

**Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the Third Quarter and Nine-Month Period Ended 30 September 2018**



1. Q3/2018 Highlights

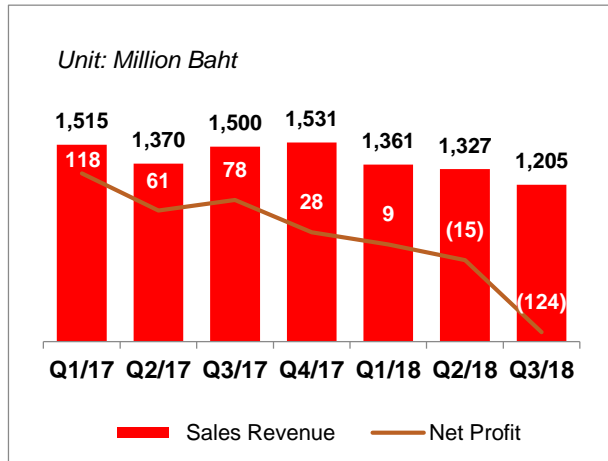


Figure 1: Quarterly results

- In Q3/2018, the Company and its subsidiary recorded total sales of Baht 1,205 million, a decrease of 20% YoY, mainly due to the drop in export CMG, domestic CMG, and domestic branded sales. However, export branded sales continued to grow from sales recognition of Long Quan Safe Food JSC (LQSF) in Vietnam.
- In Q3/2018, the Company and its subsidiary recorded loss of Baht 124 million, mainly due to 1) sales decrease; 2) higher cost per unit as a result of lower utilization rate; 3) higher depreciation; 4) higher excise tax and sugar tax following the Excise Act, B.E. 2560; 5) sales compensation for branded products; 6) higher selling expenses from multiple new products launch; 7) higher R&D expense; 8) higher audit fees and consultant fees from new businesses establishment; and 9) higher finance costs due to higher borrowings as a result of previous investments in machinery, subsidiaries, and joint ventures.

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

In Q3/2018, domestic RTD fruit juice market continued to decrease 14% YoY and 4% QoQ. Meanwhile, Moving Annual Total (MAT) September 2018 of domestic RTD fruit juice market was Baht 11,721 million, a decrease of 10% YoY, following the slowdown in domestic consumption as well as customers' cautiousness in spending resulted from lower consumers' confidence which reflected in sluggish spending in fast moving consumer goods (FMCG), e.g. beverages, alcoholic beverages and cigarettes. RTD fruit juice market and growth is as shown in figure 2 (Source: Nielsen).

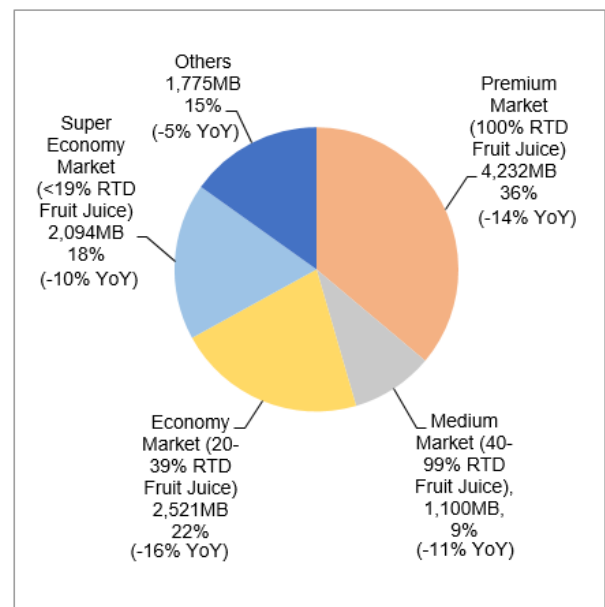


Figure 2: MAT Sep 2018 RTD Fruit Juice Market Value breakdown by Market Segment

3. Results of Operations and Profitability

Consolidated

(Unit: Million Baht)	Q3/2018	Q3/2017	%YoY	9M/2018	9M/2017	%YoY
Sales	1,205	1,500	-20%	3,892	4,384	-11%
Cost of Goods Sold	956	1,054	-9%	2,976	3,087	-4%
Gross Profit	249	446	-44%	917	1,297	-29%
%Gross Profit Margin	20.7%	29.7%		23.6%	29.6%	
Selling Expenses	268	235	+14%	680	634	+7%
% Selling Expenses to Sales	22.2%	15.7%		17.5%	14.5%	
Administrative Expenses	135	116	+16%	412	376	+10%
% Administrative Expenses to Sales	11.2%	7.7%		10.6%	8.6%	
Finance Costs	16	6	+191%	43	16	+166%
Share of profit (loss) from investments in JV	(3)	(4)	+21%	(14)	(11)	-26%
Tax expenses (income)	(34)	20	-277%	(57)	61	-194%
Profit (loss) attributable to equity holders of the parent	(124)	78	-260%	(129)	257	-150%
%Net Profit Margin	(10.2%)	5.1%		(3.3%)	5.8%	
Depreciation and Amortization	61	46	+32%	181	137	+32%
EBITDA	(81)	149	-155%	37	472	-92%
%EBITDA	(6.7%)	9.9%		0.9%	10.6%	

LQSF

(Unit: Million Baht)	Q3/2018	Q3/2017	%YoY	9M/2018*	9M/2017	%YoY
Sales	105	n.a.	n.a.	191	n.a.	n.a.
Cost of Goods Sold	66	n.a.	n.a.	121	n.a.	n.a.
Gross Profit	39	n.a.	n.a.	71	n.a.	n.a.
%Gross Profit Margin	36.8%	n.a.	n.a.	37.0%	n.a.	n.a.
Selling Expenses	34	n.a.	n.a.	63	n.a.	n.a.
% Selling Expenses to Sales	32.9%	n.a.	n.a.	33.0%	n.a.	n.a.
Administrative Expenses	6	n.a.	n.a.	9	n.a.	n.a.
% Administrative Expenses to Sales	5.5%	n.a.	n.a.	4.9%	n.a.	n.a.
Finance Costs	1	n.a.	n.a.	2	n.a.	n.a.
Profit (loss) (65% consolidated)	(1.4)	n.a.	n.a.	(1.7)	n.a.	n.a.
EBITDA (65% consolidated)	0.2	n.a.	n.a.	1.2	n.a.	n.a.

* From 27 April to 30 September 2018

Q3/2018 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 1,205 million, a decrease of 20% YoY, with details as follows:

- Domestic branded sales decreased c.15% YoY, mainly due to the drop in fruit juice sales following the slowdown in fruit juice market, plus high sales base last year resulted from new packaging launched which inventory at trade stores were reduced earlier.
- Domestic Contract Manufacturing (CMG) sales decreased by c.25% YoY, mainly due to higher excise tax and sugar tax as well as high sales base last year.

9M/2018 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 3,892 million, a decrease of 11% YoY, with details as follows:

- Domestic branded sales decreased c.5% YoY, mainly due to the drop in fruit juice sales following the slowdown in fruit juice market.
- Domestic CMG sales grew by c.5% YoY, supported by new products as well as growth from some existing products.

- Export branded sales rose by c.40% YoY due to sales recognition from Long Quan Safe Food JSC (LQSF), Vietnam. If excluding LQSF, export branded sales would decrease c.20% YoY, mainly resulted from sales drop in the Company’s major export countries, e.g. Cambodia where flood caused transportation difficulty and China where some distributor had weak performance. In addition, Thai baht was stronger than currencies of the Company’s major export countries.
- Export CMG sales decreased by c.50% YoY, since there was some customer ending the distribution contract with some retailer which resulted in reduced sales volume since Q4/2017.
- Export branded sales rose by c.20% YoY due to sales recognition from LQSF since 27 April 2018. If excluding LQSF, export branded sales would drop c.20% YoY as last year there were sales of coconut water with annual contract, which already expired; sales drop in the Company’s major export countries, e.g. Cambodia where there’s sub-distributor changeover affecting sales in Q2 and flood causing transportation difficulty in Q3, and China where some distributor had weak performance. In addition, Thai baht was stronger by c.6% against the US dollar compared with the same period last year.
- Export CMG sales decreased by c.45% YoY, since there was some customer ending the distribution contract with some retailer which resulted in reduced sales volume since Q4/2017.

Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 708 million, down 4% YoY
- CMG: Baht 497 million, down 35% YoY
- Sales ratio of Brand: CMG was 59:41, compared with 49:51 in Q3/2017.

Sales Breakdown by Geography:

- Domestic: Baht 793 million, down 23% YoY
- Export: Baht 413 million, down 12% YoY
- Sales ratio of Domestic: Export was 66:34, compared with 69:31 in Q3/2017.

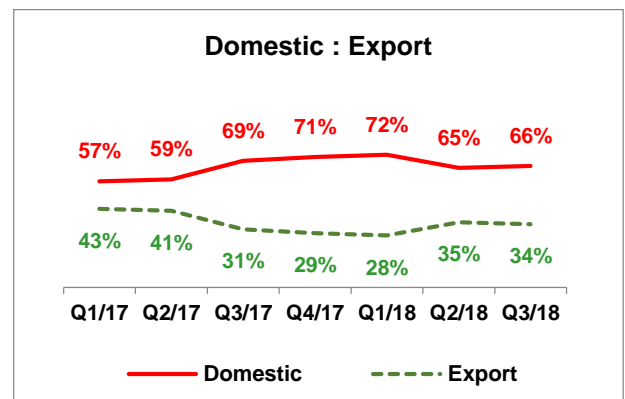
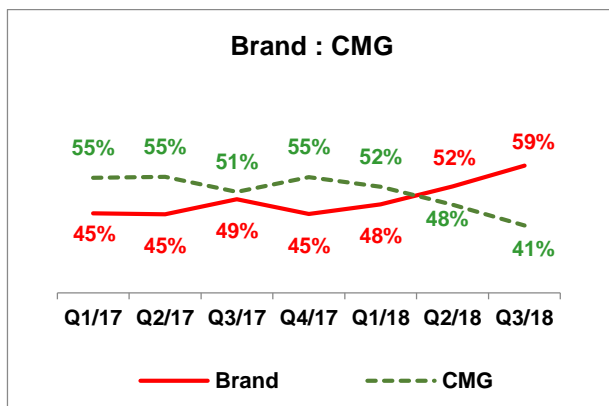
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 2,052 million, up 0.4% YoY
- CMG: Baht 1,840 million, down 21% YoY
- Sales ratio of Brand: CMG was 53:47, compared with 47:53 in the same period last year.

Sales Breakdown by Geography:

- Domestic: Baht 2,656 million, down 2% YoY
- Export: Baht 1,236 million, down 27% YoY
- Sales ratio of Domestic: Export was 68:32, compared with 62:38 in the same period last year.



Q3/2018 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 956 million. Cost of goods sold to sales increased to 79.3% from 70.3% in Q3/2017, mainly due to higher cost per unit as a result of lower utilization rate; higher depreciation; as well as higher excise tax and sugar tax following the Excise Act, B.E. 2560.

Q3/2018 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 249 million, a decrease of 44% YoY, representing gross profit margin of 20.7%, reduced from 29.7 % in Q3/2017.

Q3/2018 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 268 million, an increase of 14% YoY. Selling expenses to sales increased to 22.2% from 15.7% in Q3/2017, mainly due to multiple new products launch, e.g. Carbonated Fizza Salty Lemon, HPP (High Pressure Processing) fruit juice, milk tablet, personal care products, Malee Coco in new designed carton package; sales compensation for branded products; as well as selling expenses recognition from LQSF which recorded selling expenses to sales of 34.7%.

Q3/2018 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 135 million, an increase of 16% YoY. Administrative expenses to sales increased to 11.2% from 7.7% in Q3/2017, mainly due to lower sales but higher R&D expense as well as higher audit fees and consultant fees from new businesses establishment.

Q3/2018 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 16 million, an increase of 191% YoY due to higher borrowings as a result of gradual investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas. Capitalization period for capitalized interest on investment in buildings, plants, and machinery ceases when the asset is ready for use (interest expense incurred during ongoing construction is eligible for capitalization).

9M/2018 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 2,976 million. Cost of goods sold to sales increased to 76.4% from 70.4% in the same period last year, mainly due to higher cost per unit as a result of lower utilization rate; higher depreciation; higher excise tax and sugar tax following the Excise Act, B.E. 2560 which was effective since 16 September 2017; cost from trial runs and start-up of a new production line, driving higher yield loss; and cost from relocating some product from the old production line to the new one in Q1/2018.

9M/2018 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 917 million, a decrease of 29% YoY, representing gross profit margin of 23.6%, reduced from 29.6% in the same period last year.

9M/2018 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 680 million, an increase of 7% YoY. Selling expenses to sales increased to 17.5% from 14.5% in the same period last year, mainly due to multiple new products launch, sales compensation for branded products, and selling expenses recognition from LQSF which recorded selling expenses to sales of 34.0%

9M/2018 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 412 million, an increase of 10% YoY. Administrative expenses to sales increased to 10.6% from 8.6% in the same period last year, mainly due to lower sales but higher R&D expense; higher audit fees and consultant fees from new businesses establishment; and financial advisory and legal consultant fees from LQSF acquisition in Q2/2018.

9M/2018 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 43 million, an increase of 166% YoY due to higher borrowings as a result of gradual investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas as earlier explained.

Q3/2018 Net Profit

The Company and its subsidiaries recorded net loss of Baht 124 million, a decrease from net profit of Baht 78 million in Q3/2017, mainly due to 1) sales decrease; 2) higher cost per unit as a result of lower utilization rate; 3) higher depreciation; 4) higher excise tax and sugar tax following the Excise Act, B.E. 2560; 5) sales compensation for branded products; 6) higher selling expenses from multiple new products launch; 7) higher R&D expense; 8) higher audit fees and consultant fees from new businesses establishment; and 9) higher finance costs due to higher borrowings as a result of previous investments in machinery, subsidiaries, and joint ventures.

9M/2018 Net Profit

The Company and its subsidiaries recorded net loss of Baht 129 million, a decrease from net profit of Baht 257 million in the same period last year, mainly due to 1) sales decrease; 2) higher cost per unit as a result of lower utilization rate; 3) higher depreciation; 4) higher excise tax and sugar tax following the Excise Act, B.E. 2560; 5) cost from trial runs and start-up of a new production line for some products, driving higher yield loss and cost from relocating some product from the old production line to the new one in Q1/2018; 6) sales compensation for branded products; 7) higher selling expenses from multiple new products launch; 8) higher R&D expenses; 9) higher audit fees and consultant fees from new businesses establishment; 10) financial advisory and legal consultant fees for LQSF acquisition; and 11) higher finance costs due to higher borrowings as a result of previous investments in machinery, subsidiaries, and joint ventures.

4. Financial Position of the Company and its Subsidiaries

(Unit: Baht Million)	30 September 2018	31 December 2017	% Change
Cash and cash equivalents	108	100	+7%
Trade receivables	647	781	-17%
Inventories	1,009	1,044	-3%
Other current assets	184	180	+2%
<i>Total current assets</i>	1,948	2,106	-8%
Property, plant and equipment	2,136	2,071	+3%
Goodwill	244	-	-
Investments in joint venture	52	53	-2%
Other non-current assets	188	160	+17%
<i>Total non-current assets</i>	2,620	2,284	+15%
Total Assets	4,567	4,390	+4%
Bank overdrafts and short-term loans from financial institutions	1,560	1,328	+17%
Trade payables	333	473	-30%
Current portion of long-term loans	242	128	+89%
Current portion of liabilities under financial lease agreements	38	40	-3%
Other non-current liabilities	282	342	-17%
<i>Total Current Liabilities</i>	2,455	2,309	+6%
Long-term loans, net of current portion	551	246	+124%
Liabilities under financial lease agreements	64	85	-25%
Other non-current liabilities	156	137	+13%
<i>Non-current Liabilities</i>	771	469	+64%
Total Liabilities	3,226	2,778	+16%
Authorized share capital	140	140	+0%
Issued and fully paid-up share capital	140	140	+0%
Share premium	6	6	-0.0%
Retained earnings	1,068	1,270	-15.9%
Other components of equity	196	196	-0%
Deduct: Treasury stock	(114)	0	-

(Unit: Baht Million)	30 September 2018	31 December 2017	% Change
Total equity of parent Company's shareholders	1,295	1,612	-20%
Non-controlling interests	47	0	-
Total Shareholders' Equity	1,342	1,612	-17%
Total Liabilities and Shareholders' Equity	4,567	4,390	+4%

Assets

As at 30 September 2018, the Company and its subsidiaries had total assets of Baht 4,567 million, an increase of 4% from Baht 4,390 million as at 31 December 2017. This was mainly due to LQSF's assets recognition of Baht 256 million whose major assets were Property, plant and equipment of Baht 169 million, and inventories of Baht 62 million. In addition, the Company recognized goodwill from acquiring LQSF of Baht 244 million.

Liabilities

As at 30 September 2018, the Company and its subsidiaries had total Liabilities of Baht 3,266 million, an increase of 16% from Baht 2,778 million as at 31 December 2017, mainly due to an increase in loans from financial institutions for the Company's investments and working capital as well as LQSF's total liabilities recognition of Baht 158 million.

Shareholders' Equity

As at 30 September 2018, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 1,295 million, a decrease of 20% from Baht 1,612 million as at 31 December 2017, mainly due to 1) consolidated operating loss of Baht 129 million during the first nine months of the year; 2) the recorded transaction of treasury shares from shareholders' equity for financial management of 4 million shares during Q1/2018, with total buyback amount of Baht 114 million; and 3) dividend payment for the second half of last year's operating results of Baht 69 million.

5. Liquidity and Capital Resources

Current Ratio

As at 30 September 2018, the Company and its subsidiaries recorded current ratio of 0.79x, reduced from 0.91x as at the end of last year, due to a decrease in trade receivables and inventories. Meanwhile, current liabilities were higher resulted from an increase in short-term loans from financial institutions for the use of the Company's working capital as well as current portion of long-term loan from the Company's investments.

Consolidated	Q3/2018	2017
Current Ratio (Times)	0.79	0.91
Interest-bearing Debt to Equity (Times)	1.90	1.13

Interest-bearing Debt to Equity

As at 30 September 2018, the Company and its subsidiaries recorded Interest-bearing Debt to Equity (IBD/E) of 1.90x, an increase from 1.13x as at the end of last year, due to an increase in loans from financial institutions for the Company's investments and working capital as well as LQSF's interest-bearing debt recognition of Baht 96 million. Meanwhile, shareholders' equity decreased from consolidated loss of Baht 129 million during the first nine months of the year, the recorded transaction of treasury shares of Baht 114 million, and dividend payment of Baht 69 million.

LQSF	Q3/2561	2560
Current Ratio (Times)	0.58	n.a.
Interest-bearing Debt to Equity (Times)	0.97	n.a.

Cash Flow

(Unit: Baht Million)	9M/2018	9M/2017	% Change
Profit (loss) from operating activities before changes in operating assets and liabilities	64	482	-87%
Profit (loss) from changes in operating assets and liabilities	7	(334)	+102%
Net Cash flows from (used in) operating activities	71	148	-52%
Cash received from business combination	(307)	0	-
Cash paid for investment in joint ventures	0	(17)	+100%
Acquisition of property, plant and equipment	(85)	(415)	+80%
Net Cash flows from other investing activities	17	24	-28%
Net Cash flows from (used in) investing activities	(374)	(408)	+8%
Increase (decrease) in bank overdraft and short - term loans from financial institutions	233	291	-20%
Increase (decrease) in long-term loans	493	185	+167%
Repayment of long-term loans from financial institutions	(145)	0	-
Cash paid to liabilities under finance lease agreement	(42)	(13)	-216%
Treasury shares	(114)	0	-
Finance costs paid	(46)	(15)	-204%
Dividend paid	(69)	(243)	+72%
Net Cash flows from (used in) financing activities	311	205	+52%
Exchange differences on translating financial statements	(0.6)	0	-
Net increase (decrease) in cash and cash equivalents	7	(55)	+113%
Cash and cash equivalents at beginning of periods	100	92	+9%
Cash and cash equivalents at end of periods	108	37	+189%

At the end of Q3/2018, the Company and its subsidiaries recorded ending cash of Baht 108 million, an increase from Baht 37 million at the Q3/2017, with details as follows:

- Net cash received from operating activities of Baht 70 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 64 million; and (2) cash inflows from net change in working capital of Baht 7 million, mainly due to lower trade receivables, inventories, and other receivables.
- Net cash used in investing activities of Baht 374 million, comprising of (1) cash outflows for investment in subsidiaries Baht 307 million; (2) cash outflows from investments in fixed assets of Baht 85 million; and (3) cash inflows from other investing activities of Baht 17 million.
- Net cash received in financing activities of Baht 311 million, consisting of (1) an increase in bank overdrafts and short-term loans from financial institutions of Baht 233 million; (2) an increase in long-term loans of Baht 493 million; (3) repayment to long-term loans from financial institutions of Baht 145 million; (4) repayment to liabilities under financial lease agreement of Baht 42 million; (5) cash paid for treasury shares of Baht 114 million; (6) cash paid to finance costs of Baht 46 million; and (7) cash paid for dividend of Baht 69 million.

6. Forward Looking

As in the first nine months of 2018, the Company's sales from the current business dropped quicker and much further than expected. In addition, the Company's costs increased, mainly due to higher cost per unit as a result of lower utilization rate, higher depreciation, higher excise tax and sugar tax, higher selling expenses from multiple new products, sales compensation for branded product, and higher finance costs, etc. The Company expects that its operating results will remain under pressure for the rest of the year. Although the Company expects to continue its loss for the Q4/2018 operating results, the loss magnitude should be less than the Q3/2018 results.

The Company anticipates its performance to recover in 2019 with sales growth target of 5-10%, mainly supported by continuation of the current product roll-out, product portfolio renovations to match with sales situations, new product development, new business model for sale and distribution, and securing new customers. In addition, our business direction for next year is aiming at growing production volume, intensified cost reduction measures, and cash flow management.

In the long run, the Company is still confident that it will be able to maintain its sustainable growth following business direction and strategy laid out step by step, while the Company has already completed its investment in the must-have projects needed to drive more sales.