

Press release

# Danfoss A/S

## Third quarterly report

### 2007

Danfoss is one of Denmark's largest industrial companies. The global Group is a leader within 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 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 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.

"In the third quarter, we continued to experience a great demand for our products, which resulted in satisfactory growth rates. High raw material prices and non-recurrent costs in connection with the relocation of production sites meant that the profit – as a percentage – did not keep up with the increasing net sales. These factors mean that we expect the 2007 profit will be at the lower end of our expectations."

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

### Highlights from the first three quarters of 2007:

- **Net sales** increased by 18% to 16.6 billion DKK from 14.1 billion DKK in the same period last year. Growth was 14%, when converted at last year's level of exchange rates and adjusted for acquisitions and divestments, compared to 12% in the same period the year before.
- **Operating profit excl. other income and expenses** increased by 15% to 1,273 million DKK from 1,103 million DKK, while the **operating profit (EBIT)** increased to 1,235 million DKK from 1,221 million DKK in the third quarter of 2006.
- **Profit before tax** was 1,142 million DKK, which is level with the same period last year. The result has been negatively affected by financial items.
- **The number of employees** increased to 21,826 from 20,628 at the same time in 2006.

### Expectations for 2007:

- Danfoss retains its expectations for net sales, as announced in connection with the publication of the 2006 accounts. The continuing high price of raw materials, together with restructuring costs, mean, however, that expectations for the profit are at the low end of the range.
- Consequently, net sales are expected to be at the high end of the range 21-22 billion DKK. Compared to 2006, this will equal growth of between 8% and 13%.
- The operating profit (EBIT) is still expected to be between 1.6 and 1.8 billion DKK, of which acquired companies are expected to contribute with 50 million DKK. The year's result is expected to be at the low end of the range. The full impact of the results of the companies acquired in 2006 is not expected to show until the 2008 profits. The EBIT margin is expected to be between 7.5% and 8%.
- Any impact of future acquisitions and divestments has not been included in the expectations.

Nordborg, November 12, 2007

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Further information about Danfoss is available on the Danfoss website: [www.danfoss.com](http://www.danfoss.com)

## Financial highlights

Million DKK (unless otherwise stated) All quarterly figures are unaudited.	Q3 2006	Q3 2007	Change in %	Q3 2006 YTD	Q3 2007 YTD	Change in %	2006	Q3 2006 EUR YTD	Q3 2007 EUR YTD
<b>Profit and Loss Accounts</b>									
Net sales	4,960	5,765	16%	14,056	16,647	18%	19,428	1,884	2,235
EBITDA	785	759	-3%	1,879	1,936	3%	2,425	252	260
<i>EBITDA Margin</i>	15.8%	13.2%		13.4%	11.6%		12.5%	13.4%	11.6%
Operating profit excl. other income and expenses	519	570	10%	1,103	1,273	15%	1,411	148	171
Operating profit (EBIT)	550	523	-5%	1,221	1,235	1%	1,601	164	166
<i>EBIT Margin</i>	11.1%	9.1%		8.7%	7.4%		8.2%	8.7%	7.4%
Profit before tax	509	384	-25%	1,140	1,142	0%	1,402	153	153
<i>Return on Sales</i>	10.3%	6.7%		8.1%	6.9%		7.2%	8.1%	6.9%
<b>Key figures<sup>1)</sup>:</b>									
Free cash flow				-1,626	-849		-1,699	-218	-114
Net interest bearing debt				2,857	3,940	38%	2,866	383	529
RONA <sup>2)</sup>	5.4%	4.3%		12.8%	10.7%		16.8%	12.8%	10.7%

<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 deducting investments in associates and joint ventures, cash and cash equivalents, total provisions and interest bearing debt.

## The profit is under pressure on several fronts

The Danfoss Group's **net sales for the third quarter** increased by 16% to 5.8 billion DKK from 4.9 billion DKK the year before. Growth was 12%, when converted at last year's level of exchange rates and adjusted for acquisitions and divestments, compared to 14% in the same period last year. **The operating profit excl. other income and expenses** increased to 570 million DKK from 519 million DKK, whereas the **operating profit (EBIT)** was 523 million DKK.

During the first nine months of 2007, **net sales** increased by 18% to 16.6 billion DKK against 14.1 billion DKK in the year before. Growth was 14%, when converted at last year's level of exchange rates and adjusted for acquisitions and divestments, compared to 12% in the same period the year before.

The positive sales development of the first half-year continued during the quarter in most of the Group's markets. However, the growth rates have been slightly modified. The markets in North and Latin America showed decent growth rates. The European main market continues to grow, even though the German market only showed moderate growth rates. However, both the Russian and the Chinese markets continued to have decent double-digit growth rates. All three divisions contributed to the growth of net sales during the quarter.

In spite of progress in most of the Group's markets, several show signs of a slowdown and uncertainty, primarily following the financial turbulence on the American market. The uncertainty particularly applies to the construction industry where a wide range of the Group's products are used.

The price of raw materials continued at a high level throughout the quarter and it is anticipated that prices will remain high in the fourth quarter and be characterised by major fluctuations. In order to counter part of the

trend, the Group has increased the prices on a number of products. Also, more price increases could be introduced if raw material prices continue to rise.

The continuing fierce price competition has meant that it has been decided to relocate the production of refrigerator thermostats from Italy to the Group's plant in Slovakia. Consolidating production in Slovakia is part of the Group's strategy to concentrate production in fewer locations, with a view to obtaining larger synergies and remaining competitive. This has resulted in non-recurrent costs and allocations in order to meet future obligations.

The continuing high price of raw materials, the decline on several markets, the non-recurrent costs in the form of allocations in connection with faulty products, as well as the costs incurred by the restructuring of Group activities, have all had a negative impact on the profit. In light of the development of the third quarter and the prospects for the fourth quarter, the Group expects the 2007 profit to be within the range that has been announced – but at the lower end. Several activities have been started to improve earnings, including an increased focus on the projects under the Danfoss Business System.

**Operating profit excl. other income and expenses** increased by 15% to 1,273 million DKK from 1,103 million DKK. **The operating profit (EBIT)** was 1,235 million DKK against 1,221 million DKK the year before, equalling growth of 1%. The result should be assessed in light of the fact that the 2006 EBIT was positively affected by the profit obtained in connection with the demerger of the bio-tech activities to Danfoss Bionics A/S.

**Income from joint ventures and associates** amounted to 228 million DKK, against 98 million DKK in the same period the year before. This item also includes, among other things, 187 million DKK which is part of the profit from the sale of Damcos A/S, as well as a share of the operating profit from Sauer-Danfoss Inc. which was 78 million DKK compared with 133 million DKK the year before.

**Financial net items** showed a deficit of 321 million DKK compared to a deficit of 179 million DKK the year before. This development was primarily due to an increase in net interest expenses following increased loans, an increased level of interest and an exchange loss. The exchange loss is primarily attributable to a decrease in the value of the USD. In addition, 94 million DKK have been spent on the Group's share remuneration schemes, compared to 82 million DKK in 2006.

Net interest-bearing debt amounted to 3,940 million DKK at the end of the third quarter, as opposed to 2,857 million DKK at the same time in 2006. This increase in debt can primarily be attributed to loans in connection with the financing of acquisitions during 2006 and increased funds tied up in the working capital.

**The profit before tax** was 1,142 million DKK, which is level with that of the year before, while the **result for the period after tax** was 869 million DKK compared with 849 million DKK in the year before.

**The shareholders' equity** was 9,633 million DKK, equalling an equity ratio of 47.2% compared to 48.6% at the end of 2006.

