

Ocean Glass Public Company Limited

Management Discussion and Analysis

Consolidated Financial Result
For the Period Ended June 30, 2014

Business Overview

In 2Q14, sales growth of Ocean Glass Public Company Limited and Subsidiaries (“the Company”) was 8% comparing with 2Q13 and continue to expand the business as strategic plan. However, the Company has net loss during the 2Q14 in the amount of Baht 32.9 million.

In 1H14, sales growth of the Company was 5% comparing with 1H13 and the Company has net loss for the 1H14 in the amount of Baht 59.7 million.

Reclassifications

In 2Q14, the Company’s financial statements have been reclassified to comply with the announcement of Department of Business Development Regulation dated September 28, 2011, in relation to the format of Financial Statements B.E. 2554, effective from January 1, 2011, the Company has reclassified trade and other receivables and trade and other payables for the year ended December 31, 2013. However, current assets and current liabilities as of December 31, 2013, were still shown the same value as previous report.

According to comply with Thai Accounting Standards (TAS) 12, Income taxes, requires the Company offsets deferred tax assets and deferred tax liabilities for presentation purpose. The Company has reclassified deferred tax assets and deferred tax liabilities for the year ended December 31, 2013. As a result, total assets and total liabilities were decreased in the amount of Baht 83.5 million from the previous report which has disclosed in notes to financial statements no.3 “Reclassifications”.

The Company has reclassified rebate net to sales. As a result, total sales and selling expense decreased in the amount of Baht 5.3 million and Baht 10.3 million from the previous report in 1Q13 and 1H13, respectively, which has disclosed in notes to financial statements no.3 “Reclassifications”.

Operating Results Summary

The Company reported consolidated revenues for 2Q14 of Baht 464.8 million, increased of Baht 34.3 million or 8%. The company's gross profit demonstrated at 33% to sales value, increased from 2Q13 which presented at 26% due to sales growth and better production efficiency improvement. However, net loss of Baht 32.9 million, increased by Baht 1.7 million or 5%, compared to 2Q13 primarily due to increment in temporary production line shutdown, therefore loss per share present at 1.54 Baht.

The Company reported consolidated revenues for 1H14 of Baht 929.5 million, increased of Baht 54.1 million or 6%. The company's gross profit demonstrated at 33% to sales value, increased from 1H13 which presented at 26% due to sales growth and better production efficiency improvement. However, net loss of Baht 59.7 million, increased by Baht 14.9 million or 33%, compared to 1H13 primarily due to increment in temporary production line shutdown, therefore loss per share present at 2.8 Baht.

■ Total Revenues

	Q2'2014 (Million Baht)	Q2'2013 (Million Baht)	Change (%)
Revenue from sales	463.4	430.7	8%
Foreign exchange gain (loss)	0.7	(2.6)	129%
Other income	0.7	2.4	(73%)
Total revenues	464.8	430.5	8%

	Q2'2014 (Million Baht)	Q2'2013 (Million Baht)	Change (%)
Domestic Sales	115.4	105.7	9%
Export Sales	348.0	325.0	7%
Total revenue from sales	463.4	430.7	8%

In 2Q14, revenue from the sales stated Baht 463.4 million, increased of baht 32.8 million, or 8% increased from 2Q13. The proportion of domestic sales was 25% and export sales registered at 75%. Export sales growth 7% primarily due to the market expansion in South Asia. Major incremental sales came from B2B customers, who buy glassware products to be used in promotional campaign (Premium), especially lead-free crystal glass (crystalline) grew primarily in Asia. Domestic sales also increased 9% from 2Q13.

Other income for 2Q14 in the amount of Baht 0.7 million mainly comprised of sales of cullet and recognised revenues from mold supplies which decreased by Baht 1.7 million.

	H1'2014 (Million Baht)	H1'2013 (Million Baht)	Change (%)
Revenue from sales	919.3	871.7	5%
Foreign exchange gain (loss)	3.3	0.3	1055%
Other income	6.9	3.4	106%
Total revenues	929.5	875.4	6%

	H1'2014 (Million Baht)	H1'2013 (Million Baht)	Change (%)
Domestic Sales	232.1	223.0	4%
Export Sales	687.2	648.7	6%
Total revenue from sales	919.3	871.7	5%

In 1H14, revenue from the sales stated Baht 919.3 million, increased of baht 47.5 million, or 5% increased from 1H13. The proportion of domestic sales was 25% and export sales registered at 75%. Export sales growth 6% primarily due to the market expansion in South Asia and Americas. Major incremental sales came from B2B customers, who buy glassware products to be used in promotional campaign (Premium), especially lead-free crystal glass (crystalline) grew in all regions, primarily in Asia. Domestic sales also increased 4% from 1H13.

According to Thai Baht depreciated against US dollar which effect to the Company recognised higher foreign exchange gain of Baht 3 million, compared to 1H13.

Other income for 1H13 in the amount of Baht 6.9 million mainly comprised of sales of cullet and recognised revenues from mold supplies which increased by Baht 3.5 million.

■ **Total Cost of goods sold**

	Q2'2014 (Million Baht)	Q2'2013 (Million Baht)	Change (%)
Cost of goods sold	308.5	318.6	(3%)

In 2Q14, total cost of goods sold in absolute Baht 308.5 million decreased by Baht 10.0 million or 3% q-o-q, primarily due to higher production efficiency improvement of lead-free crystal glass (crystalline).

	<i>H1'2014</i> <i>(Million Baht)</i>	<i>H1'2013</i> <i>(Million Baht)</i>	<i>Change</i> <i>(%)</i>
Cost of goods sold	618.4	644.7	(4%)

In 1H14, total cost of goods sold in the amount of Baht 618.4 million decreased by Baht 26.2 million or 4%, compared to 1H13, primarily due to higher production efficiency improvement of lead-free crystal glass (crystalline).

■ **Total Selling and Administrative expenses**

	<i>Q2'2014</i> <i>(Million Baht)</i>	<i>Q2'2013</i> <i>(Million Baht)</i>	<i>Change</i> <i>(%)</i>
Selling expenses	87.6	88.5	(1%)
Administrative expenses	21.4	24.7	(13%)

Selling expenses for 2Q14 registered Baht 87.6 million, decreased by Baht 0.9 million or 1% q-o-q. Selling expenses primarily came from promotion expenses. While, Administrative expenses presented to Baht 21.4 million decreased by Baht 3.3 million q-o-q or 13%, primarily due to better management efficiency on expenses and in line with the Company's budget.

	<i>H1'2014</i> <i>(Million Baht)</i>	<i>H1'2013</i> <i>(Million Baht)</i>	<i>Change</i> <i>(%)</i>
Selling expenses	171.3	168.6	2%
Administrative expenses	45.7	47.8	(4%)

Selling expenses for 1H14 of Baht 171.3 million, increased by Baht 2.7 million or 2%, compared to 1H13, mainly due to promotional expenses and more hiring of sales staffs for taking care of a subsidiary company in India. While, administrative expenses presented to Baht 45.7 million which decreased by Baht 2.1 million or 4% from 1H14 primarily due to better management efficiency on expenses and in line with the Company's budget.

■ Total Shutdown expenses

	<i>Q2'2014</i> <i>(Million Baht)</i>	<i>Q2'2013</i> <i>(Million Baht)</i>	<i>Change</i> <i>(%)</i>
Shutdown expenses	74.6	24.6	204%

	<i>H1'2014</i> <i>(Million Baht)</i>	<i>H1'2013</i> <i>(Million Baht)</i>	<i>Change</i> <i>(%)</i>
Shutdown expenses	140.9	44.4	217%

In 2Q14, Shutdown expenses amounted to Baht 74.6 million increased by Baht 50.1 million or 204%, compared to 2Q13 and in 1H14, Shutdown expenses amounting to Baht 140.9 million increased by Baht 96.5 million or 217%, compared to 1H13. Reason occurred in temporary production shutdown of soda lime glass line for 2 furnaces because of effect of chromium contamination in sand from new imported source. The Company has stopped using this sand source since early June. Currently all production process have been back to normal production since June 15, 2014. Affect from shutdown expense of the mentioned soda-lime glass line in 2Q14 and 1H14 presented to Baht 46.1 million and Baht 88.0 million, respectively.

Statements of Financial Position as at June 30, 2014

	30-Jun-14 (Million Baht)	31-Dec-13 (Million Baht)	Change (%)
Current Assets	1,248.8	1,560.4	(20%)
Non-Current Assets	1,847.8	1,827.3	1%
Total Assets	3,096.6	3,387.7	(9%)
Current Liabilities	737.5	918.0	(20%)
Non-Current Liabilities	905.6	1,037.5	(13%)
Total Liabilities	1,644.1	1,955.5	(16%)
Total Shareholders' Equity	1,452.5	1,432.2	1%
Current Ratio (times)	1.69	1.70	
Debt to Equity Ratio (times)	1.13	1.37*	

Total assets represented to Baht 3,096.6 million, decreased by Baht 291.1 million or 9% from December 31, 2013. There was comprised of current assets of Baht 1,248.8 million, decreased by Baht 311.6 million or 20%, primarily due to decrement in cash and cash equivalent in the amount of Baht 216.3 million from short-term loan repayment due in this period to local financial institutions. While non-current assets of Baht 1,847.8 million increased by Baht 20.5 million or 1%, primarily due to gains on land revaluation in the amount of Baht 99.3 million, net of depreciation and amortisation for the period.

Total liabilities presented to Baht 1,644.1 million, decreased by Baht 311.5 million or 16%, primarily due to short-term loan repayment due as mentioned above.

Long-term loans of Baht 785 million are secured by the Company's land and construction thereon. The loans contain restriction on Debt to Equity Ratio. As of June 30, 2014, the Company maintained such ratio as well.

Total shareholders' equity represented at Baht 1,452.5 million, increased by Baht 20.4 million or 1% because of gains on land revaluation, net of tax and recognised net loss for the period.

**Effect from reclassifications for the year 2014 as mentioned above, Debt to Equity Ratio as of December 31, 2013, changed from previous reported at 1.42 times to 1.37 times.*