

Ref. LPN/SorKor/217/2562

7th August 2019

Re: Consolidated Financial Statements Analysis Q2/2019

Dear: President

The Stock Exchange of Thailand

L.P.N. Development Public Co., Ltd. would like to submit the financial statements and information on the performance of the Company and subsidiary companies in Q2/2019 to The Stock Exchange of Thailand as follows:

L.P.N. Development Public Co., Ltd. and subsidiary companies provide a full range of real estate development services. The emphasis is put on the quality of life of the residents in accordance with “Livable Community” strategy, social and environment responsibility and sustainable growth. The Company believes that the residential condominium sector of the real estate business is recently facing a slowdown as a result of domestic and international economic situation, political situation, household debts as well as demand-supply imbalance.

In Q2/2019, the LTV (Loan to Value) measures are enforced. Business operators thus need to adjust its operation to accommodate such measures. The Company has assessed and prepared for the impacts of the measures by liquidating the inventory, regularly organizing marketing activities and planning the launch of new projects in the latter half of 2019. However, the impacts of LTV measures and overall situation are far more severe than expected. It affects not only the Company but the whole industry. The impacts on the Company are worse than others because the majority of income and sales volume of the Company during the first 9 months derive from sales and ownership transfer of ready-to-move-in projects. It is believed that the Company will be able to operate the business as planned in the latter half of the year. The situation should start to improve in Q4.

As of 30th June 2019, the backlog of the Company and subsidiary companies is 7,600 million THB i.e. 6,800 million THB from residential condominium and single house projects to be handed over in 2019 and 800 million THB from those to be handed over in 2020. In the latter half of 2019, the Company plans to launch new projects worth 18,000 million THB i.e. 10,000 million THB from residential condominium projects and 8,000 million THB from single house projects. The sales volume target is 13,000 million THB i.e. 8,700 million THB from residential condominium projects and 4,300 million THB from single house projects.

Performance in Q2/2019 and 2018

Consolidated financial statements

The net profit of the Company and subsidiary companies decreases 29.06% from the same quarter of the previous year. It is because the income from sales has decreased 32.59%. But the gross profit from sales increases 2.60%. At the same time, the income from rental and service business and management business increases 30.47% and 18.39% respectively from the same quarter of the previous year. It is as a result of the expansion of rental business in Lumpini Township Rangsi - Klong 1 and the management services provided to other projects. The sales expenses (excluding ownership transfer expenses) increase 46.18% as a result of the brokerage fee from the recognized income of 25.62 million THB of Lumpini Suite Petchaburi - Makkasan.

Main income ratio of the Company and subsidiary companies

Unit: Million THB

Type of Income	Q2/2019	Q2/2018	%variance	First Half 2019	First Half 2018	% variance	Note
1. Income from Sale of Real Estate ¹	1,366.28	2,026.88	(32.59%)	3,859.34	4,278.84	(9.80%)	¹ In Q2/2019, 64% of the income is recognized from the projects completed in 2018 i.e. 24% residential condominium and 40% single house. (One project is completed in the first half of 2019, namely, Lumpini Ville Sukhumvit 76)
1.1 Residential Condominium	701.41	1,754.53	(60.02%)	2,433.26	3,776.33	(35.57%)	
1.2 Single House	664.87	272.35	144.12%	1,426.08	502.51	183.79	
2. Income from Rental and Service Business	40.09	30.73	30.47%	80.15	58.51	36.97%	
3. Income from Management Business	267.32	225.79	18.39%	524.45	445.58	17.70%	
4. Total Main Income	1,673.70	2,283.40	(26.70%)	4,463.94	4,782.93	(6.67%)	

Statement of financial position as of 30th June 2019 and 31st December 2018

Total assets

Total assets of the Company increase 561.44 million THB or 2.64% i.e. from 21,250.21 million THB to 21,811.65 million THB. It is mainly because of the followings:

- The deposit fee for plots of land for project development in the future increases 267.16 million THB or 281.65% for the following 3 projects:
 - Lumpini Ville Chaengwattana 10
 - Baan 365 Muang Thong - Chaengwattana
 - Lumpini Place Taopoon Interchange
- Projects being developed and inventory increase 459.08 million THB or 2.71% i.e. from 16,928.07 million THB to 17,387.15 million THB. It is mainly because of the development of a single house project on a piece of land in the land bank i.e. Lumpini Townplace Sukhumvit-Srinakarin and the investment in pieces of land for

the development of 2 projects in 2019 i.e. Lumpini Ville Sukhumvit 101/1 - Punnavithi and Lumpini Town Ville Ladkrabang - Suvarnabhumi which is a single house project of a subsidiary company.

Total liabilities

Total liabilities increase 726.81 million THB or 8.74% i.e. from 8,315.57 million THB to 9,042.38 million THB. The main reasons are as follows:

1. The loan from financial institutions for project development and business operation increases 1,229.76 million THB or 23.42% i.e. from 5,250.47 million THB to 6,480.23 million THB.
2. The estimation of welfares for staff of the Company and subsidiary companies increases 32.96 million THB as a result of the new Labor Protection Act announced on 5 April 2019 and enforced 30 days from the announcement.

Financial structure

The Company emphasizes the importance of financial structure management efficiency which should be flexible in difficult circumstances and able to maintain the financial costs to be appropriate for business operation in the future. Furthermore, the financial policy of the Company is carefully implemented, the liquidity is sufficient and the confidence in the performance of the Company is built as follows:

1. As a result of economic fluctuations and national household debts, the Company could be affected as real estate business is our main business and the competition is severe. However, the Company is rated A- by Tris Rating Co., Ltd. Consequently, the Company is able to save costs from lower interest rates when raising funds from financial institutions or issuing debentures. In Q2/2019, The Company issues the first lot of debentures that are rated on 12th April 2019 with the offer value of 1,168 million THB, the tenure of 3 years i.e. from 12th April 2019 - 12th April 2022 and the interest rate of 2.95%.
2. The Company has been repurchasing stocks since the end of 2018. As of 30th June 2019, the Company has bought back 21.50 million shares worth 142.11 million THB.

As a result of the above reasons, the interest bearing debt to equity ratio and the debt to equity ratio have increased from 0.41:1 to 0.51:1 and from 0.64:1 to 0.71:1 as of 31st December 2018 and 30th June 2019.

Cash flow statement

The cash flow statement as of 30th June 2019 and 30th June 2018 decreases 521.91 million THB or 55.74% because the ownership transfer of residential condominiums and single homes has decreased from the same quarter of the previous year.

Important numbers in the financial statement Q2/2019 and 2018

Table 1: Profit/Loss Statement in Q2/2019 and Q2/2019

Numbers	Consolidated Financial Statement			Separate Financial Statement		
	Q2/2019	Q2/2018	%Variance	Q2/2019	Q2/2018	%Variance
1. Main income (Million THB)	1,673.70	2,283.40	(26.70%)	1,116.05	1,786.01	(37.51%)
2. Gross profit from sale (%)	31.98	29.38	2.60%	28.40	27.80	0.60%
3. Gross profit from rental and service business (%)	34.20	30.97	3.23%	32.80	20.53	12.27%
4. Gross profit from management business (%)	35.81	30.44	5.37%	-	-	-
5. Gross profit from main income (Million THB)	546.37	673.55	(18.91%)	318.77	494.27	(35.51%)
(%)	32.64	29.51	3.13%	28.56	27.67	0.89%
6. Expenses on sales (Million THB)	134.60	137.74	(2.28%)	113.76	117.33	(3.04%)
(%)	8.04	6.03	2.01%	10.19	6.57	3.62%
7. Expenses on sales ^{Note 1} (Million THB)	79.58	54.44	46.18%	69.59	44.36	56.88%
(excluding ownership transfer) (%)	4.75	2.38	2.37%	6.24	2.48	3.76%
8. Expenses on management (Million THB)	223.09	220.26	1.28%	111.32	116.96	(4.82%)
(%)	13.33	9.65	3.68%	9.97	6.55	3.42%
9. Profit before interest and income tax (Million THB)	224.01	321.24	(30.27%)	136.29	268.02	(49.15%)
(%)	13.38	14.07	(0.69%)	12.21	15.01	(2.80%)
10. Profit before tax (Million THB)	223.55	320.56	(30.26%)	135.89	267.62	(49.22%)
(%)	13.36	14.04	(0.68%)	12.18	14.98	(2.80%)
11. Net profit (Million THB)	176.74	249.13	(29.06%)	110.54	207.66	(46.77%)
(%)	10.56	10.91	(0.35%)	9.90	11.63	(1.73%)
12. Net profit per share (บาท)	0.12	0.17	(27.81%)	0.08	0.14	(46.10%)
13. Book value per share (บาท)	8.78	8.43	4.15%	8.20	8.04	1.99%

After Revision

Note 1 Q2/2019: If the brokerage fee of Lumpini Suite Petchaburi - Makkasan is excluded, the expenses on sales would be similar to those of the same quarter of the previous year.

Table 2: Statement of Financial Position as of 30th June 2019 and 31st December 2018

Unit : Million THB

Numbers	Consolidated Financial Statement			Separate Financial Statement		
	as of 30 Jun 19	as of 31 Dec 18	%Variance	as of 30 Jun 19	as of 31 Dec 18	%Variance
14. Cash and cash equivalent	414.39	387.72	6.88%	224.94	282.09	(20.26%)
15. Trade debtors and other debtors	647.92	401.67	61.31%	510.41	306.32	66.63%
16. Land and project costs during construction	10,060.91	9,243.16	8.85%	8,323.71	7,686.94	8.28%
17. Backlog	7,326.24	7,684.91	(4.68%)	6,822.07	7,269.15	(6.15%)
18. Other current assets ^{Note 1}	51.50	68.10	(24.38%)	854.50	698.00	22.42%
19. Non-current assets ^{Note 2}	3,310.69	3,464.65	(4.44%)	3,526.07	3,697.17	(4.63%)
20. Total assets	21,811.65	21,250.21	2.64%	20,261.71	19,939.66	1.62%
21. Overdraft and short-term loan	3,314.87	3,246.08	2.12%	3,134.33	3,058.99	2.46%
22. Trade account payable and other creditors	1,804.70	2,289.54	(21.18%)	1,524.46	2,078.35	(26.65%)
23. Long-term loan	3,165.36	2,004.39	57.92%	3,163.47	1,993.98	58.65%
24. Overdue corporate income tax	91.27	152.71	(40.23%)	67.41	137.91	(51.12%)
25. Non-current liabilities ^{Note 3}	666.18	622.86	6.96%	446.62	433.01	3.14%
26. Total liabilities	9,042.38	8,315.57	8.74%	8,336.28	7,702.24	8.23%
27. Shareholders' equity	12,769.28	12,934.64	(1.28%)	11,925.42	12,237.42	(2.55%)

After Revision

^{Note 1} Comprising temporary investment and short-term loan to connected business.

^{Note 2} Comprising investment in subsidiary companies and associated companies, real estate for investment, land, building and equipment, goodwill, non-tangible assets, lease hold, deferred tax assets, withholding tax and other non-current assets.

^{Note 3} Comprising income from rental fee received in advance, estimation of staff benefits, deposit of rental and service fee and other non-current liabilities.

Please kindly be informed accordingly.

Sincerely yours,

Mr. Opas Sripayak
Chief Executive Officer and Managing Director