



February 26, 2018

To: The President  
The Stock Exchange of Thailand

Re: 2017 operating results

We, Delta Electronics (Thailand) Public Company Ltd, would like to notify the Company's 2017 operating results based on its audited consolidated financial statements ended 31 December 2017 as follows.

### Management's Discussion and Analysis

The following Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements and notes to financial statements. If not defined otherwise, all financial information presented in this document are in Thai Baht. The company presented financial statements in accordance with Thai Financial Reporting of Thailand (TFRS) which is adjusted to conform to International Financial Reporting Standards (IFRS). All financial information to be discussed further herein is the fiscal year ending 31 December 2017, 2016, and 2015 and has been prepared on consolidated basis.

Consolidated financial information		2017	2016	2015
Total assets	million baht	46,154	46,319	43,763
Total liabilities	million baht	13,680	14,428	13,205
Total shareholders' equity	million baht	32,474	31,891	30,558
Registered capital	million baht	1,259	1,259	1,259
Paid-up capital	million baht	1,247	1,247	1,247
<b>Key financial ratios</b>				
<b>Liquidity ratios</b>				
Current ratio	times	3.09	3.14	3.31
Quick ratio	times	2.35	2.47	2.67
Cash ratio	times	0.37	0.45	0.68
Receivable turnover	times	4.71	4.67	5.23
Average collection period	days	76	77	69
Inventory turnover	times	4.90	5.13	5.96
Average inventory turnover period	days	73	70	60
Account payable turnover	times	5.22	5.00	5.70
Average payment period	days	69	72	63
Cash Conversion Cycle	days	81	75	66
<b>Financial data and profitability ratios</b>				
Sales revenues	million baht	49,269	46,887	46,938
change %	(%)	5.1%	(0.11%)	6.51%
Gross profit	million baht	12,547	12,416	12,811
Gross profit margin	(%)	25.47%	26.48%	27.29%



Consolidated financial ratios		2017	2016	2015
<b>Financial data and profitability ratios (continuous)</b>				
Operating expense (include Research and Development)	million baht	6,976	7,319	6,599
Operating expenses to sales	(%)	14.16%	15.61%	14.06%
Operating profit margin	(%)	11.31%	10.87%	13.23%
Other income to total revenues	(%)	2.22%	1.60%	2.20%
Net profit	million baht	4,929	5,516	6,714
change of net profit %	(%)	(10.65%)	(17.84%)	12.97%
Net profit margin	(%)	10.00%	11.77%	14.30%
Net profit to total revenues	(%)	9.78%	11.58%	13.99%
<b>Efficiency Ratios</b>				
Return on Equity	(%)	15.32%	17.67%	23.26%
Return on Assets	(%)	10.66%	12.25%	16.37%
Return on fixed assets	(%)	89.99%	116.94%	161.08%
Asset turnover	times	1.09	1.06	1.17
<b>Financial Policy Ratios</b>				
Debt to Equity	times	0.42	0.45	0.43
Interest coverage	times	227.59	95.03	249.18
Dividend payout	(%)	55.68%*	67.84%	57.60%

\* Pending for approval from the 2018 annual shareholders' meeting

### Operating results for the year 2017, 2016, and 2015

Unit: Baht million

	2017	%	2016	%	Increased (Decrease)	%	2015	%	Increased (Decrease)	%
Revenue from sales and services	49,269.3	100.00	46,887.3	100.00	2,382.0	5.1%	46,938.2	100.00	2,331.1	5.0%
Cost of sales and services	36,722.5	74.53	34,471.5	73.52	2,251.1	6.5%	34,127.2	72.71	2,595.3	7.6%
Gross profit	12,546.7	25.47	12,415.8	26.48	130.9	1.1%	12,811.0	27.29	(264.3)	(2.1%)
Operating expenses	6,975.7	14.16	7,319.0	15.61	(343.3)	(4.7%)	6,599.4	14.06	376.3	5.7%
Operating profit	5,571.0	11.31	5,096.8	10.87	474.2	9.3%	6,211.6	13.23	(640.6)	(10.3%)
Other income	1,120.2	2.27	764.5	1.63	355.7	46.5%	1,055.0	2.25	65.2	6.2%
Other expenses	207.2	0.42	129.9	0.28	77.4	59.6%	238.6	0.51	(31.4)	(13.1%)
Finance cost	19.6	0.04	45.2	0.10	(25.5)	(56.5%)	39.4	0.08	(19.8)	(50.2%)
Profit before income tax	6,464.3	13.12	5,686.2	12.13	778.1	13.7%	6,988.6	14.89	(524.3)	(7.5%)
Income tax expenses	1,535.5	3.12	169.9	0.36	1,365.6	803.6%	274.8	0.59	1,260.7	458.8%
<b>Net profit for the period</b>	<b>4,928.8</b>	<b>10.00</b>	<b>5,516.3</b>	<b>11.77</b>	<b>(587.5)</b>	<b>(10.6%)</b>	<b>6,713.8</b>	<b>14.30</b>	<b>(1,785.0)</b>	<b>(26.6%)</b>



