



Press release

# Danfoss A/S

## First quarterly report

### 2005

Danfoss is one of the largest industrial companies in Denmark. The global Group is a leader within research, development, production, sales and service of mechanical and electronic components for a number of industries. Danfoss' activities are divided into three main business areas: Danfoss Refrigeration & Air Conditioning Division, Danfoss Heating Division and Danfoss Motion Controls Division, each leading within its industry. Danfoss has a large ownership share in one of the world's leading manufacturers and suppliers of mobile hydraulics, Sauer-Danfoss. Danfoss seeks to attain its goals with minimum consumption of raw materials and energy, the least possible 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 quarter did not develop quite as we had expected and there are no immediate indications that market conditions will improve considerably during the second quarter. In light of this, we have begun to bring the cost levels in line with the changed market conditions. We continue to expect that we will achieve the announced earnings for the year, but the result could be at the lower end of the scale.”*

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

### Highlights from the first quarter of 2005:

- **Net sales** decreased 6% to 3.7 billion DKK from 3.9 billion DKK in the same period last year. Growth amounted to 1%, when converted at last year’s level of exchange rates and adjusted for acquisitions and divestments, compared to 10% in the same period of last year.
- **Operating profit excl. other income and expenses** fell by 41% to 73 million DKK, while the **operating profit (EBIT)** was 79 million DKK.
- **Profit before tax** decreased by 25% to 132 million DKK from 177 million DKK in the same period in 2004.
- **The number of employees** increased to 17,967 from 17,899 at the same time in 2004.

### Expectations for 2005:

- The Group maintains expectations for the whole of the year. Net sales are expected to remain between 16.25 and 16.75 billion DKK, while the operating profit (EBIT) is expected to be between 900 and 1,000 million DKK. However, both net sales and EBIT are expected to be at the lower end of the scale because of the market conditions.
- Any impact of future acquisitions and divestments is not included in the expectations.

The first quarterly report 2005 has been prepared according to the same accounting principles used for the revised 2004 Annual Report, except for a few changes, cf. the separate paragraph.

Nordborg, May 17, 2005

Jørgen M. Clausen  
President and CEO  
+45 74 88 28 51

**Ole Steen Andersen**  
**Executive V.P. (CFO)**  
**+45 74 88 21 46**

Niels B. Christiansen  
Executive V.P. (COO)  
+45 74 88 75 50

Hans Kirk  
Executive V.P. (CDO)  
+45 74 88 27 69

Please address any inquiries regarding this announcement to Ole Steen Andersen.  
Further information about Danfoss is available on the Danfoss web site: [www.danfoss.com](http://www.danfoss.com)

## Financial highlights

Million DKK (unless otherwise stated) All quarterly figures are unaudited.	Q1 04	Q1 05	Change in %	2004	Q1 05 EUR
<b>Profit and Loss Accounts</b>					
Net sales	3,931	3,711	-6%	16,345	499
EBITDA	318	259	-19%	1,737	35
<i>EBITDA Margin</i>	8.1%	7.0%		10.6%	7.0%
Operating profit excl. other income and expenses	124	73	-41%	898	10
Operating profit	127	79	-38%	1,063	11
<i>EBIT Margin</i>	3.2%	2.1%		6.5%	2.1%
Profit before tax	177	132	-25%	1,008	18
<i>Return on Sales</i>	4.5%	3.5%		6.2%	3.5%
<b>Key figures<sup>1)</sup>:</b>					
Free Cash flow	-407	-585		281	-79
Interest bearing debt	1,468	1,334	-9%	1,125	179
RONA <sup>2)</sup>	1.9%	1.1%		15.4%	1.1%

<sup>1)</sup> In those cases where the key figures have been defined by the Danish Society of Financial Analysts, they have been calculated accordingly.

<sup>2)</sup> RONA (Return On Net Assets): Result of operating profit as percentage of average net assets. Net assets are total assets deducted investments in associates and joint ventures, cash and cash equivalents, total provisions and non-interest bearing debt.

## Danfoss maintains expectations for 2005, even though international setback affects sales

The Danfoss Group's **net sales** fell to 3.7 billion DKK in the first quarter from 3.9 billion DKK in the same period of the year before. The operating profit excluding other income and expenses decreased by 41% to 73 million DKK from 124 million DKK, while the operating profit decreased to 79 million DKK from 127 million DKK. The profit before tax fell by 25% to 132 million DKK from 177 million DKK.

Net sales are largely on a level with the first quarter of 2004, when converted at last year's level of exchange rates and adjusted for acquisitions and divestments, which is not satisfactory compared to the growth of 10% in the same period of last year.

The international setback became apparent in the second half-year of 2004 and continued in the first quarter of 2005. The weak international economic trends therefore put a damper on demand in most of the markets where Danfoss sells its products and services. Net sales decreased in the European market by approx. 11% compared to the first quarter of 2004, while net sales in the important German market decreased by almost 9%. The markets in Eastern Europe and Asia were also affected by the setback. On the other hand, the markets in North and South America were successful, with the Group experiencing positive growth rates. Danfoss generally managed to maintain its market shares in declining markets.

The setback in the markets is expected to continue in the second quarter, but market conditions are not expected to improve considerably during the second half of 2005. The raw material prices, which continue to increase, raise production costs, which have had a negative impact on earnings.

**The operating profit excl. other income and expenses** decreased by 41% to 73 million DKK. The work to obtain productivity improvements through the introduction of Lean Manufacturing at all of the Group's production sites continued in the first quarter. Even though productivity improvements were achieved, they did not compensate for the effect of the shortfall in net sales in the quarter. The operational costs of the Group's productivity programme amounted to about 10 million DKK in the first quarter.

**The operating profit (EBIT)** decreased by 38% to 79 million DKK from 127 million DKK.

**The share of income from Sauer-Danfoss** was 30 million DKK, which is a decrease of 6% compared to the same period in the year before, when translating from American Dollars to Danish Kroner

**Financial net items** showed a profit of 26 million DKK compared to a profit of 16 million DKK in the year before. The profit was primarily due to the adjustment of exchange rates as a result of the development in the exchange markets.

**The profit before tax** decreased to 132 million DKK from 177 million DKK, which is a decrease of 25% compared to the same period in the year before.

**Profit after tax** was 102 million DKK compared to 132 million DKK in the year before. This equals a decrease of 23%.

**The equity** was 7,924 million DKK at the end of the first quarter, which corresponds to an equity ratio of 58.3% compared to 58.8% at the end of 2004.

**The free cash flow**, which is a combination of cash flows from operations of -326 million DKK and cash flows from investments of -259 million DKK, was -585 million DKK against -407 million DKK in the year before. Compared to 2004, the change is due to the reduced profit and the fact that the figure for the first quarter of 2004 included income as a result of the sale of activities.

**The research and development costs** were approx. 154 million DKK compared to 131 million DKK in the first quarter of 2004, which equals about 4% of net sales in the period.

## Acquisitions in the first quarter

In March, Danfoss took over the sales and development company AGH Warmte-units b.v. in Nieuwegein (Utrecht), the Netherlands, with effect from January 1, 2005. The company had net sales of approx. 37 million DKK in 2004 and has three employees.

After the end of the first quarter, Danfoss took over FWT Wärmetechnik AG in Hamburg, Germany, with effect from January 1, 2005. The company deals with the sale and development of small and large substations for district heating, domestic hot water systems, anti-legionella systems and the sale of heat exchangers. The company had net sales of about 75 million DKK in 2004 and employs 28 people.

The acquisition of AGH Warmte-units b.v. and FWT Wärmetechnik AG is part of the Group's strategy to become the leading supplier in the district heating industry.

Also after the end of the first quarter, the competition authorities have approved the sale of Danfoss Analytical A/S to the American company Danaher (HACH LANGE). Takeover date was May 2, 2005.

## Changes in employee numbers, Executive Committee and Board

At the end of the first quarter, the Danfoss Group employed 17,967 people, an increase of 68 employees compared to the year before.

