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No. ITNSmai6510-01

October 21st, 2022

RE: Management Discussion and Analysis for the Year Ended December 31st, 2021

To: The President

The Stock Exchange of Thailand

International Network System Public Company Limited (the "Company") would like to submit a report on the Management's Discussion and Analysis based on the financial statements for the year ended December 31st, 2021 as follows:

Summary of Operating Results in 2021

Business type	2020		2021	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	291.85	77.74	281.38	75.85
2. Revenue from repair services and maintenance of equipment	70.73	18.84	78.67	21.21
3. Revenue from equipment rental	11.81	3.15	9.38	2.53
Total revenue from sales and services	374.39	99.73	369.42	99.59
Other revenue	1.00	0.27	1.53	0.41
Total revenue	375.39	100.00	370.95	100.00
Cost of sales and services	309.03	82.54	300.25	81.27
Gross profit	65.36	17.46	69.18	18.73
Cost of distribution	(11.42)	(3.04)	(12.85)	(3.46)
Administrative expenses	(17.04)	(4.54)	(17.49)	(4.72)
Net profit (loss) before finance costs and corporate income tax	37.89	10.09	40.37	10.88
Finance cost	(1.61)	(0.43)	(0.08)	(0.02)
Profit (loss) before corporate income tax	36.28	9.66	40.29	10.86
Revenue (expenses) corporate income tax	(7.45)	(1.98)	(7.70)	(2.08)
Net profit (loss) for the year	28.83	7.68	32.59	8.78

Total revenue

The Company's main revenue is from sales and services which can be divided into 3 below types of business.

(1) Business of distribution and installation of equipment related to information technology systems and communication: the Company designs, installs, and distributes equipment related to information technology systems and communication by offering different solutions to the customers.

(2) Business of providing repair and maintenance services for equipment related to information technology systems and communication to the customer to be in a condition that is available for use according to the conditions specified by the customer to enable the customers to conduct business continuously.

(3) Business of equipment rental where the Company rent out equipment related to information technology systems and communication for customers who do not want to invest in their own equipment but it is necessary for them to use such equipment, for example, network infrastructure and computer security system, etc.

Business type	2020		2021	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	291.85	77.74	281.38	75.85
2. Revenue from repair and maintenance services	70.73	18.84	78.67	21.21
3. Revenue from equipment rental	11.81	3.15	9.38	2.53
Total revenue from sales and services	374.39	99.73	369.42	99.59
Other revenue ¹	1.00	0.27	1.53	0.41
Total revenue	375.39	100.00	370.95	100.00

Note:

1. Other revenue consists of Cisco marketing support, interest received, profit from disposal of assets and profit from exchange rates, etc.

In 2021, the Company's total revenue was Baht 370.95 million, with the Company's main revenue from equipment sales and installation services, accounted for 75.85% of the total revenue and revenue from maintenance services after the sale, accounted for 21.21% of the total revenue while the remaining revenue is revenue from equipment rental, accounted for 2.53% of total revenue. However, considering on the type of customers, there were customers in both the government and private sectors as follows:

Revenue structure	2020		2021	
	Million Baht	Percentage	Million Baht	Percentage
Revenue from sales and services				
1. Revenue from the government sector	245.65	65.61	155.57	42.11
2. Revenue from the private sector	128.74	34.39	213.85	57.89
Total revenue from sales and services	374.39	100.00	369.42	100.00

From the table above, it can be seen that the Company's revenues in 2020 were mainly from the government customers who were existing customers using the Company's service continuously. Revenue from government projects accounted for 65.61% and revenue from the private sector was 34.38%. However, in 2021, the proportion of revenue from private sector customers increased. The revenue from the private sector was 57.89% and from government projects was 24.11%. As the Company would like to reduce the risk of relying on major customers, therefore, the Company set up a strategy to expand to new private sector customers in order to diversify customer base and increase the company's market share in the future.

