

No. ITNSmai6611-01

November 8<sup>th</sup>, 2023

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

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

Business type	3rd Quarter of	3rd Quarter of	Increase/ (Decrease)	
	2022	2023	Million Baht	%
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	74.37	186.62	112.25	150.93
2. Revenue from repair services and maintenance of equipment	23.95	33.76	9.81	40.96
3. Revenue from equipment rental	0.71	1.91	1.20	169.01
<b>Total revenue from sales and services</b>	<b>99.03</b>	<b>222.29</b>	<b>123.26</b>	<b>124.47</b>
Other revenue	2.50	0.11	(2.39)	(95.60)
<b>Total revenue</b>	<b>101.53</b>	<b>222.40</b>	<b>120.87</b>	<b>119.05</b>
Cost of sales and services	(71.25)	(188.64)	(117.39)	164.76
<b>Gross profit</b>	<b>27.78</b>	<b>33.65</b>	<b>5.87</b>	<b>21.13</b>
Cost of distribution	(5.07)	(5.44)	(0.37)	7.30
Administrative expenses	(4.96)	(5.34)	(0.38)	7.66
<b>Net profit (loss) before finance costs and income tax</b>	<b>20.25</b>	<b>22.98</b>	<b>2.73</b>	<b>13.48</b>
Share of profit in joint ventures	0.46	0.36	(0.10)	(21.74)
Finance revenue	0.01	0.79	0.78	7,800.00
Finance costs	(0.01)	0.00	0.01	(100.00)
<b>Profit (loss) before income tax</b>	<b>20.71</b>	<b>24.13</b>	<b>3.42</b>	<b>16.51</b>
Income tax revenue (expense)	(3.67)	(4.76)	(1.09)	29.70
<b>Net profit (loss) for the period</b>	<b>17.04</b>	<b>19.37</b>	<b>2.33</b>	<b>13.67</b>

## Total revenue

Business type	3rd Quarter of 2022		3rd Quarter of 2023	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	74.37	73.25	186.62	83.91
2. Revenue from repair services and maintenance of equipment	23.95	23.59	33.76	15.18
3. Revenue from equipment rental	0.71	0.70	1.91	0.86
<b>Total revenue from sales and services</b>	<b>99.03</b>	<b>97.54</b>	<b>222.29</b>	<b>99.95</b>
Other revenue <sup>1</sup>	2.50	2.46	0.11	0.05
<b>Total revenue</b>	<b>101.53</b>	<b>100.00</b>	<b>222.40</b>	<b>100.00</b>

Note:

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

For Q3/2023, the Company's total revenue was Baht 222.40 million, with the Company's main revenue from equipment sales and installation services, accounted for 83.91% of the total revenue; revenue from maintenance services after the sale, accounted for 15.18% of the total revenue; and the remaining revenue was revenue from equipment rental, accounted for 0.86% of the total revenue. Since the Company is well-known and has raised funds after being listed on the Stock Exchange of Thailand, there has been an increase in the three main revenues. . The Company had customers in both the government and private sectors, as the following tables:

Revenue structure	3rd Quarter of 2022		3rd Quarter of 2023	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from government sector	23.71	23.94	41.28	18.57
2. Revenue from private sector	75.32	76.06	181.01	81.43
<b>Total revenue from sales and services</b>	<b>99.03</b>	<b>100.00</b>	<b>222.29</b>	<b>100.00</b>

From the table above, for Q3/2023, 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	3rd Quarter of 2022		3rd Quarter of 2023	
	Million Baht	%	Million Baht	%
<b>Revenue from selling equipment and installation services</b>				
- Government sector	3.39	4.56	16.12	8.64
- Private sector	70.98	95.44	170.50	91.36
<b>Total revenue from selling equipment and installation services</b>	<b>74.37</b>	<b>100.00</b>	<b>186.62</b>	<b>100.00</b>

For Q3/2023, the Company's revenue from equipment sales and installation services was Baht 186.62 million, an increase of Baht 112.25 million or 150.93% compared to the same period in the year. Most of the revenue was from equipment purchase and installation agreement with private sector clients, accounted for 91.36% of the total revenue from equipment sales and installation services due to the the large project with private sector during Q3/2023. However, approximately Baht 77.48 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 Q3/2023, the Company had revenue from repair and maintenance services (recurring income) of Baht 33.76 million, an increase of Baht 9.81 million or 40.96% compared to the same period of previous year. Due to the Company was able to extend revenue from equipment sales and installation services as a result, the Company still continuously generates revenue from repair and maintenance services to both of existing and new client. As of the end of Q3/2023, the Company had contractual value of repair and maintenance services where purchase orders had been issued by the customers totaling approximately Baht 182.85 million. This amount will be recognized as revenue over the service period by using the straight-line method.

