

February 27<sup>th</sup>, 2020

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on 4Q19 and FY2019 performance

## 1. Financial performance of Berli Jucker Public Company Limited for 4Q19 and FY2019

### Revenues

BJC's consolidated total revenue for 4Q19 reached THB 44,539 million, representing a decrease of THB 876 million or -1.9% over the same period last year. This decrease was mainly driven by the consolidated sales and service revenue declining to THB 40,564 million, a decrease of THB 662 million or -1.6% over the same period last year, driven by decreasing sales at Packaging, Healthcare and Technical, and Modern Retail Supply Chain. Whilst the consolidated other income reached THB 3,967 million, a decrease of THB 219 million or -5.2% over the same period last year, mainly driven by declining other income at Modern Retail Supply Chain.

BJC's consolidated total revenue for FY2019 reached THB 174,037 million, representing an increase of THB 1,814 million or 1.1% over the same period last year. This increase was driven by growth in Consumer, Healthcare and Technical, and Modern Retail Supply Chains.

### Expenses

BJC's consolidated total expenses for 4Q19 amounted to THB 41,957 million, a decrease of THB 790 million or -1.8% over the same period last year. This decrease was mainly due to (1) decreased cost of goods sold expenses due to lower sales, (2) decreased SG&A expenses mainly due to good cost control at Consumer Supply Chain and Modern Retail Supply Chain, and property tax booking change, and lower variable costs due to lower sales at the Modern Retail Supply Chain.

BJC's consolidated total expenses for FY2019 amounted to THB 165,314 million, an increase of THB 2,159 million or 1.3% over the same period last year mainly due to (1) increased cost of goods sold expenses due to increased sales, (2) increased SG&A expenses mainly due to increased personnel and utility expenses at the Modern Retail Supply Chain, (3) increased interest expense, (4) the one-time non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 306 million baht booked in 2Q19.

### Net Profit Attributable to Equity Holders

BJC's consolidated net profit attributable to the equity holders of the Company for 4Q19 reached THB 2,473 million, an increase of THB 347 million or 16.3% over the same period last year, driven by growing sales in Consumer Supply Chain, increased profitability, and lower effective tax rate.

BJC's consolidated net profit attributable to the equity holders of the Company for FY2019 reached THB 7,278 million, an increase of THB 628 million or 9.4% over the same period last year driven by Consumer, and Modern Retail supply chains, and lower effective tax rate. If we remove the non-cash impact from the change in employee benefit obligation provision of 237 million baht after tax and minority interest, booked in 2Q19, and the gain on disposal of investment in subsidiary in the amount of THB 191 million in 1Q18, the recurring net profit available for the equity holders of the Company for FY19 reached THB 7,515 million, an increase of THB 1,056 million or 16.4% over the same period last year.

## Key Highlights of 4Q19 and FY2019

Unit: Million THB	4Q19	4Q18	%YoY	FY2019	FY2018	%YoY
Packaging Supply Chain	5,411	5,851	(7.5)	20,360	21,093	(3.5)
Consumer Supply Chain	4,965	4,578	8.4	18,896	17,694	6.8
Healthcare and Technical Supply Chain	2,526	2,603	(2.9)	8,843	8,422	5.0
Modern Retail Supply Chain	28,078	28,532	(1.6)	111,389	109,847	1.4
Others	(416)	(338)	22.4	(1,479)	(914)	61.6
<b>Sales &amp; Services</b>	<b>40,564</b>	<b>41,226</b>	<b>(1.6)</b>	<b>158,009</b>	<b>156,142</b>	<b>1.2</b>
Other income	3,967	4,186	(5.2)	16,009	16,040	(0.2)
Gain from foreign exchange	8	3	122.5	19	14	25.6
<b>Total revenues</b>	<b>44,539</b>	<b>45,415</b>	<b>(1.9)</b>	<b>174,037</b>	<b>172,196</b>	<b>1.1</b>
Cost of goods sold	32,436	32,998	(1.7)	127,120	126,173	0.8
<b>Gross profit</b>	<b>8,128</b>	<b>8,228</b>	<b>(1.2)</b>	<b>30,889</b>	<b>29,969</b>	<b>3.1</b>
Selling expenses	6,957	7,080	(1.8)	27,939	27,234	2.6
Administrative expenses	1,293	1,459	(11.4)	4,979	5,029	(1.0)
Expenses from adjustment of employee benefit obligation	-	-	-	306	-	100.0
Loss from foreign exchange	-	-	-	-	-	-
Share of profits (loss) from investments	(9)	10	(194.7)	(128)	(110)	16.3
<b>Earnings before interest and tax</b>	<b>3,844</b>	<b>3,888</b>	<b>(1.1)</b>	<b>13,565</b>	<b>13,650</b>	<b>(0.6)</b>
<b>(Recurring earnings before interest and tax)<sup>1</sup></b>	<b>3,844</b>	<b>3,888</b>	<b>(1.1)</b>	<b>13,871</b>	<b>13,459</b>	<b>3.1</b>
Interest expense	1,272	1,211	5.1	4,971	4,719	5.3
<b>Earnings before tax</b>	<b>2,572</b>	<b>2,677</b>	<b>(3.9)</b>	<b>8,594</b>	<b>8,931</b>	<b>(3.8)</b>
Tax	1	411	(99.6)	820	1,647	(50.2)
<b>Net profit</b>	<b>2,571</b>	<b>2,266</b>	<b>13.4</b>	<b>7,774</b>	<b>7,284</b>	<b>6.7</b>
Attributable to:						
Minority interests	98	140	(30.2)	496	634	(21.8)
<b>Equity holders of the Company</b>	<b>2,473</b>	<b>2,126</b>	<b>16.3</b>	<b>7,278</b>	<b>6,650</b>	<b>9.4</b>
One-time items after tax:						
Gain on disposal of investment in subsidiary	-	-	-	-	191	(100.0)
Expenses from adjustment of employee benefit obligation	-	-	-	237	-	100.0
<b>Equity holder of the Company (Excluded one-time items)</b>	<b>2,473</b>	<b>2,126</b>	<b>16.3</b>	<b>7,515</b>	<b>6,459</b>	<b>16.4</b>
<i>Recurring Net profit margin (%)<sup>*1</sup></i>	<i>6.1</i>	<i>5.2</i>	<i>+94 bps</i>	<i>4.8</i>	<i>4.1</i>	<i>+62 bps</i>

Key Financial Ratios	4Q19	4Q18	Change	FY2019	FY2018	Change
Gross profit as % to sales*	20.0%	20.0%	+8 bps	19.5%	19.2%	+36 bps
SG&A as % to sales*	20.3%	20.7%	-38 bps	20.8%	20.7%	+17 bps
Recurring EBIT margin as % to sales* <sup>1</sup>	9.5%	9.4%	+4 bps	8.8%	8.6%	+16 bps
Recurring Net Profit margin (attributable to equity holders of the Company) as % to sales* <sup>1</sup>	6.1%	5.2%	+94 bps	4.8%	4.1%	+62 bps
Net debt to equity (times)	1.3	1.3	-8 bps	1.3	1.3	-8 bps

\* As percentage to sales excluding other income

<sup>1</sup> Excluding THB 306 million (THB 237 million after tax and minority interest expense) expenses relating to amendment of the post-employment benefit plans in 2Q19, and THB 191 million one-time after-tax gain on disposal of investment in subsidiary in 1Q18.

## 2. Financial performance summary by supply chain

### Packaging Supply Chain

Unit: Million THB	4Q19	4Q18	Change	FY2019	FY2018	Change
Sales	5,411	5,851	-7.5%	20,360	21,093	-3.5%
Net profit	504	668	-24.5%	1,866	2,084	-10.4%
Recurring net profit <sup>1</sup>	504	668	-24.5%	1,926	2,084	-7.6%
% Recurring net profit margin <sup>1</sup>	9.3%	11.4%	-209 bps	9.5%	9.9%	-42 bps

<sup>1</sup> Excluding the expenses relating to amendment of the post-employment benefit plans of THB 60 million after tax and minority interest.

### Performance in 4Q19 and FY2019

In 4Q19, Packaging Supply Chain reported sales of THB 5,411 million, a decrease of THB 441 million or -7.5% over the same period last year. This was driven by high-base due to glass furnace opening in October 2018 impacting glass packaging business, and continued transitioning from large old customer to new customers at aluminum can business.

Packaging Supply Chain's gross profit margin decreased to 18.5% in 4Q19 from 21.3% in 4Q18 due to declining gross profit margin in both Glass and Aluminum Packaging businesses, whilst EBIT margin decreased to 13.0% in 4Q19 from 15.7% in 4Q18 due to a lower gross profit margin.

Net profit attributable to the equity holders of the Company reached THB 504 million, a decrease of THB 164 million or -24.5% over the same period last year. This was driven by lower sales, declining gross profit margin, and the share of loss from Malaysian Glass packaging business due to delayed furnace reopening causing increased logistics expenses. The furnace was reopened in late October.

In FY2019, Packaging Supply Chain reported sales of THB 20,360 million, a decrease of THB 733 million or -3.5% over the same period last year. This was mainly driven by lower aluminum can sales due to transitioning from large old customer to new customers.

Packaging Supply Chain's gross profit margin decreased to 20.1% in FY2019 from 22.0% in FY2018 mainly driven by aluminum can business due to the lower economies of scale for the new can sizes and the geographical sales mix change, and EBIT margin decreased to 13.6% in FY2019 from 15.8% in FY2018 due to a lower gross profit margin and the non-cash impact from the expenses relating to amendment of the post-employment benefit plans. If we remove the non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 84 million baht before tax booked in 2Q19, the recurring EBIT margin reached 14.1% for the FY2019.

Net profit attributable to the equity holders of the Company in FY2019 reached THB 1,866 million, a decrease of THB 218 million or -10.4% over the same period last year. The net profit decline was driven by lower sales, declining gross profit margin, negative impact from our Malaysian glass packaging due to delayed furnace reopening, and the non-cash impact from the change in employee benefit obligation provision. If we remove the non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 60 million baht after tax and minority interest, booked in 2Q19, the recurring net profit available for the equity holders of the Company for FY2019 reached THB 1,926 million, a decrease of THB 158 million or -7.6% over the same period last year.

### Glass Packaging Business

In 4Q19, glass packaging business reported sales of THB 3,020 million, a decrease of -9.9% over the same period last year, and contributed approximately 56.0% of total Packaging Supply Chain sales. This decrease was partly driven by high-base effect from opening of Saraburi 5 furnace in October 2018, causing more of the 2018 to be placed during the last quarter of the year, and early shipment to

Food customers in Q3 2019. Net profit attributable to the equity holders of the Company in 4Q19 decreased over the same period last year driven by lower sales, and declining gross profit margin due to increasing sales mix from lower margin product categories.

In FY2019, glass packaging business reported sales of THB 11,492 million, a slight decrease of -0.7% over the same period last year, and contributed approximately 56.0% of total Packaging Supply Chain sales. Net profit attributable to the equity holders of the Company in FY2019 (excluding the investment in associates) remained stable over the same period last year mainly driven by lower effective tax rate due to BOI tax benefits for the year.

### **Aluminum Can Business**

In 4Q19, aluminum can business reported sales of THB 2,390 million, a decrease of -4.4% over the same period last year. This decline was mainly driven by transitioning from old energy drink customer to new customers. Aluminum can business contributed approximately 44.0% of total Packaging Supply Chain sales. Net profit attributable to the equity holders of the Company in 4Q19 decreased over the same period last year driven by declining gross profit margin due to the lower economies of scale for the new can sizes and the geographical sales mix change.

