

(Translations)

At TOG 2562/01

Date: February 13, 2019

Subject: Submission of Financial Statements ended December 31, 2018 and Management Discussion and Analysis due to change of net profit which decreased over than 20% from previous year.

To: Director and Manager of the Stock Exchange of Thailand.

Cc: Secretary General of the Office of Securities and Exchange Commission.

Thai Optical Group Public Company Limited (the “Company”) is pleased to submit the Company’s operating results report of year 2018 as follows:

1. Financial Statements for the year ended as of December 31, 2018 the Company and its subsidiaries.
2. Management Discussion and Analysis (MD&A) for the year ended as of December 31 2018.
3. Summarized operating results for the year of the Company and its subsidiaries (F45-3).

Remark: Disclosure both in Thai and English Versions.

For your acknowledgement and please disseminate to investors accordingly.

Yours Sincerely,  
Thai Optical Group PCL.

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(Mr.Torn Prachartam)  
Managing Director

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## Thai Optical Group Public Company Limited

### Management Discussion and Analysis (MD&A)

#### Operating Results for the year ended December 31, 2018

Thai Optical Group Public Company Limited (the “Company”) hereby submits the Company’s operating results for the year ended 2018 as follows:

	<b>Consolidated Financial Statements (million Baht)</b>		<b>Separated Financial Statements (million Baht)</b>	
	<b>Year 2018</b>	<b>Year 2017</b>	<b>Year 2018</b>	<b>Year 2017</b>
Total revenues	1,915.36	1,912.26	1,306.55	1,392.93
Net Profit (Loss)	146.03	183.46	132.26	178.69

The Company and its subsidiaries had earned total revenues 1,915.36 million Baht, which was increased by 3.10 million Baht or 0.16% from the same period of previous year. The net profit was 146.03 million Baht, which was decreased by 37.43 million Baht or 20.40%. The reduction of net profit as such mainly derived from decreased revenue. Sales revenue of Standard Organic Lenses was decreased by 65.40 million Baht or 3.48% of total revenue, while RX/Prescription Lenses increased by 34.70 million Baht or 1.85% of total revenue. In view of regional segment, sale revenue declined 6.29% in Europe and 4.47% in Australia, however, Asia-Pacific increased by 13.63%. Although the company’s production cost had higher in Rx/Prescription Lenses which derived from depreciation in new RX Automation production line that invested by a subsidiary in end of year 2017 to enhance their efficiency and effectiveness, by the way, with proper management, there was not huge change in this part.

### Operating Results Analysis

#### 1. Revenues and Expenses of the Company and its subsidiaries

##### 1.1 Revenue from sales and services

In 2018, The Company and its subsidiaries had earned total revenues from sales and services of 1,841.57 million Baht which decreased from 2017 by 36.02 million Baht or 1.92%. The reduction as such mainly derived from sales revenue of Standard Organic Lenses which decreased by 65.40 million Baht or 3.48% of total revenue, while RX/Prescription Lenses increased by 34.70 million Baht or 1.85% of total revenue. The detail of revenue by product groups as shown below:

Revenue by Product Groups	Manufacturer	2018	2017
1. Standard Organic Lenses	The Company and its subsidiaries.	33	36
2. Value-added Lenses*	The Company	26	25
3. Rx/Prescription Lenses	The Subsidiary Company	33	31
4. Mineral Lenses/Other Products and Services	The Company and its subsidiaries.	8	8
<b>Total</b>		<b>100</b>	<b>100</b>

Note: \* Value-added Lenses are consisted of Hi-index Lens, Photochromic Lens and High Impact Resistance Lens.

## 1.2 Cost of Goods Sold

In 2018, The Company and its subsidiaries had ratio of cost of goods sold to revenue from sales and services at 79.60% higher than 2017 which was 75.17%. This impacted from Rx/Prescription Lenses which derived from depreciation in new RX Automation production line that invested to enhance their efficiency and effectiveness.

## 1.3 Selling and Administrative Expenses

In 2018, The Company and its subsidiaries had Selling and Administrative Expenses 284.89 million Baht which increased from 2017 by 23.17 million Baht, due to the operating expenses of new investing in a subsidiaries that principally engaged in distributing products and providing sales to customers in United States of America.

## 1.4 Other Revenues

In 2018, The Company and its subsidiaries had the other revenues 73.80 million Baht; increased from 2017 by 53.32 million Baht, due to the increase in gain (loss) of exchange rate increased 35.39 million Baht and freight income 9.34 million Baht.

## 1.5 Interest Expense

In 2018, The Company and its subsidiaries had interest expenses 11.24 million Baht, increased 7.48 million Baht from 2017, derived from new product line investment of a subsidiary.

## 1.6 Net Profit

In 2018, The Company and its subsidiaries had net profit 146.03 which decreased from 2017 by 37.43 million Baht or 20.40% due to decreased of sales, increased of selling and administrative expenses as mentioned above.

## 2. Financial Status

The Company and its subsidiaries had total Assets of 2,559.77 million Baht which decreased by 77.72 million Baht from 2017, as details described below;

### **Current assets decreased by 0.27 million Baht from the following changes;**

- Cash and cash equivalents decreased by 56.28 million Baht.
- Trade and other receivables increased by 68.07 million Baht. The trade and other receivables related to the company and the non-related to company increased by 21.03 and 47.04 million Baht respectively. (More details as shown in note to financial statements no.9).
- Net inventories decreased by 12.57 million Baht. Decrease from finished goods 48.31 million Baht, raw materials 7.76 million Baht. However, some increase in goods in transit 27.58 million Baht, glass mold 14.85 million Baht. (More details as shown in note to financial statements no.12).

### **Non-current assets decreased by 77.45 million Baht from the following changes;**

- Land, Building and net equipment decreased by 81.33 million Baht due to annual depreciation.
- Intangible assets decreased by 3.12 million Baht due to annual amortization.
- Deferred tax assets increased by 6.93 million Baht derived from operating results for the year.

The company and its subsidiaries had total Liabilities of 722.33 million Baht, decreased by 66.93 million Baht from 2017, as details described below;

### **Current liabilities decreased by 149.04 million Baht from the following changes;**

- Short-term loan from bank decreased by 131.10 million, derived from operating results for the year.
- Trade payable and other accounts payable decreased by 30.33 million Baht. Trade account payable and other accounts payable decreased by 20.44 and 9.89 million Baht, respectively. (More details as shown in note to financial statements no.18).
- Accrued unpaid corporate income tax decreased by 13.70 million Baht.
- Current portion of long-term loans from banks increased by 37.11 million Baht.
- Current portion of payable for investment in subsidiary decreased by 12.00 Million Baht.

### **Non-current liabilities increased by 82.12 million Baht with details as follows;**

- Long-term loans from banks - net of current portion increased by 85.25 million Baht.
- Provision for long-term employee benefits decreased by 3.13 million Baht.

The company and its subsidiaries had Shareholders' equity of 1,837.44 million Baht which was decreased from the amount of 2017 by 10.79 million Baht due to dividend payment.

### 3. Cash Flow

Cash earned (used) as of December 31, 2018 comparing to last year.

(unit: million Baht)

Items	2018	2017	Amount change	% change
Cash earned (used) in operating activities:	245.22	158.36	86.86	54.85
Cash earned (used) in investment activities:	(130.14)	(159.93)	29.79	18.63
Cash earned (used) in financing activities:	(171.36)	21.14	(192.50)	910.45
Net cash Increased /(Decreased)	(56.28)	19.57	75.85	387.58

**Net cash earned from operating activities as of December 31, 2018 was 245.22 million Baht, increased from previous year by 86.86 million Baht** which was increased from decreasing of operating assets, operating liabilities, cash paid for income tax while decreased from decreasing of profit from operating activities and increasing of long-term employee benefits.

**Net cash used in investment activities as of December 31, 2018 was 130.14 million Baht, decreased from previous year by 29.79 million Baht** which was decreased from decreasing of purchase machines and equipment, intangible assets and payable for investment in subsidiary.

**Net cash used in financing activities as of December 31, 2018 was 171.36 million Baht, decreased from previous year by 192.50 million Baht** which was decreased from decreasing cash received from short-term and long-term loans from banks, including an increased from cash paid for interest expenses, while increased from decreasing of dividend pay.

### 4. Financial Ratios Analysis

Financial Ratios		2018	2017
<b>Profitability Ratio</b>			
Gross Profit Margin	%	20.40	24.83
Net Profit Margin	%	7.93	9.77
<b>Efficiency Operating Ratio</b>			
Return on Equity	%	7.92	9.91
Return on Asset	%	6.36	8.73
Average Collection Period	Days	60.66	60.66
Average Inventory Aging	Days	230.86	221.62
Average Accounts Payable	Days	29.28	46.64
<b>Liquidity Ratio</b>			
Debt to Equity ratio	Times	0.39	0.43