

10 August 2021

Subject: Management Discussion and Analysis - For the three-month period ended 30 June 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 30 June 2021 of Baht 45.8 million, net profit increase by Baht 15.9 million or 53.2% compared to the same period of last year which net profit were Baht 29.9 million, due reason to the following reasons:

Overall Operating results

Description	Q2-2021		Q2-2020		Change	
	Mil THB	%	Mil THB	%	Mil THB	%
Revenue from Sales and Services	1,099.9	100.0%	800.0	100.0%	299.9	37.5%
Cost of Sales and Services	(908.1)	-82.6%	(639.3)	-79.9%	(268.8)	42.0%
Gross Profit, before Operating Expenses	191.8	17.4%	160.7	20.1%	31.1	19.4%
Gain (loss) on derivative at Fair value	1.3	0.1%	(16.7)	-2.1%	18.0	-107.8%
Other Income	3.8	0.3%	12.8	1.6%	(9.0)	-70.3%
Selling and Administrative Expenses	(135.8)	-12.3%	(112.8)	-14.1%	(23.0)	20.4%
Profit from Operating, before interest and Tax	61.1	5.6%	44.0	5.5%	17.1	38.9%
Share of Profit (loss) from Associates	1.6	0.1%	(1.3)	-0.2%	2.9	-223.1%
Financial Costs	(2.5)	-0.2%	(3.7)	-0.5%	1.2	-32.4%
Net Profit, Before Corporate Tax	60.2	5.5%	39.0	4.9%	21.2	54.4%
Corporate Income Tax	(14.0)	-1.3%	(8.8)	-1.1%	(5.2)	59.1%
Net Profit	46.2	4.2%	30.2	3.8%	16.0	53.0%
Profit Attributed to Non-Controlling Interests	(0.4)	0.0%	(0.3)	0.0%	(0.1)	33.3%
Net Profit, Parent portion	45.8	4.2%	29.9	3.7%	15.9	53.2%

Since the late of the first quarter of 2021, Thailand had impacted by a new wave of COVID-19 epidemic, which rising rate of infection. This resulted impact to the economy and direct effect to private sector’s business operation. The Group has also affected by the COVID-19 epidemic in respect of delaying orders received from customers, as well as customers limited to spend their IT operation budget. 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 intense competition in the IT service business.

At the end of second 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 5,689 million. The Group maintained higher value on backlog projects since the end of last year.

1. Revenue from sales and services increase from the same period of last year by Baht 299.9 million or 37.5% due following to:

Revenue from Business segment	Q2-2021		Q2-2020		Increase (decrease)	
	Million Baht	% to total revenue	Million Baht	% to total revenue	Million Baht	% Change
System Integration services	367.5	85.5%	197.5	86.0%	251.8	36.6%
System maintenance services	390.6		324.8			
IT Professional services	182.1		166.1			
Cloud solution service	150.8	13.7%	104.5	13.1%	46.3	44.3%
Other business	8.9	0.8%	7.1	0.9%	1.8	25.4%
Total sales and services	1,099.9	100.0%	800.0	100.0%	299.9	37.5%

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 second quarter of current year of 85.5% of the total revenue from sales and services. The Group's revenue composition generated from these business segments was slightly decrease compared to last year which was 86% revenue proportion. Revenues from these 3 main business segments increased by Baht 251.8 million with revenue growth of 36.6% compare with the same period of last year.

In addition, Cloud Solution Service revenues, which accounted for the revenue recognition of 13.7% of total, with revenue growth by 44.3% year-on-year basis. Cloud solution service is grow steadily reflected good 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 268.8 million or 42% compared to last year.

Description	Q2-2021	Q2-2020	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	1,099.9	800.0	299.9	37.5%
Cost of sales and services	908.1	639.3	268.8	42.0%
Gross Profit	191.8	160.7	31.1	19.4%

Gross Profit (%)	17.4%	20.1%	-2.7%
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Cost of sales and services for the second quarter of current year were Baht 908.1 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 17.4% with a decrease of 2.7% from the same period of last year. However, an increase in revenue from sales and services of 37.5%, is resulted in the Group's gross profit increased by Baht 31.1 million or 19.4%, increment from the same period of last year.

3. Selling and Administrative expenses increase by Baht 23 million or 20.4% compared to the same period of last year.

Description	Q2-2021	Q2-2020	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	25.3	16.5	8.8	53.3%
Administrative expenses	108.0	93.2	14.8	15.9%
Loss on exchange rate	2.5	3.1	(0.6)	(19.4%)
Total Selling and Administrative Expenses	135.8	112.8	23.0	20.4%

For the current year, the Company conducted operating costs reduction policy by cut unnecessary operating costs. Such cost reduction does not affect the efficiency of the Group's business operation. However, the Group still has recurring operating expenses that are expenses mainly fixed by cost nature for its business operations, as well as support business expansion. In addition, some of these expenses incurred for the current year are one-time charge.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer