

L-WAVE ENT 22/2019

13 November 2019

Subject : Management's Discussion and Analysis for the nine-month period ending 30 September 2019 operating results that varied more than 20% compared to the same period of 2018

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 3rd quarter and the nine-month period ending 30 September 2019 from the reviewed consolidated financial statements of Wave Entertainment Plc. as follows:

**Q3/2019**

| (THB'mm)                             | Q3/2019        |             | Q3/2018        |             | Changed        |             |
|--------------------------------------|----------------|-------------|----------------|-------------|----------------|-------------|
|                                      | THB'mm         | %           | THB'mm         | %           | THB'mm         | %           |
| Revenue Segment Information          |                |             |                |             |                |             |
| Language institute                   | 148.19         | 53%         | 147.01         | 50%         | 1.18           | 1%          |
| Restaurant                           | 123.27         | 44%         | 149.03         | 50%         | (25.76)        | -17%        |
| Entertainment                        | 6.72           | 2%          | 0.31           | 0%          | 6.41           | 2068%       |
| <b>Total Revenue</b>                 | <b>278.18</b>  | <b>100%</b> | <b>296.35</b>  | <b>100%</b> | <b>(18.17)</b> | <b>-6%</b>  |
| Cost                                 | 155.45         | 56%         | 166.19         | 56%         | (10.74)        | -6%         |
| Gross profit                         | 122.74         | 44%         | 130.16         | 44%         | (7.42)         | -6%         |
| Selling and admin expenses           | (141.37)       | -51%        | (171.81)       | -58%        | (30.44)        | -18%        |
| Financial cost                       | (11.12)        | -4%         | (11.10)        | -4%         | 0.02           | 0%          |
| Tax                                  | (4.06)         | -1%         | (0.45)         | 0%          | 3.61           | 802%        |
| Shares of Profit from Asso and JV    | 17.07          | 6%          | 12.13          | 4%          | 4.94           | 41%         |
| <b>Net Profit (loss)</b>             | <b>(16.75)</b> | <b>-6%</b>  | <b>(41.08)</b> | <b>-14%</b> | <b>(24.33)</b> | <b>-59%</b> |
| <b>Profit (loss) attributable to</b> |                |             |                |             |                |             |
| <b>Owner of the parent</b>           | <b>(16.44)</b> | <b>-6%</b>  | <b>(44.20)</b> | <b>-15%</b> | <b>(27.76)</b> | <b>-63%</b> |
| Non-controlling interest             | (0.31)         | 0%          | 3.12           | 1%          | (3.43)         | -110%       |
| <b>Profit (loss)</b>                 | <b>(16.75)</b> | <b>-6%</b>  | <b>(41.08)</b> | <b>-14%</b> | <b>(24.33)</b> | <b>-59%</b> |

In regards to the partial sale of the Index Creative Village PLC, a subsidiary of the Group, with the remaining to be sold off within one year despite remaining control on the entity, the financial reports for the third quarter 2019 is in accordance to the IFRS 5 : "Non-current Assets Held for Sale and Discontinued Operations". This results in the exclusion of Index Creative Village PLC financial statements from the Group starting from Q3/2019 onward showing all items under "Non-current assets classified as held-for-sale" and "Liabilities included with assets classified as held-for-sale".

The Group's total revenue for the third quarter 2019 was at THB 278.18 million, decreasing by THB 18.17 million or 6% drop from the same period of last year. Majority of the decrease was from the restaurant business, dropping Baht 25.76 million, down by 17% compared to the same period of last year, which resulted from the closure of the non-profitable branches.

The Group's total cost for Q3/2019 was at Baht 155.45 million, a decrease of Baht 10.74 million or 6% from the same period of the previous year which is in line with the decrease in revenue. Gross profit of the Group was Baht 122.74 million, a 44% gross margin on total revenue.

Total selling and administrative expenses for Q3/2019 were at Baht 141.37 million, down by Baht 30.44 million, or 18% below the same period of last year. Share of profit from associates and joint ventures was Baht 17.07 million, up by Baht 4.94 million from the same period of last year. The decrease of revenue despite the effective cost control resulted in the Group Q3/2019 net loss of Baht 16.75 million, down by Baht 24.33 million or 59% compared to the same period of last year, Baht 16.44 million of which was loss under Owner of the Parent Company, down by Baht 27.76 million or 63% compared to the same period of last year.

