

ERW044/ACC006/2017

11th May 2017

Subject: Management's Discussion and Analysis for Period Ending 31st March 2017

Attention: President, The Stock Exchange of Thailand

Dear Sir,

The Erawan Group Plc. would like to submit explanations and analysis of changes to our operations for 3-month ("1Q17") periods ending 31st March 2017 as follows:

Consolidated Profit & Loss Statement (period ending 31st March)

THB Millions	1Q16	1Q17	% Ch.
Hotels' Operating Income	1,485	1,565	+5%
Rental and Service Income	51	55	+6%
Total Operating Income	1,536	1,620	+5%
Other Income	9	15	+72%
Total Income	1,545	1,635	+6%
Operating Expenses	(1,041)	(1,078)	+4%
EBITDA	504	557	+10%
Depreciation & Amortization	(180)	(180)	-
Operating Profit/(Loss)	324	377	+16%
Finance Costs	(93)	(84)	-10%
Pre-tax Profit / (Loss)	231	293	+27%
Taxes	(44)	(59)	+36%
Minority Interest	(7)	(19)	+155%
Normalized Net Profit / (Loss)	180	215	+19%
Extraordinary Items			
Share of Profit/ (Loss) from ERWPF	8	(7)	N.M.
Gain from sale of shop house	3	-	-
Net Profit / (Loss)	191	208	+9%
E.P.S. (Baht)	0.0765	0.0831	+8%

Industry Key Highlights

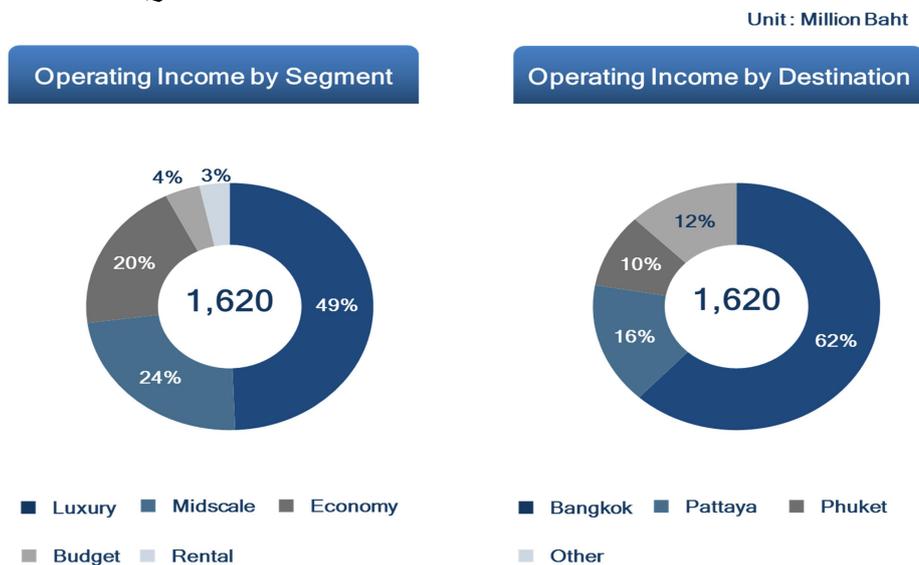
Thailand tourism industry continued growing in 1Q17 with number of international tourist arrivals posted at 9.2 million, a 2 percent growth compare with the same period last year. Russian, Indian and Lao tourists are top 3 key source markets that posted the strongest growth in this quarter. In addition, domestic tourism also continued to grow with the number of domestic trips recorded at 31 million domestic trips in 1Q17, a 7 percent increase from 1Q16.

Hotel Growth Strategy

We continued our hotel development as set forth in our strategy. In 2017, we plan to open 8 new hotels in Thailand and 1 new hotel in Philippines under the brand “HOP INN”.

- In 1Q17 we opened 1 HOP INN hotel in Thailand at Burirum. As a result, we have 23 HOP INN hotels in Thailand and total 42 hotels with 6,464 rooms in our portfolio at the end of 1Q17.
- In addition, we are now developing 2 midscale and 2 economy hotels in Bangkok namely ; Novotel and ibis styles Sukhumvit 4 (approx. 300 rooms) and Mercure and ibis Sukhumvit 24 (approx. 500 rooms) which we plan to open these hotels in the fourth quarter of 2018 and 2019 respectively.

Group Performance 1Q17



We recorded total operating income at THB 1,620 million in 1Q17, a 5 percent increase from 1Q16. Growth witnessed from both revenue from hotel operations which is the main contributor to our group and rental and service income. The increase in total operating income and the effective cost control leading to our EBITDA recorded at THB 557 million, a 10 percent increase from 1Q16. In 1Q17 we generated normalized net profit at THB 215 million and net profit at THB 208 million, a 19 percent and 9 percent increase from the same period last year respectively.

Performance by Business Unit

1. Hotel

Our performance from hotel business continued growing in 1Q17. Our average RevPAR (excluding budget hotel segment) increased 4 percent from 1Q16 mainly from a 4 percent increase in our group ARR. RevPAR growth witnessed across all hotel segments which Midscale segment recorded the highest RevPAR growth among the group at 6 percent from 1Q16.

In 1Q17 we recorded income from hotel operations at THB 1,565 million, a 5 percent increase from the same period last year. Growth was driven by both existing 35 hotels, a 4 percent increase from 1Q16 and additional income from 7 new hotels opened. Room revenue posted a 6 percent increase and F&B revenue posted a 3 percent increase from 1Q16. Our Budget hotel segment generated the highest revenue growth in this quarter, a 66 percent increase from the same period last year. Destination wise, our hotels located in Bangkok generated the highest revenue growth, a 5 percent increase from 1Q16. Growth was seen in both room and F&B revenue and in all hotel segments. This was driven by the growth of tourism industry and the support from domestic customers.

Statistics for hotel room operations for the 1Q17 periods are as follows:

3-month period (Jan-Mar)	No. of rooms		Occupancy			ARR (THB/Night)			RevPAR(THB/Night)		
	1Q16	1Q17	1Q16	1Q17	+/-	1Q16	1Q17	+/-	1Q16	1Q17	+/-
Luxury Hotels	966	966	85%	85%	-	5,767	5,920	+3%	4,922	5,055	+3%
Midscale Hotels	1,282	1,282	88%	91%	+3%	2,785	2,858	+3%	2,459	2,597	+6%
Economy Hotels	2,253	2,253	89%	88%	-2%	1,375	1,469	+7%	1,226	1,287	+5%
Total Group (ex. Budget)	4,501	4,501	88%	88%	-	2,691	2,803	+4%	2,370	2,468	+4%
Budget Hotels	1,333	1,795	63%	73%	+10%	522	555	+6%	331	408	+23%

Note: Exclude HOP INN Philippines

Details of each segment are as follows:

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 of this segment recorded at 85 percent in line with 1Q16 while the average ARR increased 3 percent from the same period last year led to a 3 percent increase in RevPAR from 1Q16.
- The Luxury segment generated income at THB 795 million in 1Q17, a 2 percent increase from 1Q16. Room revenue recorded a 2 percent increase and F&B revenue recorded a 3 percent increase from the same period last year. EBITDA recorded at THB 268 million, a 9 percent increase from the same period last year which is higher than the growth in revenue because of the effective cost control.

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. This segment generated the highest RevPAR growth among the group, a 6 percent increase from 1Q16. This driven by the 3 percent growth in both the average occupancy and ARR from the same period last year. Mercure Pattaya Ocean Resort generated the highest average occupancy and RevPAR growth among the group.
- The Midscale segment generated operating income at THB 378 million and EBITDA at THB 156 million in 1Q17, representing a 4 percent and a 5 percent increase respectively from the same period last year.

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 Economy hotels recorded a 5 percent increase in RevPAR from 1Q16 mainly from a 7 percent increase in ARR from the same period last year. Our Economy hotels located in Phuket recorded the highest RevPAR growth among the group, a 17 percent increase from 1Q16, mainly from a continued recovery of Russian tourists and our marketing strategy to expand customer base to various source markets.
- For 1Q17, our Economy hotels recorded operating income at THB 319 million and EBITDA at THB 141 million, a 4 percent and a 6 percent increase respectively from the same period last year.

1.4 Budget Hotels

- We opened additional 1 HOP INN hotel at Burirum in this quarter. As such, at the end of this quarter, we now have 23 hotels in this segment which cover Thailand's business destinations. The average occupancy of this segment recorded at 73 percent in 1Q17, a 10 percent increase from 1Q16. The average RevPAR increased 23 percent from the same period last year.
- For 1Q17, the Budget segment generated operating income at THB 63 million, a 66 percent increase from the same period last year. Growth was driven by both existing 17 hotels, a 23 percent increase from 1Q16 and additional income from new hotels opened. EBITDA recorded at THB 29 million, representing a 68 percent increase from the same period last year.

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

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 6 percent to record at THB 55 million in 1Q17 mainly from the increase of average occupancy rate compare to the same period last year.

Other Items in P&L

- **Depreciation & Amortization:** This non-cash item recorded at THB 180 million in 1Q17 in line with 1Q16.
- **Finance Costs:** We recorded finance costs at THB 84 million in this quarter, decreased THB 9 million from 1Q16 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 59 million in 1Q17 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 7 million in 1Q17 mainly from the decrease from revaluation of asset while we record share of profit at THB 8 million in 1Q16.
 - **Gain from sale of shop house :** We recorded gain from sale of shop house at THB 3 million in 1Q16 while this transaction did not incur in 1Q17.

Financial Status

Financial Ratio (times)	2016	1Q17
Interest Coverage Ratio	4.1	5.0
Interest Bearing Debt to Equity	1.7	1.6

We generated THB 562 million of operating cash flow before change in operating asset and liabilities, representing an 11 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. Our cash on hand was recorded at THB 1,040 million at the end of this quarter. Our interest coverage ratio recorded at 5.0 times as a result of increased operating cash flow compare to last year.

At the end of 1Q17, we recorded total assets at THB 15,229 million compare with THB 14,911 million at the end of 2016 due to the increase of cash and cash equivalents from increasing operating cash flow. Our total liabilities recorded at THB 9,946 million increased slightly from THB 9,839 million at the end of 2016.

Shareholder's equity recorded at THB 5,283 million at the end of 1Q17 increased from THB 5,073 million at the end of 2016 on the back of additional net profit generated in 1Q17. Our interest bearing debt-to-equity ratio recorded at 1.6 times decreased from 1.7 times at the end of 2016.

Outlook for 2017

Ministry of Tourism and Sports forecast that in 2017 the number of international tourist arrivals will be approximately 34.4 million, a 6 percent increase and the tourism receipt will increase 8 percent from last year. The tourism receipt from domestic tourist forecast to increase 7 percent from last year.

For 1Q17, our hotel business which is the main contributor to our group continues growing with the support by growth of Thailand tourism industry. We achieved occupancy rate and RevPAR growth as we expected in 1Q17. Our top 5 key source markets to our room revenue are Chinese, Thai, American, Russian and Singaporean which Russian continues growing from last year and posted the highest growth in this quarter.

In 2017, we projected our revenue from hotel operation will increase 10 percent from 2016. Growth will be driven by both room revenue and F&B revenue and additional room inventory from 9 new hotels with 768 rooms to be opened. As a result, at the end of 2017, we will have 50 hotels and 7,153 rooms in our portfolio. We expected RevPAR (ex. Budget segment) to increase by 7 percent mainly from the increase of ARR. This will be supported by the strong growth of Thailand tourism industry from both traditional source markets and expansion of new source markets. In addition, the domestic tourists also expected to grow in both main tourist and business destinations. Nevertheless, according to Ministry of Tourism and Sports, there are some factors that may impact Thailand tourism industry such as; the increasing competition among tourist destinations, the changing of travel behavior of Chinese tourists which is the main source market of global tourism and global economic situation. 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