

21 February 2022

Subject: Management Discussion and Analysis for the year ended 31 December 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 year ended 31 December 2021 as follows.

(1) Financial performance

Statement of income	Consolidated Financial Statements for					
	Year Ended 31 December 2021 (Audited)		Year Ended 31 December 2020 (Audited)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Service and rental income	54.92	72.81	54.92	74.87	-	-
Sales income	16.88	22.38	17.04	23.22	(0.16)	(0.92)
Gain on exchange rate	2.42	3.21	-	-	2.42	
Other income	1.21	1.60	1.40	1.91	(0.19)	(13.54)
Total revenues	75.43	100.00	73.36	100.00	2.07	2.82
Expenses						
Cost of service and rental	12.66	16.78	13.39	18.25	(0.73)	(5.43)
Cost of sales	6.23	8.26	6.16	8.40	0.07	1.10
Selling and service expenses	0.35	0.47	0.22	0.30	0.13	60.50
Administrative expenses	19.90	26.38	19.84	27.04	0.06	0.30
Total expenses	39.14	51.89	39.61	53.99	(0.47)	(1.18)
Profit before finance cost and income tax expenses	36.29	48.11	33.75	46.01	2.54	7.52
Finance cost	3.16	4.19	3.65	4.98	(0.50)	(13.58)
Profit before income tax expenses	33.13	43.92	30.10	41.02	3.03	10.08
Income tax expenses	5.44	7.21	5.86	7.98	(0.42)	(7.18)
Profit for the period	27.69	36.71	24.24	33.04	3.45	14.25
Profit for equity holders of the Company	27.70	36.72	24.27	33.09	3.43	14.13
Profit for non-controlling interests of the subsidiaries	(0.01)	(0.01)	(0.03)	(0.05)	0.02	(70.95)

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 2021, revenues are THB 75.43 million, a THB 2.07 million or 2.82% increase from the previous year (in 2020: THB 73.36 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 and rental income

In 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 54.92 million, representing 72.81% of total revenue (in 2020: THB 54.92 million), comprising THB 41.77 million in service income and THB 13.15 million in rental income (in 2020: THB 41.77 million and THB 13.15 million, respectively).

- 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 2021, the project generated 3,172,860 kilowatt-hours of electricity and electricity sales amounted to THB 16.88 million, representing 22.38% of total revenue, reflecting a THB 0.16 million or 0.92% decrease from the previous year (in 2020: THB 17.04 million), following periods of rain causing a small reduction in irradiation in 2021 as compared to 2020.

- Gain on exchange rate

In 2021, SAAM Group's gains from foreign exchange amounted to THB 2.42 million, representing 3.21% of total revenue. In 2020, SAAM Group presented loss from foreign exchange of THB 0.77 million. This is mainly attributable to exchange rate fluctuations as SAAM Group has equipment deposit in US Dollar currency.

- Other income

In 2021, other income amounted to THB 1.21 million, representing 1.60% of total revenue, a THB 0.19 million or 13.54% decrease from the previous year (in 2020: THB 1.40 million). Other income mainly includes interest income and consultation income, with the decrease being mainly attributable to reductions in interest rate of bank deposit, which is not related to SAAM Group's core business.

Expenses

Cost of sales and services

Cost of sales and services consists of cost of sales from renewable energy investment business, while cost of services and rental consists of cost of project site procurement and rendering of related services business, renewable energy project development for sale business, and renewable energy project development in accordance with client's requirements business. In 2021, cost of sales and services amounted to THB 18.89 million, reflecting a THB 0.66 million or 3.37% decrease from the previous year (in 2020: THB 19.55 million).

Consolidated financial statements	For the Year 2021 (Audit)		For the Year 2020 (Audit)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Cost of sales and services						
Cost of services and rental – provision of services and development of renewable energy projects	12.66	67.01	13.39	68.47	(0.73)	(5.43)
Cost of sales – sale of electricity	6.23	32.99	6.16	31.53	0.07	1.10
Depreciation of power plants	5.08	26.91	5.08	26.00	-	-
Operation fee and maintenance cost of power plants	0.87	4.61	0.81	4.17	0.06	7.41
Other ¹	0.28	1.47	0.27	1.36	0.01	3.70
Total	18.89	100.00	19.55	100.00	(0.66)	(3.37)

Remark: ¹ Other cost such as electricity cost, water cost, insurance premium cost, and power development fund cost

- 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 2021, cost of services and rental amounted to THB 12.66 million, a THB 0.73 million or 5.43% decrease from the previous year (in 2020: THB 13.39 million), mainly due to a THB 1.05 million decrease in cost of security service. However, SAAM Group had a THB 0.15 million increase in the cost of maintaining and cleaning services.

