

# Financial performance strengthening with record-high cash flow

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## Key highlights:

- Disciplined execution and implementation of new LEAP 2030 strategy delivering impact across all segments.
- Sales grew organically 3% to EUR 9.4 billion with -3% in H1 and 9% in the second half.
- Operational EBITA margin increased 0.4% points to 12.9%, with investments in innovation (R&D) increasing to 5.3% of sales.
- Cash flow reached a record-high level of EUR 734 million, up 57%.
- Scope 1 and 2 carbon emissions reduced by 33%.
- The 2026 sales outlook is in the range of EUR 9.1–10.6 billion and operational EBITA margin is expected to be in the range of 12.8–14.3%.

“In 2025, we improved our financial performance quarter-by-quarter, delivering record-high cash flow. I’m proud of the disciplined execution demonstrated by our global teams in this volatile environment. I’m also pleased with how our new LEAP 2030 strategy and our decentralized operating model are already showing impact. Our achievements and our resilience in 2025 are the result of the continued dedication of our highly engaged global teams,” says Kim Fausing, President and CEO at Danfoss.

Throughout 2025, our growth momentum improved significantly and we delivered growth in the second half of 9%. Total sales reached EUR 9.4 billion and grew 3% organically. Our total sales were negatively impacted by a weakening US dollar rate, with an impact of -3%, while our regionalized manufacturing footprint ensured a limited impact on our EBITA margin. Operational EBITA margin also continued to improve throughout the year, increasing 0.4% points to 12.9%. Operational EBITA amounted to EUR 1,213 million. Cash flow amounted to a record-high EUR 734 million and together with a strong balance sheet, we are well positioned to continue investing in our business, supporting growth both organically and inorganically.

Our performance in Asia improved throughout the year, driven by China which saw 13% sales 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.

Across our segments, Danfoss Climate Solutions delivered a strong and resilient performance, supported by the demand for energy efficiency, electrification, and data center solutions. In our Danfoss Power Electronics and Drives segment, we delivered a robust performance, driven particularly by our Drives business. Danfoss Power Solutions returned to growth in the second half also driven by data centers, yet was negatively impacted by low demand in agriculture.

In 2025, we continued to scale our data center business, growing and partnering with hyperscalers, co-locaters, and chip suppliers across our regions. Global data center sales reached approximately 7% of our total sales, almost doubling year-on-year. Our innovative and sustainable technologies for both air and liquid-cooled data centers remain one of our high-growth opportunities across our three business segments.

“With a strong balance sheet and record-high cash flow, we are well positioned to continue investing in our business, driving organic growth and M&A. Global megatrends continue to create significant opportunities for Danfoss, and we have never been more relevant with our broad product offering and global presence. We continue to strengthen our customer partnerships and are well positioned for the future. As we have entered 2026, I feel both confident and energized by the engagement I have seen across Danfoss,” says Kim Fausing.

### **Leading with the broadest portfolio**

We invest to deliver the broadest portfolio of innovative, sustainable, and competitive technologies and solutions in the industries we serve and focus on strengthening our leading positions in our three business segments. In line with our LEAP 2030 strategy, our R&D investments increased to 5.3% of sales.

In 2025, our Danfoss Power Solutions segment acquired hose fittings manufacturer Hydro Holding, strengthening our leading position in fluid conveyance for mobile and industrial hydraulics as well as data centers. In Danfoss Power Electronics and Drives and 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.

### **Strengthening our regional footprint**

With a CapEx of EUR 342 million, we further expanded our global factory footprint across the Americas, Europe, and Asia to better serve customers locally, increase competitiveness, and strengthen resilience. We also continued to expand capacity in our Application Development Centers (ADCs) and laboratories. This is where customers experience our technologies within their own applications.

### **Strong digital backbone in place**

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 and accuracy 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.

## Sustainability as a driver of competitiveness

Sustainability is embedded in our LEAP 2030 strategy as this is an integrated part of our value proposition. In 2025, five years ahead of plan, we achieved our former SBTi-validated target to reduce our own emissions (scope 1 and 2) by 46.2% by 2030, demonstrating the effectiveness of our decarbonization initiatives. In 2025 alone, we reduced our own emissions by 33%. We reaffirmed our commitment to decarbonization with an updated near-term SBTi-validated target and a new long-term SBTi-validated target, to achieve net-zero across the value chain by 2050. We also improved our ratings scores with EcoVadis and CDP.

## Outlook 2026

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. We remain committed to our ambitious target to competitively decarbonize our global operations by 2030.

## Key figures from 2025:

- Sales reached EUR 9,430m (2024: 9,496m) with an organic growth of 3%.
- Investments in innovation (R&D) increased to EUR 503m (2024: 476m), corresponding to 5.3% of sales (2024: 5.0%).
- Operational EBITA reached EUR 1,213m (2024: 1,185m), leading to an operational EBITA margin of 12.9% (2024: 12.5%), an increase of 0.4% points.
- Net profit reached EUR 446m (2024: 370m), an increase of 21%.
- Investments (CapEx) excluding M&A were EUR 342m (2024: 362m), amounting to 3.6% of sales.
- Free operating cash flow after financial items and tax (before M&A) amounted to EUR 734m (2024: 467m), an increase of 57%.

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 data centers, renewable energy, energy 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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