



Press release

# Danfoss A/S

## Third quarterly report

### 2004

Danfoss is one of the largest industrial companies in Denmark. The global group is a leader within research, development, production, sales and service of mechanical and electronic components for several industries. Danfoss' activities are divided into three main business areas: Refrigeration & Air Conditioning, Heating & Water and Motion Controls, each leading within its industry. Danfoss has a large ownership share in one of the world's leading manufacturers and suppliers of mobile hydraulics, Sauer-Danfoss. Danfoss seeks to obtain its goals with minimum consumption of raw materials and energy, the least possible impact on its surroundings and the most efficient use of resources. Danfoss has a long tradition of social responsibility towards both employees and the surrounding environment.

“The established strategy of focusing on our core business areas is reflected positively in our operations. We now see improved earnings and recent divestments indicate that we will concentrate even more on strengthening our main business.”

Jørgen M. Clausen, President and CEO, Danfoss A/S

### Highlights from the first three quarters of 2004:

- **Net sales** increased 8 % to 12.5 billion DKK, compared to the same period last year (11.6 billion DKK). Growth amounted to 9 %, when converted at last year’s level of exchange rates and adjusted for acquisitions and divestments, compared to 4 % in the same period of last year.
- **EBIT (operating profit)** fell by 14 % to 788 million DKK (911 million DKK in the third quarter of 2003). **EBIT Margin** reached 6.3 % compared to 7.9 % last year. The 2003 figures include non-recurrent income from the sale of activities, which has had an impact on EBIT. **Operating profit excl. other income and expenses** increased by 31 % to 774 million DKK (593 million DKK).
- **Profit before tax** increased by 3 % to 909 million DKK (886 million DKK). Sauer-Danfoss’ positive result and a favourable development of financial net items has had a positive effect on the profit.
- **The number of employees** rose to 18,390 from 17,224 at the same point in 2003. This is an increase of 1,166 people, of which 375 people joined the Group’s companies in Denmark during 2004.

### Expectations for 2004:

- The Group maintains expectations for both net sales and earnings for the whole of 2004.
- Net sales are expected to remain 16.0-16.5 billion DKK, while expectations for the operating profit (EBIT) are 900 - 1,000 million DKK.
- After the accounting period has ended, an agreement was entered into for a partial divestment of Danfoss Marine Systems to the investment fund 3i and the company’s management.
- Any impact of future acquisitions and divestments is not included in the expectations.

The 3<sup>rd</sup> quarterly report for 2004 has not been audited and is presented according to the same accounting principles used for the 2003 Annual Report.

Nordborg, November 15, 2004

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## Financial highlights

Million DKK (unless otherwise stated) All quarterly figures are unaudited.	Q3 03	Q3 04	Change in %	Q3 03 YTD	Q3 04 YTD	Change in %	Year 2003	Q3 04 YTD EUR
<b>Profit and loss account:</b>								
Net sales	4,048	4,254	5 %	11,551	12,498	8 %	15,434	1,679
EBITDA	797	578	-27 %	1,480	1,374	-7 %	1,994	185
<i>EBITDA Margin</i>	19.7 %	13.6 %		12.8 %	11.0 %		12.9 %	11.0 %
Operating profit excl. other income and expenses	327	374	14 %	593	774	31 %	768	104
Operating profit (EBIT)	612	377	-38 %	911	788	-14 %	1,109	106
<i>EBIT Margin</i>	15.1 %	8.9 %		7.9 %	6.3 %		7.2 %	6.3 %
Profit before tax	581	375	-35 %	886	909	3 %	1,029	122
<i>Return on Sales</i>	14.4 %	8.8 %		7.7 %	7.3 %		6.7 %	7.3 %
<b>Key figures<sup>1)</sup>:</b>								
Free cash flows <sup>2)</sup>				-133	-372		112	-50
Interest-bearing debt	1,958	1,588	-19 %	1,958	1,588	-19 %	1,766	213
RONA <sup>2)</sup>	8.4 %	4.8 %		13.4 %	10.8 %		16.7 %	10.8 %

<sup>1)</sup> The key figures are calculated based on the instructions from the Danish Society of Financial Analysts.

<sup>2)</sup> RONA (Return On Net Assets): Result of operating profit as percentage of average net assets. Net assets are total assets deducted capital shares in associates and joint ventures, cash and cash equivalents, total provisions and non-interest bearing debt.

## Strategic focus contributes to improved earnings

The Danfoss Group's **net sales** increased in the third quarter to 4.3 billion DKK from 4.0 billion DKK in the same period last year. The operating profit fell to 377 million DKK from 612 million DKK. The profit before tax was 375 million DKK, compared to 581 million DKK in 2003, a decrease of 35 %.

In the first nine months of 2004, **net sales** increased to 12.5 billion DKK, compared to 11.5 billion DKK last year, equalling a growth of 8 %. Operating profit excl. other income and expenses has increased by 31 % to 774 million DKK (593 million DKK). The **operating profit** fell by 14 % to 788 million DKK (911 million DKK), while the profit before tax increased by 3 % to 909 million DKK.

When converted at last year's level of exchange rates and adjusted for acquisitions and divestments, net sales growth in the first nine months of 2004 was 9 %, which is an improvement compared to 4 % the year before.

Development in sales for the third quarter was positive and, consequently, the trend of the preceding quarters continued, even though the effect is beginning to weaken. The sales development is affected by the declining U.S. dollar exchange rate and increasing raw material prices, which has put a damper on the international recovery that characterised the markets in the first half of 2004. The slight improvement of the important European market in the beginning of the year did not continue at the same level in the third quarter, and growth rates are now on a par with last year's. Growth is now primarily concentrated on the markets in Eastern Europe, Russia, Asia and especially China.

The international increases in raw material prices of copper, brass, steel and oil, among others, influenced production costs and if this trend continues in the fourth quarter, it will have a negative effect on the financial result for the whole year. In response to this trend, the Group has increased the prices of a number of products, which were particularly affected by increasing raw material prices.

**Operating profit excluding other income and expenses** has increased by 31 % to 774 million DKK from 593 million DKK. The positive sales development has led to an improved capacity utilisation, which in combination with targeted work to

improve productivity has contributed to improved earnings in the period. In the first nine months, operational costs relating to the Group's productivity programme amounted to approx. 39 million DKK. It is expected that the results of the project will show in the coming years. Even though these costs and non-recurrent expenses for the integration of acquired companies have had an effect on the level of costs, the operating profit excluding other income and expenses has increased considerably compared to 2003.

The **operating profit (EBIT)** fell by 14 % from 911 million DKK to 788 million DKK. The decrease of EBIT compared to that of last year is primarily due to the fact that the 2003 figures include non-recurrent income from the sale of activities and non-recurrent depreciations, which amount to a total of 318 million DKK net. Seen in this light, the result is characterised as being satisfactory, since the operating profit excluding other income and expenses increased by 181 million DKK.

**The share of income from Sauer-Danfoss** was 166 million DKK in the first nine months of 2004, compared to 99 million DKK in 2003, an increase of 68 %. In the first nine months of 2004, Sauer-Danfoss had a considerable increase in both net sales and earnings compared to the same period last year. In the light of developments in the first nine months, Sauer-Danfoss has upgraded expectations of the result for the whole of 2004.

**Financial net items** show a deficit of 45 million DKK, compared to a deficit of 124 million DKK in 2003. The deficit reduction is primarily due to currency translation adjustments following the development in the currency market, the hedging of currency risks and reduced interest expenses.

**The free cash flow**, which is a combination of cash flows from operations of 411 million DKK and cash flows from investments of -783 million DKK, totalled -372 million DKK in the first nine months of 2004, compared to -133 million DKK in the same period of 2003. The reduced free cash flow is primarily due to an increased level of net investments. The cash flow of 2003 was especially affected by the sale of activities. The development in the Group's cash flow from operations generally varies according to the season.

**Research and development costs** are on par with last year, amounting to approx. 402 million DKK, which equals about 3.2 % of net sales.

## Acquisition and sale of companies

After the third quarter ended, an agreement was made with the investment fund 3i and the company's management for the takeover of 75 % of Danfoss Marine Systems that employs about 330 people. Danfoss continues as a financial partner with 25 % ownership of the company. The acquisition is conditional on the approval of the competitive authorities, after which a final acquisition date will be set.

## Changes in employee numbers

The Danfoss Group employed 18,390 people at the end of the third quarter, amounting to an increase of 1,166 or 7 %, compared to the same period the year before. The total number of employees in Denmark amounts to about 6,375 people, compared to about 6,260 people at the end of the third quarter of 2003. Even though the number of employees has been reduced by about 335 due to the divestment of companies, the entry of employees to the Group in 2004 was about 800. Of these, about 375 people were employed in Denmark.

## Expectations for 2004

The Group retains its expectations for both net sales and earnings for the whole of 2004. Net sales are expected to be 16.0-16.5 billion DKK and the operating profit (EBIT) is expected to be 900-1,000 million DKK.

After the accounting period ended, an agreement was made for the partial divestment of Danfoss Marine Systems to the investment fund 3i and the company's management.

### **Prerequisites and risks:**

The prerequisites are based on the expectation that financial trends do not change significantly in the fourth quarter, since the early recovery in Europe is already weakening. The growth in Europe is expected to remain low, whereas the overseas markets Asia and, especially, China will drive growth.

The US dollar on average is expected to remain at the existing level throughout the year. Since a large number of sales outside Europe are dependent on the dollar, a weak dollar will contribute to a moderate growth in net sales.

Continuing increasing raw material prices on a global scale could negatively affect the financial result of the Group.

## Danfoss' core businesses

*“The cooperation with Saginomiya shows that strategic cooperation with selected partners in different areas is the right thing to do. The long-term effect of this strategy will be a strengthened market position for all companies involved.”*

Ole Steen Andersen, Executive Vice President and CFO, Danfoss A/S

**Refrigeration & Air Conditioning** achieved a positive growth in both net sales and earnings in the quarter. Net sales of the first nine months of the year increased to reach 6,703 million DKK from 6,218 million DKK in the same period the year before, a growth of 8 %. The growth amounted to 9 % when converted at last year's level of exchange rates and adjusted for acquisitions and divestments.

<i>Refrigeration &amp; Air Conditioning</i>								
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q3 03	Q3 04	Change in %	Q3 03 YTD	Q3 04 YTD	Change in %	Year 2003	Q3 04 YTD EUR
Net sales	2,178	2,192	1 %	6,218	6,703	8 %	8,133	901
Operating profit (EBIT)	168	200	19 %	410	579	41 %	393	78
EBIT Margin	7.7 %	9.1 %		6.6 %	8.6 %		4.8 %	8.6 %
Net assets	3,536	3,775	7 %	3,536	3,775	7 %	3,307	507
Net investments	32	144	350 %	226	320	42 %	411	43
Number of employees				9,106	9,544	5 %	9,021	

The operating profit increased to 579 million DKK from 410 million DKK in 2003, equalling a growth of 41 %. The increasing raw material prices negatively affected production costs, but in combination with improved capacity utilisation earnings were acceptable.

The markets in North and South America have also shown growth rates of more than 20 % in the third quarter, measured in local currency. In the Eastern European and Asian markets the positive sales development continues, even though a weakening of the growth rates is beginning to show. A similar development is especially reflected in the European market, where growth is now back at the 2003 level.

The positive development of the strategic cooperation with Saginomiya, in the joint venture Danfoss Saginomiya, continued in the third quarter. The sales development is beyond the forecasts, and it is expected that the cooperation will result in an increased sale of the joint product range, consisting of air conditioning thermostats and valves, among others.

“On basis of the Group’s Productivity Programme, **Heating & Water** has already achieved major productivity improvements. The programme has improved the stability in production and ensured more stable deliveries to our customers. The targeted productivity improvements have been achieved and the programme will now be expanded to include three more factories.”

Hans Kirk, Executive Vice President and COO, Danfoss A/S

**Heating & Water** experienced a satisfactory growth in net sales in the third quarter. Net sales increased in the first nine months to 3,047 million DKK from 2,540 million DKK, equalling an increase of 20 %. The growth is 6 %, when adjusted for acquisitions, divestments and foreign currency translation.

<b>Heating &amp; Water</b>								
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q3 03	Q3 04	Change in %	Q3 03 YTD	Q3 04 YTD	Change in %	Year 2003	Q3 04 YTD EUR
Net sales	918	1,115	21 %	2,540	3,047	20 %	3,672	409
Operating profit (EBIT)	159	161	1 %	290	283	-2 %	472	38
EBIT Margin	17.3 %	14.4 %		11.4 %	9.3 %		12.8 %	9.3 %
Net assets	1,744	2,186	25 %	1,744	2,186	25 %	1,906	294
Net investments	12	38	217 %	81	148	83 %	237	20
Number of employees				3,541	4,141	17 %	3,864	

The operating profit fell from 290 million DKK in the third quarter of 2003 to 283 million DKK, a decrease of 2 %. The quarter’s earnings are affected by the integration costs in connection with the business area’s many forward-looking acquisitions in 2003, combined with present high raw material prices. In the fourth quarter, there will also be focus on the integration of acquired companies, which could mean that the expected result for the whole of 2004 will not be entirely reached. The synergies already achieved are expected to lead to an increased growth in the relative short run and contribute to future improved earnings.

The implementation of different Group projects, such as the Group’s productivity programme, has also affected the cost level in the quarter. At present, productivity-improving projects have been implemented at three factories in the business area. An extra three projects are in the process of being implemented at factories in Denmark and Slovenia. The projects are expected to lead to considerable savings in production in the long term.

Sales on the markets in Eastern Europe, Russia and China continue to show two-digit growth rates, but also the markets in Italy and the Danube region have shown major improvements. The remaining markets still show stagnation or only weak growth rates.

“The supply of frequency converters to Changi Airport in Singapore can be characterised as a break-through for **Motion Controls**. The order is the first within this new business area, and we have high expectations for the future.”

Hans Kirk, Executive Vice President and COO, Danfoss A/S

**Motion Controls** experienced positive sales development in the third quarter. The decrease in net sales from 2,603 million DKK in the first nine months of 2003 to 2,483 million DKK, equalling a decrease of 5 %, is only ascribable to the divestment of the flow meter business in 2003. The growth was 9 %, when adjusted for acquisitions and divestments and converted at last year’s exchange rate.

<b>Motion Controls</b>								
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q3 03 <sup>1)</sup>	Q3 04	Change in %	Q3 03 YTD	Q3 04 YTD	Change in %	Year 2003	Q3 04 YTD EUR
Net sales	885	857	-3 %	2,603	2,483	-5 %	3,372	334
Operating profit (EBIT)	80	96	20 %	141	177	26 %	193	24
EBIT Margin	9.0 %	11.2 %		5.4 %	7.1 %		5.7 %	7.1 %
Net assets	1,214	1,094	-10 %	1,214	1,094	-10 %	1,041	147
Net investments	20	29	45 %	58	91	57 %	131	12
Number of employees				3,087	3,126	1 %	3,071	

<sup>1)</sup> Up to September 2003, the figures include the flow meter business.

The operating profit increased to 177 million DKK from 141 million DKK in 2003, equalling a growth of 26 %. Even though high raw material prices and different Group projects have had an effect on the cost level, a positive sales development on most markets resulted in increased earnings. Compared with an improved capacity utilisation, this led to an increase of the EBIT margin, from 5.4 % to 7.1 % in the third quarter of 2004.

Even though the implementation of different Group projects, such as the Group’s productivity programme, has affected the cost level in the quarter, the first benefits are beginning to show. The productivity programme has for example resulted in a 20 % increase of the daily production in some areas, which has improved profitability.

The Asia/Pacific and Northern American markets still show double-digit growth rates, and markets in South America, in particular, show high growth with growth rates of more than 25 %. On the European market growth is still low, but the market development continues to be positive, however.

Motion Controls has begun delivering frequency converters to the Changi Airport in Singapore. The frequency converters will be part of the airport’s new baggage handling system. The order was achieved together with FKI Logistex (Crisplant), which will supply the baggage handling system. This new market is assessed to include a considerable potential in the long term and further activities will be made in the short run to gain a larger share of the market.

**Sauer-Danfoss Inc.** is listed on the stock exchanges in Frankfurt, Germany, and New York, USA.

Danfoss A/S owns 38.5 % of the shares of Sauer-Danfoss Inc.. The company is recorded in the accounts as a joint venture.

<i>Sauer-Danfoss Inc.</i>				
Million USD (unless otherwise stated). All quarterly figures are unaudited.	<b>Q3 03 YTD</b>	<b>Q3 04 YTD</b>	<b>Change in %</b>	<b>Year 2003</b>
Net sales	864	1,065	23 %	1,127
Profit after tax	19	40	111 %	11.2

Sauer-Danfoss Inc. is included in the Danfoss A/S Group accounts under the item "Income from joint ventures and associates".

For further information please refer to the Sauer-Danfoss homepage: [www.sauer-danfoss.com](http://www.sauer-danfoss.com)

Mio. DKK (unless otherwise stated). All figures are unaudited.	Q3 03	Q3 04	Change in %	Q3 03 YTD	Q3 04 YTD	Change in %	Year 2003	Q3 04 YTD EUR
<b>Profit and loss account:</b>								
Net sales <sup>1)</sup>	4,048	4,254	5 %	11,551	12,498	8 %	15,434	1,679
Operating income before other operating income and expenses	327	374	14 %	593	774	31 %	768	104
EBITDA	797	578	-27 %	1,480	1,374	-7 %	1,994	185
Operating profit (EBIT)	612	377	-38 %	911	788	-14 %	1,109	106
Income from joint vent./associates	-2	33	-1750 %	99	166	68 %	58	22
Financial income/expenses	-29	-35	21 %	-124	-45	-64 %	-138	-6
Profit before Tax (EBT)	581	375	-35 %	886	909	3 %	1,029	122
Net Profit	469	255	-46 %	672	619	-8 %	744	83
<sup>1)</sup> Total growth in net sales:	12 %	5 %		3 %	8 %		3 %	
Real growth in %	14 %	5 %		4 %	9 %		5 %	
Exchange rates in %	-3 %	-2 %		-5 %	-2 %		-5 %	
Acquired/sold activities net in %	1 %	2 %		3 %	1 %		3 %	
<b>Balance Sheet:</b>								
Assets				12,791	13,643		13,081	1,833
Net investments (excl. goodwill)	-12	252	-2200 %	275	682	148 %	879	92
Net investments in goodwill	-56	2	-104 %	441	66	-85 %	735	9
Total shareholders' equity				7,321	7,754		7,267	1,042
Interest-bearing debt	1,958	1,588	-19 %	1,958	1,588	-19 %	1,766	213
Net interest-bearing debt	597	868	45 %	597	868	45 %	377	117
<b>Cash flow statement:</b>								
Cash flows from operating activities				382	411		1,254	55
Cash flows from investing activities				-515	-783		-1,142	-105
Free cash flow				-133	-372		112	-50
Cash flows from financing activities				-199	-297		-416	-40
Cash and cash equivalents (end of period)				1,361	720		1,389	97
<b>Key figures:</b>								
Number of employees (end of period)				17,224	18,390	7 %	17,449	
RONA <sup>1)</sup>	8.4 %	4.8 %	-3.6	13.4 %	10.8 %		16.7 %	
EBIT margin	15.1 %	8.9 %	-6.2	7.9 %	6.3 %		7.2 %	
EBITDA margin	19.7 %	13.6 %	-6.1	12.8 %	11.0 %		12.9 %	
Net investment percentage	-1.7 %	6.0 %	7.7	6.2 %	6.0 %		10.5 %	
Return on sales	14.4 %	8.8 %	-5.6	7.7 %	7.3 %		6.7 %	
Return on equity				9.5 %	8.2 %		10.5 %	
Equity ratio				57.2 %	56.8 %		55.5 %	

<sup>1)</sup> RONA (Return On Net Assets)

Result of operating profit as percentage of average net assets. Net assets are total assets deducted capital shares in associates and joint ventures, cash and cash equivalents, total provisions and non-interest bearing debt.

Million DKK (unless otherwise stated) All figures are unaudited.	Q3 03	Q3 04	Change in %	Q3 03 YTD	Q3 04 YTD	Change in %	Year 2003	Q3 04 YTD EUR
Net sales	4,048	4,254	5 %	11,551	12,498	8 %	15,434	1,679
Sale of services etc.	62	99	60 %	185	289	56 %	325	39
Cost of sales	-2,711	-2,887	6 %	-8,075	-8,878	10 %	-11,051	-1,193
<b>Gross profit</b>	<b>1,399</b>	<b>1,466</b>	<b>5 %</b>	<b>3,661</b>	<b>3,909</b>	<b>7 %</b>	<b>4,708</b>	<b>525</b>
	34.6 %	34.5 %		31.7 %	31.3 %		30.5 %	31.3 %
Distribution expenses	-913	-926	1 %	-2,599	-2,641	2 %	-3,353	-355
Administrative expenses	-159	-166	4 %	-469	-494	5 %	-587	-66
<b>Operating profit excl. other income and expenses</b>	<b>327</b>	<b>374</b>	<b>14 %</b>	<b>593</b>	<b>774</b>	<b>31 %</b>	<b>768</b>	<b>104</b>
	8.1 %	8.8 %		5.1 %	6.2 %		5.0 %	6.2 %
Other operating income and expenses	285	3	-99 %	318	14	-96 %	341	2
<b>Operating profit (EBIT)</b>	<b>612</b>	<b>377</b>	<b>-38 %</b>	<b>911</b>	<b>788</b>	<b>-14 %</b>	<b>1,109</b>	<b>106</b>
	15.1 %	8.9 %		7.9 %	6.3 %		7.2 %	6.3 %
Income from joint ventures and associates	-2	33	-1750 %	99	166	68 %	58	22
Financial income/expenses	-29	-35	21 %	-124	-45	-64 %	-138	-6
<b>Profit before tax</b>	<b>581</b>	<b>375</b>	<b>-35 %</b>	<b>886</b>	<b>909</b>	<b>3 %</b>	<b>1,029</b>	<b>122</b>
Corporate tax expenses	-105	-114	9 %	-196	-273	39 %	-272	-37
<b>Profit after tax</b>	<b>476</b>	<b>261</b>	<b>-45 %</b>	<b>690</b>	<b>636</b>	<b>-8 %</b>	<b>757</b>	<b>85</b>
Minority interest	-7	-6	-14 %	-18	-17	-6 %	-13	-2
<b>Net profit</b>	<b>469</b>	<b>255</b>	<b>-46 %</b>	<b>672</b>	<b>619</b>	<b>-8 %</b>	<b>744</b>	<b>83</b>

In 2003 the research and development costs were approx. DKK 500 million.

Million DKK. All quarterly figures are unaudited.	Q3 03	Q3 04	Year 2003	Q3 04 EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	785	1,094	1,038	147
Fixed assets	3,323	3,692	3,554	496
Non-current financial assets	1,209	1,474	1,370	198
<b>Total non-current assets</b>	<b>5,317</b>	<b>6,260</b>	<b>5,962</b>	<b>841</b>
<b>Current assets</b>				
Inventories	2,333	2,710	2,279	364
Accounts receivable	3,780	3,953	3,451	531
Cash and cash equivalents	1,361	720	1,389	97
<b>Total current assets</b>	<b>7,474</b>	<b>7,383</b>	<b>7,119</b>	<b>992</b>
<b>Total assets</b>	<b>12,791</b>	<b>13,643</b>	<b>13,081</b>	<b>1,833</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Total shareholders' equity</b>	<b>7,321</b>	<b>7,754</b>	<b>7,267</b>	<b>1,042</b>
Minority interest	49	51	28	7
<b>Total provisions</b>	<b>1,114</b>	<b>1,309</b>	<b>1,327</b>	<b>176</b>
<b>Debt</b>				
Non-current debt	791	726	739	98
Current debt	3,516	3,803	3,720	510
<b>Total debt</b>	<b>4,307</b>	<b>4,529</b>	<b>4,459</b>	<b>608</b>
<b>Total liabilities and shareholders' equity</b>	<b>12,791</b>	<b>13,643</b>	<b>13,081</b>	<b>1,833</b>

Million DKK. All quarterly figures are unaudited.	Q3 03 YTD	Q3 04 YTD	Year 2003	Q3 04 YTD EUR
Operating profit	911	788	1,109	106
Adjustments for non-cash transactions	300	508	489	68
Changes in working capital	-435	-641	143	-86
<b>Cash flows generated from operations before interest</b>	<b>776</b>	<b>655</b>	<b>1,741</b>	<b>88</b>
Net financial items	-124	-45	-138	-6
<b>Cash flows from operations before tax</b>	<b>653</b>	<b>610</b>	<b>1,603</b>	<b>82</b>
Paid tax	-271	-199	-349	-27
<b>Cash flows from operating activities</b>	<b>382</b>	<b>411</b>	<b>1,254</b>	<b>55</b>
Acquisition of intangible assets	-51	-96	-94	-13
Acquisition of land and buildings, machinery and equipment	-509	-602	-863	-74
Proceeds from sale of land and buildings, machinery and equipment	174	50	236	
Acquisition of subsidiaries etc.	-598	-194	-776	-26
Proceeds from disposal of subsidiaries etc.	444	43	395	6
Acquisition (-) and sale of other investments	3	-7	-70	-1
Dividends received	22	23	30	3
<b>Cash flows from investing activities</b>	<b>-515</b>	<b>-783</b>	<b>-1,142</b>	<b>-105</b>
<b>Free cash flows</b>	<b>-133</b>	<b>-372</b>	<b>112</b>	<b>-50</b>
<b>Financing by non-shareholders:</b>				
Financing by non Repayment of (-)/proceeds from interest bearing debt	-98	-171	-315	-23
<b>Financing by shareholders:</b>				
Issuing of shares				
Repurchase/sale of own share				
Dividends paid	-101	-126	-101	-17
<b>Cash flows from financing activities</b>	<b>-199</b>	<b>-297</b>	<b>-416</b>	<b>-40</b>
<b>Cash flows from operating, investing and financing activities</b>	<b>-332</b>	<b>-669</b>	<b>-304</b>	<b>-90</b>
Cash and cash equivalents (beginning of period)	1,693	1,389	1,693	187
<b>Cash and cash equivalents (end of period)</b>	<b>1,361</b>	<b>720</b>	<b>1,389</b>	<b>97</b>

Million DKK.

All quarterly figures are unaudited.

	Share capital <sup>1)</sup>	Share premium	Reserve according to the equity method	Proposed dividend	Hedge accounting reserve	Currency translation adjustments	Reserve own shares	Other reserves	Total
<b>Balance at 1 January 2003</b>	<b>1,012</b>	<b>26</b>	<b>48</b>	<b>101</b>		<b>-142</b>	<b>-12</b>	<b>5,809</b>	<b>6,842</b>
Net profit			53	127					744
Dividends to shareholders				-101					-101
Dividends received			-30					30	
Other adjustments					69			-43	26
Currency translation adjustments			-35			-209			-244
<b>Balance at 31 December 2003</b>	<b>1,012</b>	<b>26</b>	<b>36</b>	<b>127</b>	<b>69</b>	<b>-351</b>	<b>-12</b>	<b>6,360</b>	<b>7,267</b>
Net profit			115					504	619
Dividends received			-22	-126				22	-126
Other adjustments				-1	-16				-17
Currency translation adjustments			-2			13			11
<b>Balance at 30 September 2004.</b>	<b>1,012</b>	<b>26</b>	<b>127</b>	<b>0</b>	<b>53</b>	<b>-338</b>	<b>-12</b>	<b>6,886</b>	<b>7,754</b>

1) Distribution of shares:

A shares: DKK 425 mill

B shares: DKK 587 mill

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## Date of publication:

This press release was published on November 15, 2004, in Danish, German and English. In the case of misinterpretation in the English or German translation, the original Danish version prevails.

## Currencies used:

The accounts were prepared in Danish kroner. The Profit and Loss Account figures were translated into Danish kroner at the average rate of the reporting period. The Balance Sheet figures were translated at the closing rate of the reporting period.

Currency:	Q3 2003 Ending rates	Q3 2004 Ending rates	Year 2003 Ending rates	Q3 2003 Average rates	Q3 2004 Average rates	Year 2003 Average rates
EUR	7.43	7.44	7.44	7.43	7.44	7.43
GBP	10.63	10.84	10.58	10.78	11.06	10.75
USD	6.37	6.00	5.96	6.69	6.07	6.59

## Accounting principles:

The accounting principles used for the Danfoss A/S Annual Report 2003 were also used for this third quarter report. For a detailed description of these, please refer to the Danfoss A/S Annual Report 2003.

The third quarter report has not been audited.