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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 year ended September 30th, 2016

Overall performance and significant events

The overall aviation industry of Thailand during October 2015 - September 2016 improved comparing to the same period last year because the domestic political situation is stable together with the impact of fuel prices drop. Furthermore, the government's policy to stimulate tourism both domestically and internationally led to an increase in tourists, especially Chinese visitors, showing a significant impact on Thailand's tourism industry. In addition, the expansion of low cost airlines, with their competitive pricing, increased new demand of air travelling for middle-income group. All of these were factors in the positive results for both the aviation industry and the overall domestic economy.

In the fiscal year 2016, ended September 30th, 2016, there were a large number of passengers travelled to Thailand. The air traffic volume from six airports under the Airports of Thailand Public Company Limited (AOT) during this year was 776,922 flights, a 9.83% increase comparing to the same period last year. It comprised 402,721 international flights and 374,201 domestic flights. The total number of passengers was 119.92 million, a 12.30% increase compared to the same period last year. It comprised 68.06 million international passengers and 51.86 million domestic passengers.

For significant events relating to the domestic aviation industry during the fiscal year 2016, mostly were unrest in foreign countries. For example, the terrorist attacked in Paris, France, the bombings occurred at airports in Belgium and Turkey. Moreover, during the end of fiscal year there was bombing in some Southern territories in Thailand. Following these events, the six airports under responsibility of AOT maintained the security level 3, which is the highest level to assure passengers' security during their visit at areas under AOT's responsibility.

In 2016, AOT generated net profit of Baht 19,571.46 million. It increased by Baht 842.81 million or 4.50% from last year. Total revenues increased by Baht 7,277.77 million, total expenses increased by Baht 6,188.50 million, and income tax expense increased by Baht 235.76 million.

1. Analysis of operations

1.1 Operating results for the year ended September 30th, 2016

Unit: Million Baht

	2016	2015	Increase (decrease)	% YoY
Revenues from sales or services	50,961.95	43,968.99	6,992.96	15.90
<i>Aeronautical revenues</i>	29,187.67	26,024.73	3,162.94	12.15
<i>Portion</i>	57%	59%		
<i>Non-aeronautical revenues</i>	21,774.28	17,944.26	3,830.02	21.34
<i>Portion</i>	43%	41%		
Other income	1,821.39	1,536.58	284.81	18.54
Total revenues	52,783.34	45,505.57	7,277.77	15.99
Less Total expenses	28,358.85	22,170.35	6,188.50	27.91
Profit before income tax expense	24,424.49	23,335.22	1,089.27	4.67
Less Income tax expense	4,820.92	4,585.16	235.76	5.14
Net profit for the period	19,603.57	18,750.06	853.51	4.55
Profit attributable to:				
Owners of the parent	19,571.46	18,728.65	842.81	4.50
Non-controlling interests	32.11	21.41	10.70	49.98
Earnings per share (Baht)	13.70	13.11	0.59	4.50

Net profit for the year ended September 30th, 2016 was Baht 19,571.46 million. It increased by Baht 842.81 million or 4.50% comparing to last year. Revenues from sales or services increased by Baht 6,992.96 million or 15.90% as a result of an increase in aeronautical revenues of Baht 3,162.94 million or 12.15% and non-aeronautical revenues of Baht 3,830.02 million or 21.34% because of increasing in number of flights and passengers. Other income increased by Baht 284.81 million or 18.54% mainly from AOT received compensation for damage claim from flooding at Don Mueang International Airport during the end of 2011 of Baht 464.83 million. Total expenses increased by Baht 6,188.50 million or 27.91%. The main reasons were from an increase of the accrued property tax by Baht 2,941.34 million because in previous year there was reversal of accrued property

