

Triple i Logistics Public Company Limited
Management Discussion and Analysis for Quarter 3/2022

Management Discussion and Analysis

Operating performance in Quarter 3/2022 continued to achieve a new high with net profit of Baht 146.3 million

The Company's net profit in Quarter 3/2022 was Baht 146.3 million, with over 51.6% growth compared to the same period of the previous year or over 28% growth compared to the previous quarter, due to the improved economic conditions and the ease of Covid-19 situation. Although there were factors and volatility arising from recession in the world economy and China's lockdown measures which directly affected international trade business, the Company's business strategy as a truly integrated logistics service provider and expert in four main business units is a diversification of dependency on any one business, coupled with its development of new businesses by investing in various logistics-related businesses. The Company has been able to continuously generate good operating results in line with its strategy of creating new sources of income. As a result, the operating results in Quarter 3/2022 continued to grow.

Summary of Operating Performance in Quarter 3/2022

Unit : Million Baht	Quarter	Quarter	% change	Quarter	Quarter	% change
	3/2021	3/2022	+ / (-)	2/2022	3/2022	+ / (-)
Total revenues	605.6	744.0	22.9%	721.8	744.0	3.1%
Gross profit	119.3	178.6	49.7%	144.7	178.6	23.5%
Gross profit margin (%)	19.7%	24.0%	4.3%	20.0%	24.0%	4.0%
Other income	54.5	6.7	(87.7%)	20.2	6.7	(66.9%)
Selling expenses	18.7	17.2	(7.9%)	16.0	17.2	7.3%
Administrative expenses	62.7	72.4	15.6%	80.0	72.4	(9.4%)
Gain (loss) on exchange rates - net	7.0	4.9	(30.3%)	5.2	4.9	(5.8%)
Finance costs	7.2	8.2	14.4%	8.9	8.2	(7.2%)
Share of profits from investments in associates and joint ventures	43.0*	72.1	67.8%	65.3*	72.1	10.4%
Income tax	38.8	18.2	(53.0%)	16.3	18.2	11.9%
Profit attributable to owners of the company	96.4*	146.3	51.6%	114.3*	146.3	28.0%
<i>Net profit margin (%)</i>	15.9%	19.7%	3.7%	15.8%	19.7%	3.8%

*Remark *The adjustment in share of profits from investments in associates and joint ventures and net profit of the Company have impacted from the purchase price allocation of Asia Network International Co., Ltd. (ANI), which has been operating since September 2021, was recorded in this Quarter 3/2022 for which the Company recognized amortization of intangible assets for Quarter 3/2021 and Quarter 2/2022 in the amount of Baht 1.7 million and Baht 4.9 million respectively.*

The Company's total revenues in Quarter 3/2022 was Baht 744.0 million, an increase of 22.9% from the same period of the previous year and an increase of 3.1% from the previous quarter. The increase in revenues was mainly due to this quarter's outstanding performance from air freight business. The opening of the country after the ease of Covid-19 situation has resulted in resumption of the aviation business and increase in the number of flights. The chemical and dangerous goods logistics business unit also continued to perform well. However, revenues from logistics management business slightly increased compared to the same period of the previous year and decreased compared to the previous quarter due to the reduction in sea freight from excess supply.

The Company's gross profit in Quarter 3/2022 was Baht 178.6 million, an increase from the same quarter of the previous year and the previous quarter by 49.7% and 23.5% respectively. The growth in gross profit was higher than the increase in revenues due to increased volume of air freight from airlines represented by the Company. Consequently, the air freight business unit's warehouse service was able to resume profitability this quarter.

The selling and administrative expenses increased in line with the business expansion. However, the Company had lower expenses compared to the previous quarter since it had set aside provision for bad debts and doubtful accounts of Baht 16.3 million in Quarter 2/2022 from a debtor which is an airline and was in the process of filing a petition for business rehabilitation.

Share of profits from investment in associates and joint ventures in Quarter 3/2022 was Baht 72.1 million. Asia Network International Co., Ltd. and DG Packaging Pte. Ltd. continued to generate good returns. In addition, ECU Worldwide (Thailand) Co., Ltd. of the sea freight business unit was able to maintain its profitability level. AOT Ground Aviation Services Co., Ltd. (AOTGA), which was invested by the Company through SAL Group (Thailand) Co., Ltd., has continued to generate profits from the previous quarter and has a potential to generate higher profit in the future.

The Company's net profit in Quarter 3/2022 was Baht 146.3 million, an increase by 51.6% compared to the same quarter of the previous year and continued to grow by 28.0% compared to the previous quarter from growth in the core businesses and continuous returns from share of profits from investments in associates and joint ventures.

Operating performance in the first 9-month of 2022

Unit : Million Baht	9-month of 2021	9-month of 2022	change	% change + / (-)
Revenues from sales and services	1,880.1	2,210.5	330.3	17.6%
Costs of sales and services	1,506.6	1,767.2	260.6	17.3%
Gross profit	373.6	443.3	69.8	18.7%
<i>Gross profit margin</i>	<i>19.9%</i>	<i>20.1%</i>		<i>0.2%</i>
Other income	60.7	36.7	(24.0)	(39.6%)
Selling expenses	57.3	45.2	(12.1)	(21.2%)
Administrative expenses	193.9	221.1	27.2	14.0%
(Loss) gain on exchange rates - net	7.3	9.1	1.8	24.6%
Finance costs	21.6	25.8	4.1	19.0%
Share of profits from investments in associates and joint ventures	143.0*	215.1*	72.1	50.4%
Income tax	52.1	43.8	(8.3)	(15.9%)
Net profit for the period	259.7	368.4	108.0	41.9%
<i>Net profit margin</i>	<i>13.8%</i>	<i>16.7%</i>		<i>2.9%</i>

Remark * The Company recorded amortization of intangible assets from the purchase price allocation (PPA) of ANI group for the 9-month period of the year 2021 and 2022 in the amount of Baht 1.7 million and 14.6 million *respectively*..

In respect of the first 9-month of the year 2022, the Company had total revenue of Baht 2,210.5 million, an increase of 17.6% from the same period of the previous year. This was mainly due to growth in revenues from logistics management business unit, particularly air and sea freight services, and air freight business unit which generated good performance in Quarter 3/2022. The gross profit for the period was Baht 443.3 million, an increase by 18.7% compared to the same period of the previous year, which was in line with the growth in revenues.

In terms of selling and administrative expenses, the Company was able to control expenses at a level similar to the same period of the previous year. The selling expenses had decreased due to reduction in expenses of the air freight business unit. The expenses of air freight business unit had been managed in accordance with the provision of services. While the administrative expenses increased as a result of the provision for bad debts and doubtful accounts of an airline in the amount of Baht 16.3 million since the airline as the Company's debtor was in the process of filing a business rehabilitation petition.

Share of profits from investment in associates and joint ventures in the first 9-month of the year 2022 was Baht 215.1 million, an increase by over 50.4% compared to the same period of the previous year, due to growth in ANI's earnings, additional acquisition by ANI in Asia GSA (M), and returns from AOT Ground Aviation

Services Co., Ltd. (AOTGA) invested by the Company through SAL Group (Thailand) Co., Ltd. Such investment generated loss in the same period of the previous year, while the first 9-month of this year, it provided share of profits of over Baht 9.4 million.

The Company's net profit in the first 9-month of the year 2022 was Baht 368.4 million or 41.9% growth from the same period of the previous year. This was due to the Company's ability to maintaining the level of profitability in the core businesses and generated outstanding results from investments in related businesses, both domestically and internationally.

Financial Position Analysis

Unit : Million Baht

Statement of Financial Position	31 December 2021	30 September 2022	Increase (Decrease)	%
Total assets	2,939.4	3,124.1	184.7	6.3%
Total liabilities	1,204.7	1,162.6	(42.1)	(3.5%)
Shareholders' equity	1,734.7	1,961.5	226.8	13.1%

Total assets

The Company's total assets as of 30 September 2022 was Baht 3,124.1 million, an increase from the total assets as of 31 December 2021 by Baht 184.7 million. The increase was mainly due to additional investment in a joint venture, namely Asia Network International Co., Ltd. (ANI), in the amount of Baht 300 million in January 2022 to acquire 20% shareholding in Asia GSA (M) Snd. Bhd.

Total liabilities

The Company's total liabilities as of 30 September 2022 was Baht 1,162.6 million, a decrease by Baht 42.1 million from the total liabilities as of 31 December 2021. The decrease was mainly due to repayment of short-term loans. The Company had strong financial ratios with a debt-to-equity ratio (D/E) of 0.59 times and an interest-bearing debt to equity ratio (IBD/E) of 0.40 times.

Shareholders' equity

The Company's shareholders' equity as of 30 September 2022 was Baht 1,961.5 million, an increase from the shareholders' equity as of 31 December 2022 by Baht 226.8 million in line with the operating results in the year 2022. In the past year, the Company had made dividend payment in the amount of Baht 0.45 per share in aggregate or totaling Baht 282.3 million.

