



TCM CORPORATION PLC.
238 Vipavadee Rangsit Road,
Sanambin, Don Muang,
Bangkok 10210

T: +66 2 530 6393
F: +66 2 533 6478

www.tcm-corporation.com

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Subject Clarification on Operating results of financial year 2018
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 year 2018 compared to financial statement of year 2017 as follows.

The Corporate Group has net profit of Baht 408.88 million in year 2018 compared to Baht 347.21 million in year 2017. The net profit was increased by million 61.68 or 17.76 percent. 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.Noppaporn Aphiwatthanakul)
Financial Director



Overview

TCM Corporation Public Company Limited and its subsidiaries (together referred to as “Corporate Group”) announced revenue from sales and services of year 2018 at Baht 9,546.56 million, increased from Baht 7,633.14 million in year 2017, considered as 25.07 percent higher than the previous year. The EBITDA of year 2018 was Baht 990.76 million, or 44.55 percent increased from previous year. The net profit was Baht 408.88 million, or 17.76 percent higher than previous year. The net profit attributable to owners of the parent was Baht 256.15 million.

The revenue from sales and services can be separated into income from TCM Flooring at 35 percent, from TCM Automotive at 15 percent, and from TCM living at 50 percent.

Performance by Group of business

TCM Flooring

Unit Baht million

Details	2018	2017	% Change	% of sales	% of sales
			YoY	2018	2017
Revenue from Sales and Services	3,327.05	1,556.85	113.70%	100.00%	100.00%
Cost of Sales and Services	(2,056.73)	(1,025.86)	100.49%	61.82%	65.89%
Gross Margin	1,270.32	530.99	139.24%	38.18%	34.11%
Selling expenses	(606.81)	(230.55)	163.21%	18.24%	14.81%
Administrative expenses	(540.91)	(201.75)	168.11%	16.26%	12.96%
Other Incomes	24.69	8.91	177.07%	0.74%	0.57%
Profit (loss) from exchange rate	10.29	(3.02)	-440.99%	0.31%	-0.19%
Financial costs	(122.30)	(38.85)	214.78%	3.68%	-2.50%
(Income) Tax expenses	30.92	(10.38)	-398.02%	0.93%	0.67%
Net profit (loss) for the year	66.20	55.36	19.59%	1.99%	3.56%
EBITDA	330.86	169.32	95.40%	9.94%	10.88%

TCM Flooring performance

TCM Flooring had revenue from sales and services at Baht 3,327.05 million, increased by 113.70 percent from the previous year, resulted from the acquisition of Commercial Carpet Business in the 4th quarter of year 2017.

The cost of sales and services was 61.82 percent of revenue, decreased from 65.89 percent of revenue in previous year, due to the synergy between Don Muang factory and Pathumthani factory in terms of raw materials, capacity and transferring of knowhow and skilled staff, which caused a big improvement in manufacturing costs. The new marketing strategy that focus on selling directly to customers, projects owners,

through our own overseas sales offices also helped to develop sales margin, rather than selling only through sales agents which has lower sales margin as in the past years.

The selling, distribution, and administrative (SD&A) expenses added up to Baht 1,447.72 million, separated into selling expenses at Baht 606.81 million or 18.24 percent of revenue, increased from Baht 230.55 million in the previous year or 14.81 percent of revenue, and administrative expenses at Baht 540.91 million or 16.26 percent of revenue, which increased from Baht 201.75 million in the previous year or 12.96 percent of revenue. The SD&A expenses were higher than previous year because of the acquisition of the new business in the 4th quarter of year 2017 which made the company has 1 additional manufacturing facility and 9 additional overseas subsidiaries, the company also has more executives and professional sales team, resulted in reorganizing the organization structure and development of work processes of both manufactures to have a united system, and maximize production efficiency. Especially the IT system, there were expenses of new ERP implementation, and the expense of existing ERP that the company needs to pay to Tai Ping in order to use its existing ERP until year 2019. Apart from these, there were also the cost of marketing and sales support, such as the rebranding expenses and relaunching of the 'Royal Thai' brand domestically and internationally, the exhibitions costs etc. added up to a temporary expense of year 2018 at Baht 60 million approximately. The restructuring process would need a bit of time to complete, but the company expected to see the result in cost reduction and sales improvement within year 2019.

Apart from the expenses of the TCM Flooring itself, there was another factor which caused higher expenses of year 2018 compared to year 2017, it was the administrative expenses of the Corporate office those were allocated in TCM Flooring business, which were the cost of trademark register, both local and overseas, the legal and Tax advisor fees, the cost of management team who monitored and managed all Corporate group, but this management cost at Baht 40 million, approximately, has not been allocated to other businesses.

When combined with financial cost which was the interests of the loan that the company used during the acquisition of the Commercial Carpet Business at Baht 122.30 million. Resulted in a net profit of Baht 66.20 million or 1.99 percent of revenue, compared to Baht 55.36 million in the previous year or 3.56 percent of revenue.

TCM Automotive

Unit Baht million

Details	2018	2017	% Change	% of sales	% of sales
			YoY	2018	2017
Revenue from Sales and Services	1,431.78	1,424.03	0.54%	100.00%	100.00%
Cost of Sales and Services	(1,102.33)	(1,102.38)	0.00%	76.99%	77.41%
Gross Margin	329.45	321.64	2.43%	23.01%	22.59%
Selling expenses	(45.82)	(45.77)	0.12%	3.20%	3.21%
Administrative expenses	(65.94)	(61.41)	7.38%	4.61%	4.31%
Other Incomes	3.06	6.50	-52.93%	0.21%	0.46%
Profit (loss) from exchange rate	1.51	0.13	1087.50%	0.11%	0.01%
Financial costs	(0.77)	(1.37)	-43.94%	0.05%	-0.10%
(Income) Tax expenses	(44.61)	(42.33)	5.398%	3.12%	2.97%
Net profit (loss) for the year	176.87	177.39	-0.29%	12.35%	12.46%
EBITDA	283.96	279.24	1.69%	19.83%	19.61%

TCM Automotive performance

TCM Automotive had revenue from sales and services at Baht 1,431.78 million, increased from previous year by 0.54 percent, resulted from the steady growth of automotive industry in Thailand. The cost of sales and services were at 76.99 percent of revenue, decreased from 77.41 percent of revenue in previous year, resulted from the development of machineries efficiency to increase production capacity and reduce costs.

The SD&A expenses added up to Baht 111.77 million, separated into selling expenses at Baht 45.82 million or 3.21 percent of revenue, aligned with the expenses of the previous year, and administrative expenses at Baht 65.94 million or 4.61 percent of revenue, increased from Baht 61.41 million in the previous year, or 4.31 percent of revenue.

The EBITDA was Baht 283.96 million or 19.83 percent of revenue. The net profit was Baht 176.87 million or 12.35 percent of revenue, compared to Baht 177.39 million in the previous year or 12.46 percent of revenue.

TCM Living

Unit Baht million

Details	2018	2017	% Change	% of sales	% of sales
			YoY	2018	2017
Revenue from Sales and Services	4,787.73	4,652.26	2.91%	100.00%	100.00%
Cost of Sales and Services	(3,528.03)	(3,514.06)	0.40%	73.69%	75.53%
Gross Margin	1,259.69	1,138.20	10.67%	26.31%	24.47%
Selling expenses	(475.66)	(499.05)	-4.69%	9.93%	10.73%
Administrative expenses	(516.05)	(515.15)	0.18%	10.78%	11.07%
Other Incomes	10.25	63.36	-83.82%	0.21%	1.36%
Profit (loss) from exchange rate	(0.24)	0.92	-125.96%	0.00%	0.02%
Financial costs	(61.08)	(69.95)	-12.68%	1.28%	1.50%
(Income) Tax expenses	(51.11)	(3.88)	1215.91%	1.07%	0.08%
Net profit (loss) for the year	165.80	114.45	44.86%	3.46%	2.46%
EBITDA	356.67	220.33	61.88%	7.45%	4.74%

TCM Living performance

TCM Living had revenue from sales and services at Baht 4,787.73 million, increased from previous year by 2.91 percent. The company was affected by the Pound price that had fallen considerably in 2018. If compared only Pound to Pound performance, the revenue from sales and services would be higher than the previous year by 4.23 percent.

The cost of sales and services were 73.69 percent of revenue, decreased from 75.53 percent of revenue in previous year, resulted from new sofa models, which were developed for cost reduction, those were launch at the first quarter of the year, and gradually becoming orders in the third and fourth quarters according to the cost control policy and plans to build production efficiency continuously.

The SD&A expenses added up to Baht 991.71 million, separated into selling expenses at Baht 475.66 million or 9.93 percent of revenue, decreased from Baht 499.05 million or 10.73 percent of revenue in the previous year, and administrative expenses at Baht 519.05 million or 10.78 percent of revenue, aligned with Baht 515.15 million in the previous year or 11.07 percent of revenue

The EBITDA was Baht 356.67 million or 7.45 percent of revenue, increased from Bath 220.33 million or 4.74 percent of revenue in previous year. Resulted from restructuring the management structure and efforts of the team to reduce costs and expenses according to the management policy.

Hence, the net profit was Baht 165.80 million or 3.46 percent of revenue, compared to Baht 114.45 million in the previous year or 2.46 percent of revenue.

Consolidated Performance

Consolidated Statement	2018	2017	Unit Baht million
			% Change YoY
<u>Revenue</u>			
Revenue from Sales and Services	9,546.56	7,633.14	25.07%
Other Incomes	38.00	78.77	-51.76%
Total revenue	9,584.56	7,711.91	24.28%
<u>Expenses</u>			
Cost of sales and services	(6,687.10)	(5,642.30)	18.52%
Selling expenses	(1,128.29)	(775.36)	45.52%
Administrative expenses	(1,122.91)	(782.10)	43.58%
Gain (loss) from exchange rate	11.56	(1.97)	-686.05%
Financial costs	(184.14)	(106.38)	73.09%
Total expenses	(9,110.88)	(7,308.11)	24.67%
Net profit before TAX	473.69	403.79	17.31%
Tax expenses	(64.81)	(56.59)	14.52%
Profit (loss) for the year	408.88	347.21	17.76%
Profit (loss) for TCMC	256.15	218.89	17.02%
EBITDA	990.76	685.41	44.55%
Weighted average number of ordinary shares (Million shares)	763,188,975	527,217,487	
Basic earnings per share (Baht)	0.34	0.42	

Other incomes

The Corporate Group has total other incomes at Baht 38 million, compared to Baht 78.77 million in previous year. The other incomes were from interests, rental fees, assets selling, scrap selling etc.

Financial costs

The Corporate Group had financial costs at Baht 184.14 million in year 2018, increased from Baht 106.38 million in year 2017, as a result of additional loan interests for investment in Commercial Carpet Business and other investments in the businesses.

Statement of Financial Position

Statement of consolidated financial position	As of 31 December, 2018	As of 31 December, 2017	Unit Baht million	
			Change	
			Million	%
Total Assets	9,455.70	9,015.84	439.86	0.05
Total Liabilities	6,033.77	6,317.78	(284.01)	(0.04)
Shareholders' Equity	3,421.93	2,698.06	723.87	0.27

Corporate Group had higher Shareholders' equity as of 31 December 2018 than as of 31 December 2017 at Baht 723.87 million, or 0.27 percent increased. The D/E ratio at the end of period at 1.76 compared to end of 2017 at 2.34.