

February 27<sup>th</sup>, 2019

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on 4Q18 and FY2018 performance

## 1. Financial performance of Berli Jucker Public Company Limited for 4Q18 and FY2018

### Revenues

BJC's consolidated total revenue for 4Q18 reached THB 45,415 million, representing an increase of THB 1,935 million or 4.5% over the same period last year. This increase was mainly driven by 2 following items; (1) the consolidated sales and service revenue increasing by THB 1,919 million, (2) the consolidated other income increasing by THB 13 million. Whilst rental, and other income from Modern Retail Supply Chain continued its solid growth, the consolidated other income year-on-year comparison was impacted by one-time gain of THB 155 million in 4Q17 from a bargain purchase of Vina Paper Company.

BJC's consolidated total revenue for FY2018 reached THB 172,196 million, representing an increase of THB 7,999 million or 4.9% over the same period last year. This increase was mainly driven by 2 following items; (1) the consolidated sales and service revenue increasing by THB 6,984 million, (2) the consolidated other income increasing by THB 1,000 million.

### Expenses

BJC's consolidated total expenses for 4Q18 amounted to THB 42,748 million, an increase of THB 1,877 million or 4.6% 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 FY2018 amounted to THB 163,155 million, an increase of THB 7,168 million or 4.6% over the same period last year driven by increasing cost of goods sold and SG&A expenses as abovementioned.

### Net Profit Attributable to Equity Holders

BJC's consolidated net profit attributable to the equity holders of the Company for 4Q18 reached THB 2,126 million, an increase of THB 263 million or 14.1% over the same period last year, mainly driven by strong performance of Consumer, and Healthcare and Technical Supply Chains, and lower effective tax rate for the quarter.

If we compare the recurring net profit attributable to the equity holders of the company by removing non-recurring one-off item after tax from a bargain purchase of Vina Paper Company in the amount of THB 155 million in 4Q17 our net income increased by THB 418 million or 24.4% over the same period last year.

BJC's consolidated net profit attributable to the equity holders of the Company for FY2018 reached THB 6,650 million, an increase of THB 1,439 million or 27.6% 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, and a bargain purchase of Vina Paper Company in the amount of THB 155 million in 4Q17 our net income increased by THB 1,403 million or 27.8% over the same period

last year. The increase was mainly driven by strong performance of Consumer, Healthcare and Technical, and Modern Retail Supply Chains, and lower effective tax rate for the year.

### Key Highlights of 4Q18 and FY2018

Unit: Million THB	4Q18	4Q17	%YoY	FY2018	FY2017	%YoY
Packaging Supply Chain	5,851	5,327	9.8	21,093	19,447	8.5
Consumer Supply Chain	4,578	4,389	4.3	17,694	16,966	4.3
Healthcare and Technical Supply Chain	2,603	2,576	1.0	8,422	8,141	3.4
Modern Retail Supply Chain	28,532	26,876	6.2	109,847	103,962	5.7
Others and elimination	(338)	139	(343.5)	(914)	642	(242.3)
<b>Sales &amp; Services</b>	<b>41,226</b>	<b>39,307</b>	<b>4.9</b>	<b>156,142</b>	<b>149,158</b>	<b>4.7</b>
Other income	4,186	4,173	0.3	16,040	15,040	6.7
Gain from foreign exchange	3	-	100.0	14	-	100.0
<b>Total revenues</b>	<b>45,415</b>	<b>43,480</b>	<b>4.5</b>	<b>172,196</b>	<b>164,198</b>	<b>4.9</b>
Cost of goods sold	32,998	31,505	4.7	126,173	120,706	4.5
<b>Gross profit</b>	<b>8,228</b>	<b>7,802</b>	<b>4.5</b>	<b>29,969</b>	<b>28,452</b>	<b>5.3</b>
Selling expenses	7,080	6,751	5.5	27,234	25,573	6.5
Administrative expenses	1,459	1,418	2.9	5,029	5,113	(1.6)
Loss from foreign exchange	-	23	(100.0)	-	67	(100.0)
Share of profits (loss) from investments	10	0	2432.5	(110)	24	(562.3)
<b>Earnings before interest and tax</b>	<b>3,888</b>	<b>3,783</b>	<b>2.8</b>	<b>13,650</b>	<b>12,763</b>	<b>6.9</b>
Interest expense	1,211	1,174	3.1	4,719	4,528	4.2
<b>Earnings before tax</b>	<b>2,677</b>	<b>2,609</b>	<b>2.6</b>	<b>8,931</b>	<b>8,235</b>	<b>8.5</b>
Tax	411	558	(26.2)	1,647	2,260	(27.1)
<b>Net profit</b>	<b>2,266</b>	<b>2,051</b>	<b>10.5</b>	<b>7,284</b>	<b>5,975</b>	<b>21.9</b>
Attributable to:						
Minority interests	140	188	(25.5)	634	764	(17.0)
<b>Equity holders of the Company</b>	<b>2,126</b>	<b>1,863</b>	<b>14.1</b>	<b>6,650</b>	<b>5,211</b>	<b>27.6</b>
One-time items after tax:						
A bargain purchase of Vina Paper company	-	155	(100.0)	-	155	(100.0)
Gain on disposal of investment in subsidiary	-	-	-	191	-	100.0
<b>Equity holder of the Company (Excluded one-time items)</b>	<b>2,126</b>	<b>1,708</b>	<b>24.4</b>	<b>6,459</b>	<b>5,056</b>	<b>27.8</b>
Net profit margin (%)	5.2	4.3	81 bps	4.1	3.4	75 bps

Key Financial Ratios	4Q18	4Q17	Change	FY2018	FY2017	Change
Gross profit as % to sales*	20.0%	19.8%	+11 bps	19.2%	19.1%	+12 bps
SG&A as % to sales*	20.7%	20.8%	-7 bps	20.7%	20.6%	+9 bps
Recurring EBIT margin	9.4%	9.2%	+18 bps	8.7%	8.4%	+25 bps
Recurring Net profit margin (attributable to equity holders of the Company)	5.2%	4.3%	+81 bps	4.1%	3.4%	+75 bps
Net debt to equity (times)	1.3	1.4	-3 bps	1.3	1.4	-3 bps

\* Sales excluded other income

## 2. Financial performance summary by supply chain

### Packaging Supply Chain

Unit: Million THB	4Q18	4Q17	Change	FY2018	FY2017	Change
Sales	5,851	5,327	9.8%	21,093	19,447	8.5%
Net profit	668	590	13.2%	2,084	2,105	-1.0%
% Net profit margin	11.4%	11.1%	+34 bps	9.9%	10.8%	-95 bps

### Performance in 4Q18 and FY2018

In 4Q18, Packaging Supply Chain reported sales of THB 5,851 million, an increase of THB 524 million or 9.8% over the same period last year. This was driven by strong growth in both, glass and aluminum can packaging businesses due to new capacity from Saraburi 5 furnace opened in September 2018, and from solid sales growth at aluminum can business.

Packaging Supply Chain's gross profit margin decreased to 21.3% in 4Q18 from 23.6% in 4Q17 due to higher aluminum raw material price, and EBIT margin decreased to 15.7% in 4Q18 from 17.2% in 4Q17.

Net profit attributable to the equity holders of the Company in 4Q18 reached THB 668 million, an increase of THB 78 million or 13.2% over the same period last year, driven by the above mentioned reasons, and effective cost control.

In FY2018, Packaging Supply Chain reported sales of THB 21,093 million, an increase of THB 1,646 million or 8.5% over the same period last year. This sales growth was driven by both, glass and aluminum can packaging businesses.

Packaging Supply Chain's gross profit margin decreased slightly to 22.0% in FY2018 from 22.3% in FY2017 due to higher raw material cost and lower aluminum can volumes during 3Q18, and EBIT margin decreased slightly to 15.8% in FY2018 from 16.0% in FY2017.

Net profit attributable to the equity holders of the Company in FY2018 reached THB 2,084 million, a decrease of THB 21 million or -1.0% over the same period last year. The net profit decline was driven by negative impact from our Malaysian glass packaging operations due to incidents during second quarter of the year causing damage to production line equipment at two furnaces during the quarter.

### Glass Packaging Business

In 4Q18, glass packaging business reported sales of THB 3,351 million, an increase of 10.5% over the same period last year, and contributed approximately 57.0% of total Packaging Supply Chain sales. The sales increase was mainly driven by solid sales in spirit and export segments during the year-end period. Net profit attributable to the equity holders of the Company in 4Q18 increased over the same period last year. This increase was mainly driven by increased sales, and improved gross profit margin.

In FY2018, glass packaging business reported sales of THB 11,578 million, an increase of 8.4% over the same period last year, and contributed approximately 55.0% of total Packaging Supply Chain sales. The sales increase was mainly driven by spirit and export segments. Net profit attributable to the equity holders of the Company in FY2018 (excluding the investment in associates) increased over the same period last year driven by increased sales and improved profitability.

## **Aluminum Can Business**

In 4Q18, aluminum can business reported sales of THB 2,500 million, an increase of 8.9% over the same period last year, and contributed approximately 43.0% of total Packaging Supply Chain sales. The increase was mainly driven by strong sales in both, alcoholic and non-alcoholic segments. Net profit attributable to the equity holders of the Company in 4Q18 decreased over the same period last year due to gross margin decline driven by higher raw material cost.

In FY2018, aluminum can business reported sales of THB 9,515 million, an increase of 8.5% over the same period last year, and contributed approximately 45.0% of total Packaging Supply Chain sales. This sales growth was driven by higher sales in both, alcoholic and non-alcoholic segments. Net profit attributable to the equity holders of the Company in FY2018 decreased over the same period last year, mainly due to higher raw material costs and lower aluminum can volumes in 3Q18.

## **Consumer Supply Chain**

Unit: Million THB	4Q18	4Q17	Change	FY2018	FY2017	Change
Sales	4,578	4,389	4.3%	17,694	16,966	4.3%
Net profit	213	314	-32.2%	920	727	26.7%
% Net profit margin	4.7%	7.2%	-251 bps	5.2%	4.3%	+92 bps

### **Performance in 4Q18 and FY2018**

In 4Q18, Consumer Supply Chain reported sales of THB 4,578 million, an increase of THB 189 million or 4.3% over the same period last year. This increase was driven by sales growth in Food, Non-Food and Logistics segments.

Consumer Supply Chain's gross profit margin increased to 20.8% in 4Q18 from 19.9% in 4Q17 due to lower raw material prices of potato, palm oil, and coconut oil, whilst EBIT margin decreased to 6.5% in 4Q18 from 8.9% in 4Q17 due to one-off item relating to a bargain purchase of Vina Paper Company in 4Q17, amounting to THB 155 million.

Net profit attributable to the equity holders of the Company in 4Q18 reached THB 213 million, a decrease of THB 101 million or -32.2% over the same period last year due to abovementioned reasons. If we compare the recurring net profit attributable to the equity holders of the company by removing non-recurring one-off item from a bargain purchase of Vina Paper Company in 4Q17 our net income increased by THB 54 million or 33.8% over the same period last year.

In FY2018, Consumer Supply Chain reported sales of THB 17,694 million, an increase of THB 728 million or 4.3% over the same period last year. This sales growth was mainly driven by strong sales performance on Food, Non-Food, and Logistics segments.

Consumer Supply Chain's gross profit margin increased to 20.6% in FY2018 from 19.0% in FY2017 due to lower raw material costs of potato, and palm oil and coconut oil, whilst EBIT margin increased to 7.3% in FY2018 from 5.9% in FY2017 driven by the abovementioned and the declining SG&A-to-sales ratio in Food and Non-Food businesses due to effective cost controls.

