

November 14th, 2018

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on 3Q18 and 9M18 performance

1. Financial performance of Berli Jucker Public Company Limited for 3Q18 and 9M18

Revenues

BJC's consolidated total revenue for 3Q18 reached THB 42,735 million, representing an increase of THB 1,998 million or 4.9% over the same period last year. This increase was mainly driven by the following items; (1) the consolidated sales and service revenue reaching THB 38,823 million, an increase of THB 1,756 million or 4.7% over the same period last year, with all supply chains contributing to the growth, (2) the consolidated other income reaching THB 3,923 million, an increase of THB 262 million or 7.2% over the same period last year, driven by strong rental, and other income growth from increased rental space and higher brochure advertising income, and in-store media concession income from Modern Retail Supply chain.

BJC's consolidated total revenue for 9M18 reached THB 126,781 million, representing an increase of THB 6,106 million or 5.1% over the same period last year. This increase was driven by good performance of all supply chains.

Expenses

BJC's consolidated total expenses for 3Q18 amounted to THB 40,713 million, an increase of THB 2,135 million or 5.5% over the same period last year. This increase was mainly due to; (1) increased cost of goods sold expenses due to increased sales, and increases in certain raw material and utility cost, (2) increased SG&A expenses due to continued Modern Retail Supply Chain store expansion.

BJC's consolidated total expenses for 9M18 amounted to THB 120,407 million, an increase of THB 5,292 million or 4.6% over the same period last year driven by the same abovementioned factors.

Net Profit Attributable to Equity Holders

BJC's consolidated net profit attributable to the equity holders of the Company for 3Q18 reached THB 1,683 million, an increase of THB 297 million or 21.4% over the same period last year, driven by strong performance of Consumer, Healthcare and Technical, and Modern Retail Supply Chains, and lower effective tax rate for the quarter.

BJC's consolidated net profit attributable to the equity holders of the Company for 9M18 reached THB 4,524 million, an increase of THB 1,177 million or 35.2% over the same period last year driven by the same abovementioned factors.

If we compare the recurring net profit attributable to the equity holders of the Company by removing non-recurring one-off item after tax arising from gain on disposal of investment in subsidiary in the amount of THB 191 million in 1Q18 our net profit attributable to the equity holders of the company reached THB 4,333 million, an increase of THB 986 million or 29.4% over the same period last year.

Key Highlights of 3Q18 and 9M18

Unit: Million THB	3Q18	3Q17	%YoY	9M18	9M17	%YoY
Packaging Supply Chain	5,040	4,860	3.7	15,242	14,120	7.9
Consumer Supply Chain	4,342	4,314	0.6	13,117	12,577	4.3
Healthcare and Technical Supply Chain	2,022	1,980	2.1	5,819	5,565	4.6
Modern Retail Supply Chain	27,655	25,805	7.2	81,315	77,086	5.5
Others	(236)	108	(315.7)	(577)	503	(214.6)
Sales & Services	38,823	37,067	4.7	114,916	109,851	4.6
Other income	3,923	3,661	7.2	11,854	10,867	9.1
Gain from foreign exchange	-	9	(100.0)	11	-	100.0
Total revenues	42,746	40,737	4.9	126,781	120,718	5.0
Cost of goods sold	31,414	29,799	5.4	93,176	89,202	4.5
Gross profit	7,409	7,268	1.9	21,740	20,649	5.3
Selling expenses	6,892	6,407	7.6	20,155	18,823	7.1
Administrative expenses	1,204	1,255	(4.1)	3,569	3,694	(3.4)
Loss from foreign exchange	11	-	100.0	-	43	(100.0)
Share of profits (loss) from investments	(39)	6	(685.6)	(120)	23	(623.7)
Earnings before interest and tax	3,186	3,282	(2.9)	9,761	8,979	8.7
Interest expense	1,193	1,116	6.9	3,508	3,353	4.6
Earnings before tax	1,993	2,166	(8.0)	6,253	5,626	11.1
Tax	195	576	(66.1)	1,235	1,702	(27.4)
Net profit	1,798	1,590	13.1	5,018	3,924	27.9
Attributable to:						
Minority interests	115	203	(43.3)	494	576	(14.3)
Equity holders of the Company	1,683	1,387	21.4	4,524	3,348	35.1
One-time items after tax:						
Gain on disposal of investment in subsidiary	-	-	-	191	-	100.0
Equity holder of the Company (Excluded one-time items)	1,683	1,387	21.4	4,333	3,348	29.4
<i>Net profit margin (%)</i>	4.3	3.7	0.6	3.8	3.0	0.8

Ratios

In 3Q18, BJC's gross profit margin reached 19.1%, representing a decrease of -52 basis points from the same period last year. This decrease was due to lower gross profit margins at Packaging Supply Chain and Modern Retail Supply Chain. BJC's SG&A-to-sales ratio reached 20.9%, representing an increase of 18 basis points over the same period last year. This increase was mainly driven by increased SG&A expenses at Packaging Supply Chain due to higher logistics expenses arising from increased export sales. BJC's EBIT margin reached 8.3%, representing a decrease of -53 basis points from the same period last year. This decrease was driven by lower EBIT margin at Packaging Supply Chain and Modern Retail Supply Chain. BJC's net income margin reached 4.3% for the quarter, an increase of +59 basis points from the same period last year driven by the lower effective tax rate for the quarter.

In 9M18, BJC's gross profit margin reached 18.9%, representing an increase of +12 basis points from the same period last year. This increase was due to gross profit margin improvements in Packaging, Consumer, and Healthcare and Technical Supply Chains. BJC's SG&A-to-sales ratio reached 20.6%, representing a slight increase of +15 basis points from the same period last year. This increase was mainly driven by increased SG&A expenses in Packaging Supply Chain due to increased logistics expenses. BJC's recurring EBIT margin reached 8.4%, representing an increase of +28 basis points from the same period last year. BJC's recurring net income margin reached 3.8%, an increase of +72 basis points from the same period last year, primarily driven by net profit improvements from Consumer, Healthcare and Technical, and Modern Retail Supply Chains.

Key Financial Ratios	3Q18	3Q17	Change	9M18	9M17	Change
Gross profit as % to sales*	19.1%	19.6%	-52 bps	18.9%	18.8%	+12 bps
SG&A as % to sales*	20.9%	20.7%	+18 bps	20.6%	20.5%	+15 bps
Recurring EBIT margin	8.3%	8.8%	-53 bps	8.4%	8.2%	+28 bps
Recurring Net profit margin (attributable to equity holders of the Company)	4.3%	3.7%	+59 bps	3.8%	3.0%	+72 bps
Net debt to equity (times)	1.4	1.4	-5 bps	1.4	1.4	-5 bps

* Sales excluding other income

2. Financial performance summary by supply chain

Packaging Supply Chain

Unit: Million THB	3Q18	3Q17	Change	9M18	9M17	Change
Sales	5,040	4,860	+3.7%	15,242	14,120	+7.9%
Net profit	441	571	-22.8%	1,416	1,515	-6.6%
% Net profit margin	8.7%	11.7%	-300 bps	9.3%	10.7%	-144 bps

Performance in 3Q18

In 3Q18, Packaging Supply Chain reported sales of THB 5,040 million, an increase of THB 180 million or 3.7% over the same period last year. This was driven by strong sales in glass packaging business particularly from spirit, soda water, and export segments. Whilst aluminum can packaging sales declined slightly due to high base in energy drink business and lower sales in export and alcoholic beverage segments.

Packaging Supply Chain's gross profit margin decreased to 20.8% in 3Q18 from 22.4% in 3Q17 due to lower aluminum can volume and cost pressures from increasing prices of natural gas, soda ash, and sand. This together with increased SG&A costs due to increased logistics expenses caused Packaging Supply Chain's EBIT margin to decrease to 14.3% in 3Q18 from 16.8% in 3Q17.

Net profit attributable to the equity holders of the Company reached THB 441 million, a decrease of THB 130 million or -22.8% over the same period last year. Whilst our glass packaging operations in Thailand and Vietnam continued to perform according to expectations, our Malaysian operations were still impacted by the continued weak market sentiment, and incidents during second quarter of the year causing damage to production line equipment at two furnaces during the quarter. However, we were able to reopen two lines on 18th of September 2018, and the last impacted line is scheduled to be reopened in November 2018. These incidents are covered under the Company's insurance contracts and we are currently in process of recovering the property and business interruption damages.

Glass Packaging Business

In 3Q18, glass packaging business reported sales of THB 2,858 million, an increase of 8.0% over the same period last year, and contributed approximately 57.0% of total Packaging Supply Chain sales. This increase was driven by strong sales particularly in spirit, soda water, and export segments. Net profit attributable to the equity holders of the Company in 3Q18 decreased slightly over the same period last year due to increased COGS, and SG&A expenses driven by increased logistics expenses.

Aluminum Can Business

In 3Q18, aluminum can business reported sales of THB 2,182 million, slight decrease of 1.5% over the same period last year due to high base from energy drink segment and lower sales in export and alcoholic beverage segments, and contributed approximately 43.0% of total Packaging Supply Chain sales. Net profit attributable to the equity holders of the Company in 3Q18 decreased over the same period last year due to aluminum can volume declined for the quarter.

Consumer Supply Chain

Unit: Million THB	3Q18	3Q17	Change	9M18	9M17	Change
Sales	4,342	4,314	+0.6%	13,117	12,577	+4.3%
Net profit	219	158	+38.1%	707	412	+71.5%
% Net profit margin	5.0%	3.7%	+137 bps	5.4%	3.3%	+211 bps

Performance in 3Q18

In 3Q18, Consumer Supply Chain reported sales of THB 4,342 million, an increase of THB 28 million or 0.6% over the same period last year. The sales growth was driven by improvement in Food and Non-Food businesses. Whilst the international sales declined due to discontinuation of distribution of low margin products in Vietnam and the depreciation of the Vietnamese Dong from previous year.

