

(English Translation)

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28 February 2014

Subject : Clarification of the Year 2013 Operating Result

To : President
The Stock Exchange of Thailand

Sansiri Public Company Limited (SIRI) would like to clarify the operating result for the year ended 31 December 2013 of the Company and its subsidiaries as follows.

Total revenue in 2013 amounted to 28,987 Million Baht, decreased by 4 percent from 30,087 Million Baht in 2012. The decrease in total revenue was caused by the decrease in revenue from project sales and revenue from projects for rent which dropped by 4 percent and 20 percent respectively. In this regard, revenue from project sales remained the core revenue representing 96 percent of total revenue. For the year 2013, Sansiri and its subsidiaries reported net profit of 1,930 Million Baht, a 34 percent decrease from 2,938 Million Baht in 2012. The main factor was the decrease in total revenue and the increase in operating expense.

Revenue from Property Development for Sale

The breakdown of revenue from property for sale during 2011 – 2013 is as follows:

	2013		2012		2011	
	Million Baht	%	Million Baht	%	Million Baht	%
Single-detached houses	10,166	36.7	9,406	32.5	7,099	35.9
Townhouses / Home Office	2,367	8.5	4,635	16.0	3,372	17.1
Condominiums	15,157	54.7	14,804	51.1	9,262	46.8
Others	34	0.1	109	0.4	37	0.2
Total	27,724	100.0	28,954	100.0	19,769	100.0

In 2013, Sansiri and its subsidiaries recorded revenue from project sales at 27,724 Million Baht, or a 4 percent decrease from 28,954 Million Baht in 2012, due to the delay in transfer of ownership to customers. The political unrest in Thailand has affected some government agencies to pause their operations in some areas such as Phuket and Chiang Mai province. Consequently, the title deeds cannot be issued as planned resulting in the postponement of transfer of ownership of several housing projects. To the total revenue from project sales in 2013, 15,157 Million Baht revenue from condominium projects contributed 55 percent, 10,166 Million Baht revenue from single-detached house projects contributed 37 percent, with the balance of 2,367 Million Baht from townhouse projects contributed 8 percent.

Revenue from single-detached house projects in 2013 amounted to 10,166 Million Baht, an 8 percent increase from that of the year 2012. The brand “Setthasiri” and “Habitia” were the main contributors to revenue from single-detached house projects in 2013, representing 24 percent of total revenue from project sales. The eight single-detached house projects under “Setthasiri” altogether contributed 4,276 Million Baht whereas the nine single-detached house projects under “Habitia” altogether contributed 2,500 Million Baht. In this regard, Setthasiri Chaengwattana-Prachachuen was the biggest contributor to revenue from single-detached house projects in 2013 amounted to 1,284 Million Baht.

In 2013, revenue from townhouse projects amounted to 2,367 Million Baht, decreased by 49 percent from the previous year. The main contributors were the 848-Million Baht revenue from eight townhouse projects under the brand “Town Avenue” together with the 694-Million Baht revenue from four townhouse projects under the brand “Habitown”. The biggest contributors to revenue from townhouse projects in 2013 were Habitown Fold Tiwanon-Chaengwattana and Town Avenue 60's Vibhavadi 60. Nonetheless, the proportion of revenue from townhouse projects has been declining in respect of the investment plan with decreasing portion of townhouse projects to 5 to 10 percent of total portfolio value.

In this regard, revenue from condominium projects increased from 14,804 Million Baht in 2012 to 15,157 Million Baht in 2013 with an increasing proportion of revenue from condominium projects from 51 percent of the total revenue from project sales in 2012 to 55 percent of the total revenue from project sales in 2013 correspondingly. An increase in revenue was driven by the transfer of ownership of the 12 newly completed condominium projects together with the 11 condominium projects that were completed and started transfer since the fourth quarter of last year. The major contributor was revenue from six condominium projects, including ONYX Phaholyothin, The BASE Chaengwattana, The BASE Sukhumvit 77, WYNE Sukhumvit, CEIL by Sansiri, and Baan Sankraam, altogether contributed 8,058 Million Baht or 29 percent to the total revenue from project sales.

Revenue from Property Services

Revenue from projects for rent decreased from 157 Million Baht in 2012 to 126 Million Baht due to the expiry of the rental contract of Bhakdi Building in July 2013. Revenue from business management was 500 Million Baht, a 6 percent increase from 473 Million Baht in 2012; mainly due to the larger customer base of asset management and property management which were managed by Plus Property Company Limited. Similarly, revenue from other services including revenue from medical spa business, hotel business, and education business, was 246 Million Baht, a 4 percent growth from 236 Million Baht in the previous year, due to a 29 percent increase in revenue from education business from that of the year 2012. A significant growth in revenue from education business was driven by an increase in number of new students as well as an increase in tuition fees, leading to an upward trend of revenue for Sansiri.

Cost of Goods Sold and Operating Expenses

Cost of Project Sales and Other Costs

For the year 2013, cost of project sales amounted to 18,565 Million Baht, a 4 percent decrease from that of the year 2012, in accordance with a decrease in revenue from project sales. Gross profit margin of project sales slightly dropped from 33.4 percent in 2012 to 33.0 percent in 2013 due to the higher construction cost incurred to manage on-time construction under the labour shortage situation. Cost of projects for rent in 2013 amounted to 71 Million Baht, close to that of the year 2012. Nevertheless, cost of business management grew up from 298 Million Baht in 2012 to 339 Million Baht in 2013, corresponding to an increase in revenue from business management. Cost of other services including medical spa, hotel business, and education business increased as well. The higher cost of education business was caused by the government's minimum wage for graduate students and English language school outsourcing. To improve the quality of English classes, 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 2013 at 23.5 percent of total revenue, increased from 20.1 percent from that of the year 2012. Selling expenses in 2013 were at 3,956 Million Baht or 13.6 percent of total revenue, compared to 10.9 percent of total revenue or 3,289 Million Baht in 2012 due to the marketing expenses associated to the launches of 48 new projects, as well as the higher marketing expenses incurred from expansion to upcountry markets in order to create brand awareness among customers. These expenses were recorded in 2013 whereas revenue from project sales will be recognised in the future; hence, there were a discrepancy between the selling expenses and revenue realisation. In this regard, percentage of selling expense to total revenue was quite high. Nonetheless, the higher marketing expenses investing by Sansiri were justified by the high presales of approximately 42,200 Million Baht in 2013. The administrative expenses (including management benefit expenses) in 2013 increased from that of the year 2012 in accordance with business expansion, or increased by 107 Million Baht to 2,852 Million Baht. The decrease in revenue base resulted in an increasing percentage of administrative expense to total revenue from 9.1 percent in 2012 to 9.8 percent in 2013 as well.

Financial Expense

In 2013, financial expense increased significantly from 328 Million Baht in 2012 to 616 Million Baht due to the interest expenses incurred by the undeveloped land plots, which were acquired in 2013 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 the year 2013, Sansiri and its subsidiaries reported net profit of 1,930 Million Baht, a 34 percent decrease from 2,938 Million Baht in 2012, with the net profit margin of 6.7 percent of total revenue, whereas operating profit margin was at 8.8 percent of total revenue. The main factor was the decrease in total revenue and the increase in operating expense which increased by 13 percent. An effective corporate income tax in 2013 was at 16.6 percent of earnings before corporate income tax.

Assets

Total assets of Sansiri and its subsidiaries as of 31 December 2013 amounted to 60,040 Million Baht, an increase of 13,545 Million Baht from that of 31 December 2012. 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 significantly by 11,355 Million Baht and the advance payment to contractors increased by 1,796 Million Baht accordingly. As a result, current assets as of 31 December 2013 was at 52,957 Million Baht, increased by 11,884 Million Baht from that of 31 December 2012. Total non-current assets as of 31 December 2013 was at 7,083 Million Baht, increased by 1,661 Million Baht from that of 31 December 2012 due to an increase in land held for development and land, building and equipment.

Liabilities

Total liabilities of Sansiri Group amounted to 42,972 Million Baht as of 31 December 2013, an increase of 11,702 Million Baht over the same period of last year. Total current liabilities amounted to 19,388 Million Baht or increased by 1,215 Million Baht while total non-current liabilities increased by 10,487 Million Baht to 23,584 Million Baht. Sansiri issued four tranches of 5-year to 5.5-year unsecured debentures with debenture holders' representative in January, May, August, and October 2013, with total issuance of 7,000 Million Baht. The four tranches of debentures carry an average coupon rate of 4.95 to 5.20 percent per annum in order to accommodate business expansion while mitigate risk of higher interest rate in the future. Furthermore, unearned income increased by 974 Million Baht corresponding to an increase in sales value.

In this regard, the interest bearing debt increased from 24,005 Million Baht as of 31 December 2012 to 34,669 Million Baht as of 31 December 2013. The debt-to-equity ratio was 2.52 times with the interest-bearing debt-to-equity ratio (Gearing ratio) of 2.03 times. Nevertheless, Sansiri has been operating under restrictive financial covenants with gearing ratio less than 2.5 to 1.

Shareholders' Equity

Shareholders' Equity as of 31 December 2013 amounted to 17,068 Million Baht, an increase of 1,843 Million Baht from the previous year, mainly driven by the 2013 net profit of 1,930 Million Baht, together with payment received 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 1,352 Million Baht. In addition, Sansiri paid out cash dividend of 1,425 Million Baht based on the 2012 financial result.

Cashflow

For the year 2013, beginning cash balance was 3,408 Million Baht with net cash used in operating activities and investing activities of 9,589 Million Baht and 815 Million Baht respectively, and net cash provided by financing activities of 9,093 Million Baht, resulting in the ending cash balance of 2,120 Million Baht. In 2013, profit from operating activities before changes in operating assets and liabilities was at 21,759 Million Baht, together with the advances received from customers and unearned income amounted to 981 Million Baht. In this regard, cash outflow as development costs for property development for sale amounted to 29,650 Million Baht. For investing activities, cash outflow for the purchase of land, building and equipment amounted to 829 Million Baht. For financing activities, cash inflow from bills of exchange issuance, debenture issuance and loans drawdown from bank amounted to 19,730 Million Baht while cash outflow for loan repayment including interest payment to financial institutions and debenture repayment to debenture holders were 10,561 Million Baht. In 2013, cash outflow for dividend payment was 1,425 Million Baht.

Liquidity Ratio

The liquidity ratio of Sansiri Group increased from 2.26 times as of 31 December 2012 to 2.73 times as of 31 December 2013. An increase in advance payment to contractors as well as an increase in property development for sale which increase from 34,267 Million Baht as of 31 December 2012 to 45,621 Million Baht as of 31 December 2013 resulted in a 29 percent increase in total current assets. Total current liabilities grew by 7 percent compared to as of 31 December 2012, due to an increase in short-term loans from banks and unearned income amounting to 1,722 Million Baht and 974 Million Baht respectively.

Return on Equity

As of 31 December 2013, return on equity was 11.95 percent, declined from 21.71 percent as of 31 December 2012. A decrease in return on equity was mainly due to a decrease in net profit margin from 9.77 percent in 2012 to 6.66 percent in 2013 in accordance with a decrease in return on assets from 7.06 percent in 2012 to 3.62 percent in 2013. In this regard, an increase in property development for sale with several housing units still under construction and will be transferred to customers in the future, resulted in the low return on assets. Furthermore, the debt-to-equity ratio increased from 2.05 times in 2012 to 2.52 times in 2013 as well.

Please be informed accordingly.

Yours sincerely,

(Mr. Wanchak Buranasiri)

Authorized Director