

9 November 2023

Subject: Management Discussion and Analysis - For the three-month period ended 30 September 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 September 2023 of Baht 46.4 million, net profit slightly decrease by Baht 3.3 million or 6.6% compared to the same period of last year which net profit were Baht 49.7 million, due reason to the following reasons:

#### Overall Operating results

Description	Q3-23		Q3-22		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Sales and Services	1,798.8	100.0%	1,455.1	100.0%	343.7	23.6%
Cost of Sales and Services	(1,561.3)	-86.8%	(1,211.5)	-83.3%	(349.8)	28.9%
Gross Profit, before Operating Expenses	237.5	13.2%	243.6	16.7%	(6.1)	-2.5%
Other income	16.6	0.9%	2.7	0.2%	13.9	520.3%
Selling and Administrative Expenses	(188.4)	-10.5%	(180.0)	-12.4%	(8.4)	4.7%
Profit from Operating, before interest and Tax	65.7	3.7%	66.3	4.6%	(0.5)	-0.8%
Share of Profit from Associates	0.7	0.0%	2.1	0.1%	(1.4)	-65.4%
Financial Costs	(6.3)	-0.4%	(4.8)	-0.3%	(1.6)	33.1%
<b>Net Profit, Before Corporate Tax</b>	<b>60.1</b>	<b>3.3%</b>	<b>63.6</b>	<b>4.4%</b>	<b>(3.5)</b>	<b>-5.5%</b>
Corporate Income Tax	(14.1)	-0.8%	(11.6)	-0.8%	(2.4)	20.9%
<b>Net Profit</b>	<b>46.0</b>	<b>2.6%</b>	<b>52.0</b>	<b>3.6%</b>	<b>(5.9)</b>	<b>-11.4%</b>
(Profit) loss attributed to non-controlling interests	0.4	0.0%	(2.2)	-0.2%	2.6	-115.9%
<b>Net Profit, Parent portion</b>	<b>46.4</b>	<b>2.6%</b>	<b>49.7</b>	<b>3.4%</b>	<b>(3.3)</b>	<b>-6.6%</b>

The overall operating results presented above is included business performance from discontinued operation, as refer to Note 4 to interim financial statements of the 3<sup>rd</sup> Quarter of 2023.

The Group's revenue increased by Baht 343.7 million or 23.6% 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 decline in gross profit and net profit of the Group in the current quarter.

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 6 years, with total backlog value of Baht 7,656 million. The Group carried high recurring income representing 59% of the total backlog value.

1. Revenue from sales and services increase from the same period of last year by Baht 343.8 million or 23.6% due following to:

Revenue from Business segment	Q3-2023		Q3-2022		Increase (decrease)	
	Million Baht	% to total revenue	Million Baht	% to total revenue	Million Baht	% Change
System Integration services	321.3	80.0%	247.2	83.3%	226.7	18.7%
System maintenance services	867.1		685.9			
IT Professional services	250.2		278.8			
Cloud solution service	344.4	19.1%	221.7	15.2%	122.7	55.3%
Other business	15.8	0.9%	21.4	1.5%	(5.6)	(26.2%)
<b>Total sales and services</b>	<b>1,798.8</b>	<b>100.0%</b>	<b>1,455.0</b>	<b>100.0%</b>	<b>343.8</b>	<b>23.6%</b>

Comprised of:

Revenue from continuing operation	1,798.8	100.0%	1,331.0	91.5%	467.8	35.1%
Revenue from dispose operation	-	-	124.1	8.5%	(124.1)	(100%)
<b>Total revenue</b>	<b>1,798.8</b>	<b>100.0%</b>	<b>1,455.1</b>	<b>100.0%</b>	<b>343.8</b>	<b>23.6%</b>

Revenue from 3 core business segments for the current year is representing 80% of total revenue from sales and services. The Group's revenue generated from these core business segments increased Baht 226.7 million with revenue growth by 18.7% year-on-year, especially high revenue growth from system maintenance services at the rate of 26.4% 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 28.6 million or 10.3% 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 89 million.

Cloud Solution Service revenue growth by 55.3% year-on-year basis with revenue proportion of 19% 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	Q3-2023	Q3-2022	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	1,798.8	1,455.1	343.7	23.6%
Cost of sales and services	1,561.3	1,211.5	349.8	28.9%
Gross Profit	237.5	243.6	(6.1)	(2.5%)

Gross Profit (%)	13.2%	16.7%	(3.5%)
------------------	-------	-------	--------

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 increase by Baht 8.4 million or 4.7% compared to the same period of last year.

Description	Q3-2023	Q3-2022	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	31.5	31.1	0.4	1.3%
Administrative expenses	150.3	148.0	2.3	1.6%
Loss from exchange rate	6.6	0.9	5.7	633.3%
Total Selling and Administrative Expenses	188.4	180.0	8.4	4.7%

Administrative expenses slightly increase by 1.6% 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.

Management's Discussion and Analysis on significant changes in the Group's Financial Position:

Description	No.	30-Sep-23	31-Dec-22	Increase (decrease)	
		Million Baht	Million Baht	Million Baht	%
Cash and cash equivalents		217.3	282.0	(64.7)	(22.9%)
Trade and other receivables		1,625.9	1,705.2	(79.3)	(4.7%)
Unbilled receivables		1,187.0	1,145.8	41.2	3.6%
Cost of work in progress		151.9	392.9	(241.0)	(61.3%)
Prepayment for cost of services	A1	1,724.9	1,511.1	213.8	14.1%
Derivative assets	A2	101.0	1.5	99.5	6633%
Other current assets		260.5	249.6	10.9	4.4%
Investment in joint venture and associates	A3	406.8	227.0	179.8	79.2%
Building improvement and equipment	A4	110.6	61.3	49.3	80.4%
Right-of-use assets	A5	141.7	91.9	49.8	54.2%
Goodwill		258.0	258.0	-	-
Prepayment for cost of services, long-term	A1	396.5	270.3	126.2	46.7%
Other non-current assets		116.5	79.4	37.1	46.7%
<b>Total Assets</b>		<b>6,698.5</b>	<b>6,276.0</b>	<b>422.5</b>	<b>6.7%</b>

### Assets

Total assets increase Baht 422.5 million, or 6.7% due to mainly reason below:

- A1. Prepayment cost of services increased Baht 340 million was in line with revenue growth from system maintenance service (MA). Most MA costs in this revenue segment are collected from the service provider in advance at the commencement date of maintenance period each project.
- A2. Derivative assets increased Baht 99.5 million due to fair value adjustment from foreign exchange forward contracts. Since US dollars strengthen at the end of the 3rd quarter of the current year. As a result, fair value of derivative instruments is adjusted shown profit on derivative instruments at fair value in the statement of comprehensive income for the nine-month period of the current year in the amount Baht 30 million, and adjust in the change increase in cash flow hedges reserve presented in other components of equity in the amount of Baht 69.5 million.
- A3. Investments in joint ventures and associated increased by Baht 179.8 million, resulted from investments made through the newly established subsidiary, Synergy Group Ventures Company Limited ("SGV"). During the third quarter of current year, SGV invested in 3 associated companies, comprised I2 Enterprise Public Company Limited, A-Host Company Limited, and Secure D Center Company Limited, which used of funds to acquire these investment transactions was in the amount of Baht 73.1 million, Baht 75 million, and Baht 36 million, respectively.
- A4. Building improvements and equipment increased by Baht 49.3 million, mainly due to the relocation of the Company's branch office to the S-Oasis Building, effective from 1 September 2023 for the purpose to serve as executive office. sales department office, Project management and training and development center.
- A5. Right-of-use assets increased Baht 49.8 million, due to long-term lease contract related to branch offices relocation as described in A4.

Description	No.	30-Sep-23	31-Dec-22	Increase (decrease)	
		Million Baht	Million Baht	Million Baht	%
Short-term loans from banks		520.0	510.0	10.0	2.0%
Trade and other payables		1,012.3	947.5	64.8	6.8%
Accrued expenses		158.4	256.6	(98.2)	(38.3%)
Short-term loans from related party		258.0	118.1	139.9	118.5%
Current portion of lease liabilities	L2	31.9	28.9	3.0	10.4%
Deferred income	L1	1,426.8	1,699.3	(272.5)	(16.1%)
Unbilled payables		192.7	190.9	1.8	0.9%
Other current liabilities		145.0	201.4	(56.4)	(28.0%)
Lease liabilities, net of current portion	L2	101.4	57.6	43.8	76.0%
Provision for long-term employee benefits		190.2	179.3	10.9	6.1%
Other non-current liabilities		8.4	28.6	(20.2)	(70.6%)
<b>Total Liabilities</b>		<b>4,045.1</b>	<b>4,218.2</b>	<b>(173.1)</b>	<b>(4.1%)</b>

### Liabilities

Liabilities decreased Baht 173.1 million or 4.1% due to mainly reason below:

- L1. Decrease in deferred income Baht 272.5 million as resulted to the gradual recognition of income according to the period of the Maintenance Agreement Service (“MA”) which mainly received maintenance fees at the beginning of the MA contract period.
- L2. Lease liabilities increased Baht 46.8 million was due to new long-term lease contract related to branch offices relocation as described in A4.

Description	No.	30-Sep-23	31-Dec-22	Increase (decrease)	
		Million Baht	Million Baht	Million Baht	%
Registered and paid-up share capital		441.5	441.5	-	-
Premium on ordinary shares		986.7	986.7	-	-
Difference from change in shareholding interests in subsidiaries		5.7	5.7	-	-
Legal reserve		44.1	44.1	-	-
Unappropriated Retained earnings	S1	1,100.7	566.9	533.8	94.2%
Other component of shareholders' equity	S2	51.6	(15.3)	66.9	437%
Non-controlling interest of subsidiaries		23.1	28.2	(5.1)	(18.1%)
<b>Total Shareholders' Equity</b>		<b>2,653.4</b>	<b>2,057.8</b>	<b>595.6</b>	<b>28.9%</b>

### Shareholders' Equity

Shareholders' Equity increased Baht 595.6 million or 28.9% due to mainly reason below:

- S1. Unappropriated retained earnings increased Baht 533.8 million arises from net profits attributable to the equity holders of the Company for the nine-month period of the current year, which amounted to Baht 710.4 million, and dividends paid during the year of Baht 176.6 million.
- S2. Other component of shareholders' equity increased Baht 66.9 million, as resulted mainly from the increase in cashflow hedge reserved during the period as described in A2.

Please be informed accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer