

Danfoss A/S

Financial statement

2008

Danfoss is one of Denmark's largest industrial companies. The global Group is a leader in the 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 a leader in its field. Danfoss has a controlling 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.

”The Danfoss Group had a poor 2008. In the fourth quarter, we were hit surprisingly hard by the global crisis. The profit was particularly hit by the negative development of Sauer-Danfoss’ profit during the second half-year. Moreover, accounting adjustments performed in connection with our takeover of the controlling interest in Sauer-Danfoss reduced the official result. So, we will have to note that 2008 ended with a pre-tax and an after-tax deficit. At an overall level, the result is not satisfactory. However, it is positive that there are no indications that Danfoss has lost market shares and that our three divisions – in spite of historically poor market conditions – have managed to create an operating profit of more than 1bn DKK.

We see no signs that the situation will improve in 2009 which means that we have had to introduce a number of measures to cut costs. An unfortunate effect is that we have had to cut a large number of jobs in Denmark and in our global organisation. These and other measures will not entirely impact until 2010, which is why we should expect Danfoss to be in the red in 2009. This is of course also due to the fact that we will have to perform substantial accounting adjustments, like we did in 2008, after the acquisition of the controlling interest in Sauer-Danfoss.”

Niels B. Christiansen, President and CEO, Danfoss A/S

Highlights from 2008:

The comparison figures are affected by the fact that Sauer-Danfoss is not included in the 2007 figures, whereas Sauer-Danfoss is fully consolidated from and including July 1, 2008.

- **Net sales** were 27.1bn DKK, which equals growth of 22%. When adjusted for acquisitions, divestments and foreign currency translations growth amounted to 2%, compared to 12% in the same period the year before.
- **The profit before other income and expenses** was 687m DKK from 1,634m DKK in the year before. As a result of the financial crisis, the *profit before other income and expenses* showed a deficit of 337m DKK in the fourth quarter compared with a surplus of 361m DKK in 2007. The profit before other operating income and operating expenses for Danfoss (excl. Sauer-Danfoss) was 1,146m DKK compared with 1,634m DKK in 2007.
- **The profit before tax** ended at a deficit of 125m DKK, and the profit for the year was a deficit of 157m DKK. Excluding Sauer-Danfoss, Danfoss’ profit for the year was 342m DKK.

Expectations for 2009:

The global setback is expected to continue to put its mark on the Group’s markets in 2009 which, consequently, will be characterised by reluctance, major uncertainty and nervousness. Danfoss estimates that the current situation will continue over the next two years.

- In spite of Sauer-Danfoss’ effect on the entire year, net sales are expected to fall slightly compared with 2008.
- In total, following the recognition of Sauer-Danfoss, Danfoss expects to end 2009 with a negative result.

The Danfoss A/S Annual Report 2008 is available at www.Danfoss.com on March 30, 2009 at 12:00 pm.

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Financial Highlights

Mill. DKK (unless otherwise stated)
All quarterly figures are unaudited.

	Q4 2007	Q4 2008	Change in %	2007	2008	Change in %	2008 EUR
Profit and loss accounts:							
Net sales ¹⁾	5.549	7.268	31%	22.196	27.127	22%	3.638
EBITDA	640	-24	-104%	2.576	2.099	-19%	281
Operating profit excl. other income and expenses	361	-337	-193%	1.634	687	-58%	92
Adjusted EBIT	396	-515	-230%	1.687	891	-47,2%	120
Operating profit (EBIT)	380	-625	-264%	1.616	410	-75%	55
Income from associates and joint ventures	-17	-24	41%	210	44	-79%	6
Financial income/expenses	-127	-272	114%	-448	-579	29%	-78
Profit before tax (EBT)	236	-921	-490%	1.378	-125	-109%	-17
Net profit	194	-728	-475%	1.063	-157	-115%	-21
¹⁾ Total growth in net sales:	3%	31%		14%	22%		
Real growth in %	6%	-8%		12%	2%		
Exchange rates in %	-3%	1%		-2%	-3%		
Acquired/sold activities net in %	0%	38%		4%	23%		
Balance sheet:							
Total non-current assets				11.054	21.237	92%	2.850
Assets				19.857	32.928	66%	4.419
Total shareholders' equity				9.744	11.867	22%	1.593
Net interest-bearing debt				3.737	9.776	162%	1.312
Net assets				12.227	21.326	74%	2.862
Capital expenditure	856	-3.911	***	1.931	12.614	***	1.693
Cash flow statement:							
Cash flow from operating activities				1.016	1.428	41%	192
Cash flow from investing activities				-1.593	-4.543	185%	-610
hereof net investments of assets				-1.399	-2.167	55%	-291
hereof net investments in companies				-310	-2.383	***	-320
Free Cash flow				-577	-3.115	440%	-418
Free cash flow before M&A				-423	-639	51%	-86
Cash flow from financing activities				431	3.050	***	409
Key figures:							
Number of employees (end of period)				22.323	31.717	42%	
EBIT margin excl. other operating income etc.	6,5%	-4,6%	-11,1	7,4%	2,5%	-4,9	
EBIT margin	6,9%	-8,6%	-15,5	7,3%	1,5%	-5,8	
Adjusted EBIT margin	7,1%	-7,1%	-14,2	7,6%	3,3%	-4,3	
EBITDA margin	11,5%	-0,3%	-11,8	11,6%	7,7%	-3,9	
RONA ¹⁾	3,1%	-2,8%	-5,9	14,1%	2,4%	-11,7	
Return on equity				11,4%	-0,9%	-12,3	
Equity ratio				49,0%	36,0%	-13,0	
Leverage ratio				38,4%	82,4%	44,0	

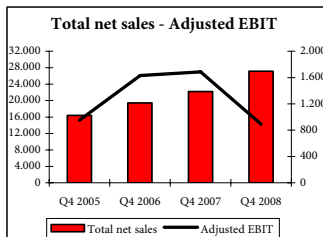
1) RONA (Return On Net Assets)

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.

Global crisis cuts growth and accounting technique results in zero-profit

The effect of the global crisis and the development of the fourth quarter in particular meant that the Danfoss Group's growth in real figures only increased by 2% in 2008. Meanwhile, due to the accounting adjustments performed following the Group's takeover of the controlling interest in the listed company Sauer-Danfoss, the profit for the year was -157m DKK compared with 1,063m in 2007.



Net sales increased by 22% to 27,127m DKK from 22,196m DKK in 2007. When adjusted for acquisitions (including Sauer-Danfoss), divestments and foreign currency translations, growth was 2% compared to 12% in 2007. The divisional organic growth was 9% at Danfoss Motion Controls Division, 4% at Danfoss Heating Division, whereas the net sales of Danfoss Refrigeration & Air Conditioning Division decreased by 3%. Sauer-Danfoss grew by 2%.

Danfoss, excluding Sauer-Danfoss, developed reasonably well during the first nine months of the year, with the market development changing dramatically during the fourth quarter. Growth in the net sales for the first nine months amounted to 5%, but decreased by 8% in the fourth quarter (adjusted for acquisitions and divestments and calculated at last year's exchange rate).

The reduced net sales resulted in a reduced use of capacity, which had a negative impact on earnings, because it was not possible to introduce corresponding cost reductions. Unfortunately, the reduction in earnings also meant that Danfoss, excluding Sauer-Danfoss, was forced to reduce the workforce. In connection with the reduction in workforce, non-recurrent costs and provisions amounting to 145m DKK for the entire year are included in the Profit & Loss Account.

In the course of the second half-year, Sauer-Danfoss' net sales and profits were hard hit by the financial crisis. This trend – along with the fact that the company's primary off-peak period is the second half-year – meant that the company ended the second half-year with a deficit. As Sauer-Danfoss' profit is only included in the Group accounts in the second half-year, the result also had a negative effect on Danfoss' result. Therefore, the development of Sauer-Danfoss' result does not live up to the management's expectations and is not considered satisfactory.

On the whole, the 2008 accounting year did not live up to the Group's expectations from the beginning of the year. The financial crisis on the American market, which had a negative effect on sales during the second half of 2007, both continued and strengthened in 2008. During the first half-year, the financial crisis extended to several of the Group's markets and the crisis rapidly developed into a global recession.

In the course of the first half-year, the setback and initial nervousness in several markets had varying degrees of impact on Danfoss' product areas and markets. However, this led to a downward adjustment of the expectations of Danfoss' net sales and profit after the first half of the year. The adjusted expectations included net sales of 28-29bn DKK and operating profit (EBIT) of between 1.2-1.8bn DKK. As a

result of the acquisition of the Sauer-Danfoss shares, the profit was also negatively affected by accounting adjustments, which at the time were estimated to be between 300 and 600m DKK.

The setback and the nervousness on the markets intensified during the third quarter and in particular, the decline in sales to construction projects, infrastructure and manufacturers of household appliances characterised the Group's situation. As a result of the development of the first nine months and the major uncertainty concerning the fourth quarter result in particular, a downward adjustment of the expectations for the net sales and the profit was made for the second time in 2008: expectations for net sales were reduced to between 27-28bn DKK, while expectations for EBIT was changed to between 0.6bn DKK and 1bn DKK.

An assessment and adjustment of the cost level of the affected business areas was initiated to adapt the Group to the altered market conditions and the financial situation. Unfortunately, the development also meant that the Group had to reduce the number of employees because of lack of orders. As a consequence of the market trends, a full hiring freeze was implemented throughout the Group in the autumn. The purpose was to avoid having to carry out any more layoffs than absolutely necessary to counter the current financial situation. The practical implications of the hiring freeze are that any vacant position must be filled through internal redeployments, revised working routines or the redistribution of job assignments. More workforce reductions may be necessary both in and outside Denmark, should the current situation continue or worsen. The layoffs resulted in non-recurrent expenses and provisions made for future liabilities in the Profit & Loss Account.

The insecurity and the decline in the markets intensified in the fourth quarter which meant, among other things, that a long range of the Group's customers were reluctant to place orders, and shut down their production sites earlier than usual before the holiday season. While growth increased by 5% during the first nine months of the year, the net sales fell by 8% in the fourth quarter.

The sales on the European main market fell marginally compared with the year before, but in spite of the setback, sales did increase in a few markets such as in Poland, Germany and the UK. The markets in Latin America, Russia and China also showed growth, though considerably less than before. The American market development was somewhat favourable.

The unexpected reduction in net sales in the 4th quarter resulted in a reduced use of capacity. This had a negative impact on earnings, because it was not possible to bring down the operational costs at the same rate. In order to optimise the processes even more, Danfoss has a sharpened focus on the Group's cross-divisional improvement projects, which are gathered under the Danfoss Business System. The projects are cost-intensive in the short-term, but will help the long-term protection and improvement of Danfoss' competitiveness.

The high price of raw materials and the low US dollar exchange rate in the first half-year of 2008 had a negative impact on the net sales and profit. Falling prices and the fluctuating US dollar in the autumn did not have a noticeable effect on the group's result. Danfoss has hedged some of the currency exposures for a period of up to 12 months and parts of its consumption of raw materials for up to 15 months.

In conclusion, the 2008 financial result does not live up to the expectations of the management and is, therefore, not considered satisfactory. Thanks to increased cost control, the drop in earnings was minimised without having to cut back the projects which will help secure the long-term development of the Group's competitiveness.

The result before other income and expenses fell to 687m DKK from 1,634m DKK in 2007, which was a decrease of 58%. The result was negatively affected by, among other things, accounting adjustments amounting to 386m DKK following the purchase of the controlling interest in Sauer-Danfoss. The profit before other operating income and operating expenses for Danfoss (excl. Sauer-Danfoss) was 1,146m DKK compared with 1,634m DKK in 2007.

Adjusted EBIT was 891m DKK compared with 1,687m DKK the year before. The result is negatively influenced by the inclusion of the Sauer-Danfoss result. Sauer-Danfoss' result is included for the second half-year, where the company presented a deficit. The decline in the net sales in the fourth quarter was more extensive than anticipated, resulting in a very low degree of capacity utilisation. Therefore, the profit was lower than expected, because it was not possible to make corresponding reductions in the operational cost level.

Adjusted EBIT margin, measured against the EBIT before costs and depreciations as a result of the re-evaluation of assets and liabilities in connection with company acquisitions, was 3.3% compared with 7.6% last year. Earnings were put under pressure, and as a result the Group's target for the adjusted EBIT margin was not reached.

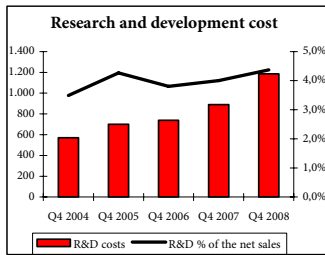
Operating profit (EBIT) was 410m DKK compared with 1,616m DKK the year before. The result was affected by accounting adjustments following the acquisition of the controlling interest in Sauer-Danfoss amounting to 386m DKK. It was also affected by costs incurred in connection with workforce reductions. The lack of orders, non-recurrent expenses for the workforce reductions and an unsatisfactory result for Sauer-Danfoss meant that the group did not reach its profit targets.

The share of profit from associates/joint ventures was 44m DKK compared with 210m DKK the year before. Sauer-Danfoss is included in the result in the period up to and including the second quarter. It should also be considered that, in 2007, this item was affected positively in 2007 by the 186m DKK gained from the divestment of Damcos A/S.

The profit before tax decreased to -125m DKK from 1,378m DKK. Profit for the year was -157m DKK compared with 1,063m DKK the year before. **Danfoss' profit for the year** (excl. Sauer-Danfoss) was 342m DKK compared with 1,063m DKK. The bottom-line result is clearly not satisfactory.

The equity was 11,867m DKK at the end of 2008 compared to 9,744m DKK the year before. The increase is mainly a result of the inclusion of minority interests in Sauer-Danfoss, minus the year's dividends.

Free cash flow, which is a combination of cash flows from operating activities of 1,428m DKK and cash flows from investing activities of –4,543m DKK, was –3,115m DKK, which is 2,538m DKK less than in 2007. The free cash flow before M&A was –639m DKK compared with –423m DKK in 2007, when the decrease was primarily caused by the increased investments in machines and buildings.



In 2008, Danfoss spent 4.4% (2007: 4.0%) of net sales, equalling 1,186m DKK, on innovation including venture activities, which was an increase of 33%.

In spite of the uncertainties surrounding the development, Danfoss has decided to maintain the scope of investments in energy-efficient solutions and the forward-looking projects which are set to secure the Group's long-term competitiveness.

Employee numbers

At the end of 2008, the Danfoss Group employed 31,717 people, an increase of 9,394 employees compared with 2007. During the course of 2008, the number of employees increased by 9,584 as a result of the acquisition of additional shares in Sauer-Danfoss Inc. The Group's employees are distributed as follows: 13,410 in Europe (excl. Denmark) (2007: 10,334); 5,165 in North America incl. Mexico (2,626); 516 (220) in Latin America; 3,912 in Asia-Pacific incl. China (2,609) and 69 in other regions (69). In Denmark, 8,645 people were employed at the end of 2008, compared with 6,465 the year before.

Events after the end of the accounting year

In January, Sauer-Danfoss announced redundancies of approx. 400 people in Denmark, due to lack of orders. This also led to a further 70 layoffs in Sauer-Danfoss sales and marketing functions in February.

In February, as a result of the continuing dramatic slowdown on the markets, Danfoss announced the cut of 850 positions worldwide and the discontinuation of a range of projects.

The continuing decline on the markets in January and February resulted in the announcement in March of an additional round of reductions of about 330 positions in Nordborg by Sauer-Danfoss: about 270 positions in production and around 60 salaried positions.

These moves should only be considered structural adjustments, and are not expected to give rise to considerable losses or depreciations.

On February 17, the competition authorities carried out an unannounced inspection at Danfoss in Nordborg, Flensburg, Germany and Torino, Italy. At the same time, two of Danfoss' companies in the USA were inspected by the American competition authority. The reason for the inspection and the ongoing investigation was the suspicion of entrance into illegal pricing agreements within the household compressor market.

Danfoss top management is completely unaware of any possible entrance into such an agreement. Danfoss policy and ethical guidelines should ensure that Danfoss did not take part in any illegal and anti-competitive pricing agreements.

The management will closely monitor the situation, but has no knowledge of the authorities' conclusions at present.

Expectations for 2009

The global recession is also expected to characterise the Group's markets in 2009, which are anticipated to be influenced by reluctance, major uncertainty and nervousness. Danfoss estimates that the current market situation will continue over the next two years. The first half of 2009 in particular is expected to be very difficult and the major uncertainty on the markets will cause a decrease in the Group's production capacity to a less than optimal level.

In spite of Sauer-Danfoss' effect on the entire year, net sales are expected to fall slightly compared with 2008.

The profit in 2009 will again be affected by accounting adjustments of between 315 and 340m DKK following the acquisition of the controlling interest in Sauer-Danfoss. At the same time, the recognition of the expected negative earnings of Sauer-Danfoss in 2009 will have a negative effect on the Group's earnings.

Furthermore, restructuring costs, non-recurrent expenses and provisions made for the reduction in staff will also impact earnings.

In total, following the recognition of Sauer-Danfoss, Danfoss expects to end 2009 with a negative result.

Since it is not possible to minimise operational costs proportionally with the development of activities, it is expected that Danfoss' profit for the first half-year will be more negative compared with that of the second half-year.

The impact of the global crisis means that Danfoss' investment in Sauer-Danfoss will not lead to any short-term increases in the profit. However, Danfoss still has confidence in Sauer-Danfoss' positive long-term prospects and that it will add to the Danfoss Group's total growth rates.

Prerequisites:

The recession is expected to continue in 2009, and it is highly likely that it will take a few years before the financial trends improve. Consequently, no growth is expected during 2009 on the Group's markets. The markets in China, India and the USA are expected, however, to show slight growth rates.

To meet the targets, it is vital that costs are strictly monitored and expectations are that the cost level will not increase compared with 2008. One major contributor is the intensified focus on cross-functional improvement projects controlled by Danfoss Business System.

The decreasing prices of raw materials are not expected to have any short-term effect on the Group's profit. Danfoss has hedged some of the currency exposure for up to 12 months and a major part of the consumption of raw materials for up to 15 months.

Dividends and Annual General Meeting

The Board proposes that the dividend for the 2008 financial year is fixed at 20%, compared with 25% in 2007, corresponding to approx. 205m DKK (2007: 255m 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.

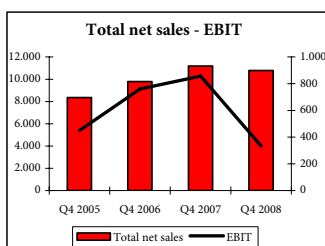
The Ordinary Annual General Meeting will take place in Nordborg, Denmark, on April 24, 2009.

Danfoss Refrigeration & Air Conditioning Division

“The sales development at **Danfoss Refrigeration & Air Conditioning Division** was hit hard and there are no immediate signs that an upturn is in sight. A number of strategic initiatives and adaptations have been implemented and they are set to secure the Division’s future earnings. The short-term effect of the adjustments is a negative influence on the profit.”

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

Net sales fell to 10,783m DKK from 11,187m DKK in 2007, a fall of 4% on the previous year. Calculated at last year’s exchange rate and adjusted for acquisitions and divestments, growth fell by 3%.



DKK Mill. (unless otherwise stated) All quarterly figures are unaudited.	Q4 2007	Q4 2008	Change in %	2007	2008	Change in %	2008 EUR
Net sales	2.532	2.239	-12%	11.187	10.783	-4%	1.446
Operating profit (EBIT)	125	-347	-378%	856	334	-61%	45
EBIT Margin	4,9%	-15,5%		7,7%	3,1%		3,1%
Net Assets				5.774	5.734	-1%	770
Capital expenditure	401	320	-20%	680	803	18%	108
Number of employees				11.116	10.757	-3%	

The fall in net sales growth was characterised by large regional differences, but growth fell on all markets during the year and the division’s sales failed to live up to expectations.

Asian markets showed moderate growth, while the Chinese market experienced double-digit growth, but this was not at the same level as before. Growth also remained in double figures on the other markets in Asia and in the Pacific region, as except for Australia. Growth in Latin America was mainly driven by Argentina, but the Brazilian market also showed some progress. In contrast, the main European market suffered a general downturn. However sales did increase in Germany and Poland. The North American market was hit by the economic crisis for the whole of 2008.

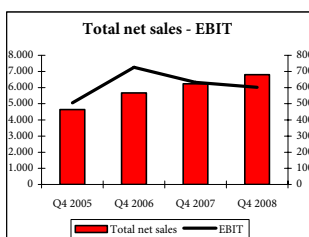
The operating profit (EBIT) ended at 334m DKK, compared with 856m DKK in 2007, a decrease of 61%. This result is affected by the influence of restructuring costs, non-recurrent expenses and provisions made for the reduction in the number of employees.

