

Danfoss A/S

Third quarterly 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 markets which Danfoss serves continue to be characterised by uncertainty and a low level of activity, so we do not expect any immediate improvement in sales during the fourth quarter. However, we are witnessing a certain degree of stabilisation, indicating that the dramatic decrease in sales of the past year has stopped. At the same time, the profit is beginning to reflect the effect of the cost reductions we have implemented. Even though the result is not satisfactory, it is within the scope of our expectations for the quarter. Sauer-Danfoss is still having a difficult time and in spite of the fact that the company’s development has also stabilised, we expect it will take a good while before Sauer-Danfoss will again show growth.”

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

Highlights from the first three quarters of 2009:

- **Net sales** of the first nine months were 19.0bn DKK, which equals a decrease of 4%. When adjusted for acquisitions, divestments and foreign currency translations, the decrease was 17%, compared to 5% the year before.
- **The profit before other income and expenses** showed a loss of 364m DKK compared to a profit of 1,024m DKK the year before. The profit before other operating income and expenses for Danfoss (excl. Sauer-Danfoss) is 255m DKK in the period.
- **The operating profit (EBIT)** showed a loss of 1,056m DKK compared to a profit of 1,035m DKK the year before. The operating profit (EBIT) for Danfoss (excl. Sauer-Danfoss) is -219m DKK compared to 1,226m DKK in 2008.
- **The profit before tax** was a deficit of 1,329m DKK, and the profit after tax was a loss of 921m DKK.
- In the third quarter, **net sales** fell by 23% to 6.5bn DKK, while **EBIT** was positive with 194m DKK. **The profit before tax** was 129m DKK.
- **The free cash flow** for the first nine months was 708m DKK compared to -3,120m DKK the year before.

Expectations for 2009:

Based on the development of the third quarter, Danfoss maintains its expectations for net sales in 2009. The valuation of Sauer-Danfoss is characterised by uncertainty, therefore, an impairment of this asset will be made in the fourth quarter. The expectations for the 2009 result are, therefore, adjusted to reflect both the improved operational result and the expected impairment of Sauer-Danfoss. However, the improvements in the result are connected with substantial uncertainty resulting from the major reluctance, uncertainty and nervousness which continues to characterise the markets.

- Danfoss expects net sales to be between 24bn DKK and 25bn DKK.
- EBIT is expected to be between -2.0bn DKK and -2.3bn DKK. For Danfoss (excl. Sauer-Danfoss), EBIT is expected to be between 0 and -0.3bn DKK.
- The result before tax is expected to be between -2.0bn DKK and -2.3bn DKK.

Please address any enquiries to:

Niels B. Christiansen
President and CEO:
+45 74 88 75 50

Ole M. Daugbjerg
Chief Reputation Officer:
+45 74 88 20 08

Per Have
Chief Financial Officer
74 88 40 01

Financial Highlights

Mill. DKK (unless otherwise stated)

All quarterly figures are unaudited.

