

Date: 12 May 2015
Subject: 1Q15 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 31 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 1Q15

Consolidated Income Statement

Overall operating revenue in 1Q15 grew by 17.2% YoY (normalized¹ basis) to THB 1,803.6mn (reported growth of 5.8% YoY) and gross profits of THB 745.2mn (up 12.4% YoY), while earnings before interest, tax, depreciation and amortization (EBITDA) and net profits came in at THB 163.6mn (up 68.6% YoY) and THB 106.5mn (up 88.2% YoY), respectively.

Key points:

- Overall operating revenue was THB 1,803.6mn in 1Q15, up by 17.2% YoY (normalized basis) and up by 5.8% YoY (reported basis). Maxxcare™ and Mega We Care™, both growing at healthy rates.
 - Mega We Care™ operating revenue was THB 843.3mn in 1Q15 (up 14.3% YoY).
 - Maxxcare™ operating revenue was THB 856.2mn in 1Q15, up by 21.8% YoY (normalized basis) but was 1.5% down YoY (reported basis), and
 - OEM revenue came in at THB 104.1mn in 1Q15 (up 6.8% YoY).
- Overall gross margin was 41.3% in 1Q15, compared to 38.9% in 1Q14 and 40.3% of FY14. Stable segmental gross margins and growth in Mega We Care™ business helped widening of overall gross margins.
- Selling and administrative expenses (SG&A) was 33.5% of operating revenue in 1Q15, compared to 34.4% in 1Q14 and 32.1% in FY14.
- Net forex loss of THB 28.2mn, an increase of THB 8.1mn over 1Q14, mainly led by depreciation in Nigerian (NGN) currency vs. USD of 15%.
- Net profit in 1Q15 was THB 106.5mn, an increase of THB 49.9mn or 88.2% YoY. Increase in net profits was driven by improvement in overall gross margins (a result of steady segmental gross margins and increase in Mega We Care™ business) and stable SG&A expenses.

1. Maxxcare™ distribution business revenue growth in 1Q15 is normalized by excluding the revenue attributable to one of our principal in 1Q14 whose business was discontinued since 4Q14 (as reported in our 3Q14 and 4Q14 MD&As')

Net profits in 1Q15 were slightly suppressed by the forex losses and the slowdown in Ukraine and Yemen.

MEGA remains focused on further cementing our leadership position in Indochina and deepening our presence in the Sub-Saharan African countries. With a healthy pipeline of new products and operations in 31 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>	1Q14	1Q15	YoY Gr.	
Operating Revenue	1,705.3	1,803.6	5.8%	<ul style="list-style-type: none"> • Mega We Care™ and Maxxcare™ revenue (normalized basis) grew at healthy rates in 1Q15. • Overall gross margins widened as a result of stable segmental gross margins and better revenue mix. • Net profits growth driven by improvement in overall gross margins and stable SG&A expenses.
Gross profits	663.3	745.2	12.4%	
<i>Gross margin (%)</i>	38.9%	41.3%		
Selling and Admin. exp (SGA)	586.7	604.2	3.0%	
<i>SGA (% to operating revenue)</i>	34.4%	33.5%		
EBITDA	97.0	163.6	68.6%	
Profit before tax	60.7	125.7	107.0%	
Net Profit	56.6	106.5	88.2%	

1. Overall Revenue

Overall operating revenue (reported basis) in 1Q15 grew by 5.8% YoY to THB 1,803.6mn, mainly driven by a 14.3% YoY growth in Mega We Care™ branded products while Maxxcare™ distribution business was down by 1.5% YoY, OEM revenue was up by 6.8% YoY in 1Q15.

On normalized basis, the overall operating revenue was up by 17.2% YoY, Maxxcare™ higher by 21.8% YoY, mainly driven by Myanmar.

Southeast Asia¹ and Indochina² contributed 86.4% and 80.5% of our operating revenues in 1Q15, respectively.