Danfoss Heating Division

“Regardless of the fact that the global economy was brought to its knees in 2008, demand for more energy-efficient solutions improved the **Danfoss Heating Division’s** net sales. Even though 2009 is expected to be difficult, we retain the investments in energy-efficient solutions, which are one of the prerequisite for Danfoss to also reach its future targets.”

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

Net sales increased to 6,797m DKK from 6,238m DKK in 2007, representing an increase of 9%. Calculated at last year’s exchange rate and adjusted for acquisitions and divestments, growth amounted to 4%.



DKK Mill. (unless otherwise stated) All quarterly figures are unaudited.	Q4 2007	Q4 2008	Change in %	2007	2008	Change in %	2008 EUR
Net sales	1.765	1.827	4%	6.238	6.797	9%	912
Operating profit (EBIT)	225	137	-39%	632	602	-5%	81
EBIT Margin	12,8%	7,5%		10,1%	8,9%		8,9%
Net Assets				4.533	4.662	3%	626
Capital expenditure	316	55	-83%	762	477	-37%	64
Number of employees				5.870	5.925	1%	

The division has experienced particularly strong growth in Russia and Eastern Europe in recent years, but the financial crisis severely influenced the markets in the fourth quarter. While the first nine months of the year showed decent double-digit growth rates, net sales in the fourth quarter was largely at level with that of the year before. Within EU, the interest in energy-efficient solutions is increasing which benefits divisional sales. In spite of the general decline on the markets, net sales on the European main market remained at par with 2007. In China, Danfoss Heating Division progresses in the district heating sector in particular. USA is not considered to be a main market, which is primarily caused by the scant distribution of hydronic heating technologies. However, Danfoss’ businesses electrical floor heating and oil nozzles continue to improve.

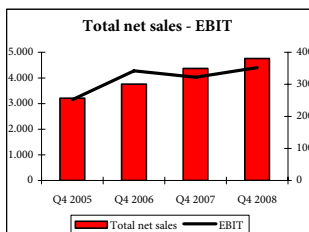
Operating profit (EBIT) fell by 5% to 602m DKK from 632m DKK in the year before.

Danfoss Motion Controls Division

“Although the fourth quarter was impacted by the global economic situation, Danfoss Motion Controls Division ended 2008 at a reasonable level, although it was below our expectations. There are no indications that the financial trends will improve considerably during 2009. In the light of this, we are in the process of adjusting our cost level to the changed market conditions. At the same time, we are ready to utilise the opportunities that emerge from the crisis. The increased focus on sustainable energy production and the reduction of CO2 emissions offer Danfoss unique opportunities, because such trends are matched by our core competencies.”

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

Net sales increased by 9% to 4,755m DKK from 4,371m DKK. Calculated at last year's exchange rate and adjusted for acquisitions and divestments, growth amounted to the same level of 9%.



DKK Mill. (unless otherwise stated) All quarterly figures are unaudited.	Q4 2007	Q4 2008	Change in %	2007	2008	Change in %	2008 EUR
Net sales	1.141	1.143	0%	4.371	4.755	9%	638
Operating profit (EBIT)	93	64	-31%	322	352	9%	47
EBIT Margin	8,2%	5,6%		7,4%	7,4%		7,4%
Net Assets				1.336	1.539	15%	207
Capital expenditure	75	100	33%	368	295	-20%	40
Number of employees				3.859	3.976	3%	

Sales increased in all regions in the first half of the year, but almost all regions were affected by the slowdown in the second half of the year. There was continued growth in Europe, the division's largest market, but this was at a lower level than expected. The same was true of sales in China and North America. The Asia-Pacific region was unable to increase sales in 2008, whereas sales in Latin America continued to grow strongly over the year and remained unaffected by the slowdown.

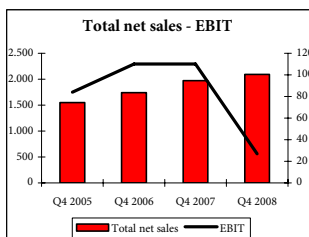
The operating profit (EBIT) increased by 9% to 352m DKK from 322m DKK the year before.

Sauer-Danfoss

“The result of the fourth quarter reflects the consequences of the global financial decline which has resulted in a sudden and dramatic downturn on almost all of our markets. Consequently, major costs were incurred in connection with the reduction in staff and we have suffered losses from the previously announced sale of the AC motor business.”

Sven Ruder, President and CEO, Sauer-Danfoss Inc.

Sauer-Danfoss’ net sales increased by 6% to 2,091m USD from 1,973m USD. Growth was 2%, when adjusted for acquisitions, divestments and foreign currency translations.



USD Mill. (US GAAP) (unless otherwise stated) All quarterly figures are unaudited.	Q4 2007	Q4 2008	Change in %	2007	2008	Change in %	2008 EUR
Net sales	494	371	-25%	1,973	2,091	6%	
Operating profit (EBIT)	19	-121	***	110	27	-75%	
EBIT Margin	3,8%	-32,6%		5,6%	1,3%		
Net Assets							
Capital expenditure				136	199		
Number of employees				9,756	9,584	-2%	

*) Sauer-Danfoss is listed on the New York Stock Exchange and the company share price can be monitored using the code SHS. The figures in this paragraph are the official Sauer-Danfoss figures recorded according to US GAAP. They are not the figures recognised in the Danfoss Group accounts.

Sales on the markets in Europe and Latin and North America were largely at the same level as in the previous year. In contrast, there was a positive development in sales in Asia, which saw good double-digit growth levels. The Chinese market in particular developed very positively and the market was driven by strong demand for road-building and rail-laying vehicles throughout the year.

The operating profit (EBIT) was 27m USD compared with 110m USD the year before.

Sauer-Danfoss is fully consolidated in the Danfoss Group from and including July 1, 2008. This means that Sauer-Danfoss is recognised in the Danfoss Group’s 2008 accounts with net sales of 4,376m DKK and an operating profit of -596m DKK. In the first half of 2008, the Sauer-Danfoss result is recorded with 91m DKK under the item “Income from associates and joint ventures”.

Profit & Loss Account

Mill. DKK (unless otherwise stated)
All quarterly figures are unaudited.

	Q4 2007	Q4 2008	Change in %	2007	2008	Change in %	2008 EUR
Net sales	5.549	7.268	31%	22.196	27.127	22%	3.638
Net sales Danfoss Services etc.	145	56	-61%	537	408	-24%	55
Cost of sales	-4.145	-5.956	44%	-16.256	-20.846	28%	-2.796
Gross profit	1.549	1.368	-12%	6.477	6.689	3%	897
	27,9%	18,8%		29,2%	24,7%		24,7%
Distribution expenses	-1.011	-1.285	27%	-4.125	-4.808	17%	-645
Administrative expenses	-177	-420	137%	-718	-1.194	66%	-160
Operating profit excl. other income and expenses	361	-337	-193%	1.634	687	-58%	92
	6,5%	-4,6%		7,4%	2,5%		2,5%
Other operating income and expenses	19	-288	***	-18	-277	***	-37
Operating profit (EBIT)	380	-625	-264%	1.616	410	-75%	55
	6,9%	-8,6%		7,3%	1,5%		1,5%
Income from associates and joint ventures	-17	-24	41%	210	44	-79%	6
Financial income/expenses	-127	-272	114%	-448	-579	29%	-78
Profit before tax	236	-921	-490%	1.378	-125	-109%	-17
Corporate tax expenses	-42	193	***	-315	-32	-90%	-4
Net profit	194	-728	-475%	1.063	-157	-115%	-21

Balance sheet
2007 2008 2008 EUR

Mill. DKK (unless otherwise stated)
All quarterly figures are unaudited.

