S&P Global Ratings

RatingsDirect®

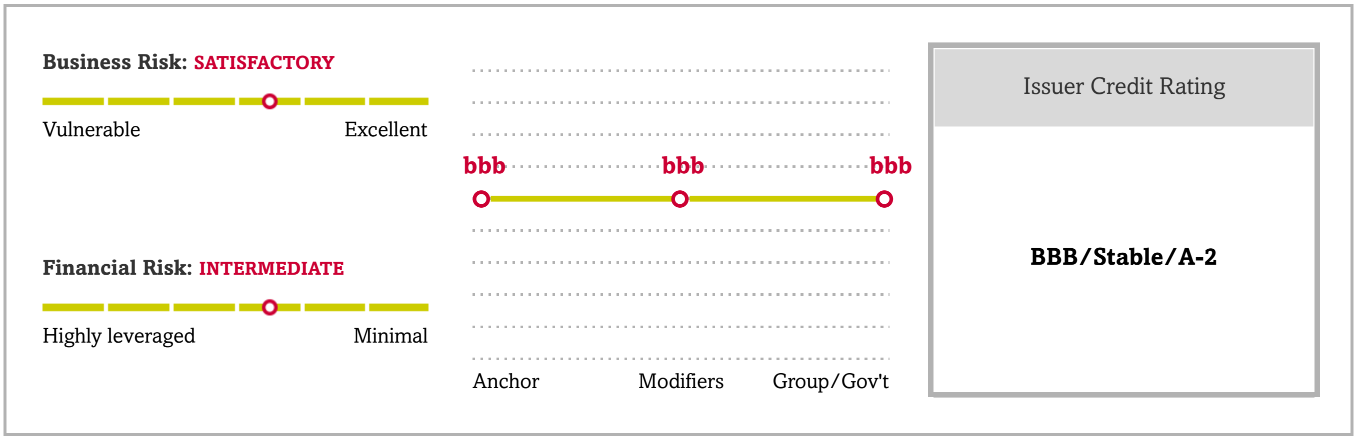
Danfoss A/S

Primary Credit Analyst:
Florent Blot, CFA, Paris + 33 1 40 75 25 42; florent.blot@spglobal.com

Secondary Contact:
Marta Bevilacqua, Milan + (39)0272111298; marta.bevilacqua@spglobal.com

Table Of Contents

Danfoss A/S



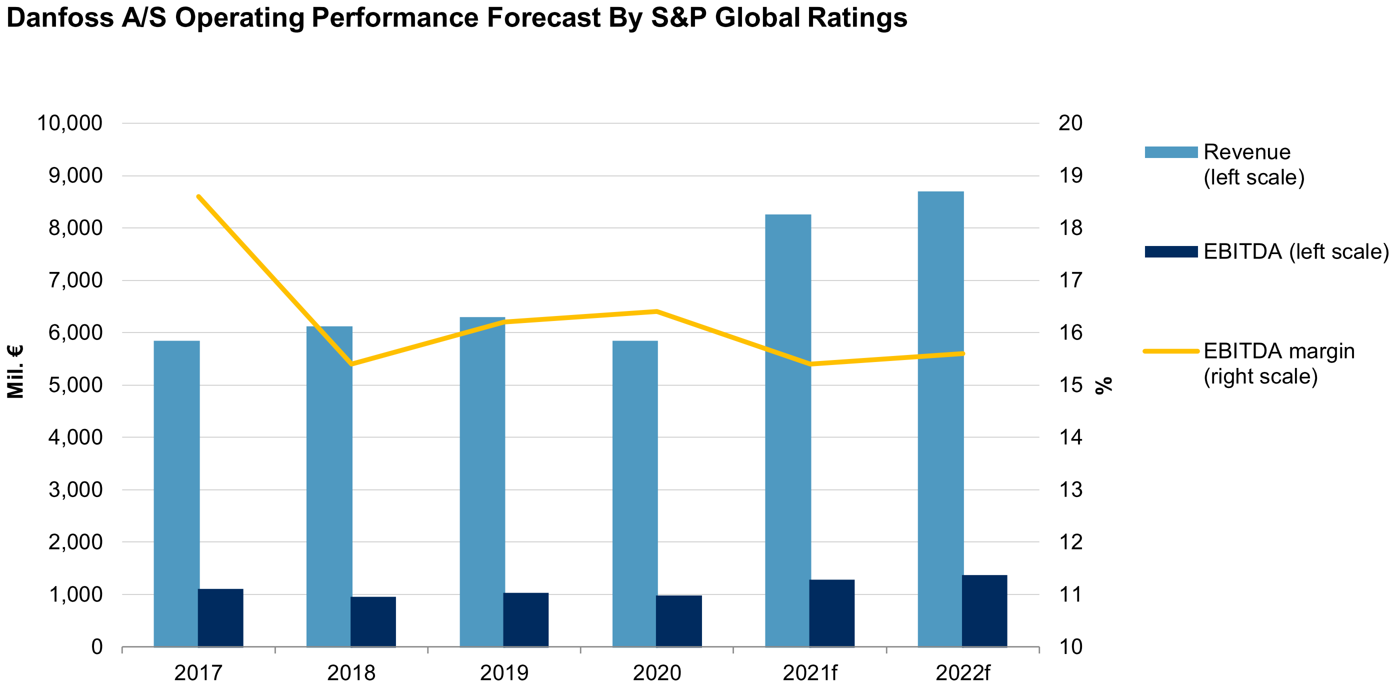
Credit Highlights

Overview

Key strengths	Key risks
No. 1 or No. 2 positions in the end markets for its key products.	Material weakening in credit metrics due to the planned Eaton Hydraulics acquisition, with funds from operations (FFO) to debt expected to be around 30% in 2021, compared with 92.9% in 2020.
Good customer, end- market, and geographic diversity, with 37% of sales from Western Europe, 24% from Asia-Pacific, 23% from North America, and 16% from the rest of the world.	Cyclical demand pattern, characterized by low visibility and pricing competition that could harm the company's profitability.
Prudent liquidity management, with a policy to maintain undrawn committed lines close to €600 million, and a conservative financial commitment to maintain a 'BBB' rating.	Innovation and new megatrends require Danfoss to continue investing in research and development (R&D) and capex to further gain market share and remain ahead of competition.
Resilient operating performance in 2020 despite the pandemic, with EBITDA reaching 16.4%, with tight cost management and optimization of contribution margins allowing for a more agile cost structure.	The acquisition of Eaton Hydraulics entails execution risks that could initially weigh on Danfoss' profitability.

We expect Danfoss' operating margin to soften in 2021 due to acquisition-related expenses, after registering solid results in 2020 despite the pandemic. In terms of top-line growth, the acquisition of Eaton Hydraulics, which is set to close over the next few months, will be the key driver for the company. At the same time, we have revised our organic growth expectations for Danfoss to 10%-12% to reflect the group's good demand dynamics. However, our adjusted base-case margins will decrease by about 100 basis points (bps) in 2021, on a pro forma basis, from 16.4% in 2020. The temporary drop in profitability we now foresee for 2021 is lower than what we had forecast (for more information, see "Danfoss A/S Outlook Revised To Stable From Negative; 'BBB/A-2' Ratings Affirmed; €2.5 Billion EMTN Program Rated 'BBB'", published March 29, 2021, on RatingsDirect) because we expect the company top line to grow more prominently that just a few months ago. This is due to the lower margin profile of Eaton Hydraulics and the associated integration costs, which we estimate at €70 million-80 million.

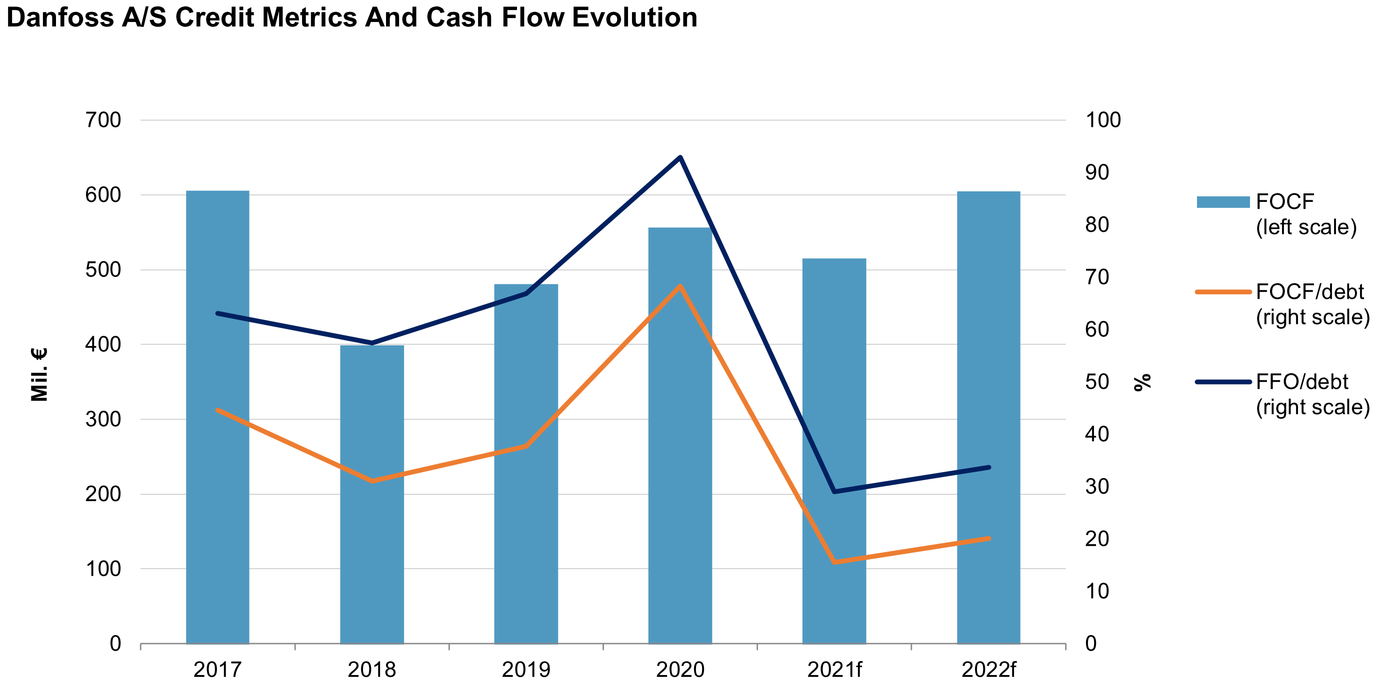
Chart 1



f--Forecast, pro forma the Eaton hydraulics business. Source: S&P Global Ratings.

Danfoss' credit metrics will weaken in 2021 due to the increased debt burden, although in line with the 'BBB' rating, with FFO to debt reaching 30%-35% before a full market recovery in 2022. The Eaton Hydraulics acquisition will elevate Danfoss' debt burden; we expect adjusted debt to reach about €3.2 billion in 2021 (up from €813 million at the end of 2020), including the €1.9 billion notes issued under the recently established euro medium-term note program. While the company's solid operating results and cash generation in 2020 have helped boost financial flexibility, the acquisition will significantly affect its 2021 credit metrics. This is notwithstanding Danfoss' solid start to the year and strong operating prospects for its legacy business. We now see FFO to debt materially diminishing to 30%-35% in 2021 compared with 92.9% at year-end 2020. This level of FFO to debt is somewhat higher that what we had expected, and reflects the good operating conditions the group is experiencing, even if cost inflation and supply chain bottlenecks are short-term risks that the group is carefully managing. At the same time, we expect Danfoss to quicky gain financial flexibility, with FFO to debt rapidly moving toward 35%-40% already from 2022. We expect free operating cash flow for 2021 to be broadly in line with last year's level of €555 million while improving to more than €600 million-€700 million in 2022.

Chart 2



f--Forecast, pro forma the Eaton hydraulics business. FOCF--Free operating cash flows. FFO--Funds from operations.
Source: S&P Global Ratings.

The $3.3 billion acquisition of Eaton Hydraulics is likely to materially increase the group's leverage, limiting Danfoss' ability to pursue other acquisitions or more-generous-than-anticipated shareholder remuneration. Danfoss' financial policy is to retain enough flexibility to ensure a 'BBB' rating over the cycle but it has no specific leverage target. In our view, the Eaton Hydraulics acquisition will leave the group with limited buffer to fund other material acquisitions or to increase shareholder distributions above what we estimate under our base case for 2021, then slightly improving in 2022. Over 2020, Danfoss distributed dividends of only €38 million to minority shareholders. We anticipate that over 2021, the group will maintain the same approach to support the deleveraging goal and regain rating headroom. For 2022, we now estimate dividends of €200 million-€250 million.

Outlook: Stable

The stable outlook reflects our view that Danfoss will quickly absorb the planned acquisition of Eaton Hydraulics, posting FFO to debt comfortably above 30% and increasing its adjusted EBITDA margin to about 16% in the 12-18 months after the acquisition.

Downside scenario

We would lower the rating if the new business integration proves more challenging than we currently forecast, or if adverse market conditions result in softer operating performance than anticipated--resulting in FFO to debt below 30% for a prolonged period without prospects for a short-term recovery. Higher-than-envisaged shareholder distributions or material additional debt-funded acquisitions could also lead us to lower the rating.

Upside scenario

We could raise the rating if adjusted FFO to debt is above 45% through the cycle, supported by a financial policy commitment to maintain this leverage.

Our Base-Case Scenario

Assumptions

- A rebound in global GDP to 4.9% growth in 2021 from a 3.7% contraction in 2020.
- U.S. (where Danfoss generates about 23% of its revenue in 2020) GDP reduced by 3.9% in 2020 and eurozone (accounting for about 37% in 2020) GDP fell by 7.2%. For 2021, we expect modest growth of 4.2% in the U.S. and 4.8% in the eurozone. Asia-Pacific GDP will reduce by 1.7% in 2020, followed by 6.1% growth in 2021 (accounting for about 24% of Danfoss' revenue in 2020).
- Organic growth of about 10%-12% for the group in 2021, which is materially aboveour global GDP forecasts. In line with the strong market momentum the group is experiencing the group's revenue increase is spurred by sustained growth in all Danfoss' key segments of 10.0%-13.0%, benefiting from a global increase of GDP as well as the group's exposure to megatrends such as electrification, automation, and food security. However, the Eaton Hydraulics acquisition, which we assume will take place toward the end of Q2 2021, will increase revenue by about 40% over 2020 on a pro-forma basis. In 2022, we expect sales for the combined group to increase by 4%-6% on a pro forma basis. This compares with Danfoss' sales decline of 7.3% in 2020 to €5.8 billion.
- Notwithstanding the sales drop in 2020, Danfoss' EBITDA margin was resilient to the pandemic, reaching 16.4% from 16.2% in 2019. For 2021, we forecast that the pro-forma EBITDA margin will decline to about 15.5%, mainly driven by the acquisition and attached one-off costs. We expect margins to normalize at about 15.5%-16.0% in 2022.
- No material swings in working capital over 2020-2021. This compares with a €52 million working capital release in 2020.
- Capex of about €250 million in 2020, increasing to €350 million-€400 million on average in 2021-2022 per year.

- No acquisitions in 2021, with the $3.3 billion Eaton Hydraulics acquisition assumed to take place by the end of Q2 2021.
- Dividends to minorities of about €40 million in 2021. For 2022, we expect Danfoss to restart shareholder distributions of about €200 million.
- Cash proceeds from the disposal of the White Drive Motors & Steering business amounting to €200 million-€250 million.

Key metrics

Danfoss A/S--Key Metrics

	--Fiscal year ended Dec. 31--			
	2019a	**2020e**	**2021f**	**2022f**
(Mil. €)				
Revenue growth (%)	3.1	(7.3)	40-45	4-6
EBITDA margin (%)	16.2	16.4	About 15.5	15.5-16.0
Funds from operations (FFO)	848	755	1,000-1,100	1,000-1,100
Free operating cash flow (FOCF)	479	555	500-600	600-700
Debt to EBITDA (x)	1.2	0.8	2.3-2.8	2.0-2.5
FFO to debt (%)	66.8	92.9	30-35	35-40

Note: All figures adjusted by S&P Global Ratings. A--Actual. E--Estimate. F--Forecast. FFO--Funds from operations. FOCF--Free operating cash flow.

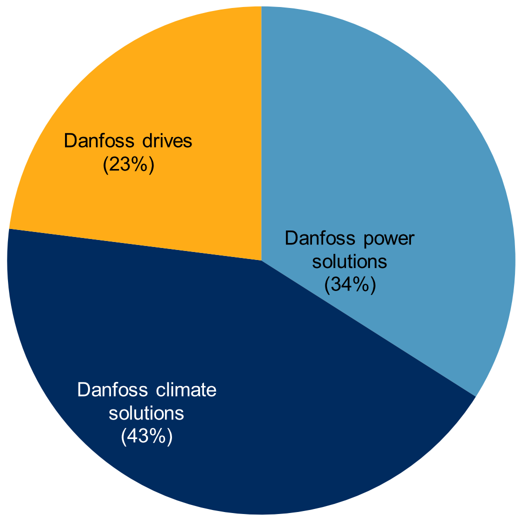
Company Description

Danfoss is a leading producer of electrical and mechanical components in several industry segments including power solutions, climate solutions, and drives. With revenue of about €5.8 billion (see charts 3 and 4) and S&P Global Ratings-adjusted EBITDA of €958 billion in 2020, Danfoss is a midsize European capital goods company with operations in three segments:

- Danfoss Power Solutions: Hydraulic systems and electronic components. Cyclical end markets include agriculture, construction, and material handling, and specialty equipment. At year-end 2020, this segment's revenue was about €2.0 billion, representing 34% of total revenue.
- Danfoss Climate Solutions: Components for the air conditioning and refrigeration industry, as well as heating components for residential and nonresidential heating and district energy for cities. End markets include heating, ventilation, and air-conditioning systems, and commercial and industrial refrigeration. As of year-end 2020, revenue was €2.5 billion, representing 43% of total revenue.
- Danfoss Drives: Development and production of low-voltage drives and power modules. End markets are diverse, comprising several industrial sectors including heating, ventilation, air conditioning, mining, lifts and elevators, food and beverage, auto, wind, and solar. As of year-end 2020, segment revenue was €1.3 billion, representing 23% of total revenue.

Chart 3

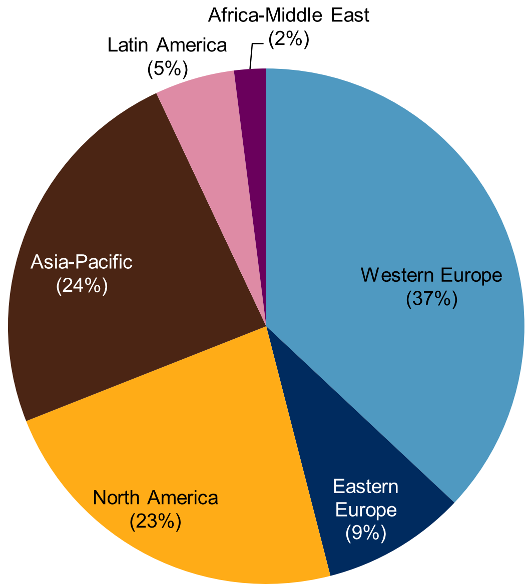
Danfoss A/S Sales Split By Segment In 2020



Source: S&P Global Ratings.

Chart 4

Danfoss A/S Sales Split By Geographic Region In 2020



Source: S&P Global Ratings.

Danfoss is a privately held company controlled by the Bitten and Mads Clausen's Foundation. The foundation and the Clausen family hold 99.8% of the voting shares.

In January 2020, Danfoss announced it had entered into a binding agreement to buy Eaton Hydraulics. This business provides products for customers in markets such as agriculture, construction, and industrial segments. The business will be transferred into Danfoss Power Solutions, adding approximately 10,000 employees and 2020 sales of €1.6 billion, which will double the group's hydraulics business.

Peer Comparison

Table 1

Danfoss A/S--Peer Comparison

Industry sector: Capital goods/diversified

	Danfoss A/S	Metso Outotec Corp.	Sandvik AB	Assa Abloy AB	Alfa Laval AB	Atlas Copco AB	Smiths Group PLC
Ratings as of May 13, 2021	BBB/Stable/A-2	BBB-/Stable/--	A-/Stable/A-2	A-/Negative/A-2	BBB+/Stable/--	A+/Stable/A-1	BBB+/Stable/A-2

Table 1

Danfoss A/S--Peer Comparison (cont.)

	--Fiscal year ended--						
	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	July 31, 2020
(Mil. €)							
Revenue	5,828.0	3,899.0	8,600.5	8,724.4	4,127.6	9,932.6	2,829.8
EBITDA	958.0	439.0	1,712.1	1,409.3	800.8	2,393.2	434.2
Funds from operations (FFO)	755.0	337.0	1,258.9	1,030.7	621.9	1,907.6	245.4
Interest expense	37.0	49.0	112.3	62.7	30.0	38.6	61.1
Cash interest paid	34.0	40.0	103.0	69.6	25.9	34.5	63.3
Cash flow from operations	800.0	491.0	1,571.0	1,359.5	748.7	2,057.5	383.2
Capital expenditure	245.0	88.0	361.7	179.8	122.6	175.4	104.4
Free operating cash flow (FOCF)	555.0	403.0	1,209.3	1,179.7	626.1	1,882.1	278.8
Discretionary cash flow (DCF)	515.0	224.0	1,209.3	751.8	626.1	926.2	118.8
Cash and short-term investments	611.0	537.0	2,364.2	278.9	773.2	1,160.1	406.5
Debt	812.9	1,089.0	0.0	3,184.5	786.5	1,864.2	1,402.7
Equity	3,184.0	2,040.0	6,451.8	5,860.8	2,893.7	5,328.7	2,658.8
Adjusted ratios							
EBITDA margin (%)	16.4	11.3	19.9	16.2	19.4	24.1	15.3
Return on capital (%)	15.4	9.8	17.6	11.5	14.7	27.4	6.7
EBITDA interest coverage (x)	25.9	9.0	15.2	22.5	26.7	62.0	7.1
FFO cash interest coverage (x)	23.2	9.4	13.2	15.8	25.0	56.2	4.9
Debt/EBITDA (x)	0.8	2.5	0.0	2.3	1.0	0.8	3.2
FFO/debt (%)	92.9	30.9	N.M.	32.4	79.1	102.3	17.5
Cash flow from operations/debt (%)	98.4	45.1	N.M.	42.7	95.2	110.4	27.3
FOCF/debt (%)	68.3	37.0	N.M.	37.0	79.6	101.0	19.9
DCF/debt (%)	63.4	20.6	N.M.	23.6	79.6	49.7	8.5

N.M.--Not meaningful.

Business Risk: Satisfactory

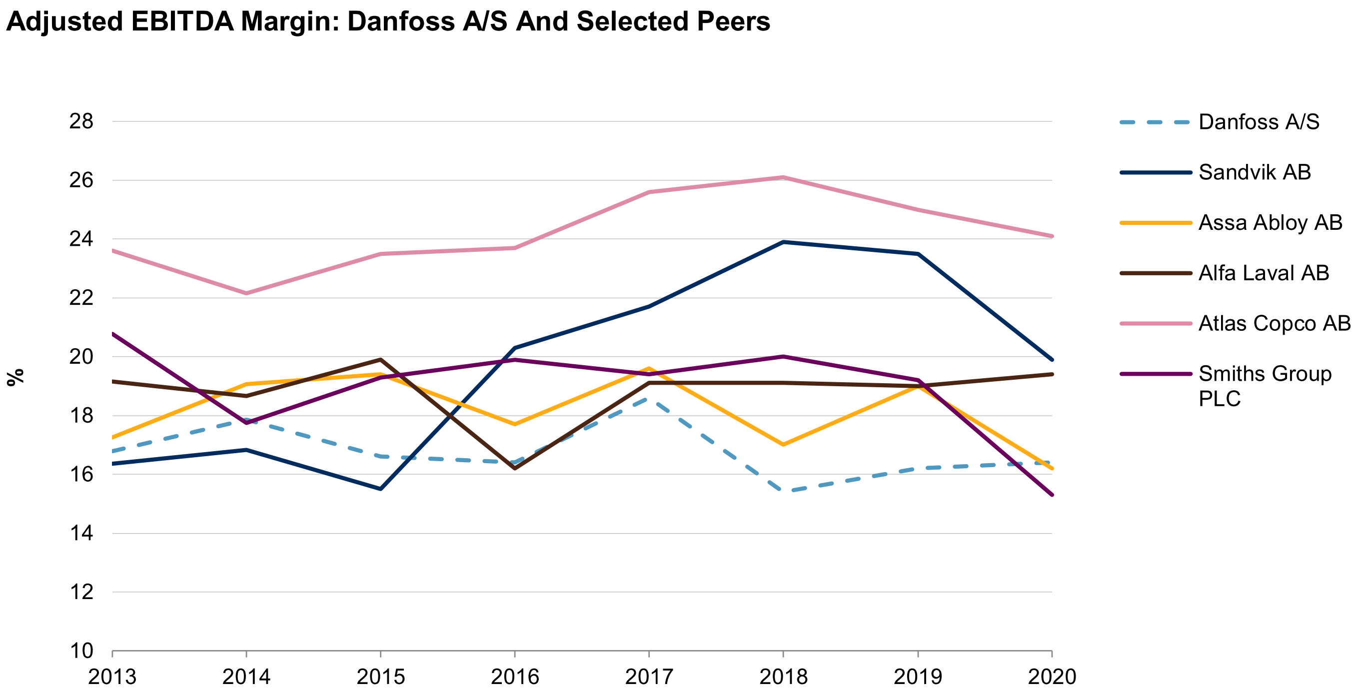
Danfoss' business risk profile is underpinned by its solid market position; diverse customer base and end-markets; good profitability, partially offset by exposure to cyclical sectors; and somewhat lower scale compared with larger peers in the wider capital goods space.

Danfoss enjoys leading market positions in its segments. The company has a primary market position in all the niches in which it operates, being either the market leader or among the top two solution providers. Danfoss is present in more than 100 countries worldwide, making its business geographically well diversified. This in turn supports the company's business resilience at low points of the business cycle. Danfoss' products and services portfolio is widely diversified. In its power solution division the group competes with Rexroth and Parker, however we expect it to hold a No. 1 retail position after the acquisition of Eaton Hydraulics. Danfoss' Climate Solution segment competes with some of the products offered by Emreson, Parker, and Alfa Laval. Its Drives division is up against some of the products offered by ABB, Siemens, and Rockwell Automation.

The acquisition of Eaton Hydraulics will be broadly neutral for our business risk assessment. On the one hand, it will expand Danfoss to become the largest operator globally within hydraulic systems, which complements its prominent market share in the cooling, heating, and drives divisions covering other sectors. On the other hand, the acquired business has previously been less profitable, with margins below Danfoss'. Pro forma the acquisition, about 50% of sales will be derived from the power solutions business, which could increase the company's earnings volatility.

Danfoss has a geographically balanced mix of sales coupled with good customer and end-market diversity. In our view, this provides some stability to earnings over time as Danfoss is not exposed to just one market. Some of the company's key end markets include agriculture, construction, specialty mobile machines, the energy sector, food and beverage, renewables, auto, and district energy solutions. Despite this end-market diversity, Danfoss remains vulnerable to cyclical demand in a number of its segments, especially power solutions. In terms of profitability, Danfoss is positioned at the upper end of the 11%-18% range (see chart 5) that we view as average for the capital goods industry and its margins are comparable with its peer group. The company has however demonstrated resilience during the pandemic, being able to post stable margins against 2019 levels thanks to its low operating leverage and ability to quickly reduce its fixed cost base, as well as continuing to optimize its contribution margin. This was less the case for more cyclical companies such as Sandvik or for less diversified peers such as Assa Abloy.

Chart 5



Source: S&P Global Ratings.

Financial Risk: Intermediate

Danfoss' financial risk profile is underpinned by its demonstrated track record of cash generation and its commitment to retain a leverage commensurate with the 'BBB' rating.

We believe moderate shareholder distributions sustain the company's credit standing. We consider Danfoss' access to equity as limited, owing to its status as a privately held company. This is somewhat balanced by shareholder remuneration levels--with dividend payouts to Danfoss' shareholders of no more than 30% of net income in addition to minority dividends--that are lower than most of Danfoss' public Scandinavian peers. Moreover, given the planned Eaton Hydraulics acquisition, shareholders have renounced their cash dividends in 2020 and 2021.

