

Ref. No. 5041

15 May 2017

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>, 2017

**Overall performance and significant events**

The overall aviation industry of Thailand during October 2016 – March 2017 improved compared to the same period last year. The number of Chinese tourists who visiting Thailand has recovered after an extremely decline around the end of the year 2016 as a consequence from the repressive measures against illegal tours by the government. The recovery of Chinese tourists' number was resulted from an adaption of the entrepreneurs. The entrepreneurs offered high quality tour packages which attracted potential tourists to Thailand. This procedure is also relating to the government's solution. In addition, the number of tourists from other countries also increased continuously. Therefore, the effect from the repressive measures against illegal tours has recovered and the situation is back to normal. Moreover, a stable domestic political situation, the government's domestic and international tourism stimulus policies, and the rapid expansion of low cost airlines with their competitive pricing, increased new demand for air travel for the 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 31<sup>st</sup>, 2017. The air traffic volume from six airports under the Airports of Thailand Public Company Limited (AOT) during this period was 415,688 flights, a 6.79% increase compared to the same period last year. It comprised 205,724 international flights and 209,964 domestic flights. The total number of passengers was 65.59 million, a 7.09% increase compared to the same period last year. It comprised 36.12 million international passengers and 29.47 million domestic passengers.

During the second quarter of FY 2017, AOT generated net profit of Baht 6,470.14 million. It increased by Baht 976.83 million or 17.78% comparing to the same period last year. Total revenues increased by Baht 964.78 million, total expenses decreased by Baht 272.88 million, and income tax expense increased by Baht 256.64 million.

## 1. Analysis of operations

### 1.1 Operating results for the three-month period ended March 31<sup>st</sup>, 2017

Unit: Million Baht

	Q2/2017	Q2/2016	Increase (decrease)	% YoY
Revenues from sales or services	14,664.98	13,800.12	864.86	6.27
<i>Aeronautical revenue</i>	8,364.81	7,978.30	386.51	4.84
<i>Portion</i>	57%	58%		
<i>Non-aeronautical revenue</i>	6,300.17	5,821.82	478.35	8.22
<i>Portion</i>	43%	42%		
Other income	369.49	269.57	99.92	37.07
<b>Total revenues</b>	<b>15,034.47</b>	<b>14,069.69</b>	<b>964.78</b>	<b>6.86</b>
Less Total expenses	6,936.64	7,209.52	(272.88)	(3.78)
<b>Profit before income tax expense</b>	<b>8,097.83</b>	<b>6,860.17</b>	<b>1,237.66</b>	<b>18.04</b>
Less Income tax expense	1,609.30	1,352.66	256.64	18.97
<b>Net profit for the period</b>	<b>6,488.53</b>	<b>5,507.51</b>	<b>981.02</b>	<b>17.81</b>
<b>Profit attributable to:</b>				
<b>Owners of the parent</b>	<b>6,470.14</b>	<b>5,493.31</b>	<b>976.83</b>	<b>17.78</b>
Non-controlling interests	18.39	14.20	4.19	29.51
<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 March 31<sup>st</sup>, 2017 was Baht 6,470.14 million. It increased by Baht 976.83 million or 17.78% comparing to the same period last year. Revenue from sales or services increased by Baht 864.86 million or 6.27% as a result of an increase in aeronautical revenue of Baht 386.51 million or 4.84% and non-aeronautical revenue of Baht 478.35 million or 8.22% because of increasing in number of flights and passengers. Other income increased by Baht 99.92 million or 37.07% mainly from an increase in gain on foreign exchange. Total expenses decreased by Baht 272.88 million or 3.78%. The main reasons were a decrease in

depreciation and amortisation expenses. Income tax expense increased by Baht 256.64 million or 18.97% which was in line with an increase in profit.

## 1.2 Operating results for the six-month period ended March 31<sup>st</sup>, 2017

Unit: Million Baht

	Oct'16 – Mar'17	Oct'15 – Mar'16	Increase (decrease)	% YoY
Revenues from sales or services	27,277.86	25,614.24	1,663.62	6.49
<i>Aeronautical revenue</i>	15,450.96	14,810.14	640.82	4.33
<i>Portion</i>	57%	58%		
<i>Non-aeronautical revenue</i>	11,826.90	10,804.10	1,022.80	9.47
<i>Portion</i>	43%	42%		
Other income	940.62	657.02	283.60	43.16
<b>Total revenues</b>	<b>28,218.48</b>	<b>26,271.26</b>	<b>1,947.22</b>	<b>7.41</b>
<u>Less</u> Total expenses	13,776.35	13,603.72	172.63	1.27
<b>Profit before income tax expense</b>	<b>14,442.13</b>	<b>12,667.54</b>	<b>1,774.59</b>	<b>14.01</b>
<u>Less</u> Income tax expense	2,913.39	2,581.64	331.75	12.85
<b>Net profit for the period</b>	<b>11,528.74</b>	<b>10,085.90</b>	<b>1,442.84</b>	<b>14.31</b>
<b>Profit attributable to:</b>				
<b>Owners of the parent</b>	<b>11,496.12</b>	<b>10,061.81</b>	<b>1,434.31</b>	<b>14.25</b>
Non-controlling interests	32.62	24.09	8.53	35.41
<b>Earnings per share (Baht)</b>	<b>0.80</b>	<b>0.70</b>	<b>0.10</b>	<b>14.29</b>

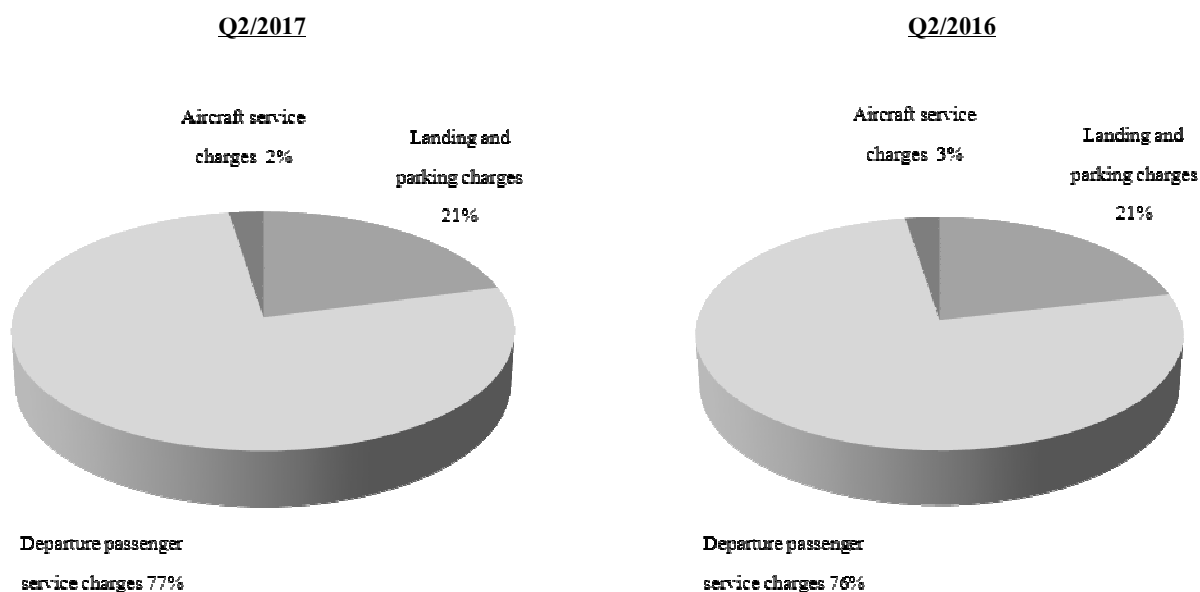
Net profit for the six-month period ended March 31<sup>st</sup>, 2017 was Baht 11,496.12 million. It increased by Baht 1,434.31 million or 14.25% comparing to the same period last year. Revenues from sales or services increased by Baht 1,663.62 million or 6.49% as a result of an increase in aeronautical revenue of Baht 640.82 million or 4.33% and non-aeronautical revenue of Baht 1,022.80 million or 9.47% because of increasing in number of flights and passengers. Other income increased by Baht 283.60 million or 43.16% mainly from an increase in gain on foreign exchange. Total expenses increased by Baht 172.63 million or 1.27%. The main reasons were an increase in outsourcing expenses and employee benefit expenses. Income tax expense increased by Baht 331.75 million or 12.85% 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			
	Q2/2017	Q2/2016	Increase (decrease)	%YoY	Oct'16 – Mar'17	Oct'15 – Mar'16	Increase (decrease)	%YoY
Landing and parking charges	1,738.52	1,698.66	39.86	2.35	3,405.91	3,274.18	131.73	4.02
Departure passenger service charges	6,419.62	6,078.34	341.28	5.61	11,644.37	11,143.29	501.08	4.50
Aircraft service charges	206.67	201.30	5.37	2.67	400.68	392.67	8.01	2.04
<b>Total</b>	<b>8,364.81</b>	<b>7,978.30</b>	<b>386.51</b>	<b>4.84</b>	<b>15,450.96</b>	<b>14,810.14</b>	<b>640.82</b>	<b>4.33</b>



