

Ref. No 9151

15 August 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 nine-month periods ended
June 30th, 2017

Overall performance and significant events

The overall aviation industry of Thailand during October 2016 – June 2017 has improved comparing to the same period last year and is in line with the growth of aviation industry of the world. The number of Chinese tourists who are visiting Thailand has recovered after an extreme decline around the end of the year 2016 as a consequence of the government's campaign against illegal tours. Chinese tourists are the most tourists visiting Thailand. The domestic political situation is stable. The government supports the tourism both domestic and international levels. The rapid expansion of low cost airlines brings price competitive and increases in demand for air travelling of middle-income travelers. All of these put forwards positive result to both aviation industry and overall domestic economy.

In the nine-month period ended June 30th, 2017. The air traffic volume from six airports under the Airports of Thailand Public Company Limited (AOT) during this period was 616,708 flights, a 6.13% increase comparing to the same period last year. It comprised 308,536 international flights and 308,172 domestic flights. The total number of passengers was 96.77 million, a 7.52% increase compared to the same period last year. It comprised 53.88 million international passengers and 42.89 million domestic passengers.

During the third quarter of FY 2017, AOT generated net profit of Baht 5,398.18 million. It increased by Baht 393.58 million or 7.86% comparing to the same period last year. Total revenues increased by Baht 692.10 million, total expenses increased by Baht 135.54 million, and income tax expense increased by Baht 155.90 million.

1. Analysis of operations

1.1 Operating results for the three-month period ended June 30th, 2017

Unit: Million Baht

	Q3/2017	Q3/2016	Increase (decrease)	% YoY
Revenues from sales or services	13,503.22	12,572.25	930.97	7.40
<i>Aeronautical revenue</i>	7,567.62	7,128.78	438.84	6.16
<i>Portion</i>	56%	57%		
<i>Non-aeronautical revenue</i>	5,935.60	5,443.47	492.13	9.04
<i>Portion</i>	44%	43%		
Other income	391.81	630.68	(238.87)	(37.87)
Total revenues	13,895.03	13,202.93	692.10	5.24
<u>Less</u> Total expenses	7,147.55	7,012.01	135.54	1.93
Profit before income tax expense	6,747.48	6,190.92	556.56	8.99
<u>Less</u> Income tax expense	1,342.16	1,186.26	155.90	13.14
Net profit for the period	5,405.32	5,004.66	400.66	8.01
Profit attributable to:				
Owners of the parent	5,398.18	5,004.60	393.58	7.86
Non-controlling interests	7.14	0.06	7.08	11,800.00
Earnings per share (Baht)	0.38	0.35	0.03	8.57

Net profit for the three-month period ended June 30th, 2017 was Baht 5,398.18 million. It increased by Baht 398.58 million or 7.86% comparing to the same period last year. Revenue from sales or services increased by Baht 930.97 million or 7.40% as a result of an increase in aeronautical revenue of Baht 438.84 million or 6.16% and non-aeronautical revenue of Baht 492.13 million or 9.04% because of increasing in number of flights and passengers. Other income decreased by Baht 238.87 million or 37.87% mainly from a decrease in compensation in case of flood which AOT received compensation in the third quarter of 2016. Total expenses increased by Baht 135.54 million or 1.93%. Income tax expense increased by Baht 155.90 million or 13.14% which was in line with an increase in profit.

1.2 Operating results for the nine-month period ended June 30th, 2017

Unit: Million Baht

	Oct'16 – Jun'17	Oct'15 – Jun'16	Increase (decrease)	% YoY
Revenues from sales or services	40,781.08	38,186.48	2,594.60	6.79
<i>Aeronautical revenue</i>	23,018.58	21,938.92	1,079.66	4.92
<i>Portion</i>	56%	57%		
<i>Non-aeronautical revenue</i>	17,762.50	16,247.56	1,514.94	9.32
<i>Portion</i>	44%	43%		
Other income	1,331.93	1,285.12	46.81	3.64
Total revenues	42,113.01	39,471.60	2,641.41	6.69
<u>Less</u> Total expenses	20,923.40	20,613.14	310.26	1.51
Profit before income tax expense	21,189.61	18,858.46	2,331.15	12.36
<u>Less</u> Income tax expense	4,255.55	3,767.90	487.65	12.94
Net profit for the period	16,934.06	15,090.56	1,843.50	12.22
Profit attributable to:				
Owners of the parent	16,894.30	15,066.41	1,827.89	12.13
Non-controlling interests	39.76	24.15	15.61	64.64
Earnings per share (Baht)	1.18	1.05	0.13	12.38

