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May 9, 2019

Subject: Submission of Management discussion and analysis of Thai Wah Public Company Limited for the three months period ended March 31, 2019

To: President  
The Stock Exchange of Thailand

Enclosures: Management discussion and analysis for the three months period ended March 31, 2019

Thai Wah Public Company Limited ("TWPC") submits herewith TWPC's Management discussion and analysis for the three months period ended March 31, 2019.

For public announcement and distribution.

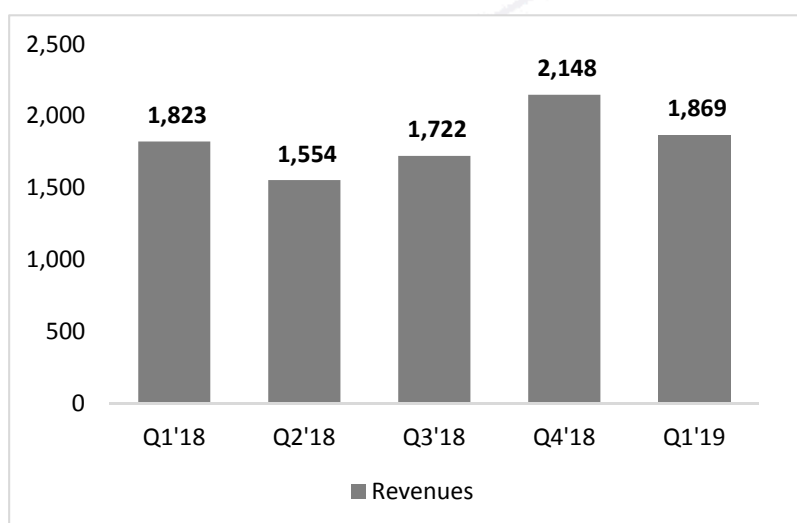
Yours sincerely,

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

# THAI WAH PCL

## Management Discussion and Analysis For the three months period ended March 31, 2019

### Sale revenues breakdown by quarter



### Operating Results for Q1/2019

For Q1/2019, the group's sale was THB 1,869 million, which increased by THB 46 million or 3 percent if compared to last year. The total sales comprising the revenue from the starch business of THB 935 million or 50 percent; revenue from the high value-added products business of THB 582 million or 31 percent; and revenue from the food business of THB 352 million or 19 percent.

For Q1'2019, the group's sale was THB 1,869 million, representing an increase of THB 46 million or 3% if compared to last year. This was a result of positive sales growth of Starch business by 5%, while sales of Food business are similar when compared to the same period of last year.

In Q1/2019, the Company and its subsidiary recorded a gross profit of THB 382 million. The gross profit margin was 20 percent, which is higher than a gross profit of THB 323 million, which the gross profit margin of 18 percent

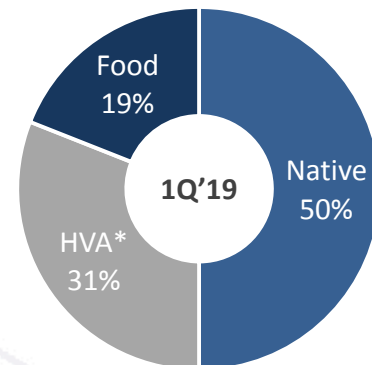
recorded in Q1/2018. The increase mainly came from the starch business as the cost of raw material, cassava roots, has decreased while the average selling price can maintain at the high level, which higher than the first quarter of last year

The net profit margin was 6 percent, which is higher than the net profit margin of 3 percent recorded in Q1/2018, as a result of the increase in gross margin. The operating results are shown according to each business as follows:

## Sales Breakdown by Business

	1Q18	1Q19	YoY
<b>Sales</b>	<b>1,823*</b>	<b>1,869</b>	<b>3%</b>
COGS	1,500	1,487	(1%)
<b>GP</b>	<b>323</b>	<b>382</b>	<b>18%</b>
SG&A	257	265	3%
Other income	14	27	93%
<b>EBIT</b>	<b>80</b>	<b>144</b>	<b>80%</b>
Finance cost	2	5	150%
<b>EBT</b>	<b>77</b>	<b>139</b>	<b>81%</b>
Tax	22	34	55%
<b>Net Profit</b>	<b>55</b>	<b>105</b>	<b>91%</b>
EPS	0.06	0.10	67%
FX: USD/THB	31.54	31.61	-
GPM	18%	20%	2%
%SG&A/Sales	14%	14%	-
NPM	3%	6%	3%

\*If adjusted with TFRS15, number is THB 1,818 million.



\*HVA products – Glucose, Coarse flour, Pearl, Alpha starch

### Revenue from Tapioca Starch Business

In Q1/2019, the tapioca starch business recorded total sales of THB 935 million, an increase of 8 percent from THB 869 million in the previous year; the main reason is the average selling price of tapioca starch decreased from the end of last year even its still higher than the average price in the first quarter of last year.

While the high value-added (HVA) products business recorded sales of THB 582 million, a decrease of 2 percent from THB 593 million in the previous year. The decrease in sales was mainly because the selling volume of tapioca starch in Q1/2019 significantly decreased 9 percent, driven from a shortage of fresh cassava

roots in Vietnam and a lower production from the fire incident in Q1/2018. However, the selling price of HVA is moving in the same trend as the tapioca starch, resulting in a net decrease of only 2 percent.

Despite the shortage supply of cassava roots in Vietnam cause to a decrease in sales volume of subsidiaries in Vietnam of 22 percent when compared to the same period of last year, the Company was able to maintain sales volume of Starch business, offset by the growth export volume from Thailand. Hence, net sales volume decreased by only 3 percent

### **Revenue from Food Business**

In Q1/2019, the Company recorded total sales of the food business of THB 352, a decrease of 1 percent from THB 356 million recorded in the previous year, which remains one of the market leaders with strong double-digit growth in key channels and categories including launch new product developments (NPDs) to consumers. Domestic sales is still the main market for the food business, contributing to 93 percent of the total sales of the food business, while export

sales accounted for the remaining 7 percent of the total food business revenue.

Overall, domestic sales of vermicelli and rice noodle products remained relatively the same as those recorded in the previous year, while export sales of vermicelli and rice noodle products dropped by 14 percent compared to the same period of last year as a result of a slowdown in a demand from major customers in the EU and USA.

### **Gross Profit**

In Q1/2019, gross profit margin of the group was 20 percent, an increase from 18 percent in Q1/2018 resulted from the increase in gross profit margin of both starch and food businesses. The main reason is the increased in production of cassava roots during the harvesting period 2018/2019, resulting in lower cost of cassava roots and increasing in production volume, hence, the production cost of overhead per unit decreased. Although the average selling price of tapioca starch has declined from the fourth quarter of previous

year, it is still higher than in the first quarter of 2018.

The increase in production of cassava roots driven from the tapioca root price was sharply rose. In addition, the corn price, which is a substituted agriculture plant, is experiencing a low price since the end of 2017, over the last year that made some farmers shift back to plant cassava roots. Besides, the global demand of tapioca starch, especially China and Taiwan, has increased continuously over the past several year.

### **Sales and Administrative Expenses**

In Q1/2019, the sales and administrative expenses increased by 3 percent from THB 257 million to THB 265 million.

The increase in selling expenses driven mainly by the increase in transportation costs, which in

line with the export sales volume increased, allowance for doubtful debts of THB 9 million, as well as an increase in personnel expenses supporting our strategy to be a regional leader.

### **Net Profit Attributable to Shareholders**

In Q1/2019, the net profit of the Company and its subsidiaries was THB 90 million, an increase of THB 35 million, or 64 percent, compared to that of Q1/2018. The increase was mainly due to an increasing in the gross profit margin of starch business from the lower cost of raw materials, while the average selling price remained at a high level and higher than the first quarter of last year.

However, the average selling price is expected to be at an appropriate level throughout the year because the production of cassava roots in Thailand is expected to increase and return to the normal situation during the harvesting period 2019/2020, while the global demand for tapioca starch, especially China and Taiwan has increased continuously over the past several year.

### **Cash Flow analysis**

In Q1/2019, net cash receipts from operating activities were THB 309 million, a decrease THB of 193 million or 38 percent when compared to the previous year.

This was driven mostly by an increase of the Company's profit before tax, while the inventories of starch business increased due to accelerated production during the harvesting season of tapioca roots. The majority of the finished goods are being in the process of waiting for delivery to customers.