



3<sup>rd</sup> quarter, 2014

Danfoss: Continuing the  
**good results**

2014

## 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
- Has 59 factories in 17 countries and sales offices in 58 countries
- Headquartered in Nordborg, Denmark

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QUARTERLY FINANCIAL HIGHLIGHTS



# Financial Highlights

	Q3 2013	Q3 2014	Change in %	Q3 YTD 2013	Q3 YTD 2014	Change in %	2013
<b>Profit and loss accounts:</b>							
Net sales	8,712	8,784	1%	25,528	25,704	1%	33,628
Operating profit before depreciation, amortization, impairment and other operating income and expenses	1,688	1,802	7%	4,202	4,653	11%	5,549
Operating profit before depreciation, amortization and impairment (EBITDA)	1,587	1,745	10%	3,980	4,530	14%	5,296
Operating profit excl. other income and expenses	1,273	1,394	10%	2,938	3,432	17%	3,870
Operating profit (EBIT)	1,175	1,323	13%	2,724	3,278	20%	3,624
Financial income/expenses	-96	-86	10%	-265	-249	6%	-369
Profit before tax	1,079	1,237	15%	2,459	3,029	23%	3,255
Net profit	708	828	17%	1,687	2,016	20%	2,285
<b>Balance sheet:</b>							
Total non-current assets				16,127	18,737	16%	16,052
Assets				27,472	29,811	9%	26,116
Total shareholders' equity				10,942	13,030	19%	11,443
Net interest-bearing debt				5,421	5,874	8%	4,116
Net assets				16,284	15,796	-3%	15,476
Capital expenditure	286	273	-5%	749	779	4%	1,210
<b>Cash flow statement:</b>							
Cash flow from operating activities				2,623	2,754	5%	4,444
Cash flow from investing activities				-505	-3,593	***	-917
Acquisition of intangible assets and property, plant and equipment.				-612	-711	16%	-1,003
Acquisition of subsidiaries and activities				1	0	-100%	-1
Free Cash flow				2,118	-839	-140%	3,527
Free cash flow before M&A				2,121	2,090	-1%	3,513
Cash flow from financing activities				-2,202	609	***	-3,623
<b>Key figures:</b>							
Organic net sales growth ( %)	3	3		0	4		1
EBITDA margin excl. other operating income etc. (%)	19.4	20.5	1.1	16.5	18.1	1.6	16.5
EBITDA margin (%)	18.2	19.9	1.6	15.6	17.6	2.0	15.7
EBIT margin excl. other operating income etc. (%)	14.6	15.9	1.3	11.5	13.4	1.8	11.5
EBIT margin (%)	13.5	15.1	1.6	10.7	12.8	2.1	10.8
Equity ratio (%)				39.8	43.7	3.9	43.8
Leverage ratio (%)				49.5	45.1	-4.4	36.0
Net interest bearing debt to EBITDA ratio				1.0	1.0	0.0	0.8
Number of employees (end of period)				22,842	22,622	-220	22,463



# Danfoss: Continuing the good results

**The Group has delivered good performance in the first nine months and maintained the momentum, which characterized the recent quarters. Sales are above last year, and earnings have improved by 17%.**

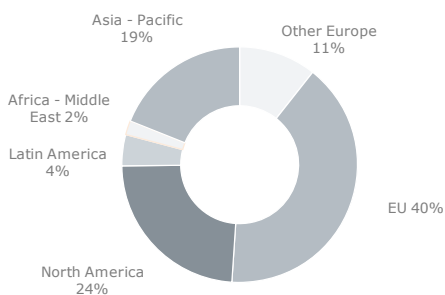
## Financial review

The need for infrastructure, food supply, energy efficiency and climate-friendly solutions are drivers of the continued high demand for Danfoss technologies. In the first nine months of 2014, Danfoss generated total net sales of DKK 25,704m against DKK 25,528m in the same period of 2013. As expected, sales in the period were affected negatively by currency devaluation. In local currency sales grew 4% equal to 1% in DKK.

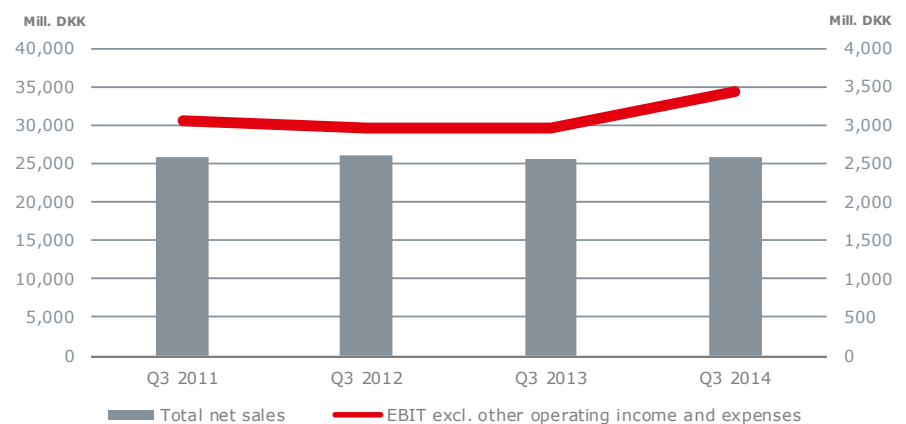
At segment level, Danfoss Power Solutions saw the increased demand from the beginning of the year continue into the second and the third quarter. The segment had sales growth of 7% in local currency and 4% in DKK, and profitability also improved. The segment experienced a positive trend in the construction, road building and material handling markets, which led to a higher demand for advanced mobile hydraulic solutions. In the Danfoss Climate & Energy segment, the results of the first three quarters were also solid. The segment had sales growth of 3% in local currency and a 1% decline in DKK, and profitability improved significantly. The segment has experienced strong development in the refrigeration and air-conditioning business, which supplies energy-saving components for a wide range of refrigeration and air-conditioning systems. Also, at the power electronics business, which, among other things, produces variable speed drives for the control of electric motors, and the district energy business, the good performance from the first half-year continued into the third quarter. A remarkable contributor to the positive development in the segment is the Danfoss Turbocor compressor; a relatively new, innovative variable speed oil-free compressor technology with outstanding energy efficiency performance. With a double digit global growth rate in the first nine months, the Turbocor compressor is proving its potential in the commercial air-conditioning market.

From a regional point of view, the North America region continued the trend of strong growth from the first half-year into the third quarter. The trend of growth picking

## Sales distribution by regions



## Net sales & EBIT excl. other operating income and expenses – YTD



up in the region started already in the second half of 2013. Almost one-quarter of the Groups net sales are coming from North America, and a growth rate of 9% in the first nine months in local currency therefore has a very positive impact on the Groups sales performance. Also



the India region has showed a positive trend in sales over the recent quarters, growing 11% in local currency in the first nine months. The region holds a great potential for Danfoss, particularly in expanding and improving the cold chain ensuring that food stays fresh and preventing food waste. In Europe, markets remained soft and growth rates were modest. Despite a fairly strong start to the year in China, sales in the region for the period were at last year's level, which confirms the expected trend of slowing growth in the BRIC countries.

The Group's operating profit before other income and expenses for the first three quarters was DKK 3,432m against DKK 2,938m in the same period in 2013. The impact from organic sales growth, procurement savings, continuous productivity improvements and slightly lower fixed expenses were the main drivers behind the improved earnings.

**Balance Sheet**

The Group's equity amounted to DKK 13,030m against DKK 10,942m at September 30, 2013. The equity ratio at September 30, 2014 was 43.7% against 39.8% last year. Total assets amounted to DKK 29,811m against DKK 27,472m last year.

Net interest-bearing debt stood at DKK 5,874m at September 30, 2014, compared with DKK 5,421m last year. The level of debt is equal to 1.0 x EBITDA of the last four quarters, which is within the target range of 0 to 2 times EBITDA.

In conclusion, the balance sheet remained strong.

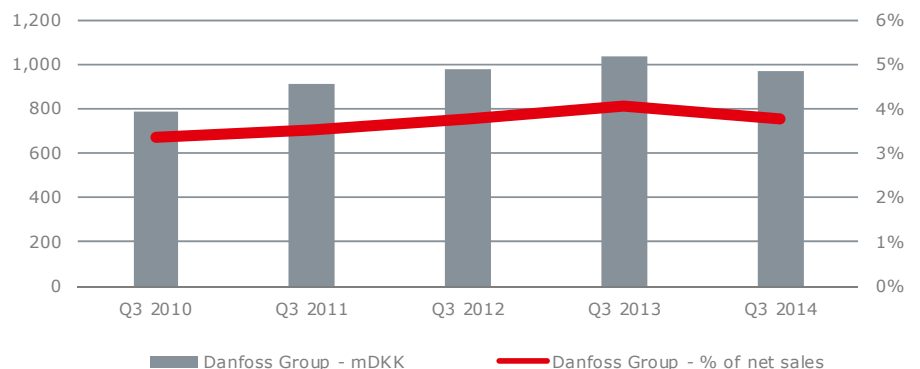
**Cash Flows**

The free cash flow before M&A was with DKK 2,090m for the first nine months of the year at par with the record level of DKK 2,121m in the same period last year. Free cash flow was DKK -839m against DKK 2,118m in the same period last year. The amount consisted of cash flow from operating activities of DKK 2,754m and cash flow from investing activities of DKK -3,593m, including the acquisition of 20% of the shares in the German SMA Solar Technology AG.

**Innovation**

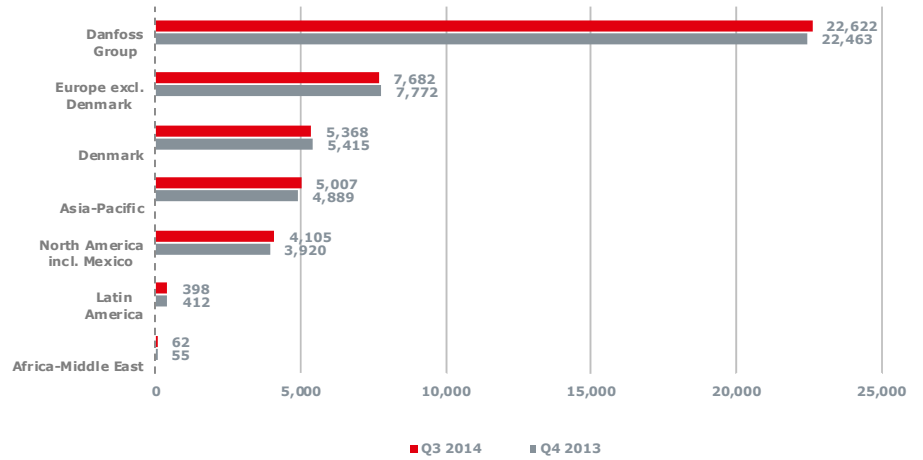
The development of energy-efficient and performance-enhancing solutions in the Group's core business areas is a cornerstone in the quest for profitable growth, and Danfoss retains the high level of investments in research and development. In the first nine months of 2014, Danfoss invested DKK 972m in innovation, compared to DKK 1,034m in the same period last year. The investment in innovation corresponded to 3.8% of the Group's net sales.

**Research & Development investments – YTD**



### Employees

Danfoss had a total of 22,622 employees at September 30, 2014 against 22,463 at the beginning of the year.



### Tender offer to acquire all shares of Vacon

On September 12, 2014, Danfoss announced its intention to open a tender offer to acquire all shares of the Finnish drives company Vacon at a price of EUR 34 per share. The aggregated purchase price is approximately EUR 1,038m. The tender offer was opened September 29. Combining the two companies will create a Nordic-based global player – a new drives business with the clear ambition to build a leading position in the drives market. Both Danfoss and Vacon are significant players in the drives business. Vacon employs around 1,600 people and in 2013, its revenues amounted to approximately EUR 403m. Vacon is listed on the stock exchange in Helsinki. The offer is subject to the approval by relevant authorities, such as competition authorities, and Danfoss gaining control of more than 90% of the Vacon shares.

### Events occurring after September 30, 2014

On October 28, 2014, Danfoss and Bosch Thermotechnik GmbH announced an agreement to form a joint venture to develop and manufacture energy-efficient compressor technology. The joint venture will be owned in equal shares by Bosch Thermotechnik and Danfoss Commercial Compressors. The transaction will be completed once all necessary regulatory approvals have been secured.

# Danfoss Climate & Energy

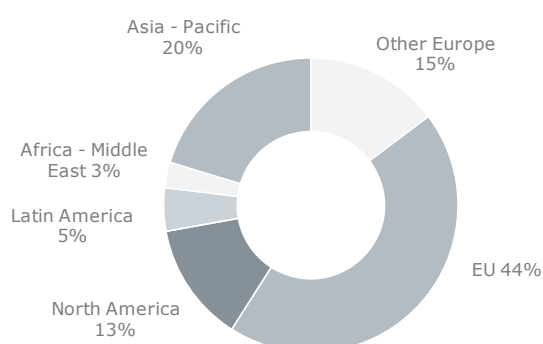


Danfoss Climate & Energy is a leading player in the climate and energy sector and operates in five areas; refrigeration and air-conditioning controls, power electronics, heating solutions, commercial compressors, and district energy. The entire segment is focused on providing energy-efficient and climate-friendly solutions for a number of selected business sectors. The segment plays a leading role in R&D, production, sales and service of mechanical and electronic products and solutions sold on the global market for cooling and air conditioning, comfort and heating, control of electric motors, and for a number of industries in which energy efficiency is important.

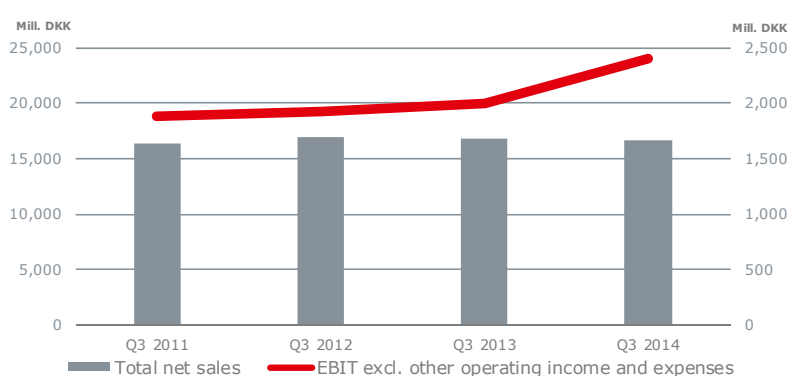
In the first nine months of 2014, Danfoss Climate & Energy had net sales of DKK 16,673m, corresponding to a 3% growth in local currency. The growth was driven by solid performance in most regions with North America and India standing out with 9% and 10% growth in local currency, respectively. In Europe, the segment's biggest market, sales were level with last year. The segment has experienced strong development in the refrigeration and air-conditioning business, and the good results of the first half-year at the power electronics business and the district energy business also continued into the third quarter. A remarkable contributor to the positive development in the segment is the Danfoss Turbocor compressor; a relatively new, innovative variable speed oil-free compressor technology with outstanding energy efficiency performance. With a double digit global growth rate in the first nine months, the technology is proving its potential in the commercial air-conditioning market.

EBIT before other income and expenses improved from DKK 1,988m in the first nine months of 2013 to DKK 2,392m, an improvement of 20% corresponding to an EBIT margin before other income and expenses of 14.3% against 11.8% in 2013. Procurement savings, continuous productivity improvements and full impact from adjustment of fixed expenses, which was carried out in the second half of 2013, were the main drivers of the significant earnings improvement in the segment.

## Sales distribution by regions



## Net sales & EBIT excl. other operating income and expenses – YTD



DKK Mill.  
(unless otherwise stated)

	Q3 2013	Q3 2014	Change in %	Q3 YTD 2013	Q3 YTD 2014	Change in %	2013
Net sales	6,117	6,090	0%	16,782	16,673	-1%	22,330
Operating profit (EBIT)	960	1,089	13%	1,871	2,333	25%	2,562
EBIT Margin	15.7%	17.9%		11.1%	14.0%		11.5%
Capital expenditure	208	204	-2%	561	577	3%	814
Number of employees				13,988	13,381	-4%	13,657



# Danfoss Power Solutions

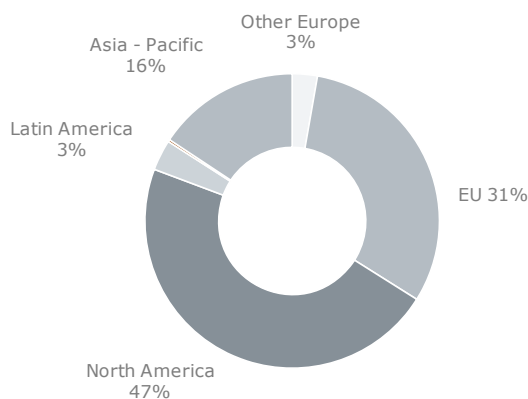


Danfoss Power Solutions is a global leader in hydraulic products for mobile machinery. The segment operates in three areas; hydrostatics, work function, and controls. In addition, the segment includes four stand-alone business operations. Within each business area, the segment holds a leading position in R&D, design, manufacture and sale of innovative and performance-enhancing hydraulic and electronic systems and components used in mobile machinery operating in the agriculture, construction, materials handling, and specialty equipment markets.

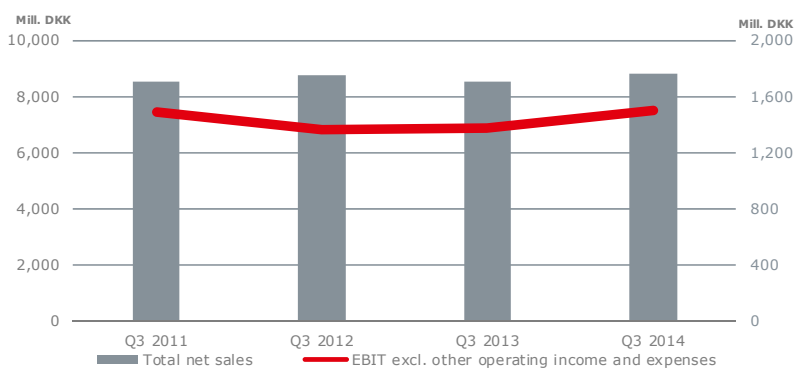
The Danfoss Power Solutions segment has experienced a positive trend in the construction, road building and material handling markets, which has led to a higher demand for advanced mobile hydraulic solutions. For the first three quarters, net sales were DKK 8,811m against DKK 8,516m in the same period last year, corresponding to 7% growth in local currency and 4% growth in DKK. The segment recorded growth of 9% in the North America region, Europe had lower single digit growth, while Japan stood out with 28% growth in the period, all in local currency. Brazil continued with sales below last year, and after a strong start to the year China declined slightly in the third quarter.

EBIT before other income and expenses improved from DKK 1,378m in the first nine months of 2013 to DKK 1,500m, an improvement equal to 9%, corresponding to an EBIT margin before other income and expenses of 17.0% against 16.2% in 2013. Continuous productivity improvements and positive market trends were the main drivers of the continued strong earnings in the segment

## Sales distribution by regions



## Net sales & EBIT excl. other operating income and expenses – YTD



**DKK Mill.**  
(unless otherwise stated)

	Q3 2013	Q3 2014	Change in %	Q3 YTD 2013	Q3 YTD 2014	Change in %	2013
Net sales	2,525	2,618	4%	8,516	8,811	3%	10,989
Operating profit (EBIT)	332	362	9%	1,333	1,452	9%	1,593
EBIT Margin	13.1%	13.8%		15.7%	16.5%		14.5%
Capital expenditure	73	72		174	190	9%	377
Number of employees				6,357	6,186	-3%	6,320



# Outlook for 2014

In the first two quarters particularly, sales were negatively affected by exchange rate fluctuations, and the first nine months have been characterized by moderate global economic growth. Danfoss anticipates the negative effect of exchange rates to gradually level out, but expects the economic low growth scenario to continue through the rest of the year. Based on these factors, Danfoss has updated its full-year expectations:

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

**Operating profit** for 2014 is expected to increase **at least** in line with net sales.



# Sustainability

With Danfoss gaining full ownership of Sauer-Danfoss in 2013, now renamed Danfoss Power Solutions, information and data from the business segment is now included in this section as from 2014. Therefore 2014 figures cannot immediately be compared with previous periods. Previous periods are included in the explanations below, where relevant. Figures for Danfoss Climate & Energy are shown in brackets.

## **Resource consumption and CO<sub>2</sub> emissions**

Danfoss continued the work to reduce CO<sub>2</sub> emissions at its 15 largest factories in accordance with the objective to cut emissions by 25% (relative to the 2007 level) by 2025. Over the course of the first three quarters of the year, Danfoss emitted 145,600 tons (90,400 tons) of CO<sub>2</sub> from its factories. Emissions amounted to 91,400 tons in the same period of 2013. The increase is due to Danfoss Power Solutions' factories being included in the 2014 figures. In the period, Danfoss consumed electricity amounting to 259.7 million kWh (156.7 million kWh) compared to 154.5 million kWh in the year-earlier period of 2013. The increase was primarily due to the incorporation of Danfoss Power Solutions. The energy consumption for heating was 114.4 million kWh (89.8 million kWh) in the first three quarters of the year compared to 97.5 million kWh in the same period of 2013. Danfoss' water consumption for processing and sanitary purposes was 542,500 m<sup>3</sup> (412,200 m<sup>3</sup>) against 450,000 m<sup>3</sup> in the same period of 2013.

## **Responsible supplier management**

In the third quarter of 2014, 109 suppliers signed or re-signed Danfoss' Code of Conduct, bringing the number of signatures in 2014 to a total of 297. The strengthened work to get more suppliers in compliance with Danfoss' Code of Conduct requirements has resulted in 70 closed audit reports across the world, hereof 45 in China alone. A closed audit report is only possible when all non-compliances raised during on-site audits have been successfully closed and sufficient documentation has been provided – through on-site or desktop verification.

## **Work-related lost time accidents**

The number of accidents, which led to more than one day's absence in the first nine months of 2014, was 125 compared to 115 in the same period in 2013. The accident frequency, which is defined as the number of work accidents with absence per 1 million working hours, was 4.9 in the first three quarters of 2014. The corresponding figure in the same period of 2013 was 5.3; and 4.7 for the whole of 2013.

Absence as a result of work accidents is defined as the number of lost hours per 1,000 working hours, and this amounted to 0.4 in the first three quarters of 2014 compared to 0.7 in the same period of 2013.

The average absence among employees, who had been involved in a work accident, was approximately 10 days in the period. This is a reduction from an average of 17 days per accident in the first nine months of 2013.

# Income statement

	Q3 2013	Q3 2014	Q3 YTD 2013	Q3 YTD 2014	2013
Net sales	8,712	8,784	25,528	25,704	33,628
Cost of sales	-5,576	-5,516	-16,672	-16,565	-21,766
<b>Gross profit</b>	<b>3,136</b>	<b>3,268</b>	<b>8,856</b>	<b>9,139</b>	<b>11,862</b>
Research and development costs	-325	-333	-1,014	-966	-1,359
Distribution expenses	-1,164	-1,199	-3,713	-3,613	-5,063
Administration expenses	-374	-342	-1,191	-1,128	-1,570
<b>Operating profit excl. other income and expenses</b>	<b>1,273</b>	<b>1,394</b>	<b>2,938</b>	<b>3,432</b>	<b>3,870</b>
Other operating income and expenses	-100	-62	-221	-150	-254
Income from associates and joint ventures after tax	2	-9	7	-4	8
<b>Operating profit (EBIT)</b>	<b>1,175</b>	<b>1,323</b>	<b>2,724</b>	<b>3,278</b>	<b>3,624</b>
Financial income/expenses	-96	-86	-265	-249	-369
<b>Profit before tax</b>	<b>1,079</b>	<b>1,237</b>	<b>2,459</b>	<b>3,029</b>	<b>3,255</b>
Corporate tax expenses	-371	-409	-772	-1,013	-970
<b>Net profit</b>	<b>708</b>	<b>828</b>	<b>1,687</b>	<b>2,016</b>	<b>2,285</b>



# Balance sheet

	Q3 2013	Q3 2014	2013
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible fixed assets	8,254	8,128	8,054
Tangible fixed assets	6,499	6,350	6,506
Non-current financial assets	1,374	4,259	1,492
<b>Total non-current assets</b>	<b>16,127</b>	<b>18,737</b>	<b>16,052</b>
<b>Current assets</b>			
Inventories	4,127	4,221	3,849
Accounts receivable	6,453	6,328	5,478
Cash and cash equivalents	765	525	737
<b>Total current assets</b>	<b>11,345</b>	<b>11,074</b>	<b>10,064</b>
<b>Total assets</b>	<b>27,472</b>	<b>29,811</b>	<b>26,116</b>
<b>Liabilities and shareholders' equity</b>			
<b>Total shareholders' equity</b>	10,942	13,030	11,443
<b>Liabilities</b>			
Non-current liabilities	8,250	8,113	6,472
Current liabilities	8,280	8,668	8,201
<b>Total liabilities</b>	<b>16,530</b>	<b>16,781</b>	<b>14,673</b>
<b>Total liabilities and shareholders' equity</b>	<b>27,472</b>	<b>29,811</b>	<b>26,116</b>

# Cash flow statement

	Q3 YTD 2013	Q3 YTD 2014	2013
Profit before tax	2,459	3,029	3,255
Adjustments for non-cash transactions	1,509	1,269	2,287
Changes in working capital	-342	-799	296
<b>Cash flow generated from operations</b>	<b>3,626</b>	<b>3,499</b>	<b>5,838</b>
Financial income	19	14	29
Financial expenses	-223	-201	-259
Dividends received	7	7	7
<b>Cash flow from operations before tax</b>	<b>3,429</b>	<b>3,319</b>	<b>5,615</b>
Paid tax	-806	-565	-1,171
<b>Cash flow from operating activities</b>	<b>2,623</b>	<b>2,754</b>	<b>4,444</b>
Acquisition of intangible fixed assets	-66	-65	-91
Acquisition of tangible fixed assets	-674	-714	-1,118
Proceeds from sale of intangible fixed assets		-21	
Proceeds from sale of tangible fixed assets	128	89	205
Acquisition of subsidiaries etc.	0	0	
Proceeds from disposal of subsidiaries etc.	1	0	
Acquisition (-) and sale of other investments etc.	106	-2,882	87
<b>Cash flow from investing activities</b>	<b>-505</b>	<b>-3,593</b>	<b>-917</b>
<b>Free Cash flow</b>	<b>2,118</b>	<b>-839</b>	<b>3,527</b>
Financing by non-shareholders:			
Repayment of (-)/proceeds from interest-bearing debt	2,509	1,501	1,179
Financing by shareholders:			
Repurchase (-)/sale of treasury shares	-114	-12	-116
Add./disp. of minority interests	-4,086	0	-4,092
Dividends paid to shareholder in the Parent Company	-396	-789	-396
Dividends paid to minority shareholders	-115	-91	-198
<b>Cash flow from financing activities</b>	<b>-2,202</b>	<b>609</b>	<b>-3,623</b>
<b>Net change in cash and cash equivalents</b>	<b>-83</b>	<b>-230</b>	<b>-96</b>
Cash and cash equivalents (beginning of period)	888	737	888
Foreign exchange adjustment of cash and cash equivalents	-40	18	-55
<b>Cash and cash equivalents (end of period)</b>	<b>765</b>	<b>525</b>	<b>737</b>

