

# Ocean Glass Public Company Limited

## Management's Discussion and Analysis

### Performance for the Period Ended December 31, 2018

#### Business Overview

In 2018, Ocean Glass Public Company Limited and its subsidiaries ("the Company") reported consolidated revenues of Baht 2,031.10 million, decreased by 6.26 % compared to last year. Total sales were Baht 2,020.63 million, decreased by 5.91% due to the economic trade wars that effected global market. The export customers were affected from currency exchange fluctuations and causing to slower sales to the countries that have suffered the most such as India, Pakistan, Iran, Indonesia, and many more. However, the Company continues to expand the distribution in other potential countries of Africa, Americas, and APAC.

For domestic market, substitute products from importers got flooded as strong Thai Baht made overall imports cheaper causing intense price competition and resulted into slower sales in B2B as well.

Adopting to the changing consumer behavior where consumers are transitioning to apply technology for their purchases, the Company is expanding its distribution to online channels in both domestic and international markets through various direct and indirect online partners. Thus far, consumer's feedback have been on the positive site.

The Company gross profits stand at 31.43%, down from 34.90% due to foreign exchange fluctuations and the increase in energy costs. Total expenses were Baht 1,990.21 million, decreased by 4.46% and net profits reported at Baht 24.46 million, a decrease of 62.93% compared to 2017. Final earnings per share resulted at Baht 1.15.

#### Total Revenues

	2018 (Million Baht)	2017 (Million Baht)	Change (%)
<b>Sales</b>	<b>2,020.63</b>	<b>2,147.64</b>	<b>(5.91)</b>
- Domestic Sales	526.08	540.77	(2.72)
- Export Sales	1,494.55	1,606.87	(6.99)

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#### Statement of Comprehensive Income

	2018 (Million Baht)	2017 (Million Baht)	Change (%)
Sales	2,020.63	2,147.64	(5.91)
Foreign exchange gain (loss)	6.67	7.63	(12.65)
Other income	3.80	11.42	(66.77)
<b>Total revenues</b>	<b>2,031.10</b>	<b>2,166.69</b>	<b>(6.26)</b>
Cost of goods sold	1,385.47	1,398.20	(0.91)
Temporary shutdown expenses	75.92	159.15	(52.29)
Allowance for the decline in value of inventory	32.63	19.35	68.57
Selling expenses	357.68	385.33	(7.18)
Administrative expenses	118.99	97.01	22.66
Finance costs	19.52	24.07	(18.90)
<b>Total expenses</b>	<b>1,990.21</b>	<b>2,083.11</b>	<b>(4.46)</b>
<b>Profit before income tax expense</b>	<b>40.89</b>	<b>83.58</b>	<b>(51.08)</b>
Income tax expense	16.43	17.60	(6.68)
<b>Profit for the year</b>	<b>24.46</b>	<b>65.98</b>	<b>(62.93)</b>
Other comprehensive income(loss) for the year, net of tax	(1.13)	169.56	(100.66)
<b>Total comprehensive income for the year</b>	<b>23.33</b>	<b>235.54</b>	<b>(90.09)</b>
<b>Basic earnings per share (Baht)</b>	<b>1.15</b>	<b>3.09</b>	<b>(62.93)</b>

- **Gain from foreign exchange**

Gain from foreign exchange hedging was Baht 6.67 million. Other income from sales of scraps and mold suppliers were Baht 3.80 million.

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- **Cost of goods sold**

Total cost of goods sold presented at Baht 1,385.47 million decreased by 0.91% from last year, which was in line with the decrement of sales value. However, unit cost of product was increased due to the increment of energy cost.

- **Temporary shutdown expenses**

Shutdown expenses presented at Baht 75.92 million, decreased by 52.29% from last year. Comprised of shutdown for cold repair Furnace A amounted Baht 25.91 million and shutdown for inventories management amounted Baht 50.01 million.

- **Allowance for the decline in value of inventory**

The Company presented allowance for the decline in value of inventory separated from cost of goods sold in the amount of Baht 32.63 million, increased by 68.57% from last year, due to allowance for the decline in value of obsolete and long-aged finished products.

