

4 January 2019

Subject: Management Discussion and Analysis for the year ended 31 December 2017

To: The President of 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 2017 as the following details.

Financial performance

Statement of income	Consolidated financial statements for the year					
	2016 (Audited)		2017 (Audited)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Sales	17.12	23.20	16.93	23.04	(0.19)	(1.11)
Service and rental income	55.41	75.09	54.92	74.75	(0.49)	(0.88)
Other income	1.26	1.71	1.62	2.20	0.36	28.57
Total revenues	73.79	100.00	73.47	100.00	(0.32)	(0.43)
Expenses						
Cost of sales	6.83	9.26	6.96	9.47	0.13	1.90
Cost of service and rental	12.79	17.33	13.74	18.70	0.95	7.43
Selling and service expenses	2.46	3.33	0.18	0.24	(2.28)	(92.68)
Administrative expenses	10.62	14.39	23.80	32.39	13.18	124.11
Total expenses	32.70	44.31	44.68	60.81	11.98	36.64
Profit before finance cost and income tax expenses	41.09	55.69	28.79	39.19	(12.30)	29.93
Finance cost	6.68	9.05	5.71	7.77	(0.97)	14.52
Profit before income tax expenses	34.41	46.63	23.08	31.41	(11.33)	32.93
Income tax expenses	3.57	4.84	3.95	5.38	0.38	10.64
Profit for the period	30.84	41.79	19.13	26.04	(11.71)	(37.97)
Profit for Equity holders of the Company	30.84	41.79	19.18	26.11	(11.66)	(37.81)
Profit for Non-controlling interests of the subsidiaries	-	-	(0.05)	(0.07)	(0.05)	n.a.

Revenue

Revenues from operation of the Group Company consist of revenue from services and rental including procuring project land and providing services related to project security and cleaning to the group customer, that operates 17 solar power plant projects in Thailand, and revenue from sales of electricity from its own solar power plant operated by its subsidiary.

For the year 2016 and 2017, revenues are THB 73.79 million and THB 73.47 million respectively. Total revenue decreased by THB 0.32 million or 0.43% from the previous year mainly due to a decrease in

service and rental revenue as the customer had reduced installed capacities of its some projects, considering suitable land ground condition in the areas.

- Revenue from services and rental

For the year 2016 and 2017, the Group Company's revenues from services and rental represent fixed income generated from long-term contracts with customers operating solar power plant projects in Thailand, amounting to THB 55.41 million and THB 54.92 million, representing 75.09% and 74.75% of total revenue, respectively. Revenues from services and rental decreased by THB 0.49 million or 0.88% from the previous year due to the reduction of installed capacities by the customer in 3 projects i.e. Project Angthong, Project Lopburi 1 and Project Ubon, serviced by SAAM and SAAM-1. The customer had reduced its project installation capacities that were previously increased in the past, considering suitable land ground condition in the areas.

- Revenue from sales of electricity

The Group Company's revenue from sales of electricity is generated from a 2 MW solar power plant in Thailand which is operated by SAAM-SP1. For the year 2016 and 2017, electricity sales are THB 17.12 million and THB 16.93 million, representing 23.20% and 23.04% of total revenue, respectively. Such revenue decreased by THB 0.19 million or 1.11% from the previous year which is line with the electricity distributed volume.

- Other income

For the year 2016 and 2017, other incomes are THB 1.26 million and THB 1.62 million. Other income mainly includes interest income, unrealized gain on exchange rate, consultation revenue and gains from sales of assets. Other income in 2017 increased by THB 0.36 million or 28.57% from the previous year mainly because the Group Company had revenue from consulting related to solar energy business and other extraordinary service income, which is not related to its main business totaling THB 1.24 million while unrealized gains on exchange rate decreased by THB 1.07 million.

Cost of services and sales

Cost of services and sales of the Group Company consists of costs of services and rental from services and development of renewable energy projects businesses, and cost of sales from electricity generation and distribution business. For the year 2016 and 2017, costs of services and sales are THB 19.62 million and THB 20.70 million, representing 26.59% and 28.17% of total revenues, respectively.

Consolidated financial statements	For the Year 2016		For the Year 2017		Change	
	THB million	%	THB million	%	THB million	%
Cost of services and sales						
Cost of services and rental – Services and Development of renewable energy projects	12.79	65.19	13.74	66.38	0.95	7.43
Cost of sales – Electricity	6.83	34.81	6.96	33.62	0.13	1.90
รวม	19.62	100.00	20.70	100.00	1.21	6.17

- Cost of services and rental

Cost of services and rental mainly consists of service costs for security and cleaning services in the project areas e.g. cleansing the solar panels, cutting the grass, taking care of equipment and security services, costs for development of renewable energy projects overseas, land rental costs for solar power plant projects serving the customer in Thailand, and depreciation costs related to servicing projects. For the year 2016 and 2017, costs of services and rental are THB 12.79 million and THB 13.74 million, respectively. Such costs in 2017 increased by THB 0.95 million or 7.43% from the previous year mainly due to costs related to development of renewable energy projects overseas of THB 0.75 million including translation, accommodation and traveling expenses.

- Cost of sales

Cost of sales related to generation and distribution of electricity business under SAAM-SP1 mainly includes depreciation cost for a solar power plant, operation and maintenance (O&M) and utility expenses. For the year 2016 and 2017, costs of sales are THB 6.83 million and THB 6.96 million, respectively. Cost of sales in 2017 increased by THB 0.13 million or 1.90% from the previous year mainly due to additional expense for equipment rental of THB 0.79 million arising from the delay in shipment of inverters for SAAM-SP1. However, a depreciation cost in 2017 decreased by THB 0.89 million due to change in estimated depreciation life of SAAM-SP1 power plant from 20 years to 25 year since 2017 onward, to be in line with the useful life of assets.

For the year 2016 and 2017, the Group Company presented gross profit of THB 52.91 million and THB 51.15 million, representing gross profit margin of 72.95% and 71.19%, respectively. In 2017, the gross profit decreased by THB 1.76 million or 3.33% and gross profit margin decreased from the previous year mainly due to a decrease in gross profit from services and development business from additional related costs in developing renewable energy business overseas in 2017.

Selling and administrative expenses

- Selling and service expenses

For the year 2016 and 2017, selling expenses are THB 2.46 million and THB 0.18 million, representing 3.39% and 0.25% of revenue from operation, respectively. Selling expense includes commission expenses for lands search and coordination in relation to services provided in some power plant projects owned by customers in Thailand. In 2017 selling expense decreased by THB 2.28 million or 92.68% from the previous year as the Company adjusted such work scope and has engaged related professional service providers to be in charge directly.

- Administrative expenses

For the year 2016 and 2017, administrative expenses are THB 10.62 million and THB 23.80 million, representing 14.39% and 32.39% of total revenue, respectively. Administrative expenses mainly include salary, expenses related to employee and management benefits, office rental, travelling expenses and professional expenses. In 2017, administrative expenses increased by THB 13.18 million or 124.11% from

the previous year mainly due to i) increase in employee and management expenses from new hires supporting business expansion, ii) increase in professional expenses including consulting fees related to operational systems preparation and legal fees, iii) incurred unrealized loss from exchange rate of equipment deposit amounting to THB 2.28 million, and iv) increase in expenses related to the study and development of renewable energy project overseas.

Finance cost

For the year 2016 and 2017, finance costs are THB 6.68 million and THB 5.71 million, respectively. The finance cost decreased by THB 0.97 million or 14.52% from the previous year due to repayment of loans from a financial institution in 2017.

Net profit

For the year 2016 and 2017, The Group Company presented net profit of THB 30.84 million and THB 19.13 million, representing net profit margin of 41.79% and 26.04%, respectively. In 2017, the net profit decreased by THB 11.71 million or 37.97%, and the net profit margin decreased from the previous year mainly due to increases in administrative expenses to support business expansion. Such net profits include net profit attributable to equity holders of the Company in 2016 and 2017 of THB 30.84 million and THB 19.18 million, respectively.

Financial position

Financial Position	Consolidated financial statements as of 31 December					
	Year 2016 (Audited/restated)		Year 2017 ¹ (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Total assets	311.69	100.00	302.49	100.00	(9.20)	(2.95)
Total liabilities	163.82	52.56	140.29	46.38	(23.53)	(14.36)
Total shareholders' equity	147.87	47.44	162.20	53.62	14.33	9.69

Note: ¹ During 2018, the Company and its subsidiaries have recorded an adjustment of land rental method to be in accordance with TAS 17 (revised 2017) Lease. In case that the Group Company has retrospectively adjusted the consolidated financial position as of 31 December 2017, it will result in an increase in other non-current liabilities and a decrease in unappropriated retained earnings in the same amount of THB 1.85 million, as presented in interim financial statements for the 9-month period ended 30 September 2018.

Assets

At the end of year 2016 and 2017, the Group Company presented total assets of THB 311.69 million and THB 302.49 million, respectively. Major assets are property, plant and equipment (PPE) including land and the solar power plant of its subsidiary, and investment properties including project lands for serving solar power plant projects owned by the customer. At the end of 2017, total assets decreased by THB 9.20 million or 2.95% from the previous year mainly due to a decrease in other non-current assets – rental deposits as the Group Company has revised terms of rental contracts and received such repayments, and a decrease in PPE from depreciation of the power plant.

Liabilities

At the end of year 2016 and 2017, the Group Company presented total liabilities of THB 163.82 million and THB 140.29 million, respectively. Major liabilities are long term loans from a financial institution for SAAM-SP1 power plant project and land purchase financing of SAAM-3, and trade and other payables. At the end of 2017, total liabilities decreased by THB 23.53 million or 14.36% from the previous year mainly due to repayments of short term loan from directors and long term loan from a financial institution of THB 7.23 million and THB 15.99 million, respectively.

Shareholders' equity

At the end of year 2016 and 2017, the Group Company presented total shareholders' equity of THB 147.87 million and THB 162.20 million, respectively. At the end of 2017, total shareholders' equity increased by THB 14.33 million or 9.69% from the previous year mainly due to increase in retained earnings from the Group Company's financial performance of THB 19.13 million and dividend paid of THB 3.85 million.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee

Chief Executive Officer