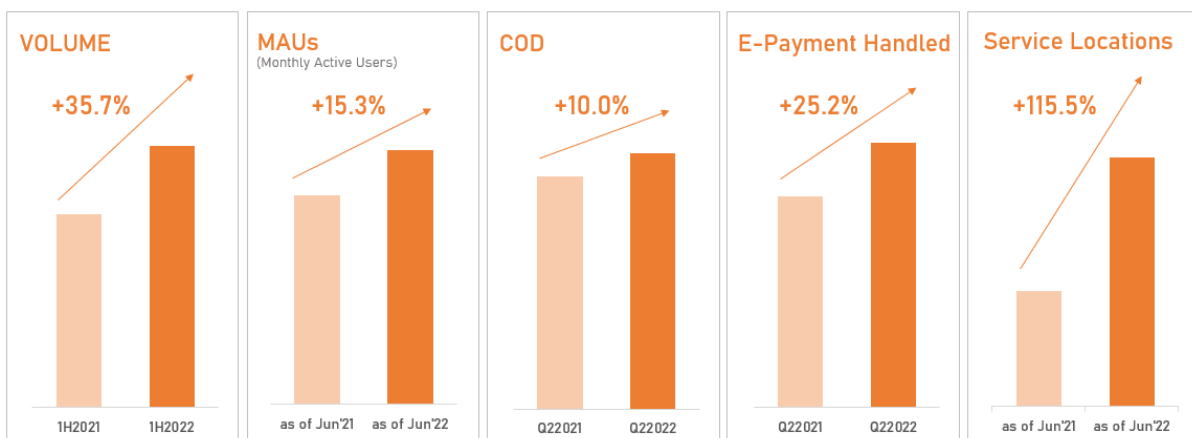


KERRY EXPRESS (THAILAND) PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS Q2/2022

CONTINUOUS GROWTH IN DELIVERY VOLUME ACHIEVED DESPITE LOW SEASONALITY AMIDST OPERATIONAL CHALLENGES

- Following the **EXPRESS-FOCUS STRATEGY** and successful implementation of the aggressive pricing approach, 1H/2022 **DELIVERY VOLUME CONTINUES TO EXPAND** at an astounding rate of 35.7% compared to 1H/2021 amidst low seasonality and relatively softer demand. **SMART PRICING APPROACH** has been carried out in mid-June to further nurture sustainable yield along with volume growth. In response to the rising diesel price, **FUEL SURCHARGE** has also been adopted to neutralise such impact, subject to adjustment based on the movement of diesel price.
- KEX's **PLATFORM UPGRADE** and the **INDUSTRIALISATION OF KEX** have continuously been carried out while being challenged by more holidays in April and May resulting in fewer working days, Covid bounce-back, tightening labour market, and upsurge in oil prices. Q2/2022 is deemed to be the toughest quarter of the year in terms of operations. As a result, cost and expenses momentarily increased in order to uphold service excellence meanwhile expanding capacity to accommodate the growing number of parcel volume. However, KEX is strictly executing **COST REDUCTION PROGRAMMES** including **OPERATIONS REVAMP** through **SUPER LAST-MILE**, the standardised last-mile process with centralised control for cost effectiveness and productivity optimisation in the long run. In addition, intensive performance-based employment approach is being implemented company-wide to reward & retain valuable human resources and identify low contributors.
- KEX has **DIVERSIFIED BUSINESS TO WELCOME NEW REVENUE STREAMS, FOSTERING HEALTHY MARGINS**. KEX plans to invest in a **JOINT VENTURE** with **HIVE BOX**, China's largest express locker operator backed by S.F. Holding, to establish Thailand's leading **SMART LOCKER SYSTEM**, serving demand for parcel delivery services with lower cost, enhanced flexibility and speeds. The newly-formed entity will offer end-to-end drop-off and pick-up solutions with the integration of advanced digitisation and automation powered by Hive Box.
- KEX continues to widen our **MARKET LEADERSHIP** relentlessly by deepening our penetration into online and offline communities through our extensive First-Mile network. Given our successful cooperation with community resellers nationwide and leading retail brands, KEX has over 33,000 service locations at the end of Q2/2022, rising by 115.5% compared to the same period last year. Moreover, KEX has been entrusted by TikTok to be its **PARCEL DELIVERY SERVICE PARTNER ON TIKTOK SHOP**, enlarging our client base and market presence on e-commerce platforms. KEX's extensive network has set strong market presence across segments and over other players in the market. Our number of Monthly Active Users has continuously grown at 15.3% YoY.



KERRY EXPRESS (THAILAND) PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS Q2/2022

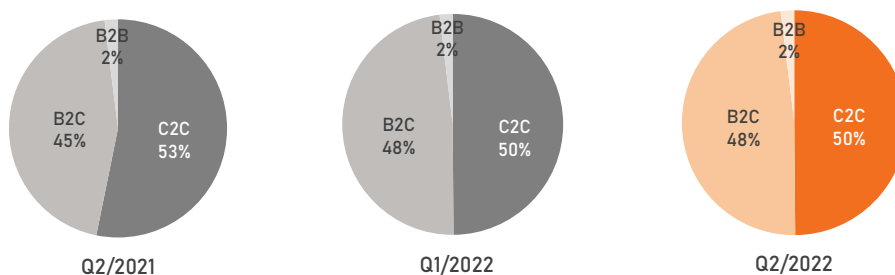
Q2/2022 FINANCIAL PERFORMANCE

Table 1: Selected Indicators for Operational Results

(Unit: Million THB)	Q2/2021	Q1/2022	Q2/2022	YoY % +/-	QoQ % +/-
Volume growth 1H/2022 (%)				35.7%	
Sales and services income	4,600.0	4,416.0	4,283.0	-6.9%	-3.0%
Cost of sales and services	-3,891.2	-4,630.4	-4,783.1	22.9%	3.3%
Gross profit	708.8	-214.4	-500.1	-170.6%	-133.3%
Selling and administrative expenses	-327.7	-430.0	-459.0	40.1%	6.7%
EBITDA	986.6	39.5	-300.2	-130.4%	-860.7%
EBIT	428.2	-605.3	-919.0	-314.6%	-51.8%
Net profit attributable to owners of the Company	335.6	-491.1	-732.4	-318.2%	-49.1%
EPS (THB/Share)	0.19	-0.282	-0.420		
Gross Profit Margin (%)	15.4%	-4.9%	-11.7%		
EBITDA Margin (%)	21.4%	0.9%	-7.0%		
EBIT Margin (%)	9.3%	-13.7%	-21.5%		
Net Profit Margin (%)	7.3%	-11.1%	-17.1%		

Remark: As shown in financial statements, excluding non-controlling interests

Table 2: Revenue by Segment



- Revenue is reported at THB 4,283.0 million, close to that of the previous quarter, despite further reduction in price and a fewer number of working days. However, KEX has yet managed to retain and significantly gain volume shares, resulting in continuous volume growth of 35.7% in the first half of 2022 amidst low seasonality and relatively softer demand in Q2/2022. Revenue contribution in all segments bear no substantial change, except the B2C segment where heavy seasonal promotions including 5/5, 6/6 and mid-year promotional sales were offered by e-commerce platforms.
- KEX reported cost of sales and services at THB 4,783.1 million, rising by 22.9% YoY and 3.3% QoQ, in line with higher delivery volume growth. More holidays in April and May and upsurge in oil prices posed additional pressures on costs with higher fuel costs and tightening labour market. Additionally, as the COVID situation bounced back, temporary expenses for service quality assurance and capacity expansion remain necessary. Despite unusually high cost position in Q2, mainly attributed to the impact of holidays in April and May, a promising improvement has been made in June which we expect to continue from July onward. Strict cost-control programmes have also been implemented including Super Last-Mile, the standardised last-mile process with centralised control for cost effectiveness and productivity maximisation in the long run. In addition, intensive performance-based employment approach has been implemented company-wide to retain valuable human resources and identify low contributors. We saw some preliminary positive effects from our strictly-implemented cost-control programmes and expect the impact of cost reduction to accelerate throughout the remaining of 2022.
- Selling and administrative expenses (SG&A) grew from Q2/2021 and the previous quarter by 40.1% and 6.7% respectively as a result of our core competency reinforcement and business expansion since the beginning of the year, following the execution of the Company's market leadership and diversification strategy.

KERRY EXPRESS (THAILAND) PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS Q2/2022

- The Company and its subsidiaries reported a net loss attributable to owners of the Company of THB 732.4 million, deeper than the previous quarter by 49.1%. Q2/2022 performance was affected by downward pressures on revenue contributed by fewer working days caused by more holidays in April and May and low seasonality in the second quarter, together with upward pressures on costs which were primarily caused by tightening labour market, upsurge in oil prices and additional costs related to service quality assurance and capacity expansion. In order to improve profitability, revenue management actions and strict cost control programmes have been carried out, including the implementation of Smart Pricing approach, fuel surcharge, operations and resources productivity maximisation schemes.

FINANCIAL POSITION AND LIQUIDITY

Figure 1: Financial Position
(Unit: Million THB)

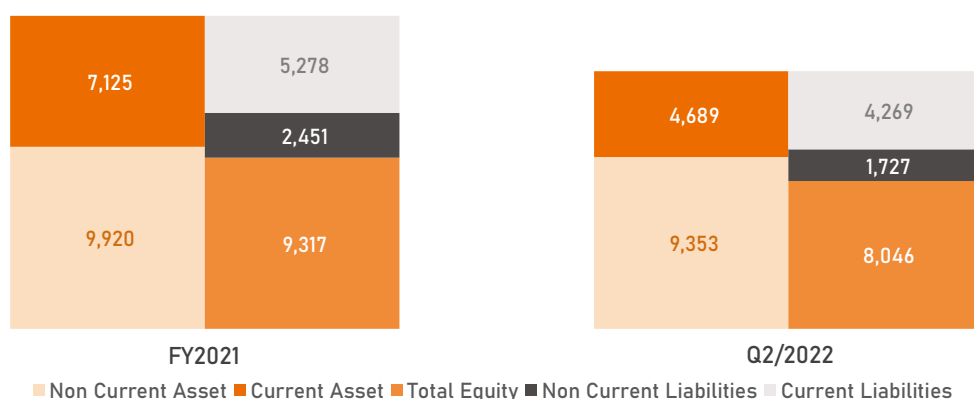


Table 3: Asset Breakdown

(Unit: Million THB)	FY2021	Q2/2022	Change % +/- (-)
Cash and investment in liquid financial assets	7,294.9	4,415.4	-39.5%
Trade and other receivables	1,612.7	2,004.9	24.3%
Plant and equipment	2,244.2	2,220.2	-1.1%
Right-of-use assets	4,897.1	4,004.7	-18.2%
Other assets	996.7	1,396.7	40.1%
Total Assets	17,045.6	14,042.0	-17.6%

Table 4: Liabilities and Shareholders' Equity

(Unit: Million THB)	FY2021	Q2/2022	Change % +/- (-)
Trade and other payables	1,977.1	1,405.6	-28.9%
Cash on delivery payable	723.7	478.8	-33.8%
Current portion of lease liabilities	2,502.0	2,299.1	-8.1%
Lease liabilities	2,256.1	1,513.3	-32.9%
Other liabilities	269.8	299.0	10.8%
Total Liabilities	7,728.7	5,995.8	-22.4%
Total Shareholders' Equity	9,316.9	8,046.2	-13.6%
Total Liabilities and Equity	17,045.6	14,042.0	-17.6%

BALANCE SHEET AND LIQUIDITY POSITION

- We continue to maintain healthy financial health and ample liquidity with a debt-free balance sheet. The Company continued to maintain a large portion of its excess cash in low-risk fixed income funds with high liquidity and corporate debentures in line with our investment direction with the main purpose set on yield enhancement, capital preservation, and high liquidity.

KERRY EXPRESS (THAILAND) PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS Q2/2022

- Following our expansion strategy to prudently diversify our portfolio and create additional revenue streams, KEX has been selective and remained cautious with our investment plans as the road to Thailand's economic recovery is still unclear and is far from its pre-COVID levels as well as the domestic consumptions that is still steadily rebounding.

KEY FINANCIAL RATIOS

Table 5: Key Financial Ratios

		Q2/2021	Q1/2022	Q2/2022
Liquidity ratios				
Current ratio ⁽¹⁾	(times)	2.88	1.30	1.10
Quick ratio ⁽²⁾	(times)	2.85	1.25	1.04
Cash flow liquidity ratio ⁽³⁾	(times)	0.31	-0.11	-0.31
Accounts receivable turnover ⁽⁴⁾	(times)	16.52	17.81	14.52
Average collection period ⁽⁵⁾	(days)	22.09	20.50	25.13
Accounts payable turnover ⁽⁶⁾	(times)	24.44	30.21	27.32
Average payment period ⁽⁷⁾	(days)	14.94	12.08	13.36
Cash cycle ⁽⁸⁾	(days)	7.16	8.42	11.77
Profitability ratios				
Gross profit margin ⁽⁹⁾	(%)	15.41	-4.85	-11.68
Net profit margin ⁽¹⁰⁾	(%)	7.30	-11.12	-17.10
Return on equity ⁽¹¹⁾	(%)	19.15	-7.49	-18.98
Efficiency ratios				
Return on total assets ⁽¹²⁾	(%)	9.30	-4.48	-11.47
Total asset turnover ⁽¹³⁾	(times)	1.25	1.14	1.18
Financial policy ratios				
Total liabilities to equity ratio ⁽¹⁴⁾	(times)	0.59	0.73	0.75
Interest-bearing debt to EBITDA ratio ⁽¹⁵⁾	(times)	1.13	2.77	16.62
Interest coverage ratio ⁽¹⁶⁾	(times)	44.09	1.98	-16.71
Debt service coverage ratio ⁽¹⁷⁾	(times)	2.14	0.65	0.10

Remarks:

(1) Current ratio = total current assets divided by total current liabilities

(2) Quick ratio = sum of cash and cash equivalents, short-term investments and trade and other receivables, divided by total current liabilities

(3) Cash flow liquidity ratio = net cash generated from operating activities divided by average total current liabilities

(4) Accounts receivable turnover = sales and services income divided by average gross trade accounts receivable

(5) Average collection period = 365 divided by accounts receivable turnover

(6) Accounts payable turnover = cost of sales and services divided by average trade account payable

(7) Average payment period = 365 divided by accounts payable turnover

(8) Cash cycle = the difference between the average collection period and the average payment period

(9) Gross profit margin = gross profit divided by sales and services income

(10) Net profit margin = profit (loss) for the period divided by sales and services income

(11) Return on equity = profit (loss) for the period divided by average total equity

(12) Return on total assets = profit (loss) for the period divided by average total assets

(13) Total asset turnover = sales and services income divided by average total assets

(14) Total liabilities to equity ratio = total liabilities divided by total equity

(15) Interest-bearing debt to EBITDA ratio = total interest-bearing debt and lease liabilities divided by EBITDA

(16) Interest coverage ratio = EBITDA divided by interest expense

(17) Debt service coverage ratio = EBITDA divided by the sum of the current portion of short-term loan obligation, lease liabilities due within one year and finance cost

KERRY EXPRESS (THAILAND) PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS Q2/2022

REINFORCING MARKET LEADERSHIP THROUGH EXPRESS-FOCUS STRATEGY & STRATEGIC BUSINESS DIVERSIFICATION

Following the express-focus strategy, KEX managed to continuously acquire **VOLUME GROWTH DESPITE CHALLENGING FACTORS** faced in Q2/2022 including fewer working days, tightening labour market, upsurge in oil prices and covid resurgence. As we enter the latter half of 2022, we will continue to support the expected growth in parcel volume in response to the Company's marketing strategy and the clearer **REBOUNDED TRENDS OF BUSINESS** and domestic consumption. And with strictly-implemented **COST-CONTROL PROGRAMMES**, along with **REVENUE MANAGEMENT ACTIONS**, we expect the impact of cost reduction to accelerate throughout the remaining of 2022, and resulting in improved earnings overall. As we move forward, our focus will be on revenue quality and lowering our cost to serve.

We expect intense competition in the market to ease following KEX's tremendous and continued success during the past quarters. Amidst the rise in prices offered by certain market players, KEX strategically offers lower price starting at THB 15 and continue to widen our **MARKET LEADERSHIP**. In the medium term, we expect the market to reward decent players and discourage the incompetent ones, and operators with poor service quality might eventually exit the market. Given our business direction and various preparations for a sustainable future of the Company, we remain committed to our express delivery business as the core of our operations and strive to strengthen the **LEADER POSITION IN THAI EXPRESS DELIVERY MARKET**.

Following KEX's **BUSINESS DIVERSIFICATION** strategy, KEX will continue to foster new growth and welcome additional revenue streams. KEX plans to invest in a joint venture with China's forefront smart locker service provider **HIVE BOX** to establish Thailand's leading **SMART LOCKER SYSTEM**, serving potential demand for self-driving parcel delivery with convenience and affordable price. By joining hands with our strategic partner, KEX is confident that the investment will carry such unique success into Thailand with the right technology, adequate investment as well as exclusive geographical coverage. **KERRY COOL** has successfully expanded its service coverage from the southern part to the central part of Thailand and has served an extended pool of clients including food & beverage segments. Additionally, with S.F. Holding, one of China's largest express conglomerates, becoming a major shareholder in Kerry Logistics Network, the first phase of the consolidation with SF business units in Thailand and Southeast Asia is complete. KEX now have a much stronger cross-border team with main focus on Greater China. In Q3/2022, KEX will put more effort in launching a unique China-bound and international products via all our corporate and retail sales network as we expect more **CROSS-BORDER E-COMMERCE** to come to and from China. These diversified business initiatives will strengthen our core express business and reinforce KEX ecosystem, accelerating our journey to sustainable market leadership.

Alex Ng
Chief Executive Officer
Kerry Express (Thailand) Public Company Limited