

(Translations)

At TOG 2562/08

Date: August 7, 2019

Subject: Submission of Financial Statements of the Second quarter and the first half of 2019 ended June 30, 2019 and Management Discussion and Analysis due to change of net profit which increased 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 2019 as follows:

1. Financial Statements for 3 months and 6 months ended June 30, 2019 the Company and its subsidiaries.
2. Management Discussion and Analysis (MD&A) for 3 months and 6 months ended June 30, 2019.
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 3 months and 6 months ended June 30, 2019

Consolidated Financial Performance

In the second quarter of 2019, The Company and its subsidiaries had earned total revenues 466 million Baht same as prior year. Net profit was 14 million Baht, which was decreased by 14 million Baht from Q2/2018. The decreased of net profit as such mainly derived from effect in the severance pay adjustment (according to new labour law) amount 15.4 MB. by recognizing past service costs as expenses in the profit or loss for this period of Q2/2019. This change was adjustment stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. According to The Labor Protection Act (No.7) B.E. 2562 is effective from 5 May 2019. In addition, there was an effect from loss on foreign exchange rate amount 5 MB. (Mainly from unrealized loss on foreign exchange rate translations from USD currency to BAHT currency of ending balance foreign cash and account receivable, this due to the effect of Thai Baht depreciation against the US Dollar), while in Q2/2018 had gain on exchange rate 14 million Baht.

In the first half of 2019, The Company and its subsidiaries had earned total revenues 1,027 million Baht, which was increased by 103 million Baht or 11.1% from the same period prior year. The net profit was 95 million Baht, which was increased by 49 million Baht or 106.4%. The increased of net profit as such mainly derived from increased sales revenue of Value-added Lenses by 45 million Baht or 5.1% and Standard Organic Lenses 40 million Baht or 4.5% of total revenue. In view of regional segment, sale revenue increased 103% in America, 14% in Asia-Pacific and 12% in Australia. In production cost had lower than prior year due to continuous efficiency management.

Consolidated Financial Statements (Unit: million Baht)	Q2/2019	Q2/2018	1H/2019	1H/2018
Total revenues	466	466	1,027	924
Net Profit (Loss)	14	28	95	46
The severance pay adjustment (Labour Law)	(15)	-	(15)	-
The effect from Gain / (Loss) on foreign exchange rate	(5)	14	(1)	13

Operating Results Analysis

1. Revenues and Expenses of the Company and its subsidiaries

1.1 Revenue from sales and services

In the second quarter of 2019, The Company and its subsidiaries had earned total revenues from sales and services of 463 million Baht which increased from Q2/2018 by 13 million Baht or 3%. The increased as such mainly derived from sales revenue of Standard Organic Lenses 7 million Baht or 1.5 of total revenue.

In the first half of 2019, The Company and its subsidiaries had earned total revenues from sales and services of 1,018 million Baht which increased from H1/2018 by 112 million Baht or 12.3%. The increased as such mainly derived from sales revenue of Value-added Lenses was increased by 45 million Baht or 5.1% and Standard Organic Lenses 40 million Baht or 4.5 of total revenue.

The Revenue by Product Groups are as follows:

Revenue by Product Groups	Manufacturer	Q2/2019	Q2/2018	H1/2019	H1/2018
1. Standard Organic Lenses	The Company and its subsidiaries.	34	33	34	34
2. Value-added Lenses *	The Company	26	26	26	24
3. Rx/Prescription Lenses	The Subsidiary Company	33	33	33	34
4. Mineral Lenses/Other Products and Services	The Company and its subsidiaries.	7	8	7	8
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 the second quarter of 2019, The Company and its subsidiaries had ratio of cost of goods sold to revenue from sales and services at 84 % higher than Q2/2018 which was 83%, this is due to the severance pay adjustment (Labour Law) as aforementioned. Although cost of goods were decreased.

In the first half of 2019, The Company and its subsidiaries had ratio of cost of goods sold to revenue from sales and services at 78% lower than H1/2018 which was 81%, this is due to continuous efficiency management as mentioned above.

1.3 Selling and Administrative Expenses

In the second quarter of 2019, The Company and its subsidiaries had Selling and Administrative Expenses 58 million Baht which decreased from Q2/2018 by 1 million Baht.

In the first half of 2019, The Company and its subsidiaries had Selling and Administrative Expenses 124 million Baht which decreased from H1/2018 by 10 million Baht, due to the decreased import expenses by using rights and benefits in the Board of Investment (BOI) project.

1.4 Other Revenues

In the second quarter of 2019, The Company and its subsidiaries had the other revenues 3 million Baht; decreased from Q2/2018 by 19 million Baht, due to the decrease in loss of exchange rate decreased 5 million Baht which in Q2/2018 had gain of exchange rate 14 million Baht.

In the first half of 2019, The Company and its subsidiaries had the other revenues 8 million Baht; decreased from H1/2018 by 10 million Baht, due to the decrease in loss of exchange rate decreased 1 million Baht which in H1/2018 had gain of exchange rate 13 million Baht.

1.5 Net Profit

In the second quarter of 2019, The Company and its subsidiaries had net profit 14 million Baht which decreased from Q2/2018 by 14 million Baht or 50% due to decrease from record the severance pay adjustment (Labour Law) and the effect from loss on foreign exchange rate as aforementioned.

In the first half of 2019, The Company and its subsidiaries had net profit 95 million Baht which increased from H1/2018 by 49 million Baht or 106% due to increase of sales, decreased of selling and administrative expenses as mentioned above.

2. Financial Status

The Company and its subsidiaries had total Assets of 2,614 million Baht which increased by 55 million Baht from 2018, as details described below;

Current assets increased by 91.17 million Baht from the following changes;

- Cash and cash equivalents increased by 108.61 million Baht.
- Trade and other receivables decreased by 34.56 million Baht. The trade and other receivables related to the company decreased by 37.52 and the non-related to company increased by 2.96 million Baht. (More details as shown in note to financial statements no.4).
- Net inventories increased by 6.47 million Baht. Increase from finished goods 8.66 million Baht, raw materials 4.26 million Baht, Work in process 3.06 million Baht and glass mold 8.44 million Baht. (More details as shown in note to financial statements no.7).

Non-current assets decreased by 36.50 million Baht which due to from Land, Building and net equipment decreased by 43.74 million Baht due to annual depreciation.

The company and its subsidiaries had total Liabilities of 786 million Baht, increased by 63.8 million Baht from 2018, as details described below;

Current liabilities increased by 92.51 million Baht from the following changes;

- Short-term loan from bank increased by 85.00 million, derived from normal operations.
- Trade payable and other accounts payable increased by 1.05 million Baht. Trade account payable increased by 12.83 million Baht and other accounts payable decreased 11.78 million Baht. (More details as shown in note to financial statements no.12).
- Accrued unpaid corporate income tax increased by 6.61 million Baht.
- Provision for short-term employee benefits increased by 5.68 million Baht.

Non-current liabilities decreased by 28.72 million Baht with details as follows;

- Long-term loans from banks - net of current portion decreased by 39.81 million Baht.
- Provision for long-term employee benefits increased by 11.08 million Baht.

The company and its subsidiaries had Shareholders' equity of 1,828 million Baht which was decreased from the amount of 2018 by 9.1 million Baht.

3. Cash Flow

Cash earned (used) as of June 30, 2019 comparing to prior year.

(Unit: million Baht)

Items	6 months/ as of 30 june 2019	6 months/ as of 30 june 2018	Amount change	% change
Cash earned (used) in operating activities:	223.71	69.00	154.71	224.22
Cash earned (used) in investment activities:	(53.10)	(75.04)	21.94	29.24
Cash earned (used) in financing activities:	(62.00)	(99.04)	(37.04)	37.40
Net cash Increased /(Decreased)	108.61	(105.08)	213.69	203.36

Net cash earned from operating activities as of June 30, 2019 was 223.71 million Baht, increased from previous year by 154.71 million Baht which was increased from decreasing of operating assets and increased of profit from operating.

Net cash used in investment activities as of June 30, 2019 was 53.10 million Baht, decreased from previous year by 21.94 million Baht which was decreased from decreasing of purchase machines and equipment.

Net cash used in financing activities as of June 30, 2019 was 62.00 million Baht, decreased from previous year by 99.04 million Baht which was decreased from decreasing cash received from long-term loans from banks.

4. Financial Ratios Analysis

Financial Ratios				
Profitability Ratio			6 months/ 2019	6 months/ 2018
Gross Profit Margin	GP	%	21.97	19.05
Net Profit Margin	NP	%	9.45	5.15
Efficiency Operating Ratio			30 June 2019	31 December 2018
Return on Equity	ROE	%	10.84	7.92
Return on Asset	ROA	%	8.33	6.36
Average Collection Period	ACP	Days	57.69	60.66
Average Age of Inventory	AAI	Days	222.69	230.86
Average Accounts Payable	APP	Days	27.04	29.28
Liquidity Ratio			30 June 2019	31 December 2018
Debt to Equity ratio	D/E ratio	Times	0.29	0.26