

Date: 13 November 2014
Subject: 3Q14 Management Discussion and Analysis
To: The President of the Stock Exchange of Thailand

Business Overview

Mega Lifesciences PCL (MEGA) is a leading participant in the health and wellness industry in developing countries. Our business may be categorized into three segments:

1. **Mega We Care™ branded products business:** We develop, manufacture, market and sell our own brand of market leading nutraceutical products, prescription pharmaceutical products and OTC products which are sold in 29 developing countries,
2. **Maxxcare™ distribution business:** We market, sell and distribute various branded prescription pharmaceutical products, OTC and FMCG products. We operate our Maxxcare™ distribution business in three countries, namely, Myanmar, Vietnam and Cambodia. Our clients for this business segment include leading domestic and international pharmaceutical and FMCG companies, and
3. **OEM business:** In addition to manufacturing our own branded products, our manufacturing facilities in Thailand and Australia accept various production orders from third-party customers.

Analysis of Financial Status and Performance 3Q14

Consolidated Income Statement

For 3Q14, MEGA reported operating revenue of THB 1,973.6 mn (up 11.1% YoY and 0.8% QoQ) and gross profits of THB 779.3 mn (up 4.1% YoY and 3.4% QoQ), while earnings before interest, tax, depreciation and amortization (EBITDA) and net profits came in at THB 168.4 mn (down 24.4% YoY and 9.9% QoQ) and THB 111.3 mn (down 27.3% YoY and 13.8% QoQ), respectively.

For 9M14, MEGA reported operating revenue of THB 5,637.6 mn (up 11.2% YoY) and gross profits of THB 2,196.1 mn (up 2.2% YoY), while EBITDA and net profits were THB 452.2 mn (down 28.7% YoY) and THB 296.9 mn (down 33.5% YoY), respectively.

Key points:

- Overall operating revenue climbed 11.1% YoY and 0.8% QoQ in 3Q14 to THB 1,973.6 mn, taking 9M14 operating revenue to THB 5,637.6 mn, up 11.2% YoY.
 - Maxxcare™ 3Q14 revenue was up 20.3% YoY but down 1.8% QoQ to THB 955.7 mn, taking 9M14 revenue to THB 2,798.8 mn, up 23.8% YoY.
 - Mega We Care™ 3Q14 revenue of THB 921.7 mn was up 6.5% YoY and 6.7% QoQ, taking 9M14 revenue to THB 2,523.7 mn, up 2.4% YoY.
 - OEM revenue was down 17.9% YoY and 20.6% QoQ in 3Q14 to THB 96.3 mn, taking 9M14 revenue to THB 315.1 mn, down 9.1% YoY.
- Overall gross margin was 39.5% YoY in 3Q14, compared to 38.5% in 2Q14 and 42.1% in 3Q13. For 9M14, overall gross margin was 39.0%, compared to 42.4% in 9M13. While individual segmental gross margins were largely maintained, the change in segmental revenue mix contributed to the YoY drop.
- Selling and administrative expenses (SGA) were 33.1% of operating revenue in 3Q14, compared to 31.4% in 3Q13. For 9M14, SGA was 32.8% of operating revenue, compared to 32.0% in 9M13. Spending towards marketing for Mega We Care™ branded products in certain markets, business expansion activities in Africa, and expansion of logistics resources in Myanmar were the main drivers for higher SGA in 3Q14.

- Net profits declined by 27.3% YoY to THB 111.3 mn in 3Q14, given a lower growth in Mega We Care™ branded products revenue, extra overheads from the capacity expansion, and higher planned SGA expenses.

For 9M14, net profits declined by 33.5% YoY to THB 296.9 mn, mainly a result of lower growth in Mega We Care™ branded products revenue, extra overheads from the capacity expansion, higher planned SGA expenses, and net forex loss of THB 21.6 mn.

- With the demand for Mega We Care™ branded products picking up, gross margins remaining steady and a significant portion of planned SGA already spent in first three quarters, we look for net profits to fare better in 4Q14.

MEGA remains focused on further cementing our leadership position in Indochina and deepening our presence in the African, CIS, and Latin American countries. With a healthy pipeline of new products and operations in 29 growth markets, MEGA is concentrating all efforts towards doubling our revenue and net profit over the next 5 years.

Income Statement

| <i>Figures in THB mn</i> | 3Q13 | 2Q14 | 3Q14 | YoY Gr. | 9M13 | 9M14 | YoY Gr. |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Operating revenue | 1,777.1 | 1,958.8 | 1,973.6 | 11.1% | 5,070.6 | 5,637.6 | 11.2% |
| Gross profits | 748.9 | 753.6 | 779.3 | 4.1% | 2,149.8 | 2,196.1 | 2.2% |
| <i>Gross margin (%)</i> | 42.1% | 38.5% | 39.5% | | 42.4% | 39.0% | |
| Selling and Admin. Exp (SGA) | 558.4 | 608.2 | 652.9 | 16.9% | 1,620.4 | 1,847.8 | 14.0% |
| <i>SGA (% to operating revenue)</i> | 31.4% | 31.1% | 33.1% | | 32.0% | 32.8% | |
| EBITDA | 222.8 | 186.9 | 168.4 | (24.4%) | 634.7 | 452.2 | (28.7%) |
| Profit before tax | 190.0 | 148.6 | 131.9 | (30.6%) | 539.4 | 341.2 | (36.7%) |
| Net profit | 153.1 | 129.1 | 111.3 | (27.3%) | 446.8 | 296.9 | (33.5%) |

1. Overall Revenue

In 3Q14, operating revenue climbed 11.1% YoY to THB 1,973.6 mn, driven by a 20.3% YoY growth in Maxxcare™ distribution revenue. Mega We Care™ branded products revenue grew by 6.5% YoY, taking its 9M14 revenue growth to 2.4% YoY. OEM revenue was down by 17.9% YoY during the quarter.

Southeast Asia¹ and Indochina² contributed 86.3% and 81.3% of our operating revenue in 3Q14, respectively.

The following table represents the revenue generated under different operating segments.

Revenue* by Business Segment

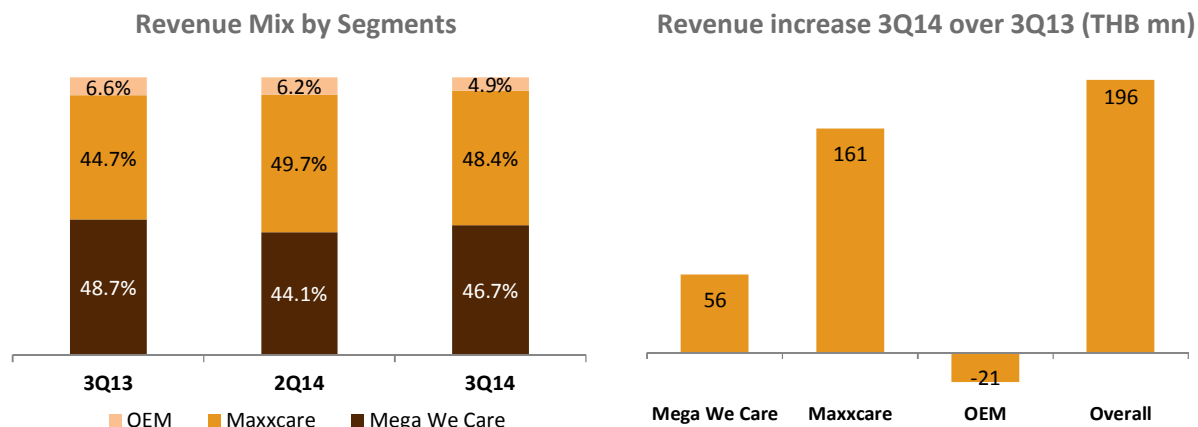
| <i>Figures in THB mn</i> | 3Q13 | 2Q14 | 3Q14 | YoY Gr. | 9M13 | 9M14 | YoY Gr. |
|---|----------------|----------------|----------------|--------------|----------------|----------------|--------------|
| Mega We Care™ branded products business | 865.5 | 863.9 | 921.7 | 6.5% | 2,463.6 | 2,523.7 | 2.4% |
| Maxxcare™ distribution business | 794.3 | 973.6 | 955.7 | 20.3% | 2,260.4 | 2,798.8 | 23.8% |
| OEM | 117.3 | 121.3 | 96.3 | (17.9%) | 346.6 | 315.1 | (9.1%) |
| Total | 1,777.1 | 1,958.8 | 1,973.6 | 11.1% | 5,070.6 | 5,637.6 | 11.2% |

*Revenue is net of inter segment charges & eliminations relating to consolidation

1. Thailand, Myanmar, Vietnam, Cambodia, Malaysia, Philippines, Indonesia and Singapore.

2. Thailand, Myanmar, Vietnam and Cambodia.

Operating revenue increased by THB 196.5 mn in 3Q14 YoY, mainly driven by Maxxcare™ distribution business.

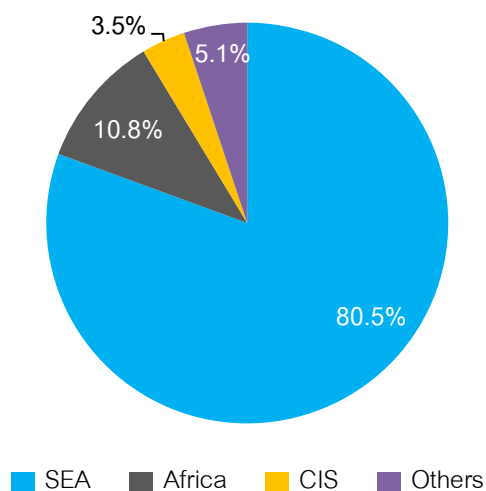


Mega We Care™ Branded Products Revenue

Revenue from sales of products under Mega We Care™ branded products business was THB 921.7 mn in 3Q14, an increase of THB 56.1 mn or 6.5% YoY, mainly led by Southeast Asia. Ukraine and Peru continued to see a slowdown in 3Q14. 9M14 saw Mega We Care™ branded products with a moderate revenue growth of 2.4% YoY, a result of flat growth in Thailand in 1H14, coupled with the slowdown in Ukraine and Peru. With Thailand picking up, we expect Mega We Care™ branded products revenue growth to improve in 4Q14.

Mega We Care™ Branded Products Revenue by Geography

| Figures in THB mn | 3Q13 | 2Q14 | 3Q14 | YoY Gr. | 9M13 | 9M14 | YoY Gr. |
|-------------------|--------------|--------------|--------------|-------------|----------------|----------------|-------------|
| Southeast Asia | 657.4 | 690.3 | 742.2 | 12.9% | 1,884.0 | 1,995.6 | 5.9% |
| Africa | 85.9 | 100.7 | 99.9 | 16.3% | 242.8 | 290.4 | 19.6% |
| CIS | 53.0 | 38.6 | 32.2 | (39.3%) | 167.8 | 122.4 | (27.1%) |
| Others | 69.2 | 34.3 | 47.4 | (31.5%) | 169.1 | 115.3 | (31.8%) |
| Total | 865.5 | 863.9 | 921.7 | 6.5% | 2,463.6 | 2,523.7 | 2.4% |



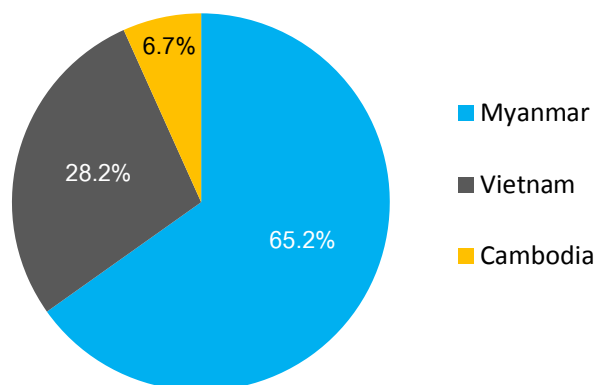
Southeast Asia contributed 80.5% of the Mega We Care™ branded products business revenue in 3Q14 (Indochina contributing 70.7%).

Maxxcare™ Distribution Revenue

Maxxcare™ distribution business revenue was THB 955.7 mn in 3Q14, an increase of 161.3 mn or 20.3% YoY, primarily driven by Myanmar.

Myanmar continues to be the largest market for Maxxcare™ distribution business, contributing 65.2% of the total Maxxcare™ revenue in 3Q14.

Maxxcare™ Distribution Revenue by Geography



As at 30 September 2014, we provided distribution services to 35 principals in Myanmar (including 16 consumer goods principals). While we have added 4 new principals in the first three quarters of this year; as reported in our 2Q14 MD&A, we expect an existing principal to discontinue from 4Q14 onwards; the impact of which will affect the Maxxcare™ top line in the short to medium term from 4Q14, with a limited impact on the bottom line.

As at 30 September 2014, we provided distribution services to 19 principals in Vietnam and 13 principals in Cambodia, net addition of 2 and 3 principals, respectively, from 31 December 2013.

OEM Business Revenue

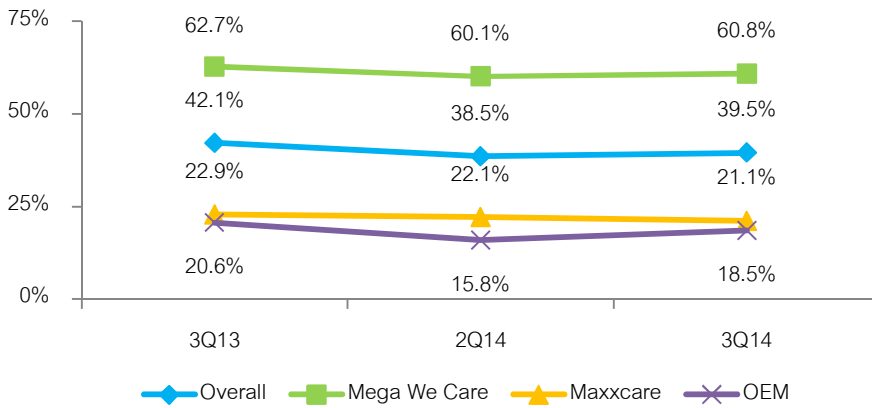
OEM revenue was THB 96.3 mn in 3Q14, a decrease of THB 21.0 mn or 17.9% YoY, mainly a result of a lower order book from our customers in Thailand. With the added capacity, we continue to be on a lookout for more OEM clients to fill up capacity in the short term while branded products grow to take up more capacity.

2. Gross Profits

Consolidated Gross Margin and Gross Profits

Consolidated gross profits were THB 779.3 mn in 3Q14, an increase of THB 30.4 mn or 4.1% YoY. Overall gross margin improved from 38.5% in 2Q14 to 39.5% in 3Q14, but declined from 42.1% in 3Q13. The YoY decline was mainly due to the change in revenue mix and lower gross margins reported by Mega We Care™ branded products.

For 9M14, overall gross profits amounted to THB 2,196.1 mn, an increase of THB 46.3 mn or 2.2% YoY. Overall gross margin was 39.0%, down from 42.4% in 9M13, also mainly a result of the change in revenue mix and lower gross margins reported by Mega We Care™ branded products.



We expect the improvement in Mega We Care™ revenue to continue in 4Q14. This should help improve the overall gross margins for the year as whole.

Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ branded products gross margin was 60.8% in 3Q14 and 61.7% in 9M14, compared to 62.7% in 3Q13, 64.2% in 9M13, and 63.6% in FY2013. The YoY decline in 3Q14 was mainly due to additional overheads from the capacity expansion and the lower revenue growth. We expect these gross margins to improve along with the demand for the branded products in 4Q14. Gross profits for 3Q14 was THB 560.1 mn, an increase of THB 17.0 mn or 3.1% YoY from THB 543.1 mn in 3Q13.

