



2003 Annual Report

DELTA ELECTRONICS, INC

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■ Letter to the Shareholders

Dear Shareholders,

Delta managed to grow its revenues and profits despite the highly uncertain economic environment and severe competition in 2003. This indicates that our efforts to strengthen organizational capability and business strategies over the past few years have started to pay off well. I am pleased to report on these achievements below in detail:

Substantial Progress in All Business Segments

Delta generated revenues of NT\$ 49.5 billion with a gross margin of NT\$ 10.6 billion, 21.4% of revenues, and net income after tax of NT\$ 5.22 billion on a consolidated basis. EPS for the year 2003 was NT\$ 3.52. For the power supply business, we continued to beat the competition in our core markets with cost effective design and development of new leading edge products such as power for projectors and LCD TVs. In the display business, we concentrated on front-and rear-projectors and successfully secured several major customers to fully capitalize on the huge potential of digital display opportunities. For the component business, we not only increased our market share in DC fans but also launched a number of new business initiatives such as color wheels, CCFLs, and electronics components for the global car industry. In the electromechanical business, we successfully formed strategic partnerships with the world's leading players to substantially elevate our technology capability and market presence.

Design and Technology as Core Competence

Delta applied for entry to the Tainan Science Park to spearhead its R&D efforts in CCFLs, GSM/GPRS PA modules, AC motor drives, and solar cell inverters. The application was approved subsequently and we expect to commence the operation by the end of 2004. In addition, the knowledge and experience in power management, electronics components, networking communications, and display fields that Delta has accumulated over the past decades will, we believe, significantly strengthen our competitiveness with the arrival of the integrated consumer electronics era, an apparent trend that will lead business growth in years to come.



Bruce Cheng
Chairman

Key Initiatives in 2004

To further enhance our business and operations, we will implement a series of strategic initiatives during 2004:

- Strengthen sales and marketing efforts to proactively seize business opportunities
Leverage global R&D talents and facilitate cross business integration to shorten the
- New product development cycle and cement leadership in technology
- Reinforce major business operation processes to ensure global consistency in quality and services
- Improve flexibility and efficiency in manufacturing to sustain cost advantages

Strengthened Management Team and Leadership

The board elected Yancey Hai as Vice Chairman and appointed him as the CEO of the Company in December 2003. Meanwhile, Mark Ko was appointed as the President/COO. In addition, new business leaders in the power and display business groups were also put in place. With this new highly strengthened management team and the existing high performing business leaders in the component and electromechanical business groups, we believe Delta is well equipped for unprecedented achievements from the current solid foundation.

A Word of Thanks

I want to thank the board, all shareholders, customers, suppliers, and employees for their support and contribution to the success of the Company. We set high targets for 2004 and I believe, with the dedicated efforts from all talented employees, we will do our best to excel at our goals and report satisfactory results to all stakeholders.

Sincerely yours,

A handwritten signature in black ink that reads "Bruce Cheng".

■ Power Management

Delta's power management products consist of computer-related power, telecom power, DC-DC power, UPS, and lighting power product lines. Computer-related product lines include power supplies for server, desktop, notebook, PC peripherals, consumer products and game consoles. The Company

maintained leading positions in these various markets in 2003 due to continuous dedication to R/D development. With increasing replacement demand for PC and notebook power and demand from fast-growing new applications such as LCD TVs and Plasma Displays, our computer-related power management group is expected to see healthy growth in the coming year.



Bulk DC Power Plants

For non-computer areas, Delta launched a series of competitive products in 2003. These products include high efficiency/high power-density telecom rectifiers and systems, slim type telecom rectifiers, three-phase parallel UPS systems, embedded DC/DC converters for next generation 64-bit CPUs, DC/DC converters for game consoles, point of load (POL) voltage regulators, and MHz switching frequency isolated DC/DC converters.

The 7% revenue growth from Delta's power management products in 2003 was in line with the overall power supply market's estimated 5~7% CAGR for 2003-2006. Nevertheless, Delta has strengthened its competitiveness by better utilizing R/D resources and penetrating into new markets such as Europe, India, and South America and setting up business relations with many new customers.

For telecom power systems, Delta was awarded a number of significant contracts by existing and new customers in 2003, in all of the regions and markets in which we operate. Delta has hence moved up to become



Uninterruptible Power Systems (UPS)

the world's number three telecom power system supplier in the 18 billion USD market. We believe the outlook for the telecom market remains positive as requirements for communication quality and speed continues to rise, and many developing countries, which see investment in communications infrastructure as a critical national strategy, also create growth opportunities. The latest reports investigating telecom equipment capital expenditures and other market perspectives from major telecom equipment providers also indicate the telecom infrastructure market will continue to recover in the coming year.

The DC-DC converter market is expected to expand with accelerating worldwide equipment investments and

the power architecture transition. Delta is benefited by introducing new products to address this trend and has won several major design-ins for many applications. With constantly strengthening product offerings, we expect to have a stronger market presence and position in 2004.

In the AC/DC power supplies and ODM DC-DC converter sector, Delta continued to win major projects from our key customers and received an award from a major game console supplier for our excellent support in 2003. By applying our innovative R/D achievements into our designs, we shall maintain our competitive position and continue to grow this business in 2004.



Server / Workstation Power Supplies



Desktop Power Supplies



Networking Power Supplies



Energy-Saving Ballasts



TFT-LCD / PDP TV Power Supplies



Voltage Regulation Modules



DC / DC Converters



AC / DC Adapters

■ Visual Displays



DLP* Video Walls

Delta is a pioneer in developing visual displays based on microdisplay technologies. Whether providing the

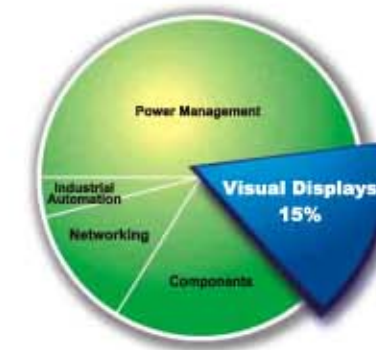
image for an HDTV set or for a home theater projector, microdisplay optical engines offer many benefits to the consumer. These benefits include a non-flickering high-resolution picture, low energy consumption, no harmful UV light emissions, and a display that is lightweight and slim. But most of all, microdisplay technologies deliver an exceptional image quality and value comparing with competing technologies.

Since 1997, Delta has developed considerable expertise in building video display products. We provide total solutions for our customers' visual display needs, including optical engines, digital electronics, graphics and video processing and system configurations.



TFT-LCD TVs

PDP TVs



Delta provides a wide range of visual displays for a variety of applications. For home entertainment, Delta offers microdisplay PTVs, compact home theater projectors, PDP TVs and TFT-LCD TVs. For personal and professional computing needs, Delta also supplies a broad range of desktop LCD displays for its clients. We are also a significant supplier of high performance front projectors for the business presentation market. For control rooms and public information systems, Delta offers high brightness projection cubes for large area video walls. Delta has also developed large venue projectors with ultra-high brightness of up to 5,000 lumens for use in auditoriums and exhibition halls.

Delta strives to develop visual display technologies that meet people's ever expanding visual needs. From high definition TVs, to large screen home theaters, to business presentation projectors, to 2-way video wall conferencing systems, Delta delivers innovative, high performance, and cost effective visual display solutions.

* DLP is a trademark of Texas Instruments.



DLP* TVs



3-Chip DLP* Home Cinemas



Home Theater Projectors



Front Projector



Front Projector



Front Projector

Front Projector



■ Components



DC Brushless Fans

Founded for the purpose of manufacturing magnetic components, Delta has established itself as a primary source for supplying the world with magnetic

components. The use of magnetics can be universally found in information technology; from information appliances to the telecommunication industry. Therefore, as the demand for magnetics, which are more precise and

more efficient, continues to grow in the market, Delta also strives to elevate its technology to develop specific products and meet market demands. Moreover, in order to diversify our products away from the traditional IT industry and move into emerging information appliances and communication industries, Delta has developed new products such as microwave components, chip inductors and precision motors. In addition, Delta has also developed optical transceiver modules to coincide with the rapid growth of the optical industry. Recently, Delta has devoted its resources to developing LCD lighting tubes (Cold Cathode Fluorescent Lamp, CCFL) and optical engine passive components and is looking forward to becoming the foremost market leader in the components business.

Delta provides a vast range of component products throughout the world, and in recent years, with the inclusion of the China market, the Asia region has become the biggest contributor to our components revenue, followed by North America and Europe.

Many of Delta's component products are currently positioned as market leaders in their own categories. For example, in our fan business, a series of products such as cooling fans and thermal devices for microprocessors in PC, server, and industrial equipment were all developed under Delta's persistent improvements in thermal dissipating efficiency and noise reduction. Due to our continuous endeavor for excellence in the design and manufacturing of DC fans, now Delta is acknowledged as the growth leader in this market. In 2003, Delta's DC fan business captured over ten percent of worldwide market share and ranked as the third largest DC fan manufacturer in the world.

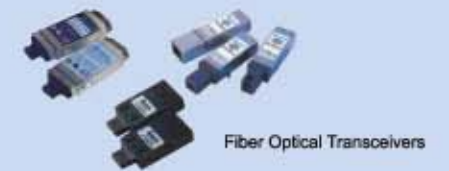
In addition, benefiting from the government sponsored "E-Japan" project, the Fiber-To-The-Home (FTTH) market has grown dramatically in Japan over the past two years, accumulating more than 894,000 subscribers by the end of year 2003. Similarly, for cost and quality competitiveness, Delta has become the world's largest FTTH Bi-Directional (BiDi) transceivers supplier for the



Japan market. Moreover, as we emphasize each year, EMI filters keep Delta among the top 3 in terms of sales revenue for providing superior solutions to the IT market.

Delta's component business covers industries that include computing, consumer electronics, home appliance, telecommunications, industrial equipment, military, and automobile electronics. Therefore, all emerging electronics products in these aforementioned industries are potential markets for Delta's components business. Consequently, not only is growth in these components vitally related to the end-product markets as a whole, but Delta also continues to provide innovative, timely products, enhance product quality and offer competitive costs to ensure the company's leading position in the component business.

* DLP is a trademark of Texas Instruments.



Fiber Optical Transceivers



EMI Filters



Solenoids & Magnetics



Thermal Management Products

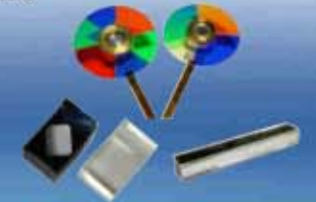


CCFLs for LCD Displays



DC-AC Backlight Inverters

Optical Components & Modules for DLP* Solutions



■ Networking

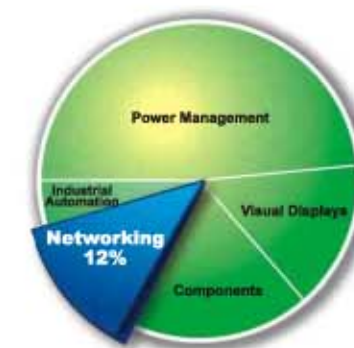
Year 2003 was another challenging year for Delta's networking division, which saw major structural changes in both customer and product portfolios. For the product line-up, Delta shifted toward more high-end networking equipment and phased out of some of the low-end broadband products, to be coherent with the Company's overall strategy shifting toward value. On the customer front, Delta not only diversified our customer base but also successfully penetrated into the top-tier

multinational networking equipment ODM clients. The result is somewhat sacrificed sales revenues (down 16% year-on-year) but improved profit margins.

