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October 21st, 2022

RE: Management Discussion and Analysis for the period of 6 months ended on June 30th, 2022

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 period of 6 months ended on June 30th, 2022.

Summary of the operating results for the period of 6 months ended on June 30th, 2022

Business type	The first 6 months of 2021		The first 6 months of 2022	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	131.37	74.41	129.35	73.47
2. Revenue from repair services and maintenance of equipment	39.25	22.23	43.86	24.91
3. Revenue from equipment rental	4.75	2.69	2.29	1.30
Total revenue from sales and services	175.37	99.33	175.51	99.68
Other revenue	1.19	0.67	0.54	0.32
Total revenue	176.56	100.00	176.05	100.00
Cost of sales and services	(149.25)	(85.11)	(131.62)	(74.99)
Gross profit	26.12	14.89	43.89	25.01
Cost of distribution	(4.85)	(2.74)	(7.59)	(4.31)
Administrative expenses	(8.35)	(4.73)	(9.43)	(5.35)
Net profit (loss) before finance cost and corporate income tax	14.12	8.00	27.42	15.57
Finance cost	(0.06)	(0.04)	(0.02)	(0.01)
Profit (loss) before corporate income tax	14.06	7.96	27.40	15.56
Corporate income tax revenue (expense)	(2.68)	(1.52)	(5.17)	(2.94)
Net profit (loss) for the year	11.38	6.44	22.23	12.62

Total revenue

Business type	The first 6 months of 2021		The first 6 months of 2022	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	131.37	74.41	129.35	73.47
2. Revenue from repair and maintenance services	39.25	22.23	43.86	24.91
3. Revenue from equipment rental	4.75	2.69	2.29	1.30
Total revenue from sales and services	175.37	99.33	175.51	99.68
Other revenue ¹	1.19	0.67	0.54	0.32
Total revenue	176.56	100.00	176.05	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 the first 6 months of 2022, the Company's total revenue was Baht 176.05 million, with the Company's main revenue from equipment sales and installation services, accounted for 73.47% of the total revenue; revenue from maintenance services after the sale, accounted for 24.91% of the total revenue; and the remaining revenue was revenue from equipment rental, accounted for 1.30% of the total revenue. There were customers in both the government and private sectors, as follows:

Revenue structure	The first 6 months of 2021		The first 6 months of 2022	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from government sector	72.12	41.12	79.75	45.44
2. Revenue from private sector	103.25	58.88	95.76	54.56
Total revenue from sales and services	175.37	100.00	175.51	100.00

From the table above, in the first 6 months of 2021 and in the first 6 months of 2022, most of the revenue from sales and services of the Company were from private sector projects. As the Company would like to reduce the risk of relying on major customers, the Company has set up a strategy to expand the work to new private sector customers to diversify the customer base and increase the Company's market share in the future.

Revenue from sales and services

Revenue from selling equipment and installation services

Revenue from selling equipment and installation services	The first 6 months of 2021		The first 6 months of 2022	
	Million Baht	%	Million Baht	%
Revenue from selling equipment and installation services				
- Government sector	34.02	25.90	42.18	32.61
- Private sector	97.35	74.10	87.17	67.39
Revenue from selling equipment and installation services	131.37	100.00	129.35	100.00

For the first 6 months of 2022, the Company's revenue from equipment sales and installation services was Baht 129.35 million, which is a decrease of Baht 2.02 million or 1.53% reduction compared to the same

period of the previous year. Most of the revenue was from equipment purchase and installation agreement of the private sector, accounted for 67.39% of the total revenue from equipment sales and installation services due to the diversification of the customer base to new customers and acquisition of more private sector projects as same as the previous year. Most of them came from equipment purchase agreements from 2 private companies, with project values of approximately Baht 32.46 million and Baht 32.47 million, respectively. Revenue from government projects increased from the previous year to 32.61% of the total revenue from equipment sales and installation services. Most of this came from equipment purchase and installation agreements for one project of a television station with a value of approximately Baht 30.78 million that the Company won the bidding in 2021 and the work was delivered in the first quarter of 2022. However, the Company still has projects that have not been delivered with a value of approximately Baht 89.64 million, which is a project of 12 government and private customers, and the Company will recognize it as next period' revenue.

Revenue from repair and maintenance services

In the first 6 months of 2022, the Company had revenue from repair and maintenance services of Baht 43.86 million, which is an increase of Baht 4.61 million or a growth rate of 11.75% compared to the same period in the previous year. Most of the revenue came from the continual equipment repair and maintenance service agreement worth approximately Baht 36.11 million, while the revenue from the new agreement was approximately Baht 7.75 million, which was caused by the agreement renewal and continual equipment repair and maintenance service agreement. However, at the end of the second quarter of 2022, the Company had contractual value of equipment repair and maintenance services where the P.O. was issued by the customers but had not been delivered, of approximately Baht 157.45 million. This amount will be recognized as revenue by using the straight-line method over the period when the service is provided to the customers.

Revenue from equipment rental

In the first 6 months of 2022, the Company's revenue from equipment rental was Baht 2.29 million, which is a decrease of Baht 2.46 million when compared to the same period of the previous year. All equipment rental revenue was derived from continual lease agreements that have occurred since 2019. However, at the end of the second quarter of 2022, the Company had contractual value of equipment leases where the P.O. had been issued by the customers but has not been delivered about approximately Baht 8.13 million. This amount will be recognized as revenue by using the straight-line method over the period when the service is provided to the customers.

Cost of sales and services and gross profit

Gross profit	The first 6 months of 2021		The first 6 months of 2022	
	Million Baht	%	Million Baht	%
Revenue from sales and services	175.37	100.00	175.51	100.00
Cost of sales and services	149.25	85.11	131.62	74.99
Gross profit	26.12	14.89	43.89	25.01

The Company's cost of sales and services in the first 6 months of 2022 was Baht 131.62 million or accounted for 74.99% of the revenue from sales and services, which decreased by Baht 17.63 million,

accounted for 11.81% decrease compared to the same period in the previous month. However, the revenue from sales and services in the first 6 months of 2022 did not change much compared to the same period of the previous year. Most of the revenue was from private sector projects as in the previous year, approximately Baht 95.76 million, which is a decrease of approximately Baht 7.49 million compared to the same period of the previous year. Revenue from government agencies was in the amount of Baht 79.75 million, which is an increase of approximately Baht 7.63 million, resulting in higher gross profit margin than the same period of the previous year. The Company's gross profit increased by approximately Baht 17.77 million, representing a gross margin equal to 25.01% of revenue from sales and services. Despite the slight change in revenue, the Company had lower costs due to the acquisition of a project from a major existing customer where the Company had experience working at the site, allowing for the installation of the system to be deliberately planned and enabling the company to effectively control costs. As a result, gross profit increased by approximately Baht 17.77 million, equivalent to a gross margin of 25.01% of sales and service revenue and a higher gross margin compared to the same period in the prior year.

Cost of distribution

In the first 6 months of 2022, the Company had cost of distribution of approximately Baht 7.59 million, accounted for approximately 4.31% of the total revenue as per below details of the change in distribution costs in each period:

Cost of distribution	The first 6 months of 2021		The first 6 months of 2022	
	Million Baht	%	Million Baht	%
Employee expenses	2.51	51.75	3.60	47.43
Commission	1.46	30.10	2.62	34.52
Sales promotion expenses	-	-	0.23	3.03
Accommodation and travel expenses	0.22	4.54	0.30	3.95
Other cost of distribution ¹	0.66	13.61	0.84	11.07
Cost of distribution	4.85	100.00	7.59	100.00

Note:

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

The Company's cost of distribution in the first 6 months of 2022 was in the amount of Baht 7.59 million, which is an increase of Baht 2.74 million or a growth rate of 56.49% compared to the same period of the previous year. The increase was a result of the increase in base salary to motivate employees and the expansion of the sales team to increase revenue. As a result, employee expenses increased by Baht 1.09 million and employee commissions increased by Baht 1.16 million from projects with high profitability in the quarter. Promotion expenses increased by Baht 0.23 million compared to the same period of the previous year.

Administrative expenses

In the first 6 months of 2022, the Company had administrative expenses of Baht 9.43 million, accounted for 5.35% of the total revenue, with details of administrative expenses in each period as follows:

Administrative expenses	The first 6 months of 2021		The first 6 months of 2022	
	Million Baht	%	Million Baht	%
Management and employee expenses	4.63	55.45	5.57	59.13
Office expenses and service fees	0.27	3.23	0.35	3.72
Bank fees	0.42	5.03	0.49	5.20
Consulting and professional service fees	1.55	18.57	1.34	14.23
Depreciation and amortization	0.89	10.66	0.88	9.34
Cost of repair, utilities, and insurance	0.35	4.19	0.51	5.41
Other administrative expenses ¹	0.24	2.87	0.28	2.97
Administrative expenses	8.35	100.00	9.43	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.

The Company's administrative expenses in the first 6 months of 2022 were in the amount of Baht 9.43 million, which was slightly higher compared to the same period of the previous year by approximately Baht 1.07 million, due to an increase in the expenses of directors, management, and employees together with the increase in office expenses and service fees.

Finance costs

The Company's finance cost in the first 6 months of 2022 was Baht 0.02 million, accounted for 0.01% of the total revenue. The Company's finance cost consisted of 1) Interest expenses – overdraft loans and 2) Interest expenses - Finance lease liabilities as per below details.

Finance costs	The first 6 months of 2021		The first 6 months of 2022	
	Million Baht	%	Million Baht	%
Interest expense - Short-term loan	0.04	66.67	-	-
Interest expense- Overdraft loans	0.00	0.00	0.00	0.00
Interest expense- Finance lease liabilities	0.02	33.33	0.02	100.00
Interest expense- Long-term loan	-	-	-	-
Other interest expenses	-	-	-	-
Finance costs	0.06	100.00	0.02	100.00

In the first 6 months of 2022, the Company had no interest burden on the loan but there was only Interest expenses - liabilities from financial lease agreements in the amount of Baht 0.02 million.

Net profit

In the first 6 months of 2022, the Company had a net profit of Baht 22.23 million, or a net profit margin of 12.63% of the total revenue, which increased by Baht 10.85 million, or a growth rate of 95.34% compared to the same period of the previous year. The increase was derived from the fact that the Company acquired a

project from an existing major customer where the Company had expertise in the system installation and the Company was able to control the project cost effectively. Thus, the gross profit was higher than in the same period of the previous year.

Financial position analysis

Total assets

At the end of the second quarter of 2022, the Company had total assets of Baht 281.49 million, which is a decrease from the end of 2021 in the amount of Baht 264.36 million. The Company's significant assets were cash and cash equivalents, account receivables and other receivables, Contract asset, inventories, prepaid expenses, other non-current financial assets, and property, plant, and equipment, which represented 97.97% of the total assets. Details of the Company's significant assets during the past periods are as follows.

Account receivables and other receivables

Account receivables and other receivables	As of December 31 st , 2021		As of June 30 th , 2022	
	Million Baht	%	Million Baht	%
Receivables with the debt which is not due yet	70.17	92.78	29.45	43.14
Overdue				
Less than 3 months	3.34	4.42	37.71	55.24
More than 3 - 6 months	2.11	2.79	-	-
More than 6 - 12 months	-	-	1.10	1.61
Total account receivables	75.63	100.00	68.26	100.00

At the end of the second quarter of 2022, the Company had account receivables that were not due in the amount of Baht 29.45 million, accounted for 43.14% of the total account receivables, with an average collection period of 74.81 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 were overdue by no more than 3 months, which accounted for 55.24% of the total account receivables. The increase in such account receivables in the second quarter of 2022 occurred because of the Company's billing cycle. In July 2022, the Company received payment of Baht 34.83 million from account receivables that were overdue less than 3 months, and the balance of receivables was Baht 2.88 million. The Company had one account receivable that had liquidity problems due to the impact of the COVID-19 pandemic, making it unable to pay debts. However, the Company has currently negotiated an agreement for such overdue account receivables to be paid by 10 advance-dated checks dated 25th of each month for a period of 10 months starting from February 2022. As a result, in the second quarter of 2022, the Company had account receivables overdue more than 6 months but not more than 12 months, which was equal to 1.61% of the total account receivables.

In addition, the Company had other current receivables, which consisted of the Revenue Department receivable, interest receivables and other receivables, etc. At the end of the second quarter of 2022, other current receivables were Baht 1.89 million.

Inventories

At the end of the second quarter of 2022, the Company had net inventories of Baht 9.52 million, accounted for 3.38% of the total assets. Inventories consisted of equipment and work in process and spare parts, as per below details:

Inventories	As of December 31 st , 2021		As of June 30 th , 2022	
	Million Baht	%	Million Baht	%
Equipment and work in progress	16.41	100.00	9.52	100.00
Spare parts	-	-	-	-
Inventories - net	16.41	100.00	9.52	100.00

At the end of the second quarter of 2022, the Company had inventories of Baht 9.52 million due to the equipment waiting to be installed, which is accounted for as a decrease of 41.98% compared to the end of 2021 due to the completion of the delivery of work and the accounting for recognition as cost of sales. However, the company did not have a policy in place to prevent shortages of rare items by purchasing equipment-related spare parts in advance for inventory purposes. As a result, there was no such list of spare parts remaining at the end of the second quarter of 2022.

Prepaid expenses

At the end of the second quarter of 2022, the Company had Baht 37.51 million in current advance expenses, which represented 13.33% of total assets. These expenses consisted primarily 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 in order to obtain trade discounts, and 2) prepaid insurance costs from purchasing a product warranty agreement in the Service – Type Warranty, etc. Noncurrent prepaid expenses totaling Baht 34.42 million represented 12.23% of total expenses. 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 the second quarter was Baht 32.97 million, accounted for 11.71% of the total assets, consisting of condominiums, equipment, tools, decorations and office equipment and vehicles, etc.

As of the end of the second quarter of 2022, the Company's property, plant, and equipment - net increased by Baht 1.27 million, accounted for a growth rate of 10.59% compared to the end of the year 2021, mainly due to investment in equipment for rental service to support the project to provide equipment rental services of a Broadcasting Company.

Total liabilities

At the end of the second quarter of 2022, the Company had total liabilities of Baht 100.93 million, which is an increase from Baht 76.03 million. The Company's significant liabilities consisted of bank overdrafts and short-term loan from financial institution, account payables and other current payables, agreement liabilities, lease liabilities and provision of employee benefits, accounted for 96.56% of the total liabilities. 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 account payables, accrued expenses and other current payables, etc. At the end of the second quarter of 2022, the Company had account payables and other current payables of Baht 62.76 million, accounted for 62.18% of the total liabilities with below details.

Account payables and other current payables	As of December 31 st , 2021		As of June 30 th , 2022	
	Million Baht	%	Million Baht	%
Account payables	39.47	89.04	56.76	90.44
Unbilled accounts payables	0.19	0.42	0.04	0.06
Accrued expenses	2.68	6.04	5.23	8.34
Other current payables ¹	1.99	4.50	0.73	1.16
Total account payables and other current payables	44.33	100.00	62.76	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 account 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 the second quarter of 2022, the Company had account payables of Baht 56.76 million, accounted for 56.24% of the total liabilities. At the end of the second quarter of 2022, the Company's account payables increased by Baht 17.29 million. Most of them was non-due account payables from the purchase of equipment for project work incurred during that period.

Shareholders' equity

The shareholders' equity of the Company at the end of the second quarter of 2022 was Baht 180.56 million, accounted for 64.14% of the total liabilities and shareholders' equity.

In this regard, the Board of Directors' meeting, held on August 11th, 2022, passed a solution to pay the interim dividends from retained earnings of Baht 22.50 million, to the existing shareholders listed in the shareholders' register on August 12th, 2022. The Source of funds of dividend payment was cash flow from

business operations and such dividends were paid on September 9th, 2022. The Company had no policy to pay additional interim dividends

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 first 6 months of 2022 can be summarized as follows:

Cash flow	The first 6 months of 2021	The first 6 months of 2022
	Million Baht	Million Baht
Net cash flows from (used in) operating activities	4.90	61.26
Net cash flows from (used in) investment activities	(0.04)	(1.53)
Net cash flows from (used in) financing activities	(44.97)	(31.35)
Cash and cash equivalents net increase (decrease)	(40.12)	28.37
Cash and cash equivalents at the beginning of the year	60.32	29.37
Cash and cash equivalents at the end of the year	20.21	57.74

In the first 6 months of 2022, the Company had cash flow from operating activities of Baht 61.26-million, cash flow from net profit for the first 6 months of 2022 of Baht 22.23 million and adjusted by non-cash items and financial expenses of Baht 7.70 million, which were mainly due to income tax expenses of Baht 5.17 million and depreciation and amortization expenses of Baht 2.17 million. In addition, in the first 6 months of 2022, operating activities were adjusted to cash with changes in working capital in the amount of Baht 31.32 million. Significant items causing changes in working capital were a decrease in account receivables and other receivables of Baht 6.21 million, a decrease in contract assets of Baht 3.20 million, a decrease in inventories of Baht 6.89 million, an increase in contract liabilities of Baht 5.40 million, an increase in account payables and other current payables in the amount of Baht 16.42 million due to an increase in account payables that were not due, and partially offset by an increase in other current assets of Baht 2.25 million. While cash flow from used in investing activities of the Company was equal to Baht 1.53 million. This was caused by cash paid for the purchase of fixed assets, right-of-use assets and intangible assets increased by Baht 1.76 million in the total. Most of the investment was in equipment to support the growth of the equipment rental business. In addition, net cash flow used in financing activities was Baht 31.35 million, mainly due to the 2021 dividend payment to the existing shareholders according to the resolution of the 2022 Annual General Meeting of Shareholders of Baht 30.00 million. In addition, the Company did not have any cash inflows from capital increase or borrowing. As a result, the Company's net cash flow in the 6-months period 2022 increased by Baht 28.37 million and cash and cash equivalents at the end of the second quarter of 2022 was Baht 57.74 million.

It is informed for your kind acknowledgement.

Yours truly,

(Miss Nattaya Nanthawanid)

Chief Financial Officer

International Network System Public Company Limited