MINOR INTERNATIONAL

August 9, 2013 Minor International Public Company Limited

# Management Discussion and Analysis

## Overview

## 2Q13 and 1H13 Performance

Minor International Public Company Limited ("MINT") continued to report solid financial performance in the second quarter of 2013 from the better performance of all three businesses. 2Q13 consolidated revenues and net profit grew by 10% and 23% y-y, respectively. Although domestic consumption trend saw a slowdown in 2Q13, restaurant services posted the highest revenue growth of 15% due to the strong organic business operations, as well as the consolidation of Beijing Riverside & Courtyard ("Riverside") in China, which was acquired at the end of 2012. Hotel & mixed-use business showed a 6% revenue growth in 2Q13 compared to the same period last year, despite the temporary closure of Anantara Bophut Samui Resort & Spa, Anantara Veli Resort & Spa in the Maldives and Royal Garden Plaza Bangkok for renovation, and permanent closure of Hua Hin Marriott Resort & Spa since July 2012, together with the negative foreign exchange impact on the overseas business from the strengthening of the Thai Baht. The increase was primarily from the strong tourist arrivals into Thailand, together with the group's continuous marketing efforts. Revenue of retail trading and contract manufacturing grew by 4% due mainly to the improvement in fashion and contract manufacturing business which was most affected after the flood in late 2011.

In 2Q13, hotel & mixed-use and restaurant business each contributed 45% of total revenue while retail trading and contract manufacturing contributed the remaining 10%.

**Revenue Breakdown**

| *Bt million* | **2Q13** | **2Q12** | **%Chg** |
|---|---|---|---|
| Restaurant Services | 3,725 | 3,237 | 15% |
| Hotel & Mixed-Use | 3,690 | 3,480 | 6% |
| Retail Trading & Contract Manufacturing | 836 | 807 | 4% |
| **Total Revenue** | **8,252** | **7,524** | **10%** |

In 1H13, MINT reported total revenues of Bt 17,888m, an increase of 10% from the same period last year. The growth was attributable to strong performance of all business units. In terms of revenue breakdown in 1H13, restaurant and hotel & mixed-use businesses accounted for 43% and 47% of total revenues, respectively. Retail trading and contract manufacturing contributed another 10%.

**Revenue Breakdown**

| *Bt million* | **1H13** | **1H12** | **%Chg** |
|---|---|---|---|
| Restaurant Services | 7,603 | 6,688 | 14% |
| Hotel & Mixed-Use | 8,484 | 8,007 | 6% |
| Retail Trading & Contract Manufacturing | 1,801 | 1,596 | 13% |
| **Total Revenue** | **17,888** | **16,292** | **10%** |

MINT's 2Q13 EBITDA grew by 4% to Bt 1,364m with stable EBITDA margin of 17%. While restaurant and retail trading businesses saw healthy EBITDA growth, hotel & mixed-use business reported a decline in EBITDA by 8% y-y. This was primarily because of the temporary closure of two hotels in Samui and the Maldives and one plaza in Bangkok for renovation, together with permanent closure of Hua Hin Marriott Resort since July 2012 and negative foreign exchange impact on the overseas hospitality business as a result of the strengthening of the Thai Baht y-y.

In 2Q13, hotel & mixed-use and restaurant businesses accounted for 49% and 46% of total EBITDA, respectively. Retail trading & contract manufacturing contributed the remaining 5% of total EBITDA.

**EBITDA Breakdown**

| *Bt million* | **2Q13** | **2Q12** | **%Chg** |
|---|---|---|---|
| Restaurant Services | 634 | 549 | 15% |
| Hotel & Mixed-Use | 666 | 726 | -8% |
| Retail Trading & Contract Manufacturing | 64 | 36 | 78% |
| **Total EBITDA** | **1,364** | **1,311** | **4%** |
| **EBITDA Margin** | **17%** | **17%** | |

In 1H13, MINT reported EBITDA of Bt 3,915m, a 10% growth over the same period last year. Excluding the insurance claim on the business interruption from flood received in 1H12, MINT's 1H13 core EBITDA increased by 12% y-y. The increase in EBITDA was a result of improved operating leverage of restaurants as well as the growth in higher margin asset-light business: hotel management services and food franchising, higher contribution from real estate business and turnaround of the restaurant business in China, offset with lower operating leverage from the closure of hotels for renovation in 2Q13.

Hotel & mixed-use business represented 61% of total EBITDA in 1H13, while restaurant business accounted for 35%. Retail trading and contract manufacturing business accounted for the remaining 4%.

