



February 14, 2017

To: The President  
The Stock Exchange of Thailand

Re: 2016 operating results

We, Delta Electronics (Thailand) Public Company Ltd, would like to notify the Company's 2016 operating results based on its audited consolidated financial statements ended 31 December 2016 as follows.

| Consolidated financial information                    |              | 2016    | 2015   | 2014   |
|-------------------------------------------------------|--------------|---------|--------|--------|
| Total assets                                          | million baht | 46,319  | 43,763 | 38,242 |
| Total liabilities                                     | million baht | 14,428  | 13,205 | 11,076 |
| Total shareholders' equity                            | million baht | 31,891  | 30,558 | 27,166 |
| 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        | 3.14    | 3.31   | 3.44   |
| Quick ratio                                           | times        | 2.43    | 2.67   | 2.80   |
| Cash ratio                                            | times        | 0.45    | 0.68   | 0.74   |
| Receivable turnover                                   | times        | 4.67    | 5.23   | 5.34   |
| Average collection period                             | days         | 77      | 69     | 67     |
| Inventory turnover                                    | times        | 5.13    | 5.96   | 5.73   |
| Average inventory turnover period                     | days         | 70      | 60     | 63     |
| Account payable turnover                              | times        | 5.00    | 5.70   | 5.67   |
| Average payment period                                | days         | 72      | 63     | 63     |
| Cash Conversion Cycle                                 | days         | 75      | 66     | 67     |
| <b>Financial data and profitability ratios</b>        |              |         |        |        |
| Sales revenues                                        | million baht | 46,887  | 46,938 | 44,071 |
| % change                                              | (%)          | (0.11%) | 6.51%  | 6.97%  |
| Gross profit                                          | million baht | 12,416  | 12,811 | 11,787 |
| Gross profit margin                                   | (%)          | 26.48%  | 27.29% | 26.75% |
| Operating expenses (include Research and Development) | million baht | 7,319   | 6,599  | 6,381  |
| Operating expenses to sales                           | (%)          | 15.61%  | 14.06% | 14.48% |
| Operating profit margin                               | (%)          | 10.87%  | 13.23% | 12.27% |
| Other income to total revenues                        | (%)          | 1.60%   | 2.20%  | 2.23%  |
| Net profit                                            | million baht | 5,516   | 6,714  | 5,943  |

| Consolidated financial ratios  |       | 2016     | 2015    | 2014    |
|--------------------------------|-------|----------|---------|---------|
| <b>Operating efficiency</b>    |       |          |         |         |
| % change of net profit         | (%)   | (17.84%) | 12.97%  | 9.74%   |
| Net profit margin              | (%)   | 11.77%   | 14.30%  | 13.49%  |
| Net profit to total revenues   | (%)   | 11.58%   | 13.99%  | 13.18%  |
| Return on Equity               | (%)   | 17.67%   | 23.26%  | 22.76%  |
| Return on assets               | (%)   | 12.25%   | 16.37%  | 15.83%  |
| Return on fixed assets         | (%)   | 116.94%  | 161.08% | 147.51% |
| Asset turnover                 | times | 1.06     | 1.17    | 1.20    |
| <b>Financial Policy Ratios</b> |       |          |         |         |
| Debt to Equity                 | times | 0.45     | 0.43    | 0.41    |
| Interest coverage              | times | 94.91    | 249.18  | 115.54  |
| Dividend payout                | (%)   | 67.84%*  | 57.6%   | 62.97%  |

\* Pending for approval from the 2017 annual shareholders' meeting

## Operating results for the year 2016, 2015, and 2014

Unit: Baht million

|                                 | 2016     | %      | 2015     | %      | Increased<br>(Decrease) | %       | 2014     | %      | Increased<br>(Decrease) | %       |
|---------------------------------|----------|--------|----------|--------|-------------------------|---------|----------|--------|-------------------------|---------|
| Revenue from sales and services | 46,887.3 | 100.00 | 46,938.2 | 100.00 | (50.9)                  | (0.1%)  | 44,071.4 | 100.00 | 2,815.9                 | 6.4%    |
| Cost of sales and services      | 34,471.5 | 73.52  | 34,127.2 | 72.71  | 344.3                   | 1.0%    | 32,283.9 | 73.25  | 2,187.6                 | 6.8%    |
| Gross profit                    | 12,415.8 | 26.48  | 12,811.0 | 27.29  | (395.2)                 | (3.1%)  | 11,787.5 | 26.75  | 628.3                   | 5.3%    |
| Operating expenses              | 7,319.0  | 15.61  | 6,599.4  | 14.06  | 719.6                   | 10.9%   | 6,380.6  | 14.48  | 938.4                   | 14.7%   |
| Operating profit                | 5,096.8  | 10.87  | 6,211.6  | 13.23  | (1,114.8)               | (17.9%) | 5,406.9  | 12.27  | (310.1)                 | (5.7%)  |
| Other income                    | 764.5    | 1.63   | 1,055.0  | 2.25   | (290.5)                 | (27.5%) | 1,006.3  | 2.28   | (241.8)                 | (24.0%) |
| Other expenses                  | 129.9    | 0.28   | 238.6    | 0.51   | (108.7)                 | (45.6%) | 314.9    | 0.71   | (185.0)                 | (58.8%) |
| Finance cost                    | 45.2     | 0.10   | 39.4     | 0.08   | 5.8                     | 14.6%   | 72.7     | 0.16   | (27.5)                  | (37.9%) |
| Profit before income tax        | 5,686.2  | 12.13  | 6,988.6  | 14.89  | (1,302.4)               | (18.6%) | 6,025.6  | 13.67  | (339.4)                 | (5.6%)  |
| Income tax expenses             | 169.9    | 0.36   | 274.8    | 0.59   | (104.9)                 | (38.2%) | 84.7     | 0.19   | 85.2                    | 100.6%  |
| Net profit for the period       | 5,516.3  | 11.77  | 6,713.8  | 14.30  | (1,197.5)               | (17.8%) | 5,940.9  | 13.48  | (424.6)                 | (7.1%)  |

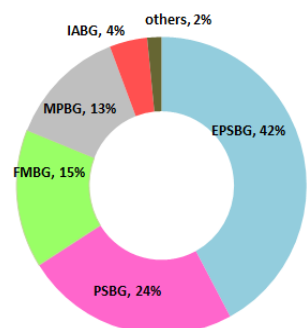
## Breakdown of sales revenues by business group

| Product Group                   | 2016          |              | 2015          |              | 2014          |              |
|---------------------------------|---------------|--------------|---------------|--------------|---------------|--------------|
|                                 | Revenue       | %            | Revenue       | %            | Revenue       | %            |
| Power Electronics Group         | 32,985        | 70.3         | 32,179        | 68.6         | 30,342        | 68.8         |
| EPSBG (Embedded Power Supplies) | 19,764        | 42.2         | 20,458        | 43.6         | 20,001        | 45.4         |
| MPBG (Mobile Power Supplies)    | 6,156         | 13.1         | 5,668         | 12.1         | 4,828         | 11.0         |
| FMBG (Fan & Thermal Management) | 7,065         | 15.1         | 6,053         | 12.9         | 5,513         | 12.5         |
| Energy Management Group         | 13,159        | 28.1         | 13,894        | 29.6         | 12,518        | 28.4         |
| PSBG (Power System)             | 11,185        | 23.9         | 12,310        | 26.2         | 11,576        | 26.3         |
| IABG (industrial Automation)    | 1,974         | 4.2          | 1,584         | 3.4          | 942           | 2.1          |
| Smart Green life Group          | 497           | 1.1          | 318           | 0.7          | 567           | 1.3          |
| Others                          | 246           | 0.5          | 548           | 1.2          | 644           | 1.5          |
| <b>Total sales Revenues</b>     | <b>46,887</b> | <b>100.0</b> | <b>46,938</b> | <b>100.0</b> | <b>44,071</b> | <b>100.0</b> |

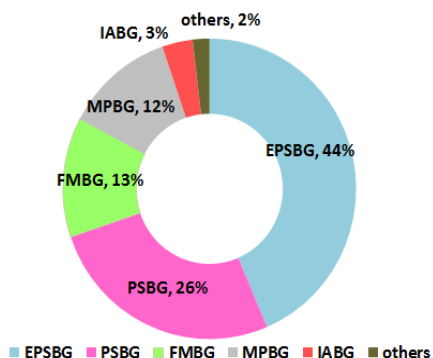
### Note

- Power Electronics business comprises 1) EPSBG Product Group (e.g. Power Supply for storage devices in Computer and Networking system, Customized design Power supplies, Power Supply for Automobile and DC-DC converter); 2) MPBG Product Group (e.g. charger/adaptor for both industrial and personal use, broadband, and printer); and 3) FMBG Product Group (e.g. cooling fan, EMI filter and Solenoid)
- Energy Management business includes Power Systems for Telecom Power Solutions (TPS), Uninterruptible Power Supplies (UPS), and automatic equipment for industrial sector (Industrial automation)
- Smart Green Life business includes Display products and LED lighting

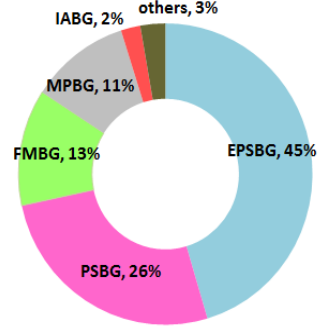
Revenue structure Y2016 by BU/BG



Revenue structure Y2015 by BU/BG



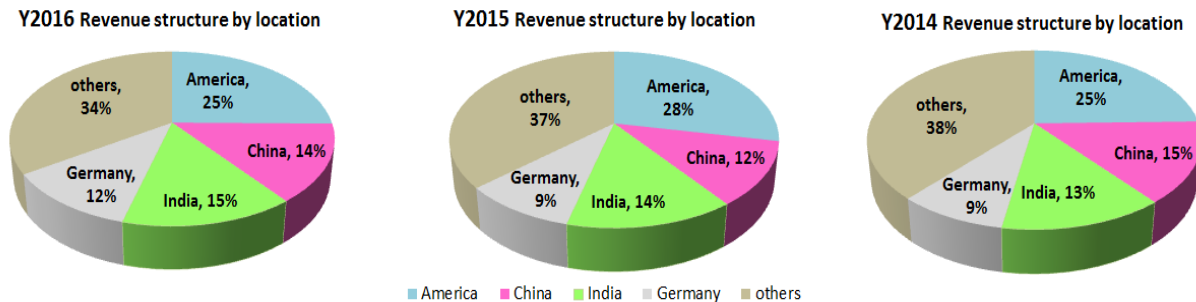
Revenue structure Y2014 by BU/BG



In 2016, consolidated sales revenues were marginally decreased, only 0.1% from those of last year, to 46,887 million baht but increased for 2,815.9 million baht or 6.4% from those of 2014. This was mainly caused by the decrease in sales of Energy Management business group, especially sales of telecom power systems which reduced about 1,225.1 million baht or 11.9% from previous year and 756.5 million baht or 7.7% from those of 2014. This was mainly due to the declining sales in Europe following the slow recovery in its economy. However, sales of Power Electronics business group were increased during the past 3 consecutive years, particularly the increase in sales of Fan and Thermal Management group for 1,011.6 million baht or 16.7% from year 2015, 1,551.4 million baht or 28.1% from year 2014. The major product in this group is cooling fans used in automotive, telecommunications, and consumer electronic sectors. In addition, some sales growth

contributions in this business group were also from MPBG (Mobile Power) products and power supplies for automotive. MPBG sales rose 488.0 million baht or 8.6% from 2015 and 1,328.5 million baht or 27.5% from 2014. The major item in MPBG is power tool generally used in construction. The company has developed more variety models of this product to serve the clients' requirements. Sales of power supplies for automotive were increased 472.1 million baht, or 33.8%, from previous year and 229.9 million baht, or 19.1%, from 2014.

