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

**FOR THE THIRD QUARTER 2019 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	
	2019	2018	2019	2018	Increase (decrease)	%	Increase (decrease)	%
Producer and distributor of ready-to-drink milk, drinks	290.89	179.68	767.79	526.20	111.21	61.89	241.59	45.91
Immovable property business	4.69	4.71	14.16	14.09	(0.02)	(0.42)	0.07	0.50
Agriculture and dairy farm	10.88	13.79	42.97	48.93	(2.91)	(21.10)	(5.96)	(12.18)
<b>Total</b>	<b>306.46</b>	<b>198.18</b>	<b>824.92</b>	<b>589.22</b>	<b>108.28</b>	<b>54.64</b>	<b>235.70</b>	<b>40.00</b>

- Contract manufacturing business of ready-to-drink milk and pasteurized fruit juices saw its income increase by Baht 111.21 million, or 61.89%, in Q3'19, and by Baht 241.59 million, or 45.91%, in the nine-month period. Due to more production orders from the customers, the Company had more manufacturing and delivery of products in Q3'19, both in the three-month period and the nine-month period. The increases were 20% and 22.60% respectively compared to those of the same periods of last year.
- Immovable property business saw its income decrease in the three-month period by Baht 0.02 million and increase in the nine-month period Baht 0.07 million respectively, near that of last year.
- Farm business saw its income decrease both in the three-month period and the nine-month period by Baht 2.91 million and Baht 5.96 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 21% and 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	
	2019	2018	2019	2018	Increase (decrease)	%	Increase (decrease)	%
Cost of sales and service	259.66	163.07	689.56	482.74	96.59	59.23	206.82	42.84
Administrative expenses	16.96	13.08	48.76	40.73	3.88	29.66	8.03	19.72
<b>Total</b>	<b>276.62</b>	<b>176.15</b>	<b>738.32</b>	<b>523.47</b>	<b>100.47</b>	<b>57.04</b>	<b>214.85</b>	<b>41.04</b>

In Q3'19, the Company's cost of sales and administrative expenses in the three-month period and the nine-month period are Baht 276.62 million and Baht 738.32 million respectively.

- The cost of sales and service increased by Baht 96.59 million, or 59.23%, in Q3'19; and increased by Baht 206.82 million, or 42.84%, 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 3.88 million, or 29.66%, in Q3'19; and increased by Baht 8.03 million, or 19.72%, in the nine-month period.

## 1.3 Others income

- Total other income amounted to Baht 9.73 million, which increased by Baht 0.34 million, or 3.58%, in Q3'19; and amounted to Baht 32.34 million, which increased by Baht 3.58 million, or 12.43%, in the nine-month period.

## 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	
	2019	2018	2019	2018	Increase (decrease)	%	Increase (decrease)	%
Profit (loss) before tax expenses	31.70	26.75	100.02	79.26	4.95	18.50	20.76	26.19
<u>Loss</u> Tax expenses	6.62	5.51	19.12	15.32	1.11	20.15	3.80	24.80
<b>Operational Profit</b>	<b>25.08</b>	<b>21.24</b>	<b>80.90</b>	<b>63.94</b>	<b>3.84</b>	<b>18.08</b>	<b>16.96</b>	<b>26.52</b>
Share of profit (loss) of associate	(9.01)	(34.10)	(40.44)	(35.59)	(25.09)	(73.58)	4.85	13.63
<b>Net profit</b>	<b>16.06</b>	<b>(12.86)</b>	<b>40.46</b>	<b>28.35</b>	<b>28.92</b>	<b>224.88</b>	<b>12.11</b>	<b>42.72</b>

- Operational profit amounted to Baht 25.08 million, which increased by Baht 3.84 million, or 18.08%, in Q3'19; and amounted to Baht 80.90 million, which increased by Baht 16.96 million, or 26.52%, 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 increased by Baht 28.92 million, or 224.88%, in Q3'19; and increased by Baht 12.11 million, or 42.72%, in the nine-month period. This resulted from the recognized share of loss from the investment in the associate companies that decreased by Baht 25.09 million, in Q3'19 and in the nine-month increased Baht 4.85 million respectively compared to those in the same periods last year.

2. Analysis of financial status as at 30 September 2019

(Unit: Million Baht)

<u>Assets</u>	30 Sep. 2019	%	31 Dec. 2018	%
Trade and other receivables	218.90	14%	120.51	9%
Inventories	132.12	8%	119.88	9%
Investment in associated company	290.63	19%	330.87	24%
Property, plant and equipment	823.82	52%	712.57	51%
Biological assets – dairy cow	47.16	3%	46.27	3%
Others	54.68	4%	55.53	4%
<b>Total assets</b>	<b>1,567.31</b>	<b>100%</b>	<b>1,385.63</b>	<b>100%</b>

Total assets were Baht 1,567.31 million, which increased by Baht 181.68 million from 2018.

- Trade and other receivables increased by Baht 98.39 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 12.24 million, because the Company had to reserve packages and raw materials for customers in manufacturing.
- Investment in the associated companies decreased by Baht 40.24 million, due to the recognized share of profit in the associate companies.
- Land, buildings, and equipment increased by Baht 111.25 million, because of the investment of Baht 166.74 million in equipment and the depreciation of Baht 55.49 million during the period.
- Biological assets increased by Baht 0.89 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. 2019	%	31 Dec. 2018	%
Bank overdrafts and short-term loan	58.00	8%	10.00	2%
Trade and other payables	140.89	19%	112.49	18%
Liabilities under financial lease agreement	93.12	13%	119.75	20%
Long – term loan	339.76	46%	265.55	44%
Others	106.46	14%	91.77	16%
<b>Total liabilities</b>	<b>738.23</b>	<b>100%</b>	<b>599.56</b>	<b>100%</b>

Total liabilities were Baht 738.23 million, which increased by Baht 138.67 million from 2018.

- Bank overdrafts and short-term loan increased by Baht 48 million, because the subsidiaries withdrew more short-term loan from financial institutions for operations.
- Trade and other payables increased by Baht 28.40 million, because the Company investment equipment on the process of detail changing with contract.
- Liabilities under financial lease agreements decreased by Baht 26.63 million, for the liabilities under financial lease agreements.
- Long-term loan increased Baht 74.21 million, because the Company have paid Baht 63.48 million for the loan and received more loan of Baht 137.69 million.
- Other liabilities consisted of bank overdrafts, deferred tax liabilities, employee benefit obligation.