

ERW082/ACC007/2018

13th November 2018

Subject: Management Discussion and Analysis for Period Ending 30th September 2018

Attention: President, The Stock Exchange of Thailand

Dear Sir,

The Erawan Group Plc. would like to submit explanation and analysis of changes to our operations for 3-month ("3Q18") and 9-month ("9M18") period ending 30th September 2018 as follows:

Consolidated Profit & Loss Statement (period ending 30th September 2018)

THB Millions	3Q17	3Q18	% Ch.	9M17	9M18	% Ch.
Hotels' Operating Income	1,393	1,373	-1%	4,249	4,385	+3%
Rental and Service Income	55	57	+3%	164	170	+4%
Total Operating Income	1,448	1,430	-1%	4,413	4,555	+3%
Other Income	10	12	+24%	40	35	-13%
Total Income	1,458	1,442	-1%	4,453	4,590	+3%
Operating Expenses	(1,036)	(1,089)	+5%	(3,117)	(3,253)	+4%
EBITDA	422	353	-16%	1,336	1,337	+0%
Depreciation & Amortization	(188)	(194)	+3%	(550)	(565)	+3%
Operating Profit/(Loss)	234	159	-32%	786	772	-2%
Finance Costs	(88)	(91)	+2%	(255)	(262)	+2%
Pre-tax Profit / (Loss)	146	68	-53%	531	510	-4%
Taxes	(34)	(22)	-36%	(120)	(110)	-8%
Non-Controlling Interest	(11)	(10)	-11%	(39)	(37)	-6%
Normalized Net Profit / (Loss)	101	36	-64%	372	363	-3%
Extraordinary Items						
Share of Profit/ (Loss) from ERWPF	(22)	5	N.M.	(28)	(6)	+78%
Net Profit / (Loss)	79	41	-48%	344	357	+4%
E.P.S. (Baht)	0.0317	0.0165	-48%	0.1378	0.1424	+3%

Industry Key Highlights

Total international tourist arrivals in 3Q18 was at 9.1 million, a 3 percent growth compared to the same period last year. Tourist arrivals growth was slowdown in this quarter compare to 15 percent and 9 percent growth in 1Q18 and 2Q18 respectively. The slower growth attributed largely to the decline in Chinese and Russian tourists, which are Thailand top arrival sources. Arrivals from China dropped 9 percent from the same period last year due to tour boat accident in July 2018. Russian tourists dropped 7 percent from the same period last year due to global tourism competition especially Turkey. However, tourists from other countries continue to expand such as Malaysia, Hong Kong and Vietnam which were the top 3 key source markets that posted the strongest growth in this quarter. For 9M18, the number of tourists visiting Thailand was reported at 28.5 million, increased 9 percent compared to the same period last year. In addition, the number of domestic trips recorded at 117 million in 9M18, a 5 percent increase from the same period last year.

Hotel Growth Strategy

We continued our hotel development as set forth in our strategy. In 2018, we plan to open 9 hotels which comprised of 6 hotels in Thailand; (1 Midscale hotel, 1 Economy hotel, 4 HOP INN) and 3 HOP INN hotels in Philippines.

- In 3Q18, we opened 1 new hotel in Thailand; HOP INN Chonburi and 1 new hotel in Philippines, Metro Manila; HOP INN Alabang. As a result, at the end of 3Q18 we have 57 hotels with 7,921 rooms in our portfolio.

Return Enhancing Strategy

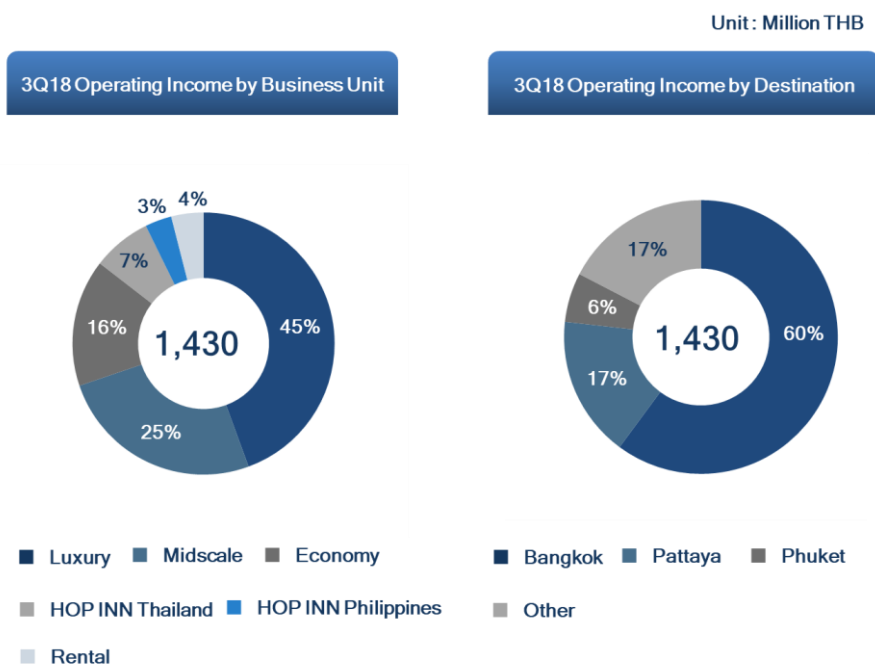
- JW Marriott Bangkok hotel completed the second phase of room renovation for 178 rooms or 40 percent of total room inventory, which conducted during April to September 2018. The new rooms already opened at the beginning of October 2018. Combining with the 129 new rooms from the first phase of renovation, there are total 307 new rooms or 70 percent of total room inventory.
- JW Marriott Bangkok hotel also completed renovation of Marriott Café, an all-day dining restaurant which started in May 2018. This outlet already opened in September 2018.

