

No. ITNSmai6608-01

August 15<sup>th</sup>, 2023

RE: Management Discussion and Analysis for the period of 3 months ended June 30<sup>th</sup>, 2023

To: Director and Manager of 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 for the period of 3 months ended on June 30<sup>th</sup>, 2023 as follows:

**Summary of operating results for the of 3 months period ended on June 30<sup>th</sup>, 2023**

Business type	2nd Quarter of 2022	2nd Quarter of 2023	Increase/ (Decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	55.26	97.28	42.02	76.04
2. Revenue from repair services and maintenance of equipment	21.97	31.12	9.15	41.65
3. Revenue from equipment rental	0.00	1.89	1.89	100.00
<b>Total revenue from sales and services</b>	<b>77.23</b>	<b>130.29</b>	<b>53.06</b>	<b>68.70</b>
Other revenue	0.16	0.10	(0.06)	(37.50)
<b>Total revenue</b>	<b>77.39</b>	<b>130.39</b>	<b>53.00</b>	<b>68.48</b>
Cost of sales and services	(56.56)	(99.20)	(42.64)	75.39
<b>Gross profit</b>	<b>20.67</b>	<b>31.09</b>	<b>10.42</b>	<b>50.41</b>
Cost of distribution	(3.32)	(5.63)	(2.31)	69.58
Administrative expenses	(4.78)	(5.53)	(0.75)	15.69
<b>Net profit (loss) before finance costs and income tax</b>	<b>12.73</b>	<b>20.03</b>	<b>7.30</b>	<b>57.34</b>
Share of profit in joint ventures	0.00	0.36	0.36	100.00
Finance revenue	0.04	0.93	0.89	2,225.00
Finance costs	(0.01)	(0.01)	0.00	0.00
<b>Profit (loss) before income tax</b>	<b>12.76</b>	<b>21.31</b>	<b>8.55</b>	<b>67.01</b>
Income tax revenue (expense)	(2.30)	(4.20)	(1.90)	82.61
<b>Net profit (loss) for the period</b>	<b>10.46</b>	<b>17.11</b>	<b>6.65</b>	<b>63.58</b>

**Total revenue**

Business type	2nd Quarter of 2022		2nd Quarter of 2023	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	55.26	71.40	97.28	74.61
2. Revenue from repair services and maintenance of equipment	21.97	28.39	31.12	23.87
3. Revenue from equipment rental	0.00	0.00	1.89	1.45
<b>Total revenue from sales and services</b>	<b>77.23</b>	<b>99.79</b>	<b>130.29</b>	<b>99.92</b>
Other revenue <sup>1</sup>	0.16	0.21	0.10	0.08
<b>Total revenue</b>	<b>77.39</b>	<b>100.00</b>	<b>130.39</b>	<b>100.00</b>

Note:

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

For Q2/2023, the Company's total revenue was Baht 130.39 million, with the Company's main revenue from equipment sales and installation services, accounted for 74.61% of the total revenue; revenue from maintenance services after the sale, accounted for 23.87% of the total revenue; and the remaining revenue was revenue from equipment rental, accounted for 1.45% of the total revenue. The Company had customers in both the government and private sectors, as the following tables:

Revenue structure	2nd Quarter of 2022		2nd Quarter of 2023	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from government sector	25.58	33.12	48.37	37.12
2. Revenue from private sector	51.65	66.88	81.92	62.88
<b>Total revenue from sales and services</b>	<b>77.23</b>	<b>100.00</b>	<b>130.29</b>	<b>100.00</b>

From the table above, for Q2/2023, most of the revenue from sales and services of the Company were from private sector projects. 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	2nd Quarter of 2022		2nd Quarter of 2023	
	Million Baht	%	Million Baht	%
<b>Revenue from selling equipment and installation services</b>				
- Government sector	8.01	14.50	25.61	26.33
- Private sector	47.25	85.50	71.67	73.67
<b>Total revenue from selling equipment and installation services</b>	<b>55.26</b>	<b>100.00</b>	<b>97.28</b>	<b>100.00</b>

For Q2/2023, the Company's revenue from equipment sales and installation services was Baht 97.28 million, an increase of Baht 42.02 million or 76.04% compared to the same period of previous year. Most of the revenue was from equipment purchase and installation agreement of the private sector, accounted for 73.67% of the total revenue from equipment sales and installation services which mainly from new customer extension. However, approximately Baht 224.68 million of projects are still in progress to deliver which will be gradually recognized as revenue in the following period.

#### **Revenue from repair and maintenance services**

For Q2/2023, the Company had revenue from repair and maintenance services of Baht 31.12 million, an increase of Baht 9.15 million or 41.65% compared to the same period of previous year. At the end of Q2/2023, the Company had contractual value of equipment rental where the purchase order had been issued by the customers and the Company is in progress of service delivery approximately Baht 195.64 million. This amount will be recognized as revenue over the service period by using the straight-line method.

#### **Revenue from equipment rental**

For Q2/2023, the Company's revenue from equipment rental was Baht 1.89 million, increasing by Baht 1.89 million or 100% compared to the same period of previous year. At the end of Q2/2023, the the Company had contractual value of equipment rental where the purchase order had been issued by the customers and the Company is in progress of service delivery approximately Baht 8.69 million. This amount will be recognized as revenue over the service period by using the straight-line method.

#### **Cost of sales and services and gross profit**

Gross profit	2nd Quarter of 2022		2nd Quarter of 2023	
	Million Baht	%	Million Baht	%
Revenue from sales and services	77.23	100.00	130.29	100.00
Cost of sales and services	56.56	73.24	99.20	76.14
<b>Gross profit</b>	<b>20.67</b>	<b>26.76</b>	<b>31.09</b>	<b>23.86</b>

For Q2/2023, cost of sales and services was Baht 99.20 million, accounted for 76.14% of the revenue from sales and services, increasing by Baht 42.64 million or 75.39% increase compared to the same period of previous year. The revenue from sales and services for Q2/2023 increased by Baht 53.06 million, or 68.70% compared to the same period of previous year. As a result, gross profit increased by Baht 10.42 million or 50.41%.

### Cost of distribution

For Q2/2023, cost of distribution of Baht 5.63 million, accounted for 4.32% of the total revenue. The details of distribution costs are shown in following table by each period:

Cost of distribution	2nd Quarter of 2022		2nd Quarter of 2023	
	Million Baht	%	Million Baht	%
Employee expenses	1.83	54.89	3.12	55.43
Commission	1.12	33.64	1.75	31.06
Sales promotion expenses	(0.08)	(2.25)	0.08	1.48
Accommodation and travel expenses	0.15	4.46	0.21	3.67
Other cost of distribution <sup>1</sup>	0.30	9.12	0.47	8.43
<b>Cost of distribution</b>	<b>3.33</b>	<b>100.00</b>	<b>5.63</b>	<b>100.00</b>

Note:

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

The cost of distribution for Q2/2023 was in the amount of Baht 5.63 million, increasing by Baht 2.30 million or 69.07% compared to the same period of previous year. The increase in cost of distribution was from the expansion of the experienced sales team to search for new customers in order to generate higher revenue, resulting in an increase in employee-related expense and commission by Baht 1.29 million or 70.75% compared to the same period of the previous year.

