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15 May 2018

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 31<sup>st</sup>, 2018

**Overall performance and significant events**

The overall aviation industry of Thailand during October 2017 - March 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 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 and the diversity of flight distribution. Moreover, the International Civil Aviation Organization (ICAO) has removed Thailand from the list of significant safety concerns. This returns trust to Thai aviation safety standard. This is positive to both aviation industry and the overall economy.

In the six-month period ended March 31<sup>st</sup>, 2018. The air traffic volume from six airports under the Airports of Thailand Public Company Limited (AOT) during this period was 436,817 flights, a 5.04% increase compared to the same period last year. It comprised 231,645 international flights and 205,172 domestic flights. The total number of passengers was 72.39 million, a 10.33% increase compared to the same period last year. It comprised 41.80 million international passengers and 30.59 million domestic passengers which mainly from the increase of international flights and passengers.

During the second quarter of FY 2018, AOT generated net profit of Baht 7,269.75 million. It increased by Baht 799.61 million or 12.36% comparing to the same period last year. Total revenues increased by Baht 1,659.07 million, total expenses increased by Baht 666.75 million and income tax expense increased by Baht 193.39 million.

## 1. Analysis of operations

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

Unit: Million Baht

	Q2/2018	Q2/2017	Increase (decrease)	% YoY
Revenues from sales or services	16,316.77	14,664.98	1,651.79	11.26
<i>Aeronautical revenue</i>	9,300.43	8,364.81	935.62	11.19
<i>Portion</i>	57%	57%		
<i>Non-aeronautical revenue</i>	7,016.34	6,300.17	716.17	11.37
<i>Portion</i>	43%	43%		
Other income	374.99	367.71	7.28	1.98
<b>Total revenues</b>	<b>16,691.76</b>	<b>15,032.69</b>	<b>1,659.07</b>	<b>11.04</b>
Less Total expenses	7,601.61	6,934.86	666.75	9.61
<b>Profit before income tax expense</b>	<b>9,090.15</b>	<b>8,097.83</b>	<b>992.32</b>	<b>12.25</b>
Less Income tax expense	1,802.69	1,609.30	193.39	12.02
<b>Net profit for the period</b>	<b>7,287.46</b>	<b>6,488.53</b>	<b>798.93</b>	<b>12.31</b>
<b>Profit attributable to:</b>				
<b>Owners of the parent</b>	<b>7,269.75</b>	<b>6,470.14</b>	<b>799.61</b>	<b>12.36</b>
Non-controlling interests	17.71	18.39	(0.68)	(3.70)
<b>Earnings per share (Baht)</b>	<b>0.51</b>	<b>0.45</b>	<b>0.06</b>	<b>13.33</b>

Net profit for the three-month period ended March 31<sup>st</sup>, 2018 was Baht 7,269.75 million. It increased by Baht 799.61 million or 12.36% comparing to the same period last year. Revenue from sales or services increased by Baht 1,651.79 million or 11.26% as a result of an increase in aeronautical revenue of Baht 935.62 million or 11.19% and non-aeronautical revenue of Baht 716.17 million or 11.37% because of increasing in number of flights and passengers. Other income increased by Baht 7.28 million or 1.98%. Total expenses increased by Baht 666.75 million or 9.61%. The main reason was an increase in state property rental. Income tax expense increased by Baht 193.39 million or 12.02% which was in line with an increase in profit.

## 1.2 Operating results for the six-month period ended March 31<sup>st</sup>, 2018

Unit: Million Baht

	Oct'17 – Mar'18	Oct'16 – Mar'17	Increase (decrease)	% YoY
Revenues from sales or services	30,929.22	27,277.86	3,651.36	13.39
<i>Aeronautical revenue</i>	17,547.50	15,450.96	2,096.54	13.57
<i>Portion</i>	57%	57%		
<i>Non-aeronautical revenue</i>	13,381.72	11,826.90	1,554.82	13.15
<i>Portion</i>	43%	43%		
Other income	807.62	940.62	(133.00)	(14.14)
<b>Total revenues</b>	<b>31,736.84</b>	<b>28,218.48</b>	<b>3,518.36</b>	<b>12.47</b>
<u>Less</u> Total expenses	14,860.29	13,776.35	1,083.94	7.87
<b>Profit before income tax expense</b>	<b>16,876.55</b>	<b>14,442.13</b>	<b>2,434.42</b>	<b>16.86</b>
<u>Less</u> Income tax expense	3,351.32	2,913.39	437.93	15.03
<b>Net profit for the period</b>	<b>13,525.23</b>	<b>11,528.74</b>	<b>1,996.49</b>	<b>17.32</b>
<b>Profit attributable to:</b>				
<b>Owners of the parent</b>	<b>13,489.28</b>	<b>11,496.12</b>	<b>1,993.16</b>	<b>17.34</b>
Non-controlling interests	35.95	32.62	3.33	10.21
<b>Earnings per share (Baht)</b>	<b>0.94</b>	<b>0.80</b>	<b>0.14</b>	<b>17.50</b>

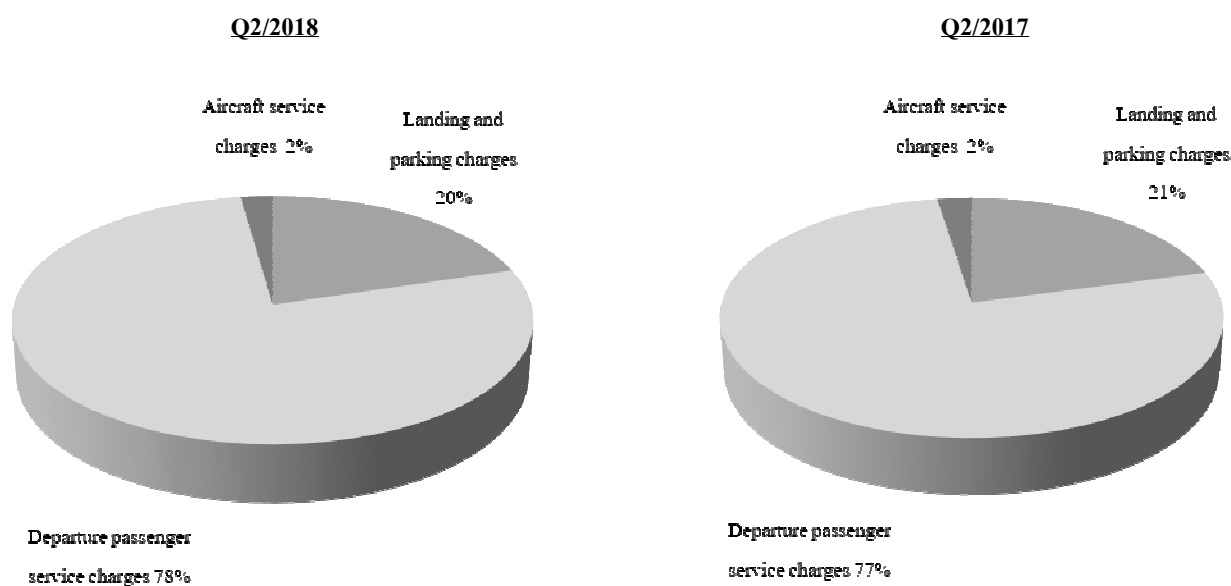
Net profit for the six-month period ended March 31<sup>st</sup>, 2018 was Baht 13,489.28 million. It increased by Baht 1,993.16 million or 17.34% comparing to the same period last year. Revenues from sales or services increased by Baht 3,651.36 million or 13.39% as a result of an increase in aeronautical revenue of Baht 2,096.54 million or 13.57% and non-aeronautical revenue of Baht 1,554.82 million or 13.15% because of increasing in number of flights and passengers. Other income decreased by Baht 133.00 million or 14.14% mainly from a decrease in gain on foreign exchange. Total expenses increased by Baht 1,083.94 million or 7.87%. The main reason was an increase in state property rental. Income tax expense increased by Baht 437.93 million or 15.03% which was in line with an increase in profit.

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

### 1.3 Aeronautical Revenue

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2018	Q2/2017	Increase (decrease)	%YoY	Oct'17 – Mar'18	Oct'16 – Mar'17	Increase (decrease)	%YoY
Landing and parking charges	1,886.84	1,738.52	148.32	8.53	3,682.32	3,405.91	276.41	8.12
Departure passenger service charges	7,207.97	6,419.62	788.35	12.28	13,461.02	11,644.37	1,816.65	15.60
Aircraft service charges	205.62	206.67	(1.05)	(0.51)	404.16	400.68	3.48	0.87
<b>Total</b>	<b>9,300.43</b>	<b>8,364.81</b>	<b>935.62</b>	<b>11.19</b>	<b>17,547.50</b>	<b>15,450.96</b>	<b>2,096.54</b>	<b>13.57</b>



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

For the three-month period ended March 31<sup>st</sup>, 2018, aeronautical revenue of Baht 9,300.43 million increased by Baht 935.62 million or 11.19% comparing to the same period last year due to an increase in departure passenger service charges of Baht 788.35 million or 12.28%. This was because of an increase in the number of passengers in six airports 8.20% which mainly from an increase in passengers of low cost airlines 13.99%.

Moreover, landing and parking charges increased by Baht 148.32 million due to an increase in number of flights 5.43% which mainly from an increase in passengers of low cost airlines 12.26%.

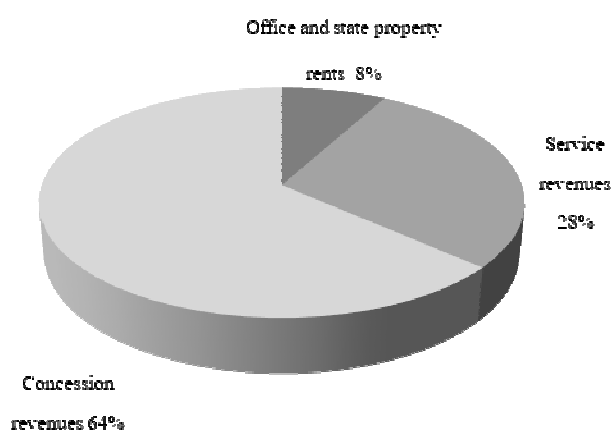
For the six-month period ended March 31<sup>st</sup>, 2018, aeronautical revenue of Baht 17,547.50 million increased by Baht 2,096.54 million or 13.57% comparing to the same period last year due to an increase in departure passenger service charges of Baht 1,186.65 million or 15.60%. This was because the number of passengers in six airports increased by 10.33% which mainly from an increase in passengers of low cost airlines 15.12%. Moreover, landing and parking charges and aircraft service charges increased slightly by Bath 276.41 million and Bath 3.48 million, respectively. This was because the number of flights increased by 5.04% which mainly from an increase in passengers of low cost airlines 11.16%.

#### 1.4 Non-Aeronautical Revenue

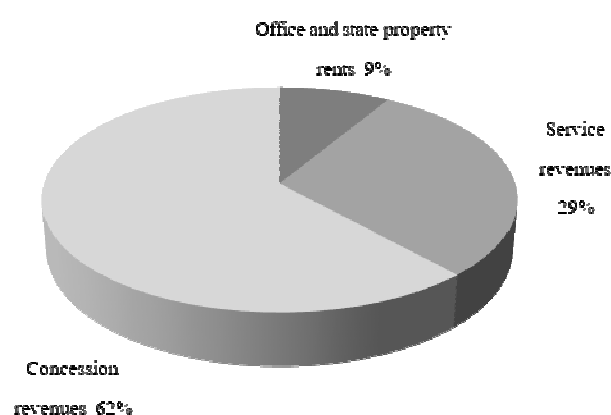
Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2018	Q2/2017	Increase (decrease)	%YoY	Oct'17 – Mar'18	Oct'16 – Mar'17	Increase (decrease)	%YoY
Office and state property rents	565.92	545.16	20.76	3.81	1,124.51	1,086.48	38.03	3.50
Service revenues	1,995.78	1,864.50	131.28	7.04	3,871.74	3,547.20	324.54	9.15
Concession revenues	4,454.64	3,890.51	564.13	14.50	8,385.47	7,193.22	1,192.25	16.57
<b>Total</b>	<b>7,016.34</b>	<b>6,300.17</b>	<b>716.17</b>	<b>11.37</b>	<b>13,381.72</b>	<b>11,826.90</b>	<b>1,554.82</b>	<b>13.15</b>

Q2/2018



Q2/2017



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

For the three-month period ended March 31<sup>st</sup>, 2018, non-aeronautical revenue of Baht 7,016.34 million increased by Baht 716.17 million or 11.37% comparing to the same period last year due to an increase in concession revenues of Baht 564.13 million or 14.50%. The main reasons were an increase in the number of passengers, customers in airports including the increase in revenues sharing rate. Service revenues increased by Baht 131.28 million or 7.04% which mainly from advance passenger checking service.

For the six-month period ended March 31<sup>st</sup>, 2018, non-aeronautical revenue of Baht 13,381.72 million increased by Baht 1,554.82 million or 13.15% comparing to the same period last year due to an increase in concession revenues of Baht 1,192.25 million or 16.57%. The main reasons were an increase in number of passengers, customers in airports including the increase in revenues sharing rate and services revenue by Baht 324.54 million or 9.15% which mainly from advance passenger checking service.

### 1.5 Other income

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2018	Q2/2017	Increase (decrease)	%YoY	Oct'17 – Mar'18	Oct'16 – Mar'17	Increase (decrease)	%YoY
Gain (Loss) on foreign exchange	50.07	59.66	(9.59)	(16.07)	86.18	305.20	(219.02)	(71.76)
Interest income	244.32	251.36	(7.04)	(2.80)	517.45	517.73	(0.28)	(0.05)
Others	80.60	56.69	23.91	42.18	203.99	117.69	86.30	73.33
<b>Total</b>	<b>374.99</b>	<b>367.71</b>	<b>7.28</b>	<b>1.98</b>	<b>807.62</b>	<b>940.62</b>	<b>(133.00)</b>	<b>(14.14)</b>

Other income for the three-month period ended March 31<sup>st</sup>, 2018 was Baht 374.99 million did not change significantly comparing to the same period last year.

Other income for the six-month period ended March 31<sup>st</sup>, 2018 was Baht 807.62 million. It decreased by Baht 133.00 million or 14.14% comparing with the same period last year. This was a result of a decrease in gain on foreign exchange by Baht 219.02 million due to the appreciation of Thai Baht against Japanese Yen is less than the same period last year.

## 1.6 Total expenses

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2018	Q2/2017	Increase (decrease)	%YoY	Oct'17 – Mar'18	Oct'16 – Mar'17	Increase (decrease)	%YoY
Employee benefit expenses	1,574.93	1,474.45	100.48	6.81	3,113.37	2,889.82	223.55	7.74
Utilities expenses	636.33	601.24	35.09	5.84	1,263.73	1,208.73	55.00	4.55
Outsourcing expenses	1,478.54	1,359.75	118.79	8.74	2,873.25	2,665.47	207.78	7.80
Repairs and maintenance	596.05	523.45	72.60	13.87	1,120.85	1,002.43	118.42	11.81
State property rental	1,023.92	717.42	306.50	42.72	1,968.20	1,333.03	635.17	47.65
Depreciation and amortisation expenses	1,371.87	1,383.80	(11.93)	(0.86)	2,748.11	2,813.15	(65.04)	(2.31)
Loss on impairment of assets	1.25	23.08	(21.83)	(94.58)	54.02	42.79	11.23	26.24
Loss ( Gain) on sales of assets	1.52	(1.78)	3.30	185.39	1.06	57.08	(56.02)	(98.14)
Other expenses	658.57	553.29	105.28	19.03	1,188.42	1,144.50	43.92	3.84
Financial costs	258.63	300.16	(41.53)	(13.84)	529.28	619.35	(90.07)	(14.54)
<b>Total</b>	<b>7,601.61</b>	<b>6,934.86</b>	<b>666.75</b>	<b>9.61</b>	<b>14,860.29</b>	<b>13,776.35</b>	<b>1,083.94</b>	<b>7.87</b>

