




DEIF A/S

2017 ANNUAL REPORT ABSTRACT
(CVR NO. 15798416)





Group overview

Parent company

	DEIF A/S Skive, Denmark
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Consolidated subsidiaries

	DEIF do Brasil (100%) Campinas, Brazil
	DEIF Electrical (Shanghai) Co., Ltd. (100%) Shanghai, China
	WPT China Holding A/S (55.22%) Skive, Denmark
	DEIF WPT Shanghai Co. Ltd (100%) Shanghai, China
	DEIF MEDiterranea SARL (100%) Sophia-Antipolis, France
	DEIF GmbH (100%) Bensheim, Germany
	DEIF India Pvt. Ltd. (100%) Mumbai, India
	DEIF Korea Co. Ltd (100%) Busan, Republic of Korea
	DEIF Mexico S.A. de C.V. (100%) Mexico City, México
	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%) Wood Dale, Illinois, 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	2017 (DKK 1,000)	2016 (DKK 1,000)	2015 (DKK 1,000)	2014 (DKK 1,000)	2013 (DKK 1,000)
Profit/Loss					
Net turnover	620,942	609,817	617,443	618,142	497,842
Gross profit/loss	323,114	328,426	362,523	366,162	291,561
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	52,248	55,149	71,827	94,068	51,021
Earnings before interest, taxes (EBIT)	21,312	24,558	41,882	56,714	12,665
Profit/loss before tax	9,478	12,176	24,519	52,106	3,781
Annual profit/loss	7,081	6,772	13,667	38,574	1,942
Balance sheet					
Balance sheet total	541,382	497,949	467,818	410,503	364,228
Equity	201,291	188,434	174,853	129,161	90,221
Cash flows					
Operating activities	22,363	56,456	2,334	42,903	51,833
Investment activities	-74,938	-68,509	-34,959	-19,958	-17,846
Of this, tangible and intangible fixed assets	-74,238	-67,837	-34,868	-20,399	-17,881
Financing activities	6,035	19,202	31,844	-11,033	-7,955
Annual change in cash	-46,540	7,149	-781	11,912	26,032
Number of employees					
Denmark	399	397	409	371	371
Foreign subsidiaries	237	241	211	182	169
Total	636	638	620	553	540
KPIs					
Growth	1.8%	-1.2%	-0.1%	24.2%	1.4%
Gross margin	52.0%	53.9%	58.7%	59.2%	58.6%
EBITDA – margin	8.4%	9.0%	11.6%	15.2%	10.2%
Profit margin (EBIT)	3.4%	4.0%	6.8%	9.2%	2.5%
Return on capital employed	3.9%	4.9%	9.0%	13.8%	3.5%
Solvency ratio	37.2%	37.8%	37.4%	31.5%	24.8%
Return on equity	3.6%	3.7%	9.0%	35.2%	2.2%

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	2017 (EUR 1,000)	2016 (EUR 1,000)	2015 (EUR 1,000)	2014 (EUR 1,000)	2013 (EUR 1,000)
Profit/Loss					
Net turnover	83,405	82,026	82,739	83,043	66,732
Gross profit/loss	43,401	44,176	48,579	49,192	39,082
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	7,018	7,418	9,625	12,637	6,839
Earnings before interest, taxes (EBIT)	2,863	3,303	5,612	7,619	1,698
Profit/loss before tax	1,273	1,638	3,286	7,000	507
Annual profit/loss	951	911	1,831	5,182	260
Balance sheet					
Balance sheet total	72,719	66,979	62,689	55,148	48,822
Equity	27,037	25,346	23,431	17,352	12,093
Cash flows					
Operating activities	3,004	7,594	313	5,764	6,948
Investment activities	-10,066	-9,215	-4,685	-2,681	-2,392
Of this, tangible and intangible fixed assets	-9,972	-9,125	-4,672	-2,740	-2,397
Financing activities	811	2,583	4,267	-1,482	-1,066
Annual change in cash	-6,251	962	-105	1,600	3,489
Number of employees					
Denmark	399	397	409	371	371
Foreign subsidiaries	237	241	211	182	169
Total	636	638	620	553	540
KPIs					
Growth	1.8%	-1.2%	-0.1%	24.2%	1.4%
Gross margin	52.0%	53.9%	58.7%	59.2%	58.6%
EBITDA – margin	8.4%	9.0%	11.6%	15.2%	10.2%
Profit margin (EBIT)	3.4%	4.0%	6.8%	9.2%	2.5%
Return on capital employed	3.9%	4.9%	9.0%	13.8%	3.5%
Solvency ratio	37.2%	37.8%	37.4%	31.5%	24.8%
Return on equity	3.6%	3.7%	9.0%	35.2%	2.2%

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

DEIF A/S's annual report for 2017 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 digital solutions and electronic products for the energy and marine sectors – mainly related to producing, distributing and consuming energy (electricity).

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.

DEIF's main objective is to provide technology that helps improve the environment and which supports green growth. This is driven by a number of global megatrends:

- A growing energy consumption increasingly based on electricity
- A political will to reduce global warming and air pollution
- Sustainable energy has become financially competitive compared to oil and gas
- Green energy technology is a significant growth factor in the global economy

In recent years, DEIF has invested heavily in developing renewable energy control systems particularly for wind turbines and hybrid energy technologies that combine different energy sources, including solar cells and batteries.

By means of our products and services, DEIF contributes to optimising fuel efficiency for decentralised power plants and ships and also supports clean technologies, such as conversion to bio-based fuels.

The increased electrification requires a high level of energy and cyber security. DEIF contributes by delivering technology for complex emergency power systems protecting for instance data centres, hospitals and vital infrastructure from blackouts.

Business areas & strategic objectives

DEIF divides the business into 2 divisions:

The Power & Marine Division

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

1. Land Power

DEIF is among the leading global suppliers of controllers for decentralised power and heat production. DEIF delivers solutions for decentralised power/co-generation plants based on diesel, gas, steam, hydro power, and hybrid PV/diesel/battery plants. Moreover, DEIF is a leading supplier of control solutions for complex emergency power plants (critical power). Land Power focuses on green and sustainable solutions that generate as much power as possible using the least possible fuel. Using DEIF's technology furthers the use of more environmentally friendly power sources such as solar cells and biogas.

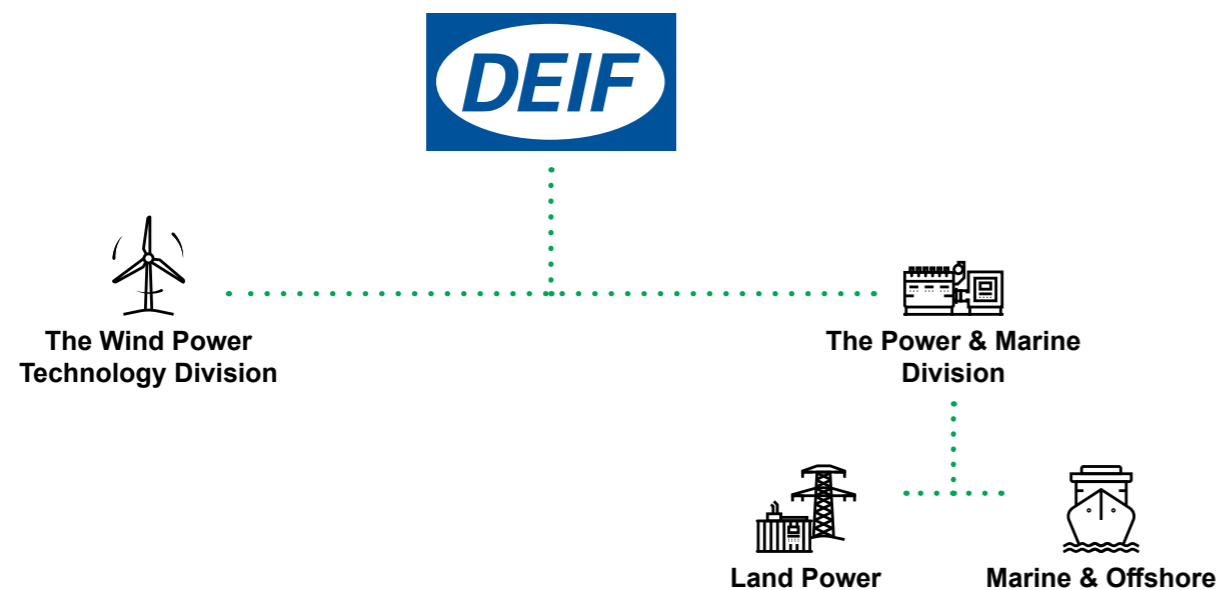
2. Marine & Offshore

DEIF is the undisputed leading global supplier of power management solutions for ships, offshore installations and 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 helps 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 safeguarding ship safety and the actual power needs.

The Wind Power Technology Division

DEIF is a globally leading supplier of control technology for wind turbines of any size. The solutions are based on deep and specialised knowhow comprising all knowledge concerning control of wind turbines. DEIF's solutions include both hardware, software and IT to handle the full control and monitoring of each individual wind turbine and entire wind farms. The solutions are suitable for both new turbines and retrofitting of existing ones. DEIF's strategy is to cooperate closely with wind turbine owners to minimise the Total Cost of Ownership. DEIF helps promote the use and optimisation of wind turbines. Implementing DEIF's technology optimises the wind turbine performance while minimising service costs.



Management's statement on the annual report

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 2017.

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, 4 April 2018

Management

Toke Foss
Managing Director

Mogens Garder
Director
Power & Marine Division

Christian Nielsen
Director,
Wind Power Technology Division

Board of Directors

Mogens Filtenborg
Chairman

Kim R. Rasmussen

Birgitte Brinch Madsen

Peter H. Røpke

Hans Henrik Pontoppidan

Frederik A. Foss

Ole Ravnberg
Staff-elected

Tonja W. Rasmussen
Staff-elected

The past year & expectations for the coming year

The Group

DEIF's turnover rose to 620.9 MDKK from 609.8 MDKK in 2016. The 'green segments Wind Power Technology and Land Power generated an increase in turnover whereas the Marine & Offshore segment continued the negative turnover development in recent years.

The operating profit (EBITDA) equalled 52.2 MDKK, slightly less than in 2016 (55.1 MDKK). This was primarily caused by turnover moving in the direction of low-profit markets as well as less favourable currency exchange rates.

The profit before tax reached 9.5 MDKK (12.2 MDKK the year before). Reaching 37.2%, the solvency ratio remains at a satisfactory level.

For 2018, the Group expects a turnover increase along with an improved result due to the increased market shares in a positive market – and through a selective cost adjustment.

The Power & Marine Division

In 2017, the biggest DEIF division reached an operating result of 34.6 MDKK (44.6 MDKK in 2016) generated on the basis of a turnover equal to 440.8 MDKK (457.4 MDKK in 2016). The result is satisfactory due to the continued decline on the Marine & Offshore market which was not counterbalanced by the improved Land Power sales.

The division has adjusted its costs without compromising the long-term strategy to increase market shares. DEIF has chosen to maintain and strengthen efforts within product and market development. Thus, DEIF has chosen to maintain and strengthen efforts within product and market development. The resulting costs and investments lead to a lower profit in the short term, but the future prospects are very attractive, involving increased turnover and profit as soon as the markets recover.

On the overall, the development in 2017 is considered positive for Power & Marine given the fact that the division has won market shares and further strengthened the position on all markets.

Power & Marine expects the positive development within Land Power to continue and become even more favourable in 2018. The development in Marine & Offshore remains more uncertain, but we expect the decline in recent years to have come to a halt and that the market conditions will improve slowly over the coming period. Overall, a slight turnover and result improvement is expected for 2018.

The Wind Power Technology Division

Significantly increasing the turnover once again, this division reached 180.1 MDKK (152.4 MDKK in 2016). The operating result equalled 17.6 MDKK (10.5 MDKK in 2016).

The main market for Wind Power Technology is China. This market developed unfavourably in 2017 due to the fact that the number of erected wind turbines was lower than in previous years. However, DEIF managed to compensate for that by increasing the market share. Therefore, the result is considered satisfactory.

In 2017, DEIF has made significant investments in the new market segment – retrofitting of wind turbines in Europe and USA. Important breakthroughs have been reached in this market, which is expected to become a growth driver over the coming years.

In 2018, erection of wind turbines in China is expected to increase – a necessity to meet the country's five-year plan; and DEIF expects to maintain and expand its market share in China at the same time. In addition, the retrofit-related turnover from Europe and USA will increase. Therefore, Wind Power Technology expects an increasing turnover and an improved result in 2018 while at the same time making additional investments to develop new solutions and to increase the capabilities of the division, not least related to retrofit.

Operational & financial risks and basis of earnings

Capital resources

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

Operations & markets

DEIF's business typically consists of solid and lasting customer relationships. DEIF benefits from having a relatively good geographical spread and significant customer diversification. However, an increasing part of the turnover derives from projects in a few markets, thus limiting the spread and increasing the risks in relation to specific customers and countries.

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 and CNY, which covers a substantial portion of the expected net inflow in 2018.

Interest rate risks

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

The interest rate risk on secured debt has been partially 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 2017, spending equalled 51.5 MDKK (8.3% of the turnover) against 60.0 MDKK (9.8% of the turnover) the previous year. In addition, investments in new applications equalling 60.3 MDKK (38.5 MDKK in 2016) have been made.

In other words, investments with a future perspective are significant. A number of new and ground-breaking product platforms are being introduced and they have been very well received on the markets. They are expected to contribute decisively to the growth in the coming years.



CSR & code of conduct

Following the principles of UN Global Compact

Since 2016, DEIF has been part of UN's Global Compact Programme which lays out 10 general principles covering how companies work with social responsibility related to human rights, labour rights, safety & environment and anti-corruption.

Within each of the four areas, we have developed policies and guidelines which have been communicated to and implemented in our entire organisation. They have been formalised in 'DEIF Code of Conduct', DEIF's internal guidelines which follow the principles of UN Global Compact.

Ambitions, activities and aims

At the end of 2016, DEIF identified a number of aims and activities for 2017 in relation to CSR management and the four above-mentioned areas.

In 2017, we have worked systematically to carry out the planned activities in order to reach the aims. Moreover, new aims and activities have been laid down for 2018.



CSR & code of conduct highlights from 2017

Some of the most important initiatives and results from 2017 were:

- DEIF's first CSR report (Communication on Progress) was published in April 2017 in accordance with the guidelines of UN Global Compacts.
- We have carried out CSR evaluations in Denmark, China and Singapore following UN's criteria (The Global Compact Self Assessment Tool) to reveal how well our Code of Conduct and CSR initiatives have been implemented in our companies. In general, the results demonstrate a high degree of compliance with the guidelines and that the CSR mindset is well-established among managers and employees.
- Our Code of Conduct has been communicated to all active suppliers, and they have accepted to comply with the guidelines. We have carried out three supplier audits outside Europe in 2017.
- DEIF finds it highly important to be a safe and healthy workplace. The safety and well-being of our employees is our primary concern. Therefore, DEIF was happy and proud to come in second in the competition 'Best workplace in Denmark 2017' held by the Danish labour union 3F.
- In 2017, we continued our strong focus on maintaining a very high degree of security for all employees globally. DEIF implemented a global HSE structure (Health, Safety og Environment), and we carried out safety instructions and training in all companies. The aim is 0 work accidents. In 2017, we registered two minor accidents causing no absence.
- New guidelines for handling personal crisis situations at the workplace (sickness and accidents) in Denmark were created. They include a system for quick defibrillator assistance and trained staff. In 2017, we trained 29 employees in first aid and defibrillator use.
- A number of environmental initiatives were implemented in 2017. These include improved waste handling in several subsidiaries, f.eks. aflevering af elektronikaffald i Indien.
- DEIF joined 'Greenlab Skive' – a project aiming to create new green solutions and growth in the region by means of facilitating integration and storage of sustainable energy in the national grid. DEIF will participate in Greenlab Skive's planned biogas CHP test plant and also deliver the control solution for a local microgrid which will come to include a planned wind turbine park".
- A new initiative, we created a number of CSR-related questions to be asked in connection with DEIF's global employee satisfaction survey in 2017. On the overall, DEIF received a very high score related to being a socially responsible company that takes CSR concerns seriously.

Please refer to our CSR brochure available at www.deif.com/csr for a full read





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