### Administrative expenses

For Q2/2023, the Company had administrative expenses of Baht 5.53 million, accounted for 4.24% of the total revenue. The details of administrative expenses are shown in following table by each period:

Administrative expenses	2nd Quarter of 2022		2nd Quarter of 2023	
	Million Baht	%	Million Baht	%
Management and employee expenses	2.77	57.97	2.90	52.41
Office expenses and service fees	0.13	2.71	0.30	5.49
Bank fees	0.20	4.13	0.41	7.39
Consulting and professional service fees	0.80	16.77	0.58	10.43
Depreciation and amortization	0.44	9.26	0.45	8.10
Cost of repair, utilities, and insurance	0.28	5.86	0.35	6.35
Other administrative expenses <sup>1</sup>	0.16	3.28	0.53	9.83
<b>Administrative expenses</b>	<b>4.78</b>	<b>100.00</b>	<b>5.53</b>	<b>100.00</b>

Note :

1 . Other administrative expenses consist of fees and other services relating to companies listed on the stock exchange. Parking fees for employees and visitors, donations, etc.

The administrative expenses for Q2/2023 were Baht 5.53 million, which slightly increased by Baht 0.75 million, compared to the same period of previous year, due to an increase in the expenses of directors, management, and employees as well as other fees and service fees related to listed company.

### Finance cost

The Company's finance cost for Q2/2023 was Baht 0.01 million, accounted for 0.02% of the total revenue, which is included interest expense from financial lease as shown in following table:

Finance cost	2nd Quarter of 2022		2nd Quarter of 2023	
	Million Baht	%	Million Baht	%
Interest expense- overdraft and short-term loans	0.00	2.16	-	-
Interest expense- liabilities from financial lease	0.01	97.84	0.01	100.00
<b>Finance Cost</b>	<b>0.01</b>	<b>100.00</b>	<b>0.01</b>	<b>100.00</b>

### Net profit

For Q2/2023, the Company had a net profit of Baht 17.11 million, or a net profit margin of 13.12% of the total revenue, which increased by Baht 6.65 million or 63.58% compared to the same period of previous year. since the Company acquired projects from an existing customer where the Company had experience at their site, enabling the Company to effectively plan the system installation and acquired the projects from new customers during Q2/2023 where mostly project are complicated and specific projects. Moreover, the Company was able to control the project cost of sales and service, cost of contribution and selling and administrative expense effectively.

### Financial position analysis

#### Total assets

At the end of Q2/2023, the Company had total assets of Baht 629.78 million compared to the end of 2022 which was Baht 666.49 million. The significant assets were cash and cash equivalents, account receivables and other receivables, contract assets, inventories, prepaid expenses, restricted bank deposits, finance lease receivables, long-term loan, and buildings and equipment, accounted for 99.37% of the total assets.

Account receivables	As of December 31, 2022		As of June 30, 2023	
	Million Baht	%	Million Baht	%
Receivables with the debt which is not yet due	78.85	84.71	31.03	50.87
<b>Overdue</b>				
Less than 3 months	13.89	14.92	29.97	49.13
More than 3 - 6 months	0.34	0.37	-	-
<b>Total account receivables</b>	<b>93.08</b>	<b>100.00</b>	<b>61.00</b>	<b>100.00</b>

At the end of Q2/2023, the Company had account receivables that were not due amounted to Baht 31.03 million, accounted for 50.87% of the total account receivables. The average collection period of 49.37 days, align with the the Company's credit term policy, which is approximately 30-90 days. Moreover, for the account receivables that past due up to 3 months, accounted for 49.13%, was mainly from different payment

cycles of customers. The decrease in such account receivables in Q2/2023 was due to the receipt of payments on schedule and the management of debtors on a regular basis.

In addition, At the end of Q2/2023, the Company had other current receivables Baht 1.77 million, which consisted of the Revenue Department receivable, interest receivables and other receivables.

### Assets arising from revolving agreements

At the end of Q2/2023, the Company had assets arising from revolving agreements which is due within 1 year amounted to Baht 18.83 million or 2.99% of total assets. These assets consist of revenues that have not yet been collected from repair and maintenance services provided to customers during the accounting period but not yet due for payment. These assets will be recognized as account receivables when the payment date is due and invoices to customers. However, the remaining value of these assets as of the end of Q2/2023 that will be able to collect within 3 months amounting to Baht 15.53 million and within 3-6 months amounting to Baht 3.30 million.

### Inventories

At the end of Q2/2023, the Company had net inventories of Baht 125.65 million, accounted for 19.95% of the total assets. Inventories consisted of equipment and work in process with the following details.

Inventories	As of December 31, 2022		As of June 30, 2023	
	Million Baht	%	Million Baht	%
Equipment and work in process	75.05	100.00	125.65	100.00
<b>Total inventories</b>	<b>75.05</b>	<b>100.00</b>	<b>125.65</b>	<b>100.00</b>

Inventories and work in process as at the end of Q2/2023 of Baht 125.65 million increasing by 67.42% when compared to the end of 2022. Most of inventories are equipments which is in progress of installation and delivery. However, to comply with the Company policy, there are no spare part inventories at the end of Q2/2023.

### Prepaid expenses

At the end of Q2/2023, the Company had Baht 63.17 million in current prepaid expenses, which represented 10.03% of the 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 were Baht 44.97 million, represented 7.14% of the total expenses. Most of these expenses were incurred from prepaid service costs with more than 1 year period.

### Restricted bank deposits

As of the end of Q2/2023, the Company had Restricted bank deposits totaling Baht 53.49 million, representing 8.49% of the total assets. These collateral assets include bank deposits used as collateral for guarantees with financial institutions, such as fixed deposits and savings deposits.

### Buildings and equipment

Buildings and equipment at the end of Q2/2023 was Baht 39.92 million, accounted for 6.34% of the total assets, consisting of condominiums, equipment, tools, office decorations and office equipment, and vehicles.

At the end of Q2/2023, the Company had Buildings and equipment - net increased by Baht 7.17 million or 21.90% increase, compared to the end of 2022, mainly due to equipment for rental service to support the project to provide equipment rental services.

### Total liabilities

At the end of Q/2023, the Company had total liabilities of Baht 198.21 million, which decreased by Baht 18.83 million or 8.68% when compared to the same period of previous year. The Company's significant liabilities consisted of account payables and other payables, contract liabilities, income tax payable, Provision for long-term employee benefits, and other current liabilities accounted for 99.78% of the total liabilities. The details of the significant liabilities are as follows.

### Account payables and other payables

The Company had account payables and other payables which consisted of account payables, other payables, project cost payables, and other current payables, etc. At the end of Q2/2023, the Company had account payables and other payables totaling Baht 77.50 million or 39.10% of the total liabilities with below details.

Account payables and other payables	As of December 31, 2022		As of June 30, 2023	
	Million Baht	%	Million Baht	%
Account payables	155.21	86.91	65.16	84.08
Other payables	0.25	0.14	0.30	0.39
Project cost payables	18.59	10.41	5.47	7.06
Accrued expenses	2.48	1.39	5.71	7.37
Other current payables <sup>1</sup>	2.06	1.15	0.86	1.10
<b>Total account payables and other payables</b>	<b>178.59</b>	<b>100.00</b>	<b>77.50</b>	<b>100.00</b>

Note:

1. Other current payables consisted of the Revenue Department, accrued withholding tax, and undue output tax etc.

Account payables were account payable arising from the payments which is not due for goods purchased by the Company in order to be used in equipment sale project work. At the end of Q2/2023, account payables and other payables decreased by Baht 101.09 million compared to the end of 2022 due to payment to project cost payable.

### **Contract liabilities**

As of the end of Q2/2023, the Company had current contract liabilities from deferred revenue and deposit from service contract which is due within 1 year amounted to Baht 100.66 million, representing 50.79% of the total liabilities, as well as contract liabilities due over 1 year amounted to Baht 8.53 million, representing 4.30% of the total liabilities.

