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13 May 2019

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>, 2019

#### **Overall performance and significant events**

The overall aviation industry of Thailand during October 2018 - March 2019 has improved comparing to the same period last year. Even though the global economy shows the sign of slowing down, the public sector still uses proactive continuous measures for actively stimulating tourism by extending the exemption period of the visa-on-arrival fee for tourists to April 30<sup>th</sup>, 2019. As a result, the number of tourists is increased. The Chinese tourists still be the main nationality travelling to Thailand. Furthermore, 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. It is positively benefiting both aviation industry and the overall economy of Thailand.

In the six-month period ended March 31<sup>st</sup>, 2019, the air traffic volume from six airports under the Airports of Thailand Public Company Limited (AOT) reported 460,007 flights, a 5.31% increase comparing to the same period last year. It comprised 248,174 international flights and 211,833 domestic flights. The total number of passengers was 74.32 million, a 2.67% increase comparing to the same period last year. It comprised 43.61 million international passengers and 30.71 million domestic passengers which mainly from the increase of international flights and passengers.

During the second quarter of FY 2019, AOT generated net profit of Baht 7,646.50 million. It increased by Baht 376.75 million or 5.18% comparing to the same period last year. Total revenues increased by Baht 858.30 million, total expenses increased by Baht 343.21 million and income tax expense increased by Baht 139.52 million.

## 1. Analysis of operations

### 1.1 Operating results for the three-month period ended March 31<sup>st</sup>, 2019

Unit: Million Baht

	Q2/2019	Q2/2018	Increase (decrease)	% YoY
Revenues from sales or services	17,121.43	16,316.77	804.66	4.93
<i>Aeronautical revenue</i>	9,727.05	9,300.43	426.62	4.59
<i>Portion</i>	57%	57%		
<i>Non-aeronautical revenue</i>	7,394.38	7,016.34	378.04	5.39
<i>Portion</i>	43%	43%		
Other income	427.11	373.47	53.64	14.36
<b>Total revenues</b>	<b>17,548.54</b>	<b>16,690.24</b>	<b>858.30</b>	<b>5.14</b>
<u>Less</u> Total expenses	7,943.30	7,600.09	343.21	4.52
<b>Profit before income tax expense</b>	<b>9,605.24</b>	<b>9,090.15</b>	<b>515.09</b>	<b>5.67</b>
<u>Less</u> Income tax expense	1,942.21	1,802.69	139.52	7.74
<b>Net profit for the period</b>	<b>7,663.03</b>	<b>7,287.46</b>	<b>375.57</b>	<b>5.15</b>
<b>Profit attributable to:</b>				
<b>Owners of the parent</b>	<b>7,646.50</b>	<b>7,269.75</b>	<b>376.75</b>	<b>5.18</b>
Non-controlling interests	16.53	17.71	(1.18)	(6.66)
<b>Earnings per share (Baht)</b>	<b>0.54</b>	<b>0.51</b>	<b>0.03</b>	<b>5.88</b>

Net profit for the three-month period ended March 31<sup>st</sup>, 2019 was Baht 7,646.50 million. It increased by Baht 376.75 million or 5.18% comparing to the same period last year. Revenue from sales or services increased by Baht 804.66 million or 4.93% as a result of an increase in aeronautical revenue of Baht 426.62 million or 4.59% and non-aeronautical revenue of Baht 378.04 million or 5.39% because of increasing in number of flights and passengers. Other income increased by Baht 53.64 million or 14.36%. Total expenses increased by Baht 343.21 million or 4.52%. The main reason was an increase in employee benefit expenses. Income tax expense increased by Baht 139.52 million or 7.74% which was in line with an increase in profit.

1.2 Operating results for the six-month period ended March 31<sup>st</sup>, 2019

Unit: Million Baht

	Oct'18 – Mar'19	Oct'17 – Mar'18	Increase (decrease)	% YoY
Revenues from sales or services	32,517.87	30,929.22	1,588.65	5.14
<i>Aeronautical revenue</i>	18,252.40	17,547.50	704.90	4.02
<i>Portion</i>	56%	57%		
<i>Non-aeronautical revenue</i>	14,265.47	13,381.72	883.75	6.60
<i>Portion</i>	44%	43%		
Other income	826.92	806.56	20.36	2.52
<b>Total revenues</b>	<b>33,344.79</b>	<b>31,735.78</b>	<b>1,609.01</b>	<b>5.07</b>
<u>Less</u> Total expenses	15,707.11	14,859.23	847.88	5.71
<b>Profit before income tax expense</b>	<b>17,637.68</b>	<b>16,876.55</b>	<b>761.13</b>	<b>4.51</b>
<u>Less</u> Income tax expense	3,585.52	3,351.32	234.20	6.99
<b>Net profit for the period</b>	<b>14,052.16</b>	<b>13,525.23</b>	<b>526.93</b>	<b>3.90</b>
<b>Profit attributable to:</b>				
Owners of the parent	14,022.13	13,489.28	532.85	3.95
Non-controlling interests	30.03	35.95	(5.92)	(16.47)
<b>Earnings per share (Baht)</b>	<b>0.98</b>	<b>0.94</b>	<b>0.04</b>	<b>4.26</b>

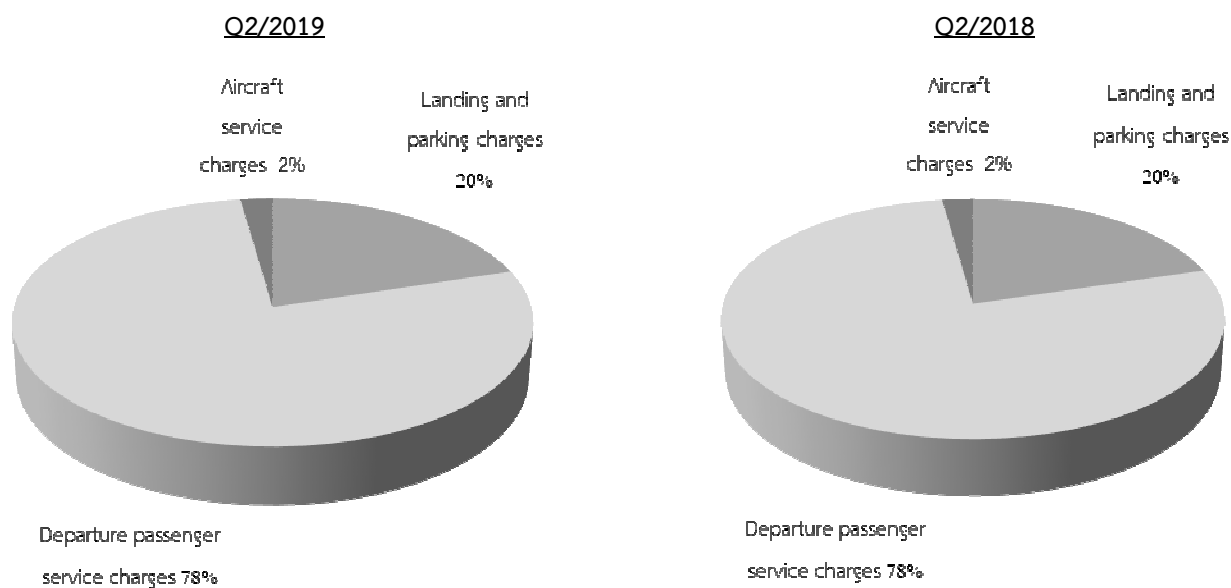
Net profit for the six-month period ended March 31<sup>st</sup>, 2019 was Baht 14,022.13 million. It increased by Baht 532.85 million or 3.95% comparing to the same period last year. Revenues from sales or services increased by Baht 1,588.65 million or 5.14% as a result of an increase in aeronautical revenue of Baht 704.90 million or 4.02% and non-aeronautical revenue of Baht 883.75 million or 6.60% because of increasing in number of flights and passengers. Other income increased by Baht 20.36 million or 2.52%. Total expenses increased by Baht 847.88 million or 5.71%. The main reason was an increase in employee benefit expenses, other expenses, loss on impairment of assets and depreciation and amortisation expenses. Income tax expense increased by Baht 234.20 million or 6.99% 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			
	Q2/2019	Q2/2018	Increase (decrease)	%YoY	Oct'18 – Mar'19	Oct'17 – Mar'18	Increase (decrease)	%YoY
Landing and parking charges	1,956.54	1,886.84	69.70	3.69	3,868.67	3,682.32	186.35	5.06
Departure passenger service charges	7,553.51	7,207.97	345.54	4.79	13,949.72	13,461.02	488.70	3.63
Aircraft service charges	217.00	205.62	11.38	5.53	434.01	404.16	29.85	7.39
<b>Total</b>	<b>9,727.05</b>	<b>9,300.43</b>	<b>426.62</b>	<b>4.59</b>	<b>18,252.40</b>	<b>17,547.50</b>	<b>704.90</b>	<b>4.02</b>



A portion of aeronautical revenue in each type in the second quarter of FY 2019 was not 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>, 2019, aeronautical revenue of Baht 9,727.05 million increased by Baht 426.62 million or 4.59% comparing to the same period last year due to an increase in departure passenger service charges of Baht 345.54 million or 4.79%. This was because of an increase in the number of passengers in six airports 2.59% which mainly from an increase in

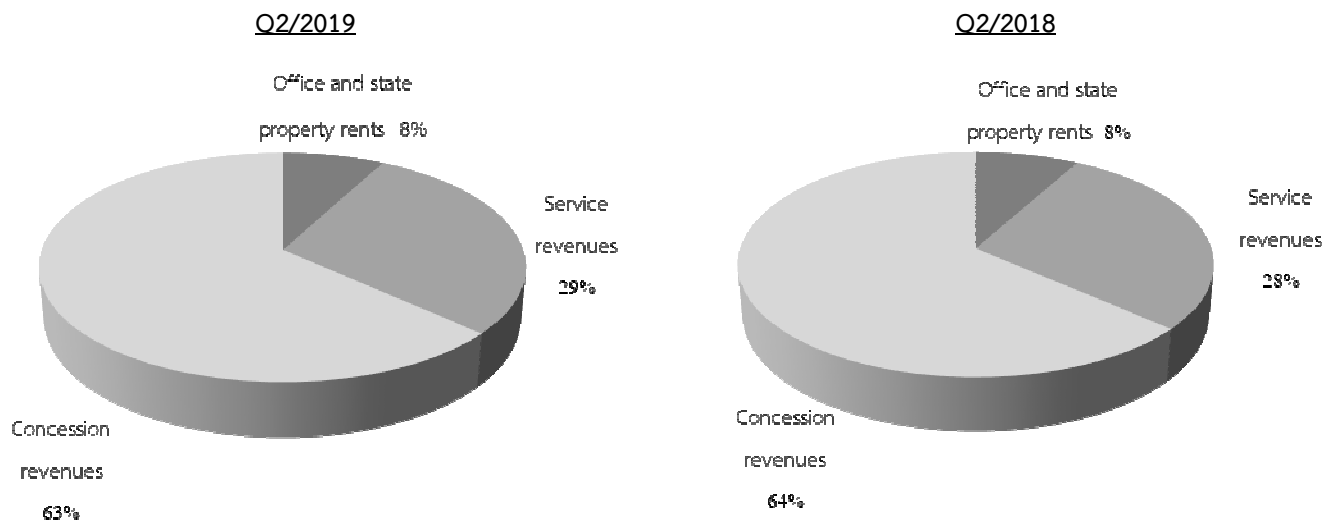
passengers of low cost airlines 6.36%. Moreover, landing and parking charges increased by Baht 69.70 million or 3.69% due to an increase in number of fights 4.76% which mainly from an increase in flights of low cost airlines 7.96%.

For the six-month period ended March 31<sup>st</sup>, 2019, aeronautical revenue of Baht 18,252.40 million increased by Baht 704.90 million or 4.02% comparing to the same period last year due to an increase in departure passenger service charges of Baht 488.70 million or 3.63%. This was because the number of passengers in six airports increased by 2.67% which mainly from an increase in passengers of low cost airlines 6.95%. Moreover, landing and parking charges increased by Baht 186.35 million or 5.06%. This was because the number of flights increased by 5.31% which mainly from an increase in flights of low cost airlines 9.09%.

#### 1.4 Non-Aeronautical Revenue

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2019	Q2/2018	Increase (decrease)	%YoY	Oct'18 – Mar'19	Oct'17 – Mar'18	Increase (decrease)	%YoY
Office and state property rents	576.39	565.92	10.47	1.85	1,156.13	1,124.51	31.62	2.81
Service revenues	2,136.81	1,995.78	141.03	7.07	4,091.87	3,871.74	220.13	5.69
Concession revenues	4,681.18	4,454.64	226.54	5.09	9,017.47	8,385.47	632.00	7.54
<b>Total</b>	<b>7,394.38</b>	<b>7,016.34</b>	<b>378.04</b>	<b>5.39</b>	<b>14,265.47</b>	<b>13,381.72</b>	<b>883.75</b>	<b>6.60</b>



A portion of non-aeronautical revenue in each type in the second quarter of FY 2019 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>, 2019, non-aeronautical revenue of Baht 7,394.38 million increased by Baht 378.04 million or 5.39% comparing to the same period last year due to an increase in concession revenues of Baht 226.54 million or 5.09%. 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 141.03 million or 7.07% which mainly from advance passenger checking service.

For the six-month period ended March 31<sup>st</sup>, 2019, non-aeronautical revenue of Baht 14,265.47 million increased by Baht 883.75 million or 6.60% comparing to the same period last year due to an increase in concession revenues of Baht 632.00 million or 7.54%. 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 220.13 million or 5.69% which mainly from advance passenger checking service.

## 1.5 Other income

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2019	Q2/2018	Increase (decrease)	%YoY	Oct'18 – Mar'19	Oct'17 – Mar'18	Increase (decrease)	%YoY
Gain on foreign exchange	90.85	50.07	40.78	81.45	88.65	86.18	2.47	2.87
Interest income	248.53	244.32	4.21	1.72	557.80	517.45	40.35	7.80
Gain (Loss) on sales of assets	0.22	(1.52)	1.74	114.47	0.66	(1.06)	1.72	162.26
Other income	87.51	80.60	6.91	8.57	179.81	203.99	(24.18)	(11.85)
<b>Total</b>	<b>427.11</b>	<b>373.47</b>	<b>53.64</b>	<b>14.36</b>	<b>826.92</b>	<b>806.56</b>	<b>20.36</b>	<b>2.52</b>

Other income for the three-month period ended March 31<sup>st</sup>, 2019 was Baht 427.11 million. It increased by Baht 53.64 million or 14.36% comparing to the same period last year. This was a result of an increase in gain on foreign exchange by Baht 40.78 million due to the appreciation of Thai Baht against Japanese Yen is more than the same period last year.

Other income for the six-month period ended March 31<sup>st</sup>, 2019 was Baht 826.92 million. It increased by Baht 20.36 million or 2.52% which did not change significantly comparing to the same period last year.

## 1.6 Total expenses

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2019	Q2/2018	Increase (decrease)	%YoY	Oct'18 – Mar'19	Oct'17 – Mar'18	Increase (decrease)	%YoY
Employee benefit expenses	1,734.66	1,574.93	159.73	10.14	3,407.85	3,113.37	294.48	9.46
Utilities expenses	659.59	636.33	23.26	3.66	1,319.94	1,263.73	56.21	4.45
Outsourcing expenses	1,543.60	1,478.54	65.06	4.40	2,967.81	2,873.25	94.56	3.29
Repairs and maintenance	593.57	596.05	(2.48)	(0.42)	1,210.00	1,120.85	89.15	7.95
State property rental	1,060.80	1,023.92	36.88	3.60	2,043.80	1,968.20	75.60	3.84

## 1.6 Total expenses (Cont'd)

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2019	Q2/2018	Increase (decrease)	%YoY	Oct'18 – Mar'19	Oct'17 – Mar'18	Increase (decrease)	%YoY
Depreciation and amortisation expenses	1,418.64	1,371.87	46.77	3.41	2,849.36	2,748.11	101.25	3.68
Loss on impairment of assets	18.89	1.25	17.64	1,411.20	157.03	54.02	103.01	190.69
Other expenses	707.94	658.57	49.37	7.50	1,320.83	1,188.42	132.41	11.14
Financial costs	205.61	258.63	(53.02)	(20.50)	430.49	529.28	(98.79)	(18.66)
<b>Total</b>	<b>7,943.30</b>	<b>7,600.09</b>	<b>343.21</b>	<b>4.52</b>	<b>15,707.11</b>	<b>14,859.23</b>	<b>847.88</b>	<b>5.71</b>

For the three-month period ended March 31<sup>st</sup>, 2019, total expenses were Baht 7,943.30 million. It increased by Baht 343.21 million or 4.52% comparing to the same period last year. This was mainly due to an increase in employee benefit expenses by Baht 159.73 million. Moreover, outsourcing expenses increased by Baht 65.06 million, other expenses increased by Baht 49.37 million, depreciation and amortisation expenses increased by Baht 46.77 million and state property rental increased by Baht 36.88 million. On the other hand, financial costs decreased by Baht 53.02 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>, 2019, total expenses of Baht 15,707.11 million. It increased by Baht 847.88 million or 5.71% comparing to the same period last year. This was mainly due to an increase in employee benefit expenses by Baht 294.48 million. Moreover, other expenses increased by Baht 132.41 million, loss on impairment of assets increased by Baht 103.01 million, depreciation and amortisation expenses increased by Baht 101.25 million, outsourcing expenses increased by Baht 94.56 million and repairs and maintenance increased by Baht 89.15 million. However, financial costs decreased by Baht 98.79 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>, 2019 of AOT is as follows:

Unit: Million Baht

	31 Mar 2019	30 Sep 2018	Increase (decrease)	% Change
Total assets	181,144.00	187,708.55	(6,564.55)	(3.50)
Total liabilities	37,643.00	43,439.43	(5,796.43)	(13.34)
Total equity	143,501.00	144,269.12	(768.12)	(0.53)

The material changes in assets, liabilities and equity as at March 31<sup>st</sup>, 2019 comparing to September 30<sup>th</sup>, 2018 are as follows:

### 2.1 Analysis of assets

Total assets as at March 31<sup>st</sup>, 2019 were Baht 181,144.00 million. They decreased by Baht 6,564.55 million or 3.50% from September 30<sup>th</sup>, 2018 as detailed below.

Unit: Million Baht

	31 Mar 2019	30 Sep 2018	Increase (decrease)	% change
Current assets	71,512.63	77,068.09	(5,555.46)	(7.21)
Investment	1,233.43	1,257.04	(23.61)	(1.88)
Property plant equipment and investment properties	103,878.54	104,887.28	(1,008.74)	(0.96)
Other non-current assets	4,519.40	4,496.14	23.26	0.52
<b>Total assets</b>	<b>181,144.00</b>	<b>187,708.55</b>	<b>(6,564.55)</b>	<b>(3.50)</b>

Current assets of Baht 71,512.63 million decreased by Baht 5,555.46 million or 7.21% due to a decrease in short-term investments of Baht 3,179.94 million and cash and cash equivalents of Baht 3,014.63 million which mainly came from dividend payment. On the other hand, trade accounts receivable increased of Baht 738.46 million which was in line with an increase in revenues. 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 1,233.43 million decreased by Baht 23.61 million or 1.88% due to a decrease in investments in bonds with obligations by Baht 54.99 million. Available-for-sale investments increased by Baht 31.37 million from change in fair value.

Property plant equipment and investment properties of Baht 103,878.54 million decreased by Baht 1,008.74 million or 0.96% because of depreciation expenses in the period.

Other non-current assets of Baht 4,519.40 million increased by Baht 23.26 million or 0.52% due to an increase in deferred tax assets of Baht 170.97 million. On the other hand, advance payment decreased by Baht 134.85 million.

## 2.2 Analysis of liabilities

Total liabilities as at March 31<sup>st</sup>, 2019 were Baht 37,643.00 million. They decreased by Baht 5,796.43 million or 13.34% from September 30<sup>th</sup>, 2018 as detailed below.

Unit: Million Baht

	31 Mar 2019	30 Sep 2018	Increase (decrease)	% change
Current liabilities	19,273.59	23,202.73	(3,929.14)	(16.93)
Long-term loans	11,976.83	13,684.89	(1,708.06)	(12.48)
Other non-current liabilities	6,392.58	6,551.81	(159.23)	(2.43)
<b>Total liabilities</b>	<b>37,643.00</b>	<b>43,439.43</b>	<b>(5,796.43)</b>	<b>(13.34)</b>

Current liabilities of Baht 19,273.59 million decreased by Baht 3,929.14 million or 16.93% due to a decrease in other payables of Baht 1,319.68 million which mainly came from payment of state property rental for 2018. Other current liabilities decreased of Baht 1,172.16 million which mainly came from bonus payment. Work in processes payable decreased of Baht 1,048.00 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 while income tax payable increased by Baht 889.44 million.

Long-term loans of Baht 11,976.83 million decreased by Baht 1,708.06 million or 12.48% due to a repayment of borrowings and the effect from foreign exchange rates.

Other non-current liabilities of Baht 6,392.58 million decreased by Baht 159.23 million or 2.43% due to a decrease in the value of cross currency swap contracts recognised as liabilities of Baht 261.24 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 while employee benefit obligations increased by Baht 112.31 million.

### 2.3 Analysis of equity

The total equity as at March 31<sup>st</sup>, 2019 was Baht 143,501.00 million. It decreased by Baht 768.12 million or 0.53%. This was because total comprehensive income for the six-month period ended March 31<sup>st</sup>, 2019 of Baht 14,077.26 million and paid-up share capital from non-controlling interests of Baht 153.00 million less dividends payment of Baht 14,998.38 million.

### 3. Analysis of liquidity

As at March 31<sup>st</sup>, 2019, cash and cash equivalents were Baht 5,587.47 million. They decreased by Baht 3,014.63 million from September 30<sup>th</sup>, 2018 as detailed below.

	Unit: Million Baht
	Oct'18 – Mar'19
Cash flows from operating activities	14,126.03
Cash flows from investing activities	483.92
Cash flows from financing activities	(17,624.58)
<b>Net decrease in cash and cash equivalents</b>	<b>(3,014.63)</b>
Cash and cash equivalents at the beginning of the period	8,602.10
Cash and cash equivalents at the end of the period	5,587.47

The change in cash and cash equivalents for the six-month period ended March 31<sup>st</sup>, 2019 can be analysed as below;

Cash generated from operating activities of Baht 14,126.03 million. It resulted from an operation of the current period.

Cash generated from investing activities of Baht 483.92 million. It resulted from net cash received from short-term investments of Baht 3,179.94 million and investment in property plant and equipment of Baht 2,696.95 million. The majority was investment at the Suvarnabhumi Airport.

Cash used in financing activities of Baht 17,624.58 million mainly from dividend payment of Baht 14,998.38 million.

#### 4. Ratio analysis

	Oct'18 – Mar'19	Oct'17 – Mar'18
<b>Profitability ratio</b>		
Ratio of profit from operations to revenue from operations (%)	53.62	53.90
Return on equity (ROE) (%)	9.78	10.23
Return on total assets (ROA) (%)	7.60	7.62
	<b>31 Mar 2019</b>	<b>30 Sep 2018</b>
<b>Financial structure and liability ratio</b>		
Debt to equity ratio (Time)	0.26	0.30
Liquidity ratio (Time)	3.71	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 exceeding to three times.

#### 5. Factors affecting future operation

The intense competition in the aviation industry and the increased demands for air travel, result Thailand's airport services be developed. This requires a concrete plan to prepare for increased demands for air travel and air cargo in the future, especially for aviation infrastructures.

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 an increase 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.

In addition, AOT has a target to increase its non-aeronautical revenue with a plan to generate new revenue stream from cargo transportation. This plan involves developing commercial and investment hubs, including a Certify Hub at the Suvarnabhumi Airport. Also, AOT aims to generate revenue from digital platforms which will provide comprehensive travel services. This will encourage Thailand to become an aviation hub and air cargo transportation leader in the region.

Please be informed, accordingly.

Yours sincerely,

(Somboon Noinamkham)

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