

Ocean Glass Public Company Limited Management's Discussion and Analysis Performance for the Period Ended December 31, 2015

Business Overview

For the year 2015, world economic slowdown in many regions including China and Emerging Market, together with volatility of financial market and politics problem in many countries, the Company has changed business strategies to maintain capabilities in this competing market situation by focus on product innovation to meet client satisfaction and improvement in manufacturing process for cost efficiency.

In addition, the Company emphasized on its marketing activities and promotional campaign "Ocean, Ocean Professional, and Lucaris". During year 2015, the Company had implemented major marketing and sales activities as follows:

- The opening of Lucaris new collection "Desire" with its Aerlumer innovation; Wine Testing, Officially sponsored of the best sommelier competition in Thailand, China, and Bali; sponsored of charity dinner "Bangkok Chef Charity"; Online market.
- Marketing Activities and Promotion for Ocean and Ocean Professional; launching new products i.e. "Metropolitan", "Caffé Premio", "Ethan"; promotion for Summer Campaign and Festive Campaign in local retails and core market.
- Joining International Expo
 - AAHAR (The international Food and Hospitality Fair), India
 - HOTELEX (Shanghai International Hospitality Equipment & Supply Expo), China
 - HOFEX (International Exhibition of Food & Drink, Hotel, Restaurant & Foodservice Equipment, Supplies & Services), Hong Kong
 - FHI (Food & Hotel Indonesia), Indonesia
 - FHV (Food & Hotel Vietnam), Vietnam

Operating Results

For the year 2015, Ocean Glass Public Company Limited and Subsidiaries ("the Company") reported consolidated revenue of Baht 1,986.96 million decreased by 4.96% due to economic slowdown and high competition in the market. However, the Company's gross profit increased by 7.17% from last year, mainly from efficiency improvement in production process. The Company reported total expenses of Baht 1,812.51 million, decreased by 10.65%. As a result, the Company had net profit of Baht 133.43 million, increased Baht 86.41 million from last year. Earnings per share presented at Baht 6.26.

Statement of Comprehensive Income

	2016	2015	Change	
	(Million Baht)	(Million Baht)	(Million Baht)	(%)
Sales	1,987.91	2,077.36	(89.46)	(4.31)
Foreign exchange gain (loss)	(4.73)	3.69	(8.42)	(228.14)
Other income	3.79	9.51	(5.73)	(60.20)
Total revenues	1,986.96	2,090.57	(103.61)	(4.96)
Cost of goods sold	1,139.29	1,339.46	(200.17)	(14.94)
Selling expenses	347.89	350.56	(2.67)	(0.76)
Administrative expenses	117.03	102.81	14.21	13.82
Shutdown expenses	166.31	185.28	(18.98)	(10.24)
Finance costs	42.00	50.37	(8.37)	(16.61)
Total operating expenses	1,812.51	2,028.49	(215.97)	(10.65)
Profit before income tax	174.45	62.08	112.37	181.01
Income Tax	(41.02)	(15.06)	(25.96)	172.40
Profit for the year	133.43	47.02	86.41	183.76
Other comprehensive income	6.40	80.07	(73.67)	(92.01)
Total comprehensive income for the year	139.83	127.09	12.74	10.02
Basic earnings per share (Baht)	6.26	2.2	4.06	184.55

Total Revenues

	2016	2015	Change	
	(Million Baht)	(Million Baht)	(Million Baht)	(%)
Sales	1,987.91	2,077.36	(89.46)	(4.31)
- Domestic Sales	541.46	550.75	(9.29)	(1.69)
- Export Sales	1,446.45	1,526.61	(80.16)	(5.25)

For the year 2015, the Company reported total sales revenues of Baht 1,987.91 million, decreased by 4.31% from last year. Domestic sales decreased by 1.69% and export sales decreased by 5.25, mainly from economic slowdown in China and Europe including high competition in the market.

Total cost of goods sold

Total cost of goods sold presented in the amount of Baht 1,139.29 million decreased by 14.91% from last year, mainly from the improvement of production efficiency. The Company's selling expenses presented at the amount of 347.89 million, slight decreased from last year mainly from promotion and marketing activities in domestic and export market, while administrative expenses presented at Baht 117.03 million, increased by 13.82% due to furnace maintenance in the period. Shutdown expenses presented at Baht 166.31 million, decreased by 10.24% from last year. Shutdown expenses divided into two portions which are shutdown expenses for inventories management and furnace maintenance, amounted Baht 60.20 million.

Finance costs decreased Baht 8.37 million or equivalent to 16.61% from last year due the repayment of long-term loan. During the period, the Company did not have long-term loan contract which caused a decreased in interest expenses.

Statements of Financial Position as at December 31, 2015

	2016 (Million Baht)	2015 (Million Baht)	Change	
			(Million Baht)	(%)
Current Assets	1,469.89	1,387.09	82.81	5.97
Non-Current Assets	1,721.13	1,769.46	(48.33)	(2.73)
Total Assets	3,191.02	3,156.55	34.47	1.09
Current Liabilities	699.46	678.63	20.83	3.07
Non-Current Liabilities	825.48	928.20	(102.72)	(11.07)
Total Liabilities	1,524.94	1,606.83	(81.89)	(5.10)
Total Shareholders' Equity	1,666.08	1,549.72	116.36	7.51
Total Liabilities and Shareholders' Equity	3,191.02	3,156.55	34.47	1.09

As of December 31, 2015, total assets represented at Baht 3,191.02 million, increased Baht 34.47 million from December 31, 2014. The increment primarily due to;

- The increase of cash and cash equivalent amounted of Baht 22.90 million or 24.29% from operating activities, repayments of long-term loans;
- The increase of inventories amounted Baht 62.37 million or 6.31%; and
- Investment in fix assets amounted Baht 128 Million.

Total liabilities presented of Baht 1,524.94 million, decreased by Baht 81.89 million primarily due to decrement in loans from local financial institutions. Total shareholders' equity represented at Baht 1,666.08 million, increased by 7.51% from last year due to recognized net profit from the period.

- **Financial Ratio Analysis**

Profitability Ratio	Unit	Jan – Dec 2015	Jan – Dec 2014
Gross Profit Margin	(%)	42.69	35.52
Operating Profit Margin	(%)	10.89	5.41
Net Profit (Loss) Margin	(%)	6.72	2.25
Return on equity	(%)	8.30	3.16
Earnings per Share	Baht/Share	6.26	2.20
Efficiency Ratio	Unit	Jan – Dec 2015	Jan – Dec 2014
Return on Assets	(%)	6.82	3.44

For the year 2015, the Company's gross profit margin presented at 42.69% to sales value, increase by 7.17 from last year, primarily from lower cost of production and expenses management. As a result, the Company's net profit margin presented at 6.72% compared to last year at 2.25%.

Liquidity Ratio	Unit	31 Dec 2015	31 Dec 2014
Current Ratio	Times	2.10	2.04
Quick Ratio	Times	0.51	0.49
Average Collection Period	Days	43.14	38.41
Inventory Days	Days	196.05	165.30
Accounts Payable Days	Days	91.58	85.60
Cash Cycle (days)	Days	147.61	118.11
Leverage & Financial Policy	Unit	31 Dec 2015	31 Dec 2014
Debt to Equity Ratio (times)	Times	0.92	1.04
Interest Coverage Ratio (times)	Times	9.21	5.88
Debt Service Coverage Ratio (times)	Times	1.65	2.76

Refer to liquidity ratio and leverage and financial policy, the Company has better liquidity from previous year. The Company had sufficient cash for interest payment and other financial obligations. Moreover, the Company could maintain debt to equity ratio according to long-term loans restriction.