

Executive Summary

The operating result of the second quarter of 2018 (Q2'18), Singha Estate Public Company Limited (“the Company” or “Singha Estate”) generated total revenue of 954 million baht, decreased by 7% YoY and decreased by 15% QoQ, mainly from a drop of revenues from Nirvana Daii Public Company Limited (“NVD”), a 52%-owned subsidiary of Singha Estate, invested in January 2017. In Q2'18, the Company net profit was 412 million baht, increased by 769% YoY and increased by 64% QoQ, mainly from fair values adjustment of investment property of 794 MB.

Significant Events

1. In February, S Hotels and Resorts (SC) Co., Ltd. (a 99% subsidiary) invested in Phase 1 of a development project of tourist facilities on Emboodhoo Lagoon in the Republic of Maldives (“Crossroads”), by acquiring interests in a separated head lease, which covers three resorts and an integrated tourism complex (“1st Phase Development”).

2. On 12 June 2018, the Company has successfully completed the acquisition of six Outrigger-branded hotels (totaling 859 keys) which comprises of (1) Outrigger Fiji Beach Resort, Fiji, (2) Castaway Island, Fiji, (3) Outrigger Laguna Phuket Beach Resort, Thailand, (4) Outrigger Koh Samui Beach Resort, Thailand, (5) Outrigger Mauritius Beach Resort, Mauritius, and (6) Outrigger Konotta Maldives Resort, Maldives. The Outrigger hotels will generate recurring income and further diversify the company’s profile and geographical risk.

Performance Summary

Total Revenue

In Q2'18, Singha Estate reported consolidated total revenues of 954 million baht, decreased 7% YoY and decreased 15% QoQ, mainly due to a drop from residential business while the hotel business jumped by 51% YoY because of revenue from Outrigger hotels.

Consolidated Statement of Comprehensive Income

(Unit: THB Million)	Q2'17	Q1'18	Q2'18	% QoQ	% YoY	6M17	6M18	% YoY
Revenues	1,028	1,123	954	(15%)	(7%)	2,230	2,077	(7%)
Residential	605	495	409	(17%)	(32%)	1,262	904	(28%)
Hotel	221	381	335	(12%)	51%	572	716	25%
Commercial	148	148	149	0%	1%	293	297	2%
Construction materials	28	50	30	(40%)	7%	53	80	52%
Others	26	49	31	(37%)	20%	50	80	59%
Gross profit	378	527	319	(39%)	(16%)	864	846	(2%)
Other income	87	94	88	(7%)	1%	158	182	16%
Selling expenses	(151)	(138)	(129)	(7%)	(15%)	(276)	(268)	(3%)
Administrative expenses	(250)	(286)	(281)	(2%)	13%	(499)	(567)	14%
Gain (losses) on exchange rate	(21)	254	(349)	(238%)	1,554%	(61)	(95)	56%
Fair values adjustment of investment property	-	-	794	100%	100%	-	794	100%
Share of losses from investments in associates and joint ventures	(2)	(24)	(33)	34%	1,353%	(2)	(57)	2,437%
EBIT	41	426	409	(4%)	910%	183	835	355%
Finance costs	(63)	(136)	(116)	(15%)	84%	(126)	(252)	100%
Income taxes	(28)	(31)	138	(552%)	(595%)	(57)	108	(290%)
Profit (loss) for the period before NCI	(50)	259	432	67%	960%	1	691	88,274%
Non-controlling interests	(11)	(8)	(20)	165%	78%	(29)	(28)	(4%)
Net profit (loss) after NCI	(62)	252	412	64%	769%	(28)	664	2,468%
EBITDA	115	480	506	5%	341%	317	986	211%
Performance without non-operating items ¹								
EBITDA	172	280	67	(76%)	(61%)	454	347	(24%)
Net profit (loss) after NCI	(4)	51	(27)	(153%)	510%	109	24	(78%)

Note: ¹ Excluded gain (loss) from foreign exchange rate, fair values adjustment of investment property, professional fees in relation to M&A activity, sales & marketing expenses for the launch of new residential projects, write-off/impairment of asset, one-time income/expense, etc.

Residential Business

In Q2'18, the revenue from residential business was 409 million baht, decreased 32% YoY and decreased 17% QoQ, reflecting less revenue from NVD. Moreover, the Company has recently launched the new luxury low rise condominium project named EYSE Sukhumvit 43, project value of 2,000 million baht.

As of 30 June 2018, the Company's residential projects are as follows;

Project	Project Value (million baht)	Sales Progress (% area sold)	Backlog (million baht)	Tentative Transfer
The ESSE Asoke	4,900	77%	3,815	Q4'18
The ESSE at Singha Complex	4,300	92%	3,962	Q3'19
The ESSE Sukhumvit 36	6,300	54%	3,483	Q3'20
Santiburi The Residences	5,500	n.a.	n.a.	n.a.
EYSE Sukhumvit 43	2,000	n.a.	n.a.	Q3'20

For more information, please visit our website at www.singhaestate.co.th

Hotel Business

Singha Estate's existing hotel portfolio comprise of;

- 1) Santiburi Beach Resort & Spa ("Santiburi Beach") on Samui Island
- 2) Phi Phi Island Village Beach Resort ("Phi Phi Village") on Phi Phi Island
- 3) Outrigger portfolio 6 hotels
- 4) UK portfolio 29 hotels (50% owned), in UK was recognized under Equity Method and separately presented under share of gain (loss) from investment in joint venture
- 5) The hotel projects under development are Hard Rock Hotel Maldives and Curio Collection by Hilton Maldives.

In Q2'18, the revenue from hotel business was 335 million baht, jumped 51% YoY and decreased 12% QoQ. The hotel business high season is during Q4-Q1 then will slow down during Q2-Q3 but the revenue in Q2'18 was the first integrated new hotel portfolio, Outrigger portfolio 6 hotels, was 113 million baht since 12 Jun 2018.

Commercial Property Business

Performance of commercial property business constitutes those of a 3,000–sqm NLA retail space ‘The Lighthouse’, a large–scale office complex ‘Suntowers’, and the newly developed ‘Singha Complex’, a mixed–use development which is due for commercial operation in Q3’18.

In Q2’18, commercial property business revenue was 149 million baht, slightly increased by 1% YoY, reflecting gradual increases in effective rental rate at Suntowers.

Commercial Property: Operation Statistics

Operation statistics	Q2’17	Q1’18	Q2’18
<u>Suntowers</u> ¹			
Net leasable area (sq.m)	59,047	58,765	58,765
Occupancy rate	96%	96%	94%
Effective rent (YoY growth)	4%	2%	3%

Note: ¹ Excludes retail space.

Construction Material Business

Performance of this business constitutes performance of manufacturing and sales of construction materials, e.g. finished fences, aluminum products, etc., which is one of NVD’s businesses. The business has been incorporated in the Company’s performance starting from January 2017 onwards.

In Q2’18, this business reported revenues of 30 million baht, up by 7% YoY from supplying of main construction materials to 1st Phase Development of Crossroads. Compared to Q1’18 performance, revenues from this business declined by 40%, due to sales to 1st Phase Development of Crossroads not being consolidated upon the Company’s investment in 1st Phase Development of Crossroads in February 2018, as mentioned previously.

Other Business

Performance of this part constitutes those of other business operations, e.g. property/hotel management service, project management service, etc.

As of Q2’18, the Company was engaged in two distinct project management services – Crossroads project (starting in 3Q16) and The ESSE Sukhumvit 36 (starting in 4Q17). In Q2’18, the Company registered revenues from this business of totaling 31 million baht, increased by 20% YoY and decreased by 37% QoQ, the revenue reduced from Q1’18 due to less management services from Crossroads project.

Gross Profit

Q2'18 gross profit declined by 16% YoY and 39% QoQ, mainly from higher cost in hotel business which included fair-value uplift amortization of Outrigger hotels.

Other Income

Other income constitutes interest income and non-operating income, e.g. gain from sales of investment in subsidiary, amortization of derivatives, one-time income, etc.

Selling Expenses

In Q2'18, selling expenses was 129 million baht, declined by 15% YoY and 7% QoQ, because of less sales commission expense for residential projects.

Administrative Expenses

Administrative expenses constitute expenses on back office personnel expenses, depreciations, and non-operating expenses, e.g. professional fees relating to M&A activity, write-off/impairment of asset, etc.

Compared to last year, administrative expenses in Q2'18 increased by 13% YoY, mainly due to;

- a) Higher personnel expenses, reflecting increased number of employees to support business expansion
- b) Increase in employee benefits from issuances and offerings of warrants to purchase the Company's ordinary shares to directors and employees No.1 ("ESOP-Warrant-1"), No.2 ("ESOP-Warrant-2") and No.3 ("ESOP-Warrant-3")
- c) Profession fees relating to the investment in the Outrigger hotel portfolio

Foreign Exchange Losses

In Q2'18, the Company incurred 349 million baht of unrealized foreign exchange losses on convertible bonds principle valued at US\$180 million.

Finance Costs

In Q2'18, the Company incurred 116 million baht of finance costs, increased by 84% YoY, mainly from the convertible bonds issued in July 2017 and long-term loan for Outrigger hotels acquisition. However, the finance costs decreased by 15% QoQ due to capitalization of interest to PPEs Crossroads project.

Net Profit

In Q2'18, the Company net profit was 412 million baht, significantly increased by 769% YoY and 64% QoQ, mainly due to fair values adjustment of Suntowers net off by the unrealized loss from foreign exchange rate.

Financial Position and Capital Structure

As at 30 June 2018, the total assets were 54,807 million baht, increased by 13,897 million baht or 34% from last year as at 31 December 2017. The incremental assets mainly came from Outrigger hotels, inventories and cost of property development, and Crossroads Project Phase I, respectively.

Total liabilities were 34,944 million baht, increased by 13,129 million baht or 60% from last year, the debt financing is essential to support new project development and acquisitions in order to drive and strengthen the revenue and net profit growth. Moreover, the maturity of long term interest bearing debts has been deliberately matched with the future operating cash inflow to reduce the liquidity risk.

Financial Position	30 Jun 18	31 Dec 17	Change
Cash and cash equivalent	4,409	8,396	-3,987
Inventories	13,356	9,662	3,694
Current Assets	19,853	19,762	91
Net PPE	15,122	3,854	11,267
Intangible Assets-Net	509	482	27
Assets	54,807	40,910	13,897
Payables	4,956	4,262	695
Short-Term Debt	4,266	2,124	2,142
Current Liabilities	9,851	6,748	3,103
Long-Term Debt	23,154	14,082	9,072
Liabilities	34,944	21,815	13,129
Equity	19,863	19,096	768
<i>IBD/E</i>	1.38	0.85	0.53
<i>Net IBD/E</i>	1.16	0.41	0.75

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