

Triple i Logistics Public Company Limited
Management Discussion and Analysis for the year ending 31 December 2022

Management Discussion and Analysis

Reported highest-ever net profit of Baht 795.7 million for the year 2022, with over 117% growth

In the year 2022, the Company made outstanding achievements, recording a new-high profit of Baht 795.7 million or 116.8% growth compared to the previous year. The total revenues in the year 2022 were Baht 2,788.8 million, resulting in a new high record for two consecutive years. Such success was due to growth of the core business, which could maintain profitability level and had good cost management. In addition, the Company generated good returns from consistent investments in new businesses since the Company raised funds from the stock market. Particularly this year, the Company effectively managed investment in general sales agent for regional airline business, responding to the Company's strategic needs and creating satisfactory and profitable acquisition. All these successes were due to the Company's operations under the business strategy for sustainable growth with the concept of "Logistics and Beyond" that focuses on strengthening existing business groups and adding new sources of income from related businesses, both domestically and internationally.

Summary of Operating Performance in Year 2022

| Unit : Million Baht | 2021 | 2022 | Change | % change + / (-) |
|--|---------|---------|---------|---------------------|
| Revenues from sales and services | 2,939.2 | 2,788.8 | (150.4) | (5.1%) |
| Costs of sales and services | 2,412.0 | 2,177.3 | (234.7) | (9.7%) |
| Gross profit | 527.2 | 611.5 | 84.3 | 16.0% |
| Gross profit margin | 17.9% | 21.9% | | 4.0% |
| Other income | 73.7 | 89.6 | 15.9 | 21.5% |
| Selling expenses | 84.9 | 61.0 | (23.9) | (28.2%) |
| Administrative expenses | 278.0 | 377.0 | 99.0 | 35.6% |
| (Loss) gain on exchange rates - net | 5.9 | 5.1 | (0.8) | (13.0%) |
| Finance costs | 28.0 | 33.7 | 5.6 | 20.1% |
| Share of profits from investments in associates and joint ventures | 213.0 | 624.0* | 411.0 | 192.9% |
| Income tax | 61.8 | 62.8 | 1.0 | 1.6% |
| Net profit for the period | 367.0* | 795.7 | 428.7 | 116.8% |
| Net profit margin | 12.5% | 28.5% | | 16.0% |

Remarks * **The Company recorded gain from revaluation of investment in Asia GSA (M) in the amount of Baht 321.7 million because of the Company's acquisition of 20% shareholding in Asia GSA (M) at the beginning of the year 2022 at a price lower than fair value, comparing to acquisition of the remaining 80% shareholder at the end of the year 2022, which is in line with the restructuring plan of air freight business and filing for listing on the Stock Exchange of Thailand.**

In respect of operating performance in the year 2022, the Company had a total revenue of Baht 2,788.8 million, a decrease of 5.1% from the same period of last year. This was mainly due to a decrease in revenues from the air freight business. In the fourth quarter of the year 2022, the Company generated higher revenues from the business through offering charter flight service. The Company's gross profit was Baht 611.5 million, an increase of 16.0% from the same period of last year. The air freight business was able to maintain profits at the same level as the previous year, while the logistics management business and the chemicals and dangerous goods logistics business generated profits from both air and ocean freight services.

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, with lower selling expenses. The selling expenses have decreased due to reduction in expenses of the air freight business unit. The expenses of air freight business unit have been managed in accordance with the provision of services, while the administrative expenses increased as a result of the provision for bad debts of an airline in the amount of Baht 33.2 million since the airline as the Company's debtor was in the process of filing a business rehabilitation petition. The additional amount of the provision for bad debts has been set aside for debts under collection in the amount of Baht 34.7 million in Quarter 4/2022. However, the Company expects that, after the Covid-19 situation has been improved and the economy has recovered, debtors would be able to resume repayment of debts because they are still in business operations.

Share of profits from investment in associates and joint ventures in the year 2022 was Baht 624.0 million, an increase by over 192.9% compared to 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 year 2022, it provided share of profits of over Baht 26.2 million. In the fourth quarter of 2022, the Company recorded a gain from revaluation of investment in Asia GSA (M) in the amount of Baht 321.7 million.

The Company's net profit in the year 2022 was Baht 795.7 million or 116.8% growth from the same period of the previous year. This was due to the Company's ability to maintain the level of profitability in the core businesses and the Company 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 | 31 December 2022 | Increase (Decrease) | % |
|---------------------------------|------------------|------------------|---------------------|---------|
| Total assets | 2,939.4 | 3,679.7 | 740.3 | 25.2% |
| Total liabilities | 1,204.7 | 1,008.0 | (196.7) | (16.3%) |
| Shareholders' equity | 1,734.7 | 2,671.7 | 937.0 | 54.0% |

Total assets

As of 31 December 2022, the Company's total assets was Baht 3,679.7 million, an increase from that as of 31 December 2021 by Baht 740.3 million. This was mainly due to additional investment in ANI in the amount of Baht 300 million in January 2021 to acquire the business of Asia GSA (M) Snd. Bhd., representing 20% shareholding and increase in cash from proceeds from exercise of warrants in the amount of Baht 430.9 million.

Total liabilities

As of 31 December 2022, the Company's total liabilities was Baht 1,008.0 million, a decrease from that as of 31 December 2021 by Baht 196.7 million, which was mainly due to repayment of short-term loans.

Shareholders' equity

As of 31 December 2022, the Company's shareholders' equity was Baht 2,671.7 million, an increase by Baht 937.0 million from that as of 31 December 2021 in line with the operating performance in the year 2022 and capital increase as a result of exercise of warrants in the amount of Baht 430.9 million. In the year 2022, the Company paid dividends at the rate of Baht 0.45 per share in aggregate, totaling Baht 282.3 million.

The Company has a strong financial position, having a debt-to-equity ratio (D/E) of 0.37 times and an interest-bearing debt to equity ratio (IBD/E) of 0.24 times.

Significant Development in Year 2022

Sale of shareholding in A.T.P. Friend Services Company Limited (Shipsmile)

- The Company sold 43% shareholding in Shipsmile to Sabuy Speed Co., Ltd. in the amount of Baht 180.6 million for which the Company received cash in the amount of Baht 18 million and 18% shareholding in SBS as consideration. After the closing of such transaction, the Company became a shareholder of SBS, representing 18% shareholding. SBS holds shares in the parcel delivery business and other services with over 18,500 existing branches.

Exercise of warrants to purchase newly issued ordinary shares (III-W1)

- On 31 May 2022 and 30 November 2022, there were exercises of warrants (III-W1) to purchase 20,129,138 and 51,693,271 of ordinary shares of the Company. As a result, the Company received proceeds from the exercise of warrants in the total amount of Baht 430,934,454.

Interim dividend payment

- The Company paid an interim dividend at the rate of Baht 0.15 per share, totaling Baht 96.1 million, from the operating performance for the period of 1 January – 30 June 2022. The interim dividend was paid on 9 September 2022.

Additional investment in Asia GSA (M) Snd. Bhd.

- The Extraordinary General Meeting of Shareholders No. 1/2022 held on 29 November 2022 approved the investment by Superior GSA Pte. Ltd., the Company's subsidiary, in 80% of the total capital of Asia GSA (M) Bhd. and the entry into other transactions related to such investment by Asia Network International Co., Ltd. (ANI), a subsidiary of the Company. The total investment value is SGD 212.3 million or an approximate of Baht 5,520 million.

Sale of shares in Triple i Asia Cargo Company Limited

- The Extraordinary General Meeting of Shareholders No. 1/2022 held on 29 November 2022 approved the restructuring of general sales agent for airlines business whereby the Company will sell all shares in Triple i Asia Cargo Company Limited held by the Company to ANI for the total consideration of not exceeding Baht 168.0 million.

Allotment of newly issued ordinary shares to existing shareholders proportionately (Rights Offerings)

- The Extraordinary General Meeting of Shareholders No. 1/2022 held on 29 November 2022 approved the allotment of newly issued ordinary shares in the number of not exceeding 50,755,641 shares at the par value of Baht 0.50 per share to existing shareholders proportionately (Rights Offerings). The offering price was Baht 12.00 per share at the allocation ratio of 15 existing shares per 1 newly issued ordinary share. The Company sold a total of 46,165,510 shares and received total proceeds of Baht 553.99 million.

Management's Viewpoints on Trend and Strategy for Year 2023

The global economy tends to slow down due to various factors. Such situation is expected to affect international trade, including Thai exports. However, the Office of the National Economic and Social Development Council or NESDC estimates that the Thai economy in 2023 will expand by 3.2%, supported by continuing recovery of the tourism sector and domestic demand, while exports will contract by 1.6%. Freight costs are likely to decrease, especially sea freight costs due to the economic slowdown and oversupply of freight capacity. Thai Baht currency in 2023 will be volatile due to inflation and tight monetary policies around the world. Hence, it would be more difficult for international business operators to manage foreign exchange risk.

In the year 2023, it is expected that the number of foreign tourists traveling to Thailand will reach 28 million, an increase of 151% from the previous year, which will increase revenues from tourism and related services such as airline and ground handling services, both passenger and cargo services.

Business plan for the 4 core business units

The Company will focus on expanding its customer base to increase market share and increase its competitiveness by adding a variety of logistics services to the existing services to meet the needs of all target groups of customers. The Company will also implement efficient cost management. The international freight service will be focusing on expanding the volume of freight to compensate for the decline in freight rates, particularly sea freight. The Company has a plan to expand to a new customer base, especially groups with growth potential, including the green energy industry group that is supported by the government, products that are less affected by the economic recession and essential goods such as consumer goods, medicine and medical supplies, and export products with production base located in Thailand such as electronic parts and automobile parts. In respect of chemical and dangerous goods logistics service, the Company plans to expand the warehouse space to accommodate the increasing volume of products in the future.

Business plan for business development unit

The Company continues to develop its business to seek opportunities to generate returns from new sources of income. In the year 2023, the Company will focus on new business development, covering additional logistics needs according to the business expansion strategy "Logistics and Beyond."

- Beyond Boundary: Transforming from Thailand's leading integrated logistics service provider into Asia's leading logistics service provider with the strongest network and business base in the region by expanding the scope of representation of leading airlines covering the Asian region. The Company recently invested in Asia GSA (M) for an additional of 80% shareholding from previous shareholding of 20%. After the

transaction, the Company has 100% shareholding in Asia GSA (Malaysia), holding through Asia Network International (ANI). As a result, the Company will record all profit sharing from Asia GSA (M) in the first quarter of 2023. In addition, the Company will continue with its plan for ANI to raise funds in the Stock Exchange of Thailand, which is expected to be completed within 2023.

- Beyond Traditional Logistics Service: Developing new business models and services in addition to existing services, such as ground handling services covering both cargo and passenger services. At present, AOTGA currently provides services at Don Mueang and Phuket International Airports. The recovery of the tourism industry is expected to have a continuous positive impact on AOTGA's business this year. In the past year, the Company has started a trial domestic cargo train service and provided train cargo service on the route connecting Thailand to Laos – China. In addition, the Company currently plans to provide train cargo service on the route from Thailand to Malaysia.

- Beyond Traditional Platform: Developing logistics services in an online digital platform to support the exponential growth of the e-commerce market and increase the capabilities by expanding the scope of the Company's domestic and international logistics services. The business includes same day delivery service and parcel collection point service for domestic cargo. The Company also plans to extend to related services, which are in the Company's areas of strength, with start-up groups operating e-Commerce and e-Logistics businesses in which the Company has previously invested.

- Beyond Existing Expertise: Continuing its expertise in specialized logistics. In the year 2023, the Company plans to develop a super express airfreight service.

Yours sincerely,

Triple i Logistics Public Company Limited

(Mr. Tipp Dalal)

Chief Executive Officer