

# **Articles of Association**

**for**

**Danfoss A/S**

**CVR no. 20165715**

**2011.05.24**

§1 The Company's name is Danfoss A/S, and its registered head office is DK-6430 Nordborg, the municipality of Nordborg.

§2 The Company's objective is to carry on industrial, manufacturing and commercial business, together with investment business.

§3 The Company's share capital amounts to DKK 1,043,102,800 (say DKK one thousand and forty-three million, one hundred and two thousand, eight hundred).

The share capital, which is fully paid up, consists of DKK 425,000,000 class A shares and DKK 618,102,800 class B shares, each in denominations of DKK 100 or multiples thereof.

All shares are registered with VP Securities Services in accordance with the rules applying to such registration.

All shares have got voting rights. Every class B share of DKK 100 has one vote. Every class A share has 10 votes for each DKK 100.

No shares have got special rights. Where the share capital is increased, holders of class A shares shall have a pre-emption right to class A shares and holders of class B shares shall have a pre-emption right to class B shares.

The shares are registered in the holder's name and shall be registered in the holder's name in the Company's register of shareholders.

Annual dividends shall be paid no later than 30 days after the revised accounts have been approved by the General Meeting. Dividends not claimed 3 years after maturity date shall accrue to the Company's reserve fund.

§3a The General Meeting authorises the board of directors to increase the share capital by either a one-time issue or by several issues by a minimum of 50,000 and a maximum of 126,466 B shares of DKK 100 – and offer the same at a favourable price to employees in the Company and in companies in which the Company owns more than 50% of the share capital in connection with a general share option scheme on terms and conditions decided by the board. The capital increase is effected without any pre-emption rights of existing shareholders. Further, the board shall be entitled to make the amendments in the Company's Articles which might be necessary as a result of the board's utilisation of the above authorisation. The authorisation shall apply until 1 April 2009.

This authorisation has been utilised by the board of directors by increasing the share capital by 107,213 B shares of DKK 100 at a price of DKK 600 in the Company corresponding to a nominal B share capital of DKK 10,721,300 so that the remaining authorisation amounts to 19,253 B shares of a nominal value of DKK 100 corresponding to a capital increase of DKK 1,925,300 B share capital.

§3b The General Meeting authorises the board of directors to decide on the issue of warrants to senior employees in the Company, by either a one-time issue or by several issues, and without the pre-emption rights of existing shareholders. The maximum amount of the B-share capital subscribable on the basis of the above warrants is DKK 22,240,000. The board shall be entitled to implement any necessary capital increase or increases in connection herewith. Further, the board shall lay down the terms and conditions for the issue of warrants. Further, the board shall be authorised to effect the amendments in the Company's Articles which might be necessary as a consequence of the board's utilisation of the above authorisation. The authorisation shall apply until 1 April 2009.

The board has partially utilised this authorisation by the allotment of 162,914 warrants later to be used for subscription of class B shares in the Company corresponding to a nominal class B share capital of DKK 16,291,400 so that the remaining authorisation amounts to 59,486 warrants equalling rights of subscription of a class B share capital of DKK 5,948,600.

Further, the General Meeting authorises the board of directors to decide on the issue of further warrants to senior employees in the Company, by either a one-time issue or by several issues, and without the pre-emption rights of existing shareholders. The maximum amount of the further class B share capital subscribable on the basis of said warrants is DKK 4,000,000. The board shall be entitled to implement any necessary capital increase or increases in connection herewith. Further, the board shall lay down the terms and conditions for the issue of warrants. Further, the board shall be authorised to effect the amendments in the Company's Articles which might be necessary as a consequence of the board's utilisation of the above authorisation. The authorisation shall apply until 1 April 2010.

§3c The General Meeting authorises the board of directors to increase the share capital by up to 15,249 class B shares of DKK 100, by either a one-time issue or by several issues, and offer these at the market price to the Bitten and Mads Clausen Foundation without the pre-emption rights of existing shareholders. Further, the board shall be entitled to make the amendments in the Company's Articles which might be necessary as a result of the board's utilisation of the above authorisation. The authorisation shall apply until 1 April 2009.

This authorisation has been partially utilised by the board of directors by an increase in the share capital of 5,280 and 5,339 class B shares, respectively, of DKK 100 so that the remaining authorisation amounts to a right of increasing the share capital by 4,630 class B shares of DKK 100.

§3d The General Meeting authorises the board of directors to decide on the issue of warrants to senior employees for class B shares in the Company by either a one-time issue or by several issues. Such issues shall be without pre-emption rights of existing shareholders. The maximum amount of the class B share capital subscribable on the basis of said warrants is DKK 41,000,000. The board shall be entitled to implement any necessary capital increase or increases – also in relation to any demands that senior employees, as a condition for participating in the programme, shall subscribe for a number of shares at full price. Further, the board shall lay down the terms and conditions for the issue of the warrants. The authorisation shall apply until 1 April, 2012.

The board has partially utilised this authorisation by the allotment of 194,159 warrants later to be used for subscription of class B shares in the Company corresponding to a nominal class B share capital of DKK 19,415,900 so that the remaining authorisation amounts to 215,841 warrants equalling rights of subscription of a class B share capital of DKK 21,584,100.

§3e The General Meeting authorises the board of directors to decide to issue options for class B shares to the board by either a one-time issue or by several issues. The maximum amount of the class B share capital subscribable on the basis of said warrants is DKK 1,485,000. Further, the board shall lay down the terms and conditions for the issue of warrants, equalling the terms and conditions for the issue of options to senior employees in the Company, including the amendments which might be necessary as a consequence of the fact that they are options. The authorisation shall apply until 1 April, 2012.

§3f The General Meeting authorises the board of directors to increase the share capital by at least 10,000 and no more than 60,000 class B shares of DKK 100 by either a one-time issue or by several issues and offer them at a favourable price to the shareholders in the Company and in companies of which the Company owns more than 50% of the company share capital, in connection with a general employee share scheme and at terms fixed by the Board – however, the favourable element must not, at the time of subscription, exceed a total of DKK 50,000,000. The capital increase shall take place without any pre-emption right for the previous shareholders. The authorisation shall apply until April 1, 2013.

§4 The market price of the shares is determined as such:

With effect from the Ordinary General Meeting, the share prices shall be determined in accordance with an evaluation of the Danfoss shares' market value made by Danske Bank A/S or another established bank or investment services company chosen by the Company's board.

The evaluation shall take its point of departure in a comparison of earnings in Danfoss A/S with an average of key figures of earnings in a number of Danish and foreign listed companies with the same business foundation as Danfoss A/S and in an evaluation of Danfoss A/S' expected future business development. The calculation of the value per share is made on the basis of the fully watered number of shares in Danfoss A/S.

The market price thus determined shall apply up to the next Ordinary General Meeting.

§5 The General Meeting is the highest authority in all Company affairs.

The Company's General Meetings shall be held at the registered office of the Company. Where special circumstances necessitate it, the General Meeting can be held elsewhere. The Ordinary General Meeting shall be held by the end of the fourth month after the end of the accounting year.

General Meetings shall be called by the board at a notice of at least eight days and at a notice of maximum four weeks in a national newspaper chosen by the board of directors and by ordinary letter to all registered shareholders having requested it. The notice of the General Meeting shall contain the Meeting's agenda. All shareholders shall be entitled to participate in the General Meeting if they, not later than five days prior to the Meeting, against proper identification, have asked for admission cards to an address specified in the notice.

To be debated at Ordinary General Meetings, proposals from shareholders shall be handed in to the board of directors on 1 March at the latest.

Extraordinary General Meetings shall be held whenever the board of directors finds it expedient.

§6 The agenda of Ordinary General Meetings shall include:

1. The board of directors' report on Company activities in the past year.
2. Presentation and approval of the Company's annual report.
3. Decision on use of profits or cover of loss.
4. Election of board.
5. Election of Company auditors.
6. Proposals, if any, from the board or shareholders.

By simple majority and prior to the General Meeting, the board shall elect a chairman to chair the meeting and decide procedures on all questions as regards mode of treatment and voting.

All shares have voting rights at the Company's General Meetings after four weeks' registration and have the weight stated in article 3 in the Company Articles. The requirement of four weeks' registration shall, however, only apply to shareholders who have acquired their shares through transfer.

Matters discussed at the General Meeting shall be decided by a simple majority, unless otherwise decided by law or by these articles.

Decisions on amendments to the articles or decisions on the winding up of the Company shall be backed by a minimum of two thirds of the votes cast and by a minimum of two thirds of the vote-carrying capital represented at the General Meeting.

A short report of proceedings at the General Meeting shall be made in a minute book. The report shall be signed by the chairman and attending board members.

Any voting shareholder can demand a poll on topics up for debate.

§7 The General Meeting shall elect a board of directors consisting of five to nine members. Board members shall be elected for a period of one year at a time and in such a way that at every annual Ordinary General Meeting, all members of the Board of directors elected by the General Meeting shall be up for re-election.

Board members need not be shareholders.

The retiring age of board members is 70.

§8 The board of directors shall be the top executive of the Company's affairs and in rules of procedure it shall decide on rules and regulations on its own activities.

Matters up for discussion at board meetings shall be decided by simple majority voting. Where there is equality of votes, the chairman has a casting vote.

Board meetings shall be held as often as the chairman or any other board member wishes. Minutes shall be made of procedures at board meetings to be signed by all board members present.

Board members shall receive annual directors' fees fixed by the General Meeting.

In addition to the above fees, individual board members may receive fees for the execution of special tasks.

§9 On behalf of the Company, the board shall have the authority to sue and to take all such legal steps as the board finds necessary, and the board shall be entitled to sub-delegate its rights to sue and to take such legal steps. The rules and regulations applying to the Company as to which persons can sign for the Company, shall also apply to all measures which refer to such court cases and legal steps.

§10 A management consisting of 2-6 members appointed by the board of directors shall be in charge of the day-to-day management of the Company.

The board of directors shall draw up contracts to be made with the management.

§11 Entitled to sign for the Company is the board acting in concert and:

1. the chairman of the board of directors jointly with either a member of the board or a manager,
2. the managing director jointly with either a member of the board or a manager,
3. a manager jointly with either two members of the board or another manager.

The board of directors can authorise others to sign for the Company.

§12 The Company has prepared general guidelines for the incentive remuneration of the Board and the Executive Committee. The guidelines have been submitted to and adopted at the Company's Annual General Meeting.

§13 The audit of the Company's accounts is performed by a state authorised accountant who is selected by the Ordinary Annual General Meeting for one year at a time.

§14 The Company's accounting year runs from 1 January to 31 December.

§15 The annual accounts are made under careful consideration of values and commitments and of necessary provisions for depreciations.

If there are non-depreciated deficits from previous years, profits shall be used to depreciate such before distribution.

Distribution of profits shall be effected according to the following rules and regulations:

1. Dividends shall be distributed equally to class A shareholders and class B shareholders in proportion to their shares of total share capital.

2. The remaining part of profits shall be spent at the discretion of the General Meeting.

The above was amended in connection with a capital increase related to the General Meeting's authorisation to the Board.

As secretary of the meeting:

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Anders Stahlschmidt