

(Translations)

At TOG 2562/11

Date: November 6, 2019

Subject: Submission of Financial Statements of the Third quarter and the first nine months of 2019 ended September 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 9 months ended September 30, 2019 the Company and its subsidiaries.
2. Management Discussion and Analysis (MD&A) for 3 months and 9 months ended September 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 9 months ended September 30, 2019

Consolidated Financial Performance

In the third quarter of 2019, The Company and its subsidiaries had earned total revenues 473 million Baht which was increased by 18 million Baht or 4% from the same period prior year. Net profit was 25 million Baht, which was increased by 12 million Baht or 89.4% from Q3/2018. The increased of net profit as such mainly derived from increased sales revenue of Rx/Prescription Lenses by 18 million Baht or 4.1% and Value-added Lenses by 10 million Baht or 2.3% of total revenue. In view of regional segment, sale revenue increased 115% in America, 25% in Africa & Middle East and 9% in Asia-Pacific.

In the first nine months of 2019, The Company and its subsidiaries had earned total revenues 1,499 million Baht, which was increased by 119 million Baht or 8.7% from the same period prior year. The net profit was 120 million Baht, which was increased by 61 million Baht or 102.7% from 9M/2018. The increased of net profit as such mainly derived from increased sales revenue of Value-added Lenses by 55 million Baht or 4.2%, Rx/Prescription Lenses by 42 million Baht or 3.2% and Standard Organic Lenses 31 million Baht or 2.3% of total revenue. In view of regional segment, sale revenue increased 107% in America, 22% in Africa & Middle East and 12% in Asia-Pacific. However, in this year has the impact of 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 year 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 foreign exchange rate decreased amount 11 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 9M/2018 had gain on exchange rate 16 million Baht.

Consolidated Financial Statements (Unit: million Baht)	Q3/2019	Q3/2018	9M/2019	9M/2018
Total Revenues	473	455	1,499	1,380
Net Profit (Loss)	25	13	120	59
The severance pay adjustment (Labour Law)	(0.11)	-	(15)	-
The effect from Gain / (Loss) on foreign exchange rate	6	3	5	16

Operating Results Analysis

1. Revenues and Expenses of the Company and its subsidiaries

1.1 Revenue from sales and services

In the third quarter of 2019, The Company and its subsidiaries had earned total revenues from sales and services of 463 million Baht which increased from prior year by 21 million Baht or 4.8%. The increased as such mainly derived from sales revenue of Rx/Prescription Lenses by 18 million Baht or 4.1% and Value-added Lenses by 10 million Baht or 2.3% of total revenue.

In the first nine months of 2019, The Company and its subsidiaries had earned total revenues from sales and services of 1,481 million Baht which increased from prior year by 133 million Baht or 9.8%. The increased as such mainly derived from sales revenue of Value-added Lenses by 55 million Baht or 4.2%, Rx/Prescription Lenses by 42 million Baht or 3.2% and Standard Organic Lenses 31 million Baht or 2.3% of total revenue.

The Revenue by Product Groups are as follows:

Revenue by Product Groups	Manufacturer	Q3/2019	Q3/2018	9M/2019	9M/2018
1. Standard Organic Lenses	The Company and its subsidiaries.	29	32	33	33
2. Value-added Lenses *	The Company	28	27	26	25
3. Rx/Prescription Lenses	The Subsidiary Company	36	34	34	34
4. Mineral Lenses/Other Products and Services	The Company and its subsidiaries.	7	7	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 third quarter of 2019, The Company and its subsidiaries had ratio of cost of goods sold to revenue from sales and services at 84% lower than prior year which was 86%.

In the first nine months of 2019, The Company and its subsidiaries had ratio of cost of goods sold to revenue from sales and services at 80% lower than prior year which was 83%, this is due to continuous efficiency management as mentioned above.

1.3 Selling and Administrative Expenses

In the third quarter of 2019, The Company and its subsidiaries had selling and administrative expenses 58 million Baht which decreased from prior year by 4 million Baht.

In the first nine months of 2019, The Company and its subsidiaries had selling and administrative expenses 182 million Baht which decreased from prior year by 14 million Baht, due to the decreased import expenses by using incentives from project of the Board of Investment of Thailand (BOI).

1.4 Other Revenues

In the third quarter of 2019, The Company and its subsidiaries had other revenues 11 million Baht; decreased from prior year by 3 million Baht, due to Q3/2018 had shares agreement for investment in a subsidiary (Poly Sun Company Limited) 3.7 million Baht.

In the first nine months of 2019, The Company and its subsidiaries had other revenues 18 million Baht; decreased from prior year by 13 million Baht, due to the decrease in gain of exchange rate 11 million Baht.

1.5 Net Profit

In the third quarter of 2019, The Company and its subsidiaries had net profit 25 million Baht which increased from prior year by 12 million Baht as reasons mentioned above.

In the first nine months of 2019, The Company and its subsidiaries had net profit 120 million Baht which increased from prior year by 61 million Baht or 103% 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 2,575 million Baht which increased by 15 million Baht from 2018, as details described below;

Current assets decreased by 33.91 million Baht from the following changes;

- Cash and cash equivalents decreased by 47.58 million Baht.
- Trade and other receivables decreased by 36.47 million Baht. The trade and other receivables related to the company decreased by 47.41 and the non-related to company increased by 10.94 million Baht. (More details as shown in note to financial statements no.4).
- Net inventories increased by 39.76 million Baht. Increase from finished goods 29.13 million Baht, raw materials 16.82 million Baht, Work in process 3.13 million Baht and Decrease from glass mold 4.10 million Baht. (More details as shown in note to financial statements no.8).

Non-current assets increased by 48.85 million Baht which due to from Land, Building and net equipment increased by 26.24 million Baht and Deferred tax assets by 14.67 million Baht.

The company and its subsidiaries had total Liabilities of 769 million Baht, increased by 46.7 million Baht from 2018, as details described below;

Current liabilities increased by 88.59 million Baht from the following changes;

- Short-term loan from bank increased by 18.00 million, derived from normal operations.
- Trade payable and other accounts payable increased by 75.78 million Baht. Trade account payable increased by 25.09 million Baht and other accounts payable increased 50.69 million Baht. (More details as shown in note to financial statements no.13).
- Accrued unpaid corporate income tax increased by 3.93 million Baht.
- Provision for short-term employee benefits increased by 5.68 million Baht.

Non-current liabilities decreased by 41.92 million Baht with details as follows;

- Long-term loans from banks - net of current portion decreased by 54.37 million Baht.
- Provision for long-term employee benefits increased by 12.45 million Baht.

The company and its subsidiaries had Shareholders' equity of 1,806 million Baht which was decreased from the amount of 2018 by 31.74 million Baht.

3. Cash Flow

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

(Unit: million Baht)

Items	9 months/ as of 30 Sep. 2019	9 months/ as of 30 Sep. 2018	Amount change	% change
Cash earned (used) in operating activities:	273.35	140.92	132.43	93.98
Cash earned (used) in investment activities:	(122.77)	(106.74)	(16.03)	15.02
Cash earned (used) in financing activities:	(198.16)	(114.56)	(83.60)	72.97
Net cash Increased /(Decreased)	(47.58)	(80.38)	(32.80)	40.81

Net cash earned from operating activities as of September 30, 2019 was 273.35 million Baht, increased from previous year by 132.43 million Baht which was increased from decreasing of operating assets and increased of profit from operating.

Net cash used in investment activities as of September 30, 2019 was 122.77 million Baht, increased from previous year by 16.03 million Baht which was increased from increasing of purchase machines and equipment.

Net cash used in financing activities as of September 30, 2019 was 198.16 million Baht, increased from previous year by 83.60 million Baht which was increased from increasing Cash paid to settle short-term loans from banks

4. Financial Ratios Analysis

Financial Ratios				
Profitability Ratio			9 months/ 2019	9 months/ 2018
Gross Profit Margin	GP	%	20.12	17.50
Net Profit Margin	NP	%	8.20	4.45
Efficiency Operating Ratio			30 September 2019	31 December 2018
Return on Equity	ROE	%	11.62	7.92
Return on Asset	ROA	%	8.93	6.36
Average Collection Period	ACP	Days	56.73	60.66
Average Age of Inventory	AAI	Days	223.31	230.86
Average Accounts Payable	APP	Days	27.30	29.28
Liquidity Ratio			30 September 2019	31 December 2018
Debt to Equity ratio	D/E ratio	Times	0.43	0.39