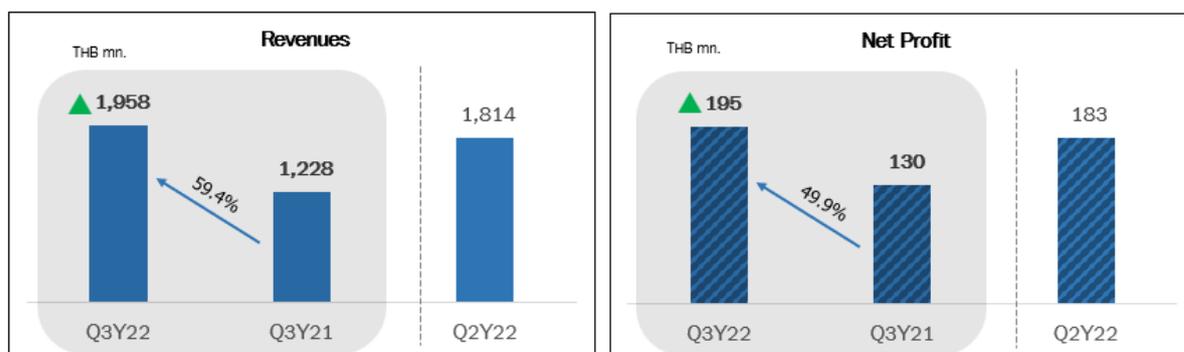


## Management Discussion and Analysis

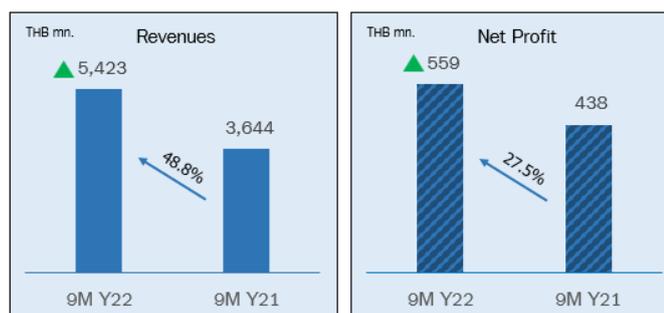
### For Q3Y22 and 9MY22

#### Executive Summary

- Revenue from sales of the Company for Q3 2021 and 2022 were THB 1,228 million and THB 1,958 million, respectively, representing an increase of 59.4%. Significant growth was contributed from both Pet Food and Human Food.
- The Q3 2022 gross profit of the Company was THB 410 million, 39.8% increased YoY (Q3 2021: THB 294 million, Q2 2022: THB 385 million). The Company Q3 2022 gross profit margin was at 20.9% (Q3 2021: 23.9%, Q2 2022: 21.2%), mostly pressured from raw material cost.
- The Q3 2022 net profit of the Company was THB 195 million, 49.9% increased YoY due to strong sales growth which partly offset by higher operating expenses and financial cost. The earnings per share was THB 0.11 per share (Q3Y21: THB 0.08 per share).



- Revenue from sales of the Company for the 9-month period ended 30<sup>th</sup> September 2021 and 2022 were THB 3,644 million and THB 5,423 million, respectively, representing an increase of 48.8 %.
- The gross profit of the Company for the 9-month period ended 30<sup>th</sup> September 2022 was at THB 1,071 million, 34.4% increased YoY. The Company 9-month period ended 30<sup>th</sup> September 2022 gross profit margin is at 19.8% compared to 21.9% at same period last year.
- The Company's net profit for the 9-month period ending September 30<sup>th</sup>, 2022 was THB 559 million, up 27.5% from THB 438 million in the same period last year. The net profit margin for the 9-month period ended September 30<sup>th</sup>, 2022 was 10.3%, down from 12.0% in the same period previous year, owing mostly to a lower gross profit margin. Earnings per share was THB 0.33 (9-month period ended September 30<sup>th</sup>, 2021: THB 0.26 per share).



## Business Overview

Asian Alliance International Public Company Limited (the "Company" or "AAI") and its subsidiaries (the "AAI Group") is Thailand's major original equipment manufacturers of pet food and shelf-stable human food. Currently, original equipment manufacture (OEM) business under clients' brands generates the majority of revenue from pet food and human food sales.

