

20 February 2023

Subject: Management Discussion and Analysis for the year ended 31 December 2022

 To: The President
 The Stock Exchange of Thailand

SAAM Development Public Company Limited (the “Company”) would like to provide explanation and analysis regarding financial performance and position for the year ended 31 December 2022 as follows.

(1) Financial performance

Statement of income	Consolidated Financial Statements for					
	Year Ended 31 December 2022 (Audited)		Year Ended 31 December 2021 (Audited)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Sales income	16.85	13.37	16.88	22.38	(0.03)	(0.01)
Service and rental income	56.92	45.18	54.92	72.81	2.00	0.04
Gain on sales of investment in indirect subsidiaries	51.33	40.74	-	-	51.33	
Net gain on exchange rate	-		2.42	3.21	(2.42)	(1.00)
Other income	0.89	0.71	1.21	1.60	(0.32)	(0.26)
Total revenues	125.99	100.00	75.43	100.00	50.56	0.67
Expenses						
Cost of sales	6.16	4.89	6.23	8.26	(0.07)	(0.01)
Cost of service and rental	13.50	10.71	12.66	16.78	0.84	0.07
Selling and service expenses	0.20	0.16	0.35	0.47	(0.16)	(0.44)
Administrative expenses	26.46	21.00	19.90	26.38	6.56	0.33
Net loss on exchange rate	1.02	0.81	-	-	1.02	
Total expenses	47.34	37.57	39.14	51.89	8.20	0.21
Profit from operating activities	78.65	62.43	36.29	48.11	42.37	1.17
Share of profit of associate from using equity method	0.41	0.32	-	-	0.41	
Finance cost	2.49	1.97	3.16	4.19	0.67	(0.21)
Profit before income tax expenses	72.28	57.37	27.70	36.72	44.58	1.61
Income tax expenses	4.29	3.40	5.44	7.21	(1.15)	(0.21)
Profit for the period	72.29	57.37	27.69	36.71	43.25	1.61
Profit for equity holders of the Company	72.28	57.37	27.70	36.72	44.58	1.61
Profit (loss) for non-controlling interests of the subsidiaries	(0.01)	(0.01)	(0.01)	(0.01)	0.01	(1.12)

Revenue

Total revenues from operation of SAAM Group consist of (1) service and rental income from project site procurement and provision of related services within solar power projects which SAAM Group provides to client who operates 17 solar power projects in Thailand, and (2) sales income from the sale of electricity from its own solar power project operated by its direct subsidiary.

In 2022, total revenues amounted to THB 125.99 million, a THB 50.56 million or 0.67% increase from the same period of the previous year (in 2021: THB 75.43 million) mainly due to recognize gain on sale of investment in indirect subsidiaries to handover of 2 Biomass Power Project, and a slight decrease in sales income and other income, which mainly comprises interest income and consultation 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 2022, the project generated 3,098,860 kilowatt-hours of electricity sales amounted to THB 16.85 million, representing 13.37% of total revenue, reflecting a THB 0.03 million or 0.01% decrease from the same period of the previous year (in 2021: THB 16.88 million), following periods of rain and efficiency of solar cell causing a small reduction in irradiation as compared to 2021.

- Service and rental income

In of 2022, SAAM Group's service and rental income, representing stable income generation from long-term contracts with customers operating solar power projects in Thailand, and income from renewable energy project development in accordance with client's requirements income, amounted to THB 56.92 million, representing 45.18% of total revenue, reflecting a THB 2 million or 0.04% increase from the same period of the previous year (in of 2021: THB 54.92 million), comprising THB 43.77 million in service income and THB 13.15 million in rental income (in of 2021: THB 41.77 million and THB 13.15 million, respectively). This is mainly attributable to revenue recognition for biomass power project development in Japan of THB 2.88 million, with successful handover of milestone 1 under the Project Development Service Agreement which SAAM Group entered into with the client on 29 December 2021. On the other hand, revenue under operating solar power project agreement in Petchaburi and Ang Thong province is reduced amounting to THB 0.88 million per month due to decrease capacity.

- Gain on sale of investment in indirect subsidiaries

On February 2022, SAAM Group handed over of 2 Biomass Power Projects in Japan, namely SAAM Oita 01 Biomass Power and SAAM Oita 02 Biomass Power Projects to a client and sold investment in subsidiaries which hold various permits for the projects. Total contract value is JPY 218.84 million, or equivalent to THB 61.64 million. Therefore, SAAM Group recognised gain from sale of investment amounting to THB 51.33 million. representing 40.74% of total revenue

- Other income

In of 2022, other income amounted to THB 0.89 million, representing 0.71% of total revenue, a THB 0.32 million or 0.26% decrease from the same period of the previous year (in of 2021: THB 1.21 million). Other income mainly includes interest income and consultation income, with the decrease being mainly attributable to reductions in interest rate of bank deposit, which is not related to SAAM Group's core business.

Expenses

Cost of sales and services

Cost of sales and services consists of cost of sales from renewable energy investment business, while cost of services and rental consists of cost of project site procurement and rendering of related services business, renewable energy project development for sale business, and renewable energy project development in accordance with client's requirements business. In of 2022, cost of sales and services amounted to THB 19.66 million, reflecting a THB 0.77 million or 0.05% increase from the same period of the previous year (in of 2021: THB 18.89 million).

Consolidated financial statements	For the Year 2022 (Audit)		For the Year 2021 (Audit)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Cost of sales and services						
Cost of sales – sale of electricity	6.16	31.34	6.23	32.99	(0.07)	1.14
Depreciation of power plants	5.09	25.89	5.08	26.91	0.01	0.01
Operation fee and maintenance cost of power plants	0.79	4.00	0.87	4.61	(0.08)	0.10
Other ¹	0.28	1.45	0.28	1.47	-	-
Cost of services and rental – provision of services and development of renewable energy projects	13.50	68.66	12.66	67.01	0.84	6.60
Total	19.66	100.00	18.89	100.00	0.77	4.05

Remark: 1 Other cost such as electricity cost, water cost, insurance premium 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 premium, and power development fund expense. In of 2022, cost of sales amounted to THB 6.16 million, a THB 0.07 million or 1.14% decrease from the same period of the previous year (in 2021: THB 6.23 million).

- Cost of services and rental

Cost of services and rental mainly consists of (1) cost of the provision of related services within solar power projects which SAAM Group provides to client, 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 of 2022, cost of services and rental amounted to THB 13.50 million, a THB 0.84 million or 6.60% increase from the same period of the previous year (in of 2021:

THB 12.66 million), mainly due to a THB 1 million increase in expense related to the handover biomass power projects in Japan.

In of 2022, SAAM Group's gross profit amounted to THB 54.12 million, representing gross profit margin of 73.36%, a THB 1.21 million or 2.28% increase from the same period of the previous year (in of 2021: THB 52.91 million). Gain on sale of investment in indirect subsidiaries is not included as part of gross profit calculation.

Selling and administrative expenses

- Selling and service expenses

In of 2022, selling expenses amounted to THB 0.20 million a THB 0.16 million or 0.44% decrease, (in of 2021: THB 0.35 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.

- Administrative expenses

In of 2022, administrative expenses amounted to THB 26.46 million, a THB 6.56 million or 21.00% increase from the same period of the previous year (in of 2021: THB 19.90 million). Administrative expenses mainly include salary, employee and management benefits, office rental, travel expenses, and professional fees. In of 2022, the increase in administrative expenses is mainly due to a THB 0.96 million increase in bonus paid to personnel in March 2022 following the handover of projects to a client, a THB 1.42 million write-off of deposit in relation to the land purchase and sale agreement in Japan, a THB 1.39 million recognition of expense related to sourcing of solar power projects and biomass power projects in Japan, a professional service fee and audit fee THB 0.86 million other expenses related to personnel such as training expense.

- Net loss on exchange rate

In of 2022, SAAM Group's loss from foreign exchange amounted to THB 1.02 million, representing 0.81% of total revenue. In of 2021, SAAM Group's gain from foreign exchange amounted to THB 2.42 million due to exchange rate fluctuations as SAAM Group has equipment deposit and bank deposit in US Dollar and THB currency for foreign subsidiary, respectively and business transactions related to the development of renewable energy projects.

Share of profit of associate from using equity method

In of 2022, SAAM Group purchase 8,000 shares of additional ordinary shares in Nanuq Company Limited, representing 40% shareholding proportion after the acquisition transaction, at a total price THB 30 million classified the investment as investment in associates. In of 2022, SAAM Group recognised share of profit of associate from using equity method amounting to THB 0.41 million.

Finance cost

In of 2022, finance costs amounted to THB 2.49 million, a THB 0.67 million or 1.97% decrease from the same period of the previous year (in of 2021: THB 3.16 million) following repayment of loans.

Net profit

In of 2022, SAAM Group's net profit amounted to THB 72.29 million, a THB 44.59 million or 57.37% increase from the previous year (in of 2021: THB 27.69 million), mainly due to increase in gain on sale of investment in indirect subsidiaries of THB 51.33 million. On the other hand, administrative expense increased by THB 6.56 million.

(2) Financial position

Financial Position	Consolidated financial statements					
	As of 31 December 2022 (Audited)		As of 31 December 2021 (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Total assets	511.90	100.00	429.12	100.00	82.78	19.29
Total liabilities	143.30	27.99	123.33	28.74	19.96	16.19
Total shareholders' equity	368.60	72.01	305.79	71.26	62.81	20.54

Assets

At the end of 2022, SAAM Group presented total assets of THB 511.90 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 82.78 million or 19.29% from the end of the previous year (end of 2021: THB 429.12 million) mainly due to the increase in cash and cash equivalent amounting to THB 61.64 million, reflecting cash received from the handover of biomass power projects in Japan to a client and disposition of investment in subsidiaries. In addition, SAAM Group removed project in progress under its subsidiaries of THB 10.31 million in full. On the other hand, SAAM Group entered to purchase investment in a company, which engaged in providing game design and production services, amounting to THB 30 million and classified the investment as investment in associates, company is developing a game project is an intangible asset of THB 33.15 million.

Liabilities

At the end of 2022, SAAM Group presented total liabilities of THB 143.30 million, mostly comprising long-term loans from a financial institution for SAAM-SP1 solar power project and SAAM-3 land purchase, and contract liabilities. Total liabilities decreased by THB 19.96 million or 16.19% from the end of the previous year (end of 2021: THB 123.33 million) mainly due to the decrease in (1) long-term loans from financial institutions of THB 14.21 million from gradual repayment (2) liabilities under lease agreements of THB 2.85 million, and (3) contract liabilities of THB 2.88 million from handed over milestone of the project development.

Shareholders' equity

At the end of 2022, SAAM Group presented total shareholders' equity of THB 368.60 million, a THB 62.81 million or 20.54% increase from the end of the previous year (end of 2021: THB 305.79 million) mainly due to SAAM Group's generation of net profit.

(3) Key Developments in Business Operations**Handover of SAAM Oita 01 Biomass Power and SAAM Oita 02 Biomass Power Projects**

On 22 February 2022, SAAM Group handover of 2 biomass power projects in Japan, namely SAAM Oita 01 Biomass Power and SAAM Oita 02 Biomass Power Projects. In the handover of such projects, SAAM Group sold investment in 2 subsidiaries, namely Biomass Power Three GK and Biomass Power Four GK, which hold various permits for the projects to a large Japanese trading company which has no relationship with the Company, subsidiaries, and directors or shareholders of the Company and its subsidiaries. Total contract value is JPY 218.84 million, equivalent to THB 61.64 million.

Acquisition of newly-issued ordinary shares of Nanuq Company Limited

On 17 June 2022, SAAM Group purchase 8,000 shares at THB 3,750 per share of additional ordinary shares in Nanuq Company Limited, representing 40% shareholding proportion after the acquisition transaction, at a total price THB 30 million, which is engaged in providing game design and production services.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee

Chief Executive Officer