There are 14,506 employees in Europe (14,643 in the first quarter of 2004), 1,650 in North America including Mexico (1,639), 1,298 in Asia-Pacific (1,036) and 513 in other regions (581). In Denmark, 6,112 people were employed at the end of the first quarter, compared to 6,178 in the year before. The reduction in the number of employees in Denmark is primarily due to the divestment of Danfoss Marine Systems A/S and its workforce of around 330 people in 2004, so in fact, the number of employees increased.

At the Danfoss Annual General Meeting on April 15, Henrik E. Nyegaard was re-elected as Chairman of Danfoss A/S, while Tom Kähler was re-elected as Vice-Chairman. Hans Michael Jebsen was elected as a new member of the Board, while Jørgen M. Clausen did not offer himself for re-election.

As of May 15, Danfoss has redistributed responsibilities within the Corporate Committee, which subsequently has the following composition:

Jørgen M. Clausen, President and Chief Executive Officer (CEO)  
Ole Steen Andersen, Executive Vice President and Chief Financial Officer (CFO)  
Niels B. Christiansen, Executive Vice President and Chief Operations Officer (COO)  
Hans Kirk, Executive Vice President and Chief Development Officer (CDO)

## Expectations for 2005

The Group retains its expectations for the whole of the year, in which net sales are expected to be between 16.25 and 16.75 billion DKK, while the operating profit (EBIT) is expected to be between 900 and 1,000 million DKK.

However, both net sales and EBIT are expected to be at the lower end of the scale, because of the market conditions.

Any impact of future acquisitions and divestments is not included in the expectations

### **Prerequisites and risks:**

The prerequisites are based on the expectation that the economic trends throughout 2005 will not improve significantly. The overseas markets and Asia are primarily expected to drive the growth. China, in particular, is expected to play an important role in the years to come

A large proportion of Danfoss' sales outside Europe are settled in dollars, which is why a low dollar exchange rate will also contribute to a moderate growth in net sales and the operating profit (EBIT).

A continued rise in raw material prices on a global scale could negatively affect the financial result of the Group.

## Danfoss' core business areas

*“Danfoss Refrigeration & Air Conditioning Division managed to obtain market shares in the North American market where the Division is gaining a firm foothold. The activity level in China has increased, which, as expected, is resulting in a need for investment in order to keep up with the increasing demand.”*

Niels B. Christiansen, Executive Vice President and COO, Danfoss A/S

*Danfoss Refrigeration & Air Conditioning Division* had a decrease in both net sales and profit in the first quarter of 2005, which is not satisfactory. Net sales fell to 1,947 million DKK from 2,120 million DKK, equalling a decrease of 8%. The decrease was 1%, when converted at last year's exchange rate level and adjusted for acquisitions and divestments.

<i>Danfoss Refrigeration &amp; Air Conditioning Division</i>					
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q1 04	Q1 05	Change in %	2004	Q1 05 EUR
Net sales	2,120	1,947	-8%	8,583	262
Operating profit (EBIT)	134	93	-31%	610	12
EBIT Margin	6.3%	4.8%		7.1%	4.8%
Net assets	3,623	3,851	6%	3,449	517
Net investments	81	106	31%	647	14
Number of employees	9,320	9,387	1%	9,006	

The operating profit decreased by 31% from 134 million DKK to 93 million DKK. The continued increase in raw material prices, the weak dollar and a strike at the Division's factories in Lyon, France, had a negative impact on the profit in the quarter.

The markets in Asia and North America continued to show double-digit growth rates, and in the American market in particular, a number of new customers and orders were gained. In most of the remaining markets the Division experienced a decline in net sales, primarily as a result of the general economic setback in the Division's business areas.

*“The Chinese government’s increased focus on energy savings could become very important to **Danfoss Heating Division’s** business and profit in the coming years. The Division already has a strong position in the Chinese market and, on the basis of an extended presence, we aim to strengthen our market position even more.”*

Ole Steen Andersen, Executive Vice President and CFO, Danfoss A/S

**Danfoss Heating Division** (including Danfoss Water Controls) experienced unsatisfactory development in the first quarter. Net sales decreased by 1% from 938 million DKK to 927 million DKK. The decrease was 4%, when adjusted for acquisitions, divestments and foreign currency translation.

<b>Danfoss Heating Division</b> (incl. Danfoss Water Controls)					
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	<b>Q1 04</b>	<b>Q1 05</b>	<b>Change in %</b>	<b>2004</b>	<b>Q1 05 EUR</b>
Net sales	938	927	-1%	4,192	125
Operating profit (EBIT)	61	51	-16%	447	7
EBIT Margin	6.5%	5.5%		10.7 %	5.5%
Net assets	2,033	2,352	16%	2,109	316
Net investments	35	65	86%	197	9
Number of employees	3,952	4,120	4%	4,143	

The operating profit decreased from 61 million DKK to 51 million DKK, equalling a fall of 16%. The fall in the EBIT and net sales compared to last year is due to the fact that the result of the first quarter of 2004 included the settlement of a number of major projects in Asia, among other things. The business indicated improved profitability, when disregarding this income.

The development of the Division’s markets in the first quarter was as expected and the markets in Russia, the Danube region, the Netherlands and Italy, in particular, continued to show high growth rates. The markets in Scandinavia and Central Europe, however, continued to show limited growth.

At the recently held 10<sup>th</sup> National People’s Congress in Beijing in China, the National Development and Reform Commission submitted an energy savings plan, which focused on combined heat and power plants, district heating controls and energy saving in buildings, among other things. The aim is to tighten the already existing legislation and ensure that it is being implemented efficiently, but also to set higher targets for savings and to take new measures. New initiatives within the field of heating savings are expected to greatly support the sale of Danfoss products.

*“The productivity programme is proceeding according to plan at **Danfoss Motion Controls Division**, and as a result, some of the Division’s production areas have achieved improvements of up to 25%. Together with the introduction of the new generation of frequency converters, this will ensure that we obtain an improved market position.”*

Hans Kirk, Executive Vice President and CDO, Danfoss A/S

**Danfoss Motion Controls Division** achieved satisfactory development in the first quarter. The decrease in net sales, from 795 million DKK in the first quarter of 2004 to 740 million DKK, which equals 7%, is primarily due to the divestment of Marine Systems in 2004. Growth was 7%, when adjusted for acquisitions, divestments and foreign currency translation.

<b>Danfoss Motion Controls Division</b>					
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	<b>Q1 04</b>	<b>Q1 05</b>	<b>Change in %</b>	<b>2004</b>	<b>Q1 05 EUR</b>
Net sales	795	740	-7%	3,208	99
Operating profit (EBIT)	29	36	24%	352	5
EBIT Margin	3.6%	4.8%		11.0%	4.8%
Net assets	1,100	899	-18%	871	121
Net investments	24	35	46%	74	5
Number of employees	3,076	2,882	-6%	2,816	

The operating profit increased by 24% to 36 million DKK from 29 million DKK in the year before. The Division had many new orders and customers in the quarter, which contributed to the increase in net sales and profitability.

The markets in Latin America continued the positive sales rates of the fourth quarter of 2004, and sales increased by 38% in the region. The markets in Asia and North America also showed double-digit growth rates. The European market only showed low growth.

In March, the Division launched the second phase of the new generation of frequency converters – the VLT® AutomationDrive.

**Sauer-Danfoss Inc.** is listed on the stock exchanges in Frankfurt, Germany, and New York, USA.

Danfoss A/S owns 38.5 % of the shares in Sauer-Danfoss Inc. The company is recorded in the accounts as a joint venture.

<i>Sauer-Danfoss Inc.</i>				
Million USD (unless otherwise stated).	Q1 04	Q1 05	Change in %	2004
Net sales	361	423	17%	1,404
Profit after tax	11	11	0%	33

Sauer-Danfoss Inc. is included in the Danfoss A/S Group accounts under the item “Income from joint ventures and associates”.