Net profit attributable to the equity holders of the Company in FY2018 reached THB 920 million, an increase of THB 193 million or 26.7% over the same period last year. This net profit increase was mainly driven by strong performance of Food and Logistics segments, whilst Non-Food segment was impacted by high base arising from the one-off item relating to a bargain purchase of Vina Paper Company in 4Q17, and International trading business by the depreciation of Vietnamese Dong. If we compare the recurring net profit attributable to the equity holders of the company by removing non-recurring one-off item from bargain purchase of Vina Paper Company in 4Q17 our net income increased by THB 348 million or 61.0% over the same period last year.

### **Foods Group**

In 4Q18, Foods Group reported sales of THB 1,234 million, an increase of 15.4% over the same period last year, and contributed approximately 27.0% 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 4Q18 increased over the same period last year due to sales growth and lower SG&A expenses.

In FY2018, Foods Group reported sales of THB 5,228 million, an increase of 13.1% over the same period last year, and contributed approximately 30.0% 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 FY2018 increased over the same period last year due to sales growth and lower SG&A expenses.

### **Non-Foods Group**

In 4Q18, Non-Foods Group reported sales of THB 1,804 million, an increase of 1.1% over the same period last year, and contributed approximately 39.0% of total Consumer Supply Chain sales. This sales growth was mainly due to higher sales from tissue products. Net profit attributable to the equity holders of the Company in 4Q18 decreased over the same period last year due to high base from one-off item relating to a bargain purchase of Vina Paper Company in 4Q17. If we compare the recurring net profit attributable to the equity holders of the company by removing non-recurring one-off item from bargain purchase of Vina Paper Company in 4Q17, the recurring net profit attributable to the equity holders of the Company increased over the same period last year due to sales growth and lower SG&A expenses.

In FY2018, Non-Foods Group reported sales of THB 6,924 million, an increase of 6.5% over the same period last year, and contributed approximately 39.0% of total Consumer Supply Chain sales. This sales increase was mainly due to higher sales from tissue products. Net profit attributable to the equity holders of the Company in FY2018 decreased over the same period last year due to high base from one-off item relating to a bargain purchase of Vina Paper Company in 4Q17. If we compare the recurring net profit attributable to the equity holders of the company by removing non-recurring one-off item from bargain purchase of Vina Paper Company in 4Q17, the recurring net profit attributable to the equity holders of the Company increased over the same period last year.

### **International Trading**

In 4Q18, International Trading reported sales of THB 1,193 million, a decrease of 4.0% over the same period last year, and contributed approximately 26.0% of total Consumer Supply Chain sales. The sales decline was mainly driven by the discontinuation of distribution for low margin products and depreciation of the Vietnamese Dong. Net profit attributable to the equity holders of the Company in 4Q18 decreased over the same period last year due to depreciation of the Vietnamese Dong.

In FY2018, International Trading reported sales of THB 4,314 million, a decrease of 9.2% over the same period last year, and contributed approximately 24.0% of total Consumer Supply Chain sales. The sales decline was mainly driven by the discontinuation of distribution for low margin products and depreciation of the Vietnamese Dong. Net profit attributable to the equity holders of the Company in FY2018 decreased over the same period last year due to depreciation of the Vietnamese Dong.

## Healthcare & Technical Supply Chain

Unit: Million THB	4Q18	4Q17	Change	FY2018	FY2017	Change
Sales	2,603	2,576	1.0%	8,422	8,141	3.4%
Net profit	347	285	21.9%	872	752	16.0%
% Net profit margin	13.4%	11.1%	+228 bps	10.4%	9.2%	+112 bps

### Performance in 4Q18 and FY2018

In 4Q18, Healthcare and Technical Supply Chain reported sales of THB 2,603 million, an increase of THB 27 million or 1.0% over the same period last year. The sales increase came from both Healthcare and Technical supply chains.

Healthcare and Technical Supply Chain's gross profit margin increased to 33.1% in 4Q18 from 29.7% in 4Q17, and EBIT margin increased to 17.1% in 4Q18 from 12.8% in 4Q17 due to effective cost control.

Net profit attributable to the equity holders of the Company in 4Q18 reached THB 347 million, an increase of THB 62 million or 21.9% over the same period last year. This increase was mainly due to sales growth and effective cost control.

In FY2018, Healthcare and Technical Supply Chain reported sales of THB 8,422 million, an increase of THB 281 million or 3.4% over the same period last year. The sales increase came from both Healthcare and Technical supply chains.

Healthcare and Technical Supply Chain's gross profit margin increased to 32.2% in FY2018 from 30.8% in FY2017, and EBIT margin increased to 13.2% in FY2018 from 11.1% in FY2017 due to effective cost control.

Net profit attributable to the equity holders of the Company in FY2018 reached THB 872 million, an increase of THB 120 million or 16.0% over the same period last year. This increase was mainly due to higher sales, gross profit improvement and effective cost control.

## Modern Retail Supply Chain

Unit: Million THB	4Q18	4Q17	Change	FY2018	FY2017	Change
Total Revenues	32,487	30,586	6.2%	125,035	118,166	5.8%
Net profit	1,671	1,665	0.4%	6,365	5,851	8.8%
% Net profit margin	5.9%	6.2%	-34 bps	5.8%	5.6%	+17 bps

### Performance in 4Q18 and FY2018

In 4Q18, Modern Supply Chain reported total revenues of THB 32,487 million, an increase of THB 1,901 million or 6.2% over the same period last year. This increase was driven by a retail sales reaching THB 28,532 million, an increase of 6.2% from the same period last year, due to new store openings and continued solid same-store-sales growth of +1.8% year-on-year. Whilst the other income, including rental income and other income, reached THB 3,955 million, an increase of 6.6% over the same period last year due to added rental space, rental escalation, increasing brochure advertising income, and higher service income from in-store media concessions.

Modern Supply Chain's gross profit margin was 17.2% in 4Q18, relatively stable from 17.3% in 4Q17, and EBIT margin decreased to 7.4% in 4Q18 from 7.7% in 4Q17 mainly due to sales mix change, and increased personnel and utility expenses.

Net profit attributable to the equity holders of the Company in 4Q18 reached THB 1,671 million, an increase of THB 6 million or 0.4% over the same period last year.

In FY2018, Modern Supply Chain reported total revenues of THB 125,035 million, an increase of THB 6,869 million or 5.8% over the same period last year. This increase was driven by a retail sales reaching THB 109,847 million, an increase of 5.7% from the same period last year, due to new store openings and solid same-store-sales growth of +1.0% year-on-year. Whilst the other income, including rental income and other income, reached THB 15,188 million, an increase of 6.8% over the same period last year due to added rental space, rental escalation, increasing brochure advertising income, and higher service income from in-store media concessions.

Modern Supply Chain's gross profit margin decreased slightly to 16.5% in FY2018 from 16.7% in FY2017, and EBIT margin decreased to 7.1% in FY2018 from 7.4% in FY2017, mainly due to sales mix change, increased B2B sales, and increased personnel and utility expenses.

Net profit attributable to the equity holders of the Company in FY2018 reached THB 6,364 million, an increase of THB 513 million or 8.8% over the same period last year.

Modern Retail Supply Chain continued expanding its store network during 4Q18 and opened 3 Hypermarket (closed 1 old hypermarket when we opened new larger store nearby), 1 Big C Food Place, 82 Mini Big C stores (closed 15 stores), and 3 Pure drugstores. These openings brought the FY2018 openings to 8 Hypermarket (closed 1 store), 1 Big C Food Place, 168 Mini Big C (closed 27 stores), and 5 Pure drugstores.

Total number of our stores at the end of December 2018 reached to 147 large format stores (Big C Supercenter, Extra, and Jumbo), 61 supermarket (Big C Market and Big C Food Place), 783 Mini Big C (including 73 franchise stores), and 140 Pure Drugstores.

Please be informed accordingly.

Yours faithfully,

Berli Jucker Public Company Limited

Thirasakdi Nathikanchanalab  
Director

Aswin Techajareonvikul  
Director