

February 25, 2021

Subject: Management's Discussion and Analysis of Operating Results for the year ended December 31, 2021
 Attention: The President of the Stock Exchange of Thailand

Masterkool International Public Company Limited ("the Company") would like to announce the operating results of the Company for the year ended December 31, 2021 which has been reviewed in the Board of Directors' Meeting No. 2/2022 arranged on February 25, 2021 as following: -

Table 1: Overall performance for the year ended December 31, 2021

Million Baht

Description	FY2021	FY2020	Increase (Decrease)	
	(12 Months)	(12 Months)	Amount	%
Net Product Sales	455.35	646.60	(191.25)	(29.58)
Net Service Sales	64.19	85.63	(21.44)	(25.04)
Other Revenue *	26.09	1.61	24.48	1,520.50
Total Revenues	545.63	733.84	(188.21)	(25.65)
Cost of Goods Sold	369.72	522.82	(153.10)	(29.28)
Cost of Service	38.10	48.63	(10.53)	(21.65)
Selling Expenses	72.14	100.33	(28.19)	(28.10)
Administrative Expenses	70.75	54.17	16.58	30.61
Loss from Exchange Rate	7.57	-	7.57	100.00
Financial Cost	8.38	11.30	(2.92)	(25.84)
Total Cost	566.66	737.25	(170.59)	(23.14)
Profit(Loss) before Income Tax	(21.03)	(3.41)	17.62	516.72
Tax Expense(Tax Income)	(0.34)	(0.11)	0.23	209.09
Net Profit (Loss)	(21.37)	(3.52)	17.85	507.10
EPS (Baht/Share)	(0.034)	0.007	(0.027)	(585.71)

* Other income such as interest income, foreign exchange gains and government subsidies, etc.

Business Overview

Overview of operating results for the year ended December 31, 2021, the Company's total revenue decreased by 191.25 million baht or approximately 29.58% compared to the operating results for the same period of 2020. Factors affecting the economy of countries that have been affected by the epidemic situation of COVID-19 thus affecting the retail market especially sales channels through modern-trade stores sales have dropped considerably mainly due to the closure of department stores under the Covid-19 epidemic control measures, resulting on shrinkage of market demand and changing of consumer behavior.

During the year 2021, the company has continuously adjusted its sales strategy; both driving sales through online channels and create marketing campaigns to reach target consumers on an ongoing basis, including focus

of other sales channels that drive sales. But due to the proportion of main income according to the normal business of the company, the revenue comes from selling through modern-trade stores; causing the overall revenue of the Company to decrease by 197.75 million baht or approximately 29.22% when compared to the same period last year.

In the year 2021, the company has continuously adjusted its sales strategy; both driving sales through online channels and create marketing campaigns to reach target consumers on an ongoing basis including using other sales channels that drive sales, Anyhow the proportion of main income according to the normal business of the company comes from selling through Moderntrade stores causing the overall revenue of the Company decreased.

However, the Company has continued to strictly control expenses, including adjusting the marketing budget to suit the situation and adjusting the point of sale plan, resulting in a decrease in overall expenses of 28.19 million baht or a decrease of 28.10% compared to the same period last year.

Operating results for the year ended December 31, 2021, the Company has a net loss of 21.37 million baht.

Economic and industrial conditions affecting operations

The COVID-19 pandemic has affected the World and consequently affect the overall economy of Thailand causing most businesses to slow down or temporarily suspend and some businesses are closed. Since the first half of 2021 the company and its subsidiaries have been affected by the epidemic situation of Covid 19 as well, either retail market (B2C), corporate market (B2B), and exports.

Exporting through foreign dealers, although the Company was able to export to some countries that were not greatly affected by the COVID-19 epidemic situation, the overall exports of the Company decreased by 32.41% compared to the same period in year 2020.

Linkage of policies, strategies and goals

Although the COVID-19 epidemic is an uncontrollable negative factor, the company has adjusted its strategy to drive exports to countries least affected by the COVID-19 epidemic; along with management according to changed situations, such as driving sales through online channels to create opportunities in new markets to replace sales revenues from modern-trade stores that has dropped dramatically; as well as to continuously increase the customer base of the corporate market to increase opportunities in energy-saving business and solve the problem of hot weather which is doing business through Innov Green Solutions Company Limited, which is a subsidiary.

Analysis on the performance of the company by key business units

The company has various distribution channels; in which the main channels are retail channel, export channel, sales channel for corporate customers, and services. The operating results are as follows:

Table 2 : Sales summary by segments for the year ended December 31, 2021

Million Baht			
Sales Channel	Jan-Dec 2021	Jan-Dec 2020	% YOY
Retail Channel	212.57	312.73	(32.03)
Corporate Channel	33.36	24.05	38.71
Export	209.42	309.82	(32.41)
Service	64.19	85.63	(25.04)
Other Revenue*	26.09	1.61	1,520.50
Total Revenue	545.63	733.84	(25.65)

Retail Market

The retail channel consist of selling through modern trade stores, online, dealers and selling booths compared to the same period of 2020, sales of retail channel decreased by 100.17 million baht, or a decrease of 32.03%, which is a direct impact of the COVID-19 epidemic that has a chain effect on the economy of Thailand; resulting income from modern-trade stores has dropped dramatically. When considering the sub-channels of the retail business group, it was found that the consumers still relied on the Masterkool brand in the evaporative fan group for both products and services which consumers who have enough purchasing power, some of them have changed their behavior according to the new normal by purchasing through online channels, and some bought through the local dealer shop.

Corporate Market

In the year 2021, the epidemic situation of COVID-19 affects the operation of normal sales processes, causing obstacles/problems in entering the presentation job, site survey and the installation of an ozone system to save energy that does not achieve according to plan, including many private organizations to slow down investment in the crisis. Anyhow, the company has continuously expanded its target customer base, which is an individual organization. As a result, operations with some corporate clients were still operational and positively impacted the year operating results' cumulative revenue by 38.71% compared to the same period last year.

The company is confident that the company's ozone technology is efficient to meet the needs of corporate customers in terms of energy saving and environmental conservation. This will result in this sales channel for corporate customers as a way to generate sales and profits in the future. Therefore, the company continues to expand its customer base in the corporate market even more to cover the planned sales targets. When the crisis situation returns to normal, the company will be able to operate stably; and can strengthen the business by reducing the overall revenue volatility of the group because it is a channel that can generate recurring revenue from the service.

Export

For the year 2021, the International Sales and Marketing (ISM) which operates exports has a revenue of 209.42 million baht. When compared to the same period of the year 2020, the income has decreased by 100.4 million baht or a decrease of approximately 32.41%, but sales management is still in an appropriate direction under

the epidemic crisis and economic downturn. The said revenue came from expanding the market base for a while in the countries that were not affected or less affected by the spread of COVID-19.

Comparative analysis to the budgeting plan

As usual of the revenue estimation plan, the Company has divided the sales percentage according to the main channels which are divided into 40% of the retail channel, and 40% of the export channel, and 20% of the corporate-customer channel and services. It turned out that the export was able to generate revenues that exceed the projected percentage. While the retail business channels and corporate-customer sales channels cannot meet the estimated revenue plan.

The Company has operational plans for future strength by focusing on expanding customer base for sales channels for corporate customers in order to reduce the risk of overall revenue fluctuation; and focusing on selling products online as a new market base for new products that are health and hygiene category such as disinfection products, air purifier products to address the health concerns of small consumers as well as pushing products that have no restrictions on the season (Non-seasonal products) enter to the market in order to become more comprehensive and meet the broader needs of consumers.

Financial Status

Summary Statement of Financial Position as of September 30,2021 (Unit: Million Baht)	Consolidated Statement			
	30 Dec 2021	31 Dec 2020	+ / (-)	%
Cash and cash equivalents	66.50	29.50	37.00	125.42
Trade and other receivables	86.86	85.03	1.83	2.15
A/R under finance lease agreements due within one year	0.20	0.04	0.16	400.00
Asset under contract	2.92	1.33	1.59	119.55
Short-term loans	0.06	0.00	0.06	100.00
Inventories	201.00	237.79	(36.79)	(15.47)
Other current financial assets	0.44	0.09	0.35	388.89
Other current assets	0.51	0.54	(0.03)	(5.56)
Total Current Assets	358.49	354.32	4.17	1.18
Deposits with financial institutions that are pledged	79.85	81.75	(1.90)	(2.32)
Investments in subsidiaries	0.00	0.00	0.00	0.00
Long-term loans	119.91	0.00	119.91	100.00
Property, plant and equipment	41.26	48.43	(7.17)	(14.80)
Rights-of-use assets	13.00	22.37	(9.37)	(41.89)
Intangible assets	2.41	3.23	(0.82)	(25.39)
Other non-current assets	15.34	13.12	2.22	16.92
Total non-current assets	271.77	168.90	102.87	60.91
Total assets	630.26	523.22	107.04	20.46
Bank over drafts and short - term loans from financial institution	121.32	174.50	(53.18)	(30.48)
Trade and other payables	43.77	84.29	(40.52)	(48.07)
Contractual liabilities	24.76	23.22	1.54	6.63

Summary Statement of Financial Position as of September 30,2021 (Unit: Million Baht)	Consolidated Statement			
	30 Dec 2021	31 Dec 2020	+ / (-)	%
Financial leased liabilities due within one year	9.07	9.42	(0.35)	(3.72)
Product Warranty Estimated Liabilities	4.47	6.42	(1.95)	(30.37)
Other current financial liabilities	0.00	2.95	(2.95)	(100.00)
Accrued corporate income tax	0.00	0.00	0.00	0.00
Total current liabilities	203.39	300.80	(97.41)	(32.38)
Liabilities arising from non-current contracts	0.33	0.00	0.33	100.00
Estimated long-term quality guarantee	0.23	0.57	(0.34)	(59.65)
Finance lease liabilities	2.26	9.84	(7.58)	(77.03)
Employee benefit obligations	17.36	17.24	0.12	0.70
Deferred tax liabilities	0.67	0.97	(0.30)	(30.93)
non-current liabilities	3.89	3.33	0.56	16.82
Total non-current liabilities	24.74	31.95	(7.21)	(22.57)
Total liabilities	228.13	332.75	(104.62)	(31.44)
Ordinary capital 576,000,000 shares, value 0.25 baht per share	312.50	144.00	168.50	117.01
Paid-up capital	214.25	120.00	94.25	78.54
Share premium	319.82	183.03	136.79	74.74
Surplus from share-based payment	3.06	3.06	0.00	0.00
Retained earnings (loss)				
- Appropriated for legal reserve	8.26	8.26	0.00	0.00
- Un-appropriated retained earnings	(143.26)	(123.89)	19.37	15.63
Total shareholders' equity	402.13	190.47	211.66	111.13
Total liabilities and shareholders' equity	630.26	523.22	107.04	20.46

Assets

As of December 31, 2021, the company had total assets of 630.26.84 million baht, compared to the value of assets as of December 31, 2020, which was worth 523.22 million baht. The company's total assets increased by 107.04 million baht, or an increase of 20.46% which the main details consists of: -

- Cash and cash equivalents: value as of December 31, 2021 increased from capital increase.
- Long-term loans: value at the year ended December 31, 2021 increased by 119.91 million baht when compared to the total assets as at the end of 31 December 2020.
- Inventories: value at the end of the period December 31, 2021 is 201.00 million baht, a decrease of 36.79 million baht or a decrease of 15.47% when compared to the value at the end of the period December 31, 2020, which comes from selling products as normal business.

Liabilities

As of December 31, 2021, the Company had total liabilities of 228.13 million baht, which when compared with total liabilities as of December 31, 2020, the company had total liabilities decreased by 104.62 million baht or a decrease of 31.41%, the main details consist of: -

- Bank overdrafts and short-term loans from financial institutions: value as of December 31, 2021 was 121.32 million baht, a decrease of 53.18 million baht or a decrease of 30.48% from repayment of short-term loans to financial institutions.
- Trade and other payables: value as of December 31, 2021 is 43.77 million baht, a decrease of 40.52 million baht or a decrease of 48.07% in accordance with normal business operations
- Other current financial liabilities: as of December 31, 2021, the company has no other current financial liabilities.

Shareholders' Equity

As of December 31, 2021, the company had total shareholders' equity of 402.13 million baht, an increase of 211.66 million baht, representing an increase of 111.13% when compared to shareholders' equity as of December 31, 2020 due to the company's capital increase.

Table 4: Financial Ratio

	Financial Ratio (Consolidated)		+ / (-)
	Jan-Dec 2021	Jan-Dec 2020	
Liquidity Ratio			
Current ratio	1.76	1.18	0.29
Quick ratio	0.77	0.38	0.26
Profitability Ratio			
Gross profit margin %	21.50%	21.96%	(1.27)
EBIT margin %	(4.05%)	(0.47%)	(4.77)
Net profit margin %	(3.92%)	(0.48%)	(4.78)
Efficiency Ratio			
Return on equity (ROE) %	(7.21%)	(1.19%)	(9.73)
Return on asset (ROA) %	(3.71%)	(0.61%)	(4.69)
Total assets turnover	0.95	1.27	(0.36)
Financial Policy Ratio			
Debt to equity ratio	0.57	1.75	(0.95)

Liquidity Ratio

From factors affecting operating results for the year ended December 31, 2021, the liquidity ratio increased by 0.29 times when compared to the ratio at the end of the period December 31, 2020 due to capital increase, as well as the quick liquidity ratio increased by 0.26 times compared to the ratio at the end of the period ended December 31, 2020.

Profitability Ratio and Efficiency Ratio

As the year operating results of the year 2021, the company's gross profit margin decreased by 1.27% due to the selling price structure, which is a bulk sales of the export channel with not much gross profit, coupled with the epidemic situation of COVID-19, resulting costs which related to shipping both sea and air have increased.

Financial Policy Ratio

The Company's debt to equity ratio decreased from the previous year. The debt to equity ratio for the year ended December 31, 2021, was 0.57 times, a decrease of 0.95 times when compared to the same period in year 2020 as a result of the Company's recent capital increase.

(Mr. Noppachai Veeraman)
Managing Director