Management's Viewpoints on Trend and Strategy for Quarter 4/2022

A high inflation environment has resulted in tighter monetary policy around the world. This was partly due to the Eurozone energy crisis caused by the conflict between Russia and Ukraine, which has created a tendency for economies of countries around the world to slow down. This situation has resulted in Thai international trade showing signs of slowdown in line with the global economy.

However, Thailand is one of the few countries which still has opportunities for growth from recovery of the tourism industry and the service sector because of the opening country policy for foreign tourists, following relaxation of pandemic control measures in many countries. The tourism industry is considered Thailand's key business and is an important source of income in Thailand. It also increases the amount of trade activities that can generate income for the country, including airline service and ground and passenger handling service, and tendency of improvement in domestic consumption as economic activities gradually return to normal level. As a result, there is a consistent demand for import of consumer goods and essential goods, such as medicines and medical supplies. In respect of export sector, Thailand is one of the world's key exporters of food and fruits, which are considered basic commodities, and the economic slowdown does not have much impact on such products.

The Company continues to focus on expanding services to existing customers and finding new customer base in the four core businesses. It also expands the business and procure new sources of income to expand the logistics-related business to cover logistics needs in all dimensions, which is a sustainable growth plan under the concept "Logistics and Beyond."

Business Plan of the Company

In respect of outlook for Quarter 4/2022, although air freight rate tends to decline gradually, it remains at a higher level than before the Covid-19 outbreak. The decline in air freight rate was mainly due to increased air freight supply. However, the Company expects that the air freight business will continue to grow well from recovery in the number of flights from expansion of routes by airlines and increase the number of flight frequency to accommodate traveling by tourists. As a result, the Company has an opportunity to sell additional air freight.

The Board of Directors of the Company has resolved to propose the shareholders' meeting to be held on 29 November 2022 to approve ANI to purchase additional 80% shareholding in Asia GSA (M) Snd. Bhd., which will result in an increase from 20% shareholding to 100% shareholding in Asia GSA (M). The additional investment is a significant investment that will make ANI a leading regional sales agent for airlines in the region, covering Thailand, Vietnam, Hong Kong, Singapore, Malaysia, Myanmar and Cambodia, and is an opportunity to expand our network of general sales agent for airlines in other regions in the future. It is expected that this

transaction will be completed by the end of the year 2022. The Company is undertaking the plan to list ANI on the Stock Exchange of Thailand, which is expected to be completed within the year 2023.

Due to recovery of tourism sector and increasing routes and number of flights by airlines, AOT Ground Aviation Services Co., Ltd. ("AOTGA"), a ground and passenger handling service provider, which serves both Phuket Airport and Don Mueang Airport, tends to recover from positive factors on the tourism sector, especially during Quarter 4/2022, which is a high season for tourism. There is still a good trend to continue throughout the year 2023 from increasing number of tourists and flights that use the service. The Economic Intelligence Center (EIC) by the Siam Commercial Bank forecasts that, in the year 2022, there will be an approximate of 10.3 million foreign tourists coming to Thailand and, in the year 2023, the number of foreign tourists will increase to 28.3 million. The Company believes that such factor is a good business opportunity for AOTGA to provide outstanding profitability in Quarter 4/2022 and the year 2023.

In respect of international sea freight, the freight rate has been showing a sign of decline for some time, and it is expected that a downward trend will continue in Quarter 4/2022. The Company has assessed the situation to adjust its business plan to be in line with the conditions since the beginning of the year. Therefore, it focuses on expanding a new customer base in product groups that are not much affected by the economic slowdown, such as food and fruits etc., to increase the volume of freight service that would substitute for the decreased freight rate. As a result, in the past Quarter 3/2022, the Company was not much affected by the lower freight rate, and there is a potential to develop the customer base in the future

In respect of dangerous goods and chemical logistics business, the Company will expand its chemical warehouse area by 2,150 square meters in Quarter 4/2022 to accommodate new customers. As a result of such expansion, the Company's total warehouse area for dangerous goods and chemicals shall be equivalent to an approximate of 30,000 square meters. The Company remains confident that the dangerous goods and chemical logistics business still has a good prospect for growth.

Based on the above factors, the Company is confident that it will achieve the targeted growth in the operating performance in the year 2022 and will continue to grow in the year 2023.

Yours sincerely,

Triple i Logistics Public Company Limited

(Mr. Tipp Dalal)

Chief Executive Officer