

15 November 2021

Subject: Management Discussion and Analysis - For the three-month period ended 30 September 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 September 2021 of Baht 60.6 million, net profit increase by Baht 20.9 million or 52.6% compared to the same period of last year which net profit were Baht 39.7 million, due reason to the following reasons:

Overall Operating results

Description	Q3-2021		Q3-2020		Change	
	Mil THB	%	Mil THB	%	Mil THB	%
Revenue from Sales and Services	1,258.4	100.0%	984.0	100.0%	274.4	27.9%
Cost of Sales and Services	(1,039.5)	-82.6%	(786.4)	-79.9%	(253.1)	32.2%
Gross Profit, before Operating Expenses	218.9	17.4%	197.6	20.1%	21.3	10.8%
Gain (loss) on derivative at Fair value	(2.6)	-0.2%	1.6	0.2%	(4.2)	-262.5%
Other Income	3.4	0.3%	11.2	1.1%	(7.8)	-69.6%
Selling and Administrative Expenses	(145.2)	-11.5%	(151.5)	-15.4%	6.3	-4.2%
<b>Profit from Operating, before interest and Tax</b>	<b>74.5</b>	<b>5.9%</b>	<b>58.9</b>	<b>6.0%</b>	<b>15.6</b>	<b>26.5%</b>
Share of Profit (loss) from Associates	4.2	0.3%	(0.9)	-0.1%	5.1	-566.7%
Financial Costs	(3.0)	-0.2%	(3.1)	-0.3%	0.1	-3.2%
<b>Net Profit, Before Corporate Tax</b>	<b>75.7</b>	<b>6.0%</b>	<b>54.9</b>	<b>5.6%</b>	<b>20.8</b>	<b>37.9%</b>
Corporate Income Tax	(14.5)	-1.2%	(14.5)	-1.5%	-	0.0%
<b>Net Profit</b>	<b>61.2</b>	<b>4.9%</b>	<b>40.4</b>	<b>4.1%</b>	<b>20.8</b>	<b>51.5%</b>
Profit Attributed to Non-Controlling Interests	(0.6)	0.0%	(0.7)	-0.1%	0.1	-14.3%
<b>Net Profit, Parent portion</b>	<b>60.6</b>	<b>4.8%</b>	<b>39.7</b>	<b>4.0%</b>	<b>20.9</b>	<b>52.6%</b>

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. Although, the economic situation began to improve due to progress in vaccination within Thai country during the third quarter of the current year. The Group has affected by the COVID-19 epidemic in respect of delaying orders received from customers, and customers limited to spend their IT operation budget. However, the Group was able to adapt its business strategy in a timely manner against high competition within IT service sector. Revenue from continuing projects from last year is recognized based on deliverable of committed project schedule. In addition, revenue recognition from several large projects newly acquired during the first half of current year. This resulted in an increase in revenue recognition when compared to the same period of last year.

At the end of third 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 5,958 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 274.4 million or 27.9% due following to:

Revenue from Business segment	Q3-2021		Q3-2020		Increase (decrease)	
	Million Baht	% to total revenue	Million Baht	% to total revenue	Million Baht	% Change
System Integration services	404.4	87.1%	360.3	89.4%	216.2	24.6%
System maintenance services	450.6		318.8			
IT Professional services	241.1		200.8			
Cloud solution service	150.8	12.0%	96.2	9.8%	54.6	56.8%
Other business	11.5	0.9%	7.9	0.8%	3.6	45.6%
<b>Total sales and services</b>	<b>1,258.4</b>	<b>100.0%</b>	<b>984.0</b>	<b>100.0%</b>	<b>274.4</b>	<b>27.9%</b>

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 third quarter of current year of 87.1% 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 89.4% revenue proportion. Revenues from these 3 main business segments increased by Baht 216.2 million with revenue growth by 24.6% which similar growth rate to overall revenue from entire segment at 27.9%.

In addition, Cloud Solution Service revenues, which accounted for the revenue recognition of 12% of total, with revenue growth by 56.8% 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 253.1 million or 32.2% compared to last year.

Description	Q3-2021	Q3-2020	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	1,258.4	984.0	274.4	27.9%
Cost of sales and services	1,039.5	786.4	253.1	32.2%
Gross Profit	218.9	197.6	21.3	10.8%

Gross Profit (%)	17.4%	20.1%	-2.7%
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Cost of sales and services for the third quarter of current year were Baht 1,039.5 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, the increase in revenue from sales and services of 27.9%, is resulted in the Group's gross profit increased by Baht 21.3 million or 10.8%, increment from the same period of last year.

3. Selling and Administrative expenses decrease by Baht 6.3 million or 4.2% compared to the same period of last year.

Description	Q3-2021	Q3-2020	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	25.5	20.4	5.1	25%
Administrative expenses	115.2	131.1	(15.9)	(12.1%)
Loss on exchange rate	4.5	-	4.5	100.0%
Total Selling and Administrative Expenses	145.2	151.5	(6.3)	(4.2%)

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. 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. The Group focuses on cost management to maximize cost utilization with efficiency. As a result, overall operating expenses was decreased when compared to the same period of the last year.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer