



Financial Highlights in EURO

Danfoss ready for
the future

2013

Danfoss at a glance

Danfoss is a world-leading supplier of technologies that meet the growing need for food supply, modern infrastructure, efficient energy utilization and climate-friendly solutions.

The Group is divided into two business segments: Danfoss Climate & Energy and Danfoss Power Solutions. Danfoss Climate & Energy's key expertise lies in food refrigeration, air conditioning systems, controls for electric motors, heating systems for buildings, and components for renewable energy, including solar and wind energy. Danfoss Power Solutions' key expertise is in hydraulic systems and components for powering mobile machinery used in agriculture, construction, materials handling, and specialty equipment.

Danfoss is a privately-owned company that has grown and improved its skills and expertise in energy-efficient solutions over the past 80 years. Danfoss sells its products in more than 100 countries and employs some 22,500 people worldwide.

Danfoss...

- Approximate headcount: 22,500
- Products sold in over 100 countries worldwide
- Top five markets: USA, Germany, China, Russia and Italy
- Has 59 factories in 18 countries and 58 sales companies in 46 countries
- Headquartered in Nordborg, Denmark

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STATEMENT OF CASH FLOW

Financial highlights

EURm

	2009	2010	2011	2012	2013
INCOME STATEMENT					
Net sales	3,245	4,236	4,550	4,569	4,509
Operating profit before depreciation, amortization, impairment and other operating income and expenses	245	699	715	733	744
Operating profit before depreciation, amortization and impairment (EBITDA)	182	678	795	773	710
Operating profit excl. other operating income and expenses	-5	457	490	501	519
Operating profit (EBIT)	-192	439	567	507	485
Share of profit from associates and joint ventures after tax	-5	2	2	0	1
Financial items, net	47	-45	-137	-57	-49
Profit before tax from continuing operations	-150	396	432	450	436
Profit from discontinued operations	-85	-111	-125	0	0
Net profit	-188	185	176	315	307
BALANCE SHEET					
Total non-current assets	2,592	2,509	2,344	2,284	2,152
Total assets	3,849	4,007	3,783	3,722	3,501
Total shareholders' equity	1,351	1,570	1,695	1,902	1,534
Net interest-bearing debt	1,229	895	623	361	552
Net assets	2,553	2,437	2,292	2,249	2,074
Capital expenditure	136	130	179	276	162
CASH FLOW STATEMENT					
Cash flow from operating activities	384	455	451	570	596
Cash flow from investing activities	-254	-100	-28	-177	-123
acquisition of intangible assets and property, plant and equipment	-120	-85	-164	-158	-134
acquisition of subsidiaries and activities	-120	-18	148	-26	0
Free cash flow	129	355	423	393	473
Free cash flow before M&A	256	375	279	405	471
Cash flow from financing activities	-98	-273	-340	-374	-486
NUMBER OF EMPLOYEES					
Number of employees	25,740	23,392	23,430	23,092	22,463
KEY FIGURES					
Organic net sales growth (%)	-12	25	10	-2	1
EBITDA margin excl. other operating income ect. (%)	7.6	16.5	15.7	16.0	16.5
EBITDA margin (%)	5.6	16.0	17.5	16.9	15.7
EBIT margin excl. other operating income etc. (%)	-0.2	10.8	10.8	11.0	11.5
EBIT margin (%)	-5.9	10.3	12.5	11.1	10.8
RONA (%)	-7.1	17.6	24.0	22.3	22.4
Return on equity (%)	-13.0	12.3	9.0	17.8	18.2
Equity ratio (%)	35.1	39.2	44.8	51.1	43.8
Leverage ratio (%)	92.5	62.2	36.8	19.0	36.0
Net interest bearing debt to EBITDA ratio	6.8	1.3	0.8	0.5	0.8
Dividend pay-out ratio (%)	0.0	7.5	25.0	17.1	35.0
Dividend ratio per share (%)	0.0	10.0	31.5	39.2	78.3

In situations where the key figures have been defined according to "Recommendations & Key Figures 2010", as prepared by the Danish Association of Financial Analysts, the ratios are computed according to these definitions.

2013 highlights

FINANCIAL PERFORMANCE

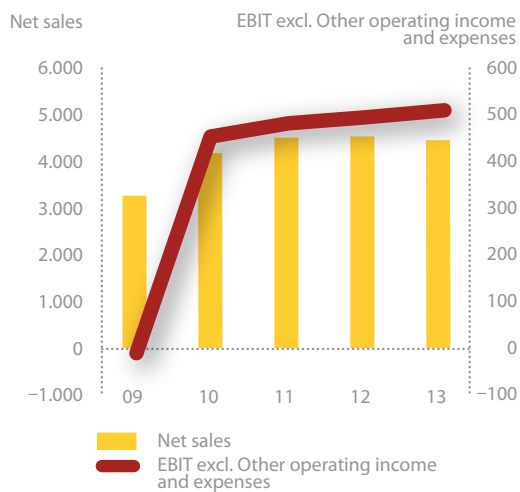
Danfoss maintained a high level of sales in 2013. Net sales amounted to EUR 4,509m, versus EUR 4,569m in 2012. Adjusted for changes in exchange rates, net sales were up by 2%.

The Group improved its earnings. Profit before other operating income and expenses grew by 4% to reach EUR 519m, up from EUR 501m in 2012.

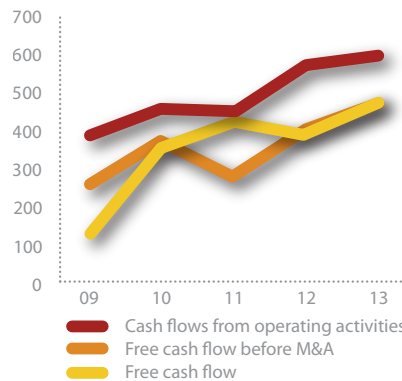
Danfoss continued to improve its financial versatility. Free cash flow was EUR 473m, against EUR 393m in 2012. At December 31, 2013, Danfoss had net interest-bearing debt of EUR 552m, equal to 0.8 × EBITDA for the last four quarters.

The return on equity was 18.2%, up from 17.8% in 2012. The equity ratio was 43.8%, against 51.1% in 2012.

EBIT excl. Other operating income and expenses bn. EUR



Cashflow, bn. EUR



OUTLOOK FOR 2014

Danfoss expects the moderate global economic growth and low visibility of 2013 to continue in 2014. Accordingly, weak to moderate growth is also expected on the Group's markets. The results are expected to be affected by exchange rate fluctuations, especially in the first half of 2014. Danfoss expects to retain profitability through continual operational improvements and the targeted strategic initiatives already launched.

Net sales for 2014 are thus expected to show moderate growth in local currency terms.

Operating profit for 2014 is expected to rise in line with net sales.

INCOME STATEMENT

1 January to 31 December

EURm

		Parent Company		Group	
	Note	2012	2013	2012	2013
Net sales	1	1,062	1,088	4,569	4,509
Cost of sales	2	-803	-792	-3,026	-2,919
Research and development costs	2	-36	-40	-170	-182
Gross profit		223	256	1,373	1,408
Selling and distribution costs	2	-93	-86	-675	-678
Administrative expenses	2	-57	-68	-197	-211
Operating profit excl. other operating income and expenses		73	102	501	519
Other operating income	2	3	6	58	17
Other operating expenses	2	-11	-11	-52	-51
Operating profit (EBIT)	1	65	97	507	485
Share of profit from associates and joint ventures after tax	3				1
Financial income	4	136	339	12	5
Financial expenses	5	-54	-39	-69	-54
Profit before tax		147	397	450	437
Tax on profit	6	-72	-51	-135	-130
Net profit		75	346	315	307
Attributable to:					
Proposed dividends reserve		54	107		
Other reserves		21	239		
		75	346		
Attributable to:					
Shareholders in Danfoss A/S				268	273
Minority interests				47	34
				315	307
Basic earnings per share (share of nominal 100 DKK)	7			26.5	27.2
Diluted earnings per share (share of nominal 100 DKK)	7			26.3	27.0

STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December

EURm

	Note	Parent Company		Group	
		2012	2013	2012	2013
Net profit		75	346	315	307
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gain/loss (-) on pension and health care plans	16		-1	-24	28
Tax on actuarial gain/loss on pension and health care plans	15			7	-11
			-1	-17	17
Items that cannot be reclassified to profit or loss:					
Foreign exchange adjustments on translation of foreign currency into DKK etc.				-5	-73
Fair value adjustment of hedging instruments:					
Fair value adjustment re. hedging of net investments in subsidiaries				5	20
Fair value adjustment re. hedging of future cash flows		4	7	5	4
Fair value adjustment transferred to net sales in the income statement				13	7
Tax on value adjustment of hedging instruments		-1	-2	-5	-8
		3	5	13	-50
Other comprehensive income after tax		3	4	-4	-33
Total comprehensive income		78	350	311	274
Attributable to:					
Shareholders of Danfoss A/S				268	251
Minority interests				43	23
				311	274

BALANCE SHEET

As of 31 December

EURm

ASSETS	Note	Parent Company		Group	
		2012	2013	2012	2013
Non-current assets					
Intangible assets					
	8	91	86	1,159	1,080
Property, plant and equipment					
	9	196	181	930	872
Investments	3	1,344	1,827	15	11
Pension benefit plan assets	16			2	6
Non-current receivables		1		5	3
Deferred tax assets	15			173	180
Other non-current assets		1,345	1,827	195	200
Total non-current assets		1,632	2,094	2,284	2,152
Current assets					
Inventories					
	10	96	87	543	516
Trade receivables	11	365	449	593	593
Receivable corporation tax	18			68	36
Derivative financial instruments (positive fair value)	17	12	5	13	8
Other receivables		12	15	102	97
Receivables		389	469	776	734
Cash and cash equivalents	17	1		119	99
Total current assets		486	556	1,438	1,349
Total assets		2,118	2,650	3,722	3,501

BALANCE SHEET

As of 31 December

EURm

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent Company		Group	
		2012	2013	2012	2013
Shareholders' equity					
Danfoss A/S' share of equity	12	743	1,026	1,589	1,419
Minority interests				313	115
Total shareholders' equity		743	1,026	1,902	1,534
Liabilities					
Provisions	13	6	7	63	65
Deferred tax liabilities	15	43	46	246	231
Pension and healthcare benefit plan obligations	16	4	3	161	125
Debt	17	380	386	423	414
Derivative financial instruments (negative fair value)	17	7	2	7	2
Other non-current debt		17	11	23	31
Non-current liabilities		457	455	923	868
Provisions	13	9	8	52	57
Liabilities under share incentive programs	14	18	13	18	13
Debt	17	47	212	80	242
Trade payables		62	75	345	405
Debt to subsidiaries		674	764		
Debt to associates and joint ventures				5	1
Corporation taxes	18	32	16	53	33
Derivative financial instruments (negative fair value)	17	3	1	4	1
Other debt		73	80	340	347
Current liabilities		918	1,169	897	1,099
Total liabilities		1,375	1,624	1,820	1,967
Total liabilities and shareholders' equity		2,118	2,650	3,722	3,501

STATEMENT OF CASH FLOWS

1 January to 31 December

EURm

	Note	Parent Company		Group	
		2012	2013	2012	2013
Profit before tax		147	397	450	437
Adjustments for non-cash transactions	19	-71	-227	237	306
Change in working capital	20	128	26	72	40
Cash flow generated from operations		204	196	759	783
Financial income		34	21	5	4
Financial expenses		-55	-31	-71	-35
Dividends received		77	224	2	1
Cash flow from operations before tax		260	410	695	753
Paid tax	18	-25	-65	-125	-157
Cash flow from operating activities		235	345	570	596
Acquisition of intangible assets		-7	-4	-14	-12
Acquisition of property, plant and equipment		-34	-21	-151	-150
Proceeds from sale of property, plant and equipment		2	12	7	27
Acquisition of subsidiaries etc.	21	-66	-530	-54	
Proceeds from disposal of subsidiaries etc.	21	10	101	30	
Acquisition (-)/ sale of other investments etc.	22	207	-86	5	12
Cash flow from investing activities		112	-528	-177	-123
Free cash flow		347	-183	393	473
Financing by non-shareholders:					
Cash repayment of (-)/cash proceeds from interest-bearing debt		-275	251	-274	159
Financing by shareholders:					
Issuing of shares		-1		-1	
Repurchase (-)/sale of treasury shares		-27	-16	-27	-16
Addition/disposal of minority interests					-549
Dividends paid to shareholders in the Parent Company		-43	-53	-43	-53
Dividends paid to minority shareholders				-29	-27
Cash flow from financing activities		-346	182	-374	-486
Net change in cash and cash equivalents		1	-1	19	-13
Cash and cash equivalents as of 1 January			1	100	119
Foreign exchange adjustment of cash and cash equivalents					-7
Cash and cash equivalents as of 31 December		1		119	99
Statement of free cash flow adj. for acquisition and disposal of subsidiaries etc. (M&A)					
Free cash flow		347	-183	393	473
Acquisition of subsidiaries etc.	21	66	530	54	
Proceeds from disposal of subsidiaries etc.	21	-10	-101	-30	
Purchase and sale of shares and other investments	22	-1	-4	-12	-2
Free cash flow before M&A		402	242	405	471

The cash flow statement cannot be derived on the basis of the published financial statements alone.

