

14 August 2024

Subject: Management Discussion and Analysis - For the Second quarter period ended 30 June 2024 (Revised)

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 Second quarter period ended 30 June 2024 of Baht 87.8 million, net profit increase by Baht 70 million or 394% compared to the same period of last year which net profit were Baht 17.8 million, due reason to the following reasons:

Overall Operating results

Description	Q2-24		Q2-23		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Sales and Services	1,657.2	100.0%	1,487.6	100.0%	169.6	11.4%
Cost of Sales and Services	(1,407.6)	-84.9%	(1,275.6)	-85.7%	(132.0)	10.4%
Gross Profit, before Operating Expenses	249.6	15.1%	212.0	14.3%	37.6	17.7%
Other income	22.6	1.4%	24.6	1.7%	(2.1)	-8.3%
Selling and Administrative Expenses	(169.9)	-10.3%	(203.4)	-13.7%	33.4	-16.4%
Profit from Operating, before interest and Tax	102.2	6.2%	33.3	2.2%	68.9	207.2%
Share of Profit from Associates	0.9	0.1%	(2.4)	-0.2%	3.3	-139.0%
Financial Costs	(9.4)	-0.6%	(3.0)	-0.2%	(6.4)	210.1%
<b>Net Profit, Before Corporate Tax</b>	<b>93.7</b>	<b>5.7%</b>	<b>27.8</b>	<b>1.9%</b>	<b>65.9</b>	<b>236.8%</b>
Corporate Income Tax	(0.7)	0.0%	(10.2)	-0.7%	9.4	-92.8%
<b>Net Profit</b>	<b>93.0</b>	<b>5.6%</b>	<b>17.6</b>	<b>1.2%</b>	<b>75.3</b>	<b>426.9%</b>
(Profit) loss attributed to non-controlling interests	(5.2)	-0.3%	0.1	0.0%	(5.3)	-4873.4%
<b>Net Profit, Parent portion</b>	<b>87.8</b>	<b>5.3%</b>	<b>17.8</b>	<b>1.2%</b>	<b>70.0</b>	<b>394.4%</b>

The group’s revenue increased by Baht 169.6 million, or 11.4%, compared to the same period last year. This growth was driven primarily by an increase in revenue from system maintenance service and cloud services. Additionally, the group’s gross profit margin improved due to the expansion of revenue from core business segments, resulting from effective cost management. Both the gross profit and net profit from the group’s operations have significantly increased this year, which can be attributed to the continuous growth in revenue and cost management during the current period.

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 6 years, with total backlog value of Baht 6,891 million. The Group carried high recurring income representing 64% of the total backlog value.

1. Revenue from sales and services increase from the same period of last year by Baht 169.6 million or 11.4% due following to:

Revenue from Business segment	Q2-2024		Q2-2023		Increase (decrease)	
	Million Baht	% total revenue	Million Baht	% total revenue	Million Baht	% Change
System Integration services	215	82.7%	254	83.2%	133	10.7%
System maintenance services	929		787			
IT Professional services	227		197			
Cloud solution service	245	14.8%	233	15.7%	12	5.2%
Other business	41	2.5%	17	1.1%	24	141.2%
Total sales and services	1,657	100.0%	1,488	100.0%	169	11.4%

Revenue from the three core business segments for the current year accounted for 82.7% of total revenue from sales and services. Revenue from the core business segments increased by Baht 133 million, representing 10.7% growth compared to the same period last year, particularly due to an 18% growth in system maintenance revenue, which resulted from the recognition of recurring income after the delivery of several system development projects completed and delivered since the end of 2023.

Revenue from IT Professional Services increased by Baht 30 million, or 15.2%, compared to the previous year, due to the delivery of large-scale projects developed from the previous year and completed in the first half of this year.

Revenue from cloud services grew by 5% compared to the same period last year, accounting for 14.8% of the group's total revenue for this year. However, the growth in this segment has begun to slow down after experiencing continuous growth over the past 2-3 years, as many private corporate customers started to adapt purchase services directly from cloud service providers.

2. Cost of sales and service increase by Baht 132 million or 10.4% compared to the same period of last year.

Description	Q2-2024	Q2-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	1,657.2	1,487.6	169.6	11.4
Cost of sales and services	1,407.6	1,275.6	132.0	10.4
Gross Profit	249.6	212.0	37.6	17.7

Gross Profit (%)	15.1%	14.3%	+0.8%
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Cost of sales and services for the second quarter of this year amounted to Baht 1,407.6 million, in line with the group's increased revenue. Despite the ongoing price competition in the IT service provider industry, the group managed to maintain its overall gross profit margin at 15.1%, which increased from the same period last year. This was due to the growth in revenue from core business services, which achieved higher gross profit margins through more efficient cost management, along with the slowdown in cloud service revenue, a segment with lower gross profit margins compared to the average gross profit margin of the company and its subsidiaries. Revenue from sales and services increase by 11.4% led to a rise in the group's gross profit by Baht 37.6 million, or 17.7%, compared to the same period last year.

