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

**FOR THE THIRD QUARTER 2018 THREE MONTHES AND NINE MONTHS**

1. STATEMENTS OF COMPREHENSIVE INCOME

1.1 Revenues from sales and services

(Unit: Million Baht)

	For the third quarter		For the period of nine months		Movement for the third quarter		Movement for the period of nine months	
	2018	2017	2018	2017	Increase (decrease)	%	Increase (decrease)	%
Producer and distributor of ready-to-drink milk, drinks	179.68	132.63	526.20	346.53	47.05	35.47	179.67	51.84
Immovable property business	4.71	3.59	14.09	9.12	1.12	31.19	4.97	54.49
Agriculture and dairy farm	13.79	8.93	48.93	29.50	4.86	54.42	19.43	65.86
<b>Total</b>	<b>198.18</b>	<b>145.15</b>	<b>589.22</b>	<b>385.15</b>	<b>53.03</b>	<b>36.53</b>	<b>204.07</b>	<b>52.98</b>

- Contract manufacturing business of ready-to-drink milk and pasteurized fruit juices saw its income increase by Baht 47.05 million, or 35.47%, in Q3'18, and by Baht 179.67 million, or 51.84%, in the six-month period. Due to more production orders from the customers, the Company had more manufacturing and delivery of products in Q3'18, both in the three-month period and the nine-month period. The increases were 53.68% and 59.18% 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 nine-month period by Baht 1.12 million and Baht 4.97 million respectively, due to the improvement on the rental building which made the leasable area increase from Q3'17 both in the three-month period and the nine-month period.
- Farm business saw its income increase both in the three-month period and the nine-month period by Baht 4.86 million and Baht 19.43 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 nine-month period. The increases were 54.67% and 66.32% respectively.

## 1.2 Cost of sales and service, Administrative expenses

(Unit: Million Baht)

	For the third quarter		For the period of nine months		Movement for the third quarter		Movement for the period of nine months	
	2018	2017	2018	2017	Increase (decrease)	%	Increase (decrease)	%
Cost of sales and service	163.07	124.72	482.74	330.34	38.35	30.74	152.40	46.13
Administrative expenses	13.08	14.32	40.73	40.34	(1.24)	(8.65)	0.39	0.96
<b>Total</b>	<b>176.15</b>	<b>139.04</b>	<b>523.47</b>	<b>370.68</b>	<b>37.11</b>	<b>26.69</b>	<b>152.79</b>	<b>41.21</b>

In Q3'18, the Company's cost of sales and administrative expenses in the three-month period and the nine-month period are Baht 176.15 million and Baht 523.47 million respectively.

- The cost of sales and service increased by Baht 38.35 million, or 30.74%, in Q3'18; and increased by Baht 152.40 million, or 46.13%, in the nine-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 1.24 million, or 8.65%, in Q3'18; and increased by Baht 0.39 million, or 0.96%, in the nine-month period.

## 1.3 Others income

- Total other income amounted to Baht 9.39 million, which increased by Baht 3.18 million, or 51.23%, in Q3'18; and amounted to Baht 28.76 million, which increased by Baht 7.81 million, or 37.24%, in the nine-month period. The main cause was more commission income in the three-month period and the nine-month period of 2018, which increased by Baht 3.77 million and Baht 10.37 million respectively.

## 1.4 Operational profit and net profit

(Unit: Million Baht)

	For the third quarter		For the period of nine months		Movement for the third quarter		Movement for the period of nine months	
	2018	2017	2018	2017	Increase (decrease)	%	Increase (decrease)	%
Profit (loss) before tax expenses	26.75	7.57	79.26	21.28	19.18	253.36	57.98	272.46
Loss Tax expenses	5.51	0.65	15.32	2.95	4.86	747.69	12.37	419.32
<b>Operational Profit</b>	<b>21.24</b>	<b>6.92</b>	<b>63.94</b>	<b>18.33</b>	<b>14.32</b>	<b>206.93</b>	<b>45.61</b>	<b>248.82</b>
Share of profit (loss) of associate	(34.10)	20.82	(35.59)	69.05	(54.92)	(263.78)	(104.64)	(151.54)
<b>Net profit</b>	<b>(12.86)</b>	<b>27.74</b>	<b>28.35</b>	<b>87.38</b>	<b>(40.60)</b>	<b>(146.35)</b>	<b>(59.03)</b>	<b>(67.55)</b>

- Operational profit amounted to Baht 21.24 million, which increased by Baht 14.32 million, or 206.93%, in Q3'18; and amounted to Baht 63.94 million, which increased by Baht 45.61 million, or 248.82%, in the nine-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 40.60 million, or 146%, in Q3'18; and decreased by Baht 59.03 million, or 67.55%, in the nine-month period. This resulted from the recognized share of loss from the investment in the associate companies that decreased by Baht 54.92 million and Baht 104.64 million respectively compared to those in the same periods last year.

2. Analysis of financial status as at 30 September 2018

(Unit: Million Baht)

<u>Assets</u>	30 Sep. 2018	%	31 Dec. 2017	%
Trade and other receivables	122.94	9%	92.70	7%
Inventories	124.55	9%	104.83	8%
Investment in associated company	397.46	28%	483.96	36%
Property, plant and equipment	644.04	46%	558.59	42%
Biological assets – dairy cow	45.60	3%	44.28	3%
Others	61.05	5%	61.09	4%
<b>Total assets</b>	<b>1,395.64</b>	<b>100%</b>	<b>1,345.45</b>	<b>100%</b>

Total assets were Baht 1,395.64 million, which increased by Baht 50.19 million from 2017.

- Trade and other receivables increased by Baht 30.24 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 19.72 million, because the Company had to reserve packages and raw materials for customers in manufacturing.
- Investment in the associated companies decreased by Baht 86.50 million, due to the recognized share of profit in the associate companies.
- Land, buildings, and equipment increased by Baht 85.45 million, because of the investment of Baht 127.23 million in equipment and the depreciation of Baht 41.76 million during the period.
- Biological assets increased by Baht 1.32 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 Sep. 2018	%	31 Dec. 2017	%
Bank overdrafts and short-term loan	15.00	3%	10.00	2%
Trade and other payables	167.47	29%	82.25	16%
Liabilities under financial lease agreement	49.24	9%	64.58	13%
Long – term loan	257.72	45%	265.68	53%
Others	82.40	14%	77.72	16%
<b>Total liabilities</b>	<b>571.83</b>	<b>100%</b>	<b>500.23</b>	<b>100%</b>

Total liabilities were Baht 571.83 million, which increased by Baht 71.60 million from 2017.

- Bank overdrafts and short-term loan decreased by Baht 5 million, because the subsidiaries paid short-term loan from financial institutions.
- Trade and other payables increased by Baht 85.22 million, because the Company investment equipment on the process of detail changing with contract.
- Liabilities under financial lease agreements decreased by Baht 15.34 million, the Company paid Baht 15.34 million for the liabilities under financial lease agreements.
- Long-term loan decreased Baht 7.96 million, because the Company have paid Baht 26.95 million for the loan and received more loan of Baht 19 million.
- Other liabilities consisted of bank overdrafts, deferred tax liabilities, employee benefit obligation.