BERLI JUCKER PLC

Announcement no. 866

12 April 2012

Company Rating: A+

Outlook: Stable

New Issue Rating: -

Rating History:

Date	Company	Issue (Secured/ Unsecured)
22/10/07	A+/Sta	-/A+
15/06/07	A+/Sta	-

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Rating Rationale

TRIS Rating affirms the company and issue ratings of Berli Jucker PLC (BJC) at "A+". The ratings reflect the company's strong competitive positions in its major business lines with a portfolio of strong brand names, well diversified business portfolio and sources of income, and strong relationships with suppliers and clients. The ratings also take into consideration the company's proven ability to generate cash flow and cost competitiveness derived from economies of scale in production. These factors are partly offset by the intensely competitive operating environment, exposure to soaring raw material costs, and an anticipated rise in leverage due to acquisitions and the company's business expansion.

BJC's business history in Thailand dates back over a century. A major transformation happened in 2001, when TCC Holding Co., Ltd. (TCC Holding) became BJC's major shareholder. TCC Holding, owned a 70.06% stake in BJC as of March 2012, is a large Thai conglomerate whose business spans various industries and with Thai Beverage PLC (ThaiBev) as the flagship company in beverage business.

BJC's operations include the distribution and manufacturing of its own products plus contract distribution and manufacturing for other firms. At present, BJC's core lines of business comprise: 1) Industrial Supply Chain (ISC), offering products and services in packaging, construction, and engineering; 2) Consumer Supply Chain (CSC), manufacturing, marketing, and distributing food and non-food consumer products; 3) Healthcare and Technical Supply Chain (HTSC), focusing on medical products, hospital equipment and supplies, specialty chemicals, graphics and printing products, and stationery and consumer electronics products; and 4) other businesses, including international business, Asia Books, and information technology. In 2011, total sales reached Bt31,235 million, a 22% increase from 2010, supported by both organic growth and acquisitions. In 2011, half of BJC's total sales came from the ISC segment, 30% from CSC, and 18.4% from HTSC.

BJC's strong business profile is enhanced by the company's diversified portfolio of businesses and sources of income. The company has been ranked among top two operators in the packaging and consumer product businesses. BJC's branded consumer products, i.e., Cellox, Zilk, Tasto, Dozo, and Parrot, underline the company's competitive edge against peers. In addition, the packaging business is well secured by sizable and continual orders from ThaiBev which accounts for about 40% of sales in the packaging segment. Over the medium term, the packaging segment will continue to be BJC's major sales and profit generator. In terms of production, BJC attempts to maximize the utilization of all plants in order to gain a cost advantage. Another key factor strengthening BJC's competitive position is product innovation. BJC has shown a certain extent of ability to innovate and is challenged to continually deliver effective new products to stay ahead of competition.

BJC's growth strategy targets to increase the distribution and logistics services for third party products. At the same time, the company will expand its own production and distribution network. BJC is aiming to become a significant regional player, especially in Indochina. In mid 2011, the company acquired Asia Books Co., Ltd. (Asia Books), a leading English language book retailer and distributor in Thailand, intending to extend the distribution networks to educational materials and to add e-commerce capabilities and e-books platform. In the packaging segment, beside capacity expansion, BJC has invested with two of its long-term partners, to operate production facilities in Vietnam and Malaysia. Although the forthcoming expansions are likely to enhance BJC's business profile, the company faces challenges to maximize the return on investment and to manage the increased operating risk in those overseas markets.

BJC's financial strength is supported by satisfactory operating performance, growing cash flow, and ample liquidity. However, BJC's growth strategy has raised the level of leverage significantly. Operating income before depreciation and amortization as a percentage of sales improved to 15%-16% during the past two years, compared with 13% in 2009. The rise was mainly driven by high factory utilization and production efficiencies in packaging segment. The effects from the 2011 flood were minimal because the company's major assets and plants were not damaged. However, the floods affected BJC in terms of higher logistics cost and some disruption in demand as some customers postponed receiving the finished goods from BJC. Going forward, operating margins will remain under pressure, largely due to intensifying competition and rising costs for raw materials. Cost control initiatives and new product introductions remain the key focuses to improve margins.

In 2011, BJC generated Bt4,060 million in funds from operations (FFOs), compared with Bt3,830 million in 2010. FFOs were mainly driven by the glass container and aluminum can segments. However, the level of leverage rose from Bt8,075 million in 2010 to Bt11,110 million in 2011 to finance the Asia Books acquisition and business expansion, mainly in packaging segment. As a result, BJC's financial leverage, as measured by the total debt to capitalization ratio, rose from 38.4% in 2010 to 43.3% in 2011. The company's liquidity profile was weaker in 2011, though it remained acceptable as the Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage ratio remained high at 14.3 times and the FFO to total debt ratio was 36.6% in 2011, compared with 47.4% in 2010.

In the medium term, considering BJC's growth strategy, the company is expected to utilize its operating cash flows to partly finance its future investments. A shift to a more aggressive financial policy or any large debt-financed acquisition may weaken the company's financial position and add pressure on the credit ratings. TRIS Rating expects BJC to maintain a sufficient level of liquidity throughout the investment period.

Rating Outlook

The "stable" outlook reflects BJC's competitive strengths in its key businesses. TRIS Rating anticipates BJC will continue to maintain its operating performance and strong operating cash flow. Future investments or acquisitions, if any, should be partly funded by operating cash flow in order to maintain the debt to capitalization ratio at a moderate level.

Berli Jucker PLC (BJC)

Company Rating:	A+
Issue Ratings:	
BJC145A: Bt1,500 million senior debentures due 2014	A+
BJC165A: Bt1,000 million senior debentures due 2016	A+
Rating Outlook:	Stable

KEY RATING CONSIDERATIONS

Strengths/Opportunities

- Well-diversified business portfolio
- Economies of scale
- Solid competitive positions in key businesses, with a portfolio of established brand names
- Strong relationships with suppliers and clients

Weaknesses/Threats

- Intense competition in key businesses
- Soaring raw material costs
- Higher leverage from business expansion and acquisitions

CORPORATE OVERVIEW

BJC is one of Thailand's leading conglomerates, founded in 1882. The company was originally engaged in various trading and service activities. BJC was listed on the Stock Exchange of Thailand (SET) in 1975. In 2001, the TCC Holding purchased BJC from the First Pacific Group, a Hong Kong-based corporation, and became BJC's major shareholder. As of March 2012, TCC Holding held directly 70.06% of BJC's shares. TCC Holding is one of Thailand's largest conglomerates, whose business spans a number of industries. ThaiBev (rated "AA/Stable" by TRIS Rating), a leading Thai alcoholic drinks producer, is the TCC group's flagship company in the beverage industry and has been one of BJC's largest packaging customers.

BJC's operations include the manufacture and distribution of its own products plus contract manufacturing and distribution for other firms. BJC's major lines of business are ISC, CSC, HTSC, and others.

In 2011, sales in the ISC segment comprised around 49% of total revenue. The CSC segment generated 30% of total sales, while sales in the HTSC segment contributed a total of 18%. The remainder was from international business and information technology segment. In terms of profitability, the ISC segment is major earning generator, contributing around 66% of total EBITDA.

Table 1: BJC's Revenue Contributions by Line of Business

	2009		2010		2011	
	Bt Mil.	%	Bt Mil.	%	Bt Mil.	%
1. Industrial Supply Chain (ISC)	10,700	47	13,068	51	15,385	49
2. Consumer Supply Chain (CSC)	7,063	31	7,641	30	9,253	30
3. Healthcare and Technical Supply Chain (HTSC)	4,457	20	4,512	17	5,745	18
4. Others	579	2	489	2	1,145	4
5. Elimination	-	-	(85)	0	(293)	(1)
Total (after eliminations)	**22,799**	**100**	**25,625**	**100**	**31,235**	**100**

Source: BJC

BJC has large production bases. Its glass packaging production base in Thailand comprises three main plants at Bang Plee, Rat-Burana, and Saraburi. Glass production capacity per annum was around one million tonnes in 2011. Moreover, the company jointed with Owens-Illinois Inc. to operate two glass packaging production plants in Vietnam and Malaysia. Thai Beverage Can Co., Ltd. (TBC), BJC's subsidiary, operates aluminum can production facility in Saraburi province and jointly invests with Ball Corporation in Vietnam. Both plants have a combined capacity of around 2,500 million cans and 1,700 million ends. BJC also owns factories that produce tissue paper and snacks. The capacity of tissue production facility is around 50,000 tonnes per annum.

BJC's distribution network in Thailand is mainly operated by BJC Logistics Co., Ltd. (BJL), BJC's wholly-owned subsidiary. BJL has two major distribution centers with a combined capacity of over 25,000 pallets, covering more than 7,600 active stock-keeping units (SKUs), in order to distribute products to hypermarkets, supermarkets, the modern retail trade channel, and retailers nationwide. BJC has expanded its distribution network into Vietnam through its subsidiary, Thai Corp International (Vietnam), to support its regional market.

RECENT DEVELOPMENTS

- ***Acquired Asia Books***

In July 2011, BJC purchased 100% stakes in Asia Books, for Bt1,195 million. The acquisition was funded by bank loans. Asia Books is the largest English language bookstore chain and book distributor in Thailand. Asia Books has more than 70 retail shops under the Asia Books and Bookazine brands, and its distribution network covers over 300 outlets in Thailand. The investment is in line with BJC's growth strategy, extending its distribution network to cover educational materials, and adding a sales channel for e-commerce and electronic books.

- ***Glass plant is relocated***

In August 2011, BJC's board of directors approved the relocation of a glass packaging plant from Rat-Burana to Hemaraj Saraburi Industrial Land (SIL) in Saraburi province. The new site is in the same location as Thai Malaya Glass Co., Ltd. (TMG), BJC's own subsidiary which makes glass packaging. The first phase of the relocation is to rebuild one furnace. The melting capacity will increase from 120 tonnes per day to 300 tonnes per day. The project cost is Bt1,665 million, funded by loans from financial institutions. The plant relocation is expected to be completed within 2013.

- ***Completed aluminum can plant in Vietnam***

The construction of an aluminum can plant in Vietnam was completed in the beginning of 2012. The commercial operation will start in May 2012. The plant's total production capacity is 850 million cans per year. However, the production will be up to 500 million cans in 2012, and increase to full capacity in 2013 and 2014.

INDUSTRY ANALYSIS

- ***Private consumption was temporarily affected by flooding, but is expected to grow moderately in 2012***

In the last quarter of 2011, the consumer product industry faced a sharp drop in private sector spending. Badly affected by severe flooding, private consumption in Thailand contracted by 3.0% year-on-year (y-o-y) in the fourth quarter of 2011. This performance was in sharp contrast with growth of 2.8% y-o-y in the first nine months in 2011. Gross domestic product (GDP) showed the same pattern. GDP dropped by 9.0% y-o-y in the fourth quarter of 2011, versus a rise of 3.2% in the first nine months of the year, bringing the growth rate of GDP to 0.1% for the full year.

Consumer confidence recovered strongly after the flood. The latest consumer confidence index (CCI), reported by the Center for Economic and Business Forecasting (CEBF) of the University of the Thai Chamber of Commerce, showed a slightly positive outlook. The CCI rose for a fourth straight month to 76.6 in March 2012 from 75.5 in February 2012. However, the index, remaining below 100, reflected some future concern over the rising cost of living, rising energy prices, domestic political uncertainty, and global economic problems.

Table 2: Growth Rates (Y-O-Y) for GDP and Private Consumption

Unit: %

	2009	2010	2011	2011				2012p
	Full Year			Q1	Q2	Q3	Q4	
GDP	-2.3	7.8	0.1	3.2	2.7	3.7	-9.0	5.5-6.5
Private consump-tion	-1.1	4.8	1.3	3.3	2.7	2.4	-3.0	4.5

p = Projection

Source: Office of National Economic and Social Development Board (NESDB)

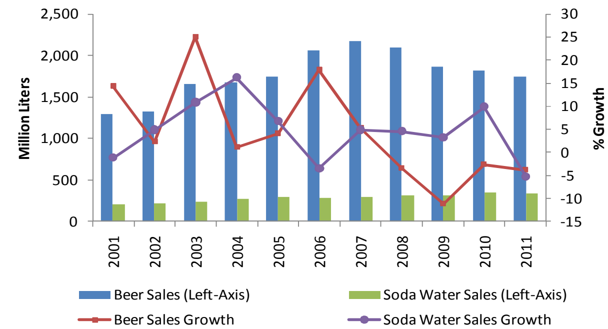
Private sector spending is expected to grow moderately in 2012. The Office of the National Economic and Social Development Board (NESDB) projected private consumption in 2012 will grow by 4.5%. The GDP growth estimate for 2012 is 5.5%-6.5%. Rising inflation and domestic political uncertainty remain the major risk factors for the growth of private consumption and the overall economy for the remainder of 2012.

Glass Containers:

Demand for glass containers is mainly driven by demand for their end-market products, such as food, alcoholic drinks, non-alcoholic beverages, pharmaceuticals, and cosmetics. In Thailand, alcoholic beverage manufacturers are the dominant consumers of glass containers, using about 40% of the total amount of glass containers produced, followed by manufacturers of non-alcoholic drinks, food, and energy drinks. In 2011, demand for new glass containers was 1.98 million tonnes, 3.9% higher than the previous year. New glass bottles were partly required to replace used bottles already in circulation in the market. The demand prospects for glass containers used to hold alcoholic beverages are expected to remain mixed. In 2011, spirits consumption was projected to continue growing, rising by approximately 5%. In contrast, beer consumption was expected to fall, by 3.8%, according to the Office of Industrial Economics. Sales of soda water also decreased, dropping by 5.3%. Sales of soda water and beer were affected by the severe flooding in the fourth quarter of 2011. Nonetheless, TRIS Rating expects that a growing economy will boost consumption of beverages and food in 2012, and thus increase the sales of the packaging industry.

Competition among glass container producers is not so intense, since major producers primarily supply products to their own group's businesses which make alcoholic and energy drinks. Currently, the glass container industry has three big players: Bangkok Glass Industry Co., Ltd., Thai Glass Industries PLC, and Siam Glass Industry Co., Ltd. The barriers to entry for this industry are high, due to the need for a sufficiently strong customer base to justify the huge capital investments in technical know-how and machinery. Over the past two decades, glass containers have faced increasing challenges from other substitute materials, e.g., aluminum and polyethylene terephthalate (PET).

Chart 1: Domestic Sales of Beer and Soda Water in Thailand

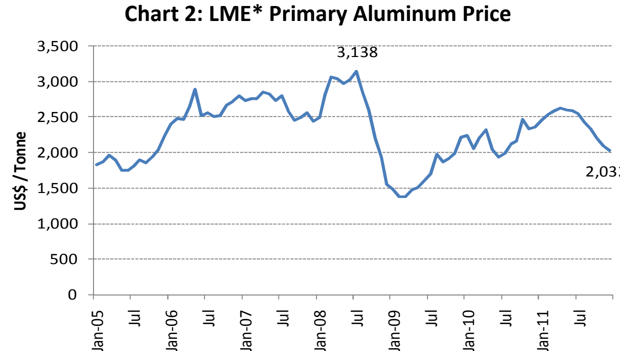


Source: Office of Industrial Economics (OIE)

Aluminum Cans:

Similar to glass containers, demand for aluminum cans is driven by demand for beverages. In Thailand, aluminum cans are used mainly by beer manufacturers, followed by producers of energy drinks and carbonated soft drinks. In 2011, producers sold approximately 2,581 million cans, a 9.9% increase from 2010. Currently, there are three major aluminum can manufacturers: Bangkok Can Manufacturing Co., Ltd., Thai Beverage Can Ltd., and Crown Bevcan and Closures (Thailand) Co., Ltd. The oligopolistic characteristics of the can industry parallel the glass container industry: a strong customer base is required. Primary aluminum prices have been highly volatile. The volatility has significantly influenced production costs for can manufacturers.

Chart 2: LME* Primary Aluminum Price



* *LME = London Metal Exchange*

Source: BJC

Tissue Paper:

In 2011, the value of Thailand's tissue paper market was approximately Bt6,700 million, up 5.1% from 2010. Population and income growths are the primary factors determining the quantity and quality of tissue paper purchased and used. An economic slowdown can cause changes in buying patterns, inducing consumers to trade down from premium products to medium cost or budget products. The market can be divided into the consumer category, comprising 71% of the total value of tissue paper sold, and the institutional category, 29%. The consumer category comprises four segments: toilet tissue paper, facial tissue paper, towels, and napkins. The institutional category includes tissue paper supplied wholesale to janitorial supply companies, hotels, offices, restaurants, factories, airports, schools, and government offices. The largest segment of the consumer category is toilet tissue paper, the sales value of which accounted for 67% of the sales in the consumer category.

In 2011, Kimberly-Clark, the manufacturer of Scott and Kleenex, and BJC Cellox, the manufacturer of Cellox and Zilk, were the two largest producers. Together these two firms commanded over 75% of the market. In the overall tissue paper market, Kimberly-Clark is the market leader, whereas BJC Cellox is the leader in the toilet tissue paper segment. Competition in the toilet tissue paper segment is rather intense because brand loyalty is relatively low. Producers and distributors use pricing and promotional campaigns to attract buyers. There is also competition from super/hypermarkets, which have launched private label brands to compete with the branded products. Tissue paper manufacturers face a challenge because the price of fiber pulp fluctuates rapidly.

Snacks:

The value of Thailand's snack market was approximately Bt23,500 million in 2011, up 14.3% from 2010. Extruded snacks accounted for the largest portion of the market, followed closely by potato chips. Other snack categories included fish snacks, peanuts, prawn crackers, cuttlefish, rice crackers, popcorn, and seaweed snacks. The rise in snack consumption in 2011 was driven by the manufacturers' continuous introductions of new products, such as new flavors, new lines, and new packaging. The flooding in late 2011 also boosted snack sales during the months of September and October.

In terms of sales value, Frito-Lay was the market leader, followed by BJC Foods, Useful Food, Friendship, and Premier Marketing. Prices, promotional campaigns, and product placement on store shelves are the typical competitive tools used to gain or at least retain market share in this industry. Heavy advertising spending and continuous marketing activities are used to maintain brand awareness. Substitution effects can happen within the snack industry itself or from other edible product categories, such as biscuits, cookies, crackers, and wafers. A key entry barrier for newcomers is the difficulty in building brand awareness. Recently, health consciousness has become an important social issue which will raise the growth potential of the healthy snack market. In response to the demand shift, snack producers have started making healthier products.

BUSINESS ANALYSIS

BJC's business profile is strong, supported by a well-diversified portfolio of products and its proven market positions in its core business segments. Economies of scale in production yield cost competitiveness, particularly in packaging products and tissue paper. However, it remains to be seen if the company can maximize returns on its investments in both green field projects and acquisitions. The company also faces a challenge to manage the increased operating risk in the overseas markets.

- ***Diversified portfolio of products and market coverage***

BJC's product portfolio is well-diversified among the key three lines of supply chains. The three supply chains have low degrees of correlation, which help mitigate any negative effects during an economic downturn. Each segment also covers a wide range of products, customers, market coverage, and distribution channels nationwide.

BJC provides three types of packaging products: glass bottles, aluminum cans, and rigid plastic containers. The packaging segment offers containers in a variety of sizes and designs. The products available cover a wide range of market: alcoholic beverages, non-alcoholic beverages, energy drinks, and the non-cyclical food segment. ThaiBev, TCC Group's flagship beverage company, is BJC's largest customer. ThaiBev bought around 50% of the glass containers and around 27% of the aluminum cans sold by BJC in 2011. Although the bulk sales to ThaiBev pose some customer concentration risk, the sales strengthen BJC's operation and justify the investment.

BJC produces and distributes food and non-food consumer products, such as tissue paper, personal care products, and snacks. The products are positioned across all market segments, from economy to premium. BJC distributes consumer products through hypermarkets and retailers nationwide, and also through its own distribution network. BJC's healthcare segment offers a wide range of medical treatment products, including original and generic drugs, medical imaging machinery, surgical equipments, and medical supplies. BJC supplies those products to both government and private hospitals.

Going forward, BJC plans to offer sales and marketing services for third-party products, in order to maximize the utilization of its distribution network and strengthen its product portfolio.

- ***Strong competitive position in Thailand***

BJC's strong business profile is supported by its market position ranking among top two producers in glass bottles, aluminum cans, and tissue paper. BJC's experience as a glass container producer spans more than six decades. Based on sales of glass container products, BJC had roughly 41% market share in 2011, a proportion very close to the share held by the market leader. TBC has produced and sold aluminum cans for over 15 years. Sales of aluminum cans by TBC have grown strongly, and TBC became the market leader during the last two years.

In terms of revenue, BJC is considered the second-largest producer of tissue paper and snacks. BJC's consumer product brands are well recognized and have proven records in the Thai market. BJC faces challenges to increase the quality of its products and continues to develop new products in order to stay ahead of the competitors.

- ***Economies of scale***

Sizable production facilities and an established customer base enable the company to maintain high factory utilization, which benefits BJC in terms of cost competitiveness. BJC is among the biggest packaging producers in Thailand. BJC has a combined annual capacity of around one million tonnes of glass. TBC had an annual production capacity of 1,670 million aluminum cans and 1,700 million ends in 2011. The utilization rates of the packaging plants remain very high at 85% to 100%. The annual capacity of BJC's tissue production was around 50,000 tonnes in 2011 with a 90% utilization rate.

The high utilization and sizable volume sales create economies of scales and yield benefits in terms of bargaining power with suppliers and distributors. Efficiency and cost control are crucial in BJC's effort to keep its competitive edge, especially once competition intensifies.

- ***Product innovation creates competitive advantage***

Product innovation is key success factor, leading to product differentiation and the strengthening of the brand awareness. BJC has focused on introducing innovative products and has continually invested in research and development. BJC has demonstrated a certain extent of innovative ability, including creating new products, improving product quality, designing attractive packaging, and creating marketing campaigns to counter fierce competition.

BJC has continually launched new products, new flavors of snacks, and marketing gimmicks. For example, in 2011, BJC launched Party Butter Bread, Dozo Seaweed, Tasto Black Crab Pepper, and Tasto Basil Seafood snacks. In tissue paper market, packaging is one of the effective tools to draw customers. Tissue paper in a pop-up style package and soft-packs has become popular in the market. To tap these trends, BJC introduced new products in Stitch series-packaging like Cellox Yori Stitch Hanky, Cellox Yori Stitch Soft Case, and Cellox Yori Stitch Pop-up. In addition, BJC offered Zilk Facial tissue paper in both a box package and a soft-pack. Product innovation could help the company sustain its strong market positions. BJC will face a continual challenge to deliver the effective new products to stay ahead of competition.

- ***Overseas expansion has high prospective growth, but raises operating risks***

BJC is striving to be a regional distributor, especially in Indochina. At the same time, BJC continues to expand its manufacturing base to extend its presence and brands throughout the region.

Expansion efforts and investments have intensified during the past few years. In 2008, BJC invested in Jacy Food (a snack business) in Malaysia. In 2010, BJC invested in Thai Corp (a distributor in Vietnam). BJC has invested with Owens-Illinois Inc., the world's leading glass bottle packaging manufacturer, to acquire glass bottle plants in Malaysia and Vietnam. In addition, BJC has jointly invested with Ball Corporation, the world's leading aluminum can packaging manufacturer, to establish an aluminum can production facility in Vietnam. With these efforts to expand overseas, the revenue from international operations, although remaining small, increased gradually. The contribution from overseas markets will continue to grow, upon the commercial launch of an aluminum can factory in Vietnam in May 2012.

Once materialized, the overseas businesses will diversify BJC's market coverage and also prepare the company for intensified competition under the Asean Economic Community (AEC) initiative. However, the company will face challenges to maximize the returns on its overseas investments and to manage the increased operating risk in the overseas markets, particularly in new markets where BJC has a short track record.

FINANCIAL ANALYSIS

BJC's financial profile is underpinned by growing operating cash flow and ample liquidity. Its operating margin is quite stable, thanks to its diversified portfolio of products. BJC's growth strategy has raised leverage level. Any large debt-financed acquisition may weaken the company's financial position.

- ***Strong revenue growth although margins remain under pressure***

Revenue has grown strongly, rising from Bt25,625 million in 2010 to Bt31,235 million in 2011. The 22% y-o-y rise in revenue was driven by the strength of core operations, production facilities expansion, and the acquisition of Asia Books. Operating profit margins during the past two years were relatively strong, ranging around 15%-16%, compared with 13% in 2009, due to high factory utilization, more stable commodity price, and rising selling prices in some packaging products.

Among the core businesses, consumer product segment reported the lowest profit margin. In 2011, consumer product segment reported a relatively flat EBITDA margin of around 10%. A lack of pricing flexibility and a significant amount of marketing expenses keep profit margins thin. Marketing expenditures and new product launches are needed to maintain brand awareness and stimulate growth.

Going forward, operating margins will remain under pressure, largely due to intense competition and soaring costs for raw materials. The overall corporate margin will be volatile in the narrow range, given the firm's a well-diversified product portfolio, as well as cost control initiatives and new product introductions.

The effects of the 2011 flood disaster was minimal, because the company's major assets and plants were not damaged. However, BJC was affected in terms of higher logistics cost and demand was disrupted as some packaging product customers postponed receipt of the finished goods. In addition, rising raw material costs and a competitive environment will keep margins from rising.

- ***Leverage is expected to rise due to expansion***

BJC's investment has raised the company's total debt from Bt6,013 million in 2009 to Bt8,075 million in 2010 and Bt11,110 million in 2011. The rise in leverage level in 2011 was to fund capital expenditures in the core businesses, mainly a production capacity expansion in the packaging segment and the Asia Books acquisition. The total debt to capitalization ratio worsened to 43.3% in 2011, compared with 38.4% in 2010.

According to BJC's growth strategy, it plans to invest around Bt8,000 million during 2012-2014. As a result, BJC's leverage level is expected to rise over the medium term. TRIS Rating expects BJC to well manage the capital structure in order not to significantly deteriorate the company's financial position. The potential shift to a more aggressive financial policy or any large debt-financed acquisitions may weaken the company's financial position, and negatively affect the credit ratings.

- ***Cash flow protection remained satisfactory, with ample liquidity***

BJC's cash flow protection in 2011 remained satisfactory, supported by its proven ability to generate FFOs. In 2011, BJC generated Bt4,060 million in FFOs, up from Bt3,830 million in 2010. FFOs were mainly driven by the glass container and aluminum can segments. Cash flow protection measures softened moderately, although remained acceptable as the EBITDA interest coverage ratio was high at 14.8 times in 2011, while the FFO to total debt ratio was 36.6% in 2011, compared with 47.4% in 2010.

BJC's growth strategy of pursuing acquisitions and expansions in Thailand and Indochina is expected to generate more cash flow in the future. However, these positive outcomes could be offset by high leverage and increasing interest expenses. TRIS Rating expects BJC will reserve a sufficient level of liquidity at all times.

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Year Ended 31 December				
	2011	2010	2009	2008	2007
Sales	31,235	25,625	22,428	22,243	19,162
Gross interest expense	366	227	222	230	147
Net income from operations	2,148	1,858	1,230	981	1,258
Funds from operations (FFOs)	4,060	3,830	2,602	2,349	2,370
Total capital expenditures	2,711	1,107	619	2,269	2,962
Total assets	32,926	27,677	23,036	22,813	19,643
Total debt	11,110	8,075	6,013	6,620	4,986
Shareholder equity	14,568	12,934	11,374	10,590	9,870
Operating income before depreciation and amortization as % of sales	15.2	16.3	13.2	11.9	13.8
Pretax return on permanent capital (%)	14.8	15.9	11.1	10.6	14.2
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	14.3	19.7	14.7	12.7	19.6
FFOs/total debt (%)	36.6	47.4	43.3	35.5	47.5
Total debt/capitalization (%)	43.3	38.4	34.6	38.5	33.6

* *Consolidated financial statements*

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

AAA The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.

AA The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.

A The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.

BBB The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.

BB The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.

B The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.

C The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.

D The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year. The symbols and definitions for short-term ratings are as follows:

T1 Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.

T2 Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.

T3 Issuer has acceptable capacity for meeting its short-term obligations.

T4 Issuer has weak capacity for meeting its short-term obligations.

D The rating for an issuer for which payment is in default.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating differentiates a "structured finance product" from other debt instruments by attaching the "(sf)" identifier next to the original letter rating symbol. The "(sf)" identifier is assigned to all debt instruments that are deemed to meet the definition of a "structured finance product" defined by the Securities and Exchange Commission (SEC). The addition of this subscript to the rating symbol does not change the definition of the letter rating symbols mentioned above.

TRIS Rating also assigns a **"Rating Outlook"** that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on the fundamental creditworthiness of the company. The rating outlook will be announced in conjunction with the credit rating. In most cases, the outlook of each debt obligation is equal to the outlook assigned to the issuer or the obligor. The categories for "Rating Outlook" are as followed:

Positive The rating may be raised.

Stable The rating is not likely to change.

Negative The rating may be lowered.

Developing The rating may be raised, lowered, or remain unchanged.

TRIS Rating may announce a **"CreditAlert"** as a part of its monitoring process of a publicly announced credit rating when there is a significant event that TRIS Rating considers to potentially exerting a substantial impact on business or financial profiles of the rated entity. Due to an insufficient data or incomplete developments of the event, such as merger, new investment, capital restructuring, and etc., current credit rating remains unchanged. The announcement aims to forewarn investors to take a more cautious stance in investment decision against debt instruments of the rated entity. CreditAlert report consists of a "Rational" indicating warning reasons, a "CreditAlert Designation", and a current credit rating. Rating Outlook is withheld in the announcement.

CreditAlert Designation illustrates a short-term rating outlook indicative of the characteristics of impacts on the credit rating in one of the three directions (1) *Positive* (2) *Negative* and (3) *Developing*.

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