Group Performance in 3Q18

In 3Q18 revenue from hotel operations, which is the main contributor to our group, dropped 1 percent from 3Q17 while rental and service income grew 3 percent from the same period last year. As a result, we recorded total operating income at THB 1,430 million in 3Q18, a 1 percent drop from 3Q17. We recorded EBITDA at THB 353 million in 3Q18, a 16 percent drop from 3Q17 and posted EBITDA margin at 24.5 percent compared to 29.0 percent in 3Q17. The reason for the soft performance in this quarter was mainly from the room renovation of JW Marriott Bangkok hotel. This renovation occurred for the full quarter this year while last year room renovation started in mid of August 2017 and the number of

renovated rooms in 3Q18 was higher than number of renovated rooms last year. In addition, we recorded pre-opening expense of new hotels at THB 19 million in this quarter compare to THB 2 million in 3Q17. In sum, we generated normalized net profit at THB 37 million and net profit at THB 41 million, a 64 percent and 48 percent decrease from the same period last year respectively.

For 9M18, we recorded total operating income at THB 4,555 million, a 3 percent increase from 9M17. Revenue from hotel operations and rental and service income grew 4 percent from the same period last year. We generated EBITDA at THB 1,337 million, in line with 9M17. For 1H18, we generated normalized net profit at THB 363 million, a 3 percent decrease from 9M17 and net profit at THB 357 million, a 4 percent increase from the same period last year.



Performance by Business Unit

1. Hotel

In 3Q18 our average occupancy dropped 7 percent from 3Q17, this was mainly from JW Marriott Bangkok hotel renovation program in this quarter and the slowdown of Thailand tourism industry as aforementioned. ARR increased 5 percent from the same period last year with ARR growth was witnessed in all segments as such our RevPAR (excluding HOP INN hotels) decreased 4 percent from 3Q17. On the other hand, HOP INN hotels which focus on domestic traveler still posted strong performance and generated RevPAR growth both in Thailand and Philippines

In 3Q18, we recorded income from hotel operations at THB 1,373 million, a 1 percent drop from the same period last year. Excluding JW Marriott Bangkok hotel (which undertaken room renovation), income from hotel operations grew 4 percent from 3Q17. Room revenue increased 3 percent while F&B

revenue decreased 3 percent from the same period last year mainly from the renovation of JW Marriott Bangkok main F&B outlet. HOP INN Thailand hotels recorded the highest revenue growth among the group from both existing hotels and additional income from new hotels.

We generated income from hotel operations at THB 4,385 million in 9M18, a 3 percent increase from 9M17. Room revenue recorded at 7 percent increase from 9M17 while F&B revenue was dropped 1 percent from the same period last year.

Statistics for hotel room operations for the 3Q18 and 9M18 periods are as follows:

3-month period (Jul-Sep)	No. of rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	3Q17	3Q18	3Q17	3Q18	+/-	3Q17	3Q18	+/-	3Q17	3Q18	+/-
Thailand											
Luxury Hotels	966	979	74%	67%	▼7%	5,578	5,663	▲2%	4,131	3,812	▼8%
Midscale Hotels	1,282	1,282	90%	86%	▼4%	2,698	2,773	▲3%	2,429	2,389	▼2%
Economy Hotels	2,253	2,253	84%	74%	▼9%	1,054	1,176	▲12%	882	875	▼1%
Total Group (ex. HOP INN)	4,501	4,514	83%	76%	▼7%	2,421	2,548	▲5%	2,020	1,942	▼4%
HOP INN Hotels	2,186	2,731	75%	73%	▼2%	519	580	▲12%	388	424	▲9%
Philippines											
HOP INN Hotels	312	676	77%	73%	▼4%	870	989	▲14%	670	721	▲8%

9-month period (Jan-Sep)	No. of rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	9M17	9M18	9M17	9M18	+/-	9M17	9M18	+/-	9M17	9M18	+/-
Thailand											
Luxury Hotels	966	979	79%	72%	▼7%	5,560	5,853	▲5%	4,379	4,220	▼4%
Midscale Hotels	1,282	1,282	89%	87%	▼2%	2,719	2,886	▲6%	2,430	2,518	▲4%
Economy Hotels	2,253	2,253	85%	82%	▼3%	1,189	1,274	▲7%	1,007	1,039	▲3%
Total Group (ex. HOP INN)	4,501	4,514	85%	81%	▼4%	2,520	2,649	▲5%	2,136	2,149	▲1%
HOP INN Hotels	2,186	2,731	74%	76%	▲2%	537	578	▲8%	397	437	▲10%
Philippines											
HOP INN Hotels	312	676	79%	75%	▼4%	886	968	▲9%	696	726	▲4%

Details of each segment are as follows:

(Note: EBITDA by segment is calculated without taking non-property-specific expenses into account)

Thailand

Luxury Hotels

- The Luxury segment comprised of 2 hotels in Bangkok; Grand Hyatt Erawan Bangkok and JW Marriott Bangkok, and 2 hotels in Samui and Phuket; Renaissance Koh Samui Resort and Spa and The Naka Island, a Luxury Collection Resort and Spa, Phuket.
- In 3Q18, occupancy in this segment recorded at 67 percent compared to 74 percent in 3Q17 while ARR increased 2 percent from the same period last year resulting in a 8 percent decrease in RevPAR

from 3Q17. The lower RevPAR from 3Q17 is mainly due to the room renovation of JW Marriott Bangkok hotel which continued from 2Q18 and the impact from the slowdown of Chinese tourist.

- The Luxury segment generated income at THB 635 million in 3Q18, a 10 percent decrease from 3Q17. Room revenue decreased 6 percent and F&B revenue decreased 4 percent from the same period last year as a result of aforementioned factors. EBITDA recorded at THB 143 million, a 33 percent decrease from 3Q17.
- For 9M18, the Luxury segment generated operating income at THB 2,063 million and EBITDA at THB 559 million, a 4 percent and a 14 percent decrease from the same period last year respectively.

Midscale Hotels

- The Midscale segment comprised of 2 hotels in Bangkok; Courtyard by Marriott Bangkok and Mercure Bangkok Siam, and 2 hotels in Pattaya; Holiday Inn Pattaya and Mercure Pattaya Ocean Resort.
- In 3Q18, RevPAR of the Midscale segment decreased 2 percent from 3Q17. Occupancy recorded at 86 percent compared to 90 percent in 3Q17 mainly from the decline in occupancy rate from Non-Bangkok hotels which was impacted from the slowdown of Chinese which are the main source market. Nevertheless all hotels in this segment achieved ARR growth in this quarter as ARR increased 3 percent from the same period last year.
- The Midscale segment generated operating income and EBITDA at THB 363 million and THB 142 million respectively, a 1 percent decrease from 3Q17.
- For 9M18, the Midscale segment generated operating income at THB 1,122 million and EBITDA at THB 457 million, a 3 percent and a 5 percent increase from the same period last year respectively.

Economy Hotels

- The Economy segment comprised of 10 ibis hotels in 6 major tourist destinations in Thailand (Bangkok, Pattaya, Phuket, Samui, Hua Hin and Krabi).
- In 3Q18, occupancy in this segment recorded at 74 percent compared to 84 percent in 3Q17 while ARR increased 12 percent from the same period last year. As such, RevPAR was decreased 1 percent from 3Q17. Hotels located in Bangkok still generated RevPAR growth while hotels located outside Bangkok especially Phuket was impacted from the declined of main source markets such as Russian and Chinese.
- The Economy segment recorded operating income at THB 224 million and EBITDA at THB 58 million, a 3 percent and 17 percent decrease from the same period last year respectively.

- For 9M18, the Economy segment generated operating income at THB 786 million, 2 percent increase from 9M17, while EBITDA recorded at THB 267 million, a 3 percent decrease from the same period last year.

HOP INN Hotels

- In 3Q18, we opened a new HOP INN hotel at Chonburi. We now have 35 hotels in this segment, which cover Thailand's major tourist and business destinations.
- In 3Q18, occupancy in this segment recorded at 73 percent compare to 75 percent in 3Q17 due to the opening of new hotel. However, we continue to conduct marketing campaign and improve service quality. As a result, hotels in this segment continue to deliver a strong ARR growth. In 3Q18, ARR increased 12 percent from the same period last year. This led to a 9 percent RevPAR growth from the same period last year.
- HOP INN segment generated operating income at THB 104 million in 3Q18, a 44 percent increase from the same period last year. Growth was driven by both existing 28 hotels, a 27 percent increase from 3Q17 and additional income from 7 new hotels opened. EBITDA recorded at THB 48 million, representing a 76 percent increase from the same period last year.
- For 9M18, HOP INN recorded operating income at THB 310 million and EBITDA at THB 145 million, a 51 percent and a 69 percent increase from the same period last year respectively.

Philippines

HOP INN Hotels

- We have 4 hotels in this segment, which located at Manila city, Philippines. In 3Q18, we opened new HOP INN hotel with 168 rooms at Alabang Manila.
- In 3Q18, occupancy in this segment recorded at 73 percent , a 4 percent decrease from 3Q17 due to the opening of new hotel while ARR increased 14 percent leading to 8 percent RevPAR growth from the same period last year.
- HOP INN in Philippines generated operating income and EBITDA at THB 47 million and THB 17 million for 3Q18 and THB 104 million and THB 32 million for 9M18 respectively.

2. Rental Properties

We own and operate Erawan Bangkok, a luxury retail property adjacent to Grand Hyatt Erawan Hotel, and manage Ploenchit Center as a property manager. Income from rental and service increased 3 percent to record at THB 57 million in 3Q18.

For 9M18, income from rental and service increased 4 percent from 9M17 to record at THB 170 million.

Other Items in P&L

- **Depreciation & Amortization:** This non-cash item recorded at THB 194 million in 3Q18 increased THB 6 million from 3Q17 and recorded at THB 565 million in 9M18, a THB 15 million increase from 9M17. This mainly came from additional depreciation of new hotels opened.
- **Finance Costs:** We recorded finance costs at THB 91 million in this quarter, a THB 3 million increase from 3Q17 and recorded at THB 262 million in 9M18, increased THB 7 million from 9M17. This mainly came from the recognition of interest expense of new hotels opened.
- **Corporate Income Tax:** We recorded corporate income tax at THB 22 million in 3Q18 and THB 110 million in 9M18.
- **Extraordinary Items:**
 - **Investment in ERWPF:** We recorded share of profit from 20 percent investment in ERWPF at THB 5 million in 3Q18 while we recorded share of loss at THB 6 million in 9M18 due to the revaluation of asset in 1Q18.

Financial Status

Financial Ratio (times)	9M17	FY 2017	9M18
Interest Coverage Ratio	4.6	5.0	4.7
Interest Bearing Debt to Equity	1.7	1.7	1.8

We generated THB 1,343 million of operating cash flow before change in operating asset and liabilities, representing a 1 percent decrease from the same period last year. We utilized cash flow generated, together with bank loans to fund the development of new hotels. Cash on hand was recorded at THB 1,075 million at the end of this quarter. Interest coverage ratio recorded at 4.7 times compare to 4.6 times at 9M17.

At the end of 3Q18, we recorded total assets at THB 16,674 million compared to THB 16,048 million at the end of 2017 due to the increase in property, plant and equipment from the expansion of new hotels. Our total liabilities recorded at THB 11,207 million increased from THB 10,645 million at the end of

2017 due to the increasing of long-term loan to support hotel expansion. Shareholder's equity recorded at THB 5,467 million at the end of 3Q18 increased from THB 5,403 million at the end of 2017 on the back of additional net profit generated in 9M18. Our interest bearing debt-to-equity ratio recorded at 1.8 times compare to 1.7 times at the end of 2017.

Outlook for 2018

Thai Ministry of Tourism and Sports maintained its forecast that international tourist arrivals in 2018 will be approximately 38.0 million compared to 35.4 million in 2017. In 3Q18 Thailand tourism industry recorded the slower growth than 1H18 mainly from the slowdown of Chinese tourists, which account for 30 percent of Thailand tourist arrival, due to the recent Phuket tour boat incident. Moreover, current trade war are also the risk factor to Thailand tourism in the second half of this year. However, the number of tourist arrival to Thailand are expected to continue to expand in the last quarter of this year.

We revised our revenue projection from hotel operation to be at 5-6 percent growth from 2017 on the back of the slower growth of Thailand Tourism industry in 3Q18 and continue in 4Q18. We continue expanding our investment as set forth in our hotel growth strategy. In 9M18, we opened new hotels in Thailand and Philippines on schedule as we target at the beginning of this year. As a result, by the end of 2018, we will have 9 new hotels with 1,157 rooms in our portfolio. In addition, according to our return enhancing strategy, JW Marriott Bangkok hotel completed the second phase of room renovation and F&B outlet renovation on schedule and already opened at the beginning of 4Q18. If there is any change in the forecast and guidance of our performance due to the change of situation, we will inform accordingly.

Sincerely yours

Kanyarat Krisnathevin
Executive Vice President and Chief Financial Officer