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Subject Clarification on Operating results of the third 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 third quarter of year 2019 compared to the third quarter of year 2018 as follows.

The Corporate Group had net profit of THB 7.84 million at the end of the third quarter of year 2019. Net loss attributable to owners of the parent was THB 11.47 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

A handwritten signature in blue ink that reads "Nopphaporn A.".

(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 2,010.26 million for the 3rd quarter of 2019, decreased from THB 2,190.66 million or by 8.24 percent from the same period of the previous year. EBITDA was THB 144.28 million, decreased from the same period of the previous year by 34.30 percent. Net profit was THB 7.84 million. Net loss attributable to owners of the parent was THB 11.47 million.

The revenue from sales and services can be divided into incomes from TCM Flooring 35.57 percent, TCM Automotive 13.02 percent, and TCM Living 51.41 percent.

Performance by Group of Business

TCM Flooring

Unit Baht million

Details	Q3/2019	Q3/2018	Change	% of sales	% of sales
			% YoY	Q3/2019	Q3/2018
Revenue from Sales and Services	715.12	836.68	-14.53%	100.00%	100.00%
Cost of Sales and Services	(444.35)	(502.23)	-11.52%	62.14%	60.03%
Gross Margin	270.77	334.45	-19.04%	37.86%	39.97%
Other incomes	(1.23)	17.71	-106.93%	0.17%	2.12%
Selling expenses	(148.96)	(152.77)	-2.49%	20.83%	18.26%
Administrative expenses	(126.61)	(144.10)	-12.13%	17.70%	17.22%
Profit (Loss) from exchange rate	3.56	(6.17)	-157.76%	0.50%	-0.74%
Operating income	(2.47)	49.13	-105.04%	-0.35%	5.87%
Corporate expenses (Shared)	(0.67)	(6.39)	-89.45%	0.09%	0.76%
Financial cost	(30.30)	(31.67)	-4.31%	4.24%	3.78%
Tax income (expense)	13.83	(3.75)	-468.50%	1.93%	0.45%
Net profit (loss) for the quarter	(19.62)	7.33	-367.85%	-2.74%	0.88%
EBITDA	37.25	93.76	-60.27%	5.21%	11.21%

TCM Flooring Performance

TCM Flooring had revenue from sales and services of THB 715.12 million, decreased by 14.53 percent from the same period of the previous year, as a result of unstable global economic situation, both from the trade war between the United States and China, and the political situation in Hong Kong, where large clients of the company based in, together causing delays in order placements. Furthermore, the effect from the Baht appreciation has caused the lower sales amounts when converted from USD to THB. In the 3rd quarter of 2018 the exchange rate was USD 1: THB 33.06, whereas in the 3rd quarter of 2019, the exchange rate was USD 1: THB 30.71. This caused the decreased in sales revenue of 7%. The

cost of sales and services was 62.14 percent of revenue, increased from the same period of the previous year which was 60.03 percent of the revenue as a result of higher proportion of high-end hand tufted orders.

Selling, Distribution, and Administrative (SD&A) expenses amounted to THB 275.57 million. The selling expenses were THB 148.96 million or 20.83 percent of revenue, compared to THB 152.77 million or 18.26 percent of revenue in the same period of the previous year. The administrative expenses were THB 126.61 million or 17.70 percent of revenue, compared to THB 144.10 million or 17.22 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 2nd half of year 2018.

Apart from the expenses of the TCM Flooring, there were administrative expenses of the Corporate Office allocated to TCM Flooring amounted to THB 0.67 million.

When combined with the financial cost which were the interest of the loan used by the company during the acquisition of the Commercial Carpet Business, and investments in new machines, amounted to THB 30.30 million. There was TAX income amounted to THB 13.83 million. The net loss then amounted to THB 19.62 million, decreased from the net profit of THB 7.33 million in the same period of the previous year, but still higher than the result of the 2nd quarter which had net loss of THB 88.61 million.

The EBITDA was THB 44.47 million, decreased from THB 88.71 million in the same period of the previous year, but still higher than the EBITDA of the previous quarter which was THB 37.25 million.