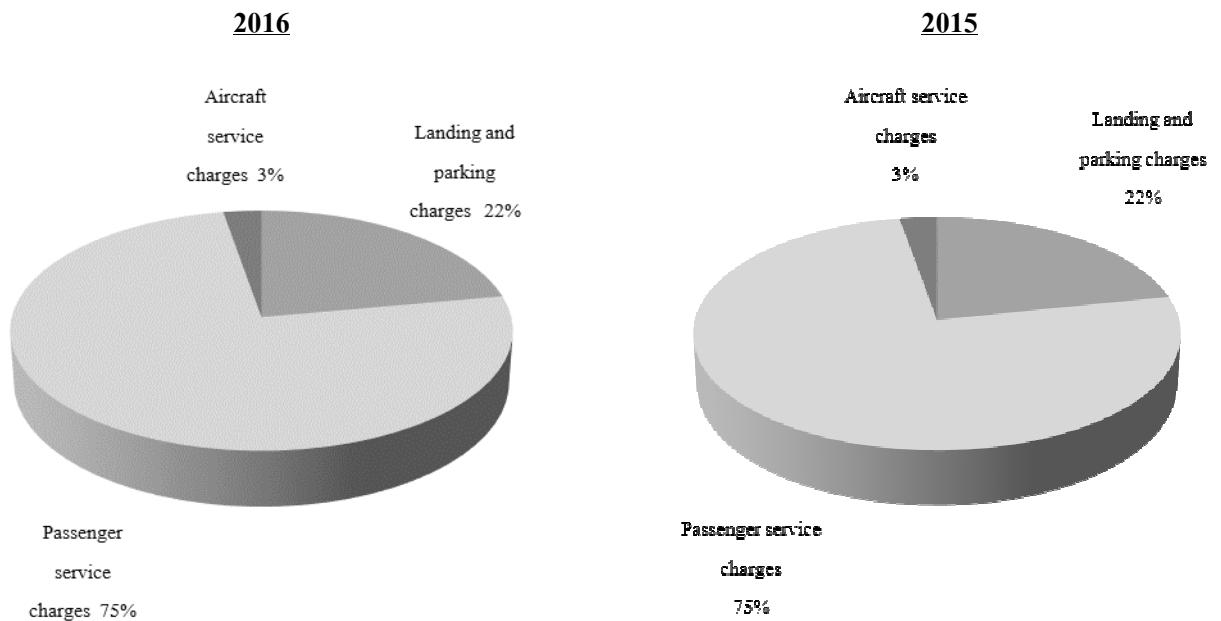
tax by Baht 3,059.17 million and an increase in outsourcing expenses by Baht 1,491.85 million. Income tax expense increased by Baht 235.76 million or 5.14% and was in line with an increase in profit.

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

1.2 Aeronautical Revenues

Unit: Million Baht

	2016	2015	Increase (decrease)	%YoY
Landing and parking charges	6,433.26	5,744.40	688.86	11.99
Passenger service charges	21,968.21	19,570.37	2,397.84	12.25
Aircraft service charges	786.20	709.96	76.24	10.74
Total	29,187.67	26,024.73	3,162.94	12.15



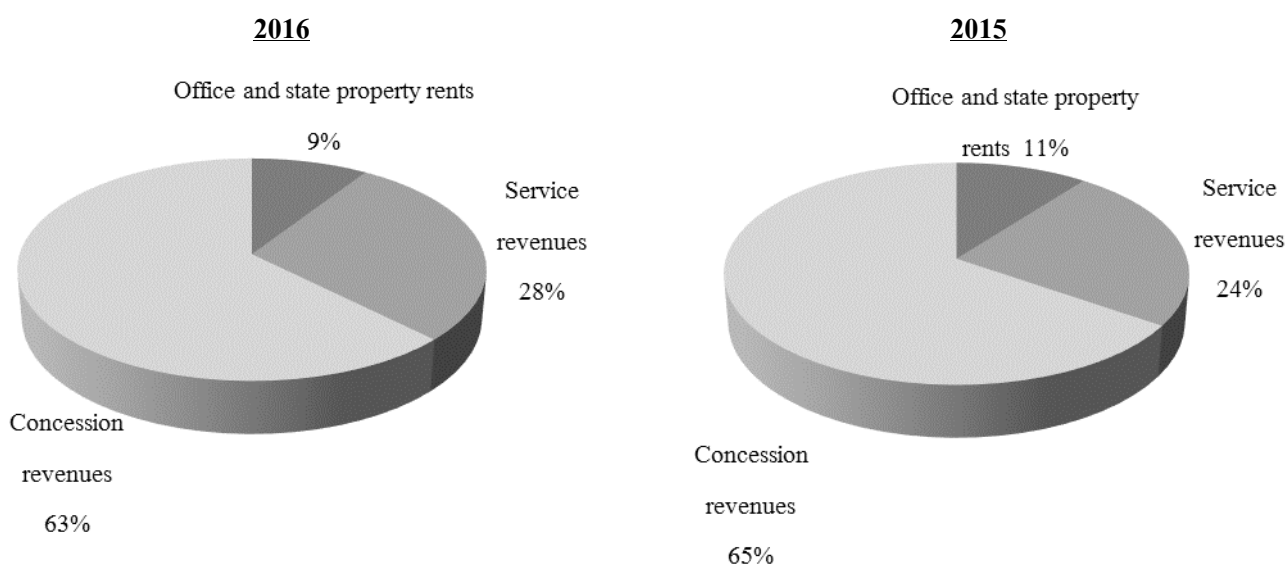
A portion of aeronautical revenues in each type in 2016 was not significant changed from last year. The majority of aeronautical revenues was passenger service charges.

For the year ended September 30th, 2016, aeronautical revenues of Baht 29,187.67 million increased by Baht 3,162.94 million or 12.15% comparing to last year due to an increase in passenger service charges of Baht 2,397.84 million or 12.25%. This was because of an increase in the number of passengers in six airports 12.30% which mainly from an increase in low cost airlines of 21.08%. Moreover, landing and parking charges and aircraft service charges increased by Baht 688.86 million and Bath 76.24 million, respectively. This was because the number of flights increased by 9.83% which mainly from an increase in low cost airlines of 13.77%.

1.3 Non-Aeronautical Revenues

Unit: Million Baht

	2016	2015	Increase (decrease)	%YoY
Office and state property rents	1,992.80	1,875.78	117.02	6.24
Service revenues	6,161.45	4,337.33	1,824.12	42.06
Concession revenues	13,620.03	11,731.15	1,888.88	16.10
Total	21,774.28	17,944.26	3,830.02	21.34



A portion of non-aeronautical revenues in each type of revenues in 2016 was not significantly changed from last year. The majority of non-aeronautical revenues was concession revenues.

For the year ended September 30th, 2016, non-aeronautical revenues of Baht 21,774.28 million increased by Baht 3,830.02 million or 21.34% comparing to last year due to an increase in concession revenues of Baht 1,888.88 million or 16.10%. The main reason was an increase in the number of passengers and revenues sharing rate, especially revenue sharing from duty free shop increased by Baht 934.63 million. Service revenues mainly increased from service charges of advance passenger checking service by Baht 1,568.91 million. This was because AOT installed Advance Passenger Processing System (APPS) since December 1st, 2015.

1.4 Other income

Unit: Million Baht

	2016	2015	Increase (decrease)	%YoY
Interest income	1,091.32	1,274.79	(183.47)	(14.39)
Compensation in case of flood	464.83	-	464.83	100.00
Others	265.24	261.79	3.45	1.32
Total	1,821.39	1,536.58	284.81	18.54

Other income for the year ended September 30th, 2016 was Baht 1,821.39 million. It increased by Baht 284.81 million or 18.54% comparing to last year. This was increase from AOT received compensation for damage claim from flooding at Don Mueang International Airport during the end of 2011 of Baht 464.83 million in the third quarter of 2016.

1.5 Total expenses

Unit: Million Baht

	2016	2015	Increase (decrease)	%YoY
Employee benefit expenses	5,934.09	5,647.60	286.49	5.07
Utilities expenses	2,562.26	2,528.08	34.18	1.35
Outsourcing expenses	4,613.86	3,122.01	1,491.85	47.78
Repairs and maintenance	2,474.91	2,073.35	401.56	19.37
State property rental	2,206.54	1,896.23	310.31	16.36
Depreciation and amortisation expenses	6,404.05	6,188.02	216.03	3.49
Property tax (reversal)	111.09	(2,830.25)	2,941.34	103.93
Loss on impairment of assets	35.49	86.83	(51.34)	(59.13)
Loss (Gain) on foreign exchange	184.80	(267.80)	452.60	169.01
Loss on sales of assets	43.75	37.28	6.47	17.36
Other expenses	2,411.25	2,083.91	327.34	15.71
Financial costs	1,376.76	1,605.09	(228.33)	(14.23)
Total	28,358.85	22,170.35	6,188.50	27.91

