

Ocean Glass Public Company Limited

Management Discussion and Analysis

Consolidated Financial Results
For the period ended September 30, 2017

Operating Results

In the 3rd quarter of 2017, Ocean Glass Public Company Limited and Subsidiaries (“the Company”) reported consolidated revenues of Baht 496.9 million, decreased by 12.0% compared to quarterly on quarterly (QoQ). The Company’s gross profit was at 31.7% to sales value, declined from QoQ which reported at 37.8% due to the price competition in the glassware market. The total cost of sales and operating expenses were Baht 502.3 million, decreased by 4.5% QoQ, which was in line with sales dropping in this quarter. As a result, the Company reported net loss of Baht 4.6 million or decreased Baht 39.9 million, compared with QoQ. Loss per share was Baht 0.21.

In the nine-month period of 2017, the Company reported consolidated revenues of Baht 1,511.3 million, increased by 8.4% compared with 9M16. The Company’s gross profit was at 34.2% to sales value, decreased from 9M16 which was reported at 39.6%. The decrement was due to the selling of decorative items from 1st half and the price competition in the market. The total cost of sales and operating expenses were Baht 1,468.7 million, increased by 7.7% compared with 9M16, which was in line with sales increased. As a result, the Company reported net profit of Baht 33.7 million or increased Baht 5.3 million, compared with 9M16. Earnings per share was Baht 1.58.

Statement of Comprehensive Income

▪ **Total Revenues (Million Baht)**

	Quarterly		Change	Nine-month End September 30,		Change
	3/2017	3/2016	%	2017	2016	%
Revenue from sales						
Domestic sales	111.5	139.9	(20.3)	352.9	378.4	(6.7)
Export sales	376.5	421.8	(10.8)	1,143.6	1,004.2	13.9
Total revenue from sales	488.0	561.7	(13.1)	1,496.5	1,382.6	8.2
Foreign exchange gain (loss)	2.0	0.5	321.1	5.3	8.0	(34.1)
Other income	6.9	2.5	177.1	9.5	3.9	145.4
Total revenues	496.9	564.7	(12.0)	1,511.3	1,394.5	8.4

In the 3rd quarter of 2017, the Company reported total sales revenues Baht 488.0 million, decreased by 13.1% compared with QoQ. Proportion of domestic sale was 22.9% and export sale was 77.1% of total sales. Domestic sale decreased by 20.3%, mainly due to the decrement in sales volume of B2B and the effect from slow growth in the new restaurant and hotel project, while export sales decreased by 10.8% due to the slowing sales in America, ASEAN, and South Asia which was affected by the change in government policies.

In the nine-month period of 2017, the Company reported total revenues from sales of Baht 1,496.5 million, increased by 8.2% compared with 9M16. Proportion of domestic sales was 23.6% and export sale was 76.4% of total sales. Domestic sale decreased by 6.7%, while export sale increased by 13.9% from the sale growth across Core and Extended Market.

The Company reported gain from foreign exchange rate in 3Q17 and 9M17 in the amount of Baht 2.0 million and Baht 5.3 million, respectively, primarily due to foreign exchange hedging. Other income in 3Q17 and 9M17 reported Baht 6.9 million and Baht 9.5 million, respectively, due to the insurance claim from machine interruption in the amount of Baht 4.6 million, sales of cullet, and recognized revenues from mold supplies during the period.

▪ **Total Expenses (Million Baht)**

	Quarterly		Change	Nine-month		Change
	3/2017	3/2016	%	End September 30, 2017	2/2017	2/2016
Cost of goods sold	333.1	349.3	(4.6)	984.0	835.7	17.7
Temporary shutdown expenses	45.7	49.4	(7.4)	118.4	142.7	(17.0)
Selling expenses	89.9	90.8	(1.0)	261.1	280.7	(7.0)
Administrative expenses	27.7	28.4	(2.5)	86.4	79.4	8.8
Finance costs	5.9	8.2	(28.6)	18.8	25.6	(26.7)
Total expenses	502.3	526.1	(4.5)	1,468.7	1,364.1	7.7

In the 3rd quarter of 2017, total cost of goods sold reported at the amount of Baht 333.1 million, decreased by 4.6% compared with QoQ, in line with decrement in sales volume. The Company's selling expenses reported at Baht 89.9 million decreased by 1.0 compared with QoQ, primarily due to the marketing expenses control, while administrative expenses reported at Baht 27.7 million, decreased by 2.5% compared with QoQ, primarily due to declining of write off obsolete inventories during the period.

The Company reported shutdown expenses for inventory management against sales volume in 3Q17 at Baht 45.7 million decreased by 7.4% compared with QoQ.

For nine-month period of 2017, total cost of goods sold reported at the amount of Baht 984.0 million, increased by 17.7% compared with 9M16, in line with incremental in sales volume. The Company's selling expenses reported at Baht 261.1 million decreased by 7.0% compared with 9M16, primarily due to the selling and marketing expenses control, while administrative expenses reported at Baht 86.4 million, increased by 8.8% compared with 9M16, primarily due to increasing in write off obsolete inventories during the period.

The Company reported shutdown expenses for inventory management against sales volume in 9M17 at Baht 118.4 million decreased by 17.0% compared with 9M16.

Finance costs in 3Q17 and 9M17 decreased by 28.6% and 26.7%, respectively, due to the repayment of long-term loan.

Statements of Financial Position as at September 30, 2017

	September 30, 2017 (Million Baht)	December 31, 2016 (Million Baht)	Change (%)
Current Assets	1,246.4	1,360.2	(8.4)
Non-Current Assets	1,814.8	1,665.6	9.0
Total Assets	3,061.2	3,025.8	1.2
Current Liabilities	658.1	641.9	2.5
Non-Current Liabilities	549.0	689.3	(20.4)
Total Liabilities	1,207.1	1,331.2	(9.3)
Total Shareholders' Equity	1,854.1	1,694.6	9.4
Current Ratio (times)	1.89	2.12	
Debt to Equity Ratio (times)	0.65	0.79	

As of September 30, 2017, total assets presented at Baht 3,061.2 million, increased by 1.2% comprised of current assets of Baht 1,246.4 million, decreased by 8.4%, primarily due to cash received from trade and other receivables during the period, and the decrement of cash and cash equivalent came from repayment of short-term and long-term loans. Non-current assets presented at Baht 1,814.8 million, increased by 9.0%, due to the recording of fair value on land which determined by Independent appraiser during the period.

As of September 30, 2017, total liabilities presented at Baht 1,207.1 million, decreased by 9.3%, mainly due to repayments of short-term and long-term loans during the period. Total shareholders' equity presented at Baht 1,854.1 million, increased by 9.4% from the recognition of gain on land revaluation and net profit for the period net of dividend payment during the period.