

11 May 2023

Subject: Management Discussion and Analysis - For the three-month period ended 31 March 2023

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 2023 of Baht 645.3 million, net profit increase by Baht 593.4 million or 1142% compared to the same period of last year which net profit were Baht 52 million, due reason to the following reasons:

Overall Operating results

| Description | Q1-23 | | Q1-22 | | Change | |
|---|--------------|--------------|-------------|-------------|--------------|----------------|
| | Mil THB | % | Mil THB | % | Mil THB | % |
| Revenue from Sales and Services | 1,512.7 | 100.0% | 1,251.3 | 100.0% | 261.4 | 20.9% |
| Cost of Sales and Services | (1,251.5) | -82.7% | (1,026.0) | -82.0% | (225.5) | 22.0% |
| Gross Profit, before Operating Expenses | 261.2 | 17.3% | 225.4 | 18.0% | 35.8 | 15.9% |
| Gain on entire business transfer of the subsidiary | 649.6 | 42.9% | - | 0.0% | 649.6 | 100.0% |
| Other income | 14.0 | 0.9% | 4.4 | 0.4% | 9.6 | 218.6% |
| Selling and Administrative Expenses | (226.0) | -14.9% | (161.3) | -12.9% | (64.8) | 40.2% |
| Profit from Operating, before interest and Tax | 698.8 | 46.2% | 68.5 | 5.5% | 630.3 | 920.0% |
| Share of Profit from Associates | 1.4 | 0.1% | (0.2) | 0.0% | 1.7 | -709.8% |
| Financial Costs | (4.4) | -0.3% | (3.3) | -0.3% | (1.1) | 33.0% |
| Net Profit, Before Corporate Tax | 695.9 | 46.0% | 65.0 | 5.2% | 630.9 | 970.6% |
| Corporate Income Tax | (12.4) | -0.8% | (13.6) | -1.1% | 1.2 | -9.1% |
| Net Profit | 683.5 | 45.2% | 51.4 | 4.1% | 632.1 | 1230.0% |
| (Profit) loss attributed to non-controlling interests | (38.2) | -2.5% | 0.6 | 0.0% | (38.7) | -6726.2% |
| Net Profit, Parent portion | 645.3 | 42.7% | 52.0 | 4.2% | 593.4 | 1141.8% |

The overall operating results presented above is included business performance from discontinued operation, as refer to Note 4 to interim financial statements of the 1st Quarter of 2023.

The Group’s revenue increased by Baht 261.4 million or 20.9% from the same period last year mainly due to revenue recognition from on-going projects since the end of last year, especially revenue growth from system maintenance services from multiple large projects. For the first quarter of the current year, the Company recorded profit from the entire business transfer of the subsidiary in the amount Baht 649.6 million, arising from divestment Vulcan Digital Delivery Co., Ltd. (VDD) on 20 February 2023 which is representing profit attributable to equity owner of the parent holders at 94.21% stake of shares in VDD, in the amount to Baht 612 million.

At the end of first 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 7,390 million. The Group carried high recurring income representing 60% of the total backlog value.

1. Revenue from sales and services increase from the same period of last year by Baht 261.3 million or 20.9% due following to:

| Revenue from Business segment | Q1-2023 | | Q1-2022 | | Increase (decrease) | |
|-------------------------------|--------------|--------------------|--------------|--------------------|---------------------|----------|
| | Million Baht | % to total revenue | Million Baht | % to total revenue | Million Baht | % Change |
| System Integration services | 356.3 | 87.0% | 324.7 | 85.9% | 240.8 | 22.4% |
| System maintenance services | 760.0 | | 536.8 | | | |
| IT Professional services | 199.9 | | 213.9 | | | |
| Cloud solution service | 181.6 | 12.0% | 163.5 | 13.1% | 18.1 | 11.1% |
| Other business | 14.8 | 1.0% | 12.4 | 1.0% | 2.4 | 19.4% |
| Total sales and services | 1,512.6 | 100.0% | 1,251.3 | 100.0% | 261.3 | 20.9% |

Revenue from 3 core business segments for the current year is representing 87% of total revenue from sales and services. The Group's revenue generated from these core business segments increased Baht 240.8 million with revenue growth by 22.4% year-on-year, especially high revenue growth from system maintenance services at the rate of 41.5% mainly arise after completion of system integration and development from multiple SI projects since the last quarter of 2022.

Cloud Solution Service revenue growth by 11% year-on-year basis with revenue proportion of 12% of total revenue. Cloud solution service is grow steadily reflected good response from leading enterprise customers to enhance data management using Cloud technology.

2. Cost of sales and service increase by Baht 225.5 million or 22% compared to the same period of last year.

| Description | Q1-2023 | Q1-2022 | Increase (decrease) | |
|---------------------------------|--------------|--------------|---------------------|-------|
| | Million Baht | Million Baht | Million Baht | % |
| Revenue from sales and services | 1,512.7 | 1,251.3 | 261.4 | 20.9% |
| Cost of sales and services | 1,251.5 | 1,025.9 | 225.5 | 22.0% |
| Gross Profit | 261.2 | 225.4 | 35.8 | 15.9% |

| | | | |
|------------------|-------|-------|-------|
| Gross Profit (%) | 17.3% | 18.0% | -0.7% |
|------------------|-------|-------|-------|

Cost of sales and services for the first quarter of current year were Baht 1,251.5 million. The increase in cost of sales and services is representing direct proportion to revenue growth during current period. Although, severe price competition within IT service sector since last year. The Group remains gross profit margin for the current year of 17.3% with Gross Profit rate slightly decrease, year-on-year basis partially from the disposition of investment in Vulcan Digital Delivery during the first quarter of the current year. This business segment carried out with high gross profit margin compared to the average gross profit margin obtained from the Company and other subsidiaries. An increase in revenue from sales and services of 20.9%, is resulted in the Group's gross profit increased by Baht 35.8 million or 15.9%, increment from the same period of last year.

3. Selling and Administrative expenses increase by Baht 64.8 million or 40.2% compared to the same period of last year.

| Description | Q1-2023 | Q1-2022 | Increase (decrease) | |
|---|--------------|--------------|---------------------|-------|
| | Million Baht | Million Baht | Million Baht | % |
| Selling and distribution expenses | 32.1 | 27.3 | 4.8 | 17.6% |
| Administrative expenses | 193.9 | 133.9 | 60.0 | 44.8% |
| Total Selling and Administrative Expenses | 226.0 | 161.2 | 64.8 | 40.2% |

Administrative expenses increased by 40.2% due to personnel expenses since various increase new hire number of employment staffs since the first quarter of last year in alignment to economic recovery, in addition, sales activities resume after pass post-Covid period during the year 2022. Most operating expenses are recurring which some comprised fixed by cost nature for support business expansion.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer