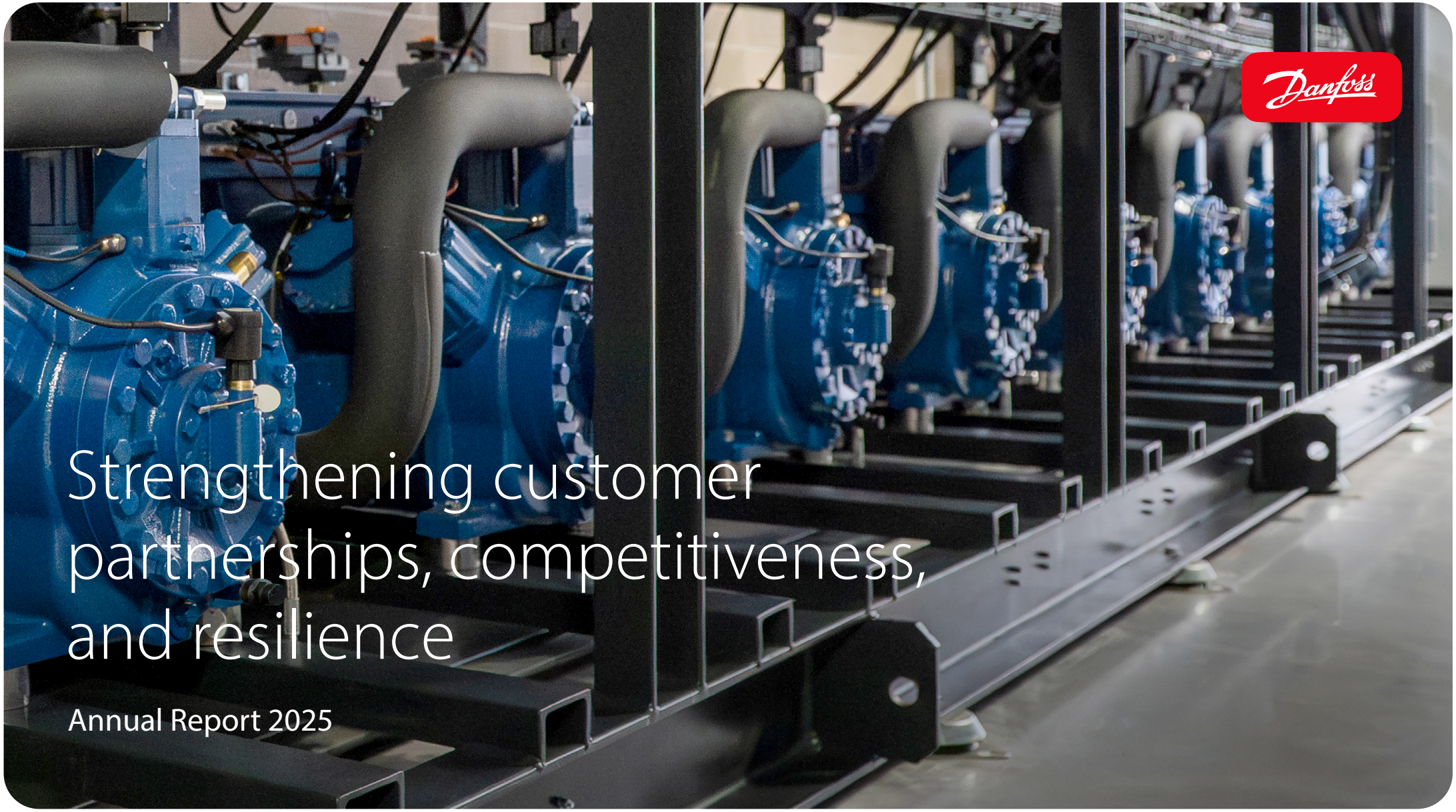
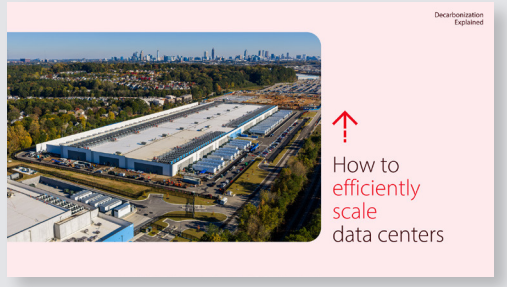


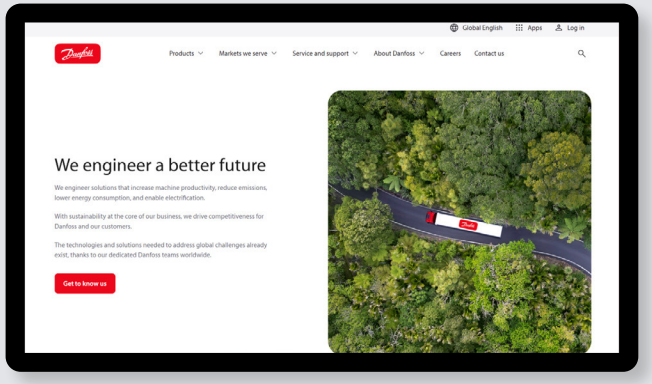
Strengthening customer partnerships, competitiveness, and resilience

Annual Report 2025

Explore our solutions
danfoss.com



In 2025, we launched the new Danfoss brand identity, bringing our purpose and customer promise to life. It reinforces the Danfoss DNA and positions Danfoss for the future.



Management review

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Avoiding emissions for our customers

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↑ **Cover photo**
Industrial processes demand precision and performance as the shift to low-carbon operations accelerates. Our advanced technologies and solutions, such as the heat pump rack mounted with Danfoss BOCK® compressors, support our customers in decarbonizing energy-intensive industries. They enable reliable cooling and heating, and high efficiency in complex environments, while maintaining competitiveness in the global market.

CEO letter

Danfoss is well positioned for the future

Inspired by our purpose, we are engineering solutions that increase machine productivity, reduce emissions, lower energy consumption, and enable electrification. Driven by our new LEAP 2030 strategy, we continue to strengthen customer partnerships and competitiveness, and to demonstrate resilience in the market. With a strong balance sheet and record-high cash flow, we are well positioned to continue investing in the future.

2025 was a year that demonstrated Danfoss' resilience and our proactive management of our business performance over the cycle. We continued to strengthen our customer partnerships and our leading global positions across our three core business segments. With our operating model in place, we launched LEAP 2030, a bold, five-year strategy that is already generating initial results.

Continuously improved financial performance

Throughout 2025, our growth momentum improved significantly, and we delivered organic growth in the second half of 9%. With a strong balance sheet and record-high cash flow, we are well positioned to continue investing in our business, driving organic and inorganic growth.

While we saw strong sales momentum in China throughout the year, signs of recovery in Europe remained less pronounced. Our strong growth in the US was due primarily to growth in our data center business, though it was balanced by lower demand in the US agriculture market.

Despite a high degree of localized production, tariffs continued to impact our business, and we worked closely with customers and partners throughout the year to mitigate the effects.

Sustainability drives competitiveness

Sustainability is at the core of our business and our LEAP 2030 strategy.

In 2025, five years ahead of plan, we achieved our SBTi-validated target to reduce our own emissions (scope 1 and 2) by 46.2% by 2030. In 2025 alone, we reduced our own emissions by 33%. We reaffirmed our commitment to decarbonization with an updated near-term target and a new long-term target, to achieve net-zero across the value chain by 2050.

We also improved our rating scores from EcoVadis and CDP. This affirms our role as a leader in sustainability and a trusted partner in helping our customers achieve their sustainability goals competitively.

Our LEAP 2030 strategy

Based on strong megatrends, we see significant opportunities ahead for Danfoss and our new LEAP 2030 strategy sets clear direction for the next phase of our transformation. It builds on our operating model, which was successfully executed at record speed and enables end-to-end accountability in our businesses for faster decision-making for our customers. Now in full execution, we are focused on further strengthening our position as a resilient partner for our customers and creating long-term value for all our stakeholders.

I am pleased to share a few highlights:

The broadest portfolio in the industry

We invest to deliver the broadest portfolio of innovative, sustainable, and competitive technologies and solutions in the industries we serve. This is strengthened by our state-of-the-art Application Development Centers and laboratories where customers experience first-hand the integration and optimization of our technologies within their own applications.

Highlights from 2025 include the acquisition of hose fittings manufacturer Hydro Holding by our Danfoss Power Solutions segment. Hydro Holding strengthens our leading position in fluid conveyance for mobile and industrial hydraulics as well as data centers.

We also continue to strengthen our electrification portfolio, which includes power semiconductor modules, variable speed drives, and solutions for the electrification of heating systems and smart, digitized district energy. Our electrification portfolio also supports applications in marine and power conversion, energy storage, and off highway electrification. As part of our active portfolio management, we have taken steps to find the best future owner of the Automotive Electrification business.

Investing in sustainable innovation and scaling high-growth industries

Our commitment to deliver value to our customers through innovation and technology leadership is a key element of our LEAP 2030 strategy and drives our investment in R&D, which was 5.3% of sales in 2025.

For example, our Danfoss Climate Solutions segment invested in expanding the range of scroll compressors with the next generation for high-temperature heat pumps. Danfoss Power Electronics and Drives has strengthened the intelligent power conversion offering by expanding the iC7 Hybrid and iC7 Marine product range. Danfoss Power Solutions launched X1P, its new platform of open-circuit piston pumps, delivering unmatched performance, reliability, and flexibility in a compact design.

In 2025, investing to scale and serve high-growth industries like data centers was of key importance, with digitalization and AI driving the need for innovative and energy-efficient technologies. We partner and grow with hyperscalers, co-locators, and chip suppliers to set future standards. We significantly invested across our three business segments to expand our offering and scale our operations in order to meet customer demands.

Further regionalizing our manufacturing footprint

As a global company, we source, produce, and deliver close to our customers to drive resilience and increase competitiveness. In 2025, we further expanded our global factory footprint across the Americas, Europe, and Asia to better serve customers locally.

A strong digital backbone in place

Furthermore, we continued to realize the benefits of our significant investment in our digital infrastructure, clean data, and automated processes. We can now apply AI seamlessly where it creates real value – enhancing speed, accuracy, and relevance to improve the customer experience and productivity. Today, 75% of all customer orders are received and handled digitally with significant additional potential by deploying AI.

Engaged global teams

Key to the successful execution of our LEAP 2030 strategy is the strong engagement and determination across our global teams to drive impact. Despite the significant organizational changes and the volatile external environment, employee engagement remained high. Our global engagement survey reached a record-high response rate of 93%, with high engagement levels comparable to those seen in previous years.

It is a source of pride to witness our global teams, who live the Danfoss behaviors every day, demonstrate the entrepreneurial spirit and growth mindset grounded in our Danfoss DNA. They are key drivers of our improved performance in 2025.

Uniquely positioned for the future

The world remains volatile, and this is unlikely to change in the near term. Yet as I reflect on 2025, I am proud of what we have achieved together at Danfoss. I would like to sincerely thank our engaged global teams for creating impact throughout the year.

We are convinced that our commitment to strong partnerships with our customers and continued investments in the future are instrumental to success and to delivering long-term economic and sustainable value to all our stakeholders.

My sincere gratitude also extends to our customers and partners for their ongoing trust and collaboration.

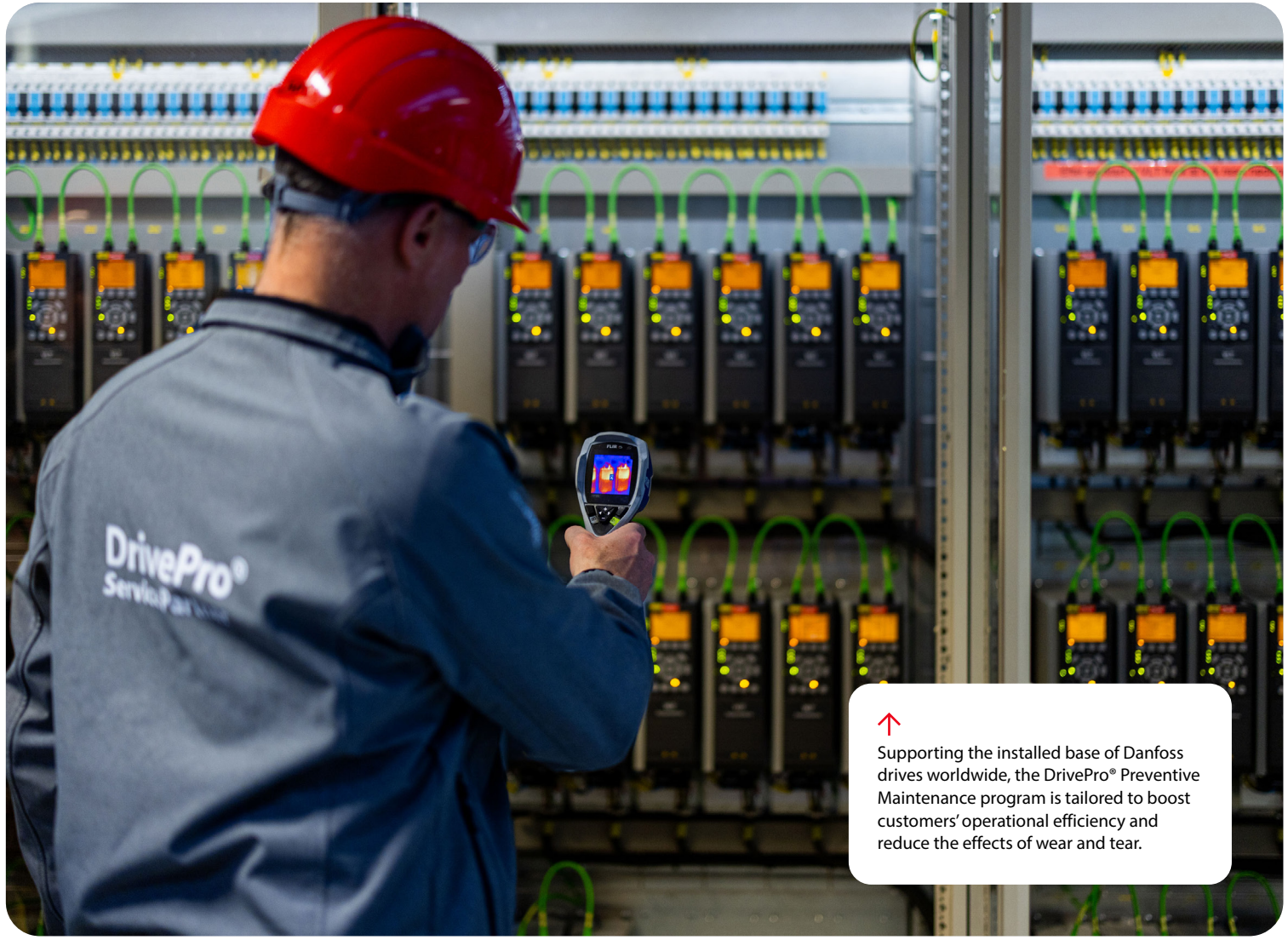
Guided by our inspiring purpose to engineer a better future, Danfoss is uniquely positioned to capitalize on the significant opportunities created by strong megatrends. With our decentralized operating model in place and our LEAP 2030 strategy in full execution, I am confident the best days lie ahead for Danfoss.

Kim Fausing
President and CEO

Management review

↑ At the Danfoss Power Solutions Application Development Centers (ADCs) in Denmark, the US, and China, our engineers can improve machine productivity by up to 30%. One of our distribution partners takes a tour of the ADC in Nordborg, Denmark.

Danfoss at a glance



Supporting the installed base of Danfoss drives worldwide, the DrivePro® Preventive Maintenance program is tailored to boost customers' operational efficiency and reduce the effects of wear and tear.

Contents

Danfoss in brief

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

Business segments

Danfoss
Power Solutions

Share of sales: 44%

Full solutions across mobile and industrial hydraulics, fluid conveyance and data center applications, electrification, and software.

Danfoss
Climate Solutions

Share of sales: 34%

Energy-efficient heating and cooling solutions for industrial applications, buildings, infrastructure, data centers and the cold chain.

Danfoss
Power Electronics and Drives

Share of sales: 22%

Power semiconductor modules, variable speed drives, and power conversion solutions engineered to enable electrification and enhance energy efficiency and productivity across industries.

Worldwide sales

Americas

36%

Europe

40%

Asia Pacific

24%

Global sales

EUR 9.4b

Employees worldwide

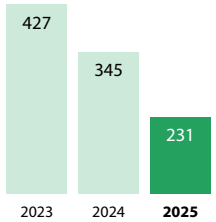
39,353

2025 Highlights

With our operating model in place and the launch of our new LEAP 2030 strategy, we improved our operational performance and strengthened our resilience in 2025.

Total scope 1 and 2 GHG emissions

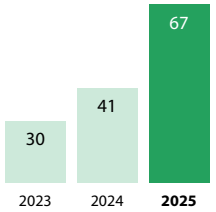
$ktCO_2e$



We reduced our own emissions (scope 1 and 2) by 33% and by 51% since 2019.

Share of renewable electricity

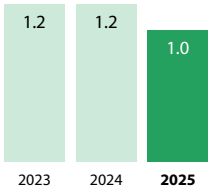
Target 2035: 100% renewable electricity



Our energy consumption reduced by 2% at an organic sales growth of 3%. **Share of green electricity now increased to 67%.**

Lost Time Injury Frequency (LTIF)

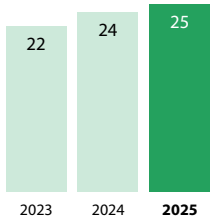
Number of incidents per million hours worked



The number of incidents per million hours worked reduced by 0.2 and is now at an all-time low; reduced by 41% over the last five years.

Women in leadership positions

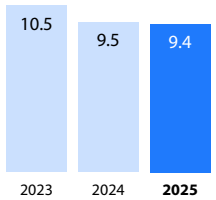
%



Our share of women leaders increased by 1%-point and up 5%-points over the last 5 years.

Sales

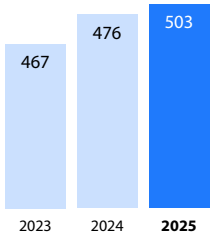
EURb



We saw **positive organic growth of 3%** despite volatility in the global markets. Organic sales growth in the first half was -3% increasing to 9% in the second half.

Innovation

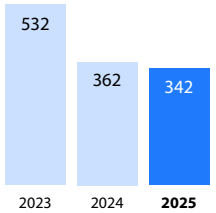
EURm



Our investments in competitive and innovative solutions **increased to 5.3% of sales.**

Investments excl. M&A

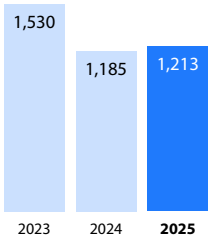
EURm



We continued to regionalize and move closer to our customers by **investing 3.6% of sales in our production capacity.**

Operational EBITA

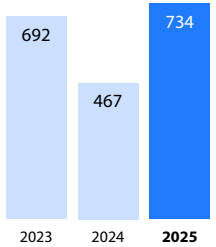
EURm



We delivered **a strong level of operational profitability at 12.9% of sales,** up 0.4%-point to last year.

Cash flow

EURm



We delivered a record-high cash flow, **up 57% compared to last year.**

2025 highlights exclude discontinued operations, comparables are restated where relevant. Cash flow consists of both continued and discontinued operations.

Financial highlights

	EURm 2021	EURm 2022	EURm 2023	EURm 2024	**EURm 2025**
Profit and loss account					
Net sales	7,539	10,256	10,492	9,496	9,430
EBITDA before OOI/E	1,232	1,618	1,854	1,539	1,648
EBITDA	1,272	1,576	1,834	1,462	1,644
Operational EBITA	1,002	1,286	1,530	1,185	1,213
EBITA	969	1,224	1,418	997	1,207
EBIT	877	1,043	1,329	884	1,040
Financial items, net	-58	-93	-173	-158	-131
Profit before tax and discontinued operations	819	949	1,156	726	909
Profit from continued operations			898	523	686
Loss from discontinued operations			-79	-153	-240
Net profit[1]	631	683	819	370	446
Financial ratios					
Local currency growth (%)	31	31	7	-10	2
EBITDA before OOI/E margin (%)	16.3	15.8	17.7	16.2	17.5
EBITDA margin (%)	16.9	15.4	17.5	15.4	17.4
Operational EBITA margin (%)	13.3	12.5	14.6	12.5	12.9
EBITA margin (%)	12.8	11.9	13.5	10.5	12.8
EBIT margin (%)	11.6	10.2	12.7	9.3	11.0
Balance sheet					
Total non-current assets[2]	6,693	7,803	7,975	8,076	7,418
Total assets	9,970	11,881	11,818	11,736	11,542
Total shareholders' equity	3,951	5,048	5,443	5,601	5,580
Net interest-bearing debt	2,677	3,168	2,871	2,753	2,191

	EURm 2021	EURm 2022	EURm 2023	EURm 2024	**EURm 2025**
Cash flow statement[1]					
Cash flow from operating activities	838	1,053	1,355	974	1,173
Cash flow from investing activities	-2,794	-931	-724	-389	-502
Hereof:					
Acquisition of intangible fixed assets	-43	-45	-44	-39	-22
Acquisition of property, plant, and equipment	-339	-504	-558	-418	-408
Proceeds from sale of property, plant, and equipment	14	18	6	23	65
Acquisition of subsidiaries and activities	-2,664	-441	-120	-11	-140
Proceeds from disposal of subsidiaries and activities	241	12	-11	54	2
Cash flow from financing activities	1,596	-26	-590	-613	-317
Financial key figures[1]					
Free operating cash flow	664	794	1,141	858	1,036
Free operating cash flow after financial items and tax	401	465	692	467	734
Free cash flow	-2,020	40	561	509	594
Financial ratios					
Return on invested capital ROIC (%)[1]	16.7	14.1	15.4	9.1	10.1
Return on invested capital ROIC (%) for continued operations			16.7	11.0	13.3
Return on equity (%)[1]	16.6	14.8	15.3	6.0	9.2
Equity ratio (%)	39.6	42.5	46.1	47.7	48.3
Leverage ratio (%)	67.8	62.8	52.8	49.2	39.3
Net interest-bearing debt to EBITDA ratio	2.1	2.0	1.6	1.9	1.3
Dividend ratio (%) (proposed)	30	30	30	30	40
Dividend per 100 DKK share (proposed)	19	21	25	11	18

Key figures and financial ratios are calculated as defined in Note 28 General accounting policies.

The years 2023, 2024, and 2025 are impacted by the classification of the Financial Statements into continued operations and discontinued operations. As a general rule, the figures for these years are stated based on continued operations unless stated otherwise (see notes 1 and 2).

[1] These amounts include both continued and discontinued operations for 2023, 2024, and 2025.

[2] Total non-current assets for 2025 reflect that there are reclassified assets to held for sale (now part of current assets).

2026 Outlook

Strengthening resilience through disciplined execution and targeted investments to support long-term value creation.

As a technology leader in the green transition, Danfoss has significant potential to drive competitive decarbonization together with our customers. With continued market volatility and low visibility, we will focus on disciplined execution, margin improvement, and cash flow. Continued investments in innovation, a strong local footprint, and select high-value growth opportunities will strengthen our competitiveness.

Credit ratings

Danfoss' credit rating assigned by S&P Global was "BBB with a stable outlook." In 2025, Moody's Ratings assigned Danfoss a rating of "Baa1 with a stable outlook." This first-time rating by Moody's Ratings reflects Danfoss' strong track record of a stable and high profitability level, underpinned by a conservative financial policy and very diversified revenue exposure on a geographic, end market, and customer level. It is the policy of the Group to have a BBB/Baa credit rating, and the Group aims for financial metrics that are commensurate with such ratings over the cycle.

2026 expectations

Danfoss has a continued ambition to expand or maintain our market share. Sales are expected to be in the range of EUR 9.1-10.6b for the full year. The operational EBITA margin is expected to be in the range of 12.8-14.3%, following our continued investments in new products and solutions. The expected growth and profitability performance are dependent on factors which are beyond Danfoss' control. These factors include geopolitical and economic conditions, tariffs, market and commodity price developments, regulatory changes, currency and interest rate fluctuations, and uncertainties related to acquisitions or divestments.

We remain committed to decarbonizing our global operations by 2030 and 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, tariffs, 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. The sustainability statement includes forward-looking statements based on disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.
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.

To strengthen our fluid conveyance portfolio and become a stronger partner for our customers, we acquired Hydro Holding S.p.A., a manufacturer of hose fittings. Hydro Holding S.p.A. expands our footprint in Europe and solidifies our leading global position in hoses and fittings for applications in mobile and industrial hydraulics as well as data centers.

Our DNA

We scale and serve high-growth industries like data centers. Together, our three business segments showcased our system-wide expertise and reliable, energy-efficient solutions for data centers at the SuperComputing 2025 conference in St. Louis, USA.

Contents

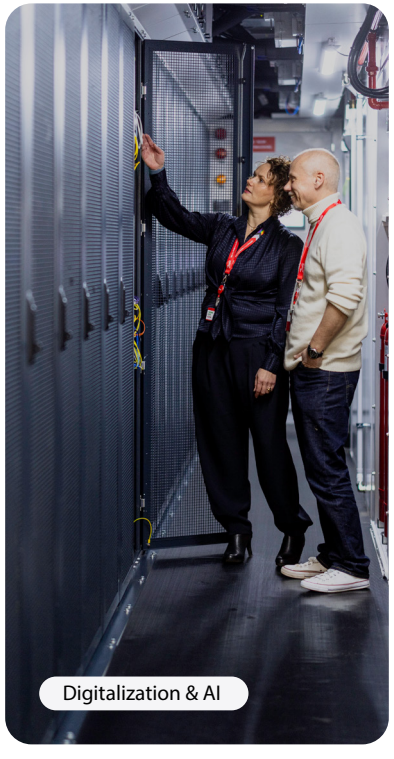
Global megatrends create significant opportunities for Danfoss

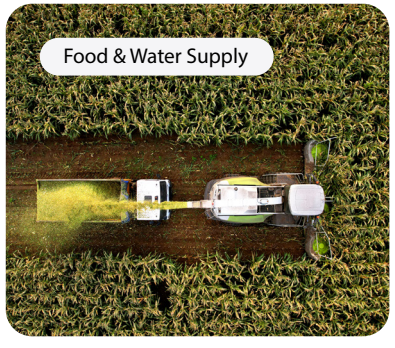
In a changing world, Danfoss is more relevant than ever.

From climate change and regionalization to urbanization, electrification, and food and water constraints, global megatrends are creating significant business opportunities for Danfoss. At the same time, digitalization and AI are growing rapidly.

As a technology leader, Danfoss plays a key role in addressing global challenges and delivering sustainable solutions.

With our broad portfolio, leading application know-how, and significant investments in innovation and regionalization, we enable industries, cities, and communities to transition to a more resilient, low-carbon future while increasing competitiveness in a fast-changing world.





Our purpose

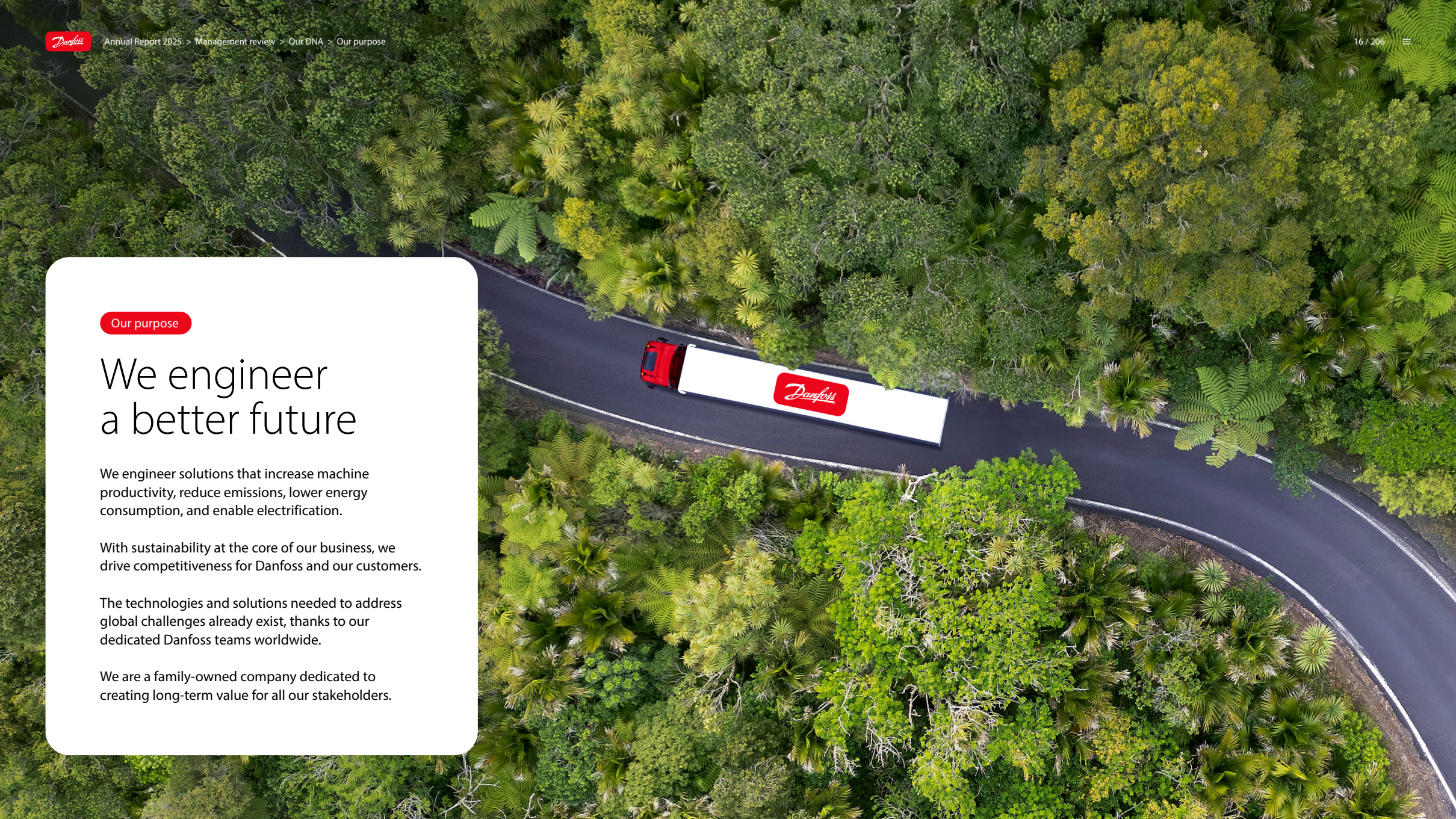
We engineer a better future

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

With sustainability at the core of our business, we drive competitiveness for Danfoss and our customers.

The technologies and solutions needed to address global challenges already exist, thanks to our dedicated Danfoss teams worldwide.

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



Our customer promise

With our global leading positions, application know-how, and sustainable innovation, we aim to be our customers' partner of choice.

The Danfoss customer promise defines how we do business and build long-term partnerships. As a leading technology partner, we continuously invest in new products and solutions to provide the broadest portfolio in the industry.

All Danfoss core businesses are pursuing a global number-one or number-two position, leading in scale and operational excellence. By excelling in safety, quality, delivery, and productivity, we ensure our customers receive the high-quality service and solutions they expect from Danfoss.

To be the partner of choice, we deploy our leading application know-how to solve complex challenges. Our expert teams, driven by an entrepreneurial mindset, work closely with our customers to transform ideas into competitive innovations and sustainable solutions.

↑ At industry events like Agritechnica 2025 in Hanover, Germany, Danfoss Power Solutions showcased leading capabilities in hydraulics, eHydraulics, electrification, digitalization, autonomy, and software through common machinery subsystems — propel, work, steer, and control — to meet our customers where they are.

Sustainability drives competitiveness

We pioneer solutions that drive competitive decarbonization — innovating to do more with less.

Sustainability is integral to our purpose of engineering a better future and is embedded within our LEAP 2030 strategy.

Our sustainable innovations improve energy efficiency, enhance machine productivity, reduce emissions, and enable electrification. Enabling both emissions and cost savings for our customers, we call this competitive decarbonization.

With sustainability as a key driver of our competitiveness, Danfoss is accelerating the green transition. We are driving our sustainability efforts through our three step-change initiatives: decarbonization, circularity, and inclusion.

Decarbonization

Applying our approach to competitive decarbonization, we are committed to fully decarbonizing our own operations — scope 1 and 2 — by 2030. We enable the reduction of scope 3 emissions through our product portfolio of more efficient and lower-emitting solutions.

In addition to our carbon-neutral[1] headquarters in Nordborg, Denmark, we have decarbonized 14 of our factories across the Americas, Europe, and Asia. To drive our performance, we commit to ambitious targets. In 2025, we updated our science-based targets and are now also committed to reaching net-zero by 2050.

Circularity

By 2030, we aim to have 80% of newly developed products launched covered by Danfoss' circularity approach and to achieve a 25% increase of circular business revenues.

Inclusion

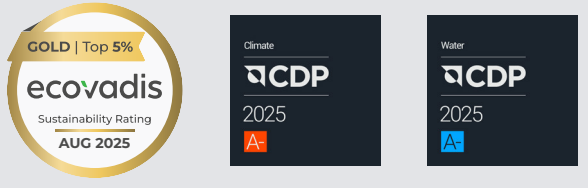
We continue our focus on inclusion as this is part of the Danfoss DNA. We are committed to fostering a culture where everyone feels safe, respected, and empowered to perform at their highest potential.

Acknowledged as a leader in sustainability

In 2025, we improved our rating scores from EcoVadis, a leading sustainability rating provider, and CDP, the world's largest environmental disclosure system. This affirms our role as a trusted partner in helping customers achieve their sustainability goals.

EcoVadis Gold Medal
EcoVadis awarded Danfoss a Gold Medal for performance across environment, labor and human rights, procurement, and ethics. This places us among the top five percent of all companies evaluated, and in the top two percent within our industry.

CDP Leadership
Danfoss achieved an A- rating in both Climate Change and Water Security assessments, earning a Leadership tier position for strong climate action, transparent reporting, and environmental resilience.



[1] Carbon-neutral sites are run on a minimum of 90% renewable energy with a maximum of 10% offset.

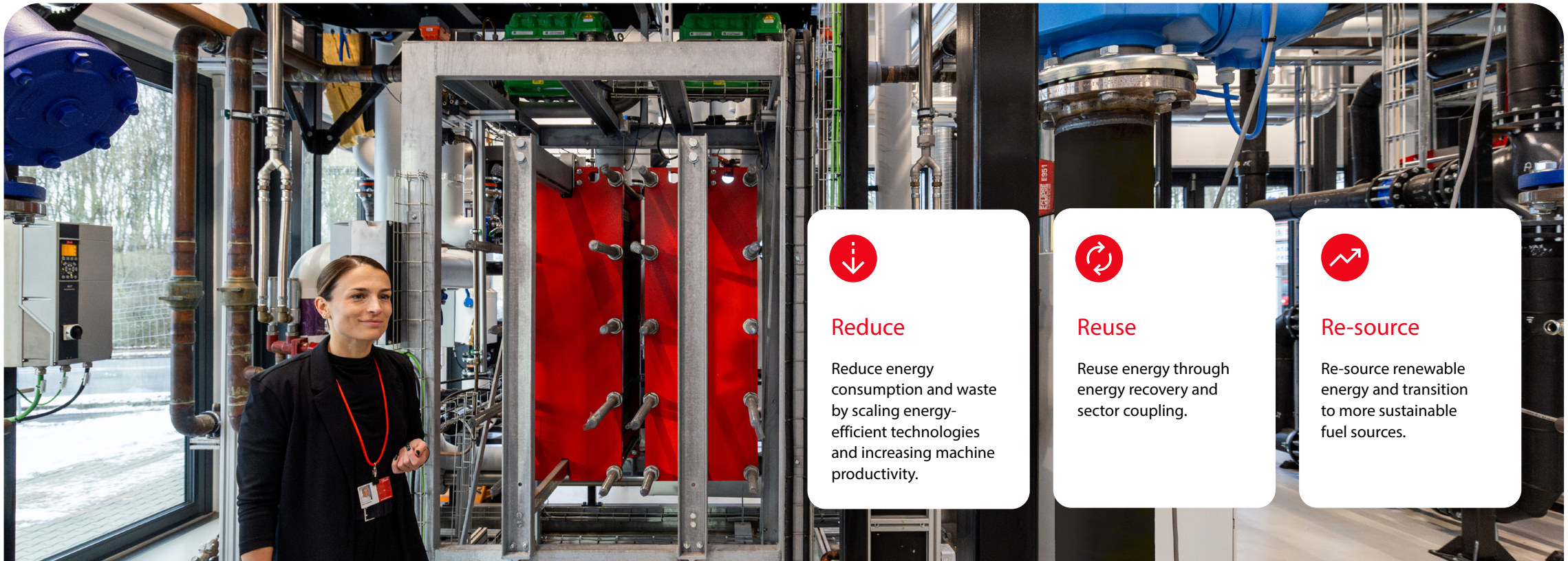
In competitive decarbonization, sequence matters

To decarbonize in a competitive way, we must take steps in the right order.

Our stepwise approach — Reduce, Reuse, Re-source — presents a viable, replicable, and cost-efficient pathway to industrial decarbonization.

This approach applies to even the most hard-to-abate sectors. As a technology leader enabling the green transition, we have significant potential to accelerate competitive decarbonization together with our customers.

↓ Our leading sustainable technologies and solutions optimize energy efficiency and heat recovery in the Danfoss data center in Denmark.



Reduce

Reduce energy consumption and waste by scaling energy-efficient technologies and increasing machine productivity.

Reuse

Reuse energy through energy recovery and sector coupling.

Re-source

Re-source renewable energy and transition to more sustainable fuel sources.

Passion for our customers' business

Our teams bring the Danfoss DNA to life by living our Behaviors.

Guided by our purpose to engineer a better future and our promise to become our customers' preferred partner, we bring our strong frontline passion and entrepreneurial mindset to everything we do.

For more than 90 years, courage, entrepreneurship, innovation, and sustainability have been key elements of our DNA. Our DNA has been instrumental in building global leading positions across many industries.

We focus on building resilience in times of change and challenge, staying true to our origin while we constantly develop and improve.

To serve our customers in the best way possible, we foster frontline passion among our global teams.

Our global teams' dedication and high engagement play a significant role in delivering the high-quality service and solutions customers value from Danfoss.

Through our actions, we continuously live the Danfoss DNA. This is demonstrated in how we make decisions and execute with impact, with end-to-end accountability and fast decision-making. This fuels our culture, strengthens our position as the preferred technology partner for our customers, and ensures we create maximum customer value while staying competitive and building long-term partnerships.

Our Behaviors are inspired by our strong founders.

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

↓ Equipped with a broad range of Danfoss drives — including the new advanced iC7 series — a corn biorefinery in Dourados, Brazil transforms local harvests into sustainable ethanol biofuel.

Case story

Maximizing customer value by understanding the details of our customers' business

Seeing is believing!

As a leading technology partner in industrial decarbonization, Danfoss pushes the boundaries of what is perceived to be possible.

Through visits to our carbon-neutral headquarters in Nordborg, Denmark, customers and partners experience readily available Danfoss technologies and solutions that are driving the green transition.

To fuel customers' performance, customers and partners who visit our Application Development Centers (ADCs) engage with specialists to optimize solutions and technologies in real-world applications.

Today, our three core businesses have ADCs, now totaling 13, close to our customers and partners across the globe.

↓ Customers can experience the full potential of our technologies in their own applications at Danfoss Application Development Centers. Across industries, we are committed to driving industrial decarbonization.

Our strategy

Contents

Leanheat® Building, an AI-powered software, helped the district heating utility in Hanover, Germany, integrate the building's side into the network. This reduced energy consumption and peak loads while serving more consumers with the same power capacity.

LEAP 2030: The next step of our transformation

With our new LEAP 2030 strategy, we strengthen customer partnerships and unlock significant opportunities to increase competitiveness and maintain our long-term resilience.

Danfoss has taken a significant step in our ongoing transformation with the launch of LEAP 2030, our new five-year strategy. True to our position as a technology leader creating long-term value for our stakeholders, this marks a new era for Danfoss.

LEAP 2030 is comprised of strategic step-change priorities supported by foundational enablers. Together, they propel Danfoss forward, strengthening our position as a resilient partner for our customers.

Across our three core businesses, we will continue strengthening our leading positions globally, delivering optimized solutions and applications, and investing in sustainable innovation.

Grounded in the Danfoss DNA and with our dedicated teams, we are well positioned to take a leap forward towards 2030.

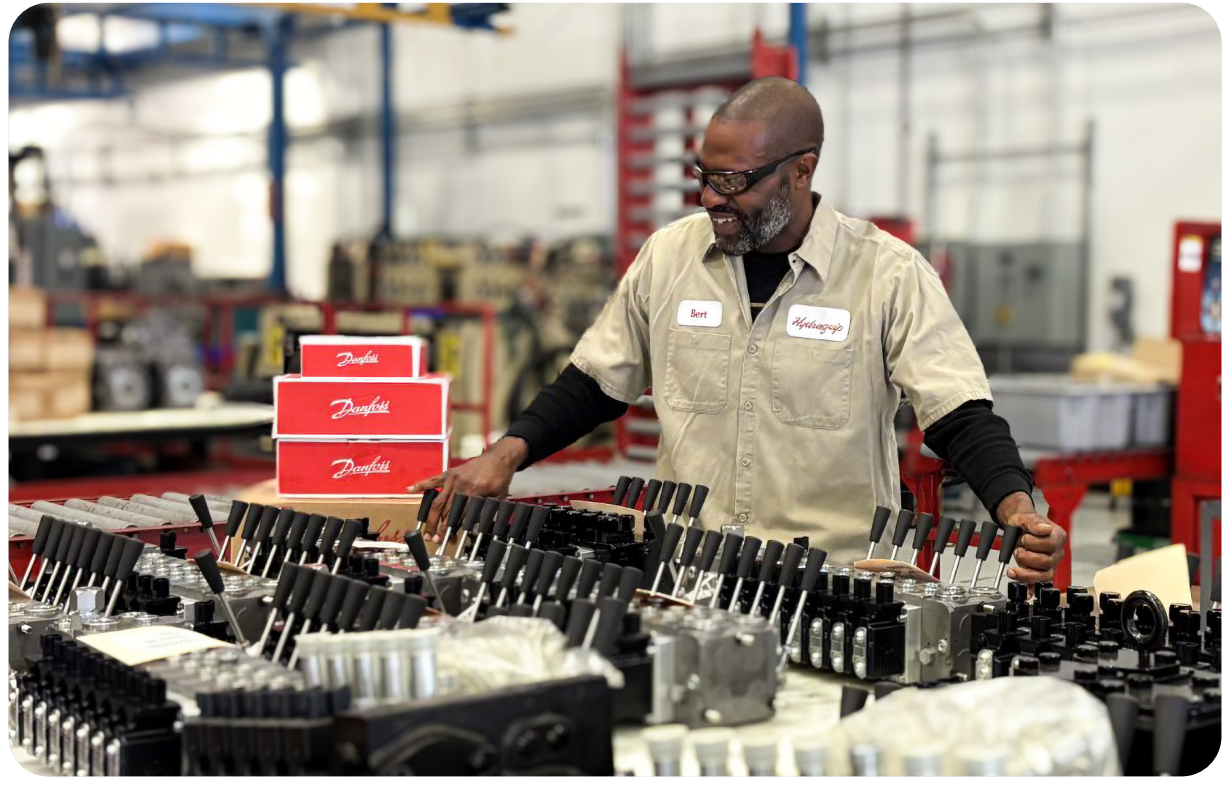
Customer partnerships: The foundation of shared success

To better serve our customers, close cooperation and co-creation have never been more important.

Strong customer partnerships are at the heart of our LEAP 2030 strategy. They guide how we prioritize, innovate, localize our business, and invest in our teams to maximize customer value.

Our empowered teams, who have decades-long relationships with many of our customers, bring our LEAP 2030 strategy to life. Ongoing dedication and customer focus ensure our long-term relevance, resilience, and impact in the markets we serve.

Our operating model strengthens end-to-end accountability in our businesses, and with our continued regionalization, fosters faster decision-making close to our customers. The resulting accountability and speed, coupled with our expertise, are what allow us to deliver superior products, innovative solutions, and a seamless partnership experience.



↑ Working closely with distribution channel partners like Hydraquip is essential to delivering the customized service and solutions our end customers expect from Danfoss. For more than 40 years, Hydraquip has been a trusted expert partner to Danfoss Power Solutions.

Case story

Building customer loyalty with our channel partners

Launched in 2025, the Danfoss Drives Innovate initiative brought together partners across nearly 80 countries, creating a global forum to turn ideas into action and strengthen long-term partnerships.

At 16 local events, we deepened the dialog to tailor and expand distribution, service, and aftermarket offerings. These events are aligned with our strategic ambition to strengthen customer partnerships and drive competitiveness.

We remain committed to supporting our channel partners by delivering the right products and solutions to help them meet the demands and expectations of their customers.

Through the Danfoss Drives Innovate initiative, we create a forum for channel partners to meet and reimagine the customer experience.

↑

Across our three business segments, we're meeting with our partners to drive mutual growth. The Danfoss Drives Innovate event series grounds strategic discussions in market-specific realities, fostering deeper engagement and actionable outcomes.

Operational excellence: A precondition for success

A continuous improvement mindset is part of the Danfoss DNA.

Building on our strong foundation of operational excellence, we continuously pursue even higher standards of safety, quality, delivery, and productivity to benefit the industries we serve. We ensure resilience across the value chain to navigate volatility and drive customer satisfaction.

We drive competitiveness through our Danfoss Business System approach, which is based on stretched target setting, structured capability building, and systematic performance management.

Stretched target setting triggers further improvement idea development and drives greater results.

With our significant size and diverse portfolio, it is more important than ever that we build resilience and flexibility, and enhance speed and quality in decision-making processes — all supported by our operating model.

To drive performance, our plant managers meet regularly to benchmark performance and share best practices. This establishes strong relations and networks across Danfoss for sharing common challenges and opportunities.

↑

Plant managers drive operational excellence through structured knowledge-sharing and benchmarking activities across our 98 factories.

Continuing to regionalize our footprint

We source, produce, and deliver close to customers to drive resilience and increase competitiveness.

Danfoss is a global company with a strong local presence across the Americas, Europe, and Asia, serving customers worldwide. We continue to invest in R&D centers, laboratories, and manufacturing close to where our customers do business.

Expanding our footprint and investing in local production reflects our ambition to improve service levels and enhance our resilience. In 2025, we added further capacity to our global operations.

In Europe, we expanded our capacity in Sofia, Bulgaria. To better serve our customers in North America, we significantly expanded our manufacturing facility in Monterrey, Mexico.

On the other side of the world, and just 17 months after groundbreaking, we opened a new, sprawling campus in Haiyan, China that doubles our presence in the region.

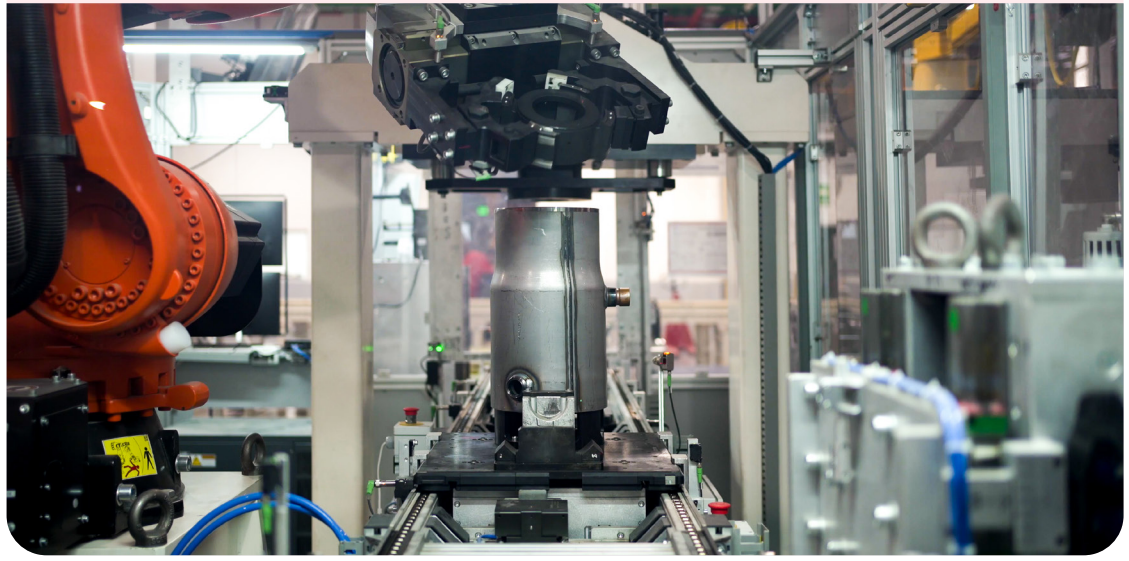
Case story

Strengthening our manufacturing footprint in Mexico

To meet the growing demand for reliable and energy-efficient HVAC solutions across North and Latin America, we more than doubled the production and laboratory capacity at our Monterrey, Mexico facility.

The expanded facility will house the production of sensors, micro channel heat exchangers, semi-hermetic Danfoss BOCK® compressors, and large and medium scroll compressors (as shown below), to grow alongside customers' evolving needs.

The new factory is LEED Silver-certified and marks the site's fourth major capacity extension. In 2025, we also celebrated our 30th anniversary of production in Mexico.



Leading with the broadest portfolio in the industry

We invest to optimize solutions for our customers — seeing is believing at our Application Development Centers and laboratories.

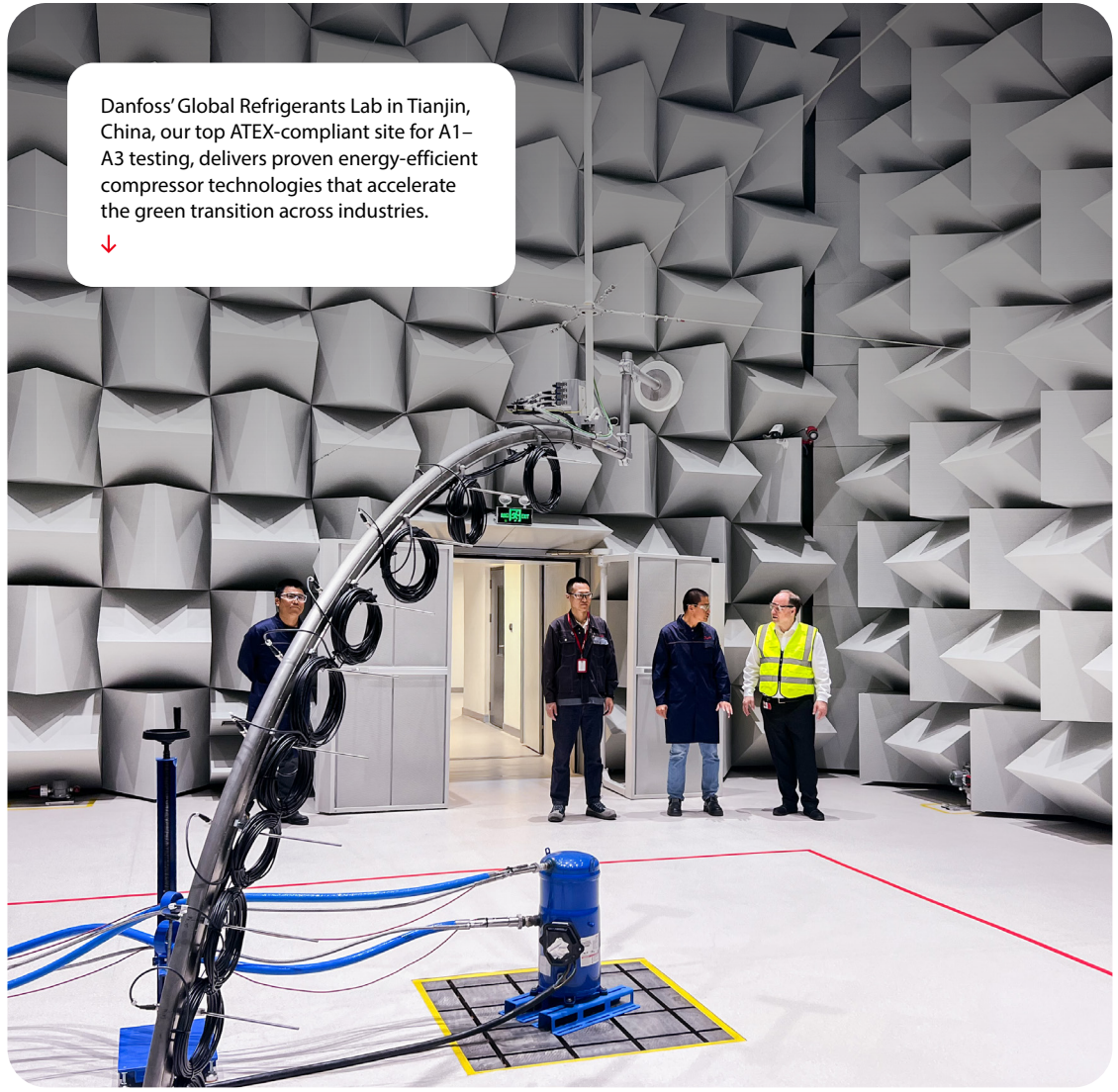
With the broadest and strongest portfolio in the industry, our expert teams work closely with customers to optimize solutions and set new standards in efficiency, performance, sustainability, and reliability.

At our Application Development Centers (ADCs) and laboratories, we bring ideas and innovations to life. Customers experience first-hand the integration and optimization of our technologies within their own applications.

By showcasing our solutions and technologies in real-world customer applications, we are able to demonstrate the value to our customers.

In 2025, we continued to expand the capacity in our ADCs and laboratories. Today our three core businesses have ADCs across the Americas, Europe, and Asia, now totaling 13 ADCs.

By deeply understanding our customers' applications, innovating with them, and backing every solution with world-class service and support, we are committed to earning the position as their partner of choice.



Danfoss' Global Refrigerants Lab in Tianjin, China, our top ATEX-compliant site for A1–A3 testing, delivers proven energy-efficient compressor technologies that accelerate the green transition across industries.

Sustainable innovation in action

We create superior value for and with our customers by setting new standards in efficiency, performance, sustainability, and reliability.

We maintained a high-level of investment in innovation across our business segments, with R&D expenses accounting for approximately 5.3% of sales. These investments enable us to strengthen our leading positions in our core businesses, electrification, and digitalization.

Our core businesses
We develop sustainable, energy-efficient, and circular products. Our solutions reduce energy consumption, increase productivity, and reduce carbon emissions.

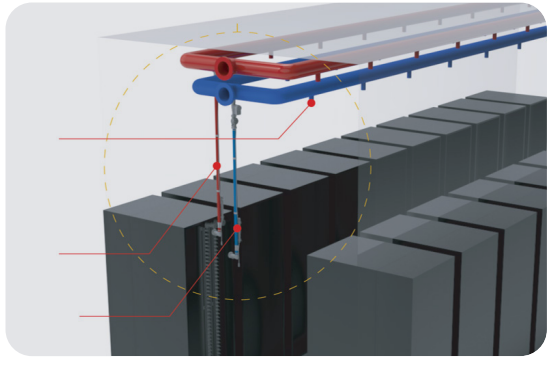
Electrification
We aim to build a leading position in full-electric and hybrid solutions. As energy systems electrify, it is critical to improve the efficiency in machines, infrastructure, and industry.

Digitalization
We aim to take a leading position in digitalization, 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

Low-voltage portfolio
We extended our portfolio with electric motors and drive systems to support off-highway machine electrification efforts across a broader power range.

Open-circuit piston pumps X1 platform
The new X1P pump delivers unmatched performance, reliability, and flexibility in a compact design. As the first pump in the new X1 platform, X1P represents the next step in the evolution of open-circuit pumps.



Danfoss Climate Solutions

CoolTrain™ for data centers
The new connected liquid cooling valve train, with digital monitoring and control, connects water loops to server racks for direct-to-chip cooling, delivering efficient heat removal and lower energy use.

Next generation of scroll compressors
We extended our range of scroll compressors with the next generation enabling high-temperature heat pumps (up to 100 °C) to run with top efficiency, compatible with natural and low global warming potential refrigerants.

Danfoss Power Electronics and Drives

Extending the iC7 portfolio
The iC7-Hybrid 1500 V DC, an intelligent power conversion system for outdoor applications, supports large-scale data centers and hybrid back-up systems to ensure grid stability and operational resilience.

High-power industrial power modules
Semikron Danfoss established a benchmark in high-power solutions for renewables, industrial drives, and power conversion through the use of parallel silicon carbide chips in industrial power modules.

Scaling and serving high-growth industries

Partnering and growing with leading players to set future standards.

Digitalization and AI are driving the need for energy-efficient and innovative technologies.

Data centers are the backbone of our modern, digital economies. And data center development is growing at a rapid rate to meet the increasing demand for digitalization and the expansion of AI workloads.

The data center industry needs a smart combination of technologies to increase energy efficiency and reduce costs in order to scale up quickly. It's key to focus on the entire end-to-end system — from smart power management to high-efficiency cooling and the reuse of waste heat.

Decarbonization is good business for the data center industry. Solutions are already available to increase the energy efficiency of data centers, enabling them to use less energy, reduce costs, and increase computing power.

Our advanced technologies allow data centers to scale on demand to meet power and cooling needs. We've been working with data centers for more than 30 years, and we hold a differentiated, leading technology position across our three core businesses.

We work closely with hyperscalers, co-locators, and chip suppliers to design solutions that fit their exact needs, while building in flexibility to expand and scale as those needs change.

Case story

Supplying technologies to a supercomputer designed to set new standards in energy efficiency

Danfoss partnered with the University of Southern Denmark and HPE to develop an energy-efficient supercomputer in Denmark. In a world increasingly concerned about the energy consumption of data centers, this project serves as a model for responsible innovation.

Danfoss brings decades of expertise in advanced cooling and heat recovery solutions to the project. Our cooling systems, including glycol micro channel heat exchangers and free cooling cycles, minimize energy use while ensuring stable operating temperatures for high performance computing. At the same time, our heat recovery modules capture excess heat from the cooling process and channel it into nearby district heating networks, turning a byproduct into a valuable resource.

This combination of innovative cooling and heat reuse not only reduces the supercomputer's environmental footprint, but also demonstrates how data centers can become integral players in sustainable energy ecosystems.

Digitalizing Danfoss

Investing in a strong digital backbone to improve the customer experience.

Over recent years, we have invested significantly to transform our IT systems landscape, moving from many separate systems to one strong digital backbone. The fully integrated system spans all the way from our product lifecycle to our customer experience systems.

To fully realize the future benefits of digitalization and AI, we prioritize high data quality and process automation. This improves the customer experience by enabling data-driven decision-making to ensure resilience, agility, and speed.

Our strong digital backbone enables fast response when markets change, and ensures that every interaction — whether online or through a sales representative — is backed by the same reliable data.

The result is a customer-centric, consistent, and predictable experience that helps customers move quickly from idea to implementation in an easy and relevant way.

With our strong digital backbone, high data quality, and automation, we are ready for what comes next. We can apply AI seamlessly where it creates real value — enhancing speed, accuracy, and relevance to improve the customer experience and productivity.

Innovation goes hand in hand with digital security. In 2025, Danfoss became certified against ISO 27001, reinforcing our commitment to safeguarding data and ensuring trust in every digital interaction. As we advance, we do so on a secure, reliable foundation.

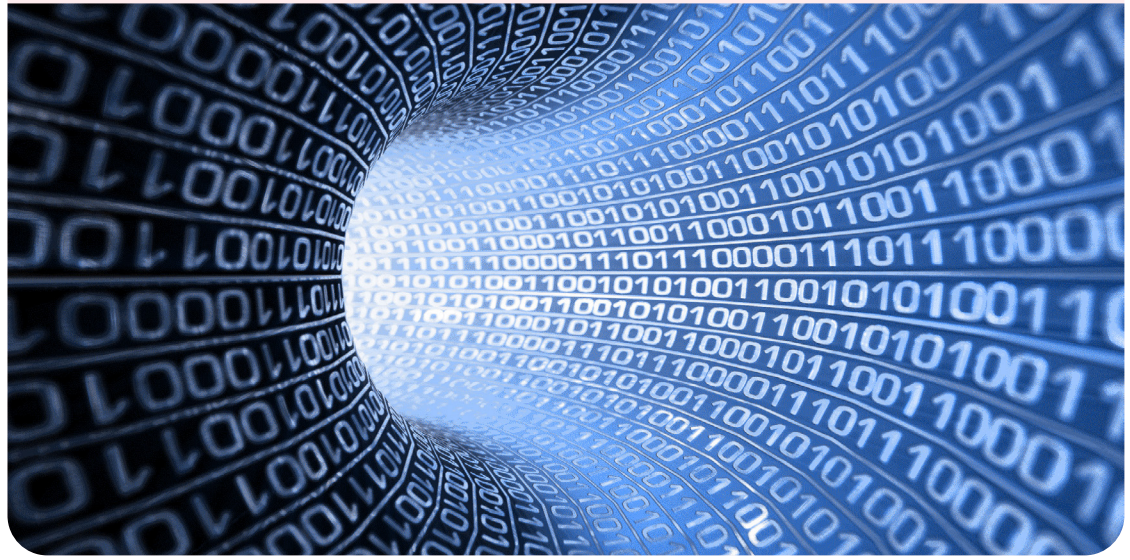
Case story

Adding AI — from minutes to seconds in the Danfoss Product Store

Our Product Store offers product search, configuration, and ordering on one intuitive online platform. It is effortless to use, with clear information, guided choices, and responsive service. Customers get what they need quickly and confidently, supported by accurate, real-time data — making every interaction smooth from start to finish.

In the past, processing an order could take several minutes. Orders that once required manual checks and back-and-forth communication are now processed with precision.

Today, thanks to AI, customers receive faster confirmations, reliable delivery dates, and spend less time waiting for information — enabling smoother workflows and greater responsiveness in every interaction with Danfoss.



Our businesses

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Danfoss Power Solutions helps customers solve their machine development challenges, increasing productivity, improving intelligence, and electrifying platforms. Whether designing hydraulic, fully electric, or hybrid machines, Danfoss provides the optimal solution.

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

Danfoss
Power Solutions

Full solutions across mobile and industrial hydraulics, fluid conveyance and data center applications, electrification, and software

Danfoss
Climate Solutions

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

Danfoss
Electronics and Drives

Power semiconductor modules, variable speed drives, and power conversion solutions engineered to enable electrification and enhance energy efficiency and productivity across industries

Danfoss
Power Solutions

Sales

EUR
4.1b

Earnings
(Operational EBITA[1])

EUR
480m

Application
Development Centers

3

Operational EBITA margin

11.7%

Number of employees

16,606

Factories

54

"Danfoss Power Solutions continues to strengthen its market position and customer partnerships. With resilience, strategic investment, and innovation, we are shaping the future of the hydraulics and electrification industries.

Daniel Winter
President, Danfoss Power Solutions

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

Case story

Building trust, driving results: The power of partnership

The challenge

A global leader in the mobile machinery industry set a highly ambitious objective to upgrade an existing skid steer loader platform with major changes within 12 months — a fraction of the typical two- to four-year development cycle. Success required a trusted systems partner capable of delivering a fully validated solution, not just components.

The solution

Building trust through transparency and strong relationships was at the core of our approach. Faced with an accelerated 12-month launch target, we partnered closely with the customer, working directly with their engineering, procurement, and leadership teams.

Our parallel engineering model enabled seamless collaboration, supported by test rigs, skilled application engineers, our highly-configurable product portfolio, and hands-on engagement at our Application Development Center (ADC).

This collaboration enabled the OEM to seamlessly integrate Danfoss components into the vehicle design, replacing critical hydrostatics and gear pumps previously supplied by competitors.

Joint work sessions supported rapid prototyping and real-time validation, aligning system requirements with right-sized, highly configurable products to bring the machine to market faster.

Bringing the engineering teams with deep application knowledge together throughout the development process; applying strong project management and an extensive, highly-customizable product portfolio; and utilizing our dedicated ADC, has proven to be a winning combination. This approach showcases how collaborative partnerships with our customers deliver significant value through faster, more efficient product launches.

↑ Danfoss Power Solutions helped a leading manufacturer upgrade its skid steer loader platform in just 12 months — a fraction of the typical two-to-four-year timeline. The ambitious project required a partner capable of providing more than just components.

Danfoss Climate Solutions

Sales

EUR 3.2b

Earnings (Operational EBITA[1])

EUR 522m

Application Development Centers

4

Operational EBITA margin

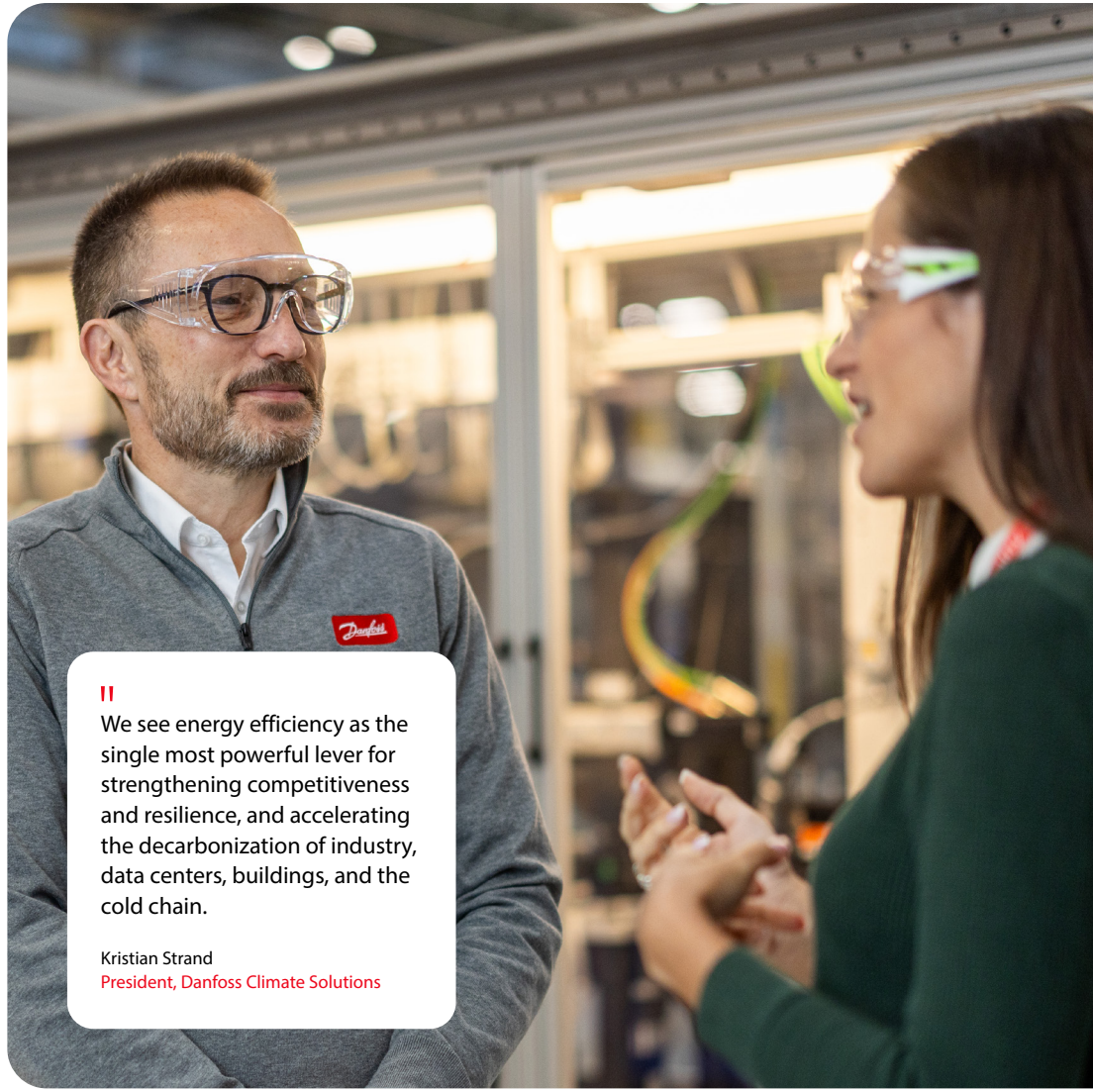
16.2%

Number of employees

11,408

Factories

32



"We see energy efficiency as the single most powerful lever for strengthening competitiveness and resilience, and accelerating the decarbonization of industry, data centers, buildings, and the cold chain.

Kristian Strand
President, Danfoss Climate Solutions

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

Case story

Advancing net-zero campus operations in Lancaster, UK

The challenge

Universities and other higher education institutions are uniquely positioned to lead the transition toward carbon neutrality. University campuses have significant energy demands for heating purposes, making the implementation of low carbon, energy-efficient strategies essential.

The solution

Danfoss and the renewable energy company, Vital Energi entered into an end-to-end partnership, enabling Lancaster University to reach their ambitious 2030 decarbonization goals.

A significant step to reaching these goals was to replace the existing gas boilers with highly efficient air-to-water heat pumps.

The industrial heat pumps are equipped with advanced Danfoss BOCK® CO_2 semi-hermetic reciprocating compressors. They provide exceptional efficiency for cooling and heating applications, making them an excellent fit for large campus universities due to their energy demand.

As a trusted partner to Vital Energi, Danfoss is delivering a complete range of solutions and application expertise for all phases of the entire decarbonization project. This also includes hydronic valves, inverter drives, district network and heating stations, high-pressure valves, and industrial ejectors. For the system design, Danfoss supported Vital Energi with advanced system simulation support for optimized system performance.

The existing campus district heating network will be extended to increase its coverage across campus buildings from approximately 65% to 95% when completed.

Lancaster University is leading the way with large-scale thermal storage and low-carbon heating. The university won a 2030 climate action award, highlighting its bold commitment to achieving carbon net-zero from energy emissions by 2030.

The transformation to low-carbon heating in industries and buildings is enabled by strong partnerships. Together with our partner Vital Energi, we installed air-to-water heat pumps, replacing existing gas boilers.

Danfoss
Power Electronics and Drives

Sales

EUR
2.1b

Earnings
(Operational EBITA[1])

EUR
266m

Application
Development Centers

6

Operational EBITA margin

12.8%

Number of employees

7,224

Factories

16

"Spanning from intelligent drives and converters to cutting-edge power modules, our technologies help customers boost productivity, optimize energy use, and achieve their decarbonization goals.

Mika Kulju
President, Danfoss Power Electronics and Drives

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

Case story

Local savings and a global impact: The power of avoided emissions

The challenge

The potential and impact of our variable speed drives often goes unseen. Variable speed drives can reduce energy consumption of electric motors by up to 40%. Our customers know they are saving energy and avoiding CO_2e emissions, but how much?

The solution

Electric motors account for more than 50% of the world's electricity consumption, and about 50% of all electric motors globally can benefit from variable speed drives.

A 2025 International Energy Agency report shows the high energy-saving potential of adopting drives in European industry. The potential is estimated to be more than 121 TWh of electricity each year — around 15% of the EU's total industrial demand.

Appearing modest at first glance, the impact of upgrading to the latest generation of highly efficient drives is significant, too. In Hirtshals, Denmark, Danish Salmon presented their ambition of lowering their energy consumption with efficient motor control.

Operating a land-based salmon farm, Danish Salmon uses recirculating aquaculture technology, recycling 99% of the water. To lower energy consumption, 23 of our highly efficient drives were installed across multiple applications, including drum filters, pumps, and aeration blowers.

Quantifying avoided emissions was essential for Danish Salmon. To claim energy efficiency benefits with reliable calculations and full transparency, we hired a third-party verifier. The analysis determined that Danfoss' drives deliver 7.2% lower emissions relative to a comparable drive. This is driven by a higher level of energy efficiency and lower energy consumption, decarbonizing an additional almost 2,000 kg of CO_2e over the lifecycle.

Every year, our Danfoss Drives business delivers more than two million variable speed drives to customers across the globe. Over their lifetime, we expect these drives will save approximately 19 million tons of CO_2e. Together with our customers and partners, we're engineering a better future — one drive at a time.

↑ Danish Salmon sets a high bar for sustainability. Third-party verified data confirms that Danfoss variable speed drives achieve a 7.2% emissions reduction relative to a comparable drive, thanks to improved energy efficiency.

Corporate governance

Semikron Danfoss is a global technology leader in power electronics from chip to system. Product offerings include semiconductor devices, power modules, stacks, and systems. We deliver industrial-scale power electronics solutions with a sharp focus on core growth areas, including industrial drives, renewables, marine electrification, data centers, and energy storage solutions.

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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 11 members. Five of the seven 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 December 2025.

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

Prioritization

Group Sustainability is responsible for conducting the double materiality assessment and periodic monitoring of Danfoss' impacts, risks, and opportunities, which are aligned with and approved 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.

Danfoss' double materiality assessment has been approved by the Sustainability Leadership Team and the Group Executive Team, and reviewed by the Audit Committee.

Execution

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

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

Oversight and reporting

The Danfoss Board of Directors has the overall responsibility for sustainability[2]. The Group Executive Team is accountable for sustainability prioritization, including providing strategic guidance and setting our ambitions and targets based on recommendations from the Sustainability Leadership Team.

Furthermore, the Sustainability Leadership Team and Chief Sustainability Officer (CSO) oversee the implementation of our ambitions and align cross-functional targets, processes, and communication.

The Sustainability Leadership Team members are appointed based on their 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 and all three business segments.

Sustainability governance

Board of Directors/Audit Committee
Approves the sustainability strategy and the annual report. Sustainability performance is part of the reporting to the Board of Directors.

Group Executive Team
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 business 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.

[1] ESRS 2 GOV-1 DP20b
[2] ESRS 2 GOV-2 DP25

Sustainability-linked financing

In 2023, Danfoss issued a 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 tied 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 2025 a total reduction of 51% compared to 2019.

Sustainability-linked bond progress

Achieve carbon-neutral operations (scope 1 and 2) by 2030	**2019 baseline[1]**	**2019 recalculated[1,2]**	**2025 actual**
Absolute scope 1 and 2 greenhouse gas (GHG) emissions	419,116 metric tons CO_2e	475,259 metric tons CO_2e	230,784 metric tons CO_2e equal to 51% reduction

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

[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.

Risk governance

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 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. It includes the underlying processes and tools applied as part of our Enterprise Risk Management. Our risk management approach 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

Specific risk areas

Risk	Disruption of IT systems	Geopolitical risks
Description	Like other organizations, the potential disruption of IT and operational technology systems could impact our ability to produce, sell, or deliver products on time. External cyberattacks, including phishing, ransom attacks, and malware are identified as the primary risk factor. Any disruptions could lead to system failures, 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 geopolitical risks. These risks may include, but are not limited to, territorial disputes, evolving trade relationships including tariffs, and disruptions in supply chains. Any disruptions have the potential to exert a negative impact on the global economy, leading to uncertainty in markets that are of 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. We have a strong focus on regulatory compliance, including business processes to address information security and we regularly test our disaster recovery plans.	Danfoss continuously monitors 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.
Controls	Danfoss' comprehensive control environment is validated periodically, both through internal and external assessments. Implemented controls include measures regarding the effectiveness of security training and awareness campaigns as well as periodically conducted cyberattack exercises.	Implemented controls include observation of regulatory changes and progress in localization activities. Our current business activities are well-balanced across global regions.

[3] ESRS 2 GOV-5 DP35,36

Gender composition of the Board of Directors

The Board of Directors consists of 11 members: seven shareholder-elected members and four employee-elected members. Among the seven shareholder-elected members, five are men (71%) and two are women (29%). Among the four employee-elected members, three are men (75%) and one is a woman (25%). 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 on 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. Six meetings were held in 2025.

The main objectives of the Audit Committee are to:

- Monitor the financial and sustainability reporting process
- 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

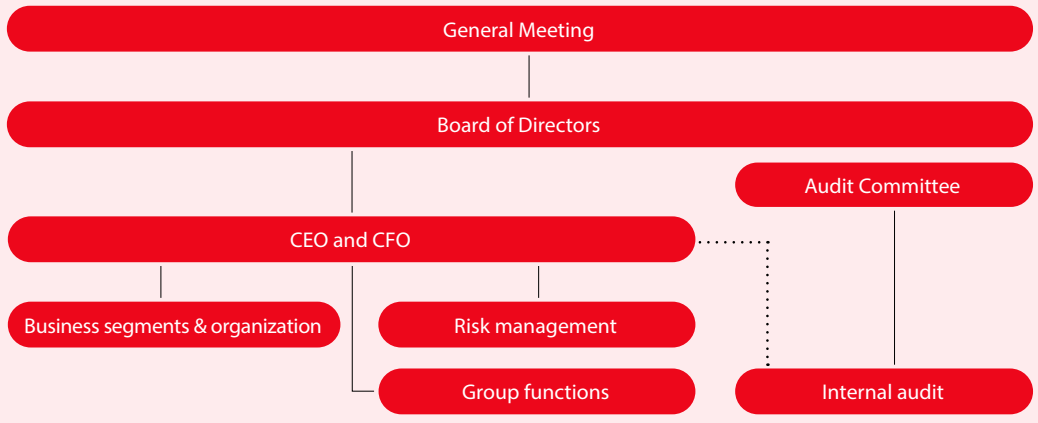
The Board of Directors receives a fixed fee each year. The members of Danfoss' Group Executive Team receive a fixed monthly salary. Like all other employees in the Danfoss Group, they have a short-term incentive program. In addition, their total compensation packages consist of long-term incentive programs 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 shown in Note 3 Expenses and other operating income.

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 2025 LTI program are:

- Reduction of CO_2e emissions (scope 1 and 2) by 20.9% compared to 2024
- Reaching a Management Team Diversity of 76.4%

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 on danfoss.com.

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 99.89% of the votes. At the end of 2025, Danfoss had 2,208 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 2025, the price was set at DKK 15,680 per share against DKK 16,081 per share the previous year.

Annual General Meeting

Danfoss' AGM will be held virtually from the company's registered office on April 22, 2026. The Board of Directors will recommend that a dividend of 40% of the Group's net profit be paid for 2025, corresponding to EUR 18 or DKK 133.2 per DKK 100 share.

Board of Directors

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

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
- *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. Former CFO of HORNBACH Management AG and Baumarkt AG.

Board positions
- *Member and member of the Audit Committee*: Heidelberger Druckmaschinen AG (01/2025 – 04/2025)

Present position
- CFO of Deutsche Bahn AG

Per Falholt[1]

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
- *Chair:* Universe Science Park, Denmark; DHI Foundation
- *Member*: Corbion A/S; Vandstrom; Co-Ro A/S; LIFE foundation; People Ventures

Present position
- Advisor and co-founder 21stBIO

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
- *Chair:* the green think tank; OECD's Round Table on Sustainable Development
- *Member:* BBVA; Villum-Fonden

[1] Resigned from the Danfoss Board of Directors on October 31, 2025.

Board of Directors — continued

Nico Delvaux

Born: June 1966
Nationality: Belgian
Resident: Italy
Independent

Board member since 2025.
Elected for a term of one year.

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

Present position
- President and CEO of Assa Abloy Group

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 chair*: Wärtsilä Oy
- *Member*: MacGregor AB

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.

Special competencies
Knowledge about climate change, environmental and energy challenges, and ESG reporting.

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
- *Chair:* Danfoss Employee Foundation in Denmark; "TL-klubben," South Denmark, Danfoss A/S;
- *Member:* Danfoss Holiday Foundation (Salary paid)

Present position
- Senior Design Technician, Danfoss Sensing Solutions and Shop Steward, Danfoss A/S

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 managing projects, lean methodology implementation, and operational management.

Present position
- Head of Manufacturing Technology at Danfoss Climate Solutions, Nordborg Denmark

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

The Danfoss Board of Directors visited Danfoss locations in India. India is a transformational market for Danfoss, and the visit provided insights into key market segments, growth drivers, and focused investments. The Board of Directors met with colleagues from across functions and from diverse regions and cultures, speaking many languages yet working as one Danfoss. Members of the Board of Directors, seated from left to right, are: Henning Andreas Krogh, Per Falholt, Nico Delvaux, Marianne Godballe, Henning Bjørklund, Mads Clausen, Karin Dohm, Jens Bjerg Sørensen, Connie Hedegaard, Mads-Peter Clausen, Mika Vehviläinen, and Bent Lewke.

Group Executive Team

Kim Fausing

President &
Chief Executive Officer

Born: August 1964
Joined Danfoss in 2007

Board positions
- *Chair*: Holcim Ltd.

Jesper V. Christensen

Executive Vice President &
Chief Financial Officer

Born: November 1969
Joined Danfoss in 1993

Board positions
- *Member:* Manufacturing Industry, Denmark
- *Member:* Confederation of Danish Industries, Denmark

Daniel Winter

President,
Danfoss Power Solutions

Born: July 1971
Joined Danfoss in 2013

Board positions
- *Member*: Daikin-Sauer-Danfoss, Japan

Kristian Strand

President,
Danfoss Climate Solutions

Born: September 1965
Joined Danfoss in 2017

Mika Kulju

President,
Danfoss Power Electronics and Drives

Born: August 1968
Joined Danfoss in 2022

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

Ilonka Nussbaumer

Executive Vice President &
Head of Group Human Resources

Born: July 1973
Joined Danfoss in 2019

Board positions
- *Vice chair:* German-Danish Chamber of Commerce
- *Member:* SMA Solar Technology AG, Germany

In November, the Group Executive Team attended the inauguration of the expanded Danfoss factory in Monterrey, Mexico, together with key customers and local Danfoss colleagues. The footprint extension is a strategic step in strengthening our regional capacity and supply chain resilience in the Americas. Pictured in the back row, starting second from the left, are Kristian Strand, Jesper V. Christensen, Mika Kulju, Kim Fausing, and Daniel Winter. In the front row, third from the right, is Ilonka Nussbaumer.

Sustainability statement

Data centers are the backbone of our modern, digital economies. As AI workloads increase, so must our commitment to cooling efficiency. Danfoss technologies and solutions are already available to increase the efficiency of data center cooling systems, enabling them to use less energy and increase computing power while reducing costs.

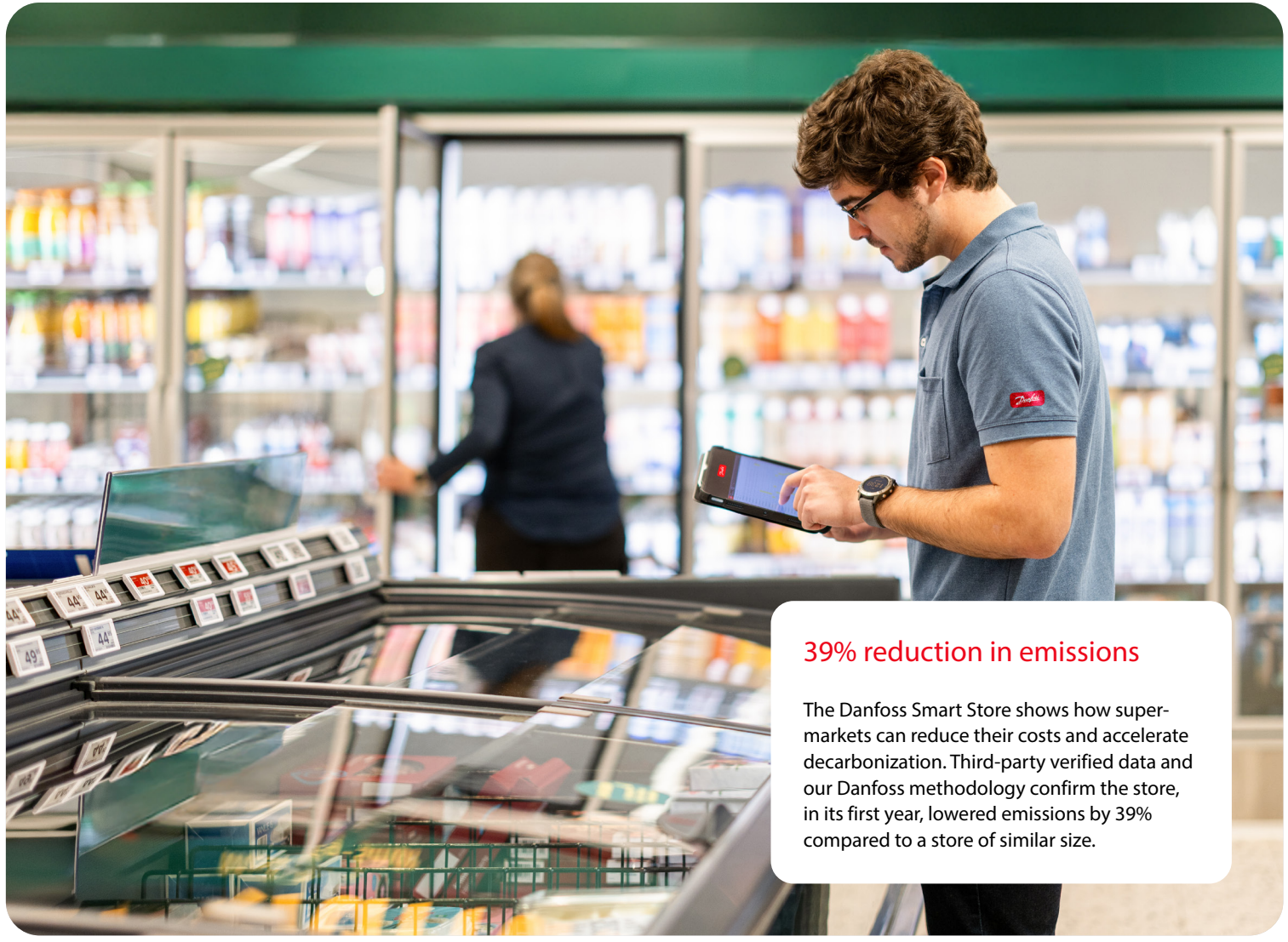
Avoiding emissions for our customers

We engineer solutions that enable us and our customers to do more with less.

Danfoss engineers solutions that increase machine productivity, reduce emissions, lower energy consumption, and enable electrification. As a technology leader in the green transition, Danfoss has significant potential to drive competitive decarbonization together with our customers.

The positive climate impact of Danfoss' product portfolio is therefore generated through avoided emissions. Avoided emissions represent potential savings for our customers and end users of our products. At our Application Development Centers, such as the Danfoss Smart Store, customers experience integration and optimization of our technologies within their own applications.

The Danfoss Smart Store is a food retail supermarket fully equipped with Danfoss technologies. In its first operational year, the store reached self-sufficiency for its comfort heating, and even sold an energy surplus of 23 MWh of recovered excess heat and 21 MWh of excess electricity from the solar panels, back to the grid.



39% reduction in emissions

The Danfoss Smart Store shows how super-markets can reduce their costs and accelerate decarbonization. Third-party verified data and our Danfoss methodology confirm the store, in its first year, lowered emissions by 39% compared to a store of similar size.

19 million tons of CO_2e saved

We estimate that our variable speed drives sold in 2025 will enable approximately 19 million tons CO_2e of expected avoided emissions over their lifetime.

Third-party verified

We build trust and promote transparency through our third-party[1] verified publicly available Danfoss Avoided Emission methodology.

Avoided emissions are part of the Danfoss value proposition

Danfoss drives reduce emissions by 60% and avoid 194 tons of CO_2e.

Engineered to do more with less, our wide range of energy-optimizing and lower-emitting products and solutions deliver energy, emissions, and cost savings. For our customers, this means that our solutions — when replacing more carbon-intensive alternatives — help avoid emissions during use.

At our Loves Park site in Illinois, US, we put this into action by replacing an old fixed speed centrifugal fan with the high efficiency variable speed EC+ system, developed in collaboration with Novenco.

The upgrade, using Danfoss variable speed drives, significantly reduced energy consumption and emissions. A third party has verified that the solution avoids 194 tons of CO_2e over 10 years — a 60% reduction compared to the old system.

Every year, our Danfoss Drives business delivers more than two million variable speed drives to customers across the globe. Over their lifetime, these drives are expected to save approximately 19 million tons of CO_2e.[2]

[1] The Danfoss Avoided Emission methodology has been third-party verified by FORCE Technology Denmark (2024).

[2] Avoided emissions are estimated using the Danfoss Avoided Emissions methodology which is inspired by the WBCSD guidance on avoided emissions and third-party verified. The methodology applies conservative assumptions and compares the lifetime emissions of Danfoss solutions with reference scenarios. The methodology applies to Danfoss Drives products and also serves as guidance for other stakeholders in the variable speed drives industry.

Sustainability at Danfoss

Danfoss Germany proudly received the German Sustainability Award in the HVAC category for the first time ever. This prestigious honor recognizes Danfoss' commitment to driving transformation in climate solutions and marks a major milestone for our sustainability journey.

Contents

Driving impact through sustainability

Sustainability drives competitiveness and creates value for our customers.

Sustainability is integral to our purpose of engineering a better future and embedded within our LEAP 2030 strategy. We are driving our sustainability efforts through our three step-change initiatives: decarbonization, circularity, and inclusion.

Leading with ambitious targets

We remain committed to delivering on our three step-change initiatives, including our ambition to fully decarbonize our own operations. In 2025, we achieved our former SBTi-target to reduce our scope 1 and 2 emissions by 46.2% by 2030, five years ahead of plan. As such, we have reaffirmed our commitments with updated science-based targets set for the near-term for 2035, and are committed to achieving net-zero across the value chain by 2050.

Partnering to accelerate impact

All the products and solutions we bring to market are engineered to do more with less, aiming to accelerate competitive decarbonization across industries, thereby saving energy and costs, and reducing emissions. Together with our suppliers, we advanced strategies to reduce scope 3 emissions.

Sustainability leadership acknowledgements

In 2025, we improved our rating scores from EcoVadis, a leading sustainability rating provider, and CDP, the world's largest environmental disclosure system. This affirms our role as a trusted partner in helping customers achieve their sustainability goals. Danfoss earned the EcoVadis Gold Medal, placing us among the top five percent of all companies evaluated, and in the top two percent within our industry. In the CDP ratings, Danfoss achieved an A- rating in both Climate Change and Water Security assessments, earning a Leadership-tier position for strong climate action, transparent reporting, and environmental resilience.

Integrated reporting

In 2025, we continued preparing for the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). We are closely monitoring the finalization of the CSRD and ESRS and will adapt our reporting accordingly to be fully compliant by 2027, as required from wave two companies.

2025 step-change initiatives highlights

Decarbonization

- Further decoupled our activity level from scope 1 and 2 emissions, achieving a 51% reduction from our 2019 baseline
- Implemented a power purchase agreement in the US, cutting our regional carbon footprint by 75%. Now approximately two-thirds of all the electricity we purchase globally is green
- Reaffirmed our strong decarbonization ambition with updated near-term SBTi scope 3 targets and set a long-term net-zero target
- Expanded our Green Ask supplier engagement program covering 58% of our EUR 3.5b annual purchase spend

Circularity

- Continued to implement our circularity approach in our new product development process
- 28% of all newly developed products launched in 2025 have been assessed on circularity
- Strengthened the Danfoss circularity framework by developing and piloting the Danfoss Circularity Index

Inclusion

- Celebrated a historically high response rate of 93% in our employee engagement survey, Voice, with a consistently high engagement score of 79
- Reached a Management Team Diversity of 78%, showing a continued increase five years in a row
- Women in leadership positions continued to increase for the fifth year in a row, reaching 25% in 2025
- Driven by a strong safety culture, we achieved a record-low Lost Time Injury Frequency (LTIF) in 2025 of 1.0 and a 41% reduction over the last five years

Danfoss value chain

Building full transparency to manage impacts, risks, and opportunities.

From materials extraction to product end-of-life, we work with various stakeholders and business partners to manage sustainability impacts, address and mitigate sustainability risks, and maximize the value of our shared opportunities.

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

As a manufacturer of components, systems, and software, our main customers are Original Equipment Manufacturers (OEMs) and channel partners that offer our solutions and technologies to various industries.

Upstream value chain

Natural resources and materials extraction

To deliver products and solutions to our customers, we rely on raw materials and the sourcing of minerals. We address impacts and risks related to these through our sustainable procurement practices, supplier due diligence, and circularity approach.

Supply chain regionalization

To increase our supply chain resilience and better meet customer needs, we are implementing a regionalization strategy with the aim to source, produce, and sell within the same region. This also reduces the need for transportation and associated freight emissions.

Supplier due diligence and engagement

Our supplier due diligence approach aims to ensure responsible business practices in our 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.

Our own operations

Decarbonizing our own operations

We are committed to fully decarbonizing Danfoss by 2030. Our operations consist of factories, warehouses, laboratories, offices, and Application Development Centers (ADCs).

Our teams

Danfoss employs approximately 39,000 people in more than 50 countries. We prioritize the safety and well-being of all our employees and take action to ensure we have an inclusive workplace.

Sustainable innovation

We invest in innovation and to provide the broadest portfolio in the industry while embedding low-carbon circularity strategies into new product design and developing circular services.

Application Development Centers

At our ADCs and laboratories, solutions are tested and demonstrated in real customer applications. This enables customers to experience first-hand the technologies we bring into the industries we serve.

Downstream value chain

Customers

We are committed to driving competitive decarbonization together with our customers. Our product portfolio provides the solutions and technologies needed for immediate decarbonization, empowering our customers to save energy, reduce costs, and thereby boost competitiveness.

Responsible disposal and recycling

We design for reuse and work with our partners on recycling initiatives to help reduce waste, recover valuable materials, and extend product lifecycles. Our circularity approach covers the full product lifecycle, promoting circularity beyond the product use phase.

Communities and society

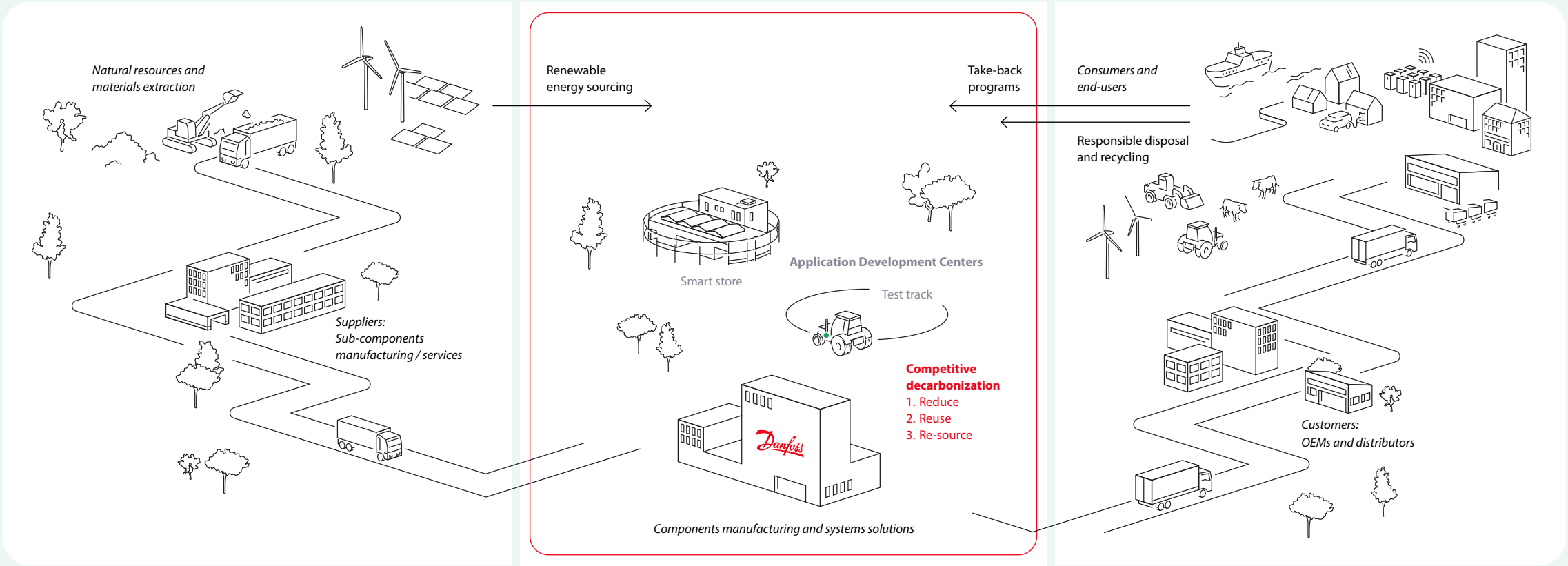
As a technology leader, we help industries, cities, and communities transition to a more resilient and low-carbon future. Through our energy-efficient, sustainable, and competitive solutions, Danfoss plays a key role in tackling global challenges and driving sustainable development.

Danfoss value chain

Upstream

Own operations

Downstream



Double materiality assessment

Identifying the most significant impacts, risks, and opportunities to our business and stakeholders.

The basis of our Sustainability Statement

The double materiality assessment (DMA) serves as the basis for our Sustainability Statement, inspired by the European Sustainability Reporting Standards (ESRS).

It informs strategic decision-making and provides insights into where we may have the most significant impact on people and the environment — and, in turn, where Danfoss may be exposed to material financial risks or opportunities.

Process and stakeholder engagement

The DMA covers our global activities across the value chain and builds on data from desk research, due diligence, and risk assessment processes. It also brings in insights from engagements with internal and external stakeholders, including representatives from the financial sector, and industry and sustainability associations.

To assess topical impacts, our assessment takes an inside-out perspective to understand our impact on people and the environment. Following this, an outside-in perspective is taken to identify where our business may be exposed to financial risks and commercial opportunities.

Methodology

Based on our scoring methodology, we assess potential and actual impacts from both positive and negative perspectives.

Our assessment considers impacts prior to mitigating actions. In our methodology, our scoring is based on a scale of 0-3, where severity is weighted more heavily, taking precedence over likelihood, in line with the UN Guiding Principles for Business and Human rights.

When assessing risks and opportunities, both parameters are weighted equally.

With all impacts, risks, and opportunities assessed, we apply our materiality threshold to determine the materiality of each topic.

Governance

The DMA process is overseen by our Sustainability Leadership Team, with its outcome approved by both the Sustainability Leadership Team and the Group Executive Team.

Outcome

By revisiting the materiality assessment this year, we updated our conclusions from the previous year, now identifying *substances of concern* within Pollution (E2) and *water withdrawals and discharge* within Water (E3) as material.

For an overview of the material impacts, risks, and opportunities concluded from our assessment, see the next page. All material topics are material in the short-, medium-, and long-term, except for Pollution (E2) and Circular economy (E5), which are material in the medium- and long-term only.

In conclusion, Biodiversity and ecosystems (E4), Affected communities (S3), and Consumers and end-users (S4) fall below the materiality threshold and are therefore deemed immaterial.

Assessing impacts to people and the environment

Scale	How serious the negative impact is on people and the environment or how beneficial the impact could be
Scope	How widespread the impact may be considering how many people could be impacted or the local, regional, or geographical scope of environmental impacts
Irremedia-bility	The extent to which negative impacts can be reversed and restored to their prior state
Severity	Determined based on a combination of the parameters scale, scope, and irremediability for negative impacts; and scale and scope for positive impacts
Likelihood	Assessed for potential impacts. The probability of an occurrence taking place during a certain time horizon

Assessing risks and opportunities to the business

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
Time horizons	Defined as short-, medium-, and long-term as up to 1 year, between 1-5 years, and beyond 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 *(own operations, downstream)* ● Impacts related to CO_2e emissions and energy consumption *(full value chain)*	● Commercial opportunities stemming from the transition to a lower carbon economy *(downstream)* ● Commercial opportunities related to addressing impacts of climate change *(downstream)* ● Exposure to increased financial and operational risks resulting from physical climate disruption in our value chain *(full value chain)*
	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 *(own operations, downstream)*	● Exposure to increased regulation related to environmental product compliance, substances of concern, and product safety *(own operations, downstream)*
	Water (E3)	Water withdrawals Water discharge	● Impacts related to water conservation and improved water management attributed to Danfoss solutions *(downstream)* ● Impacts related to deterioration of water resources in water-stressed areas *(upstream, own operations)*	
	Circular economy (E5)	Circular products and solutions Waste management	● Environmental impacts resulting from resource extraction, consumption, and waste *(downstream)*	● Commercial opportunities for circular business models *(downstream)* ● Exposure to growing supply chain risks resulting from increased materials scarcity, incl. critical raw materials *(full value chain)* ● Customer and regulatory requirements *(own operations, downstream)*
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 *(own operations)* ● Potential negative impact on employee health and safety due to exposure to e.g., heavy machinery, moving equipment, electrical hazards, or hazardous substances *(own operations)*	● Talent attraction and retention; diverse teams resulting in more innovation and better performance *(own operations)* ● Exposure to a risk related to lack of talent, succession pipeline, employee training, and development *(own operations)*
	Workers in the value chain (S2)	Human and labor rights related to workers in the value chain	● Job creation in our value chain *(upstream, downstream)* ● Products used in applications that contribute to positive impacts on human rights *(downstream)* ● Potential contribution to systemic adverse human rights impacts in our upstream value chain *(upstream)*	● 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 *(upstream)*
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 *(own operations)* ● Positive impact through advocacy for energy efficiency and climate change mitigation solutions with political bodies *(full value chain)* ● Potential contribution to systemic negative impacts in our upstream related to extractive industries and conflict minerals *(upstream, own operations)*	● Political advocacy helping creation of growth opportunities related to the transition to a low-carbon economy *(own operations)* ● 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 *(full value chain)* ● 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 *(full value chain)*

● Positive impact/opportunity ● Negative impact/risk

All material topics are material in the short-, medium-, and long-term, except for Pollution (E2) and Circular economy (E5), which are material in the medium- and long-term only.

Sustainability due diligence

Embedding responsible business practices to protect people and the environment.

1. Embed responsible business conduct

Guided by the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises, Danfoss aims to minimize adverse impacts to people and the environment while we strengthen our processes and practices.

2. Identify and assess adverse impacts

Adverse impacts are identified through various processes, channels, and assessments. These include double materiality assessments, human rights due diligence, stakeholder engagements, the Danfoss Ethics Hotline, sustainable procurement practices, supplier audits, and export control processes.

3. Cease, prevent, or mitigate adverse impacts

To prevent and mitigate adverse impacts, we implement ISO-compliant management systems and standards, address audit findings, and take action to continuously improve our operations. We engage our suppliers to address impacts, risks, and opportunities through our supplier engagement program, the Green Ask, and our supply chain due diligence activities.

4. Track implementation and results

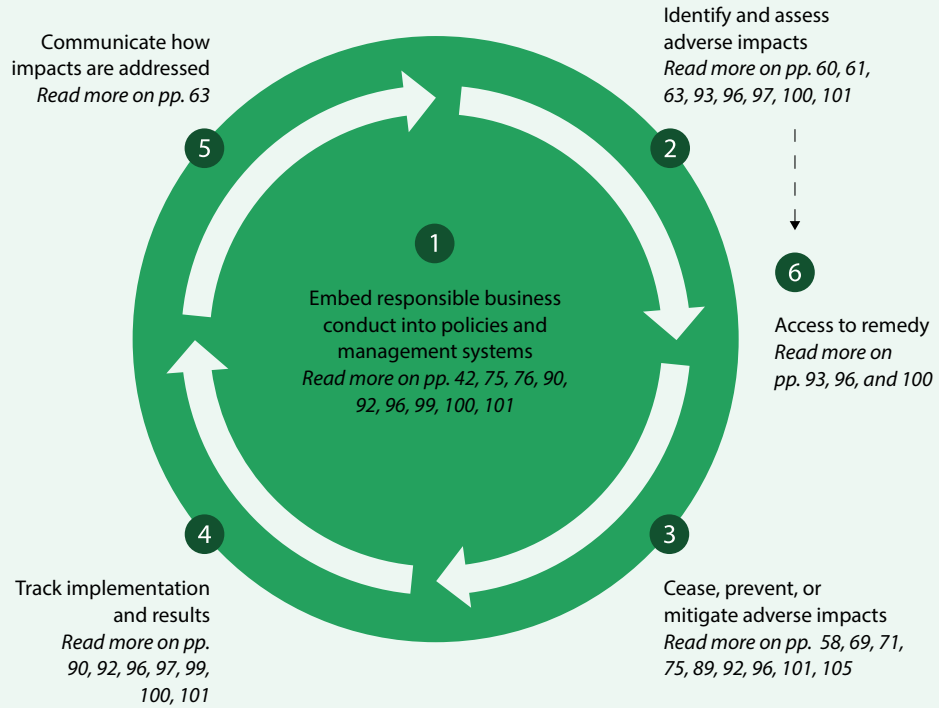
Our due diligence efforts are embedded into daily business activities, and we periodically review if our due diligence processes are effective, and if the actions we have implemented have helped with preventing or mitigating any potential risks.

5. Communicate how impacts are addressed

We communicate progress and performance related to our sustainability goals and targets through our Integrated Annual Report and the UN Global Compact's annual Communication on Progress (CoP) disclosures. We also share our progress with sustainability rating agencies such as the CDP and EcoVadis on an annual basis.

6. Access to remedy

Danfoss is committed to ensuring access to remedy is provided or enabled through our cooperation where adverse impacts have been substantiated. When grievance cases reported via the Danfoss Ethics hotline are substantiated, we work with the impacted parties to ensure appropriate remedy is provided.



Stakeholder engagement

The interests and views of stakeholders inform our business strategy and guide our actions.

Through our stakeholder engagement approach, we aim to better understand the interests and views of key stakeholder groups across our value chain.

Stakeholder engagement processes are integrated into our due diligence processes and double materiality assessment process, which in turn inform our business strategy, actions, and decisions.

This approach is guided by the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights.

We engage with stakeholders in a clear, transparent, and meaningful way — always following the ethical guidelines defined in the Danfoss Ethics Handbook and adhering to data privacy and protection regulations.

Key stakeholders

	Why we engage	How we engage	How the outcome is used
Employees	• Promote an open dialog to build trust • Support professional development • Foster an inclusive culture • Ensure a safe and healthy work environment	• Employee surveys, workplace assessments • Employee-elected board members • Workplace representatives	• Improvements in the workplace • Influence decision-making • Improve the employee experience • Attract and retain a dedicated workforce
Customers	• Build trust and better meet customer needs • Collaborate to drive value creation	• ADCs, workshops, trade shows • Joint projects and collaborations	• Development of improved offerings • Influence new product design • Adoption of circularity initiatives
Suppliers	• Information sharing and raising awareness • Decarbonizing our supply chain	• Through shared sustainability initiatives • Supplier day events • Supplier engagement program, the Green Ask	• Support innovation • Drive development of sustainable innovation • Adoption of more sustainable practices
Investors and financial institutions	• Communicate sustainability progress • Secure sustainable funding • Attract investors	• Periodic investor updates • Regulatory financial reporting • Sustainability communications and ratings	• Finance investments for long-term growth • Drive financing to sustainability
Policymakers, regulators, and associations	• Drive advocacy and drive climate action • Influence and shape policies • Share views on policies, laws, and regulations	• Direct dialog • Public consultations • White papers and studies	• As input to public policy development • Demonstrate our sustainability capabilities • Risk mitigation
Industry and sustainability associations	• Influence industry standards • Share knowledge and expertise	• Workshops • Knowledge-sharing forums • Expert groups	• Adoption of more sustainable practices • Contributing to the development of industry standards

Environment

Danfoss' new cam lobe motor for compact road rollers delivers 92% total efficiency, reducing fuel consumption, emissions, and thereby the total cost of ownership. The motor's enhanced bearing design increases field robustness and load capacity, extending its application range while reducing maintenance needs.

Contents

Climate change

Our solutions enable decarbonization across industries, accelerating the transition to a low-carbon economy.

Our approach

We take a strategic and collaborative approach to address climate change and increase resilience. Our approach integrates environmental leadership practices, actions that strengthen long-term environmental resilience, and targets to reduce emissions across the value chain.

In competitive decarbonization, sequence matters
Applying the three principles — Reduce, Reuse, Re-source — our competitive decarbonization approach presents a significant source of future growth for our customers and partners.

To decarbonize, we reduce energy waste by scaling energy-efficient technologies and increasing machine productivity. Secondly, we reuse energy through energy recovery and sector coupling. Thirdly, we re-source green energy by replacing fossil fuels with renewable energy sources. Through electrification, we can lower emissions and become more efficient, enabling a future energy grid powered by renewables.

Avoided emissions
We enable decarbonization through our product portfolio of more efficient and lower-emitting solutions. Avoided emissions enable a sustainable transition by capturing the downstream impact of low-carbon solutions. This is particularly relevant in sectors where electrification, efficiency improvements, and smarter energy use can drive substantial reductions in overall emissions.

Setting ambitious targets to drive performance
To drive our performance, we commit to ambitious targets. Our decarbonization approach is supported by science-based targets, covering near-term, long-term, and also net-zero. Our approach is also supported by our First Movers Coalition (FMC) commitment on transitioning to green aluminum as well as our targets set through the Climate Group flagship initiatives addressing our electrification of vehicles (EV100), sourcing of renewable electricity (RE100), and commitment to improving energy efficiency through the Smart Energy Coalition (previously called EP100).

	Targets	Progress
Scope 1 & 2	≥90% With our updated science-based target, we aim to achieve a 90% absolute emissions reduction in 2035 from a 2024 base year. Our ambition is to reach the 90% reduction compared to our 2019 base year, already in 2030.	51% We achieved a decrease of 33% compared to 2024 and 51% compared to our 2019 recalculated baseline.
Scope 3	66% By 2035, achieve a 66% reduction in the intensity of our scope 3 emissions per gross profit, from a 2024 base year. Additionally, achieve a 66% reduction in the intensity of our scope 3 emissions from the use of sold products per ton of refrigeration from our commercial compressors business.	6% We achieved a decrease of 6% in scope 3 economic intensity compared to 2024. We also achieved a decrease of 3% in the physical intensity from our compressors business.
Net-zero	Net-zero by 2050 Danfoss commits to achieve net-zero greenhouse gas emissions across the value chain by 2050.	

Targets

Science-based targets

We reconfirmed our commitment to driving competitive decarbonization and updated our scope 1, 2, and 3 targets, all approved by the Science Based Targets initiative (SBTi). With our updated science-based target on scope 1 and 2, we aim to achieve a 90% emissions reduction by 2035 from a 2024 base year. Our ambition is to reach the 90% reduction compared to our 2019 base year, already in 2030.

As global demand for sustainable solutions rises so does the demand for our energy-efficient and lower-emitting products and solutions. To better align our sustainable growth with our climate commitments, we have updated our science-based targets to be intensity-based. Our sustainability targets are a central part of our LEAP 2030 strategy and our Climate Transition Plan will be updated in 2026 to outline the roadmap for achieving these revised targets.

We reaffirmed our value chain commitment and updated our SBTi-target to reduce scope 3 emissions by 66% per EUR value added by 2035, compared to a 2024 base year. As a manufacturer of energy-efficient compressor technologies, we aim to take the lead within sustainability in the compressor industry. To achieve this, we also commit to reducing emissions from the use of sold products by 66% per ton of refrigeration from sold compressors within the same timeframe.

Raising the bar further, we have a new target to achieve net-zero across the value chain by 2050.

Climate Group initiative targets

Through the Smart Energy coalition, we commit to doubling our economic output from every unit of energy consumed by 2030, compared to 2007. From 2030 in advanced markets and from 2035 in all other markets, we commit to purchasing only zero-emission light-duty vehicles. We will also transition our heavy-duty fleet to zero-emission vehicles and commit to only procuring zero-emission vehicles from 2040 (EV100). Lastly, we commit to using 100% renewable electricity across our operations by 2030 (RE100).

Progress on our targets

Science-based targets

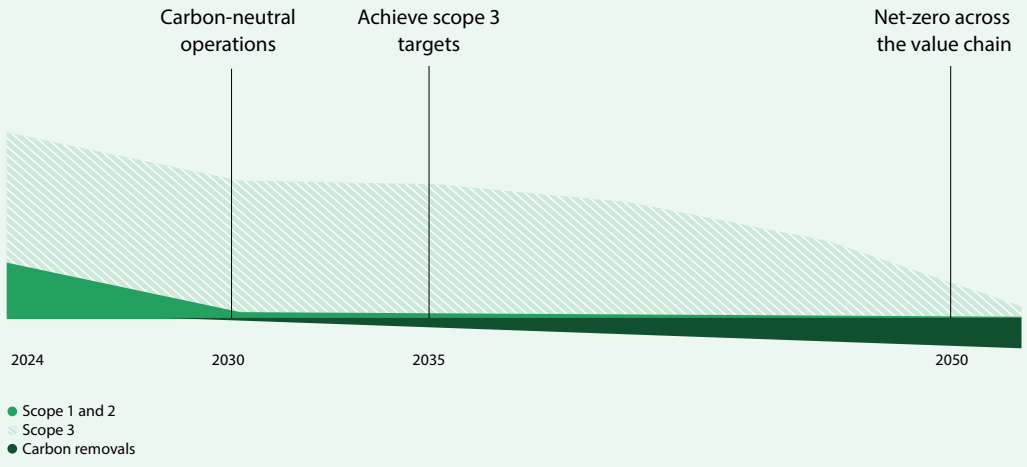
Within our operations, we achieved a 33% decrease of emissions, compared to a 2024 base year. As global demand for sustainable solutions continues to grow, so does demand for our energy-efficient and lower-emitting products and solutions. In 2025, we delivered measurable progress against our scope 3 targets, achieving a 6% reduction in economic emissions intensity and a 3% reduction in physical emissions intensity in our compressors business.

Climate Group initiative targets

In 2025, we increased our energy productivity by 67%, compared to 2007. We increased the share of light electric vehicles (EV100) to 28%. For our heavy duty vehicles, eight out of ten are electric and supported by the Danfoss Editron on-board chargers enabling the electrification of on-highway trucks. We also increased our share of renewable electricity (RE100) from 41% in 2024 to 67% in 2025.

Our path to net-zero

(for illustrative purposes)



Target-setting methodology

Our targets are based on a screening of our activities and do not exclude any mandatory emissions categories as per the guidance of the Science Based Targets initiative (SBTi). In setting out targets, we align with the standards and recommendations provided by the SBTi and with the Paris Agreement's goal of limiting global warming to 1.5°C.

Achieving net-zero

In decarbonizing our operations we focus primarily on actual emissions reductions, with only a limited use of credits and offsets. To reach net-zero, we will rely on permanent carbon removal solutions for residual, hard-to-abate emissions that cannot be eliminated, in line with the SBTi Corporate Net-Zero Standard.

Policy

Energy management policy

This policy focuses on our approach to the sustainable and equitable use of energy resources.

Actions related to our own operations

Carbon-neutral operations

We are executing our 2030 roadmap to achieve carbon-neutral operations as we see sustainability as one of the key drivers for competitiveness. In addition to our carbon-neutral headquarters in Nordborg, Denmark, we have decarbonized 14 of our factories across the Americas, Europe, and Asia. Our carbon-neutral sites are run on a minimum of 90% renewable energy with a maximum of 10% offset.

Driving energy efficiency

Through energy efficiency measures across our factories, we expanded our power reduction program across our regions by targeting sites with double digit energy saving potentials. We invested in our newly-built factories for high energy efficiency designs to ensure our efficiency goals are met.

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. In 2025, we continued to take action and have increased the share of light electric vehicles to 28%.

Internal carbon price

From steps taken in the previous year to pilot an internal carbon pricing mechanism into CapEx decisions, this year we continued to roll-out this mechanism into our new product development processes.

Decarbonizing our energy mix

With a power purchase agreement, signed in 2024 taking effect in 2025, both of our two sites in Haiyan, China, are now covered by 100% green electricity. As of 2025, this reduces our carbon emissions by approximately 25,000 tons every year, equivalent to 56% of Danfoss' emissions in China and 10% globally. Similar agreements have been signed for other facilities in China, Northern Europe, and India. In North America, a long-term solar power agreement signed in 2025 has cut regional emissions by 79% and global emissions by 25%. Through this new agreement approximately two-thirds of all the electricity we purchase globally is now green.

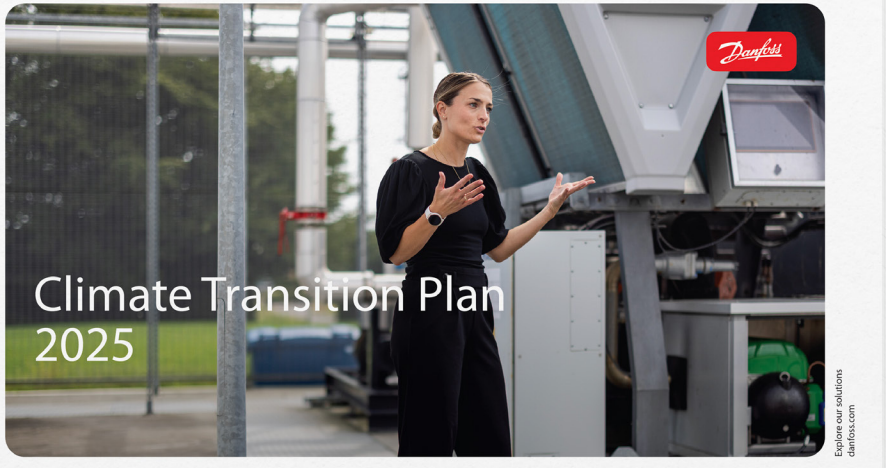
GHG removals and GHG mitigation projects

Our headquarters in Nordborg, Denmark is carbon neutral through actual emissions reductions and with a limited support of purchased carbon credits. These come from a carbon credits retirement program targeting the regulated and third-party verified US Californian Cap-and-Trade market.

Our 2025 Climate Transition Plan

As a global technology leader, Danfoss is committed to enabling the transition to a low-carbon economy. In 2025, we published our first Climate Transition Plan.

Approved by the Danfoss Board of Directors, the plan describes the key decarbonization levers and actions we are taking, as we contribute to limiting global warming to 1.5°C target as set out in the Paris Agreement. In 2026, we will publish an updated plan supporting our new SBTi-targets.



Case story

Competitive decarbonization in practice: Haiyan, China

The challenge

We have committed to reducing our scope 1 and 2 emissions by 90% by 2030. Our challenge is therefore to decouple our economic growth from our operations emissions.

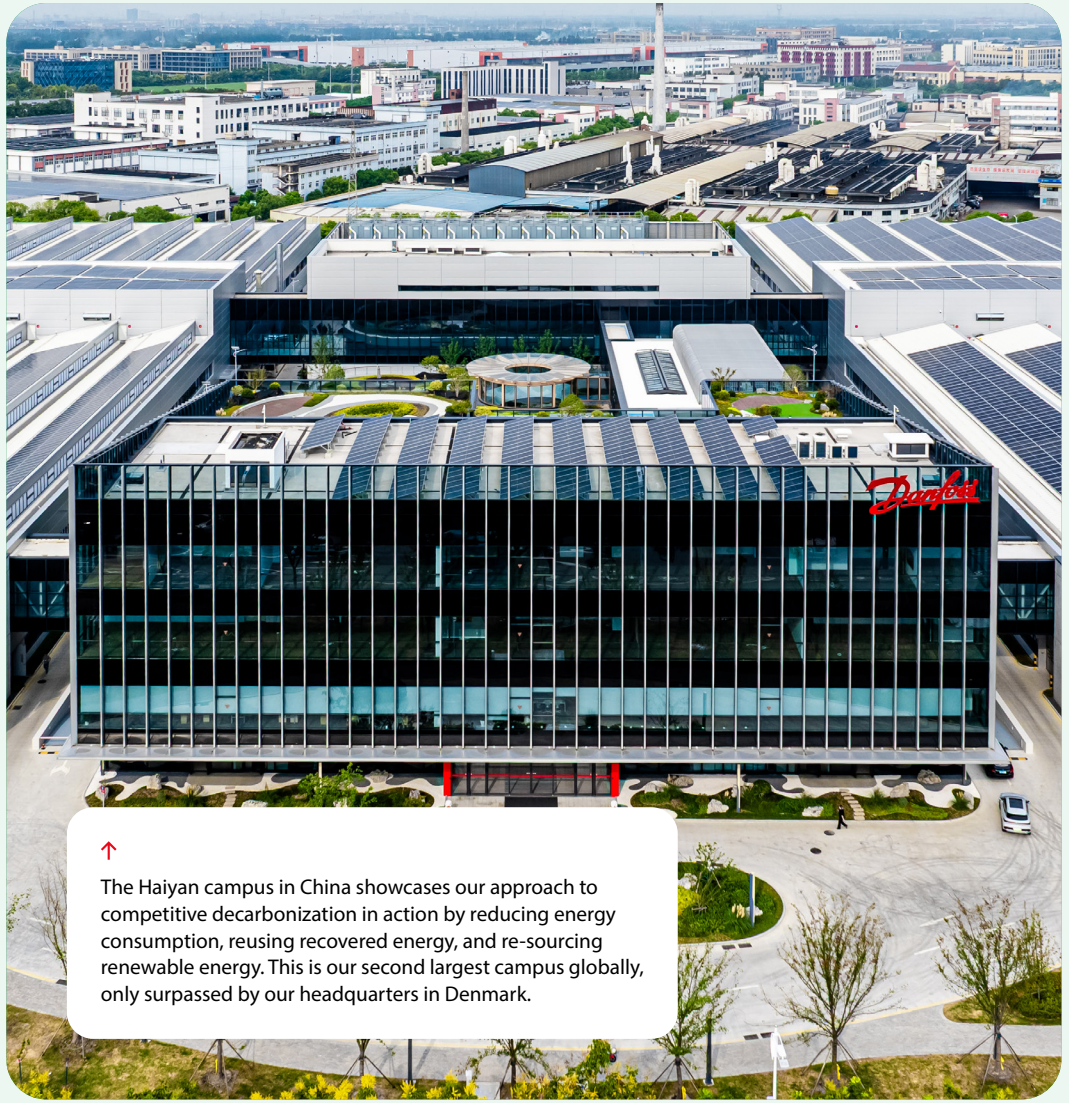
The solution

In 2025, we inaugurated our largest global production facility in China. Spanning 126,000 square meters, our Haiyan Second Campus more than doubles Danfoss' presence in the region.

The site is equipped with Danfoss technologies and solutions such as the Danfoss Turbocor® compressor chiller stations, which improve the efficiency of the central cooling system by 50% compared to conventional solutions. Danfoss heat pumps and scroll compressors enable heat recovery from the condenser and ventilation systems, supporting the supply of heating and hot water to the site.

Additionally, a rainwater recycling system reduces our reliance on external water sources. Our more efficient heat pump and recovery solutions contribute to 20% of the site's total energy savings, compared to the use of traditional boilers. In addition, the site is covered by a power purchase agreement (PPA) and has therefore run on 100% renewable sourced electricity since day one. From 2025, this RE100-compliant PPA reduces our scope 1 and 2 carbon emissions by 25,000 tons every year, equivalent to 56% of Danfoss' emissions in China and 10% globally.

With the new campus in operation, our expanded presence in Haiyan now integrates manufacturing for all three of our business segments as well as two Application Development Centers. The new campus not only strengthens our China-for-China market focus, but also underscores our long-term commitment to supporting China's green transition and development.



↑ The Haiyan campus in China showcases our approach to competitive decarbonization in action by reducing energy consumption, reusing recovered energy, and re-sourcing renewable energy. This is our second largest campus globally, only surpassed by our headquarters in Denmark.

Actions related to our upstream value chain

Our upstream focus is on minimizing the carbon footprint embodied in the materials and production of our products. And by doing so, we also contribute to reducing our customers' product carbon footprint. To achieve this, we engage with our suppliers to source low-carbon materials, while integrating sustainability in our procurement processes and product design.

Driving impact with our suppliers

In 2025, we expanded our supplier engagement program, the Green Ask, where we are working with our suppliers to improve greenhouse gas emission data and implement emissions reduction initiatives. Covering 40% of our EUR 3.5b annual purchase spend in 2024, we have extended the program to cover 58% in 2025.

Danfoss is strengthening collaboration with suppliers to increase the share of recycled materials in both products and packaging. In 2025, we continued our engagement with key suppliers, with the aim of shifting to primary supplier data, enabling us to better understand our footprint and take actions accordingly.

Regionalizing our supply chains

We are regionalizing our footprint to become more resilient, competitive, and sustainable. By regionalizing our supply chains, we source, produce, and sell within the same region, while also reducing our carbon footprint.

Sourcing of low-carbon materials

Through the First Movers Coalition (FMC), we support the development of low-carbon aluminum and commit to purchasing at least 10% (by volume) low-carbon primary aluminum by 2030, while ensuring that at least half of all aluminum used is composed of secondary aluminum by 2030.

Driven by these commitments, we have begun transitioning to green aluminum, testing both low-carbon virgin aluminum and aluminum with higher recycled content in our product design.

Integrating carbon pricing

In 2025, we piloted a carbon price into our procurement decision-making processes. By factoring in a carbon price in our purchased goods as well as production equipment, our teams are provided with further transparency into how to reduce our product carbon footprint.

Case story

Accelerating decarbonization with low-carbon aluminum in micro channel heat exchangers

As aluminum accounts for around 15% of our upstream emissions, every step we take to address the impacts from the materials in our products counts. To meet our decarbonization targets, we are focusing our efforts on raw materials that have the highest decarbonization potential.

In 2025, Danfoss secured a significant agreement together with a leading aluminum supplier, enabling our micro channel heat exchangers business to transition to low-carbon aluminum produced using 100% renewable energy.

By partially replacing conventional aluminum with low-carbon aluminum, we estimate that the average carbon footprint of the material used will be reduced by around 25% in our micro channel heat exchangers business.

Actions related to our downstream value chain

Our downstream emissions are primarily driven by the emissions from the use of our products and account for approximately 97% of our total emissions.

Across our three business segments, we work with decarbonization levers that include investments in optimization and energy-efficiency, transitioning to next-generation technologies, and automation.

Innovation spend

We invest to continuously develop more efficient and lower-emitting solutions for our customers. In 2025, we maintained a high level of R&D expenses of EUR 503m (2024: 476m), corresponding to 5.3% of sales (2024: 5.0%).

Improving product efficiency

We are improving the performance of our products through better design and component choices. This includes reducing energy losses by increasing efficiency, adopting new technologies, and applying improved working principles to further enhance product efficiency and productivity.

Optimizing energy use

By integrating intelligent features into our products and developing energy-optimizing services, software, and control solutions, we help customers run their systems more efficiently. Our performance optimization tools ensure that our products consume less energy during their lifetime in customers' applications.

Accelerating lower-emitting solutions

By providing optimal technology and solutions for specific applications, we contribute to our customers' emissions reductions. Across our business segments, we are exploring lower-emitting technologies and collaborating with customers to implement innovative solutions together.

Engaging with peers

To support our ongoing climate actions, we joined the World Business Council for Sustainable Development (WBCSD) Climate Action program in 2025. Through our engagement in different workstreams, we engage with WBCSD members to support knowledge-sharing and best practices on various climate-related topics across different sectors, industries, and geographies.

Case story

Our next generation of drives — cutting energy use and CO_2 emissions by up to 30%

Continuing the roll-out of the iC7 series, our premium next-generation intelligent drives deliver more compact, more reliable, and higher-performing drives than previous generations.

Particularly in terms of energy efficiency, the iC7 series offers up to a 30% reduction in energy consumption compared to previous generations, thereby lowering operating costs and helping customers reduce their CO_2 emissions.

By minimizing energy losses both within the drive and across the system, the iC7 series delivers significant energy efficiency and CO_2 savings for customers while also supporting Danfoss' own emissions reduction efforts.

Climate-related impacts, risks, and opportunities

Following the climate-related risks and opportunities assessment conducted in 2024, in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, we continued embedding the results into our processes in 2025.

We have engaged external climate risk experts to gain insights into our operational physical climate risk profile down to site-level and across different climate scenarios defined by the International Panel on Climate Change (IPCC).

In our assessments, we apply a combination of external tools and climate scenarios from the WWF Water Risk Filter, WRI Aqueduct, IPCC's Representative Concentration Pathways (RCPs), and climate scenarios from the International Energy Agency (IEA). We also rely on internal analyses and risk assessments, such as our double materiality assessment and local business continuity planning.

Physical climate-related financial risks
In 2025, we integrated the risk of flooding into all site-level business continuity planning and continued our flood-mitigation efforts at exposed sites, including flood emergency planning, drainage systems, and rainwater collection basins. Addressing water scarcity, we have implemented water withdrawal reduction plans at specific sites located in water-stressed locations. In addition, we established a target to reduce water intensity by 3%, measured as cubic meters of water withdrawal per 1,000 working hours. This target focuses on our most water-intensive operations in water-stressed areas.

Transitional climate-related financial risks
Our efforts to mitigate transitional climate-related financial risks are centered around our SBTi-targets, FMC commitments, and our Green Ask supplier engagement program.

Dependencies
Reaching climate targets requires more than internal ambition. It depends on a range of external factors — from policy and technology to supply chain collaboration and access to clean energy.

As a global technology leader, Danfoss plays an active role in shaping the transition — through policy advocacy, industry collaboration, and thought leadership that advances the case for energy efficiency, electrification, and integrated system solutions.

Examples of our key dependencies identified include:

- Reliance on clear, ambitious, and stable policy and regulatory frameworks.
- Shared commitments with business partners to decarbonize our value chain.
- Access to clean, reliable, and affordable energy.
- Reliance on continued development and scaling of low-carbon technologies to meet our targets.
- Availability of accurate data across the value chain.

		Climate-related risk / opportunity	Risk / opportunity type	Potential financial impact	Value chain impact
Opportunities	O1	Development of low emissions products	Transition	Increased revenues 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
Risks	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 2025

Scope 1

0.1%

Combustion of fuels
48 $ktCO_2e$

Company cars
10 $ktCO_2e$

Leakage of cooling agents in factories
60 $ktCO_2e$

Scope 2

0.1%

Purchased electricity
106 $ktCO_2e$

Purchased heating
6 $ktCO_2e$

Scope 3

99.8%

Purchased goods
2,648 $ktCO_2e$

Upstream transport
304 $ktCO_2e$

Commuting
34 $ktCO_2e$

Capital goods
403 $ktCO_2e$

Waste
0 $ktCO_2e$

Upstream leased assets
17 $ktCO_2e$

Use of sold products
106,321 $ktCO_2e$

Transmission of electricity
87 $ktCO_2e$

Business travel
21 $ktCO_2e$

Downstream transport
29 $ktCO_2e$

End-of-life treatment of sold products
130 $ktCO_2e$

Downstream leased assets
4 $ktCO_2e$

Energy and GHG emissions disclosures

	2024	**2025**
Energy consumption and mix		
Fuel consumption from coal and coal products (MWh)	-	-
Fuel consumption from crude oil and petroleum products (MWh)	52,789	41,872
Fuel consumption from natural gas (MWh)	256,853	263,400
Fuel consumption from other fossil sources (MWh)	-	-
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	368,014	195,319
Total fossil energy consumption (MWh)	**677,656**	**500,591**
Share of fossil sources in total energy consumption (%)	**65%**	**49%**
Consumption from nuclear sources (MWh)	69,545	37,598
Share of consumption from nuclear sources in total energy consumption (%)	**7%**	**4%**
Fuel consumption for renewable sources including biomass (MWh)	-	-
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	286,434	469,228
The consumption of self-generated non-fuel renewable energy (MWh)	5,478	10,720
Total renewable energy consumption (MWh)	**291,912**	**479,948**
Share of renewable sources in total energy consumption (%)	**28%**	**47%**
Total energy consumption (MWh)	**1,039,113**	**1,018,137**

	Base year 2019[1]	2024	**2025**	Development
Scope 1 GHG emissions				
Scope 1 GHG emissions (tCO_2e)	161,122	131,760	118,149	-10%
Percentage of scope 1 GHG emissions from regulated emission trading schemes (%)	-	< 0.1%	< 0.1%	
Scope 2 GHG emissions				
Gross location-based scope 2 GHG emissions (tCO_2e)	314,137	253,071	250,950	-1%
Gross market-based scope 2 GHG emissions (tCO_2e)	-	213,702	112,635	-47%

[1] Base year recalculated to include the acquisitions of Eaton Hydraulics (2021) and SEMIKRON (2022)

	Base Year 2024	**2025**	Development
Significant scope 3 GHG emissions			
Total gross indirect (scope 3) GHG emissions (tCO_2e)	**112,205,302**	**109,999,247**	**-2%**
1 Purchased goods and services	2,718,402	2,648,379	-3%
2 Capital goods	357,096	403,048	13%
3 Fuel- and energy-related activities	89,807	87,048	-3%
4 Upstream transportation and distribution	258,070	304,403	18%
5 Waste generated in operations	534	340	-36%
6 Business travel	24,472	20,913	-15%
7 Employee commuting	33,866	34,295	1%
8 Upstream leased assets	11,367	16,730	47%
9 Downstream transportation and distribution	16,757	28,930	73%
10 Processing of sold products	-	-	-
11 Use of sold products	108,603,889	106,321,049	-2%
12 End-of-life treatment of sold products	87,808	130,440	49%
13 Downstream leased assets	3,234	3,673	14%
14 Franchises	-	-	-
15 Investments	-	-	-

	2024	**2025**
Total GHG emission intensity (location-based, tCO_2e per EURm net sales)	11,857.2	11,704.2
Total GHG emission intensity (market-based, tCO_2e per EURm net sales)	11,853.0	11,689.5

↑

At MarinTec China 2025, the largest maritime exhibition in the world, Danfoss demonstrated how to decarbonize marine and offshore with innovative solutions for maritime electrification. The event hosted more than 2,200 companies from over 40 countries and was attended by more than 100,000 professionals from more than 100 countries, including ship owners, cargo interests, and technology providers.

Pollution

We are continuously working to reduce substances of concern in our products, processes, and supply chain.

Our approach

Across the value chain, we acknowledge the impacts stemming from the use of substances of concern and the adverse effects on human health and the environment. To address these we ensure our products and processes meet strict environmental compliance and product safety standards.

Our approach to pollution prevention follows a mitigation hierarchy, where our first priority is to prevent pollution and avoid pollutants at their sources. For Danfoss production sites, this means implementing and maintaining environmental management systems compliant with the requirements of ISO 14001.

For products and in production processes, this means taking proactive measures to reduce the use of potentially harmful substances, such as substituting substances of concern in our products and processes. A key tool in this effort is the Danfoss Negative List, restricting the use of hazardous substances in our products, processes, and supply chain.

Where avoidance is not possible, actions are taken to minimize impacts and implement pollution prevention practices across our sites. These topics are also addressed in the Danfoss Supplier Code of Conduct, where we require and promote responsible chemical management and safe handling practices to protect people and the environment.

As part of our Environment, Health, and Safety (EHS) approach, we take a proactive approach to incidents occurring by encouraging the early identification and reporting of potential hazards. This helps to drive improvements to prevent pollution while we also ensure procedures are in place to remediate potential environmental and pollution-related incidents.

Policy

EHS policy

Our environmental commitments and requirements to prevent pollution and manage resources efficiently are outlined in our EHS policy.

Actions related to pollution

ISO 14001 and IATF 16949

In 2025, 85% (2024: 76% and 2023: 80%) of Danfoss' manufacturing sites obtained or maintained certification for environmental management systems according to ISO 14001, and 92% of our sites that manufacture vehicle components obtained or maintained an IATF 16949 certification. We have ongoing activities to certify the remaining sites relating to newly acquired companies.

Air pollutant data mapping

To deepen our understanding of pollution-related impacts, in 2025 we completed a comprehensive data mapping initiative to collect information on indoor and outdoor air pollutants across all Danfoss manufacturing sites. At the majority of our manufacturing sites, Danfoss is mandated to monitor and report air pollution according to local permits. We consistently are within the air pollution threshold for our manufacturing sites.

Substances of concern and very high concern

We are continuously mapping PFAS to better track substances of concern in our products. With increased transparency and improved data, we are better positioned to address specific substances in our products, as well as report these to authorities and customers.

Material compliance data reporting requirements

Published in 2025, the Danfoss Material Compliance Data Reporting Requirements document sets clear expectations on our suppliers, outlining the data needed to demonstrate compliance with environmental regulations. By providing designated tools and guidance, we support suppliers in reporting material data accurately — enabling better tracking of substances that may contribute to pollution.

Water

We are committed to responsible water management practices, ensuring sustainable water use and the protection of natural resources.

Our approach

In Danfoss' operations, water is primarily used in our production in water-based cooling processes. As such, Danfoss operations are typically not water-intensive.

Through the WWF Water Risk Filter and climate-related assessments aligned with the Task Force for Climate-related Financial Disclosures recommendations, we identified water scarcity as a material risk to our operations in water-stressed areas.

To address the impacts related to the deterioration of water resources stemming from our operations, we take action to continuously reduce water withdrawals, consumption, and discharge, particularly in regions facing water quality and scarcity issues. Through our site monitoring, we have a heightened focus on sites located in water-stressed areas to ensure that our operations do not contribute to local water stress and scarcity.

At the same time, we see significant opportunities relating to Danfoss solutions and innovation to improve water management processes.

By leveraging our expertise in digitalization, automation, and thermal management, we aim to support more sustainable water practices and help customers reduce both their energy and water consumption.

Our solutions include: smart sensors that monitor water pipelines to detect leaks and prevent water loss; intelligent drives for pumps that automatically adjust their speed to match the current water demand, saving significant amounts of energy; and energy recovery devices that capture and reuse energy in desalination plants, reducing the energy needed to produce fresh water.

Target

Water reduction

In 2025, we set a new short-term water target focused on our most water-intensive operations in high water-stressed areas. By 2026, we aim to reduce water intensity by 3%, measured as cubic meters of water withdrawal per 1,000 working hours.

Policy

Water management policy

Our water management policy outlines our commitments to water conservation and water quality management, while also defining roles and responsibilities for water reporting and management.

Actions related to water

Monitoring of water-stressed areas

We mapped our factories located in regions facing water quality and scarcity issues and work to continuously monitor developments in these areas to ensure our actions, efforts, and resources are aligned with local conditions and contribute to meaningful water stewardship.

During 2026, we will work closely with our sites in the water-stressed areas to strengthen water management practices and expand improvement activities, enabling the definition of a longer-term water target.

Water reductions

In 2025, we reduced our overall water withdrawals across all Danfoss operations by 7.5% compared to 2024.

Water reporting

We publish data and progress on water externally through our integrated annual reporting as well as through the CDP and EcoVadis. In 2025, we achieved a CDP Leadership-level A- rating for our actions and reporting addressing water security.

Water advocacy

In 2025, we published the Danfoss Impact Paper on Water. This paper not only highlights technologies with significant energy-, water-, and emissions-saving potential but also provides policy recommendations in support of more responsible water management.

Case story

Danfoss high-pressure pumps drive record breaking seawater reverse osmosis efficiency

The challenge

Today, the water sector accounts for 4% of global electricity consumption, including for desalination. Producing water through desalination is energy intensive, but the optimum solution when water is scarce. This means that wherever water access is an issue, the energy system must also be considered.

The solution

The Canary Islands Institute of Technology (ITC) has announced a new Guinness World Records title for seawater desalination energy efficiency, and Danfoss components are at the heart of the innovative solution addressing water scarcity and climate change. Desalination is an increasingly vital source of drinking water for millions worldwide. While seawater is abundant, the seawater reverse osmosis (SWRO) process that powers most desalination plants requires significant electrical energy, creating both financial and environmental challenges.

In the Canary Islands, the DESAL+ LIVING LAB, a public-private innovation ecosystem led by ITC, launched the DESALRO® 2.0 project to address this challenge. The goal was to reduce the specific energy consumption (SEC) of SWRO plants to below 2.0 kWh/m^3, significantly lowering the energy required to produce each liter of drinking water.

Through advanced process optimization, innovative system design, and the integration of high-efficiency components such as Danfoss APP pumps, utilizing an axial piston design specifically engineered for reliable energy efficiency, the DESALRO 2.0 project achieved a record-low SEC of 1.794 kWh/m^3. This milestone demonstrates that large-scale SWRO desalination can be both sustainable and cost-effective, reducing environmental impact while improving performance. If all existing desalination plants worldwide were retrofitted to operate at 2.0 kWh/m^3, the resulting energy savings would be substantial, paving the way for broader adoption in water-scarce regions.

↑ Danfoss' high-pressure pumps enable this seawater reverse osmosis (SWRO) plant to provide life sustaining fresh water to a water-scarce region, all while reducing environmental impact through minimized energy use and costs.

Circular economy

We invest in circularity to take responsibility for our environmental impact and strengthen our competitiveness.

Our approach

As one of our three sustainability step-change initiatives, our circularity agenda plays a key role in our approach to sustainable innovation. Through our three business segments, we embed circularity strategies and tools to address our existing product portfolio and new product development.

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 to deliver competitive and value-adding solutions.

The Sustainability Strategies Wheel

Our circularity approach is based on our circularity framework and the principles of Rethink-Reduce-Recirculate. These principles are operationalized through strategies that guide our actions to develop and improve our existing product portfolio and new product development.

Driving performance through targets and commitments

As part of our approach, we set targets to address our existing product portfolio and our new product portfolio.

Supporting our circularity approach, through the First Movers Coalition (FMC), we commit to sourcing low-carbon aluminum. We commit to purchase at least 10% (by volume) low-carbon primary aluminum by 2030 and to ensure that at least half of the total mass of all aluminum procured per year will be from secondary aluminum by 2030.

In 2025, our carbon emissions from aluminum equaled a significant part of our scope 3 upstream emissions, making our FMC commitment an important driver of progress in advancing our circularity approach and delivering on our SBTi-target.

	Targets	Progress
New product development	80% By 2030, we aim to have 80% of newly developed products launched covered by Danfoss' circularity approach.	28% In 2025, 28% of all new product developments initiated were covered by Danfoss' circularity approach.
Circular business revenues	25% By 2030, we aim to achieve a 25% increase of circular business revenues compared to our 2023 base year, equal to EUR 287m.	0% Circular business revenues are flat in 2025. As part of our LEAP 2030 strategy, going forward we will expand our service and aftermarket offerings.

The Sustainability Strategies Wheel

Our circularity approach centers around three principles — Rethink, Reduce, and Recirculate.

Rethink

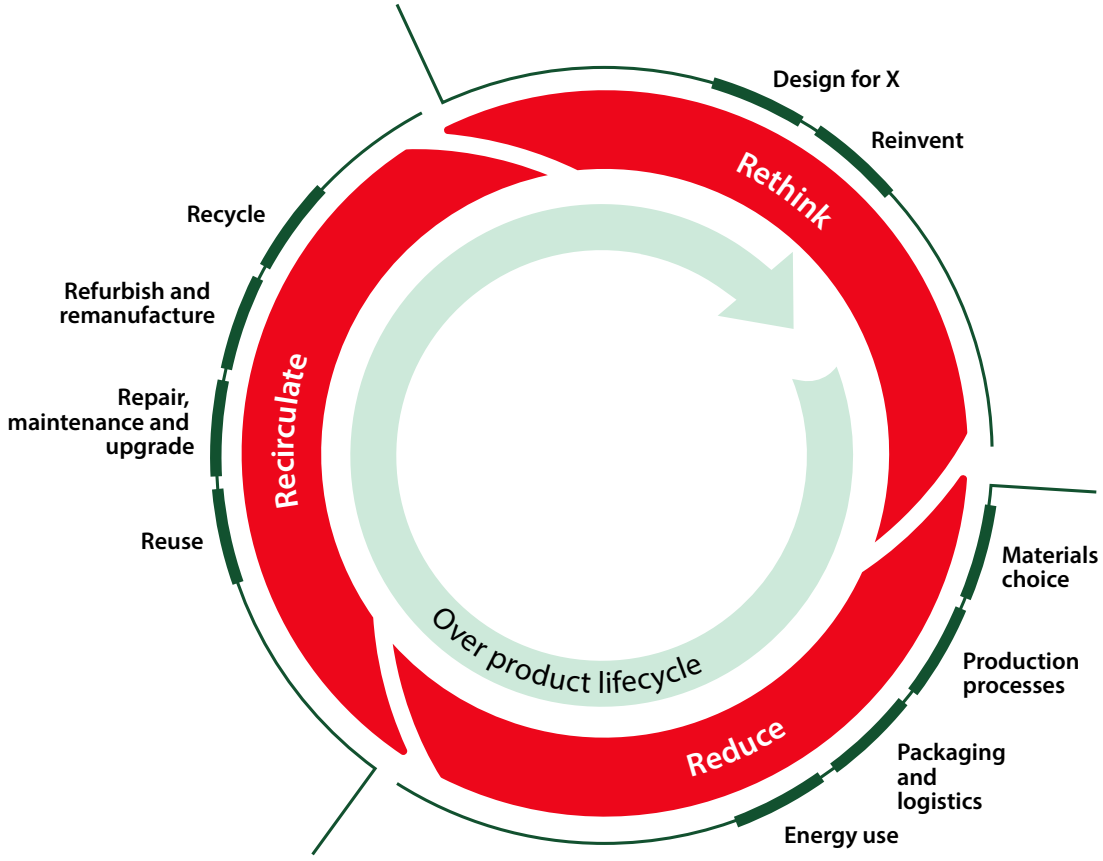
Rethink encourages a shift in how products and services are designed, delivered, and experienced. This includes reassessing Design for X strategies — such as designing for disassembly, durability, and upgradability — to extend product life and reduce environmental impact.

Reduce

Reduce focuses on minimizing environmental impact during the manufacturing and delivery of our products. This includes design and sourcing strategies to reduce the use of virgin materials and energy, and initiatives to reduce waste.

Recirculate

Recirculate addresses end-of-life strategies through reuse, repair, and remanufacturing strategies, as well as recovering materials through recycling.



Targets

New product development

Through our target, we aim to have 80% of newly developed products launched covered by our circularity approach by 2030.

Circular business revenues

Addressing our existing product portfolio, we aim to develop circular services to extend product lifetimes through maintenance, repair, and refurbishment. Our target is to achieve a 25% increase in circular business revenues by 2030, compared to our 2023 base year.

Progress on targets

New product development

In 2025, 28% of newly developed products launched had conducted circularity assessments (weighted by expected revenue). In 2024, we tracked all assessments across innovation projects to build organizational capability. The year 2025 represents the first year of measuring progress toward our 2030 target, now capturing the accumulated new product development.

Circular business revenues

In 2025, our circular business revenues were flat compared to our 2023 base year. As part of our new LEAP 2030 strategy, we will expand our service and aftermarket offerings to our customers and partners.

Policies

Circular economy policy

Our commitment to circular economy and responsible resource management is anchored in our circular economy policy.

Manufacturing waste policy

Our circularity approach is also addressed through our manufacturing waste policy, which establishes principles for responsible waste handling across our operations. This supports our ambition to improve material reuse.

Actions related to new product development

Circularity toolbox

We strengthened our circularity toolbox with piloting the Danfoss Circularity Index (DCI), a tool which quantifies the recyclability, repairability, and recycled content of our products. The DCI strengthens our design and development processes and provides customers with transparent, data-driven insights into the circularity of our products.

Improving data availability

Across Danfoss, we are collecting primary data from suppliers to accurately report on recycled content based on their verified information. This marks our transition from secondary estimates to primary supplier data for both carbon footprint and recycled content in sourced materials.

Strengthened policy and standards

We formalized our circularity commitments in our new circular economy policy and launched a sustainable design standard to better support our R&D teams.

Collaborating for circularity

We continued our active engagement with the Circular Design Forum (CDF), where we exchange knowledge and insights on circular economy practices with industry peers. We also initiated our participation in the Circular Leaders Group, an initiative organized by the Ellen MacArthur Foundation. To amplify our impact, we work with our customers, suppliers, and partners to identify areas where our joint efforts can drive impact.

Actions related to circular business revenues

Take-back and service models

Danfoss is committed to creating value throughout the entire lifecycle of our products. Across our three business segments, and together with our customers and partners, we are exploring the development of take-back solutions and service models that extend product life and promote circular material flows.

Case story

Scaling circularity through collaboration

In collaboration with several partners, including the Danish Technological Institute, Aalborg University in Denmark, and Linköping University in Sweden, Danfoss Climate Solutions has established the Back2Back initiative.

Running until 2027, the Back2Back project aims to establish shared return logistics for products such as pumps and thermostats, following the circularity principles of rethink, reduce, and recirculate, while creating the scale needed to make reverse logistics economically viable.

The collaboration combines research, logistics expertise, and digital traceability to support circular business models and extend product lifecycles across industries.

Case story

Circular service solutions driving competitiveness

Joining forces with a customer, Danfoss Power Electronics and Drives are proud to announce our drives refurbishment collaboration. Through this collaboration, which extends to 2030, we aim to refurbish more than 700 drives each year, while enabling carbon emissions savings of up to 80% per refurbished drive.

With dedicated teams and refurbishment lines established, we are scaling up our circular solutions. Building more efficient refurbishment processes allows us to offer more efficient and cost-competitive solutions to our customers.

Case story

Reducing our carbon footprint with recycled materials

Driven by a vision to create hoses with a higher amount of recycled content, a team of experts at Danfoss Power Solutions turned this idea into reality. Launched in 2025, the Dura-Terra™ hose series helps customers reduce emissions by up to 61% compared to standard hoses.

Without compromising on performance, Dura-Terra™ hydraulic and multipurpose industrial hoses are made with up to 72% recycled, plant-based biomaterials and replace up to 91% of virgin carbon with recycled carbon content.

Additionally, these hoses work seamlessly with Danfoss fittings, meeting relevant industry standards.

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.

Identifying eligible activities

During 2025, we continued our work to preparing to comply with the EU Taxonomy reporting requirements. Following an analysis of the products in each of our three business segments, we have identified EU Taxonomy-eligible activities across our businesses.

In 2025, our reporting covers the same activity codes as identified in 2024 excluding the impact from discontinued operations. Danfoss has not applied any thresholds for 2025 reporting.

Taxonomy-eligible turnover

In 2025, the following economic activities are the main areas that are identified as taxonomy-eligible:

- Manufacture of energy efficiency equipment for buildings (activity 3.5)
- Manufacture of other low-carbon technologies (activity 3.6)
- Manufacture, installation, and servicing of high-, medium-, and low-voltage electrical equipment (activity 3.20)
- Sales of spare parts (activity 5.2).

These taxonomy-eligible activities are defined as enabling activities in relation to the climate change mitigation objective and the transition to a circular economy objective, pertaining specifically to Danfoss Climate Solutions and Danfoss Power Electronics and Drives.

As the regulation currently does not include activity codes to capture our hydraulics products, these are not included in this mapping.

Taxonomy-eligible OpEx

Taxonomy-eligible OpEx are mapped following our taxonomy-eligible turnover, except for building renovations, which are mapped to the renovation of existing buildings (activity 7.2).

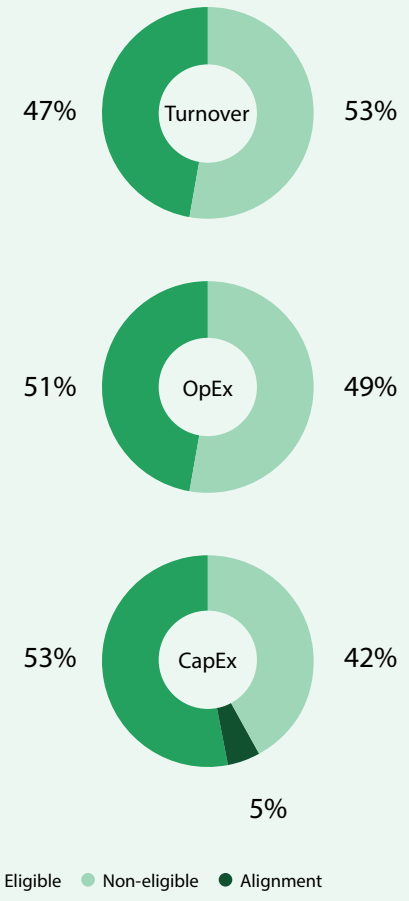
Taxonomy-eligible CapEx

Most of the taxonomy-eligible CapEx has been mapped according to the identified eligible turnover 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, and repair of energy efficiency equipment (activity 7.3)
- 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).

EU Taxonomy
— eligibility and alignment



Identifying aligned activity

To determine whether an economic eligible activity is considered aligned and thereby considered environmentally sustainable, it must contribute to one or more of the EU's six environmental objectives, do no significant harm (DNSH) to the other environmental objectives, and adhere to minimum safeguards with respect to social and governance standards.

The six environmental objectives under the regulation are:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection of healthy ecosystems

Taxonomy-aligned sales

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

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.

For the DNSH criteria, we meet all objectives except for the pollution prevention and control objective.

At Danfoss, we offer products that comply with regulatory frameworks such as EU Regulation 1907/2006 (REACH) and EU Directive 2011/65/EU (RoHS) and will not claim any alignment for sales in 2025. In 2026, we will update our assessment under the DNSH criteria and the amendments made to the EU Taxonomy during 2025.

Taxonomy-aligned OpEx

Due to the lack of taxonomy-aligned turnover, we are not able to report on taxonomy-aligned OpEx. We are also continuing to assess the alignment against 7.2.

Taxonomy-aligned CapEx

The main part of our CapEx is allocated based on the percentage of taxonomy-aligned turnover 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.

Identifying climate-related risks

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

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, and due diligence processes ensure that we have minimum safeguards in place on human rights, bribery and corruption, taxation, and fair competition.

Moving forward

While we acknowledge 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.

Given that we see our hydraulics products as solutions that drive lower emissions through machine productivity and efficiency, we will continue to work together with industry associations to influence the development of the EU Taxonomy. As such, we will continue to monitor the regulation and adapt our reporting accordingly.

Total External Turnover

		2025		Substantial contribution criteria						DNSH criteria ('Do No Significant Harm')									
Economic Activities	Codes	Absolute Turnover	Proportion of Turnover	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Pollution	Circ. Economy	Biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Pollution	Circ. Economy	Biodiversity and ecosystems	Min. Safeguards	Proportion of Taxonomy-aligned (A.1) or -eligible Turnover 2024	Cat. enabling activity	Cat. transitional activity
				Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-Eligible Activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Turnover of environmental sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of low carbon technologies for transport	3.3	2	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Manufacture of energy efficiency equipment for buildings	3.5	1,614	17%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								16%		
Manufacture of other low carbon technologies	3.6	1,103	12%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								12%		
Manufacture of automotive and mobility components	3.18	46	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
Manufacture medium and low voltage electrical equipment	3.20	1,496	16%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								16%		
Installation, maintenance and repair of energy efficiency equipment	7.3	4	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Data driven solutions for GHG emissions reduction	8.2	18	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Repair, refurbishment and remanufacturing	5.1	33	0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0%		
Sale of spare parts	5.2	115	1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								1%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A2)		**4,431**	**47%**	45%	0%	0%	0%	2%	0%								47%		
A. Turnover of Taxonomy-eligible activities (A1+A2)		**4,431**	**47%**	45%	0%	0%	0%	2%	0%								47%		
B. Taxonomy non-eligible activities																			
Turnover of non-eligible activities		**4,999**	**53%**																
Total		**9,430**	**100%**																

E: Enabling
T: Transitional

EL: Eligible
N/EL: Non-eligible

Taxonomy-eligible turnover

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

To avoid double-counting, turnover 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 turnover are reconciled to our management system and cannot exceed 100% of total turnover.

Total OpEx

		2025		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	Circ. Economy	Biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Pollution	Circ. Economy	Biodiversity and ecosystems	Min. Safeguards	Proportion of Taxonomy-aligned (A.1) or -eligible OpEx 2024	Cat. enabling activity	Cat. transitional activity
				Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-Eligible Activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of low carbon technologies for transport	3.3	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Manufacture of energy efficiency equipment for buildings	3.5	87	12%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								12%		
Manufacture of other low carbon technologies	3.6	95	13%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								14%		
Manufacture of automotive and mobility components	3.18	5	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3%		
Manufacture medium and low voltage electrical equipment	3.20	125	17%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								16%		
Renovation of existing buildings	7.2	49	7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								6%		
Installation, maintenance and repair of energy efficiency equipment	7.3	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Data driven solutions for GHG emissions reduction	8.2	11	2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Repair, refurbishment and remanufacturing	5.1	1	0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0%		
Sale of spare parts	5.2	5	1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								1%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A2)		**378**	**51%**	50%	0%	0%	0%	1%	0%								52%		
A. OpEx of Taxonomy-eligible activities (A1+A2)		**378**	**51%**	50%	0%	0%	0%	1%	0%								52%		
B. Taxonomy non-eligible activities																			
OpEx of non-eligible activities		**360**	**49%**																
Total		**738**	**100%**																

E: Enabling
T: Transitional

EL: Eligible
N/EL: Non-eligible

Taxonomy-eligible OpEx

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 turnover.

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 turnover.

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

Total CapEx

		2025		Substantial contribution criteria						DNSH criteria ('Do No Significant Harm')									
Economic Activities	Codes	Absolute CapEx	Proportion of CapEx	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Pollution	Circ. Economy	Biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Pollution	Circ. Economy	Biodiversity and ecosystems	Min. Safeguards	Proportion of Taxonomy-aligned (A.1) or -eligible CapEx 2024	Cat. enabling activity	Cat. transitional activity
		EURm	%	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-Eligible Activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Acquisition and ownership of buildings	7.7	26	5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3%		
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1)		26	5%	5%	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	3%		
Of which enabling				5%	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	-	E	
Of which transitional				0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	-		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of low carbon technologies for transport	3.3	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Manufacture of energy efficiency equipment for buildings	3.5	40	7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								8%		
Manufacture of other low carbon technologies	3.6	35	6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								7%		
Manufacture of automotive and mobility components	3.18	1	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								8%		
Manufacture medium and low voltage electrical equipment	3.20	29	5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4%		
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	13	2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3%		
Renovation of existing buildings	7.2	81	15%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								12%		
Installation, maintenance and repair of energy efficiency equipment	7.3	4	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Acquisition and ownership of buildings	7.7	104	19%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								7%		
Data driven solutions for GHG emissions reduction	8.2	1	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Repair, refurbishment and remanufacturing	5.1	0	0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0%		
Sale of spare parts	5.2	2	0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A2)		**311**	**53%**	53%	0%	0%	0%	0%	0%								51%		
A. CapEx of Taxonomy-eligible activities (A1+A2)		**337**	**58%**	58%	0%	0%	0%	0%	0%								54%		
B. Taxonomy non-eligible activities																			
CapEx of non-eligible activities		**248**	**42%**																
Total		**585**	**100%**																

E: Enabling
T: Transitional

EL: Eligible
N/EL: Non-eligible

Taxonomy-eligible and -aligned CapEx

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 turnover.

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

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 turnover. Leasing of company cars is mapped into activity 6.5.

No CapEx plan has been included for the 2025 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.

Danfoss Power Solutions' application team outfit a battery-electric excavator with the Dextreme Max system, featuring the Danfoss digital displacement pump (DDP). By reducing power consumption in electric excavators, Dextreme Max enables OEMs to reduce machine costs.

Social

Colleagues from our Chennai campus celebrated the mid-winter harvest festival, bringing together the rich cultural traditions of India. By fostering a sense of belonging across our locations, we create inclusive environments where people feel safe, respected, and inspired to contribute their best.

Contents

Own workforce

Fostering a safe and inclusive culture where our high-performing, engaged teams can thrive and deliver their best.

Our approach

People-centric approach

At Danfoss, we have a people-centric approach that centers on inclusion, safety, and learning and development.

To deliver on our customer promise, we empower and invest in our global teams. We demonstrate the Danfoss behaviors every day, while focusing on operational excellence, sustainable innovation, and a customer-centric approach.

We are committed to creating a fair, inclusive, and safe workplace where everyone is respected, supported, and able to contribute their best. This is essential to developing the capabilities needed to push the boundaries of what is possible.

To deliver on our LEAP 2030 strategy and enable our global teams to deliver great results, our focus on inclusion and belonging at Danfoss is essential. This means taking action to strengthen our talent pipeline and ensuring our actions are driven by meaningful and impactful targets.

Ambitious targets driving our performance

Supporting our focus on inclusion, in 2025, we set a new 2030 target which measures inclusion and belonging across Danfoss. To address fairness and equity in the workplace, we have also set a new 2030 target to address gender pay gaps and take action to address any gaps identified through our monitoring activities. And in line with our continuous improvement mindset, to ensure Danfoss is a safe workplace, we have annual targets as well as a 2030 target set to address incidents in the workplace.

	Targets	Progress
Inclusion	≥80 By 2030, achieve an inclusion score of at least 80.	78 In 2025, we achieved a score of 78. This will serve as our base year for future assessments.
Gender pay gap	≤5% By 2030, maintain the total net gender pay gap below 5% globally.	3.9% In 2025, the total net gender pay gap was 3.9%, well below our target.
LTIF	≤1.0 By 2030, ensure a Lost Time Injury Frequency (LTIF) rate at or below 1.0 incidents per million hours worked.	1.0 In 2025, we achieved a record-low LTIF of 1.0 and a 41% reduction over the last five years.

Inclusion

Our approach

As one of our three step-change initiatives, we believe that inclusion and equal opportunities drive high engagement and enable high-performing teams. Our aim is to create an inclusive workplace where high-performing teams are empowered to thrive and drive meaningful impact for our customers and partners. Underpinned by the principles of fairness and transparency, we are committed to building and maintaining an inclusive workplace culture that provides equal opportunities for all our employees, regardless of who they are or where they work.

We believe that equal pay for work of equal value, regardless of gender, is a key element of inclusion and fundamental to attracting, motivating, and retaining engaged, high-performing teams. As such, Danfoss is committed to fair and competitive compensation and benefits, including paying all employees a living wage.

Targets

Inclusion

We aim to achieve an inclusion score of at least 80 by 2030. The scoring is based on our employee engagement survey, Voice, and is measured as an average of the responses to a specific set of questions designed to measure inclusion at Danfoss.

Gender pay gap

We remain dedicated to ensuring equal pay for work of equal value. To support this ambition, we have set a new target to ensure the total net gender pay gap remains below 5% globally towards 2030.

Progress on targets

Inclusion

With our new inclusion target, assessed through our employee engagement survey, Voice, we achieved a score of 78 in 2025. This will serve as our base year for future measurements.

Gender pay gap

In 2025, we updated our calculation methods to align with the EU Pay Transparency Directive. For accurate comparison, we recalculated our 2024 data. Consequently, we have recalculated our 2024 gender pay gap from 6.3% to 4.2%. The total net gender pay gap globally in 2025 reached 3.9% (2024: 4.2%). The gross gap in pay between genders was 21.2% (2024: 22.4%). All calculations are based on data for our salaried employees.

Policies

Inclusion is embedded in how we work and lead. While we do not have a standalone inclusion policy, our people policy, health and well-being policy, living wage policy, compensation equity policy, and the Danfoss Ethics Handbook collectively ensure equal opportunity, respect, and support for all employees.

Actions related to inclusion

Employee Voice

Our employee engagement survey, Voice, gathers insights on engagement, leadership, well-being, inclusion, and workplace culture. In 2025, we achieved an outstanding 93% participation rate reflecting the strong commitment of our teams. With an overall engagement score of 79, the survey confirms that Danfoss employees are highly engaged and would recommend Danfoss as an employer. Following the survey, all teams review their results and create action plans to address the results.

Moving forward, we will measure progress on inclusion with a new global inclusion score, which is the average score of seven key inclusion questions in our employee engagement survey. We will monitor progress every year.

Representation in leadership teams

During 2025, we reached a Management Team Diversity score of 78%, an improvement for the fifth year in a row. Set to enable more diverse representation in leadership teams, this is based on having a minimum of two nationalities and genders in all Danfoss leadership teams at management levels 1-4.

Additionally, the share of women in leadership positions has also grown for the fifth year in a row, reaching 24.6% in 2025.

Living wage

We completed our living wage assessment covering all Danfoss operations and will conclude on the results in 2026. Going forward, we will continue to monitor living wage and our compensation practices.

Recruitment practices

We continuously promote accessibility and inclusive hiring practices. To ensure fair and unbiased hiring decisions, we develop the capabilities of our hiring managers and recruiters to address unconscious bias and apply inclusion and fairness checks. Candidates are evaluated based on merit and contribution, regardless of gender, age, race, nationality, disability, sexual orientation, or any other protected characteristics.

Gender pay gap

We actively monitor pay equity by comparing salary levels between men and women in comparable job roles. This ongoing analysis helps us identify any emerging gaps and ensures that our compensation practices remain fair and competitive. If our monitoring reveals pay gaps, we take targeted mitigation actions to address them appropriately. These actions may include salary adjustments, role evaluations, or broader policy reviews.

Case story

Promoting inclusion through our Employee Resource Groups

We continue our focus on inclusion as this is part of the Danfoss DNA. Employee Resource Groups (ERGs) support our efforts to build a more inclusive workplace and strengthen employees' sense of belonging. The groups are open to all employees and focus on creating spaces for connection, dialog, and shared learning that enhance the overall employee experience.

Our ERGs help bring different perspectives into the conversation, highlight areas where inclusion can be strengthened, and encourage understanding across differences.

Employees can connect through ERG communities focused on Pride, Multinational & Nations, Genders, Abilities, and Generations, alongside social domains addressing topics such as well-being and parenting. Activities include seminars, events, and awareness-raising initiatives that explore topics such as unconscious bias, neuroinclusion, inclusive work environments, and mental health.

A culture of safety — Safety First!

Our approach

Through our Safety First approach, our aim is to foster a strong safety culture across Danfoss.

Our approach to continuously driving improvements in environmental, health, and safety (EHS) is anchored in a robust management system which is supported by regular audits, ensuring compliance with global standards and local regulations. Ensuring alignment with best practices, all our production sites are required to comply with international standards such as ISO 45001 for occupational health and safety management systems and ISO 14001 for environmental management systems.

We promote safe behaviors — whether on-site, traveling, or working with partners — through continuous awareness-raising and training. We have zero tolerance for harassment and discrimination[1] and work to ensure we provide a workplace that is not only physically safe but also psychologically safe.

As part of our approach, we provide a range of support systems. Employees are trained in first aid, and through our benefits program, employees have health insurance coverage and access to an Employee Assistance Program offering professional counseling for work or personal issues, along with an online resource hub.

Our Safety First approach applies to any person working for or with Danfoss as well as any person visiting a Danfoss location. Contractor safety guidelines secure specific requirements that apply to external parties working at Danfoss sites.

Targets

Danfoss has set a target to ensure a Lost Time Injury Frequency (LTIF) rate at or below 1.0 incidents per million hours worked by 2030, compared to a 2024 baseline of 1.2. Our 2025 target for LTIF is 1.2 and 2.1 for Total Recordable Incidents Frequency (TRIF).

Progress on targets

Driven by a continuous improvement approach, a strong safety culture, and proactive risk management, combined with the dedication of our teams worldwide, we achieved a record-low LTIF in 2025 of 1.0 and a 41% reduction over the last five years.

Policies

EHS policy and Health and well-being policy

Our EHS policy and the health and well-being policy are the backbone of how we ensure a safe and healthy workplace across Danfoss operations.

Actions related to Safety First!

ISO 45001 and 14001

In 2025, 57% of our production sites obtained or maintained an ISO 45001 certification and 85% obtained or maintained an ISO 14001 certification.

EHS governance

We strengthened EHS governance through our dedicated QEHS Leadership Team and a cross-segment team including representatives from Danfoss global services and sustainability functions. This structure promotes collaboration across segments to drive continuous improvement, harmonize standards, and reinforce our safety commitment.

Leadership safety walks

Through leadership safety walks, our employees and leaders engage in open dialog, bringing new perspectives on ways to improve workplace conditions.

Safety week

Danfoss Safety Week is a cornerstone of our commitment to fostering a culture of safety across all levels of our organization. This annual event takes place at every Danfoss location, ensuring safety remains a top priority.

Training

We explored the use of AI-supported training programs to provide personalized and interactive learning experiences to elevate the effectiveness of safety training initiatives. An example of this is in Danfoss Power Solutions, where we used AI video generation software to develop EHS training.

Driving continuous improvements

We take a proactive approach to preventing safety incidents by encouraging the early identification and reporting of potential hazards. Through the management and reporting of incidents and hazards, we drive workplace improvements and reinforce our commitment to a safe working environment.

Health and safety

	2023	2024	**2025**	Target 2025
LTIF (Lost Time Incidents Frequency)	1.2	1.2	1.0	1.2
TRIF (Total Recordable Incidents Frequency)	2.1	2.2	2.0	2.1
Fatalities	0	0	0	0

[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 protected characteristics.

↑
Danfoss Power Solutions' production teams at our Ningbo, China location were recognized for their commitment to safety during our 2025 Safety Week. Operational excellence and a continuous improvement mindset are part of the Danfoss DNA.

Engaging with our own workforce

Employee Voice

Our global employee engagement survey, Voice, is conducted on a regular basis to better understand our employees' experience. The survey, conducted in collaboration with a third party, assesses the following themes: engagement, inclusion, leadership, well-being, and workplace culture. We also conduct periodic pulse surveys to track our progress in employee satisfaction and feeling of inclusion.

Employee representation and social dialog

Danfoss respects the right to freedom of association, including participation in labor unions or workers' councils. In countries where these rights are limited or legislation restricts union membership, we create alternative channels to enable an open social dialog between employees and management.

Leadership communication

Throughout the year, leadership teams regularly share updates on strategic priorities along with financial and sustainability performance updates.

AskHR Hubs

Our four Danfoss AskHR hubs, covering our global operations, provide professional support for work-related inquiries, including wages, benefits, holidays, policies, and concerns requiring HR intervention.

Channels to raise concerns

Promoting a speak-up culture

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.

Channels to raise concern

Danfoss offers employees various channels to raise workplace-related grievances and concerns, ranging from addressing these with their immediate managers, their HR representative, through the Voice survey, exit interviews, as well as through workplace representatives or union representatives.

Danfoss Ethics Hotline

We promote the Ethics Hotline and guide employees on how to report concerns through onboarding materials, the Danfoss Ethics Handbook, employee training, and recurring promotional campaigns.

Access to remedy

Following investigations and assessments of substantiated cases, we ensure that remediation actions are taken and that remedy is provided.

Learning and development

Our approach

At Danfoss, we are committed to creating a culture of continuous learning and development. To achieve this, we follow the globally recognized 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.

As most learning takes place through hands-on experience, our employees are encouraged to take on new tasks, challenging projects, and lead initiatives. This approach ensures learning is directly connected to real business impact. Our employees benefit from mentoring (both as a global program and a self-service mentoring platform), coaching, and peer-to-peer collaboration. We foster knowledge sharing across teams and geographies, creating strong networks that support career development and innovation. We also offer a wide range of formal training opportunities, including leadership workshops, technical courses, and digital learning platforms, enabling employees to gain specialized knowledge and certifications.

Target

Learning and development

To support learning and development, we have set a 2030 target to maintain or improve the already high score of 81 on learning and development in our employee engagement survey, Voice. The baseline for this target is our learning and development score achieved in 2025.

Progress on target

Learning and development

Our commitment to the growth and development of our employees is reflected in our Voice survey. The results show a consistently high and stable perception of learning opportunities, development, and clarity on development needs, scoring 81 within learning and development.

Actions related to learning and development

Learning opportunities

Across Danfoss, learning and development were facilitated locally, ensuring opportunities were tailored to the needs of each site. We continued to invest in e-learning, enabling our employees to take ownership of their development and learn at their own pace.

Our employees had access to a broad range of in-house and external training, as well as mentoring, coaching, and talent rotation opportunities. Functional training courses were offered in areas such as finance, operations, safety, quality, and sustainability. We also enrolled experienced leaders in programs at the business school INSEAD.

Early career opportunities

For more than 50 years, the Danfoss Postgraduate Program has supported early career development for early-career professionals. In 2025, participants of the Danfoss Postgraduate Program gained exposure to different cultures, ways of working, and perspectives through international rotations and cross-functional collaboration.

As an official partner of EuroSkills 2025 in Denmark during the Danish EU presidency, Danfoss supported Europe's largest skills competition. The event aims to increase young people's interest in skilled trades and technical training. In addition to engaging with interns and apprentices, Danfoss executives hosted European education ministers and the Vice President of the European Commission for Skills, demonstrating how industry can help build the skills needed for competitive decarbonization.

euroskills Herning2025

Workers in the value chain

Respecting and promoting human rights across the value chain.

Our approach

At Danfoss, we are committed to respecting human rights across our own operations and value chain. This commitment is firmly embedded in our own operations, compliance programs, due diligence processes, and grievance mechanism. Our approach is guided by 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. Responsibility for our human and labor rights agenda is anchored with the Group Risk and Compliance function, with deployment into the business driven by the respective functional areas.

Human rights due diligence

Guided by the UNGPs and the OECD Guidelines, our human rights due diligence process follows a risk-based approach to assess human rights issues in the regions where we operate. This process entails a continuous approach to identification, assessment, and mitigation of adverse human rights impacts across the value chain.

To assess effectiveness, we regularly evaluate the outcomes of our activities and due diligence efforts, including third-party supplier audits.

Salient human rights

Danfoss has identified salient human rights issues in our value chain. We work proactively to mitigate and prevent these risks through our due diligence approach.

Policies

Human rights policy

Our commitment to upholding human and labor rights is outlined in the human rights policy and in the Danfoss Ethics Handbook.

Danfoss Supplier Code of Conduct

Our Supplier Code of Conduct sets environmental, social, and ethical business requirements and expectations for our suppliers. Suppliers are expected to implement standards consistent with the Danfoss Code of Conduct within their own supply chain.

Engaging with workers in the value chain

Engaging through due diligence processes

We engage with workers employed at our suppliers as part of our supplier due diligence processes, which include audits with worker interviews. We also engage with workers employed at our suppliers as part of our factory visits. These interactions allow us to gather insights into the working conditions at our suppliers.

Engaging through proxies

To better understand and get insight into the risks and impacts facing workers in our value chain, we participate in industry and sustainability forums where topics covering human and labor rights are addressed. Engaging with credible proxies enables us to identify risks that may not surface through direct supplier engagement or audits.

For example, we engage and participate in the UN Global Compact Network Denmark and the Nordic Business Network for Human Rights, coordinated by the Danish Institute for Human Rights.

Channels to raise concerns

Danfoss Ethics Hotline

Workers in the value chain have access to the Danfoss Ethics Hotline — a secure and confidential reporting channel. The hotline enables anonymous reporting, protects against retaliation, and ensures concerns are investigated independently and impartially. It serves as a key mechanism for identifying and addressing potential adverse human rights impacts across our value chain.

Access to remedy

If Danfoss or any of its business partners are found to have caused, contributed to, or are linked to actual negative human rights impacts, we act in accordance with the UNGPs, ensuring appropriate remediation actions are taken and remedy is provided or enabled through Danfoss or our cooperation. The nature and extent of the remedy are determined on a case-by-case basis, in collaboration with the impacted stakeholders.

Actions related to workers in the value chain

Updated Supplier Code of Conduct

During 2025, we updated the Danfoss Supplier Code of Conduct to reflect evolving standards and expectations relating to responsible business conduct. The updates to the Code of Conduct are reflected in our revised supplier due diligence processes, including supplier self-assessments, as well second- and third-party audits. These measures enable us to identify non-compliances and address them appropriately, in collaboration with our suppliers.

Supplier verification

During the year, 70 third-party audits were performed in countries identified as high risk. These audits identified a total of 15 severe non-conformities related to working hours, health and safety, and compensation. All non-conformities were addressed through a root-cause analysis to identify corrective actions and were closed during the year.

Training and capacity building

As part of strengthening our supplier due diligence processes we have initiated new targeted trainings, developed in 2025, to launch in 2026. These trainings will be mandatory for our procurement functions to complete as the revised Danfoss Supplier Code of Conduct is rolled out.

Addressing modern slavery

In 2025, we strengthened our due diligence measures aimed at addressing modern slavery risks in our supply chain. On an annual basis, we communicate our policies, outcomes, and performance through the Modern Slavery Act Statement which is publicly available on danfoss.com.

Ensuring responsible mineral sourcing

Danfoss is committed to sourcing materials and components from suppliers that share our values in respecting human rights, ethics, and environmental responsibility.

We support the Responsible Minerals Initiative and enable responsible sourcing decision-making by reviewing whether the tin, tantalum, tungsten, and gold (3TG) in our products originate from conflict-affected or high-risk regions. As part of our approach, we engage with suppliers through recurring campaigns to collect 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 enables us to provide Conflict Minerals Reporting Templates (CMRT) to our customers and initiate due diligence activities to mitigate high-risk smelters in our supply chain.

Promoting a living wage

At Danfoss, we are committed to paying our employees a living wage. As a lever to address key human rights risks, with our updated Danfoss Supplier Code of Conduct, we encourage our suppliers to do the same.

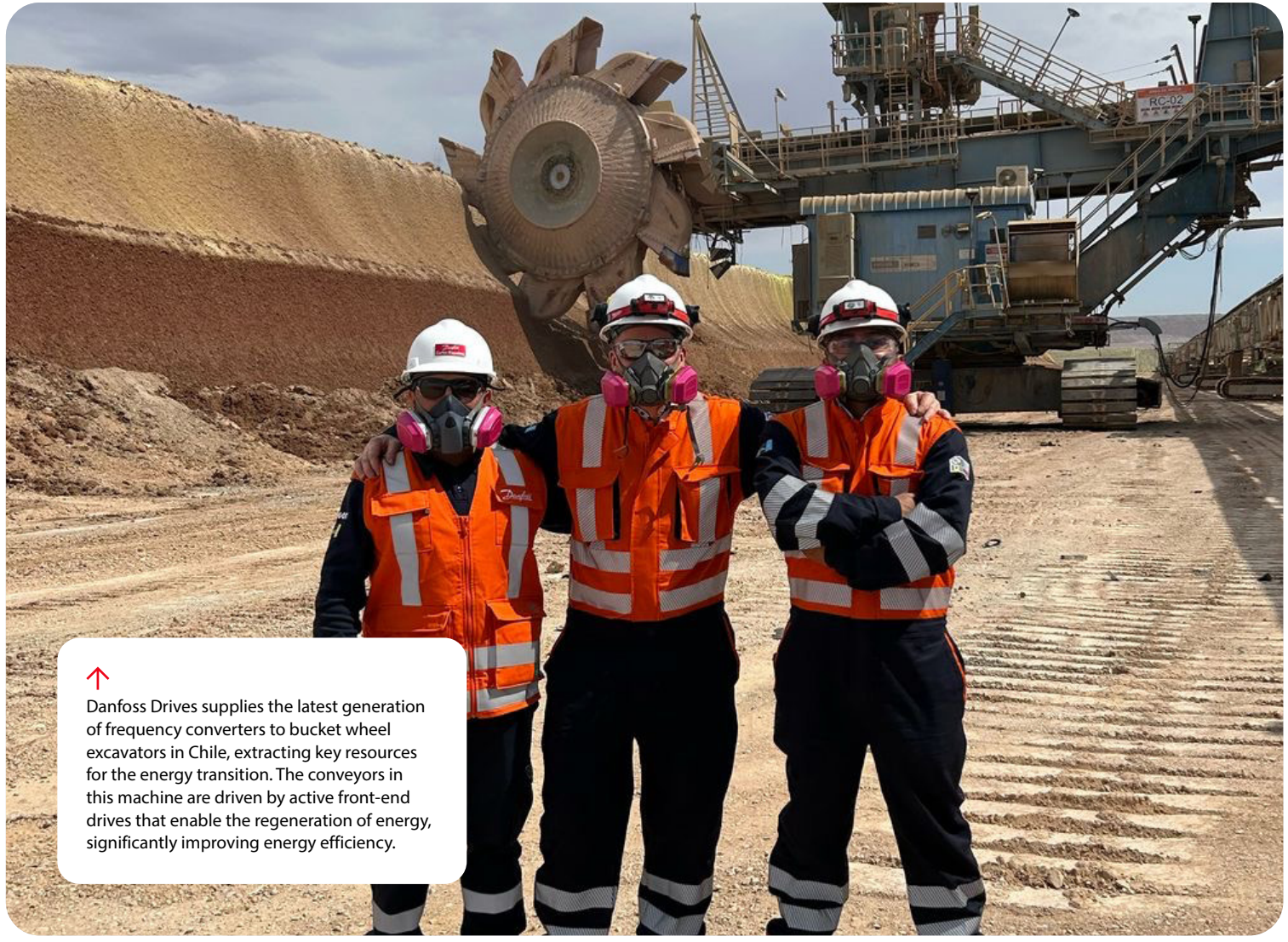
The Danfoss Supplier Code of Conduct

In 2025, we updated the Danfoss Supplier Code of Conduct, which now aligns with the Responsible Business Alliance (RBA) Code of Conduct.

To support our procurement teams and suppliers with implementation, we also developed the Supplier Code of Conduct Implementation Guidance, which provides practical insights and examples related to the requirements of our Supplier Code.

Find the Danfoss Supplier Code of Conduct on danfoss.com.

Governance



Danfoss Drives supplies the latest generation of frequency converters to bucket wheel excavators in Chile, extracting key resources for the energy transition. The conveyors in this machine are driven by active front-end drives that enable the regeneration of energy, significantly improving energy efficiency.

Contents

Business conduct

Acting responsibly is central to our core values and instrumental in our ability to build leading positions.

Corporate culture

At Danfoss, our corporate culture is built on fairness, equity, and transparency — values that are deeply embedded in the Danfoss DNA. Aligning practices with strategic goals and global standards, our aim is to foster a culture of accountability and responsible decision-making while inspiring entrepreneurship and innovation.

Inspired by our great founders and through the Danfoss Behaviors — Frontline Passion, Run the Business Like Your Own, and Think Danfoss — we empower our teams to take actions to drive impact and work together to leverage the synergies of our global teams.

In relation to our business partners, our corporate culture plays a key role in how we are perceived as trusted, reliable, and responsible partners. It is supported by the Danfoss Ethics Handbook and our business conduct policies, and reinforced through comprehensive compliance programs and training. The effectiveness of our compliance programs is overseen by our Audit Committee.

Policies

The Danfoss business conduct policy

The Danfoss business conduct policy is an overarching and foundational policy in Danfoss. It provides a structured framework for responsible business conduct, linking together our company purpose and strategy with our values.

Outlining our commitments and requirements towards environmental, social, ethics, and compliance topics, this policy supports our governance framework, ensuring that Danfoss operates ethically, sustainably, and with integrity.

The implementation of our policies is supported by training covering topics such as ethics, export control, fair competition, anti-corruption, and data privacy. To assess our corporate culture, we draw insights from mechanisms such as the employee engagement survey, Voice, and the Danfoss Ethics Hotline.

The Danfoss Ethics Handbook

Serving as guidance and setting clear expectations for our employees, the Danfoss Ethics Handbook is based on the Danfoss Values as well as 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.

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 promote the use of the Ethics Hotline, the Danfoss Ethics Handbook provides guidance on how to raise concerns and where to find the hotline.

Anti-corruption and anti-bribery

Our approach

Danfoss has a zero-tolerance policy for bribery and corruption. We ensure our business partners understand our stance on anti-corruption by including specific clauses in our contracts. To further mitigate the risks of corruption and bribery in our value chain, we have embedded anti-corruption as an integrated element of our upstream and downstream business partner due diligence process.

Policies

Our commitments are embedded in the Danfoss Ethics Handbook and further reflected in the Danfoss Supplier Code of Conduct and business partner agreements.

At-risk functions

To promote knowledge building, our compliance program covers training on topics such as bribery, kickbacks, facilitation payments, nepotism, and conflict of interests. Our compliance program trainings are mandatory for all at-risk functions, such as our sales, procurement, finance, supply chain and operations, and public affairs functions. We periodically review all training and compliance procedures to ensure the effectiveness of our approach.

Reporting concerns

We actively encourage and support our employees to report through the Danfoss Ethics Hotline any concerns or observations of actual or potential policy violations regarding bribery and corruption.

Danfoss Ethics Hotline

Our approach

To maintain a culture that reflects our values and ethical business practices, we promote a speak-up culture where concerns are handled confidentially.

The Danfoss Ethics Hotline, which is hosted by an external operator, serves as our whistleblower function and a grievance mechanism for ethics and human rights issues. 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. For cases where Danfoss has caused or contributed to actual negative impacts, we will engage in remediation actions accordingly.

Protection of whistleblowers

To protect against retaliation, the Danfoss Ethics Hotline enables case reporters to maintain their anonymity by offering a functionality of 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 while maintaining their anonymity.

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 team generally handles all case investigations by involving trusted local or global experts as needed, unless local legislation requires case handling to be conducted by local management teams.

Accessibility

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

Oversight

All cases handled through the hotline are overseen by the Danfoss Ethics Committee to ensure consistent, impartial, and confidential case handling. On a quarterly basis, the Audit Committee receives updates on the number, nature, impact, and outcome of the reported cases.

Whistleblower system

	2023	2024	**2025**
Whistleblower cases received (number)	297	371	323
Substantiated cases (number)	92	131	144
Substantiated cases related to:			
Discrimination including harassment (number)	12	31	15
Fines for discrimination including harassment (EURm)	0	0	0
Human and labor rights related to own workforce (number)	0	0	1
Fines for human rights issues and incidents (EURm)	0	0	0

Prevention and detection of corruption and bribery

	2023	2024	**2025**
Convictions for violation of anti-corruption and anti-bribery laws (number)	0	0	0
Fines for violation of anti-corruption and anti-bribery laws (EURm)	0	0	0

Sustainable procurement

Our approach

Across our three segments, we work to mitigate supply chain risks and realize strategic and value-adding opportunities together with our suppliers.

Supplier due diligence

Through our due diligence approach, we ensure that we partner with suppliers that operate responsibly. As part of our screening and selection process, we require that potential new suppliers complete a supplier qualification audit and that suppliers based in countries identified as high-risk are audited by a third party. We ensure that environmental, social, and ethical business practices are considered by our Sourcing Committee in the supplier selection process.

The Green Ask, our supplier engagement program

We engage to decarbonize, promote the sourcing of renewable energy, develop circularity initiatives, and encourage ambitious sustainability target-setting.

Targets

Supplier commitment

We will ensure that 80% of targeted suppliers have committed to the Danfoss Supplier Code of Conduct. by 2030.

Risk assessment coverage

We will ensure that 80% of targeted suppliers have been risk-assessed by 2030.

High-risk suppliers

We will ensure that third-party audits are conducted for at least 80% of high-risk suppliers by 2030.

Progress on targets

Following our new targets set in 2025, our focus is on the implementation of each one and we will report progress on each target starting from 2026.

Policy

Sustainable procurement management policy

Our policy defines our commitment and approach, emphasizing monitoring and improvements activities, supplier dialog, and supplier engagement initiatives.

Actions related to sustainable procurement

Strengthening our approach

We formalized our commitments with the establishment of our new policy and strengthened our approach through updates to the Danfoss Supplier Code of Conduct and due diligence process, now ensuring that our risk-based due diligence is based on country and industry risk indices.

Addressing suppliers in high-risk countries

In 2025, 74% (2024: 69% and 2023: 87%) of our suppliers in high-risk countries had additional contractual clauses on environmental, labor, and human rights requirements.

Advancing the Green Ask

During 2025, we expanded the Green Ask, now covering 58% of our EUR 3.5b annual purchase spend.

Supplier verification

	2023	2024	**2025**
Suppliers in high-risk countries audited by a third-party (%)	70	74	77
Third-party audits in high-risk countries (number)	61	76	70
Severe non-conformities (number)	3	12	15
Suppliers engaged in corrective actions or capacity building follow assessments (number)	325	400	246

Political influence and lobbying activities

Our approach

In line with our business purpose and strategic priorities, we drive engagement and advocacy that support ambitious climate policies and increase energy efficiency and electrification in industry.

Our public affairs teams play an important role in advocating for legislative and regulatory frameworks and policies to support climate action in alignment with the goals of limiting global warming to 1.5ºC as per the Paris Agreement.

Through our advocacy and lobbying activities, we aim to influence and shape the development of policies related to climate change and decarbonization, energy efficiency, and the circular economy. These topics align with the material impacts, risks, and opportunities identified through our double materiality assessment by addressing climate change-related risks and energy efficiency.

Our public affairs efforts are coordinated at both the Group level and across our three business segments. Regular alignment meetings ensure a unified approach to emerging issues, policy developments, and company positions.

Political contributions

The laws of many countries prohibit or strictly limit contributions by corporations to political parties and candidates. Danfoss does not support individual political parties or the interests of any specific political parties. We strictly adhere to all laws and regulations governing corporate political activities.

Transparency registry

Danfoss is registered with the European Commission and European Parliament's Transparency Register (REG 024782946888-95) and conducts an annual review to ensure it adheres to the applicable code of conduct.

Case story

Shaping policy and perspectives — tapping into water and energy

Launched in 2025 and presented at several events and summits around the world, the Danfoss Impact Paper, titled *The potential of the water-energy nexus,* calls for a shift in perspective from policymakers to see the water and energy system as one. The paper showcases examples of how integrated solutions can save both these critical resources. Above all, the paper calls for a shift in perspective: to see water and energy as interconnected systems, where efficiency in one drives efficiency and resilience in the other.

By cutting waste, boosting efficiency, going digital, and making water count, we can scale existing solutions to secure human well-being, enhance climate resilience, and strengthen industrial competitiveness.

Case story

Insights that shape energy policy and markets to better serve our customers

The challenge

The global energy transition depends on energy and industrial policies that create clear, stable frameworks that allow efficient, electrified technologies to scale across markets. Unclear or misaligned policies increase risk, delay investment decisions, and slow the deployment of proven solutions, which has a direct impact on our customers.

To accelerate energy independence, competitive decarbonization, and resilience, policy makers need credible, evidence-based input that connects policy design with technologies that set new standards in efficiency, performance, sustainability, and reliability.

The solution

Danfoss contributes robust, data-driven analysis that helps policymakers design frameworks that support the deployment of energy-efficient and electrified solutions, creating more predictable conditions for customers to invest, innovate, and succeed.

The Danfoss Impact Paper series, developed in collaboration with trusted partners such as the International Energy Agency (IEA), the World Resources Institute, and Aalborg University in Denmark, provides decision makers with actionable evidence on electrification, excess heat utilization, and energy efficiency.

Our impact papers have already delivered tangible policy outcomes. In 2025, the European Commission cited Danfoss' Impact Paper titled *Energy Efficiency 2.0 – Engineering the future energy system* in its EU Affordable Energy Action Plan.

For customers, this evolving policy direction across our key markets translates into greater regulatory clarity and consistency, stronger financial incentives to reduce and reuse energy, and more predictable market frameworks, accelerating the deployment of proven solutions that strengthen competitiveness while supporting decarbonization.

In November, a delegation of EU Ambassadors to the United States visited Danfoss' Turbocor® facility in Tallahassee, Florida where Danfoss showcased its US-based manufacturing, American workforce, and oil-free, magnetic-bearing compressor technology, designed, tested, and produced locally to support energy efficiency, economic growth, and industrial competitiveness across North America.

Data privacy and ethics

Our approach

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 employee training, and comply with data privacy legislation where we operate.

Data exploration and analytics 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.

Artificial intelligence (AI)

We have additional security measures in place to protect personal data. We apply AI responsibly, guided by principles of human oversight, fairness, transparency, and accountability.

We continuously improve and adapt our AI ethics and compliance framework, which includes clear requirements, risk assessments, and bias prevention measures, alongside plans on education with AI across the organization.

Handling of personal data

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.

Policy

Guiding our approach, the Danfoss data privacy handbook ensures clarity about Danfoss' rules for the processing of personal data.

Actions related to data privacy and ethics

Training

In 2025, we launched a comprehensive AI literacy program to empower our employees with skills to leverage artificial intelligence, driving innovation and efficiency across the organization.

Information security

Our approach

At Danfoss, we protect our information assets from current and emerging security threats to remain a reliable and trustworthy business partner. Our approach is built on a strong foundation.

We manage information security based on risk and informed by threat intelligence. We operate controls that safeguard the availability, integrity, and confidentiality of information across our business processes and supporting systems. We comply with legislative, regulatory, and contractual requirements and allocate resources to plan, implement, and continually improve our security posture. As part of this approach, we conduct regular internal and external audits and assessments.

Through this approach, we foster a security-conscious culture where employees, contractors, and partners follow our policies and maintain awareness to safeguard information and enable informed decisions.

Security framework

We base our Information Security Management System (ISMS) on the ISO/IEC 27000 family of standards. Clear roles and responsibilities ensure accountability, with our Chief Information Security Officer (CISO) accountable for ensuring the enforcement of security requirements and practices across the organization.

Incident response

To respond effectively to threats, we maintain a robust incident response plan and team, supported by regular exercises to ensure rapid and effective action.

Third-party security

We extend our security requirements to third parties, ensuring they follow best practices to protect shared information assets.

Policy

Information security policy

The Danfoss information security policy defines our commitments, and is supported by our internal standards on information security, classification, as well as our IT systems code of conduct.

Actions related to information security

ISO 27001

In 2025, Danfoss received ISO 27001 certification. This enhances customer trust in Danfoss, as it demonstrates our ability to protect sensitive data.

Security incidents

In 2025, Danfoss handled 77 information security incidents (2024: 103 and 2023: 90), none of which were considered significant in impact.

Product safety and compliance

Our approach

At Danfoss, we believe that meeting compliance obligations and fulfilling our customers' expectations are essential prerequisites for sustainable operations and non-negotiable for building trust.

As such, our approach ensures adherence to regulatory standards in product safety to ensure that our design, manufacturing, testing, and certification processes align with market requirements.

For more information on how we work to ensure our products are safe, we refer to our approach to pollution prevention and how we work to reduce potentially harmful substances in our production and products.

In our efforts to communicate transparently and better understand the environmental impacts of our products over their lifecycle stages, we strive to continuously improve the availability and quality of data related to our products with regard to their full material disclosures (FMDs).

With access to FMD data, we are enabled to conduct product lifecycle assessments (LCA) and environmental product declarations (EPD), thereby providing substantiated documentation to our customers in support of their sustainability agenda.

Policies

Our commitments to product safety are defined in our product compliance policy. Our approach and commitments are also closely linked to how we operate to ensure quality and excellence in our operations. Our commitments, management processes, and approach are set out in our quality policy.

Actions related to product safety and compliance

ISO 9001 and IATF 16949

In 2025, 94% of Danfoss' manufacturing sites obtained or maintained certification for quality management systems according to ISO 9001, and 92% of our sites that manufacture vehicle components obtained or maintained an IATF 16949 certification.

Delivering environmental product declarations

In 2025, we published 63 new environmental product declarations (EPDs), bringing the total number released to customers to 156. Additionally, our EPD process was verified by a third party to ensure quality and transparency.

Responsible tax

Our approach

As part of our commitment to conduct business in a lawful and ethical manner, we are committed to also engaging in responsible tax practices. We believe that tax payments and contributions play an important role in contributing to the welfare and development of society.

As our business model is substance-based and our global presence is driven by commercial reasons, we are not driven by tax planning initiatives. We believe in creating a fair profit allocation and acting in accordance with all applicable international and national tax rules and tax reporting requirements.

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.

Policy

The Danfoss tax policy, which defines our approach to responsible tax practices, describes our commitment to transparency, compliance, and accountability. The 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.

Actions related to responsible tax

The annual Danfoss Tax Report is publicly available on danfoss.com.

Consolidated ESG statement

The combine harvester stands as a cornerstone of modern agriculture, with core Danfoss products providing the power that enables the machine's work functions. Components such as the X1P pump, hoses, and fittings produce and deliver fluid power where it is needed, ensuring efficient, reliable machine operation throughout harvest time.

Contents

General basis for preparation of the sustainability statement

Integrated annual reporting

During 2025, we continued our work preparing for the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). We continue to incorporate our material topics into our strategy and business operations.

In our 2025 annual report, we have started to include ESRS disclosures, where feasible, and excluded phase-in and voluntary disclosures. For the full list of disclosures, please refer to pages 121–123.

Double materiality assessment

In 2025, we revisited the materiality assessment conducted in 2024 and updated our conclusions, now identifying substances of concern within Pollution (E2) and water withdrawals and discharge within Water (E3) as material.

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 notes on pages 109–118).

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. In case of divestments in the reporting year, the data are included up to the closing date of the divestment unless it is classified as discontinued operations. Discontinued operations are excluded from the reporting year and the one-year prior comparative period, with related impacts disclosed in the notes to the consolidated ESG statement.

GHG emissions are calculated in accordance with the GHG Protocol and consolidated following the operational control approach, where emissions data from locations under Danfoss' operational control are included in the consolidated scope 1, 2, and 3 data.

Estimates and judgments

Estimates are applied in the reporting of certain data points, including scope 3 emissions. Information on metrics involving value chain estimations or measurement uncertainty is provided in the notes and accounting policies on pages 109–118.

Restatement and changes in preparation

In instances where material misstated ESG data points are identified 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 base 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 are reported in accordance with the TCFD framework. See the table ´Alignment with TCFD recommendations´ on page 123.

External assurance

All quantitative data points listed in the consolidated ESG statement section (excluding the data point physical intensity), and additional data points on pages 108-118, marked with * are covered by limited assurance performed by our auditors, PwC. For more details, please see the independent limited assurance report on page 204.

Consolidated ESG statement

	Reference to page	2021	2022[1]	2023[1,2]	2024[1,2,3,4]	**2025[2,4]**
Environment						
Climate						
Scope 1 GHG emissions (metric tons CO_2e)	73	82,906	110,687	164,465	131,760	118,149
Scope 2 GHG emissions, location-based (metric tons CO_2e)	73	187,851	280,938	289,368	253,071	250,950
Scope 2 GHG emissions, market-based (metric tons CO_2e)	73	-	284,917	262,222	213,702	112,635
Scope 3 GHG emissions (metric tons CO_2e)	73	78,661,076	84,550,471	127,489,438	112,205,302	109,999,247
Total GHG emissions, location-based (metric tons CO_2e)		78,931,833	84,942,096	127,943,271	112,590,133	110,368,346
Total GHG emissions, market-based (metric tons CO_2e)		-	84,946,075	127,916,125	112,550,764	110,230,031
Total scope 1 and 2 GHG emission, market-based (metric tons CO_2e)		82,906	395,603	426,686	345,462	230,784
Total scope 1 and 2 GHG emission intensity (market-based, metric tons CO_2e per EURm net sales)		40.1	40.1	40.4	36.4	24.5
Economic intensity (scope 3 GHG emissions, tCO_2e per EURm GP)		-	-	-	36.3	34.1
Physical intensity (compressor scope 3.11 tCO_2e per tons cooling capacity)		-	-	-	8.5	8.2
Energy						
Energy consumption (MWh)	73	659,784	1,103,141	1,115,946	1,039,113	1,018,137
Energy intensity (MWh per EURm net sales)		97.7	111.7	105.6	109.4	108.0
Renewable energy ratio (%)	73	19.1	21.1	21.1	28.1	47.1
Pollution						
Total air pollutants (metric tons)				547	507	501
Circularity and Waste[3]						
Total waste (metric tons)		73,289	78,910	82,109	82,893	72,128
Hereof hazardous waste (metric tons)		6,947	13,550	15,074	16,890	14,003
Hereof recycled waste (metric tons)		54,929	51,240	48,379	55,921	48,364
Waste intensity (metric tons per EURm net sales)		10.9	8.0	7.8	8.7	7.6
Water						
Water withdrawals (m^3)	76	1,045,908	2,107,228	2,320,972	2,204,248	2,039,391
Total water withdrawals in areas at material water risk (m^3)		-	-	646,398	372,098	338,553
Water intensity (m^3 per EURm net sales)		154.9	213.4	219.5	232.1	216.3

[1] Acquired Eaton's hydraulics business is included from 2022. SEMIKRON is included from 2023. BOCK® Compressors included from 2024.
[2] 2023, 2024 and 2025 figures are subject to limited assurance (Physical intensity not in scope for limited assurance)
[3] Climate-related KPIs recalculated as part of SBTi resubmission and new baseline year

	Reference to page	2021	2022[1]	2023[1,2]	2024[1,2,4]	**2025[2,4]**
Social						
People						
Number of employees		40,043	41,928	42,054	38,611	38,844
Employee turnover (%)		16.0	19.2	18.2	18.6	18.1
Hereof employee voluntary turnover (%)		-	-	7.7	6.9	7.0
Employee engagement score	90	81	-	79	-	79
Employee inclusion score	90	-	-	-	-	78
Inclusion						
Gender split all employees (women/men) (%)		28/72	29/71	30/70	30/70	30/70
Gender split all leadership positions (women/men) (%)	90	20/80	21/79	22/78	24/76	25/75
Management team diversity (%)	90	66.8	67.4	75.5	73.4	78.0
Equity						
Pay ratio between gender, general (%)	90	-	22.7	22.4	22.4	21.2
Pay ratio between gender, within job categories (%)[5]	90	-	6.8	4.4	4.2	3.9
Pay ratio between CEO and average employee (ratio)		-	172	191	101	152
Health and Safety						
Lost Time Injury Frequency (LTIF)	92	1.7	1.6	1.2	1.2	1.0
Total Recordable Injury Frequency (TRIF)	92	3.0	2.8	2.1	2.2	2.0
Governance						
Board of Directors						
Gender split Board of Directors (women/men) (%)	45	13/87	25/75	25/75	25/75	29/71
Attendance rate at Board meetings (%)		100	96	98	96	100
Board independence *(%)*		63	75	75	75	71
Ethics and Human Rights						
Whistleblower cases (Ethics Hotline), all	100	74	167	297	371	323
Whistleblower cases (Ethics Hotline), substantiated[6]	100	2	6	92	131	144
Ratio of suppliers signed Code of Conduct (%)		95	93	73	79	79

[4] KPIs adjusted for discontinued operations. Impact from discontinued operations disclosed in the notes to the consolidated ESG statement.
[5] Ratio has been recalculated in 2023-2025 to reflect the direction from the EU Pay Transparency Directive.
[6] From 2023, including substantiated cases where advice has been given. The 2023 number has been updated compared to 2023 annual report.

Notes to the consolidated ESG statement

Unless otherwise stated, the consolidated ESG statement covers the period from January 1 to December 31, 2025.

Note 1 Climate

Primary data on scope 1 and 2 GHG emissions constitute 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 2.3 million m^2 out of Danfoss' total real estate footprint of 2.6 million m^2, corresponding to 89%. Where no consumption and emissions data are available, average consumption values per m^2 are applied to estimate energy consumption and GHG emissions. For 2025, this amounted to 3% 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 the IEA are applied. All GHG emissions are converted to CO_2 equivalents (CO_2e). DEFRA and IEA emission factors published in the reporting year are used for all emission calculations.

Scope 1 GHG emissions includes:

- Direct emissions from the combustion of natural gas, biogas, and oil; refrigerant leakage; and fuel consumption from Danfoss-owned or -controlled vehicles and airplanes. Emissions from the combustion of natural gas, biogas, and oil are calculated using emission factors from DEFRA 2025 or, where applicable, local emission factors provided by biogas suppliers.

- Emissions from refrigerants include leakage occurring during production and testing processes, as well as losses during the filling of Danfoss products. These emissions are calculated based on annual inventory counts, procured refrigerant volumes, and shipped products, multiplied by emission factors from the IPCC GHG AR6 report.

- Emissions from leased fossil fuel company cars are calculated for all Danfoss vehicles, segmented by fuel type. Calculations are based on expected annual mileage and WLTP emission factors relevant to each fuel type. Vehicle data are provided by the leasing company and include tank-to-wheel emissions. Well-to-tank emissions are reported under scope 3 C3.

- Emissions from Danfoss-owned company airplanes are calculated using actual fuel burn data provided by the operator and multiplied by ICAO emission factors for kerosene jet fuel combustion.

	2024	**2025**
Scope 1 GHG emissions (metric tons CO_2e)		Total
Danfoss including discontinued operations	132,592	119,166
Impact from discontinued operations	832	1,017
Continued operations	**131,760**	**118,149**

Scope 2 GHG emissions (market-based) includes:

- Indirect emissions from purchased heating and electricity. Market-based emissions factors are applied, reflecting the impact of power purchase agreements (PPAs) of green energy and other renewable sourcing. Where market-based emissions factors are not available, location-based emissions factors from the IEA 2025 are applied. Indirect emissions related to the electricity used for EV charging at company-owned locations are also included. These are calculated based on the annual average budgeted kilometres per vehicle, multiplied by emission factors provided by local energy suppliers or, IEA country-specific emission factors.

	2024	**2025**
Scope 2 market-based GHG emissions (metric tons CO_2e)		Total
Danfoss including discontinued operations	217,257	112,957
Impact from discontinued operations	3,555	322
Continued operations	**213,702**	**112,635**

Scope 2 GHG emissions (location-based) includes:

- Indirect emissions from purchased heating and electricity. Location-based emissions factors from the IEA 2025 are applied. The indirect emissions for the electricity used for EV charging in our own locations are also included. The calculation is based on the yearly average km budgeted for each car multiplied by emission factors from local energy suppliers or IEA country-specific emission factors.

Scope 3

As part of resubmission of our SBTi targets and continuous improvement of our accounting practices, in line with the GHG Protocol, we have made updates to our methodologies and emission factors, impacting our 2024 base year. Scope 3 GHG emissions include indirect emissions from the following categories (C):

- *C1 Purchased goods and services*
  The emission from direct spend is based on: the supplier-specific method, which uses product-level cradle-to-gate GHG data from suppliers; the hybrid method, which combines supplier-specific data with secondary data; the average-data method, which estimates emissions based on mass or other relevant units; and the spend-based method, which uses the economic value of purchased goods and services multiplied by industry average emission factors.

  Emission factors are identified using the LCA database, Sphera. Each spend category is assigned an emission factor based on the main primary materials, relevant production and processing activities, and the geographical location of the supplier. For indirect spend, emissions are calculated using the spend-based method. Spend data are collected and categorized by service type, such as cleaning, accounting, legal, and repair and maintenance services and multiplied by industry-specific emission factors sourced from the Danish Klimakompasset.

- *C2 Capital goods*
  Capital goods covers the acquisition of machinery and equipment and land and buildings based on the average spend-based method multiplied by emissions factors from the Danish Klimakompasset.

- *C3 Fuel- and energy-related activities*
  Includes fuel- and energy-related activities not already included in scope 1 and 2. Included sources: leased company cars, corporate airplanes, and upstream impacts of energy used in and purchased for buildings and production. These emissions cover the upstream emissions of energy-related activities as well as the lifecycle emissions due to transmission and distribution losses. The applied emissions factors for energy and fuel consumption are from the IEA and DEFRA 2025.

- *C4 Upstream transportation and distribution*
  Covers intercompany flows, supplier and customer flows paid by Danfoss, 3PL warehouses, and supplier flows not paid by Danfoss. The 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 disposed waste within waste categories: hazardous waste, recycled and non-recycled waste multiplied with emission factors from DEFRA 2025 "waste to landfill".

- *C6 Business travel*
  Emissions from business travel are calculated using DEFRA 2025 emission factors and include air, rail, rental car travel, and hotel stays, based on distance traveled, vehicle type, rental duration, and overnight stays, as applicable.

- *C7 Employee commuting*
  Covers the total number of employees grouped by commuting type. Emissions from commuting are calculated for those using private cars or public transport, while company car emissions are reported under Scope 1. Employees who do not commute or walk/bike are excluded. Calculations use DEFRA 2025 emission factors for passenger vehicles and public transport.

- *C8 Upstream leased assets*
  Covers emissions from locations where Danfoss does not have operational control - mainly sales offices and logistic locations. The energy consumption is calculated based on the average energy consumption of electricity and gas from locations where primary data is collected and multiplied with average location-based emission factor for electricity and gas.

- *C9 Downstream transportation and distribution*
  Covers customer flows not paid by Danfoss. The calculation is based on incoterms and volume per transportation mode.

- *C11 Use of sold products*
  This category covers the minimum boundary activities under the GHG Protocol, consisting of our sold products' direct emissions. We account for downstream emissions from the use of Danfoss products that consume energy during operation. These products operate on electricity, and we have estimated their typical operating profiles to calculate downstream emissions. For emission factors, we apply IEA country- or region-specific electricity and heat factors when available, and revert to the IEA global average where data is not specified. Our calculations include CO_2, CH_4, and N_2O emissions, as well as upstream emissions due to electricity generation and full life cycle transmission and distribution related emissions. Use phase calculations are aligned with the recognized industry standards when they exist, such as ASERCOM, CEMEP, and the Semiconductor Industry Association to ensure robustness and comparability.

- *C12 End-of-life treatment of sold products*
  Covers the total procured material used for the calculation of scope 3.1, with the assumption that plastics and plastic-EPS are sent to municipal waste incineration plants and the remaining material being disposed as landfill. The calculation is based on emission factors from Sphera for the different raw material categories. For refrigerants used in Danfoss products, the assumption is that refrigerants are released into the air using GWP values from the GHG AR6 report.

- *C13 Downstream leased assets*
  Covers emissions from two passenger airplanes owned by Danfoss A/S and leased by the local airline company, following the ICAO (International Civil Aviation Organization) Carbon emissions methodology. The method includes: Converting actual fuel burn from liters to kg and then applying the emission factor from the combustion of jet fuel. Well-to-tank emissions are included in the calculation.

GHG intensity
GHG intensity is reported as total GHG emissions in metric tons per EURm net sales.

	2024	**2025**
Scope 3 GHG emissions (metric tons CO_2e)		Total
Danfoss including discontinued operations	112,363,938	110,058,429
Impact from discontinued operations	158,636	59,182
Continued operations	**112,205,302**	**109,999,247**

Note 2 Expected avoided emissions enabled by Danfoss variable speed drives

The expected avoided emissions enabled by a Danfoss variable speed drive (VSD) across its lifetime ("the expected avoided emission") is a measure based on actual sales data and an internal calculation model.

Products in scope
Our published Danfoss Drives Avoided Emissions methodology applies to VSDs, and is inspired by the World Business Council for Sustainable Development (WBCSD) guidance on avoided emissions structure. It covers eligibility checks, reference scenarios, and calculation and interpretation, with an additional emphasis on transparent reporting and communication. Following the WBCSD guidance, the oil and gas sector has been excluded from the scope. In line with the SBTi Corporate Net-Zero Standard, avoided emissions are not used to claim carbon neutrality or net-zero status.

Reference scenarios
We apply three scenarios to our VSDs: new demand, improvement, and replacement:

- **For new demand**, avoided emissions are estimated by comparing a Danfoss VSD to the performance of an average solution on the market with the same purpose. This scenario is based on inputs from our internal experts as well as publicly available sources on product performance and energy classes.

- **For improvement**, a Danfoss VSD is compared to the existing reference system the customer would otherwise keep using without intervention. We define two possible sub-scenarios under improvement:
  (i) Replacing a system running direct-on-line motor without prior VSD installed which captures the average improvement from adding a VSD where non existed previously, or
  (ii) Upgrading an existing VSD installation with a more efficient Danfoss drive. In this sub-scenario we assume the existing VSD installation is an average solution on the market with the same purpose.

- **For replacement**, we assume a one-to-one Danfoss VSD replacement scenario with no efficiency change is assumed and therefore zero avoided emissions claimed.

Parameters
- *Use phase profile:* Internal experts define the operating profile parameters (e.g. operating hours, idle share) depending on the application considered, as well as product information (such as power rating) to determine power consumption during use.

[1] Find the Danfoss Avoided Emission Application Paper on danfoss.com.

- *Geography*: Geography is determined using regional sales data with the assumption that the product is used in the region where it is sold

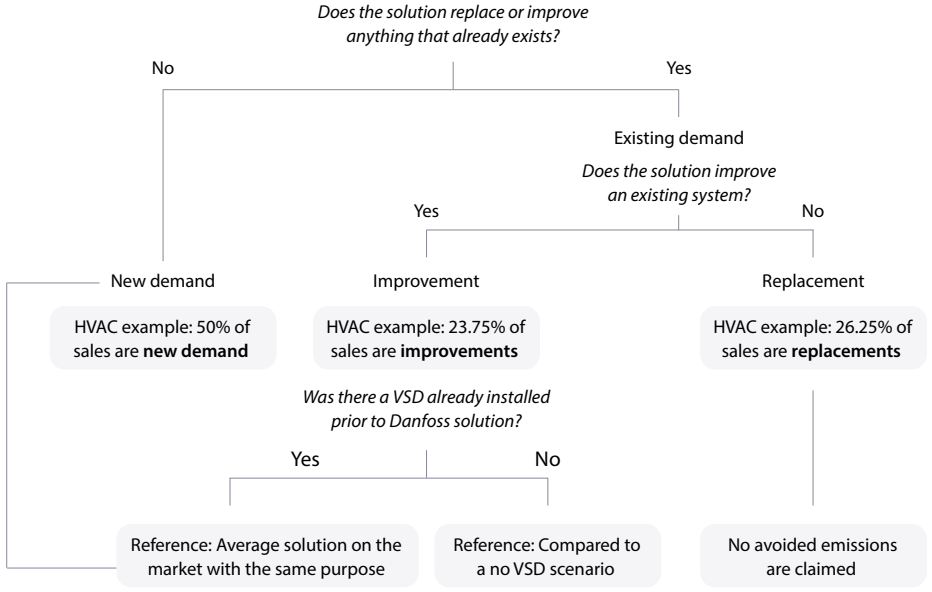
- *Saving factor:* A saving factor (SF) is calculated for each application type once the reference scenario inputs and the market-average performance of the average solution on the market are defined. This saving factor represents the average savings claimable for that application type, using the applicable reference scenario and their associated savings.

The formula incorporates an efficiency-improvement percentage (corresponding to the energy use reduction of the system following the installation of a Danfoss VSD) for each relevant reference scenario and excludes the replacement scenario where avoided emissions are assumed to be zero.

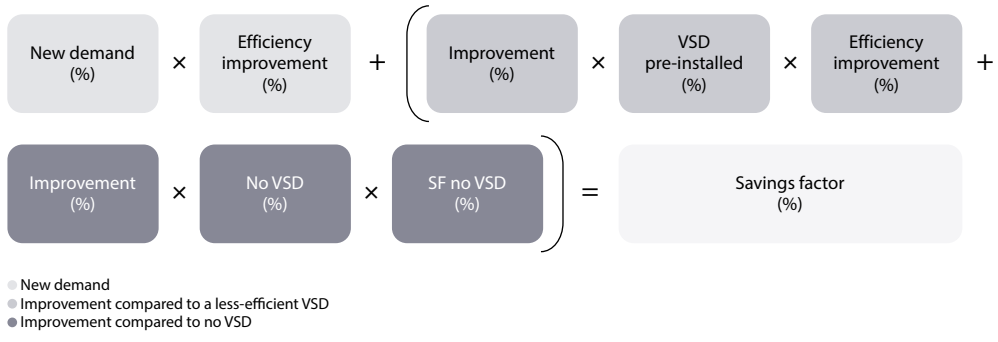
It uses the following inputs, based on estimates by internal experts:

- Scenario percentage splits (e.g., new demand %, improvement %)
- Efficiency improvement of the new VSD versus the average solution on the market with the same purpose for new demand scenarios and improvement scenarios
- Shares of cases where a VSD is pre-installed vs. where no VSD has existed before under improvement:
  i) VSD pre-installed (%): Compares the performance of the new VSD to the average solution on the market with the same purpose
  ii) No VSD (%): Compares the peformance of the new VSD to direct-on-line motors, saving factor with no VSD (%) represents the average improvement from adding a VSD where none existed previously.

Reference scenario decision tree



Savings factor formula



Avoided emissions estimations

Total avoided emissions are calculated separately for each application by combining the application-specific SF with use-phase parameters (i.e., average lifetime, operating hours, units sold, and in-use power), multiplied by an emission factor that is a weighted average of the application's geographical installation split. Units sold are taken from the internal sales report for the reporting year. Drive technical specifications are used to determine power consumption and application type.

Saved energy and avoided emissions formula

Saved energy	Average product lifetime (y)	×	Operating time (h/ year)	×	Power consumption during use (kW)	×	Number of sold products	×	Saving factor	= Lifetime energy products ($kgCo_2e$)
Avoided emissions	Lifetime energy products ($kgCo_2e$)	×	EF ($kgCO_2e/kWh$)	=	Lifetime emission. products ($kgCo_2e$)					

- *Average product lifetime and operating time:* Average product lifetimes and operating times are defined by internal experts such as product mangers. We apply 3 reference service lifetimes — 7, 10 or 15 years — assigned based on product group and product series. In line with industry guidelines for use-phase GHG emissions calculations, the use-phase of a variable speed drive ranges from 5 to 20 years, with 10 years recommended as the default use where no sector-specific data is not available. Accordingly, we apply a default lifetime of 10 years to most of Danfoss drives, with smaller drives assigned a lifetime of 7 years and larger drives a lifetime of 15 years. Similarly, operating time is assumed based on application and product series.

- *Emission factor:* Calculated based on region and averaged over the product's lifetime using IEA projections from the annual World Energy Outlook. For marine applications, a fuel-based emission factor is applied instead of electricity-grid factors.

Data collection and recalculation policy

To collect application- specific paramete s (i.e., reference scenarios split, expected energy efficiency improvements), interviews are conducted with internal industry experts (at least one expert) per application type, followed by surveys undertaken by internal product management managers as well as product market intelligence experts to define and select reference scenarios. Moving forward, we plan to review our assumptions on an annual basis.

Critical estimates

Expected avoided emissions for variable speed drives are based on the best available data. As expected avoided emissions are inherently based on counterfactuals, outcomes are sensitive to reference-scenario choices, user behavior, and uncertainty in actual product lifetimes and operating times. The approach applies average operating times by application and does not capture early replacement, improvements prior to end-of-life, or use beyond expected lifetime. These factors introduce known uncertainty and rebound risks.

Key data limitations relate to reference scenarios and inputs: performance of average solution on the market is derived partially from internal expert judgment, and other parameters also rely heavily on internal expertise. Robustness and comparability would improve through an industry-agreed default market-average benchmark (e.g., via industry bodies such as CEMEP or local trade organizations), greater use of external studies/third-party analyses, and broader survey coverage with more diverse respondents to better represent applications and scenarios expected in the coming years.

Emission factor uncertainty is another constraint, including assumptions made about renewable uptake (e.g., uniform uptake across the countries), as well as reliance on future emission factor projections. Results are revisited when we become aware of emissions factors, authoritative baselines, or regulations change.

Verification

The methodology used for the estimation of expected avoided emissions from variable speed drives has been third-party verified by Force Technology Denmark.

	2023	2024	**2025**
Expected avoided emissions over its lifetime, Danfoss variable speed drives (tCO_2e)*	19,421,872	18,297,669	18,694,138

[1] The Danfoss Avoided Emissions Methodology described has been third-party verified by FORCE Technology Denmark (2024).

Note 3 Energy

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

Energy intensity

Energy intensity is reported as energy consumption (MWh) per EURm net sales. Danfoss activities are within NACE Code section C, Manufacturing and are considered to be a high impact climate sector.

The renewable energy ratio

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.

	2024	**2025**
Total energy consumption (MWh)		Total
Danfoss including discontinued operations	1,062,956	1,041,169
Impact from discontinued operations	23,843	23,032
Continued operations	**1,039,113**	**1,018,137**

Note 4 Pollution

Air pollution data is collected from all Danfoss production sites to estimate the total air pollutants emitted from our manufacturing processes. Approximately 80% of Danfoss production sites monitor pollution to air on a continual basis or alternatively conduct a minimum one yearly survey. For the remaining production sites, Danfoss calculates average air pollution data per m^2, using a comparable production location and multiplying the actual m^2 to estimate the air pollution from the sites that currently do not collect data for air pollution. The calculation methodology covers all Danfoss production sites.

For 2025 reporting approximately 53% of air pollution is based on primary data from locations, 31% is based on reported air pollution from 2024, and the remaining 16% is calculated using allocation logic from 2024.

Air pollution by pollutant group (metric tons)	2023	2024	**2025**
SOx (sulphur oxides)	2	2	2
NOx (nitrogen oxides)	86	93	96
CO (Carbon monoxide)	100	77	76
PM (particulate matter)	37	36	39
Heavy metals	0	0	0
POPs (persistent organic pollutants)	-	-	-
VOCs (volatile organic compounds)	309	288	278
ODS (Ozone-depleting substances)	0	0	0
NH3 (ammonia)	0	0	0
Other (hazardous chemicals regulated by REACH and CLP including their compounds)	13	11	10
Total air pollutants*	**547**	**507**	**501**

Note 5 Circular business revenues

Circular business revenues include revenue from activities that are designed and operated to extend lifetime; enable reuse, repair, refurbishment, or remanufacturing; and/or reduce material footprint in accordance with recognized circular economy categorizations (such as reuse, repair, refurbish, and remanufacture).

	2023	2024	**2025**
Circular business revenue (EURm)*	287	286	286

Note 6 New product development

Covers projects that have passed the market launch milestone and completed at least one circularity assessment using the Danfoss RE:CIRC tool, which has been externally reviewed and evaluates circularity against 30 development guidelines. The indicator is calculated as the share of launched projects with a RE:CIRC assessment compared with all launched new product development projects in the reporting year, based on the Group's portfolio of registered business cases.

	2023	2024	**2025**
New product development (%)	-	2%	28%

Note 7 Waste

Waste (metric tons)

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 m^2 is 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 7% of the total waste amount reported.

Waste intensity

Waste intensity is reported as total waste (metric tons) per EURm net sales.

	2024	**2025**
Total waste (metric tons)		Total
Danfoss including discontinued operations	83,339	72,490
Impact from discontinued operations	446	362
Continued operations	**82,893**	**72,128**

Note 8 Water

Water withdrawals (m^3)

Water is reported as water withdrawals in m^3. 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 5% 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. Ten of our factories are located in regions identified as regions facing challenges related to water scarcity, corresponding to 16% of Danfoss' total water withdrawals.

Water intensity

Water intensity is measured as water withdrawals (m^3) per EURm net sales.

	2024	**2025**
Total water withdrawals (m^3)		Total
Danfoss including discontinued operations	2,245,040	2,080,191
Impact from discontinued operations	40,792	40,800
Continued operations	**2,204,248**	**2,039,391**

Unless otherwise stated, the social metrics cover 100% of the total workforce.

Note 9 People

Number of employees

The number of employees is measured by headcount at the end of the year, including employees on leave. Women includes non-binary, undisclosed, and unknown.

	2024	**2025**
Number of employees		Total
Danfoss including discontinued operations	39,360	39,353
Impact from discontinued operations	749	509
Continued operations	**38,611**	**38,844**

Employee turnover

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

Employee engagement score

The global employee engagement survey, Voice, is performed every two years since 2007. The survey is run by an external provider who ensures that all data and results remain anonymous and are treated confidentially. The total workforce coverage is 96%.

Employee inclusion score

The employee inclusion score is the average score of seven key questions in our employee engagement survey, the Voice. In the intervening years between each full Voice survey, a dedicated survey will be used to monitor and measure progress on inclusion. The total workforce coverage is 96%.

People development

Through Danfoss' central learning platform, relevant internal training and skills development are offered to the entire Danfoss organization. The platform is tailored to the needs of different functions across Danfoss. All training offered through the learning platform has an estimated duration ranging from 15 minutes to 100 hours. Once completed, each training course is registered in the employee profile. The total workforce coverage is 96%.

	2023	2024	**2025**
Average time spent on training per employee*	4 hours 00 min	5 hours 45 min	4 hours 00 min
Employees participated in at least one training session	26,000	26,653	24,533
Employees participated in performance review[1]	93%	95%	94%
Employees participated in development review[1]	75%	78%	84%

[1] Salaried employees

Learning and development score

The learning and development score is the average score of six questions in our employee engagement survey, Voice. In the years between the full Voice survey, we will use a dedicated survey to monitor the learning and development score. The total workforce coverage is 96%.

Note 10 Inclusion

Gender split, all employees

The split between genders for the total workforce is measured by headcount and reported as the percentage of women including non-binary, undisclosed, and unknown and men. 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 including non-binary, undisclosed, and unknown and men 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 1-2.

	2023	2024	**2025**
Gender split top management (%)	16.7	17.6	18.8

Management team diversity

Management team diversity is measured on manager levels 1-4. Teams of at least five employees (excluding administrative assistants) are considered 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.

Note 11 Equity

Pay ratio between genders

The general pay ratio is calculated by expressing the average salary for women as a percentage of the average salary for men. The total workforce coverage is 96%.

Pay ratio between genders within job categories

The pay ratio within job categories shows the average pay ratio between employees in the same job categories. The total workforce coverage is 96%.

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.

Average employee compensation

Total Danfoss employee compensation (excluding CEO salary) including bonuses and benefits divided by average number of employees (excluding CEO).

	2023	2024	**2025**
Average employee compensation (EUR)*	66,858	68,719	67,590

*Employees covered by collective bargaining agreements**

The total percentage of global employee global covered by collective bargaining agreements was 31% in 2023, 31% in 2024, and 30% in 2025.

Employees covered by collective bargaining agreements include all employees covered by at least one collective bargaining agreement. The coverage rate is calculated as the percentage of employees in each country that is covered by such agreement. The ratio is disclosed for the ten largest countries (with more than 50 employees) in EEA, as well as for our regional groups: Asia, Americas, and Europe. Coverage of total workforce is 96%.

	Employees – EEA (for countries with > 50 employees included in the ten largest countries)			Employees – All regions		
Coverage rate	2023	2024	2025	2023	2024	2025
0-19%	Bulgaria, Poland	Bulgaria, Poland	Bulgaria, Poland	Americas, Asia	Americas, Asia	Americas, Asia
20-39%	-	-	-	-	-	-
40-59%	Denmark, Spain	Denmark, Germany, Spain	Denmark	Europe	Europe	Europe
60-79%	Germany, Slovakia	Slovakia	Germany, Slovakia, Spain	-	-	-
80-100%	Finland, France, Italy, Slovenia	Finland, France, Italy, Slovenia	Finland, France, Italy, Slovenia	-	-	-

Note 12 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.

Lost Time Injury Frequency (LTIF)
The number of lost time injuries that occurred at Danfoss per million hours worked. Lost Time Injury Frequency (LTIF) 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 includes the number of fatalities, lost time injuries, and other injuries requiring treatment by a medical professional per million hours worked.

Note 13 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 as 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 follow the Danish Recommendations on Corporate Governance.

Note 14 Ethics and human rights

Whistleblower cases
Whistleblower cases are reported as the total number of new whistleblower cases received through Danfoss' own Ethics Hotline. Cases are defined as substantiated when at least one of the following occurs:

- Advice was given
- Actions were taken
- Warnings or dismissals were executed

Human and labor rights issues and incidents are defined as any occasion where Danfoss fails to uphold the principles and rights concerning its own workforce as set out in the following international frameworks:

- The UN Guiding Principles on Business and Human Rights
- The International Bill of Human Rights, which consists of the Universal Declaration of Human Rights and the two Covenants that implement them
- The International Labour Organization's (ILO) principles concerning fundamental rights set out in the ILO's Declaration on Fundamental Principles and Rights at Work

This definition covers a broad spectrum of impacts. It includes non-compliance with fundamental rights (e.g., instances of forced labor or child labor) as well as failures to ensure just and favorable conditions of work (e.g., issues related to fair remuneration, reasonable working hours, rest, and leisure). Furthermore, it includes infringements on enabling rights, such as respecting the freedom of association and the right to collective bargaining.

Substantiated whistleblower cases related to:	2023	2024	**2025**
Discrimination including harassment (number)*	12	31	15
Human and labor rights related to own workforce (number)*	0	0	1

Ratio of suppliers-signed Code of Conduct
This data point is reported as the total direct (materials) spend on suppliers who have signed the Danfoss Supplier Code of Conduct in relation to total direct spend.

Note 15 Characteristics of own workforce[1]

Employees turnover by gender

(Number — percent)	Women	Men	Others	Total
Average number of employees	11,465	27,080	15	38,560
No. employees leaving	2,115	4,871	4	6,990
Total (%)	**18.4%**	**18.0%**	**26.8%**	**18.1%**

Employees by age group and gender

(Number — percent)	<30 years		30-50 Years		>50 years		Total
Women	1,751	30%	6,905	30%	2,893	30%	11,549
Men	4,026	70%	16,375	70%	6,886	70%	27,287
Others	2	0%	5	0%	1	0%	8
Total	**5,779**		**23,285**		**9,780**		**38,844**

Employees by region and gender

(Number)	Americas	Europe	Asia Pacific	Total
Women	3,362	5,712	2,475	11,549
Men	7,297	13,707	6,283	27,287
Others	0	7	1	8
Total	**10,659**	**19,426**	**8,759**	**38,844**

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	988	25%	1,662	32%	1,847	29%	1,424	31%	11,549
Men	2,911	75%	3,529	68%	4,480	71%	3,235	69%	27,287
Others	1	0%	0	0%	0	0%	2	0%	8
Total	**3,900**		**5,191**		**6,327**		**4,661**		**38,844**

Employees by contract type and gender

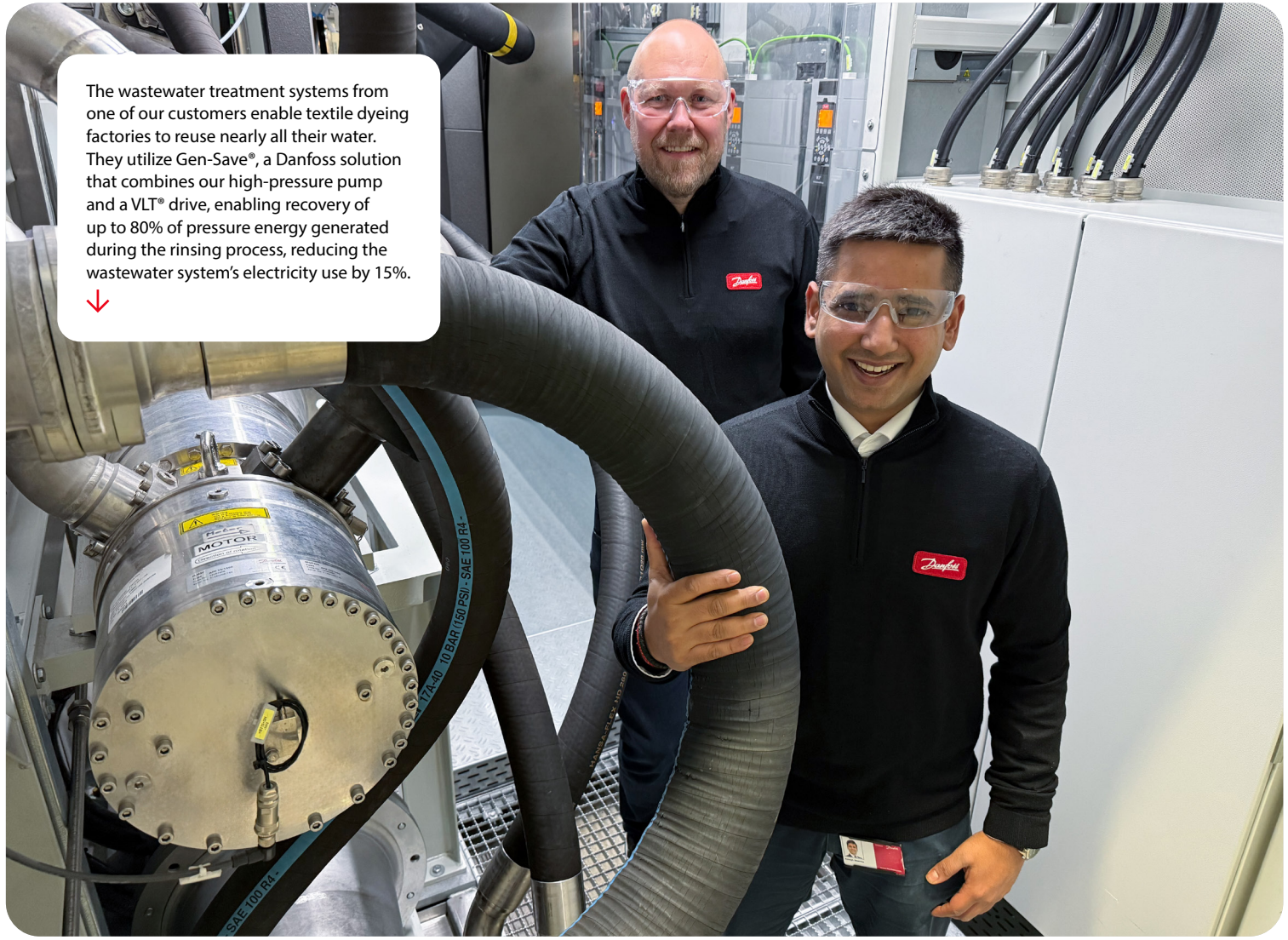
(Number — percent)	Permanent		Temporary		Total
Women	10,628	30%	921	30%	11,549
Men	25,132	70%	2,155	70%	27,287
Others	8	0%	0	0%	8
Total	**35,768**		**3,076**		**38,844**

Employees by employment type and gender

(Number — percent)	Full-time		Part-time		Total
Women	11,079	29%	470	61%	11,549
Men	26,989	71%	298	39%	27,287
Others	8	0%	0	0%	8
Total	**38,076**		**768**		**38,844**

[1] KPIs adjusted for discontinued operations

Additional information



The wastewater treatment systems from one of our customers enable textile dyeing factories to reuse nearly all their water. They utilize Gen-Save®, a Danfoss solution that combines our high-pressure pump and a VLT® drive, enabling recovery of up to 80% of pressure energy generated during the rinsing process, reducing the wastewater system's electricity use by 15%.

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Social standards

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Alignment with TCFD recommendations

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	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	SUS	71
	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	71
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks	MR	44
	b) Describe the organization's processes for managing climate-related risks	MR	44
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	MR	44
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	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks	SUS	72
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	SUS	65

Data points that derive from other EU regulation

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

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 2025

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	108
ESRS 2 GOV-1	21 (e)	Percentage of board members who are independent			x		SUS	108
ESRS 2 GOV-4	30	Statement on due diligence	x				SUS	62
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	65
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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				SUS	114
ESRS E3-1	9	Water and marine resources	x				SUS	76
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	108
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	-

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	108
ESRS E5-5	39	Hazardous waste and radioactive waste	x				SUS	108
ESRS 2- SBM3 - S1	14 (f)	Risk of incidents of forced labor	x				SUS	100
ESRS 2- SBM3 - S1	14 (g)	Risk of incidents of child labor	x				SUS	100
ESRS S1-1	20	Human rights policy commitments	x				SUS	62
ESRS S1-1	21	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			x		SUS	62
ESRS S1-1	22	Processes and measures for preventing trafficking in human beings	x				SUS	62
ESRS S1-1	23	Workplace accident prevention policy or management system	x				SUS	92
ESRS S1-3	32 (c)	Grievance/complaints handling mechanisms	x				SUS	100
ESRS S1-14	88 (b) and (c)	Number of fatalities and number and rate of work-related accidents	x		x		SUS	92
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	108
ESRS S1-16	97 (b)	Excessive CEO pay ratio	x				SUS	108
ESRS S1-17	103 (a)	Incidents of discrimination	x				SUS	100
ESRS S1-17	104 (a)	Non-respect of UNGPs on Business and Human Rights and OECD	x		x		SUS	100
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	96
ESRS S2-1	18	Policies related to value chain workers	x				SUS	96
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	62
ESRS S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	x				SUS	100
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	100
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	100
ESRS G1-4	24 (b)	Standards of anti-corruption and anti-bribery	x				Not relevant	-

Financial statements

↑ Together with our partners, Danfoss is contributing to more resilient energy systems for the energy transition through solutions to produce hydrogen using electricity from renewable energy sources. The Danfoss iC7-Hybrid offers a high-quality and scalable power conversion solution. Equipped with high conversion efficiency of 98%, iC7-Hybrid reduces both energy consumption and costs during the conversion of renewable energy sources into hydrogen.

Financial review

Danfoss delivered robust results despite volatile market conditions. Throughout 2025, we continuously improved our run rates, with the full year ending with an organic growth of 3%, a strong operational EBITA margin of 12.9%, and a record-high cash flow of EUR 734m.

Business update

With the launch of our new LEAP 2030 strategy, we strengthen customer partnerships and unlock significant opportunities to increase competitiveness and maintain our long-term resilience. We continue to see strong demand for our technologies and solutions that drive energy efficiency, machine productivity, and electrification, while also supporting the green transition through lower emissions.

Throughout the year our markets recovered. Order intake and sales continuously improved with strong organic growth of 9% in the second half. Across our three business segments, we saw different dynamics across the various markets in which we operate. With 2025 sales of EUR 9.4b and an operational EBITA margin of 12.9% we performed within our guided range.[1]

In 2025, we concluded that the Automotive Electrification business is not core for Danfoss moving forward and the business has been re-classified as discontinued operations and assets and liabilities held for sale.

Sales

Group sales reached EUR 9,430m (2024: 9,496m) with organic growth of 3%. Our sales were negatively impacted by a weakening US dollar rate, with an impact of -3%.

Danfoss Power Solutions delivered an organic growth of 3%, negatively influenced by the continued downturn within agriculture but positively impacted by the growth in data centers. Danfoss Climate Solutions reached an organic growth of 9%, primarily driven by data centers and industrial decarbonization. Danfoss Power Electronics and Drives saw negative organic growth of -6%, positively impacted by our Drives business but negatively impacted by a softer market for power semiconductors.

Our performance in Asia improved throughout the year, driven by China which saw 13% growth. The signs of recovery in Europe remained less pronounced, ending the year with -2% growth. In North America, Danfoss Climate Solutions delivered 26% organic growth, driven by strong data center demand. Danfoss Power Solutions also experienced strong demand from data centers in North America, but this was offset by the negative impact from the downturn in the agricultural market, resulting in a negative sales growth of 2% in Danfoss Power Solutions.

Earnings

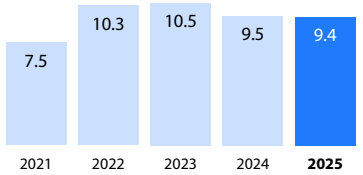
Following the implementation of our operating model, in 2025, we maintained our focus on disciplined execution as well as operational excellence and delivered an operational EBITA margin of 12.9% (2024: 12.5%). Profit before tax and discontinued operations reached EUR 909m (2024: 726m). The effective tax rate for 2025 was 24.5% (2024: 28.0%). Profit from continued operations reached EUR 686m (2024: 523m). Net profit reached EUR 446m (2024: 370m), impacted by loss on discontinued operations.

Innovation

Danfoss continued to invest in delivering competitive, innovative, and sustainable solutions. We maintained a high level of investments, and increased our

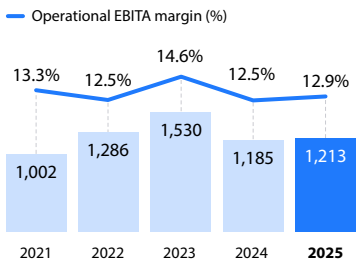
Total net sales[2]

EURb



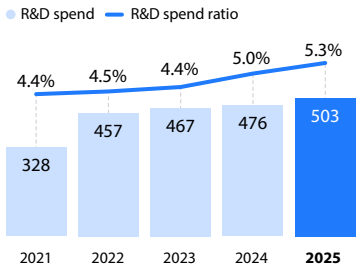
Operational EBITA[2]

EURm



Innovation spend[2]

EURm



[1] Sales and operational EBITA margin for both continued and discontinued operations are within our guidance of EUR 9.5b–11b and 10.8%-12.3% respectively.

[2] Excludes discontinued operations from 2023-2025.

innovation spend to EUR 503m (2024: 476m), corresponding to 5.3% of sales (2024: 5.0%).

Assets and liabilities

Total assets were at EUR 11,542m (2024: 11,736m). Equity was at the same level as last year and was EUR 5,580m (2024: 5,601m), impacted by a negative currency translation. The equity ratio, calculated as equity relative to total assets, was 48.3% (2024: 47.7%). The return on equity was 9.2% (2024: 6.0%). Net interest-bearing debt amounted to EUR 2,191m (2024: 2,753m), leading to a net interest-bearing debt to EBITDA ratio of 1.3 (2024: 1.9). At year-end, the Group had a liquidity reserve of EUR 1.7b (2024: 1.4b).

Credit ratings

Danfoss' credit rating assigned by S&P Global was "BBB with a stable outlook." In 2025, Moody's Ratings assigned Danfoss a rating of "Baa1 with a stable outlook." It is the policy of the Group to have a BBB/Baa credit rating, and the Group aims for financial metrics that are commensurate with such ratings over the cycle.

Cash flow

Securing a continued robust cash performance remains a priority for Danfoss in order to finance our strategic growth initiatives, repay interest-bearing debt and distribute dividends. The free operating cash flow after financial items and tax (before M&A) amounted to a record-high EUR 734m (2024: 467m). Cash flow from M&A activities amounted to EUR -138m (2024: +43m), mainly impacted by the acquisition of Hydro Holding S.p.A.

Employees

In 2025, Danfoss had 39,353 employees (2024: 39,360).

Acquisition of Hydro Holding S.p.A.

In December 2025, Danfoss completed the acquisition of Hydro Holding S.p.A., a leading global manufacturer of hoses and fittings. This acquisition strengthens our leading position in fluid conveyance globally, enabling us to be a stronger partner for our customers. Hydro Holding S.p.A will be integrated into our Fluid Conveyance business in Danfoss Power Solutions.

Discontinued operations

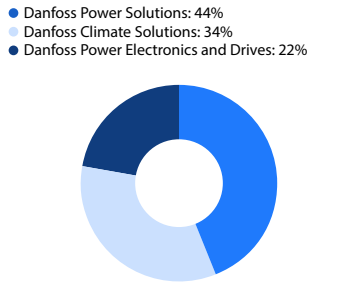
Across our businesses, we work to continuously ensure full alignment with our strategic ambitions, in line with our new LEAP 2030 strategy. As part of our active portfolio management, we have taken steps to find the best future owner of the Automotive Electrification business. As a consequence, this business is reclassified as discontinued operations in our financial statements.

Therefore, the income statement reflects that figures are reported net of discontinued operations down to profit from continued operations. Profit from discontinued operations is reported as a one-line consolidation. Comparison numbers are adjusted for 2023-2025 correspondingly.

Events after the balance sheet date

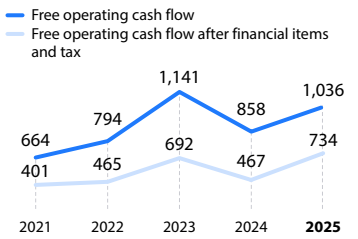
We are not aware of any events after the balance sheet date of December 31, 2025, that could be expected to have a material impact on the Group's financial position.

Sales split by segments[3]

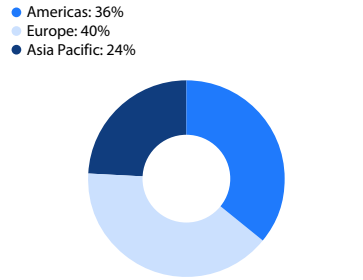


Cash flow

EURm

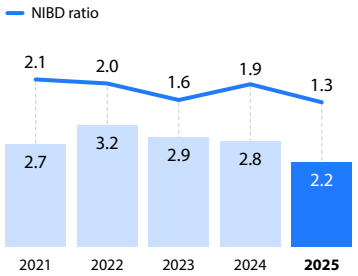


Sales split by regions[3]



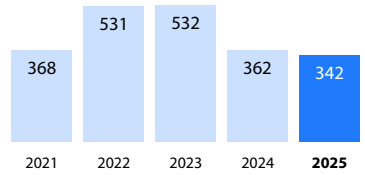
Net interest-bearing debt (NIBD)

EURb



Net investments in fixed assets excluding M&A[3]

EURm



[3] Excludes discontinued operations from 2023-2025.

Danfoss
Power Solutions

Sales

EUR 4,090m

Operational EBITA margin

11.7%

Danfoss Power Solutions was impacted by the cyclical downturn in the mobile hydraulics market, primarily driven by lower demand in agriculture. However, during the year, the segment saw positive growth due to the rising demand for data center solutions. Organic sales growth reached 3%, equal to EUR 4,090m (2024: 4,095m). In the Asian market, we saw strong double-digit growth throughout the year and also some recovery in the American market. Through disciplined execution, profitability run rates have improved during the year and surpassed 2024. The operational EBITA margin reached 11.7% (2024: 10.5%).[1]

In December, the acquisition of Hydro Holding S.p.A. was closed and will be integrated into our Fluid Conveyance business.

Danfoss
Climate Solutions

Sales

EUR 3,232m

Operational EBITA margin

16.2%

Danfoss Climate Solutions delivered a strong and resilient performance in 2025. This was driven by the strong momentum in data centers and a continued high demand for electrification and energy-efficient cooling solutions for industrial applications across the regions. Growth was seen in all regions, confirming the viability of the segment's products and solutions. The segment continued the integration of BOCK® Compressors and has successfully grown this part of the business. Organic sales growth reached 9%, equal to EUR 3,232m (2024: 3,044m). The segment has continued to invest in innovation to further strengthen future growth. The operational EBITA margin was 16.2% (2024: 15.0%).[1]

Danfoss
Power Electronics and Drives

Sales

EUR 2,051m

Operational EBITA margin

12.8%

The Danfoss Power Electronics and Drives segment saw organic growth of -6%, equal to EUR 2,051m (2024: 2,240m). Particularly our Drives business saw positive sales growth and robust performance, whereas the demand for power semiconductors has been soft due to a challenged European market. The overall results were driven by improved performance in the low-voltage Drives business, particularly in data centers, HVAC, marine, and water and wastewater applications. The operational EBITA margin was 12.8% (2024: 13.8%).[1]

As part of our active portfolio management, we have taken steps to find the best future owner of the Automotive Electrification business. As a consequence, this business is reclassified as discontinued operations in our financial statements. Segment figures for 2025 and 2024 thus exclude the Automotive Electrification business.

[1] Due to the implementation of our new operating model as of January 2025, the operational EBITA margin for 2024 for the segments have been changed for comparability purposes.

Consolidated financial statements

Notes to the consolidated financial statements

Income statement

January 1 to December 31

EURm	Note	2024	**2025**
Net sales	2	9,496	9,430
Cost of sales	3	-6,373	-6,200
Gross profit		**3,123**	**3,230**
Research and development costs	3	-476	-503
Selling and distribution costs	3	-1,136	-1,119
Administrative expenses	3	-533	-525
Operating profit excluding other operating income and expenses		**978**	**1,083**
Other operating income and expenses	3	-78	-4
Share of profit from associates and joint ventures after tax	8	-16	-39
Operating profit (EBIT)		**884**	**1,040**
Financial income	15	4	9
Financial expenses	15	-162	-140
Profit before tax and discontinued operations		**726**	**909**
Tax on profit	20	-203	-223
Profit from continued operations		**523**	**686**
Loss from discontinued operations	27	-153	-240
Net profit		**370**	**446**
Attributable to:			
Shareholders of Danfoss A/S			
Continued operations		484	643
Discontinued operations		-94	-147
		390	**496**
Minority interests			
Continued operations		39	43
Discontinued operations		-59	-93
		-20	**-50**
		370	**446**

Statement of comprehensive income

January 1 to December 31

EURm	Note	2024	**2025**
Net profit		**370**	**446**
Other comprehensive income			
Actuarial gain/loss (-) on pension and healthcare plans	19	13	15
Tax on actuarial gain/loss on pension and healthcare plans	20	-2	-4
Items that cannot be reclassified to income statement		**11**	**11**
Foreign exchange adjustments on translation of foreign currency into EUR for continued operations		92	-323
Adjustment for hyperinflation on equity		30	23
Fair value adjustment of hedging instruments:			
Hedging of interest rates (Interest rates and cross currency swaps)		-33	-42
Hedging of future cash flows		-27	60
Hedging transferred to inventory		-1	-24
Tax on hedging instruments		14	4
Items that will be reclassified to income statement		**75**	**-302**
Other comprehensive income after tax		**86**	**-291**
Total comprehensive income		**456**	**155**
Attributable to:			
Shareholders of Danfoss A/S			
Continued operations		568	364
Discontinued operations		-94	-147
		474	**217**
Minority interests			
Continued operations		41	31
Discontinued operations		-59	-93
		-18	**-62**
		456	**155**

Statement of financial position

At December 31

EURm	Note	2024	**2025**
Non-current assets			
Intangible assets	9	4,696	4,361
Property, plant, and equipment	10	2,878	2,592
Investments in associates and joint ventures	8	318	277
Pension benefit plan assets	19	13	12
Non-current receivables		16	14
Deferred tax assets	21	155	162
Total non-current assets		**8,076**	**7,418**
Current assets			
Inventories	4	1,521	1,426
Trade receivables	5	1,432	1,486
Receivable corporation tax	22	69	66
Derivatives — other hedging	17	72	40
Other receivables		227	200
Receivables		1,800	1,792
Cash and cash equivalents	17	339	684
Assets held for sale	27		222
Total current assets		**3,660**	**4,124**
Total assets		**11,736**	**11,542**

EURm	Note	2024	**2025**
Shareholders' equity			
Equity, shareholders in Danfoss A/S	16	5,366	5,471
Minority interests	16	235	109
Total shareholders' equity		**5,601**	**5,580**
Liabilities			
Provisions	14	114	79
Deferred tax liabilities	21	340	347
Pension and healthcare benefit plan obligations	19	137	119
Borrowings	18	2,693	2,000
Derivatives — hedge of borrowings	17	304	65
Other non-current debt		156	130
Non-current liabilities		**3,744**	**2,740**
Provisions	14	83	87
Borrowings	18	109	801
Derivatives - hedge of borrowings	17		21
Trade payables		1,322	1,386
Debt to associates and joint ventures		4	5
Corporation tax	22	75	103
Derivatives — other hedging	17	8	
Other debt	6	790	714
Liabilities concerning assets held for sale	27		105
Current liabilities		**2,391**	**3,222**
Total liabilities		**6,135**	**5,962**
Total liabilities and shareholders' equity		**11,736**	**11,542**

Statement of cash flows

January 1 to December 31

EURm	Note	2024	**2025**
Profit before tax from continued operations		726	909
Profit before tax from discontinued operations		-134	-230
Profit before tax from continued and discontinued operations		592	679
Adjustments for non-cash transactions	23	733	886
Change in working capital	7	50	-80
Interest received		4	7
Interest paid		-118	-111
Dividends received		4	
Income tax paid	22	-291	-208
Cash flow from operating activities		**974**	**1,173**
Acquisition of intangible assets		-39	-22
Acquisition of property, plant, and equipment		-418	-408
Proceeds from sale of property, plant, and equipment		23	65
Acquisition of subsidiaries and activities	12	-11	-140
Proceeds from disposal of subsidiaries and activities	12	54	2
Change in financial receivables	13	1	
Other investments, sale and acquisitions	13	1	1
Cash flow from investing activities		**-389**	**-502**
Cash repayment of interest-bearing debt	18	-339	-153
Cash proceeds from interest-bearing debt	18	26	12
Purchase of treasury shares		-4	-9
Sale of treasury shares		3	4
Dividends to shareholders in Danfoss A/S		-237	-107
Dividends to minority interests		-62	-64
Cash flow from financing activities		**-613**	**-317**
Net change in cash and cash equivalents		**-28**	**354**
Cash and cash equivalents as at January 1		369	339
Foreign exchange adjustment of cash and cash equivalents		-2	-9
Cash and cash equivalents as at December 31		**339**	**684**

Refer to Note 27 Discontinued operations and assets and liabilities held for sale for further information.

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. The statement of cash flows presents cash flows combined from continued and discontinued operations. The cash flow impact on activities from discontinued operations is disclosed in Note 27.

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, 2024	**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 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**
Net profit						317	**317**	**179**	**496**	**-50**	**446**
Foreign exchange adjustments of foreign companies				-312		1	**-311**		**-311**	**-12**	**-323**
Fair value adjustment of hedging instruments			-6				**-6**		**-6**		**-6**
Adjustment for hyperinflation on equity				23			**23**		**23**		**23**
Actuarial gain/loss (-) on pension and healthcare plans						15	**15**		**15**		**15**
Tax on other comprehensive income			4			-4					
Total comprehensive income for the period			-2	-289		329	**38**	**179**	**217**	**-62**	**155**
Dividends to shareholders						4	**4**	**-111**	**-107**	**-64**	**-171**
Purchase of treasury shares					-9		**-9**		**-9**		**-9**
Sale of treasury shares					4		**4**		**4**		**4**
Total transactions with owners					-5	4	**-1**	**-111**	**-112**	**-64**	**-176**
Balance as at December 31, 2025	**134**	**10**	42	-178	-315	5,599	**5,148**	**179**	**5,471**	**109**	**5,580**

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, 2025, comprises the consolidated financial statements of Danfoss A/S and its subsidiaries (the Group).

The Group is classified as a Class C (large) entity under the Danish Financial Statements Act. 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 28 General accounting policies 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 2025. None of those standards and interpretations have a material effect on recognition and measurement in 2025, nor are they expected to have a material effect on Danfoss A/S in the future.

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:

- Inventories (Note 4)
- 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)
- Discontinued operations and assets and liabilities held for sale (Note 27)

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 2025.

The Group has assessed these changes and concluded they do not have a material impact on the Group in 2025 or previous years.

- Amendment to IAS 21 Foreign exchange rates: With regard to the effect of changes in foreign exchange rates when a currency lacks exchangeability.

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 2025 Annual Report.

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

- 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 are 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					2024
Business segments	Danfoss Power Solutions	Danfoss Climate Solutions	Danfoss Power Electronics and Drives	Other areas	**Group**
Income statement					
Net sales	4,095	3,044	2,240	117	9,496
Expenses***)	3,573	2,507	1,871	115	8,066
Depreciation/amortization/impairment**)	158	106	82	87	433
EBITA	365	431	287	-86	997
Acquisition-related amortization	76	11	42		129
Share of profit from Ass./JV. after tax					-16
Operating profit (EBIT)					884
Financial Items					-158
Profit before tax and discontinued operations					726
Statement of financial position					
Total assets *)	4,857	2,574	3,078	1,227	11,736
Net investments, excluding M&A	151	134	75	2	362
Total liabilities *)	856	823	668	3,788	6,135
Other information					
Number of employees	16,101	10,837	7,175	5,247	39,360

EURm					**2025**
Business segments	Danfoss Power Solutions	Danfoss Climate Solutions	Danfoss Power Electronics and Drives	Other areas	**Group**
Income statement					
Net sales	4,090	3,232	2,051	57	9,430
Expenses***)	3,472	2,614	1,708	-8	7,786
Depreciation/amortization/impairment**)	160	112	70	95	437
EBITA	458	506	273	-30	1,207
Acquisition-related amortization	75	11	42		128
Share of profit from Ass./JV. after tax					-39
Operating profit (EBIT)					1,040
Financial Items					-131
Profit before tax and discontinued operations					909
Statement of financial position					
Total assets *)	4,806	2,681	2,743	1,312	11,542
Net investments, excluding M&A	171	136	47	-12	342
Total liabilities *)	896	826	521	3,719	5,962
Other information					
Number of employees	16,606	11,408	7,224	4,115	39,353

*) 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

Figures have been adjusted to reflect our new operating model, discontinued operations and other minor changes. Comparison figures have been adjusted accordingly.

***) 'Other areas' includes reclassification of lease expenses of EUR -84m (2024: -79m) mainly to the line item 'Depreciation/amortization/impairment'

Note 2 Segment reporting — continued

EURm				2024
Geographical markets	Americas	Europe	Asia Pacific	**Group**
Net sales	3,491	3,852	2,153	9,496
Total non-current assets (excluding deferred tax assets)	2,941	4,328	652	7,921

EURm				**2025**
Geographical markets	Americas	Europe	Asia Pacific	**Group**
Net sales	3,454	3,731	2,245	9,430
Total non-current assets (excluding deferred tax assets)	2,556	4,049	651	7,256

Sales in Denmark amount to EUR 237m (2024: 263m) and non-current assets amount to EUR 955m (2024: 1,015m). Sales in Americas mainly relate to the US, which represents EUR 2,754m (2024: 2,789m), and non-current assets amount to EUR 2,376m (2024: 2,770m). China is part of the Asia Pacific, and sales amount to EUR 1,218m (2024: 1,156m) and non-current assets to EUR 394m (2024: 392m). All other individual countries are below 10% of net sales and non-current assets. All individual customers represent less than 10% of our net sales.

EURm	2024	**2025**
Specification of other areas — EBITA		
Corporate and shared functions and projects, not allocated *)	-101	-82
Other	15	52
EBITA	-86	-30
Specification of other areas — Assets		
Cash, current & non-current tax receivables	563	912
Other receivables	78	40
Corporate and shared functions, not allocated tangible, and intangible fixed assets *)	564	94
Assets held for sale		222
Other	22	44
Total assets	1,227	1,312
Specification of other areas — Liabilities		
Interest-bearing debt, current & non-current tax liabilities	3,522	3,337
Other debt	23	1
Pension and healthcare plans	137	119
Corporate and shared functions and projects, not allocated *)	85	141
Liabilities concerning assets held for sale		105
Other	21	16
Total liabilities	3,788	3,719

*) 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.

In 2025 a new operating model was implemented, which meant that more shared costs, assets and liabilities were allocated to the segments. These items were previously reported under 'Other areas' in the above segment information. Beside this change, some businesses has been moved out of the Danfoss Climate Solutions and Danfoss Electronics and Drives segment and relocated to 'Other areas'. The main reallocation relates to the Automotive business, which is now reported as Discontinued operations' in the Income statement. In the above tables, 'Discontinued operations' are not included in the Income statement data. Comparison figures for 2024 are restated to reflect the above impacts.

Items that are not allocated primarily include income and expenses incurred by corporate functions, deferred tax (assets and liabilities), 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.

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

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

Lease payments are recognized under segment expenses and capitalized lease assets are allocated to the segments. Capitalized 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 sells 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, and 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 control 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. The above also means that the vast majority of our Net sales recognition is based on point in time recognition (>95%).

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. Due to 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 basis of 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	2024	**2025**
A. Personnel expenses		
Salaries and wages	2,274	2,229
Severance payments	139	27
Social security	257	276
Pension cost — defined contribution plans	134	123
Pension cost — defined benefit plans excl. gains from reductions and redemptions *)	9	6
	2,813	2,661
Average number of employees	40,838	39,215
Total number of employees as at end of the year	39,360	39,353

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

Remuneration to the Group Executive Team and the Board of Directors:		
Salaries	6	5
Pension costs	2	2
Bonuses, short-term	2	5
Bonuses, long-term	9	12
Separation costs	6	0
Group Executive Team	25	24
Board of Directors' fee	1	1
Total remuneration	26	25

Bonuses, short-term are paid on the basis of meeting annual targets for specific financial ratios and sales growth. Bonuses, long-term are paid on the basis of 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 16m (2024: 11m).

EURm	2024	**2025**
B. Depreciation/amortization and impairment losses		
Classification by nature:		
Amortization of intangible assets	180	175
Depreciation of property, plant, and equipment	400	417
Depreciation/amortization and impairment losses	580	592
Classification of amortization/impairment of intangible assets by function:		
Cost of sales	105	98
Selling and distribution costs	67	67
Administrative expenses	3	6
Loss from discontinued operations	5	4
Intangible assets	180	175
Classification of depreciation/impairment of tangible assets by function:		
Cost of sales	340	349
Selling and distribution costs	32	32
Administrative expenses	15	13
Loss from discontinued operations	13	23
Tangible assets	400	417

Note 3 Expenses and other operating income — continued

EURm	2024	**2025**
C. Other operating income and expenses		
Gain on disposal of activities	32	6
Gain on disposal of property, plant, and equipment	14	16
Government grants	20	21
Reversal of restructuring costs	1	3
Other	12	23
Other operating income	79	69
Loss on disposal of activities	-2	-8
Loss on disposal of intangible fixed assets	-5	
Loss on disposal of property, plant, and equipment	-5	-7
Restructuring costs	-141	-29
Other	-4	-29
Other operating expenses	-157	-73
Other operating income and expenses	-78	-4

Restructuring costs in both years mainly relate to terminations in Germany, Denmark, USA, China & Türkiye.
The above income and expenses are only related to continued operations.

The Group has received government grants of EUR 21m (2024: 20m) in total. This is related to, among other items, investment incentives and support for research and development programs.

EURm	2024	**2025**
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	1
Other fees	2	1
Total fee to Group Auditor	7	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	2024	**2025**
Raw materials and consumables	748	715
Work in progress	198	197
Finished goods and goods for resale	575	561
Transferred to assets held for sale		-47
Inventories	1,521	1,426
Write-downs of inventories including inventories under assets held for sale	140	159

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.

Critical accounting estimates

Net realizable value

Danfoss writes down inventories when net realizable value is lower than cost. This requires estimating the expected selling price on the basis of current market conditions, customer demand, and other relevant factors, and deducting costs of completion and selling expenses. Due to the inherent uncertainty of changing market conditions, estimates are applied when determining the net realizable value of inventories.

Note 5 Trade receivables

EURm	2024	**2025**
Not overdue at the reporting date	1,348	1,451
Overdue less than 30 days	38	35
Overdue from 30 to 90 days	53	26
Overdue more than 90 days	36	30
Trade receivables before provision for bad debts	1,475	1,542
Provision for bad debts as at December 31	-43	-37
Transferred to assets held for sale		-19
Net carrying amount	1,432	1,486
Provision for bad debts as at January 1	-45	-43
Foreign exchange adjustments in foreign companies	-1	3
Accrual of new provisions	-13	-12
Reversal of provisions accrued	11	14
Realized loss	5	1
Provision for bad debts as at December 31	-43	-37

Of the EUR 37m write-down, EUR 17m 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 on the basis of 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	2024	**2025**
Accrued salaries and wages	457	474
Accrued expenses and sundry creditors	333	309
Transferred to liabilities concerning assets held for sale		-69
Other debt	790	714

Note 7 Change in working capital

EURm	2024	**2025**
Change in inventories	48	-34
Change in receivables	101	-189
Change in trade payables and other debt	-99	143
Change in working capital	50	-80

Capital employed

Note 8 Investments in associates and joint ventures

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

EURm			**2025**
	Investments in associates and joint ventures	Other investments	**Total**
Cost as at January 1	325	20	345
Disposals		-2	-2
Cost as at December 31	325	18	343
Adjustments as at January 1	-11	-16	-27
Net profit/value adjustment	-39		-39
Adjustments as at December 31	-50	-16	-66
Carrying amount as at December 31	275	2	277

Impairment test

Where indicators for impairment were present at the end of 2025, impairment tests were performed on the carrying amount of 'Investments in associates and joint ventures.' The 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 the prior year.

Danfoss' impairment test of its SMA Solar Technology investment, as at December 31, 2025, concludes no impairment is needed. The test is performed with a discounted cash flow model using a discount rate before tax of 13% and 2% terminal growth rate and considering increased earnings due to restructuring activities initiated in 2024, and executed in 2025. 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.

Note 8 Investments in associates and joint ventures — continued

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. As SMA Solar Technology AG is a listed company, the stated financial information below is based on publicly available information.

SMA Solar Technology AG	2024	**2025**
Place of business	Germany	Germany
Share of ownership	20%	20%
Summarized profit and loss statement, EURm *)		
Revenue	1,530	1,450 to 1,500
EBITDA	-16	-80 to -30
EBIT	-93	-190 to -140
Net income	-118	N/A
Summarized balance sheet, EURm *)		
Non-current assets	479	465
Current assets	1,062	925
Non-current liabilities	289	317
Current liabilities	699	671
Equity	553	402
Other information, EURm		
Group share of equity as at December 31	110	71

On the basis of the stock exchange quotation, the value of SMA Solar Technology AG as at December 31, 2025, was EUR 1,183m (2024: 471m).

*) Figures for 2024 as reported from SMA Solar Technology AG. Figures for 2025 reported as guidance from SMA Solar Technology AG from Q3 release, 2025.

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			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

Note 8 Investments in associates and joint ventures — continued

EURm			2025
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.	71		71
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	258	17	275

For further information on associates and joint ventures, refer to Note 29 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.

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, 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	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**
Cost as at January 1, 2025	3,395	477	281	1,251	1,008	22	33	3,072	**6,467**
Foreign exchange adjustments in foreign companies	-202	-11	-14	-57	-74			-156	**-358**
Additions through acquisition of subsidiaries	75		4	29	13			46	**121**
Additions		19				3		22	**22**
Disposals				-2		-1	-1	-4	**-4**
Transferred to assets held for sale			-11	-31	-11			-53	**-53**
Cost as at December 31, 2025	**3,268**	485	260	1,190	936	24	32	**2,927**	**6,195**
Amortization and impairment losses as at January 1, 2025	151	299	62	749	461	16	33	1,620	**1,771**
Foreign exchange adjustments in foreign companies	-9	-13	-3	-38	-32	1	0	-85	**-94**
Amortization		42	14	68	50	1		175	**175**
Disposals				-2		-1	-1	-4	**-4**
Transferred to assets held for sale			-3	-9	-2			-14	**-14**
Amortization and impairment losses as at December 31, 2025	**142**	328	70	768	477	17	32	**1,692**	**1,834**
Carrying amount as at December 31, 2025	**3,126**	**157**	**190**	**422**	**459**	**7**	**0**	**1,235**	**4,361**

Of the 'Internally developed software,' approximately 50% relates to the One ERP program.
Impact on goodwill due to hyperinflation in Türkiye amounts to EUR 3m (2024: 5m) and is included in 'Foreign exchange adjustments in foreign companies' above.

Note 9 Intangible assets — continued

Impairment tests

At the end of 2025, 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 2026-2035. 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	2024				**2025**			
	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	1,553	637	1,053	1	1,464	609	1,052	1
Brand with indefinite useful life as at December 31	139				129			

The Danfoss Power Solutions brand with a carrying amount of EUR 129m (2024: 139m) 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 2035 is based on past performance/management expectation of market development, etc. and is estimated to be 3-5% (2024: 3-5%) 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 2024. The net cash flow during the terminal period from 2035 and onward is estimated at 2% (2024: 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% (2024: 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 reached for 2024.

Danfoss Power Solutions

The goodwill allocated to Danfoss Power Solutions derives primarily from Eaton's hydraulics business in 2021, UQM Technologies Inc. (USA) in 2019, Visedo Oy (Finland) in 2017, the acquisition of the additional 38.2% of the share capital in Sauer-Danfoss Inc. (USA) in 2008. At the end of 2025, the carrying amount of brand, technology, and customer relations acquired in connection with business combinations amounts to EUR 760m (2024: 864m), or approximately 71% (2024: 68%) 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 2025, the carrying amount of technology and customer relations acquired in connection with business combinations amounts to EUR 63m (2024: 72m), or approximately 6% (2024: 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 2025, the carrying amount of technology and customer relations acquired in connection with business combinations amounts to EUR 247m (2024: 289m), or approximately 23% (2024: 23%) 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 2025, Danfoss had software in progress amounting to EUR 33m (2024: 38m). Capitalized software in progress is mainly developed internally.

In 2025, 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 (2024: 0m).

Accounting policy
Goodwill
Goodwill is initially recognized on 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. 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 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 on the basis of 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 gains 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, 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 through sale 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**
Cost as at January 1, 2025	1,923	2,863	443	529	**5,758**
Foreign exchange adjustments in foreign companies	-70	-133	-18	-20	**-241**
Additions through acquisition of subsidiaries	5	3	3	3	**14**
Transfers	45	265	43	-353	
Additions	146	71	58	248	**523**
Disposals	-50	-39	-79		**-168**
Disposals of subsidiaries	-2	-1			**-3**
Transferred to assets held for sale	-54	-198	-22	-21	**-295**
Cost as at December 31, 2025	1,943	2,831	428	386	**5,588**
Depreciation and impairment losses as at January 1, 2025	789	1,820	271		**2,880**
Foreign exchange adjustments in foreign companies	-29	-76	-15		**-120**
Transfers	-1	2	-1		
Depreciation	117	239	61		**417**
Disposals	-30	-33	-49		**-112**
Disposals of subsidiaries	-1				**-1**
Transferred to assets held for sale	-9	-46	-13		**-68**
Depreciation and impairment losses as at December 31, 2025	836	1,906	254		**2,996**
Carrying amount as at December 31, 2025	**1,107**	**925**	**174**	**386**	**2,592**

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 2m (2024: 6m) 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, 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**
Carrying amount related to right-of-use assets as at January 1, 2025	246	1	38	**285**
Foreign exchange adjustments in foreign companies	-4	-1		**-5**
Additions through acquisition of subsidiaries	5		1	**6**
Additions	105	1	18	**124**
Depreciation	-59		-25	**-84**
Disposals	-1		-2	**-3**
Carrying amount related to right-of-use assets as at December 31, 2025	**292**	**1**	**30**	**323**

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 the 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 on the basis of 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. 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 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 on the basis of 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	2024	**2025**
Current	65	65
Non-current	234	275

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 19m (2024: 18m).

At December 31, 2025, the Group had committed to leases not yet commenced. The total future cash outflows for leases that had not yet commenced are EUR 67m (2024: 61m), which are mainly for buildings.

Total cash outflow for leases for the financial year ended December 31, 2025, was EUR 113m (2024: 109m).

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							2024
Company/activity:		Country	Consolidated from/until	Holding acquired/sold	Net sales per year *)	No. of employees	Consideration paid/received
Danfoss Fire Safety A/S	Disposal	DK	Nov	100%	32	109	52

EURm							**2025**
Company/activity:		Country	Consolidated from/until	Holding acquired/sold	Net sales per year *)	No. of employees	Consideration paid/received
Palladio Compressors S.r.l. & Hydro Holding S.p.A.	Acquisition	IT	Oct/Dec	100%	54	331	132

*) 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.

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.

2025 Acquisitions:
December 2025, Danfoss completed the acquisition of Hydro Holding S.p.A., a leading manufacturer of hose fittings headquartered in Castello d'Argile, Italy. The company has a strong presence in the European market and brings extensive expertise in fluid conveyance solutions.

Note 12 Acquisition and sale of subsidiaries and activities — continued

Hydro Holding S.p.A. has been incorporated into the Fluid Conveyance division of Danfoss Power Solutions. The acquisition supports the ambition to accelerate profitable growth in line with the LEAP 2030 strategy. By adding Hydro Holding's capabilities and product portfolio, Danfoss strengthens its position as a market leader in hose fittings in Europe and creates a foundation for further innovation and customer value.

The acquisition has been included in the consolidated financial statements from December 31, 2025.

Acquisition-related transaction costs amounted to less than EUR 1m and have been included in 'Other operating expenses' in the consolidated income statement. Goodwill arising from the acquisition is attributable to the value of employees and synergies expected from combining the operations of Danfoss and Hydro Holding. The final PPA calculation will be completed within 12 months from the acquisition date.

On October 1, 2025, Danfoss completed the acquisition of Palladio Compressors S.r.l., an Italian specialist in screw compressor technology. The product range will be integrated into Danfoss Commercial Compressors' portfolio, enhancing capabilities in high-temperature heat pumps, industrial refrigeration and low-GWP applications. The acquisition has an insignificant impact on Danfoss' revenue and profit before tax.

2025 Disposals:
There were no major disposals in 2025. The reported figures include adjustments to previous year's disposals.

EURm	2024	2024	**2025**	**2025**
	Acqui-sitions	Disposals	Acqui-sitions	Disposals
Intangible assets, except goodwill	-3	5	-48	
Property, plant, and equipment		3	-13	2
Inventories		10	-22	2
Receivables *)		9	-11	2
Cash and cash equivalents		1	-6	
Interest-bearing debts			6	
Provisions, including deferred tax liabilities	2	-1	16	
Trade and other payables		-8	15	-1
Net assets acquired	-1	19	-63	5
Goodwill/profit on disposal	-2	34	-75	-2
Net assets, including goodwill(-)/profit on disposal	-3	53	-138	3
Cash and cash equivalents	-1	-1	6	
Consideration, net of cash	-4	52	-132	3
Change in short-term payables/receivables/provisions	-7	2	-8	-1
Net cash paid(-)/received	-11	54	-140	2

*) Receivables in acquisitions includes a provision for bad debt of EUR 0m (2024: 0m).

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.

Note 12 Acquisition and sale of subsidiaries and activities — continued

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 in 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, up to 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.

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. Gains or losses 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	2024	**2025**
Sale and acquisition of shares and other securities	1	3
Purchase of shares and other securities		-2
Increase/decrease in lending	1	
Acquisition and sale of other investments	2	1

Note 14 Provisions

EURm	Warranty	Employee-related	Other	2025 Total
Provisions as at January 1	70	76	51	197
Foreign exchange adjustments in foreign companies	-5	-4		-9
Provisions used	-25	-6	-30	-61
Reversal of unused provisions	-15	-8	-4	-27
Additional provisions recognized	36	11	21	68
Transferred to liabilities concerning assets held for sale	-1	-1		-2
Provisions as at December 31	60	68	38	166

Estimated maturity of above provisions:	Warranty	Employee-related	Other	2025 Total
Within 1 year	36	27	24	87
Between 1 and 5 years	23	14	12	49
After more than 5 years	1	27	2	30
Provisions as at December 31	60	68	38	166

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.

Accounting policy

A provision is recognized on 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 on the basis of 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 on the basis of 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	2024	**2025**
Financial income		
Interest from banks, etc.	4	8
Calculated expected return on defined benefit plan assets		1
Financial income	4	9
Interest on financial assets measured at amortized cost.	4	8
Financial expenses		
Interest to banks, etc.	-99	-94
Calculated interest on defined benefit plans	-8	-7
Interest expense for leasing arrangements	-15	-16
Monetary loss on adjustments for hyperinflation	-26	-16
Foreign exchange losses, net	-13	-7
Loss on other investments	-1	
Financial expenses	-162	-140
Interest on financial liabilities measured at amortized cost	-114	-110

The above income and expenses are only related to continued operations.
A fair-value hedge impact of EUR 0m (2024: 16m) 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 28 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, which are not designated as hedging arrangements.

Borrowing costs incurred in relation to general borrowing activities or loans, which 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, 2024	4,250,000	425.0	5,719,625	572.0	9,969,625	997.0
Balance as at December 31, 2025	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		2024		**2025**
	DKK	EUR	DKK	EUR
Proposed dividend per DKK 100 share	82.9	11.1	133.2	18.0
Dividend from last year paid per DKK 100 share	177.3	23.8	80.1	10.7

Development in the Group's holding of treasury shares (No. of B-shares of 100 DKK)

	2024	**2025**
Holding as at January 1	340,169	340,404
Acquired in the year	1,830	4,238
Sold to The Bitten & Mads Clausen's Foundation	-1,595	-1,667
Holding as at December 31	340,404	342,975

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 2025 for acquiring own shares amounts to EUR 9m (2024: 4m). The total selling price in 2025 for selling own shares amounts to EUR 4m (2024: 3m). The Group's holding of treasury shares represents 3.4% (2024: 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 and Moody's rating is 'Baa1 with a stable outlook'. At the end of 2025, the net-interest-bearing debt to EBITDA ratio was 1.3 (2024: 2.0) 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 development in the minority interest's share of net profit, from EUR -20m in 2024 to EUR -50m in 2025, is due to losses incurred by the Semikron-Danfoss group. The losses in 2024 are partly attributable to restructuring costs. The losses in 2025 are partly related to impairment of discontinued operations.

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 follows a cash flow at risk approach in combination with the hedge ratios below:

Fair Value and Cash Flow risk, five largest exposures: Minimum hedge 60%
Other significant Fair Value and Cash Flow exposures: Minimum hedge 30%

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	2024				2025			
	EUR	USD	GBP	**Total**	EUR	USD	GBP	**Total**
Receivables and payables	-131	4	2	-125	-192	34	-3	-161
Cash and loans	-238	-115	77	-276	-221	-149	83	-287
Derivative financial instruments for hedging of fair value 1)	369	113	-79	403	410	114	-80	444
Derivative financial instruments for hedging of future cash flow	-130	-347	-33	-510	-140	-438	11	-567
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	-2	-35	-3	-40	-1	-44	1	-44

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 interest-bearing debt.'

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 on the basis of 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 3m, while equity would be impacted by a gain of EUR 10m, 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 according to Standard & Poor's credit-rating metric, 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. The ratio may exceed this level following significant acquisitions.

At the end of 2025, Danfoss' credit rating from Standard and Poor's was 'BBB with a stable outlook' and Moody´s rating was 'Baa1 with a stable outlook'. Liquidity reserve equaled EUR 1.7bn (2024: 1.4bn). 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 3.1 years at the end of 2025. The Danfoss Group's loan agreements contain no financial covenants.

Danfoss has bond debt maturing in the first half of 2026, which is therefore classified as a current liability. Danfoss intends to refinance this debt during 2026, which would result in the debt being eligible for reclassification to non-current.

Group debt categories and maturities

EURm	2024					**2025**				
			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	2,424	2,561	65	1,988	508	2,391	2,505	764	1,236	505
Mortgage debt	64	95	2	9	84	65	83	2	5	76
Lease liabilities	299	355	77	198	80	340	423	79	190	154
Contingent considerations	15	15	7	8		5	5	5		
Derivatives — hedge of bonds	304	304		304		86	86	21	65	
Trade payables	1,322	1,322	1,322			1,386	1,386	1,386		
Debt to Ass./ JV.	4	4	4			5	5	5		
Derivatives — other hedging	8	8	8			1	1		1	
	4,440	4,664	1,485	2,507	672	4,279	4,494	2,262	1,497	735

*) Maturity is spread evenly across the period.
Above information is presented net, excluding carrying amount of liabilities concerning assets held for sale.

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 65m (2024: 67m) 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	2024		**2025**	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Investments in associates and joint ventures 1)	314	111	275	255
Financial assets measured at equity method	314	111	275	255
Other investments **)	4	4	2	2
Financial assets measured at fair value via the income statement	4	4	2	2
Derivative financial instruments for the hedging of the fair value of recognized assets *)	6	6	4	4
Derivative financial instruments for the hedging of future assets cash flows	89	89	46	46
Financial assets used as hedging instruments	95	95	50	50
Trade receivables	1,432	1,432	1,486	1,486
Other receivables	227	227	200	200
Cash and cash equivalents	339	339	684	684
Loans, receivables, cash and cash equivalentsmeasured at amortized cost	1,998	1,998	2,370	2,370
Financial liabilities:				
Contingent consideration measured at fair value via the income statement **)	15	15	5	5
Interest-bearing debt measured at fair value via the income statement *)	1,824	1,824	1,856	1,856
Financial liabilities measured at fair value via the income statement	1,839	1,839	1,861	1,861
Interest-bearing debt	963	963	940	940
Trade payables and other debt	2,272	2,272	2,235	2,235
Financial liabilities measured at amortized cost	3,235	3,235	3,175	3,175

Financial instruments by category

EURm	2024		**2025**	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Derivative financial instruments for the hedging of the fair value of recognized liabilities *)	317	317	98	98
Derivative financial instruments for the hedging of future cash flows	19	19		
Financial liabilities used as hedging instruments	336	336	98	98

Above information is presented net, excluding carrying amounts of assets held for sale and liabilities concerning assets held for sale.

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 *): Interest-bearing debt and 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 2025 remain unchanged compared to 2024.

Note 17 Financial risks and instruments — continued

Net interest-bearing debt

Interest-bearing debt, including fair value of derivatives hedging the underlying debt, less interest-bearing assets.

EURm	2024	**2025**
Interest-bearing debt measured at amortized cost	963	940
Interest-bearing debt measured at fair value	1,824	1,856
Contingent considerations	15	5
Borrowings	2,802	2,801
Fair value of derivatives hedging the underlying debt measured at fair value	304	86
Total interest-bearing debt measured at amortized cost	3,106	2,887
Cash and cash equivalents	-339	-684
Other receivables	-14	-12
Net interest-bearing debt	2,753	2,191

Derivatives as at December 31 for the Group

EURm	2024				**2025**			
	Notional amount	Net fair value Fair value hedge Gain/Loss(-) recognized in income statement		Cash Flow Hedge Gain/loss (-) deferred	Notional amount	Net fair value Fair value hedge Gain/Loss(-) recognized in income statement		Cash Flow Hedge Gain/loss (-) deferred
USD	-259	-15	-1	-14	-352	4	-5	9
EUR	242				252			
Other currencies	-163		4	-4	-117	5	-3	8
Forward exchange contracts		-15	3	-18		9	-8	17
Interest rate swaps related to debt	-1,379	11	-76	87	-1,329	-15	-47	32
Cross currency hedge related to debt	1,557	-236	-222	-14	1,494	-41	-39	-2
Other derivatives (VPPA)						-1	-1	
Derivatives end of year		-240	-295	55		-48	-95	47

Fair value hedge

The Group mainly uses forward exchange contracts to hedge currency risks arising from assets and liabilities denominated in foreign currency on the balance sheet. All derivates are due within 1 year. Fair value adjustments recognized in financial items in the income statement amounted to EUR -8m (2024: 3m).

Refer to the section 'Derivative contracts related to interest-bearing debt' for cash flow hedge related to debt.

Cash flow hedge

The Group uses forward exchange contracts to hedge against currency risks associated with expected future cash flows. By the end of 2025, the unrealized gain or loss on derivatives used to hedge foreign currency risk in equity was EUR 17m (2024: -18m). For the open foreign exchange contracts used to hedge USD cash flows, the weighted average hedge rate for USD/DKK at the end of 2025 was 6.37 (2024: 6.78).

Refer to the section 'Derivative contracts related to interest-bearing debt' for cash flow hedge related to interest rate swaps.

Derivative contracts related to interest-bearing debt

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.' As there is an economic relationship between the exposure and the hedges, they are expected to significantly offset each other. Fair value adjustments on these derivatives, amounted end of year to EUR -86m (2024: -298m). This amount is offset by a corresponding adjustment on fair value of interest-bearing debt. Unrealized gain or loss recognized in the equity, from cash flow hedge amounted to EUR 30m (2024: 73m) An immaterial amount is related to cash flow hedge of currency risk.

Derivative related to virtual power purchase agreement (VPPA)

Danfoss has 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 2025. A yearly utilization of 185,000 MWh is expected from the contract, which has a notional value of EUR 56m over 8 years. If electricity prices were 10% lower, the agreement's value would decrease by EUR 4m. 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 2025 or 2024.

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 on the balance sheet as a liability. The interest element of the lease payment is expensed in the income statement under financial items.
Sustainability-linked bonds are also accounted for as above (amortized cost method), with the exception that any change in expected cash flow of not fulfilling the sustainability 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 on 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 on 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, 2024	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
Cash flows:			
Cash repayment	-76		-76
Lease payments	-77		-77
Cash proceeds	12		12
Non-cash transactions:			
Acquisitions of subsidiaries	1	5	6
Addition and disposal of lease liabilities	32	88	120
Adjustment of euro borrowings *)		190	190
Reclassification	847	-847	
Other	-47	-129	-176
Carrying amount as at December 31, 2025	801	2,000	2,801

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 EUR 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 that 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 of defined benefit plans. The geographical split of defined benefit plans is as follows:

	2024		**2025**	
	Gross liability	Net liability	Gross liability	Net Liability
USA	37%	13%	36%	8%
Germany	33%	75%	34%	76%
UK	24%	-11%	23%	-12%
Other	6%	23%	7%	28%
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 100 (2024: 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	2024	**2025**
Present value of defined benefit plan obligations	473	437
Fair value of plan assets	-349	-330
	124	107
Defined benefit plan obligations are presented in the statement of financial position as follows:		
Pension benefit plan assets	13	12
Pension and healthcare plan obligations	137	119
	124	107

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	2024	**2025**
Provision as at January 1	471	473
Foreign exchange adjustments in foreign companies	14	-29
Additions through acquisition of subsidiaries and activities		3
Pension costs for the year	9	6
Calculated interest on plan liabilities	24	22
Actuarial gains(-)/losses from changes in demographic assumptions	-1	-1
Actuarial gains(-)/losses from changes in financial assumptions	-15	-12
Plan participants' contribution liabilities	1	1
Disbursed benefits from the Group	-11	-8
Disbursed benefits from plan assets	-20	-20
Net transfer from provisions	1	2
Provision as at December 31	473	437

Note 19 Pensions and healthcare obligations — continued

Development in the fair value of plan assets

EURm	2024	**2025**
Plan assets as at January 1	331	349
Foreign exchange adjustments in foreign companies	17	-24
Calculated interest on plan assets	16	16
Plan participants' contribution asset	1	1
Return for the year on plan assets, excluding calculated interest	-1	2
Payments by the Group	6	7
Disbursed benefits	-20	-20
Net transfer from provisions	-1	-1
Plan assets as at December 31	349	330

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 108m (2024: 114m).

Expenses relating to pension and healthcare obligations

EURm	2024	**2025**
Pension costs for the year	9	6
Calculated interest on liabilities	24	22
Calculated interest on assets	-16	-16
Expensed in the income statement	17	12
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	5	2
Interest concerning pension and healthcare obligations posted under financial items	8	6
	17	12

Estimated maturity of provisions

EURm	2024	**2025**
Within 1 year	26	27
Between 1 and 5 years	112	98
After more than 5 years	335	312
	473	437

Pension plan assets are specified as follows:

EURm		2024		**2025**
Shares and similar securities	103	30%	106	32%
Listed corporate bonds	135	39%	116	35%
Bonds	75	21%	77	23%
Other	36	10%	31	10%
	349	100%	330	100%

Plans in which the pension funds are invested in financial instruments are exposed to risk. 32% (2024: 30%) 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

	2024		**2025**	
	Range	Weighted average	Range	Weighted average
Discount rate	3.4-5.6%	5.0%	3.8-5.6%	5.2%
Estimated future salary increase	2.2-4.4%	3.7%	2.2-4.1%	3.6%

	2024		**2025**	
	Men Range	Women Range	Men Range	Women Range
Life expectancy for a pensioner retiring at the end of the reporting period	86-86	88-89	86-87	88-89
Life expectancy for a pensioner retiring 20 years after the end of the reporting period	87-89	89-92	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 EUR 7m to defined-benefit plans in 2025 (2024: 11m).

Sensitivity analysis

EURm	2024	**2025**
Reported defined-benefit plan obligations	473	437
Impact of increase in discount rate of a 0.5 percentage point	-22	-20
Impact of decrease in discount rate of a 0.5 percentage point	+26	+18
Impact of increase in future salary increase of a 0.5 percentage point	+5	+5
Impact of decrease in future salary increase of a 0.5 percentage point	-5	-5
Impact of increase in average life expectancy of 1 year	+15	+11
Impact of decrease in average life expectancy of 1 year	-13	-12

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 on the balance sheet as other debt. For defined-benefit pension and healthcare plans, the Group is under an 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 on the balance sheet under pension and healthcare obligations. Pension and healthcare costs for the year are recognized in the income statementon the basis of 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	2024	**2025**
Tax related to continued operations	-203	-223
Tax related to discontinued operations	-19	-11
Tax on profit (Income statement)	-222	-234
Current tax expense	-200	-235
Change in deferred tax	-24	-2
Adjustments concerning previous years	2	3
Tax on profit (Income statement)	-222	-234
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%	0.4%	0.6%
Tax exempt income/non-deductible expenses	-0.8%	-0.6%
Adjustment of net tax assets	14.1%	8.5%
Repatriation taxes	0.5%	1.3%
Income from associates and joint ventures after tax	0.6%	1.3%
Hyperinflation restatements	0.5%	0.6%
Other Taxes	0.5%	1.1%
Adjustments concerning previous years	-0.3%	-0.3%
Effective tax rate (Profit before tax from continued and discontinued operations)	37.5%	34.5%
Effective tax rate on continued operations	28.0%	24.5%

EURm	2024	**2025**
Tax on profit (Income statement)	-222	-234
Tax on fair-value adjustment of hedging instruments (other comprehensive income)	14	4
Tax on actuarial gain/loss on pension and healthcare plans (other comprehensive income)	-2	-4
Total taxes	-210	-234

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 2025.

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	2024	**2025**
Deferred taxes as at January 1 (net) *)	-168	-185
Foreign exchange adjustment in foreign companies	-4	-1
Additions through acquisition of subsidiaries	-2	-12
Adjustments concerning previous years	6	-5
Disposals through sale of subsidiaries	1	
Deferred tax recognized in the income statement	-24	-2
Deferred tax recognized in other comprehensive income	6	9
Deferred taxes as at December 31 (net) *)	-185	-196
Transferred to assets/liabilities held for sale		11
Deferred taxes as at December 31 (net) *)	-185	-185

*) Liability (-)

Specification of deferred tax assets

EURm	2024	**2025**
Intangible assets	4	3
Property, plant, and equipment and financial assets	74	74
Current assets	43	39
Debt and provisions	204	215
Tax loss carry-forwards	166	235
Non-capitalized tax assets regarding tax losses	-151	-209
	340	357
Offset within the same legal entities and jurisdiction	-185	-195
Deferred tax assets	155	162

Specification of deferred tax liabilities

EURm	2024	**2025**
Intangible assets	252	270
Property, plant, and equipment and financial assets	147	167
Current assets	11	11
Debt and provisions	114	104
Deferred tax regarding Danish joint taxation	1	1
	525	553
Offset within the same legal entities and jurisdiction	-185	-195
Deferred tax liabilities	340	358
Transferred to Liabilities concerning held for sale assets		-11
Deferred tax liabilities	340	347

The tax asset related to tax-loss carry-forwards of EUR 26m net (2024: 15m) 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% (2024: 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 209m (2024: 151m). The amount is not recognized as an asset, as the tax losses carried forward are not expected to be utilized. 5% of the amount (2024: 5%) has a remaining period of 3 years or less, whereas the share with a remaining period of 10 years or more totals 92% (2024: 94%).

Of the deferred tax liability of EUR 347m (2024: 340m), EUR 1m (2024: 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 35m (2024: 32m). 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 on 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	2024	**2025**
Corporation tax payable/receivable (-) as at January 1	96	6
Foreign exchange adjustment in foreign companies	3	3
Paid during the year	-291	-208
Adjustments concerning previous years	4	-8
Current tax expenses in income statement	200	235
Current tax expenses in other comprehensive income	-6	9
Corporation tax payable/receivable (-) as at December 31	6	37
The above corporation tax is recorded as follows:		
Assets	69	66
Liabilities	75	103
	6	37

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 on 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	2024	**2025**
Depreciation/amortization and impairment	580	592
Gain(-)/loss on disposal of tangible assets and business activities	-37	-6
Share of profit from associates and joint ventures after tax	16	39
Financial income	-4	-9
Financial expenses	166	142
Other	12	128
Adjustment for non-cash transactions	733	886

The Group's other adjustments for non-cash transactions mainly consist of provisions, derivatives, and defined benefit plans. In 2025 it also includes impairment on discontinued operations.
Refer to Note 27 Discontinued operations and assets and liabilities held for sale for further information.

Note 24 Contingent liabilities, assets, and securities

Securities

EURm	2024	**2025**
Carrying amount of land and buildings pledged as security for bank loans and mortgages	172	166
Leasing assets pledged as security for leasing commitments	286	323
Carrying amount of interest-bearing liabilities with security in assets	363	405

In connection with the 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's financial position beyond what has been recognized and stated in the Annual Report.

Contractual obligations

EURm	2024	**2025**
Service contract commitment other than leases	299	267
Inventories	646	397
Property, plant, and equipment	100	74
Purchase commitments	1,045	738

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 (2024: 3.3m). In the financial year, the Bitten & Mads Clausen's Foundation purchased shares in Danfoss A/S at a value of EUR 4m from the company (2024: 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 are offered for sale. At the end of December 2025, 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 (2024: 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	2024	**2025**
Sales of goods and services	26	11
Purchases of goods and services	15	18

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, 2025, 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 Discontinued operations and assets and liabilities held for sale

EURm	2024	**2025**
Income statement for discontinued operations		
Net sales	179	181
Expenses	-272	-260
Other operating income and expenses	-37	-148
Operating profit (EBIT)	**-130**	**-227**
Financial expenses	-4	-2
Profit before tax	**-134**	**-229**
Tax on profit	-19	-11
Loss from discontinued operations	**-153**	**-240**
Cash flow from discontinued operations		
Cash flow from operating activities	-109	-36
Cash flow from investing activities	-68	-20
Net cash flow from discontinued operations	**-177**	**-56**
Assets held for sale		
Intangible assets		38
Property, plant, and equipment		223
Inventories		47
Trade receivables and other receivables		49
Impairments		-135
Total assets held for sale		**222**
Liabilities concerning assets held for sale		
Provisions		2
Deferred tax liabilities		11
Trade payables and other payables		23
Other debt		69
Total liabilities related to held for sale		**105**

Danfoss has decided to initiate a divestment process for the Group's Automotive business, which was part of the Danfoss Power Electronics and Drives segment. The result of Automotive business is reported as discontinued operations in the Group's income statement, including the post-tax fair value adjustment of related assets and liabilities in 2025.

In the income statement for the discontinued operations, Other operating income and expenses for 2024 primarily relates to restructuring expenses, while in 2025 it mainly relates to the fair value less costs to sell adjustment of the business. There is no tax impact on this adjustment/impairment.

Balance sheet items for 2025 related to the Automotive business are reported as assets held for sale and liabilities concerning assets held for sale. Besides the Automotive business, a few other buildings held for sale are included in the specification of 'Total assets held for sale'.

Accounting Policy

Discontinued operations are excluded from the results of continuing operations and presented as a single amount in Profit and loss from discontinued operations in the income statement. Comparative figures have been adjusted accordingly.

On the balance sheet, discontinued operations, are reported as assets held for sale and liabilities concerning assets held for sale. Comparative balance sheet figures are not restated.

Critical accounting estimates

Discontinued net assets is recorded to the lower of net book value and fair value less costs to sell. As there is no final sales price agreed on the discontinued operations/net assets, the fair value less cost to sell includes an estimate by management.

Note 28 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 on the balance sheet date are considered.

The consolidated financial statements are prepared by aggregating the financial statements of the Parent Company and the individual subsidiaries, all of which have been 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 29 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 on 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 on 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 on the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates on the balance sheet date are recognized in other comprehensive income and accumulated in equity within a separate translation reserve. The foreign exchange adjustment is allocated between the equity of the Parent Company and of the minority shareholders.

Foreign exchange adjustments of balances that are considered part of the total net investment in companies with a functional currency other than EUR are recognized in other comprehensive income and accumulated in equity within a separate reserve for foreign exchange adjustments. Likewise, foreign exchange gains or losses are recognized in the consolidated financial statements (in other comprehensive income and accumulated in equity within 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 which are considered part of the net investment are not considered a partial disposal of the subsidiary.

Note 28 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 the 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 on the balance sheet date, and on translation of income statements from the exchange rates at the transaction date to the exchange rates on 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, and bank debts etc., 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, 2025, 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).

The price index for Türkiye has changed so that the inflation amounted to 31% in 2025 (2024: 44%). The exchange rate between TRY and EUR fell from 0.031 at the beginning of the year to 0.020 at the end of the year. This constitutes a decrease of 36% (2024: 13%).

Intangible and tangible assets as well as inventories in Danfoss' Turkish business are adjusted for inflation on the basis of changes in the price index from the time of first recognition until December 31, 2025, or until the date of any departure or consumption of goods during 2025. The adjustments have been made from the first recognition of the items in the

Note 28 General accounting policies — continued

accounts; however, from January 1, 2022, at the earliest. Equity in Türkiye is adjusted for inflation on the basis of accumulated development of the price index until December 31, 2025, to reflect purchasing power on the balance sheet date. In the income statement, all transactions in 2025 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 done 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	2024	**2025**
Income statement		
Total net sales	+26	-15
Profit before tax and discontinued operations	-22	-18
Tax	-1	0
Profit from continued operations	-23	-18
Statement of financial position		
Non-monetary assets	60	65
Equity	54	58

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 (Continued operations)
Sales growth adjusted for exchange rate translation and M&A effects.

Local currency growth (Continued operations)
Sales growth adjusted for exchange rate translation.

EBITA
Operating profit adjusted for profit from associates and joint ventures, amortizations, 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	2024	**2025**
Operating profit (EBIT)	884	1,040
Share of profit from associates and joint ventures	16	39
Amortizations:		
Brand	15	14
Technology	51	50
Customer relations	64	64
Gains/losses and costs related to acquisitions and divestments	-33	
EBITA	**997**	**1,207**

Note 28 General accounting policies — continued

EBITA before integration costs and other operating income and expenses (operational EBITA)

EURm	2024	**2025**
EBITA	997	1,207
Other operating income and expenses (Note 3C)	77	4
Adjusted for items already included in EBITA:		
Gain/loss on disposal of activities	30	-2
Other gain/losses and costs related to acquisitions and divestments	3	2
Integration costs	78	2
EBITA before integration costs and OOI/E	**1,185**	**1,213**

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 (operational EBITA 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) from continued and discontinued operations / average invested capital.

Invested Capital
Net interest-bearing debt added to shareholders' equity.

Return on Invested Capital (ROIC) from continued operations
Operating profit (EBITA) / average invested capital from continued operations

Invested Capital from continued operations
Invested capital adjusted for discontinued net assets

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.

Net interest-bearing debt
Interest-bearing debt, including fair value of derivatives hedging the underlying debt, and less interest-bearing assets.

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).

Note 28 General accounting policies — continued

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	2024	**2025**
Cash flow from operating activities	974	1,173
Cash flow from investing activities	-389	-502
Acquisition of subsidiaries and activities	11	140
Proceeds from disposal of subsidiaries and activities	-54	-2
Proceeds from sale of other investments	2	-1
Lease payments and other adjustments	-77	-74
Free operating cash flow after financial items and tax	**467**	**734**

Note 29 Group companies

Per December 31, 2025
The companies are owned 100% by Danfoss unless otherwise stated after the company name.

Danfoss A/S, Nordborg, Denmark (Parent Company)

- Subsidiary
- Associate or joint venture

Europe[1]

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.

Czech Republic
- Danfoss s.r.o.
- Efeti s.r.o.

Denmark
- Danfoss Distribution Services A/S
- Danfoss Distribution II A/S
- Danfoss International A/S
- Danfoss IXA A/S — 78%
- 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.
- Evofluid Hydraulics UK 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 Power Solutions S.r.l.
- Danfoss Power Solutions II S.r.l.
- Hydro Holding S.p.A.
- Palladio Compressors 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%

Norway
- Aneo Retail International AS — 26% (associate)
- 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%

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
- 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 29 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.
- Danfoss Polimer Sanayi 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
- Elsmark Insurance Corporation
- Evofluid Hydraulics Corporation
- 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 Indústria e Comércio Eletrohidraulica 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 Automation Technology (Zhejiang) 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 (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 Plate 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 Pvt. Ltd.
- 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
- 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 company financial statements

Notes to the parent company financial statements

Income statement

January 1 to December 31

EURm	Note	2024	**2025**
Net sales	1	1,612	1,638
Cost of sales	1	-1,157	-1,181
Gross profit		**455**	**457**
Research and development costs	1	-129	-136
Selling and distribution costs	1	-94	-97
Administrative expenses	1	-65	-55
Operating profit excluding other operating income and expenses		**167**	**169**
Other operating income and expenses	1	-8	-6
Operating profit (EBIT)		**159**	**163**
Financial income	6	1,588	1,037
Financial expenses	6	-150	-836
Profit before tax		**1,597**	**364**
Tax on profit	9	-51	-65
Net profit		**1,546**	**299**
Attributable to:			
Proposed dividends reserve		111	179
Other reserves		1,435	120
		1,546	**299**

Statement of comprehensive income

January 1 to December 31

EURm	2024	**2025**
Net profit	**1,546**	**299**
Other comprehensive income		
Foreign exchange adjustments on translation of DKK into EUR	-2	-8
Items that will be reclassified to income statement	**-2**	**-8**
Other comprehensive income after tax	**-2**	**-8**
Total comprehensive income	**1,544**	**291**

Statement of financial position

At December 31

EURm	Note	2024	**2025**
Non-current assets			
Intangible assets	3	334	317
Property, plant, and equipment	4	395	372
Investments	2	5,095	4,826
Total non-current assets		**5,824**	**5,515**
Current assets			
Inventories		143	142
Trade receivables external		59	65
Trade receivables from subsidiaries		225	175
Short-term loans to subsidiaries		1,523	1,677
Derivative financial instruments (positive fair value)	7		13
Other receivables		39	37
Receivables		1,846	1,967
Cash and cash equivalents	7	274	610
Total current assets		**2,263**	**2,719**
Total assets		**8,087**	**8,234**

EURm	Note	2024	**2025**
Shareholders' equity		**5,013**	**5,192**
Liabilities			
Provisions		8	8
Deferred tax liabilities	10	75	80
Borrowings	7	137	76
Borrowings from subsidiaries		1,213	1,219
Other non-current debt		60	45
Non-current liabilities		**1,493**	**1,428**
Provisions		13	14
Borrowings	7	12	15
Trade payables		187	167
Trade payables to subsidiaries		49	33
Borrowings from subsidiaries		1,190	1,224
Debt to associates and joint ventures		4	5
Corporation tax	11	12	27
Derivative financial instruments (negative fair value)	7	8	
Other debt		106	129
Current liabilities		**1,581**	**1,614**
Total liabilities		**3,074**	**3,042**
Total liabilities and shareholders' equity		**8,087**	**8,234**

Statement of cash flows

January 1 to December 31

EURm	Note	2024	**2025**
Profit before tax		1,597	364
Adjustments for non-cash transactions	12	-1,347	-59
Change in working capital		-69	22
Interest received		47	61
Interest paid		-22	-36
Dividends received		1,433	795
Paid tax	11	-29	-45
Cash flow operating activities		**1,610**	**1,102**
Acquisition of intangible assets		-48	-33
Acquisition of property, plant, and equipment		-41	-42
Proceeds from sale of property, plant and equipment			29
Acquisition of subsidiaries		-85	-278
Proceeds from disposal of subsidiaries		64	4
Cash repayment of (-)/cash proceeds from loans to subsidiaries		-847	-323
Cash flow from investing activities		**-957**	**-643**
Cash repayment of interest-bearing debt	8	-127	-53
Cash repayment of (-)/cash proceeds from borrowings from subsidiaries		-311	43
Purchase of treasury shares		-4	-9
Sale of treasury shares		3	4
Dividends paid to shareholders in the Parent Company		-237	-107
Cash flow from financing activities		**-676**	**-122**
Net change in cash and cash equivalents		**-23**	**337**
Cash and cash equivalents as of January 1		297	274
Foreign exchange adjustment of cash and cash equivalents			-1
Cash and cash equivalents as of December 31		**274**	**610**

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 of January 1, 2024	**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 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 of December 31, 2024	**134**	**10**	-310	126	4,942	**4,758**	**111**	**5,013**
Net profit					120	**120**	**179**	**299**
Software-development costs				-15	15			
Currency-translation adjustments					-8	**-8**		**-8**
Total comprehensive income for the period				-15	127	**112**	**179**	**291**
Dividends to shareholders					4	**4**	**-111**	**-107**
Purchase of treasury shares			-9			**-9**		**-9**
Sale of treasury shares			4			**4**		**4**
Total transactions with owners			-5		4	**-1**	**-111**	**-112**
Balance as of December 31, 2025	**134**	**10**	-315	111	5,073	**4,869**	**179**	**5,192**

For further information on Equity and Share capital, see Statement of changes in equity and Note 16 Share capital, in Group section.

Income statement

Note 1 Net sales, expenses, and other operating income

EURm	2024	**2025**
A. Net sales		
Sale of goods	1,164	1,242
Sale of services and income from royalties, Group members	448	396
	1,612	1,638

Sales of services to Group members mainly comprise services sold in relation to Group shared functions.

EURm	2024	**2025**
B. Personnel expenses		
Salaries and wages	255	212
Severance payments	6	9
Social security	11	15
Pension cost - defined contribution plans	23	23
	295	259
Average number of employees	2,585	2,400
Total number of employees as of end of the year	2,531	2,333
Remuneration to Group Executive Team and Board of Directors:		
Salaries	5	4
Pension costs	1	1
Bonuses, short-term	2	5
Bonuses, long-term	7	9
Separation costs	3	
Group Executive Team	18	19
Board of Director's fee	1	1
Total remuneration	19	20

Bonuses, short-term are paid on the basis of meeting annual targets for selected financial ratios and sales growth.
Bonuses, long-term are paid on the basis of value creation over multiple years. Long-term bonuses equal rights earned, but notnecessarily paid out in the year.
Total remuneration for registered members of Executive Management amounts to EUR 16m (2024: 11m).

EURm	2024	**2025**
C. Depreciation/amortization and impairment losses		
Classification by nature:		
Amortization of intangible assets	45	49
Depreciation of property, plant, and equipment	42	43
Depreciation/amortization and impairment losses	87	92
Classification of amortization/impairment of intangible assets by functions:		
Cost of sales	42	42
Selling and distribution costs	3	7
Intangible assets	45	49
Classification of depreciation/impairment of tangible assets by functions:		
Cost of sales	38	38
Administrative expenses	4	5
Tangible assets	42	43

Note 1 Net sales, expenses, and other operating income — continued

EURm	2024	**2025**
D. Other operating income and expenses		
Gain on disposal of property, plant and equipment		5
Government grants	1	
Other	2	3
Other operating income	3	8
Loss on disposal of intangible fixed assets	-4	
Loss on disposal of property, plant and equipment		-1
Restructuring costs	-6	-9
Other	-1	-4
Other operating expenses	-11	-14
Other operating income and expenses	-8	-6

EURm	2024	**2025**
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					2024
	Investments in subsidiaries	Receivables from subsidiaries	Investments in associates and joint ventures	Other investments	**Total**
Costs as of 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 of December 31	4,348	855	315	19	5,537
Adjustments as of January 1	-413			-16	-429
Reversed impairment	1				1
Impairment for the year	-14				-14
Adjustments as of December 31	-426			-16	-442
Carrying amount as of December 31	3,922	855	315	3	5,095

Additions for the year to "Investments in subsidiaries" mainly relates 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 between 11% to 15%, before tax, are used.

Note 2 Investments — continued

EURm					2025
	Investments in subsidiaries	Receivables from subsidiaries	Investments in associates and joint ventures	Other investments	**Total**
Costs as of January 1	4,348	855	315	19	5,537
Foreign exchange adjustments, etc.	-6				-6
Additions	268	158	1		427
Disposals	-4			-2	-6
Costs as of December 31	4,606	1,013	316	17	5,952
Adjustments as of January 1	-426			-16	-442
Reversed impairment	49				49
Impairment for the year	-733				-733
Adjustments as of December 31	-1,110			-16	-1,126
Carrying amount as of December 31	3,496	1,013	316	1	4,826

Additions for the year to "Investments in subsidiaries" mainly relates to investment in Hydro Holding S.p.A., Danfoss S.r.l., and Danfoss Polimer Sanayi A.S.
Disposal of the year of "Investments in subsidiaries" mainly relates to a capital reduction in Danfoss Editron Oy.

Impairment losses for the year on "Investments in subsidiaries" of EUR 733m mainly relates to Semikron Danfoss Holding A/S and Sondex Holding A/S. The impairment of shares in Semikron Danfoss Holding A/S relates to the decision to divest the Automotive business, resulting in a write-down to fair value less costs to sell. Further details on the divestment can be found in Note 27 Discontinued operations and assets and liabilities held for sale, in the Group section.
The impairment of Sondex Holding A/S 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 being that the focus is on a stand-alone company basis. In the calculation of recoverable amounts, discount rates of between 11% to 15%, before tax, are used.

Impairment tests
Where indicators for impairment were present at the end of 2025, impairment tests were performed on the carrying amount of "Investments in subsidiaries, associates, and joint ventures". The 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 the previous 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. The test is performed with a discounted cash flow model using a discount rate before tax of 13% and 2% terminal growth rate and considering increased earnings due to restructuring activities initiated in 2024, and executed in 2025. Sensitivity analysis shows that the discount rate should increase by more than 0.25%-point or the EBIT percentage should decline by more than 0.25%-point to change the conclusion.

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 of 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 of December 31, 2024	90	340	133	2	475	**565**
Amortization and impairment losses as of January 1, 2024	3	172	37	2	211	**214**
Amortization		34	11		45	**45**
Disposals		-28			-28	**-28**
Amortization and impairment losses as of December 31, 2024	3	178	48	2	228	**231**
Carrying amount as of December 31, 2024	**87**	**162**	**85**		**247**	**334**
Cost as of January 1, 2025	90	340	133	2	475	**565**
Additions		15	17		32	**32**
Disposals		-3			-3	**-3**
Cost as of December 31, 2025	90	352	150	2	504	**594**
Amortization and impairment losses as of January 1, 2025	3	178	48	2	228	**231**
Amortization		35	14		49	**49**
Disposals		-3			-3	**-3**
Amortization and impairment losses as of December 31, 2025	3	210	62	2	**274**	**277**
Carrying amount as of December 31, 2025	**87**	**142**	**88**		**230**	**317**

Of the "internally developed software" approximately 60% relates to the One ERP Program.

Impairment tests

Goodwill in Danfoss A/S of EUR 87m (2024: 87m) 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 2025, 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 the 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 in the previous year.

Note 4 Property, plant, and equipment

EURm	Land and buildings	Plant and machinery	Equipment	Assets under construction	**Total**
Cost as of 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 of December 31, 2024	376	319	95	82	**872**
Depreciation and impairment losses as of January 1, 2024	195	229	61		**485**
Depreciation	14	19	9		**42**
Disposals	-19	-11	-20		**-50**
Depreciation and impairment losses as of December 31, 2024	190	237	50		**477**
Carrying amount as of December 31, 2024	**186**	**82**	**45**	**82**	**395**
Cost as of January 1, 2025	376	319	95	82	**872**
Transfers	6	24	29	-59	
Additions	3		28	15	**46**
Disposals		-1	-57		**-58**
Cost as of December 31, 2025	385	342	95	38	**860**
Depreciation and impairment losses as of January 1, 2025	190	237	50		**477**
Depreciation	14	19	10		**43**
Disposals		-1	-31		**-32**
Depreciation and impairment losses as of December 31, 2025	204	255	29		**488**
Carrying amount as of December 31, 2025	**181**	**87**	**66**	**38**	**372**

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 of January 1, 2024	10	8	**18**
Additions	1	3	**4**
Depreciation	-2	-4	**-6**
Carrying amount related to right-of-use assets as of December 31, 2024	**9**	**7**	**16**
Carrying amount related to right-of-use assets as of January 1, 2025	9	7	**16**
Additions	3	2	**5**
Depreciation	-2	-4	**-6**
Carrying amount related to right-of-use assets as of December 31, 2025	**10**	**5**	**15**

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	2024	**2025**
Current	5	4
Non-current	13	12

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, 2025, was EUR 8m (2024: 8m).

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	2024	**2025**
Financial income		
Dividend from subsidiaries and associates/joint ventures	1,433	795
Interest from subsidiaries	123	118
Reversal of impairment/gain on disposal of subsidiaries and associates/joint ventures	32	49
Foreign exchange gains, net		73
Interest from banks, etc.		2
Financial income	1,588	1,037
Interest on financial assets measured at amortized cost	123	120
Financial expenses		
Interest to banks, etc.	-21	-36
Foreign exchange losses, net	-25	
Impairment/loss on disposal of subsidiaries and associates/joint ventures	-14	-733
Interest to subsidiaries	-77	-59
Impairment/loss on loans	-12	-7
Interest expense for leasing arrangements	-1	-1
Financial expenses	-150	-836
Interest on financial liabilities measured at amortized cost	-98	-95

The impact of derivatives/foreign exchange contracts of EUR 63m is included in Foreign exchange gain, net. (2024: 9m included in Foreign exchange losses, net).

Further 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	2024					**2025**				
			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	52	52		52		6	6	6		
Mortgage debt	64	95	2	9	84	64	82	2	5	75
Contingent consideration	15	15	7	8		5	5	5		
Borrowings from subsidiaries	2,403	2,427	1,190	1,237		2,443	2,467	1,224	1,243	
Finance lease liabilities	18	20	5	12	3	16	18	5	11	2
Trade payables	187	187	187			167	167	167		
Trade payables to subsidiaries	49	49	49			33	33	33		
Debt to ass./ JV.	4	4	4			5	5	5		
Derivative financial liabilities	8	8	8							
	2,800	2,857	1,452	1,318	87	2,739	2,783	1,447	1,259	77

*) Maturity is evenly spread over the period.
Further information on leases is provided in Note 5 Leases.

The maturity analysis is based on all non-discounted cash flow, 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	2024		**2025**	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Investments in associates and joint ventures 1)	315	111	316	256
Financial assets measured at equity method	315	111	316	256
Other investment **)	3	3	1	1
External derivatives *)			13	13
Financial assets measured at fair value in the income statement	3	3	14	14
Trade receivables	59	59	65	65
Trade receivables from subsidiaries	225	225	175	175
Short-term loans to subsidiaries	1,523	1,523	1,677	1,677
Other receivables	39	39	37	37
Cash and cash equivalents	274	274	610	610
Loans, receivables, cash and cash equivalents measured at amortized cost	2,120	2,120	2,564	2,564
Financial liabilities:				
Contingent consideration measured at fair value via the income statement **)	15	15	5	5
Interest-bearing debt *)	134	134	86	86
Debt to subsidiaries	49	49	33	33
Borrowing from subsidiaries	2,403	2,403	2,443	2,443
Trade payables and other debt	357	357	346	346
Financial liabilities measured at amortized cost	2,943	2,943	2,908	2,908
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 the previous year.

Derivates as of December 31 for Danfoss A/S

EURm	2024			**2025**		
	Notional amount	Net fair value	Gain/Loss(-) recognized in income statement	Notional amount	Net fair value	Gain/Loss(-) recognized in income statement
USD	-259	-14	-14	-352	4	4
EUR	242			252		
Other currencies	-163			-117	5	5
Forward exchange contracts		-14	-14		9	9
Interest rate swaps	-150	6	6	-150	4	4
Derivatives end of year		-8	-8		13	13

Note 8 Change in liabilities arising from financing activities

EURm	Short-term borrowings	Long-term borrowings	**Total**
Carrying amount as of January 1, 2024	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 of December 31, 2024	12	137	149
Cash flows:			
Cash repayment	-47		-47
Lease payments	-6		-6
Non-cash transactions:			
Acquisitions and disposal of lease liabilities	1	3	4
Reclassification	65	-65	
Other	-10	1	-9
Carrying amount as of December 31, 2025	15	76	91

Lease payments are the principal portion of lease liabilities and are presented under cash flows from financing activities in the Statement of cash flow.

Further information on leases is provided in Note 5 Leases.

Tax

Note 9 Tax on profit

EURm	2024	**2025**
Current tax expense	-40	-65
Change in deferred tax	-19	-9
Adjustments concerning previous years	8	9
Tax on profit (income statement)	-51	-65
Tax on profit is defined as:		
Tax on profit before tax	22.0%	22.0%
Tax-exempt income/non-deductible expenses	0.4%	43.7%
Dividends exempt of tax	-19.7%	-48.1%
Other taxes	1.0%	2.0%
Adjustments concerning previous years	-0.5%	-1.8%
Effective tax rate	3.2%	17.8%

Note 10 Deferred tax

Changes in deferred taxes

EURm	2024	**2025**
Deferred taxes as of January 1 (net) *)	-61	-75
Adjustments concerning previous years	5	4
Deferred tax recognized in the income statement	-19	-9
Deferred taxes as of December 31 (net) *)	-75	-80

*) Liability (-)

Specification of deferred taxes

EURm	2024	**2025**
	Deferred tax asset	Deferred tax asset
Current assets	4	6
Liabilities	7	7
	11	13
Offset within the same legal entities and jurisdiction	-11	-13
Deferred tax assets	0	0

	Deferred tax liability	Deferred tax liability
Intangible assets	40	40
Property, plant, and equipment and financial assets	13	16
Current assets	7	8
Liabilities	25	28
Deferred tax regarding Danish joint taxation	1	1
	86	93
Offset within the same legal entities and jurisdiction	-11	-13
Deferred tax liabilities	75	80

Note 10 Deferred tax — continued

Of the deferred tax liability of EUR 80m (2024: 75m), EUR 1m (2024: 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 12m (2024: 11m). 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	2024	**2025**
Corporation tax payable/receivable (-) as of January 1	4	12
Paid during the year	-29	-45
Adjustments concerning previous years	-3	-5
Current tax expenses in income statement	40	65
Corporation tax payable/receivable (-) as of December 31	12	27
The above corporation tax is recorded as follows:		
Liabilities	12	27

Other notes

Note 12 Adjustment for non-cash transactions

EURm	2024	**2025**
Depreciation/amortization and impairment	87	92
Gain(-)/loss on disposal of fixed assets and business activities	5	
Financial income	-1,588	-1,037
Financial expenses	150	836
Other, including provisions	-1	50
Adjustment for non-cash transactions	-1,347	-59

Note 13 Contingent liabilities, assets, and securities

Securities

EURm	2024	**2025**
Carrying amount of land and buildings pledged as security for bank loans and mortgages	172	166
Leasing assets pledged as security for leasing commitments	16	15
Carrying amount of interest-bearing liabilities with security in assets	82	80

In connection with the 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 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	2024	**2025**
Service contract commitment other than leases	191	153
Inventories	58	52
Property, plant, and equipment	28	1
Purchase commitments	277	206

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	2024	**2025**
Purchases of goods and services	18	19

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	2024	**2025**
Sales of goods and services	1,355	1,385
Purchases of goods and services	528	586
Purchases of intangible assets and property, plant, and equipment	2	15
Disposal of intangible assets and property, plant, and equipment	1	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, 2025, 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, 2025, 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 28 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 retrospective 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.

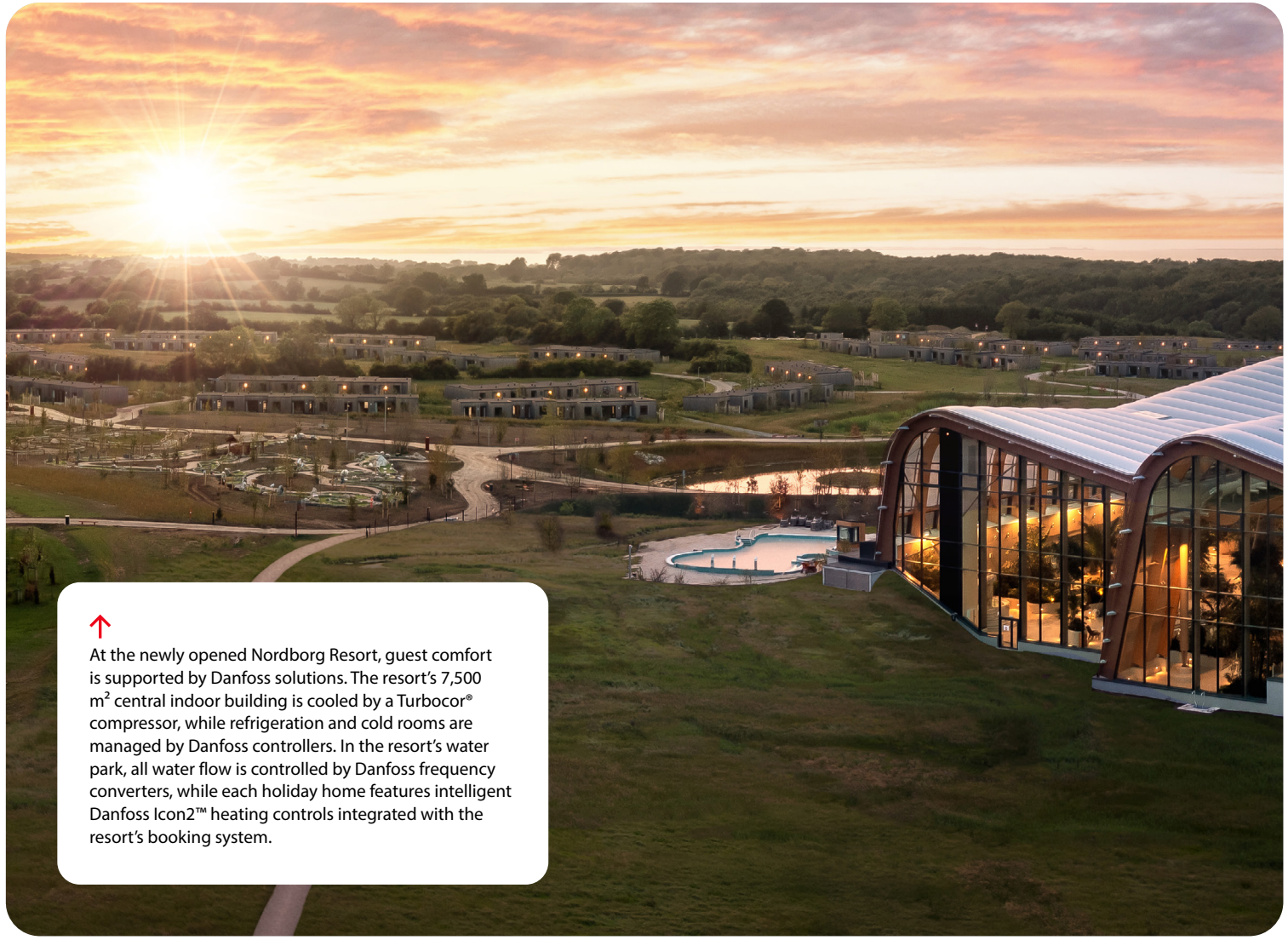
Note 17 Material accounting estimates for Danfoss A/S

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.

Statements



At the newly opened Nordborg Resort, guest comfort is supported by Danfoss solutions. The resort's 7,500 m^2 central indoor building is cooled by a Turbocor® compressor, while refrigeration and cold rooms are managed by Danfoss controllers. In the resort's water park, all water flow is controlled by Danfoss frequency converters, while each holiday home features intelligent Danfoss Icon2™ heating controls integrated with the resort's booking system.

Contents

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, 2025.

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, 2025, of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for 2025.

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.

The Sustainability Statement includes forward-looking statements based on disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

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, March 3, 2026

CEO and CFO

Kim Fausing

Jesper V. Christensen

Board of Directors

Jens Bjerg Sørensen, Chair

Mika Vehviläinen

Mads Clausen

Henning Bjørklund

Mads-Peter Clausen

Marianne Godballe

Nico Delvaux

Henning Andreas Krogh

Karin Dohm

Bent Lewke

Connie Hedegaard

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 2025 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 2025 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 2025, pp.132-180 and 183-199, 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. 4-125.

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 scepticism 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, March 3, 2026

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard
State Authorised Public Accountant
mne23331

Rune Kjeldsen
State Authorised Public Accountant
mne34160

Independent limited assurance report on selected ESG data points

To the stakeholders of Danfoss A/S

Danfoss A/S ("Danfoss") engaged us to provide limited assurance on selected ESG data points for the period 1 January - 31 December 2025 described in the section "What are we assuring" and set out in the consolidated ESG statement on p. 108 and related notes on pp. 109 – 118 ("the selected 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 selected ESG data points for the period 1 January - 31 December 2025 for Danfoss are prepared, in all material respects, in accordance with the applied accounting policies developed by Danfoss as stated in the notes to the consolidated ESG statement on pp. 109 - 118 ("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 on the ESG data points included on p. 108 except for the data point regarding "Physical intensity" and the selected ESG data points marked with an '*' on pp. 109 – 118 for the period 1 January - 31 December 2025 stated in the 2025 Annual Report of Danfoss (together "the selected ESG data points").

We express limited assurance in our conclusion.

Corresponding information

Please note that the comparative ESG information for the selected ESG data points for the years prior to 2023 have not been subject to assurance.

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 selected 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 selected ESG data points are the accounting policies developed by Danfoss, 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 the selected ESG data points 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 selected 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 selected ESG data points;
- Made inquiries and conducted interviews with Danfoss' Management with responsibility for management and reporting of the selected 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 selected ESG data points at corporate head office and in relation to selected Danfoss reporting sites;
- Performed analytical review and trend explanation of the selected ESG data points; and
- Evaluated the obtained evidence.

Management's responsibilities

Management of Danfoss is responsible for:

- Designing, implementing and maintaining internal control over information relevant to the preparation of the selected ESG data points in the 2025 Annual Report that are free from material misstatement, whether due to fraud or error;
- Establishing objective ESG accounting policies for preparing the selected ESG data points;
- Measuring and reporting the information in the selected 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 selected ESG data points for the period 1 January – 31 December 2025 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.

Hellerup, 3 March 2026

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Lars Baungaard
State Authorised Public Accountant
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Date of publication: March 3, 2026

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