



(English Translation)

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14 August 2014

Subject : Clarification of 2Q-2014 Operating Result

To : President
The Stock Exchange of Thailand

Sansiri Public Company Limited (SIRI) would like to clarify the operating result for the quarter ended 30 June 2014 of the Company and its subsidiaries as follows.

Total revenue in 2Q-2014 amounted to 6,144 Million Baht, decreasing by 20 percent from 7,703 Million Baht in 2Q-2013. Compared to 2Q-2013, the decrease of total revenue in 2Q-2014 was caused by the 21 percent decrease in revenue from project sales, which was the core revenue, and the 27 percent decrease in revenue from rental projects. As of 6M2014, total revenue amounted to 11,646 Million Baht, a 10 percent decrease compared to 6M2013. However, the revenue from business management increased by 30 percent making the revenue from business management as of 6M2014 increased by 14 percent compared to the same period of last year. In 2Q-2014, Sansiri and its subsidiaries reported net profit of 537 Million Baht, a slight increase of 3 percent from net profit of 521 Million Baht in 2Q-2013 owing to the decrease in operating expense. As of 6M2014, the net profit had increased significantly from 434 Million Baht in 6M2013 to 1,367 Million Baht.

Revenue from Property Development for Sale

The breakdown of revenue from property for sale as of 2Q-2014, 2Q-2013, 6M2014 and 6M2013 is as follows:

Product Type	2Q-2014		2Q-2013		6M2014		6M2013	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Single-detached houses	3,000	51.2	2,609	35.4	4,923	49.2	4,705	38.4
Townhouses / Home Office	459	7.8	538	7.3	805	8.0	1,017	8.3
Condominiums	2,391	40.8	4,210	57.1	4,273	42.7	6,508	53.1
Others	13	0.2	17	0.2	13	0.1	17	0.1
Total	5,863	100.0	7,374	100.0	10,015	100.0	12,247	100.0



In 2Q-2014, Sansiri and its subsidiaries reported declining revenue from project sales in townhouses/home office and condominiums projects, with a 21 percent decrease from that of 2Q-2013. As a result, the revenue from project sales as of 6M2014 decreased by 18 percent compared to 6M2013. To the total revenue from project sales in 2Q-2014, 3,000 Million Baht revenue from single-detached house projects contributed 51.2 percent, 2,391 Million Baht revenue from condominium projects contributed 40.8 percent, and the revenue of 459 Million Baht from townhouse projects contributed 7.8 percent. As of 6M2014, revenue from single-detached house projects increased by 5 percent whereas the revenue from condominium projects and townhouse projects decreased by 34 percent and 21 percent respectively.

Revenue from single-detached house projects in 2Q-2014 amounted to 3,000 Million Baht, a 15 percent increase from 2,609 Million Baht in 2Q-2013, and a 5 percent increase when comparing the revenue as of 6M2014 and 6M2013. In addition, the revenue from single-detached house was mainly from three projects, including Setthasiri Chaengwattana-Prachachuen, Narasiri Bangna, and Setthasiri Ratchapruek-Charun 2, altogether contributed 863 Million Baht or 15 percent of total revenue from project sales.

In 2Q-2014, revenue from townhouse projects amounted to 459 Million Baht, decreased from 538 Million Baht in 2Q-2013. The major contributor was 261-million baht revenue from four townhouse projects, namely Habitown Fold Tiwanon-Chaengwattana, Town Avenue 60's Vibhavadi 60, Habitown Kohkaew Phuket, and Town Avenue Cocos Rama II Soi 50. The revenue from townhouse projects as of 6M2014 declined by 21 percent, compared to that of 6M2013.

Similarly, revenue from condominium projects decreased by 43 percent, from 4,210 Million Baht in 2Q-2013 to 2,391 Million Baht in 2Q-2014. The revenue was from 3 major contributors; dcondo Campus Resort Rangsit, 23 Degree Condo, and dcondo Campus Resort. They contributed to the value of 1,031 Million Baht or 18 percent of the total revenue from project sales in 2Q-2014. As of 6M2014, the revenue from condominium projects decreased by 34 percent comparing to the same period of last year.



Revenue from Property Services

The decrease in revenue from project for rent, from 35 Million Baht in 2Q-2013 to 26 Million Baht in 2Q-2014, was caused by the sale of Siripinyo Building in 1Q-2014 in which the revenue from office for rent was no longer recorded since Q2-2014. As a result, the revenue from project for rent as of 6M2014 decreased by 36 percent comparing to the same period of last year. In addition, revenue from business management amounted to 154 Million Baht, an increase of 35 Million Baht or 30 percent comparing to the same period of last year. As of 6M2014, the revenue from business management increased by 14 percent compared to the same period of last year. On the other hand, revenue from other services, including revenue from medical spa business, hotel business, and education business, was 37 Million Baht, a 15 percent decrease from 44 Million Baht in 2Q-2013, mainly due to the decrease in revenue from medical spa business. The operation of medical spa business was suspended upon the expiry of the rental contract of Bhakdi Building in July 2013. Consequently, there is no revenue from medical spa business recorded since 3Q-2013 onwards.

Cost of Goods Sold and Operating Expenses

Cost of Project Sales and Other Costs

In 2Q-2014, cost of project sales amounted to 3,904 Million Baht, a 22 percent decrease from that of 2Q-2013, in accordance with a decrease in revenue from project sales. As of 6M2014, the cost of project sales decreased by 20 percent compared to the same period of last year. Gross profit margin of project sales increased from 32.44 percent in 2Q-2013 to 33.40 percent in 2Q-2014 due to the high gross profit margin of condominium projects. As a result, gross profit margin as of 6M2014 increased to 33.42 percent. Cost of projects for rent in 2Q-2014 amounted to 15 Million Baht, close to that of 2Q-2013, whereas cost of business management increased from 83 Million Baht in 2Q-2013 to 113 Million Baht in 2Q-2014, and increased by 30 percent when comparing the cost as of 6M2014 and 6M2013. Cost of other services including medical spa, hotel business, and education business increased by 28 percent from 2Q-2013. The higher cost of education business was caused by English language school outsourcing in order to improve the quality of English classes. In this regard, the primary school outsources the English courses to British Council, the educational institution with expertise in teaching English language.



Selling, General and Administrative Expenses

Sansiri and its subsidiaries recorded selling and administrative expense in 2Q-2014 at 1,249 Million Baht, accounted for 20.3 percent of the total revenue. The expense was decreased from 23.6 percent of total revenue in 2Q-2013. Selling expenses in 2Q-2014 were at 526 Million Baht or 8.6 percent of total revenue, significantly declined from 1,008 Million Baht or 13.1 percent of total revenue in 2Q-2013 due to the fewer launches. The overall economic slowdown and the declining consumers' confidence has led to the revision of Sansiri's business plan with fewer launches of two new projects in 2Q-2014, compared to eight new projects launched in 2Q-2013. As a result, selling expenses in 2Q-2014 decreased dramatically. Nonetheless, the administrative expenses (including management benefit expenses) in 2Q-2014 decreased moderately from 813 Million Baht in 2Q-2013 to 723 Million Baht or 11.8 percent of total revenue in 2Q-2014. In this regard, the administrative expense in 2Q-2013 was quite low, compared to that of 2Q-2014, as a result of the cost efficiency measures. As of 6M2014, the administrative expense accounted for 13 percent of total revenue, a slight increase of 3 percent from that of last year.

Financial Expense

In 2Q-2014, financial expense increased from 123 Million Baht in 2Q-2013 to 136 Million Baht, making the financial expense as of 6M2014 increased by 14 percent due to the interest expenses incurred by the undeveloped land plots, which were acquired and still in the design and marketing process. In addition, the interest expense of complete condominium projects that were ready for transfer of ownership was included in the financial expenses as well.

Net Profit

For 2Q-2014, Sansiri and its subsidiaries reported net profit of 537 Million Baht, with the net profit margin of 8.7 percent of total revenue, a slight growth compared to net profit of 521 Million Baht with the net profit margin of 6.8 percent in 2Q-2013. The main factor was the 31 percent decrease in operating expenses. As of 6M2014, Sansiri reported net profit of 1,367 Million Baht, a 215 percent increase compared to the same period of last year, due to the increase of the total revenue which was resulted from the selling of assets as well as the declining operating expenses. An effective corporate income tax in 2Q-2014 was at 17.5 percent of earnings before corporate income tax while the effective corporate income tax as of 6M2014 was at 18.7 percent of earnings before corporate income tax.



Assets

Total assets of Sansiri and its subsidiaries as of 30 June 2014 amounted to 67,423 Million Baht, an increase of 7,383 Million Baht from that of 31 December 2013. Following the successful business expansion and construction progress of housing units to be transferred to customers in the future, the property development for sale increased by 8,869 Million Baht. As a result, current assets as of 30 June 2014 was at 60,986 Million Baht, increased by 8,029 Million Baht from that of 31 December 2013. Total non-current assets as of 30 June 2014 was at 6,437 Million Baht, decreased by 646 Million Baht from that of 31 December 2013 due to a decrease in investment properties of Papanun Limited, which was one of Sansiri's subsidiaries. Papanun sold land, building, related utility systems and equipment of Siripinyo Building to Sansiri Prime Office Property Fund in March 2014.

Liabilities

Total liabilities of Sansiri Group amounted to 49,850 Million Baht as of 30 June 2014, an increase of 6,878 Million Baht from as of 31 December 2013. Total current liabilities amounted to 26,822 Million Baht or increased by 7,434 Million Baht while total non-current liabilities decreased by 556 Million Baht to 23,028 Million Baht. An increase in total liabilities was mainly from an increase in long-term loans in order to accommodate project development. In this regard, the interest bearing debt increased from 34,669 Million Baht as of 30 June 2013 to 40,354 Million Baht as of 30 June 2014. The debt-to-equity ratio was 2.84 times with the interest-bearing debt-to-equity ratio (Gearing ratio) of 2.30 times. In this regard, Sansiri has been operating under restrictive financial covenants with gearing ratio less than 2.5 to 1.

Shareholders' Equity

Shareholders' Equity as of 30 June 2014 amounted to 17,573 Million Baht, an increase of 505 Million Baht from as of 31 December 2013, mainly driven by the 2Q-2014 net profit of 537 Million Baht, together with proceeds from the exercise of ESOP#5 and ESOP#6 allocating to directors and employees of Sansiri and its subsidiaries, and of SIRI-W1 amounted to 94 Million Baht. Sansiri paid dividend from net profit in 2013 of 956 Million Baht as well.



Cashflow

For 2Q-2014, beginning cash balance was 2,120 Million Baht with net cash used in operating activities of 5,333 Million Baht and net cash provided by investing activities and financing activities of 1,425 Million Baht and 3,831 Million Baht respectively, resulting in the ending cash balance of 2,043 Million Baht. In 2Q-2014, profit from operating activities before changes in operating assets and liabilities was at 8,071 Million Baht, together with the advances received from customers and unearned income and accounts payable altogether amounted to 1,159 Million Baht. In this regard, cash outflow as development costs for property development for sale amounted to 14,864 Million Baht. For investing activities, cash inflow from net proceeds from sale of property to the fund amounted to 1,604 Million Baht. For financing activities, cash inflow from bills of exchange issuance and loans drawdown from bank altogether amounted to 9,377 Million Baht while cash outflow for loan repayment including interest payment to financial institutions and dividend payment were 5,031 Million Baht and 956 Million Baht respectively.

Liquidity Ratio

The liquidity ratio of Sansiri Group decreased from 2.73 times as of 31 December 2013 to 2.27 times as of 30 June 2014. Total current assets increased by 15 percent, mainly from an increase in property development for sale which increases from 45,621 Million Baht as of 31 December 2013 to 54,490 Million Baht as of 30 June 2014. Total current liabilities grew by 38 percent from 31 December 2013, due to an increase in long-term loans from banks and accounts payable amounting to 4,947 Million Baht and 597 Million Baht respectively.

Return on Equity

As of 30 June 2014, annualised return on equity was 15.79 percent, increased from 11.95 percent as of 31 December 2013. The 2Q-2014 net profit resulted in an increase in net profit margin to 11.74 percent and annualised return on assets to 4.29 percent. Nonetheless, the debt-to-equity ratio increased from 2.52 times as of 31 December 2013 to 2.84 times as of 30 June 2014.

Please be informed accordingly.

Yours Sincerely,

(Mr. Wanchak Buranasiri)
Authorised Director