

## 2Q 2017/18 FINANCIAL HIGHLIGHTS

- **Operating Revenue increased by 47.6% YoY to THB 2,542.8mn as a result of higher operating revenue from Mass Transit, Media and Property businesses**
- **Mass Transit Operation & Maintenance (excluding interest income from train procurement) revenue increased 14.8% YoY to THB 471.5mn** from the contractually agreed increase in the operating fee of the existing green line extensions and one additional station (Samrong: E15) on the Southern Green Line extension
- **Revenues from installation and construction services and train procurement service rose from THB 87.5mn to THB 580.9mn** chiefly from the provision of Electrical & Mechanical (E&M) works and train procurement service for the Southern and Northern Green Line extensions
- **New quarterly core network ridership record of 62.2mn trips, representing a 0.8% growth YoY**
- **Media business revenue of THB 969.9mn in 2Q 2017/18, a 22.8% or THB 180.4mn increase YoY** driven by a solid performance of our OOH Media business
- **Shares from investment in BTS-SIRI Joint Venture have turned to profit in this quarter** mainly due to transfers of 39% of total units in The Line Jatujak – Mochit condominium project
- **Operating EBITDA grew 40.4% YoY or THB 251.7mn to THB 874.7mn in 2Q 2017/18 largely as a result of the improvements in operating performance of Mass Transit and Media businesses**
- **Pre-tax recurring profit (before MI) of THB 640.3mn, an increase of THB 61.8mn or 10.7% from prior year** largely from the aforementioned improvement in operating performance as well as an increase in interest and investment income, being partially offset by higher finance cost
- **Reported net profit (before MI) rose by 18.8% YoY to THB 741.5mn**, predominantly from higher recurring profit and an extraordinary gain, mainly from the restructuring of Chef Man Business, but partially offset with an increase in share of net loss from associates/JVs

## SIGNIFICANT EVENTS

**25 July 2017:** The Annual General Meeting of Shareholders 2017 approved the general mandate for the increase of BTS Group Holdings Public Company Limited's (the Company's) registered capital not exceeding THB 2,384mn (or approximately 5% of the Company's paid-up capital) to specific investors (private placement). In addition, the Company paid a final dividend of approximately THB 2,073mn or THB 0.175 per share on 18 August 2017, bringing the total annual dividend paid to THB 4,026mn (or THB 0.34 per share). Based on the closing share price on 26 May 2017 at THB 8.30 (one day before BOD date), this is equivalent to a dividend yield of 4.0%.

**1 October 2017:** According to the announcement of the fare adjustment on the Core Network made on 1 September 2017, fares of Single Journey Tickets (SJT), Rabbit monthly pass and Rabbit senior tickets in the Core Network have been increased, effective from 1 October 2017 onwards.

**6 October 2017:** The Company has completed the disposal of Chef Man Group Subsidiaries; (i) Man Kitchen Co., Ltd. (MK), (ii) Primary Kitchen Co., Ltd. (PK), (iii) KMJ 2016 Co., Ltd. (KMJ), (iv) Little Corner co., Ltd. (LC – held by MK) on 8 June 2017 and (v) Man Food Products Co., Ltd. (MFP) on 6 October 2017, to Man Food Holdings Co., Ltd. (MFH). A reference was made on 8 June 2017 that the Company has entered into a joint venture agreement with Bangkok Ranch Public Company Limited (BR), a listed and leading purveyor of duck meat, and Mr. Wai Yin Man (Chef Man) to jointly invest and hold 41%, 41% and 18% in MFH, respectively. With the addition of BR's extensive food processing expertise, this will enable MFH to scale-up and integrate its business domestically and internationally.

**10 October 2017:** BSR JV (comprises of the Company, Sino-Thai Engineering & Construction PCL (STEC) and Ratchaburi Electricity Generating Holding PCL (RATCH)) signed the syndicated loan agreement between Bangkok Bank, Siam Commercial Bank and Krungthai Bank at a total value of up to THB 63.4bn for the financing of both Pink and Yellow lines (total length of 64.9km). The loan term is 17 years and 3 months spread across 15 payments starting from the first operation date.

**30 October 2017:** BTS Group's Board of Directors approved the property restructuring of the Company through a number of simultaneous transactions which includes (i) the entire business transfer of Unicorn Enterprise Company Limited (UE), a wholly-owned subsidiary of the Company, to U City Public Company Limited (U City), our associated company and (ii) the subscription of the newly issued preferred shares of U City. Contingent on U City's shareholder approval, U City will become the dedicated property development vehicle for BTS Group.