Presently, Delta Networks has an engineering staff of more than 300 and a rich product portfolio that ranges from enterprise LAN switches to SOHO wireless networking equipment. In order to maintain a leading position in the network communications market, Delta is dedicated to the development



AP / Wireless Router with PoE Solutions



Broadband Router & FTTH Solutions

of network technology and innovative products. The Company has established expertise in core technologies, such as Virtual Private Network (VPN), Voice over IP (VoIP), ADSL network communications, network management systems, and various networking protocols. It also differentiates itself as one of the best networking manufacturers in the world with autonomous design and development capability in data and voice integration. The latest R/D achievement was the 5-blade 48-port layer-3 managed switch.

As Delta considers product quality its top priority, the networking division invests 10% of its annual operating

budget in internal quality assurance enhancement, and products are rigorously scrutinized in comprehensive tests given by a third-party testing center prior to their mass production. Delta's exhaustive efforts towards uncompromising quality ensure that every product bound for market from the factory is nothing less than the optimum in quality.

Delta will continue to strive for delivering the best ODM total solutions for networking outsourcing opportunities in the coming year.



L2 / L3 Stackable Switches



Wireless Client Adapters



Gigabit Ethernet Solutions



Chassis Switches Systems

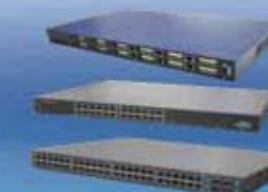


Wireless USB Solutions



ADSL / VDSL / VoIP Solutions

Managed / Unmanaged Switches with PoE Options



■ Industrial Automation

Delta's Electromechanical Business Unit (EMBU) recorded 2003 sales of 1.92 billion NTD with growth of 31% despite the relatively stagnant global economy.

Currently, Delta's EMBU is organized based upon three major product categories: Drive, Motion and Control. Starting with the design and

manufacturing of device components in these three categories, Delta gears toward the goal of total solution provider in the industrial automation field.

The Drive section is Delta's largest EM operating segment with 95% of total EMBU sales and approximately 90 R/D employees at the end of 2003. With a leading position in Taiwan and No. 5 in China, Delta provides AC motor drive products with high quality, high efficiency and energy conservation. In addition to traditional factory automation applications, Delta goes a step further in building automation applications such as HVACs and elevators, which is the largest market segment in the fast growing China market. Delta is also developing brushless DC motor drives for home appliance applications, which will play an increasingly important role in the electronic motor drive market in the future.

Motion section products include AC servo drives and motors, which will be launched in the first quarter of 2004. Servo drives and motors have been developed for industrial automation machines needing high-speed and high-precision positioning operations. Delta's new servo drives and motors with innovative robust control technology and high resolution encoders offer high-speed and high-response performance without complicated parameters setting and tuning. These servo products will gain substantial business in the near future.

The Control section produces programmable logic controllers (PLCs), temperature controllers and human machine interfaces (HMIs). Delta offers high-performance, high-speed PLCs at reasonable prices, including mini-PLCs with communication capabilities that are the most efficient instruments in the industry. Delta also provides temperature controllers in various DIN sizes and featuring auto-tuning and stable control with 0.3% accuracy. Our new Human Machine Interface (HMI) products offer fast and



convenient control of manufacturing automation through a user-friendly graphical interface. The Control section accounted for about 5% of the EMBU's total sales and was staffed with approximately 40 R/D employees at the end of 2003.

Delta has continued to promote our quality and delivery programs throughout the organization, resulting in productivity and cost improvements. Delta also continues to introduce new products to key markets such as China. In addition, Delta has initiated a major effort in component sourcing, product development and production capabilities in China to take advantage of cost reduction opportunities and the local expertise in power electronics. These actions are positioning Delta's EM business for substantial growth in the competitive industrial automation field.



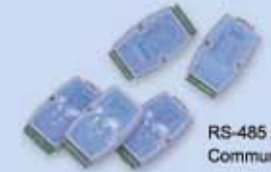
AC Motor Drives (AMD)



Human Machine Interfaces (HMI)



Encoders



RS-485 / RS-422
Communication Modules



Temperature Controllers



AC Servo Drives & Motors



Programmable Logic Controllers (PLC)

■ Corporate Governance

Although corporate governance is a widely accepted term today, its precise definition has yet to be discussed. To Delta, quality corporate governance is our primary responsibility to ensure the Company is operating in the best and balanced interest of all stakeholders. We believe that stakeholders' rights can be best protected through not only an independent and accountable board but also through timely disclosure of accurate information. As a result, Delta has reconfigured its board composition and separated the roles of Chairman and CEO to enhance the functions of the board. In addition, we have pioneered in disclosing consolidated financial information and have institutionalized periodic analyst meetings to ensure information is accurate and delivered to all investors in a timely manner.

Introduction of Independent Directors and Supervisor

Delta reformed its board composition in 2003 by introducing two new independent directors, Mr. Lo, Yih-Chiang and Dr. Fred Lee, and one new independent supervisor, Professor Huang, Chung-Hsing. Mr. Lo served on the board of Philips for several years and has extensive experience and insight on international business management. Dr. Lee, now a distinguished professor at Virginia Polytechnic Institute and State University and the director of the Center for Power Electronics Systems in the U.S., is a widely respected expert in power electronics and has profound knowledge of technology and the power industry. Professor Huang, now with the College of Management at National Taiwan University, has both industry experience and excellent academic achievements in business and operational management.

Delta's board now consists of nine directors and two supervisors. To enhance responsibility and accountability of the board, board meetings are held at least once each quarter to review business performance as well as address major strategic issues to increase participation of board members in the Company's management.

Separation of Chairman and CEO Roles

With the inauguration of new CEO, Yancey Hai, on January 1, 2004, Delta officially separated the role of CEO from Chairmanship to empower the board with sufficient independence on a structural basis when the board oversees management. As the tasks of the chairman and the CEO are different and potentially conflicting, we believe by separating these two roles the functions of the board will be significantly enhanced and the management of the Company will be more objectively supervised.

Timely and Transparent Information Disclosure

Besides complying with all reporting requirements ordered by the Taiwan Stock Exchange, Delta is the first and so far the only listed company in Taiwan to publish semi-annual consolidated financial statements and give investors a complete and accurate picture of the Company's operational results. In addition, analyst meetings are held quarterly to discuss business performance and exchange information with institutional investors to ensure accurate information is delivered to all shareholders in a timely manner.

Our efforts in realizing quality corporate governance have been widely recognized. Delta was rated as one of the companies having the best corporate governance in the Asia Pacific region by Asset Benchmark Research in December 2003. Going forward, Delta will continue to enhance our practice in corporate governance to sustain our commitment of fair and transparent operations to all stakeholders.

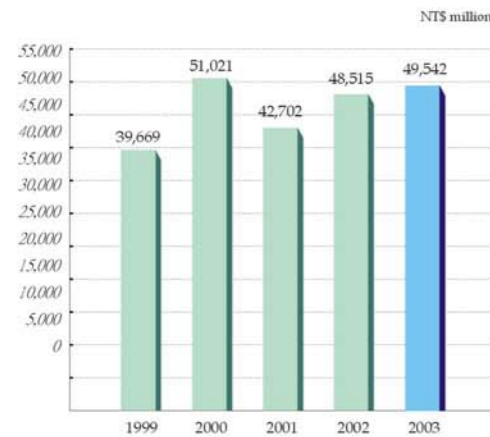


■ Consolidated Financial Highlights

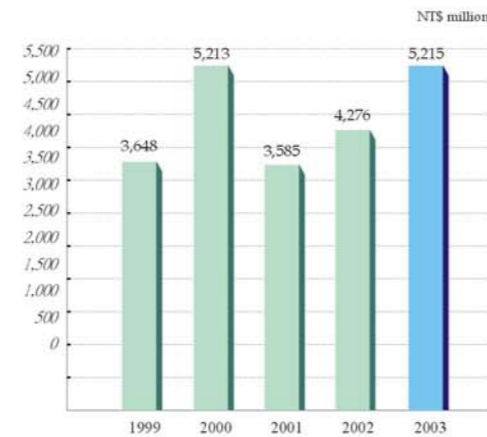
(in NT\$ million, except otherwise indicated)

