

6 November 2020

Subject: Management Discussion and Analysis for the period ended 30 September 2020

 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 2020 as follows.

Financial performance

Statement of income	Consolidated Financial Statements for					
	Quarter 3 of 2020 (Unaudited but reviewed)		Quarter 3 of 2019 (Unaudited but reviewed)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Sales income	13.77	24.17	12.86	23.32	0.91	7.08
Service and rental income	41.19	72.32	41.19	74.72	-	0.00
Gain on exchange rate	0.91	1.60	-	-	0.91	N/A
Other income	1.09	1.91	1.08	1.96	0.01	0.93
Total revenues	56.96	100.00	55.13	100.00	1.83	3.32
Expenses						
Cost of sales	4.62	8.12	4.57	8.29	0.06	1.20
Cost of service and rental	9.91	17.40	9.61	17.42	0.30	3.17
Selling and service expenses	0.16	0.28	0.17	0.30	(0.00)	(3.64)
Administrative expenses	13.85	24.31	20.61	37.39	(6.76)	(32.81)
Loss on exchange rate	-	-	1.35	2.46	(1.35)	(100.00)
Total expenses	28.54	50.11	36.30	65.85	(7.76)	(21.38)
Profit before finance cost and income tax expenses	28.42	49.89	18.82	34.15	9.59	50.96
Finance cost	2.81	4.94	3.57	6.48	(0.76)	(21.25)
Profit before income tax expenses	25.61	44.96	15.25	27.67	10.35	67.87
Income tax expenses	4.57	8.02	3.39	6.15	1.18	34.85
Profit for the period	21.04	36.93	11.86	21.52	9.17	77.30
Profit for equity holders of the Company	21.07	36.98	11.89	21.57	9.18	77.17
Profit for non-controlling interests of the subsidiaries	(0.03)	(0.05)	(0.02)	(0.05)	0.00	15.38

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 2020, revenues are THB 59.96 million, a THB 1.83 million or 3.32% increase from the same period of the previous year (Quarter 3 of 2019: THB 55.13 million) mainly due to the increase in unrealized gain from foreign exchange following exchange rate fluctuations, and the increase in revenue from sale of electricity following greater irradiation.

- 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 2020, electricity sales are THB 13.77 million, representing 24.17% of total revenue, reflecting a THB 0.91 million or 7.08% increase from the same period of the previous year (Quarter 3 of 2019: THB 12.86 million), which is line with the greater irradiation.

- Service income and rental income

In Quarter 3 of 2020, SAAM Group's service and rental income, representing stable income generation from long-term contracts with customers operating solar power projects in Thailand, amounted to THB 41.19 million, representing 72.32% of total revenue (Quarter 3 of 2019: THB 41.19 million).

- Other income

In Quarter 3 of 2020, other income amounted to THB 1.09 million, a THB 0.01 million or 0.93% increase from the same period of the previous year (Quarter 3 of 2019: THB 1.08 million). Other income mainly includes interest income, gain from asset sale, and consultation income, and the increase in other income is mainly attributable to the increase in gain from asset sale to director, which is 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 2020, cost of sales and services amounted to THB 14.53 million, reflecting a THB 0.36 million or 2.53% increase from the same period of the previous year (Quarter 3 of 2019: THB 14.17 million).

Consolidated financial statements	Quarter 3 of 2020 (Unaudited but reviewed)		Quarter 3 of 2019 (Unaudited but reviewed)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Cost of sales and services						
Cost of sales – sale of electricity	4.62	31.81	4.57	32.23	0.06	1.20

Consolidated financial statements Cost of sales and services	Quarter 3 of 2020 (Unaudited but reviewed)		Quarter 3 of 2019 (Unaudited but reviewed)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Cost of services and rental – provision of services and development of renewable energy projects	9.91	68.19	9.61	67.77	0.30	3.17
Total	14.53	100.00	14.17	100.00	0.36	2.53

- 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 2020, costs of sales amounted to THB 4.62 million, a THB 0.06 million or 1.20% increase from the same period of the previous year (Quarter 3 of 2019: 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 2020, cost of services and rental amounted to THB 9.91 million, a THB 0.30 million or 3.17% increase from the same period of the previous year (Quarter 3 of 2019: THB 9.61 million), mainly due to the amortization of asset right of use following adoption of the Thai Financial Reporting Standards: TFRS 16 on Leases, which added to the land lease amount from the previous year.

In Quarter 3 of 2020, SAAM Group's gross profit amounted to THB 40.43 million, representing gross profit margin of 73.56%, a THB 0.55 million or 1.38% increase from the same period of the previous year (Quarter 3 of 2019: THB 39.88 million) mainly due to increased income from the sale of electricity generated by a solar power project in Thailand.

Selling and administrative expenses

- Selling and service expenses

In Quarter 3 of 2020, selling expenses amounted to THB 0.16 million, a THB 0.00 million or 3.64% decrease from the same period of the previous year (Quarter 3 of 2019: THB 0.17 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 and entertainment expense in development of renewable energy projects.

- Administrative expenses

In Quarter 3 of 2020, administrative expenses amounted to THB 13.85 million, a THB 6.76 million or 32.81% decrease from the same period of the previous year (Quarter 3 of 2019: THB 20.61 million). Administrative expenses mainly include salary, employee and management benefits, office rental, travel expenses, and professional fees. In Quarter 3 of 2020, the decrease in administrative expenses is mainly due to (1) THB 0.59 million decrease from the expenses related to the preparation for listing on the Stock Exchange of Thailand and expenses related to the Stock Exchange of Thailand, (2) THB 0.60 million decrease from professional fees, (3) THB 0.42 million decrease from accounting and audit fees, and (4) absence of THB 4.56 million in allowance for impairment loss on power plant under construction this year as compared to the record of such allowance for impairment loss in Quarter 3 of 2019.

Finance cost

In Quarter 3 of 2020, finance costs amounted to THB 2.81 million, a THB 0.76 million or 21.25% decrease from the same period of the previous year (Quarter 3 of 2019: THB 3.57 million) following gradual repayment of loans.

Net profit

In Quarter 3 of 2020, SAAM Group's net profit amounted to THB 21.04 million, a THB 9.17 million or 77.30% increase from the same period of the previous year (Quarter 3 of 2019: THB 11.86 million), mainly due to the increase in gain on foreign exchange relating to equipment deposit amounting to THB 0.91 million and the increase in income from the sale of electricity generated by a solar power project in Thailand amounting to THB 0.91 million. Moreover, SAAM Group's selling and administrative expenses decreased from a THB 0.59 million decrease in expenses related to the preparation for listing on the Stock Exchange of Thailand and expenses related to the Stock Exchange of Thailand, a THB 0.60 million decrease in professional fees, a THB 0.42 million decrease in accounting and audit fees, and the absence of THB 4.56 million in allowance for impairment loss on power plant under construction and THB 1.35 million in unrealized loss on foreign exchange relating to equipment deposit this year as compared to the record of such items in Quarter 3 of 2019.

Financial position

Financial Position	Consolidated financial statements					
	As of 30 September 2020 (Unaudited but reviewed)		As of 31 December 2019 (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Total assets	415.40	100.00%	400.73	100.00%	14.67	3.66%
Total liabilities	121.90	29.35%	110.69	27.62%	11.21	10.13%
Total shareholders' equity	293.49	70.65%	290.04	72.38%	3.46	1.19%

Assets

At the end of Quarter 3 of 2020, SAAM Group presented total assets of THB 415.40 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 14.67 million or 3.66% from the end of the previous year (End of 2019: THB 400.73 million) mainly due to the increase in right of use of THB 37.41 million following the adoption of the Thai Financial Reporting Standards: TFRS 16 on Leases.

Liabilities

At the end of Quarter 3 of 2020, SAAM Group presented total liabilities of THB 121.90 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 increased by THB 11.21 million or 10.13% from the end of the previous year (End of 2019: THB 110.69 million) mainly due to the increase in liabilities under lease agreements of THB 24.63 million, following the adoption of the Thai Financial Reporting Standards: TFRS 16 on Leases.

Shareholders' equity

At the end Quarter 3 of 2020, SAAM Group presented total shareholders' equity of THB 293.49 million, a THB 3.46 million or 1.19% increase from the end of the previous year (End of 2019: THB 290.04 million) mainly due to the Company's generation of net profit.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee
Chief Executive Officer