### 2Q 2017/18 PERFORMANCE

The Group recorded consolidated total revenue of THB 2,983.9mn in 2Q 2017/18. This represented an increase of 54.8% YoY or THB 1,055.9mn from THB 1,928.0mn in 2Q 2016/17. The revenue growth was largely from (i) an increase in revenues from installation and construction services and train procurement service under concession agreement of THB 493.4mn - mostly from the provision of E&M works and the train procurement service for the Southern (Bearing to Samut Prakan) and Northern (Mo Chit – Khu Kot) Green Line extensions, (ii) a recognition of a gain on sales and change in status of investment of THB 251.1mn from the restructuring of Chef Man Business. Chef Man's subsidiaries (MK, PK, KMJ and LC), changed their status from subsidiaries to jointly controlled entities, held by the Company, BR and Chef Man under MFH. As a result, on 4 August 2017 these four aforesaid companies were deconsolidated from the Company's consolidated financial statements, (iii) growth in service income of THB 221.9mn from higher Mass Transit, Media, and Property business, (iv) an increase in interest income of THB 156.2mn mainly from (a) financial institutions resultantly from as yet undeployed cash proceeds of the BTSC debenture (issued on 10 November 2016), (b) loans to related parties and (c) receivables under concession agreements mainly from the provision of E&M works and the train procurement service for the Southern and Northern Green Line extensions and (v) an increase in other revenues of THB 109.5mn. However, the increase was partially offset with (vi) no recognition of an extraordinary gain on a reversal of creditors per debt rehabilitation plan of THB 174.4mn which was recorded in 2Q 2016/17.

Total operating revenue<sup>1</sup> in 2Q 2017/18 grew by 47.6% YoY or THB 820.4mn to THB 2,542.8mn largely as a result of higher operating revenue from Mass Transit, Media and Property businesses which increased by 105.3%, 22.8% and 12.1% respectively. The growth was chiefly from a recognition of services revenue of the provision of E&M works and train procurement service for Southern and Northern Green Line extensions as well as higher consolidated revenue from acquisitions in the Media business and the healthy performance of all of its business units in particular. Nevertheless, the increase in operating revenue was partially offset with a 36.0% YoY or THB 53.3mn decrease in Services operating revenue primarily from the deconsolidation of Chef Man Group's contribution on 4 August 2017 (and recorded under "share of net profit/ (loss) from investment in MFH (JV)" from 4 August 2017 onwards). Please see more details in *NTF5* 8.1.1.

Revenues from the Mass Transit, Media, Property and Services businesses accounted for 51.9%, 38.1%, 6.3% and 3.7% of total operating revenue, respectively.

### Operating Revenue and Operating Gross Profit Margin by BU

Operating Revenue <sup>1</sup> (THB mn)	2Q 2017/18	% of Total <sup>1</sup>	2Q 2016/17	% of Total <sup>1</sup>	% Change (YoY)	2Q 2017/18 GP Margin <sup>6</sup>	2Q 2016/17 GP Margin <sup>6</sup>
<b>Mass Transit<sup>2</sup></b>	1,318.5	51.9%	642.3	37.3%	105.3%	43.8%	64.6%
<b>Media<sup>3</sup></b>	969.9	38.1%	789.5	45.8%	22.8%	68.1%	65.7%
<b>Property<sup>4</sup></b>	159.4	6.3%	142.3	8.3%	12.1%	32.2%	37.8%
<b>Services<sup>5</sup></b>	95.0	3.7%	148.3	8.6%	(36.0)%	6.3%	28.8%
<b>TOTAL<sup>1</sup></b>	<b>2,542.8</b>	<b>100.0%</b>	<b>1,722.3</b>	<b>100.0%</b>	<b>47.6%</b>	<b>50.9%</b>	<b>59.8%</b>

<sup>1</sup> Operating revenue from the operational performance of 4 BUS EXCLUDES interest income, dividend income and non-recurring items

<sup>2</sup> Mass Transit revenue includes:

- i) Share of net profit (loss) from BTSGIF (included in 'Share of profit (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 provision of operating services') and Interest Income from Train Procurement as well as Interest Income under purchase and installation of operating system agreement
- iii) Services Income from the provision of E&M works and the train procurement service

<sup>3</sup> Media revenue includes performances of VGI Group and Rabbit Group. Rabbit group (classified to be under Digital Services Business) comprises of BSS & BSSH and subsidiaries but excludes two companies which are Bangkok Payment Solutions Co., Ltd. (BPS) – under former subsidiary; BSSH and Rabbit Rewards Co., Ltd. (RR).

<sup>4</sup> Property includes Sales from Real Estate, Rental and Service Income, Revenue from group of Hotels and Service income related to Thana City Golf & Sports Club Co., Ltd.

<sup>5</sup> Services revenue includes revenue from Rabbit Rewards, BPS, HHT construction and ChefMan Restaurants (up to 3 August 2017). Since 4 August 2017, four ChefMan Group's subsidiaries performances (MK, PK, KMJ and LC) were no longer be consolidated but treated as "share of net profit/ (loss) from investment in Joint venture" instead.

<sup>6</sup> Operating gross profit calculated based on the operational performance of 4 BUS

<sup>7</sup> Operating EBITDA calculated based on the operational performance of 4 BUS EXCLUDES interest income, dividend income, share of net profit (loss) from other associates (except from BTSGIF) and joint ventures and other non-recurring items

<sup>8</sup> Recurring profit calculated based on the operational performance of 4 BUS and other associates and joint ventures as well as other recurring items which are interest income and other recurring items (before MI)

<sup>9</sup> Net profit margin calculated from net profit attributable to the equity holders of the Company / total revenue per financial statement + share of profit/ (loss) from investments in JVs and associates + gross revenue under profit / (loss) from discontinued operation for the year (if any)

Total consolidated expenses amounted to THB 1,843.4mn in 2Q 2017/18, an increase of THB 661.9mn or 56.0% YoY mainly from (i) an increase in cost of installation and construction services and train procurement service under concession agreement of THB 468.8mn, which are largely costs related to the provision of E&M works and the train procurement service for the aforesaid Southern and Northern Green Line extensions, (ii) an increase in cost of services of THB 101.2mn largely due to higher operating costs chiefly related to Media and Property businesses and (iii) a net increase in selling and administrative expenses of THB 84.6mn mainly from the consolidation of newly acquired Media businesses both in Outdoor and Digital Services.

Operating costs increased by 80.2% YoY to THB 1,247.3mn primarily from recognising costs for the provision of E&M works and train procurement service for the Southern and Northern Green Line extensions as well as costs related to Media and Property businesses.

As operating revenue increased more than operating costs, operating gross profit<sup>6</sup> grew 25.7% YoY to THB 1,295.5mn. Nonetheless, operating gross profit margin decreased to 50.9% from 59.8% in prior year, mainly due to higher revenue contributions of services income for the provision of E&M works and train procurement, which have lower margins. Group operating EBITDA<sup>7</sup> increased by THB 251.7mn or 40.4% YoY to THB 874.7mn. Operating EBITDA margin, however, decreased to 34.4% in 2Q 2017/18 from 36.2% in 2Q 2016/17 mainly from the aforesaid lower operating gross profit margin.

Other recurring revenue increased by THB 109.3mn or 65.6% YoY to THB 275.8mn. The growth was mainly from the abovementioned increase in interest and investment income of THB 162.4mn being partially offset with an increase in share of net loss from associates/JVs (not including share of profit in BTSGIF) of THB 72.4mn. Finance costs increased by 255.5% YoY or THB 228.9mn to THB 318.5mn primarily from the interest expense of BTSC debenture (THB 183.5mn) together with the increase in interest expense of bills of exchange. Taking this into account, pre-tax recurring profit<sup>8</sup> for this quarter was THB 640.3mn, an increase of THB 61.8mn or 10.7% from the same period last year largely from the improvement in operating performances as well as an increase in interest and investment income, being partially offset by higher finance cost.

Reported income tax expense was THB 168.8mn, versus THB 130.3mn in 2Q 2016/17. The 29.5% YoY increase was primarily from higher pre-tax profit compared to last year. Taking into account all the aforesaid transactions, the Group's consolidated net profit stood at THB 741.5mn (increasing 18.8% YoY) and profit attributable to the equity holders of the Company was THB 652.9mn (increasing 19.1% YoY) predominantly from higher recurring profit together with extraordinary gain from the restructuring of Chef Man business, being partially offset by an increase in share of net loss from associates/JVs. The net profit margin attributable to the equity holders of the Company<sup>9</sup> in 2Q 2017/18 was 21.0% (versus 25.4% in 2Q 2016/17).

## SEGMENTAL PERFORMANCE

### MASS TRANSIT BUSINESS

Total Mass Transit revenue was THB 1,318.5mn, a significant increase of 105.3% YoY, primarily due to (i) the recognition of services revenue and interest income for the provision of E&M works and the train procurement service for the Southern and Northern Green Line extensions, (ii) an increase in share of net profit from investment in BTSGIF as well as (iii) higher O&M revenue.

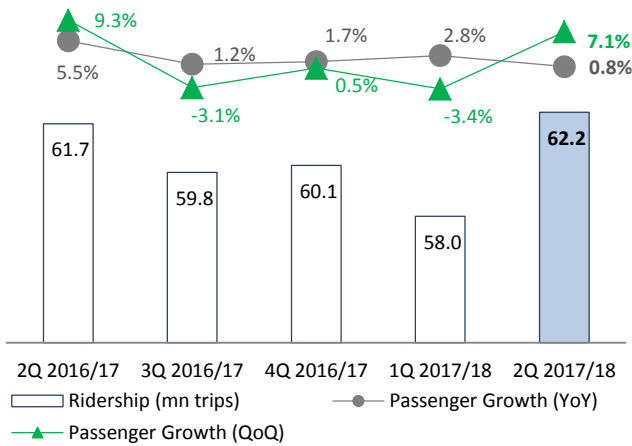
**O&M revenue** (excluding interest income from train procurement) rose by 14.8% or THB 60.6mn YoY to THB 471.5mn. The increase was mainly attributable to the contractually agreed increase in the operating fee of the existing Green Line – Sukhumvit extension and Silom extension together and the additional operating fee of Samrong station (the first station of Southern Green Line extension which was opened in April 2017). The interest income from the provision of E&M works and the procurement of train also rose from the previous year (up 152.2% YoY or THB 49.2mn) to THB 81.5mn mainly as a result of the aforementioned provision of services.

Fare-box revenue of the core network continued to grow at 0.6% YoY or THB 9.6mn to THB 1,726.2mn chiefly driven by an increase in ridership (up 0.8% YoY to 62.2mn trips), but partly offset by a slight decrease in average fare (drop 0.2% YoY to THB 27.8 per trip). Moreover, **share of net profit from investment in BTSGIF** increased by 23.9% YoY or THB 47.6mn to THB 246.6mn. The increase was from the application of a revised calculation method concerning the acquisition of rolling stocks. In the Company's financial statements, the rolling stocks acquisition costs attributable to BTSGIF (previously deducted as an expense in share of net profit from BTSGIF) will no longer be expensed (but will be treated as CAPEX that is depreciated over time when calculating share of net profit from BTSGIF under the equity method) since 3Q 2016/17.

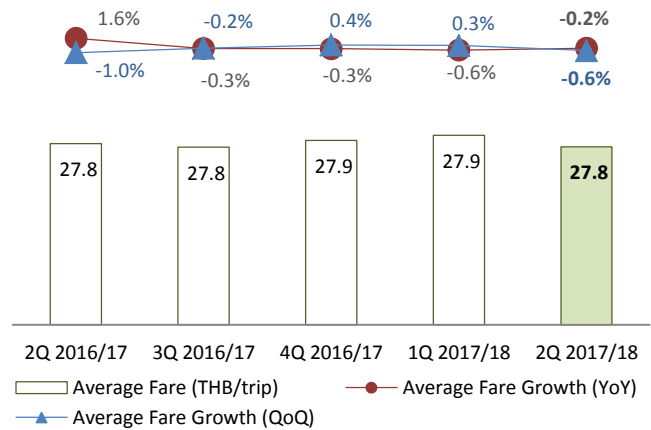
More commentary on Core Network performance can be found in *2Q 2017/18 BTSGIF management discussion and analysis*.

Additionally, in 2Q 2017/18, the Company recognised **services revenue from the provision of E&M works and the train procurement service** of THB 0.5bn for the aforesaid Southern and Northern Green Line extensions according to progress of work completion.

5-quarter Historical Ridership and % Growth



5-quarter Historical Average Fare and % Growth



Cost of Mass Transit revenue increased in line with the increase in revenue. This increased by THB 513.2mn or 225.8% YoY to THB 740.4mn largely from the recognition of cost of services related to the provision of E&M works and train procurement service for the aforesaid Southern and Northern Green Line extensions. The operating EBITDA margin declined to 44.5% from 65.8% in previous year as a result of the higher contribution of the abovementioned services which have a lower margin. Excluding the provision of E&M works and train procurement service, the operating EBITDA margin of the Mass Transit business stood at 66.1% (versus 65.8% in 2Q 2016/17).

**MEDIA BUSINESS**

VGI, our media company, was able to achieve a further significant increase in revenue, as a result of our strategic realignment. VGI is now successfully established in the market as an integrated, increasingly sophisticated media company that is the leading OOH nationwide media in Thailand. While overall advertising expenditures fell by 11.4% YoY to 26,351mn in 2Q 2017/18, VGI continues to outperform the overall market posting significant revenue growth of 22.8% YoY to THB 969.9mn, driven by the healthy performance of OOH Media business segment.

**OOH Media** includes Transit, Outdoor and Office Building and Other Media. OOH media contributed 92% of total Media revenue or THB 890.5mn. Revenue from OOH media increased by THB 187.5mn, or 26.7% YoY largely as a result of higher prices, synergies from the Digital Services segment as well as positive order intake in the Outdoor media product group.

**Transit Media** revenue rose by 21.6% to THB 575.8mn attributable to strong organic growth, price increases, especially in our static media network as well as higher demand for new campaign media. The integration of the digital services business is continuing to progress according to plan and we are increasingly able to leverage synergies.

**Outdoor Media** revenue was THB 231.7mn, increasing 51.6% YoY from THB 152.9mn in 2Q 2016/17 mainly due to the rolling out of new digital media, which consists of 21 LED billboards across 19 provinces. In the same period, this business segment also benefitted from the consolidation of Multi Sign Co. Ltd., (Multi Sign) and COMASS Co. Ltd., (COMASS) which were acquired by MACO - our outdoor media company - in October 2016 and July 2017, respectively.

Meanwhile, **Office Building and Other Media** segment recorded revenue at THB 83.0mn, increasing 8.3% YoY. Revenue growth in 2Q 2017/18 was mainly driven by the expansion of the office building media network and price increase. VGI successfully added 8 new contracts to the office building portfolio during 1H 2017/18. With a total of 170 buildings under management (1,309 digital screens), VGI is currently the largest office building media provider in Thailand capturing most of the market share in Grade A & B office buildings.

**Digital Services Business** contributed 8% of total Media revenue or THB 79.4mn. Revenue decreased by THB 7.1mn or 8.2% YoY.

Cost of Sales increased 14.4% YoY from THB 270.7mn to THB 309.8mn, primarily due to the consolidation of the abovementioned newly acquired businesses. As revenue grew at a faster rate than cost, operating EBITDA margin for Media in this quarter improved to 53.5% from 45.7% in the previous year.

More commentary on Media business can be found in 2Q 2017/18 VGI Global Media’s management discussion and analysis: <http://vgi.listedcompany.com/misc/MDNA/20171030-vgi-mdna-2q20172018-en.pdf>

### PROPERTY BUSINESS

Property operating revenue in this quarter was THB 159.4mn, increasing 12.1% YoY from THB 142.3mn in the prior year due to the overall improvement in the operating performance of our property business.

**Residential Property** revenue increased by THB 8.7mn or 130.9% YoY to THB 15.3mn in 2Q 2017/18 from higher housing unit sales.

In September 2017, we have transferred 325 units or 39% of backlog has been recognised in our second transferred condominium project under BTS-SIRI Joint Venture: The Line Jatujak – Mochit (totaling 841 units and valued at THB 5.8bn) and we target to complete the transfer all units of this project by FY 2018/19.

The Company recognised a share of profit from BTS-SIRI JV of THB 189.6mn (compared to THB -28.3mn in previous year) largely as a result of transferred revenue recognition of the aforesaid condominium and a recognition of a gain on sales of land upon transfer of units, which were previously deferred when the Company divested 50% to the BTS-SIRI JV.

**Commercial Property** revenue rose by 6.3% YoY or THB 8.5mn to THB 144.1mn. The increase was chiefly from improving overall hotel performance in this quarter. The Company, however, recognised a share of loss from U City, our associate, of THB 335.9mn (compared to THB 26.6mn in prior year) mainly from the impairment of Avani Khon Kaen Hotel and Convention Center, which was revalued.

Operating costs increased by THB 19.6mn or 22.1% YoY to THB 108.0mn, which is in line with the increase in operating revenue. Property SG&A expenses declined by 0.6% YoY or THB 0.5mn to THB 80.6mn.

### SERVICES BUSINESS

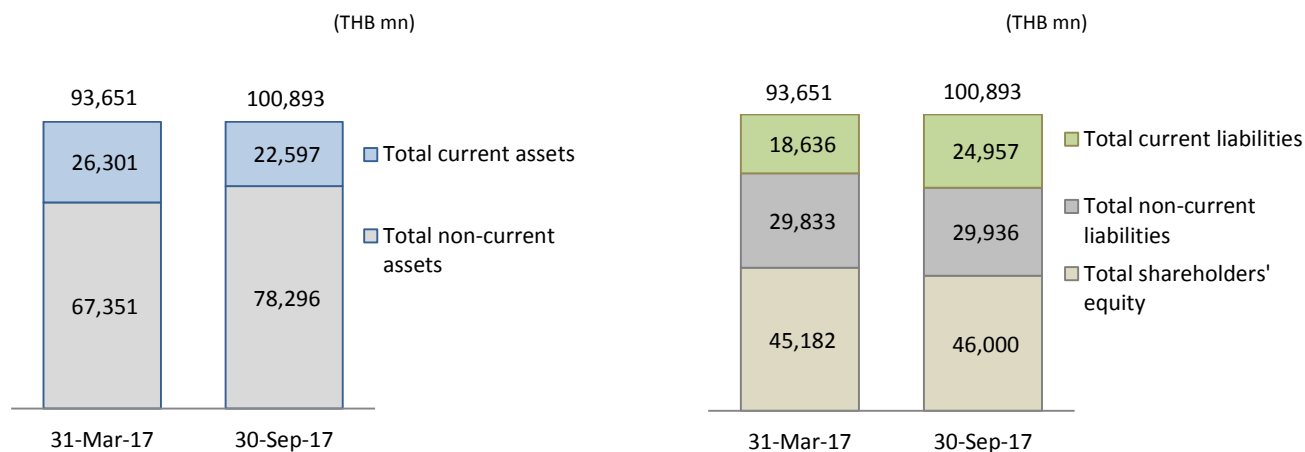
Services business revenue decreased by THB 53.3mn or 36.0% YoY to THB 95.0mn. The decline in revenue was largely due to the restructuring of Chef Man business. Following this transaction, since 4 August 2017, four ChefMan Group's subsidiaries performances (MK, PK, KMJ and LC) were no longer be consolidated but treated as "share of net profit/ (loss) from investment in Joint venture" instead. The decline, however, was partially offset with an increase in the revenue generated from HHT construction Co., Ltd. (HHT).

Operating costs decreased by 15.7% YoY or THB 16.6mn to THB 89.0mn while SG&A expenses amounted to THB 41.5mn, a decrease of THB 23.0mn or 35.6% YoY. This was in-line with the decrease in revenue largely from the aforesaid deconsolidation of Chef Man financial statements.