	2003	2002
Net Sales	49,542	48,515
Gross Profit	10,613	9,943
Gross Margin (%)	21.4%	20.5%
Operating Profit	4,289	3,796
Operating Margin (%)	8.7%	7.8%
Net Income After Tax	5,215	4,276
Net Margin (%)	10.5%	8.8%
EPS (in NT\$)	3.52	3.08
Total Assets	63,242	55,049
Total Shareholders' Equity	31,682	30,134
ROE (%)	16.9%	14.8%

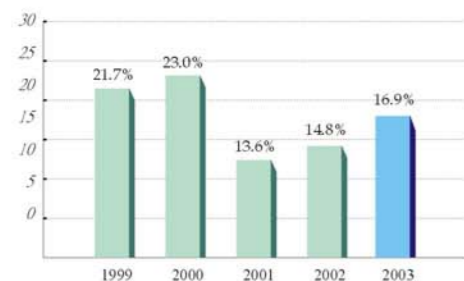
Revenues



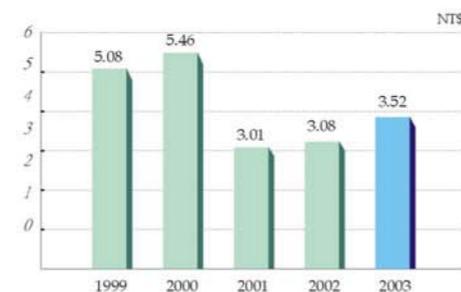
Net Profits



Return on Stockholders' Equity



Earnings Per Share



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Statements of Changes in Stockholders Equity

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Statements of Cash Flows

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Notes to Financial Statements

Report of Independent Accountants

To Delta Electronics, Inc.

We have audited the accompanying consolidated balance sheets of Delta Electronics, Inc. and its subsidiaries as of December 31, 2002 and 2003, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As explained in Note 1(2), the financial statements of certain investee companies of the consolidated subsidiaries for the years ended December 31, 2002 and 2003, accounted for under the equity method, were audited by other auditors whose reports thereon have been furnished to us. The total amount of assets were NT\$735,985,000 and NT\$216,083,000 constituting 1.3% and 0.3% of the Company's consolidated assets. The total amount of operating income were NT\$1,063,921,000 and NT\$848,600,000 constituting 2.2% and 1.7% of the Company's consolidated operating income. In addition, as explained in Note 4(5), the financial statements of certain directly held investee companies for the years ended December 31, 2002 and 2003, accounted for under the equity method, were audited by other auditors whose reports thereon have been furnished to us. The total amount of long-term investments and other liabilities - others in these investee companies as of December 31, 2002 and 2003 were NT\$5,457,426,000, NT\$2,950,000 and NT\$4,912,467,000, NT\$2,679,000, respectively, and the related investment income was NT\$331,030,000 and NT\$147,557,000 for the years then ended, respectively. Our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements in respect of the above mentioned investee company of the consolidated subsidiaries and the directly held investee company are based solely on the reports of the other auditors. We conducted our audits in accordance with generally accepted auditing standards and related rules in the Republic of China. Those standards and rules require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statements presentation. We believe that our audits and the reports of the other auditors provide a reasonable

basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delta Electronics, Inc. and its consolidated subsidiaries as of December 31, 2002 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with the "Rules Governing the Preparation of the Financial Statements of Securities Issuers" and generally accepted accounting principles in the Republic of China. The consolidated financial statements of the Company as of and for the year ended December 31, 2003, expressed in US dollars are presented solely for the convenience of the reader and were translated from the New Taiwan dollars financial statements using the exchange rate of NT\$33.975 to US\$1.00 at December 31, 2003. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.



February 10, 2004

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of the independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.