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Subject: Management Discussion and Analysis of Financial Statements

To: President,
The Stock Exchange of Thailand

Airports of Thailand Public Company Limited and its subsidiaries

Management discussion and analysis of financial statements for the year ended September 30th, 2018

Overall performance and significant events

The overall aviation industry of Thailand during October 2017 - September 2018 has improved comparing to the same period last year. This is in line with growth in the tourism sector. A support from the Thai government on the tourism contributed to such growth. As a consequence, a number of tourists travelling to Thailand increases, especially for Chinese tourists. The rapid expansion of low cost airlines leads to the price competition. This benefits to passengers due to cheaper air fares and the diversity of flight routes. Moreover, the International Civil Aviation Organization (ICAO) has removed Thailand from the list of significant safety concerns. As a result, Thai airlines can expand its service and increase the number of flights. This is positive to both aviation industry and the overall economy.

For the year ended September 30th, 2018, the air traffic volume from six airports under the Airports of Thailand Public Company Limited (AOT) was 874,999 flights, a 6.24% increase comparing to last year. It comprised 462,225 international flights and 412,774 domestic flights. The total number of passengers was 139.52 million, a 7.99% increase comparing to last year. It comprised 80.49 million international passengers and 59.03 million domestic passengers which mainly from the increase in international flights and passengers.

In 2018, AOT generated net profit of Baht 25,170.76 million. It increased by Baht 4,487.16 million or 21.69% comparing to last year. Total revenues increased by Baht 5,444.97 million, total expenses increased by Baht 502.57 million, and income tax expense increased by Baht 457.31 million.

1. Analysis of operations

1.1 Operating results for the year ended September 30th, 2018

Unit: Million Baht

	2018	2017	Increase (decrease)	% YoY
Revenues from sales or services	60,537.41	54,901.16	5,636.25	10.27
<i>Aeronautical revenue</i>	33,986.26	30,825.41	3,160.85	10.25
<i>Portion</i>	56%	56%		
<i>Non-aeronautical revenue</i>	26,551.15	24,075.75	2,475.40	10.28
<i>Portion</i>	44%	44%		
Other income	1,598.52	1,789.80	(191.28)	(10.69)
Total revenues	62,135.93	56,690.96	5,444.97	9.60
<u>Less</u> Total expenses	31,008.56	30,505.99	502.57	1.65
Profit before income tax expense	31,127.37	26,184.97	4,942.40	18.87
<u>Less</u> Income tax expense	5,902.71	5,445.40	457.31	8.40
Net profit for the year	25,224.66	20,739.57	4,485.09	21.63
Profit attributable to:				
Owners of the parent	25,170.76	20,683.60	4,487.16	21.69
Non-controlling interests	53.90	55.97	(2.07)	(3.70)
Earnings per share (Baht)	1.76	1.45	0.31	21.38

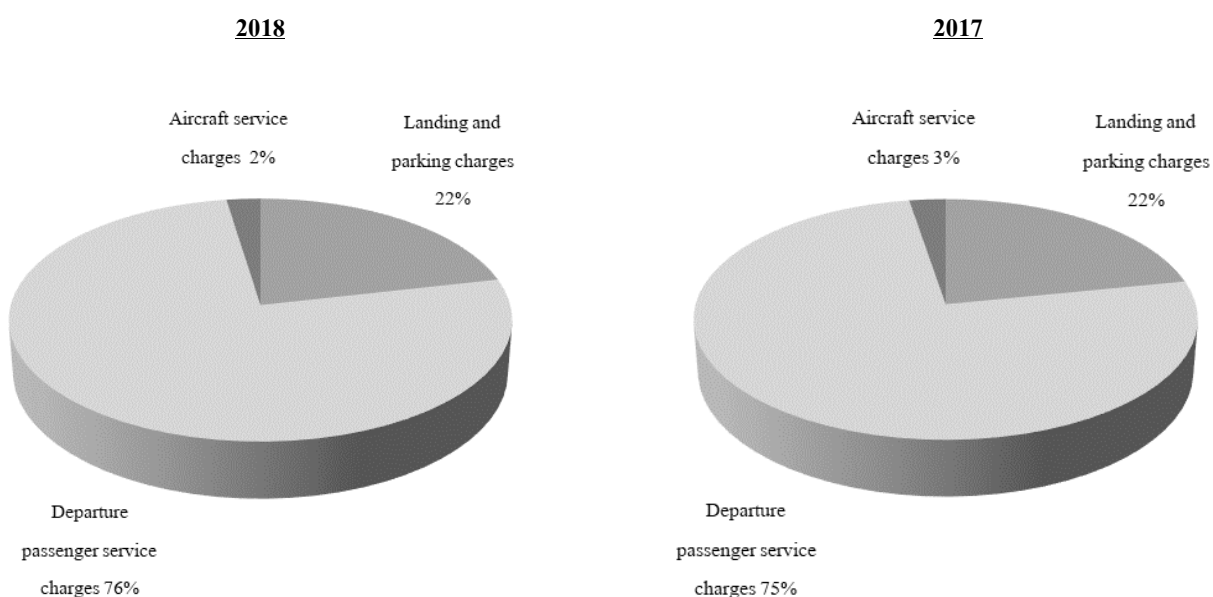
Net profit for the year ended September 30th, 2018 was Baht 25,170.76 million. It increased by Baht 4,487.16 million or 21.69% comparing to last year. Revenues from sales or services increased by Baht 5,636.25 million or 10.27% as a result of an increase in aeronautical revenue of Baht 3,160.85 million or 10.25% and non-aeronautical revenue of Baht 2,475.40 million or 10.28% because of increasing in number of flights and passengers. Other income decreased by Baht 191.28 million or 10.69% mainly from a decrease in gain on foreign exchange. Total expenses increased by Baht 502.57 million or 1.65%. Income tax expense increased by Baht 457.31 million or 8.40% which was in line with an increase in profit.

The detailed analysis of each type of revenues and expenses are as follow;

1.2 Aeronautical Revenue

Unit: Million Baht

	2018	2017	Increase (decrease)	%YoY
Landing and parking charges	7,303.66	6,731.61	572.05	8.50
Departure passenger service charges	25,850.04	23,285.00	2,565.04	11.02
Aircraft service charges	832.56	808.80	23.76	2.94
Total	33,986.26	30,825.41	3,160.85	10.25



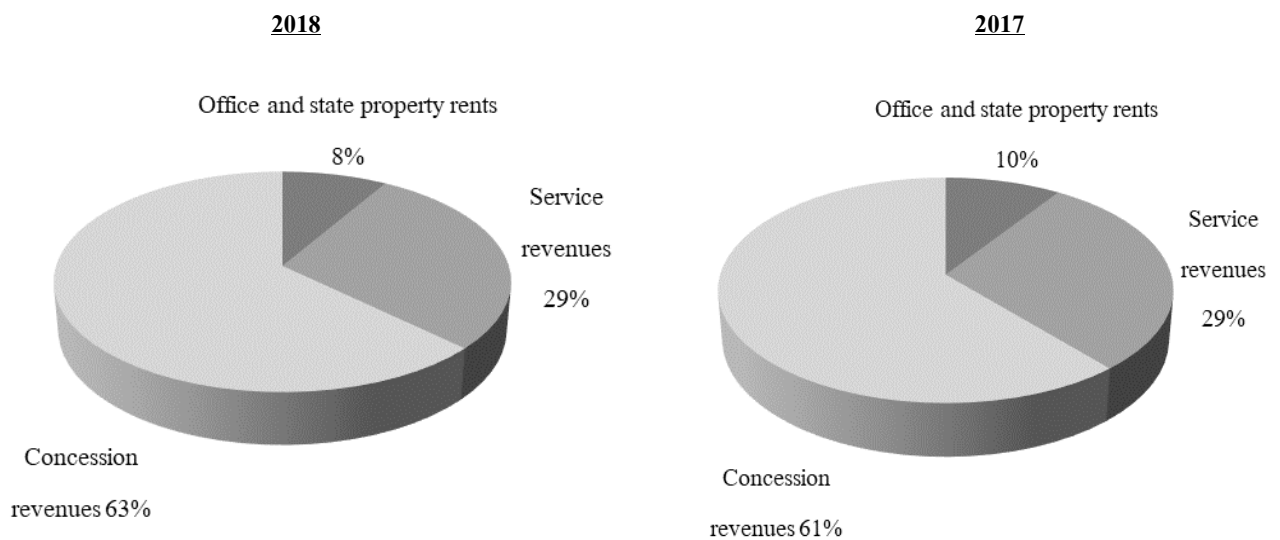
A portion of aeronautical revenue in each type in FY 2018 did not change significantly comparing to last year. The majority of aeronautical revenue was departure passenger service charges.

For the year ended September 30th, 2018, aeronautical revenue of Baht 33,986.26 million increased by Baht 3,160.85 million or 10.25% comparing to last year due to an increase in departure passenger service charges of Baht 2,565.04 million or 11.02%. This was because of an increase in the number of passengers in six airports 7.99% which mainly from an increase in passengers of low cost airlines 13.66%. Moreover, landing and parking charges and aircraft service charges increased slightly by Baht 572.05 million and Baht 23.76 million, respectively. This was because the number of flights increased by 6.24% which mainly from an increase in flights of low cost airlines 11.96%.

1.3 Non-Aeronautical Revenue

Unit: Million Baht

	2018	2017	Increase (decrease)	%YoY
Office and state property rents	2,264.96	2,264.83	0.13	0.01
Service revenues	7,575.76	7,059.20	516.56	7.32
Concession revenues	16,710.43	14,751.72	1,958.71	13.28
Total	26,551.15	24,075.75	2,475.40	10.28



A portion of non-aeronautical revenue in each type in FY 2018 did not change significantly comparing to last year. The majority of non-aeronautical revenue was concession revenues.

For the year ended September 30th, 2018, non-aeronautical revenue of Baht 26,551.15 million increased by Baht 2,475.40 million or 10.28% comparing to last year due to an increase in concession revenues of Baht 1,958.71 million or 13.28%. The main reasons were an increase in number of passengers, customers in airports including the increase in revenue sharing rate. In addition, service revenues increased by Baht 516.56 million or 7.32% which mainly from advance passenger checking service.

1.4 Other income

Unit: Million Baht

	2018	2017	Increase (decrease)	%YoY
Gain on foreign exchange	212.30	442.87	(230.57)	(52.06)
Interest income	1,021.98	1,036.14	(14.16)	(1.37)
Gain (Loss) on sales of assets	4.82	(53.31)	58.13	109.04
Others	359.42	364.10	(4.68)	(1.29)
Total	1,598.52	1,789.80	(191.28)	(10.69)

Other income for the year ended September 30th, 2018 was Baht 1,598.52 million. It decreased by Baht 191.28 million or 10.69% comparing to last year mainly from gain on foreign exchange decreased by Baht 230.57 million due to the appreciation of Thai Baht against Japanese Yen was less than last year.

1.5 Total expenses

Unit: Million Baht

	2018	2017	Increase (decrease)	%YoY
Employee benefit expenses	7,001.73	6,499.05	502.68	7.73
Utilities expenses	2,603.19	2,520.66	82.53	3.27
Outsourcing expenses	5,623.03	5,328.45	294.58	5.53
Repairs and maintenance	2,486.74	2,545.31	(58.57)	(2.30)
State property rental	3,875.62	4,099.31	(223.69)	(5.46)
Depreciation and amortisation expenses	5,641.67	5,644.51	(2.84)	(0.05)
Property tax	158.13	138.05	20.08	14.55
Loss on impairment of assets	82.13	148.70	(66.57)	(44.77)
Other expenses	2,520.16	2,387.02	133.14	5.58
Financial costs	1,016.16	1,194.93	(178.77)	(14.96)
Total	31,008.56	30,505.99	502.57	1.65

For the year ended September 30th, 2018, total expenses were Baht 31,008.56 million. It increased by Baht 502.57 million or 1.65% comparing to last year. This was mainly due to an increase in employee benefit expenses of Baht 502.68 million. Outsourcing expenses increased of Baht 294.58 million and other expenses increased of Baht 133.14 million. While state property rental decreased of Baht 223.69 million as a result of last

year AOT had recorded the additional state property rental of Suvarnabhumi Airport since 2013. Financial costs decreased by Baht 178.77 million and loss on impairment of assets decreased by Baht 66.57 million. Other categories of expenses did not change significantly comparing to last year.

