

February 17, 2014

Re: Management's Discussion and Analysis for Year 2013
 To: The President of the Stock Exchange of Thailand

Delta Electronics (Thailand) Public Company Limited (the “**Company**”) would like to clarify Management's Discussion and Analysis for Year 2013 ended 31 December 2013 as follow;

Financial highlights (Consolidated)		2011	2012	2013
Total assets	Baht million	29,899	33,075	36,865
Total liabilities	Baht million	10,040	10,578	11,539
Shareholders' equity	Baht million	19,859	22,497	25,326
Registered capital	Baht million	1,259	1,259	1,259
Paid-up capital	Baht million	1,247	1,247	1,247
Financial ratios				
Liquidity ratios				
Liquidity ratio	Times	2.61	2.79	2.92
Quick ratio	Times	1.84	2.12	2.24
Cash ratio	Times	0.32	0.70	0.50
Receivable turnover	Times	5.91	5.92	5.45
Average collection period	Days	61	61	66
Inventory turnover	Times	4.73	5.25	5.32
Inventory holding period	Days	76	69	68
Account payable turnover	Times	5.69	5.78	5.40
Average payable period	Days	63	62	67
Cash Conversion Cycle	Days	74	67	67
Profitability ratios				
Sales	Baht million	38,434	40,779	41,201
Gross profit	Baht million	9,041	10,795	10,834
Gross profit margin	(%)	23.52%	26.47%	26.30%
Operating expense (include R&D)	Baht million	6,474	6,608	6,110
Operating expense (include R&D) to sales	(%)	16.84%	16.21%	14.83%
Operating profit margin	(%)	6.68%	10.27%	11.47%
Other income to total income	(%)	1.83%	1.80%	2.74%
Net profit	Baht million	2,864	4,347	5,416
Net profit margin	(%)	7.45%	10.66%	13.14%
Net profit to total revenues	(%)	7.32%	10.47%	12.78%
Return on equity	(%)	14.63%	20.53%	22.65%

Efficiency ratios				
Return on assets	(%)	9.63%	13.81%	15.49%
Return on fixed assets	(%)	80.69%	106.01%	128.15%
Asset turnover	Times	1.32	1.32	1.21
Financial policy ratios				
Debt to equity	Times	0.51	0.47	0.46
Interest coverage ratio	Times	34.52	76.67	81.55
Dividend payout ratio	(%)	52.26%	68.86%	62.19%*

* In the process of seeking approval from the 2014 Annual General Meeting of shareholders

Comparison of operating performance between financial year 2013 and 2012

	Unit: Baht million			
	2013	2012	Increase (Decrease)	Percentage
Revenue from sales and services	41,201.3	40,779.1	422.2	1.0
Cost of sales and services	30,367.3	29,984.1	383.2	1.3
Gross profit	10,834.0	10,795.0	39	0.4
Operating expenses	6,110.1	6,608.4	(498.3)	(7.5)
Operating profit	4,723.9	4,186.6	537.3	12.8
Other income	1,158.9	748.8	410.1	54.8
Other expenses	354.7	484.2	(129.5)	(26.7)
Finance cost	45.0	94.6	(49.6)	(52.4)
Profit before income tax	5,483.1	4,356.6	1,126.5	25.9
Income tax expense	67.4	9.2	58.2	634.4
Net profit for the period	5,415.7	4,347.4	1,068.3	24.6

Sales and Service revenues breakdown by business group

	Power Electronics			Energy Management			Smart Green Life			Other			Total (Consolidated)		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Revenue	29,306	28,439	27,582	10,130	9,643	8,914	521	364	376	1,244	2,333	1,561	41,201	40,779	38,434
profit (loss)	5,994	5,513	4,526	425	(59)	15	55	(79)	(47)	(1,751)	(1,189)	(1,894)	4,724	4,186	2,600

Remark:

- **Power Electronics group** comprises products in EPSBG (DC-DC converter, power supplies for Storage, networking, other DES Products and automotive products), MPBG (chargers/adapters for Industrial sector, broadband, printer, etc.), FMBG (Fan, EMI filter and Solenoid).
- **Energy Management group** comprises PSBG product group (Telecom power system and UPS) and IABU product group (industrial automation products).
- **Smart Green Life group** comprises Display products, Solar inverter and LED light.

Sales of the Company in 2013 were up by only 1% to Baht 41,201.3 million from Baht 40,779.1 million in prior year and by Baht 38,433.6 million or 7.2% from 2011. Sales in US dollar currency

also grew steadily to USD 1,341 million in 2013 from USD 1,266 million in 2011 and USD 1,306 million in 2012. The rising of sales was mainly attributed to all three main business groups as indicated in the above table of sales and service revenues breakdown by business group.

Major products contributed in sales growth of Power Electronics business group were from MPBG (charger and adapter) and EPSBG products (DCDC converter, computer server, and automotive product). MPBG's sales rose 3.9% from prior year due to the increase of sales of charger/adapter for industrial sector while major contribution in sales growth of EPSBG products was from power supply for storage which rose by Baht 529.6 million or 13.7% from 2012 and Baht 1,384.8 million or 45.8% in 2011 in relation to increasing demand. Telecom Power System was the major product contributed highest sales growth in Energy Management business group. Its sales revenues rose by more than 4.6% from prior year in relation to continuing expansion of 4G LTE communication network in India together with recovery in the EMEA region (Europe, Middle East, and Africa). Sales of Smart Green Life business group, the new business, slightly increased.

