

4 January 2019

Subject: Management Discussion and Analysis for the 9-month ended 30 September 2018

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 9-month ended 30 September 2018 as the following details.

Financial performance

Statement of income	Consolidated financial statements for the 9-month ended					
	30 September 2017 (Reviewed/Restated)		30 September 2018 (Reviewed)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Sales	13.59	24.38	12.69	23.49	(0.90)	(6.62)
Service and rental income	41.19	73.88	41.19	76.24	-	-
Other income	0.97	1.74	0.15	0.27	(0.82)	(84.54)
Total revenues	55.75	100.00	54.03	100.00	(1.72)	(3.09)
Expenses						
Cost of sales	5.43	9.74	4.57	8.46	(0.86)	(15.84)
Cost of service and rental	9.70	17.40	9.83	18.19	0.13	1.34
Selling and service expenses	0.13	0.23	0.36	0.67	0.23	176.92
Administrative expenses	16.57	29.72	17.66	32.69	1.09	6.58
Other expenses	-	-	1.13	2.09	1.13	n.a.
Total expenses	31.83	57.09	33.55	62.10	1.72	5.40
Profit before finance cost and income tax expenses	23.92	42.91	20.48	37.90	(3.44)	(14.38)
Finance cost	4.37	7.84	4.34	8.03	(0.03)	(0.69)
Profit before income tax expenses	19.55	35.07	16.14	29.87	(3.41)	(17.44)
Income tax expenses	2.86	5.13	2.54	4.70	(0.32)	(11.19)
Profit for the period	16.69	29.94	13.60	25.17	(3.09)	(18.51)
Profit for Equity holders of the Company	16.70	29.96	13.64	25.25	(3.06)	(18.32)
Profit for Non-controlling interests of the subsidiaries	(0.01)	(0.02)	(0.04)	(0.07)	(0.03)	(300.00)

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 9-month period ended 30 September 2017 and 2018, revenues are THB 55.75 million and THB 54.03 million respectively. Total revenue decreased by THB 1.72 million or 3.09% from the same period

of previous year mainly due to decrease in sales of electricity and decrease in other income from extraordinary service income incurred in the previous year.

- Revenue from services and rental

For the 9-month period ended 30 September 2018, the Group Company's revenues from services and rental represents fixed income generated from long-term contracts with customers operating solar power plant projects in Thailand, amounting to THB 41.19 million which is the same amount compared with the same period of previous year.

- Revenue from sales of electricity

For the 9-month period ended 30 September 2017 and 2018, electricity revenues from the solar power plant in Thailand are THB 13.59 million and THB 12.69 million, respectively. Such revenue decreased by THB 0.90 million or 6.62% from the same period of previous year resulted from lower solar intensity and electricity generation volume.

- Other income

For the 9-month period ended 30 September 2017 and 2018, other incomes are THB 0.97 million and THB 0.15 million, respectively. Other income decreased by THB 0.82 million or 84.54% mainly due to one-time consulting service income which was not related to the main business of the Company of THB 0.66 million for the first 9-month period of 2017.

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 9-month period ended 30 September 2017 and 2018, costs of services and sales are THB 15.13 million and THB 14.40 million, representing 27.14% and 26.65% of total revenues, respectively

Consolidated financial statements	For 9-month of year 2017		For 9-month of year 2018		Change	
	THB million	%	THB million	%	THB million	%
Cost of services and sales						
Cost of services and rental – Services and Development of renewable energy projects	9.70	64.11	9.83	68.26	0.13	1.34
Cost of sales – Electricity	5.43	35.89	4.57	31.74	(0.86)	(15.84)
รวม	15.13	100.00	14.40	100.00	(0.73)	(4.82)

- Cost of services and rental

For the 9-month period ended 30 September 2017 and 2018, costs of services and rental are THB 9.70 million and THB 9.83 million, respectively. Such costs decreased by THB 0.13 million or 1.34% from the same period of previous year. Costs of services and rental for the first 9-month of 2018 mainly include costs

related to facility services and rental for servicing projects as well as costs related to development of renewable energy projects overseas of THB 0.52 million.

- Cost of sales

For the 9-month period ended 30 September 2017 and 2018, costs of generation and distribution of electricity from the solar power plant are THB 5.43 million and THB 4.57 million, respectively. Cost of sales decreased by THB 0.86 million or 15.84% from the same period of previous year mainly due to an additional expense for rental of inverter equipment for the power plant in the first 9-month of 2017.

For the 9-month period ended 30 September 2017 and 2018, the Group Company presented gross profit of THB 39.65 million and THB 39.48 million, representing gross profit margin of 72.38% and 73.27%, respectively. Such gross profit decreased by THB 0.17 million or 0.43% from the same period of previous year mainly due to an improved gross margin from an electricity sales business, as the Group Company incurred additional expenses for power inverters rented from its supplier in 2017.

Selling and administrative expenses

- Selling and service expenses

For the 9-month period ended 30 September 2017 and 2018, selling expenses are THB 0.13 million and THB 0.36 million representing 0.23% and 0.67% of revenue from operation, respectively. Such expenses increased by THB 0.23 million or 176.92% from the same period of previous year as the Group Company had incurred related expenses to support sales of overseas renewable energy projects in 2018.

- Administrative expenses

For the 9-month period ended 30 September 2017 and 2018, administrative expenses are THB 16.57 million and THB 17.66 million, representing 29.72% and 32.69% of total revenue, respectively. Such expenses increased by THB 1.09 million or 6.58% from the same period of previous year mainly due to increase in employee related expenses to support business expansion and traveling and other expenses related to the study and development of renewable energy project overseas. However, unrealized loss from exchange rate incurred from an equipment deposit had decreased from the same period of previous year.

- Other expenses

For the 9-month period ended 30 September 2018, the Group Company presented other expenses of THB 1.13 million comprising i) write-off non-refundable deposit for the interest purchase of THB 0.71 million, resulted from terminating the agreement to purchase interest in Soma Kyodo Self-Generation Development GK ("SKD") in relation to a project development under BMP-8 and ii) write-off project in progress of THB 0.42 million. The Group Company had terminated the development of three renewable energy projects in Japan because of change in qualification of grid interconnection cable required by a private power operator, then also non-negotiable payment period of land purchase for the project under BMP-5, and change in conditions of land purchase from land owner and a contract party for the projects under BMP-7 and BMP-8 by considering the Company's benefits, as appropriate.

Finance cost

For the 9-month period ended 30 September 2017 and 2018, finance costs are THB 4.37 million and THB 4.34 million, respectively. The finance cost decreased by THB 0.03 million or 0.69% from the previous year due to repayment of loans from a financial institution.

Net profit

For the 9-month period ended 30 September 2017 and 2018, The Group Company presented net profit of THB 16.69 million and THB 13.60 million, representing net profit margin of 29.94% and 25.17%, respectively. The net profit decreased by THB 3.09 million or 18.51%, and the net profit margin decreased from the same period of previous year mainly due to increases in administrative expenses related to employee and development of renewable energy projects to support overseas business expansion, as well as write-off deposit and project in progress due to termination of three projects under development in Japan. The net profits include net profit attributable to equity holders of the Company for the first 9-month of 2017 and 2018 amounting to THB 16.70 million and THB 13.64 million, respectively.

Financial position

Financial position	Consolidated financial statements as of							
	31 December 2017 (Audited/ Before restated)		31 December 2017 (Restated) ¹		30 September 2018 (Reviewed)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%	THB million	%
Total assets	302.49	100.00	302.49	100.00	319.43	100.00	16.94	5.60
Total liabilities	140.29	46.38	142.14	46.99	146.08	45.73	3.94	2.77
Total shareholders' equity	162.20	53.62	160.35	53.01	173.35	54.27	13.00	8.11

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. The Group Company has retrospectively adjusted the consolidated financial position as of 31 December 2017 resulting 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

As of 31 December 2017 and 30 September 2018, the Group Company presented total assets of THB 302.49 million and THB 319.43 million, respectively. Total assets increased by THB 16.94 million or 5.60% from the end of year 2017 mainly due to increase in renewable energy development projects in progress and cash from operation and a decrease in PPE from depreciation of the power plant.

Liabilities

As of 31 December 2017 and 30 September 2018, the Group Company presented total liabilities of THB 142.14 million and THB 146.08 million, respectively. Total liabilities increased by THB 3.94 million or 2.77% from the end of year 2017 mainly due to new long term loan for development of new project in Japan during the year.

Shareholders' equity

As of 31 December 2017 and 30 September 2018, the Group Company presented total shareholders' equity of THB 160.35 million and THB 173.35 million, respectively. Total shareholders' equity increased by THB 13.00 million or 8.11% from the end of year 2017 mainly due to increase in net profit from operation.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee

Chief Executive Officer