

12 May 2023

Subject: Management Discussion and Analysis for the period ended 31 March 2023

 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 31 March 2023 as follows.

(1) Financial performance

Statement of income	Consolidated Financial Statements for									
	3-Month Period Ended 31 March 2023 (Unaudited but reviewed)		3-Month Period Ended 31 March 2022 (Unaudited but reviewed)		Change from 1 st Quarter of 2022 Increase (Decrease)		3-Month Period Ended 31 March 2021 (Unaudited but reviewed)		Change from 1 st Quarter of 2021 Increase (Decrease)	
	Million THB	%	Million THB	%	Million THB	%	Million THB	%	Million THB	%
Revenue										
Sales income	4.64	24.70	4.68	6.44	(0.04)	(0.92)	4.92	24.69	(0.28)	(5.75)
Service and rental income	13.44	71.52	16.54	22.73	(3.10)	(18.77)	13.73	68.87	(0.30)	(2.15)
Gain on sales of investment in indirect subsidiaries	0.00	0.00	51.33	70.53	(51.33)	(100.00)	0.00	0.00	0.00	-
Net gain on exchange rate	0.58	3.06	0.00	0.00	0.58	-	0.94	4.71	(0.38)	(38.76)
Other income	0.14	0.72	0.22	0.30	(0.08)	(38.36)	0.34	1.73	(0.21)	(60.76)
Total revenues	18.79	100.00	72.77	100.00	(53.98)	(74.18)	19.94	100.00	(1.15)	(5.77)
Expenses										
Cost of sales	1.52	8.10	1.53	2.10	(0.01)	(0.20)	1.57	7.88	(0.05)	(3.18)
Cost of service and rental	3.25	17.32	4.10	5.64	(0.85)	(20.69)	3.14	15.74	0.12	3.66
Selling and service expenses	0.04	0.22	0.04	0.06	0.00	0.00	0.06	0.28	(0.02)	(25.45)
Administrative expenses	4.94	26.27	8.77	12.05	(3.84)	(43.72)	4.09	20.50	0.85	20.77
Net loss on exchange rate	0.00	0.00	1.05	1.45	(1.05)	(100.00)	0.00	0.00	0.00	-
Total expense	9.75	51.92	15.49	21.29	(5.74)	(37.04)	8.85	44.40	0.90	10.17
Profit from operating activities	9.03	48.08	57.28	78.71	(48.24)	(84.23)	11.08	55.60	(2.05)	(18.50)
Share of loss of associate from using equity method	0.55	2.89	0.00	0.00	0.55	-	0.00	0.00	0.55	-
Finance cost	0.65	3.41	0.65	0.89	0.00	0.46	0.85	4.24	(0.19)	(22.81)
Profit before income tax expenses	7.83	41.67	56.63	77.82	(48.80)	(88.18)	10.24	51.35	(2.41)	(23.54)
Income tax expenses	0.96	5.00	1.02	1.39	(0.06)	(5.71)	1.12	5.60	(0.16)	(14.32)
Profit for the period	6.87	36.58	55.61	76.42	(48.74)	(87.64)	9.12	45.75	(2.25)	(24.67)
Profit for equity holders of the Company	6.87	36.58	55.61	76.42	(48.74)	(87.64)	9.12	45.75	(2.25)	(24.67)
Profit for non-controlling interests of the subsidiaries	0.00	0.00	0.00	0.00	0.00	(100.00)	0.00	0.00	0.00	(100.00)

Revenue

Total revenues from operation of SAAM Group consist of (1) service and rental income 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) sales income from the sale of electricity from its own solar power project operated by its direct subsidiary.

In Quarter 1 of 2023, total revenues amounting to THB 18.79 million, a THB 53.98 million or 74.18% decrease from the same period of the previous year (in Quarter 1 of 2022: THB 72.77 million) and also decrease by THB 1.15 million or 5.77% from the same period of 2021 (in Quarter 1 of 2021: THB 19.94 million) mainly due to the recognised gain on sale of investment in indirect subsidiaries, which is Biomass Power Three GK and Biomass Power Four GK, to Japanese Trading Company Investor during Quarter 1 of 2022 to handover of 2 Biomass Power Projects (SAAM Oita 01 Biomass Power Project and SAAM Oita 02 Biomass Power Project), while as a slightly change in sales income and other income, which mainly comprised of interest income and consultation 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 1 of 2023, electricity sales amounting to THB 4.64 million, representing 24.70% of total revenue, reflecting a THB 0.04 million or 0.92% decrease from the same period of the previous year (in Quarter 1 of 2022: THB 4.68 million) and a THB 0.28 million or 5.75% decrease from the same period of 2021 (in Quarter 1 of 2021: THB 4.92 million), which is changed in line with the irradiation quantity in such period.

- Service and rental income

In Quarter 1 of 2023, SAAM Group's service and rental income, representing stable income generation from long-term contracts with customers operating solar power projects in Thailand, and income from renewable energy project development in accordance with client's requirements income, amounted to THB 13.44 million, representing 71.52% of total revenue which was decreased by THB 3.10 million or 18.77% compared to the same period of the previous year (in Quarter 1 of 2022: THB 16.54 million) and a THB 0.30 million or 2.15% decrease from the same period of 2021 (in Quarter 1 of 2021: THB 13.73 million), comprising THB 10.15 million in service income and THB 3.29 million in rental income (in Quarter 1 of 2022: THB 13.25 million and THB 3.29 million, respectively (in Quarter 1 of 2021: THB 10.44 million and THB 3.29 million, respectively)). This is mainly attributable to revenue recognition for biomass power project development in Japan during the 1st Quarter of 2022 amounting to THB 2.88 million, with successful handover of milestone 1 under the Project Development Service Agreement which SAAM Group entered with the client on 29 December 2021. On the other hand, revenue under operating solar power project agreement in Petchaburi and Angthong province is reduced amounting to THB 0.88 million per month due to decrease capacity.

- Gain on sale of investment in indirect subsidiaries

In Quarter 1 of 2022, SAAM Group handed over of 2 Biomass Power Projects in Japan, namely SAAM Oita 01 Biomass Power and SAAM Oita 02 Biomass Power Projects to a client and sold investment in subsidiaries which hold various permits for the projects. Total contract value is JPY 218.84 million, or equivalent to THB 61.64 million. Therefore, SAAM Group recognized gain from sale of investment amounting to THB 51.33 million.

- Net gain on exchange rate

In Quarter 1 of 2023, SAAM Group's gain from foreign exchange amounting to THB 0.58 million, representing 3.06% of total revenue. SAAM Group's loss from foreign exchange amounted to THB 1.05 million and gain for THB 0.94 million in 1st Quarter of 2022 and 2021, respectively, due to exchange rate fluctuations as SAAM Group has equipment deposit in US Dollar, bank deposits in US Dollar and Japanese Yen currency for foreign subsidiaries, and business transactions related to the development of renewable energy projects in Japanese Yen.

- Other income

In Quarter 1 of 2023, other income amounting to THB 0.14 million, representing 0.72% of total revenue, a THB 0.08 million or 38.36% decrease from the same period of the previous year (in Quarter 1 of 2022: THB 0.22 million) and a THB 0.21 million or 60.76% decrease from the same period of 2021 (in Quarter 1 of 2021: THB 0.34 million). Other income mainly includes interest income and consultation income, with the decrease being mainly attributable to reduction in interest income from short-term deposits at financial institution because of the redemption before its maturity, 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 Quarter 1 of 2023, cost of sales and services amounted to THB 4.77 million, reflecting a THB 0.86 million or 15.28% decrease from the same period of the previous year (in Quarter 1 of 2022: THB 5.63 million). However, the cost of sales and services increased by THB 0.07 million or 1.38% compared the same period of 2021 (in Quarter 1 of 2021: THB 4.71 million).

Consolidated financial statements Cost of sales and services	3-Month Period Ended 31 March 2023 (Unaudited but reviewed)		3-Month Period Ended 31 March 2022 (Unaudited but reviewed)		Increase (Decrease) from 1 st Quarter of 2022		3-Month Period Ended 31 March 2021 (Unaudited but reviewed)		Increase (Decrease) from 1 st Quarter of 2022	
	Million THB	%	Million THB	%	Million THB	%	Million THB	%	Million THB	%
	Cost of sales – sale of electricity	1.52	31.87	1.53	27.18	(0.01)	(0.20)	1.57	33.33	(0.05)
Cost of services and rental – provision of services and development of renewable energy projects	3.25	68.13	4.10	72.82	(0.85)	(20.69)	3.14	66.67	0.12	3.66
Total	4.77	100.00	5.63	100.00	(0.86)	(15.14)	4.71	100.00	0.07	1.38

- 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 Quarter 1 of 2023, cost of sales amounted to THB 1.52 million, a THB 0.01 million or 0.20% decrease from the same period of the previous year (in Quarter 1 of 2022: THB 1.53 million) and a THB 0.05 million or 3.18% decrease from the same period of 2021 (in Quarter 1 of 2021: THB 1.57 million).

- 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 1 of 2023, cost of services and rental amounted to THB 3.25 million, a THB 0.85 million or 20.69% decrease from the same period of the previous year (in Quarter 1 of 2022: THB 4.10 million), mainly due to a THB 1.00 million increase in expense related to the handover biomass power projects in Japan. However, the cost of services and rental increased by THB 0.12 million or 3.66% compared to the same period of 2021 (in Quarter 1 of 2021: THB 3.14 million).

In Quarter 1 of 2023, SAAM Group's gross profit amounting to THB 13.30 million, representing gross profit margin of 73.58%, a THB 2.30 million or 14.72% decrease from the same period of the previous year (in Quarter 1 of 2022: THB 15.60 million) and a THB 0.64 million or 4.61% decrease from the same period of 2021 (in Quarter 1 of 2021: THB 13.94 million). Gain on sale of investment in indirect subsidiaries during 1st Quarter of 2022 is not included as part of gross profit calculation.

Selling and administrative expenses

- Selling and service expenses

In Quarter 1 of 2023, selling expenses amounting to THB 0.04 million, which is equal to the same period of previous year (in Quarter 1 of 2022: THB 0.04 million) and a THB 0.02 million or 25.45% decrease from the same period of 2021 (in Quarter 1 of 2021: THB 0.06 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.

- Administrative expenses

In Quarter 1 of 2023, administrative expenses amounting to THB 4.94 million, a THB 3.84 million or 43.72% decrease from the same period of the previous year (in Quarter 1 of 2022: THB 8.77 million). However, the administrative expense is increased by THB 0.85 million or 20.77% compared to the same period of 2021 (in Quarter 1 of 2022: THB 4.09 million). Administrative expenses mainly include salary, employee and management benefits, office rental, travel expenses, and professional fees. The decrease in administrative expenses from 1st Quarter of 2022 is mainly due to a THB 0.96 million decrease in bonus paid to personnel in March 2022 following the handover of projects to a client, a THB 1.42 million write-off of deposit in relation to the land purchase and sale agreement in Japan, a THB 1.12 million decrease in recognition of expense related to sourcing of solar power projects and biomass power projects in Japan, and a THB 0.67 million decrease in professional fees and audit fee. While as the increase in administrative expenses from 1st Quarter of 2021 is mainly due to a THB 0.51 million increase in professional fees and audit fee, a THB 0.15 million of office rental and a THB 0.11 million increase in recognition of expense related to sourcing of solar power projects and biomass power projects in Japan.

Share of loss of associate from using equity method

On 2022, SAAM group purchase 8,000 shares of additional ordinary shares in Nanuq Company Limited, representing 40% shareholding proportion after the acquisition transaction, at a total price THB 30.00 million classified the investment as investment in associates. In Quarter 1 of 2023, SAAM Group recognised share of loss of associate from using equity method amounting to THB 0.55 million.

Finance cost

In Quarter 1 of 2023, finance costs amounting to THB 0.65 million which is insignificant changed from the same period of the previous year (in Quarter 1 of 2022: THB 0.65 million) and a THB 0.19 million or 22.81% decrease from the same period of 2021 (in Quarter 1 of 2021: THB 0.85 million) following repayment of loans during 2021.

Net profit

In Quarter 1 of 2023, SAAM Group's net profit amounting to THB 6.87 million, a THB 48.74 million or 87.64% decrease from the same period of the previous year (in Quarter 1 of 2022: THB 55.61 million), mainly due to the increase in gain on sale of investment in indirectly subsidiaries of THB 51.33 million. However,

SAAM Group's net profit decrease by THB 2.25 million or 24.67% compared to the same period of 2021 (in Quarter 1 of 2021: THB 9.12 million) due to the increase in administrative expenses.

(2) Financial position

Financial Position	Consolidated financial statements					
	As of 31 March 2023 (Unaudited but reviewed)		As of 31 December 2022 (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Total assets	478.75	100.00	511.90	100.00	(33.15)	(6.48)
Total liabilities	104.06	21.74	143.30	27.99	(39.24)	(27.38)
Total shareholders' equity	374.69	78.26	368.60	72.01	6.09	1.65

Assets

At the end of Quarter 1 of 2023, SAAM Group presented total assets of THB 478.75 million, mainly comprising the investment in associate, 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 33.15 million or 6.48% from the end of the previous year (end of 2022: THB 511.90 million) mainly due to the decrease in short-term investment amounting to THB 45.00 million, reflecting the redemption of investment before its maturity to invest in subsidiary.

Liabilities

At the end of Quarter 1 of 2023, SAAM Group presented total liabilities of THB 104.06 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 decreased by THB 39.24 million or 2.38% from the end of the previous year (end of 2022: THB 143.30 million) mainly due to (1) the payment for subsidiary's share capital payable amounting to THB 35.50 million (2) repayment of long-term loans from financial institutions THB 2.41 million, and (3) repayment of liabilities under lease agreements of THB 1.21 million.

Shareholders' equity

At the end of Quarter 1 of 2023, SAAM Group presented total shareholders' equity of THB 374.69 million, a THB 6.09 million or 1.65% increase from the end of the previous year (end of 2022: THB 368.60 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**

On 22 February 2022, SAAM Group handover of 2 biomass power projects in Japan, namely SAAM Oita 01 Biomass Power and SAAM Oita 02 Biomass Power Projects. In the handover of such projects, SAAM Group sold investment in 2 subsidiaries, namely Biomass Power Three GK and Biomass Power Four GK, which hold various permits for the projects to a large Japanese trading company which has no relationship with the Company, subsidiaries, and directors or shareholders of the Company and its subsidiaries. Total contract value is JPY 218.84 million, equivalent to THB 61.64 million.

Acquisition of newly-issued ordinary shares of Nanuq Company Limited

On 17 June 2022, SAAM Group purchase 8,0000 shares at THB 3,750 per share of additional ordinary shares in Nanuq Company Limited, representing 40% shareholding proportion after the acquisition transaction, at a total price THB 30.00 million, which is engaged in providing game design and services provider in game production.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee

Chief Executive Officer