Since 2019, AAI Group has been developing its own pet food products for cats and dogs. Currently, the Company has a diverse portfolio of brands that span all market categories, including (1) pet food products aimed for the high-end market, notably "monchou" and "Maria". (2) Pet food brands aimed for the mainstream market, which are "monchou balanced" and "Hajiko," and (3) Pet food brands aimed at the low-end market, "Pro."

Most of sales revenue is generated by exporting products to overseas markets.

## Major Developments

Total sales volumes climbed by 23% year on year to 11,492 tons in Q3 2022, up from 9,341 tons in Q3 2021. Pet food volumes continue to expand above the industry average, while human food, which mostly were tuna products, rose rapidly owing to decreasing freight charges, despite the fact that tuna prices were fairly high.

Total sales (including intercompany transactions) climbed 57% to THB 1,965 million in Q3 2022, contributed from all segments. Human food revenues were doubled so that portion of Human food increase to 16% compared to 11% of Q3 2021.

Sales By Business Segment	Q3Y22	Q3Y21	%Growth	Q2Y22
<b>Volume (Mt)</b>	<b>11,492</b>	<b>9,341</b>	<b>23%</b>	<b>11,356</b>
Pet Food	9,738	8,357	17%	10,010
Human Food	1,754	983	78%	1,346
<b>Revenues (Millions Baht)</b>	<b>1,965</b>	<b>1,248</b>	<b>57%</b>	<b>1,826</b>
Pet Food	1,656	1,105	50%	1,614
Human Food	309	143	116%	212



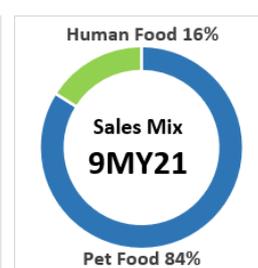
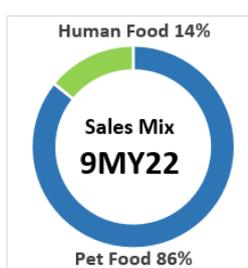
Remark: Revenues in the table is included intercompany sales.

For 9-month period ended 30<sup>th</sup> September 2022, total sales volume increased 22% YoY to 34,355 tons from 28,219 tons, mainly driven by Pet food volume due to strong demand especially in US market.

Total revenues for 9-month period ended 30<sup>th</sup> September 2022 (including intercompany transactions) increased by 48% to THB 5,467 million, owing primarily to higher pet food revenue. Pet food revenue portion increased to 86% compared to 84% of the same period last year.

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Sales By Business Segment	9MY22	9MY21	%Growth
<b>Volume (Mt)</b>	<b>34,355</b>	<b>28,219</b>	<b>22%</b>
Pet Food	29,408	23,873	23%
Human Food	4,947	4,346	14%
<b>Revenues (Millions Baht)</b>	<b>5,467</b>	<b>3,694</b>	<b>48%</b>
Pet Food	4,688	3,101	51%
Human Food	779	593	31%

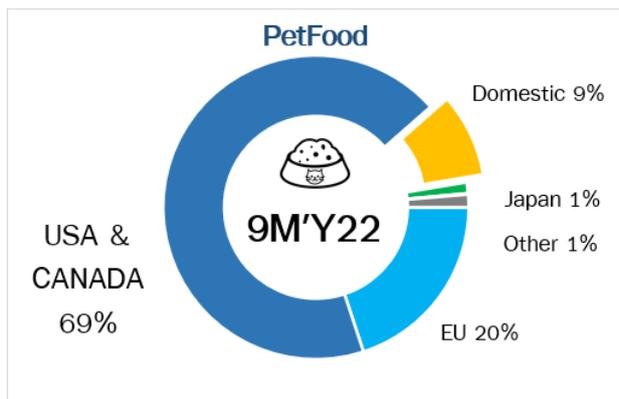


Remark: Revenues in the table is included intercompany sales.

