

For Immediate Release

## **The Erawan Group announces new expansion strategy, including diversification into economy hotel sector with Accor's Ibis brand**

**Bangkok – March 29th, 2006:** The Erawan Group signals its intention to tap the forecast surge in budget and business travel to Thailand, particularly from China and India. The Erawan Group is to become the stock market listed “proxy” for the Thai hospitality sector, covering all main market segments. An equity capital issue will provide funding support for the expansion.

The Erawan Group PLC (“Erawan”) has signed a memorandum of understanding with The Accor Group (“Accor”) to build a network of up to 10 economy hotels under the Ibis brand in six major destinations in Thailand: Bangkok, Pattaya, Phuket, Koh Samui, Chiang Mai and Krabi. The intention is for six hotels to be built by 2008 and up to a further four to be completed by 2010. Each property will have around 200-250 rooms and will cost Baht 300-400 million.

Accor is one of the world's leading mid-range and economy segment hotel operators. It is the fastest growing hotel group in the Asia-Pacific region and already has 23 hotels in Thailand, with 13 more scheduled to open in the next two years (not including the new Erawan alliance hotels). The Ibis brand, owned by Accor, is the world's most popular economy hotel brand, with over 720 hotels globally.

**Mr. Kasama Punyagupta**, Chief Executive Officer of The Erawan Group, said: “The economy segment in Thailand represents a large and untapped market for international brands. Accor is the ideal partner to develop this market with us – and Ibis the appropriate brand. We aim to position The Erawan Group to profit from the momentous growth in budget travelers to Thailand in the years and decades to come. ‘Standard quality, simplicity and value-for-money’ will be the main characteristics of the new properties. The starting rate will be less than US\$30 per night (about 1,200 baht).”

**Mr. Michael Issenberg**, Managing Director of Accor Asia-Pacific, added: "We are very bullish on the future of Thailand's tourism industry, particularly in the key destinations where we are going to open Ibis hotels with The Erawan Group. Most new hotels under construction in Thailand will cater to the top end of the market but very few are poised to cater to the fastest growing market – the economy sector. The Ibis brand will fill a clear market need as Thailand's domestic and regional market grows, especially with the rapid increase in low-cost air carriers in the region.

"The announcement comes at a time when Ibis is experiencing its fastest-ever expansion in the Asia-Pacific region. We launched Ibis in Bangkok earlier this year, the brand is expanding in Korea and Indonesia, and in China and India there are plans for networks of over 20 Ibis hotels in each country."

The Ibis hotel investment will form part of a broader three-year Baht 6 billion expansion programme at The Erawan Group, including two projects already announced: a 5-star deluxe Six Senses resort and a 4-star Courtyard by Marriott Bangkok (both due for completion in 2007). The expansion plan is also likely to include one further 4-star resort development, currently under negotiation, details of which are expected to be announced soon.

Mr. Kasama explained: "Our strategy is designed to create sustainable growth in shareholder value in the coming years. While remaining focused on Thailand, the objective will be to diversify both geographically and in terms of market segment. By 2008 we aim to be a true 'proxy' of the Thai hospitality sector with a portfolio of around 12 hotels across the spectrum from economy to 5-star deluxe – and in all key business travel destinations in Thailand. Apart from the forecast growth in budget travel, two additional ingredients will be vital for the success of our strategy. The first is that we will be partnered with three of the world's top 10 hotel operators, plus one up-and-coming regional brand. The second – and probably the most important of all – is the magnetic appeal of Thailand itself – its culture, sites and the world-renowned hospitality of Thai people."

The Baht 6 billion medium-term expansion plan will be funded primarily by operating cash flows and efficient use of project debt, while keeping within a medium-term debt-to-equity target ratio of 2:1 or less. The expansion will also be supported by a rights and warrants issue that was approved by The Erawan Group board on 28th March 2006. The rights issue will offer one new share for every three existing shares, at a price of Baht 1 per share, raising Baht 484 million. For each new share, subscribers will also receive one free warrant. Two

warrants will be convertible into one Erawan common share at an exercise price of Baht 2.15 in December 2007. The warrants conversion is expected to raise an additional Baht 520 million in equity capital.

**About The Erawan Group Plc.**

The Erawan Group Plc., listed on the Stock Exchange of Thailand, owns two of Bangkok's leading 5-star hotels – the Grand Hyatt Erawan Bangkok and the JW Marriott Bangkok – as well as three retail properties: the Erawan Bangkok, Amarin Plaza and Ploenchit Center.

In 2005 the company launched three new growth initiatives:

- Acquisition of a 5-star hotel on Koh Samui, now known as the Renaissance Koh Samui Resort & Spa;
- Development of Courtyard by Marriott Bangkok, a new business hotel, scheduled for opening in 2007; and
- Development of Six Senses Phuket, a deluxe pool villa resort, also scheduled for opening in 2007.

The Erawan Group had total revenues of Baht 2.9 billion in 2005, up 12.8% on the previous year, and EBITDA\* of Baht 971 million, up 5.3%.

*\*Earnings before interest, tax, depreciation and amortization.*

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