

Triple i Logistics Public Company Limited
Management Discussion and Analysis for Quarter 2/2023

Management Discussion and Analysis

Net profit in Quarter 2/2023 of Baht 163.4 million, a growth of 43.6% compared to the same period of the previous year and continuous growth from the previous quarter by 9.6%

The Company maintains good profitability in Quarter 2/2023 with a tendency to grow continuously through implementing Logistics and Beyond strategy that focuses on expanding services and investing in integrated logistics businesses that are diverse and comprehensive, both domestically and regionally. The purposes are to secure new sources of income and recognize profit from new businesses, allowing the Company to effectively manage risks from external factors that affect the business. As a result, the Company's operating results continued to grow against pressures from the industry, including decreasing freight rates for 5 consecutive quarters, slowdown of the Thai economy especially exports which drop 5.4% (US Dollar base) in the first half of the year as reported by the Ministry of Commerce and volatility of the World financial sector, IMF expects global headline inflation to remain at a high level of more than 8.8% in the first half of 2023,

Summary of Operating Performance in Quarter 2/2023

Unit : Million Baht	Quarter 2/2022	Quarter 2/2023	% change + / (-)	Quarter 1/2023	Quarter 2/2023	% change + / (-)
Total revenues	721.8	441.3	(38.9%)	437.0	441.3	1.0%
Gross profit	144.7	91.3	(36.9%)	91.6	91.3	(0.3%)
Gross profit margin (%)	20.0%	20.7%	0.7%	21.0%	20.7%	(0.3%)
Other income	20.2	2.8	(86.3%)	2.4	2.8	12.7%
Selling expenses	16.0	12.4	(22.6%)	13.1	12.4	(5.0%)
Administrative expenses	80.0	57.6	(28.0%)	66.3	57.6	(13.1%)
Gain (loss) on exchange rates - net	5.2	1.8	(65.9%)	(1.4)	1.8	(224.1%)
Finance costs	8.9	8.5	(4.3%)	8.0	8.5	6.3%
Share of profits from investments in associates and joint ventures	64.8	151.3	133.4%	145.8	151.3	3.8%
Net profit for the period	113.8	163.4	43.6%	149.1	163.4	9.6%
Net profit margin (%)	15.8%	37.0%	21.3%	34.1%	37.0%	2.9%

The Company's net profit in Quarter 2/2023 was Baht 163.4 million, a 43.6% growth compared to the same period of last year and a continued growth from the previous quarter by 9.6%. This was mainly due to outstanding performance from investments in related businesses, both domestically and internationally.

Share of profits from investment in associates and joint ventures in Quarter 2/2023 was Baht 151.3 million, an increase by over 133.4% compared to the same period of last year and an increase by 3.8% compared to the previous quarter. This was mainly due to continuous growth in ANI's operating performance and returns from AOT Ground Aviation Services Co., Ltd. (AOTGA) invested by the Company through SAL Group (Thailand) Co., Ltd. AOTGA had good operating results and continuous growth.

Total revenues in Quarter 2/2023 was Baht 441.3 million, a decrease by 38.9% compared to the same period of last year and a slight increase by 1.0% compared to the previous quarter. This was mainly due to the decrease in air and sea freight rates and the restructuring of air freight business unit for which the Company sold shares in Triple i Asia Cargo Co., Ltd. (TAC) to ANI at the end of last year. Gross profit in Quarter 2/2023 was Baht 91.3 million, a decrease by 36.9% from the same period of last year and a slight decrease by 0.3% compared to the previous quarter. There was growth in gross profit from air freight business unit compared to the same period of the previous year and the previous quarter from wholesale freight and warehousing services with continuous increase in service volumes.

Operating Performance for the First Six Months of 2023

Unit : Million Baht	First 6-month of 2022	First 6-month of 2023	change	% change + / (-)
Revenues from sales and services	1,466.5	878.3	(588.2)	(40.1%)
Gross profit	264.7	183.0	(81.8)	(30.9%)
Gross profit margin	18.1%	20.8%		2.8%
Other income	30.0	5.2	(24.8)	(82.6%)
Selling expenses	28.0	25.5	(2.5)	(9.0%)
Administrative expenses	148.7	123.9	(24.8)	(16.7%)
(Loss) gain on exchange rates - net	4.2	0.3	(3.9)	(91.9%)
Finance costs	17.5	16.5	(1.1)	(6.2%)
Share of profits from investments in associates and joint ventures	142.5	297.2	154.7	108.5%
Net profit for the period	221.7	312.5	90.8	41.0%
Net profit margin	15.1%	35.6%		20.5%

The Company's net profit for the first six months of 2023 was Baht 312.5 million, an increase by 41.0% from the same period of last year. This was mainly due to outstanding performance from investments in related businesses, both domestically and internationally. Share of profit from investments in associates and joint ventures amounted to Baht 297.2 million, an increase by 108.5% compared to the same period of last year, which was due to growth in ANI's operating performance, partly from ANI's acquisition of an additional 80% shareholding in Asia GSA (M) in Quarter 1/2023 and returns from AOT Ground Aviation Services Co., Ltd. (AOTGA) invested by the Company through SAL Group (Thailand) Co., Ltd. AOTGA had good operating results and continuous growth.

Total revenues for the first six months of 2023 was Baht 873.8 million, a decrease by 40.1% compared to the same period of last year, which was a decrease in income in all business groups. The decrease was mainly due to the decrease in air and sea freight rates and the restructuring of air freight business unit for which the Company sold shares in Triple i Asia Cargo Co., Ltd. (TAC) to ANI at the end of last year. As a result, the Company will no longer recognize TAC's revenue from Quarter 1/2023 onwards. Gross profit for the first six months of 2023 was Baht 183.0 million, a decrease by 30.9% from the same period of last year. There was growth in gross profit from air freight business unit due to resumption of profitability in warehousing service, which has continuously increased service volumes since Quarter 3/2022, and wholesale freight service with growth tendency and improving profitability.

Financial Position Analysis

Unit : Million Baht

Statement of Financial Position	31 December 2022	30 June 2023	Increase (Decrease)	%
Total assets	3,679.7	4,530.4	850.7	23.1%
Total liabilities	1,008.0	904.4	(103.7)	(10.3%)
Shareholders' equity	2,671.7	3,626.0	954.3	35.7%

Total assets

The Company's total assets as of 30 June 2023 was Baht 4,530.4 million, an increase from the total assets as of 31 December 2022 by Baht 850.7 million. The increase was mainly due to increase in ANI's capital to finance the acquisition of Asia GSA (M) at the beginning of 2023 in the amount of Baht 968.0 million.

Total liabilities

The Company's total liabilities as of 30 June 2023 was Baht 904.4 million, a decrease by Baht 103.7 million from the total liabilities as of 31 December 2022. This was mainly due to a decrease in trade and other payables in the amount of Baht 19.3 million and the repayment of long-term loan in the amount of Baht 70.5 million.

Shareholders' equity

The Company's shareholders' equity as of 30 June 2023 was Baht 3,626.0 million, an increase by Baht 954.3 million from that as of 31 December 2022. This was mainly due to an increase in share premium in the amount of Baht 906.6 million from the sale of 46,165,510 newly issued ordinary shares and 69,055,226 from exercise of warrants.

The Company has strong financial ratios, having a debt-to-equity ratio (D/E) of 0.25 times and an interest-bearing debt to equity ratio (IBD/E) of 0.17 times.

Significant Development in Quarter 2/2023

Exercise of warrants to purchase newly issued ordinary shares (III-W1) no. 6

- On 11 May 2023, there was the sixth and final exercise of III-W1 to convert into 69,055,226 ordinary shares of the Company, resulting in the total amount of proceeds from the conversion of III-W1 of Baht 410,202,644.04. For all six exercises of III-W1, the aggregate number of shares arising from the exercises was 152,279,835 shares and the aggregate amount of proceeds from the conversion of III-W1 was Baht 909,550,298.24.

Dividend payment for the year 2022

- The Board of Directors' Meeting No. 1/2023 held on 21 February 2023 and the 2023 Annual General Meeting of Shareholders resolved to approve dividend payment for the year 2022 at the rate of Baht 0.40 per share, totaling Baht 295,479,157.60. The date of determining shareholders who would be entitled to receive dividends (Record Date) shall be on 26 April 2023 and the dividend payment date shall be on 16 May 2023.

Capital increase in Makesend Express Company Limited (MSE)

- The Company decided to invest in MSE through capital increase on 13 June 2023 and the transaction was completed on 30 June 2023. Following such capital increase, the Company maintains the same proportion of 30% shareholding in MSE by subscribing in 780,000 newly issued ordinary shares. The investment value amounted to Baht 15.60 million.

Industry Trends in the Second Half of 2023

In the second half of 2023, the Company expects that there will be a decrease in sea and air freight rates, but the impacts of freight rates would be less than the first half of this year compare to same periods last year. This is because freight rates have started to decline significantly since the second half of 2022, creating a low base. There will be less impact on the international freight service compared to the first half of the year. The Ministry of Commerce has also forecasted that the export sector will recover in the second half of the year and maintains the growth target for the whole year at 1-2% due to the recovery of the global economy.

In addition, based on information from Airports of Thailand Public Company Limited (AOT), the number of inbound and outbound flights in the first half of 2023 has outweighed the expectations. AOT has revised the air traffic forecast in the year 2023 from the previously expected flight volume of 72% to 82% of the pre-pandemic flight volume. This is supported by the entering into high season of the tourism and logistics businesses in the second half of the year. As a result, there will be an increase in the number of tourists and the volume of international freight, which is a positive factor for airport ground and passenger handling service, aircraft cargo, and international freight services provided by the Company.

Yours sincerely,

Triple i Logistics Public Company Limited

(Mr. Tipp Dalal)

Chief Executive Officer