

Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the Q2/2021 and H1/2021 ended 30 June 2021



1. Q2/2021 Highlights

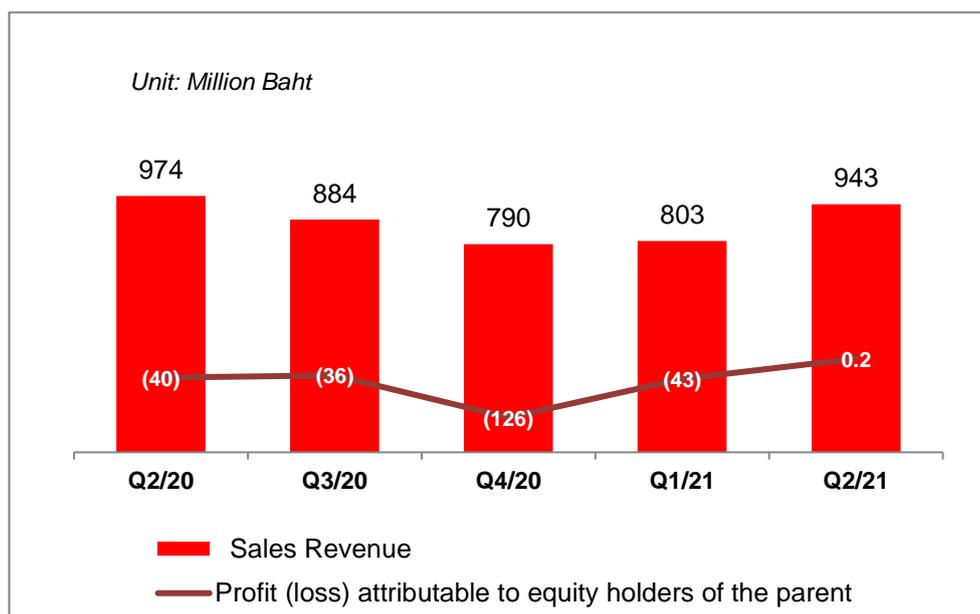


Figure 1: Quarterly results

- In Q2/2021, the Company and its subsidiaries recorded total sales of Baht 943 million, a decrease of 3% YoY. This occurred from a decline in Domestic Branded Business sales 10% YoY while Export Branded Business sales increased 6% YoY.
- In H1/2021 ending 30 June 2021, the Company and its subsidiaries recorded total sales of Baht 1,746 million, a decrease of 20% YoY. This was mainly contributed from 31% YoY decline in Domestic Branded Business sales and 3% YoY decline in Export Branded Business sales.

The decline in sales in both quarters was mainly due to the COVID-19 pandemic situation which continued to have great impact across the world. The situation in Thailand became more intensive from the second wave of outbreaks in December 2020 and the third wave at the end of March 2021, which has had great impact on the economy, employment, and tourism, and much less purchasing power in both domestic and international markets. The Export Branded Business was in difficult situation due to container shortages, extremely high container costs, natural disaster in Cambodia, and political unrest in Myanmar.

- The Company and its subsidiaries achieved positive turnaround performance again and recorded net profit of Baht 0.2 million in Q2/2021 versus net loss of Baht 40 million in Q2/2020, an increase of 101% YoY. This improvement was mainly due to efficient control on cost, selling expenses and administrative expenses as well as financial costs according to the control plan set by the Company. Greater severe impact of the COVID-19 pandemic caused the Domestic Branded Business sales to decrease 10% YoY.
- In H1/2021 ending 30 June 2021, the Company and its subsidiaries recorded a net loss of Baht 43 million, a decrease of 8% YoY from a total sales decline 20% YoY which was mainly due to COVID-19 pandemic. An effective cost reduction and selling expense cut and control still did not compensate a huge impact from large sales shrinkage.

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

At the end of Q2/2021, Moving Annual Total (MAT) of domestic RTD fruit juice market was Baht 8,950 million, a decrease of 16% YoY. RTD fruit juice market value and growth is as shown in Figure 2.

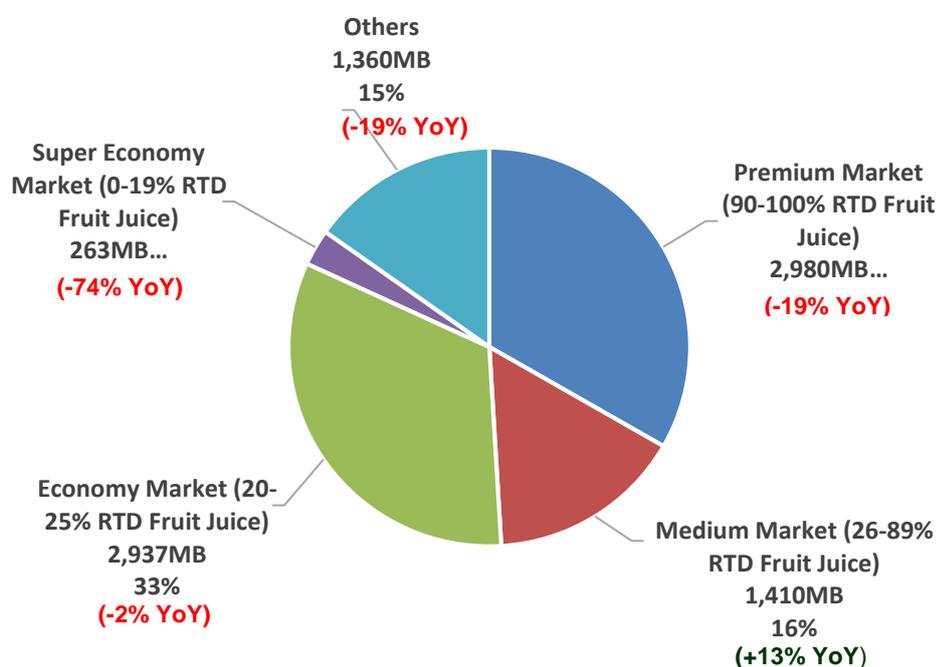


Figure 2: MAT June 2021 RTD Fruit Juice Market Value breakdown by Market Segment (Source: Nielsen)

3. Results of Operations and Profitability

(Unit : Baht Million)	Q2/2021	Q2/2020	%YoY	H1/2021	H1/2020	%YoY
Revenues from sales and services	943	974	-3%	1,746	2,196	-20%
Cost of goods sold and services	700	787	-11%	1,338	1,765	-24%
Gross profit	243	187	+30%	408	431	-5%
% gross profit	25.8%	19.2%		23.4%	19.6%	
Selling expenses	121	106	+14%	217	212	+2%
% selling expenses to sales	12.8%	10.9%		12.4%	9.7%	
Administrative expenses	119	121	-2%	233	262	-11%
% Administrative expenses to sales	12.6%	12.4%		13.3%	11.9%	
Finance costs	15	20	-25%	31	36	-14%
Share of profit (loss) from investment in subsidiaries and JV	(2)	(5)	+65%	(3)	(6)	+54%
Tax (income)	(2)	(20)	+91%	(14)	(20)	+30%
Net profit (loss)	0.2	(40)	+101%	(43)	(40)	-8%
% Net profit (loss)	0.0%	(4.1%)		(2.4%)	(1.8%)	

Q2/2021 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 943 million, a decrease of 3% YoY. Details are as follows:

- Domestic Branded Business sales decreased 6% YoY.
- Export Branded Business sales increased 3% YoY.
- Total Contract Manufacturing Business (CMG) sales decreased 4% YoY.

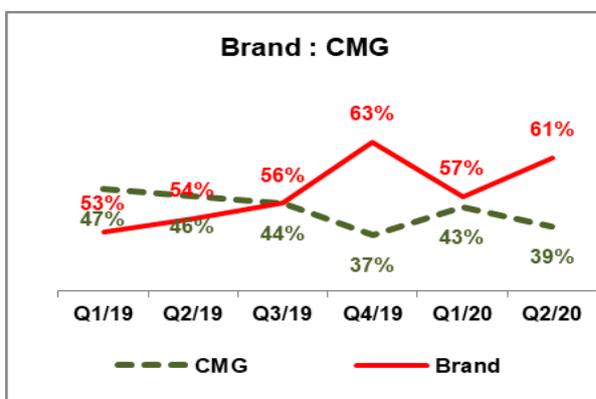
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 580 million, down 2% YoY.
- CMG: Baht 363 million, down 4% YoY.
- Sales ratio of Brand: CMG was 61:39 equivalent with 61:39 in Q2/2020.

Sales Breakdown by Geography:

- Domestic: Baht 510 million, down 10% YoY.
- Export: Baht 434 million, up 6% YoY.
- Sales ratio of Domestic: Export was 54:46, compared with 58:42 in Q2/2020.



H1/2021 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 1,746 million, a decrease of 20% YoY. Details are as follows:

- Domestic Branded Business sales decreased 22% YoY.
- Export Branded Business sales decreased 6% YoY.
- Total Contract Manufacturing Business (CMG) sales decreased 28% YoY.

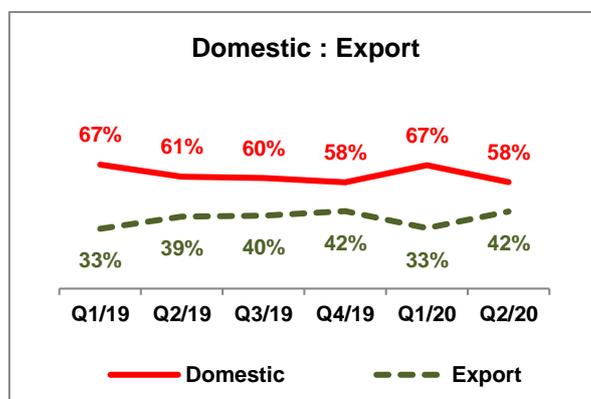
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 1,090 million, down 15% YoY.
- CMG: Baht 656 million, down 28% YoY.
- Sales ratio of Brand: CMG was 62:38, compared with 59:41 in Q2/2020.

Sales Breakdown by Geography:

- Domestic: Baht 958 million, down 31% YoY.
- Export: Baht 788 million, down 3% YoY.
- Sales ratio of Domestic: Export was 55:45, compared with 63:37 in Q2/2020.



Q2/2021 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 700 million. Cost of goods sold to sales decreased to 74.2% from 80.8% in Q2/2020, mainly due to efficient cost of goods sold control and product portfolio rearrangement.

Q2/2021 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 243 million, an increase of 30% YoY, representing gross profit margin of 25.8%, growth from 19.2% in Q2/2020, mainly due to cost of goods sold decline as a result of effective cost of goods sold control and product portfolio rearrangement.

Q2/2021 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 121 million, an increase of 14% YoY. The ratio of selling expenses to sales was 12.8%, an increase from 10.9% in Q2/2020. This was mainly due to extra expenses relating to COVID-19 pandemic situation.

Q2/2021 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 119 million, a decrease of 2% YoY. The ratio of administrative expenses to sales was 12.6% which was close to 12.4% in Q2/2020.

Q2/2021 Finance Costs

The Company and its subsidiaries recorded finance costs in Q2/2021 compared to the Q2/2020 of Baht 15 million and Baht 20 million, respectively, a decrease of 25% YoY. This resulted from reduction of financial institution loans and interest rate reduction.

Q2/2021 Net Profit (Loss)

The Company and its subsidiaries achieved positive turnaround performance again and recorded net profit of Baht 0.2 million in Q2/2021 versus net loss of Baht 40 million in Q2/2020, an increase of 101% YoY. This improvement was mainly due to efficient control on cost, selling expenses and administrative expenses as well as financial costs compared to the previous year.

H1/2021 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 1,338 million. Cost of goods sold to sales decreased to 76.6% from 80.4% in H1/2020, mainly due to efficient cost of goods sold control and product portfolio rearrangement.

H1/2021 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 408 million, a decrease of 5% YoY, representing gross profit margin of 23.4%, growth from 19.6% in H1/2020, mainly due to cost of goods sold decline as a result of effective cost of goods sold control and product portfolio rearrangement.

H1/2021 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 217 million, an increase of 2% YoY. It represented a reduction of 12.4% to sales, an increase from 9.7% in H1/2020, mainly due to extra expenses relating to COVID-19 pandemic situation.

H1/2020 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 233 million, a decrease of 11%. The ratio of administrative expenses to sales increased to 13.3% from 11.9% in H1/2020, mainly due to sales drop 20% YoY.

H1/2021 Finance Costs

The Company and its subsidiaries recorded finance costs in H1/2021 compared to the H1/2020 of Baht 31 million and Baht 36 million, respectively, an increase of 14% YoY. This resulted from reduction of financial institution loans and interest rate reduction.

H1/2021 Net Profit (Loss)

The Company and its subsidiaries recorded a net loss of Baht 43 million, 8% decrease compared to net loss of Baht 40 million in H1/2020. This was mainly due to efficient control on cost, selling expenses and administrative expenses as well as financial costs. However, net loss was still outstanding from lower sales as a result of the COVID-19 situation.

4. Financial Position of the Company and its Subsidiaries

(Unit: Baht Million)	30 June 2021	31 December 2020	% Change
Cash and cash equivalents	126	84	51.1%
Account receivables	572	471	21.4%
Inventories	520	544	(4.4%)
Other current assets	106	129	(17.9%)
<i>Total current assets</i>	1,324	1,227	7.9%
Property, plant and equipment	1,621	1,670	(2.9%)
Goodwill	52	48	7.3%
Investments in joint venture	28	21	34.3%
Other non-current assets	1,062	1,036	2.5%
<i>Total non-current assets</i>	2,763	2,776	(0.4%)
Total Assets	4,087	4,003	2.1%
Bank overdrafts and short-term loans from financial institutions	1,098	1,104	(0.6%)
Account payables	355	343	3.6%
Current portion of long-term loans from financial institutions	84	26	222.9%
Current portion of liabilities under financial lease agreements	152	224	(32.2%)
Other non-current liabilities	55	64	(13.7%)
<i>Total Current Liabilities</i>	324	274	18.4%
Long-term loans, net of current portion from financial institutions	2,068	2,035	1.6%
Liabilities under financial lease agreements, net of current portion	675	608	11.0%
Other non-current liabilities	236	262	(9.9%)
<i>Non-current Liabilities</i>	281	258	8.9%
Total Liabilities	1,192	1,128	5.6%
Authorized share capital	3,260	3,163	3.1%
Issued and fully paid-up share capital	138	138	0.0%
Share premium	138	138	0.0%
Retained earnings	0	0	-
Other components of equity	323	366	(11.7%)
Deduct: Treasury stock	255	231	10.4%
Total equity of parent Company's shareholders	715	734	(2.5%)
Non-controlling interests	112	106	6.1%
Total Shareholders' Equity	827	840	(1.5%)
Total Liabilities and Shareholders' Equity	4,087	4,003	2.1%

Assets

As at 30 June 2021, the Company and its subsidiaries had total assets of Baht 4,087 million, an increase of 2.1% from Baht 4,003 million as of 31 December 2020. The main factors included an increase in account receivable, cash and cash equivalents.

Liabilities

As at 30 June 2021, the Company and its subsidiaries had total Liabilities of Baht 3,260 million, an increase 3.1% from Baht 3,163 million as of 31 December 2020. This was mainly due to an increase in account payable and advanced payment from customers.

Shareholders' Equity

As at 30 June 2021, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 827 million, a decrease of 1.5% from Baht 840 million as of 31 December 2020, mainly due to Q1/2021 net loss.

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

As at 30 June 2021, the Company and its subsidiaries recorded current ratio of 0.64x, an increase to 0.60x of 31 December 2020.

Debt to Equity Ratio

As at 30 June 2021, the Company and its subsidiaries recorded Interest-bearing debt to equity ratio of 2.73x, increasing from 2.70x as of 31 December 2020.

Consolidated	30/06/21	31/12/20
Current Ratio (Times)	0.64	0.60
Interest-bearing Debt to Equity (Times)	2.73	2.70

Cash Flow

(Unit: Baht Million)	H1/2021	H1/2020	% Change
Profit (loss) from operating activities before changes in operating assets and liabilities	75	153	(50.9%)
Profit (loss) from changes in operating assets and liabilities	18	(62)	129.5%
Net Cash flows from (used in) operating activities	93	91	(2.2%)
Cash paid for increased investments in joint ventures	0	21	(100.0%)
Acquisition of property, plant and equipment	3	10	(67.6%)
Cash paid for property, plant and equipment	(16)	(17)	7.2%
Net Cash flows from other investing activities	(1)	(2)	44.8%
Net Cash flows from (used in) investing activities	(14)	11	(223.2%)
Increase (decrease) in bank overdraft and short - term loans from financial institutions	(6)	(337)	98.1%
Increase (decrease) in long-term loans from financial institutions	-	298	(100.0%)
Increase (decrease) in long-term loans from financial institutions	(6)	(65)	(90.6%)
Cash paid to liabilities under finance lease agreement	(33)	(35)	4.4%
Net Cash flows from (used in) financing activities	(46)	(139)	67.1%
Exchange differences on translating financial statements	9	(0)	15369.4%
Net increase (decrease) in cash and cash equivalents	43	(37)	216.5%
Cash and cash equivalents at beginning of periods	84	119	(29.6%)
Cash and cash equivalents at end of periods	126	82	54.0%

In Q2/2021, the Company and its subsidiaries recorded ending cash of Baht 126 million, an increase of Baht 43 million from Q2/2020, with details as follows:

- Net cash received from operating activities of Baht 93 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 75 million; and (2) cash inflows from changes in operating assets and liabilities of Baht 18 million.
- Net cash flows from investing activities of Baht 14 million, comprising of (1) Cash paid for property, plant and equipment of Baht 16 million; (2) Net Cash flows from other investing activities of Baht 1 million; and (3) cash inflows from selling equipment of Baht 3 million.
- Net Cash used in financing activities of Baht 46 million, consisting of (1) repayment to bank overdraft and short-term loans from financial institutions of Baht 6 million; (2) repayment to long-term loans from financial institutions of Baht 6 million; and (3) cash paid for liabilities occurred from financial lease agreements of Baht 33 million.

6. Forward Looking

The COVID-19 pandemic situation is becoming more and more severe in Thailand. This causes uncertainty and risks in many aspects of business operations especially for the health and life of our staff. The Company therefore has laid out a business continuity plan (BCP) to prevent all possible risks that will impact our business and our employees. The Company set roles and responsibilities of those who are involved, prepared preventive action plan, acquired required or necessary equipment or kits, and set out work processes for efficient and strict risk management. In addition, social distancing, work-from-home measure, very strict policy and limitation of visitor in both factory and head office were strictly performed. The Company also provided COVID-19 vaccines for our employees and they could choose to opt-in our provision plan. Within mid-August 2021, 95% of our staff will be 2 doses vaccinated.

The Company would like to assure that our management and team have focused on controllable factors such as strict cost and expense control, efficient operation in which increasing capacity utilization is our first priority, and close monitoring on external factors and situation in order to be able to adapt rapidly to challenging changes we are facing. We are aware that cash management is an area we must be very cautious and concentrate so that our business performances will gain positively and grow stronger.