

Press release

Danfoss A/S

Financial statement

2007

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.

“Danfoss faced major challenges in 2007 in the form of high raw material prices and, in the second half-year in particular, the financial unrest on the American market, which put the profit under pressure. In general, however, we gained market shares and, in order to meet the demand, we have brought forward investments in new production capacity.”

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

Highlights from 2007:

- **Net sales increased** by 14% to 22.2 billion DKK from 19.4 billion DKK in the same period last year. Growth was 12%, when converted at last year's exchange rate and adjusted for acquisitions and divestments, compared to 14% in the same period the year before.
- **Operating profit excl. other income and expenses** increased by 16% to 1,634 million DKK from 1,411 million DKK, while the **operating profit (EBIT)** was 1,616 million DKK compared with 1,601 million DKK in 2006.
- **Profit before tax** was 1,378 million DKK compared with 1,402 million DKK in 2006. **The profit for the year** was 1,063 million DKK, compared with 1,038 million DKK in the year before.
- **The number of employees** increased to 22,323 from 20,612 in 2006.

Expectations for 2008:

- Net sales are expected to be between 23.5 and 24.5 billion DKK. Compared to 2007, this will equal growth of between 6% and 10%.
- The operating profit (EBIT) is expected to be between 1.9 and 2.2 billion DKK.
- The EBIT margin excl. other operating income etc., and the EBIT margin itself, is expected to be between 8% and 9%.
- The expectations for 2008 do not include the acquisition of the shares in Sauer-Danfoss Inc., which make Danfoss the majority shareholder.

The Annual Report 2007 is available at www.danfoss.com on March 31, 2008, at 12:00 noon.

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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.	2006 Q4	2007 Q4	Change in %	2006	2007	Change in %	2006 EUR	2007 EUR
Profit and Loss Accounts								
Net sales	5,372	5,549	3%	19,428	22,196	14%	2,605	2,979
EBITDA	2,425	2,576	6%	2,425	2,576	6%	325	346
<i>EBITDA Margin</i>	12.5%	11.6%		12.5%	11.6%		12.5%	11.6%
Operating profit excl. other income and expenses	308	361	17%	1,411	1,634	16%	189	219
Operating profit (EBIT)	380	380	0%	1,601	1,616	1%	215	217
<i>EBIT Margin</i>	8.2%	7.3%		8.2%	7.3%		8.2%	7.3%
Profit before tax	262	236	-10%	1,402	1,378	-2%	188	185
<i>Return on Sales</i>	4.9%	4.3%		7.2%	6.2%		7.2%	6.2%
Key figures¹⁾:								
Free cash flow				-1,699	-577		-228	-77
Net interest bearing debt				2,866	3,737	30%	384	501
RONA ²⁾	29.8%	26.4%		16.8%	14.1%		16.8%	14.1%

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 interest bearing debt.

The profit is under pressure in spite of positive growth in net sales

The **net sales** increased by 14% to 22,196 million DKK from 19,429 million DKK in 2006. Growth was 12%, when converted at last year's exchange rate and adjusted for acquisitions and divestments, compared to 14% in 2006. The 2007 financial year did not fully live up to the expectations that the Group had at the half-year point. Sales exceeded 2007 expectations, but the Group's profitability only partially achieved the desired levels.

The year was characterised by a generally high level of demand for the Group's products and there was strong growth on the markets in the first six months in particular. These high growth rates prompted the Group to report at the half-year mark that it expected net sales to be higher than the reported level of 21-22bn DKK. The high level of demand in the first six months meant that production could not keep up with demand at many of the Group's locations. It was therefore decided to bring forward investments in additional production capacity. These initiatives had a negative effect on the earnings.

Generally, most of the Group's markets saw improvement in 2007, but the second half of the year was marked by a slowdown and uncertainty in many places, mainly as a result of the financial unrest on the American market. Caution was particularly noticeable in terms of new building projects, where many of the Group's products are used.

