

Executive Summary

The Company reported net profit of THB 1 million in 2Q18, inverted from net loss of THB 92 million in 2Q17; and of THB 231 million in 1H18, representing 632.0% growth yoy. This strong growth was driven by the gain from sales of investments and the result of hotel performance as forecasted.

In 2Q18 Dusit Thani PCL (“the Company”) reported total revenue of THB 1,125 million, up 3.9% yoy. This growth was driven by the growth in Other Businesses offsetting a slight decrease in Hotel Business.

Other Business growth came from the gain from the sale of investments, the share of profit from investment in food business (as invested in 1Q18), and gain on foreign exchange rate.

Hotel Business reported a slight decrease from Owned Hotel business due to a decrease in revenue from the loss in exchange when translating financial statements of owned hotels overseas following appreciation of the Thai baht; a decrease in revenue following the news about the closure of Dusit Thani Bangkok Hotel; and a decrease in revenue from the absence of Dusit Princess Korat Hotel, which was disposed in late 2017. However, the revenue of Hotel Management was improved.

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) was THB 144 million, representing 131.4% growth yoy driven by the growth in Revenue mentioned above and the decrease in Selling and Administrative expenses (“SG&A”).

The Company’s net profit was THB 1m, representing 101.2% growth yoy by inverting from the net loss of THB 92 million in 2Q17. For core business, excluding the gain from the sale of investments, the Company reported EBITDA of THB 107 million and net loss of THB 29 million, representing yoy growth of 72.6% and 68.5%, respectively.

In 1H18, the Company reported total revenue of THB 2,824 million, up 8.8% yoy mainly from Other income, including the gain from the sale of investments, and the slightly better performance in Hotel Business. A decrease in cost of sales and services, and an increase in SG&A and employee benefit expenses linked with the closure plan of Dusit Thani Bangkok Hotel, was reflected in the EBITDA of THB 609 million, up 54.4% yoy, and net profit of THB 231 million, up 632.0% yoy. For core business, excluding the gain from the aforementioned sale of investments and employee benefit expenses, the Company reported EBITDA of THB 436 million and net profit of THB 93 million, representing yoy growth of 10.7% and 190.6%, respectively.

Unit: THB mn	2Q18	2Q17	Change		Period ended 30 Jun 18	Period ended 30 Jun 17	Change	
Hotel business	956	990	(34)	-3.5%	2,320	2,314	6	0.3%
Education business	82	80	2	2.5%	203	215	(12)	-5.6%
Others	87	14	73	572.3%	301	65	236	361.5%
Total revenue	1,125	1,084	41	3.9%	2,824	2,594	230	8.8%
EBITDA	144	62	82	131.4%	609	394	215	54.4%
EBIT	20	(94)	114	121.4%	350	75	275	367.9%
Net profit (loss)	1	(92)	93	101.2%	231	32	199	632.0%
EPS (THB)	0.001	(0.109)	0.11	101.2%	0.27	0.04	0.24	637.9%

Following continuous investment in renovations of several long-established Dusit hotels, and taking into consideration the redevelopment of the flagship Dusit Thani Bangkok, which will cease operations in its current form on 5 January 2019, the management of DTC has forecasted stable or resilient revenue for the next few years, and it has developed a prudent strategy to maintain return to shareholders during this time. This has included restructuring DTC to allow for greater flexibility and enhanced business performance. The operating results during the first half of this year reflect our strategy to maintain return to shareholders.

Major Developments in 2Q18

On 9 April 2018, the Company sold the available-for-sale investment in Laguna Resort & Hotel PCL (“LRH”) with the gain of THB 37.5 million.

On 11 May 2018, the Company established Dusit Gourmet Company Limited to sell food products in both domestic and international markets. 75.0% of total shares are held by Dusit Food Company Limited, a subsidiary company, and 25% are held by NR Instant Produce Company Limited (“NRIP”), an associate company.

On 22 May 2018, the company opened Dusit Princess Moonrise Beach Resort, Phu Quoc, Vietnam under hotel management with 108 rooms.

2Q18 Operation Result

In 2Q18, the Company reported total revenue of THB 1,125 million, up 3.9% yoy. The revenue is from three business segments: Hotel Business, Education Business, and Other Business.

Revenue breakdown				EBITDA breakdown				
Unit: THB mn	2Q18	2Q17	Change	2Q18	2Q17	Change		
Hotel business	956	990	(34)	-3.5%	120	118	2	1.7%
Education business	82	80	2	2.5%	(11)	(12)	1	8.3%
Others	87	14	73	572.3%	35	(44)	79	179.5%
Total	1,125	1,084	41	3.9%	144	62	82	132.3%

In 2Q18, Hotel Business, Education Business and Other Business accounted for 84.9%, 7.3% and 7.8% of total revenue, respectively. The gain from the sale of available-for-sale investment in LRH was included in Other Business.

EBITDA from Hotel Business, Education Business and Other Business was 83.3%, -7.6% and 24.3% of total EBITDA, respectively.

Hotel Business

In 2Q18, reported Hotel Business was THB 956 million, a slight decrease of 3.5% yoy due to the decrease in Owned Hotel revenue from the loss in exchange when translating financial statements of owned hotels overseas following appreciation of the Thai baht; a decrease in revenue following the news about the closure of Dusit Thani Bangkok Hotel; and a decrease in revenue from the absence of Dusit Princess Korat Hotel, which was disposed in late 2017.

• **Owned Hotels**

	2Q18	2Q17	%Change
Occupancy (%)	71.6%	66.0%	8.6%
ADR (THB/night)	3,113	3,323	-6.3%
RevPar (THB/night)	2,230	2,193	1.7%

Remark : Hotel statistics exclude Dusit Princess Korat (“DPKO”) for comparative purpose

Revenue from Owned Hotels in 2Q18 was THB 910 million, down 4.1% yoy due to the following factors:

- Revenue from Owned Hotels in Thailand, excluding Dusit Princess Korat Hotel, which was closed in late 2017, slightly dropped by 0.7% yoy. The increasing revenues of Dusit Thani Pattaya Hotel and Dusit Laguna Phuket Hotel offsetting news about the closure of Dusit Thani Bangkok Hotel, which caused overall revenue of Owned Hotels to drop slightly. By including Dusit Princess Korat Hotel, revenue from Owned Hotels dropped by 3.5% yoy.
- Revenue from Owned Hotels overseas dropped by 5.4% yoy due to a loss on exchange difference on translating financial statements of owned hotels overseas following appreciation of the Thai baht against the USD and Peso. However, when considering the revenue of Owned Hotels overseas in local currency, Dusit Thani Maldives, where the local currency is USD, had the same occupancy rate as last year but revenue was increased yoy due to an increase in the average room rate per night. Dusit Thani Manila Hotel also reported a slight increase in revenue (Peso Currency) yoy.

• **Hotel Management**

In 2Q18, the revenue from Hotel Management was THB 53 million, up 23.3% yoy, driven by the increase in average room rate per night and occupancy rates at Dusit Thai Guam Hotel and Dusit Thani LakeView Cairo Hotel.

• **Share of Losses from Investment**

Share of losses from investment in 2Q18 was THB 7 million, a THB 5 million loss increase from 2Q17. This was due to an increase in the loss on exchange rate from Foreign Currency Loan and the increase in interest expenses of Dusit Fudu Hotel Management (Shanghai) Company Limited in China.

EBITDA from Hotel Business in 2Q18 amounted to THB 120 million, up 1.7% yoy, driven by the increase in EBITDA from Hotel Management and the decrease in SG&A.

Depreciation and Amortization decreased by 18.6% from 2Q17 to THB 105 million in 2Q18 due to the full depreciation in some assets of Dusit Thani Bangkok Hotel and Dusit Thani Pattaya Hotel, and also no depreciation expenses from Dusit Princess Korat as a result of the disposal in late 2017.

Education Business

Revenue from Education Business, including the share of profit from investment, was THB 82 million; a slight increase of 2.5% yoy. This increase was mainly caused by:

- The delay of the academic year 2018 of the university in Philippines to start in 2Q18. Therefore, the academic fee (Lyceum) was postponed to be recognized in this quarter.

- The share of profit from investment in Le Cordon Bleu Dusit Company Limited increased. However, the share of losses from investment in Philippine Hoteliers International Center for Hospitality Education, Inc. (PHICHE) increased due to an increase in pre-operating expenses.

EBITDA of Education Business decreased by 8.3% from 2Q17 to be a loss of THB 11 million in 2Q18.

Depreciation and Amortization in 2Q18 was 8 million, a decrease of 33.3% yoy, due to the full depreciation of some assets of Dusit Thani College.

Other Business

The Company had revenue from Other Business of THB 87 million in 2Q18, up 572.3% yoy. This growth was from the THB 38 million gain from the sale of available-for-sale investment in LRH, THB 15 million gain from foreign exchange, and THB 7 million from the share of profit from investment in NRIP.

In 2Q18, EBITDA from Other Business was THB 35 million, up 179.5% yoy as a result of the growth in revenue mentioned above.

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

In 2Q18, EBITDA was THB 144 million, up 131.4% yoy driven by the gain from the sale of investment, the decrease in SG&A of Hotel business, and a decrease of negative EBITDA of Education business.

For core business, excluding the gain from the sale of investment, EBITDA was THB 107 million, up 72.6% yoy.

Finance Cost

The finance cost in 2Q18 was THB 12 million, down 13.5% yoy due to the partial repayment for long-term loans during the year 2017.

Net Profit

The net profit was THB 1 million, up 101.2% yoy as mentioned above. Core business, excluding the gain from the sale of investment, reported a net loss of THB 29 million which still showed growth of 68.5% yoy.

1H18 Operation Result

In 1H18, the Company reported the total revenue of THB 2,824million, up 8.8% yoy.

Revenue breakdown				EBITDA breakdown				
Unit: THB mn	Period ended 30 Jun 18	Period ended 30 Jun 17	Change	Period ended 30 Jun 18	Period ended 30 Jun 17	Change		
Hotel business	2,320	2,314	6	0.3%	468	422	46	10.9%
Education business	203	215	(12)	-5.6%	16	26	-10	-38.5%
Others	301	65	236	361.5%	125	-54	179	329.7%
Total	2,824	2,594	230	8.8%	609	394	215	54.5%

Hotel Business, Education Business and Other Business accounted for 82.2%, 7.2% and 10.6% of total revenue, respectively.

EBITDA from Hotel Business, Education Business and Other Business was 76.9%, 2.6% and 20.5% of total EBITDA, respectively.

Hotel Business

In 1H18, the revenue from Hotel Business was THB 2,320 million, up 0.3% yoy mainly from the increase in Hotel Management revenue.

- **Owned Hotels**

	1H18	1H17	%Change
Occupancy (%)	78.2%	72.5%	7.9%
ADR (THB/night)	3,706	3,763	-1.5%
RevPar (THB/night)	2,899	2,728	6.3%

Remark : Hotel statistics exclude Dusit Princess Korat (“DPKO”) for comparative purpose

Owned Hotels reported revenue in 1H18 of THB 2,222 million similar to 1H17.

- Revenue from Owned Hotels in Thailand, excluding Dusit Princess Korat Hotel which was closed in late 2017, increased 1.0% yoy. This growth was driven by the increase in revenue from the completion of the renovation at Dusit Thani Laguna Phuket Hotel last year, and the increase in room revenue and convention revenue at Dusit Princess Srinakarin Hotel. However, Dusit Thani Bangkok reported a decrease due to news about the hotel’s closure. By including Dusit Princess Korat Hotel, revenue from Owned Hotels dropped by 2.0% yoy.
- Revenue from Overseas Hotels was up by 3.9% yoy. Despite the loss on exchange difference on translating financial statements of owned hotels overseas (USD and Peso against the Thai baht), Dusit Thani Maldives Hotel still reported higher average room rate per night (in USD currency) and higher occupancy rate from the main source countries: China, Russian and Korea. Dusit Thani Manila Hotel reported a slight increase in Peso.

- **Hotel Management**

Revenue from Hotel Management in 1H18 was THB 107 million, up 10.6% yoy. This growth was driven by higher average room rate per night and higher occupancy rates at Dusit Thani Guam Hotel and Dusit Thani LakeView Cairo Hotel.

- **Share of Losses from Investment**

Share of losses from investment for the first six months in 2018 was THB 9 million, an increase of THB 2 million from that in 2017 due to the loss on exchange rates from foreign currency loans, the increase in interest expenses at Dusit Fudu Hotel Management in China despite better operational results from last year.

EBITDA of Hotel Business in 1H18 was increased by 10.9% from that in 1H17 to THB 468 million due to increased revenue and decreased expenses.

Depreciation and Amortization in 1H18 was THB 217 million, down by 19.3% from that in 1H17 due to full depreciation of some assets of Dusit Thani Bangkok Hotel and Dusit Thani Pattaya Hotel, and no depreciation expenses from Dusit Princess Korat, which was disposed in late 2017.

Education Business

In 1H18, the total revenue including share of profit from investment was THB 203 million, down 5.6% yoy. This decrease was a result of the increase in share of losses from investment in PHICHE.

As a result of the decrease in revenue mentioned above, the EBITDA of Education Business in 1H18 was THB 16 million, down 38.5% yoy.

Depreciation and Amortization in 1H18 was 17 million, or decreased by 26.1% yoy, due to some fully depreciated assets of Dusit Thani College.

Other Businesses

For the first six months of 2018, revenue from Other Businesses was increased by 361.5% yoy to THB 300 million, THB 169 million of which was from the gain from the sale of long-term investments, and THB 38 million was from the gain from the sale of investment in LRH in 2Q18.

EBITDA from Other Businesses was increased by 329.7% from that in 1H17 to THB 125 million in 1H18. This growth was driven by the higher increase in revenue mentioned above, even though the selling and administration expenses were increased to support the expansion of the business.

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

The Company reported the EBITDA of THB 609 million for 1H18, up 54.4% yoy. This was driven by the growth in Hotel Business and the gain from the sale of investments, even though SG&A and employee benefit expenses for the closure plan of Dusit Thani Bangkok Hotel were increased.

For core business, excluding the gain from the sale of investment and employee benefit expenses as mentioned, EBITDA was THB 436 million, up 10.7% yoy.

Finance Cost

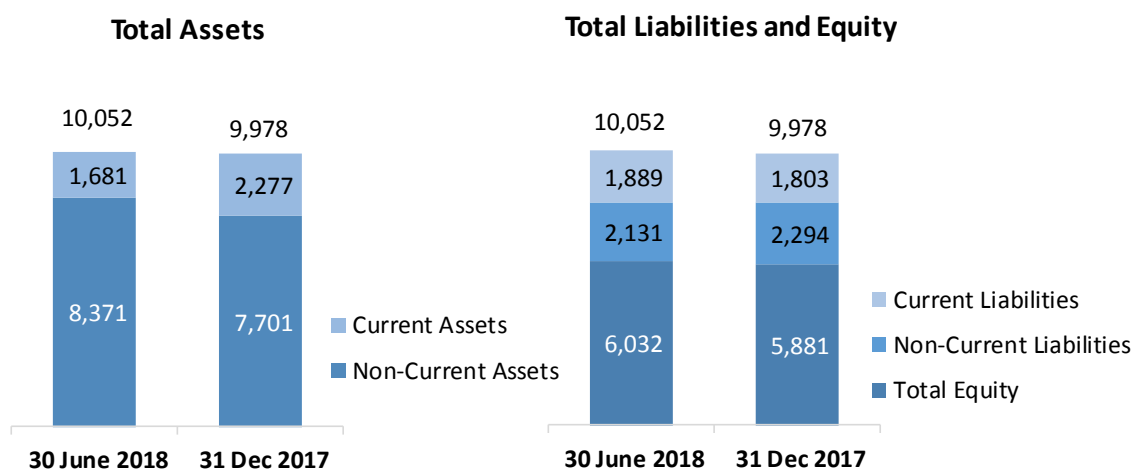
Finance Cost of the first six-month period in 2018 was THB 26 million, down 10% yoy due to partial loan repayment in 2017.

Net Profit

1H18's net profit was THB 231 million, up 632.0% yoy. For core business, excluding the gain from the sale of investment and employee benefit expenses, the net profit was THB 93 million, up 190.6% yoy.

Financial Position

Unit: THB mn



Assets

As of 30 June 2018, the Company has the total assets of THB 10,052 million, an increase of THB 73 million, or 0.7%, from 31 December 2017.

- Current Assets decreased by THB 596 million due to the investment in NRIP causing a decrease in Cash and Cash Equivalents of THB 445 million.
- Non-current Assets increased by THB 669 million driven by (1) an increase of THB 709 million in investment in associated companies, in which THB 681 million was from the investment in NRIP, and another THB 29 million was from the share of profit of investment in associates, (2) an increase in available-for-sale investment of THB 17 million resulting from the fair value adjustment, and (3) a decrease of THB 62 million in net book value of property, plant and equipment (PP&E) due to the accumulated depreciation amount of THB 252 million net against the acquisition of PP&E of THB 202 million, and a decrease of THB 12 million from the exchange difference when translating financial statements.

Liabilities

As of 30 June 2018, the total liabilities were THB 4,020 million, a decrease of 1.9%, or THB 77 million, from the total liabilities as of 31 December 2017.

- Current Liabilities increased by THB 86 million due to an increase of THB 269 million in short-term loans from financial institutions. Trade Payables and Other Payables, Accrued Tax and Other Current Liabilities decreased by THB 126 million, THB 37 million and THB 39 million, respectively, following the settlement and change in provision of employee benefits for employees of Dusit Thani Bangkok.
- Non-Current Liabilities decreased by THB 164 million, THB 133 million of which was from the repayment of long-term loans and another THB 20 million was from the gain on exchange difference when translating financial statements.

Shareholders' Equity

As of 30 June 2018, Shareholders' Equity was THB 6,032 million, an increase of THB 152 million, or 2.6%, from 31 December 2017. The shareholders' equity consisted of the equity attributed to owners of the parent of THB 4,939 million, up by THB 115 million, or 2.4%, from the amount at the end of 2017; and the non-controlling interest of THB 1,094 million, up by THB 37 million, or 3.5%, from the balance at the end of 2017.

Cash Flows

As of 30 June 2018, the Company reported cash and cash equivalents of THB 576 million, a decrease of THB 445 million from THB 1,021 million as of 31 December 2017.

Source of Funds

The Company had net cash inflow of THB 275 million from Operation reflecting revenue received from sales and services and cash outflow from expenses and corporate income tax payments.

Use of Funds

The Company's cash outflow of THB 718 million consisted of:

- The net cash flow from investing activities was THB 685 million. This was mainly from the THB 677 million investment in NRIP; the increase in assets of THB 205 million netted against the proceeds from the sale of available-for-sale investments; and other long-term investments of THB 219 million.
- The net cash flow from financing activities of THB 33 million was from the repayment of long-term loans and dividend payments.

Statement of Financial Position

Unit: THB mn	30-Jun-18	% to total assets	31-Dec-17	% to total assets	Chg
Cash and cash equivalents	576	5.7%	1,021	10.2%	-43.6%
Short-term investments	456	4.5%	448	4.5%	1.9%
Trade and other receivables	477	4.7%	536	5.4%	-11.0%
Others current assets	171	1.7%	272	2.7%	-37.1%
Total current assets	1,681	16.7%	2,277	22.8%	-26.2%
Available-for-sale investments	493	4.9%	476	4.8%	3.6%
Investment in associates	1,985	19.8%	1,276	12.8%	55.6%
Property, plant and equipment	4,260	42.4%	4,322	43.3%	-1.4%
Prepaid rental of land and buildings	858	8.5%	847	8.5%	1.3%
Others non-current assets	774	7.7%	780	7.8%	-0.8%
Total non-current assets	8,371	83.3%	7,701	77.2%	8.7%
Total assets	10,052	100.0%	9,978	100.0%	0.7%
Bank O/D and short term loans	813	8.1%	544	5.4%	49.5%
Trade and other payables	756	7.5%	882	8.8%	-14.3%
Current portion of long term loans	231	2.3%	213	2.1%	8.4%
Others current liabilities	88	0.9%	164	1.6%	-46.4%
Total current liabilities	1,889	18.8%	1,803	18.1%	4.7%
Long term loans	748	7.4%	919	9.2%	-18.7%
Deferred rental revenue	546	5.4%	559	5.6%	-2.3%
Others non-current liabilities	836	8.3%	816	8.2%	2.5%
Total non-current liabilities	2,131	21.2%	2,294	23.0%	-7.1%
Total liabilities	4,019	40.0%	4,098	41.1%	-1.9%
Equity attributable to owners of the Company	4,939	49.1%	4,824	48.3%	2.4%
Non-controlling interests	1,094	10.9%	1,057	10.6%	3.5%
Total shareholders' equity	6,032	60.0%	5,881	58.9%	2.6%

Key Financial Ratio		
	30-Jun-18	30-Jun-17
Profitability ratio		
Gross profit margin	31.6%	28.4%
EBITDA margin	21.6%	15.2%
Net profit margin	8.2%	1.2%
Efficiency ratio		
Return on equity*	9.9%	0.7%
Return on asset*	7.5%	1.2%
Liquidity ratio		
Current ratio (time)	0.89	1.26
Leverage ratio		
Interest bearing debt to equity (time)	0.36	0.35
Net interest bearing debt to equity (time)	0.15	0.04
Debt to equity (time)	0.81	0.85
	30-Jun-18	30-Jun-17
Interest coverage ratio (time) **	13.33	2.56

Profitability ratio remained resilient in 2Q18, showing improved EBITDA margin and net profit margin. Liquidity ratio was 0.9 times lower than last year because of decreasing short-term investments and cash and cash equivalents for investing on Investments in associates and Property, plant and equipment.

The Company had a strong financial position with the capacity to repay debts which is reflected in low net interest bearing debt to equity at 0.15 times.

2018 Outlook

Maintain the forecast for the year 2018, but with revised forecasted Investment

- The Company has maintained 5% growth of core revenue for the year 2018 mainly driven by Dusit Thani Hotels in Phuket, Manila, Maldives and Pattaya. EBITDA Margin from Core Business for the year 2018 has remained at 15.0%.
- The Investment for the year 2018 has been adjusted from THB 925 million down to THB 625 million due to the delay of new owned hotel investment under ASAI Brand to 2019. Currently, this hotel investment is in the process of EIA (Environment Impact Assessment). The investment plan includes the following projects:
 - THB 355 million for the renovation of hotels in Maldives, Pattaya and Srinakarin; the renovation of Dusit Thani College; investment in IT and Software systems; and relocation of the head office
 - THB 270 million for the Mixed-Use Property Development Project
- Maintain the plan to open 10 new hotels managed by Dusit International in 2018.