

8 November 2021

Subject: Management Discussion and Analysis for the period ended 30 September 2021

 To: The President
 The Stock Exchange of Thailand

SAAM Development Public Company Limited (the “Company”) would like to provide explanation and analysis regarding financial performance and position for the period ended 30 September 2021 as follows.

(1) Financial performance

Statement of income	Consolidated Financial Statements for					
	9-Month Period Ended 30 September 2021 (Unaudited but reviewed)		9-Month Period Ended 30 September 2020 (Unaudited but reviewed)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Service and rental income	41.19	70.59%	41.19	72.32%	-	-
Sales income	13.36	22.89%	13.77	24.17%	(0.41)	(2.96%)
Gain on exchange rate	2.79	4.78%	0.91	1.60%	1.88	206.81%
Other income	1.01	1.73%	1.09	1.91%	(0.08)	(7.17%)
Total revenues	58.35	100.00%	56.96	100.00%	1.40	2.45%
Expenses						
Cost of service and rental	9.45	16.20%	9.91	17.40%	(0.46)	(4.61%)
Cost of sales	4.66	7.99%	4.62	8.12%	0.04	0.87%
Selling and service expenses	0.16	0.28%	0.16	0.28%	0.00	1.26%
Administrative expenses	14.05	24.08%	13.85	24.31%	0.20	1.45%
Total expenses	28.33	48.54%	28.54	50.11%	(0.21)	(0.75%)
Profit before finance cost and income tax expenses	30.03	51.46%	28.42	49.89%	1.61	5.67%
Finance cost	2.43	4.16%	2.81	4.94%	(0.38)	(13.58%)
Profit before income tax expenses	27.60	47.29%	25.61	44.96%	1.99	7.78%
Income tax expenses	4.26	7.29%	4.57	8.02%	(0.31)	(6.87%)
Profit for the period	23.34	40.00%	21.04	36.93%	2.31	10.96%
Profit for equity holders of the Company	23.35	40.02%	21.07	36.98%	2.29	10.85%
Profit for non-controlling interests of the subsidiaries	(0.01)	(0.02%)	(0.03)	(0.05%)	0.02	(66.67%)

Revenue

Total revenues from operation of SAAM Group consist of (1) revenues from project site procurement and provision of related services within solar power projects which SAAM Group provides to client who operates 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 2021, revenues are THB 58.35 million, a THB 1.40 million or 2.45% increase from the same period of the previous year (In Quarter 3 of 2020: THB 56.96 million) mainly due to the increase in unrealized gain from foreign exchange rate from changes in exchange rate as SAAM Group has equipment deposit asset in US Dollar currency, and a slight decrease in sales income and other income, which mainly comprises interest income and consultation income, not related to business operations.

- Service income and rental income

In Quarter 3 of 2021, 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 70.59% of total revenue (Quarter 3 of 2020: THB 41.19 million).

- 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 2021, electricity sales are THB 13.36 million, representing 22.89% of total revenue, reflecting a THB 0.41 million or 2.96% decrease from the same period of the previous year (Quarter 3 of 2020: THB 13.77 million), following periods of rain causing a small reduction in irradiation as compared to 2020.

- Gain on exchange rate

In Quarter 3 of 2021, SAAM Group's gains from foreign exchange amounted to THB 2.79 million, representing 4.78% of total revenue, a THB 1.88 million or 206.81% increase from the same period of the previous year (Quarter 3 of 2020: THB 0.91 million). This is mainly attributable to the increase in unrealized gain from foreign exchange rate due to exchange rate fluctuations as SAAM Group has equipment deposit in US Dollar currency.

- Other income

In Quarter 3 of 2021, other income amounted to THB 1.01 million, representing 1.73% of total revenue, a THB 0.08 million or 7.17% decrease from the same period of the previous year (Quarter 3 of 2020: THB 1.09 million). Other income mainly includes interest income and consultation income, with the decrease being mainly attributable to interest rate of bank deposit, which is not related to the Company's core business.

Expenses

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 2021, cost of sales and services amounted to THB 14.12 million, reflecting a THB 0.42 million or 2.87% decrease from the same period of the previous year (Quarter 3 of 2020: THB 14.53 million).

Consolidated financial statements Cost of sales and services	9-Month Period Ended 30 September 2021 (Unaudited but reviewed)		9-Month Period Ended 30 September 2020 (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	9.45	66.96%	9.91	68.19%	(0.46)	(4.61%)
Cost of sales – sale of electricity	4.66	33.04%	4.62	31.81%	0.04	0.87%
Total	14.12	100.00%	14.53	100.00%	(0.42)	(2.87%)

- Cost of services and rental

Cost of services and rental mainly consists of (1) cost of the provision of related services within solar power projects which SAAM Group provides to client, 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 2021, cost of services and rental amounted to THB 9.45 million, a THB 0.46 million or 4.61% decrease from the same period of the previous year (Quarter 3 of 2020: THB 9.91 million), mainly due to the THB 0.78 million decrease in cost of security from the previous year.

- 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 2021, costs of sales amounted to THB 4.66 million, a THB 0.04 million or 0.87% increase from the same period of the previous year (Quarter 3 of 2020: THB 4.62 million).

In Quarter 3 of 2021, SAAM Group's gross profit amounted to THB 40.44 million, representing gross profit margin of 74.12%, a THB 0.01 million or 0.02% increase from the same period of the previous year (Quarter 3 of 2020: THB 40.43 million).

Selling and administrative expenses

- Selling and service expenses

In Quarter 3 of 2021, selling expenses amounted to THB 0.16 million, close to the figure of the same period of the previous year (Quarter 3 of 2020: THB 0.16 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 customer service in development of renewable energy projects.

- Administrative expenses

In Quarter 3 of 2021, administrative expenses amounted to THB 14.05 million, a THB 0.20 million or 1.45% increase from the same period of the previous year (Quarter 3 of 2020: THB 13.85 million). Administrative expenses mainly include salary, employee and management benefits, office rental, travel expenses, and professional fees. In Quarter 3 of 2021, the increase in administrative expenses is mainly due to THB 0.28 million increase in professional fees.

Finance cost

In Quarter 3 of 2021, finance costs amounted to THB 2.43 million, a THB 0.38 million or 13.58% decrease from the same period of the previous year (Quarter 3 of 2020: THB 2.81 million) following repayment of loans.

Net profit

In Quarter 3 of 2021, SAAM Group's net profit amounted to THB 23.34 million, a THB 2.31 million or 10.96% increase from the same period of the previous year (Quarter 3 of 2020: THB 21.04 million), mainly due to increase in unrealized gain on foreign exchange relating to equipment deposit of THB 1.88 million, as well as decrease in cost of services from cost of security.

(2) Financial position

Financial Position	Consolidated financial statements					
	As of 30 September 2021 (Unaudited but reviewed)		As of 31 December 2020 (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Total assets	430.26	100.00%	409.74	100.00%	20.53	5.01%
Total liabilities	124.72	28.99%	116.82	28.51%	7.90	6.77%
Total shareholders' equity	305.54	71.01%	292.92	71.49%	12.62	4.31%

Assets

At the end of Quarter 3 of 2021, SAAM Group presented total assets of THB 430.26 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 20.53 million or 5.01% from the end of the previous year (end of 2020: THB 409.74 million) mainly due to the increase in cash and cash equivalents amounting to THB 40.74 million, reflecting the non-refundable advance payment amounted to THB 26.01 million for phase 1 of project development which the Company received pertaining to the Project Development Service Agreement for Biomass Power Projects in Japan of an Aggregate 100 MW which the Company entered into with the client on 14 May 2021. In addition, short-term investments decreased by THB 16.12 million, due to change in investment type to highly liquid short-term investments, classified under cash and cash equivalents.

Liabilities

At the end of Quarter 3 of 2021, SAAM Group presented total liabilities of THB 124.72 million, mostly comprising 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 7.90 million or 6.77% from the end of the previous year (end of 2020: THB 116.82 million) mainly due to the increase in unearned revenue amounting to THB 26.01 million, reflecting the non-refundable advance payment for phase 1 of project development which the Company received pertaining to the Project Development Service Agreement for Biomass Power Projects in Japan of an Aggregate 100 MW which the Company entered into with the client on 14 May 2021. However, long-term loans from financial institutions decreased by THB 13.72 million and liabilities under lease agreements decreased by THB 2.99 million.

Shareholders' equity

At the end of Quarter 3 of 2021, SAAM Group presented total shareholders' equity of THB 305.54 million, a THB 12.62 million or 4.31% increase from the end of the previous year (end of 2020: THB 292.92 million) mainly due to the Company's generation of net profit.

(3) Key Developments in Business Operations

Handover of SAAM Oita 01 Biomass Power and SAAM Oita 02 Biomass Power Projects

With regards to SAAM Oita 01 Biomass Power and SAAM Oita 02 Biomass Power Projects, which SAAM Group has considered and modified to reduce the scope of work enabling faster handover, the Company is currently undergoing negotiations with target clients and as at the end of Quarter 3 of 2021, no revenue is recognized and the projects have not yet been handed over to the client.

Project Development for Biomass Power Projects in Japan of an Aggregate 100 MW

Following the execution of the Project Development Service Agreement for Biomass Power Projects in Japan of an Aggregate 100 MW with the client on 14 May 2021, the Company received non-refundable advance payment for phase 1 of development on 2 July 2021 valued THB 26.01 million (JPY 90 million), and recorded this as unearned revenue. The Company is currently performing project site identification and qualification assessment, grid advanced check, and is entering into negotiations with the landowner. As at the end of Quarter 3 of 2021, no revenue is recognized.

Operation of Efficiency Improvement in Operational Intelligence through Big Data Analytics Business

Following the execution of the Exclusivity Agreement in Utilizing Big Data Analytics Software for Efficiency Improvement in Operational Intelligence with a business partner who is a software developer on 31 May 2021, SAAM Group made preliminary presentations to the hospital client group, both public and private hospitals, for interested hospitals to try out the system and equipment in actual operations. As at the end of Quarter 3 of 2021, SAAM Group has not entered into any agreement with clients and no revenue is recognized.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee

Chief Executive Officer