

7 November 2019

Subject: Management Discussion and Analysis for the period ended 30 September 2019

 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 period ended 30 September 2019 as follows.

Financial performance

Statement of income	Consolidated Financial Statements for					
	Quarter 3 of 2019 (Unaudited but reviewed)		Quarter 3 of 2018 (Unaudited but reviewed)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Sales income	12.86	23.32	12.69	23.48	0.17	1.34
Service and rental income	41.19	74.72	41.19	76.24	-	-
Other income	1.08	1.96	0.15	0.27	0.93	628.38
Total revenues	55.13	100.00	54.03	100.00	1.10	2.04
Expenses						
Cost of sales	4.57	8.29	4.57	8.45	0.00	0.07
Cost of service and rental	9.61	17.42	9.83	18.20	(0.23)	(2.32)
Selling and service expenses	0.17	0.30	0.36	0.67	(0.20)	(54.55)
Administrative expenses	21.96	39.84	17.66	32.68	4.31	24.40
Other expenses	-	-	1.13	2.09	(1.13)	(100.00)
Total expenses	36.30	65.85	33.55	62.09	2.76	8.21
Profit before finance cost and income tax expenses	18.82	34.15	20.48	37.91	(1.66)	(8.08)
Finance cost	3.57	6.48	4.34	8.02	0.76	(17.62)
Profit before income tax expenses	15.25	27.67	16.14	29.88	(0.89)	(5.52)
Income tax expenses	3.39	6.15	2.54	4.70	(0.85)	33.43
Profit for the period	11.86	21.52	13.60	25.18	(1.74)	(12.79)
Profit for equity holders of the Company	11.89	21.57	13.61	25.20	(1.72)	(12.66)
Profit for non-controlling interests of the subsidiaries	(0.03)	(0.05)	(0.01)	(0.02)	(0.02)	(188.89)

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 Quarter 3 of 2019, revenues are THB 55.13 million, a THB 1.10 million or 2.04% increase from the same period of the previous year (Quarter 3 of 2018: THB 54.03 million) mainly due to the increase in revenue from sale of electricity following greater irradiation and an increase in other 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 Quarter 3 of 2019, electricity sales are THB 12.86 million, representing 23.32% of total revenue, reflecting a THB 0.17 million or 1.34% increase from the same period of the previous year (Quarter 3 of 2018: THB 12.69 million), which is line with the greater irradiation.

- Service and rental income

In Quarter 3 of 2019, 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 41.19 million, representing 74.72% of total revenue (Quarter 3 of 2018: THB 41.19 million).

- Other income

In Quarter 3 of 2019, other income amounted to THB 1.08 million, a THB 0.93 million or 628.38% increase from the same period of the previous year (Quarter 3 of 2018: THB 0.15 million). Other income mainly includes interest income and consultation income arising from the provision of consultation services related to solar power business and interest from fixed deposit account, which is occasional and not related to the Company's core business.

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 Quarter 3 of 2019, cost of sales and services amounted to THB 14.17 million, reflecting a THB 0.23 million or 1.56% decrease from the same period of the previous year (Quarter 3 of 2018: THB 14.40 million).

Consolidated financial statements Cost of sales and services	Quarter 3 of 2019 (Unaudited but reviewed)		Quarter 3 of 2018 (Unaudited but reviewed)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Cost of sales – sale of electricity	4.57	32.23	4.57	31.71	0.00	0.07
Cost of services and rental – provision of services and development of renewable energy projects	9.61	67.77	9.83	68.29	(0.23)	(2.32)
Total	14.17	100.00	14.40	100.00	(0.23)	(1.56)

- 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 Quarter 3 of 2019, costs of sales amounted to THB 4.57 million, a THB 0.00 million or 0.07% increase from the same period of the previous year (Quarter 3 of 2018: THB 4.57 million).

- 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 Quarter 3 of 2019, cost of services and rental amounted to THB 9.61 million, a THB 0.23 million or 2.32% decrease from the same period of the previous year (Quarter 3 of 2018: THB 9.83 million), mainly due to the decreased cost of translation service fees pertaining to international agreements.

In Quarter 3 of 2019, SAAM Group's gross profit amounted to THB 39.88 million, representing gross profit margin of 73.78%, a THB 0.40 million or 1.00% increase from the same period of the previous year (Quarter 3 of 2018: THB 39.48 million) mainly due to the decreased cost of translation service fees pertaining to international agreements.

Selling and administrative expenses

- Selling and service expenses

In Quarter 3 of 2019, selling expenses amounted to THB 0.17 million, a THB 0.20 million or 54.55% decrease from the same period of the previous year (Quarter 3 of 2018: THB 0.36 million). Selling expense includes commission expenses for land procurement and coordination in relation to services provided in solar power projects in Thailand in which SAAM Group provides services for its clients.

- Administrative expenses

In Quarter 3 of 2019, administrative expenses amounted to THB 21.96 million, a THB 4.31 million or 24.40% increase from the same period of the previous year (Quarter 3 of 2018: THB 17.66 million). Administrative expenses mainly include salary, employee and management benefits, office rental, travel expenses, and professional fees. In Quarter 3 of 2019, the increase in administrative expenses is mainly due to (1) increase in allowance for impairment of power plant under construction of SAAM Solar Power Two Company Limited, (2) increase in employee and management expenses from new hires supporting business expansion, and (3) increase in professional fees supporting international business expansion, while the Company had reduced legal fees.

Finance cost

In Quarter 3 of 2019, finance costs amounted to THB 3.57 million, a THB 0.76 million or 17.62% decrease from the same period of the previous year (Quarter 3 of 2018: THB 4.34 million) following repayment of loans.

Net profit

In Quarter 3 of 2019, SAAM Group's net profit amounted to THB 11.86 million, a THB 1.74 million or 12.79% decrease from the same period of the previous year (Quarter 3 of 2018: THB 13.60 million), mainly due to the increase in administrative expenses pertaining to the record of allowance for impairment of power plant under construction of SAAM Solar Power Two Company Limited, with net profit margin of 21.52%. Net profit attributable to equity holders of the Company in Quarter 3 of 2019 amounted to THB 11.89 million (Quarter 3 of 2018: THB 13.61 million).

Financial position

Financial Position	Consolidated financial statements					
	As of 30 September 2019 (Unaudited but reviewed)		As of 31 December 2018 (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Total assets	407.24	100.00	445.12	100.00	(37.88)	(8.51)
Total liabilities	113.90	27.97	148.13	33.28	(34.24)	(23.11)
Total shareholders' equity	293.35	72.03	296.99	66.72	(3.65)	(1.23)

Assets

At the end of Quarter 3 of 2019, the SAAM Group presented total assets of THB 407.24 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 decreased by THB 37.88 million or 8.51% from the end of the previous year (end of 2018: THB 445.12) mainly due to (1) the decrease in cash and cash equivalents of THB 27.52 million, resulting from long-term loan repayment of THB 27.30 million, (2) record of allowance for impairment of power plant under construction of THB 4.56 million, and accumulated depreciation and amortization of building and equipment of THB 4.05 million.

Liabilities

At the end of Quarter 3 of 2019, the SAAM Group presented total liabilities of THB 113.90 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 decreased by THB 34.24 million or 23.11% from the end of the previous year (end of 2018: THB 148.13 million) mainly due to decrease in trade and other payables of THB 5.62 million and THB 27.30 million repayment of long-term loan.

Shareholders' equity

At the end of Quarter 3 of 2019, the SAAM Group presented total shareholders' equity of THB 293.35 million, a THB 3.65 million or 1.23% decrease from the end of the previous year (end of 2018: THB 296.99 million) mainly due to the Company's declared dividend payment from retained earnings and unrealized loss on foreign exchange.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee
Chief Executive Officer