



August 11, 2020

Subject: Explanation of the operating results for the second quarter ended June 30, 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 second quarter ended June 30, 2020 as follows;

Revenues from Sales and Services

For the second quarter of 2020, the Company and its subsidiaries recorded revenues from sales and services of Baht 2,163 million, dropped by Baht 2,308 million or a decrease of 51.6% 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. As a result, the revenue from sales and services dropped significantly. Although, the revenues from take-away and home delivery considerably increased, it was not enough to offset the dine-in sales. The restaurants were allowed to sell dine-in again since May 17, 2020, however, the seating was required the social distancing and the restaurants were closed earlier than usual according to the measures from government. Therefore, in the first phase of selling dine-in, the revenues were slightly improved. In June 2020, some measures were relaxed including the extension of operating hours, therefore, the revenues were continuously improved. However, the revenues were still lower than before the outbreak.

For the first half of 2020, revenues from sales and services was Baht 5,958 million, decreased 32.5% from the same period of last year.

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 second quarter of 2020, gross profit of the Company and its subsidiaries amounted to Baht 1,333 million, or down by 56.8% year-on-year. Gross profit as a percentage of revenues from sales and services also decreased from 69.0% for the second quarter of 2019 to 61.7% 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.

In the first half of 2020, gross profit of the Company and its subsidiaries amounted to Baht 3,859 million, or dropped by 36.4% year-on-year. Gross profit as a percentage of revenues from sales and services also decreased from 68.7% for the first half of 2019 to 64.8% for the same period of 2020.

Selling and Administrative Expenses

Selling and administrative expenses consist mainly of employee expenses, rents, utilities, advertising and sales promotion, restaurant supplies, depreciation and amortization. Selling and administrative expenses of the Company and its subsidiaries decreased from Baht 2,344 million for the second quarter of 2019 to Baht 1,657 million for the same period of this year, or decreased by 29.3% year-on-year since the Company implemented several actions such as rent negotiation with landlord, implementation of leave without pay scheme for all staffs, cut down marketing budget in order to cope with the decline of revenues. However, Selling and administrative expenses as a percentage of total revenues increased from 51.5% for the second quarter of 2019 to 75.5% for the same period of 2020, owing mainly to the huge drop of revenues from sales and services while most of the expenses did not drop as much as revenues from sales and services.

For the first half of 2020, selling and administrative expenses amounted to Baht 3,845 million, or dropped by 15.7% year-on-year. However, selling and administrative expenses as a percentage of total revenues increased from 50.9% for the first half of 2019 to 63.3% for the same period of 2020 due to the reasons as mentioned above.

Financial Cost

The Company and its subsidiaries recorded the financial cost of Baht 11 million for the second quarter of 2020 and Baht 36 million for the first half of 2020 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, the Company and its subsidiaries recorded net loss of Baht 247 million for the second quarter of 2020, decreased Baht 936 million as compared to the same period of last year.

For the first half of 2020, the Company and its subsidiaries recorded a net profit of Baht 93 million, representing a decrease of Baht 1,305 million or down by 93.3% as compared to the same period of last year.

Yours sincerely,

(Mrs. Sudarut Patvivatsiri)

Chief Financial Officer

MK Restaurant Group Public Company Limited