In FY2019, aluminum can business reported sales of THB 8,868 million, a decrease of -6.8% over the same period last year, and contributed approximately 44.0% of total Packaging Supply Chain sales. This decline was mainly driven by transitioning from old energy drink customer to new customers. Net profit attributable to the equity holders of the Company in FY2019 decreased over the same period last year, driven by lower sales, and declining gross profit margin due to the lower economies of scale for the new can sizes and the geographical sales mix change.

### **Consumer Supply Chain**

Unit: Million THB	4Q19	4Q18	Change	FY2019	FY2018	Change
Sales	4,965	4,578	+8.4%	18,896	17,694	+6.8%
Net profit	281	213	+32.0%	1,108	920	+20.4%
Recurring net profit <sup>1</sup>	281	213	+32.0%	1,148	920	+24.7%
% Recurring net profit margin <sup>1</sup>	5.7%	4.7%	+101 bps	6.1%	5.2%	+87 bps

<sup>1</sup> Excluding the expenses relating to amendment of the post-employment benefit plans of THB 40 million after tax and minority interest.

### **Performance in 4Q19 and FY2019**

In 4Q19, Consumer Supply Chain reported sales of THB 4,965 million, an increase of THB 387 million or 8.4% over the same period last year. This increase was driven by increased sales in Food, Logistic, and International business segments.

Consumer Supply Chain's gross profit margin decreased to 20.1% in 4Q19 from 20.8% in 4Q18 mainly driven by lower margin sales at the International Trading Business, whilst EBIT margin increased to 7.6% in 4Q19 from 6.5% in 4Q18 due to good cost control at Food and Non-Food businesses.

Net profit attributable to the equity holders of the Company in 4Q19 reached THB 281 million, an increase of THB 68 million or 32.0% over the same period last year. The net profit increase was driven by higher sales and improved profitability.

In FY2019, Consumer Supply Chain reported sales of THB 18,896 million, an increase of THB 1,202 million or 6.8% over the same period last year. This sales growth was driven by growing sales from Food, Non-Food, International Trading, and Logistics segments.

Consumer Supply Chain's gross profit margin increased to 21.1% in FY2019 from 20.6% in FY2018 due to lower raw material prices of palm oil, crude coconut oil, and pulp, whilst EBIT margin increased to 7.8% in FY2019 from 7.3% in FY2018 driven by the abovementioned reasons and the declining SG&A-to-sales ratio due to effective cost controls. Furthermore, if we remove the non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 50 million baht before tax booked in 2Q19, the recurring EBIT margin increased to 8.1% for FY2019.

Net profit attributable to the equity holders of the Company in FY2019 reached THB 1,108 million, an increase of THB 188 million or 20.4% over the same period last year. This net profit increase was mainly driven by Food, Non-Food and Logistics segments, whilst International trading business was impacted by the depreciation of Vietnamese Dong, and lower margin sales. Furthermore, if we remove the non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 40 million baht after tax and minority interest, booked in 2Q19, the recurring net profit available for the equity holders of the Company for FY2019 reached THB 1,148 million, an increase of THB 227 million or 24.7% over the same period last year.

### **Foods Group**

In 4Q19, Foods Group reported sales of THB 1,304 million, an increase of 5.7% over the same period last year, and contributed approximately 26.0% of total Consumer Supply Chain sales. The sales growth was mainly driven by higher sales in snack segment especially in Tasto potato chip category. Net profit attributable to the equity holders of the Company in 4Q19 increased over the same period last year due to sales growth, and improved profitability.

In FY2019, Foods Group reported sales of THB 5,574 million, an increase of 6.6% 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 potato chip category. Net profit attributable to the equity holders of the Company in FY2019 increased over the same period last year due to sales growth, and improved profitability.

### **Non-Foods Group**

In 4Q19, Non-Foods Group reported sales of THB 1,795 million, a decrease of -0.5% over the same period last year, and contributed approximately 36.0% of total Consumer Supply Chain sales. The slight decrease was mainly driven by lower tissue and stationery sales. Net profit attributable to the equity holders of the Company in 4Q19 increased over the same period last year due to improved profitability.

In FY2019, Non-Foods Group reported sales of THB 7,014 million, an increase of 1.3% over the same period last year, and contributed approximately 37.0% of total Consumer Supply Chain sales. This sales increase was mainly due to higher sales from both, personal care and tissue products. Net profit attributable to the equity holders of the Company in FY2019 increased over the same period last year due to sales growth, and improved profitability.

### **International Trading**

In 4Q19, International Trading reported sales of THB 1,416 million, an increase of 18.7% over the same period last year, and contributed approximately 29.0% of total Consumer Supply Chain sales. Net profit attributable to the equity holders of the Company decreased in 4Q19 over the same period last year, driven by lower margin sales.

In FY2019, International Trading reported sales of THB 4,654 million, an increase of 7.9% over the same period last year, and contributed approximately 25.0% of total Consumer Supply Chain sales. Net profit attributable to the equity holders of the Company in FY2019 decreased over the same period last year, driven by lower margin sales.

## Healthcare & Technical Supply Chain

Unit: Million THB	4Q19	4Q18	Change	FY2019	FY2018	Change
Sales	2,526	2,603	-2.9%	8,843	8,422	+5.0%
Net profit	284	347	-18.3%	852	872	-2.3%
Recurring net profit <sup>1</sup>	284	347	-18.3%	868	872	-0.5%
% Recurring net profit margin <sup>1</sup>	11.2%	13.4%	-212 bps	9.8%	10.4%	-55 bps

<sup>1</sup> Excluding the expenses relating to amendment of the post-employment benefit plans of THB 16 million after tax and minority interest.

### Performance in 4Q19 and FY2019

In 4Q19, Healthcare and Technical Supply Chain reported sales of THB 2,526 million, a decrease of THB 76 million or -2.9% over the same period last year. The sales decrease was mainly driven by lower sales at the Medical Division due to delayed government budget spending.

Healthcare and Technical Supply Chain's gross profit margin decreased to 32.6% in 4Q19 from 33.1% in 4Q18, whilst EBIT margin decreased to 14.7% in 4Q19 from 17.1% in 4Q18 due to sales from lower margin projects and exchange rate.

Net profit attributable to the equity holders of the Company in 4Q19 reached THB 284 million, a decrease of THB 64 million or -18.3% over the same period last year due to the abovementioned reasons.

In FY2019, Healthcare and Technical Supply Chain reported sales of THB 8,843 million, an increase of THB 421 million or 5.0% over the same period last year. The sales increase was mainly driven by increasing sales at Pharmaceutical Division and at Specialty Division.

Healthcare and Technical Supply Chain's gross profit margin decreased to 31.0% in FY2019 from 32.2% in FY2018, and EBIT margin decreased to 12.6% in FY2019 from 13.2% in FY2018 due to increasing sales from lower margin projects, and due to the non-cash impact from the expenses relating to amendment of the post-employment benefit plans booked in 2Q19. If we remove the non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 20 million baht before tax, the recurring EBIT margin reached 12.8% for the FY2019.

Net profit attributable to the equity holders of the Company in FY2019 reached THB 852 million, a decrease of THB 20 million or -2.3% over the same period last year due abovementioned reasons. if we remove the non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 16 million baht after tax and minority interest, booked in 2Q19, the recurring net profit available for the equity holders of the Company for FY2019 reached THB 868 million, a slight decrease of THB 5 million or -0.5% over the same period last year.

## Modern Retail Supply Chain

Unit: Million THB	4Q19	4Q18	Change	FY2019	FY2018	Change
Total Revenues	31,888	32,487	-1.8%	126,904	125,035	+1.5%
Net profit	1,924	1,671	+15.1%	6,604	6,365	+3.8%
Recurring net profit <sup>1</sup>	1,924	1,671	+15.1%	6,706	6,365	+5.4%
% Recurring net profit margin <sup>1</sup>	6.9%	5.9%	+100 bps	6.0%	5.8%	+23 bps

<sup>1</sup> Excluding the expenses relating to amendment of the post-employment benefit plans of THB 102 million after tax and minority interest.

### Performance in 4Q19 and FY2019

In 4Q19, Modern Supply Chain reported total revenue of THB 31,888 million, a decrease of THB 599 million or -1.8% over the same period last year. This was driven by a retail sales reaching THB 28,078 million, a decrease of THB 455 million or -1.6% from the same period last year, driven by negative same-store-sales growth which slowed down to -6.3% year-on-year for the quarter (excluding B2B sales same-store-sales growth for the quarter was -5.8%). Whilst the rental income posted a slight year-on-year growth for the quarter, this was not enough to offset the lower other income, leading to total other income of THB 3,810 million, a decrease of THB 144 million or -3.6% over the same period last year.

Modern Supply Chain's gross profit margin increased to 18.0% in 4Q19 from 17.2% in 4Q18 mainly due to margin improvements in most of the divisions, and lower logistic costs. Whilst EBIT margin increased to 8.7% in 4Q19 from 7.4% in 4Q18, due to decreasing SG&A expenses mainly driven by good cost control and property tax booking change.

Net profit attributable to the equity holders of the Company in 4Q19 reached THB 1,924 million, an increase of THB 253 million or 15.1% over the same period last year driven by abovementioned reasons.

In FY2019, Modern Supply Chain reported total revenues of THB 126,904 million, an increase of THB 1,869 million or 1.5% over the same period last year. This increase was driven by a retail sales reaching THB 111,389 million, an increase of 1.4% from the same period last year, due to new store openings, whilst same-store-sales growth declined by -2.7% year-on-year for the year (excluding B2B sales same-store-sales growth for the year was -2.4%). The other income, including rental income and other income, reached THB 15,515 million, an increase of 2.2% over the same period last year, mainly due to added rental space, maintained high occupancy rate and rental escalation.

Modern Supply Chain's gross profit margin increased to 17.1% in FY2019 from 16.5% in FY2018, mainly due to margin improvements in most of the divisions, and lower logistic costs. EBIT margin increased to 7.6% in FY2019 from 7.1% in FY2018, mainly due improved gross profit margin. If we remove the non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 127 million baht before tax booked in 2Q19, the recurring EBIT margin increased to 7.7% for the FY2019.

Net profit attributable to the equity holders of the Company in FY2019 reached THB 6,604 million, an increase of THB 240 million or 3.8% over the same period last year. Furthermore, If we remove the non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 102 million baht after tax and minority interest, booked in 2Q19, the recurring net profit available for the equity holders of the Company for FY2019 reached THB 6,706 million, an increase of THB 342 million or 5.4% over the same period last year.

Modern Retail Supply Chain ramped up its small store format expansion and opened 3 hypermarkets in Sai Noi, Pak Chong, and Poipet (Cambodia), 149 Mini Big C stores (closed 20 stores), and 2 Pure

drugstores during the quarter. These openings brought the FY2019 openings to 4 Hypermarket, 1 Big C Food Place, 300 Mini Big C (closed 67 stores), and 5 Pure drugstores.

The total number of our stores at the end of December 2019 reached to 151 large format stores (Big C Supercenter and Big C Extra), 62 supermarkets (Big C Market and Big C Food Place), 1,016 Mini Big C (including 63 franchise stores), and 145 Pure drugstores.

Please be informed accordingly.

Yours faithfully,

Berli Jucker Public Company Limited

Thirasakdi Nathikanchanalab  
Director

Aswin Techajareonvikul  
Director