



**DETERMINED TO DELIVER PERFORMANCE**  
FROM TOP TO BOTTOM

SAUER-DANFOSS 2003 ANNUAL OVERVIEW

## Markets & Products

## Agriculture

## Construction

### Vehicle Applications

Tractors, combines, harvesters, cotton pickers, windrowers, and sprayers.

Transit mixers, wheel loaders, skid-steer loaders, backhoe loaders, trenchers, and dozers.

### Value Proposition

We offer a combination of manual and electro-hydraulic steering as a component of Global Positioning Systems (GPS). This innovation allows vehicle operators to plant and spray with greater accuracy and in low light conditions. More accurate application of chemicals and seeds is cost effective and environmentally sound.

Our total system solutions for tractor loader backhoes and skid-steer loaders increase machine effectiveness and lower the installed cost.

### New Products

Standard tractor and combine steering units benefit from Sauer-Danfoss stand-alone, "steer by wire" steering systems and hybrid solutions using proportional valve electronic (PVE) technology.

We introduced TMKW orbital motors that increase lifespan and performance of propel applications for a variety of construction vehicles.

We brought the market new OSPL1200 steering units, four-wheel and joystick steering solutions, and hybrid valve solutions.

### 2003 Accomplishments

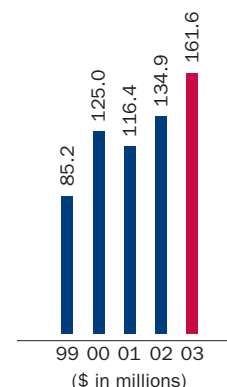
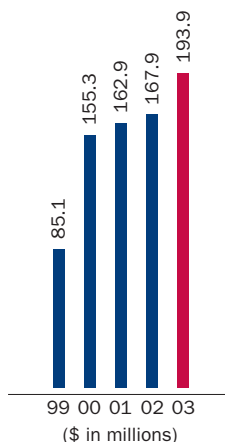
Customers embraced our new low speed high torque (LSHT) motors, giving us significant new share of the agriculture vehicle market.

In addition to gaining significant market share of LSHT motors, we entered into a new business agreement with a global OEM to provide load-sense proportional valves, steering units, steering columns, and piston pumps for tractor loader backhoes.

We achieved our goal of increasing both steering and propel content on several lines of construction vehicles.

### Sales by Market

Information for 2000 includes the net sales of Danfoss Fluid Power on a pro forma basis since January 1, 2000.



Road Building	Specialty	Turf Care																																				
<p>Asphalt pavers, concrete pavers and curbers, double drum and single drum rollers, motor graders, and milling machines.</p>	<p>Forestry equipment, aerial platforms, sweepers, lift trucks, refuse trucks, snow groomers, marine and airport ground support vehicles.</p>	<p>Golf course maintenance vehicles, lawn care vehicles, and compact utility tractors for the consumer and commercial markets.</p>																																				
<p>Advanced technology developed with TSD (Topcon/Sauer-Danfoss) Integrated Controls, our joint venture with Topcon, offers highly engineered, integrated system designs for seamless interface of vehicle propel, work, and site management.</p>	<p>In addition to reducing installed costs, Sauer-Danfoss hybrid hydraulic solutions increase value-added benefits such as operator comfort, precision control, and ease of use.</p>	<p>We pioneered hydraulic and electric drives and integrated hydraulic systems for lawn care vehicles and compact tractors. We improved engine power control and vehicle performance so vehicle operators can specify performance to the job requirements.</p>																																				
<p>We successfully introduced Series 45 open circuit piston pumps for pavers and marketed comprehensive systems, including electronics, for pavers, rollers, and milling machines.</p>	<p>We provide steering systems for the world's largest outboard motor manufacturer that redefine the boating experience for sport boat enthusiasts. Our new OSPM steering unit was adapted for the recreational marine marketplace.</p> <p>We introduced the L frame cartridge variable motor into the aerial lift market. The size and performance of this variable motor enable the installation to achieve compactness together with high performance and serviceability.</p>	<p>We introduced three new orbital motors for long-lasting performance in turf care propel applications.</p> <p>Our new spool and cartridge valve solutions enhance machine control and increase productivity while reducing overall installed cost. We continue to pursue additional market segments with steering and valve innovations.</p>																																				
<p>Innovative Sauer-Danfoss/TSD systems developed for a leading equipment vehicle manufacturer in China are building market share for our hydraulic and electronic systems.</p>	<p>We recently won new AC (alternating current) traction motor business with a major U.S. builder of material handling equipment.</p>	<p>Our total solution systems are winning business of a multinational OEM customer.</p> <p>We continue to build on our leadership position in the compact tractor market and emerging tractor markets worldwide.</p>																																				
 <table border="1"> <caption>Road Building Sales (\$ in millions)</caption> <thead> <tr> <th>Year</th> <th>Sales (\$ in millions)</th> </tr> </thead> <tbody> <tr> <td>99</td> <td>69.5</td> </tr> <tr> <td>00</td> <td>80.2</td> </tr> <tr> <td>01</td> <td>75.3</td> </tr> <tr> <td>02</td> <td>82.8</td> </tr> <tr> <td>03</td> <td>90.1</td> </tr> </tbody> </table>	Year	Sales (\$ in millions)	99	69.5	00	80.2	01	75.3	02	82.8	03	90.1	 <table border="1"> <caption>Specialty Sales (\$ in millions)</caption> <thead> <tr> <th>Year</th> <th>Sales (\$ in millions)</th> </tr> </thead> <tbody> <tr> <td>99</td> <td>45.6</td> </tr> <tr> <td>00</td> <td>144.8</td> </tr> <tr> <td>01</td> <td>145.2</td> </tr> <tr> <td>02</td> <td>177.8</td> </tr> <tr> <td>03</td> <td>227.4</td> </tr> </tbody> </table>	Year	Sales (\$ in millions)	99	45.6	00	144.8	01	145.2	02	177.8	03	227.4	 <table border="1"> <caption>Turf Care Sales (\$ in millions)</caption> <thead> <tr> <th>Year</th> <th>Sales (\$ in millions)</th> </tr> </thead> <tbody> <tr> <td>99</td> <td>110.6</td> </tr> <tr> <td>00</td> <td>142.9</td> </tr> <tr> <td>01</td> <td>135.6</td> </tr> <tr> <td>02</td> <td>171.4</td> </tr> <tr> <td>03</td> <td>195.1</td> </tr> </tbody> </table>	Year	Sales (\$ in millions)	99	110.6	00	142.9	01	135.6	02	171.4	03	195.1
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**Sauer-Danfoss is a \$1 billion global leader in the design, manufacture, and marketing of mobile equipment hydraulics, electronic systems, and electric drives. We engineer advanced components and systems to enable our customers to produce highly reliable, efficient, and innovative mobile equipment vehicles. Our 7,200 employees in 22 countries are committed to high performance that delivers value to customers and investors and keeps Sauer-Danfoss an industry leader.**

Our strategic objectives for growing market share and long-term profitability are:

- > to increase our content on vehicles
- > to develop new vehicle applications
- > to expand our global presence
- > to improve operating efficiency
- > to pursue selective acquisitions

01 Financial Highlights

02 Message to Our Shareholders

05 Management Report

08 From Top to Bottom

14 Financial Review

19 Investor Relations Calendar

20 Chairman, Vice Chairman &  
Executive Officers

Corporate Information

Board of Directors

(in thousands, except per share and employee data)

	2003	2002 <sup>(1)</sup>	2001 <sup>(1)</sup>	2000 <sup>(1)(2)</sup>	1999
<b>Operating Data:</b>					
Net sales	\$1,126,774	\$952,308	\$ 855,279	\$782,537	\$534,382
Net income	\$ 11,233	\$ 13,705	\$ 4,336	\$ 25,959	\$ 18,120
<b>Per Share Data:</b>					
Diluted earnings per share	\$ 0.24	\$ 0.29	\$ 0.09	\$ 0.88 <sup>(3)</sup>	\$ 0.67
Dividends per share	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28
Book value per share	\$ 8.37	\$ 7.75	\$ 7.36	\$ 8.71	\$ 5.54
<b>Ratios:</b>					
Return on sales	3.9%	5.2%	3.8%	8.1% <sup>(3)</sup>	8.3%
Return on average net assets	5.8%	7.2%	4.9%	15.9% <sup>(3)</sup>	13.5%
Debt to debt plus equity <sup>(4)</sup>	45.3%	44.7%	44.6%	39.8%	41.7%
<b>Other:</b>					
Backlog (at year-end)	\$ 408,605	\$382,815	\$ 319,905	\$375,052	\$252,400
Capital expenditures	\$ 59,991	\$ 42,278	\$ 69,697	\$ 67,931	\$ 57,149
EBITDA <sup>(5)</sup>	\$ 108,536	\$110,734	\$ 94,240	\$107,392	\$ 73,163
Cash flows from (used in):					
Operating activities	\$ 95,558	\$ 98,283	\$ 67,266	\$ 81,859	\$ 77,786
Investing activities	\$ (64,989)	\$ (66,272)	\$ (110,143)	\$ (62,305)	\$ (56,779)
Financing activities	\$ (28,833)	\$ (34,417)	\$ 33,497	\$ 5,406	\$ (22,940)
Number of employees (at year-end)	7,200	7,207	6,790	6,733	3,836

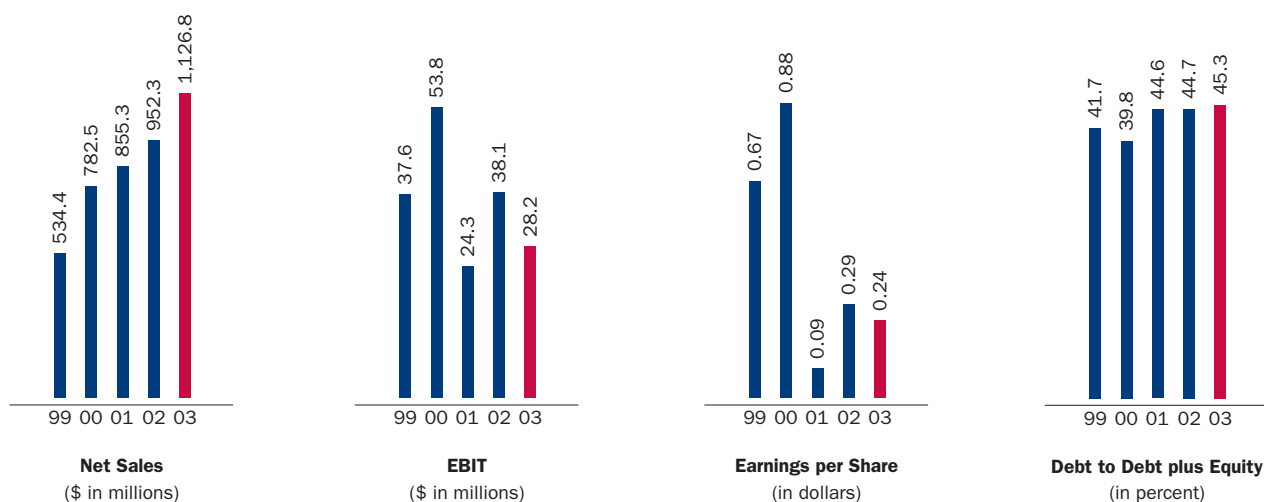
(1) Amounts shown are restated.

(2) Includes results of Danfoss Fluid Power since May 3, 2000.

(3) Excludes one-time merger-related costs. Reported amounts are \$0.66 per share, 7.1% return on sales and 13.0% return on average net assets.

(4) The debt to debt plus equity ratio represents the ratio of total capital attributable to external financing. As such, the denominator of the ratio includes the total debt and stockholders' equity shown here as well as the minority interest presented on the balance sheet.

(5) EBITDA represents net income, plus provision for income taxes and net interest expense, plus depreciation and amortization. EBITDA may not be comparable to similarly titled measures reported by other companies. While EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flow from operating activities, which is determined in accordance with accounting principles generally accepted in the United States of America, it is included herein to provide additional information as management of the Company feels it provides an indication with respect to the ability of Sauer-Danfoss to meet its future debt service, capital expenditures, and working capital requirements.



## 2 | Message to Our Shareholders

### **We are determined to deliver improved performance in every area— from top line revenues to bottom line profits.**

In 2003, \$1.1 billion in sales and a \$9.0 million investment in restructuring put our Company solidly on track to improve our operational efficiency and to win an even larger share of the mobile equipment market.

We expect our high growth rate to continue, along with lower costs, better asset utilization, and improved quality control, all of which will ensure we deliver profitability and long-term return on investment.

Entering the third year of our strategic plan for profitable growth, several things are clear: first, our strategy is proving out in our sales growth; second, we are operating in a challenging environment that requires extraordinary efforts; and third, our future success depends on our ability to deliver more consistent operational and financial performance.

We didn't meet some of our targets, and 2003 earnings were disappointing. Net income was negatively affected by a combination of restructuring costs, field recall expenses, and margin loss due to a weaker U.S. dollar. However, we are proud of our record of providing 23 consecutive quarterly dividends to investors since our public offering in May 1998. Dividend payments in 2003 totaled \$13.3 million.

We are coming out of the longest period of economic recession in our Company's history, during which we assimilated a major merger and multiple acquisitions and greatly expanded our geographic coverage and product portfolio—all while outpacing the market. To ensure that earnings and market share grow as pent-up demand generates more customer orders in 2004, our executive office remains focused on goals to increase our global market presence, expand our product portfolio, and develop innovative technology, all of which will have a positive effect on our bottom line.



**Klaus H. Murmann** “As our organization continues to grow and prosper, it is very clear to us that we need to stay flexible and perform with speed.” Chairman Klaus Murmann, the Company founder and industry innovator, continues to provide the wisdom of his experience and skilled expertise after more than four decades in mobile hydraulics.



**David J. Anderson** “Our business is built around our ability to take power from an engine and distribute it through the vehicle in an intelligent way. The engineering vision we bring to vehicle design—and our ability to convert that into software and hardware system intelligence—is our real strategic advantage.” Dave Anderson, President and CEO, who has come up through the ranks of the Company in marketing, management, and strategic development, now directs the international, performance-driven executive team.

Represented in more than 40 countries, Sauer-Danfoss is particularly well positioned to capitalize on the ongoing globalization of the mobile equipment industry. Key to our customer service strategy are new global procurement, supply chain, and product development processes, which will leverage our economies of scale and drive cost savings. We expect to see a one- to two-percentage point improvement in profit margin from our global purchasing efforts and plan to reduce the cost of purchased products and services by \$50 million over three years.

In sales, we have balanced strengths in Europe and the Americas as well as a growing presence in Asia-Pacific. These three areas will be our geographic pillars for the future. There are significant opportunities in China and India, and we are developing our domestic capabilities in both markets to serve multinational and local customers. We are outpacing all competition in Brazil, the largest agriculture market in South America, where we have a long-standing presence and leading market share.

We are proud and confident that no one in the marketplace today is ahead of us in the intelligent integration of electronics and hydraulics systems, another market trend that plays to our expertise. Sauer-Danfoss engineers are experts at envisioning the entire vehicle platform and integrating advanced electronic systems that produce maximum efficiency, productivity, comfort, and reliability.

As 2004 begins, we are again at the forefront with PLUS 1™, our new Plug and Perform™ operating architecture and the most significant electronics development in mobile machine control technology in years. The PLUS 1 ready-to-fit, modular design is a particularly attractive option for midsize and smaller original equipment manufacturers (OEMs), which represent about 30% of the markets we serve.

Our commitment to reinvest in our business is most evident in our investment in research and development, which represented 3.9% of our sales for 2003. This investment not only brings new technology to enhance our customers' vehicle performance and advance the progress of the industry, it also gives us the ability to provide more components in one subsystem, increasing our content on a vehicle as much as tenfold.



**Chairman & Executive Officers:** (left to right) Hans J. Cornett, David J. Anderson, Karl J. Schmidt, Klaus H. Murmann, James R. Wilcox.

The accelerating pace of our industry's technology is dictating the rate of speed with which we need to change to anticipate and meet customer expectations. Our major customers, the world's leading manufacturers of mobile equipment vehicles, put pressure on price, speed of design, and delivery time. OEMs that once wanted the responsibility for integration of all hydraulics and electronics now look to us for integrated system solutions, which is our competitive strength.

We entered 2004 optimistic about growing customer orders, our new technology offerings, and the promise our global initiatives will bring to control costs, enhance efficiencies, and improve customer service. During the year, we expect to see more changes in our marketplace and our business. While we will continue to focus on internal alignment, we are once again looking outward and forward to expand our reach and product portfolio with the right acquisitions.

Our management team is guided by a dedicated board of directors with years of experience managing international manufacturing organizations. Among them was Richard Schilling, who retired from the board in 2003 after 13 years of service. We are grateful to him, the other members of our board, and our hardworking employees.

Our primary commitment is to provide our loyal customers and investors with leadership, performance, and value, which makes our work challenging and engaging as we manage this business together to its next level of growth and profitability.

**Klaus H. Murmann**  
Chairman

**David J. Anderson**  
President and Chief Executive Officer

## Sales & Marketing

Sales growth continues to outpace our market by several percentage points, clearly demonstrating our ability to consistently win a larger share of the market, even during a sluggish economy. The nature of our business is cyclical with long lead times. The profits of 2003 were earned from customer wins obtained several years earlier. Our future success lies in the \$140 million in customer wins of 2003 for programs going into production in the next two to three years. Overall, we are achieving a customer program win-loss ratio of two thirds.

In 2003 our sales by region saw a 7.3% growth in the Americas, excluding currency, coming from the strong agriculture market in Brazil and the U.S. turf care market, where we had new product developments and further penetrated consumer markets. The construction market also showed gains. On the downside, road building and material handling continued to be weak performers.

In Europe, the mobile equipment market continues to be flat and affected by a weakness in the German economy and strong euro. The agriculture equipment market slowed along with road building and lift equipment markets. Overall, our orders in Europe were down 1.3% and sales were up 2.3%, excluding currency and acquisitions.

Across the European Union, our sales, service centers, and distribution channels are being streamlined to reduce expenses and improve customer service and on-time delivery performance.

Our most dynamic market, Asia-Pacific, saw orders increase in 2003 by 22%, excluding currency. Our presence in China is growing stronger every year as the country prepares for the Olympics and continues to build its infrastructure. We believe it will be a strong market for some time to come. We are also encouraged by some early signs of increased activities in Japan.

Part of our strategy for profitable growth is to establish a presence in emerging markets. One example is our ongoing expansion into India, the largest tractor market in the world, and a region with high import duties. To be competitive in this attractive market, we must manufacture locally and use local suppliers.

For the near future, we are optimistic that the U.S. economy is coming back and Asia-Pacific is staying relatively strong, with Europe continuing to lag behind the U.S. We look forward to returning to steady growth in our agriculture, construction, and material handling markets in this important region.

**Hans J. Cornett** “Going forward, we will continue to build on our product portfolio, targeting a larger share of the \$12 billion-plus, off-road vehicle hydraulic and electronic systems market. An important example of this strategy is our recent addition of electric propel drives designed for material handling and smaller specialty vehicles. This is the arena in which we intend to be.” Hans Cornett, Executive Vice President of Sales and Marketing, understands the trends in the mobile vehicle markets after more than 25 years in marketing vehicle systems.



## Finance

A high point of 2003 came December 31 when our stock price closed at \$16.20, more than doubling its January 2 opening price of \$7.95. This positive trend reflects a growing economy, our continuing growth in market share, and the support of investors who share our optimism about the future and about our Company's ability to grow our profits.

Last year our restructuring costs totaled \$9.0 million, including plant closings and the reorganization of our sales, service, and distribution operations in Europe, which should produce positive net results by the end of 2004. We also are reorganizing our global legal structure to simplify our business and administrative costs. To date, we have pared down our number of legal entities from 58 to 40.



**Karl J. Schmidt** “Sustainable double-digit returns on net assets is the benchmark of an investment-grade business, and we intend to see Sauer-Danfoss reach that level in the next couple of years. Our emphasis is on growing sales and profits while managing our asset base downwards.” Karl Schmidt, Executive Vice President, CFO and Treasurer, has managed through the swings in the global industrial economy during his years as a finance executive in Europe and the United States.

An important investment in our future is the reengineering of our business processes and moving our many systems to a common ERP-based platform. The initial investments were made in 2003 and will continue for the next two to three years. We expect to see the first measurable return on this investment beginning in 2005. Our total capital investment amount for 2003 was just under \$60 million, somewhat higher than the previous year's restrained level, yet a major portion of this increase went into the new business system software.

During 2003, we managed several important initiatives to support our global enterprise, including the completion of a \$250 million multicurrency revolving credit facility in the third quarter to refinance debt and provide funds for general corporate purposes. The global syndication offer resulted in an over-subscription by approximately 100% with 22 international banks participating in the new facility, a mix of new and existing banking relationships. As a result, we can lower some of our borrowing costs and we gained flexibility to fund our global operations.

We are pleased with our top line sales growth. Yet, we missed some of our performance targets, and our earnings overall have not matched our growth in sales and market share throughout this market turnaround.

In 2004, we will continue to focus on driving our top line growth down to the bottom line. We are committed to moving towards our strategic goals, which from the financial side means performing above a BBB investment grade level and driving our pretax return on net assets into double-digit territory.

## Operations

Market growth and profitability drive our manufacturing strategy. To best serve the needs of customers and investors, we are taking a closer look at lean manufacturing concepts, strategic product variation, vertical integration, and global sourcing.

Considering the breadth of our organization, the world is our purchasing market, and we will source wherever it is most cost effective. Managing our supply chain more effectively means examining where we purchase materials and also evaluating what components we manufacture. In some instances, we are learning it is a better business decision to buy from external suppliers, as long as we can do this without compromising quality or on-time delivery performance.

In 2003, we generated \$96 million of cash from operations, just under our record of \$98 million set last year.

Currently we provide many variations of each product to give customers a full range of performance options. Our goal is to design and produce products in a more efficient manner so that customer-desired variations can be implemented as late in the process as possible to avoid additional inventory and optimize production costs.

To stay competitive and answer the market demand for greater manufacturing efficiencies, we took steps in 2003 to better utilize our assets by moving some noncompetitive operations into lower-cost facilities. We made the difficult decision to close two U.S. plants, relocating the production to existing operations in the U.S., Denmark, and Poland, a move that will generate savings in the coming year. Such decisions are never easy, and we strive to find other opportunities within the Company or the community for our colleagues displaced by relocated operations.

Our operations across our global network are exhibiting an increased level of performance. We have ample capacity to serve our customers' needs, including the expected increased activity in 2004.



**James R. Wilcox** “We are driving a renewed focus on back-to-basics across all of our business units. We need to be vigilant in the basics of quality, productivity, machine performance, and delivery. We’re going to do a better job of asset utilization.” Jim Wilcox, Executive Vice President and COO, who first joined the Company in 1992, is overseeing lean manufacturing to take costs out of the supply chain.



The industry buzz is about our new **PLUS 1** architecture, offering custom control for mobile machinery through its novel configuration of software and hardware. It is an especially attractive package for smaller OEMs that need shorter lead times and lower development costs.

## PLUS 1™ opens up the future and a new level of machine control and connectivity

The dream to create a comprehensive operating system network for mobile equipment is coming true with our revolutionary PLUS 1™ vehicle architecture.

Introduced at the 2004 BAUMA trade show in Europe, PLUS 1 combines machine controls and electronic diagnostics in an integrated operating control system that connects the interactive control of pumps, valves, motors, joysticks, inverters, and sensors. The modular design features the Sauer-Danfoss Plug and Perform™ architecture, a ready-to-fit system that reduces our customers' development and assembly time. This is an especially attractive benefit to midsize and smaller vehicle manufacturers, a market segment that offers Sauer-Danfoss many opportunities for new business relationships.

The heart of PLUS 1 is a modular network of micro-controllers that relay information to a vehicle's operating components to direct speed and work functions together, enabling powerful and customized control for mobile equipment vehicles. PLUS 1 encompasses the machine's "intelligence" in an electronic tool set that recognizes and matches various components, including non-Sauer-Danfoss parts, to reach the optimum machine solution.

### **Plug and Perform™ vision ready for market**

The PLUS 1 design is a result of more than 20 years of engineering expertise in implementing various

stages of electronic vehicle control networks at Sauer-Danfoss. The PLUS 1 concept was developed specifically for the market's continually expanding expectations for vehicle performance.

"We're fulfilling our vision," says Mobile Electronics Product Manager Dan Ricklefs, a member of the product development team that invested more than two years to create this dynamic modular platform for mobile equipment. "We're offering our customers a control platform for the future and something that is truly leading edge. The PLUS 1 innovation strengthens our position in segments where we already have an edge and opens up other promising market opportunities. The network's power to optimize components will result in increased sales of a broad range of Sauer-Danfoss products."

The system's design is adaptable to all kinds of mobile equipment vehicle controls. Future technology will evolve to include even more components such as global positioning systems, steering controls, and telecommunications.

The PLUS 1 global project involved more than 50 engineers across Sauer-Danfoss operations in the United States, Sweden, and Germany. The result is a Plug and Perform technology that gives the Sauer-Danfoss marketing tagline—*What really matters is inside®*—more meaning than ever before.

# Our advanced systems enable customers to develop more efficient, higher performing vehicles and increase our vehicle content

From the sophisticated performance requirements of modern agriculture to the unpredictable environmental demands of road building and heavy construction projects, Sauer-Danfoss products provide innovation and reliability on a wide range of mobile equipment. Our design and product development teams are always looking for better solutions that build in performance and reduce vehicle production costs, securing our position as the preferred provider of integrated vehicle systems. A key goal of our profitable growth strategy is to continually find ways to more completely integrate the hydraulic and electronic components and sub-systems on each customer vehicle. The result is a higher performance and more efficient vehicle for our customers and increased content of Sauer-Danfoss products on each vehicle.

We differentiate ourselves in the material handling industry with dynamic new applications of hydraulic systems for customers such as French OEM Pinguely-Haulotte. Pinguely-Haulotte produces heavy-duty aerial man-lifts characterized by a highly customized transmission, which we developed utilizing a powerful configuration of patented transmission valves, proportional work function valves, and orbital propel motors, increasing our content on this vehicle by 60%. We were then asked to provide open circuit pumps for the same vehicle, further increasing our content by a total of 75%.

Our customer relationships are best described as long-standing partnerships, many times extending into all areas of a vehicle's power transmission and control system development. One example is the recent redesign of an asphalt paver, which incorporated leading technology control systems resulting in a

doubling of Sauer-Danfoss content to \$11,500 per paver. Additionally, two other machines that will go into production in 2005 contain integrated power transmission and control systems with more than 70 Sauer-Danfoss components.

Our hydromechanical transmission developments for the latest generation of agricultural tractors have earned us more than \$30 million in additional annual sales.

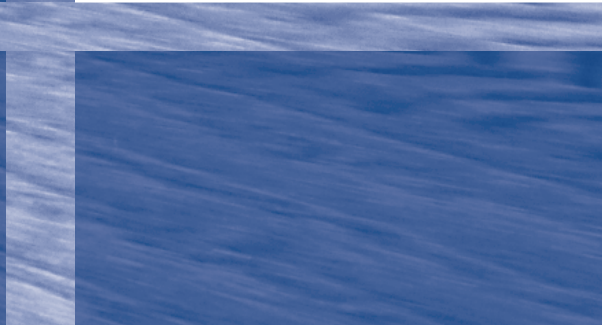
Tractors represent the world's largest market for proportional valves, one of our core products, and when Finnish tractor manufacturer Valtra designed a new line of powerful four-cylinder tractors, it teamed with Sauer-Danfoss to develop a total system solution, including our load-sensing valves.

Our goals are twofold: first, to provide innovative solutions for customers so they can improve the performance, efficiency, and ultimately the marketability of their vehicles, and second, to increase Sauer-Danfoss' sales in the process by providing more vehicle content. Recently, a John Deere prototype crawler, equipped with our hardware and software systems, passed the first production test regimen with zero problems, earning praise from customer Bill Zopf, Engineer, John Deere Crawler Hydrostatic Systems.

"Considering all the different systems that came together for the first time on this crawler, to assemble and calibrate the first machine with no problems is impressive by any standard. Amid the constant challenges of improving our product, I felt we needed to recognize the commitment, creativity, dedication to detail, and just plain hard work on the part of the Sauer-Danfoss team to make this happen."



For today's tractors and other advanced work vehicles, such as road building equipment, we have demonstrated our ability to increase Sauer-Danfoss content per vehicle tenfold.



Our investment in information technology and a global ERP platform will generate long-term results: lower operating costs; improved supply chain; standardized global processes; and integrated data reporting and communications.

Benefits

Restructuring  
Costs

## Our job is to take the cost out of high performance

To achieve goals of lower operating costs and increased profits, we looked to opportunities in sales administration, information technology, procurement, and manufacturing.

A major investment in information technology will reap long-term returns. During the next three years, Sauer-Danfoss is investing between \$45 and \$50 million to design and install an Enterprise Resource Planning (ERP) business platform that will standardize business processes and provide a single interface to our direct OEM customers and suppliers. A dedicated, cross-functional team is overseeing the design and implementation of our new ERP system. The pilot implementation will begin in 2004 and will subsequently be rolled out to all Sauer-Danfoss locations. This investment will drive improved operational efficiency, customer service, and financial performance during the coming years.

In Europe, our regional sales offices, service centers, and distribution channels are being streamlined. This change will dramatically reduce operating costs as we move toward delivery directly from local manufacturing sites to our customers. With today's regional and global logistical capabilities, it is now possible to promptly deliver product directly to all of our customers throughout Europe. By the end of 2004, we will have completed these internal structural changes and strengthened our network of authorized service centers.

Across all of our manufacturing operations, our goals are quality and speed. Do it better, faster, and at less cost. We are using lean manufacturing principles and the Six Sigma process to facilitate our goal of being a company that builds to customer specification, without defects, delivered according to our customer's schedule. During 2003, we further introduced lean manufacturing and Six Sigma practices into more operations to help us bring new technology to market faster and on target to meet customer expectations.

The sharing of knowledge, best practices, common tools, and vocabulary contributed greatly to alignment of our entire organization in 2003. Sauer-Danfoss Academy, a virtual learning institution, trained employees in new ways to work together to be more creative, efficient, and energized about change.

We also took important steps last year to reduce the cost of purchasing materials and capitalize on our global scale by negotiating with single source providers and pursuing opportunities in low-cost regions of supply. For example, by consolidating our computer hardware and software purchases with one supplier, we will save nearly \$2.5 million over the next three years. In addition, we are resourcing steel and cast iron parts from the United States and Europe to Asia and Brazil, netting us as much as \$5 million in savings in 2004 with even greater procurement savings in future years.

## Report of Management

The management of Sauer-Danfoss Inc. is responsible for the integrity and objectivity of the financial information presented in this annual overview. Sauer-Danfoss believes that the condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, applying certain estimates and judgments as required.

Management of the Company is also responsible for maintaining a system of internal accounting controls and procedures designed to provide reasonable assurance at reasonable cost that assets are safeguarded against loss or unauthorized use and that financial records are adequate and can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. This system is augmented by written policies and procedures, careful selection and training of financial management personnel, a continuing management commitment to the integrity of the system, and through examinations by an internal audit department that coordinates its activities with the Company's independent accountants. The Company is currently in the process of completing the documentation and testing requirements of Section 404 of the Sarbanes-Oxley Act of 2002. The Company anticipates being able to meet these requirements by the end of 2004.

KPMG LLP has been retained to conduct an audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to provide an independent assessment that helps ensure fair presentation of the Company's consolidated results of operations, financial position, and cash flows.

The Audit Committee of the Board of Directors is composed entirely of independent outside directors. The Committee meets periodically with management, internal auditors, and the independent accountants, both separately and jointly, to discuss internal accounting controls and the quality of financial reporting. To ensure complete independence, the internal auditors and representatives of KPMG LLP have full access to meet with the Audit Committee, with or without management representatives present, to discuss the results of their audits and their opinions on the adequacy of internal controls and the quality of financial reporting. The Audit Committee has the direct responsibility for the appointment of the independent accounting firm to be retained for the coming year, subject to stockholder approval.



David J. Anderson  
President and Chief Executive Officer



Karl J. Schmidt  
Executive Vice President and Chief Financial Officer, Treasurer

## Independent Auditors' Report

### To the Board of Directors and Shareholders of Sauer-Danfoss Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Sauer-Danfoss Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2003 (not presented herein); and in our report dated March 11, 2004, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

In 2003 the Company changed its method of accounting for stock compensation expense. In 2002 the Company changed its method of accounting for goodwill and other intangibles.

The accompanying condensed consolidated balance sheet as of December 31, 2002 and the related condensed consolidated statements of income and cash flows for each of the years in the two-year period ended December 31, 2002, have been restated.



KPMG LLP  
Des Moines, Iowa  
March 11, 2004

**The following financial statements have been condensed to make them more readable. For complete financial statements, including notes, and management's discussion and analysis of financial condition and results of operations, please refer to the 2003 Annual Report which is appended to the proxy statement for the Company's 2004 annual meeting.**

## Condensed Consolidated Statements of Income | 15

(in thousands, except per share data)	For the Years Ended December 31,		
	2003	2002 <sup>(1)</sup>	2001 <sup>(1)</sup>
<b>Net Sales</b>	<b>\$1,126,774</b>	\$952,308	\$855,279
<b>Costs and Expenses:</b>			
Cost of sales	<b>874,410</b>	733,316	662,693
Selling, general and administrative	<b>156,658</b>	128,646	122,803
Research and development	<b>43,456</b>	37,806	38,054
Loss on disposal of fixed assets	<b>5,328</b>	381	618
Total costs and expenses	<b>1,079,852</b>	900,149	824,168
Operating income	<b>46,922</b>	52,159	31,111
<b>Nonoperating Income (Expenses):</b>			
Interest expense	<b>(18,748)</b>	(22,510)	(21,151)
Interest income	<b>1,348</b>	5,291	3,774
Royalty income	—	—	881
Other, net	<b>(3,358)</b>	(2,224)	219
Nonoperating expenses, net	<b>(20,758)</b>	(19,443)	(16,277)
<b>Income Before Income Taxes and Minority Interest</b>	<b>26,164</b>	32,716	14,834
<b>Minority Interest and Equity Income, net</b>	<b>(15,405)</b>	(11,099)	(7,882)
<b>Income Before Income Taxes</b>	<b>10,759</b>	21,617	6,952
<b>Income Tax Benefit (Expense)</b>	<b>474</b>	(7,217)	(2,616)
<b>Net Income Before Cumulative Effect of Change in Accounting Principle</b>	<b>11,233</b>	14,400	4,336
<b>Cumulative Effect of Change in Accounting Principle</b>	—	(695)	—
<b>Net Income</b>	<b>\$ 11,233</b>	\$ 13,705	\$ 4,336
Basic and diluted income per common share	<b>\$ 0.24</b>	\$ 0.29	\$ 0.09
Weighted average diluted shares outstanding	<b>47,516</b>	47,404	46,980
<b>Pro Forma Results Excluding Goodwill Amortization in 2001</b>			
(in thousands, except per share data)	2003	2002	2001
<b>Net Income:</b>			
Reported net income	<b>\$ 11,233</b>	\$ 13,705	\$ 4,336
Add back goodwill amortization	—	—	2,832
Adjusted net income	<b>\$ 11,233</b>	\$ 13,705	\$ 7,168
<b>Income per share:</b>			
Reported basic and diluted income per common share	<b>\$ 0.24</b>	\$ 0.29	\$ 0.09
Add back goodwill amortization	—	—	0.06
Adjusted basic and diluted income per common share	<b>\$ 0.24</b>	\$ 0.29	\$ 0.15

(1) Amounts shown are restated.

## 16 | Condensed Consolidated Balance Sheets

(in thousands, except per share data)	As of December 31,	
	2003	2002 <sup>(1)</sup>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 15,086	\$ 12,397
Accounts receivable (net of allowance for doubtful accounts of \$4,144 and \$3,372 in 2003 and 2002, respectively)	186,293	153,643
Inventories	198,870	164,686
Other current assets	32,965	30,524
Total current assets	433,214	361,250
<b>Property, Plant and Equipment, net</b>	<b>452,913</b>	435,102
<b>Other Assets:</b>		
Goodwill, net	119,654	105,288
Other intangible assets, net	35,265	28,274
Investments in unconsolidated affiliates	1,788	9,347
Deferred income taxes	39,258	18,071
Other	19,662	13,183
Total other assets	215,627	174,163
	<b>\$1,101,754</b>	\$970,515
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Notes payable and bank overdrafts	\$ 65,453	\$ 56,010
Long-term debt due within one year	159,590	27,085
Accounts payable	93,793	70,945
Accrued salaries and wages	28,558	22,833
Accrued warranty	17,196	14,242
Other accrued liabilities	36,208	25,226
Total current liabilities	400,798	216,341
<b>Long-Term Debt</b>	<b>130,408</b>	235,198
<b>Other Liabilities:</b>		
Long-term pension liability	41,937	42,747
Postretirement benefits other than pensions	17,779	16,782
Deferred income taxes	56,126	44,324
Other	25,139	20,674
Total other liabilities	140,981	124,527
<b>Minority Interest in Net Assets of Consolidated Companies</b>	<b>32,353</b>	27,118
<b>Stockholders' Equity:</b>		
Preferred stock, par value \$.01 per share, authorized 4,500 shares, no shares issued or outstanding	—	—
Common stock, par value \$.01 per share, authorized 75,000 shares in 2003 and 2002; issued and outstanding 47,432 in 2003 and 47,419 in 2002	474	474
Additional paid-in capital	314,319	313,760
Retained earnings	45,202	47,870
Accumulated other comprehensive income	37,376	5,346
Unamortized restricted stock compensation	(157)	(119)
Total stockholders' equity	397,214	367,331
Commitments and contingencies	—	—
	<b>\$1,101,754</b>	\$970,515

(1) Amounts shown are restated.

## Condensed Consolidated Statements of Cash Flows | 17

(in thousands)	For the Years Ended December 31,		
	2003	2002 <sup>(1)</sup>	2001 <sup>(1)</sup>
<b>Cash Flows from Operating Activities:</b>			
Net income	\$ 11,233	\$ 13,705	\$ 4,336
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	—	695	—
Depreciation and amortization	80,377	72,593	69,911
Minority interest and equity income, net	15,405	11,099	7,882
(Increase) decrease in working capital, excluding effects of acquisitions —			
Accounts receivable, net	(5,542)	2,763	4,028
Inventories	(7,616)	1,146	11,404
Accounts payable	6,121	2,465	(16,525)
Accrued liabilities	6,188	4,106	322
Other	(10,608)	(10,289)	(14,092)
Net cash provided by operating activities	95,558	98,283	67,266
<b>Cash Flows from Investing Activities:</b>			
Purchases of property, plant and equipment	(59,991)	(42,278)	(69,697)
Payments for acquisitions, net of cash acquired	(7,202)	(25,084)	(41,510)
Proceeds from sales of property, plant and equipment	2,204	1,090	1,064
Net cash used in investing activities	(64,989)	(66,272)	(110,143)
<b>Cash Flows from Financing Activities:</b>			
Net borrowings (repayments)			
on notes payable and bank overdrafts	1,120	(6,025)	13,126
Net borrowings (repayments) on revolving credit facility	33,018	(45,950)	37,600
Net borrowings (repayments) of long-term debt	(34,200)	40,460	9,546
Payments for debt financing costs	(1,824)	—	—
Cash dividends	(13,280)	(13,277)	(13,275)
Distribution to minority interest partners	(13,667)	(9,625)	(13,500)
Net cash provided by (used in) financing activities	(28,833)	(34,417)	33,497
<b>Effect of Exchange Rate Changes on Cash</b>	<b>953</b>	<b>479</b>	<b>(1,050)</b>
<b>Cash and Cash Equivalents:</b>			
Net increase (decrease) during the year	2,689	(1,927)	(10,430)
Beginning balance	12,397	14,324	24,754
Ending balance	\$ 15,086	\$ 12,397	\$ 14,324
<b>Supplemental Cash Flow Disclosures:</b>			
Interest paid	\$ 18,581	\$ 20,775	\$ 20,552
Income taxes paid	\$ 12,825	\$ 11,083	\$ 10,044

(1) Amounts shown are restated.

## 18 | Selected Financial Data

(in thousands, except per share and employee data)	2003	2002 <sup>(1)</sup>	2001 <sup>(1)</sup>	2000 <sup>(1)(2)</sup>	1999
<b>Operating Data:</b>					
Net sales	\$1,126,774	\$952,308	\$855,279	\$782,537	\$534,382
Gross profit	252,364	218,992	192,586	199,427	125,932
Selling, general and administration	156,658	128,646	122,803	98,176	58,382
Research and development	43,456	37,806	38,054	29,874	23,311
Loss on disposal of fixed assets	5,328	381	618	—	—
Total operating expenses	205,442	166,833	161,475	128,050	81,693
Total interest expense, net	17,400	17,219	17,377	11,194	8,566
Net income	11,233	13,705	4,336	25,959	18,120
<b>Per Share Data:</b>					
Income per common share,					
basic and diluted	\$ 0.24	\$ 0.29	\$ 0.09	\$ 0.66	\$ 0.67
Cash dividends per share	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28
Weighted average					
basic shares outstanding	47,401	47,395	46,977	39,216	27,225
Weighted average					
diluted shares outstanding	47,516	47,404	46,980	39,217	27,240
<b>Balance Sheet Data:</b>					
Inventories	\$ 198,870	\$164,686	\$141,652	\$146,232	\$ 73,977
Property, plant and equipment, net	452,913	435,102	422,467	422,695	269,485
Total assets	1,101,754	970,515	884,254	840,672	442,515
Total debt	355,451	318,293	298,799	245,739	131,855
Stockholders' equity	397,214	367,331	345,822	341,431	150,752
Debt to debt plus equity <sup>(3)</sup>	45.3%	44.7%	44.6%	39.8%	41.7%
<b>Other Data:</b>					
Backlog (at year-end)	\$ 408,605	\$382,815	\$319,905	\$375,052	\$252,400
Depreciation and amortization	80,377	72,593	69,911	53,629	35,538
Capital expenditures	59,991	42,278	69,697	67,931	57,149
EBITDA <sup>(4)</sup>	108,536	110,734	94,240	107,392	73,163
Cash flows from (used in):					
Operating activities	95,558	98,283	67,266	81,859	77,786
Investing activities	(64,989)	(66,272)	(110,143)	(62,305)	(56,779)
Financing activities	(28,833)	(34,417)	33,497	5,406	(22,940)
Number of employees (at year-end)	7,200	7,207	6,790	6,733	3,836

