

Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the Q3/2021 and 9M ended 30 September 2021



1. Q3/2021 Highlights

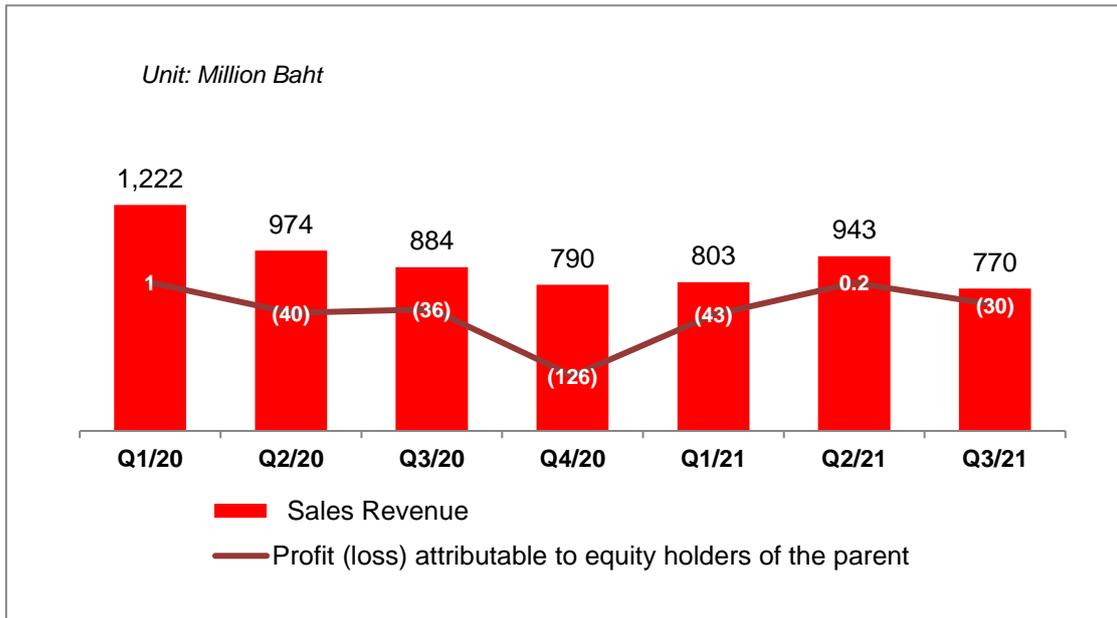


Figure 1: Quarterly results

- In Q3/2021, the Company and its subsidiaries recorded total sales of Baht 770 million, a decrease of 13% YoY. This occurred from a decline in Domestic sales 21% YoY while Export sales increased 0.4% YoY.
- In 9M ending 30 September 2021, the Company and its subsidiaries recorded total sales of Baht 2,516 million, a decrease of 18% YoY. This was mainly contributed from 28% YoY decline in Domestic sales and 2% YoY decline in Export sales.

The decline in sales in three 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.

- In Q3/2021, the Company and its subsidiaries recorded a net loss of Baht 30 million, an increase of 16% YoY, a net loss of Baht 36 million due to efficient control of cost of goods sold. However, the Company still recorded loss due to one-time expenses for managing the COVID-19 situation and administrative expenses relating to personnel restructuring.
- In 9M/2021 ending 30 September 2021, the Company and its subsidiaries recorded a net loss of Baht 73 million, a decrease of 4% YoY from a total sales decline 18% 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 Q3/2021, Moving Annual Total (MAT) of domestic RTD fruit juice market was Baht 8,720 million, a decrease of 14% YoY. RTD fruit juice market value and growth is as shown in Figure 2.

