

Indexlivingmall

Index Living Mall Public Company Limited (ILM)

Management Discussion and Analysis (MD&A)

For the Third Quarter Ended 30 September 2022



Highlights

Operating Highlights	Q3/2021	Q2/2022	Q3/2022	Change +/-		9M/2021	9M/2022	Change +/-
(Unit: THB million)				%YoY	%QoQ			%YoY
Revenue from sale of goods	1,734.1	1,990.3	2,017.3	+16.3%	+1.4%	5,649.8	5,976.6	+5.8%
Revenue from rental and rendering of services	96.1	153.8	170.5	+77.4%	+10.8%	347.7	476.9	+37.1%
Operating revenue	1,830.3	2,144.1	2,187.8	+19.5%	+2.0%	5,997.6	6,453.4	+7.6%
Gross profit	802.5	991.9	980.7	+22.2%	-1.1%	2,628.3	2,953.2	+12.4%
SG&A	705.5	772.6	777.6	+10.2%	+0.7%	2,137.6	2,313.7	+8.2%
EBITDA	332.9	451.8	443.9	+33.3%	-1.8%	1,197.5	1,346.5	+12.4%
Net profit (loss)	55.9	162.3	152.6	+173.2%	-6.0%	302.2	475.5	+57.3%
Gross profit margin (%)	43.8%	46.3%	44.8%	+1.0%	-1.4%	43.8%	45.8%	+1.9%
%SG&A to operating revenue	38.5%	36.0%	35.5%	-3.0%	-0.5%	35.6%	35.9%	+0.2%
EBITDA margin (%)	18.0%	20.8%	20.0%	+2.0%	-0.8%	19.8%	20.6%	+0.8%
Net profit margin (%)	3.0%	7.5%	6.9%	+3.9%	-0.6%	5.0%	7.3%	+2.3%

Q3/2022

- In Q3/2022, Index Living Mall Public Company Limited (the "Company" or "ILM") recorded a net profit of Baht 152.6 million, increased by 173.2% YoY but dropped by 6.0% QoQ, with the following key matters:
 - Increased sales by 16.3% YoY, mainly due to the previous year's lockdown measures from 12 July to 31 August 2021, despite the Company's termination of home electric sale under the brand of Power One since the beginning of 2022 and changing the sales area of Power One rented by Com7 Public Company Limited (COM7) to sell home electric appliances. Sales growth came from retail sales, which grew by 21.4% YoY; domestic project sales, which grew by 112.4% YoY; domestic dealer sales, which grew by 27.7% YoY; and overseas sales, which grew by 10.0% YoY. If excluding home electric sales that the Company has terminated the business, the Company's total sales will increase by 21.5% YoY; and retail sales will rise by 27.9% YoY; but online sales will decrease by 24.4% YoY as the previous year's lockdown caused a substantial online sales growth in Q3/2021.
 - Increased sales by 1.4% QoQ, mainly supported by domestic project sales, which grew by 8.7% QoQ; domestic dealer sales, which grew by 14.4% QoQ; online sales, which grew by 5.2% QoQ; and overseas sales, which grew by 50.7% QoQ. On the other hand, retail sales dropped by 1.8% QoQ, mainly due to the heavy rain and widespread flooding in many areas.
 - Revenue from rental and rendering of services made a new high again for 3 consecutive quarters, increased by 77.4% YoY and 10.8% QoQ, supported by the Company's increased and diversified tenants, with gradually increased rental revenue recognition from new tenants since the beginning of 2022. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.
 - Decreased gross profit margin from sales by 0.1% YoY and 1.8% QoQ, mainly due to increased sales proportion of low gross profit margin products and the extensive depreciation of Thai baht (THB) against the US dollar (USD), which caused the higher cost of imported products. Sales that contributed to low gross profit margin included domestic project sales, domestic dealer sales, and overseas sales increased YoY and QoQ. On the other hand, retail sales that contributed to a high gross profit margin dropped QoQ due to the heavy rain and widespread flooding in many areas.
 - Improved gross profit margin from rental and rendering of services by 16.8% YoY and 2.3% QoQ, supported by the Company's increased and diversified tenants as well as effective cost management. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.
 - SG&A rose by 10.2% YoY and 0.7% QoQ, mainly due to 1) increased salary and employee benefits YoY and QoQ; 2) elevated delivery costs YoY resulting from increased sales and higher oil prices; and 3) higher utilities expenses YoY and QoQ from rising Ft. However, the percentage of SG&A to operating revenue decreased YoY and QoQ.
 - Decreased finance costs by 8.3% YoY and 0.3% QoQ despite the increased interest rates, supported by continuous long-term loan prepayment
 - In Q3/2022, the Company utilized total tax incentives of Baht 5.3 million from the Office of the Board of Investment (BOI) from investment in new machinery, which increased from Baht 3.5 million in Q3/2021 but decreased from Baht 5.7 million in Q2/2022.

9M/2022

- In 9M/2022, the Company recorded a net profit of Baht 475.5 million, increased by 57.3% YoY, with the following key matters:
 - Increased sales by 5.8% YoY, mainly due to the previous year's lockdown measures from 12 July to 31 August 2021, despite the termination of the home electric sale under the brand of Power One since the beginning of 2022. Sales growth came from retail sales, which grew by 8.1% YoY; domestic project sales, which grew by 11.1% YoY; domestic dealer sales, which grew by 16.5% YoY; and overseas franchise sales, which grew by 13.3% YoY.
 - If excluding home electric sales that the Company has terminated the business, the Company's total sales will increase by 12.6% YoY; retail sales will increase by 16.4% YoY; and online sales will increase by 3.8% YoY.
 - Revenue from rental and rendering of services expanded by 37.1% YoY, supported by increased and diversified tenants since the beginning of 2022. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.
 - Improved gross profit margin from sales by 1.4% YoY, supported by increased sales proportion of high gross profit margin products, increased selling prices following the cost hike, and termination of the home electric sale
 - Improved gross profit margin from rental and rendering of services by 9.6% YoY, supported by the Company's increased and diversified tenants as well as effective cost management. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.
 - SG&A rose by 8.2% YoY mainly due to 1) increased salary and employee benefits; 2) higher sales promotion expenses; 3) elevated delivery costs resulting from increased sales and higher oil prices; and 4) higher utilities expenses from rising Ft.
 - Decreased finance costs by 15.1% YoY despite the increased interest rates, supported by continuous long-term loan prepayment. Total borrowings at the end of Q3/2021 were Baht 1,546.6 million, reduced by Baht 429.4 million or 21.7% from Baht 1,975.9 million at the end of 2021, with the long-term loan prepayment of Baht 513.0 million.
 - The Company utilized total tax incentives of Baht 16.7 million, increased from Baht 13.9 million in the same period last year. From the beginning of 2021 until the end of Q3/2022, the Company has utilized total tax incentives of Baht 34.8 million, out of total tax incentives of Baht 64.3 million from investment in new machinery to utilize by the end of 2023.

*Values may differ by one decimal point due to figure rounding

Significant Events in Q3/2022



Revenue from Rental and Rendering of Services Made a New Record for 3 consecutive quarters

The Company's revenue from rental and rendering of services continued to make a new record for 3 consecutive quarters, supported by increased and diversified tenants, with gradually increased rental revenue recognition from new tenants since the beginning of 2022. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.



Makeover of Index Living Mall - Kaset-Nawamintr Store

The Company completed the major renovation in 9 years of Index Living Mall Kaset-Nawamintr store, pinning a flag as a Lifestyle Mall, a new model under a new context 'The New Experience At Kaset-Nawamintr' to create the new realm of home products, aiming to be the epicenter of shopping for the best integrated home furnishing products and services in the east of Bangkok.



Launched the 'Index One House Beyond' Campaign

The Company launched the 'Index One House Beyond' campaign using the symbol 'P' from 'Personalized', allowing customers to choose their own design, color, size, material, and functionality from products with the 'P' symbol. The campaign is to meet all the needs of every member in the house, strengthen the brand, and help increase sales opportunities.



Opened Another Index Living Mall Franchise Store in Vietnam

After the successful opening of the first 3 Index Living Mall franchise stores in Vietnam in the past three years, despite facing the COVID-19 outbreak, the Company opened the fourth franchise store in Vietnam in October 2022. More stores in Vietnam and Indonesia in 2023 are also in a pipeline to expand the success of overseas expansion in the future.



Closure of Index Furniture Center - The Mall Bangkai

Due to the expiration of the lease agreement of Index Furniture Center - Bangkai, the Company has transferred back the spaces to the property owner. However, the Company will consider opening a new store in the future.

At the end of October 2022, the Company has 58 retail stores of furniture and home furnishing products, of which 41 stores in Thailand and 17 stores overseas, consisting of 1) 31 stores of Living Index Mall; 2) 2 stores of Index Furniture Center; 3) 1 store of OK Furniture; 4) 6 stores of Trend Design; 5) 1 store of BoConcept; and 7) 17 overseas Index Living Mall franchise stores in 8 countries.



Continuous Long-term Loan Prepayment to Reduce Finance Costs

The Company has been repaying long-term loans from financial institutions continuously, thus total borrowings were reduced by Baht 429.4 million from Baht 1,975.9 million at the end of 2021 to Baht 1,546.6 million at the end of Q3/2022, with long-term loan prepayment of Baht 513.0 million. Finance costs in Q3/2022 (only from the borrowings from financial institutions) were Baht 8.1 million, reduced by Baht 9.0 million or 52.5% YoY from Baht 17.1 million in Q3/2021 and reduced by Baht 0.3 million or 3.3% QoQ from Baht 8.4 million in Q2/2022.

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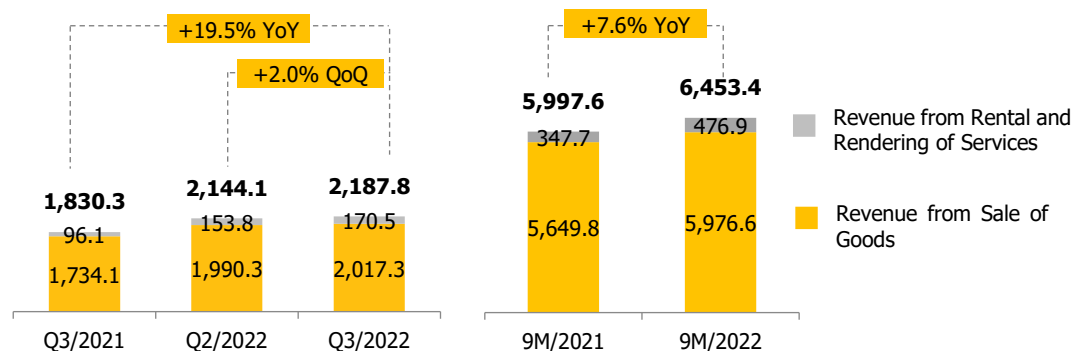
Summary of Operating Results

Operating Highlights	Q3/2021	Q2/2022	Q3/2022	Change +/-		9M/2021	9M/2022	Change +/-
(Unit: THB million)				%YoY	%QoQ			%YoY
Revenue from sale of goods	1,734.1	1,990.3	2,017.3	+16.3%	+1.4%	5,649.8	5,976.6	+5.8%
Revenue from rental and rendering of services	96.1	153.8	170.5	+77.4%	+10.8%	347.7	476.9	+37.1%
Operating revenue	1,830.3	2,144.1	2,187.8	+19.5%	+2.0%	5,997.6	6,453.4	+7.6%
Cost of sale of goods	966.6	1,076.6	1,127.2	+16.6%	+4.7%	3,168.1	3,270.2	+3.2%
Cost of rental and rendering of services	61.2	75.7	79.9	+30.6%	+5.6%	201.2	230.1	+14.4%
Cost of sales and services	1,027.8	1,152.3	1,207.1	+17.5%	+4.8%	3,369.2	3,500.3	+3.9%
Gross profit	802.5	991.9	980.7	+22.2%	-1.1%	2,628.3	2,953.2	+12.4%
Other income	19.3	25.5	32.0	+65.5%	+25.6%	47.2	85.4	+81.1%
Selling and distribution expenses	471.2	521.4	524.2	+11.3%	+0.5%	1,428.0	1,557.7	+9.1%
Administrative expenses	234.3	251.2	253.4	+8.2%	+0.9%	709.5	756.0	+6.6%
Finance costs	57.6	53.0	52.8	-8.3%	-0.3%	187.9	159.6	-15.1%
Profit before income tax expenses	58.7	191.8	182.3	+210.4%	-5.0%	350.0	565.2	+61.5%
Tax expenses	2.9	29.5	29.7	+934.6%	+0.6%	47.8	89.7	+87.6%
Net profit	55.9	162.3	152.6	+173.2%	-6.0%	302.2	475.5	+57.3%

Revenue Structure	Q3/2021	Q2/2022	Q3/2022	Change +/-		9M/2021	9M/2022	Change +/-
(Unit: THB million)				%YoY	%QoQ			%YoY
A. Revenue from sale of goods								
Domestic sales								
1.1 Retail stores	1,236.5	1,528.8	1,501.1	+21.4%	-1.8%	4,224.8	4,568.7	+8.1%
1.2 Projects	85.7	167.4	182.0	+112.4%	+8.7%	420.8	467.7	+11.1%
1.3 Dealers	18.3	20.4	23.4	+27.7%	+14.4%	58.5	68.1	+16.5%
1.4 Online	324.3	223.1	234.6	-27.7%	+5.2%	717.1	683.1	-4.7%
Total revenue from domestic sales	1,664.8	1,939.7	1,941.1	+16.6%	+0.1%	5,421.2	5,787.6	+6.8%
Overseas sales	69.3	50.6	76.2	+10.0%	+50.7%	228.7	189.0	-17.3%
Total revenue from sale of goods	1,734.1	1,990.3	2,017.3	+16.3%	+1.4%	5,649.8	5,976.6	+5.8%
B. Revenue from rental and rendering of services	96.1	153.8	170.5	+77.4%	+10.8%	347.7	476.9	+37.1%
Total operating revenue	1,830.3	2,144.1	2,187.8	+19.5%	+2.0%	5,997.6	6,453.4	+7.6%
Other income	19.3	25.5	32.0	+65.5%	+25.6%	47.2	85.4	+81.1%
Total revenue	1,849.6	2,169.6	2,219.8	+20.0%	+2.3%	6,044.7	6,538.8	+8.2%

1. Operating Revenue

Unit: THB million, %



*Values may differ by one decimal point due to figure rounding

Q3/2022 vs Q3/2021 (YoY)

- In Q3/2022, the Company recorded total operating revenue of Baht 2,187.8 million, increased by Baht 357.6 million or 19.5% YoY. Details were as follows:
 - **Revenue from sale of goods** was Baht 2,017.3 million, increased by Baht 283.2 million or 16.3% YoY, mainly due to the previous year's lockdown measures from 12 July to 31 August 2021, despite the Company's termination of home electric sale under the brand of Power One since the beginning of 2022 and changing the sales area of Power One rented by Com7 Public Company Limited (COM7) to sell home electric appliances. Sales growth came from retail sales, which grew by 21.4% YoY; domestic project sales, which grew by 112.4% YoY; domestic dealer sales, which grew by 27.7% YoY and overseas sales, which grew by 10.0% YoY.

If excluding home electric sales that the Company has terminated the business, the Company's total sales in Q3/2022 will increase 21.5% YoY; retail sales will increase by 27.9% YoY. However, online sales will decrease by 24.4% YoY, as the previous year's lockdown caused a substantial online sales growth in Q3/2021.

- **Revenue from rental and rendering of services** was Baht 170.5 million, increased by Baht 74.4 million or 77.4% YoY, making a new record for 3 consecutive quarters, supported by gradually increased rental revenue recognition from new tenants since the beginning of 2022. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.

Q3/2022 vs Q2/2022 (QoQ)

- In Q3/2022, the Company recorded total operating revenue of Baht 2,187.8 million, increased by Baht 43.7 million or 2.0% QoQ. Details were as follows:
 - **Revenue from sale of goods** was Baht 2,017.3 million, increased by Baht 27.0 million or 1.4% QoQ, supported by sales expansion from domestic project sales, which grew by 8.7% QoQ; domestic dealer sales, which grew by 14.4% QoQ, online sales, which grew by 5.2% QoQ; and overseas sales, which grew by 50.7% QoQ. On the other hand, retail sales dropped by 1.8% QoQ, mainly due to the heavy rain and widespread flooding in many areas.
 - **Revenue from rental and rendering of services** was Baht 170.5 million, increased by Baht 16.7 million or 10.8% QoQ, making a new record for 3 consecutive quarters, supported by gradually increased rental revenue recognition from new tenants since the beginning of 2022.

9M/2022 vs 9M/2021 (YoY)

- In 9M/2022, the Company recorded total operating revenue of Baht 6,453.4 million, increased by Baht 455.8 million or 7.6% YoY. Details were as follows:
 - **Revenue from sale of goods** was Baht 5,976.6 million, increased by Baht 326.7 million or 5.8% YoY, mainly due to the previous year's lockdown measures from 12 July to 31 August 2021, despite the Company's termination of home electric sale under the brand of Power One since the beginning of 2022 and changing the sales area of Power One to be the rental spaces to COM7. Sales growth came from retail sales, which grew by 8.1% YoY; domestic project sales, which grew by 11.1% YoY; domestic dealer sales, which grew by 16.5% YoY; and overseas franchise sales, which grew by 13.3% YoY.

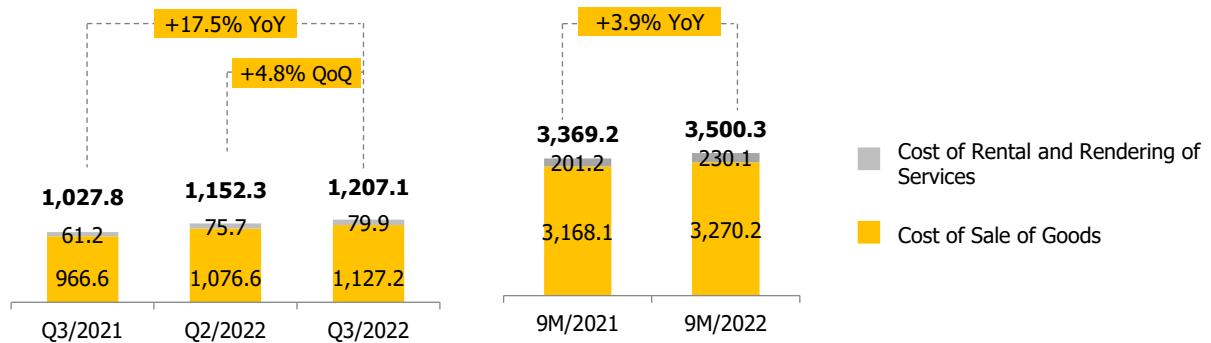
If excluding home electric sales that the Company has terminated the business, the Company's total sales in 9M/2022 will increase by 12.6% YoY; retail sales will increase by 16.4% YoY; and online sales will increase by 3.8% YoY.

- **Revenue from rental and rendering of services** was Baht 476.9 million, increased by Baht 129.1 million or 37.1% YoY, mainly supported by the Company's increased and diversified tenants. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.

**Values may differ by one decimal point due to figure rounding*

2. Cost of Sales and Services

Unit: THB million, %



Q3/2022 vs Q3/2021 (YoY)

- In Q3/2022, the Company recorded cost of sales and services of Baht 1,207.1 million, increased by Baht 179.4 million or 17.5% YoY. Details were as follows:
 - Cost of sale of goods** was Baht 1,127.2 million, increased by Baht 160.6 million or 16.6% YoY, following the higher sales.
 - Cost of rental and rendering of services** was Baht 79.9 million, increased by Baht 18.7 million or 30.6% YoY following the higher revenue from rental and rendering of services.

Q3/2022 vs Q2/2022 (QoQ)

- In Q3/2022, the Company recorded cost of sales and services of Baht 1,207.1 million, increased by Baht 54.8 million or 4.8% QoQ. Details were as follows:
 - Cost of sale of goods** was Baht 1,127.2 million, increased by Baht 50.6 million or 4.7% QoQ, following the higher sales.
 - Cost of rental and rendering of services** was Baht 79.9 million, increased by Baht 4.3 million or 5.6% QoQ, following the higher revenue from rental and rendering of services.

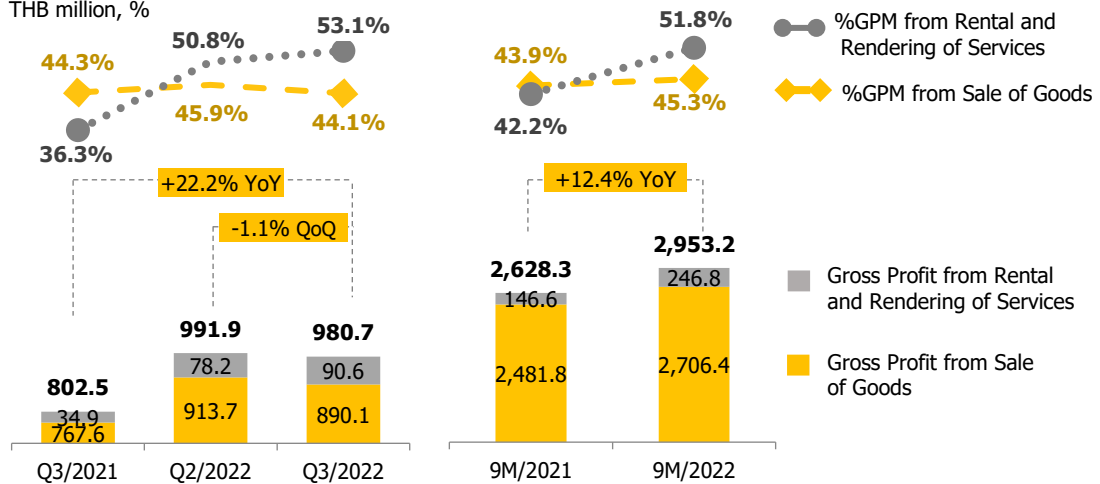
9M/2022 vs 9M/2021 (YoY)

- In 9M/2022, the Company recorded cost of sales and services of Baht 3,500.3 million, increased by Baht 131.0 million or 3.9% YoY. Details were as follows:
 - Cost of sale of goods** was Baht 3,270.2 million, increased by Baht 102.1 million or 3.2% YoY, following the higher sales and the increased sales and higher cost of particle board, which is a major raw material for furniture production.
 - Cost of rental and rendering of services** was Baht 230.1 million, increased by Baht 28.9 million or 14.4% YoY, following the higher revenue from rental and rendering of services.

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3. Gross Profit and Gross Profit Margin

Unit: THB million, %



Q3/2022 vs Q3/2021 (YoY)

- In Q3/2022, the Company recorded gross profit of Baht 980.7 million, increased by Baht 178.2 million or 22.2% YoY. Details were as follows:
 - Gross profit from sale of goods** was Baht 890.1 million, increased by Baht 122.6 million or 16.0% YoY, following the higher sales. However, gross profit margin from sales slightly dropped YoY, mainly due to the increased proportion of domestic project sales, domestic dealer sales, and overseas sales, which contributed to low margin. The depreciation of Thai baht (THB) against the US dollar (USD) causing the higher cost of imported products also pressured the margin.
 - Gross profit from rental and rendering of services** was Baht 90.6 million, increased by Baht 55.7 million or 159.4% YoY, following the higher revenue from rental and rendering of services supported by increased and diversified tenants as well as effective cost management. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.

Q3/2022 vs Q2/2022 (QoQ)

- In Q3/2022, the Company recorded gross profit of Baht 980.7 million, decreased by Baht 11.1 million or 1.1% QoQ. Details were as follows:
 - Gross profit from sale of goods** was Baht 890.1 million, decreased by Baht 23.6 million or 2.6% QoQ, despite the higher sales mainly due to lower gross profit margin resulting from the increased proportion of domestic project sales, domestic dealer sales, and overseas sales, which contributed to low gross profit margin, but a lower proportion of retail sales, which contributed to high gross profit margin due to the heavy rain and widespread flooding in many areas. The depreciation of Thai baht (THB) against the US dollar (USD) causing the higher cost of imported products also pressured the margin.
 - Gross profit from rental and rendering of services** was Baht 90.6 million, increased by Baht 12.4 million or 15.9% QoQ, following the higher revenue and gross profit margin from rental and rendering of services supported by the Company's gradually increased rental revenue recognition from new tenants since the beginning of 2022 and effective cost management.

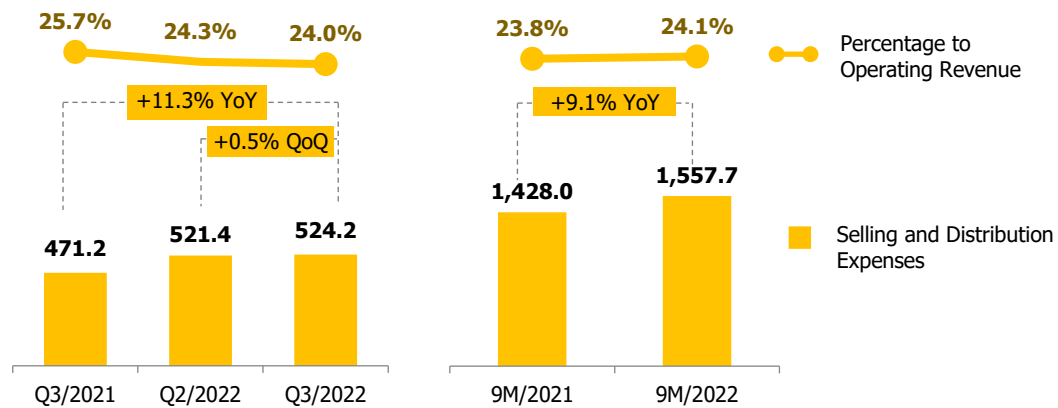
9M/2022 vs 9M/2021 (YoY)

