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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, 2017

Overall performance and significant events

The overall aviation industry in Thailand during October 2016 – September 2017 has improved comparing to the same period last year. This is in line with the world aviation industry as a result of a continued growth in the tourism sector. A support from the Thai government on the tourism makes Thailand an attractive destination to tourists. As a consequence, a number of tourists travelling to Thailand increases, especially for Chinese tourists who contribute to a growth in a number of visitors higher than the same period last year. After extreme decline around the end of the year 2016 from the repressive measures against illegal tours by the government. Chinese tourists are the most traveller who visit Thailand. The domestic political situation is stable. The rapid expansion of low cost airlines brings air-fare competitive, and this result in an increase in demand for air travelling of middle-income travellers. All of these put forwards positive result to both aviation industry and the overall domestic economy.

In the fiscal year 2017, for the year ended September 30th, 2017, the air traffic volume from six airports under the Airports of Thailand Public Company Limited (AOT) was 823,574 flights, a 6.00% increase comparing to last year. It comprised 415,338 international flights and 408,236 domestic flights. The total number of passengers was 129.20 million, a 7.73% increase compared to last year. It comprised 72.54 million international passengers and 56.66 million domestic passengers.

In 2017, AOT generated net profit of Baht 20,683.60 million. It increased by Baht 1,365.30 million or 7.07% comparing to last year. Total revenues increased by Baht 4,145.73 million, total expenses increased by Baht 2,132.09 million, and income tax expense increased by Baht 624.48 million.

1. Analysis of operations

1.1 Operating results for the year ended September 30th, 2017

Unit: Million Baht

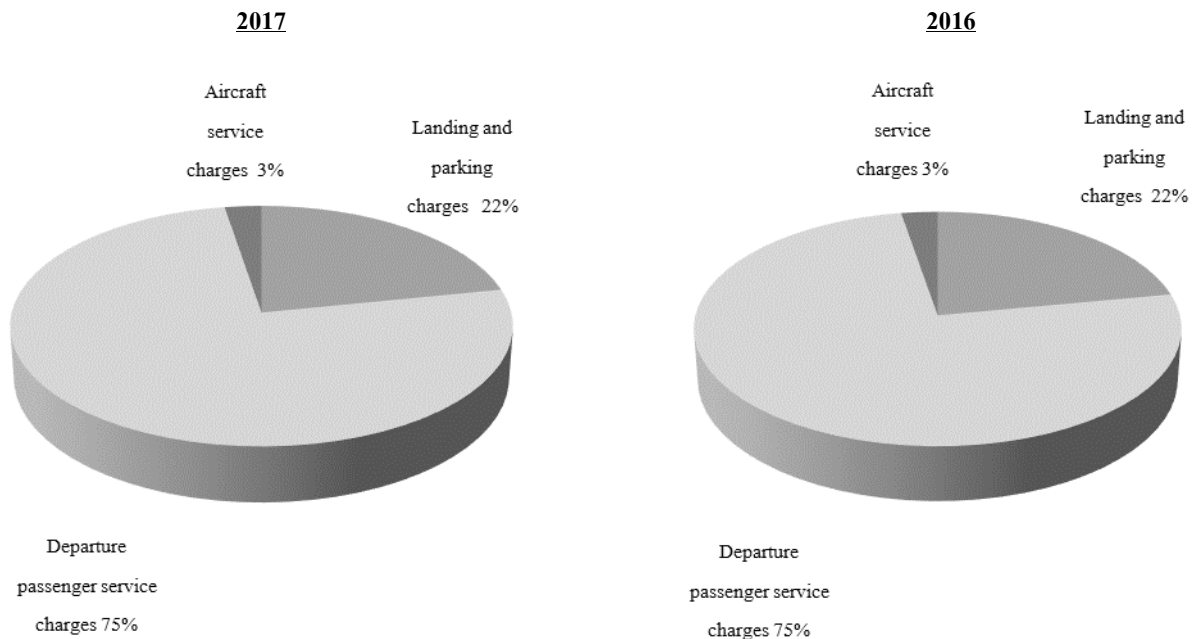
	2017	2016	Increase (decrease)	% YoY
Revenues from sales or services	54,901.16	50,961.95	3,939.21	7.73
<i>Aeronautical revenue</i>	30,825.41	29,187.67	1,637.74	5.61
<i>Portion</i>	56%	57%		
<i>Non-aeronautical revenue</i>	24,075.75	21,774.28	2,301.47	10.57
<i>Portion</i>	44%	43%		
Other income	1,843.11	1,636.59	206.52	12.62
Total revenues	56,744.27	52,598.54	4,145.73	7.88
<u>Less</u> Total expenses	30,559.30	28,427.21	2,132.09	7.50
Profit before income tax expense	26,184.97	24,171.33	2,013.64	8.33
<u>Less</u> Income tax expense	5,445.40	4,820.92	624.48	12.95
Net profit for the period	20,739.57	19,350.41	1,389.16	7.18
Profit attributable to:				
Owners of the parent	20,683.60	19,318.30	1,365.30	7.07
Non-controlling interests	55.97	32.11	23.86	74.31
Earnings per share (Baht)	1.45	1.35	0.10	7.41

Net profit for the year ended September 30th, 2017 was Baht 20,683.60 million. It increased by Baht 1,365.30 million or 7.07% comparing to last year. Revenue from sales or services increased by Baht 3,939.21 million or 7.73% as a result of an increase in aeronautical revenue of Baht 1,637.74 million or 5.61% and non-aeronautical revenue of Baht 2,301.47 million or 10.57% because of increasing in number of flights and passengers. Other income increased by Baht 206.52 million or 12.62% mainly from an increase in gain on foreign exchange. Total expenses increased by Baht 2,132.09 million or 7.50%. The majority of increased was state property rental. Income tax expense increased by Baht 624.48 million or 12.95% which was in line with an increase in profit.

1.2 Aeronautical Revenue

Unit: Million Baht

	2017	2016	Increase (decrease)	%YoY
Landing and parking charges	6,731.61	6,433.26	298.35	4.64
Departure passenger service charges	23,285.00	21,968.21	1,316.79	5.99
Aircraft service charges	808.80	786.20	22.60	2.87
Total	30,825.41	29,187.67	1,637.74	5.61



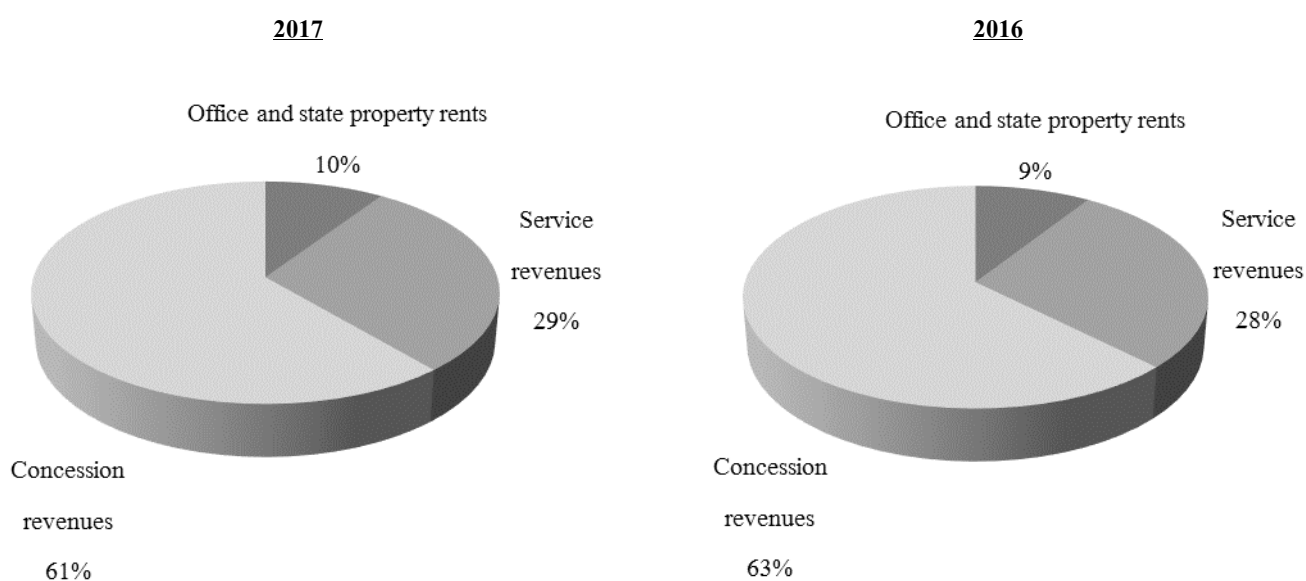
A portion of aeronautical revenue in each type in FY 2017 did not change comparing to last year. The majority of aeronautical revenue was departure passenger service charges.

For the year ended September 30th, 2017, aeronautical revenue of Baht 30,825.41 million increased by Baht 1,637.74 million or 5.61% comparing to last year due to an increase in departure passenger service charges of Baht 1,316.79 million or 5.99%. This was because of an increase in the number of passengers in six airports 7.73% which mainly from an increase in passengers of low cost airlines 12.77%. Moreover, landing and parking charges and aircraft service charges increased slightly by Baht 298.35 million and Baht 22.60 million, respectively. This was because the number of flights increased by 6.00% which mainly from an increase in flights of low cost airlines 13.57%.

1.3 Non-Aeronautical Revenue

Unit: Million Baht

	2017	2016	Increase (decrease)	%YoY
Office and state property rents	2,264.83	1,992.80	272.03	13.65
Service revenues	7,059.20	6,161.45	897.75	14.57
Concession revenues	14,751.72	13,620.03	1,131.69	8.31
Total	24,075.75	21,774.28	2,301.47	10.57



A portion of non-aeronautical revenue in each type in FY 2017 did not change significantly comparing to last year. The majority of non-aeronautical revenue was concession revenues.

For the year ended September 30th, 2017, non-aeronautical revenue of Baht 24,075.75 million increased by Baht 2,301.47 million or 10.57% comparing to last year due to an increase in concession revenues of Baht 1,131.69 million or 8.31%. 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 897.75 million or 14.57% which mainly from advance passenger checking service by Baht 693.29 million. This was because AOT installed Advance Passenger Processing System (APPS) since December 1st, 2015.

1.4 Other income

Unit: Million Baht

	2017	2016	Increase (decrease)	%YoY
Gain (Loss) on foreign exchange	442.87	(184.80)	627.67	339.65
Interest income	1,036.14	1,091.31	(55.17)	(5.06)
Compensation in case of flood	-	464.83	(464.83)	(100.00)
Others	364.10	265.25	98.85	37.27
Total	1,843.11	1,636.59	206.52	12.62

Other income for the year ended September 30th, 2017 was Baht 1,843.11 million. It increased by Baht 206.52 million or 12.62% comparing to last year mainly from gain on foreign exchange increased by Baht 627.67 million due to the appreciation of Thai Baht against Japanese Yen. While last year, AOT received compensation for damages from flooding at Don Mueang International Airport during the end of 2011 of Baht 464.83 million.

1.5 Total expenses

Unit: Million Baht

	2017	2016	Increase (decrease)	%YoY
Employee benefit expenses	6,499.05	5,934.09	564.96	9.52
Utilities expenses	2,520.66	2,562.26	(41.60)	(1.62)
Outsourcing expenses	5,328.44	4,613.86	714.58	15.49
Repairs and maintenance	2,545.31	2,474.92	70.39	2.84
State property rental	4,099.31	2,459.69	1,639.62	66.66
Depreciation and amortisation expenses	5,644.51	6,404.05	(759.54)	(11.86)
Property tax (reversal)	138.05	111.09	26.96	24.27
Loss on impairment of assets	148.70	35.49	113.21	318.99
Loss on sales of assets	53.32	43.75	9.57	21.87
Other expenses	2,387.02	2,411.25	(24.23)	(1.00)
Financial costs	1,194.93	1,376.76	(181.83)	(13.21)
Total	30,559.30	28,427.21	2,132.09	7.50

For the year ended September 30th, 2017, total expenses were Baht 30,559.30 million. It increased by Baht 2,132.09 million or 7.50% comparing to last year. This was mainly due to an increase in state property rental of Baht 1,639.62 million according to AOT has recorded the additional state property rental of Suvarnabhumi Airport of Baht 1,378.13 million since 2013. Outsourcing expenses increased by Baht 714.58 million mainly from advance passenger checking service by Baht 483.37 million, employee benefit expenses increased by Baht 564.96 million. While depreciation and amortisation expenses decreased of Baht 759.54 million due to some assets had fully depreciation and financial costs decreased of Baht 181.83 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, 2017.

Moreover, AOT has recorded the state property rental of Don Mueang International Airport and Regional Airport from October 1st, 2006 - September 30th, 2016 of Baht 1,264.33 million which was an adjustment of AOT's retained earnings. This results in an increase of state property rental for the year ended September 30th, 2016 from previously presented of Baht 253.15 million, respectively.

2. Analysis of financial position

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

	Unit: Million Baht			
	2017	2016	Increase (decrease)	% change
Total assets	178,409.93	172,216.39	6,193.54	3.60
Total liabilities	46,721.24	51,902.17	(5,180.93)	(9.98)
Total equity	131,688.69	120,314.22	11,374.47	9.45

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

2.1 Analysis of assets

Total assets as at September 30th, 2017 were Baht 178,409.93 million. An increase of total assets from September 30th, 2016 of Baht 6,193.54 million is detailed below.

Unit: Million Baht

	2017	2016	Increase (decrease)	% change
Current assets	71,655.01	64,157.71	7,497.30	11.69
Investment	1,650.77	1,996.29	(345.52)	(17.31)
Property plant equipment and investment properties	102,260.50	100,677.12	1,583.38	1.57
Other non-current assets	2,843.65	5,385.27	(2,541.62)	(47.20)
Total assets	178,409.93	172,216.39	6,193.54	3.60

Current assets of Baht 71,655.01 million increased by Baht 7,497.30 million or 11.69% due to an increase in short-term investments of Baht 3,750.06 million, cash and cash equivalents of Baht 3,431.49 million. Trade accounts receivable, other receivables, inventories and supplies and other current assets did not change significantly comparing to last year.

Investment of Baht 1,650.77 million decreased by Baht 345.52 million or 17.31% 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 354.55 million from fair value adjustment.

Property plant equipment and investment properties of Baht 102,260.50 million increased by Baht 1,583.38 million or 1.57% mainly from development project of Suvarnabhumi Airport and Phuket International Airport.

Other non-current assets of Baht 2,843.65 million decreased by Baht 2,541.62 million or 47.20% due to a decrease in the value of cross currency swap contracts recognised as assets of Baht 2,105.40 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 September 30th, 2017 were Baht 46,721.24 million. A decrease of total liabilities from September 30th, 2016 of Baht 5,180.93 million or 9.98% is detailed below.

Unit: Million Baht

	2017	2016	Increase (decrease)	% change
Current liabilities	20,728.19	19,692.93	1,035.26	5.26
Long-term loans	19,228.75	26,659.21	(7,430.46)	(27.87)
Other non-current liabilities	6,764.30	5,550.03	1,214.27	21.88
Total liabilities	46,721.24	51,902.17	(5,180.93)	(9.98)

Current liabilities of Baht 20,728.19 million increased by Baht 1,035.26 million or 5.26% due to an increase in work in processes payable of Baht 991.75 million, trade accounts payable of Baht 584.47 million, income tax payable of Baht 298.74 million and other non-current liabilities of Baht 201.92 million. While other payables decreased of Baht 612.28 million and current portion of long-term liabilities of Baht 514.86 million. For short-term provisions did not change significantly comparing to last year.

Long-term loans of Baht 19,228.75 million decreased by Baht 7,430.46 million or 27.87% due to a repayment of borrowing and the effect from foreign exchange rates.

Other non-current liabilities of Baht 6,764.30 million increased by Baht 1,214.27 million or 21.88% due to an increase in the value of cross currency swap contracts recognised as liabilities of Baht 1,506.80 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 equity

The total equity as at September 30th, 2017 was Baht 131,688.69 million. It increased by Baht 11,374.47 million or 9.45% from total comprehensive income for the year ended September 30th, 2017 of Baht 21,131.21 million less dividends payment of Baht 9,756.74 million.

3. Analysis of liquidity

As at September 30th, 2017, cash and cash equivalents were Baht 9,317.75 million. It increased from September 30th, 2016 of Baht 3,431.49 million as detailed below.

	Unit: Million Baht
	2017
Cash flows from operating activities	27,102.22
Cash flows from investing activities	(8,423.40)
Cash flows from financing activities	(15,247.33)
Net increase in cash and cash equivalents	3,431.49
Cash and cash equivalents at the beginning of the year	5,886.26
Cash and cash equivalents at the end of the year	9,317.75

The change in cash and cash equivalents for the year ended September 30th, 2017 can be analysed as below;

Cash generated from operating activities of Baht 27,102.22 million. It resulted from an operation of the current year.

Cash used in investing activities of Baht 8,423.40 million. It resulted from cash used for investment in property plant and equipment of Baht 5,146.11 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 3,050.06 million.

Cash used in financing activities of Baht 15,247.33 million mainly from dividend payment of Baht 9,756.74 million and payment for long-term loans and interest totalling of Baht 5,228.96 million.

4. Ratio analysis

	2017	2016
Profitability ratio		
Ratio of profit from operations to revenue from operations (%)	46.97	47.17
Return on equity (ROE) (%)	16.45	16.97
Return on total assets (ROA) (%)	11.80	11.64

4. Ratio analysis (Con't)

	2017	2016
Financial structure and liability ratio		
Debt to equity ratio (Time)	0.35	0.43
Liquidity ratio (Time)	3.46	3.26

AOT has made profit continuously, even the ratio of profit from operations to revenue from operations decreased by 0.20% from previous year but the decrease was from AOT has recorded the additional state property rental of Suvarnabhumi Airport of Baht 1,378.13 million since 2013 in this year. Without such transaction AOT will have ratio of profit from operations to revenue from operations increased by 2.31%. 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

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 airport's operator of six international airports of Thailand, a significant fundamental infrastructure in dealing with air traffic, has continued to develop the infrastructure under its responsibility. This is in order to servicing the supply in air transportation and to increase competitiveness in the Asian Economic Community. In this fiscal year, AOT has gained benefit from the opening of terminal 2 of Don Mueang International Airport on 8 March 2016 and International terminal of Phuket International Airport on 16 September 2016. Moreover, the old terminal of Phuket International Airport is currently under renovation to turn it to be a domestic terminal. This will accommodate an increase in passenger volumes. In addition, AOT has a policy on commercial revenue or non-aeronautical revenue by balancing proportion between the commercial revenue and aeronautical revenue and decreasing the impact from a fluctuation in revenue from the aviation. This will allow opportunity to entrepreneurs to expand businesses, and to promote revenue to communities including local economic. The growth in the country economic will have a positive result, accordingly.

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)

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