

19 February 2021

Subject: Management Discussion and Analysis for the year ended 31 December 2020

 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 2020 as follows.

Financial performance

Statement of income	Consolidated Financial Statements for					
	Year Ended 30 December 2020 (Audited)		Year Ended 30 December 2019 (Audited)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Service and rental income	54.92	74.87%	54.92	74.90%	-	-
Sales income	17.04	23.22%	16.89	23.03%	0.15	0.88%
Other income	1.40	1.91%	1.51	2.06%	(0.11)	(7.47%)
Total revenues	73.36	100.00%	73.33	100.00%	0.04	0.05%
Expenses						
Cost of service and rental	13.39	18.25%	12.91	17.61%	0.47	3.66%
Cost of sales	6.16	8.40%	6.11	8.34%	0.05	0.82%
Selling and service expenses	0.22	0.30%	0.22	0.30%	(0.00)	(0.43%)
Administrative expenses	19.84	27.04%	28.14	38.38%	(8.30)	(29.50%)
Other expenses	-	-	0.03	0.04%	(0.03)	(100.00%)
Total expenses	39.61	53.99%	47.42	64.67%	(7.81)	(16.47%)
Profit before finance cost and income tax expenses	33.75	46.01%	25.90	35.33%	7.85	30.29%
Finance cost	3.65	4.98%	4.59	6.26%	(0.94)	(20.43%)
Profit before income tax expenses	30.10	41.02%	21.31	29.07%	8.78	41.21%
Income tax expenses	5.86	7.98%	4.81	6.56%	(1.05)	(21.73%)
Profit for the period	24.24	33.04%	16.50	22.50%	7.74	46.89%
Profit for equity holders of the Company	24.27	33.09%	16.55	22.57%	7.72	46.67%
Profit for non-controlling interests of the subsidiaries	(0.03)	(0.05%)	(0.05)	(0.07%)	(0.01)	(29.76%)

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 2020, revenues are THB 73.36 million, a THB 0.04 million or 0.05% increase from the previous year (in 2019: THB 73.33 million) resulting from increase in revenue from sale of electricity following greater irradiation offset by a decrease in other income, which mainly comprises interest income and consultation income, not related to business operations.

- Service income and rental income

In 2020, SAAM Group's service and rental income, representing stable income generation from long-term contracts with clients operating solar power projects in Thailand, amounted to THB 54.92 million, representing 74.87% of total revenue (in 2019: THB 54.92 million), comprising THB 41.77 million in service income and THB 13.15 million in rental income.

- 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 2020, electricity sales are THB 17.04 million, representing 23.22% of total revenue, reflecting a THB 0.15 million or 0.88% increase from the previous year (in 2019: THB 16.89 million), which is line with the greater irradiation.

- Other income

In 2020, other income amounted to THB 1.40 million, a THB 0.11 million or 7.47% decrease from the previous year (in 2019: THB 1.51 million). Other income mainly includes interest income and consultation income. The decrease in other income is mainly attributable to a THB 0.49 million decrease in interest from time deposit account, which is not related to the Company's core business.

However, following the Coronavirus 2019 (COVID-19) pandemic causing difficulty in contacting and coordinating with government agencies in Japan resulting in lengthened period of time in discussing and negotiating on matters, as well as inability to commute to meet with such government agencies and investors, SAAM Group has not yet delivered and has not yet recognized revenue in the sale of biomass power projects developed in Japan.

Expenses

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 2020, cost of sales and services amounted to THB 19.55 million, reflecting a THB 0.52 million or 2.73% increase from the previous year (in 2019: THB 19.03 million).

Consolidated financial statements	2020 (Audited)		2019 (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Cost of sales and services						
Cost of services and rental – provision of services and development of renewable energy projects	13.39	68.47%	12.91	67.87%	0.47	3.66%
Cost of sales – sale of electricity	6.16	31.53%	6.11	32.13%	0.05	0.82%
Depreciation of power plants	5.08	26.00%	5.08	26.71%	-	-
Operation fee and maintenance cost of power plants	0.81	4.17%	0.81	4.28%	0.00	0.02%
Other ¹	0.27	1.36%	0.22	1.14%	0.05	23.18%
Total	19.55	100.00	19.03	100.00	0.52	2.73

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

- 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 2020, cost of services and rental amounted to THB 13.39 million, a THB 0.47 million or 3.66% increase from the previous year (in 2019: THB 12.91 million), mainly due to a THB 0.41 million increase in amortization of asset right of use following the adoption of the Thai Financial Reporting Standards: TFRS 16 on Leases, and a THB 0.16 increase in labor 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 2020, costs of sales amounted to THB 6.16 million, a THB 0.05 million or 0.82% increase from the previous year (in 2019: THB 6.11 million). The increase in cost of sales is attributable to a THB 0.04 million increase in the power plant insurance premium and THB 0.03 million in electricity meter verification.

In 2020, SAAM Group's gross profit amounted to THB 52.41 million, representing gross profit margin of 72.83%, a THB 0.37 million or 0.70% decrease from the previous year (in 2019: THB 52.78 million) mainly due to a THB 0.41 million increase in amortization of asset right of use following the adoption of the Thai Financial Reporting Standards: TFRS 16 on Leases, a THB 0.16 increase in labor cost, and a slight increase in cost of sales.

Selling and administrative expenses

- Selling and service expenses

In 2020, selling expenses amounted to THB 0.22 million, a THB 0.00 million or 0.43% decrease from the previous year (in 2019: THB 0.22 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 entertainment expense in development of renewable energy projects. The decrease in such expense in 2020 is mainly due to a decrease in entertainment expense with regards to the support of sales of projects developed overseas.

- Administrative expenses

In 2020, administrative expenses amounted to THB 19.84 million, a THB 8.30 million or 29.50% decrease from the previous year (in 2019: THB 28.14 million). Administrative expenses mainly include salary, employee and management benefits, office rental, travel expenses, and professional fees. The decrease in administrative expenses is mainly due to the absence of certain expenses incurred in 2019, including a THB 4.56 million allowance for impairment of power plant under construction of SAAM Solar Power Two, THB 1.67 million unrealized loss on exchange rate from equipment deposit. Moreover, the company has a THB 0.28 million decrease in IPO expense, THB 0.67 million decrease in professional fees, and THB 0.61 million decrease in accounting and audit expenses.

Finance cost

In 2020, finance costs amounted to THB 3.65 million, a THB 0.94 million or 20.43% decrease from the previous year (in 2019: THB 4.59 million) following repayment of loans.

Net profit

In 2020, SAAM Group's net profit amounted to THB 24.24 million, a THB 7.74 million or 46.89% increase from the previous year (in 2019: THB 16.50 million), due to a THB 0.04 increase in total revenues and a THB 7.81 million decrease in total expenses, mainly attributable to a THB 8.30 million decrease in administrative expenses, of which THB 0.90 million resulted from reduced loss on exchange rate amounted.

Financial position

Financial Position	Consolidated financial statements					
	As of 31 December 2020 (Audited)		As of 31 December 2019 (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Total assets	409.74	100.00	400.73	100.00	9.01	2.25
Total liabilities	116.82	28.51	110.69	27.62	6.13	5.53
Total shareholders' equity	292.92	71.49	290.04	72.38	2.88	0.99

Assets

At the end of 2020, SAAM Group presented total assets of THB 409.74 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 increased by THB 9.01 million or 2.25% from the end of the previous year (end of 2019: THB 400.73 million) mainly due to increase in right of use of THB 36.47 million, following the adoption of the Thai Financial Reporting Standards: TFRS 16 on Leases.

Liabilities

At the end of 2020, SAAM Group presented total liabilities of THB 116.82 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 increased by THB 6.13 million or 5.53% from the end of the previous year (end of 2019: THB 110.69 million) mainly due to the increase in liabilities under lease agreements of THB 27.07 million, following the adoption of the Thai Financial Reporting Standards: TFRS 16 on Leases.

Shareholders' equity

At the end of 2020, SAAM Group presented total shareholders' equity of THB 292.92 million, a THB 2.88 million or 0.99% increase from the end of the previous year (end of 2019: THB 290.04 million) mainly due to the Company's generation of net profit.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee
Chief Executive Officer