

# Ocean Glass Public Company Limited

## Management Discussion and Analysis

Consolidated Financial Result  
For the Period Ended September 30, 2014

### Business Overview

In 3Q14, sales growth of Ocean Glass Public Company Limited and Subsidiaries (“the Company”) was 5% comparing with 3Q13 and continue to expand the business as strategic plan. However, the Company has net profit during the 3Q14 in the amount of Baht 30.7 million.

In 9M14, sales growth of the Company was 5% comparing with 9M13 and the Company has net loss for the 9M14 in the amount of Baht 29.0 million.

### Reclassifications

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 and employee benefit expenses for the period ended 30 September 2013, which has disclosed in notes to financial statements no.3 “Reclassifications”.

## Operating Results Summary

The Company reported consolidated revenues for 3Q14 of Baht 500.5 million, increased of Baht 21.9 million or 5%. The Company's gross profit demonstrated at 35% to sales value, increased from 3Q13 which presented at 27% due to sales growth and better production efficiency improvement. Net profit of Baht 30.7 million, increased by Baht 42.7 million or 355%, compared to 3Q13 primarily, therefore profit per share present at 1.44 Baht.

The Company reported consolidated revenues for 9M14 of Baht 1,419.8 million, increased of Baht 69.4 million or 5%. The Company's gross profit demonstrated at 34% to sales value, increased from 9M13 which presented at 26% due to sales growth and better production efficiency improvement. However, net loss of Baht 29.0 million, loss decreased by Baht 27.9 million or 49%, compared to 9M13, therefore loss per share present at 1.36 Baht.

### ■ Total Revenues

	Q3'2014 (Million Baht)	Q3'2013 (Million Baht)	Change (%)
Revenue from sales	500.5	478.6	5%
Foreign exchange gain (loss)	1.4	(2.2)	164%
Other income	1.2	4.8	(75%)
<b>Total revenues</b>	<b>503.1</b>	<b>481.2</b>	<b>5%</b>

	Q3'2014 (Million Baht)	Q3'2013 (Million Baht)	Change (%)
Domestic Sales	114.5	129.2	(11%)
Export Sales	386.0	349.4	10%
<b>Total revenue from sales</b>	<b>500.5</b>	<b>478.6</b>	<b>5%</b>

In 3Q14, revenue from the sales stated Baht 500.5 million, increased of baht 21.9 million, or 5% increased from 3Q13. The proportion of domestic sales was 23% and export sales registered at 77%. Export sales growth 10% 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 primarily in Asia. Domestic sales decreased 11% from 3Q13.

Other income for 3Q14 in the amount of Baht 1.2 million mainly comprised of sales of cullet and recognised revenues from mold supplies which decreased by Baht 3.6 million.

	9M '2014 (Million Baht)	9M '2013 (Million Baht)	Change (%)
Revenue from sales	1,419.8	1,350.4	5%
Foreign exchange gain (loss)	4.7	(1.9)	348%
Other income	8.1	8.1	0%
<b>Total revenues</b>	<b>1,432.6</b>	<b>1,356.6</b>	<b>6%</b>

	9M '2014 (Million Baht)	9M '2013 (Million Baht)	Change (%)
Domestic Sales	346.6	352.3	(2%)
Export Sales	1,073.2	998.1	8%
<b>Total revenue from sales</b>	<b>1,419.8</b>	<b>1,350.4</b>	<b>5%</b>

In 9M14, revenue from the sales stated Baht 1,419.8 million, increased of baht 69.4 million, or 5% increased from 9M13. The proportion of domestic sales was 24% and export sales registered at 76%. Export sales growth 8% 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 decreased 2% from 9M13.

According to Thai Baht depreciated against US dollar which effect to the Company recognised higher foreign exchange gain of Baht 4.7 million, compared to 9M13.

Other income for 9M13 in the amount of Baht 8.1 million mainly comprised of sales of cullet and recognised revenues from mold supplies.

■ **Total Cost of goods sold**

	Q3'2014 (Million Baht)	Q3'2013 (Million Baht)	Change (%)
Cost of goods sold	323.2	348.7	(7%)

In 3Q14, total cost of goods sold in absolute Baht 323.2 million decreased by Baht 25.5 million or 7% q-o-q, primarily due to higher production efficiency improvement of lead-free crystal glass (crystalline).

	9M '2014 (Million Baht)	9M '2013 (Million Baht)	Change (%)
Cost of goods sold	941.7	996.1	(5%)

In 9M14, total cost of goods sold in the amount of Baht 941.7 million decreased by Baht 54.4 million or 5%, compared to 9M13, primarily due to higher production efficiency improvement of lead-free crystal glass (crystalline).

■ Total Selling and Administrative expenses

	Q3'2014 (Million Baht)	Q3'2013 (Million Baht)	Change (%)
Selling expenses	83.9	89.1	(6%)
Administrative expenses	19.9	24.2	(18%)

Selling expenses for 3Q14 registered Baht 83.9 million, decreased by Baht 5.2 million or 6% q-o-q. Selling expenses primarily came from marketing expenses. While, Administrative expenses presented to Baht 19.9 million decreased by Baht 4.3 million q-o-q or 18%, primarily due to better management efficiency on expenses and in line with the Company's budget.

	9M '2014 (Million Baht)	9M '2013 (Million Baht)	Change (%)
Selling expenses	255.3	257.7	(1%)
Administrative expenses	65.6	69.3	(5%)

Selling expenses for 9M14 of Baht 255.3 million, decreased by Baht 2.4 million or 1%, compared to 9M13, mainly came from marketing expenses. While, administrative expenses presented to Baht 65.6 million which decreased by Baht 3.7 million or 5% from 9M14 primarily due to better management efficiency on expenses and in line with the Company's budget.

■ Total Shutdown expenses

	Q3'2014 (Million Baht)	Q3'2013 (Million Baht)	Change (%)
Shutdown expenses	24.9	21.7	15%

	9M '2014 (Million Baht)	9M '2013 (Million Baht)	Change (%)
Shutdown expenses	165.8	66.1	151%

In 3Q14, Shutdown expenses amounted to Baht 24.9 million increased by Baht 3.2 million or 15%, compared to 3Q13 and in 9M14, Shutdown expenses amounting to Baht 165.8 million increased by Baht 99.7 million or 151%, compared to 9M13. 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 3Q14 and 9M14 presented to Baht 3.8 million and Baht 91.8 million, respectively.

## Statements of Financial Position as at September 30, 2014

	30-Sep-14 (Million Baht)	31-Dec-13 (Million Baht)	Change (%)
Current Assets	1,335.1	1,560.4	(14%)
Non-Current Assets	1,807.1	1,827.3	(1%)
<b>Total Assets</b>	<b>3,142.2</b>	<b>3,387.7</b>	<b>(7%)</b>
Current Liabilities	806.5	918.0	(12%)
Non-Current Liabilities	852.5	1,037.5	(18%)
<b>Total Liabilities</b>	<b>1,659.0</b>	<b>1,955.5</b>	<b>(15%)</b>
<b>Total Shareholders' Equity</b>	<b>1,483.2</b>	<b>1,432.2</b>	<b>4%</b>
Current Ratio (times)	1.66	1.70	
Debt to Equity Ratio (times)	1.12	1.37*	

Total assets represented to Baht 3,142.2 million, decreased by Baht 245.5 million or 7% from December 31, 2013. There was comprised of current assets of Baht 1,335.1 million, decreased by Baht 225.3 million or 14%, primarily due to decrement in cash and cash equivalent in the amount of Baht 169.9 million from short-term loan repayment due in this period to local financial institutions. While non-current assets of Baht 1,807.1 million decreased by Baht 20.2 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 1,659.0 million, decreased by Baht 296.5 million or 18%, primarily due to short-term loan repayment due in the amount of Baht 235.4 million and long-term loan repayment due during the period in the amount of Baht 40.2 million.

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 September 30, 2014, the Company maintained such ratio as well.

Total shareholders' equity represented at Baht 1,483.2 million, increased by Baht 51.0 million or 4% 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.*