



May 12, 2020

Subject: Explanation of the operating results for the first quarter ended March 31, 2020

To: Director & Manager
The Stock Exchange of Thailand

MK Restaurant Group Public Company Limited (“the company”) and its subsidiaries are pleased to submit herewith the explanation of the operating results for the first quarter ended March 31, 2020 as follows;

Revenues from Sales and Services

For the first quarter of 2020, the Company and its subsidiaries recorded revenues from sales and services of Baht 3,795 million, dropped by Baht 557 million or a decrease of 12.8% as compared to the same period of last year. The decrease was mainly because the outbreak of the Coronavirus disease 2019 (COVID-19) in Thailand has continued to spread rapidly and widely and the government has requested cooperation from all sectors to refrain from organizing activities involving large gatherings of people which may pose the risk of spreading the disease. In addition, the Bangkok Metropolitan Administration has issued an announcement dated March 21, 2020 imposing a temporary closure of certain premises including the restaurants which are allowed to sell take-away only effective from Mar 22, 2020. Most of the provinces also impose the same measures as Bangkok. Therefore, most of the Company’s restaurants can sell take-away only. As a result, the revenue from sales and services dropped significantly. Although, the revenues from take-away sales considerably increased, it was not enough to offset the dine-in sales.

Gross Profit

Gross profit represents the difference between revenues from sales and services and costs of sales and services which included food costs and transportation and warehousing costs. For the first quarter of 2020, gross profit of the Company and its subsidiaries amounted to Baht 2,525 million, or decreased by 15.2% year-on-year. Gross profit as a percentage of revenues from sales and services also decreased from 68.4% for the first quarter of 2019 to 66.5% for the same period of 2020. The decrease of gross profit as a percentage of revenues from sales and services was due largely to the marketing promotion for online channel in order to boost on-line sales to compensate the dine-in sales.

Selling and Administrative Expenses

Selling and administrative expenses consist mainly of employee expenses, rents, utilities, advertising and sales promotion, restaurant supplies, depreciation and amortization. For the first quarter of 2020, selling and administrative expenses of the Company and its subsidiaries amounted to Baht 2,188 million, or decrease by 1.4% year-on-year. However, selling and administrative expenses as a percentage of total revenues increased from 50.2% for the first quarter of 2019 to 56.4% for the same period of 2020, owing mainly to the decrease of Revenues from Sales and Services as mentioned earlier while some expenses such as rent, labor cost, and depreciation did not vary by Revenues from Sales and Services.

Financial Cost

For the first quarter of 2020, the Company and its subsidiaries recorded the financial cost of Baht 25 million which were the interest expenses from the lease liabilities due to the adoption of TFRS16.

Net Profit

As a result of the various factors which affected the operating results of the Company and its subsidiaries as mentioned above, net profit of the Company and its subsidiaries decreased from Baht 710 million for the first quarter of 2019 to Baht 340 million for the same period of 2020, representing a decrease of Baht 370 million or 52.1%.

Yours sincerely,

(Mrs. Sudarut Patvivatsiri)

Chief Financial Officer

MK Restaurant Group Public Company Limited