**Pet Food**

<b>Pet Food Business Revenues (THB Million)</b>			
	<b>Q3Y22</b>	<b>Q3Y21</b>	<b>%Growth</b>
OEM Pet Food	1,590	1,065	49%
Brand Pet Food	42	26	59%
	<b>9MY22</b>	<b>9MY21</b>	<b>%Growth</b>
OEM Pet Food	4,505	2,991	51%
Brand Pet Food	115	64	80%

*Remark: Revenues in the table is included intercompany sales.*



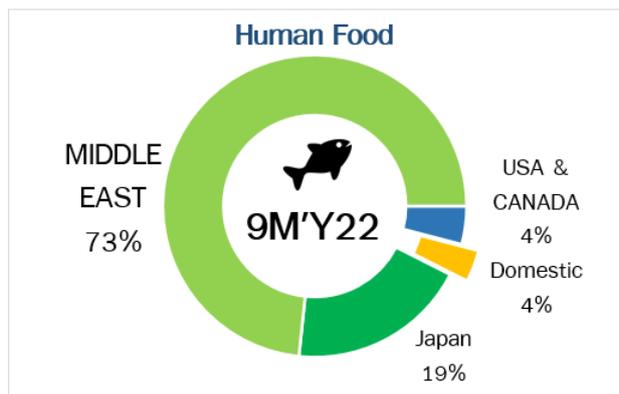
The pet food business is the most significant contribution to AAI's success, with remarkable profitability and growth in line with the global pet megatrend. The majority of revenue from pet food sales comes from original equipment manufacture (OEM) under customers' brands, which are owned by prominent multinational brand owners

OEM pet food revenues grew 49% YoY to THB 1,590 million and 51% YoY to THB 4,505 million for Q3 2022 and 9-month period end 30<sup>th</sup> September 2022 respectively as wet pet food demand grew continuously, especially in cat food. Key market was US and EU still.

A new pouch line has been implemented on plan which relief pressure from the Company production and another 7,500 tons capacity expansion is currently proceeding in the fourth quarter of this year to meet next year demand.

Owned Brand pet food revenues grew 59% YoY to THB 42 million and 80% YoY to THB 115 million for Q3 2022 and 9-month period end 30<sup>th</sup> September 2022 respectively driven by more aggressive marketing strategy in Thailand. Brand awareness and sales revenues in domestic market of both "monchou" and "Hajiko" improved along with the introduction of brand's presenters. However, more channel of distributions is planned to improve to attract more sales revenues in the future. Owned brand growth in Thailand market, now, is the key contributor to the Company to grow owned brand portion to 10% of total product portfolio.

As covid-19 measuring was still imposed, "monchou" performance of "Thaiya" and dry pet food manufacturing of "Thaiya Meisi" in China were not improved. Due to lock-down policies sprouting up in several crucial regions such as Shanghai, the distribution of "monchou" has been constrained. The utilization rate of the Company's dry pet food production remained low owing to intense competition and high raw material costs. The company anticipates that China's stance around the covid-19 epidemic will become more relaxed during the coming year, providing a chance for the manufacturer to seek customers worldwide.

**Human Food**


Human food, mainly tuna shelf-stable products, sales volume climbed dramatically in Q3 2022, from 983 tons to 1,754 tons, or 78%, due to lower freight cost. The key market was Saudi Arabia and Israel. Sales value increased, even higher than volume, 116% to THB 304 million YoY as tuna prices increased.

9-month period ended 30<sup>th</sup> September 2022 sales volume climbed 14% from 4,346 tons to 4,947 tons,

with the Middle East being the largest market. Sales value increased 31% to THB 779 million YoY (9-month 2021: THB 593 million)

## Financial Review

### Profitability Analysis

STATEMENT OF INCOME	Unit: Million Baht							
	Q3Y22	%	Q3Y21	%	Inc/(Dec) %	Q2Y22	%	Inc/(Dec) %
Revenue from Sales & Services	1,958	100.0	1,228	100.0	59.4	1,814	100.0	7.9
Cost of sales & services	(1,548)	(79.1)	(935)	(76.1)	65.6	(1,429)	(78.8)	8.3
<b>Gross Profit</b>	<b>410</b>	<b>20.9</b>	<b>294</b>	<b>23.9</b>	<b>39.8</b>	<b>385</b>	<b>21.2</b>	<b>6.5</b>
Operating Expenses	(125)	(6.4)	(80)	(6.5)	57.1	(94)	(5.2)	33.7
<b>Operating Profit</b>	<b>285</b>	<b>14.5</b>	<b>214</b>	<b>17.4</b>	<b>33.3</b>	<b>291</b>	<b>16.1</b>	<b>(2.2)</b>
Other incomes	18	0.9	10	0.8	84.4	11	0.6	66.2
Gain/(Loss) on FX	(71)	(3.6)	(61)	(5.0)	15.9	(81)	(4.5)	(12.7)
Other expenses	(1)	(0.0)	(1)	(0.1)	32.3	0	0.0	(351.9)
Financial cost	(11)	(0.6)	(4)	(0.3)	186.2	(10)	(0.5)	12.2
<b>Profit before tax</b>	<b>221</b>	<b>11.3</b>	<b>158</b>	<b>12.9</b>	<b>39.5</b>	<b>212</b>	<b>11.7</b>	<b>4.2</b>
Tax expenses (income)	(26)	(1.3)	(28)	(2.3)	(8.5)	(29)	(1.6)	(12.5)
<b>Net Profit</b>	<b>195</b>	<b>10.0</b>	<b>130</b>	<b>10.6</b>	<b>49.9</b>	<b>183</b>	<b>10.1</b>	<b>6.9</b>
<b>Earning Per Share</b>	<b>0.11</b>		<b>0.08</b>			<b>0.11</b>		

#### Revenue from Sales & Services

AAI reported THB 1,958 million in revenue from sales and services in Q3 2022, a 59.4 % increase YoY, contribute from both pet food and human food.

#### Gross Profit

Gross profit for the third quarter of 2022 was THB 410 million up THB 117 million or 39.8% from the same quarter last year, and represented 20.9% of revenues, compared to 23.9% from the same period last year as raw material costs increased and quite higher portion of human food.

#### Operating expenses

Operating expenses for Q3 2022 were THB 125 million, increased 57.1% YoY, and consisted of selling and distribution charges and administrative expenses.

Selling and distribution expenses of the Company was THB 81 million, almost doubled YoY, mainly due to the increase in advertising and promotion expenses as the Company had increased marketing activities and expanded sales channels of products under “monchou” and “Hajiko”. Administrative expenses excluding exchange rate losses was at the same amount at THB 44 million YoY.

#### Financial cost

The financial cost for Q3 2022 was THB 11 million, an increase of THB 7 million due to increasing short-term borrowing for working capital and capital expenditure.

#### Tax expense (income)

In Q3 2022, the effective tax rate was 11.6% lower than 17.8% at the same quarter last year as more products benefit from BOI newly activated.

### Net Profit and Earning per Share

For Q3 2022, net profit of the Company was at THB 195 million, 49.9% increased YoY, even net profit margin slightly decreased to 10.0% (Q3 2021:10.6%) due to rapid sales growth. Earnings per share of AAI for Q3 2022 was THB 0.11 (Q3 2021: THB 0.08,).

Unit: Million Baht

	9M 2022	%	9M 2021	%	Inc/(Dec) %
Revenue from Sales & Services	5,423	100.0	3,644	100.0	48.8
Cost of sales & services	(4,351)	(80.2)	(2,846)	(78.1)	52.9
<b>Gross Profit</b>	<b>1,071</b>	<b>19.8</b>	<b>797</b>	<b>21.9</b>	<b>34.4</b>
Operating Expenses	(308)	(5.7)	(242)	(6.6)	27.3
<b>Operating Profit</b>	<b>763</b>	<b>14.1</b>	<b>555</b>	<b>15.2</b>	<b>37.5</b>
Other incomes	55	1.0	38	1.0	45.7
Gain/(Loss) on FX	(144)	(2.7)	(67)	(1.8)	115.0
Other expenses	1	0.0	(3)	(0.1)	(143.4)
Financial cost	(27)	(0.5)	(3)	(0.1)	721.8
<b>Profit before tax</b>	<b>649</b>	<b>12.0</b>	<b>520</b>	<b>14.3</b>	<b>24.8</b>
Tax expenses (income)	(90)	(1.7)	(82)	(2.2)	10.6
<b>Net Profit</b>	<b>559</b>	<b>10.3</b>	<b>438</b>	<b>12.0</b>	<b>27.5</b>
<b>Earning Per Share</b>	<b>0.33</b>		<b>0.26</b>		

### Revenue from Sales & Services

Revenue from sales and services of the Company for the 9-month period ended 30<sup>th</sup> September 2021 and 2022 were THB 3,644 million and THB 5,423 million, respectively, representing an increase of 48.8 % due to continuing robust growth and an increase in sales of both pet food and human tuna.

