

Danfoss A/S

Half-year report 2009

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 first half-year of 2009 turned out to be just as tricky as we had been expecting. We are largely on a par with the implemented plans, so irrespective of the fact that we present a considerable deficit for the half-year we believe that we are on the right path, in spite of the severe global crisis. We have achieved this position not least because we have managed to substantially improve our cash flow which is an essential part of our plan to begin to reduce our debt. In addition to weakened sales caused by the crisis, the biggest negative impact on the Group – as announced mid-summer to the New York Stock Exchange – was that Sauer-Danfoss reported a loss which was larger than had been anticipated.

The restructuring activities which have already been implemented to counter the effects of the global crisis and the initiatives which are currently being put into action will not begin to show their impact until 2010. Since the crisis in our view is likely to continue for some time yet, we intend to focus on our long-term competitiveness.”

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

Highlights from the first half-year of 2009:

The comparison figures are affected by the fact that Sauer-Danfoss is not included in the 2008 figures for the first half-year, whereas Sauer-Danfoss is fully consolidated from July 1, 2008.

- **Net sales** were 12.5bn DKK, which equals growth of 10%. When adjusted for acquisitions, divestments and foreign currency translations, growth fell by 20%, compared to growth of 6% in the year before.
- **The profit before other income and expenses** showed a loss of 660m DKK compared to a profit of 693m DKK in the first half-year of 2008. The profit before other operating income and expenses for Danfoss (excl. Sauer-Danfoss) is -305m DKK.
- **The operating profit (EBIT)** showed a loss of 1,250m DKK compared to a profit of 697m DKK in the year before. The operating profit (EBIT) for Danfoss (excl. Sauer-Danfoss) is -767m DKK compared to 697m DKK in 2008.
- **The profit before tax** was a deficit of 1,457m DKK, and the profit after tax was a loss of 1,032m DKK.
- **The free cash flow** was -126m DKK compare to -1,233m DKK in the year before.

Expectations for 2009:

The major uncertainty, reluctance and nervousness continuing to characterise the markets mean that Danfoss' expectations for 2009 are generally in line with this considerable uncertainty. In light of the downward adjustment at Sauer-Danfoss, the expectations for 2009 are:

- Danfoss now expects net sales to be between 24bn DKK and 25bn DKK.
- EBIT is expected to be between -1.6bn DKK and -1.9bn DKK. For Danfoss (excl. Sauer-Danfoss), EBIT is expected to be between -0.4bn DKK and -0.8bn DKK.
- The result before tax is expected to be between -2.0bn DKK and -2.3bn DKK.

