

August 14th, 2019

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on 2Q19 and 1H19 performance

1. Financial performance of Berli Jucker Public Company Limited for 2Q19 and 1H19

Revenues

BJC's consolidated total revenue for 2Q19 reached THB 44,479 million, representing an increase of THB 1,449 million or 3.4% over the same period last year. This increase was mainly driven by the following items; (1) the consolidated sales and service revenue reaching THB 40,435 million, an increase of THB 1,411 million or 3.6% over the same period last year, driven by increasing sales in all supply chains, (2) the consolidated other income reaching THB 4,044 million, an increase of THB 119 million or 3.0% over the same period last year, driven by continued rental, and other income growth from modern retail supply chain.

BJC's consolidated total revenue for 1H19 reached THB 86,797 million, representing an increase of THB 2,751 million or 3.3% 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 2Q19 amounted to THB 42,461 million, an increase of THB 1,555 million or 3.8% over the same period last year. This increase was mainly due to (1) increased cost of goods sold expenses due to increased sales, (2) increased SG&A expenses due to increased personnel and utility expenses at the Modern Retail Supply Chain, (3) the one-time non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 306 million baht.

BJC's consolidated total expenses for 1H19 amounted to THB 82,862 million, an increase of THB 3,158 million or 4.0% 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 2Q19 reached THB 1,528 million, an increase of THB 132 million or 9.4% over the same period last year, driven by growing sales in all supply chains, increased gross profit margin, and lower effective tax rate. If we remove the non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 237 million baht after tax, the recurring net profit available for the equity holders of the Company for 2Q19 reached THB 1,765 million, an increase of THB 369 million or 26.4% over the same period last year.

BJC's consolidated net profit attributable to the equity holders of the Company for 1H19 reached THB 3,032 million, an increase of THB 191 million or 6.7% over the same period last year driven by Consumer, and Healthcare and Technical supply chains, and lower effective tax rate. If we remove the non-cash impact from the expenses relating to amendment of the post-employment benefit plans of 237 million baht after tax 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 1H19 reached THB 3,269 million, an increase of THB 619 million or 23.3% over the same period last year.

Key Highlights of 2Q19 and 1H19

Unit: Million THB	2Q19	2Q18	%YoY	1H19	1H18	%YoY
Packaging Supply Chain	4,989	4,880	2.2	9,885	10,202	(3.1)
Consumer Supply Chain	4,734	4,332	9.3	9,461	8,775	7.8
Healthcare and Technical Supply Chain	2,079	1,997	4.1	4,077	3,797	7.4
Modern Retail Supply Chain	28,990	28,010	3.5	56,037	53,660	4.4
Others	(357)	(195)	84.3	(636)	(341)	87.1
Sales & Services	40,435	39,024	3.6	78,824	76,093	3.6
Other income	4,044	3,925	3.0	7,973	7,931	0.5
Gain from foreign exchange	-	80	(100.0)	-	22	(100.0)
Total revenues	44,479	43,029	3.4	86,797	84,046	3.3
Cost of goods sold	32,368	31,707	2.1	63,337	61,762	2.6
Gross profit	8,067	7,317	10.2	15,487	14,331	8.1
Selling expenses	7,349	6,821	7.7	14,368	13,262	8.3
Administrative expenses	1,222	1,209	1.1	2,430	2,365	2.7
Expenses from adjustment of employee benefit obligation	306	-	100.0	306	-	100.0
Loss from foreign exchange	(29)	-	100.0	(22)	-	100.00
Share of profits (loss) from investments	(81)	(76)	6.3	(74)	(82)	(8.9)
Earnings before interest and tax	3,124	3,216	(2.9)	6,260	6,575	(4.8)
(Recurring earnings before interest and tax)¹	3,430	3,216	6.6	6,566	6,384	2.8
Interest expense	1,245	1,170	6.4	2,442	2,316	5.5
Earnings before tax	1,879	2,046	(8.2)	3,818	4,259	(10.4)
Tax	213	456	(53.4)	502	1,040	(51.7)
Net profit	1,666	1,590	4.8	3,316	3,219	3.0
Attributable to:						
Minority interests	138	194	(28.8)	284	378	(25.0)
Equity holders of the Company	1,528	1,396	9.4	3,032	2,841	6.7
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	237	-	100.0
Equity holder of the Company (Excluded one-time items)	1,765	1,396	26.4	3,269	2,650	23.3
<i>Net profit margin (%)^{*1}</i>	<i>4.4</i>	<i>3.6</i>	<i>0.8</i>	<i>4.1</i>	<i>3.5</i>	<i>0.7</i>

Key Financial Ratios	2Q19	2Q18	Change	1H19	1H18	Change
Gross profit as % to sales*	19.9%	18.8%	+120 bps	19.6%	18.8%	+81 bps
SG&A as % to sales*	21.2%	20.6%	+62 bps	21.3%	20.5%	+77 bps
Recurring EBIT margin as % to sales* ¹	8.5%	8.2%	+24 bps	8.3%	8.4%	-6 bps
Recurring Net Profit margin (attributable to equity holders of the Company) as % to sales* ¹	4.4%	3.6%	+79 bps	4.1%	3.5%	+66 bps
Net debt to equity (times)	1.3	1.4	-4 bps	1.3	1.4	-4 bps

* As percentage to sales excluding other income

¹ Excluding THB 306 million (THB 237 million after tax and minority interest) 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	2Q19	2Q18	Change	1H19	1H18	Change
Sales	4,989	4,880	+2.2%	9,885	10,202	-3.1%
Net profit	425	459	-7.4%	961	975	-1.5%
Recurring net profit ¹	485	459	+5.7%	1,021	975	+4.7%
% Recurring net profit margin ¹	9.7%	9.4%	+31 bps	10.3%	9.6%	+77 bps

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

Performance in 2Q19

In 2Q19, Packaging Supply Chain reported sales of THB 4,989 million, an increase of THB 109 million or 2.2% over the same period last year. This was driven by growth from both glass and aluminum packaging businesses.

Packaging Supply Chain's gross profit margin decreased to 21.1% in 2Q19 from 22.2% in 2Q18 due to declining gross profit margin at the Aluminum Packaging business, and EBIT margin decreased to 14.1% in 2Q19 from 17.3% in 2Q18 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, the recurring EBIT margin reached 15.7% for the quarter.

Net profit attributable to the equity holders of the Company reached THB 425 million, a decrease of THB 34 million or -7.4% over the same period last year. Whilst our loss from investment in Malaysian Glass packaging business increased due to delayed furnace reopening, the year-on-year decline was mainly driven by 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, the recurring net profit available for the equity holders of the Company for 2Q19 reached THB 485 million, an increase of THB 26 million or 5.7% over the same period last year.

Glass Packaging Business

In 2Q19, glass packaging business reported sales of THB 2,802 million, an increase of 2.0% over the same period last year, and contributed approximately 56.0% of total Packaging Supply Chain sales. This increase was driven by higher sales in non-alcoholic segment. Net profit attributable to the equity holders of the Company in 2Q19 increased over the same period last year driven by increased sales and lower effective tax rate from BOI tax benefits for the quarter.

Aluminum Can Business

In 2Q19, aluminum can business reported sales of THB 2,187 million, an increase of 2.5% over the same period last year, as the orders from the new customers picked up and were able to offset the decline from the old customer during the quarter. Aluminum can business contributed approximately 44.0% of total Packaging Supply Chain sales. However, due to the lower economies of scale for the new can sizes and the geographical sales mix, gross profit margin declined from last year and led to a lower net profit attributable to the equity holders of the Company year-on-year in 2Q19.

Consumer Supply Chain

Unit: Million THB	2Q19	2Q18	Change	1H19	1H18	Change
Sales	4,734	4,332	+9.3%	9,461	8,775	+7.8%
Net profit	274	251	+9.3%	555	489	+13.6%
Recurring net profit ¹	314	251	+25.1%	595	489	+21.7%
% Recurring net profit margin ¹	6.6%	5.8%	+84 bps	6.3%	5.6%	+72 bps

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

Performance in 2Q19

In 2Q19, Consumer Supply Chain reported sales of THB 4,734 million, an increase of THB 402 million or 9.3% over the same period last year. This increase was driven by increased sales in all business segments.

Consumer Supply Chain's gross profit margin increased to 21.6% in 2Q19 from 20.2% in 2Q18 due to lower raw material prices of palm oil, and crude coconut oil, whilst EBIT margin decreased to 7.7% in 2Q19 from 8.0% in 2Q18 due to 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 50 million baht before tax, the recurring EBIT margin increased to 8.8% for the quarter.

Net profit attributable to the equity holders of the Company in 2Q19 reached THB 274 million, an increase of THB 23 million or 9.3% over the same period last year. The net profit increase was driven by higher sales, and improved profitability. 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, the recurring net profit available for the equity holders of the Company for 2Q19 reached THB 314 million, an increase of THB 63 million or 25.1% over the same period last year.

Foods Group

In 2Q19, Foods Group reported sales of THB 1,409 million, an increase of 11.0% 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 potato chip category. Net profit attributable to the equity holders of the Company in 2Q19 increased over the same period last year due to sales growth, improved gross profit margin and lower SG&A-to-sales ratio.

Non-Foods Group

In 2Q19, Non-Foods Group reported sales of THB 1,731 million, an increase of 1.0% over the same period last year, and contributed approximately 37.0% of total Consumer Supply Chain sales. The sales growth was due to slightly higher sales in both tissue and personal care categories. Net profit attributable to the equity holders of the Company in 2Q19 decreased over the same period last year due to the non-cash impact from the expenses relating to amendment of the post-employment benefit plans. If we remove this non-cash impact, the net profit attributable to the equity holders of the Company in 2Q19 increased over the same period last year.

International Trading

In 2Q19, International Trading reported sales of THB 1,161 million, an increase of 9.7% over the same period last year, and contributed approximately 25.0% of total Consumer Supply Chain sales. The sales growth was mainly driven by a higher sales from Thai Corp International Vietnam. However

the net profit attributable to the equity holders of the Company in 2Q19 decreased over the same period last year due to the increased costs.

Healthcare & Technical Supply Chain

Unit: Million THB	2Q19	2Q18	Change	1H19	1H18	Change
Sales	2,079	1,997	+4.1%	4,077	3,797	+7.4%
Net profit	169	166	+2.2%	394	331	+19.0%
Recurring net profit ¹	185	166	+11.8%	409	331	+23.8%
% Recurring net profit margin ¹	8.9%	8.3%	+61 bps	10.0%	8.7%	+133 bps

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

Performance in 2Q19

In 2Q19, Healthcare and Technical Supply Chain reported sales of THB 2,079 million, an increase of THB 82 million or 4.1% over the same period last year. The sales increase was mainly driven by Technical supply chains due to a consolidation of White Group sales.

Healthcare and Technical Supply Chain's gross profit margin decreased to 31.0% in 2Q19 from 31.9% in 2Q18, whilst EBIT margin increased to 10.6% in 2Q19 from 10.5% in 2Q18 due to an effective cost control. However 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 increased further to 11.6% for the quarter.

Net profit attributable to the equity holders of the Company in 2Q19 reached THB 169 million, an increase of THB 4 million or 2.2% 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 16 million baht after tax, the recurring net profit available for the equity holders of the Company for 2Q19 reached THB 185 million, an increase of THB 19 million or 11.8% over the same period last year.

Modern Retail Supply Chain

Unit: Million THB	2Q19	2Q18	Change	1H19	1H18	Change
Total Revenues	32,912	31,814	+3.5%	63,769	61,101	+4.4%
Net profit	1,493	1,520	-1.8%	2,850	2,910	-2.1%
Recurring net profit ¹	1,594	1,520	+4.9%	2,952	2,910	+1.4%
% Recurring net profit margin ¹	5.5%	5.4%	+7 bps	5.3%	5.4%	-15 bps

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

Performance in 2Q19

In 2Q19, Modern Supply Chain reported total revenue of THB 32,912 million, an increase of THB 1,099 million or 3.5% over the same period last year. This increase was driven by a retail sales reaching THB 28,990 million, an increase of THB 980 million or 3.5% from the same period last year, driven by new store openings since 2Q18, as same-store-sales growth slowed down to -0.3% year-on-year for the quarter (excluding B2B sales same-store-sales growth for the quarter was +0.4%). Whilst the other income, including rental income and other income, reached THB 3,923 million, an increase of THB 119 million or 3.1% over the same period last year due to added rental space, rental escalation, and increasing other income.

Modern Supply Chain's gross profit margin increased to 17.4% in 2Q19 from 16.1% in 2Q18 mainly due to an improved profitability in most of the categories due to a good summer and back-to-school related sales, good stock management (lower stock level and lower damage and shrinkage). Our B2B sales contribution was also lower when compared to same period last year. Whilst EBIT margin decreased to 6.7% in 2Q19 from 6.8% in 2Q18, this was mainly due to (1) the non-cash impact from the expenses relating to amendment of the post-employment benefit plans, (2) the personnel expenses also increased from store expansion and yearly merit increase, (3) utility expense from store expansion and from increased FT electricity surcharge. 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, the recurring EBIT margin increased to 7.1% for the quarter.

Net profit attributable to the equity holders of the Company in 2Q19 reached THB 1,493 million, an decrease of THB 27 million or -1.8% over the same period last year. The year-on-year decline was mainly driven by 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 102 million baht after tax, the recurring net profit available for the equity holders of the Company for 2Q19 reached THB 1,594 million, an increase of THB 75 million or 4.9% over the same period last year.

Modern Retail Supply Chain ramped up its small store format expansion and opened 63 Mini Big C stores (closed 25 stores) during the quarter. The total number of our stores at the end of June 2019 reached to 147 large format stores (Big C Supercenter, Extra, and Jumbo), 61 supermarkets (Big C Market and Big C Food Place), 835 Mini Big C (including 65 franchise stores), and 140 Pure Drugstores.

Dividend payment

On 14th August 2019, the Board of Directors Meeting approved the 2019 interim dividend payment at the rate of THB 0.18 per share, which will be paid on 13th September 2019.

Please be informed accordingly.

Yours faithfully,

Berli Jucker Public Company Limited

Thirasakdi Nathikanchanalab
Director

Aswin Techajareonvikul
Director