

ERW009/ACC001/2022

23rd February 2022

Subject: Management Discussion and Analysis for Period Ending 31st December 2021

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 3-month ("4Q21") and 12-month period ending 31st December 2021 as follows:

Consolidated Profit & Loss Statement (period ending 31st December 2021)

| THB Millions | 4Q20 | 4Q21 | % Ch. | 2020 | 2021 | % Ch. |
|--|--------------|--------------|-------------|----------------|----------------|--------------|
| Hotels' Operating Income | 564 | 600 | +6% | 2,180 | 1,415 | -35% |
| Rental and Service Income | 25 | 19 | -20% | 126 | 70 | -44% |
| Total Operating Income | 589 | 619 | +5% | 2,306 | 1,485 | -36% |
| Other Income | 15 | 15 | -5% | 42 | 62 | +44% |
| Total Income | 604 | 634 | +5% | 2,348 | 1,547 | -34% |
| Operating Expenses | (633) | (681) | +7% | (2,507) | (2,199) | -12% |
| EBITDA | (29) | (47) | -60% | (159) | (652) | -311% |
| Depreciation & Amortization | (228) | (220) | -4% | (1,012) | (936) | -8% |
| Operating Profit/(Loss) | (257) | (267) | -4% | (1,171) | (1,588) | -36% |
| Finance Costs | (143) | (120) | -16% | (536) | (521) | -3% |
| Pre-tax Profit / (Loss) | (400) | (387) | +3% | (1,707) | (2,109) | -24% |
| Taxes (Expense) Income | 20 | 4 | -80% | 39 | (46) | N/A |
| Minority Interest | 12 | 12 | -3% | 63 | 105 | +66% |
| Normalized Net Profit / (Loss) | (368) | (371) | -1% | (1,605) | (2,050) | -28% |
| Extraordinary Items | | | | | | |
| Share of Profit/ (Loss) from ERWPF | (13) | 5 | N/A | (18) | 9 | N/A |
| Loss on Impairment of Non-Financial Assets | (92) | 26 | N/A | (92) | (104) | +14% |
| Gain on Sale of Investment and Assets | - | 95 | N/A | - | 95 | N/A |
| Net Profit / (Loss) | (473) | (245) | +48% | (1,715) | (2,050) | -20% |
| E.P.S. (Baht) | (0.1881) | (0.0231) | +88% | (0.6813) | (0.5628) | +17% |

COVID-19 Impact to Industry

Thai tourism industry has strongly recovered in 4Q21 on the back of the relaxation of COVID-19 measures in Thailand and the increasing vaccination rate of Thai population. The government stimulus packages such as "We Travel Together" 3rd phase which started in mid of October 2021 also another factor to support the recovery of domestic travel in the 4Q21. Despite the increasing of Omicron variant infections at the end of 4Q21, the number of domestic trips in this quarter recorded at 25.4 million increased from 3.0 million in 3Q21 and was the best quarterly record of the year 2021.

International tourist arrivals to Thailand in 4Q21 have gradually recovered continuing from the previous quarter. Thai government has started the country reopening from 1 November 2021 under "TEST & GO" program which the fully vaccinated travelers from pilot countries are not required to undergo a mandatory quarantine. However, Thai government has temporarily suspended to accept foreign tourist from this program after the Omicron variant infections has increased. Nevertheless, the number of international tourist arrivals in 4Q21 was recorded at 342,024 arrivals, increased rapidly from 38,699 arrivals in 3Q21.

Company Highlight in 4Q21

- We completed the asset divestment transaction of our 2 hotels "Renaissance Samui and ibis Samui Bophut" with the objective to adhere to our long-term strategy of adjusting the hotel portfolio to focus on investing in the budget hotel segment and increasing the proportion of revenue and profit generated by domestic customers. Total selling price was at THB 925 million and recorded gain from this transaction at THB 95 million. Proceeds from this transaction was used to repay loan, to support the liquidity of the company and to support the development of future projects as planned.
- In addition, we have continued to develop and expand of our budget hotel segment as set forth in our long-term strategic plan. In 4Q21, we opened "HOP INN Ortigas Center Manila", our 6th hotel in Philippines, leading to 73 hotels with 9,807 rooms in our portfolio at the end of 4Q21.

COVID-19 Impact to Business Operations

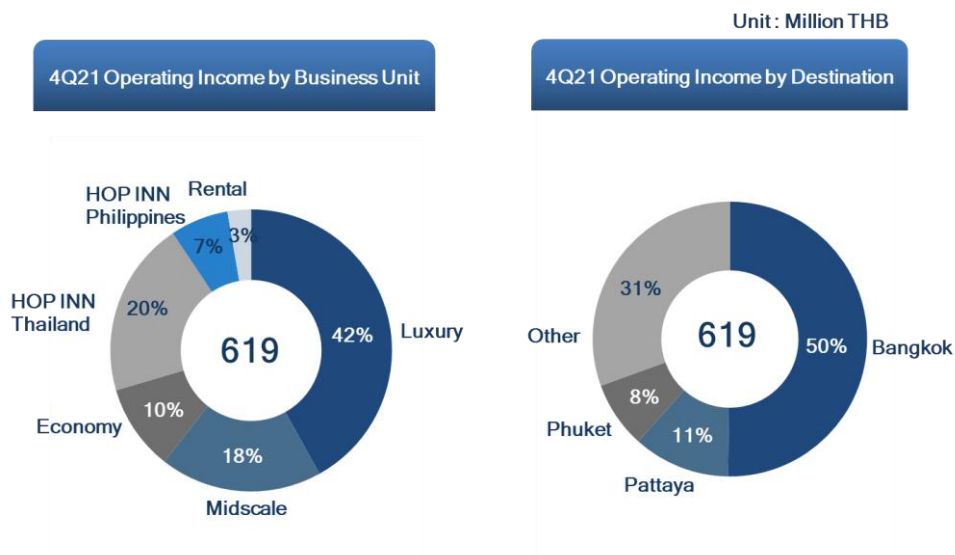
As a result of the recovery of tourism situation in Thailand, all of our hotels have continued to prepare to accommodate the growing demand for both Thai and foreign customers. In 4Q21, all of hotels were certified under "SHA Plus" to lift up the standards of cleanliness and hygiene and also support the reopening of Thailand. All hotels also participated in the "We travel together" 3rd phase program which has been a continuous participation since the first phase. In addition, with the reopening country program in November 2021, our luxury to economy hotels which capture international tourists, have offered TEST & GO packages through all sales channels, such as the Facebook, Line Official Account and hotel website.

We continued to strictly implement cost control measurement, cut unnecessary expense, and control cash outflow. At the end of 4Q21, we recorded our cash on hand at THB 1,242 million and had unutilized credit facilities at THB 5,545 million and our interest-bearing debt to equity ratio recorded at 1.9 times at the end of this quarter.

Group Performance in 4Q21 and 2021

4Q21 was marked the best quarterly performance in 2021 as a result of the significantly improved of tourism situation in Thailand as aforementioned. Total operating income was THB 619 million, a 5 percent increase from 4Q20 and a 173 percent increase from 3Q21. We recorded negative EBITDA at THB 47 million, increased from a loss at THB 29 million in 4Q20 but significantly improved from a loss at THB 243 million in previous quarter. We recorded normalize net loss at THB 371 million, in line with loss incurred in 4Q20 but generated the best quarterly performance in 2021. In addition, we recorded an extraordinary profit of THB 95 million as a result of 2 hotels divestment in Samui as aforementioned and recorded the reversal of assets impairment of THB 26 million. In summary, we recorded net loss in 4Q21 at THB 245 million.

For 2021, we recorded total operating income at THB 1,485 million, a 36 percent decrease from same period last year. We recorded negative EBITDA at THB 652 million and net loss at THB 2,050 million compared to net loss at THB 1,715 million in 2020.



Performance by Business Unit

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

Statistics for hotel room operations for the 4Q21 and 2021 are as follows:

| 3-month period (Oct-Dec) | No. of rooms | | Occupancy | | | ARR (THB/Night) | | | RevPAR (THB/Night) | | |
|----------------------------------|--------------|--------------|------------|------------|-------------|-----------------|--------------|-------------|--------------------|------------|-------------|
| | 4Q20 | 4Q21 | 4Q20 | 4Q21 | +/- | 4Q20 | 4Q21 | +/- | 4Q20 | 4Q21 | +/- |
| Thailand | 8,959 | 8,733 | 43% | 42% | ▼1% | 909 | 1,054 | ▲16% | 387 | 442 | ▲14% |
| Luxury Hotels | 989 | 911 | 23% | 37% | ▲14% | 2,908 | 3,087 | ▲6% | 672 | 1,151 | ▲71% |
| Midscale Hotels | 1,668 | 1,668 | 28% | 34% | ▲5% | 1,675 | 1,653 | ▼1% | 477 | 557 | ▲17% |
| Economy Hotels | 2,686 | 2,477 | 24% | 25% | ▲1% | 722 | 878 | ▲22% | 171 | 218 | ▲28% |
| Total Group (ex. HOP INN) | 5,343 | 5,056 | 25% | 30% | ▲5% | 1,433 | 1,660 | ▲16% | 359 | 497 | ▲38% |
| HOP INN Hotels | 3,616 | 3,677 | 69% | 59% | ▼10% | 620 | 617 | ▼0% | 430 | 365 | ▼15% |
| Philippines | 843 | 1,074 | 33% | 49% | ▲16% | 851 | 855 | ▲0% | 283 | 423 | ▲50% |

| 12-month period (Jan-Dec) | No. of rooms | | Occupancy | | | ARR (THB/Night) | | | RevPAR (THB/Night) | | |
|----------------------------------|--------------|--------------|------------|------------|-------------|-----------------|--------------|-------------|--------------------|------------|-------------|
| | 2020 | 2021 | 2020 | 2021 | +/- | 2020 | 2021 | +/- | 2020 | 2021 | +/- |
| Thailand | 8,959 | 8,733 | 37% | 27% | ▼10% | 1,163 | 924 | ▼21% | 429 | 251 | ▼41% |
| Luxury Hotels | 989 | 911 | 20% | 21% | ▲1% | 4,483 | 2,674 | ▼40% | 916 | 562 | ▼39% |
| Midscale Hotels | 1,668 | 1,668 | 24% | 19% | ▼5% | 2,263 | 1,507 | ▼33% | 550 | 289 | ▼48% |
| Economy Hotels | 2,686 | 2,477 | 25% | 15% | ▼10% | 1,119 | 730 | ▼35% | 285 | 110 | ▼61% |
| Total Group (ex. HOP INN) | 5,343 | 5,056 | 24% | 17% | ▼7% | 2,004 | 1,429 | ▼29% | 485 | 250 | ▼48% |
| HOP INN Hotels | 3,616 | 3,677 | 57% | 41% | ▼15% | 607 | 615 | ▲1% | 344 | 254 | ▼26% |
| Philippines | 843 | 1,074 | 30% | 49% | ▲19% | 938 | 845 | ▼10% | 278 | 411 | ▲48% |

The COVID-19 pandemic in Thailand, which has improved since the end of 3Q21 and continued in 4Q21, resulting in the easing of travel measures and was the main positive factors that supported the performance of the hotel business in Thailand. Total hotel revenue for both Thailand and Philippines still contributed from domestic customers as both countries continue to have conditional measures to allow foreign tourists to enter the country.