**EBITDA Breakdown**

| *Bt million* | **1H13** | **1H12** | **%Chg** |
|---|---|---|---|
| Restaurant Services | 1,350 | 1,132 | 19% |
| Hotel & Mixed-Use | 2,393 | 2,285 | 5% |
| Retail Trading & Contract Manufacturing | 172 | 139 | 23% |
| **Total EBITDA** | **3,915** | **3,556** | **10%** |
| **EBITDA Margin** | **22%** | **22%** | |

MINT reported net profit of Bt 429m in 2Q13, up 23% y-y, higher than increase in revenues and EBITDA, as a result of lower finance costs, together with normalized effective tax rate in 2Q13 compared to 2Q12, as 2Q12 had Oaks Hotels & Resorts' ("Oaks") one-time tax adjustment. Consequently, MINT's 1H13 net profit grew by 19% y-y. Excluding the insurance claim received in 1H12, 1H13 net profit increased by 25% y-y.

**Net Profit**

| *Bt million* | **2Q13** | **2Q12*** | **%Chg** |
|---|---|---|---|
| Total net profit | 429 | 348 | 23% |
| **Net Profit Margin** | **5%** | **5%** | |
| | **1H13** | **1H12*** | **%Chg** |
| Total net profit | 1,838 | 1,545 | 19% |
| **Net Profit Margin** | **10%** | **9%** | |

* Restated per the new accounting policy on current and deferred income taxes

## Major Developments in 2Q13

| | Developments |
|---|---|
| Restaurant | • Opened 13 outlets, net q-q, majority of which were The Coffee Club and Dairy Queen outlets<br>• Strengthened The Coffee Club's position in Thailand by opening additional four owned outlets. As at the end of 2Q13, there were a total of 12 The Coffee Club outlets in Thailand |
| Hotel & Mixed-Use | • Launched a new property under management contract, Oaks Liwa Executive Suites, situated in the heart of Abu Dhabi<br>• Temporarily closed Anantara Bophut Samui Resort & Spa and Anantara Veli Resort & Spa, Maldives for renovation during April – November 2013<br>• Temporarily closed Royal Garden Plaza Bangkok for renovation into a new shopping plaza, and for construction of the flagship Avani hotel and convention center in Bangkok<br>• Transferred and recorded 2Q13 revenues for 4% of total sellable area of St. Regis Residences |

## Segment Performance

### Restaurant Business

At the end of 2Q13, MINT's total restaurants reached 1,419 outlets, comprising 763 equity-owned outlets (54% of total), and 656 franchised outlets (46% of total). 935 outlets (66% of total) are in Thailand, while the remaining 484 outlets (34% of total) are in Australia, New Zealand, Singapore, China, India, Middle East, Maldives, Egypt and other countries in South East Asia. Thirty-two outlets were opened in 2Q13, while nineteen outlets were closed. MINT sold six Dairy Queen outlets to franchisees as part of its plan to promote the franchising business, while five of The Coffee Club franchised outlets in Australia were closed during 2Q13 as the lease expired.

## Restaurant Outlets by Owned Equity and Franchise

| | 2Q13 | Chg q-q | Chg y-y |
|---|---|---|---|
| Owned Equity | 763 | 4 | 55 |
| - Thailand | 640 | -3 | 28 |
| - Overseas | 123 | 7 | 27 |
| Franchise | 656 | 9 | 90 |
| - Thailand | 295 | 10 | 61 |
| - Overseas | 361 | -1 | 29 |
| **Total Outlets** | **1,419** | **13** | **145** |

## Restaurant Outlets by Brand

| | 2Q13 | Chg q-q | Chg y-y |
|---|---|---|---|
| The Pizza Company | 292 | -1 | 7 |
| Swensen's | 285 | 0 | 17 |
| Sizzler | 46 | 1 | 2 |
| Dairy Queen | 320 | 3 | 54 |
| Burger King | 31 | 2 | 4 |
| The Coffee Club | 328 | 5 | 27 |
| Ribs and Rumps | 12 | 0 | 12 |
| Thai Express | 67 | 2 | -1 |
| Riverside | 23 | 1 | 23 |
| Others* | 15 | 0 | 0 |
| **Total Outlets** | **1,419** | **13** | **145** |

* Others include restaurants at the airport under MINT's 51% JV, Select Service Partner

### Brand Performance Analysis

In 2Q13, total-system-sales (including sales from franchised outlets) increased by 13.9% y-y, driven by same-store-sales growth of 1.1% and outlet expansion of 11% y-y. All brands, except The Pizza Company and Ribs and Rumps, reported positive same-store-sales growth. The three brands which saw notable increases in same-store-sales are (1) Burger King from the re-launch of BK's Swiss Mushroom menu, (2) Thai Express from the launch of new menu look of top-20 best selling items, and (3) Swensen's from successful promotion of SW's Chocolate Angel's Sundae.

On the other hand, The Pizza Company was going through the process of restructuring its menu strategy and marketing plans to increase traffic, resulting in temporary negative same-store-sales growth of TPC in 2Q13. The transition is now complete and MINT expects to see growth of TPC in the second half of the year. Excluding TPC, the Company reported strong same-store-sales growth of 3.7% in 2Q13. Ribs & Rumps, which is still a small contribution to MINT's overall restaurant business, is undergoing renovation and internal restructuring of management, which is taking slightly longer than originally anticipated. However, MINT expects same-store-sales of The Pizza Company and Ribs & Rumps to recover in subsequent quarters, enabling the entire portfolio to achieve the original full-year same-store-sales target.

Although 1H13 same-store-sales growth was 2.6%, primarily attributable to the negative same-store-sales growth of The Pizza Company, total–system-sales growth still showed significant improvement of 13.8%.

## Restaurant Business Performance by Brand

| | Same-Store-Sales Growth (%) | | | |
|---|---|---|---|---|
| | 2Q13 | 2Q12 | 1H13 | 1H12 |
| **The Pizza Company** | (10.3) | 14.9 | (2.6) | 10.7 |
| **Swensen's** | 6.8 | 10.9 | 8.1 | 12.1 |
| **Sizzler** | 1.2 | 0.8 | 1.8 | 3.1 |
| **Dairy Queen** | 1.5 | 20.8 | 0.9 | 25.9 |
| **Burger King** | 8.7 | 9.6 | 9.1 | 7.8 |
| **The Coffee Club** | 3.2 | 2.7 | 3.2 | 3.5 |
| **Ribs and Rumps** | (7.9) | N/A | (7.3) | N/A |
| **Thai Express** | 8.0 | (8.4) | 6.8 | (3.0) |
| **Average** | **1.1** | **6.5** | **2.6** | **7.1** |

| | Total-System-Sales Growth (%) | | | |
|---|---|---|---|---|
| | 2Q13 | 2Q12 | 1H13 | 1H12 |
| **The Pizza Company** | (7.1) | 25.3 | 0.7 | 21.5 |
| **Swensen's** | 12.7 | 21.2 | 14.0 | 22.9 |
| **Sizzler** | 6.3 | 2.7 | 4.6 | 6.6 |
| **Dairy Queen** | 19.8 | 29.7 | 18.7 | 36.1 |
| **Burger King** | 15.4 | 9.7 | 14.0 | 8.5 |
| **The Coffee Club** | 11.9 | 10.1 | 11.2 | 11.5 |
| **Ribs and Rumps** | 21.6 | N/A | 16.8 | N/A |
| **Thai Express** | 17.1 | 0.8 | 13.3 | (2.3) |
| **Average** | **13.9** | **13.6** | **13.8** | **14.0** |

Note: Calculation based on local currency to exclude the impact of foreign exchange

### Financial Performance Analysis

2Q13 total restaurant revenues grew by 15% y-y, mainly driven by organic operations, together with the consolidation of Riverside in China. MINT's franchise fee grew by 12% y-y as a result of continued growth of franchising business of three brands – The Pizza Company, Swensen's and Dairy Queen. 2Q13 EBITDA grew at a rate of

15%, in line with revenue growth. As a result, EBITDA margin remained stable at 17% for both 2Q13 and 2Q12.

By the same token, 1H13 total restaurant revenue grew by 13% y-y from the strong operations of the equity outlets and growth of the franchise business, as well as the consolidation of Riverside. 1H13 restaurant EBITDA increased by 19% while EBITDA margin was 18% in 1H13 compared to 17% in 1H12, as a result of the higher margin franchising business, together with efficient cost control and the turnaround of China business in 1Q13.

### Revenue Breakdown

| *Bt million* | **2Q13** | **2Q12** | **%Chg** |
|---|---|---|---|
| Revenues from Operation* | 3,604 | 3,128 | 15% |
| Franchise Fee | 121 | 109 | 12% |
| Total Revenues | 3,725 | 3,237 | 15% |
| **EBITDA** | **634** | **549** | **15%** |
| **EBITDA Margin** | **17%** | **17%** | |
| | **1H13** | **1H12** | **%Chg** |
| Revenues from Operation* | 7,351 | 6,480 | 13% |
| Franchise Fee | 253 | 209 | 21% |
| Total Revenues | 7,603 | 6,688 | 14% |
| **EBITDA** | **1,350** | **1,132** | **19%** |
| **EBITDA Margin** | **18%** | **17%** | |

* Includes share of profit and other income

## Hotel & Mixed-Use Business

### Hotel Business

At the end of 2Q13, MINT owns 30 hotels and manages 56 hotels and serviced suites in twelve countries. Altogether, these properties have 10,807 hotel rooms and serviced suites, including 3,304 that are equity-owned and 7,503 that are purely-managed by the Company and its subsidiary, Oaks. Of the total, 3,087 rooms in Thailand accounted for 29%, while the remaining 7,720 rooms or 71% are located in Australia, New Zealand, Maldives, Indonesia, Sri Lanka, Vietnam, China, Tanzania, Kenya, Malaysia and the United Arabs Emirates.

### Hotel Rooms by Owned Equity and Management

| | **2Q13** | **Chg q-q** | **Chg y-y** |
|---|---|---|---|
| Equity-owned* | 3,304 | 0 | 159 |
| - Thailand | 2,229 | 0 | 0 |
| - Overseas | 1,075 | 0 | 159 |
| Management | 7,503 | 201 | 688 |
| - Thailand | 858 | 0 | 20 |
| - Overseas | 6,645 | 201 | 668 |
| **Total Hotel Rooms** | **10,807** | **201** | **847** |

* Equity owned includes all hotels which are majority-owned and joint ventures

### Hotel Rooms by Brand

| | **2Q13** | **Chg q-q** | **Chg y-y** |
|---|---|---|---|
| Anantara | 2,784 | 0 | 8 |
| Four Seasons | 505 | 0 | 0 |
| Marriott | 563 | 0 | 0 |
| Oaks | 5,492 | 201 | 355 |
| Avani | 510 | 0 | 315 |
| Others | 953 | 0 | 169 |
| **Total Hotel Rooms** | **10,807** | **201** | **847** |

In July 2013, MINT announced a 50% investment in the luxury boutique hotel brand Per AQUUM Retreats • Resorts • Residences. Per AQUUM currently has three award-winning properties under management, two in the Maldives, Huvafen Fushi and NIYAMA, in addition to Desert Palm in the Emirate of Dubai in the UAE. In addition, MINT opened one additional hotel under management contract, Anantara Al Yamm Villa Resort, Abu Dhabi and one joint-venture hotel, Sand River Masai Mara Camp, Kenya under the Elewana brand. Oaks also acquired Cypress Lakes Resort, a 232 villa resort in Hunter Valley, Australia. This brings MINT's hotel portfolio to 92 properties with 11,148 rooms as at end of July 2013.

### Hotel Brand Performance Analysis

On the surface, in 2Q13, Minor Hotel Group's system-wide average occupancy was stable at 66%, while average daily rates (ADR) of the portfolio slightly declined by 4%, resulting in declining revenues per available room (RevPar) by 4% y-y. This was primarily driven by the addition of 2 hotels and 5 managed hotels where the lower statistics of newly launched hotels pulled down the overall hotel portfolio statistics, together with temporary closure of 2 owned hotels, Anantara Bophut Samui Resort & Spa and Anantara Veli Resort & Spa, Maldives for renovation during April – November 2013 and permanent closure of Hua Hin Marriott Resort & Spa since July 2012 compared to the same period last year. Moreover, the strengthening of the Thai Baht over the year resulted in lower translation of rates of overseas hotels quoted in foreign currency into Thai Baht.

Nevertheless, the core operational performance appeared stronger than system-wide performance suggested. Owned hotels, which contributed 43% of total hotel and mixed-use revenues in 2Q13, saw RevPar increase of 10%. This was a result of occupancy increase of 3%, together with ADR increase of 5%. Stripping out the effect of both new and temporarily closed hotels, organic RevPar increased by 14% in 2Q13. The increase in occupancy is partially attributable to the strong increase in Thailand's tourist arrivals of 21% y-y in 2Q13.

In 2Q13, Oaks' RevPar declined by 7% y-y, mainly from declining in ADR by 7% in Thai Baht term, as a result of the appreciation of Thai Baht against Australian dollar by 6% y-y. Oaks' ADR remained flat in Australian dollar term.

Portfolio of hotels under management contract reported decline in RevPar by 5% y-y in 2Q13, primarily from a decrease in ADR of 7%, because of the 5 new managed hotels compared to the same period last year, together with impact from foreign currency translation on overseas hotels. Stripping out the effect of new and temporarily closed hotels, organic RevPar of managed hotels increased by 2% y-y in 2Q13.

For 1H13, system-wide RevPar declined by 4% y-y. However, stripping out the effect of new and closed hotels in order to see the operational trend, organic RevPar of owned hotels increased by 18%, while organic RevPar of managed hotels increased by 2% and RevPar of Oaks declined by 7%.

## Hotel Business Performance by Ownership

| (System-wide) | | Occupancy (%) | | |
|---|---|---|---|---|
| | **2Q13** | **2Q12** | **1H13** | **1H12** |
| Owned Hotels | 61 | 58 | 70 | 64 |
| Joint Venture | 52 | 44 | 54 | 49 |
| Managed | 51 | 50 | 55 | 57 |
| MLR* | 75 | 76 | 77 | 77 |
| **Average** | **66** | **66** | **70** | **69** |
| | | **ADR (Bt/night)** | | |
| | **2Q13** | **2Q12** | **1H13** | **1H12** |
| Owned Hotels | 5,650 | 5,391 | 6,562 | 6,197 |
| Joint Venture | 11,895 | 11,913 | 15,232 | 15,650 |
| Managed | 4,405 | 4,752 | 4,843 | 4,964 |
| MLR* | 4,635 | 4,980 | 4,769 | 5,115 |
| **Average** | **4,998** | **5,228** | **5,494** | **5,657** |
| | | **RevPar (Bt/night)** | | |
| | **2Q13** | **2Q12** | **1H13** | **1H12** |
| Owned Hotels | 3,446 | 3,139 | 4,566 | 3,969 |
| Joint Venture | 6,178 | 5,250 | 8,221 | 7,624 |
| Managed | 2,254 | 2,364 | 2,685 | 2,828 |
| MLR* | 3,498 | 3,760 | 3,662 | 3,941 |
| **Average** | **3,280** | **3,430** | **3,819** | **3,926** |

*Properties under Management Letting Rights in Australia and New Zealand

## Hotel Business Performance by Brand

| (System-wide) | | Occupancy (%) | | |
|---|---|---|---|---|
| | **2Q13** | **2Q12** | **1H13** | **1H12** |
| Anantara | 52 | 51 | 59 | 58 |
| Marriott | 74 | 66 | 80 | 73 |
| Four Seasons | 63 | 59 | 70 | 61 |
| Oaks | 75 | 76 | 77 | 77 |
| Others | 53 | 49 | 55 | 54 |
| **Average** | **66** | **66** | **70** | **69** |
| **MINT's Portfolio in Thailand** | **62** | **58** | **70** | **63** |
| **Industry Average in Thailand** | **60** | **55** | **N/A** | **N/A** |
| | | **ADR (Bt/night)** | | |
| | **2Q13** | **2Q12** | **1H13** | **1H12** |
| Anantara | 5,951 | 5,995 | 6,889 | 6,960 |
| Marriott | 3,548 | 3,462 | 4,599 | 4,203 |
| Four Seasons | 7,959 | 7,568 | 8,919 | 8,496 |
| Oaks | 4,565 | 4,980 | 4,696 | 5,115 |
| Others | 4,622 | 5,980 | 5,011 | 6,133 |
| **Average** | **4,998** | **5,228** | **5,494** | **5,657** |
| **MINT's Portfolio in Thailand** | **4,479** | **4,409** | **5,136** | **4,909** |
| **Industry Average in Thailand** | **1,715** | **1,717** | **N/A** | **N/A** |

**RevPar (Bt/night)**

| | 2Q13 | 2Q12 | 1H13 | 1H12 |
|---|---|---|---|---|
| Anantara | 3,074 | 3,046 | 4,081 | 4,026 |
| Marriott | 2,612 | 2,276 | 3,694 | 3,065 |
| Four Seasons | 4,997 | 4,444 | 6,215 | 5,206 |
| Oaks | 3,442 | 3,760 | 3,604 | 3,941 |
| Others | 2,446 | 2,954 | 2,770 | 3,311 |
| **Average** | **3,280** | **3,430** | **3,819** | **3,926** |
| **MINT's Portfolio in Thailand** | **2,784** | **2,537** | **3,608** | **3,089** |
| **Industry Average in Thailand** | **1,029** | **941** | **N/A** | **N/A** |

Source for Industry Average: Bank of Thailand

### Hotel Performance Analysis

In 2Q13, revenues from hotel operations grew by 3% y-y, mainly from the outstanding performances of owned hotels where system-wide RevPar increased by 10%, netted off with temporary closure of Anantara Bophut Samui Resort & Spa and Anantara Veli Resort & Spa, Maldives for renovation and permanent closure of Hua Hin Marriott Resort & Spa, together with decline in Oaks' RevPar by 7% from foreign exchange rate impact. Despite managed hotels' system-wide RevPar decrease of 5%, 2Q13 management income increased by 14% y-y due mainly to the addition of 839 rooms under management over the past 12 months.

By the same token, 1H13 revenue from hotel operations grew by 5% y-y from the strong operations of owned hotels, netted off with the temporary closure of the two hotels under renovation in 2Q13, permanent closure of Hua Hin Marriott Resort & Spa since July 2012, together with impact of the strengthening of the Thai Baht on Oaks' performance. Management income increased by 37% y-y due mainly to the addition of 839 rooms under management over the past 12 months, together with the initial technical advisory services fees of newly signed management contracts received in the first quarter of 2013.

### Mixed-Use Business & Performance Analysis

MINT's spa business is operated under Anantara, Mandara and Elemis brands. At the end of 2Q13, MINT owns and manages 32 spas in Thailand, China, Maldives, Tanzania, Jordan, UAE, Egypt and Korea. In 2Q13, MINT reported an 11% decrease in revenues from spa services to Bt 71m, mainly from foreign exchange rate impact as 56% of MINT's spas are located outside of Thailand, together with the closure of the spa in India. As a result, revenue from spa services also declined by 1% y-y to Bt 161m in 1H13.

Another mixed-use business of MINT is plaza and entertainment business. The company owns and operates three shopping plazas, namely; (1) Royal Garden Pattaya, (2) Turtle Village Shopping Plaza Phuket and (3) Royal Garden Plaza Bangkok. However, Royal Garden Plaza Bangkok has been temporarily closed since April 2013 for renovation, together with the construction of the flagship Avani Hotel and convention center in Bangkok. In addition, MINT is the operator of eight entertainment outlets, namely (1) Ripley's Believe It or Not Museum; (2) 4D Moving Theater; (3) Haunted Adventure; (4) Infinity Maze; (5) The Louis Tussaud's Waxworks; (6) surreal journey Scream in the Dark; (7) Ripley's Sky Rider; and (8) Ripley's The Vault. In 2Q13, revenues from plaza and entertainment businesses reported a decline of 13% y-y to Bt 139m, primarily from the loss of revenues from Royal Garden Plaza Bangkok. Consequently, 1H13 revenues from plaza and entertainment business slightly declined by 7% y-y to Bt 289m.

MINT's real estate business develops and sells properties in conjunction with the development of some of its hotels. The first project is the Estates Samui, consisting of 14 villas, adjacent to MINT's Four Seasons Hotel in Samui. The second project is St. Regis Residences, with 53 residential units located above St. Regis Hotel Bangkok. To date, all of the sellable St. Regis Residences units have been sold, while the remaining proceeds and revenue recognition are expected in the second half of the year.

Another real estate development operation launched in December 2010 is MINT's point-based vacation club under its own brand, Anantara Vacation Club. During 2Q13, Anantara Vacation Club added 6 purpose-built villas in Phuket to the inventory portfolio, bringing total inventory to 63 units in Samui, Phuket, Queenstown-New Zealand, Bangkok, Bali and Sanya-China. With Anantara Vacation Club's strong sales growth of 63%, revenues from real estate development increased by 25% y-y in 2Q13. In 1H13, revenues from real estate development increased by 12% y-y.

**Overall Hotel & Mixed-Use Financial Performance Analysis**

Total hotel and mixed-use revenues increased by 6% y-y in 2Q13. All hotel and mixed-use businesses, except spa services and plaza & entertainment reported healthy revenue growth in 2Q13. Hotel group's EBITDA declined by 8% y-y because of the temporary closure of 2 hotels in Samui and the Maldives and one plaza in Bangkok for renovation, permanent closure of Hua Hin Marriott Resort and negative foreign exchange impact on the overseas hospitality business.

For 1H13, total hotel and mixed-use revenues increased by 6%, mainly attribute to increase in revenue from hotel operations, management services and real estate development, while the revenue from plaza & entertainment slightly declined because of the temporary closure of Royal Garden Plaza Bangkok for renovation. Hotel group's EBITDA increased by 5% y-y in 1H13, in line with revenue growth.

**Revenue Breakdown**

| *Bt million* | **2Q13** | **2Q12** | **%Chg** |
|---|---|---|---|
| Hotel operations* | 2,645 | 2,565 | 3% |
| Management fee | 84 | 74 | 14% |
| Spa services | 71 | 80 | -11% |
| Plaza & entertainment | 139 | 160 | -13% |
| Real estate development | 750 | 602 | 25% |
| Total Revenues | 3,690 | 3,480 | 6% |
| **EBITDA** | **666** | **726** | **-8%** |
| **EBITDA Margin** | **18%** | **21%** | |
| | **1H13** | **1H12** | **%Chg** |
| Hotel operations* | 6,206 | 5,937 | 5% |
| Management fee | 240 | 175 | 37% |
| Spa services | 161 | 163 | -1% |
| Plaza & entertainment | 289 | 309 | -7% |
| Real estate development | 1,587 | 1,423 | 12% |
| Total Revenues | 8,484 | 8,007 | 6% |
| **EBITDA** | **2,393** | **2,285** | **5%** |
| **EBITDA Margin** | **28%** | **29%** | |

* Includes share of profit and other income

## Retail Trading and Contract Manufacturing Business

At the end of 2Q13, MINT had 247 retail trading points of sales, an increase of 7 points of sales from 240 at the end of 1Q13. Majority of new openings was fashion outlets. Of total 247 retail trading outlets, 87% are operated under fashion brands including Esprit, Bossini, GAP, Charles & Keith, Tumi and Pedro, while another 8% are operated under cosmetics brand, Red Earth.

**Retail Trading's Outlet Breakdown**

| | **2Q13** | **Chg q-q** | **Chg y-y** |
|---|---|---|---|
| Fashion | 215 | 6 | 19 |
| Cosmetics | 19 | 1 | -17 |
| Others | 13 | 0 | -1 |
| **Total Outlets** | **247** | **7** | **1** |

In 2Q13, total retail trading and contract manufacturing revenues grew by 4% y-y, mainly driven by improved revenue of fashion and contract manufacturing businesses. Retail trading revenues increased by 2% y-y in 2Q13, despite the closure of all outlets under Bloom and Smashbox and softening of the domestic consumption in 2Q13. Revenue from manufacturing, on the other hand, increased by 7% y-y in 2Q13, as NMT manufacturing plant did not resume its full operations after the 2011 floods until June 2012. Retail trading and contract manufacturing's EBITDA increased by 78% to Bt 64m in 2Q13 and EBITDA margin increased from 4% in 2Q12 to 8% in 2Q13, primarily because of the higher-margin fashion business, as well as the turnaround of NMT manufacturing plant upon its full operations.

1H13 revenues from retail trading and contract manufacturing grew by 13% y-y, while 1H13 EBITDA reported strong growth of 23%, compared to the same period last year. Excluding insurance claim from the flood received in 1H12, EBITDA rose even more significantly by 84% y-y from the better performance of the higher margin fashion business, together with fully operational NMT plant in 1H13. As a result, EBITDA margin expanded from 6% in 1H12 to 10% in 1H13, stripping out insurance claim received in 1H12.

**Retail Trading and Contract Manufacturing's Revenue Breakdown**

| *Bt million* | **2Q13** | **2Q12** | **%Chg** |
|---|---|---|---|
| Retail Trading | 561 | 550 | 2% |
| Manufacturing | 275 | 257 | 7% |
| Total Revenues | **836** | **807** | **4%** |
| **EBITDA** | **64** | **36** | **78%** |
| **EBITDA Margin** | **8%** | **4%** | |
| | **1H13** | **1H12** | **%Chg** |
| Retail Trading | 1,209 | 1,087 | 11% |
| Manufacturing | 592 | 509 | 16% |
| Total Revenues | **1,801** | **1,596** | **13%** |
| **EBITDA** | **172** | **139** | **23%** |
| **EBITDA Margin** | **10%** | **9%** | |

## Balance Sheet & Cash Flows

At the end of 2Q13, MINT reported total assets of Bt 55,358m, an increase of Bt 3,639m from Bt 51,719m at the end of 2012. The increase was primarily the result of:

1. Bt 2,303m increase in cash and cash equivalent due mainly to the proceeds from warrant and ESOP exercise (MINT-W4 and ESOP5) of Bt 3,570m, netted off with dividend payment of Bt 1,190m;
2. Bt 373m increase in available-for-sale investments primarily from the increased investment and change in fair value of investment in Breadtalk;
3. Bt 838m increase in property, plant and equipment, part of which is from the acquisition of Life Heritage Resort Hoi An (subsequently rebranded Anantara) and Life Resort Quy Nhon (to be rebranded to Avani) in Vietnam, together with expansion of restaurant outlets;

MINT reported total liabilities of Bt 31,670m at the end of 2Q13, a decrease of Bt 981m from Bt 32,651m at the end of 2012. The decrease was due mainly to repayment of loan, together with the strengthening of Thai Baht against foreign currency, resulting in a decline of Bt 523m in foreign currency-denominated loan.

Shareholders' equity increased by Bt 4,620m from Bt 19,068m at the end of 2012 to Bt 23,688m at the end of 2Q13 owing mainly to 1H13 net profit of Bt 1,870m and the exercise of rights-offering and ESOP warrants (MINT-W4 and ESOP5) of Bt 3,570m, netted off with dividend payment of Bt 1,190m.

For the 6 months of 2013, MINT and its subsidiaries reported cash flows from operations of Bt 2,253m, an increase of Bt 352m y-y. Cash flow paid for investing activities was Bt 2,090m, due primarily to (1) normal capital expenditure of hotel, restaurant and other businesses of Bt 1,242m (2) acquisition of two hotels in Vietnam of Bt 462m (3) investment in Anantara Vacation Club's inventory in order to accommodate selling rights for new club members of Bt 333m and (4) investment in Breadtalk of Bt 191m. The Company reported net cash received from financing activities of Bt 2,177m, comprising primarily of net proceeds from the exercise of MINT-W4 and ESOP5 of Bt 3,570m, netted off dividend payment of Bt 1,190m.

## Financial Ratio Analysis

MINT's gross profit margin increased to 58.1% in 1H13 compared to 56.6% in 1H12 from the improved gross profit margins of all three business units, in particular Anantara Vacation Club as the business is gaining higher operating leverage. As a result, net profit margin increased to 10.3% in 1H13 compared to 9.5% in 1H12.

Annualized return on equity decreased to 17.2% in 1H13 from 19.9% in 1H12 as a result of the significant increase in shareholders' equity from the exercise of warrants and ESOP. Annualized return on assets declined from 7.2% in 1H12 to 6.9% in 1H13 because of the increased cash from the exercise of warrants and ESOP.

Collection days increased significantly from 20 days in 1H12 to 34 days in 1H13, due primarily to the increased receivables from instalment sales of Anantara Vacation Club. Inventory days decreased from 50 days in 1H12 to 47 days in 1H13 due to the effective inventory management of restaurant business. Accounts payable days increased from 38 days in 1H12 to 41 days in 1H13 due mainly to the increased accounts payable from NMT plant y-y, which resumed only partial operation in 1H12 versus full operation in 1H13.

