

Danfoss:

Stagnation in Europe weakens growth

The Danfoss Group's net sales for the third quarter of 2002 were 518 million EUR, compared with 497 million EUR during the third quarter of 2001. Operating income (EBIT) was 44 million EUR, compared with 33 in the same period last year. The result before tax amounted to 41 million EUR, an increase from 24 million EUR in the third quarter of 2001.

For the first nine months of 2002, Danfoss reports a net sales growth of 3 percent compared with the same period last year. Net sales for the nine months were 1,520 million EUR, compared with 1,479 million EUR in the first nine months in 2001. Operating income (EBIT) was 84 million EUR, compared with 67 million EUR in 2001, while the result before tax for the first three quarters was 90 million EUR. The corresponding figure in 2001 was 57 million EUR.

Development shows that the economic trends are improving very slowly. For Danfoss, this means that Western European markets are characterised by stagnation. Growth is primarily taking place in Eastern Europe and Asia, where China is a particularly good example.

As for earnings, Danfoss is able to counter the consequences of low growth to a much higher degree due to the many projects implemented within purchasing, logistics and productivity improvements.

Free cash flow is 61 million EUR, which is an improvement of 120 million EUR compared with the same period last year. This is partly due to operational improvements.

The Sauer-Danfoss share of income has contributed with 15 million EUR in the first nine months of 2002, compared with 11 million EUR in the same period in 2001.

At the end of the quarter the Danfoss Group employed 17,284 people, which is an increase of 374 compared with the same period last year. The increase is due to the development of the company's production units following the increased activities.

Expectations for 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.

Seen in the light of market development, Danfoss believes it will be difficult to achieve a total growth for the year of 4 percent. Growth for 2002 is expected to be about 3.5 percent.

The Danfoss Group will continue to endeavour to gain a market leader position in its business areas through acquisitions, alliances or other means. The Group is constantly interested and engaged in discussions to acquire both small and large companies.

Business Segments (Danfoss' main markets)

Refrigeration & Air Conditioning achieved an improvement in net sales from 835 million EUR during the year's first nine months of 2001 to 870 million EUR in 2002. The result for the period increased from 58 million EUR in 2001 to 68 million EUR in 2002.

The market development is characterised by strong price competition and increased consolidation among the segment's customers. On basis of targeted efforts and improved efficiency in the segment's divisions, it has gained market shares and increased earnings.

Heating & Water experienced a small decrease in net sales, from 280 million EUR to 275 million EUR for the year's first nine months. The result increased from 28 million EUR to 29 million EUR.

The segment growth took place primarily in Eastern Europe and China while there is still reluctance in the German and Polish markets.

Motion Controls experienced an improvement in net sales, from 352 million EUR to 357 million EUR. The result improved from 3 million EUR to 13 million EUR.

The market is marked by stagnation and several markets have experienced decline in the demand, which is reflected in the net sales of the segment. The segment reached satisfactory results on basis of improved efficiency.

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

For further information:

President and CEO Jørgen M. Clausen: +45 74 88 28 51

Vice Executive President, CFO Ole Steen Andersen: +45 74 88 21 46

Enclosed: Interim accounts of the Danfoss Group

Key figures and interim accounts for the Danfoss Group 2002

(Figures are not audited)

	Q3-01	Q3-02	Q3-01	Q3-02	2001
	acc.	acc.	period	period	
Net sales [mil. EUR]	1,479	1,520	497	518	1,936
Operating income added depreciations and amortisation (EBITDA)	149	162	59	70	188
Operating income (EBIT)	67	84	33	44	79
Result before tax (EBT)	57	90	24	41	64
Net Result	36	61	15	28	44
Assets	1,561	1,703	1,561	1,703	1,592
Shareholder's equity	863	917	863	917	879
Investment ratio (investments excl. acquisitions as percentage of net sales)	5.5	4.0	4.9	0.8	7.3
Cash flows from operating activities	20	132	60	76	133
Cash flows investing activities	(79)	(71)	(6)	(3)	(149)
Free cash flow	(59)	61	54	72	(16)

Cash flows from financing activities	(19)	6	(45)	4	(11)
Change in cash and equivalents	(77)	67	9	76	(27)
Number of employees (end of year)	16,910	17,284	16,910	17,284	16,544
EBITDA margin (operating income added depreciations and amortisation as percentage of net sales)	10.0	10.7	11.8	13.5	9.7
EBIT margin (operating income as percentage of net sales)	4.5	5.5	6.7	8.5	4.1
Return on sales (result before tax as percentage of net sales)	3.8	5.9	4.8	7.8	3.3
Return on equity (net result as percentage of average shareholders' equity)	4.3	6.8	1.8	3.1	5.1
Liquidity ratio (current assets divided by current liabilities)	2.2	2.2	2.2	2.2	2.0
Equity ratio (shareholders' equity as percentage of liabilities at end of year)	55.3	53.8	55.3	53.8	55.2

Net sales, segments [mil. EUR]	Q3-01 acc.	Q3-02 acc.	Q3-01 period	Q3-02 period	2001
Refrigeration & Air Conditioning	835	870	269	294	1,074
Heating & Water	280	275	103	97	381
Motion Controls	352	357	120	120	467
Operating income, segments [mil. EUR] EBIT					
Refrigeration & Air Conditioning	58	68	23	28	64
Heating & Water	28	29	17	14	47
Motion Controls	3	13	3	7	5

As costs and net 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.