

Executive Summary

The Company reported net loss of THB 55 million and THB 23 million in 3Q17 and 9M17, respectively. The main drivers were attributable to a decrease in room revenue due to three hotel renovations and an increase in administrative expenses to support business expansion.

In 3Q17, Dusit Thani PCL (“the Company”) reported total revenue of THB 1,184 million, increased by 0.8% yoy thanks to higher revenue of hotel management business and education business as well as the recognition of lease right assignment fee albeit a drop in room revenue from lower room inventory due to room renovations of Dusit Thani Laguna Phuket, Dusit Thani Pattaya and Dusit Thani Manila. However, EBITDA declined by 5.8% yoy to THB 135 million due to higher administrative expenses and higher share of net losses from investments by the equity method. The Company reported net loss of THB 55 million, a lower loss by 25.3% from 3Q16.

In 9M17, total revenue declined by 5.8% yoy to THB 3,777 million driven mainly by the lower number of guests of Dusit Thani Hua Hin and room renovations of Dusit Thani Laguna Phuket, Dusit Thani Pattaya and Dusit Thani Manila as well as lower F&B revenue particularly the catering service of Dusit Thani Bangkok. EBITDA dropped by 24.5% yoy to THB 529 million due to lower revenue, higher administrative expenses, and a recognition of share of net losses from investments by the equity method. The Company reported net loss of THB 23 million compared to net profit of THB 39 million in 9M16.

Overall Performance

Unit: THB mn	3Q17	3Q16	Var	%Chg	9M17	9M16	Var	%Chg
Hotel business	917	1,007	(90)	(8.9%)	3,091	3,436	(345)	(10.0%)
Hotel management business	37	26	10	38.7%	105	102	3	2.7%
Education business	84	82	2	2.8%	271	292	(21)	(7.2%)
Others	146	59	86	145.3%	310	179	131	73.4%
Total revenue	1,184	1,175	9	0.8%	3,777	4,009	(232)	(5.8%)
EBITDA	135	143	(8)	(5.8%)	529	701	(172)	(24.5%)
EBIT	(23)	(47)	24	(51.5%)	52	129	(77)	(59.9%)
Net profit (loss)	(55)	(73)	19	(25.3%)	(23)	39	(63)	(158.8%)
EPS (THB)	(0.065)	(0.087)	0.02	(25.3%)	(0.027)	0.047	(0.07)	(158.0%)

3Q17

The Company reported total revenue of THB 1,184 million, increased by 0.8% from 3Q16. Total revenue consisted of revenues from hotel, education, and other business.

Hotel business

In 3Q17, hotel business revenue declined by 8.9% yoy to THB 917 million driven mainly by

- Revenues from hotels in Thailand dropped by 8.4% yoy due mainly to lower number of rooms from room renovations of Dusit Thani Pattaya and Dusit Thani Laguna Phuket of which under Dusit Thani Freehold & Leasehold Property Fund (DTCPF or “Property Fund”). In addition, F&B revenues declined particularly the catering service of Dusit Thani Bangkok.
- Revenues from overseas hotels decreased 5.5% yoy, attributable to 2 factors: First, the lower room inventory from room renovations of Dusit Thani Manila. Second, the impact from foreign currency translation of the financial statements as the THB appreciation against the USD and the Peso by 4% and 10%, respectively.

Education business

Revenue from education business increased by 2.8% yoy to THB 84 million thanks to higher academic service from Dusit Thani College. There was no revenue contribution from Dusit Thani Hotel School (DTHS) since 3Q17 due to the repositioning of education business following the Company's new vision and strategic direction. DTHS is now a part of Dusit Thani College to utilize DTHS's building and facilities for Dusit Thani Excellence Center (DTEC) that includes the academic research and curriculum development center, food research and recipe development center, and center for non-degree education and services, which offers the following 1) Short-term programs 2) Customizable corporate programs such as programs for cabin crews, hospitality services, etc. 3) Consultancy services for SMEs and culinary schools in ASEAN countries. DTEC commenced its academic service since 1 October 2017.

Hotel management business

Revenue from hotel management rose by 38.7% yoy to THB 37 million thanks to increasing occupancy rate of Dusit Thani Lakeview Cairo and Dusit Thani Guam.

Other business

Revenue from other business was THB 146 million, boosted by 145.2% yoy driven mainly by THB 90 million lease right assignment fee. In addition, the Company recognized a share of net loss from investments by the equity method of THB 40 million, a higher loss by 56.2% yoy from the room renovations of Dusit Thani Laguna Phuket, a hotel under Property Fund.

Selling and administrative expenses

The Company's selling and administrative expenses rose by 8.0% yoy to THB 405 million due mainly to higher administrative expenses from higher personnel expense of hotel and education business to support business expansion as well as the legal and financial advisory fees of the Mixed-use project, corporate restructuring project and other projects. However, selling expenses declined from lower revenue from sales and services.

Finance cost

The finance cost decreased by 42.4% yoy to THB 15 million, attributable to the repayment of long-term loan and the impact of the THB appreciation to foreign currency translation of financial statements despite higher interest rates.

Earnings before interest, tax, depreciation and amortization (EBITDA)

EBITDA was THB 135 million, decreased by 5.8% yoy due mainly to lower revenue from room renovations during this quarter, higher selling and administrative expenses, and higher share of losses from investments by the equity method while lower depreciation due to the change in estimating useful lives of assets at Dusit Thani Manila to reflect the real future economic benefits and in line with the Company's policies.

Net profit

In 3Q17, the Company reported net loss of THB 50 million, a lower loss by 21.2% yoy. The net loss attributable to the owners of the Company was THB 55 million, a lower loss by 25.3% yoy due to lower revenue from sales and services, higher share of losses from investments by the equity method, and higher administrative expenses as mentioned above.

9M17

For the first nine months, the Company reported total revenue of THB 3,777 million, decreased by 5.8% yoy, mainly resulted from the followings:

Hotel business

Revenues from hotel business declined by 10.0% yoy to THB 3,091 million due mainly to

- Revenues from hotels in Thailand including hotels under Property Fund dropped by 7.5% yoy driven mainly by declining numbers of guests of Dusit Thani Hua Hin, room renovations of Dusit Thani Laguna Phuket and Dusit Thani Pattaya, as well as lower F&B revenues particularly the catering service of Dusit Thani Bangkok.
- The impact from foreign currency translation of the financial statements and room renovations of Dusit Thani Manila caused the overseas hotel revenue decreased by 2.0% yoy. However, the revenue from Dusit Thani Maldives increased as its occupancy increased.

Education business

Revenue from education business was THB 271 million, decreased by 7.2% yoy from the repositioning of education business by closing Dusit Thani Hotel School (DTHS) in 3Q17 to utilize DTHS's building and facilities for Dusit Thani Excellence Center (DTEC) under Dusit Thani College as aforementioned.

Hotel management business

Revenue from hotel management increased by 2.7% yoy to THB 105 million thanks to higher revenue from Dusit Thani Lakeview Cairo and Dusit Thani Guam.

Other business

Other business revenue totaling THB 310 million, increased by 73.2% yoy mainly driven by the recognition of THB 90 million lease right assignment fee.

Selling and administrative expenses

Selling and administrative expenses in 9M17 rose by 5.5% to THB 1,201 million. This resulted from higher administrative expenses from legal and financial advisory fees of the Mixed-use project, corporate restructuring project and other projects. In addition, personnel expenses increased from hotel and education business to support businesses expansion. However, selling expenses decreased due to lower revenue from sales and services.

Finance cost

Finance cost dropped by 22.5% yoy to THB 44million due to repayment of long-term loan and the impact of the THB appreciation to foreign currency translation of financial statements despite higher interest rates.

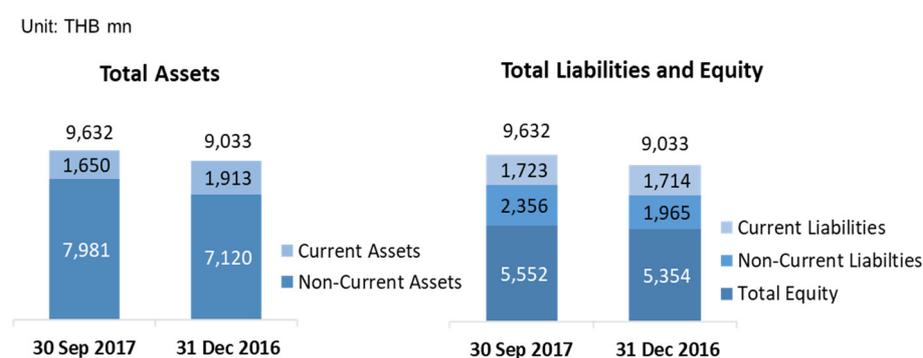
Earnings before interest, tax, depreciation and amortization (EBITDA)

EBITDA was THB 529 million, decreased by 24.5% yoy due mainly to lower revenue from room renovations since 2Q17 and lower F&B revenue, higher selling and administrative expenses, and a recognition of share of losses from investments by the equity method while lower depreciation due to the change in estimating useful lives of assets at Dusit Thani Manila to reflect the real future economic benefits and in line with the Company's policies.

Net profit

In 9M17, the Company reported net loss of THB 0.6 million, compared to net profit of THB 72 million in 9M16. The net loss attributable to the owners of the Company for this period was THB 23.2 million, compared to net profit attributable to the owners of the Company THB 39.4 million in 9M16.

Financial position



Assets

As of 30 September 2017, the Company reported total assets of THB 9,632 million, increased by THB 599 million, or 6.6% from 31 December 2016.

- Current assets decreased by THB 263 million due mainly to a decrease in cash and cash equivalents (THB 355 million) and an increase of short-term investments from fixed deposit of subsidiaries (THB 88 million).
- Non-current assets increased by THB 861 million due to an increase in prepaid rental of land and building of Mixed-use project to The Crown Property Bureau (THB 834 million), an increase in available-for-sale investments due to the changes in fair value of investments (THB 98 million), a decrease in property, plant and equipment - net from depreciation despite additional investment in property, plant and equipment (THB 316 million).

Liabilities

As of 30 September 2017, the Company reported total liabilities of THB 4,079 million, increased by THB 400 million, or 10.9% from 31 December 2016.

- Current liabilities increased by THB 10 million due to an increase in bank overdraft and short-term loan from financial institutions of THB 156 million and a decrease in trade and other payables of THB 163 million.
- Non-current liabilities increased by THB 391 million mainly as a result of the rental deposit for the Mixed-use project of THB 492 million.

Cash flows

As of 30 September 2017, cash and cash equivalents was THB 515 million, decreased by THB 355 million from THB 870 million as of 31 December 2016.

Sources of funds

The Company received net cash from operating activities of THB 373 million, net resulted from revenue from sales and services and payment for expenses and income tax. The Company also received cash from financing activities of THB 340 million, mainly attributable to THB 289 million capital increase of subsidiary (Mixed-use project) paid by minority interest.

Use of funds

The Company reported net cash used in investing activities of THB 1,054 million for the payment of prepaid land and building (THB 973 million), the purchase of equipment (THB 345 million), the payment for deposit for hotel management right (THB 75 million), investment in associates (THB 64 million), and cash receipt from lease arrangement (THB 492 million).

Unit: THB mn	30-Sep-17	% to total assets	30-Dec-16	% to total assets	%Chg
Cash and cash equivalents	515	5.3%	870	9.6%	-40.8%
Short-term investments	446	4.6%	358	4.0%	24.7%
Trade and other receivables	459	4.8%	463	5.1%	-0.9%
Others current assets	231	2.4%	222	2.5%	3.8%
Total current assets	1,650	17.1%	1,913	21.2%	-13.7%
Investment in associates	1,380	14.3%	1,370	15.2%	0.7%
Property, plant and equipment	4,373	45.4%	4,690	51.9%	-6.7%
Others non-current assets	2,228	23.1%	1,060	11.7%	110.2%
Total non-current assets	7,981	82.9%	7,120	78.8%	12.1%
Total assets	9,632	100.0%	9,033	100.0%	6.6%
Bank O/D and short term loans	622	6.5%	467	5.2%	33.3%
Trade and other payables	810	8.4%	973	10.8%	-16.7%
Current portion of long term loans	202	2.1%	157	1.7%	28.3%
Others current liabilities	90	0.9%	117	1.3%	-23.5%
Total current liabilities	1,723	17.9%	1,714	19.0%	0.6%
Long term loans	945	9.8%	1,053	11.7%	-10.2%
Others non-current liabilities	1,411	14.6%	913	10.1%	54.6%
Total non-current liabilities	2,356	24.5%	1,965	21.8%	19.9%
Total liabilities	4,079	42.4%	3,679	40.7%	10.9%
Equity attributable to owners of the Company	4,526	47.0%	4,589	50.8%	-1.4%
Non-controlling interests	1,027	10.7%	765	8.5%	34.2%
Total shareholders' equity	5,552	57.6%	5,354	59.3%	3.7%

Key Financial Ratio		
Profitability ratio	9M17	9M16
Gross profit margin	26.93%	26.71%
EBITDA margin	15.48%	18.95%
Net profit margin	-0.61%	0.98%
Efficiency ratio*	9M17	9M16
Return on equity	1.14%	3.27%
Return on assets	1.49%	3.13%
Liquidity ratio	9M17	2016
Current ratio (time)	0.96	1.12
Leverage ratio	9M17	2016
Interest bearing debt to equity (time)	0.39	0.37
Net debt to equity (time)	0.90	0.80
	9M17	9M16
Interest coverage ratio (time)	9.13	12.93

* = Annualized

Outlook

The last quarter is normally the high season for tourism industry. The tourism outlook for 4Q17 should be positive compared to last year after passing the mourning period and Royal Cremation Ceremony since the end of October 2017. For hotel renovations, the Company already completed the room renovations of Dusit Thani Pattaya in October. The Company plans to complete the room renovations of Dusit Thani Manila and Dusit Thani Laguna Phuket in November which will be in time for the upcoming high season in the last quarter 2017 and first quarter next year. These renovations should help enhance these hotels' competitiveness in the market.

For the Mixed-use project that is currently developed by the Company's subsidiary - Vimarnsuriya, a 65:35 joint venture between the Company and Central Pattana, is going to develop the existing area of Dusit Thani Bangkok to be a new landmark of Bangkok. This project will include the new hotel, premium residences, office building, and retail space with a large green area. At present, the Company is demolishing the office building and commercial shop houses nearby Dusit Thani Bangkok after the Company paid advance payment of the long-term lease contract to the Crown Property Bureau since June this year.

Furthermore on 31 October 2017, Dusit Properties REIT Company Limited, the Company's subsidiary was approved by the Securities and Exchange Commission (SEC) to be the REIT Manager of Real Estate Investment Trust ("REIT Manager") for five years. Currently, DTCPF is under the SEC's approval process for the conversion of Dusit Thani Freehold & Leasehold Property Fund (DTCPF) to Dusit Thani Freehold & Leasehold Real Estate Investment Trust (DTCREIT) which is a part of the Company's business plan to strengthen financial capability. It is one of five key foundations of the Company which are People, Process, Technology, Properties and Financial Capability. This conversion will be a financial vehicle for the Company to develop and invest in other assets, to improve existing assets, and to increase investment ability.

For the long-term growth, the Company set the 9 years strategy (2016-2025) with Balance, Diversify and Expand strategies to achieve the following objectives:

1. Double number of rooms in hotel operation
2. Balance the Company portfolio to generate 50% of our business outside of Thailand
3. Diversify the Company line business so that 10% contribution from new investment in hospitality related business

Currently, the Company is in the first 3 years of strategic plan (2016-2018) which is a crucial stage to invest in the aforementioned 5 foundations to support the Company's long-term business strategy and the business sustainability in the future. Since the key strength of the Company is the Dusit brand that is unique Thai heritage combined with international standards, the Company has focused more on the hotel management revenue to support the expected drop of hotel revenue from the closure of Dusit Thani Bangkok next year. Up to 9M17, the Company has signed hotel management agreements by 15 locations mostly international such as Ethiopia, Nepal, Vietnam and Bahrein and continued to strengthen the business in Philippines, China and Thailand. However, the Company anticipates the soft hotel performance in 2017-2018 from the lower hotel business revenue due to planned renovations despite the expected higher hotel management revenue from increasing signed contracts. In the meantime, administrative expenses have increased from the advisory fees of Mixed-use Project, corporate restructuring project, and other project as well as human capital investment in both hotel and education business to strengthen People and Process foundations for long-term business expansion.

For the growth stage in year 2019-2021, this is the stage as the Company will recognize the growth of new Dusit Thani Bangkok and alignment of Hotel and Education sector and double number of rooms in hotel operation. For the year 2022-2025, is the period of value creation when the Mixed Use project completion. The Company will realize the revenue from new business and also balancing the revenue from domestic and international as target.