**The free cash flow**, which is a combination of cash flows from operating activities of 61 million DKK and cash flows from investing activities of – 910 million DKK, was – 849 million DKK, which is 777 million DKK more than in 2006. The high level of activity resulted in increased funds tied up in the working capital which was, however, balanced by less acquisition activity, compared to the same period last year.

**The research and development costs** were 598 million DKK, compared to 520 million DKK the year before. This equals an increase of 15%, which corresponds to approx. 3.6% of net sales.

## Changes in employee numbers

At the end of the third quarter of 2007, the Danfoss Group employed 21,826 people; an increase of 1,198 people compared to the third quarter of 2006.

There were 16,452 employees in Europe (15,451); 2,498 in North America, including Mexico (2,601); 2,574 in Asia-Pacific, including China (2,083); and 302 in other regions (493). In Denmark, 6,504 people were employed at the end of the period, compared to 6,155 the year before.

## Expectations for 2007

Danfoss retains its expectations for net sales for the entire year. Moderate growth is expected in the fourth quarter. The effect of the continuing high prices for raw materials, together with restructuring costs, means that the profit for the entire year is expected to be at the low end of the range.

The Danfoss Group expects the following in 2007:

- Net sales are expected to be at the high end of the range 21-22 billion DKK. This equals growth of between 8% and 13% compared to 2006. Companies acquired in 2006 are expected to contribute to net sales by approximately 1.5 billion DKK in 2007.
- The operating profit (EBIT) is expected to be between 1.6 and 1.8 billion DKK, which means that it is expected to be at the low end of the range. The acquired companies are expected to make up around 50 million DKK of this amount. The full impact of the results of the companies acquired in 2006 is not expected to show until the 2008 profits.
- The EBIT margin is expected to be between 7.5% and 8%.
- Any impact of future acquisitions and divestments has not been included in the expectations.

### **Prerequisites and risks:**

Growth in the fourth quarter is expected to be generated primarily from the markets in Asia and, not least, the Chinese market. Also the markets in North and Latin America and Central and Eastern Europe, including Germany and Russia in particular, are expected to continue to grow in the quarter.

A large part of Danfoss' sales outside Europe are settled in dollars. A negative development on the dollar exchange rate will therefore mean a lower growth in net sales, when converted to Danish Kroner.

The price of raw materials in the fourth quarter is expected to be subject to major fluctuations, but the general expectation is that prices will remain high. Danfoss will hedge selected raw materials and thereby try to even out some of the major fluctuations in raw material prices.

## Danfoss' core business areas

“The decline in the American construction industry seems to be slowly spreading to other areas, and this could have a negative impact on the finances of the **Danfoss Refrigeration & Air Conditioning Division**. On the other hand, I am pleased to note that development on the Chinese market is progressing well and that the companies acquired in 2006 are contributing positively to the growth.”

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

**Danfoss Refrigeration & Air Conditioning Division** experienced a positive development in both net sales and profit. Net sales rose by 20% to 8,656 million DKK from 7,238 million DKK. Calculated at last year's level of exchange rates and adjusted for acquisitions and divestments, the growth was 13%, which was as the same level as the year before.

<b>Danfoss Refrigeration &amp; Air Conditioning Division</b>								
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q3 2006	Q3 2007	Change in %	Q3 2006 YTD	Q3 2007 YTD	Change in %	2006	Q3 2007 EUR YTD
Net sales	2,462	2,818	14%	7,238	8,656	20%	9,782	1,162
Operating profit (EBIT)	274	235	-14%	674	731	8%	761	98
EBIT Margin	11.1%	8.3%		9.3%	8.4%		7.8%	8.4%
Net assets				5,894	5,880	0%	5,636	785
Capital expenditure	1,320	34	-97%	1,542	280	-82%	2,214	38
Number of employees				10,955	11,136	2%	10,787	

The decline in the American housing market affected the Division's sales in North America and, therefore, net sales did not entirely live up to expectations. The European market continued to show decent growth rates which were not, however, quite at the same level as earlier in the year. The markets in Latin America and China, on the other hand, showed decent growth rates.

