

Ref. No.10055

14 August 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 nine-month periods ended  
June 30<sup>th</sup>, 2018

**Overall performance and significant events**

The overall aviation industry of Thailand during October 2017 - June 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.

In the nine-month period ended June 30<sup>th</sup>, 2018. The air traffic volume from six airports under the Airports of Thailand Public Company Limited (AOT) during this period was 656,471 flights, a 6.45% increase comparing to the same period last year. It comprised 346,739 international flights and 309,732 domestic flights. The total number of passengers was 106.20 million, a 9.75% increase comparing to the same period last year. It comprised 61.23 million international passengers and 44.97 million domestic passengers which mainly from the increase of international flights and passengers.

During the third quarter of FY 2018, AOT generated net profit of Baht 6,434.16 million. It increased by Baht 1,035.98 million or 19.19% comparing to the same period last year. Total revenues increased by Baht 1,304.35 million, total expenses increased by Baht 376.68 million while income tax expense decreased by Baht 108.92 million.

## 1. Analysis of operations

### 1.1 Operating results for the three-month period ended June 30<sup>th</sup>, 2018

Unit: Million Baht

	Q3/2018	Q3/2017	Increase (decrease)	% YoY
Revenues from sales or services	14,860.93	13,503.22	1,357.71	10.05
<i>Aeronautical revenue</i>	8,340.19	7,567.62	772.57	10.21
<i>Portion</i>	56%	56%		
<i>Non-aeronautical revenue</i>	6,520.74	5,935.60	585.14	9.86
<i>Portion</i>	44%	44%		
Other income	338.45	391.81	(53.36)	(13.62)
<b>Total revenues</b>	<b>15,199.38</b>	<b>13,895.03</b>	<b>1,304.35</b>	<b>9.39</b>
<u>Less</u> Total expenses	7,524.23	7,147.55	376.68	5.27
<b>Profit before income tax expense</b>	<b>7,675.15</b>	<b>6,747.48</b>	<b>927.67</b>	<b>13.75</b>
<u>Less</u> Income tax expense	1,233.24	1,342.16	(108.92)	(8.12)
<b>Net profit for the period</b>	<b>6,441.91</b>	<b>5,405.32</b>	<b>1,036.59</b>	<b>19.18</b>
<b>Profit attributable to:</b>				
<b>Owners of the parent</b>	<b>6,434.16</b>	<b>5,398.18</b>	<b>1,035.98</b>	<b>19.19</b>
Non-controlling interests	7.75	7.14	0.61	8.54
<b>Earnings per share (Baht)</b>	<b>0.45</b>	<b>0.38</b>	<b>0.07</b>	<b>18.42</b>

Net profit for the three-month period ended June 30<sup>th</sup>, 2018 was Baht 6,434.16 million. It increased by Baht 1,035.98 million or 19.19% comparing to the same period last year. Revenue from sales or services increased by Baht 1,357.71 million or 10.05% as a result of an increase in aeronautical revenue of Baht 772.57 million or 10.21% and non-aeronautical revenue of Baht 585.14 million or 9.86% because of increasing in number of flights and passengers. Other income decreased by Baht 53.36 million or 13.62%. Total expenses increased by Baht 376.68 million or 5.27%. The main reason was an increase in state property rental. Income tax expense decreased

by Baht 108.92 million or 8.12% because of additional submitted corporate income tax, mainly about state property rental, which had been additional recorded in FY 2017.

## 1.2 Operating results for the nine-month period ended June 30<sup>th</sup>, 2018

Unit: Million Baht

	Oct'17 – Jun'18	Oct'16 – Jun'17	Increase (decrease)	% YoY
Revenues from sales or services	45,790.15	40,781.08	5,009.07	12.28
<i>Aeronautical revenue</i>	25,887.70	23,018.58	2,869.12	12.46
<i>Portion</i>	57%	56%		
<i>Non-aeronautical revenue</i>	19,902.45	17,762.50	2,139.95	12.05
<i>Portion</i>	43%	44%		
Other income	1,145.53	1,331.93	(186.40)	(13.99)
<b>Total revenues</b>	<b>46,935.68</b>	<b>42,113.01</b>	<b>4,822.67</b>	<b>11.45</b>
<u>Less</u> Total expenses	22,383.98	20,923.40	1,460.58	6.98
<b>Profit before income tax expense</b>	<b>24,551.70</b>	<b>21,189.61</b>	<b>3,362.09</b>	<b>15.87</b>
<u>Less</u> Income tax expense	4,584.56	4,255.55	329.01	7.73
<b>Net profit for the period</b>	<b>19,967.14</b>	<b>16,934.06</b>	<b>3,033.08</b>	<b>17.91</b>
<b>Profit attributable to:</b>				
<b>Owners of the parent</b>	<b>19,923.44</b>	<b>16,894.30</b>	<b>3,029.14</b>	<b>17.93</b>
Non-controlling interests	43.70	39.76	3.94	9.91
<b>Earnings per share (Baht)</b>	<b>1.39</b>	<b>1.18</b>	<b>0.21</b>	<b>17.80</b>

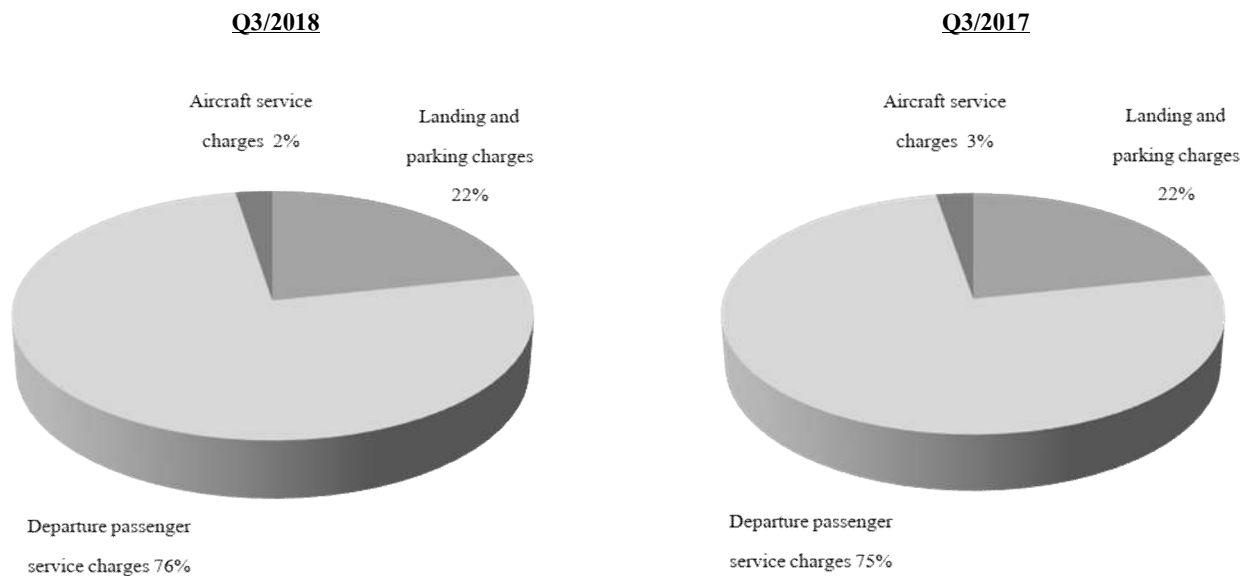
Net profit for the nine-month period ended June 30<sup>th</sup>, 2018 was Baht 19,923.44 million. It increased by Baht 3,029.14 million or 17.93% comparing to the same period last year. Revenues from sales or services increased by Baht 5,009.07 million or 12.28% as a result of an increase in aeronautical revenue of Baht 2,869.12 million or 12.46% and non-aeronautical revenue of Baht 2,139.95 million or 12.05% because of increasing in number of flights and passengers. Other income decreased by Baht 186.40 million or 13.99% mainly from a decrease in gain on foreign exchange. Total expenses increased by Baht 1,460.58 million or 6.98%. The main reason was an increase in state property rental. Income tax expense increased by Baht 329.01 million or 7.73% 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 nine-month period			
	Q3/2018	Q3/2017	Increase (decrease)	%YoY	Oct'17 – Jun'18	Oct'16 – Jun'17	Increase (decrease)	%YoY
Landing and parking charges	1,803.74	1,643.69	160.05	9.74	5,486.06	5,049.60	436.46	8.64
Departure passenger service charges	6,323.42	5,721.22	602.20	10.53	19,784.45	17,365.59	2,418.86	13.93
Aircraft service charges	213.03	202.71	10.32	5.09	617.19	603.39	13.80	2.29
<b>Total</b>	<b>8,340.19</b>	<b>7,567.62</b>	<b>772.57</b>	<b>10.21</b>	<b>25,887.70</b>	<b>23,018.58</b>	<b>2,869.12</b>	<b>12.46</b>



A portion of aeronautical revenue in each type in the third 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 June 30<sup>th</sup>, 2018, aeronautical revenue of Baht 8,340.19 million increased by Baht 772.57 million or 10.21% comparing to the same period last year due to an increase in departure passenger service charges of Baht 602.20 million or 10.53%. This was because of an increase in the number of passengers in six airports 8.54% which mainly from an increase in passengers of low cost airlines 15.70%.

Moreover, landing and parking charges and aircraft service charges increased by Baht 160.05 million and Bath 10.32 million, respectively. This was because the number of flights increased by 9.35% which mainly from an increase in passengers of low cost airlines 14.97%.

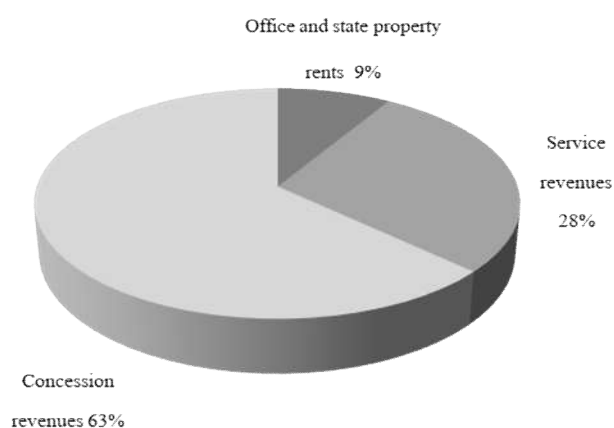
For the nine-month period ended June 30<sup>th</sup>, 2018, aeronautical revenue of Baht 25,887.70 million increased by Baht 2,869.12 million or 12.46% comparing to the same period last year due to an increase in departure passenger service charges of Baht 2,418.86 million or 13.93%. This was because the number of passengers in six airports increased by 9.75% which mainly from an increase in passengers of low cost airlines 15.31%. Moreover, landing and parking charges and aircraft service charges increased by Bath 436.46 million and Bath 13.80 million, respectively. This was because the number of flights increased by 6.45% which mainly from an increase in passengers of low cost airlines 12.44%.

#### 1.4 Non-Aeronautical Revenue

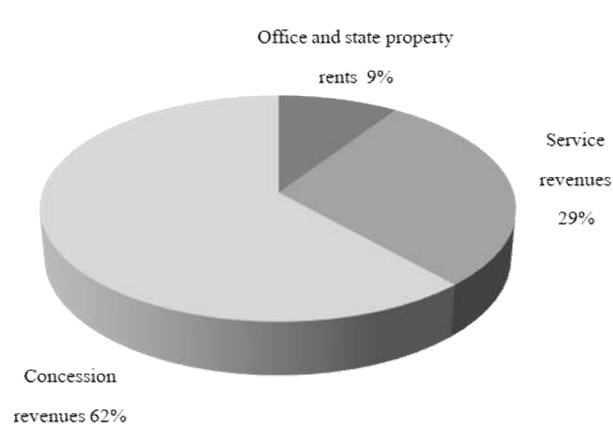
Unit: Million Baht

	For the three-month period				For the nine-month period			
	Q3/2018	Q3/2017	Increase (decrease)	%YoY	Oct'17 – Jun'18	Oct'16 – Jun'17	Increase (decrease)	%YoY
Office and state property rents	568.16	554.25	13.91	2.51	1,692.67	1,640.73	51.94	3.17
Service revenues	1,839.47	1,724.05	115.42	6.69	5,711.21	5,271.25	439.96	8.35
Concession revenues	4,113.11	3,657.30	455.81	12.46	12,498.57	10,850.52	1,648.05	15.19
<b>Total</b>	<b>6,520.74</b>	<b>5,935.60</b>	<b>585.14</b>	<b>9.86</b>	<b>19,902.45</b>	<b>17,762.50</b>	<b>2,139.95</b>	<b>12.05</b>

**Q3/2018**



**Q3/2017**



A portion of non-aeronautical revenue in each type in the third 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 June 30<sup>th</sup>, 2018, non-aeronautical revenue of Baht 6,520.74 million increased by Baht 585.14 million or 9.86% comparing to the same period last year due to an increase in concession revenues of Baht 455.81 million or 12.46%. 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 115.42 million or 6.69% which mainly from advance passenger checking service.

For the nine-month period ended June 30<sup>th</sup>, 2018, non-aeronautical revenue of Baht 19,902.45 million increased by Baht 2,139.95 million or 12.05% comparing to the same period last year due to an increase in concession revenues of Baht 1,648.05 million or 15.19%. The main reasons were an increase in number of passengers, customers in airports including the increase in revenue sharing rate. Service revenues increased by Baht 439.96 million or 8.35% which mainly from advance passenger checking service.

### 1.5 Other income

Unit: Million Baht

	For the three-month period				For the nine-month period			
	Q3/2018	Q3/2017	Increase (decrease)	%YoY	Oct'17 – Jun'18	Oct'16 – Jun'17	Increase (decrease)	%YoY
Gain on foreign exchange	41.49	22.33	19.16	85.80	127.67	327.53	(199.86)	(61.02)
Interest income	241.57	255.70	(14.13)	(5.53)	759.02	773.42	(14.40)	(1.86)
Gain on sales of assets	0.54	0.50	0.04	8.00	-	-	-	-
Others	54.85	113.28	(58.43)	(51.58)	258.84	230.98	27.86	12.06
<b>Total</b>	<b>338.45</b>	<b>391.81</b>	<b>(53.36)</b>	<b>(13.62)</b>	<b>1,145.53</b>	<b>1,331.93</b>	<b>(186.40)</b>	<b>(13.99)</b>

Other income for the three-month period ended June 30<sup>th</sup>, 2018 was Baht 338.45 million did not change significantly comparing to the same period last year.

Other income for the nine-month period ended June 30<sup>th</sup>, 2018 was Baht 1,145.53 million. It decreased by Baht 186.40 million or 13.99% comparing with the same period last year. This was a result of a decrease in gain on foreign exchange by Baht 199.86 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 nine-month period			
	Q3/2018	Q3/2017	Increase (decrease)	%YoY	Oct'17 – Jun'18	Oct'16 – Jun'17	Increase (decrease)	%YoY
Employee benefit expenses	1,607.53	1,497.90	109.63	7.32	4,720.91	4,387.72	333.19	7.59
Utilities expenses	671.55	648.12	23.43	3.62	1,935.28	1,856.84	78.44	4.22
Outsourcing expenses	1,370.94	1,317.45	53.49	4.06	4,244.19	3,982.93	261.26	6.56
Repairs and maintenance	545.66	714.86	(169.20)	(23.67)	1,666.51	1,717.29	(50.78)	(2.96)
State property rental	955.60	681.13	274.47	40.30	2,923.80	2,014.16	909.64	45.16
Depreciation and amortisation expenses	1,409.70	1,388.21	21.49	1.55	4,157.81	4,201.35	(43.54)	(1.04)
Loss on impairment of assets	18.11	24.14	(6.03)	(24.98)	72.13	66.93	5.20	7.77
Loss on sales of assets	-	-	-	-	0.52	56.59	(56.07)	(99.08)
Other expenses	695.58	583.94	111.64	19.12	1,883.99	1,728.44	155.55	9.00
Financial costs	249.56	291.80	(42.24)	(14.48)	778.84	911.15	(132.31)	(14.52)
<b>Total</b>	<b>7,524.23</b>	<b>7,147.55</b>	<b>376.68</b>	<b>5.27</b>	<b>22,383.98</b>	<b>20,923.40</b>	<b>1,460.58</b>	<b>6.98</b>

For the three-month period ended June 30<sup>th</sup>, 2018, total expenses were Baht 7,524.23 million.

It increased by Baht 376.68 million or 5.27% comparing to the same period last year. This was mainly due to an increase in state property rental of Baht 274.47 million. The state property rental rate is calculated by Return on Assets (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. Moreover, other expenses increased of Baht 111.64 million and employee benefit expenses increased of Baht 109.63 million while repairs and maintenance decreased of Baht 169.20 million. Other categories of expenses did not change significantly comparing to the same period last year.

For the nine-month period ended June 30<sup>th</sup>, 2018, total expenses of Baht 22,383.98 million. It increased by Baht 1,460.58 million or 6.98% comparing to the same period last year. This was mainly due to an increase in

state property rental of Baht 909.64 million. The state property rental rate is calculated by Return on Assets (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 333.19 million. Outsourcing expenses increased of Baht 261.26 million and other expenses increased of Baht 155.55 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 June 30<sup>th</sup>, 2018 of AOT is as follows:

Unit: Million Baht

	31 Jun 2018	30 Sep 2017	Increase (decrease)	% Change
Total assets	178,935.53	178,409.93	525.60	0.29
Total liabilities	39,987.09	46,721.24	(6,734.15)	(14.41)
Total shareholders' equity	138,948.44	131,688.69	7,259.75	5.51

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

### 2.1 Analysis of assets

Total assets as at June 30<sup>th</sup>, 2018 were Baht 178,935.53 million. They increased by Baht 525.60 million or 0.29% from September 30<sup>th</sup>, 2017 as detailed below.

Unit: Million Baht

	31 Jun 2018	30 Sep 2017	Increase (decrease)	% change
Current assets	69,728.62	71,655.01	(1,926.39)	(2.69)
Investment	1,178.08	1,650.77	(472.69)	(28.63)
Property plant equipment and investment properties	102,883.94	102,260.49	623.45	0.61
Other non-current assets	5,144.89	2,843.66	2,301.23	80.92
<b>Total assets</b>	<b>178,935.53</b>	<b>178,409.93</b>	<b>525.60</b>	<b>0.29</b>

Current assets of Baht 69,728.62 million decreased by Baht 1,926.39 million or 2.69% due to a decrease in cash and cash equivalents of Baht 4,694.90 million which mainly came from dividend payment. While short-

term investment increased of Baht 2,700.06 million. Other current assets (i.e. trade accounts receivable, other receivables, inventories and supplies, and other current assets) did not change significantly comparing to last year.

Investment of Baht 1,178.08 million decreased by Baht 472.69 million or 28.63% due to a decrease in available-for-sale investments of Baht 527.64 million as a result of change in fair value.

Property plant equipment and investment properties of Baht 102,883.94 million increased by Baht 623.45 million or 0.61%. 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 5,144.89 million increased by Baht 2,301.23 million or 80.92% due to an increase in advance payment of Baht 1,632.18 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. Moreover, deferred tax assets increased by Baht 490.67 million.

## 2.2 Analysis of liabilities

Total liabilities as at June 30<sup>th</sup>, 2018 were Baht 39,987.09 million. They decreased by Baht 6,734.15 million or 14.41% from September 30<sup>th</sup>, 2017 as detailed below.

**Unit: Million Baht**

	<b>30 Jun 2018</b>	<b>30 Sep 2017</b>	<b>Increase (decrease)</b>	<b>% change</b>
Current liabilities	18,181.44	20,728.19	(2,546.75)	(12.29)
Long-term loans	15,531.35	19,228.75	(3,697.40)	(19.23)
Other non-current liabilities	6,274.30	6,764.30	(490.00)	(7.24)
<b>Total liabilities</b>	<b>39,987.09</b>	<b>46,721.24</b>	<b>(6,734.15)</b>	<b>(14.41)</b>

Current liabilities of Baht 18,181.44 million decreased by Baht 2,546.75 million or 12.29% due to a decrease in account payable of Baht 1,445.96 million which mainly came from payment of state property rental for 2017 and a decrease in other current liabilities of Baht 756.40 million which mainly came from bonus payment and income tax payable decreased by Baht 544.33 million.

Long-term loans of Baht 15,531.35 million decreased by Baht 3,697.40 million or 19.23% due to a repayment of borrowing and the effect from foreign exchange rates.

Other non-current liabilities of Baht 6,274.30 million decreased by Baht 490.00 million or 7.24% due to a decrease in the value of cross currency swap contracts recognised as liabilities of Baht 321.52 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. Moreover, finance leased liabilities decreased by Baht 223.72 million.

### 2.3 Analysis of shareholders' equity

The total shareholders' equity as at June 30<sup>th</sup>, 2018 was Baht 139,948.44 million. It increased by Baht 7,259.75 million or 5.51% from total comprehensive income for the nine-month period ended June 30<sup>th</sup>, 2018 of Baht 19,545.03 million less dividends payment of Baht 12,285.28 million.

### 3. Analysis of liquidity

As at June 30<sup>th</sup>, 2018, cash and cash equivalents were Baht 4,622.85 million. They decreased by Baht 4,694.90 million from September 30<sup>th</sup>, 2017 as detailed below.

	<b>Unit: Million Baht</b>
	<b>Oct'17 – Jun'18</b>
Cash flows from operating activities	22,921.09
Cash flows from investing activities	(10,432.12)
Cash flows from financing activities	(17,183.87)
<b>Net decrease in cash and cash equivalents</b>	<b>(4,694.90)</b>
Cash and cash equivalents at the beginning of the period	9,317.75
Cash and cash equivalents at the end of the period	4,622.85

The change in cash and cash equivalents for the nine-month period ended June 30<sup>th</sup>, 2018 can be analysed as below;

Cash generated from operating activities of Baht 22,921.09 million. It resulted from an operation of the current period.

Cash used in investing activities of Baht 10,432.12 million. It resulted from cash used for investment in property plant and equipment of Baht 7,713.10 million. The majority was investment at the Suvarnabhumi Airport, Phuket International Airport and Hat Yai International Airport. There was net cash used for short-term investments of Baht 2,700.06 million.

Cash used in financing activities of Baht 17,183.87 million mainly from dividend payment of Baht 12,285.28 million and repayment of long term loans of Baht 4,154.13 million.

#### 4. Ratio analysis

	Oct'17 – Jun'18	Oct'16 – Jun'17
<b>Profitability ratio</b>		
Ratio of profit from operations to revenue from operations (%)	53.14	51.33
Return on equity (ROE) (%)	14.76	13.65
Return on total assets (ROA) (%)	11.15	9.81
	<b>30 Jun 2018</b>	<b>30 Sep 2017</b>
<b>Financial structure ratio</b>		
Debt to equity ratio (Time)	0.29	0.35
Liquidity ratio (Time)	3.84	3.46

AOT has made profit continuously. This was shown by the ratio of profit from operations to revenue from operations increased by 1.81%. The return on equity increased by 1.11% and return on total assets increased by 1.34%. 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 international 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 international airports. The renovation of the old terminal of Phuket International Airport has been completed, and officially commenced operations on June 25<sup>th</sup>, 2018. Additionally the AOT Committee has approved a development plan for Don Mueang International Airport, Chiang Mai International Airport and Mae Fah Luang Chiang Rai International Airport. The plan accelerates the improvements in these three airports' ability to handle a significant increase in aircraft traffic and passenger volume. The plan also approves construction of Suvarnabhumi Airport's Terminal 2. 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 includes convenient of passengers and quick airport services.

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. The policy is consistent with AOT's airport development plan where AOT will expand the airport network in Thailand by managing four regional airports of Department of Airports– Udon Thani, Sakon Nakhon, Chumphon and Tak. However, this plan is still under consideration of the Minister of Transport. The expansion of airport network system will promote Thailand to be the major 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,

(Poolsiri Virojanapa)

Senior Executive Vice President (Accounting and Finance)

Authorised Person

Accounting Department

Tel. 0 2535 1594

Fax. 0 2535 1855