TCM Automotive

Unit Baht million

Details	Q3/2019	Q3/2018	Change	% of sales	% of sales
			% YoY	Q3/2019	Q3/2018
Revenue from Sales and Services	261.75	367.54	-28.78%	100.00%	100.00%
Cost of Sales and Services	(202.57)	(282.64)	-28.33%	77.39%	76.90%
Gross Margin	59.19	84.90	-30.29%	22.61%	23.10%
Other incomes	0.92	0.72	27.52%	0.35%	0.20%
Selling expenses	(9.32)	(11.38)	-18.16%	3.56%	3.10%
Administrative expenses	(12.47)	(18.64)	-33.08%	4.77%	5.07%
Profit (Loss) from exchange rate	0.45	0.49	-9.38%	0.17%	0.13%
Operating income	38.76	56.09	-30.90%	-14.81%	-15.26%
Corporate expenses (Shared)	(1.27)	(0.89)	42.01%	0.48%	0.24%
Financial cost	(0.17)	(0.20)	-14.68%	0.06%	0.05%
Tax income (expense)	(7.30)	(10.96)	-33.370%	2.79%	2.98%
Net profit (loss) for the quarter	30.02	44.03	-31.83%	11.47%	11.98%
EBITDA	57.06	67.97	-16.05%	21.80%	18.49%

TCM Automotive Performance

TCM Automotive had revenue from sales and services of THB 261.75 million, decreased from the same period of the previous year by 28.78 percent. Although the overall automotive industry in domestic market has a stable trend, but in export market, the automotive industry trend had decreased considerably, especially in Europe region. As a result, the order of models those sold well in Europe was reduced. In addition, the changing of new car models in this period caused lower production of existing car models. The cost of sales and services was 77.39 percent of revenue, increased from 76.90 percent in the same period of the previous year.

SD&A expenses amounted to THB 21.79 million, divided into selling expenses of THB 9.32 million or 3.56 percent of revenue, compared to THB 11.38 million or 3.10 percent in the same period of the previous year, and administrative expenses of THB 12.47 million or 4.77 percent of revenue, decreased from THB 18.64 million or 5.07 percent of the previous year, considered that the business had control the expenses well, even though the revenue was lower than the same period of the previous year.

Apart from the expenses of the TCM Automotive, there were administrative expenses of the Corporate Office allocated to TCM Flooring amounted to THB 1.27 million.

EBITDA was THB 44.01 million or 16.81 percent of revenue. Net profit was THB 30.02 million or 11.47 percent of revenue, which decreased from the same period of the previous year, but still higher than the EBITDA of the 2nd quarter which was THB 28.36 million.

TCM Living

Unit Baht million

Details	Q3/2019	Q3/2018	Change	% of sales	% of sales
			% YoY	Q3/2019	Q3/2018
Revenue from Sales and Services	1,033.39	986.45	4.76%	100.00%	100.00%
Cost of Sales and Services	(789.98)	(729.01)	8.36%	76.45%	73.90%
Gross Margin	243.41	257.44	-5.45%	23.55%	26.10%
Other incomes	5.15	5.25	-1.85%	0.50%	0.53%
Selling expenses	(104.47)	(105.25)	-0.75%	10.11%	10.67%
Administrative expenses	(120.38)	(127.50)	-5.58%	11.65%	12.93%
Profit (Loss) from exchange rate	(1.40)	(5.10)	-72.48%	0.14%	0.52%
Operating income	22.31	24.84	-10.18%	2.16%	2.52%
Corporate expenses (Shared)	(4.25)	(3.00)	41.64%	0.41%	0.30%
Financial cost	(11.81)	(16.97)	-30.39%	1.14%	1.72%
Tax income (expense)	(8.81)	(4.83)	-82.29%	0.85%	0.49%
Net profit (loss) for the quarter	(2.55)	0.04	-6,348.22%	-0.25%	0.00%
EBITDA	79.44	85.90	-7.52%	7.69%	8.71%

TCM Living Performance

TCM Living had revenue from sales and services of THB 1,033.39 million, which increased from the same period of the previous year, but lower than the result of 2nd quarter of 2019, as a result of seasonality of the business and the effect of currencies both from the Pound that was still weak and the Baht appreciation that caused the exchange rate from Baht to Pound increased. However, if compared only Pound to Pound performance, the revenue from sales and services amounted to GBP 27.42 million compared to GBP 23.00 million, or 19.22 increased from the same period of the previous year. The cost of sales and services was 76.45 percent of revenue, increased from 73.90 percent in the same period of the previous year, as a result of the over production capacity in the 1st quarter, DMMH needed to outsource sofas manufacturing facilities, and the 3rd quarter of each year is a summer closing for the factories both Alstons and Ashley Manor, therefore the factories needed to expedite orders to catch the delivery deadline during the opening period. As a result, the production cost was increased.

SD&A expenses amounted to THB 224.85 million, divided into selling expenses of THB 104.47 million or 10.11 percent of revenue, decreased from THB 105.25 million or 10.67 percent of revenue in the same period of the previous year, and administrative expenses of THB 120.38 million or 11.65 percent of revenue, decreased from THB 127.50 million or 12.93 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 4.25 million.

EBITDA was THB 78.26 million, or 7.57 percent of revenue, decreased from THB 84.63 million, or 8.58 percent of revenue in the same period of the previous year.

Therefore, the net loss amounted to THB 2.55 million, or 0.25 percent of revenue, decreased from THB 0.04 million or 0.004 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	Q3/2019	Q3/2018	Change	9M/2019
			% YoY	
<u>Revenue</u>				
Revenue from Sales and Services	2,010.26	2,190.66	-8.24%	6,396.86
Other Incomes	4.84	23.68	-79.57%	19.01
Total revenue	2,015.10	2,214.34	-9.00%	6,415.87
<u>Expenses</u>				
Cost of sales and services	(1,436.89)	(1,513.87)	-5.08%	(4,565.39)
Selling expenses	(262.75)	(269.40)	-2.47%	(837.82)
Administrative expenses	(259.47)	(290.24)	-10.60%	(782.68)
Post-employment benefits liabilities	0.00	0.00	0.00%	(61.04)
Corporate expenses	(6.19)	(10.28)	-39.79%	(32.30)
Gain (loss) from exchange rate	2.60	(10.77)	-124.17%	4.51
Financial costs	(42.28)	(48.83)	-13.42%	(128.58)
Total expenses	(2,004.97)	(2,143.39)	-6.46%	(6,403.31)
Net profit before TAX	10.12	70.95	-85.73%	12.56
Tax expenses	(2.28)	(19.55)	-88.31%	(1.52)
Profit (loss) for the quarter	7.84	51.40	-84.75%	11.04
Profit (loss) for TCMC	(11.47)	23.42	-148.97%	(66.20)
EBITDA	144.28	219.59	-34.30%	470.72
Weighted average number of ordinary shares (shares)	763,188,975	763,188,975		763,188,975
Basic earnings per share (Baht)	(0.02)	0.03		(0.09)

Other Incomes

The Corporate Group had other incomes of THB 4.48 million, compared to THB 23.68 million in the same period of the previous year. The other incomes were from interests, rental fees, assets selling, and scrap selling etc.

Expenses

The Corporate expenses of the Corporate Group was decreased by 39.79 percent from the same period of the previous year. The decreased expenses were legal and TAX consultant fees, trademark registration in overseas countries and others those related to reorganization and relocation of manufacturing facilities to be under one operation system.

Financial Cost

The Corporate Group had financial cost of THB 42.28 million in the 3rd quarter of 2019, decreased from THB 48.83 million in the 3rd quarter of year 2018 because the company has continued to pay interests on bank loans for investment in the businesses of the Corporate Group.

Statement of Financial Position

Statement of consolidated financial position	As of 30 September, 2019	As of 31 December, 2018	Unit Baht million	
			Change	
			Million Baht	%
Total Assets	8,510.38	9,455.70	(945.32)	(0.10)
Total Liabilities	5,659.73	6,021.95	(362.22)	(0.06)
Shareholders' Equity	2,850.65	3,433.74	(583.09)	(0.17)
D/E Ratio	1.96:1	1.76:1		

The Corporate Group's total assets as of 30 September 2019 were lower than the total assets as of 31 December 2018 by THB 945.32 million or 0.10 percent. Shareholders' equity as of 30 September 2019 was lower than that as of 31 December 2018 by THB 583.09 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. Considering only the major shareholder, the D/E ratio at the end of the period was at 2.26:1 compared to year end 2018 at 1.98:1.