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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 three-month period ended December 31<sup>st</sup>, 2018

**Overall performance and significant events**

The overall aviation industry of Thailand during October 2018 – December 2018 has improved comparing to the same period last year due to growth in the tourism sector. A support from the Thai government on the tourism makes tourists travelling increases, especially tourists from India and European countries. This helps to compensate the short-term decline in Chinese tourists. However, Chinese tourists still be the main nationality travelling to Thailand. In addition, the visa-on-arrival fee waiver for tourists in a period of time will return the number of Chinese tourists to normal situation. The ongoing expansion of low cost airlines leads to the price competition. This benefits to air travellers due to cheaper air fares and more the diversity of flight routes. This is positive to both aviation industry and the overall economy of Thailand.

In the first quarter of FY 2019, the air traffic volume from the six airports under the Airports of Thailand Public Company Limited (AOT) reported 226,901 flights, a 5.88% increase comparing to the same period last year. It comprised 120,224 international flights and 106,677 domestic flights. The total number of passengers was 35.59 million, a 2.75% increase comparing to the same period last year. It comprised 20.42 million international passengers and 15.17 million domestic passengers which mainly from the increase in international flights and passengers.

During the first quarter of FY 2019, AOT generated net profit of Baht 6,375.63 million. It increased by Baht 156.11 million or 2.51% comparing to the same period last year. Total revenues increased by Baht 789.03 million, total expenses increased by Baht 542.99 million, and income tax expense increased by Baht 94.67 million.

## 1. Analysis of operations

### 1.1 Operating results for the three-month period ended December 31<sup>st</sup>, 2018

Unit: Million Baht

	Q1/2019	Q1/2018	Increase (decrease)	% YoY
Revenues from sales or services	15,396.44	14,612.45	783.99	5.37
<i>Aeronautical revenue</i>	8,525.36	8,247.07	278.29	3.37
<i>Portion</i>	55%	56%		
<i>Non-aeronautical revenue</i>	6,871.08	6,365.38	505.70	7.94
<i>Portion</i>	45%	44%		
Other income	402.01	396.97	5.04	1.27
<b>Total revenues</b>	<b>15,798.45</b>	<b>15,009.42</b>	<b>789.03</b>	<b>5.26</b>
<u>Less</u> Total expenses	7,766.01	7,223.02	542.99	7.52
<b>Profit before income tax expense</b>	<b>8,032.44</b>	<b>7,786.40</b>	<b>246.04</b>	<b>3.16</b>
<u>Less</u> Income tax expense	1,643.31	1,548.64	94.67	6.11
<b>Net profit for the period</b>	<b>6,389.13</b>	<b>6,237.76</b>	<b>151.37</b>	<b>2.43</b>
<b>Profit attributable to:</b>				
<b>Owners of the parent</b>	<b>6,375.63</b>	<b>6,219.52</b>	<b>156.11</b>	<b>2.51</b>
Non-controlling interests	13.50	18.24	(4.74)	(25.99)
<b>Earnings per share (Baht)</b>	<b>0.45</b>	<b>0.44</b>	<b>0.01</b>	<b>2.27</b>