#### 9M/2019

| (THB'mm)                             | 9M/2019        |             | 9M/2018         |             | Changed        |             |
|--------------------------------------|----------------|-------------|-----------------|-------------|----------------|-------------|
|                                      | THB'mm         | %           | THB'mm          | %           | THB'mm         | %           |
| Revenue Segment Information          |                |             |                 |             |                |             |
| Language institute                   | 435.42         | 51%         | 385.19          | 46%         | 50.23          | 13%         |
| Restaurant                           | 394.73         | 47%         | 450.75          | 54%         | (56.02)        | -12%        |
| Entertainment                        | 18.64          | 2%          | 0.38            | 0%          | 18.26          | 4805%       |
| <b>Total Revenue</b>                 | <b>848.79</b>  | <b>100%</b> | <b>836.32</b>   | <b>100%</b> | <b>12.47</b>   | <b>1%</b>   |
| Cost                                 | 479.44         | 56%         | 492.63          | 59%         | (13.19)        | -3%         |
| Gross profit                         | 369.34         | 44%         | 343.68          | 41%         | 25.66          | 7%          |
| Selling and admin expenses           | (449.16)       | -53%        | (495.59)        | -59%        | (46.43)        | -9%         |
| Financial cost                       | (34.90)        | -4%         | (33.76)         | -4%         | 1.14           | 3%          |
| Tax                                  | (6.75)         | -1%         | 0.70            | 0%          | 7.45           | 1064%       |
| Shares of Profit from Asso and JV    | 66.70          | 8%          | 59.96           | 7%          | 6.74           | 11%         |
| <b>Net Profit (loss)</b>             | <b>(54.77)</b> | <b>-6%</b>  | <b>(125.01)</b> | <b>-15%</b> | <b>(70.24)</b> | <b>-56%</b> |
| <b>Profit (loss) attributable to</b> |                |             |                 |             |                |             |
| <b>Owner of the parent</b>           | <b>(64.35)</b> | <b>-8%</b>  | <b>(158.73)</b> | <b>-19%</b> | <b>(94.38)</b> | <b>-59%</b> |
| Non-controlling interest             | 9.58           | 1%          | 33.72           | 4%          | (24.14)        | -72%        |
| <b>Profit (loss)</b>                 | <b>(54.77)</b> | <b>-6%</b>  | <b>(125.01)</b> | <b>-15%</b> | <b>(70.24)</b> | <b>-56%</b> |

The Group's total revenue for the first nine months of 2019 was at Baht 848.79 million, slightly up by Baht 12.47 million. There were from the revenue recognition in Language institute business Baht 435.42 million an increase 50.23 million or 13% compared to the same period of last year and Entertainment business Baht 18.64 million an increase 18.26 million from a soap opera production which will be broadcasted in early next year. However, the revenue from Restaurant business decreased Baht 56.02 million compared to the last year same period which resulted from the closure of the non-profitable branches and declining in consumption spending.

The Group's total costs for the nine-month period was at Baht 479.44 million, a decrease of Baht 13.19 million or 3% from the same period last year. Majority of the decrease in costs were largely from rigorous cost control on the restaurant and language institute businesses. The result was a Group gross profit of Baht 369.34 million (44% of total revenue), up from 41% compared to the same period of 2018.

Total selling and administrative expenses for the nine-month period were at Baht 449.16 million, down by Baht 46.43 million (9%) from the same period of last year. Share of profit from associates and joint ventures was Baht 66.70 million, an increase of Baht 6.74 million from the same period of last year. Overall, the group had a 9-month net loss of Baht 54.77 million, a decrease of Baht 70.24 million from the same period of last year, Baht 64.35 million of which was loss under Owner of the Parent Company, down by Baht 94.38 million or 59% compared to the same period of last year.

As of 30 September 2019, the Group's total assets were at Baht 3,235.66 million, slightly decreasing by Baht 35.48 million, total liabilities decreased by Baht 101.74 million compared to the previous year from partial repayment of the long term loan. Owner's equity increased by Baht 66.26 million due to change in parent's ownership interest in subsidiaries.

Please be informed accordingly,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M. Kichodhan', with a long horizontal flourish extending to the right.

Mr. Matthew Kichodhan

Chairman and CEO