# Specification of equity

Mill. DKK

	Share capital	Share premium	Hedging reserves	Currency translation	Reserve own shares	Other reserves	Reserves	Proposed dividends	Danfoss A/S' share of equity	Minority interest	Total equity
<b>Balance at 1 January 2013</b>	<b>1,020</b>	<b>370</b>	-41	-257	-275	10,638	<b>10,065</b>	400	<b>11,855</b>	2,338	<b>14,193</b>
<b>Comprehensive income in 2013</b>											
Net profit						1,237	<b>1,237</b>	800	<b>2,037</b>	248	<b>2,285</b>
<b>Other comprehensive income</b>											
Foreign exchange adjustments when converting foreign currencies				-472			<b>-472</b>		<b>-472</b>	-78	<b>-550</b>
Fair value adjustment of hedging instruments			80	149			<b>229</b>		<b>229</b>	-2	<b>227</b>
Actuarial gain/loss (-) on pension and healthcare plans						209	<b>209</b>		<b>209</b>	-2	<b>207</b>
Tax on Other comprehensive income			-20	-37		-80	<b>-137</b>		<b>-137</b>		<b>-137</b>
Other comprehensive income			60	-360		129	<b>-171</b>		<b>-171</b>	-82	<b>-253</b>
Comprehensive income in the period			60	-360		1,366	<b>1,066</b>	800	<b>1,866</b>	166	<b>2,032</b>
<b>Transactions with owners</b>											
Dividends to shareholders						4	<b>4</b>	-400	<b>-396</b>	-179	<b>-575</b>
Purchase of minority interest						-2,623	<b>-2,623</b>		<b>-2,623</b>	-1,469	<b>-4,092</b>
Capital increase/purchase of treasury shares	<b>2</b>	<b>39</b>			-156		<b>-156</b>		<b>-115</b>		<b>-115</b>
Total transactions with owners	<b>2</b>	<b>39</b>			-156	-2,619	<b>-2,775</b>	-400	<b>-3,134</b>	-1,648	<b>-4,782</b>
<b>Balance at 31 December 2013</b>	<b>1,022</b>	<b>409</b>	19	-617	-431	9,385	<b>8,356</b>	800	<b>10,587</b>	856	<b>11,443</b>
Net profit						1,866	<b>1,866</b>		<b>1,866</b>	150	<b>2,016</b>
<b>Other comprehensive income</b>											
Foreign exchange adjustments when converting foreign currencies				541			<b>541</b>		<b>541</b>	46	<b>587</b>
Fair value adjustment of hedging instruments			-143	-22			<b>-165</b>		<b>-165</b>		<b>-165</b>
Actuarial gain/loss (-) on pension and healthcare plans						4	<b>4</b>		<b>4</b>		<b>4</b>
Tax on other comprehensive income			33	5		-1	<b>37</b>		<b>37</b>		<b>37</b>
Other comprehensive income			-110	524		3	<b>417</b>		<b>417</b>	46	<b>463</b>
Comprehensive income in the period			-110	524		1,869	<b>2,283</b>		<b>2,283</b>	196	<b>2,479</b>
<b>Transactions with owners</b>											
Dividends to shareholders						11	<b>11</b>	-800	<b>-789</b>	-90	<b>-879</b>
Capital increase/purchase of treasury shares	<b>1</b>	<b>54</b>			-68		<b>-68</b>		<b>-13</b>		<b>-13</b>
Total transactions with owners	<b>1</b>	<b>54</b>			-68	11	<b>-57</b>	-800	<b>-802</b>	-90	<b>-892</b>
<b>Balance at 30 September 2014</b>	<b>1,023</b>	<b>463</b>	-91	-93	-499	11,265	<b>10,582</b>		<b>12,068</b>	962	<b>13,030</b>



# Notes

## Accounting policies

Danfoss prepares its annual and interim reports in accordance with IFRS (International Financial Reporting Standards). For a detailed description of the accounting policies applied, see Danfoss' 2013 annual report. Please note that this interim report is not presented in accordance with IAS 34 "Interim financial reporting" and that the financial data are unaudited.

## Exchange rates applied

The interim report is presented in Danish kroner. The figures in the income statement have been translated into DKK using the average exchange rates of the reporting period. The balance sheet has been translated using the end-of-period exchange rates.

## Currency

	<b>Q3 YTD 2013</b>	<b>Q3 YTD 2014</b>	<b>2013</b>	<b>Q3 YTD 2013</b>	<b>Q3 YTD 2014</b>	<b>2013</b>
	<b>Ending rates</b>	<b>Ending rates</b>	<b>Ending rates</b>	<b>Average rates</b>	<b>Average rates</b>	<b>Average rates</b>
EUR	7.46	7.44	7.46	7.46	7.46	7.46
GBP	8.88	9.52	8.92	8.76	9.18	8.78
USD	5.52	5.87	5.41	5.67	5.50	5.62



# Quarterly financial highlights

Mill. DKK

(unless otherwise stated)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013	Q1 2014	Q2 2014	Q3 2014
<b>Profit and loss accounts</b>								
Net sales	8,063	8,752	8,712	8,100	33,628	8,303	8,617	8,784
Operating profit before depreciation, amortization, impairment and other operating income and expenses	1,106	1,408	1,688	1,347	5,549	1,401	1,450	1,802
Operating profit before depreciation, amortization and impairment (EBITDA)	1,057	1,336	1,587	1,316	5,296	1,339	1,446	1,745
Operating profit excl. other income and expenses	679	987	1,273	931	3,870	996	1,043	1,394
Operating profit (EBIT)	638	911	1,175	900	3,624	913	1,042	1,323
Financial income/expenses	-36	-133	-96	-103	-369	-80	-83	-86
Profit before tax	603	778	1,079	796	3,255	833	959	1,237
Net profit	422	556	708	598	2,285	555	632	828

## Balance sheet

Total non-current assets	17,024	16,691	16,127	16,052	16,052	15,760	18,029	18,737
Assets	28,546	28,450	27,472	26,116	26,116	26,436	29,064	29,811
Total shareholders' equity	14,637	10,445	10,942	11,443	11,443	11,946	11,783	13,030
Net interest-bearing debt	2,767	6,721	5,421	4,116	4,116	3,913	6,639	5,874
Net assets	17,332	17,089	16,284	15,476	15,476	15,785	15,953	15,796
Capital expenditure	191	272	286	461	1,210	248	258	273

## Cash flow statement

Cash flow from operating activities	435	1,265	2,623	4,444	4,444	405	1,071	2,754
Cash flow from investing activities	-56	-340	-505	-917	-917	-178	-2,673	-3,593
Acquisition of intangible assets and property, plant and equipment	-167	-471	-612	-1,003	-1,003	-215	-456	-711
Acquisition of subsidiaries and activities	0	0	2	-1	-1	0	0	0
Free Cash flow	378	925	2,118	3,527	3,527	227	-1,602	-839
Free cash flow before M&A	365	918	2,121	3,513	3,513	228	660	2,090
Cash flow from financing activities	-530	-974	-2,202	-3,623	-3,623	-490	1,340	609

## Key figures

Organic net sales growth ( % )	-4	-1	3	5	1	7	3	3
EBITDA margin excl. other operating income etc. ( % )	13.7	16.1	19.4	16.6	16.5	16.9	16.8	20.5
EBITDA margin ( % )	13.1	15.3	18.2	16.2	15.7	16.1	16.8	19.9
EBIT margin excl. other operating income etc. ( % )	8.5	11.3	14.6	11.5	11.5	12.0	12.1	15.9
EBIT margin ( % )	7.9	10.4	13.5	11.1	10.8	11.0	12.1	15.1
Equity ratio ( % )	51.3	36.7	39.8	43.8	43.8	45.2	40.5	43.7
Leverage ratio ( % )	18.9	64.3	49.5	36.0	36.0	32.8	56.3	45.1
Net interest bearing debt to EBITDA ratio	0.5	1.2	1.0	0.8	0.8	0.7	1.2	1.0

## Geographical segments

### Total net sales

EU	3,268	3,377	3,405	3,265	13,316	3,480	3,378	3,427
Rest of Europe	803	944	1,153	1,011	3,911	735	862	1,110
Asia	1,242	1,551	1,604	1,493	5,890	1,324	1,528	1,600
North America	2,081	2,113	1,811	1,660	7,666	2,151	2,212	1,946
Africa	51	68	65	47	230	60	70	61
Pacific	128	128	149	134	538	120	121	128
Latin America	400	449	435	401	1,685	339	344	406
Middle East	90	122	90	89	392	94	102	106
Total	8,063	8,752	8,712	8,100	33,628	8,303	8,617	8,784

### Number of employees

Europe excl. Denmark	7,973	8,041	7,972	7,772	7,772	7,727	7,754	7,682
North America incl. Mexico	3,994	4,039	3,946	3,920	3,920	3,861	4,077	4,105
Latin America	441	427	418	412	412	424	422	398
Asia-Pacific incl. China	4,894	4,950	4,936	4,889	4,889	4,887	5,002	5,007
Africa - Middle East	57	58	58	55	55	58	59	62
Denmark	5,684	5,640	5,512	5,415	5,415	5,329	5,319	5,368
Total	23,043	23,155	22,842	22,463	22,463	22,286	22,633	22,622
Total exclusive sold companies/activities	23,043	23,155	22,842	22,463	22,463	22,286	22,633	22,622



The Danfoss logo is written in a red, cursive script font with a thin underline.A night-time photograph of a city skyline with illuminated skyscrapers and buildings, serving as the background for the advertisement.

Every **growing city** can  
raise **the standard of living**

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

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