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Financial Highlights

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

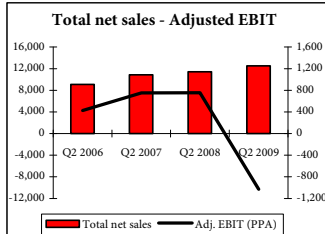
	Q2 2008	Q2 2009	Change in %	Q2 2008 YTD	Q2 2009 YTD	Change in %	2008	Q2 2009 YTD EUR
Profit and loss accounts:								
Net sales ¹⁾	6,040	6,081	1%	11,425	12,535	10%	27,127	1,683
EBITDA	691	-324	-147%	1,213	-262	-122%	2,099	-35
Operating profit excl. other income and expenses	419	-281	-167%	693	-660	-195%	687	-89
Adjusted EBIT	451	-694	***	746	-1,029	***	891	-138
Operating profit (EBIT)	426	-803	***	697	-1,250	***	410	-168
Income from associates and joint ventures	28	-18	-164%	69	-25	-136%	44	-3
Financial income/expenses	-39	-74	90%	-187	-182	-3%	-579	-25
Profit before tax (EBT)	415	-895	***	579	-1,457	***	-125	-196
Net profit	302	-634	***	427	-1,032	***	-157	-139
¹⁾ Total growth in net sales:	9%	-24%		5%	10%		22%	
Real growth in %	9%	-23%		6%	-20%		2%	
Exchange rates in %	-4%	-1%		-4%	-1%		-3%	
Acquired/sold activities net in %	4%	0%		3%	31%		23%	
Balance sheet:								
Total non-current assets				11,358	21,028	85%	21,237	2,824
Assets				21,403	31,736	48%	32,928	4,262
Total shareholders' equity				9,911	10,529	6%	11,867	1,414
Net interest-bearing debt				5,212	10,201	96%	9,776	1,370
Net assets				13,850	20,327	47%	21,326	2,730
Capital expenditure	525	212	-60%	909	519	-43%	12,614	70
Cash flow statement:								
Cash flow from operating activities				-320	462	***	1,428	62
Cash flow from investing activities				-913	-588	-36%	-4,543	-79
hereof net investments of intangible assets				-757	-476	-37%	-2,167	-64
hereof net investments in companies				-131	1	-101%	-2,383	0
Free Cash flow				-1,233	-126	-90%	-3,115	-17
Free cash flow before M&A				-1,075	-76	-93%	-639	-10
Cash flow from financing activities				1,056	209	-80%	3,050	28
Key figures:								
Number of employees (end of period)				23,091	27,152	18%	31,717	
EBIT margin excl. other operating income etc.	6.9%	-4.6%	-11.5	6.1%	-5.3%	-11.4	2.5%	
EBIT margin	7.0%	-13.2%	-20.2	6.1%	-10.0%	-16.1	1.5%	
Adjusted EBIT margin	7.5%	-11.4%	-18.9	6.5%	-8.2%	-14.7	3.3%	
EBITDA margin	11.4%	-5.3%	-16.7	10.6%	-2.1%	-12.7	7.7%	
RONA ¹⁾	3.2%	-3.8%	-7.0	5.3%	-6.0%	-11.3	2.4%	
Return on equity				4.3%	-11.3%	-15.6	-0.9%	
Equity ratio				46.2%	33.2%	-13.0	36.0%	
Leverage ratio				52.7%	96.9%	44.2	82.4%	

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.

Global crisis negatively impacted the half-year at Danfoss, where Sauer-Danfoss also dragged down



The Danfoss Group ended the first half-year with **net sales** of 12,535m DKK compared to 11,425m DKK in 2008, which equals growth of 10%. The comparison figures are influenced by the fact that Sauer-Danfoss is not included in the first half-year figures for 2008. Converted at last year's exchange rate level and adjusted for acquisitions (including Sauer-Danfoss) and divestments, the group's growth fell by 20%, compared to growth of 6% in 2008. The divisional organic growth was -26% in the Danfoss Refrigeration & Air Conditioning Division, -11% in the Danfoss Heating Division, and net sales fell by 18% in the Danfoss Motion Controls Division. Sauer-Danfoss had a negative growth of 45%.

The major decrease of the net sales figures of all units should not only be considered in light of the continuing severe global crisis. The comparison figures also represent the first months of 2008 when record net sales and profit throughout the group were still in sight.

Therefore, the global financial crisis meant that Danfoss witnessed a large, though anticipated, drop in the demand for the group's products and services during the second quarter of 2009 compared with the same period in 2008. The impact on Sauer-Danfoss was, however, more severe than expected, so at the half-year (on July 29, 2009), the company management made a substantial downward adjustment of both the net sales and the profit.

In the course of the first half-year, Danfoss sharpened its focus on generating a more positive cash flow. This was achieved through activities to improve the group's cash flow and a reluctance to invest. The initiatives had a positive effect on the group's cash flow during the first half-year.

Net sales fell by double-digit percentages on almost all of the group's markets during the first half-year, especially the important markets of Germany, Russia, China and USA. One of the few bright spots was Brazil which generated moderate growth rates in spite of the crisis.

As a result of the continuing drop in the demand, cost reductions and restructuring measures were implemented in the second quarter to reduce the operating costs to a level which equals the current sales.

In order to improve the profitability of the household compressor business, it was decided to shut down the compressor production facility in Flensburg, Germany, and relocate the manufacturing process to China and Slovakia. The relocation affects around 450 employees in Flensburg. As part of the restructuring, it was also decided to move the production of compressors from the plant in Atlanta, USA, to the plant in Arkadelphia. The merging affects 91 employees.

Unfortunately, the lower production level also meant that Danfoss was forced to cut the number of employees in the second quarter. Should the present situation

continue or worsen, further cuts cannot be ruled out. The cuts in staff also mean that non-recurrent costs and provisions made for future liabilities are included in the Profit and Loss Account, amounting to approx. 580m DKK, of which 516m DKK were added to the Profit and Loss Account in the second quarter.

Some markets are beginning to show signs that the setback is diminishing, but Danfoss does not expect the situation to change considerably during the second half of 2009.

The result before other income and expenses showed a loss of 660m DKK compared to a profit of 693m DKK in the first half-year of 2008. The result is negatively affected by, among other things, accounting adjustments of 174m DKK following the acquisition of the controlling interest in Sauer-Danfoss. The profit before other income and expenses for Danfoss (excl. Sauer-Danfoss) is -305m DKK compared to a profit of 693m DKK in 2008.

Adjusted EBIT was -1,029m DKK compared to 746m DKK in the same period the previous year. The result is negatively affected, among other things, by the inclusion of Sauer-Danfoss' negative result. In addition, it was only possible to a small degree to reduce the operational costs in proportion with the fall in net sales. The implemented restructuring activities are not expected to positively affect the profit until 2010. Yet, the activities are expected to improve the profit slightly in the second half-year.

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 -8.2% compared with 6.5% last year.

Operating profit (EBIT) showed a loss of 1,250m DKK compared to a profit of 697m DKK in the first half-year of 2008. The result was also affected, among other things, by costs incurred in connection with the implemented restructuring activities, amounting to 580m DKK. Moreover, the result was affected by accounting adjustments following the acquisition of the controlling interest in Sauer-Danfoss of 174m DKK. The operating profit (EBIT) for Danfoss (excl. Sauer-Danfoss) was -767m DKK compared to 697m DKK in 2008.

The share of profit from associates/joint ventures was -25m DKK compared to 69m DKK the previous year. Sauer-Danfoss is included in the result in the first half-year of 2008.

The profit before tax was -1,457m DKK compared to 579m DKK. The **profit after tax** dropped to -1,032m DKK from 427m DKK the previous year. The result is not considered satisfactory.

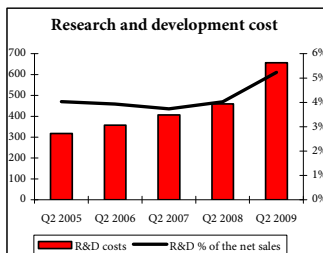
Equity was 10,529m DKK at the end of the first half-year of 2009 compared to 9,911m DKK the year before. The increase is mainly a result of the inclusion of minority interests in Sauer-Danfoss.

Free cash flow, which is a combination of cash flow from operating activities of 462m DKK and cash flow from investing activities of -588m DKK, was

-126m DKK, which is 1,107m DKK more than in 2008. The free cash flow before M&A was -76m DKK compared with -1,075m DKK in 2008. The primary reason for the increase is an improved working capital and fewer investments in machines and buildings, which have more than offset the decreasing profit.

The net-interest bearing debt was 10,201m DKK compared to 5,212m DKK in the year before. The primary reason for the increase is the borrowing in connection with the acquisition of Sauer-Danfoss shares and the consolidation of the existing debt burden at Sauer-Danfoss. 9,665m DKK (95%) of the net interest-bearing debt are long-term liabilities with a maturity of more than a year. As of December 31, 2008, the net interest-bearing debt amounted to 9,776m DKK. The reason for the increase in debt is the payment of dividends and a negative cash flow of 126m DKK.

It is Danfoss' policy to dispose of considerable long-term financial resources. On June 30, 2009, the group had unused long-term credit commitments of 4.9bn DKK compared to 6.3bn at the turn of the year. Since the turn of the year, the group has used some of the credit commitments. The change is caused by a conversion of loans in Sauer-Danfoss, which meant that Sauer-Danfoss' debt to external partners was reduced correspondingly.



In the first half-year, Danfoss spent 5.2% (2008: 4.0%) of net sales on research and development, including venture activities, equalling 656m DKK. In spite of the uncertainties surrounding the development, Danfoss has decided to maintain the scope of investments in energy-efficient solutions and, consequently, the forward-looking projects which are set to secure the Group's long-term competitiveness.

