

ERW084/ACC011/2017

10th November 2017

Subject: Management Discussion and Analysis for Period Ending 30th September 2017

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 the 9-month ("9M17") and 3-month ("3Q17") period ending 30th September 2017 follows:

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

THB Millions	9M16	9M17	% Ch.	3Q16	3Q17	% Ch.
Hotels' Operating Income	3,989	4,249	+7%	1,321	1,393	+5%
Rental and Service Income	158	164	+4%	54	55	+2%
Total Operating Income	4,147	4,413	+6%	1,375	1,448	+5%
Other Income	30	40	+35%	7	10	+38%
Total Income	4,177	4,453	+7%	1,382	1,458	+5%
Operating Expenses	(3,009)	(3,116)	+4%	(1,005)	(1,036)	+3%
EBITDA	1,168	1,337	+14%	377	422	+12%
Depreciation & Amortization	(545)	(550)	+1%	(185)	(188)	+1%
Operating Profit/(Loss)	623	787	+26%	192	234	+22%
Finance Costs	(271)	(255)	-6%	(89)	(88)	-1%
Pre-tax Profit / (Loss)	352	531	+51%	103	146	+43%
Taxes	(90)	(120)	+34%	(30)	(34)	+14%
Minority Interest	(26)	(39)	+50%	(13)	(11)	-13%
Normalized Net Profit / (Loss)	236	372	+58%	60	101	+69%
Extraordinary Items						
Share of Profit/ (Loss) from ERWPF	9	(28)	N.M.	(4)	(22)	+450%
Gain from sale of shop house	19	-	N.M.	-	-	-
Net Profit / (Loss)	264	344	+31%	56	79	+42%
E.P.S. (Baht)	0.1056	0.1378		0.0223	0.0317	

Industry Key Highlights

Thailand's tourism industry in 3Q17 continued growing from the first half of the year. Total international tourist arrivals in 3Q17 was at 8.8 million, a 6 percent growth compared with the same period last year, which was the highest record for a third quarter. Korean, Indian and Chinese's were the top 3 key source markets that posted the strongest growth in this quarter. The recovery of Chinese tourists continued from 2Q17 as well as the high growth of Indian market supported the growth of Thailand tourism industry. Domestic tourism during January to August also grew. The number of domestic trips recorded at 96 million, a 3 percent increase from same period last year.

Hotel Growth Strategy

We continued our hotel development as set forth in our strategy. In 2017 we plan to open 11 hotels which comprised of 10 HOP INN hotels in Thailand and 1 HOP INN hotel in Philippines.

- In 3Q17, we opened 2 HOP INN hotels in Thailand; Huahin and Mae Sod (the 2nd branch in Tak) and 1 HOP INN hotel in Philippines; Makati, one of the city in Manila. As a result, we now have 28 HOP INN hotels in Thailand and 2 HOP INN hotels in Philippines and our portfolio at the end of 3Q17 were at 48 hotels with 6,999 rooms.

Return Enhancing Strategy

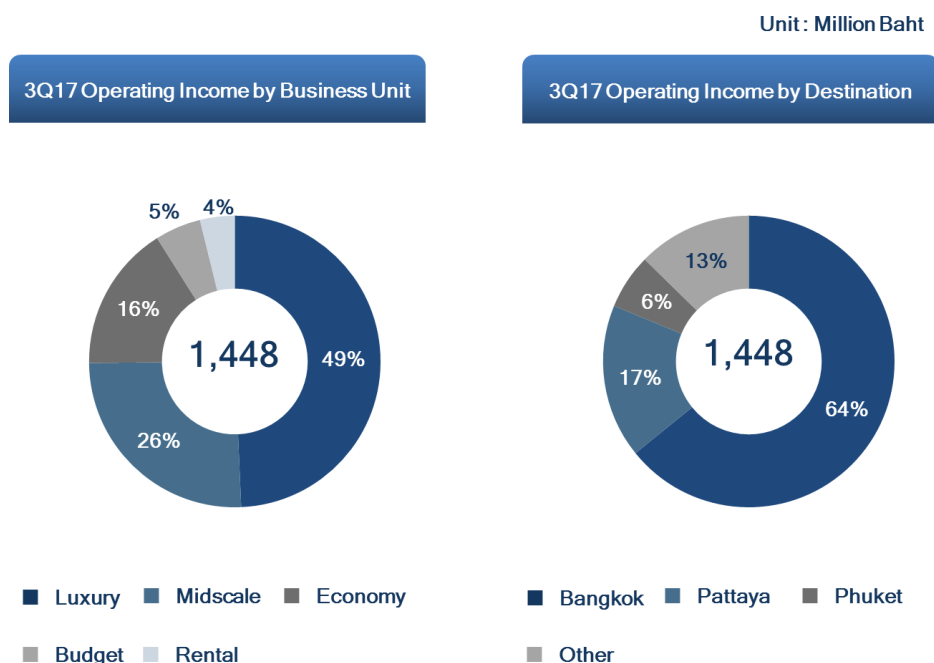
- JW Marriott Bangkok has started room renovation program in August 2017. The renovation will take place during the 3 years period (2017-2019). The first phase of room renovation will occurred during August to December 2017. For 2018-2019 programs, the renovation will take place during 2Q and 3Q which is the low season. This renovation is part of our return enhancing strategy to ensure that the hotel will remain competitive.
- We have developed new 13 deluxe rooms at The Naka Island Resort & Spa Phuket to capture new customer base and enhance its competitiveness. The new rooms will be opened in November 2017.

Group Performance 3Q17 and 9M17

The growth of Thailand tourism industry as aforementioned has benefited in our performance. We recorded total operating income at THB 1,448 million in 3Q17, a 5 percent increase from 3Q16. Revenue growth was witnessed in both hotel operations, which is the main contributor to our group, and rental and service income. We recorded EBITDA at THB 422 million in 3Q17, a 12 percent growth from same period last year. In 3Q17, we generated normalized net profit at THB 101 million, a 69 percent increase from 3Q16. We recorded net profit in 3Q17 at THB 79 million, a 42 percent increase from 3Q16.

For 9M17, we recorded total operating income at THB 4,413 million, a 6 percent increase from 9M16. Revenue from hotel operations grew 7 percent and rental and service income grew 4 percent from the same period last year. We generated EBITDA at THB 1,337 million, a 14 percent increase from 9M16.

For 9M17, we generated normalized net profit at THB 372 million and net profit at THB 344 million, a 58 percent and 31 percent increase from the same period last year respectively.



Performance by Business Unit

1. Hotel

Our hotel business in 3Q17 continued growing from same period last year. Our average occupancy (excluding budget hotel segment) in 3Q17 was 83 percent similar to 3Q16 despite JW Marriott Bangkok is undergoing room renovation in this quarter. Our ARR (excluding budget hotel segment) increased 4 percent from the same period last year lead to a 3 percent growth in our RevPAR (excluding budget hotel segment). Midscale segment recorded the highest RevPAR growth at 12 percent among the group driven by the growth from both occupancy and ARR.

In 3Q17, we recorded income from hotel operations at THB 1,393 million, a 5 percent increase from the same period last year. Growth was driven by both existing 38 hotels, with a 3 percent increase from 3Q16 and additional income from 10 new hotels. Room revenue in 3Q17 posted a 7 percent from same period last year while F&B revenue decreased 7 percent from 3Q17 due to the slowdown of banquet revenue. Budget hotel segment generated the highest revenue growth in this quarter, a 43 percent increase from the same period last year. Destination wise, hotels located in Phuket generated the highest revenue growth, a 15 percent increase from 3Q16. This mainly came from the growth of Chinese, Indian and German tourist.

We generated income from hotel operations at THB 4,249 million in 9M17, a 7 percent increase from 9M16. Room revenue recorded at 8 percent increase from 9M16 while F&B revenue was in line with same period last year.

Statistics for hotel room operations for the 3Q17 and 9M17 periods are as follows:

3-month period (Jul-Sep)	No. of rooms		Occupancy			ARR (THB/Night)			RevPAR(THB/Night)		
	3Q16	3Q17	3Q16	3Q17	+/-	3Q16	3Q17	+/-	3Q16	3Q17	+/-
Luxury Hotels	966	966	83%	74%	-9%	5,150	5,578	+8%	4,298	4,131	-4%
Midscale Hotels	1,282	1,282	86%	90%	+4%	2,523	2,698	+7%	2,161	2,429	+12%
Economy Hotels	2,253	2,253	84%	84%	-	995	1,054	+6%	831	882	+6%
Total Group (ex. Budget)	4,501	4,501	84%	83%	-1%	2,323	2,421	+4%	1,954	2,020	+3%
Budget Hotels	1,558	2,186	71%	75%	+3%	509	519	+2%	363	388	+7%