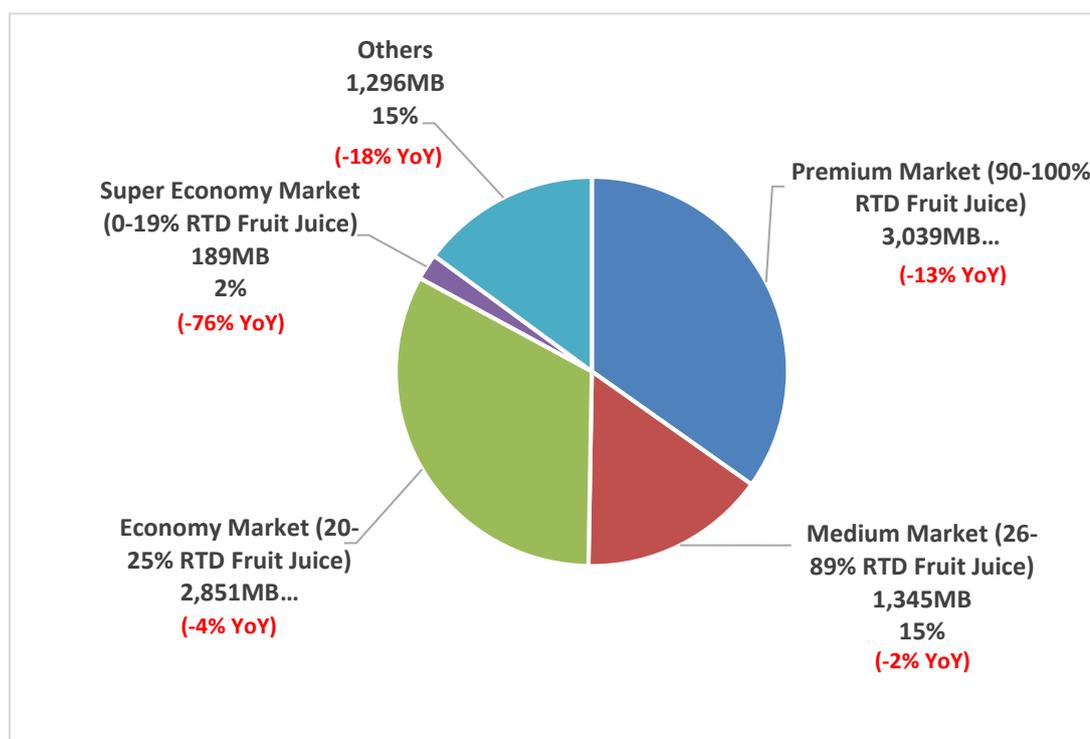


Figure 2: MAT September 2021 RTD Fruit Juice Market Value breakdown by Market Segment (Source: Nielsen)

3. Results of Operations and Profitability

Consolidated financial statements

| (Unit : Baht Million) | Q3/21 | Q3/20 | %YoY | 9M/21 | 9M/20 | %YoY |
|---|--------|--------|-------|--------|--------|-------|
| Revenues from sales and services | 770 | 884 | -13% | 2,516 | 3,080 | -18% |
| Cost of goods sold and services | 568 | 705 | -20% | 1,909 | 2,470 | -23% |
| Gross profit | 202 | 179 | +13% | 606 | 610 | -0.6% |
| % gross profit | 26.2% | 20.2% | | 24.1% | 19.8% | |
| Selling expenses | 95 | 99 | -4% | 313 | 311 | +1% |
| % selling expenses to sales | 12.4% | 11.2% | | 12.4% | 10.1% | |
| Administrative expenses | 132 | 117 | +13% | 362 | 380 | -5% |
| % Administrative expenses to sales | 17.2% | 13.2% | | 14.4% | 12.3% | |
| Finance costs | 17 | 17 | -3% | 48 | 54 | -10% |
| Share of profit (loss) from investment in subsidiaries and JV | 0.9 | 0.2 | +306% | (2) | (6) | +67% |
| Tax (income) | (7) | (14) | +51% | (20) | (33) | +39% |
| Net profit (loss) | (30) | (36) | +16% | (73) | (75) | +4% |
| % net profit (loss) | (3.9%) | (4.0%) | | (2.9%) | (2.4%) | |

Q3/2021 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 770 million, a decrease of 13% YoY. Details are as follows:

- Domestic Branded Business sales decreased 3% YoY.
- Export Branded Business sales decreased 6% YoY.
- Total Contract Manufacturing Business (CMG) sales decreased 26% YoY.

Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 517 million, down 4% YoY.
- CMG: Baht 253 million, down 26% YoY.
- Sales ratio of Brand:CMG was 67:33 compared with 61:39 in Q3/2020.