2. Analysis of financial position

The financial position as at September 30th, 2018 of AOT is as follows:

Unit: Million Baht

	2018	2017	Increase (decrease)	% change
Total assets	187,708.55	178,409.93	9,298.62	5.21
Total liabilities	43,439.43	46,721.24	(3,281.81)	(7.02)
Total equity	144,269.12	131,688.69	12,580.43	9.55

The material changes in assets, liabilities and equity as at September 30th, 2018 comparing to September 30th, 2017 are as follows:

2.1 Analysis of assets

Total assets as at September 30th, 2018 were Baht 187,708.55 million. They increased by Baht 9,298.62 million or 5.21% from September 30th, 2017 as detailed below.

Unit: Million Baht

	2018	2017	Increase (decrease)	% change
Current assets	77,068.09	71,655.01	5,413.08	7.55
Investment	1,257.04	1,650.77	(393.73)	(23.85)
Property plant equipment and investment properties	104,887.28	102,260.49	2,626.79	2.57
Other non-current assets	4,496.14	2,843.66	1,652.48	58.11
Total assets	187,708.55	178,409.93	9,298.62	5.21

Current assets of Baht 77,068.09 million increased by Baht 5,413.08 million or 7.55% due to an increase in short-term investments of Baht 5,850.06 million. While cash and cash equivalents decreased of Baht 715.65 million. Trade accounts receivable, other receivables, inventories and supplies and other current assets did not change significantly comparing to last year.

Investment of Baht 1,257.04 million decreased by Baht 393.73 million or 23.85% due to a decrease in available-for-sale investments of Baht 448.68 million as a result of change in fair value.

Property plant equipment and investment properties of Baht 104,887.28 million increased by Baht 2,626.79 million or 2.57%. This was mainly from the construction contracts for aprons including midfield satellite building 1 (levels B2, B1 and G) and extension of connecting the south tunnel (structure and main system work) of Suvarnabhumi Airport.

Other non-current assets of Baht 4,496.14 million increased by Baht 1,652.48 million or 58.11% due to an increase in advance payment of Baht 1,458.49 million. The majority was advance payment of the construction contracts for midfield satellite building 1 (levels 2-4) and extension of connecting the south tunnel (sub system work) of Suvarnabhumi Airport. Moreover, deferred tax assets increased by Baht 315.70 million.

2.2 Analysis of liabilities

Total liabilities as at September 30th, 2018 were Baht 43,439.43 million. They decreased by Baht 3,281.81 million or 7.02% from September 30th, 2017 as detailed below.

Unit: Million Baht				
	2018	2017	Increase (decrease)	% change
Current liabilities	23,202.73	20,728.19	2,474.54	11.94
Long-term loans	13,684.89	19,228.75	(5,543.86)	(28.83)
Other non-current liabilities	6,551.81	6,764.30	(212.49)	(3.14)
Total liabilities	43,439.43	46,721.24	(3,281.81)	(7.02)

Current liabilities of Baht 23,202.73 million increased by Baht 2,474.54 million or 11.94% due to an increase in other payables of Baht 1,592.46 million mainly from state property rental payable, work in processes payable of Baht 516.42 million and income tax payable of Baht 376.05 million. While trade accounts payable decreased of Baht 234.78 million.

Long-term loans of Baht 13,684.89 million decreased by Baht 5,543.86 million or 28.83% due to a repayment of borrowing of Baht 5,425.08 million and the effect from foreign exchange rates of Baht 636.53 million.

Other non-current liabilities of Baht 6,551.81 million decreased by Baht 212.49 million or 3.14% due to a decrease in finance leased liabilities of Baht 297.36 million.

2.3 Analysis of equity

The total equity as at September 30th, 2018 was Baht 144,269.12 million. It increased by Baht 12,580.43 million or 9.55% from total comprehensive income for the year ended September 30th, 2018 of Baht 24,865.71 million less dividend payment of Baht 12,285.28 million.