For further information please refer to the Sauer-Danfoss homepage: [www.sauer-danfoss.com](http://www.sauer-danfoss.com)

## Financial Highlights

Mil. DKK (unless otherwise stated). All quarterly figures are unaudited.	Q1 04	Q1 05	Change in %	2004	Q1 05 EUR
<b>Profit and loss account:</b>					
Net sales <sup>1)</sup>	3,931	3,711	-6%	16,345	499
Goodwill depreciation <sup>**)</sup>	16	0	-100%	60	0
Operating income before other operating income and expenses	124	73	-41%	898	10
EBITDA	318	259	-19%	1,737	35
Operating profit (EBIT)	127	79	-38%	1,063	11
Income from joint vent./associates	34	27	-21%	94	4
Financial income/expenses	16	26	63%	-149	3
Profit before Tax (EBT)	177	132	-25%	1,008	18
Net Profit	132	102	-23%	756	14
<sup>1)</sup> Total growth in net sales:	7%	-6%		6%	
Real growth in %	10%	1%		9%	
Exchange rates in %	-3%	-1%		-2%	
Acquired/sold activities net in %	0%	-6%		1%	
<b>Balance Sheet:</b>					
Assets	13,119	13,570		13,238	1,822
Net investments (excl. goodwill)	166	168	1%	1,125	23
Net investments in goodwill	6	7	17%	82	1
Total shareholders' equity	7,325	7,924		7,766	1,064
Interest-bearing debt	1,468	1,334	-9%	1,125	179
Net interest-bearing debt	784	752	-4%	167	101
<b>Cash flow statement:</b>					
Cash flows from operating activities	-202	-326		1,200	-44
Cash flows from investing activities	-205	-259		-919	-35
Free cash flow	-407	-585		281	-79
Cash flows from financing activities	-298	209		-712	28
Cash and cash equivalents (end of period)	684	582		958	78
<b>Key figures:</b>					
Number of employees (end of period)	17,899	17,967	0%	17,543	
RONA <sup>1)</sup>	1.9%	1.1%		15.4%	
EBIT margin	3.2%	2.1%		6.5%	
EBITDA margin	8.1%	7.0%		10.6%	
Net investment percentage	4.4%	4.7%		7.4%	
Return on sales	4.5%	3.5%		6.2%	
Return on equity	1.8%	1.3%		10.2%	
Equity ratio	55.8%	58.3%		58.8%	

<sup>1)</sup> RONA (Return On Net Assets)

Result of operating profit as percentage of average net assets. Net assets are total assets deducted investments in associates and joint ventures, cash and cash equivalents, total provisions and non-interest bearing debt.

<sup>\*\*)</sup> As of and including 2005, goodwill is no longer amortised over the Profit and Loss Account, but is only subject to impairment. Comparison figures of previous years (2004) are not adjusted according to this change of accounting policies, cf. IFRS/IAS.

## Profit & Loss Account

Million DKK (unless otherwise stated) All quarterly figures are unaudited.	Q1 04	Q1 05	Change in %	2004	Q1 05 EUR
Net sales	3,931	3,711	-6%	16,345	499
Sale of services etc.	92	101	10%	398	14
Cost of sales	-2,884	-2,748	-5%	-11,663	-370
<b>Gross profit</b>	<b>1,139</b>	<b>1,064</b>	<b>-7%</b>	<b>5,080</b>	<b>143</b>
	29.0%	28.7%		31.1%	28.7%
Distribution expenses	-843	-810	-4%	-3,492	-109
Administrative expenses	-172	-181	5%	-690	-24
<b>Operating profit excl. other income and expenses</b>	<b>124</b>	<b>73</b>	<b>-41%</b>	<b>898</b>	<b>10</b>
	3.2%	2.0%		5.6%	2.0%
Other operating income and expenses	3	6	100%	165	1
<b>Operating profit (EBIT)</b>	<b>127</b>	<b>79</b>	<b>-38%</b>	<b>1,083</b>	<b>11</b>
	3.2%	2.1%		6.6%	2.1%
Income from joint ventures and associates	34	27	-21%	94	4
Financial income/expenses	16	26	63%	-149	3
<b>Profit before tax</b>	<b>177</b>	<b>132</b>	<b>-25%</b>	<b>1,008</b>	<b>18</b>
Corporate tax expenses	-45	-30	-33%	-252	-4
<b>Profit after tax</b>	<b>132</b>	<b>102</b>	<b>-23%</b>	<b>756</b>	<b>14</b>

## Balance sheet

Million DKK. All quarterly figures are unaudited.	Q1 04	Q1 05	2004	Q1 05 EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	1,026	1,124	1,090	151
Fixed assets	3,572	4,015	4,020	539
Non-current financial assets	1,448	1,536	1,523	206
<b>Total non-current assets</b>	<b>6,046</b>	<b>6,675</b>	<b>6,633</b>	<b>896</b>
<b>Current assets</b>				
Inventories	2,506	2,684	2,411	360
Accounts receivable	3,883	3,629	3,236	488
Cash and cash equivalents	684	582	958	78
<b>Total current assets</b>	<b>7,073</b>	<b>6,895</b>	<b>6,605</b>	<b>926</b>
<b>Total assets</b>	<b>13,119</b>	<b>13,570</b>	<b>13,238</b>	<b>1,822</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Total shareholders' equity</b>	<b>7,325</b>	<b>7,924</b>	<b>7,766</b>	<b>1,064</b>
<b>Total provisions</b>	<b>1,503</b>	<b>1,629</b>	<b>1,738</b>	<b>219</b>
<b>Debt</b>				
Non-current debt	807	594	506	80
Current debt	3,484	3,423	3,228	459
<b>Total debt</b>	<b>4,291</b>	<b>4,017</b>	<b>3,734</b>	<b>539</b>
<b>Total liabilities and shareholders' equity</b>	<b>13,119</b>	<b>13,570</b>	<b>13,238</b>	<b>1,822</b>

## Statement of cash flows

Million DKK. All quarterly figures are unaudited.	Q1 04	Q1 05	2004	Q1 05 EUR
Operating profit	127	79	1,063	11
Adjustments for non-cash transactions	173	180	640	25
Changes in working capital	-468	-559	-107	-59
<b>Cash flows generated from operations before interest</b>	<b>-168</b>	<b>-300</b>	<b>1,596</b>	<b>-23</b>
Net financial items	16	26	-107	-14
<b>Cash flows from operations before tax</b>	<b>-152</b>	<b>-274</b>	<b>1,489</b>	<b>-37</b>
Paid tax	-50	-52	-289	-7
<b>Cash flows from operating activities</b>	<b>-202</b>	<b>-326</b>	<b>1,200</b>	<b>-44</b>
Acquisition of intangible assets	-13	-39	-175	-5
Acquisition of land and buildings, machinery and equipment	-156	-131	-1,308	-17
Proceeds from sale of land and buildings, machinery and equipment	7	12	194	0
Acquisition of subsidiaries etc.	-104	-98	-213	-13
Proceeds from disposal of subsidiaries etc.	36		568	
Acquisition (-) and sale of other investments	19	-3	-17	
Dividends received	6		32	
<b>Cash flows from investing activities</b>	<b>-205</b>	<b>-259</b>	<b>-919</b>	<b>-35</b>
<b>Free cash flows</b>	<b>-407</b>	<b>-585</b>	<b>281</b>	<b>-79</b>
<b>Financing by non-shareholders:</b>				
Financing by non Repayment of (-)/proceeds from interest bearing debt	-298	209	-650	28
<b>Financing by shareholders:</b>				
Issuing of shares			64	
Repurchase/sale of own share				
Dividends paid			-126	
<b>Cash flows from financing activities</b>	<b>-298</b>	<b>209</b>	<b>-712</b>	<b>28</b>
<b>Cash flows from operating, investing and financing activities</b>	<b>-705</b>	<b>-376</b>	<b>-431</b>	<b>-51</b>
Cash and cash equivalents (beginning of period)	1,389	958	1,389	129
<b>Cash and cash equivalents (end of period)</b>	<b>684</b>	<b>582</b>	<b>958</b>	<b>78</b>

## Equity specification

Million DKK.

