

September 22, 2015

Topic Management Discussion and Analysis for year 2014, ended December 31, 2014

Dear Managing Director
The Stock Exchange of Thailand

Masterkool International Public Company Limited will explain operational result for year 2014, ended December 31, 2014 approved by Board Of Directors meeting no.1/2015 as of February 26, 2015 as the following details.

Overview of operational performance for year 2014 ended December 31, 2014

Unit : Million baht

	2014	2013	Increase/(Decrease)	
			Amount	Percentage
Revenues from sales	436.21	280.33	155.88	55.61
Revenues from services	22.44	25.03	(2.59)	(10.35)
Other income*	4.84	2.14	2.7	126.17
Total Revenues	463.49	307.50	155.99	50.73
Costs of sales	251.21	164.19	87.02	53.00
Costs of services	8.74	6.89	1.85	26.85
Selling and Administrative expenses	150.86	121.28	29.58	24.39
Management benefit expenses	8.26	8.60	(0.34)	(3.95)
Finance costs	5.97	3.42	2.55	74.56
Net income	31.40	2.72	28.68	1,054.41
Earning per share (Baht per share)	0.10	0.01	0.09	615.67

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

Revenue

For year 2014, the company has 463.49 million baht in total revenue increasing from year 2013 in the amount of 155.99 million baht or 50.73 percent. The revenue has increased in the huge amount mainly due to an increase in sales of evaporative fan from an increase in modern trade stores such as Macro, Homepro, Megahome and BigC which increases to 112 stores from 39 stores in 2013. In the same time, the company has a small decrease in service revenue due to political instability in the first half of a year.

Costs of sales and costs of services

For year 2014, the company has 251.21 million baht costs of sales and 8.74 million baht costs of services, it increases from 2013 in the amount of 87.02 million baht and 1.85 million baht respectively due to an increase in sales.

Selling Expenses and Administrative Expenses

For 2014, the company has 150.86 million baht of selling and administrative expenses increased from 2013 for 29.58 million baht or 24.39 percent increase. Main causes of increase are promotional and advertising expenses, modern trade stores expenses, and PC employees expenses as an increase in number of modern trade stores (at least 1 PC for 1 modern trade store).

Profit Potential

For 2014, the company has 43.32 percent of gross profit margin decreased from 2013 which has 43.97 percent of gross profit margin. Net profit in 2014 is 31.40 million baht or calculated as 6.8 percent of net profit margin increased from 2013 in the amount of 28.68 million baht. Due to huge amount of selling and administrative expenses in 2013, it results in low net profit. By comparing selling and administrative expenses to total revenue, it shows 32.55 percent in 2014 and 39.44 percent in 2013. Moreover, the company has special item affecting net income in 2013 such as share-based expense in the amount of 2.5 million baht and loss of exchange rate in the amount of 4.87 million baht.

Financial Position

Assets

As of December 31, 2014 the company has 319.93 million baht in total assets increasing from December 31, 2014 in the amount of 104.56 million baht or in 48.55 percent increase with the following details.

Current Assets in the amount of 235.81 million baht or 73.7 percent of total assets mainly composed of

- Trade and other receivables in the amount of 47.54 million baht or 14.9 percent, it increases from year 2013 in the amount of 10.22 million baht or 27.4 percent. An increase of receivables is mainly follow an increase in sales.
- Inventories in the amount of 172.01 million baht or 53.8 percent increasing from year 2013 in the amount of 66.25 million baht or 62.6 percent increase. The company's inventories mainly are finished product imported and ready to sell for summer season.

Non-current assets in the amount 84.11 million or 26.3 percent of total assets which are mainly composed of

- Deposits at financial institution pledged as collateral in the amount of 40.67 million baht or 12.7 percent of total assets increased from 2013 in the amount of 15.97 million baht or increased for 64.7 percent, it increases due to an increase of short-term loan and bank overdraft.
- Net property, plant and equipment in the amount of 34.25 million baht or in 10.7 percent increased from 2013 in the amount of 10.23 million baht or 42.6 percent increase, main cause of increasing is an investment in mold of ozone vegetable machine and evaporative fan.

Liabilities

As of December 31 2014, the company has total liabilities in the amount of 211.42 million baht increasing from December 31, 2013 in the amount of 81.37 million baht or in 62.57 percent increase with the following details.

Current Liabilities in the amount of 208.14 million baht or 65.1 percent of total assets which mainly composed of

- Bank overdrafts and short-term loans from financial institutions in the amount of 134.13 million baht increasing from 2013 in the amount of 44 million baht or 48.82 percent increase. The company used bank overdrafts and short-term loans to order product to support customer's needs in summer season.
- Trade and other trade payables in the amount of 67.45 million baht increased from year 2013 in the amount of 32.74 million baht or 94.32 percent, it increases by followed sales and inventories level to support customer's demand.

Non-current Liabilities in the amount of 3.28 million baht increased from year 2013 in the amount of 1.44 million baht or 78.26 percent. Main item is employee benefit obligation which is in the amount of 2.82 million baht.

Shareholders' Equity

As of December 31, 2014 the company has shareholders' equity in the amount of 108.51 million baht increased from 2013 in the amount of 23.22 million baht or 27.2 percent. Main cause of increase is an increase of capital for 20 million baht and net income 31.40 million baht even the company has dividend payment for 28 million baht.

Kindly note

Sincerely

Noppachai Veeraman
Managing Director