### Gross Profit

The Company's gross profit for the nine-month period ending September 30, 2022 was THB 1,071 million, a 34.4% rise year on year. The Company's gross profit margin for the nine-month period ending September 30, 2022 is 19.8%, compared to 21.9% in the same time previous year. This year's gross profit margin fell due to rising raw material costs, which were somewhat offset by the baht's depreciation against the US dollar.

### Operating expenses

Operating expenses, excluding exchange rate losses, reached THB 308 million, a 27.3% increase YoY mostly due to higher advertising and promotion expenses of “monchou” and “Hajiko”.

Selling and distribution expenses of the Company was THB 177 million, almost THB 53 million or 42.2% increase compared to same period last year. Administrative expenses excluding exchange rate losses was at THB 131 million, slightly increased YoY.

### Financial cost

Financial cost for 9-month period end 30<sup>th</sup> September 2022 increased dramatically to THB 27 million due to higher short-term loans support the AAI group's working capital and capital expenditure during the period.

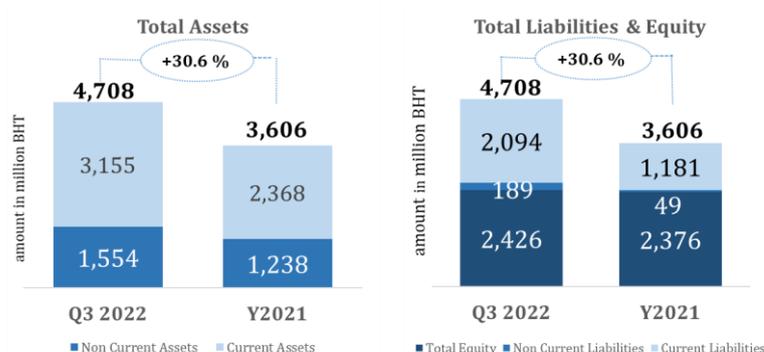
### Tax expense (income)

For 9-month period end 30<sup>th</sup> September 2022, effective tax rate was 13.9% lower than 15.7% at the same period last year owing to newly BOI privileges.

### Net Profit and Earning per Share

The net profit of the Company for the 9-month period ended 30<sup>th</sup> September 2022 was THB 559 million, which increased by 27.5% compared to THB 438 million of the same period last year. The net profit margin for the 9-month period ended 30<sup>th</sup> September 2022 was 10.3% compared to 12.0% of the same period last year mainly drove from lower gross profit margin. Earnings per share was THB 0.33 (9-month period ended - 30<sup>th</sup>, 2021: THB 0.26 per share).

### **Financial Position**



### Total Assets

AAI grew its total assets by THB 1,102 million, or 30.6%, from THB 3,606 million at the end of 2021 to THB 4,708 million on September 30<sup>th</sup>, 2022. The main contributors were THB 423 million and THB 185 million increased in trade and other receivables and inventory respectively.

Property, plant, and equipment totaled THB 1,290 million as of September 30<sup>th</sup>, 2022, an increase of THB 213 million or 19.8% from December 31<sup>st</sup>, 2021, primarily owing to investments in building renovation and new pouch pet food production lines.

### Total Liabilities

The total liabilities of the Company were THB 2,094 million as of September 30<sup>th</sup>, 2022, an increase of THB 913 million from THB 1,181 million at the end of 2021 due to THB 968 million increase in short-term borrowing to support AAI's working capital which partly offset by long-term loan paid up.

### Total Shareholders' equity

As of 30<sup>th</sup> September 2022, shareholders' equity of the Company raised to THB 2,426 million, an increase of THB 49 million from THB 2,376 million at the end of 2021 which was due to AAI profit for the year offset by dividend paid of around THB 512 million.