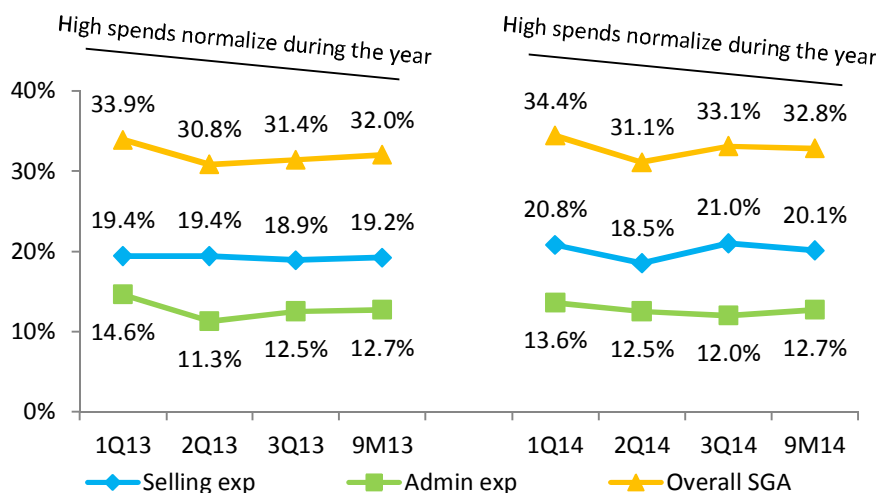
Maxxcare™ Distribution Business Gross Profit

Maxxcare™ distribution business gross margin was 21.1% in 3Q14 and 21.2% in 9M14, compared to 22.9% in 3Q13, 22.8% in 9M13, and 22.4% in FY2013. The YoY decline in 3Q14 was largely a result of the changes in principal and service mix. Gross profits were THB 201.3 mn, an increase of THB 19.8 mn or 10.9% YoY from THB 181.6 mn in 3Q13, driven by revenue growth in Myanmar.

OEM Business Gross Profit

OEM business gross margin was 18.5% in 3Q14 and 14.7% in 9M14, compared to 20.6% in 3Q13, 15.1% in 9M13, and 17.0% in FY2013. Gross profits were THB 17.8 mn, a decrease of THB 6.4 mn or 26.4% YoY from THB 24.2 mn in 3Q13, driven by a lower order book in Thailand.

3. Consolidated Selling and Administration expenses (SGA)



Selling and administrative expenses were THB 652.9 mn in 3Q14 and THB 1,847.8 in 9M14, in line with the operating plans. The amount represented 33.1% and 32.8% of operating revenue in 3Q14 and 9M14, respectively, compared to 31.4% and 32.0% in 3Q13 and 9M13, respectively. Spending towards marketing for Mega We Care™ branded products in certain markets, business expansion activities in Africa, and expansion of logistics resources in Myanmar were the main drivers for higher SGA in 3Q14. We expect SGA to taper down in 4Q14, taking the SGA for FY2014 to FY2013 levels, or at around 32% of operating revenue.

4. Consolidated Net Profit

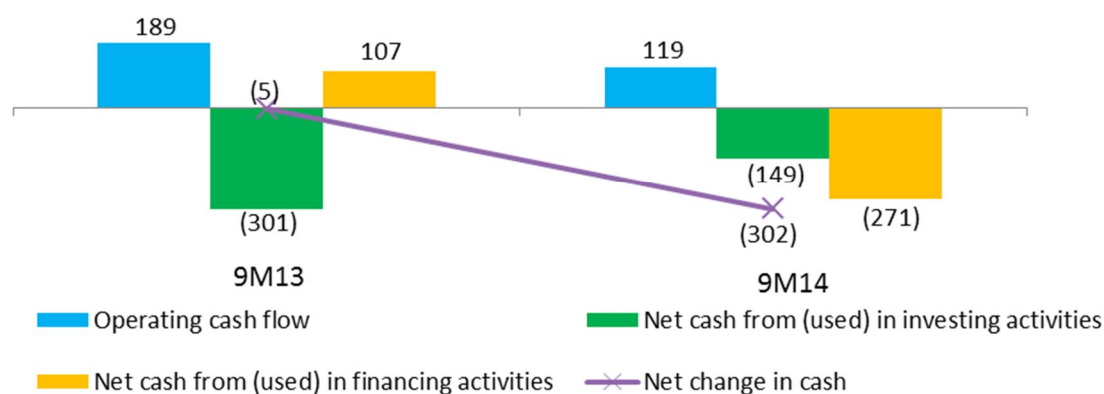
Net profit in 3Q14 was THB 111.3 mn, a decrease of THB 41.9 mn or 27.3% YoY from THB 153.1 mn in 3Q13, given a lower growth in Mega We Care™ branded products revenue, additional overheads from the capacity expansion, and higher planned SG&A.

Net profit in 9M14 was THB 296.9 mn, a decrease of THB 149.9 mn or 33.5% YoY from THB 446.8 mn in 9M13, largely a result of lower growth in Mega We Care™ branded products revenue, additional overheads from the capacity expansion, higher planned SGA, and net forex loss of THB 21.6 mn.

With the demand for Mega We Care™ branded products picking up, gross margins remaining steady, and a significant portion of planned SGA already spent in the first three quarters, we look for net profits to fare better in 4Q14 and expect 2H14 to be better than 1H14.

5. Cash Flows

Figures in THB mn



Operating Activities

Operating activities generated THB 119.2 mn of cash in 9M14, lower than the THB 189.1 mn generated in 9M13 due to lower net profits.

Working Capital

| | 2012 | 2013 | 1Q14 | 1H14 | 9M14 |
|--------------------------|------------|------------|------------|------------|------------|
| Average receivable days | 81 | 77 | 87 | 82 | 87 |
| Average inventory days | 127 | 138 | 155 | 142 | 133 |
| Average payable days | 84 | 85 | 112 | 96 | 92 |
| Cash cycle (days) | 123 | 131 | 130 | 128 | 128 |

Cash cycle witnessed a marginal improvement from 131 days in 2013 to 128 days in 9M14 as the increase in receivable days was offset by lower inventory days and higher payable days. Inventory as at 30 September 2014 was 133 days, out of which inventory of finished goods and raw material at factory accounted for 32 days. The increase in inventory was in line with the business requirements.

Investing Activities

In 9M14, net cash used in investing activities was THB 149.2 mn. Out of this, an amount of THB 122.6 mn was towards the expansion and maintenance capex and THB 11.6 mn was for improvement in information systems.

Financing Activities

In 9M14, net cash outflow from financing activities was THB 271.0 mn, driven by the payout of dividends amounting to THB 242.5 mn (THB 156.0 mn declared for financial year 2013 and THB 86.5 mn for 1H14).

6. Balance Sheet**Current Assets**

Cash and cash equivalents were THB 1,237.4 mn as at 30 September 2014, a decrease of THB 302.9 mn from 31 December 2013, resulting from investment in assets and dividend payouts.

Trade receivables were THB 1,906.8 mn as at 30 September 2014, an increase of 182.6 mn or 10.6% from 31 December 2013, in line with business movements.

Inventories were THB 1,700.9 mn as at 30 September 2014, an increase of THB 16.0 mn from 31 December 2013, in line with the business requirements.

As at 30 September 2014, Current ratio remained stable at 2.0 times.

Non-current Assets

Non-current assets were THB 1,386.6 mn as at 30 September 2014, up THB 76.0 mn or 5.8% from 31 December 2013. The increase was driven by investment in property plant and equipment, prepayment for land, and deferred tax assets.

Current Liabilities

Current liabilities were THB 2,552.2 mn as at 30 September 2014, an increase of THB 4.8 mn compared to 31 December 2013.

Non-current Liabilities

Non-current liabilities were THB 247.1 mn as at 30 September 2014, a decrease of THB 48.8 mn or 16.5%, compared to 31 December 2013, as long term loan declined following the debt repayment.

As at 30 September 2014, Interest-bearing debt to Equity ratio remained stable at 0.3 times while Debt to Equity ratio stood at 0.8 times.

Shareholders' Equity

Shareholders' equity were THB 3,725.6 mn as at 30 September 2014, an increase of THB 33.1 mn compared to 31 December 2013, given 9M14 net profit and dividend payouts during the year.

Consolidated Balance Sheet

| Figures in THB mn | 30-Sep-14 | | 31-Dec-13 | | Change | |
|--|----------------|---------------|----------------|---------------|---------------|----------------|
| | Amount | % | Amount | % | Amount | % |
| Current Assets | | | | | | |
| Cash and cash equivalents | 1,237.4 | 19.0% | 1,540.3 | 23.6% | (302.9) | (19.7%) |
| Trade accounts receivable | 1,906.8 | 29.2% | 1,724.2 | 26.4% | 182.6 | 10.6% |
| Inventories | 1,700.9 | 26.1% | 1,684.9 | 25.8% | 16.0 | 0.9% |
| Other current assets | 293.2 | 4.5% | 275.8 | 4.2% | 17.4 | 6.3% |
| Total Current Assets | 5,138.4 | 78.7% | 5,225.3 | 79.9% | (86.9) | (1.7%) |
| Non-Current Assets | | | | | | |
| Restricted deposits with Banks | - | 0.0% | 10.6 | 0.2% | (10.6) | (100.0%) |
| Property, plant and equipment | 987.5 | 15.1% | 969.5 | 14.8% | 18.0 | 1.9% |
| Intangible assets | 223.7 | 3.4% | 213.0 | 3.3% | 10.6 | 5.0% |
| Deferred tax assets | 103.3 | 1.6% | 79.2 | 1.2% | 24.1 | 30.4% |
| Other non-current assets | 72.0 | 1.1% | 38.2 | 0.6% | 33.9 | 88.8% |
| Total Non-Current Assets | 1,386.6 | 21.3% | 1,310.6 | 20.1% | 76.0 | 5.8% |
| Total Assets | 6,524.9 | 100.0% | 6,535.9 | 100.0% | (10.9) | (0.2%) |
| Current Liabilities | | | | | | |
| Bank overdrafts & short-term loans | 742.4 | 11.4% | 709.4 | 10.9% | 32.9 | 4.6% |
| Trade accounts payable | 1,204.4 | 18.5% | 1,144.7 | 17.5% | 59.6 | 5.2% |
| Other payables | 174.9 | 2.7% | 201.8 | 3.1% | (26.9) | (13.3%) |
| Current portion of long-term loans | 74.0 | 1.1% | 75.0 | 1.1% | (1.0) | (1.3%) |
| Current portion of finance lease liability | 0.2 | 0.0% | 0.2 | 0.0% | (0.0) | (11.4%) |
| Income tax payable | 10.9 | 0.2% | 52.9 | 0.8% | (42.0) | (79.4%) |
| Accrued expenses | 345.5 | 5.3% | 363.3 | 5.6% | (17.9) | (4.9%) |
| Total Current Liabilities | 2,552.2 | 39.1% | 2,547.4 | 39.0% | 4.8 | 0.2% |
| Non-Current Liabilities | | | | | | |
| Long-term loans | 153.5 | 2.4% | 211.8 | 3.2% | (58.3) | (27.5%) |
| Finance lease liabilities | 0.2 | 0.0% | 0.4 | 0.0% | (0.2) | (46.7%) |
| Deferred tax liabilities | 1.8 | 0.0% | 3.0 | 0.0% | (1.2) | (39.3%) |
| Employees benefits obligation | 88.8 | 1.4% | 78.6 | 1.2% | 10.3 | 13.1% |
| Other non-current liabilities | 2.7 | 0.0% | 2.1 | 0.0% | 0.6 | 29.3% |
| Total Non-Current Liabilities | 247.1 | 3.8% | 295.9 | 4.5% | (48.8) | (16.5%) |
| Total Liabilities | 2,799.3 | 42.9% | 2,843.3 | 43.5% | (44.0) | (1.5%) |
| Equity | | | | | | |
| Issued and paid-up share capital | 432.6 | 6.6% | 432.6 | 6.6% | - | 0.0% |
| Premium on ordinary shares | 2,138.1 | 32.8% | 2,138.1 | 32.7% | - | 0.0% |
| Retained earnings | | | | | | |
| Legal reserve | 49.1 | 0.8% | 49.1 | 0.8% | - | 0.0% |
| Other reserves | 1,271.1 | 19.5% | 1,212.7 | 18.6% | 58.4 | 4.8% |
| Other components of equity | (165.3) | -2.5% | (140.0) | -2.1% | (25.3) | 18.1% |
| Owners Equity | 3,725.7 | 57.1% | 3,692.6 | 56.5% | 33.1 | 0.9% |
| Non-controlling interests | (0.0) | 0.0% | 0.0 | 0.0% | (0.0) | (237.3%) |
| Total Equity | 3,725.6 | 57.1% | 3,692.6 | 56.5% | 33.1 | 0.9% |
| Total Liabilities and Equity | 6,524.9 | 100.0% | 6,535.9 | 100.0% | (10.9) | (0.2%) |

Consolidated Income Statement

| <i>Figures in THB mn</i> | 3Q13 | 2Q14 | 3Q14 | YoY Gr | 9M13 | 9M14 | YoY Gr |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Operating revenue | 1,777.1 | 1,958.8 | 1,973.6 | 11.1% | 5,070.6 | 5,637.6 | 11.2% |
| Other income | 3.9 | 10.3 | 8.7 | 120.2% | 18.7 | 28.0 | 49.7% |
| Total income | 1,781.1 | 1,969.1 | 1,982.3 | 11.3% | 5,089.3 | 5,665.7 | 11.3% |
| Cost of goods sold | 1,028.3 | 1,205.2 | 1,194.4 | 16.2% | 2,920.8 | 3,441.5 | 17.8% |
| Gross profits | 748.9 | 753.6 | 779.3 | 4.1% | 2,149.8 | 2,196.1 | 2.2% |
| <i>Gross margin (%)</i> | 42.1% | 38.5% | 39.5% | | 42.4% | 39.0% | |
| Selling expenses | 336.0 | 362.8 | 415.3 | 23.6% | 975.0 | 1,133.4 | 16.2% |
| Administrative expenses | 222.4 | 245.4 | 237.6 | 6.8% | 645.3 | 714.4 | 10.7% |
| Selling & Administrative exp (SGA) | 558.4 | 608.2 | 652.9 | 16.9% | 1,620.4 | 1,847.8 | 14.0% |
| <i>SGA (% to operating revenue)</i> | 31.4% | 31.1% | 33.1% | | 32.0% | 32.8% | |
| Net foreign exchange loss/(gain) | (4.2) | 2.5 | (0.9) | | (14.7) | 21.6 | |
| EBITDA | 222.8 | 186.9 | 168.4 | (24.4%) | 634.7 | 452.2 | (28.7%) |
| <i>EBITDA margin (%)</i> | 12.5% | 9.5% | 8.5% | | 12.5% | 8.0% | |
| Depreciation & Amortization | 24.1 | 33.7 | 32.3 | 34.0% | 71.7 | 97.5 | 35.9% |
| Earnings before interest and tax (EBIT) | 198.6 | 153.2 | 136.0 | (31.5%) | 562.9 | 354.7 | (37.0%) |
| Finance cost | 8.6 | 4.5 | 4.1 | (52.2%) | 23.6 | 13.5 | (42.7%) |
| Profit before tax | 190.0 | 148.6 | 131.9 | (30.6%) | 539.4 | 341.2 | (36.7%) |
| Tax expense | 36.1 | 19.6 | 20.6 | (42.9%) | 90.9 | 44.3 | (51.2%) |
| Net Profit | 153.1 | 129.1 | 111.3 | (27.3%) | 446.8 | 296.9 | (33.5%) |
| <i>Net margin (%)</i> | 8.6% | 6.6% | 5.6% | | 8.8% | 5.3% | |
| EPS | 0.21 | 0.15 | 0.13 | | 0.61 | 0.34 | |

Disclaimer

The information contained in our analysis is intended solely for your personal reference only. In addition, such forward- looking statements reflect our current views with respect to future events and financial performance.

These views are based on assumptions subject to various risks and uncertainties. No assurance is given that future events will occur or that our assumptions are correct. Actual results may differ materially from those projected.