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9 August 2019

Re: Management Discussion and Analysis

Operating results for the three-month and six-month period ended 30 June 2019

To: President

The Stock Exchange of Thailand

Overview of the operating result for the second quarter of 2019

- The company's total net income was Baht 192.49 million, representing an increase of 76.9% over the same period last year and revenue from nine operating stores for the second quarter of 2019 was Baht 4,510.60 million, representing a decrease of 3.6% over the same period last year. The main reasons for the increase in net profit were the increase in the gross profit margin that expanded from 14.5% in the second quarter of 2018 to 16.5% in the second quarter of 2019 and more efficient cost management that caused selling and administrative expense to decrease by 6.8% from the second quarter of 2018.

Financial Summary for the three-month period ended 30 June 2019 and 30 June 2018

| | Three-month period ended 30 June 2019 | | Three-month period ended 30 June 2018 | | Increase (Decrease) | |
|---|--|--------------|--|--------------|---------------------|--------------|
| | THB mm | % | THB mm | % | THB mm | % |
| Revenue from sales | 4,442.83 | 98.5 | 4,618.08 | 98.7 | (175.25) | (3.8) |
| Revenue from services | 33.78 | 0.7 | 35.31 | 0.8 | (1.52) | (4.3) |
| Revenue from sales and services | 4,476.61 | 99.2 | 4,653.38 | 99.4 | (176.77) | (3.8) |
| Other incomes | 34.00 | 0.8 | 27.76 | 0.6 | 6.23 | 22.5 |
| Total revenues | 4,510.60 | 100.0 | 4,681.14 | 100.0 | (170.54) | (3.6) |
| Cost of sales | 3,736.52 | 82.8 | 3,978.47 | 85.0 | (241.95) | (6.1) |
| Gross profit⁽¹⁾ | 740.08 | 16.5 | 674.91 | 14.5 | 65.18 | 9.7 |
| Selling and administrative expenses | 455.46 | 10.1 | 488.69 | 10.4 | (33.22) | (6.8) |
| Other expenses | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 |
| Profit before finance costs and income tax | 318.62 | 7.1 | 213.98 | 4.6 | 104.63 | 48.9 |
| Finance costs | 75.93 | 1.7 | 73.27 | 1.6 | 2.66 | 3.6 |
| Profit before income tax | 242.69 | 5.4 | 140.71 | 3.0 | 101.98 | 72.5 |
| Income tax expenses | 50.20 | 1.1 | 31.90 | 0.7 | 18.30 | 57.4 |
| Net Profit | 192.49 | 4.3 | 108.81 | 2.3 | 83.68 | 76.9 |

Remarks: (1) Gross profit margin does not include other incomes in calculation

The operating result for the second quarter of 2019

The company's net profit for the second quarter of 2019 was Baht 192.49 million equivalent to a net profit margin of 4.3%, an increase of 76.9% over the same period last year, which had a net profit of Baht 108.81 million equivalent to a net profit margin of 2.3%. The main reasons for the increase are as follows:

- 1. Total revenues** was Baht 4,510.60 million, a decrease of Baht 170.54 million or down by 3.6% from the same period last year, which comprises of the following:
 - **Revenue from sales and services** was Baht 4,476.61 million, a decrease of Baht 176.77 million or down by 3.8% over the same period last year, which was driven by lower sales of matured branches in conjunction with the slowdown in the country's economic conditions and competitive landscape in the industry. However, revenues from branches in the ramp-up phase increased especially Bangna branch, which completed its one full year of operation in April 2019.
 - **Other incomes** was Baht 34.00 million, an increase of Baht 6.23 million or up by 22.5% over the same period last year, which was mainly due to the increase in interest income.
- 2. Gross profit** was Baht 740.08 million equivalent to a gross profit margin of 16.5% an increase from the gross profit margin of 14.5% from the second quarter of 2018. The increase in the overall gross profit margin was mainly driven by the increase in the house brand revenue contribution that grew in conjunction with the company's strategy, the increase in the gross profit margin of house brand products, and the increase in the gross profit margin of steel products that expanded from approximately 10.0% in the second quarter of 2018 to approximately 12.0% in the second quarter of 2019 as a result of the change in the company's pricing and inventory management policy for steel products in the second quarter of 2019.
- 3. Selling and administrative expenses** was Baht 455.46 million, a decrease of Baht 33.22 million or down by 6.8% over the same period as last year, the amount decreased was mainly driven by the improvement of operating efficiency and the decrease in marketing expenses that resulted from the company's policy to increase marketing effectiveness
- 4. Finance costs** were Baht 75.93 million, an increase of Baht 2.66 million or up by 3.6% over the same period as last year, which increase in accordance with the increase in short-term loans.
- 5. Income tax** was Baht 50.20 million, an increase of Baht 18.30 million or up by 57.4% over the same period as last year, which increase in accordance with the increase in the profit before income tax.

Financial Summary for the six-month period ended 30 June 2019 and 30 June 2018

| | Six-month period ended 30 | | Six-month period ended 30 | | Increase (Decrease) | |
|---|---------------------------|--------------|---------------------------|--------------|---------------------|--------------|
| | June 2019 | | June 2019 | | | |
| | THB mm | % | THB mm | % | THB mm | % |
| Revenue from sales | 9,352.30 | 98.6 | 9,500.47 | 98.8 | (148.18) | (1.6) |
| Revenue from services | 74.03 | 0.8 | 77.58 | 0.8 | (3.55) | (4.6) |
| Revenue from sales and services | 9,426.33 | 99.4 | 9,578.06 | 99.6 | (151.73) | (1.6) |
| Other incomes | 61.47 | 0.6 | 42.13 | 0.4 | 19.34 | 45.9 |
| Total revenues | 9,487.79 | 100.0 | 9,620.18 | 100.0 | (132.39) | (1.4) |
| Cost of sales | 7,875.77 | 83.0 | 8,164.61 | 84.9 | (288.84) | (3.5) |
| Gross profit⁽¹⁾ | 1,550.56 | 16.4 | 1,413.45 | 14.8 | 137.11 | 9.7 |
| Selling and administrative expenses | 908.89 | 9.6 | 934.27 | 9.7 | (25.39) | (2.7) |
| Other expenses | 0.00 | 0.0 | 2.74 | 0.0 | (2.74) | (100.0) |
| Profit before finance costs and income tax | 703.14 | 7.4 | 518.56 | 5.4 | 184.58 | 35.6 |
| Finance costs | 152.40 | 1.6 | 145.13 | 1.5 | 7.26 | 5.0 |
| Profit before income tax | 550.74 | 5.8 | 373.43 | 3.9 | 177.32 | 47.5 |
| Income tax expenses | 111.57 | 1.2 | 78.98 | 0.8 | 32.59 | 41.3 |
| Net Profit | 439.18 | 4.6 | 294.45 | 3.1 | 144.73 | 49.2 |

Remarks: (1) Gross profit margin does not include other incomes in calculation

The operating result for the first half of the 2019

The company's net profit for the first half of 2019 was Baht 439.18 million equivalent to a net profit margin of 4.6%, an increase of 49.1% over the same period last year, which had a net profit of Baht 294.45 million equivalent to a net profit margin of 3.1%. The main reasons for the increase are as follows:

- Total revenues** was Baht 9,487.79 million, a decrease of Baht 132.39 million or down by 1.4% over the same period as last year, which comprises of the following:
 - Revenue from sales and services** was Baht 9,426.33 million, a decrease of Baht 151.73 million or down by 1.6% over the same period last year, which was driven by lower sales of matured branches in conjunction with the slowdown in the country's economic conditions and competitive landscape in the industry. However, revenues from branches in the ramp-up phase increased especially Bangna branch, which completed its one full year of operation in April 2019.
 - Other incomes** was Baht 61.47 million, an increase of Baht 19.34 million or up by 45.9% over the same period last year, which was mainly due to the increase in interest income and increase in insurance compensation for the incident where the warehouse floor at the Rama 2 branch collapsed in 2017.
- Gross profit** was Baht 1,550.56 million equivalent to a gross profit margin of 16.4%, an increase from the gross profit margin of 14.8% over the same period as last year. The increase in the overall gross profit margin was mainly driven by the Baht 73.39 million reversal of provision for obsolete and slow-moving inventory which was a result of the adjustment of the provision for obsolete and slow-moving

inventory in the first quarter of 2019 in order to better classify product inventory shelf life, depreciation, and obsolescence, the increase in house brand revenue contribution that expanded from 14.4% in the first half of 2018 to 15.6% in the first half of 2019 in conjunction with the company's strategy, and lastly the increase in the gross profit margin of house brand products that expanded from 28.6% in the first half of 2018 to 30.8% in the first half of 2019.

3. **Selling and administrative expenses** was Baht 908.89 million, a decrease of Baht 25.39 million or down by 2.7% over the same period last year, the amount decreased was mainly driven by the increase in operating efficiency and the decrease in marketing expenses that resulted from the company's policy to increase marketing effectiveness.
4. **Finance costs** were Baht 152.40 million, an increase of Baht 7.26 million or up by 5.0% over the same period last year, which increase in accordance with the increase in bank short-term loans.
5. **Income tax** was Baht 111.57 million, an increase of Baht 32.59 million or up by 41.3% over the same period last year, which increase in accordance with the increase in the profit before income tax.

Sincerely yours,

(Saliltip Ruangsuttipap)

Deputy President

Dohome Public Company Limited