As of year-end 2020, Danfoss had adjusted debt of €812.9 million; its reported debt was €952 million. Our main adjustments to reported debt are €219 million for leases, €149 million for pensions, and €48 million for contingent liabilities mainly related to put options on the acquisitions. We deducted from those adjustments €559.1 million of cash that we consider to be accessible.

Financial summary

Table 2

Danfoss A/S--Financial Summary

Industry sector: Capital goods/diversified	--Fiscal year ended Dec. 31--			
	2020	**2019**	**2018**	**2017**
(Mil. €)				
Revenue	5,828.0	6,285.0	6,098.0	5,827.0
EBITDA	958.0	1,017.0	939.0	1,086.5
Funds from operations (FFO)	755.0	848.0	737.0	855.6
Interest expense	37.0	33.0	46.0	81.9
Cash interest paid	34.0	29.0	45.0	80.9
Cash flow from operations	800.0	789.0	708.0	906.6
Capital expenditure	245.0	310.0	310.0	302.0
Free operating cash flow (FOCF)	555.0	479.0	398.0	604.6
Discretionary cash flow (DCF)	515.0	258.0	36.0	454.6
Cash and short-term investments	611.0	110.0	50.0	29.0
Gross available cash	611.0	110.0	50.0	29.0
Debt	812.9	1,269.0	1,283.3	1,355.2
Equity	3,184.0	2,933.0	2,654.0	2,569.0
Adjusted ratios				
EBITDA margin (%)	16.4	16.2	15.4	18.6
Return on capital (%)	15.4	16.9	15.9	4.1
EBITDA interest coverage (x)	25.9	30.8	20.4	13.3
FFO cash interest coverage (x)	23.2	30.2	17.4	11.6
Debt/EBITDA (x)	0.8	1.2	1.4	1.2
FFO/debt (%)	92.9	66.8	57.4	63.1
Cash flow from operations/debt (%)	98.4	62.2	55.2	66.9
FOCF/debt (%)	68.3	37.7	31.0	44.6
DCF/debt (%)	63.4	20.3	2.8	33.5

Reconciliation

Table 3

Danfoss A/S--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2020--					
Danfoss A/S reported amounts						
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**
Reported	952.0	3,084.0	960.0	625.0	35.0	958.0
S&P Global Ratings' adjustments						
Cash taxes paid	--	--	--	--	--	(169.0)
Cash interest paid	--	--	--	--	--	(34.0)
Reported lease liabilities	219.0	--	--	--	--	--

Table 3

Danfoss A/S--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)						
Postretirement benefit obligations/deferred compensation	149.0	--	--	--	2.0	--
Accessible cash and liquid investments	(559.1)	--	--	--	--	--
Income (expense) of unconsolidated companies	--	--	(6.0)	--	--	--
Nonoperating income (expense)	--	--	--	2.0	--	--
Noncontrolling interest/minority interest	--	100.0	--	--	--	--
Debt: Contingent considerations	48.0	--	--	--	--	--
Debt: Other	4.0	--	--	--	--	--
EBITDA: Gain/(loss) on disposals of PP&E	--	--	4.0	4.0	--	--
Total adjustments	(139.1)	100.0	(2.0)	6.0	2.0	(203.0)
S&P Global Ratings' adjusted amounts						
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**
Adjusted	812.9	3,184.0	958.0	631.0	37.0	755.0

Liquidity: Strong

We assess Danfoss' liquidity as strong. We expect sources of liquidity will cover uses by at least 2.3x over the 12 months started April 1, 2021, and by 1.5x in the following 24 months. Danfoss will fund the hydraulics business acquisition through unsecured bonds, with a material portion also financed by cash from the parent as well with some bank debt. For this reason, we consider available cash of only €67 million as of April 1, 2021. In assessing Danfoss' liquidity we also value the company's prudent risk management, sound relationship with banks, and covenant-free capital structure.

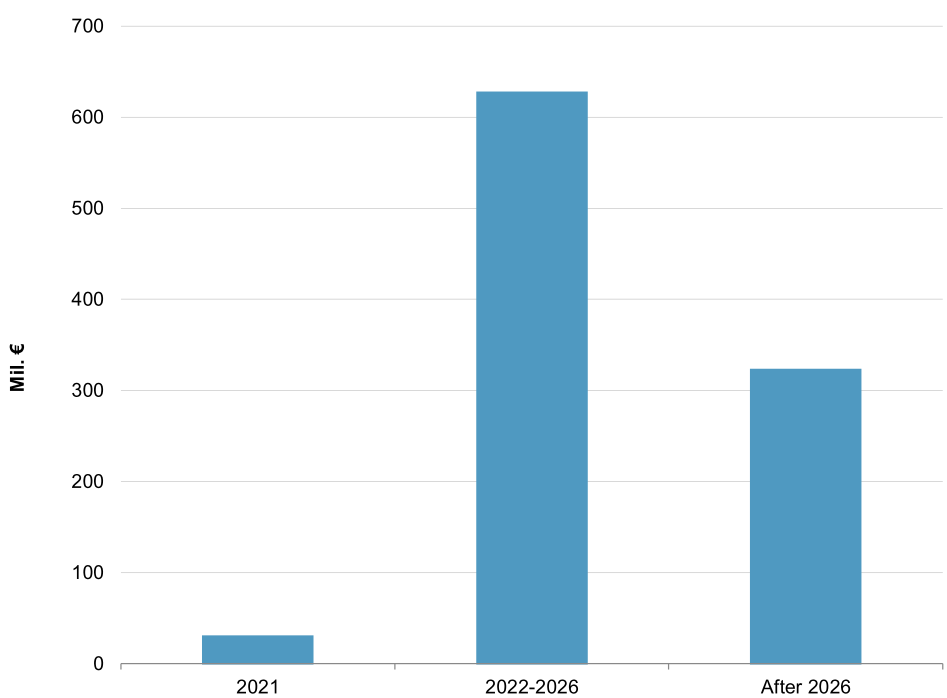
Principal liquidity sources	Principal liquidity uses
• Our assumption of about €67 million of total unrestricted cash; • About €1.4 billion available under several long-term committed credit lines. Our conservative assumption is that this will decrease to about €525 million in the following 24 months, but we expect the company will extend the upcoming maturities well in advance; and • Cash FFO of €775 million-€825 million in the next 12 months; increasing to about €950 million-€1.0 billion over the following 24 months.	• Debt maturities amounting to €561 million for the coming 12 months because the €500 million euro notes come due in February 2022, decreasing to about €343 million over the coming 24 months; • Intrayear working capital swings of up to €100 million, with working capital absorption neutral in 2021 and negative by about €30 million-€40 million in 2022; • Capex of roughly €320 million-€340 million for the coming 12 months, increasing to €380 million-€400 million for the coming 24 months; and

	• Minority shareholder distributions of about €40 million for the coming 12 months, with distributions in 2022 of €200 million-€250 million.

Debt maturities

Chart 6

Danfoss A/S Maturity Profile As Of Dec. 31, 2020



Source: S&P Global Ratings.

Issue Ratings - Subordination Risk Analysis

Capital structure

- Danfoss' consolidated unadjusted debt at Dec. 31, 2020 amounts to €952 million, of which about €69 million is represented by a mortgage loan that we consider secured.
- We note that currently only a residual part of the unsecured debt is held at subsidiaries, which we assess to be about €19 million.
- Pro forma the senior unsecured issuances, which amount to €1.4 billion by Danfoss Finance I B.V. and €500 million by Danfoss Finance II B.V., debt increases to €2.9 billion.

- Danfoss A/S and Danfoss Power Solutions Inc. have irrevocably and unconditionally agreed to guarantee, on a joint and several basis, the obligations of Danfoss Finance I B.V. under and in relation to notes issued by Danfoss Finance I B.V.
- Danfoss A/S has irrevocably and unconditionally agreed to guarantee the obligations of Danfoss Finance II B.V. under and in relation to notes issued by Danfoss Finance II B.V.
- On a pro forma basis, excluding the term loan at Danfoss A/S that it will draw to meet acquisition funding needs, our priority debt ratio will reach 52.2%, indicating structural subordination for rated debt issued by Danfoss A/S. We expect that our priority debt ratio at year-end 2021, including debt repayment and the new term loan to fund the acquisition, will be about 47%.
- That said, to overcome any structural subordination issues arising in the coming years because Danfoss Finance I B.V. raised a material amount of debt (€1.4 billion, representing about 50% of the total consolidated debt as of year-end 2020 pro forma the €1.9 billion notes), Danfoss Power Solutions Inc. has provided an upstream guarantee to Danfoss A/S. We view the upstream guarantee from Danfoss Power Solutions Inc. supported by a third-party legal opinion as a mitigant to structural subordination.

Analytical conclusions

- Danfoss Finance I B.V.'s and Danfoss Finance II B.V.'s notes are rated 'BBB', in line with the long-term issuer credit rating on Danfoss A/S.
- We rate the debt issued By Danfoss A/S 'BBB' because elements of structural subordination have been mitigated by the upstream guarantee issued by Danfoss Power Solutions Inc. to Danfoss A/S.

Ratings Score Snapshot

Issuer Credit Rating

BBB/Stable/A-2

Business risk: Satisfactory

- **Country risk:** Intermediate
- **Industry risk:** Intermediate
- **Competitive position:** Satisfactory

Financial risk: Intermediate

- **Cash flow/leverage:** Intermediate

Anchor: bbb

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)

- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	**bbb/bbb-**	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of June 11, 2021)*

Danfoss A/S	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured	BBB
Issuer Credit Ratings History	
29-Mar-2021	BBB/Stable/A-2
14-Sep-2020	BBB/Negative/A-2
25-Mar-2020	BBB/Watch Neg/A-2
23-Jan-2020	BBB/Negative/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:
Industrial Ratings Europe; Corporate_Admin_London@spglobal.com