



First half 2024

# Interim announcement

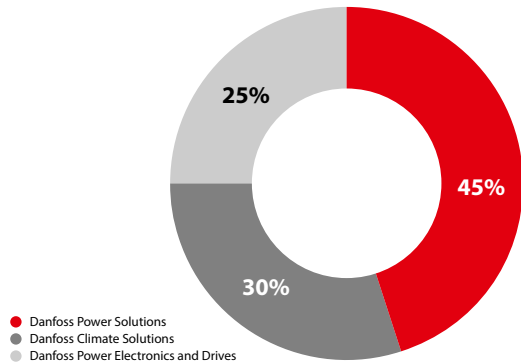
Solutions ready: In June 2024, a fully electric truck drove 1,300 km from Nordborg, Denmark to Le Mans, France. This is made possible by using solutions from Editron and Semikron Danfoss.

Explore our solutions  
[www.danfoss.com](http://www.danfoss.com)

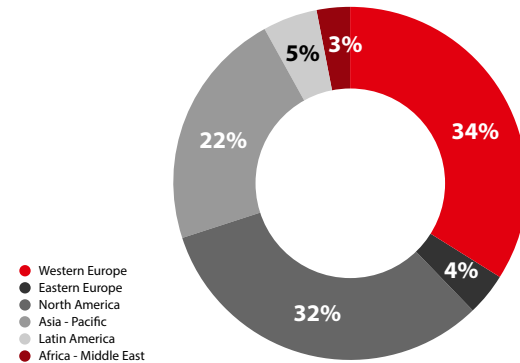
# Highlights from the first six months of 2024

Danfoss engineers solutions that increase machine productivity, reduce emissions, lower energy consumption, and enable electrification. Our solutions are used in such areas as refrigeration, air conditioning, heating, power conversion, motor control, industrial machinery, automotive, marine, and off- and on-highway equipment. We also provide solutions for renewable energy, such as solar and wind power, as well as district-energy infrastructure for cities. Our three segments continue to invest in innovation and developing our global footprint, bringing innovative solutions and technology to the market and our customers. The focus on innovation is a key part of our green growth strategy and instrumental to realizing our sustainability goal of becoming our customers' preferred decarbonization partner. Together, we engineer tomorrow to build a better future.

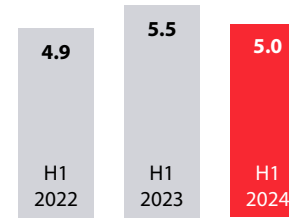
Sales split by segments



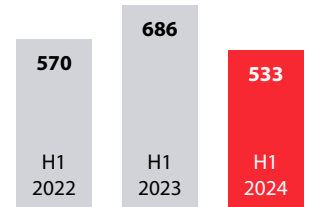
Sales split by regions



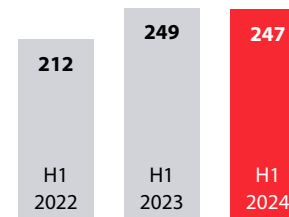
Sales  
EURbn



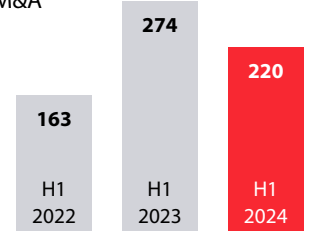
Earnings  
EURm



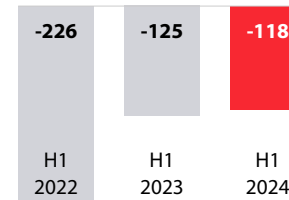
Innovation  
EURm



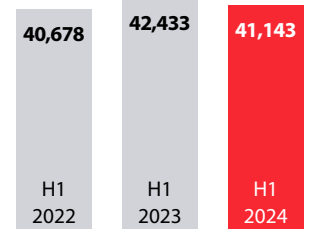
Investments excl. M&A  
EURm



Cash flow before M&A  
EURm



Employees  
headcount



# Financial highlights

	EURm H1 2023	EURm H1 2024	Change in %
<b>Profit and loss account</b>			
Net sales	5,528	5,012	-9%
EBITDA before OO/E	919	754	-18%
EBITDA	889	750	-16%
EBITA	686	533	-22%
EBIT	623	478	-23%
Financial items, net	-64	-79	23%
Profit before tax	559	399	-29%
Net profit	402	291	-28%
<b>Financial ratios</b>			
Local currency growth (%)	14	-9	-22
EBITDA before OO/E margin (%)	16.6	15.0	-1.6
EBITDA margin (%)	16.1	15.0	-1.1
EBITA margin (%)	12.4	10.6	-1.8
EBIT margin (%)	11.3	9.5	-1.8
<b>Balance sheet</b>			
Total non-current assets	7,864	8,006	2%
Total assets	11,990	11,949	0%
Total shareholders' equity	5,124	5,500	7%
Net interest-bearing debt	3,620	3,331	-8%

Key figures and financial ratios are calculated as defined in Note 27 in the Annual Report for 2023.

	EURm H1 2023	EURm H1 2024	Change in %
<b>Cash flow statement</b>			
Cash flow from operating activities	172	131	-24%
Cash flow from investing activities	-381	-223	-41%
Hereof:			
Acquisition of/Proceeds from disposal of property, plant and equipment	-249	-202	-19%
Acquisition of/Proceeds from disposal of subsidiaries and activities	-120	-13	-89%
Cash flow from financing activities	-26	-149	-473%
<b>Financial key figures</b>			
Free operating cash flow	118	136	15%
Free operating cash flow after financial items and tax	-125	-118	6%
Free cash flow	-245	-131	47%
<b>Financial ratios</b>			
Equity ratio (%)	42.7	46.0	3.3
Leverage ratio (%)	70.6	60.6	-10.0
Net interest-bearing debt to EBITDA ratio	2.0	2.0	0.0



# Staying the course despite market headwinds

After three years of significant growth, organically and through M&A, the first half of 2024 has proven to be challenging due to lower demand in selected key markets. Group sales amounted to EUR 5 billion, and Danfoss delivered a half-year EBITA of EUR 533 million corresponding to an EBITA margin of 10.6% against 12.4% last year. The lower demand is expected to continue for the rest of the year, and actions to adapt to the current market situation are in progress. Staying the course, investments in innovation continue at a high level. Setting Danfoss up for the future, we are updating our operating model to further support our long-term growth strategy.

## Market development

We continued to see robust performance and resilience, especially in our Climate Solutions, Drives, and most of the Electrification businesses. The most important growth drivers continue to be decarbonization in industrial sectors, digitalization/datacenters, and electrification.

The lower demand is seen in selected end-markets like agriculture and construction/roadbuilding, which are in a downcycle impacting our Power Solutions segment. The European construction market continues to be soft, particularly in Central Europe, impacting especially the heating business, such as residential heat pumps and the district

heating market. Finally, the automotive/EV-market, in both Europe and the US, has seen significant reductions in OEM production schedules for 2024 and 2025.

## Sales

Group sales reached EUR 5,012m (H1 2023: 5,528m) with negative growth of 9%. The activity level in Europe and China continues to be soft and is expected to continue for the rest of the year, while the US show signs of a slowdown. We continue to see good growth momentum in India.

## Earnings

Despite the downcycle resulting in lower net sales, we have maintained our focus on our

operational excellence as well as investments in innovation and are delivering an EBITA margin of 10.6% (H1 2023: 12.4%).

## Innovation

Our three segments continued to invest in innovation and developing our global footprint, bringing innovative solutions and technology to the market and our customers. Research and development investments amounted to EUR 247 million (H1 2023: 249 million), on par with last year and corresponding to 4.9% of sales (H1 2023: 4.5%).

## Balance sheet

On June 30, 2024, total assets were EUR 11,990m (H1 2023: 11,949). Equity increased

7% to EUR 5,500m (H1 2023: 5,124). The equity ratio, calculated as equity relative to total assets, reached 46.0% (H1 2023: 42.7%). On June 30, 2024, the net interest-bearing debt amounted to EUR 3,331m (H1 2023: 3,620m), leading to a net interest-bearing debt to EBITDA ratio of 2.0 (H1 2023: 2.0). At the end of June 2024, Danfoss' credit rating assigned by Standard & Poor's was "BBB/A2 with a stable outlook."

## Cash flow

The free operating cash flow after financial items and tax (before M&A) amounted to EUR -118m (H1 2023: -125m). This is in line with previous years and our normal seasonality.

The free operating cash flow increased to EUR 136m (H1 2023: 118m), driven by lower net working capital. Cash flow from investing activities decreased to EUR -223m (H1 2023: -381m). Our investments mainly relate to investments in machinery, equipment, and our digital transformation.

## Executing our sustainability ambitions

We continued executing on our three step-change initiatives: Decarbonization, Circularity, and DE&I (Diversity, Equity & Inclusion).

While reducing our customers' emissions is at the core of the Danfoss business, to decarbonize in an intelligent and cost-effective manner, sequence matters. Our first priority is to reduce energy waste by scaling energy-efficient technologies and increasing machine productivity. Secondly, we focus on reusing energy through energy recovery and sector coupling. And thirdly, we re-source green energy by replacing fossil fuels with renewable energy sources.

In the first half of the year, we continued to reduce our own emissions. In China, we signed a local Power Purchase Agreement (PPA) that, from 2025 onward, will reduce our annual scope 1 and 2 emissions in China by 33% and 9% globally. In total, we have now secured agreements to decarbonize 60% of our operations in China.

In North America, we signed a PPA in 2023 that will provide all our local factories with 100% renewable electricity starting in 2025. Once fully operational, this PPA will reduce our North American carbon footprint by 75% and our global carbon footprint by 17%.

Already, five of our European factories are carbon neutral, equaling 15% of the total number of global factory square meters.

To reduce our scope 3 emissions, we are executing on our decarbonization roadmaps

by segment and business. As a key initiative, we are working closely with our suppliers to source less carbon intensive materials, including our commitment to the First Movers Coalition to reduce the emissions from aluminum sourcing.

Within DE&I, we remain focused on ensuring gender and nationality diversity in our global management teams. As we work toward the 2030 target of reaching 80% diverse management teams, the management team diversity index reached 69.7 in the first half of 2024. Our share of women leaders reached 22.9%. To move the needle toward our target of 30% women in leadership positions, we continue our focus on driving equal opportunities and an inclusive employee experience for all Danfoss colleagues as well as targeted development and mentoring for rising women leaders.

### People

On June 30, 2024, the number of employees was 41,143. Our people continue to demonstrate that diverse teams, skills, knowledge, and agility are crucial to deliver on our green growth strategy.

### Events after the balance sheet date

We are not aware of any events after the balance sheet date of June 30, 2024, that could be expected to have a material impact on the Group's financial position.

### Outlook for the year

Danfoss has a continued ambition to expand or maintain our market share. Due to the current downcycle, sales are now expected to be in the lower end of the range of EUR 10.0-11.5 billion for the full year. The EBITA margin is now expected to be in the range of 11.0-12.0%, following the continued integration of already acquired businesses as well as investments in the development of new products and solutions. We are in the process of assessing our strategic options to reduce our cost base, which might cause further one-off costs. The expected growth and profitability performance is dependent on the development of global supply chain stability, the geopolitical environment, and inflation as well as general global growth rates.

We have initiated the implementation of an updated operating model, aiming to further support our long-term growth strategy, strengthen innovation and our entrepreneurial mindset, and improve performance. Guided by focus on market and customer proximity, scalability, and simplification, we want to establish stronger end-to-end accountability in the business, increase cost competitiveness, and speed up decision-making across the company.

As we are targeting to simplify and eliminate duplication and fragmentation of accountabilities, this also means parting from

some of our talented and dedicated colleagues. While this is not an easy decision to make, it is an important step to enable the long-term success of Danfoss. Additionally, as several businesses are impacted by the volatility and lower demand in the market, they are seeing the need to adapt to the current market situation.

We remain committed to decarbonizing our global operations (scope 1 and 2) by 2030, as part of our three step-change initiatives on Decarbonization, Circularity, and DE&I.

### Forward-looking statements

This interim announcement includes forward-looking statements, which are subject to risks and uncertainties, some of which are outside of Danfoss' control. Various factors could cause actual developments and results to differ from the expectations set out in this announcement. Reference is made to the forward-looking statements in the Annual Report 2023. We do not assume any obligation to update these forward-looking statements.

## Danfoss

### Power Solutions

Danfoss Power Solutions sales reached EUR 2,235m (H1 2023: 2,579m) with negative growth of 13%. We currently see weak end-markets like agriculture and construction/roadbuilding, which are in a downcycle. The EBITA margin reached 12.2% (H1 2023: 14.5%).



## Danfoss

### Climate Solutions

Danfoss Climate Solution sales reached EUR 1,517m (H1 2023: 1,567m) with negative growth of 2%. We continued to see robust performance and resilience in Climate Solutions. The most important growth drivers continue to be decarbonization in industrial sectors and digitalization/datacenters. The European construction market continues to be soft, particularly in Central Europe, impacting especially the heating business, such as residential heat pumps and the district heating market. The EBITA margin reached 15.9% (H1 2023: 16.2%).



## Danfoss

### Power Electronics and Drives

Danfoss Power Electronics and Drives sales reached EUR 1,259 (H1 2023: 1,385m) with negative growth of 8%. We continued to see robust performance and resilience in our Drives and most of the Electrification businesses. The most important growth drivers continue to be digitalization/datacenters and electrification. However, the automotive/EV-market, in both Europe and the US, has seen significant reductions in OEM production schedules for 2024 and 2025. The EBITA margin reached 13.2% (H1 2023: 15.3%).



The Danfoss logo, featuring the word "Danfoss" in a white, cursive script font, set against a red rectangular background.

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

Date of publication: **August 21, 2024**

Contact address:

**Danfoss A/S**

Nordborgvej 81

6430 Nordborg

Denmark

Tel.: +45 7488 2222

CVR no. 20165715 (registration number  
with the Danish Business Authority)

Email: [danfoss@danfoss.com](mailto:danfoss@danfoss.com)

Follow us here:

