



February 18, 2019

To: The President
The Stock Exchange of Thailand

Re: 2018 operating results

We, Delta Electronics (Thailand) Public Company Ltd, would like to notify the Company's 2018 operating results based on its audited consolidated financial statements ended 31 December 2018 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 2018, 2017, and 2016 and has been prepared on consolidated basis.

Consolidated financial information		2018	2017	2016
Total assets	million baht	48,201	46,018	46,319
Total liabilities	million baht	14,260	13,544	14,428
Total shareholders' equity	million baht	33,941	32,474	31,891
Registered capital	million baht	1,259	1,259	1,259
Paid-up capital	million baht	1,247	1,247	1,247
Key financial ratios				
Liquidity ratios				
Current ratio	times	3.07	3.11	3.14
Quick ratio	times	2.22	2.38	2.43
Cash ratio	times	0.36	0.38	0.45
Receivable turnover	times	4.82	4.70	4.67
Average collection period	days	75	77	77
Inventory turnover	times	4.78	4.90	5.13
Average inventory turnover period	days	75	74	70
Account payable turnover	times	5.42	5.21	5.00
Average payment period	days	66	69	72
Cash Conversion Cycle	days	84	81	75
Financial data and profitability ratios				
Sales revenues	million baht	53,067	49,224	46,887
change %	(%)	7.8%	5.0%	(0.11%)
Gross profit	million baht	12,123	12,547	12,416
Gross profit margin	(%)	22.84%	25.49%	26.48%



Consolidated financial ratios		2018	2017	2016
Financial data and profitability ratios (continuous)				
Operating expense (include Research and Development)	million baht	7,378	6,976	7,319
Operating expenses (include Research and Development) to sales	(%)	13.90%	14.17%	15.61%
Operating profit margin	(%)	8.94%	11.32%	10.87%
Other income to total revenues	(%)	1.52%	2.11%	1.60%
Net profit	million baht	5,126	4,929	5,516
change of net profit %	(%)	4.00%	(10.64%)	(17.84%)
Net profit margin	(%)	9.66%	10.00%	11.77%
Net profit to total revenues	(%)	9.51%	9.80%	11.58%
Efficiency Ratios				
Return on Equity	(%)	15.44%	15.32%	17.67%
Return on Assets	(%)	10.87%	10.68%	12.25%
Return on fixed assets	(%)	82.27%	89.99%	116.94%
Asset turnover	times	1.14	1.09	1.06
Financial Policy Ratios				
Debt to Equity	times	0.42	0.42	0.45
Interest coverage	times	531.88	227.59	95.03
Dividend payout	(%)	55.85%*	55.65%	67.84%

* Pending for approval from the 2019 annual shareholders' meeting

Operating results for the year 2018, 2017, and 2016

Unit: Baht million

	2018		2017		Increased (Decrease)		2016		Increased (Decrease)	
		%		%		%		%		%
Revenue and Services Income	53,066.6	100.00	49,224.0	100.00	3,842.6	7.81	46,887.3	100.00	6,179.4	13.18
Cost of sales and services	40,944.0	77.16	36,677.3	74.51	4,266.7	11.63	34,471.5	73.52	6,472.5	18.78
Gross profit	12,122.7	22.84	12,546.7	25.49	(424.1)	(3.38)	12,415.8	26.48	(293.1)	(2.36)
Operating expenses	7,378.3	13.90	6,975.7	14.17	402.6	5.77	7,319.0	15.61	59.3	0.81
Operating profit	4,744.3	8.94	5,571.0	11.32	(826.7)	(14.84)	5,096.8	10.87	(352.4)	(6.92)
Other income	870.6	1.64	1,120.2	2.28	(249.6)	(22.28)	764.5	1.63	106.1	13.88
Other expenses	270.5	0.51	207.2	0.42	63.2	30.52	129.9	0.28	140.6	108.28
Finance cost	9.4	0.02	19.6	0.04	(10.2)	(52.02)	45.2	0.10	(35.7)	(79.14)
Profit before income tax	5,335.0	10.05	6,464.3	13.13	(1,129.3)	(17.47)	5,686.2	12.13	(351.2)	(6.18)
Income tax expenses	208.6	0.39	1,535.5	3.12	(1,326.9)	(86.42)	169.9	0.36	38.6	22.73
Net profit for the period	5,126.4	9.66	4,928.8	10.01	197.6	4.01	5,516.3	11.77	(389.9)	(7.07)