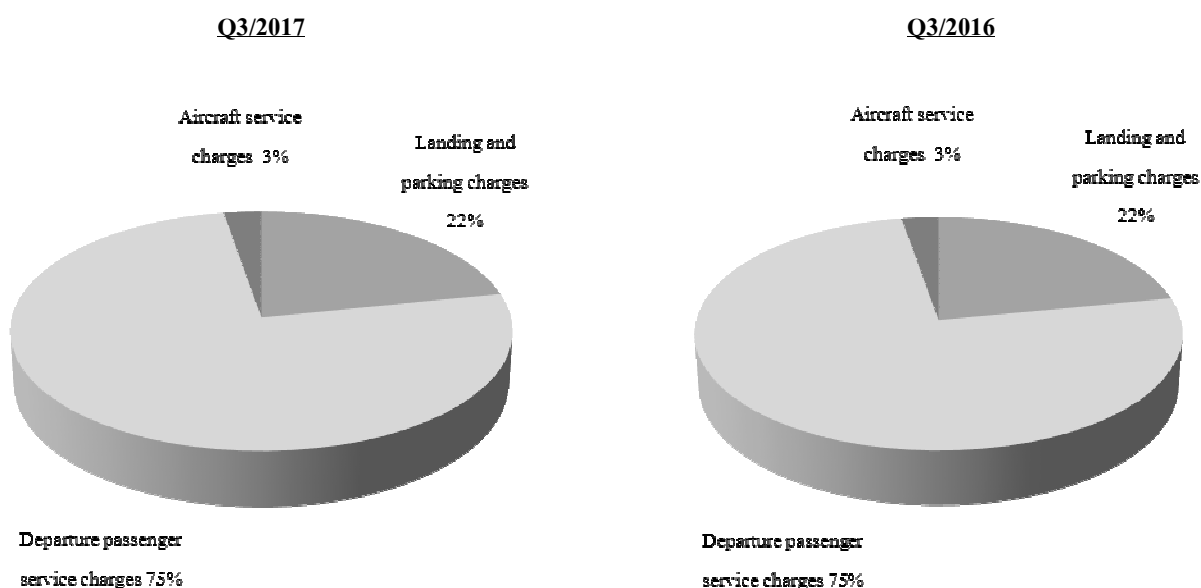
Net profit for the nine-month period ended June 30th, 2017 was Baht 16,894.30 million. It increased by Baht 1,827.89 million or 12.13% comparing to the same period last year. Revenues from sales or services increased by Baht 2,594.60 million or 6.79% as a result of an increase in aeronautical revenue of Baht 1,079.66 million or 4.92% and non-aeronautical revenue of Baht 1,514.94 million or 9.32% because of increasing in number of flights and passengers. Other income increased by Baht 46.81 million or 3.64% mainly from an increase in gain on foreign exchange. Total expenses increased by Baht 310.26 million or 1.51%. The main reasons were an increase in outsourcing expenses and employee benefit expenses. Income tax expense increased by Baht 487.65 million or 12.94% 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			
	Q3/2017	Q3/2016	Increase (decrease)	%YoY	Oct'16 – Jun'17	Oct'15 – Jun'16	Increase (decrease)	%YoY
Landing and parking charges	1,643.69	1,560.52	83.17	5.33	5,049.60	4,834.70	214.90	4.44
Departure passenger service charges	5,721.22	5,374.34	346.88	6.45	17,365.59	16,517.62	847.97	5.13
Aircraft service charges	202.71	193.92	8.79	4.53	603.39	586.60	16.79	2.86
Total	7,567.62	7,128.78	438.84	6.16	23,018.58	21,938.92	1,079.66	4.92



