

Ref. No. 17755

26 November 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 year ended September 30th, 2019

Overall performance and significant events

The overall performance the air traffic volume of Airports of Thailand Public Company Limited (AOT) during October 2018 - September 2019 slightly improved comparing to the same period last year. Amidst many negative factors, i.e., the trade war between the US and China, Pakistani airspace closure, Hong Kong's protests, Thai baht appreciation and low-cost airlines reaching a saturation point, these lead to the global and Thai economies slowing down. However, the Thai government has continued to proactively stimulate tourism. This involves extending the exemption period of the visa-on-arrival fee for tourists from ending October 2019 to ending April 2020, in order to continually encourage tourists period to Chinese New Year and Songkran Festivals for the year 2020.

For the year ended September 30th, 2019, the air traffic volume from six airports under AOT was 896,097 flights, a 2.41% increase comparing to last year. It comprised 491,994 international flights and 404,103 domestic flights. The total number of passengers was 141.87 million, a 1.69% increase comparing to last year. It comprised 84.05 million international passengers and 57.82 million domestic passengers which mainly from the increase in international flights and passengers.

In 2019, AOT generated net profit of Baht 25,026.37 million. It decreased by Baht 144.39 million or 0.57% comparing to last year. Total revenues increased by Baht 2,430.86 million, total expenses increased by Baht 2,073.92 million, and income tax expense increased by Baht 486.05 million.

1. Analysis of operations

1.1 Operating results for the year ended September 30th, 2019

Unit: Million Baht

	2019	2018	Increase (decrease)	% YoY
Revenues from sales or services	62,783.41	60,537.41	2,246.00	3.71
<i>Aeronautical revenue</i>	35,010.14	33,986.26	1,023.88	3.01
<i>Portion</i>	56%	56%		
<i>Non-aeronautical revenue</i>	27,773.27	26,551.15	1,222.12	4.60
<i>Portion</i>	44%	44%		
Other income	1,783.38	1,598.52	184.86	11.56
Total revenues	64,566.79	62,135.93	2,430.86	3.91
<u>Less</u> Total expenses	33,082.48	31,008.56	2,073.92	6.69
Profit before income tax expense	31,484.31	31,127.37	356.94	1.15
<u>Less</u> Income tax expense	6,388.76	5,902.71	486.05	8.23
Net profit for the year	25,095.55	25,224.66	(129.11)	(0.51)
Profit attributable to:				
Owners of the parent	25,026.37	25,170.76	(144.39)	(0.57)
Non-controlling interests	69.18	53.90	15.28	28.35
Earnings per share (Baht)	1.75	1.76	(0.01)	(0.57)

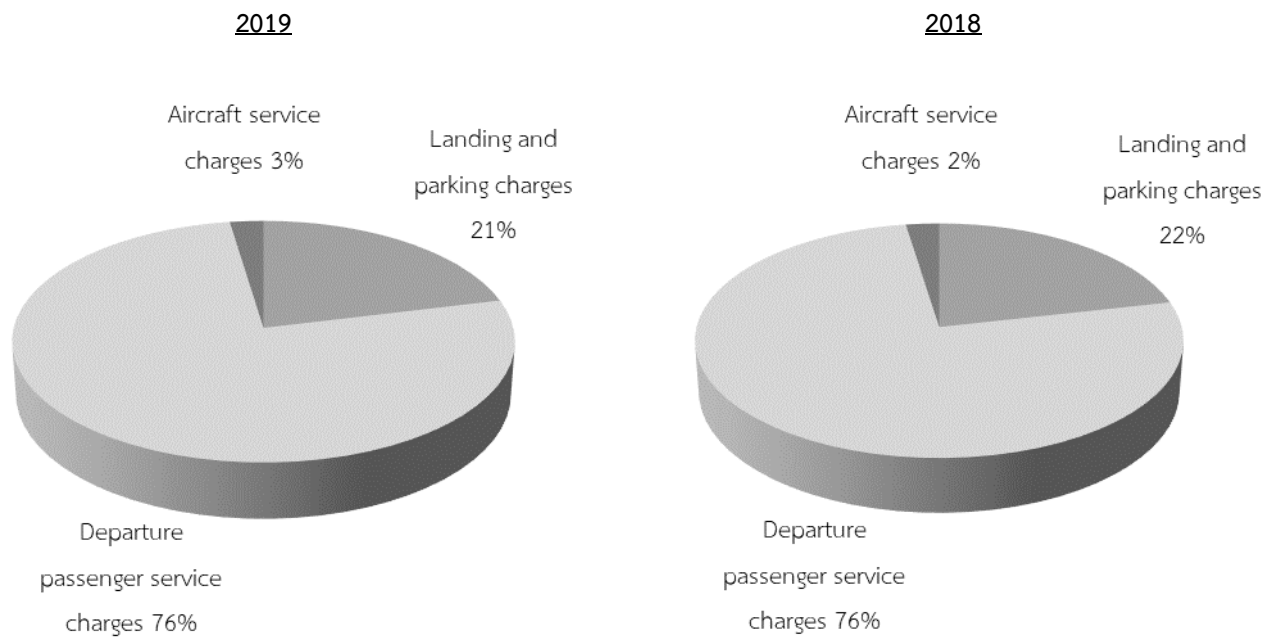
Net profit for the year ended September 30th, 2019 was Baht 25,026.37 million. It decreased by Baht 144.39 million or 0.57% comparing to last year. Revenues from sales or services increased by Baht 2,246.00 million or 3.71% as a result of an increase in aeronautical revenue of Baht 1,023.88 million or 3.01% and non-aeronautical revenue of Baht 1,222.12 million or 4.60% because of increasing in number of flights and passengers. Other income increased by Baht 184.86 million or 11.56% mainly from an increase in interest income. Total expenses increased by Baht 2,073.92 million or 6.69%. Income tax expense increased by Baht 486.05 million or 8.23%.