For the three-month period ended March 31<sup>st</sup>, 2018, total expenses were Baht 7,601.61 million. It increased by Baht 666.75 million or 9.61% comparing to the same period last year. This was mainly due to an increase in state property rental of Baht 306.50 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. Moreover, outsourcing expenses increased of Baht 118.79 million, other expenses increased of Baht 105.28 million and employee benefit expenses increased of Baht 100.48 million. Other categories of expenses did not change significantly comparing to the same period last year.

For the six-month period ended March 31<sup>st</sup>, 2018, total expenses of Baht 14,860.29 million. It increased by Baht 1,083.94 million or 7.87% comparing to the same period last year. This was mainly due to an increase in state property rental of Baht 635.17 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. Moreover, employee benefit expenses increased of Baht 223.55 million and outsourcing expenses increased of Baht 207.78 million. Repair and maintenance increased of Baht 118.42 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 March 31<sup>st</sup>, 2018 of AOT is as follows:

**Unit: Million Baht**

	<b>31 Mar 2018</b>	<b>30 Sep 2017</b>	<b>Increase (decrease)</b>	<b>% Change</b>
Total assets	175,491.09	178,409.93	(2,918.84)	(1.64)
Total liabilities	42,871.01	46,721.24	(3,850.23)	(8.24)
Total shareholders' equity	132,620.08	131,688.69	931.39	0.71

The material changes in assets, liabilities and shareholders' equity as at March 31<sup>st</sup>, 2018 comparing to September 30<sup>th</sup>, 2017 are as follows:

### 2.1 Analysis of assets

Total assets as at March 31<sup>st</sup>, 2018 were Baht 175,491.09 million. They decreased by Baht 2,918.84 million or 1.64% from September 30<sup>th</sup>, 2017 as detailed below.

**Unit: Million Baht**

	<b>31 Mar 2018</b>	<b>30 Sep 2017</b>	<b>Increase (decrease)</b>	<b>% change</b>
Current assets	67,424.74	71,655.01	(4,230.27)	(5.90)
Investment	1,320.01	1,650.77	(330.76)	(20.04)
Property plant equipment and investment properties	102,634.38	102,260.49	373.89	0.37
Other non-current assets	4,111.96	2,843.66	1,268.30	44.60
<b>Total assets</b>	<b>175,491.09</b>	<b>178,409.93</b>	<b>(2,918.84)</b>	<b>(1.64)</b>

Current assets of Baht 67,424.74 million decreased by Baht 4,230.27 million or 5.90% due to a decrease in cash and cash equivalents of Baht 3,273.18 million which mainly came from dividend payment and short-term investment of Baht 1,799.94 million. While trade accounts receivable increased of Baht 649.01 million which was in line with an increase in revenues and other receivable increased of Baht 167.43 million. Other current assets (i.e inventories and supplies, and other receivables) did not change significantly comparing to last year.

Investment of Baht 1,320.01 million decreased by Baht 330.76 million or 20.04% due to a decrease in available-for-sale investments of Baht 385.70 million as a result of change in fair value.

Property plant equipment and investment properties of Baht 102,634.38 million increased by Baht 373.89 million or 0.37%. This was from the construction contracts for midfield satellite building 1 (levels B2, B1 and G) including aprons and extension of connecting the south tunnel (structure and main system work) of Suvarnabhumi Airport.

Other non-current assets of Baht 4,111.96 million increased by Baht 1,268.30 million or 44.60% due to an increase in advance payment of Baht 1,161.71 million. The majority was advance payment of the construction contracts for midfield satellite building 1 (levels 2-4) and for extension of connecting the south tunnel (sub system work) of Suvarnabhumi Airport.

## 2.2 Analysis of liabilities

Total liabilities as at March 31<sup>st</sup>, 2018 were Baht 42,871.01 million. They decreased by Baht 3,850.23 million or 8.24% from September 30<sup>th</sup>, 2017 as detailed below.