Employee numbers

At the end of the first half-year, the Danfoss Group employed 27,152 people, an increase of 4,061 employees compared with 2008. The Group's employees are distributed as follows: 11,788 in Europe (excl. Denmark) (2008: 10,581); 3,787 in North America incl. Mexico (2,596); 376 in Latin America (233); 3,694 in Asia-Pacific incl. China (2,989) and 65 in other regions (74). In Denmark, 7,442 people were employed at the end of the first half-year, compared with 6,618 the year before. The nominal increase is entirely caused by the fact that the number of Sauer-Danfoss employees is included for 2009 which was not the case in the first half-year of 2008.

Events after the end of the quarter

As a consequence of the restructuring of the business, it was announced at the beginning of August that the production of refrigeration valves (KV/Variant) would be relocated from Nordborg to Grodzisk in Poland. The relocation affects 65 jobs.

Expectations for 2009

Following Sauer-Danfoss' downward adjustment of expectations, Danfoss is now able to specify its expectations for the total group 2009 net sales and profit. Therefore, Danfoss does not immediately expect the development to change considerably during the second half of 2009.

The major uncertainty, reluctance and nervousness continuing to characterise the markets mean that Danfoss' expectations for 2009 are generally in line with this considerable uncertainty.

- Consequently, Danfoss expects net sales to be between 24bn DKK and 25bn DKK.

The profit will again be affected in 2009 by accounting adjustments of between 315 and 340m DKK due to the acquisition of the controlling interest in Sauer-Danfoss. At the same time, the inclusion of the expected negative profit in Sauer-Danfoss in 2009 will also have a negative impact on the group's profit.

In addition, the restructuring costs and non-recurrent expenses and provisions made in connection with the reduction of employees will strain the profit. The full effect of the restructuring activities is not expected to show in the accounts until 2010. Yet, the activities are expected to improve the profit in the second half-year.

- EBIT is expected to be between -1.6bn DKK and -1.9bn DKK. For Danfoss (excl. Sauer-Danfoss), EBIT is expected to be between -0.4bn DKK and -0.8bn DKK.
- The profit before tax is expected to be between -2.0bn DKK and -2.3bn DKK.

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

Prerequisites and risks:

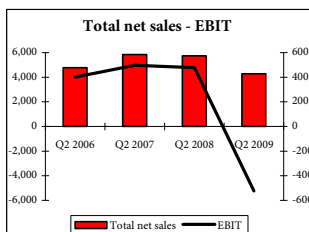
The recession is expected to continue for the rest of 2009, and it is highly likely that it will take another 12 to 18 months before the financial trends improve notably.

Danfoss Refrigeration & Air Conditioning Division

“Danfoss Refrigeration & Air Conditioning Division continued to be affected by the substantial drop in demand for the division’s products and services, which accelerated during the second half of 2008. Even though we have implemented several restructuring and rationalisation activities, they will not have a positive effect on the profit until the second half-year. It is, however, pleasing that we have managed to defend the divisional market shares.”

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

Net sales fell by 25% to 4,285m DKK from 5,740m DKK. Adjusted for acquisitions, divestments and currency translation, net sales dropped by 26%.



DKK Mill. (unless otherwise stated) All quarterly figures are unaudited.	Q2 2008	Q2 2009	Change in %	Q2 2008 YTD	Q2 2009 YTD	Change in %	2008	Q2 2009 YTD EUR
Net sales	3,059	2,192	-28%	5,740	4,285	-25%	10,783	575
Operating profit (EBIT)	262	-357	***	478	-523	***	334	-70
EBIT Margin	8.6%	-16.3%		8.3%	-12.2%		3.1%	-12.2%
Net Assets				6,333	5,305	-16%	5,734	712
Capital expenditure	191	61	-68%	314	132	-58%	803	18
Number of employees				11,302	9,745	-14%	10,757	

The sale of the division’s products and services was hit hard in the first half-year by the global recession. Almost all of the markets suffered a double-digit decrease in the net sales, but Denmark, Germany, Italy, Russia and China were hit especially hard. One of the bright spots was Latin America which experienced only a moderate decrease in sales.

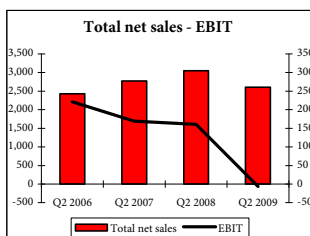
The profit before other income and expenses showed a loss of 158m DKK compared to a profit of 475m DKK in the first half-year of 2008. The operating profit ended at -523m DKK compared to a profit of 478m DKK in 2008. This result is affected by the influence of restructuring costs, non-recurrent expenses and provisions made for the reduction in the number of employees.

Danfoss Heating Division

“The effects of the recession hit **Danfoss Heating Division** later than other Danfoss business units, but in line with the estimates, the crisis has now made its mark. Traditionally, the second half-year is a peak season for this sector within Danfoss, but there is great uncertainty as to how the crisis will impact on sales. The division also includes, however, the heat pump business which has been able to defy the crisis, retaining its net sales and improving the profit.”

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

Net sales fell by 15% to 2,603m DKK from 3,049m DKK. Adjusted for acquisitions, divestments and currency translations, the drop amounted to 11%.



DKK Mill. (unless otherwise stated)	Q2 2008	Q2 2009	Change in %	Q2 2008 YTD	Q2 2009 YTD	Change in %	2008	Q2 2009 YTD EUR
All quarterly figures are unaudited.								
Net sales	1,599	1,313	-18%	3,049	2,603	-15%	6,797	349
Operating profit (EBIT)	101	-16	-116%	161	-7	-104%	602	-1
EBIT Margin	6.3%	-1.2%		5.3%	-0.3%		8.9%	-0.3%
Net Assets				4,929	4,474	-9%	4,662	601
Capital expenditure	226	52	-77%	321	86	-73%	477	12
Number of employees				6,135	5,386	-12%	5,925	

Net sales continued to be negatively affected on almost every key market, especially the important European market which showed double-digit decreases. However, some markets countered the negative trend. China’s sales rates increased slightly compared to the same period in 2008.

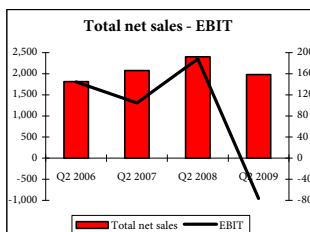
The profit before other income and expenses was 20m DKK compared to 184m DKK in the first half-year of 2008. The operating profit (EBIT) was -7m DKK compared to 161m DKK in the year before.

Danfoss Motion Controls Division

“The general setback of the world economy has hit Danfoss sales hard on almost every market. In spite of the tricky times, it is pleasing to see that **Danfoss Motion Controls Division** has been able to maintain its market position. I am also pleased to see that the business areas which are most closely related to energy-efficiency and climate solutions continue to grow. We have also benefited from a tight cost control in our defence of the profit.”

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

Net sales dropped to 1,983m DKK compared to 2,401m DKK in the year before, equalling a drop of 17%. Adjusted for acquisitions, divestments and currency translations, the decrease was 18%.



DKK Mill. (unless otherwise stated)	Q2 2008	Q2 2009	Change in %	Q2 2008 YTD	Q2 2009 YTD	Change in %	2008	Q2 2009 YTD EUR
All quarterly figures are unaudited.								
Net sales	1,263	997	-21%	2,401	1,983	-17%	4,755	266
Operating profit (EBIT)	133	-55	-141%	188	-76	-140%	352	-10
EBIT Margin	10.5%	-5.5%		7.9%	-3.9%		7.4%	-3.9%
Net Assets				1,483	1,385	-7%	1,539	186
Capital expenditure	49	57	16%	139	116	-17%	295	16
Number of employees				4,156	3,834	-8%	3,976	

In the half-year, net sales were affected by the global recession and the business area Danfoss Gear Motors was particularly hard hit. In return, Danfoss Solar Inverters had increased net sales.

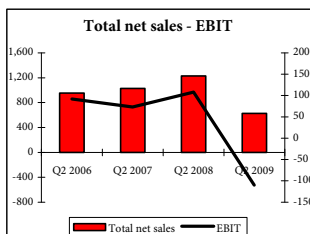
The profit before other income and expenses showed a loss of 7m DKK compared to a profit of 171m DKK in the first half-year of 2008. The operating profit (EBIT) showed a loss of 76m DKK compared to a profit of 188m DKK the year before.

Sauer-Danfoss

“The second quarter results show a further drop in sales compared to what we reported for the first quarter of 2009. This drop in sales was more pronounced than we had anticipated. Every market and region we serve was impacted by the full force of the global recession. Our sales were also affected negatively by our customers reducing their inventories. The further drop in sales, the tax asset valuation allowances, and the one-off costs associated with our aggressive cost reduction actions all had a negative influence on the Company’s earnings. The significantly lower run rate of expenses we expect to hit by the end of the year will put us in a good position as we go into 2010 and the global economy stabilises and recovers.”

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

Sauer-Danfoss’ net sales fell by 49% to 627m USD from 1,229m USD. The decrease was 45%, when adjusted for foreign currency translations.



USD Mill. (US GAAP) (unless otherwise stated) All quarterly figures are unaudited.	Q2 2008	Q2 2009	Change in %	Q2 2008 YTD	Q2 2009 YTD	Change in %	2008	Q2 2009 YTD EUR
Net sales	612	277	-55%	1,229	627	-49%	2,091	
Operating profit (EBIT)	46	-41	-189%	108	-110	***	27	
EBIT Margin	7.5%	-14.8%		8.8%	-17.5%		1.3%	
Net Assets								
Capital expenditure				84	30		199	
Number of employees				9,824	6,805	-31%	9,584	

*) 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 in the first half-year were hit hard by the global recession and sales on the markets in Asia, Europe, the Pacific Region and North and Latin America fell by double-digit percentages.

The operating profit (EBIT) was a loss of 110m USD compared with a profit of 108m USD the year before. The result is affected by non-recurrent expenses incurred in connection with restructuring and resignations as well as a considerable number of goodwill write downs.

The decline in net sales, which was larger than expected, led Sauer-Danfoss to downwardly adjust the expectations for net sales and profit for 2009. Instead, Sauer-Danfoss expects a drop in net sales of between 45 and 50% compared to 2008, as opposed to the previous 30-40%. A loss is expected of between 6.7 and 7.3 USD per share compared to between 2.65 and 3.45 USD per share following the first quarter.

Profit & Loss Account

Mill. DKK (unless otherwise stated)

All quarterly figures are unaudited.

	Q2 2008	Q2 2009	Change in %	Q2 2008 YTD	Q2 2009 YTD	Change in %	2008	Q2 2009 YTD EUR
Net sales	6,040	6,081	1%	11,425	12,535	10%	27,127	1,683
Net sales Danfoss Services etc.	161	29	-82%	298	85	-71%	408	11
Cost of sales	-4,396	-4,946	13%	-8,411	-10,335	23%	-20,846	-1,387
Gross profit	1,805	1,164	-36%	3,312	2,285	-31%	6,689	307
	29.9%	19.1%		29.0%	18.2%		24.7%	18.2%
Distribution expenses	-1,155	-1,132	-2%	-2,171	-2,272	5%	-4,808	-306
Administrative expenses	-231	-313	35%	-448	-673	50%	-1,194	-90
Operating profit excl. other income and expenses	419	-281	-167%	693	-660	-195%	687	-89
	6.9%	-4.6%		6.1%	-5.3%		2.5%	-5.3%
Other operating income and expenses	7	-522	***	4	-590	***	-277	-79
Operating profit (EBIT)	426	-803	***	697	-1,250	***	410	-168
	7.0%	-13.2%		6.1%	-10.0%		1.5%	-10.0%
Income from associates and joint ventures	28	-18	-164%	69	-25	-136%	44	-3
Financial income/expenses	-39	-74	90%	-187	-182	-3%	-579	-25
Profit before tax	415	-895	***	579	-1,457	***	-125	-196
Corporate tax expenses	-113	261	***	-152	425	***	-32	57
Net profit	302	-634	***	427	-1,032	***	-157	-139

