

Interim announcement 2003

Weak dollar rate affects growth level

The Danfoss Group's net sales for the first half of 2003 were 1,010 million euros compared with 1,002 million euros during the same period last year, which equals a 0.8 % increase. The growth was 2.4%, when converted to last year's level of exchange rate and adjusted for acquisitions and spin-offs. The operating profit (EBIT) increased by 3.9%, to 40 million euros compared with the first half of 2002, whereas the profit before tax decreased by 14.5%, to 41 million euros.

The first half of 2003 was characterised by the lack of the global financial recovery. In spite of small signs that the economy is recovering in places, the situation is not expected to change significantly in the Group's main markets during the second half of 2003.

The continued weak dollar and the implications of the Iraqi war on the Middle Eastern markets have negatively affected net sales. With the ending of the war, indications show that sales to the region will reach their normal level. The East European and Asian markets still show double-digit growth rates. China is a particularly buoyant market.

In spite of the impact of the negative exchange rate the operating profit (EBIT) improved by 3.9% to 40 million euros. The continuing increase in the operating profit reflects the increasingly positive return on the efficiency projects that have been implemented.

The Sauer-Danfoss share of income amounts to 13.5 million euros, compared with 14.1 million euros during the same period last year. In reality, this reflects an improved result, when seen in relation to the low dollar rate.

The profit before tax was negatively affected by exchange rate losses, amounting to a decrease of 14.5%, to 41 million euros.

The Danfoss Group employed 17,841 people at the end of the first half of 2003, an increase of 496 people compared with the year before. The increase is primarily due to the acquisition of DEVI A/S in Vejle, Denmark (electric floor heating) in January 2003 and Desbordes, France (valves for the water industry) on April 1 2003 (a total of 529 employees). The acquisitions also had an effect on the Group cash flow. In addition, 2002 showed very positive cash flow figures.

As previously reported, on May 12 the Group entered into an agreement with Siemens on the sale of the flow metering business. Siemens is expected to take over the business and about 360 employees as of September 1, 2003.

The continuing problems of achieving a profitable household compressor production at the production facility in Monterrey, Mexico necessitates a reorganisation of the production site during the second half of 2003 and alignment of the production capacity. Danfoss will thus be primed to compete more successfully against its Brazilian competitors, in particular.

Expectations of 2003

The Group maintains its expectations for 2003, which means that net sales is expected to be 2-2.1 billion euros, and the operating profit (EBIT) is expected to be 101-114 million euros.

The expectations do not make allowances for any effects of future acquisitions and spin-offs.

The Group does not anticipate a noticeable improvement in market conditions before 2004.

Business Segments (Danfoss' main markets) (*)

Refrigeration & Air Conditioning experienced a difficult first half year, with a decrease in both net sales and earnings. The weak US dollar and the difficulties on the markets in the Middle East due to the Iraqi war resulted in a financial result, which was poorer than the same period in 2002.

<i>Refrigeration & Air Conditioning</i>	2002	First half year 02	First half year 03
Net Sales [million euros]	1,125	576	544
Operating Profit [million euros] EBIT	79	40	33
Number of Employees (end of period)	8,989	9,302	9,224

Heating & Water experienced a growth in both net sales and earnings, which was partly related to the acquisition of DEVI A/S, but almost every business unit during the first half of 2003 has contributed to the positive development. The market welcomed the launch of a new redesigned radiator thermostat product range and sales are as expected.

<i>Heating & Water</i>	2002	First half year 02	First half year 03
Net Sales [million euros]	381	178	218
Operating Profit [million euros] EBIT	48	14	18
Number of employees (end of period)	2,915	2,912	3,564

Motion Controls achieved a satisfactory half-year development. The decrease in net sales is only caused by the exchange rate development, but the implemented efficiency projects are starting to positively contribute to the earnings and proceed as planned. Earnings are, however, still affected by the restructuring of the Gear Motor Division.

<i>Motion Controls</i>	2002	First half year 02	First half year 03
Net Sales [million euros]	478	237	234
Operating Profit [million euros] EBIT	11	5	8
Number of Employees (end of period)	3,419	3,431	3,615

()As costs and net sales are not fully allocated to the segments, these cannot be reconciled directly with group figures. Comparative figures for the segments have been adjusted to structural changes.*

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Enclosed: Interim accounts of the Danfoss Group.

Interim accounts 2003 of the Danfoss Group
(Figures are not audited)

	2002	First half year 02	First half year 03
Net sales [million EUR]	2,008	1,002	1,010
Operating profit added depreciations (EBITDA)	211	92	92
Operating profit (EBIT)	97	39	40
Financial items	-10	-5	-13
Profit before tax (EBT)	101	48	41
Group share of profit after tax	69	33	27
Total assets	1,653	1,691	1,711
Shareholders' equity	922	902	925
Net investment ratio (net investments as percentage of net sales)	4.8	6.1	4.3
Cash flow from operations	197	56	-11
Cash flow from investing activities	-75	-67	-114
Free cash flow	122	-11	-125
Cash flow from financing activities	-21	2	29
Changes in cash and equivalents	101	-9	-96
Number of employees (end of period)	16,972	17,345	17,841
EBITDA margin (operating profit added depreciations as percentage of net sales)	10.5	9.1	9.1
EBIT margin (operating profit as percentage of net sales)	4.8	3.9	4.0
Return on Sales (profit before tax as percentage of net sales)	5.0	4.8	4.1
RONA ^{**}) (EBIT as percentage of Net Assets)	10.7	8.2	8.6
Return on Equity ^{**}) (net profit as percentage of total average shareholders' equity)	7.6	7.4	6.0
Equity Ratio (shareholders' equity as percentage of total liabilities and shareholders' equity end of year)	55.8	53.5	54.1

***) converted to a year-round basis.*

Refer to the Danfoss A/S 2002 Annual Accounts for a definition of key figures.