The detailed analysis of each type of revenues and expenses are as follow;

1.2 Aeronautical Revenue

Unit: Million Baht

	2019	2018	Increase (decrease)	%YoY
Landing and parking charges	7,425.75	7,303.66	122.09	1.67
Departure passenger service charges	26,742.55	25,850.04	892.51	3.45
Aircraft service charges	841.84	832.56	9.28	1.11
Total	35,010.14	33,986.26	1,023.88	3.01



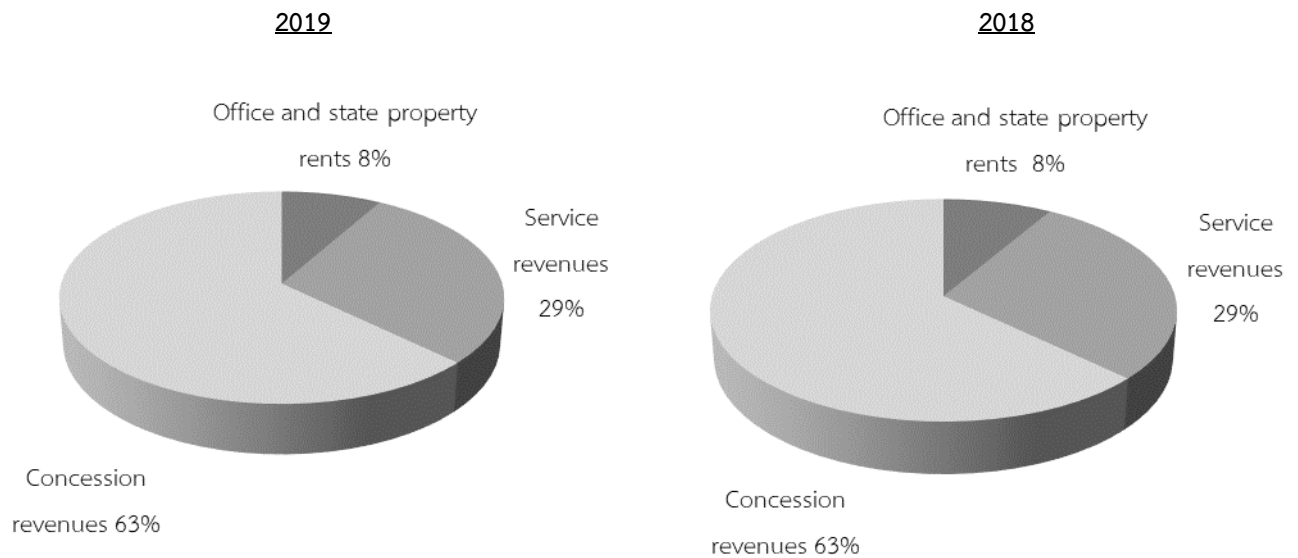
A portion of aeronautical revenue in each type in FY 2019 did not change significantly comparing to last year. The majority of aeronautical revenue was departure passenger service charges.

