

ENGINEERING
TOMORROW

Danfoss

2017 Financial highlights in EURO



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Danfoss in brief

Danfoss engineers technologies that enable the world of tomorrow to do more with less. We meet the growing need for infrastructure, food supply, energy efficiency, and climate-friendly solutions. Our products and services are used in areas such as refrigeration, air conditioning, heating, motor control, and off-highway machinery. We also operate in the field of renewable energy, as well as district energy infrastructure for cities and urban communities.

The Group is a technology company, divided into four business segments: Danfoss Power Solutions, Danfoss Cooling, Danfoss Drives, and Danfoss Heating. Danfoss Power Solutions is a leading player in hydraulic systems and components for powering off-highway machinery. Danfoss Cooling is a market leader in the air-conditioning and refrigeration industry. Danfoss Drives' key expertise lies in low-voltage AC drives, power modules, and stacks for a number of industries. Danfoss Heating enjoys leading positions within residential heating, commercial heating, and district energy.

Danfoss is a privately-owned company, which has grown and improved its skills and expertise in energy-efficient solutions over more than 80 years. Danfoss was founded by Mads Clausen, and today the company is controlled by the Bitten and Mads Clausen Foundation.

This publication gives an overview of the financial highlights and key figures in Euro in relation to the financial results for 2017. This publication is not audited and does not replace the Annual Report 2017.

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Highlights 2017

Key figures EURbn

Sales	Growth in local currency	EBIT margin	Free cash flow before M&A	Leverage ratio	Net interest-bearing debt to EBITDA ratio	Employees worldwide
5.8	12%	11.1%	0.4	40.9%	1.2	26,645

Results in line with expectations

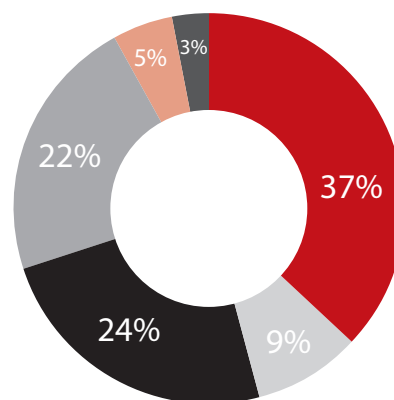
In 2017, the Danfoss Group delivered the highest sales growth in local currency in six years, and we achieved strong results in line with expectations after significant investments in digitalization and growth initiatives.

Sales increased 10% to EUR 5.8bn, corresponding to a local currency growth of 12%. Earnings (EBIT) improved 13% to EUR 645m, leading to an EBIT margin of 11.1% and net profit of EUR 445m, up 13% on last year. The cash generation was kept high with a free cash flow before M&A of EUR 445m and a free cash flow of EUR 337m.

The Group's overall strong performance was driven by a broadly-based momentum in all four business segments, led by Danfoss Power Solutions.

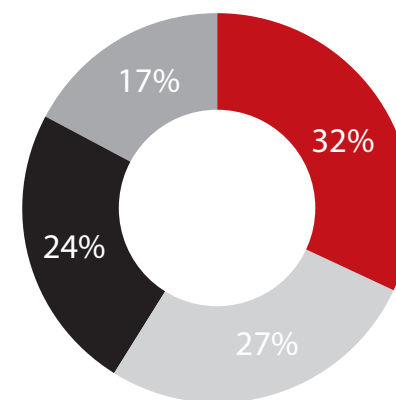
Sales split on regions

- Western Europe
- Eastern Europe
- North America
- Asia-Pacific
- Latin America
- Africa-Middle East



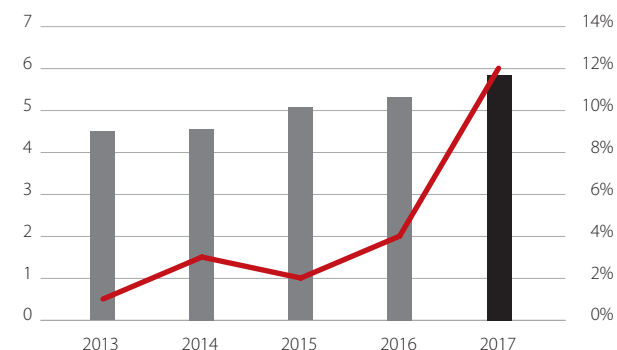
Sales split on segments

- Danfoss Power Solutions
- Danfoss Cooling
- Danfoss Drives
- Danfoss Heating



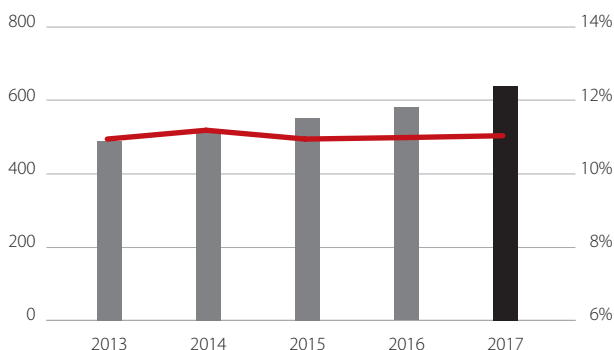
Sales and growth

- Sales EURbn
- Sales growth in local currency



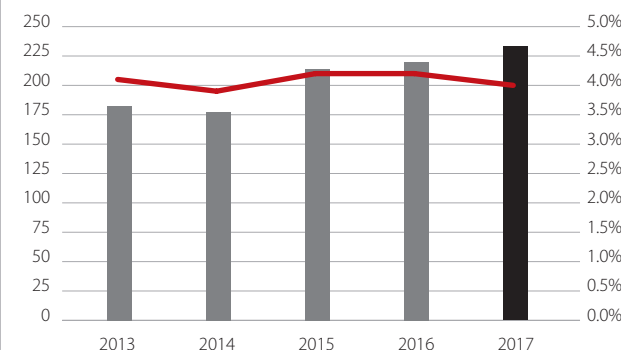
Earnings

- EBIT EURm
- EBIT margin



Innovation spend

- R&D spend EURm
- % of sales



Financial highlights

EURm

	2013	2014	2015	2016	2017
INCOME STATEMENT					
Net sales	4,509	4,611	5,099	5,271	5,827
Operating profit before depreciation, amortization, impairment and other operating income and expenses etc.	744	815	824	838	923
Operating profit before depreciation, amortization and impairment (EBITDA)	711	759	807	816	883
Operating profit excl. other operating income and expenses etc.	519	584	568	589	685
Share of profit from associates and joint ventures after tax	1	-25	9	4	2
Operating profit (EBIT)	486	526	549	572	645
Financial items, net	-49	-60	-47	-44	-49
Net profit	307	307	348	394	445
BALANCE SHEET					
Total non-current assets	2,152	3,469	3,507	3,788	3,883
Total assets	3,501	4,955	4,987	5,457	5,583
Total shareholders' equity	1,534	1,779	2,067	2,325	2,569
Net interest-bearing debt	552	1,537	1,292	1,284	1,050
Net assets	2,074	3,014	3,030	3,273	3,291
CASH FLOW STATEMENT					
Cash flow from operating activities	596	584	626	693	742
Cash flow from investing activities	-123	-1,419	-217	-494	-405
Acquisition of intangible assets and property, plant and equipment	-134	-133	-157	-226	-281
Acquisition of subsidiaries and activities	0	-990	-30	-251	-103
Acquisition (-)/sale of other investments, etc.	11	-296	-30	-17	-21
Free cash flow	473	-835	409	199	337
Free cash flow before M&A	471	455	456	459	445
Cash flow from financing activities	-486	830	-458	-175	-373
NUMBER OF EMPLOYEES					
Number of employees	22,463	24,117	23,420	25,292	26,645
FINANCIAL RATIOS					
Local currency growth (%)	1	3	2	4	12
EBITDA margin, excl. other operating income, etc. (%)	16.5	17.7	16.2	15.9	15.8
EBITDA margin (%)	15.8	16.5	15.8	15.5	15.2
EBIT margin, excl. other operating income, etc. (%)	11.5	12.7	11.1	11.2	11.8
EBIT margin (%)	10.8	11.4	10.8	10.9	11.1
Return on invested capital (ROIC)	22.2	19.4	16.3	16.3	17.8
Return on invested capital (ROIC) after tax	15.9	13.2	11.4	12.0	13.0
Return on equity (%)	18.2	18.4	17.6	17.2	17.3
Equity ratio (%)	43.8	35.9	41.4	42.6	46.0
Leverage ratio (%)	36.0	86.4	62.5	55.2	40.9
Net interest bearing debt to EBITDA ratio	0.8	2.0	1.6	1.6	1.2
Dividend pay-out ratio (%)	35.0	21.8	20.4	17.0	18.1
Dividend per 100 DKK share	78.3	48.9	51.8	50.2	60.2

