



บริษัท สแกน อินเตอร์ จำกัด (มหาชน)

SCAN INTER PUBLIC COMPANY LIMITED

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## Scan Inter (Public) Company Limited

### An Analysis and Explanation by the Management Section

#### Operation results for of period 3/2017 ended on 30 September 2017

#### 1. Executives Summary

From the earnestness and commitment in researching and developing manufacturing technology to respond to the demands of sustainable energy consumption in the country, along to applying modern technology to create added value to the business and to use limited energy resources at its highest interest, it is possible to announce another milestone of success as the Company had received **the 1st runner-up award in Economy** from the Compressed Natural Gas Composite Cylinder, CNG Type IV Composite Cylinder Production Project. These have qualities such as being light-weight and highly durable which help increase performance and lessen costs in transporting natural gas in the i-INNOVATION THAILAND WEEK 2017, hosted by the National Innovation Agency (NIA), Ministry of Science and Technology on October 9, 2017. This is regarded as major encouragement and inspiration for the Company to continue creating further valuable innovation onwards.



**Picture** Dr.Littee Kitpipit (right) Managing Director of Scan Inter (Public) Company Limited received the award and certificate from Dr.Atchaka Sibunruang, Minister of Science and Technology and Assoc.Prof.Dr.Somjet Tinnapong, Chairman of the National Innovation Agency



**Graph 1.1** Net profit of 2017 (Quarterly)

As for the operation results in quarter 3/2017, the Company gained net profit of 66.62 million THB, or an increase of 20% when compared to quarter 2/2017 which net profit totaled 55.64 million THB and increased 40% when compared to quarter 1/2017 with the net profit of 47.58 million THB. This contributes to the overall image of the net profit within 9 months (January-September) of 2017 which the Company gained net profit of over 170 million THB.

The success factor that enhanced the continuous increase of net profit comes from the natural gas recurring business that recognizes stable and recurring income, especially in the industrial compressed natural gas business group or iCNG. In the 9 months period of 2017, the Company recognized the highest growth rate since the launch of the iCNG business, with an increased sales volume of up to 90% compared to the same period of the previous year. This resulted from the success in customer base expansion to new industries and former customers with increased demands of NGV consumption

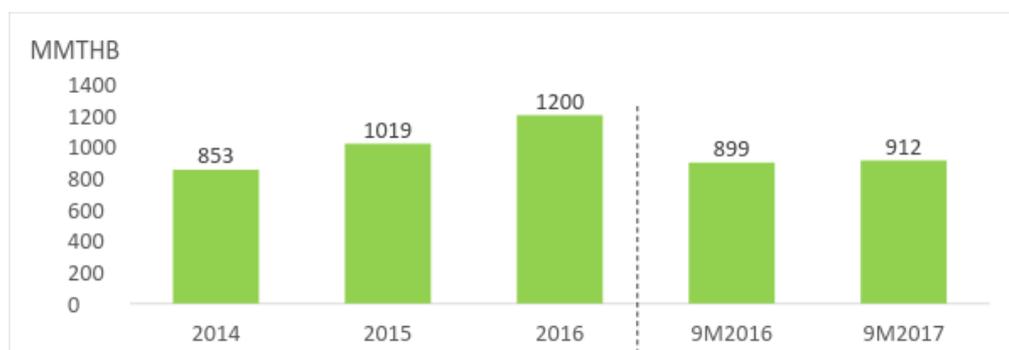
Meanwhile, the income from the EPC business in quarter 3/2017 has a clear signal to recover when compared to quarter 2/2017. The income is perceivable up to 80% from receiving more work, gradually and routinely delivering completed projects to customers. Recently the EPC had decelerated in quarter 1/2017 from the attempt of temporarily relocating personnel to speed the construction process of NGV service stations as to support the Company's investment to earn stable and recurring income in the future. From until the present, the Company started focusing on constantly seeking EPC, EPC Backlogs that are still increasing. This may gain over 455 million THB of income for the Company. It shall also earn income and compensations as planned and anticipated. Moreover, the Company has resources and readiness in receiving more EPC projects.

Other than this, the renewable energy business from the solar cell electricity generator can earn constant income. During the first 9 months the business gained over 32 million THB already.



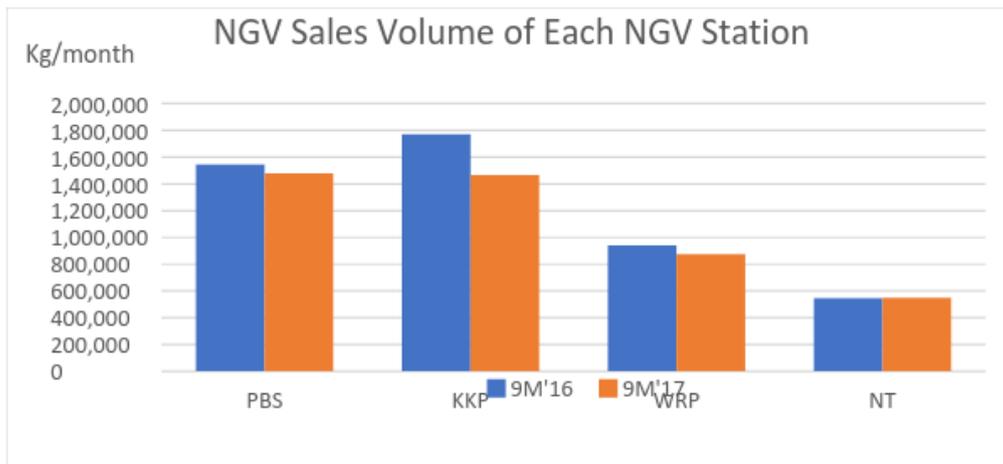
Other than the Company's base income, in the advancement plans the Company aims to sign contracts with leading oil companies to promote oil products and retails beneath the trademark of that particular oil company in existing NGV service stations of the Company. It is anticipated that the sales volume will be increased by 500 million THB. The Company also has a plan to use intense penetrative marketing for light-weight natural gas cylinders that received the 1st runner up awards in Economy both national and international. Other than this, the Company still focuses on constantly seeking for EPC projects.

## 2. An Analysis on the Operation Results of Period 3/2017



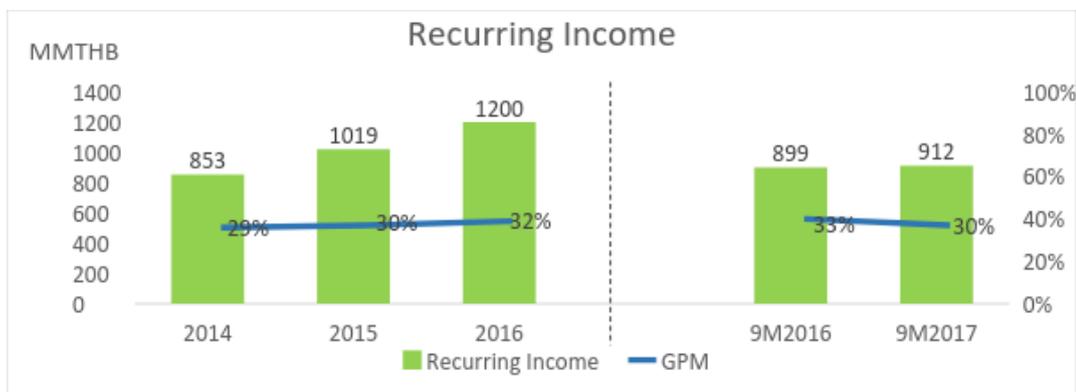
**Graph 2.1** Income from Recurring Income businesses

Income from Recurring Income businesses has continuously grown as planned in business operations as shown in Graph 2.1. The total income of the first 9 months of 2017 still has increased recurring income, especially the income from the Industrial compressed natural gas (iCNG) business with a significant growth of nearly 90% once compared to the first 9 months of 2016. Although the overall NGV consumption of the country has declined as reported in the media, it does not affect the NGV service station as much. The stations still gain recurring income. At present there are 7 stations (including 3 stations which the Company coordinates with SUSCO). The Company still gains a normal level of income and NGV consumption. The Company sees the opportunity to create satisfying compensations towards all groups of stakeholders and stability towards the Company. Income from recurring businesses shall significantly grow once the 5-6 Company's NGV service stations that are still under construction have been completed and are open for business.



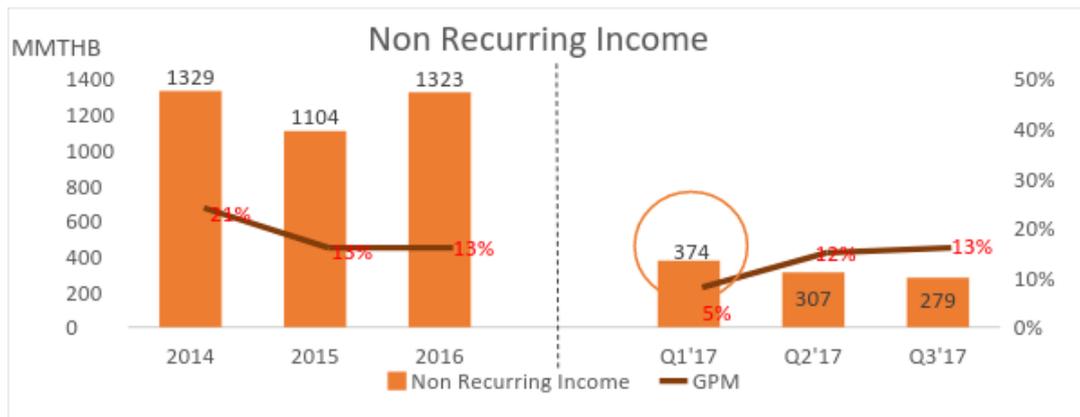
**Graph 2.2** NGV sales volume at the Samkhok service station (PBS) Kaokong Petrolemn (KKP) Warapapa Station (WRP) NT Station (NT)

Graph 2.2 Shows that, even though at present Thailand consumes less NGV from limitations in the number of service stations, and PTT also closed some stations the Company’s NGV sales volume when compared to the previous year does not decline much.



**Graph 2.3** Income from recurring businesses and the Gross Profit Margin from recurring businesses

During the first 9 months of 2017 and the first 9 months of 2016, the Company’s income and gross profit margin from recurring businesses are similar despite the different economic condition. This indicates that recurring businesses still gain constant and satisfying income. The Company aims to expand operations in this business branch following business plans.



**Graph 2.4** Non-Recurring Income Businesses

and the Gross Profit Margin from Non-Recurring Income Businesses

As for the income from Non-Recurring Income businesses, mostly come from the EPC business including trading parts, equipment and important machines related to natural gas. The income and compensations are different according to the project size, which are from project auctions as shown in Graph 2.4 Although income from Non-Recurring Income businesses are different, the Company still focuses and emphasizes on developing quality products that respond to the demands of customers as well as possible. Normally, the Company has a certain supply of projects in the Backlog list. In 2017 the Company received another amount of project contracts which income shall gradually be perceivable from quarter 4/2017 onwards as mentioned beforehand.

### 3. Explanation of the financial statement

#### 3.1 Operation results in quarter 3/2017 compared to quarter 2/2017 (QoQ)

**Overall income from sales and services** in quarter 3/2017 totaled 581.94 million THB compared to quarter 2/2017 of 580.33 million THB, are similar as follows,

- Income from the natural gas recurring business in quarter 3/2017 compared to quarter 2/2017 gained 354.28 million THB and 322.72 million THB accordingly, increased by 31.56 million THB or 9.78% from all business units e.g.
  - The industrial compressed natural gas (iCNG) business is still growing continuously. In quarter 3/2017, it grew by 5% once compared to quarter 2/2017 due to the gained popularity from larger industrial plants.
  - The EPC business has an increased perceivable income of 18.11 million THB or 80% from quarter 2/2017.



- Income from the automobile sales business: During quarter 3/2017 compared to quarter 2/2017 has income of 164.62 million THB and 203.58 million THB accordingly, a decline of 38.96 million THB or 19% because in quarter 2/2017 the Company participated in the Motor Show, resulting in higher sales volume than other quarters.
- Income from other businesses have an increased income of 9.58 million THB, or 22% from the domestic transportation business which has a larger customer base and gained higher income from quarter 2/2017.

**Net profit** in quarter 3/2017 totaled 66.62 million THB, compared to quarter 2/2017 of 55.64 million THB increased by 10.98 million THB or 20%, mainly from business operations that gain stable and recurring income

*Table 3.1.1 Operation results in quarter 3/2017 compared to quarter 2/2017*

Million THB	Quarter 3/2017	Quarter 2/2017	Difference	
			Million THB	%
<b>Income from sales and services</b>	<b>581.94</b>	<b>580.33</b>	<b>1.61</b>	<b>0.28%</b>
Natural gas recurring business	3354.28	322.72	31.56	9.78%
Automobile sales business	164.62	203.58	(38.96)	(19.14%)
Renewable energy business	10.53	11.10	(0.57)	(5.14%)
Other businesses	52.51	42.93	9.58	22.32%
<b>Gross profit</b>	<b>125.42</b>	<b>95.60</b>	<b>29.82</b>	<b>31.19%</b>
<b>EBITDA</b>	<b>131.35</b>	<b>121.51</b>	<b>9.72</b>	<b>7.99%</b>
<b>EBIT</b>	<b>86.77</b>	<b>73.53</b>	<b>13.24</b>	<b>18.01%</b>
<b>Net profit for the period</b>	<b>66.62</b>	<b>55.64</b>	<b>10.98</b>	<b>19.73%</b>

### **3.2 Operation results during the first 9 months of 2017 compared to the same period of 2016**

**Overall income from sales and services** during the first 9 months of 2017 totaled 1,835.48 million THB compared to the same period in 2016 of 1,831.14 million THB are similar with details as follows,

- Income from the natural gas recurring business: During the first 9 months of 2017 and 2016, income totaled 1,154.23 million THB and 1,237.10 million THB accordingly. The amount declined by 6.7% due to the NGV consumption volume, which fluctuates according to the slight drop of the overall NGV consumption in the country if compared to 2016, but when compared to each quarter in 2017, consumption quantities continuously rise.



- Industrial compressed natural gas (iCNG) business grew rapidly and significantly by increasing to 101.31 million THB, or 88% from gained popularity in larger industrial plants both from former customers who increased their consumption volumes and new customers who alternate to NGV in replacement of traditional fuel types.
- NGV system installation in vehicles business increased by 12.56 million THB or 49% because most taxis have due dates in 2017 to re-register with the Department of Land Transport, therefore entrepreneurs must change vehicles and install new NGV systems as mentioned.
- The EPC business declined by 74 million THB or 24% because the EPC section's income is perceivable once completed and transferred within a period. Therefore, the perceivable income is different according to the tasks in each period. Moreover, in quarter 1/2017 the Company focused on utilizing its existing resources to expand new businesses that will result in stable and recurring income in the future following the Company's operation plans such as NGV service station constructions, new NGV service stations and the solar cell business. Therefore, in quarter 1/2017 the Company was unable to perceive income from the EPC business which normally would earn high profit. However, the Company emphasizes the importance of EPC and seeks the opportunity to create additional income as mentioned before.
- Income from the Renewable energy business: During the first 9 months of 2017 the income totaled 32.49 million THB from the ground-mounted solar cell project for governmental organizations and agricultural cooperation. This project could commercially sell electricity since December 29, 2016. This business's income is also perceivable, stable and is one of the recurring incomes of the Company.
- Income from other businesses: During the first 9 months of 2017 totaled 141.77 million THB and 124.22 million THB accordingly, increased by 17.55 million THB or 14% from income of the domestic transportation business which the Company had acquired at the end of March, 2016. This contributes to the increase of income during the first 9 months of 2017 from the same period in the previous year.

**Gross profit** during the first 9 months of 2017 is 325.65 million THB compared to the first 9 months of 2016 of 398.76 million THB, declined by 73.11 million THB or 18% because in quarter 1/2017, the contracting and constructing carbon dioxide gas system for clients is a high value task but does not require complex technology resulting in high competency in the market and a different gross profit margin from completed contracting and constructing tasks in 2016.

**Net profit** during the first 9 months of 2017 is 169.84 million THB compared to the first 9 months of 2016 of 225.05 million THB, declined by 55.21 million THB or 25%, resulting from the compensation rate of the



contracting, constructing and maintenance business that has a different range of rates, depending on the type and difficulty of the task along to increased financial costs from investment in different projects following the Company's operation plans.

Table 3.2.1 Operation results during the first 9 months of 2017 compared to the same period of 2016

Million THB	9 Months 2017	9 Months 2016	Difference	
			Million THB	%
<b>Income from sales and services</b>	<b>1,835.48</b>	<b>1,831.14</b>	<b>4.34</b>	<b>0.21%</b>
Natural gas recurring business	1,154.23	1,237.10	(82.87)	(6.70%)
Automobile sales business	506.99	469.82	37.17	7.91%
Renewable energy business	32.49	0.00	32.49	100.00%
Other businesses	141.77	124.22	17.55	14.13%
<b>Gross profit</b>	<b>325.65</b>	<b>398.76</b>	<b>(73.11)</b>	<b>(18.33%)</b>
<b>EBITDA</b>	<b>360.80</b>	<b>396.80</b>	<b>(36.00)</b>	<b>(9.07%)</b>
<b>EBIT</b>	<b>221.55</b>	<b>272.90</b>	<b>(51.35)</b>	<b>(18.82%)</b>
<b>Net profit for the period</b>	<b>169.84</b>	<b>225.05</b>	<b>(55.21)</b>	<b>(24.53%)</b>

#### 4. Analysis of consumption quantity

Since the NGV price float policy, the situation in Thailand since January 2016 and the continuously decreasing oil price in the country is that a number of entrepreneurs who have yet understood the present NGV price structure returned back to consume oil instead of natural gas. However, after the NGV price structure adjustment to reflect the true cost during the past year, those entrepreneurs started to comprehend that NGV still remains the most cost-worthy fuel for vehicles. Also, the policy helps entrepreneurs understand that NGV will still be the most cost-efficient alternative onwards.

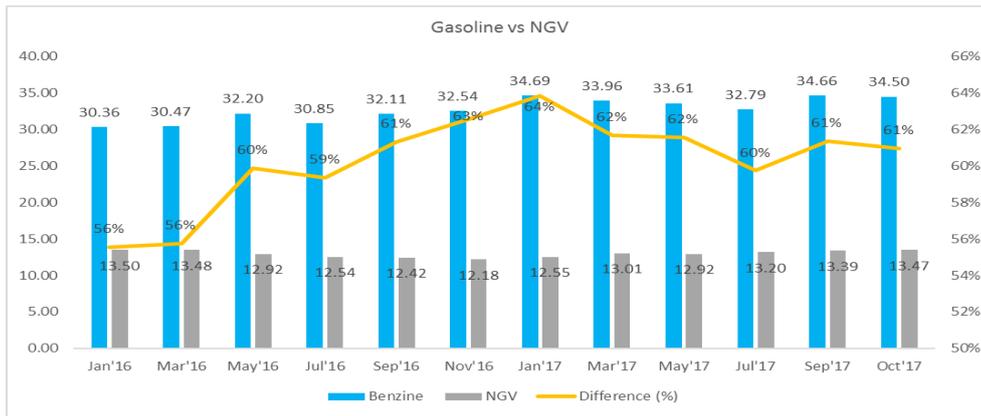
By studying, analyzing and recording statistics, the Company realized that the new price formula clearly states the difference between diesel price and NGV price, which is over one times its value. The price difference on 16 October 2017 is 12.47 THB. The average price of natural gas is 13.47 THB while the average diesel price is 25.94 THB accordingly. Nevertheless, the price difference between diesel and NGV in January 2016 had a difference of 6.37 THB. At the present, (October, 2017) the price difference increased to 12.47 THB and the price difference of benzene and NGV increased from 16.86 THB in January 2016 to 21.03 THB in October 2017, as shown in Graph 4.1 and 4.2. This helps NGV consumers, especially in the transportation industry group, once compared to diesel,



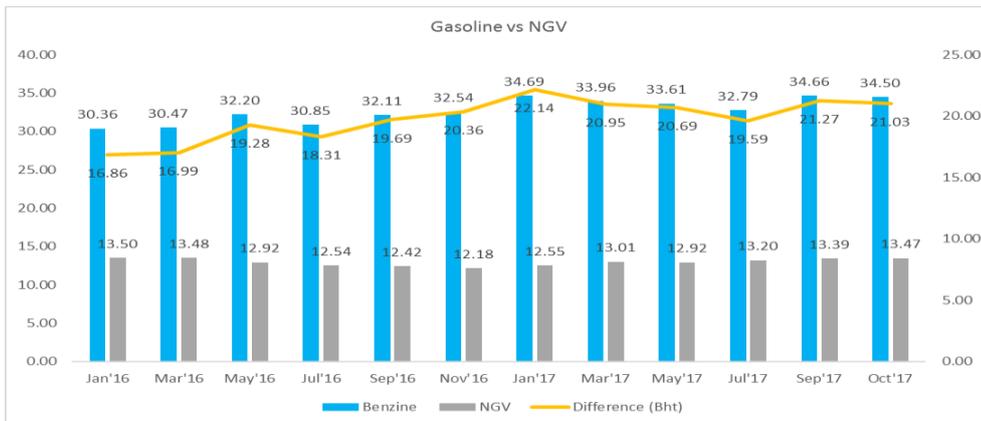
save costs of over one times its value. However, the NGV price tendency is 40-50% lower than the diesel price, and 50-60% lower than benzene at all times.

If all taxi and transportation entrepreneurs correctly understand the natural gas price structure, this shall affect the demands of natural gas to substitute other types of fuel onwards. It will also have positive impact towards the natural gas recurring business and other businesses of the Company such as the industrial compressed natural gas (iCNG), NGV logistics business and the iCNG business for PTT that will grow from the demands of natural gas that will rise after the general public starts to understand the natural gas price structure that is 40-60% different from benzene and diesel price.

The Company is highly confident that NGV still remains the best alternative for other fuel types, especially transport vehicles and public vehicles which must consider cost-worthiness in general. From the clarity of the NGV price float policy, it indicates that NGV is more cost worthy than benzene and diesel significantly.



(1) Comparing the difference in percentage (%)



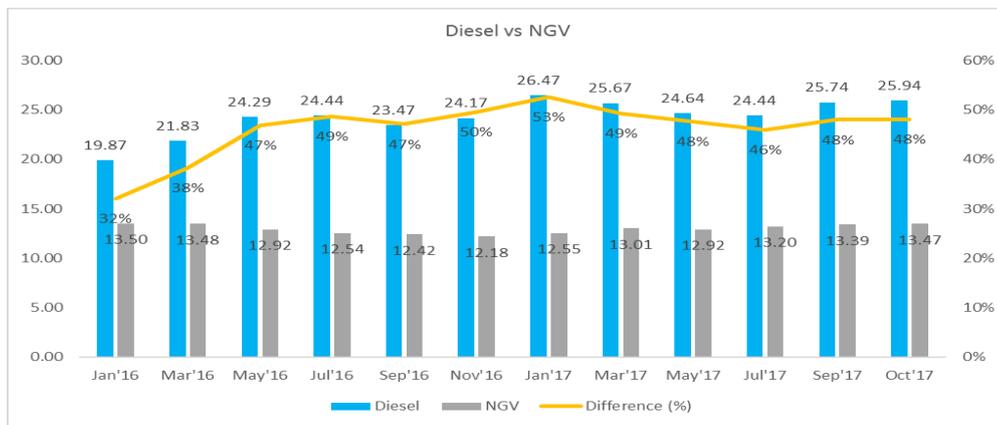
(2) Comparing the difference in price (THB)

Reference: PTT (Public) Company Limited, <http://www.pttplc.com/TH/Media-Center/Oil-Price/pages/Bangkok-Oil-Price.aspx>

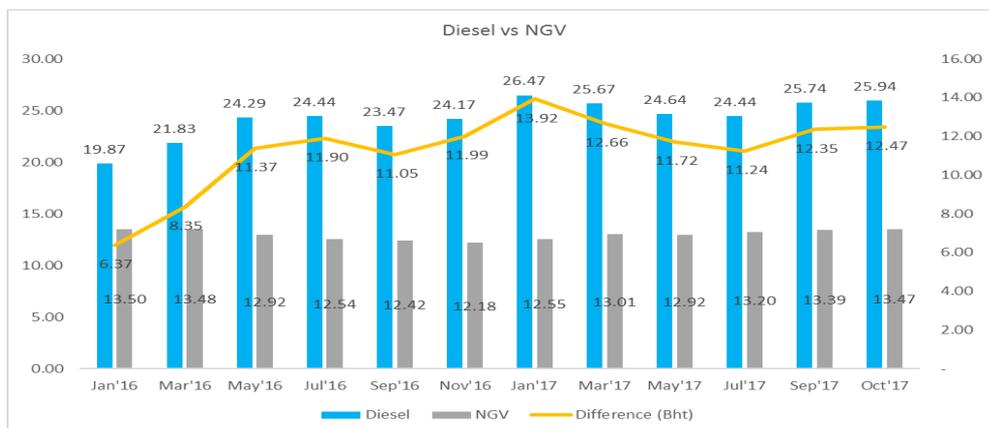
Graph 4.1 Comparing the price of benzene 95 and NGV from January 2016 – 16 October 2017



The difference between the price of benzene 95 and NGV increased from 16.86 THB or 56% in January 2016 to 21.03 THB or 61% in October 2017. This indicates that the NGV price float reflects the true cost, thus helping benzene consumer groups save costs once switched to NGV.



(1) Comparing the difference in percentage (%)



2) Comparing the difference in price (THB)

Reference: PTT (Public) Company Limited, <http://www.pttplc.com/TH/Media-Center/Oil-Price/pages/Bangkok-Oil-Price.aspx>

**Graph 4.2 Comparing diesel price (Blue Diesel) and NGV in January 2016 – 22 July 2017**

The difference between diesel price and NGV price increased by one times its value from 6.37 THB or 32% in January 2016 to 12.47 THB or 48% in October 2017. The average diesel price and NGV price is at 24.44 THB and 13.20 THB accordingly (January 2016 – July 2017). This resulted in consumers switching from diesel to NGV, saving 12.47 THB, or one times its value. This indicates that the price float of NGV reflects the true cost. It also helps diesel customer groups save more after switching to NGV. Although diesel price has declined, NGV price will also follow and decline but at a slower rate than the crude oil price. Meanwhile, benzene and diesel prices will be



instantly affected according to crude oil price. Therefore, the NGV price float policy which references to crude oil price in retrospect shall make the NGV price decline after the diesel price drop. On the opposite side, if diesel price increases, the NGV price will also increase afterwards as well. Still, the difference of the average percentage (%) remain close in the long term. The price difference (THB) shall greaten when oil prices continue to rise. In the future, the consumption volume of natural gas will increase because entrepreneurs start to understand the NGV price structure at the present that once compared to diesel, fuel costs may be saved by one times its value. Then they shall return to consume natural gas in replacement of other fuels, especially in the transportation industry group.