

Ocean Glass Public Company Limited

Management Discussion and Analysis

Consolidated Financial Results
For the period ending June 30, 2019

Operating Results

2nd Quarter 2019

Ocean Glass Public Company Limited and its subsidiaries (“the Company”) reported consolidated revenues of Baht 426.1 million, a decrease of 13.7% compared to the same quarter last year. Sales revenues reported at Baht 415.3 million, declined by 16% due to slower sales in domestic market that has seen increased import of Tabletop Glassware due to strong Thai Baht. Thai Baht appreciation against all major currencies significantly affected export sales. Domestic sales portion ended up 21.5% and export sales 78.5%.

The Company reported gain from foreign exchange hedging at Baht 8.3 million. Other income from sales of scraps, obsolete equipment reported at Baht 2.5 million.

Gross profit margin was higher from 27.2 to 31.2% due to focusing on higher-margin sales. Total expenses were Baht 458.3 million, decreased by 9.2%. The temporary shutdown expenses for scheduled maintenance coupled with the adjustment of severance payment for labor retirement benefits, the Company reported net loss of Baht 26.9 million. Loss per share was Baht 1.26.

Six-Month Period

The Company reported consolidated revenues of Baht 815.4 million, decreased by 9.6%. Sales revenues reported Baht 799.5 million, decreased by 10.9% from slower sales and unfavorable currency impact especially in the second quarter. Sales contributions were from domestic sales 22.2% and export sales 77.8%.

The Company reported gain from foreign exchange hedging at Baht 11.6 million. Other income from sales of scraps, obsolete equipment reported at Baht 4.3 million.

Gross profit margin was higher from 30.7% to 32.1% while total expenses were Baht 885.0 million, decreased by 2.0%. However, the higher shutdown expenses and the adjustment of labor retirement benefits in 2Q19, the Company reported net loss of Baht 57.5 million. Loss per share presented at Baht 2.70.

Statement of Comprehensive Income

▪ Total Revenues (Million Baht)

	Quarterly		Change	Six-month End June 30,		Change
	2/2019	2/2018	%	2019	2018	%
Revenue from sales						
Domestic sales	89.4	119.8	(25.3)	177.8	226.4	(21.5)
Export sales	325.9	375.4	(13.2)	621.7	670.6	(7.3)
Total revenue from sales	415.3	495.2	(16.1)	799.5	897.0	(10.9)
Foreign exchange gain (loss)	8.3	(2.4)	(441.0)	11.6	3.7	215.7
Other income	2.5	0.7	253.3	4.3	1.5	184.2
Total revenues	426.1	493.5	(13.7)	815.4	902.2	(9.6)

▪ Total Expenses (Million Baht)

	Quarterly		Change	Six-month End June 30,		Change
	2/2019	2/2018	%	2019	2018	%
Cost of goods sold	285.6	360.7	(20.8)	542.9	621.2	(12.6)
Temporary shutdown expenses	38.6	9.4	309.7	82.4	25.2	227.5
Allowance for the decline in value of inventory	1.7	3.9	(56.9)	3.0	5.1	(42.1)
Selling expenses	69.7	83.4	(16.4)	142.8	167.1	(14.5)
Administrative expenses	58.0	42.1	37.8	104.4	74.7	39.8
Finance costs	4.7	5.1	(7.7)	9.5	9.7	(2.1)
Total expenses	458.3	504.6	(9.2)	885.0	903.0	(2.0)

2nd Quarter 2019

- Total cost of goods sold decreased by 20.8% which was in line with the decrement of sales value. However, unit cost of product was slightly increased due to the increment of energy cost
- Selling expenses decreased by 16.4% from controlling promotional and marketing activities
- Administrative expenses increased by 37.8% due to the adjustment of severance payment for labor retirement benefits according to Labor Protection Act at Baht 22.9 million
- Shutdown expenses increased by 309.7% from furnace maintenance and inventory management. Details were given below:
 - Temporarily shutdown for maintenance of Soda-Lime Furnace B at Baht 23.7 million
 - Temporarily shutdown of machines for the inventory management at Baht 14.9 million
- Allowance for the decline in value of inventory decreased by 57.9% from obsolete and long aged finished goods

Six-Month Period

- Total cost of goods sold decreased by 12.6% along with declining in sales value
- Selling expenses decreased by 14.5% due to the controlling of operating expenses.
- Administrative expenses increased by 39.8% from the adjustment of severance payment in 2Q19
- Shutdown expense increased by 227.5% from furnace maintenance and inventory management. Details were given below:
 - Temporarily shutdown for maintenance of Soda-Lime Furnace A at Baht 14.2 million
 - Temporarily shutdown for maintenance of Soda-Lime Furnace B at Baht 36.5 million
 - Temporarily shutdown of machines for the inventory management at Baht 31.7 million
- Allowance for the decline in value of inventory decreased by 42.1% from obsolete and long aged finished

Statements of Financial Position as of June 30, 2019

	June 30, 2019 (Million Baht)	December 31, 2018 (Million Baht)	Change (%)
Current Assets	1,231.2	1,336.0	(7.8)
Non-Current Assets	1,933.1	1,929.9	0.2
Total Assets	3,164.3	3,265.9	(3.1)
Current Liabilities	1,050.5	1,093.4	(3.9)
Non-Current Liabilities	307.0	299.4	2.6
Total Liabilities	1,357.5	1,392.8	(2.5)
Total Shareholders' Equity	1,806.8	1,873.1	(3.5)
Current Ratio (times)	1.17	1.22	
Debt to Equity Ratio (times)	0.75	0.74	

As of June 30, 2019, total assets decreased by 3.1%. Current assets decreased by 7.8% from trade accounts receivable. Non-current assets increased by 0.2% due to investment in cold repair furnace B. Total liabilities decreased by 2.5% due to trade payables, net of cash received of short-term loans and repayment of long-term loans.

Total shareholders' equity decreased by 3.5% from the recognition of net loss during the period net with dividend payment.

In this period, re-measurement of employee benefit causing gain on income tax at Baht 4.8 million.