On the contrary, lower of demand in EMEA and Australia markets for Solar Inverter caused its sales to decrease Baht 1,001.9 million or 58.6% from 2012 and Baht 207.2 million or 22.7% from 2011.

Other income

Other income amounted to Baht 1,158.9 million, increased Baht 410.1 million or 54.8% from 2012 and Baht 442.1 million or 61.7% from 2011, mainly comprised foreign exchange gains and gains from sale of investment in subsidiary. Depreciation of Baht during the year end of 2013 resulted foreign exchange gains worth Baht 271.5 million while sale of 54.8% stake in subsidiary, Delta Greentech SGP Pte. Ltd provided gain of Baht 261.5 million.

Cost of sales and expenses

In 2013, cost of sales was 73.7% of sales, similar to rate in 2012 of 73.5% but lower than the rate in 2011 of 76.5%, the level in which the Company and its subsidiaries suggested satisfactory cost control.

The ratio of selling and administrative expenses to sales in 2013 was 14.8%, down from 16.2% in 2012 and 16.8% in 2011, as a result of successful restructuring of various research centers by merging some working units. This helped improve operational efficiency as well as reduced cost. As a result, staff expense was considerably decline. In addition, the Company and its subsidiaries had managed to reduce some other administration costs more efficiently like transportation, travel costs and fee for quality inspection of products.

Other expenses amounted to Baht 399.7 million in 2013 was down from Baht 179.1 million or 30.9% in 2012 because of Baht 180 million expense for the above mentioned restructuring of some R&D working units of a subsidiary but the other expenses increased Baht 61.4 million from 2011 due to provision for impairment of assets in Thailand.

Financial costs or interest expense was Baht 62.8 million, declined Baht 31.7 million or 33.5% from prior year because of partial loan repayment after new capital injection into the subsidiaries in late 2012. This helped reduce interest burden in 2013.

Net profit

The Company managed to maintain gross margins in 2013 at a satisfactory level of 26.3%, similar to the level achieved in prior year of 26.5% and an increased from 23.5% in 2011. Significant decline of selling and administrative expenses discussed above helped boost operating profit margin in 2013 to 11.5% from 10.3% and 6.7% in 2012 and 2011 respectively, and the level at which recorded the highest in the past 10 years (2003 to 2013). Combined with an increase of other income above-mentioned, net profit in 2013 surged to Baht 5,416 million, up 24.6% and 89.1% from 2012 and 2011, respectively. Consequently, average return on equity for 2013 reached 22.6%, higher than the rate respectively achieved in 2012 and 2011 of 20.5% and 14.6%.

Total Assets

As of 31 December 2013, the Company and its subsidiaries had total assets worth Baht 36,864.7 million, increased from 31 December 2012 by Baht 3,790.0 million, or 11.5%. Major assets are classified below;

	31 December 2013	31 December 2012	Unit: Baht million Increase (Decrease)	Percent
Current assets	30,174.2	26,126.5	4,047.7	15.5
Investment	194.5	411.6	(217.1)	(52.8)
Property and equipment	4,766.8	4,984.4	(217.6)	(4.4)
Other non-current assets	1,729.2	1,552.2	177.0	11.4
Total assets	36,864.7	33,074.7	3,790.0	11.5

Current assets worth Baht 30,174.2 million increased Baht 4,047.7 million or 15.5%, these comprise the following;

- Cash and deposit at bank as at 31 December 2013 was Baht 14,952.8 million rose from 2012 by Baht 2,171.0 million or 17.0% and from 2011 by Baht 5,440.2 million or 57.2%, due to growth of sales and higher operating results. In addition, the Company recorded gains on sale of investment in subsidiaries totaled Baht 439.1 million.
- Account receivables as at 31 December 2013 was Baht 8,186.2 million, increased by Baht 1,249.1 million or 18.0% from 2012 and by Baht 1,352.1 million or 19.8% from 2011 and accounted for 27.1% of total current assets. The Company and its subsidiaries set aside Baht 156.4 million of allowances for doubtful accounts. Most of the outstanding account receivables, or 88.0%, were under due. In 2013, average debt collection period was 66 days, higher than the rate in 2012 and 2011 of 61 days. The Company and its subsidiaries closely monitored account receivables, evaluated customer's financial status and insured part of receivables with world's leading insurance companies in order to reduce collection risk of accounts receivables.
- Inventories as at 31 December 2013 amounted to Baht 5,949.1 million, the same level in 2011, but increased by Baht 482.7 million or 8.8% from 2012. Despite rising inventories, the Company

and its subsidiaries managed inventories more efficiently as period of inventory turnover continued declining to only 68 days in 2013 from 76 days in 2011 and 69 days in 2012 while provision for obsolete inventory also reduced. In 2011 and 2012, provision for obsolete inventory of both finished goods and raw materials were Baht 1,216.3 million and Baht 1,021.6 million or 17.0% and 15.7% of respective inventories. In 2013, the Company and its subsidiaries set aside obsolete inventories of Baht 945.9 million or 13.7% of inventories and adopted prudent reserve policy to set aside provision for inventories aging over 3 months old and at higher rate for older inventories. The management carefully monitors and manages inventory to appropriate level.

- Investments as at 31 December 2013 amounted to Baht 194.5 million, decreased by Baht 217.1 million or 52.8% from 2012 and also decreased by Baht 231.3 million or 54.3% from 2011, as the Company sold 54.8% of its stake in Delta Greentech SGP PTE (currently hold 45.2%) and obtained investment fund returned from IP Fund One Pte.
- Property, plant and equipment amounted to Baht 4,766.8 million, declined by Baht 217.6 million or 4.4% from 2012, but stayed at the same level in 2011 because of depreciation during the year 2013 worth Baht 832.4 million. In 2013, one of the subsidiaries had purchased land and buildings in Germany worth Baht 438.5 million. Part of this purchase, Baht 288.8 million, was investment property. Additionally, the Company invested in equipment, machinery and molds in Thailand worth Baht 256.8 million. Average return on fixed assets increased to 128.2%, from 80.7% and 106.0% respectively in 2011 and 2012.
- Other non-current assets was Baht 1,729.2 million, increased by Baht 177.0 million or 11.4% , and Baht 248.7 million or 16.8% from 2012 and 2011, respectively, due mainly to Baht 288.8 million increase of investment property in Germany mentioned above. Meanwhile, goodwill from merging and acquisition worth Baht 307 million remained unchanged from the past two years. That goodwill arose from the acquisition of Ascom Energy Systems took place in 2003. Impairment value of goodwill has been assessed annually by independent financial advisors.

In 2013, the Company and its subsidiaries reported increase of average return on assets of 15.5%, from 13.8% and 9.6% in 2012 and 2011 respectively. This is because of the significant increase in net profit .

Current liabilities and liquidity

As of 31 December 2013, the Company and its subsidiaries had total liabilities worth Baht 11,539.0 million, an increase of Baht 961.0 million or 9.1% from 2012 and Baht 1,499.3 million or 14.9% from 2011. Table below illustrated breakdown of key components.

	31 December 2013	31 December 2012	Increase (Decrease)	Unit: Baht million Percentage
Current liabilities	10,320.2	9,364.0	956.2	10.2
Non-current liabilities	1,218.8	1,214.0	4.8	0.4
Total liabilities	11,539.0	10,578.0	961.0	9.1

Current liabilities amounted to Baht 10,320.2 million increased by Baht 956.1 million or 10.2% from 2012 and Baht 1,416.3 million or 15.9% from 2011, mainly due to rising of account payable,

accrued expenses, advances payment from customers and forward foreign exchange contracts which corresponded to higher of sales during the year 2013.

Increase of average payment period to trade creditors to 67 days in 2013 from 62 days and 63 days in 2012 and 2011, respectively. Cash Conversion Cycle time of 67 day which stayed at the same level achieved in 2012 and below the 74 days in 2011 signified the Company's liquidity strength. Liquidity has been improved since 2011. The Company has maintained sufficient liquidity for the past three consecutive years from 2011 to 2013 as signified by steadily better current ratio, from 2.61 times in 2011, 2.79 times in 2012 and 2.92 times in 2013 while quick ratio gradually increased, from 1.84 times in 2011, 2.11 times in 2012 to 2.24 times 2013.

Shareholders' equity

As at 31 December 2013, the shareholders' equity amounted to Baht 25,325.7 million, up Baht 2,829.0 million or 12.6% from 2012 and Baht 5,466.6 million or 27.5% from 2011, due mainly to higher operational result. Consequently, return on equity in 2013 rose to 22.7% from 20.5% and 14.6% in 2012 and 2011, respectively while debt to equity as of 31 December 2013 remained low with declining trend, 0.46 times in 2013 from 0.51 times in 2011 and 0.47 times in 2012. These ratios indicated that the Company and its subsidiaries can maintain appropriated capital structure with relative low financial risk.

Sources of fund

During 2013 financial year, major source of fund of the Company and its subsidiaries were net cash from operation. Funds were sourced and used in the following activities.

- Net cash from operating activities worth Baht 4,948.9 million generated during 2013 derived from profit before tax of Baht 5,483.1 million adjusted with Baht 918.0 million depreciation and amortization, Baht 271.5 million foreign exchange gains and Baht 61.4 million impairment losses.
- Net cash used in investing activities amounted to Baht 364.6 million, mainly resulted from investment in property for Baht 288.8 million, and Baht 570.9 million in fixed assets for purchase of land, buildings and construction in progress. However, the Company derived gains from sale of investment in subsidiary totaled Baht 439.1 million.
- Net cash used in financing activities amounted to Baht 2,988.8 million, resulted primarily from Baht 2,993.7 million of dividend payments.

Yours sincerely,

Delta Electronics (Thailand) Public Company Limited

(Anusorn Muttaraid)

Director