

No. 004/2018

February 19, 2019

Subject: Submission of Management discussion and analysis of Thai Wah Public Company Limited for the year ended December 31, 2018

To: Managing Director
The Stock Exchange of Thailand

Enclosures: Management discussion and analysis for the year ended December 31, 2018

Thai Wah Public Company Limited ("TWPC") submits herewith TWPC's Management discussion and analysis for the year ended December 31, 2018.

For public announcement and distribution.

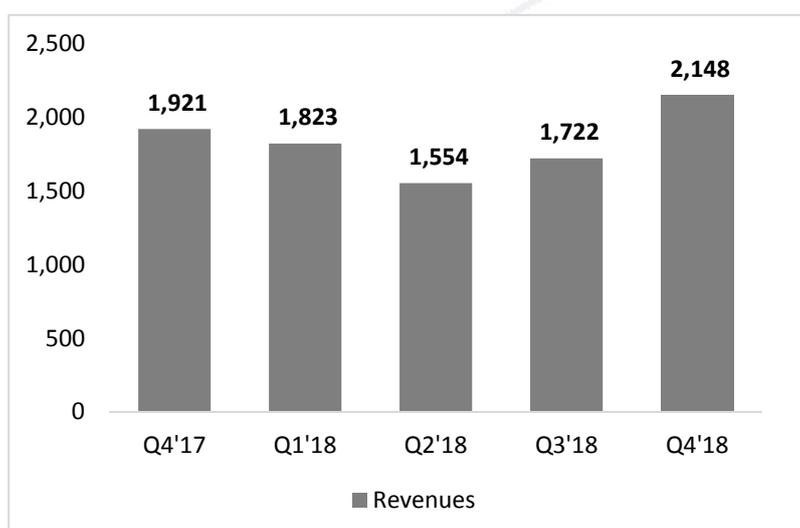
Yours sincerely,

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

THAI WAH PCL

Management Discussion and Analysis For 4Q18 and 2018 Performance ended December 31, 2018

Sale Revenue breakdown by quarter



Sales revenue for 2018

Revenue from sales of THB 7,248 million in 2018 increased of THB 983 million or 16% YoY, comprising the revenue from the starch business of THB 3,272 million or 45%; revenue from the high value-added products business of THB 2,560 million or 35%; and revenue from the food business of THB 1,452 million or 20%.

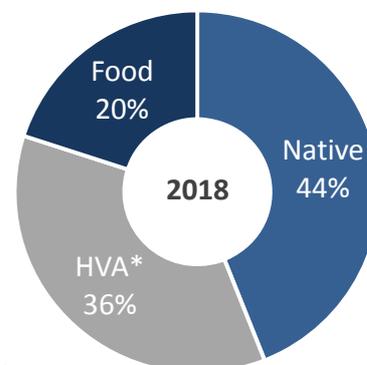
For 4Q'2018, the group's sale was THB 2,148 million, representing an increase of THB 227 million or 12% if compared to last year. This was a result of positive sales growth of Food business by 2% and Starch business by 15%.

In Q4/2018, the Company and its subsidiary recorded a gross profit margin of 17%, which is

similar the gross profit margin in Q4/2017. The net profit margin was 5%, which is less than the net profit margin of 8% recorded in Q4/2017. This was mainly due to the Company and its subsidiaries had a one-time gain of THB 118 million in Q4/2017 from new-acquired business (Modified starch). The operating results are shown according to each business as follows:

	4Q60	4Q61	YoY	2560	2561
Sales	1,921	2,148	12%	6,265	7,248
COGS	1,604	1,780	11%	4,882	6,063
GP	317	368	16%	1,383	1,185
SG&A	286	263	-8%	938	967
Other income	142	7	-100%	224	50
Gain(loss) on FX	(10)	14	240%	(14)	11
EBIT	163	126	-23%	655	279
Finance cost	-	1	100%	8	7
EBT	163	125	-22%	647	272
Tax	14	22	57%	106	58
Net Profit	149	103	-41%	541	215
EPS	0.16	0.10	-63%	0.56	0.22
FX: USD/THB	32.7	32.7	-	33.7	32.1
GPM	16%	17%	1%	22%	16%
%SG&A/Sales	15%	12%	-3%	15%	13%
NPM	8%	5%	-3%	9%	3%

Sales Breakdown by Business



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

Revenue from Tapioca Starch Business

In Q4/2018, the tapioca starch business recorded total sales of THB 1,098 million, an increase of 16% from THB 944 million in the previous year, while the high value-added (HVA) products business recorded sales of THB 676 million, an increase of 13% from THB 597 million in the previous year. The increase is mainly from the increase in average selling price of tapioca starch since the beginning of the year 2018 by 39%, which was driven from

- 1) a shortage of fresh cassava roots in Thailand,
- 2) The spread of cassava diseases in Vietnam and Cambodia.

In addition, sales continue to grow from price adjustments in order to reflect the rising in raw

material prices as well as the continuous appreciation of the baht per US dollar.

In 2018, the tapioca starch business recorded total sales of THB 3,272 million, an increase of 3% from THB 3,168 million in the previous year, while the high value-added (HVA) products business recorded sales of THB 2,560 million, an increase of 49% from THB 1,718 million.

The increase of high value-added (HVA) sale due to including sales revenue of new-acquired business (Modified starch), while the increase of 37% 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 Q4/2018, the Company recorded total sales of the food business of THB 387 million, an increase of 2% from THB 380 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 92% of the total sales of the food business, while export sales accounted for 8% of the total food business revenue.

In 2018, the Food business recorded total sales of THB 1,452 million, an increase of 5% from THB 1,379 million recorded in the previous year.

Overall, domestic sales of vermicelli products and rice noodle products grew by 2% 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 16% and 39% respectively if compared to previous year, which mainly driven from volume of EU, China and CLMV markets.

Gross Profit

In Q4/2018, gross profit margin of the group was 17%, similar to Q4/2017, although the price of raw material has significantly increased and the baht appreciates continuously against the US dollar.

In 2018, gross profit margin of the group was 16%, a decrease from 22% in 2017, mostly pressured by the challenge in overall starch business as explained above. This was mainly due to lower raw materials (cassava root) compared to the previous year for the reasons mentioned above, resulted in the higher production costs in the overhead per unit (Idle cost). Even though starch export selling price in

the first half sharply rose from the previous year, the tapioca root price sharply raised up higher driven from the short supply of tapioca root in Thailand and neighboring countries.

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 2018/2019, while the demand of tapioca starch from China and Taiwan have been strong over the past years.

Sales and Administrative Expenses

In Q4/2018, the sales and administrative expenses decreased by 9%, from THB 286 million to THB 263 million, mainly from a decrease in transportation costs, which corresponds to the reduced sales volume.

In 2018, the sales and administrative expenses increased by 3% or THB 29 million, mainly resulted from a new business of THB 73 million, offset with a decrease in transportation costs of THB 61 million.

Net Profit Attributable to Shareholders

In 2018, the net profit of the Company and its subsidiaries was THB 197 million, a decrease of THB 296 million, or 60%, mainly due to 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 in 2017 from new-acquired business.

The decrease was mainly due to the impact of low margin of starch business that getting short-term impact from lower raw materials (cassava

root) compared to the previous year, resulted in the higher production costs in the overhead per unit especially during this harvest season (Idle cost), raw material prices increase sharply over the year.

However, cassava root prices are forecast to decline as the production of cassava in the country is expected to increase during the harvest season 2018/2019, while the demand for tapioca starch in China and Taiwan, continues to be strong over the past several years.

Cash Flow analysis

In 2018, net cash received from operating activities were THB 205 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 inventories are work-in-process for delivery to the customers.