

13 February 2019

Subject: Management Discussion and Analysis for the year ended 31 December 2018

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 2018 as the following details.

Financial performance

Statement of income	Consolidated financial statements for the year					
	2018 (Audited)		2017 (Audited/Restated)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Sales	16.60	23.14%	16.94	23.05%	(0.34)	(2.00%)
Service and rental income	54.92	76.56%	54.92	74.75%	0.00	0.00%
Other income	0.21	0.30%	1.62	2.20%	(1.41)	(86.85%)
Total revenues	71.73	100.00%	73.48	100.00%	(1.75)	(2.37%)
Expenses						
Cost of sales	6.10	8.51%	6.96	9.47%	(0.86)	(12.31%)
Cost of service and rental	14.48	20.18%	13.55	18.44%	0.93	6.87%
Selling and service expenses	0.42	0.58%	0.18	0.25%	0.24	128.77%
Administrative expenses	25.37	35.37%	24.10	32.80%	1.27	5.26%
Other expense	1.61	2.24%	-	-	1.61	
Total expenses	47.98	66.88%	44.79	60.96%	3.18	7.11%
Profit before finance cost and income tax expenses	23.76	33.12%	28.69	39.04%	(4.93)	(17.18%)
Finance cost	5.72	7.97%	5.71	7.77%	0.01	0.12%
Profit before income tax expenses	18.04	25.15%	22.97	31.27%	(4.94)	(21.48%)
Income tax expenses	2.85	3.98%	3.95	5.38%	(1.10)	(27.83%)
Profit for the period	15.19	21.17%	19.02	25.89%	(3.84)	(20.17%)
Profit for Equity holders of the Company	15.44	21.53%	19.08	25.96%	(3.63)	(19.05%)
Profit for Non-controlling interests of the subsidiaries	(0.26)	(0.36%)	(0.06)	(0.08%)	(0.20)	(365.56%)

Revenue

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

For the year 2018, revenues are THB 71.73 million, a THB 1.75 million or 2.37% decrease from the previous year (2017: THB 73.48 million) mainly due to a decrease in revenue from sale of electricity following reduced irradiation and a decrease in other income not related to business operations.

- Revenue from sale

SAAM Group's revenue from sale of electricity is generated from a 2.0 MW solar power project in Thailand which is operated by SAAM-SP1. For the year 2018, electricity sales are THB 16.60 million, representing 23.14% of total revenue. Such revenue decreased by THB 0.34 million or 2.00% from the previous year (2017: THB 16.94 million) which is line with the reduced irradiation.

- Revenue from provision of service and rental

For the year 2018, SAAM Group's revenues from provision of service and rental represent passive income generated from long-term contracts with customers operating solar power projects in Thailand, amounted to THB 54.92 million, representing 76.56% of total revenue (2017: THB 54.92 million).

- Other income

For the year 2018, other income amounted to THB 0.21 million, a THB 1.41 million or 86.85% decrease from the previous year (2017: THB 1.62 million). Other income mainly includes interest income and consultation revenue. The decrease in 2018 is mainly due to SAAM Group received revenue from providing consultation services related to solar energy business, which is occasional and not related to its main business.

Cost of sales and services

Cost of sales and services consists of cost of sales from electricity generation and distribution and costs of services and rental from provision of services and development of renewable energy projects. For the year 2018, costs of sales and services are THB 20.58 million, representing 28.69% of total revenues, reflecting a THB 0.07 million or 0.36% decrease from the previous year (2017: THB 20.51 million).

Consolidated financial statements	For the Year 2018		For the Year 2017		Change	
	THB million	%	THB million	%	THB million	%
Cost of sales and services						
Cost of sales – Electricity	6.10	29.65%	6.96	33.94%	(0.86)	(12.31%)
Cost of services and rental – Provision of services and development of renewable energy projects	14.48	70.35%	13.55	66.06%	0.93	6.87%
Total	20.58	100.00%	20.51	100.00%	0.07	0.36%

- 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 (O&M), and (3) other costs such as utility expenses, insurance, and power development fund. For the year 2018, costs of sales are THB THB 6.10 million, a THB 0.86 million or 12.31% decrease from the previous year (2017: THB 6.96 million) mainly due to reduction in equipment rental, as in 2017 SAAM Group had additional expense for equipment rental arising from the delay in shipment of inverters for SAAM-SP1.

- 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. For the year 2018, costs of services and rental are THB 14.48 million, a THB 0.93 million or 6.87% increase from the previous year (2017: THB 13.55 million) mainly due to the increase in costs directly related to development of renewable energy projects overseas, which increased of THB 1.23 million including translation, accommodation traveling, and development expenses.

For the year 2018, SAAM Group presented gross profit of THB 50.94 million, representing gross profit margin of 71.22%, a THB 0.41 million or 0.57% decrease from the previous year (2017: 51.35 million) mainly due to the decrease in gross profit from services and renewable energy project development business from additional related costs in developing renewable energy projects overseas in 2018.

Selling and administrative expenses

- Selling and service expenses

For the year 2018, selling expenses are THB 0.42 million, a THB 0.24 million or 128.77% increase from the previous year (2017: THB 0.18 million). Selling expense includes commission expenses for lands search and coordination in relation to services provided in some solar power projects owned by customers in Thailand. In 2018, selling expense increased in relation to client entertainment expenses to support the sale of projects under development overseas.

- Administrative expenses

For the year 2018, administrative expenses are THB 25.37 million, a THB 1.27 million or 5.26% increase from the previous year (2017: THB 24.10 million). Administrative expenses mainly include salary, employee and management benefits, office rental, travelling expenses and professional fees. In 2018, the increase in administrative expenses are mainly due to (1) increase in employee and management expenses from new hires supporting business expansion of THB 2.44 million, (2) increase in travelling expenses in the study and development of renewable energy projects overseas including travelling expenses, accommodation expenses, and office service expenses of THB 1.71 million, (3) expenses related to the preparation for listing on the Stock Exchange of Thailand THB 3.37 million, (4) reduction in professional fees of THB 2.55 million, and (5) increase in preparation and audit of financial statements in Thailand and overseas of THB 1.32 to support business expansion and reduced unrealized translation loss of THB 2.35 million.

- Other expenses

For the year 2018, SAAM Group has other expenses of THB 1.61 million including write-off of deposit and write-off of work in progress of THB 0.71 million and THB 0.90 million, respectively. Such transactions are (1) write-off of deposit non-refundable in accordance with the agreement in which SJE terminated the purchase of investment from Soma Kyodo Self-Generation Development GK ("SKD") as negotiations on terms of land purchase for project development are inconclusive and (2) write-off of work in progress as

SAAM Group terminated development in certain projects resulting from alterations in the specification for grid interconnection with no progress for an extended period of time, alterations in the terms of land purchase by land owners and related parties, and review of development cost in accordance with project budget. After consideration of the above, benefits to be gained from alterations of conditions do not match development input, thus project development is discontinued.

Finance cost

For the year 2018, finance costs are THB 5.72 million, a THB 0.01 million or 0.12% increase from the previous year (2017: THB 5.71) due to repayment of loans from a financial institution during the year and taking out additional loans from a financial institution to serve as working capital for projects under development in Japan.

Net profit

For the year 2018, SAAM Group presented net profit of THB 15.19 million, representing net profit margin of 21.17%, a THB 3.84 million or 20.17% decrease from the previous year (2017: THB 19.02). In 2018, net profit margin decreased from the previous year mainly due to increases in administrative expenses to support business expansion, renewable energy project development expenses, and write-off of deposit and work in progress totaling THB 1.61 million. Such net profits include net profit attributable to equity holders of the Company in 2018 of THB 15.44 million (2017: THB 19.08 million).

Financial position

Financial Position	Consolidated financial statements as of 31 December					
	Year 2018 (Audited)		Year 2017 (Audited/Restated)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Total assets	445.12	100.00%	302.49	100.00%	142.64	47.16%
Total liabilities	148.13	33.28%	142.14	46.99%	5.99	4.22%
Total shareholders' equity	296.99	66.72%	160.35	53.01%	136.65	85.22%

Assets

At the end of year 2018, the SAAM Group presented total assets of THB 445.12 million. 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 2018, total assets increased by THB 142.64 million or 47.16% from the previous year (2017: THB 302.49) mainly due to the increase of cash and cash equivalents resulting from Initial Public Offering of THB 136.32 million, increase in work in progress under development in Japan of THB 10.10 million, while property, plant and equipment decreased by THB 5.27 million from depreciation.

Liabilities

At the end of year 2018, the SAAM Group presented total liabilities of THB 148.13 million, mostly comprising of long term loans from a financial institution for SAAM-SP1 power plant project and land

purchase financing for SAAM-3, and trade and other payables. At the end of 2018, total liabilities increased by THB 5.99 million or 4.22% from the previous year (2017: 142.14 million) mainly due to increase in trade and other payables of THB 4.94, repayments of long-term loan from a financial institution of THB 18.78 million and taking out of additional loans of THB 17.43 million.

Shareholders' equity

At the end of year 2018, the SAAM Group presented total shareholders' equity of THB 296.99 million, a THB 136.65 million or 85.22% increase from the previous year (2017: THB 160.35 million) mainly due to increase in paid-up capital following Initial Public Offering of 80 million additional shares.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee

Chief Executive Officer