Current ratio increased to 1.4x in 2Q13 from 1.2x at the end of 2012 due mainly to the increase in cash from the exercise of warrants and ESOP. The warrant and ESOP exercise also resulted in increase in equity, which also led to the decrease in net interest bearing debt/ equity from 1.1x in 2Q12 to 0.7x in 2Q13. Interest coverage ratio increased to 5.9x in 2Q13 from 5.2x in 2Q12 because of the higher cash flow from operations.

**Financial Ratio Analysis**

| **Profitability Ratio (3 months)** | **30-Jun-13** | **30-Jun-12** |
|---|---|---|
| Gross Profit Margin (%) | 58.13% | 56.57% |
| Net Profit Margin (%) | 10.28% | 9.49% |
| Return on Equity* (%) | 17.20% | 19.86% |
| **Efficiency Ratio** | **30-Jun-13** | **30-Jun-12** |
| Return on Assets* (%) | 6.87% | 7.22% |
| Collection Period* (days) | 34 | 20 |
| Inventory Days* | 47 | 50 |
| Accounts Payable Days* | 41 | 38 |
| **Liquidity Ratio** | **30-Jun-13** | **31-Dec-12** |
| Current Ratio (x) | 1.35 | 1.15 |
| **Leverage & Financial Policy** | **30-Jun-13** | **31-Dec-12** |
| Interest Bearing Debt/Equity (x) | 0.99 | 1.27 |
| Net Interest Bearing Debt/Equity (x) | 0.74 | 1.07 |
| | **30-Jun-13** | **30-Jun-12** |
| Interest Coverage (x) (3 months) | 5.89 | 5.19 |

Note: *Annualized

## Management's Outlook

Despite a concern over global economic slowdown, MINT continues to deliver impressive financial result in 1H13. The Company enters the second half of 2013 with confidence that it can further propel the growth on the back of the following outstanding qualities;

- **Disciplined Acquisitions and Alliances**

MINT continues to evaluate potential acquisitions of other brands or assets. Its focus is on acquisitions that enhance the ability to serve existing customers and capture new ones by increasing the variety of the products in its hotel portfolio in terms of destinations, branding propositions and services. In July 2013, the Company made a US$4 million investment in the luxury boutique hotel brand Per AQUUM. This unique brand proposition allows MINT to better serve the exclusive needs of high-end customers as well as the development strategies of individual owners. Through Oaks, MINT invested in Cypress Lakes Resort, a 232 villas resort in Hunter Valley, Australia. Two hours north of Sydney, Hunter Valley is renowned for its wineries and extensive vineyards offering a luxury country escape for tourists from Sydney and Newcastle. Furthermore, MINT also explores the opportunities to form alliance with partners to strengthen its brand presence in growth markets. Recently, it entered into a partnership with Al Nasser Holdings, a conglomerate with over 70 subsidiaries in U.A.E. The joint venture has set the accelerated development targets to expand the restaurant business in the Middle East and North Africa region.

- **Agile Organization**

One of MINT's key strengths is agility. MINT has always been able to quickly respond and adapt to changes in market environment and customer preferences. This resiliency is the result of MINT's culture, shared objectives among all stakeholders as well as the development of database management. The system enhances MINT's ability to analyze the customer behavior and its trend as well as study its own pricing and cost structures, in addition to measuring the success of each operating and marketing strategy. As a result, the Company is able to quickly adjust its product offerings, pricing and promotions to better serve the needs of its customers. As one of the examples, MINT realizes that active revenue management is the vital function of its hotel operations. MINT is able to effectively manage its room inventory on a real-time basis and to successfully implement the pricing parity across all distribution channels.

- **Best-in-Class Platform and Network**

MINT's extensive experiences and its diversified portfolio of brands enable it to develop the best-in-class operating platforms, from back-office supporting system to sales and distribution network. The Company's existing presence is widely distributed, especially in the higher growth markets like China, India, Middle East and South East Asia. Its existing hotels and restaurants serve as a strong platform to pursue new growth opportunities in other markets. With its extensive presence in the Maldives through its hotel operation, MINT recently launched five restaurants under

Burger King, Swensen's, The Coffee Club, and Thai Express brands. These restaurants have taken off very well, and the plan to open two additional restaurants under Burger King and The Coffee Club brands in September is well under way. The combination of strong brands, its presence, experienced management team, provides the Company with a strong foundation for future growth and long-term value creation.

- **Strong Capital Base**

MINT has maintained an appropriate level of financial leverage and liquidity. Despite temporary increase in interest-bearing debt to equity ratio in 2011 to 1.3x to support the acquisition of Oaks in Australia, the ratio has substantially come down to 1.0x in 1H13. This was due to solid financial performance, strong cash flows and disciplined capital management. MINT expects its leverage ratio to decline even further as the Company generates strong free cash flows towards the end of the year, and continues to deliver market-leading returns to all of its stakeholders.

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Ms. Trithip Sivakriskul
Corporate Chief Financial Officer