Revenue from sales and services

1) Revenue from selling equipment and installation services

In 2021, the Company's revenue from equipment sales and installation services was Baht 281.38 million, which is a decrease of Baht 10.47 million or 3.59% reduction compared to 2020. Revenue from government projects decreased to 28.41% of the total revenue from equipment sales and installation services because the Company diversified the business into new customers and acquired more private sector projects. The severity of coronavirus ("Covid-19") pandemic is a catalyst for business operators to turn to more information and communication technology systems. As a result, business operations are changing rapidly from focusing on the improvement of business operations efficiency and helping customers to increase sales and marketing channels to consumers via the Internet to creating continuity in business operations, increasing both the activities of the Support Function and the revenue generating unit. As a result, revenue from private sector projects grew by 70.00% compared to the previous year, accounted for 71.59% of the total revenue from equipment sales and installation services.

2) Revenue from repair and maintenance services

In 2021, the Company's revenue from repair and maintenance services was Baht 78.67 million, which is an increase of Baht 7.94 million or a growth rate of 11.23% compared to 2020. The revenue from the continual equipment repair and maintenance service agreement was approximately Baht 60.42 million, while the revenue from the new agreement was approximately Baht 18.25 million. Revenue from government projects grew 9.69% from the previous year and accounted for 84.33% of revenue from repair and maintenance services, which can be seen that the revenue grew slightly, causing by the reduction of government project work. At the same time, revenue from private sector grew 20.29% from the previous year and accounted for 15.67% of the total revenue from repair and maintenance services due to renewal agreement and agreement for continual equipment repair and maintenance services. In addition, the Company recognized revenue from Service – Type Warranty of approximately Baht 0.83 million or equal to 1.05% of revenue from repair and maintenance services. The Company tried to increase the proportion of from repair and maintenance services in order to enable the Company to have recurring income. It can be seen that the proportion of income in this segment increased steadily in accordance with the growth of revenue from selling equipment.

3) Revenue from equipment rental

In 2021, the Company's revenue from equipment rental was 9.38 million baht, with is a decrease of Baht 2.43 million or accounted for 20.58% decrease compared to 2020, mainly due to the expiration of the equipment rental contract and decreasing of equipment rental projects compared to the previous year. Almost all of the equipment rental income in 2021 is a result of lease agreements that have occurred since 2019. However, even in 2021, the Company has no new rental project, the company still has a plan to expand this business in order to create stability of income in the future.

Cost of sales and services and gross profit

The cost of sales and services of the Company consists of 1) cost of selling equipment, 2) cost of repair and maintenance services for equipment from insurance purchase, 3) cost of equipment rental and 4) cost of sales and other services, including salaries of technical support and customer service personnel, transportation costs, travel expenses, allowances and other expenses and miscellaneous expenses for the project, etc. The cost of sales and services of the Company can be summarized as follows.

Gross profit	2020		2021	
	Million Baht	%	Million Baht	%
Revenue from sales and services	374.39	100.00	369.42	100.00
Cost of sales and services	309.03	82.54	300.25	81.27
Gross profit	65.36	17.46	69.18	18.73

In 2021, the Company's cost of sales and services was Baht 300.25 million or accounted for 81.27% of the revenue from sales and services, which decreased by Baht 8.78 million, accounted for 2.84% decrease compared to the year 2020 according to a slight decline of revenue. The Company received approximately Baht 155.57 million from government projects, accounted for a decrease of Baht 90.08 million compared to the previous year, while the Company diversified its business into new customers and acquired more private sector projects. The severity of coronavirus ("Covid-19") pandemic stimulated business operators to increase their reliance on information and communication technology systems, making the revenue from private sector was Baht 213.85 million, which is an increase by Baht 85.11 million. Even the revenue in 2021 declined, but the gross profit increased by Baht 3.81 million compared to the previous year, resulting in an increase in gross profit margin to 18.73% of the revenue from sales and services. This was caused by the project work acquired by the Company yielded a higher gross margin than the previous year as the Company has expertise in system design and installation, resulting in an increase in gross profit margin from the previous year.

Cost of distribution

Cost of distribution	2020		2021	
	Million Baht	%	Million Baht	%
Employee expenses	4.57	40.01	6.49	50.51
Commission	4.58	40.11	4.66	36.26
Sales promotion expenses	0.49	4.29	0.08	0.62

Cost of distribution	2020		2021	
	Million Baht	%	Million Baht	%
Accommodation and travel expenses	0.30	2.63	0.48	3.74
Other cost of distribution ¹	1.48	12.96	1.14	8.87
Cost of distribution	11.42	100.00	12.85	100.00

Note:

1. Other cost of distribution consisted of depreciation of equipment and office equipment, shipping costs and entertainment expenses, etc.

In 2021, the Company's cost of distribution was Baht 12.85 million, accounted for an increase of Baht 1.43 million or a growth rate of 12.52% compared to the previous year. Increasing employee compensation was to motivate employees to support the increase in project work. As a result, the ratio of cost of distribution to total revenue was approximately 3.46%, which is a slightly increased from the previous year.

Administrative expenses

In 2021, the Company had administrative expenses of Baht 17.49 million, accounted for 4.72% of the total revenue, with details of administrative expenses in each period as follows:

Administrative expenses	2020		2021	
	Million Baht	%	Million Baht	%
Management and employee expenses	9.15	53.69	9.77	55.86
Office expenses and service fees	1.14	6.69	0.53	3.03
Bank fees	0.98	5.75	0.83	4.75
Consulting and professional service fees	1.43	8.39	3.43	19.61
Depreciation and amortization	1.63	9.57	1.78	10.18
Cost of repair, utilities, and insurance	1.14	6.69	0.67	3.83
Other administrative expenses ¹	1.57	9.22	0.48	2.74
Administrative expenses	17.04	100.00	17.49	100.00

Note:

1. Other administrative expenses consisted of parking fees for employees and visitors, the Company's annual employee catering expenses and loss from discontinuing use of computer software assets, etc.

In 2021, the Company's administrative expenses was Baht 17.49 million, which is a slightly increase of Baht 0.45 million compared to the previous year. This was because the Company had higher management and employee expenses to motivate employees and accommodate the increase in project work and costs associated with consulting and professional services to prepare for the listing of securities on the SET which increased by Baht 2.00 million compared to the previous year.

Finance costs

In 2021, the Company's finance cost was Baht 0.08 million, accounted for 0.02% of the total revenue. The Company's finance cost consisted of 1) Interest expenses - short-term borrowings 2) Interest expenses -

loan drawdowns 3) Interest expenses - Finance lease liabilities during the past period. The details are as follows.

Finance costs	2020		2021	
	Million Baht	%	Million Baht	%
Interest expense - short-term loan	1.54	95.66	0.04	50.00
Interest expense - overdraft loan	0.05	3.10	0.00	0.00
Interest expense - Finance lease liabilities	0.02	1.24	0.04	50.00
Interest expense - long-term loan	0.00	0.00	-	-
Other interest expenses	-	-	-	-
Finance cost	1.61	100.00	0.08	100.00

Most of the Company's finance cost were interest expenses from using short-term credit lines with floating interest rates at MLR and MLR plus 0.50% per annum as working capital and liquidity for various projects. In 2021, the Company had finance costs of approximately Baht 0.08 million, which is a decrease of Baht 1.53 million compared to the previous year, mainly due to a decrease in interest expenses - short-term loans after the Company repaid short-term loans to financial institutions in 2020, resulting in a decrease in interest expenses - short-term loans by Baht 1.50 million.

Net profit

In 2021, the Company had net profit of approximately Baht 32.59 million or net profit margin of 8.78% of the total revenue, which is an increase of Baht 3.76 million or a growth rate of 13.04% compared to the previous year. Even the growth rate of net profit slowed down due to the reduction of government projects, but the net profit margin increased as the projects acquired by the Company yielded a higher gross margin than the previous year as the Company has expertise in system design and installation, resulting in an increase in gross profit margin from the previous year and a reduction in finance costs after the Company repaid to financial institutions in 2020.

Financial position analysis

Total assets

At the end of 2021, the Company had total assets of Baht 264.36 million, which is a decrease from Baht 293.62 million in 2020. The Company's significant assets were cash and cash equivalents, account receivables and other receivables, contract assets, inventories, prepaid expenses, other non-current financial assets and property, plant, and equipment which was 98.40% of the total assets. Details of the Company's significant assets during the past periods are as follows.

Account receivables and other receivables

The Company had account receivables and other receivables which consisted of account receivables, service receivables and the Revenue Department, etc. At the end of 2021, the Company had account receivables and other current receivables in the amount of Baht 76.31 million, accounted for 28.86% of the total assets. The details are as follows.

Account receivable and other receivables	2020		2021	
	Million Baht	%	Million Baht	%
Receivables with the debt which is not due yet	44.84	76.76	70.17	92.78
Overdue				
Less than 3 months	13.55	23.19	3.34	4.42
More than 3 - 6 months	0.03	0.04	2.11	2.79
More than 6 - 12 months	-	-	-	-
Total account receivables	58.42	100.00	75.63	100.00

In addition, at the end of 2021, the Company had account receivables that was not due in the amount of Baht 70.17 million, accounted for 92.78% of the total account receivables, with an average collection period of 66.22 days, and this is consistent with the credit term offered to the Company's customers, which is approximately 30 - 90 days. Moreover, when considering the debt age of the account receivables, it was found that the account receivables was overdue for not more than 3 months, accounted for 4.42% of the total account receivables. However, the Company had account receivables that was overdue for more than 3 months but not more than 6 months, accounted 2.79% of the total account receivables. In addition, the Company had other current receivables which included the Revenue Department receivable, accrued interest income and other receivables, etc. At the end of 2021, there were other current receivables of Baht 0.68 million.

Inventories

At the end of 2021, the Company had net inventories of Baht 16.41 million, accounted for 6.21% of the total assets. Inventories consisted of equipment and work in process and spare parts, as per below details:

Inventories	2020		2021	
	Million Baht	Percentage	Million Baht	Percentage
Equipment and work in progress	43.85	99.30	16.41	100.00
Spare parts	0.31	0.70	-	-
Inventories - net	44.16	100.00	16.41	100.00

At the end of 2021, the Company had a decrease in inventories of Baht 27.75 million or accounted for 62.84 percent decrease compared to the year 2020, due to the completion of the delivery of work and the accounting for recognition as cost of sales. However, the Company had no policy to purchase spare parts

arising from the purchase of equipment to prevent shortages of rare items in advance for inventory purposes. As a result, there was no such list of spare parts remaining at the end of 2021.

Prepaid expenses

At the end of 2021, the Company had current prepaid expenses of Baht 34.53 million, accounted for 13.06% of the total assets. Such expenses mainly consisted of 1) prepaid service costs which were costs of equipment repair and maintenance services that generated full cash flow for purchasing insurance from product owners to obtain trade discounts. Non-current prepaid expenses were in the amount of Baht 35.15 million, accounted for 13.30%. Most of these expenses were incurred from prepaid service costs over a period of more than 1 year.

Property, plant, and equipment

Property, plant, and equipment at the end of 2021 was Baht 31.70 million, accounted for 11.99% of the total assets, consisting of condominiums, equipment, tools, decorations and office equipment and vehicles, etc. At the end of 2021, the Company's property, plant, and equipment - net decreased by Baht 5.27 million, accounted for a decrease of 14.24% compared to the previous year. This was mainly due to depreciation and disposal of assets during the period, namely the sale of vehicles which had been used for a long time and other assets that were no longer in use, such as equipment, office equipment and office decorations, etc.

Total liabilities

At the end of 2021, the Company had total liabilities of Baht 76.03 million, which is a decrease from Baht 110.29 million in 2020. The Company's significant liabilities consisted of account payables and other current payables, agreement liabilities, lease liabilities and provision of employee benefits, accounted for 96.50% of the total liabilities. At the end of 2021, the Company had no overdrafts and short-term loans from financial institutions. The details of the company's significant liabilities are as follows.

