



## **DEIF A/S**

2015 ANNUAL REPORT ABSTRACT  
(CVR NO. 15798416)



# Group overview


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## Parent company

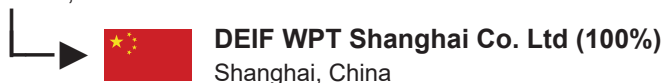
-  **DEIF A/S**
-  Skive, Denmark

## Consolidated subsidiaries

-  **DEIF do Brasil Comercio de Controles e Equipamentos Ltda. (100%)**
- Campinas, Brazil

-  **DEIF Electrical (Shanghai) Co., Ltd. (100%)**
- Shanghai, China

-  **WPT China Holding A/S (55.22%)**
-  Skive, Denmark



-  **DEIF MEDiterranea (100%)**
- Sophia-Antipolis, France


-  **DEIF GmbH (100%)**
- Bensheim, Germany

-  **DEIF India Pvt. Ltd. (100%)**
- Mumbai, India


-  **DEIF Korea co., Ltd (100%)**
- Busan, Korea

-  **Danish Power & Marine, S.A. de C.V. (100%)**
- Mexico City, México


-  **DEIF Gas Engine Tech. B.V. (100%)**
- Heerlen, Netherlands

-  **DEIF Norge AS (100%)**
- Tønsberg, Norway

-  **DEIF Asia Pacific Pte Ltd (100%)**
- Singapore, Singapore

-  **DEIF Middle East FZE (100%)**
- Dubai, UAE

-  **DEIF (UK) Limited (100%)**
- Manchester, England

-  **DEIF, Inc. (100%)**
- Loveland, Colorado, USA

# Consolidated financial highlights & KPIs in DKK

Viewed over a 5 year period, the Group's development can be described with the following KPIs:

Highlights	2015 (DKK 1,000)	2014 (DKK 1,000)	2013 (DKK 1,000)	2012 (DKK 1,000)	2011 (DKK 1,000)
<b>Profit/Loss</b>					
Net turnover	617,443	618,142	497,842	490,941	450,814
Gross profit/loss	362,523	366,162	291,561	275,842	257,770
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	71,827	94,068	51,021	45,343	63,806
Earnings before interest, taxes (EBIT)	41,882	56,714	12,665	9,021	35,590
Profit/loss before tax	24,519	52,106	3,781	-3,437	30,186
Annual profit/loss	13,667	38,574	1,942	-2,347	21,796
Development costs	81,769	88,309	83,896	77,175	56,677
<b>Balance sheet</b>					
Balance sheet total	467,818	410,503	364,228	390,781	372,677
Equity	174,853	129,161	90,221	86,871	85,991
<b>Cash flows</b>					
Operating activities	2,334	42,903	51,833	20,126	28,161
Investment activities	-34,959	-19,958	-17,846	-45,912	-40,195
Of this, tangible and intangible fixed assets	-34,868	-20,399	-17,881	-45,527	-40,355
Financing activities	31,844	-11,033	-7,955	-4,267	-2,697
Annual change in cash	-781	11,912	26,032	-30,053	-14,732
<b>Number of employees</b>					
Denmark	409	371	371	359	322
Foreign subsidiaries	211	182	169	140	118
Total	620	553	540	499	440
<b>KPIs</b>					
Growth	-0.1%	24.2%	1.4%	8.9%	16.4%
Gross margin	58.7%	59.2%	58.6%	56.2%	57.2%
EBITDA – margin	11.6%	15.2%	10.2%	9.2%	14.2%
Profit margin (EBIT)	6.8%	9.2%	2.5%	1.8%	7.9%
Return on capital employed	9.0%	13.8%	3.5%	2.3%	9.5%
Solvency ratio	37.4%	31.5%	24.8%	22.2%	23.1%
Return on equity	9.0%	35.2%	2.2%	-2.7%	28.6%
Development costs as a % of net turnover	13.2%	14.3%	16.9%	15.7%	12.6%

The KPIs have been prepared in accordance with the recommendations and guidelines of The Danish Society of Financial Analysts. We refer to the definitions in the section on accounting policy.

# Consolidated financial highlights & KPIs in EUR

Viewed over a 5 year period, the Group's development can be described with the following KPIs:

Highlights	2015 (EUR 1,000)	2014 (EUR 1,000)	2013 (EUR 1,000)	2012 (EUR 1,000)	2011 (EUR 1,000)
<b>Profit/Loss</b>					
Net turnover	82,739	83,043	66,732	65,806	60,641
Gross profit/loss	48,579	49,192	39,082	36,974	34,674
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	9,625	12,637	6,839	6,078	8,583
Earnings before interest, taxes (EBIT)	5,612	7,619	1,698	1,209	4,787
Profit/loss before tax	3,286	7,000	507	-461	4,060
Annual profit/loss	1,831	5,182	260	-315	2,932
Development costs	10,957	11,864	11,246	10,345	7,624
<b>Balance sheet</b>					
Balance sheet total	62,689	55,148	48,822	52,381	50,130
Equity	23,431	17,352	12,093	11,644	11,567
<b>Cash flows</b>					
Operating activities	313	5,764	6,948	2,698	3,788
Investment activities	-4,685	-2,681	-2,392	-6,154	-5,407
Of this, tangible and intangible fixed assets	-4,672	-2,740	-2,397	-6,102	-5,428
Financing activities	4,267	-1,482	-1,066	-572	-363
Annual change in cash	-105	1,600	3,489	-4,028	-1,982
<b>Number of employees</b>					
Denmark	409	371	371	359	322
Foreign subsidiaries	211	182	169	140	118
Total	620	553	540	499	440
<b>KPIs</b>					
Growth	-0.1%	24.2%	1.4%	8.9%	16.4%
Gross margin	58.7%	59.2%	58.6%	56.2%	57.2%
EBITDA – margin	11.6%	15.2%	10.2%	9.2%	14.2%
Profit margin (EBIT)	6.8%	9.2%	2.5%	1.8%	7.9%
Return on capital employed	9.0%	13.8%	3.5%	2.3%	9.5%
Solvency ratio	37.4%	31.5%	24.8%	22.2%	23.1%
Return on equity	9.0%	35.2%	2.2%	-2.7%	28.6%
Development costs as a % of net turnover	13.2%	14.3%	16.9%	15.7%	12.6%

The KPIs have been prepared in accordance with the recommendations and guidelines of The Danish Society of Financial Analysts. We refer to the definitions in the section on accounting policy.

## Introduction

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DEIF A/S's annual report for 2015 has been prepared in accordance with the provisions of the Presentation of Accounts Act regarding large enterprises in reporting class C.

### **The Group's primary activities & strategy**

DEIF develops, manufactures and markets electronic products for the energy and marine sectors. The development and manufacturing takes place in the parent company, while sales, customisation and advice regarding the Group's products are provided by both the parent company and subsidiaries. The subsidiaries are crucial to the company's global expansion as they ensure local expertise and a presence in the major markets.

DEIF's main objective is to provide technology that helps to improve the environment and which supports global, green growth. This is a rapidly developing area basically driven by a number of strong factors:

- ▶ Increasing global electricity and energy consumption
- ▶ A commitment to reducing pollution and CO<sub>2</sub> emissions
- ▶ A broad desire to reduce dependence on oil and gas imports
- ▶ Widespread consensus that green technologies are significant economic growth drivers
- ▶ Declining prices for – and an increasing maturity within – renewable energy technologies

In recent years, DEIF has invested heavily in developing renewable energy control systems, with special emphasis on control systems for wind turbines. In addition, DEIF has increased activities related to hybrid energy technologies combining different sources of energy in 'microgrids'.

Within the well-established business areas, which deal with control systems for decentralised generator plants and power stations, as well as ships/offshore systems, DEIF helps, through its products and services, to optimise fuel efficiency and supports the cleanest technologies; e.g. bioenergy and the conversion from diesel to gas.



# Business areas & strategic objectives

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DEIF divides the business into 2 divisions:

## The Power & Marine Division

This division is divided into two very well established business areas:

### 1. Power & Control Technology

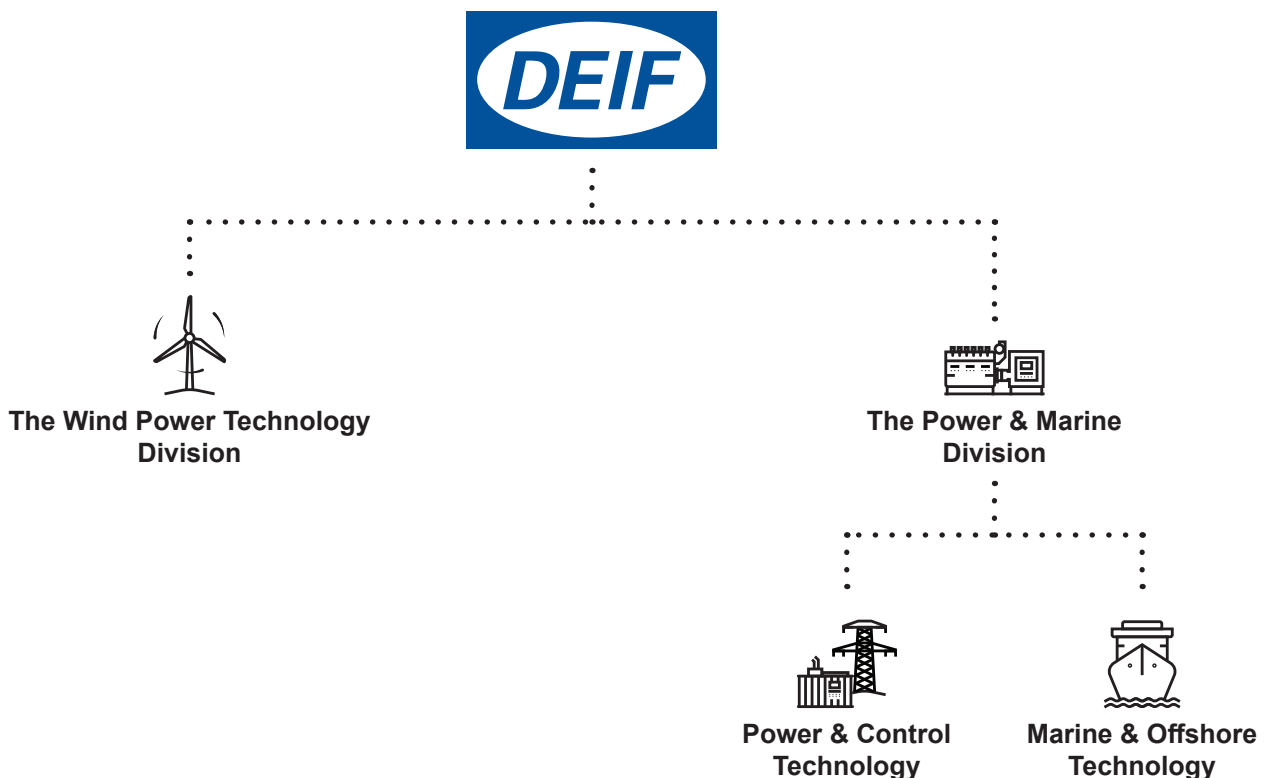
DEIF is among the leading global suppliers of control systems for decentralised power and heat production. DEIF provides solutions for decentralised power/co-generation plants based on diesel, gas, steam, hydro power, and hybrid PV/diesel plants. Moreover, DEIF is a leading supplier of control solutions for complex emergency power plants (critical power). Power & Control Technology focuses on green and sustainable solutions through the optimisation of energy production, taking into account the current consumption in order to use the least possible fuel. Through the use of DEIF's technology, the use of more environmentally friendly power sources such as natural and biogas, biomass and hydropower is promoted.

### 2. Marine & Offshore Technology

DEIF is currently the leading global supplier of power management solutions for ships and offshore entities, as well special instruments for ship bridges. DEIF supplies components and complete control systems for securing and optimising the very complex power generation and distribution on ships. DEIF also helps ensure maximum safety on the ships' bridges through the delivery of custom-designed and extremely reliable instrumentation. Marine & Offshore Technology helps to reduce pollution from shipping through a "green marine" programme that focuses on minimising fuel consumption by optimising the production of electricity and regulating consumption while still considering the ships' safety and the actual power needs.

## The Wind Power Technology Division

This is the newest business area in DEIF, and the area is still considered in development. DEIF is a technologically leading supplier of control systems for wind turbines; from 250 KW to 6 MW. DEIF supplies complete systems containing all know-how on managing the wind turbines, including the pitch control of blades. The scope of supply covers both new wind turbines and retrofitting of older wind turbines. Wind Power Technology helps to promote the dissemination and optimisation of wind turbines; especially in modern wind power countries such as China, India and Korea. By using DEIF's Park Power Management technology, the performance of wind farms can be optimised and tailored to the local electricity needs from wind turbines.



# Management's statement on the annual report

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The Board of Directors and the Management have today considered and adopted the annual report of DEIF A/S for the financial year 1 January to 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act. We consider the accounting policies applied appropriate and the used financial estimates sound. Thus, the complete annual report provides a true and fair view of the Group's and parent company's assets and liabilities, financial position and the results of the Group's and parent company's activities and cash flows.

In our opinion, the management report gives a true and fair view of the financial standings and conditions it deals with, and it describes the Group's most significant risks and uncertainties.

We recommend that the annual report be approved at the annual general meeting.

Skive, 7 April 2016

## Management

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Toke Foss  
Managing Director

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Mogens Garder  
Director  
Power & Marine Division

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Christian Nielsen  
Director,  
Wind Power Technology Division

## Board of Directors

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Mogens Filtenborg  
Chairman

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Kim R. Rasmussen

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Birgitte Brinch Madsen

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Peter H. Røpke

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Ole Ravnborg  
Staff-elected

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Tonja W. Rasmussen  
Staff-elected

# The past year & expectations for the coming year

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## The Group

Based on a strengthened market position resulting from increased market shares, but in an unexpectedly weak market, the turnover reached 617 MDKK, roughly the same as the year before. Operating profit (EBITDA) equalled 71.8 MDKK (94 MDKK in 2014), and the profit before tax equalled 24.5 MDKK (52.1 MDKK the year before).

The result is satisfactory considering the significant and unexpected market slump throughout the year. The high level of product development has been maintained, and the marketing efforts strengthened, among other things through the establishment of subsidiaries in South Korea and Mexico.

The balance at DEIF has been strengthened. Reaching 37.8%, the solvency ratio has been continuously improved in recent years and is now at a satisfactory level. This is the result of ongoing business profits as well as the equity contribution from the Danish Climate Investment Fund in the newly established company WPT China Holding.

Despite increased market shares, DEIF expects reaching unchanged turnover and result levels in 2016 due to the continued and pronounced uncertainty related to the development in the markets.

## The Power & Marine Division

In 2015, DEIF's biggest division reached an operating profit of 61 MDKK (103 MDKK the year before). This is considered satisfactory, although lower than expected. As mentioned, the lower profit was caused by unexpected market slumps starting in the second quarter of the year. The substantial decline in oil prices and the declining growth - and the resulting lack of propensity to invest in "emerging economies" - were all much more severe than expected.

Altogether, however, the development in 2016 was positive for the Power & Marine division, which took market shares and further improved its position as the leading supplier in both the land and marine markets.

Assessing the outlook for 2016 is very difficult due to the market instability, but the strategy is to continue market expansions in order to fully utilise the favourable opportunities for increasing market shares.

## The Wind Power Technology Division

As expected, the smaller and younger Wind Power Technology division generated a significant turnover increase. The operating profit equalling 11 MDKK (-9 MDKK the year before) was positive for the first time in the history of the division.

In general, the 2015 Wind Power market was good, and the market position was significantly strengthened during the year. Effective 1 January 2015, DEIF entered into a cooperation with the Danish Climate Investment Fund, resulting in a substantial investment in the activities of the division in China. This has contributed significantly to both turnover and profit from this key market.

The Wind Power Technology division expects additional growth in turnover and operating result in 2016 due to positive market forecasts and the improved competitive position.

## Capital resources

The company has the necessary credit facilities to finance next year's operations.



# Operational & financial risks and basis of earnings

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## Operations & markets

DEIF's business typically consists of solid and lasting customer relationships. DEIF benefits from having a wide geographical spread and significant customer diversification. However, an increasing part of the turnover derives from markets and projects which are cyclical by nature, thus resulting in increased fluctuations and an increasingly difficult to predict turnover.

## Currency exchange risks

Activities abroad mean that revenue, cash flows and equity are affected by exchange rate movements in a number of currencies. Estimates are continuously made for each currency to determine whether an exchange rate risk should be hedged – taking into account the related costs relative to DEIF's total risk.

The main currency risks for DEIF relate to trends in USD and CNY. Hedging has been implemented for USD, which covers a substantial portion of the expected net inflow in 2016.

## Interest rate risks

Moderate changes in interest rates will have no significant direct effect on earnings.

In 2016, the interest rate risk on secured debt was hedged by an interest rate SWAP.

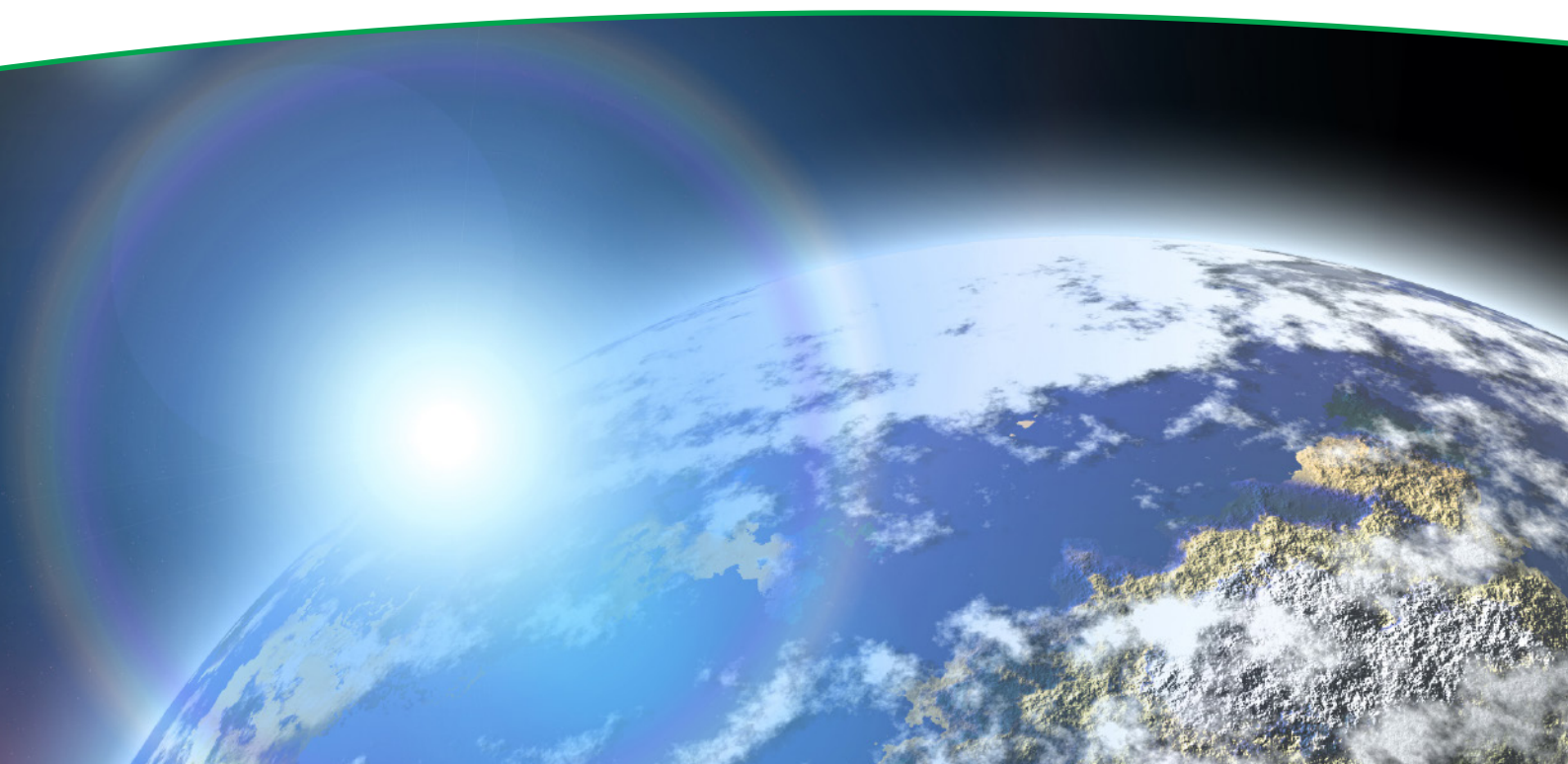
## Credit risks

All major customers are systematically credit rated and credit is only granted within internally agreed credit limits. On relevant markets, transactions with major customers are credit insured.

The Group has no risks related to individual customers which give cause for concern in relation to the overall financial situation.

## Basis of earnings: Research & development

DEIF allocates a high share of the turnover to product development. In 2015, spending equalled 81.8 MDKK (13.2% of the turnover) against 88.3 MDKK (14.3% of the turnover) the previous year. The majority is spent on development of new product platforms and expanding application areas for the products, whereas a smaller part is used for general product maintenance. In other words, investments with a future perspective are significant. A number of new and ground-breaking product platforms are being introduced. They are expected to contribute significantly to the growth in the coming years.



# Social responsibility & DEIF code of conduct

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## Social responsibility & the surrounding environment

Since 1992, DEIF has been pursuing the following written overall company goals:

“To maximise the long-term value of DEIF, while always acting ethically responsible in relation to our employees, business partners and the society.”

Throughout the years, DEIF has consistently worked to implement this overall goal, not least through a very systematic work on strategy plans and derived action plans and policies. This means that the entire organisation is working towards reaching the overall goal of always acting ethically correct.

The management complies with all generally accepted principles regarding corporate social responsibility and good business ethics – fully in line with the overall goal. Naturally, we always make sure to comply with existing legislation.

Aiming to further systematise and highlight our CSR efforts, DEIF has joined the UN Global Compact.

## Global implementation of DEIF code of conduct

DEIF's policies for corporate social responsibility are described in our "Code of Conduct", which is based on UN's 10 general principles on how corporations should work with social responsibility and sustainability.

The international management group of the company has decided to work in a structured manner with the interpretation and communication of these principles related to human rights, labour, environment and anti-corruption, all of which have been described in more detail on DEIF's website.

DEIF has published an internal brochure containing Code of Conduct guidelines. All global employees have received training in these – supported by a number of dilemma cases illustrating the grey areas and pitfalls characterising the area. All new employees are also introduced to the principles and DEIF's perception of them.



# Environment, knowledge & gender diversity

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## Environment and climate

DEIF places a special emphasis on the working environment, and in this regard, the company has reached a very satisfactory level, through, among other things, extensive investment in modern, environmentally friendly facilities.

In recent years, DEIF has worked very hard to implement a green executive strategy. Good results have been achieved in energy optimisation of buildings and fuel savings for our customers through a strong emphasis on this issue in the solutions offered and participation in collaborations with other companies and authorities.

It is thus DEIF's policy to invest in green solutions for the benefit of the external environment – even though these may have a longer payback period than the less environmentally friendly solutions – in the belief that this will benefit the company and society in the long term.

In 2013, DEIF implemented a system to document environmental management (ISO 14 001). We plan to use the certification actively in our efforts to implement, maintain and improve the ambitious initiatives of our green main strategy.

## Knowledge base

In recent years, there has been a significant increase, and diffusion, of knowledge in the company, which means that DEIF has built a very large and broad knowledge base, providing a good foundation for future development.

## Share of the under-represented gender

In line with the company's values, DEIF in general wishes to promote diversity, also when it comes to gender. DEIF's values ensure all employees equal rights, conditions and opportunities regardless of age, nationality or gender.

DEIF's aim is that at least 25% of the members of the Board of Directors are women. At the beginning of 2015, there was a change in the composition of the Board promoting gender diversity, so it now includes one woman and three men. Thus, the composition of the Board meets our aim as well as the guiding percentage from the Danish Business Authority.

DEIF has also set targets for the proportion of the underrepresented gender in other management layers. We aim to reach a balanced composition between male and female managers.

DEIF has not yet achieved a balanced composition between male and female managers. This is expected to take several years and will be part of the decision basis when recruiting new managers. However, as a consequence of the lines of business in which DEIF operates, we do not consider it possible to reach an equal gender balance at other management levels.





## **DEIF A/S**

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