### Share of Income / (Loss) from Investments in Joint Ventures & Associates

Amount (THB mn)	2Q 2017/18	2Q 2016/17
<b>Share of income/ (loss) from investments in joint ventures</b>		
ATS (AEON-rabbit)	5.9	3.4
Bayswater	(10.5)	(32.0)
BTS-SIRI JV Projects	189.6	(28.3)
Man Food Holdings	(0.4)	-
Keystone Estate and Keystone Management	0.6	-
Rabbit LINE Pay	(20.3)	(9.3)
<b>Total</b>	<b>164.8</b>	<b>(66.3)</b>
<b>Share of income/ (loss) from investments in associates</b>		
Absolute Hotel Services (AHS)	1.8	1.5
Aero Media	2.0	0.1
BTSGIF	246.6	199.0
Demo Power	3.4	-
MACO's associates	1.7	1.5
U City	(335.9)	(26.6)
<b>Total</b>	<b>(80.5)</b>	<b>175.5</b>

### FINANCIAL POSITION



**Total assets** as of 30 September 2017 stood at THB 100,893.1mn, an increase of THB 7,241.9mn or 7.7% from 31 March 2017. Total current assets stood at THB 22,597.1mn, decreasing by 14.1% or THB 3,703.5mn. The decrease was primarily attributed to (i) a decrease in cash & cash equivalents of THB 6,069.3mn (see cash movement in *Cash Flow* section) and (ii) a decline in advances to contractors of THB 227.5mn largely from the recognition of costs related to E&M works of the aforesaid Southern and Northern Green Line extensions projects. The reduction was partially offset with (iii) an increase in investment in derivative instruments of THB 1,468.9mn and an increase in current investments of THB 980.0mn which are under treasury management and (iv) an increase in asset classified as held for sale of THB 108.6mn. Following the restructuring of Chef Man Business, the Company presented assets, liabilities and equities related to the abovementioned MFP (subsequently sold to MFH on 6 October 2017), separately as 'held for sale' (please see *NTFS 28* for more details).

Total non-current assets were THB 78,296.0mn, an increase of 16.3% or THB 10,945.4mn primarily due to (i) an increase in deposit and advances for asset acquisitions of THB 6,387.6mn largely from an advance payment for civil works and E&M works of the Pink and Yellow lines of THB 6,177mn, (ii) an increase in other long term investments of THB 2,227.8mn, (iii) the increase in receivables under purchase and installation of operating system agreement of THB 1,412.8mn as well as (iv) net current portion of receivable under concession agreements of THB 561.1mn largely from the provision of E&M works and the train procurement service for the Southern and Northern Green Line extensions, (v) an increase in investment property of THB 433.3mn, (vi) an increase in estimated amount by which costs of the acquisition of investment in a subsidiary exceed identifiable net assets of the acquiree of THB 281.6mn after the acquisition of CO-MASS by MACO on 30 June 2017 and (vii) an increase in net current portion of loans to related parties of THB 228.3mn to THB 9,453.9mn mainly from loans to BTS-SIRI Joint Venture projects. The increase was partially offset with (viii) a reduction in investments in associates of THB 658.2mn mainly from (a) BTSGIF (share of profit in BTSGIF was more than offset with dividend income) and U City (mainly from share of loss in U City) and (ix) a decline in rights of claim from acquisition of debts per rehabilitation plan of THB 255.5mn to nil as the creditor already received the transfers of ownership and redemption from mortgage of last secured asset.

**Total liabilities** increased from 31 March 2017 by 13.3% or THB 6,423.5mn to stand at THB 54,892.7mn largely due to (i) an increase in bills of exchange payable of THB 5,331.1mn, (ii) an increase in net loan from financial institutions of THB 851.9mn and (iii) an increase in other non current liability of THB 135.4mn. **Total equity** increased from 31 March 2017 by THB 818.3mn or 1.8% YoY to THB 46,000.4mn mainly attributable to (i) an increase in non-controlling interest of the subsidiaries of THB 1,726.8mn, chiefly from STEC and RATCH's stake (totaling 25%) in the issuing of ordinary shares in Northern Bangkok Monorail Co., Ltd. and Eastern Bangkok Monorail Co., Ltd. of THB 1.75bn according to total registered capital requirement of THB 3.5bn for each project under the consolidation the Pink Line and the Yellow Line projects, (ii) an increase in other components of shareholders' equity of THB 515.7mn, being partially offset with (iii) an increase in unappropriated deficits of THB 1,009.5mn mainly from final dividend payment for FY 2016/17 of THB 2,073mn in August 2017, being partially offset with 1H 2017/18 net profit of THB 1,057.5mn and (iv) a decrease in surplus from the changes in the ownership interests in subsidiaries of THB 458.3mn which largely stemmed from the the Company increased its shareholding in VGI from 71.6% to 72.4% as well as additional 4.7% acquisition of MACO (resulting in a total holdings in MACO from 33.7% to 35.4%). As of 30 September 2017, total issued and fully paid-up shares of BTS Group stood at 11,940.4mn shares. Return on equity for 2Q 2017/18 was 4.7%, which increased from 4.2% in 2Q 2016/17.

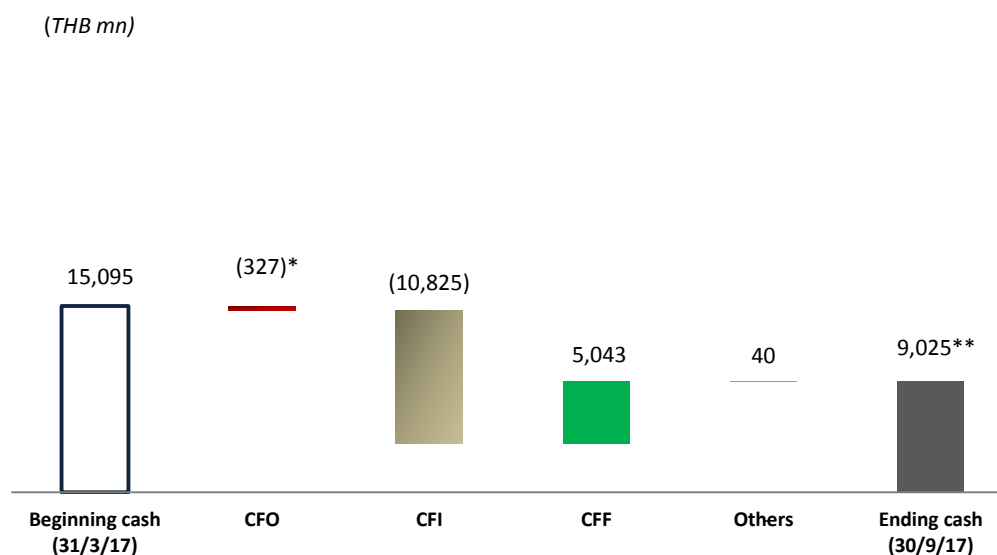
### CASH FLOW

For the six months ended 30 September 2017, **cash and cash equivalents** stood at THB 9,025.2mn, a decrease of 40.2% or THB 6,069.3mn. Cash from operating activities was THB 477.6mn (vs cash used in operating activities of THB 1,750.3mn in 1H 2016/17). This derives from profit before tax of THB 1,519.4mn, partially offset with (i) non-cash reconciling items of THB 177.0mn and (ii) changes in net working capital of THB 864.8mn (this includes investment in E&M works and trains procurement for the Southern and Northern Green Line extensions of THB 1.2bn). After deducting net cash paid for corporate income tax of THB 451.1mn (1H 2016/17: THB 368.6mn) and net cash paid for interest expenses of THB 353.6mn (1H 2016/17: THB 5.8mn), **net cash used in operating activities** was THB 327.0mn.

**Net cash used in investing activities** was THB 10,825.2mn. The key components were (i) advance paid for purchase of assets of THB 6,289.4mn largely from an advance payment for civil works and E&M works of the Pink and Yellow lines, (ii) net cash paid for acquisitions of current and other long-term investments of THB 3,255.3mn, (iii) net cash paid for acquisitions of investments in derivative instruments of THB 1,458.8mn, (iv) net cash paid for purchases of equipment of THB 440.5mn mainly for Media Business, (v) cash paid for purchases of investments in subsidiaries of THB 314.8mn following the acquisition of CO-MASS by MACO, (vi) dividend income of THB 920.8mn and (vii) interest income of THB 379.9mn.

**Net cash from financing activities** was THB 5,042.7mn. The key components were (i) a net increase in bills of exchange payables of THB 5,187.7mn, (ii) cash received from non-controlling interests for issuances of ordinary shares of subsidiaries of THB 1,750.0mn following the consolidation of Northern Bangkok Monorail Co., Ltd. and Eastern Bangkok Monorail Co., Ltd., (iii) a net increase in loans from financial institutions of THB 851.9mn, (iv) dividend paid of THB 2,066.3mn and (v) net cash paid for purchases of investments in subsidiaries of THB 448.7mn mainly from the additional acquisition of VGI and MACO.

### Six-Months Cash Flow Snapshot



\* After corporate income tax of THB 451.1mn, interest expenses of THB 353.6mn and investment in E&M works and trains procurement for the Southern and Northern Green Line extensions of THB 1.2bn

\*\* Excluding liquid investments of THB 21.5bn

## KEY FINANCIAL RATIOS

	2Q 2017/18	2Q 2016/17	1Q 2017/18
<b>Profitability ratios</b>			
Gross operating profit margin (%)	50.9%	59.8%	41.1%
Selling and administrative expenses to operating sales ratio (%)	24.1%	30.7%	17.6%
Operating EBITDA margin (%) <sup>A</sup>	34.4%	36.2%	29.5%
Accounting EBITDA margin (%)	45.6%	45.6%	32.5%
Recurring pre-tax profit margin (%) <sup>B</sup>	22.7%	30.6%	18.5%
Net recurring profit margin (%) <sup>B</sup>	16.7%	23.6%	13.3%
Accounting net profit margin (%) <sup>C</sup>	23.8%	28.9%	13.1%
ROA (%) <sup>D</sup>	2.5%	3.1%	2.4%
ROE (%) <sup>E</sup>	4.7%	4.2%	4.3%
<b>Liquidity ratio</b>			
Current ratio (times)	0.91x	0.58x	1.39x
<b>Leverage ratios</b>			
Total liabilities to total asset (times)	0.54x	0.34x	0.53x
Total liabilities to total equity (times)	1.19x	0.51x	1.14x
Interest bearing debt to equity (times)	0.97x	0.31x	0.92x
Adjusted net debt <sup>F</sup> to equity (times)	0.30x	0.01x	0.10x
Adjusted net debt <sup>F</sup> to operating EBITDA (times)	4.05x	0.16x	1.43x
Interest coverage (times) <sup>G</sup>	2.75x	6.95x	3.12x
<b>Per share ratios<sup>H</sup></b>			
Basic earnings per share (THB)	0.06	0.05	0.03
Operating cash flow per share (THB)	(0.06)	(0.21)	0.03
Free cash flow per share (THB)	(0.07)	(0.23)	0.01
Enterprise value per share (THB)	12.02	9.91	10.83
Book value per share (THB)	3.88	3.88	3.99

