

- Translation –

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11 November 2021

Subject: Management Discussion and Analysis for the Third Quarter of 2021

To: President

The Stock Exchange of Thailand

Grand Canal Land Public Company Limited and its subsidiaries (“the Company”) would like to inform the financial performance for the three-month period of 2021 (“3Q21”) and nine-month period of 2021 (“9M21”) ending 30 September 2021 as follows.

#### **Key Highlights in the Third Quarter of 2021**

Following the promising signs of a recovery in Q1, COVID-19 outbreak from early April to present (“COVID-19 third and fourth wave”), the most critical outbreak compared to prior incidents, has severely dampened the recovery sign. As the number of new cases reach new heights with no sign of slowing down and the slow development of the country’s vaccination roll-out plan, the lives of citizens are put on utmost vigilance, limiting the frequency of outdoor activities and commute, as well as the resumption of work-from-home (WFH) arrangements. Despite certain businesses, such as supermarket, pharmacies, and convenience stores, remain open to accommodate the citizens’ daily needs. However, During the Fourth Quarter of 2021, more types of business allowed to resume operations, further easing of restrictions may be put in place according to relief of COVID-19 situation in Thailand.

The Company continues to manage its businesses with utmost prudence without easing its safety and hygiene practices to accommodate the visitors and customers for its projects, as well as employ effective cost control measures to be in-line with the current situation, which has not completely returned to normal. Most importantly, the Company continues to look after the best interest of its stakeholders, including tenants, shops, customers, business partners and shareholders. Key events in 3Q21 for each business are as follow:

**Offices business:** the office projects continues to operate as normal throughout the year. During the outbreak, although there are more employees opting WFH program, the Company continues to deploy stringent measures to ensure the safety and well-being of on-site employees and visitors at its office projects.

**Retail area leases business:** the area continues to operate as normal with reduced operating hours and closure of most businesses during lockdown in August 2021. The Company extends its support to certain retail tenants that are affected by the COVID-19 situation during the third waves, such as providing appropriate levels of rental discounts and support for marketing activities.

**Real estate business:** the Company continues to promote the sales of existing project, Belle Grand Rama 9, which garnered good interest from prospective customers and accumulated bookings and transfers during the year. Hence, it expects sales and transfers of the remaining units going forward. Furthermore, the Company launched Nirati Donmuang, a new low-rise residential project, in September 2021 and expects the sales and transfers of residential units to commence from 4Q21 onwards.

## Summary of Financial Performance for the Third Quarter of 2021

### Revenues

For the three-month period, The Company reported revenue from operation of 338 million Baht, an increase of 42 million Baht or 14% from the previous year. The increase mainly comes from the higher sales and transfer of real estate project. Meanwhile, rental and services revenue went down from the previous year mainly due to discounts provided to tenants and retail shops in the projects that were affected by the COVID-19 situation.

For the nine-month period, The Company reported revenue from operation of 1,006 million Baht, a decrease of 99 million Baht or 9% from the previous year. The decrease mainly comes from non-recurring items in 1Q20 of 56 million Baht commission fees regarding the transfer of assets from GLAND Office Leasehold REIT (GLANDRT) to CPN Retail Growth Leasehold REIT (CPNREIT).

### Costs and administrative expenses

For the three-month period, The Company reported total cost and administrative expenses of 122 million Baht, an increase of 5 million Baht or 5% from the previous year which mainly resulted from increased administrative expenses for service excellence. Nevertheless, the Company continues to demonstrate solid cost reduction efforts for all businesses, as well as adapt more efficient work processes. As a result, the gross profit and operating profit margins improved from the previous year, standing at 84% and 65% respectively in 3Q21 (in the prior year, the gross profit and operating profit margins stood at 81% and 62% respectively).

For the nine-month period, The Company reported total cost and administrative expenses of 363 million Baht, a decrease of 31 million Baht or 8% and in-line with the change in revenues from real estate and cost optimization. Nevertheless, the gross profit and operating profit margins improved from the previous year, standing

at 84% and 65% respectively in 3Q21 (in the prior year, the gross profit and operating profit margins stood at 80% and 65% respectively).

#### Net Profit

For the three-month period, The Company reported net profit of 145 million Baht, a decrease of 33 million Baht or 19% from the previous year, which included the change to the fair value of investment properties and other non-recurring items. Excluding the non-recurring items, net profit would increase by 24% from the previous year. Although rental and services revenues declined, the Company manages to improve its profitability performance compared to the previous year and has also benefited from lower financing costs, which resulted from robust capital structure management throughout the course of the year.

For the nine-month period, The Company reported net profit of 454 million Baht, a decrease of 205 million Baht or 31% from the previous year, which included the change to the fair value of investment properties and other non-recurring items. Excluding the non-recurring items, net profit would increase by 19% from the previous year.

#### Capital structure

As of 30 September 2021, the Company reported net interest-bearing debt of 6,544 million Baht, a slight decrease from the balance as of 31 December 2020 of 6,588 million Baht, mainly due to the repayment of debenture due at maturity during the year. The weighted average financing cost at the end of 3Q21 stood at 2.86%, a decrease level to that of the end of the previous year.

Net interest-bearing debt to equity ratio at the end of 3Q21 stood at 0.43 times, slightly lower than that of the end of the previous year. The ratio remains well in-line with the Company's policy of not exceed 1 time and debt covenant of not exceeding 3 times.

Although the Company recognizes net profit during the year, it still has considerable debt obligations to fulfill in the near-term and must prepare adequate sources of funds to support the investment in new projects to accommodate the Company's long-term growth.

Please be informed accordingly.