#### Revenue from equipment rental

For Q3/2023, the Company's revenue from equipment rental (recurring income) was Baht 1.91 million, increasing by Baht 1.20 million or 169.01% compared to the same period in the previous year. As of the end of Q3/2023, the the Company had contractual value of equipment rental where the purchase order had been issued by the customers , totaling approximately Baht 6.78 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	3rd Quarter of 2022		3rd Quarter of 2023	
	Million Baht	%	Million Baht	%
Revenue from sales and services	99.03	100.00	222.29	100.00
Cost of sales and services	71.25	71.95	188.64	84.86
<b>Gross profit</b>	<b>27.78</b>	<b>28.05</b>	<b>33.65</b>	<b>15.14</b>

For Q3/2023, cost of sales and services was Baht 188.64 million, accounted for 84.86% of the revenue from sales and services, This represented an increase of Baht 117.39 million or 164.76% increase compared to the same period in the previous year. The higher cost of sales and services was mainly from the Company has approached the various types of customers and also acquired the new large project that needs the pricing strategy to seize the sale opportunities in some projects. The revenue from sales and services for Q3/2023 increased by Baht 123.26 million, or 124.47% compared to the same period in the previous year. As a result, gross profit increased by Baht 5.87 million or 21.13%.

### Cost of distribution

For Q3/2023, cost of distribution of Baht 5.44 million, accounted for 2.45% of the total revenue. The details of distribution costs are shown in following table by each period:

Cost of distribution	3rd Quarter of 2022		3rd Quarter of 2023	
	Million Baht	%	Million Baht	%
Employee expenses	2.53	49.90	2.85	52.39
Commission	1.83	36.09	1.31	24.08
Sales promotion expenses	-	-	0.24	4.41
Accommodation and travel expenses	0.22	4.34	0.28	5.15
Other cost of distribution <sup>1</sup>	0.49	9.67	0.76	13.97
<b>Cost of distribution</b>	<b>5.07</b>	<b>100.00</b>	<b>5.44</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 Q3/2023 was in the amount of Baht 5.44 million, increasing by Baht 0.37 million or 7.30% compared to the same period in the previous year. The increase in cost of distribution was from the expansion of the experienced sales team aimed at approaching new customers and generating higher revenue. Consequently, there was an increase in employee-related expense and commission by Baht 0.32 million or 12.65% compared to the same period in the previous year. Additionally,, the sales promotion expenses increase by Baht 0.24 million or 100% compared to the same period of previous year, Furthermore, other distribution costs increases by Baht 0.27 million or 55.10% compared to the same period of previous year.

### Administrative expenses

For Q3/2023, the Company had administrative expenses of Baht 5.34 million, accounted for 2.40% of the total revenue. The details of administrative expenses are shown in following table by each period:

Administrative expenses	3rd Quarter of 2022		3rd Quarter of 2023	
	Million Baht	%	Million Baht	%
Management and employee expenses	2.99	60.28	2.83	53.00
Office expenses and service fees	0.25	5.04	0.39	7.30
Bank fees	0.30	6.05	0.55	10.30
Consulting and professional service fees	0.65	13.10	0.58	10.86
Depreciation and amortization	0.45	9.07	0.45	8.42
Cost of repair, utilities, and insurance	0.20	4.03	0.27	5.06
Other administrative expenses <sup>1</sup>	0.12	2.43	0.27	5.06
<b>Administrative expenses</b>	<b>4.96</b>	<b>100.00</b>	<b>5.34</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 Q3/2023 were Baht 5.34 million, which slightly increased by Baht 0.38 million when compared to the same period in the previous year, due to an increase in the office expenses and service fees, Bank fees and other expenses related to the company listed on the Stock Exchange of Thailand

### Finance cost

The Company's finance cost for Q3/2023, which is interest expense from financial lease was Baht 3,764.10 as shown in following table:

Finance cost	2nd Quarter of 2022		2nd Quarter of 2023	
	Million Baht	%	Million Baht	%
Interest expense- liabilities from financial lease	0.01	100.00	-	-
<b>Finance cost</b>	<b>0.01</b>	<b>100.00</b>	<b>-</b>	<b>-</b>

### Net profit

For Q3/2023, the Company had a net profit of Baht 19.37 million, or a net profit margin of 8.71% of the total revenue, which increased by Baht 2.33 million or 13.67% compared to the same period in the previous year. The company's net profit growth can be attributed to its expansion in project size from both of existing and new customers and increased customer base. Furthermore, effective control of project cost of sales and service, cost of distribution and administrative expenses contributed to as a result, the increase in net profit.

### Financial position analysis

#### Total assets

At the end of Q3/2023, the Company had total assets of Baht 511.27 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 99.36% of the total assets.

Account receivables	As of December 31 <sup>st</sup> , 2022		As of September 30 <sup>th</sup> , 2023	
	Million Baht	%	Million Baht	%
Receivables with the debt which is not yet due	78.85	84.71	49.59	86.83
<b>Overdue</b>				
Less than 3 months	13.89	14.92	7.52	13.17
More than 3 - 6 months	0.34	0.37	-	-
<b>Total account receivables</b>	<b>93.08</b>	<b>100.00</b>	<b>57.11</b>	<b>100.00</b>

At the end of Q3/2023, the Company undueaccounts receivables amounted to Baht 49.59 million, accounted for 86.83% of the total account receivables. The average collection period of 40.54 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 13.17% of the total account receivables, was mainly from different payment cycles of customers. The decrease in such account receivables in Q3/2023 was due to the receipt of payments on schedule and the management of debtors on a regular basis.

In addition, at the end of Q3/2023, the Company had other current receivables Baht 0.67 million, which consisted of the Revenue Department receivable, interest receivables and other receivables.

### Contract assets -current

At the end of Q3/2023, the Company had contract assets -current which is due within 1 year amounted to Baht 16.10 million or 3.15% 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 Q3/2023 that will be able to collect within 3 months amounting to Baht 13.89 million and within 3-6 months amounting to Baht 2.21 million.

### Inventories

At the end of Q3/2023, the Company had net inventories of Baht 31.63 million, accounted for 6.19% of the total assets. Inventories consisted of equipment and work in process with the following details.

Inventories	As of December 31 <sup>st</sup> , 2022		As of September 30 <sup>th</sup> , 2023	
	Million Baht	%	Million Baht	%
Equipment and work in process	75.05	100.00	31.63	100.00
<b>Total inventories</b>	<b>75.05</b>	<b>100.00</b>	<b>31.63</b>	<b>100.00</b>

Inventories and work in process as at the end of Q3/2023 of Baht 31.63 million decreasing by 57.85% when compared to the end of 2022. The majority of these inventories are equipments which is in progress of installation and delivery. However, in compliance with the company's policy, there are no spare part inventories at the end of Q3/2023.

### Prepaid expenses

At the end of Q3/2023, the Company had Baht 62.57 million in current prepaid expenses, which represented 12.24% 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. Non-current prepaid expenses were Baht

46.03 million, represented 9.00% of the total expenses. The majority of these expenses were incurred from prepaid service costs with more than 1-year period.

### Restricted bank deposits

As of the end of Q3/2023, the Company had restricted bank deposits totaling Baht 58.49 million, representing 11.44% 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 Q3/2023 was Baht 38.35 million, accounted for 7.50% of the total assets, consisting of condominiums, equipment, tools, office decorations and office equipment, and vehicles.

At the end of Q3/2023, the Company had Buildings and equipment - net increased by Baht 5.61 million or 17.13% increase, compared to the end of 2022, mainly due to equipment for rental service to support projects in the equipment rental services.

### Total liabilities

At the end of Q3/2023, the Company had total liabilities of Baht 79.19 million, which decreased by Baht 137.84 million or 63.51% when compared to the end of 2022. 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 99.57% 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 Q3/2023, the Company had account payables and other payables totaling Baht 35.91 million or 45.34% of the total liabilities with below details.

Account payables and other payables	As of December 31 <sup>st</sup> , 2022		As of September 30 <sup>th</sup> , 2023	
	Million Baht	%	Million Baht	%
Account payables	155.21	86.91	24.93	69.42
Other payables	0.25	0.14	0.39	1.09
Project cost payables	18.59	10.41	0.88	2.45
Accrued expenses	2.48	1.39	7.87	21.92
Other current payables <sup>1</sup>	2.06	1.15	1.84	5.12
<b>Total account payables and other payables</b>	<b>178.59</b>	<b>100.00</b>	<b>35.91</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 outstanding for the equipment of sale project work. At the end of Q3/2023, account payables and other payables decreased by Baht 142.68 million compared to the end of 2022 due to payment to project cost payable. The decrease mainly occurred from payments to Account payables and accrued project costs.

### **Contract liabilities**

As of the end of Q3/2023, the Company had current contract liabilities from deferred revenue and deposit from service contracts due within 1 year totaling Baht 22.20 million, which representing 28.03% of the total liabilities. Additionally, contract liabilities due over 1 year amounted to Baht 8.67 million, representing 10.94% of the total liabilities.

### **Shareholders' equity**

Shareholder's equity at the end of Q3/2023 was Baht 432.08 million, representing 84.51% of the total liabilities and shareholders' equity. On April 26<sup>th</sup>, 2023, the Annual General Meeting of the Company's shareholders approved the payment of dividends in respect of operating results for the year 2022 at a rate of Baht 0.12 per share (220 million ordinary shares), or a total of Baht 26.40 million, to its shareholders based on the shareholder register as of March 9<sup>th</sup>, 2023. The Company has already paid the dividend on May 23<sup>rd</sup>, 2023.

However, net profit for the period 2022, the Company paid an interim dividend of Baht 0.15 per share (150 million ordinary shares), or a total of Baht 22.50 million, in September 2022.

Therefore, the approval of the payment of dividends in respect of operating results for the year 2022 was totaling Baht 0.27 per share, or a total of Baht 48.9 million.

The Company has the policy of paying dividends to shareholders at the rate of not less than 40 % of net profit from separate financial statements after deduction of corporate income tax and reserves as required by the laws and the Company's regulations.

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.

On 7 September 2023, the Company completed the repurchase of 11,000,000 shares, equivalent to 5% of the total issued shares. Therefore, the Company has declared the cessation of the share repurchase program for the purpose of financial management.



At the end of Q3/2023, the Company had outstanding treasury stocks of 11,000,000 shares in the account with an average cost of Baht 3.47 per share. The total cost was Baht 38,122,085. The treasury stocks of 11,000,000 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 the end of Q3/2023, the Company has set aside approximately Baht 38,122,085, 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 nine-month period of 2023 can be summarized as follows:

Cash flow	First 9 months of 2022	First 9 months of 2023
	Million Baht	Million Baht
Net cash flows from (used in) operating activities	68.09	(26.33)
Net cash flows from (used in) investment activities	(17.86)	(10.74)
Net cash flows from (used in) financing activities	(55.39)	(64.80)
Cash and cash equivalents net increase (decrease)	(5.16)	(101.87)
Cash and cash equivalents at the beginning of the period	29.37	252.21
Cash and cash equivalents at the end of the period	24.21	150.34

For the nine-months period of 2023, the Company had cash flow from operating activities of Baht 26.33 million. This was derived from the net profit from the first nine-months period of Baht 58.68 million, adjusted by non-cash items and finance costs amounting to Baht 1.92 million. For the first nine-month period, operating activities generated cash flow through changes in working capital of Baht 73.70 million. The most significant items contributing to changes in working capital were a decrease in account receivables and other receivables of Baht 36.99 million, including a decrease in assets arising from agreements of Baht 12.78 million, a decrease in inventory of Baht 43.42 million, an increase in contract liabilities of Baht 3.67 million, and a decrease in account payables and other payables of Baht 142.69 million.

Meanwhile, the net cashflow out from investment activities of Baht 10.74 million, mainly from the investment in equipment to support the growth of the equipment rental business and restricted bank deposit to support the business expansion.

In addition, the net cashflow out from financing activities was Baht 64.80 million, mainly from treasury stock repurchase program by Baht 38.12 million, dividend payment Baht 26.39 million and repayment debt

from lease agreements Baht 0.27 million. During the nine-month period of 2023, there were no cash inflows from capital increases or loans, resulting in a net cash flow decrease of Baht 101.87 million. At the end of Q3/2023, the company had cash and cash equivalents totaling Baht 150.34 million.

It is informed for your kind acknowledgement.

Yours Truly

---

(Miss Nattaya Nanthawanid)

Chief Financial Officer

International Network System Public Company Limited