

10 August 2023

Subject: Management Discussion and Analysis - For the three-month period ended 30 June 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 30 June 2023 of Baht 17.8 million, net profit decrease by Baht 24.1 million or 57.6% compared to the same period of last year which net profit were Baht 41.9 million, due reason to the following reasons:

Overall Operating results

Description	2Q-23		2Q-22		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Sales and Services	1,487.6	100.0%	1,327.4	100.0%	160.2	12.1%
Cost of Sales and Services	(1,275.6)	-85.7%	(1,073.7)	-80.9%	(201.9)	18.8%
Gross Profit, before Operating Expenses	212.0	14.3%	253.7	19.1%	(41.7)	-16.4%
Other income	24.6	1.7%	19.5	1.5%	5.2	26.7%
Selling and Administrative Expenses	(203.4)	-13.7%	(214.0)	-16.1%	10.6	-5.0%
Profit from Operating, before interest and Tax	33.3	2.2%	59.2	4.5%	(25.9)	-43.7%
Share of Profit from Associates	(2.4)	-0.2%	(0.6)	0.0%	(1.8)	299.0%
Financial Costs	(3.0)	-0.2%	(3.8)	-0.3%	0.8	-20.6%
Net Profit, Before Corporate Tax	27.8	1.9%	54.7	4.1%	(26.9)	-49.1%
Corporate Income Tax	(10.2)	-0.7%	(12.4)	-0.9%	2.2	-18.0%
Net Profit	17.7	1.2%	42.3	3.2%	(24.7)	-58.3%
(Profit) loss attributed to non-controlling interests	0.1	0.0%	(0.5)	0.0%	0.6	-124.0%
Net Profit, Parent portion	17.8	1.2%	41.9	3.2%	(24.1)	-57.6%

The overall operating results presented above is included business performance from discontinued operation, as refer to Note 4 to interim financial statements of the 2nd Quarter of 2023.

The Group’s revenue increased by Baht 160.2 million or 12.1% from the same period last year mainly due to revenue recognition from continuing various projects since the end of last year, especially revenue growth from system maintenance services from multiple large projects. However, price competition in the IT service business, as well as the disposition investment in Vulcan Digital Delivery (VDD), which the company completed the Entire Business Transfer transaction in the first quarter, affected the decline in gross profit and net profit of the Group in the current quarter.

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 7,429 million. The Group carried high recurring income representing 58% of the total backlog value.

1. Revenue from sales and services increase from the same period of last year by Baht 160.2 million or 12.1% due following to:

Revenue from Business segment	Q2-2023		Q2-2022		Increase (decrease)	
	Million Baht	% to total revenue	Million Baht	% to total revenue	Million Baht	% Change
System Integration services	253.3	83.1%	205.9	84.1%	120.2	10.8%
System maintenance services	786.0		636.7			
IT Professional services	197.4		273.9			
Cloud solution service	234.4	15.8%	188.5	14.2%	45.9	24.4%
Other business	16.5	1.1%	22.4	1.7%	(5.9)	(26.3%)
Total sales and services	1,487.6	100.0%	1,327.4	100.0%	160.2	12.1%

Revenue from 3 core business segments for the current year is representing 83.1% of total revenue from sales and services. The Group's revenue generated from these core business segments increased Baht 120.2 million with revenue growth by 10.8% year-on-year, especially high revenue growth from system maintenance services at the rate of 23.4% mainly arise after completion of system integration and development from multiple SI projects since the last quarter of 2022.

IT professional service revenue decreased by Baht 76.5 million or 27.9% compared to the same period last year due to the disposition of investment in Vulcan Digital Delivery (VDD) during the first quarter of the current year. There was no IT professional service revenue from VDD that the Group previously recognized in the previous year amounting to Baht 76.1 million.

Cloud Solution Service revenue growth by 24.4% year-on-year basis with revenue proportion of 15.8% 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 201.9 million or 18.8% compared to the same period of last year.

Description	Q2-2023	Q2-2022	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	1,487.6	1,327.4	160.2	12.1%
Cost of sales and services	1,275.6	1,073.7	201.9	18.8%
Gross Profit	212.0	253.7	(41.7)	(16.4%)

Gross Profit (%)	14.3%	19.1%	(4.8%)
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Cost of sales and services for the second quarter of current year were Baht 1,275.6 million. The increase in cost of sales and services is representing direct proportion to revenue growth during current period. Since severe price competition within IT service sector, the Group gross profit margin for the current year was dropped

to 14.3%, compared to last year gross profit which was 19.1%, partially from the disposition of investment in Vulcan Digital Delivery (VDD) through Entire Business Transfer transaction during the first quarter of 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. Such Entire Business Transfer of VDD business resulted in a decrease in the Group's gross profit of Baht 22.6 million for the current period.

3. Selling and Administrative expenses decrease by Baht 10.6 million or 5% compared to the same period of last year.

Description	Q2-2023	Q2-2022	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	30.5	31.3	(0.8)	(2.5%)
Administrative expenses	172.9	182.7	(9.8)	(5.4%)
Total Selling and Administrative Expenses	203.4	214.0	(10.6)	(5.0%)

Administrative expenses decreased by 5% due to the Group's re-planning of people plan which was completed since the end of 2022, resulted in the fulfillment number of headcount readily support business expansion in line with economic recovery. Personnel expenses increased during the past year until the end of 2022 and started steady trend since the beginning of 2023. In addition, the decrease in administrative expenses due to the disposition of VDD business unit during the recently first quarter.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer