

# Ocean Glass Public Company Limited

## Management Discussion and Analysis

Consolidated Financial Result  
For the Period Ended March 31, 2015

### Business Overview

In 1Q15, Ocean Glass Public Company Limited and Subsidiaries (“the Company”) has sales growth 11.7% comparing with 1Q14 under high competition of table glassware business both domestic and export market. However, the Company has net profit for 1Q15 in the amount of Baht 15.6 million or net profit per share at 0.73 Baht.

For domestic market, the Company has maintained sales growth rate similar to 1Q14. According to economics and politics problems in many countries. Both local and abroad competitors are focusing on ASEAN market, which is our core market and it has high potential growth particularly from Chinese, European and American. These manufacturers moved their production into China affected to more serious in the price competition from imported goods from China. However, the Company is still capable of competing with our quality of products, branding, product development and design, price and services.

The Company’s distribution channels comprise of 3 channels, which are food & drink business (Food Service), retail consumer to purchase for their household (Retail) and B2B consumer who buy glassware products to be used in promotional campaign (Premium). The Company sells its products in both domestic and export market. The export sales cover over 70 countries worldwide. The distribution channel is through outside agents and the Company’s sales force.

### Change in presentation and correction of errors

In 1Q14, the Company has reclassified items which have disclosed in notes to financial statements no.3 on change in presentation and correction of errors for the following:

- The Company has reclassified rebate net to sales. As a result, sales and selling expenses for decreased in 1Q14 the amount of Baht 4.7 million.
- The Company restated prior year financial statements due to the error from calculation of employee benefit obligations. The Company under recorded employee benefit obligations for both long-service award benefit and retirement benefit by Baht 14.4 million as at March 31, 2014, and Baht 11.9 million as at January 1, 2014.

The effects of correction of errors as mentioned above to the statement of comprehensive income in consolidated financial statements for the year ended March 31, 2014, net loss increased from Baht 26.8 million to Baht 28.8 million and presented net loss per share from 1.26 Baht to 1.35 Baht.

## Operating Results Summary

In 1Q15, the Company reported consolidated sales of Baht 402.3 million, decreased of Baht 53.5 million or 11.7%. The Company's gross profit demonstrated at 42.0% to sales value or Baht 168.8 million, increased from 1Q14 which presented at 31.6% due to decrement in cost of production and improvement of production efficiency. The Company has net profit in the amount of Baht 15.6 million or 0.73 Baht per share.

### ■ Total Revenues

	Q1'2015 (Million Baht)	Q1'2014 (Million Baht)	Change (%)
Revenue from sales	402.3	455.8	(11.7)
Foreign exchange gain (loss)	0.3	2.5	(88.0)
Other income	0.6	6.3	(90.5)
<b>Total revenues</b>	<b>403.2</b>	<b>464.6</b>	<b>(13.2)</b>

	Q1'2015 (Million Baht)	Q1'2014 (Million Baht)	Change (%)
Domestic Sales	119.4	116.7	2.3
Export Sales	282.9	339.1	(16.6)
<b>Total revenue from sales</b>	<b>402.3</b>	<b>455.8</b>	<b>(11.7)</b>

Revenue from the sales stated Baht 402.3 million decreased of Baht 53.5 million, or decreased 11.7% from 1Q14. The proportion of domestic sales was 30% and export sales registered at 70%. Domestic sales growth 2.3% from 1Q14 due to the recovery of domestic economy and relieving of politics. However, export sales decreased Baht 56.2 million or negative growth 16.6%, primarily due to Chinese market where was affected from continuously economic slowdown and stagnant economic in Europe which affected higher market competition.

In 1Q15, the Company recognized foreign exchange gain of Baht 0.3 million, decreased Baht 2.2 million from 1Q14 according to fluctuations in foreign exchange rate during the period.

Other income presented in the amount of Baht 0.6 million, mainly comprised of sales of cullet and recognized revenues from mold supplies which decreased by Baht 5.7 million from 1Q14.

■ Total Cost of goods sold

	Q1'2015 (Million Baht)	Q1'2014 (Million Baht)	Change (%)
Cost of goods sold	233.5	311.7	(25.1)

In 1Q15, total cost of goods sold presented in the amount of Baht 233.5 million decreased by Baht 78.2 million or 25.1% from 1Q14, primarily due to decrement in cost of energy in line with crude oil prices on world markets decreased, including improvement of production efficiency as well.

■ Total Selling and Administrative expenses

	Q1'2015 (Million Baht)	Q1'2014 (Million Baht)	Change (%)
Selling expenses	79.7	83.7	(4.8)
Administrative expenses	25.6	24.9	2.8

Selling expenses for 1Q15 registered Baht 79.7 million, decreased by Baht 4.0 million or 4.8% from 1Q14, primarily came from royalty fee due to termination of the license and technical assistance agreement in this year. While, administrative expenses presented to Baht 25.6 million, slightly increased by Baht 0.7 million or 2.8%, compared to 1Q14. However, the Company has still effectively managed expenses in line with the Company's annual plan.

■ Total Shutdown expenses

<i>Shutdown expenses:</i>	Q1'2015 (Million Baht)	Q1'2014 (Million Baht)	Change (%)
Total Shutdown expenses	33.0	66.3	(50.2)

In 1Q15, Shutdown expenses amounted of Baht 33.0 million, decreased by Baht 33.3 million or 50.2%, compared to 1Q14, due to shutdown expenses from color glass of soda lime problem in the amount of Baht 41.8 million in 1Q14 which caused from chromium contamination from new imported sand source.

The Company has production plan for manage inventory balance by Baht 27.6 million, increased from 1Q14 by Baht 3.1 million or 12.6%, in order to manage appropriate balance of inventories against sales quantities during the period. The Company has temporarily shut down of soda-lime furnaces (Furnace B) in order to improve the quality of the products and to maintain the furnace in a good condition during March 23 to second quarter of the year 2015 as the maintenance scheduled to perform regularly every 4-6 years. In 1Q15, the Company has the said shutdown expenses in the amount of Baht 5.4 million.

- Finance costs

	Q1'2015 (Million Baht)	Q1'2014 (Million Baht)	Change (%)
Finance costs	11.1	13.2	(15.9)

In 2014, finance cost decreased Baht 11.1 million, decreased by Baht 2.1 million or decreased 15.9% because of repayment of long-term loans during the period and lower interest rates of both short-term and long-term loans compared to 1Q14.

- Other comprehensive income

In 1Q14, the Company measured the land at fair value, which was determined by independent appraiser. Gains on land revaluation in comprehensive income, net of tax presented in the amount of Baht 79.46 million.

## Statements of Financial Position as at March 31, 2015

	31-Mar-15 (Million Baht)	31-Dec-14 (Million Baht)	Change (%)
Current Assets	1,368.8	1,387.1	(1.3)
Non-Current Assets	1,793.0	1,769.4	1.3
<b>Total Assets</b>	<b>3,161.8</b>	<b>3,156.5</b>	<b>0.2</b>
Current Liabilities	734.5	678.6	8.2
Non-Current Liabilities	861.9	928.2	(7.1)
<b>Total Liabilities</b>	<b>1,596.4</b>	<b>1,606.8</b>	<b>(0.6)</b>
<b>Total Shareholders' Equity</b>	<b>1,565.4</b>	<b>1,549.7</b>	<b>1.0</b>
Current Ratio (times)	1.86	2.04	
Debt to Equity Ratio (times)	1.02	1.04	

Total assets represented at Baht 3,161.8 million, decreased by Baht 5.3 million or 0.2% from December 31, 2014. There was comprised of current assets of Baht 1,368.8 million, decreased by Baht 18.3 million or 1.3%, primarily due to decrement in trade accounts receivable as end of period. While non-current assets presented of Baht 1,793.0 million, increased by Baht 23.6 million or 1.3%, primarily due to incremental in purchase equipment for the period.

Total liabilities presented to Baht 1,596.4 million, decreased by Baht 10.4 million or 0.6%, primarily due to long-term loan repayment due for the period.

Total shareholders' equity represented at Baht 1,565.4 million, increased by Baht 15.7 million or 1.0% because of recognized net profit for the period.