	61.65	60.80	114.10	55.49
Administrative expenses	17.23	12.84	30.68	26.02	4.39	34.19	4.66	17.91
Total	180.28	114.24	350.40	231.64	66.04	57.81	118.76	51.27

In Q2'18, the Company's cost of sales and administrative expenses in the three-month period and the six-month period are Baht 180.28 million and Baht 350.40 million respectively.

- The cost of sales and service increased by Baht 61.65 million, or 60.80%, in Q2'18; and increased by Baht 114.10 million, or 55.49%, in the six-month period. The increases of the cost of sales and service were due to more sales volume; as well as more depreciation caused by the investment in machinery to improve production efficiency, reduce cost of production in the future, and support more sales volume in the future.
- Administrative expenses increased by Baht 4.39 million, or 34.19%, in Q2'18; and increased by Baht 4.66 million, or 17.91%, in the six-month period.

1.3 Others income

- Total other income amounted to Baht 15.04 million, which increased by Baht 7.70 million, or 104.81%, in Q2'18; and amounted to Baht 22.44 million, which increased by Baht 7.69 million, or 52.14%, in the six-month period. The main cause was more commission income in the three-month period and the six-month period of 2018, which increased by Baht 4.29 million and Baht 6.60 million respectively.

1.4 Operational profit and net profit

(Unit: Million Baht)

	For the second quarter		For the period of six months		Movement for the second quarter		Movement for the period of six months	
	2018	2017	2018	2017	Increase (decrease)	%	Increase (decrease)	%
Profit (loss) before tax expenses	30.58	7.97	52.51	13.71	22.61	283.69	38.80	283.01
Loss Tax expenses	5.73	1.78	9.81	2.30	3.95	221.91	7.51	326.52
Operational Profit	24.85	6.19	42.70	11.41	18.66	301.45	31.29	274.23
Share of profit (loss) of associate	(4.02)	16.45	(1.49)	48.23	(20.47)	(124.44)	(49.72)	(103.09)
Net profit	20.83	22.64	41.21	59.64	(1.81)	(7.99)	(18.43)	(30.90)

- Operational profit amounted to Baht 24.85 million, which increased by Baht 18.66 million, or 301.45%, in Q2'18; and amounted to Baht 42.70 million, which increased by Baht 31.29 million, or 274.23%, in the six-month period. The increases were due to more production orders from the customers, as well as more effective ways to manage expenses and costs.
- Net profit according to the financial statement decreased by Baht 1.81 million, or 7.99%, in Q2'18; and decreased by Baht 18.43 million, or 30.90%, in the six-month period. This resulted from the recognized share of profit from the investment in the associate companies that decreased by Baht 20.47 million and Baht 49.72 million respectively compared to those in the same periods last year.

2. Analysis of financial status as at 30 June 2018

(Unit: Million Baht)

<u>Assets</u>	30 June 2018	%	31 December 2017	%
Trade and other receivables	133.09	9%	92.70	7%
Inventories	132.06	9%	104.83	8%
Investment in associated company	432.44	30%	483.96	36%
Property, plant and equipment	645.19	45%	558.59	42%
Biological assets – dairy cow	46.06	3%	44.28	3%
Others	52.80	4%	61.09	4%
Total assets	1,441.64	100%	1,345.45	100%

Total assets were Baht 1,441.64 million, which increased by Baht 96.19 million from 2017.

- Trade and other receivables increased by Baht 40.39 million, because the Company delivery more product to customers. This was consistent with the increased revenue in the contract manufacturing business of milk, drinks, and fruit juices.
- Inventories increased by Baht 27.23 million, because the Company had to reserve packages and raw materials for customers in manufacturing.
- Investment in the associated companies decreased by Baht 51.52 million, due to the recognized share of profit in the associate companies.
- Land, buildings, and equipment increased by Baht 86.60 million, because of the investment of Baht 112.27 million in equipment and the depreciation of Baht 25.68 million during the period.
- Biological assets increased by Baht 1.78 million, due to the adjustment of fair value of the dairy cattle in the subsidiaries.
- Other assets were mostly cash and equivalent transactions to cash, deferred income tax assets and assets not used in operation.

(Unit: Million Baht)

<u>Liabilities</u>	30 June 2018	%	31 December 2017	%
Bank overdrafts and short-term loan	43.59	7%	10.00	2%
Trade and other payables	79.22	14%	82.25	16%
Liabilities under financial lease agreement	135.29	22%	64.58	13%
Long – term loan	262.26	43%	265.68	53%
Others	83.71	14%	77.72	16%
Total liabilities	604.07	100%	500.23	100%

Total liabilities were Baht 604.07 million, which increased by Baht 106.84 million from 2017.

- Bank overdrafts and short-term loan increased by Baht 33.59 million, because the subsidiaries withdrew more short-term loan from financial institutions for operations.
- Trade and other payables decreased by Baht 3.03 million, because the Company paid packages and raw materials.
- Liabilities under financial lease agreements increased by Baht 70.71 million, because the Company made some financial lease agreements in machinery to support more manufacturing volume that increased by Baht 84.88 million. During the year, the Company paid Baht 14.73 million for the liabilities under financial lease agreements.
- Long-term loan decreased Baht 3.42 million, because the Company have paid Baht 10.42 million for the loan and received more loan of Baht 7 million.
- Other liabilities consisted of bank overdrafts, deferred tax liabilities, employee benefit obligation.