



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

25 February 2020

Subject Clarification on Operating Results of the Year 2020
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 year 2020 compared to the year 2019 as follows.

The Corporate Group has net loss of Baht 0.11 million at the end of the year 2020 compared to net profit of Baht 87.73 million at the same period of year 2019. The net profit was decreased by Baht 87.84 million or 100.13 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

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

(Mrs.Noppaporn 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 6,792.40 million for the year 2020, decreased from THB 8,765.01 million (Restated) or by 22.51 percent in the same period of the previous year due to impact from COVID-19 mainly. EBITDA was THB 448.26 million, decreased from the same period of the previous year by 38.76 percent, as result of costs and expenses management to reduce impact from COVID-19. Net loss was THB 0.11 million, or 100.13 percent lower than the previous year. Net loss attributable to owners of the parent was THB 36.67 million.

Impact from COVID-19 to our businesses

In 2020, the Corporate Group was impacted from COVID-19 in many areas, which can be described as below:

Business	Impact	Details	Measure to reduce impact
TCM Living Still monitor closely the market movements. Retail sector is gradually in uptrend as vaccination in the UK. brought back market confidence.		<ul style="list-style-type: none"> - Huge benefits from surging demand during lockdown from March to June. Total turnover was THB 4,105.04 (▼7.21% YoY) - Operating profit was recorded at THB 91.52 million (▼60.58% YoY). Cost of sales increased mainly from transportation, raw material costs, and also the acquisition of a new production site “J28”. - Net profit was THB 28.36 million (▼74.31% YoY) 	<u>Production</u> <ul style="list-style-type: none"> - Increased production capacity by acquiring a new production site “J28”, taking the opportunity from those who was out of business as a result of COVID-19. - Improved efficiency in work place and production process to reduce cost of sales. - Prepared the factory premises and manpower in order to promptly respond to simultaneous incoming sales order <u>Sales and marketing</u> <ul style="list-style-type: none"> - Continue developing new sofa collections to meet customers’ demand in different areas and regions in order to remain as a market leader. - Working with retail stores and influencers in new sofa design to expand client base and create brand awareness.
TCM Flooring Pick up in the demand from hospitality market still awaiting. Sales in 2021 will be focused from other segments		<ul style="list-style-type: none"> - Huge impact from COVID-19 on tourism industry which resulted in a significant decrease in sales revenue. Turnover was recorded at THB 2,034 million (▼35.79% YoY) - Operating profit was THB 5.19 million (▼67.54% YoY) after implementation of lean organization exercise. - Net loss was THB 77.57 million (▲45.51% YoY) improved from previous year which financial loss had been realized. 	<u>Production</u> <ul style="list-style-type: none"> - Utilization of production capacity was lower and being in line with the shrinking demand and decreasing sales orders. - Put a strong effort in improving efficiency in all major aspects. Manage all the company resources in best efficient manner mainly to cut costs, and expenses. <u>Sales and marketing</u> <ul style="list-style-type: none"> - Entered into new customer segments where impact from COVID-19 was lower and manageable than those in the hotel industry e.g., housing and residentials, high-end luxury stores etc. - Shifted to other alternate flooring products such as laminate floor, LVT, SPC etc.

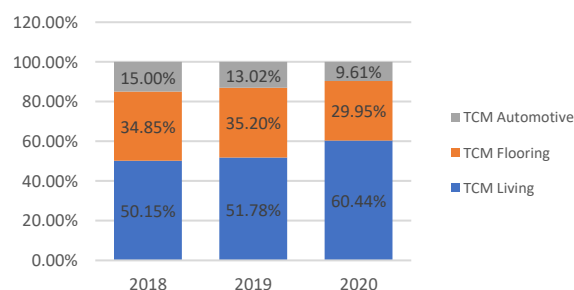
Business	Impact	Details	Measure to reduce impact
TCM Automotive Rising trend in Q4/2020. Car manufacturing in Thailand is estimated at 1.5 million cars in 2021.		<ul style="list-style-type: none"> Sales was declined in Q1-Q2 as major car manufacturers closed their factories. Gradual recovery started in Q3-Q4. Sales revenue in 2020 was THB 652.96 million (▼44.30% YoY) Operating profit was THB 59.94 million (▼62.19% YoY) Net profit was THB 43.01 million (▼64.07% YoY) 	<u>Production</u> <ul style="list-style-type: none"> Running at lower capacity in respect to decreasing demand and returned to full capacity in Q4 Focused on improving efficiency and production process to reduce cost of sales. <u>Sales and marketing</u> <ul style="list-style-type: none"> New product development to satisfy customers' demand.

2020 Performance

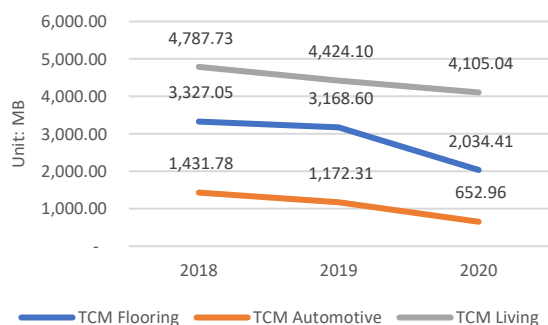
COVID pandemic in 2020 has become a major factor for the declining sales and profitability of the Company. In addition, uncertainty in global economy, fluctuation movements in exchange rates, as well as the government policy have also played key roles to TCMC's businesses as more than 70% the Company's revenue was derived from overseas market.

Over the past 12 months, both government sectors and business sectors has seriously suffered from the impact of COVID-19. Inevitably, all 3 business groups of TCMC have also been affected. This included TCM Flooring, TCM Automotive and TCM Living. In 2020, revenue contribution from TCM Flooring was 29.95% decreased from 35.20% in the previous year. Revenue contribution from TCM Automotive also in the downward trend which represented 9.61% in 2020 compared to 13.02% in 2019. However, TCM Living has recorded a higher revenue contribution of 60.44% in 2020 compared to those of 51.78% in 2019.

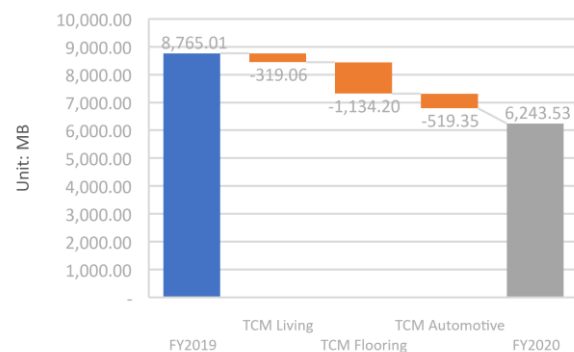
Proportion of revenue from business group
FY2018-2020



3 Yrs Revenue by Business Group



Change of Revenue by Business group



Highlight from each business

Business Group	Highlights
TCM Living	<ul style="list-style-type: none"> - Revenue dropped by 7.21% from preceding year, but still higher than the forecast by the Group in middle of the year. Despite the UK lockdown, it appears that the lockdown measure during March to June has stimulated customer demand and has led to rising sales in Q3-Q4. Backlog orders on hand are already booked until March 2021. - The Group has implemented cost mitigation plan which mainly to reduce cost of sales and expenses, and also salary cut for management team. Some employees were put off duty to take a compensation benefit paid by UK government at 80% of full salary rate. This scheme by the government has led to the expense saving of 43.32% compared to those in 2019. - After taking out the inter-company expenses, financial costs, taxes, and exchange rates related, the Group reported a net profit of THB 34.45 million.
TCM Flooring	<ul style="list-style-type: none"> - Revenue decreased by 35.79% from the year 2019 as a result of COVID-19 impact to tourism industry. Many businesses had reserved their cash for working capital fund and liquidity. It is forecasted that tourism sector will not recover in the near term until vaccination is already in place. - TCM Flooring has responded to the unfavorable market environment by reducing costs and expenses, and running at lower capacity. As a result, cost of goods sold was recorded at 63.41%. Selling and administrative expenses decreased by 42.51% and 28.48% respectively. - The Group has implemented employee salary cut in Q2 and Q3 in order to reserve cash on hand, but fully reimbursed to all employees in Q4. As a result, TCM Flooring recorded a net loss of THB 77.57 million.
TCM Automotive	<ul style="list-style-type: none"> - Revenue decreased by 44.30% due to the downward movement of overall automobile industry since 2019 as well as the impact of COVID-19 - Cost of goods sold and expenses were higher in percentage to sales as most of them are fixed costs. Decreasing sales order has led to the higher percentage of costs in relation to sales revenue. - Recovery of sales revenue was shown in Q4 since the overall picture of automobile industry was gradually in up trend. As a result, TCM Automotive reported a net profit of THB 43.01 million.

Performance by Group of Business

TCM Living

Unit THB million

Details	FY2020	FY2019	Change	% of sales FY2020	% of sales FY2019
			% YoY		
Revenue from Sales and Services	4,105.04	4,424.10	-7.21%	100.00%	100.00%
Cost of Sales and Services	(3,382.94)	(3,245.50)	4.23%	82.41%	73.36%
Gross Profit	722.09	1,178.59	-38.73%	17.59%	26.64%
Other incomes	1.72	15.01	-88.56%	0.04%	0.34%
Selling expenses	(315.75)	(462.61)	-31.75%	7.69%	10.46%
Administrative expenses	(281.46)	(496.54)	-43.32%	6.86%	11.22%
Profit (Loss) from exchange rate	0.00	(2.26)	100.00%	0.00%	-0.05%
Fair value adjustments to derivatives	(35.08)	0.00	N/A	-1.72%	0.00%
Operating income	91.52	232.19	-60.58%	2.23%	5.25%
Corporate expenses (Shared)	(15.14)	(23.79)	-36.34%	0.37%	0.54%
Financial cost	(43.92)	(54.15)	-18.89%	1.07%	1.22%
Impairment gain(loss) of account receivables	(0.15)	0.56	-127.01%	0.00%	-0.01%
Tax income (expense)	2.14	(44.44)	104.82%	-0.05%	1.00%
Net profit (loss) for the quarter	34.45	110.38	-68.79%	0.84%	2.50%
EBITDA	215.65	282.52	-23.67%	5.25%	6.39%

TCM Living

TCM Living was significantly impacted by COVID-19 during 2020. Although the year started well, the impact of the pandemic was felt immediately in Q2 with the forced closures of UK non-essential retail and factories. Although shops were reopened in the second half of the year, with an increase in demand for home furnishings, the industry was hit with international supply chain problems and increases in the price of foam, a key component in manufacture. Despite this, TCML delivered revenue of THB 4,105.04 THB, only 7.21% lower than 2019.

Cost of sales and services was 82.41 percent of revenue, an increase from 73.36 percent reported for prior year. This was due to investment in additional production capacity and the importing of finished goods at a lower margin than in house production. There has also been standardisation of cost reporting categories following the corporate restructure of TCM Living in 2020 to ensure compliance with International Accounting Standards.

SD&A expenses amounted to THB 597.21 million, a decrease from the same period of the previous year, as a result of various costs reduction initiatives, including cutting non-essential expenses, short term reductions in the marketing budget, introduction of a travel ban, and a reduction in salary at management level. TCM Living also took advantage of the UK Government COVID Furlough scheme, where the government businesses in paying 80% of employees' salaries if they were unable to work due to workplace closedowns.

During the year, the UK also negotiated the exit from the European Union. This deal was signed in late December 2020 resulting in a movement in the Sterling Dollar rate. This movement has caused a fair value adjustment to be required for the foreign currency hedges in place for 2021.

Despite the impact of a COVID year, where stores were closed and supply chain disrupted the delivery of product in the final quarter, Profit after Finance Costs and Tax amounted to THB 34.45 million with EBITDA was THB 215.65 million, a reduction of 23.67% on 2019.

TCM Flooring

Unit THB million

Details	FY2020	FY2019	Change	% of sales	% of sales
			% YoY	FY2020	FY2019
Revenue from Sales and Services	2,034.41	3,168.60	-35.79%	100.00%	100.00%
Cost of Sales and Services	(1,289.93)	(1,990.35)	-35.19%	63.41%	62.81%
Gross Profit	744.48	1,178.25	-36.82%	36.59%	37.19%
Other incomes	68.40	6.77	-911.07%	3.36%	-0.21%
Selling expenses	(309.12)	(458.53)	-32.58%	15.19%	14.47%
Administrative expenses	(509.37)	(711.24)	-28.38%	25.04%	22.45%
Profit (Loss) from exchange rate	4.68	0.74	536.14%	0.23%	0.02%
Fair value adjustments to derivatives	6.12	0.00	N/A	0.30%	0.00%
Operating income	5.19	15.98	-67.54%	0.26%	0.50%
Post-employment benefits liabilities	0.00	(57.66)	N/A	0.00%	1.82%
Corporate expenses (Shared)	(22.39)	(16.34)	-37.05%	1.10%	0.52%
Loss arising from derecognition of account receivable and retention	(6.51)	0.00	N/A	0.32%	0.00%
Financial cost	(109.14)	(117.06)	6.76%	5.36%	3.69%
Impairment gain(loss) of account receivables	11.53	(19.43)	159.32%	0.57%	0.61%
Tax income (expense)	43.76	52.16	-16.10%	2.15%	1.65%
Net profit (loss) for the quarter	(77.57)	(142.35)	45.51%	-3.81%	-4.49%
EBITDA	124.94	242.60	-48.50%	6.14%	7.66%

TCM Flooring

COVID Pandemic in 2020 have had a tremendous impact on tourism industry. Similarly, the hospitality sector also seriously suffered from such an impact in which all our core customers such as hotels, casinos, theatres, entertainment complex, as well as convention centres have put on hold their investment projects in order to reserve their cash on hands. Moreover, there was a changing trend in the market whereby hard floor materials such as wooden floor, laminate floor become more popular due to the lower price and convenience in cleaning and sanitizing. Thus, it is crucial that we have to respond to those change by offering an innovative flooring product to satisfy our customers.

The Group has focused on cutting unnecessary expenditures, and running at lower production capacity since Q1. We also developed new products with an attempt to expand more to residential market whereby purchasing power still remain steady. Our profitability significantly improved in Q3 as a result and was higher when compared to the same period in prior year. Cost control strictly remained intact in Q4, but all the salary cut which was implemented in Q2 and Q3 in accordance with the decreasing production volume was reimbursed to employees at the amount of THB 50 million. Therefore, total expenses was higher than those in Q4.

Apart from the expenses of the TCM Flooring, there were administrative expenses of the Corporate Office allocated to TCM Flooring amounted to THB 22.39 million, and provision for loss arising from derecognition of account receivable and retention as well as impairment of account receivables according to new accounting standard.

When combined with the financial costs and TAX, the net loss of TCM Flooring then amounted to THB 77.57 million, which was significantly improved from net loss of THB 142.35 million in the same period of the previous year. The EBITDA was THB 124.94 million, which accounted for 6.14% of sales revenue.

TCM Automotive

Unit THB million

Details	FY2020	FY2019	Change	% of sales	% of sales
			% YoY	FY2020	FY2019
Revenue from Sales and Services	652.96	1,172.31	-44.30%	100.00%	100.00%
Cost of Sales and Services	(527.92)	(915.66)	-42.35%	80.85%	78.11%
Gross Profit	125.04	256.65	-51.28%	19.15%	21.89%
Other incomes	3.91	3.39	15.40%	0.60%	0.29%
Selling expenses	(22.75)	(39.57)	-42.51%	3.48%	3.38%
Administrative expenses	(46.48)	(64.99)	-28.48%	7.12%	5.54%
Profit (Loss) from exchange rate	0.22	3.06	-92.78%	0.03%	0.26%
Operating income	59.94	158.55	-62.19%	9.18%	13.52%
Post-employment benefits liabilities	0.00	(3.38)	N/A	0.00%	0.29%
Corporate expenses (Shared)	(4.73)	(5.33)	(0.11)	0.72%	0.45%
Loss arising from derecognition of account receivable and retention	(2.11)	0.00	N/A	0.32%	0.00%
Financial cost	(0.61)	(0.60)	0.01	0.09%	0.05%
Impairment gain(loss) of account receivables	2.59	1.72	0.50	-0.40%	-0.15%
Tax income (expense)	(12.08)	(31.27)	0.61	1.85%	2.67%
Net profit (loss) for the quarter	43.01	119.69	-64.07%	6.59%	10.21%
EBITDA	107.68	206.85	-47.94%	16.49%	17.64%

TCM Automotive

Automobile industry has been in downward trend since mid-year of 2019. Domestic car manufacturing simultaneously decreased from 2.1 million cars in 2018 to 2 million cars in 2019, following by COVID-19 impact then ended up with the number of 1.4 million cars in 2020. It was therefore unavoidable that upholstery of car seats industry suffered from shrinking demand and decreasing sales order. This has led to 2-month factory closure by major car manufacturers during April to May. TCM Automotive hence reduced its production volume in respond to the lower customers' order.

Market environment became more favorable in Q4 whereby car production turned uptrend. The average number of car manufacturing significantly grew from 50,817 cars in Q2 to 118,978 cars in Q3 and 154,298 cars in Q4 respectively. As a result, TCM Automotive resumed its full capacity in Q4 since domestic car manufacturing in 2021 is estimated at 1.5 million cars.

In 2020, the Group recorded revenue from sales and services at THB 625.96 million decreased by 44.30% compared to those in 2019. Cost of goods sold was higher from 78.11% in 2019 to 80.85% in 2020.

Apart from the expenses of the TCM Automotive, there were administrative expenses of the Corporate Office allocated to TCM Automotive business amounted to THB 0.66 million, decreased from THB 1.27 million in the same period of the previous year.

When combined with the administrative expenses of the Corporate Office allocated to TCM Automotive, the financial costs and TAX, the net profit of TCM Automotive then amounted to THB 43.01 million, with EBITDA of THB 107.68 million which was 16.49% of total sales revenue.

Consolidated Performance

Unit THB million

Consolidated Statement	FY2020	FY2019	Change
			% YoY
Revenue			
Revenue from Sales and Services	6,792.40	8,765.01	-22.51%
Other Incomes	74.03	25.16	194.18%
Total revenue	6,866.43	8,790.17	-21.89%
Expenses			
Cost of sales and services	(5,200.79)	(6,151.51)	-15.46%
Selling expenses	(647.62)	(960.71)	-32.59%
Administrative expenses	(837.31)	(1,272.77)	-34.21%
Post-employment benefits liabilities	0.00	(61.04)	-100%
Corporate expenses	(42.26)	(45.45)	-7.02%
Gain (loss) from exchange rate	4.90	1.53	-219.35%
Fair value adjustments to derivatives	(28.96)	0.00	N/A
Loss arising from derecognition of account receivable and retention	(8.62)	0.00	N/A
Financial costs	(153.67)	(171.80)	-10.56%
Impairment gain(loss) of account receivables	13.96	(17.15)	181.44%
Total expenses	(6,900.37)	(8,678.89)	-20.49%
Net profit before TAX	(33.93)	111.28	-130.49%
Tax expenses	33.82	(23.55)	-243.60%
Profit (loss) for the quarter	(0.11)	87.73	-100.13%
Profit (loss) for TCMC	(41.03)	(16.71)	-145.54%
EBITDA	448.26	731.97	-38.76%
Weighted average number of ordinary shares (shares)	763,201,125	763,188,975	
Basic earnings per share (Baht)	(0.05)	(0.02)	

Other Incomes

The Corporate Group had other incomes of THB 74.03 million, compared to THB 25.16 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 153.67 million in the year 2020, decreased from THB 171.80 million in year 2019, resulted from the financial adjustment according to the Thai Financial Reporting Standards, financial instruments applied in 2020.

Statement of Financial Position

Unit THB million

Statement of consolidated financial position	As of 31 December, 2020	As of 31 December, 2019	Change	
			Million Baht	%
Total Assets	7,970.57	8,337.21	(366.64)	-4.40%
Total Liabilities	5,239.74	5,484.28	(244.54)	-4.46%
Shareholders' Equity	2,730.83	2,852.93	(122.10)	-4.28%
D/E Ratio	1.92:1	1.92:1		

The Corporate Group's total assets as of 31 December 2020 were lower than the total assets as of 31 December 2019 by THB 366.64 million or 4.40 percent. Total liabilities as of 31 December 2020 were lower than the total liabilities as of 31 December 2019 by THB 244.54 million or 4.46 percent. Shareholders' equity as of 31 December 2020 was lower than that as of 31 December 2019 by THB 122.10 million or 4.28 percent, due to the adoption of new financial reporting standards for financial instrument group, which has been effective since 1 January 2020, and effect from COVID-19 pandemic. As a result, D/E ratio at the end of the period was at 1.92:1 compared to year end 2019 at 1.92:1.