



Kulthorn Kirby Public Company Limited

Opportunity Day - Q410 & 2010

March 22, 2011



Disclaimer

The information contained in our presentation is intended solely for your personal reference only. In addition, such information contains our estimates and forward-looking statements that reflect our current views with respect to future events and financial performance. These estimates and views are based on assumptions subject to various risks and uncertainties. No assurance is given that future events will occur, or that our assumptions are correct. Actual results may differ materially from those projected.



Our Best Year in All Aspects

Record high production and sale volume

- 5.5 million units of compressors sold, 24.8% growth from 2009

Highest revenue and profit since our establishment

- Total revenue of THB 11,860.6 million, 39.8% growth from 2009

Ever-since-best profit margin

- Net profit of THB 819.7 million, 5,184.4% growth from 2009 with the highest net profit margin at 6.9%

Full supply chain completion

- The acquisition of enameled copper wire and metal forging has been successfully completed since Q3 2010

Section I : Overview of KKC



Overview of KKC

KKC is one of the world's largest reciprocating compressor producers

- Second largest producer of air conditioning reciprocating compressors with 21% market share
- Top 10 leading manufacturer of refrigeration compressor in reciprocating sector with approx. 6% market share

We have employed vertical integration business model, allowing us to have a more competitive cost structure



Objectives & Strategies

Objectives

Strategies

Maintain our leading world supplier of compressors

- Increase customer awareness of KKC brand
- Develop new products and adjust product mix to serve demand from customers
- Increase customer satisfaction on quality, price, delivery and services

Increase our market share

- Expand our capacity for high-valued and well-market accepted products
- Quick-win product and sale expansion through M&A transaction
- Strengthen R&D by ways of M&A transaction

Reduce production and operational costs

- Enhance economy of scale by increasing production volume
- Maintain vertical integration to support compressor value chain
- Reduce unnecessary costs from inter-company transactions
- Change product components to lower cost raw material, i.e. from copper to aluminum
- Productivity improvement and continuing cost reduction by 5s, Lean, Kaizen, and small group activities

Section II : Industry Overview





Compressor Industry

Compressors are divided into 5 types, which vary by size, application, functionality, and performance

Type	Reciprocating (RE)	Rotary (RO)	Scroll (SL)	Screw (SW)	Centrifugal (CE)
Size	1/20 HP to 25 HP	1 HP to 7 HP	1.5 HP to 30 HP	30 HP to >500 HP	100 HP to 1000 HP
Application	Household refrigerator, freezer, commercial refrigerator, water cooler, ice machine, and air conditioner	Small tonnage air conditioner	Air conditioner and heat pumps	Chiller systems that have large capacity	Very large cooling applications such as small gas turbine engines and smaller aircraft gas turbines
Strength	Reliable, mechanic efficiency, and wide range of HP. Models with higher HP can bear heavy duty applications	Energy saving and low cost	Superior in volumetric efficiency and energy saving	Greatest energy saving	Durability and long life expectancy
Weakness	Noisy and more expensive than rotary type	Not reliable and can support only small capacity unit	Costly	Suitable with larger capacity unit	Suitable with larger capacity unit

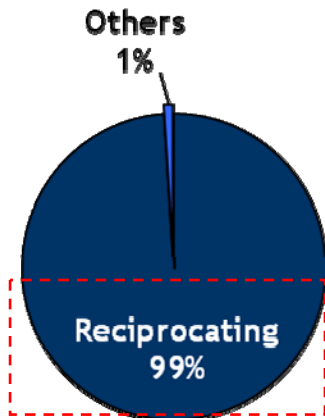


We produce only reciprocating compressors that are used in air conditioning and refrigeration application

World compressors capacity

Market size of world compressors, irrespective of types and applications, is estimated to be approx. 255 mm units. Market of air conditioning compressor accounts for 47% or approx. 120 mm units while market of compressor for refrigerator accounts for 53% or approx. 135 mm units

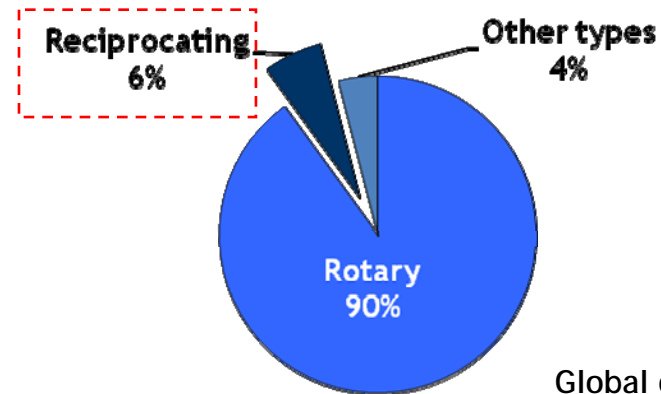
Refrigeration compressor by type



Global capacity
135 mm units

Source: JARN and Company estimates

Air conditioning compressor by type



Global capacity
120 mm units

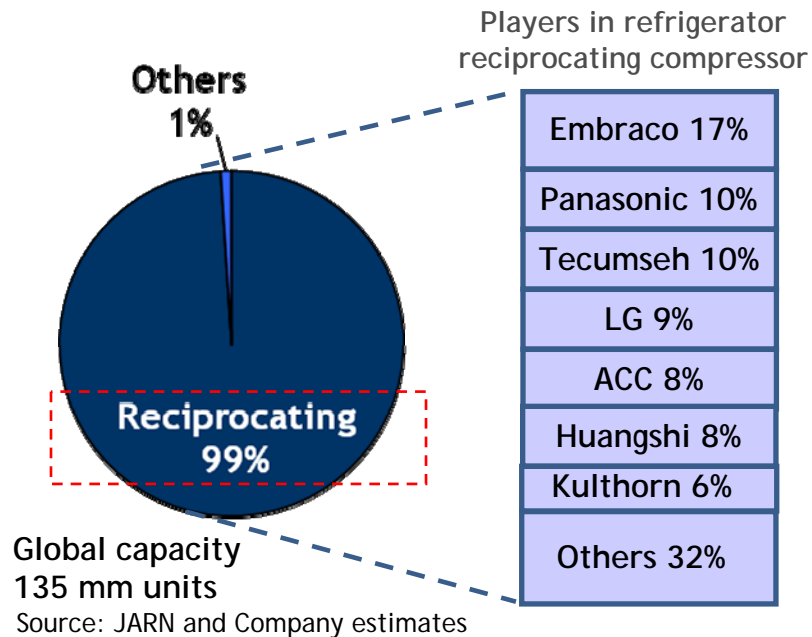
Source: JARN and Company estimates

- Reciprocating compressors are most widely used in household refrigerators, which account nearly 99% of all refrigerators. For commercial and industrial sectors, the main applications are for food-related refrigeration , distributed cold storage chains, and process cooling
- However, reciprocating compressors are not widely used in air-conditioners due to relatively higher selling prices, higher maintenance cost. Despite relative higher price, reciprocating compressors are durable and working well in high ambient temperature

World refrigeration reciprocating compressors capacity

In the sector of refrigeration compressor, reciprocating type is dominant with nearly 99% shares of total refrigeration compressors. A number of major players are competing in this sector, namely Embraco, Panasonic, Tecumseh, LG and etc.

Refrigeration compressor by type and player



Based on capacity, we are considered a leading player with an annual capacity of 7.6 mm units or approx. 6% of capacity of refrigeration reciprocating compressors

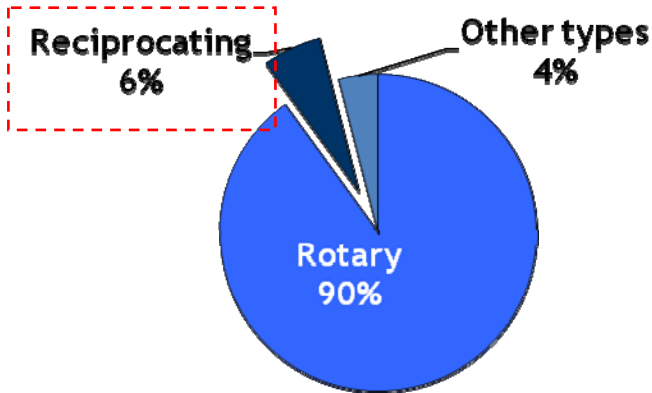
Capacity by players

Name	Annual Capacity (mm units)	Plant Sites
Embraco	26.0	Brazil, China, Italy, Slovakia
Panasonic	15.0	China, Singapore
Tecumseh	15.0	USA, Brazil, France, India
LG	10.7	South Korea, China, India
ACC	9.9	Italy, Spain, USA, Australia, Mexico, Egypt, China
Huangshi Dongbei	9.0	China
Kulthorn	7.6	Thailand
Danfoss	7.0	Germany, Mexico, Slovenia
Samsung	7.0	South Korea
Hangzhou Qianjiang	7.0	China
Others	20.8	-

Source: JARN and Company estimates

World air conditioning reciprocating compressors capacity

Air conditioning compressor by type



Global capacity
120 mm units

Source: JARN and Company estimates

Capacity by players in reciprocating sector

Name	Annual Capacity (mm units)	Plant Sites
Bristol	3.4	USA
Kulthorn	1.5	Thailand
Tecumseh	1.0	USA, India
Copeland	0.4	India
Others	0.9	-

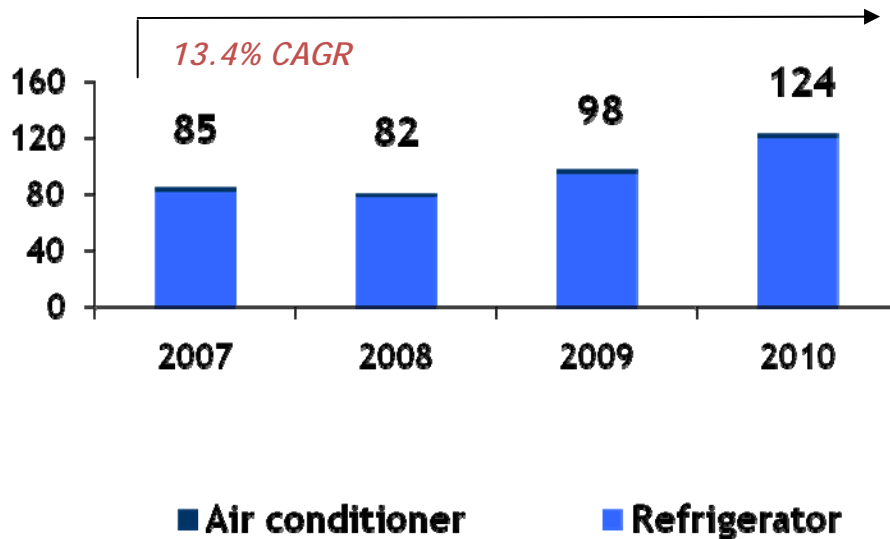
Source: JARN and Company estimates

- The world capacity size of air conditioning reciprocating is approx. 7.2 mm units, or 6% of the total market size of air conditioning compressors
- We are the second largest player in this sector with annual capacity of approx. 1.5 mm units or approx. 21% market shares, followed by Tecumseh and Copeland, and with approx. 14% and 6% market share respectively
- Air conditioning reciprocating compressors generate high margins for us, thanks to low competition and our leadership position



Historical compressor consumption of reciprocating compressors

Reciprocating compressor consumption



Source: JARN and Company estimates

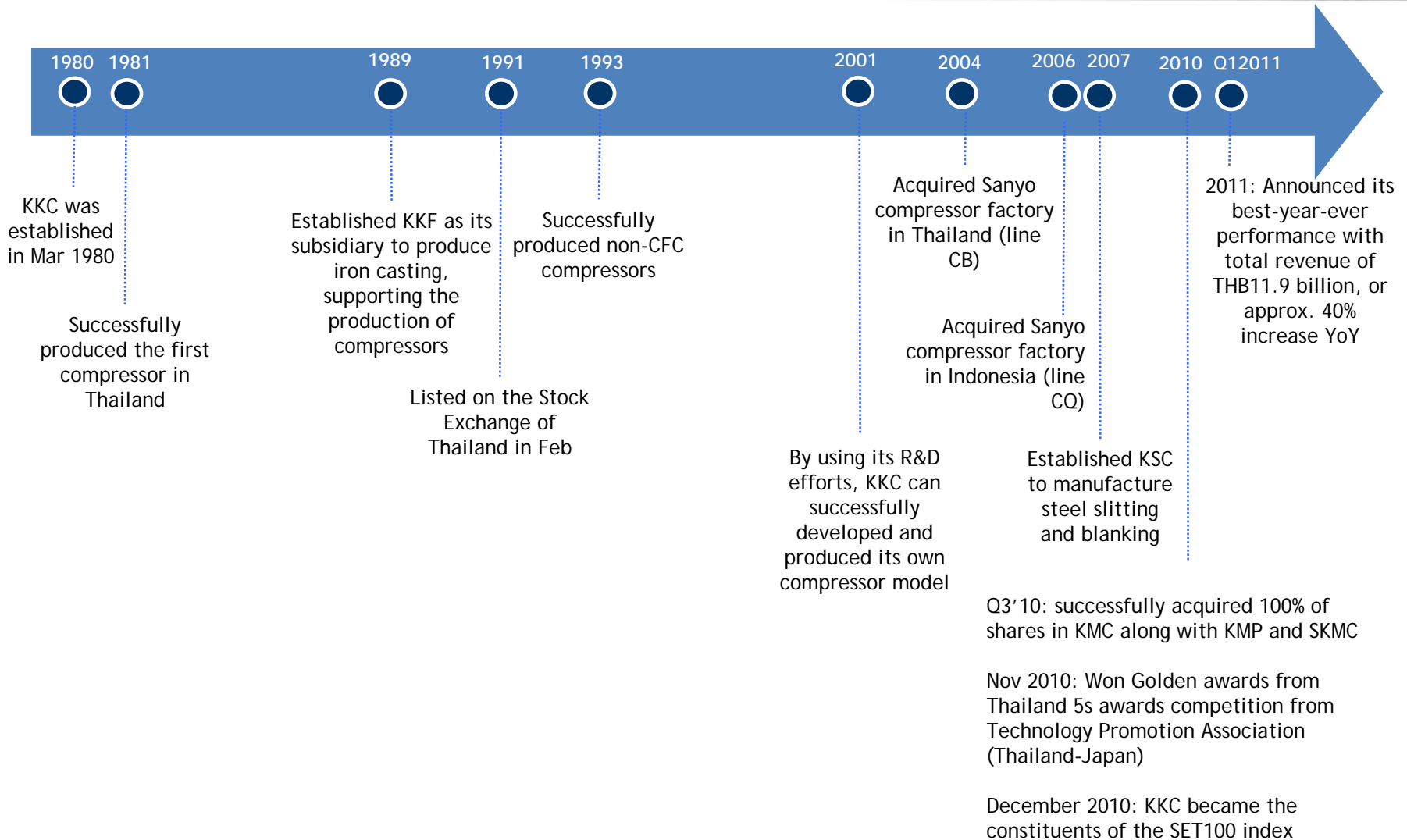
- Sales of reciprocating compressors for refrigerators continue to demonstrate steady growth
- Recently sales of reciprocating compressors for refrigerators have increased noticeably in China, the United States, as well as Europe
- However, sales of air conditioning reciprocating compressors have declined as sales of rotary, scroll, and screw compressors have risen instead
- Interestingly, heat pump applications are creating new demand for reciprocating compressors

Section III : Business & Operation





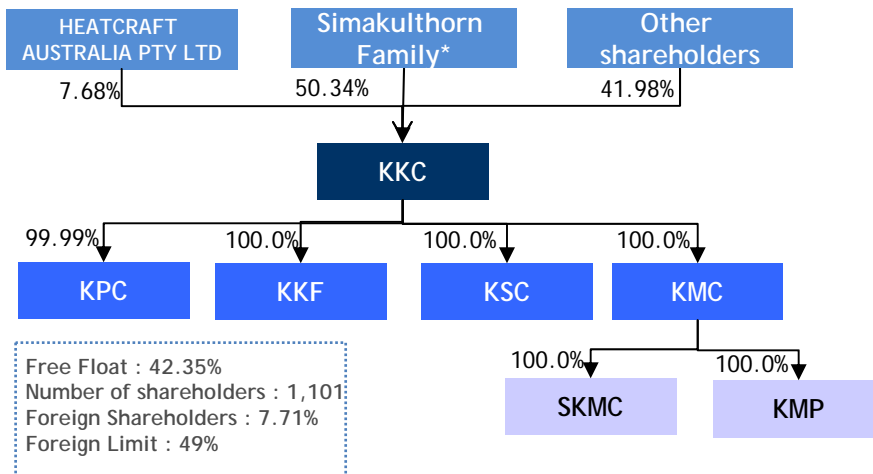
History of Success





Group Structure

Shareholder and group structure



Remark: *%shareholding of Simakulthorn family includes Simakulthorn holding and %holding of Simakulthorn family members

KKC

- Annual maximum capacity of 5.1 mm units of compressors
- Approx.94% of total sales contributed from sales of compressors and the remaining from sales of condensing units and other services

- The Company has wholly-owned six subsidiaries, namely
 - KPC, a small-sized compressor producer
 - KKF, an iron casting producer
 - KSC, a producer of steel slitting and blanking
 - KMP ,a producer of metal forging and machining
 - KMC & SKMC, copper magnet wires manufactures
- KKC and KPC are manufacturers of compressor while other subsidiaries produce and supply key compressor components to KKC and KPC

KPC

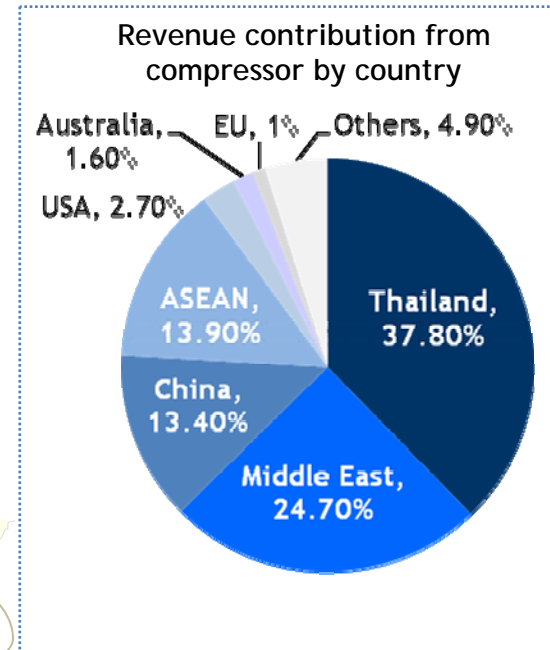
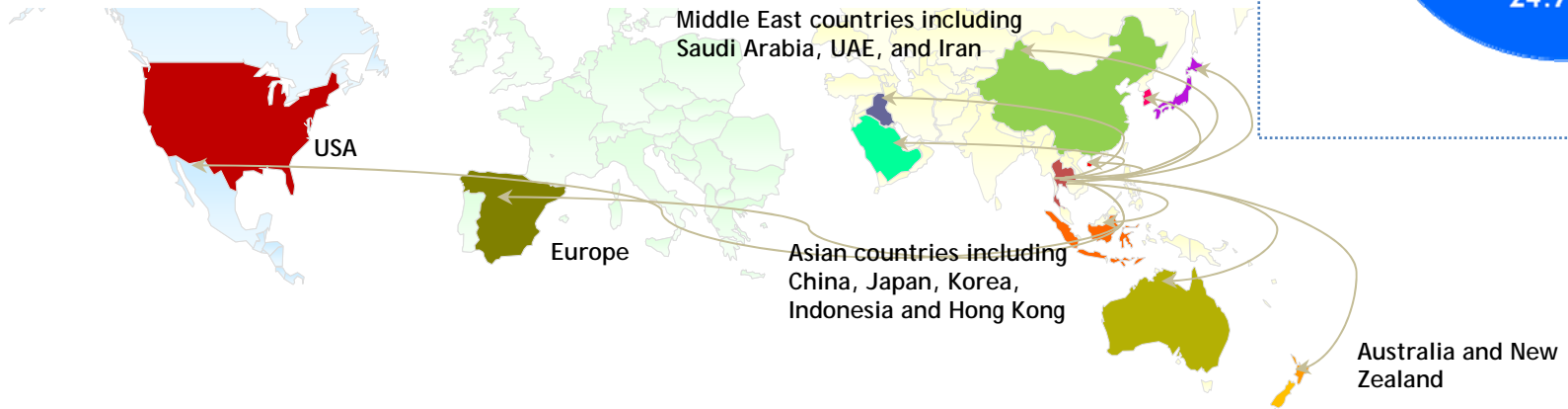
- A former SANYO compressor manufacturer, produces a small-sized compressors with the annual maximum capacity of 4.0 mm units of compressors
- 91% of KPC sales are from sales of compressors, and the remaining 9% of sales is derived from sales of iron casting



Sales by Destination

We have diversified export destinations around the global, helping it to stabilize its financial performance. Our major exporting destinations, including countries in the Middle East, China, ASEAN countries, USA, Australia, and New Zealand

Our major export destinations are indicated by colored areas





Product capacity by product

Capacity by product

Model Name	Applications		
	Small-sized Refrigerator	Commercial Refrigerator	Air conditioner
AE	✓		
AEL		✓	
AZ	✓		
AW		✓	✓
WJ		✓	✓
LA & KA			✓
CB	✓		
CQ	✓		
Estimated current capacity (thousand units)	6,300	1,300	1,500