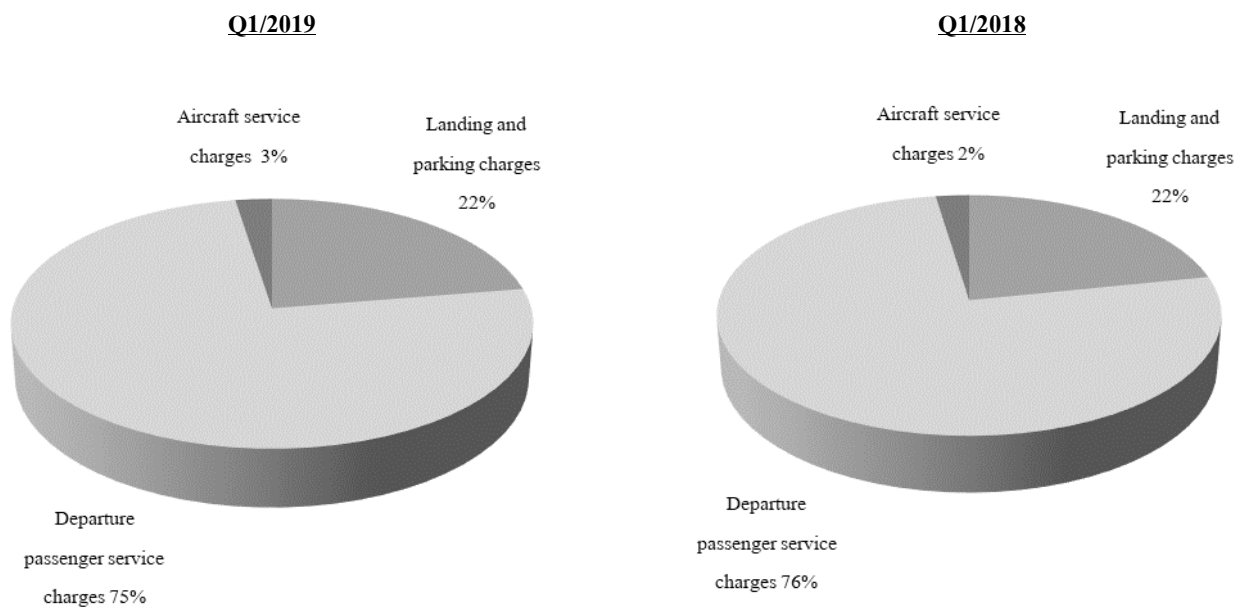
Net profit for the three-month period ended December 31<sup>st</sup>, 2018 was Baht 6,375.63 million. It increased by Baht 156.11 million or 2.51% comparing to the same period last year. Revenues from sales or services increased by Baht 783.99 million or 5.37% as a result of an increase in aeronautical revenue of Baht 278.29 million or 3.37% and non-aeronautical revenue of Baht 505.70 million or 7.94% because of increasing in number of flights and passengers. Other income increased by Baht 5.04 million or 1.27%. Total expenses increased by Baht 542.99 million or 7.52% which mainly from an increase in employee benefit expenses, repairs and maintenance, loss on impairment of assets and other expenses. Income tax expense increased by Baht 94.67 million or 6.11% which was in line with an increase in profit.

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

### 1.2 Aeronautical Revenue

Unit: Million Baht

	Q1/2019	Q1/2018	Increase (decrease)	%YoY
Landing and parking charges	1,912.14	1,795.47	116.67	6.50
Departure passenger service charges	6,396.21	6,253.05	143.16	2.29
Aircraft service charges	217.01	198.55	18.46	9.30
<b>Total</b>	<b>8,525.36</b>	<b>8,247.07</b>	<b>278.29</b>	<b>3.37</b>



A portion of aeronautical revenue in each type in the first quarter of FY 2019 was not significant changed from the same period last year. The majority of aeronautical revenue was departure passenger service charges.

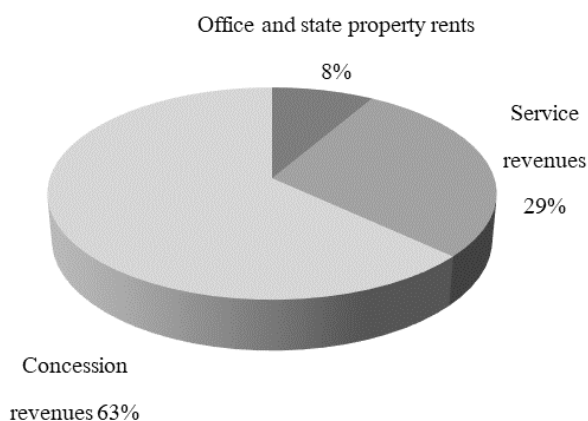
Aeronautical revenue of Baht 8,525.36 million increased by Baht 278.29 million or 3.37% comparing to the same period last year due to an increase in departure passenger service charges of Baht 143.16 million or 2.29%. This was because of an increase in the number of passengers in six airports 2.75% which mainly from an increase in passengers of low cost airlines 7.96%. Moreover, landing and parking charges and aircraft service charges increased by Baht 116.67 million and Baht 18.46 million, respectively. This was because the number of flights increased by 5.88% which mainly from an increase in flights of low cost airlines 10.35%.