Consumer Supply Chain's gross profit margin increased to 20.3% in 3Q18 from 18.8% in 3Q17 driven by good margin performance in Food business due to lower raw material prices and margin improvement in International business. Its EBIT margin reached 7.2% in 3Q18 from 5.3% in 3Q17 driven by the abovementioned and the declining SG&A-to-sales ratio in Non-Food business due to effective cost controls.

Net profit attributable to the equity holders of the Company in 3Q18 reached THB 219 million, an increase of THB 61 million or 38.1% over the same period last year. The net profit increase was driven by higher sales, good margin performance in Food business, and lower SG&A-to-sales ratio in Non-Food business.

Foods Group

In 3Q18, Foods Group reported sales of THB 1,269 million, an increase of 10.9% over the same period last year, and contributed approximately 29.0% of total Consumer Supply Chain sales. The sales growth was mainly driven by higher sales in snack segment especially in Tasto, Party and Dozo product categories. Net profit attributable to the equity holders of the Company in 3Q18 increased over the same period last year due to sales growth, and improved gross profit margin.

Non-Foods Group

In 3Q18, Non-Foods Group reported sales of THB 1,693 million, an increase of 1.3% over the same period last year, and contributed approximately 39.0% of total Consumer Supply Chain sales. The sales growth was mainly due to higher sales from tissue products due to consolidation of sales from Vina paper. Net profit attributable to the equity holders of the Company in 3Q18 increased over the same period last year due to higher sales, and lower SG&A-to-sales ratio. The increased raw material cost of pulp was offset by lower raw material costs of crude palm oil and crude coconut oil during the quarter.

International Trading

In 3Q18, International Trading reported sales of THB 1,066 million, a decrease of -13.8% over the same period last year, and contributed approximately 25.0% of total Consumer Supply Chain sales. The sales decline was mainly driven by discontinuation of distribution of low margin products in Vietnam and the depreciation of the Vietnamese Dong from the previous year. Net profit attributable to the equity holders of the Company in 3Q18 decreased over the same period last year due to depreciation of the Vietnamese Dong from the previous year. In local currency our net profit attributable to the equity holders of the Company in 3Q18 posted strong growth.

Healthcare & Technical Supply Chain

Unit: Million THB	3Q18	3Q17	Change	9M18	9M17	Change
Sales	2,022	1,980	+2.1%	5,819	5,565	+4.6%
Net profit	194	164	+18.7%	525	467	+12.3%
% Net profit margin	9.6%	8.3%	+134 bps	9.0%	8.4%	+63 bps

Performance in 3Q18

In 3Q18, Healthcare and Technical Supply Chain reported sales of THB 2,022 million, an increase of THB 42 million or 2.1% over the same period last year. The sales increase was driven by strong sales in medical equipment, specialty materials, graphic systems, and engineering division.

Net profit attributable to the equity holders of the Company in 3Q18 reached THB 194 million, an increase of THB 30 million or 18.7% over the same period last year. The net profit increase was due to higher sales and strong margin performance as its gross profit margin reached to 32.1% in 3Q18 from 30.3% in 3Q17, and its EBIT margin reached to 12.2% in 3Q18 from 10.0% in 3Q17 due to effective cost control in Healthcare Supply Chain during the quarter.

Modern Retail Supply Chain

Unit: Million THB	3Q18	3Q17	Change	9M18	9M17	Change
Total Revenues	31,446	29,336	+7.2%	92,548	87,580	+5.7%
Net profit	1,784	1,575	+13.2%	4,693	4,187	+12.1%
% Net profit margin	6.4%	6.1%	+35 bps	5.8%	5.4%	+34 bps

Performance in 3Q18

In 3Q18, Modern Retail Supply Chain reported total revenue of THB 31,446 million, an increase of THB 2,110 million or 7.2% over the same period last year. This increase was driven by a retail sales reaching THB 27,655 million, an increase of THB 1,850 million or 7.2% from the same period last year, driven by strong same-store-sales recovery of +2.5% during the quarter, and new store openings since 3Q17. The other income, including rental income and other income, reached THB 3,791 million, an increase of THB 255 million or 7.2% over the same period last year due to added rental space, rental escalation, increasing brochure advertising income, and higher service income.

Modern Retail Supply Chain's gross profit margin decreased to 16.8% in 3Q18 from 17.7% in 3Q17 due to high base and continued price investment, and its EBIT margin decreased to 7.4% in 3Q18 from 8.0% in 3Q17 due to abovementioned and increased personnel and utility expenses driven by continued store expansion.

Net profit attributable to the equity holders of the Company in 3Q18 reached THB 1,784 million, an increase of THB 209 million or 13.2% over the same period last year. This increase was due to increased total revenue growth and lower effective tax rate for the quarter.

Modern Retail Supply Chain continued expanding its store network during 3Q18 and opened 2 Hypermarket in Nakornsawan and Burirum, and 36 Mini Big C stores (no franchise store openings). These openings brought the total number of our stores at the end of September 2018 to 145 large format stores (Big C Supercenter, Extra, and Jumbo), 60 Big C Market, 716 Mini Big C (including 83 franchise stores), and 137 Pure Drugstores.

Yours faithfully,

Berli Jucker Public Company Limited

Thirasakdi Nathikanchanalab
Director

Aswin Techajareonvikul
Director