

November 12, 2017

Subject: Management Discussion and Analysis  
 For the three-month period ended September 30, 2017  
 To: The President,  
 The Stock Exchange of Thailand

Home Pottery Public Company Limited (“The Company”) would like to submit the Management Discussion and Analysis of the Company’s operation for the three-month period ended 30 September, 2017 with details as follows:

Unit: Million Baht

	Financial Statement, in which the equity method is applied		Changes (Financial Statement, in which the equity method is applied)		Separate Financial Statement		Changes (separate financial statement)	
	30-Jun-17	30-Jun-16	(Million Baht)	%	30-Jun-17	30-Jun-16	(Million Baht)	%
<i>(Unit: Million Baht)</i>								
Revenue from Sales	42.23	32.87	9.36	28.44	41.84	32.88	8.96	27.27
Other Revenue	0.59	0.86	(0.27)	(31.19)	0.59	0.86	(0.27)	(31.19)
<b>Total Revenue</b>	<b>42.82</b>	<b>33.73</b>	<b>9.09</b>	<b>26.92</b>	<b>42.43</b>	<b>33.74</b>	<b>8.69</b>	<b>25.77</b>
Costs of Sales	(30.48)	(24.50)	5.98	24.41	(29.90)	(24.50)	5.40	22.07
Selling Expenses	(2.86)	(2.65)	0.21	7.87	(2.86)	(2.65)	0.21	7.87
Administrative Expenses	(3.55)	(3.04)	0.51	16.68	(3.55)	(3.04)	0.51	16.68
<b>Total Expenses</b>	<b>(36.89)</b>	<b>(30.19)</b>	<b>6.70</b>	<b>22.18</b>	<b>(36.31)</b>	<b>(30.19)</b>	<b>6.12</b>	<b>20.28</b>
Profit before share profit from investment in joint venture, financial costs and income tax expenses	5.93	3.54	2.39	67.25	6.12	3.55	2.57	72.53
Share of profit from investment in joint venture	0.90	(1.49)	2.39	160.55	-	-	-	N/A
<b>Profit before financial costs and income tax expenses</b>	<b>6.83</b>	<b>2.05</b>	<b>4.78</b>	<b>232.75</b>	<b>6.12</b>	<b>3.55</b>	<b>2.57</b>	<b>72.53</b>
Financial costs	(0.00)	(0.05)	(0.05)	(94.91)	(0.00)	(0.05)	(0.05)	(94.91)
<b>Profit before income tax expenses</b>	<b>6.83</b>	<b>2.00</b>	<b>4.83</b>	<b>240.74</b>	<b>6.12</b>	<b>3.50</b>	<b>2.62</b>	<b>74.87</b>
Income Tax	0.03	0.03	0.00	0.06	0.03	0.03	0.00	0.06
<b>Profit for the period</b>	<b>6.86</b>	<b>2.03</b>	<b>4.83</b>	<b>237.27</b>	<b>6.15</b>	<b>3.53</b>	<b>2.62</b>	<b>74.25</b>

The separate Financial Statement of Home Pottery Public Company Limited (“the Company”) for the three-month period ended 30 September 2017 showed total revenue of 42.43 million Baht. The cost of sales amounted to 29.90 million Baht, while selling and administrative expenses and financial costs were 6.41 million Baht in total. Net income for the period of the company was 6.15 million Baht. The changes are explained as follows;

Sales Revenues:

For the 3<sup>rd</sup> quarter of 2017, the Company generated a revenue from sales of 41.84 million Baht, increasing by 27.27% when compared to the same period in the previous year, which had a total revenue of 32.87 million Baht. This increase can be attributed to the increase in sales volume, both domestically and abroad especially from two primary customers of the Company and the higher average sale price derived from the higher sale proportion of decorative products.

Cost of sales, Expenses and Finance costs:

For the 3<sup>rd</sup> quarter of 2017, the cost of sales was 29.90 million Baht, increasing by 22.07% from the same period in the previous year which had a cost of sales of 24.50 million Baht.

The Company’s gross profit was 11.94 million Baht which had a gross profit margin of 28.53%, increasing from the period of previous year which had a gross profit margin of 25.48%. This increase was mainly from the Company managing to reduce raw material costs due to cheaper sources of raw materials imported.

For the 3<sup>rd</sup> quarter of 2017, the selling and administrative expenses was 6.41 million Baht, increasing from the same period of previous year which had a selling and administrative expenses of 5.69 million Baht, mainly due to the higher export and transportation expenses in accordance with higher sales volume. Moreover, this increase was from higher vehicle depreciation expense as the residual value was reassessed at the beginning of 2017. The depreciation on machinery was also increased due to higher unutilized machines in this quarter.

For the 3<sup>rd</sup> quarter of 2017, the Company had financial costs of 0.00 million Baht, decreasing by 0.05 million Baht or 94.91% when compared to the same period of previous year, as the Company mostly relied on its own working capital rather than lending from financial institutions.

For the 3<sup>rd</sup> quarter of 2017, according to the financial statement, in which the equity method is applied, it showed total revenue of 42.23 million Baht, the cost of sales amounted to 30.48 million Baht and a profit incurred from its investment in joint venture of 0.90 million Baht due to investing 75% of total shareholders in Central Hospitality Co., Ltd, while there was a loss from its investment of 1.49 million Baht in the third quarter of

2016. Therefore, the Company's Net Profit for three-month period ended 30 September, 2017 in the financial statement in which the equity method is applied was 6.86 million Baht which is higher than the third quarter of 2016, 2.03 million Baht. The allocated net profit of 0.90 million Baht incurred in Central Hospitality Co., Ltd. was mainly caused by a huge increase in its revenue as change in the marketing strategy, leading to the expansion of customer base.

Please be informed accordingly.

Best Regards,

Home Pottery Public Company Limited



(Mr. Niran Chourkittisopon)

Managing Director