## Cash Flow

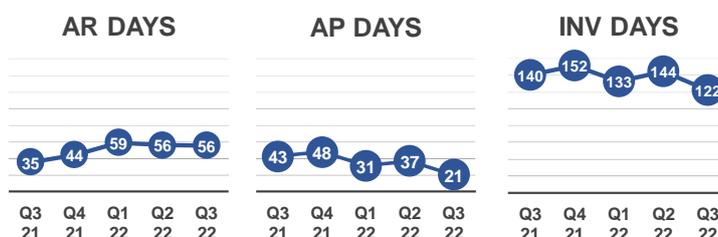
	Unit: Million Baht		
	9MY22	9MY21	Change
<b>Cash flow from operating activities</b>			
Profit before tax	649	520	129
Adjustments for:			
Depreciation & Amortisation	127	111	15
Other adjustments	21	(6)	27
Loss (gain) on exchange rate	31	72	(41)
Financial cost, net	27	3	23
<b>Operating profit before working capital changes</b>	<b>854</b>	<b>701</b>	<b>153</b>
Decrease (increase) in operating assets	(675)	(452)	(222)
Increase (decrease) in operating liabilities	(24)	37	(61)
<b>Cash from operating activities</b>	<b>156</b>	<b>286</b>	<b>(130)</b>
Interest net paid	(26)	(1)	(25)
Income tax net paid	(101)	(45)	(56)
<b>Net cash used in operating activities</b>	<b>29</b>	<b>240</b>	<b>(211)</b>

### Operating activities

Cash flows from operating activities before changes in operating assets and liabilities for the 9-month period ended 30<sup>th</sup> September 2021 and 2022 were THB 701 million and THB 854 million, respectively. The changes in cash flows were mainly due to the changes in operating profit during period.

Cash flows from operating activities from changes in operating assets and liabilities for the 9-month period ended 30<sup>th</sup> September 2022 were mainly due to an increase in trade and other receivables and inventories which resulted from an increase in sales orders. As a result, the cash flows from (to) operating activities for the 9-month ended 30<sup>th</sup> September 2021 and 2022 were THB 240 million and THB 29 million, respectively.

<b>Working Capital</b>			
Unit: million Baht	Q3 2022	Y2021	Change
Inventories	1,814	1,630	185
Account Receivable	1,029	607	423
Cash & Other current assets	311	132	179
Account Payable	(307)	(517)	210
Other Payable	(28)	(22)	(6)
<b>Net Working Capital</b>	<b>2,819</b>	<b>1,829</b>	<b>990</b>
Inventory days	122	152	(30)
AR Days	56	44	11
AP Days	21	48	(28)



The accounts receivable day and inventory days were 56 and 122 days, respectively, as of September 30<sup>th</sup>, 2022. Accounts receivable days grew as a result of increasing sales with the Company's credit customer. Inventory days decrease due to increased product shipping efficiency and decreased freight costs.

	Unit: Million Baht		
	9MY22	9MY21	Change
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment	(331)	(223)	(108)
Proceed of sales equipments and investment property	0	0	(0)
Decrease in restricted bank deposit	19	-	
Short Term loan to Head Quarter	-	(384)	384
Increase in Loan to Joint Venture	5	(0)	6
<b>Net cash used in investing activities</b>	<b>(307)</b>	<b>(607)</b>	<b>300</b>
<b>Cash flow from financing activities</b>			
Bank borrowings raised	968	435	533
Repayment of bank borrowings	(75)	(78)	3
Repayment of lease liabilities	(14)	(16)	2
Dividend paid	(512)	(0)	(512)
<b>Net cash from financing activities</b>	<b>367</b>	<b>341</b>	<b>27</b>
<b>Effect of foreign exchange rate changes</b>	<b>(0)</b>	<b>3</b>	<b>(3)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>89</b>	<b>(23)</b>	<b>113</b>
Cash and cash equivalents at beginning of period	46	83	(37)
<b>Cash and cash equivalents at end of period</b>	<b>135</b>	<b>59</b>	<b>76</b>

### Investing activities

For the nine-month periods ending September 30th, 2021 and 2022, cash flows utilised for investing activities were THB 607 million and THB 307 million, respectively. For the nine-month period ending September 30, 2022, the Company invested in pet food product capacity expansion as well as machinery and equipment to continually enhance production efficiency in order to handle the continuing rise in orders from brand-owner customers.

### Financing activities

For the 9-month period ended 30<sup>th</sup> September 2021 and 2022, cash flows from financing activities of the Company were THB 341 million and THB 367 million, respectively. Cash flows from financing activities of the Company were mainly due to a continuous increase in short-term loans from financial institutions. The Company announced the dividend payment during the period of THB 512.00 million, based on the operating results of the year 2021 and interim dividend of the operating result of 2022.