Assets
Non-current assets

Intangible fixed assets	4.159	10.580	1.420
Tangible fixed assets	5.062	9.191	1.234
Non-current financial assets	1.833	1.466	196
Total non-current assets	11.054	21.237	2.850

Current assets

Inventories	3.363	5.310	713
Accounts receivable	4.721	5.785	776
Cash and cash equivalents	719	596	80
Total current assets	8.803	11.691	1.569

Total assets
19.857 32.928 4.419
Liabilities and shareholders' equity

Total shareholders' equity	9.744	11.867	1.593
Non-current liabilities	3.031	12.057	1.652
Current liabilities	7.082	9.004	1.174
Total liabilities	10.113	21.061	2.826

Total liabilities and shareholders' equity
19.857 32.928 4.419

Statement of cash flow	2007	2008	2008 EUR
Mill. DKK (unless otherwise stated)			
All quarterly figures are unaudited.			
Operating profit (EBIT)	1.616	410	55
Adjustments for non-cash transactions	920	2.037	273
Changes in working capital	-837	-140	-18
Cash flow generated from operations before interest	1.699	2.307	310
Financial income	40	37	5
Financial expenses	-395	-580	-78
Dividends received	93	105	14
Cash flow from operations before tax	1.437	1.869	251
Paid tax	-421	-441	-59
Cash flows from operating activities	1.016	1.428	192
Acquisition of intangible fixed assets	-238	-261	-35
Acquisition of tangible fixed assets	-1.255	-2.084	-280
Proceeds from sale of tangible fixed assets	94	178	24
Acquisition of subsidiaries etc.	-384	-2.385	-320
Proceeds from disposal of subsidiaries etc.	74	2	0
Acquisition (-) and sale of other investments etc.	116	7	1
Cash flow from investing activities	-1.593	-4.543	-610
Free Cash flow	-577	-3.115	-418
Financing by non-shareholders:			
Financing by Repayment of (-)/ proceeds from interest bearing debt	708	3.345	448
Financing by shareholders			
Issuing of shares	0	41	6
Repurchase/sale of own shares	-25	0	0
Addition/disposal of minority interest	-43	-12	-2
Dividends paid	-209	-324	-43
Cash flow from financing activities	431	3.050	409
Net change in cash and cash equivalents	-146	-65	-9
Cash and cash equivalents (beginning of period)	886	719	97
Foreign exchange adjustment of cash and cash equivalents	-21	-58	-8
Cash and cash equivalents (end of period)	719	596	80

Equity specification

Mill. DKK (unless otherwise stated)

All quarterly figures are unaudited.

	Share capital ¹⁾	Hedging reserve	Translation reserve	Reserve own shares	Other reserves	Reserves	Proposed dividend	Danfoss A/S' share of equity	Minoritet interest	Total equity
Balance at 1 January 2007	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							-204	-204	-5	-209
Transfers				-3	3					
Purchase of minority interest					-26	-26		-26		-26
Shares issued/capital reduction				-25		-25		-25	-6	-31
Share based payments					63	63		63		63
Balance at 31 December 2007	1.024	87	-399	-47	8.805	8.446	255	9.725	19	9.744
Total recognised income and expense		-180	-389		886	317	205	522	-73	449
Dividends to shareholders							-255	-255	-68	-323
Purchase of minority interest					-10	-10		-10	-2	-12
Additions from Acquisition of subsidiaries									2.184	2.184
Shares issued/capital reduction	3				38	38		41		41
Share based payments					-216	-216		-216		-216
Balance at 31 December 2008	1.027	-93	-788	-47	9.503	8.575	205	9.807	2.060	11.867

¹⁾ Distribution of shares:

A shares: DKK 425 Mill.

B shares: DKK 601.9 Mill.

Geographical segments

DKK Mill. (unless otherwise stated)

All quarterly figures are unaudited.

Group	EU	Rest of Europe	Asia	North America	Africa	Pacific	Latin America	Middle East	Total
Net sales Q4 2007 YTD	12.553	2.464	2.635	2.551	334	370	765	524	22.196
Net sales Q4 2008 YTD	14.284	3.174	3.250	4.221	327	368	1.040	463	27.127

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 2007 Ending rates	Q4 2008 Ending rates	2007 Ending rates	Q4 2007 Average rates	Q4 2008 Average rates	2007 Average rates
EUR	7,46	7,45	7,46	7,45	7,46	7,45
GBP	10,15	7,65	10,15	10,90	9,40	10,90
USD	5,08	5,28	5,08	5,45	5,10	5,45

Accounting principles:

Since 2002, Danfoss has prepared the accounts according to IFRS (International Financial Reporting Standards). For a detailed description of these, please refer to the Danfoss A/S Annual Report 2008.