

13 May 2021

Subject: Management Discussion and Analysis - For the three-month period ended 31 March 2021

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 31 March 2021 of Baht 49.1 million, net profit decrease by Baht 8.9 million or 15.3% compared to the same period of last year which net profit were Baht 58 million, due reason to the following reasons:

Overall Operating results

Description	Q1-2021		Q1-2020		Change	
	Mil THB	%	Mil THB	%	Mil THB	%
Revenue from Sales and Services	1,135.7	100.0%	847.8	100.0%	287.9	34.0%
Cost of Sales and Services	(937.1)	-82.5%	(669.3)	-78.9%	(267.8)	40.0%
Gross Profit, before Operating Expenses	198.6	17.5%	178.5	21.1%	20.1	11.3%
Gain on derivative at Fair value	22.8	2.0%	48.4	5.7%	(25.6)	-52.9%
Other Income	2.9	0.3%	9.4	1.1%	(6.5)	-69.1%
Selling and Administrative Expenses	(159.0)	-14.0%	(159.7)	-18.8%	0.7	-0.4%
Profit from Operating, before interest and Tax	65.3	5.7%	76.6	9.0%	(11.3)	-14.8%
Share of Profit from Associates	3.2	0.3%	0.7	0.1%	2.5	357.1%
Financial Costs	(2.7)	-0.2%	(3.8)	-0.4%	1.1	-28.9%
Net Profit, Before Corporate Tax	65.8	5.8%	73.5	8.7%	(7.7)	-10.5%
Corporate Income Tax	(17.6)	-1.5%	(15.3)	-1.8%	(2.3)	15.0%
Net Profit	48.2	4.2%	58.2	6.9%	(10.0)	-17.2%
Profit Attributed to Non-Controlling Interests	0.9	0.1%	(0.2)	0.0%	1.1	-550.0%
Net Profit, Parent portion	49.1	4.3%	58.0	6.8%	(8.9)	-15.3%

During the first quarter of 2021, Thailand was still negative impacted by a new wave of COVID-19 virus outbreaks, which rising rate of infection. This resulted impact to the economy and direct effect to private sector's business operation. However, the Group still had revenue from projects that continued from last year and able to deliver the project within committed schedule. This resulted in an increase in revenue recognition when compared to the same period of last year. In addition, the company was able to adapt its business strategy in a timely manner against the fierce competition in the IT service business.

At the end of 1st quarter of current year, the Group remains backlog project that allow recognition of revenue carrying until the end of projects of up to 5 years, with total backlog value of Baht 4,705 million.

1. Revenue from sales and services increase from the same period of last year by Baht 287.9 million or 34% due following to:

Revenue from Business segment	Q1-2021		Q1-2020		Increase (decrease)	
	Million Baht	% to total revenue	Million Baht	% to total revenue	Million Baht	% Change
System Integration services	407.8	88.9	304.8	94.6	207.1	25.8
System maintenance services	397.2		322.8			
IT Professional services	204.5		174.8			
Cloud solution service	117.6	10.4	38.3	4.5	79.3	207.0
Other business	8.6	0.8	7.1	0.8	1.5	21.1
Total sales and services	1,135.7	100.0	847.8	100.0	287.9	34.0

The group company conducted in 3 main business segments which are system integration and implementation service, System maintenance service, and IT professional services with revenue proportion for the first quarter of current year of 88.9% of the total revenue from sales and services. The Group's revenue composition generated from these main segments was decrease compared to last year which was 94.6% revenue proportion. Revenues from these 3 main business segments increased by Baht 207.1 million with revenue growth of 25.8% compare with the same period of last year.

In addition, Cloud Solution Service revenues, which accounted for the revenue recognition of 10.4% of total, with revenue growth by 207% year-on-year basis. Cloud solution service is grow steadily reflected very well response from leading enterprise customers to enhance data management using Cloud technology. The Company focuses on expanding customer base in this business segment for further growth in future.

2. Cost of sales and service increase by Baht 267.8 million or 40% compared to last year.

Description	Q1-2021	Q1-2020	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	1,135.7	847.8	287.9	34.0
Cost of sales and services	937.1	669.3	267.8	40.0
Gross Profit	198.6	178.5	20.1	11.3

Gross Profit (%)	17.5%	21.1%	-3.6%
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Cost of sales and services for the first quarter of current year were Baht 937.1 million. The increase in cost of sales and services is representing direct proportion to revenue recognition. Although, severe price competition within IT service sector along since last year. The Group had reported gross profit margin for the current year of 17.5% with a decrease of 3.6% from the same period of last year. However, an increase in revenue from sales and services of 25.8%, is resulted in the Group's gross profit increased by Baht 20.1 million or 11.3%, increment from the same period of last year.

3. Selling and Administrative expenses for the year ended 31 December 2020 were Baht 607.3 million, an increase of Baht 54.5 million or 9.9% compared to the same period of last year.

Description	Q1-2021	Q1-2020	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	27.7	24.2	3.5	14.5
Administrative expenses	119.3	133.1	(13.8)	(10.4)
Loss on exchange rate	12.0	2.4	9.6	400.0
Total Selling and Administrative Expenses	159.0	159.7	(0.7)	(0.4)

Administrative expenses decrease by Baht 13.8 million or 10.4% is resulted from operating costs saving policy conducted during beginning of 2021. The Group reduced unnecessary operating costs but does not affect the efficiency of the group's operation.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer