

No. 025/2018

November 8, 2018

Subject: Submission of Management discussion and analysis of Thai Wah Public Company Limited for the three months and nine months period ended September 30, 2018

To: Managing Director
The Stock Exchange of Thailand

Enclosures: Management discussion and analysis for the three months and nine month period ended September 30, 2018

Thai Wah Public Company Limited ("TWPC") submits herewith TWPC's Management discussion and analysis for the three months and nine months period ended September 30, 2018.

For public announcement and distribution.

Yours sincerely,

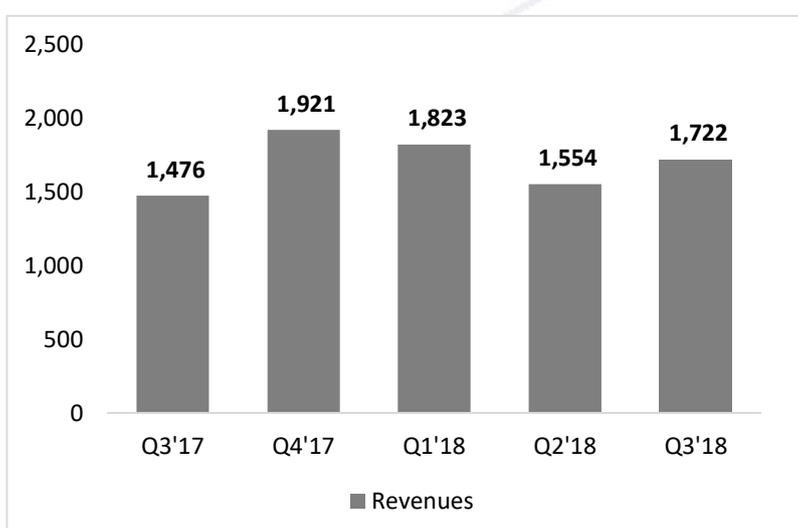
(Mrs. Orn-a-nong Witchucharn)
Chief Financial Officer

THAI WAH PCL

Management Discussion and Analysis

For the three and nine months period ended September 30, 2018

Sale Revenue breakdown by quarter



Sales revenue for Q3/2018

For Q3/2018, the group's sale was THB 1,722 million, representing an increase of THB 246 million or 17% if compared to last year.

This was a result of positive sales growth of Food business by 3% and Starch business by 21% which including sales revenue of new-acquired business (Modified starch) in Q3/2018.

Revenue from sales of THB 5,100 million in 9M/2018 increased of THB 756 million or 17% YoY, comprising the revenue from the starch business of THB 2,174 million or 43%; revenue from the high value-added products business of THB 1,861 million or 36%; and revenue from the food business of THB 1,065 million or 21%.

In Q3/2018, the Company and its subsidiary recorded a gross profit margin of 14%, which is less than the gross profit margin of 23% recorded in Q3/2017. This was mainly due to

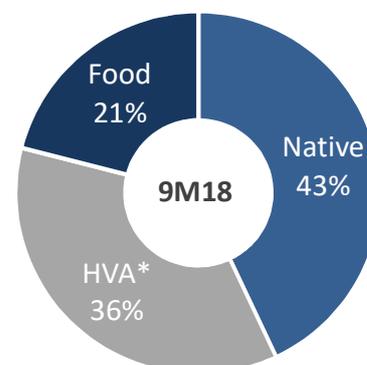
lower production compared to that of Q3/2017 impact of raw material (cassava root) shortage that resulted in the higher overhead production costs per unit and the percentage of raw material price of starch business increase more than the average selling price.

The net profit margin of Q3/2018 is less than the net profit margin of Q3/2017, as result of drop in gross profit margin. The operating results are shown according to each business as follows:



	3Q17	3Q18	YoY	2Q18	QoQ
Sales	1,476	1,722	17%	1,554	11%
COGS	1,139	1,481	30%	1,302	14%
GP	337	241	-28%	252	-4%
SG&A	217	235	8%	229	3%
Other income	31	12	-61%	37	-68%
Gain(loss) on FX	5	(8)	-	5	-
EBIT	156	10	-94%	65	-85%
Finance cost	2	2	-	3	-33%
EBT	154	8	-95%	62	-87%
Tax	32	3	-90%	10	-60%
Net Profit	122	5	-96%	52	-90%
EPS	0.12	0.01	-93%	0.05	-85%
FX: USD/THB	33.20	32.24	-3%	31.92	1%
GPM	23%	14%	-9%	16%	-2%
%SG&A/Sales	15%	14%	-1%	15%	-1%
NPM	8%	0%	-8%	3%	-3%

Sales Breakdown by Business



*HVA products – Glucose, Coarse flour, Pearl, Modified starch

Revenue from Tapioca Starch Business

In Q3/2018, the tapioca starch business recorded total sales of THB 778 million, a increase of 3% from THB 757 million in the previous year, while the high value-added (HVA) products business recorded sales of THB 595 million, an increase of 57% from THB 379 million in the previous year. The increase is mainly from Sales of modified starch that became subsidiary of company since Q4/2017; and the increase in average selling price of tapioca starch in 9M/2018 by 42%, which was driven from

- 1) a shortage of fresh cassava roots in Thailand,
- 2) The spread of cassava diseases in Vietnam and Cambodia, which is a short term impact and the Company will continue to closely monitor.

Noted that Q2 and Q3 was normal low season for tapioca starch industry since this quarter is out of harvesting season.

In 9M/2018, the tapioca starch business recorded total sales of THB 2,174 million, a decrease of 2% from THB 2,224 million in the previous year, while the high value-added (HVA) products business recorded sales of THB 1,861 million, an increase of 66% from THB 1,121 million.

The increase of 38% in average selling price was mainly due to the shortage of fresh cassava roots in Thailand, Vietnam and Cambodia, which resulted in a significant increase in the market price of tapioca starch in China.



Revenue from Food Business

In Q3/2018, the Company recorded total sales of the food business of THB 349 million, an increase of 3% from THB 340 million recorded in the previous year with strong double-digit growth in key channels and categories including new product launch through the consumer. Domestic sales for the food business, contributing to 90% of the total sales of the food business, while export sales accounted for 10% of the total food business revenue.

In 9M/2018, the Food business recorded total sales of THB 1,065 million, an increase of 7%

from THB 999 million recorded in the previous year.

Overall, domestic sales of vermicelli products and rice noodle products grew by 1% and 21% respectively if compared to previous year as a result of distribution expansion and good execution in sales & marketing strategy.

Sales of vermicelli products and rice noodle products grew by 31% and 67% respectively if compared to previous year, which mainly driven from volume of EU, China and CLMV markets.

Gross Profit

In Q3/2018, gross profit margin of the group was 14%, a decrease from 23% in Q3/2017 mainly due to drop in Gross profit of starch business.

This was mainly due to the raw materials (cassava root) shortage that resulted in the higher overhead production costs per unit. Even though starch export selling price in the first half sharply rose from the previous year, the tapioca root price in the first half sharply raised up higher driven from the typically low season in Q2 and Q3.

In 9M/2018, gross profit margin of the group was 16%, a decrease from 25% in 9M/2017, mostly

pressured by the challenge in overall starch business as explained above.

Decreasing the cassava market's supply was the result of cassava prices had dropped precipitously in 2016 and last year that made some farmers shifted cassava plantations to other agriculture crops. However, the cassava root supply is expected to increase in the new harvesting period (start Q4/ 2018), while the demand of tapioca starch from China has been in steady growth over the past years.



Sales and Administrative Expenses

In Q3/2018, the sales and administrative expenses increased by 8% or THB 18 million to THB 235 million. This was mainly driven by new business (included new subsidiary acquired since Q4/2017) THB 23 million, offset with a decrease in transportation costs.

In 9M/2018, the sales and administrative expenses increased by 8% or THB 52 million to THB 704 million, mainly resulted from a new business of THB 70 million, offset with a decrease in transportation costs of THB 45 million.

Net Profit Attributable to Shareholders

In Q3/2018, the net profit of the Company and its subsidiaries was THB 8 million, a decrease of THB 109 million, or 93%, compared to that of Q3/2017. The decrease was mainly due to the impact of low margin of starch business that getting short-term impact from the shortage of raw materials (cassava root) that resulted in the higher overhead production costs per unit, raw material prices increase more than the increase of average selling price over the first nine months of this year, and unrealized loss on foreign exchange. Moreover, the Company and its subsidiaries had a one-time gain of THB 20 million in Q3/2017 majorly from reverse provision for land.

In 9M/2018, the net profit of the Company and its subsidiaries was THB 110 million, a decrease

of THB 238 million, or 68%, mainly due to the shortage of raw materials (cassava root) that resulted in higher overhead production cost per unit, significant rise in the tapioca root price, and pre-operating cost of new plant in Vietnam and Cambodia, which start operate in Q2/2018 and unrealized loss on foreign exchange. Moreover, the Company and its subsidiaries had a one-time gain of THB 20 million in 9M/2017 majorly from reverse provision for land, while 9M/2018 has loss on Fire.

However, cassava root prices is forecast to decline during cassava harvesting season begins since early of Q4/2018. Also, the volume of cassava root in the new harvesting crop (Q4/2018-Q3/2019) would expect to increase around 20%,

Cash Flow analysis

In 9M/2018, net cash received from operating activities were THB 143 million, decrease from the previous year driven mostly by a decrease of the profit before tax of the Company and its

subsidiaries and increase in inventories of starch business that most finish goods are scheduled for delivery to the customers in Q4/2018.