

9 May 2005

To: The President

The Stock Exchange of Thailand

Re: Explanation for Year-on-Year decrease in net profit by more than 20% for the 1st quarter 2004 and 1st quarter 2005 comparison

Delta Electronics (Thailand) Public Co.,Ltd., would like to declare for the decrease of its consolidated net profit for the 1st quarter 2004 by Baht 330.7 million, or 64.3% , from Baht 514.4 million in 1st quarter 2004 to Baht 183.7 million in the 1st quarter 2005, as followed :

- 1. Reduction of Sales Revenue from Baht 11,701.9 million in the 1st quarter 2004 to Baht 10,121.1 million in the 1st quarter 2005 by Baht 1,580.8 million or 13.5% reduction year on year.** This was mainly due to the Total sales in US Dollar dropped from USD 235.7 million to 212.6 million in 1Q2004 and 1Q2005 respectively due to the change in the company's strategy to lower low margin high volume products in the 2 major product groups which are VDBG (LCD monitor & Display product group), reduced by 31.4% and PSBG I (Desktop , adapter and related product group) reduced by 22.3% from the same period of the previous year.
- 2. Reduction in Gross profits by Baht 130.2 million from Baht 1,818.6 million in 1Q2004 to Baht 1,688.4 million in 1Q2005 or 7.2% reduction year on year due to distorted sales revenue :** Despite reduction in Gross profit amount, the company's overall gross profit margin improved from 15.54% to 16.68% to sales correspondingly due to the change in sales mix among business group toward more Power Supplies sales in 1Q2005 than that in 1Q2004 with Power Supplies : DES product : Display product : Component business groups composition from 34:23:36:7 to 33:32:29:6. However, lower sales of Component business group deteriorated the company's profitability significantly as this business group has highest gross profit margin.
- 3. Operating profit distortion from increase in SG&A expenses by Baht 234 million from Baht 1,259 million in 1Q2004 to Baht 1,493 million in 1Q2005:** Assuming normalized SG&A expense of Delta group consolidated including DES operation at 11% to consolidated sales , normal SG&A for 2005 should have been Baht 1,088 million. Much of SG&A is R&D expenses as an effort to leverage more business from DES technology as well as inventory adjustment from many product groups in the beginning of the year.

Yours sincerely,

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Vice Chairman /Director