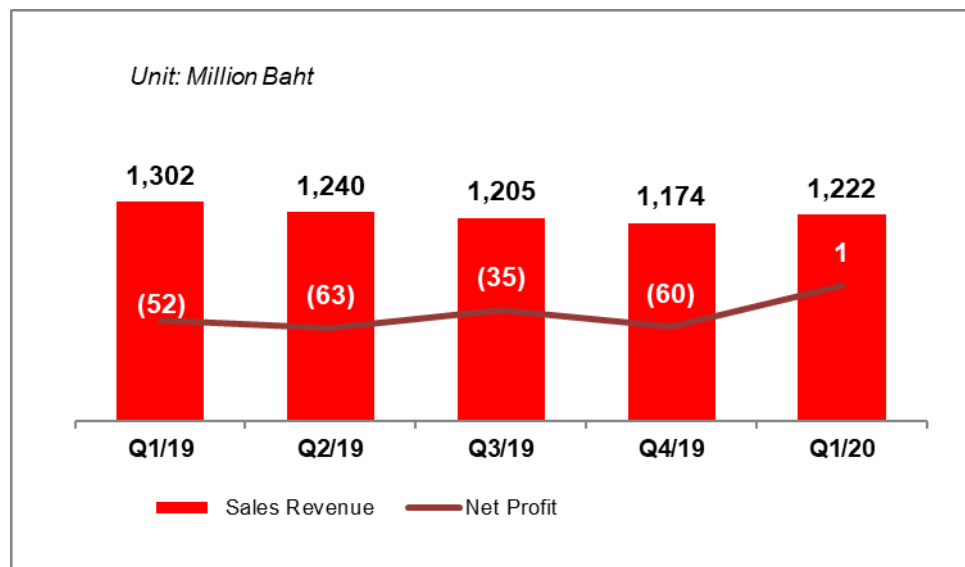


**Malee Group Public Company Limited and Its Subsidiaries**  
**Management Discussion and Analysis**  
**For the First Quarter ended 31 March 2020**



**1. Q1/2020 Highlights**



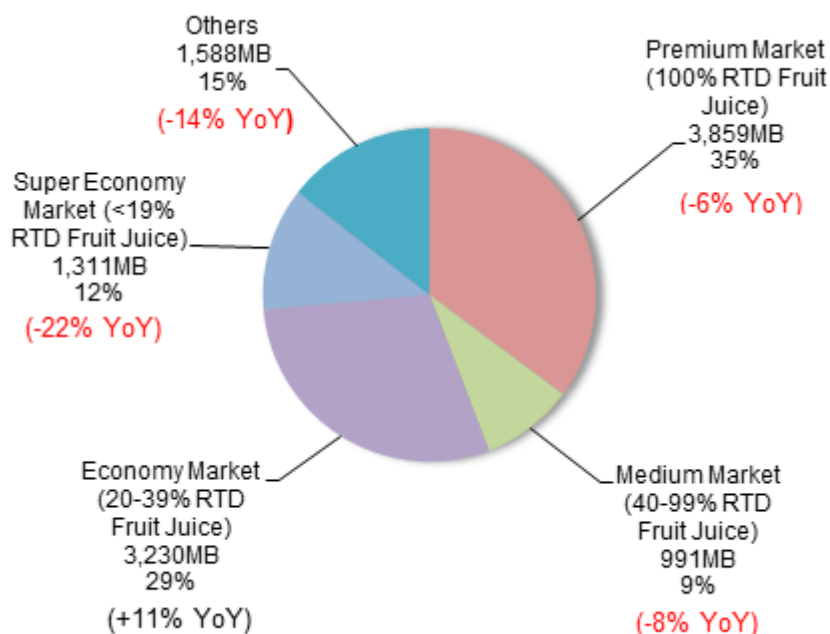
**Figure 1: Quarterly results**

- In Q1/2020, the Company and its subsidiaries recorded total sales of Baht 1,222 million, a decrease of 6% YoY, occurred from a decline in Domestic Branded sales. This decrease was mainly from the food service channel, such as sales from schools, airlines, hotels, clubs/bars, and restaurants especially in the tourist areas impacted from the COVID-19 in March. Dairy portfolio adjustment also contributed to sales reduction. In the contrary, Export Branded Business sales increased 6% YoY mainly due to sales increase from fruit juice and dairy products that grew 26% YoY. However, Long Quan Safe Food JSC (LQSF) Vietnam sales decreased 23% YoY.
- The Company and its subsidiaries achieved positive turnaround performance for the first time in 8 quarters.** The Company and its subsidiaries recorded net profit of Baht 0.6 million in Q1/2020 versus net loss of Baht 52 million in Q1/2019, an increase of 101% YoY. Better performance resulted from 1) increased Export Branded Business sales; 2) cost of goods sold reduction; and 3) selling and administrative expense reduction according to the Company target.
- EBITDA in Q1/2020 was Baht 90 million, an increase of 1,003% from Q1/2019 that recognized EBITDA Baht 8 million.

❖ *Thai Financial Reporting Standard No. 16 : Lease (TFRS 16), effective 1 January 2020, has impacted the Company and its subsidiaries' financial statement in recognizing a right-of-use asset and a lease liability in the financial statement for all of its leases that have leasing term more than 12 months.*

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

In Q1/2020, Moving Annual Total (MAT) Year 2019 until March 2020 of domestic RTD fruit juice market was Baht 10,979 million, a decrease of 6% YoY. RTD fruit juice market value and growth is as shown in Figure 2.



(Source: Nielsen)

Figure 2: MAT March 2020 RTD Fruit Juice Market Value breakdown by Market Segment

## 3. Results of Operations and Profitability

(Unit : Baht Million)	Q1/2020	Q1/2019	%YoY
<b>Revenues from sales and services</b>	<b>1,222</b>	<b>1,302</b>	<b>-6%</b>
Cost of goods sold and services	977	1,074	-9%
<b>Gross profit</b>	<b>244</b>	<b>228</b>	<b>+7%</b>
<b>% gross profit</b>	<b>20.0%</b>	<b>17.5%</b>	
Selling expenses	106	153	-31%
% selling expenses to sales	8.7%	11.8%	
Administrative expenses	135	139	-3%
% Administrative expenses to sales	11.1%	10.7%	
Finance costs	16.4	16.2	+2%
Share of profit (loss) from investment in subsidiaries and joint ventures	(1)	(1.5)	+35%
Tax (income)	0	(16)	+101%
<b>Net profit (loss) major shareholders equity</b>	<b>0.6</b>	<b>(52)</b>	<b>+101%</b>
<b>% net profit (loss)</b>	<b>0.05%</b>	<b>-3.96%</b>	
Depreciation and amortization	73	59	-23%
<b>EBITDA</b>	<b>90</b>	<b>8</b>	<b>+1,003%</b>
<b>%EBITDA</b>	<b>7.3%</b>	<b>0.6%</b>	

Q1/2020 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 1,222 million, a decrease of 6% YoY, as the following detail:

- Domestic Branded Business sales decreased 2% YoY. This decrease was mainly from the food service channel, such as sales from schools, airlines, hotels, clubs/bars, and restaurants especially in the tourist areas impacted from the COVID-19. Dairy portfolio adjustment also contributed to sales reduction.
- Export Branded Business sales increased 6% YoY mainly due to sales increase from fruit juice and dairy products that grew 26% YoY. However, Long Quan Safe Food JSC (LQSF) Vietnam sales decreased 23% YoY.
- Total Contract Manufacturing Business (CMG) sales decreased 14% YoY, partly effected from the pandemic.

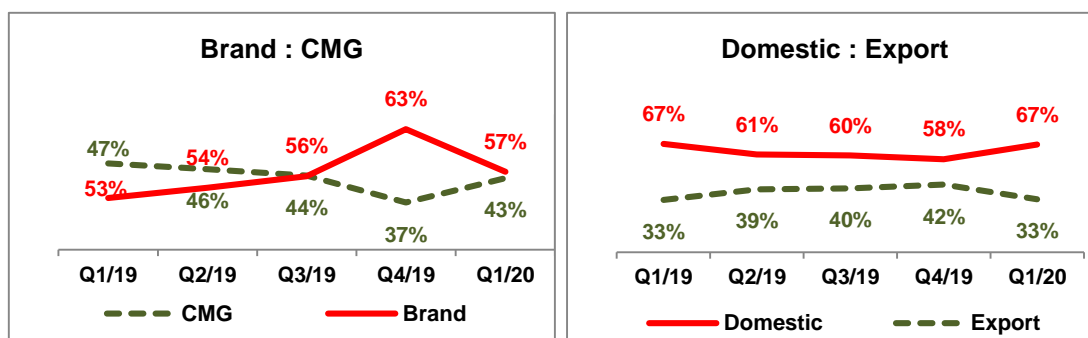
*Sales breakdown by business and geography are as follows:*

Sales Breakdown by Business:

- Brand: Baht 692 million, relatively the same as Q1/2019 at Baht 686 million.
- CMG: Baht 530 million, down 14% YoY.
- Sales ratio of Brand: CMG was 57:43, compared with 53:47 in Q1/2019.

Sales Breakdown by Geography:

- Domestic: Baht 820 million, down 7% YoY.
- Export: Baht 402 million, down 5% YoY.
- Sales ratio of Domestic: Export was 67:33, compared with 67:33 in Q1/2019.

Q1/2020 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 977 million. Cost of goods sold to sales decreased to 80% from 83% in Q1/2019. Cost of goods sold ratio lessened 9%, mainly due to effective cost of goods sold control

Q1/2020 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 244 million, an increase of 7% YoY, representing gross profit margin of 20%, growth from 17% in Q1/2019, mainly due to cost of goods sold decline as a result of effective cost of goods sold control

Q1/2020 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 106 million, a decline of 31% YoY. Selling expenses to sales reduced to 9% from 12% in Q1/2019 due to efficiency selling expense cut and control.

Q1/2020 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 135 million, a decrease of 3% YoY. Administrative expenses to sales was fairly close to that of 11% in Q1/2019.

Q1/2020 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 16 million, the same amount of previous year; e.g. loan from financial institutions from previous years.

Q1/2020 Net Profit

***The Company and its subsidiaries achieved positive turnaround performance for the first time in 8 quarters.***

The Company and its subsidiaries recorded net profit of Baht 0.6 million in Q1/2020 versus net loss of Baht 52 million in Q1/2019, an increase of 101% YoY. Better performance resulted from 1) increased Export Branded Business sales; 2) cost of goods sold reduction; and 3) selling and administrative expense reduction according to the Company target. Cost and expense reductions were achieved through adjustment of sales and marketing strategies, inefficiencies identifications, and improved work processes throughout the Company.

#### 4. Financial Position of the Company and its Subsidiaries

Unit : Million Baht	31/3/2020	31/12/2019	% change
Cash and cash equivalents	100	119	(16%)
Account receivables	828	737	12.4%
Inventories	546	512	6.7%
Other current assets	134	141	(5%)
<i>Total current assets</i>	<b>1,608</b>	<b>1,508</b>	<b>6.6%</b>
Property, plant and equipment	1,811	1,983	(9%)
Goodwill	51	48	6.2%
Investments in joint venture	83	72	14.4%
Other non-current assets	487	575	15%
A right-of-use (IFRS 16 : Lease)	535	-	100%
<i>Total non-current assets</i>	2,967	2,679	10.7%
<b>Total Assets</b>	<b>4,575</b>	<b>4,187</b>	<b>9.2%</b>
Bank overdrafts and short-term loans from financial institutions	1,431	1,439	(1%)
Account payables	489	373	31.0%
Current portion of long-term loans from financial institutions	156	143	9.3%
Current portion of liabilities under financial lease agreements	76	38	97.9%
Other non-current liabilities	338	361	(6%)
<i>Total Current Liabilities</i>	<b>2,490</b>	<b>2,356</b>	<b>5.7%</b>
Long-term loans, net of current portion from financial institutions	493	541	(9%)
Liabilities under financial lease agreements, net of current portion	304	43	614.8%
Other non-current liabilities	277	263	5.0%
<i>Non-current Liabilities</i>	<b>1,073</b>	<b>847</b>	<b>26.7%</b>
<b>Total Liabilities</b>	<b>3,564</b>	<b>3,203</b>	<b>11.3%</b>
Authorized share capital	140	140	0.0%
Issued and fully paid-up share capital	140	140	0.0%
Share premium	6	6	0.0%
Retained earnings	629	628	0.1%
Other components of equity	248	225	10.4%
Deduct: Treasury stock	(114)	(114)	0.0%
<b>Total equity of parent Company's shareholders</b>	<b>909</b>	<b>885</b>	<b>2.7%</b>
Non-controlling interests	102	99	2.8%
<b>Total Shareholders' Equity</b>	<b>1,011</b>	<b>984</b>	<b>2.7%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,575</b>	<b>4,187</b>	<b>9.2%</b>

**Assets**

As at 31 March 2020, the Company and its subsidiaries had total assets of Baht 4,575 million, an increase of 9% from Baht 4,187 million as of 31 December 2019. The main factors included an increase in a right-of-use asset and a lease liability for all of leases with leasing term more than 12 months, according to TFRS 16 : Lease, effective 1 January 2020. In addition, the Company recorded a rise of account receivables and inventories.

