



Interim announcement
1st half-year 2022

ENGINEERING
TOMORROW

Danfoss



Performance highlights

Sales

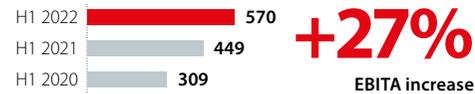
EURbn



Strong growth in all markets. Danfoss had continued high sales, despite increased volatility created by supply chain disruptions, high cost inflation, zero tolerance COVID-19 lockdowns in China, and the war in Ukraine. The 2021 acquisition of Eaton's hydraulics business added sales of EUR 1,124m, while organic growth was 13%. Danfoss saw growth across all business segments and regions.

Earnings (EBITA)

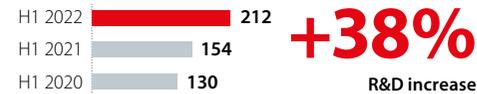
EURm



Strong profitability despite supply chain disruptions. Earnings were driven by the higher topline and continued traction in managing procurement savings, factory performance as well as customer pricing, leading to EBITA margin of 11.6%. All segments and regions are managing the challenging supply situation in the inflationary business environment. Net profit was at level with the same period last year, impacted negatively by our exit from Russia.

R&D expense

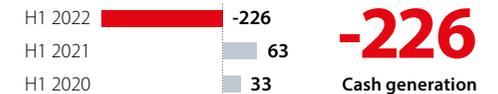
EURm



Continued high investments to fuel future growth. To be the preferred partner in helping our customers decarbonize, Danfoss continued to push high investments in innovation across the business segments to improve the performance of our products and solutions. Research and development expense amounted to 4.3% of sales. In particular, we increased the digitalization and electrification of our solutions.

Cash flow before M&A

EURm



The strong growth impacted the cash generation from operations. The free operating cash flow after financial items and tax (before M&A) was EUR -226m. This is including the higher level of investments in innovation and production capacity as well as additional trade working capital due to the growth in activity levels.

Science-based targets approved

Our ambitious climate targets were approved by the Science Based Targets initiative. The goal in Danfoss' climate strategy is clear: By 2030, all our own operations and production plants worldwide will be carbon neutral. Our 250,000 m² headquarters campus in Nordborg pioneers decarbonization with our own energy-efficient solutions and will become carbon neutral in 2022. A new factory at our campus in Grodzisk, Poland, is carbon neutral already.

40,678

Employees



Sales split by segments



- Danfoss Power Solutions, 52%
- Danfoss Climate Solutions, 32%
- Danfoss Drives, 16%

Sales split by regions



- Western Europe, 32%
- North America, 32%
- Eastern Europe, 5%
- Asia-Pacific, 23%
- Africa-Middle East, 3%



Financial highlights

	EURm	EURm	Change	DKKm	DKKm
	H1 2021	H1 2022	in %	H1 2021	H1 2022
Profit and loss account					
Net sales	3,265	4,906	50%	24,281	36,499
EBITDA before OOI/E	580	759	31%	4,311	5,649
EBITDA	569	670	18%	4,229	4,986
EBITA	449	570	27%	3,341	4,238
EBIT	412	427	4%	3,061	3,174
Financial items, net	-20	-25	25%	-148	-185
Profit before tax	392	402	3%	2,913	2,989
Net profit	286	289	1%	2,126	2,149
Financial ratios					
Local currency growth (%)	18	46	28	18	46
EBITDA before OOI/E margin (%)	17.8	15.5	-2.3	17.8	15.5
EBITDA margin (%)	17.4	13.7	-3.7	17.4	13.7
EBITA margin (%)	13.8	11.6	-2.2	13.8	11.6
EBIT margin (%)	12.6	8.7	-3.9	12.6	8.7
Balance sheet					
Total non-current assets	4,001	6,871	72%	29,751	51,112
Total assets	8,850	10,575	19%	65,811	78,669
Total shareholders' equity	3,525	4,256	21%	26,209	31,664
Net interest-bearing debt	471	3,061	550%	3,503	22,772

Conversion factor between DKK/EUR: Profit and loss account and cash flow statement: 0.1344 (2021: 0.1345).

Balance sheet: 0.1344 (2021: 0.1345).

Key figures and financial ratios are calculated as defined in Note 27 in the Annual Report for 2021.

	EURm	EURm	Change	DKKm	DKKm
	H1 2021	H1 2022	in %	H1 2021	H1 2022
Cash flow statement					
Cash flow from operating activities	194	-38	-120%	1,444	-281
Cash flow from investing activities	-102	-218	114%	-761	-1,623
Hereof:					
Acquisition of/Proceeds from disposal of property, plant and equipment	-93	-141	52%	-688	-1,049
Acquisition of/Proceeds from disposal of subsidiaries and activities	-1	-70	***	-12	-520
Cash flow from financing activities	1,848	72	-96%	13,741	533
Financial key figures					
Free operating cash flow	165	-63	-138%	1,230	-465
Free operating cash flow after financial items and tax	63	-226	-459%	472	-1,684
Free cash flow	62	-296	-577%	459	-2,200
Financial ratios					
Equity ratio (%)	39.8	40.2	0.4	39.8	40.2
Leverage ratio (%)	13.4	71.9	58.5	13.4	71.9
Net interest-bearing debt to EBITDA ratio	0.4	2.2	1.8	0.4	2.2

Front page photo:

Ellen, the longest ranging fully electric ferry in the world, set a new world record on June 9, 2022. On her return from the International Energy Agency's (IEA) annual global conference on energy efficiency in Sønderborg, Ellen reached a total of 50 nautical miles – 92 kilometers – on a single battery charge. Danfoss supplied electric drivetrains and propulsion motors for the ferry.





Financial **update**

Transformational growth in sales of 50%, including the 2021 acquisition of Eaton's hydraulics business. Organic growth was 13%. EBITA grew 27% and reached a margin of 11.6%. The strong growth, supply chain disruptions, and rising inflation resulted in higher trade working capital, reducing the cash flow. Danfoss continued to push high investments in innovation and closed the transaction to create the joint business Semikron Danfoss. Outlook for 2022 raised.

It is Danfoss' ambition to become the preferred technology partner for our customers in the green transition – decarbonizing through energy efficiency, machine productivity, low emissions, and electrification.

Sales

In the first six months of 2022, Danfoss saw strong demand in all markets. Sales grew, despite increased volatility in our global markets deriving from supply chain disruptions, high cost inflation, zero tolerance COVID-19 lockdowns in China, and the war in Ukraine.

Group sales increased 50% to EUR 4,906m (H1 2021: 3,265m), with organic growth of 13%. The acquired hydraulics business added sales of EUR 1,124m.

Growth was broadly based across the major markets of North America, Europe, and Asia-Pacific. Danfoss Power Solutions stood out with significant growth, and Danfoss Climate Solutions and Danfoss Drives were also well ahead of the prior-year period.

Exit from Russia

Due to the war in Ukraine, Danfoss decided to initiate an exit from Russia and Belarus on April 1, 2022. On July 15, 2022, Danfoss signed the agreement to sell its Russian businesses to the local management in Russia. Closing of the transaction is expected in September 2022. Following the exit from Russia, Danfoss will not sell products to Russia.

Towards the end of April 2022, Danfoss was able to restart business in Ukraine to help minimize the infrastructure damage of the war by supplying solutions for district heating and water supply – while keeping the safety and security of our team a top priority.

Earnings

After continued high levels of strategic investments in innovation, production capacity, digital transformation, and initiatives to fuel future growth as well as integration costs, the operating profit (EBITA) increased 27% to EUR 570m (H1 2021: 449m). The EBITA margin reached 11.6% (H1 2021: 13.8%).

Earnings were driven by the higher topline and continued traction in managing procurement savings, factory performance, as well as customer pricing and mix. To some extent, this countered the inflationary cost pressure from increasing raw material prices, freight cost, and spot buys related to the supply chain bottlenecks. All segments and regions are managing the challenging supply situation and increasing cost in the inflationary environment. In addition, EBITA was negatively impacted by costs related to the integration of the acquired hydraulics business.

Danfoss has reassessed net assets at fair value in relation to the Russia exit. This resulted in a write-down of EUR 82m, impacting EBIT. As a result, net profit reached EUR 289m (H1 2021: 286m).

Innovation

Danfoss continued to push high investments in innovation across the business segments to improve the performance of our products and solutions and fuel future growth. Research and

development expenses increased 38% to EUR 212m (H1 2021: 154m), corresponding to 4.3% of sales (H1 2021: 4.7%).

Balance sheet

On June 30, 2022, total assets increased 19% to EUR 10,575m (H1 2021: 8,850m), mainly due to the acquired hydraulics business. Furthermore, the strong growth, supply chain disruptions, and rising inflation resulted in higher trade working capital. Equity amounted to EUR 4,256m (H1 2021: 3,525m), predominantly influenced by the profits. The equity ratio was 40.2% (H1 2021: 39.8%).