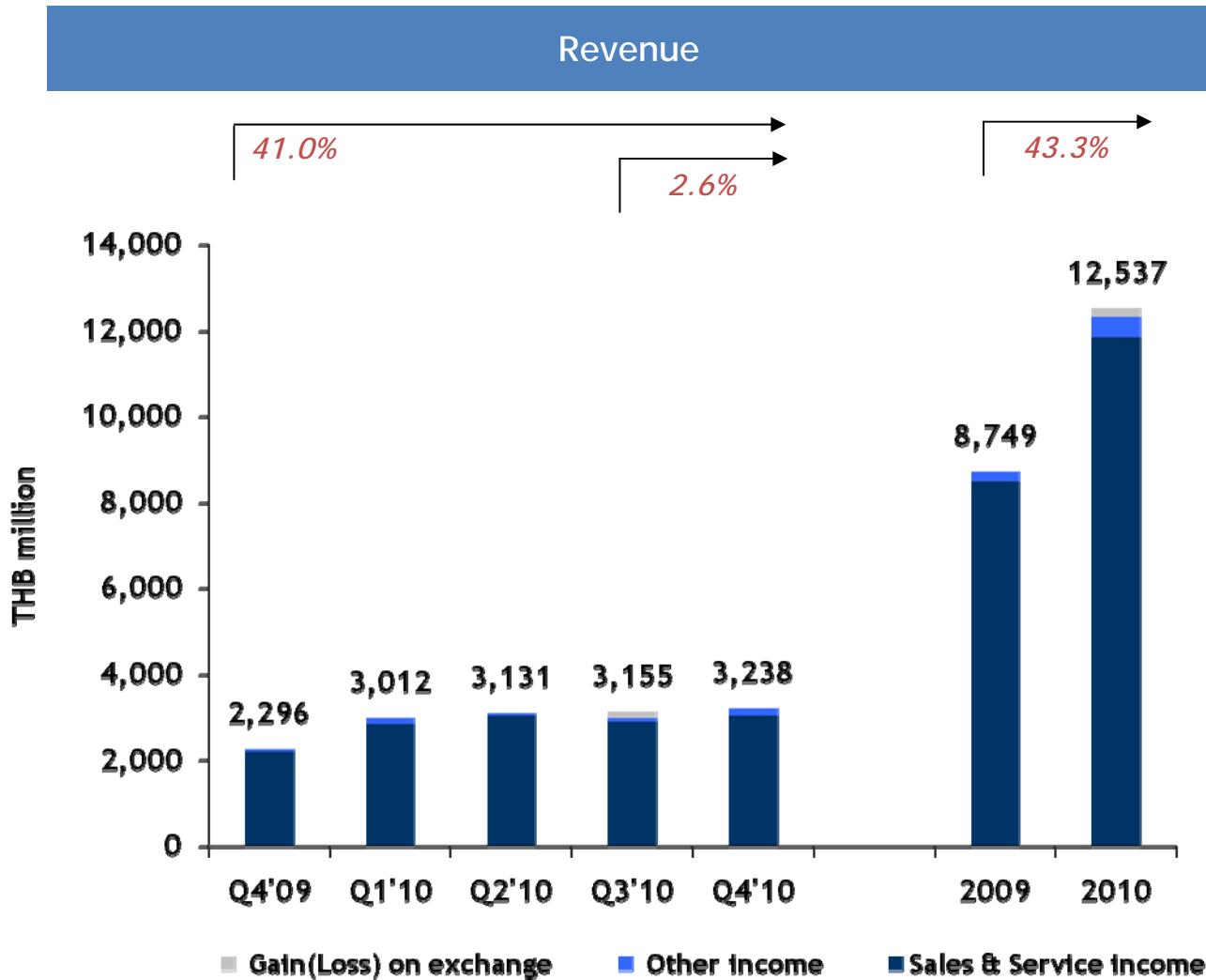
- The Company produces a wide range of compressor sizes that can be used in small-sized refrigerator, commercial refrigerator, and air conditioners
- A majority of production capacity are in small-sized refrigerator. However this type of compressors produce relatively thin margins compared with other types
- To improve its margins, the Company has increased and planed to expand aggressively its capacity in higher-margin products-- commercial refrigerators and air conditioners

Section III : Financial Highlights

- Assuming the acquisition of KMC, KMP and SKMC had occurred since 1 January 2009*
- The inter-company transactions between KKC group VS. KMC, KMP and SKMC have been eliminated since 1 January 2009*



A Record High Revenue and Sale Growth

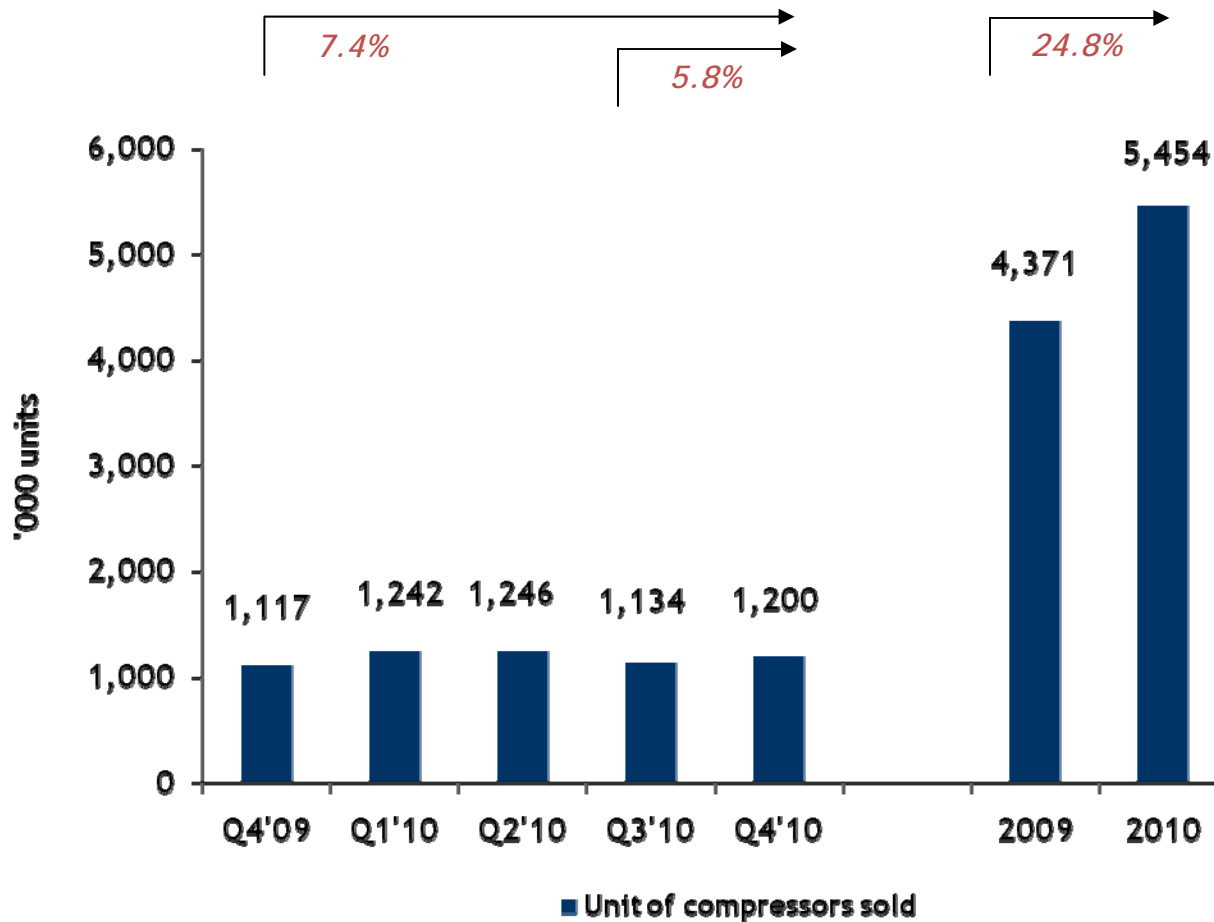


- Q4'10 revenue shows :
 - y-o-y growth at 41.0% as a result of higher sale volume and selling price per unit despite Baht strengthen
 - Slightly growth at 2.6% on q-o-q basis due to lower gain on F/X despite sale volume increase
- Improvement of global economy and our focus on Middle East market which has been minimally affected by global economic crisis resulted in substantial revenue growth in 2010
- In 2010, our compressor sales increased for approx. THB 1.9 billion, or 29% from 2009



Sale Volume Remains Increase

Unit of Compressors Sold

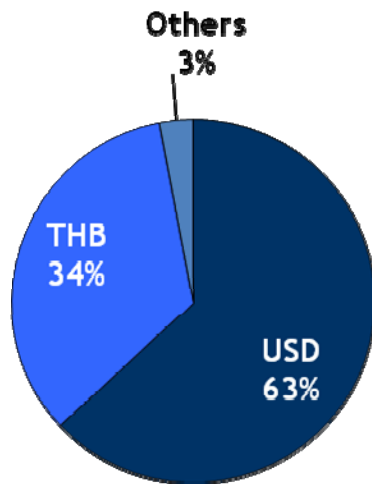


- Due to seasonality effect, volume sale in Q3 is generally weaker than other periods. However, Q3'10 showed minimal decrease of sale volume as we have obtained new customers in Middle East since Q3'10
- The continual increase in sale volume is attributed to the recovery of global economy and our strong position in global compressor manufacturers

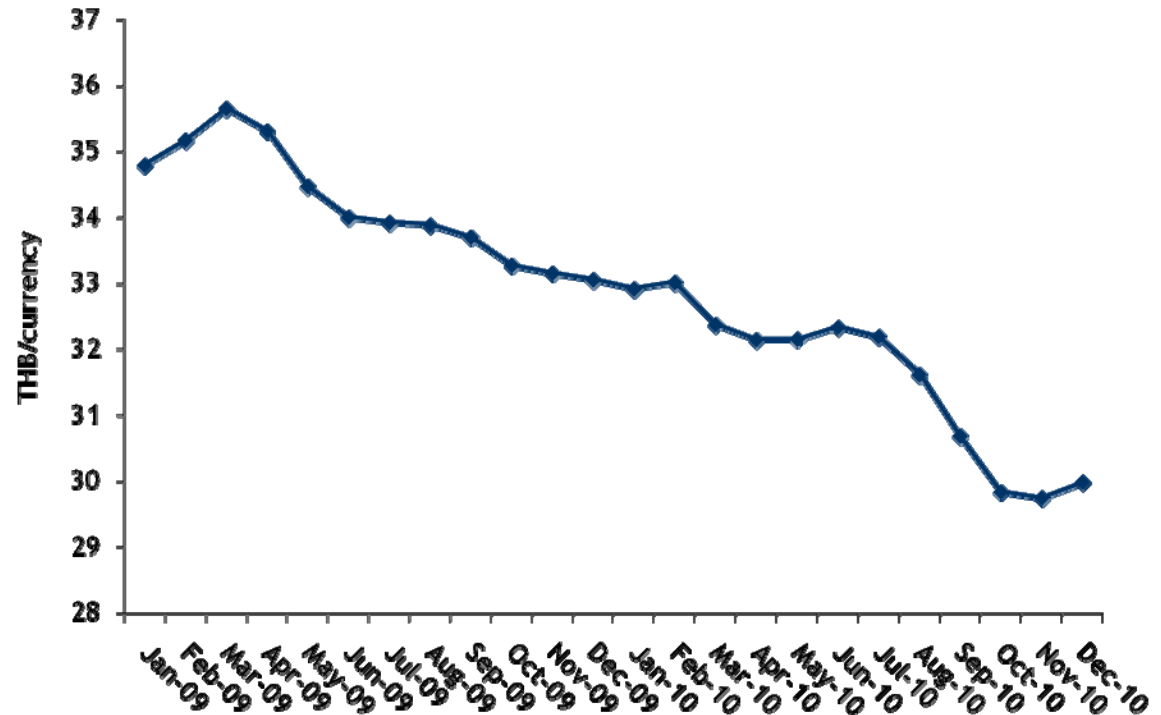


Sale Currency and Foreign Exchange

Sale Currency : 2010



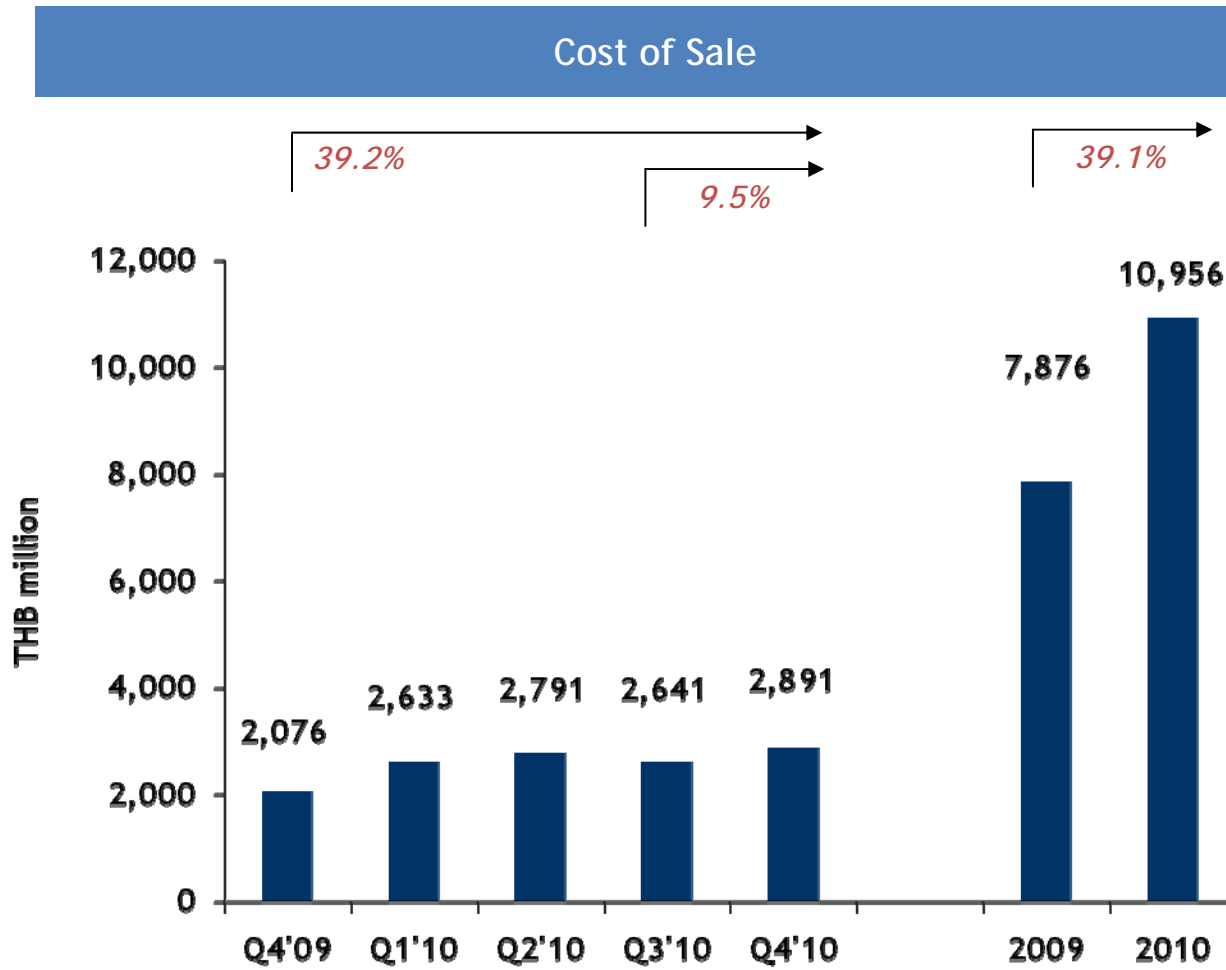
Currency Movement (THB/USD)



- Approx. 90% of our USD sale is naturally hedge against our purchase of raw materials in USD
- The risk from F/X exposure of the rest of foreign revenue has been partially protected by forward contracts



Cost of Sale Driven by the Price of Copper and Steel

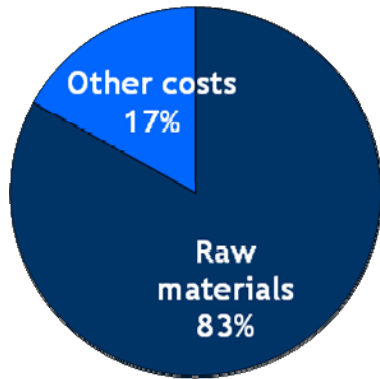


- Q-o-q increase in cost of sale was greater than q-o-q increase in revenue due to the sharp increase in the prices of copper and steel during Q4 2010
- We generally take few months to adjust selling price to reflect the movement in prices of raw materials



