

Executive Summary

In 2Q22, The Erawan Group Public Company Limited (“the Company”) reported total operating income at THB 974 million, a 271 percent increase from the same period last year and a 53 percent increase from 1Q22, on the back of the strong recovery of Thailand tourism industry which driven by the partial lifting of travel requirement for international tourists and the improvement of global tourism since 1Q22 onwards. As a result, overall performance of all hotel segments in Thailand and Philippines has reported strong recovery from the same period last year. The average occupancy rate of all hotels in 2Q22 was recorded at 63 percent, increased by 40 percent and 20 percent from 2Q21 and 1Q22 respectively. HOP INN Thailand’s RevPAR in 2Q22 reported full recovery to pre-pandemic levels in 2019 while the performance of luxury to economy hotel segments also reported a remarkable recovery driven by the rebound of foreign tourist demand. As a result of significant improvement in operating income in this quarter, the Company recorded positive earnings before interest, income tax and depreciation (“EBITDA”) at THB 155 million for the first time since 2Q22 and recorded net loss at THB 139 million, a decrease from a loss of THB 313 million in 1Q22 and continued to decrease for 3 consecutive quarters.

Consolidated Profit & Loss Statement (period ending 30 June 2022)

THB Millions	2Q21	2Q22	% Chg	1H21	1H22	%Chg
Hotels' Operating Income	251	961	+283%	605	1,578	+161%
Rental and Service Income	11	13	+19%	35	35	-1%
Total Operating Income	262	974	+271%	640	1,613	+152%
Other Income	7	12	+70%	19	20	+2%
Total Income	269	986	+266%	659	1,633	+148%
Operating Expenses	(497)	(831)	+67%	(1,020)	(1,490)	+46%
EBITDA	(228)	155	+168%	(361)	143	+140%
Depreciation & Amortization	(245)	(215)	-12%	(488)	(428)	-12%
Operating Profit/(Loss)	(473)	(60)	+87%	(849)	(285)	+66%
Finance Costs	(136)	(111)	-19%	(274)	(222)	-19%
Pre-tax Profit / (Loss)	(609)	(171)	+72%	(1,123)	(507)	+55%
Taxes (Expense) Income	25	7	-74%	23	15	-35%
Minority Interest	28	4	-85%	48	16	-67%
Normalized Net Profit / (Loss)	(556)	(160)	+71%	(1,052)	(476)	+55%
Extraordinary Items						
Share of Profit/ (Loss) from ERWPF	(3)	9	N/A	1	12	+1618%
Gain on Sale of Assets	-	20	N/A	-	20	N/A
Loss on Impairment of Non-Financial Assets	(131)	(8)	N/A	(131)	(8)	N/A
Net Profit / (Loss)	(690)	(139)	+80%	(1,182)	(452)	+62%
E.P.S. (Baht)	(0.2330)	(0.0307)	+87%	(0.4313)	(0.0998)	+77%

Thailand tourism industry

The situation of Thailand tourism industry in 2Q22 has continued to recover from the previous quarter as a result of the better COVID-19 situation. Starting from 1Q22 Thailand has eased entry requirements for foreign tourists and from May 2022 onwards Thai government has removed “Test & Go” program for vaccinated travelers and RT-PCR testing was no longer required when entering Thailand which helped to facilitate and reduce travel expenses for foreign tourists. As a result, number of international tourist arrivals to Thailand have continued to recover month on month with the number of international tourist arrivals reached 1.6 million arrivals in 2Q22, increased by 218 percent from the previous quarter. The top five nationalities of arrivals were Indian, Malaysian, Singaporean, British and American. In 1H22, the number of international tourist arrivals was 2.1 million arrivals, a 100 percent increase from the same period last year where the border still closed for international arrivals during that period.

The domestic tourism has continued to improve from previous quarter as a result of the relaxation of COVID-19 control measures and the increasing vaccination rate of Thais. These factors improve the confidence for domestic travelers and the number of trips also increased from previous quarter. As such, at the end of 2Q22, the number of domestic trips recorded at 36.7 million, increased by 28 percent from 1Q22.

Company Highlight

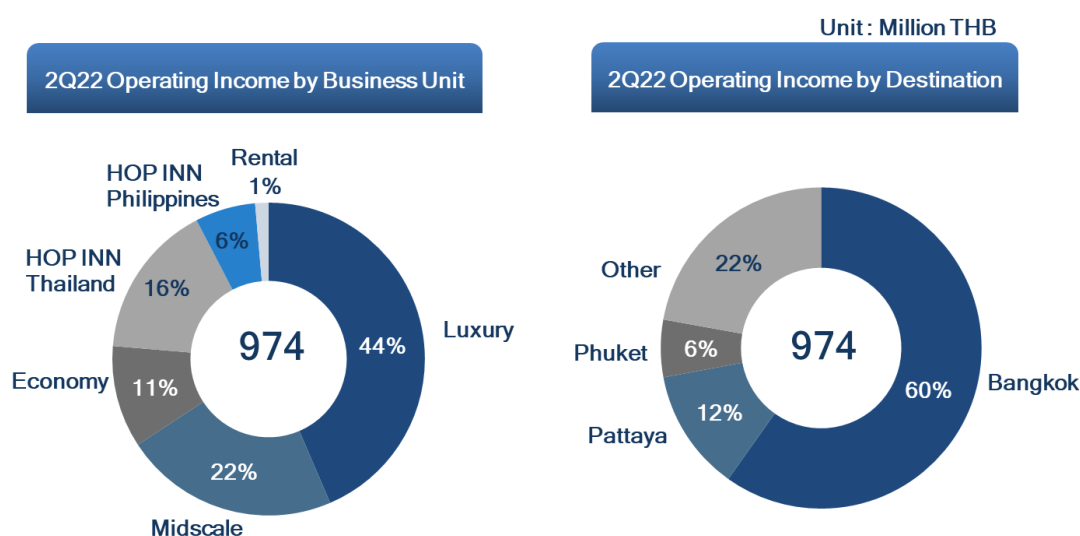
- The Company already completed the divestment of 3 hotels: ibis Krabi Style, ibis Kata and ibis Hua Hin in April 2022 with total transaction of THB 1,050 million. This transaction is part of our long-term strategy to adjust the hotel portfolio to focus on investing in the budget hotel segment and increase the proportion of revenue and profit generated by domestic customers. Cash proceeds from this transaction will strengthen our financial position which would allow us to be ready for the expansion and development of future projects in accordance with our strategy and operational plans.
- The Company remain to implement our growth strategy with in April 2022, the Company opened “HOP INN” hotels in Maharakram (61 rooms), led to 50 “HOP INN” hotels in 36 provinces in Thailand. In addition, in June 2022, the Company opened Holiday Inn (180 rooms) and HOP INN (217 rooms) hotels in Cebu city. These two hotels are our first combo hotel, two hotels will operate in same building, in Philippines.. As a result, the Company had 75 hotels and 9,724 rooms at the end of 2Q22.
- The Company completed the renovation of “Courtyard by Marriott Bangkok” and “ibis Sukhumvit 4” in June 2022. The renovation is the part of return enhancing strategy to enhance competitiveness to meet the customer needs and generating higher returns to stakeholders

Group Performance in 2Q22 and 1H22

The continued recovery in tourism industry led to the significant improvement in our operating performance in this quarter. In 2Q22, the Company recorded total operating income at THB 974 million, a 271 percent increase from 2Q21 and a 53 percent increase from 1Q22 and able to record positive EBITDA at THB 155 million

for the first time since the COVID-19 outbreak in 2Q20. The Company recorded normalize net loss at THB 160 million, decreased from net loss of THB 556 million in 1Q22. In addition, we recorded an extraordinary profit of THB 20 million as a result of 3 ibis hotels divestment as aforementioned and recorded the loss on impairment of non-financial assets of THB 8 million. In summary, we recorded net loss in 2Q22 at THB 139 million, decreased from net loss of THB 690 million in 2Q21 and decreased from a loss of THB 313 million in 1Q22.

For 1H22, we recorded total operating income at THB 1,613 million, a 152 percent decrease from same period last year. We recorded positive EBITDA at THB 143 million and net loss at THB 452 million, decreased from net loss of THB 1,182 million in 1H21.



Performance by Business Unit

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

In 2Q22, the continuing rebound of tourism industry in both Thailand and Philippines was the key driver for the significant performance improvement of our hotel business.

Statistics for hotel room operations for the 2Q22 and 1H22 as follows:

3-month period (Apr-Jun)	No. of rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	2Q21	2Q22	2Q21	2Q22	+/-	2Q21	2Q22	+/-	2Q21	2Q22	+/-
Thailand	9,020	8,253	20%	64%	▲43%	880	1,320	▲50%	180	839	▲366%
Luxury Hotels	989	911	15%	66%	▲51%	2,449	4,211	▲72%	366	2,795	▲663%
Midscale Hotels	1,668	1,668	14%	54%	▲39%	1,498	2,017	▲35%	213	1,082	▲408%
Economy Hotels	2,686	1,813	11%	52%	▲40%	652	950	▲46%	74	489	▲561%
Total Group (ex. HOP INN)	5,343	4,572	13%	55%	▲43%	1,329	2,098	▲58%	171	1,164	▲579%
HOP INN Hotels	3,677	3,861	31%	73%	▲42%	612	614	▲0%	193	450	▲133%
Philippines	843	1,471	46%	58%	▲12%	846	974	▲15%	392	565	▲44%

6-month period (Jan-Jun)	No. of rooms		Occupancy			ARR (THB/Night)			RevPAR (THB/Night)		
	1H21	1H22	1H21	1H22	+/-	1H21	1H22	+/-	1H21	1H22	+/-
Thailand	9,020	8,253	25%	55%	▲30%	853	1,215	▲39%	213	664	▲212%
Luxury Hotels	989	911	17%	54%	▲37%	2,386	3,963	▲66%	408	2,151	▲427%
Midscale Hotels	1,668	1,668	17%	43%	▲26%	1,460	1,882	▲29%	242	808	▲234%
Economy Hotels	2,686	1,813	13%	37%	▲24%	625	929	▲49%	83	347	▲318%
Total Group (ex. HOP INN)	5,343	4,392	15%	43%	▲28%	1,283	1,992	▲55%	193	848	▲340%
HOP INN Hotels	3,677	3,861	39%	70%	▲31%	615	613	▼0%	243	430	▲77%
Philippines	843	1,471	42%	55%	▲12%	831	948	▲14%	353	519	▲44%

Thailand's hotels

The strong recovery of Thailand tourism industry as aforementioned supported the improving in our operating performance. In 2Q22, our performance of hotels in Thailand significantly grew from previous quarter for both occupancy and average room rate. As a result, RevPAR increased by 366 percent from 2Q21 and 90 percent from 1Q22 across all segments.

HOP INN Thailand

In 2Q22, HOP INN Thailand has continued to post strong performance mainly from strong domestic demand and was the first segment of the Company that able to recover to pre-pandemic level in 2019. RevPAR in 2Q22 already grew by 2 percent from 2Q19 on the back of the increasing in both occupancy and average room rate. In this quarter, the Company opened HOP INN hotel in Mahasarakham with positive customer response, we recorded occupancy rate at 78 percent in the first quarter of opening which is higher than group average at 73 percent. The strong performance of new hotels reflects the strength of HOP INN brand which has always been gain customer's trust.

In summary, HOP INN Thailand reported operating income in 2Q22 at THB 156 million, increased by 16 percent and EBITDA at THB 74 million, increased by 18 percent from 1Q22. In 1H22, this hotel group recorded operating income at THB 291 million, increased by 83 percent from 1H21 and recorded positive EBITDA at THB 134 million, increased by 243 percent from the same period last year.

Luxury, Midscale and Economy hotels

In 2Q22, these hotel segments' performance reported the significant improvement due to the continuing recovery of international tourist arrivals to Thailand. Growth witnessed in the increase in both occupancy and average room rates leading to RevPAR grew by 579 percent from the same period last year and 134 percent from 1Q22. Luxury hotels showed the best recovery among all hotels segment from the same period last year in terms of both occupancy and average room rates due to the remarkable recovery of the foreign tourist. By destinations wise, hotels in the Bangkok generated the highest RevPAR growth compared to the previous quarter as Bangkok is the most visited destination for foreign tourists for both leisure and business purposes since the easing measures for foreign tourists to travel to Thailand. The top 5 nationalities for these hotel segments in 2Q22 were Thai, American, Singaporean, Indian and British which was the same trend of arrivals entering Thailand.

Food and beverage revenues in 2Q22 increased by 284 percent from 2Q21 and 42 percent from 1Q22 driven by the growth from both F&B outlet and banquet revenue. Banquet revenues increased by 65 percent from previous quarter as a result of easing control over COVID-19 outbreak in Thailand and the higher confidence of customers in organizing events such as conference and weddings. Meanwhile, F&B outlet revenue also improved mainly from higher occupancy rate and the support of domestic demand.

In summary, total Thailand hotels (ex. HOP INN) generated operating income at THB 743 million, increased by 394 percent from 2Q21, and recorded positive EBITDA at THB 102 million for the first quarter since outbreak of the COVID-19 pandemic in 2Q20. In 1H22, this group recorded operating income at THB 1,174 million, increased by 208 percent from 1H21 and positive EBITDA at THB 58 million.

Philippines's hotels

In June 2022, the Company opened 2 new hotels in Philippines, Holiday Inn and HOP INN Cebu city, our first hotel outside Manila in Cebu city which is one of the major economic cities in the Philippines. As a result the Company had a total of 8 hotels in the Philippines, 1 midscale hotel and 7 HOP INN hotels at the end of 2Q22.

Our hotel performance in Philippines also reported improvement in this quarter driven by the recovery of business and leisure domestic demand on the back of the easing of control measures over the COVID-19 pandemic in Philippines since 4Q21. This hotel segment recorded occupancy rate in 2Q22 at 58 percent, increased by 12 percent from 2Q21 and 8 percent from 1Q22. Average room rate increased by 15 percent and 14 percent from 2Q21 and 1Q22 respectively. Domestic customer remained the key contribution to room revenue at 88 percent in 2Q22, while foreign customers are still at the early stages of recovery.

In 2Q22, hotels in Philippines generated operating income at THB 61 million, a 66 percent increase from 2Q21 and record positive EBITDA at THB 26 million, a 97 percent increase from 2Q21. In 1H22, this group recorded operating income at THB 113 million, a 76 percent increase and positive EBITDA at THB 42 million, a 93 percent increase from the same period last year.

In summary, the Company recorded total income from hotel operations in 2Q22 at THB 961 million, a 283 percent increase from 2Q21 and 56 percent increase from 1Q22. Room revenue reported at THB 706 million and F&B revenue reported at THB 232 million. The Company recorded positive EBITDA at THB 202 million compared to negative EBITDA at THB 299 million in 2Q21 and positive EBITDA at THB 18 million in 1Q22. In 1H22, this group recorded operating income at THB 1,578 million, a 161 percent increase and positive EBITDA at THB 233 million compared to negative EBITDA at THB 412 million in the same period last year.

2. Rental Properties

The Company owns and operates Erawan Bangkok, a luxury retail property adjacent to Grand Hyatt Erawan Hotel, and manages Ploenchit Center as a property manager.

Income from rental and service was recorded at THB 13 million in 2Q22, a 38 percent dropped from 1Q22 mainly due to Erawan Bangkok temporarily closed for renovation during 2Q22 until 4Q22. However, income from rental and service increased by 19 percent from 2Q21 due to that period were affected by the COVID-19 situation.

Other Items in P&L

- **Depreciation & Amortization:** the Company recorded depreciation & amortization expense at THB 215 million in 2Q22, a THB 30 million decrease from 2Q21 mainly from the decrease in depreciation of 5 hotels divestment in 4Q21 and 2Q22. In 1H22, the Company recorded this expense at THB 428 million, a 60 million decrease from the same period last year.
- **Finance Costs:** the Company recorded finance costs at THB 111 million in 2Q22, a THB 25 million decrease from 2Q21 as result of the decreasing of interest-bearing debt from the utilization of the proceeds from assets divestment to repay loans from financial institutions. In 1H22, the Company recorded this expense at THB 222 million, a 52 million decrease from the same period last year.
- **Extraordinary Items:**
 - **Investment in ERWPF:** the Company recorded share of profit from 20 percent investment in ERWPF at THB 9 million in 2Q22 and THB 12 million in 1H22
 - **Gain on Sale of Investment and Assets:** in 2Q22, the Company recorded gain from divestment of 3 ibis hotels at THB 20 million.
 - **Loss on Impairment of Non-Financial Assets:** in 2Q22, the Company recorded loss on impairment of non-financial assets at THB 8 million while compared with THB 131 million in 2Q21 due to the impact from COVID-19 situation.

Financial Status

Financial Ratio (times)	FY 2021	2Q22
Interest Bearing Debt to Equity*	1.9	1.9

*Note : Exclude impact from TFRS16

At the end of 2Q22, the Company recorded operating cash flow before change in operating asset and liabilities at THB 144 million due to the performance improvement in 1H22. Although, the operating income has been improved, the Company continued to focus on preserving liquidity and managing cash flow as our priority under this current circumstances. Our cash on hand at the end of 2Q22 was recorded at THB 1,031 million and have unutilized credit facilities approx. THB 6,244 million.

The Company recorded total assets at THB 21,251 million decreased from THB 22,450 million at the end of 2021 as a result of the divestment of 3 ibis hotels. Our total liabilities recorded at THB 15,699 million, decreased from THB 16,427 million at the end of 2021 as a result of the utilization of the proceeds from assets divestment to repay loans from financial institutions. Our total equity recorded at THB 5,552 million, decreased from THB 6,023 million at the end of 2021 from net loss recorded during 1H22. At the end of 2Q22, our interest-bearing debt-to-equity ratio recorded at 1.9 times, in line with the end of 2021.

Business Outlook

Since 4Q21, Thailand and other countries have been eased border re-opening measures for international tourists as a result Thailand tourism industry has recovered continuously at the strong pace. Number of arrivals to Thailand during January – June 2022 was recorded at 2.1 million, a significantly increased from 40,427 arrivals in 1H21, where Thailand remained not allow foreign tourists entering the country. Thai government expects the number of international arrivals at 0.9 million per month in 3Q22 and 1.5 million per month in 4Q22 with the forecasted target at 8-10 million in 2022. The fully reopened country for international tourist from 1 July 2022 onwards by cancels Thailand Pass will also the positive factors to support this growth. In addition, 4Q22 will be high season in Thailand for foreign tourists' arrival as well. However, the target of 8-10 million arrivals is accounted for 25 percent of the recovery to pre-pandemic level.

Domestic tourism has continued to improve driven by the easing concern over COVID-19 outbreak in Thailand and the relaxation of control measures leading to the normal situation in Thailand. In addition, Thai government has continued to support tourism stimulus package, such as "We Travel Together", which already extended the program to October 2022 and will help to support the domestic traveling.

For 2022 outlook, the Company foresee that the recovery will be driven by positive factors as aforementioned. The recovery trend is forecasted at the gradually pace based on the target number of arrivals from government, including the competitive situation of hotel business that just recently recovered after being affected by the COVID-19 epidemic situation since 2020. The Company is expected revenue to grow more than double from last year with total group's occupancy rate higher than 60 percent. However, as the target arrivals for FY2022 is remain low compared to 2019 therefore we expected that our RevPAR and overall performance will remain lower than year 2019.

In addition, under the current situation, the Company also focuses on the analysis and monitoring the risk factors that may affect the pace of recovery, including the new wave of COVID-19 epidemic situation, Russian-Ukraine war and the global economic uncertain in terms of energy prices, inflation, and interest rates. These factors will affect in both the decision making to travel of customers and the Company's operations. However, the Company continuously focus on creating competitive advantages strategies and developing of working process to capture both domestic and international customers. The Company remains implement cost management strategies for the most efficient operation among various risk factors as aforementioned. In addition, the company still focuses on maintaining a healthy financial position and ready to deal with any uncertain situation. The Company also continues to focus on developing the skills of employees to be more intensive and flexible to response the business recovery immediately.

According to our growth strategy, in 1H22 the Company already opened 5 new hotels as planned and have 7 hotels under development both in Thailand and Philippines. Our new opening hotels were received good feedback from customers and also recorded fast ramp up performance to the group average. This has proven the success of the Company to develop the network to grow and maintain the quality of hotel services continuously. In addition, the Company also launched new design and concept of HOP INN hotel to be more modern and increase accommodation options in order to satisfy the needs of customers and maintain the competitiveness of the budget hotel segment.

Due to the uncertainty of the situation, the Company are ready to consider the changing of various measures, taking into account of the situation and liquidity of the company as main factors. The Company will strictly continue to manage and mitigate the impact from this crisis according to our business contingency plan.

Sincerely yours,

Woramon Inkatanuvat
Executive Vice President and Chief Financial Officer