<b>Statement of Financial Position</b>		Unit: Million Baht			
	Q3 2022	%	FY21	%	% Chg
Cash and cash equivalent	135	2.9	46	1.3	194.4
Trade and other receivables	1,029	21.9	607	16.8	69.7
Inventories	1,814	38.5	1,630	45.2	11.3
Other current assets	175	3.7	86	2.4	103.9
<b>Total current assets</b>	<b>3,155</b>	<b>67.0</b>	<b>2,368</b>	<b>65.7</b>	<b>33.2</b>
Restricted bank deposit	0	0.0	19	0.5	-100.0
Investments	55	1.2	59	1.6	-6.0
Fixed assets	1,290	27.4	1,077	29.9	19.8
Other non current assets	208	4.4	83	2.3	149.7
<b>Total non current assets</b>	<b>1,554</b>	<b>33.0</b>	<b>1,238</b>	<b>34.3</b>	<b>25.5</b>
<b>Total Assets</b>	<b>4,708</b>	<b>100.0</b>	<b>3,606</b>	<b>100.0</b>	<b>30.6</b>
Bank overdraft and short-term loans	1,464	31.1	496	13.7	195.3
Trade and other payables	481	10.2	517	14.3	-7.1
Current portion of long-term loans	0	0.0	98	2.7	-100.0
Other current liabilities	150	3.2	71	2.0	111.8
<b>Total current liabilities</b>	<b>2,094</b>	<b>44.5</b>	<b>1,181</b>	<b>32.8</b>	<b>77.3</b>
Other non current liabilities	189	4.0	49	1.4	287.1
<b>Total non current liabilities</b>	<b>189</b>	<b>4.0</b>	<b>49</b>	<b>1.4</b>	<b>287.1</b>
<b>Total Liabilities</b>	<b>2,283</b>	<b>48.5</b>	<b>1,230</b>	<b>34.1</b>	<b>85.6</b>
<b>Total shareholders' equity</b>	<b>2,426</b>	<b>51.5</b>	<b>2,376</b>	<b>65.9</b>	<b>2.1</b>
<b>Total Liabilities and Equity</b>	<b>4,708</b>	<b>100.0</b>	<b>3,606</b>	<b>100.0</b>	<b>30.6</b>

Key Financial Ratios							
	Q3Y22	Q3Y21	Q2Y22		Q3Y22	Q3Y21	Q2Y22
<b>Growth Rates</b>				<b>Profitability Ratios</b>			
Sales Growth	59.4%	0.8%	41.0%	Return on equity*	31.3%	26.6%	28.7%
Net Profit Growth	49.9%	4.4%	8.1%	Return on assets**	16.1%	16.1%	15.3%
				Total Assets Turnover***	143.7%	133.7%	132.5%
<b>Leverage and Liquidity Ratios</b>				Net Profit margin			
Current ratio	1.5	1.7	1.5	Gross profit margin	20.9%	24.5%	21.2%
Quick or acid test ratio	0.6	0.6	0.5	* Using last 4 consecutive quarters net profit divided by end quarter equity			
Debt to equity ratio	0.9	0.7	0.9	** Using last 4 consecutive quarters net profit divided by end quarter total assets			
Net Debt to equity ratio	0.6	0.3	0.4	** Using last 4 consecutive quarters sales divided by end quarter total assets			

### Y2022 Outlook:

2022 will be another year which we could enjoy rapid sales growth at the winning rate. Apart from almost 18% average sales growth per year since 2019, the Company expects more than 40% growth in 2022 compared to last year, to the target at THB 7.2 billion. The growth will drive by all segments.

Pet food growth will be impressive due to robust worldwide demand. We anticipate that sales would increase by 47-48% over last year to THB 6.2 billion. Extra capacity added-in in the past July will relieve production pressure and contribute growth in the second half of the year. 7,500 tons more capacity is currently under construction and expect to be able to launch early next year.

Tuna sales this year expect to increase more than 20% to THB 1 billion which mainly come from high demand in Middle East as freight cost down despite high tuna cost

The company also aims to keep its gross profit margin for the year at roughly 19-20% of total revenue from sales and services, as raw materials appear to be more stable, even as labor costs rise and utilities remain variable.

Despite rising inflation in the United States and a recession in the European Union, pet food consumption is expected to be solid in 2023. The domestic market will face intense competition.