

Date: November 11, 2016

Subject: Management Discussion and Analysis 3Q16

To: The President and Director of the Stock Exchange of Thailand

Dusit Thani Public Company Limited (“**The Company**”) reports consolidated net loss and loss per share of Baht 73.2 million and Baht 0.087, respectively, for the three-month period ended September 30, 2016 (3Q16), compared to Baht 40.1 million and Baht 0.047 for the three-month period ended September 30, 2015 (3Q15).

For the nine-month period ended September 30, 2016, consolidated net income and earnings per share were Baht 39.4 million and Baht 0.047, respectively, compared to Baht 91.4 million and Baht 0.108 for the nine-month period ended September 30, 2015. These financial statements comply with the effective Accounting Standards for the periods beginning on or after January 1, 2016.

On May 16, 2016, the Company registered the change of par value from Baht 10 per share to Baht 1 per share. Consequently, the number of paid-up ordinary shares increased from 85 million shares to 850 million shares.

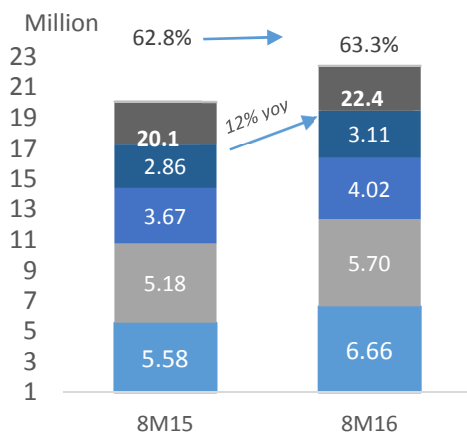
The following discussion and analysis of our operations and related financial results should be read in conjunction with the reviewed consolidated financial statements and related notes.

### Statement of income highlights

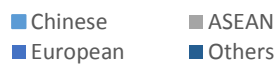
<i>Baht (Million)</i>	3Q15	3Q16	yoy %	Nine-month period ended 2015	Nine-month period ended 2016	yoy%
Hotel business	1,027.6	1,031.1	0.3%	3,307.4	3,436.3	3.9%
Hotel management business	24.2	26.5	9.1%	86.3	102.1	18.4%
Education business	78.6	83.5	6.2%	287.2	300.6	4.7%
Other	42.5	55.9	31.6%	176.4	160.6	-9.0%
<b>Total revenue</b>	<b>1,172.9</b>	<b>1,196.9</b>	<b>2.0%</b>	<b>3,857.3</b>	<b>3,999.6</b>	<b>3.7%</b>
<b>EBITDA</b>	<b>161.5</b>	<b>139.8</b>	<b>-13.4%</b>	<b>688.1</b>	<b>690.7</b>	<b>0.4%</b>
Depreciation	174.8	190.2	8.8%	508.7	571.4	12.3%
<b>EBIT</b>	<b>(13.3)</b>	<b>(50.4)</b>	<b>-280.2%</b>	<b>179.4</b>	<b>119.4</b>	<b>-33.5%</b>
Finance costs	16.7	23.5	40.5%	32.8	47.5	44.9%
Income tax (income) expense	0.3	(9.9)	-3042.7%	17.1	(0.2)	-100.9%
<b>Profit (Loss) for the period</b>	<b>(30.3)</b>	<b>(64.0)</b>	<b>-111.3%</b>	<b>129.5</b>	<b>72.0</b>	<b>-44.4%</b>
Profit (Loss) attributable to non-controlling interests	9.8	9.2	-5.9%	38.0	32.7	-14.1%
<b>Net profit (Loss) attributable to owner of the Company</b>	<b>(40.1)</b>	<b>(73.2)</b>	<b>-82.7%</b>	<b>91.4</b>	<b>39.4</b>	<b>-57.0%</b>
<b>EPS (Baht)</b>	<b>(0.047)</b>	<b>(0.087)</b>		<b>0.108</b>	<b>0.047</b>	
Number of shares (million)	845.3	845.3		845.3	845.3	

## Industry overview

### Tourist arrivals to Thailand



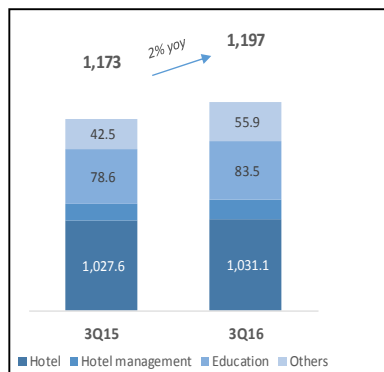
Source: Department of Tourism; Bank of Thailand



Thailand welcomed foreign tourists increased since the beginning of the year. 1Q16 increased by 15% and 2Q16 by 8% yoy. During the 8 months of 2016, the 22.4 million tourists came to Thailand, increased by 12.0% yoy, led mostly by Chinese (+19% yoy), ASEAN (+10% yoy), European (+10%), mainly from Russia, Spain, Italy, German. The hotel occupancy rate in Thailand was 63.3%, compared to 62.8%, while average Room Rate stood at Baht 2,060 per night, an increase of 2% yoy.

## Revenues

### 3Q16 revenue growth (%)



The Company reported total revenue of Baht 1,196.9 million in 3Q16, up 2.0% yoy, primarily with details as follows:

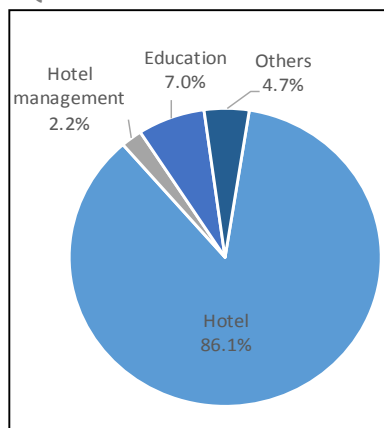
#### Hotel business

The Company's revenue from hotel business grew 0.3% yoy from Baht 1,027.6 million in 3Q15 to Baht 1,031.1 million in 3Q16. This was largely by the performance of Dusit Thani Bangkok and Dusit Thani Manila after completion of the renovations.

#### Hotel management business

Hotel management revenue increased 9.1% yoy to Baht 26.4 million in 3Q16, primarily driven by the contribution from recently opened hotels.

### 3Q16 revenue contribution



#### Education business

Revenue from education business climbed 6.2% yoy to Baht 83.5 million in 3Q16. This was largely due to solid demand for courses at Dusit Thani College and Le Cordon Bleu Dusit Co., Ltd.

#### Other businesses

Revenue from other businesses amounted to Baht 55.9 million in 3Q16, increase 31.6% yoy from other services to management hotels, but decreased from share of net profit from investments in associates.

## **Costs of sales and services and gross profits**

Costs of sales and services were Baht 836.6 million in 3Q16, up 1.2% yoy. The amount comprised the following:

- Direct costs of sales and services, e.g. cost of room service, cost of food and beverages, salary and employee benefits, etc. of Baht 656.7 million. This was a decrease of 1.1% yoy varied according to the cost management.
- Cost of services – depreciation and amortization of Baht 179.9 million, up 10.3% yoy, mainly resulted from the completion of Dusit Thani Manila renovations.

Gross profit amounted to Baht 280.3 million in 3Q16, or an increase of 2.0% yoy. This translated to gross profit margin of 25.1% of revenue from sales and services, a slight improvement from 24.9% in 3Q15.

## **Selling and administrative expenses and net loss**

In 3Q16, selling expenses decreased 12.9% yoy to Baht 110.6 million, largely as a result of advertising and public relation expenses. Administrative expenses of Baht 264.4 million for the quarter increased of 21.8% yoy as the Company continued investments in resources in order to support future business expansion. The selling and administrative expenses represented 33.6% of revenue from sales and services in 3Q16, and 31.2% in 3Q15

Earnings before interest, income tax, and depreciation and amortization (EBITDA) of Baht 139.8 million for the quarter decreased 13.4% yoy. The Company recorded income tax income of Baht 9.9 million in 3Q16, compared to income tax expense of Baht 0.3 million in 3Q15 due to the benefits from accumulated losses.

Net loss for the Company was Baht 73.2 million, an increase from net loss of Baht 40.1 million in 3Q15. This translated into loss per share of Baht 0.087 for the quarter.

## Statement of financial position highlights

The consolidated statement of financial position of the Company and subsidiaries as at September 30, 2016, compared to December 31, 2015 can be summarized as follows:

Baht (Million)	31-Dec-15	30-Sep-16	Change
Cash and cash equivalents	714.2	739.7	4%
Short-term investments	380.2	352.8	-7.2%
Trade and other receivables	475.0	440.8	-7%
Inventories	79.6	71.7	-10%
Other current assets	168.0	140.5	-16%
<b>Total current assets</b>	<b>1,817.1</b>	<b>1,745.5</b>	<b>-4%</b>
Investment in associates	1,404.7	1,363.2	-3%
Property, plant and equipment	5,107.9	4,642.7	-9%
Other non-current assets	1,066.0	1,026.3	-4%
<b>Total assets</b>	<b>9,395.7</b>	<b>8,777.7</b>	<b>-7%</b>
Bank overdrafts and short-term loans	867.4	812.9	-6%
Trade and other payables	962.4	845.3	-12%
Other current liabilities	90.0	80.2	-11%
<b>Total current liabilities</b>	<b>1,919.8</b>	<b>1,738.4</b>	<b>-9%</b>
Long-term loans	1,177.1	879.5	-25%
Other non-current liabilities	894.3	921.3	3%
<b>Total liabilities</b>	<b>3,991.2</b>	<b>3,539.2</b>	<b>-11%</b>
Total equity	5,404.5	5,238.5	-3%
<b>Total liabilities and equity</b>	<b>9,395.7</b>	<b>8,777.7</b>	<b>-7%</b>

**Net assets** position of the Company decreased from end of year 2015, from Baht 5,404.5 million to Baht 5,238.5 million.

As at September 30, 2016, the Company's **total assets** are Baht 8,777.7 million, a decrease of Baht 618.0 million. Key movements are as follows:

- Prepaid rental of land and buildings decreased by Baht 79.5 million according to the amortization period.
- Trade and other receivables decreased by Baht 34.2 million, inventories by Baht 7.9 million, which were in line with trading trends
- Property, plant and equipment decreased by Baht 465.2 million (net), reflecting periodic depreciation according to useful charges offset by additions of equipment at various properties as a result of renovation activities

**Total liabilities** at period end of Baht 3,539.2 million, had decreased by Baht 452.0 million due to:

- Trade and other payables decreasing by Baht 117.1 million in line with trading
- Long-term loans decreased by Baht 297.6 million from repayment of loan principal according to the loan agreements.

**Equity** sees a net downward movement of Baht 166.0 million primarily as a result of the payment of the 2015 dividend to shareholders of the Company

#### Cash flows

- Cash balance as at end of September 2016 was Baht 739.7 million after starting the year with Baht 714.2 million – a net increase of Baht 25.5 million or +3.6% (including some exchange rate differences)
- Cash generated from operations amounted to Baht 693.6 million.
- We used net cash of Baht 195.8 million for investment related activities. Key movements in investment activities for the first nine months were:
  - Investments made for the purchase of an additional 5% of shares in a subsidiary for Baht 87.1 million
  - Investments in additional property, plant and equipment in respect to it's own hotels for renovations of Baht 207.5 million
- We used Baht 452.8 million (net) in cash for financing related activities mainly to:
  - Net decrease of Baht 288.2 million in borrowings
  - Pay interest of Baht 57.9 million
  - Pay dividends mainly to the Company's shareholders of Baht 105.8 million.

#### Key financial ratios

	Year 2015	Nine-month period ended 2016
Gross margin	27.6%	26.7%
EBITDA margin	20.8%	18.7%
Net profit margin	3.7%	1.0%
Return on equity*	4.4%	3.3%
Return on asset*	3.6%	3.0%
Current ratio (x)	0.9	1.0
Debt/Equity (x)	0.7	0.7
Interest-bearing debt/Equity (x)	0.4	0.3
Interest coverage (x)	19.3	13.0
Book value per share (Baht)	5.3	5.3

\* Annualized