**Note:**

<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 including shares of income / (loss) from investments in associates and JVs and gross revenue under profit from discontinued operation for the year

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

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

<sup>F</sup> Calculated based on interest bearing debt - cash and cash equivalent and liquid investment

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

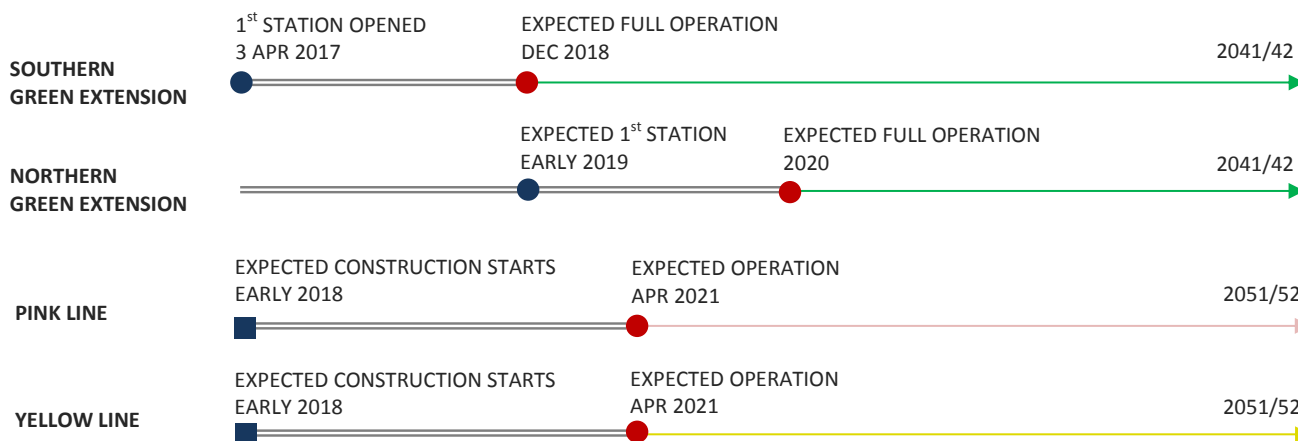
<sup>H</sup> Calculated based on weighted average number of shares at par value of THB 4.0



**MANAGEMENT OUTLOOK**

In our **Mass Transit** business, we revise our ridership growth target to 2-4% (from 3-5% previously), to take into account the impact of the BMA’s flat fare hike at the extension line from THB 10 to THB 15 per trip as well as from the price increase on the Core Network for Single Journey Tickets (SJT), Rabbit Monthly and Senior passes. As a result of the ticket prices increase for these tickets types on the Core Network from 1 October 2017 onwards, we revise upwards our targeted average fare increase to 2% (from 1% previously). All-in-all, we maintain our farebox revenue growth target at 4-6%.

Progress on Northern and Southern Green Line extensions as well as Pink and Yellow lines remain on track. The timelines below illustrate our expected key dates:



In our **Media** business, a 1-month moratorium on digital advertising was enacted in October during the month of King Rama IX’s cremation. Hence, the digital media segment is expected to be affected over the same period, shaving off approximately 1-2% of full-year revenue. Taking the aforementioned into account as well as an expected rebound in advertising expenditure after the Royal Cremation period in October and the anticipated spending boost prior to elections slated for 2018, VGI maintains its forecast of total revenue of THB 4,000mn.

In our **Property** business, transfers of The Line Jatujak – Mochit condominium project have begun since September 2017. To date around 40% of backlog has been recognised in the project. We continue to expect THB 200mn in share of profit from Sansiri JV within FY 2017/18. We also reiterate our targeted annual revenue from commercial property of THB 650mn.

Subject to U City’s shareholder approval at the EGM to be held on 4 January 2018 for the entire business transfer (EBT) of UE at a value up to THB 14,500mn (as at closing date), the company expects to book a net gain of approximately THB 2bn upon completion by March 2018. Following EBT completion, the Company divests the majority of its property business to its associate U City save for certain land plots, a landed housing project and apartments for rent. Going forward, U City becomes the dedicated vehicle for property development for BTS Group.

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Rangsin Kritalug

(Executive Director and Chief Operating Officer)