Sincerely,

*-Surakit Thantananont-*

(Mr. Surakit Thantananont)

Senior Assistant Managing Director of Business Support Workgroup

Authorized Persons to Disclose Information

Table 1: Summary of Profit and Loss Statement

| Unit: million Baht  | 3Q21       | 3Q20       | Change      |              | 9M21         | 9M20         | Change       |              |
|---|------------|------------|-------------|--------------|--------------|--------------|--------------|--------------|
|   |            |            | Amount      | %            |              |              | Amount       | %            |
| Rental and services revenue                                     | 272        | 296        | (24)        | (8%)         | 869          | 954          | (84)         | (9%)         |
| Real estate sales   | 66         | 0          | 66          | 100%         | 137          | 151          | (14)         | (10%)        |
| <b>Revenue from operation</b>                                   | <b>338</b> | <b>296</b> | <b>42</b>   | <b>14%</b>   | <b>1,006</b> | <b>1,105</b> | <b>(99)</b>  | <b>(9%)</b>  |
| Other income  | 2          | 3          | (1)         | (23%)        | 8            | 5            | 4            | 81%          |
| <b>Total revenue</b>  | <b>341</b> | <b>299</b> | <b>41</b>   | <b>14%</b>   | <b>1,014</b> | <b>1,109</b> | <b>(95)</b>  | <b>(9%)</b>  |
| Cost of rental and services                                     | 47         | 58         | (11)        | (18%)        | 151          | 169          | (18)         | (11%)        |
| Cost of real estate sales                                       | 6          | 0          | 6           | 100%         | 11           | 49           | (38)         | (78%)        |
| Selling & administrative expenses                               | 69         | 59         | 10          | 17%          | 201          | 175          | 25           | 14%          |
| <b>Total operating expenses</b>                                 | <b>122</b> | <b>116</b> | <b>5</b>    | <b>5%</b>    | <b>363</b>   | <b>394</b>   | <b>(31)</b>  | <b>(8%)</b>  |
| <b>Operating profit</b>   | <b>219</b> | <b>183</b> | <b>36</b>   | <b>20%</b>   | <b>652</b>   | <b>715</b>   | <b>(64)</b>  | <b>(9%)</b>  |
| (Profit) loss from items not related to the business operations | (16)       | (107)      | 91          | (85%)        | (85)         | (332)        | 247          | (74%)        |
| Financing cost  | 38         | 46         | (8)         | (17%)        | 118          | 156          | (37)         | (24%)        |
| <b>Profit before income tax and NCI</b>                         | <b>196</b> | <b>243</b> | <b>(47)</b> | <b>(19%)</b> | <b>618</b>   | <b>891</b>   | <b>(273)</b> | <b>(31%)</b> |
| Income tax expense  | 35         | 59         | (24)        | (40%)        | 124          | 191          | (67)         | (35%)        |
| Non-controlling interest  | 16         | 6          | 10          | 151%         | 40           | 42           | (2)          | (5%)         |
| <b>Net profit</b>   | <b>145</b> | <b>178</b> | <b>(33)</b> | <b>(19%)</b> | <b>454</b>   | <b>659</b>   | <b>(205)</b> | <b>(31%)</b> |

Table 2: Summary of Financial Position

| Unit: million Baht                                | 3Q21          | YE20          | Change       |             |
|---|---------------|---------------|--------------|-------------|
|   |               |               | Amount       | %           |
| Current assets                                    | 1,239         | 1,164         | 75           | 6%          |
| Non-current assets                                | 28,158        | 28,061        | 97           | 0%          |
| <b>Total assets</b>                               | <b>29,397</b> | <b>29,225</b> | <b>172</b>   | <b>1%</b>   |
| Current liabilities                               | 7,201         | 3,900         | 3,301        | 85%         |
| Non-current liabilities                           | 6,848         | 10,497        | (3,649)      | (35%)       |
| <b>Total liabilities</b>                          | <b>14,049</b> | <b>14,397</b> | <b>(348)</b> | <b>(2%)</b> |
| Shareholders' equity                              | 15,348        | 14,828        | 520          | 4%          |
| <b>Total liabilities and shareholders' equity</b> | <b>29,397</b> | <b>29,225</b> | <b>172</b>   | <b>1%</b>   |
| <b>Net interest-bearing debt</b>                  | <b>6,544</b>  | <b>6,588</b>  | <b>(44)</b>  | <b>(1%)</b> |

Table 3: Key financial ratios

|                             | 3Q21 | 3Q20 | 9M21 | 9M20 |
|-----------------------------|------|------|------|------|
| <b>Profitability Ratio</b>  |      |      |      |      |
| Gross profit margin (%)     | 84%  | 81%  | 84%  | 80%  |
| Operating profit margin (%) | 65%  | 62%  | 65%  | 65%  |
| Net profit margin (%)       | 43%  | 60%  | 45%  | 59%  |
| Return on equity (ROE) (%)  | 3%   | 10%  | 3%   | 10%  |
| <b>Efficiency Ratio</b>     |      |      |      |      |
| Return on asset (ROA) (%)   | 2%   | 5%   | 2%   | 5%   |

*\*ROE/ROA calculated based on net profit in the last twelve months*

|   | 3Q21 | YE20 |
|---|------|------|
| <b>Liquidity Ratio</b>                        |      |      |
| Current ratio (x)                             | 0.17 | 0.30 |
| <b>Financial Policy Ratio</b>                 |      |      |
| Liabilities to equity ratio (x)               | 0.92 | 0.97 |
| Net interest-bearing debt to equity ratio (x) | 0.43 | 0.45 |