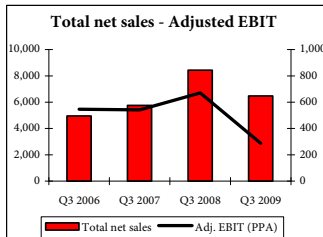
| | Q3 2008 | Q3 2009 | Change in % | Q3 2008 YTD | Q3 2009 YTD | Change in % | 2008 | Q3 2009 YTD EUR |
|---|---------|---------|-------------|----------------|----------------|-------------|--------|--------------------|
| Profit and loss accounts: | | | | | | | | |
| Net sales ¹⁾ | 8,434 | 6,474 | -23% | 19,859 | 19,009 | -4% | 27,127 | 2,552 |
| EBITDA | 909 | 784 | -14% | 2,122 | 522 | -75% | 2,099 | 70 |
| Operating profit excl. other income and expenses | 330 | 296 | -10% | 1,024 | -364 | *** | 687 | -49 |
| Adjusted EBIT | 671 | 288 | -57% | 1,417 | -741 | *** | 891 | -99 |
| Operating profit (EBIT) | 337 | 194 | -42% | 1,035 | -1,056 | *** | 410 | -142 |
| Income from associates and joint ventures | -1 | -5 | *** | 68 | -30 | *** | 44 | -4 |
| Financial income/expenses | -119 | -60 | -50% | -307 | -243 | -21% | -579 | -32 |
| Profit before tax (EBT) | 217 | 129 | -41% | 796 | -1,329 | *** | -125 | -178 |
| Net profit | 145 | 111 | -23% | 571 | -921 | *** | -157 | -124 |
| ¹⁾ Total growth in net sales: | 46% | -23% | | 19% | -4% | | 22% | |
| Real growth in % | 4% | -11% | | 5% | -17% | | 2% | |
| Exchange rates in % | -2% | -3% | | -3% | -2% | | -3% | |
| Acquired/sold activities net in % | 44% | -9% | | 17% | 15% | | 23% | |
| Balance sheet: | | | | | | | | |
| Total non-current assets | | | | 21,627 | 20,425 | -6% | 21,237 | 2,744 |
| Assets | | | | 35,472 | 30,853 | -13% | 32,928 | 4,144 |
| Total shareholders' equity | | | | 13,869 | 10,536 | -24% | 11,867 | 1,415 |
| Net interest-bearing debt | | | | 9,657 | 9,218 | -5% | 9,776 | 1,238 |
| Net assets | | | | 23,126 | 19,333 | -16% | 21,326 | 2,597 |
| Capital expenditure | 15,617 | 193 | -99% | 16,526 | 713 | -96% | 12,614 | 96 |
| Cash flow statement: | | | | | | | | |
| Cash flow from operating activities | | | | 599 | 1,492 | *** | 1,428 | 200 |
| Cash flow from investing activities | | | | -3,719 | -784 | -79% | -4,543 | -105 |
| hereof net investments of intangible/tangible assets | | | | -1,312 | -644 | -51% | -2,167 | -86 |
| hereof net investments in companies | | | | -2,368 | 1 | *** | -2,383 | 0 |
| Free Cash flow | | | | -3,120 | 708 | *** | -3,115 | 95 |
| Free cash flow before M&A | | | | -723 | 774 | *** | -639 | 104 |
| Cash flow from financing activities | | | | 3,167 | -521 | *** | 3,050 | -70 |
| Key figures: | | | | | | | | |
| Number of employees (end of period) | | | | 32,806 | 26,098 | -20% | 31,717 | |
| EBIT margin excl. other operating income etc. | 3.9% | 4.6% | 0.7 | 5.2% | -1.9% | -7.1 | 2.5% | |
| EBIT margin | 4.0% | 3.0% | -1.0 | 5.2% | -5.6% | -10.8 | 1.5% | |
| Adjusted EBIT margin | 8.0% | 4.4% | -3.6 | 7.1% | -3.9% | -11.0 | 3.3% | |
| EBITDA margin | 10.8% | 12.1% | 1.3 | 10.7% | 2.7% | -8.0 | 7.7% | |
| RONA ¹⁾ | 1.8% | 1.0% | -0.8 | 5.9% | -5.2% | -11.1 | 2.4% | |
| Return on equity | | | | 6.1% | -8.3% | -14.4 | -0.9% | |
| Equity ratio | | | | 39.1% | 34.1% | -5.0 | 36.0% | |
| Leverage ratio | | | | 83.7% | 87.5% | 3.8 | 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 still affecting Danfoss



In the third quarter, the Danfoss Group had **net sales** of 6.5bn DKK compared to 8.4bn DKK the year before. When adjusted for acquisitions, divestments and foreign currency translations, the decrease was 11% compared to growth of 4% in the same period the year before. **The profit before other income and expenses** was 296m DKK, whereas the **EBIT** was 194m DKK. The profit before other income and expenses for Danfoss (excl. Sauer-Danfoss) was 560m DKK in the same period compared to 521m DKK in 2008.