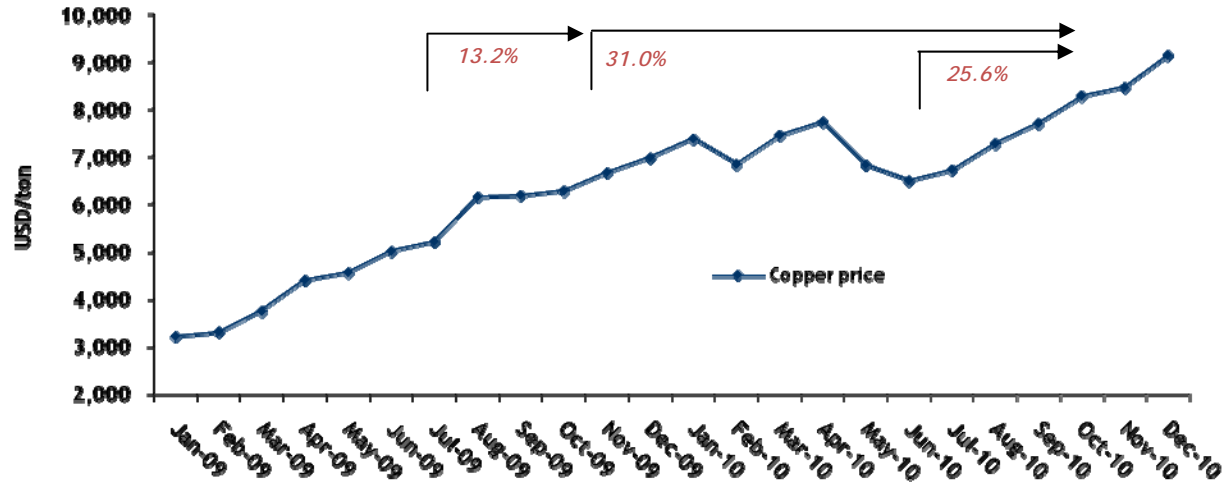
Key Raw Materials

Cost Breakdown : 2010*

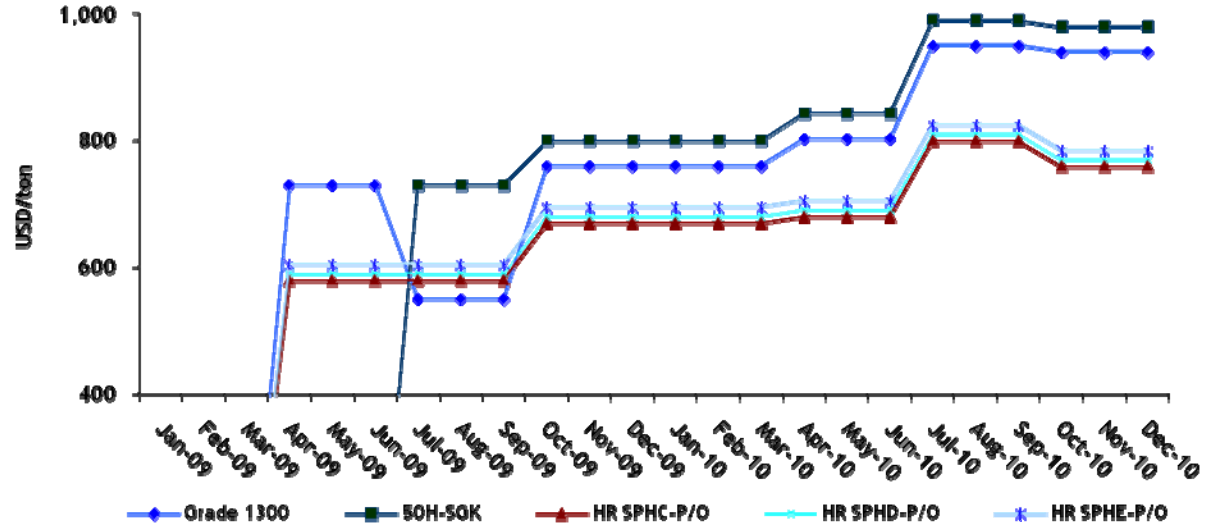


Remark: *the Company only

Movement of Copper Price

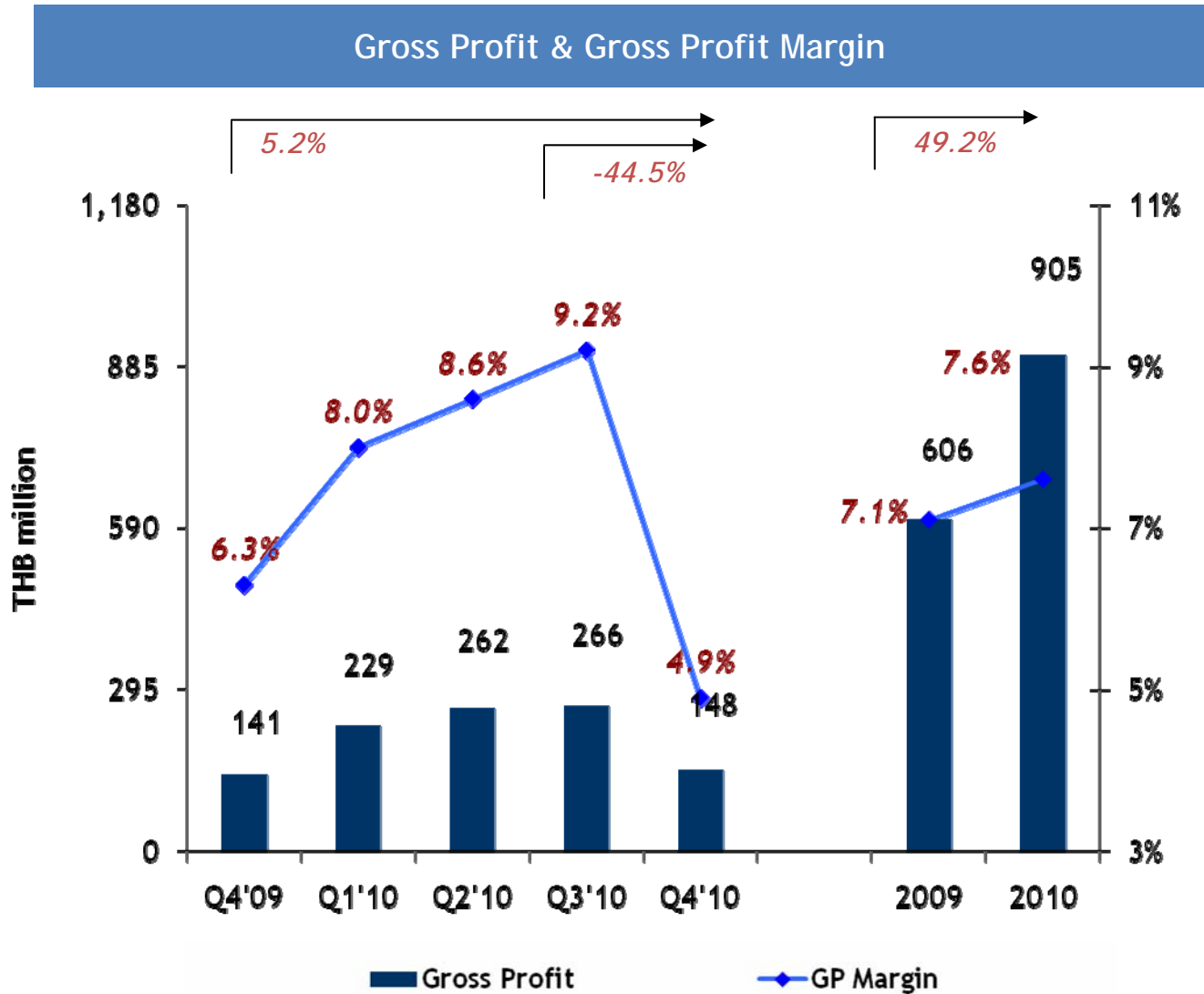


Movement of Steel Price





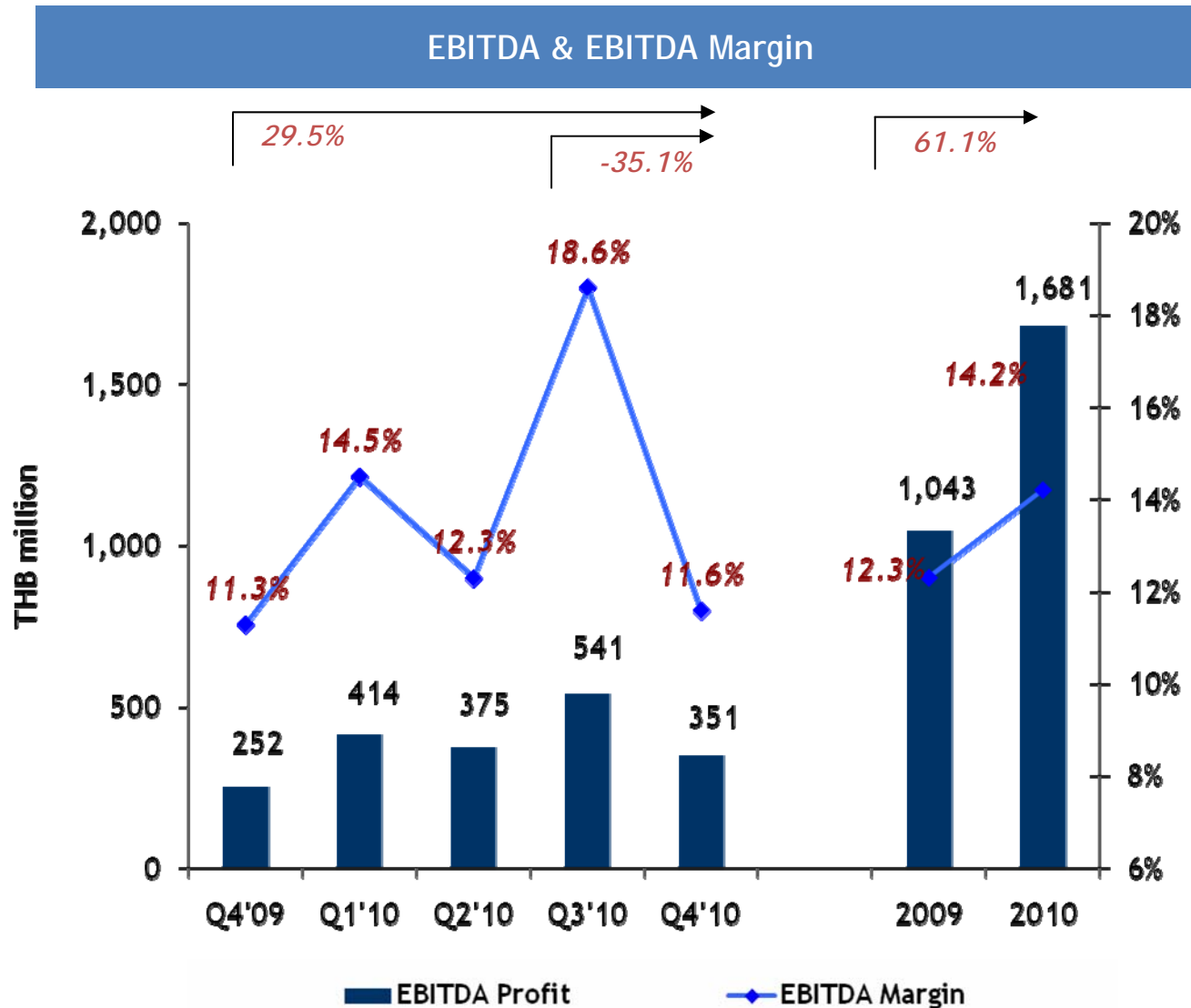
Gross Profit & Gross Profit Margin



- Gross profit increased since Q1'10 due to the increase in sale volume of high-valued compressor models in our product mix
- A decrease Q4'10 gross profit was due to an impact from sharp increase in the price of copper and steel in Q4'10



EBITDA & EBITDA Margin

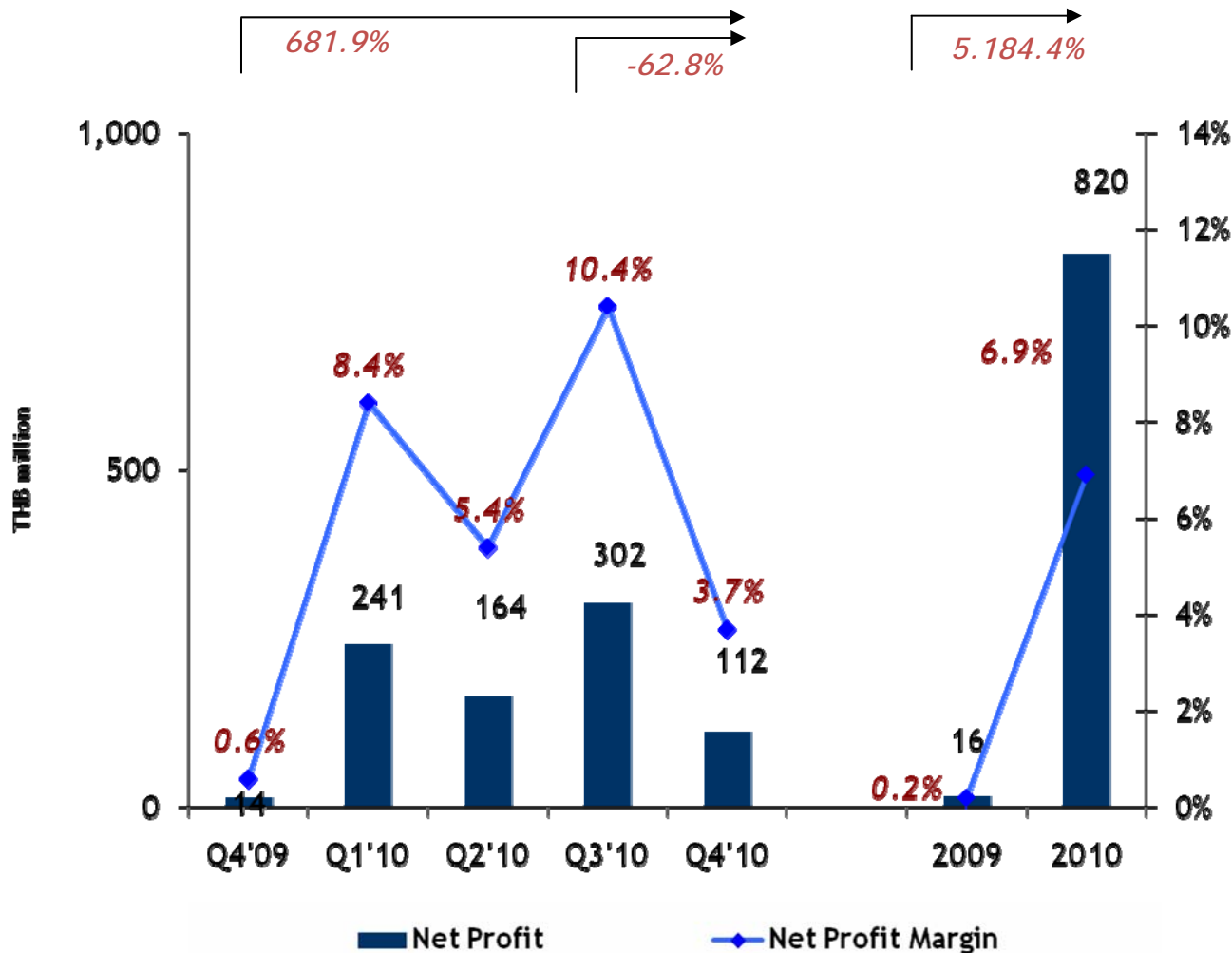


- Q4'10 EBITDA margin at 11.6% decreased from 18.6% in Q3'10 due to a sharp increase in the prices of copper and steel as well as lower gain on F/X, despite partially offset by the increase in scrap sale



A Record High Net Profit

Net Profit & Net Profit Margin

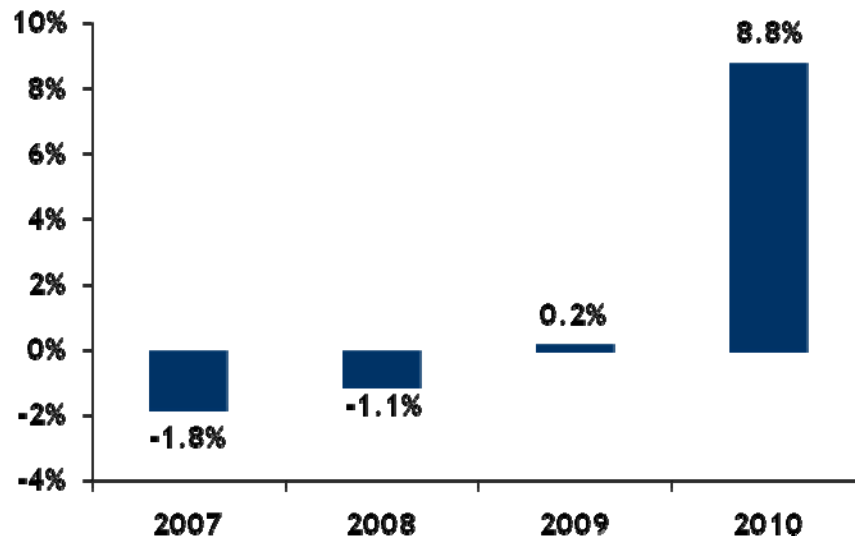


- Q4'10 net profit margin at 3.7% shows :
 - An increase from 0.6% in Q4'09 due mainly to a decrease from interest as a result of new arrangement of loan facilities
 - A decrease from 10.4% in Q3'10 due to a sharp increase in the prices of copper and steel as well as lower gain on F/X, despite partially offset by the increase in scrap sale
- The improvement of net profit of 2010 from 2009 is attributed to our increase in gross profit, a increase in sales of scrap from rising price of copper and steels, a decline in debt level, lower interest rate from new arrangement of credit facilities and BOI tax privilege enabled us to achieve a record high net profit

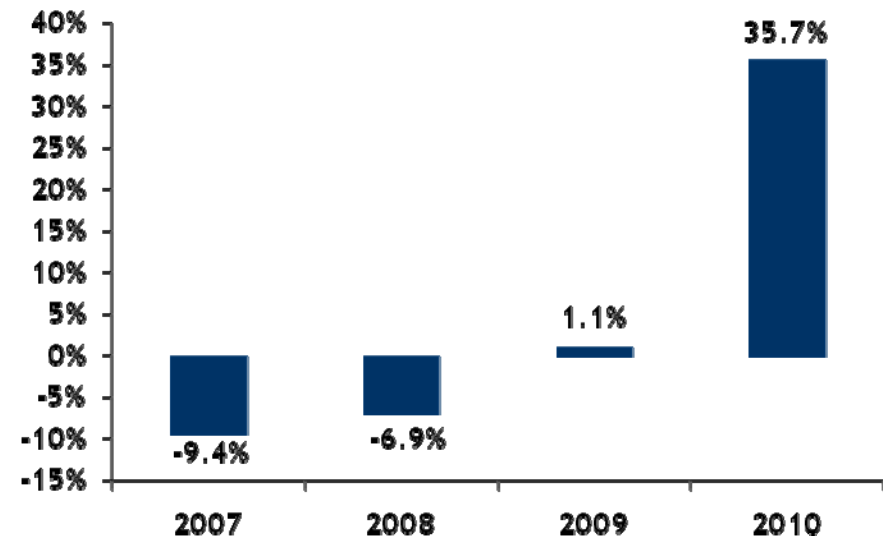


Solid Efficiency Ratios

ROA*



ROE*



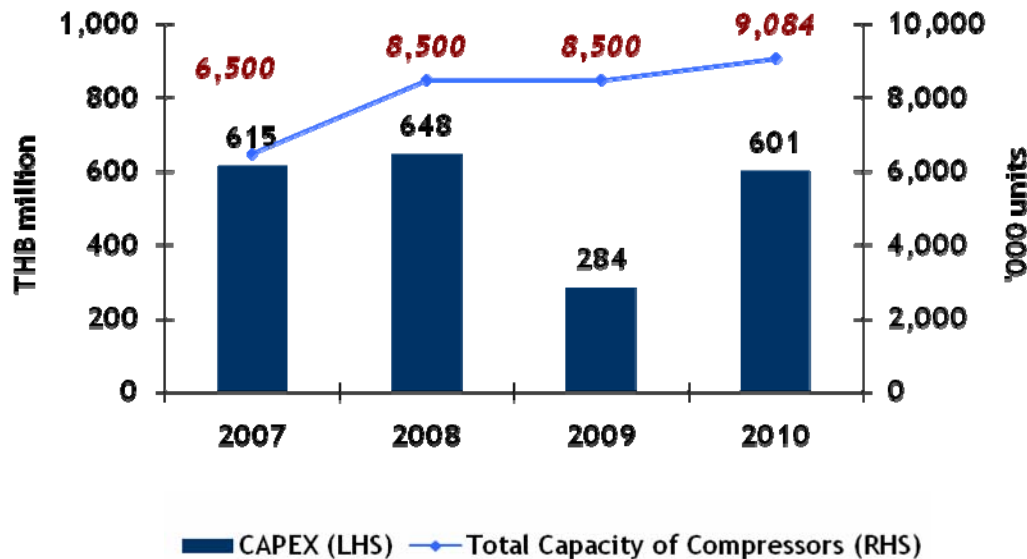
Remark: *We have acquired KMC, KMP and SKMC in July 2010 and the figures in 2009 have been restated as if the acquisition was made on 1Jan 2009. Hence, the figures for the year 2007 and 2008 were based on the financial prior to the acquisition.



Financial Highlights

Historical Capital Expenditure*

Future Capital Expenditure



- We have planned to increase our compressor capacity for 1.2 million units and expect the commencement of production shall be in July 2011 with total investment of THB 460 million (amount of THB 20 million have been paid in 2010 and the rest of THB 440 million shall be paid in 2011)

Remark: *We have acquired KMC, KMP and SKMC in July 2010 and the figures in 2009 have been restated as if the acquisition was made on 1Jan 2009. Hence, the figures for the year 2007 and 2008 were based on the financial prior to the acquisition.

*Section V : Effect of Middle East Unrests
and Japan quake*





Effect of Middle East Riots and Japan Quake

Middle East

- Volume sale and orders from Middle East remain strong since unrests in January 2011
- Our current order book to Middle East still solid
- Our Middle East customers are located in Egypt, Saudi Arabia and Dubai and there is no compressor manufacturer in Lybia
- Low counterparty risk as most of our sales to Middle east are paid by L/C

Japan

- All our machines and equipments from Japan for our expansion have been completely delivered since January 2011
- We import steel from Nippon Steels whose production locations are not areas hit by the quake
- We can import steel from Korea or China as alternative sources of steel to Japan

Section VI : Investment Highlights





Investment Highlights

Significant room for growth

Growth is driven by economic growth, global warming trend, growing demand in the Middle East, as well as our new concentration in high growth areas such as compressors for commercial refrigerators

Strong operations and experienced management

Experienced management team is a key in driving operational efficiency and market leadership for us

Strong market presence domestically and internationally

We are the world's leading compressor producer. We are positioned as the world's second largest producer of air conditioning reciprocating compressors with 21% market share. For refrigeration reciprocating compressor sector, we become top 10 leading manufacturer of with approx. 6% market share

Upside from further M&As

Operating in the consolidated industry, we can enjoy upside from potential M&As to gain competitive advantages through scales, technology enhancement, and customer base expansion


Improved financial performance and cost structure by employing vertical integration

Our integrated business model enables us to better control its operations, to have a more competitive cost structure, as well as to strengthen its financial performance



Diversified income stream and customer network throughout the world

Diversified customer base allows us to stabilize its earnings and at the same time increase its market coverage



Q&A