

**Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the Fourth Quarter and the Year Ended 31 December 2018**



1. Q4/2018 Highlights

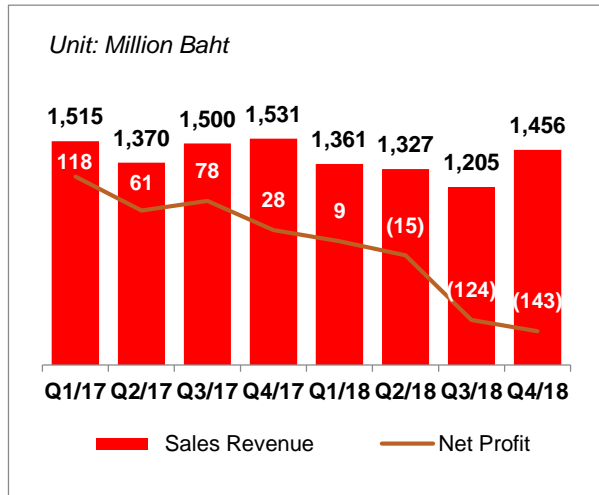


Figure 1: Quarterly results

- In Q4/2018, the Company and its subsidiaries recorded total sales of Baht 1,456 million, a decrease of 5% YoY, mainly due to drop in export CMG, domestic CMG, and domestic branded sales. However, export branded sales continued to grow significantly from sales recognition of Long Quan Safe Food JSC (LQSF) in Vietnam. After all, sales have bottomed out from Q3/2018, growing 8% QoQ with growth in every business segment.
- In Q4/2018, the Company and its subsidiaries recorded loss of Baht 143 million, including 2 one-time expenses which were non-cash items, totaling Baht 51 million including higher allowance for inventories declining value of Baht 32 million, resulted from the Company's new accounting policy of setting allowance for inventories declining value from recording expired product in full cost to net realizable value based on inventory aging; and higher employee benefit obligations under severance pay of Baht 20 million for employees serving 20 years or more from 300 to 400 days, according to the new labor protection law. More causes for loss were sales decrease; higher cost per unit as a result of lower utilization rate; higher depreciation; following the Excise Act, B.E. 2560; higher selling expenses from multiple new products launch; and higher finance costs due to higher borrowings as a result of previous investments in machinery, subsidiaries, and joint ventures.
- If considering only normal operation, excluding the non-cash one-time expenses of Baht 51 million, Q4/2018 loss would be Baht 92 million, bottoming out from loss of Baht 124 million in Q3/2018.
- The Company recorded net profit of Baht 0.8 million from its joint venture in the Philippines, Monde Malee Beverage Corporation (MMBC) in Q4/2018, the first profit making quarter of MMBC since its first operation in 2016.

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

In Q4/2018, domestic RTD fruit juice market continued to decrease 10 % YoY but unchanged QoQ. Meanwhile, Moving Annual Total (MAT) December 2018 of domestic RTD fruit juice market was Baht 11,425 million, a decrease of 11 % YoY. RTD fruit juice market value and growth is as shown in figure 2 (Source: Nielsen).

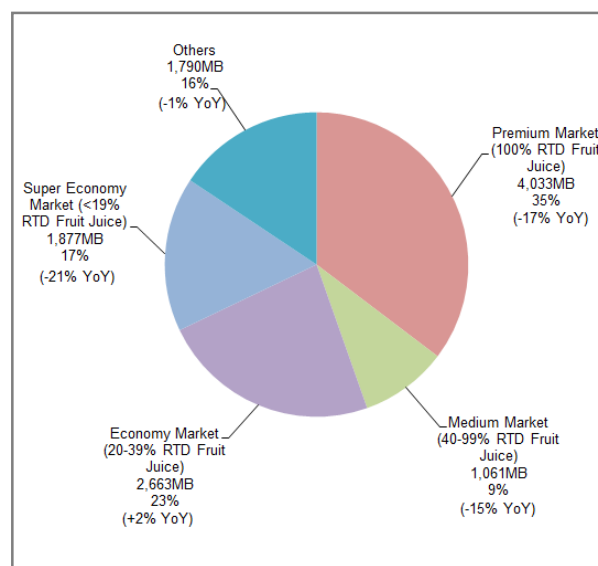


Figure 2: MAT Dec 2018 RTD Fruit Juice Market Value breakdown by Market Segment

3. Results of Operations and Profitability

Consolidated

(Unit: Million Baht)	Q4/2018	Q4/2017	%YoY	2018	2017	%YoY
Sales	1,456	1,531	-5%	5,349	5,916	-10%
Cost of Goods Sold	1,189	1,129	+5%	4,165	4,216	-1%
Gross Profit	267	402	-34%	1,184	1,700	-30%
%Gross Profit Margin*	18.3%	26.3%	-	22.1%	28.7%	-
Selling Expenses	290	239	+21%	970	873	+11%
% Selling Expenses to Sales	19.9%	15.6%	-	18.1%	14.8%	-
Administrative Expenses	154	147	+5%	566	523	+8%
% Administrative Expenses to Sales**	10.6%	9.6%	-	10.6%	8.8%	-
Finance Costs	17	6	+184%	60	22	+171%
Share of profit (loss) from investments in JV	(0.1)	(11)	+99%	(15)	(22)	+34%
Tax expenses (income)	(48)	(15)	-231%	(106)	46	-328%
Profit (loss) attributable to equity holders of the parent***	(143)	28	-609%	(273)	286	-195%
%Net Profit Margin	(9.8%)	1.8%	-	(5.1%)	4.8%	-
Depreciation and Amortization	50	44	+15%	231	181	+28%
EBITDA	(124)	63	-297%	(87)	535	-116%
%EBITDA	(8.5%)	4.1%	-	(1.6%)	8.9%	-

* Cost of goods sold in Q4/2018 included higher allowance for inventories declining value of Baht 32 million which was a non-cash one-time expense, resulted from the Company's new accounting policy of setting allowance for inventories declining value. If excluding this transaction, gross profit margin would increase from 18.3% to 20.5%.

** Administrative expenses in Q4/2018 included higher employee benefit obligations of Baht 20 million which was a non-cash one-time expense, according to the new labor protection law. If excluding this transaction, administrative expenses to sales would decrease from 10.6% to 9.2%.

*** If excluding the non-cash one-time expenses of Baht 51 million, Q4/2018 loss would be Baht 92 million, improving from loss of Baht 124 million in Q3/2018.

LQSF

(Unit: Million Baht)	Q4/2018	Q4/2017	%YoY	2018*	2017	%YoY
Sales	178	n.a.	n.a.	369	n.a.	n.a.
Cost of Goods Sold	118	n.a.	n.a.	238	n.a.	n.a.
Gross Profit	60	n.a.	n.a.	131	n.a.	n.a.
<i>%Gross Profit Margin</i>	<i>33.7%</i>	n.a.	n.a.	<i>35.4%</i>	n.a.	n.a.
Selling Expenses	47	n.a.	n.a.	111	n.a.	n.a.
<i>% Selling Expenses to Sales</i>	<i>26.7%</i>	n.a.	n.a.	<i>29.9%</i>	n.a.	n.a.
Administrative Expenses	11	n.a.	n.a.	21	n.a.	n.a.
<i>% Administrative Expenses to Sales</i>	<i>6.3%</i>	n.a.	n.a.	<i>5.6%</i>	n.a.	n.a.
Finance Costs	1.1	n.a.	n.a.	3.1	n.a.	n.a.
Profit (loss) (65% consolidated)	0.9	n.a.	n.a.	(0.9)	n.a.	n.a.
EBITDA (65% consolidated)	2.6	n.a.	n.a.	4.0	n.a.	n.a.

* From 27 April to 31 December 2018

Q4/2018 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 1,456 million, a decrease of 5% YoY but an increase of 21% QoQ with growth in every business segment. Details are as follows:

- Domestic branded sales decreased c.7% YoY, mainly due to the drop in fruit juice sales following the slowdown in fruit juice market in Thailand as well as price competition from competitors in the market. However, domestic branded sales improved 8% QoQ.
- Domestic Contract Manufacturing (CMG) sales decreased c.15% YoY, mainly due to lower consumption as a result of price increase impacted by excise tax and sugar tax. Also, the products that were pipelined in 2017 could not maintain the volume by the end 2018. However, sales of domestic CMG rose 32% QoQ from new customers' sales order.
- Export branded sales rose c.126% YoY, mainly due to sales recognition from Long Quan Safe Food JSC (LQSF), Vietnam. If excluding LQSF, export branded sales would slightly increase 1% YoY, mainly resulted from recovery in the Company's major export countries, e.g. Cambodia, China, and Myanmar. Q4/2018 was the first quarter of the year in which export branded sales excluding LQSF grew up, after dropping in the first three quarters.
- Export CMG sales decreased c.45% YoY, since there was some customer ending the distribution contract with some retailer which resulted in reduced sales volume since late Q4/2017. However, export CMG sales could manage to increase 11% QoQ.

2018 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 5,349 million, a decrease of 10% YoY, with details as follows:

- Domestic branded sales decreased c.6% YoY, mainly due to the drop in fruit juice sales following the slowdown in fruit juice market in Thailand as well as price competition from competitors in the market.
- Domestic CMG sales slightly dropped c.2% YoY, mainly due to lower consumption as a result of price increase impacted by excise tax and sugar tax.
- Export branded sales rose c.45% YoY, mainly due to sales recognition from LQSF since 27 April 2018. If excluding LQSF, export branded sales would drop c.14% YoY, since last year sales of coconut water with annual contract already expired; and reduced sales in the Company's major export counties, 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.5% against the US dollar compared with the same period last year. However, export branded sales excluding LQSF recovered in Q4/2018 after dropping in the first three quarters.
- Export CMG sales decreased c.45% YoY, since some customer ended its distribution contract with some retailer which resulted in reduced sales volume since late Q4/2017.

Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 833 million, up 20% YoY and 18% QoQ
- CMG: Baht 623 million, down 26% YoY but up 25% QoQ
- Sales ratio of Brand: CMG was 57:43, compared with 45:55 in Q4/2017.

Sales Breakdown by Geography:

- Domestic: Baht 965 million, down 11% YoY but up 18% QoQ
- Export: Baht 492 million, up 9% YoY and 28% QoQ
- Sales ratio of Domestic: Export was 66:34, compared with 71:29 in Q4/2017.

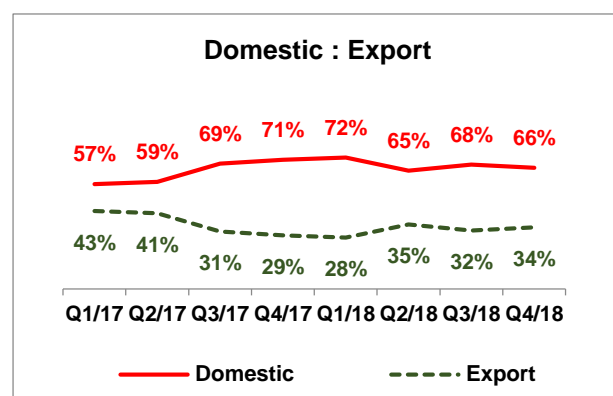
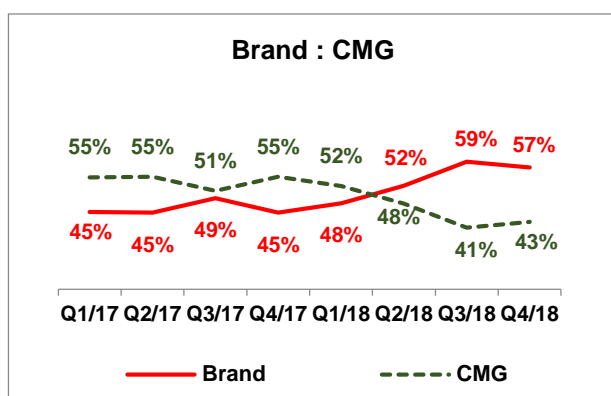
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 2885 million, up 5% YoY
- CMG: Baht 2,463 million, down 23% YoY
- Sales ratio of Brand: CMG was 54:46, compared with 46:54 in the same period last year.

Sales Breakdown by Geography:

- Domestic: Baht 3,621 million, down 4% YoY
- Export: Baht 1,727 million, down 19% YoY
- Sales ratio of Domestic: Export was 68:32, compared with 64:36 in the same period last year.



Q4/2018 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 1,189 million. Cost of goods sold to sales increased to 81.7% from 73.7% in Q4/2017, mainly due to higher cost per unit as a result of lower utilization rate; higher depreciation; as well as a non-cash one-time expense of setting higher allowance for inventories declining value of Baht 32 million, resulted from the Company's new accounting policy of setting allowance for inventories declining value from recording expired product in full cost to net realizable value based on inventory aging.

If excluding the above one-time expense, cost of goods sold to sales would decrease from 81.7% to 79.5%.

2018 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 4,165 million. Cost of goods sold to sales increased to 77.9% from 71.3% 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; as well as a non-cash one-time expense of setting higher allowance for inventories declining value resulted from the Company's new accounting policy of setting allowance for inventories declining value from recording expired product in full cost to net realizable value based on inventory aging.

If excluding the above one-time expense, cost of goods sold to sales would decrease from 77.9% to 77.3%.

Q4/2018 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 267 million, a decrease of 34% YoY, representing gross profit margin of 18.3%, reduced from 26.3% in Q4/2017 due to higher cost of goods sold as earlier explained.

If excluding the higher allowance for inventories declining value which was a non-cash one-time expense, gross profit margin would increase from 18.3% to 20.5%.

Q4/2018 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 290 million, an increase of 21% YoY. Selling expenses to sales increased to 19.9% from 15.6% in Q4/2017 but reduced from 22.2% in Q3/2018. Higher selling expenses to sales YoY was mainly due to multiple new products launch since late Q3/2018, e.g. Carbonated Fizza Salty Lemon, HPP (High Pressure Processing) fruit juice, milk tablet, personal care products, Malee Coco in new designed carton package, which was already projected following the Company's new product launch plan. Plus, there were also sales compensation for branded product as well as selling expenses recognition from LQSF which recorded selling expenses to sales of 26.7%.

Q4/2018 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 154 million, an increase of 5% YoY. Administrative expenses to sales increased to 10.6% from 9.6% in Q4/2017, mainly due to lower sales, plus a non-cash one-time expense of Baht 20 million from higher employee benefit obligations under severance pay for employees serving 20 years or more, from 300 to 400 days, according to the new labor protection law.

If excluding the above higher employee benefit obligations, administrative expenses to sales would decrease from 10.6% to 9.2%.

2018 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 1,184 million, a decrease of 30% YoY, representing gross profit margin of 22.1%, reduced from 28.7% in the same period last year due to higher cost of goods sold as earlier explained.

If excluding the higher allowance for inventories declining value which was a non-cash one-time expense, gross profit margin would increase from 22.1% to 22.7%.

2018 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 970 million, an increase of 11% YoY. Selling expenses to sales increased to 18.1% from 14.8% in the same period last year, mainly due to multiple new products launch as projected following the Company's new product launch plan, sales compensation for branded products, and selling expenses recognition from LQSF which recorded selling expenses to sales of 29.9%

2018 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 566 million, an increase of 8% YoY. Administrative expenses to sales increased to 10.6% from 8.8% in the same period last year, mainly due to lower sale; higher R&D expense; higher audit fees and consultant fees from new businesses establishment; financial advisory; legal consultant fees from LQSF acquisition in Q2/2018; as well as a non-cash one-time expense from higher employee benefit obligations under severance pay for employees serving 20 years or more, from 300 to 400 days, according to the new labor protection law.

If excluding the above higher employee benefit obligations, administrative expenses to sales would decrease from 10.6% to 10.2%.

Q4/2018 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 17 million, an increase of 184% 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).

Q4/2018 Net Profit

The Company and its subsidiaries recorded net loss of Baht 143 million, a decrease from net profit of Baht 28 million in Q4/2017, mainly due to 1) higher allowance for inventories declining value; 2) higher employee benefit obligations under severance pay; 3) sales decrease; 4) higher cost per unit as a result of lower utilization rate; 5) higher depreciation; 6) higher selling expenses from multiple new products launch; and 7) higher finance costs due to higher borrowings as a result of previous investments in machinery, subsidiaries, and joint ventures.

If considering only normal operation, excluding the non-cash one-time expenses of Baht 51 million, Q4/2018 loss would be Baht 92 million, improving from loss of Baht 124 million in Q3/2018.

In addition, the Company recorded net profit of Baht 0.8 million from its joint venture in the Philippines, Monde Malee Beverage Corporation (MMBC) in Q4/2018, the first quarter profit making of MMBC since its first operation in 2016.

2018 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 60 million, an increase of 171% 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.

2018 Net Profit

The Company and its subsidiaries recorded net loss of Baht 273 million, a decrease from net profit of Baht 286 million in the same period last year, mainly due to one-time expenses including 1) higher allowance for inventories declining value; 2) higher employee benefit obligations under severance pay; 3) financial advisory and legal consultant fees for LQSF acquisition; 4) 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; plus higher expenses incurred from normal operation including 5) sales decrease; 6) higher cost per unit as a result of lower utilization rate; 7) higher depreciation; 8) higher excise tax and sugar tax following the Excise Act, B.E. 2560; 9) sales compensation for branded products; 10) higher selling expenses from multiple new products launch; 11) higher R&D expenses; 12) higher audit fees and consultant fees from new businesses establishment; and 13) 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)	31 December 2018	31 December 2017	% Change
Cash and cash equivalents	122	100	+22%
Trade receivables	705	781	-10%
Inventories	909	1,047	-13%
Other current assets	173	177	-2%
<i>Total current assets</i>	<i>1,909</i>	<i>2,106</i>	<i>-9%</i>
Property, plant and equipment	2,089	2,071	+1%
Goodwill	213	-	-
Investments in joint venture	45	53	-15%
Other non-current assets	267	160	+67%
<i>Total non-current assets</i>	<i>2,614</i>	<i>2,284</i>	<i>+14%</i>
Total Assets	4,523	4,390	+3%
Bank overdrafts and short-term loans from financial institutions	1,512	1,328	+14%
Trade payables	427	473	-10%
Current portion of long-term loans	190	128	+49%
Current portion of liabilities under financial lease agreements	33	40	-16%
Other non-current liabilities	338	342	-1%
<i>Total Current Liabilities</i>	<i>2,500</i>	<i>2,309</i>	<i>+8%</i>
Long-term loans, net of current portion	599	246	+143%
Liabilities under financial lease agreements	58	85	-32%
Other non-current liabilities	176	137	+28%
<i>Non-current Liabilities</i>	<i>832</i>	<i>469</i>	<i>+77%</i>
Total Liabilities	3,332	2,778	+20%
Authorized share capital	140	140	-
Issued and fully paid-up share capital	140	140	-
Share premium	6	6	-
Retained earnings	925	1,270	-27%
Other components of equity	189	196	-3%
Deduct: Treasury stock	(114)	0	-
Total equity of parent Company's shareholders	1,145	1,612	-29%
Non-controlling interests	46	0	-
Total Shareholders' Equity	1,191	1,612	-26%
Total Liabilities and Shareholders' Equity	4,523	4,390	+3%

Assets

As at 31 December 2018, the Company and its subsidiaries had total assets of Baht 4,523 million, an increase of 3% from Baht 4,390 million as at 31 December 2017. This was mainly due to LQSF's assets recognition of Baht 267 million whose major assets were Property, plant and equipment of Baht 167 million, and inventories of Baht 71 million. In addition, the Company recognized goodwill from acquiring LQSF of Baht 213 million.

Liabilities

As at 31 December 2018, the Company and its subsidiaries had total Liabilities of Baht 3,332 million, an increase of 20% 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 167 million, mainly due to loans from financial institutions of Baht 80 million and trade payables of Baht 64 million.

Shareholders' Equity

As at 31 December 2018, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 1,145 million, a decrease of 29% from Baht 1,612 million as at 31 December 2017, mainly due to 1) consolidated operating loss of Baht 273 million during 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 2017 operating results of Baht 69 million.

5. Liquidity and Capital Resources

Current Ratio

As at 31 December 2018, the Company and its subsidiaries recorded current ratio of 0.76x, 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 loans from the Company's investments.

Consolidated	Q4/2018	2017
Current Ratio (Times)	0.76	0.91
Interest-bearing Debt to Equity (Times)	2.09	1.13

Interest-bearing Debt to Equity

As at 31 December 2018, the Company and its subsidiaries recorded Interest-bearing Debt to Equity (IBD/E) of 2.09x, 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 80 million. Meanwhile, shareholders' equity decreased from consolidated loss of Baht 273 million during the year, the recorded transaction of treasury shares of Baht 114 million, and dividend payment of Baht 69 million.

LQSF	Q4/2561	2560
Current Ratio (Times)	0.63	n.a.
Interest-bearing Debt to Equity (Times)	0.80	n.a.

Cash Flow

(Unit: Baht Million)	2018	2017	% Change
Profit (loss) from operating activities before changes in operating assets and liabilities	(2)	559	-100%
Profit (loss) from changes in operating assets and liabilities	153	(403)	+138%
Net Cash flows from (used in) operating activities	151	156	-3%
Cash received from business combination	(276)	0	-
Cash paid for investment in joint ventures	0	(67)	+100%
Acquisition of property, plant and equipment	(92)	(425)	+78%
Net Cash flows from other investing activities	7	24	-71%
Net Cash flows from (used in) investing activities	(360)	(468)	+23%
Increase (decrease) in bank overdraft and short - term loans from financial institutions	186	290	-36%
Increase (decrease) in long-term loans	491	369	+33%
Repayment of long-term loans from financial institutions	(147)	0	-
Cash paid to liabilities under finance lease agreement	(53)	(74)	+28%
Treasury shares	(114)	0	-
Finance costs paid	(63)	(22)	-186%
Dividend paid	(69)	(243)	+72%
Net Cash flows from (used in) financing activities	231	320	-28%
Exchange differences on translating financial statements	0	0	-
Net increase (decrease) in cash and cash equivalents	22	8	+164%
Cash and cash equivalents at beginning of periods	100	92	+9%
Cash and cash equivalents at end of periods	122	100	+22%

At the end of 2018, the Company and its subsidiaries recorded ending cash of Baht 122 million, an increase from Baht 100 million at the end of 2017, with details as follows:

- Net cash received from operating activities of Baht 151 million, consisting of (1) cash outflows from operating activities before changes in operating assets and liabilities of Baht 2 million; and (2) cash inflows from net change in working capital of Baht 153 million, mainly due to lower trade receivables, inventories, and other receivables.
- Net cash used in investing activities of Baht 360 million, comprising of (1) cash outflows for investment in subsidiaries Baht 276 million; (2) cash outflows from investments in fixed assets of Baht 92 million; and (3) cash inflows from other investing activities of Baht 7 million.
- Net cash received in financing activities of Baht 231 million, consisting of (1) an increase in bank overdrafts and short-term loans from financial institutions of Baht 186 million; (2) an increase in long-term loans of Baht 491 million; (3) repayment to long-term loans from financial institutions of Baht 147 million; (4) repayment to liabilities under financial lease agreement of Baht 53 million; (5) cash paid for treasury shares of Baht 114 million; (6) cash paid to finance costs of Baht 63 million; and (7) cash paid for dividend of Baht 69 million.

6. Forward Looking

Year 2018 was a challenging year for the Company's business operation. The Company's operating performance did not meet the target due to impacts both from external and internal factors. The external factors were mainly from lower than expected domestic economic growth, consumer's cautiousness on sugar consumption as well as concerns over the global economic situation impacted by trade war, resulting in reduced supportive factors to overall purchasing power. Meanwhile, internal factors were mainly due to costs increased from various reasons, especially from investments in the past 3 years, following the Company's long-term plan to build foundation for future growth. However, some investments cannot generate revenue immediately, and some investments are not fully utilized or have not reached the optimal level yet. At the same time, the Company experienced faster and further than expected sales drop. Thus, costs per unit climbs up at this point and affects the Company's performance in the short term. In addition, RTD fruit juice market has been dropping since the beginning of 2017 until now, the situation of which the Company always has been aware of, thus the Company has been putting its efforts to manage risks by diversifying product groups and product portfolio, customer groups, and also markets. For CMG business, the Company plans to diversify the business both in term of new product and new customer, which has been negotiated and prepared for a certain period of time. For overseas market expansion plan, the Company plans to utilize strengths of a business in each country to reinforce one another's, while the Company has been building foundation in the past 3 years to expand into ASEAN market.

The Company set its sales growth of 5-10% in 2019. The implementation plan for the year 2019 is aiming at recovery with no additional significant investments; increasing production volume in order to ramp up asset utilization and manage fixed costs; cost control and cost reduction management; cash flow management to enhance liquidity; implementing process improvement programs; as well as analyzing real-time data for timely management and quicker adaptability to changes. All above measures are planned to utilize what the Company has invested and contribute back to break-even point as soon as possible, both in term of investment in human structure, organization structure, and investment projects in the past 3 years.