

Interim statement 2002

Danfoss:

Growth and earnings improved beyond expectations

The Danfoss Group's net sales for the first half year of 2002 were 1,002 million EUR, compared with 983 million EUR during the first half year of 2001. Operating income (EBIT) for the first half year was 40 million EUR, compared with 34 million EUR in the same period last year. The result before tax amounted to 49 million EUR, an increase from 32 million EUR in the first half year of 2001. Danfoss experienced two percent growth in net sales for the first half year. Zero growth had been expected. These figures demonstrate that the markets showed signs of improvement compared with the very weak half year of 2001.

In the first half, the Danfoss Group gained market shares in several of the Group's focus areas, despite the fact that market conditions were still very unfavourable and competitive.

Meanwhile, Danfoss is starting to benefit from the efficiency projects that were implemented during 2000 and 2001. One of the projects was the new distribution centre in Røddekro, Denmark, which the Danfoss Group inaugurated in April. The centre will make efficiency and improvements on the European continent possible in the future.

During the half year, Danfoss acquired the floor heating activities of the company Pentacom which was subsequently affiliated with the Heating & Water Segment. In the same period Danfoss took over its South Korean co-operator's share of the joint venture Danfoss Marine Systems Ltd. in Pusan. The company is now wholly owned by Danfoss. The South Korean activities are, together with the entire Marine Systems division, part of the Motions Controls Segment. In addition, Danfoss has established its own sales company for the remaining business areas of the Group in Seoul. Danfoss' former distributor Unitek was acquired in connection with this.

The total change in cash and cash equivalents shows an improvement of 77 million EUR on the same period last year. This is primarily due to significantly increased cash flows from operating activities, which to a large extent is because of reduced stocks and drains on trade credits.

The Sauer-Danfoss share of income amounted to 14.1 million EUR, compared with 13.9 million EUR in the first half of 2001.

At the end of the half year the Danfoss Group employed 17,345 people, 33 more than in the same period last year. The increase is due to the need for more activity at the company's production facilities because of the upswing.

Expectations of 2002

Net sales for 2002 are still expected to reach 1,952-2,019 million EUR. Operating income (EBIT) is expected to reach 87-101 million EUR.

Even though growth in the first half year surpassed Danfoss' expectations, the Group sees no reason to adjust the estimated growth rate for 2002, which is still four percent. The estimate is based on the indications of caution on the markets for the second half year.

During the rest of 2002, the Danfoss Group will continue in its endeavours to gain a market leader position in its business areas through acquisitions, alliances and other means. The Group is constantly

interested in acquiring both small and large companies.

In the light of the preliminary results of the implemented efficiency and rationalisation activities, the Danfoss management expects to be able to meet the long-term expectations of increased Group earnings and a continued strengthening of the Group market position.

Business Segments (Danfoss' main markets)

Refrigeration & Air Conditioning achieved an improvement in sales from 566 million EUR in the first half year of 2001 to 576 million EUR in 2002. The half year result increased from 35 million EUR in 2001 to 40 million EUR in 2002.

The development is characterised by the fact that Danfoss has won market shares and, along with increased efficiency, this has contributed to improved earnings.

Heating & Water experienced a modest increase in sales, from 176 million EUR to 178 million EUR at the end of this half year. The result improved from 11 million EUR to 14 million EUR.

The improvement in sales primarily occurred in Russia and China, due to the continued reluctance in the two main markets Germany and Poland. Danfoss has not lost market shares because the continued reluctance is a general trend.

Motion Controls achieved an improvement in sales, from 232 million EUR to 237 million EUR. The result improved from 0.4 million EUR to 5 million EUR.

The comparatively weak result is primarily due to continued strong price competition and costs in connection with the restructuring in the Gear Motor Division.

For the half year, the Motion Controls Segment also includes two new business areas. For the purpose of comparison, all figures have been adjusted to take into account the organisational change.

Note: All income figures for the Business Segments are expressed as EBIT.

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Enclosed: Key figures and interim accounts of the Danfoss Group

Key figures and interim accounts for the Danfoss Group 2002 (Half year figures are not revised)

	2001	30/6-01	30/6-02
Net sales [mil. EUR]	1,936	983	1,002
Operating income added depreciations and amortisation (EBITDA)	188	90	92
Operating income (EBIT)	79	34	40
Result before tax	64	32	49
Net result/interim results	44	20	33

Assets	1,592	1,617	1,673
Shareholders' equity	879	858	895
Investment ratio (investments excl. acquisitions as percentage of net sales)	7.3	5.8	5.2
Cash flows from operating activities	133	(40)	56
Cash flows from investing activities	(149)	(73)	(68)
Cash flows from financing activities	(11)	27	2
Change in cash and cash equivalents	(27)	(86)	(9)
Number of employees (end of year)	16,544	17,312	17,345
EBITDA margin (operating income added depreciations and amortisation as percentage of net sales)	9.7	9.1	9.2
EBIT margin (operating income as percentage of net sales)	4.1	3.4	4.0
Return on sales (result before tax as percentage of net sales)	3.3	3.3	4.9
Return on equity (net result as percentage of average shareholders' equity)	5.1	4.7	7.5
Liquidity ratio (current assets divided by current liabilities)	2.0	2.0	2.0
Equity ratio (shareholders' equity as percentage of liabilities at end of year)	55.2	53.1	53.5

Net sales, segments [mil. EUR]	2001	30/6-01	30/6-02
Refrigeration & Air Conditioning	1,074	566	576
Heating & Water	381	176	178
Motion Controls	467	232	237
Operating income, segments [mil. EUR] EBIT			
Refrigeration & Air Conditioning	64	35	40
Heating & Water	47	11	14
Motion Controls	5	0.4	5

As costs and sales are not fully allocated to the segments, these cannot be reconciled directly with group figures. For comparison, all figures for the segments are adjusted to take into account structural changes.