

**Management’s Discussion and Analysis for the performance of the three-month period ended 31 March 2021**

**Performance Overview**

For the three months ended of the year 2021, S Hotels and Resorts Public Company Limited (“the Company”) had revenue from services of THB 543.8 million, decreased by 52.5% from the same period year 2020, as a result of the escalating COVID-19 pandemic across the globe. The stagnant of tourism industry came from the national preventive measures and international travel restrictions. Given the aforesaid impact, the hotel booking cancellations and the heavily dependent on the domestic market of some properties during the first quarter of 2021 led to the lower revenue, compared with the same period last year.

**Update on Re-opening Plan**

The Company is closely observing the development of the COVID-19 pandemic in order to effectively response to the situation for maintaining cash flow containment and reducing the whole company’s’ expenses. The company, thus, partially suspend on the hotel operations to take actions to the unfolding COVID-19 pandemic and the various borders policy of each country. As of March 31, 2021, 32 properties out of 39 total hotel properties in the portfolio have resumed its operation, equivalent to 88% of number of keys in total.

Whereas, the Company revised its strategies and adapted the policies in relation to the tourism industry in several conditions of each country as detail follows:

Countries	Suspension Period	Industry Outlook
Thailand	<p>Phuket and Koh Phi Phi: Resumed its operation since 1 July 2020</p> <p>Koh Samui: Resumed its operation since 15 July 2020</p> <p>- Santiburi Koh Samui had temporality suspend its service during 1 February to 31 March, 2021</p> <p>- Outrigger Koh Samui (former) has temporality suspend its service during 1 February to 30 June, 2021</p>	<p>The deceleration of tourism industry was mainly from the new waves of COVID-19 infections, effected on domestic travel demand together with the tightening of travel restrictions. However, the Company expects that the hotel business tends to recover by the end of second quarter of the year on the back of governments’ scheme, “We Travel Together”. Thai government plans to reopen its borders to foreign tourists in the second half of 2564, setting out three-stage roadmap to restart six major tourist provinces to vaccinated international travelers.</p> <p>The Company’s hotels in Thailand were successful in adaptation major commercial strategies and moving to digitalization in order to attract Thai residents which is not the company’s major customer base. In February 2021, SHR has also rebranded Outrigger Laguna Phuket Beach Resort and Phi Phi Island Beach Resort to the first two “SAii” resorts in Thailand which consist of SAii Laguna Phuket and SAii Phi Phi Island Village.</p>

Countries	Suspension Period	Industry Outlook
Maldives	<p>Project CROSSROADS Phase 1 Hotels: Resumed its operation since 15 July 2020</p> <p>Konotta Maldives Resort: Continued to suspend its service as located in remote area</p>	<p>For the year 2021, the number of tourist arrivals to Maldives continued to improve month-on-month. Traffic mostly driven from Russia and India, with an average length of stay of 9 days, increasing from 7 days in the previous year. This was benefited by the success in COVID-19 vaccination program and tourism stimulus measures. The Maldivian government has revised tourism arrival projections to 1.5 million in 2021, a significant increase from 0.6 million in 2020. However, the business recovery remains clouded by uncertainties such as COVID-19 situation of departure countries and the number and frequency of flights to Maldives. As of March 2021, the international airlines have reinstated their commercial flights, at approximately 60% of the total capacity flying to Maldives. The Company's hotel in Project CROSSROADS Phase 1 continuously shown an improvement sign, thanks to a proactive marketing campaign and the relaxation of hotel competitions. Whereby, the hotels supply in Maldives during the first quarter of 2021 declined by 11% from the same period last year.</p>
United Kingdom	<p>Majority has re-opened in July 2020. However, the Company considered to suspend its hotels operation due to the reintroduced lockdown measures, following the rise of COVID-19 case</p> <p>Thus, 3 hotel out of 29 total hotel properties in this portfolio continued to suspend its service</p>	<p>The tourism industry has recovered from the four-steps for easing preventive measures, started from March 2021. The country expects to fully reopen of social and the economic activities in June 2021, followed a nationwide mass vaccination. This would significantly result in the rebound of domestic travel demand. Nonetheless, the restarting of tourism and leisure travel across Europe is formed by a joint agreement between the Schengen nations, "Green Pass". As well as, the government is pressing ahead with the "Vaccine Passport" framework to accommodate tourist from allowed countries by its high season in July 2021.</p>
Fiji	<p>Outrigger Fiji Beach Resort: Resumed its operation since 1 July 2020</p> <p>Castaway Island Fiji: Resumed its operation since 1 August 2020</p>	<p>The tourism industry was materially affected by the travel restrictions and national curfews. However, the business on book in the second quarter of 2021 reflects a positive sign, thanks to the "Travel Bubble" between New Zealand and Australia which expected to impose to the next level for other counties among Asia Pacific.</p>
Mauritius	<p>Resumed its operation during 1 December 2020 to 28 February 2021 and temporality suspend its service during 1 March to 30 June, 2021</p>	<p>The hospitality business in first half of 2021 has faced with challenging situation from the heavily dependent on the domestic market and heightened lockdown measures. The reopening border for the international travelers would expect to occur in the fourth quarter of 2021.</p>

**Significant Development**

- In February 2021, The company announced its share purchasing for the remaining 50% stake of FS JV Co., Ltd. ("FS JV"), investing in 26 hotel properties in the United Kingdom. After the completion of transaction, SHR raised its ownership to 100% in FS JV and its performance will be consolidated within the Company's financial statement since March 2021 onwards. This marked a significant commitment to expand the business in the United Kingdom, as part of its strategy to optimise its UK portfolio. Therefore, the company headed for the divestment on a selection of its underperforming hotel assets. Proceed from sales will be used to reinvest in the renovation of core hotel assets.
- In April 2021, SHR has entered into a sale agreement for the 73-key Mercure Newbury Elcot Park. in an amount of GBP 4.25 million (equivalent to THB 182 million).
- Nevertheless, in February 2021 the Company proceeded to terminate of 3 hotels from the total of 6 hotels under hotel management agreement with Outrigger which consists of SAii Phi Phi Island Village, SAii Laguna Phuket, and one hotel in Koh Samui Bophut. And enter into self-managed platform that will help SHR to enhance potential and profitability.

**Overview**

The Company is a holding company engaging in the management of hotels and investments in international hotel companies. Over the past four fiscal years (year 2016-2019), the Company's consolidated total assets has grown at an average rate of 43.9% per year. The Company has a unique portfolio of hotels in desirable global holiday destinations, as follows

- (1) Five hotels under self- managed platform which consists of four hotels in Thailand, operate under independent branding, namely, Santiburi Koh Samui, SAii Phi Phi Island Village, SAii Laguna Phuket, one hotel in Koh Samui Bophut, and one hotel in the Republic of Maldives "Self-Managed Hotels";
- (2) Three hotels operate under the Outrigger brand and manage under hotel management agreements, which consists of two hotels in the Republic of Fiji Islands and one hotel in Mauritius "Outrigger Hotels";
- (3) Two upper upscale successfully developed hotels, as part of Project CROSSROADS Phase 1 in the Emboodhoo lagoon in the Republic of Maldives, consisting of SAii Lagoon Maldives, Curio Collection by Hilton and Hard Rock Hotel Maldives "Project CROSSROADS Phase 1 Hotels ";
- (4) Twenty-six upper midscale hotels operated under the Mercure brands in the United Kingdom, "UK Portfolio Hotels", and
- (5) Four hotels under Joint Venture Agreement, consisting of three upper midscale hotels operated under the Mercure and Holiday Inn brands in which the Company holds 50% in an equal joint venture with FICO UK. As well as, one under development hotel in the Republic of Maldives as part of Project CROSSROADS Phase 1 in which the Company holds 50% in an equal joint venture with Wai Eco World Developer ("Joint Ventures Hotels"). Whereby operating under a joint ventures, are not consolidated within the Company's

hospitality business, and are instead accounted for using the equity method, pursuant to which the Company receives a share of profit or loss from the investment in the joint ventures.

As of March 31, 2021, the company operated 39 hotels and resorts including the Self-Managed Hotels, Outrigger Hotels, Project CROSSROADS Phase 1 Hotels, UK Portfolio Hotels and Joint Ventures Hotels with the total of 4,647 rooms.

**Revenue from services by management platforms:**

<i>Unit: THB Million</i>	Q1/2020	% by type	Q1/2021	% by type	Change(%)
Self-Managed Hotels	262.4	21.8%	23.7	4.4%	-91.0%
Outrigger Hotels	524.3	43.5%	33.8	6.2%	-93.5%
Project CROSSROADS Phase 1 Hotels	358.3	31.3%	398.3	73.2%	11.2%
UK Portfolio Hotels <sup>(1)</sup>	0.0	0.0%	88.0	16.2%	N/A
<b>Total revenue from services</b>	<b>1,144.9</b>	<b>100.0%</b>	<b>543.8</b>	<b>100.0%</b>	<b>-52.5%</b>

**Note**

- (1) The Company has changed the method of revenue recognition from share of profit or loss from the investment to consolidated within the Company's financial statement from 1 – 31 March 2021.

**Key indicators in respect of the Hotels performance are set out as follows:**
Self-Managed Hotels

Indicators	Q1/2020	Q1/2021	Change(%)
No. of Hotels	5	5	-
No. of Keys	657	657	-
Average Occupancy Rate (%)	65.5%	11.1%	-54.4%
ADR (₪) <sup>(2)</sup>	9,517	2,705	-71.6%
RevPAR (₪) <sup>(2)</sup>	6,233	301	-95.2%

**Note**

- (2) Reference exchange rate of three months ended of year 2020: 31.29THB/USD  
Reference exchange rate of three months ended of year 2021: 30.26THB/USD

In relation to the Self-Managed Hotels, the RevPAR, Average Occupancy Rate, and ADR for the three months ended of year 2021 was THB 301, 11.1%, and THB 2,705 respectively. This was mainly from the new waves of Covid-19 inflections effected on the strict preventive measures and the travel restrictions, led to a significant decline in number of travellers. Eventhough, the company has adjusted the commercial strategies to expand to domestic customers, this can not compensated an absence of number and income from foreign visitors. Accordingly, the Company considered to partially suspend on its 3 hotel operations out of 5 total hotel properties in this portfolio during the first quarter of 2021, as aforementioned.

Outrigger Hotels

Indicators	Q1/2020	Q1/2021	Change(%)
No. of Hotels	3	3	-
No. of Keys	499	499	-
Average Occupancy Rate (%)	54.9%	9.9%	-45.0%
ADR (MUR) <sup>(3)</sup>	5,386	2,284	-57.6%
RevPAR (MUR) <sup>(3)</sup>	2,955	225	-92.4%

**Note**

- (3) Reference exchange rate of three months ended of the year 2020: 14.14THB/FJD, 0.84THB/MUR  
Reference exchange rate of three months ended of the year 2021: 14.85THB/FJD, 0.76THB/MUR

In relation to the Outrigger Hotels, the RevPAR, Average Occupancy Rate, and ADR for the three months ended of year 2021 was THB 225, 9.9% , and THB 2,284 respectively. This was mainly due to the prolonged COVID-19 pandemic, damaged the number of both international and local tourists. Accordingly, the Company considered to partially suspend on its 1 hotel operation out of 3 total hotel properties in this portfolio in March 2021, as aforementioned.

Project CROSSROADS Phase 1 Hotels

Indicators	Q1/2020	Q1/2021	Change(%)
No. of Hotels	2	2	-
No. of Keys	376	376	-
Average Occupancy Rate (%)	60.1%	67.1%	7.0%
ADR (MUR) <sup>(4)</sup>	10,853	8,287	-23.6%
RevPAR (MUR) <sup>(4)</sup>	6,526	5,564	-14.7%

**Note**

- (4) Reference exchange rate of three months ended of the year 2020: 31.29THB/USD  
Reference exchange rate of three months ended of the year 2021: 30.26THB/USD

In relation to the Project CROSSROADS Phase 1 Hotels, the RevPAR, Average Occupancy Rate, and ADR for the three months ended of year 2021 was THB 5,564, 67.1% , and THB 8,287 respectively. Tourism sector gets recovery, thanks to its success in opening borders policy. An average occupancy rate of hotels in Maldives recorded at 57.7% for the first quarter of the year. Whereas, the Project CROSSROADS Phase 1 Hotels marked the higher occupancy rate in the first quarter 2021, compared with the same period last year and the industry. This was mainly due to the initiative marketing campaigns and the projects' key strengths.

UK Portfolio Hotels

Indicators	Q1/2020	Q1/2021	Change(%)
No. of Hotels	29	29	-
No. of Keys	3,115	3,115	-
Average Occupancy Rate (%)	49.7%	18.1%	-31.6%
ADR (MUR) <sup>(5)</sup>	2,347	2,173	-7.4%
RevPAR (MUR) <sup>(5)</sup>	1,167	394	-66.2%

**Note**

- (5) Reference exchange rate of three months ended of the year 2020: 40.06THB/GBP  
Reference exchange rate of three months ended of the year 2021: 41.72THB/GBP

In relation to the UK Portfolio hotels, the RevPAR, Average Occupancy Rate, and ADR for the three months ended of year 2021 was THB 394, 18.1%, and THB 2,173 respectively. The weaker performance was primarily due to the reintroduced strict preventive measures toward the ending of 2020 and March 2021, damaged the travel demand. Accordingly, the Company considered to partially suspend on its 3 hotel operations out of 29 total hotel properties in this portfolio during the first quarter of 2021, as aforementioned.

**Discussion of results of operations: Quarter 1 of 2020 and Quarter 1 of 2021**

	Q1/2020		Q1/2021		Change	
	THB million	%	THB million	%	THB million	%
Revenue from services	1,144.9	100.0%	543.8	100.0%	(601.2)	(52.5%)
Costs of services	(764.5)	(66.8%)	(566.1)	(104.1%)	198.4	26.0%
<b>Gross profit</b>	<b>380.5</b>	<b>33.2%</b>	<b>(22.3)</b>	<b>(4.1%)</b>	<b>(402.8)</b>	<b>(105.9%)</b>
Selling expenses	(93.5)	(8.2%)	(39.4)	(7.2%)	54.1	57.9%
Administrative expenses	(349.6)	(30.5%)	(259.8)	(47.8%)	89.8	25.7%
Other income	473.5	41.4%	148.5	27.3%	(325.0)	(68.6%)
Share of profit (loss) from investment in an associate and joint ventures	(111.1)	(9.7%)	(6.2)	(1.1%)	104.9	94.5%
Finance costs (Interest expenses)	(100.7)	(8.8%)	(130.9)	(24.1%)	(30.3)	(30.1%)
<b>Profit (loss) before income taxes</b>	<b>199.1</b>	<b>17.4%</b>	<b>(310.1)</b>	<b>(57.0%)</b>	<b>(509.2)</b>	<b>(255.7%)</b>
Income tax expenses	35.9	3.1%	(0.8)	(0.2%)	(36.8)	(102.3%)
<b>Profit (loss) of the year</b>	<b>235.1</b>	<b>20.5%</b>	<b>(310.9)</b>	<b>(57.2%)</b>	<b>(546.0)</b>	<b>(232.3%)</b>
<u>Adjusted items</u>						
Net unrealized loss on exchange rate	25.5	2.2%	(7.1)	(1.3%)	(32.6)	(127.9%)
Non-recurring items <sup>1</sup>	(419.3)	(36.6%)	(102.7)	(18.9%)	316.6	75.5%
<b>Adjusted EBITDA<sup>2</sup></b>	<b>137.9</b>	<b>12.0%</b>	<b>(43.2)</b>	<b>(7.9%)</b>	<b>(181.0)</b>	<b>(131.3%)</b>
<b>Adjusted Net Profit (loss) for the period</b>	<b>(158.7)</b>	<b>(13.9%)</b>	<b>(420.7)</b>	<b>(77.4%)</b>	<b>(262.0)</b>	<b>(165.1%)</b>

<sup>1</sup> **Non-recurring items** is defined as Gain on disposal of share of JV company transaction and disposal of sublease and Gain from FV adjustment on investment in the joint ventures

<sup>2</sup> **Adjusted EBITDA** is calculated from EBT plus Finance cost, Depreciation and Amortization, Interest income from Loan to JVs and deduct Interest income, unrealized loss from exchange rates and non-recurring items

**Revenue from services**

The revenue from services for the first quarter of year 2021 (Q1/2021) amounted to THB 534.8 million, declined by 52.5% from the first quarter of year 2020 (Q1/2020), was substantially due to the challenging situation amid tourism industry effected on the hotel booking cancellations. As well as, the intense price competition was from the heavily dependent on the domestic market, which is generating the lower spending per head. However, the revenue from services increased by 82.9% from THB 297.3 million in the fourth quarter of 2020 (QoQ), attributable primarily to the performance of Project CROSSROADS hotels and the changing of revenue recognition of FS JV from share of profit or loss from the investment to consolidated within the Company's financial statement since March 2021 onwards.

**Costs of services**

The costs of services in Q1/2021 amounted to THB 566.1 million, decreased by 26.0% from Q1/2020 in accordance with number of hotels which resumed the operation and its occupancy rate. In addition to the reduction of variable cost to adapt to the challenging situation.

**Gross profit**

Gross profit (loss) in Q1/2021 amounted to THB (22.3) million, reversed from THB 380.5 million in Q1/2020. The reduction mostly from the decrease in hotels operating revenue which the Company owns or operates its businesses, impacted by COVID-19 pandemic.

**Selling expenses**

The selling expenses in Q1/2021 amounted to THB 39.4 million, fell by 57.9% from THB 93.5 million in Q1/2020. This was primarily attributable to the decrease in selling and advertising expenses and the remuneration of employees in relation to the cost reduction proposal.

**Administrative expenses**

The administrative expenses in Q1/2021 amounted to THB 259.8 million, decreased by 25.7% from THB 349.6 million in Q1/2020. This was substantially due to the effective cost control, reacting to unfavorable market conditions.

**Financial Costs (interest expenses)**

The financial costs in Q1/2021 amounted to THB 130.9 million, increased by 30.1% from Q1/2020. The main rationale of the increase were additional borrowings to the acquisition of FS JV which was completed in February 2021

**Other income**

The other income for Q1/2021 was at THB 148.5 million, consisting of gain from FV adjustment on investment in the joint ventures in an amount of THB 102.7 million, interest income from loans to joint ventures in an amount of THB 25.0 million, and other income in an amount of THB 20.8 million.

While, the other income for Q1/2020 was at THB 473.5 million, consisting of gain on disposal of share of JV company transaction according to the Joint Venture Agreement and disposal of sublease in an amount of THB 419.3 million, interest income from loans to joint ventures in an amount of THB 34.4 million, and other income in an amount of THB 19.8 million.

**Share of profit (loss) from an associate and joint ventures**

The share of profit (loss) from an associate and joint ventures was THB (6.2) million for Q1/2021, incurred a lower loss from THB (111.1) million in Q1/2020. This was primarily caused by the performance from joint ventures that invested in UK portfolio was no longer recognized on the income statement since the fourth quarter of 2020. As well as, the Company has changed the method of revenue recognition from share of profit or loss from the investment to consolidated within the Company's financial statement since March 2021.

**Adjusted EBITDA**

Adjusted EBITDA for Q1/2021 amounted to THB (43.2) million, reversed from THB 137.9 million from Q1/2020. This was primarily attributable to a declined in hotels operating revenue and the temporary suspension of some hotels which still have some types of fixed cost.

**Profit (loss) for the period**

In Q1/2021, the Company had a profit (loss) of THB (310.9) million, reversed from THB 235.1 million at the same period last year. This was mainly from a significant drop in hotel operating revenue in the first quarter of 2021, despite the realized gain from FV adjustment on investment in the joint ventures in an amount of THB 102.7 million. Whereas, the overall portfolio was faced with the limited impact from COVID-19 in Q1/2020. In the said quarter also had gain on disposal of share of JV company transaction according to the Joint Venture Agreement and disposal of sublease in an amount of THB 419.3 million.

**Analysis of Financial Position and Investment Structure**

The total assets as at March 31, 2021 amounted to THB 36,755.0 million, increased THB 9,637.7 million from December 31, 2020, mainly due to a increase in non-current assets in an amount of THB 9,877.9 million. Regarding the acquisition of FS JV which was completed in February 2021, SHR raised its ownership to 100% in 26 hotel properties in the United Kingdom. As a result, the Company has realised the Property, plant and equipment and Goodwill.

The total liabilities was THB 20,800.0 million, increased THB 9,358.7 million from December 31, 2020. The increase was primarily attributable to the consolidation of FS JV within the Company's financial statement. Whereby the interest-bearing debt rose from THB 8,353.4 million to THB 13,063.0 million from additional borrowings to the acquisition of FS JV.

The total equity was THB 15,954.9 million, decreased THB 279.0 million from December 31, 2020, mainly due to the loss for the period. Consequently, the Company recorded interest-bearing debt to equity ratio at 0.82 times as at March 31, 2021, well below the Company's covenant.

	December 31, 2020	March 31, 2021	Change	
	(THB million)	(THB million)	(THB million)	%
Cash and cash equivalents	2,492.7	1,467.5	(1,025.1)	(41.1%)
Total current assets	3,638.4	3,398.2	(240.2)	(6.6%)
Property, plant and equipments, net	19,288.7	30,238.1	10,949.4	56.8%
Total non-current assets	23,478.9	33,356.7	9,877.9	42.1%
<b>Total assets</b>	<b>27,117.3</b>	<b>36,755.0</b>	<b>9,637.7</b>	<b>35.5%</b>
Total interest-bearing debt	8,353.4	13,063.0	4,709.6	56.4%
Other liabilities	3,087.9	7,737.0	4,649.1	150.6%
<b>Total liabilities</b>	<b>11,441.3</b>	<b>20,800.0</b>	<b>9,358.7</b>	<b>81.8%</b>
<b>Total equity</b>	<b>15,675.9</b>	<b>15,954.9</b>	<b>279.0</b>	<b>1.8%</b>
<b>Interest-bearing debt to equity (times)</b>	<b>0.53</b>	<b>0.82</b>	<b>0.29</b>	<b>53.6%</b>

Yours faithfully,

S Hotels and Resorts Public Company Limited

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(Mr. Chairath Sivapornpan)

Acting Chief Financial Officer / Company Secretary

**Investor Relations Contact**

Tel: +66 (0) 2058 9888

Email: ir@shotelsresorts.com