Income statement

January 1 to December 31

EURm

	2016	2017
Net sales	5,271	5,827
Cost of sales	-3,412	-3,787
GROSS PROFIT	1,859	2,040
Research and development costs	-221	-234
Selling and distribution costs	-815	-853
Administrative expenses	-234	-268
OPERATING PROFIT EXCLUDING OTHER OPERATING INCOME AND EXPENSES	589	685
Other operating income and expenses	-21	-42
Share of profit from associates and joint ventures after tax	4	2
OPERATING PROFIT (EBIT)	572	645
Financial income	4	3
Financial expenses	-48	-52
PROFIT BEFORE TAX	528	596
Tax on profit	-134	-151
NET PROFIT	394	445
Attributable to:		
Shareholders in Danfoss A/S	359	404
Minority interests	35	41
	394	445

Statement of comprehensive income

January 1 to December 31

EURm

NET PROFIT

OTHER COMPREHENSIVE INCOME

Actuarial gain/loss (-) on pension and healthcare plans

Tax on actuarial gain/loss on pension and healthcare plans

Items that cannot be reclassified to income statement

Foreign exchange adjustments on translation of foreign currency into DKK

Fair value adjustment of hedging instruments:

Hedging of net investments in subsidiaries

Hedging of future cash flows

Hedging transferred to Cost of Sales in the income statement

Tax on hedging instruments

Items that can be reclassified to income statement

OTHER COMPREHENSIVE INCOME AFTER TAX

TOTAL COMPREHENSIVE INCOME

Attributable to:

Shareholders of Danfoss A/S

Minority interests

	2016	2017
NET PROFIT	394	445
OTHER COMPREHENSIVE INCOME		
Actuarial gain/loss (-) on pension and healthcare plans	-3	17
Tax on actuarial gain/loss on pension and healthcare plans		-13
Items that cannot be reclassified to income statement	-3	4
Foreign exchange adjustments on translation of foreign currency into DKK	-15	-63
Fair value adjustment of hedging instruments:		
Hedging of net investments in subsidiaries	2	1
Hedging of future cash flows	-4	18
Hedging transferred to Cost of Sales in the income statement	4	-1
Tax on hedging instruments		-4
Items that can be reclassified to income statement	-13	-49
OTHER COMPREHENSIVE INCOME AFTER TAX	-16	-45
TOTAL COMPREHENSIVE INCOME	378	400
Attributable to:		
Shareholders of Danfoss A/S	341	369
Minority interests	37	31
	378	400

Statement of financial position

As of December 31

EURm

ASSETS

NON-CURRENT ASSETS

INTANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT

Investments

Pension benefit plan assets

Non-current receivables

Deferred tax assets

OTHER NON-CURRENT ASSETS

TOTAL NON-CURRENT ASSETS

CURRENT ASSETS

INVENTORIES

Trade receivables

Receivable corporation tax

Derivative financial instruments (positive fair value)

Other receivables

RECEIVABLES

CASH AND CASH EQUIVALENTS

TOTAL CURRENT ASSETS

TOTAL ASSETS

	2016	2017
ASSETS		
NON-CURRENT ASSETS		
INTANGIBLE ASSETS	2,313	2,371
PROPERTY, PLANT AND EQUIPMENT	1,012	1,064
Investments	336	328
Pension benefit plan assets	15	22
Non-current receivables	3	8
Deferred tax assets	109	90
OTHER NON-CURRENT ASSETS	463	448
TOTAL NON-CURRENT ASSETS	3,788	3,883
CURRENT ASSETS		
INVENTORIES	633	660
Trade receivables	813	862
Receivable corporation tax	45	17
Derivative financial instruments (positive fair value)		10
Other receivables	110	122
RECEIVABLES	968	1,011
CASH AND CASH EQUIVALENTS	68	29
TOTAL CURRENT ASSETS	1,669	1,700
TOTAL ASSETS	5,457	5,583

EURm

SHAREHOLDERS' EQUITY

Minority interests

TOTAL SHAREHOLDERS' EQUITY**LIABILITIES**

Provisions

Deferred tax liabilities

Pension and healthcare benefit plan obligations

Borrowings

Derivative financial instruments (negative fair value)

Other non-current debt

NON-CURRENT LIABILITIES

Provisions

Liabilities under share incentive programs

Borrowings

Trade payables

Debt to associates and joint ventures

Corporation tax

Derivative financial instruments (negative fair value)

Other debt

CURRENT LIABILITIES

TOTAL LIABILITIES**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**

2016	2017
2,210	2,455
115	114
2,325	2,569
56	108
269	235
160	136
939	1,023
49	47
1,473	1,549
91	43
5	
439	92
619	776
3	4
44	54
13	1
445	495
1,659	1,465
3,132	3,014
5,457	5,583

Statement of cash flows

January 1 to December 31

EURm

	2016	2017
Profit before tax	528	596
Adjustments for non-cash transactions	214	274
Change in working capital	93	64
CASH FLOW GENERATED FROM OPERATIONS	835	934
Interest received	9	
Interest paid	-38	-45
Dividends received	2	3
CASH FLOW FROM OPERATIONS BEFORE TAX	808	892
Paid tax	-115	-150
CASH FLOW FROM OPERATING ACTIVITIES	693	742
Acquisition of intangible assets	-32	-64
Acquisition of property, plant and equipment	-205	-241
Proceeds from sale of property, plant and equipment	12	24
Acquisition of subsidiaries	-252	-104
Proceeds from disposal of subsidiaries		1
Acquisition of other investments, etc.	-17	-21
CASH FLOW FROM INVESTING ACTIVITIES	-494	-405
FREE CASH FLOW	199	337
Cash repayment of interest-bearing debt	-554	-817
Cash proceeds from interest-bearing debt	515	596
Repurchase of treasury shares	-36	-54
Disposal of minority interests	-8	-2
Addition of minority interests	1	0
Dividends paid to shareholders in the Parent Company	-70	-67
Dividends paid to minority shareholders	-23	-29
CASH FLOW FROM FINANCING ACTIVITIES	-175	-373
NET CHANGE IN CASH AND CASH EQUIVALENTS	24	-36
Cash and cash equivalents as of January 1	43	68
Foreign exchange adjustment of cash and cash equivalents	1	-3
CASH AND CASH EQUIVALENTS AS OF DECEMBER 31	68	29
FREE CASH FLOW BEFORE M&A	459	445

The cash flow statement cannot be derived on the basis of the Annual Report alone.
is available under financial ratios in Note 26, page 87

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Further information available
on Danfoss' website: www.danfoss.com

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