For the first nine months of 2009, **net sales** were 19.0bn DKK compared to 19.9bn DKK in the same period of 2008, which equals a fall of 4%. When adjusted for acquisitions, divestments and foreign currency translations, the decrease was 17% compared to an increase of 5% in the same period the year before. At Danfoss Heating Division the organic growth was -10% and in Danfoss Motion Controls it was -15%, while growth at Danfoss Refrigeration & Air Conditioning Division was -22%. Sauer-Danfoss had a negative growth of 45%.

“Thanks to the adjustment of the cost level, we managed to achieve an improved capacity utilisation in the third quarter and, thereby, a more profitable business.”

Kim Fausing,
Executive Vice
President

Uncertainty and reluctance also characterised the markets in the third quarter and this affected the demand for the group’s products and services. The decline was not as severe, however, as in the first half-year of 2009 and it seems very likely that the development has stabilised so far at a much lower level than previously.

Therefore, sales fell by double-digit percentages on almost all of the group’s markets and the important markets in Germany, Russia and the USA were hit hardest. However, one bright spot was China which showed moderate double-digit growth rates in the third quarter.

In spite of some stability on the markets, there are no immediate signs that the setback is diminishing and Danfoss does not expect the development to seriously change in the course of the last few months of the year.

Throughout 2009, Danfoss has had a sharpened focus on the generation of an improved cash flow. One of the means was through the work to improve the group’s cash flows and by holding back investments. These measures had a positive impact on the group’s cash flow, leading to a profit of 708m DKK.

Also in the third quarter, the group focused on implementing cost reductions and restructuring initiatives to reduce the operational costs to a level that matches the current net sales. The implemented adjustment of the production to the current market situation resulted in an improved capacity utilisation, which positively affected the profitability.

The restructuring activities meant that non-recurrent expenses and provisions for future liabilities were charged to the Profit and Loss Account, amounting to approx. 650m DKK.

The result before other income and expenses showed a loss of 364m DKK compared to a profit of 1,024m DKK in 2008. The result is negatively affected by, among other things, accounting adjustments of 246m DKK following the acquisition of the controlling interest in Sauer-Danfoss. The profit before other income and expenses for Danfoss (excl. Sauer-Danfoss) is 255m DKK compared to 1,214m DKK in 2008.

Adjusted EBIT was -741m DKK compared to 1,417m DKK for the same period the previous year. The result is negatively affected, among other things, by the inclusion of Sauer-Danfoss' negative result. The implemented restructuring activities have begun to be slightly reflected in the profitability, but, still, it has not been possible to reduce the operational cost level to match the current activity level. The implemented restructuring activities are not expected to positively affect the profit until 2010.

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 -3.9% compared with 7.1% last year.

Operating profit (EBIT) showed a loss of 1,056m DKK compared to a profit of 1,035m DKK in 2008. The result was affected, among other things, by costs incurred in connection with the implemented restructuring activities, amounting to 650m DKK. Moreover, the result was affected by accounting adjustments following the acquisition of the controlling interest in Sauer-Danfoss of 246m DKK. The operating profit (EBIT) for Danfoss (excl. Sauer-Danfoss) was -219m DKK compared to 1,226m DKK in 2008. The EBIT for the group in the third quarter was a profit of 194m DKK.

The share of profit from associates/joint ventures was -30m DKK compared to 68m DKK the previous year. Sauer-Danfoss is included in the result in the first half-year of 2008.

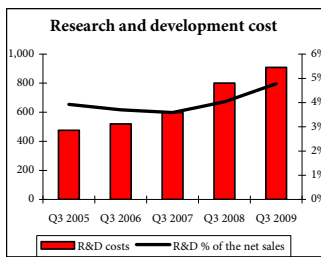
The profit before tax was -1,329m DKK compared to 796m DKK the previous year. The **profit after tax** dropped to -921m DKK from 571m DKK the previous year. The result is not considered satisfactory. The profit before tax in the third quarter was 129m DKK.

Equity was 10,536m DKK at the end of the third quarter of 2009 compared to 13,869m DKK the year before. The decrease is mainly a result of the inclusion of the negative result of the period.

Free cash flow, which is a combination of cash flow from operating activities of 1,492m DKK and cash flow from investing activities of -784m DKK, was 708m DKK compared to -3,120m DKK in 2008. The free cash flow before acquisitions and divestments of activities was 774m DKK compared to -723m 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 9,218m DKK compared to 9.657m DKK in the year before. The primary reason for the decrease is the improved cash flow from operating activities as a result of reduced funds tied up in working capital and the lower investment level. 9,156m DKK (99%) 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 decrease in debt, which has taken place since the turn of the year, is the improvement of the cash flow from operating activities.

It is Danfoss' policy to dispose of considerable long-term financial resources. On September 30 2009, the group had unused long-term credit commitments of 6.5bn DKK compared to 6.3bn at the turn of the year.



In the first nine months of the year, Danfoss spent 4.8% (2008: 4.0%) of net sales on research and development, including venture activities, equalling 908m 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.

Changes in employee numbers and Executive Committee

At the end of the third quarter, the Danfoss Group employed 26,098 people, a decrease of 6,708 employees compared with 2008. The group's employees are distributed as follows: 11,482 in Europe (excl. Denmark) (2008: 13,803); 3,578 in North America incl. Mexico (5,404); 371 in Latin America (518); 3,858 in Asia-Pacific incl. China (3,857) and 61 in other regions (69). In Denmark, 6,748 people were employed at the end of the third quarter, compared with 9,155 the year before.

On November 1, Nis Storgaard joined the Danfoss Executive Committee as Executive Vice President and Chief Development Officer (CDO). At the same time, the President of the Bitten and Mads Clausen Foundation, Per Have, was appointed new Chief Financial Officer (CFO) of the Danfoss Group. The previous Executive Vice President and CFO Frederik Lotz resigned from the Danfoss Executive Committee with effect from November 1 to take up the new position as Financial Director at Arla Foods. The Danfoss Executive Committee now consists of Niels B. Christiansen, Kim Fausing and Nis Storgaard.

Events after the end of the quarter

In October, Danfoss announced the expansion of the production in Wuqing, China. The forging and processing of valve bodies will be added to the current assembly of radiator valves. This will lead to the creation of an extra approx. 60 jobs at the factory in Wuqing in 2010. The expansion is part of Danfoss Heating Controls' business strategy which aims to improve the competitiveness by locating the manual production of radiator valves in China and concentrating on highly-automated mass-production at the factory in Viby, Denmark.

In addition to valves, Danfoss also produces a long range of other products for heating and refrigeration applications at the factory in Wuqing. In total, Danfoss now has more than 3,000 employees in China, distributed at five factories and eight sales offices.

In November, Danfoss announced that the group's business structure will change as of January 1 2010. The current three divisions will become five, more targeted and flexible units.

The five new divisions will be:

- Danfoss Refrigeration & Air Conditioning Controls
- Danfoss Commercial Compressors
- Danfoss Heating Solutions
- Danfoss District Energy
- Danfoss Motion Controls

In November, following negotiations with Sauer Holding GmbH, it was decided that Danfoss would buy an additional 20.8% of the Sauer-Danfoss shares earlier than planned. The acquisition means that Danfoss now owns 76.2% of the Sauer-Danfoss shares. For further information, please refer to Sauer-Danfoss' homepage: www.sauer-danfoss.com under SEC Filings.

Expectations for 2009:

Based on the development of the third quarter, Danfoss maintains its expectations for net sales in 2009. It should be pointed out that the expectations are, in general, connected with substantial uncertainty as a result of the major reluctance, uncertainty and nervousness continuing to characterise the markets.

- 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.

The valuation of Sauer-Danfoss is characterised by uncertainty, therefore, an impairment of this asset will be made in the fourth quarter. The expectations for the 2009 result are, therefore, adjusted to reflect both the improved operational result and the expected impairment of Sauer-Danfoss.

- EBIT is expected to be between -2.0bn DKK and -2.3bn DKK (previously -1.6bn DKK and -1.9bn DKK). For Danfoss (excl. Sauer-Danfoss), EBIT is expected to be between 0 and 0.3bn DKK (previously -0.4bn DKK and -0.8bn DKK).
- The profit before tax is expected to be between -2.0bn DKK and -2.3bn DKK.

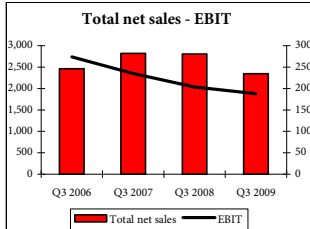
The impact of the global crisis means that Danfoss' investment in Sauer-Danfoss will not lead to any short-term increases in profit. However, Danfoss still has confidence in Sauer-Danfoss' positive long-term prospects and that in the future it will add to the Danfoss Group's total growth rates and profit.

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 months before the financial trends improve noticeably.

Danfoss Refrigeration & Air Conditioning Division

Net sales fell by 22% to 6,631m DKK from 8,544m DKK. When adjusted for acquisitions, divestments and foreign currency translations, net sales dropped by 22%. In the third quarter, net sales dropped by 16% to 2,346m DKK.



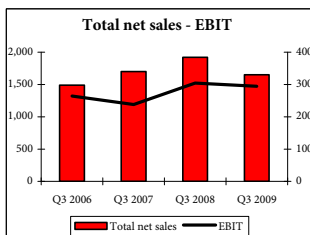
| DKK Mill. (unless otherwise stated) All quarterly figures are unaudited. | Q3 2008 | Q3 2009 | Change in % | Q3 2008 YTD | Q3 2009 YTD | Change in % | 2008 | Q3 2009 YTD EUR |
|---|---------|---------|-------------|-------------|-------------|-------------|--------|-----------------|
| Net sales | 2,804 | 2,346 | -16% | 8,544 | 6,631 | -22% | 10,783 | 890 |
| Operating profit (EBIT) | 203 | 188 | -7% | 681 | -335 | *** | 334 | -45 |
| EBIT Margin | 7.3% | 8.0% | | 8.0% | -5.0% | | 3.1% | -5.0% |
| Net Assets | | | | 6,410 | 5,046 | -21% | 5,734 | 678 |
| Capital expenditure | 169 | 52 | -69% | 483 | 184 | -62% | 803 | 25 |
| Number of employees | | | | 11,157 | 9,561 | -14% | 10,757 | |

Almost all of the markets suffered a decrease in the net sales, but Denmark, Germany, Italy, China and the USA were hit especially hard. The markets in Latin America and Russia had minor declines. One of the bright spots was Brazil where Danfoss experienced a minor improvement.

The profit before other income and expenses was 47m DKK compared to 670m DKK in the year before. The operating profit (EBIT) ended at a deficit of -335m DKK compared to a profit of 681m DKK in 2008. The EBIT was 188m DKK for the third quarter.

Danfoss Heating Division

Net sales fell to 4,255m DKK from 4,970m DKK, which equals a drop of 14%. When adjusted for acquisitions, divestments and foreign currency translations, the drop was 10%. In the third quarter, net sales fell by 14% to 1,651m DKK.



| DKK Mill. (unless otherwise stated) All quarterly figures are unaudited. | Q3 2008 | Q3 2009 | Change in % | Q3 2008 YTD | Q3 2009 YTD | Change in % | 2008 | Q3 2009 YTD EUR |
|---|---------|---------|-------------|-------------|-------------|-------------|-------|-----------------|
| Net sales | 1,920 | 1,651 | -14% | 4,970 | 4,255 | -14% | 6,797 | 571 |
| Operating profit (EBIT) | 304 | 294 | -3% | 465 | 287 | -38% | 602 | 39 |
| EBIT Margin | 15.8% | 17.8% | | 9.4% | 6.8% | | 8.9% | 6.8% |
| Net Assets | | | | 5,078 | 4,366 | -14% | 4,662 | 587 |
| Capital expenditure | 101 | 37 | -63% | 422 | 124 | -71% | 477 | 17 |
| Number of employees | | | | 6,153 | 5,268 | -14% | 5,925 | |

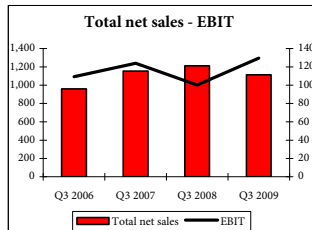
The decline in net sales continued on almost every market. Sales on the key market in Russia continue to be severely affected. However, some markets are countering the negative trend. The Chinese market had positive double-digit growth rates.

The profit before other income and expenses was 308m DKK compared to 489m DKK. The operating profit (EBIT) was 287m DKK compared to 465m DKK the year before. The EBIT for the third quarter was 294m DKK.

Danfoss Motion Controls Division

Net sales dropped by 14% to 3,098m DKK from 3,613m DKK the year before.

When adjusted for acquisitions, divestments and foreign currency translations, the decrease was 15%. In the third quarter, net sales dropped by 8% to 1,115m DKK.



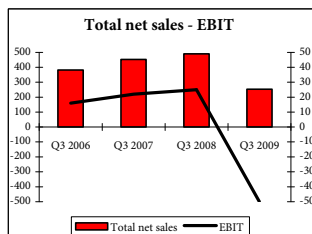
| DKK Mill. (unless otherwise stated) | Q3 2008 | Q3 2009 | Change in % | Q3 2008 YTD | Q3 2009 YTD | Change in % | 2008 | Q3 2009 YTD EUR |
|--------------------------------------|---------|---------|-------------|-------------|-------------|-------------|-------|-----------------|
| All quarterly figures are unaudited. | | | | | | | | |
| Net sales | 1,212 | 1,115 | -8% | 3,613 | 3,098 | -14% | 4,755 | 416 |
| Operating profit (EBIT) | 100 | 130 | 30% | 289 | 53 | -82% | 352 | 7 |
| EBIT Margin | 8.3% | 11.6% | | 8.0% | 1.7% | | 7.4% | 1.7% |
| Net Assets | | | | 1,481 | 1,282 | -13% | 1,539 | 172 |
| Capital expenditure | 56 | 50 | -11% | 195 | 166 | -15% | 295 | 22 |
| Number of employees | | | | 4,086 | 3,757 | -8% | 3,976 | |

The European main market was affected by the global crisis and sales in the region decreased by a double-digit figure. China was one of the few markets to improve moderately. Danfoss Solar Inverters increased its net sales.

The profit before other income and expenses was 123m DKK compared to 270m DKK in 2008. The operating profit (EBIT) was 53m DKK compared to 289m DKK the year before. The EBIT was 130m DKK for the third quarter.

Sauer-Danfoss

Sauer-Danfoss' net sales fell by 49% to 880m USD from 1,719m USD. The decrease was 45%, when adjusted for foreign currency translations. In the third quarter, net sales fell by 48% to 253m USD.



| USD Mill. (US GAAP) (unless otherwise stated) | Q3 2008 | Q3 2009 | Change in % | Q3 2008 YTD | Q3 2009 YTD | Change in % | 2008 | Q3 2009 YTD EUR |
|---|---------|---------|-------------|-------------|-------------|-------------|-------|-----------------|
| All quarterly figures are unaudited. | | | | | | | | |
| Net sales | 490 | 253 | -48% | 1,719 | 880 | -49% | 2,091 | |
| Operating profit (EBIT) | 25 | -50 | *** | 133 | -160 | *** | 27 | |
| EBIT Margin | 5.1% | -19.8% | | 7.7% | -18.2% | | 1.3% | |
| Net Assets | | | | | | | | |
| Capital expenditure | | | | 130 | 37 | | 199 | |
| Number of employees | | | | 9,901 | 6,183 | -38% | 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 were hit hard by the global recession and sales on the markets in Asia, Europe and North and Latin America fell by double-digit percentages.

The operating profit (EBIT) was a loss of 160m USD compared with a profit of 133m 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. In the third quarter, the EBIT was -50m USD.

Profit & Loss Account

Mill. DKK (unless otherwise stated)

All quarterly figures are unaudited.

| | Q3 2008 | Q3 2009 | Change in % | Q3 2008 YTD | Q3 2009 YTD | Change in % | 2008 | Q3 2009 YTD EUR |
|---|--------------|--------------|-------------|--------------|---------------|-------------|--------------|-----------------|
| Net sales | 8,434 | 6,474 | -23% | 19,859 | 19,009 | -4% | 27,127 | 2,552 |
| Net sales Danfoss Services etc. | 55 | 42 | -24% | 353 | 127 | -64% | 408 | 17 |
| Cost of sales | -6,479 | -4,904 | -24% | -14,891 | -15,239 | 2% | -20,846 | -2,046 |
| Gross profit | 2,010 | 1,612 | -20% | 5,321 | 3,897 | -27% | 6,689 | 523 |
| | 23.8% | 24.9% | | 26.8% | 20.5% | | 24.7% | 20.5% |
| Distribution expenses | -1,354 | -1,039 | -23% | -3,523 | -3,310 | -6% | -4,808 | -444 |
| Administrative expenses | -326 | -277 | -15% | -774 | -951 | 23% | -1,194 | -128 |
| Operating profit excl. other income and expenses | 330 | 296 | -10% | 1,024 | -364 | *** | 687 | -49 |
| | 3.9% | 4.6% | | 5.2% | -1.9% | | 2.5% | -1.9% |
| Other operating income and expenses | 7 | -102 | *** | 11 | -692 | *** | -277 | -93 |
| Operating profit (EBIT) | 337 | 194 | -42% | 1,035 | -1,056 | *** | 410 | -142 |
| | 4.0% | 3.0% | | 5.2% | -5.6% | | 1.5% | -5.6% |
| Income from associates and joint ventures | -1 | -5 | *** | 68 | -30 | *** | 44 | -4 |
| Financial income/expenses | -119 | -60 | -50% | -307 | -243 | -21% | -579 | -32 |
| Profit before tax | 217 | 129 | -41% | 796 | -1,329 | *** | -125 | -178 |
| Corporate tax expenses | -72 | -18 | -75% | -225 | 408 | *** | -32 | 54 |
| Net profit | 145 | 111 | -23% | 571 | -921 | *** | -157 | -124 |

Balance sheet

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

Q3 2008 Q3 2009 2008 Q3 2009
EUR

Assets
Non-current assets

| | | | | |
|---------------------------------|---------------|---------------|---------------|--------------|
| Intangible fixed assets | 11,137 | 10,122 | 10,580 | 1,360 |
| Tangible fixed assets | 8,947 | 8,370 | 9,191 | 1,124 |
| Non-current financial assets | 1,543 | 1,933 | 1,466 | 260 |
| Total non-current assets | 21,627 | 20,425 | 21,237 | 2,744 |

Current assets

| | | | | |
|-----------------------------|---------------|---------------|---------------|--------------|
| Inventories | 5,754 | 4,064 | 5,310 | 546 |
| Accounts receivable | 7,323 | 5,634 | 5,785 | 756 |
| Cash and cash equivalents | 768 | 730 | 596 | 98 |
| Total current assets | 13,845 | 10,428 | 11,691 | 1,400 |

Total assets

35,472 30,853 32,928 4,144

Liabilities and shareholders' equity

| | | | | |
|-----------------------------------|---------------|---------------|---------------|--------------|
| Total shareholders' equity | 13,869 | 10,536 | 11,867 | 1,415 |
| Non-current liabilities | 12,473 | 13,998 | 12,057 | 1,882 |
| Current liabilities | 9,130 | 6,319 | 9,004 | 847 |
| Total liabilities | 21,603 | 20,317 | 21,061 | 2,729 |