- **Selling and administrative expenses**

Selling expenses presented at Baht 357.68 million decreased by 7.18% from last year, due to the controlling of operating expenses. Administrative expenses presented at Baht 118.99 million, increased by 22.66% due to write off obsolete assets and employee expenses.

- **Expenses from research & development, and innovation**

In compliance to NSTDA's guideline, the Company reported research and development, and innovation expenses at Baht 1.19 million.

- **Finance costs**

Finance costs presented at Baht 19.52 million, decreased by 18.90% due to the repayments of long-term loans.

- **Other comprehensive income (loss) for the year, net of tax**

Other comprehensive loss presented at Baht 1.13 million, decreased Baht 170.69 million from the last year due to the recording of gain on land revaluation amounted Baht 173.58 million and the recording loss on re-measurement of employee benefit obligation amounted Baht 3.76 million.

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## Management's Discussion and Analysis

### Performance for the Period Ended December 31, 2018

#### Statements of Financial Position as at December 31, 2018

	2018 (Million Baht)	2017 (Million Baht)	Change (%)
Current Assets	1,336.01	1,230.25	8.60
Non-Current Assets	1,929.91	1,822.28	5.91
<b>Total Assets</b>	<b>3,265.92</b>	<b>3,052.53</b>	<b>6.99</b>
Current Liabilities	1,093.45	644.10	69.76
Non-Current Liabilities	299.36	525.59	(43.04)
<b>Total Liabilities</b>	<b>1,392.81</b>	<b>1,169.69</b>	<b>19.08</b>
Total Shareholders' Equity	1,873.11	1,882.84	(0.52)
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,265.92</b>	<b>3,052.53</b>	<b>6.99</b>

#### **Total Assets**

As of 31 December 2018, total assets presented at Baht 3,265.92 million, increased by 6.99% as following details.

- The decrease of cash and cash equivalent amounted Baht 4.76 million or 5.01% due to manage cash inflow from operations to support investment in assets and repayments of long-term loans, and dividend payment during the year.
- The increase in inventory, by 14.35%, from raw material and inventory reserved.
- The decrease of value added tax receivables amounted Baht 11.34 million or 38.48% due to receiving value added tax refund from the Revenue Department for the year.
- The increase of net property, plant and equipment amounted Baht 105.48 million or 5.89%, due to investment in new warehouse construction and installation of new machine, including cold repair furnace A.

#### ▪ **Total Liabilities**

As of 31 December 2018, total liabilities presented at Baht 1,392.81 million, increased by 19.08%, from net of cash received from short-term loans and repayment of long-term loans.

#### ▪ **Total Shareholders' Equity**

Total equity presented at Baht 1,873.11 million, decreased by 0.52% from last year, due to net profit for the year net with dividend payment during the year.

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## Management's Discussion and Analysis

### Performance for the Period Ended December 31, 2018

#### Financial Ratio Analysis

<b>Profitability Ratio</b>	<b>Unit</b>	<b>Jan – Dec 2018</b>	<b>Jan – Dec 2017</b>
Gross Profit Margin	(%)	31.43	34.90
Operating Profit Margin	(%)	2.47	4.13
Net Profit Margin	(%)	1.20	3.05
Return on equity	(%)	1.30	3.69
Basic earnings per Share	Baht/Share	1.15	3.09
<b>Efficiency Ratio</b>	<b>Unit</b>	<b>Jan – Dec 2018</b>	<b>Jan – Dec 2017</b>
Return on Assets	(%)	1.91	3.54
<b>Liquidity Ratio</b>	<b>Unit</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Current Ratio	Times	1.22	1.91
Quick Ratio	Times	0.29	0.50
Average Collection Period	Days	35	33
Inventory Days	Days	141	140
Accounts Payable Days	Days	43	43
Cash Cycle	Days	133	130
<b>Leverage &amp; Financial Policy</b>	<b>Unit</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Debt to Equity Ratio	Times	0.74	0.62
Interest Coverage Ratio	Times	11.03	11.25
Debt Service Coverage Ratio	Times	0.21	1.38

According to the liquidity ratio and financial leverage policy, the analysis showed that the Company still has liquidity and sufficient cash for interest payment and other financial obligations. Moreover, the Company was able to maintain debt to equity ratio according to the restriction of long-term loans from local financial institutions.