

No. ITNSmai6702-01

February 22nd, 2024

RE: Management Discussion and Analysis for the year ended on December 31st, 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 year ended on December 31st, 2023.

Summary of operating resultys for the year ended on December 31st, 2023

Business type	2022		2023	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	451.14	81.82	553.30	80.24
2. Revenue from repair services and maintenance of equipment	93.53	16.96	126.46	18.34
3. Revenue from equipment rental	3.72	0.67	6.82	0.99
Total revenue from sales and services	548.39	99.45	686.58	99.57
Other revenue	3.01	0.55	2.96	0.43
Total revenue	551.40	100.00	689.54	100.00
Cost of sales and services	(448.43)	(81.33)	(573.68)	(83.20)
Gross profit	99.96	18.13	112.90	16.37
Cost of distribution	(15.89)	(2.88)	(21.32)	(3.09)
Administrative expenses	(19.13)	(3.47)	(20.79)	(3.02)
Net profit (loss) before finance cost and corporate income	67.95	12.32	73.75	10.70
Profit share in joint venture	0.75	0.14	1.45	0.21
Finance income	0.56	0.10	3.03	0.44
Finance cost	(0.03)	(0.01)	(0.02)	(0.00)
Profit (loss) before corporate income tax	69.23	12.56	78.21	11.34
Corporate income tax revenue (expense)	(13.96)	(2.53)	(15.36)	(2.23)
Net profit (loss) for the period	55.27	10.02	62.85	9.11

Total revenue

Business type	2022		2023	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	451.14	81.82	553.30	80.24
2. Revenue from repair and maintenance services	93.53	16.96	126.46	18.34
3. Revenue from equipment rental	3.72	0.67	6.82	0.99
Total revenue from sales and services	548.39	99.45	686.58	99.57
Other revenue ¹	3.01	0.55	2.96	0.43
Total revenue	551.40	100.00	689.54	100.00

Note:

1. Other revenue consists of Cisco marketing support and gain on disposal of assets, etc.

In 2023, the Company's total revenue was Baht 689.54 million, with the Company's main revenue from equipment sales and installation services, accounted for 80.24% of the total revenue; revenue from maintenance services after the sale, accounted for 18.34% of the total revenue; and the remaining revenue was revenue from equipment rental, accounted for 0.99% of the total revenue. If revenue from sales and service is taken into account, it is found that the company had customers in both the government and private sectors, as follows:

Revenue structure	2022		2023	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from government sector	136.38	24.87	178.21	25.96
2. Revenue from private sector	412.01	75.13	508.37	74.04
Total revenue from sales and services	548.39	100.00	686.58	100.00

From the table above, in 2023, most of the revenue from sales and services of the Company came from private sector projects. As the Company would like to reduce the risk of relying on major customers and government that their budget might be fluctuated, hence the Company has re-strategized to expand the project to new private sector customers to diversify customer-based to increase the Company's market share in the future. In 2023, the Company expanded its customer base to include over 15 new customers in various industries, including the petroleum industry, financial service business, air traffic controlling business and internet and application service provider business.

Revenue from sales and services

Revenue from selling equipment and installation services

Revenue from selling equipment and installation services	2022		2023	
	Million Baht	%	Million Baht	%
Revenue from selling equipment and installation services				
- Government sector	57.24	12.69	83.85	15.15
- Private sector	393.90	87.31	469.45	84.85
Total revenue from selling equipment and installation services	451.14	100.00	553.30	100.00

In 2023, the Company's revenue from equipment sales and installation services was Baht 553.30 million, which is an increase of Baht 102.16 million or 22.64% increase compared to the previous year. Most of the revenue was from equipment purchase and installation agreement of the private sector, accounted for 84.85% of the total revenue from equipment sales and installation services

Revenue from repair and maintenance services

In 2023, the Company had revenue from repair and maintenance services of Baht 126.46 million, which is an increase of Baht 32.93 million or a growth rate of 35.21% compared to the previous year and the end of 2023. The Company had contractual value of equipment repair and maintenance services, with purchase orders issued by the customers in both government and private sectors however the services have not been delivered, by approximately Baht 162.84 million due to service period start from 2024 to 2028. 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 2023, the Company's revenue from equipment rental was Baht 6.82 million, which increase of Baht 3.10 million from 2022 or 83.36%. At the end of 2023, the Company had contractual value of equipment rental, with purchase orders issued by the customers but has not been delivered about approximately Baht 4.86 million, the 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

Cost of sales and services and gross profit	2022		2023	
	Million Baht	%	Million Baht	%
Revenue from sales and services	548.39	100.00	686.58	100.00
Cost of sales and services	448.43	81.77	573.68	83.56
Gross profit	99.96	18.23	112.90	16.44

In 2023, the Company's cost of sales and services was Baht 573.68 million or accounted for 83.56% of the revenue from sales and services, which increased by Baht 125.25 million, accounted for 27.93% increase compared to the previous year, that is consistent with the revenue from sales and services in 2023, which increased by Baht 138.19 million or an increase of 25.20% compared to the previous year. This results in a higher gross profit margin than the previous year, which increased by Baht 12.94 million.

Cost of distribution

In 2023, the Company had cost of distribution of approximately Baht 21.32 million, accounted for approximately 3.09% of the total revenue as per below details of the change in distribution costs in each period:

Cost of distribution	2022		2023	
	Million Baht	%	Million Baht	%
Employee expenses	8.98	56.51	11.60	54.41
Commission	3.83	24.10	5.16	24.20
Sales promotion expenses	0.70	4.41	1.02	4.78
Accommodation and travel expenses	0.74	4.66	0.91	4.27
Other cost of distribution ¹	1.64	10.32	2.63	12.34
Cost of distribution	15.89	100.00	21.32	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 2023 was in the amount of Baht 21.32 million, which is an increase of Baht 5.43 million or a growth rate of 34.17% compared to the previous year. The increase was a result of the expansion of the experienced sales team to expand the market and customer base as well as an adjustment of salary base training cost and employee welfare to motivate employees, resulting in an increase

of employee-related expense of Baht 2.6 2 million along with an increase in commission expenses corresponding to the rise in income from sales and services.

Administrative expenses

In 2023, the Company had administrative expenses of Baht 20.79 million, accounted for 3.02% of the total revenue, with details of administrative expenses in each period as follows:

Administrative expenses	2022		2023	
	Million Baht	%	Million Baht	%
Management and employee expenses	11.20	58.55	11.61	55.84
Office expenses and service fees	0.89	4.65	1.05	5.05
Bank fees	1.12	5.85	1.40	6.73
Consulting and professional service fees	2.47	12.91	2.15	10.34
Depreciation and amortization	1.78	9.30	1.80	8.66
Cost of repair, utilities, and insurance	0.94	4.91	1.09	5.24
Other administrative expenses ¹	0.73	3.83	1.69	8.14
Administrative expenses	19.13	100.00	20.79	100.00

Note:

- Other administrative expenses consisted of public relations fee, website service charge, regulatory fee for stock exchange of Thailand, donations, parking fees for employees and visitors, etc.

The Company's administrative expenses in 2023 was Baht 20.79 million, which increased by Baht 1.66 million, compared to the previous year, due to an increase in the expenses of regulatory fee for stock exchange of Thailand, website service charge, public relations fee, expense for annual report , etc. In addition, salary, bonus, training cost and welfare were increased to motivate employees.

Finance cost

The Company's finance cost in 2023 was Baht 0.02 million, accounted for 0.00% of the total revenue with the following details.

Finance cost	2022		2023	
	Million Baht	%	Million Baht	%
Interest expense-Overdraft loans and short-term loan	0.0004	1.32	-	-
Interest expense-Finance lease liabilities	0.0300	98.68	0.02	100.00
Finance cost	0.0304	100.00	0.02	100.00

Profit share in joint venture

In 2023, the Company's profit share in joint ventures was Baht 1.45 million, accounted for 0.21% of the total revenue, which increased by Baht 0.70 million, accounted for 93.33% increase compared to the previous year, that is consistent with the profit share was from SPIT Joint Venture (Joint Venture), calculated by using equity method. The joint Venture recognized revenue and cost in July 2022.

Net profit

In 2023, the Company had a net profit of Baht 62.85 million, or a net profit margin of 9.11 % of the total revenue, which increased by Baht 7.58 million, or a growth rate of 13.71% compared to the previous year because the company able to expand the size of project acceptance for both old and new customers. It is also able to expand the new customer base even more. As a result, the company has increased income from all 3 main businesses of the company, including income from equipment sales. and provide installation services, income from repair services and equipment maintenance and income from equipment rental.

Financial position analysis

Total assets

At the end of 2023, the Company had total assets of Baht 576.07 million, which decrease from the end of 2022 amount Baht 90.41 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, long-term loan, and property, plant, and equipment, which represented 99.48% 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	2022		2023	
	Million Baht	%	Million Baht	%
Receivables with the debt which is not due yet	78.85	84.71	74.48	58.59
Overdue				
Less than 3 months	13.89	14.92	52.64	41.41
More than 3 - 6 months	0.34	0.37	-	-
Total account receivables	93.08	100.00	127.12	100.00

At the end of 2023, the Company had account receivables that were not due in the amount of Baht 74.48 million, accounted for 58.59% of the total account receivables, with an average collection period of 59 days, and this is consistent with the credit term offered to the Company's customers, which is approximately 30-90 days. Furthermore, an analysis of the aging of the accounts receivable revealed that 41.41% were overdue by less than 3 months.. The increase in accounts receivable in 2023 was primarily due to end-of-year billing, with invoices not yet due. In addition, the Company had other current receivables, which consisted of

interest receivables and other receivables, etc. At the end of 2023, other current receivables were Baht 3.11 million.

Inventories

At the end of 2023, the Company had net inventories of Baht 16.33 million, accounted for 2.83% of the total assets. Inventories consisted of equipment and work in process with the following details.

Inventories	2022		2023	
	Million Baht	%	Million Baht	%
Equipment and work in process	75.05	100.00	16.33	100.00
Total inventories	75.05	100.00	16.33	100.00

At the end of 2023, the Company had inventories and work in process of Baht 16.33 million, due to in progress of installation of equipment and delivery to customers, which is accounted for the decrease of 78.24%, compared to the end of 2022. This was because the company has already been delivered to the customers.

Prepaid expenses

At the end of 2023, the Company had Baht 58.37 million in current advance expenses, which represented 10.13% of total assets. These expenses consisted primarily of 1) prepaid service costs, which were costs of equipment repair and maintenance services. These costs facilitated full cash flow for purchasing insurance from product owners, enabling the Company to obtain trade discounts; and 2) prepaid insurance costs from purchasing a product warranty agreement under the Service - Type Warranty, etc. Noncurrent prepaid expenses were Baht 40.52 million, represented 7.03% of total expenses. The majority of these expenses stemmed from prepaid service costs extending over a period exceeding one year.

Property, plant, and equipment

Property, plant, and equipment at the end of 2023 was Baht 36.90 million, accounted for 6.41% of the total assets, consisting of condominiums, equipment, tools, decorations and office equipment, and vehicles, etc. The Company had property, plant, and equipment-net increased by Baht 4.16 million, representing 12.70% increase, compared to the end of 2022, mainly due to investment in equipment for the projects, equipment rental services.

Total liabilities

At the end of 2023, the Company had total liabilities of Baht 127.98 million, which decreased from the end of 2022 amount Baht 89.05 million. The Company's significant liabilities consisted of account payables and other payables, contract liabilities, provision of employee benefits, accrued income tax and other current liabilities, accounted for 99.81% of the total liabilities. The details of the company's significant liabilities are as follows.

Account payables and other payables

The Company had account payables and other payables which consisted of account payables, other payable, accrued project costs, accrued expenses and other current payables, etc. At the end of 2023, the Company had account payables and other payables of Baht 85.38 million, accounted for 66.71% of the total liabilities. Further details are provided below.

Account payables and other payables	2022		2023	
	Million Baht	%	Million Baht	%
Account payables	155.21	86.91	76.78	89.93
Other account payables	0.25	0.14	0.32	0.37
Accrued project costs	18.59	10.41	1.25	1.46
Accrued expenses	2.48	1.39	4.25	4.98
Other current payables ¹	2.06	1.15	2.78	3.26
Total account payables and other payables	178.59	100.00	85.38	100.00

Note:

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

Account payables represent outstanding payments for goods purchased by the Company in order to be used in equipment sale project work. As of the end of 2023, the Company had account payables of Baht 76.78 million, accounted for 60.00% of the total liabilities. At the end of 2023, the Company's account payables decreased by Baht 78.43 million, accounted for 50.53% decrease. This decrease was primarily attributed to payments made to creditors and the absence of new goods purchases towards the end of the year, which correlates with the decrease in inventories.

Shareholders' equity

The shareholders' equity of the Company at the end of 2023 was Baht 448.09 million, accounted for 77.78% of the total liabilities and shareholders' equity which decreased by Baht 1.36 million, accounted for 0.30% decrease compared to the previous year, due to the repurchase of shares in the amount of baht 38.12 million and the dividend payment amount of baht 26.40 million and the increase was due to comprehensive profit for the year in the amount of baht 63.15 million. The details are as follows:

On April 26th, 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 9th, 2023. The Company has already paid the dividend on May 23rd, 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 10th, 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 15th, 2023, to October 12th, 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 2023, the Company had outstanding treasury stocks totaling 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 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 2023 can be summarized as follows:

Cash flow	2022	2023
	Million Baht	Million Baht
Net cash flows from (used in) operating activities	82.82	(3.98)
Net cash flows from (used in) investment activities	(63.51)	(7.79)
Net cash flows from (used in) financing activities	203.53	(64.89)
Cash and cash equivalents net increase (decrease)	222.84	(76.66)
Cash and cash equivalents at the beginning of the year	29.37	252.21
Cash and cash equivalents at the end of the year	252.21	175.55

In 2023, the Company had cash flow used in operating activities of Baht 3.98 million, cash flow from profit before income tax for 2023 of Baht 78.20 million and adjusted by non-cash items and finance cost of

Baht 0.07 million, which were mainly due to depreciation and amortization expenses of Baht 5.98 million. Furthermore, in 2023, operating activities were adjusted to cash with changes in working capital in the amount of Baht 67.47 million. Significant factors contributing to changes in working capital were an increase in account receivables and other receivables of Baht 33.15 million, an decrease in contract assets of Baht 15.99 million, an decrease in inventories of Baht 58.72 million, an increase in contract liabilities of Baht 2.74 million, and an decrease in account payables and other payables in the amount of Baht 93.22 million.

While cash flow used in investing activities was Baht 7.79 million, resulting from an increase in deposits at the bank pledged as collateral in submitting bidding and contracting work to be in line with the company's expansion in the amount of Baht 6.54 million, cash received from repayment of loans to related parties in the amount of Baht 5.46 million and cash paid for purchases of fixed assets and intangible assets amounted to Baht 9.89 million. Most of which were investments in equipment to support the growth of the equipment rental business, interest received from long-term loan to related party and bank amounted to Baht 2.43 million and receiving profit sharing from the joint venture in the amount to Baht 0.75 million.

The net cash flows used in financing activities amounted to Baht 64.89 million, primarily due to the payment of share repurchases totaling Baht 38.12 million and the payment of dividends the amount to Baht 26.39 million.

However, the Company had no cash inflow from borrowing. Consequently, the Company had a net cash flow in 2023 decreased by Baht 76.66 million and its cash and cash equivalents at the end of 2023 totaled Baht 175.55 million.

It is informed for your kind acknowledgement.

Yours Truly

-Signature-

(Miss Nattaya Nanthawanid)

Chief Financial Officer

International Network System Public Company Limited