

7 August 2020

Subject : Management's Discussion and Analysis for the six-month period ending 30 June 2020 operating results that varied more than 20% compared to the same period of 2019

To : The President of the Stock Exchange of Thailand

The Company would like to provide details of changes in Profit and Loss as shown in the six-month period ending 30 June 2020 reviewed consolidated financial statements of Wave Entertainment Plc. as follows:

Q2/2020

	Q2/2020		Q2/2019		Changed	
	THB'mm	%	THB'mm	%	THB'mm	%
Revenue by Segment						
Language institute	113.99	81%	144.53	49%	(30.54)	-21%
Restaurant	23.34	16%	137.73	47%	(114.39)	-83%
Entertainment	3.93	3%	11.91	4%	(7.98)	-67%
Total Revenue	141.26	100%	294.17	100%	(152.91)	-52%
Total Cost	69.88	49%	165.31	56%	(95.43)	-58%
Gross profit	71.38	51%	128.86	44%	(57.48)	-45%
Other Revenues & Profit Sharing	60.44	43%	31.57	11%	28.87	91%
Selling and admin expenses	(91.83)	-65%	(152.14)	-52%	(60.31)	-40%
Financial costs	(9.22)	-7%	(12.21)	-4%	(2.99)	-24%
Taxes	0.23	0%	(2.92)	-1%	3.15	108%
Net Profit (loss)	31.00	22%	(6.84)	-2%	37.84	553%

Profit (loss) attributable to

Owner of the parent	31.00	22%	(10.21)	-3%	41.21	404%
Non-controlling interest	-	0%	3.37	1%	(3.37)	-100%
Net Profit	31.00	22%	(6.84)	-2%	37.84	553%

The Corona Virus (COVID-19) outbreak that started at end of 2019 made its way into Thailand in early 2020, forcing the Thai government to declare Royal Emergency Decree 2020 to contain the contagion. The Group performance was impacted from operational closure between March and May 2020, resulting in the Group's Q2 2020 total revenue of THB 141.26 million, decreasing by THB 152.91 million or 52% compared to the same period of last year. Details of revenue in each business are:

- Language institute business recognized THB 113.99 million of revenue, down by THB 30.54 million or 21% compared to the same period of last year due to the closure under the Emergency Decree. The Group has adjusted the service model to focus on online classes during the mentioned closure.
- Restaurant business earned THB 23.34 million, down by THB 114.39 million or 83% compared to the same period of last year from the Emergency Decree closure and the ceasing of non-profitable branches. The Group has shifted into delivery activity in this quarter.
- Entertainment business earning decreased THB 7.98 million from THB 11.91 million compared to the same period of last year with the production of one soap opera, broadcast of which was delayed from Q2 to Q3 also due to the COVID-19 outbreak.

The Group's total costs were THB 69.88 million, down THB 95.43 million or 58% compared to the same period of last year. The drop in costs was in the same direction with the drop in revenue, yielding the gross profit of THB 71.38 million (51% of total revenue), down THB 57.48 million or 45% from last year. The Group realized a THB 38.72 million profits from the sales of Index Creative Village Group, leaving a 6.91% stake and deconsolidated earning report in this quarter. The Group also recognized share of profit from associates and joint ventures in the amount of THB 18.05 million, slightly down by THB 3.37 million compared to the same period of last year.

Total selling and administrative expenses for Q2 2020 were at Baht 91.83 million, down Baht 60.31 million, or 40% from the same period of last year due to a robust expense control in the quarter. The amount comprised of THB 64.97 million depreciation, amortisation of right-of-use assets and amortisation of intangible assets. There was also a THB 9.22 million financing costs, down THB 2.99 million from last year, for an EBITDA of THB 47.54 million, and a gross profit of THB 31 million, up by THB 37.83 million compared to the same period of last year.

1H/2020

	1H/2020		1H/2019		Changed	
	THB'mm	%	THB'mm	%	THB'mm	%
Revenue by Segment						
Language institute	244.00	66%	287.23	50%	(43.23)	-15%
Restaurant	109.84	30%	271.46	48%	(161.62)	-60%
Entertainment	15.07	4%	11.91	2%	3.16	27%
Total Revenue	368.91	100%	570.60	100%	(201.69)	-35%
Cost	200.49	54%	323.99	57%	(123.50)	-38%
Gross profit	168.41	46%	246.61	43%	(78.20)	-32%
Other Revenues & Profit Sharing	30.28	8%	55.06	10%	(24.78)	-45%
Selling and admin expenses	(236.46)	-64%	(313.23)	-55%	(76.77)	-25%
Financial cost	(21.50)	-6%	(23.78)	-4%	(2.28)	-10%
Tax	0.49	0%	(2.69)	0%	3.18	118%
Net Profit (loss)	(58.78)	-16%	(38.03)	-7%	20.75	55%
Profit (loss) attributable to						
Owner of the parent	(33.11)	-9%	(47.91)	-8%	(14.80)	-31%
Non-controlling interest	(25.67)	-7%	9.88	1%	(35.55)	-360%
Profit	(58.78)	-16%	(38.03)	-7%	20.75	55%

The Group's total revenue for the first half 2020 was at Baht 368.91 million, decreasing by Baht 201.69 million or a 35% drop from the same period of last year in the mix of THB 244 million from language institute business, THB 109.84 million from restaurant business and THB 15.07 million from Entertainment business. The significant drop was mainly caused by the national lock down in Q2.

The Group's total costs for the first half 2020 was at Baht 200.49 million, down by Baht 123.50 million or 38% from the previous year. The decrease was in the same direction, albeit at greater rate, as the decrease in revenue, resulting in a gross profit of THB 168.41 million (46% of total revenue), down by THB 78.20 million or 32% drop YOY.

Total selling and administrative expenses for the first half 2020 were at Baht 236.46 million, down by THB 76.77 million compared to last year. Of this amount, THB 125.42 million was depreciation, amortisation of right-of-use assets and amortization of intangible assets, resulting on an EBITDA of THB 63.00 million.

The Group has divested Index Creative Village Group to the current holding of 6.91%; as a result, the Group has deconsolidated the earnings reports starting Q2 onwards. There was a THB 38.72 million income recognition from such investment sales, plus share of profit from associates and joint ventures in the amount of THB 18.89 million, down by THB 17.15 million compared to the same period of last year due to the foreign exchange rate.

As a result of business lock down by the government, the Group's income has been inevitably and significantly impacted, while the costs and expenses remained tightly controlled. This resulted in a half-year loss of THB 58.78 million. There was a THB 33.11 million loss attributable to owners of the parent, down THB 14.80 million or a 31% compared to the same time last year.

As at 30 June 2020, as a result of the Group's deconsolidation of earnings report of Index Creative Village Group, the Group had a total assets of THB 2,069.60 million, down by THB 1,310.81 million. Total liability stood at THB 1,311.36 million, down by THB 538.78 million from partial repayment of long-term loan. Equity attributable to owners of the parent of THB 758.25 million was down by THB 77.37 million compared to 2019.

Please be informed accordingly,

Yours sincerely,

-Mr. Matthew Kichodhan-

Mr. Matthew Kichodhan

Chairman and CEO