

September 22, 2015

Topic Management Discussion and Analysis for first quarter of 2015, ended March 31, 2015

Dear Managing Director
The Stock Exchange of Thailand

Masterkool International Public Company Limited will explain operational result for Q1/2015, ended March 31, 2015 approved by Board Of Directors meeting no.2/2015 as of May 15, 2015 as the following details.

Overview of operational performance for the First quarter 2015 ended March 31, 2015

Unit : Million Baht

	Q1/2015	Q1/2014	Increase(Decrease)	
			Amount	Percentage
Revenues from sales	131.34	99.48	31.86	32.03
Revenues from services	7.67	4.26	3.41	80.05
Other income*	2.43	2.37	0.06	2.53
Total Revenues	141.44	106.12	35.32	33.28
Costs of sales	79.06	58.30	20.76	35.61
Costs of services	3.96	1.93	2.03	105.18
Selling and Administrative expenses	60.12	40.14	19.98	49.78
Management benefit expenses	2.47	1.69	0.78	46.15
Finance costs	2.56	0.80	1.76	220.00
Net income	(6.31)	2.71	(9.02)	(132.84)
Earning per share (Baht per share)	(0.02)	0.01	(0.03)	(281.33)

*Other income such as interest income, gain from exchange rate and government subsidy

Revenue

The company has 141.44 million baht total revenue increased from the same period last year for 35.32 million baht or calculated as 33.3 percent. Main cause of increase is the growth of Evaporative fan sales due to an increase of distribution channel. In Q1/2015 the company sell products through 162 modern trade stores (i.e. Homepro, Makro, Megahome, Thaiwatsadu and TVdirect) increased from the same peiord of 2013 in total number of 50 modern trade stores. Meanwhile, the company has evaporative fan sale portion to total revenue in 80.1 percent and 71.8 percent in Q1/2015 and Q1/2014 respectively.

Costs of sales and Costs of services

For the first quarter of 2015, the company has cost of sales and cost of services equal to 83.02 million baht (mostly are costs of sales and costs of services), it increases from Q1/2014 22.79 million baht or 37.8 percent increase which follows an increase in sales and services.

Selling Expenses and Administrative Expenses

In Q1/2015 the company has selling expenses and administrative expenses in the amount of 60.12 million baht which increases from Q1/2014 for 19.98 million baht or 49.8 percent increase. Main cause is an increase in modern trade store related costs due to the expansion of modern trade channel sales, an increase in costs related to the increase of modern trade stores. In addition, causes also are the entering event cost, advertising expenses, branding expenses and promotional expenses, and also rental expenses starting Q4/2014.

Profit Potential

The company has gross profit in Q1/2015 for 55.99 million baht which can be calculated as 40.3 percent of gross profit margin. While in Q1/2014 the company has gross profit for 43.51 million baht or 41.9 percent gross profit margin. Gross profit increases as an increase in sales and services income.

The company has negative net income in the amount of 6.31 million baht in Q1/2015 and positive net income in the amount of 2.71 million baht in Q1/2014 which can be calculated into positive(negative) net profit margin for (4.46) percent and 2.55 percent respectively. The main cause of having negative profit in Q1/2015 is an increase in the amount of 19.97 million baht or 49.8 percent increase of selling and administrative expenses which are PC employee expenses as an increase in number of modern trade stores. In addition, the company has an increase in finance cost from an increase in liabilities.

Financial Position

Assets

As of March 31, 2015, the company has 435.41 million baht of total assets increased from Q1/2014 in the amount of 103.48 million baht or 32.34 percent with the following details

Current Assets in the amount of 334.13 million baht or 78.9 percent of total assets which mainly composed of

- Trade and other receivables in the amount of 119.27 million baht or 28.2 percent of total assets. The company has an increase in trade and other receivables from Q1/2014 approximately 71.73 million baht or 150.9 percent increase since the seasoning that support an increase in demand of product and main customers are modern trade stores that are not due.
- Inventories in the amount of 192.73 million baht or 45.5 percent of total assets which increases from year ended 2014 for 20.72 million baht or 12.05 percent. An increase in inventories mainly is in finished products which are imported and ready to sell.

Non-current Assets in the amount of 89.28 million baht or 21.1 percent of total assets mainly composed of

- Deposits at financial institutions pledged as collateral in the amount of 40.67 million baht or 9.6 percent of total assets. The amount has no change from year ended 2014 which is short-term loan and bank overdraft.
- Property, plant and equipment in the amount of 39.2 million baht or 9.2 percent of total assets increased from year ended 2014 in the amount of 4.95 million baht or 14.45 percent increase, the amount is increased because of a record of investment in new mold for new evaporative fan (MIK-25EXN)

Liabilities

As of March 31, 2015, the company has total liabilities in the amount of 321.21 million baht or 75.9 percent of total assets increased from year ended 2014 in the amount of 109.79 million baht or accounted for 51.93 percent increase with the following details.

Current Liabilities in the amount of 317.63 million baht or 75.02 percent of total assets which mainly composed of

- Bank overdrafts and short-term loans from financial institutions in the amount of 202.56 million baht increased from year ended 2014 for 68.43 million baht or 51.02 percent increase, the company has been increasing in using this transaction to support a continuous increasing in customer's needs.
- Trade and other payables in the amount of 105.29 million baht increased from year ended 2014 in the amount of 37.84 million baht or 56.1 percent increase, this item continuously increases due to an increase in sales and an increase in inventories level to support customer's need, especially for evaporative fan.

Non-current Liabilities in the amount of 3.58 million baht increased from year ended 2014 for 0.3 million baht or 9.15 percent increase which mainly is employee benefit obligation in the amount of 3.02 million baht.

Shareholders' Equity

As of March 31, 2015 the company has 102.19 million baht or 24.1 percent of total assets decreased from year ended 2014 in the amount of 6.31 million baht, this item decrease because of negative net income 6.31 million baht in Q1/2015.

Kindly note

Sincerely

Noppachai Veeraman
Managing Director