

7 August 2023

Subject: Management Discussion and Analysis for the three-month period and the six-month period ended 30 June 2023

To: President
The Stock Exchange of Thailand

According to the resolution of the Board of Directors' Meeting No.3/2023 of Nirvana Development Public Company Limited ("Company" or "NVD" or "Nirvana") held on 7th August 2023 to approve the financial statements for the three-month period and the six-month period ended 30 June 2023, the Company would like to report the financial performance for the three-month period and six-month period ended 30 June 2023 as follows.

Comparative Operating Performance	Quarterly: yoy & qoq								Half year: yoy				
	2Q22		1Q23		2Q23		%Change		1H22		1H23		%Change
	Bt.m	%	Bt.m	%	Bt.m	%	yoy	qoq	Bt.m	%	Bt.m	%	yoy
Revenues:													
Revenue from sales of real estate	666	88%	446	92%	359	78%	-46%	-20%	1,687	91%	805	85%	-52%
Revenue from construction contracts	92	12%	40	8%	100	22%	9%	149%	160	9%	141	15%	-12%
Total revenues	758	100%	486	100%	459	100%	-39%	-6%	1,847	100%	946	100%	-49%
Costs:													
Costs of real estate sold	434	65%	289	65%	245	68%	-44%	-15%	1,021	55%	534	56%	-48%
Costs of construction	82	89%	30	75%	74	74%	-10%	145%	145	8%	104	11%	-28%
Total costs	516	68%	319	66%	319	69%	-38%	0%	1,166	63%	638	68%	-45%
Gross profits	243	32%	167	34%	140	31%	-42%	-16%	682	37%	307	32%	-55%
Other incomes	21	3%	27	5%	30	7%	48%	14%	42	2%	57	6%	38%
Distribution cost	(74)	-10%	(89)	-18%	(84)	-18%	13%	-6%	(195)	-11%	(173)	-18%	-11%
Administrative expenses	(74)	-10%	(53)	-11%	(53)	-12%	-28%	1%	(152)	-8%	(106)	-11%	-31%
Financial costs (interest expenses)	(51)	-7%	(13)	-3%	(14)	-3%	-73%	5%	(101)	-5%	(27)	-3%	-73%
Profits before share of profits from JV	65	9%	38	8%	21	4%	-68%	-47%	275	15%	59	6%	-79%
Share of profits/(losses) from JV	(1)	0%	(1)	0%	(3)	-1%	244%	-319%	(1)	0%	(4)	0%	-326%
Income taxes	(13)	-2%	8	2%	(0)	0%	98%	-104%	(62)	-3%	8	1%	112%
Net profits / (loss)	51	7%	46	9%	17	4%	-66%	-63%	212	11%	63	7%	-70%
Other comprehensive income	0	0%	0	0%	0	0%	na	na	0	0%	0	0%	0%
Total comprehensive income / (loss)	51	7%	46	9%	17	4%	-66%	-63%	212	11%	63	7%	-70%
Profit (loss) attributable to													
the owners of the parent	13	2%	35	7%	17	4%	27%	-51%	169	9%	52	6%	-69%
the non-controlling interests	37	5%	11	2%	0	0%	-100%	-100%	43	2%	11	1%	-74%

NVD recorded total revenues of Bt459m in 2Q23, down 39% yoy and 6% qoq. The 2Q23 net profit attributable to the owners of the parent company was Bt17m, compared to Bt13m in 2Q22 and Bt35m in 1Q23. On a half-year basis, 1H23 total revenues were Bt946m, down 49% yoy, with net profit attributable to the owner of the parent company of Bt52m, compared with Bt169m in 1H22. Uncertainties, stemming from Thailand's political landscape potentially disturbing the economic recovery, has affected revenue and new project launch plan.

Deterred, But Not Derailed

During 4Q22-1Q23, NVD registered a healthy earnings recovery trend. A series of new project launches have generated healthy backlogs during the past few quarters. Such positive momentum was, however, slightly deterred in 2Q23 in terms

of revenue recognition. The result of the mid-May General Election entailed a seemingly lengthy and cumbersome process of forming the new Government. The uncertainties would prove to be unfavorable to the economic recovery and would affect the sentiments.