A portion of aeronautical revenue in each type in the third quarter of FY 2017 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 June 30th, 2017, aeronautical revenue of Baht 7,567.62 million increased by Baht 438.84 million or 6.16% comparing to the same period last year due to an increase in departure passenger service charges of Baht 346.88 million or 6.45%. This was because of an increase in the number of passengers in six airports 8.38% which mainly from an increase in passengers of low cost airlines 12.25%. Moreover, landing and parking charges and aircraft service charges increased slightly by Baht 83.17 million and

Baht 8.79 million, respectively. This was because the number of flights increased by 4.71% which mainly from an increase in flights of low cost airlines 11.82%.

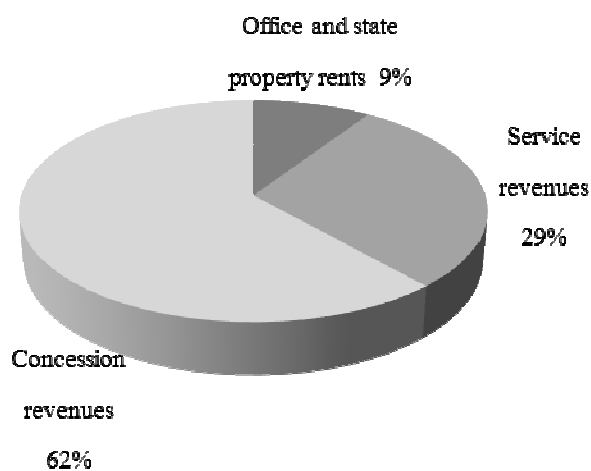
For the nine-month period ended June 30th, 2017, aeronautical revenue of Baht 23,018.58 million increased by Baht 1,079.66 million or 4.92% comparing to the same period last year due to an increase in departure passenger service charges of Baht 847.97 million or 5.13%. This was because the number of passengers in six airports increased by 7.52%. Moreover, landing and parking charges and aircraft service charges increased slightly by Bath 214.90 million and Bath 16.79 million, respectively. This was because the number of flights increased by 6.13%.

1.4 Non-Aeronautical Revenue

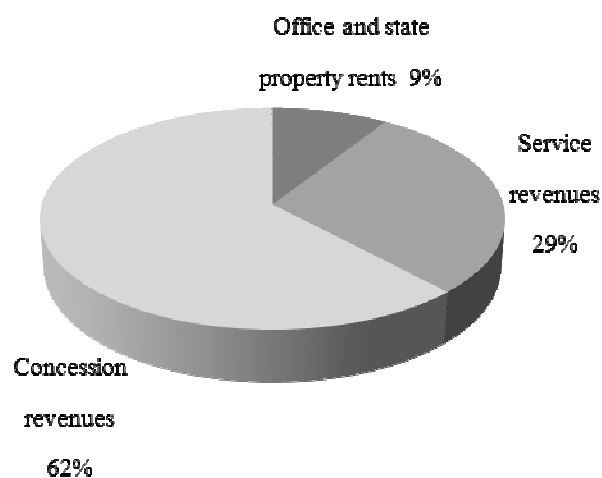
Unit: Million Baht

	For the three-month period				For the nine-month period			
	Q3/2017	Q3/2016	Increase (decrease)	%YoY	Oct'16 – Jun'17	Oct'15 – Jun'16	Increase (decrease)	%YoY
Office and state property rents	554.25	497.82	56.43	11.34	1,640.73	1,471.87	168.86	11.47
Service revenues	1,724.05	1,568.17	155.88	9.94	5,271.25	4,520.48	750.77	16.61
Concession revenues	3,657.30	3,377.48	279.82	8.28	10,850.52	10,255.21	595.31	5.80
Total	5,935.60	5,443.47	492.13	9.04	17,762.50	16,247.56	1,514.94	9.32

Q3/2017



Q3/2016



A portion of non-aeronautical revenue in each type in the third quarter of FY 2017 was not changed from the same period last year. The majority of non-aeronautical revenue was concession revenues.

For the three-month period ended June 30th, 2017, non-aeronautical revenue of Baht 5,935.60 million increased by Baht 492.13 million or 9.04% comparing to the same period last year due to an increase in concession revenues of Baht 279.82 million or 8.28%. 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 155.88 million or 9.94% which mainly from advance passenger checking service.

For the nine-month period ended June 30th, 2017, non-aeronautical revenue of Baht 17,762.50 million increased by Baht 1,514.94 million or 9.32% comparing to the same period last year due to an increase in service revenues of Baht 750.77 million or 16.61%. The main reason was an increase in service charges of advance passenger checking service by Baht 612.73 million. This was because AOT installed Advance Passenger Processing System (APPS) since December 1st, 2015. Concession revenues increased by Bath 595.31 million or 5.80%. 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 nine-month period			
	Q3/2017	Q3/2016	Increase (decrease)	%YoY	Oct'16 – Jun'17	Oct'15 – Jun'16	Increase (decrease)	%YoY
Gain (Loss) on foreign exchange	22.33	(196.47)	218.80	111.37	327.53	(207.29)	534.82	258.01
Interest income	255.70	267.80	(12.10)	(4.52)	773.43	821.17	(47.74)	(5.81)
Gain (Loss) on sales of assets	0.50	2.57	(2.07)	(80.54)	-	-	-	-
Compensation in case of flood	-	464.83	(464.83)	(100.00)	-	464.83	(464.83)	(100.00)
Others	113.28	91.95	21.33	23.20	230.97	206.41	24.56	11.90
Total	391.81	630.68	(238.87)	(37.87)	1,331.93	1,285.12	46.81	3.64

Other income for the three-month period ended June 30th, 2017 was Baht 391.81 million. It decreased by Baht 238.87 million or 37.87% comparing to the same period last year mainly from AOT received compensation in case of flood at Don Mueang International Airport during the end of 2011 of Baht 464.83 million in the third quarter of 2016. While gain on foreign exchange increased by Baht 218.80 million due to the appreciation of Thai

Baht against Japanese Yen. Other income for the nine-month period ended June 30th, 2017 was Baht 1,331.93 million. It increased by Baht 46.81 million or 3.64% comparing with the same period last year. This was a result of an increase in gain on foreign exchange by Baht 534.82 million due to the appreciation of Thai Baht against Japanese Yen, while the compensation in case of flood was decreased of Baht 464.83 million.

1.6 Total expenses

Unit: Million Baht

	For the three-month period				For the nine-month period			
	Q3/2017	Q3/2016	Increase (decrease)	%YoY	Oct'16 – Jun'17	Oct'15 – Jun'16	Increase (decrease)	%YoY
Employee benefit expenses	1,497.90	1,383.91	113.99	8.24	4,387.72	4,039.06	348.66	8.63
Utilities expenses	648.12	659.30	(11.18)	(1.70)	1,856.84	1,931.71	(74.87)	(3.88)
Outsourcing expenses	1,317.45	1,228.66	88.79	7.23	3,982.93	3,384.51	598.42	17.68
Repairs and maintenance	714.86	620.09	94.77	15.28	1,717.29	1,724.25	(6.96)	(0.40)
State property rental	681.13	607.78	73.35	12.07	2,014.16	1,842.14	172.02	9.34
Depreciation and amortisation expenses	1,388.21	1,600.37	(212.16)	(13.26)	4,201.35	4,792.56	(591.21)	(12.34)
Loss on impairment of assets	24.14	2.88	21.26	738.19	66.93	32.36	34.57	106.83
Loss on sales of assets	-	-	-	-	56.59	39.34	17.25	43.85
Other expenses	583.94	570.72	13.22	2.32	1,728.30	1,779.24	(50.80)	(2.86)
Financial costs	291.80	338.30	(46.50)	(13.75)	911.15	1,047.97	(136.82)	(13.06)
Total	7,147.55	7,012.01	135.54	1.93	20,923.40	20,613.14	310.26	1.51

For the three-month period ended June 30th, 2017, total expenses were Baht 7,147.55 million. It increased by Baht 135.54 million or 1.93% comparing to the same period last year. This was mainly due to an increase in employee benefit expenses of Baht 113.99 million, repairs and maintenance of Baht 94.77 million, outsourcing expenses of Baht 88.79 million and state property rental of Baht 73.35 million. While depreciation and

amortisation expenses decreased of Baht 212.16 million due to some assets had fully depreciation. Other categories of expenses did not change significantly comparing to the same period last year.

For the nine-month period ended June 30th, 2017, total expenses of Baht 20,923.40 million. It increased by Baht 310.26 million or 1.51% comparing to the same period last year. This was mainly due to an increase in outsourcing expenses by Baht 598.42 million mainly from expense of advance passenger checking service of Baht 412.17 million and employee benefit expenses of Baht 348.66 million. While depreciation and amortisation expenses decreased of Baht 591.21 million due to some assets had fully depreciation and financial costs decreased of Baht 136.82 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 nine-month periods ended June 30th, 2017.

Moreover, AOT has recorded the state property rental from October 1st, 2006 - September 30th, 2016 of Baht 1,264.33 million which was an adjustment of AOT's retained earnings. 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 nine-month periods ended June 30th, 2016 from previously presented of Baht 59.93 million and Baht 190.75 million, respectively.

2. Analysis of financial position

The financial position as at June 30th, 2017 of AOT is as follows:

	Unit: Million Baht			
	30 Jun 2017	30 Sep 2016	Increase (decrease)	% change
Total assets	172,208.93	172,216.39	(7.46)	(0.00)
Total liabilities	44,490.50	51,902.17	(7,411.67)	(14.28)
Total shareholders' equity	127,718.43	120,314.22	7,404.21	6.15

The material changes in assets, liabilities and shareholders' equity as at June 30th, 2017 comparing to September 30th, 2016 are as follows:

2.1 Analysis of assets

Total assets as at June 30th, 2017 were Baht 172,208.93 million. A decrease of total assets from September 30th, 2016 of Baht 7.46 million is detailed below.

2.1 Analysis of assets (Con't)

Unit: Million Baht

	30 Jun 2017	30 Sep 2016	Increase (decrease)	% change
Current assets	66,608.80	64,157.71	2,451.09	3.82
Investment	1,579.84	1,996.29	(416.45)	(20.86)
Property plant equipment and investment properties	100,794.16	100,677.12	117.04	0.12
Other non-current assets	3,226.13	5,385.27	(2,159.14)	(40.09)
Total assets	172,208.93	172,216.39	(7.46)	(0.00)

Current assets of Baht 66,608.80 million increased by Baht 2,451.09 million or 3.82% due to an increase in short-term investments of Baht 4,300.06 million while cash and cash equivalents decreased of Baht 1,802.14 million. Trade accounts receivable, other receivables, inventories and supplies and other current assets did not change significantly comparing to last year.

Investment of Baht 1,579.84 million decreased by Baht 416.45 million or 20.86% due to a decrease in deposit at financial institution with maturity more than one year of Baht 700.00 million. While available-for-sale investments increased of Baht 283.60 million.

Property plant equipment and investment properties of Baht 100,794.16 million increased by Baht 117.04 million or 0.12% did not change significantly comparing to last year.

Other non-current assets of Baht 3,226.13 million decreased by Baht 2,159.14 million or 40.09% due to a decrease in the value of cross currency swap contracts recognised as assets of Baht 1,899.41 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 June 30th, 2017 were Baht 44,490.50 million. A decrease of total liabilities from September 30th, 2016 of Baht 7,411.67 million or 14.28% is detailed below.

2.2 Analysis of liabilities (Con't)

Unit: Million Baht

	30 Jun 2017	30 Sep 2016	Increase (decrease)	% change
Current liabilities	16,763.04	19,692.93	(2,929.89)	(14.88)
Long-term loans	20,994.72	26,659.21	(5,664.49)	(21.25)
Other non-current liabilities	6,732.74	5,550.03	1,182.71	21.31
Total liabilities	44,490.50	51,902.17	(7,411.67)	(14.28)

Current liabilities of Baht 16,763.04 million decreased by Baht 2,929.89 million or 14.88% due to a decrease in other payables of Baht 888.20 million, other current liabilities of Baht 690.89 million, income tax payable of Baht 492.26 million, current portion of long-term liabilities of Baht 462.96 million and trade accounts payable of Baht 386.89 million. While work in processes payable and short-term provisions did not change significantly comparing to last year.

Long-term loans of Baht 20,994.72 million decreased by Baht 5,664.49 million or 21.25% due to a repayment of borrowing and the effect from foreign exchange rates.

Other non-current liabilities of Baht 6,732.74 million increased by Baht 1,182.71 million or 21.31% due to an increase in the value of cross currency swap contracts recognised as liabilities of Baht 1,338.92 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 June 30th, 2017 was Baht 127,718.43 million. It increased by Baht 7,404.21 million or 6.15% from total comprehensive income for the nine-month period ended June 30th, 2017 of Baht 17,160.95 million less dividends payment of Baht 9,756.74 million.

3. Analysis of liquidity

As at June 30th, 2017, cash and cash equivalents were Baht 4,084.12 million. It decreased from September 30th, 2016 of Baht 1,802.14 million as detailed below.

3. Analysis of liquidity (Con't)

Unit: Million Baht

	Oct'16 – Jun'17
Cash flows from operating activities	19,107.03
Cash flows from investing activities	(7,508.12)
Cash flows from financing activities	(13,401.05)
Net decrease in cash and cash equivalents	(1,802.14)
Cash and cash equivalents at the beginning of the period	5,886.26
Cash and cash equivalents at the end of the period	4,084.12

The change in cash and cash equivalents for the nine-month period ended June 30th, 2017 can be analysed as below;

Cash generated from operating activities of Baht 19,107.03 million. It resulted from an operation of the current period.

Cash used in investing activities of Baht 7,508.12 million. It resulted from cash used for investment in property plant and equipment of Baht 3,824.82 million. The majority was investment at the Suvarnabhumi Airport, Phuket International Airport and Don Mueang International Airport. There was net cash used for short-term investments of Baht 3,600.06 million.

Cash used in financing activities of Baht 13,401.05 million mainly from dividend payment of Baht 9,756.74 million.

4. Ratio analysis

	Oct'16 – Jun'17	Oct'15 – Jun'16
Profitability ratio		
Ratio of profit from operations to revenue from operations (%)	51.33	49.05
Return on equity (ROE) (%)	13.65	13.49
Return on total assets (ROA) (%)	9.81	9.24
	30 Jun 2017	30 Sep 2016
Financial structure and liability ratio		
Debt to equity ratio (Time)	0.35	0.43
Liquidity ratio (Time)	3.97	3.26

AOT has made profit continuously. This was shown by the ratio of profit from operations to revenue from operations increased by 2.28%. The return on equity and return on total assets are increased by 0.16% and

0.57%, 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 travelling has become more popular. Travellers can save the time and the costs are affordable. Moreover, the government's tourism campaign, land development and expansion of trade and investment lead to the demand of air travelling. These bring the positive results for domestic aviation industry, especially for low cost airlines which have been expanding.

AOT as the management of six international airports that are fundamental services to serve air traveling has developed infrastructure and airports under its responsibility to support demand of travelling and to increase competitiveness in the Asian Economic Community. In this fiscal year, AOT will benefit from the opening of Terminal 2 of Don Mueang International Airport on March 8th, 2016 and International terminal of Phuket International Airport on September 16th, 2016. In addition, the old terminal of Phuket International Airport is currently renovated to be domestic terminal. This will accommodate an increase in passengers and commercial rental areas at these airports. This correspond to a plan to increase non-aeronautical revenue proportion for reduce a fluctuation of the aviation business and to increase an efficiency of services at the same time.

International Air Transport Association (IATA) also expects that Thailand's tourism and aviation market will be ranked within 1 of 10 in the world next 20 years. Thailand is currently investing in fundamental infrastructure to support the growth. AOT has been continuously improving the six international airports under its responsibility to support a strategy to develop the country's fundamental transportation infrastructure which will lead the economic to be a leading hub for aviation and air cargo of the region. This will help the competitiveness of trade, investment and tourism business.

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