

May 14<sup>th</sup>, 2020

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on 1Q20 performance

## 1. Financial performance of Berli Jucker Public Company Limited for 1Q20

### COVID-19 pandemic

First quarter of the year presented a huge challenge in the form of a rapid spread of COVID-19 virus, quickly escalating into a global pandemic and causing exceptional economic uncertainty and impacting people's daily lives across the globe. BJC as a part of society fully supports government's measures to fight the spread of the virus and has operated in compliance with them. The Company closely monitors the situation and has adjusted its strategies, operational plan, and the expense management of its various business groups to suit the situation and to reduce business risk. In addition, the Company attaches grave importance to the safety and health of its customers, business partners and employees, and has taken various measures to address the issues and to build trust among employees, business partners, customers and all other relevant parties, such as specifying cleanliness measures, setting body temperature screening points, installing hand sanitizing gel dispensers, and regularly cleaning various touch points at the offices and stores. In addition to the above measures and strategies, the Company has focused on its cost control, adjusting its investment plans to suit the situation, including closely managing its liquidity to ensure that the Company has sufficient liquidity to ensure good financial status and repayment ability

Regarding the impact of the situation to the operations of the Company's different supply chains during the quarter:

**Packaging Supply Chain:** During the first quarter the impact was relatively small as the Company's main customers were still placing orders. The Company also has an annual purchase contracts in place with its customers, specifying yearly order quantities.

**Consumer Supply Chain:** During the first quarter the impact was mixed as for Foods Group, especially in snacks segment, the slowdown of customers' purchasing power had some negative impact to sales as customers focused their spending to necessity products. In the meanwhile the Non-Food Group benefitted from the situation, particularly at its tissue products and personal care business segments, due to increasing demand for cleaning products, toilet paper, wet wipes, rubbing alcohol and hand sanitizing gel. The Company's business in Vietnam also saw a growth from the situation due to customer stocking up behavior.

**Healthcare and Technical Supply Chain:** Whilst the healthcare and technical businesses have been affected by the delayed government spending and construction activities, Healthcare Supply Chain has benefitted from the current situation as it distributes medical supplies, medicines and medical devices with a good demand from both public and private hospitals. We are also currently in bidding process for 2020 healthcare budget spending as the government's 2020 budget was passed in February.

**Modern Retail Supply Chain:** Retail and rental operations were negatively affected by the economic conditions leading to slowing consumer spending, and by the impact from the measures taken under the Emergency Decree which required certain retail areas to be closed and service hours limited. As a consumer staple retailer the Company was able to keep all of its branches open, but it had to close non-food areas, impacting mainly hypermarket stores, also many of its tenants had to close to comply with the government and local authorities announcements adversely impacting to the Company's rental income during the quarter. To encounter these challenges and

to continue providing our customers access to our offer, the Company added new sales channels to answer the situation, such as sales through Call for Shop, Line for Shop services, and through Facebook Live and Line Live, and an option to pick up goods via drive thru or have them delivered to home. To answer increased online sales delivery demand, the Company increased its delivery capacity and express delivery.

## Revenues

BJC's consolidated total revenue for 1Q20 reached THB 42,328 million, flat year-on-year with slight increase of THB 2 million. This result was mainly driven by the consolidated sales and service revenue increasing to THB 38,483 million, an increase of THB 94 million or +0.2% over the same period last year, driven by solid sales growth at Packaging, and Consumer Supply Chains. Whilst the consolidated other income reached THB 3,695 million, a decrease of THB 234 million or -5.9% over the same period last year, driven by declining other income at Modern Retail Supply Chain.

## Expenses

BJC's consolidated total expenses for 1Q20 amounted to THB 40,513 million, an increase of THB 120 million or +0.3% over the same period last year. This increase was mainly due to (1) increased cost of goods sold expenses, (2) increased interest expense due to issuance of THB12,000 million of new debenture during March to refinance the maturing debenture tranche, and due to adoption of TFRS16 accounting standard, and (3) one-time expense relating to acquisition project recorded during the quarter.

## Earnings before Interest and Tax

BJC's earnings before interest and tax for 1Q20 amounted to THB 3,073 million, a decrease of THB 63 million or -2.0% over the same period last year. This decrease was due to the abovementioned reasons. If we remove the one-time expense relating to the acquisition project amounting to THB 76 million baht, booked in 1Q20, the recurring earnings before interest and tax for 1Q20 reached THB 3,150 million, an increase of THB 14 million or +0.4% over the same period last year.

## Net Profit Attributable to Equity Holders

BJC's consolidated net profit attributable to the equity holders of the Company for 1Q20 reached THB 1,279 million, a decrease of THB 225 million or -14.9% over the same period last year, driven by the abovementioned and higher effective tax rate. If we remove the one-time expense relating to the acquisition project of THB 61 million baht after tax, booked in 1Q20, the recurring net profit available for the equity holders of the Company for 1Q20 reached THB 1,341 million, a decrease of THB 163 million or -10.8% over the same period last year.

## Key Highlights of 1Q20

Unit: Million THB	1Q20	1Q19	%YoY
Packaging Supply Chain	5,038	4,896	2.9
Consumer Supply Chain	5,580	4,728	18.0
Healthcare and Technical Supply Chain	1,881	1,998	(5.9)
Modern Retail Supply Chain	26,970	27,047	(0.3)
Others	(986)	(279)	253.0
<b>Sales &amp; Services</b>	<b>38,483</b>	<b>38,389</b>	<b>0.2</b>
Other income	3,695	3,929	(5.9)
Gain from foreign exchange	150	8	1,883.2
<b>Total revenues</b>	<b>42,328</b>	<b>42,326</b>	<b>0.0</b>
Cost of goods sold	31,191	30,969	0.7
<b>Gross profit</b>	<b>7,292</b>	<b>7,421</b>	<b>(1.7)</b>
Selling expenses	6,692	7,020	(4.7)
Administrative expenses	1,300	1,207	7.7
Loss from foreign exchange	-	-	-
Share of profits (loss) from investments	(72)	6	(1,244.0)
<b>Earnings before interest and tax</b>	<b>3,073</b>	<b>3,136</b>	<b>(2.0)</b>
<b>(Recurring earnings before interest and tax)<sup>1</sup></b>	<b>3,150</b>	<b>3,136</b>	<b>0.4</b>
Interest expense	1,330	1,197	11.1
<b>Earnings before tax</b>	<b>1,743</b>	<b>1,939</b>	<b>(10.1)</b>
Tax	299	289	3.5
<b>Net profit</b>	<b>1,444</b>	<b>1,650</b>	<b>(12.5)</b>
Attributable to:			
Minority interests	165	146	12.9
<b>Equity holders of the Company</b>	<b>1,279</b>	<b>1,504</b>	<b>(14.9)</b>
One-time items after tax:			
Expenses relating to acquisition project	(61)	-	100.0
<b>Equity holder of the Company (Excluding one-time items)</b>	<b>1,341</b>	<b>1,504</b>	<b>(10.8)</b>

Key Financial Ratios	1Q20	1Q19	Change
Gross profit as % to sales*	18.9%	19.3%	-38 bps
SG&A as % to sales*	20.8%	21.4%	-66 bps
Recurring EBIT margin as % to sales* <sup>1</sup>	8.2%	8.2%	+2 bps
Recurring Net Profit margin (attributable to equity holders of the Company) as % to sales* <sup>1</sup>	3.5%	3.9%	-43 bps
Net debt to equity (times)	1.3	1.3	-2 bps

\* As percentage to sales excluding other income

<sup>1</sup> Excluding THB 76 million (THB 61 million after tax) expenses relating to acquisition project, booked during Q1 2020.

## 2. Financial performance summary by supply chain

### Packaging Supply Chain

Unit: Million THB	1Q20	1Q19	Change
Sales	5,038	4,896	+2.9%
Net profit	492	535	-8.2%
<i>% Net profit margin</i>	<i>9.8%</i>	<i>10.9%</i>	<i>-118 bps</i>

### Performance in 1Q20

In 1Q20, Packaging Supply Chain reported sales of THB 5,038 million, an increase of THB 142 million or +2.9% over the same period last year. This was driven by strong sales at the glass packing business, whilst aluminum can packaging sales were still impacted by the transitioning period from the old large customer to new customers, strategic decision to focus on more profitable categories causing some decline in lower margin sales during the quarter, and from the impact of COVID-19 to export sales and sales in Vietnam.

Packaging Supply Chain's gross profit margin decreased to 21.3% in 1Q20 from 22.7% in 1Q19 due to declining gross profit margin in both Glass and Aluminum Packaging businesses, whilst EBIT margin increased to 16.3% in 1Q20 from 15.0% in 1Q19 due to a lower SG&A expenses and a foreign exchange gain.

Net profit attributable to the equity holders of the Company reached THB 492 million, a decrease of THB 43 million or -8.2% over the same period last year. This was driven by higher income tax expense, and increasing share of loss from Malaysian Glass packaging business due to COVID-19 related restrictions in Malaysia on various businesses since mid-March.

### Glass Packaging Business

In 1Q20, glass packaging business reported sales of THB 2,909 million, an increase of 9.2% over the same period last year, and contributed approximately 58.0% of total Packaging Supply Chain sales. This increase was driven by strong beverage category sales in both alcoholic and non-alcoholic segments, partially due to consumer stocking up behavior during the quarter. Net profit attributable to the equity holders of the Company in 1Q20 increased over the same period last year driven by growing sales.

### Aluminum Can Business

In 1Q20, aluminum can business reported sales of THB 2,129 million, a decrease of -4.6% over the same period last year. This decline was mainly driven by following factors; (1) transitioning from old energy drink customer to new customers, (2) a strategic move to focus on more profitable categories which caused the Company to forgo some lower margin sales during the quarter, and (3) COVID-19 related impact to export sales and sales in Vietnam. Aluminum can business contributed approximately 42.0% of total Packaging Supply Chain sales during the quarter. Net profit attributable to the equity holders of the Company in 1Q20 increased over the same period last year driven by increasing operating profitability.

## Consumer Supply Chain

Unit: Million THB	1Q20	1Q19	Change
Sales	5,580	4,728	+18.0%
Net profit	348	281	+23.8%
<i>% Net profit margin</i>	<i>6.2%</i>	<i>5.9%</i>	<i>+29 bps</i>

### Performance in 1Q20

In 1Q20, Consumer Supply Chain reported sales of THB 5,580 million, an increase of THB 853 million or 18.0% over the same period last year. This increase was driven by sales growth at Non-Food, Logistic, and International business segments.

Consumer Supply Chain's gross profit margin decreased to 19.6% in 1Q20 from 21.9% in 1Q19 mainly driven by lower gross profit margin at the Food business segment due to increased palm oil and coconut oil prices, and lower margin at Logistic business segment. Whilst EBIT margin increased to 8.5% in 1Q20 from 8.0% in 1Q19 mainly due to increased capacity utilization and good cost control at Non-Food business segment, and improving profitability at international business segment.

Net profit attributable to the equity holders of the Company in 1Q20 reached THB 348 million, an increase of THB 67 million or 23.8% over the same period last year. The net profit increase was driven by higher sales and improved profitability.

### Foods Group

In 1Q20, Foods Group reported sales of THB 1,437 million, a decrease of -3.0% over the same period last year, and contributed approximately 26.0% of total Consumer Supply Chain sales. The decrease was mainly driven by lower snack sales during the COVID-19 period due to school closures and customers focusing their consumption more on necessity products. Net profit attributable to the equity holders of the Company in 1Q20 decreased over the same period last year due lower sales and lower gross profit margin.

### Non-Foods Group

In 1Q20, Non-Foods Group reported sales of THB 1,924 million, an increase of 10.0% over the same period last year, and contributed approximately 34.0% of total Consumer Supply Chain sales. The strong sales was driven by both, tissue and personal care sales. Net profit attributable to the equity holders of the Company in 1Q20 increased over the same period last year due to growing sales and improved profitability.

### International Trading

In 1Q20, International Trading reported sales of THB 1,223 million, an increase of 6.8% over the same period last year, and contributed approximately 22.0% of total Consumer Supply Chain sales. Net profit attributable to the equity holders of the Company increased in 1Q20 over the same period last year, due to strong sales and improved profitability.

## Healthcare & Technical Supply Chain

Unit: Million THB	1Q20	1Q19	Change
Sales	1,881	1,998	-5.9%
Net profit	177	224	-21.0%
<i>% Net profit margin</i>	<i>9.4%</i>	<i>11.2%</i>	<i>-180 bps</i>

### Performance in 1Q20

In 1Q20, Healthcare and Technical Supply Chain reported sales of THB 1,881 million, a decrease of THB 117 million or -5.9% over the same period last year. The sales decrease was mainly driven by lower sales at the Technical Supply Chain as the galvanized steel structure business got impacted as there was limited spending on new projects during the quarter.

Healthcare and Technical Supply Chain's gross profit margin increased to 33.4% in 1Q20 from 32.0% in 1Q19 due to margin improvements at pharmaceutical, specialty, graphics, and engineering divisions. Whilst EBIT margin decreased to 13.3% in 1Q20 from 14.4% in 1Q19 mainly due to sales from lower margin projects at the medical equipment division.

Net profit attributable to the equity holders of the Company in 1Q20 reached THB 177 million, a decrease of THB 47 million or -21.0% over the same period last year due to the abovementioned reasons.

## Modern Retail Supply Chain

Unit: Million THB	1Q20	1Q19	Change
Total Revenues	30,564	30,856	-0.9%
Net profit	1,260	1,357	-7.3%
<i>% Net profit margin</i>	<i>4.7%</i>	<i>5.0%</i>	<i>-35 bps</i>

### Performance in 1Q20

In 1Q20, Modern Supply Chain reported total revenue of THB 30,564 million, a slight decrease of THB 293 million or -0.9% over the same period last year. This was driven by a retail sales reaching THB 26,970 million, a decrease of THB 78 million or -0.3% from the same period last year, driven by negative same-store-sales growth of -5.3% year-on-year for the quarter (excluding B2B sales same-store-sales growth for the quarter was -5.8%). Whilst our food category posted growth for the quarter, the sales decline was driven by non-food category due to the impact from the measures taken by government and local authorities' to combat COVID-19 spread, requiring certain retail areas to be closed and service hours limited. The rental income was also impacted by COVID-19 related issues as we offered discounts to impacted tenants to support them during the difficult time and waived rents for tenants forced to close their stores due to government and local authorities' announcements in March. This led to a total other income reaching THB 3,594 million, a decrease of THB 215 million or -5.6% over the same period last year.

Modern Supply Chain's gross profit margin decreased slightly to 16.0% in 1Q20 from 16.3% in 1Q19 mainly due to sales mix change driven by closure of non-food areas impacting most of our hypermarkets since March 22<sup>nd</sup> due to government measures to combat COVID-19 spread, and increased B2B sales contribution. Whilst EBIT margin decreased to 6.2% in 1Q20 from 6.4% in 1Q19, driven by lower gross profit margin.

Net profit attributable to the equity holders of the Company in 1Q20 reached THB 1,260 million, a decrease of THB 97 million or -7.3% over the same period last year driven by abovementioned reasons, and higher interest expense and effective tax rate.

Modern Retail Supply Chain continued its small store format expansion and opened 45 Mini Big C stores during the quarter. These openings together with the closure of 1 Big C Market at Sukhapiban, 7 Mini Big C and 3 Pure Drugstores during the quarter, led to our store network reaching to 151 large format stores (Big C Supercenter and Big C Extra), 61 supermarkets (Big C Market, Big C Food Place, and Big C Depot), 1,054 Mini Big C (including 63 franchise stores), and 142 Pure drugstores at the end of March 2020.

### **Dividend payment**

On 24<sup>th</sup> March 2020, the Company's Board of Directors approved the interim dividend payment of THB 0.73 per share from the Company's profit as of 31<sup>st</sup> December 2019. The Board of Directors considered to approve the aforementioned rate, which is equivalent to the rate the Company intended to propose for approval at the Annual General Meeting of Shareholders, to reduce impact from the sudden and indefinite postponement of the annual general meeting due to Covid-19 outbreak. With the interim dividend payment rate of 0.73 Baht per share combined with the rate of 0.18 Baht per share for the first half of 2019, approved by the Board of Directors on August 14, 2019, the total dividend payment derived from the Company's profit in 2019 will amount to 0.91 Baht per share. The Company will pay the remaining year-end dividend of THB 0.73 per share on 22<sup>nd</sup> of May 2020. In this regard, the Board of Directors will not propose any other dividend payment for 2019.

Please be informed accordingly.

Yours faithfully,

Berli Jucker Public Company Limited

Thirasakdi Nathikanchanalab  
Director

Aswin Techajareonvikul  
Director