

(Translations)

Date: August 9, 2023

Subject: Submission of Financial Statements of the second Quarter and the first half of 2023 ended June 30, 2023 and Management Discussion and Analysis comparing with the 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 2023 as follows:

1. Financial Statements for 3 months and 6 months ended June 30, 2023 the Company and its subsidiaries.
2. Management Discussion and Analysis (MD&A) for the second Quarter ended June 30, 2023.
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.

(Mr.Torn Prachartam)
Chief Executive Officer

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Thai Optical Group Public Company Limited

Management Discussion and Analysis (MD&A)

Operating Results for the second Quarter ended June 30, 2023

COVID-19 Pandemic

Overview of the world economy: In Q2/2023, the World Health Organization (WHO) announced that COVID-19 It has entered the post-epidemic stage around the world and is not an emergency but is still a disease that requires continuous monitoring. The global economic growth continues to slow down. China's opening up is a hope that will help the global economy return to stronger growth. But until now, China's economic recovery has been gradual. Although the second quarter may be better than the first quarter. But there are signs of continued weakness in many sectors. Importantly, activity in the service sector has grown at the lowest since the opening of the country. The conflict between China and the United States continues and widens, especially in the field “Technology War” that has caused global economic decoupling. The trend of global economic decoupling is worth keeping an eye on. Because it's not just about the United States and China, but it will affect the whole world. Especially through the channel to change the role of partners and the global supply chain. In addition to having a trade decoupling, there will also be an investment decoupling in parallel. Multinational companies will tend to change their supply chains by relocating their production bases. On the part of United States The impact of the policy rate hike high inflation, including issues of political conflict between countries it remains a factor that puts the United States at risk of a more severe economic slowdown or there is a chance to face a higher technical recession in the second half of the year. Signs of slowing down have already begun to emerge through rising unemployment. Declining consumer confidence, as well as a contraction in the manufacturing sector. In the Eurozone economy, there has been a slowdown in private consumption and investment due to the impact of financial tightness as well as rising interest rates in recent times. However, falling energy prices and the outlook for a still strong labor market are expected to help keep the Eurozone economic slowdown at a milder pace.

However, despite the situation of the COVID-19 epidemic it will have a lower affects the cost of the Group's business activities. But there are still other risk factors that increase, namely the cost of transportation of raw materials and finished goods, foreign exchange rates fluctuate, higher raw material prices from many traders and rising energy costs which affecting company costs. As a result, The Group’s management has closely monitored the progress of the situation and assessed the financial impact in respect of the valuation of assets and contingent liabilities, and will record the impact further.

Consolidated Financial Performance

In Q2/2023, The Company and its subsidiaries had earned total revenues 678 million Baht, which was decreased by 42 million Baht or 6% from previous year. The net profit for the period was 117 million Baht, which was increased by 8 million Baht or 7% from previous year.

In 1H/2023, The Company and its subsidiaries had earned total revenues 1,390 million Baht, which was increased by 8 million Baht or 1% from the same period prior year. The net profit for the period was 230 million Baht, which was increased by 44 million Baht or 24% from previous year as detailed in the table below.

Consolidated Financial Statements (Unit: million Baht)	Q2/2023	Q2/2022	1H/2023	1H/2022
Total revenues	678	720	1,390	1,381
Cost of sales and service	487	522	991	1,034
Selling and Administrative Expenses	57	80	142	153
Net Profit (Loss)	117	109	230	185

In 1H/2023, The Main factor in the increase in revenue was from sales revenue, which was rationalized by the global economic recovery due to the COVID-19 epidemic situation. Overall started to relax as mentioned above. Sales revenue increased in regions the Americas increased by 35 percent, Europe increased by 18 percent and decreased in Australia decreased by 16 percent, Africa and the Middle East decreased by 9 percent, Asia and Pacific decreased by 6 percent. As for the cost of sales and services, the proportion to revenue from sales and services decreased from the previous year, mainly due to the effective cost management, and in terms of selling and administrative expenses decreased due to adjustment of sales support criteria.

Operating Results Analysis

1. Revenues and Expenses of the Company and its subsidiaries

1.1 Revenue from sales and services

In Q2/2023, The Company and its subsidiaries had earned total revenues from sales and services of 662 million Baht which was decreased by 22 million Baht or 3% from previous year, which derived from Value-added Lenses 14 million Baht, Standard Organic Lenses 13 million Baht, Mineral Lenses/Other Products and Services 1 million Baht and increased in Rx/Prescription Lenses 6 million Baht.

In 1H/2023, The Company and its subsidiaries had earned total revenues from sales and services of 1,382 million Baht which was increased by 47 million Baht or 4% from previous year, Which derived from Rx/Prescription Lenses 37 million Baht, Mineral Lenses/Other Products and Services 7 million Baht, Standard Organic Lenses 1 million Baht and decreased in Value-added Lenses 1 million Baht.

The Revenue by Product Groups are as follows:

Revenue by Product Groups	Manufacturer	Q2/2023	Q2/2022	H1/2023	H1/2022
1. Standard Organic Lenses	The Company and its subsidiaries.	24	25	25	25
2. Value-added Lenses *	The Company	27	28	27	28
3. Rx/Prescription Lenses	The Subsidiary Company	40	38	39	38
4. Mineral Lenses/Other Products and Services	The Company and its subsidiaries.	9	9	9	9
Total		100	100	100	100

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

1.2 Cost of Goods Sold

In Q2/2023, the Company and its subsidiaries had ratio of cost of goods sold to revenue from sales and services at 74% lower than prior year 2%, mainly due to the continuous efficiency management, which resulted to product cost decrease comparing to prior year.

In 1H/2023, the Company and its subsidiaries had ratio of cost of goods sold to revenue from sales and services at 72% higher than prior year 5%, mainly due to the increase of production volume and continuous efficiency management, which resulted to product cost decrease comparing to prior year.

1.3 Selling and Administrative Expenses

In Q2/2023, the Company and its subsidiaries had selling and administrative expenses 57 million Baht, decreased from previous year by 23 million Baht.

In 1H/2023, the Company and its subsidiaries had selling and administrative expenses 142 million Baht, decreased from prior year by 11 million Baht.

The main reason for the decrease above was due to the decrease in sales-related expenses such as sales support expenses, due to adjustment of sales support criteria.

1.4 Other Revenues

In Q2/2023, the Company and its subsidiaries had other revenues 16 million Baht, decreased by 20 million Baht from the previous year, mainly due to the decrease in gain on exchange rate.

In 1H/2023, the Company and its subsidiaries had other revenues 8 million Baht, decreased by 39 million Baht from the previous year, mainly due to the decrease in gain on exchange rate.

1.5 Net Profit

In Q2/2023, the Company and its subsidiaries had net profit 117 million Baht which increased by 8 million Baht or 7% from previous year.

In 1H/2023, the Company and its subsidiaries had net profit 230 million Baht which increased by 44 million Baht or 24% from prior year.

The main reason for the increase in net profit was from the increase in sales revenue and the decrease in cost of sales and services mentioned above.

2. Financial Status

The Company and its subsidiaries had total assets of 3,846 million Baht which increased by 544 million Baht from 2022, with details of significant increases and decreases as follows;

Current assets increased by 7.76 million Baht from the following changes;

- Cash and cash equivalents decreased by 181.23 million Baht.
- Net inventories increased by 217 million Baht, the mainly due to an increase in finished goods 247.80 million Baht, raw materials 42.32 million Baht, supplies - glass mould 17.43 million Baht, Spare parts and factory supplies 10.06 million Baht and goods in transit decreased for 99.63 million Baht.
- Other current assets increased by 17.44 million Baht.

Non-current assets increased by 535.94 million Baht from the following changes;

- Land, building and net equipment increased by 541.04 million Baht.
- Deferred tax assets decreased by 11.03 million Baht.

The company and its subsidiaries had total Liabilities of 1,705 million Baht, increased by 518 million Baht from 2022, as details described below;

Current liabilities increased by 515.66 million Baht from the following changes;

- Trade payable and other accounts payable increased by 108.17 million Baht, this was mainly due to an increase in other accounts payable-unrelated parties 118.67 million Baht, accrued expenses 38.18 million Baht and decreased in trade accounts payable-unrelated parties 48.61 million Baht (More details as shown in note to financial statements no.10).
- Short-term loans from banks increased 426 million Baht.
- Current portion of long-term loans from banks decreased 9.29 million Baht.
- Income tax payable decreased 10.64 million Baht.

Non-current liabilities increased by 2.02 million Baht with details as follows;

- Provision for long-term employee benefits increased by 3.01 million Baht.

The company and its subsidiaries had Shareholders' equity of 2,141 million Baht which was increased from the amount of 2022 by 26.01 million Baht.

3. Cash Flow

Cash earned (used) as of June 30, 2023 comparing to prior year.

(Unit: million Baht)

Items	Q2/2023	Q2/2022	Amount change	% change
Cash earned (used) in operating activities:	102.17	354.53	(253.36)	71.2
Cash earned (used) in investment activities:	(481.75)	(40.19)	(441.56)	1,098.7
Cash earned (used) in financing activities:	198.35	(193.29)	391.64	202.6
Net cash Increased /(Decreased)	(181.23)	121.05	(302.28)	249.7

Net cash earned from operating activities as of June 30, 2023 was 102.17 million Baht, decreased by 253.36 million Baht from previous year, this was mainly due to an increase in inventories.

Net cash used in investment activities as of June 30, 2023 was 481.75 million Baht, increased by 441.56 million Baht from previous year. There was a significant change from an increase in purchases of machinery and equipment.

Net cash earned in financing activities as of June 30, 2023 was 198.35 million Baht, increased by 391.64 million Baht from previous year, mainly due to cash from short-term loans from banks.

4. Financial Ratios Analysis

Financial Ratios			Year 2023	Year 2022
Profitability Ratio				
Gross Profit Margin	GP	%	28.72	23.51
Net Profit Margin	NP	%	16.82	13.96
Efficiency Operating Ratio				
Return on Equity	ROE	%	21.76	19.83
Return on Asset	ROA	%	14.73	14.21
Average Collection Period	ACP	Days	50.75	56.03
Average Age of Inventory	AAI	Days	238.31	211.39
Average Accounts Payable	APP	Days	36.98	37.51
Liquidity Ratio				
Debt to Equity ratio	D/E ratio	Times	0.80	0.56