



Press release

Danfoss A/S Half-year report 2006

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 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 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.

"Danfoss set a record in both net sales and profit in the first half-year of 2006 so, naturally, we are pleased with the results. We have chosen to increase our expectations for the net sales and profit, even though we do not expect to have the same growth rates for the second half-year. We note that our long-term targets are nearer fulfilment because of the reasonable growth in net sales and profit, and at the same time, we successfully acquired a number of companies in the first half-year. We are glad that these acquisitions are in place, because the expansion and strengthening of our activities through acquisitions are important elements of our long-term strategy."

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

Highlights from the first half-year of 2006:

- **Net sales** increased by 16% to 9.1 billion DKK compared to 7.9 billion DKK in the same period last year. Growth amounted to 11%, when converted at last year's level of exchange rates and adjusted for acquisitions and divestments, compared to 3% in the same period of last year. **This is a net sales record for a half-year at Danfoss.**
- **Operating profit (EBIT)** increased by 88% to 672 million DKK.
- **Profit before tax** increased by 31% to 631 million DKK.
- **The number of employees** increased to 19,292 from 18,022 at the same time in 2005.

Expectations for 2006:

- The Group increases its expectations for both net sales and profit for 2006. Net sales are expected to be between 18.0 and 18.5 billion DKK, compared to previous expectations of between 17.0 and 17.5 billion DKK. This equals growth of between 9.5% and 12.5%, compared to 2005.
- The operating profit (EBIT) is expected to be between 1.1 and 1.2 billion DKK (previously expected to be between 1.0 and 1.1 billion DKK), corresponding to an EBIT margin of between 6% and 6.5%.
- Any impact of future acquisitions and divestments is not included in the expectations.

The first half-year report 2006 has been prepared according to the same accounting principles used for the audited 2005 Annual Report.

Nordborg, September 11, 2006

| | | | |
|-------------------|----------------------|-----------------------|----------------------|
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Further information about Danfoss is available on the Danfoss website: www.danfoss.com

Financial highlights

| Million DKK (unless otherwise stated) All quarterly figures are unaudited. | Q2 2005 | Q2 2006 | Change in % | Q2 2005 YTD | Q2 2006 YTD | Change in % | 2005 | Q2 2006 EUR YTD |
|---|------------|------------|----------------|-------------------|-------------------|----------------|--------|--------------------------|
| Profit and Loss Accounts | | | | | | | | |
| Net sales | 4,161 | 4,733 | 14% | 7,872 | 9,096 | 16% | 16,416 | 1,219 |
| EBITDA | 483 | 638 | 32% | 743 | 1,094 | 47% | 1,695 | 147 |
| <i>EBITDA Margin</i> | 11.6% | 13.5% | | 9.4% | 12.0% | | 10.3% | 12.0% |
| Operating profit (EBIT) | 279 | 423 | 52% | 358 | 672 | 88% | 943 | 90 |
| <i>EBIT Margin</i> | 6.7% | 8.9% | | 4.6% | 7.4% | | 5.7% | 7.4% |
| Profit before tax | 348 | 368 | 6% | 480 | 631 | 31% | 999 | 85 |
| <i>Return on Sales</i> | 8.4% | 7.8% | | 6.1% | 6.9% | | 6.1% | 6.9% |
| Key figures¹⁾: | | | | | | | | |
| Free cash flow | | | | -773 | -859 | | -434 | -115 |
| Interest bearing debt | | | | 1,404 | 2,576 | 83% | 1,561 | 345 |
| RONA ²⁾ | 3.5% | 4.5% | | 4.6% | 7.4% | | 12.1% | 7.4% |

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

²⁾ 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.

Best half-year result ever in Danfoss' history

The Danfoss Group's **net sales** increased to 9.1 billion DKK in the first half-year from 7.9 billion DKK in the same period of the year before. Growth was 11%, when converted at last year's level of exchange rates and adjusted for acquisitions and divestments. In the same period of the year before, the growth was 3%. The operating profit was 672 million DKK, while the result before tax was 631 million DKK. Both the net sales and profit are the best half-year ever in Danfoss' history.

The second quarter saw an increase in demand for the Group's products and services, thus, the positive development of the first quarter continued. Double-digit growth rates show that the development on the European main market was a significant aspect of the record-high net sales. Viewed in isolation, the important German market also showed a continued positive trend during the second quarter. The markets in North America and Asia also showed decent double-digit growth rates. The largest progress in single markets took place in the Chinese and Russian markets, with growth exceeding expectations by a good deal, which was also the case in the Latin American market.

The continuously increasing price of raw materials had an impact on production costs in the first half-year, which has had a negative influence on the profit. It is expected that raw material prices will continue at a high level in the second half-year. In order to counter this trend, Danfoss has implemented increases in the price of products which have been particularly hit by the development of raw material prices.

The operating profit (EBIT) increased by 88% to 672 million DKK from 358 million DKK. The positive growth in net sales led to an improved capacity utilisation and, consequently, increased profit. Moreover, earnings were positively affected by the profit gained in connection with the separation of the biotech activities to the new company Danfoss Bionics. The significant increase of the EBIT should, however, also be seen in light of the fact

that in 2005, a lack of demand in several markets had a negative impact on the EBIT which led to a reduced capacity utilisation and, consequently, increased operational costs.

Income from joint ventures and associates was 93 million DKK, which is an increase of 45% compared to the same period last year. The item includes the share of income from Sauer-Danfoss which was 117 million DKK compared to 79 million DKK in the same period the year before.

Financial net items showed a deficit of 134 million DKK compared to a profit of 58 million DKK in the year before. The development was primarily due to positive exchange rate adjustments/gains in 2005 of 50 million DKK, compared to -38 million DKK in 2006. In addition, 54 million DKK were spent in 2006 on the Group's share remuneration schemes, while contributions were not made in the first half-year of 2005. The Group's net interest expenses are also on the increase due to a higher interest level, an increased amount of tied-up capital, following the high activity level, and acquisitions.

The profit before tax was 631 million DKK compared to 480 million DKK in 2005. **The profit after tax in the period** was 492 million DKK compared to 380 million DKK in the year before.

The shareholders' equity was 8,772 million DKK at the end of the half-year, which corresponds to an equity ratio of 54.3% compared to 59.4% at the end of 2005. The drop is primarily due to the fact that the Group's net liabilities increased by 1,222 million DKK since year end, which was partly a result of increased loans raised in connection with the financing of the Group's acquisitions in the period and the separation of Danfoss Bionics.

The free cash flow, which is a combination of cash flows from operations of 35 million DKK and cash flows from investments of -894 million DKK, was -859 million DKK against -773 million DKK in the year before. Compared to 2005, the change is primarily due to the acquisitions and the separation of activities. Historically, the cash flow is always negative at the half-year.

The research and development costs were approx. 354 million DKK in the first half-year, compared to 316 million DKK the year before. This equals an increase of 12% compared to the year before, which corresponds to approx. 4% of net sales.

Acquisitions and sale of companies

At the beginning of May, Danfoss took over the heat pump manufacturer Steinmann Apparatebau AG, Kirchlindach, Switzerland. The company has annual net sales of approx. 27 million DKK and has 25 employees. The company is included in the accounts as of May 1, 2006.

In May, Danfoss sold its "Plastic Factory" in Nordborg to SP Group, Sønderborg. The factory had net sales of approx. 140 million DKK in 2005. The effect of the sale is that the "Plastic Factory" in Nordborg will be shut down before the end of the third quarter of 2006. Twelve of the factory's approx. 40 employees have been offered a job at SP Group. The remaining employees have been offered other jobs in the Danfoss Group. The factory is included in the accounts up to July 1, 2006.

In June, Danfoss entered into an agreement for the takeover of the Rumanian producer of district heating stations Schmidt-Bretten in Bucharest. The company has annual net sales of approx. 55 million DKK and has 50 employees. The company will not be included in the accounts until the second half-year.

In June, Danfoss took over the heat pump manufacturer Avenir Energie, Valence, France. Avenir Energie has 40 employees and has annual net sales of approx. 70 million DKK. The company is included in the accounts as of June 30, 2006.

Together with BankInvest and the American company MT Technologies, Danfoss set up the company Danfoss AquaZ A/S in June. The company will produce and sell biological membranes for the purification of water. Danfoss owns 51% of the company, BankInvest owns 25.5% and MT Technologies owns 23.5%.

Changes in employee numbers

At the end of the first half-year, the Danfoss Group employed 19,292 people, an increase of 1,270 employees compared to the year before.

There are 15,214 employees in Europe (14,488 in the first half-year of 2005), 1,684 in North America including Mexico (1,683), 1,890 in Asia-Pacific (1,344) and 504 in other regions (507). In Denmark, 6,166 people were employed at the end of the first half-year, compared to 6,084 in the year before.

Events after the end of the quarter

In July, Danfoss entered into an agreement for the takeover of the scroll compressor manufacturer Scroll Technologies, Arkadelphia, USA. The company had net sales of approx. 725 million DKK in 2005 and has 750 employees. The company will not be included in the accounts until after the acquisition has been finally concluded.

In July, Danfoss took over the steel nozzles manufacturer Hago Manufacturing Co., Inc., New Jersey, USA. The company has net sales of approx. 60 million DKK and has 75 employees. The company will not be included in the accounts until the second half-year.

In August, Danfoss signed an agreement for the takeover of the manufacturer of brazed plate heat exchangers Hangzhou Qinbao Refrigeration Equipment Co. Ltd, Hangzhou, China. The company has 80 employees and had net sales of approx. 31 million DKK in 2005. The company will not be included in the accounts until after the acquisition has been finally concluded.

In August, it was announced that Danfoss will move the production of industrial refrigeration components from rented premises in Hasselager to the Group's factory in Kolding (both Denmark). The relocation will ensure that the Group continues to be competitive in the field of industrial refrigeration and to utilise the vacant floor space in Kolding. The relocation will be completed during 2007 and the factory's approx. 100 employees will all be offered a job in Kolding.

In September, it was announced that Danfoss had acquired the company BAR GmbH which produces actuators for water valves. The company headquarters are located in Dattenberg, Germany, has net sales of approx. 75 million DKK and employs 45 people.

Expectations for 2006

Danfoss increases its expectations for both net sales and profit for 2006, even though growth is not expected to continue at the same level in the second half-year.

- The Group increases its expectations for both net sales and profit for 2006. Net sales are expected to be between 18.0 and 18.5 billion DKK, compared to previous expectations of between 17.0 and 17.5 billion DKK. The growth is between 9.5% and 12.5% compared to 2005.
- The operating profit (EBIT) is still expected to be between 1.1 and 1.2 billion DKK (previously it was expected to be between 1.0 and 1.1 billion DKK), corresponding to an EBIT margin of between 6 % and 6.5%.
- Any impact of future acquisitions and divestments is not included in the expectations.

The half-year report 2006 has been prepared according to the same accounting principles used for the revised 2005 Annual Report.

Prerequisites and risks:

In the second half-year, growth is expected to be generated from the North American market, Eastern and Central Europe and the EU, particularly Germany. The Chinese market is expected to continue its positive development in the second half-year, while the markets in the rest of Asia are only expected to show moderate growth.

A large proportion of Danfoss' sales outside Europe are settled in dollars. A low dollar exchange rate will therefore contribute to a moderate growth in net sales when calculated in Danish Kroner. The expectations are calculated on the basis of a dollar exchange rate of 6.05 DKK/USD.

Raw material prices are expected to remain at a high level in the second half-year. In particular, the development of copper, brass and aluminium is uncertain and energy prices are also likely to rise. Danfoss tries to smooth out some of the major fluctuations in raw material prices through the hedging of selected raw materials. If the prices continue to increase at the same rate as in the first half-year, they could have a negative impact on the 2006 result.

The corporate projects that have been initiated will also have a negative effect on the cost level in 2006. However, the projects are crucial to achieve the Group's long-term competitiveness. Currently, there are no plans to initiate new large corporate projects in the second half-year.

Danfoss' core business areas

“The half-year result shows that the Division is once again back on track. The initiatives implemented are beginning to be reflected in the profit and with the agreement to take over Scroll Technologies, the Division has set the groundwork for additional growth in future years.”

Niels B. Christiansen, Executive Vice President and COO, Danfoss A/S

Danfoss Refrigeration & Air Conditioning Division experienced a rise in both net sales and profit in the first half-year of 2006 and achieved acceptable result. Net sales increased to 4,776 million DKK from 4,193 million DKK, equalling an increase of 14%. When converted at last year's exchange rate level and adjusted for acquisitions and divestments, the increase was 11%, compared to 2% in the year before.

| Danfoss Refrigeration & Air Conditioning Division | | | | | | | | |
|---|---------|---------|-------------|-------------|-------------|-------------|-------|-----------------|
| Million DKK (unless otherwise stated). All quarterly figures are unaudited. | Q2 2005 | Q2 2006 | Change in % | Q2 2005 YTD | Q2 2006 YTD | Change in % | 2005 | Q2 2006 EUR YTD |
| Net sales | 2,247 | 2,520 | 12% | 4,193 | 4,776 | 14% | 8,351 | 640 |
| Operating profit (EBIT) | 149 | 219 | 47% | 242 | 400 | 65% | 449 | 54 |
| EBIT Margin | 6.6% | 8.7% | | 5.8% | 8.4% | | 5.4% | 8.4% |
| Net assets | | | | 4,206 | 4,656 | 11% | 4,005 | 624 |
| Net investments | 134 | 162 | 21% | 239 | 249 | 4% | 621 | 33 |
| Number of employees | | | | 9,370 | 9,932 | 6% | 9,093 | |

The positive sales development in the first quarter continued in the second quarter. The European markets continued the decent growth rate and the markets in North America and Asia also show decent growth rates. Especially the Chinese market showed a high growth rate.

The operating profit increased by 65% to 400 million DKK from 242 million DKK. The increased activities have resulted in an improved capacity utilisation and, consequently, improved earnings. The increasing raw material prices have a negative impact on the profit and if this trend continues in the second half-year, it could have a negative impact on the profit.

“Historically, Danfoss has attached great importance to the environment and the work to develop energy-saving products. Now, with very high energy prices having increased the demand for exactly these kinds of products, we have gained a sound basis for further strengthening the growth of the business.”

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

Danfoss Heating Division (including Danfoss Water Controls) experienced satisfactory development of both the net sales and the profit in the half-year. Net sales increased by 24% to 2,429 million DKK from 1,955 million DKK. When converted at last year’s exchange rate level and adjusted for acquisitions and divestments, the increase was 13%, compared to 1% in the year before.

| Danfoss Heating Division (incl. Danfoss Water Controls) | | | | | | | | |
|---|---------|---------|-------------|-------------|-------------|-------------|-------|-----------------|
| Million DKK (unless otherwise stated). All quarterly figures are unaudited. | Q2 2005 | Q2 2006 | Change in % | Q2 2005 YTD | Q2 2006 YTD | Change in % | 2005 | Q2 2006 EUR YTD |
| Net sales | 1,028 | 1,241 | 21% | 1,955 | 2,429 | 24% | 4,640 | 326 |
| Operating profit (EBIT) | 75 | 118 | 57% | 126 | 221 | 75% | 505 | 30 |
| EBIT Margin | 7.3% | 9,5% | | 6.4% | 9.1% | | 10.9% | 9.1% |
| Net assets | | | | 2,440 | 3,586 | 47% | 3,014 | 481 |
| Net investments | 58 | 135 | 133% | 124 | 172 | 39% | 381 | 23 |
| Number of employees | | | | 4,199 | 4,755 | 13% | 4,437 | |

The European markets continued the positive sales development with decent growth rates from the recent quarters, but also the markets in Russia and Asia, including China, showed a positive growth. The continually high energy prices and the general attention on renewable energy and environmental issues are still contributing to a sharp focus on energy-savings and a great demand for the Division’s energy-saving products.

The operating profit rose to 221 million DKK from 126 million DKK, which corresponds to an increase of 75%. The increased profit is primarily due to the increased level of activities. In addition, the acquired companies have also had a positive impact on the growth.

“In the second quarter, Danfoss Motion Controls continued the positive trend from the first quarter with net sales that exceeded last year’s level. In spite of price pressure and increasing material costs, the profit increased successfully and numerous initiatives have been implemented to continue this development.”

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

Danfoss Motion Controls Division achieved satisfactory development in the first half-year, with improved net sales and profit. The net sales increased to 1,815 million DKK from 1,562 million DKK in the first half-year of 2005, which corresponds to growth of 16%. When converted at last year’s exchange rate level and adjusted for acquisitions and divestments, the increase was 11%, compared to 10% in the year before.

| <i>Danfoss Motion Controls Division</i> | | | | | | | | |
|---|---------|---------|-------------|-------------|-------------|-------------|-------|-----------------|
| Million DKK (unless otherwise stated). All quarterly figures are unaudited. | Q2 2005 | Q2 2006 | Change in % | Q2 2005 YTD | Q2 2006 YTD | Change in % | 2005 | Q2 2006 EUR YTD |
| Net sales | 822 | 919 | 12% | 1,562 | 1,815 | 16% | 3,211 | 243 |
| Operating profit (EBIT) | 64 | 65 | 2% | 100 | 144 | 44% | 252 | 19 |
| EBIT Margin | 7.8% | 7.0% | | 6.4% | 8.0% | | 7.9% | 8.0% |
| Net assets | | | | 941 | 1,022 | 9% | 991 | 137 |
| Net investments | 36 | 29 | -19% | 72 | 61 | -15% | 211 | 8 |
| Number of employees | | | | 2,986 | 3,318 | 11% | 3,176 | |

Generally, most of the Division’s markets grew in the quarter. The markets in the EU, however, only showed modest growth rates, while growth in the German market was a bit higher. The markets in North and Latin America, Russia and China also showed decent growth.

The operating profit increased by 44% to 144 million DKK from 100 million DKK in the year before. In the second quarter, the profit was affected by increased price competition and increasing material costs.

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

The company is recorded in the accounts as a joint venture of Danfoss A/S and the Group owns 38.4 % of the shares in Sauer-Danfoss Inc.

| <i>Sauer-Danfoss Inc.</i> | | | | |
|--|----------------|----------------|----------------|-------|
| Million USD (unless otherwise stated). | Q2 2005 YTD | Q2 2006 YTD | Change in % | 2005 |
| Net sales | 861 | 954 | 11% | 1,548 |
| Profit after tax | 30 | 49 | 63% | 39 |

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

For further information please refer to the Sauer-Danfoss homepage: www.sauer-danfoss.com

Financial Highlights

| Mil. DKK (unless otherwise stated). All quarterly figures are unaudited. | Q2 2005 | Q2 2006 | Change in % | Q2 2005 YTD | Q2 2006 YTD | Change in % | 2005 | Q2 2006 EUR YTD |
|---|---------|---------|----------------|----------------|----------------|----------------|--------|-----------------------|
| Profit and loss account: | | | | | | | | |
| Net sales ¹⁾ | 4,161 | 4,733 | 14% | 7,872 | 9,096 | 16% | 16,416 | 1,219 |
| Operating income before other operating income and expenses | 233 | 337 | 45% | 306 | 584 | 91% | 910 | 78 |
| EBITDA | 483 | 638 | 32% | 743 | 1,094 | 47% | 1,695 | 147 |
| Operating profit (EBIT) | 279 | 423 | 52% | 358 | 672 | 88% | 943 | 90 |
| Income from associates and joint ventures after tax | 37 | 36 | -3% | 64 | 93 | 45% | 78 | 12 |
| Financial income/expenses | 32 | -91 | *** | 58 | -134 | *** | -22 | -17 |
| Profit before Tax (EBT) | 348 | 368 | 6% | 480 | 631 | 31% | 999 | 85 |
| Net Profit | 278 | 295 | 6% | 380 | 492 | 29% | 733 | 66 |
| ¹⁾ Total growth in net sales: | -4% | 14% | | -5% | 16% | | 0% | |
| Real growth in % | 5% | 9% | | 3% | 11% | | 5% | |
| Exchange rates in % | -1% | 1% | | -1% | 2% | | -1% | |
| Acquired/sold activities net in % | 8% | -4% | | 7% | -3% | | 4% | |
| Balance Sheet: | | | | | | | | |
| Assets | | | | 13,943 | 16,098 | | 14,598 | 2,158 |
| Net investments (excl. goodwill) | 236 | 272 | 15% | 404 | 442 | 9% | 1,164 | 59 |
| Net investments in goodwill | 7 | 271 | *** | 14 | 280 | *** | 464 | 38 |
| Total shareholders' equity | | | | 8,113 | 8,772 | | 8,693 | 1,176 |
| Interest-bearing debt | | | | 1,404 | 2,576 | 83% | 1,561 | 345 |
| Net interest-bearing debt | | | | 1,076 | 2,047 | 90% | 825 | 274 |
| Cash flow statement: | | | | | | | | |
| Cash flows from operating activities | | | | -279 | 35 | | 1,192 | 5 |
| Cash flows from investing activities | | | | -494 | -894 | | -1,626 | -120 |
| Free cash flow | | | | -773 | -859 | | -434 | -115 |
| Cash flows from financing activities | | | | 143 | 673 | | 177 | 90 |
| Cash and cash equivalents (end of period) | | | | 328 | 528 | | 736 | 71 |
| Key figures: | | | | | | | | |
| Number of employees (end of period) | | | | 18,022 | 19,292 | 7% | 18,168 | |
| RONA ¹⁾ | 3.5% | 4.5% | 1.0 | 4.6% | 7.4% | | 12.1% | |
| EBIT margin | 6.7% | 8.9% | 2.2 | 4.6% | 7.4% | | 5.7% | |
| EBITDA margin | 11.6% | 13.5% | 1.9 | 9.4% | 12.0% | | 10.3% | |
| Net investment percentage | 5.8% | 11.5% | 5.7 | 5.3% | 7.9% | | 9.9% | |
| Return on sales | 8.4% | 7.8% | -0.6 | 6.1% | 6.9% | | 6.1% | |
| Return on equity | | | | 4.8% | 5.6% | | 8.9% | |
| Equity ratio | | | | 58.1% | 54.3% | | 59.4% | |

¹⁾ 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

| Million DKK (unless otherwise stated) All quarterly figures are unaudited. | Q2 2005 | Q2 2006 | Change in % | Q2 2005 YTD | Q2 2006 YTD | Change in % | 2005 | Q2 2006 EUR YTD |
|---|--------------|--------------|----------------|----------------|----------------|----------------|--------------|-----------------------|
| Net sales | 4,161 | 4,733 | 14% | 7,872 | 9,096 | 16% | 16,416 | 1,219 |
| Sale of services etc. | 129 | 112 | -13% | 229 | 230 | 0% | 452 | 31 |
| Cost of sales | -3,032 | -3,410 | 12% | -5,780 | -6,581 | 14% | -11,865 | -882 |
| Gross profit | 1,258 | 1,435 | 14% | 2,321 | 2,745 | 18% | 5,003 | 368 |
| | 30.2% | 30.3% | | 29.5% | 30.2% | | 30.5% | 30.2% |
| Distribution expenses | -849 | -940 | 11% | -1,658 | -1,808 | 9% | -3,443 | -243 |
| Administrative expenses | -176 | -158 | -10% | -357 | -353 | -1% | -650 | -47 |
| Operating profit excl. other income and expenses | 233 | 337 | 45% | 306 | 584 | 91% | 910 | 78 |
| | 5.6% | 7.1% | | 3.9% | 6.4% | | 5.5% | 6.4% |
| Other operating income and expenses | 46 | 86 | 87% | 52 | 88 | 69% | 33 | 12 |
| Operating profit (EBIT) | 279 | 423 | 52% | 358 | 672 | 88% | 943 | 90 |
| | 6.7% | 8.9% | | 4.6% | 7.4% | | 5.7% | 7.4% |
| Income from associates and joint ventures after tax | 37 | 36 | -3% | 64 | 93 | 45% | 78 | 12 |
| Financial income/expenses | 32 | -91 | *** | 58 | -134 | *** | -22 | -17 |
| Profit before tax | 348 | 368 | 6% | 480 | 631 | 31% | 999 | 85 |
| Corporate tax expenses | -70 | -73 | 4% | -100 | -139 | 39% | -266 | -19 |
| Profit after tax | 278 | 295 | 6% | 380 | 492 | 29% | 733 | 66 |

Balance sheet

| Million DKK. All quarterly figures are unaudited. | Q2 05 | Q2 06 | 2005 | Q2 06 EUR |
|--|---------------|---------------|---------------|--------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | 1,138 | 2,059 | 1,772 | 276 |
| Fixed assets | 4,094 | 4,300 | 4,339 | 576 |
| Non-current financial assets | 1,644 | 1,611 | 1,590 | 216 |
| Total non-current assets | 6,876 | 7,970 | 7,701 | 1,068 |
| Current assets | | | | |
| Inventories | 2,690 | 2,651 | 2,396 | 355 |
| Accounts receivable | 4,049 | 4,949 | 3,765 | 664 |
| Cash and cash equivalents | 328 | 528 | 736 | 71 |
| Total current assets | 7,067 | 8,128 | 6,897 | 1,090 |
| Total assets | 13,943 | 16,098 | 14,598 | 2,158 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Total shareholders' equity | 8,113 | 8,772 | 8,693 | 1,176 |
| Non-current debt | 1,924 | 3,030 | 2,172 | 405 |
| Current debt | 3,906 | 4,296 | 3,733 | 577 |
| Total debt | 5,830 | 7,326 | 5,905 | 982 |
| Total liabilities and shareholders' equity | 13,943 | 16,098 | 14,598 | 2,158 |

Statement of cash flows

| Million DKK. All quarterly figures are unaudited. | Q2 05 YTD | Q2 06 YTD | 2005 | Q2 06 EUR YTD |
|---|--------------|--------------|---------------|---------------------|
| Operating profit | 358 | 672 | 943 | 90 |
| Adjustments for non-cash transactions | 314 | 260 | 691 | 35 |
| Changes in working capital | -923 | -744 | -116 | -100 |
| Cash flows generated from operations before interest | -251 | 188 | 1,518 | 25 |
| Net financial items | 58 | -24 | -63 | -3 |
| Dividends received | 22 | 29 | 48 | 4 |
| Cash flows from operations before tax | -171 | 193 | 1,503 | 26 |
| Paid tax | -108 | -158 | -311 | -21 |
| Cash flows from operating activities | -279 | 35 | 1,192 | 5 |
| Acquisition of intangible fixed assets | -55 | -56 | -165 | -7 |
| Acquisition of tangible fixed assets | -389 | -377 | -1,043 | -51 |
| Proceeds from sale of tangible fixed assets | 22 | 6 | 179 | 1 |
| Acquisition of subsidiaries etc. | -114 | -318 | -653 | -43 |
| Proceeds from disposal of subsidiaries etc. | 122 | 0 | 149 | 0 |
| Acquisition (-) and sale of other investments | -80 | -149 | -93 | -20 |
| Cash flows from investing activities | -494 | -894 | -1,626 | -120 |
| Free cash flows | -773 | -859 | -434 | -115 |
| Financing by non-shareholders: | | | | |
| Financing by non Repayment of (-)/proceeds from interest bearing debt | 297 | 1,055 | 328 | 141 |
| Financing by shareholders: | | | | |
| Issuing of shares | 7 | 0 | 7 | 0 |
| Repurchase/sale of own share | -4 | 0 | 0 | 0 |
| Addition/disposal of minority interest | -3 | 0 | -3 | 0 |
| Dividends paid | -154 | -382 | -155 | -51 |
| Cash flows from financing activities | 143 | 673 | 177 | 90 |
| Cash flows from operating, investing and financing activities | -630 | -186 | -257 | -25 |
| Cash and cash equivalents (beginning of period) | 958 | 736 | 958 | 99 |
| Foreign exchange adjustment of cash and cash equivalents | 0 | -22 | 35 | -3 |
| Cash and cash equivalents (end of period) | 328 | 528 | 736 | 71 |

Equity specification

Million DKK.

All quarterly figures are unaudited.

| | Share capital ¹⁾ | Share premium | Proposed dividend | Hedge accounting reserve | Currency translation adjustments | Reserve own shares | Minority interests | Other reserves | Total |
|------------------------------------|-----------------------------|---------------|-------------------|--------------------------|----------------------------------|--------------------|--------------------|----------------|--------------|
| Balance at 1 January 2005 | 1,023 | 79 | 152 | 54 | -381 | -12 | 13 | 6,859 | 7,787 |
| Net profit | | | 184 | | | | 5 | 544 | 733 |
| Other adjustments | | -79 | 1 | 71 | | | | 99 | 92 |
| Currency translation adjustments | | | | | 229 | | | | 229 |
| Total income | 0 | -79 | 185 | 71 | 229 | 0 | 5 | 643 | 1,054 |
| Dividends to shareholders | | | -153 | | | | -2 | | -155 |
| Shares issued/sold | | | | | | | | 7 | 7 |
| Balance at 31 December 2005 | 1,023 | 0 | 184 | 125 | -152 | -12 | 16 | 7,509 | 8,693 |
| Net profit | | | | | | | 3 | 489 | 492 |
| Other adjustments | | | | 180 | | | | | 180 |
| Currency translation adjustments | | | | | -75 | | 1 | | -74 |
| Total income | | | | 180 | -75 | | 4 | 489 | 598 |
| Dividends to shareholders | | | -184 | | | | -3 | -340 | -527 |
| Shares issued/sold | | | | | | | 8 | | 8 |
| Balance at 30 June 2006 | 1,023 | 0 | 0 | 305 | -227 | -12 | 25 | 7,658 | 8,772 |

¹⁾ Distribution of shares:

A shares: DKK 425 mill

B shares: DKK 598 mill

Geographical segments

Million DKK.

All quarterly figures are unaudited.

| Group | Other | | North | | Africa | Pacific | Latin | Middle | Total |
|-----------------------|-------|--------|-------|---------|--------|---------|---------|--------|-------|
| | EU | Europe | Asia | America | | | America | East | |
| Net sales Q2 2005 YTD | 4,867 | 775 | 736 | 660 | 234 | 169 | 253 | 178 | 7,872 |
| Net sales Q2 2006 YTD | 5,487 | 944 | 959 | 845 | 252 | 160 | 295 | 154 | 9,096 |

Net sales are based on customer location.

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Date of publication:

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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 2005 Closing rates | Q2 2006 Closing rates | 2005 Closing rates | Q2 2005 Average rates | Q2 2006 Average rates | 2005 Average rates |
|-----------|--------------------------|--------------------------|-----------------------|--------------------------|--------------------------|-----------------------|
| EUR | 7.45 | 7.46 | 7.46 | 7.44 | 7.46 | 7.45 |
| GBP | 11.05 | 10.78 | 10.89 | 10.85 | 10.86 | 10.90 |
| USD | 6.16 | 5.87 | 6.32 | 5.80 | 6.08 | 6.00 |

Accounting principles:

Since 2002, Danfoss has prepared the accounts according to IFRS (International Financial Reporting Standards). These were used for this half-year report as well as for the 2005 Annual Report. For a detailed description of these, please refer to the Danfoss A/S Annual Report 2005.

Financial calendar:

November 13, 2006: Third quarterly report 2006