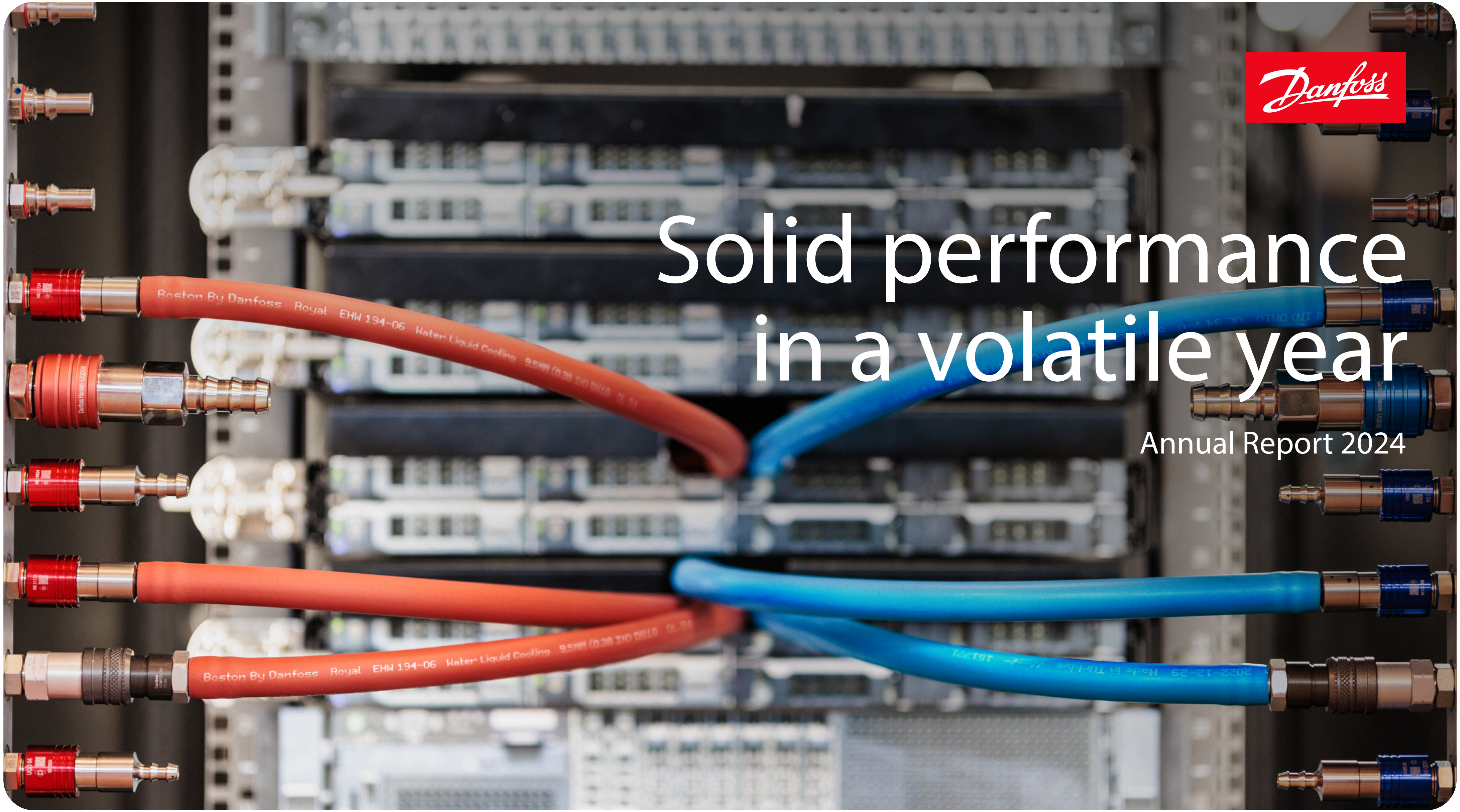
Solid performance in a volatile year

Annual Report 2024



Explore our solutions
danfoss.com

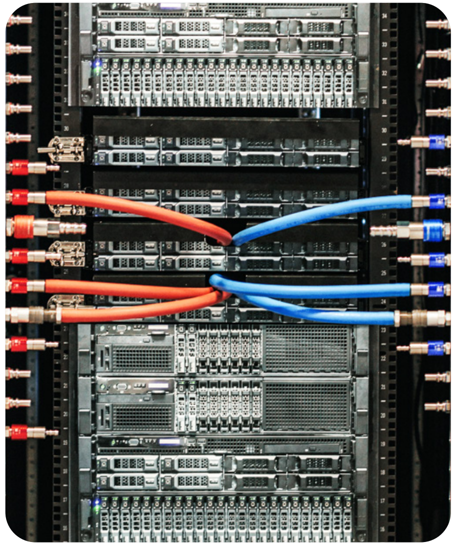
Management review

Sustainability statement

Financial statements

Cover photo

The rapid rise of artificial intelligence is leading to significant data center growth. Danfoss has become a leading supplier for the cloud service providers and chip manufacturers building these facilities, engineering solutions for a range of applications. Our liquid cooling components, for example, help data centers maximize energy efficiency while minimizing cooling costs and ensuring reliable operations.



Letter from the CEO

Solid performance in a volatile year

For more than 90 years, our commitment to strong partnerships with our customers and continued investments in the future has been instrumental in ensuring our resilience and ongoing success. Our continuous focus on engineering solutions that increase machine productivity, reduce emissions, lower energy consumption, and enable electrification delivers long-term economic and sustainable value for all our stakeholders.

In 2024, we delivered a solid operational performance despite challenging market conditions. Most of our core businesses demonstrated resilience throughout the year. However, lower demand was particularly evident in the agriculture and construction markets, as well as in the automotive/electric vehicle market.

Despite the significant challenges in several of the markets we operate in, we have proactively managed our business performance throughout the cycle. By learning from the past, we have taken decisive actions to evolve our operating model to better serve our customers, improve competitiveness, and enable faster decision-making and a more responsive organization.

With strong partnerships and bold investments, we continue to expand our offering of competitive, innovative, and best-in-class technology and solutions. We are committed to driving competitive decarbonization together with our customers, creating value with leading positions, sustainable innovation, and leading application know-how. In this 2024 integrated annual report, we are proud to share the financial and sustainability outcomes and to highlight the achievements of our global teams. This report underscores our dedication to creating long-term value for our customers, partners, and other stakeholders — and I am glad to start with a few highlights.

We further solidified our partnerships with OEMs and distribution partners around the world. It was inspiring to see how most of our core divisions demonstrated resilient performance throughout the year, and we successfully completed the full integration of the Eaton Hydraulics acquisition within the Danfoss Power Solutions segment. Furthermore, we reinforced our position in selected high-growth market segments like data centers, commercial heat pumps, and selected electrification and marine applications.

"Our commitment to strong partnerships with our customers and continued investment in the future has been instrumental in ensuring our resilience and ongoing success through the cycles of our business. In 2024, we have taken important steps to set Danfoss up for the future by evolving our operating model to better serve our customers, improve competitiveness, and enable faster decision-making and a more responsive organization."

Kim Fausing
President and CEO

To serve our customers even better and to set Danfoss up for the future, we transformed our operating model in 2024 through further decentralization. This transformation prepares us for the significant growth potential that lies ahead of us. Our goal is to move closer to our customers and become easier to do business with. We aim to strengthen innovation and our entrepreneurial mindset, as well as improve our cost competitiveness and responsiveness by increasing speed in decision-making. Going forward, we will operate Danfoss in three business segments and 16 divisions, supported by a lean corporate center.

In 2024, we continued to make significant investments in innovation and new technology to lead in sustainability, electrification, and digitalization, thereby increasing our customers' competitiveness.

Let me share a few examples:

- We continue to make significant investments in our core hydraulics and electrification product portfolio. In Industrial Hydraulics, we launched the next generation PVM Variable Displacement Piston Pump with a variety of control options to optimize efficiency. In electrification, we launched the Editron ED3 onboard charger, delivering the highest AC charging power available on today's market, which allows heavy-duty electric vehicles to be charged overnight using readily available AC power outlets. We strengthened our offering in autonomous solutions for on- and off-highway applications, which cover autonomous software, hardware, and engineering services for the machines of tomorrow.

- We invested in optimizing solutions for large commercial heat pumps and chillers with a strong portfolio of heat exchangers, controls, compressors, and variable speed drives. Oil-free turbo chillers have been proven to deliver the best efficiencies in demanding applications. After pioneering oil-free technology with our Turbocor® compressor, Danfoss now offers a wide portfolio of components for use in oil-free systems.

- We have continued the conversion to our new iC motor drives platforms. Our new platform of intelligent converters is optimized for cybersecurity, edge computing, and industrial IoT. The platform provides future-proof power conversion and motor control.

Today, Danfoss is a global company with balanced sales and a strong local presence across the Americas, Europe, and Asia, serving customers worldwide. This is why we have continued to invest in regionalizing our factory footprint, increase capacity, and implementing factory automation to better serve our customers, improve resilience, and reduce emissions.

We continue to make significant progress in sustainability. We are ahead of our plans to decarbonize our own operations, which includes significant achievements in China.

Results are created by people and our high-performing, diverse teams. As I reflect on our achievements in 2024, many of which are highlighted in this report, I am proud of what we have accomplished together.

The engagement, resilience, and determination in overcoming challenges and driving impact exemplify the exceptional talent that is fueling our success.

The diverse backgrounds of our global teams, their experiences, and perspectives are a source of innovation and competitive advantage, while our Behaviors are fostering the entrepreneurial spirit and growth mindset, in a highly inclusive working culture.

I sincerely thank our customers and partners for their support and collaboration throughout the year. I am excited to see how we continue to deepen our relationships with all of you.

While global economic uncertainties and geopolitical instability may cause market fluctuations, I am convinced that our business is well-positioned to support our customers in building a better and more sustainable future.

I am confident that Danfoss' best days lie ahead.

Kim Fausing
President & CEO

Management review

Aurora Botnia, a Ro-Pax ferry operating in the Baltic Sea, uses low-emission hybrid technology together with battery energy-storage systems supported by iC7-Marine drives and power converters from Danfoss. When approaching harbor, the ferry switches to battery power to ensure zero emissions in port. When berthed, the power converters ensure seamless matching of the ferry power grid to the harbor shore supply. CO_2 emissions on this route are significantly reduced, and the potential for similar emissions reduction in the short-sea marine sector is vast.

We leverage digital factory automation to constantly improve performance. Danfoss Power Solutions in Nordborg, Denmark, has implemented robots to transport components.

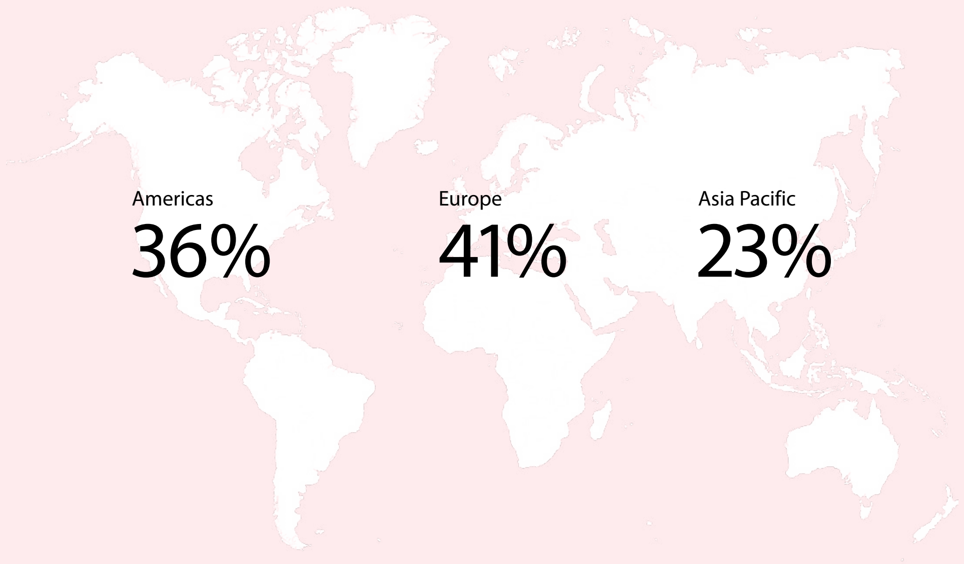
Danfoss at a glance

Content

Danfoss in brief

We engineer solutions that increase machine productivity, reduce emissions, lower energy consumption, and enable electrification.

Worldwide sales



Employees worldwide

39,360

people creating results

Global sales

EUR 9.7bn

Business segments

Danfoss
Power Solutions

Share of sales: 43%

Full solutions capabilities in mobile and industrial hydraulics, fluid conveyance, electrification, and software

Danfoss
Climate Solutions

Share of sales: 32%

Energy-efficient heating and cooling solutions for industrial applications, buildings, infrastructure, and the entire food and cold chain

Danfoss
Power Electronics and Drives

Share of sales: 25%

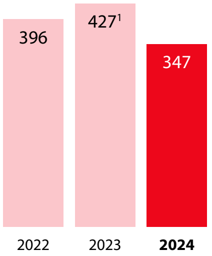
Clean-energy solutions including AC drives, power semiconductor modules, and electrification in automotive and various industries

Highlights 2024

In 2024, we delivered solid operational performance. We continued with significant investments in delivering competitive and innovative solutions as well as regionalizing our factory footprint, thereby continuing to execute on our green growth strategy and maintaining focus on the long term. Furthermore, we have made significant progress in sustainability, especially in the decarbonization of our own operations.

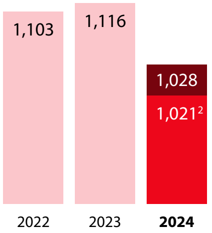
Decarbonizing operations
Total scope 1 and 2 GHG emissions ($ktCO_2e$)

-19%



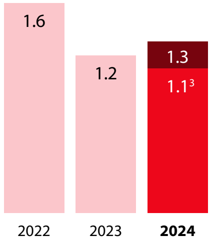
Energy consumption
MWh

-9%[2]



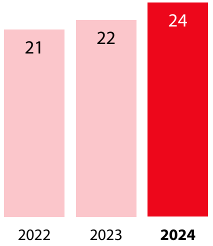
LTIF
Number of incidents per million hours worked

-0.1[3]



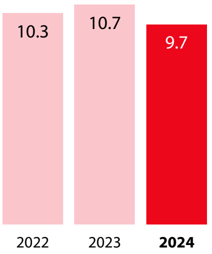
Women in leadership positions
%

+2%-points



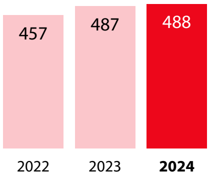
Sales
EURbn

-9%
sales growth



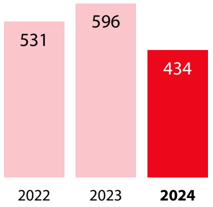
Innovation
EURm

5.0%
of sales



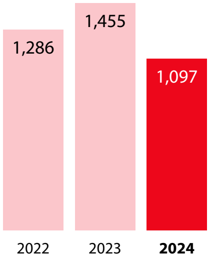
Investments excl. M&A
EURm

4.5%
of sales



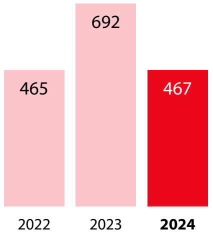
Operational EBITA[4]
EURm

11.3%
of sales



Cash flow
EURm

126%
of net profit



[1] Addition in 2023 of SEMIKRON acquisition accounts for 99 $ktCO_2e$.
[2] Excl. newly acquired BOCK® Compressors, not included in 2023.
[3] Excl. the newly acquired SEMIKRON and BOCK® Compressors, not included in 2023.
[4] EBITA before integration costs and OOI/E.

Our transformation highlights

Results are created by people

"Our biggest asset in Danfoss is our people. High-performing, diverse teams are the key enabler of our innovative solutions, which make us a preferred partner for our customers."

Ilonka Nussbaumer
Executive Vice President,
Group Human Resources

We want Danfoss to be an attractive place to work, where people are motivated and engaged, with a clear feeling of being included, valued, and respected.

In 2024, we maintained a strong focus on developing and retaining our high-performing diverse teams. By rotating team members across businesses and functions and running mentoring programs, as well as other career development initiatives, our people have the opportunities to learn and grow.

Our Behaviors are key to our success and deeply ingrained in our operating model to strengthen the entrepreneurial mindset and empower our teams. We aim to move even closer to our customers, increase customer satisfaction, and our competitiveness. With the decentralization of our operating model, we aim to improve speed, cost competitiveness, and accountability across the organization.

Empowering our teams
Our Foundation is our high-performing diverse teams, and our three overarching Behaviors serve as guidance when we make business decisions. Danfoss is built on a strong entrepreneurial mindset, which we want to strengthen even further. We want to ensure that our Behaviors are an integral part of how we work.

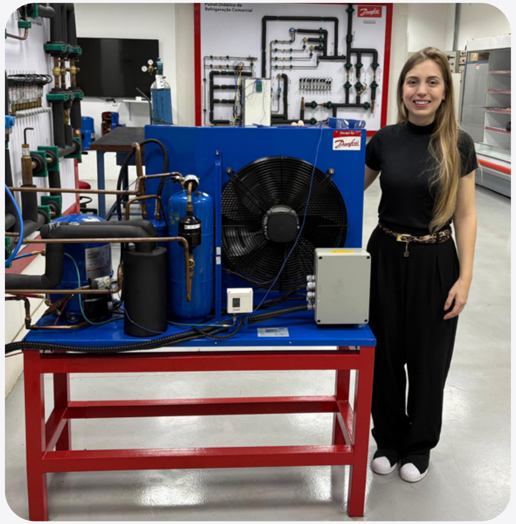
Our Behaviors

- Frontline passion
- Run the business — like your own
- Think Danfoss

Frontline passion

"To me, *Frontline passion* means that we truly understand customer needs. This helps us to develop an optimized application-specific solution and deliver it with quality and on time. I am truly inspired by the diverse and talented colleagues in my team who bring different backgrounds, experiences, and viewpoints. Together, we develop and design condensing units used, for instance, in larger cold rooms in supermarkets. I am proud to be part of a company that values an inclusive workplace and makes a positive impact on the world."

Gabrielle, Product Engineer,
Danfoss Climate Solutions,
Brazil



Our transformation highlights

Run the business — like your own

"Run the business — like your own is a behavior which also applies to personal development. In my team, we develop simulation tools for inverters. I see many personal development opportunities in working with various application teams. The innovative mindset and the team spirit are truly inspiring and always lead to improvements and better solutions. Simulation tools are used across Danfoss, and this opens the opportunity for me to work in other Danfoss businesses. Potentially, anywhere in the world!"

Jasmin, Software Engineer,
Danfoss Power Electronics and Drives, Denmark

Think Danfoss

"*Think Danfoss* means that we work together across businesses to leverage synergies and provide the best solutions. In Danfoss, we serve many data center applications, both air and liquid cooling solutions, through our three business segments. Our deep application know-how, advanced technologies, and broad portfolio of compressors, heat exchangers, drives, hoses, and controls enable us to help data center owners become more sustainable and competitive. I am always surprised about how we come up with better solutions when we work in teams."

Sankar, Global Solutions Expert,
Danfoss Power Solutions, India

Our transformation highlights

Regionalizing our footprint to become more resilient, competitive, and sustainable

"We firmly believe in the long-term growth opportunities for Danfoss and in offering great service to our customers all over the world. This is why we continue to invest in factory automation and in regionalizing our supply chain to become more resilient."

Jesper V. Christensen
Chief Financial Officer

As the underlying megatrends continue to be strong and provide attractive growth opportunities for our three business segments, we have maintained our strategic priorities and invested in extending and regionalizing our factory footprint to move closer to our customers to become more resilient, improve service levels, and reduce emissions.

Today, Danfoss is a global company with balanced sales and a strong local presence across the Americas, Europe, and Asia, serving customers worldwide. During 2024, we added further capacity in the Americas, Europe, and Asia. Key sites include Haiyan, China; Nanjing, China; Tallahassee, USA; Monterrey, Mexico; Dubnica, Slovakia; and Silkeborg, Denmark.

In 2024, our total capital expenditure was EUR 434m, corresponding to 4.5% of sales, which is 28% lower than last year as we have adjusted to the current market volatility. We have maintained investments in our strategic priorities, like regionalization of our factory footprint, implementation of factory automation, increased production capacity, and in digitalizing Danfoss.

Case story

Regionalization — An example from Haiyan, China

We have strengthened our China-for-China set-up by establishing a second campus in the city of Haiyan, China. The facility is 115,000m^2. During 2024, we signed a power purchase agreement covering 100% green electricity for our two campuses in Haiyan, reducing our carbon emissions by 40,000 tons every year as of 2025, which is equivalent to 33% of Danfoss emissions in China and 9% globally.

Our transformation highlights

Completing the integration of Eaton Hydraulics

Strategic M&As provide a key lever in the transformation and growth of Danfoss. In August 2021, we formally closed the acquisition of the Eaton Hydraulics business with completion of integration activities in 2024.

By merging Eaton's hydraulics business with Danfoss Power Solutions, we doubled the size of our hydraulics operations, welcomed thousands of new colleagues, and improved our position in the industry. We further strengthened our business as a global leader in mobile and industrial hydraulics and became a more innovative technology partner for existing and new customers.

Today, Danfoss Power Solutions has the broadest selection of mobile and industrial hydraulics products and solutions available on the market, with the full-line portfolio including fluid conveyance and industrial offerings. Throughout the acquisition, we enhanced our position in the aftermarket business and significantly increased local application and engineering support as well as geographical presence.

We have now completed the integration, building on the existing strengths of both companies, which have proven to be a perfect match.

Based on customer feedback, we transformed our operating model in 2024 to become easier to do business with, by improving our speed, responsiveness, and accountability across the organization. With the implementation of common Danfoss platforms and systems across the Eaton Hydraulics locations, we have completed the integration.

Our transformation highlights

Differentiating through sustainable innovation

With strong partnerships and bold investments, we continue to expand our offering of competitive, innovative, and best-in-class technologies and solutions.

We have maintained a high level of innovation spend of EUR 488m, corresponding to 5.0% of sales. This is the same absolute level as in 2023, re-confirming our commitment to strengthen the leading positions in our core businesses and build new high-growth businesses to accelerate competitive decarbonization.

Sustainability: In our core businesses, we develop more energy-efficient and circular products as well as solutions that reduce energy consumption, increase productivity, and reduce carbon emissions.

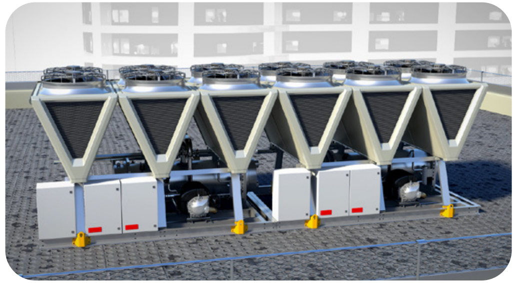
Electrification: We aim to build a leading position in full-electric and hybrid solutions, as energy systems electrify and it is critical to improve the efficiency in machines, infrastructure, and industry.

Digitalization: We aim to take a leading position in Digital, adding further value from core products and solutions by leveraging application data and digital engineering enablers such as AI to continuously reduce our time to market.

Danfoss Power Solutions

2024 highlights

- We continued to invest in our digital capabilities to differentiate in control systems, e.g., celebrating 20 years of proven success with our market-leading PLUS+1® platform and software updates.
- We continued to invest in new market-leading hose and connector solutions for liquid cooling in data centers.
- We launched an onboard charger that offers the fastest charging solutions for emission-free on-highway trucks, showcasing our leading electrification portfolio.



Danfoss Climate Solutions

2024 highlights

- We invested in Danfoss Turbocor® oil-free centrifugal compressors for the HVAC industry with active cooling for higher temperatures in heat pumps and chiller applications.
- We launched optimized heat recovery- and pump stations to decarbonize in industries, institutional buildings, and data centers.
- Award-winning new generation of our Danfoss Alsmart™ universal controller platform featuring optimized application software e.g., for residential, and commercial heat pumps, cooling distribution units in data centers, and compressor controls.

Danfoss Power Electronics and Drives

2024 highlights

- We finalized the introduction of the iC2-Micro drive, a forerunner in its class: Outstanding ease of use, reduced system complexity, and costs for customers while maintaining peak performance.
- We continued the roll-out of iC7, our premium next-generation intelligent drives, optimized for cybersecurity, edge computing and Industrial IoT in automation, and equipped Marine, Power-to-X, and electrification sectors with future-proof power conversion and motor control.
- We launched Semikron Danfoss Silicon Carbide-power modules, making SiC-equipped motor drives a reality.

Our transformation highlights

Leading application know-how in action to improve solutions for customers

In our Application Development Centers (ADCs), our expert teams work closely with customers to optimize solutions. By showcasing our solutions and technologies, into real-world customer applications, we are able to demonstrate the value of our offerings.

In 2024, we expanded the capacity of our Application Development Centers globally. In the US, we expanded our ADC in Danfoss Power Solutions and added test facilities in Danfoss Climate Solutions for sustainable and natural refrigerants. In Europe, we established a unique Heat Pump Test Facility capable of testing air-to-water heat pumps and air-cooled water chillers.

Furthermore, we inaugurated our Sustainability Technology Center in Singapore, showcasing technologies to decarbonize cities and improve energy efficiency across various sectors, like Buildings, Food & Beverage, and Marine.

Danfoss Power Solutions

ADCs in the US, Europe, and China that focus on optimizing on- and off-highway applications, including full electric and hybrid solutions.

Danfoss Climate Solutions

ADCs in the US, Europe, India, Singapore, and China that focus on optimizing applications for residential and commercial HVAC, heat pumps, chillers, and supermarket cooling.

Danfoss Power Electronics and Drives

ADCs in the US, Europe, Singapore, and China that focus on optimizing applications in HVAC, marine electrification, and heavy industries.

Our transformation highlights

Operational excellence — a precondition for success

"Our continuous improvement approach builds on stretched target setting, structured capability building, and systematic performance management. Stretched target setting triggers more improvement ideas and drives greater results."

Bendt J. Jorgensen
Senior Vice President, Danfoss Business System

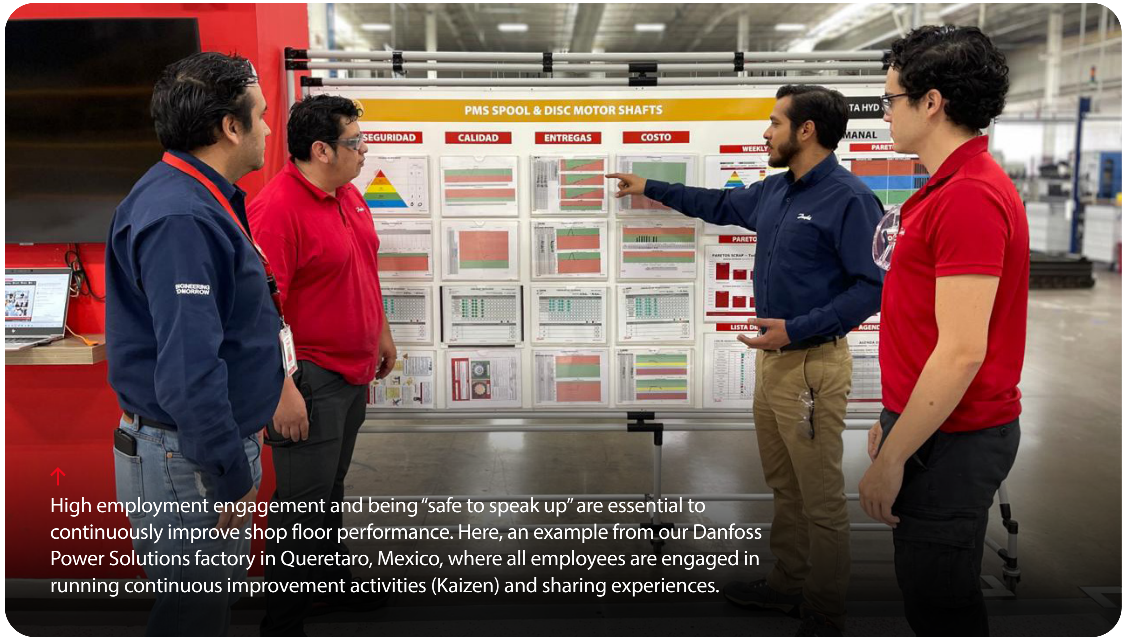
We drive competitiveness through our Danfoss Business System approach to ensure operational excellence in Safety, Quality, Lead Time, and Productivity in all our factories.

To drive performance in our factories, we have implemented a continuous improvement approach based on Plan-Do-Check-Act.

The shop floor performance boards provide full transparency of current performance against clearly defined targets within Safety, Quality, Lead Time, and Productivity. Deviations from targets trigger improvement ideas, which is why we always work with stretch targets. Identified deviations are addressed through structured root-cause problem-solving to ensure timely implementation of corrective actions.

The daily board meeting enables everybody to engage in addressing deviations and proactively increase factory performance. We systematically train our colleagues on the shop floor and empower them to take full responsibility to drive performance in their respective areas.

We have successfully implemented our Danfoss Business System approach in factories acquired from Eaton's hydraulics business, SEMIKRON, and BOCK® Compressors, including updating our approach with good practices identified during the implementation.



High employment engagement and being "safe to speak up" are essential to continuously improve shop floor performance. Here, an example from our Danfoss Power Solutions factory in Queretaro, Mexico, where all employees are engaged in running continuous improvement activities (Kaizen) and sharing experiences.

Our transformation highlights

Significant progress in sustainability

"I'm very proud of the progress made in sustainability this year. Highlights include the continued decarbonization of our own operations — especially the strong performance in China — the emerging scope 3 emissions reductions, and the increase of women in leadership positions. Also, our double materiality assessment reconfirmed our step-change initiatives."

Torben Christensen
Chief Sustainability Officer & Head of Global Services

Like operational excellence, sustainability is a key driver of competitiveness and an integrated part of our green growth strategy. We have made significant progress on our step-change initiatives: Decarbonization, Circularity, and Diversity, Equity, and Inclusion.

Not all our contributions towards a more sustainable society are visible in this annual report. All the products and solutions we bring to market, both mechanical and electrical, are engineered *to do more with less*. In other words, our products contribute significantly through the emissions they help avoid when in use. In addition, our Danfoss Climate Solutions segment is the global technology leader in transforming industries within refrigeration, air conditioning, and cooling to move away from harmful refrigerants towards natural and low global warming potential refrigerants.

Decarbonization
We continued to decouple our own emissions from our sales growth. With a 19% emissions reduction and an organic sales growth of -9%, we are well on track to achieving our 2030 target of reducing our emissions by at least 90% compared to our 2019 baseline. A highlight in 2024 has been the significant steps we have taken in China to decarbonize our factories. Within the next 1-2 years, we expect to have fully decarbonized our operations in China.

Our new supplier engagement program, the 'Green Ask' initiative, covers more than 40% of our EUR 3.5bn annual purchase spend. Through this program, we have achieved more precise data on sourced products and identified competitive decarbonization initiatives. We have also managed to reduce emissions related to purchased goods and services from our suppliers by 22% compared to the previous year.

We improved the calculation methodology for emissions related to the use of some of our products, based on recommendations from industry associations, new insights, and best practices. In 2024, the direct emissions from the use of our sold products have been reduced by 2% compared to 2023.

Circularity
We have implemented our Danfoss Circularity Framework, Sustainable Design Guide, and toolbox, targeting 80% of newly developed products launched to be covered by our circularity approach by 2030. In our first year of implementation, we reached 25% coverage for all new product development projects. In addition, we also help our customers meet their own circularity commitments by offering retrofit, take-back, and recycling services. In 2024, we realized a 5% increase in our circular business revenues.

Our people
We increased the share of women in leadership positions to 23.7% (2023: 22.1%). We remain committed to our target of achieving 30.0% women leaders, but we have realized that it will take longer than expected. In many of our Group, Shared, and Corporate functions, we have gender parity, also in leadership positions.

However, like many others in our industry, we are faced with systemic gender balance challenges within business areas such as technical sales, operations, and engineering. To tackle these challenges, we have launched a number of initiatives to fuel our pipeline of women leaders.

After achieving a very strong increase of 8.1%-points in Management Team Diversity from 2022 to 2023, we saw a decrease of 2.4%-points to 73.1% in 2024. Despite this, we are still confident that we are well on track to reach our 80% target for levels 1-4 by 2030.

Case story

Accelerated career development for diverse talents

To preserve key competences and foster gender and age diversity within the Sales and Application Engineering teams in Danfoss Power Electronics and Drives, we have introduced a Trainee Program. In this program, we partner trainees with senior sales and application specialists to enable an accelerated on-the-job competence development. Launched four years ago, the program has consistently attracted a growing number of participants. By pairing trainees with senior colleagues, the program accelerates skills development and encourages knowledge transfer. Currently, the program supports 20 trainees, 10 of which are women.

Nadia Bacha, Inside Sales Engineer, Grodzisk Mazowiecki in Poland shares:
"I work alongside senior colleagues on key energy-saving projects, developing innovative solutions. It's incredibly inspiring to engage with the business and be on the front lines, where decisions matter, and I see the impact of my work with my solutions being implemented at the customers."

Nadia is particularly passionate about water and wastewater treatment as well as electrification projects that bring clean drinking water and energy independence to communities. This rewarding career path has been made possible by Danfoss' supportive work environment.

The greatest reward for Danfoss is to transfer the valuable knowledge of our senior colleagues to the younger, digitally-native generation. Pairing both skill sets creates a powerful synergy that significantly enhances the value we bring to our solutions.

Financial highlights

	EURm 2020	EURm 2021	EURm 2022	EURm 2023	**EURm 2024**
Profit and loss account					
Net sales	5,828	7,539	10,256	10,654	9,674
EBITDA before OOI/E	1,008	1,232	1,618	1,786	1,465
EBITDA	954	1,272	1,576	1,768	1,350
Operational EBITA	757	1,002	1,286	1,455	1,097
EBITA	723	969	1,224	1,345	870
EBIT	625	877	1,043	1,252	754
Financial items, net	-48	-58	-94	-175	-162
Profit before tax	577	819	949	1,077	592
Net profit	435	631	683	819	370
Financial ratios					
Local currency growth (%)	-6	31	31	7	-9
EBITDA before OOI/E margin (%)	17.3	16.3	15.8	16.8	15.1
EBITDA margin (%)	16.4	16.9	15.4	16.6	14.0
Operational EBITA margin (%)	13.0	13.3	12.5	13.7	11.3
EBITA margin (%)	12.4	12.8	11.9	12.6	9.0
EBIT margin (%)	10.7	11.6	10.2	11.7	7.8
Balance sheet					
Total non-current assets	4,106	6,693	7,803	7,975	8,076
Total assets	6,412	9,970	11,881	11,818	11,736
Total shareholders' equity	3,184	3,951	5,048	5,443	5,601
Net interest-bearing debt	537	2,677	3,168	2,871	2,753

Key figures and financial ratios are calculated as defined in Note 27.

	EURm 2020	EURm 2021	EURm 2022	EURm 2023	**EURm 2024**
Cash flow statement					
Cash flow from operating activities	800	838	1,053	1,355	974
Cash flow from investing activities	-242	-2,794	-931	-724	-389
Hereof:					
Acquisition of intangible fixed assets	-44	-43	-45	-44	-39
Acquisition of property, plant and equipment	-201	-339	-504	-558	-418
Proceeds from sale of property, plant and equipment	14	14	18	6	23
Acquisition of subsidiaries and activities	0	-2,664	-441	-120	-11
Proceeds from disposal of subsidiaries and activities	0	241	12	-11	54
Cash flow from financing activities	-54	1,596	-26	-590	-613
Financial key figures					
Free operating cash flow	709	664	794	1,141	858
Free operating cash flow after financial items and tax	493	401	465	692	467
Free cash flow	497	-2,020	40	561	509
Financial ratios					
Return on invested capital ROIC (%)	16.1	16.7	14.1	15.4	9.1
Return on invested capital after tax ROIC (%)	11.9	12.8	10.2	11.8	6.3
Return on equity (%)	13.1	16.6	14.8	15.3	6.0
Equity ratio (%)	49.7	39.6	42.5	46.1	47.7
Leverage ratio (%)	16.9	67.8	62.8	52.8	49.2
Net interest-bearing debt to EBITDA ratio	0.6	2.1	2.0	1.6	2.0
Dividend ratio (%) (proposed)	-	30.0	30.0	30.0	30.0
Dividend per 100 DKK share (proposed)	-	19.0	20.6	24.6	11.1

Outlook 2025

With strong partnerships and bold investments, we will continue to expand our offering of competitive, innovative, and best-in-class technology and solutions.

While 2024 was impacted by lower demand across our businesses, we are well-positioned for long-term growth, and we expect the markets to recover during 2025. With a strong match between our offerings and customer needs, we continue to see significant opportunities in all three of our global segments, supported by megatrends.

We have low visibility into 2025 due to volatility and uncertainty still being significant in the global economy and geopolitical environment. Despite the challenging environment, our focus continues to be on ensuring profitable growth. Increasing profitability and a strong cash flow will allow us to maintain a high level of investments in our core businesses, including digitalization and electrification.

2025 expectations

Danfoss has a continued ambition to expand or maintain our market share. Sales are expected to be in the range of EUR 9.5-11.0bn for the full year. The operational EBITA margin is expected to be in the range of 10.8-12.3%, following our continued investments in new products and solutions.

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. As a technology leader in the green transition, Danfoss has significant potential to drive competitive decarbonization together with our customers. We remain committed to decarbonizing our global operations by 2030 as part of our three step-change initiatives on Decarbonization, Circularity, and DE&I (Diversity, Equity, and Inclusion). Finally, we will continue to invest in sustainability, improve our climate footprint, and deliver on our sustainability ambition.

Forward-looking statements

This Annual Report includes forward-looking statements on various matters, e.g., expected earnings, future expansion of market share, and future profitable growth. Such statements are subject to risks and uncertainties, because various factors, many of which are beyond Danfoss' control, may cause actual developments and results to differ materially from the expectations set out in the Annual Report. Such factors include, but are not limited to, the geopolitical environment, general economic and business conditions, changes in commodity prices impacting the demand for Danfoss' solutions and services, competition in the industrial sectors in which the business segments are operating, fluctuations in foreign exchange rates, interest rates or our own raw material prices, changes in climate policy, legislation, regulation or standards, and uncertainty in connection with acquisitions or potential acquisitions and divestments. Unless required by law, Danfoss has no duty and undertakes no obligation to update or revise any forward-looking statements after the publication of this Annual Report.

Our purpose

The fully electric wheel loader, developed at Danfoss' Application Development Center in Nordborg, Denmark, is designed to provide high-performance levels with greater efficiency across all system states while keeping energy consumption to a minimum.

Content

Global megatrends continue to create significant opportunities for Danfoss

Climate change

Climate change is an immediate risk, not a future risk. To stay on a 1.5°C pathway, rapid emissions reductions are necessary. Danfoss solutions accelerate the green transition of even the most carbon-intensive sectors: mobile and industrial machinery, industry, and buildings. Our technologies increase energy efficiency and enable electrification.

Urbanization

Cities account for more than 70% of global carbon emissions.[1] Danfoss solutions can significantly reduce cities' carbon footprint through a range of smart and efficient technologies in mobile and industrial machinery, heating and cooling, supermarkets, wastewater facilities, data centers, and much more.

Food and water supply

Nearly one-fifth of all food is wasted,[2] and global food demand is expected to increase by up to 56% by 2050.[3] Optimizing food production, agriculture, and storage is essential. By making agriculture more efficient and reducing energy waste in the food and beverage industries, we can produce more with fewer resources.

Digitalization

The digital transformation is driving a surge in energy use across industries. By 2026, global energy demand from data centers can increase with up to 128%, driven largely by AI. [4] To manage this unprecedented increase, a technology shift is underway: data centers are transitioning to liquid cooling systems, while heat recovery solutions are being deployed to utilize excess heat, accelerating the demand for Danfoss products and solutions.

Electrification

Transitioning from fossil fuel technologies to a fully electrified energy system could cut up to 40% of final energy consumption.[5] Danfoss delivers electrification solutions not only for cars and trucks but also for heavy industrial machinery, marine, and on- and off-highway equipment that can go hybrid or fully electric. Our technologies for hydrogen production can help electrify hard-to-abate sectors.

[1] IEA (2021). Empowering Cities for a Net Zero Future.
[2] NEP (2021). UN: 17% of all food available at consumer levels is wasted.
[3] van Dijk et al. (2021). A meta-analysis of projected global food demand and population at risk of hunger for the period 2010-2050. Nature Food. 2, 494-501.
[4] relative to 2022, IEA(2024). Electricity 2024: Analysis and forecast to 2026.
[5] Eyre, N. (2021). From using heat to using work: reconceptualising the zero carbon energy transition. Energy Efficiency. 14:77, 1-20.

Our purpose

At Danfoss, being part of the solution to build a better future is what our purpose is all about.

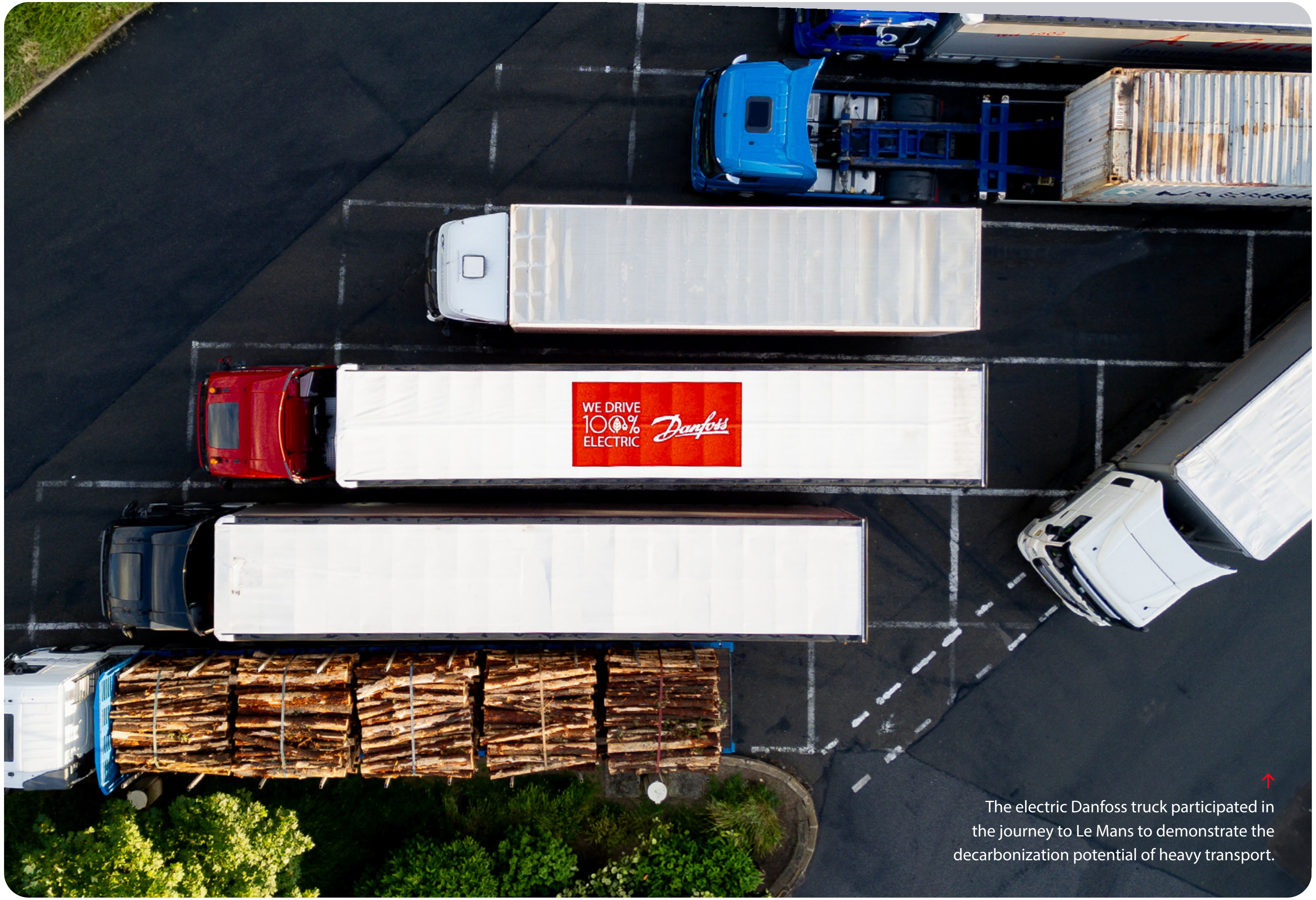
Danfoss engineers solutions that increase machine productivity, reduce emissions, lower energy consumption, and enable electrification.

We are a family-owned company dedicated to creating long-term value for all our stakeholders.

We are decarbonizing together with our customers through our leading application know-how and sustainable innovation. This is how we are part of the solution.

We already have many of the solutions needed to address global challenges, thanks to our dedicated Danfoss teams worldwide, who continue to push the boundaries of what is possible.

Together, we are engineering tomorrow to build a better future.



The electric Danfoss truck participated in the journey to Le Mans to demonstrate the decarbonization potential of heavy transport.

In competitive decarbonization, sequence matters!

Competitive decarbonization is a significant source of future growth for our customers, our partners, and the world. However, to decarbonize in a competitive manner, we must take the steps in the right order and start by reducing the demand for energy.

The 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. Only in this sequence can we achieve rapid and cost-efficient decarbonization.

The greenest energy is the one we don't use — or the energy we reuse. We have many of the solutions ready today to drive decarbonization in all three focus areas. Seeing is believing. In addition, the majority of our solutions have short payback times and attractive returns.

Reduce

Reducing energy waste is possible across all sectors. Energy efficiency can improve the fuel economy of machines and reduce demand for diesel and electricity, while simple and smart technologies for heating and cooling buildings can reduce energy consumption significantly. Likewise, implementing better energy management in industries can deliver significant energy savings. Energy efficiency is a major opportunity to drive the world towards an ambitious and cost-effective green transition.

Reuse

Energy reuse has a large, untapped potential in the green transition. Industries, supermarkets, data centers, and wastewater facilities all produce large amounts of excess energy — often in the form of heat. With Danfoss solutions, this energy can both be reused onsite and sold back to the grid. Through sector integration and district energy systems, heavy energy consumers can become major energy suppliers.

Re-source

Re-sourcing from fossil fuels to renewable electricity represents a pivotal change in the green transition. Through electrification, we can lower emissions and become more efficient, enabling a future energy grid powered by renewables. Furthermore, we can electrify through hybrid solutions or indirectly through hydrogen production.

Developed by our autonomous engineering team, this tractor enhances precision, productivity, and safety with autonomous features. It represents the future of agriculture, addressing labor shortages and rising machine complexity.

Our business model and strategy

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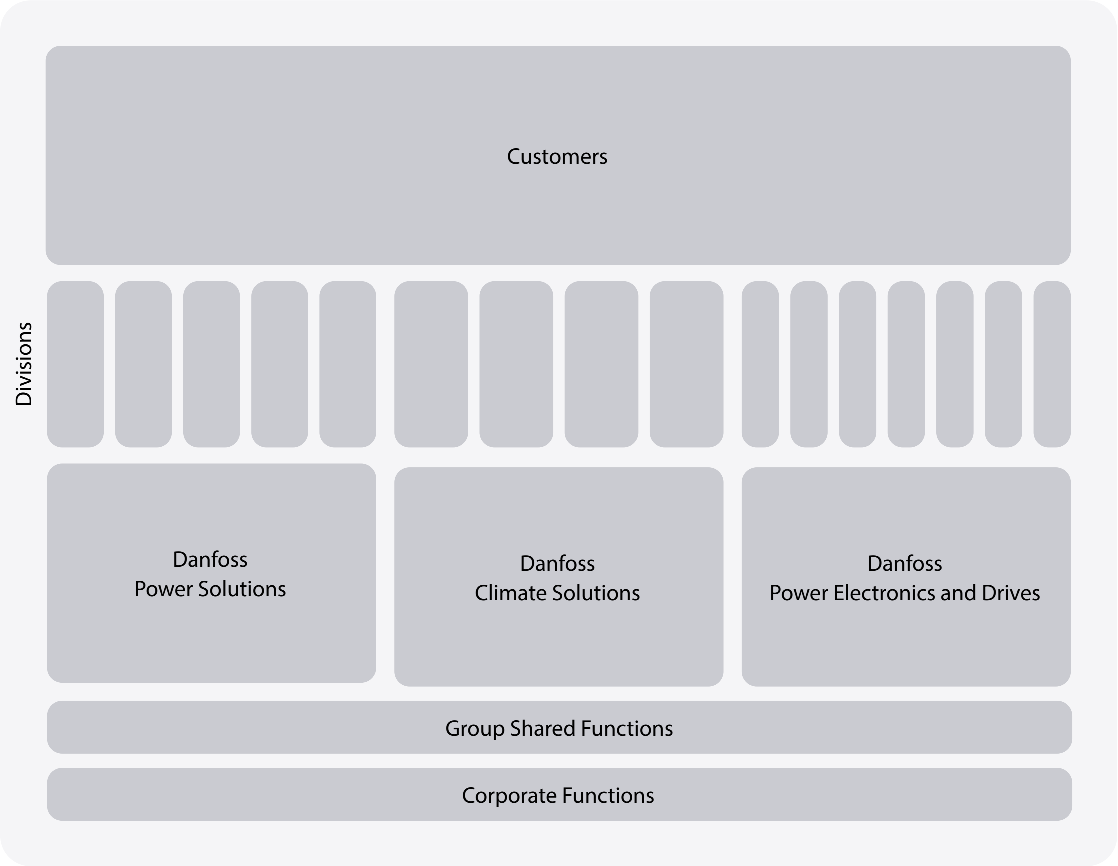
Transforming our operating model to serve customers even better

Over the past five years, we have almost doubled the size of Danfoss and become even more global with balanced sales and a strong local presence across the Americas, Europe, and Asia. We have formed three business segments, each with leading positions and critical mass. With our new operating model, we have set Danfoss up for the future.

With our new operating model, we have decentralized further to move closer to our customers and become easier to do business with. We focus on strengthening innovation and our entrepreneurial mindset as well as improving our cost competitiveness and responsiveness through increasing speed in decision-making.

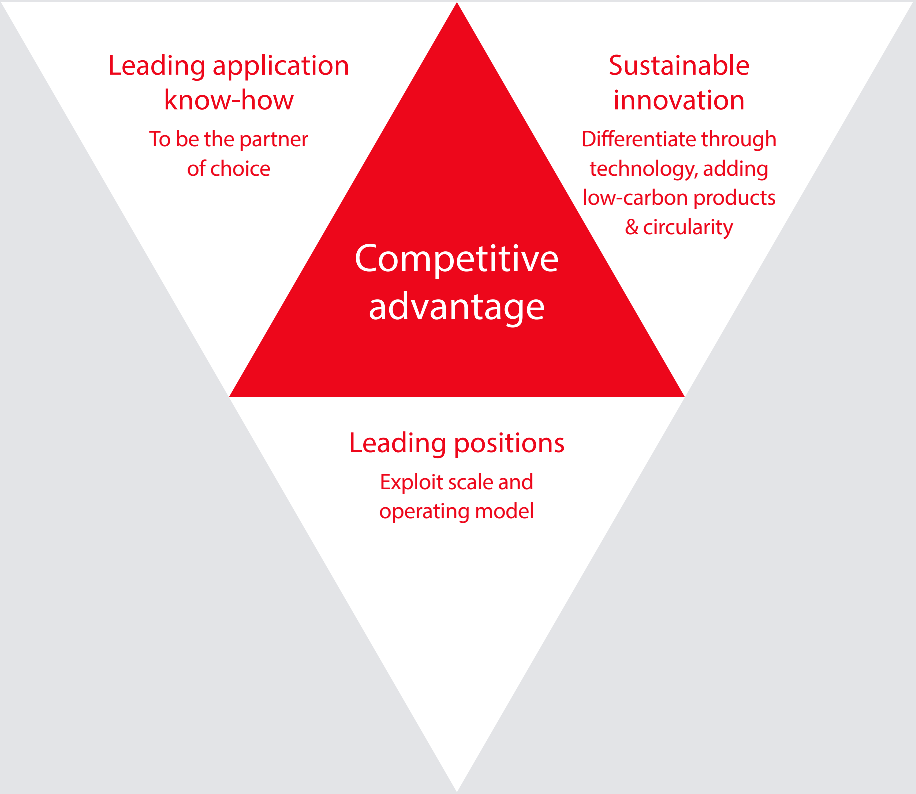
Today, we operate Danfoss through three segments and 16 divisions. Our businesses now operate within a significantly simplified structure, supported by leaner Shared and Corporate functions.

During 2024, we reduced our workforce by 2,700 employees, partly due to the implementation of our new operating model and the rightsizing of the organization to reflect the current market situation.



Our business model

We deliver value to our customers as a technology partner with global leading positions, deep application know-how, and sustainable innovation in all core businesses. This is our competitive advantage.



Leading application know-how

Understanding the applications where our products and solutions are used is key to differentiating and creating customer value. We invest in Application Development Centers to optimize solutions for our customers. Our deep application know-how makes us the partner of choice to decarbonize together with our customers.

Sustainable innovation

We strive to be the technology leader in our core businesses. We invest significantly in new products and new technologies to help our customers differentiate even further. To help our customers decarbonize, Danfoss develops low-carbon products[1] and implements circularity initiatives across our businesses. This includes actions to build sustainable value chains together with our suppliers.

Leading positions

All Danfoss core businesses are pursuing a global number one or number two position. Operational excellence is part of the Danfoss DNA building on a leading position within safety, quality, lead time, and productivity. We invest to strengthen our core businesses, take the lead in digital, and build a leading position in electrification.

[1] ESRS 2 SBM-1 DP39

Our green growth strategy

We transform Danfoss through our green growth strategy. Our strategy is fueled by significant investments, ensuring we are ready for the future with a focus on the long-term perspective.

Our priorities remain unchanged, and we have four key strategic focus areas within Leading Portfolio, Customers & Growth, Innovative Solutions, and Lean & Agile.

Our Foundation is our people. We offer an inspiring and inclusive workplace, where we unlock the full potential of our colleagues through empowering high-performing, diverse teams. And we develop key capabilities to drive the green transition.

Our Purpose

We engineer tomorrow to build a better future

Our Strategy

Leading Portfolio

Customers & Growth

Innovative Solutions

Lean & Agile

Our Foundation

High-performing, diverse teams

Leading Portfolio

We strengthen our leading positions through continued investments in our three strong segments.

We build new businesses through investments in new high-growth opportunities.

We invest in new technology to accelerate our offering of low-carbon products and solutions.

Customers & Growth

We want to be the partner of choice by providing leading application know-how.

We continue to improve quality and delivery service to ensure customer satisfaction and loyalty.

We invest to improve the digital customer experience.

Innovative Solutions

We want to be the preferred partner on our customers' intelligent decarbonization journey, enabled by our cost-optimal, low-carbon products and solutions.

We differentiate through digital solutions.

We continue to improve time-to-market by using digital engineering enablers.

Lean & Agile

We want to be the benchmark on safety, quality, delivery, lead time, and cost.

We regionalize our supply chains to be closer to our customers, improve service levels, and decarbonize.

We continue to digitalize Danfoss with one common IT architecture and OneERP to improve the digital customer experience and internal efficiency, while creating business impact.

Sustainability is an integrated part of our green growth strategy

We made significant progress on our step-change initiatives, while also addressing other material sustainability topics.

Step-change initiatives

Danfoss' sustainability step-change initiatives are key areas where we can create positive impact for people and the environment.

Decarbonization

We decarbonize with our customers through our **Leading Portfolio** and future products, solutions, and offerings enabled through **Innovative Solutions**. Through **Customers & Growth**, we focus on driving customer satisfaction and sustainable profitable growth. In **Lean & Agile,** we drive operational excellence and the regionalization of our supply chain to improve resilience and reduce our carbon footprint.

Circularity

We embed circularity strategies and tools in our new product development and supporting processes. Furthermore, we focus on growing our circular aftermarket business for our current product portfolio. Circularity and product sustainability are part of bringing low-carbon products to our customers through **Innovative Solutions**.

Diversity, Equity, and Inclusion

Our Foundation is built on high-performing, diverse teams. Results are created by motivated, engaged, and empowered people. At Danfoss, we firmly believe that diverse teams perform better. We focus on systematic competence development, which makes Danfoss an attractive place to work.

Enabling initiatives

These sustainability and responsible business fundamentals are important to Danfoss. We continue to address these topics as expectations and regulations increase.

Health and safety

Product safety and compliance

Environmental management

Human and labor rights

Responsible supplier management

Business conduct

We continue to invest in building leading positions in our three segments

Danfoss Power Solutions

Full solutions capabilities in mobile and industrial hydraulics, fluid conveyance, electrification, and software

Danfoss Climate Solutions

Energy-efficient heating and cooling solutions for industrial applications, buildings, infrastructure, and the entire food and cold chain

Danfoss Power Electronics and Drives

Clean-energy solutions including AC drives, power semiconductor modules, and electrification in the automotive and various industries

Danfoss
Power Solutions

"Danfoss Power Solutions has the technology and expertise to transform mobile and industrial machinery, paving the way for a more sustainable future. With our unsurpassed application know-how, we partner with customers to increase machine productivity and efficiency while reducing emissions. Our goal is to help our customers realize their vision and become their preferred and trusted partner."

Eric Alström
President, Danfoss Power Solutions

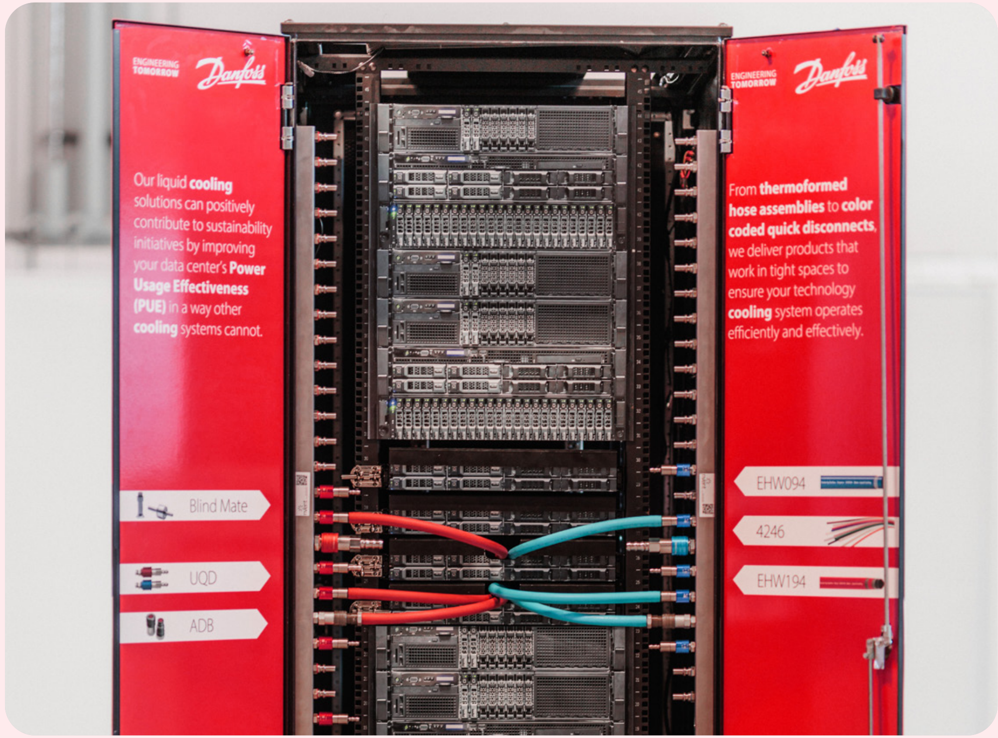
Sales	Earnings (Operational EBITA[1])	Application Development Centers
EUR 4.1bn	EUR 491m	3

Operational EBITA margin	Number of employees	Factories
12.0%	16,101	51

[1] EBITA before integration costs and OOI/E.

Case story

Danfoss Power Solutions
Keeping data centers cool — and efficient



The challenge

With the rapid growth of artificial intelligence (AI) and high-performance computing, data centers face significant challenges in managing the immense heat generated by advanced, power-intensive processors. AI applications create heavy thermal demands, pushing traditional air-cooling systems to their limits and consuming high levels of energy. As data centers aim to improve efficiency and reduce operational costs, a powerful solution to these challenges is needed.

The solution

Liquid cooling systems are up to 30% more energy-efficient than conventional air-cooling systems, making them an ideal choice for AI-focused data centers. For more than two decades, Danfoss Power Solutions has designed and manufactured couplings and hoses specifically for liquid cooling at data centers. Our high-performance products are engineered to provide maximum cooling efficiency, and 100% of our couplings are tested using helium to ensure leak-free reliability. Today, we hold a leading position as the primary supplier of advanced liquid cooling solutions for most of the major cloud service providers (CSPs) and chip manufacturers. Our proven performance and commitment to innovation have established Danfoss as a trusted and preferred vendor.

Liquid cooling represents a major growth driver for Danfoss Power Solutions. In anticipation of this growth, we're investing to increase production capacity and accelerate product development. This dedication supports AI-ready, energy-efficient infrastructure that meets the needs of CSPs and chip manufacturers, enabling them to confidently scale their operations.

Danfoss offers the industry's broadest portfolio of liquid cooling solutions for data centers. In addition to Danfoss Power Solutions, our two other segments, Danfoss Climate Solutions and Danfoss Power Electronics and Drives, are helping data centers to achieve sustainable, AI-ready growth.

Danfoss
Climate Solutions

"Danfoss Climate Solutions is a leader in energy-efficient heating and cooling solutions. For us, decarbonization is not a solo sprint. It is a team effort. With our proven technologies, we support and accelerate the cost-competitive decarbonization of industry, buildings, and the cold chain, helping our partners get more with less."

Jürgen Fischer
President, Danfoss Climate Solutions

Sales	Earnings (Operational EBITA[1])	Application Development Centers
EUR 3.1bn	EUR 523m	4

Operational EBITA margin	Number of employees	Factories
16.9%	11,039	35

[1] EBITA before integration costs and OOI/E.

Case story

Danfoss Climate Solutions — Decarbonizing healthcare with Danfoss technologies

The challenge

Open 24/7, hospitals consume large amounts of energy — nearly three times the average commercial building. As one of the largest and fastest growing segments, the healthcare sector and hospital facilities must increase their efforts to decarbonize, striving for net-zero emissions.

The solution

Hospitals have a huge potential to reduce both emissions and realize energy savings at the same time as they explore decarbonization options and opportunities pushing towards sustainable energy solutions. One simple option is to convert existing gas boilers to electricity with heat pumps offering promising solutions for hospitals as a very cost-efficient and energy-efficient way to decarbonize heating and contribute to a healthier environment.

Danish hospital Sygehus Sønderjylland leads the way to a more sustainable future in healthcare. The hospital partnered with Danfoss, the local District Heating utility, and the local municipality to develop a retrofit solution for its outdated heating and cooling system. The hospital's gas boilers were replaced by two highly efficient heat pumps, combined with heat recovery, to benefit from synergies between heating and cooling and ensure thermal comfort and cooling of medical equipment.

The heat pumps, powered by Energy Machines™, are equipped with Danfoss oil-free Turbocor® compressors, which provide exceptional efficiency for cooling and heating applications, making them an excellent fit for hospitals due to their energy demand. Other critical Danfoss components cover heat exchangers, refrigeration controls, and variable speed drives.

For Sygehus Sønderjylland, the hospital will be able to reduce its energy costs equivalent to 28,300 MWh of heat annually. During surplus periods, the hospital will be able to supply 12,500 MWh of excess heat to the district heating grid, equal to annual heat consumption of 740 Danish households. The project's estimated payback period is less than three years, making it a financially attractive investment.

Excess heat is the world's largest untapped energy source, and by 2030 up to 53% of the global energy input will be wasted as excess heat. If we recover the full potential of excess heat, global emissions can be reduced by 10-19%.

Danfoss Power Electronics and Drives

"Danfoss Power Electronics and Drives is a leader in energy efficiency and electrification. With our cutting-edge technologies, including intelligent drives and converters and innovative power modules, we empower our customers to significantly boost performance, productivity, and efficiency."

Mika Kulju
President, Danfoss Power Electronics and Drives

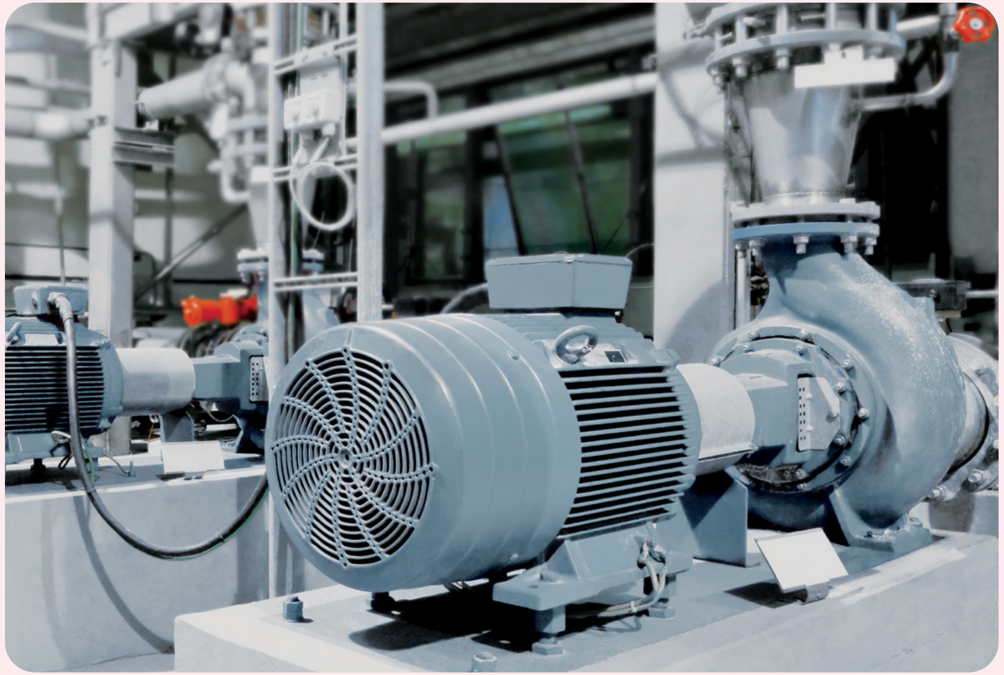
Sales	Earnings (Operational EBITA[1])	Application Development Centers
EUR 2.4bn	EUR 278m	6

Operational EBITA margin	Number of employees	Factories
11.3%	7,868	16

[1] EBITA before integration costs and OOI/E.

Case story

Danfoss Power Electronics and Drives — Unlocking the power of electrification and efficiency



The challenge

Many sectors are making significant progress in decarbonization, with electrification and energy efficiency at the forefront. However, to enable a sustainable, cost-effective transition to net zero, it is essential that we massively accelerate the adoption of electrification and energy efficiency solutions.

The solution

Danfoss Power Electronics and Drives operates at the intersection of electrification and energy efficiency. Wherever electric energy flows, our leading-edge technology and application expertise are enabling electrification and reduced emissions.

Direct electrification lies at the heart of competitive decarbonization, shifting us away from burning fossil fuels toward renewable energy sources such as wind, sun, and water. This transition begins with advanced power modules from Semikron Danfoss that convert and control the flow of power. These power modules are integral to a wide range of applications, from electric vehicles to renewable energy systems. In addition, several innovative Danfoss products enabling decarbonization, such as compressors, inverters, and drives, rely on these power modules to maximize efficiency.

But electrification alone is not enough. Global electricity demand is projected to nearly double due to factors such as electric mobility, increased cooling needs, and the rise of data centers and AI. The share of electricity in the final energy consumption is expected to rise from 20% today to over 50% by 2050. According to the IEA, energy efficiency is crucial to reducing emissions and has the potential to deliver up to two-thirds of the reductions needed on the path to net zero. This means that we have yet to fully unlock the potential of energy-efficiency technologies.

Consider electric motors — the powerhouses of today's society — powering a wide range of applications like fans, pumps, compressors, and conveyer belts. Motors account for more than half of the world's electricity consumption and more than two-thirds of industrial electricity consumption. Variable Speed Drives (VSDs) lower energy consumption, costs, and emissions associated with the use of electric motors. Using a Variable Speed Drive (VSD) on a motor can save between 15% and 40% energy. With approximately 50% of all motors worldwide having the potential to benefit from VSDs, the global energy-saving potential is significant.

↑ Danfoss' NeoCharge solution enhances the efficiency of ice cream production in Spain by reducing the refrigerant charge significantly. Designed especially for natural refrigerants, the plug-and-play solution intelligently controls refrigerant flow for optimal cooling performance supporting both new and existing refrigeration systems.

Corporate governance

Content

Corporate governance

Danfoss remains committed to good corporate governance practices and follows the Danish Recommendations on Corporate Governance.

Danfoss has a two-tier management system consisting of the Board of Directors and the Group Executive Team, including the CEO and the CFO. The Board of Directors appoints and supervises the CEO and the CFO and approves Danfoss' overall strategies and targets. As it has overall responsibility for the company's activities, it is important that Danfoss has a dynamic and professional Board of Directors, whose members possess the knowledge and experience necessary to ensure the Group's long-term performance.

The aggregate competencies of the members of the Board of Directors are regularly assessed to ensure consistency with the Group's requirements. The entire Board of Directors performs the function of the Nomination and Remuneration Committee.

The Board of Directors consists of 12 members. Six of the eight shareholder-elected members are independent. Each member is elected for the term until the following year's Annual General Meeting (AGM) and may be re-elected. The Board of Directors appoints a Chair from among its members. Pursuant to Danish legislation, four employee representatives serve on the Board for four years and may be re-elected. The most recent employee election took place in early 2022.

The Board of Directors meets at least five times a year and holds extraordinary meetings when relevant. At least one meeting each year includes a site visit to one of the Group's locations around the world. All members of the Board of Directors are expected to participate in the meetings. Matters discussed at Board meetings are decided by simple majority, and, if needed, the Chair has the casting vote. The CEO and the CFO normally attend the meetings of the Board of Directors, unless the Board of Directors is reviewing matters pertaining to them. The distribution of tasks between the Board of Directors, the CEO, and the CFO is set out in the rules of procedure.

Sustainability governance

Sustainability governance[1] is an integrated part of Danfoss Group governance, which enables us to drive our sustainability transformation and ensure that we deliver on our ambitions.

[1] ESRS 2 GOV-1 DP20b

Sustainability governance

Sustainability Strategy and Oversight

- Board of Directors/Audit Committee
- Group Executive Team
- Sustainability Leadership Team (headed by Danfoss CSO)

Sustainability Execution

- Danfoss Power Solutions
- Danfoss Power Electronics and Drives
- Danfoss Climate Solutions
- Group Reporting/Group Sustainability
- Cross-functional working groups — aligned with priorities from the Sustainability Leadership Team

Board of Directors/Audit Committee
The Board of Directors approves the sustainability strategy and Integrated Annual Report. Sustainability performance is part of the reporting to the Board.

Group Executive Team
The Group Executive Team is accountable for the sustainability strategy and targets. The Group Executive Team follows up regularly on progress, strategy, and targets throughout the year.

Sustainability Leadership Team
Responsible for preparation of the Danfoss sustainability strategy and target setting. Progress on sustainability topics is addressed at monthly meetings.

Danfoss Segments
Responsible for strategy execution and reporting of sustainability performance within business areas.

Cross-functional working groups
Responsible for driving implementation of identified sustainability projects, supporting the overall Danfoss strategy, and reporting to the Sustainability Leadership Team on a monthly basis.

Our governance can be explained through three tracks: prioritization, execution, and oversight and reporting.

The Danfoss Board of Directors[2] has the overall responsibility for sustainability. The Group Executive Team is accountable for sustainability prioritization, including providing strategic guidance and setting our ambitions and targets based on recommendations from our Sustainability Leadership Team. Danfoss' double materiality assessment (see page 53) has been approved by the Sustainability Leadership Team and the Group Executive Team, and reviewed by the Audit Committee.

The Sustainability Leadership Team members have been appointed based on sustainability competencies and functional belonging to ensure equal representation and an ability to address all sustainability topics and material impacts, risk, and opportunities across Danfoss. The Sustainability Leadership Team is represented by all relevant functions, including segment representation, sustainability, reporting, risk management, HR, and legal. Furthermore, the Sustainability Leadership Team and Chief Sustainability Officer (CSO) oversee the implementation of our ambitions and align cross-functional targets, processes, and communication.

Group Sustainability is responsible for conducting the double materiality assessment and periodic monitoring of Danfoss' impacts, risks, and opportunities, which are aligned with and signed off by the Sustainability Leadership Team and the Group Executive Team, respectively. Input regarding sustainability-related risks is linked to our Enterprise Risk Management program, while opportunities are monitored and assessed by our segment strategy teams.

Group Sustainability and Group Reporting are the overall subject-matter experts, ensuring implementation of the sustainability reporting framework, including our reporting for sustainability compliance. The processes, controls, and disclosures of Danfoss' sustainability reporting are furthermore overseen by the Audit Committee. As of 2025, the ESG data will be included in the scope of Danfoss' internal audit.

Segments and cross-functional working groups are responsible for the implementation of projects and initiatives and the delivery of data to be able to track improvements in and the performance of Danfoss' sustainability initiatives. Through regular internal business review meetings and Group Executive Team meetings, each segment reports on its progress.

Sustainability-linked financing

In 2023, Danfoss issued our first sustainability-linked bond. It is a 6.5-year, EUR 500m senior unsecured sustainability-linked bond under the company's Euro Medium Term Note (EMTN) program, with a maturity date of December 2029. The sustainability-linked bond is linked to Danfoss achieving our target to reduce our absolute scope 1 and 2 emissions by 75% by 2028, compared to the baseline year 2019.
The longer-term target is to achieve carbon neutrality in our own operations by 2030, equivalent to a minimum of a 90% reduction in absolute scope 1 and 2 emissions. Danfoss is on track to decarbonize our own operations and achieved in 2024 a total reduction of 27.0% compared to 2019.

Sustainability-linked bond progress

Achieve carbon-neutral operations (scope 1 and 2) by 2030	**2019 baseline[1]**	**2019 recalculated[1,2]**	**2024 actual**
Absolute scope 1 and 2 greenhouse gas (GHG) emissions	419,116 metric tons CO_2e	475,259 metric tons CO_2e	346,744 metric tons CO_2e equal to 27% reduction

[1] Original baseline 2019 and recalculated baseline 2019 have been reviewed by PwC with limited assurance. Limited assurance reports can be found here

[2] Baseline 2019 has been recalculated to include the acquisition of SEMIKRON, adding eight factory locations, totaling 148,000 m^2, and 19 other light industrial and office locations, totaling 4,300 m^2.

[2] ESRS 2 GOV-2 DP25

Risk governance

Overall, the Board of Directors is responsible for risk oversight, and the Audit Committee assesses the effectiveness of the risk management process. The Group Executive Team is responsible for executing risk management, thereby ensuring that policies and processes are effective at all relevant levels. Responsibility for day-to-day risk management activities lies with the respective business segments and Group functions.

Risk management

We manage risks and opportunities to drive profitable growth in increasingly complex business environments.

Our overall risk management approach is defined by our Risk Management Policy, which is unfolded in our Risk Management Standard. The standard defines the roles and responsibilities regarding risk management and how risks are categorized and assessed. Furthermore, it includes the underlying processes and tools applied as part of our Enterprise Risk Management. Our risk management covers the whole value chain and spans across all geographies, where Danfoss operates. Each risk is assessed for its financial impact, magnitude, and the likelihood of the risk materializing. The critical impact threshold is defined as 3% of net global turnover.

Sustainability-linked risks[3] are an integrated part of Danfoss' risk management, capturing potential and actual risks across our value chain. The findings are used as input for our double materiality assessment process.

Like our industry peers, Danfoss is exposed to risks. While no single risk can threaten the existence of Danfoss — in either the current circumstances or when looking to the future — the following external conditions apply towards both our risks and our opportunities:

- Global market conditions, including a continued stronger focus on energy efficiency, sustainability, and infrastructure
- Global megatrends that affect Danfoss, our technologies, and the way we do business
- Fair and equal access to markets
- Global economic growth
- Developments in key markets and cyclical industries
- Customer relations and reputation, including our ability to build business on trust and integrity
- Competitive strength and sustainable innovation, including the ability to support customers in providing efficient solutions, high product quality, and attractive cost levels
- Financial sustainability, including our ability to fund new growth and innovation
- Cyber-related threats
- Social, environmental, and climate-related responsibility

[3] ESRS 2 GOV-5 DP35,36

Specific risk areas

Risk	Disruption of IT systems	Geopolitical risks
Description	The potential disruption of IT and operational technology systems could significantly impact the ability to produce, sell, or deliver products on time. External cyberattacks are identified as the primary risk factor. However, other potential causes include technical malfunctions, internal malicious activities, and unintentional internal actions. These disruptions could lead to delays, increased costs, and loss of customer trust, ultimately affecting our overall business performance and reputation.	Danfoss is a global enterprise actively operating in over 120 countries. As a result, we are inherently exposed to a variety of geopolitical risks and challenges that arise from complex international interactions. These risks may include, but are not limited to, territorial disputes, evolving trade relationships, disruptions in supply chains, and the dynamics of security partnerships. The occurrence of trade wars and escalating international tensions can significantly impede global cooperation and trade flows. Such disruptions have the potential to exert profound impact on the global economy, leading to substantial uncertainty in markets that are of critical importance to Danfoss.
Mitigation	Danfoss continuously follows the evolving threat landscape and continues to strengthen core IT systems and its asset management to effectively manage devices. In addition, appropriate testing of software and web development improvements are ensured. Furthermore, there is a strong focus on the implementation of network segmentation.	Danfoss continuously monitors general economic trends, geopolitical conflicts, and changes in national and local legislation, allowing us to respond appropriately to mitigate these risks. Additionally, Danfoss emphasizes regionalization, aiming to position our operations and supply chains geographically close to our customers. This reduces dependencies on legislation, sanctions and supply chain shortages, thereby enhancing our resilience to geopolitical and other external risks.
Controls	Implemented controls include measures regarding the effectiveness of security training and awareness campaigns as well as periodically conducted cyberattack exercises. Furthermore, timely fixes or patches of security vulnerabilities and an extended privileged management are monitored.	Implemented controls include observation of regulatory changes and progress in localization activities. As part of the business continuity process, governance of diversified supply chains applies.

Gender composition of the Board of Directors
Danfoss has a target of 80% management team diversity in the first four management levels by 2030 and 30% women in leadership positions by 2025.

The Board of Directors consists of eight shareholder-elected members. Six members are men (75%), and two members are women (25%), which meets our previously set target. Our target is to have as close as possible to 40% women Board members by 2025.

Furthermore, the Board of Directors consists of members of different nationalities, ages, backgrounds, and professional skills, ensuring that our Board of Directors is diverse.

Audit Committee
The Audit Committee consists of three members of the Board of Directors and is established in line with recommendations for good corporate governance. The Chair of the Audit Committee conducts regular meetings with Corporate functions and the internal audit function outside of Board meetings. The Committee's activities and tasks are set out in its rules of procedure. Five meetings were held in 2024.

The main objectives of the Audit Committee are to:
- Monitor the financial and ESG reporting process (reliable reporting).
- Supervise the efficiency of the company's internal control system and risk management systems.
- Monitor the statutory audit of the financial statements.
- Monitor and verify the auditors' independence, including the provision of additional services to the company.
- Monitor the external auditors' competencies and findings.
- Make recommendations to the Board regarding the appointment of auditors.

Executive remuneration and incentives
The Board of Directors receives a fixed fee each year. The members of Danfoss' Group Executive Team receive a fixed monthly salary. Like all other employees in the Danfoss Group, they have a short-term incentive program. In addition, their total compensation packages consist of long-term incentive programs supporting Danfoss' strategic business targets. Short-term bonuses are based on meeting annual targets for selected financial ratios, whereas long-term bonuses are paid based on value creation, which, among other items, includes achieving specific sustainability targets. The total remuneration is showed in Note 3.

The Danfoss long-term incentives (LTI) program is offered to most senior management members in Danfoss and provides an option for additional variable bonus payout between 20-50% of the fixed salary.

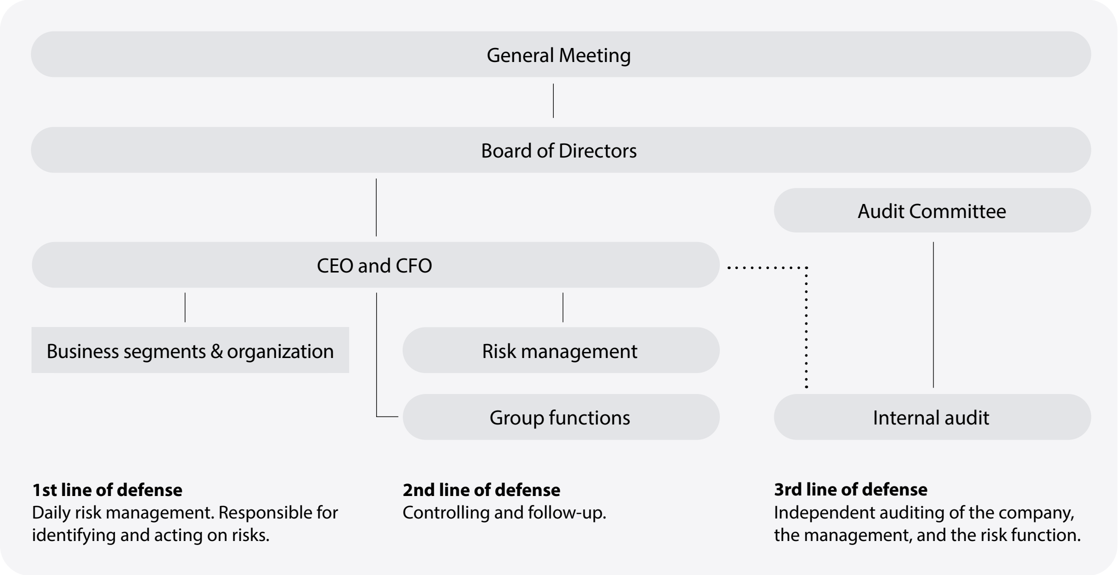
The sustainability targets[4], equally weighted, included in the 2024 LTI program are:
- Reduction of CO_2e emissions (scope 1 and 2) by 5.8% compared to 2023
- Reaching a Management Team Diversity of 77.6%

The scoring of the sustainability components in the LTI program can impact the bonus calculation by between 0-10%.

[4] ESRS 2 GOV-3 DP29 a-e

Group Executive Team
The Group Executive Team is Danfoss' top management team and consists of the CEO, the CFO, the Presidents of the three business segments, and the Executive Vice President & Head of Group Human Resources. The Group Executive Team holds formal meetings regularly and focuses on strong ownership, execution of strategy and performance, and handling of the day-to-day responsibility for the Group's operations.

The CEO and the CFO are the company's registered officers and signatories with the Danish Business Authority. They are appointed by the Board of Directors and are accountable for the management of the Danfoss Group. According to the rules of procedure, the CEO and the CFO are responsible for Group-related governance activities, such as business reviews, legal matters, and other formal governance topics.



Compliance with recommendations on corporate governance

As its code of corporate governance, Danfoss follows the Danish Recommendations on Corporate Governance as set out by the Committee on Corporate Governance in Denmark. The recommendations are available at corporategovernance.dk. Danfoss complies with the recommendations.

The Danfoss Statutory report on the Corporate Governance Recommendations is available here

Share capital

Danfoss' share capital amounts to EUR 134m or DKK 997m and is divided into two share classes: Class A shares account for EUR 57m or DKK 425m and Class B shares account for EUR 77m or DKK 572m. A-shares entitle holders to 10 votes for every DKK 100 nominal value of shares held, and B-shares entitle holders to one vote for every DKK 100 nominal value of shares held. See more information in Note 16. Class A shareholders have a pre-emptive right to A-shares in the event of share capital increases. Apart from this, no shares carry special rights. Bitten & Mads Clausen's Foundation and the Clausen family hold all issued A-shares and several B-shares corresponding to 99.84% of the votes. At the end of 2024, Danfoss had 2,283 registered shareholders.

Share price

The price of Danfoss shares is set once a year, based on a valuation prepared by Danske Markets immediately before the Annual General Meeting (AGM) is held. The calculation of the share price is based on the financial performance of Danfoss, the Group's expectations for the upcoming year, the Group's ability to meet expectations, the financial development of several comparable companies, and their expectations for their future, as well as general developments in the stock market. In 2024, the price was set at DKK 16,081 per share against DKK 14,644 per share the previous year.

Annual General Meeting

Danfoss' AGM will be held virtually from the company's registered office on March 28, 2025. The Board of Directors will recommend that a dividend of 30% of the Group's net profit be paid for 2024, corresponding to EUR 11.1 or DKK 82.9 per DKK 100 share.

Board of Directors[1]

Jens Bjerg Sørensen
Chair

Born: June 1957
Nationality: Danish
Resident: Denmark
Independent

Board member since 2020. Chair since 2022.
Elected for a term of one year.

Special competencies
Experience within strategy, M&A, portfolio management and business administration. Knowledge of management in a global group and the work in a listed company.

Board positions
- *Chair:* F. Salling Holding A/S; F. Salling Invest A/S; Købmand Herman Sallings Fond; A. Kirk A/S
- *Vice chair:* Salling Group A/S
- *Member:* Købmand Herman Sallings Mindefond; Aida A/S.

Present position
- CEO in Aktieselskabet Schouw & Co.

Mads Clausen

Born: October 1984
Nationality: Danish
Resident: Denmark
Non-independent

Board member since 2022.
Elected for a term of one year.

Special competencies
Experience in technology and product development, commercialization of new technology, finance, M&A, and business management.

Board positions
- *Chair:* MC2 Therapeutics A/S
- *Member:* Bitten & Mads Clausen's Foundation

Present position
- Entrepreneur and founder of MC2 Therapeutics A/S

Mads-Peter Clausen

Born: July 1976
Nationality: Danish
Resident: Denmark
Non-independent

Board member since 2014.
Elected for a term of one year.

Special competencies
Experience from management positions and strategic, organizational, and communication skills. Extensive knowledge of business administration, engineering, and board work.

Board positions
- *Board member and Chair:* miniBOOSTER A/S, Denmark
- *Member:* Bitten & Mads Clausen's Foundation

Karin Dohm

Born: June 1972
Nationality: German
Resident: Germany
Independent

Board member since 2022.
Chair of Audit Committee since 2022.
Elected for a term of one year.

Special competencies
Experience in key topics such as strategy, FP&A, treasury, risk management, and compliance as well as Corporate Governance and ESG reporting. Experience in a global environment working for and with multinational companies. Former Assurance Partner at Deloitte and Managing Director at Deutsche Bank Group.

Board positions
- *Board member and Vice Chair:* Hornbach Immobilien AG
- *Board member and Chair of the Audit Committee:* Supervisory Board of CECONOMY AG (Head of Audit Committee)

Present position
- CFO of HORNBACH Management AG, the general partner of HORNBACH Holding AG & Co. KGaA
- CFO of Baumarkt AG

Per Falholt

Born: September 1958
Nationality: Danish
Resident: Denmark
Independent

Board member since 2017.
Elected for a term of one year.

Special competencies
Experience from Research & Development, product innovation, and development of new biotechnologies for products, applications, and processes as well as start-up companies.

Board positions
- *Board member and Chair:* Universe Science Park, Denmark; DHI Foundation
- *Member:* Cytovac A/S; Vandstrom; Co-Ro A/S; LIFE foundation; People Ventures

Present position
- CSO and co-founder 21stBIO

[1] ESRS 2 GOV-1 DP20c, DP21b,c

Board of Directors[1] — continued

Connie Hedegaard

Born: September 1960
Nationality: Danish
Residence: Denmark
Independent

Board member since 2016.
Elected for a term of one year.

Special competencies
Experience as Minister and EU Commissioner with extensive knowledge of climate, environmental and energy challenges on an international level. Expert on global sustainable development and green transition.

Board positions
- *Board member and Chair:* the green think tank; OECD's Round Table on Sustainable Development
- *Member:* Kirkbi A/S
- BBVA
- Villum-Fonden

Jürgen Reinert

Born: January 1968
Nationality: German
Resident: Germany
Independent

Board member since 2015.
Elected for a term of one year.

Special competencies
Experience with executive management and business administration. Expert on electrical engineering (including drives, electric vehicles, and renewable energy) and knowledge of industrial ESG implementation.

Board positions
- *Member:* KraftPowercon AB

Present position
- CEO in SMA Technology AG

Mika Vehviläinen

Born: February 1961
Nationality: Finnish
Resident: Finland
Independent

Board member since 2018.
Elected for a term of one year.

Special competencies
Experience with performance transformation, organizational changes, M&A, and digital technologies. Experience in listed companies as a Board member and CEO.

Board positions
- *Vice Chairman*: Wärtsilä Oy

Henning Bjørklund

Born: December 1964
Nationality: Danish
Resident: Denmark
Non-independent

Employee-elected Board member since 2022. Elected for a term of four years in accordance with Danish law.

Present position
- Senior Supplier Quality Engineer at Danfoss Climate Solutions

Marianne Godballe

Born: June 1984
Nationality: Danish
Resident: Denmark
Non-independent

Employee-elected Board member since 2018. Elected for a term of four years in accordance with Danish law.

Board positions
- *Board member and Chair:* Danfoss Employee Foundation in Denmark; "TL-klubben," South Denmark, Danfoss A/S; Immediate Past President; Junior Chamber International Denmark
- *Board member:* Junior Chamber International Denmark Foundation

Present position
- Senior Design Technician and shop steward at Danfoss Climate Solutions

Henning Andreas Krogh

Born: January 1962
Nationality: Danish
Resident: Denmark
Non-independent

Employee-elected Board member since 2022. Elected for a term of four years in accordance with Danish law.

Special competencies
Experience in operational leadership, project management and implementation of LEAN

Present position
- Director Operations Denmark at Danfoss Climate Solutions

Bent Lewke

Born: October 1972
Nationality: Danish
Resident: Denmark
Non-independent

Employee-elected Board member since 2022. Elected for a term of four years in accordance with Danish law.

Special competencies
Experience in our machine department, that's part of developing High Pressure Water pumps, these are part of the green environmental agenda. Creating energy efficient pumps for desalination and clean drinking water.

Board positions
- *Member:* Dansk Metal Sønderjylland

Present position
- Skilled worker and shop steward at Danfoss Climate Solutions

[1] ESRS 2 GOV-1 DP20c, DP21b,c

The Danfoss Board of Directors visited the Danfoss Power Electronics and Drives production in Gråsten, Denmark, to explore Danfoss' electrification solutions. During their visit, they were introduced to the iC7 drive, the Editron onboard charger, and the Semikron Danfoss power module.

Group Executive Team

Kim Fausing
President & Chief Executive Officer

Born: August 1964
Joined Danfoss in 2007

Board positions
- *Board member and Vice Chair:* SMA Solar Technology AG, Germany
- *Board member:* Holcim Ltd.

Jesper V. Christensen
Executive Vice President & Chief Financial Officer

Born: November 1969
Joined Danfoss in 1993

Board positions
- *Board member and Vice Chair:* Manufacturing Industry, Denmark
- *Board member:* Confederation of Danish Industries, Denmark
- *Board member and Head of Audit Committee:* Danish Crown A/S, Denmark

Eric Alström[1]
President, Danfoss Power Solutions

Born: April 1966
Joined Danfoss in 2012

Board positions
- *Board member and Vice Chair: Hempel A/S, Denmark*
- *Board member: MSx Advisory Board of Stanford Graduate School of Business, USA*

Jürgen Fischer
President, Danfoss Climate Solutions

Born: 1963
Joined Danfoss in 2008

Board positions
- *Board member:* Committee EPEE — the European Partnership for Energy and the Environment Cool Champion at the UN Environment Cool Coalition TÜV SÜD Germany
- *Supervisory Board Member:* BDR Thermea

Mika Kulju
President, Danfoss Power Electronics and Drives

Born: August 1968
Joined Danfoss in 2022

Board positions
- *Board member and Chair:* Semikron Danfoss Holding A/S
- *Board deputy member:* Technology Industries of Finland

Astrid Mozes[2]
President, Danfoss Regions

Born: 1960
Joined Danfoss in 2021

Ilonka Nussbaumer
Executive Vice President & Head of Group Human Resources

Born: July 1973
Joined Danfoss in 2019

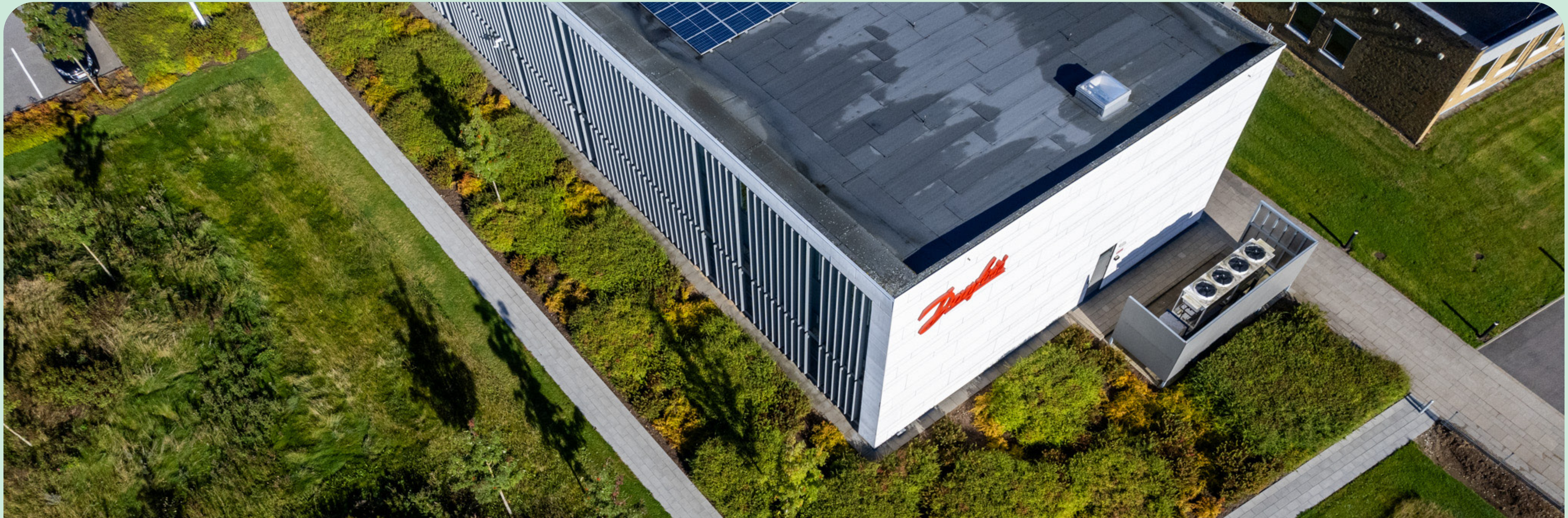
Board positions
- *Board member:* SMA Solar Technology AG, Germany

[1] Eric Alström left the company at the end of 2024 to pursue new opportunities. Daniel Winter joins the Group Executive Team as the new President of Danfoss Power Solutions on January 1, 2025.
[2] In October 2024, Astrid Mozes announced her planned retirement, effective December 31, 2024.

Danfoss Power Solutions in Nordborg, Denmark, has significantly improved its material handling efficiency with the implementation of Danfoss' first AutoStore system. The system, which was recently showcased to the Danfoss Group Executive Team, uses 15 grid-based robots to access over 37,000 internal storage locations. The AutoStore is supplied with raw materials and semi-finished goods by automated guided vehicles, which ensures a fully automated end-to-end solution.

This image includes Daniel Winter, who joins the Group Executive Team as the new President of Danfoss Power Solutions on January 1, 2025.

Sustainability statement



In our Danfoss Drives business, we ensure that maximum potential is reached by offering DrivePro® Start-up. This guarantees that Danfoss AC drives are installed and configured correctly, ensuring optimal performance as well as reducing carbon emissions and energy waste.

Sustainability at Danfoss

Content

Creating value through sustainability

Our green growth strategy integrates sustainability into everything we do. We stay committed to reaching the targets of our three step-change initiatives and continuously work with our partners to find the right solutions to enable the green transition.

Seeing is believing — at Danfoss we want to lead by example. We believe that we can create value through not only our innovative technologies and solutions, but also through engaging with our stakeholders to address the challenges the world is facing and drive positive change, where we have identified our biggest potential for impact.

This year, building on our previously identified sustainability topics that are part of our green growth strategy, we conducted a double materiality assessment. This helped us to identify where we may have the most significant impact on people and the environment, and where, as Danfoss, we may be exposed to financial risks or opportunities.

2024 step-change initiatives highlights

Decarbonization

- Continued to decouple output and scope 1 and 2 carbon emissions
- Continued to secure power purchase agreements (PPAs) in China, India, and North America
- Continued to execute our 2030 scope 3 decarbonization roadmaps through concrete initiatives
- Launched our 'Green Ask' initiative with suppliers
- Secured 2% low-carbon aluminum in 2024 on our way to reaching our First Movers Coalition commitment to purchase at least 10% (by volume) low-carbon primary aluminum by 2030

Circularity

- Integrated the Danfoss Circularity Framework, Sustainable Design Guide, and toolbox into our R&D and new product development process
- In 2024, the first year of implementation, 25% of all new product development started have been assessed for circularity and product sustainability using the Danfoss circularity framework and tools
- 5% increase in circular business revenues compared to 2023

Diversity, Equity, and Inclusion

- 73% management team diversity[1] compared to 76% in 2023 and 67% in 2022
- Reached 24% women in leadership positions compared to 22% in 2023
- Continued to fuel our pipeline of women leaders by targeting ≥30% women in succession plans, talent pools, and among new hires as well as working strategically on talent rotation and mentoring
- Continued to foster an inclusive workplace through learning sessions on psychological safety and welcoming different opinions to strengthen innovation and our entrepreneurial mindset

[1] Management team diversity is measured for manager levels 1-4. Teams of at least five employees (excluding administrative assistants) are diverse if they are composed of at least two genders and two nationalities. The team is considered non-diverse if only one of these requirements is met.

Our three sustainability step-change initiatives and competitiveness go hand in hand. We are decarbonizing our own operations not only because it's the right thing to do — it also brings down our energy costs and increases our competitiveness.

In the same spirit, we engineer products and solutions that enable us and our customers to do more with less — by using and reusing resources more efficiently.

To achieve our long-term success and to be the preferred partner for our customers — also in decarbonization, we rely on our high-performing, diverse teams. By attracting and retaining diverse talent globally and fostering close collaboration, we drive strong performance and results.

In 2024, Danfoss was ranked among the top 10 employers for early-career professionals in Finland, primarily due to our strong career development opportunities leading to employees feeling valued and respected.

Danfoss value chain

Throughout our value chain, our business activities have an impact on both people and the environment. As a global company, we rely on our business partners to help us manage these impacts and address and mitigate social and environmental risks. We also acknowledge that by working with our stakeholders we can maximize the value of our shared opportunities.

Danfoss engineers solutions that increase machine productivity, lower energy consumption, enable electrification, and reduce emissions. Our solutions are used in areas such as refrigeration, air conditioning, heating, power conversion, motor control, industrial machinery, automotive, marine, and on- and off-highway equipment. We also provide solutions for renewable energy, such as solar and wind power, Power-to-X, heat recovery, as well as contribute to district energy solutions for cities.

To support our sustainability efforts and increase our supply chain resilience, we are implementing a regionalization strategy with the aim to source, produce, and sell within the same region. We have also introduced product take-back programs and responsible disposal and recycling initiatives in line with our circularity agenda.

Our own operations
In our own operations, we employ around 39,000 people in over 50 countries. We prioritize the safety and well-being of all our employees and take action to ensure we have an inclusive workplace.

We believe the greenest energy is the energy we do not use or that we reuse, which is why it is important to decarbonize in the right sequence: Reduce, Reuse, Re-source.

Our own operations consist of factories, warehouses, labs, offices, and application development centers (ADCs). Through our ADCs, where our products are put to use in customer applications, we are able to demonstrate the full value proposition and performance of our products. This enables our customers to experience firsthand the latest solutions and technologies that we together bring into the many industries we serve. For more details about our ADCs, see page 14.

Innovation and product development
Through our three business segments, we embed circularity strategies and tools in our new product development and supporting process. We actively work on improving the circular design of our products and increasing the share of recycled materials in them, while also investing in the development of circular services and solutions to deliver competitive and value-adding solutions. This reduces the negative impact on the environment and also reduces our long-term dependencies on natural resources. For more details on circularity, see page 73.

Our supply chains
In our own operations and throughout our value chain, we are committed to respecting and promoting human rights. Danfoss has a substantial global supplier base. Our suppliers play an important role in helping us identify and address both social and environmental risks and negative impacts in our shared supply chain. To address negative impacts, identify opportunities for collaboration, and bring our suppliers along on our decarbonization journey, we engage directly with them through the Danfoss supplier engagement program, the 'Green Ask' initiative. For more details about how we work with our suppliers, see page 92.

To deliver products and solutions to our customers, we rely on raw materials and the sourcing of minerals. These natural resources go through a process of materials extraction, processing, and manufacturing processes, some of which are directly or indirectly linked to negative environmental and social risks and impacts. To address these issues, we source minerals through the Responsible Minerals Initiative; for more information, see page 88.

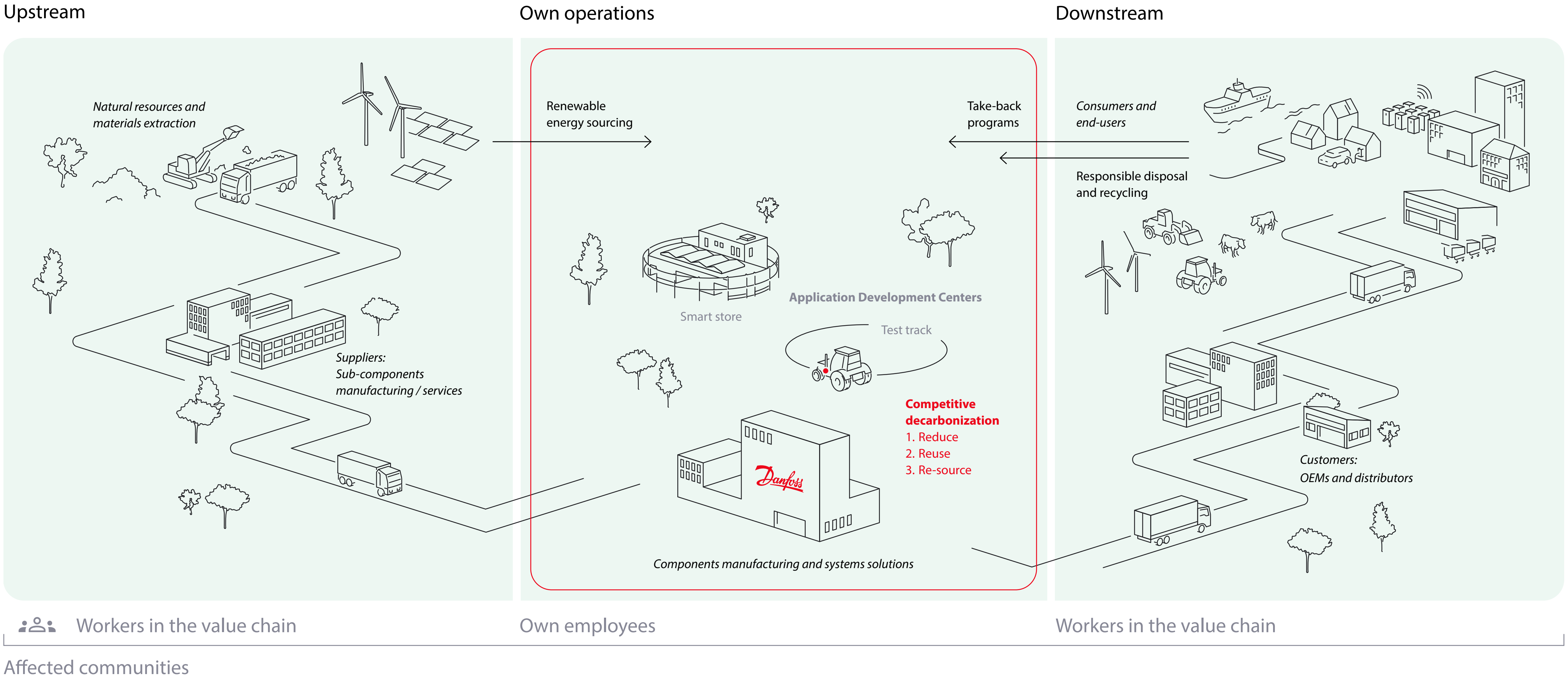
Our customers
Danfoss' largest climate impact takes place when our products are in use at our customers. To play an active role in the energy transition, we focus our efforts on delivering the greatest energy and emissions savings for our customers.

We work closely with our customers to understand the applications where our products are used and how these create value for both our customers and end users. By increasing the energy efficiency and machine productivity and enabling electrification of our products — thereby reducing carbon emissions — we help our customers to decarbonize their operations.

Our customers

Our main customers are Original Equipment Manufacturers (OEMs) and distributors that operate in various industries — automotive, commercial and residential buildings, mobile and industrial hydraulics, water and wastewater, refrigeration and air-conditioning, marine and offshore, energy and natural resources, food and beverage, infrastructure and heavy industry, and district energy.

Danfoss value chain



Double materiality assessment

In preparation for the EU's Corporate Sustainability Reporting Directive (CSRD), we have conducted our double materiality assessment (DMA) this year in accordance with the European Sustainability Reporting Standards (ESRS).

The DMA constitutes the basis of our Sustainability Statement in 2024 and has also reconfirmed our previously identified three sustainability step-change initiatives. In addition to reconfirming this, the DMA has also enabled us to better understand where Danfoss may have the largest impact on people and the environment and where we may be exposed to financial risks or opportunities.

To prepare the DMA, we conducted desk research, engaged with both internal and external stakeholders, leveraged input and learnings from internal processes, and held workshops with key stakeholders within our business. Going forward, we will continue to develop our DMA approach and refine our methodology.

Assessing impacts, risks, and opportunities
The DMA requires that impacts, risks, and opportunities be assessed from two different perspectives: an inside-out perspective and an outside-in perspective.

Inside-out perspective (how we impact)
In accordance with the requirements of the CSRD, we first took an inside-out perspective. This means that we looked at both positive and negative impacts on people and the environment that may or have been caused by our business activities and operations across the value chain.

To assess these impacts, we engaged with internal stakeholders and leveraged knowledge and input from our internal business processes. We took learnings from employee engagement survey results and the Danfoss Ethics Hotline as well as third-party audits at both own factories and our suppliers. All provided input to better assess our impact on people in our own operations and value chain.

To assess impacts on the environment we also used learnings and data from our environmental and compliance processes. Our due diligence processes and stakeholder engagement have therefore been instrumental in providing insight for our social and environmental impact assessments.

Outside-in perspective (how we are impacted)
The outside-in perspective takes the perspective of our business and operations — to help us identify where we may be exposed to financial risks and opportunities that impact our business resilience and financial stability. Through this perspective, we are better enabled to address risks to the business, identify opportunities that help us grow, further integrate sustainability into our DNA, and drive sustainable growth.

Outcome
The outcome of our DMA has been approved by our Sustainability Leadership Team and the Group Executive Team, and reviewed by our Audit Committee.

We have concluded that material topical standards for Danfoss are Climate change (E1), Pollution (E2), and Circular economy and resource use (E5) within the environmental ESRS. Within the Pollution standard, we specifically found disclosures relating to substances of concern and very high concern to be material.

From the social ESRS, we have found that Own workforce (S1) and Workers in the value chain (S2) are material. As a component manufacturer, we concluded that Consumers and end-users (S4) is not material. Lastly, we also identified Business Conduct (G1) as material.

To be fully compliant in 2025, we will continue looking into the following ESRS to further assess their materiality for Danfoss: Water and marine resource (E3), Biodiversity and ecosystems (E4), and Affected communities (S3).

Engaging with stakeholders

Internally, we engaged with and consulted key stakeholders. This included subject matter experts, leadership teams, and key functions such as public affairs, human resources, sustainability, risk and compliance, and our engineering teams. These stakeholders were engaged directly through meetings and workshops while we also leveraged insights from our internal processes that indirectly brought insights from our colleagues into the DMA.

To engage with key external stakeholders, we met with NGOs and invited our customers to provide their insights on what they perceived to be significant impacts, risks, and opportunities in our shared value chain. Additionally, we met with representatives from the financial sector to gain knowledge of their perspectives to support our outside-in assessment. We also used our industry and sustainability associations as proxies to gain better insight into the risks and impacts facing people in local and affected communities and workers in our value chain.

Our methodology

Impacts

In creating our scoring methodology we have followed the ESRS. When taking the inside-out perspective, we assessed both potential and actual impacts from both a positive and negative perspective. When assessing impacts, we assessed severity as well as likelihood that potential impacts would be realized.

Likelihood — the probability of an occurrence taking place during a certain time horizon.

Severity was determined by assessing the following parameters:

Scale — how serious the negative impact is on people and the environment or how beneficial the impact could be.

Scope — how widespread the impact could be considering how many people could be impacted or the local, regional, or geographical scope of environmental impacts.

Irremediability — the extent to which negative impacts can be reversed and restored to their prior state.

We assessed impacts prior to considering mitigating actions and applied a scoring methodology based on a scale 0-3, where severity was weighted more heavily thereby taking precedence over likelihood in line with the UN Guiding Principles for Business and Human Rights.

Risks and opportunities

Taking an outside-in perspective, we assessed financial risks and opportunities to the business in light of their likelihood and magnitude based on our Enterprise Risk Management. In our scoring, we weighted magnitude and likelihood equally.

Magnitude — the financial effect the risk or opportunity may have on our value creation.
Likelihood — the probability of an occurrence taking place during a certain time horizon.

Threshold

Once the impacts, risks, and opportunities were assessed, we applied a materiality threshold to determine which of them were material.

Time horizons

We have considered the following time horizons in our assessments: short-term (up to 1 year), medium-term (1-5 years), and long-term (longer than 5 years).

Material sustainability-related impacts, risks, and opportunities

	Topical standard	Material topics	Impacts (how we impact)	Risks and opportunities (how we are impacted)
Environment	**Climate change (E1)**	Climate change mitigation Climate change adaptation Energy	● Danfoss products enable the transition to a low-carbon economy, improve energy efficiency, and enable a shift from fossil fuels to renewable energy sources (OO/DS) (ST/MT/LT) ○ Impacts related to CO_2e emissions and energy consumption in our full value chain (FV) (ST/MT/LT)	● Commercial opportunities stemming from the transition to a lower carbon economy (DS) (ST/MT/LT) ● Commercial opportunities related to addressing impacts of climate change (DS) (ST/MT/LT) ○ Exposure to increased financial and operational risks resulting from physical climate disruption in our value chain (FV) (ST/MT/LT)
	Pollution (E2)	Substances of concern and very high concern	○ Potential impacts on human health and the environment stemming from known substances covered under REACH and RoHs regulation that are used in our products (OO/DS) (MT/LT)	○ Exposure to increased regulation related to environmental product compliance, substances of concern, and product safety (OO/DS) (MT/LT)
	Circular economy and resource use (E5)	Circular products and solutions Waste management	○ Environmental impacts resulting from resource extraction, consumption, and waste (FV) (MT/LT)	● Commercial opportunities for new circular business models (DS) (MT/LT) ○ Exposure to growing supply chain risks resulting from increased materials scarcity, incl. critical raw materials (FV) (MT/LT) ○ Increased customer and regulatory requirements (OO/DS) (MT/LT)
Social	**Own workforce (S1)**	Inclusion in the workplace Safety Attraction and retention, including talent and development Human and labor rights related to own workforce	● Positive impacts from employment benefits and talent development, recruitment and career advancement of underrepresented groups (OO) (ST/MT/LT) ○ Potential negative impact on employee health and safety due to exposure to e.g., heavy machinery, moving equipment, electrical hazards, or hazardous substances (OO) (ST/MT/LT)	● Talent attraction and retention; diverse teams resulting in more innovation and better performance (OO) (ST/MT/LT) ○ Exposure to a risk related to lack of talent, succession pipeline, employee training, and development (OO) (ST/MT/LT)
	Workers in the value chain (S2)	Human and labor rights related to workers in the value chain	● Job creation in our value chain (US/DS) (ST/MT/LT) ● Products used in applications that contribute to positive impacts on human rights (DS) (ST/MT/LT) ○ Potential contribution to systemic adverse human rights impacts in our upstream value chain (US) (ST/MT/LT)	○ Exposure to increased regulation and potential risk of non-compliance risk of import bans and impact on creditworthiness, risk of operational disruption and reputational damage resulting from labor (US) (ST/MT/LT)
Governance	**Business conduct (G1)**	Responsible tax Political engagement Anti-corruption and bribery Protection of whistleblowers Management of relationships with suppliers and payment practices	● Responsible tax practices contributing to welfare in countries where we generate value (OO) (ST/MT/LT) ● Positive impact through advocacy for energy efficiency and climate change mitigation solutions with political bodies (FV) (ST/MT/LT) ○ Potential contribution to systemic negative impacts in our upstream related to extractive industries and conflict minerals (US/OO) (ST/MT/LT)	● Political advocacy helping with creation of commercial growth opportunities related to the transition to a low-carbon economy (OO) (ST/MT/LT) ○ Potential risk of reputational damage, loss of customers, disqualification from public tenders, penalties related to engagement in corruption and bribery, and lack of whistleblower protections (FV) (ST/MT/LT) ○ Increasing requirements and demand/need for data stemming from our upstream. Failure to live up to these requirements may lead to disqualification from existing or new business with customers (FV) (ST/MT/LT)

● Positive impact/opportunity
○ Negative impact/risk

Value chain impact: downstream (DS), own operations (OO), upstream (US), full value chain (FV)
Time-horizon: short-term (ST), medium-term (MT), long-term (LT)

Stakeholder engagement and sustainability due diligence

We are committed to stakeholder engagement that is meaningful and effective. Our engagement approach enables us to better understand the interests and views of our stakeholders, which in turn informs our business strategy, planning, and decision-making processes. These insights and learnings are also integrated into our due diligence and double materiality assessment processes.

We also aim to communicate with our stakeholders in a clear, transparent, and meaningful way. In doing so, we ensure that we adhere to data privacy and protection regulations and follow our ethical guidelines as required in the Danfoss Ethics Handbook.

As a global business, we engage with various stakeholder groups across our value chain. Our methods of engagement depend on the stakeholders involved and the objective of the engagement. This means that we employ communication ranging from press releases, publications, and campaigns or engage in public consultations, industry networks, and forums.

Our stakeholder engagement approach builds strong partnerships with suppliers, peers, and customers, all of whom support our joint sustainability ambitions. Our stakeholder engagement is based on the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights. To promote knowledge exchange, we have been an active member of the UN Global Compact since 2002.

Sustainability due diligence

In 2024, we continued to assess and strengthen our policies and due diligence processes related to sustainability. The table below presents an overview of where to find more information about our due diligence process in our Sustainability Statement.

Core elements of due diligence	Section	Page
a) Engaging with affected stakeholders in all steps of the due diligence process	SUS	57, 85, 87-88, 90-92
b) Identifying and assessing adverse impacts	SUS	55,80-81
c) Taking action to address the adverse impacts	SUS	80-81
d) Tracking implementation and results	SUS	80-81, 87-88, 90-91
e) Communication about our policies, outcomes, and performance	SUS	80-81, 87-88, 90-92
f) Access to remedy	SUS	87

Stakeholder engagement

Stakeholders	Why we engage	How we engage	How the engagement outcome is used
Employees	• Promote an open dialogue to support professional development • Create a safe, healthy, and inclusive working environment and culture	• Surveys, workplace assessments, and performance reviews • Employee-elected board members and workplace representatives	• Improvements and action plans in the workplace • Knowledge-building and employee development
Suppliers	• Information sharing and raising awareness • Decarbonizing our supply chain	• Sustainability initiatives and new product development • Supplier day events and workshops	• Development of supplier training and awareness-raising campaigns • Support for the innovation of new products and solutions
Customers	• Build trust and better meet our customers' needs and requirements • Collaborate on finding solutions to reduce downstream impacts	• Workshops, trade shows, application development center visits • Joint projects and collaborations	• Improved Danfoss offerings and innovation • Collaborate on sustainability initiatives and product design
Investors and financial institutions	• Better understand current and future expectations to sustainability • Secure sustainable funding	• Periodic investor updates and regulatory financial reporting • Sustainability and financial communications, sustainability ratings	• Attract responsible investors • Finance investments for long-term growth
Government, policymakers, and regulators	• Share views on policies, laws, and regulations • Ensure compliance and demonstrate our sustainability capabilities	• Direct dialogue with policymakers and regulators • Public consultations, white papers, and studies	• Risk mitigation • Support public policy development
Industry and sustainability associations	• Influence and develop industry standards on sustainability	• Workshops and knowledge sharing forums • Representation in working groups and expert groups	• Develop and adopt more sustainable solutions and practices
Civic and non-profit organizations	• Gain insight into the needs and expectations of stakeholders	• Partnerships and targeted engagement	• Take action to minimize actual and potential impacts
Workers in the value chain	• Key component of ongoing due diligence	• Supplier site visits and third party audits • The Danfoss Ethics Hotline (grievance mechanism)	• Serve as input to our due diligence processes
Local communities	• Gain insight into the perspectives of local communities • Build trust and provide community support	• Direct engagement with community representatives • The Danfoss Ethics Hotline (grievance mechanism)	• Sustainable operations • Community projects

↑
In the new Danfoss Sustainability Technology Center in Singapore, Danfoss' technologies are redefining farm-to-table food production by enabling vertical farming to meet demands from growing populations and local production. The city-state has committed to produce 30 percent of its food locally by 2030 and will leverage vertical farming to meet this demand. With vertical farming, the production of fruits and vegetables happens indoors and on vertical stacked layers.

Environment

Content

EU Taxonomy

The EU Taxonomy regulation is a classification system that aims to identify economic activities considered environmentally sustainable and drive the transition toward a sustainable economy.[1]

Taxonomy-eligible activities
We have identified our EU Taxonomy-eligible activities by conducting an analysis of the products in each of our three segments: Danfoss Power Solutions, Danfoss Climate Solutions, and Danfoss Power Electronics and Drives. The activities were identified by the purpose of each of our underlying businesses and in relation to the NACE codes.

Our reporting in 2024 covers the same activity codes as in 2023. Through the stakeholder request mechanism, we are working together with industry associations to influence the development and recommend expansions to the existing EU Taxonomy regulation.

Taxonomy-eligible sales
Our assessment shows that our taxonomy-eligible sales are mainly related to the manufacturing of energy efficiency equipment for buildings (activity 3.5), manufacturing of other low-carbon technologies (activity 3.6), manufacturing of automotive and mobility components (activity 3.18), manufacturing, installation, servicing of high, medium and low voltage electrical equipment (activity 3.20), and sales of spare parts (activity 5.2).

These taxonomy-eligible activities are defined as enabling in relation to the climate change mitigation objective and the transition to a circular economy objective and relate specifically to our products from Danfoss Climate Solutions and Danfoss Power Electronics and Drives. As the EU Taxonomy currently does not include activity codes to capture our hydraulics products, these cannot be classified according to the taxonomy classification system.

Given that we see our hydraulics products as solutions that drive lower emissions through machine productivity and efficiency, we will continue to monitor future developments in and revisions to the regulation that could impact our assessments and taxonomy reporting.

Taxonomy-eligible OpEx
Taxonomy-eligible OpEx has been mapped following our taxonomy-eligible sales, except for building renovations, which were mapped to renovation of existing buildings (activity 7.2).

Taxonomy-eligible CapEx
Most of the taxonomy-eligible CapEx has been mapped according to the identified eligible activities, however, CapEx related to our real estate activities has been mapped to the following activities: renovation of existing buildings (activity 7.2), installation, maintenance, repair of energy efficiency equipment (activity 7.3), and acquisition and ownership of buildings (activity 7.7). The leasing of company cars has been mapped to transport by motorbikes, passenger cars and light commercial vehicles (activity 6.5).

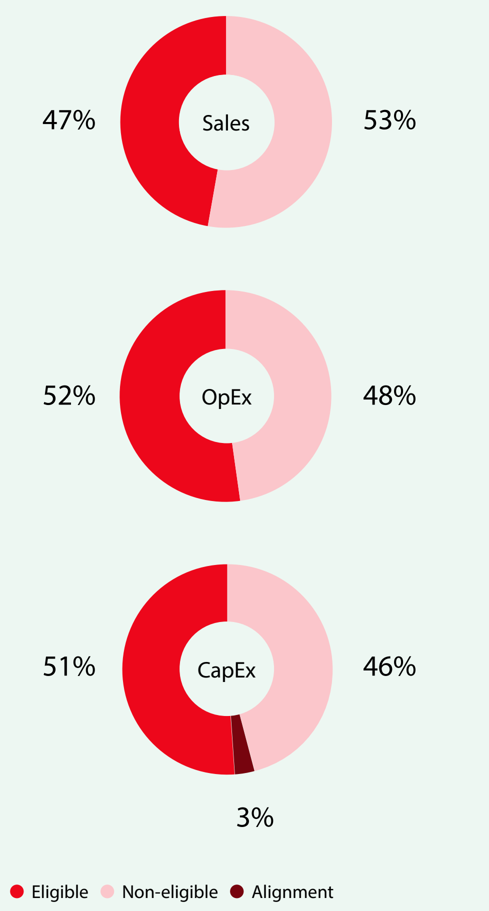
Taxonomy-aligned activities
To be able to report on alignment in 2024, we performed a thorough analysis of the technical screening criteria for 'substantial contribution', 'do no significant harm' (DNSH), and 'minimum safeguards'.

Once an economic activity is considered to contribute substantially to one or several of the EU Taxonomy's environmental objectives, it can only be considered environmentally sustainable (taxonomy-aligned) if it meets the DNSH criteria and minimum social and governance safeguards, as specified by the regulation.

Taxonomy-aligned sales
For the activities we found to be taxonomy-eligible, we assessed compliance against the substantial contribution criteria for each of the environmental objectives and their related activities.

[1] Regulation (EU) 2020/852.

EU Taxonomy — eligibility and alignment



As a result of our compliance assessment, we concluded that our products within Danfoss Climate Solutions and Danfoss Power Electronics and Drives contribute substantially to climate change mitigation.

For the DNSH criteria, we meet all objectives except for 'Pollution Prevention and Control.' At Danfoss, we offer products that comply with regulatory frameworks such as EU Regulation 1907/2006 (REACH) and EU Directive 2011/65/EU (RoHS).

However, the wording in Appendix C[2] of the EU Taxonomy introduces requirements that go beyond existing chemicals legislation, such as mandating non-regulated supply chain information flows. These requirements pose significant challenges for industries since they create operational complexity and could hinder compliance efforts. Various industry associations, including those from the manufacturing sector, are in dialogue with the European Commission to clarify the intention and usability of Appendix C and advocate for a more feasible approach.

Additionally, Danfoss produces technologies and solutions that significantly reduce emissions across the value chain. By empowering industries to cut emissions and enhance energy efficiency, we make substantial contributions to a low-carbon economy. These vital decarbonization efforts, especially energy efficiency, fall outside the scope of the EU Taxonomy, which narrowly focuses on specific criteria and activities.

Given that the EU Taxonomy's requirements exceed current legislation and the ongoing industry-wide discussions, Danfoss will not claim alignment for sales in 2024. We remain committed to monitoring the implementation of Appendix C in 2025 and will take the necessary steps to address evolving requirements as they emerge.

Taxonomy-aligned OpEx
In 2024, due to the lack of taxonomy-aligned sales, we are not able to report any taxonomy-aligned OpEx.

Taxonomy-aligned CapEx
The main part of our CapEx is allocated based on the percentage of taxonomy-aligned sales and therefore considered not aligned. We consider specific new-build projects to be taxonomy-aligned due to our high standards on energy efficiency for new buildings.

To identify physical climate-related risks that are material for Danfoss, we have conducted a cross-functional climate scenario analysis in alignment with the Task Force on Climate-related Financial Disclosures (TCFD), applying scenarios from the Network for Greening the Financial System (NGFS) to assess climate-related risks across short-, medium-, and long- term. Furthermore, we have mapped our operations for water and biodiversity impact using WWF's Risk Filter Suite. Based on our analysis, we have assessed that we comply with all DNSH criteria within 'Climate change adaptation'.

For more details, please refer to the Climate change section (page 64).

Minimum safeguards
Our commitments and approach to respecting human and labor rights across our value chain are based on the UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, and the ILO Core Conventions on Labor Standards. These are reflected in our Human Rights Policy, the Danfoss Supplier Code of Conduct, the Danfoss Ethics Handbook, and other internal policies, standards, and guidelines. Our commitment, approach to respecting human rights, and due diligence processes ensure that we have minimum safeguards in place for human rights, bribery and corruption, taxation, and fair competition.

For more details, please refer to the Human and Labor Rights section (page 87) as well as the Business Conduct section (page 90).

Moving forward
While we acknowledge the purpose and importance of the EU Taxonomy regulation as a key driver of the green transition, we find that its classification of activities does not fully cater to the nature of the business of component manufacturers, which leads to a low level of eligible and aligned activities for Danfoss.

Going forward, we will keep monitoring the regulation and adapt our reporting accordingly.

[2] http://data.europa.eu/eli/reg_del/2023/2486/oj

KPI Sales

Economic Activities	Codes	Absolute sales	Proportion of sales	Substantial contribution criteria: Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Pollution prevention and control	Circular Economy	Biodiversity and ecosystems	DNSH criteria ('Do No Significant Harm'): Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Pollution prevention and control	Circular Economy	Biodiversity and ecosystems	Min. Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Sales 2023	Cat. enabling activity	Cat. transitional activity
A. Taxonomy-eligible activities		EURm	%																
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
				%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Sales, Taxonomy-aligned activities		0																	
A.2 Taxonomy-eligible, but not Taxonomy-aligned activities																			
Manufacture of equipment for the production and use of hydrogen	3.2	2	0%	100%													0%	E	
Manufacture of low-carbon technologies for transport	3.3	9	0%	100%													0%	E	
Manufacture of energy efficiency equipment for buildings	3.5	1,594	16%	100%													17%	E	
Manufacture of other low-carbon technologies	3.6	1,126	12%	100%													10%	E	
Manufacture of automotive and mobility components	3.18	193	2%	100%													2%	E	
Manufacture of medium and low-voltage electrical equipment	3.20	1,516	16%	100%													15%	E	
Installation, maintenance, and repair of energy efficiency equipment	7.3	4	0%	100%													0%	E	
Data-driven solutions for GHG emissions reductions	8.2	9	0%	100%													0%	E	
Repair, refurbishment, and remanufacturing	5.1	28	0%					100%									0%		
Sale of spare parts	5.2	113	1%					100%									1%		
Sales, Taxonomy-eligible but not aligned activities		**4,594**	**47%**																
Total aligned and eligible activities (A.1 + A.2)		**4,594**	**47%**														**45%**		
B. Taxonomy non-eligible activities																			
B Sales from non-eligible activities		**5,080**	**53%**														**55%**		
Total A+B		**9,674**	**100%**																

Taxonomy-eligible and -aligned sales ratio

The sales KPI is calculated as the proportion of net sales from products or services associated with taxonomy-eligible and/or -aligned activities (numerator) divided by the net sales for the Danfoss Group presented in the income statement as of December 31 (denominator).

To avoid double-counting, sales for all our products are only classified into one activity code based on an identical data source with predefined indicators for activity code assessment. All sales are reconciled to our management system and cannot exceed 100% of total net sales.

KPI OpEx

				Substantial contribution criteria						DNSH criteria ('Do No Significant Harm')									
Economic Activities	Codes	Absolute OpEx	Proportion of OpEx	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Pollution prevention and control	Circular Economy	Biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Pollution prevention and control	Circular Economy	Biodiversity and ecosystems	Min. Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx 2023	Cat. enabling activity	Cat. transitional activity
A. Taxonomy-eligible activities		EURm	%																
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
				%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
OpEx, Taxonomy-aligned activities		0																	
A.2 Taxonomy-eligible, but not Taxonomy-aligned activities																			
Manufacture of equipment for the production and use of hydrogen	3.2	0	0%	100%													0%	E	
Manufacture of low-carbon technologies for transport	3.3	0	0%	100%													0%	E	
Manufacture of energy efficiency equipment for buildings	3.5	84	12%	100%													14%	E	
Manufacture of other low-carbon technologies	3.6	102	14%	100%													11%	E	
Manufacture of automotive and mobility components	3.18	23	3%	100%													4%	E	
Manufacture of medium and low-voltage electrical equipment	3.20	114	16%	100%													16%	E	
Renovation of existing buildings	7.2	43	6%	100%													7%	T	
Installation, maintenance, and repair of energy efficiency equipment	7.3	0	0%	100%													0%	E	
Data-driven solutions for GHG emissions reductions	8.2	4	1%	100%													0%	E	
Repair, refurbishment, and remanufacturing	5.1	1	0%					100%									0%		
Sale of spare parts	5.2	5	1%					100%									2%		
OpEx, Taxonomy-eligible but not aligned activities		**378**	**52%**																
Total aligned and eligible activities (A.1 + A.2)		**378**	**52%**														**53%**		
B. Taxonomy non-eligible activities																			
B OpEx from non-eligible activities		**344**	**48%**														**47%**		
Total A+B		**722**	**100%**																

Taxonomy-eligible and -aligned OpEx ratio

The OpEx KPI is calculated as the proportion of operational expenditures associated with taxonomy-eligible and/or aligned activities (numerator) divided by the total OpEx for the Danfoss Group as of December 31 (denominator).

The denominator consists of OpEx related to research and development presented in the income statement, Note 3. The costs are allocated to segments and allocated based on the percentage of taxonomy-eligible sales. If the costs are not directly related to the taxonomy-eligible activities but are intended to reduce GHG emissions for future projects/products, these are mapped as activity 9.1 'Close to market research, development and innovation.'

Building renovation costs that are captured centrally for each site are considered as activity 7.2 'Renovation of existing buildings' due to the lack of granular data.

Repair and maintenance costs mainly related to machinery and equipment within the production area are allocated to segments based on the percentage of taxonomy-eligible sales.

To avoid double-counting, we make sure that all costs are only mapped to one activity code based on the nature of the cost.

KPI CapEx

Economic Activities	Codes	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: Climate Change Mitigation	Substantial contribution criteria: Climate Change Adaptation	Substantial contribution criteria: Water and Marine Resources	Substantial contribution criteria: Pollution prevention and control	Substantial contribution criteria: Circular Economy	Substantial contribution criteria: Biodiversity and ecosystems	DNSH criteria ('Do No Significant Harm'): Climate Change Mitigation	DNSH criteria ('Do No Significant Harm'): Climate Change Adaptation	DNSH criteria ('Do No Significant Harm'): Water and Marine Resources	DNSH criteria ('Do No Significant Harm'): Pollution prevention and control	DNSH criteria ('Do No Significant Harm'): Circular Economy	DNSH criteria ('Do No Significant Harm'): Biodiversity and ecosystems	Min. Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx 2023	Cat. enabling activity	Cat. transitional activity
A. Taxonomy-eligible activities		EURm	%																
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Acquisition and ownership of buildings	7.7	18	3%	100%						Y	Y	Y	Y	Y	Y	Y	0%		
CapEx, Taxonomy-aligned activities		18	**3%**																
A.2 Taxonomy-eligible, but not Taxonomy-aligned activities																			
Manufacture of equipment for the production and use of hydrogen	3.2	0	0%	100%													0%	E	
Manufacture of low-carbon technologies for transport	3.3	0	0%	100%													0%	E	
Manufacture of energy efficiency equipment for buildings	3.5	46	8%	100%													8%	E	
Manufacture of other low-carbon technologies	3.6	42	7%	100%													5%	E	
Manufacture of automotive and mobility components	3.18	49	8%	100%													6%	E	
Manufacture of medium and low-voltage electrical equipment	3.20	24	4%	100%													4%	E	
Transport by motorbikes, passenger cars, and other vehicles	6.5	20	3%	100%													2%	T	
Renovation of existing buildings	7.2	71	12%	100%													0%	T	
Installation, maintenance, and repair of energy efficiency equipment	7.3	8	1%	100%													0%	E	
Acquisition and ownership of buildings	7.7	42	7%	100%													25%		
Data driven solutions for GHG emissions reduction	8.2	4	1%	100%													0%	E	
Repair, refurbishment, and remanufacturing	5.1	0	0%					100%									0%		
Sale of spare parts	5.2	3	0%					100%									0%		
CapEx, Taxonomy-eligible but not aligned activities		**307**	**51%**																
Total aligned and eligible activities (A.1 + A.2)		**325**	**54%**														**49%**		
B. Taxonomy non-eligible activities																			
B CapEx from non-eligible activities		**275**	**46%**														**51%**		
Total A+B		**600**	**100%**																

Taxonomy-eligible and -aligned CapEx ratio

The CapEx KPI is calculated as the proportion of capital expenditure associated with taxonomy-eligible and/or -aligned activities (numerator) divided by the capital expenditure presented in the annual report Note 9 Intangible assets and Note 10 Property, factory and equipment (denominator).

The denominator consists of CapEx related to additions to fixed assets (Note 10). The additions to land and buildings are mapped into activities 7.2-7.7. The additions to machinery and equipment are allocated to segments and mapped into the relevant activity based on the percentage of taxonomy-eligible sales.

Additions to intangible assets (Note 9) are allocated to segments and mapped into the relevant activity based on the percentage of taxonomy-eligible sales.

Leasing includes the additions to land and building and machinery and equipment. Leasing in relation to machinery and equipment is allocated to segments and mapped into the relevant activity based on the percentage of taxonomy-eligible sales. Leasing of company cars is mapped into activity 6.5.

No CapEx plan has been included for the 2024 reporting. To avoid double-counting, we make sure that all costs are only mapped to one activity code i.e., the nature of the cost.

Climate change

At Danfoss, we want to be the preferred partner in helping our customers decarbonize. We do this through our products and solutions that enable the transition to a low-carbon economy.

Across industries, businesses are increasingly transforming the challenge of decarbonization into an opportunity for value creation and competitive advantage. With rising energy costs, this has become even more critical.

This integrated annual report showcases many of the concrete ways in which we help our customers improve their machine productivity and energy efficiency while enabling electrification to move toward a more sustainable and resource-efficient future.

Maximizing customer energy and emissions savings
As a component manufacturer for the energy transition, Danfoss' overall positive climate impact is generated by the energy and emissions savings of our customers when using our solutions. We are actively building a product portfolio that delivers significant energy and cost reductions, wherever they are used.

	Targets		Progress	
Scope 1 & 2	≥90%	Emissions reduction of a minimum of 90% by 2030 compared to our 2019 recalculated baseline. Additionally, we have a validated science-based target of a reduction of 46.2% in emissions by 2030.	27%	Decrease of scope 1 and 2 emissions, compared to the 2019 recalculated baseline, and a 19% decrease compared to 2023. We secured long-term power purchase agreements for selected factories in China, India, and North America, together with reduced factory footprint through improved energy efficiencies.
Scope 3	15%	Emissions reduction of total scope 3 by 2030 compared to our 2019 baseline. Additionally, 25% emissions reduction of scope 3.1, purchased goods and services, by 2030 compared to our 2019 baseline.	3%	Decrease of scope 3 emissions compared to 2023. Improvements are driven by the sourcing of low-carbon materials, improved data quality, and lower activity levels in general. Together with industry peers, we have aligned on lifecycle assumptions for selected product families, leading to an improved assessment of scope 3.11, use of sold products. Excluding the newly acquired BOCK® Compressors, the reduction equals 6%.
EP100	Doubling our economic output from every unit of energy consumed by 2030 compared to 2007		By the end of 2024, we increased our energy productivity by 70% compared to 2007	
EV100	Committing to electrifying our fleet and installing EV charging infrastructure by 2030		We increased our share of electric vehicles from 12% in 2023 to 20% by the end of 2024	
RE100	Committing to using 100% renewable electricity across our operations by 2030		We increased our share of renewable electricity from 30% in 2023 to 41% by the end of 2024	

Our product portfolio provides the technologies needed for immediate decarbonization, empowering our customers to save energy, reduce costs, and thereby boost competitiveness. Many of our products and solutions have a payback time of less than three years. A short payback time confirms that decarbonization is not only good for the environment but also good business.

Our decarbonization targets
Our competitive decarbonization approach covers all our climate targets. We remain committed to achieving our verified science-based target, aligned with the Paris Agreement's goal of limiting global warming to 1.5°C. By decarbonizing along our value chain, we also support our customers in navigating the transition to a low-carbon economy.

Our climate targets cover our total scope 1, 2, and 3 emissions and all six greenhouse gases recognized by the GHG Protocol. The targets were defined through a screening of our activities and do not exclude any mandatory emissions categories as per the guidance of the Science-Based Target initiative.

Danfoss is a proud triple joiner of the Climate Group flagship initiatives, which means we are committed to doubling our energy productivity (EP100), electrifying our fleet (EV100), and sourcing 100% renewable electricity (RE100) by 2030.

All our climate targets address our most material climate-related impacts, risks, and opportunities. In setting these targets, we have also considered future developments impacting Danfoss, such as economic fluctuations, technology shifts, and changes in regulatory environments.

Progress on our decarbonization targets
In 2024, we saw a steep decline in our upstream emissions, which mainly come from our purchased goods and services, scope 3.1. This decline was driven by reductions in purchased volumes in some areas of our activities. In parallel, we have improved our methodologies and supplier-related data, progressively moving away from spend-based calculations. Moving forward, we will continue to implement several decarbonization initiatives across our supply chain.

Our downstream emissions are mostly driven by the use of sold product emissions, scope 3.11. In 2024, we experienced a slight decrease in this emissions category. From a sales perspective, some sectors experienced growth while others suffered from a slowdown. Meanwhile, we are continuously improving our calculation models and assumptions aligning with industry standards. We continue to strive toward building a low-carbon product portfolio of more energy-efficient products and solutions enabling electrification.

Transition planning
To set us on a pathway to achieve our decarbonization targets, a climate transition plan is currently in development and covers our full value chain. We plan to publish our climate transition plan in 2025.

Decarbonizing our own operations

When decarbonizing our own operations, we use the same technologies and solutions that we develop for our customers. Our validated science-based target requires a 46.2% reduction of emissions for scope 1 and 2. Additionally, we have a clear commitment to fully decarbonize our own operations by 2030.

Planning for carbon-neutral operations
This year, we have continued to execute on our 2030 roadmaps toward achieving carbon-neutral operations throughout Danfoss.

We focus primarily on actual emissions reductions, with only a limited use of credits and offsets. Danfoss has purchased carbon credits for one location only: our carbon-neutral headquarters in Nordborg. The offsets come from a carbon credits retirement program targeting the regulated and third-party verified US Californian Cap-and-Trade market.

Our Energy Management Policy
Our Energy Management Policy focuses on the sustainable and equitable use of energy resources, aiming to reduce energy consumption, enhance efficiency, and enable a shift toward renewable sources. The policy applies to all Danfoss subsidiaries and includes standards for energy reporting and reduction of greenhouse gas emissions. Each site has designated managers responsible for policy implementation, compliance, and promoting energy conservation initiatives.

Driving energy efficiency
Across our factories, we have identified over 200 improvement projects that represent a combined potential reduction of approximately 130,000 MWh (13% decrease) in energy use and 48,000 tCO_2e (18% reduction) in carbon emissions.

Among the identified improvement projects, in 2024, we implemented 45 projects across 12 factories, targeting a reduction of approx. 29,000 MWh (3%) in annual energy consumption and a 10,000 tCO_2e (4%) decrease in carbon footprint.

Our journey will continue into 2025, with plans to launch at least 50 new projects based on our pipeline. By the end of 2025, we aim to implement energy efficiency measures that cover more than 70% of Danfoss' total energy consumption.

Decarbonizing our energy mix
As of January 2024, the campus in Wuqing, China, and Chennai, India, are fully supplied with renewable electricity. We also signed contracts for renewable electricity for our Hayian, Jining, and Nanjing factories in China. In Finland, renewable district heating agreements now cover all Danfoss sites. In 2025, we expect to sign renewable electricity agreements for all remaining EU factories.

Fleet electrification
Electrification of transportation is a focus area for Danfoss — both from the perspective of being a solution provider for electric vehicles and charging infrastructure and as a member of the Climate Group's EV100. At Danfoss, we increased our share of electric vehicles from 12% in 2023 to 20% in 2024 and continuously increase the capacity of on-site charging stations.

Case story

40% emissions reduction achieved at our factory in Považská, Slovakia

In 2024, energy-efficiency projects were initiated at the Považská Bystrica factory, including a heat recovery system to capture energy from factory processes and reuse it in the factory's heating and cooling systems.

The transition from full reliance on a gas-driven local district-heating system has enabled the Považská Bystrica factory to achieve an overall reduction of energy consumption by 15%, enabling energy savings of over 3,300 MWh, equivalent to EUR 0.6m annually and a payback time of just over two years.

At the same time, CO_2e emissions from processes were lowered by 1,100 metric tons, achieving a 40% reduction in the carbon footprint associated with the factory's energy use.

Internal carbon pricing
Danfoss has begun the development of an internal carbon price. We have piloted an internal carbon price, applying this to CapEx decisions, currently focused on production equipment. In the coming year, we will assess and support further deployment of carbon prices.

Decarbonizing our value chain

Decarbonizing our upstream value chain
Our upstream focus is on minimizing the carbon footprint embodied in the materials and production of our products. By working closely with suppliers and implementing sustainable procurement practices, we are able to source materials that have a lower environmental impact.

Improved methodology and data
In 2024, we refined our methodology for calculating scope 3 emissions, focusing on collecting more primary data on purchased goods and services.

Involving our suppliers through our 'Green Ask' initiative
Through our supplier engagement program, the 'Green Ask' initiative, we have worked with our suppliers to improve greenhouse gas emission data, implement emissions reduction initiatives, and promote the sourcing of renewable energy. We encourage our direct suppliers to engage their own suppliers on these topics, thus creating a ripple effect for decarbonization across our joint value chain.

In 2024, we invited all our strategic suppliers to the program, which covers more than 40% of our EUR 3.5bn annual purchase spend, which corresponds to 1,630 ktCO_2 e (scope 3.1, purchased goods and services).

Through the Green Ask initiative, we learned that many of our strategic suppliers have emissions reduction targets in place; however, we also see improvement potential relating to the use and transition plans for renewable energy. We will continue to work with the Green Ask initiative in 2025.

Case story

100% electrification showcased from Nordborg, Denmark, to Le Mans, France

Electrification of heavy transport is possible to a larger extent than most people imagine. 48% of all trucks in Denmark drive less than 300 kilometers per day. Therefore, we see neither technological nor practical barriers to converting to fully electric trucks.

With Danfoss' transition to a full electric truck fleet serving our operations in Denmark, we set out to demonstrate the opportunities of fully electrifying long-haul heavy transport.

The Danfoss e-truck hauled 37 tons through five countries, from Nordborg in Denmark to Le Mans in France, utilizing already available charging technology. As an example, Danfoss Editron is supplying the On-Board Charger and Electric Power Supply, which enables fast overnight charging and is a key enabler to electrifying on-highway trucks and buses as well as off-highway vehicles.

Progress on the First Movers Coalition
In November 2023, Danfoss joined the First Movers Coalition (FMC) to support the development of low-carbon aluminum while also committing to purchase at least 10% (by volume) low-carbon primary aluminum by 2030 and ensuring that at least half of all aluminum used is composed of secondary aluminum by 2030.

As a first concrete step towards meeting our target, the Danfoss Power Electronics and Drives segment has transitioned 13 product parts to green aluminum, which has a 27% lower carbon footprint compared to common aluminum. Since joining the FMC, product development teams across Danfoss have begun to test both low-carbon virgin aluminum and aluminum with higher recycled content in our products.

Decarbonizing supply chain freight and logistics
Throughout our supply chain, we focus on the following decarbonization levers:

- Regionalize our supply chain to decrease freight
- Select more carbon-efficient transport such as rail or ocean
- Maximize vehicle asset utilization by operating at full capacity
- Enable fleet efficiency by ensuring that vehicles are electric or utilize fuel-saving technologies

Decarbonizing our downstream value chain

Our product and technologies, leading application know-how, and sustainable innovation help customers lower costs, improve their competitiveness, reduce their energy consumption, and decarbonize. We work closely with our customers to develop the solutions needed to enable the green transition.

Improved methodology and data

In our efforts to improve our data accuracy, we have continued in 2024 to focus on methodology and data improvements related to use of sold product emissions.

Decarbonization roadmaps and levers

In 2024, we continued to mature our decarbonization roadmaps, which are aimed to help us achieve our 2030 science-based targets. We worked across our three segments with our decarbonization levers, which include investment in optimization and energy-efficiency, transition to next-generation technologies, and automation.

To allow us to evaluate, prioritize, and monitor projects with high decarbonization and commercial potential, we implemented in 2024 a new innovation pipeline management process. This process enables us to identify and develop concrete decarbonization projects and opportunities from an early stage.

Not all decarbonization levers are alike. For some, the financial investment results in a viable business case and a positive impact on decarbonization. Other levers are technologically feasible, but pose other challenges and dilemmas. We will continue to pursue the different levers to reach our targets.

Case story

Danfoss compressor offers increased energy efficiency and emissions savings

Our new scroll compressor offers a 5% increase in efficiency during operation, driving significant CO_2e reduction during product use. This has been achieved through optimized refrigerant flow and motor efficiency improvements and exemplifies our commitment to reducing the emissions of our products throughout the value chain.

Furthermore, compared to its predecessor, our new scroll compressor offers a 15% reduction in material use, thereby achieving a 50% reduction in steel weight and a 6.5t annual embodied CO_2e saving.

We plan to apply these design principles to future product models, particularly in the heat pump market, aligning with our broader sustainability goals and growing customer demand for low-carbon products.

Avoided emissions

The positive climate impact of Danfoss' product portfolio is achieved through avoided emissions.

Avoided emissions is a term used to quantify the savings enabled by a specific solution versus a reference scenario. For Danfoss, avoided emissions represent potential savings for our customers and end users of our products.

Avoided emissions can be achieved through energy efficiency improvements, low-carbon products and solutions, and by displacing emissions from fossil and higher-emitting sectors. To remain competitive, we must offer the most efficient products; in other words, products that generate significant savings for our customers.

To provide robust evidence of the environmental performance of our products, this year, we finalized two third-party validated case studies on heat pumps and industrial fans. We believe that substantiated evidence of the avoided emissions of our products is an essential part of Danfoss' value proposition.

We are in the process of integrating avoided emissions into our new product development processes to systematize their quantification.

In 2025, to support global standardization efforts on avoided emissions and increase transparency in this emerging topic, we will publish our methodologies for avoided emissions, aligning with the World Business Council for Sustainable Development's (WBCSD) guidelines.

Case story

Avoiding emissions with Danfoss solutions for heat pumps

Decarbonizing residential and commercial heating systems is a key lever for realizing Europe's climate ambitions. Heat pumps are suitable solutions to reduce emissions from the production of heat in a building environment.

We estimate that heat pumps with our VZN175 compressor can save 477 tons of CO_2 emissions over their lifetime compared to traditional gas boilers. Not only are heat pumps more efficient than gas boilers, but our compressor also allows for the use of more environmentally friendly refrigerants. These refrigerants have a lower global warming potential (GWP) than other commonly used cooling agents.

These results were verified by a third-party and followed the World Business Council for Sustainable Development guidelines on avoided emissions.

Read our report on avoided emissions here

Climate-related financial risks and opportunities

We have conducted a climate-related risks and opportunities assessment, following the Task Force for Climate-related Financial Disclosures (TCFD) recommendations. The assessment enabled us to identify, characterize, and quantify our main risks and opportunities as well as the cost of realizing an opportunity or mitigating a risk. This assessment was performed by a cross-functional team involving relevant functions such as Group Risk Management, Group Sustainability, sustainability functions in our three segments, and our organization responsible for real estate.

The table to the right summarizes the risks and opportunities identified in 2024. During 2025, we will continue the ongoing integration of the identified risks and opportunities into our segments and business processes.

The analysis was based on three scenarios defined by the Network for Greening the Financial System (NGFS): Net Zero 2050, Disorderly Transition, and Hot House World.

Climate-related risk/opportunity	Risk/opportunity type	Description of the potential financial impact	Value chain impact
O1: Development of low emissions products	Transition	Increased revenues resulting from increased demand for products and services	Downstream
O2: Use of more efficient production processes	Transition	Reduced indirect (operating) costs	Own operations
O3: Expansion to new markets	Transition	Increased revenues through access to new and emerging markets	Downstream
R1: Flooding	Physical — acute	Decreased revenues due to reduced production capacity	Own operations
R2: Water scarcity	Physical — chronic	Decreased revenues due to reduced production capacity	Own operations
R3: Carbon pricing	Transition	Increased compliance costs	Own operations
R4: Increased cost of recycled content in raw materials	Transition	Increased production costs	Upstream
R5: Regulations on existing products	Transition	Increased compliance costs	Downstream

Danfoss scope 1, 2, and 3 emissions 2024

Scope 1

0.1%

Combustion of fuels
46 ktCO_2e

Company cars
12 ktCO_2e

Leakage of cooling agents in factories
73 ktCO_2e

Scope 2

0.2%

Purchased electricity
207 ktCO_2e

Purchased heating
9 ktCO_2e

Scope 3

99.7%

Purchased goods
3,154 ktCO_2e

Upstream transport
248 ktCO_2e

Commuting
35 ktCO_2e

Capital goods
413 ktCO_2e

Waste
2 ktCO_2e

Upstream leased assets
6 ktCO_2e

Use of sold products
119,903 ktCO_2e

Transmission of electricity
33 ktCO_2e

Business travel
25 ktCO_2e

Downstream transport
18 ktCO_2e

End-of-life treatment of sold products
53 ktCO_2e

Downstream leased assets
3 ktCO_2e

Energy and GHG emissions disclosures

	2023	**2024**
Energy consumption and mix		
Fuel consumption from coal and coal products (MWh)	-	-
Fuel consumption from crude oil and petroleum products (MWh)	9,894	11,593
Fuel consumption from natural gas (MWh)	310,524	270,849
Fuel consumption from other fossil sources (MWh)	-	-
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	559,693	372,726
Total fossil energy consumption (MWh)	**880,112**	**655,168**
Share of fossil sources in total energy consumption (%)	**79%**	**64%**
Consumption from nuclear sources (MWh)	-[1]	71,734
Share of consumption from nuclear sources in total energy consumption (%)	**0%**	**7%**
Fuel consumption for renewable sources including biomass (MWh)	-	-
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	233,920	295,639
The consumption of self-generated non-fuel renewable energy (MWh)	1,914	5,478
Total renewable energy consumption (MWh)	**235,834**	**301,117**
Share of renewable sources in total energy consumption (%)	**21%**	**29%**
Total energy consumption (MWh)	**1,115,946**	**1,028,019**

	Base year 2019	2023	**2024**	Development
Scope 1 GHG emissions				
Scope 1 GHG emissions (tCO_2e)	161.122	164,465	130,742	-21%
Percentage of scope 1 GHG emissions from regulated emission trading schemes (%)	-[1]	1.9%	4.3%	
Scope 2 GHG emissions				
Gross location-based scope 2 GHG emissions (tCO_2e)	314.137	289,368	256,001	-12%
Gross market-based scope 2 GHG emissions (tCO_2e)	-	262,222	216,002	-18%

	Base year 2019	2023	**2024**	Development
Significant scope 3 GHG emissions				
Total gross indirect (scope 3) GHG emissions (tCO_2e)	**66,820,165[2]**	**127,489,438**	**123,893,335**	**-3%**
1 Purchased goods and services	913,759	4,026,717	3,153,875	-22%
2 Capital goods	40,504	606,317	413,247	-32%
3 Fuel- and energy-related activities	41,250	34,173	32,675	3%
4 Upstream transportation and distribution	6,060	387,161	248,009	-36%
5 Waste generated in operations	1,070	1,764	1,777	13%
6 Business travel	27,899	38,700	25,343	-35%
7 Employee commuting	23,675	34,077	34,545	-2%
8 Upstream leased assets	-	4,574	5,991	31%
9 Downstream transportation and distribution	233,953	40,586	18,374	-55%
10 Processing of sold products	-	-	-	-
11 Use of sold products	65,501,361	122,284,354	119,903,426	-2%
12 End-of-life treatment of sold products	30,634	27,227	52,839	94%
13 Downstream leased assets	-	3,788	3,234	-15%
14 Franchises	-	-	-	-
15 Investments	-	-	-	-

	2023	**2024**
Total GHG emission intensity (location-based, metric tons CO_2e per EURm net sales)	12,102.8	12,846,5
Total GHG emission intensity (market-based, metric tons CO_2e per EURm net sales)	12,100.2	12,842,4

[1] Data not available.
[2] Base year is excluding acquisition of Eaton Hydraulics (2021), SEMIKRON (2022), and BOCK® Compressors (2023).

Circularity

At Danfoss, we engineer products and solutions that enable us and our customers to do more with less. We invest in circularity to be responsible for our own environmental impact and to maintain, and improve, our competitiveness. To engineer the products for tomorrow, circularity must be an integrated part of the innovation cycle from the beginning.

As raw materials become increasingly scarce and more costly to extract, keeping resources in circulation is crucial. Where resources are kept in circulation, waste and pollution are reduced.

At Danfoss, our circularity ambition addresses our existing product portfolio and our new product development.

Improvements to the existing portfolio are achieved with after-sales services and new business opportunities such as take-back, remanufacturing, and refurbishment, which all contribute to the circular economy. Design of new products that contribute to the circular economy entails using fewer or more circular raw materials, applying low-carbon production processes, and designing for reuse, repair, and recycling.

As of 2023, we have mapped and monitor our circular business revenue streams which are revenues from:

- refurbished/remanufactured products, systems, or elements resold
- repair and maintenance activities to prolong the lifetime of our products, upgrade activities
- the sale of spare parts
- performance and access-based models (e.g., sharing or leasing products and services)
- digital services aiming to prolong the products' lifetime

In 2024, our circular business revenues increased by 5%.

Targets	Progress
80% of newly developed products launched to be covered by Danfoss' circularity approach by 2030.	**25%** of all new product developments initiated in 2024 were covered by Danfoss' circularity approach.
25% increase in circular business revenues by 2030 compared to our 2023 baseline, equal to EUR 361m.	**5%** increase in 2024, equal to EUR 19m, compared to 2023 baseline.

Our approach to circularity
To achieve our circularity targets, we have defined a Danfoss Circularity Framework based on the principles of Rethink-Reduce-Recirculate. Each principle is operationalized through 10 strategies that guide our existing product portfolio and new product development. These strategies are the foundation for designing products for circularity.

Embedding circularity in new product development
Our Danfoss Circularity Framework, Sustainable Design Guide, and toolbox support our product development and teams in making decisions and improving the design of new products.

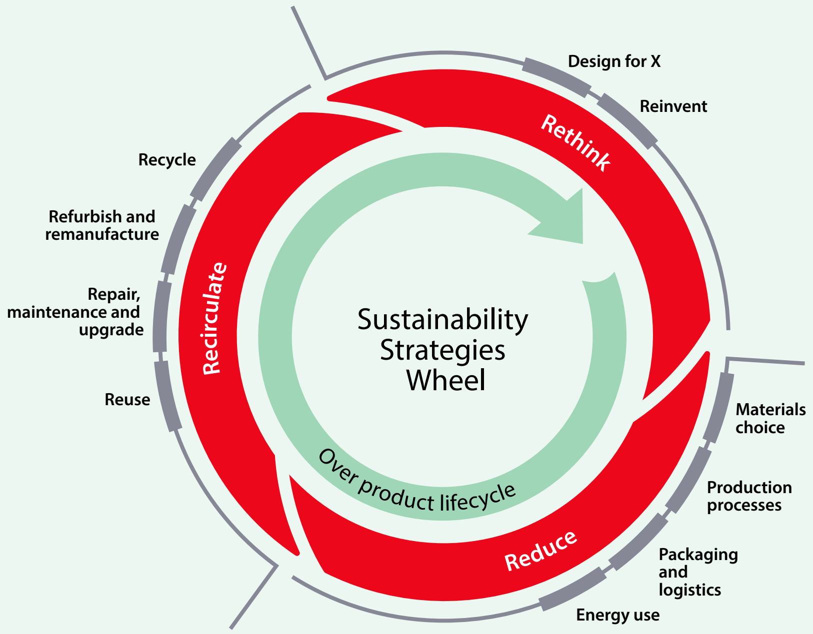
Design decisions made during the early design stages significantly influence a product's sustainability and circularity performance over the product lifecycle many years into the future. These decisions include selection of material, assembly method, and expected lifespan.

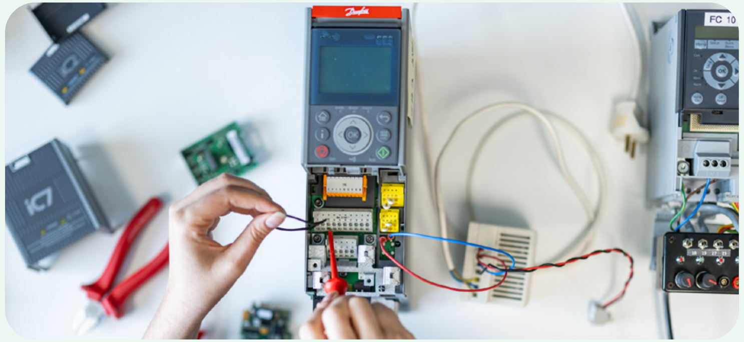
Key actions in 2024
We rolled out the circularity toolbox across Danfoss. Using our RE:CIRC, circularity index, and carbon footprint tools, our innovation teams apply the 10 sustainable design strategies from the Danfoss Circularity Framework to support the innovation process.

In the first year of implementation, 25% of new product development projects have undergone a sustainability assessment and shown improvement on one or more of the circularity or sustainability aspects.

Addressing our existing product portfolio: circular services and solutions
We have set an ambition on circularity for our existing products and services, with a target to increase our circular business revenue by 25% in 2030 (base year: 2023). In 2024, we increased our circular business revenue by 5% compared to 2023.

Danfoss Sustainability Strategies Wheel





Case story

Bringing refurbished drives back to business

Our Danfoss Power Electronics and Drives segment has initiated an important circularity project. The purpose of the project is to refurbish drives, aiming at 100 drives per month, giving them a second life and preventing premature scrapping. Initially, we have focused on learning, and the refurbishment of 54 drives has enabled us to better prepare for our continued plans in 2025.

The Danfoss Power Electronics and Drives segment already has a strong position in helping customers decarbonize their own operations. By developing refurbishment projects, we build a position where we can help our customers decarbonize outside their operations through reduced resource consumption.

Case story

Remanufacturing hydrostatic pumps to as good as new

Last year, we shared the story about how pumps for sugar cane harvesters are remanufactured. This year, we have continued to invest in developing circular remanufacturing services together with selected distribution partners.

Through these services, hydrostatic pumps are brought back to their original performance through genuine components and state-of-the-art techniques adhering to strict reuse guidelines.

The remanufactured pumps have multiple benefits for customers: a speedy exchange at a competitive price, the known Danfoss quality, and a warranty.

Repair and remanufacturing are some of the important levers for meeting both our sales decarbonization and circularity goals.

Case story

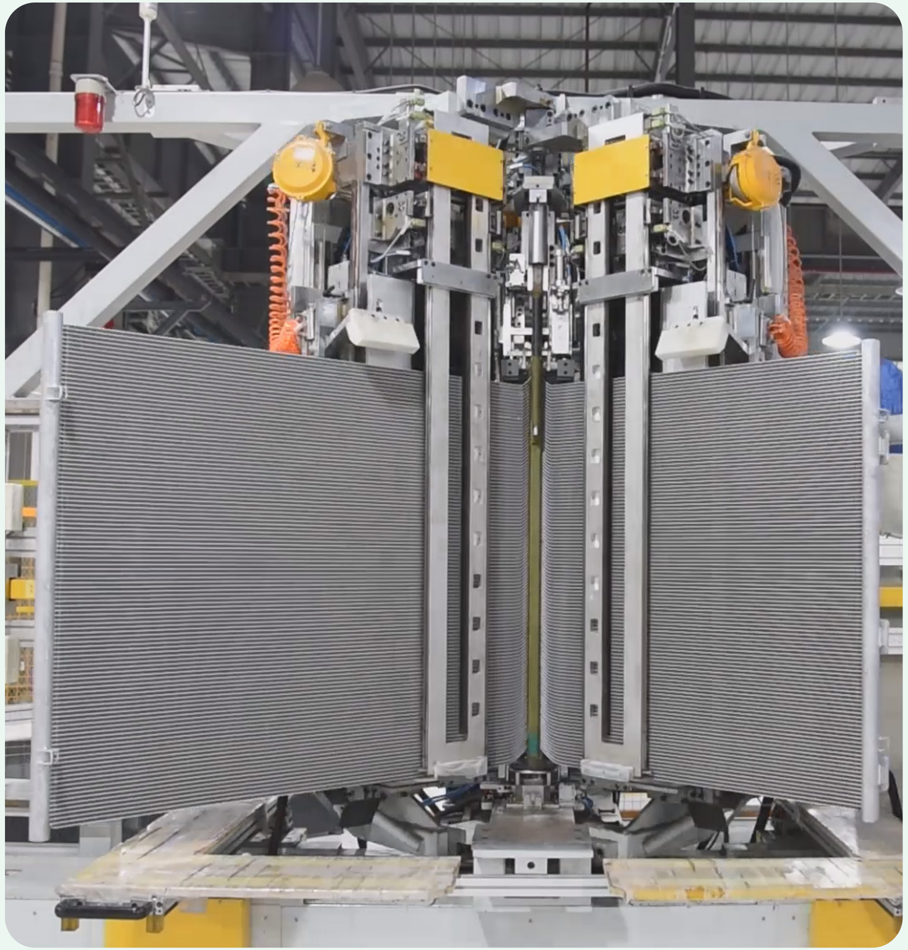
Taking back thermostats

In Denmark, up to 500,000 thermostats are discarded as waste every year.

Danfoss Climate Solutions aims to reduce waste and increase recycling of these materials. Therefore, in 2024, we tested options for recycling thermostat materials at end of life. We invested in a take-back pilot to explore options for introducing these materials into new Danfoss products, enabling significant emissions reductions.

Through customer collaboration, we established 10 collection points in Denmark.

The recycled contents will go into new thermostats of the same high quality Danfoss is known for, but with significantly lower embodied emissions.



Case story

26% reduced embodied emissions in our heat exchangers

In line with Danfoss' decarbonization commitments, we recently launched our low-carbon MicroChannel heat exchanger solution. This solution reduces the product carbon footprint of our existing heat exchanger solutions by an estimated 26%, with the potential for further reduction in the future.

Our new heat exchanger offering is produced using 100% renewable energy while also being more energy efficient, and it contains low-carbon aluminum produced with renewable energy.

Applications that benefit from the heat exchanger include Dedicated outside air systems, chillers, cooling applications for residential and commercial buildings, and data centers.

Collaborating for circularity

The transition to a circular economy requires a holistic approach, and therefore, we actively work to foster partnership with our suppliers, customers, and business partners. We do this, for example, through our supplier engagement program, through which we have worked with suppliers to identify opportunities to increase the use of recycled materials.

We leverage our partnerships to help scale circular economy initiatives across our industry and raise awareness. Together with the Ellen MacArthur Foundation, we have established a network-led project on circular metrics, and we participate in the Circular Design Forum and the Nordic Circularity Accelerator and help shape common definitions in the industrial sector for circularity of products. We have co-funded a research project on circular electronics that aims to develop tools to support product designers in designing for X (e.g., disassembly or reuse).

Responsible waste management

Danfoss aims to minimize both hazardous and non-hazardous waste in our own operations. In 2024, we have released a Waste Management Policy that defines reporting dimensions and responsibilities for the Danfoss Group. To support the reporting process, we have developed a global reporting tool to improve the data collection process. We apply the Rethink-Reduce-Recirculate principles to our waste management, aiming to increase the reused and recycled content in our products and reduce landfill waste. In 2025, we will leverage this foundation to establish a unified ambition on waste minimization, including defining clear targets.

Product safety and compliance

We realize our quality and safety commitments through our Product Compliance Policy, the Danfoss Negative List, and our robust compliance program, processes, and tools.

In 2024, 86% of Danfoss' manufacturing sites have obtained certification for quality management system according to ISO 9001 and 11% according to IATF 16949.

Digital solutions and data integration

As part of our Danfoss digitalization journey, and the growing need for data to meet customer and regulatory needs, the need to strengthen our digital solutions and streamline our data sources has become increasingly apparent.

In 2024, we continued to focus on traceability using digital systems and solutions. We continued the roll-out of our common IT infrastructure to support the integration of our product compliance data into one single platform. This year, we initiated the data integration in our joint solutions to also include regulated substance compliance data for full material disclosures (FMDs). FMD data is necessary to enable accurate life cycle assessment (LCA) and environmental product declarations (EPD) by disclosing the full composition of products. EPDs are a crucial part of our products' value proposition to support our customers' sustainability agenda.

The adaptation of our digital solutions enables us to better meet our customers' data needs while also fulfilling regulatory reporting requirements. In 2025, we will continue to prioritize data availability and focus on enhancing our IT infrastructure.

Chemical management and substances of concern

In Danfoss, we are observing a rise in regulations relating to substances of concern, such as PFAS. This, in turn, is reflected in the increasing number of data requests we receive from our customers.

While Danfoss is not a manufacturer of chemicals, and we do not manufacture articles with intended release of harmful substances, we acknowledge the need to work with our supply chain to identify where harmful substances may exist and how these potentially can be substituted.

With the support of our suppliers, we initiated in 2023 a comprehensive mapping of the use of PFAS across our entire product portfolio. During 2024, we continued to collect data that will better enable us to deliver information to our customers which is in line with our aims for increased transparency on materials and substances.

In 2025, we will continue to address the use of potentially harmful substances and take further actions to find safer alternatives through collaboration with our suppliers.

Life cycle assessments

In our efforts to communicate transparently and better understand the environmental impacts of our products over their lifecycle stages, we have in previous years set up processes and focused on training specialists to perform LCAs and complete EPDs. We have in total released over 80 EPDs, of which more than half were published in 2024. In 2025, we aim to have our EPD process verified by a third party.

Read more about
Policies on Danfoss Business Conduct
Our approach to chemical management
Environmental Product Declarations
Danfoss Position on LCAs and EPDs

Case story

Delivering EPDs to customers to demonstrate decarbonization efforts

Leading by example, we have conducted a pilot project in collaboration with our customer, Trane Technologies, to demonstrate that decarbonization is both possible and feasible in a partnership. This project, focusing on a specific Trane Technologies chiller, will deliver EPDs for two types of heat exchangers (microchannel and brazed plate) and a Turbocor compressor.

The EPDs are the official documents which both Trane Technologies and Danfoss use to substantiate the decarbonization impact helping both parties towards reaching our science-based targets.

Environmental management

At Danfoss, we are committed to safeguarding the environment. We take action to reduce our environmental impacts and identify opportunities to become more sustainable.

Our commitment is outlined in our Business Conduct Policy and Environmental, Health, and Safety (EHS) Policy, which defines minimum requirements for all Danfoss locations. Our environmental management approach is based on international best practices in line with our sustainability agenda.

Furthermore, we require that all Danfoss production sites implement and maintain management systems for the environment, health, and safety, compliant with requirements in ISO 14001. In 2024, 76% of our production sites maintained an ISO 14001 certification.

Read more about our approach, policies, and reports here

Water management

Danfoss' own operations are not water-intensive, and water is primarily used in our production for process cooling. Our global factory footprint spans across all regions of the world, except Africa. Based on a mapping conducted using the WWF Water Risk Filter, we have identified that 11 of our factories are located in regions facing water scarcity and quality issues, which corresponds to 16.6% of Danfoss' total water withdrawals. Where we operate, our water management is aligned with local legislation, including minimizing the use of harmful chemicals in water treatments and ensuring that processed water is treated before discharge.

In 2024, we issued a new internal global water management standard that outlines our commitment to water conservation, water quality management, and responsible water usage in our operations. We aim to continuously reduce our water use with a special focus on sites located in areas with water scarcity. Accountability for this standard lies with our Chief Sustainability Officer.

We have initiated additional analysis of our water usage in own operations and upstream value chain to determine the materiality of the Water and Marine Resources Standard (ESRS E3).

Prevention of pollution

Our commitment to prevent pollution of air, water, and soil are set out in our various policies, which apply to the whole of Danfoss, as we acknowledge that preventing pollution requires a holistic approach.

These standards and policies define our commitments to protect the environment by preventing pollution by managing and utilizing resources effectively and efficiently. This is necessary to limit our impact on the environment and communities within our own operations and through the products and solutions that we bring to market.

Danfoss complies with local requirements at site and legal-entity level, and we also monitor non-GHG air emissions at our sites. In case of potential pollution incidents, we have procedures in place to remediate impacts. We have initiated additional analysis of our global impact to determine the materiality of the Pollution Standard (ESRS E2).

Protecting biodiversity and ecosystems

During 2024, we have mapped our sites for proximity to biodiversity-sensitive areas. Through this assessment, we were able to conclude that Danfoss sites are not located in biodiversity-sensitive areas, but 15 sites were found to be near such areas. Danfoss requires all these areas to maintain management systems for the environment, compliant with requirements in the ISO 14001 standard, which also covers biodiversity-related impacts such as flooding and water stress.

In 2025, we will continue to identify and assess our nature-related issues, as guided by the Taskforce for Nature-related Financial Disclosures (TNFD). This approach supports our efforts to assess biodiversity-related dependencies, impacts, risks, and opportunities across our value chain. We will also look further into the topic of biodiversity in collaboration with our supply chain partners and customers.

To fuel our pipeline of women leaders, we offer various mentoring programs to help them grow, develop, and build strong networks through learning and coaching. One of the programs is led by our Danfoss President & CEO and our Executive Vice President, Group Human Resources.

Social

Content

Our people

To support our customers with the best solutions and services, we invest in our people, providing continuous learning and career development opportunities.

We firmly believe that diverse teams perform better and that equal opportunities and inclusion drive engagement. Our aim is to provide an inspiring and inclusive work environment where people feel that they belong.

Our people activities support us in attracting and retaining the best talent. With the best people, we get the best performance.

The representation of women on the Board of Directors is currently 25%. Women in leadership positions is a key metric for improving gender balance in the organization and increased in 2024 to 23.7% (2023: 22.1%), the highest increase ever in the share of women in leadership roles at Danfoss.

Improving the gender and nationality diversity of our global leadership teams is also one of our key focus areas. After achieving a very strong increase of 8.1%-points in Management Team Diversity from 2022 to 2023, we saw a decrease of 2.4%-points to 73.1% in 2024. However, we are still on track to meet our target of 80% for 2030.

Furthermore, Danfoss is committed to maintaining a gender pay gap below 5%. In 2024, the total pay ratio globally between genders per job category decreased to 6.3% (2023: 6.9%). During 2025, we will intensify our work to minimize this gap.

Safety is a priority for Danfoss, and we do not tolerate unsafe behavior and environments. We continue to address and promote health and safety internally through clear policies, continuous safety training, dialogues, and workshops as well as strong leadership role-modeling.

As we expand our business, we stay committed to ensuring a healthy and safe working environment. Since 2017, we have almost doubled the size of Danfoss. In 2024, the Lost Time Injury Frequency rate (LTIF) has increased slightly from a record low 1.2 in 2023 to 1.3 in 2024. Also, our Total Recordable Injury Frequency rate (TRIF) increased slightly from 2.1 in 2023 to 2.3 in 2024. We expect to get back to 2023 levels during 2025.

Targets		Development	
80%	Diverse management teams by 2030	73.1%	(2023: 75.5%)
30%	Women in leadership positions by 2025	23.7%	(2023: 22.1%)

Safety First!

At Danfoss, we prioritize and protect the physical and psychological safety and health of all employees, and we are committed to creating a safe work environment. We believe it is fundamental that we have an effective health and safety management system in place to sustain a culture that prioritizes safety and well-being.

To meet our commitments, we have established global policies where accountability for health and safety lies with our Environment, Health, and Safety (EHS) leadership. Our EHS Policy and other internal policies are the backbone of how we ensure a safe and healthy workplace for our employees, contractors, and other stakeholders. EHS requirements that apply to external parties, such as contractors working at Danfoss sites, are defined in our contractor safety guidelines. Having an effective prevention and risk-based approach while driving continuous improvements, are the fundamental principles of our approach.

To maintain a robust management system, and align with best practices, we require that all our production sites comply with international standards such as ISO 45001 for occupational health and safety management systems, and ISO 14001 for environmental management systems. Additionally, we comply with local statutory requirements, and all our employees are covered by our EHS management system.

Our Health and Well-being Policy promotes well-being, advises on physical and mental health issues, and addresses medical incidents. At Danfoss, we acknowledge the link between employee well-being and a work environment free from harassment and discrimination[1]. Accountability for well-being in Danfoss lies with our leaders.

To achieve our commitment, we have monitoring mechanisms in place, conduct audits, and implement preventive actions accordingly. Our key focus areas and actions taken include

- Regular health and safety training for all employees.
- Recurring risk assessments of machinery, materials, chemicals and workflows.
- Preventive maintenance of machinery to avoid breakdowns and accidents.
- An incident alert mechanism ensuring that corrective actions are addressed globally.
- Global reporting of potential hazards and implementation of measures to mitigate and/or eliminate risks before such occur.

[1] We do not tolerate discrimination based on characteristics such as gender, age, nationality, ethnicity, cast, religion, sexual orientation, political opinion, disability, whether physical, mental, or learning, or any other characteristics protected by laws.

We provide a range of support systems. For example, we have personnel at our sites who are trained in first aid. Furthermore, as part of our benefits program, our employees are covered by health insurance and an employee assistance program (EAP) that offers professional counselling for any work or personal issue and an online resource hub.

We measure the effectiveness of our actions through our Health and Safety KPIs: LTIF (Lost Time Incidents Frequency) and TRIF (Total Recordable Incidents Frequency).

Health & Safety	2023	**2024[2]**	Target
LTIF	1.2	1.3	1.4
TRIF	2.1	2.3	2.4
Fatalities	0	0	-

[2] LTIF adjusted for newly acquired SEMIKRON and BOCK® Compressors is 1.1 and TRIF 2.1. Targets 2024 reflects the inclusion of both.

Mental health

We believe that promoting mental health in the workplace is crucial as it enhances employee well-being, productivity, and overall organizational success. In 2024, our actions included increasing awareness about mental health, and we introduced a stress management e-learning training for all leaders. The e-learning was piloted in Denmark and will be made available globally in 2025.

While recognizing the need for global consistency, Danfoss employees are empowered to implement local initiatives, e.g., through employee resource groups (ERGs) or business segment-, country-, or site-level initiatives.

To promote a workplace where everyone feels safe to speak up, share new ideas, and express themselves freely, we have launched a series of psychological safety events. The goal has been to cultivate a common understanding and provide actionable tactics for nurturing psychological safety and ensure that all voices are heard and can contribute to our joint success.

Case story

We speak up for Safety

At Danfoss, we say 'Safety First', and we mean it — it is one of our core focus areas to keep our people safe. In 2024, Danfoss Climate Solutions showed great results with a decrease of 20% in TRIF (total recordable incident frequency) compared to the previous year. The LTIF (lost time incident frequency) was as low as 1.6 which is the best ever recorded result for the segment showing an unwavering commitment toward creating productive and safe workplaces.

In May 2024, we highlighted the importance of safety with the theme of 'Spot the Hazard' during our annual safety week. Having a Safety First mindset helps us strive for zero accidents as we take action to prevent them from happening in the first place.

Case story

Eight years without an incident in Wuqing, China

An effective safety organization set up in Danfoss enabled eight years without any incidents at our Wuqing factory in China.

The organization comprises six sub-committees: Compliance, Hazard Management, Equipment Safety, Sustainability, Ergonomics, Safety Inspection, and Change.

The three main goals of the organization are a safer factory, healthier employees, and a better protected work environment.

The organization generated an employee safety culture and awareness, and increased the digital management of the factory.

High-performing, diverse teams

We firmly believe that diverse teams are more innovative and deliver better results. We strive to create and cultivate an inclusive growth-oriented culture that empowers our team members to be themselves and boldly share opinions.

Our ambition is to offer equal opportunities to all our colleagues, no matter who they are or where they work. We expect our leaders to embrace their role as inclusive leaders and ensure everyone feels valued, respected, and safe to contribute their best.

In 2024, Danfoss' employees represented 131 nationalities. 30% of our colleagues and 24% of our leaders are women. We have set targets for a more diverse leadership: 30% women in leadership positions by 2025 and 80% management team diversity by 2030. This means, a minimum of two nationalities and genders in all Danfoss leadership teams at management levels 1-4. Responsibility for our people strategy lies with our Executive Vice President, Group Human Resources.

We know that to meet our diversity targets, we must build our leadership pipeline through succession planning and talent development. We have seen steady progress every year but also realize that it will take more time to reach our stretched 30% target of women in leadership positions.

Focus areas in 2024
We continued to strengthen our attraction and recruitment practices, such as inclusive language in job ads, unconscious bias training for hiring managers and recruiters, and exit surveys. A key focus has been on improving the onboarding of new colleagues joining Danfoss to quickly strengthen their sense of belonging by providing the best possible start in their new team and role.

Our employee resource groups (ERGs) have continued to help us identify and address existing barriers to inclusion, and provide access to community building, personal and professional growth, mentoring, and networking for many Danfoss colleagues.

Our five global ERG themes cover Abilities — Gender, Generations, Multicultural and Nations, and Pride — which are currently driven by 46 local employee-led groups. Activities include seminars and events on unconscious bias, women in STEM, neurodiversity, work environment for seniors and millennials, mental health, and well-being. Danfoss leaders serve as executive sponsors and encourage broad involvement.

We have also continued mentoring programs for women, with one led by our President & CEO. The programs offer women in senior leadership positions the opportunity to grow through coaching from top leadership and building a strong network.

Talent development

Developing our people is key to continuing the transformation of Danfoss. By providing in-house and external training, mentoring, and coaching programs, as well as talent rotation possibilities, we aim to foster a culture of continuous learning and knowledge-sharing. Along with people and performance reviews, people development and succession planning are ongoing priorities for our leaders.

Focus areas in 2024
People development is key for both engagement and retention of our people. We apply the 70:20:10 learning model where 70% of learning and development comes from on-the-job experience, 20% from working together and learning from each other, and 10% from formal training. We have invested in e-learning opportunities that enable employees to learn at their own pace. Additionally, we have functional training in areas like finance, operations, safety, quality, and sustainability.

We have succession plans in place for all critical roles at Danfoss, with 25% of successors and 30% of the total talent pipeline being women candidates.

To support our succession pipeline, we partner with international business schools like INSEAD. To support our target of 30% women in leadership positions, we always consider gender balance in leadership programs. In 2024, women represented 32% of the participants in our INSEAD program.

The Executive Transitions Program supports a smooth transition to executive roles. Members of the Group Executive Team welcome and onboard the past year's new senior leaders. In 2024, we had over 60 program participants with an average age of 45, of which 37% were women.

Our Global Mentoring Program has supported the development of 280 people since 2019. In 2024, we finished the 5th cohort with an overall satisfaction score of 8.7 out of 10. We also started the 6th cohort with 49 new mentees, representing 15 nationalities and a share of 45% women.

The Danfoss Postgraduate Program remains a key talent pipeline for early career development. In 2024, we celebrated the 50-year anniversary of the program. Striving for gender and nationality balance remains a priority, and in 2024, the share of women was 48%, while 13 nationalities were represented.

Equal pay for work of equal value

Equal pay for work of equal value, regardless of gender, is a key element of equity and equality, and fundamental for our ability to attract, motivate, and retain colleagues. The basic principles of fairness, equity, and transparency are embedded in our company values and behaviors and as such Danfoss is committed to competitive and fair compensation and benefits. Our ambition is to maintain the total gender pay gap below 5% globally.

To prevent pay gaps, we monitor the developments by comparing salary levels between men and women within defined, comparable job bands and when needed targeted mitigation actions to increase relevant salaries are implemented. This is governed by our total rewards policies and processes, which are reviewed annually.

The total net gender pay gap globally in 2024 reached 6.3%. During the year, we have adjusted our calculation methods to better reflect the direction from the EU Pay Transparency Directive. Consequently, we have recalculated our 2023 gender pay gap to 6.9%. During the year we have seen an improvement, and we remain committed to lower the gap to below 5%. The gross gap in pay between genders was 22.5% (2023: 22.4%). Our calculation is based on data for salaried employees.

To prepare for the EU Pay Transparency Directive taking effect in 2026, we focused in 2024 on EU countries as a starting point. Following targeted actions, the net gender pay gap per job category in the EU countries was lowered from 5.9% to 4.6%.

In 2025, we will start incorporating the analysis of hourly employees, adding variable pay elements, and quantifiable benefits. To ensure mindful and bias-free pay decisions, we will additionally focus on upskilling our leaders and HR professionals who execute pay decisions together.

Living wage

At Danfoss, we believe that providing a decent total compensation through a living wage is an important aspect of respecting human rights. We are therefore committed to paying our employees a living wage. This means providing compensation that covers basic needs such as costs of housing, food, transportation, telecommunication, childcare, clothing, personal care, furnishing, and medical care, as well as allowing for savings.

In 2024, we started to assess our compensation and payment practices across all our own operations to ensure that all Danfoss employees receive a living wage. To date, our assessment has covered more than 60% of our workforce.

In 2025, we will finalize our assessment and moving forward, we will also continue establishing processes to ensure that we meet our commitment.

Engaging with our people

To ensure our colleagues feel safe to raise work-related concerns, we engage with our colleagues in many ways and provide several channels for raising questions or concerns, including HR- and IT-related inquiries through our service hub platform; the Danfoss Ethics Hotline, which serves as a whistleblower function; and our global network of ERGs.

Focus areas in 2024
Our four Danfoss AskHR hubs provide professional employee services on people inquiries — including wages, benefits, holidays, policies, or specific concerns that might require personnel intervention.

We encourage our managers to give instant and constructive feedback. Regular manager-employee conversations enable our people to grow and perform. To promote an open feedback culture, every employee is offered individual performance dialogues with their immediate manager that focus on performance, new goals, and development plans for upcoming years.

Our global engagement survey, the Voice, takes account of our people's satisfaction, engagement, and inclusion and identifies areas for improvement. It is conducted every second year and most recently in 2023, with a 92% participation rate and an engagement score of 79, placing us in the top quartile of our benchmark peer group, which is our ambition.

The survey showed, among other things, that psychological safety was a key driver of inclusion at Danfoss, an insight we brought into our work in 2024. All teams discuss their own survey reports for additional insights to create action plans. Our leaders are responsible for follow-up and can conduct local pulse surveys, enabling prompt action.

Additionally, we continued our engagement with work councils, which enables a social dialogue with employee representatives is important for building trust and integrity. Our work councils are organized at the local, national, and European level. The Danfoss European Works Council (DEWC) is the highest forum for collaboration between employees and management. The DEWC consists of 34 representatives from 28 countries, representing 19,742 or 50% of our employees. Meeting minutes are published on our intranet.

In 2024, we also held meetings with employee representatives and unions in non-EU countries, ensuring effective execution of the collective bargaining agreements within day-to-day operations. A few examples come from the US, where Danfoss meets with two collective bargaining units on a regular basis, and Latin America and China, where Danfoss has continuous social dialogues with local unions at most locations, e.g., related to reorganization, safety, and other labor union activities.

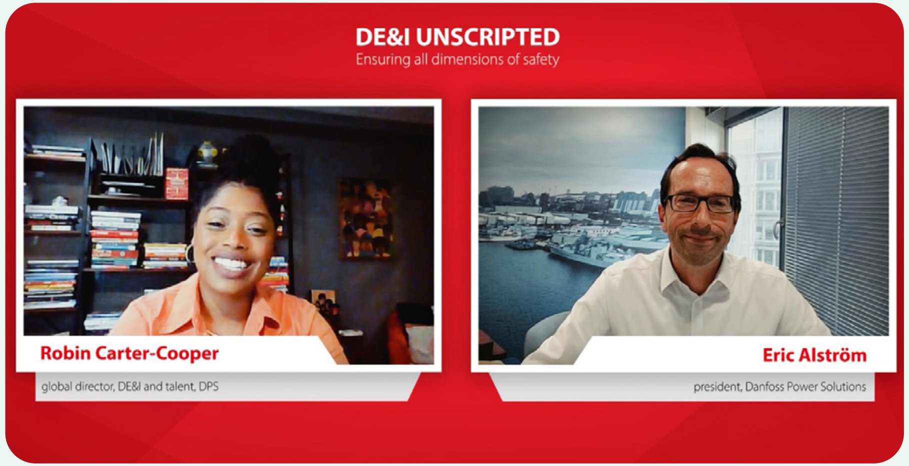
Case story

Being safe

To enhance workplace well-being and productivity, we want Danfoss to be a safe space to speak up, where our high-performing, diverse teams feel valued and empowered to contribute their best. In 2024, we launched virtual conversations with top leaders about psychological safety and team impact. Psychological safety means that colleagues feel included and safe to learn, contribute, and challenge status quo.

It creates a safe work environment where team members can take risks, make mistakes, ask questions, and offer new ideas without fear of embarrassment or humiliation.

In conclusion, a safe environment forms the foundation for addressing biases and fostering a growth mindset, thus leading to better performance.



Case story

Celebrating 50 years of boosting early career development

For the past 50 years, the Danfoss Postgraduate Program has developed candidates for key leadership and specialist positions. During the program, postgraduates solve three to four project assignments and build strong insights into how Danfoss works across the businesses and support functions. To ensure quality in the program, each postgraduate is assigned a senior mentor for the two-year duration of the program. Today, we have a postgraduate alumni network of more than 200 colleagues.

Human and labor rights

As a global company, human and labor rights have always been a priority. At Danfoss, we believe that human rights are about respecting and protecting the dignity of all people.

Since our founding in 1933, Danfoss has embraced a strong sense of social responsibility, long before terms like ESG and CSR were widely recognized. Supporting our people and their families, as well as local communities, has been a fundamental part of who we are, shaping the way we operate and grow.

At Danfoss, we are deeply committed to fulfilling our responsibilities to respect human rights across our value chain. Our commitments and approach to upholding human and labor rights are grounded in the UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, and the ILO Core Conventions on Labor Standards. These principles are outlined in our Human Rights Policy, which is approved by our CEO, and further anchored in the Danfoss Supplier Code of Conduct and our Danfoss Ethics Handbook.

The Danfoss Board of Directors is responsible for oversight of ethics and compliance, which includes human and labor rights, and our Audit Committee assesses the effectiveness of our compliance programs. Our commitments are further implemented through the day-to-day operations of key functions such as procurement, human resources, risk and compliance, as well as sustainability. We furthermore expect all employees and managers to respect human and labor rights in their day-to-day activities, as set out in the Danfoss Ethics Handbook.

Human rights due diligence
Our human rights due diligence process is based on a regional, risk-based approach to assess human rights issues in the regions in which we operate. Our approach enables us to identify and address adverse impacts and human rights risks and to implement mitigation and prevention measures. To ensure our approach and processes are effective, we regularly monitor and evaluate the outcome of our activities and due diligence efforts.

To gain further insight into the perspectives of vulnerable and marginalized stakeholders, we also actively engage and participate in the Nordic Business Network for Human Rights, coordinated by the Danish Institute for Human Rights.

1 Policy
We recognize our responsibility to respect human rights in our own operations and throughout our value chain. Our work with human rights is guided by our Human Rights Policy, Danfoss Ethics Handbook, Modern Slavery Act Statement and further anchored in the Danfoss Supplier Code of Conduct. Our approach is based on the UN Global Compact and the UN Guiding Principles on Business and Human Rights.

2 Identify and assess
As part of our due diligence process, we identify and assess risks and adverse impacts in the areas we operate. Our salient human rights and reports received in our human rights grievance mechanism are important elements when it comes to the identification and assessment of adverse impacts.

3 Cease, prevent, or mitigate
We take a global approach to risk prevention. In the event of adverse impacts, we cease or mitigate based on action plans defined on a case-by-case basis.

4 Track implementation and results
We monitor and follow-up on defined actions to ensure progress in our risk prevention and mitigation activities.

5 Communicate
On an annual basis, we communicate our policies, outcomes, and performance through e.g., our Modern Slavery Act Statement or the Norwegian Transparency Acts Statement.

6 Access to remedy
The Danfoss Ethics Hotline serves as our grievance mechanism. It is hosted by an external operator, ensuring that own employees as well as external stakeholders can anonymously report violation of legislation, human rights, or internal ethics guidelines without risk of retaliation.

The Whistleblower function — including the Danfoss Ethics Hotline, which is publicly available — plays an important role in helping us identify and understand where and how human rights impacts may be taking place in our value chain.

If we find that Danfoss has caused or contributed to actual negative impacts on human rights, we will ensure that we meet our responsibilities according to the UNGPs. This means that we will ensure that remediation actions are taken and remedy is provided for impacted people. The actions we take are determined on a case-by-case basis and depend on whether our role as a business is directly linked or contributed to the negative impact.

Through our human rights due diligence process, we have identified salient human rights issues. These are human rights that are at the greatest risk of severe negative impact. To address these risks and potential adverse impacts, we work proactively to mitigate and prevent human rights-related risks in our value chain.

As part of our due diligence process, we monitor our activities to ensure progress in our risk prevention and risk mitigation. Regular follow-up ensures that progress is monitored and countries with the highest risk of negative impacts are prioritized.

For example, to ensure the health and safety of our employees, all our factories are covered by our 'Safety First' program and have actions in place to prevent excessive working hours during peak seasons. We actively work to raise awareness on topics such as discrimination and have processes established to prevent discrimination in the workplace.

Our responsibility to respect human rights extends across our value chain as defined by the UN Guiding Principles. In previous years, we conducted an assessment to identify our salient human rights issues. One of the key issues identified relates to modern slavery, including forced labor, child labor, prison labor, and human trafficking. Our requirements for our employees and suppliers are clearly defined in our Danfoss Ethics Handbook and our Danfoss Supplier Code of Conduct, and they are integrated into our supplier onboarding and monitoring mechanisms. Additional information on how we work to address and mitigate modern slavery risks is found in the Danfoss Modern Slavery Act Statement which is available here

Key actions in 2024
In 2024, we continued to assess and strengthen our due diligence processes in pursuance of existing and incoming regulation on sustainability due diligence.

We also conducted an internal mapping against the EU Corporate Sustainability Due Diligence Directive (CSDDD) to gain a better understanding of potential areas for improvement. Furthermore, we strengthened our due diligence regarding potential military end-use of our products. During the year, we also updated our Human Rights Policy to reflect our commitment on human rights due diligence.

Going forward, in 2025 we will focus on actions that aim to increase transparency of our value chain and strengthen our risk assessment and due diligence processes.

Responsible mineral sourcing and conflict minerals
Minerals such as tin, tantalum, tungsten, and gold that originate from conflicted or high-risk areas are known as conflict minerals as these are used to finance armed conflicts and human rights abuses.

Danfoss supports the efforts of governments and organizations to end human rights abuses and violations in conflict areas. Danfoss is therefore committed to sourcing materials and components from companies that also share our values regarding human rights, ethics, and environmental responsibility.

To support the Responsible Minerals Initiative and to enable responsible sourcing decision-making, we review whether the tin, tantalum, tungsten, and gold in our products originate from conflict-affected or high-risk regions. As part of this work, we engage with our suppliers on an ongoing basis through, for example, our recurring campaigns to acquire supplier information on conflict minerals, including smelter/refiner identification and country of origin. Through our supplier engagement approach, we are able to reach 1,500 tier one suppliers on an annual basis to address this topic. This has enabled us to provide conflict minerals reporting templates (CMRT) to our customers and initiate relevant due diligence activities to mitigate high risk smelters in our supply chain.

Read more about
Policies on Danfoss Business Conduct
Danfoss Ethics Handbook
Ethics and human rights
Danfoss human rights reporting
Danfoss Supplier Code of Conduct
Danfoss Position on Responsible Mineral Sourcing

Danfoss Climate Solutions' commercial Heat Pump Test Chamber in Nordborg, Denmark, is set to revolutionize the development and testing of heat pump units with efficient and trending hydrocarbon refrigerants. The chamber integrates state-of-the-art refrigerant detection and safety systems, making it one of the few facilities worldwide capable of such testing.

Governance

Content

Business conduct

Acting responsibly has been a part of Danfoss' core values since our foundation and is instrumental in our ability to build leading positions across multiple industries and global locations.

The basis of our business culture is defined in our global Business Conduct Policy and the Danfoss Ethics Handbook. The handbook is based on the Danfoss Values as well as principles from international conventions and guidelines supporting sustainable development, such as UN Global Compact, UN Guiding Principles, and ILO's core conventions on labor rights. Our guidelines on business conduct help our employees live up to our values and policies. The guidelines are available in multiple languages and cover topics such as corruption and bribery, fraud, discrimination, human rights, donations, fair competition, and conflicts of interest. All employees are expected to follow the Danfoss Ethics Handbook as it is part of our employee agreements and regular mandatory training.

To develop, promote, and evaluate our corporate culture, Danfoss has established a comprehensive compliance program. The program includes annual compliance training on the topics of ethics, export control, fair competition, anti-corruption, and data privacy. The program is mandatory for all employees considered to be in a position of higher risk in relation to these topics or at a director level or above. To promote responsible business conduct, a continual focus on ethical issues and topics forms part of our approach.

The Danfoss Board of Directors is responsible for oversight on ethics and compliance, and the Audit Committee assesses the effectiveness of the compliance program. Responsibility for day-to-day ethics and compliance activities is anchored with the respective business segments and functions. Compliance risks relating to business conduct are regularly monitored via our Enterprise Risk Management.

Prevention and detection of bribery and corruption

At Danfoss, we have a zero-tolerance policy for bribery and corruption. To prevent unethical and illegal practices, our compliance program covers ethics and corruption risk assessments, continuous risk monitoring, and it enables implementation of mitigating measures. Additionally, the program includes mandatory training to promote awareness and knowledge building on topics such as bribery, kickbacks, facilitation payments, nepotism, and conflict of interest. Such training is mandatory for all at-risk functions, such as our sales, procurement, finance, supply chain and operations, and public affairs functions. To ensure the effectiveness of our training and our compliance approach, we periodically review all trainings and compliance procedures.

We actively encourage and support our employees to report through the Ethics Hotline any concerns or observations of actual or potential policy violations regarding bribery and corruption. On a quarterly basis, the Audit Committee receives updates on the number, nature, impact, and outcome of the reported cases.

Whistleblower function

To maintain a culture that reflects our values and ethical business practices, we promote a speak-up culture where concerns can be trusted to be handled confidentially and without fear of retaliation. The Danfoss Ethics Hotline, which is hosted by an external operator, serves as our whistleblower function and a grievance mechanism for human rights. The platform ensures full compliance with EU GDPR, worldwide data protection regulations, and regulatory requirements regarding whistleblower protection as set out in the EU Whistleblowing Directive.

The hotline is publicly available, accessible through the Danfoss website, and available in many languages for worldwide use. The hotline not only allows Danfoss employees to raise concerns and grievances but also provides suppliers, customers, workers in the value chain, and other third parties to have a formal channel for raising concerns.

To protect against retaliation, the Danfoss Ethics Hotline enables case reporters to maintain their anonymity by offering a secure and unique mailbox. This allows the case investigator to maintain contact with the case reporter and provide case updates to the reporting party. To ensure that reports are investigated independently and impartially, case investigators are separate from the chain of management involved in the identified matters.

When a case is reported, the central Ethics Hotline function generally handles all case investigations, involving trusted local or global experts as needed unless local legislation requires case handling by local management teams. All cases are overseen by the Ethics Committee to ensure the consistent and ethical handling of cases throughout the organization. To promote the use of the Ethics Hotline, the Danfoss Ethics Handbook provides guidance on how to report concerns through the Danfoss Ethics Hotline.

This year we saw an increase in substantiated cases. This is due to a change in our processes to fully capture all cases through the Danfoss Ethics Hotline from 2024, and our efforts to reduce barriers to reporting concerns. Therefore, this development is in line with our expectations and below the industry benchmark.[1] In 2024, we received 382 whistleblower reports, of which 135 could be substantiated. For all substantiated cases, corrective actions, ranging from addressing inappropriate behavior to termination of employment, were implemented during the year.

[1] Navex benchmark, for companies with 10,000 - 50,000 employees

Since 2004, we have tracked employee terminations due to unethical or illegal behavior. In 2024, 50 employees left Danfoss due to unethical behavior compared to 74 in 2023 and 32 in 2022.

	2024
Ethics and Human Rights	
Whistleblower cases, total	382
Substantiated cases, total	135
Of the substantiated cases, the following cases relate to:	
Discrimination incl. harassment	31
– Resulting in fines of EURm	0
Severe human rights issues and incidents	0
– Resulting in fines of EURm	0
Number of convictions of violation of anti-corruption and bribery laws	0
– Resulting in fines of EURm	0

Responsible tax practices

As part of our commitment to conduct business in a lawful and ethical manner, we are committed to also engaging in responsible tax practices. At Danfoss, we believe that tax payments and contributions play an important role in contributing to the welfare and development of society. As such, we are not driven by tax planning initiatives and believe in creating a fair profit allocation and acting in accordance with all applicable international and national tax rules and tax reporting.

The Danfoss Tax Policy, which defines our approach to responsible tax practices, describes our commitment to transparency, integrity, and accountability. The Danfoss Group Tax Policy, which applies to all Danfoss operations, is reviewed on an annual basis by the Board of Directors and the Group Executive Committee. The Chair of the Audit Committee is responsible within the Board of Directors for oversight of the Group's tax policy. Operational tax matters, including monitoring and management of tax risks, are reported to the Audit Committee on a periodic basis.

The policy is implemented throughout our businesses. Our global tax organization is responsible for ensuring compliance with tax obligations in the countries where we operate. They are also responsible for implementing responsible tax practices as defined by the Danfoss Tax Policy, following the spirit and intent of local and international law in accordance with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

Read more about our approach to tax governance in the Danfoss Tax Report 2024

Data privacy and data ethics

Following our digital transformation, processes in Danfoss have become increasingly digitalized. This entails gathering, storage, analysis, and use of vast quantities of both personal and non-personal data. Danfoss applies the same ethical values and guidelines to the processing of all data across the organization, going beyond compliance with data privacy legislation.

We maintain a high focus on data privacy processes and compliance with data privacy regulations. Based on the regularly updated Danfoss Binding Corporate Rules, approved by the Danish data protection authorities, we adhere to our Data Privacy Handbook, conduct training, and comply with data privacy legislation where we operate.

Data exploration and data modeling help us better understand stakeholder needs and insights to improve our services, reduce risks, and improve operational processes. At the same time, we refrain from large-scale collection of data, which may be characterized as data-driven surveillance, and we respect the right to data privacy for our employees, business partners, and the people using our products.

We have additional security measures in place to protect personal data that is also not monetized. When applying artificial intelligence (AI) or automated decision-making, we base the system selection, data quality assurance, and data collection framework definitions on human decisions. Danfoss ensures that stakeholders are informed in line with our legal obligations regarding personal data. Special personal data that reveals racial or ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, genetic data, biometric data, or data concerning health or revealing a person’s sexual activity or orientation will in no event be subject to AI or automated decision-making.

The only exceptions are when individuals have provided their explicit consent or the processing is necessary for reasons of substantial public interest or applicable law.

Responsible supplier management

A stable, sustainable, and transparent supply chain is essential for Danfoss to do business and deliver on our commitment to being the preferred decarbonization partner for our customers. Across our three segments, we work to continuously mitigate supply chain risks and realize opportunities for strategic and value-adding relationships with our suppliers. Responsibility for our supply chain management lies with our segment and divisional management teams.

The Danfoss Supplier Code of Conduct
All suppliers are required to comply with the Danfoss Supplier Code of Conduct, which establishes specific environmental, social, and ethical business requirements for our suppliers.

These requirements are based on the Ten Principles of the United Nations Global Compact, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and other relevant conventions of the International Labor Organization (ILO). While the Danfoss Supplier Code of Conduct applies to our suppliers, its intent is expected to be reflected at our sub-suppliers. To achieve this, we acknowledge that we can support and work with our suppliers to address sustainability topics that are relevant to our suppliers and sub-suppliers.

Supplier selection and onboarding
It is crucial that our suppliers share our sustainability commitments as it requires joint efforts to ensure responsible business practices. In Danfoss, we believe that responsible supplier management goes hand in hand with trust, transparency, and sustainability. As part of our screening and selection process, we require that all potential new suppliers complete a Supplier Qualification Audit and commit to the Danfoss Supplier Code of Conduct. We support our suppliers through ongoing dialogues and engagements on topics covered by the Danfoss Supplier Code of Conduct.

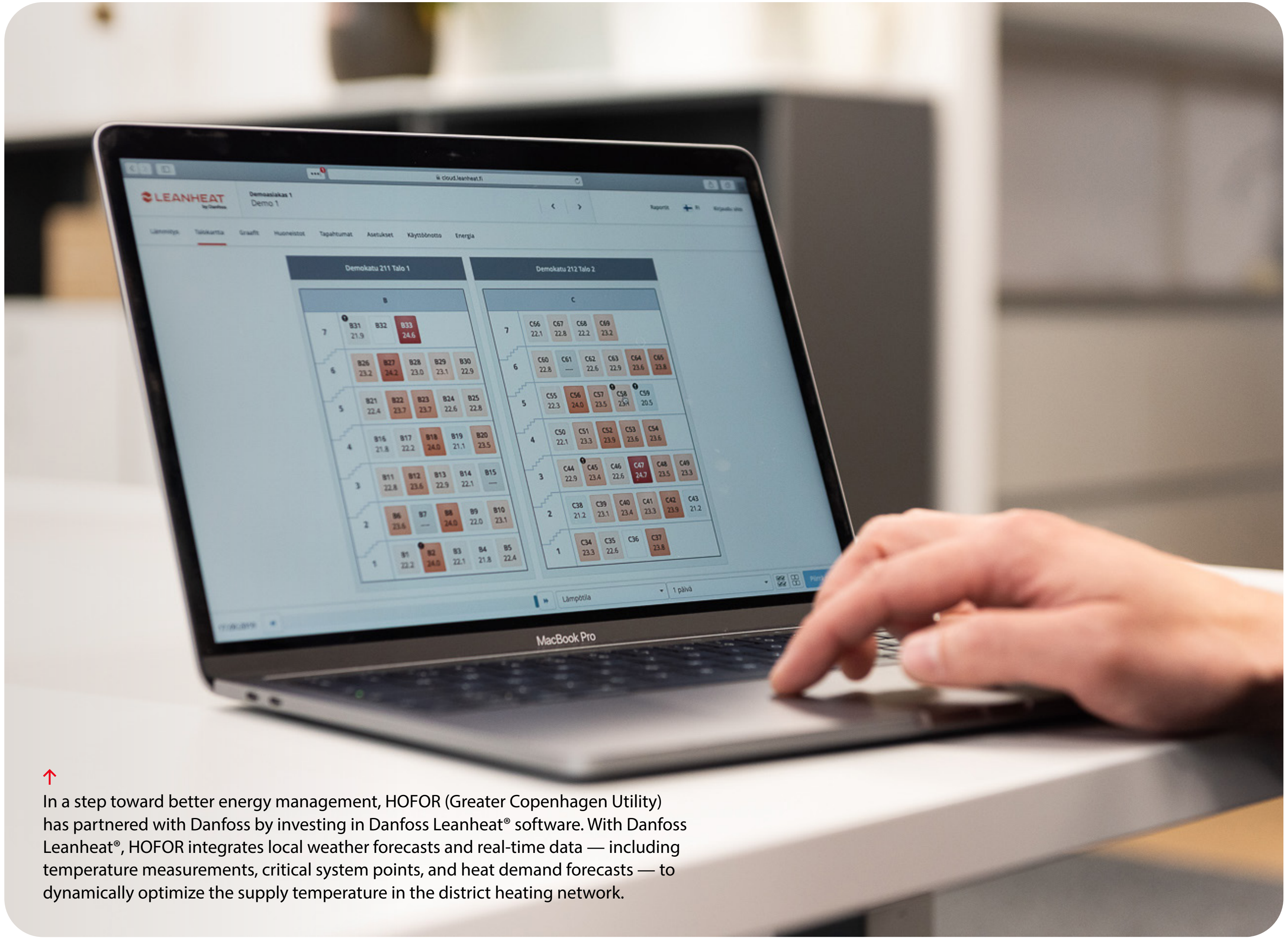
As part of screening, suppliers based in countries identified as high-risk are audited by a third party. As such, we ensure that environmental, social, and ethical business practices are considered by the Danfoss Sourcing Committee in the supplier selection process. As of 2024, 69% of our suppliers in high-risk countries have additional contractual clauses on environmental, labor, and human rights requirements.

Risk mitigation and remediation
Once onboarded, suppliers are audited through our supplier auditing risk-based approach, taking into account country risks indices. Through this risk-based approach, we can focus our efforts and third-party audits on suppliers located in high-risk countries where the risks and negative impacts to people and the environment are greater. In total, 74% of our suppliers in high-risk countries have gone through a third-party on-site audit.

During the year, 76 third-party audits were performed in high-risk countries, and 12 severe non-conformities were identified relating to working hours, lack of safety exits, and a lack of emergency lighting. All non-conformities are addressed through a root-cause analysis to identify corrective actions. While suppliers work to address the non-conformities, action plans are followed up until the non-conformity can be closed. Overall, around 400 suppliers were engaged in corrective actions or capacity building after assessments in 2024.

Updating our supplier requirements
Ownership of procurement organizations is anchored with our segment leadership teams. An important part of our approach to responsible supplier management is to monitor developments in international standards and sustainability best practices and make sure these are reflected in our ways of working with our suppliers. For this reason, we initiated in 2024 a review of the Danfoss Supplier Code of Conduct to our requirements. This review was aligned with the standards of the Responsible Business Alliance. Once we update and incorporate the learnings both from our review our supplier engagement program, we aim to roll out our updated Danfoss Supplier Code of Conduct in 2025.

Decarbonizing with our suppliers
To deliver on our climate targets and decarbonization roadmaps and to meet increasing customer data needs, we implemented a supplier engagement program, the 'Green Ask' initiative, in 2024. Since starting the initiative, we have continuously worked to improve and embed additional elements into its scope, e.g., recycled materials and environmental impact requirements, and we plan to expand the scope even further. To enable adoption of this initiative, we have also developed and deployed training and guidance for our colleagues and participating suppliers.



↑ In a step toward better energy management, HOFOR (Greater Copenhagen Utility) has partnered with Danfoss by investing in Danfoss Leanheat® software. With Danfoss Leanheat®, HOFOR integrates local weather forecasts and real-time data — including temperature measurements, critical system points, and heat demand forecasts — to dynamically optimize the supply temperature in the district heating network.

Appendix

Content

General basis for preparation of the sustainability statement

During 2024, we focused our work toward reaching compliance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). We have made effort to incorporate our material topics into our strategy and business operations. To support our journey, we have established a governance framework for all our material topics. As part of this effort, we have appointed strategic topical leads and sponsors who are responsible for our ambition, approach, deployment, and subsequent monitoring of our material topics. During 2025 we will finalize the assessment to determine the full reporting scope and by fully compliant.

Double materiality assessment

In 2025, we will continue with validating our results of the double materiality assessment — more specifically, the assumptions that have been made in our assessment — and strengthening the data availability and our assessment methodology.

Reporting

For the 2024 Annual Report, we have included ESRS disclosures where feasible and decided to exclude phase-in and voluntary disclosures. To see the full list of our disclosures, please refer to the 'Disclosure requirements and incorporation by reference' tables on the following pages.

Consolidation

The Sustainability Statement has been prepared using the same consolidation principles as the Financial Statements. Thus, the consolidated ESG data points encompass the parent company, Danfoss A/S, and all subsidiaries in its control. Associates and joint ventures are not included in the consolidated ESG data points. The reporting covers all Danfoss locations under operational control. The consolidation of all ESG data points follows the above principles unless otherwise specified in the respective accounting policies (see the accounting policies on page 102).

Environmental data from mergers and acquisitions are included from the reporting year after the closing date of the acquisition, whereas social and governance data are included from the transaction date and onwards. The 2024 environmental data points include our acquisition of BOCK® Compressors, which was completed in 2023. In case of divestments in the reporting year, the data is included up to the closing date of the divestment.

Greenhouse gas emissions are calculated in accordance with the GHG Protocol. The consolidation of emissions follows the operational control approach, which means that emissions data from locations under operational control by Danfoss are included in the consolidated scope 1, 2, and 3 data.

Estimates and judgements

We apply estimates for reporting of some data points, e.g., scope 3 emissions. Where metrics include value chain estimations or are subject to measurement uncertainty, such information is disclosed in our accounting policies section.

Restatement and changes in preparation

In instances where we identify material misstated ESG data points due to a change in calculation methodology or improved data quality, Danfoss will update these numbers in subsequent annual reports. If a misstatement is deemed material, the restatement will be accompanied by an explanation as to why the data quality has improved and which data points are impacted. The restatement applies to the baseline year and all subsequent reported years.

Frameworks and structure

The Sustainability Statement is mostly prepared with reference to the ESRS and takes into account the full value chain. Disclosures related to climate change adaptation have been reported in accordance with the TCFD framework. See the table ´Alignment with TCFD recommendations´ on page 100.

External audit

All quantitative data points listed in the consolidated ESG statement section are covered by limited assurance performed by our auditors, PwC. For more details, please see the auditor's limited assurance report on page 183.

Disclosure requirements and incorporation by reference

Cross-cutting standard

Disclosure requirement		Section	Page
ESRS 2 — General disclosures			
BP-1	General basis for preparation of sustainability statement	SUS	94
BP-2	Disclosures in relation to specific circumstances	SUS	94
GOV-1	The role of the administrative, management, and supervisory bodies	MR	37
	Expertise and skills on sustainability matters	MR	42-43
	Employee representation on the Board of Directors	MR	42-43
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management, and supervisory bodies	MR	38
GOV-3	Integration of sustainability-related performance in incentive schemes	MR	40
GOV-4	Statement on due diligence	SUS	56
GOV-5	Risk management and internal controls over sustainability reporting	MR	39
SBM-1	Business model	MR	26
	Strategy and value chain	SUS	49-52
SBM-2	Interests and views of stakeholders	SUS	57
SBM-3	Material impacts, risks, and opportunities and their interaction with strategy and business model	SUS	55
IRO-1	Description of the process to identify and assess material impacts, risks, and opportunities	SUS	54
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sustainability statement	SUS	95-97

Environmental standards

Disclosure requirement		Section	Page
ESRS E1 — Climate change			
E1-1	Transition plan for climate change mitigation	-	-
E1-2	Policies implemented to manage climate change mitigation and adaptation	SUS	65
E1-3	Actions and resources in relation to climate change policies	SUS	65
E1-4	Targets related to climate change mitigation and adaptation	SUS	64
E1-5	Energy consumption and mix	SUS	72
	Energy intensity based on net revenue	SUS	101
E1-6	Gross scopes 1, 2, 3 and Total GHG emissions	SUS	101
	GHG Intensity based on net revenue	SUS	72
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	SUS	72
E1-8	Internal carbon pricing	SUS	66
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	-	-

The tables above provides an overview of ESRS data points and where these can be found in this report.
From 2025 Danfoss will provide full disclosure on all mandatory and material ESRS data points.

MR Management review **SUS** Sustainability statement **FS** Financial statements

Environmental standards

Disclosure requirement		Section	Page
ESRS E2 — Pollution			
E2-1	Policies related to pollution	SUS	78
E2-2	Actions and resources related to pollution	-	-
E2-3	Targets related to pollution	-	-
E2-4	Pollution of air, water, and soil	-	-
E2-5	Substances of concern and substances of very high concern	-	-
E2-6	Anticipated financial effects from material pollution-related risks and opportunities	-	-
ESRS E3 — Water and marine resources			
E3-1	Policies related to water and marine resources	SUS	78
E3-2	Actions and resources related to water and marine resources	-	-
E3-3	Targets related to water and marine resources	-	-
E3-4	Water consumption	SUS	101
E3-5	Anticipated financial effects from material water and marine resources-related risks and opportunities	-	-
ESRS E5 — Resource use and circular economy			
E5-1	Policies related to resource use and circular economy	SUS	73
E5-2	Actions and resources related to resource use and circular economy	SUS	73
E5-3	Targets related to resource use and circular economy	SUS	73
E5-4	Resource inflows	-	-
E5-5	Resource outflows	-	-
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks, and opportunities	-	-

Social standards

Disclosure requirement		Section	Page
ESRS S1 — Own workforce			
S1-1	Policies related to own workforce	SUS	83-84
S1-2	Processes for engaging with own workers and workers' representatives about impacts	SUS	85
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	SUS	87-88
S1-4	Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	SUS	83
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	SUS	80
S1-6	Characteristics of the undertaking's employees	SUS	106
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	-	-
S1-8	Collective bargaining coverage and social dialogue	-	-
S1-9	Diversity metrics	SUS	101, 106
S1-10	Adequate wages	SUS	84
S1-11	Social protection	-	-
S1-12	Persons with disabilities	-	-
S1-13	Training and skills development metrics	SUS	105
S1-14	Health and safety metrics	SUS	81
S1-15	Work-life balance metrics	-	-
S1-16	Compensation metrics (pay gap and total compensation)	SUS	84,101
S1-17	Incidents, complaints, and severe human rights impacts	SUS	91

The tables above provides an overview of ESRS data points and where these can be found in this report.
From 2025 Danfoss will provide full disclosure on all mandatory and material ESRS data points.

MR Management review **SUS** Sustainability statement **FS** Financial statements

Social standards

Disclosure requirement		Section	Page
ESRS S2 — Workers in the value chain			
S2-1	Policies related to value chain workers	SUS	87
S2-2	Processes for engaging with value chain workers about impacts	SUS	88
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	SUS	90
S2-4	Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	-	-
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	-	-

Governance standard

Disclosure requirement		Section	Page
ESRS G1 — Business conduct			
G1-1	Business conduct policies and corporate culture	SUS	90
G1-2	Management of relationships with suppliers	SUS	92
G1-3	Prevention and detection of corruption and bribery	SUS	90
G1-4	Confirmed incidents of corruption or bribery	SUS	91
G1-5	Political influence and lobbying activities	-	-
G1-6	Payment practices	-	-

The tables above provides an overview of ESRS data points and where these can be found in this report.
From 2025 Danfoss will provide full disclosure on all mandatory and material ESRS data points.

MR Management review **SUS** Sustainability statement **FS** Financial statements

Data points that derive from other EU regulation

Not material: Information not material for reporting
Not relevant: Information complied with or not relevant to operations
Not stated: Information not reported in integrated annual report 2024

The table below includes all of the data points that derive from other EU legislation as listed in ESRS 2 Appendix B, indicating where the data points are found.

Disclosure requirement	Data point	Sustainability statement — Appendix	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Section	Page
ESRS 2 GOV-1	21 (d)	Board's gender diversity	x		x		SUS	101
ESRS 2 GOV-1	21 (e)	Percentage of board members who are independent			x		SUS	101
ESRS 2 GOV-4	30	Statement on due diligence	x				SUS	56
ESRS 2 SBM-1	40 (d) i	Involvement in activities related to fossil fuel activities	x	x	x		Not relevant	-
ESRS 2 SBM-1	40 (d) ii	Involvement in activities related to chemical production	x		x		Not relevant	-
ESRS 2 SBM-1	40 (d) iii	Involvement in activities related to controversial weapons	x		x		Not relevant	-
ESRS 2 SBM-1	40 (d) iv	Involvement in activities related to cultivation and production of tobacco			x		Not relevant	-
ESRS E1-1	14	Transition plan to reach climate neutrality by 2050				x	Not stated	-
ESRS E1-1	16 (g)	Undertakings excluded from Paris-aligned Benchmarks		x	x		Not relevant	-
ESRS E1-4	34	GHG emissions reduction targets	x	x	x		SUS	64
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	x				SUS	72
ESRS E1-5	37	Energy consumption and mix	x				SUS	72
ESRS E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	x				SUS	101
ESRS E1-6	44	Gross scope 1, 2, 3 and Total GHG emissions	x	x	x		SUS	72
ESRS E1-6	53-55	Gross GHG emissions intensity	x	x	x		SUS	72
ESRS E1-7	56	GHG removals and carbon credits				x	SUS	72
ESRS E1-9	66	Exposure of the benchmark portfolio to climate-related physical risks			x		Not stated	-
ESRS E1-9	66 (a); 66 (c)	Disaggregation of monetary amounts by acute and chronic physical risk; Location of significant assets at material physical risk		x			Not stated	-
ESRS E1-9	67 (c)	Breakdown of the carrying value of its real estate assets by energy-efficiency classes		x			Not stated	-
ESRS E1-9	69	Degree of exposure of the portfolio to climate-related opportunities			x		Not stated	-
ESRS E2-4	28	Amount of each pollutant listed in Annex II of the E-PRTR Regulation emitted to air, water, and soil	x				Not stated	-
ESRS E3-1	9	Water and marine resources	x				SUS	78
ESRS E3-1	13	Dedicated policy	x				Not relevant	-
ESRS E3-1	14	Sustainable oceans and seas	x				Not stated	-
ESRS E3-4	28 (c)	Total water recycled and reused	x				Not stated	-
ESRS E3-4	29	Total water consumption in m^3 per net revenue on own operations	x				SUS	101
ESRS 2- SBM 3 - E4	16 (a) i		x				Not stated	-
ESRS 2- SBM 3 - E4	16 (b)		x				Not stated	-
ESRS 2- SBM 3 - E4	16 (c)		x				Not stated	-

The table above provides an overview of ESRS data points and where these can be found in this report. From 2025 Danfoss will provide full disclosure on all mandatory and material ESRS data points.

Disclosure requirement	Data point	Sustainability statement — Appendix	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Section	Page
ESRS E4-2	24 (b)	Sustainable land/agriculture practices or policies	x				Not stated	-
ESRS E4-2	24 (c)	Sustainable oceans/seas practices or policies	x				Not stated	-
ESRS E4-2	24 (d)	Policies to address deforestation	x				Not stated	-
ESRS E5-5	37 (d)	Non-recycled waste	x				SUS	101
ESRS E5-5	39	Hazardous waste and radioactive waste	x				SUS	101
ESRS 2- SBM3 - S1	14 (f)	Risk of incidents of forced labor	x				Not stated	-
ESRS 2- SBM3 - S1	14 (g)	Risk of incidents of child labor	x				Not stated	-
ESRS S1-1	20	Human rights policy commitments	x				SUS	87
ESRS S1-1	21	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			x		SUS	87
ESRS S1-1	22	Processes and measures for preventing trafficking in human beings	x				SUS	87
ESRS S1-1	23	Workplace accident prevention policy or management system	x				SUS	81
ESRS S1-3	32 (c)	Grievance/complaints handling mechanisms	x				SUS	90
ESRS S1-14	88 (b) and (c)	Number of fatalities and number and rate of work-related accidents	x		x		SUS	81
ESRS S1-14	88 (e)	Number of days lost to injuries, accidents, fatalities, or illness	x				Not stated	-
ESRS S1-16	97 (a)	Unadjusted gender pay gap	x		x		SUS	101
ESRS S1-16	97 (b)	Excessive CEO pay ratio	x				SUS	101
ESRS S1-17	103 (a)	Incidents of discrimination	x				SUS	91
ESRS S1-17	104 (a)	Non-respect of UNGPs on Business and Human Rights and OECD	x		x		SUS	91
ESRS 2- SBM3 - S2	11 (b)	Significant risk of child labor or forced labor in the value chain	x				Not stated	-
ESRS S2-1	17	Human rights policy commitments	x				SUS	87
ESRS S2-1	18	Policies related to value chain workers	x				SUS	87,92
ESRS S2-1	19	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	x		x		Not stated	-
ESRS S2-1	19	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			x		SUS	87
ESRS S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	x				SUS	91
ESRS S3-1	16	Human rights policy commitments	x				Not stated	-
ESRS S3-1	17	Non-respect of UNGPs on Business and Human Rights, ILO principles, and OECD guidelines	x		x		Not stated	-
ESRS S3-4	36	Human rights issues and incidents	x				SUS	91
ESRS S4-1	16	Policies related to consumers and end users	x				Not stated	-
ESRS S4-1	17	Non-respect of UNGPs on Business and Human Rights and OECD guidelines	x		x		Not stated	-
ESRS S4-4	35	Human rights issues and incidents	x				Not stated	-
ESRS G1-1	10 (b)	United Nations Convention against Corruption	x				Not relevant	-
ESRS G1-1	10 (d)	Protection of whistleblowers	x				Not relevant	-
ESRS G1-4	24 (a)	Fines for violation of anti-corruption and anti-bribery laws	x		x		SUS	91
ESRS G1-4	24 (b)	Standards of anti- corruption and anti-bribery	x				Not relevant	-

The table above provides an overview of ESRS data points and where these can be found in this report. From 2025 Danfoss will provide full disclosure on all mandatory and material ESRS data points.

Alignment with TCFD recommendations

Theme	Recommended disclosures	Section	Page
Governance	a) Describe the Board's oversight of climate-related risks and opportunities	MR	37-39
	b) Describe management's role in assessing and managing climate-related risks and opportunities	MR	37-39
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long-term	SUS	70
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	SUS	70
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, Net Zero 2050, Disorderly Transition, and Hot House World	SUS	70
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks	MR	39
	b) Describe the organization's processes for managing climate-related risks	MR	39
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	MR	39
Metrics and targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	SUS	70
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks	SUS	71
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	SUS	64

The table above provides an overview of ESRS data points and where these can be found in this report.
From 2025 Danfoss will provide full disclosure on all mandatory and material ESRS data points.

Consolidated ESG statement

	Reference to page	2020	2021	2022[1]	2023[1,2]	**2024[1,2]**
Environment						
Climate						
Scope 1 GHG emissions (metric tons CO_2e)	72	79,645	82,906	110,687	164,465	130,742
Scope 2 GHG emissions, location-based (metric tons CO_2e)	72	187,353	187,851	280,938	289,368	256,001
Scope 2 GHG emissions, market-based (metric tons CO_2e)	72	-	-	284,917	262,222	216,002
Scope 3 GHG emissions (metric tons CO_2e)	72	67,542,795	78,661,076	84,550,471	127,489,438	123,893,335
Total GHG emissions, location-based (metric tons CO_2e)		67,809,793	78,931,833	84,942,096	127,943,271	124,280,078
Total GHG emissions, market-based (metric tons CO_2e)		-	-	84,946,075	127,916,125	124,240,079
Total scope 1 and 2 GHG emission, market-based (metric tons CO_2e)		79,645	82,906	395,603	426,686	346,744
Total scope 1 and 2 GHG emission intensity (market-based, metric tons CO_2e per EURm net sales)		45.8	40.1	40.1	40.4	35.8
Energy						
Energy consumption (MWh)	72	645,006	659,784	1,103,141	1,115,946	1,028,019
Energy intensity (MWh per EURm net sales)		110.7	97.7	111.7	105.6	106.3
Renewable energy ratio (%)	72	15.3	19.1	21.1	21.1	29.3
Circularity and waste[3]						
Total waste (metric tons)		-	73,289	78,910	82,109	83,339
Hereof hazardous waste (metric tons)		-	6,947	13,550	15,074	16,931
Hereof recycled waste (metric tons)		-	54,929	51,240	48,379	56,241
Waste intensity (metric tons per EURm net sales)		-	10.9	8.0	7.8	8.6
Water						
Water withdrawals (m^3)		946,846	1,045,908	2,107,228	2,320,972	2,245,040
Total water withdrawals in areas at material water risk (m^3)		-	-	-	646,398	372,098
Water intensity (m^3 per EURm net sales)		162.5	154.9	213.4	219.5	232.1

[1] Acquired Eaton's hydraulics business is included in 2022. SEMIKRON is included from 2023. BOCK® Compressors included from 2024.
[2] 2023 and 2024 figures are subject to limited assurance.
[3] Waste data corrected in 2022 and 2023 due to reporting error.
[4] Ratio has been recalculated to reflect the direction from the EU Pay Transparency Directive.
[5] From 2023 including substantiated cases where advise has been given. The 2023 number has been updated compared to 2023 annual report.

	Reference to page	2020	2021	2022	2023[2]	**2024[2]**
Social						
People						
Number of employees		27,491	40,043	41,928	42,054	39,360
Employee turnover (%)		11.8	16.0	19.2	18.2	19.0
Hereof employee voluntary turnover (%)		-	-	-	7.7	7.0
Employee engagement score	85	-	81	-	79	-
Diversity and Inclusion						
Gender split all employees (women/men/other) (%)		29/71/0	28/72/0	29/71/0	30/70/0	30/70/0
Gender split all leadership positions (women/men/other) (%)	80	20/80/0	20/80/0	21/79/0	22/78/0	24/76/0
Management team diversity (%)	80	-	66.8	67.4	75.5	73.1
Equity						
Pay ratio between gender, general (%)	84	-	-	22.7	22.4	22.5
Pay ratio between gender, within job categories (%)[4]	84	-	-	6.8	6.9	6.3
Pay ratio between CEO and average employee (ratio)		-	-	172	191	101
Health and Safety						
Lost Time Injury Frequency (LTIF)	81	2.0	1.7	1.6	1.2	1.3
Total Recordable Injury Frequency (TRIF)	81	3.0	3.0	2.8	2.1	2.3
Governance						
Board of Directors						
Gender split Board of Directors (women/men/other) (%)	80	13/87/0	13/87/0	25/75/0	25/75/0	25/75/0
Attendance rate at Board meetings (%)		98.0	100.0	96.0	98.0	96.0
Board independence *(%)*		63.0	63.0	75.0	75.0	75.0
Ethics and Human Rights						
Whistleblower cases (Ethics Hotline), all	91	55	74	167	297	382
Whistleblower cases (Ethics Hotline), substantiated[5]	91	8	2	6	92	135
Ratio of suppliers signed code of conduct (%)		94.5	94.5	93.0	72.8	79.3

Accounting policies to the consolidated ESG statement

Reporting period
Unless otherwise stated, the consolidated ESG statement cover the period from January 1 to December 31, 2024.

Environment

Climate
Primary data on scope 1 and 2 GHG emissions constitutes the largest proportion of emissions data. This includes data from digital and manual meter readings and consumption data from invoices. Locations with primary data cover Danfoss factories, currently approximately 2.2 million m^2 out of Danfoss' total real estate footprint of 2.5 million m^2, corresponding to 87%. For the remaining part of Danfoss locations where no consumption and emissions data are available, average consumption values per m^2 have been applied to estimate energy consumption and GHG emissions. For 2024, this amounted to 4% of total scope 1 and 2 emissions (market-based). If available, calculations of GHG emissions are based on emission factors from invoices from energy suppliers. Otherwise, the most recent available emission factors from IEA are applied. All GHG emissions are converted to CO_2 equivalents (CO_2e).

Scope 1 GHG emissions
Scope 1 GHG emissions include direct emissions from combustion of gas and oil, fugitive emissions and mileage in Danfoss-owned or -controlled vehicles.

	2022	2023	**2024**
Scope 1 GHG emissions (tCO_2e)			Total
Danfoss excluding recent acquisitions	80,565	43,973	43,972
Eaton's hydraulics business	30,122	27,001	22,898
Semikron Danfoss	-	93,491	63,617
BOCK® Compressors	-	-	255
Total	**110,687**	**164,465**	**130,742**

Scope 2 GHG emissions (market-based)
Scope 2 GHG emissions include indirect emissions from purchased heating and electricity. Market-based emissions factors were applied, which implies that power purchase agreements (PPAs) of green energy and other renewable sourcing of energy influences the calculation. Where no market-based emissions factors are available, location-based emissions factors from IEA were applied. For 2024 emissions, 2023 factors were applied as the new factors were not available at the time of publishing this report.

	2022	2023	**2024**
Scope 2 market-based GHG emissions (tCO_2e)			Total
Danfoss excluding recent acquisitions	159,967	150,480	104,532
Eaton's hydraulics business	124,950	104,807	100,262
Semikron Danfoss	-	6,935	9,451
BOCK® Compressors	-	-	1,757
Total	**284,917**	**262,222**	**216,002**

Scope 2 GHG emissions (location-based)
Scope 2 GHG emissions include indirect emissions from purchased heating and electricity. Location-based emissions factors from IEA have been applied. For 2024 emissions, 2023 factors were applied as the new factors were not available at the time of publishing this report.

Scope 3 GHG emissions
During 2024, Danfoss worked intensely with improving calculation methodology and data completeness related the material categories within our scope 3 reporting, which are C1, C4, C9, and C11. This work has been coordinated across our three segments.

The applied emissions factors for energy and fuel consumption are from IEA, DEFRA 2024, and suppliers. The materials emissions factors used are from the Sphera database. Transportation emissions are calculated using suppliers' emissions reports.

Scope 3 GHG emissions include indirect emissions from the following categories (C):

- ***C1 Purchased goods and services:*** covers direct and indirect spend on materials. The direct spend calculation uses a combination of average-data method and the hybrid method together with emission factors from the GaBi tool. For indirect spend, we use the spend-based method and apply emission factors from the Danish Klimakompasset.

- ***C2 Capital goods:*** includes acquisition of machines and real estate based on the average spend-based method multiplied by emissions factors from the Danish Klimakompasset.

- ***C3 Fuel- and energy-related activities:*** covers emissions from energy not already included in scope 1 and 2 GHG emissions based on average country emissions factors from IEA.

- ***C4 Upstream transportation and distribution:*** covers intercompany flows, supplier and customer flows paid by Danfoss, 3PL warehouses, and supplier flows not paid by Danfoss. Calculation is based on supplier emissions reports, where available, combined with spend-based calculation of remaining volume.

- ***C5 Waste generated in operations:*** includes emissions from total waste within each waste category going into each disposal method multiplied by emission factors from IEA.

- ***C6 Business travel:*** based on total number of flights grouped into short-haul (<3,700km) and long-haul (>3,700km) multiplied by DEFRA emission factors from 2024.

- ***C7 Employee commuting:*** calculation method based on average commuting data combined with mode of transportation.

- ***C8 Upstream leased assets:*** includes emissions from leased locations, mainly Danfoss sales office locations not already included in scope 1 and 2.

- ***C9 Downstream transportation and distribution:*** covers customer flows not paid by Danfoss. Calculation based on incoterms and volume per transportation mode.

- ***C11 Use of sold products:*** covers the use-phase emissions from sold products in the reporting year over their expected lifetime. Lifetime power consumption is converted into emissions using global IEA CO_2e emissions per kWh. To the extent that Danfoss can determine the country or region the product is used, we apply country or regional emissions factors for that volume of sold products.

- ***C12 End-of-life treatment of sold products:*** reported as emissions from disposal or treatment of materials reported in C1 Purchased goods and services.

- ***C13 Downstream leased assets:*** covers two passenger airplanes owned by Danfoss A/S and leased by the local airline company.

Scope 3 GHG emissions (tCO_2e)	2022	2023	**2024** Total
Danfoss excluding recent acquisitions	83,405,239	84,507,868	94,105,070
Eaton's hydraulics business	1,145,232	1,012,119	682,717
Semikron Danfoss	-	41,969,451	25,113,923
BOCK® Compressors	-	-	3,991,625
Total	**84,550,471**	**127,489,438**	**123,893,335**

GHG intensity — GHG emissions (location-based)
GHG intensity is reported as total GHG emissions (location-based) in metric tons per EURm net sales.

GHG intensity — GHG emissions (market-based)
GHG intensity is reported as total GHG emissions (market-based) in metric tons per EURm net sales.

Energy

Includes the total energy consumption of oil, natural gas, electricity, and district heating converted to megawatt hours (MWh).

Energy intensity is reported as energy consumption (MWh) per EURm net sales according to Note 2 of the income statement. Danfoss activities are within NACE Code section C, Manufacturing and therefore are considered to be a high-impact climate sector.

Renewable share of energy consumption. The renewable energy ratio is determined by average energy mix from suppliers, by energy generated from own solar parks, or via PPAs of renewable energy.

	2022	2023	**2024**
Total energy consumption (MWh)			Total
Danfoss excluding recent acquisitions	615,616	592,051	545,470
Eaton's hydraulics business	487,525	426,977	386,142
Semikron Danfoss	-	96,918	89,637
BOCK® Compressors	-	-	6,770
Total	**1,103,141**	**1,115,946**	**1,028,019**

Waste

Primary data from waste-handler companies is available for most Danfoss production locations. In production locations where data has not been collected, an average waste generation per m² has been calculated and used as an assumption. In remaining locations (Danfoss sales office, light industrial locations, and warehouses), waste generation per employee is calculated (based on a survey from the Business Resource Efficiency Guide). The estimated part accounts for 12% of the total waste amount reported.

	2022	2023	**2024**
Total waste (metric tons)			Total
Danfoss excluding recent acquisitions	48,185	49,043	47,417
Eaton's hydraulics business	30,725	30,555	31,844
Semikron Danfoss	-	2,511	2,901
BOCK® Compressors	-	-	1,177
Total	**78,910**	**82,109**	**83,339**

Water

Water withdrawals (m³)

Water is reported as water withdrawals in m³. Primary data on water withdrawals is available for Danfoss production locations while the remaining locations are estimated by industry average data. The estimated part accounts for 7% of the total water withdrawals.

Total water withdrawals in areas at material water risk

Water withdrawals in regions facing challenges related to water scarcity are mapped using the WWF Water Risk Filter. 11 of our factories are located in regions identified as regions facing challenges related to water scarcity, corresponding to 16.6% of the Danfoss' total water withdrawals. The WWF Risk Filter has been updated as of 2024. This means that Danfoss factories in Türkiye as well as some in Mexico and India, are no longer classified as being located in water-stressed areas.

Water intensity

Water intensity is measured as water withdrawals in m³ per EURm net sales.

	2022	2023	**2024**
Total water withdrawals (m³)			Total
Danfoss excluding recent acquisitions	1,034,586	1,055,795	1,059,412
Eaton's hydraulics business	1,072,642	1,055,017	969,533
Semikron Danfoss	0	210,160	209,762
BOCK® Compressors	0	0	6,333
Total	**2,107,228**	**2,320,972**	**2,245,040**

Social

People

Number of employees
The number of employees is measured by headcount at the end of year, including employees on leave.

Employee turnover
Employee turnover is reported as the percentage of employees who left Danfoss, including voluntary exits, involuntary exits, and retirements, divided by the average headcount over a 12-month period.

Employee engagement score
The global Voice employee engagement survey has been performed every 2 year since 2007. The survey is run by an external provider, who ensures that all data and results remain anonymous and treated confidentially.

Gender split, all employees
The split between genders for the total workforce is measured by headcount and reported as the percentage of women, men, and other employees. Employees can voluntarily self-identify their gender in the HR system.

Gender split, all leadership positions
The split between genders in all leadership positions is measured by headcount and reported as the percentage of women, men, and other employees in leadership positions. Leaders are defined as having a team reporting directly to them.

Gender split, top management level
The split between genders in top management level 1-4.

Management team diversity
Management team diversity is measured on manager levels 1-4. Teams of at least five employees (excluding administrative assistants) are diverse if they are composed of at least two genders and two nationalities. The team is considered non-diverse if only one of these requirements is met.

Pay ratio between gender and job categories
The pay ratio between genders is reported both as the general pay ratio between men and women employees and as the pay ratio within job categories (equal pay for equal work). The general pay ratio between genders is determined as the average salary for men compared to the average salary for women. Pay ratio within job categories shows the average pay ratio between employees in the same job categories. Data from Hydro-Gear is not included in this pay ration calculation.

Pay ratio between CEO and average employee
The pay ratio between the salary of the CEO compared to average employee salary (excluding CEO salary) includes bonuses and benefits.

People development

	2022	2023	**2024**
Average time spent on training per employee	7 hours 45 min	5 hours 30 min	7 hours 30 min
Employees participated in at least one training session	18,398	23,212	21,459
Employees participated in performance review[1]	71%	93%	92%
Employees participated in development review[1]	57%	75%	77%

[1] Salaried employees

Health and Safety

The following two measures cover Danfoss locations and include full-time employees, part-time employees (with a permanent contract), trainees and apprentices, temporary employees on short-term contracts (<1 year), such as students, holiday reliefs, temporary replacements for Danfoss employees on leave, or external workers employed by an external agency. Data from Hydro-Gear is not included in TRIF and LTIF figures.

Lost Time Injury Frequency (LTIF)
The number of lost time injuries that occurred at Danfoss per million hours worked. A lost time injury (LTI) is defined as a personal injury that results in one or more days away from work beyond the day the injury occurred.

Total Recordable Injury Frequency (TRIF)
The total recordable injury frequency (TRIF) includes the number of fatalities, lost time injuries, and other injuries requiring treatment by a medical professional per million hours worked.

Characteristics of own workforce

Employees turnover by gender

(Number — percent)	Women	Men	Others	Total
Average number of employees	12,070	28,738	30	40,838
No. employees leaving	2,434	5,327	14	7,775
Total (%)	**20.2%**	**18.5%**	**46.7%**	**19.0%**

Employees by age group and gender

(Number — percent)	<30 years		30-50 Years		>50 years		Total
Women	1,728	31%	7,057	30%	2,937	29%	11,722
Men	3,841	69%	16,726	70%	7,049	71%	27,616
Others	8	0%	11	0%	3	0%	22
Total	**5,577**		**23,794**		**9,989**		**39,360**

Employees by region and gender

(Number)	Americas	Europe	Asia Pacific	Total
Women	3,354	5,965	2,403	11,722
Men	7,390	14,019	6,207	27,616
Others	12	10	0	22
Total	**10,756**	**19,994**	**8,610**	**39,360**

Employees by country (with 10% representation) and gender

(Number — percent)	**Central Europe** Germany		**China** China		**North America** United States		**Northern Europe** Denmark		**Total All Countries (53)**
Women	1,300	27%	1,649	32%	1,925	29%	1,504	31%	11,722
Men	3,589	73%	3,462	68%	4,750	71%	3,383	69%	27,616
Others	1	0%	0	0%	12	0%	2	0%	22
Total	**4,890**		**5,111**		**6,687**		**4,889**		**39,360**

Employees by contract type and gender

(Number — percent)	Permanent		Temporary		Total
Women	11,322	30%	400	36%	11,722
Men	26,901	70%	715	64%	27,616
Others	20	0%	2	0%	22
Total	**38,243**		**1,117**		**39,360**

Employees by employment type and gender

(Number — percent)	Full-time		Part-time		Total
Women	11,185	29%	537	60%	11,722
Men	27,261	71%	355	40%	27,616
Others	20	0%	2	0%	22
Total	**38,466**		**894**		**39,360**

Governance

Board of Directors

Gender split, Board of Directors
The split between genders in the Board of Directors is reported as the ratio of men to women of members of the Board of Directors.

Board independence
Board independence shows to what extent Board members elected by the general assembly are independent from Danfoss. The Board of Directors' independence is determined through criteria that follows the recommendations from the Committee on Corporate Governance in Denmark.

Ethics and Human Rights

Whistleblower cases
Whistleblower cases are reported as the total number of new whistleblower cases received through Danfoss' own Ethics Hotline.

Ratio of suppliers-signed code of conduct
This data point is reported as total direct (materials) spend on suppliers who have signed the Danfoss Supplier Code of Conduct in relation to total direct spend. For 2024, the data comprises the total Group excluding BOCK® Compressors.

Circularity

New product development target
The target assesses all Danfoss products that go through the 'new product development' database and measures the % of these that have performed an assessment by using our internal tool RE:CIRC. The tool has been verified by a third party and aligned with the waste hierarchy and standard EN 45560 for circular design of products. The assessment is done on the basis of 30 guidelines that are relevant for circular design, including evaluation of durability, repairability, design of disassembly, recyclability, recycled content, etc. Improvement is assessed on an overall improvement of the final score by ensuring improvement in at least one or more of the above-mentioned principles.

In the future, we foresee that the measurement of the target will refer to the projects that have been launched in the market, as this is how we will be able to measure the circularity impact. During the first years of implementation, this is not possible to be demonstrated, so we are reporting the percentage of new product development projects that have started that have performed at least one assessment and these that have demonstrated improvement.

Circular business revenues target
The target includes all revenues from
- Refurbished and remanufactured products that are sold
- Sale of spare parts for our own products
- Digital services that aim to prolong the system's lifetime (e.g., remote monitoring, preventive maintenance)
- Product as a service model
- Repair and retrofit activities

Financial statements

↑ The Danfoss Editron ED3 onboard charger and electric power take-off was named Electrification Technology of the Year at the 2024 Power Progress Summit. The Danfoss Editron ED3 onboard charger provides nearly double the charging power of the market standard, decreasing charging time and enabling overnight charging of heavy-duty vehicles using AC charging.

Financial review

After two years of strong growth, central banks upheld high interest rates, which sent many industrial markets into a downturn. Danfoss delivered a solid performance in 2024, with most of our core businesses demonstrating resilience through the cycle.

Our organic sales growth was -9%, with total sales reaching EUR 9.7bn, slightly below our guided range (EUR 10.0-11.5bn). We maintained a high level of innovation spend of EUR 488m to further expand our offering of products and solutions, and we invested in regionalizing our footprint. We continued the transformation of Danfoss, implementing a new operating model and adjusting to the market cycle. These adjustments, along with the completion of the integration of Eaton Hydraulics, resulted in one-off costs during the year. Our operational EBITA[1] margin remained robust and reached 11.3%. EBITA was 9.0%. Excluding one-off costs of EUR 185m, the EBITA margin came in very close to the lower range of our guidance of 11.0-12.0%. The free operating cash flow after financial items and tax reached EUR 467m.

[1] EBITA before integration costs and OOI/E.

Sales

2024 Group sales decreased 9% to EUR 9,674m (2023: 10,654m). Danfoss Power Solutions, our most cyclical business, had a negative organic growth of -15%. Danfoss Climate Solutions had negative organic growth of -1%. Danfoss Power Electronics and Drives had negative organic growth of -10%. For the medium and long term, we continue to see strong demand for our technologies and solutions that are driving energy efficiency, machine productivity, and electrification, while also supporting the green transition through lower emissions.

Geographically, we have experienced volatile markets and negative growth across all regions except India, which has continued to see solid growth throughout the year. Toward the end of 2024, we have seen an uptake in growth in some markets.

Earnings

After continued high levels of strategic investments to fuel future growth and one-off restructuring costs to set Danfoss up for the future, our operational EBITA decreased 25% to EUR 1,097m (2023: 1,455m). Other operating income and expenses of EUR -115m (2023: -18m) is negatively impacted by the implementation of our new operating model and adjusting to the market downcycle, in total EUR 185m. The operational EBITA margin reached 11.3% (2023: 13.7%). The effective tax rate for 2024 was 37.5% (2023: 24.0%), negatively impacted by write-off of certain assets related to tax losses brought forward. Net profit reached EUR 370m (2023: 819m).

Innovation

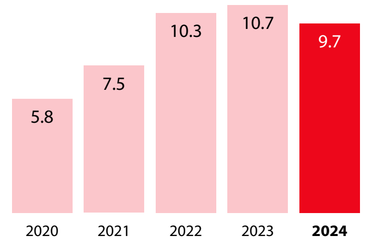
Danfoss continued to invest in innovation across the business segments, to improve the performance of our products and solutions, and to offer financially viable solutions for our customers. We maintained a high level of research and development expenses of EUR 488m (2023: 487m), corresponding to 5.0% of sales (2023: 4.6%).

Assets and liabilities

Total assets were at EUR 11,736m, the same level as last year (2023: 11,818m). Equity increased 3% to EUR 5,601m (2023: 5,443m). The equity ratio, calculated as equity relative to total assets, was 47.7% (2023: 46.1%). The return on equity was 6.0% (2023: 15.3%). Net interest-bearing debt amounted to EUR 2,753m (2023: 2,871m), leading to a net interest-bearing debt to EBITDA ratio of 2.0 (2023: 1.6). The non-current interest-bearing debt maturing after more than 12 months amounted to EUR 2,693m (2023: 2,733m), corresponding to 96% (2023: 91%) of the total interest-bearing debt. At year-end, the Group had

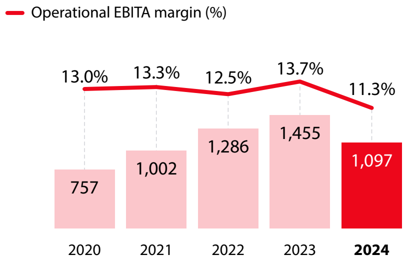
Total net sales

EURbn



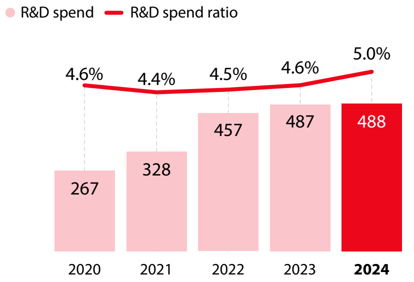
Operational EBITA[1]

EURm



Innovation spend

EURm



a liquidity reserve of EUR 1.4bn (2023: 1.5bn), and Danfoss' credit rating assigned by Standard & Poor's was "BBB with a stable outlook." See Note 16 for more information.

Cash flow

Securing a continued robust cash performance remains a priority for Danfoss to finance our M&A activities and strategic growth initiatives, and to repay interest-bearing debt. The free operating cash flow after financial items and tax (before M&A) reached EUR 467m (2023: 692m), confirming our cash-generating capability after continued investments in innovation spend and in regionalizing and expanding our factory footprint.

The cash flow from operating activities decreased to EUR 974m (2023: 1,355m), impacted by the market volatility in the year. Cash flow from investing activities amounted to EUR -389m (2023: -724m), as we have adjusted to the lower activity level. The cash flow from financing activities amounted to EUR -613m (2023: -590m).

Employees

The number of employees decreased by 2,694 to 39,360 employees at the end of the year, following the implementation of our new operating model and adapting the organization to reflect the current market. In 2023, Danfoss had 42,054 employees.

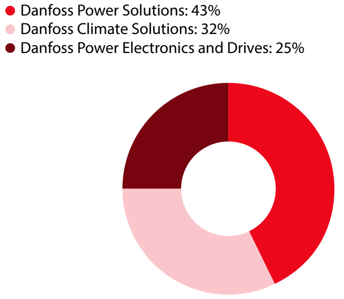
Divestment of Danfoss Fire Safety A/S

In 2024, Danfoss signed an agreement for the sale of Danfoss Fire Safety A/S. Danfoss Fire Safety has been operating as a stand-alone company since Danfoss took full ownership in 2019. The divestment was closed on November 30, 2024.

Events after the balance sheet date

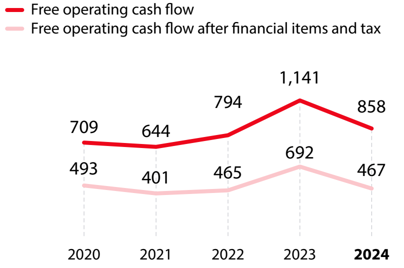
We are not aware of any events after the balance sheet date of December 31, 2024, that could be expected to have a material impact on the Group's financial position.

Sales split by segments

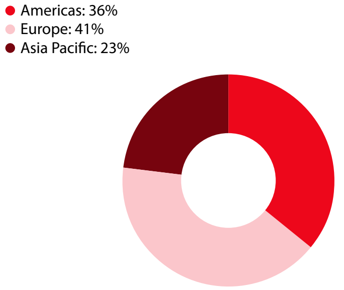


Cash flow

EURm

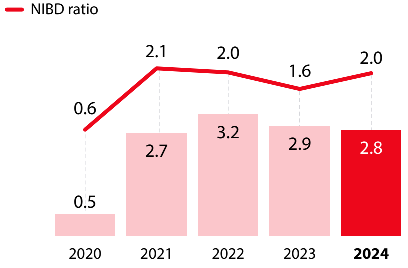


Sales split by regions



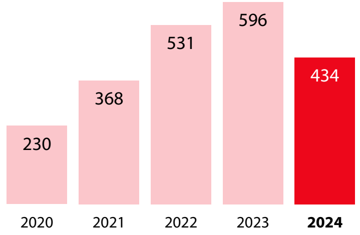
Net interest-bearing debt (NIBD)

EURbn



Net investments in fixed assets excluding M&A

EURm



Danfoss
Power Solutions

Sales

EUR 4,099m

Operational EBITA margin

12.0%

After two years of very strong growth, increased interest rates sent the markets within agriculture and construction into a cyclical downturn. Danfoss Power Solutions sales decreased 15% to EUR 4,099m (2023: 4,833m). We see strong traction in our Editron business, where the demand for electrification continues. The downcycle in the mobile hydraulics market is expected to continue into 2025, before we expect the market to recover. In 2024, the segment finalized the integration of Eaton Hydraulics, adjusted to the lower demand, and performed a number of factory footprint changes leading to one-off costs. The operational EBITA margin was 12.0% (2023: 15.6%).

Danfoss
Climate Solutions

Sales

EUR 3,100m

Operational EBITA margin

16.9%

Danfoss Climate Solutions sales decreased 1% to EUR 3,100m (2023: 3,120m). In 2024, we continued to see robust performance and resilience in the segment. The performance is driven by an uptake in the air conditioning and data center markets, however with weakness within the European heat pump market and the general refrigeration market. The growth in especially Latin America and India has been strong in 2024, and toward the end of the year the segment experienced an uptake in growth across most regions. Overall, Danfoss Climate Solutions continues to see strong demand for energy-efficient solutions, such as refrigeration and commercial compressors, data centers, and the building industry. The segment continued the integration of BOCK® Compressors and started to win significant new deals by leveraging the Danfoss Climate Solutions sales network. The operational EBITA margin was 16.9% (2023: 17.0%).

Danfoss
Power Electronics and Drives

Sales

EUR 2,447m

Operational EBITA margin

11.3%

Danfoss Power Electronics and Drives sales decreased 10% to EUR 2,447m (2023: 2,718m). The decrease in sales was mainly due to lower demand in Semikron Danfoss, whereas we saw robust performance and resilience in our Drives business and most of the electrification business. The most important growth drivers continue to be digitalization/data centers and electrification. All regions have seen negative growth, except Latin America and India. Toward the end of the year, we have seen a stabilization in the Drives business with an expectation that the market will return to growth during 2025. Semikron Danfoss was impacted by the lower demand for electric vehicles and the delayed recovery of the drives market. The segment consequently adjusted the expenses to the lower market demand throughout the year, resulting in one-off costs. The operational EBITA margin was 11.3% (2023: 14.6%).

Group accounts

Group notes

Income statement

January 1 to December 31

EURm	Note	2023	2024
Net sales	2	10,654	9,674
Cost of sales	3	-7,162	-6,617
Gross profit		**3,492**	**3,057**
Research and development costs	3	-487	-488
Selling and distribution costs	3	-1,227	-1,148
Administrative expenses	3	-559	-536
Operating profit excluding other operating income and expenses		**1,219**	**885**
Other operating income and expenses	3	-18	-115
Share of profit from associates and joint ventures after tax	8	51	-16
Operating profit (EBIT)		**1,252**	**754**
Financial income	15	5	4
Financial expenses	15	-180	-166
Profit before tax		**1,077**	**592**
Tax on profit	20	-258	-222
Net profit		**819**	**370**
Attributable to:			
Shareholders of Danfoss A/S		755	390
Minority interests	16	64	-20
		819	**370**

Statement of comprehensive income

January 1 to December 31

EURm	Note	2023	2024
Net profit		**819**	**370**
Other comprehensive income			
Actuarial gain/loss (-) on pension and healthcare plans	19	-9	13
Tax on actuarial gain/loss on pension and healthcare plans	21	2	-2
Items that cannot be reclassified to income statement		**-7**	**11**
Foreign exchange adjustments on translation of foreign currency into EUR		-149	92
Adjustment for hyperinflation on equity		36	30
Fair value adjustment of hedging instruments:			
Hedging of interest rates (Interest rates and cross currency swaps)		-45	-33
Hedging of future cash flows		27	-27
Hedging transferred to inventory		-23	-1
Tax on hedging instruments		9	14
Items that will be reclassified to income statement		**-145**	**75**
Other comprehensive income after tax		**-152**	**86**
Total comprehensive income		**667**	**456**
Attributable to:			
Shareholders of Danfoss A/S		608	474
Minority interests		59	-18
		667	**456**

Statement of financial position

At December 31

EURm	Note	2023	2024
Non-current assets			
Intangible assets	9	4,709	4,696
Property, plant and equipment	10	2,778	2,878
Investments in associates and joint ventures	8	338	318
Pension benefit plan assets	19	9	13
Non-current receivables		19	16
Deferred tax assets	21	122	155
Total non-current assets		**7,975**	**8,076**
Current assets			
Inventories	4	1,564	1,521
Trade receivables	5	1,535	1,432
Receivable corporation tax	22	23	69
Derivatives — other hedging	17	116	72
Other receivables		236	227
Receivables		1,910	1,800
Cash and cash equivalents	17	369	339
Total current assets		**3,843**	**3,660**
Total assets		**11,818**	**11,736**

EURm	Note	2023	2024
Shareholders' equity			
Equity, shareholders in Danfoss A/S	16	5,130	5,366
Minority interests		313	235
Total shareholders' equity		**5,443**	**5,601**
Liabilities			
Provisions	14	109	114
Deferred tax liabilities	21	290	340
Pension and healthcare benefit plan obligations	19	149	137
Borrowings	18	2,733	2,693
Derivatives — hedge of borrowings	17	250	304
Other non-current debt		151	156
Non-current liabilities		**3,682**	**3,744**
Provisions	14	81	83
Borrowings	18	273	109
Trade payables		1,378	1,322
Debt to associates and joint ventures		2	4
Corporation tax	22	119	75
Derivatives — other hedging	17		8
Other debt	6	840	790
Current liabilities		**2,693**	**2,391**
Total liabilities		**6,375**	**6,135**
Total liabilities and shareholders' equity		**11,818**	**11,736**

Statement of cash flows

January 1 to December 31

EURm	Note	2023	2024
Profit before tax		1,077	592
Adjustments for non-cash transactions	23	701	733
Change in working capital	7	30	50
Interest received		4	4
Interest paid		-132	-118
Dividends received			4
Income tax paid	22	-325	-291
Cash flow operating activities		**1,355**	**974**
Acquisition of intangible assets		-44	-39
Acquisition of property, plant and equipment		-558	-418
Proceeds from sale of property, plant and equipment		6	23
Acquisition of subsidiaries and activities	12	-120	-11
Proceeds from disposal of subsidiaries and activities	12	-11	54
Change in financial receivables	13	4	1
Other investments, sale and acquisitions	13	-1	1
Cash flow from investing activities		**-724**	**-389**
Cash repayment of interest-bearing debt	18	-838	-339
Cash proceeds from interest-bearing debt	18	519	26
Purchase of treasury shares		-3	-4
Sale of treasury shares		3	3
Dividends to shareholders in Danfoss A/S		-198	-237
Dividends to minority interests		-73	-62
Cash flow from financing activities		**-590**	**-613**
Net change in cash and cash equivalents		**41**	**-28**
Cash and cash equivalents as at January 1		340	369
Foreign exchange adjustment of cash and cash equivalents		-12	-2
Cash and cash equivalents as at December 31		**369**	**339**

Accounting policy

Statement of cash flows
The statement shows the cash flows from operating, investing and financing activities for the year and cash equivalents at the beginning and the end of the year. The cash-flow effect of acquisitions and disposals of companies is shown separately under cash flows from investing activities. Cash flows relating to acquired companies are recognized in the statement of cash flows at the acquisition date, and cash flows relating to divested companies are included until the disposal date.

Cash flows from operating activities
Cash flows from operating activities are calculated according to the indirect method on the basis of profit before tax/ profit before tax from continuing operations and adjusted for non-cash operating items, changes in working capital, paid financial items, received dividend, and paid corporation taxes.

Cash flows from investing activities
Cash flows from investing activities comprise payments in connection with the acquisition and disposal of companies and activities, intangible assets and property, plant and equipment, as well as securities classified as investing activities. Acquisitions of assets under leases capitalized are treated as non-cash transactions.

Cash flows from financing activities
Cash flows from financing activities comprise changes in the size or composition of the share capital, the raising and repayment of long-term and short-term bank debt, lease payment, acquisition of minority interests, acquisition and disposal of treasury shares, and payment of dividends to shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise bank account deposits, cash balances, and highly liquid investments with short-term maturity and that are exposed to insignificant risk of change in value.

Statement of changes in equity

EURm	Share capital	Share premium	Hedging reserves	Currency translation	Reserve own shares	Other reserves	Reserves	Proposed dividends	Equity, shareholders in Danfoss A/S	Minority interest	Total equity
Balance as at January 1, 2023	**134**	**10**	123	99	-309	4,458	**4,371**	**205**	**4,720**	**328**	**5,048**
Net profit						509	**509**	**246**	**755**	**64**	**819**
Foreign exchange adjustments of foreign companies				-144			**-144**		**-144**	**-5**	**-149**
Fair value adjustment of hedging instruments			-41				**-41**		**-41**		**-41**
Adjustment for hyperinflation on equity				36			**36**		**36**		**36**
Actuarial gain/loss (-) on pension and healthcare plans						-9	**-9**		**-9**		**-9**
Tax on other comprehensive income			9			2	**11**		**11**		**11**
Total other comprehensive income			-32	-108		-7	**-147**		**-147**	**-5**	**-152**
Total comprehensive income for the period			-32	-108		502	**362**	**246**	**608**	**59**	**667**
Dividends to shareholders						7	**7**	**-205**	**-198**	**-73**	**-271**
Purchase of treasury shares					-3		**-3**		**-3**		**-3**
Sale of treasury shares					3		**3**		**3**		**3**
Adjustment to minority interest										**-1**	**-1**
Total transactions with owners						7	**7**	**-205**	**-198**	**-74**	**-272**
Balance as at December 31, 2023	**134**	**10**	91	-9	-309	4,967	**4,740**	**246**	**5,130**	**313**	**5,443**
Net profit						279	**279**	**111**	**390**	**-20**	**370**
Foreign exchange adjustments of foreign companies				90			**90**		**90**	**2**	**92**
Fair value adjustment of hedging instruments			-61				**-61**		**-61**		**-61**
Adjustment for hyperinflation on equity				30			**30**		**30**		**30**
Actuarial gain/loss (-) on pension and healthcare plans						13	**13**		**13**		**13**
Tax on other comprehensive income			14			-2	**12**		**12**		**12**
Total other comprehensive income			-47	120		11	**84**		**84**	**2**	**86**
Total comprehensive income for the period			-47	120		290	**363**	**111**	**474**	**-18**	**456**
Dividends to shareholders						9	**9**	**-246**	**-237**	**-62**	**-299**
Purchase of treasury shares					-4		**-4**		**-4**		**-4**
Sale of treasury shares					3		**3**		**3**		**3**
Adjustment to minority interest										**2**	**2**
Total transactions with owners					-1	9	**8**	**-246**	**-238**	**-60**	**-298**
Balance as at December 31, 2024	**134**	**10**	44	111	-310	5,266	**5,111**	**111**	**5,366**	**235**	**5,601**

Basis of reporting and critical accounting estimates

Note 1 Basis of preparation

Introduction

Danfoss A/S is a company domiciled in Denmark. The Annual Report for the period January 1 - December 31, 2024, comprises the Consolidated Financial Statements of Danfoss A/S and its subsidiaries (the Group).

The Consolidated Financial Statements of the Group have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act. The Group is classified as a Class C (large) entity under the Danish Financial Statements Act. However, the Group has decided to prepare Consolidated Financial Statements in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis of measurement

The Annual Report is presented in EUR, rounded to the nearest million unless otherwise indicated. The functional currency of the Parent Company is DKK.

The Annual Report has been prepared on the basis of the historical-cost convention except for the following assets and liabilities, which are measured at fair value: financial instruments measured at fair value, derivatives, contingent considerations from business combinations, and pension and healthcare obligations. Non-current assets and disposal groups held for sale are measured at the lower carrying amount before the reclassification and fair value less costs to sell. Refer also to Note 27 for a description of accounting for hyperinflation related to the Turkish and Argentinian subsidiaries.

Changes in accounting policies

Danfoss A/S has implemented the standards and interpretations that have taken effect for 2024. None of those standards and interpretations have a material effect on recognition and measurement in 2024, nor are they expected to have a material effect on Danfoss A/S in the future. Derivatives are reclassified to 'Derivatives – Other Hedging' and 'Derivatives – Hedge of Borrowings' for 2024. Comparative figures have correspondingly been restated. The impact is increased assets and liabilities of EUR 72m (2023: 101m) in the Statement of Financial Position.

Critical accounting estimates and assessments

In preparing the Consolidated Financial Statements, management makes various accounting estimates that affect the reported amounts and disclosures in the Financial Statements and notes to the statements. The estimates used are based on management assumptions, which are assessed to be reliable, but which are inherently subject to uncertainty. Accordingly, Danfoss is subject to risks and uncertainties, which may cause actual results to differ from these estimates.

Estimates which are significant for the preparation of the financial statements are listed below:

- Investments in associates and joint ventures (Note 8)
- Goodwill and measurement of intangible assets (Note 9 and Note 12)
- Assessment of depreciation, amortization and impairment of non-current assets (Note 9 and Note 10)
- Deferred tax assets (Note 21) and Uncertain tax positions (Note 22)
- Measurement of pension and healthcare obligations (Note 19)

Additional information of estimates made are described in the relevant notes.

New financial reporting regulations

Danfoss A/S has implemented a number of amendments and improvements to IFRS for the financial year 2024.

The Group has assessed these interpretations and concluded they do not have a material impact on the Group in 2024 or previous years.

- Amendments to IAS 1 Presentation of Financial Statements: Clarifies the classification and additional disclosures of liabilities as current or non-current.
- Amendment to IFRS16 Leases: Clarifies how to measure the lease liability in a sale and leaseback transaction.
- Amendments to IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Disclosures: Introduces disclosure requirements for supplier finance arrangements (reverse factoring) regarding terms and conditions.

A number of issued, but not yet effective, standards and interpretations have been published that have not been adopted early by Danfoss A/S in the preparation of the 2024 Annual Report.

The Group has assessed these standards and interpretations and conclude they are not expected to have a material impact on the Group's financial statements, except for IFRS 18:

- Amendment to IAS 21 Foreign exchange rates: Regards the effect of changes in foreign exchange rates when a currency lacks exchangeability.
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures: Clarifies recognition and derecognition dates for some financial assets and liabilities and provides additional disclosure guidance.
- IFRS 18 Presentation and Disclosure in Financial Statements: Introduces new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency. Expected main changes is that operating profit will include foreign exchange gains/losses and loss on monetary items and not include profit from Ass./JV; and interest expenses will now be part of financing activities in the cash flow, instead of operating activities.

Income statement

Note 2 Segment reporting

EURm Business segments	Danfoss Power Solutions	Danfoss Climate Solutions	Danfoss Power Electronics and Drives	Other areas	Group 2023
Income statement					
Net sales	4,833	3,115	2,685	21	10,654
Depreciation/amortization/impairment**)	130	65	68	162	425
EBITA	701	524	391	-271	1,345
Acquisition-related amortization	88	11	43		142
Share of profit from Ass./JV. after tax					51
Operating profit (EBIT)					1,252
Financial Items					-175
Profit before tax					1,077
Total assets *)	4,546	2,120	3,008	2,144	11,818
Net investments, excluding M&A	181	125	140	150	596
Total liabilities *)	610	466	354	4,945	6,375
Number of employees	17,694	11,289	8,365	4,706	42,054

*) Corporate and shared functions' assets and liabilities, cash and cash equivalents, interest-bearing debt and deferred tax liabilities/assets have been included in the column 'Other areas.'
**) Exclusive acquisition-related amortization

EURm Business segments	Danfoss Power Solutions	Danfoss Climate Solutions	Danfoss Power Electronics and Drives	Other areas	**Group 2024**
Income statement					
Net sales	4,095	3,095	2,419	65	9,674
Depreciation/amortization/impairment**)	133	77	72	164	446
EBITA	426	497	213	-266	870
Acquisition-related amortization	76	11	46	1	134
Share of profit from Ass./JV. after tax					-16
Operating profit (EBIT)					754
Financial Items					-162
Profit before tax					592
Total assets *)	4,457	2,201	2,945	2,133	11,736
Net investments, excluding M&A	103	99	119	113	434
Total liabilities *)	531	552	422	4,630	6,135
Number of employees	16,101	11,039	7,868	4,352	39,360

For further information on the business segments, see pages 30, 32 and 34.

Note 2 Segment reporting — continued

EURm				2023
Geographical segments	Americas	Europe	Asia Pacific	**Group**
Net sales	4,017	4,268	2,369	10,654
Total non-current assets (excluding deferred tax assets)	2,838	4,389	626	7,853

EURm				**2024**
Geographical segments	Americas	Europe	Asia Pacific	**Group**
Net sales	3,504	3,942	2,228	9,674
Total non-current assets (excluding deferred tax assets)	2,941	4,328	652	7,921

Sales in Denmark amount to EUR 263m (2023: 279m) and non-current assets amount to EUR 1,015m (2023: 1,042m). Sales in Americas mainly relate to the US, which represents EUR 2,802m (2023: 3,261m), and non-current assets amount to EUR 2,770m (2023: 2,694m). China is part of the Asia Pacific, and sales amount to EUR 1,178m (2023: 1,288m) and non-current assets to EUR 392m (2023: 374m).

EURm	2023	**2024**
Specification of other areas — EBITA		
Corporate and shared functions and projects, not allocated *)	-281	-274
Other	10	8
EBITA	-271	-266
Specification of other areas — Assets		
Cash, current & non-current tax receivables	514	563
Other receivables	337	284
Corporate and shared functions, not allocated tangible, and intangible fixed assets *)	1,267	1,279
Other	26	7
Total assets	2,144	2,133
Specification of other areas — Liabilities		
Interest-bearing debt, current & non-current tax liabilities	3,664	3,522
Other debt	927	751
Pension and healthcare plans	149	137
Corporate and shared functions and projects, not allocated *)	199	219
Other	6	1
Total liabilities	4,945	4,630

*) Corporate and shared functions and projects, not allocated are primarily corporate projects, administrative expenses, and assets and liabilities.

Note 2 Segment reporting — continued

Accounting policy

Segment information

The Group's registered members of Executive Management examine the Group's performance both from a product and a geographic perspective and have identified 3 reportable segments: Danfoss Power Electronics and Drives, Danfoss Climate Solutions, and Danfoss Power Solutions.

The segment information applies to the internal management reporting and is prepared according to the Group's accounting policies. Segment performance is primarily measured by EBITA. Segment income, expenses, assets, and liabilities comprise those items that, can be allocated on a reliable basis. Items that are not allocated primarily include income and expenses incurred by corporate functions, deferred tax (assets and liabilities), receivable and payable tax, other receivables and payables, cash, and interest-bearing liabilities.

Non-current segment assets are those non-current assets, that are used directly for segment operations, including intangible assets and property, plant and equipment as well as investments in associates and joint ventures. The majority of the Group's buildings are recognized under "Other areas" in the segment reporting, as buildings are managed and operated by a real-estate unit. The segments are instead charged with rent/lease expenses for the use of these assets.

Current assets are those current assets, which are used directly for segment operations, including inventories and trade receivables.

Segment liabilities comprise both non-current and current liabilities derived from segment operations, including trade payables, and warranty obligations, and other provisions.

Lease payments are recognized under segment expenses. Capitalized lease assets and lease liabilities and related depreciations and interest are recognized in 'Other areas.' Relevant adjustments are made in 'Other areas.' to eliminate for lease payments in segments.

Trade between segments takes place on market terms or on a cost-recovery basis.

Net sales from contracts with customers

The Group is selling products and solutions that are used in areas such as refrigeration, air conditioning, heating, power conversion, motor control, industrial machinery, automotive, marine, and on- and off-highway equipment. We also provide solutions for renewable energy, such as solar and wind power, Power-to-X, heat recovery, as well as contribute to district energy solutions for cities. Net sales of products for resale and finished goods are recognized in the income statement when control of the products has been transferred to the customer. Control is transferred when the products are delivered, which occurs when the Group has objective evidence that all criteria for transfer of risk have been satisfied. Sales are only recognized to the extent that it is highly probable that a significant reversal will not occur. Products are often sold with retrospective volume discounts.

Net sales are recognized at the fair value of the consideration agreed, excluding VAT, duties, and discounts in relation to the sale. Accumulated experience is used to estimate variable considerations (expected value method).

The validity of assumptions and estimates are reassessed at each reporting date. Because of historically accurate estimates, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur.

Related service income is recognized in the income statement as the services are rendered. Accordingly, the recognized sale corresponds to the sales value of the work performed during the year. This is determined based on the actual costs incurred relative to the total expected costs. The sale of services is recognized in the income statement when the aggregated income and expenses of the service contract can be reliably measured and it is probable that the Group will receive the financial benefits, including payments.

The Group's standard payment term is 30 days, net from the date of invoice or current month +15 days. However, there may be country-specific deviations from the standard payment terms. The Group does not expect to have any contracts where the period between the transfer of the promised products or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. A receivable is recognized when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

Note 3 Expenses and other operating income

EURm	2023	**2024**
A. Personnel expenses		
Salaries and wages	2,392	2,274
Severance payments	49	139
Social security	267	257
Pension cost — defined contribution plans	129	134
Pension cost — defined benefit plans excl. gains from reductions and redemptions *)	8	9
	2,845	2,813
Average number of employees	42,369	40,838
Total number of employees as at end of the year	42,054	39,360

*) Expenses for defined benefit plans are described in Note 19 Pension and healthcare obligations.

EURm	2023	**2024**
Remuneration to the Group Executive Team and the Board of Directors:		
Salaries	6	6
Pension costs	2	2
Bonuses, short-term	5	2
Bonuses, long-term	20	9
Separation costs		6
Group Executive Team	33	25
Board of Directors' fee	1	1
Total remuneration	34	26

Bonuses, short-term are paid based on meeting annual targets for specifc financial ratios and sales growth. Bonuses, long-term are paid based on value creation over multiple years. Long-term bonuses equal rights earned but are not necessarily paid out in the year.

Total remuneration for registered members of the Group Executive Team amounts to EUR 11m (2023: 20m).

A presentation of the Group Executive Team is available on page 45.

EURm	2023	**2024**
B. Depreciation/amortization and impairment losses		
Classification by nature:		
Amortization of intangible assets	194	180
Depreciation of property, plant and equipment	378	400
Reversal of impairment losses on property, plant and equipment	-5	
Depreciation/amortization and impairment losses	567	580
Classification of amortization/impairment of intangible assets by function:		
Cost of sales	125	110
Selling and distribution costs	64	67
Administrative expenses	5	3
Intangible assets	194	180
Classification of depreciation/impairment of tangible assets by function:		
Cost of sales	327	352
Selling and distribution costs	32	33
Administrative expenses	14	15
Tangible assets	373	400

Note 3 Expenses and other operating income — continued

EURm	2023	2024
C. Other operating income and expenses		
Gain on disposal of activities	3	32
Gain on disposal of property, plant and equipment	7	14
Government grants	24	26
Reversal of restructuring costs	1	1
Other	8	13
Other operating income	43	86
Loss on disposal of activities	-1	-2
Loss on disposal of intangible fixed assets	-1	-5
Loss on disposal of property, plant and equipment	-3	-5
Restructuring costs	-50	-185
Other	-6	-4
Other operating expenses	-61	-201
Other operating income and expenses	-18	-115

Restructuring costs in both years mainly relate to terminations in Germany, Denmark, USA, China & Türkiye.

The Group has received government grants of EUR 26m (2023: 24m) in total. This is related to, among other items, investment incentives and support for research and development programs.

EURm	2023	2024
D. Fees to auditors appointed at the Annual General Meeting		
Audit fee	5	5
Other assurance engagements fee	0	0
Tax and VAT advice	0	0
Other fees	1	2
Total fee to Group Auditor	6	7

Accounting policy

Cost of sales
Cost of sales comprises costs incurred in generating the year's net sales. Such costs include cost of sales or manufacturing costs, including direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and depreciation.

Research and development costs
Research and development costs include costs that do not qualify for capitalization, including costs like wages and salaries and consumables.

Selling and distribution costs
Selling and distribution costs comprise costs related to distribution of products sold during the year and sales employees, advertising and exhibition expenses, etc., including depreciation. Furthermore, provisions for bad debt are included.

Administrative expenses
Administrative expenses comprise expenses in relation to administrative employees, management, office premises, office expenses, etc., including depreciation.

Note 3 Expenses and other operating income — continued

Other operating income and expenses
Other operating income and expenses comprise items secondary to the principal activities of the Group, including gains/losses on disposal of non-current assets and companies, employee-termination expenses, and government grants. Government grants related to income are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants that compensate the Group for expenses incurred are deducted at related expenses. Government grants related to purchase of property, plant and equipment are deducted at the carrying amount of the asset.

Net working capital

Note 4 Inventories

EURm	2023	**2024**
Raw materials and consumables	791	748
Work in progress	204	198
Finished goods and goods for resale	569	575
Inventories	1,564	1,521
Write-downs of inventories	126	136

Accounting policy
Inventories are measured at cost. Where the estimated selling price less any costs of completion and selling (net realizable value) is lower than cost, inventories are written down to this lower value. Cost is calculated on the basis of the weighted average method. The cost of work in progress and finished goods comprise the cost of raw materials and consumables, conversion costs, and other costs directly or indirectly attributable to the goods. Indirect production overheads comprise maintenance and depreciation of production facilities and plant as well as administration and management of factories.

Note 5 Trade receivables

EURm	2023	**2024**
Not overdue at the reporting date	1,454	1,348
Overdue less than 30 days	51	38
Overdue from 30 to 90 days	36	53
Overdue more than 90 days	39	36
Trade receivables before provision for bad debts	1,580	1,475
Provision for bad debts as at December 31	-45	-43
Net carrying amount	1,535	1,432
Provision for bad debts as at January 1	-47	-45
Foreign exchange adjustments in foreign companies	2	-1
Accrual of new provisions	-13	-13
Reversal of provisions accrued	8	11
Realized loss	5	5
Provision for bad debts as at December 31	-45	-43

Of the EUR 43m write-down, EUR 22m relates to receivables that are more than 180 days overdue. The carrying amount of trade receivables is estimated to represent their fair value as well as the maximum credit risk.

Trade receivables are distributed across a large number of customers and geographical areas. The geographical distribution does not differ significantly from the split of net sales according to Note 2 Segment reporting. Historically, the Group has only had limited losses on bad debts.
Refer to Note 17 Financial risks and instruments, Credit risk, for further descriptions on accounting for expected credit losses.

Accounting policy
Receivables are measured at amortized cost. Receivables are written down for bad-debt losses based on the simplified approach for the provision of expected credit losses, which requires expected lifetime losses to be recognized from initial recognition of receivables. Impairment losses are calculated as the difference between the carrying amount and the present value of expected cash flows, including the expected realizable value of any collateral provided. The discount rate is the effective interest rate used at the time of initial recognition of the receivable.

Note 6 Other debt

EURm	2023	**2024**
Accrued salaries and wages	480	457
Accrued expenses and sundry creditors	360	333
Other debt	840	790

Note 7 Change in working capital

EURm	2023	**2024**
Change in inventories	63	48
Change in receivables	47	101
Change in trade payables and other debt	-80	-99
Change in working capital	30	50

Capital employed

Note 8 Investments in associates and joint ventures

EURm			2023
	Investments in associates and joint ventures	Other investments	**Total**
Cost as at January 1	325	21	346
Cost as at December 31	325	21	346
Adjustments as at January 1	-43	-16	-59
Net profit/value adjustment	51		51
Adjustments as at December 31	8	-16	-8
Carrying amount as at December 31	333	5	338

Note 8 Investments in associates and joint ventures — continued

EURm			2024
	Investments in associates and joint ventures	Other investments	Total
Cost as at January 1	325	21	346
Disposals		-1	-1
Cost as at December 31	325	20	345
Adjustments as at January 1	8	-16	-8
Foreign exchange adjustments in foreign companies	1		1
Net profit/value adjustment	-16		-16
Dividends	-4		-4
Adjustments as at December 31	-11	-16	-27
Carrying amount as at December 31	314	4	318

Impairment test
Where indicators for impairment were present at the end of 2024, impairment tests were performed on the carrying amount of 'Investments in associates and joint ventures.' Main indicators are loss-making activities or if the carrying amount is higher than the equity in the local accounts or, where relevant, higher than valuation using a listed share price. When performing the impairment test, the recoverable amount of cash flows from associates and joint ventures is compared to their carrying amount. The principles are unchanged compared to prior year.

Danfoss' impairment test of its SMA Solar Technology investment, as at December 31, 2024, concludes no impairment is needed. The test is performed with a discounted cash flow (DCF) model using a discount rate before tax of 14% and 2% terminal growth rate and considering increased earnings due to restructuring activities initiated in 2024. Sensitivity analysis shows that the discount rate should increase by more than 1.5%-point or the EBIT percentage should decline by more than 1%-point to change the conclusion.

Further information on associates and joint ventures is provided in Note 17 Financial risks and instruments and Note 25 Related parties.

Material associates and joint ventures
Summarized information for associates and joint ventures that are material to Danfoss, has been amended to reflect adjustments made for differences in the Accounting policy. The financial information is stated below at full value, not according to Danfoss' proportionate ownership interests. Because SMA Solar Technology AG is a listed company, the stated financial information below is based on publicly available information.

SMA Solar Technology AG	2023	2024
Place of business	Germany	Germany
Share of ownership	20%	20%
Summarized profit and loss statement, EURm *)		
Revenue	1,904	1,450 to 1,500
EBITDA	311	-20 to 20
Net income	226	N/A
Summarized balance sheet, EURm **)		
Non-current assets	426	482
Current assets	1,136	1,199
Non-current liabilities	273	272
Current liabilities	647	706
Equity	642	703
Other information, EURm		
Group share of equity as at December 31	130	110

On the basis of the stock exchange quotation, the value of SMA Solar Technology AG as at December 31, 2024, was EUR 471m (2023: 2,101m).
*) Figures for 2023 as reported from SMA Solar Technology AG. Figures for 2024 resported as guidance from SMA Solar Technology AG from Quarter 3 2024.
**) The figures are from Quarter 3.

Note 8 Investments in associates and joint ventures — continued

In addition to the interests in associates and joint ventures disclosed above, Danfoss also has interests in a number of individually immaterial associates and joint ventures.

EURm 2023

Immaterial associates and joint ventures	Associates	Joint Ventures	**Total**
Danfoss' proportionate share of:			
Profit or loss		1	1
Total comprehensive income		1	1
Carrying amount as at December 31		16	16

Reconciliation of carrying amount	Associates	Joint Ventures	**Total**
Group share of equity of material Ass./JV.	130		130
Goodwill concerning material Ass./JV.	187		187
Carrying amount of immaterial Ass./JV.		16	16
Total carrying amount as at December 31 of associates and joint ventures	317	16	333

EURm **2024**

Immaterial associates and joint ventures	Associates	Joint Ventures	**Total**
Danfoss' proportionate share of:			
Profit or loss		1	1
Total comprehensive income		1	1
Carrying amount as at December 31		17	17

Reconciliation of carrying amount	Associates	Joint Ventures	**Total**
Group share of equity of material Ass./JV.	110		110
Goodwill concerning material Ass./JV.	187		187
Carrying amount of immaterial Ass./JV.		17	17
Total carrying amount as at December 31 of associates and joint ventures	297	17	314

For further information on associates and joint ventures, refer to Note 28 Group companies.

Accounting policy

Investments in associates and joint ventures
Investments in associates and joint ventures are measured in the consolidated financial statements according to the equity method at the proportionate share of the enterprises including additional value from acquisitions, goodwill, and deduction or addition of proportionate shares of unrealized intra-group profits and losses. Investments in associates and joint ventures are tested for impairment when indicators of impairment exists.

Note 8 Investments in associates and joint ventures — continued

Share of profit from investments in associates and joint ventures
The proportionate share of the results of associates and joint ventures after tax is recognized in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses and less goodwill impairment.

Critical accounting estimates

Impairment of associates and joint ventures
Danfoss performs impairment tests concerning investments in associates and joint ventures whenever indicators for impairment are present.

Due to the nature of the operations of the investments, estimates have to be made of expected cash flows many years into the future, which will be subject to some degree of uncertainty.

Note 9 Intangible assets

EURm	**Goodwill**	Internally developed software	Brand	Technology	Customer relations	Patents, trademarks and other rights	Development costs	**Total Other**	**Total**
Cost as at January 1, 2023	3,311	458	274	1,210	984	36	39	3,001	6,312
Foreign exchange adjustments in foreign companies	-75	-4	-6	-21	-27			-58	-133
Additions through acquisition of subsidiaries	60		5	29	13			47	107
Transfers		-1						-1	-1
Additions		44						44	44
Disposals		-21				-1		-22	-22
Cost as at December 31, 2023	3,296	476	273	1,218	970	35	39	3,011	6,307
Amortization and impairment losses as at January 1	150	261	35	594	351	23	38	1,302	1,452
Foreign exchange adjustments in foreign companies	-3	-3	-1	-11	-7	-1		-23	-26
Amortization		49	12	79	51	3		194	194
Disposals		-21				-1		-22	-22
Amortization and impairment losses as at December 31, 2023	147	286	46	662	395	24	38	1,451	1,598
Carrying amount as at December 31, 2023	3,149	190	227	556	575	11	1	1,560	4,709
Cost as at January 1, 2024	3,296	476	273	1,218	970	35	39	3,011	6,307
Foreign exchange adjustments in foreign companies	101	4	8	30	38		-1	79	180
Additions through acquisition of subsidiaries	2			3				3	5
Additions		38				1		39	39
Disposals		-40				-1		-41	-41
Disposals of subsidiaries	-4	-1				-13	-5	-19	-23
Cost as at December 31, 2024	3,395	477	281	1,251	1,008	22	33	3,072	6,467
Amortization and impairment losses as at January 1, 2024	147	286	46	662	395	24	38	1,451	1,598
Foreign exchange adjustments in foreign companies	4	3	1	19	15	1	0	39	43
Amortization		44	15	68	51	2		180	180
Disposals		-34				-2		-36	-36
Disposals of subsidiaries						-9	-5	-14	-14
Amortization and impairment losses as at December 31, 2024	151	299	62	749	461	16	33	1,620	1,771
Carrying amount as at December 31, 2024	3,244	178	219	502	547	6	0	1,452	4,696

Of the 'Internally developed software,' approximately 50% relates to the One ERP program.
Impact on goodwill due to hyperinflation in Türkiye amounts to EUR 5m (2023: 8m) and is included in 'Foreign exchange adjustments in foreign companies' above.

Note 9 Intangible assets — continued

Impairment tests
At the end of 2024, impairment tests were performed on the carrying amount of goodwill and brand (assets with indefinite useful lives). The impairment tests were performed on business segments representing the base level of cash generating units (CGUs) to which the carrying amount of goodwill and brand can be allocated with reasonable accuracy. The basis for determining the recoverable amount is value-in-use for all cash-generating units.

Acquired activities and companies are integrated as quickly as possible into the respective business segments for optimum synergy. One consequence of this is that it is not possible to allocate the carrying amount of goodwill to the acquired companies and activities with reasonable accuracy, and it is thus no longer possible to perform impairment tests on the individual acquisitions. As part of the impairment test, the net present value of the estimated net cash flow from the CGUs is compared to the carrying amount of the net assets. As acquisitions in Danfoss are made on the basis of 10-year projections, the expected cash flow is calculated on the basis of estimates for the years 2025-2034. The estimates are prepared and approved by the Management in the respective CGUs and Group Management. The primary variables are sales, EBITA, working capital and investments.

The most significant goodwill allocations have been described below.

EURm	2023				**2024**			
	Danfoss Power Solutions	Danfoss Climate Solutions	Danfoss Power Electronics and Drives	Other	Danfoss Power Solutions	Danfoss Climate Solutions	Danfoss Power Electronics and Drives	Other
Goodwill as at December 31	1,475	619	1,052	3	1,553	637	1,053	1
Brand with indefinite useful life as at December 31	134				139			

The Danfoss Power Solutions brand with a carrying amountof EUR 139m (2023: 134m) is not amortized but is tested annually for impairment. Global megatrends and industry recognition as one of the market leaders indicate that the brand will generate cash inflow for the Group for an indefinite period.

The weighted average growth rate until 2034 is based on past performance/management expectation of market development, etc. and is estimated to be 3-5% (2023: 2-7%) for the business segments, which is at or above the general market development. The growth in net sales is driven by continuous high investments in innovation and market development. The expected average EBITA margins used in the impairment tests are in general kept at a stable level, taking past performance and initiatives in the business segments into consideration.

The EBITA and working capital as a percentage of sales are expected to remain unchanged during the terminal period. Investments are assumed to be at the same level as the depreciations. These assumptions are unchanged compared to the impairment tests performed in 2023. The net cash flow during the terminal period from 2034 and onward is estimated at 2% (2023: 2%) annual growth, which is assumed to be at or below the expected growth in the markets addressed by Danfoss. The discount rates are set under consideration of a market-based cost of equity and cost of debt and are 11-12% (2023: 11-12%) before tax for all segments.

Management assesses that a reasonable change in the fundamental assumptions used in the impairment tests will not result in recoverable amounts lower than the carrying amounts. The same conclusion was made for 2023.

Danfoss Power Solutions
The goodwill allocated to Danfoss Power Solutions derives primarily from Eaton's hydraulics business in 2021, the acquisition of the additional 38.2% of the share capital in Sauer-Danfoss Inc. (USA) in 2008, Visedo Oy (Finland) in 2017, and UQM Technologies Inc. (USA) in 2019. At the end of 2024, the carrying amount of brand, technology, and customer relations acquired in connection with business combinations amounts to EUR 864m (2023: 899m), or approximately 68% (2023: 66%) of the corresponding Group carrying amount. The carrying amount of technology and customer relations is amortized until 2033 and 2036, respectively.

Danfoss Climate Solutions
The goodwill allocated to Danfoss Climate Solutions derives primarily from the acquisitions of DEVI Group (Denmark) in 2003, Scroll Technologies (USA) in 2006, Danfoss Turbocor Compressors (USA) in 2012, Sondex Holding A/S (Denmark) in 2016, and BOCK® Compressors (Germany) in 2023. At the end of 2024, the carrying amount of technology and customer relations acquired in connection with business combinations amounts to EUR 72m (2023: 81m), or approximately 6% (2023: 6%) of the corresponding Group carrying amount. The carrying amount of technology and customer relations is amortized until 2035 and 2038, respectively.

Note 9 Intangible assets — continued

Danfoss Power Electronics and Drives
The goodwill allocated to Danfoss Power Electronics and Drives segment derives primarily from the acquisition of Vacon (Finland) in December 2014 and Semikron (Germany) in 2022. At the end of 2024, the carrying amount of technology and customer relations acquired in connection with business combinations amounts to EUR 332m (2023: 378m), or approximately 26% (2023: 28%) of the corresponding Group carrying amount. The carrying amount of technology and customer relations is amortized until 2034 and 2035, respectively.

Other intangible assets
At the end of 2024, Danfoss had software in progress amounting to EUR 38m (2023: 42m). Capitalized software in progress is mainly developed internally.

In 2024, the Group performed impairment tests on the carrying amount of software in progress. The actual expenses and achieved milestones have been evaluated according to the approved project and business plans. This led to no impairment of current software assets (2023: 0m).

Accounting policy
Goodwill
Goodwill is initially recognized in the balance sheet at cost and allocated to cash-generating units as described under Business combinations.' Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized.

Development projects, software, patents, and licenses
Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources, and a potential future market or utilization opportunity within the company is demonstrated and where the company intends to produce, market, or use the project, are recognized as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover cost of sales, selling and distribution costs, and administrative expenses and development costs. Other development costs are recognized in the income statement when incurred. Recognized development projects are measured at cost less accumulated amortization and impairment. Cost includes direct and indirect expenses, including salaries and borrowing costs incurred from specific and general borrowing directly pertaining to the development of development projects.

Completed development projects, including software, are generally amortized on a straight-line basis over 4 to 8 years. Development projects in progress are not amortized but annually tested for impairment. Patents and licenses are measured at cost less accumulated amortization and impairment. Patents are amortized on a straight-line basis over the patent period, and licenses are amortized over the shorter of the contract period and the useful life. Patent and contract periods are normally 5 to10 years.

Other intangible assets
Other intangible assets, including intangible assets acquired in a business combination, which typically comprise technology and customer relations, are amortized on a straight-line basis over the expected useful life, which is typically a period of 10 to 20 years.

Intangible assets, including trademarks, with indefinite useful lives are not amortized but are tested annually for impairment. Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less costs to sell and the carrying amount at the selling date. Gains or losses are recognized in the income statement under 'Other operating income and expenses. '

Impairment of intangible assets
Goodwill and intangible assets with indefinite useful lives are tested annually for impairment, initially before the end of the acquisition year. Similarly, development projects in progress are subject to an annual impairment test. The carrying amount of other non-current assets is assessed annually for evidence of impairment. When there is evidence that assets may be impaired, an impairment test is performed. Impairment is tested by calculating the recoverable amount. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. The value in use is determined as the present value of expected future cash flows from the asset or the cash-generating unit (CGU). If the fair value or value in use cannot be determined for individual assets, the recoverable amount is determined as the fair value of expected future cash flows from activities or the cash-generating unit (CGU) to which the asset belongs.

Impairment losses are recognized in the income statement if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment of assets is reversed to the extent that the assumptions and estimates underlying the impairment calculation are changed. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortization, had the asset not been impaired. However, impairment of goodwill is never reversed.

Note 9 Intangible assets — continued

Critical accounting estimates

Impairment of goodwill

In performing the annual impairment test of goodwill, an assessment is made as to whether the individual units of the enterprise (cash-generating units) to which goodwill relates will be able to generate sufficient positive, net cash flows to support the value of goodwill and other net assets of the unit.

Due to the nature of the Group's operations, estimates have to be made of expected cash flows many years into the future, which will be subject to some degree of uncertainty due to changes in the global economic situation and changes in the strategy of the Group. This uncertainty is reflected in the chosen discount rate.

Useful life and residual value of non-current assets

Non-current assets are measured at cost less accumulated amortization, depreciation, and impairment. Amortization and depreciation is made on a straight-line basis over the useful life of the assets, taking into account the asset's residual value. Expected useful life and residual values are determined based on historical experience and expectations for the future use of the non-current assets. The expectations for future use and residual values may not be met, which may lead to a future reassessment of useful life and residual values and a need for impairment write-downs or the incurrence of gain or losses on the disposal of the non-current assets.

Note 10 Property, plant, and equipment

EURm	Land and buildings	Plant and machinery	Equipment	Assets under construction	**Total**
Cost as at January 1, 2023	1,646	2,369	351	469	4,835
Foreign exchange adjustments in foreign companies	-34	-36	-6	-10	-86
Additions through acquisition of subsidiaries	23	4	18		45
Transfers	56	219	16	-290	1
Additions	137	110	57	377	681
Disposals	-20	-48	-36		-104
Cost as at December 31, 2023	1,808	2,618	400	546	5,372
Depreciation and impairment losses as at January 1, 2023	648	1,476	228		2,352
Foreign exchange adjustments in foreign companies	-7	-24	-5		-36
Transfers		-1	1		
Depreciation	115	213	50		378
Impairment	-5				-5
Disposals	-16	-45	-34		-95
Depreciation and impairment losses as at December 31, 2023	735	1,619	240		2,594
Carrying amount as at December 31, 2023	1,073	999	160	546	2,778
Cost as at January 1, 2024	1,808	2,618	400	546	5,372
Foreign exchange adjustments in foreign companies	17	47	6	3	73
Transfers	85	180	49	-314	
Additions	95	59	39	294	487
Disposals	-79	-38	-51		-168
Disposals of subsidiaries	-3	-3			-6
Cost as at December 31, 2024	1,923	2,863	443	529	5,758
Depreciation and impairment losses as at January 1, 2024	735	1,619	240		2,594
Foreign exchange adjustments in foreign companies	7	22	5		34
Transfers		-15	15		
Depreciation	118	225	57		400
Disposals	-69	-30	-46		-145
Disposals of subsidiaries	-2	-1			-3
Depreciation and impairment losses as at December 31, 2024	789	1,820	271		2,880
Carrying amount as at December 31, 2024	1,134	1,043	172	529	2,878

Additions/disposals through acquisitions/sales of subsidiaries are further described in Note 12 Acquisition and sale of subsidiaries and activities.
Impact on Property, plant, and equipment due to hyperinflation in Türkiye, amounts to net EUR 6m (2023: 0m) and is included in 'Foreign exchange adjustments in foreign companies' above.

Note 10 Property, plant, and equipment — continued

EURm	Land and buildings	Plant and machinery	Equipment	**Total**
The right-of-use assets included in Property, plant, and equipment are presented below.				
Carrying amount related to right-of-use assets as at January 1, 2023	235	2	26	263
Foreign exchange adjustments in foreign companies	-4			-4
Additions through acquisition of subsidiaries	3			3
Additions	89		34	123
Depreciation	-59	-1	-20	-80
Disposals	-1			-1
Carrying amount related to right-of-use assets as at December 31, 2023	263	1	40	304
Carrying amount related to right-of-use assets as at January 1, 2024	263	1	40	304
Foreign exchange adjustments in foreign companies	-3			-3
Additions	49		22	71
Depreciation	-59		-20	-79
Disposals	-4		-4	-8
Carrying amount related to right-of-use assets as at December 31, 2024	246	1	38	285

Further information on leases is provided in Note 11 Leases.

Note 10 Property, plant, and equipment — continued

Accounting policy
Land and buildings, plant and machinery, and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price, expenses for materials, components, sub-suppliers, direct salary expenses, borrowing costs incurred from specific and general borrowing, that directly pertain to the construction of the individual assets and for self-produced assets as well as indirect construction costs. Where individual components of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items and depreciated separately.

Subsequent costs, e.g., in connection with replacement of components of property, plant, and equipment, are recognized in the carrying amount of the asset if it is probable that the costs will result in future economic benefits. All costs incurred for ordinary repairs and maintenance are recognized in the income statement as incurred. Depreciation is provided on a straight-line basis over the expected useful lives, which are as follows:

Buildings and building components	10-30 years
Plant and machinery	4-8 years
Equipment	2-6 years

Property, plant, and equipment
The depreciable amount of an asset is determined based on the residual value of the asset less any impairment charges. The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued. When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Depreciation is recognized in the income statement under 'Costs of sale,' 'Selling and distribution costs' or 'Administrative expenses.'

Gains and losses on disposal of property, plant, and equipment are determined as the difference between the selling price less costs to sell and the carrying amount at the selling date. Gains or losses are recognized in the income statement under ‘Other operating income and expenses.' The cost of leased assets capitalized is recognized at the lease commencement date at the present value of the future lease payments. For the calculation of the net present value, the incremental borrowing rate is used as the discount rate. They are depreciated and amortized like other property, plant, and equipment. Leased assets with low value or lease term less than 12 months are expensed over the lease period on a straight-line basis.

Impairment of Property, plant, and equipment
The carrying amount of Property, plant, and equipment is tested annually for evidence of impairment. When there is evidence that assets may be impaired, an impairment test is performed. Impairment is tested by calculating the recoverable amount. The recoverable amount is the higher of an asset’s fair value less expected costs to sell and its value in use. The value in use is determined as the present value of expected future cash flows from the asset or the cash-generating unit (CGU). If the fair value or value in use cannot be determined for individual assets, the recoverable amount is determined as the fair value of expected future cash flows from activities or the cash-generating unit (CGU) to which the asset belongs.

Impairment losses are recognized in the income statement if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment of assets is reversed to the extent that the assumptions and estimates underlying the impairment calculation have changed. Impairment is only reversed to the extent that the asset’s new carrying amount does not exceed the carrying amount of the asset after depreciation, had the asset not been impaired.

Critical accounting estimates
Useful life and residual value of non-current assets
Non-current assets are measured at cost less accumulated amortization, depreciation, and impairment. Amortization and depreciation is made on a straight-line basis over the useful lives of the assets, taking into account the asset’s residual value. Expected useful lives and residual values are determined based on historical experience and expectations for the future use of the non-current assets. The expectations for future use and residual values may not be met, which may lead to a future reassessment of useful lives and residual values and a need for impairment write-downs or the incurrence of gain or losses on the disposal of the non-current assets.

Note 11 Leases

Lease liabilities are presented in borrowings of the Statement of financial position as follows:

EURm	2023	**2024**
Current	75	65
Non-current	241	234

The Group mainly leases buildings and cars. Lease payments are generally fixed. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the Statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to property, plant, and equipment; see Note 10 Property, plant, and equipment. Each lease contract generally restricts the use of the right-of-use assets to the Group. Some lease contracts contain an option to extend the lease period or terminate the lease before the lease term. Management assesses whether or not it is reasonably certain that the option will be exercised after considering all relevant facts and circumstances.

The Group has decided not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. The expenses related to payments, not included in the measurement of the lease liability, are below EUR 18m (2023: 21m).

At December 31, 2024, the Group had committed to leases not yet commenced. The total future cash outflows for leases that had not yet commenced are EUR 61m (2023: 54m), which are mainly for buildings.

Total cash outflow for leases for the financial year ended December 31, 2024, was EUR 109m (2023: 103m).

Further information on lease payment, interest expense on lease liabilities, additions, depreciation charge, carrying amount of right-of-use assets, and maturity analysis of lease liabilities is provided in Note 18 Change in liabilities arising from financing activities, Note 15 Financial income and expenses, Note 10 Property, plant, and equipment and Note 17 Financial risks and instruments.

Note 12 Acquisition and sale of subsidiaries and activities

EURm							2023
Company/activity:		Country	Consoli-dated from/until	Holding acquired/sold	Net sales per year *)	No. of employees	Considera-tion paid/re-ceived
BOCK® Compressors	Acquisition	DE	Mar	100%	103	400	114

EURm							**2024**
Company/activity:		Country	Consoli-dated from/until	Holding acquired/sold	Net sales per year *)	No. of employees	Considera-tion paid/re-ceived
Danfoss Fire Safety A/S	Disposal	DK	Nov	100%	32	109	52

*) Net sales in the financial year prior to the acquisition or sale.

There has not been any material acquisitions and disposals besides the above mentioned.

2023 acquisitions:

On March 1, 2023 Danfoss acquired BOCK® Compressors, a world leader in CO_2 and low-GWP (Global Warming Potential) compressors utilized in cooling and heating applications. The acquisition expands Danfoss' position as a full-service provider for greener cooling and heating solutions. BOCK® Compressors has been incorporated into the existing Danfoss Commercial Compressors' business. Net cash consideration paid was around EUR 114m.

The acquisition has been included in the consolidated financial statements from March 1, 2023. From the acquisition date to December 31, 2023, BOCK® Compressors' business contributed with a revenue of EUR 82m and a profit before tax of EUR 2m. Net profit is significantly impacted by consumption of inventory step-up, integration costs, and amortizations on PPA intangibles assets related to the opening balance sheet.

Note 12 Acquisition and sale of subsidiaries and activities — continued

2024 disposals:
On November 30, 2024 Danfoss completed the disposal of Danfoss Fire Safety A/S to Siemens. The divestment resulted in a net gain of EUR 32m, which is recognized in the consolidated income statement under 'Other operating income.' The divestment has been excluded from the consolidated financial statements as at December 1, 2024.

EURm	2023	2023	**2024**	**2024**
	Acqui-sitions	Disposals	Acqui-sitions	Disposals
Intangible assets, except goodwill	-47		-3	5
Property, plant, and equipment	-45			3
Inventories	-24			10
Receivables *)	-12			9
Cash and cash equivalents	-6			1
Interest-bearing debts	3			
Provisions, including deferred tax liabilities	31		2	-1
Trade and other payables	39			-8
Net assets acquired	-61		-1	19
Goodwill/profit on disposal	-60	2	-2	34
Net assets, including goodwill(-)/profit on disposal	-121	2	-3	53
Cash and cash equivalents	6		-1	-1
Consideration, net of cash	-115	2	-4	52
Change in short-term payables/receivables/provisions	-3	-13	-7	2
Adjustments minority interest	-2			
Net cash paid(-)/received	-120	-11	-11	54

Included in the figures for Disposals 2024 are exit costs EUR 4m related to previous years' divestment of White Drive motors and the partial divestment of Orbital Motors, China.

*) Receivables in acquisitions includes a provision for bad debt of EUR 0m (2023: 1m).

Accounting policy

Business combinations
Newly acquired or established companies are recognized in the consolidated financial statements from the acquisition date, and divested companies are recognized in the consolidated income statement until the time of divestment. Comparative figures are not restated for newly acquired companies. Unless divested companies are classified as discontinued operations, comparative figures are not restated. When the Danfoss Group takes over control of acquired companies, the purchase method is applied. This means that the identifiable assets and liabilities, including contingent liabilities, of the acquired companies are stated at fair value at the acquisition date. Identifiable intangible assets are recognized if they can be separated or arise from a contractual right. The tax effect of revaluations is recognized. The time of takeover is the date when the Danfoss Group de facto obtains control of the acquired company.

The consideration for a business comprises the fair value of the consideration agreed upon, in the form of assets transferred, liabilities assumed, and equity instruments issued. If part of the consideration is contingent on future events or in compliance with agreed conditions, that part of the consideration is recognized at fair value at the acquisition date. Costs attributable to business combinations are recognized directly in the income statement when incurred. When a business is taken over in more than one transaction (step acquisition), previously acquired investments are revalued at fair value at the acquisition date, and value adjustments are recognized in the income statement under other operating income or other operating expenses. Management estimates the fair value of the total investment acquired immediately on completion of the step acquisition. Fair value is measured as the cost of the total investment acquired.

When part of the business is sold but the Group remains control of the business, the gain is recorded directly in equity.

If uncertainty exists at the acquisition date concerning the identification or measurement of acquired assets, liabilities or contingent liabilities, initial recognition is made at provisional fair values. If it subsequently becomes apparent that the fair value of identifiable assets and liabilities, including contingent liabilities, differs from the assumed fair value at the acquisition date, the calculation is adjusted retroactively, including goodwill, upto 12 months following the acquisition. The effect of the adjustments is recognized in the opening equity, and comparative figures are restated, if material. Subsequently, goodwill is not adjusted. Changes in estimates of contingent consideration are recognized directly in the income statement.

Note 12 Acquisition and sale of subsidiaries and activities — continued

Any excess cost above the fair value of the identifiable assets and liabilities, including contingent liabilities, is recognized as goodwill under intangible assets. Goodwill is not amortized but is subject to annual impairment tests. The initial impairment test is carried out before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which form the basis for subsequent impairment tests. Identification of cash-generating units is based on the Group's cash flow, in accordance with the structure in the internal financial reporting. Such cash flow does not always follow the legal structure of the Group. Goodwill and fair value adjustments related to the acquisition of a foreign unit with a functional currency other than the Danfoss Group's presentation currency are treated as assets and liabilities belonging to the foreign unit and converted to the functional currency of the foreign unit at the exchange rate on the transaction day. Gain or loss on disposal of subsidiaries, associates or joint ventures, are stated as the difference between the sales amount or the disposal amount and the carrying amount of net assets, including goodwill at the date of disposal, less disposal costs.

Minority interests
On initial recognition, minority interests are measured either at fair value or at their proportionate share of the fair value of the acquired company's identifiable assets, liabilities and contingent liabilities. In the event of the former, goodwill is recognized in respect of the minority interests' ownership share in the acquired company, whereas for the latter goodwill is not recognized as a part of minority interests. The measurement of minority interests is determined for each transaction and stated in the notes under the description of acquired companies.

Note 13 Acquisition and sale of other investments

EURm	2023	**2024**
Sale and acquisition of shares and other securities	-1	1
Increase/decrease in lending	4	1
	3	2

Note 14 Provisions

EURm

Provisions for warranty comprise expected costs arising during the warranty period of the Group's products. Employee-related provisions mainly consist of certain employee expenses, including jubilee costs. Other mainly comprises expenses for restructuring and severance payments. Provisions have been discounted to net present value, if the values are significant.

				2024
	Warranty	Employee-related	Other	**Total**
Provisions as at January 1	69	72	49	190
Foreign exchange adjustments in foreign companies	1	2		3
Provisions used	-33	-7	-15	-55
Reversal of unused provisions	-13	-5	-2	-20
Additional provisions recognized	46	14	19	79
Provisions as at December 31	70	76	51	197

				2024
Estimated maturity of above provisions:	Warranty	Employee-related	Other	**Total**
Within 1 year	45	16	22	83
Between 1 and 5 years	25	29	27	81
After more than 5 years	-	31	2	33
Provisions as at December 31	70	76	51	197

Accounting policy

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event in the financial year or previous years and it is probable that the settlement of the obligation may lead to an outflow of the Group’s financial resources, which can be reliably measured at the balance sheet date.

The amount recognized as a provision is management’s best estimate of the expenses required to settle the obligation. In measuring provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability. For the measurement, a pre-tax discount factor is used, that reflects the current market interest rate level and the specific risks related to the liability. Changes in present values for the financial year are recognized under financial expenses.

Warranty provisions are recognized as the underlying goods and services are sold based on warranty costs incurred in the financial year and in previous years.

Provisions for restructuring and employee-termination costs are made when the Group has agreed on a detailed and formal plan and started implementing the plan or announced the plan to the persons affected. Restructuring provisions do not include costs for the ongoing operations during the restructuring phase.

Other long-term employee benefits are recognized based on an actuarial calculation. However, actuarial gains and losses are recognized in the income statement immediately. Other long-term employee benefits include jubilee benefits.

Capital structure and financing

Note 15 Financial income and expenses

EURm	2023	**2024**
Financial income		
Gain on other investments	1	
Interest from banks, etc.	4	4
Financial income	5	4
Interest on financial assets measured at amortized cost.	4	4
Financial expenses		
Interest to banks, etc.	-116	-103
Calculated interest on defined benefit plans	-6	-8
Interest expense for leasing arrangements	-11	-15
Monetary loss on adjustments for hyperinflation	-20	-26
Foreign exchange losses, net	-26	-13
Loss on other investments	-1	-1
Financial expenses	-180	-166
Interest on financial liabilities measured at amortized cost	-127	-118

A fair-value hedge impact of EUR 16m (2023: -7m) is included in Foreign exchange losses, net.
Further information on leases is provided in Note 11 Leases.
Further information on Monetary loss on adjustments for hyperinflation is provided in Note 27 General accounting policies.

Accounting policy

Financial income and expenses comprise interest income and expenses, realized and unrealized gains and losses on securities that are valued through the income statement, debt and transactions denominated in foreign currencies, amortization of financial assets and liabilities, and surcharges and refunds under the Tax Prepayment Scheme, etc. Also included is the interest element of leases and gains and losses on derivative financial instruments, that are not designated as hedging arrangements.

Borrowing costs incurred in relation to general borrowing activities or loans, that relate directly to the purchase, construction, or development of qualifying assets are allocated to the cost of such assets.

Note 16 Share capital and capital structure

Distribution of shares	**A shares**		**B shares**		**Total**	
	Number	DKKm	Number	DKKm	Number	DKKm
Balance as at December 31, 2023	4,250,000	425.0	5,719,625	572.0	9,969,625	997.0
Balance as at December 31, 2024	4,250,000	425.0	5,719,625	572.0	9,969,625	997.0

Class A shares entitle the holder to ten votes for each share, while Class B shares entitle the holder to one vote for each share. The holders of Class A shares also have pre-emptive rights to Class A shares in the event of any increases in share capital. Otherwise, no shares have special rights. Resolutions regarding amendments to the Articles of Association or Danfoss A/S' dissolution require at least two-thirds of the votes cast as well as two-thirds of the voting share capital represented at the Annual General Meeting to be adopted. The share capital is fully paid in. All shares have a nominal value of DKK 100.

The Bitten & Mads Clausen's Foundation holds 48% of the shares corresponding to 86% of the votes.

Dividend per share	2023		**2024**	
	DKK	EUR	DKK	EUR
Proposed dividend per DKK 100 share	183.6	24.6	82.9	11.1
Dividend from last year paid per DKK 100 share	147.9	19.8	177.3	23.8

Development in the Group's holding of treasury shares (No. of B-shares of 100 DKK)

	2023	**2024**
Holding as at January 1	340,174	340,169
Acquired in the year	1,597	1,830
Sold to The Bitten & Mads Clausen's Foundation	-1,602	-1,595
Holding as at December 31	340,169	340,404

The shareholders' meeting of Danfoss A/S has authorized Danfoss A/S to buy back up to 10% of Danfoss A/S' share capital. The total cost in 2024 for acquiring own shares amounts to EUR 4m (2023: 3m). The total selling price in 2024 for selling own shares amounts to EUR 3m (2023: 3m). The Group's holding of treasury shares represents 3.4% (2023: 3.4%) of the Group's share capital.

Capital structure

The capital structure of Danfoss is intended to ensure sufficient financial flexibility and stability over the cycle for the company to reach its strategic goals. It is the policy of the Group to have a BBB credit rating, and the Group aims for financial metrics that are commensurate with such a credit rating over the cycle. Danfoss is currently rated BBB with a stable outlook by Standard and Poor's. At the end of 2024, the net-interest-bearing debt to EBITDA ratio was 2.0 (2023: 1.6) on a reported basis. Danfoss aims to use the free operating cash flow after financial items and tax for debt servicing, business development, and shareholder distribution.

Minority interests

The decrease in the minority interest's share of net profit, from EUR 64m in 2023 to EUR -20m in 2024, is due to losses incurred by the Semikron-Danfoss group. These losses in 2024 are partly attributable to restructuring costs.

Note 17 Financial risks and instruments

Financial risks
Danfoss's profitability, cash flow and balance sheet are exposed to financial market risk as a consequence of the Group's multinational business profile. The risk factors include currency, credit, interest rate, liquidity, and commodity risks. The Group's risk-management activities focus on risk mitigation, with particular emphasis on protecting the Group's cash flows and profitability in local currency.

The risk-management activity of the Group is governed by the treasury policy, which is approved and reviewed annually by the Board of Directors. Group Treasury is the function responsible for executing the treasury policy and managing the Group's financial market risks in accordance with it.

Currency risk
Currency exposure consists of three elements:
1. Transaction risk: This covers both the fair value risk, i.e., the risk related to assets and liabilities denominated in foreign currency, and the cash flow risk, i.e., the risk related to future cash flows in foreign currency. Both risk types have a direct impact on cash flow and earnings and therefore are the primary focus of Danfoss' currency hedging strategy. The hedging policy is to cover fair value risk and significant future cash flow risk for a 12-month period on a rolling and layered basis. The policy for future cash flow hedging follows a cash flow at risk approach in combination with the hedge ratios below:

Cash flow risk, five largest exposures: Minimum hedge 60%
Other significant cash flow exposures: Minimum hedge 30%

The policy for balance sheet risk is to hedge 100%.

2. Translation risk: This is the risk that the P&L and equity of Danfoss are impacted adversely by currency movements when consolidating the financials. Translation risk is generally not hedged. However, it is partly mitigated by keeping an appropriate capital structure in the subsidiaries of the Group in terms of equity and debt in local currency, and from time to time by drawing the Group's financing facilities in foreign currency to match the assets of the Group.

3. Economic risk: This risk is not in scope for financial risk management. Economic risk is dealt with strategically by keeping an appropriate balance between the geographical footprint of end markets and sourcing markets.

Nominal position of significant currencies

EURm	2023				2024			
	EUR	USD	GBP	**Total**	EUR	USD	GBP	**Total**
Receivables and payables	42	88	-3	127	-131	4	2	-125
Cash and loans	-520	-162	65	-617	-238	-115	77	-276
Derivative financial instruments for hedging of fair value 1)	474	74	-62	486	369	113	-79	403
Derivative financial instruments for hedging of future cash flow	-175	-285	-17	-477	-130	-347	-33	-510
Sensitivity								
Probable increase in exchange rate	1%	10%	10%		1%	10%	10%	
Hypothetical impact on profit and loss for the year	0	0	0	0	0	0	0	0
Hypothetical impact on equity	-3	-28	-2	-33	-2	-35	-3	-40

A decrease in exchange rates as stated would have had the opposite effect on the profit and equity. The sensitivities are based on recognized financial assets and liabilities at December 31 and include impact from derivatives.

1) Hedging of fair value exposure also includes the exposure related to inventories in countries applying foreign currency price lists.

Cross currency swaps and interest rate swap related to loans are not included in the above but are described below in the section 'Derivative contracts related to loans.'

Credit risk
The Group's credit risks primarily apply to trade receivables and bank deposits (i.e., counterparty risk). It is Danfoss' policy to minimize the risk of losses from credit risk. The counterparty risks toward banks and other financial partners are managed by only using solid regional and global financial partners with a credit rating of minimum A- or better, according to Standard & Poor's credit-rating metric.

Note 17 Financial risks and instruments — continued

The Group applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit-risk characteristics and the days past due. For the expected credit loss recognized, refer to Note 5 Trade receivables. The carrying amount of trade receivables is estimated to represent their fair value as well as the maximum credit risk.

Interest-rate risk
The Group's interest-rate risk derives primarily from interest-bearing debt, cash funds, and pension obligations. The Group makes use of both fixed- and floating-rate loans, as well as interest-rate derivatives, to manage this risk. As per Danfoss' treasury policy, the interest-rate risk on its debt portfolio should not exceed a maximum of 0.5% of Group annual revenue in case of a 1% point parallel shift in interest rates across the interest rate curve.

All other things being equal, an increase in the interest rate of 1% point compared to the interest rate level on the balance sheet date would impact profit by EUR 1m, while equity would be impacted by a gain of EUR 21m, mainly related to the USD interest rate hedge. For interest rate risk on pension obligations, refer to Note 19 Pensions and healthcare obligations.

Liquidity risk
It is Danfoss' policy to maintain a robust capital structure and aim for a capital and financing structure that is compatible with a BBB credit rating, a liquidity reserve of minimum 7.5% of Group sales, in terms of accessible cash, and non-terminable credit facilities with an average maturity profile of at least 3 years. The target financial gearing is 2 x EBITDA before special items. The ratio may exceed this level following significant acquisitions.

At the end of 2024, Danfoss' credit rating from Standard and Poor's was 'BBB with a stable outlook,' and the liquidity reserve equalled EUR 1.4bn (2023: 1.5bn). In addition to this, Danfoss had significant amounts of short-term credit lines. The Group considers the liquidity reserve to be adequate in relation to current plans and the market conditions in general.

The average maturity profile on non-terminable credit facilities was 3.9 years at the end of 2024. The Danfoss Group's loan agreements contain no financial covenants.

Group debt categories and maturities

EURm	2023					**2024**				
			Maturity					Maturity		
	Carrying amount	Contractual cash flow	0-1 year	1-5 years*)	Over 5 years	Carrying amount	Contractual cash flow	0-1 year	1-5 years*)	Over 5 years
Bank debt and corporate bond	2,602	2,768	221	1,509	1,038	2,424	2,561	65	1,988	508
Mortgage debt	64	103	3	10	90	64	95	2	9	84
Contingent considerations	22	22	5	17		15	15	7	8	
Lease liabilities	316	372	85	177	110	299	355	77	198	80
Trade payables	1,378	1,378	1,378			1,322	1,322	1,322		
Debt to Ass./ JV.	2	2	2			4	4	4		
Derivatives — other hedging						8	8	8		
Derivatives — hedge of bonds	250	250		250		304	304		304	
	4,634	4,895	1,694	1,963	1,238	4,440	4,664	1,485	2,507	672

*) Maturity is spread evenly across the period.
Additional information on leases is provided in Note 11 Leases.

The maturity analysis is based on all non-discounted cash flows, including estimated interest payments. Interest payments are estimated according to existing market conditions. The non-discounted cash flows from derivative financial instruments are presented in gross amounts, unless the parties have a contractual right or obligation to make net settlements. The Group generally accepts that vendors sell off their receivables arising from the sales to the Group, to a third party. Danfoss has established a supply-chain financing program where vendors can sell off their receivables from Danfoss at attractive terms, but at the bank's sole discretion. Danfoss is not directly or indirectly a party to these agreements. At the end of December, the Group is aware of EUR 67m (2023: 64m) of trade payables that are part of such agreements. At the end of December, suppliers had received payment from finance providers for EUR 54m of these liabilities. The arrangement is not extending payment terms beyond the ordinary terms for the Group.

Note 17 Financial risks and instruments — continued

Financial instruments by category

EURm	2023		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Investments in associates and joint ventures 1)	333	436	314	111
Financial assets measured at equity method	333	436	314	111
Other investments **)	5	5	4	4
Financial assets measured at fair value via the income statement	5	5	4	4
Derivative financial instruments for the hedging of the fair value of recognized assets *)	5	5	6	6
Derivative financial instruments for the hedging of future assets cash flows	121	121	89	89
Financial assets used as hedging instruments	126	126	95	95
Trade receivables	1,535	1,535	1,432	1,432
Other receivables	236	236	227	227
Cash and cash equivalents	369	369	339	339
Loans, receivables, cash and cash equivalents measured at amortized cost	2,140	2,140	1,998	1,998
Financial liabilities:				
Contingent consideration measured at fair value via the income statement **)	23	23	15	15
Interest-bearing debt	2,983	2,983	2,787	2,787
Trade payables and other debt	2,371	2,371	2,272	2,272
Financial liabilities measured at amortized cost	5,354	5,354	5,059	5,059

Financial instruments by category

EURm	2023		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Derivative financial instruments for the hedging of the fair value of recognized liabilities *)	260	260	317	317
Derivative financial instruments for the hedging of future cash flows			19	19
Financial liabilities used as hedging instruments	260	260	336	336

1) Referring to Note 8 Investments in associates and joint ventures on impairment test.

Financial assets and liabilities measured at fair value are measured on a recurring basis and categorized into the following levels of the fair value hierarchy:

Level 1: Observable market prices for identical instruments.
Level 2 *): Hedging instruments are not traded on an active market based on quoted prices. They are measured using valuation techniques, where all significant inputs are based on observable market data such as exchange rates and swap curves.
Level 3 **): Valuation techniques primarily based on unobservable prices.

The fair value of the interest-bearing debt is recognized as the present value of expected future installment and interest payments. The discount rate applied is the Group's current borrowing rate on loans for corresponding terms. The short-term, floating-rate debt at banks is stated at par value. The fair value of trade receivables and trade payables with short credit terms is estimated to be equal to the carrying amount. The methods applied in 2024 remain unchanged compared to 2023.

Note 17 Financial risks and instruments — continued

Derivatives as at December 31 for the Group

EURm	2023			**2024**		
	Notional amount	Net fair value	Gain/Loss(-) recognized in income statement	Notional amount	Net fair value	Gain/Loss(-) recognized in income statement
USD	-290	8	2	-259	-15	-1
EUR	336			242		
Other currencies	-102	1	-2	-163		4
Forward exchange contracts		9			-15	3
Interest rate swaps	-1,380	-5	-121	-1,379	11	-76
Cross currency hedge	1,558	-137	-128	1,557	-236	-222
Derivatives end of year		-133	-249		-240	-295

Fair value hedge

The Group mainly uses forward exchange contracts to hedge currency risks arising from assets and liabilities denominated in foreign currency in the balance sheet. All derivates are due within 1 year. Fair value adjustments recognized in financial items in the income statement amounted to EUR 3m (2023: 0m). Refer to the section 'Derivative contracts related to loans' on the next page for fair value hedges related to cross-currency swaps.

Cash flow hedge

The Group uses forward exchange contracts to hedge against currency risks associated with expected future cash flows. By the end of 2024, the unrealized gain or loss on derivatives used to hedge foreign currency risk in equity was EUR -18m (2023: 9m). For the open foreign exchange contracts used to hedge USD cash flows, the weighted average hedge rate for USD/DKK at the end of 2024 was 6.78 (2023: 6.78).

Refer to the section 'Derivative contracts related to loans' for cash flow hedge related to interest rate swaps.

Derivative contracts related to loans

To obtain a balanced currency risk profile on the outstanding debt, a part is swapped into USD via cross-currency swaps. For the issued bonds in 2023, a minor part of the interest rate risk is hedged via interest rate swaps (from fixed to variable EUR rate). The maturity of the contracts follows the maturity of the bond loans. Refer also to the table ''Group debt categories and maturities.' Because there is an economic relationship between the exposure and the hedges, they are expected to significantly offset each other.

Derivative related to virtual power purchase agreement (VPPA)

In 2023, Danfoss signed a virtual power purchase agreement (VPPA) in the USA as part of our sustainability strategy. The VPPA's financial benefits depend on spot electricity prices and certificates of origin. The difference between the fixed contract price and the spot price is to be settled between Danfoss and the operator. The agreement is valued at fair value through profit or loss, with a negative impact of EUR 1m recognized in 2024. A yearly utilization of 185,000 MWh is expected from the contract, which has a notional value of EUR 67m over 12 years. If electricity prices were 10% lower, the agreement's value would drop by EUR 3m. Danfoss also has physical PPAs not subject to derivative accounting.

Note 17 Financial risks and instruments — continued

Commodity risk
Movements in commodity prices can affect the Group's earnings and cash flow. It is Danfoss' policy to ensure that significant commodity risks are covered for a minimum of 6 months and a maximum of 18 months, preferably by fixed price agreements with the suppliers or alternatively by financial hedging.

Danfoss has not undertaken financial hedging of commodities in 2024 or 2023.

Accounting policy

Financial assets
Securities are measured at fair value through the income statement.

Financial liabilities, other than derivatives
Financial liabilities are initially recognized at fair value less transaction costs. Subsequently, they are measured at amortized cost. Amortized cost implies the recognition of a constant effective interest rate to maturity. Amortized cost is calculated as initial cost less any principal repayments and plus or minus the cumulative amortization of any difference between cost and the nominal amount. Any capitalized residual obligation on leases is recognized in the balance sheet as a liability. The interest element of the lease payment is expensed in the income statement under financial items.
ESG-linked bonds is also accounted for as above (amortized cost method), with the exception that any change in expected cash flow of not fulfilling the ESG requirements will be accounted for as a change in financial liability and corresponding impact in financial items.

Derivative financial instruments
Derivative financial instruments, such as forward exchange contracts or options and commodity contracts, are recognized and measured at fair value. Positive and negative fair values of derivative financial instruments are shown as separate items in the balance sheet. Setoff of positive and negative values is only made when the Group has the right and the intention to settle several financial instruments net. Provided that the documentation requirements, etc. are met, hedge accounting is applied to the instruments. In connection with hedging of future sales and purchase transactions (cash flows), changes in the fair value of instruments qualifying for hedge accounting are recognized in the statement of comprehensive income under the hedging reserve until the hedged transaction occurs in the balance sheet. At this point, gains or losses relating to such hedging transactions are transferred from the statement of comprehensive income and are recognized in the same item as the hedged transaction. If the instruments do not qualify for hedge accounting, changes in market value are recognized directly in the income statement under financial items.

Note 18 Change in liabilities arising from financing activities

EURm	Short-term borrowings	Long-term borrowings	**Total**
Carrying amount as at January 1, 2023	442	2,702	3,144
Cash flows:			
Cash repayment	-418	-350	-768
Lease payments	-70		-70
Cash proceeds	17	502	519
Non-cash transactions:			
Acquisitions of subsidiaries	2	1	3
Addition and disposal of lease liabilities	38	84	122
Adjustment of euro borrowings *)		128	128
Reclassification	281	-281	
Other	-19	-53	-72
Carrying amount as at December 31, 2023	273	2,733	3,006
Cash flows:			
Cash repayment	-262		-262
Lease payments	-77		-77
Cash proceeds	26		26
Non-cash transactions:			
Acquisitions of subsidiaries	1		1
Addition and disposal of lease liabilities	22	49	71
Adjustment of euro borrowings *)		-37	-37
Reclassification	98	-98	
Other	28	46	74
Carrying amount as at December 31, 2024	109	2,693	2,802

Lease payments are the principal portion of lease liabilities and are presented under cash flows from financing activities in the Statement of cash flows. Further information on leases is provided in Note 11 Leases.

*) Some of the euro borrowings are swapped to USD borrowings via cross-currency and interest-swap derivatives. The impact of this arrangement is that borrowings are reduced with foreign exchange and fair value adjustments.

Other includes changes in contingent liabilities/earn-outs and currency translation impacts.

Note 19 Pensions and healthcare obligations

In most countries, Danfoss offers defined contribution plans, that are fully funded. However, a few of the foreign subsidiaries have obligations concerning defined benefit plans which are unfunded or only partly funded.

It is the Group's policy that pension and healthcare plans within the Group should, generally, be arranged as defined-contribution plans. However, in countries like the USA, the UK and Germany, there is a tradition for defined benefit plans. The geographical split of defined benefit plans is as follows:

	2023		2024	
	Gross liability	Net Liability	Gross liability	Net Liability
USA	38%	18%	37%	13%
Germany	30%	62%	33%	75%
UK	24%	-5%	24%	-11%
Other	8%	25%	6%	23%
Total	100%	100%	100%	100%

The pension plans are based on the individual employee's salary and years of service in the company. The plans have varying requirements for risk diversification and for matching assets strategies. The majority of the liabilities are either due to deferred members and pensioners or linked to minimum-return guarantees. However, some of the defined benefit plans in the UK and the USA are still linked to final salary for a closed, limited group of less than 250 (2023: 250) active employees. Danfoss is working on minimizing the defined-benefit risk through integrated risk management and by changing the nature of existing plans.

All material defined benefit plans have been computed by independent actuaries.

Group defined benefit plan obligations

EURm	2023	2024
Present value of defined benefit plan obligations	471	473
Fair value of plan assets	-331	-349
	140	124
Defined benefit plan obligations are presented in the statement of financial position as follows:		
Pension benefit plan assets	9	13
Pension and healthcare plan obligations	149	137
	140	124

Plans with a surplus have been recognized on the basis that future economic benefits are available to the Group in the form of a reduction in future contributions or a cash refund.

Development in the present value of defined benefit plan obligations

EURm	2023	2024
Provision as at January 1	475	471
Foreign exchange adjustments in foreign companies	-14	14
Additions through acquisition of subsidiaries and activities	13	
Pension costs for the year	8	9
Calculated interest on plan liabilities	22	24
Actuarial gains(-)/losses from changes in demographic assumptions	-2	-1
Actuarial gains(-)/losses from changes in financial assumptions	-1	-15
Plan participants' contribution liabilities	1	1
Disbursed benefits from the Group	-13	-11
Disbursed benefits from plan assets	-18	-20
Net transfer from provisions		1
Provision as at December 31	471	473

Note 19 Pensions and healthcare obligations — continued

Development in the fair value of plan assets

EURm	2023	2024
Plan assets as at January 1	338	331
Foreign exchange adjustments in foreign companies	-3	17
Calculated interest on plan assets	16	16
Plan participants' contribution asset	1	1
Return for the year on plan assets, excluding calculated interest	-9	-1
Payments by the Group	6	6
Disbursed benefits	-18	-20
Net transfer from provisions		-1
Plan assets as at December 31	331	349

A few countries may require that the liability is funded, but this is not the case in most countries. Defined-benefit plans that are unfunded are mainly related to pension plans in Germany and the healthcare plan in the USA. Unfunded plans amount to approximately EUR 114m (2023: 122m).

Expenses relating to pension and healthcare obligations

EURm	2023	2024
Pension costs for the year	8	9
Calculated interest on liabilities	22	24
Calculated interest on assets	-16	-16
Expensed in the income statement	14	17
Pension costs distributed by function:		
Pension cost stated under cost of sales	3	3
Pension cost stated under selling and distribution costs	1	1
Pension cost stated under administrative expenses	4	5
Interest concerning pension and healthcare obligations posted under financial items	6	8
	14	17

Estimated maturity of provisions

EURm	2023	2024
Within 1 year	24	26
Between 1 and 5 years	108	112
After more than 5 years	339	335
	471	473

Pension plan assets are specified as follows:

EURm		2023		2024
Shares and similar securities	104	31%	103	30%
Listed corporate bonds	130	39%	135	39%
Bonds	52	16%	75	21%
Other	45	14%	36	10%
	331	100%	349	100%

Plans in which the pension funds are invested in financial instruments are exposed to risk. 30% (2023: 31%) of the funds are invested in shares, which have historically been subject to value fluctuations.

Significant assumptions for calculation of pension and healthcare obligations and related costs

		2023		2024
	Range	Weighted average	Range	Weighted average
Discount rate	3.1-5.3%	5.2%	3.4-5.6%	5.0%
Estimated future salary increase	2.2-4.5%	4.1%	2.2-4.4%	3.7%

		2023		2024
	Men Range	Women Range	Men Range	Women Range
Life expectancy for a pensioner retiring at the end of the reporting period	86-87	87-89	86-86	88-89
Life expectancy for a pensioner retiring 20 years after the end of the reporting period	87-89	89-91	87-89	89-92

Note 19 Pensions and healthcare obligations — continued

The estimated return on defined-benefit plan assets is based on external actuarial calculations and determined according to the composition of the assets and considering the general expectations with regard to economic developments. The Group expects to pay in EUR 11m to defined-benefit plans in 2025 (2024: 12m).

Sensitivity analysis

EURm	2023	**2024**
Reported defined-benefit plan obligations	471	473
Impact of increase in discount rate of a 0.5 percentage point	-24	-22
Impact of decrease in discount rate of a 0.5 percentage point	+26	+26
Impact of increase in future salary increase of a 0.5 percentage point	+7	+5
Impact of decrease in future salary increase of a 0.5 percentage point	-6	-5
Impact of increase in average life expectancy of 1 year	+12	+15
Impact of decrease in average life expectancy of 1 year	-12	-13

Accounting policy
The Group has entered into pension schemes and similar arrangements with the majority of the Group's employees. In addition, the Group has healthcare plans contributing with payment for medical expenses for certain employee groups in the USA after their retirement. Contributions to defined-contribution plans, where the Group currently pays fixed pension payments to independent pension funds, are recognized in the income statement in the period to which they relate, and any contributions outstanding are recognized in the balance sheet as other debt. For defined-benefit pension and healthcare plans, the Group is under obligation to pay a specific benefit upon retirement (e.g., a fixed amount or a percentage of the exit salary).

For these plans, an annual actuarial calculation (projected unit credit method) is made of the present value of future benefits under the defined-benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation, and mortality. The present value is determined only for benefits earned by employees from their employment with the Group. The actuarial present value, less the fair value of any plan assets, is recognized in the balance sheet under pension and healthcare obligations. Pension and healthcare costs for the year are recognized in the income statement based on actuarial estimates and financial expectations at the beginning of the year. Any difference between the expected development in assets and liabilities, and realized amounts determined at year-end, constitutes actuarial gains or losses and is recognized directly in other comprehensive income. If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognized as past service costs. Past service costs are recognized immediately, provided that the benefits have already vested. If the benefits have not vested, the past service costs are expensed in the income statement over the period in which the changed benefits vest.

If a pension or healthcare plan constitutes a net asset, the asset is only recognized if it offsets future refunds from the plan or will lead to reduced future payments to the plan.

Critical accounting estimates
The Group has established defined-benefit plans with certain employees at some of the Group's foreign companies. The plans place the Group under an obligation to pay a certain benefit in connection with retirement (e.g., in the form of a fixed amount at retirement or a share of the employee's exit salary). The pension obligations are determined by discounting the pension obligations at the present value. The present value is determined on the basis of assumptions about the future development in economic variables such as interest rates, inflation, mortality, and disability probabilities, which are subject to some degree of uncertainty. External actuaries are used for the measurement of all significant defined-benefit plans.

Tax

Note 20 Tax on profit

EURm	2023	2024
Current tax expense	-289	-200
Change in deferred tax	35	-24
Adjustments concerning previous years	-4	2
Tax on profit (income statement)	-258	-222
Tax on profit is defined as:		
Tax on profit before tax	22.0%	22.0%
Adjustment of tax in foreign subsidiaries calculated at 22.0%	1.9%	0.4%
Tax exempt income/non-deductible expenses	-1.1%	-0.8%
Adjustment of net tax assets	0.9%	14.1%
Repatriation taxes	1.1%	0.5%
Income from associates and joint ventures after tax	-1.0%	0.6%
Hyperinflation restatements		0.5%
Other Taxes	-0.2%	0.5%
Adjustments concerning previous years	0.4%	-0.3%
Effective tax rate	24.0%	37.5%

EURm	2023	2024
Tax on profit (income statement)	-258	-222
Tax on fair-value adjustment of hedging instruments (other comprehensive income)	9	14
Tax on actuarial gain/loss on pension and healthcare plans (other comprehensive income)	2	-2
Total taxes	-247	-210

Pillar II disclosure

The Group is within the scope of the OECD Pillar II model rules. The Pillar II legislation was enacted in Denmark in December 2023, the jurisdiction in which the Ultimate Parent of the Group is incorporated, and is effective from January 1, 2024. The Pillar II legislation is effective as of the reporting date, and The Group applies the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar II income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate.

The Group has established a process of assessing its exposure to the Pillar II legislation as it is effective as of 2024. The preliminary assessment, which is based on the most recent tax filings, country-by-country reporting, and financial statements for the companies in the Group, indicates that only a few jurisdictions will have an effective tax rate below 15%. As these jurisdictions typically only have a relatively small share of the total Group profits, the Group estimates a current tax exposure to Pillar II income taxes related to those or other jurisdictions of less than EUR 1m in 2024.

Accounting policy

Current and deferred taxes for the year are recognized in the income statement, except for tax related to transactions recognized in the statement of comprehensive income or directly in equity. Surcharges, premiums, and refunds relating to tax payments are recognized in financial income and expenses.

Note 21 Deferred tax

Changes in deferred taxes

EURm	2023	**2024**
Deferred taxes as at January 1 (net) *)	-186	-168
Foreign exchange adjustment in foreign companies	-4	-4
Additions through acquisition of subsidiaries	-16	-2
Adjustments concerning previous years	-10	6
Disposals through sale of subsidiaries		1
Deferred tax recognized in the income statement	35	-24
Deferred tax recognized in other comprehensive income	13	6
Deferred taxes as at December 31 (net) *)	-168	-185

*) Liability (-)

Specification of deferred tax assets

EURm	2023	**2024**
Intangible assets	4	4
Property, plant, and equipment and financial assets	79	74
Current assets	33	43
Debt and provisions	167	204
Tax loss carry-forwards	108	166
Non-capitalized tax assets regarding tax losses	-64	-151
	327	340
Setoff within the same legal entities and jurisdiction	-205	-185
Deferred tax assets	122	155

Specification of deferred tax liabilities

EURm	2023	**2024**
Intangible assets	266	252
Property, plant, and equipment and financial assets	123	147
Current assets	16	11
Debt and provisions	89	114
Deferred tax regarding Danish joint taxation	1	1
	495	525
Setoff within the same legal entities and jurisdiction	-205	-185
Deferred tax liabilities	290	340

The tax asset related to tax-loss carry-forwards of EUR 15m net (2023: 44m) is largely related to companies that have suffered tax losses within the last three financial years. Based on business plans and expected future taxable income in the respective companies, it is the management's opinion that the net tax-loss carry-forwards will be utilized in the future. Of the tax-loss carry-forwards recognized, 100% (2023: 100%) can still be utilized after 3 years or later.

The value of unrecognized tax assets related to tax-loss carry-forwards amounts to EUR 151m (2023: 65m). The amount is not recognized as an asset, as the tax losses carried forward are not expected to be utilized. 5% of the amount (2023: 4%) has a remaining period of 3 years or less, whereas the share with a remaining period of 10 years or more totals 94% (2023: 91%).

Of the deferred tax liability of EUR 340m (2023: 290m), EUR 1m (2023: 1m) can be attributed to taxes relating to joint taxation with foreign subsidiaries in previous years. The Group has deferred tax liabilities concerning temporary differences in foreign subsidiaries, associates and joint ventures of EUR 32m (2023: 31m). The liabilities are not recognized, because the Group decides on their utilization and it is likely that the liabilities will not be recognized in the foreseeable future.

Note 21 Deferred tax — continued

Accounting policy

Deferred tax liabilities and deferred tax assets are measured according to the balance sheet liability method, which means that all temporary differences between the carrying amount and the tax base of assets and liabilities are recognized in the balance sheet as deferred tax liabilities and deferred tax assets, respectively. Exceptions are any tax incurred by selling shares in subsidiaries and which the Group can identify as being a tax liability and tax relating to goodwill, which is not deductible for tax purposes. Deferred tax assets are recognized at the expected value of their utilization; either as a setoff against tax on future income or as a setoff against deferred tax liabilities in the same legal tax entity and jurisdiction. Adjustment is made for deferred tax resulting from elimination of unrealized intra-group profits and losses. Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to be crystallized as current tax. Deferred tax assets are subject to annual impairment tests and are recognized only to the extent that it is probable that the assets will be utilized.

Critical accounting estimates

Measurement of recognized tax assets and liabilities

Deferred taxes, including the tax value of tax-loss carry forwards, are recognized at their expected value. The assessment of deferred tax assets regarding tax-loss carry forwards is based on the expected future taxable income of the respective units and the expiration date of the losses.

In the course of conducting business globally, transfer-pricing disputes with tax authorities may occur and management judgement is applied to assess the possible outcome of such disputes. The most probable outcome is used as the measurement method. Management believes that the provisions made for uncertain tax positions is adequate. However, the actual obligation may deviate and is dependent on the results of the litigation and settlement with the relevant tax authorities.

Uncertain tax positions are recognized if it is probable that the position will affect the enterprise’s future tax payments or refunds. Uncertain tax positions are measured so as to better reflect the receivable/liability and the related uncertainty.

Note 22 Corporation tax

EURm	2023	**2024**
Corporation tax payable/receivable (-) as at January 1	137	96
Foreign exchange adjustment in foreign companies	-2	3
Additions through acquisition of subsidiaries	1	
Paid during the year	-325	-291
Adjustments concerning previous years	-6	4
Current tax expenses in income statement	289	200
Current tax expenses in other comprehensive income	2	-6
Corporation tax payable/receivable (-) as at December 31	96	6
The above corporation tax is recorded as follows:		
Assets	23	69
Liabilities	119	75
	96	6

Accounting policy

Companies belonging to Danfoss A/S are generally liable to pay tax in the countries where they are domiciled. The current tax includes both Danish and foreign income taxes. Current tax payable and receivable are recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax paid under the tax prepayment scheme.

Critical accounting estimates

In the course of conducting business globally, transfer-pricing disputes with tax authorities may occur and management judgement is applied to assess the possible outcome of such disputes. The most probable outcome is used as the measurement method. Management believes that the provisions made for uncertain tax positions not yet settled with local authorities is adequate. However, the actual obligation may deviate and is dependent on the results of the litigation and settlement with the relevant tax authorities.

Uncertain tax positions are recognized if it is probable that the position will affect the enterprise’s future tax payments or refunds. Uncertain tax positions are measured so as to better reflect the receivable/liability and the related uncertainty.

Other notes

Note 23 Adjustment for non-cash transactions

EURm	2023	**2024**
Depreciation/amortization and impairment	567	580
Gain(-)/loss on disposal of tangible assets and business activities	-5	-37
Share of profit from associates and joint ventures after tax	-51	16
Financial income	-5	-4
Financial expenses	180	166
Other	15	12
Adjustment for non-cash transactions	701	733

The Group's other adjustments for non-cash transactions mainly consist of provisions, derivatives, and defined benefit plans.

Note 24 Contingent liabilities, assets, and securities

Securities

EURm	2023	**2024**
Carrying amount of land and buildings pledged as security for bank loans and mortgages	172	172
Leasing assets pledged as security for leasing commitments	304	286
Carrying amount of interest-bearing liabilities with security in assets	381	363

In connection with disposal of subsidiaries, ordinary guarantees and warranties have been issued. These guarantees and warranties are considered to have no impact on the Group's financial position beyond what has been stated in the Annual Report.

Contingent liabilities

The Danfoss Group is party to a small number of disputes, lawsuits and legal actions, including tax disputes. It is the view of the management that the outcome of these legal actions will have no other significant impact on the Danfoss Group financial position beyond what has been recognized and stated in the Annual Report.

Contractual obligations

EURm	2023	**2024**
Service contract commitment other than leases	258	299
Inventories	869	646
Property, plant, and equipment	215	100
Purchase commitments	1,342	1,045

Note 25 Related parties

Danfoss A/S' related parties comprise the Bitten & Mads Clausen's Foundation and other shareholders with significant ownership interests, cf. Note 16 Share capital, as well as subsidiaries, associates, joint ventures, the Board of Directors, and the Group Executive Team. Furthermore, related parties comprise companies in which the above-mentioned persons have controlling interest, joint controlling interests, or significant influence.

Bitten & Mads Clausen's foundation, other shareholders, and other related companies
The Bitten & Mads Clausen's Foundation, which holds 48% of the shares in Danfoss A/S and controls 86% of the voting power, has the controlling influence.

In the financial year, a limited number of transactions have taken place between the Bitten & Mads Clausen's Foundation, its other subsidiaries and certain shareholders from the Clausen family. The transactions comprise service and financial transactions, and they have been made according to the arm's length principle or on a cost-covering basis. The total payment to the Danfoss Group does not exceed EUR 3.3m (2023: 3.3m). In the financial year, the Bitten & Mads Clausen's Foundation purchased shares in Danfoss A/S at a value of EUR 3m from the company (2023: 3m). The Bitten & Mads Clausen's Foundation has agreed to utilize its first right to buy back the Danfoss A/S shares that relate to employee share programs, when these shares will be offered for sale. At the end of December 2024, these shares constitute less than 1% of the share capital in Danfoss A/S. Around 96% of Danfoss A/S' dividend payments are related to the Bitten & Mads Clausen's Foundation and shareholders from the Clausen family.

Board of Directors and Group Executive Team
In the financial year, no transactions took place with the Board of Directors and Group Executive Team other than the transactions as a result of conditions of employment. The companies in which Mads-Peter Clausen and Mads Clausen have significant ownership interests have sold goods and services of less than EUR 0.7m (2023: 0.7m) to the Danfoss Group. All transactions were performed on an arm's length basis.

For further information about the salaries of the Board and Group Executive Team, see Note 3 Expenses and other operating income, section A. Personnel expenses.

Transactions with associates and joint ventures

EURm	2023	**2024**
Sales of goods and services	23	26
Purchases of goods and services	16	15

Transactions besides the above transactions with joint ventures and associates are described in Note 8 Investments in associates and joint ventures, Note 15 Financial income and expenses, and Note 17 Financial risks and instruments.

Note 26 Events after the balance sheet date

Subsequent to December 31, 2024, there have been no further events with any significant effect on the financial statements beyond what has been recognized and disclosed in the Annual Report.

Note 27 General accounting policies

The general accounting policies set out below have been consistently applied in respect of the financial year and the comparative figures.

Consolidated financial statements
The consolidated financial statements comprise the Parent Company, Danfoss A/S and subsidiaries in which Danfoss A/S directly or indirectly holds more than 50% of the voting rights or otherwise controls the company's financial and operating policies with a view to obtaining a yield or other benefits from its activities. Companies in which the Group has between 20% and 50% of the voting rights and exercises a significant influence but does not exercise control are considered associates or joint ventures when the joint-venture conditions of IFRS 11 are met. When assessing whether Danfoss A/S exercises control or significant influence or joint control, potential voting rights that can be utilized at the balance sheet date are taken into account.

The consolidated financial statements are prepared by aggregating the financial statements of the Parent Company and the individual subsidiaries, all of which have prepared in accordance with the accounting policies of Danfoss A/S.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of the identifiable net assets and recognized contingent liabilities at the acquisition date. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized profits and losses on transactions between the consolidated companies are eliminated. Unrealized losses are eliminated in the same way as unrealized profits provided that no impairment has occurred.

In the consolidated financial statements, the items of subsidiaries are recognized in full. The minority interests' proportionate share of the profit/loss for the year is recognized as part of the Group's profit/loss for the year and as a separate share of the Group's equity.

The companies included in the Group are disclosed in Note 28 Group Companies.

Foreign currency translation
For each of the reporting enterprises in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting enterprise operates.

Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies. On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates at the balance sheet date. Currency gains and losses arising on translation are recognized in the income statement under financial items. Non-monetary assets and liabilities denominated in foreign currencies are recognized at the foreign exchange rates at the transaction date.

On recognition in the Consolidated Financial Statements of companies with a functional currency other than EUR, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date.

An average exchange rate for each month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such enterprises at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognized directly in equity under a separate translation reserve. The foreign exchange adjustment is allocated between the equity of the Parent Company and the minority shareholders.

Foreign exchange adjustments of balances that are considered part of the total net investment in companies with a different functional currency than EUR are recognized directly in the equity under a separate reserve for foreign exchange adjustments. Likewise, foreign exchange gains or losses are recognized in the consolidated financial statements (directly in the equity under a separate reserve for foreign exchange adjustments) concerning the part of loans and derivative financial instruments, which has been allocated for currency hedging of net investments made in these companies, and which effectively protects against similar currency rate gains or losses on net investments in the company.

On disposal of wholly owned foreign units, the foreign exchange adjustments, which have been accumulated in equity via other comprehensive income and can be ascribed to the unit, are reclassified from "Translation reserve" to the income statement together with any gains or losses from the disposal.

On disposal of partially owned foreign subsidiaries, the part of the translation reserve related to minority interests is not recognized in the income statement.

Repayments of balances that are considered part of the net investment are not considered a partial disposal of the subsidiary.

Note 27 General accounting policies — continued

Equity

Share capital
The share capital comprises the nominal portion of the amounts paid in accordance with the subscription for shares. Share capital can only be released according to the rules relating to capital reduction.

Share premium
Share premium comprises amounts not included in the nominal share capital that have been paid by the shareholders in connection with capital increases and gains and losses from the sale of treasury shares. The reserve is part of the company's free reserves.

Reserve for proposed dividends
Dividends are recognized as a liability at the date on which they are adopted at the Annual General Meeting. Proposed dividends for the financial year are included in equity under proposed dividends.

Hedging reserve
In connection with hedging of future sales and purchase transactions (cash flows), changes in the fair value of instruments qualifying for hedge accounting (documentation, etc.) are recognized in the statement of comprehensive income under hedging reserve until the hedged transaction is transferred to inventories. The recognized changes in fair value are recognized in the hedging reserve under equity.

Currency translation reserve
Foreign exchange differences arising on the translation of the opening balance of equity of foreign companies at the exchange rates at the balance sheet date, and on translation of income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognized directly in a separate translation reserve in the statement of comprehensive income under the item "Foreign exchange adjustments on translation of foreign currency into EUR".

Foreign exchange adjustments of non-current balances with foreign subsidiaries and associates that are considered additions to or deductions from the subsidiaries' equity, as well as foreign exchange adjustments of hedging transactions for the purpose of hedging the Group's net investments in subsidiaries, are also recognized directly in the consolidated statement of comprehensive income. The translation reserve in the equity comprises the Parent Company shareholders' share of the foreign exchange adjustments. On complete or partial disposal of a foreign entity or on repayment of balances, which constitute part of the net investment in the foreign entity, the share of the cumulative amount of the exchange differences recognized in other comprehensive income relating to that foreign entity, is recognized in the income statement when the gain or loss on disposal is recognized.

Reserve for own shares
The reserve for own shares comprises the acquisition cost for the company's portfolio of treasury shares. The dividend from treasury shares is recognized directly in the retained earnings in equity. Gains and losses from the sale of treasury shares are recognized in share premium.

Hyperinflation accounting
Danfoss has implemented IAS 29 on financial reporting in hyperinflationary economies regarding the Group's subsidiaries in Türkiye (from 2022) and Argentina (from 2023).

Türkiye and Argentina are included on The International Practices Task Force's (IPTF) list of hyperinflationary economies based on several qualitative and quantitative conditions, including that the accumulated inflation over a 3-year period exceeded 100% after several years of increasing inflation.

The implementation of IAS 29 means that the accounting figures for subsidiaries in Türkiye and Argentina, in material respect, are restated so that they reflect the current purchasing power at the end of the accounting period. In this regard, both material non-monetary items, including fixed assets, inventories, equity, and the income statement, are restated to the current purchasing power on the balance sheet date. Monetary items, such as receivables, debts, bank debts etc., in itself reflect the current purchasing power, as the items consist of cash, receivables, or debts in the current monetary unit.

At the same time, IAS 29, with reference to IAS 21 on currency conversion, requires that all the year's transactions in the hyperinflationary currency be converted into the Group's presentational currency, euro, EUR, using the exchange rate on the balance sheet date. All Turkish and Argentinian material transactions in the financial year have thus been converted to EUR using the exchange rate on December 31, 2024, in contrast to the Group's usual practice, according to which the profit and loss account transactions are converted to the exchange rate on the day of the transaction.

Basis for hyperinflation restatements
The hyperinflation restatement of the accounting figures for Türkiye and Argentina is based on the development in the available general price index in those countries, which consists of the Consumer Price Index (CPI).

Note 27 General accounting policies — continued

The price index for Türkiye has changed so that the inflation amounted to 44% in 2024 (2023: 65%). The exchange rate between TRY and EUR has fallen from 0.027 at the beginning of the year to 0.031 at the end of the year. This constitutes a decrease of 13% (2023: 38%).

Intangible and tangible assets as well as inventories in Danfoss' Turkish business are adjusted for inflation based on the changes in the price index from the time of first recognition until December 31, 2024, or until the date of any departure or consumption of goods during 2024. The adjustments have been made from the first recognition of the items in the accounts, however, from January 1, 2022, at the earliest. Equity in Türkiye is adjusted for inflation based on the accumulated development of the price index until December 31, 2024, to reflect purchasing power on the balance sheet date. In the income statement, all transactions in 2024 are adjusted for changes in the price index from the month of recognition in the income statement to the price index per December 31.

Adjustments for Argentina follow the same principles as described for Türkiye, however beginning from January 1, 2023.

Time and practice for recognition
Implementation of IAS 29 was made retroactively with Türkiye beginning from January 1, 2022, and Argentina beginning from January 1, 2023. The total impact is stated below:

Impact on key figures

EURm	2023	**2024**
Income statement		
Total net sales	-16	+26
Profit before tax	-25	-22
Tax	4	-1
Profit	-21	-23
Statement of financial position		
Non-monetary assets	52	60
Equity	47	54

Financial measures

In the Annual Report, Danfoss presents certain financial measures of the Group's financial performance, financial position, and cash flows that are not defined according to IFRS. These non-IFRS financial measures may not be defined and calculated by other companies using the same method and may not be comparable.

The non-IFRS financial measures are calculated in the following manner:

Organic growth
Sales growth adjusted for exchange rate translation and M&A effects.

Local currency growth
Sales growth adjusted for exchange rate translation.

EBITA
Profit before interest, taxes, profit from associates and joint ventures and amortization, gains and losses related to acquisitions and divestments.

The following table shows the reconciliation of EBITA with operating profit (EBIT), the most direct comparable IFRS financial measure:

EURm	2023	**2024**
Operating profit (EBIT)	1,252	754
Share of profit from associates and joint ventures	-51	16
Amortizations:		
Brand	12	15
Technology	79	51
Customer relations	51	68
Gains/losses and costs related to acquisitions and divestments	2	-34
EBITA	1,345	**870**

Note 27 General accounting policies — continued

EBITA before integration costs and other operating income and expenses (Operational EBITA)

EURm	2023	**2024**
EBITA	1,345	870
Other operating income and expenses (Note 3C)	18	115
Adjusted for items already included in EBITA:		
Gain/loss on disposal of activities	2	30
Other gain/losses and costs related to acquisitions and divestments	-2	4
Integration costs	92	78
EBITA before integration costs and OOI/E	1,455	**1,097**

Integration costs are defined as costs related to integrating acquired companies into the Danfoss Group. The costs primarily relate to incremental IT infrastructure costs and upgrade of IT systems and solutions to Danfoss standards. Costs that can be capitalized as investments are not included.

EBITDA margin excluding other operating income, etc.
Operating profit (EBIT) before depreciation, amortization, impairment and other operating income and expenses, and profit from associates and joint ventures / net sales.

EBITDA margin
Operating profit (EBIT) before depreciation, amortization, impairment and profit from associates and joint ventures / net sales.

EBITA before integration costs and OOI/E margin
EBITA before integration costs and OOI/E / net sales.

EBITA margin
EBITA / net sales.

EBIT margin
Operating profit (EBIT) / net sales.

Return on Invested Capital (ROIC)
Operating profit (EBIT) / average invested capital.

Invested Capital
Net interest-bearing debt added to shareholders' equity.

Return on Invested Capital (ROIC) after tax
EBIT after tax / average invested capital excluding tax.

Invested capital excluding tax
Net interest-bearing debt and tax balance sheet items (net) added to shareholders' equity.

EBIT after tax
Operating profit (EBIT) reduced with tax on profit.

Return on equity
Net profit after minority interests' share / average equity excluding minority interests.

Equity ratio
Equity / total assets.

Leverage ratio
Interest-bearing debt / equity at year-end.

Note 27 General accounting policies — continued

Net interest-bearing debt

Interest-bearing debt, including fair value of derivatives hedging the underlying debt, less interest-bearing assets.

EURm	2023	**2024**
Borrowings	3,006	2,802
Cash and cash equivalents	-369	-339
Other receivables	-15	-14
Fair value of derivatives hedging the underlying debt	249	304
Net interest-bearing debt	2,871	**2,753**

Net interest-bearing debt to EBITDA ratio

Interest-bearing debt, including fair value of derivatives hedging the underlying debt, less interest-bearing assets / EBITDA.

Dividend ratio (%) (proposed)

Total proposed dividends distributed to shareholders / net profit.

Dividend ratio per share (proposed)

Total proposed dividends distributed to shareholders / total shares.

Free cash flow

Cash flow from operating and investing activities including lease payments (IFRS16).

Free operating cash flow

Cash flow from operating and investing activities before acquisition of subsidiaries, proceeds from disposal of subsidiaries and acquisitions/sales of other investments, financial items, taxes, but including lease payments (IFRS16).

Free operating cash flow after financial items and tax

Cash flow from operating and investing activities before acquisition of subsidiaries, proceeds from disposal of subsidiaries and acquisitions/sales of other investments but including lease payments (IFRS16).

The following table shows the reconciliation of free operating cash flow after financial items and tax with cash generated from operating activities, the most direct comparable IFRS financial measure:

EURm	2023	**2024**
Cash flow from operating activities	1,355	974
Cash flow from investing activities	-724	-389
Acquisition of subsidiaries and activities	120	12
Proceeds from disposal of subsidiaries and activities	11	-54
Proceeds from sale of other investments	1	1
Lease payments	-71	-77
Free operating cash flow after financial items and tax	692	**467**

Note 28 Group companies

Per December 31, 2024

The companies are owned 100% by Danfoss unless otherwise stated after the company name.[1]

Danfoss A/S, Nordborg, Denmark (Parent Company)

● Subsidiary
● Associate or joint venture

Europe

Austria
- Danfoss Gesellschaft m.b.H.

Belgium
- Danfoss NV/SA
- Danfoss Power Solutions BVBA
- Hydro-Gear Europe BVBA — 60%

Bulgaria
- Danfoss EOOD

Croatia
- Danfoss d.o.o.

Czechia
- BOCK Compressors Czech s.r.o.
- Danfoss s.r.o.

Denmark
- Aneo Retail Denmark A/S — 33% (associate)
- Danfoss Distribution Services A/S
- Danfoss Distribution II A/S
- Danfoss International A/S
- Danfoss IXA A/S — 76%
- Danfoss Power Electronics A/S
- Danfoss Power Solutions ApS
- Danfoss Power Solutions Holding ApS
- Danfoss Power Solutions Holding II ApS
- Danfoss Redan A/S
- Gemina Termix Production A/S
- Issab Holding ApS
- Semikron Danfoss Holding A/S — 61%
- Sondex Holding A/S

Estonia
- Danfoss AS

Finland
- Danfoss Drives Oy
- Danfoss Editron Oy
- Danfoss Power Solutions Oy Ab
- Leanheat Oy
- Oy Danfoss Ab
- Semikron Danfoss Oy — 61%
- Sondex Tapiro Oy Ab

France
- Danfoss S.a.r.l.
- Danfoss Commercial Compressors S.A.
- Danfoss Power Solutions S.A.S.
- Danfoss Power Solutions II S.A.S.
- Semikron Danfoss S.a.r.l. — 61%

Germany
- BOCK GmbH
- BOCK Blue GmbH
- Danfoss GmbH
- Danfoss Deutschland GmbH
- Danfoss Power Solutions GmbH & Co. OHG
- Danfoss Power Solutions Holding GmbH
- Danfoss Power Solutions II GmbH
- Danfoss Sensors GmbH
- Semikron Danfoss GmbH — 61%
- Semikron Danfoss Elektronik GmbH & Co. KG — 61%[2]
- Semikron Danfoss Elektronik Verwaltungs GmbH — 61%
- Semikron Danfoss International GmbH — 61%
- SMA Solar Technology AG — 20% (associate)
- Sondex Deutschland GmbH

Great Britain
- Artemis Intelligent Power Ltd.
- Danfoss Ltd.
- Danfoss Power Solutions Ltd.
- Danfoss Power Solutions II Ltd. — in liquidation
- Danfoss Scotland Ltd.
- Senstronics Holding Ltd. — 50% (joint venture)
- Senstronics Ltd. — 50% (joint venture)

Hungary
- Danfoss Kereskedelmi Kft.

Iceland
- Danfoss hf.

Italy
- Danfoss S.r.l.
- Danfoss Distribution Services S.r.l.
- Danfoss Power Solutions S.r.l.
- Danfoss Power Solutions II S.r.l.
- Semikron Danfoss S.r.l. — 61%

Kazakhstan
- Danfoss LLP

Latvia
- SIA Danfoss

Lithuania
- Danfoss UAB

The Netherlands
- Danfoss B.V.
- Danfoss Finance I B.V.
- Danfoss Finance II B.V.
- Danfoss Power Solutions B.V.
- Danfoss Power Solutions II B.V.
- Semikron Danfoss B.V. — 61%
- Sondex B.V.
- Sondex Holding Netherlands B.V.

Norway
- Danfoss AS
- Danfoss Power Solutions AS

Poland
- Danfoss Poland Sp. z.o.o.
- Danfoss Saginomiya Sp. z.o.o. — 50% (joint venture)
- Elektronika S.A. — 50% (joint venture)
- Semikron Danfoss Sp. z.o.o. — 61%
- Sondex Braze Sp. z.o.o. — in liquidation

Romania
- Danfoss S.r.l.

Serbia
- Danfoss d.o.o.

Slovakia
- Danfoss Power Solutions a.s.
- Danfoss, spol. s.r.o.
- Semikron Danfoss, s.r.o. — 61%

Slovenia
- Danfoss Trata, d.o.o.

Spain
- Danfoss S.A.
- Danfoss Power Solutions S.A.
- Danfoss Power Solutions Telecontrol, S.L.U.
- Semikron Danfoss, S.L — 61%

Sweden
- Aneo Retail Sweden AB — 33% (associate)
- Danfoss AB
- Danfoss Power Solutions AB
- EP Technology AB

Switzerland
- Danfoss AG
- Semikron Danfoss AG — 61%

Ukraine
- Danfoss T.o.v.

[1] No companies in Russia are included, as they are without activity and considered insignificant.
[2] This enterprise has exercised its right of exemption under Section 264b of the German Handelsgesetzbuch (HGB). The consolidated financial statements are published in Deutsche Bundesanzeiger.

Note 28 Group companies — continued

Africa — Middle East

Egypt
- Danfoss Egypt LLC

Saudi Arabia
- Danfoss Arabia (SILZ) LLC

South Africa
- Danfoss South Africa (Pty.) Ltd.
- Sondex South Africa (Pty.) Ltd. — 80%

Türkiye
- DAF Enerji Sanayi Ve Ticaret A. Ş.
- Danfoss Otomasyon ve Urunleri Tic Ltd.
- Polimer Kauçuk Sanayi ve Pazarlama A. Ş.

United Arab Emirates
- Danfoss FZCO
- Gulf Sondex FZCO

North America

Canada
- Danfoss Inc.

USA
- Daikin-Sauer-Danfoss America LLC — 45%
- Danfoss LLC
- Danfoss Power Solutions Inc.
- Danfoss Power Solutions II, LLC
- Danfoss Power Solutions (US) Company
- Danfoss Power Solutions Work Function, LLC
- Hydro-Gear Inc. — 60%
- Hydro-Gear Limited Partnership — 60%
- Hydro-Gear of Indiana, LLC — 60%
- Semikron Danfoss Inc. — 61%
- Semikron Danfoss LLC — 61%
- Sondex Equipment Holding, LLC
- Sondex Properties, Inc.
- White Hydraulics, Inc.

Latin America

Argentina
- Danfoss S.A.

Brazil
- Danfoss do Brasil Indústria e Comércio Ltda.
- Danfoss Power Solutions Comércio e Indústria Ltda.
- Semikron Danfoss Ltda. — 61%

Chile
- Danfoss Industrias Ltda.

Colombia
- Danfoss S.A.S.

Mexico
- Danfoss Industries S.A. de C.V.
- Danfoss Power Solutions II S.A. de C.V.
- Danfoss Power Solutions, S. de R.L. de C.V.

Asia-Pacific

Australia
- BOCK Compressors Australia Pty. Ltd.
- Danfoss (Australia) Pty. Ltd.
- Danfoss Power Solutions Pty. Ltd.
- Semikron Danfoss Pty. Ltd. — 61%

P. R. of China
- BOCK Compressors (Suzhou) Co., Ltd.
- Danfoss (Anshan) Controls Co., Ltd.
- Danfoss Brakes (Shanghai) Co., Ltd.
- Danfoss (China) Drives Co., Ltd.
- Danfoss (China) Investment Co., Ltd.
- Danfoss (Jiaxing) Plate Heat Exchanger Co., Ltd.
- Danfoss Micro Channel Heat Exchanger (Jiaxing) Co., Ltd.
- Danfoss (Tianjin) Ltd.
- Danfoss Power Electronics (Nanjing) Co., Ltd
- Danfoss Power Solutions (Jiangsu) Co., Ltd.
- Danfoss Power Solutions (Jining) Co., Ltd.
- Danfoss Power Solutions (Luzhou) Co., Ltd.
- Danfoss Power Solutions (Nanjing) Co., Ltd.
- Danfoss Power Solutions (Ningbo) Co., Ltd.
- Danfoss Power Solutions (Shanghai) Co., Ltd.
- Danfoss Power Solutions Trading (Shanghai) Co., Ltd.
- Danfoss Power Solutions (Zhejiang) Co., Ltd.
- Danfoss Shanghai Hydrostatic Transmission Co., Ltd. — 60%
- Semikron Danfoss Electronics (Nanjing) Co., Ltd. — 61%
- Semikron Danfoss Electronics (Zhuhai) Co., Ltd. — 61%
- Sondex Heat Exchanger (Taicang) Co., Ltd.
- Zhejiang Holip Electronic Technology Co., Ltd.

Hong Kong
- Semikron Danfoss (Hong Kong) Co., Ltd. — 61%

India
- BOCK Compressors India Pvt. Ltd.
- Danfoss Fire Safety Pvt. Ltd.
- Danfoss Fluid Power Pvt. Ltd.
- Danfoss Industries Pvt. Ltd.
- Danfoss Power Solutions India Pvt. Ltd.
- Danfoss Systems Ltd. — 98%
- Semikron Danfoss Electronics Pvt. Ltd. — 61%

Indonesia
- PT Danfoss Indonesia

Iran
- Danfoss Pars Private Joint Stock Company – in liquidation

Japan
- Daikin-Sauer-Danfoss Ltd. — 45%
- Danfoss Power Solutions Ltd.
- Danfoss Power Solutions (Japan) Ltd.
- Semikron Danfoss K.K. — 61%

Malaysia
- Danfoss Malaysia Sdn. Bhd.
- Danfoss Power Solutions II Sdn. Bhd.

Philippines
- Danfoss Philippines, Inc.

Singapore
- BOCK Compressors Singapore Pte. Ltd.
- Danfoss Power Solutions Pte. Ltd.
- Danfoss Singapore Pte. Ltd.

South Korea
- Danfoss Korea Ltd.
- Semikron Danfoss Co., Ltd. — 61%

Taiwan
- Danfoss Co. Ltd.

Thailand
- Danfoss (Thailand) Co. Ltd.

New Zealand
- Danfoss (New Zealand) Ltd.

Vietnam
- Danfoss Vietnam Co., Ltd.

Parent accounts

Parent notes

Income statement

January 1 to December 31

EURm	Note	2023	2024
Net sales	1	1,452	1,612
Cost of sales	1	-1,139	-1,157
Gross profit		**313**	**455**
Research and development costs	1	-125	-129
Selling and distribution costs	1	-95	-94
Administrative expenses	1	-73	-65
Operating profit excluding other operating income and expenses		**20**	**167**
Other operating income and expenses	1	-9	-8
Operating profit (EBIT)		**11**	**159**
Financial income	6	776	1,588
Financial expenses	6	-140	-150
Profit before tax		**647**	**1,597**
Tax on profit	9	-25	-51
Net profit		**622**	**1,546**
Attributable to:			
Proposed dividends reserve		246	111
Other reserves		376	1,435
		622	**1,546**

Statement of comprehensive income

January 1 to December 31

EURm	2023	2024
Net profit	**622**	**1,546**
Other comprehensive income		
Foreign exchange adjustments on translation of DKK into EUR	-7	-2
Items that will be reclassified to income statement	**-7**	**-2**
Other comprehensive income after tax	**-7**	**-2**
Total comprehensive income	**615**	**1,544**

Statement of financial position

At December 31

EURm	Note	2023	2024
Non-current assets			
Intangible assets	3	333	334
Property, plant, and equipment	4	392	395
Investments	2	5,150	5,095
Total non-current assets		**5,875**	**5,824**
Current assets			
Inventories		129	143
Trade receivables external		48	59
Trade receivables from subsidiaries		218	225
Short-term loans to subsidiaries		607	1,523
Derivative financial instruments (positive fair value)	7	14	
Other receivables		35	39
Receivables		922	1,846
Cash and cash equivalents	7	297	274
Total current assets		**1,348**	**2,263**
Total assets		**7,223**	**8,087**

EURm	Note	2023	2024
Shareholders' equity		**3,707**	**5,013**
Liabilities			
Provisions		10	8
Deferred tax liabilities	10	61	75
Borrowings	7	199	137
Borrowings from subsidiaries		1,132	1,213
Other non-current debt		65	60
Non-current liabilities		**1,467**	**1,493**
Provisions		7	13
Borrowings	7	81	12
Trade payables		167	187
Trade payables to subsidiaries		76	49
Borrowings from subsidiaries		1,584	1,190
Debt to associates and joint ventures		2	4
Corporation tax	11	4	12
Derivative financial instruments (negative fair value)	7		8
Other debt		128	106
Current liabilities		**2,049**	**1,581**
Total liabilities		**3,516**	**3,074**
Total liabilities and shareholders' equity		**7,223**	**8,087**

Statement of cash flows

January 1 to December 31

EURm	Note	2023	**2024**
Profit before tax		647	1,597
Adjustments for non-cash transactions	12	-526	-1,347
Change in working capital		-40	-69
Interest received		16	47
Interest paid		-30	-22
Dividends received		660	1,433
Paid tax	11	-40	-29
Cash flow operating activities		**687**	**1,610**
Acquisition of intangible assets		-61	-48
Acquisition of property, plant, and equipment		-73	-41
Acquisition of subsidiaries		-122	-85
Proceeds from disposal of subsidiaries		2	64
Cash repayment of (-)/cash proceeds from loans to subsidiaries		-9	-847
Cash flow from investing activities		**-263**	**-957**
Cash repayment of interest-bearing debt	8	-606	-127
Cash repayment of (-)/cash proceeds from borrowings from subsidiaries		438	-311
Purchase of treasury shares		-3	-4
Sale of treasury shares		3	3
Dividends paid to shareholders in the Parent Company		-198	-237
Cash flow from financing activities		**-366**	**-676**
Net change in cash and cash equivalents		**58**	**-23**
Cash and cash equivalents as at January 1		240	297
Foreign exchange adjustment of cash and cash equivalents		-1	
Cash and cash equivalents as at December 31		**297**	**274**

Statement of changes in equity

EURm	Share capital	Share premium	Reserve own shares	Reserve for capitalized development projects	Other reserves	Reserves	Proposed dividends	Total equity
Balance as at January 1, 2023	**134**	**10**	-309	129	3,121	**2,941**	**205**	**3,290**
Net profit					376	**376**	**246**	**622**
Software-development costs								
Currency-translation adjustments					-7	**-7**		**-7**
Total other comprehensive income					-7	**-7**		**-7**
Total comprehensive income for the period					369	**369**	**246**	**615**
Dividends to shareholders					7	**7**	**-205**	**-198**
Purchase of treasury shares			-3			**-3**		**-3**
Sale of treasury shares			3			**3**		**3**
Total transactions with owners					7	**7**	**-205**	**-198**
Balance as at December 31, 2023	**134**	**10**	-309	129	3,497	**3,317**	**246**	**3,707**
Net profit					1,435	**1,435**	**111**	**1,546**
Software-development costs				-3	3			
Currency-translation adjustments					-2	**-2**		**-2**
Total other comprehensive income					-2	**-2**		**-2**
Total comprehensive income for the period				-3	1,436	**1,433**	**111**	**1,544**
Dividends to shareholders					9	**9**	**-246**	**-237**
Purchase of treasury shares			-4			**-4**		**-4**
Sale of treasury shares			3			**3**		**3**
Total transactions with owners			-1		9	**8**	**-246**	**-238**
Balance as at December 31, 2024	**134**	**10**	-310	126	4,942	**4,758**	**111**	**5,013**

For further information on Equity and Share capital, see Statement of changes in equity and Note 16 Share capital, in the Group section.

Income statement

Note 1 Net sales, expenses, and other operating income

EURm	2023	**2024**
A. Net sales		
Sale of goods	1,111	1,164
Sale of services and income from royalties, Group members	341	448
	1,452	1,612

Sales of services to Group members mainly comprise services sold in relation to Group shared functions.

EURm	2023	**2024**
B. Personnel expenses		
Salaries and wages	272	255
Severance payments	6	6
Social security	9	11
Pension cost — defined contribution plans	23	23
	310	295
Average number of employees	2,757	2,585
Total number of employees as at end of the year	2,714	2,531
Remuneration to Group Executive Team and Board of Directors:		
Salaries	4	5
Pension costs	1	1
Bonuses, short-term	5	2
Bonuses, long-term	17	7
Separation costs		3
Group Executive Team	27	18
Board of Director's fee	1	1
Total remuneration	28	19

Bonuses, short-term are paid based on meeting annual targets for specific financial ratios and sales growth.
Bonuses, long-term are paid based on value creation over multiple years. Long-term bonuses equal rights earned but not necessarily paid out in the year.
Total remuneration for registered members of Executive Management amounts to EUR 11m (2023: 20m).

EURm	2023	**2024**
C. Depreciation/amortization and impairment losses		
Classification by nature:		
Amortization of intangible assets	44	45
Depreciation of property, plant, and equipment	36	42
Depreciation/amortization and impairment losses	80	87
Classification of amortization/impairment of intangible assets by functions:		
Cost of sales	41	42
Selling and distribution costs	3	3
Intangible assets	44	45
Classification of depreciation/impairment of tangible assets by functions:		
Cost of sales	27	38
Selling and distribution costs	1	
Administrative expenses	8	4
Tangible assets	36	42

Note 1 Net sales, expenses, and other operating income — continued

EURm	2023	**2024**
D. Other operating income and expenses		
Government grants	1	1
Other		2
Other operating income	1	3
Loss on disposal of intangible fixed assets		-4
Restructuring costs	-6	-6
Other	-4	-1
Other operating expenses	-10	-11
Other operating income and expenses	-9	-8

EURm	2023	**2024**
E. Fees to auditors appointed at the Annual General Meeting		
Audit fee	1	1
Other assurance engagements fee	0	0
Tax and VAT advice	0	0
Other fees	0	0
Total fee to Group Auditor	1	1

Capital employed

Note 2 Investments

EURm 2023

	Investments in subsidiaries	Receivables from subsidiaries	Investments in associates and joint ventures	Other investments	**Total**
Costs as at January 1	4,208	619	316	20	5,163
Foreign exchange adjustments, etc.	-9		-1		-10
Additions	119	315			434
Disposals	-8				-8
Costs as at December 31	4,310	934	315	20	5,579
Adjustments as at January 1	-382			-16	-398
Impairment for the year	-35				-35
Disposal	4				4
Adjustments as at December 31	-413			-16	-429
Carrying amount as at December 31	3,897	934	315	4	5,150

Additions for 2023 to 'Investments in subsidiaries' is mainly related to investment in Danfoss Deutschland GmbH.

Impairment losses for 2023 on 'Investments in subsidiaries' of EUR 35m mainly relates to Sondex Holding A/S and Danfoss Power Solutions Ltd. The impairment is caused by a lower valuation of the entity due to lower earnings during recent years and expected lower earnings in future years.

Note 2 Investments — continued

EURm					2024
	Investments in subsidiaries	Receivables from subsidiaries	Investments in associates and joint ventures	Other investments	**Total**
Costs as at January 1	4,310	934	315	20	5,579
Foreign exchange adjustments, etc.	-3				-3
Additions	74				74
Disposals	-33	-79		-1	-113
Costs as at December 31	4,348	855	315	19	5,537
Adjustments as at January 1	-413			-16	-429
Reversed impairment	1				1
Impairment for the year	-14				-14
Adjustments as at December 31	-426			-16	-442
Carrying amount as at December 31	3,922	855	315	3	5,095

Additions for the year to 'Investments in subsidiaries' is mainly related to investment in Danfoss Deutschland GmbH. Disposal of the year of 'Investments in subsidiaries' relates to the sale of Danfoss Fire Safety A/S and a capital reduction in Danfoss Editron Oy.

Impairment losses for the year on 'Investments in subsidiaries' of EUR 15m mainly relates to Danfoss (Australia) Pty. Ltd. And Danfoss Power Solutions Telecontrol, S.L.U. The impairment is caused by a lower valuation of the entity due to lower earnings during recent years and expected lower earnings in future years.

Impairment losses/reversed impairment are reported as financial expenses/financial income. The principle for calculating recoverable amounts is basically the same as described in Note 9 Intangible assets in the Group section, with the main difference that the focus is on a stand-alone company basis. In the calculation of recoverable amounts, discount rates of around 11% to 15%, before tax, are used.

Impairment tests

Where indicators for impairment were present at the end of 2024, impairment tests were performed on the carrying amount of 'Investments in subsidiaries, associates, and joint ventures.' Main indicators are loss-making activities or if the carrying amount is higher than the equity in the local accounts or, where relevant, higher than valuation using a listed share price. When performing the impairment test, the valuation of the subsidiaries, associates, and joint ventures is compared with their carrying amount.
The principles are unchanged compared to the impairment tests performed in prior year.

Danfoss A/S performed an impairment test on Investments in associates, and joint ventures, as described in Note 8 Investments in associates and joint ventures, in the Group section. This test concluded that no impairment is needed.

Further information on subsidiaries, associates, and joint ventures is provided in Note 6 Financial income and expenses, Note 7 Financial risks and instruments, and Note 14 Related parties.

Note 3 Intangible assets

EURm	Goodwill	Internally developed software	Patents, trademarks and other rights	Development costs	**Total Other**	**Total**
Cost as at January 1, 2023	83	318	99	2	419	502
Additions		35	26		61	61
Disposals		-16			-16	-16
Cost as at December 31, 2023	83	337	125	2	464	547
Amortization and impairment losses as at January 1, 2023	3	153	28	2	183	186
Amortization		35	9		44	44
Disposals		-16			-16	-16
Amortization and impairment losses as at December 31, 2023	3	172	37	2	211	214
Carrying amount as at December 31, 2023	80	165	88		253	333
Cost as at January 1, 2024	83	337	125	2	464	547
Addition through acquisition of subsidiaries			3		3	3
Additions	7	35	5		40	47
Disposals		-32			-32	-32
Cost as at December 31, 2024	90	340	133	2	475	565
Amortization and impairment losses as at January 1, 2024	3	172	37	2	211	214
Amortization		34	11		45	45
Disposals		-28			-28	-28
Amortization and impairment losses as at December 31, 2024	3	178	48	2	228	231
Carrying amount as at December 31, 2024	87	162	85		247	334

Of the 'internally developed software,' approximately 60% relates to the One ERP Program.

Impairment tests

Goodwill in Danfoss A/S of EUR 87m (2023: 80m) is mainly a consequence of Danfoss A/S having merged with other Danish subsidiaries, in particular the merger with DEVI A/S in 2010. At the end of 2024, impairment tests have been performed on the carrying amount of goodwill (assets with indefinite useful lives). The impairment tests were performed on Danfoss A/S representing the base level of cash-generating units (CGUs), to which the carrying amount of goodwill can be allocated with reasonable accuracy. The impairment test method is similar to the impairment test performed at Group level described in Note 9 Intangible assets in the Group section.

Management assesses that a reasonable change in the fundamental assumptions used in the impairment tests will not result in a recoverable amount lower than the carrying amount. The same conclusion was made prior year.

Note 4 Property, plant, and equipment

EURm	Land and buildings	Plant and machinery	Equipment	Assets under construction	**Total**
Cost as at January 1, 2023	327	285	121	99	832
Transfers	30	25		-55	
Additions	24	8	10	46	88
Disposals		-23	-20		-43
Cost as at December 31, 2023	381	295	111	90	877
Depreciation and impairment losses as at January 1, 2023	184	238	70		492
Depreciation	11	14	11		36
Disposals		-23	-20		-43
Depreciation and impairment losses as at December 31, 2023	195	229	61		485
Carrying amount as at December 31, 2023	186	66	50	90	392
Cost as at January 1, 2024	381	295	111	90	877
Transfers	6	33	1	-40	
Additions	8	2	3	32	45
Disposals	-19	-11	-20		-50
Cost as at December 31, 2024	376	319	95	82	872
Depreciation and impairment losses as at January 1, 2024	195	229	61		485
Depreciation	14	19	9		42
Disposals	-19	-11	-20		-50
Depreciation and impairment losses as at December 31, 2024	190	237	50		477
Carrying amount as at December 31, 2024	186	82	45	82	395

Note 4 Property, plant, and equipment — continued

EURm	Land and buildings	Equipment	**Total**
The right-of-use assets included in property, plant, and equipment are presented below.			
Carrying amount related to right-of-use assets as at January 1, 2023	4	6	10
Additions	8	8	16
Depreciation	-2	-6	-8
Carrying amount related to right-of-use assets as at December 31, 2023	10	8	18
Carrying amount related to right-of-use assets as at January 1, 2024	10	8	18
Additions	1	3	4
Depreciation	-2	-4	-6
Carrying amount related to right-of-use assets as at December 31, 2024	9	7	16

Further information on leases is provided in Note 5 Leases.

Note 5 Leases

Lease liabilities are included as borrowings in the Statement of financial position as follows:

EURm	2023	**2024**
Current	4	5
Non-current	15	13

Danfoss A/S mainly leases buildings and cars. Lease payments are generally fixed. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the Statement of financial position as a right-of-use asset and a lease liability. Danfoss A/S classifies its right-of-use assets in a consistent manner to property, plant, and equipment; see Note 4. Each lease contract generally restricts the use of the right-of-use asset to Danfoss A/S.
Some lease contracts contain an option to extend the lease period or terminate the lease before the lease term. Management assesses whether or not it is reasonably certain that the option will be exercised after considering all relevant facts and circumstances.

Danfoss A/S has decided not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis.
The expenses related to payments not included in the measurement of the lease liability are below EUR 5m.

Total cash outflow for leases for the financial year ending December 31, 2024, was EUR 8m (2023: 10m).

Further information on lease payments, interest expense on lease liabilities, additions, depreciation charge, carrying amount of right-of-use assets, and maturity analysis of lease liabilities is provided in Note 6 Financial income and expenses, Note 4 Property, plant, and equipment, Note 7 Financial risks and instruments, and Note 8 Change in liabilities arising from financing activities.

Capital structure and financing

Note 6 Financial income and expenses

EURm	2023	**2024**
Financial income		
Dividend from subsidiaries and associates/joint ventures	660	1,433
Interest from subsidiaries	86	123
Reversal of impairment/gain on disposal of subsidiaries and associates/joint ventures		32
Foreign exchange gains, net	29	
Interest from banks, etc.	1	
Financial income	776	1,588
Interest on financial assets measured at amortized cost	87	123
Financial expenses		
Interest to banks, etc.	-26	-21
Foreign exchange losses, net		-25
Impairment/loss on disposal of subsidiaries and associates/joint ventures	-37	-14
Interest to subsidiaries	-70	-77
Impairment/loss on loans	-7	-12
Interest expense for leasing arrangements		-1
Financial expenses	-140	-150
Interest on financial liabilities measured at amortized cost	-96	-98

The impact of derivatives/foreign exchange contracts of EUR 9m is included in Foreign exchange loss, net (2023: 25m included in Foreign exchange gain, net).

Additional information on leases is provided in Note 5 Leases.

Note 7 Financial risks and instruments

Financial instruments

Below are relevant financial instrument specifications regarding Danfoss A/S. A description of financial risks can be found in the Group section; see Note 17 Financial risks and instruments, to which reference is made.

Danfoss A/S debt categories and maturities

EURm	2023					2024				
			Maturity					Maturity		
	Carrying amount	Contractual cash flow	0-1 year	1-5 years*)	Over 5 years	Carrying amount	Contractual cash flow	0-1 year	1-5 years*)	Over 5 years
Bank debt	174	174	71	103		52	52		52	
Mortgage debt	64	103	3	10	90	64	95	2	9	84
Contingent consideration	23	23	6	17		15	15	7	8	
Borrowings from subsidiaries	2,716	2,716	1,584	1,132		2,403	2,403	1,190	1,213	
Finance lease liabilities	19	22	5	13	4	18	20	5	12	3
Trade payables	167	167	167			187	187	187		
Trade payables to subsidiaries	76	76	76			49	49	49		
Debt to Ass./ JV.	2	2	2			4	4	4		
Derivative financial liabilities						8	8	8		
	3,241	3,283	1,914	1,275	94	2,800	2,833	1,452	1,294	87

*) Maturity is spread evenly across the period.
Additional information on leases is provided in Note 5 Leases.

The maturity analysis is based on all non-discounted cash flows, including estimated interest payments. Interest payments are estimated according to existing market conditions. The non-discounted cash flow from derivative financial instruments is presented in gross amounts, unless the parties have a contractual right or obligation to make net settlements.

Financial instruments by category

EURm	2023		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Investments in associates and joint ventures 1)	315	436	315	111
Financial assets measured at equity method	315	436	315	111
Other investment **)	4	4	3	3
External derivatives *)	14	14		
Financial assets measured at fair value in the income statement	18	18	3	3
Trade receivables	48	48	59	59
Trade receivables from subsidiaries	218	218	225	225
Short-term loans to subsidiaries	607	607	1,523	1,523
Other receivables	35	35	39	39
Cash and cash equivalents	297	297	274	274
Loans, receivables, cash and cash equivalents measured at amortized cost	1,205	1,205	2,120	2,120
Financial liabilities:				
Contingent consideration measured at fair value via the income statement **)	23	23	15	15
Interest-bearing debt *)	257	257	134	134
Debt to subsidiaries	76	76	49	49
Borrowing from subsidiaries	2,716	2,716	2,403	2,403
Trade payables and other debt	362	362	357	357
Financial liabilities measured at amortized cost	3,411	3,411	2,943	2,943
Financial liabilities measured at fair value in the income statement *)			8	8

Note 7 Financial risks and instruments — continued

1) Referring to Note 8 Investments in associates and joint ventures on impairment test, in the Group section.

Financial assets and liabilities measured at fair value are measured on a recurring basis and categorized into the following levels of the fair value hierarchy:
Level 1: Observable market prices for identical instruments.
Level 2 *): Derivatives that are not traded on an active market based on quoted prices, are measured using valuation techniques, where all significant inputs are based on observable market data such as exchange rates and swap curves.
Level 3 **): Valuation techniques primarily based on unobservable prices.

The value of derivative financial instruments is measured according to generally accepted valuation techniques based on relevant observable swap prices and exchange rates. The market value of the interest-bearing debt is recognized at the present value of expected future installment and interest payments. The discount rate applied was the Group's current borrowing rate on loans for corresponding terms. The short-term floating-rate bank debt is stated at the par value.
The fair value of trade receivables and trade payables with short credit terms is estimated to be equal to the carrying amount. The methods applied remain unchanged compared to prior year.

Derivates as at December 31 for Danfoss A/S

EURm	2023			**2024**		
	Notional amount	Net fair value	Gain/Loss(-) recognized in income statement	Notional amount	Net fair value	Gain/Loss(-) recognized in income statement
USD	-290	8	8	-259	-14	-14
EUR	336			242		
Other currencies	-102			-163		
Forward exchange contracts		8	8		-14	-14
Interest rate swaps	-150	6	6	-150	6	6
Derivatives end of year		14	14		-8	-8

Note 8 Change in liabilities arising from financing activities

EURm	Short-term borrowings	Long-term borrowings	**Total**
Carrying amount as at January 1, 2023	211	667	878
Cash flows:			
Cash repayment	-263	-338	-601
Lease payments	-5		-5
Non-cash transactions:			
Acquisitions and disposal of lease liabilities	5	12	17
Reclassification	142	-142	
Other	-9		-9
Carrying amount as at December 31, 2023	81	199	280
Cash flows:			
Cash repayment	-122		-122
Lease payments	-5		-5
Non-cash transactions:			
Acquisitions and disposal of lease liabilities	1	2	3
Reclassification	61	-61	
Other	-4	-3	-7
Carrying amount as at December 31, 2024	12	137	149

Lease payments are the principal portion of lease liabilities and are presented under cash flows from financing activities in the Statement of cash flow.

Additional information on leases is provided in Note 5 Leases.

Tax

Note 9 Tax on profit

EURm	2023	2024
Current tax expense	-20	-40
Change in deferred tax	-1	-19
Adjustments concerning previous years	-4	8
Tax on profit (income statement)	-25	-51
Tax on profit is defined as:		
Tax on profit before tax	22.0%	22.0%
Tax-exempt income/non-deductible expenses	2.3%	0.4%
Dividends exempt of tax	-22.5%	-19.7%
Other taxes	1.4%	1.0%
Adjustments concerning previous years	0.6%	-0.5%
Effective tax rate	3.8%	3.2%

EURm	2023	2024
Tax on profit (income statement)	-25	-51
Total taxes	-25	-51

Note 10 Deferred tax

Changes in deferred taxes

EURm	2023	2024
Deferred taxes as at January 1 (net) *)	-54	-61
Adjustments concerning previous years	-6	5
Deferred tax recognized in the income statement	-1	-19
Deferred taxes as at December 31 (net) *)	-61	-75

*) Liability (-)

Specification of deferred taxes

EURm	2023	2024
	Deferred tax asset	Deferred tax asset
Property, plant, and equipment and financial assets	6	
Current assets		4
Liabilities	8	7
	14	11
Setoff within the same legal entities and jurisdiction	-14	-11
Deferred tax assets	0	0
	Deferred tax liability	Deferred tax liability
Intangible assets	38	40
Property, plant, and equipment and financial assets	11	13
Current assets	2	7
Liabilities	23	25
Deferred tax regarding Danish joint taxation	1	1
	75	86
Setoff within the same legal entities and jurisdiction	-14	-11
Deferred tax liabilities	61	75

Note 10 Deferred tax — continued

Of the deferred tax liability of EUR 67m (2023: 61m), EUR 1m (2023: 1m) can be attributed to tax relating to joint taxation with foreign subsidiaries in previous years. Danfoss A/S has deferred tax liabilities concerning temporary differences in foreign subsidiaries, associates, and joint ventures of EUR 11m (2023: 8m). The liabilities are not recognized because Danfoss A/S decides on their utilization and it is likely that the liabilities will not be recognized in the foreseeable future.

Note 11 Corporation tax

EURm	2023	**2024**
Corporation tax payable/receivable (-) as at January 1	26	4
Paid during the year	-40	-29
Adjustments concerning previous years	-2	-3
Current tax expenses in income statement	20	40
Corporation tax payable/receivable (-) as at December 31	4	12
The above corporation tax is recorded as follows:		
Liabilities	4	12
	4	12

Other notes

Note 12 Adjustment for non-cash transactions

EURm	2023	**2024**
Depreciation/amortization and impairment	80	87
Gain(-)/loss on disposal of fixed assets and business activities		5
Financial income	-776	-1,588
Financial expenses	140	150
Other, including provisions	30	-1
Adjustment for non-cash transactions	-526	-1,347

Note 13 Contingent liabilities, assets, and securities

Securities

EURm	2023	**2024**
Carrying amount of land and buildings pledged as security for bank loans and mortgages	172	172
Leasing assets pledged as security for leasing commitments	18	16
Carrying amount of interest-bearing liabilities with security in assets	83	82

In connection with disposal of subsidiaries, ordinary guarantees and warranties have been issued. These guarantees and warranties are considered to have no impact on Danfoss A/S' financial position beyond what has been stated in the annual report.

Contingent liabilities

Danfoss A/S is party to a small number of disputes, lawsuits, and legal actions, including tax disputes. It is the view of the management that the outcome of these legal actions will have no other significant impact on Danfoss A/S' financial position beyond what has been recognized and stated in the annual report.

Contractual obligations

EURm	2023	**2024**
Service contract commitment other than leases	141	191
Inventories	66	58
Property, plant, and equipment	43	28
Purchase commitments	250	277

Note 14 Related parties

For more information about related parties, see Note 25 Related parties, in the Group section.

Transactions with associates and joint ventures

EURm	2023	**2024**
Purchases of goods and services	19	18

Transactions besides the above transactions with associates and joint ventures are described in Note 6 Financial income and expenses, Note 2 Investments, and Note 7 Financial risks and instruments.

Transactions between Danfoss A/S and the subsidiaries

EURm	2023	**2024**
Sales of goods and services	1,215	1,355
Purchases of goods and services	500	528
Purchases of intangible assets and property, plant, and equipment	26	2
Disposal of intangible assets and property, plant, and equipment	2	1

Transactions besides the above transactions with subsidiaries are described in Note 6 Financial income and expenses, Note 2 Investments, and Note 7 Financial risks and instruments.

Note 15 Events after the balance sheet date

Subsequent to December 31, 2024, there have been no further events with any significant effect on the financial statements beyond what has been recognized and disclosed in the annual report.

Note 16 General accounting policies for Danfoss A/S

Danfoss A/S is a public limited company domiciled in Denmark. The annual report for the period January 1 to December 31, 2024, comprises the Financial Statements of Danfoss A/S.

The Financial Statements of Danfoss A/S have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.
Unless otherwise indicated, the annual report is presented in EUR rounded to the nearest million.

Besides the following section, the accounting policies for Danfoss A/S are the same as for the Danfoss Group.
Please refer to Note 27 in the Consolidated Financial Statements for the Danfoss Group. The impact of new accounting standards, as described in Note 1 in the Consolidated Financial Statements for the Danfoss Group are also assessed as immaterial to Danfoss A/S.

Investments in subsidiaries, associates, and joint ventures
In the Financial Statements of Danfoss A/S, investments in subsidiaries, associates, and joint ventures are measured at cost. In case of indication of impairment, an impairment test is performed. If the recoverable amount is lower than cost, investments are written down to this lower value. Impairments are recognized in Danfoss A/S' income statement under financial expenses. Reversal of impairments are recognized under financial income.

Dividends from investments in subsidiaries, associates, and joint ventures are recognized in Danfoss A/S' income statement under financial income in the year the dividends are declared.

Significant subsidiaries that are merged into Danfoss A/S are accounted for according to the Group-method (Koncernmetoden), which means it has retro-perspective effect and comparative information is adjusted accordingly. Any difference between accumulated cost price (after any impairments) and merged net assets is treated as goodwill.

Corporation tax and deferred tax
Danfoss A/S is jointly taxed with its Danish subsidiaries and sister companies. Current tax and deferred tax is allocated between the jointly taxed companies. The jointly taxed companies are taxed under the tax prepayment scheme.

Reserve for capitalized development projects
Danfoss A/S has established a non-distributable reserve in equity regarding capitalized development projects.
This reserve will be reversed as the development projects have effect on the income statements. The amount is presented net of deferred tax.

Note 17 Material accounting estimates for Danfoss A/S

Material accounting estimates for Danfoss A/S concern investments in subsidiaries, associates, and joint ventures.

In the Financial Statements of Danfoss A/S, investments in subsidiaries, associates, and joint ventures are measured at cost. In case of indication of impairment, an impairment test is performed. If the recoverable amount is lower than cost, investments are written down to this lower value.

Due to the nature of the operations of the investments, estimates of expected cash flows have to be made many years into the future, which will be subject to some degree of uncertainty. The investments in subsidiaries, associates, and joint ventures are described in more detail in Note 2 Investments.

Danfoss is committed to delivering an engaging employee experience that values and respects all aspects of diversity and creates an environment of belonging. Danfoss Climate Solutions in Silkeborg, Denmark, has received a Collaboration award by CO-industri for well-being, productivity, or the ability to retain employees during the consolidation of two factories.

Statements

Content

Management’s statement

The Board of Directors and the CEO and CFO have today considered and adopted the Annual Report of Danfoss A/S for the financial year January 1 - December 31, 2024.

The Annual Report has been prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at December 31, 2024, of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for 2024.

In our opinion, the consolidated ESG statement included in the Management's Report represents a reasonable, fair, and balanced representation of the Group's sustainability performance and are prepared in accordance with the stated accounting policies.

In our opinion, the Management’s Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company. We recommend that the Annual Report be adopted at the Annual General Meeting.

Nordborg, February 28, 2025

CEO and CFO

Kim Fausing

Jesper V. Christensen

Board of Directors

Jens Bjerg Sørensen, Chair

Jürgen Reinert

Mads Clausen

Mika Vehviläinen

Mads-Peter Clausen

Henning Bjørklund

Karin Dohm

Marianne Godballe

Per Falholt

Henning Andreas Krogh

Connie Hedegaard

Bent Lewke

Independent Auditor’s Report

To the Shareholders of Danfoss A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group’s and the Parent Company’s financial position at 31 December 2024 and of the results of the Group’s and the Parent Company’s operations and cash flows for the financial year 1 January to 31 December 2024 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Danfoss A/S for the financial year 1 January - 31 December 2024, pp. 113-160 and 162-178, which comprise income statement and statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes, including material accounting policy information, for both the Group and the Parent Company (“financial statements”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management’s Review

Management is responsible for Management’s Review, pp. 3-107.

Our opinion on the financial statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management’s Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management’s Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management’s Review.

Management’s Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group’s and the Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, February 28, 2025

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard
State Authorised Public Accountant
mne23331

Mads Melgaard
State Authorised Public Accountant
mne34354

Independent limited assurance report on the ESG data points included in the consolidated ESG statement

To the Stakeholders of Danfoss A/S

Danfoss engaged us to provide limited assurance on the ESG data points included in the consolidated ESG statement for the period 1 January - 31 December 2024 stated on p. 101 (the "ESG data points").

Our conclusion
Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that the ESG data points for the period 1 January - 31 December 2024 for Danfoss A/S are prepared, in all material respects, in accordance with the applied accounting policies developed by Danfoss A/S as stated on pp. 102-105 and 107 (the "ESG accounting policies").

This conclusion is to be read in the context of what we state in the remainder of our report.

What we are assuring
The scope of our work was limited to assurance over the ESG data points for the period 1 January - 31 December 2024 stated in the 2024 Annual Report of Danfoss A/S on p. 101.

We express limited assurance in our conclusion.

Corresponding information
With effect from the current financial year, the ESG data points have become subject to a limited assurance engagement. Please note that the comparative ESG information stated in the consolidated ESG statement for the years prior to 2023 have not been subject to assurance, which also appears in the consolidated ESG statement.

Professional standards applied and level of assurance
We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements'.

The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control
We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The ESG data points need to be read and understood together with the ESG accounting policies. The ESG accounting policies used for the preparation of the ESG data points are the accounting policies developed by the company, which Management is solely responsible for selecting and applying.

The absence of a significant body of established practice on which to draw to evaluate and measure sustainability data allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed
We are required to plan and perform our work in order to consider the risk of material misstatement of the ESG data points. In doing so and based on our professional judgement, we:

- Evaluated the appropriateness of the ESG accounting policies used, their consistent application in the ESG data points;
- Made inquiries and conducted interviews with management with responsibility for management and reporting of the ESG data points to assess reporting and consolidation process, use of company-wide systems and controls performed;
- Performed limited substantive testing on a sample basis to underlying documentation and evaluated the appropriateness of quantification methods and compliance with the ESG accounting policies used for preparing the ESG data points at corporate head office and in relation to selected Danfoss' reporting sites;
- Performed analytical review and trend explanation of the ESG data points; and
- Evaluated the obtained evidence.

Management's responsibilities

Management of Danfoss A/S is responsible for:

- Designing, implementing and maintaining internal control over information relevant to the preparation of the ESG data points in the 2024 Annual Report that are free from material misstatement, whether due to fraud or error;
- Establishing objective ESG accounting policies for preparing the ESG data points;
- Measuring and reporting the information in the ESG data points based on the ESG accounting policies; and
- The content of the consolidated ESG statement

Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the ESG data points for the period 1 January – 31 December 2024 are prepared, in all material respects, in accordance with the ESG accounting policies;
- Forming an independent conclusion, based on the procedures performed and the evidence obtained; and
- Reporting our conclusion to the stakeholders of Danfoss A/S.

Hellerup, February 28, 2025

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Lars Baungaard
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