## Breakdown of sales revenues by business group

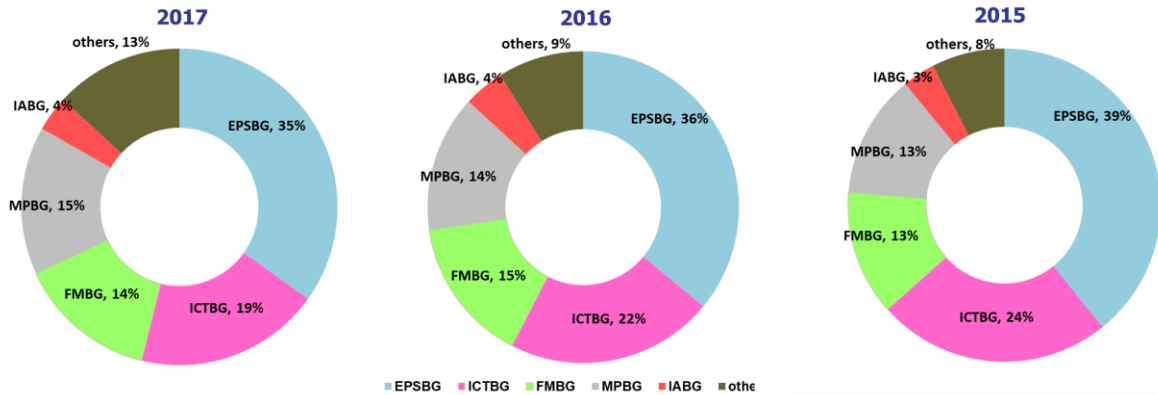
Product Group	2017		2016		2015	
	Revenue	%	Revenue	%	Revenue	%
<b>Power Electronics Group</b>	<b>36,672</b>	<b>74.4</b>	<b>33,481</b>	<b>71.4</b>	<b>32,496</b>	<b>69.2</b>
EPSBG (Embedded Power Supplies)	17,182	34.9	16,867	36.0	18,404	39.2
- DC-DC Power	3,212	6.5	2,572	5.5	2,695	5.7
- Computer & Networking Power	3,072	6.2	4,160	8.9	4,837	10.3
- Custom Design Power	10,898	22.1	10,135	21.6	10,872	23.2
EVSBG (Electric Vehicle Solutions)	5,017	10.2	2,897	6.2	2,054	4.4
MPBG (Merchant Power)	7,452	15.1	6,653	14.2	5,985	12.8
FMBG (Fan & Thermal Management)	7,021	14.3	7,064	15.1	6,053	12.9
<b>Infrastructure Group</b>	<b>10,532</b>	<b>21.4</b>	<b>11,088</b>	<b>23.6</b>	<b>12,310</b>	<b>26.2</b>
ICTBG (Information Communication Technology infrastructure)	9,354	19.0	10,135	21.6	11,373	24.2
- Telecom Power Solutions (TPS)	8,364	17.0	8,998	19.2	10,321	22.0
- Mission Critical Infrastructure Solutions (MCIS)	990	2.0	1,137	2.4	1,052	2.2
EISBG (Energy Infrastructure Solution)	1,178	2.4	953	2.0	937	2.0
- PV Inverter BU	1,172	2.4	949	2.0	881	1.9
- Medium Voltage Drive BD	3	0.0	2	0.0	5	2.2
- Wind Power	3	0.0	2	0.0	51	0.1
<b>Automation Group</b>	<b>1,796</b>	<b>3.6</b>	<b>1,974</b>	<b>4.2</b>	<b>1,584</b>	<b>3.4</b>
IABG (Industrial Automation)	1,778	3.6	1,974	4.2	1,584	3.4
BABG (Building Automation)	18	-	-	-	-	-
Others	269	0.5	344	0.7	548	1.2
<b>Total sales Revenues</b>	<b>49,269</b>	<b>100.0</b>	<b>46,887</b>	<b>100.0</b>	<b>46,938</b>	<b>100.0</b>

### Note

- Power Electronics business comprises 1) EPSBG Product Group (e.g. Power Supply for storage devices in Computer and Networking system, Customized design Power supplies and DC-DC converter) 2) Electric Vehicle Solutions (e.g. Power Supply for Automobile); 3) MPBG Product Group (e.g. charger/adaptor for both industrial and personal use, broadband, and printer); and 4) FMBG Product Group (e.g. cooling fan, EMI filter and Solenoid)
- Infrastructure business are designs, manufactures, and installations of information and communication technology infrastructure and energy system infrastructure. Major products are Power Systems for Telecom Power Solutions (TPS), Mission Critical Infrastructure Solutions (MCIS), and Renewable product.
- Automation business are designs, manufactures, and installations of industrial and building automation. The main products are Machine automation, Industrial motion system, Smart sensor system and Lighting automation for building.



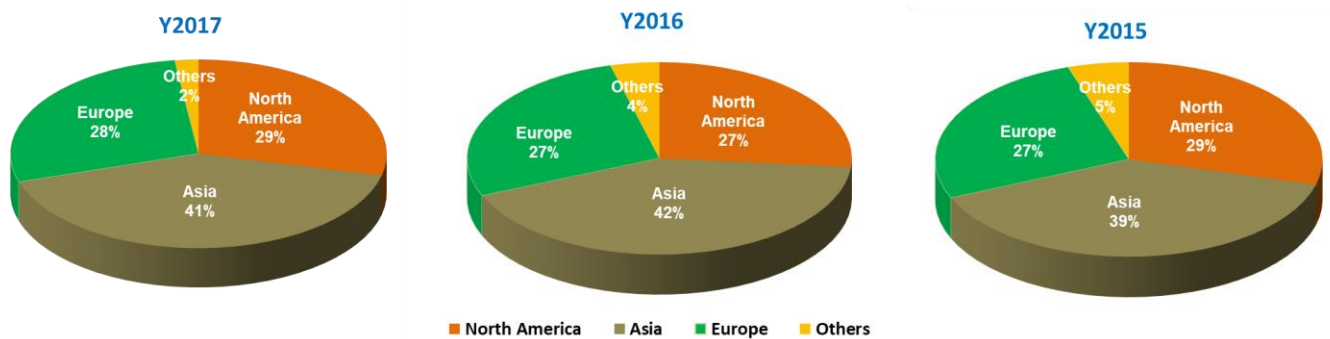
## Sales revenue structure by BU/BG



In 2017, consolidated sales revenues were slightly increased, 5.1% from those of last year, to 49,269 million baht. This was mainly due to an increase in sales of Power Electronic business group, especially sales of power supplies for automotive (Electric Vehicle Solutions) sector which rose 73.2% from those of previous year and 1.4 times from those of 2015. This was caused by the increasing demands in Asia and Europe markets following the recovery in EU economy and the start of mass production of this product this year to serve Asia market. In addition, Merchant Power (MPBG) sales rose 12.0% from 2016 and 24.5% from 2015. The company has developed more variety of products to meet clients' requirements, the demand of the products therefore continuously increased, especially power tools which are generally used in construction or home renovation.

However, sales of storage and networking power supplies (Computer & Networking Power) have seen consecutive drop in revenue at 26.2% and 36.5% for year 2016 and 2015, respectively. This is due to the rapid shift towards solid state drive (SSD) technology whereby much lesser power supplies are needed to power SSD as compared to storage devices like the hard disk drives in the past. Consequently, demand for such power supply has fallen drastically over the years. Nevertheless, the company is relentlessly developing new products that meet current market needs while securing and developing new customer accounts base on the new products. For Telecom Power System (TPS) products, even with the expectation that its sales revenues would get affected significantly by the disposal of investment in subsidiaries\*, its sales revenues dropped only 5.0% from the same period last year. This was because of the increase in TPS sales in India and Eltek, s.r.o., the new subsidiary located in Slovakia.

## Sales revenues breakdown by geographic location



\*The Company disposed 51% of investments in Delta Energy Systems (Switzerland) AG and Delta Electronics Industry LLC and 100% of investments in Delta Greentech (USA) and Delta Greentech (Brasil) S.A. in April 2017 (according to the resolution of the board of directors' meeting no. 1/2017 held on 14 February 2017). Main business of the disposed group is the distribution of Telecom Power Systems (TPS) in Europe market.

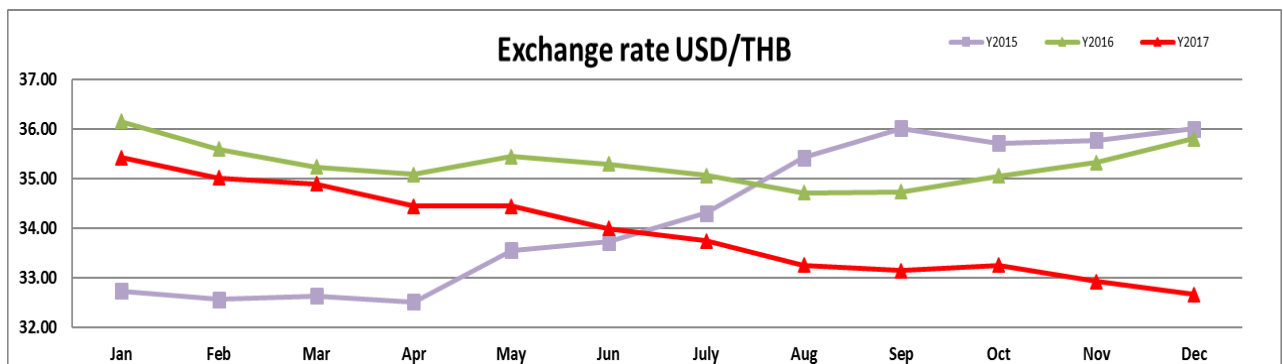


In 2017, sales revenues in Asia market represents the highest proportion, 41% of total sales, but reduced marginally from the contribution of 42% in 2016. North America and Europe markets contribute 29% and 28% to the total sales respectively and slightly increased from those of 2016 and 2015.

### Other income

Other income worth 1,120 million baht in 2017 consists of the following key items;

- Interest income of 193 million baht, slightly reduced, about 5 million baht, from 2016, in relation to the lower cash on hand of 2,365 million baht as compared to that of previous year. Even having generated cash flow from operation of 4,475 million baht, the company and its subsidiaries had spent its cash on investments in land, building and machines in the company and the subsidiaries totaling 1,808 million baht.
- The Company has booked gain on sale of investments in subsidiaries of Baht 425 million. This was caused by the disposal of 51% of investments in Delta Energy Systems (Switzerland) AG and Delta Electronics Industry LLC and 100% of investments in Delta Greentech (USA) and Delta Greentech (Brasil) S.A., as mentioned earlier.
- Foreign exchange gains worth 64.0 million baht, lower from 119 million baht in previous year and 348 million baht in 2015 following the recent baht appreciation. Thai baht/USD had moved in a range of 32.7 to 35.4 in 2017 and 34.7 to 36.2 in 2016. However, the company has no policy to speculate on the exchange rate but continues its prudent policy in the full hedging on net position of each currency's exposure to minimize potential impact from exchange rate fluctuation.



Source : Bank of Thailand

### Cost of sales and expenses

#### Cost of sales

In 2017, cost of sales accounted for 74.5% of total sales, slightly higher than that of in 2016 and 2015 of 73.5% and 72.7%, respectively. However, the cost structure is quite similar to that of the previous year with high proportion of raw material cost being accounted for 80% of cost of sales, compared to that of the previous year of 78%. This was attributed to the slight change in product mix by having more sales contribution from Automotive products that have comparatively high cost of raw materials when compared to others, increasing costs of some electrical parts and higher depreciation caused by the investments in new machineries for replacements and a launch of the production automation under the scheme of Delta Smart Manufacturing. The company believes that it would benefit the company by enhancing energy saving and improving the productivity both in short and long term.



### **Selling and administrative expenses**

Selling and administrative expenses (including research and development – R&D) in 2017 reduced 4.7% from the previous year even the R&D expenses rose by 2.3% which was mainly caused by the continuous development of the automotive products which now has played more important role to the company. However, with the significant drop in selling and administrative expenses of 7.0 % from the past year, the overall selling and administrative including R&D expenses/sales in 2017 went down from 15.6% to 14.2% in 2016.

Financial costs or interest expenses of 20 million baht in 2017 increased 25.5 million baht or 56.6% from previous year. This is because of a decrease in short term loans from financial institutions. The current outstanding balance is incurred by subsidiary in India to support its working capital.

Income tax expenses resulting from tax assessments totaling 1,536 million baht included a major expense item of tax assessment totaling 1,359 million baht which consists of:

- 1) Baht 741 million of tax assessment (including penalties and surcharges) during the year 1997-2000. The company has already paid this amount to the Revenue Department according to the judgement of the Supreme Court announced on 26 June 2017,
- 2) Baht 401 million of tax assessment (including penalties and surcharges) for the year 2001-2004. The Supreme Court announced the judgement on 23 January 2017. The company has set a provision in full amount of 401 million baht,
- 3) Baht 217 million of tax assessment (including penalties and surcharges) for the year 2005-2006. The company has submitted letter appealing the assessments to the Tax Appeal Committee of the Revenue Department and the appeal is currently under consideration by the Committee. However, the company set a provision in full amount of 217 million baht.

### **Net profit**

The company's operating margin in 2017 was 11.3%, rose from 10.9% in previous year because effect with corporate income tax from tax assessment amounted to 1,359 million baht. Consequently, net profit in 2017 was down to 4,929 million baht, a decrease of 10.6% and 26.6% from 2016 and 2015 respectively. Earnings per share decreased to 3.95 baht in 2017, from 4.42 baht in 2016 and 5.38 baht in 2015.

### **Assets and Liabilities**

#### **Assets**

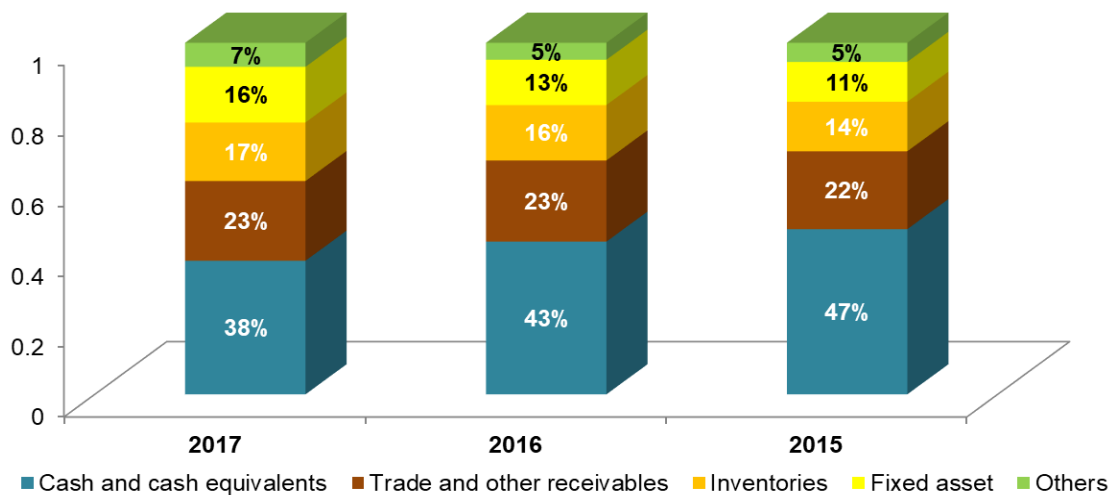
As at 31 December 2017, the company had total assets worth 46,154 million baht, a decrease of 0.4% from 2016 but increased 5.5% from 2015. Following the lower net profit due to the full provisions set for the tax assessments as mentioned above and with the higher investments in land, building and machines, return on assets was down to 10.7%, from 12.3% and 16.4% in 2016 and 2015 respectively.