Thailand

Thai Tourism rebound in 4Q21 resulted in the increase in overall performance for both room and F&B revenues which was a continuous improvement since the easing of measures in late September 2021 onwards. Total occupancy for hotels in Thailand was 42 percent in 4Q21, in line with 43 percent in 4Q20 but improved from 17 percent in 3Q21. RevPAR also increased 14 percent from 4Q21 and strongly increased 221 percent from 3Q21.

HOP INN Thailand recorded occupancy in 4Q21 at 59 percent, dropped from 69 percent in 4Q20 but increased from 27 percent in 3Q21. ARR were flat from same period last year as such RevPAR fell 15 percent from 4Q20 but increased 122 percent from 3Q21. The declining of occupancy was caused from the inter-provincial travel bans which just recently eased at the end of 3Q21 and HOP INN hotels in some locations recovered at slow pace. Nevertheless, HOP INN remain the segment that showed the shorter recovery periods with the occupancy always ramp up fast after the relaxation of measures as the occupancy of this segment was up to 70 percent in December 2021, the highest occupancy compared to other hotels. In 4Q21, HOP INN Thailand recorded operating income of THB 124 million, a 9 percent decrease from 4Q21. EBITDA was THB 61 million, a 17 percent drop from 4Q20 but increased from THB 1 million in 3Q21.

In 4Q21, total occupancy of luxury, midscale and economy hotels was 30 percent, increased from 25 percent in 4Q21, and average room rate increased 16 percent from the same period last year. As a result, RevPAR grew 38 percent from 4Q20 and grew 316 percent from 3Q21. A significant improvement in hotel performance was caused by the recovery of the domestic tourism industry as aforementioned while the recovery of international customers remained limited due to the travel measures for foreign tourists still adjusted accordingly to the domestic situation and affected foreign tourists travel decisions. All destinations have improved in both occupancy and average room rates from 3Q21 and 4Q20 but hotel in Hua Hin recorded the highest occupancy among all destinations at 46 percent and followed by Pattaya, Bangkok and Phuket.

Food and beverage revenues continued to improve from the previous quarter, especially revenue from the outlets, as a result of easing restaurant measures and festive season in 4Q21. However, banquet revenues still recovered at limited level because customers remain concerned about the outbreak of COVID-19 pandemic and events size and format have adjusted to suit to hygiene and safety standard.

As a result, food and beverage revenues remain fell by 17 percent from 4Q20 but increased 306 percent from 3Q21.

In summary, total Thailand (ex. HOP INN) generated operating income at THB 434 million, a 7 percent increase from 4Q20, and recorded negative EBITDA at THB 60 million, a better loss from THB 236 million in 3Q21.

Philippines

In 4Q21, we opened one new hotel in December 2021, “HOP INN Ortigas Center Manila” our 6th hotel in the Philippines with 231 rooms. This hotel recorded the first month's occupancy at 42 percent which was in line with group average at 49 percent, reflecting our brand's strength in the Philippines.

In 4Q21 HOP INN Hotels in the Philippines recorded the occupancy at 49 percent dropped from 60 percent in 3Q21. This mainly driven by the easing of COVID-19 measures in Philippines since the end of 3Q21 as such the quarantine customers who were the hotel's main customers in the previous period has decreased. Moreover, domestic travel demand during November and December was generally soft during this period. However, the occupancy and RevPAR in 4Q21 increased 16 percent and 50 percent from 4Q20 respectively.

In 4Q21, HOP INN Philippines generated operating income at THB 41 million, a 76 percent increase from 4Q20 and continued to record positive EBITDA since reopened in 3Q20 at THB 12 million, a 70 percent increase from 4Q20.

In sum, we recorded total income from total hotel operations in 4Q21 at THB 600 million, a 6 percent increase from 4Q20. Room revenue was reported at THB 401 million and F&B revenue was reported at THB 178 million. We recorded positive EBITDA at THB 13 million, a 3 million increase from 4Q20. In 2021, we recorded income from total hotel operations at THB 1,415 million, a 35 percent decrease from 2020 and negative EBITDA at THB 612 million.

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 was recorded at THB 19 million in 4Q21, a 20 percent dropped from 4Q20. For 2021, income from rental and service recorded at THB 70 million, a 44 percent decrease from 2020, mainly driven by COVID-19 situation and the supporting provide to tenant continue from previous quarter.

Other Items in P&L

- **Depreciation & Amortization:** In 4Q21, this item recorded at THB 220 million, a THB 8 million decreased from 4Q20 and THB 936 million in 2021, a THB 76 million decreased from 2020. The main decrease came from some hotels that have been fully depreciated.
- **Finance Costs:** We recorded finance costs at THB 120 million in 4Q21, a THB 23 million decrease from 4Q20 as result of the decreasing of interest-bearing debt and lower cost of debt. In 2021, we recorded this item at THB 521 million, a 15 million decrease from the same period last year.

- **Extraordinary Items:**

- **Investment in ERWPF:** We recorded share of profit from 20 percent investment in ERWPF at THB 5 million in 4Q21 and THB 9 million in 2021.
- **Loss on Impairment of Non-Financial Assets:** In 4Q21, we recorded the reversal of loss on impairment of asset at THB 26 million. In 2021, we recorded this item at THB 104 million due to the impact from COVID-19 situation.
- **Gain on Sale of Investment and Assets:** In 4Q21, we recorded gain from divestment of 2 hotels; “Renaissance Samui and ibis Samui Bophut” at THB 95 million.

Financial Status

| Financial Ratio (times) | FY 2020 | FY 2021 |
|----------------------------------|---------|---------|
| Interest Bearing Debt to Equity* | 3.2 | 1.9 |

*Note : Exclude impact from TFRS16

At the end of 4Q21, we recorded negative operating cash flow before change in operating asset and liabilities at THB 667 million due to net loss recorded in 2021. However, we 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 4Q21 was recorded at THB 1,242 million and have unutilized credit facilities approx. THB 5,545 million.

We recorded total assets at THB 22,450 million compared with THB 21,215 million at the end of 2020, this is mainly due to the increase of property, plant, and equipment from the change in accounting policy for book value to fair value in 2Q21. Our total liabilities recorded at THB 16,427 million decreased from THB 17,286 million at the end of 2020 mainly from the decreasing of interest-bearing debt from THB 12,687 million to THB 11,151 million. The main reason was utilized the proceeds from the capital increase and assets divestment to repay loans from financial institutions. Our total equity recorded at THB 6,023 million increased from THB 3,929 million at the end of 2020 mainly driven from the capital increase and gain on revaluation of land in 2Q21. The decrease in interest bearing debt and the increase of total equity leading to our interest-bearing debt-to-equity ratio to recorded at 1.9 times compared to 3.2 times at the end of 2020.

Our Sustainability Development (Environment, Social and Corporate Governance)

Environment

During the past few years, we have adopted technologies and equipment that help to reduce environmental impact and save energy starting from the constructional to operational process. In 2021, we established an environmental committee from all hotels representatives to formulate operational plans for data storage and monitoring hotel's operations as well as the results. The target of this committee is focusing on systematic environmental stewardship and improve resources management to maximize efficiency in our hotels

Social

Since the COVID-19 pandemic has started in 2020, we are committed to helping our stakeholders withstand the effects of this situation. In 2021, we collaborated with Ploenchit Center Building to serve 3,000 sqm of space as non-hospital inoculation site under the "Solidarity to Aid Thailand on COVID-19" program for insured person under section 33 during June - July 2021. All hotels under the Erawan Group also supports food, drinking water, PPE and masks to communities and healthcare workers. We also donated bed, pillows and pillowcases for hospitals in non-BKK provinces. Moreover, HOP INN hotels in Thailand collaborated with "Socialgiver" and donated a portion of hotel revenue to the Thailand Recovery Fund which is the foundation who provide effective solutions during times of crisis, emergencies, and natural disasters in Thailand.

Corporate Governance

In 2021, a significant development of corporate governance policies and practices was the development of "Business Partner Code of Conduct" which is define the process between the Company and its partners to cover more ESG dimensions with the goal of creating long-term value with partners and enhancing competitive advantage. In addition, the Erawan Group has been certified as a member of Thai Private Sector Collective Action Against Corruption (CAC) since 2020. In 2021, we provided online training for all employees to ensure that everyone is aware of and understand the anti-corruption policies and related practices.

Business Outlook

Easing COVID-19 pandemic control measures, the increasing of vaccination rate of Thai population since the end of 3Q21 and the reopening country for international tourists have been the main factors to support Thai tourism industry to recovered but the recovery is in a gradual trend.

In 2022 outlook, we foresee that the domestic market will remain the main customer base to support the recovery of the hotel business in this year. If the situation in Thailand is not controlled by using inter-provincial travel bans, domestic tourism travel will continue to recover due to the increasing demand of cross province travel and Thai government stimulus packages for domestic tourism. While the recovery of the international tourist market continues to depend on the level of the outbreak risk in Thailand and the policy of reopening country in both Thailand and the countries of origin of tourists. However, more countries in Europe and Asia have started to reopen for foreign travels without quarantine mandate and several countries are considering treating COVID-19 as an "endemic". In addition, more than half of the world's population is now vaccinated. All factors will be the main key drivers for the tourism industry's continued recovery in this year.

The Company's plan for this year remains focused on increasing revenue in domestic market segment in both Thailand and the Philippines. HOP INN is expected to recover fastest from all hotel segments. We continue to focus on developing brand's strength and key competitive advantages such as developing direct booking channels that facilitate potential customers to be accessible and easy to use, refreshing hotel layout, and expanding membership base. While hotels in luxury to economy segment, we continue to focus on marketing strategies to expand domestic customers as well as marketing strategies that support the return of foreign tourists in accordance with the country reopening policy. We continuously monitor and analyze the behavior of all customers, including competitors, to develop sales strategies that meet customer needs. In addition, improving the skills of employees in our hotels is a priority for the company to prepare for the recovery of the hotel business and the return of foreign tourists, as well as maintaining service standards under the quality of the Erawan Group.

We are in the process of expanding our “Budget” hotel network in accordance with our long-term growth strategy of 2022. At present, we have 9 hotels under development, 7 HOP INN hotels in Thailand which is expected to open 6 hotels in 2022 and 2 hotels in the Philippines; “Holiday Inn and Hop Inn Cebu”. These new Philippines hotels are under a concept of “combo hotel” which is our 1st model in Philippines. In addition, in 2022, we will expand “HOP INN” network in Thailand by launching “franchise” model, which is our new business model that will help to support us to complete “HOP INN” hotel network in non HOP INN provinces or 2nd tier cities. We aim to become a strong and quality budget hotel network with value for money along with the standard of both hotel design and service excellence in every branch. We also target to cover all destinations of travelers, both the main cities and the 2nd tier cities.

In addition, we are in the process of divest 3 hotels: ibis Krabi Style, ibis Kata and ibis Hua Hin which expected to be completed in 2Q22. The objective of this transaction is to adhere to our long-term strategy of adjusting the hotel portfolio to focus on investing in the budget hotel segment and increasing the proportion of revenue and profit generated by domestic customers. Cash proceed 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.

Apart from our business growth strategy, we also focus on creating sustainable growth organization by setting our vision "Together for the Better", which will be the combination between our business competitiveness while responding to social and environmental needs. We will establish share value network to our stakeholders to create better things, escalate dynamic capabilities of our people for sustainable growth and enhance eco-efficiency in since construction until operation process. This strategy will strengthen our organization to be able to sustainable growth in long term.

Due to the uncertainty of the situation, we are ready to consider the changing of various measures, taking into account of the situation and liquidity of the company as main factors. We 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