Total liabilities and shareholders' equity

35,472 30,853 32,928 4,144

Statement of cash flow

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

| | Q3 2008 | Q3 2009 | 2008 | Q3 2009 |
|--|---------------|--------------|---------------|-------------|
| | EUR | | | |
| Operating profit (EBIT) | 1,035 | -1,056 | 410 | -142 |
| Adjustments for non-cash transactions | 981 | 1,748 | 2,037 | 235 |
| Changes in working capital | -812 | 1,406 | -140 | 188 |
| Cash flow generated from operations before interest | 1,204 | 2,098 | 2,307 | 281 |
| Financial income | 21 | 12 | 37 | 2 |
| Financial expenses | -386 | -449 | -580 | -60 |
| Dividends received | 65 | 0 | 105 | 0 |
| Cash flow from operations before tax | 904 | 1,661 | 1,869 | 223 |
| Paid tax | -305 | -169 | -441 | -23 |
| Cash flows from operating activities | 599 | 1,492 | 1,428 | 200 |
| Acquisition of intangible fixed assets | -159 | -107 | -261 | -14 |
| Acquisition of tangible fixed assets | -1,237 | -637 | -2,084 | -85 |
| Proceeds from sale of tangible fixed assets | 84 | 100 | 178 | 13 |
| Acquisition of subsidiaries etc. | -2,362 | 0 | -2,385 | 0 |
| Proceeds from disposal of subsidiaries etc. | -6 | 1 | 2 | 0 |
| Acquisition (-) and sale of other investments etc. | -39 | -141 | 7 | -19 |
| Cash flow from investing activities | -3,719 | -784 | -4,543 | -105 |
| Free Cash flow | -3,120 | 708 | -3,115 | 95 |
| Financing by non-shareholders: | | | | |
| Financing by Repayment of (-)/ proceeds from interest bearing debt | 3,422 | -197 | 3,345 | -26 |
| 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 | -284 | -259 | -324 | -35 |
| Cash flow from financing activities | 3,167 | -521 | 3,050 | -70 |
| Net change in cash and cash equivalents | 47 | 187 | -65 | 25 |
| Cash and cash equivalents (beginning of period) | 719 | 596 | 719 | 80 |
| Foreign exchange adjustment of cash and cash equivalents | 2 | -53 | -58 | -7 |
| Cash and cash equivalents (end of period) | 768 | 730 | 596 | 98 |

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 | | -20 | -103 | | -749 | -872 | | -872 | -165 | -1,037 |
| Dividends to shareholders | | | | | | | -205 | -205 | -33 | -238 |
| Purchase of minority interest | | | | | -5 | -5 | | -5 | 6 | 1 |
| Shares issued/capital reduction | | | | -57 | | -57 | | -57 | | -57 |
| Balance at 30 September 2009 | 1,027 | -113 | -891 | -104 | 8,749 | 7,641 | 0 | 8,668 | 1,868 | 10,536 |

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 Q3 2008 YTD | 10,672 | 2,429 | 2,324 | 2,810 | 248 | 296 | 720 | 360 | 19,859 |
| Net sales Q3 2009 YTD | 9,262 | 1,854 | 2,680 | 3,635 | 246 | 310 | 717 | 305 | 19,009 |

Net sales are based on customer location.

Contact:

Danfoss A/S
DK-6430 Nordborg
Denmark
Tel.: +45 7488 2222
Fax: +45 7449 0949
E-mail:

danfoss@danfoss.com

Further information is available on the Danfoss website:

www.danfoss.com

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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 | Q3 2008 Ending rates | Q3 2009 Ending rates | 2008 Ending rates | Q3 2008 Average rates | Q3 2009 Average rates | 2008 Average rates |
|----------|-------------------------|-------------------------|----------------------|--------------------------|--------------------------|-----------------------|
| EUR | 7.46 | 7.44 | 7.45 | 7.46 | 7.45 | 7.46 |
| GBP | 9.44 | 8.19 | 7.65 | 9.55 | 8.41 | 9.40 |
| USD | 5.22 | 5.08 | 5.28 | 4.91 | 5.47 | 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.