Operating profit (EBIT) was 731 million DKK compared with 674 million DKK in the previous year. This equals an increase of 8%. The continuing high price of raw materials and non-recurring costs incurred in connection with the restructuring activities had a negative effect on the profit in the third quarter.

“The continuing high - and increasing - price of raw materials put pressure on the **Danfoss Heating Division** and, as a result, it has been necessary to increase prices.”

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

**Danfoss Heating Division** experienced an increase in net sales in the first nine months of the year. Net sales rose by 14% to 4,473 million DKK from 3,918 million DKK. Calculated at last year’s level of exchange rates and adjusted for acquisitions and divestments, growth amounted to 12%, which was as the same level as the year before.

<b>Danfoss Heating Division</b>								
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q3 2006	Q3 2007	Change in %	Q3 2006 YTD	Q3 2007 YTD	Change in %	2006	Q3 2007 EUR YTD
Net sales	1,490	1,701	14%	3,918	4,473	14%	5,664	601
Operating profit (EBIT)	264	238	-10%	485	407	-16%	726	55
EBIT Margin	17.7%	14.0%		12.4%	9.1%		12.8%	9.1%
Net assets				3,815	4,582	20%	3,683	615
Capital expenditure	244	263	8%	650	446	-31%	810	60
Number of employees				5,058	5,443	8%	5,088	

In the quarter, the positive development in the European and Russian markets continued, whereas net sales in several of the West European markets did not meet expectations. The slowdown in the German building sector meant that the market did not live up to expectations.

The operating profit (EBIT) fell by 16% to 407 million DKK from 485 million DKK. The result has been negatively influenced by the high price of raw materials and a change in the country and product mix.

“The continuing lack of vital components in the **Danfoss Motion Controls Division** has had an unfavourable effect on the profit and there are no immediate signs that this will change in the near future. Several activities to improve the profit have been implemented – including in relation to the Danfoss Business System.”

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

**Danfoss Motion Controls Division** achieved an increase in net sales during the first nine months of the year. Net sales rose by 16% to 3,230 million DKK from 2,775 million DKK. When calculated at last year’s exchange rates and adjusted for acquisitions and divestments, the growth in net sales was 18%, compared to 12% the year before.

<i>Danfoss Motion Controls Division</i>								
Million DKK (unless otherwise stated). All quarterly figures are unaudited.	Q3 2006	Q3 2007	Change in %	Q3 2006 YTD	Q3 2007 YTD	Change in %	2006	Q3 2007 EUR YTD
Net sales	960	1.154	20%	2,775	3,230	16%	3,759	434
Operating profit (EBIT)	109	124	14%	254	229	-10%	342	31
EBIT Margin	11.4%	10.7%		9.1%	7.1%		9.1%	7.1%
Net assets				981	1,287	31%	1,002	173
Capital expenditure	32	98	206%	101	293	190%	180	39
Number of employees				3,348	3,781	13%	3,387	

Generally, most markets have had positive growth rates. The high energy prices continue to drive the growth in all regions.

The operating profit (EBIT) fell by 10% to 229 million DKK from 254 million DKK the year before. The operating profit during the third quarter was negatively affected by a change in the product mix and increasing component prices and the newly acquired company Danfoss Solar Inverters.

**Sauer-Danfoss Inc.** is listed on the stock exchange in New York, USA.

The company is recorded in the accounts as a joint venture of Danfoss A/S, and the Group owns 38.2 % of the shares in Sauer-Danfoss Inc.

