Ref. No. 5163

16 May 2016

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 and six-month periods ended March 31st, 2016

Overall performance and significant events

The recovery of overall world economic and a decrease in fuel prices had a positive impact on continuous growth of global aviation industry. The number of passengers by the International Air Transport Association (IATA) increased in almost all regions, especially in Asia Pacific, which has the most competitive in aviation business in the world in terms of number of routes and flights.The overall aviation industry of Thailand during October 2015 - March 2016 grew sharply comparing to the same period last year because the domestic political situation is more stable and the government's policy to stimulate the economic and encourage the people to more spending. In addition, the policy to stimulate tourism both domestically and internationally led to an increase in tourists, especially Chinese visitors, showing a significant impact on Thailand's tourism industry. The expansion of low cost airlines, with their competitive pricing, increased new demand of air travelling for middle-income group. All of these were factors in the positive results for both the aviation industry and the overall domestic economy.

In the six-month period ended March 31st, 2016, there were a large number of passengers travelled to Thailand. The air traffic volume from six airports under the Airports of Thailand Public Company Limited (AOT) during this period was 389,272 flights, a 10.66% increase compared to the same period last year. It comprised 202,387 international flights and 186,885 domestic flights. The total number of passengers was 61.25 million, a 12.75% increase compared to the same period last year. It comprised 34.85 million international passengers and 26.40 million domestic passengers. In addition, AOT officially opened Terminal 2 of Don Mueang International Airport for domestic flights and passengers on March 8th, 2016, the 102nd anniversary of Don Mueang International Airport.

During the end second quarter of FY 2016, significant event relating to aviation industry was the bombing occurred at International Airport in Brussels, Belgium on March 22nd, 2016, following the higher alert in security in many countries. The six airports under responsibility of AOT thereby have followed the security protocol by intensely inspecting suspicious areas, including preparing security apparatus and maintained the security level 3 since the terrorist attack in Paris, France on November 14th, 2015. With cooperation with police officers to randomly inspect the suspected areas, AOT has prepared resources for emergency cases. In terms of communications, AOT has cooperated closely with the Office of the National Security Council, municipal and local officers to assure passengers' security during their visit at areas under AOT's responsibility.

During the second quarter of FY 2016, AOT generated net profit of Baht 5,566.62 million. It increased by Baht 676.22 million or 13.83% comparing to the same period last year. Total revenues increased by Baht 2,136.11 million, total expenses increased by Baht 1,214.31 million, and income tax expense increased by Baht 238.61 million.

1. Analysis of operations

1.1 Operating results for the three-month period ended March 31st, 2016

Unit: Million Baht

	Q2/2016	Q2/2015	Increase (decrease)	% YoY
Revenues from sales or services	13,800.12	11,627.45	2,172.67	18.69
Aeronautical revenues	*7,978.30*	*7,034.54*	*943.76*	*13.42*
Portion	*58%*	*60%*		
Non-aeronautical revenues	*5,821.82*	*4,592.91*	*1,228.91*	*26.76*
Portion	*42%*	*40%*		
Other income	327.03	363.59	(36.56)	(10.06)
Total revenues	**14,127.15**	**11,991.04**	**2,136.11**	**17.81**
Less Total expenses	7,193.67	5,979.36	1,214.31	20.31
Profit before income tax expenses	**6,933.48**	**6,011.68**	**921.80**	**15.33**
Less Income tax expense	1,352.66	1,114.05	238.61	21.42
Net profit for the period	**5,580.82**	**4,897.63**	**683.19**	**13.95**
Profit attributable to:				
Owners of the parent	**5,566.62**	**4,890.40**	**676.22**	**13.83**
Non-controlling interests	14.20	7.23	6.97	96.40
Earnings per share (Baht)	**3.90**	**3.42**	**0.48**	**14.04**

Net profit for the three-month period ended March 31st, 2016 was Baht 5,566.62 million. It increased by Baht 676.22 million or 13.83% comparing to the same period last year. Revenues from sales or services increased by Baht 2,172.67 million or 18.69% as a result of an increase in aeronautical revenues of Baht 943.76 million or 13.42% and non-aeronautical revenues of Baht 1,228.91 million or 26.76% because of increasing in number of flights and passengers. While other income decreased by Baht 36.56 million or 10.06% mainly from a decrease in interest income. Total expenses increased by Baht 1,214.31 million or 20.31%. The main reasons were an increase in outsourcing expenses, depreciation expenses and loss on foreign exchange. Income tax expense increased by Baht 238.61 million or 21.42% which was in line with an increase in profit.

1.2 Operating results for the six-month period ended March 31st, 2016

Unit: Million Baht

	Oct'15 – Mar'16	**Oct'14 – Mar'15**	**Increase (decrease)**	**% YoY**
Revenues from sales or services	25,614.24	22,167.77	3,446.47	15.55
Aeronautical revenues	*14,810.14*	*13,313.07*	*1,497.07*	*11.25*
Portion	*58%*	*60%*		
Non-aeronautical revenues	*10,804.10*	*8,854.70*	*1,949.40*	*22.02*
Portion	*42%*	*40%*		
Other income	667.84	739.82	(71.98)	(9.73)
Total revenues	**26,282.08**	**22,907.59**	**3,374.49**	**14.73**
Less Total expenses	13,483.72	11,863.07	1,620.65	13.66
Profit before income tax expenses	**12,798.36**	**11,044.52**	**1,753.84**	**15.88**
Less Income tax expense	2,581.64	2,228.04	353.60	15.87
Net profit for the period	**10,216.72**	**8,816.48**	**1,400.24**	**15.88**
Profit attributable to:				
Owners of the parent	**10,192.63**	**8,803.47**	**1,389.16**	**15.78**
Non-controlling interests	24.09	13.01	11.08	85.17
Earnings per share (Baht)	**7.13**	**6.16**	**0.97**	**15.75**

Net profit for the six-month period ended March 31st, 2016 was Baht 10,192.63 million. It increased by Baht 1,389.16 million or 15.78% comparing to the same period last year. Revenues from sales or services increased by Baht 3,446.47 million or 15.55% as a result of an increase in aeronautical revenues of Baht 1,497.07 million or 11.25% and non-aeronautical revenues of Baht 1,949.40 million or 22.02% because of increasing in

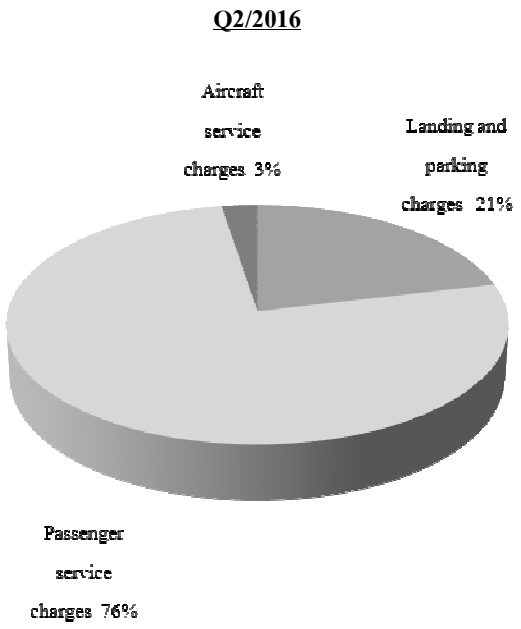
number of flights and passengers. However, other income decreased by Baht 71.98 million or 9.73% mainly from a decrease in interest income. Total expenses increased by Baht 1,620.65 million or 13.66%. The main reasons were an increase in outsourcing expenses, loss on foreign exchange and depreciation expenses. Income tax expense increased by Baht 353.60 million or 15.87% and was in line with an increase in profit.

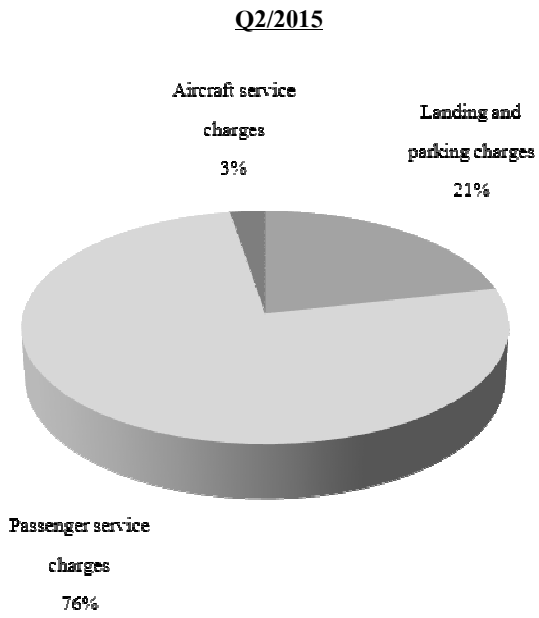
The detail analysis of each type of revenues and expenses is as follows;

1.3 Aeronautical Revenues

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2016	**Q2/2015**	**Increase (decrease)**	**%YoY**	**Oct'15 – Mar'16**	**Oct'14 – Mar'15**	**Increase (decrease)**	**%YoY**
Landing and parking charges	1,698.66	1,506.20	192.46	12.78	3,274.18	2,954.20	319.98	10.83
Passenger service charges	6,078.34	5,345.69	732.65	13.71	11,143.29	9,999.97	1,143.32	11.43
Aircraft service charges	201.30	182.65	18.65	10.21	392.67	358.90	33.77	9.41
Total	**7,978.30**	**7,034.54**	**943.76**	**13.42**	**14,810.14**	**13,313.07**	**1,497.07**	**11.25**





A portion of aeronautical revenues in each type in the second quarter of FY 2016 was not changed from the same period last year. The majority of aeronautical revenues was passenger service charges.

For the three-month period ended March 31st, 2016, aeronautical revenues of Baht 7,978.30 million increased by Baht 943.76 million or 13.42% comparing to the same period last year due to an increase in passenger service charges of Baht 732.65 million or 13.71%. This was because of an increase in the number of passengers in six airports 13.73% which mainly from an increase in passengers of low cost airlines 20.06%. Moreover, landing and parking charges and aircraft service charges increased slightly by Baht 192.46 million and Baht 18.65 million, respectively. This was because the number of flights increased by 9.47% which mainly from an increase in flights of low cost airlines 8.14%.

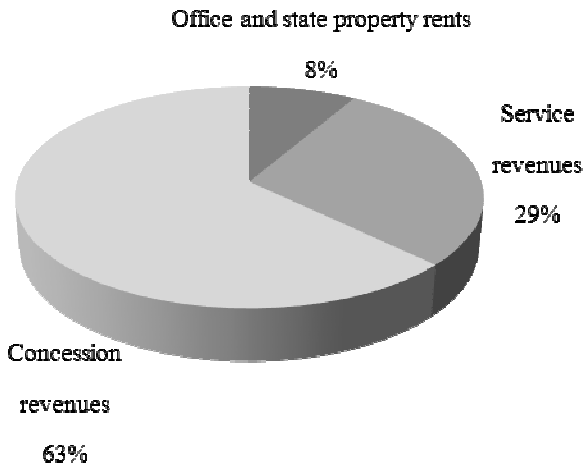
For the six-month period ended March 31st, 2016, aeronautical revenues of Baht 14,810.14 million increased by Baht 1,497.07 million or 11.25% comparing to the same period last year due to an increase in passenger service charges of Baht 1,143.32 million or 11.43%. This was because the number of passengers in six airports increased by 12.75%. Moreover, landing and parking charges and aircraft service charges increased slightly by Bath 319.98 million and Bath 33.77 million, respectively. This was because the number of flights increased by 10.66%.

1.4 Non-Aeronautical Revenues

Unit: Million Baht

	For the three-month period				**For the six-month period**			
	Q2/2016	**Q2/2015**	**Increase (decrease)**	**%YoY**	**Oct'15 – Mar'16**	**Oct'14 – Mar'15**	**Increase (decrease)**	**%YoY**
Office and state property rents	492.48	466.21	26.27	5.63	974.05	929.85	44.20	4.75
Service revenues	1,667.99	1,110.21	557.78	50.24	2,952.31	2,202.18	750.13	34.06
Concession revenues	3,661.35	3,016.49	644.86	21.38	6,877.74	5,722.67	1,155.07	20.18
Total	**5,821.82**	**4,592.91**	**1,228.91**	**26.76**	**10,804.10**	**8,854.70**	**1,949.40**	**22.02**

Q2/2016



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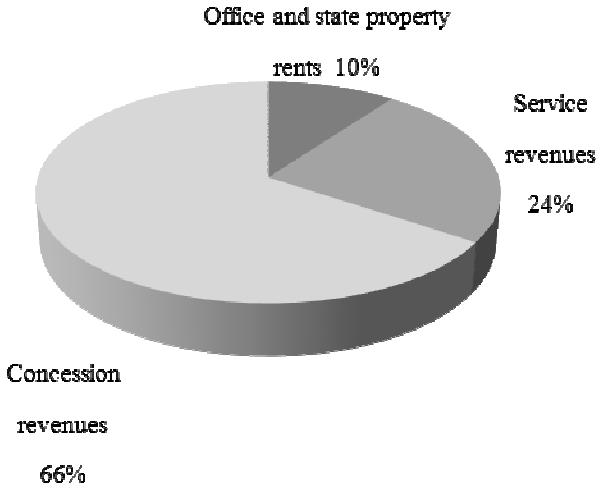

A portion of non-aeronautical revenues in each type in the second quarter of FY 2016 was not significant changed from the same period last year. The majority of non-aeronautical revenues was concession revenues.

For the three-month period ended March 31st, 2016, non-aeronautical revenues of Baht 5,821.82 million increased by Baht 1,228.91 million or 26.76% comparing to the same period last year due to an increase in concession revenues of Baht 644.86 million or 21.38%. The main reasons were an increase in the number of passengers and revenues sharing rate. The non-aeronautical revenues also increased due to service revenues of Baht 557.78 million or 50.24% which mainly from advance passenger checking service.

For the six-month period ended March 31st, 2016, non-aeronautical revenues of Baht 10,804.10 million increased by Baht 1,949.40 million or 22.02% comparing to the same period last year due to an increase in concession revenues of Baht 1,155.07 million or 20.18%. The main reason was an increase in the number of passengers and revenues sharing rate, especially revenue sharing from duty free shop increased by Baht 568.05 million. Service revenues mainly increased from service charges of advance passenger checking service by Baht 610.33 million. This was because AOT installed Advance Passenger Processing System (APPS) since December 1st, 2015.

1.5 Other income

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2016	**Q2/2015**	**Increase (decrease)**	**%YoY**	**Oct'15 – Mar'16**	**Oct'14 – Mar'15**	**Increase (decrease)**	**%YoY**
Interest income	253.96	315.58	(61.62)	(19.53)	553.36	649.09	(95.73)	(14.75)
Others	73.07	48.01	25.06	52.20	114.48	90.73	23.75	26.18
Total	**327.03**	**363.59**	**(36.56)**	**(10.06)**	**667.84**	**739.82**	**(71.98)**	**(9.73)**

Other income for the three-month period ended March 31st, 2016 was Baht 327.03 million. It decreased by Baht 36.56 million or 10.06% comparing to the same period last year. Other income for the six-month period ended March 31st, 2016 was Baht 667.84 million. It decreased by Baht 71.98 million or 9.73% comparing with the same period last year. This was mainly from a decrease in interest income due to the reduction of interest rates.

1.6 Total expenses

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2016	**Q2/2015**	**Increase (decrease)**	**%YoY**	**Oct'15 – Mar'16**	**Oct'14 – Mar'15**	**Increase (decrease)**	**%YoY**
Employee benefit expenses	1,353.75	1,263.82	89.93	7.12	2,655.15	2,487.93	167.22	6.72
Utilities expenses	640.79	604.37	36.42	6.03	1,272.41	1,240.92	31.49	2.54
Outsourcing expenses	1,259.59	770.04	489.55	63.57	2,155.84	1,537.88	617.96	40.18
Repairs and maintenance	633.64	517.17	116.47	22.52	1,104.16	938.99	165.17	17.59
State property rental	593.45	500.04	93.41	18.68	1,103.54	953.73	149.81	15.71
Depreciation and amortisation expenses	1,611.67	1,419.74	191.93	13.52	3,192.19	2,907.66	284.53	9.79
Loss on impairment of assets	18.37	37.71	(19.34)	(51.29)	29.48	46.77	(17.29)	(36.97)

1.6 Total expenses (Con't)

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2016	**Q2/2015**	**Increase (decrease)**	**%YoY**	**Oct'15 – Mar'16**	**Oct'14 – Mar'15**	**Increase (decrease)**	**%YoY**
Loss (Gain) on foreign exchange	33.03	(155.15)	188.18	121.29	10.83	(327.26)	338.09	103.31
Loss on sales of assets	24.43	8.37	16.06	191.88	41.91	42.65	(0.74)	(1.74)
Other expenses	676.26	612.53	63.73	10.40	1,208.54	1,211.82	(3.28)	(0.27)
Financial costs	348.69	400.72	(52.03)	(12.98)	709.67	821.98	(112.31)	(13.66)
Total	**7,193.67**	**5,979.36**	**1,214.31**	**20.31**	**13,483.72**	**11,863.07**	**1,620.65**	**13.66**

For the three-month period ended March 31st, 2016, total expenses were Baht 7,193.67 million. They increased by Baht 1,214.31 million or 20.31% comparing to the same period last year. This was mainly due to an increase in outsourcing expenses by Baht 489.55 million from expense of advance passenger checking service, depreciation and amortisation expenses of Baht 191.93 million because AOT continuously invests in assets, and an increase in loss on foreign exchange of Baht 188.18 million. Other categories of expenses did not change significantly comparing to the same period last year.

For the six-month period ended March 31st, 2016, total expenses were Baht 13,483.72 million. They increased by Baht 1,620.65 million or 13.66% comparing to the same period last year. This was mainly due to an increase in outsourcing expenses by Baht 617.96 million from expense of advance passenger checking service of Baht 528.50 million, loss on foreign exchange of Baht 338.09 million and depreciation and amortisation expenses of Baht 284.53 million because AOT continuously invests in assets. In addition, employee benefit expenses increased by Baht 167.22 million, repairs and maintenance increased by Baht 165.17 million and state property rental increased by Baht 149.81 million while financial costs decreased by Baht 112.31 million. Other categories of expenses did not change significantly comparing to the same period last year.

State property rental which was calculated as a percentage of revenues has changed in line with an increase in revenues from sales or services for the three-month and six-month periods ended March 31st, 2016.

2. Analysis of financial position

The financial position as at March 31st, 2016 of AOT is as follows:

Unit: Million Baht

	31 Mar 2016	30 Sep 2015	Increase (decrease)	% change
Total assets	160,994.03	159,623.66	1,370.37	0.86
Total liabilities	48,922.15	50,811.52	(1,889.37)	(3.72)
Total shareholders' equity	112,071.88	108,812.14	3,259.74	3.00

The material changes in assets, liabilities and shareholders' equity as at March 31st, 2016 comparing to September 30th, 2015 are as follows:

2.1 Analysis of assets

Total assets as at March 31st, 2016 were Baht 160,994.03 million. An increase of total assets from September 30th, 2015 of Baht 1,370.37 million or 0.86% is detailed below.

Unit: Million Baht

	31 Mar 2016	30 Sep 2015	Increase (decrease)	% change
Current assets	55,245.05	51,924.66	3,320.39	6.39
Investment	1,146.21	914.20	232.01	25.38
Property plant equipment and investment properties	101,678.17	103,629.16	(1,950.99)	(1.88)
Other non-current assets	2,924.60	3,155.64	(231.04)	(7.32)
Total assets	**160,994.03**	**159,623.66**	**1,370.37**	**0.86**

Current assets of Baht 55,245.05 million increased by Baht 3,320.39 million or 6.39% due to an increase in cash and cash equivalents of Baht 4,492.29 million. Moreover, trade accounts receivable increased by Baht 923.76 million which was in line with an increase in revenues. Other accounts receivables increased by Baht 682.36 million while short-term investments decreased of Baht 2,599.93 million. Other current assets and inventories and supplies did not change significantly comparing to last year.

Investment of Baht 1,146.21 million increased by Baht 232.01 million or 25.38%. This change was due to an increase in fair value of available for sale investment.

Property plant equipment and investment properties of Baht 101,678.17 million decreased by Baht 1,950.99 million or 1.88% because of depreciation expenses in the period.

Other non-current assets of Baht 2,924.60 million decreased by Baht 231.04 million or 7.32%. They did not change significantly comparing to last year.

2.2 Analysis of liabilities

Total liabilities as at March 31st, 2016 were Baht 48,922.15 million. A decrease of total liabilities from September 30th, 2015 of Baht 1,889.37 million or 3.72% is detailed below.

Unit: Million Baht

	31 Mar 2016	**30 Sep 2015**	**Increase (decrease)**	**% change**
Current liabilities	15,747.31	15,853.91	(106.60)	(0.67)
Long-term loans	26,374.22	27,493.30	(1,119.08)	(4.07)
Other non-current liabilities	6,800.62	7,464.31	(663.69)	(8.89)
Total liabilities	**48,922.15**	**50,811.52**	**(1,889.37)**	**(3.72)**

Current liabilities of Baht 15,747.31 million decreased by Baht 106.60 million or 0.67%. It did not change significantly comparing to last year.

Long-term loans of Baht 26,374.22 million decreased by Baht 1,119.08 million or 4.07% due to a repayment and the effect from foreign exchange rates.

Other non-current liabilities of Baht 6,800.62 million decreased by Baht 663.69 million or 8.89% due to long-term provisions decreased by Baht 332.97 million.

2.3 Analysis of shareholders' equity

The total shareholders' equity as at March 31st, 2016 was Baht 112,071.88 million. It increased by Baht 3,259.74 million or 3.00% due to total comprehensive income for the six-month period ended March 31st, 2016 of Baht 10,402.00 million less dividends payment of Baht 7,142.26 million.

3. Analysis of liquidity

As at March 31st, 2016, cash and cash equivalents were Baht 7,578.49 million. It increased from September 30th, 2015 of Baht 4,492.29 million as detailed below.

Unit: Million Baht

	Oct'15 – Mar'16
Cash flows from operating activities	13,681.87
Cash flows from investing activities	781.89
Cash flows from financing activities	(9,971.47)
Net increase in cash and cash equivalents	**4,492.29**
Cash and cash equivalents at the beginning of the period	3,086.20
Cash and cash equivalents at the end of the period	7,578.49

The change in cash and cash equivalents for the six-month period ended March 31st, 2016 can be analysed as below;

Cash generated from operating activities of Baht 13,681.87 million. It resulted from an operation of the current period.

Cash generated from investing activities of Baht 781.89 million. It resulted from net cash received for short term investments of Baht 2,599.93 million and cash used for investment in property plant and equipment of Baht 1,810.99 million. The majority was investment at Don Mueang International Airport, Phuket International Airport and Suvarnabhumi Airport.

Cash used in financing activities of Baht 9,971.47 million was mainly from dividend payment of Baht 7,142.26 million.

4. Ratio analysis

	Oct'15 – Mar'16	**Oct'14 – Mar'15**
Profitability ratio		
Ratio of profit from operations to revenue from operations (%)	50.69	49.48
Return on equity (ROE) (%)	9.25	8.90
Return on total assets (ROA) (%)	6.36	5.73
	31 Mar 2016	**30 Sep 2015**
Financial structure and liability ratio		
Debt to equity ratio (Time)	0.44	0.47
Liquidity ratio (Time)	3.51	3.28

AOT has made profit continuously. This was shown by the ratio of profit from operations to revenue from operations increased by 1.21%. The return on equity and return on total assets are increased by 0.35% and 0.63%, respectively. 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 domestic political situation is stable. The economic is stimulated, the tourism sector is expanding, and fuel prices are decreasing. These factors will increase the demand for air travel and have positive impact for the domestic aviation industry especially the continuous growth of low cost airlines. Moreover, AOT has a program to increase number of flights during off-peak time at Suvarnabhumi Airport and Don Mueang International Airport. The program period is two years, from April 1st, 2016 to March 31st, 2018. This program will support the international flights by discounting on landing fees for flights as stated in terms and conditions of support program. This is to support any flight operators who can increase number of flights during the off-peak time.

AOT is responsible for managing six international airports which are fundamental to serving air travel demands. AOT develops the infrastructure and airports under its responsibility to build the airports' capabilities to support the demand and competition in the Asean Economic Community. Currently, AOT is accelerating the process to revise the master plan of six airports' development especially, Suvarnabhumi Airport, Phuket International Airport and Don Mueang International Airport. After the officially opening of the Terminal 2 of Don Mueang International Airport, AOT has prepared for Phase 3 continuously according to the Don Mueang International Airport's development master plan (revised), to support the growth of aviation industry. AOT is also enhancing the quality of airport services to bring them up to international standards and to promote Thailand as a centre for regional aviation, tourism destination and air cargo leader.

Please be informed, accordingly.

Yours sincerely,

(Poolsiri Virojanapa)

Senior Executive Vice President (Accounting and Finance)

Authorised Person

Accounting Department

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