



บริษัท สแกน อินเตอร์ จำกัด (มหาชน)
SCAN INTER PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS
OF THE COMPANY'S PERFORMANCE
For the Quarter and the Year Ended December 31, 2022

The Management Discussion and Analysis of the Company's Performance (the "MD&A") is intended to present and analyze the Company's results of operations and financial position at the end of the accounting period.

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Executive Summary

Performance Highlights

Profit growth reaching a new high

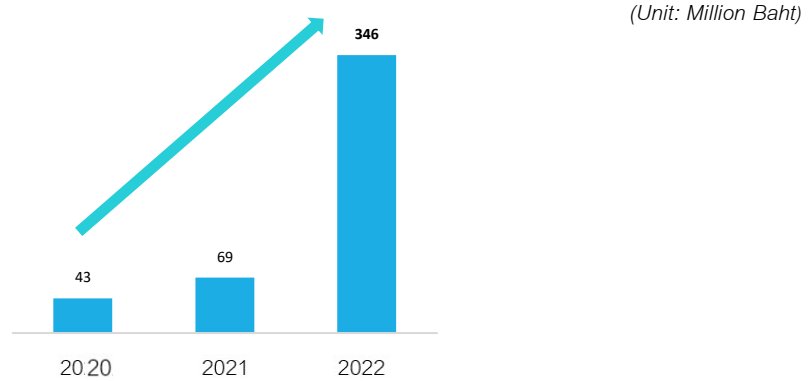


Figure 1: Net profit of SCN

Despite the spread of the COVID-19 pandemic and the global economic stagnation, the Company's net profit reached a new high of Baht 346 million Baht in 2022, a 400% increase compared to the same period of the previous year. Moreover, the Company was able to consistently pay dividends to its shareholders, mainly due to business restructuring and expansions in preparation for future growth. To create sustainable profits for the Company, investments were made primarily in rooftop solar power to align with Thailand Power Development Plan which prioritizes renewable energy.

Key Events in 2022

SCN partners with 2 Japanese energy giants, displaying strength in the iCNG market and building confidence as the leader in the natural gas industry.

Through confidence in the potential of SCN and the significant growth of the iCNG market, SCN managed to gain partnership with Toho Gas Company Limited (THG) and Shizuoka Gas Company Limited (SZG), the third and the fourth biggest energy companies in Japan, respectively. The partnership is under the name of Thai-Japan Gas Network Company Limited (TJN).

As such, the Company has changed the revenue recognition method of the iCNG business from consolidated financial statement method to the share of profit method from January 2022 onward. Moreover, the transmission volume of iCNG had been the highest since its inception. A goal has been set to expand customer base to 10,000 MMBTU per day.

An addition of 6 post-COD Private PPA projects, resulting in the total power capacity of 24 megawatts and profit gained from the 6,621.6% increase in Ft.

In 2022, there had been 6 additional projects of rooftop solar power reaching COD, resulting in a total of 24 post-COD projects with the power capacity of 18 megawatts, out of the total on hand power capacity of 24 megawatts. SCN also gained considerable profit from the high increase in Ft of 6,621.6%.

Moreover, Scan Advance Power Company Limited (SAP), under which all projects are Private PPA, was in the IPO process and had disposed all assets under discontinued projects.

A sustainable return of the Engineering, Procurement, and Construction (EPC) business.

The Company gained significant EPC projects starting with the construction and renovation of large gas stations, of which the counterparty is PTT Oil and Retail Business Public Company Limited (OR). This project is valued at over Baht 100 million. EPC is a non-gas business which the Company predicts significant growth in the future.

In addition, the Company acquired new clients along with EPC projects dealing with construction of rooftop solar power valued at Baht 38 million in 2022.

SCN maintained its position as the leader of Thailand's NGV gas station maintenance and repair service.

The company has won the bidding for 2-year contracts to maintain and repair 183 NGV stations nationwide, making up 75% of all NGV maintenance and repair contracts, and valued at Baht 240 million. Operation and revenue recognition of the contracts began in January 2023. The continued trust from PTT demonstrates our potential as the leader in NGV production and services.

Performance Summary for the fourth quarter and the year 2022

Table 1: Key financial highlights

(Unit: Million Baht)

Key financial highlights	Q3/2022	Q4/2022	%QoQ	YTD 2021	YTD 2022	%YoY
Revenue from sales and services	343	386	12%	1,686	1,400	-17%
EBITDA	73	75	3%	314	569	81%
Net Profit	21	18	-17%	69	342	396%
EBITDA (%)	21%	19%	-8%	19%	41%	118%

Net profit reaching a new high

The net profit for 2022 amounted to Baht 342 million, an increase of 396% which is highest net profit to date for the Company. This record high net profit was made in spite of the impairment of inventory in accordance with business operation, the disposal of non-performing projects under SAP during the IPO process, and the adverse effect from the changes in the USD currency exchange rate. The key factors include 1) the restructuring of the Company by partnering with Toho Gas Company Limited (THG) and Shizuoka Gas Company Limited (SZG), the third and the fourth biggest energy companies in Japan, respectively. There was also a strategic partner co-investing in Pharmaceutical Plants Company Limited. 2) an increase in EPC projects involving the construction of rooftop solar power 3) non-gas EPC projects PTT Oil and Retail Business Public Company Limited (OR) 4) increases in revenue from rendering of services and interest income from affiliates.

Revenue from sale of goods and rendering of services

Revenue from sale of goods and rendering of services in 2022 amounted to Baht 1,400 million, a decrease of 17%. The decrease is due to 1) change in revenue recognition method for the iCNG business to share of profit only, after the partnership with Japan-based companies 2) changes in revenue recognition under TFRS16 which is the revenue recognition for the purchase and sale of power with a lease (solar power projects) 3) no revenue from ICT in 2022 as it was disposed of in early 2022.

Revenue from sale of goods and rendering of services in the fourth quarter of 2022 amounted to Baht 386 million, an increase of 12%. The increase is due to the higher sales volume of spare parts related to natural gas and air-conditioned buses, EPC projects involving construction of rooftop solar power, and non-gas project with PTT Oil and Retail Business Public Company Limited (OR).

Segment revenues

Table 2: Revenues by segment

(Unit: Million Baht)

Segments	Q3/2022	Q4/2022	%QoQ	YTD 2021	YTD 2022	%YoY
Natural gas	215	233	8%	1,066	867	-19%
Automotive, spare parts, and air-conditioned buses	39	43	10%	140	162	16%
Renewable energy	14	27	86%	146	73	-50%
Logistics and other businesses	75	84	12%	335	297	-11%
Total revenues	343	386	12%	1,686	1,400	-17%

Business related to the production of natural gas

Revenue from business related to the production of natural gas in 2022 amounted to Baht 867 million, a decrease of 19%.

This comes from the change in revenue recognition method for the iCNG business after the partnership with SZG and THG under the name of Thai-Japan Gas Network Company Limited (TJN). The partnership has become a joint venture since January 2022. As such, no revenue has been recognized since then and the method has been changed to the share of profit from joint venture instead.

Automotive, spare parts, and air-conditioned buses business

Revenue from automotive, spare parts, and air-conditioned buses business in 2022 amounted to Baht 162 million, an increase of Baht 22 million or 16%. In addition to the constant revenue from the maintenance and repair of 489 air-conditioned buses, the Company also gained profit from selling spare parts which significantly increased in 2022.

Renewable energy business

Revenue from the renewable energy business in 2022 amounted to Baht 73 million, down 50%YoY. This comes from the new revenue recognition method for the purchase and sale of power with a lease, in accordance with the TFRS16 accounting standard.

Revenue from the renewable energy business in Q4/2022 amounted to Baht 27 million, up Baht 13 million or 86%.

The rise in revenue was primarily from EPC and Solar Rooftop. Q4/2022 recognized the revenue of Baht 13 million from EPC. A backlog of work in the amount of Baht 25 million is to be carried over in 2023.

Logistics and other businesses

Revenue from logistics and other businesses for the year 2022 amounted to Baht 297 million, a decrease of Baht 38 million or 11%. The main reasons for the decrease are the aforementioned change in revenue recognition of iCNG (in addition to selling natural gas, iCNG also transports natural gas to industrial plants) and the disposal of ICT in the early 2022 which resulted in no revenue being recognized under ICT in 2022.

Revenue from logistics and other businesses in Q4/2022 amounted to Baht 84 million, up Baht 9 million or 12%.

This reflects the continued increase in EPC revenue. Additionally, at the end of 2022, the company has secured over Baht 100 million contracts from PTT Public Company Limited to construct and repair NGV stations. Revenue will be continuously recognized in 2023.

Other Income and Other Expenses

Other income

Other income in the year 2022 amounted to Baht 111 million, a YoY increase of Baht 48 million or 75%. The main reason for the increase is due to higher interest income from loans to affiliates. Other income in the fourth quarter of 2022 amounted to Baht 41 million, an increase of Baht 16 million or 63%. The increase comes from the recognition of fair value of financial assets for stock options.

Share of profit from investment in joint venture

Share of profit from the investment in joint venture in 2022 amounted to Baht 49 million, a YoY decrease of Baht 23 million or 32%. The key factors are 1) the reduction of revenue recognition from O&M of COD of Scan Advance Power Company Limited (SAP) amounting to Baht 12 million 2) the disposal of non-performing projects under SAP during the IPO process amounting to Baht 11 million 3) the effect of changes in USD currency exchange rate in the fourth quarter of 2022 to the solar power plant project in Minbu, Myanmar.

Financial costs

Financial costs of 2022 amounted to Baht 75 million, a decrease of Baht 4 million or 5%. This is due to loan repayments to financial institutions in 2022 amounting Baht 250 million.

Analysis of the Consolidated Statement of Financial Position of the Group

As at 31 December 2022 compared to 31 December 2021

(Unit: Million Baht)

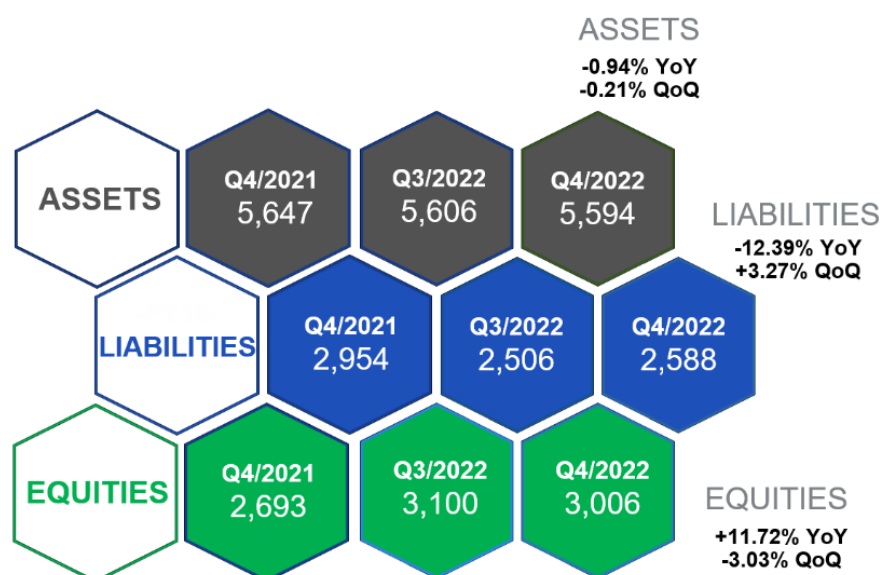


Figure 2: Comparison of Statements of Financial Position (Quarterly)

The reasons for the change from the consolidated statement of financial position are as follows.

- **Total assets** for the fourth quarter of 2022 amounted to Baht 5,594 million, a 0.94% YoY decrease and a 0.21% QoQ decrease which are insignificant variances.
- **Total liabilities** for the fourth quarter of 2022 amounted to Baht 2,588 million, a 12.39% YoY decrease and a 3.27% QoQ increase. The key factor contributing to this change was the Company's effective debt management and timely repayments to financial institutions.
- **Total equity** for the fourth quarter of 2022 amounted to Baht 3,006 million, a 11.72% YoY increase. The main reason for the increase is due to the disposal of investments in 3 companies as listed below.
 1. Disposal of investment in Thai-Japan Gas Network Company Limited (TJN), a subsidiary, to an unrelated party. The Group recognized gains from the investment disposal and the change in investment status amounting to Baht 120 million and Baht 178 million, respectively.
 2. Disposal of investment in Pharmaceutical Plants Company Limited, a subsidiary, to a person by 49% and to an unrelated party. The Group recognized gain from the change in investment status amounting to Baht 23 million.
 3. Disposal of investment in Scan ICT Company Limited to an unrelated party. The Group recognized gain from the change in investment status amounting to Baht 0.52 million.

DEFINITIONS

BMTA	Bangkok Mass Transit Authority
COD	Commercial Operation Date
EPC	Engineering Procurement Construction
Private PPA	Private Power Purchase Agreement
O&M	Operation and Maintenance
iCNG	Industrial Compressed Natural Gas
NGV	Natural Gas Vehicle
PMS	Private Mother Station
SCN	Scan Inter Public Company Limited
SAP	Scan Advance Power Company Limited
SZG	Shizuoka Gas Company Limited
GEP	Green Earth Power (Thailand) Company Limited
THG	Toho Gas Company Limited
TJN	Thai-Japan Gas Network Company Limited
TFRS	Thai Financial Reporting Standards

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