



February 17, 2020

To: The President
The Stock Exchange of Thailand

Re: 2019 operating results

We, Delta Electronics (Thailand) Public Company Ltd, would like to report the Company's 2019 operating results based on its audited consolidated financial statements which ended 31 December 2019 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 financial statements notes. If not defined otherwise, all financial information presented in this document are in Thai Baht. The company presented financial statements in accordance with the 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 for the fiscal year ending 31 December 2019, 2018, and 2017 and has been prepared on a consolidated basis.

Consolidated financial information		2019	2018	2017
Total assets	million baht	45,958	48,201	46,154
Total liabilities	million baht	12,952	14,260	13,680
Total shareholders' equity	million baht	33,006	33,941	32,474
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	2.99	3.07	3.09
Quick ratio	times	2.04	2.22	2.35
Cash ratio	times	0.45	0.37	0.38
Receivable turnover	times	4.81	4.82	4.70
Average collection period	days	75	75	77
Inventory turnover	times	4.42	4.78	4.90
Average inventory turnover period	days	81	75	74
Account payable turnover	times	5.66	5.69	5.49
Average payment period	days	67	66	71
Cash Conversion Cycle	days	89	84	80
Financial data and profitability ratios				
Sales revenues	million baht	51,172	53,067	49,224
Change %	(%)	(3.6%)	7.8%	5.0%
Gross profit	million baht	10,474	12,123	12,547
Gross profit margin	(%)	20.47%	22.84%	25.49%

Consolidated financial ratios		2019	2018	2017
Financial data and profitability ratios (continuous)				
Operating expense (including Research and Development)	million baht	8,180	7,378	6,976
Operating expenses (including Research and Development) to sales	(%)	16.00%	13.90%	14.17%
Operating profit margin	(%)	4.48%	8.94%	11.32%
Other income to total revenues	(%)	1.35%	1.52%	2.11%
Net profit	million baht	2,952	5,126	4,929
Change of net profit %	(%)	(42.42%)	4.00%	(10.64%)
Net profit margin	(%)	5.77%	9.66%	10.00%
Net profit to total revenues	(%)	5.69%	9.51%	9.80%
Return on Equity	(%)	8.82%	15.44%	15.32%
Efficiency Ratios				
Return on Assets	(%)	6.27%	10.87%	10.68%
Return on fixed assets	(%)	46.78%	82.27%	89.99%
Asset turnover	times	1.10	1.14	1.09
Financial Policy Ratios				
Debt to Equity	times	0.40	0.42	0.42
Interest coverage	times	3,095.00	545.41	222.73
Dividend payout	(%)	76.07%*	55.96%	55.68%

* Pending approval from the 2020 annual general meeting of shareholders

Operating results for the year 2019, 2018, and 2017

Unit: Baht million

	2019	%	2018	%	Increased (Decrease)	%	2017	%	Increased (Decrease)	%
Revenue and Services Income	51,171.6	100.00	53,066.6	100.00	(1,895.0)	(3.57)	49,224.0	100.00	1,947.6	3.96
Cost of sales and services	40,697.1	79.53	40,944.0	77.16	(246.9)	(0.60)	36,677.3	74.51	4,019.8	10.96
Gross profit	10,474.5	20.47	12,122.7	22.84	(1,648.2)	(13.60)	12,546.7	25.49	(2,072.2)	(16.52)
Operating expenses	8,180.5	15.99	7,378.3	13.90	802.1	10.87	6,975.7	14.17	1,204.7	17.27
Operating profit	2,294.0	4.48	4,744.3	8.94	(2,450.3)	(51.65)	5,571.0	11.32	(3,277.0)	(58.82)
Other income	725.1	1.42	870.6	1.64	(145.5)	(16.72)	1,120.2	2.28	(395.1)	(35.27)
Other expenses	46.8	0.09	270.5	0.51	(223.7)	(82.69)	207.2	0.42	(160.4)	(77.41)
Finance cost	1.8	0.00	9.4	0.02	(7.6)	(80.51)	19.6	0.04	(17.8)	(90.65)
Profit before income tax	2,970.4	5.80	5,335.0	10.05	(2,364.6)	(44.32)	6,464.3	13.13	(3,493.9)	(54.05)
Income tax expenses	18.8	0.04	208.6	0.39	(189.8)	(91.00)	1,535.5	3.12	(1,516.7)	(98.78)
Net profit for the period	2,951.7	5.77	5,126.4	9.66	(2,174.8)	(42.42)	4,928.8	10.01	(1,977.2)	(40.11)



Breakdown of sales revenues by business group

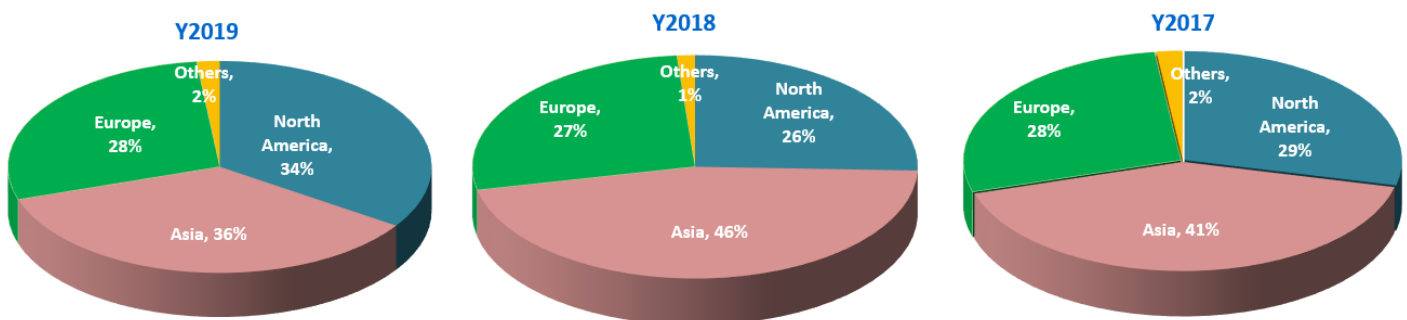
Product Group	2019		2018		2017	
	revenue	%	revenue	%	revenue	%
Power Electronics Group	32,296	63.1%	34,404	64.8%	31,051	63.1%
Infrastructure Group	16,735	32.7%	16,471	31.0%	16,153	32.8%
Automation Group	1,945	3.8%	1,818	3.5%	1,809	3.7%
Others	195	0.4%	374	0.7%	211	0.4%
Total Sales Revenues	51,172	100.0%	53,067	100.0%	49,224	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 2019, the consolidated sales revenues amount 51,172 million baht slightly decreased 3.6% from 2018 and increased 4.0% from 2017. This was mainly due to the decline in sales of the Power Electronic business group, especially sales of power supplies for the automotive (Electric Vehicle Solutions) sector which dropped down 23.0% from the of previous year.

Sales revenues breakdown by geographic location



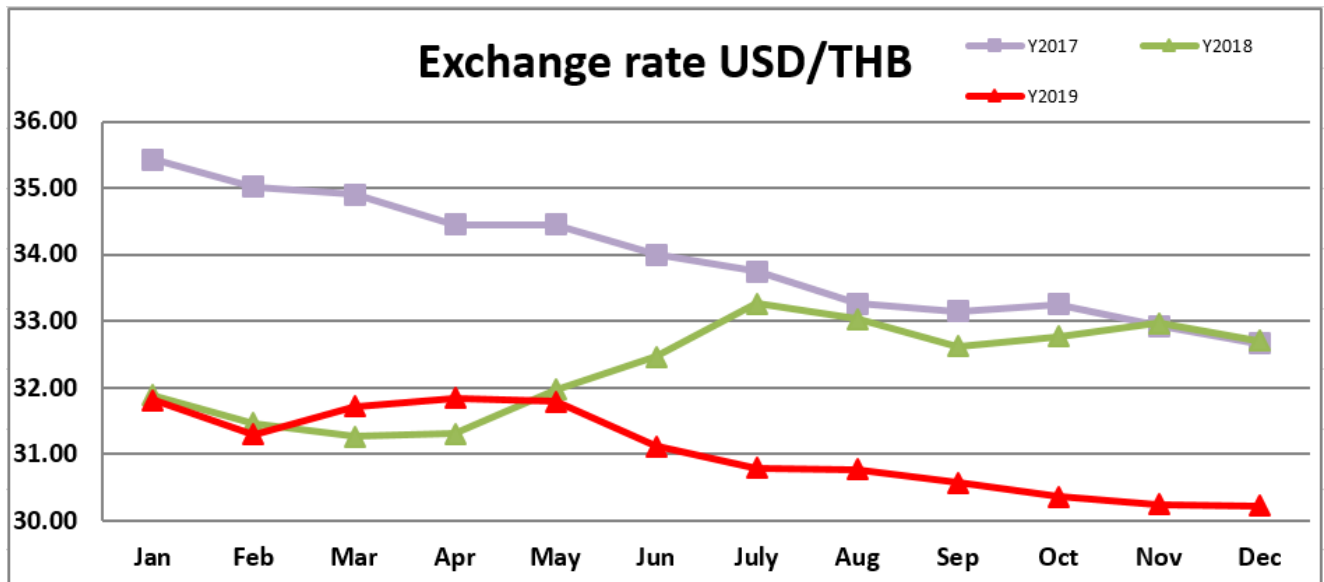
In 2019, sales revenues in the Asia market still represented the highest proportion, 36% of total sales, even though it was a decrease from the contribution of 46% in 2018. This was followed by the North America markets which increased from 26% to be 34% in total sales, while Europe markets maintained 27%-28% with no change.

Other income

Other income worth 725 million baht in 2019 consists of the following key items;

- Interest income of 238 million baht, decrease about 2.4 million baht from 2018 due to some of maturity fixed deposit was transfer to saving account and increase about 45 million baht from 2017 in relation to the increase in FED interest rate from 0.75% in 2017 to be 1.50% in 2018 and 1.75% in 2019.

- Foreign exchange gains were worth 33 million baht, down 143 and 31 million baht from 2018 and 2017 respectively following the appreciation trend in 2017, depreciation trend in 2018 and appreciation trend once again in 2019. 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 2019, cost of sales accounted for 79.5% of total sales, higher than that of 2018 and 2017 of 77.2% and 74.5%, respectively. Product mix differentiation (the slowdown of Automotive sector and the startup of Network Switch line) and the Thai Baht appreciation against the USD together with the increase in depreciation caused by investments in new machineries for replacements and the launch of production automation under the Delta Smart Manufacturing scheme are three major factors which impacted to this lower gross margin in 2019. However, The company believes that this investment would be a key factor for competitiveness enhancement in the long run.

Selling and administrative expenses

Selling and administrative expenses (including research and development – R&D) in 2019 went up 10.9% from 2018. The cause was the enhancement of the R&D team in German, due to Electric Vehicle business growth in Europe, went up 17.3% from 2018 which resulted in the company entering into an Intellectual Property & Technology License Agreement with one related company, in order to enhance the capability to develop new products and catch up with technology changes and dynamic marketing.

On the other hand, the company is setting up new companies for research & development of Electric Vehicles in the USA and Industrial Electric Vehicles in UK in order to ensure that the company can maintain sustainability growth in the long term.



Net profit

The company's operating margin in 2019 was 4.5%, a drop from 8.9% in 2018 and 11.3% in 2017 respectively. The cause was the above mentioned higher cost of production and R&D expenses. Consequently, net profit in 2019 was 5.8% or 2,952 million baht compared to 9.7% and 10.0% in 2018 and 2017 respectively. Earnings per share was 2.37 baht in 2019 compare to 4.12 baht in 2018 and 3.95 baht in 2017 respectively.

Assets and Liabilities

Assets

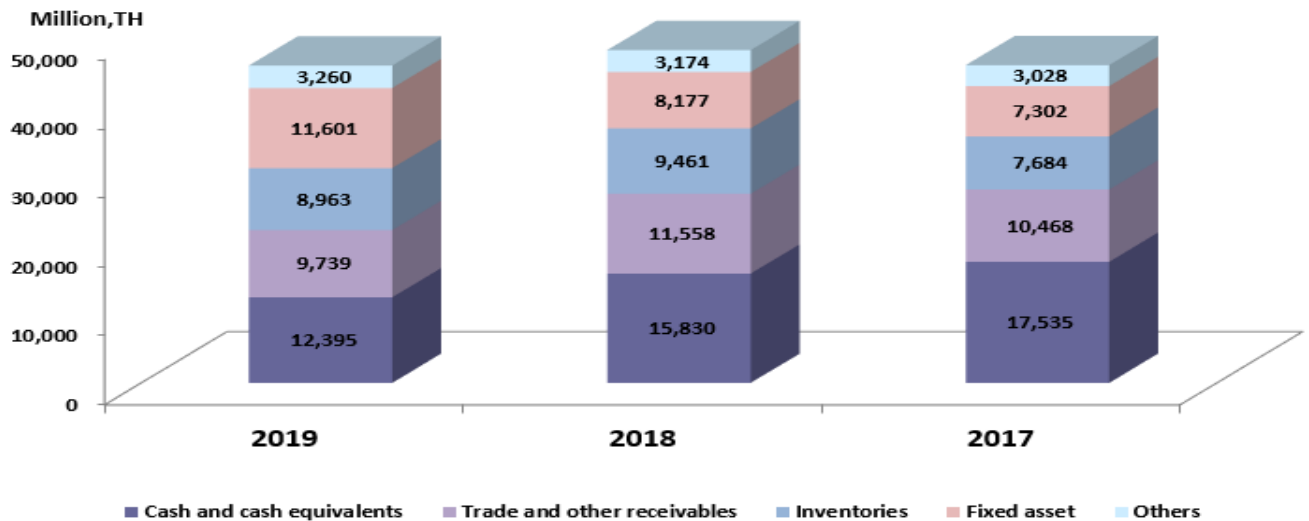
As of 31 December 2019, the company had total assets worth 45,958 million baht, a decrease of 4.7% from 2018 and 0.1% from 2017 respectively. Return on asset was 6.3% in 2019 compared to 10.9% and 10.7% in 2018 and 2017 respectively. This resulted from the above mentioned higher Cost of Goods Sold and R&D expenses.

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

				2019 VS 2018	2018 VS 2017
	31 December	31 December	31 December	Increase	Increase
	2019	2018	2017	(Decrease)	(Decrease)
Cash and cash equivalents	12,394	15,608	17,320	(20.6%)	(28.4%)
Current investments	2	223	215	(99.2%)	(99.2%)
Trade and other receivables	9,739	11,558	10,468	(15.7%)	(7.0%)
Inventories	8,964	9,461	7,684	(5.3%)	16.7%
Investments in associated	464	536	593	(13.4%)	(21.7%)
Consolidation goodwill	418	438	450	(4.7%)	(7.1%)
Property, plant and equipment	11,600	8,177	7,302	41.9%	58.9%
Other assets	2,378	2,200	1,985	8.1%	19.8%
Tota Assets	45,958	48,201	46,018	(4.7%)	(0.1%)



Breakdown of assets in 2019, 2018 and 2017



- **Cash and bank deposits (Including current investments)** as of 31 December 2019, amounted to 12,395 million baht, a decrease of 21.7% and 29.3% from 2018 and 2017 respectively. This is in relation to the significant investment amount in land, building and machinery totaling 5,312 million baht, mainly made in India and Thailand.
- **Net trade receivables** as of 31 December 2019, of 9,739 million baht decreased 15.7% and 7.0% from 2018 and 2017 respectively. This is the result of the decline of long credit term branded business. At the same time, the company and its subsidiaries recorded allowance for doubtful accounts totaling 62 million baht due to one of the branded business customers having a delayed payment.
- **Inventories** as of 31 December 2019, amounted to 8,964 million baht, a decrease of 5.3% from 2018 and increase of 16.7% from 2017. This reflected dynamic inventory strategy resulting from demand over supply in the electronic commodity market in 2018. At the same time, the company and its subsidiaries recorded inventory provision totaling 217 million baht. The major increase was from Thailand and India
- **Property, plant and equipment** amounted to 11,600 million baht, an increase of 41.9% from 2018 and 58.9% from 2017 respectively. The company and its subsidiaries have invested in a Research & Development center and new factory in India and invested in machinery and equipment for replacements and improvement of production capacity and efficiency aiming for production automation in Thailand under the “Delta Smart Manufacturing” scheme.

Liabilities and Liquidity

As of 31 December 2019, the Company’s total liabilities amounted 12,952 million baht, a decrease of 9.2% from 2018 and 4.4% from 2017 respectively. The Debt to Equity ratio of 0.40 times in 2019, a drop from 0.42 in 2018 and 2017, is at a level signifying reasonable capital structure and low financial risk.



Breakdown of major liabilities

	31 December	31 December	31 December	2019 VS 2018	2018 VS 2017
	2019	2018	2017	Increase (Decrease)	Increase (Decrease)
Bank overdrafts and short-term	0	0	229	N/A	N/A
Trade and other payables	10,151	11,801	10,480	(14.0%)	(3.1%)
Liabilities and provision from tax as:	290	296	695	(2.0%)	(58.3%)
Other current liabilities	398	261	296	52.6%	34.3%
Provision for long-term employee b	1,427	1,234	1,337	15.7%	6.8%
Other non-current liabilities	686	668	507	2.7%	35.3%
Total liabilities	12,952	14,260	13,544	(9.2%)	(4.4%)

Return on equity

As of 31 December 2019, shareholders' equity amounted to 33,006 million baht, a drop of 2.8% from 2018 but an increase of 1.6% from 2017, in relation to the high investment during the year. At the same time, return on equity in 2019 dropped to 8.8%, compared to 15.4% in 2018 and 15.3% in 2017 respectively which resulted from the above mentioned issues.

Please be informed accordingly.

Yours sincerely,

Anusorn Muttaraid
Director