### Sales revenues breakdown by geographic location



In 2016, sales revenues in the America market remain recorded the highest proportion, contributing 25% of total sales, but reduced from 28% in 2015. Sales contribution from India and China has been steadily increased 1-2% from 2015. India market has shown a continuous growth in its contribution for 3 consecutive years since 2014.

### Other income

Other income worth 764.5 million baht in 2016 consists of the following key items;

- Interest income of 197.4 million baht, reduced 26.7 million baht from 2015, in relation to lower cash on hand of 371.2 million due to the increase in investments in land, building and machines in the company and the subsidiaries and the lower interest rate in Thailand.
- Foreign exchange gains worth 183.0 million baht, lower from 412.1 million baht in previous year and 231.1 million baht in 2014. 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.

### Cost of sales and expenses

In 2016, cost of sales accounted for 73.5% of total sales, slightly higher than the level in 2015 and 2014 of 72.7% and 73.3%, respectively. However, the cost structure remained unchanged with high proportion of raw material cost being accounted for 78% of cost of sales. The company therefore has continued emphasizing on managing risk of raw material. Major currencies of raw material purchased are in USD, EUR and India rupee.

Selling and administrative expenses (including research and development – R&D) in 2016 were increased when compared to those of the previous year because of the increase in R&D expenses 529.6 million baht and selling expenses of 167.5 million baht. 2016 R&D activities basically focused on the development of automotive products which is considered new business of the company and also the development of some other products to serve the customers' various requirements. Selling expenses were also higher as compared to those of last year. The main higher item was increasing of new sales and marketing staff to boost up sales of some product groups particularly in India and South East Asia. As a result, selling and administrative expenses to sales ratio rose from 14.1% in 2015 and 14.5% in 2014 to 15.6% in 2016.

Financial costs or interest expenses worth 45.2 million baht increased 5.8 million baht or 14.6% from previous year. This is because of the business expansion in the company's subsidiary in India, which used short term loans from financial institutions to support its working capital.

Corporate income tax of 169.9 million baht reduced from 274.8 million in 2015, in relation to the lower profitability of the company and subsidiaries in 2016.

## Net profit

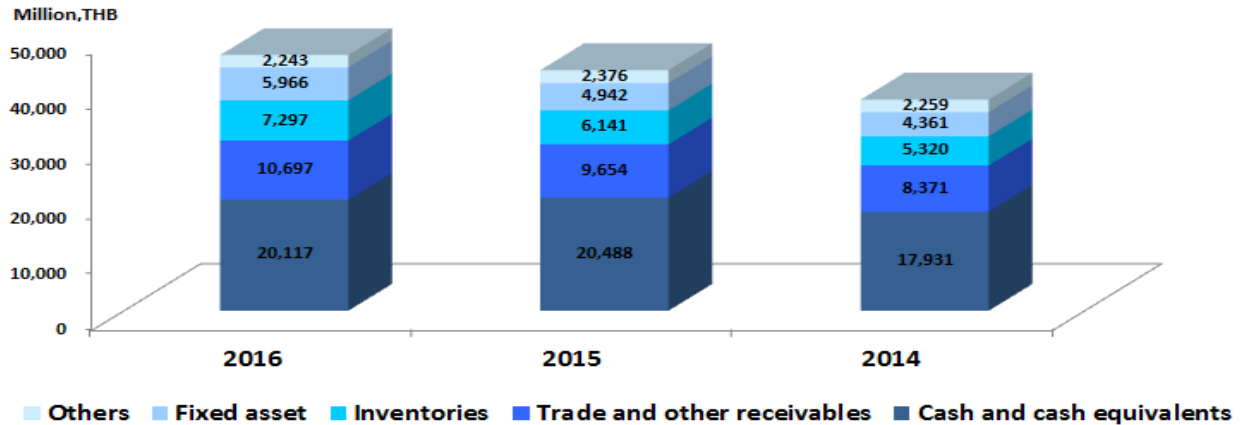
The company's gross margin in 2016 was 26.5%, lower from 27.3% in 2015 and 26.8% in 2014. Combined with higher selling & administrative expenses (including R&D), operating margin declined to 10.9%, respectively from 13.2% and 12.3% in 2015 and 2014. Consequently, net profit in 2016 was down to 5,516.3 million baht, a decrease of 17.8% and 7.1% from 2015 and 2014 respectively. Earnings per share decreased to 4.42 baht in 2016, from 5.38 baht in 2015 and 4.76 baht in 2014.

## Asset management

As at 31 December 2016, the company had total assets worth 46,319.3 million baht, an increase of 2,556.4 million baht or 5.8% from 2015 and 8,077.5 million baht or 21.1% up from 2014. Following the lower net profit and higher investments in land, building and machines, return on assets was down to 12.3%, from 16.4% and 15.8% in 2015 and 2014 respectively.

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

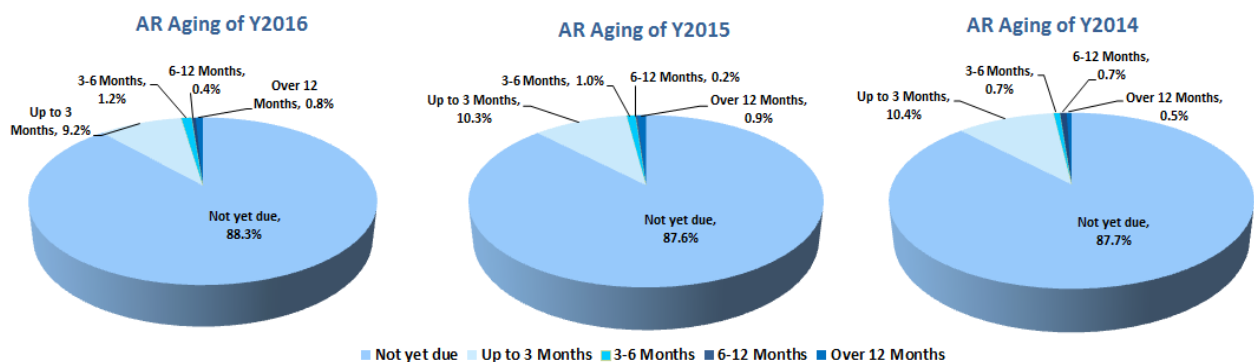
|                               |                 |       |                 |       |                 |       | 2016 VS 2015   | 2016 VS 2014 |                |
|-------------------------------|-----------------|-------|-----------------|-------|-----------------|-------|----------------|--------------|----------------|
|                               | 31 December     |       | 31 December     |       | 31 December     |       | Increase       |              | Increase       |
|                               | 2016            | %     | 2015            | %     | 2014            | %     | (Decrease)     | %            | (Decrease)     |
| Cash and cash equivalents     | 19,685.4        | 42.5  | 20,488.0        | 46.8  | 17,931.3        | 46.9  | (802.6)        | (3.9%)       | 1,754.1        |
| Current investments           | 431.4           | 0.9   | -               | -     | -               | -     | 431.4          | 100.0        | 431.4          |
| (Fixed deposit over 3 months) |                 |       |                 |       |                 |       |                |              |                |
| Trade and other receivables   | 10,696.5        | 23.1  | 9,815.4         | 22.4  | 8,370.7         | 21.9  | 881.1          | 9.0%         | 2,325.8        |
| Inventories                   | 7,296.8         | 15.8  | 6,141.3         | 14.0  | 5,320.2         | 13.9  | 1,155.5        | 18.8%        | 1,976.6        |
| Property, plant and equipment | 5,965.7         | 12.9  | 4,941.9         | 11.3  | 4,361.3         | 11.4  | 1,023.8        | 20.7%        | 1,604.4        |
| Other assets                  | 2,674.9         | 5.8   | 2,376.3         | 5.4   | 2,258.3         | 5.9   | 298.6          | 12.6%        | 416.6          |
| <b>Total Assets</b>           | <b>46,319.3</b> | 100.0 | <b>43,762.9</b> | 100.0 | <b>38,241.8</b> | 100.0 | <b>2,556.4</b> | 5.8%         | <b>8,508.9</b> |



- **Cash and bank deposits (Including current investment)** as at 31 December 2016 amounted to 20,116.7 million baht, a slight decrease from 2015 but increase of 2,185.4 million baht or 12.2% from 2014, in relation to the significant investment amount in land, building and machinery totaling 2,693 million baht, mainly in the subsidiary in India and also the purchase of machines of the company.

- **Net trade receivables** as at 31 December 2016 of 10,696.5 million baht rose 9.0% from 2015 and 27.8% from 2014. Most of the receivables, 88.3% of total receivables, are the accounts under due. Average collection period in 2016 is 77 days, compared to 69 days in 2015 and 67 days in 2014. The longer period of collection is due to higher proportion in sales of the products under the branding business which its collection period in general is longer than ODM's. However, it remains in an acceptable range for normal business operation. Nevertheless, the company and its subsidiaries closely monitored and actively managed receivables by consistently assess customers' financial position. To counter with risk from collection of receivables, the company insures receivables with a world leading insurance company as well as conservatively set aside allowance for doubtful accounts. Based on the company's policy, receivables passed due by more than 15 days will be allowed at a rate of 0.5% and at a higher rate for the longer aging. As at 31 December 2016, the company and its subsidiaries recorded allowance for doubtful accounts totaled 182.1 million baht, increased from 2015 and 2014 of 157.2 million baht and 131.4 million baht, respectively. At end of 2016, net trade receivables and other receivables represented 23.1% of total assets.

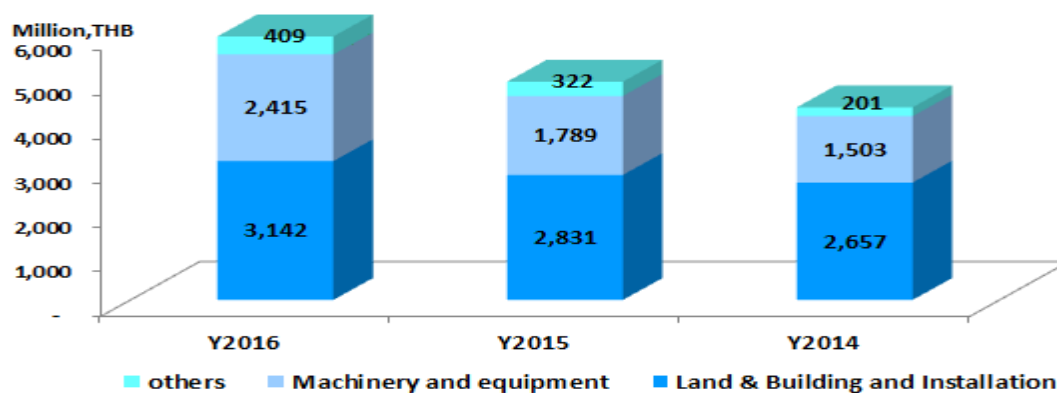
### Breakdown of trade receivable aging during 2014 to 2016



- **Inventories** as at 31 December 2016 amounted to 7,296.8 million baht, increased 1,155.5 million baht or 18.8% from 2015, and 1,976.6 million baht or 37.2% from 2014. Following the higher inventory in 2016, the inventory turnover days increased to 70 days, from 60 and 63 days in 2015 and 2014, 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 inventory in 2016 amounted to 968.0 million baht, compared to 887.0 million baht in 2015 and 931.8 million baht in 2014.

- **Property, plant and equipment** amounted to 5,965.7 million baht, increased 1,023.8 million baht or 20.7% from 2015 and 1,604.4 million baht or 36.8% from 2014. During the year, the company and its subsidiaries gradually invested 2,693 million baht in plant and equipment. In Thailand alone, investments in plant and equipment steadily increased from 2014 to 2016 by 789.4 million baht, 1,319.5 million baht, and 1,824.6 million baht, respectively. Investment in equipment was mostly for replacement and improvement of production capacity and efficiency. Meanwhile, a subsidiary in India also invested 699.0 million baht in plant and equipment, mostly in Bangalore, in order to support the business expansion plan in India.

**Comparison of net book value of property, plant and equipment during 2014 to 2016 is illustrated below.**



### Liabilities and Liquidity

As at 31 December 2016, the company's total liabilities amounted 14,428.2 million baht, increased 1,223.1 million baht or 9.3% from 2015 and 3,352.6 million baht or 30.3% from 2014. Debt to Equity ratio of 0.45 times in 2016 is close to 2015 of 0.43 times and 0.41 times in 2014, the level at which signified reasonable capital structure and low financial risk.

## Breakdown of major liabilities

|                                                                  | 31 December     |               | 31 December     |               | 31 December     |               | 2016 VS 2015           |             | 2016 VS 2014           |              |
|------------------------------------------------------------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|------------------------|-------------|------------------------|--------------|
|                                                                  | 2016            | %             | 2015            | %             | 2014            | %             | Increase<br>(Decrease) | %           | Increase<br>(Decrease) | %            |
|                                                                  |                 |               |                 |               |                 |               |                        |             |                        |              |
| Bank overdrafts and short-term loans from financial institutions | 321.1           | 2.23          | 189.9           | 1.44          | 249.6           | 2.25          | 131.20                 | 69.1%       | 71.50                  | 28.6%        |
| Trade and other payables                                         | 11,349.1        | 78.66         | 10,272.6        | 77.79         | 8,654.9         | 78.14         | 1,076.5                | 10.5%       | 2,694.2                | 31.1%        |
| Other current liabilities                                        | 731.9           | 5.07          | 808.1           | 6.12          | 481.8           | 4.35          | (76.2)                 | (9.4%)      | 250.1                  | 51.9%        |
| Provision for long-term employee                                 | 1,458.7         | 10.11         | 1,449.2         | 10.97         | 1,334.2         | 12.05         | 9.5                    | 0.7%        | 124.5                  | 9.3%         |
| Other non-current liabilities                                    | 567.4           | 3.93          | 485.3           | 3.68          | 355.1           | 3.21          | 82.1                   | 16.9%       | 212.3                  | 59.8%        |
| <b>Total liabilities</b>                                         | <b>14,428.2</b> | <b>100.00</b> | <b>13,205.1</b> | <b>100.00</b> | <b>11,075.6</b> | <b>100.00</b> | <b>1,223.1</b>         | <b>9.3%</b> | <b>3,352.6</b>         | <b>30.3%</b> |

**Bank overdrafts and short-term loans from financial institutions** were incurred by subsidiaries. The outstanding balance as at 31 December 2016 amounted to 321.1 million baht, rose by 69.1% and 28.6% from 2015 and 2014, respectively. Following the business expansion in India, some short term loans from financial institutions have been used to support the additional requirements in working capital.

**Trade and other payables** as at 31 December 2016 increased 1,076.5 million baht or 10.5% from 2015 and 2,694.2 million baht or 31.1% from 2014. On average, period of payment to trade payable in 2016 was 72 days, compared to 63 days in 2015 and 2014.

### Return on equity

As at 31 December 2016, shareholders' equity amounted to 31,891.1 million baht, rose 1,333.3 million baht or 4.4% from 2015 and 4,724.9 million baht or 17.4% from 2014, in relation to the profit generated during the year. However, with lower profit generated in 2016, return on equity in 2016 reduced to 17.7%, from to 23.3% in 2015 and 22.8% 2014.

Please be informed accordingly.

Yours sincerely,

**Delta Electronics (Thailand) Public Company Limited**

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(Anusorn Muttaraid)  
Director