

September 22, 2015

Topic Management Discussion and Analysis for 6-month of 2015, ended June 30, 2015

Dear Managing Director
The Stock Exchange of Thailand

Masterkool International Public Company Limited will explain operational result for 6-month of 2015, ended June 30, 2015 approved by Board Of Directors meeting no.3/2015 as of August 10, 2015 as the following details.

Overview of operational performance for 6-month of 2015 ended June 30, 2015

Unit : million baht

	Q2/2015 (6 months)	Q2/2014 (6 months)	Increase(Decrease)	
			Amount	Percentage
Revenues from sales	418.44	299.95	118.49	39.50
Revenues from services	16.70	10.18	6.52	64.05
Other income*	2.12	2.65	(0.53)	(20.00)
Total Revenues	437.26	312.78	124.48	39.80
Costs of sales	235.38	170.35	65.03	38.17
Costs of services	7.23	4.14	3.09	74.64
Selling and Administrative expenses	148.02	93.09	54.93	59.01
Management benefit expenses	7.24	3.64	3.60	98.90
Finance costs	5.45	2.56	2.89	112.89
Net income	27.17	32.24	(5.07)	(15.73)
Earning per share (Baht per share)	0.08	0.12	(0.04)	(34.45)

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

Revenue

For 6-month period of 2015, the company has total revenue in the amount of 437.26 million baht increased by 124.48 million baht or 39.8 percent increase comparing to the same period of 2014. Main cause of increase is an increase of evaporative fan sales, the portion of evaporative fan sales increased to 85.4 percent of total revenue comparing to 76.9 percent for same period of 2014. The growth of portion to the revenue because of a continuously increase in advertising and promotion, and also an expansion of modern trade stores to 204 stores from 90 stores in the same period of 2014. An increase in modern trade store is an expansion into new modern trade stores such as Homepro, Makro, Megahome, BigC and new malls such as Thatwatsadu, Global house and Boonthavorn.

Costs of sales and Costs of services

For 6-month period of 2015, the company has costs of sales and costs of services in the amount of 242.61 million baht (mostly are costs of sales and costs of services), it increases 68.12 million baht or 39.04 percent from the same period of 2014 due to an increase in sales and service revenue.

Selling Expenses and Administrative Expense

For 6-month period of 2015, the company has 148.02 million baht of selling and administrative expenses increased for 54.93 million baht or 59.01 percent from the same period of 2014. The main causes of increasing are modern trade store expenses, three new malls entry expense including mall events. Moreover, there is also advertising expense, branding expense, promotional expense, PC employee expense as increment of modern trade stores, loss from exchange rate, and rental expense starting Q4/2014.

Profit Potential

The company has positive net income for 6-month period of 2015 ended June 30, 2015 in the amount of 27.17 million baht or calculated as net profit margin 6.2 percent. Since 6-month of 2014 the company has positive net profit in the amount of 32.24 million baht or equal to 10.3 percent of net profit margin. According to an increase of selling and administrative expenses such as modern trade store and promotional expenses, advertising expenses, branding expenses, PC employee expenses as increase in modern trade stores, loss in exchange rate, the profit is decreased. Moreover, profit also reduces because of an increase in management remuneration and interest expense.

Financial Position

Assets

As of June 30, 2015 the company has total assets equals to 394.41 million baht increased from June 30, 2014 in the amount of 74.48 million baht or 23.28 percent increase with the main following components.

Current Assets in the amount of 294.80 million baht or 74.7 percent of total assets which mainly composed of

- Trade and other receivables in the amount of 141.40 million baht or 35.9 percent of total asset, increased from year ended 2014 in the amount of 93.86 million baht or 197.4 percent since the second quarter is the period that the company will have the highest sales volume of the year and mostly of trade and other receivables are modern trade store's customer that are not due date.

- Inventories in the amount of 130.20 million baht or 33.0 percent decreased from year ended 2014 for 41.81 million baht or 24.3 percent. Since company normal business will start to store inventories for summer sales since third quarter and prepare to sell in summer season. Therefore, the ended period of second quarter, company inventory will reduce to normal level.

Non-current Assets in the amount of 99.60 million baht or 25.3 percent of total assets which mainly composed of

- Deposits at financial institutions pledged as collateral 46.88 million baht or 11.9 percent of total assets increased from year ended 2014 for 6.21 million baht or 15.27 percent which is a continuously increase to follow an increase in short-term loan and bank overdraft.
- Net property, plant and equipment 43.28 million baht or 11.0 percent of total assets increased from year ended 2014 for 9.03 million baht or 26.36 percent. Main cause of an increase in Q2/2015 is the record of new evaporative fan mold (MIK-25EXN), for-rent assets and vehicles.

Liabilities

As of June 30, 2015 the company has total liabilities in the amount of 258.73 million baht or 65.6 percent of total assets increased from December 31, 2014 for 47.31 million baht or 22.38 percent with the following details.

Current Liabilities in the amount of 253.01 million baht or 64.15 percent of total assets mainly composed of

- Bank overdrafts and short-term loans from financial institutions 120.84 million baht. This amount decreased from year ended 2014 in the amount of 13.29 million baht or 9.91 percent because the company paid back loan and reduce in purchasing products for second half of the year.
- Trade and other payables in the amount of 117.42 million baht increased from year ended 2014 for 49.97 million baht or 74.08 percent, it continuously increases in the same trend as sales and inventory level to support customer's needs.

Non-current Liabilities in the amount of 5.72 million baht increased from year ended 2014 for 2.44 million baht or 74.39 percent which mainly are employee benefit obligation as the main item for 3.22 million baht and long-term of liabilities under hire-purchase contracts for 2.04 million baht.



Shareholders' Equity

As of June 30, 2015 the company has 135.67 million baht or 34.4 percent of total assets which increased from year ended 2014 for 27.17 million baht due to net profit of 27.17 million baht of 6-month of 2015.

Kindly note

Sincerely

Noppachai Veeraman
Managing Director