Account payables and other current payables

The Company had account payables and other current payables which consisted of account payables, unbilled accounts payables, accrued expenses and other current payables, etc. At the end of 2021, the Company had account payables and other current payables of Baht 44.33 million, accounted for 58.30% of the total liabilities with below details.

Account payables and other current payables	2020		2021	
	Million Baht	%	Million Baht	%
Account payables	72.51	89.16	39.47	89.04
Unbilled account payables	0.28	0.35	0.19	0.42
Accrued expenses	1.55	1.91	2.68	6.04
Other current payables ¹	6.98	8.58	1.99	4.50

Account payables and other current payables	2020		2021	
	Million Baht	%	Million Baht	%
Total account payables and other current payables	81.32	100.00	44.33	100.00

Note:

1. Other current payables consisted of the Revenue Department, utility expenses, office expenses and interest received in advance, etc.

Account payables were accounts payable arising from the overdue payments for goods purchased by the Company in order to be used in equipment sale project work. At the end of 2021, the Company had account payables of Baht 39.47 million, accounted for 51.91% of the total liabilities, which is a decrease by Baht 33.04 million. This was consistent with the decrease in the amount of equipment and work in process due to the decrease in project work that occurred at the end of the year.

Shareholders' equity

The shareholders' equity of the Company at the end of 2021 was Baht 188.33 million, accounted for 71.24% of total liabilities and shareholders' equity. The shareholders' equity increased from Baht 183.33 million in 2020 from the total comprehensive profit for the year of Baht 32.80 million. The Company passed a resolution to pay interim dividends from retained earnings to existing shareholders in the amount of Baht 27.80 million.

Liquidity and adequacy of funds

Cash flow analysis

The Company was able to manage liquidity and working capital with cash flow received from business operations and loans from banks and financial institutions to be used in operating activities, debt settlement and investment activities. The Company's cash flow statement for the year 2021 can be summarized as follows:

Cash flow	2020	2021
	Million Baht	Million Baht
Net cash flows from (used in) operating activities	60.83	15.24
Net cash flows from (used in) investment activities	(33.10)	(0.13)
Net cash flows from (used in) financing activities	14.94	(46.06)
Cash and cash equivalents net increase (decrease)	42.68	(30.96)
Cash and cash equivalents at the beginning of the year	17.65	60.32
Cash and cash equivalents at the end of the year	60.33	29.37

In 2021, the Company had cash flow from operating activities of Baht 15.24 million, cash flow from net profit for the year of Baht 32.59 million and adjusted by non-cash items and financial expenses of Baht 14.07 million, which were mainly due to income tax expenses of Baht 7.70 million and depreciation and amortization expenses of Baht 6.77 million. In addition, in 2021 operating activities were adjusted to cash with changes in working capital in the amount of Baht 31.42 million. Significant items causing changes in working

capital were an increase in account receivables and other receivables of Baht 17.41 million from account receivables, account receivables that are not due, an increase in advance expenses of Baht 12.33 million, and a decrease in account payables and other current payables of Baht 36.99 million, offset by a decrease in inventories of Baht 27.75 million, a decrease in project work that occurred at the end of the year and an increase in agreement liabilities of Baht 17.22 million. The cash flow used in investing activities was Baht 0.13 million, decreasing from the previous year since the Company did not invest in high-value assets and the Company's assets were sold during the period, such as vehicle and other assets that are not in use, such as equipment, office equipment and office decorations, etc. In addition, net cash flow used in financing activities was Baht 46.06 million, mainly due to repayment of short-term loans from financial institution creditors which remained Baht 16.05 million and interim dividend payment from retained earnings in the amount of Baht 27.80 million. The Company had no cash inflows from capital increase or borrowings, resulting in a decrease in net cash flow of the Company in 2021 of Baht 30.96 million and cash and cash equivalents at the end of 2021 of Baht 29.37 million.

It is informed for your kind acknowledgement.

Yours truly,

(Miss Nattaya Nanthawanid)

Chief Financial Officer

International Network System Public Company Limited