On June 30, 2022, the net interest-bearing debt amounted to EUR 3,061m (H1 2021: 471m), leading to a net interest-bearing debt to EBITDA ratio of 2.2 (H1 2021: 0.4). The increase can mainly be ascribed to the acquisition of the hydraulics business.

At the end of June 2022, 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 -226m (H1 2021: 63m). This is including the higher level of investments in innovation and production capacity as well as additional trade working capital due to the growth in activity levels.

The cash flow from operating activities amounted to EUR -38m (H1 2021: 194m), driven by a higher level of inventory and

receivables. Cash flow from investing activities amounted to EUR -218m (H1 2021: -102m), driven by M&A activities, investments in machinery and equipment, and our digital transformation. The write-down of net assets related to the Russia exit impacted the cash flow from M&A negatively by EUR 35m.

The cash flow from financing activities amounted to EUR 72m (H1 2021: 1,848m). Last year's level reflected the bond issuance

related to the acquisition of the hydraulics business.

Employees

On June 30, 2022, the number of employees was 40,678 against 28,420 employees at the same time last year, mainly due to the integration of new colleagues from the acquired hydraulics business.

Executing ESG ambitions

Danfoss launched its 2030 ESG ambitions on decarbonization, circularity, and diversity & inclusion in April 2022. The ESG ambitions are an important part of Danfoss' Core & Clear 2025 strategy. By integrating sustainability in our strategy and daily practices, Danfoss wants to reinforce our position as one of the leaders of the green transition.



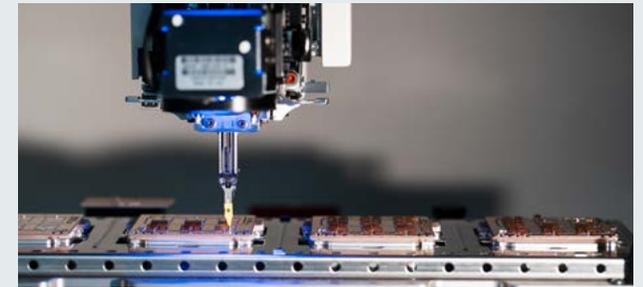
Danfoss Power Solutions

Danfoss Power Solutions more than doubled its sales compared with the first half last year. The demand from the mobile and industrial hydraulic industry remained high, leading to record order intake, strong organic growth, and added sales from the hydraulics acquisition. Sales grew strongly in all regions. However, sales were challenged by supply chain disruptions and COVID-19-related factory lockdowns in China. Power Solutions continued to see high inflationary pressure on raw materials, freight rates, and spot buys, which was countered by productivity improvements and proactive pricing measures. The EBITA margin was below the prior-year period.



Danfoss Climate Solutions

Danfoss Climate Solutions had a strong start to 2022 with sales being well ahead of the first half last year. Growth was driven by initiatives in many countries focusing on heat pumps to replace fossil fuels, sustainable data centers, and decarbonization by improving energy efficiency in supermarkets and other buildings. Most regions grew strongly, but growth in China slowed down due to COVID-19 lockdowns. The strong global rebound continued to push high inflationary pressure on raw material prices, freight rates, and component availability. The EBITA margin was slightly below the prior-year period.



Danfoss Drives

Danfoss Drives delivered strong sales growth in the first half of the year, despite the volatile market dynamics. The market for AC drives and power semiconductors was strong, resulting in a continuously high order intake. Most regions grew, but growth was challenged by electronic components shortages and COVID-19 lockdowns in China. The strong market growth continued to drive high inflationary cost pressures. Despite improved factory performance and proactive pricing actions, the EBITA margin was below the prior-year period.



Danfoss will become carbon neutral in all our own global operations by 2030. The world's industry sector accounts for 39% of all energy-related carbon emissions according to the International Energy Agency (IEA). Our 250,000 m² headquarters campus in Nordborg pioneers decarbonization with our own energy-efficient solutions. The Nordborg campus will become carbon neutral in 2022, and a new factory at our campus in Grodzisk, Poland, is carbon neutral already.

Additionally, Danfoss' ambitious climate targets were approved by the Science Based Targets initiative (SBTi) in June 2022. Science-based targets provide a clearly defined pathway for companies to reduce their greenhouse gas (GHG) emissions in line with the goals of the Paris Agreement and help to prevent the worst impacts of climate change.

The SBTi validated that Danfoss' GHG emissions reduction targets were in conformance with the SBTi criteria and recommendations. The SBTi determined that Danfoss' scope 1 and 2 target is in line with limiting global warming to 1.5°C. As part of the science-based target, Danfoss is required to reduce absolute scope 1 and 2 GHG emissions by at least 46.2% by 2030 from a 2019 base year. Danfoss goes beyond this requirement and has committed to being carbon neutral in scope 1 and 2 by 2030. Danfoss will reduce absolute scope 3 GHG emissions by 15% in the same time frame.

Energy efficiency conference in Sønderborg, Denmark

In June 2022, government ministers, CEOs, and other leaders gathered in Sønderborg at the IEA's seventh annual global conference on energy efficiency. Danfoss is

proud to have supported the world's most prominent energy efficiency conference, which hosted more than 250 participants, including more than 20 climate ministers.

At the conference, Danfoss successfully highlighted the important role of energy efficiency. The conference resulted in a joint statement called "The Sønderborg Action Plan," acknowledging the importance of energy efficiency and a promise to implement and increase energy-efficient solutions and technologies globally.

Board of Directors of Danfoss A/S

After the Annual General Meeting held on March 25, 2022, the Board of Directors elected Jens Bjerg Sørensen as the new Chair of Danfoss A/S. Furthermore, Karin Dohm was elected new Chair of the Audit Committee. Please see all members of the [Board of Directors of Danfoss A/S at danfoss.com](https://www.danfoss.com).

Semikron Danfoss joint venture

On March 29, 2022, SEMIKRON and Danfoss Silicon Power announced the merger to create a new joint business called Semikron Danfoss. The transaction was closed on August 1, 2022, adding 3,000 new colleagues in Danfoss.

Semikron Danfoss is specialized in power electronics focusing on power semiconductor modules. The power semiconductor module is at the heart of all electronic solutions. The module is built of power semiconductors that make it possible to convert and control electrical power, which is an increasingly important energy source.

Semikron Danfoss will leverage its strong core business in industrial and renewable

power module applications, targeting a leading position in automotive power modules. Semikron Danfoss will set the trend and drive the technology shift into silicon carbide solutions in both automotive and industrial applications.

Semikron Danfoss is owned by the current owner-families of SEMIKRON and the Danfoss Group, with Danfoss being the majority owner. Semikron Danfoss retains the two main locations in Germany, Nuremberg and Flensburg, with existing production facilities, customer and supplier relationships, and distribution channels.

Events after the balance sheet date

On July 5, 2022, an agreement to sell the Danfoss Power Solutions orbital motor business and assets in Zhenjiang (Jiangsu), China, was signed with buyer Impro Fluidtek Limited, an indirectly wholly owned subsidiary by Impro Precision Industries Limited, which announced the deal to the Hong Kong stock exchange. As previously announced, the divestment was a necessary condition by the State Administration for Market Regulation in China (SAMR) to reach approval to close the 2021 acquisition of the hydraulics business. Impro Fluidtek Limited has been approved by SAMR as an appropriate buyer. Closing is expected in Q4 2022.

We are not aware of any events after the balance sheet date of June 30, 2022, that could be expected to have a material impact on the Group's financial position.

Outlook for 2022 raised

Danfoss assumes a continued growth in the second half of the year with an ambition to expand or maintain market share. Due to a strong sales performance

in the first half of 2022 and the closing of the Semikron Danfoss transaction, sales are now expected to be in the range of EUR 9.5-10.2 billion for the full year compared to previous expectations of EUR 8.8-9.8 billion. The expected EBITA margin in the range of 11.4-12.9% is unchanged, leading to an increase in EBITA in nominal figures. This is following continued investments in the development of new products and solutions. The expected growth and profitability performance is dependent on the development of the COVID-19 pandemic, global supply chain disruptions, as well as the current volatility in the world economy.

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 2021. We do not assume any obligation to update these forward-looking statements.



IEA conference in Sønderborg

Danfoss successfully highlighted important and innovative solutions to increase energy efficiency. Ministers and other participants visited a zero-emission construction site of the future that showcased how Danfoss is helping decarbonize construction machines. The construction industry accounted for a total of 20% of global energy-related carbon emissions in 2020*. By combining energy-efficient solutions and electrification in an excavator, just a quarter of the energy input is needed to do the same job. Continued improvements in energy efficiency will pave the way for full electrification of the construction industry – reducing emissions, noise, and air pollution in cities all over the world.

See [whyee.com](https://www.whye.com) for more information.

*IEA (2021). Tracking Buildings 2021.



Energy efficiency paves
the way for **zero-emission**
construction sites



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

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