Major assets and the changes in the assets are summarized as follows;

	31 December 2017	31 December 2016	31 December 2015	2017 VS 2016	2017 VS 2015
				% Increase/	% Increase/
				(Decrease)	(Decrease)
Cash and cash equivalents	17,320	19,685	20,488	(12.0%)	(15.5%)
Current investments	215	431	-	(50.1%)	-
Trade and other receivables	10,468	10,697	9,815	(2.1%)	6.7%
Inventories	7,684	7,297	6,141	5.3%	25.1%
Investments in associated companies	593	-	-	100.0%	-
Consolidation goodwill	415	307	-	35.4%	-
Property, plant and equipment	7,302	5,966	4,942	22.4%	47.8%
Other assets	2,157	2,368	2,376	(8.9%)	(9.2%)
<b>Tota Assets</b>	<b>46,154</b>	<b>46,319</b>	<b>43,763</b>	<b>(0.4%)</b>	<b>5.5%</b>

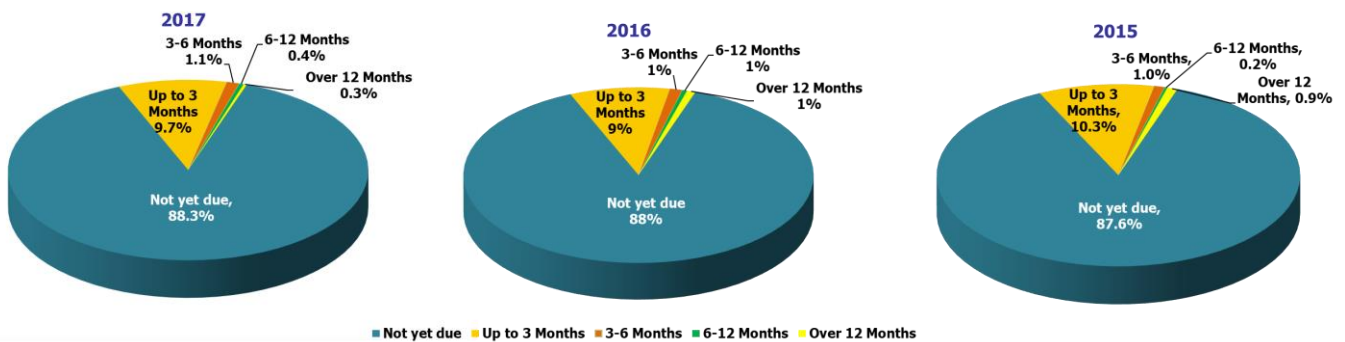
### Breakdown of assets in 2017, 2016 and 2015



- **Cash and bank deposits (Including current investment)** as at 31 December 2017 amounted to 17,535 million baht, a decrease of 12.8% and 14.4% from 2016 and 2015 respectively, in relation to the significant investment amount in land, building and machinery totaling 1,808 million baht, mainly in the subsidiary in India and also the purchase of machines of the company, corporate income tax expenses mainly incurred by the tax assessment of Baht 713 million and a decrease in net cash of the disposed subsidiaries. However, the company has generated cash from its operations in 2017 of Baht 4,475 million.

- **Net trade receivables** as at 31 December 2017 of 10,468 million baht dropped 2.1% from 2016 but increased 6.7% from 2015. Most of the receivables, 89.3% of total receivables, are the accounts under due. Average collection period in 2017 is 76 days, compared to 77 days in 2016 and 69 days in 2015. The longer period of collection is primarily due to higher proportion of sales contributions from the branding business which its collection period in general is longer than others. As at 31 December 2017, the company and its subsidiaries recorded allowance for doubtful accounts totaling 99.0 million baht, increased from 2016 and 2015 of 182.1 million baht and 157.2 million baht, respectively, largely caused by the exclusion of the allowance for doubtful receivable of the disposed subsidiaries. At end of 2017, net trade receivables and other receivables represented 23% of the total assets which is close to that of the past 2 years.

### Breakdown of trade receivable aging during 2015 to 2017



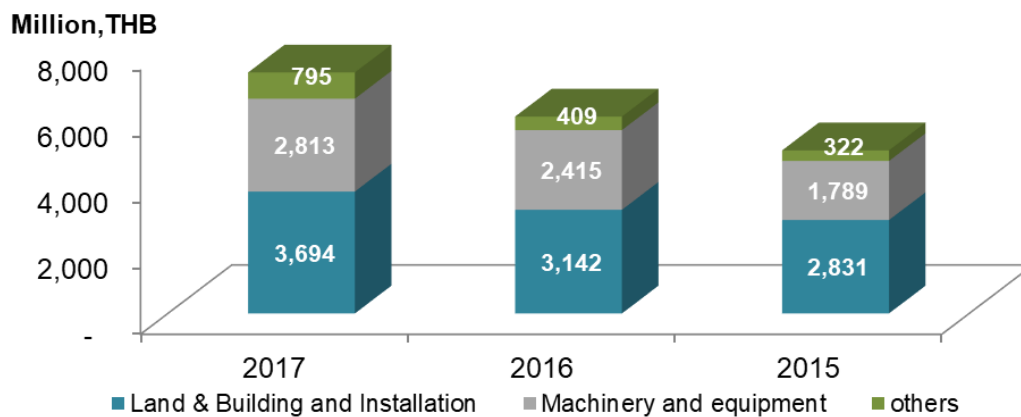
- **Inventories** as at 31 December 2017 amounted to 7,684 million baht, increased 5.3% and 25.1% from 2016 and 2015, respectively. The inventories are mainly composed of goods in transit and finished goods which have been prepared to promptly deliver to customers. Following the higher inventories in 2017, the inventory turnover days increased to 73 days, from 70 and 60 days in 2016 and 2015, respectively. With prudent control, the company set aside provisions for obsolete inventory aging more than three months and higher for the older. The allowance for obsolete inventories in 2017 amounted to 859 million baht, down from 968 million baht in 2016 and 887 million baht in 2015.
- **Investments in associated companies** as of 31 December 2017 were booked at Baht 593 million for the remaining 49% investment in Delta Energy Systems (Switzerland) AG and Delta Electronics Industry LLC. The amount is based on the fair market value assessed in the second quarter this year.
- **Advance payment for land** as at 31 December 2017, an India's subsidiary had paid advance payment for a purchase of a plot of land amounting 396 million Rupee or equivalent to 202 million baht. This plot of land is planned for a manufacturing site to support business expansion in India.
- **Consolidation goodwill** as of 31 December 2017 were Baht 415 million, an increase of Baht 109 million as compared to that of 31 December 2016. This is caused by the acquisition of the new subsidiary in Slovakia, Eltek s.r.o, in Q2-17.





- **Property, plant and equipment** amounted to 7,302 million baht, increased 22.4% from 2016 and 47.8% from 2015. During the year 2017, the company and its subsidiaries gradually invested 1,808 million baht in plant and equipment. In Thailand, the company has invested in plant and equipment steadily from 1,014 million baht, 1,366 million baht, and 1,528 million baht, during 2015-2017 respectively. Investments in equipment are mostly for replacements and improvement of production capacity and efficiency aiming for a production automation under the scheme of “Delta Smart Manufacturing”.

### Comparison of net book value of property, plant and equipment during 2015 to 2017



### Liabilities and Liquidity

As at 31 December 2017, the Company’s total liabilities amounted 13,680 million baht, decreased 5.2% from 2016 but increased 3.6% from 2015. Debt to Equity ratio of 0.42 times in 2017, dropped from 2016 and 2015 of 0.45 times and 0.43 times, respectively, the level at which signified reasonable capital structure and low financial risk. Major change of liabilities is provision on tax assessments amounting 617 million baht with details provided above. Bank overdrafts and short-term loans from financial institutions and trade and other payables decreased 92 million baht and 769 million baht respectively, mainly caused by the exclusion of those items of the above mentioned disposed subsidiaries. Average payable period in 2017 is 69 days, down from 72 days in 2016 but up from 63 days in 2015.

### Breakdown of major liabilities

				2017 VS 2016	2017 VS 2015
	31 December 2017	31 December 2016	31 December 2015	% Increase/ (Decrease)	% Increase/ (Decrease)
Bank overdrafts and short-term loans from financial institutions	229	321	190	(28.8%)	20.4%
Trade and other payables	10,480	11,249	10,273	(6.8%)	2.0%
Liabilities and provision from tax assessments	617	100	-	517.3%	-
Other current liabilities	510	732	808	(30.3%)	(36.9%)
Provision for long-term employee benefit	1,337	1,459	1,449	(8.3%)	(7.7%)
Other non-current liabilities	507	567	485	(10.6%)	4.5%
<b>Total liabilities</b>	<b>13,680</b>	<b>14,428</b>	<b>13,205</b>	<b>(5.2%)</b>	<b>3.6%</b>



### **Return on equity**

As at 31 December 2017, shareholders' equity amounted to 32,474 million baht, rose 1.8% from 2016 and 6.3% from 2015, in relation to the profit generated during the year. However, with lower profit generated in 2017, return on equity in 2017 is down to 15.3%, from to 17.7% and 23.3% in 2016 and 2015 respectively.

Please be informed accordingly.

Yours sincerely,

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Anusorn Muttaraid  
Director