**Liabilities**

As at 31 March 2020, the Company and its subsidiaries had total Liabilities of Baht 3,564 million, an increase of 11% from Baht 3,203 million as of 31 December 2019, mainly due to an increase in a right-of-use asset and a lease liability for all of leases with leasing term more than 12 months, as a result of TFRS 16 : Lease, effective 1 January 2020 together with an increase of account payables.

**Shareholders' Equity**

As at 31 March 2020, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 909 million, an increase of 3% from Baht 885 million as of 31 December 2019, mainly due to other components of equity increment.

**5. Liquidity and Capital Resources****Current Ratio**

As at 31 March 2020, the Company and its subsidiaries recorded current ratio of 0.65x, approximately close to 0.64x of 31 December 2019.

Consolidated	2020	2019
Current Ratio (Times)	0.65	0.64
Interest-bearing Debt to Equity (Times)	2.41	2.49

**Debt to Equity Ratio**

As at 31 March 2020, the Company and its subsidiaries recorded Interest-bearing debt to equity ratio of 2.41x, decreasing from 2.49x as of 31 December 2019. This was caused by decreased interest-bearing liabilities due to repayment of long-term loans and leasing loans as well as an increase of shareholders' equity.

**Cash Flow**

(Unit: Baht Million)	31/3/2020	31/3/2019	% change
Profit (loss) from operating activities before changes in operating assets and liabilities	94	30	+215%
Profit (loss) from changes in operating assets and liabilities	(48)	77	-162%
<b>Net Cash flows from (used in) operating activities</b>	<b>46</b>	<b>107</b>	<b>-57%</b>
Cash paid from business combination	-	-	-
Cash paid for increased investments in joint ventures	0	(10)	+100%
Acquisition of property, plant and equipment	(0)	(22)	+100%
Net Cash flows from other investing activities	20	0	+5,348%
<b>Net Cash flows from (used in) investing activities</b>	<b>20</b>	<b>(31)</b>	<b>+165%</b>
Increase (decrease) in bank overdraft and short - term loans from financial institutions	(9)	(38)	+77%
Repayment of long-term loans from financial institutions	(35)	(20)	-75%
Cash paid to liabilities under finance lease agreement	(18)	5	-449%
Treasury shares	-	-	-
Finance costs paid	(16)	(21)	+23%
Dividend paid	0	(0)	+100%
<b>Net Cash flows from (used in) financing activities</b>	<b>(78)</b>	<b>(75)</b>	<b>-5%</b>
Exchange differences on translating financial statements	(7)	(7)	+1%
Net increase (decrease) in cash and cash equivalents	(19)	6	-239%
Cash and cash equivalents at beginning of periods	119	122	-3%
<b>Cash and cash equivalents at end of periods</b>	<b>100</b>	<b>116</b>	<b>-14%</b>

In Q1/2020, the Company and its subsidiaries recorded ending cash of Baht 100 million, a decline from Baht 116 million in Q1/2019, with details as follows:

- Net cash received from operating activities of Baht 46 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 94 million; and (2) cash outflows from net change in working capital and liability of Baht 48 million.
- Net cash received from investing activities of Baht 20 million, comprising of cash inflows from other investment activities of Baht 20 million.
- Net cash used in financing activities of Baht 78 million, consisting of (1) repayment to short-term loans from financial institutions of Baht 9 million; (2) repayment to long-term loans from financial institutions of Baht 35 million; (3) liabilities occurred from financial lease agreements of Baht 18 million; and (4) cash paid to finance costs of Baht 16 million.

## **6. Forward Looking**

The Company and its subsidiaries achieved positive turnaround performance. The turnaround was mainly resulted from cost and sales and marketing strategies shift, expenses cut and control, efficiencies improvement, and work processes adjustments throughout the Company. These are continuous actions and not a one-time effect. However, the Company believes that there are still more rooms for improvement which can continue to drive down our costs and expenses especially in the administrative expenses category. Selling Expenses, especially the advertising and promotion costs will depend on the period of campaigns, new product launch, etc.

Due to a great impact from the COVID-19 crisis in 2020, the Company will closely monitor the situations and quickly adjust to the rapid changes especially focusing on cash flow management. We will also continue to improve our operation to 1) expand Export Branded Business sales; 2) improve work processes in all areas for higher efficiency; 3) strictly control and reduce costs and expenses; 4) ramp up asset utilization to manage fixed asset. We are confident that these measures will leverage our business performances as a whole and we will grow stronger.