บริษัท สแกน อินเตอร์ จำกัด (มหาชน)
SCAN INTER PUBLIC COMPANY LIMITED
355 ถนนบอนด์สตรีท ตำบลบางพูด อำเภอปากเกร็ด จังหวัดนนทบุรี 11120
355 BONDSTREET RD., BANGPOOD, PAKKRED, NONTHABURI 11120
TEL. 0-2503-4116-21 FAX : 0-2503-4400

Scan Inter (Public) Company Limited

Management Discussion & Analysis

Operation results for quarter 2/2017 ended on 30 June 2017

The Company's main mission is to research and develop clean energy manufacturing technologies in response to the country's demands in a sustainable manner along to applying the latest technology to add value to business and utilize limited energy resources to their fullest extent to support Thailand's energy stability. The Company therefore aims to continuously expand businesses related to natural gas since 2015 onwards, especially in recurring income businesses e.g. expanding the NGV service station businesses, selling compressed natural gas to industrial plants (iCNG) and efficient operations in other natural gas related businesses including renewable energy business from solar energy once again which may earn recurring income from early 2017 onwards.

1. Executives' conclusions

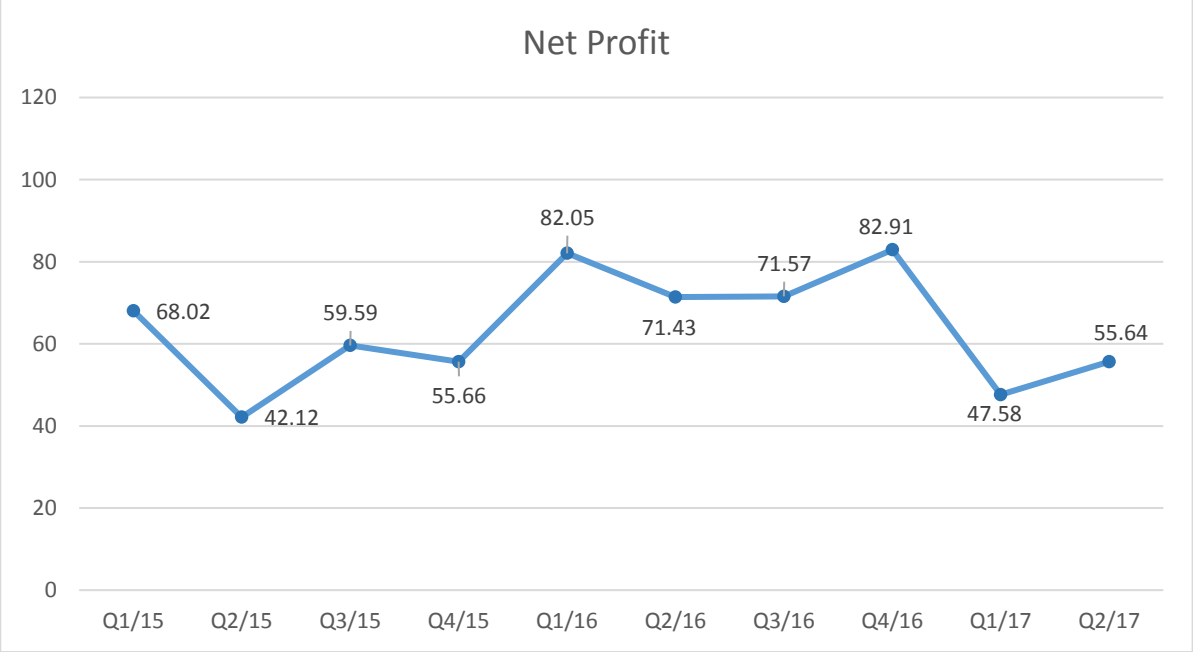


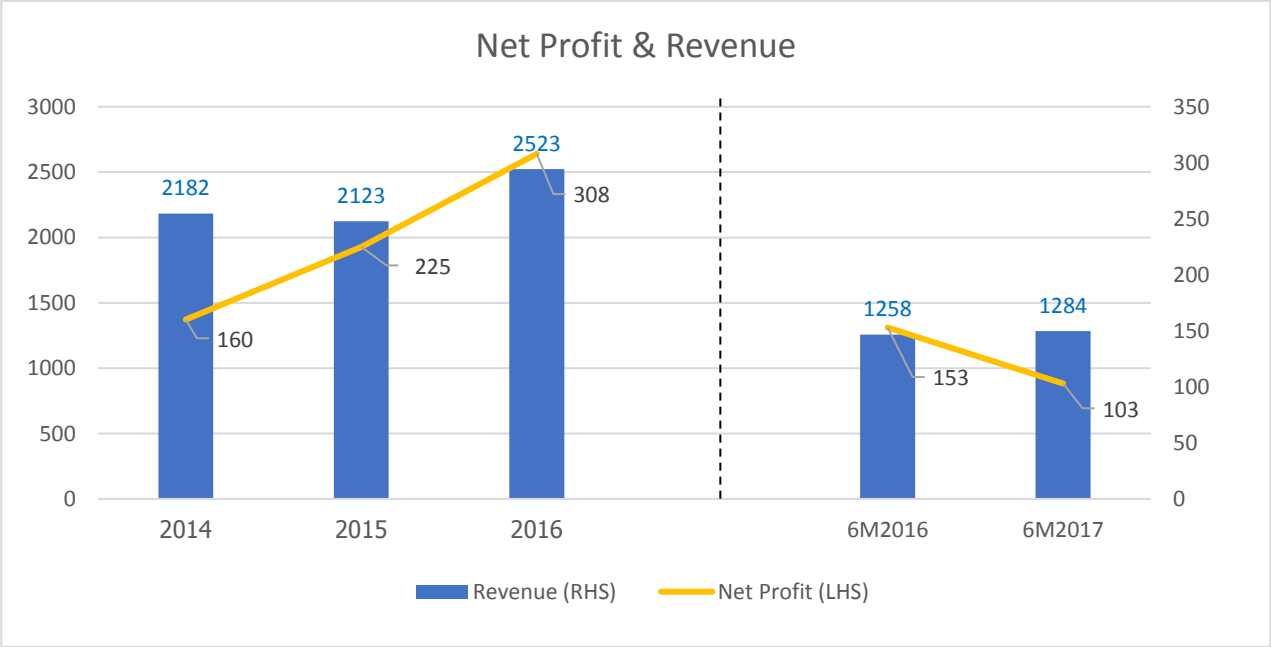
Diagram 1.1 the quarterly net profit since quarter 1/2015 to quarter 2/2017

As for the operation results during the first half of 2017, the Company gained net profit totaling 103.22 million THB. The net profit in quarter 1 and quarter 2 totaled 47.58 million THB and 55.64 million THB accordingly. the net profit in quarter 2/2017 increased from quarter 1/2017 by 8.06 million THB or an increase of 17% from natural gas related businesses with recurring income as the main source especially in the iCNG sector with a significant income growth of over 90% once compared to the first half of 2017 including the renewable energy business of solar cells, earned recurring income in the first half of 2017 of over 20 million THB.

While the overall image of NGV consumption nationwide in the first half of 2017 had decreased from the second half of 2016 at approximately 8%, it did not affect NGV service station businesses of the Company whatsoever. The Company still earned revenue and had a normal level of NGV consumption. The Company sees the opportunity to earn satisfying compensations for all stakeholder groups and build the Company's stability by signing 5 gas (according to its heat index) trade contracts from PTT. The Company also aims to continue constructing all 5 service stations to be complete within 2017 by using existing resources to its fullest extent to earn continuous recurring income in the future.

As for operations in the first half of 2017, the net profit totaled 103.22 million THB mostly originated from recurring income businesses. Once compared to the operation results in the first half of 2016 with net profit of 153.48 million THB, mostly from the construction contracting business. Yet profit from the construction contracting business is unstable, therefore the Company aims to follow the policies told to investors which were mainly revenue expansion and the profit from recurring income business. Therefore, we may clearly see the Company grow in a planned direction.

2. Operation results analysis of quarter 2/2017



Note: the net profit of 2013 and 2014 were net profit after deducting the profit after selling the solar cell business and profit from special projects

Diagram 2.1 A comparison between the revenue and net profit

As for the operation results during 2014 – 2016, the Company's net profit grew significantly from 160 million THB to 225 million THB and 308 million THB accordingly. The net profit was gained from businesses with differently noticeable revenue which could be divided into 2 great groups; businesses that earn continuous revenue (recurring income) and businesses that earned revenue and compensations once completed (non recurring income). The revenue structure follows the Company's business plans.

If the operation results in the first half of 2016 and 2017 were compared, the Company had different revenue ratios from the 2 different business types. In the first half of 2016, the Company earned revenue from non recurring income businesses at a ratio higher than in 2017 and at a good compensation rate at that time. As for the first half of 2017, the Company have targeted to use existing resources to expand new businesses which are businesses that can earn stable and recurring income, especially 5-6 NGV service station businesses that are still under construction. They shall be completed within 2017. SCN is the sole constructor of these stations, therefore, the Company's revenue from the construction contracting business (a non recurring income business) decreased from 2016.

When the NGV service stations are completed, the Company's revenue from recurring income businesses will increase up to 5-6 stations from the present of 7 stations (including the Company's collaboration with 3 SUSCO stations) which will result in more stable and continuous revenue for the Company.

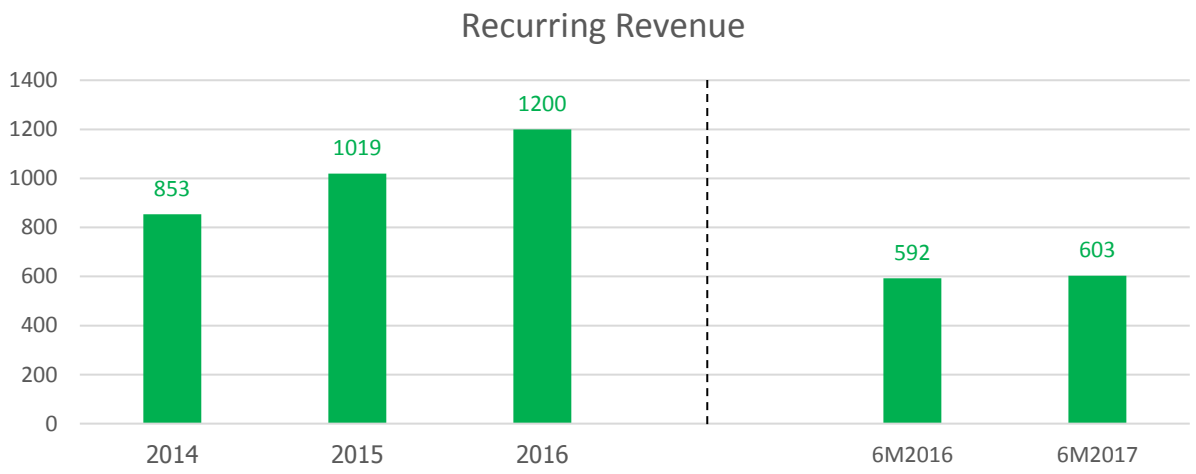


Diagram 2.2 Total recurring revenue from recurring income businesses

The Company gained revenue from recurring income business according to business plans as shown in Diagram 2.2. the total revenue in the first half of 2017 still originates from increased recurring income even though the consumption levels of NGV in the overall image of the country and decreased as seen in the media, still it doesn't

affect the Company whatsoever. Revenue from recurring income businesses grow significantly when 5-6 NGV service stations that the Company is building had been completed and opened for business.

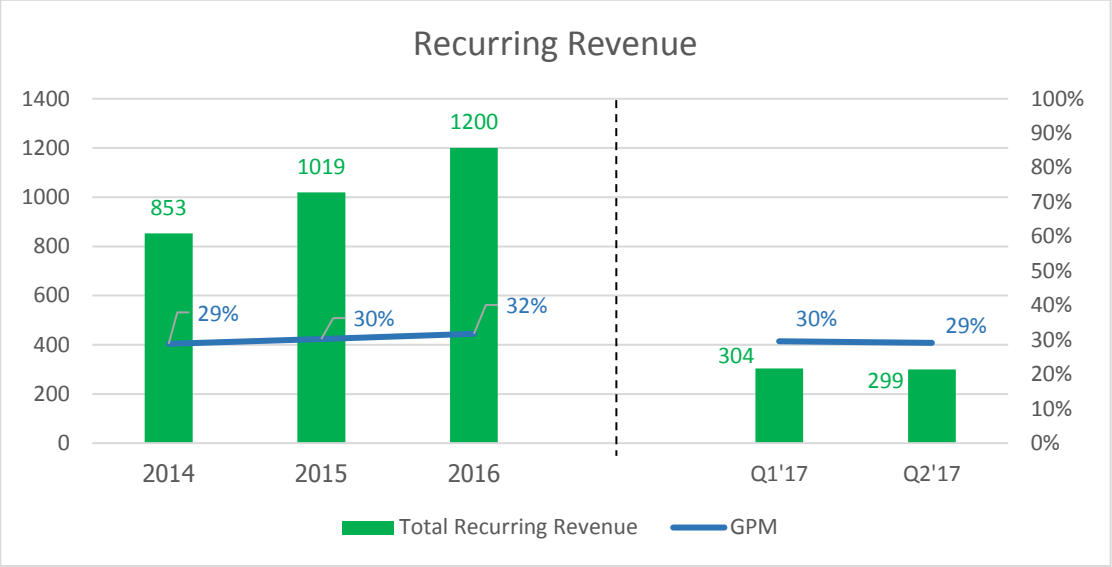


Diagram 2.3 Recurring income and gross profit margin from recurring businesses

In quarter 1/2017 and quarter 2/2017 the revenue and GPM rate from recurring income are similar, despite different economic situations. This shows that recurring income businesses do well, therefore the Company shall aim to expand these types of business following the Company's plans.

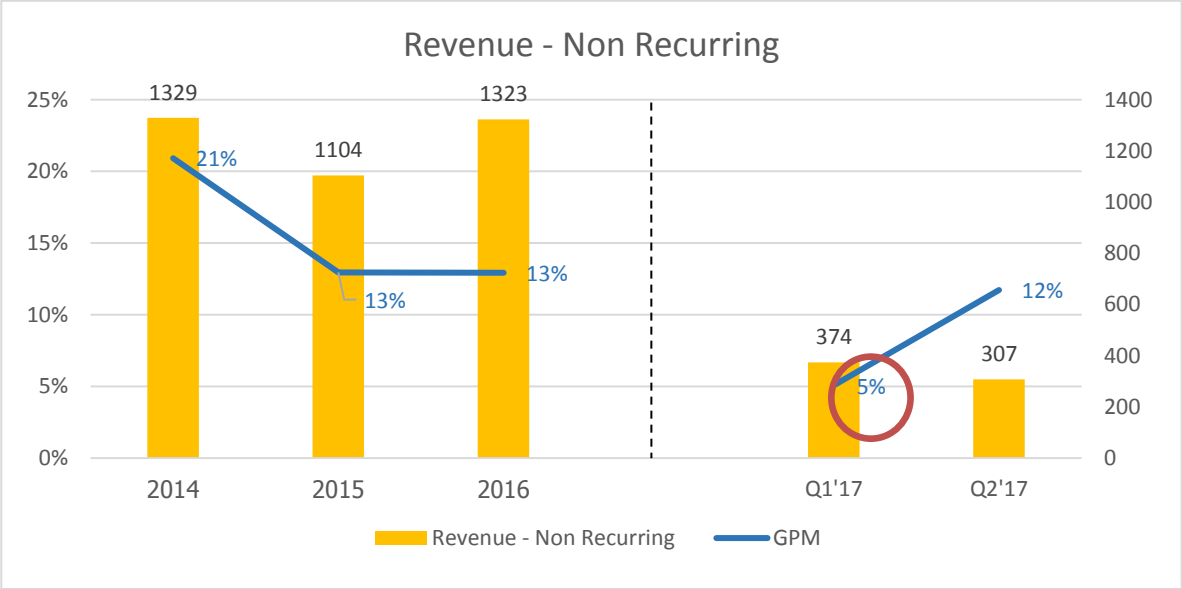


Diagram 2.4 Non Recurring Income and Gross Profit Margin from businesses that are compensated once a task is completed

As for non recurring income businesses, mostly are designing, manufacturing, installing, contracting and maintenance including selling parts, equipment, and machines related to natural gas. The revenue and returns differ according to the auctioned project size. Normally the Company has regular Backlogs. Once compared to the revenue in quarter 1/2017 and quarter 2/2017, the Company earned similar revenue from both fields, but the difference is from the details of the project. Projects that require specialized knowledge and high technology earn better GPM when compared to quarter 1, which included building a carbon dioxide system for a client. the task did not require high technology and therefore ad high competency in the market. This affected the GPM in quarter 1/2017 by 5% and quarter 2/2017 by 12%.

3. An explanation on the financial statement

3.1 Operation results in quarter 2/2017 compared to quarter 1/2017

Sales and services revenue in total from quarter 2/2017 equaled 580.33 million THB compared to quarter 1/2017 of 673.21 million THB saw decreased revenue of 92.88 million THB or 14%.

- Revenue from the main natural gas related business in quarter 2/2017 compared to quarter 1/2017 totaled 322.72 million THB and 477.23 million THB accordingly, decreased by 154.51 million THB or 32.38% from
    - The contracting, constructing and maintenance business that decreased 150 million THB or 87% since the Company aims to use existing resources to expand new businesses that earn recurring income in the future according to the Company's operation plans such as constructing NGV service stations
    - The industrial compressed natural gas (iCNG) business, that grew by 6% once compared to quarter 1/2017 since its risen popularity among more large-sized industrial plants
    - Gas system installation in vehicles business, which increased by 9% since in 2017 most taxis have reached their term to register with the Department of Land Transport. Therefore, they must change their cars and install a new gas system resulting in a risen figure.
- Revenue from the automobile dealer business in quarter 2/2017 once compared to quarter 1/2017 gained revenue of 203.58 million THB and 138.79 million THB accordingly, an increase of 64.79 million THB or 47% since in quarter 2 the Company participated in the Motor Show expo and resulting in a greater sales volume than in quarter 1.

Net profit in quarter 2/2017 totaled 55.64 million THB compared to quarter 1/2017 of 47.58 million THB, increased by 8.06 million THB or 17% mainly from operating recurring income businesses

Table 2.1.1 *Operation results in quarter 2/2017 compared to quarter 1/2017*

Million THB	Quarter 2/2017	Quarter 1/2017	Difference	
			Million THB	%
Revenue from sales and services	**580.33**	**673.21**	**(92.88)**	**(13.80%)**
Natural gas related businesses	322.72	477.23	(154.51)	(32.38%)
Automobile dealer business	203.58	138.79	64.79	46.68%
Renewable energy business	11.10	10.86	0.24	2.21%
Other businesses	42.93	46.33	(3.40)	(7.34%)
Gross profit margin	**95.60**	**104.63**	**(9.03)**	**(8.63%)**
EBITDA	**121.51**	**107.82**	**13.69**	**12.70%**
EBIT	**73.53**	**61.25**	**12.28**	**20.05%**
Net profit for the period	**55.64**	**47.58**	**8.06**	**16.94%**

3.2 Operation results during the first 6 months of 2017 compared to the same period in 2016

Revenue from sales and services in total during the first 6 months of 2017 total 1,253.54 million THB once compared to the same period in 2016 of 1,250.87 million THB, has similar amounts of revenue with details as follows,

- Revenue from main natural gas related business during the first 6 months of 2017 and 2016 equaled 799.95 million THB and 795.70 million THB accordingly, an increase of 4.25 million THB
    - Industrial compressed natural gas (iCNG) business grew significantly by 67.43 million THB or 92% from gained popularity from more large-sized industrial plants
    - Gas system installation for vehicles increased by 9.53 million THB, or 64% since 2017 is the year most taxis must renew their registration with the Department of Land Transport therefore owners must change and reinstall gas systems leading to the increase.

- Revenue from the renewable energy business during the first 6 months of 2017 totaled 21.96 million THB from the ground mounted solar cell project for governmental organizations and agricultural cooperatives, which the electricity may be commercially sold since December 29, 2016
- Revenue from other businesses during the first 6 months of 2017 and 2016 totaled 89.26 million THB and 79.38 million THB accordingly. An increase of 9.88 million THB or 12% from transportation businesses within the country that the Company had acquired during the end of March 2016, leading to increased revenue during the first 6 months of 2017 from the same period of the previous year.

Gross profit margin during the first 6 months of 2017 totaled 200.23 million THB compared to the first 6 months of 2016 of 274.12 million THB, decreased by 73.89 million THB or 26.96% because quarter 1/2017 also had competency in contracting for building a carbon dioxide system for a client. Since it didn't require high technology, the GPM rate therefore was different from other contract projects completed in quarter 1/2016 significantly.

Net profit during the first 6 months of 2017 equaled 103.22 million THB, once compared to the first 6 months of 2016 of 153.48 million THB, had decreased by 50.26 million THB or 33% from the main reasons mentioned beforehand.

Table 2.3.1 *Operation results during the first 6 months of 2017 compared to the same period of 2016*

Million THB	6 months 2017	6 months 2016	Difference	
			Million THB	%
Revenue from sales and services	**1,253.54**	**1,250.87**	**2.67**	**0.21%**
Natural gas related businesses	799.95	795.70	4.25	0.53%
Automobile dealer business	342.37	375.79	(33.42)	(8.89%)
Renewable energy business	21.96	0.00	21.96	100.00%
Other businesses	89.26	79.38	9.88	12.45%)
Gross profit margin	**200.23**	**274.12**	**(73.89)**	**(26.96%)**
EBITDA	**229.32**	**264.60**	**(35.28)**	**(13.33%)**
EBIT	**134.78**	**184.10**	**(49.32)**	**(26.79%)**
Net profit for the period	**103.22**	**153.48**	**(50.26)**	**(32.75%)**

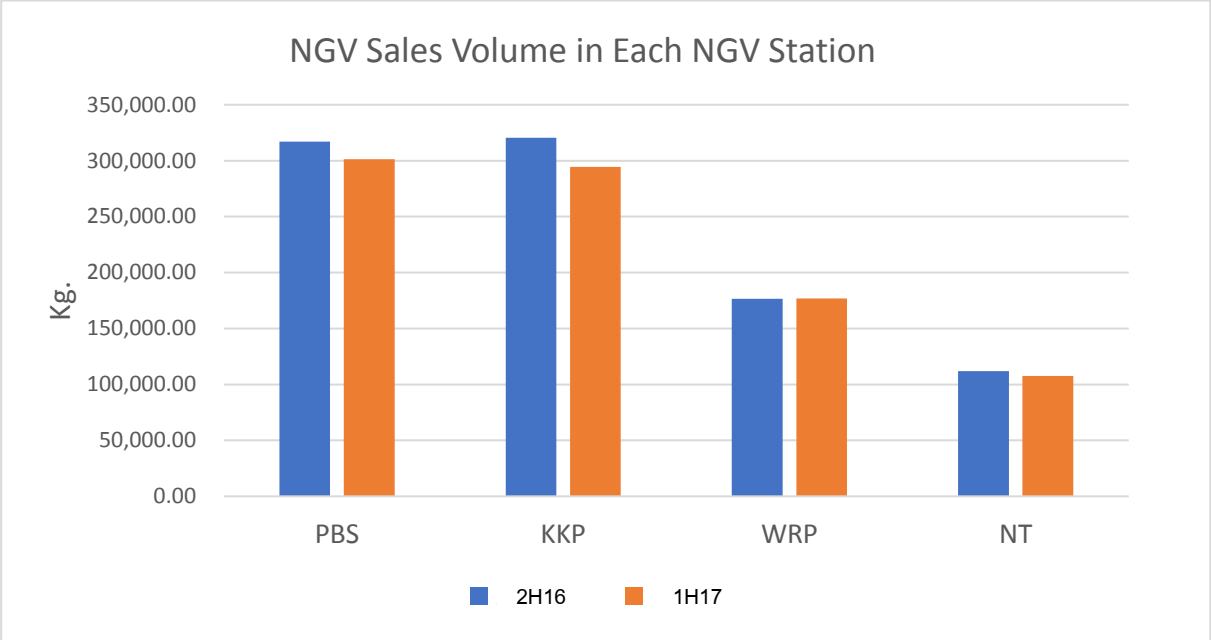


Diagram 3.1 NGV sales volumes in each station

Diagram 3.1 Even though Thailand's consumption of natural gas for vehicles had declined due to the limitations of the amount of NGV service stations since major providers such as PTT had closed certain locations down, the sales volume for natural gas of the Company once compared to the last year did not decline as much because there still is a group of consumers in the logistics sector that requires NGV as the main source of energy. They still choose NGV due to its cheap costs compared to other fuel types.

4. An analysis on the demands and price for NGV

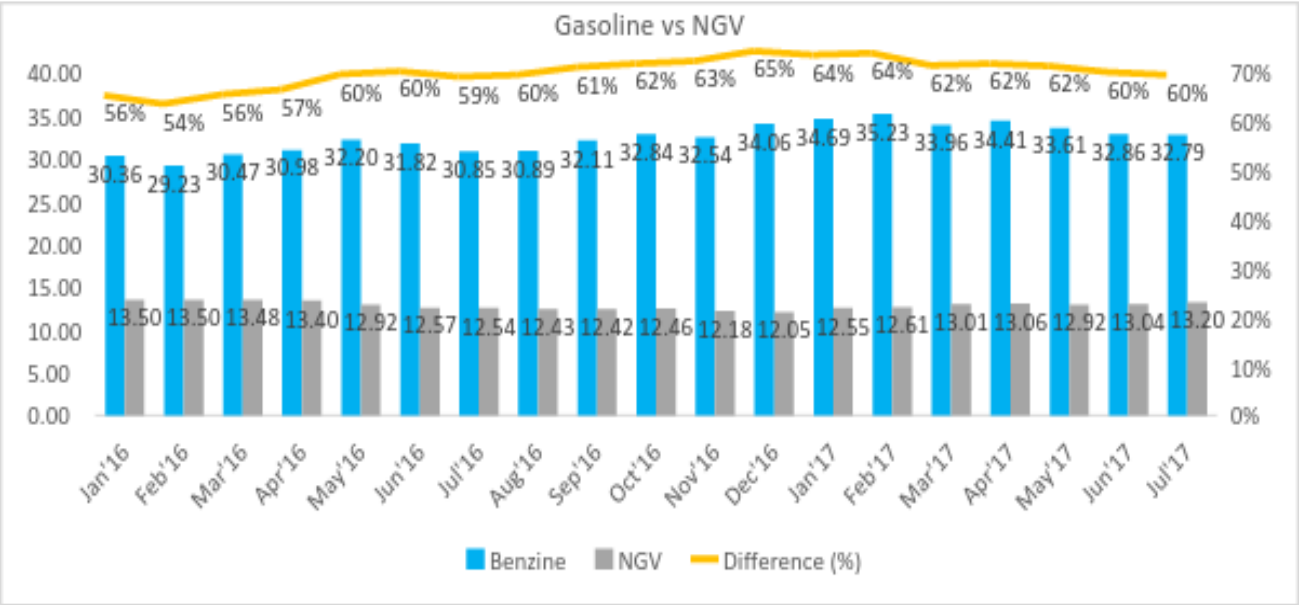
From the energy situation following NGV price float policies in Thailand since January 2016 and the continuously declined oil price in Thailand, some entrepreneurs who yet understand the structure of NGV pricing at the present choose to return to oil consumption instead of natural gas. However, after the restructuring of NGV price that shall reflect the true costs in the previous year, those people start to understand that NGV is the most economic fuel for vehicles. The policy helps them understand that NGV will still remain as the cheapest source of fuel.

From the studies, analysis and statistics of the Company, we found that the new pricing formula clearly shows the difference between diesel and NGV which increased by one time. The price difference on the 22nd July 2017 is 11.24 THB. The average price of natural gas is 13.20 THB, and average diesel price of 24.44 THB accordingly. The difference between diesel and NGV in January 2016 is 6.37 THB. At the present, July 2017 the difference of the price increased to 11.24 THB and the difference in the price between benzene and NGV increased from 16.86 THB in January 2016 to 19.59 THB in July 2017 as shown in diagram 1.1 and 1.2. Therefore, NGV users

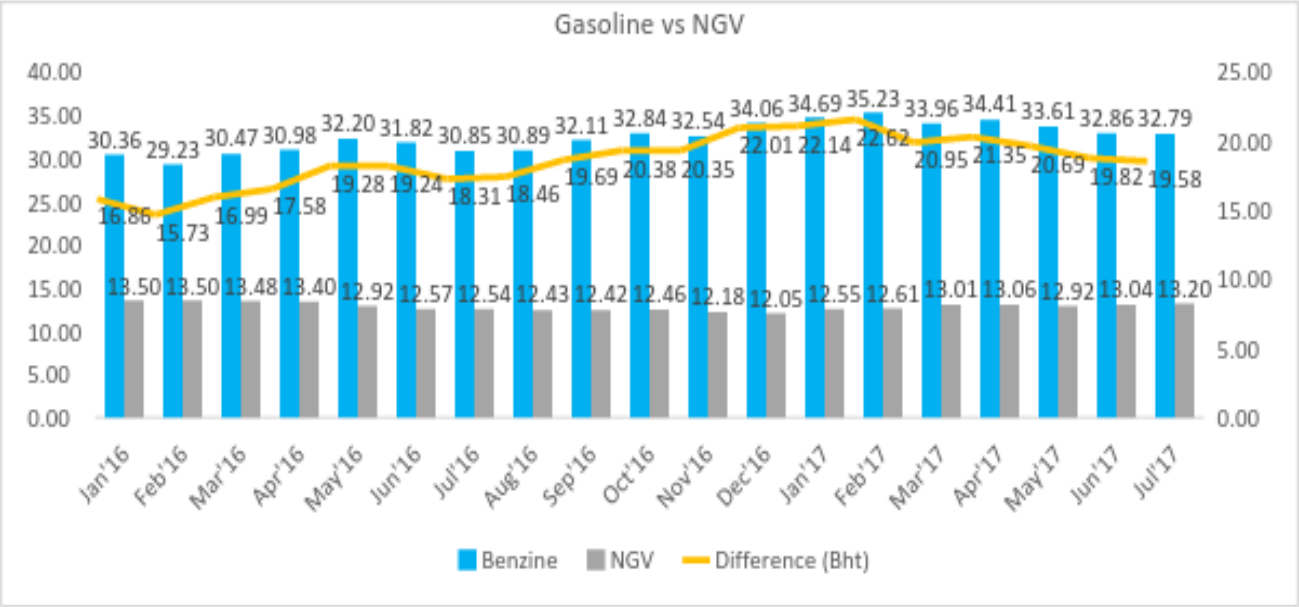
especially from the transportation industry compared to diesel consumption may save up to one time. However, the NGV price still has a tendency to be more economic than diesel up to 40-50% and then benzene of up to 50-60% for all times.

If taxi and transportation owners correctly understand the structuring of natural gas price, it will push natural gas to be used as alternative energy more and more. This will benefit other natural gas related businesses of the Company such as the iCNG, NGV logistics, and compressing NGV for PTT PCL. They will grow from the increased demand for natural gas consumption after the general public understands the price structuring system of natural gas which differs up to 40-60% from benzene and diesel.

The Company strongly believes that NGV will remain the best alternative for fuel especially for transportations and public transport which costs must be considered. The clarity of the NGV price float policy, it clearly indicates that NGV is significantly the most economic fuel compared to benzene and diesel.



(1) Comparing the difference in percentage (%)

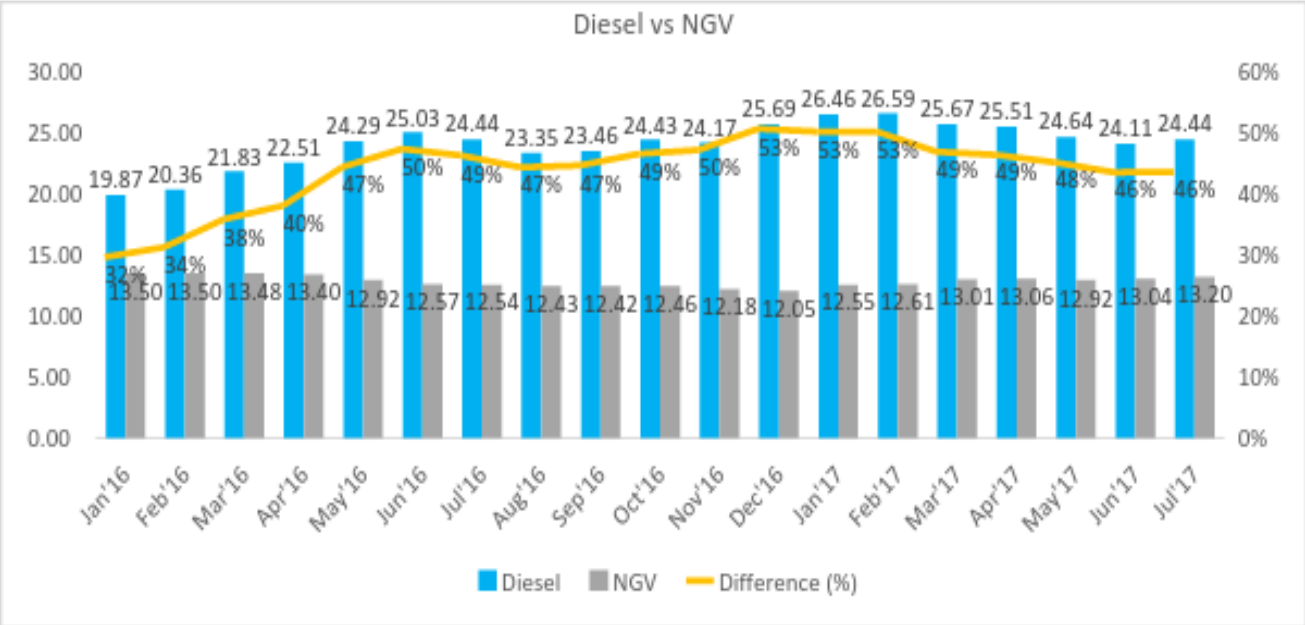


(2) Comparing the difference in currency (THB)

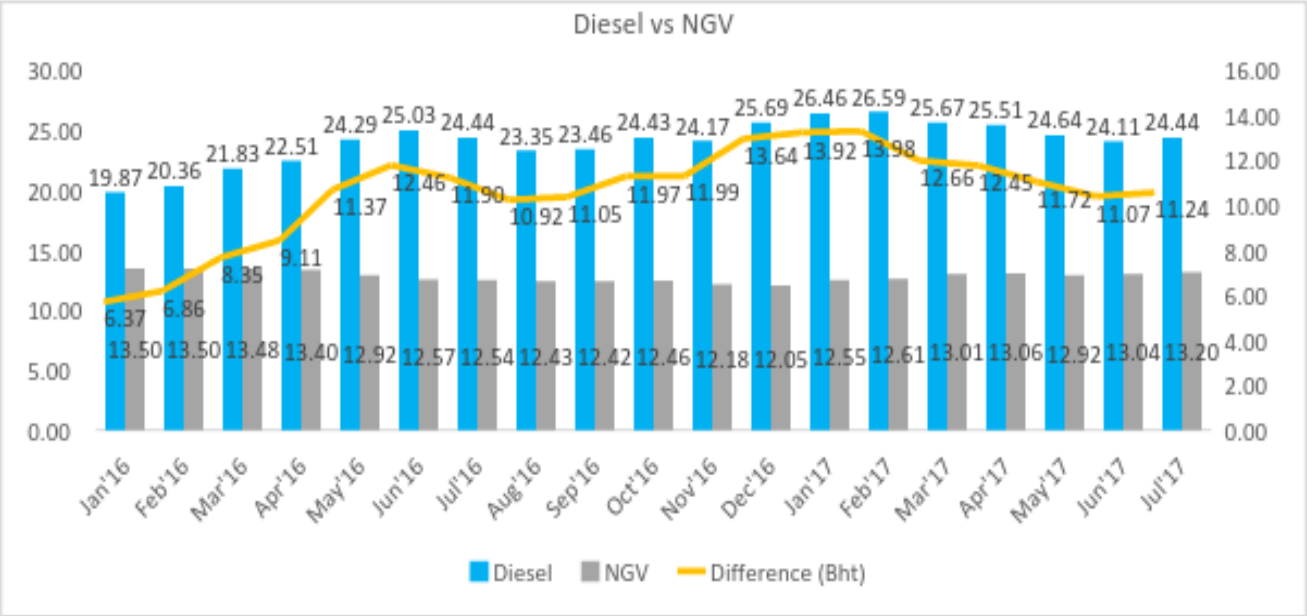
Reference: PTT PCL, http://www.pttplc.com/TH/Media-Center/Oil-Price/pages/Bangkok-Oil-Price.aspx

Diagram 1.1 Comparing the price of benzene 95 and NGV during January 2016 – 22 July 2017

The difference between benzene 95 and NGV increased from 16.86 THB or 56% in January to 19.59 THB or 60% in July 2017. It is clear that the price float reflects the true costs for consumers who use NGV



(1) Comparison in percentage (%)



(2) Comparison in currency (THB)

Reference: PTT PCL, http://www.pttplc.com/TH/Media-Center/Oil-Price/pages/Bangkok-Oil-Price.aspx

Diagram 1.2 Comparing Blue Diesel and NGV price during January 2016 – 22 July 2017

The difference between NGV increased by one time from 6.37 THB or 32% in January 2016 to 11.24 THB or 46% in July 2017. The diesel price and NGV average price is 24.44 THB and 13.20 THB accordingly. (January 2016 – July 2017) Those who changed from diesel to NGV may save 11.24 THB or one time. This shows that the NGV price float reflects the true costs and can help diesel consumers save costs. Even though diesel price declines, the NGV price will also decline but slower than crude oil, while benzene and diesel will adapt immediately to the price of crude oil. Therefore, the policy which references backwards to crude oil price will affect the price afterwards. On the other hand, if the diesel price increases afterwards, NGV price will also take longer to increase. Still the average difference (%) will still be similar for long term. The price difference (THB) will increase when oil price increases as well. In the future, the consumption volume of natural gas will increase because people will eventually understand the structuring and realize that it helps to save costs especially in the transportation sector.

The Company sees the opportunity of NGV growth in Thailand continuously in the future and aims to expand the NGV service station business by acquiring NGV service stations and contracting for natural gas trades for the new stations and to ensure the stability of SCN's main operations, also to add more channels for the general public to access alternative fuel. The Company aims to expand other natural gas related businesses of professionalism for the prosperity of the organization.