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

Revenue* by Business Segment

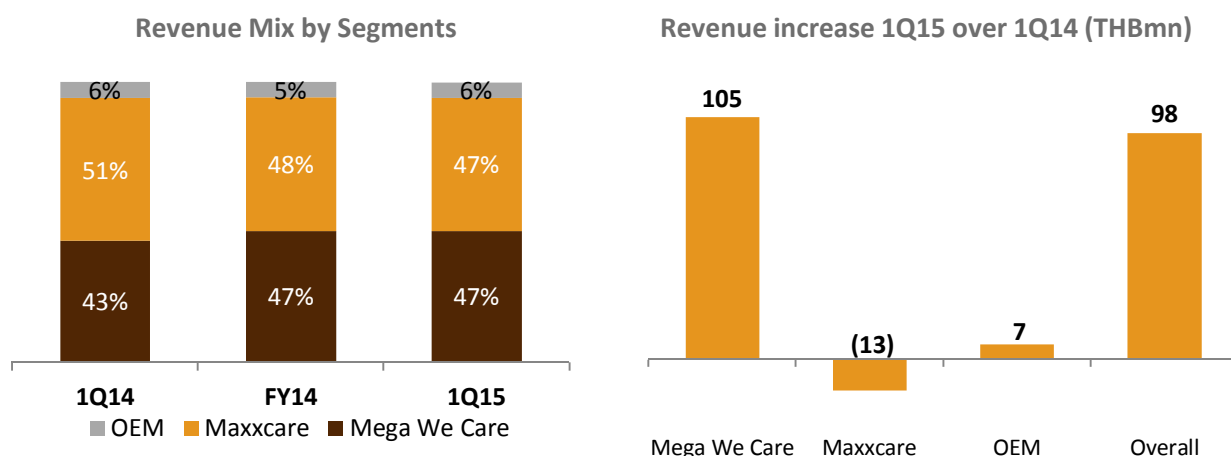
<i>Figures in THB mn</i>	As Reported			Normalized basis		
	1Q14	1Q15	YoY Gr.	1Q14	1Q15	YoY Gr.
Mega We Care™ branded products business	738.1	843.3	14.3%	738.1	843.3	14.3%
Maxxcare™ distribution business	869.6	856.2	-1.5%	702.8	856.2	21.8%
OEM	97.5	104.1	6.8%	97.5	104.1	6.8%
Total	1,705.3	1,803.6	5.8%	1,538.5	1,803.6	17.2%

*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 98.5mn YoY in 1Q15, mainly driven by Mega We Care™ branded products business.

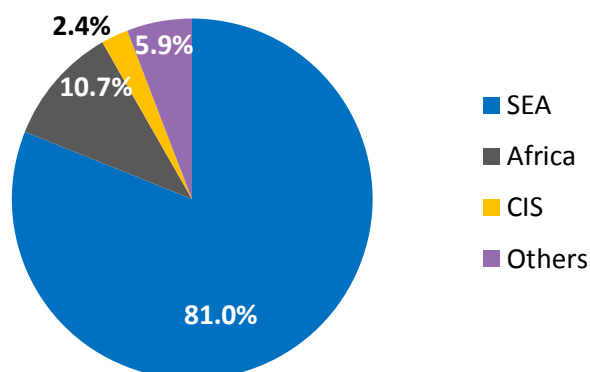


Mega We Care™ Branded Products Revenue

Revenue from sales of products under Mega We Care™ branded products business was THB 843.3mn in 1Q15, an increase of THB 105.2mn or 14.3% YoY, mainly led by Southeast Asia which was up by 21.3% YoY. African countries remained flat, given depreciation of Nigerian (NGN) and Ghanaian (GCD) currencies by 15% and 28%, respectively against USD; at constant currency rate, the in-market sales for Africa was up by 21.8% YoY in 1Q15. Though not a significant contributor to the overall revenue of the company, continuing social un-rest in Ukraine (CIS) and Yemen (Others) resulted in revenue decline of the 52% and 45% YoY, respectively in 1Q15.

Mega We Care™ Branded Products Revenue by Geography

Figures in THB mn	1Q14	1Q15	YoY Gr.
Southeast Asia	563.1	683.2	21.3%
Africa	89.9	90.3	0.5%
CIS	35.2	20.2	(42.5%)
Others	50.0	49.6	(0.8%)
Total	738.1	843.3	14.3%



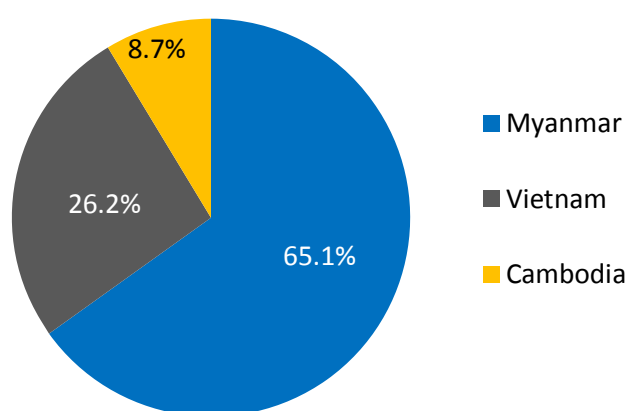
Southeast Asia contributed 81.0% of the Mega We Care™ branded products business revenue in 1Q15 (Indochina contributed 69.2%).

Maxxcare™ Distribution Revenue

Maxxcare™ distribution business revenue was THB 856.2mn in 1Q15, a decrease of THB 13.4mn or 1.5% YoY, decline mainly led by the discontinuance of one of our principal in Myanmar (as reported in our 3Q14 and 4Q14 MD&As). Normalizing for loss of business from such principal, Maxxcare™ revenue grew at a healthy rate of 21.8% mainly driven by increase in existing principal's business in Myanmar.

Myanmar continues to be the largest market for Maxxcare™ distribution business, contributing 65% of the total Maxxcare™ revenue in 1Q15.

Maxxcare™ Distribution Revenue by Geography



As at 31 March 2015, we provided distribution services to 37 principals in Myanmar (including 18 consumer goods principals), a net addition of 2 new principals from 31 December 2014. We provided distribution services to 20 principals in Vietnam and 16 principals in Cambodia, net additions of 1 and 3 principals, respectively, from 31 December 2014.

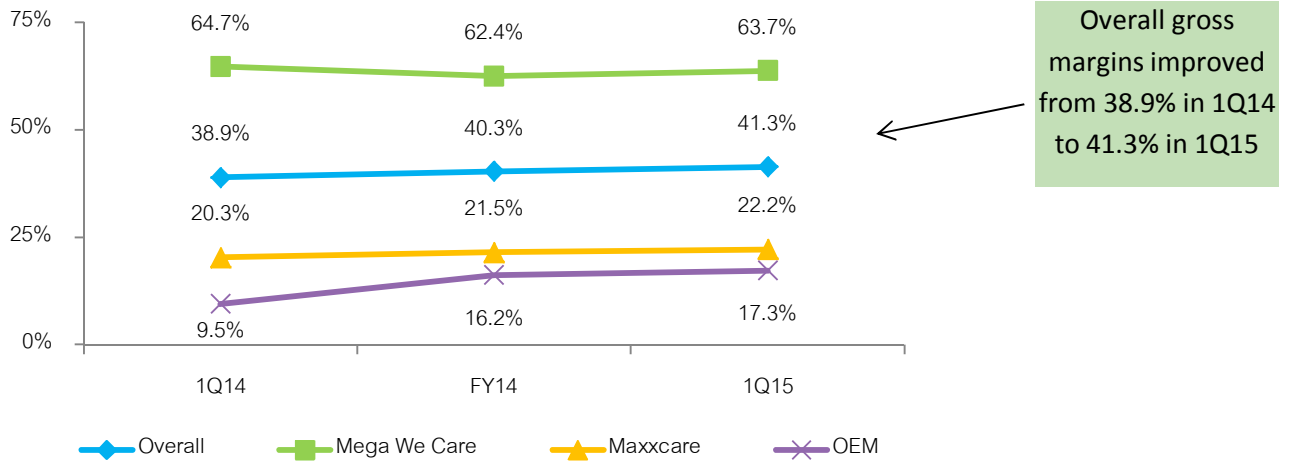
OEM Business Revenue

OEM revenue was THB 104.1mn in 1Q15, an increase of THB 6.6mn or 6.8% YoY, mainly driven by business in Australia.

2. Gross Profits

Consolidated Gross Margin and Gross Profits

Consolidated gross profits were THB 745.2mn in 1Q15, an increase of THB 81.9mn or 12.4% YoY. 1Q15 overall gross margin improved to 41.3% from 38.9% in 1Q14 and 40.3% of FY14. Improvement was mainly led by growth in Mega We Care™ branded products business resulting in better revenue mix and stable segmental gross margins.



Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ branded products gross margin was 63.7% in 1Q15, compared to 64.7% in 1Q14 and 62.4% of FY14. Whilst the margin in 1Q15 was better than FY14, the YoY decline in the quarter was mainly a result of better margin realization in 1Q14 as the additional overheads from the capacity expansion effectively came in our books from 2Q14.

1Q15 Mega We Care™ branded products gross profit was THB 537.4mn, an increase of THB 59.9mn or 12.5% YoY, mainly driven by increase in revenue.

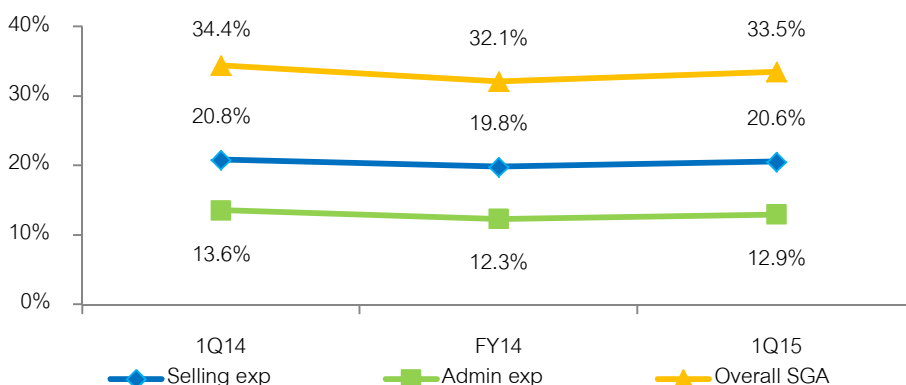
Maxxcare™ Distribution Business Gross Profit

Maxxcare™ distribution business gross margin was 22.2% in 1Q15, compared to 20.3% in 1Q14 and 21.5% of FY14. The YoY improvement in 1Q15 was largely a result of the changes in principal and service mix. Gross profit grew by 7.6% YoY or by THB 13.4mn to THB 189.9mn in 1Q15.

OEM Business Gross Profit

OEM business gross margin was 17.3% in 1Q15 compared to 9.5% in 1Q14 and 16.2% of FY14, respectively. Improvement in gross margins was a result of increase in revenue and certain cost optimisation measures implemented in Australia. Gross profits in 1Q15 were THB 18.0mn, an increase of THB 8.7mn or 93.9% YoY.

3. Consolidated Selling and Administration expenses (SG&A)



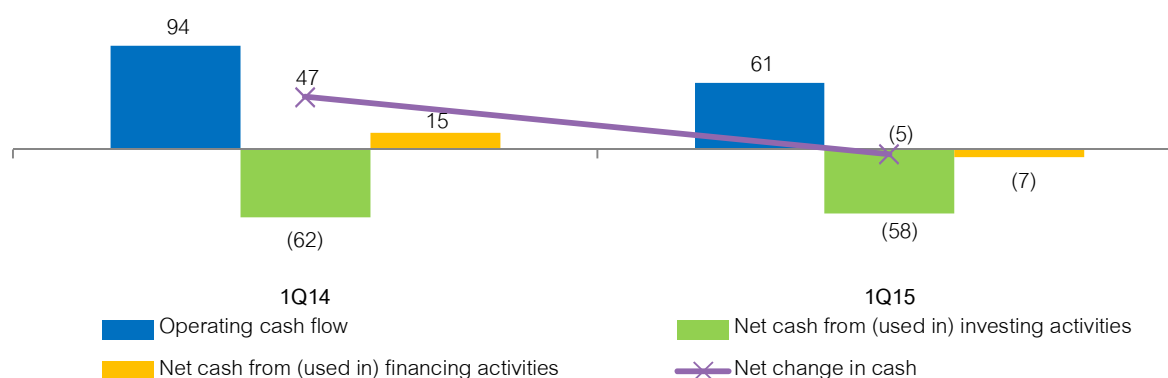
SG&A was THB 604.2mn in 1Q15 representing 33.5% of the operating revenue compared to 34.4% in 1Q14 and 32.1% of FY14. We expect FY15 SG&A to be around 32% of our operating revenue.

4. Consolidated Net Profit

Net profit in 1Q15 was THB 106.5mn, an increase of THB 49.9mn or 88.2% YoY. Increase in net profits was driven by improvement in overall gross margins (a result of steady segmental gross margins and increase in Mega We Care™ business) and stable SG&A expenses. Net profits in 1Q15 were slightly suppressed by the forex losses and the slowdown in Ukraine and Yemen.

5. Cash Flows¹

Figures in THBmn



1 a) Cash and bank balances as at 31 March 2015 include THB 332.5mn of cash and cash equivalents and THB 939.3mn of term deposits with banks. b) Movement in term deposits with banks (investments/redemption) haven't been considered in the above cash flow statement.

Operating Activities

Operating activities generated THB 60.6mn of cash in 1Q15, a decrease of THB 33.6mn compared to 1Q14, mainly a result of changes in working capital.

Working Capital

	For the period ending		
	Dec'13	Dec'14	Mar'15
Average receivable days	78	90	106
Average inventory days	138	130	139
Average payable days	86	100	120
Cash cycle (days)	130	120	125

Cash cycle increased from 120 days in Dec'14 to 125 days in Mar'15. Increase in receivable and inventory days were partially offset by higher payable days. In absolute terms the core working capital (trade receivable (+) inventories (-) trade payables) decreased from THB 2,361.6mn as at 31 December 2014 to THB 2,320.3mn as at 31 March 2015, a decrease of THB 41.3mn. Out of 139 days of Inventory in Mar'15, inventory of finished goods and raw material at factory accounted for 32 days.

Investing Activities

In 1Q15, net cash used in investing activities was THB 58.0mn. Out of this amount, THB 37.5mn was

towards the acquisition of land in Australia as part of overall investment plan for future expansion and THB 4.5mn was for improvement in information systems.

Financing Activities

In 1Q15, net cash outflow from financing activities was THB 7.1mn, driven by repayment of term loans of THB 19.7mn and utilization of credit lines of THB 15.1mn.

6. Balance Sheet

Current Assets

Cash and bank balance (including cash and cash equivalents and term deposits with bank) was THB 1,271.9mn as at 31 March 2015, a decrease of THB 9.1mn from 31 December 2014, resulting from investment in assets and loan repayments.

Trade receivables were THB 2,115.8mn as at 31 March 2015, as compared to THB 2,116.1 as 31 December 2014.

Inventories were THB 1,614.8mn as at 31 March 2015, a decrease of THB 34.7mn or 2.1% from 31 December 2014.

As at 31 March 2015, Current ratio was at 2.2 times.

Non-current Assets

Non-current assets were THB 1,379.6mn as at 31 March 2015, up by THB 4.5mn or 0.3% from 31 December 2014. The increase was driven by investment in information systems and deferred tax assets.

Current Liabilities

Current liabilities were THB 2,484.8mn as at 31 March 2015, a decrease of THB 36.0mn or 1.4% compared to 31 December 2014.

Trade payables were THB 1,410.2mn as at 31 March 2015, an increase of 6.3mn or 0.4% from 31 December 2014, in line with business.

Non-current Liabilities

Non-current liabilities were THB 214.4mn as at 31 March 2015, a decrease of THB 18.3mn or 7.9%, compared to 31 December 2014, as long term loans declined following the debt repayment.

As at 31 March 2015, Interest-bearing debt to Equity ratio was stable at 0.14 times, while Debt to Equity ratio stood constant at 0.7 times.

Shareholders' Equity

Shareholders' equity was THB 4,037.1mn as at 31 March 2015, an increase of THB 58.8mn compared to 31 December 2014, mainly driven by 1Q15 net profits.

Consolidated Balance Sheet

Figures in THB mn	31-Mar-15		31-Dec-14		Change	
	Amount	%	Amount	%	Amount	%
Current Assets						
Cash and bank balances ¹	1,271.9	18.9%	1,281.0	19.0%	(9.1)	(0.7%)
Trade accounts receivable	2,115.8	31.4%	2,116.1	31.4%	(0.3)	(0.0%)
Inventories	1,614.8	24.0%	1,649.5	24.5%	(34.7)	(2.1%)
Other current assets	354.3	5.3%	310.3	4.6%	44.1	14.2%
Total Current Assets	5,356.7	79.5%	5,356.8	79.6%	(0.0)	(0.0%)
Non-Current Assets						
Property, plant and equipment	978.2	14.5%	980.1	14.6%	(1.9)	(0.2%)
Intangible assets	232.4	3.5%	230.2	3.4%	2.2	1.0%
Deferred tax asset	95.6	1.4%	93.4	1.4%	2.2	2.3%
Other non-current assets	73.4	1.1%	71.3	1.1%	2.1	2.9%
Total Non-Current Assets	1,379.6	20.5%	1,375.1	20.4%	4.5	0.3%
Total Assets	6,736.4	100.0%	6,731.8	100.0%	4.5	0.1%
Current Liabilities						
Bank overdrafts & short-term Loans	365.2	5.4%	354.2	5.3%	11.1	3.1%
Trade accounts payable	1,410.2	20.9%	1,403.9	20.9%	6.3	0.4%
Other payables	224.0	3.3%	265.4	3.9%	(41.4)	(15.6%)
Current portion of long-term loans	74.5	1.1%	75.4	1.1%	(0.9)	(1.2%)
Current portion of finance Lease liability	0.2	0.0%	0.2	0.0%	(0.0)	(6.7%)
Income tax payable	72.8	1.1%	55.5	0.8%	17.3	31.2%
Accrued expenses	337.9	5.0%	366.2	5.4%	(28.3)	(7.7%)
Total Current Liabilities	2,484.8	36.9%	2,520.8	37.4%	(36.0)	(1.4%)
Non-Current Liabilities						
Long-term loans	117.1	1.7%	137.2	2.0%	(20.0)	(14.6%)
Finance lease liabilities	0.1	0.0%	0.2	0.0%	(0.0)	(25.3%)
Deferred tax liability	2.2	0.0%	2.9	0.0%	(0.7)	(24.1%)
Employees benefits obligation	92.6	1.4%	90.1	1.3%	2.5	2.8%
Other non-current liabilities	2.4	0.0%	2.4	0.0%	(0.0)	(2.0%)
Total Non-Current Liabilities	214.4	3.2%	232.8	3.5%	(18.3)	(7.9%)
Total Liabilities	2,699.3	40.1%	2,753.6	40.9%	(54.3)	(2.0%)
Equity						
Issued and paid-up share capital	432.6	6.4%	432.6	6.4%	-	0.0%
Premium on ordinary shares	2,138.1	31.7%	2,138.1	31.8%	-	0.0%
Retained earnings:						
Appropriated	71.9	1.1%	67.5	1.0%	4.4	6.5%
Unappropriated	1,611.6	23.9%	1,507.2	22.4%	104.4	6.9%
Other components of equity	(217.2)	-3.2%	(167.2)	-2.5%	(50.0)	29.9%
Owners Equity	4,037.1	59.9%	3,978.3	59.1%	58.8	1.5%
Non-controlling interests	(0.0)	0.0%	(0.0)	0.0%	(0.0)	86.9%
Total Equity	4,037.1	59.9%	3,978.3	59.1%	58.8	1.5%
Total Liabilities and Equity	6,736.4	100.0%	6,731.8	100.0%	4.5	0.1%

¹ Cash and bank balances as at 31 March 2015 include THB 332.5 mn of cash and cash equivalents and THB 939.3 mn of term deposits with banks.

Consolidated Income Statement

<i>Figures in THB mn</i>	1Q14	1Q15	YoY Gr.
Operating Revenue	1,705.3	1,803.6	5.8%
Other income	9.1	15.3	69.1%
Total Income	1,714.3	1,818.9	6.1%
Cost of goods sold	1,042.0	1,058.4	1.6%
Gross profits	663.3	745.2	12.4%
<i>Gross margin (%)</i>	38.9%	41.3%	
Selling expense	355.3	371.0	4.4%
Administrative expense	231.4	233.2	0.8%
Selling & Administrative exp (SGA)	586.7	604.2	3.0%
<i>SGA (% to operating revenue)</i>	34.4%	33.5%	
Net foreign exchange loss/(gain)	20.1	28.2	40.1%
EBITDA	97.0	163.6	68.6%
<i>% of EBITDA to operating revenue</i>	5.7%	9.1%	
Depreciation & Amortization	31.5	35.4	12.6%
Earning before interest & tax (EBIT)	65.5	128.2	95.6%
Finance cost	4.8	2.5	(48.4%)
Profit before tax	60.7	125.7	107.0%
Tax expense	4.2	19.2	361.1%
Net Profit	56.6	106.5	88.2%
<i>% of Net profit to operating revenue</i>	3.3%	5.9%	
Earning per share	0.07	0.12	88.2%

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.