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**Subject** Clarification on Operating results of the second quarter of year 2019  
**Attention** Director and manager, The Stock Exchange of Thailand

TCM Corporation Public Company Limited and its subsidiaries (together referred to as “Corporate Group”) would like to clarify the operating result and financial statement of the second quarter of year 2019 compared to the second quarter of year 2018 as follows.

The Corporate Group has net loss of THB 32.39 million at the end of the second quarter of year 2019. Net loss attributable to owners of the parent was THB 58.26 million.

Details of the changes are described in the Management Discussion and Analysis as attached herewith.

Please be informed accordingly.

Your faithfully,  
For and on behalf of TCM Corporation Public Company Limited

(Mrs.Nopphaporn Aphiwatthanakul)  
Financial Director



## Overview

TCM Corporation Public Company Limited and its subsidiaries (collectively referred to as the “Corporate Group”) announced revenue from sales and services of THB 2,277.59 million for the 2<sup>nd</sup> quarter of 2019, decreased from THB 2,404.48 million or by 5.28 percent in the same period of the previous year. EBITDA was THB 171.42 million, decreased from the same period of the previous year by 30.58 percent. Net profit was THB 32.40 million, which was primarily the result of the post-employment benefits plan amendment according to The Labor Protection Act, causing the Corporate Group to have additional long-term employee benefit liabilities of THB 61.04 million. Net loss attributable to owners of the parent for the 2<sup>nd</sup> quarter of 2019 was THB 58.26 million.

The revenue from sales and services can be divided into incomes from TCM Flooring 31.18 percent, TCM Automotive 13.74 percent, and TCM Living 55.07 percent.

## Performance by Group of Business

### TCM Flooring

Unit Baht million

Details	Q2/2562	Q2/2561	Change	% of sales	% of sales	6M/2562	% of sales
			% YoY	Q2/2562	Q2/2561		6M/2562
Revenue from Sales and Services	710.24	798.93	-11.10%	100.00%	100.00%	1,384.85	100.00%
Cost of Sales and Services	(439.61)	(486.28)	-9.60%	61.90%	60.87%	(879.05)	-63.48%
<b>Gross Margin</b>	<b>270.63</b>	<b>312.65</b>	<b>-13.44%</b>	<b>38.10%</b>	<b>39.13%</b>	<b>505.79</b>	<b>36.52%</b>
Selling expenses	0.65	1.43	-54.81%	0.09%	0.18%	6.78	0.49%
Administrative expenses	(166.95)	(152.05)	9.80%	23.51%	19.03%	(314.58)	-22.72%
Other incomes	(118.94)	(125.62)	-5.32%	16.75%	15.72%	(237.76)	-17.17%
Profit (Loss) from exchange rate	(4.90)	21.90	-122.38%	-0.69%	2.74%	(1.68)	-0.12%
<b>Operating income</b>	<b>(19.51)</b>	<b>58.31</b>	<b>-133.46%</b>	<b>-2.75%</b>	<b>7.30%</b>	<b>(41.44)</b>	<b>-2.99%</b>
Post-employment benefits liabilities	(57.66)	-	-	-8.12%	-	(57.66)	-4.16%
Corporate expenses (Shared)	(4.74)	(4.22)	12.27%	-0.67%	-0.53%	(12.13)	-0.88%
Financial cost	(29.23)	(31.52)	-7.25%	-4.12%	-3.95%	(59.16)	-4.27%
Tax income (expense)	22.53	(12.45)	280.94%	3.17%	1.56%	41.00	2.96%
<b>Net profit (loss) for the quarter</b>	<b>(88.61)</b>	<b>10.12</b>	<b>-975.78%</b>	<b>-12.48%</b>	<b>1.27%</b>	<b>(129.40)</b>	<b>-9.34%</b>
<b>EBITDA</b>	<b>37.25</b>	<b>93.76</b>	<b>-60.27%</b>	<b>5.24%</b>	<b>11.74%</b>	<b>55.36</b>	<b>4.00%</b>

## TCM Flooring Performance

TCM Flooring had revenue from sales and services of THB 710.24 million, decreased by 11.10 percent from the same period of the previous year, as a result of the seasonality of the business and the effect from the Baht appreciation that caused the lower sales amounts when converted from USD to THB. Also, some of orders received were projects that need to be delivered phase by phase, therefore there were some orders those will be realized as incomes in the next quarters. The cost of sales and services

was 61.90 percent of revenue, increased from the same period of the previous year. However, the performance was considered better than the 1<sup>st</sup> quarter of 2019, which was 65.14 percent of revenue, as a result of the improvement in the production process after the factory relocation in the 1<sup>st</sup> quarter and the utilization of the machines.

Selling, Distribution, and Administrative (SD&A) expenses amounted to THB 258.89 million. The selling expenses were THB 166.95 million or 23.51 percent of revenue, increased from THB 152.05 million or 19.03 percent in the same period of the previous year. The administrative expenses were THB 118.94 million or 16.73 percent of revenue, increased from THB 125.62 million or 15.72 percent of the revenue in the same period of the previous year. The SD&A expenses were higher than the previous year as a result of the strategies to expand the business into new market segments such as casino, cruise ship, and private jet. Including the investment in people since the 2<sup>nd</sup> half of year 2018.

The financial statement in this quarter has included the post-employment benefit amendment according to the Labor Protection Act which caused the additional long-term employee benefit liabilities of THB 61.04 million, as a result, the company will reflect the effect of the change by recognizing past service costs as expenses in the income statement in this period.

Apart from the expenses of the TCM Flooring, there were administrative expenses of the Corporate Office allocated to TCM Flooring amounted to THB 4.74 million.

When combined with the financial cost which was the interest of the loan used by the company during the acquisition of the Commercial Carpet Business, the net loss then amounted to THB 88.61 million, decreased from the net profit of THB 10.12 million in the same period of the previous year.

## TCM Automotive

Unit Baht million

Details	Q2/2562	Q2/2561	Change % YoY	% of sales Q2/2562	% of sales Q2/2561	6M/2562	% of sales 6M/2562
Revenue from Sales and Services	313.00	350.02	-10.58%	100.00%	100.00%	656.10	100.00%
Cost of Sales and Services	(245.85)	(265.85)	-7.52%	78.55%	75.95%	(510.51)	-77.81%
<b>Gross Margin</b>	<b>67.14</b>	<b>84.17</b>	<b>-20.23%</b>	<b>21.45%</b>	<b>24.05%</b>	<b>145.59</b>	<b>22.19%</b>
Selling expenses	0.63	0.13	374.10%	0.20%	0.04%	1.38	0.21%
Administrative expenses	(10.54)	(11.17)	-5.66%	3.37%	3.19%	(21.65)	-3.30%
Other incomes	(16.68)	(16.74)	-0.36%	5.33%	4.78%	(33.48)	-5.10%
Profit (Loss) from exchange rate	0.62	0.25	146.03%	-0.20%	-0.07%	2.11	0.32%
<b>Operating income</b>	<b>41.17</b>	<b>56.64</b>	<b>-27.32%</b>	<b>-13.15%</b>	<b>-16.18%</b>	<b>93.95</b>	<b>14.32%</b>
Post-employment benefits liabilities	(3.38)	-	-	1.08%	-	-	-
Corporate expenses (Shared)	(1.79)	(1.86)	-3.64%	0.57%	0.53%	(1.79)	-0.27%
Financial cost	(0.14)	(0.21)	-31.45%	0.05%	0.06%	(0.30)	-0.04%
Tax income (expense)	(7.49)	(11.97)	-37.426%	2.39%	3.42%	(18.03)	-2.75%
<b>Net profit (loss) for the quarter</b>	<b>28.36</b>	<b>42.61</b>	<b>-33.43%</b>	<b>9.06%</b>	<b>12.17%</b>	<b>73.84</b>	<b>11.25%</b>
<b>EBITDA</b>	<b>57.06</b>	<b>67.97</b>	<b>-16.05%</b>	<b>18.23%</b>	<b>19.42%</b>	<b>105.10</b>	<b>16.02%</b>

## TCM Automotive Performance

TCM Automotive had revenue from sales and services of THB 313.0 million, decreased from the same period of the previous year by 10.58 percent. Due to the steadily of automotive market and the call for products from the 2<sup>nd</sup> tier customer was less than previous year. The cost of sales and services was 78.55 percent of revenue, increased from 75.95 percent in the same period of the previous year due to the higher sales of PU, PVC products.

SD&A expenses amounted to THB 27.22 million, divided into selling expenses of THB 10.54 million or 3.37 percent of revenue, decreased from THB 11.17 million or 3.19 percent in the same period of the previous year, and administrative expenses of THB 16.68 million or 5.33 percent of revenue, decreased from THB 16.74 million or 4.78 percent of the previous year, considered that the business had control the expenses well, even though revenue was lower than the same period of the previous year.

The financial statement in this quarter has included the post-employment benefit amendment according to the Labor Protection Act which caused the additional long-term employee benefit liabilities of THB 3.38 million, as a result, the company will reflect the effect of the change by recognizing past service costs as expenses in the income statement in this period.

Apart from the expenses of the TCM Automotive, there were administrative expenses of the Corporate Office allocated to TCM Flooring amounted to THB 1.79 million.

EBITDA was THB 57.06 million or 18.23 percent of revenue. Net profit was THB 28.36 million or 9.06 percent of revenue.

## TCM Living

Unit Baht million

Details	Q2/2562	Q2/2561	Change	% of sales	% of sales	6M/2562	% of sales
			% YoY	Q2/2562	Q2/2561		6M/2562
Revenue from Sales and Services	1,254.36	1,255.53	-0.09%	100.00%	100.00%	2,345.66	169.38%
Cost of Sales and Services	(943.17)	(932.77)	1.11%	75.19%	74.29%	(1,738.94)	-125.57%
<b>Gross Margin</b>	<b>311.19</b>	<b>322.75</b>	<b>-3.58%</b>	<b>24.81%</b>	<b>25.71%</b>	<b>606.72</b>	<b>43.81%</b>
Selling expenses	0.49	0.92	-46.38%	0.04%	0.07%	6.00	0.43%
Administrative expenses	(131.71)	(124.31)	5.96%	10.50%	9.90%	(238.85)	-17.25%
Other incomes	(126.70)	(130.33)	-2.79%	10.10%	10.38%	(251.98)	-18.20%
Profit (Loss) from exchange rate	3.25	3.27	-0.74%	0.26%	0.26%	1.48	0.11%
<b>Operating income</b>	<b>56.52</b>	<b>72.30</b>	<b>-21.82%</b>	<b>4.51%</b>	<b>5.76%</b>	<b>123.37</b>	<b>18.80%</b>
Post-employment benefits liabilities	-	-	-	-	-	-	-
Corporate expenses (Shared)	(5.99)	(6.13)	-2.29%	0.48%	-0.49%	(10.76)	-0.78%
Financial cost	(13.16)	(14.99)	-12.21%	1.05%	-1.19%	(26.84)	-1.94%
Tax income (expense)	(9.52)	(14.39)	33.82%	0.76%	1.15%	(22.20)	-1.60%
<b>Net profit (loss) for the quarter</b>	<b>27.85</b>	<b>36.79</b>	<b>-24.30%</b>	<b>2.22%</b>	<b>2.93%</b>	<b>63.57</b>	<b>4.59%</b>
<b>EBITDA</b>	<b>79.44</b>	<b>85.90</b>	<b>-7.52%</b>	<b>6.33%</b>	<b>6.84%</b>	<b>175.71</b>	<b>12.69%</b>

### TCM Living Performance

TCM Living had revenue from sales and services of THB 1,254.36 million, which was close to the same period of the previous year, as a result of the effect of currency both from the Pound that was still weak due to uncertainty of the Brexit and the Baht appreciation that caused the exchange rate Bath to Pound is increase. However, if compared only Pound to Pound performance, the revenue from sales and services would be higher than 6.75 percent in the same period of the previous year. The cost of sales and services was 75.19 percent of revenue, increased from 74.29 percent in the same period of the previous year, as a result of the over production capacity in the 1<sup>st</sup> quarter, DMMH needed to outsource the sofa manufacturing facilities.

SD&A expenses amounted to THB 258.41 million, divided into selling expenses of THB 131.71 million or 10.50 percent of revenue, increased from THB 124.31 million or 9.9 percent of revenue in the same period of the previous year, and administrative expenses of THB 126.70 million or 10.10 percent of revenue, decreased from THB 130.33 million or 10.38 percent in the same period of the previous year.

Apart from the expenses of TCM Living, there were administrative expenses of the Corporate Office allocated to TCM Flooring amounted to THB 5.99 million.

EBITDA was THB 79.44 million, decreased from THB 85.90 million in the same period of the previous year and equal to 6.33 percent of revenue, which was close to 6.84 percent in the same period of the previous year.

Therefore, the net profit amounted to THB 27.85 million, decreased from THB 36.79 million in the same period of the previous year and equal to 2.22 percent of revenue, which was lower than 2.93 percent of revenue in the same period of the previous year, which was caused from the currency situation primarily.

## Consolidated Performance

Unit Baht million				
Consolidated Statement	Q2/2562	Q2/2561	Change	6M/2562
			% YoY	
Revenue				
Revenue from Sales and Services	2,277.59	2,404.48	-5.28%	4,386,602.10
Other Incomes	1.77	2.49	-28.89%	(3,128,501.54)
Total revenue	2,279.36	2,406.96	-5.30%	1,258,100.55
Expenses				
Cost of sales and services	(1,628.63)	(1,684.90)	-3.34%	(3,128.50)
Selling expenses	(309.20)	(287.53)	7.54%	(575.08)
Administrative expenses	(262.31)	(272.69)	-3.81%	(523.21)
Post-employment benefits liabilities	(61.04)	0.00	0.00%	(61.04)
Corporate expenses	(12.52)	(12.21)	2.54%	(26.11)
Gain (loss) from exchange rate	(1.04)	25.42	-104.07%	1.91
Financial costs	(42.54)	(46.72)	-8.95%	(86.30)
Total expenses	(2,317.28)	(2,278.63)	1.70%	(4,398.34)
Net profit before TAX	(37.92)	128.33	-129.55%	1,253,702.22
Tax expenses	5.52	(38.81)	-114.23%	0.76
Profit (loss) for the quarter	(32.40)	89.52	-136.19%	1,253,702.98
Profit (loss) for TCMC	(58.26)	55.14	205.66%	(50.85)
EBITDA	171.42	246.95	-30.58%	326.44
Weighted average number of ordinary shares (shares)	763,188,975	763,188,975		763,188,975
Basic earnings per share (Baht)	(0.08)	0.07		(0.07)

## Other Incomes

The Corporate Group had other incomes of THB 1.77 million, compared to THB 2.49 million in the same period of the previous year. The other incomes were from interests, rental fees, assets selling, and scrap selling etc.

## Financial Cost

The Corporate Group had financial cost of THB 46.72 million in the 2<sup>nd</sup> quarter of 2019, decreased from THB 42.54 million in the 2<sup>nd</sup> quarter of year 2018 because the company has continued to pay interest on bank loans for investment in the businesses of the Corporate Group.

## Statement of Financial Position

Unit Baht million

Statement of consolidated financial position	As of 31 March, 2019	As of 31 December, 2018	Change	
			Million Baht	%
Total Assets	8,637.93	9,455.70	(817.77)	(0.09)
Total Liabilities	5,720.36	6,033.77	(313.41)	(0.05)
Shareholders' Equity	2,917.57	3,421.93	(504.36)	(0.15)
D/E Ratio	1.96:1	1.76:1		

The Corporate Group's total assets as of 30 June 2019 were lower than the total assets as of 31 December 2018 by THB 817.77 million or 0.09 percent. Shareholders' equity as of 30 June 2019 was lower than that as of 31 December 2018 by THB 504.36 million as a result of the reappraisal of the land value at Don Muang factory based on fair market value which equal to THB 702 million, whereas the land had book value (Pre-appraisal value) of THB 1,112.17 million, resulting to a revaluation capital reduction. Furthermore, the company sold the assets following the relocation of production facilities to Pathumthani factory. As a result, D/E ratio at the end of the period was at 1.96:1 compared to year end 2018 at 1.76:1.