

Press release

# Danfoss A/S

## Half-year report 2008

Danfoss is one of Denmark's largest industrial companies. The global Group is a leader within research, development, production, sales and service of mechanical and electronic components and solutions for a number of industries. Danfoss' activities are divided into three main business areas: Danfoss Refrigeration & Air Conditioning Division, Danfoss Heating Division and Danfoss Motion Controls Division, 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 attain its goals with the least possible consumption of raw materials and energy, a minimum 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.

"On the whole, despite the impact of the general setback on the markets, we managed to sustain our net sales and profit, with which we are very pleased. However, market conditions have caused us to adjust our expectations for the total 2008 result. Generally, we still expect to be able to improve the profit compared to last year, in spite of the market trends."

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

### Highlights from the first half-year of 2008 (excluding Sauer-Danfoss):

- **Net sales** reached 11.4 billion DKK, which equals growth of 5%. Growth was 6%, when adjusted for acquisitions, divestments and foreign currency translations, compared to 15% in the same period the year before.
- **The profit before other income and expenses** reached 693 million DKK, whereas the **operating profit (EBIT)** was 697 million DKK, which is largely level with the year before.
- **The result for the period** was 427 million DKK, compared to 601 million DKK in the year before. The 2007 result included exceptional income from the sale of Damcos A/S, amounting to 186 million DKK.
- **The number of employees** grew 23,091 from 21,784 in the second quarter of 2007.
- **The expectations for net sales** have been adjusted to be between 23 and 24 billion DKK from previous expectations of between 23.5 and 24.5 billion DKK.
- The expectations for the **operating profit (EBIT)** have been adjusted to be between 1.6 and 1.9 billion DKK from previous expectations of between 1.9 to 2.2 billion DKK, whereas the EBIT margin is expected to be between 7.0% and 8.0%. Previously, it was between 8.0% and 9.0%.

### Expectations for 2008 (including Sauer-Danfoss):

- **Net sales** are expected to be between 28 and 29 billion DKK.
- **The adjusted EBIT margin**, which is based on EBIT adjusted for expenses and depreciations caused by re-evaluation of assets and liabilities in connection with company acquisitions, is expected to be between 7.0% and 8.0%.

For further information about the expectations and the impact of the acquisition of Sauer-Danfoss shares, refer to pages 3 and 7.

Nordborg, September 8, 2008

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## Acquisition of more shares in Sauer-Danfoss Inc.

Danfoss' acquisition of an additional 17.4% of the share capital in Sauer-Danfoss Inc. was approved by the competition authorities in July 2008. Thereby, Danfoss A/S owns 55.4% of Sauer-Danfoss Inc. and, as of this month, the company will be included in the Danfoss accounts as a subsidiary. Sauer-Danfoss will be consolidated 100% according to current accounting principles. Danfoss has the option to acquire an extra 20.1% of the share capital in Sauer-Danfoss over the next three years.

Since the approval of the competition authorities was not obtained until after the end of the second quarter, Sauer-Danfoss is not included in the half-year accounts as a subsidiary, but is included, as usual, under the item "Income from associates and joint ventures". The Sauer-Danfoss figures will not show in the Danfoss accounts until the third quarter and, so, only with the periodic figures from the third quarter.

### Accounting impact

The work to calculate Sauer-Danfoss' assets, liabilities and contingent liabilities at a fair market value at the time of the takeover in July has started. Changes are expected to be made to almost all of the items, of which the biggest will probably be within intangible and tangible fixed assets. This process is not expected to be complete until the preparation of the 2008 Annual Accounts. At present, these adjustments are expected to influence the Profit and Loss Account by between 300 and 600 million DKK in 2008. The anticipated impact of the Profit and Loss Account is included in the expectations for 2008, as stated on page 7. The adjustments will primarily affect the Profit and Loss Account during the first two accounting years after the takeover. Also, adjustments may take place in subsequent years which could have an impact on the Profit and Loss Account.

The following is an overview of where and when the figures from Sauer-Danfoss (SD) will be included in the Danfoss accounts:

	Q2	Q3	2008
<b>Profit and Loss Acc.</b>	Excl. SD	Incl. SD*)	Incl. SD**)
<b>Balance Sheet</b>	Excl. SD	Incl. SD*)	Incl. SD**)
<b>Expectations</b>	Incl. SD***)	Incl. SD***)	Incl. SD***)

\*) Incl. third quarterly result from Sauer-Danfoss

\*\*\*) Incl. second half-year result from Sauer-Danfoss

\*\*\*) Incl. Sauer-Danfoss' expectations for the second half-year

### Expectations

The net sales and profit expectations for 2008, as announced by Sauer-Danfoss, have been included in Danfoss' expectations after having been calculated in accordance with Danfoss' accounting principles.

## Financial highlights

Million DKK (unless otherwise stated) All quarterly figures are unaudited.	2007 Q2	2008 Q2	Change in %	2007 Q2 YTD	2008 Q2 YTD	Change in %	2007 YTD	2007 Q2 EUR YTD	2008 Q2 EUR YTD
<b>Profit and Loss Accounts</b>									
Net sales	5,533	6,040	9%	10,882	11,425	5%	22,196	1,460	1,532
EBITDA	529	691	31%	1,177	1,213	3%	2,576	158	163
<i>EBITDA Margin</i>	9.6%	11.4%		10.8%	10.6%		11.6%	10.8%	10.6%
Operating profit excl. other income and expenses	302	419	39%	702	693	-1%	1,634	94	93
Operating profit (EBIT)	295	426	44%	712	697	-2%	1,616	95	94
<i>EBIT Margin</i>	5.3%	7.0%		6.5%	6.1%		7.3%	6.5%	6.1%
Profit before tax	245	415	69%	758	579	-24%	1,378	102	78
<i>Return on Sales</i>	4.4%	6.9%		7.0%	5.1%		6.2%	7.0%	5.1%
<b>Key figures<sup>1)</sup>:</b>									
Free cash flow				-859	-1,233		-577	-115	-165
Net interest bearing debt				3,950	5,212	32%	3,737	531	699
RONA <sup>2)</sup>	2.5%	3.2%		6.2%	5.3%			6.2%	5.3%

<sup>1)</sup> In those cases where the key figures have been defined by the Danish Society of Financial Analysts, they have been calculated accordingly.

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

## Net sales and earnings under pressure on several fronts

In the first half-year, the Danfoss Group's net sales reached 11.4 billion DKK, which is an increase of 5% compared to the same period the year before. Growth was 6%, when adjusted for acquisitions, divestments and currency translations, compared to 15% in the same period the year before. **The result before other income and expenses** was 693 million DKK, whereas the **operating profit (EBIT)** was 697 million DKK. The result is largely level with the year before. In spite of the general setback on several markets, the Group managed to increase net sales and maintain the profit. However, the development of the first half-year was lower than expected and, when seen in the light of the prospects for the second half-year, a minor downward adjustment has been made to the expectations for the 2008 result.

The general setback, caused by the repercussions of the financial crisis on the American market, continued in the second quarter. This was apparent through varying degrees of impact within the different product areas and markets. Danfoss is particularly affected by the setback in sales to new construction projects and producers of household equipment in which many of the Group's products are included. In spite of this, growth on the European main market was obtained, where the important German market showed double-digit growth figures. On the other hand, negative development on the American market continued. Growth continued in Latin America, Russia and China, although at a lower level than in 2007.

Seen in the light of general market trends, the sales development is considered satisfactory. Market conditions on the Group's main markets are not expected to improve considerably during the second quarter.

Both net sales and profit have been affected by the low price of the USD. The profit is also under pressure from the high price of raw materials. Fierce price competition has meant that it has not been possible to fully implement sales price increases.

**The result before other income and expenses** fell to 693 million DKK from 702 million DKK in 2007, which equals a decrease of 1%. In the half-year, growth did not live up to expectations.

**The operating profit** (EBIT) was 697 million DKK compared to 712 million DKK in the year before. The result should be seen in light of the fact that the 2007 EBIT was positively affected by the profit obtained from the sale of Damcos A/S.

The EBIT margin was 6.1% compared to 6.5% in the same period in 2007.

**The adjusted EBIT margin**, which is based on EBIT adjusted for expenses and depreciations caused by re-evaluation of assets and liabilities in connection with company acquisitions, was 6.5% compared to 6.8% last year.

**Income from associates/joint ventures** amounted to 69 million DKK, against 219 million DKK in the year before. The drop should be seen in light of the fact that the 2007 item includes, among other things, 186 million DKK which is part of the profit from the sale of Damcos A/S. This item also includes a share of the operating profit from Sauer-Danfoss Inc., which was 91 million DKK in 2008 compared with 69 million DKK in the year before.

**Financial net items** showed a deficit of 187 million DKK compared to a deficit of 173 million DKK in the year before. This development was primarily due to increasing net interest expenses caused by increased loans and exchange rate losses. The exchange rate losses are primarily attributable to the drop in the USD.

**The profit before tax** fell by 24% to 579 million DKK from 758 million DKK. **The profit for the half-year** was 427 million DKK, compared to 601 million DKK in 2007.

The net interest-bearing debt amounted to 5,212 million DKK compared to 3,950 million DKK in 2007. The increase in debt is primarily related to borrowing in connection with investments in new companies and fixed assets and increased funds tied up in working capital.

**The shareholders' equity** amounted to 9,911 million DKK, which equals an equity ratio of 46.2% compared to 49.0% at the end of 2007.

**The free cash flow**, which is a combination of cash flows from operating activities of -320 million DKK and cash flows from investing activities of -913 million DKK, was -1,233 million DKK compared to -859 million DKK in 2007. The free cash flow before M&A (mergers and acquisition of companies) amounted to -1,075 million DKK compared to -981 million DKK in 2007. The increase in funds tied up in the working capital, compared to 2007, is primarily caused by increased investments in machines and property.

**The research and development costs** amounted to 460 million DKK compared to 407 million DKK in the year before, which is an increase of 13%. This equals 4% of the net sales.

## Acquisition and sale of companies

In June, Danfoss sold the surface factory, which is located in Nordborg, to Sønderborg Fornikling A/S and it was taken over on September 1. Sønderborg Fornikling A/S will take over the surface factory's 31 employees.

## Changes in employee numbers

At the end of the second quarter, the Danfoss Group employed 23,091 people; an increase of 1,307 people compared with 2007. The Group's employees are distributed as follows: 10,581 in Europe, excl. Denmark (2007: 9,959), 2,596 in North America, including Mexico (2,539), 2,989 in the Asia-Pacific region, including China (2,469) and 307 in other regions (296). At the end of the quarter, there were 6,618 employees in Denmark, compared with 6,521 the year before.

## Events after the end of the quarter

On July 1, President and CEO Jørgen M. Clausen announced that he intends to step down from his position, with effect from October 1. The Danfoss Board has appointed Vice-CEO Niels B. Christiansen as the new President and CEO, with effect from the same date.

## Expectations for 2008 (excl. Sauer-Danfoss):

The weak market development in the first half-year, combined with the prospects for the second half-year, has caused Danfoss to make a minor downward adjustment to the expectations for both net sales and profit in 2008.

- Danfoss expects **net sales** to be between 23 and 24 billion DKK, compared with previous expectations of between 23.5 and 24.5 billion DKK.
- The expectations for the **operating profit (EBIT)** have been adjusted downwards to be between 1.6 and 1.9 billion DKK, compared with previous expectations of between 1.9 and 2.2 billion DKK.
- The EBIT margin is expected to be between 7.0 and 8.0, compared to previous expectations of 8.0% and 9.0%.

## Expectations for 2008 (incl. Sauer-Danfoss):

The Danfoss Group expects the following for 2008:

- **The net sales** are expected to be between 28 and 29 billion DKK.
- **The operating profit (EBIT)** is expected to be between 1.2 and 1.8 billion DKK. (This expected result is strongly affected by anticipated adjustments following the acquisition of Sauer-Danfoss – see below). The low level is caused, among other things, by the fact that Sauer-Danfoss' EBIT, by definition, is lower during the second half-year compared with the first half-year due to the seasonal trend of the business. Work has started to record Sauer-Danfoss' assets, liabilities and contingent liabilities at a fair market value at the time of the takeover. Changes are expected to be made to almost all of the items, of which the biggest will probably be within intangible and tangible fixed assets. Recording is not expected to be completed until the preparation of the 2008 Annual Accounts. At present, the adjustments are expected to have an impact on the Profit and Loss Account of between 300 and 600 million DKK in 2008.
- **The adjusted EBIT margin**, which is based on EBIT adjusted for expenses and depreciations caused by re-evaluation of assets and liabilities in connection with company acquisitions, is expected to be between 7.0% and 8.0%.

The net sales and profit expectations for 2008, as announced by Sauer-Danfoss, have been included in Danfoss' expectations after having been calculated in accordance with Danfoss' accounting principles.

### Prerequisites and risks:

The general setback on the markets in North America and Europe is expected to continue in the second half-year. Growth is expected to continue on the markets in Eastern Europe, Russia, China and Latin America.

The price of raw materials is again expected to be subject to major fluctuations in the second half of 2008, and the general expectation is that prices will remain at a high level. The price of copper and brass is expected to fall slightly over the year, but further increases in the price of steel are forecast.

## Danfoss' core business areas

*“The overall setback affecting the world economy has hit the **Danfoss Refrigeration & Air Conditioning Division’s** sale of refrigeration and air-conditioning products on almost all markets. In spite of this development, it was possible to reduce the loss in profits through improved cost control. A range of moves to improve sales and profit will be strengthened further, but the effect will probably not show until the end of the year.”*

Niels B. Christiansen, Vice Chief Executive Officer, Danfoss A/S

**Danfoss Refrigeration & Air Conditioning Division** experienced a fall in both net sales and profit in the half-year. Net sales fell by 2% to 5,740 million DKK from 5,838 million DKK. Calculated at last year’s level of exchange rates and adjusted for acquisitions and divestments, growth was 1%.

<b>Danfoss Refrigeration &amp; Air Conditioning Division</b>								
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q2 2007	Q2 2008	Change in %	Q2 2007 YTD	Q2 2008 YTD	Change in %	2007	Q2 2008 EUR YTD
Net sales	2,991	3,059	2%	5,838	5,740	-2%	11,187	770
Operating profit (EBIT)	209	262	25%	496	478	-4%	856	64
EBIT Margin	7.0%	8.6%		8.5%	8.3%		7.7%	8.3%
Net assets				6,239	6,333	2%	5,774	849
Capital expenditure	150	191	27%	245	314	28%	680	42
Number of employees				11,255	11,302	0%	11,116	

The setback on the global refrigeration and air-conditioning market had a negative impact on sales in the period, but not all of the division’s product areas and markets were hit equally severely. Sales on the European market were below the 2007 half-year’s level and the important German market also developed negatively. The negative development on the American market continued. On the other hand, sales on the Russian and the Chinese markets continued to increase. This market trend is not expected to change considerably during the second half-year.

The operating profit (EBIT) fell to 478 million DKK, from 496 million DKK in the year before, which was a decrease of 4%. Ongoing increases in the price of raw materials will continue to put the profit under pressure. An adjustment in the cost level has reduced the impact of the loss in profits.

*“The sales progress made by the **Danfoss Heating Division** continued on the Eastern European and Russian markets. The implementation of a range of renovation projects on the markets is expected to add to the growth during the second half-year. We have initiated several measures which will help increase the division's profit.”*

Frederik Lotz, Executive Vice President and CFO, Danfoss A/S

**Danfoss Heating Division** increased sales in the half-year. The net sales increased by 10% to 3,049 million DKK from 2,772 million DKK. The increase was 5%, when adjusted for acquisitions, divestments and calculated at last year's level of exchange rates.

<b>Danfoss Heating Division</b>								
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q2 2007	Q2 2008	Change in %	Q2 2007 YTD	Q2 2008 YTD	Change in %	2007	Q2 2008 EUR YTD
Net sales	1,384	1,599	16%	2,772	3,049	10%	6,238	409
Operating profit (EBIT)	59	101	71%	169	161	-5%	632	22
EBIT Margin	4.3%	6.3%		6.1%	5.3%		10.1%	5.3%
Net assets				4,210	4,929	17%	4,533	661
Capital expenditure	117	226	93%	183	321	75%	762	43
Number of employees				5,348	6,135	15%	5,870	

Following a poor first quarter, sales on the European market developed, on the whole, as expected. In the first six months of the year, the European market showed weak growth, but with major differences between the markets. The German market once again increased its growth rate, whereas France developed on a par with the year before. Growth on the markets in Eastern Europe and Russia continued. Market growth is not expected to change substantially during the second half-year.

The operating profit (EBIT) fell by 5% to 161 million DKK, compared to 169 million DKK in the year before. In order to adapt activities to the changes we expect on the main markets, an adjustment in the cost level has been implemented with a view to maintaining profits.

“We have been pleased to observe the continued growth of the **Danfoss Motion Controls Division** in the half-year. Even though market prospects are more uncertain in relation to the second half-year, we expect the positive development to continue. The driving force behind the growth will primarily be our new product range of frequency converters.”

Kim Fausing, Executive Vice President and COO, Danfoss A/S

**Danfoss Motion Controls Division** achieved an increase in both net sales and profit in the half-year. Net sales rose by 16% to 2,401 million DKK from 2,076 million DKK. When adjusted for acquisitions, divestments and currency translations, the growth was 18%.

<i>Danfoss Motion Controls Division</i>								
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q2 2007	Q2 2008	Change in %	Q2 2007 YTD	Q2 2008 YTD	Change in %	2007	Q2 2008 EUR YTD
Net sales	1,059	1,263	19%	2,076	2,401	16%	4,371	322
Operating profit (EBIT)	38	133	250%	105	188	79%	322	25
EBIT Margin	3.6%	10.5%		5.1%	7.9%		7.4%	7.9%
Net assets				1,215	1,483	22%	1,336	199
Capital expenditure	30	49	63%	195	139	-29%	368	19
Number of employees				3,759	4,156	11%	3,859	

The sales development was particularly positive during the first half of the year and all major markets witnessed growth. The European market, including Germany, saw double-digit growth rates. The markets in China, Latin America and Russia also added to the growth.

The operating profit (EBIT) increased by 79% to 188 million DKK, compared to 105 million DKK in the year before.

**Sauer-Danfoss Inc.** is listed on the stock exchange in New York, USA.

From July 2008, the company is a subsidiary of Danfoss A/S, and the Group owns 55.4% of the shares in Sauer-Danfoss Inc.

<i>Sauer-Danfoss Inc</i>				
Million USD (unless otherwise stated).	Q2 2007 YTD	Q2 2008 YTD	Change in %	2007
Net sales	1,027	1,229	20%	1,973
Profit after tax	33	51	55%	47

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

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

## Financial Highlights

Mill. DKK (unless otherwise stated). All quarterly figures are unaudited.	Q2 2007	Q2 2008	Change in %	Q2 2007 YTD	Q2 2008 YTD	Change in %	2007	Q2 2008 EUR YTD
<b>Profit and loss account:</b>								
Net sales <sup>1)</sup>	5,533	6,040	9%	10,882	11,425	5%	22,196	1,532
EBITDA	529	691	31%	1,177	1,213	3%	2,576	163
Operating profit excl. other income and expenses	302	419	39%	702	693	-1%	1,634	93
Operating profit (EBIT)	295	426	44%	712	697	-2%	1,616	94
Income from associates and joint ventures	24	28	17%	219	69	-68%	210	9
Financial income/expenses	-74	-39	-47%	-173	-187	8%	-448	-25
Profit before Tax (EBT)	245	415	69%	758	579	-24%	1,378	78
Net Profit	173	302	75%	601	427	-29%	1,063	57
<sup>1)</sup> Total growth in net sales:	17%	9%		20%	5%		14%	
Real growth in %	12%	9%		15%	6%		12%	
Exchange rates in %	-1%	-4%		-2%	-4%		-2%	
Acquired/sold activities net in %	6%	4%		7%	3%		4%	
<b>Balance Sheet:</b>								
Total non-current assets				10,365	11,358		11,054	1,523
Assets				20,063	21,403		19,857	2,870
Total shareholders' equity				9,418	9,911		9,744	1,329
Net interest-bearing debt				3,950	5,212	32%	3,737	699
Net assets				12,179	13,850	14%	12,227	1,857
Capital expenditure	317	525	66%	650	909	40%	1,931	122
<b>Cash flow statement:</b>								
Cash flows from operating activities				-442	-320		1,016	-43
Cash flows from investing activities				-418	-913		-1,593	-122
hereof net investments of assets				-505	-757		-1,255	-101
hereof net investments in companies				-73	-131		-384	-18
Free cash flow				-859	-1,233		-577	-165
Free cash flow before M&A				-981	-1,075	10%	-423	-144
Cash flows from financing activities				818	1,056		431	141
<b>Key figures:</b>								
Number of employees (end of period)				21,784	23,091	6%	22,323	
EBIT margin excl. other operating income etc.	5.5%	6.9%	1.4	6.5%	6.1%	-0.4	7.4%	
EBIT margin	5.3%	7.0%	1.7	6.5%	6.1%	-0.4	7.3%	
Adjusted EBIT margin				6.8%	6.5%		7.6%	
EBITDA margin	9.6%	11.4%	1.8	10.8%	10.6%		11.6%	
RONA <sup>1)</sup>	2.5%	3.2%	0.7	6.2%	5.3%		14.1%	
Return on equity				6.5%	4.3%		11.4%	
Equity ratio				46.8%	46.2%		49.0%	
Leverage ratio				42.0%	52.7%		38.4%	

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

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

## Profit & Loss Account

Mill. DKK (unless otherwise stated) All quarterly figures are unaudited.	Q2 2007	Q2 2008	Change in %	Q2 2007 YTD	Q2 2008 YTD	Change in %	2007	Q2 2008 EUR YTD
Net sales	5,533	6,040	9%	10,882	11,425	5%	22,196	1,532
Net sales Danfoss Services etc.	142	161	13%	267	298	12%	537	39
Cost of sales	-4,098	-4,396	7%	-7,990	-8,411	5%	-16,256	-1,128
<b>Gross profit</b>	<b>1,577</b>	<b>1,805</b>	<b>14%</b>	<b>3,159</b>	<b>3,312</b>	<b>5%</b>	<b>6,477</b>	<b>444</b>
	28.5%	29.9%		29.0%	29.0%		29.2%	29.0%
Distribution expenses	-1,095	-1,155	5%	-2,085	-2,171	4%	-4,125	-291
Administrative expenses	-180	-231	32%	-372	-448	22%	-718	-60
<b>Operating profit excl. other income and expenses</b>	<b>302</b>	<b>419</b>	<b>39%</b>	<b>702</b>	<b>693</b>	<b>-1%</b>	<b>1,634</b>	<b>93</b>
	5.5%	6.9%		6.5%	6.1%		7.4%	6.1%
Other operating income and expenses	-7	7	-200%	10	4	-60%	-18	1
<b>Operating profit (EBIT)</b>	<b>295</b>	<b>426</b>	<b>44%</b>	<b>712</b>	<b>697</b>	<b>-2%</b>	<b>1,616</b>	<b>94</b>
	5.3%	7.0%		6.5%	6.1%		7.3%	6.1%
Income from associates and joint ventures	24	28	17%	219	69	-68%	210	9
Financial income/expenses	-74	-39	-47%	-173	-187	8%	-448	-25
<b>Profit before tax</b>	<b>245</b>	<b>415</b>	<b>69%</b>	<b>758</b>	<b>579</b>	<b>-24%</b>	<b>1,378</b>	<b>78</b>
Corporate tax expenses	-72	-113	57%	-157	-152	-3%	-315	-21
<b>Net profit</b>	<b>173</b>	<b>302</b>	<b>75%</b>	<b>601</b>	<b>427</b>	<b>-29%</b>	<b>1,063</b>	<b>57</b>

## Balance sheet

Mill. DKK.	Q2 2007	Q2 2008	2007	Q2 2008 EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible fixed assets	3,985	4,142	4,159	555
Tangible fixed assets	4,667	5,378	5,062	721
Non-current financial assets	1,713	1,838	1,833	247
<b>Total non-current assets</b>	<b>10,365</b>	<b>11,358</b>	<b>11,054</b>	<b>1,523</b>
<b>Current assets</b>				
Inventories	3,620	3,765	3,363	505
Accounts receivable	5,234	5,774	4,721	774
Cash and cash equivalents	844	506	719	68
<b>Total current assets</b>	<b>9,698</b>	<b>10,045</b>	<b>8,803</b>	<b>1,347</b>
<b>Total assets</b>	<b>20,063</b>	<b>21,403</b>	<b>19,857</b>	<b>2,870</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Total shareholders' equity</b>	<b>9,418</b>	<b>9,911</b>	<b>9,744</b>	<b>1,329</b>
<b>Non-current liabilities</b>	<b>3,909</b>	<b>5,186</b>	<b>3,304</b>	<b>743</b>
<b>Current liabilities</b>	<b>6,736</b>	<b>6,306</b>	<b>6,809</b>	<b>798</b>
<b>Total liabilities</b>	<b>10,645</b>	<b>11,492</b>	<b>10,113</b>	<b>1,541</b>
<b>Total liabilities and shareholders' equity</b>	<b>20,063</b>	<b>21,403</b>	<b>19,857</b>	<b>2,870</b>

## Statement of cash flows

Mill. DKK.	Q2 2007	Q2 2008	2007	Q2 2008 EUR
Operating profit (EBIT)	712	697	1,616	102
Adjustments for non-cash transactions	367	417	920	56
Changes in working capital	-1,191	-1,051	-837	-149
<b>Cash flows generated from operations before interest</b>	<b>-112</b>	<b>63</b>	<b>1,699</b>	<b>9</b>
Financial income	25	14	40	2
Financial expenses	-222	-253	-395	-34
Dividends received	42	47	93	6
<b>Cash flows from operations before tax</b>	<b>-267</b>	<b>-129</b>	<b>1,437</b>	<b>-17</b>
Paid tax	-175	-191	-421	-26
<b>Cash flows from operating activities</b>	<b>-442</b>	<b>-320</b>	<b>1,016</b>	<b>-43</b>
Acquisition of intangible fixed assets	-70	-105	-238	-14
Acquisition of tangible fixed assets	-446	-722	-1,255	-97
Proceeds from sale of tangible fixed assets	11	70	94	10
Acquisition of subsidiaries etc.	-71	-130	-384	-17
Proceeds from disposal of subsidiaries etc.	-1	-1	74	-1
Acquisition (-) and sale of other investments etc.	160	-25	116	-3
<b>Cash flows from investing activities</b>	<b>-417</b>	<b>-913</b>	<b>-1,593</b>	<b>-122</b>
<b>Free cash flow</b>	<b>-859</b>	<b>-1,233</b>	<b>-577</b>	<b>-165</b>
Financing by non-shareholders:				
Financing by Repayment of (-)/proceeds from interest bearing debt	1,032	1,284	708	172
Financing by shareholders:				
Issuing of shares	0	50	0	7
Repurchase/sale of own shares	-1	-9	-25	-1
Addition/disposal of minority interest	-7	-12	-43	-2
Dividends paid	-206	-257	-209	-35
<b>Cash flows from financing activities</b>	<b>818</b>	<b>1,056</b>	<b>431</b>	<b>141</b>
<b>Net change in cash and cash equivalents</b>	<b>-41</b>	<b>-177</b>	<b>-146</b>	<b>-24</b>
Cash and cash equivalents (beginning of period)	886	719	886	96
Foreign exchange adjustment of cash and cash equivalents	-1	-36	-21	-4
<b>Cash and cash equivalents (end of period)</b>	<b>844</b>	<b>506</b>	<b>719</b>	<b>68</b>

## Equity specification

Mill. DKK.

	Share capital	Hedging reserve	Translation reserve	Reserve own shares	Other reserves	Reserves	Proposed dividend	Danfoss A/S' share of equity	Minority interest	Total equity
Balance at 1 January 2007	1,024	176	-257	-19	7,879	7,779	204	9,007	28	9,035
Total recognised income and expense		-89	-142		886	655	255	910	2	912
Dividends to shareholders						0	-204	-204	-5	-209
Transfers				-3	3	0				0
Purchase of minority interest					-26	-26		-26		-26
Shares issued/capital reduction				-25		-25		-25	-6	-31
Share based payments					63	63		63		63
Balance at 31 December 2007	1,024	87	-399	-47	8,805	8,446	255	9,725	19	9,744
Total recognised income and expense		-7	-63		426	356		356	-2	354
Dividends to shareholders						0	-257	-257		-257
Transfers								0		0
Purchase of minority interest					-10	-10		-10		-10
Shares issued/capital reduction				41		41		41		41
Share based payment					39	39		39		39
Balance at 31 March 2008	1,024	80	-462	-6	9,260	8,872	-2	9,894	17	9,911

<sup>1)</sup> Distribution of shares:  
A-shares: DKK 425 mill.  
B-shares: DKK 598.5 mill.

## Geographical segments

Mill. DKK.

Group	EU	Rest of Europe	Asia	North America	Africa	Pacific	Latin America	Middle East	Total
Net sales Q2 2007 YTD	6,211	1,094	1,260	1,391	157	167	360	242	10,882
Net sales Q2 2008 YTD	6,476	1,356	1,355	1,259	166	172	401	240	11,425

Net sales are based on customer location,

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## 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:	Q2 2007 Closing rates	Q2 2008 Closing rates	2007 Closing rates	Q2 2007 Average rates	Q2 2008 Average rates	2007 Average rates
EUR	7.44	7.46	7.46	7.45	7.46	7.45
GBP	11.04	9.41	10.15	11.05	9.64	10.90
USD	5.51	4.73	5.08	5.61	4.88	5.45

## Accounting principles:

Since 2002, Danfoss has prepared the accounts according to IFRS (International Financial Reporting Standards), These were used for this quarterly report as well as for the 2007 Annual Report, For a detailed description of these, please refer to the Danfoss A/S Annual Report 2007,