

## OVERVIEW

Translation

## FINANCIAL HIGHLIGHTS

- **New historical record for quarterly ridership; 53.9mn trips in 3Q 13/14, representing 7.1% growth YoY**
- **Quarterly average fare also increased 7.1% YoY to THB 26.8 per trip**
- **Fare-box revenue reached the highest one-day record at THB 23.2mn on 22 December 2013**
- **Quarterly O&M revenue rose 35.7% YoY or THB 96.7mn to THB 367.3mn**
- **Revenue for Media business of THB 798.2mn in 3Q 13/14, representing 6.5% growth YoY**
- **Property business net operating profit of THB 104.5mn in 3Q 13/14, an increase of 101.4mn YoY**
- **Recurring pre-tax profit margin improved to 40.0%**, compared to 22.5% in 3Q 12/13
- **Net recurring profit improved 80.6% YoY to THB 563.1mn in this quarter**

**Note:** On 17 April 2013, Bangkok Mass Transit System Plc (BTSC) sold the future net fare-box revenues under its concession contract with the Bangkok Metropolitan Administration for the BTS SkyTrain Core Network (original mass transit line in Bangkok, covering 23 stations in Sukhumvit and Silom lines, with a combined track length of 23.5km) to BTS Rail Mass Transit Growth Infrastructure Fund (BTSGIF). Although the transaction occurred in 1Q 13/14, in accordance with TFRS5 - Non-current Assets Held for Sale and Discontinued Operations, the Company is required to separately present the assets, liabilities and profitability of the asset held for sale in the financial statements. As such, in the balance sheet as at 31 March 2013, "Elevated rail project costs" have been re-classified to "Non-current assets held for sale", and revenue net of costs and expenses from the Core network have been presented as a single line item 'profit from discontinued operations' within the Income Statement. For more information, please refer to Note 21 to 3Q 13/14 financial statements.

## QUARTERLY PERFORMANCE - 3Q 13/14

BTS Group Holdings Public Company Limited ("BTSG" or the "Company") and subsidiaries (together, the "Group") recorded consolidated total revenue of THB 2,410.7mn in 3Q 13/14. This represented an increase of 7.9% (or THB 177.2mn) from THB 2,233.6mn in 3Q 12/13. The increase was primarily due to the higher O&M income from additional service income from the Silom line extension, stronger Property operating performance and higher interest income of THB 307.8mn mainly earned from sales proceeds from BTSGIF. Despite the improved YoY performance of Media, Property and Services Business sectors, operating revenue<sup>1</sup> (which already includes share of net profit in BTSGIF of THB 156.6mn) fell by 22.4% YoY to THB 2,115.5mn from the sale of Net fare-box revenues to BTSGIF. Revenues from the Mass Transit, Media, Property and Services businesses accounted for 24.8%, 37.7%, 35.4% and 2.1% of total operating revenue, respectively.

Operating Revenue <sup>1</sup> (THB mn)	3Q 13/14	% of Total <sup>1</sup>	3Q 12/13	% of Total <sup>1</sup>	% Change (YoY)	3Q 13/14 Margin <sup>4</sup>	3Q 12/13 Margin <sup>4</sup>
Mass Transit <sup>2</sup>	523.8	24.8%	1,529.4	56.1%	(65.7%)	62.5%	43.2%
Media	798.2	37.7%	749.2	27.5%	6.5%	64.1%	60.3%
Property <sup>3</sup>	748.6	35.4%	429.5	15.8%	74.3%	43.3%	37.5%
Services	44.8	2.1%	16.9	0.6%	164.8%	35.2%	N/A
<b>TOTAL<sup>1</sup></b>	<b>2,115.5</b>	<b>100.0%</b>	<b>2,725.1</b>	<b>100.0%</b>	<b>(22.4%)</b>	<b>55.7%</b>	<b>46.4%</b>

Total consolidated expenses reached THB 1,390.5mn in 3Q 13/14, an increase of THB 271.8mn or 24.3% YoY largely from the higher cost of sales of real estate. Operating costs decreased by 35.9% YoY to THB 936.7mn largely from the reduction in costs related to the core network sold to BTSGIF, which offset the increase in operating costs of Property and Services Businesses (see segmental performance for more details). As a result of cost efficiency and the one-third investment of the units in BTSGIF, the Group operating gross profit margin<sup>4</sup> improved to 55.7% from 46.4% in the previous year. Although operational performance in Media, Property and Services businesses improved, the Group operating EBITDA<sup>5</sup> margin still declined from 46.2% in 3Q 12/13 to 41.3% this quarter due to the higher proportion contribution of lower margin Mass Transit O&M and Property businesses. SG&A expenses increased by 35.8% YoY or by THB 117.1mn to THB 444.2mn mainly from Mass Transit and Property business sectors. However, this portion did not include SG&A expenses of THB 199.7mn in relation to the sales of net fare-box revenue to BTSGIF which decreased to THB 0.0mn as presented in NTFS 21 in the Financial Statement.

Due to the improved operational performance, the recognition of share of net profit in BTSGIF, the increase in interest income as well as a reduction in finance costs of THB97.6mn, recurring pre-tax profit margin<sup>6</sup> for this quarter improved to 40.0% from 22.5% in 3Q 12/13. Although the Company recorded an increase in consolidated income tax to THB 438.5mn, mainly from tax expenses related to BTSC capital reduction which occurred in November 2013, net recurring profit improved 80.6% YoY to THB 563.1mn in this quarter. Taking into account all the aforesaid transactions, the Group recorded a consolidated profit of THB 605.9mn (decreasing 36.7% YoY) and profit attributable to the equity holders of the Company of THB 449.1mn (decreasing 49.9% YoY).



<sup>1</sup> Operating revenue from the operational performances from 4 BUs and share of net profit (loss) from BTSGIF, EXCLUDES interest income, and non-recurring items

<sup>2</sup> Mass Transit revenues include:

- i) Share of net profit (loss) from BTSGIF (included in 'share of income (loss) from investments in associates' in Statement of comprehensive income)
- ii) Service Income from Train & Bus Operation Management (included in 'service income' under 'revenues from providing of train operation services')

<sup>3</sup> Property includes Sales from Real Estate, Rental and Service Income, Construction & Services Businesses and Service income related to Thana City Golf & Sports Club Co., Ltd.

<sup>4</sup> Operating gross profit margin calculated based on the operational performances from 4 BUs and share of net profit (loss) from BTSGIF

<sup>5</sup> Operating EBITDA calculated based on the operational performances from 4 BUs, share of net profit (loss) from BTSGIF, EXCLUDES non-recurring items which are dividend income, interest income, gain from sales of net fare-box revenue to BTSGIF, other non-recurring items

<sup>6</sup> Recurring profit calculated based on the operational performances from 4 BUs, share of net profit (loss) from BTSGIF and AHS, as well as including other recurring items which are interest income and other recurring items (before MI)

## BALANCE SHEET AND CASH FLOW

Total assets as of 31 December 2013 stood at THB 80,510.5mn, a 19.6% increase from 31 March 2013. Total current assets reduced by 23.2% to THB 40,081.9mn mainly due to the de-recognition of non-current assets held for sale of THB 42,123.1mn from the Group balance sheet, in accordance with TFRS 5 following the sale of future net fare-box revenues. This was partially offset with i) the increase in cash by THB 7,484.4mn and ii) the increase in current investments by THB 23,137.9mn, reflecting the treasury management of sales proceeds from BTSGIF. Total non-current assets rose by 168.2% to THB 40,428.6mn largely from the increase in i) investment in associates by THB 14,013.3mn (primarily from the Group's investment in one-third of the units of BTSGIF) and ii) other long-term investments by THB 7,386.6mn, largely from the investment in fixed deposits of THB 3,136.4mn and unsubordinated debentures (the long-term portion of THB 3,045.4mn of sales proceeds from BTSGIF were placed at a financial institution in order to secure the principal and interest payment obligations with respect to BTSC's Long Term Debentures).

Total liabilities increased from 31 March 2013 by 0.5% or THB 86.7mn to stand at THB 16,875.9mn largely due to i) deferred tax liabilities which increased by THB 2,699.8mn in accordance with TAS12 Income Taxes, ii) provision for future liabilities from Special Business Tax levied on BTSGIF, to be absorbed by the Company of THB 1,073.2mn, and iii) income tax payable of THB 839.0mn largely from tax expenses related to BTSC capital reduction, which offset with the effect of iv) the repayment of bank loans (THB 3,241.0mn) and v) the second tranche repayment of BTSC debenture (THB 2,081.3mn) in Aug 2013. Total equity increased by THB 13,132.9mn or 26.0% to THB 63,634.6mn. This increase was attributable to i) increase in retained earnings of THB 7,467.8mn largely from the gain from the sale of future net fare-box revenues to BTSGIF, ii) increase in surplus from the changes in the ownership interests in subsidiaries of THB 3,528.5mn mainly from the sale of investment in subsidiary (VGI)<sup>7</sup> and iii) increase in paid-up capital by THB 3,230.4mn to THB 47,656.9mn resulting from the issuance of additional 807.6mn ordinary shares from the exercise of BTS-W2 and BTS-WA. As of 31 December 2013, total issued and fully paid-up shares stood at 11,914.2mn shares.

For the nine months period ended 31 December 2013, net cash from operating activities declined 12.7% to THB 2,901.0mn compared to THB 3,321.3mn in the previous year. Key contributors of the decrease were the sales of net fare-box revenue to BTSGIF. Net cash from investing activities stood at THB 13,313.5mn from THB 3,783.7mn last year. Key items include the proceeds from the sale of net fare-box revenue to BTSGIF, the reinvestment in BTSGIF units and the treasury management of surplus cash proceeds from the sale. Net cash used in financing activities was THB 8,730.9mn compared to THB 5,923.6mn last year, mainly from debt repayment of THB 5,322.3mn and dividend payment of THB 4,738.5mn, offset with cash received from exercised warrants of THB 2,237.5mn. As a result, the consolidated cash flow statements showed an increase of THB 7,484.4mn in cash and cash equivalents to THB 10,997.7mn from the previous year from THB 3,513.3mn as of 31 March 2013.

<sup>7</sup> The gain on sale of VGI shares was recorded in the consolidated balance sheet as equity under "surplus from the changes in the ownership interests in subsidiaries" but not recorded in the profit & loss account, as the changes in the Company's ownership interest in a subsidiary do not result in a loss of control.

## SEGMENTAL PERFORMANCE

### MASS TRANSIT BUSINESS

Total Mass Transit<sup>2</sup> revenue has dropped 65.7% YoY to THB 523.8mn. As a result of the sale of net fare-box revenue to BTSGIF, fare-box revenue (from THB 1,258.8mn), cost of fare-box (from THB 672.7mn) and SG&A related to core network (from THB 122.9mn) all decreased 100.0% YoY to THB 0.0mn. Train operating & management (O&M) income increased YoY by 35.7% or THB 96.7mn to THB 367.3mn.

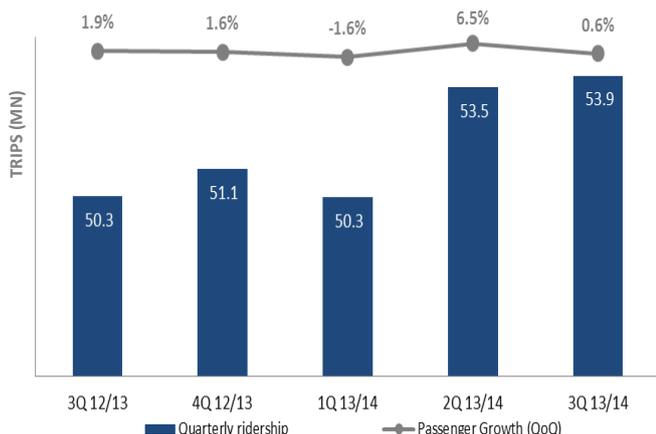
*In order to enable analysis of underlying performance on a comparable basis to previous quarters, the following section analyses fare-box revenues, O&M revenues and their associated costs and SG&A for the full quarters of 3Q 13/14 and 3Q 12/13 irrespective of whether BTSG or BTSGIF had the rights to such revenues.*



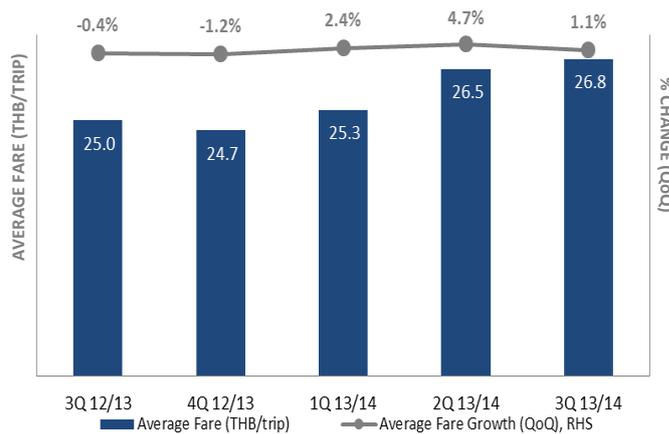
Total revenue from the Mass Transit business increased by 18.4% YoY to THB 1,810.5mn supported by an increase in fare-box revenue and an increase O&M income. Fare-box revenue increased 14.7% (or THB 184.5mn) to THB 1,443.2mn on account of ridership growth (up 7.1% YoY to 53.9mn trips) and the increased average fare (which rose by 7.1% YoY to THB 26.8 per trip, following the recent fare hike on 1 June 2013). Key ridership growth factors included organic growth and the commencement of 4 stations (from Wongwian Yai – Bang Wa) of the Silom line extension, which fed more passengers to the Core Network. To accommodate the increasing patronage, the Company introduced additional carriages into service (all trains on the Sukhumvit line were extended from 3-car trains to 4-car trains since May 2013 and two of the new five 4-car trains which became available for service in December 2013). Income from train operating management rose by 35.7% or THB 96.7mn YoY to THB 367.3mn, mainly attributable to the additional service income from the Silom line extension (full quarter effect from Pho Nimit (S9) to Talat Phlu (S10) and partial income from Wutthakat (S11) and Bang Wa (S12), which opened on 5 December 2013).

Cost of Mass Transit revenue, including SG&A, rose by 8.2% or THB 80.8mn YoY to THB 1,072.0mn, tied to higher ridership. Key cost items were cost of fare-box which increased in line with the ridership growth and depreciation recorded (from higher ridership and new trains). As costs and SG&A increased less than the revenue growth, this led to the improvement in operating EBITDA margin to 65.4% in 3Q 13/14 (versus 59.3% in 3Q 12/13).

**Historical Quarterly Ridership (mn trips / quarter)**



**Historical Quarterly Average Fare (THB / trip)**



**MEDIA BUSINESS**

Our Media business revenue rose 6.5% (or THB 49.0mn) YoY to THB 798.2mn. Factors contributing to our Media revenue came from the revenue growth in BTS-related Media.

BTS-related Media revenue was THB 435.0mn, representing growth of 17.8% or THB 65.6mn YoY. This was mainly due to i) increase in the On-Station revenue from Platform Truss LEDs project (transforming static media to digital media) which began to sell since November 2013, ii) increase from higher rent for long-term contracts of merchandising space on the BTS stations which became effective this year, along with iii) the increased occupancy of small rental shops on the stations, which grew with increased ridership.

Revenue from Modern Trade Media reached THB 319.3mn, a decline of 4.1% or THB 13.8mn YoY. The decrease was primarily the impact from economic slowdown and political protests, which consequently led to weakened domestic consumption and postponed advertising spending.

Office Building & Other Media revenue reached THB 43.9mn, decreasing 6.0% YoY or THB 2.8mn. Again, this was due to economic slowdown and political unrest, which consequently led to delayed advertising spending.

Cost of revenue decreased 3.6% or THB 10.6mn YoY to THB 286.7mn and Media SG&A fell by 1.3% or THB 1.3mn YoY to THB 97.7mn primarily from the lower revenue shared to Modern Trade partners which decreased in line with Modern Trade Media revenue. As a result of the improvement in overall operational performance and economies of scale in BTS-related Media, the operating EBITDA margin of the Media business grew to 54.4% in 3Q 13/14 (50.9% in 3Q 12/13).

**PROPERTY BUSINESS**

Property operating revenue grew by THB 319.1mn YoY to THB 748.6mn. The increase was mainly driven by sales of real estate of THB 444.1mn (largely in relation to 131 transferred units of Tower A from Abstracts Phahonyothin Park, which started transferring in December 2012) and revenue of THB 139.2mn from Eastin Grand Hotel operations at Surasak BTS SkyTrain station, which had its grand opening in October 2012. Presales of Abstracts condominium projects reached 89% as of 31 December 2013.

Operating cost rose at a lower rate than operating revenues. An increase of THB 156.1mn YoY to THB 424.6mn was mainly from costs from transferred units of Abstracts Phahonyothin Park and costs related to Eastin Grand Hotel. Property SG&A expenses increased by THB 52.1mn or 34.2% YoY to THB 204.2mn mainly driven by expenses related to transfers from Abstracts Phahonyothin Park, including transfer fees, marketing expenses, sales commission as well as operating expenses related to Chef Man Restaurants. Due to the improved operating performance, the Property business proved to be profitable this quarter, with operating EBITDA margin improving to 21.2% and net operating profit reaching THB 104.5mn.

## SERVICES BUSINESS

3Q 13/14 Services business revenue increased YoY by THB 27.9mn to THB 44.8mn. This increase was primarily due to the growth in royalty fee incurred from the co-ordination between the Company and the business partner in issuance of the co-branded Rabbit card. The co-branded Rabbit card still maintains its functions in common ticketing cards for Bangkok's mass transit network and retail e-payment card. The co-branded Rabbit has been launched since March 2013. As of December 2013, over 2 million Rabbit cards were issued, exceeding the target number of issued cards for FY 13/14. However, there was also THB 29.0mn cost of revenue as well as THB 29.2mn SG&A expenses. Key cost items were depreciation (for hardware, software and machines) and staff cost.

## KEY FINANCIAL RATIOS

<i>Profitability ratios</i>	3Q 13/14	3Q 12/13*	2Q 13/14
Gross operating profit margin (%)	<b>55.7%</b>	46.4%	53.2%
Selling and administrative expenses to operating sales ratio (%)	<b>20.4%</b>	16.8%	19.1%
Operating EBITDA margin (%) <sup>A</sup>	<b>41.3%</b>	46.2%	39.4%
Accounting EBITDA margin (%)	<b>54.0%</b>	56.1%	55.6%
Recurring pre-tax profit margin (%) <sup>B</sup>	<b>40.0%</b>	22.5%	36.4%
Net recurring profit margin (%) <sup>B</sup>	<b>22.5%</b>	11.2%	28.3%
Accounting net profit margin (%) <sup>C</sup>	<b>25.1%</b>	27.4%	38.0%
ROA (%) <sup>D</sup>	<b>18.4%</b>	3.1%	19.7%
ROE (%) <sup>E</sup>	<b>23.8%</b>	4.9%	25.7%
<i>Leverage ratios</i>			
Total liabilities to total asset (times)	<b>0.21x</b>	0.26x	0.21x
Total liabilities to total equity (times)	<b>0.27x</b>	0.35x	0.27x
Net debt to equity (times)	<b>(0.07 x)</b>	0.21x	(0.01 x)
Net debt to operating EBITDA (times)	<b>(1.04 x)</b>	2.15x	(0.08 x)
Interest coverage (times) <sup>F</sup>	<b>6.54x</b>	5.44x	5.29x
<i>Per share ratios<sup>G</sup></i>			
Basic earnings per share (THB)	<b>0.0378</b>	0.0854	0.0831
Operating cash flow per share (THB)	<b>0.049</b>	0.180	0.134
Free cash flow per share (THB)	<b>(0.046)</b>	0.135	0.046
Enterprise value per share (THB)	<b>8.51</b>	8.54	8.88
Book value per share (THB)	<b>5.35</b>	4.60	5.21

Note:

\* Includes profit from discontinued operation

<sup>A</sup> Excludes non-operating items and interest income

<sup>B</sup> Calculated based on recurring profit (before MI) / total recurring revenue

<sup>C</sup> Calculated based on accounting net profit (before MI) / total accounting revenue

<sup>D</sup> Calculated based on accounting net profit (before MI) / average total assets

<sup>E</sup> Calculated based on accounting net profit (before MI) / average total shareholders' equity

<sup>F</sup> Calculated based on operating EBITDA / finance cost

<sup>G</sup> Calculated based on weighted average number of shares at par value of THB 4.0

## MANAGEMENT OUTLOOK

Amidst the ongoing political demonstrations in Thailand, Mass Transit business still elicits resilient growth. In January, ridership continued to grow, partly as commuters experienced inconvenience on road-based transit and subsequently resorted to the BTS SkyTrain and other rail mass transit as an alternative mode of transport. As a result, we would expect this to lead to strong 4Q 13/14 ridership numbers. Improved O&M revenue is also expected in 4Q 13/14 as on 5 December 2013, the Green Line Silom extension (Wongwian Yai – Bang Wa; 4 stations, 5.3km) commenced full operation. The five new 4-car trains which were delivered in November 2013 will all be in service within this month.

In respect to longer term growth, we can expect the award of contracts in relation to new extension lines to be delayed as a consequence of the dissolution of parliament. Nevertheless, the civil works construction for the Green Line southern extension from Bearing – Samut Prakarn (9 stations, 12.8km) has not been interrupted and now progressed past 20% (as of 31 December 2013), and the bidding for the operation contract is expected to be at latest within 2015. Similarly for the Green Line northern extension running from Mo Chit – Saphan Mai – Kukod (16 stations, 18.4km), the Cabinet approved the construction of this line on 15 October 2013 and the bidding for civil works is scheduled to take place on 11 April 2014, with the start of construction expected within November 2014. The tender for this line's operation contract is expected to be in late 2015. Furthermore, according to Traffic and Transportation Department, the BMA is currently undertaking EIA and feasibility studies for the Grey Line (Watcharaphon – Rama IX Bridge; 26.0km) and the new Light Green Line extension (Bang Wa – Taling Chan; 7.0km). The Grey Line – phase 1 is expected to operate in 2018 and the new Light Green Line is expected to operate in 2019. Overseas, the Company and its consortium partner, CITIC Construction Co., Ltd., submitted a tender proposal on 7 February 2014 for the concession to operate the Beijing Subway Line 16 (29 stations, 50.0km) for a 30-year operation period. The bid result is expected to be announced within approximately 3 months and the line is expected to commence operation in 2018. These new lines will open up new opportunities for the Company to develop future mass transit lines.

On the Media side, despite the lower-than-expected growth, the Company remains positive and views the current deceleration in domestic consumption and political impact as a temporary disruption. The outlook for FY 14/15 looks brighter as the full year effects of revenue from capacity increases and new products are realised. On BTS-related Media, VGI Global Media will benefit from a further 16% increase in train capacity from the full year effect of the 35 C-car trains and the five 4-car trains that were delivered earlier this year. In addition, the commencement of sales of new digital media such as Platform Truss LEDs, Platform Screen Doors and E-posters will generate full-year revenue in FY 14/15. Within Modern Trade Media, VGI Global Media recently extended the contract terms of its advertising display concession with Big C Supercenter Public Company Limited for a period of 5 years. The contract covers the nationwide network of Big C Supercenter branches and will expire on 31 December 2018. On 6 February 2014, as part of its strategy to increase market share and expand its Thai media network, VGI also entered into a joint venture agreement to expand its out-of-home media network into the 'road-side media' segment. The transaction is still subject to fulfillment of conditions precedent. On completion, VGI and its joint venture partner will seek to add more contracts into this fast-growing segment of the market.

Within the Services business, on 23 January 2014, the Company submitted the Expression of Interest (EOI) for the establishment of the Central Clearing House (CCH) for the National Common Ticketing System and the contract is expected to be awarded within mid-2014.

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Rangsin Kritalug

(Executive Director and Chief Operating Officer)