

Ocean Glass Public Company Limited

Management Discussion and Analysis

Consolidated Financial Result
For the Period Ended June 30, 2015

Business Overview and Operating Results Summary

In 2Q15, Ocean Glass Public Company Limited and Subsidiaries (“the Company”) reported consolidated revenues of Baht 419.2 million, decreased of Baht 44.3 million or 9.6 % comparing with 2Q14 due to economic crisis in Greater China and Euro zone. The company’s gross profit demonstrated at 39.4% to sales value, while during 2Q14 the Company’s gross profit demonstrated at 33.0% to sales value increased due to efficiency improvement in the production and decrement of energy cost. However, the Company has net loss of Baht 14.4 million due to shutdown expense from temporarily cold repair of soda-lime furnaces (Furnace B) in order to efficiency improvement and maintenance the furnace in a good condition. Loss per share presented at 0.67 Baht per share.

The Company reported consolidated revenues for 1H15 of Baht 821.5 million, decreased of Baht 97.8 million or 10.6 % comparing with 1H14. The company’s gross profit demonstrated at 40.6% to sales value, while during 1H14 the Company’s gross profit demonstrated at 32.3% due to efficiency improvement in the production and energy cost reduction. However, the Company has net profit of Baht 1.2 million, while during 1H14 the Company has net loss in the amount of Baht 63.6 million, therefore profit per share presented at 0.06 Baht per share.

Statement of Comprehensive Income

■ Total Revenues

	Q2'2015 <i>(Million Baht)</i>	Q2'2014 <i>(Million Baht)</i>	Change <i>(%)</i>
Revenue from sales	419.2	463.4	(9.6)
Foreign exchange gain (loss)	(0.8)	0.7	(216.3)
Other income	0.9	0.7	42.2
Total revenues	419.3	468.1	(10.4)

	<i>Q2'2015</i> <i>(Million Baht)</i>	<i>Q2'2014</i> <i>(Million Baht)</i>	<i>Change</i> <i>(%)</i>
Domestic Sales	100.9	115.4	(12.6)
Export Sales	318.3	348.0	(8.5)
Total revenue from sales	419.2	463.4	(9.5)

In 2Q15, the proportion of domestic sales was 24% and export sales registered at 76%. Export sales decreased 8.5% primarily due to economic crisis in Greater China and Euro zone. Domestic sales also decreased 12.6% from 2Q14. This was because B2B consumer who buy glassware products to be used in promotional campaign (Premium) and also retail consumer decreased.

Other income for 2Q15 in the amount of Baht 0.8 million which decreased by Baht 1.3 million from 2Q14 was due to the recognition of foreign exchange loss, according to fluctuations in foreign exchange rate during the period.

	<i>H1'2015</i> <i>(Million Baht)</i>	<i>H1'2014</i> <i>(Million Baht)</i>	<i>Change</i> <i>(%)</i>
Revenue from sales	821.5	919.3	(10.6)
Foreign exchange gain (loss)	(0.6)	3.3	(117.5)
Other income	1.6	6.9	(77.1)
Total revenues	822.5	932.7	(11.8)

	<i>H1'2015</i> <i>(Million Baht)</i>	<i>H1'2014</i> <i>(Million Baht)</i>	<i>Change</i> <i>(%)</i>
Domestic Sales	220.3	232.1	(5.1)
Export Sales	601.2	687.2	(12.5)
Total revenue from sales	821.5	919.3	(10.6)

In 1H15, the proportion of domestic sales was 27% and export sales registered at 73%. Export sales decreased 12.5% primarily due to economic crisis in Greater China and Euro zone. Domestic sales also decreased 5.1% from 1H14. This was because B2B consumer who buy glassware products to be used in promotional campaign (Premium) and also retail consumer decreased.

Other income for 1H15 in the amount of Baht 1.6 million mainly comprised of sales of cullet, while during 1H14 the Company recognized revenues from mold supplies.

■ Total Cost of goods sold

	Q2'2015 (Million Baht)	Q2'2014 (Million Baht)	Change (%)
Cost of goods sold	254.1	310.3	(18.1)

In 2Q15, total cost of goods sold in the amount of Baht 254.1 million decreased by Baht 56.2 million or 18.1% from 2Q14, primarily due to the decrement in cost of energy which in line with the reduction of crude oil prices on world markets, including the improvement of production efficiency as well.

	H1'2015 (Million Baht)	H1'2014 (Million Baht)	Change (%)
Cost of goods sold	487.6	622.0	(21.6)

In 1H15, total cost of goods sold in the amount of Baht 487.6 million decreased by Baht 134.4 million or 21.6%, compared to 1H14, primarily due to the decrement in cost of energy which in line with the reduction of crude oil prices on world markets, including the improvement of production efficiency as well.

■ Total Selling and Administrative expenses

	Q2'2015 (Million Baht)	Q2'2014 (Million Baht)	Change (%)
Selling expenses	78.7	87.6	(10.2)
Administrative expenses	24.6	22.0	12.0

Selling expenses for 2Q15 in the amount of Baht 78.7 million, decreased by Baht 8.9 million or 10.2% from 2Q14, primarily came from promotion expenses. Administrative expenses presented to Baht 24.6 million increased by Baht 2.6 million or 12.0%, compared to 2Q14 primarily due to personnel expense which increase aligned with the Company's plan.

	H1'2015 (Million Baht)	H1'2014 (Million Baht)	Change (%)
Selling expenses	158.4	171.3	(7.6)
Administrative expenses	50.2	46.9	6.9

Selling expenses for 1H15 in the amount of Baht 158.4 million, decreased by Baht 12.9 million or 7.6%, compared to 1H14, primarily came from promotional and marketing activities. While, administrative expenses presented to Baht 50.2 million which increased by Baht 3.3 million or 6.9% from 1H14 primarily due to personnel expense which increase aligned with the Company's plan.

■ Total Shutdown expenses

	Q2'2015 (Million Baht)	Q2'2014 (Million Baht)	Change (%)
Shutdown expenses	67.9	74.6	(9.0)

	H1'2015 (Million Baht)	H1'2014 (Million Baht)	Change (%)
Shutdown expenses	100.9	141.0	(28.4)

In 2Q15, Shutdown expenses in the amount of Baht 67.9 million decreased by Baht 6.7 million or 9.0%, compared to 2Q14 and in 1H15, Shutdown expenses in the amount of Baht 100.9 million decreased by Baht 40.1 million or 28.4%, compared to 1H14.

The Company had temporarily shut down of soda-lime furnaces (Furnace B) by Baht 61.7 million in order to improve the quality of the products and to maintain the furnace in a good condition during March to June 2015 as the maintenance scheduled to perform regularly every 4-6 years. The Company had the production plan to manage inventory balance by Baht 39.4 million, in order to manage appropriate balance of inventories against sales during the period.

Statements of Financial Position as at June 30, 2015

	30-Jun-15 (Million Baht)	31-Dec-14 (Million Baht)	Change (%)
Current Assets	1,317.9	1,387.1	(5.0)
Non-Current Assets	1,775.7	1,769.4	0.4
Total Assets	3,093.6	3,156.5	(2.0)
Current Liabilities	727.9	678.6	7.3
Non-Current Liabilities	838.2	928.2	(9.7)
Total Liabilities	1,566.1	1,606.8	(2.5)
Total Shareholders' Equity	1,527.5	1,549.7	(1.4)
Current Ratio (times)	1.81	2.04	
Debt to Equity Ratio (times)	1.03	1.04	

Total assets presented to Baht 3,093.6 million, decreased by Baht 62.9 million or 2.0% from December 31, 2014. There was comprised of current assets of Baht 1,317.9 million, decreased by Baht 69.2 million or 5.0%, primarily due to the decrement in trade accounts receivable at the end of period. While non-current assets of Baht 1,775.7 million increased by Baht 6.3 million or 0.4%, primarily due to the increment in purchasing equipment during the period.

Total liabilities presented to Baht 1,566.1 million, decreased by Baht 40.7 million or 2.5%, primarily due to long-term loan repayment due for the period.

Total shareholders' equity presented at Baht 1,527.5 million, decreased by Baht 22.2 million or 1.4% mainly due to dividend payment 23.5 million in May 2015.