### 1.3 Non-Aeronautical Revenue

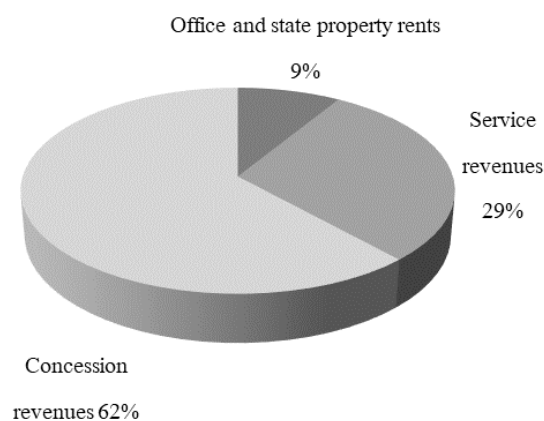
Unit: Million Baht

	Q1/2019	Q1/2018	Increase (decrease)	%YoY
Office and state property rents	579.73	558.59	21.14	3.78
Service revenues	1,955.06	1,875.96	79.10	4.22
Concession revenues	4,336.29	3,930.83	405.46	10.31
<b>Total</b>	<b>6,871.08</b>	<b>6,365.38</b>	<b>505.70</b>	<b>7.94</b>

Q1/2019



Q1/2018



A portion of non-aeronautical revenue in each type in the first quarter of FY 2019 was not significant changed from the same period last year. The majority of non-aeronautical revenue was concession revenues.

Non-aeronautical revenue of Baht 6,871.08 million increased by Baht 505.70 million or 7.94% comparing to the same period last year due to an increase in concession revenues of Baht 405.46 million or 10.31% which was in line with an increase in number of passengers and customers in airports. Service revenues increased by Baht 79.10 million or 4.22% which mainly from service charges of car park of Baht 19.74 million, advance passenger checking service of Baht 19.04 million and electricity income of Baht 18.17 million.

#### 1.4 Other income

Unit: Million Baht

	Q1/2019	Q1/2018	Increase (decrease)	%YoY
Interest income	309.27	273.12	36.15	13.24
Gain on sales of assets	0.44	0.45	(0.01)	(2.22)
Other income	92.30	123.40	(31.10)	(25.20)
<b>Total</b>	<b>402.01</b>	<b>396.97</b>	<b>5.04</b>	<b>1.27</b>

Other income was Baht 402.01 million. It increased by Baht 5.04 million or 1.27% which did not change significantly comparing to the same period last year.

#### 1.5 Total expenses

Unit: Million Baht

	Q1/2019	Q1/2018	Increase (decrease)	%YoY
Employee benefit expenses	1,673.19	1,538.44	134.75	8.76
Utilities expenses	660.35	627.40	32.95	5.25
Outsourcing expenses	1,424.21	1,394.71	29.50	2.12
Repairs and maintenance	616.43	524.81	91.62	17.46
State property rental	983.00	944.27	38.73	4.10
Depreciation and amortisation expenses	1,430.72	1,376.24	54.48	3.96
Loss on impairment of assets	138.14	52.77	85.37	161.78
Loss/(Gain) on foreign exchange	2.20	(36.12)	38.32	106.09
Other expenses	612.89	529.85	83.04	15.67
Financial costs	224.88	270.65	(45.77)	(16.91)
<b>Total</b>	<b>7,766.01</b>	<b>7,223.02</b>	<b>542.99</b>	<b>7.52</b>

Total expenses was Baht 7,766.01 million. It increased by Baht 542.99 million or 7.52% comparing to the same period last year. The significant change came from the increase in employee benefit expenses by Baht 134.75 million. Moreover, repairs and maintenance increased by Baht 91.62 million. Loss on impairment of assets increased by Baht 85.37 million. Other expenses increased by Baht 83.04 million. Depreciation and amortisation expenses increased by Baht 54.48 million. While financial costs decreased by 45.77 million. Other categories of expenses did not change significantly comparing to the same period last year.