Sales Breakdown by Geography:

- Domestic: Baht 439 million, down 21% YoY.
- Export: Baht 330 million, 0.4% YoY reduction.
- Sales ratio of Domestic:Export was 57:43, compared with 63:37 in Q3/2020.

9M/2021 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 2,516 million, a decrease of 18% YoY. Details are as follows:

- Domestic Branded Business sales decreased 17% YoY.
- Export Branded Business sales decreased 6% YoY.
- Total Contract Manufacturing Business (CMG) sales decreased 27% YoY.

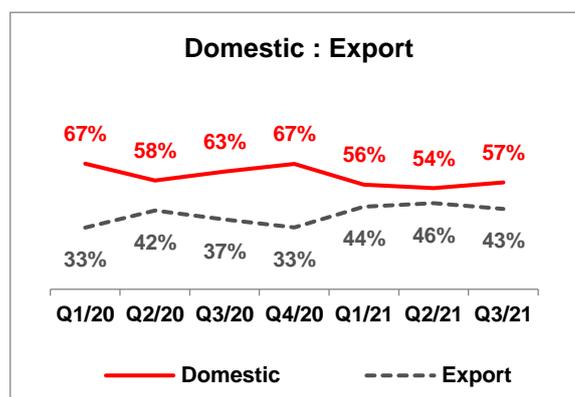
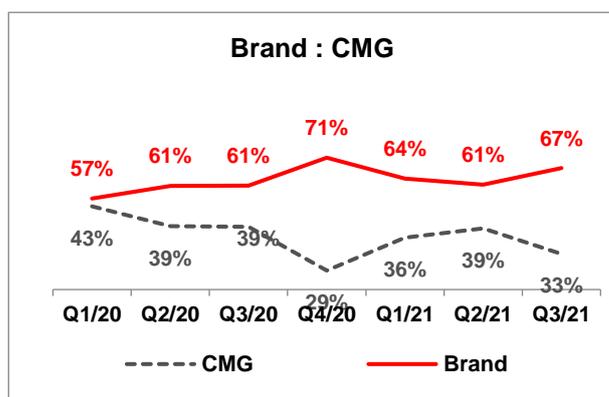
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 1,607 million, down 12% YoY.
- CMG: Baht 909 million, down 27% YoY.
- Sales ratio of Brand:CMG was 64:36, compared with 59:41 in 9M/2020.

Sales Breakdown by Geography:

- Domestic: Baht 1,397 million, down 28% YoY.
- Export: Baht 1,119 million, 2% YoY reduction.
- Sales ratio of Domestic:Export was 56:44, equally compared with 63:37 in 9M/2020.



Q3/2021 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 568 million. Cost of goods sold to sales decreased to 73.8 % from 79.8% in Q3/2020, mainly due to efficient cost of goods sold control, product portfolio rearrangement, and increased production efficiency.

Q3/2021 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 202 million, an increase of 13% YoY, representing gross profit margin of 26.2%, growth from 20.2% in Q3/2020, mainly due to cost of goods sold decline as a result of effective cost of goods sold control, product portfolio rearrangement, and increased production efficiency.

Q3/2021 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 95 million, a decrease of 4% YoY. The ratio of selling expenses to sales was 12.4%, an increase from 11.2% in the same period of previous year. This was mainly due to extra expenses resulting from the COVID-19 pandemic situation and large sales shrinkage.

Q3/2021 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 132 million, an increase of 13% YoY. Administrative expenses to sales increased to 17.2% from 13.2% in Q3/2020, mainly due to the increase in COVID-19 related expenses and the sharp drop in sales, and increased administrative expenses relating to personnel restructuring.

Q3/2021 Finance Costs

The Company and its subsidiaries recorded finance costs in Q3/2021 of Baht 16.8 million compared to the Q3/2020 of Baht 17.4 million, a decrease of 3% YoY. This resulted from loans and interest rates reduction by financial institutions.

Q3/2021 Net Loss

The Company and its subsidiaries recorded a net loss of Baht 30 million, accounted to 16% improved performance from Q3/2020 that recognized net loss Baht 36 million. This improvement resulted from efficient control cost of goods sold, but still recorded loss due to one-time expenses for managing the COVID-19 situation and increased administrative expenses relating to personnel restructuring.

9M/2021 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 1,909 million. Cost of goods sold to sales decreased to 75.9% from 80.2% in 9M/2020, mainly due to efficient cost of goods sold control, product portfolio rearrangement, and increased production efficiency.

9M/2021 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 606 million, a decrease of 0.6% which represented gross profit margin of 24.1%, growth from 19.8% in 9M/2020. This was mainly due to cost of goods sold decline as a result of effective cost of goods sold control, product portfolio rearrangement, and increased production efficiency.

9M/2021 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 313 million, an increase of 1% YoY. It represented an increment of 12.4% to sales, an increase from 10.1% in the same period of previous year. This was mainly due to rising expenses and large sales decline resulting from the COVID-19 pandemic situation.

9M/2021 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 362 million, a decrease of 5% YoY. Administrative expenses to sales increased to 14.4% from 12.3% in 9M/2020, mainly due to the increase in expenses and the sharp drop in sales as a result of the COVID-19 pandemic situation and administrative expenses relating to personnel restructuring.

9M/2021 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 48 million in 9M/2021 compared to Baht 54 million in 9M/2020, a decrease of 10% YoY. This resulted from loans and interest rates reduction by financial institutions.

9M/2021 Net Loss

The Company and its subsidiaries recorded a net loss of Baht 73 million, 4% decrease compared to a net loss of Baht 75 million in 9M/2020. This resulted from efficient control of cost of goods sold. However, the Company still recorded loss due to large sales shrinkage, and increased expenses relating to managing the COVID-19 situation and increased administrative expenses relating to personnel restructuring.

4. Financial Position of the Company and its Subsidiaries

| (Unit: Baht Million) | 30 September 2021 | 31 December 2020 | % Change |
|--|----------------------|------------------|---------------|
| Cash and cash equivalents | 30 | 84 | (64.3%) |
| Account receivables | 492 | 471 | 4.5% |
| Inventories | 608 | 544 | 11.8% |
| Other current assets | 117 | 129 | (9.3%) |
| <i>Total current assets</i> | 1,246 | 1,227 | 1.6% |
| Property, plant and equipment | 1,620 | 1,670 | (3.0%) |
| Goodwill | 56 | 48 | 15.0% |
| Investments in joint venture | 20 | 21 | (3.9%) |
| Other non-current assets | 1,104 | 1,036 | 6.5% |
| <i>Total non-current assets</i> | 2,800 | 2,776 | 0.9% |
| Total Assets | 4,046 | 4,003 | 1.1% |
| Bank overdrafts and short-term loans from financial institutions | 1,090 | 1,104 | (1.3%) |
| Account payables | 373 | 346 | 7.6% |
| Current portion of long-term loans from financial institutions | 54 | 26 | 108.4% |
| Current portion of liabilities under financial lease agreements | 188 | 224 | (16.3%) |
| Other non-current liabilities | 30 | 64 | (52.4%) |
| <i>Total Current Liabilities</i> | 309 | 270 | 14.3% |
| Long-term loans, net of current portion from financial institutions | 2,044 | 2,035 | 0.4% |
| Liabilities under financial lease agreements, net of current portion | 631 | 608 | 3.8% |
| Other non-current liabilities | 270 | 262 | 3.0% |
| <i>Non-current Liabilities</i> | 293 | 258 | 13.3% |
| Total Liabilities | 1,194 | 1,128 | 5.8% |
| Authorized share capital | 3,237 | 3,163 | 2.3% |
| 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 | 293 | 366 | (19.8%) |
| Deduct: Treasury stock | 260 | 231 | 12.7% |
| Total equity of parent Company's S/H | 691 | 734 | (5.9%) |
| Non-controlling interests | 118 | 106 | 12.0% |
| Total Shareholders' Equity | 809 | 840 | (3.6%) |
| Total Liabilities and S/Hs' Equity | 4,046 | 4,003 | 1.1% |

Assets

As at 30 September 2021, the Company and its subsidiaries had total assets of Baht 4,046 million, an increase of 1.1% from Baht 4,003 million as of 31 December 2020. The main factors included a decrease in cash and cash equivalents together with the increase in account receivable and inventories.

Liabilities

As at 30 September 2021, the Company and its subsidiaries had total Liabilities of Baht 3,237 million, an increase of 2.3% from Baht 3,163 million as of 31 December 2020, mainly due to an increase in accounts payable and advance payments for goods.

Shareholders' Equity

As at 30 September 2021, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 691 million, a decrease of 5.9% from Baht 734 million as of 31 December 2020, mainly due to 9M/2021 net loss.

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

As at 30 September 2021, the Company and its subsidiaries recorded current ratio of 0.61x, approximately close to 0.60x of 31 December 2020.

| Consolidated | 30/9/21 | 31/12/20 |
|---|----------------|-----------------|
| Current Ratio (Times) | 0.61 | 0.60 |
| Interest-bearing Debt to Equity (Times) | 2.81 | 2.70 |

Debt to Equity Ratio

As at 30 September 2021, the Company and its subsidiaries recorded Interest-bearing debt to equity ratio of 2.81x, increasing from 2.70x as of 31 December 2020.

Cash Flow

| (Unit: Baht Million) | 9M/2564 | 9M/2563 | % Change |
|--|----------------|----------------|-----------------|
| Profit (loss) from operating activities before changes in operating assets and liabilities | 48 | 138 | (65.1%) |
| Profit (loss) from changes in operating assets and liabilities | 19 | (45) | 142.8% |
| Net cash flows from (used in) operating activities | 68 | 93 | (27.3%) |
| Decrease in restricted bank deposits | - | 21 | (100.0%) |
| Cash received from disposals of equipment | 6 | 5 | 16.2% |
| Cash paid for acquisitions of equipment | (38) | (9) | (321.6%) |
| Cash paid for acquisitions of intangible assets | (3) | (2) | (25.2%) |
| Net cash flows from (used in) investing activities | (34) | 15 | (321.7%) |
| (decrease) in bank overdraft and short - term loans from financial institutions | (14) | (309) | 95.4% |
| (increase) in long-term loans from financial institutions | - | 298 | (100%) |
| (decrease) in long-term loans from financial institutions | (15) | (110) | 86.8% |
| Cash paid to liabilities under finance lease agreement | (45) | (55) | 18.1% |
| Net cash flows from (used in) financing activities | (74) | (176) | 58.1% |
| Exchange differences on translating financial statements | (14) | (6) | (141.0%) |
| Net (decrease) in cash and cash equivalents | (54) | (73) | 26.3% |
| Cash and cash equivalents at beginning of periods | 84 | 119 | (29.6%) |
| Cash and cash equivalents at end of periods | 30 | 46 | (34.8%) |

In Q3/2021, the Company and its subsidiaries recorded ending cash of Baht 30 million, a decline of Baht 16 million from Q3/2020, with details as follows:

- Net cash received from operating activities of Baht 68 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 48 million; and (2) cash inflows from changes in operating assets and liability of Baht 19 million.
- Net cash in investing activities of Baht 34 million, consisting of (1) cash paid for acquisition of equipment of Baht 38 million; (2) cash paid for acquisitions of intangible assets of Baht 3 million; and (3) cash received from disposals of equipment of Baht 6 million.
- Net cash in financing activities of Baht 74 million, comprising of (1) cash paid decrease in bank overdraft and short – term loans from financial institutions of Baht 14 million; (2) cash paid decrease in long-term loans from financial institutions of Baht 15 million; and (3) cash paid to liabilities under finance lease agreement of Baht 45 million.

6. Forward Looking

There are still uncertainties around the COVID-19 pandemic situation both domestically and internationally as well as uncontrollable risks in many aspects of our business operations. The Company took proactive approaches to prevent various risks that may affect the business and employees. In addition, we continually manage resources and processes in order to increase efficiency and reduce costs. Despite the sharp drop in Q3/2021 sales, the Company was able to make a better gross profit from operations than the same period from previous year. 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, and putting capacity utilization increase as our top priorities. The Company closely monitors 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.