



## **DEIF A/S**


2019 ANNUAL REPORT ABSTRACT  
(CVR NO. 15798416)







## Group overview

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### Parent company

	<b>DEIF A/S</b> Skive, Denmark
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### Consolidated subsidiaries

	<b>DEIF do Brasil (100%)</b> Campinas, Brazil
	<b>DEIF Electrical (Shanghai) Co., Ltd. (100%)</b> Shanghai, China
	<b>WPT China Holding A/S (55.22%)</b> Skive, Denmark
	<b>DEIF WPT Shanghai Co. Ltd (100%)</b> Shanghai, China
	<b>DEIF MEDiterranea SARL (100%)</b> Sophia-Antipolis, France
	<b>DEIF GmbH (100%)</b> Bensheim, Germany
	<b>DEIF India Pvt. Ltd. (100%)</b> Mumbai, India
	<b>DEIF Korea Co. Ltd (100%)</b> Busan, Republic of Korea
	<b>DEIF Mexico S.A. de C.V. (100%)</b> Mexico City, México
	<b>DEIF Norge AS (100%)</b> Tønsberg, Norway
	<b>DEIF Asia Pacific Pte Ltd (100%)</b> Singapore, Singapore
	<b>DEIF Middle East FZE (100%)</b> Dubai, UAE
	<b>DEIF (UK) Limited (100%)</b> Manchester, England
	<b>DEIF, Inc. (100%)</b> Wood Dale, Illinois, USA
	<b>DEIF WPT Austria GmbH (100%)</b> Klagenfurt, Austria

# Consolidated financial highlights & KPIs in DKK

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

Highlights	2019 (DKK 1,000)	2018 (DKK 1,000)	2017 (DKK 1,000)	2016 (DKK 1,000)	2015 (DKK 1,000)
<b>Profit/Loss</b>					
Net turnover	566,723	544,726	620,942	609,817	617,443
Gross profit/loss	315,466	292,209	323,114	328,426	362,523
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	75,502	22,369	52,248	55,149	71,827
Earnings before interest, taxes (EBIT)	29,474	-17,426	21,312	24,558	41,882
Profit/loss before tax	16,182	-30,343	9,478	12,176	24,519
Annual profit/loss	13,060	-24,745	7,081	6,772	13,667
<b>Balance sheet</b>					
Balance sheet total	599,608	563,905	541,382	497,949	467,818
Equity	187,085	174,250	201,291	188,434	174,853
<b>Cash flows</b>					
Operating activities	47,084	31,347	22,363	56,456	2,334
Investment activities	-65,562	-80,142	-74,938	-68,509	-34,959
Of this, tangible and intangible fixed assets	-65,823	-80,077	-74,238	-67,837	-34,868
Financing activities	23,555	49,909	52,714	10,027	48,652
Annual change in cash	5,077	1,114	139	-2,026	16,027
<b>Number of employees</b>					
Denmark	350	396	399	397	409
Foreign subsidiaries	196	228	237	241	211
Total	546	624	636	638	620
<b>KPIs</b>					
Growth	4.0%	-12.3%	1.8%	-1.2%	-0.1%
Gross margin	55.7%	53.6%	52.0%	53.9%	58.7%
EBITDA – margin	13.3%	4.1%	8.4%	9.0%	11.6%
Profit margin (EBIT)	5.2%	-3.2%	3.4%	4.0%	6.8%
Return on capital employed	4.9%	-3.1%	3.9%	4.9%	9.0%
Solvency ratio	31.2%	30.9%	37.2%	37.8%	37.4%
Return on equity	7.2%	-13.2%	3.6%	3.7%	9.0%

The KPIs have been prepared in accordance with the recommendations and guidelines of The Danish Society of Financial Analysts.

# Consolidated financial highlights & KPIs in EUR

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

Highlights	2019 (EUR 1,000)	2018 (EUR 1,000)	2017 (EUR 1,000)	2016 (EUR 1,000)	2015 (EUR 1,000)
<b>Profit/Loss</b>					
Net turnover	75,870	72,948	83,405	82,026	82,739
Gross profit/loss	42,233	39,132	43,401	44,176	48,579
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10,108	2,996	7,018	7,418	9,625
Earnings before interest, taxes (EBIT)	3,946	-2,334	2,863	3,303	5,612
Profit/loss before tax	3,946	-4,063	1,273	1,638	3,286
Annual profit/loss	1,748	-3,314	951	911	1,831
<b>Balance sheet</b>					
Balance sheet total	80,272	75,517	72,719	66,979	62,689
Equity	25,046	23,335	27,037	25,346	23,431
<b>Cash flows</b>					
Operating activities	6,303	4,198	3,004	7,594	313
Investment activities	-8,777	-10,732	-10,066	-9,215	-4,685
Of this, tangible and intangible fixed assets	-8,812	-10,724	-9,972	-9,125	-4,672
Financing activities	3,153	6,682	7,057	1,342	6,513
Annual change in cash	680	149	19	-271	2,146
<b>Number of employees</b>					
Denmark	350	396	399	397	409
Foreign subsidiaries	196	228	237	241	211
Total	546	624	636	638	620
<b>KPIs</b>					
Growth	4.0%	-12.3%	1.8%	-1.2%	-0.1%
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EBITDA – margin	13.3%	4.1%	8.4%	9.0%	11.6%
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Return on capital employed	4.9%	-3.1%	3.9%	4.9%	9.0%
Solvency ratio	31.2%	30.9%	37.2%	37.8%	37.4%
Return on equity	7.2%	-13.2%	3.6%	3.7%	9.0%

The KPIs have been prepared in accordance with the recommendations and guidelines of The Danish Society of Financial Analysts.

# Introduction

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DEIF A/S's annual report for 2019 has been prepared in accordance with the Danish Financial Statements 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 global energy and marine markets – with a focus on production, distribution and consumption of electrical energy (electricity).

Development and production takes place in the parent company in Denmark. Sales, development, delivery and servicing of customer solutions takes place in both the parent company and subsidiaries.

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

- Higher energy consumption, increasingly based on electricity.
- A political desire to limit global warming and reduce air pollution.
- Renewable energy has become economically competitive relative to oil and gas.
- Green energy technology is a significant growth engine in the global economy.

In recent years, DEIF has invested heavily in developing solutions in renewable energy with a particular focus on wind turbines and hybrid energy technologies that combine various sources of energy, including solar panels and batteries.

Through its products and solutions, DEIF contributes to the optimisation of fuel consumption in decentralised power production and ships, and the company supports the cleanest technologies, such as conversion to bio-based fuels.

Increased electrification creates a high demand for supply security and cybersecurity. DEIF contributes to this with technology for complex emergency power systems that protect e.g. data centres, hospitals and vital infrastructure from power failures.



## Project

### Vital requirements

- Size of the project
- Price competitiveness
- Simpler production

### The process in the

- Customer visits
- All subsidiaries
- Workshops with
- Analyzed our
- The hardest part

# Business areas & strategic objectives

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DEIF has divided the market into three business areas:

## **Marine & Offshore**

DEIF is by far the largest global supplier of power management solutions for ships and offshore entities, as well as special instruments for ship bridges. DEIF supplies components and complete solutions for securing and optimising the often 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 power supply, while always taking into account the ships' safety and power needs.

## **Land Power**

DEIF is among the leading global suppliers of control systems for decentralised power production. DEIF provides solutions for generator systems and power plants based on e.g. diesel, gas, steam and hydropower, as well as hybrid solar/diesel/battery systems. DEIF is also the leader in control systems for complex emergency power systems ("critical power").

Land Power focuses on green and economic solutions that optimise the power production relative to the demand, to minimise the consumption of fuel. DEIF's technology promotes the use of more environmentally friendly power sources such as solar panels and biogas.

## **Wind Power**

DEIF is a leading global supplier of control system technology for wind turbines of all sizes. The solutions are based on a very deep knowhow, including all knowledge about the control systems of wind turbines.

The solutions include hardware, software and IT for complete control and monitoring of individual wind turbines, and also entire wind parks. They are used for both new wind turbines and to retrofit existing turbines. DEIF's strategy is to work closely with wind turbine owners to minimise Total Cost of Ownership.

Wind Power helps promote the expansion and optimisation of wind turbines. Using DEIF's technology can optimise the performance of wind turbines and minimise service costs for owners.

# 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. januar - 31. december 2019.

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, 31 March 2020

## MANAGEMENT

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**Toke Foss**  
CEO

## BOARD OF DIRECTORS

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**Mogens Filtenborg**  
Chair

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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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**Hans Henrik Pontoppidan**

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**Frederik A. Foss**

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**Ole Ravnborg**  
Staff-elected

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**Jacob Danielsen**  
Staff-elected

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**Søren Dahl Christensen**  
Staff-elected

# The past year & expectations for the coming year

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## The Group

DEIF's revenue increased by 4% to DKK 566.7 million (DKK 544.7 million the previous year), while gross profit increased by 8% to DKK 315 million. The increase in earnings and gross profit was achieved in the areas of Wind Power and Marine & Offshore.

Operating profit (EBITDA) was DKK 75.5 million, which is a significant improvement from the previous year (DKK 22.4 million), and with an EBITDA margin of 13.3%, this was the best operating profit achieved in five years. After tax, the Group generated a profit of DKK 13.1 million, compared to a loss of DKK 24.7 million the previous year. It is very positive that DEIF has succeeded in reversing its negative earnings trend over the past three years. However, the profit (EBIT margin of 5.2%) is not yet at a satisfactory level, not least due to the significant amortisation (DKK 32.4 million) of completed development projects.

The reasons for the positive development are a combination of higher turnover, improved profit margins and a significantly reduced cost level thanks to a successful restructuring completed during 2018 and taking full effect in 2019.

## The coming year

The first months of the year started off positively with clear indications of solid progress across all business areas. Also, the COVID-19 situation in the large Chinese market seems to be under control. This is in line with a budgeted increase in turnover and profit.

Unfortunately, during March, COVID-19 has extremely quickly evolved into a global pandemic with a major impact on the global economy. This has caused a great deal of uncertainty about market prospects.

DEIF generally operates in markets with a relatively long investment horizon, as the company's products are sold late in the value chain. A large proportion of the products are used for critical infrastructure, including data centres, hospitals, green energy and maritime transport; and an increasing share of them go into necessary or very profitable retrofit and upgrades of existing facilities. It is therefore estimated, also based on experience from previous crises such as the 2008 financial crisis, that DEIF is less vulnerable to the effects of a global crisis in the short term than many other companies. However, if the entire world economy falls into a recession, this will, of course, also affect DEIF in the short and medium term, which means that we will not see the expected positive development in the coming year.

DEIF will keep monitoring the situation and will take the necessary steps to ensure that the company makes it through the COVID-19 crisis unscathed.





# Operational & financial risks and basis of earnings

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## Capital resources

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

## Operations & markets

DEIF's business typically consists of permanent and longterm customer relationships, and the company generally has an advantage in a relatively wide geographical area and customer distribution. However, an increasing share of sales is project-oriented for specific markets, which reduces the spread and thus increases the risks relating to specific customers and countries

## Currency exchange risks

Activities abroad mean that revenue, cash flows and equity are affected by price movements in a number of currencies. For each currency, ongoing evaluations are made on whether to hedge the exchange rate risk-taking into account the related costs, relative to DEIF's total risk.

The main currency risk for DEIF is related to movements in USD and CNY.

## Interest rate risks

Moderate changes in interest rates will have no significant direct effect on earnings. The interest rate risk on secured debt was partially hedged by an interest rate SWAP.

## Credit risks

A systematic credit assessment was made of all significant customers and credit is only offered within the internally adopted credit limits. Credit insurance is sought for trade with major customers in relevant markets.

The group does not have any risk relating to individual customers that would be cause for concern with regard to the overall financial situation.

## Basis of earnings: Research & development

DEIF uses a high proportion of the turnover for product development. In 2019, DKK 64,7 million was expensed (11,4% of the turnover), compared to DKK 63,0 million (11,6% of the turnover) for the previous year. DKK 60,5 million was invested in new applications (DKK 73,3 million in 2018).

This is a very significant continued investment in the future. A number of entirely new ground-breaking product platforms are being introduced and have been particularly well-received in the market. These are expected to be a key contribution to growth in the coming years.



## CSR & code of conduct

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### Following the principles of UN Global Compact

DEIF has been a member of the UN Global Compact initiative since 2016, which sets 10 general principles for socially responsible corporate work with regard to human rights, working environment, safety and environment, as well as anti-corruption.

We have developed policies and guidelines within each of the four areas that have been communicated and implemented throughout the company. They are formalised in the 'DEIF Code of Conduct', DEIF's internal code of practice, which follows the principles of the Global Compact.

### Ambitions, activities and aims

At the end of 2018, we set a number of goals and activities for 2019 within CSR management and the four areas.

During 2019, we worked systematically to implement the planned activities and achieve the objectives. New goals and activities were also set for 2020.

**SUSTAINABLE  
DEVELOPMENT  
GOALS**



# CSR & code of conduct highlights from 2019

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## In the overall CSR work, we have undertaken the following activities in 2019, among others:

- As part of the Code of Care Skive, 20 young people about to enter the labour market came to visit us and were given a tour of the facilities in 2019. We have since had three employees in mentoring training and expect to take on even more people in small jobs in finance and production.
- We collected and sponsored IT equipment for the Redi School, an initiative targeted at educating immigrant women to integrate them more quickly into the labour market. We also collected and sponsored used IT equipment for FAIR, which arranges for the equipment to be reused and shipped to Malawi for social projects. The equipment is used at secondary schools and universities.
- In 2019, we welcomed four new suppliers and carried out audits/assessments for all four. None of the audits/assessments gave rise to follow-up in CSR-related areas.
- Our goal is 0 accidents at work. In 2019, we have had a minor accident that resulted in absence from work. The safety work is now also moving out of DEIF and onto the wind turbines and other installations that DEIF's employees are servicing. On-site safety is thus a focus area for the coming years. We have also sharpened our focus on near misses to prevent dangerous situations from occurring.
- CO2 emissions from our Danish activities fell by approx. 21% in 2019 compared to the previous year. This is primarily due to a greater proportion of electricity than gas in the energy mix. The focus on reducing CO2 emissions will continue in the coming years.
- DEIF's CEO Toke Foss has been appointed Deputy Chairman of the Danish Government's Climate Partnership for Production Companies. The objective of the Partnership is to identify ways to reach the Government's target of a 70% reduction in CO2 by 2030. We are also part of more local environmental and climate initiatives, including GreenLab, which is developing new methods for energy production, storage and consumption.
- We developed and implemented a whistleblower system where DEIF employees can report suspected fraud, corruption or other significant unlawful acts. Any reported cases will be investigated further, and if they prove to be correct, DEIF will take the necessary steps to ensure follow-up. The system was introduced in December 2019, and no cases have been reported yet.

See the full CSR Report 2019 at:  
[www.deif.com/about/corporate-social-responsibility](http://www.deif.com/about/corporate-social-responsibility)  
The CSR Report is expected to be available 23 April 2020.





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Learn more at [deif.com](http://deif.com)