For the year ended September 30th, 2016, total expenses were Baht 28,358.85 million. They increased by Baht 6,188.50 million or 27.91% comparing to last year. The significant changes were from an increase of property tax by Baht 2,941.34 million because in previous year there was reversal of accrued property tax of DMK since 1998 – 2015 of Baht 3,059.17 million due to the dispute was finalised. Moreover, an increase in outsourcing expenses was Baht 1,491.85 million from expense of advance passenger checking service of Baht 1,309.46 million, loss on foreign exchange of Baht 452.60 million, repairs and maintenance of Baht 401.56 million, other expenses of Baht 327.34 million, state property rental of Baht 310.31 million, employee benefit expenses of Baht 286.49 million and depreciation and amortisation expenses of Baht 216.03 million because AOT continuously invests in assets. However, financial costs decreased by Baht 228.33 million. Other categories of expenses did not change significantly comparing to last year.

State property rental which was calculated based on revenues increased in line with revenues from sales or services for the year ended September 30th, 2016.

2. Analysis of financial position

The financial position as at September 30th, 2016 of AOT is as follows:

	Unit: Million Baht			
	2016	2015	Increase (decrease)	% change
Total assets	172,216.39	159,623.66	12,592.73	7.89
Total liabilities	50,637.84	50,811.52	(173.68)	(0.34)
Total shareholders' equity	121,578.55	108,812.14	12,766.41	11.73

The significant changes in assets, liabilities and shareholders' equity as at September 30th, 2016 comparing with September 30th, 2015 are as follows:

2.1 Analysis of assets

Total assets as at September 30th, 2016 were Baht 172,216.39 million, an increase from September 30th, 2015 of Baht 12,592.73 million or 7.89% is detailed below.

2.1 Analysis of assets (Con't)

Unit: Million Baht

	2016	2015	Increase (decrease)	% change
Current assets	64,157.71	51,924.66	12,233.05	23.56
Investment	1,996.29	914.20	1,082.09	118.36
Property plant equipment and investment properties	100,677.12	103,629.16	(2,952.04)	(2.85)
Other non-current assets	5,385.27	3,155.64	2,229.63	70.66
Total assets	172,216.39	159,623.66	12,592.73	7.89

Current assets of Baht 64,157.71 million increased by Baht 12,233.05 million or 23.56% due to an increase in short-term investments of Baht 9,200.07 million, cash and cash equivalents of Baht 2,800.06 million. Other current assets (i.e. trade accounts receivable, other receivable, inventories and supplies) was not significantly changed comparing to last year.

Investment of Baht 1,996.29 million increased by Baht 1,082.09 million or 118.36%. This change was due to an increase in deposit at financial institution which maturity above one year of Baht 700 million and an increase in fair value of available for sale investment of Baht 381.38 million.

Property plant equipment and investment properties of Baht 100,677.12 million decreased by Baht 2,952.04 million or 2.85% because of depreciation expenses during the year.

Other non-current assets of Baht 5,385.27 million increased by Baht 2,229.63 million or 70.66% due to an increase in the value of forward contracts recognised as assets of Baht 1,670.03 million. The value of forward contracts recognised as assets because exchange rates stated in the contracts were lower than closing exchange rate at the end of the period. The increase was primarily due to the appreciation of the Japanese Yen against the Thai Baht. Prepaid expenses increased by Baht 1,237.60 million while Revenue Department receivable decreased by Baht 536.65 million.

2.2 Analysis of liabilities

Total liabilities as at September 30th, 2016 were Baht 50,637.84 million, a decrease from September 30th, 2015 of Baht 173.68 million or 0.34% is detailed below.

2.2 Analysis of liabilities (Con't)

Unit: Million Baht

	2016	2015	Increase (decrease)	% change
Current liabilities	18,428.60	15,853.91	2,574.69	16.24
Long-term loans	26,659.21	27,493.30	(834.09)	(3.03)
Other non-current liabilities	5,550.03	7,464.31	(1,914.28)	(25.65)
Total liabilities	50,637.84	50,811.52	(173.68)	(0.34)

Current liabilities of Baht 18,428.60 million increased by Baht 2,574.69 million or 16.24% were mainly from an increase in other payable for Baht 1,597.38 million, current portion of long-term liabilities which maturity within one year for Baht 559.11 million, income tax payable for Baht 350.72 million while work in process payable decreased by Baht 420.51 million.

Long-term loans of Baht 26,659.21 million decreased by Baht 834.09 million or 3.03% were mainly from a decrease from loans repayment of Baht 3,912.05 million while foreign exchange rate made loans increased of Baht 3,093.46 million.

Other non-current liabilities of Baht 5,550.03 million decreased by Baht 1,914.28 million or 25.65% due to a decrease in the value of forward contracts recognised as liabilities of Baht 1,803.32 million. The value of forward contracts recognised as liabilities because exchange rates in the forward contracts were higher than the closing rates at the end of the period. The decrease was primarily due to the appreciation of the Japanese Yen against the Thai Baht.

2.3 Analysis of shareholders' equity

As at September 30th, 2016, the total shareholders' equity was Baht 121,578.55 million. It increased by Baht 12,766.41 million or 11.73% from total comprehensive income for the year ended September 30th, 2016 of Baht 19,908.67 million less dividend payment of Baht 7,142.26 million.

3. Analysis of liquidity

As at September 30th, 2016, cash and cash equivalents were Baht 5,886.26 million. It increased from September 30th, 2015 of Baht 2,800.06 million as detailed below.

3. Analysis of liquidity (Con't)

Unit: Million Baht

	2016
Cash flows from operating activities	30,325.83
Cash flows from investing activities	(14,722.28)
Cash flows from financing activities	(12,803.49)
Net increase in cash and cash equivalents	2,800.06
Cash and cash equivalents at the beginning of the year	3,086.20
Cash and cash equivalents at the end of the year	5,886.26

The change in cash and cash equivalents for the year ended September 30th, 2016 can be analysed as below;

Cash generated from operating activities of Baht 30,325.83 million. It resulted from an operation of the current year.

Cash used in investing activities of Baht 14,722.28 million. It resulted from net cash payment for short term investments of Baht 9,200.07 million and cash used for investment in property plant and equipment of Baht 4,836.88 million. The majority was investments at Suvarnabhumi Airport, Phuket International Airport and Don Mueang International Airport.

Cash used in financing activities of Baht 12,803.49 million was mainly from dividend payment of Baht 7,142.26 million and the settlement of long-term loans of Baht 3,981.20 million.

4. Ratio analysis

	2016	2015
Profitability ratio		
Ratio of profit from operations to revenue from operations (%)	47.67	52.79
Return on equity (ROE) (%)	17.03	18.22
Return on total assets (ROA) (%)	11.80	11.95
Financial structure and liability ratio		
Debt to equity ratio (Time)	0.42	0.47
Liquidity ratio (Time)	3.48	3.28

AOT has made profit continuously, even the ratio of profit from operations to revenue from operations decreased by 5.12%. The decrease was from in previous year there was reversal of accrued property tax of DMK since 1998 – 2015 of Baht 3,059.17 million. Without such transaction AOT will have ratio of profit from operations to revenue from operations increased by 1.84%. The return on equity and return on total assets were not significantly changed from previous 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 three times.

5. Factors affecting future operation

The domestic political situation is stable. The economic is stimulated, the tourism sector is expanding, and fuel prices are decreasing. These factors will increase the demand for air travel and have positive impact for the domestic aviation industry especially the continuous growth of low cost airlines.

AOT is responsible for managing six international airports which are fundamental to serving 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 Asean Economic Community. In this fiscal year, AOT officially opened Terminal 2 of Don Mueang International Airport on March 8th, 2016 in order to support the expansion of low cost airlines and opened new international terminal of Phuket International Airport on September 16th, 2016 to support an increase in air traffic volume. In addition, on September 14th, 2016 AOT has begun the construction of Suvarnabhumi Airport Development Project Phase 2. AOT has been continuously improving the six international airports under its responsible to promote Thailand as a centre for regional aviation and air cargo leader. AOT is a 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)

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