Balance sheet

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

Q2 2008 Q2 2009 2008 Q2 2009
EUR

Assets
Non-current assets

Intangible fixed assets	4,142	10,375	10,580	1,393
Tangible fixed assets	5,378	8,816	9,191	1,184
Non-current financial assets	1,838	1,837	1,466	247
Total non-current assets	11,358	21,028	21,237	2,824

Current assets

Inventories	3,765	4,484	5,310	602
Accounts receivable	5,774	5,565	5,785	747
Cash and cash equivalents	506	659	596	89
Total current assets	10,045	10,708	11,691	1,438
Total assets	21,403	31,736	32,928	4,262

Liabilities and shareholders' equity

Total shareholders' equity	9,911	10,529	11,867	1,414
Non-current liabilities	5,186	14,690	12,057	1,971
Current liabilities	6,306	6,517	9,004	877
Total liabilities	11,492	21,207	21,061	2,848
Total liabilities and shareholders' equity	21,403	31,736	32,928	4,262

Statement of cash flow

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

	Q2 2008	Q2 2009	2008	Q2 2009
	EUR			
Operating profit (EBIT)	697	-1,250	410	-168
Adjustments for non-cash transactions	417	1,207	2,037	162
Changes in working capital	-1,051	967	-140	130
Cash flow generated from operations before interest	63	924	2,307	124
Financial income	14	9	37	1
Financial expenses	-253	-363	-580	-49
Dividends received	47	0	105	0
Cash flow from operations before tax	-129	570	1,869	76
Paid tax	-191	-108	-441	-14
Cash flows from operating activities	-320	462	1,428	62
Acquisition of intangible fixed assets	-105	-96	-261	-13
Acquisition of tangible fixed assets	-722	-417	-2,084	-55
Proceeds from sale of tangible fixed assets	70	37	178	4
Acquisition of subsidiaries etc.	-130	0	-2,385	0
Proceeds from disposal of subsidiaries etc.	-1	1	2	0
Acquisition (-) and sale of other investments etc.	-25	-113	7	-15
Cash flow from investing activities	-913	-588	-4,543	-79
Free Cash flow	-1,233	-126	-3,115	-17
Financing by non-shareholders:				
Financing by Repayment of (-)/ proceeds from interest bearing debt	1,284	510	3,345	69
Financing by shareholders				
Issuing of shares	50	0	41	0
Repurchase/sale of own shares	-9	-57	0	-8
Addition/disposal of minority interest	-12	-8	-12	-1
Dividends paid	-257	-236	-324	-32
Cash flow from financing activities	1,056	209	3,050	28
Net change in cash and cash equivalents	-177	83	-65	11
Cash and cash equivalents (beginning of period)	719	596	719	80
Foreign exchange adjustment of cash and cash equivalents	-36	-20	-58	-2
Cash and cash equivalents (end of period)	506	659	596	89

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 2008	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
									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
Total recognised income and expense		-10	-27		-1,031	-1,068		-1,068	5	-1,063
Dividends to shareholders							-205	-205	-9	-214
Purchase of minority interest					-5	-5		-5	1	-4
Shares issued/capital reduction				-57		-57		-57		-57
Balance at 30 June 2009	1,027	-103	-815	-104	8,467	7,445	0	8,472	2,057	10,529

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 Q2 2008 YTD	6,476	1,356	1,355	1,259	166	172	401	240	11,425
Net sales Q2 2009 YTD	6,154	1,122	1,674	2,604	145	191	469	176	12,535

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 ending rates of the reporting period.

Currency	Q2 2008 Ending rates	Q2 2009 Ending rates	2008 Ending rates	Q2 2008 Average rates	Q2 2009 Average rates	2008 Average rates
EUR	7.46	7.45	7.45	7.46	7.45	7.46
GBP	9.41	8.74	7.65	9.64	8.34	9.40
USD	4.73	5.27	5.28	4.88	5.61	5.10

Accounting principles:

Since 2002, Danfoss has prepared the accounts according to IFRS (International Financial Reporting Standards). These accounting principles have been applied in this quarterly report and in the 2008 Annual Report. For a detailed review of the principles, please refer to the 2008 Annual Report. This quarterly report has not been prepared according to IAS' principle no. 34 regarding quarterly reports.