3. Analysis of equity

As at September 30th, 2018, cash and cash equivalents were Baht 8,602.10 million. They decreased by Baht 715.65 million from September 30th, 2017 as detailed below.

Unit: Million Baht

	2018
Cash flows from operating activities	33,818.12
Cash flows from investing activities	(15,607.84)
Cash flows from financing activities	(18,925.93)
Net decrease in cash and cash equivalents	(715.65)
Cash and cash equivalents at the beginning of the year	9,317.75
Cash and cash equivalents at the end of the year	8,602.10

The change in cash and cash equivalents for the year ended September 30th, 2018 can be analysed as below;

Cash generated from operating activities of Baht 33,818.12 million. It resulted from an operation of the current year.

Cash used in investing activities of Baht 15,607.84 million. It resulted from cash paid for investment in property plant and equipment of Baht 9,750.49 million. The majority was investment at the Suvarnabhumi Airport, Phuket International Airport and Hat Yai International Airport. There was net cash paid for short-term investments of Baht 5,850.06 million.

Cash used in financing activities of Baht 18,925.93 million mainly from dividend payment of Baht 12,285.28 million and repayment for long-term loans of Baht 5,468.11 million.

4. Ratio analysis

	2018	2017
Profitability ratio		
Ratio of profit from operations to revenue from operations (%)	50.73	46.97
Return on equity (ROE) (%)	18.29	16.45
Return on total assets (ROA) (%)	13.75	11.80

4. Ratio analysis (Con't)

	2018	2017
Financial structure and liability ratio		
Debt to equity ratio (Time)	0.30	0.35
Liquidity ratio (Time)	3.32	3.46

AOT has made profit continuously. This was shown by the ratio of profit from operations to revenue from operations increased by 3.76%. The return on total assets increased by 1.95%. The return on equity increased by 1.84%. For the financial structure, AOT was able to maintain its financial structure by having debt to equity ratio less than one time and liquidity ratio exceeding three times.

5. Factors affecting future operation

The situation of intense competition of aviation industry together with the increase of demand for travelling by air resulting in a development of airport services in Thailand. This requires a concrete action plan to accommodate the demand of air transportation that is expected to increase in the future especially for the development of aviation infrastructure.

AOT manages and operates the six airports in Thailand that are the key parts of Thailand's air travel infrastructure under the strategic development plan to meet the growing demand for air travel. This focusses on developing infrastructure in order to support growth in the number of flights and passengers volume in the future. As part of this ongoing process, AOT has been continuously improving and enhancing its six airports. The AOT's Board of Directors has approved the revision of the master plan of six airports. The plan accelerates the improvements of airports' ability to handle a significant increase in aircraft traffic and passenger volume. AOT has expanded the capacity of its airports in line with the Twelfth National Economic and Social Development Plan, which stipulates the strategy for advancing infrastructure and logistics, including the Ministry of Transport's 2017 Transport Infrastructure Development Strategy which describes how to enhance the competitiveness of Thailand's transport network and increase national economic growth. As a consequence of the development plan being implemented, passengers will receive good services, standard facilities and an adequate infrastructure that will result convenience to passengers and quick airport services. AOT is currently researching and developing the new business especially for air cargo transportation which is one of core mission to perform the integrated operation among six airports.

In addition, the government has a policy to promote secondary-city tourism. This policy will help to mitigate the high tourist density in primary cities. It will also facilitate a congestion of passengers at Suvarnabhumi Airport and Don Mueang International Airport. The AOT's Board of Directors has approved the plan for the airport network in Thailand by managing four regional airports of Department of Airports– Udon Thani

International Airport, Sakon Nakhon Airport, Chumphon Airport and Tak Airport. The expansion of airport network system is to prepare the growth in industrial tourism in the future and to promote Thailand to be the aviation hub in Asia. This will also contribute the economic growth and increase equality in domestic income distribution at the provincial, regional and national levels.

Please be informed, accordingly.

Yours sincerely,

(Chenwit Musikarat)

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Authorised Person

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