3. Selling and Administrative expenses decrease by Baht 33.5 million or 16.5% compared to the same period of last year.

Description	Q2-2024	Q2-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	40.1	30.5	9.6	31.4
Administrative expenses	143.7	172.9	(29.2)	(16.9)
Estimate Credit Loss (ECL) reversal	(13.9)	-	(13.9)	(100.0)
Total Selling and Administrative Expenses	169.9	203.4	(33.5)	(16.5)

Revenue from sales and services	1,657.2	1,487.6	169.6	11.4
% Selling and administrative expenses to revenue	10.3%	13.7%	-3.4%	

Administrative expenses decreased by 16.5%, mainly due to an increase in the reallocation of personnel expenses to recognize as cost of services, compared to the previous period, reflecting the group's more efficient human resource management.

The ratio of selling and administrative expenses to total revenue decreased from 13.7% in the second quarter of last year to 10.3% for the current period, owing to efficient personnel cost management, while the company

was able to increase its spending for expenses related to promote sales activities. Additionally, the reversal of estimate credit loss during the current year contributed to this lower expense for the current period.

#### Financial positions of the Company

Assets Stated only for significant items	30-Jun-2024	31-Dec-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
<b>Assets</b>				
Trade and other receivables	1,295.9	2,019.5	(723.6)	(35.8%)
Unbilled receivables	1,221.0	1,051.8	169.2	16.1%
Prepayment for cost of services (included non-current items)	2,227.5	2,518.0	(290.5)	(11.5%)
<b>Total Assets</b>	<b>6,734.4</b>	<b>7,382.1</b>	<b>(647.7)</b>	<b>(8.8%)</b>

#### Assets

As of 30 June 2024, the company had total assets of Baht 6,734.4 million, a decrease of Baht 647.7 million or 8.8% from the end of last year, can be summarized below.

- Trade and other receivables decreased by Baht 723.6 million due to receipt of payment from the invoiced value arising from large number of deliverables work at the nearly end of 2023.
- Unbilled receivables increased by Baht 169.2 million due to projects that have been completed but are still in the process of being invoiced, particularly towards end of the current period.
- Prepayment for cost of services decreased by Baht 290.5 million, from the gradual recognition of costs associated with maintenance service contracts during the current quarter.

Liabilities and shareholders' equity Stated only for significant items	30-Jun-2024	31-Dec-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
<b>Liabilities</b>				
Trade and other payables	1,047.9	1,279.0	(231.1)	(18.1%)
Loans from related company	334.9	-	334.9	100.0%
Deferred income	1,559.1	1,979.3	(420.2)	(21.2%)
<b>Total Liabilities</b>	<b>4,175.5</b>	<b>4,824.8</b>	<b>(649.3)</b>	<b>(13.5%)</b>
<b>Shareholders' Equity</b>				
Retained earnings – Unappropriated	1,015.6	1,056.9	(41.3)	(3.9%)
Other components of shareholders' equity	35.4	0.1	35.3	>1,000%
<b>Total Shareholders' Equity</b>	<b>2,558.9</b>	<b>2,557.3</b>	<b>1.6</b>	<b>0.1%</b>

#### Liabilities and Shareholders' Equity

As of 30 June 2024, the company had total liabilities of Baht 4,175.5 million, a decrease of Baht 649.3 million or 13.5% from the end of last year, can be summarized below.

- Trade accounts payable decreased from the payable balances not yet due according to credit terms that were outstanding at the end of the year, with a significant reduction from payable that settled during the current quarter.
- Loans from related company encompass loans from TIS, a major shareholder who provided total loan amount during the current year of totaling USD 9.05 million.
- Deferred income decrease is related to the prepayment cost of services. This reduction aligns with revenue and cost recognition practices for maintenance services (MA) carried out during the current quarter.

Shareholders' equity increased by Baht 1.6 million, or 0.1%, due to the following reasons:

- Unappropriated retained earnings decreased by Baht 41.3 million, resulting from net profits attributable to shareholders of the company for the 1st half of the current year Baht 135.3 million, dividend payment for the current year was Baht 176.6 million.
- Other components of shareholders' equity increased by Baht 35.5 million due to the recognition profit from cash flow hedge reserve in the statement of other comprehensive income during the current quarter.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer