

21 February 2020

Subject: Management Discussion and Analysis for the year ended 31 December 2019

To: The President
The Stock Exchange of Thailand

SAAM Energy Development Public Company Limited (the "Company") would like to provide explanation and analysis regarding financial performance and position for the year ended 31 December 2019 as follows.

Financial performance

Statement of income	Consolidated Financial Statements for					
	2019 (Audited)		2018 (Audited)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Sales income	16.89	23.03	16.60	23.14	0.29	1.76
Service income	41.77	56.97	41.77	58.23	-	-
Rental income	13.15	17.94	13.15	17.94	-	-
Other income	1.51	2.06	0.21	0.30	1.30	610.92
Total revenues	73.33	100.00	71.73	100.00	1.59	2.22
Expenses						
Cost of sales	6.11	8.34	6.10	8.51	0.01	0.18
Cost of service and rental	12.91	17.61	14.48	20.18	(1.56)	(10.80)
Selling and service expenses	0.22	0.30	0.42	0.58	(0.20)	(47.22)
Administrative expenses	28.14	38.38	25.37	35.37	2.77	10.93
Other expenses	0.03	0.04	1.61	2.24	(1.58)	(98.08)
Total expenses	47.42	64.67	47.98	66.88	(0.55)	(1.16)
Profit before finance cost and income tax expenses	25.90	35.33	23.76	33.12	2.15	9.04
Finance cost	4.59	6.26	5.72	7.97	(1.13)	(19.71)
Profit before income tax expenses	21.31	29.07	18.04	25.15	3.27	18.15
Income tax expenses	4.81	6.56	2.85	3.98	1.96	68.66
Profit for the period	16.50	22.50	15.19	21.17	1.32	8.67
Profit for equity holders of the Company	16.55	22.57	15.44	21.53	1.11	7.16
Profit for non-controlling interests of the subsidiaries	(0.05)	(0.07)	(0.26)	(0.36)	(0.21)	(81.45)

Revenue

Total revenues from operation of SAAM Group consist of (1) revenues from provision of service and rental including the procurement of project site location and rendering of related services to clients who operate 17 solar power projects in Thailand, and (2) revenues from the sale of electricity from its own solar power project operated by its direct subsidiary.

In 2019, revenues are THB 73.33 million, a THB 1.59 million or 2.22% increase from the previous year (in 2018: THB 71.73 million) mainly due to the increase in revenue from sale of electricity following greater irradiation and an increase in other income not related to business operations.

- Sales income

SAAM Group's income from sale of electricity is generated from a 2.0 MW solar power project in Thailand which is operated by SAAM-SP1. In 2019, electricity sales are THB 16.89 million, representing 23.03% of total revenue, reflecting a THB 0.29 million or 1.76% increase from the previous year (in 2018: THB 16.60 million), which is line with the greater irradiation.

- Service income

In 2019, SAAM Group's service income, representing stable income generation from long-term contracts with clients operating solar power projects in Thailand, amounted to THB 41.77 million, representing 56.97% of total revenue (in 2018: THB 41.77 million).

- Rental income

In 2019, SAAM Group's rental income, representing stable income generation from long-term contracts with clients operating solar power projects in Thailand, amounted to THB 13.15 million, representing 17.94% of total revenue (in 2018: THB 13.15 million).

- Other income

In 2019, other income amounted to THB 1.51 million, a THB 1.30 million or 610.92% increase from the previous year (in 2018: THB 0.21 million). Other income mainly includes interest income and consultation income arising from the interest from time deposit account, which is occasional and not related to the Company's core business.

Cost of sales and services

Cost of sales and services consists of cost of sales from renewable energy investment business, cost of services and rental from project site procurement and rendering of related services business, and renewable energy project development. In 2019, cost of sales and services amounted to THB 19.03 million, reflecting a THB 1.55 million or 7.55% decrease from the previous year (in 2018: THB 20.58 million).

Consolidated financial statements	In 2019 (Audited)		In 2018 (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Cost of sales and services						
Cost of sales – sale of electricity	6.11	32.11	6.10	29.65	0.01	0.18
Depreciation of power plants	5.08	26.69	5.08	24.70	0.00	0.00
Operation fee and maintenance cost of power plants	0.80	4.20	0.73	3.55	0.07	9.59
Other ¹	0.22	1.16	0.29	1.40	(0.07)	(24.14)
Cost of services and rental – provision of services and development of renewable energy projects	12.91	67.84	14.48	70.35	(1.56)	(10.80)
Total	19.03	100.00	20.58	100.00	(1.55)	(7.55)

Remark: ¹ Other cost such as electricity cost, water cost, and power development fund cost

- Cost of sales

Cost of sales related to generation and distribution of electricity under SAAM-SP1 mainly includes (1) depreciation expense for the solar power project, (2) operation and maintenance, and (3) other costs such as utility expenses, insurance, and power development fund. In 2019, costs of sales amounted to THB 6.11 million, a THB 0.01 million or 0.18% increase from the previous year (in 2018: THB 6.10 million).

- Cost of services and rental

Cost of services and rental mainly consists of (1) cost of security and cleaning services within site location such as the cleaning of solar panels, cutting grass, maintenance of equipment, and costs related to renewable energy project development overseas, (2) land rental for solar projects operating under SAAM, SAAM-1, SAAM-2, and SAAM-3, and (3) depreciation expense for buildings and equipment. In 2019, cost of services and rental amounted to THB 12.91 million, a THB 1.56 million or 10.80% decrease from the previous year (in 2018: THB 14.48 million), mainly due to the decreased cost of development of renewable energy projects.

In 2019, SAAM Group's gross profit amounted to THB 52.78 million, representing gross profit margin of 73.50%, a THB 1.85 million or 3.62% increase from the previous year (in 2018: THB 50.94 million) mainly due to the decreased cost of development of renewable energy projects.

Selling and administrative expenses

- Selling and service expenses

In 2019, selling expenses amounted to THB 0.22 million, a THB 0.20 million or 47.22% decrease from the previous year (in 2018: THB 0.42 million). Selling expense includes commission expenses for land procurement, coordination in relation to services provided in solar power projects in Thailand in which SAAM Group provides services for its clients and customer service in development of renewable energy projects. In 2019, the decrease in selling expenses is mainly due to the decreased entertainment expense in supporting the sale of renewable energy projects overseas.

- Administrative expenses

In 2019, administrative expenses amounted to THB 28.14 million, a THB 2.77 million or 10.93% increase from the previous year (in 2018: THB 25.37 million). Administrative expenses mainly include salary, employee and management benefits, office rental, travel expenses, and professional fees. The increase in administrative expenses is mainly due to increase in allowance for impairment of power plant under construction of SAAM Solar Power Two, which amounted to THB 4.56 million and increase in unrealized loss on exchange rate from equipment deposit, which amounted to THB 1.40 million, while the Company had reduced professional fees and other expenses amounting to 1.03 million.

Finance cost

In 2019, finance costs amounted to THB 4.59 million, a THB 1.13 million or 19.71% decrease from the previous year (in 2018: THB 5.72 million) following repayment of loans.

Net profit

In 2019, SAAM Group's net profit amounted to THB 16.50 million, a THB 1.32 million or 8.67% increase from the previous year (in 2018: THB 15.19 million), mainly due to increase in other income from the interest from time deposit account amounting to THB 1.30 million, decrease in cost of services and rental amounting to THB 1.56 million regarding cost of services from renewable energy project development business, and decrease in other expenses amounting to THB 1.58 million. However, SAAM Group has increased selling and administrative expenses from the record of allowance for impairment of power plant under construction amounting to THB 4.56 million.

Financial position

Financial Position	Consolidated financial statements					
	As of 31 December 2019 (Audited)		As of 31 December 2018 (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Total assets	400.73	100.00	445.12	100.00	(44.39)	(9.97)
Total liabilities	110.69	27.62	148.13	33.28	(37.44)	(25.27)
Total shareholders' equity	290.04	72.38	296.99	66.72	(6.95)	(2.34)

Assets

At the end of 2019, SAAM Group presented total assets of THB 400.73 million, mainly comprising property, plant and equipment (PPE) including solar power project and land under its subsidiary, and investment properties including project land used as site location for clients' solar power projects. Total assets decreased by THB 44.39 million or 9.97% from the end of the previous year (end of 2018: THB 445.12 million) mainly due to (1) decrease in cash and cash equivalents following long-term loan repayment of THB 31.43 million, (2) record of allowance for impairment of power plant under construction of THB 4.56 million, and (3) accumulated depreciation and amortization of building and equipment of THB 10.04 million.

Liabilities

At the end of 2019, SAAM Group presented total liabilities of THB 110.69 million, mostly comprising of long-term loans from a financial institution for SAAM-SP1 solar power project and SAAM-3 land purchase, and trade and other payables. Total liabilities decreased by THB 37.44 million or 25.27% from the end of the previous year (end of 2018: THB 148.13 million) mainly due to decrease in trade and other payables of THB 5.82 and repayment of long-term loan of THB 31.43 million.

Shareholders' equity

At the end of 2019, SAAM Group presented total shareholders' equity of THB 290.04 million, a THB 6.95 million or 2.34% decrease from the end of the previous year (end of 2018: THB 296.99 million) mainly due to the dividend paid during the year.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee

Chief Executive Officer