

Malee Group Public Company Limited and Its Subsidiaries Management Discussion and Analysis For the Third Quarter and Nine-Month Period Ended 30 September 2016

1. Q3/2016 Highlights

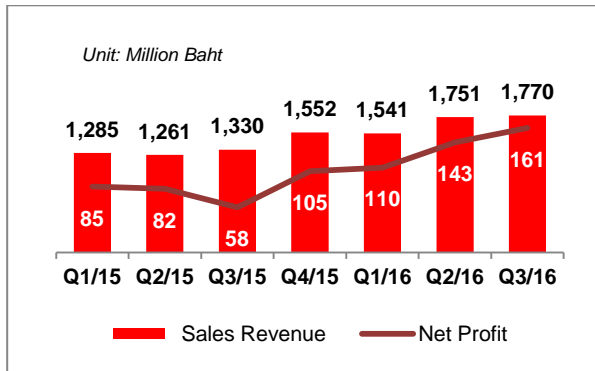


Figure 1: Quarterly results

- New record high quarterly sales since establishment and operation in 1978.
- New record high quarterly net profit since 2012, the year in which the Company gained benefits as CMG customers were impacted from the great flood in 2011
- On 22 August 2016, the Company signed a joint venture agreement with Mega Lifesciences Pcl. to establish Mega Malee Co., Ltd. and develop natural health-focused RTD drinks.

2. Overview of Domestic Economy and Ready-to-Drink Fruit Juice Market

In Q3/2016, private consumption increased YoY supported by improved consumer confidence, but at a slower growth QoQ due to long holidays in the previous quarter benefiting spending in hotels and restaurants. Meanwhile, political unrest in the southern provinces of Thailand affected the confidence of tourists in this quarter.

In Q3/2016, domestic RTD fruit juice market slightly decreased at 1% YoY. However, Moving Annual Total (MAT) September 2016 of domestic RTD fruit juice market was approximately Baht 14,149 million, an increase of 2% YoY following the domestic economic growth. Proportion of each market and growth are as shown in figure 2.

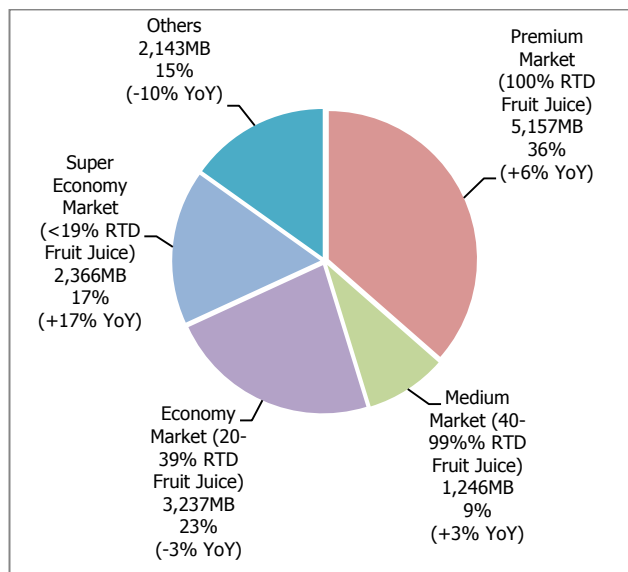
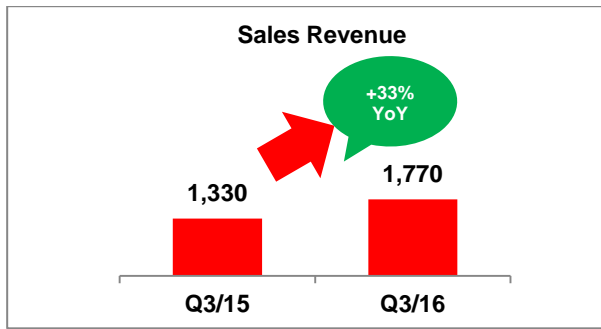


Figure 2: MAT Sep 16 RTD Fruit Juice Market Value breakdown by Market

3. Results of Operations and Profitability



Q3/2016 Sales Revenue

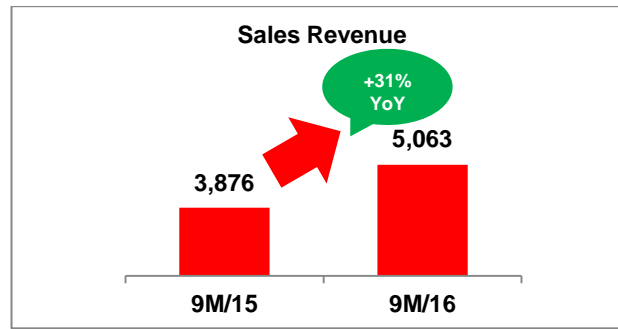
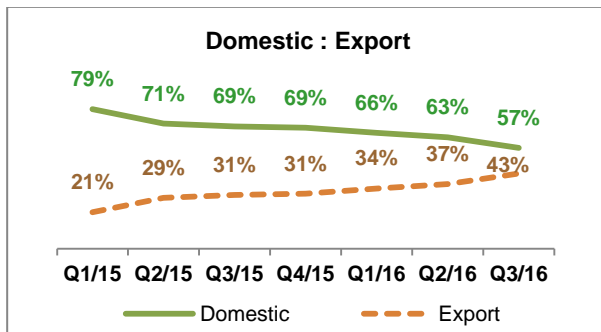
The Company and its subsidiaries recorded sales revenue of Baht 1,770 million, an increase of 33% YoY, following higher sales both in Branded Business (Brand) and Contract Manufacturing Business (CMG), both of which grew domestically and internationally. Domestic Brand sales slightly increased despite a small drop in domestic RTD fruit juice market, while Export Brand sales continued to grow (excluding special sales). Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 756 million, an increase of 2% YoY
- CMG: Baht 1,014 million, an increase of 73% YoY
- Sales ratio of Brand:CMG was 43:57, compared with 56:44 in Q3/2015.

Sales Breakdown by Geography:

- Domestic: Baht 1,015 million, an increase of 10% YoY
- Export: Baht 756 million, an increase of 86% YoY
- Sales ratio of Domestic:Export was 57:43, compared with 69:31 in Q3/2015. The ratio agreed with the Company's strategy to increase the proportion of export sales.



9M/2016 Sales Revenue

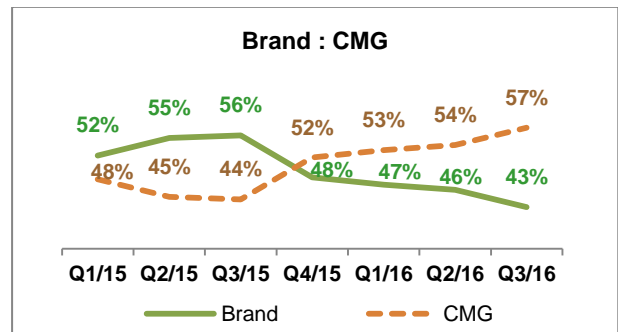
The Company and its subsidiaries recorded sales revenue of Baht 5,063 million, an increase of 31% YoY, following higher sales both in Brand and CMG, both of which grew domestically and internationally. Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 2,281 million, an increase of 8% YoY
- CMG: Baht 2,782 million, an increase of 58% YoY
- Sales ratio of Brand:CMG was 45:55, compared with 55:45 in 9M/2015.

Sales Breakdown by Geography:

- Domestic: Baht 3,136 million, an increase of 11% YoY
- Export: Baht 1,927 million, an increase of 85% YoY
- Sales ratio of Domestic:Export was 62:38, compared with 73:27 in 9M/2015.



Q3/2016 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 1,145 million, an increase of 31% YoY following higher sales, but at a slower pace than sales growth.

Q3/2016 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 625 million, an increase of 38% YoY. This represented gross profit margin of 35.3%, an improvement from 34.0% in Q3/2015 as cost of production per unit reduced supported by higher utilization rate as well as improved cost management.

Q3/2016 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 287 million, an increase of 2% YoY, following higher sales revenue. However, selling expenses to sales revenue reduced to 16.2% from 21.2% in Q3/2015, as a result of the group's cost control policy and increased sales ratio of CMG.

Q3/2016 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 152 million, an increase of 49% YoY due to higher personnel expenses following the group's policy to prepare for the upcoming growth in the future as well as stock obsolete.

Q3/2016 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 6 million, a decrease of 25% YoY as a result of improved management of revolving loan.

Q3/2016 Net Profit

The Company and its subsidiaries recorded net profit of Baht 161 million, an increase of 176% YoY, representing net profit margin of 9.0%, an improvement from 4.3% in Q3/2015, supported by higher sales revenue while costs were well managed including production cost, selling expenses, and finance costs.

9M/2016 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 3,353 million, an increase of 30% YoY following higher sales, but at a slower pace than sales growth.

9M/2016 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 1,710 million, an increase of 33% YoY. This represented gross profit margin of 33.8%, an improve from 33.2% in the same period last year as cost of production per unit reduced supported by higher utilization rate as well as improved cost management.

9M/2016 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 787 million, an increase of 7% YoY, following higher sales revenue. Selling expenses to sales revenue reduced to 15.6% from 19.0% in the same period last year, in consequence of the group's cost control policy and increased sales ratio of CMG.

9M/2016 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 417 million, an increase of 37% YoY due to higher personnel expenses and stock obsolete.

9M/2016 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 19 million, a decrease of 29% YoY due to improved management of revolving loan.

9M/2016 Net Profit

The Company and its subsidiaries recorded net profit of Baht 413 million, an increase of 83% YoY, representing net profit margin of 8.1%, an improvement from 5.7% in the same period last year, supported by higher sales revenue while costs were well managed including production cost, selling expenses, and finance costs.

4. Financial Position of the Company and its Subsidiaries

(Unit: Baht Million)	30 September 2016	31 December 2015	% Change
Cash and cash equivalents	69	75	-9%
Trade receivables	815	893	-9%
Inventories	900	741	+21%
Other current assets	116	93	+25%
Total current assets	1,899	1,802	+5%
Property, plant and equipment	1,236	1,133	+9%
Investments in joint venture	36	-	-
Other non-current assets	236	126	+88%
Total non-current assets	1,508	1,259	+20%
Total Assets	3,406	3,061	+11%
Short-term loans from financial institutions	706	749	-6%
Trade payables	487	484	+1%
Current portion of long-term liabilities	7	9	-20%
Current portion of liabilities under financial lease agreements	35	20	+77%
Other non-current liabilities	469	339	+38%
Non-current Liabilities	1,704	1,600	+6%
Long-term loans, net of current portion	8	11	-29%
Liabilities under financial lease agreements	98	63	+55%
Other non-current liabilities	134	132	+2%
Non-current Liabilities	240	206	+17%
Total Liabilities	1,944	1,806	+8%
Authorized share capital	140	140	+0%
Issued and fully paid-up share capital	140	140	+0%
Share premium	6	6	-0%
Retained earnings	1,111	902	+23%
Other components of equity	201	201	+0%
Total equity of parent Company's shareholders	1,458	1,250	+17%
Non-controlling interests	5	5	+7%
Total Shareholders' Equity	1,463	1,254	+17%
Total Liabilities and Shareholders' Equity	3,406	3,061	+11%

Assets

As at 30 September 2016, the Company and its subsidiaries had total assets of Baht 3,406 million, an increase of 11% from Baht 3,061 million as at 31 December 2015. This was due to additional investment in machinery to improve production efficiency and prepare for larger production volume as well as an increment in inventories and investment in a joint venture company in the Philippines.

Liabilities

As at 30 September 2016, the Company and its subsidiaries had total Liabilities of Baht 1,944 million, an increase of 8% from Baht 1,806 million as at 31 December 2015, resulted from higher liabilities under financial lease agreements and advances received for goods.

Shareholders' Equity

As at 30 September 2016, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 1,458 million, an increase of 17% from Baht 1,250 million as at 31 December 2015, as a result of operating profit during the year.

5. Liquidity and Capital Resources

Current Ratio

As at 30 September 2016, the Company and its subsidiaries recorded current ratio of 1.11x, a slight decrease from 1.13x as at 31 December 2015, resulted from a decline in trade receivables due to improved management as well as an increase in current portion of liabilities under lease agreements and advances received for goods.

Cash Flow

(Unit: Baht Million)	9M/2016	9M/2015	% Change
Net Cash flows from (used in) operating activities	453	270	+68%
Decrease (increase) in investments in joint venture	(38)	0	-
Acquisition of property, plant and equipment	(91)	(71)	-28%
Net Cash flows from other investing activities	2	66	-96%
Net Cash flows from (used in) investing activities	(127)	(5)	-2302%
Increase (decrease) in short-term loans from financial institutions	(39)	(145)	+73%
Increase (decrease) in long-term loans	(5)	(7)	+31%
Dividend paid	(203)	(155)	-31%
Cash flows from other financing activities	(86)	33	-356%
Net Cash flows from (used in) financing activities	(333)	(273)	-22%
Net increase (decrease) in cash and cash equivalents	(7)	(9)	+23%
Cash and cash equivalents at beginning of periods	75	50	+49%
Cash and cash equivalents at end of periods	69	42	+64%

At the end of Q3/2016, the Company and its subsidiaries recorded ending cash of Baht 69 million, an increase from Baht 42 million at the Q3/2015, with details as follows:

- Net cash received from operating activities of Baht 453 million, consisting of (1) cash inflows from operation Baht 704 million, mainly resulted from operating profit; and (2) cash outflows from net change in working capital of Baht 252 million as a result of higher inventories as well as deposits paid for new machinery replacing the old one for efficiency enhancement, capacity expansion to support future growth, and increased flexibility of product varieties.
- Net cash used in investing activities of Baht 127 million, comprising of (1) cash outflows from investment in a joint venture company in the Philippines of Baht 38 million; and (2) cash outflows from investment in fixed assets and software of Baht 91 million; and (3) cash inflows from other financing activities of Baht 2 million.
- Net cash used in financing activities of Baht 333 million, consisting of (1) loan repayment of Baht 44 million; (2) repayment to liabilities under financial lease agreement of Baht 64 million; (3) dividend payment to shareholders of the Company of Baht 203 million; and (4) cash paid to finance cost of Baht 22 million.

6. Forward Looking

The Company and its subsidiaries still maintain its projected sales growth in 2016 of 20% YoY. For the nine-month of 2016, sales growth has reached 31% YoY.

The Company is confident that it will be able to continue its sales growth both from domestic and export by capturing mega trends in health and wellness, maintaining sales growth of existing and new CMG customers as well as strengthening sales from both current and future partnerships and joint ventures under the Company's pipeline.