

Ref. CS/002/08/2022

5 August 2022

Subject: Management Discussion and Analysis for the three-month period and the six-month period ended 30 June 2022

To: President
The Stock Exchange of Thailand

According to the resolution of the Board of Directors' Meeting No.4/2022 of Nirvana Daii Public Company Limited ("**Company**" or "**NVD**") held on 5th August 2022 to approve the financial statements for the three-month period and the six-month period ended 30 June 2022, the Company would like to report the financial performance for the three-month period and six-month period ended 30 June 2022 as follows.

| Comparative Operating Performance | Quarterly: yoy & qoq | | | | | | | | Haftyear: yoy | | | | |
|--|----------------------|-------------|--------------|-------------|------------|-------------|-------------|-------------|---------------|-------------|--------------|-------------|-------------|
| | 2Q21 | | 1Q22 | | 2Q22 | | %Change | | 1H21 | | 1H22 | | %Change |
| | Bt.m | % | Bt.m | % | Bt.m | % | yoy | qoq | Bt.m | % | Bt.m | % | yoy |
| Revenues: | | | | | | | | | | | | | |
| Revenue from sales of real estate | 731 | 92% | 1,021 | 94% | 666 | 88% | -9% | -35% | 1,425 | 93% | 1,687 | 91% | 18% |
| Revenue from construction contracts | 64 | 8% | 68 | 6% | 92 | 12% | 45% | 36% | 110 | 7% | 160 | 9% | 45% |
| Total revenues | 795 | 100% | 1,089 | 100% | 758 | 100% | -5% | -30% | 1,535 | 100% | 1,847 | 100% | 20% |
| Costs: | | | | | | | | | | | | | |
| Costs of real estate sold | 459 | 63% | 587 | 58% | 434 | 65% | -6% | -26% | 932 | 65% | 1,021 | 61% | 10% |
| Costs of construction | 57 | 90% | 62 | 92% | 82 | 89% | 43% | 32% | 86 | 78% | 145 | 9% | 69% |
| Total costs | 517 | 65% | 650 | 60% | 516 | 68% | 0% | -21% | 1,017 | 66% | 1,166 | 63% | 15% |
| Gross profits | 278 | 35% | 439 | 40% | 243 | 22% | -13% | -45% | 518 | 34% | 682 | 37% | 32% |
| Other incomes | 14 | 2% | 21 | 2% | 21 | 2% | 47% | -1% | 32 | 2% | 42 | 2% | 28% |
| Selling expenses | (85) | -11% | (121) | -11% | (74) | -7% | -13% | -39% | (154) | -10% | (195) | -11% | 26% |
| Administrative expenses | (136) | -17% | (78) | -7% | (74) | -7% | -45% | -5% | (210) | -14% | (152) | -8% | -27% |
| Gain (loss) from exchange rate, net | 0 | 0% | (0) | 0% | 0 | 0% | 72% | -3558% | 1 | 0% | 0 | 0% | -43% |
| Financial costs (interest expenses) | (33) | -4% | (50) | -5% | (51) | -5% | 51% | 1% | (64) | -4% | (101) | -5% | 57% |
| Profits before share of profits from JV | 38 | 5% | 210 | 19% | 65 | 6% | 71% | -69% | 123 | 8% | 275 | 15% | 124% |
| Share of profits/(losses) from JV | (3) | 0% | 0 | 0% | (1) | 0% | -74% | na | (3) | 0% | (1) | 0% | -74% |
| Income taxes | (25) | -3% | (49) | -4% | (13) | -1% | -48% | -73% | (49) | -3% | (62) | -3% | 27% |
| Net profits / (loss) | 9 | 1% | 161 | 15% | 51 | 5% | 460% | -69% | 70 | 5% | 212 | 11% | 201% |
| Other comprehensive income | - | 0% | - | 0% | - | 0% | na | na | - | 0% | - | 0% | na |
| Total comprehensive income /(loss) | 9 | 1% | 161 | 15% | 51 | 5% | 460% | -69% | 70 | 5% | 212 | 11% | 201% |
| Profit (loss) attributable to | | | | | | | | | | | | | |
| the owners of the parent | (4) | 0% | 156 | 14% | 13 | 1% | -471% | -91% | 37 | 2% | 169 | 9% | 356% |
| the non-controlling interests | 13 | 2% | 6 | 1% | 37 | 3% | 193% | 570% | 33 | 2% | 43 | 2% | 28% |

Momentum Maintained Amid Global Recession Threats

NVD recorded 2Q22 total revenues of Bt758m with a net profit attributable to the owners of the parent company of Bt13m, compared with total revenues of Bt795m and with a net profit attributable to the owners of the parent company of (Bt4m) in 2Q21. On half-year basis, 1H22 total revenues were Bt1,847m, growing 20% yoy, with net profit attributable to the owner of the parent company of Bt169m, compared with Bt.37m in 1H21. Two consecutive quarters of robust results were delivered.

Global Economy was greeted with sharp rising inflation worldwide since the early part of 2022. The situation was worsened in late Feb-22 with the invasion of Russia into Ukraine, sending commodities prices skyrocketing. A few months down the line, countries around the world started recording negative quarterly GDP growths. Inevitably, businesses were forced into defensive strategies in anticipation of the “rough rides.”

With the high-quality asset base, together with the strong backlogs at YE21, NVD was able to maneuver relatively well. As part of the Balance-sheet Reform, a strategic decision was made in 1Q22 to sell part of the landbank in the south side of the new Krungthep-Kreetha (Srinakarin-Romklao). The rationale for the sales was to adjust the asset base for better value creation in the current circumstances. The proceeds from the sales would be used to purchase new land for project developments of product segments which, we believe, would help creating healthy backlogs as well as maintaining a full range of product offerings in the Krungthep Kreetha area.

The respectable set of 2Q22 results was mainly driven by the transfers of condominium units at the Banyan Tree Residences Riverside Bangkok (“BTRRB”) among the others. In 2Q22, BTRRB transferred over Bt.400m during the quarter, including the one and only 840-sqm Duplex Penthouse at the top of the building. The condominiums segment helped preserve the margins of the more-mass landed residential segment, whose both appetites to purchase as well as the ability to transfer had been affected in the current economic environment.

Prudent Moves in 2H22

The sharp-rising inflation as well as the intensified spread of the Omicron had created ripple effects to the Property Development industry. Rising costs of construction materials and scarcity of construction labors were among the top list of challenges. As such, the scheduled launch of new projects had to be pushed out to 2H22. Product specs had to be reviewed and revised to keep the pricing competitive and still in attractive ranges as the costs increases would not be able to be passed thru entirely.

NVD still committed to launch new projects in bid to continue replenishing the backlogs. However, the number of scheduled project launches would have to prudently be reduced to help optimize on the capital expenditures. At the current stage, five new projects are scheduled for launch in late 3Q22 & early 4Q22. Some projects in some locations which may not sail well in the current challenging time would be pushed out to next year.

Revenues

NVD reported total consolidated revenues of Bt.758m for 2Q22, decreased 5% yoy and 30% qoq. Compared to the same period last year, the segmented revenues consist of:

- **Revenues from Sales of Real Estate** down 9% yoy,
- **Revenues from Construction Contracts** up 45% yoy,

Revenues from Sales of Real Estate were Bt.666m, down 9% yoy, mainly from the transfer of BTRRB’s penthouse sold and landed residences sold from BEYOND Rama2, DEFINE Srinakarin-Rama9 and ELEMENT Bangna.

Revenues from Construction Service Contracts were Bt. 92m, up 45% yoy. The outperforming in this revenue line was mainly driven by the construction services revenues to external corporate clients. The

BTO (Build-to-Order) home-building services revenues from Turnkey Projects, namely BEYOND Att-U Park Bangna and ICON Pinklao.

Cost of Sales and Gross Margins

Total consolidated costs for 2Q22 were Bt.516m, slightly decreased 0.1% yoy in line with revenue. The total costs consist of:

- **Costs of Sales of Real Estate** of Bt.434m
- **Costs of Construction Contracts** of Bt.82m

Blended gross margins of 22% in 2Q22 decreased from 35% in 2Q21 and 40% in 1Q22. The 2Q22 gross margin of **Revenues from Sales of Real Estate** segment were down yoy and qoq mainly from the sales and transfers of the 10-rai land on the south side of the Srinakarin-Romklao Road and the 23-rai land transaction as part of the continued strategic drive, Balance-sheet Reform while the transfers of the BTRRB and the MOST Issaraphap units margins were strong to drive the overall 1H22 gross margin by 32% compared to 1H21

Selling and General Administrative Expenses

Selling expenses during 2Q22 of Bt.74m decreased 13% yoy and 39% qoq, in line with revenue.

The 2Q22 general administrative expenses of Bt.74m decreased 45% yoy and 5% qoq. The abnormally high 2Q21 general administrative expense was due to the accounting adjustment of transaction of land sales at slightly under the book value, SPA executed in 2Q21 and transferred in 3Q21. Bt.56.7m loss from allowance for decrease of cost to net realizable value of 4.5-rai Bangrak Yai land was to adjust to its fair value, and it was recognized as administrative expenses in the statement of comprehensive income. According to TFRS 9, this loss from allowance must be booked in 2Q21 ahead of the actual transfer in 3Q21.

Financial Costs

2Q22 financial costs of Bt.51m increased 51% yoy and 1% qoq due to the interest of the construction completion of the landed residential projects and a condominium project. Also, interest costs from debts for a part of Krungthep-Kreetha landbank were unable to be capitalized, thus a rise in financial costs.

Net Profit

The net profit was Bt.51m in 2Q22, compared to Bt.9m in 2Q21 and Bt.161m in 1Q22. The strong profits in the past quarters were mainly due to the land sales and the asset reclassification as discussed above.

Assets

Total assets End-2Q22 were Bt.12,315m, decreased slightly by Bt.272m (-2% yoy) from End-FY21. Major changes in the asset line items were the decreases in the Inventories (Bt.415m) because of transfers of sold units and the land transaction, and land deposits increasing Bt.102m. that will be transferred in 3Q22.

| Consolidated Statements of Financial Position | YE2021 | | 1H2022 | | Change from YE | |
|--|---------------|-------------|---------------|-------------|----------------|--------------|
| | Bt.m | % | Bt.m | % | Bt.m | % |
| Assets: | | | | | | |
| Cash and cash equivalents | 105 | 1% | 219 | 2% | 114 | 109% |
| Trade and other receivables, net & related parties | 204 | 2% | 179 | 1% | (25) | -12% |
| Inventories | 2,756 | 22% | 2,341 | 19% | (415) | -15% |
| Costs of property development | 6,379 | 51% | 6,396 | 52% | 17 | 0% |
| Unbilled receivables | 49 | 0% | 53 | 0% | 4 | 8% |
| Land deposits | 48 | 0% | 151 | 1% | 102 | 211% |
| Other current assets | 21 | 0% | 16 | 0% | (5) | -24% |
| Total current assets | 9,562 | 76% | 9,354 | 76% | (208) | -2% |
| Restricted bank deposits | 39 | 0% | 31 | 0% | (8) | -22% |
| Investment in joint venture, net | 5 | 0% | 13 | 0% | 8 | 151% |
| Long-term loans to others | 242 | 2% | 242 | 2% | - | 0% |
| Land held for development | 31 | 0% | 31 | 0% | - | 0% |
| Property, plant and equipment, net | 442 | 4% | 371 | 3% | (70) | -16% |
| Investment Property | 1,315 | 10% | 1,315 | 11% | - | 0% |
| Right-of-use assets, net | 297 | 2% | 290 | 2% | (7) | -2% |
| Intangible assets, net | 22 | 0% | 19 | 0% | (3) | -13% |
| Goodwill | 332 | 3% | 332 | 3% | - | 0% |
| Deferred tax assets | 170 | 1% | 163 | 1% | (8) | -4% |
| Other non-current assets | 130 | 1% | 154 | 1% | 24 | 18% |
| Total non-current assets | 3,025 | 24% | 2,960 | 24% | (64) | -2% |
| Total assets | 12,587 | 100% | 12,315 | 100% | (272) | -2.2% |

Liabilities

Total liabilities of Bt.6,939m End-1Q22 decreased 6% by Bt.465m from Bt.7,404m at YE21. Significant changes are summarized as follow:

- Bt.400m Callable and Secured Debentures No.1/2022 due 2023, bearing a fixed interest rate at 6.50% per annum,
- Bt.650m Callable and Secured Debentures No.2/2022 due 2024, bearing a fixed interest rate at 6.80% per annum,
- Bt.543m interest-bearing debts decreased from the loan repayment of 23 rai-landbank, early partial redemption of the prior debenture, and transfers of the real estate sold during the quarter.

| Consolidated Statements of Financial Position | YE2021 | | 1H2022 | | Change from YE | |
|---|---------------|-------------|---------------|-------------|----------------|--------------|
| | Bt.m | % | Bt.m | % | Bt.m | % |
| Liabilities & Shareholders' Equity: | | | | | | |
| PN and ST borrowings from financial institutions, net | 1,813 | 14% | 2,028 | 16% | 214 | 12% |
| Trade, other payables & related parties | 316 | 3% | 331 | 3% | 15 | 5% |
| Interest bearing debts due within one year, net | 2,223 | 18% | 1,550 | 13% | (673) | -30% |
| Retention payables | 88 | 1% | 78 | 1% | (9) | -11% |
| Deposits and advance received from customers | 158 | 1% | 96 | 1% | (62) | -39% |
| Advance from customers for construction contracts | 44 | 0% | 31 | 0% | (13) | -30% |
| Other current liabilities | 131 | 1% | 161 | 1% | 30 | 23% |
| Total current liabilities | 4,773 | 38% | 4,392 | 36% | (382) | -8% |
| Interest bearing debts due over one year, net | 2,434 | 19% | 2,349 | 19% | (85) | -3% |
| Other non-current liabilities | 197 | 2% | 198 | 2% | 2 | 1% |
| Total non-current liabilities | 2,631 | 21% | 2,547 | 21% | (84) | -3% |
| Total liabilities | 7,404 | 59% | 6,939 | 56% | (465) | -6% |
| Total equity | 5,183 | 41% | 5,375 | 44% | 193 | 4% |
| Total liabilities and equity | 12,587 | 100% | 12,315 | 100% | (272) | -2.2% |
| <i>Remarks:</i> | | | | | | |
| <i>Total interest-bearing debts</i> | <i>6,470</i> | <i>51%</i> | <i>5,927</i> | <i>48%</i> | <i>(543)</i> | <i>-8%</i> |

**Key Financial Ratios**

Liquidity ratio at End-2Q22 was 2.13x, higher than 2.0x at End-FY21 due to decreasing in costs of property development as discussed above.

Gross margins increased from 9% in FY21 to 22% in 1Q22 due to the real estate and construction service performance.

Total liabilities-to-equity ratio at End-2Q22 was 1.29x, decreased from 1.43x at End-FY21, while the net interest-bearing debts to equity ratio decreased from 1.23x to 1.06x. This was a net result of the Balance-sheet Reform activities in bid to achieve a higher efficiency and a better balance of assets and liabilities, a strategic move to keep NVD's balance sheet and financial health strong amid the looming stagflation.

Please be informed accordingly.

Yours faithfully,

(Varaporn Thanapornpaiboon)

Acting of Chief Financial Officer