## 2. Analysis of financial position

The financial position as at December 31<sup>st</sup>, 2018 of AOT is as follows:

Unit: Million Baht

	31 Dec 2018	30 Sep 2018	Increase (decrease)	% change
Total assets	188,409.04	187,708.55	700.49	0.37
Total liabilities	37,731.43	43,439.43	(5,708.00)	(13.14)
Total equity	150,677.61	144,269.12	6,408.49	4.44

The material changes in assets, liabilities and equity as at December 31<sup>st</sup>, 2018 comparing to September 30<sup>th</sup>, 2018 are as follows:

### 2.1 Analysis of assets

Total assets as at December 31<sup>st</sup>, 2018 were Baht 188,409.04 million. They increased by Baht 700.49 million or 0.37% from September 30<sup>th</sup>, 2018 as detailed below.

Unit: Million Baht

	31 Dec 2018	30 Sep 2018	Increase (decrease)	% change
Current assets	78,979.30	77,068.09	1,911.21	2.48
Investment	1,162.50	1,257.04	(94.54)	(7.52)
Property plant equipment and investment properties	103,668.44	104,887.28	(1,218.84)	(1.16)
Other non-current assets	4,598.80	4,496.14	102.66	2.28
<b>Total assets</b>	<b>188,409.04</b>	<b>187,708.55</b>	<b>700.49</b>	<b>0.37</b>

Current assets of Baht 78,979.30 million increased by Baht 1,911.21 million or 2.48% due to an increase in short-term investments of Baht 2,500.00 million and a slight increase in trade accounts receivable of Baht 563.80 million which was increase in line with revenue. While cash and cash equivalents decreased by Baht 1,108.89 million. Other current assets (i.e. other receivables, inventories and supplies and other current assets) did not change significantly comparing to last year.

Investment of Baht 1,162.50 million decreased by Baht 94.54 million or 7.52% due to a decrease in investments in bonds with obligations by Baht 54.99 million. Available-for-sale investments decreased by Baht 39.55 million from change in fair value.

Property plant equipment and investment properties of Baht 103,668.44 million decreased by Baht 1,218.84 million or 1.16% because of depreciation expenses in the period.

Other non-current assets of Baht 4,598.80 million increased by Baht 102.66 million or 2.28% due to an increase in deferred tax assets of Baht 107.09 million

## 2.2 Analysis of liabilities

Total liabilities as at December 31<sup>st</sup>, 2018 were Baht 37,731.43 million. They decreased by Baht 5,708.00 million or 13.14% from September 30<sup>th</sup>, 2018 as detailed below.

**Unit: Million Baht**

	<b>31 Dec 2018</b>	<b>30 Sep 2018</b>	<b>Increase (decrease)</b>	<b>% change</b>
Current liabilities	18,003.88	23,202.73	(5,198.85)	(22.41)
Long-term loans	13,449.93	13,684.89	(234.96)	(1.72)
Other non-current liabilities	6,277.62	6,551.81	(274.19)	(4.18)
<b>Total liabilities</b>	<b>37,731.43</b>	<b>43,439.43</b>	<b>(5,708.00)</b>	<b>(13.14)</b>

Current liabilities of Baht 18,003.88 million decreased by Baht 5,198.85 million or 22.41% due to a decrease in other payables of Baht 2,507.91 million which mainly from payment of state property rental for 2018. Work in processes payable decreased of Baht 1,537.44 million. The majority was payment of construction contracts for midfield satellite building 1 (levels B1, 1 and G) including aprons and extension of tunnel connecting of Suvarnabhumi Airport. Other current liabilities decreased of Baht 1,535.26 million which mainly came from bonus payment. While income tax payable increased by Baht 1,508.18 million.

Long-term loans of Baht 13,449.93 million decreased by Baht 234.96 million or 1.72% due to a repayment of borrowing and the effect from foreign exchange rates.

Other non-current liabilities of Baht 6,277.62 million decreased by Baht 274.19 million or 4.18% due to a decrease in the value of cross currency swap contracts recognised as liabilities of Baht 323.46 million. The value of cross currency swap contracts recognised as liabilities because exchange rates in the forward contracts were higher than the closing rates. The decrease was primarily due to the depreciation of Thai Baht against Japanese Yen.

## 2.3 Analysis of equity

The total equity as at December 31<sup>st</sup>, 2018 was Baht 150,677.61 million. It increased by Baht 6,408.49 million or 4.44% from total comprehensive income for the period.

### 3. Analysis of liquidity

As at December 31<sup>st</sup>, 2018, cash and cash equivalents were Baht 7,493.20 million. They decreased by Baht 1,108.89 million from September 30<sup>th</sup>, 2018 as detailed below.

Unit: Million Baht

	Q1/2019
Cash flows from operating activities	3,977.37
Cash flows from investing activities	(4,143.49)
Cash flows from financing activities	(942.77)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,108.89)</b>
Cash and cash equivalents at the beginning of the period	8,602.09
Cash and cash equivalents at the end of the period	7,493.20

The change in cash and cash equivalents for the three-month period ended December 31<sup>st</sup>, 2018 can be analysed as below;

Cash generated from operating activities of Baht 3,977.37 million. It resulted from an operation of the current period.

Cash used in investing activities of Baht 4,143.49 million. It resulted from net short-term investments of Baht 2,500.00 million and investment in property plant and equipment of Baht 1,694.23 million. The majority was investment at the Suvarnabhumi Airport.

Cash used in financing activities of Baht 942.77 million. It mainly resulted from the settlement of loans and interest of long-term loans of Baht 739.23 million.

### 4. Ratio analysis

	Q1/2019	Q1/2018
<b>Profitability ratio</b>		
Ratio of profit from operations to revenue from operations (%)	52.09	52.59
Return on equity (ROE) (%)	4.33	4.63
Return on total assets (ROA) (%)	3.39	3.47
	31 Dec 2018	30 Sep 2018
<b>Financial structure and liability ratio</b>		
Debt to equity ratio (Time)	0.25	0.30
Liquidity ratio (Time)	4.39	3.32



Ratio of profit from operations to revenue from operations, return on equity and return on total assets did not change significantly comparing to the same period last year. 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 increased to four times.

#### **5. Factors affecting future operation**

International Air Transport Association (IATA) considered that Thailand has a high potential on aviation market and can become one of aviation hubs that is successful in the Asia-Pacific region. This region has the largest growing aviation market in the world. Especially the main airports of Thailand should accelerate its development capacity to support ground and air traffic services. This can be done by applying the technology for management which will highly increase the strength of the aviation business for both the facilities for the passengers and the flexibility of air traffic volume. Currently, AOT has entered into a joint investment with a private company to set-up a new company to provide aircraft parking services and ground equipment at Don Mueang International Airport in order to create excellence in service standards with the integration of technology and innovation. This can improve the quality of aircraft parking service and create satisfaction for the airlines.

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 increasing in the number of flights and passengers in the future. As part of this ongoing process, AOT has been continuously improving and enhancing its six airports. So that the passengers can receive good services, standard facilities and an adequate infrastructure that will result in convenience and quick airport services as well as encouraging Thailand to become an aviation hub and air cargo transportation leader in the region. AOT as an important gateway for air travel has contributed significantly to the growth in trading, investment and tourism as well as an enhancing the ability for competing and driving of Thailand's economy.

Please be informed, accordingly.

Yours sincerely,

(Somboon Noinamkham)

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