### **Shareholders' equity**

Shareholder's equity at the end of Q2/2023 was Baht 431.58 million, representing 68.53% of the total liabilities and shareholders' equity. On April 26<sup>th</sup>, 2023, the shareholders' general meeting approved dividend payments for 2022 performance from net profit at a rate of 0.12 Baht (a total of 220 million ordinary shares), totaling Baht 26.40 million. The list of shareholders entitled to receive the dividend was based on the shareholder registry as of March 9<sup>th</sup>, 2023. The funds utilized for the dividend payment came from normal business operations. The dividend will be paid on May 23<sup>rd</sup>, 2023.

On May 10<sup>th</sup>, 2023, the meeting of the Company's Board of Directors approved the share repurchase program for financial management purpose in the maximum amount not exceeding Baht 38.5 million or approximately 11 million shares, which is approximately 5% of total issued shares at par value of Baht 1 per share by repurchasing in the Stock Exchange of Thailand, which the repurchase price shall not be exceeding 115 percent of the average closing stock price prior to 5 working days on the date of repurchase of treasury stocks. The repurchase period is from May 15<sup>th</sup>, 2023 to October 12<sup>th</sup>, 2023.

At the end of Q2/2023, the Company had outstanding treasury stocks of 5,517,600 shares in the account with an average cost of Baht 3.49 per share. The total cost was Baht 19,263,938. The treasury stocks of 5,517,600 shares have a par value of Baht 1 per share. The Company set aside an amount from retained earnings equal to the cost of the treasury shares to a separate reserve account with such reserve to remain outstanding until either the shares are sold or paid-up capital is reduced by the cancellation of any remaining unsold shares. As at June 30<sup>th</sup>, 2023, the Company has set aside approximately Baht 19,263,938, with the Company recording the reserve as "Retained earnings - reserve for treasury stocks" in the statement of financial position.

### **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 to be used in operating activities, debt settlement, and investment activities. The Company's cash flow statement for first six months period of 2023 can be summarized as follows:



Cash flow	First 6 months of 2022	First 6 months of 2023
	Million Baht	Million Baht
Net cash flows from (used in) operating activities	61.25	(30.44)
Net cash flows from (used in) investment activities	(1.53)	(9.11)
Net cash flows from (used in) financing activities	(31.35)	(45.84)
Cash and cash equivalents net increase (decrease)	28.37	(85.39)
Cash and cash equivalents at the beginning of the period	29.37	252.21
Cash and cash equivalents at the end of the period	57.74	166.82

For the six-months period of 2023, the Company had cash flow from operating activities of Baht 30.44 million. This was derived from the net profit from the first six-months period of Baht 27.79 million, adjusted by non-cash items and finance costs amounting to Baht 7.94 million, mainly from income tax expenses of Baht 6.78 million, and depreciation and amortization expenses of Baht 2.75 million. In addition, for the first six-month period, operating activities generated cash flow through changes in working capital of Baht 57.88 million. The significant items that led to changes in working capital were a decrease in account payables and other receivables of Baht 32.06 million, including a decrease in assets resulting from agreements of Baht 10.05 million, an increase in inventory of Baht 50.60 million, an increase in contract liabilities of Baht 81.99 million, and a decrease in account payables and other payables of Baht 101.10 million. Meanwhile, the net cashflow out from investment activities of Baht 9.11 million, mainly from the purchase fixed assets by Baht 9.78 million, mainly for equipment to support the growth of the equipment rental business. In addition, the net cashflow out from financing activities was Baht 45.85 million, mainly from treasury share repurchase program by Baht 19.26 million, dividend payment Baht 26.39 million and repayment debt from lease agreements Baht 0.18 million. The Company had no cash inflow from capital increases or loans, resulting in a decrease in net cash flow of Baht 85.39 million for the six-month period of 2023. At the end of Q2/2023, the company had cash and cash equivalents of Baht 166.82 million.

It is informed for your kind acknowledgement.

Yours Truly

- Signature -

(Miss Nattaya Nanthawanid)

Chief Financial Officer

International Network System Public Company Limited