9-month period (Jan-Sep)	No. of rooms		Occupancy			ARR (THB/Night)			RevPAR(THB/Night)		
	9M16	9M17	9M16	9M17	+/-	9M16	9M17	+/-	9M16	9M17	+/-
Luxury Hotels	966	966	82%	79%	-3%	5,311	5,560	+5%	4,341	4,379	+1%
Midscale Hotels	1,282	1,282	85%	89%	+4%	2,608	2,719	+4%	2,225	2,430	+9%
Economy Hotels	2,253	2,253	85%	85%	-	1,123	1,189	+6%	959	1,007	+5%
Total Group (ex. Budget)	4,501	4,501	85%	85%	-	2,418	2,520	+4%	2,045	2,136	+4%
Budget Hotels	1,558	2,186	68%	74%	+6%	514	537	+5%	348	397	+14%

Note: Exclude HOP INN Philippines

Details of each segment are as follows:

Note: EBITDA by segment is calculated without taking non-property-specific expenses into account and exclude HOP INN Philippines

1.1 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. The average occupancy in this segment recorded at 74 percent, decreased 9 percent from 3Q16. This mainly came from the decreased in occupancy of JW Marriott Bangkok which is under the room renovation and number of rooms available decreased by 29 percent from total inventory. The ARR increased 8 percent from the same period last year resulting in a 4 percent drop in RevPAR from 3Q16. The Naka Island, a Luxury Collection Resort and Spa, Phuket generated the highest RevPAR growth among the group driven from our marketing strategy to expand customer base to new source markets.
- The Luxury segment generated income at THB 707 million in 3Q17, a 2 percent decrease from 3Q16. Although, hotel operating income of luxury segment decreased from same period last year, EBITDA recorded at THB 213 million, a 4 percent increase from 3Q16 as a result of cost control measures.
- For 9M17, the Luxury segment generated operating income at THB 2,150 million and EBITDA at THB 645 million, a 2 percent and 10 percent increase from the same period last year respectively.

1.2 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. The average occupancy of this segment recorded at 90 percent increased from 86 percent in 3Q16 and ARR increased 7 percent from the same period last year. This led to a 12 percent increase in RevPAR from 3Q16, which is the highest RevPAR growth among the group. Growth was driven by all hotels in this segment. Mercure Pattaya Ocean Resort generated the highest RevPAR growth among the group.
- The Midscale segment generated operating income at THB 366 million and EBITDA at THB 142 million in 3Q17, a 10 percent and 14 percent increase from 3Q16 respectively.
- For 9M17, the Midscale segment generated operating income at THB 1,084 million and EBITDA at THB 430 million, an 8 percent and 12 percent increase from the same period last year respectively.

1.3 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). The average occupancy of this segment recorded at 84 percent in line with 3Q16. Economy hotels recorded a 6 percent increase in RevPAR from 3Q16 mainly from a 6 percent increase in ARR from the same period last year. Our Economy hotels located in Samui has recorded the highest RevPAR growth among the group, a 19 percent increase from 3Q16, mainly from the increase of both occupancy and ARR as result of the growth from main source markets such as Chinese and Europe
- For 3Q17, Economy hotels recorded operating income at THB 232 million and EBITDA at THB 70 million, representing a 6 percent and 7 percent increase from the same period last year respectively.
- For 9M17, the Economy segment generated operating income at THB 773 million and EBITDA at THB 274 million, a 4 percent and 6 percent increase from the same period last year respectively.

1.4 Budget Hotels

- We opened 2 HOP INN hotels in Huahin and Mae Sod (the 2nd branch in Tak) in 3Q17. We now have 28 hotels in this segment which cover major Thailand's tourist and business destinations. The average occupancy of this segment recorded at 75 percent in 3Q17, a 3 percent increase from 3Q16. ARR increased 2 percent from the same period last year as such RevPAR increased 7 percent from the same period last year.
- For 3Q17, the Budget segment generated operating income at THB 73 million, a 43 percent increase from the same period last year. Growth was driven by both existing 20 hotels, a 5 percent increase from 3Q16 and additional income from new hotels opened. EBITDA recorded at THB 28 million, representing a 17 percent increase from the same period last year.

- For 9M17, the Budget segment generated operating income at THB 205 million and EBITDA at THB 93 million, a 54 percent and 36 percent increase from the same period last year 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 2 percent to record at THB 55 million in 3Q17 mainly from the increase of average occupancy rate compare to the same period last year.

For 9M17, income from rental and service increased 4 percent from 9M16 to record at THB 164 million.

Other Items in P&L

- **Depreciation & Amortization:** This non-cash item recorded at THB 188 million in 3Q17 increased THB 3 million from 3Q16 and recorded at THB 550 million in 9M17, increased THB 5 million from 9M16. This mainly came from the additional depreciation of new hotels opened.
- **Finance Costs:** We recorded finance costs at THB 88 million in this quarter and THB 255 million in 9M17, decreased THB 1 million and THB 16 million from same period last year respectively. This mainly from the decrease in average cost of fund and the conversion of floated rate to fixed rate for 3 years period.
- **Corporate Income Tax:** We recorded corporate income tax at THB 34 million in 3Q17 and THB 120 million in 9M17 which increased from the same period last year due to better performance.
- **Extraordinary Items:**
 - **Investment in ERWPF:** We recorded share of loss from 20 percent investment in ERWPF at THB 22 million in 3Q17 mainly from the decrease from revaluation of asset while we record share of profit at THB 4 million in 3Q16.
 - **Gain from sale of shop house:** This transaction did not incur in 3Q17.

Financial Status

Financial Ratio (times)	End of 2016	End of 3Q17
Interest Coverage Ratio	4.1	4.6
Interest Bearing Debt to Equity	1.7	1.7

We generated THB 1,352 million of operating cash flow before change in operating asset and liabilities, representing a 14 percent increase from the same period last year from a better performance. We utilized the cash flow generated, together with bank loans to fund the development of new hotels. Cash on hand was recorded at THB 969 million at the end of this quarter. Interest coverage ratio recorded at 4.6 times as a result of increasing operating cash flow compare to last year.

At the end of 3Q17, we recorded total assets at THB 15,524 million compare with THB 14,911 million at the end of 2016. Our total liabilities recorded at THB 10,301 million increased slightly from THB 9,839 million at the end of 2016.

Shareholder's equity recorded at THB 5,223 million at the end of 3Q17 increased from THB 5,073 million at the end of 2016 on the back of additional net profit generated in 9M17. Our interest bearing debt-to-equity ratio recorded at 1.7 times in line to the end of 2016.

Outlook for 2017

Ministry of Tourism and Sports forecast that the number of international tourist arrivals will be approximately 35 million in 2017, a 7 percent increase from 2016 and the international tourism receipt will also increase 10 percent from last year. For 9M17, Thailand's Ministry of Tourism and Sports reported the number of tourists visiting Thailand at 21.6 million, increased 5 percent compare to the same period last year. Growth was driven from tourist in all key source market as Thailand remains the world top destination and the continued recovery of Chinese tourists since the beginning of year 2017. In addition, the Travel & Tourism Competitiveness Report 2017 by World Economic Forum also reported that Thailand has the competitiveness on natural resources and tourist facilities which support the growth of Thailand tourism industry. The risk factors that may affect Thailand tourism industry are the global economic downturn and the appreciation of Thai Baht which may have a long-term effect.

For the first nine months of year 2017, our hotel business which is the main contributor to our group continued growing with the support from growth in the Thai tourism industry. We achieved occupancy rate and RevPAR growth for 9M17 as we expected. Top 5 source markets to our room revenue were Thai, Chinese, American, Singaporean and Indian while Top 3 source markets that shown the highest growth were Russian, Australian and German.

We continued to develop hotels as set forth in our long term strategy (2016-2020). For the first nine months of 2017, we already opened 6 HOP INN hotels in Thailand and 1 HOP INN hotels in Philippines. In the last quarter of the year, we plan to open 4 HOP INN hotels in Thailand. In addition, we have developed new 13 deluxe rooms at The Naka Island Resort & Spa Phuket to

capture new customer base and enhance its competitiveness. The new rooms will be opened in November 2017 as a result we will have 52 hotels and 7,328 rooms in our portfolio at the end of 2017.

We project our revenue growth from hotel operation in 2017 to be 7 percent from 2016. Growth will be driven by both room revenue and F&B revenue. We expect RevPAR (ex. Budget segment) to increase by 4 percent. This will be supported by the growth of existing hotels and additional hotels in this year including the continuing growth of Thailand tourism. 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