

11 August 2020

Subject: Management Discussion and Analysis - for the three-month period ended 30 June 2020

To: The President of Stock Exchange of Thailand

MFEC Public Company Limited (“the Company”) would like to notify the operating results that the Company reported net profit’s equity owner of the parent for the three-month period ended 30 June 2020 of Baht 30.9 million, net profit decreased by Baht 10.6 million or 25.6% compared to the same period of last year which were net profit of Baht 41.5 million, due reason to the following reasons:

1. Revenue from sales and services decrease from the same period of last year by Baht 94.1 million or 10.5% due following to:

Revenue from Business segment	Quarter 2/2020		Quarter 2/2019		Increase (decrease)	
	Million Baht	% to total revenue	Million Baht	% to total revenue	Million Baht	% Change
System Integration services	198.2	24.8%	365.1	40.8%	(166.9)	(45.7%)
System maintenance services	435.9	54.5%	390.0	43.6%	45.9	11.8%
IT Professional services	165.9	20.7%	139.0	15.5%	26.9	19.4%
Total sales and services	800.0	100.0%	894.1	100.0%	(94.1)	(10.5%)

Revenue from System integration services segment

For the current period, revenue from the System Integration services as proportion to total revenue were decrease when compared to the same period of last year. Revenue generated from this business segment was affected by the COVID-19 epidemic situation which is causing the company not be able to perform System Integration at some customers site, especially commercial banking customers who have requested postponement for system integration phase in the current period.

Revenue from System maintenance services and IT professional services segment

The Group's revenues from these two business segments increase by 11.8% and 19.4%, respectively, compared to the same period of last year. Revenue from system maintenance services are including Information security services, Cloud services, and onsite training services. Revenue from IT Professional Services, are including Data Analytic, to collect and analyze the customer’s business data to be used for efficient management and create value added for the customers' businesses, as well as increase business efficiency in term of Business Service Management. Revenue from both business segments are significant growth compared to the same period of last year, especially in particular revenue from Cloud solutions and Information securities services.

2. Cost of sales and service decrease by Baht 77.3 million or 10.8% compared to the same period of last year.

Cost from Business segment	Quarter 2/2020		Quarter 2/2019		Increase (decrease)	
	Million Baht	% to total cost	Million Baht	% to total cost	Million Baht	% Change
System Integration services	185.2	29.0%	315.1	44.0%	(129.9)	(41.2%)
System maintenance services	347.2	54.3%	303.5	42.3%	43.7	14.4%
IT Professional services	106.9	16.7%	98.0	13.7%	8.9	9.1%
Total Cost of sales and services	639.3	100.0%	716.6	100.0%	(77.3)	(10.8%)
Gross Profit	160.7		177.4		(16.7)	(9.4%)
Gross Profit (%)	20.1%		19.8%		0.3%	

The Group recognized cost from providing System integration services, system maintenance services and IT Professional services as cost represents to total costs recognized in the current period at the rate of 54.3%, 29% and 16.7%, respectively. Cost of services are recorded based on revenue recognition according to the service level performed based on percentage of work completion during the period.

From the change in revenue structure as described, the Group can be able to maintain Gross Profit margin for the current period, which is representing 20.1%. Gross Profit margin is slightly increase by 0.3% from the same period of last year.

3. Selling and Administrative expenses for the three-month period ended 30 June 2020 were Baht 129.5 million, a decrease of Baht 1.9 million or 1.4% is not significant change from the same period of last year.

Description	Quarter 2/2020	Quarter 2/2019	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	16.4	24.5	(8.1)	(33.1%)
Administrative expenses (included management remunerations)	96.4	106.9	(10.5)	(9.8%)
Loss from derivatives at fair value	16.7	-	16.7	100.0%
Total Selling and Administrative Expenses	129.5	131.4	(1.9)	(1.4%)

4. Financial costs for the three-month period ended 30 June 2020 were Baht 3.7 million, an increase fo Baht 2.9 million or 362% compare to the same period of last year due to the adoption of the new Thai Financial Reporting Standards (TFRS) no. 16 “Lease” which effective on 1 January 2020. The Company has recognized Right of Use of assets and liability from lease contract from every lease contract period over than 12 months. From the effective of TFRS No. 16, the Group has recorded financial costs occurred from the lease contract over the lease period of each contract.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer