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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 31st, 2017

Overall performance and significant events

The overall aviation industry of Thailand during October 2017 – December 2017 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 makes Thailand an attractive destination to tourists. As a consequence, a number of tourists travelling to Thailand increases, especially for Chinese tourists who contribute to a growth in a number of visitors. The rapid expansion of low cost airlines leads to the price competition. This benefits to passengers due to cheaper air fares. Moreover, the International Civil Aviation Organization (ICAO) has removed Thailand from the list of significant safety concerns since October 6th, 2017, in other words, the ICAO dropped red flag for Thailand. This returns trust to Thai aviation safety standard. Thai airlines, therefore, can expand their international routes. This is positive to both aviation industry and the overall economy.

In the first quarter of FY 2018, the air traffic volume from the six airports under the Airports of Thailand Public Company Limited (AOT) reported 214,302 flights, a 4.64% increase compared to the same period last year. It comprised 112,325 international flights and 101,977 domestic flights. The total number of passengers was 34.64 million, a 12.76% increase compared to the same period last year. It comprised 19.77 million international passengers and 14.87 million domestic passengers.

During the first quarter of FY 2018, AOT generated net profit of Baht 6,219.52 million. It increased by Baht 1,135.30 million or 22.33% compared to the same period last year. Total revenues increased by Baht 1,918.61 million, total expenses increased by Baht 549.31 million, and income tax expense increased by Baht 229.99 million.

1. Analysis of operations

1.1 Operating results for the three-month period ended December 31st, 2017

Unit: Million Baht

	Q1/2018	Q1/2017	Increase (decrease)	% YoY
Revenues from sales or services	14,612.45	12,612.88	1,999.57	15.85
<i>Aeronautical revenue</i>	8,247.07	7,086.15	1,160.92	16.38
<i>Portion</i>	56%	56%		
<i>Non-aeronautical revenue</i>	6,365.38	5,526.73	838.65	15.17
<i>Portion</i>	44%	44%		
Other income	433.09	514.05	(80.96)	(15.75)
Total revenues	15,045.54	13,126.93	1,918.61	14.62
<u>Less</u> Total expenses	7,259.14	6,709.83	549.31	8.19
Profit before income tax expense	7,786.40	6,417.10	1,369.30	21.34
<u>Less</u> Income tax expense	1,548.64	1,318.65	229.99	17.44
Net profit for the period	6,237.76	5,098.45	1,139.31	22.35
Profit attributable to:				
Owners of the parent	6,219.52	5,084.22	1,135.30	22.33
Non-controlling interests	18.24	14.23	4.01	28.18
Earnings per share (Baht)	0.44	0.36	0.08	22.22

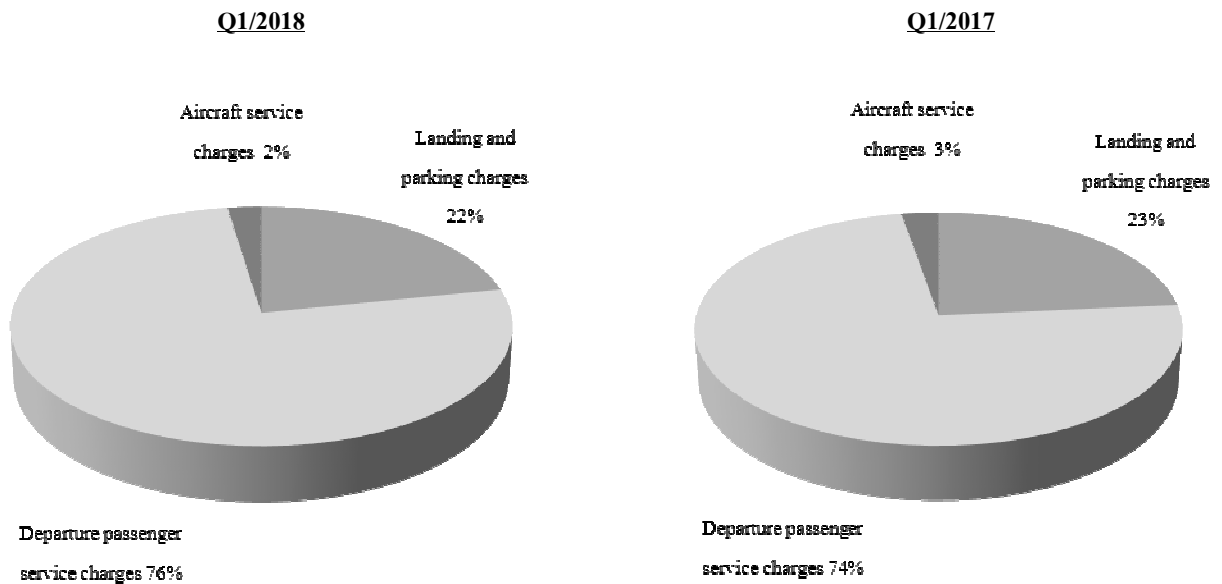
Net profit for the three-month period ended December 31st, 2017 was Baht 6,219.52 million. It increased by Baht 1,135.30 million or 22.33% comparing to the same period last year. Revenues from sales or services increased by Baht 1,999.57 million or 15.85% as a result of an increase in aeronautical revenue of Baht 1,160.92 million or 16.38% and non-aeronautical revenue of Baht 838.65 million or 15.17% because of increasing in number of flights and passengers. Other income decreased by Baht 80.96 million or 15.75% mainly from a decrease in gain on foreign exchange. Total expenses increased by Baht 549.31 million or 8.19% which mainly from an increase in state property rental and employee benefit expenses. Income tax expense increased by Baht 229.99 million or 17.44% 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

	Q1/2018	Q1/2017	Increase (decrease)	%YoY
Landing and parking charges	1,795.47	1,667.40	128.07	7.68
Departure passenger service charges	6,253.05	5,224.75	1,028.30	19.68
Aircraft service charges	198.55	194.00	4.55	2.35
Total	8,247.07	7,086.15	1,160.92	16.38



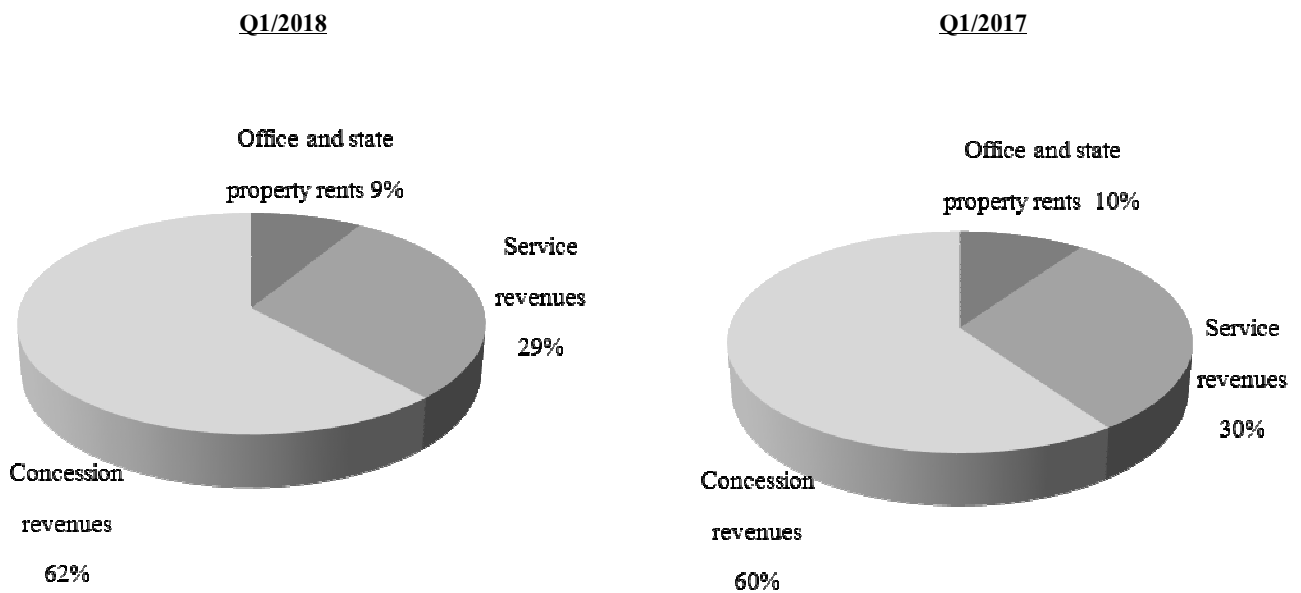
A portion of aeronautical revenue in each type in the first quarter of FY 2018 was not significant changed from the same period last year. The majority of aeronautical revenue was departure passenger service charges.

Aeronautical revenue of Baht 8,247.07 million increased by Baht 1,160.92 million or 16.38% comparing to the same period last year due to an increase in departure passenger service charges of Baht 1,028.30 million or 19.68%. This was because of an increase in the number of passengers in six airports 12.76% which mainly from an increase in passengers of low cost airlines 16.28%. Moreover, landing and parking charges and aircraft service charges increased by Baht 128.07 million and Baht 4.55 million, respectively. This was because the number of flights increased by 4.64% which mainly from an increase in flights of low cost airlines 10.05%.

1.3 Non-Aeronautical Revenue

Unit: Million Baht

	Q1/2018	Q1/2017	Increase (decrease)	%YoY
Office and state property rents	558.59	541.32	17.27	3.19
Service revenues	1,875.96	1,682.70	193.26	11.49
Concession revenues	3,930.83	3,302.71	628.12	19.02
Total	6,365.38	5,526.73	838.65	15.17



A portion of non-aeronautical revenue in each type in the first quarter of FY 2018 was not significant changed from the same period last year. The majority of non-aeronautical revenue was concession revenues.

Non-aeronautical revenue of Baht 6,365.38 million increased by Baht 838.65 million or 15.17% comparing to the same period last year due to an increase in concession revenues of Baht 628.12 million or 19.02% which was in line with an increase in number of passengers and customers in airports. Service revenues increased by Baht 193.26 million or 11.49% which mainly from service charges of passenger advance checking of Baht 105.46 million.

1.4 Other income

Unit: Million Baht

	Q1/2018	Q1/2017	Increase (decrease)	%YoY
Gain on foreign exchange	36.12	245.54	(209.42)	(85.29)
Interest income	273.12	266.37	6.75	2.53
Gain/(Loss) on sales of assets	0.45	(58.86)	59.31	100.76
Other income	123.40	61.00	62.40	102.30
Total	433.09	514.05	(80.96)	(15.75)

Other income was Baht 433.09 million. It decreased by Baht 80.96 million or 15.75% comparing to the same period last year. This was a result of a decrease in gain on foreign exchange due to the appreciation of Thai Baht against Japanese Yen is less than last year.

1.5 Total expenses

Unit: Million Baht

	Q1/2018	Q1/2017	Increase (decrease)	%YoY
Employee benefit expenses	1,538.44	1,415.37	123.07	8.76
Utilities expenses	627.40	607.48	19.92	(3.82)
Outsourcing expenses	1,394.71	1,305.72	88.99	6.82
Repairs and maintenance	524.81	478.98	45.83	9.57
State property rental	944.27	542.82	401.45	73.96
Depreciation and amortisation expenses	1,376.24	1,429.35	(53.11)	(3.72)
Loss on impairment of assets	52.77	19.71	33.06	167.73
Other expenses	529.85	591.21	(61.36)	(10.38)
Financial costs	270.65	319.19	(48.54)	(15.21)
Total	7,259.14	6,709.83	549.31	8.19

Total expenses was Baht 7,259.14 million. It increased by Baht 549.31 million or 8.19% comparing to the same period last year. The significant change came from the increase in state property rental by Baht 401.45 million. Part of state property rental calculated by Return on Asset (ROA) add on the revenue sharing method

based on the old contract. The ROA method has been applied at the Suvarnabhumi Airport in FY 2018 for approximately Baht 900.27 million per year. Employee benefit expenses also increased by Baht 123.07 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 31st, 2017 of AOT is as follows:

Unit: Million Baht

	31 Dec 2017	30 Sep 2017	Increase (decrease)	% change
Total assets	180,253.41	178,409.93	1,843.48	1.03
Total liabilities	42,364.72	46,721.24	(4,356.52)	(9.32)
Total equity	137,888.69	131,688.69	6,200.00	4.71

The material changes in assets, liabilities and owners' equity as at December 31st, 2017 comparing to September 30th, 2017 are as follows:

2.1 Analysis of assets

Total assets as at December 31st, 2017 were Baht 180,253.41 million. An increase of total assets from September 30th, 2017 of Baht 1,843.48 million or 1.03% is detailed below.

Unit: Million Baht

	31 Dec 2017	30 Sep 2017	Increase (decrease)	% change
Current assets	73,060.88	71,655.01	1,405.87	1.96
Investment	1,658.50	1,650.77	7.73	0.47
Property plant equipment and investment properties	101,635.97	102,260.49	(624.52)	(0.61)
Other non-current assets	3,898.06	2,843.66	1,054.40	37.08
Total assets	180,253.41	178,409.93	1,843.48	1.03

Current assets of Baht 73,060.88 million increased by Baht 1,405.87 million or 1.96% due to an increase in short-term investments of Baht 3,700.00 million and trade accounts receivable of Baht 424.88 million which was increase in line with revenue. While cash and cash equivalents decreased by Baht 2,832.30 million from investing in airports. Other current assets (i.e. other receivables, inventories and supplies) did not change significantly comparing to last year.

Investment of Baht 1,658.50 million increased by Baht 7.73 million or 0.47% due to an increase in investments in bonds with obligations by Baht 54.94 million while available-for-sale investments decreased by 47.21 million from change in fair value.

Property plant equipment and investment properties of Baht 101,635.97 million decreased by Baht 642.52 million or 0.61% because of sales of assets.

Other non-current assets of Baht 3,898.06 million increased by Baht 1,054.40 million or 37.08% due to an increase in advance payment of Baht 1,216.82 million which mainly from advance payment for the construction of Satellite Building (floor 2-4) and South tunnelling (sub system work) of Suvarnabhumi Airport. While the value of cross currency swap contracts recognised as assets decrease by Baht 199.07 million. The value of cross currency swap contracts recognised as assets because exchange rates stated in the contracts were lower than closing exchange rate as at the end of the period. The decrease was primarily due to the appreciation of Thai Baht against Japanese Yen.

2.2 Analysis of liabilities

Total liabilities as at December 31st, 2017 were Baht 42,364.72 million. A decrease of total liabilities from September 30th, 2017 of Baht 4,356.52 million or 9.32% is detailed below.

Unit: Million Baht

	31 Dec 2017	30 Sep 2017	Increase (decrease)	% change
Current liabilities	16,874.59	20,728.19	(3,853.60)	(18.59)
Long-term loans	18,519.44	19,228.75	(709.31)	(3.69)
Other non-current liabilities	6,970.69	6,764.30	206.39	3.05
Total liabilities	42,364.72	46,721.24	(4,356.52)	(9.32)

Current liabilities of Baht 16,874.59 million decreased by Baht 3,853.60 million or 18.59% due to a decrease in accounts payable of Baht 3,773.65 million which mainly from payment of state property rental for 2017 and decrease in Other current liabilities of Baht 1,296.16 million mainly from bonus payment. However, income tax payable increased by Baht 1,438.12 million.

Long-term loans of Baht 18,519.44 million decreased by Baht 709.31 million or 3.69% due to a repayment of borrowing and the effect from foreign exchange rates.

Other non-current liabilities of Baht 6,970.69 million increased by Baht 206.39 million or 3.05% due to an increase in the value of cross currency swap contracts recognised as liabilities of Baht 275.79 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 increase was primarily due to the appreciation of Thai Baht against Japanese Yen.

2.3 Analysis of equity

The total equity as at December 31st, 2017 was Baht 137,888.69 million. It increased by Baht 6,200.00 million or 4.71% from total comprehensive income for the period.

3. Analysis of liquidity

As at December 31st, 2017, cash and cash equivalents were Baht 6,485.45 million. It decreased from September 30th, 2017 of Baht 2,832.30 million as detailed below.

Unit: Million Baht	
	Q1/2018
Cash flows from operating activities	5,138.37
Cash flows from investing activities	(7,350.57)
Cash flows from financing activities	(620.10)
Net decrease in cash and cash equivalents	(2,832.30)
Cash and cash equivalents at the beginning of the period	9,317.75
Cash and cash equivalents at the end of the period	6,485.45

The change in cash and cash equivalents for the three-month period ended December 31st, 2017 can be analysed as below;

Cash generated from operating activities of Baht 5,138.37 million. It resulted from an operation of the current period.

Cash used in investing activities of Baht 7,350.57 million. It resulted from short-term investments increased of Baht 3,700.00 million and investment in property plant and equipment increased of Baht 3,584.90 million. The majority was investment at the Suvarnabhumi Airport, Don Mueang International Airport and Phuket International Airport.

Cash used in financing activities of Baht 620.10 million. It resulted from the settlement of loans and interest of long-term loans of Baht 769.43 million.

4. Ratio analysis

	Q1/2018	Q1/2017
Profitability ratio		
Ratio of profit from operations to revenue from operations (%)	52.59	49.70
Return on equity (ROE) (%)	4.63	4.13
Return on total assets (ROA) (%)	3.47	2.95
	31 Dec 2017	30 Sep 2017
Financial structure and liability ratio		
Debt to equity ratio (Time)	0.31	0.35
Liquidity ratio (Time)	4.33	3.46

AOT has made profit continuously. This was shown by the ratio of profit from operations to revenue from operations increased by 2.89%. The return on equity increased by 0.50% and return on total assets increased by 0.52%. 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

Development of Thailand Airport has a concrete action plan. This will help accommodating the demand for travelling and air transportation that are expected to increase in the future, especially the development of aviation infrastructure, which the ICAO focuses on. It is essential for the development of overall aviation industry and this is a large scale of investment project.

AOT manages and operates six international airports in Thailand which are key infrastructure to serve air travel demands. AOT develops the infrastructure of airports under its responsibility to support the demand of flights and passengers volumes that would increase in the future. AOT has been continuously improving and enhancing six international airports. AOT has continued to develop and improve the airport. AOT is ready to increase capability of airport network system in Thailand by managing some airports of the Department of Airports. This is to promote Thailand as an aviation hub in Asia and to develop airport network system of

Thailand. This will contribute thoroughly to the provincial, regional and national economic and wealth and create sustainability.

Please be informed, accordingly.

Yours sincerely,

(Poolsiri Virojanapa)

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