A portion of aeronautical revenue in each type in the second quarter of FY 2017 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>, 2017, aeronautical revenue of Baht 8,364.81 million increased by Baht 386.51 million or 4.84% comparing to the same period last year due to an increase in departure passenger service charges of Baht 341.28 million or 5.61%. This was because of an increase in the number of passengers in six airports 7.96% 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 Baht 39.86 million and Baht 5.37 million, respectively. This was because the number of flights increased by 6.64% which mainly from an increase in flights of low cost airlines 18.02%.

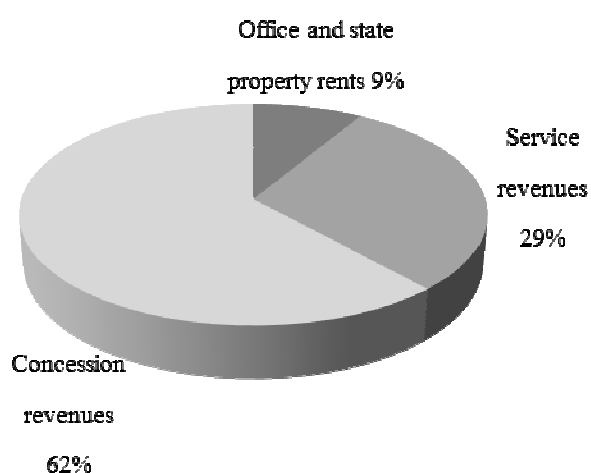
For the six-month period ended March 31<sup>st</sup>, 2017, aeronautical revenue of Baht 15,450.96 million increased by Baht 640.82 million or 4.33% comparing to the same period last year due to an increase in departure passenger service charges of Baht 501.08 million or 4.50%. This was because the number of passengers in six airports increased by 7.09%. Moreover, landing and parking charges and aircraft service charges increased slightly by Bath 131.73 million and Bath 8.01 million, respectively. This was because the number of flights increased by 6.79%.

#### 1.4 Non-Aeronautical Revenue

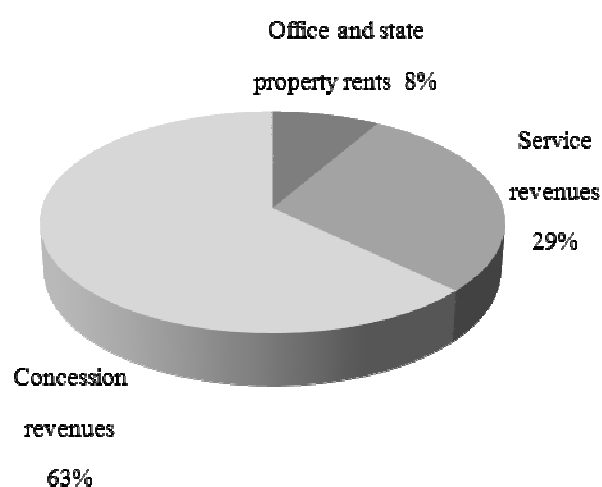
Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2017	Q2/2016	Increase (decrease)	%YoY	Oct'16 – Mar'17	Oct'15 – Mar'16	Increase (decrease)	%YoY
Office and state property rents	545.16	492.48	52.68	10.70	1,086.48	974.05	112.43	11.54
Service revenues	1,864.50	1,667.99	196.51	11.78	3,547.20	2,952.31	594.89	20.15
Concession revenues	3,890.51	3,661.35	229.16	6.26	7,193.22	6,877.74	315.48	4.59
<b>Total</b>	<b>6,300.17</b>	<b>5,821.82</b>	<b>478.35</b>	<b>8.22</b>	<b>11,826.90</b>	<b>10,804.10</b>	<b>1,022.80</b>	<b>9.47</b>

Q2/2017



Q2/2016



A portion of non-aeronautical revenue in each type in the second quarter of FY 2017 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>, 2017, non-aeronautical revenue of Baht 6,300.17 million increased by Baht 478.35 million or 8.22% comparing to the same period last year due to an increase in concession revenues of Baht 229.16 million or 6.26%. The main reasons were an increase in the number of passengers and revenues sharing rate. The non-aeronautical revenue also increased due to service revenues of Baht 196.51 million or 11.78% which mainly from advance passenger checking service.