<i>Sauer-Danfoss Inc</i>				
Million USD (unless otherwise stated).	Q3 2006 YTD	Q3 2007 YTD	Change in %	2006
Net sales	1,336	1,478	11%	1,739
Profit after tax	56	39	-30%	54

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

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

## Financial Highlights

Mill. DKK (unless otherwise stated). All quarterly figures are unaudited.	Q3 2006	Q3 2007	Change in %	Q3 2006 YTD	Q3 2007 YTD	Change in %	2006	Q3 2007 EUR YTD
<b>Profit and loss account:</b>								
Net sales <sup>1)</sup>	4,960	5,765	16%	14,056	16,647	18%	19,428	2,235
EBITDA	785	759	-3%	1,879	1,936	3%	2,425	260
Operating profit excl. other income and expenses	519	570	10%	1,103	1,273	15%	1,411	171
Operating profit (EBIT)	550	523	-5%	1,221	1,235	1%	1,601	166
Income from associates and joint ventures	6	8	33%	98	228	133%	91	31
Financial income/expenses	-47	-147	213%	-179	-321	79%	-290	-44
Profit before Tax (EBT)	509	384	-25%	1,140	1,142	0%	1,402	153
Net Profit	357	268	-25%	849	869	2%	1,038	117
<sup>1)</sup> Total growth in net sales:	16%	16%		16%	18%		18%	
Real growth in %	14%	12%		12%	14%		14%	
Exchange rates in %	0%	-2%		1%	-2%		0%	
Acquired/sold activities net in %	2%	6%		3%	6%		4%	
<b>Balance Sheet:</b>								
Total non-current assets				9,254	10,647		10,132	1,428
Assets				17,863	20,366		18,534	2,732
Total shareholders' equity				8,887	9,633		9,035	1,292
Net interest-bearing debt				2,857	3,940	38%	2,866	529
Net assets				10,743	12,349	15%	10,730	1,657
Capital expenditure	1,605	425	-74%	2,345	1,075	-54%	3,401	144
<b>Cash flow statement:</b>								
Cash flows from operating activities				689	61		1,321	8
Cash flows from investing activities				-2,316	-910		-3,020	-122
hereof net investments of assets				-494	-852		-1,000	-115
hereof net investments in companies				-1,663	-191		-1,995	-25
Free cash flow				-1,626	-849		-1,699	-114
Cash flows from financing activities				1,566	850		1,877	114
<b>Key figures:</b>								
Number of employees (end of period)				20,628	21,826	6%	20,612	
EBIT margin	11.1%	9.1%	-2.0	8.7%	7.4%		8.2%	
EBITDA margin	15.8%	13.2%	-2.6	13.4%	11.6%		12.5%	
RONA <sup>1)</sup>	5.4%	4.3%	-1.1	12.8%	10.7%		16.8%	
Return on equity				9.8%	9.3%		11.9%	
Equity ratio				49.6%	47.2%		48.6%	
Leverage ratio				32.2%	41.0%		31.8%	

<sup>1)</sup> 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.

## Profit & Loss Account

Mill. DKK (unless otherwise stated) All quarterly figures are unaudited.	Q3 2006	Q3 2007	Change in %	Q3 2006 YTD	Q3 2007 YTD	Change in %	2006	Q3 2007 EUR YTD
Net sales	4,960	5,765	16%	14,056	16,647	18%	19,428	2,235
Net sales Danfoss Services etc.	107	126	18%	338	393	16%	474	53
Cost of sales	-3,499	-4,121	18%	-10,081	-12,111	20%	-14,053	-1,626
<b>Gross profit</b>	<b>1,568</b>	<b>1,770</b>	<b>13%</b>	<b>4,313</b>	<b>4,929</b>	<b>14%</b>	<b>5,849</b>	<b>662</b>
	31.6%	30.7%		30.7%	29.6%		30.1%	29.6%
Distribution expenses	-896	-1,031	15%	-2,704	-3,115	15%	-3,756	-418
Administrative expenses	-153	-169	10%	-506	-541	7%	-682	-73
<b>Operating profit excl. other income and expenses</b>	<b>519</b>	<b>570</b>	<b>10%</b>	<b>1,103</b>	<b>1,273</b>	<b>15%</b>	<b>1,411</b>	<b>171</b>
	10.5%	9.9%		7.8%	7.6%		7.3%	7.6%
Other operating income and expenses	31	-47	-252%	118	-38	-132%	190	-5
<b>Operating profit (EBIT)</b>	<b>550</b>	<b>523</b>	<b>-5%</b>	<b>1,221</b>	<b>1,235</b>	<b>1%</b>	<b>1,601</b>	<b>166</b>
	11.1%	9.1%		8.7%	7.4%		8.2%	7.4%
Income from associates and joint ventures	6	8	33%	98	228	133%	91	31
Financial income/expenses	-47	-147	213%	-179	-321	79%	-290	-44
<b>Profit before tax</b>	<b>509</b>	<b>384</b>	<b>-25%</b>	<b>1,140</b>	<b>1,142</b>	<b>0%</b>	<b>1,402</b>	<b>153</b>
Corporate tax expenses	-152	-116	-24%	-291	-273	-6%	-364	-36
<b>Net profit</b>	<b>357</b>	<b>268</b>	<b>-25%</b>	<b>849</b>	<b>869</b>	<b>2%</b>	<b>1,038</b>	<b>117</b>

## Balance sheet

Mill. DKK.	Q3 2006	Q3 2007	2006	Q3 2007 EUR
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible fixed assets	3,203	4,049	3,874	543
Tangible fixed assets	4,466	4,749	4,612	637
Non-current financial assets	1,585	1,849	1,646	248
<b>Total non-current assets</b>	<b>9,254</b>	<b>10,647</b>	<b>10,132</b>	<b>1,428</b>
<b>Current assets</b>				
Inventories	2,919	3,559	2,799	477
Accounts receivable	5,035	5,285	4,717	710
Cash and cash equivalents	655	875	886	117
<b>Total current assets</b>	<b>8,609</b>	<b>9,719</b>	<b>8,402</b>	<b>1,304</b>
<b>Total assets</b>	<b>17,863</b>	<b>20,366</b>	<b>18,534</b>	<b>2,732</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Total shareholders' equity</b>	<b>8,887</b>	<b>9,633</b>	<b>9,035</b>	<b>1,292</b>
<b>Non-current liabilities</b>	<b>2,594</b>	<b>3,899</b>	<b>3,732</b>	<b>523</b>
<b>Current liabilities</b>	<b>6,382</b>	<b>6,834</b>	<b>5,767</b>	<b>917</b>
<b>Total liabilities</b>	<b>8,976</b>	<b>10,733</b>	<b>9,499</b>	<b>1,440</b>
<b>Total liabilities and shareholders' equity</b>	<b>17,863</b>	<b>20,366</b>	<b>18,534</b>	<b>2,732</b>