Main challenge was conversion of the relatively healthy presales of over Bt.2,000m during 1H23 into revenues. While accelerating construction of the sold units, the gap between presales and net-sales was widened as the economic outlook has become bleak. Majority of Nirvana's customers are entrepreneurs and business owners, such uncertainties inevitably affect their decisions to buy, while new sales to replenish cancellations and post-financing rejections are increasingly an uphill task. Nonetheless, the net profit attributable to the owner of the parent company increased yoy from lower operating expenses, and the uncertainties would eventually fade out.

One advantage of being a landed residential developer is an ability to pace developments to demands. In 2Q23, NVD launched two new projects in the Krungthep-Kreetha landbank, Nirvana DEFINE (high-end townhouses) and Nirvana ABSOLUTE (3-storey SDHs) with two more projects scheduled for debuts in 3Q23 as part of 2023 New-project Launch Plan. Cumulatively five new projects have been launched up until now. Given the less favorable sentiments and uncertain outlook, however, the remaining four project launches are under consideration. Focusing on the first five newly-launched projects might be a better choice in the current situation.

Revenues

NVD reported total consolidated revenues of Bt. 459m for 2Q23, decreased 39% yoy and 6% qoq. Compared to the same period last year, segmented revenues consist of:

- **Revenues from Sales of Real Estate** down 46% yoy,
- **Revenues from Construction Contracts** up 9% yoy,

Revenues from Sales of Real Estate were Bt359m, down 46% yoy mainly from the transfer of the 800-sqm penthouse of BTRRB in 2Q22. These transactions significantly contributed to the higher revenue and profit in 2Q22, compared to 2Q23 revenue contribution, which was mainly from the transfers of landed residences sold at BEYOND Rama2, ELEMENT Bangna, DEFINE Ekkamai-Ramintra, ABSOLUTE Ekkamai-Ramintra and the new project, ABSOLUTE Krungthep Kreetha, and 2 new projects at including the transfers of a few condominium units at Banyan Tree Residences Riverside Bangkok and The Most Issaraphap.

Revenues from Construction Service Contracts were Bt100m, up 9% yoy. The performance in this revenue line was mainly driven by the BTO (Build-to-Order) home-building services revenues from Turnkey Projects, namely Nirvana BEYOND Att-U Park Bangna and Nirvana ICON Pinklao.

Cost of Sales and Gross Margins

Total consolidated costs for 2Q23 were Bt319m, decreased 38% yoy. The total costs consist of:

- **Costs Real Estate Sold of** Bt245m
- **Costs of Construction of** Bt74m

Blended gross margins of 31% in 2Q23 decreased from 32% in 2Q22 and 34% in 1Q23. The 1Q23 gross margin of *Revenues from Sales of Real Estate* segment were up qoq mainly from the new projects, while 2Q23 gross margin included slightly more transfers of sold units in the older projects.

Other incomes were Bt30m, usually comprised of management fees, services incomes, interest incomes and other miscellaneous incomes. The extra items incurred in 2Q23 were one-off mainly related to construction compensation and cancellation contracts.

Distribution costs and General Administrative Expenses

Distribution costs during 2Q23 of Bt84m increased 13% yoy due to marketing activities in preparation for the launches of two new projects in 2Q23.

General administrative expenses in 2Q23 of Bt53m decreased 28% yoy and maintained at the same level with 1Q23 as control on operating expenses continued.

Financial Costs

2Q23 financial costs of Bt14m decreased 73% yoy as a result of the resumed interest capitalization for projects under development.

Net Profit

The company incurred a net profit of Bt17m in 2Q23, compared to Bt51m in 2Q22 and Bt46m in 1Q23. The strong profits in 2Q22 were mainly due to the transfer of the penthouse of BTRRB, as discussed above.

Assets

Total assets End-2Q23 were Bt13,759m, slightly increased 2% yoy. The major changes in the asset line items were the increases in the cost of property development by Bt403m, the inventories by Bt281m, and the decrease in the short-term loan to others at Bt242m. Significant changes in line items are summarized as follows:

Consolidated Statements of Financial Position	YE2022		End-2Q23		Change from YE	
	Bt.m	%	Bt.m	%	Bt.m	%
Assets:						
Cash and cash equivalents	295	2%	123	1%	(172)	-58%
Trade and other receivables, net & related parties	304	2%	395	3%	91	30%
Inventories	2,168	16%	2,449	18%	281	13%
Costs of property development	7,705	57%	8,107	59%	403	5%
Unbilled receivables	42	0%	29	0%	(13)	-31%
Land deposits	2	0%	5	0%	2	111%
Other current assets	110	1%	15	0%	(94)	-86%
Short-term loans to related parties	242	2%	-	0%	(242)	-100%
Total current assets	10,867	80%	11,124	81%	256	2%
Restricted bank deposits	44	0%	23	0%	(21)	-48%
Investment in joint venture, net	18	0%	21	0%	3	16%
Land held for development	31	0%	31	0%	-	0%
Property, plant and equipment, net	348	3%	343	2%	(6)	-2%
Investment Property	1,322	10%	1,327	10%	5	0%
Right-of-use assets, net	284	2%	277	2%	(7)	-2%
Intangible assets, net	16	0%	14	0%	(3)	-16%
Deferred tax assets	170	1%	189	1%	19	11%
Other non-current assets	70	1%	80	1%	10	14%
Total non-current assets	2,634	20%	2,635	19%	1	0%
Total assets	13,501	100%	13,759	100%	258	2%

Liabilities

Total liabilities of Bt8,870m at End-2Q23 increased 9% by Bt765m from Bt8,106m at End-YE22. Significant changes are summarized as follows:

- Bt950m Callable and Secured Debentures No.1/2023, in two tranches; (1) callable and secured debentures, with a total value of Bt465m, bearing a fixed interest rate of 6.40% per annum and will be due for repayment in 2024. And (2) callable and secured debentures, with a total value of Bt485m, bearing a fixed interest rate of 6.70% per annum and will be due for repayment in 2025.
- Bt748m interest-bearing debts increased from the borrowings from financial institutions for the development of projects on the northern side of the new Krungthep Kreetha road, as well as long-term debentures.

Equity

Total equity of Bt4,889m at End-2Q23 decreased 9% by Bt507m from Bt5,396m at End-YE22. Significant changes are summarized as follows:

- The company's board approved the purchase of shares in its subsidiary, Nirvana River Company Limited. Following the transaction, on March 13, 2023, the company's ownership proportion increased from 69.99% to 99.99% based on the net asset value of the subsidiary's financial statements, which amounted to Bt. 795.44m. The NVD group recognized a non-controlling interest reduction of Bt. 340.90m and an increase in investment proportion of Bt. 135.65m, resulting in a total shareholder's equity of the group of 476.55 million baht in the subsidiary.

Consolidated Statements of Financial Position	YE2022		End-2Q23		Change from YE	
	Bt.m	%	Bt.m	%	Bt.m	%
Liabilities & Shareholders'Equity:						
PN and ST borrowings from financial institutions, net	1,844	14%	881	6%	(963)	-52%
Trade, other payables & related parties	360	3%	545	4%	185	51%
Interest bearing debts due within one year, net	1,689	13%	938	7%	(751)	-44%
Retention payables	88	1%	85	1%	(3)	-4%
Deposits and advance received from customers	84	1%	55	0%	(29)	-35%
Advance from customers for construction contracts	38	0%	31	0%	(7)	-18%
Other current liabilities	60	0%	46	0%	(14)	-24%
Total current liabilities	4,280	32%	2,581	19%	(1,699)	-40%
Interest bearing debts due over one year, net	2,998	22%	5,460	40%	2,462	82%
Other non-current liabilities	196	1%	198	1%	2	1%
Total non-current liabilities	3,826	28%	6,289	46%	2,463	64%
Total liabilities	8,106	60%	8,870	64%	765	9%
Total equity	5,396	40%	4,889	36%	(507)	-9%
Total liabilities and equity	13,501	100%	13,759	100%	258	2%
<i>Remarks:</i>						
<i>Total interest-bearing debts</i>	<i>6,531</i>	<i>48%</i>	<i>7,279</i>	<i>53%</i>	<i>748</i>	<i>11%</i>



Key Financial Ratios

Liquidity ratio at End-2Q23 was 4.31x, higher than 2.54x at End-FY22 mainly due to the decrease in interest-bearing debts due within one year due to the reclassification to the non-current liability as discussed above.

Gross margins decreased slightly from 33% in FY22 to 31% in 2Q23, resuming a more normalized gross margin level.

Total liabilities-to-equity ratio at End-2Q23 was 1.81x, increased from 1.50x at End-FY22, and the net interest-bearing debts to equity ratio decreased from 1.16x to 1.46x. This was a net result of the decrease in owners' equity from the purchase of shares in subsidiaries as discussed above.

Yours faithfully,

(Dr. Anothai Xanthavanij)
Chief Financial Officer