

Press release

Annual Report 2021

Group Communications
Danfoss A/S

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Danfoss Announces Transformational, Record Year Above Expectations

- **Sales reached EUR 7.5 billion, up 29% against 2020.**
- **Growth was driven by very strong demand for our energy-efficient products and solutions, leading to organic growth of 18%, as well as added sales from the Eaton Hydraulics acquisition.**
- **Operating profits (EBITA) reached a record EUR 969 million, up 34% against 2020.**
- **We reached our 2030 targets of doubling our energy productivity nine years ahead of time. New ambitious ESG targets and ambitions to be launched in H1 2022.**
- **Our top priority remains the health and safety of our employees who continue to navigate the challenges created by the pandemic and supply chain disruptions, while serving our customers.**
- **Outlook 2022 sales in the range of EUR 8.8-9.8bn and EBITA margin in the range of 11.4-12.9%. This includes the full year ownership of Eaton's hydraulics business.**

NORDBORG, DENMARK – In 2021, Danfoss sales increased 29% to EUR 7.5 billion – a record sales level. Organic growth reached 18% year-over-year. The five months ownership of Eaton's hydraulics business added EUR 786 million to the topline. Danfoss delivered extensive growth in all regions. Investments in innovation (R&D) increased 23% to EUR 328 million. At the same time, Danfoss' operating profits reached the highest level ever with EBITA of EUR 969 million and EBITA margin of 12.8%. Net profit reached EUR 631 million, up 45%.

"We have never seen better opportunities for Danfoss. It is our ambition to be the leading technology partner for our customers in the green transition – decarbonizing through energy efficiency, low emissions, and electrification. After all, the greenest energy is the energy that we don't use. Our momentum is clearly reflected in our 2021 annual results. Danfoss has delivered the best results in our history, and we are in a strong financial position," says Kim Fausing, President & CEO of Danfoss.

"What makes me most proud is how our teams continue to deal with the pandemic and the significant challenges with the supply chain while delivering a transformational, record year. Unfortunately, these considerable challenges affected our customer service. In addition, all three segments were affected by inflationary pressure. We will continue to do everything we can to serve our customers and we will continue our high investments in capacity expansion, innovation and digitalization of Danfoss," says Kim Fausing.

Sustainability

"Sustainability has been part of Danfoss' purpose since the company was founded. Our DNA and culture have been instrumental in building our leading position across multiple industries. Looking towards 2030, Danfoss will integrate new ESG targets and ambitions based on the Science Based Targets initiative," says Kim Fausing.

Danfoss aspires to take leading positions within Decarbonization, Circularity, and Diversity & Inclusion. Danfoss remains committed to decarbonizing our global operations by 2030 and improving gender diversity with women

occupying 30% of leadership positions by 2025, while also reframing our approach to building a diverse and inclusive team. We believe this will become a competitive advantage.

Danfoss will continue to invest in sustainability and improve our climate footprint by setting targets based on the Science Based Targets initiative and extending our robust approach to include our entire value chain. Our sustainability progress will be tracked like we track our financials – with solid data and a systematic approach.

Outlook 2022

Danfoss assumes a positive outlook in the market with a continued ambition to expand or maintain market share. The outlook includes a full year ownership of Eaton's hydraulics business. Sales are expected to be in the range of EUR 8.8-9.8bn for the full year. The EBITA margin is expected to be in the range of 11.4-12.9%, following continued investments in the development of new products and solutions. The expected growth and profitability performance is dependent on the development of the pandemic, the global supply chain disruptions as well as the continuation of the current strong growth rates in the world economy.

Regarding the conflict between Ukraine and Russia our first priority is to keep our people safe. We are monitoring the situation carefully and will act accordingly.

Key figures for 2021

- Sales increased 29% to EUR 7,539 million (2020: 5,828m), corresponding to significant organic growth of 18%.
- Operating profit (EBITA) increased 34% to EUR 969 million (2020: 723m), leading to a strong EBITA margin of 12.8% (2020: 12.4%).
- Net profit reached EUR 631 million (2020: 435m), 45% better than 2020.
- The free operating cash flow before M&A amounted to EUR 401 million (2020: 493m), confirming the cash generating capability of Danfoss.
- Investments in innovation (R&D) increased 23% to EUR 328 million (2020: 267m), corresponding to 4.4% of sales (2020: 4.6%).
- Lost Time Injury Frequency (LTIF) ended at the record-low level of 1.7 (2020: 2.0).
- In 2021, we reached our 2030 targets of doubling our energy productivity compared to the 2007 base-year in global operations. This means we have doubled the output from our factories without increasing our energy demand thanks to the energy efficiency improvements we initiated.
- In 2022, our 250,000 m² production and office space in Nordborg, Denmark, will become CO₂ neutral.

More information:

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Relevant links:

<http://report2021.danfoss.com>

<https://www.danfoss.com/en/about-danfoss/company/financials/>

Danfoss is engineering technologies that enable the world of tomorrow to be better, smarter, and more effective. In growing cities, we ensure the supply of fresh food and optimal comfort in homes and offices, while meeting the need for energy-efficient infrastructure, connected systems and integration of renewable energy. Our solutions are used, for example, for cooling, air conditioning, heating, controlling electric motors, and mobile equipment. Our innovative

ENGINEERING
TOMORROW



*engineering can be tracked back to 1933, and today Danfoss is a global leader with 40,000 employees and sales in more than 100 countries. We are privately owned by the founder's family.
Read more about us at www.danfoss.com.*