- In 9M/2022, the Company recorded gross profit of 2,953.2 million, increased by Baht 324.8 million or 12.4% YoY. Details were as follows:
 - Gross profit from sale of goods** was Baht 2,706.4 million, increased by Baht 224.6 million or 9.1% YoY, following the higher sales and improved gross profit margin from sales resulting from increased sales proportion of high gross profit margin products, increased selling prices following the cost hike, and termination of the home electric sale since the beginning of 2022.
 - Gross profit from rental and rendering of services** was Baht 246.8 million, increased by Baht 100.2 million or 68.4% YoY, following the higher revenue and gross profit margin from rental and rendering of services supported by increased and diversified tenants and effective cost management. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.

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4. Selling and Distribution Expenses**

Unit: THB million, %



**Selling and distribution expenses are expenses incurred at retail stores and rental spaces, e.g., employee expenses, depreciation, promotion expenses, utilities expenses, and rental costs.

Q3/2022 vs Q3/2021 (YoY)

- In Q3/2022, the Company recorded selling and distribution expenses of Baht 524.2 million, increased by Baht 53.0 million or 11.3% YoY, following the higher operating revenue. The higher expenses mainly came from the increased salary and employee benefits, elevated delivery costs resulting from increased sales and oil prices, and higher utilities expenses from rising Ft (electricity cost factor).
- The percentage of selling and distribution expenses to operating revenue decreased YoY, despite the increased expenses, mainly supported by higher operating revenue and effective cost management.

Q3/2022 vs Q2/2022 (QoQ)

- In Q3/2022, the Company recorded selling and distribution expenses of Baht 524.2 million, increased by Baht 2.8 million or 0.5% QoQ, following the higher operating revenue. The higher expenses mainly came from increased salary and employee benefits as well as higher utilities expenses from rising Ft.
- The percentage of selling and distribution expenses to operating revenue decreased QoQ, despite the increased expenses, mainly supported by higher operating revenue and effective cost management.

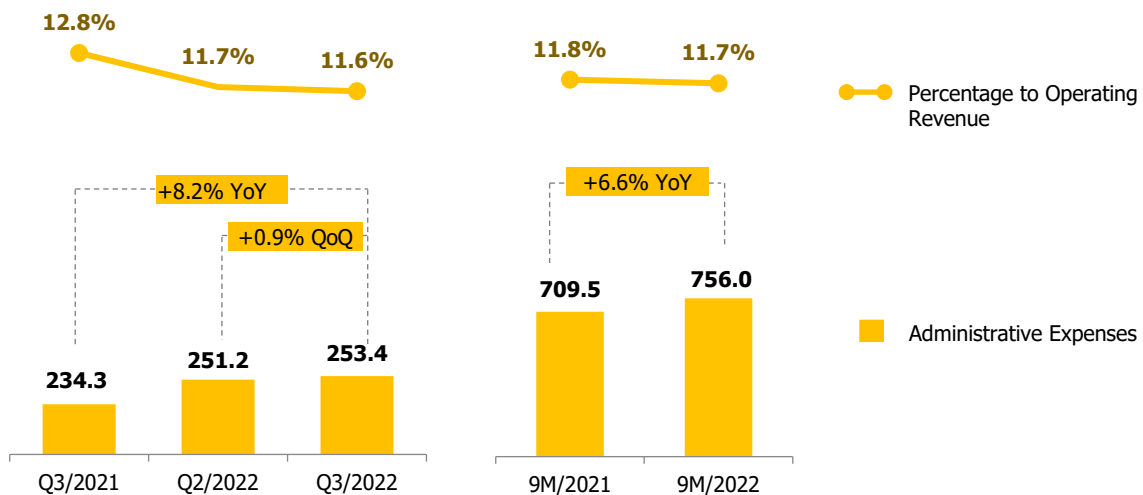
9M/2022 vs 9M/2021 (YoY)

- In 9M/2022, the Company recorded selling and distribution expenses of Baht 1,557.7 million, increased by Baht 129.6 million or 9.1% YoY, following the higher operating revenue. The increased expenses were mainly due to the increased salary and employee benefits, higher sales promotion expenses, elevated delivery costs resulting from increased sales and oil prices, and higher utilities expenses from rising Ft.
- The percentage of selling and distribution expenses to operating revenue increased YoY, mainly due to higher expenses, despite the Company's effective cost management.

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5. Administrative Expenses**

Unit: THB million, %



**Administrative expenses are back-office expenses, e.g., employee expenses, delivery costs, and depreciation.

Q3/2022 vs Q3/2021 (YoY)

- In Q3/2022, the Company recorded administrative expenses of Baht 253.4 million, increased by Baht 19.1 million or 8.2% YoY, mainly due to the increased salary and employee benefits, elevated delivery costs resulting from increased sales and oil prices, and higher utilities expenses from rising Ft.
- The percentage of administrative expenses to operating revenue decreased YoY, despite the increased expenses, mainly supported by higher operating revenue and effective cost management.

Q3/2022 vs Q2/2022 (QoQ)

- In Q3/2022, the Company recorded administrative expenses of 253.4 million, increased by Baht 2.2 million or 0.9% QoQ, mainly due to the increased salary and employee benefits.
- The percentage of administrative expenses to operating revenue decreased QoQ, despite the increased expenses, mainly supported by higher operating revenue and effective cost management.

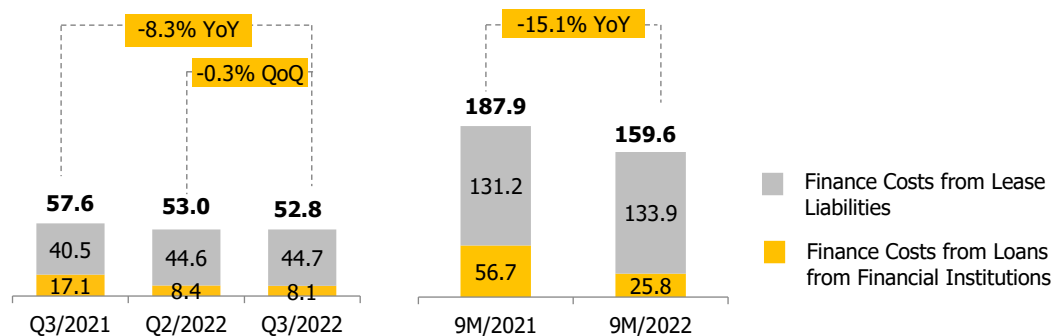
9M/2022 vs 9M/2021 (YoY)

- In 9M/2022, the Company recorded administrative expenses of Baht 756.0 million, increased by Baht 46.5 million or 6.6% YoY. The increase was mainly due to the increased salary and employee benefits, elevated delivery costs resulting from increased sales and oil prices, and higher utilities expenses from rising Ft.
- The percentage of administrative expenses to operating revenue decreased YoY, despite the increased expenses, mainly supported by higher operating revenue and effective cost management.

*Values may differ by one decimal point due to figure rounding

6. Finance Costs

Unit: THB million, %

**Q3/2022 vs Q3/2021 (YoY)**

- In Q3/2022, the Company recorded finance costs of Baht 52.8 million, decreased by Baht 4.8 million or 8.3% YoY. Details were as follows:
 - Finance costs from loans from financial institutions were Baht 8.1 million, decreased by Baht 9.0 million or 52.5% YoY, despite the increased interest rates resulting from the Company's continuous long-term loan prepayment.
 - Finance costs from lease liabilities were Baht 44.7 million, increased by Baht 4.2 million or 10.3% YoY, resulting from higher interest expense amortized from lease liabilities.

The Company's total borrowings from financial institutions at the end of Q3/2022 were Baht 1,546.6 million, decreased by Baht 1,152.5 million or 42.7% from Baht 2,699.0 million at the end of Q3/2021. The decrease was supported by the Company's continuous long-term loan prepayment.

Interest-bearing debt at the end of Q3/2022 was Baht 4,319.0 million, decreased by Baht 1,170.3 million or 21.3% from Baht 5,489.3 million at the end of Q3/2021.

Q3/2022 vs Q2/2022 (QoQ)

- In Q3/2022, the Company recorded finance costs of Baht 52.8 million, slightly decreased by Baht 0.1 million or 0.3% QoQ. Details were as follows:
 - Finance costs from loans from financial institutions were 8.1 million, decreased by Baht 0.3 million or 3.3% QoQ, despite the increased interest rates supported by the Company's continuous long-term loan prepayment.
 - Finance costs from lease liabilities were Baht 44.7 million, slightly increased by Baht 0.1 million or 0.3% QoQ, resulting from higher interest expense amortized from lease liabilities.

The Company's borrowings from financial institutions at the end of Q3/2022 were 1,546.6 million, decreased by Baht 183.6 million or 10.6% from Baht 1,730.2 million at the end of Q2/2022, mainly supported by the Company's continuous long-term loan prepayment of Baht 140.0 million during Q3/2022.

Interest-bearing debt at the end of Q3/2022 was Baht 4,319.0 million, decreased by Baht 194.0 million or 4.3% from Baht 4,513.0 million at the end of Q2/2022.

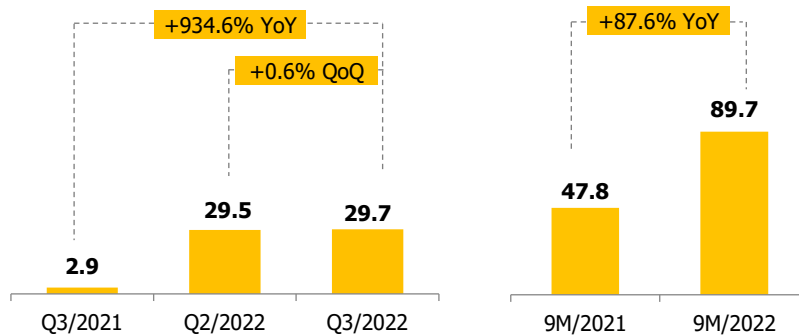
9M/2022 vs 9M/2021 (YoY)

- In 9M/2022, the Company recorded finance costs of Baht 159.6 million, decreased by Baht 28.3 million or 15.1% YoY. Details were as follows:
 - Finance costs from loans from financial institutions of Baht 25.8 million, decreased by Baht 30.9 million or 54.6% YoY, despite the increased interest rates mainly supported by the Company's continuous long-term loan prepayment of Baht 513.0 million during 9M/2022.
 - Finance costs from lease liabilities of Baht 133.9 million, increased by Baht 2.7 million or 2.0% YoY, resulting from higher interest expense amortized from lease liabilities.

*Values may differ by one decimal point due to figure rounding

7. Tax Expenses

Unit: THB million, %

**Q3/2022 vs Q3/2021 (YoY)**

- In Q3/2022, the Company recorded tax expenses of Baht 29.7 million, increased by Baht 26.8 million or 934.6% YoY, mainly due to higher earnings before tax.

In Q3/2022, the Company utilized tax incentives from the Office of the Board of Investment (BOI) from investment in new machinery of Baht 5.3 million, increased from Baht 3.5 million in Q3/2021.

Q3/2022 vs Q2/2022 (QoQ)

- In Q3/2022, the Company recorded tax expenses of Baht 29.7 million, slightly increased by Baht 0.2 million or 0.6% QoQ.

The Company utilized tax incentives in Q3/2022 of Baht 5.3 million, decreased from Baht 5.7 million in Q2/2022.

9M/2022 vs 9M/2021 (YoY)

- In 9M/2022, the Company recorded tax expenses of Baht 89.7 million, increased by Baht 41.9 million or 87.6% YoY mainly due to higher earnings before tax.

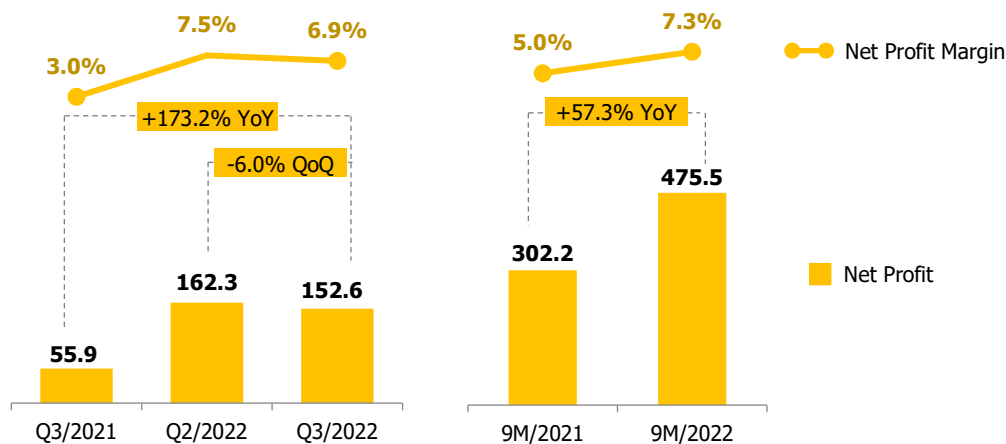
The Company utilized tax incentives in 9M/2022 of Baht 16.7 million, increased from Baht 13.9 million in the same period last year.

The Company has utilized total tax incentives from the beginning of 2021 until the end of Q3/2022 of Baht 34.8 million, out of total tax incentives of Baht 64.3 million received from investment in new machinery to utilize by the end of 2023.

**Values may differ by one decimal point due to figure rounding*

8. Net Profit and Net Profit Margin

Unit: THB million, %



Q3/2022 vs Q3/2021 (YoY)

- In Q3/2022, the Company recorded a net profit of Baht 152.6 million, increased by Baht 96.7 million or 173.2% YoY. Key reasons for the increase were as follows:
 - Higher revenue both from sales and from rental and rendering of services, especially from revenue from rental and rendering of services which made a new high for 3 consecutive quarters
 - Improved gross profit margin from rental and rendering of services, supported by the Company's increased and diversified tenants as well as effective cost management. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.
 - Lower %SG&A to operating revenue despite the increased expenses, supported by higher operating revenue and effective cost management
 - Lower finance costs despite the increased interest rates, supported by continuous long-term loan prepayment
 - The Company utilized total tax incentives of Baht 5.3 million, increased from Baht 3.5 million in Q3/2021

Q3/2022 vs Q2/2022 (QoQ)

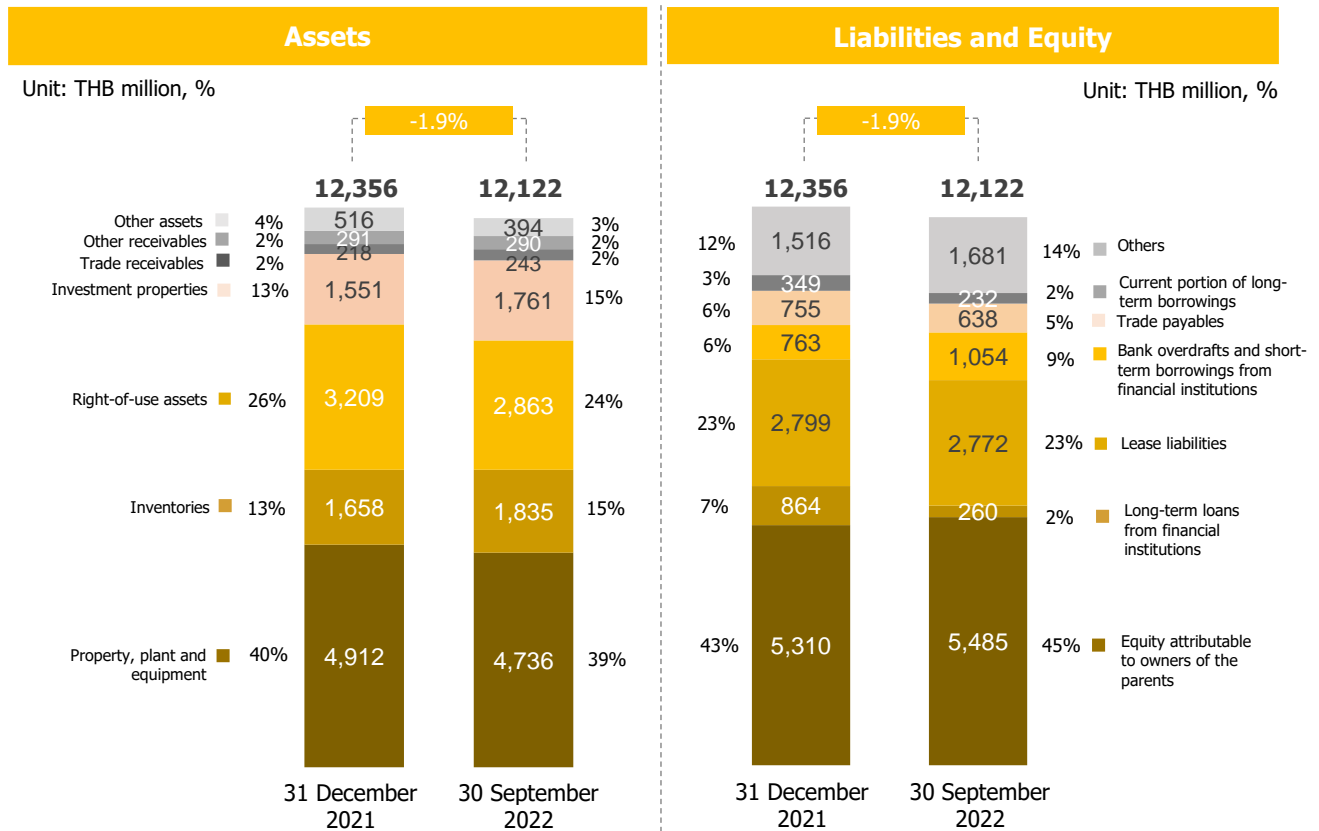
- In Q3/2022, the Company recorded a net profit of Baht 152.6 million, decreased by Baht 9.7 million or 6.0% QoQ. Key reasons for the decrease were as follows:
 - Lower gross profit margin from sales mainly due to a higher proportion of domestic project sales, domestic dealer sales, and overseas sales, which contributed to low gross profit margin, but a lower proportion of retail sales, which contributed to high gross profit margin, resulting from the heavy rain and widespread flooding in many areas. Extensive depreciation of Thai baht (THB) against the US dollar (USD) also caused the higher cost of imported products.
 - Higher SG&A following the increased operating revenue. However, %SG&A to operating revenue decreased supported by effective cost management.
 - Lower finance costs despite the increased interest rates, supported by continuous long-term loan prepayment
 - The Company utilized total tax incentives of Baht 5.3 million, decreased from Baht 5.7 million Q2/2022.

9M/2022 vs 9M/2021 (YoY)

- In 9M/2022, the Company recorded a net profit of Baht 475.5 million, increased by Baht 173.3 million or 57.3% YoY. Key reasons for the increase were as follows:
 - Higher revenue both from sales and from rental and rendering of services
 - Improved gross profit margin from sales, supported by increased sales proportion of high gross profit margin products, increased selling prices following the cost hike, and termination of the home electric sale since the beginning of 2022.
 - Improved gross profit margin from rental and rendering of services, supported by the Company's increased and diversified tenants as well as effective cost management. Also, the Company no longer gives rental discounts to tenants, as occurred during the lockdown period last year.
 - Lower finance costs despite the increased interest rates, supported by continuous long-term loan prepayment
 - Utilized tax incentives of Baht 16.7 million, increased from Baht 13.9 million in the same period last year
 - The Company has utilized total tax incentives from the beginning of 2021 until the end of Q3/2022 of Baht 34.8 million, out of total tax incentives of Baht 64.3 million received from investment in machinery to utilize by the end of 2023.

*Values may differ by one decimal point due to figure rounding

Statement of Financial Position



Assets

- As at 30 September 2022, the Company had total assets of Baht 12,121.7 million, decreased by Baht 234.3 million or 1.9% from Baht 12,356.0 million at the end of 2021. The key matters were as follows: 1) decreased right-of-use assets by Baht 346.7 million or 10.8% from Baht 3,209.4 million at the end of 2021; and 2) decreased property, plant and equipment by Baht 176.6 million or 3.6% from Baht 4,912.3 million at the end of 2021.
- On the other hand, inventories increased by Baht 176.9 million or 10.7% from Baht 1,657.8 million at the end of 2021 from preparation for new store openings in Q4/2022. However, inventories decreased from the end of Q2/2022, supported by higher project sales delivery. Investment properties also increased by Baht 209.6 million or 13.5% from Baht 1,551.3 million at the end of 2021.

Liabilities

- As at 30 September 2022, the Company had total liabilities of Baht 6,637.2 million, decreased by Baht 407.7 million or 5.8% from Baht 7,044.9 million at the end of 2021. The decrease was mainly due to decreased loans from financial institutions by Baht 429.4 million or 21.7% from Baht 1,975.9 million at the end of 2021 to Baht 1,546.6 million at the end of Q3/2022 after the Company has been repaying loans from financial institutions continuously, with long-term loan prepayment of Baht 513.0 million. Trade accounts payable also decreased by Baht 117.3 million or 15.5% from Baht 755.2 million at the end of 2021.

Equity

- As at 30 September 2022, the Company had equity attributable to owners of the parent of Baht 5,484.5 million, increased by Baht 174.6 million or 3.3% from Baht 5,309.8 million at the end of 2021, mainly due to the Company's operating profit during 9M/2022 of Baht 475.5 million, deducted by a cash dividend of Baht 202.0 million for the 2021 operating results, the amount of which the remaining after paying the interim dividend of Baht 75.8 million and a cash dividend of Baht 101.0 million for the 6M/2022 operating results paid to shareholders.

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Future Outlook

Despite pressure from the global economic slowdown, the Thai economy in the second half of the year continued to improve following the recovering economic activities and rising consumer confidence in the overall economy and future income. Tourism tends to improve continuously from the higher-than-expected number of foreign tourists, especially after the announcement of the reclassification of COVID-19 from a dangerous infectious disease to an infectious disease under watch, effective on 1 October 2022. Meanwhile, the Company opened the fourth Index Living Mall franchise store in Vietnam in October 2022 and will be opening Index Living Mall – Lat Krabang by the end of 2022, which will help support strong sales growth during the festive season Q4/2022. The Company also plans to expand more stores locally and internationally in the future to further drive business growth. On the other hand, the Company is well aware of the tendency of cost increase and has been initiating various measures, preparing to reduce the impact of the upcoming rising cost and maintain the Company's earnings sustainably.



Adjusting Sales Strategies to Match with Consumer Behavior

The Company has been studying and analyzing the purchasing behavior of customers and adjusting its sales strategies to match the behavior of consumers, proven by the Company's steady sales growth. Examples of the new sales strategies included allowing customers to mix and match any product from any set upon their preference; developing or sourcing some popular but high-priced products to be priced optimally; and moving the zone of some product categories that customers are likely to buy together to be close to another.



Impact of the Increase of the Minimum Wages

The announcement of the minimum wage increases effective on 1 October 2022 will have only a slight impact on the Company. Overall expenses will increase by approximately 0.1%. In addition, the Company has been developing and assembling robots used in the production process, which can replace human labor while increasing the efficiency and accuracy of work. Together with gradually switching to automated machinery, which enhances efficiency while reducing cost, the Company's competitiveness will continue to increase in the long term.



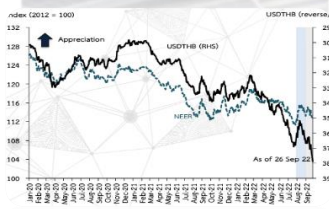
Impact of the Rising Fuel Prices

The Company uses diesel oil for goods delivery of approximately 1.3-1.5 million liters per annum, while the cost of diesel oil in 2022 increased substantially from 2021. However, the Company has switched from using the fleet card to having its own fuel bunker since July 2022, allowing the Company to receive a higher rebate from an energy supplier company. As a result, the cost of diesel per liter has been significantly reduced.



Impact of the Increasing Ft

The Company is aware of the electricity cost increase after announcements of the Ft increase since the beginning of 2022. The Company's electricity consumption is approximately 44 million units per annum. However, the Company has been gradually installing solar rooftop since 2017, both at the factory and Index Living Mall stores, to reduce the cost of electricity and also helps reduce the environmental impact. At the end of 2021, the Company has installed solar rooftop at 18 stores. By the end of 2022, the Company will finish installing solar rooftop at another 6 stores, totaling 24 of the 32 stores (including Index Living Mall - Lat Krabang, which will open in Q4/2022). Together with the Company's plans to install solar rooftop at more stores and energy-saving measures, electricity costs should be decreasing efficiently.



Impact of the Thai Baht Depreciating Against the US Dollar

The Company recognized the rising cost due to the depreciation of the Thai baht (THB) against the US dollar (USD). The selling prices of new imported goods will be calculated based on the latest exchange rates. As for the existing products, the promotion will be adjusted optimally and effectively according to the new exchange rates to maintain the optimal profit margin.



Impact of the Increasing Interest Rates

The Company has been prepaying long-term loans continuously, reducing total borrowings at the end of Q3/2022 to only Baht 1,546.6 million. With every 0.25% interest rate increase based on the latest outstanding balance, the Company's finance costs increase will be quite limited. Moreover, the Company's interest expenses will continue to gradually reduce, supported by regular loan repayment, proper investment for the growth of the Company, and efficient liquidity management.