For the year ended September 30th, 2019, aeronautical revenue of Baht 35,010.14 million increased by Baht 1,023.88 million or 3.01% comparing to last year due to an increase in departure passenger service charges of Baht 892.51 million or 3.45%. This was because of an increase in the number of passengers in six airports 1.69% which mainly from an increase in passengers of low-cost airlines 5.44%. Moreover, landing and parking charges and aircraft service charges increased slightly by Baht 122.09 million and Baht 9.28 million, respectively. This was because the number of flights increased by 2.41% which mainly from an increase in flights of low-cost airlines 6.28%.

1.3 Non-Aeronautical Revenue

Unit: Million Baht

	2019	2018	Increase (decrease)	%YoY
Office and state property rents	2,296.46	2,264.96	31.50	1.39
Service revenues	8,009.68	7,575.76	433.92	5.73
Concession revenues	17,467.13	16,710.43	756.70	4.53
Total	27,773.27	26,551.15	1,222.12	4.60



A portion of non-aeronautical revenue in each type in FY 2019 did not change comparing to last year. The majority of non-aeronautical revenue was concession revenues.

For the year ended September 30th, 2019, non-aeronautical revenue of Baht 27,773.27 million increased by Baht 1,222.12 million or 4.60% comparing to last year due to an increase in concession revenues of Baht 756.70 million or 4.53%. The main reasons were an increase in number of passengers and customers in airports including the increase in revenue sharing rate. In addition, service revenues increased by Baht 433.92 million or 5.73% which mainly from ground service and advance passenger checking service.

1.4 Other income

Unit: Million Baht

	2019	2018	Increase (decrease)	%YoY
Gain on foreign exchange	178.65	212.30	(33.65)	(15.85)
Interest income	1,168.24	1,021.98	146.26	14.31
Gain on sales of assets	3.40	4.82	(1.42)	(29.46)
Other	433.09	359.42	73.67	20.50
Total	1,783.38	1,598.52	184.86	11.56

Other income for the year ended September 30th, 2019 was Baht 1,783.38 million. It increased by Baht 184.86 million or 11.56% comparing to last year. This was result of an increase in interest income by Baht 146.26 million and other income by Baht 73.67 million. However, the gain on foreign exchange decreased by Baht 33.65 million due to the appreciation of Thai Baht against Japanese Yen was less than last year.

1.5 Total expenses

Unit: Million Baht

	2019	2018	Increase (decrease)	%YoY
Employee benefit expenses	8,204.21	7,001.73	1,202.48	17.17
Utilities expenses	2,688.27	2,603.19	85.08	3.27
Outsourcing expenses	5,893.85	5,623.03	270.82	4.82
Repairs and maintenance	2,802.28	2,486.74	315.54	12.69
State property rental	4,357.48	3,875.62	481.86	12.43
Depreciation and amortisation expenses	5,851.47	5,641.67	209.80	3.72
Property tax	137.23	158.13	(20.90)	(13.22)
Loss (reversal of loss) on impairment of assets	(427.28)	82.13	(509.41)	(620.25)
Other expenses	2,760.44	2,520.16	240.28	9.53
Financial costs	814.53	1,016.16	(201.63)	(19.84)
Total	33,082.48	31,008.56	2,073.92	6.69

For the year ended September 30th, 2019, total expenses were Baht 33,082.48 million. It increased by Baht 2,073.92 million or 6.69% comparing to last year. This was mainly due to an increase in employee benefit expenses of Baht 1,202.48 million. The main reason from recognition of past service cost increased by Baht 730.49 million in accordance with the Labour Protection Law (No.7), B.E. 2562 (2019) and the announcement of the State Enterprise Labour Relations Board enacted regarding the minimum standards of employment conditions in state enterprises (No. 4) under the State Enterprise Labour Relations Act, B.E. 2543 (2000) effected on September 26th, 2019. State property rental increased by Baht 481.86 million. This is partly from the adjustment of the state property rental according to The Treasury Department has approved return rate on state property rental for Donmueng and Regional airports period 2017 to 2032 at the rate of 5.5% of total revenues before expenses deductions. Moreover, repairs and maintenance increased by Baht 315.54 million. Outsourcing expenses increased by Baht 270.82 million. Other expenses increased by Baht 240.28 million and depreciation and amortisation expenses increased by Baht 209.80 million. However, the loss on impairment of assets decreased by Baht 509.41 million from reversal of loss on impairment of assets at Mae Fah Luang Chiang Rai International Airport (CEI), as a result that AOT revalued the recoverable amount of assets at CEI and found that the recoverable amount which determine from value in use is higher than carrying amount. AOT, therefore, reversed an impairment loss of these assets. Moreover, financial costs decreased by Baht 201.63 million. Other categories of expenses did not change significantly comparing to last year.

2. Analysis of financial position

The financial position as at September 30th, 2019 of AOT is as follows:

	2019	2018	Increase (decrease)	% change
Total assets	198,381.55	187,708.55	10,673.00	5.69
Total liabilities	43,842.92	43,439.43	403.49	0.93
Total equity	154,538.63	144,269.12	10,269.51	7.12

The material changes in assets, liabilities and equity as at September 30th, 2019 comparing to September 30th, 2018 are as follows:

2.1 Analysis of assets

Total assets as at September 30th, 2019 were Baht 198,381.55 million. They increased by Baht 10,673.00 million or 5.69% from September 30th, 2018 as detailed below.

Unit: Million Baht

	2019	2018	Increase (decrease)	% change
Current assets	80,787.15	77,068.09	3,719.06	4.83
Investment	1,161.91	1,257.04	(95.13)	(7.57)
Property plant equipment and investment properties	112,275.42	104,887.28	7,388.14	7.04
Other non-current assets	4,157.07	4,496.14	(339.07)	(7.54)
Total assets	198,381.55	187,708.55	10,673.00	5.69

Current assets of Baht 80,787.15 million increased by Baht 3,719.06 million or 4.83% due to an increase in short-term investments of Baht 1,772.71 million. Cash and cash equivalents of Baht 1,330.37 million. Other current assets (i.e. trade accounts receivable, other receivables, including inventories and supplies) did not change significantly comparing to last year.

Investment of Baht 1,161.91 million decreased by Baht 95.13 million or 7.57% due to a decrease in investments in bonds used as collateral by Baht 55.56 million and available-for-sale investments decreased by Baht 39.56 million from change in fair value.

Property plant equipment and investment properties of Baht 112,275.42 million increased by Baht 7,388.14 million or 7.04%. This was mainly from work in process: construction of the Suvarnabhumi Airport Development Project for midfield satellite building 1 (levels 2-4), South tunnel connection (sub system) and utilities system.

Other non-current assets of Baht 4,157.07 million decreased by Baht 339.07 million or 7.54% due to a decrease in advance payment of Baht 608.06 million. However, deferred tax assets increased by Baht 296.43 million.

2.2 Analysis of liabilities

Total liabilities as at September 30th, 2019 were Baht 43,842.92 million. They increased by Baht 403.49 million or 0.93% from September 30th, 2018 as detailed below.

Unit: Million Baht

	2019	2018	Increase (decrease)	% change
Current liabilities	26,182.04	23,202.73	2,979.31	12.84
Long-term loans	10,515.94	13,684.89	(3,168.95)	(23.16)
Other non-current liabilities	7,144.94	6,551.81	593.13	9.05
Total liabilities	43,842.92	43,439.43	403.49	0.93

Current liabilities of Baht 26,182.04 million increased by Baht 2,979.31 million or 12.84% due to an increase in work in processes payable of Baht 2,395.91 million and other payable of Baht 1,835.41 million. However, the current portion of long-term liabilities due within one year decreased by Baht 1,041.83 million and trade accounts payable decreased by Baht 210.70 million.

Long-term loans of Baht 10,515.94 million decreased by Baht 3,168.95 million or 23.16% due to a repayment of borrowings of Baht 3,549.91 million and the effect from foreign exchange rates.

Other non-current liabilities of Baht 7,144.94 million increased by Baht 593.13 million or 9.05% due to an increase in employee benefit obligations of Baht 841.24 million. However, the value of cross currency swap contracts recognised as liabilities decreased by Baht 346.64 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.

2.3 Analysis of equity

The total equity as at September 30th, 2019 was Baht 154,538.63 million. It increased by Baht 10,269.51 million or 7.12% from total comprehensive income for the year ended September 30th, 2019 of Baht 25,063.90 million less dividends payment of Baht 14,998.39 million. In addition, the subsidiary called for paid-up share capital from non-controlling interests of Baht 204.00 million.

3. Analysis of liquidity

As at September 30th, 2019, cash and cash equivalents were Baht 9,932.46 million. They increased by Baht 1,330.36 million from September 30th, 2018 as detailed below.

Unit: Million Baht

	2019
Cash flows from operating activities	32,916.11
Cash flows from investing activities	(11,577.64)
Cash flows from financing activities	(20,008.11)
Net increase in cash and cash equivalents	1,330.36
Cash and cash equivalents at the beginning of the year	8,602.10
Cash and cash equivalents at the end of the year	9,932.46

The change in cash and cash equivalents for the year ended September 30th, 2019 can be analysed as below;

Cash generated from operating activities of Baht 32,916.11 million. It resulted from an operation of the current year.

Cash used in investing activities of Baht 11,577.64 million. It resulted from investment in property plant and equipment of Baht 9,736.00 million. The majority was investment at the Suvarnabhumi Airport and Phuket International Airport. Net cash paid for short-term investments of Baht 1,772.71 million.

Cash used in financing activities of Baht 20,008.11 million mainly from dividend payment of Baht 14,998.39 million and repayment for long-term loans of Baht 3,753.33 million.

4. Ratio analysis

	2019	2018
Profitability ratio		
Ratio of profit from operations to revenue from operations (%)	48.10	50.73
Return on equity (ROE) (%)	16.81	18.29
Return on total assets (ROA) (%)	12.96	13.75
Financial structure and liability ratio		
Debt to equity ratio (Time)	0.28	0.30
Liquidity ratio (Time)	3.09	3.32

Ratio of profit from operations to revenue from operations, return on equity and return on total assets decreased comparing to the same period last year due to a slight decrease in operating performance for the year 2019. 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 demand for air travel results Thailand's airport services to be developed. This requires a concrete plan to prepare for an increase in demand for air travel and cargo in the future, especially the development of aviation infrastructures.

AOT, a state enterprise, 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. Therefore, AOT is focusing on an airport infrastructure development plan to support the number of flights and passengers in the future. AOT has continuously developed and upgraded all six airports, especially 'Suvarnabhumi Airport Development Project' Phase 2, consisting of the Midfield Satellite Building 1 (SAT 1) and aircraft parking. The project included the construction of tunnel with Automated People Mover installed for connecting between the main passenger terminal with SAT 1. The project is expected to be completed around the end of 2020, which can accommodate 60 million passengers annually. Also, many projects will be developed in the future. With adequate infrastructure, passengers would receive good services and standard facilities that are convenient and efficient. AOT continues to increase its efficiency, it also controls the quality of security services to meet international standards. At present, AOT has jointly invested with three private companies to establish AOT Aviation Security Company Limited with the objective of providing security services at the airports under AOT responsibility.

AOT has the policy to increase commercial revenue or non-aeronautical revenue portion in order to support the slowed down of tourism sector in line with the global economy. At present, AOT has signed a joint contractual agreement with the King Power group, who won the bid to manage the duty-free shops and commercial zone at Suvarnabhumi Airport, including the licenses to operate duty-free shops at Phuket International Airport, Chiang Mai International Airport and Hat Yai International Airport. The financial proposal by King Power group is the important factor that will increase portion of non-aeronautical revenue in the future. AOT also plans to create a new revenue stream from its logistics segment. This plan involves developing commercial and investment hubs, including a certify agriculture checkpoint before export and create a new special management for

agriculture product. These will result in cost and time reduction for disposing of wasted products. At the end of FY 2019, AOT has launched AOT DIGITAL AIRPORTS: Living Airports, an innovation that connects all IT systems in the airport in form of an application that will facilitate users for airport services. The system will link the tourist industry outside the airport and connect with local tourist destinations. The application will be initially implemented at Suvarnabhumi Airport and will be connected to worldwide partners in the future. This technology will make the airport management to be more efficient, improve the service quality and enable AOT to become a world-class, stable and sustainable airport.

Please be informed, accordingly.

Yours sincerely,

(Somboon Noinamkham)

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