For the six-month period ended March 31<sup>st</sup>, 2017, non-aeronautical revenue of Baht 11,826.90 million increased by Baht 1,022.80 million or 9.47% comparing to the same period last year due to an increase in service revenues of Baht 594.89 million or 20.15%. The main reason was an increase in service charges of advance passenger checking service by Baht 516.77 million. This was because AOT installed Advance Passenger Processing System (APPS) since December 1<sup>st</sup>, 2015. Concession revenues increased by Bath 315.48 million or 4.59%. The main reasons were an increase in the number of passengers and revenues sharing rate.

### 1.5 Other income

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2017	Q2/2016	Increase (decrease)	%YoY	Oct'16 – Mar'17	Oct'15 – Mar'16	Increase (decrease)	%YoY
Gain (Loss) on foreign exchange	59.66	(33.03)	92.69	280.62	305.20	(10.83)	316.03	2,918.10
Interest income	251.36	253.96	(2.60)	(1.02)	517.73	553.36	(35.63)	(6.44)
Gain (Loss) on sales of assets	1.78	(24.43)	26.21	107.29	-	-	-	-
Others	56.69	73.07	(16.38)	(22.42)	117.69	114.49	3.20	2.80
<b>Total</b>	<b>369.49</b>	<b>269.57</b>	<b>99.92</b>	<b>37.07</b>	<b>940.62</b>	<b>657.02</b>	<b>283.60</b>	<b>43.16</b>

Other income for the three-month period ended March 31<sup>st</sup>, 2017 was Baht 369.49 million. It increased by Baht 99.92 million or 37.07% comparing to the same period last year. This was a result of an increase in gain on foreign exchange by Baht 92.69 million due to the appreciation of Thai Baht against Japanese Yen. Other income for the six-month period ended March 31<sup>st</sup>, 2017 was Baht 940.62 million. It increased by Baht 283.60 million or 43.16% comparing with the same period last year. This was a result of an increase in gain on foreign exchange by Baht 316.03 million due to the appreciation of Thai Baht against Japanese Yen.

## 1.6 Total expenses

Unit: Million Baht

	For the three-month period				For the six-month period			
	Q2/2017	Q2/2016	Increase (decrease)	%YoY	Oct'16 – Mar'17	Oct'15 – Mar'16	Increase (decrease)	%YoY
Employee benefit expenses	1,474.45	1,353.75	120.70	8.92	2,889.83	2,655.15	234.68	8.84
Utilities expenses	601.24	640.79	(39.55)	(6.17)	1,208.72	1,272.41	(63.69)	(5.01)
Outsourcing expenses	1,359.75	1,259.59	100.16	7.95	2,665.47	2,155.84	509.63	23.64
Repairs and maintenance	523.45	633.64	(110.19)	(17.39)	1,002.43	1,104.16	(101.73)	(9.21)
State property rental	717.42	666.76	50.66	7.60	1,333.03	1,234.36	98.67	7.99
Depreciation and amortisation expenses	1,383.80	1,611.67	(227.87)	(14.14)	2,813.15	3,192.20	(379.05)	(11.87)
Loss on impairment of assets	23.08	18.37	4.71	25.64	42.79	29.48	13.31	45.15
Loss on sales of assets	-	-	-	-	57.08	41.91	15.17	36.20
Other expenses	553.29	676.26	(122.97)	(18.18)	1,144.50	1,208.54	(64.04)	(5.30)
Financial costs	300.16	348.69	(48.53)	(13.92)	619.35	709.67	(90.32)	(12.73)
<b>Total</b>	<b>6,936.64</b>	<b>7,209.52</b>	<b>(272.88)</b>	<b>(3.78)</b>	<b>13,776.35</b>	<b>13,603.72</b>	<b>172.63</b>	<b>1.27</b>

For the three-month period ended March 31<sup>st</sup>, 2017, total expenses were Baht 6,936.64 million. It decreased by Baht 272.88 million or 3.78% comparing to the same period last year. This was mainly due to a decrease in depreciation and amortisation expenses of Baht 227.87 million because there were some assets had fully depreciation. Other expenses decreased of Baht 122.97 million and repairs and maintenance decreased of Baht 110.19 million. While employee benefit expenses increased of Baht 120.70 million and outsourcing expenses increased of Baht 100.16 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>, 2017, total expenses of Baht 13,776.35 million. It increased by Baht 172.63 million or 1.27% comparing to the same period last year. This was mainly due to an increase in

outsourcing expenses by Baht 509.63 million mainly from expense of advance passenger checking service of Baht 379.64 million and employee benefit expenses of Baht 234.68 million. While depreciation and amortisation expenses decreased of Baht 379.05 million due to some assets had fully depreciation and repairs and maintenance decreased of Baht 101.73 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 31<sup>st</sup>, 2017.

Moreover, AOT has recorded the state property rental from October 1<sup>st</sup>, 2006 - September 30<sup>th</sup>, 2016 of Baht 1,264.33 million which was an adjustment of AOT's retained earning. This shows in the detail of notes in financial statements no. 24, state property rental. This results in an increase of state property rental for the three-month and six-month periods ended March 31<sup>st</sup>, 2016 from previously presented of Baht 73.31 million and Baht 130.82 million, respectively.

## 2. Analysis of financial position

The financial position as at March 31<sup>st</sup>, 2017 of AOT is as follows:

	<b>Unit: Million Baht</b>			
	<b>31 Mar 2017</b>	<b>30 Sep 2016</b>	<b>Increase (decrease)</b>	<b>% change</b>
Total assets	168,646.05	172,216.39	(3,570.34)	(2.07)
Total liabilities	46,515.62	51,902.17	(5,386.55)	(10.38)
Total shareholders' equity	122,130.43	120,314.22	1,816.21	1.51

The material changes in assets, liabilities and shareholders' equity as at March 31<sup>st</sup>, 2017 comparing to September 30<sup>th</sup>, 2016 are as follows:

### 2.1 Analysis of assets

Total assets as at March 31<sup>st</sup>, 2017 were Baht 168,646.05 million. A decrease of total assets from September 30<sup>th</sup>, 2016 of Baht 3,570.34 million or 2.07% is detailed below.



## 2.1 Analysis of assets (Con't)

Unit: Million Baht

	31 Mar 2017	30 Sep 2016	Increase (decrease)	% change
Current assets	63,459.22	64,157.71	(698.49)	(1.09)
Investment	1,351.52	1,996.29	(644.77)	(32.30)
Property plant equipment and investment properties	100,327.03	100,677.12	(350.09)	(0.35)
Other non-current assets	3,508.28	5,385.27	(1,876.99)	(34.85)
<b>Total assets</b>	<b>168,646.05</b>	<b>172,216.39</b>	<b>(3,570.34)</b>	<b>(2.07)</b>

Current assets of Baht 63,459.22 million decreased by Baht 698.49 million or 1.09% due to a decrease in short-term investments of Baht 1,199.94 million while trade accounts receivable increased of Baht 437.12 million which was in line with an increase in revenues and interest receivable from bank increased of Baht 166.06 million. Cash and cash equivalents, inventories and supplies and other current assets did not change significantly comparing to last year.

Investment of Baht 1,351.52 million decreased by Baht 644.77 million or 32.30% due to a decrease in deposit at financial institution with maturity more than one year of Baht 700.00 million.

Property plant equipment and investment properties of Baht 100,327.03 million decreased by Baht 350.09 million or 0.35% because of sales of assets.

Other non-current assets of Baht 3,508.28 million decreased by Baht 1,876.99 million or 34.85% due to a decrease in the value of cross currency swap contracts recognised as assets of Baht 1,728.17 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 March 31<sup>st</sup>, 2017 were Baht 46,515.62 million. A decrease of total liabilities from September 30<sup>th</sup>, 2016 of Baht 5,386.55 million or 10.38% is detailed below.

## 2.2 Analysis of liabilities (Con't)

Unit: Million Baht

	31 Mar 2017	30 Sep 2016	Increase (decrease)	% change
Current liabilities	18,118.49	19,692.93	(1,574.44)	(7.99)
Long-term loans	21,936.74	26,659.21	(4,722.47)	(17.71)
Other non-current liabilities	6,460.39	5,550.03	910.36	16.40
<b>Total liabilities</b>	<b>46,515.62</b>	<b>51,902.17</b>	<b>(5,386.55)</b>	<b>(10.38)</b>

Current liabilities of Baht 18,118.49 million decreased by Baht 1,574.44 million or 7.99% due to a decrease in other current liabilities of Baht 907.57 million, trade accounts payable of Baht 627.94 million, other payables of Baht 535.51 million and current portion of long-term liabilities of Baht 437.52 million, while increase in income tax payable of Baht 882.34 million. Work in processes payable and short-term provisions did not change significantly comparing to last year.

Long-term loans of Baht 21,936.74 million decreased by Baht 4,722.47 million or 17.71 % due to a repayment of borrowing and the effect from foreign exchange rates.

Other non-current liabilities of Baht 6,460.39 million increased by Baht 910.36 million or 16.40% due to an increase in the value of cross currency swap contracts recognised as liabilities of Baht 1,150.79 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 shareholders' equity

The total shareholders' equity as at March 31<sup>st</sup>, 2017 was Baht 122,130.43 million. It increased by Baht 1,816.21 million or 1.51% from total comprehensive income for the six-month period ended March 31<sup>st</sup>, 2017 of Baht 11,572.95 million less dividends payment of Baht 9,756.74 million.

## 3. Analysis of liquidity

As at March 31<sup>st</sup>, 2017, cash and cash equivalents were Baht 5,793.30 million. It decreased from September 30<sup>th</sup>, 2016 of Baht 92.96 million as detailed below.

### 3. Analysis of liquidity (Con't)

Unit: Million Baht

	Oct'16 – Mar'17
Cash flows from operating activities	12,828.90
Cash flows from investing activities	(370.16)
Cash flows from financing activities	(12,551.70)
<b>Net decrease in cash and cash equivalents</b>	<b>(92.96)</b>
Cash and cash equivalents at the beginning of the period	5,886.26
Cash and cash equivalents at the end of the period	5,793.30

The change in cash and cash equivalents for the six-month period ended March 31<sup>st</sup>, 2017 can be analysed as below;

Cash generated from operating activities of Baht 12,828.90 million. It resulted from an operation of the current period.

Cash used in investing activities of Baht 370.16 million. It resulted from cash used for investment in property plant and equipment of Baht 2,114.73 million. The majority was investment at the Suvarnabhumi Airport, Phuket International Airport and Don Mueang International Airport. There was net cash received from short-term investments of Baht 1,899.94 million.

Cash used in financing activities of Baht 12,551.70 million mainly from dividend payment of Baht 9,756.74 million.

### 4. Ratio analysis

	Oct'16 – Mar'17	Oct'15 – Mar'16
<b>Profitability ratio</b>		
Ratio of profit from operations to revenue from operations (%)	52.25	50.18
Return on equity (ROE) (%)	9.50	9.22
Return on total assets (ROA) (%)	6.75	6.28
	<b>31 Mar 2017</b>	<b>30 Sep 2016</b>
<b>Financial structure and liability ratio</b>		
Debt to equity ratio (Time)	0.38	0.43
Liquidity ratio (Time)	3.50	3.26

AOT has made profit continuously. This was shown by the ratio of profit from operations to revenue from operations increased by 2.07%. The return on equity and return on total assets are increased by 0.28% and 0.47%, 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**

At present, air travel has become more popular because not only it can save the time of the travelling but it also has affordable price. Moreover, the government's tourism stimulus policies, land development, and expansion of trade and investment increased the demand of air travelling which were factors in the positive results for domestic aviation industry. Especially, low cost airlines which are still expanding continuously.

AOT is responsible for managing six international airports that are fundamental to serve 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 Asian Economic Community. In this fiscal year, AOT will receive positive factors from the opening of Terminal 2 of Don Mueang International Airport on March 8<sup>th</sup>, 2016 and International terminal of Phuket International Airport on September 16<sup>th</sup>, 2016. This can accommodate an increase in passenger volumes and commercial rental areas at these airports. For the new master plan starting from the fiscal year 2017 to the next 10 years, AOT plans to increase the proportion of commercial rental areas in the airports, which are a stable revenue source from long term agreements and a guaranteed minimum rental income. These will reduce the instability in the aviation business and increase an effectiveness of service, AOT will invest together with both airlines and independent entrepreneurs group to provide ground service and ground handling equipments which create an opportunity for AOT to invest in relating industries in a long term. Moreover, AOT has been continuously improving the six international airports under its responsibility to promote Thailand as a centre for regional aviation and leader in air cargo. AOT is the gateway for air travelling. This will help the trade, investment and tourism business including competitiveness and driving the economy of Thailand.

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