

No ITNSmai6705-02

May 8<sup>th</sup>, 2024

RE: Management Discussion and Analysis for the period of 3 months ended March 31<sup>st</sup>, 2024

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 March 31<sup>st</sup>, 2024 as follows:

**Summary of operating results for the period of 3 months ended on March 31<sup>st</sup>, 2024**

Business type	Q1/2023		Q1/2024	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	124.64	80.65	91.90	74.47
2. Revenue from repair services and maintenance of equipment	28.75	18.60	29.40	23.82
3. Revenue from equipment rental	1.09	0.71	1.89	1.53
<b>Total revenue from sales and services</b>	<b>154.48</b>	<b>99.95</b>	<b>123.19</b>	<b>99.83</b>
Other revenue	0.07	0.05	0.21	0.17
<b>Total revenue</b>	<b>154.55</b>	<b>100.00</b>	<b>123.40</b>	<b>100.00</b>
Cost of sales and services	(131.42)	(85.03)	(101.04)	(81.88)
<b>Gross profit</b>	<b>23.06</b>	<b>14.92</b>	<b>22.15</b>	<b>17.95</b>
Cost of distribution	(5.44)	(3.52)	(4.59)	(3.72)
Administrative expenses	(5.25)	(3.40)	(5.44)	(4.41)
<b>Net profit (loss) before finance cost and corporate income tax</b>	<b>12.44</b>	<b>8.05</b>	<b>12.33</b>	<b>9.99</b>
Profit share in joint venture	0.36	0.23	0.38	0.31
Finance revenue	0.47	0.30	0.89	0.72
Finance cost	(0.01)	(0.01)	0.00	0.00
<b>Profit (loss) before corporate income tax</b>	<b>13.26</b>	<b>8.58</b>	<b>13.60</b>	<b>11.02</b>
Corporate income (expense) tax revenue	(2.58)	(1.67)	(2.69)	(2.18)
<b>Net profit (loss) for the period</b>	<b>10.68</b>	<b>6.91</b>	<b>10.91</b>	<b>8.84</b>

**Total revenue**

Business type	Q1/2023		Q1/2024	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from selling equipment and installation services	124.64	80.65	91.90	74.47
2. Revenue from repair and maintenance services	28.75	18.60	29.40	23.82
3. Revenue from equipment rental	1.09	0.71	1.89	1.53
<b>Total revenue from sales and services</b>	<b>154.48</b>	<b>99.95</b>	<b>123.19</b>	<b>99.83</b>
Other revenue <sup>1</sup>	0.07	0.05	0.21	0.17
<b>Total revenue</b>	<b>154.55</b>	<b>100.00</b>	<b>123.40</b>	<b>100.00</b>

Note :

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

For Q1/2024, the Company's total revenue was Baht 123.40 million, with the Company's main revenue from equipment sales and installation services, accounted for 74.47% of the total revenue; revenue from maintenance services after the sale, accounted for 23.82% of the total revenue; and the remaining revenue was revenue from equipment rental, accounted for 1.53% of the total revenue. However, 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	Q1/2023		Q1/2024	
	Million Baht	%	Million Baht	%
Revenue from sales and services				
1. Revenue from government sector	31.48	20.38	56.59	45.94
2. Revenue from private sector	123.00	79.62	66.60	54.06
<b>Total revenue from sales and services</b>	<b>154.48</b>	<b>100.00</b>	<b>123.19</b>	<b>100.00</b>

From the table above, for Q1/2023, most of the revenue from sales and services of the Company came from private sector projects. For Q1/2024, the revenue from sales and services of the Company came from both private and government sector projects in similar proportions. This is because the Company received work from existing government sector customers and new government agencies, which is in line with the Company's continuous strategic plan to expand the work and customer base. This strategy aims to reduce the reliance on major customers or any particular customer. The Company still has plans to expand the customer base 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	Q1/2023		Q1/2024	
	Million Baht	%	Million Baht	%
Revenue from selling equipment and installation services				
- Government sector	9.67	7.76	33.95	36.94
- Private sector	114.97	92.24	57.95	63.06
<b>Total revenue from selling equipment and installation services</b>	<b>124.64</b>	<b>100.00</b>	<b>91.90</b>	<b>100.00</b>

For Q1/2024, the Company's revenue from equipment sales and installation services was Baht 91.90 million, which decreased by Baht 32.74 million or 26.27% compared to the same period in the previous year. This is because the nature of the work in Q1/2024 consisted of more equipment sales with installation services projects than the same period in the previous year. The revenue was generated from both existing and new customers in both the public and private sectors. As of the end of Q1/2024, the Company still has approximately Baht 49.48 million worth of project work that has not yet been delivered, which the Company will gradually recognize as revenue in the following period.

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

For Q1/2024, the Company had revenue from repair and maintenance services of Baht 29.40 million, which is an increase of Baht 0.65 million or a growth rate of 2.26% compared to the same period of the previous year. At the end of Q1/2024, the Company had contractual value of equipment repair and maintenance services where the purchase orders was issued by the customers but had not been delivered, of approximately Baht 148.88 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**

For Q1/2024, the Company's revenue from equipment rental was Baht 1.89 million, which is an increase of Baht 0.80 million compared to the same period of the previous year. At the end of Q1/2024, the the Company had contractual value of equipment rental, with purchase orders had been issued by the customers but has not been delivered about approximately Baht 7.87 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**

Cost of sales and services and gross profit	Q1/2023		Q1/2024	
	Million Baht	%	Million Baht	%
Revenue from sales and services	154.48	100.00	123.19	100.00
Cost of sales and services	131.42	85.07	101.04	82.02
<b>Gross profit</b>	<b>23.06</b>	<b>14.93</b>	<b>22.15</b>	<b>17.98</b>

For Q1/2024, the Company's cost of sales and services was Baht 101.04 million, accounting for 82.02% of the revenue from sales and services, which decreased by Baht 30.38 million, representing a decrease of 23.12% compared to the same period in the previous year. This decrease was in line with the decrease in revenue from sales and services in Q1/2024, which decreased by Baht 31.29 million, representing a decrease of 20.26% compared to the same period in the previous year. This was attributed to the fact that in Q1/2024, most of the revenue that the Company received revenue from projects of varying sizes from both existing and new customers in both the public and private sectors, which had different levels of competition in each agency. As a result, the Company's gross profit decreased by approximately Baht 0.91 million, representing a decrease of 3.95%. However, the gross profit margin increased by 3.05% from the same period in the previous year.

### Cost of distribution

For Q1/2024, the Company had cost of distribution of approximately Baht 4.59 million, accounted for approximately 3.72% of the total revenue as per below details of the change in distribution costs in each period:

Cost of distribution	Q1/2023		Q1/2024	
	Million Baht	%	Million Baht	%
Employee-related expenses	3.15	57.90	2.51	54.68
Commission	1.33	24.45	0.99	21.57
Sales promotion expenses	0.06	1.10	-	-
Accommodation and travel expenses	0.25	4.60	0.20	4.36
Other cost of distribution <sup>1</sup>	0.65	11.95	0.89	19.39
<b>Cost of distribution</b>	<b>5.44</b>	<b>100.00</b>	<b>4.59</b>	<b>100.00</b>

Note :

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

For Q1/2024, the Company's distribution costs amounted to Baht 4.59 million, a decrease of Baht 0.85 million or a decrease of 15.63% compared to the same period of the previous year. This was due to a reduction in sales staff, resulting in a decrease in employee-related expenses.

### Administrative expenses

For Q1/2024, the Company had administrative expenses of Baht 5.43 million, accounted for 4.41% of the total revenue, with details of administrative expenses in each period as follows:

Administrative expenses	Q1/2023		Q1/2024	
	Million Baht	%	Million Baht	%
Management and employee expenses	2.98	56.87	3.33	61.33
Office expenses and service fees	0.21	4.00	0.31	5.70
Bank fees	0.25	4.77	0.17	3.13
Consulting and professional service fees	0.59	11.26	0.58	10.68
Depreciation and amortization	0.44	8.40	0.45	8.29
Cost of repair, utilities, and insurance	0.21	4.01	0.26	4.79
Other administrative expenses <sup>1</sup>	0.56	10.69	0.33	6.08
<b>Administrative expenses</b>	<b>5.24</b>	<b>100.00</b>	<b>5.43</b>	<b>100.00</b>

Note :

1. Other administrative expenses i.e. parking fees for employees and visitors, donation, other fees and service fees related to listed company etc.

For Q1/2024, the Company's administrative expenses amounted to Baht 5.43 million, which slightly increased by approximately Baht 0.19 million compared to the same period of the previous year. The increase was due to higher expenses related to executives and employees as a result of adjustments to compensation in order to motivate employees and the reallocation of manpower within the Company to align with and support the operations.

### Finance cost

The Company's finance cost for Q1/2024 was Baht 0.00 million, accounted for 0.00% of the total revenue. The Company's finance cost included interest expense – liabilities from financial lease with the following details.

Finance cost	Q1/2023		Q1/2024	
	Million Baht	%	Million Baht	%
Interest expense- liabilities from financial lease	0.01	100.00	0.00	100.00
<b>Finance Cost</b>	<b>0.01</b>	<b>100.00</b>	<b>0.00</b>	<b>100.00</b>

### Net profit

For Q1/2024, the Company had a net profit of Baht 10.91 million, or a net profit margin of 8.84% of total revenue, which increased by Baht 0.23 million, or an increase of 2.15% compared to the same period of the previous year. The increase was mainly due to effective control of cost of sales and services, distribution costs, and administrative expenses.

### Financial position analysis

#### Total assets

At the end of Q1/2024, the Company had total assets of Baht 554.82 million, which is a decrease from the end of 2023, in which the Company's total assets were Baht 576.08 million. The Company's significant assets were cash and cash equivalents, account receivables and other receivables, contract asset, inventories, prepaid expenses, bank deposits with collateral, long-term loan, and property, plant, and equipment, which represented 99.42% of the total assets. Details of the Company's significant assets during the past periods are as follows.

Account receivables	As of December 31, 2023		As of December 31, 2024	
	Million Baht	%	Million Baht	%
Receivables with the debt which is not due yet	74.48	58.59	28.16	26.23
<b>Overdue</b>				
Less than 3 months	52.64	41.41	62.13	57.88
More than 3 - 6 months	-	-	17.06	15.89
<b>Total account receivables</b>	<b>127.12</b>	<b>100.00</b>	<b>107.35</b>	<b>100.00</b>

At the end of Q1/2024, the Company had account receivables that were not due in the amount of Baht 28.16 million, accounting for 26.23% of the total account receivables, with an average collection period of 86.84 days, which 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 overdue less than 3 months accounted for 57.88% of the total account receivables, and account receivables overdue more than 3 months but not exceeding 6 months, which were from 1 existing

government sector customer and 1 existing private sector customer, accounted for 17.06% of the total account receivables. Most of the delays in payment were due to different payout cycles of customers and disbursement procedures. The decrease in such account receivables in Q1/2024 was due to the receipt of payments on schedule and the management of debtors on a regular basis.

In addition, the Company had other current receivables, which consisted of interest receivables and other receivables, etc. At the end of Q1/2024, other current receivables were Baht 1.68 million.

### Assets arising from revolving agreements

At the end of Q1/2024, the Company had assets arising from revolving agreements in which the payment is due within 1 year with a total value of Baht 20.59 million, representing 3.71% of the total assets arising from revolving agreements. These assets consist of revenues that have not yet been collected from repair and maintenance services provided to customers during the accounting period but are not yet due for payment. These assets will be recognized as account receivables when the payment due date is reached, and the Company has issued invoices to customers. However, the remaining value of these assets as of the end of Q1/2024 can be collected within 3 months, amounting to Baht 19.69 million, or within 3-6 months, amounting to Baht 0.90 million.

### Inventories

At the end of Q1/2024, the Company had net inventories of Baht 10.46 million, accounted for 1.88% of the total assets. Inventories consisted of equipment and work in process with the following details.

Inventories	As of December 31 <sup>st</sup> , 2023		As of December 31 <sup>st</sup> , 2024	
	Million Baht	%	Million Baht	%
Equipment and work in process	16.33	100.00	10.46	100.00
<b>Total inventories</b>	<b>16.33</b>	<b>100.00</b>	<b>10.46</b>	<b>100.00</b>

At the end of Q1/2024, the Company had inventories and work in process totaled Baht 10.46 million, which consisted of equipment waiting to be installed. This represented a decrease of 35.95% compared to the end of 2023. The decrease was due to more deliveries to customers within Q1/2024 and no receipt of goods at the end of Q1/2024. However, the Company does not have a policy of purchasing goods in advance to keep as inventory, resulting in no remaining spare parts inventory at the end of Q1/2024.

### Prepaid expenses

At the end of Q1/2024, the Company had Baht 65.67 million in current prepaid expenses, which represented 11.82% 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 38.72

million, representing 6.98% of the total expenses. Most of these expenses were incurred from prepaid service costs with a period of more than 1 year.

### Bank deposits with collateral

At the end of Q1/2024, the Company had bank deposits with collateral totaling Baht 59.49 million, representing 10.72% 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 etc.

### Property, plant, and equipment

Property, plant, and equipment at the end of Q1/2024 was Baht 35.37 million, accounting for 6.37% of total assets, consisting of condominiums, equipment, tools, office decorations and equipment, rental equipment, and vehicles, etc.

At the end of Q1/2024, the Company had property, plant, and equipment-net decreased by Baht 1.54 million, representing a decrease of 4.17%, compared to the end of 2023. The main reason was due to depreciation during the period and the sale of damaged and unused office equipment.

### Total liabilities

At the end of Q1/2024, the Company had total liabilities of Baht 95.81 million, a decrease of Baht 32.17 million, representing a decrease of 25.14% from the end of 2023, which was Baht 127.98 million. The Company's significant liabilities consisted of account payables and other payables, agreement liabilities, unpaid income tax, and provision of employee benefits, accounting for 99.84% of 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 payables, project cost payables, and other current payables, etc. At the end of Q1/2024, the Company had account payables and other payables of Baht 56.03 million, accounted for 58.48% of the total liabilities with below details.

Account payables and other payables	As of December 31 <sup>st</sup> , 2023		As of December 31 <sup>st</sup> , 2024	
	Million Baht	%	Million Baht	%
Account payables	76.78	89.93	47.11	84.08
Other payables	0.32	0.37	0.25	0.45
Project cost payables	1.25	1.46	0.36	0.64
Accrued expenses	4.25	4.98	6.53	11.65
Other current payables <sup>1</sup>	2.78	3.26	1.78	3.18
<b>Total account payables and other payables</b>	<b>85.38</b>	<b>100.00</b>	<b>56.03</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 are debts arising from unpaid goods purchased by the Company for use in a project to sell equipment. At the end of Q1/2024, the Company's account payables and other payables decreased by Baht 29.35 million, mostly due to a decrease in account payables and project cost payables.

#### **Liabilities from agreement**

At the end of Q1/2024, the Company had current agreement liabilities, which are advance receipts of obligations that have not yet been recognized as revenue and must be performed within 1 year, amounting to Baht 16.35 million, accounting for 17.07% of total liabilities. The Company also had non-current agreement liabilities, which are liabilities under agreements that are due after 1 year, with an estimated value of Baht 10.37 million, accounting for 10.82% of total liabilities.

#### **Shareholders' equity**

The Company's shareholders' equity at the end of Q1/2024 was Baht 459.00 million, accounting for 82.73% of total liabilities and shareholders' equity. On April 18<sup>th</sup>, 2024, the shareholders' meeting approved the payment of annual dividends for 2023 from the net profit at a rate of Baht 0.124 per share (for 209 million shares), totaling Baht 25.92 million, to shareholders whose names appeared in the shareholders' register on March 7<sup>th</sup>, 2024. The source of funds for the dividend payment came from cash flow from business operations, and the dividends will be paid on May 14<sup>th</sup>, 2024.

#### **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 Q1/2024 can be summarized as follows:

Cash flow	Q1/2023	Q1/2024
	Million Baht	Million Baht
Net cash flows from (used in) operating activities	1.27	(9.71)
Net cash flows from (used in) investment activities	(6.68)	0.73
Net cash flows from (used in) financing activities	(0.10)	(0.09)
Cash and cash equivalents net increase (decrease)	(5.51)	(9.07)
Cash and cash equivalents at the beginning of the period	252.21	175.55
Cash and cash equivalents at the end of the period	246.70	166.48



During Q1/2024, the Company had a cash outflow of Baht 9.71 million from operating activities. This was derived from the net profit of Baht 10.91 million for Q1/2024, adjusted by non-cash items and finance costs amounting to Baht 3.42 million, mainly from income tax expenses of Baht 2.69 million, and depreciation and amortization expenses of Baht 1.60 million. In addition, in Q1/2024, operating activities adjusted for cash flow through changes in working capital of Baht 22.93 million. The key items that led to changes in working capital were a decrease in account receivables and other receivables of Baht 21.63 million, an increase in assets resulting from agreements of Baht 7.70 million, a decrease in inventory of Baht 5.87 million, a decrease in liabilities from agreements of Baht 3.21 million, and a decrease in account payables and other payables of Baht 29.35 million.

Meanwhile, the cash flow generated from investment activities had a value of Baht 0.73 million, which was derived from the receipt of loan repayment from a joint venture of Baht 1.41 million, receipt of interest of Baht 0.30 million, and an increase in deposits as collateral to financial institutions to increase the credit line to support the Company's operations by Baht 1.00 million.

In addition, net cash flow used in financing activities was Baht 0.09 million, which was used to repay debt from lease agreements. The Company did not receive any cash inflow from capital increases or loans, resulting in a decrease in net cash flow of Baht 9.07 million for Q1/2024. At the end of Q1/2024, the Company had cash and cash equivalents of Baht 166.48 million.

It is informed for your kind acknowledgement.

Yours Truly

-Signature-

(Miss Nattaya Nanthawanid)

Chief Financial Officer

International Network System Public Company Limited