- 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 premium, and power development fund expense. In 2021, costs of sales amounted to THB 6.23 million, a THB 0.07 million or 1.10% increase from the previous year (in 2020: THB 6.16 million).

In 2021, SAAM Group's gross profit amounted to THB 52.91 million, representing gross profit margin of 73.69%, a THB 0.50 million or 0.96% increase from the previous year (in 2020: THB 52.41 million).

Selling and administrative expenses

- Selling and service expenses

In 2021, selling expenses amounted to THB 0.35 million, a THB 0.13 million or 60.50% increase from the previous year (in 2020: THB 0.22 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, customer service expenses in the development of renewable energy projects, and expenses related to the presentation of information to hospital client group for efficiency improvement in operational intelligence business.

- Administrative expenses

In 2021, administrative expenses amounted to THB 19.90 million, a THB 0.06 million or 0.30% increase from the previous year (in 2020: THB 19.84 million). Administrative expenses mainly include salary, employee and management benefits, office rental, travel expenses, and professional fees. In 2021, the increase in administrative expenses is mainly due to a THB 0.91 million increase in expenses related to the Stock Exchange of Thailand due to SAAM-W1 and SAAM-W2 warrant issuance and allocation to existing shareholders. However, in 2020, SAAM Group presented loss on exchange rate of THB 0.77 million as part of administrative expenses. In 2021, SAAM Group no longer incurs such expense as it instead has gains on exchange rate presented as part of revenues.

Finance cost

In 2021, finance costs amounted to THB 3.16 million, a THB 0.50 million or 13.58% decrease from the previous year (in 2020: THB 3.65 million) following repayment of loans.

Net profit

In 2021, SAAM Group's net profit amounted to THB 27.69 million, a THB 3.45 million or 14.25% increase from the previous year (in 2020: THB 24.24 million), mainly due to increase in unrealized gain on foreign exchange relating to equipment deposit of THB 2.42 million, as well as decrease in cost of service and rental of THB 0.73 million.

(2) Financial position

Financial Position	Consolidated financial statements					
	As of 31 December 2021 (Audited)		As of 31 December 2020 (Audited)		Change Increase	
	THB million	%	THB million	%	THB million	%
Total assets	429.12	100.00	409.74	100.00	19.38	4.73
Total liabilities	123.33	28.74	116.82	28.51	6.51	5.57
Total shareholders' equity	305.79	71.26	292.92	71.49	12.87	4.39

Assets

At the end of 2021, SAAM Group presented total assets of THB 429.12 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 19.38 million or 4.73% from the end of the previous year (end of 2020: THB 409.74 million) mainly due to the increase in short-term investment amounting to THB 46.20 million, reflecting the non-refundable advance payment of THB 26.01 million received for phase 1 of project development pertaining to the Project Development Service Agreement for Biomass Power Projects in Japan which the Company entered into with the client on 14 May 2021. In addition, cash and cash equivalents decreased by THB 18.79 million, due to change in investment type to fixed deposits over 3 months, classified under short-term investments.

Liabilities

At the end of 2021, SAAM Group presented total liabilities of THB 123.33 million, mostly comprising long-term loans from a financial institution for SAAM-SP1 solar power project and SAAM-3 land purchase, and contract liabilities. Total liabilities increased by THB 6.51 million or 5.57% 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 28.92 million, reflecting the advance payment received pertaining to the Project Development Service Agreement for Biomass Power Projects in Japan. However, long-term loans from financial institutions decreased by THB 18.23 million and liabilities under lease agreements decreased by THB 3.80 million.

Shareholders' equity

At the end of 2021, SAAM Group presented total shareholders' equity of THB 305.79 million, a THB 12.87 million or 4.39% increase from the end of the previous year (end of 2020: THB 292.92 million) mainly due to SAAM Group'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 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 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 2021, SAAM Group has not entered into any agreement with clients and no revenue is recognized. However, on 1 February 2022, SAAM Group entered into a Framework Agreement with a public hospital for a trial project at no charge. At present, proceedings are being undertaken to prepare for such trial project.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee

Chief Executive Officer