

10 November 2020

Subject: Management Discussion and Analysis - for the three-month period ended 30 September 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 September 2020 of Baht 39.7 million, net profit increase by Baht 6.8 million or 20.7% compared to the same period of last year which were net profit of Baht 32.9 million, due reason to the following reasons:

1. Revenue from sales and services increase from the same period of last year by Baht 54.8 million or 5.9% due following to:

Revenue from Business segment	Quarter 3/2020		Quarter 3/2019		Increase (decrease)	
	Million Baht	% to total revenue	Million Baht	% to total revenue	Million Baht	% Change
System Integration services	339.8	34.5%	374.1	40.3%	(34.3)	(9.2%)
System maintenance services	439.0	44.5%	371.0	39.9%	68.0	18.3%
IT Professional services	197.0	20.0%	182.0	19.6%	15.0	8.2%
Other business	8.2	0.8%	2.1	0.2%	6.1	290.5%
Total sales and services	984.0	100.0%	929.2	100.0%	54.8	5.9%

Revenue from System maintenance services and IT professional services segment

The Group's revenues from these two business segments increase by 18.3% and 8.2%, 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 increase by Baht 33.2 million or 4.4% compared to the same period of last year.

Description	Quarter 3/2020	Quarter 3/2019	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	984.0	929.2	54.8	5.9%
Cost of sales and services	786.4	753.2	33.2	4.4%
Gross Profit	197.6	176.0	21.6	12.3%

Gross Profit (%)	20.1%	18.9%	1.2%
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The Group recognized cost of sales and services of Baht 786.4 million. The increase in cost of sales and services is in proportion of revenue recognition and in according to the service level performed based on percentage of work completion during the reporting period. The Group can be able to maintain Gross Profit margin for the current period, which is representing 20.1%. Gross Profit margin is increase by 1.2% from the same period of last year resulted in an increase in gross profit amount of Baht 21.6 million or 12.3%.

3. Selling and Administrative expenses for the three-month period ended 30 September 2020 were Baht 151.5 million, an increase of Baht 20.6 million or 15.7% compared to the same period of last year.

Description	Quarter 3/2020	Quarter 3/2019	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	20.4	26.7	(6.3)	(23.6%)
Administrative expenses	131.1	104.2	26.9	25.8%
Total Selling and Administrative Expenses	151.5	130.9	20.6	15.7%

Administrative expenses increase by Baht 26.9 million or 25.8% is mainly from recognized Provision for Expected Credit Loss in the amount of Baht 16 million during the current year, since The Central Bankruptcy Court granted a large enterprise customer of the Company to undertake a business reorganization. Such expected credit loss is recorded in accordance with the requirements of Thai Financial Reporting Standards (TFRS) no. 9 "Financial Instruments" which effective from 1 January 2020. However, such loss is non-monetary item, non-recurring transaction and does not affect the operations of the Group.

4. Financial costs for the three-month period ended 30 September 2020 were Baht 3.1 million, an increase of Baht 2.1 million or 210% 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