All quarterly figures are unaudited.

	Share capital <sup>1)</sup>	Share premium	Reserve according to the equity method	Proposed dividend	Hedge accounting reserve	Currency translation adjustments	Reserve own shares	Minority interests	Other reserves	Total
<b>Balance at 1 January 2004</b>	<b>1,012</b>	<b>26</b>	<b>36</b>	<b>127</b>	<b>69</b>	<b>-351</b>	<b>-12</b>	<b>0</b>	<b>6,360</b>	<b>7,267</b>
Changes in accounting practices								<b>28</b>	<b>-164</b>	<b>-136</b>
<b>Balance at 1 January 2004</b>	<b>1,012</b>	<b>26</b>	<b>36</b>	<b>127</b>	<b>69</b>	<b>-351</b>	<b>-12</b>	<b>28</b>	<b>6,196</b>	<b>7,131</b>
Net profit			95	152				15	494	756
Dividends to shareholders				-126						-126
Dividends received			-31						31	0
Shares issued/sold	11	53						-31		33
Other adjustments			2	-1	-15				15	1
Currency translation adjustments			-1			-29		1		-29
<b>Balance at 31 December 2004</b>	<b>1,023</b>	<b>79</b>	<b>101</b>	<b>152</b>	<b>54</b>	<b>-380</b>	<b>-12</b>	<b>13</b>	<b>6,736</b>	<b>7,766</b>
Net profit			27					1	74	102
Shares issued/sold								-2		-2
Other adjustments		-79			8				84	13
Currency translation adjustments			-3			48				45
<b>Balance at 31 March 2005</b>	<b>1,023</b>	<b>0</b>	<b>125</b>	<b>152</b>	<b>62</b>	<b>-332</b>	<b>-12</b>	<b>12</b>	<b>6,894</b>	<b>7,924</b>

<sup>1)</sup> Distribution of shares:

A shares: DKK 425 mill

B shares: DKK 597 mill

## Geographical segments

Million DKK.

All quarterly figures are unaudited.

Group	EU	Other Europe	Asia	North America	Africa	Pacific	Latin America	Middle East	Total
Net sales Q1 04	2,567	369	385	284	98	88	86	52	3,931
Net sales Q1 05	2,318	354	342	300	120	78	119	80	3,711

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](mailto:danfoss@danfoss.com)

Further information is available on the Danfoss website:

[www.danfoss.com](http://www.danfoss.com)

## Date of publication:

This press release was published on May 17, 2005, in Danish, German and English. In the case of misinterpretation in the English or German translation, the original Danish version takes precedence.

## 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:	Q1 2004 Closing rates	Q1 2005 Closing rates	2004 Closing rates	Q1 2004 Average rates	Q1 2005 Average rates	2004 Average rates
EUR	7.44	7.45	7.44	7.43	7.44	7.44
GBP	11.18	10.82	10.49	11.11	10.73	10.97
USD	6.09	5.75	5.47	6.93	5.68	5.99

## Accounting principles:

Since 2002, Danfoss has prepared the accounts according to the International Financial Reporting Standard (IFRS). They were used for this quarterly report as well as for the 2004 Annual Report. For a detailed description of these, please refer to the Danfoss A/S Annual Report 2004.

Changes have been made in some areas, compared to the accounting principles for 2004. These areas are described in detail under "Significant Accounting Policies" in the 2004 Annual Report. In addition to these changes, the tax relating to profit shares of joint ventures/associates has been reclassified. Profit shares of joint ventures/associates will therefore in future include shares of profit after tax instead of profit before tax. The reclassification does therefore not have any impact on the Group's net profit.

Comparison figures for 2004 have been adjusted in accordance with the above-mentioned changes, except where goodwill amortisation have lapsed and are consequently not to be adjusted in the comparison figures, cf. IFRS/IAS. The goodwill amortisation, which are included in the comparison figures (2004), are stated separately under the section "Financial Highlights".

## Financial calendar:

Financial reports in 2005 will be published on the following dates:

September 5, 2005  
November 14, 2005

Interim report 2005  
Third quarterly report 2005