Earnings in 2007 were generally under pressure. The high cost of raw materials meant that production costs rose by more than expected. In order to partially compensate for this higher cost level, the Group increased prices on a number of products. Non-recurring costs in the form of provisions for product faults and the costs of restructuring activities within the Group also had a negative impact on earnings. On publishing its third quarterly report, the Group therefore had to establish that earnings would not reach expected levels. Expectations for operating profit, EBIT, were revised to the lower end of the range 1.6-1.8bn DKK and the EBIT margin was

adjusted downwards from 8% to between 7.5% and 8%. The pressure on profitability continued into the fourth quarter, so the Group did not fully meet the expectations announced for 2007.

All three divisions enjoyed double-digit growth rates in net sales and this contributed to the positive growth in net sales.

The European markets, in particular Germany, France and the UK, along with Russia, Latin America, the USA and not least China, were the markets that saw the strongest growth. China is now Danfoss' fourth largest market, after Germany, the USA and France, whereas in 2006 it was only the eighth largest market.

The operating profit excl. other income and expenditure increased to 1,634 million DKK from 1,411 million DKK in 2006, equalling growth of 16%. The improved results were due to growth in sales, the increased capital utilisation, and the various improvement programs of the Danfoss Business System for production, purchasing and sales which are continuously improving all parts of the value chain in the divisions.

The operating profit (EBIT) was 1,616 million DKK compared with 1,601 million DKK in the year before. Profit therefore met the reported expectations. Taking into account the developments that took place during the year, this profit can generally be considered satisfactory. In addition to the advanced investments in production capacity, this profit should also be evaluated in light of the fact that EBIT in 2006 was positively affected by profits relating to the de-merger of biotech activities into a new company, Danfoss Bionics A/S.

The combination of strong demand and pressure on earnings meant that the Group was not able to achieve its target **EBIT margin**, which at 7.3% fell short of the 8% originally expected.

The adjusted EBIT margin, measured as EBIT before costs and depreciation, which reflects the revaluation of assets and liabilities in connection with business acquisitions, was 7.6% compared with 8.4% in the previous year.

Profit from associates/joint ventures was 210 million DKK compared with 91 million DKK last year. This item also includes 186 million DKK that represents some of the profit from the sale of Damcos A/S, as well as a share of the profit of Sauer-Danfoss Inc., in the amount of 83 million DKK, which compares with 129 million DKK in the previous year.

Profit before tax fell by 1.7% from 1,402 million DKK to 1,378m DKK. **Profit for the year** was 1,063m DKK compared with 1,038m DKK in the year before. This is considered a satisfactory result.

Net interest-bearing debt amounted to 3,737 million DKK compared with 2,866 million DKK in 2006. This increase in debt can primarily be attributed to loans used to finance acquisitions during the year and increased amounts tied up in the working capital.

The equity was 9,744 million DKK, which equals an equity ratio of 49.0% compared with 48.6% at the end of 2006.

The free cash flow, which is a combination of cash flows from operating activities of 1,016 million DKK and cash flows from investment activities of -1,593 million DKK, was -577 million DKK, representing an improvement of 1,122 million DKK compared to 2006. The free cash flow before M&A amounted to -423 million DKK compared with 396 million DKK in 2006. The increased level of activity has contributed to a higher level of binding liquidity in working capital, which is partly offset by decreased acquisition activity compared with the same period last year.

The research and development costs were 889 million DKK, compared to 739 million DKK the year before. This equals an increase of 20%, which corresponds to 4% of net sales.

Changes in employee numbers

At the end of 2007, the Danfoss Group employed 22,323 people; an increase of 1,711 people compared with 2006. During the course of 2007, the number of employees increased by 678 as the result of new acquisitions.

The Group's employees are distributed as follows: 10,334 in Europe, excl. Denmark (2006: 9,453), 2,626 in North America, including Mexico, (2,533), 2,609 in the Asia-Pacific region, including China (2,173) and 289 in other regions (329). At the end of 2007, there were 6,465 employees in Denmark, compared with 6,124 the year before.

Events after the end of the accounting year

In January 2008, Danfoss acquired Proenergie Wärmetechnik, a Swiss company that designs and markets district heating sub-stations. The company employs 23 people and had net sales of 20 million DKK in 2007.

On March 10, Danfoss entered into an agreement with Sauer Holding GmbH, which is owned by the Murmann family, to acquire 17.5% of the shares in the American company Sauer-Danfoss Inc. With the acquisition, Danfoss will become the majority shareholder in Sauer-Danfoss Inc. The agreement also includes the option to transfer the remaining 20% portion of the Murmann family's shares in Sauer-Danfoss to the Danfoss Group within the next five years. The agreement is conditional on the approval of the authorities and until approval has been obtained, the Danfoss Group's expectations for 2008 will not be adjusted accordingly. If the authorities approve the acquisition, the agreement will have a positive effect on the 2008 net sales and profit. The authorities' decision is likely to take place in May 2008.

Expectations for 2008

Danfoss expects the positive sales growth from 2007 to continue into 2008, although at a lower level. At this juncture it is clear that the financial unrest in the USA (subprime crisis) will have a knock-on effect on construction in the USA and Europe and therefore also on Danfoss' sales. Developments on the American market have also meant that some of the American companies acquired in 2006 are not expected to be able to achieve their target earnings in 2008. Furthermore, integrating the numerous acquisitions made in 2006 is taking longer than anticipated and the full impact on earnings is therefore not expected to be apparent until 2009. At the same time, advanced investments in production capacity will also impact operating results. Danfoss therefore expects earnings to be under pressure on several fronts in 2008 and the group does not expect to be able to fully achieve the target earnings specified in the perspective plan for 2008.

The Danfoss Group expects the following in 2008:

- Net sales are expected to be between 23.5 and 24.5bn DKK. This corresponds to growth of between 6% and 10% compared to 2007.
- Operating profit (EBIT) is expected to be between 1.9 and 2.2bn DKK.
- The EBIT margin excl. operating income etc., as well as the EBIT margin itself, are expected to be between 8% and 9%.
- The expectations for 2008 do not include the acquisition of the shares in Sauer-Danfoss Inc., which make Danfoss the majority shareholder.

Prerequisites and risks:

Growth is expected to come primarily from the Eastern European, Russian, Chinese and Latin American markets in 2008, while the financial unrest in the USA will have a negative impact on market development in both North America and Europe.

The price of raw materials is again expected to be subject to major fluctuations in 2008, but 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 are forecast in the price of steel.

Dividends and Annual General Meeting

The Board proposes that the dividend for the 2007 financial year be fixed at 25%, corresponding to approx. 255 million DKK (2006: 204 million DKK). The dividend will be paid in Danish kroner and 28% Danish dividend tax will be deducted from dividends paid to Danish shareholders. For shareholders outside Denmark, dividend tax will be deducted according to the joint taxation agreements held at VP Securities Services.

The ordinary Annual General Meeting will take place in Nordborg, Denmark, on April 25, 2008.

Danfoss' core business areas

“Although a large part of **Danfoss Refrigeration & Air Conditioning Division's** sales on the American market were hit by the unrest on the housing market, the sales still increased by more than 50%, thanks to major efforts. The division now has a strong position on the market and is ready to increase its market share over the coming years.”

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

Danfoss Refrigeration & Air Conditioning Division experienced a positive development in both net sales and profit. Net sales rose by 14% to 11,187 million DKK from 9,782 million DKK. Calculated at last year's level of exchange rate and adjusted for acquisitions and divestments, the growth was 11%.

Danfoss Refrigeration & Air Conditioning Division							
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q4 2006	Q4 2007	Change in %	2006	2007	Change in %	2007 EUR
Net sales	2,544	2,532	0%	9,782	11,187	14%	1,502
Operating profit (EBIT)	86	125	45%	761	856	12%	115
EBIT Margin	3.4%	4.9%		7.8%	7.7%		7.7%
Net assets				5,636	5,774	2%	774
Capital expenditure	672	401	-40%	2,214	680	-69%	91
Number of employees				10,787	11,116	3%	

Sales in the EU grew by 5%. The positive economic development in Germany of 2006 continued to a degree in 2007 and contributed to growth in excess of 10% in the Division's main European market. The growth experienced in Russia in 2006 continued in keeping with the strategy selected for this market. The acquisition of American companies Scroll Technologies and Aztec Energy Partners in 2006 significantly increased expectations of strong growth in the USA. However, the turbulence on the American housing market had a negative impact on the sales development. In spite of lower than expected growth, net sales in North America increased by more than 50%. There was a positive development on the Latin American markets, which grew by 20% compared with the year before. There was a positive development on the Latin American markets, which grew by 20% compared with the year before. In Asia, the market grew by 25%, considerably above the level of 2006. The most significant area was China, where sales growth of over 35% was much stronger than in the rest of Asia, while India and South Korea also saw high double-digit growth rates.

Operating profit (EBIT) was 856 million DKK, compared with 761 million DKK in 2006, an increase of 12%. The continuing high price of raw materials and non-recurring costs incurred in connection with the restructuring activities and expenses relating to product guarantees had a negative effect on the profit in 2007. Despite these challenges, the Division managed to increase capacity utilisation and profitability significantly,

“The integration of the many new companies in **Danfoss Heating Division** is taking longer than expected so, therefore, the companies have not contributed as much to the growth as anticipated. However, integration is expected to be completed during the year, which means that the companies will fully contribute to the growth in 2008.”

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

Danfoss Heating Division experienced an increase in net sales compared with the year before. Net sales rose by 10% to 6,238 million DKK from 5,664 million DKK. Calculated at last year’s level of exchange rate and adjusted for acquisitions and divestments, growth amounted to 9%, which was as the same level as the year before.

Danfoss Heating Division							
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q4 2006	Q4 2007	Change in %	2006	2007	Change in %	2007 EUR
Net sales	1,745	1,765	1%	5,664	6,238	10%	837
Operating profit (EBIT)	240	225	-6%	726	632	-13%	85
EBIT Margin	13.8%	12.8%		12.8%	10.1%		10.1%
Net assets				3,683	4,533	23%	608
Capital expenditure	161	316	96%	810	762	-6%	102
Number of employees				5,088	5,870	15%	

Sales of the Division’s products continued to rise steadily in 2007 in Eastern Europe, Russia and China within more or less all product areas, while there was a modest slowdown in the Division’s core market in Western Europe as a result of a fall in construction activity in Germany, which in spite of this still was the Division’s largest single market. In the USA, the Division concentrated its focus on electrical floor heating systems, an area in which Danfoss has established itself as a major player on the American market in the course of just three years. Growth here increased pace in 2007. In the market for oil nozzles, Danfoss was also able to detect progress in the USA by virtue of successful integration of Hago, which Danfoss took over in 2005.

Operating profit (EBIT) in 2007 was 632 million DKK, representing a decrease of 13% compared to the previous year. Profit was affected by continued increases in the cost of raw materials and costs in connection with acquisition and integration activities.

*“The lack of vital components throughout 2007 has had an unfavourable effect on the profit of the **Danfoss Motion Controls Division**. In order to meet the great demand, plans have been made to invest considerable funds in new production facilities in 2008.”*

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

Danfoss Motion Controls Division achieved an increase in sales compared with 2006. Net sales rose by 16% to 4,371 million DKK from 3,759 million DKK. When adjusted for acquisitions and divestments, the growth was 18%.

<i>Danfoss Motion Controls Division</i>							
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q4 2006	Q4 2007	Change in %	2006	2007	Change in %	2007 EUR
Net sales	984	1,141	16%	3,759	4,371	16%	587
Operating profit (EBIT)	88	93	6%	342	322	-6%	43
EBIT Margin	9.0%	8.2%		9.1%	7.4%		7.4%
Net assets				1,002	1,336	33%	179
Capital expenditure	79	75	-5%	180	368	104%	49
Number of employees				3,387	3,859	14%	

All markets contributed to the growth, which was driven by high energy prices, in particular. Sales on the European markets showed positive development, with strong growth in Germany. This also applied to the markets outside Europe, including Russia and Latin America. Sales in China and in the Asian-Pacific region showed good growth rates, while, conversely, sales in North America did not live up to expectations due to a slowdown on the American market. The major growth is also a result of the fact that in 2007 the Division to an increasing extent has won orders from large, global customers, who have increased their focus on energy efficiency and automation.

Operating profit (EBIT) for the Division was 322 million DKK compared to 342 million DKK in 2006, which represents a fall of 6%. Earnings were affected both by significant investments in the newly-acquired Danfoss Solar Inverters and by a high level of activity, which meant higher production costs as both the internal production capacity and a number of suppliers at times had difficulty keeping pace with growth. Developments in the frequency converter business, however, clearly had a positive effect on the profit and the earnings in 2007.

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 37.9 % of the shares in Sauer-Danfoss Inc.

<i>Sauer-Danfoss Inc</i>			
Million USD (unless otherwise stated).	2006	2007	Change in %
Net sales	1,739	1,973	13%
Profit after tax	54	47	-13%

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.

Financial Highlights

Mill. DKK (unless otherwise stated). All quarterly figures are unaudited.	Q4 2006	Q4 2007	Change in %	2006	2007	Change in %	2007 EUR
Profit and loss account:							
Net sales ¹⁾	5,372	5,549	3%	19,428	22,196	14%	2,979
EBITDA	2,425	2,576	6%	2,425	2,576	6%	346
Operating profit excl. other income and expenses	308	361	17%	1,411	1,634	16%	219
Operating profit (EBIT)	380	380	0%	1,601	1,616	1%	217
Income from associates and joint ventures	-8	-17	113%	91	210	131%	28
Financial income/expenses	-110	-127	15%	-290	-448	54%	-60
Profit before Tax (EBT)	262	236	-10%	1,402	1,378	-2%	185
Net Profit	190	194	2%	1,038	1,063	2%	143
¹⁾ Total growth in net sales:	26%	16%		18%	14%		
Real growth in %	19%	12%		14%	12%		
Exchange rates in %	-2%	-2%		0%	-2%		
Acquired/sold activities net in %	9%	6%		4%	4%		
Balance Sheet:							
Total non-current assets				10,132	11,054		1,482
Assets				18,534	19,857		2,663
Total shareholders' equity				9,035	9,744		1,307
Net interest-bearing debt				2,866	3,737	30%	501
Net assets				10,736	12,227	14%	1,640
Capital expenditure	3,401	1,931	-43%	3,401	1,931	-43%	259
Cash flow statement:							
Cash flows from operating activities				1,321	1,016		136
Cash flows from investing activities				-3,020	-1,593		-213
hereof net investments of assets				-915	-1,399		-188
hereof net investments in companies				-1,936	-310		-41
Free cash flow				-1,699	-577		-77
Cash flows from financing activities				395	-423		-57
Key figures:							
Number of employees (end of period)				20,612	22,323	8%	
EBIT margin excl. other operating income etc.	7.3%	7.4%	0.1	7.3%	7.4%	0.1	
EBIT margin	8.2%	7.3%	-0.9	8.2%	7.3%	-0.9	
Adjusted EBIT margin				8.4%	7.6%		
EBITDA margin	12.5%	11.6%	-0.9	12.5%	11.6%		
RONA ¹⁾	29.8%	26.4%	-3.4	16.8%	14.1%		
Return on equity				11.9%	11.4%		
Equity ratio				48.6%	49.0%		
Leverage ratio				31.8%	38.4%		

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

Mill. DKK (unless otherwise stated) All quarterly figures are unaudited.	Q4 2006	Q4 2007	Change in %	2006	2007	Change in %	2007 EUR
Net sales	5,372	5,549	3%	19,428	22,196	14%	2,979
Net sales Danfoss Services etc.	137	145	6%	474	537	13%	72
Cost of sales	-3,973	-4,145	4%	-14,053	-16,256	16%	-2,182
Gross profit	1,536	1,549	1%	5,849	6,477	11%	869
	28.6%	27.9%		30.1%	29.2%		29.2%
Distribution expenses	-1,052	-1,011	-4%	-3,756	-4,125	10%	-554
Administrative expenses	-176	-177	1%	-682	-718	5%	-96
Operating profit excl. other income and expenses	308	361	17%	1,411	1,634	16%	219
	5.7%	6.5%		7.3%	7.4%		7.4%
Other operating income and expenses	72	19	-74%	190	-18	-109%	-2
Operating profit (EBIT)	380	380	0%	1,601	1,616	1%	217
	8.2%	7.3%		8.2%	7.3%		7.3%
Income from associates and joint ventures	-8	-17	113%	91	210	131%	28
Financial income/expenses	-110	-127	15%	-290	-448	54%	-60
Profit before tax	262	236	-10%	1,402	1,378	-2%	185
Corporate tax expenses	-72	-42	-42%	-364	-315	-13%	-42
Net profit	190	194	2%	1,038	1,063	2%	143

Balance sheet

Mill. DKK.	2006	2007	2007 EUR
ASSETS			
Non-current assets			
Intangible fixed assets	3,874	4,159	558
Tangible fixed assets	4,612	5,062	679
Non-current financial assets	1,646	1,833	245
Total non-current assets	10,132	11,054	1,482
Current assets			
Inventories	2,799	3,363	451
Accounts receivable	4,717	4,721	634
Cash and cash equivalents	886	719	96
Total current assets	8,402	8,803	1,181
Total assets	18,534	19,857	2,663
LIABILITIES AND SHAREHOLDERS' EQUITY			
Total shareholders' equity	9,035	9,744	1,307
Non-current liabilities	3,709	3,304	446
Current liabilities	5,790	6,809	910
Total liabilities	9,499	10,113	1,356
Total liabilities and shareholders' equity	18,534	19,857	2,663

Statement of cash flows

Mill. DKK.	2006	2007	2007 EUR
Operating profit (EBIT)	1,601	1,616	217
Adjustments for non-cash transactions	614	920	123
Changes in working capital	-399	-837	-111
Cash flows generated from operations before interest	1,816	1,699	229
Financial income	24	40	5
Financial expenses	-186	-395	-53
Dividends received	59	93	12
Cash flows from operations before tax	1,713	1,437	193
Paid tax	-392	-421	-57
Cash flows from operating activities	1,321	1,016	136
Acquisition of intangible fixed assets	-121	-238	-32
Acquisition of tangible fixed assets	-1,000	-1,255	-169
Proceeds from sale of tangible fixed assets	206	94	13
Acquisition of subsidiaries etc.	-1,995	-384	-52
Proceeds from disposal of subsidiaries etc.	59	74	11
Acquisition (-) and sale of other investments etc.	-169	116	16
Cash flows from investing activities	-3,020	-1,593	-213
Free cash flow	-1,699	-577	-77
Financing by non-shareholders:			
Financing by Repayment of (-)/proceeds from interest bearing debt	2,258	708	94
Financing by shareholders:			
Issuing of shares	10	0	0
Repurchase/sale of own shares	-7	-25	-3
Addition/disposal of minority interest	0	-43	-6
Dividends paid	-384	-209	-28
Cash flows from financing activities	1,877	431	57
Net change in cash and cash equivalents	178	-146	-20
Cash and cash equivalents (beginning of period)	736	886	119
Foreign exchange adjustment of cash and cash equivalents	-28	-21	-3
Cash and cash equivalents (end of period)	886	719	96

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 2006	1,023	125	-152	-12	7,301	7,262	184	8,469	16	8,485
Total recognised income and expense		51	-105		855	801	204	1,005	5	1,010
Dividends to shareholders					-340	-340	-184	-524	-3	-527
Shares issued/capital reduction	1			-7	10	3		4	10	14
Share based payments					53	53		53		53
Balance at 31 December 2006	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
Tranfers				-3	3					
Purchase of minority interest					-26	-26		-26		-26
Shares issued/capital reduction				-25		-25		-25	-6	-31
Share based payment					63	63		63		63
Balance at 31 December 2007	1,024	87	-399	-47	8,805	8,446	255	9,725	19	9,744

¹⁾ 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 2006	11,678	2,088	2,048	1,809	487	333	633	352	19,428
Net sales 2007	12,553	2,464	2,635	2,551	334	370	765	524	22,196

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:	Q4 2006 Closing rates	Q4 2007 Closing rates	2007 Closing rates	Q4 2006 Average rates	Q4 2007 Average rates	2007 Average rates
EUR	7.46	7.46	7.46	7.46	7.45	7.46
GBP	11.10	10.15	11.10	10.94	10.90	10.94
USD	5.66	5.08	5.66	5.95	5.45	5.95

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.