## Statement of cash flows

Mill. DKK.	Q3 2006 YTD	Q3 2007 YTD	2006	Q3 2007 EUR YTD
Operating profit (EBIT)	1,221	1,235	1,601	166
Adjustments for non-cash transactions	457	540	614	72
Changes in working capital	-766	-1,201	-399	-161
<b>Cash flows generated from operations before interest</b>	<b>912</b>	<b>574</b>	<b>1,816</b>	<b>77</b>
Financial income	15	34	24	5
Financial expenses	-79	-308	-186	-41
Dividends received	44	41	59	5
<b>Cash flows from operations before tax</b>	<b>892</b>	<b>341</b>	<b>1,713</b>	<b>46</b>
Paid tax	-203	-280	-392	-38
<b>Cash flows from operating activities</b>	<b>689</b>	<b>61</b>	<b>1,321</b>	<b>8</b>
Acquisition of intangible fixed assets	-85	-132	-121	-18
Acquisition of tangible fixed assets	-568	-737	-1,000	-99
Proceeds from sale of tangible fixed assets	159	17	206	2
Acquisition of subsidiaries etc.	-1,663	-187	-1,995	-25
Proceeds from disposal of subsidiaries etc.	0	-4	59	0
Acquisition (-) and sale of other investments etc.	-159	133	-169	18
<b>Cash flows from investing activities</b>	<b>-2,316</b>	<b>-910</b>	<b>-3,020</b>	<b>-122</b>
<b>Free cash flow</b>	<b>-1,626</b>	<b>-849</b>	<b>-1,699</b>	<b>-114</b>
Financing by non-shareholders:				
Financing by Repayment of (-)/proceeds from interest bearing debt	1,950	1,062	2,258	142
Financing by shareholders:				
Issuing of shares	0	0	10	0
Repurchase/sale of own shares	0	27	-7	4
Addition/disposal of minority interest	0	-32	0	-4
Dividends paid	-384	-207	-384	-28
<b>Cash flows from financing activities</b>	<b>1,566</b>	<b>850</b>	<b>1,877</b>	<b>114</b>
<b>Net change in cash and cash equivalents</b>	<b>-60</b>	<b>1</b>	<b>178</b>	<b>0</b>
Cash and cash equivalents (beginning of period)	736	886	736	119
Foreign exchange adjustment of cash and cash equivalents	-21	-12	-28	-2
<b>Cash and cash equivalents (end of period)</b>	<b>655</b>	<b>875</b>	<b>886</b>	<b>117</b>

## Equity specification

Mill. DKK.

	Share capital	Hedging reserve	Translation reserve	Reserve own shares	Other reserves	Reserves	Proposed dividend	Danfoss A/S' share of equity	Minority interest	Total equity
Balance at 1 January 2006	1,023	125	-152	-12	7,301	7,262	184	8,469	16	8,485
Total recognised income and expense		51	-105		855	801	204	1,005	5	1,010
Dividends to shareholders	1				-340	-340	-184	-524	-3	-527
Shares issued/capital reduction				-7	10	3		4	10	14
Share based payments					53	53		53		53
Balance at 31 December 2006	1,024	176	-257	-19	7,879	7,779	204	9,007	28	9,035
Total recognised income and expense		-51	-11		842	780		780	3	783
Dividends to shareholders						0	-204	-204	-2	-206
Shares issued/capital reduction	-1			-26		-26		-26	-7	-33
Share based payment					54	54		54		54
Balance at 30 September 2007	1,023	125	-268	-45	8,775	8,587	0	9,611	22	9,633

<sup>1)</sup> Distribution of shares:  
A-shares: DKK 425 mill.  
B-shares: DKK 598.5 mill.

## Geographical segments

Mill. DKK.

Group	EU	Rest of Europe	Asia	North America	Africa	Pacific	Latin America	Middle East	Total
Net sales Q3 2006 YTD	8,516	1,495	1,474	1,270	367	244	453	237	14,056
Net sales Q3 2007 YTD	9,428	1,788	1,945	2,051	256	261	550	368	16,647

Net sales are based on customer location.

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## Currencies used:

The accounts were prepared in Danish Kroner. The Profit and Loss Account figures were translated into Danish Kroner at the average rate of the reporting period. The Balance Sheet figures were translated at the closing rate of the reporting period.

Currency:	Q3 2006 Closing rates	Q3 2007 Closing rates	2006 Closing rates	Q3 2006 Average rates	Q3 2007 Average rates	2006 Average rates
EUR	7.46	7.45	7.46	7.46	7.45	7.46
GBP	11.00	10.70	11.10	10.90	11.01	10.94
USD	5.89	5.26	5.66	6.00	5.54	5.95

## Accounting principles:

Since 2002, Danfoss has prepared the accounts according to IFRS (International Financial Reporting Standards). These were used for this quarterly report as well as for the 2006 Annual Report. For a detailed description of these, please refer to the Danfoss A/S Annual Report 2006.