

ENGINEERING
TOMORROW

Danfoss

2016

Financial highlights in EURO



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This publication gives an overview of the financial highlights and key figures in EURO in relation to the financial results for 2016. This publication is not audited and does not replace the Annual Report 2016.

Danfoss in brief

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

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

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

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Highlights 2016

Key figures EURbn

Sales	Local currency growth	EBIT margin	Free cash flow before M&A	Leverage ratio	NIBD to EBITDA ratio	Employees worldwide
5.3	6%	10.9%	0.5	55.2%	1.6	25,292

Results in line with expectations

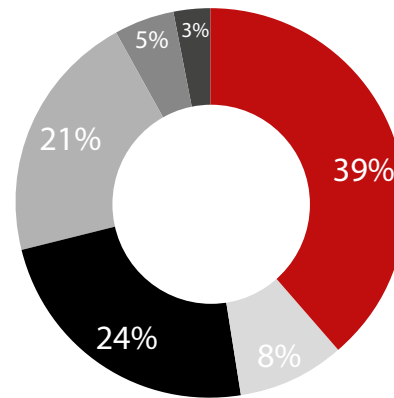
In 2016, the Danfoss Group continued the good performance and delivered satisfactory financial results in line with expectations.

The year was characterized by continuing low global growth conditions with a mixed business environment across markets and sectors. Sales grew 3% to EUR 5.3bn, corresponding to 6% growth in local currency. EBIT improved 4% to EUR 0.6bn, leading to an EBIT margin of 10.9% and net profit of EUR 0.4bn, up 13% on last year. The results were driven by a strong performance in Danfoss Cooling and good growth traction in Danfoss Power Solutions.

The strong free cash flow before M&A was kept high at EUR 0.5bn, and the free cash flow ended at EUR 0.2bn, due to the acquisitions completed in the third quarter of 2016.

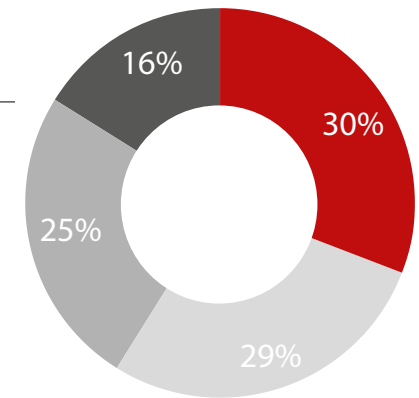
Sales split on regions

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

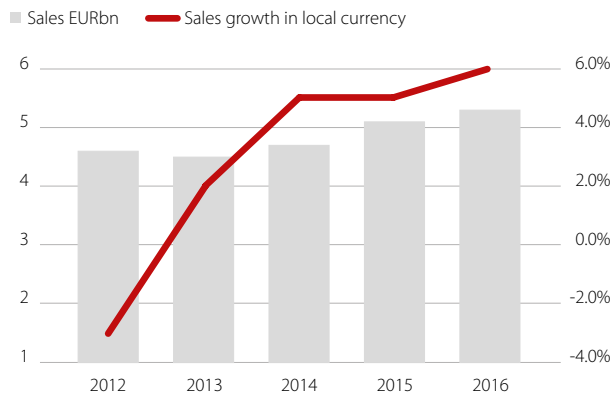


Sales split on segments

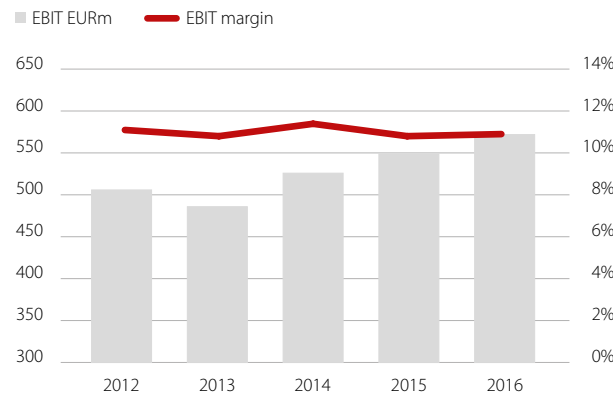
- Danfoss Power Solutions
- Danfoss Cooling
- Danfoss Drives
- Danfoss Heating



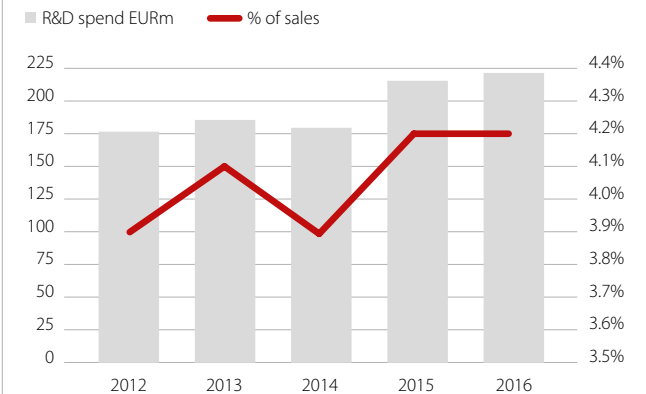
Sales and growth



Earnings



Innovation spend



Financial highlights

	2012	2013	2014	2015	2016
PROFIT AND LOSS ACCOUNTS					
Net sales	4,569	4,509	4,611	5,099	5,271
Operating profit before depreciation, amortization, impairment and other operating income and expenses, etc.	733	744	815	824	838
Operating profit before depreciation, amortization and impairment (EBITDA)	772	711	759	807	816
Operating profit excl. other operating income and expenses, etc.	501	519	584	568	589
Share of profit from associates and joint ventures after tax	0	1	-25	9	4
Operating profit (EBIT)	507	486	526	549	572
Financial items, net	-57	-49	-60	-47	-44
Net profit	315	307	307	348	394
BALANCE SHEET					
Total non-current assets	2,284	2,152	3,469	3,507	3,788
Total assets	3,722	3,501	4,955	4,987	5,457
Total shareholders' equity	1,902	1,534	1,779	2,067	2,325
Net interest-bearing debt	361	552	1,537	1,292	1,284
Net assets	2,249	2,074	3,014	3,030	3,273
CASH FLOW STATEMENT					
Cash flow from operating activities	570	596	584	626	693
Cash flow from investing activities	-177	-123	-1,419	-217	-494
Acquisition of intangible assets and property, plant and equipment	-158	-134	-133	-157	-226
Acquisition of subsidiaries and activities	-26	0	-990	-30	-251
Acquisition (-)/sale of other investments, etc.	6	11	-296	-30	-17
Free cash flow	393	473	-835	409	199
Free cash flow before M&A	405	471	455	456	459
Cash flow from financing activities	-374	-486	830	-458	-175
FINANCIAL RATIOS					
Local currency growth (%)	-3	2	5	5	6
EBITDA margin, excl. other operating income, etc. (%)	16.0	16.5	17.7	16.2	15.9
EBITDA margin (%)	16.9	15.8	16.5	15.8	15.5
EBIT margin, excl. other operating income, etc. (%)	11.0	11.5	12.7	11.1	11.2
EBIT margin (%)	11.1	10.8	11.4	10.8	10.9
Return on invested capital (ROIC)	21.4	22.2	19.4	16.3	16.3
Return on invested capital (ROIC) after tax	15.2	15.9	13.2	11.4	12.0
Return on equity (%)	17.8	18.2	18.4	17.6	17.2
Equity ratio (%)	51.1	43.8	35.9	41.4	42.6
Leverage ratio (%)	19.0	36.0	86.4	62.5	55.2
Net interest bearing debt to EBITDA ratio	0.5	0.8	2.0	1.6	1.6
Dividend pay-out ratio (%)	17.1	35.0	21.8	20.4	17.0
Dividend per 100 DKK share	39.2	78.3	48.9	51.8	50.2

Income statement

January 1 to December 31

EURm

	2015	2016
Net sales	5,099	5,271
Cost of sales	-3,312	-3,412
GROSS PROFIT	1,787	1,859
Research and development costs	-215	-221
Selling and distribution costs	-773	-815
Administrative expenses	-231	-234
OPERATING PROFIT EXCLUDING OTHER OPERATING INCOME AND EXPENSES	568	589
Other operating income and expenses	-28	-21
Share of profit from associates and joint ventures after tax	9	4
OPERATING PROFIT (EBIT)	549	572
Financial income	10	4
Financial expenses	-57	-48
PROFIT BEFORE TAX	502	528
Tax on profit	-154	-134
NET PROFIT	348	394
Attributable to:		
Shareholders in Danfoss A/S	319	359
Minority interests	29	35
	348	394

Statement of comprehensive income

January 1 to December 31

EURm

	2015	2016
NET PROFIT	348	394
OTHER COMPREHENSIVE INCOME		
Actuarial gain/loss (-) on pension and healthcare plans	2	-3
Tax on actuarial gain/loss on pension and healthcare plans	-1	
Items that cannot be reclassified to income statement	1	-3
Foreign exchange adjustments on translation of foreign currency into DKK	82	-15
Fair value adjustment of hedging instruments:		
Hedging of net investments in subsidiaries	2	2
Hedging of future cash flows	-27	-4
Hedging transferred to gross profit in the income statement	37	4
Tax on hedging instruments	-2	
Items that can be reclassified to income statement	92	-13
OTHER COMPREHENSIVE INCOME AFTER TAX	93	-16
TOTAL COMPREHENSIVE INCOME	441	378
Attributable to:		
Shareholders of Danfoss A/S	404	341
Minority interests	37	37
	441	378



Statement of financial position

As of December 31

EURm

ASSETS	2015	2016
NON-CURRENT ASSETS		
INTANGIBLE ASSETS	2,150	2,313
PROPERTY, PLANT AND EQUIPMENT	895	1,012
Investments	329	336
Pension benefit plan assets	14	15
Non-current receivables	4	3
Deferred tax assets	115	109
OTHER NON-CURRENT ASSETS	462	463
TOTAL NON-CURRENT ASSETS	3,507	3,788
CURRENT ASSETS		
INVENTORIES	559	633
Trade receivables	712	813
Receivable corporation tax	71	45
Derivative financial instruments (positive fair value)	2	
Other receivables	93	110
RECEIVABLES	878	968
CASH AND CASH EQUIVALENTS	43	68
TOTAL CURRENT ASSETS	1,480	1,669
TOTAL ASSETS	4,987	5,457

Statement of financial position

As of December 31

EURm

LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	2015	2016
Equity, shareholders in Danfoss A/S	1,970	2,210
Minority interests	97	115
TOTAL SHAREHOLDERS' EQUITY	2,067	2,325

LIABILITIES

Provisions	50	56
Deferred tax liabilities	260	269
Pension and healthcare benefit plan obligations	163	160
Borrowings	1,244	939
Derivative financial instruments (negative fair value)	4	
Other non-current debt	43	49
NON-CURRENT LIABILITIES	1,764	1,473

Provisions	83	91
Liabilities under share incentive programs	6	5
Borrowings	107	439
Trade payables	518	619
Debt to associates and joint ventures	3	3
Corporation tax	40	44
Derivative financial instruments (negative fair value)	30	13
Other debt	369	445
CURRENT LIABILITIES	1,156	1,659

TOTAL LIABILITIES

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

TOTAL LIABILITIES	2,920	3,132
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,987	5,457

Statement of cash flows

January 1 to December 31

EURm

	2015	2016
Profit before tax	502	528
Adjustments for non-cash transactions	261	214
Change in working capital	40	93
CASH FLOW GENERATED FROM OPERATIONS	803	835
Interest received	2	9
Interest paid	-38	-38
Dividends received	1	2
CASH FLOW FROM OPERATIONS BEFORE TAX	768	808
Paid tax	-142	-115
CASH FLOW FROM OPERATING ACTIVITIES	626	693
Acquisition of intangible assets	-27	-32
Acquisition of property, plant and equipment	-147	-205
Proceeds from sale of property, plant and equipment	17	12
Acquisition of subsidiaries	-31	-252
Proceeds from disposal of subsidiaries	1	
Acquisition (-)/sale of other investments, etc.	-30	-17
CASH FLOW FROM INVESTING ACTIVITIES	-217	-494
FREE CASH FLOW	409	199
Cash repayment of (-)/cash proceeds from interest-bearing debt	-312	-39
Repurchase of treasury shares	-42	-36
Addition/disposal of minority interests	-5	-7
Dividends paid to shareholders in the Parent Company	-66	
Dividends paid to minority shareholders	-33	-93
CASH FLOW FROM FINANCING ACTIVITIES	-458	-175
NET CHANGE IN CASH AND CASH EQUIVALENTS	-49	24
Cash and cash equivalents as of January 1	96	43
Foreign exchange adjustment of cash and cash equivalents	-4	1
CASH AND CASH EQUIVALENTS AS OF DECEMBER 31	43	68
STATEMENT OF FREE CASH FLOW ADJ. FOR ACQUISITION AND DISPOSAL OF SUBSIDIARIES, etc. (M&A)		
Free cash flow	409	199
Acquisition of subsidiaries	31	252
Proceeds from disposal of subsidiaries	-1	
Acquisition (-)/sale of other investments	17	8
FREE CASH FLOW BEFORE M&A	456	459

The cash flow statement cannot be derived on the basis of the Annual Report alone.

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

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