

H1 2025: Robust results despite volatile environment

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Key Highlights:

- Robust performance across all segments driven by disciplined execution
- Improved growth momentum through the first six months with majority of divisions across the three business segments showing positive growth by the end of Q2
- Operational EBITA margin of 11.5% in Q2 and 10.6% for the first half year
- Launch of new strategy, LEAP 2030, and the next era of growth and value creation following the implementation of new operating model
- Guidance confirmed for the year

"As we navigate the current volatile environment, our customers remain our top priority. I am incredibly proud of our global team's execution in recent months, delivering robust results despite the volatile environment. Their dedication and hard work have been instrumental in ensuring our customers continue to receive the high-quality service and solutions they expect from Danfoss. With our new operating model, we have strengthened end-to-end accountability in our businesses and secured faster decision-making close to our customers."

– Danfoss President and CEO Kim Fausing

During the first six months of the year, Danfoss achieved continued improvement in sales growth, with sales reaching EUR 4.8 billion. Throughout the first half of the year, inventory corrections in our markets have progressed. Order intake and sales continuously improved over the same period with slightly positive sales growth in the second quarter. The operational EBITA margin continued to improve in the first half and reached 11.5% in the second quarter, in line with expectations. We reached an operational EBITA margin of 10.6% in the first half. Cash flow is slightly below last year, but with our current actions, we expect to deliver the full year in line with our plans.

We saw a strong and resilient performance, especially in our Climate Solutions and Drives businesses. There continues to be significant differences in market dynamics across the various markets in which we operate.

Danfoss Climate Solutions delivered a strong first half with high, single-digit growth. This was driven by the strong momentum in data centers and the ongoing refrigerant transition across the regions. Though our Power Electronics and Drives business saw soft sales due to inventory work-downs in the markets and a challenged European automotive market, order intake improved. The segment delivered a strong performance in the low-voltage drives business, particularly in data centers, HVAC, and water and wastewater applications. Our Power Solutions business continued to be negatively impacted by the downturn in the mobile hydraulics market. This was driven primarily by lower demand, especially in the U.S. agriculture and construction markets. However, the business returned to growth by the end of the second quarter, mainly driven by solutions for data centers.

In terms of geographic performance, it is a highlight that China delivered high, single-digit growth, and the North American market returned to growth during the second quarter. The signs of recovery in Europe are less pronounced. Despite having a large degree of localized production, we are impacted by tariffs. We are working with customers and partners to mitigate the impact.

"We remain confident in the future. With our very broad portfolio, Danfoss is the leading partner for innovative, competitive, and sustainable solutions, and we are unlocking significant opportunities through our new LEAP 2030 strategy — the foundation of a new era of growth and value creation. With our commitment to delivering value for our customers, we continue to make significant investments in strategic growth markets, innovative technologies, as well as a strong, agile regional manufacturing footprint." – Danfoss President and CEO Kim Fausing

Focused investments in strategic growth markets

In line with our new LEAP 2030 strategy, we continue to strengthen our leading global positions across our three segments and are investing in key markets such as India, as well as in attractive high-growth markets such as data centers.

Data centers represent one of the largest opportunities across our three segments. We offer innovative and sustainable technology for both air- and liquid-cooled data centers, including power conversion and energy storage.

We work closely with our customers to service the world's leading hyperscalers and chip manufacturers to provide energy efficient and sustainable solutions. We continue to strengthen our partnerships with key players through our participation in organizations like the pan-European Net Zero Innovation Hub for Data Centers.

Delivering competitive, innovative, and sustainable solutions

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 increased to 5.6% of sales in the first six months. Danfoss Climate Solutions has invested in expanding the compressor offering by extending performance, energy efficiency, and capacity across key compressor technologies including oil-free Turbocor®, scroll, and BOCK® semi-hermetic compressors. 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 its new platform of open-circuit piston pumps, X1P, delivering unmatched performance, reliability, and flexibility in a compact design for use in, for example, skid steer and compact track loaders, mini and compact excavators, and telehandlers.

The regionalization of our manufacturing footprint to better support customers and drive resilience is a strategic priority

This year we are completing a new manufacturing facility dedicated to compressors and sensors in Mexico; we strengthen our China-for-China set-up by adding a new campus for a range of offerings including mobile hydraulics and Turbocor® oil-free compressors; and we are investing to increase capacity across our more than 30 production sites in the U.S.

Continued progress in sustainability

Sustainability remains at the core of our business, serving as a value-creating driver that strengthens our competitiveness. All Danfoss facilities in North America are now powered by renewable energy through a new power purchase agreement, which means that approximately two-thirds of the electricity we purchase globally is now green.

Outlook for the year

We confirm our guidance for the year based on current known tariffs. Sales are expected to be in the range of EUR 9.5-11.0bn for the full year. The operational EBITA margin is expected to be in the range of 10.8-12.3%.

Key figures for the first six months of 2025:

- Sales reached EUR 4,788 million (H1 2024: 5,012m). Organic growth was -3%. Q1 was negative while Q2 was slightly positive.
- Investments in innovation (R&D) increased to EUR 266m (H1 2024: 247m), corresponding to 5.6% of sales (H1 2024: 4.9%).
- Operational EBITA reached EUR 509 million (H1 2024: 576m), leading to an operational EBITA margin of 10.6% (H1 2024: 11.5%).

- Net profit reached EUR 269 million (H1 2024: 291m).
- Investments (CapEx) excluding M&A was EUR 162 million (H1 2024: 220m).
- Free operating cash flow after financial items and tax (before M&A) amounted to EUR -167 million (H1 2024: -118m).

About Danfoss A/S: Danfoss engineers solutions that increase machine productivity, reduce emissions, lower energy consumption, and enable electrification.

Our solutions are used in areas such as refrigeration, air conditioning, heating, power conversion, motor control, industrial machinery, marine, and on- and off-highway equipment. We also provide solutions for renewable energy, such as solar and wind power, storage, heat recovery, as well as contribute to district energy solutions for cities.

Our innovative engineering dates back to 1933. Danfoss is family-owned and employs over 39,000 people. We create long-term value for our customers in more than 100 countries with a global footprint of around 100 factories.

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