Unit: Million Baht

	31 Mar 2018	30 Sep 2017	Increase (decrease)	% change
Current liabilities	18,795.00	20,728.19	(1,933.19)	(9.33)
Long-term loans	17,522.62	19,228.75	(1,706.13)	(8.87)
Other non-current liabilities	6,553.39	6,764.30	(210.91)	(3.12)
<b>Total liabilities</b>	<b>42,871.01</b>	<b>46,721.24</b>	<b>(3,850.23)</b>	<b>(8.24)</b>

Current liabilities of Baht 18,795.00 million decreased by Baht 1,933.19 million or 9.33% due to a decrease in account payable of Baht 2,109.49 million which mainly came from payment of state property rental for 2017 and a decrease in other current liabilities of Baht 958.09 million which mainly came from bonus payment. While, income tax payable increased by Baht 1,107.15 million.

Long-term loans of Baht 17,522.62 million decreased by Baht 1,706.13 million or 8.87 % due to a repayment of borrowing and the effect from foreign exchange rates.

Other non-current liabilities of Baht 6,553.39 million decreased by Baht 210.91 million or 3.12% due to a decrease in retentions of Baht 107.35 million which mainly came from repayment retentions of the construction contracts for midfield satellite building 1 (levels B2, B1 and G) including aprons and extension of connecting the south tunnel (structure and main system work) of Suvarnabhumi Airport.

### 2.3 Analysis of shareholders' equity

The total shareholders' equity as at March 31<sup>st</sup>, 2018 was Baht 132,620.08 million. It increased by Baht 931.39 million or 0.71% from total comprehensive income for the six-month period ended March 31<sup>st</sup>, 2018 of Baht 13,216.67 million less dividends payment of Baht 12,285.28 million.

### 3. Analysis of liquidity

As at March 31<sup>st</sup>, 2018, cash and cash equivalents were Baht 6,044.57 million. They decreased by Baht 3,273.18 million from September 30<sup>th</sup>, 2017 as detailed below.

	<b>Unit: Million Baht</b>
	<b>Oct'17 – Mar'18</b>
Cash flows from operating activities	14,802.45
Cash flows from investing activities	(3,336.99)
Cash flows from financing activities	(14,738.64)
<b>Net decrease in cash and cash equivalents</b>	<b>(3,273.18)</b>
Cash and cash equivalents at the beginning of the period	9,317.75
Cash and cash equivalents at the end of the period	6,044.57

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

Cash generated from operating activities of Baht 14,802.45 million. It resulted from an operation of the current period.

Cash used in investing activities of Baht 3,336.99 million. It resulted from cash used for investment in property plant and equipment of Baht 5,040.08 million. The majority was investment at the Suvarnabhumi Airport, Phuket International Airport and Mae Fah Luang Chiang Rai International Airport. There was net cash received from short-term investments of Baht 1,799.94 million.

Cash used in financing activities of Baht 14,738.64 million mainly from dividend payment of Baht 12,285.28 million.

#### 4. Ratio analysis

	Oct'17 – Mar'18	Oct'16 – Mar'17
<b>Profitability ratio</b>		
Ratio of profit from operations to revenue from operations (%)	53.90	52.25
Return on equity (ROE) (%)	10.23	9.50
Return on total assets (ROA) (%)	7.62	6.75
	<b>31 Mar 2018</b>	<b>30 Sep 2017</b>
<b>Financial structure and liability ratio</b>		
Debt to equity ratio (Time)	0.32	0.35
Liquidity ratio (Time)	3.59	3.46

AOT has made profit continuously. This was shown by the ratio of profit from operations to revenue from operations increased by 1.65%. The return on equity and return on total assets are increased by 0.73% and 0.87%, 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 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. International Air Transport Association: (IATA) reveals that Thailand will enter the top ten largest markets from twentieth place over the next two decades. Thailand has a great potential in aviation in Asia-Pacific region which will be the main source of revenue of the world's aviation market.

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. The government has policy of promoting secondary-city tourism. This will help to mitigate the high density of tourists in main city. It is consistent with airport development plan. 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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Authorised Person

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