Breakdown of sales revenues by business group

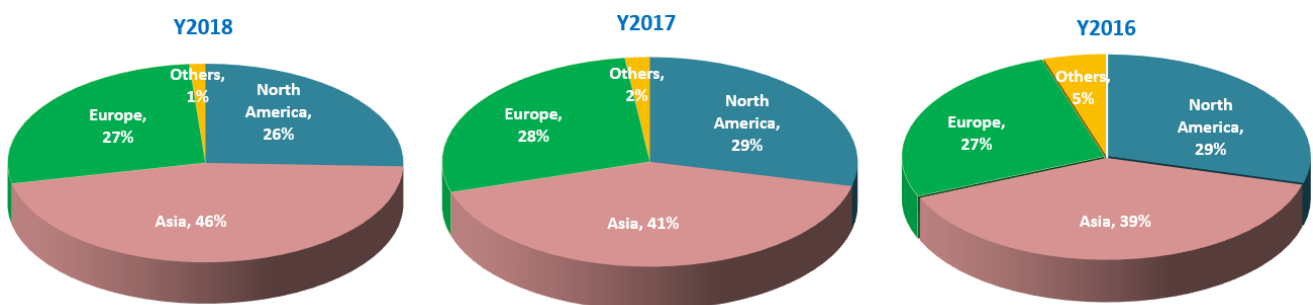
Product Group	2018		2017		2016	
	revenue	%	revenue	%	revenue	%
Power Electronics Group	34,404	64.8%	31,051	63.1%	28,422	60.7%
Infrastructure Group	16,471	31.0%	16,153	32.8%	16,147	34.4%
Automation Group	1,818	3.5%	1,809	3.7%	1,985	4.2%
Others	374	0.7%	211	0.4%	344	0.7%
Total Sales Revenues	53,067	100.0%	49,224	100.0%	46,887	100.0%

Note

- **Power electronics segment** is a business segment which designs, manufactures, and sales of power supplies applied to computer, server, office automation equipment, household electric appliances and automotive electronic products. The main products are DC-DC Converter, Power supply for Computer & Server, Custom Design product, Automotive electronic product, Fan and thermal product, Adaptor product for industrial and private consumer, Solenoid and EMI filters etc.
- **Infrastructure segment** is a business segment which designs, manufactures, and installations of information and communication technology infrastructure and energy system infrastructure. The main products are Telecommunication system, Renewable energy, Energy storage and High power etc.
- **Automation segment** is a business segment which 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 etc.

In 2018, consolidated sales revenues amount 53,067 million baht were slightly increased, 7.8% from 2017 and 13.2% from 2016, 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 up 26.2% from those of previous year and power supplies for Industrial Tool which rose up 15.5%. This was caused by the increasing demands in Asia and Europe markets following the recovery in EU economy, moreover, Computer & Networking power supplies and Custom Design power supplies also steadily growth at 7.6% and 6.0% respectively

Sales revenues breakdown by geographic location



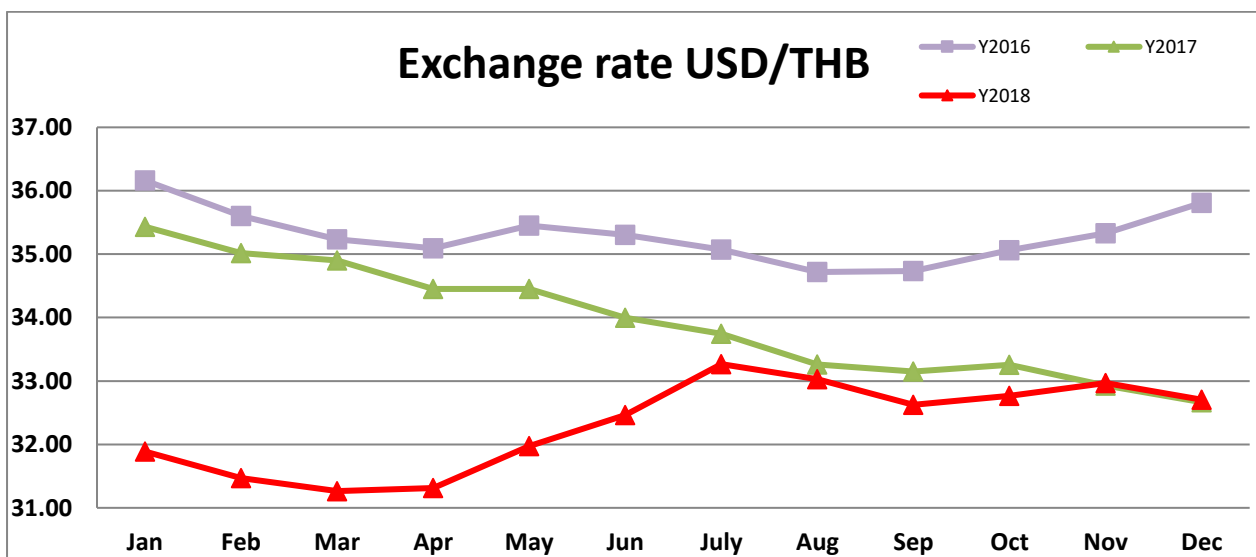
In 2018, sales revenues in Asia market represents the highest proportion, 46% of total sales, increase from the contribution of 41% in 2017. While Europe markets maintain at 27%-28% no change, However, North America markets decrease from 29% to be 26% to the total sales



Other income

Other income worth 818 million baht in 2018 consists of the following key items;

- Interest income of 240 million baht, increase about 47 million baht and 43 million baht from 2017, and 2016 respectively, in relation to the increase in FED interest rate from 0.75% in 2017 to be 1.50% in 2018 and higher cash on hand in US currency compared to that of previous year.
- Foreign exchange gains worth 176 million baht, higher 112 million baht from 2017 and slightly drop compare to 2016 following the appreciation trend in 2017 and turning to the depreciation trend in 2018. 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 2018, cost of sales accounted for 77.2% of total sales, slightly higher than that of in 2017 and 2016 of 74.5% and 73.5%, respectively. The boost up of raw material cost cause from the demand over supply in electronic commodity market in 2018, together with higher inventory provision, moreover, the increasing in 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 be a key factor for the competitiveness enhancement in both short and long term.

Selling and administrative expenses

Selling and administrative expenses (including research and development – R&D) in 2018 went up 5.8% from 2017 and keep close 2016 result from the company have entered into the Intellectual Property & Technology License Agreement with one related company, in order to enhance the capability to develop new products to catch up with the technology changing and the dynamic marketing.



On the other hand, the company have setting up new companies for research & development of Electric Vehicle in USA and Industrial Electric Vehicle in Europe in order to make sure that the company can maintain a sustainability growth in long term

Income tax expenses 209 million baht comprise of current year income tax 185 million baht and previous year tax assessments 23.5 million baht

Net profit

The company's operating margin in 2018 was 8.9%, drop from 11.3% in 2017 and 10.9% in 2016 respectively cause from above mentioned higher material cost. Consequently, net profit in 2018 was 9.7% or 5,126 million baht compare to 10.0% and 11.8% from 2017 and 2016 respectively. Earnings per share was 4.12 baht in 2018 compare to 3.95 baht in 2017 and 4.42 baht in 2016.

Assets and Liabilities

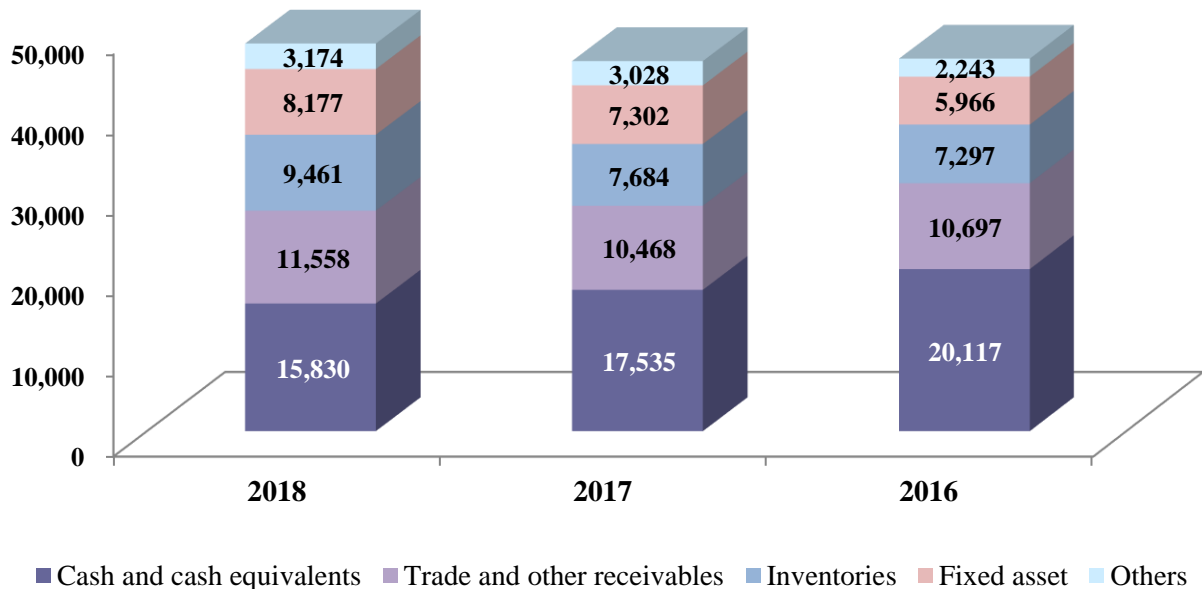
Assets

As at 31 December 2018, the company had total assets worth 48,201 million baht, increase of 4.7% from 2017 and 4.1% from 2016. Return on asset was 10.9% in 2018 compare to 10.7% and 12.3% from 2017 and 2016 respectively. Resulting from the above mentioned higher inventories and investments in land, building and machines.

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

	31 December 2018	31 December 2017	31 December 2016	2018 VS 2017 Inc(Dec)%	2018 VS 2016 Inc(Dec)%
Cash and cash equivalents	15,608	17,320	19,685	(9.9%)	(20.7%)
Current investments	223	215	431	3.4%	(48.4%)
Trade and other receivables	11,558	10,468	10,697	10.4%	8.1%
Inventories	9,461	7,684	7,297	23.1%	29.7%
Investments in associated	536	593	0	(9.5%)	N/A
Consolidation goodwill	438	450	307	(2.5%)	42.9%
Property, plant and equipment	8,177	7,302	5,966	12.0%	37.1%
Other assets	2,200	1,985	1,937	10.8%	13.6%
Tota Assets	48,201	46,018	46,319	4.7%	4.1%

Breakdown of assets in 2018, 2017 and 2016



- **Cash and bank deposits (Including current investment)** as at 31 December 2018 amounted to 15,830 million baht, a decrease of 9.7% and 21.3% from 2017 and 2016 respectively, in relation to the significant investment amount in land, building and machinery totaling 2,253 million baht, mainly in Thailand, German and India.
- **Net trade receivables** as at 31 December 2018 of 11,558 million baht increased 10.4% and 8.1% from 2017 and 2016 respectively. Resulting from the increased in sales revenue, at the same time the company and its subsidiaries recorded allowance for doubtful accounts totaling 126 million baht, compare to 2017 of 99 million baht, respectively due to higher proportion of sales contributions from the branding business which its collection period in general is longer than others.
- **Inventories** as at 31 December 2018 amounted to 9,461 million baht, increased 23.1% and 29.7% from 2017 and 2016, respectively. Reflected to the implementing of dynamic inventory strategy resulting from the demand over supply in electronic commodity market in 2018. The allowance for obsolete inventories in 2018 amounted to 1,080 million baht, go up from 968 million baht in 2017.
- **Investments in associated companies** as of 31 December 2018 were booked at 536 million baht for the remaining 49% investment in Delta Electronics (Switzerland) AG and Delta Electronics Industry LLC.
- **Consolidation goodwill** as of 31 December 2018 were Baht 438 million, about the same with 2017 but increase of 132 million baht 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 8,177 million baht, increased 12.0% from 2017 and 37.1% from 2016. The company have invested in Research & Development center in India and invested in machinery and equipment for replacements and improvement of production capacity and efficiency aiming for a production automation in Thailand under the scheme of “Delta Smart Manufacturing”.

Liabilities and Liquidity

As at 31 December 2018, the Company’s total liabilities amounted 14,260 million baht, increased 5.3% from 2017 and close to 2016. Debt to Equity ratio of 0.42 times in 2018 and 2017, dropped from 0.45 in 2016, the level at which signified reasonable capital structure and low financial risk.

Breakdown of major liabilities

				2018 VS 2017	2018 VS 2016
	31 December	31 December	31 December		
	2018	2017	2016	Inc(Dec)%	Inc(Dec)%
Bank overdrafts and short-term	0	229	321	(100.0%)	(100.0%)
Trade and other payables	11,801	10,480	11,404	12.6%	3.5%
Liabilities and provision from tax as	296	695	177	(57.4%)	67.0%
Other current liabilities	261	296	405	(12.0%)	(35.7%)
Provision for long-term employee b	1,234	1,337	1,459	(7.7%)	(15.4%)
Other non-current liabilities	668	507	662	31.7%	0.9%
Total liabilities	14,260	13,544	14,428	5.3%	(1.2%)

Return on equity

As at 31 December 2018, shareholders' equity amounted to 33,941 million baht, rose up 4.5% from 2017 and 6.4% from 2016, in relation to the profit generated during the year. However, return on equity in 2018 maintain at 15.4%, close to 15.3% in 2017 but dropped from 17.7% in 2016, impacted from the appreciation of Thai Bath over 2 bath per USD in 2018 compare to 2016

Please be informed accordingly.

Yours sincerely,

Anusorn Muttaraid
Director