(1) Amounts shown are restated.

(2) Includes results of Danfoss Fluid Power since May 3, 2000.

(3) The debt to debt plus equity ratio represents the ratio of total capital attributable to external financing. As such, the denominator of the ratio includes the total debt and stockholders' equity shown here as well as the minority interest presented on the balance sheet.

(4) EBITDA represents net income, plus provision for income taxes and net interest expense, plus depreciation and amortization. EBITDA may not be comparable to similarly titled measures reported by other companies. While EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flow from operating activities, which is determined in accordance with accounting principles generally accepted in the United States of America, it is included herein to provide additional information as management of the Company feels it provides an indication with respect to the ability of Sauer-Danfoss to meet its future debt service, capital expenditures, and working capital requirements.

April 15, 2004	1st Quarter 2004 Dividend Payment
May 5, 2004	Annual Shareholders' Meeting, Ames, Iowa, USA
May 5, 2004	1st Quarter 2004 Results Press Release
May 6, 2004	1st Quarter 2004 Results Conference Call
July 15, 2004	2nd Quarter 2004 Dividend Payment
August 4, 2004	2nd Quarter 2004 Results Press Release
August 5, 2004	2nd Quarter 2004 Results Conference Call
October 15, 2004	3rd Quarter 2004 Dividend Payment
November 3, 2004	3rd Quarter 2004 Results Press Release
November 4, 2004	3rd Quarter 2004 Results Conference Call
January 14, 2005	4th Quarter 2004 Dividend Payment
February 9, 2005	4th Quarter 2004 Results Press Release
February 10, 2005	4th Quarter 2004 Results Conference Call
April 27, 2005	Annual Shareholders' Meeting

### Planned Company Presentations

May/June, 2004	Boston and New York, USA
June, 2004	Zurich and Geneva, Switzerland
June, 2004	Frankfurt, Germany
July, 2004	London, United Kingdom
July, 2004	Brussels, Belgium
September, 2004	Amsterdam, Netherlands
November, 2004	Frankfurt, Germany
November/December, 2004	Boston and New York, USA

The Company plans to have investor presentations in the U.S. and Europe in 2004. Please check the Company's website for additional information regarding these events.

## 20 | Chairman, Vice Chairman & Executive Officers

### Klaus H. Murmann

Chairman

### Jørgen M. Clausen

Vice Chairman

### David J. Anderson

President and Chief Executive Officer

### Hans J. Cornett

Executive Vice President – Sales and Marketing

### Karl J. Schmidt

Executive Vice President and Chief Financial Officer, Treasurer

### James R. Wilcox

Executive Vice President and Chief Operating Officer

### Ronald C. Hanson

Vice President – Human Resources

### Thomas K. Kittel

Vice President – Propel Products

### Henrik Krabsen

Vice President – Valves

### Finn H. Lyhne

Vice President – Work Function Products

### Kenneth D. McCuskey

Vice President and Chief Accounting Officer, Secretary

### Albert K. Zahalka

Vice President – Mobile Electronics

## Stockholder Information

### Annual Meeting

The annual meeting of Company stockholders will be held at 8:30 a.m. on May 5, 2004, at:

The Hotel at Gateway Center, U.S. 30 & Elwood Drive, Ames, IA 50010

### Transfer Agent

Wells Fargo Bank, N.A.  
Shareowner Services  
161 North Concord Exchange  
South St. Paul, Minnesota 55075  
Phone: 1 800 468 9716

For information about accounts, stock certificates, transfers or dividend checks, contact Wells Fargo Stock Transfer, Shareowner Relations.

Website: <http://www.wellsfargo.com/shareownerservices>

### Major Sauer-Danfoss Shareholders

Danfoss Murmann Holding A/S and other Clausen/Murmann Family Holdings	77.4%	36,704,787 shares
Directors and Executive Officers*	1.4%	675,250 shares
Public Float	21.2%	10,052,231 shares
Total Shares Outstanding		47,432,268 shares

\*Excluding Clausen & Murmann Family Holdings

## Investor Relations

### In the U.S.:

Kenneth D. McCuskey  
Sauer-Danfoss Inc.  
2800 East 13th Street  
Ames, Iowa 50010  
Phone: 1 515 239 6364  
e-mail: [kmccuskey@sauer-danfoss.com](mailto:kmccuskey@sauer-danfoss.com)

### Stock Exchange

New York Stock Exchange (SHS)

### Research Coverage

Credit Suisse First Boston

### Form 10-K

The Form 10-K annual report to the Securities and Exchange Commission is available to stockholders upon written request to Sauer-Danfoss Inc. Investor Relations.

### Independent Auditors

KPMG LLP, Des Moines, Iowa, USA

### Website

[www.sauer-danfoss.com](http://www.sauer-danfoss.com)

### In Europe:

John N. Langrick  
Sauer-Danfoss Inc.  
Krokamp 35  
D-24539 Neumünster  
Germany  
Phone: 49 4321 871 190  
e-mail: [jangrick@sauer-danfoss.com](mailto:jangrick@sauer-danfoss.com)

### Stock Exchange

Frankfurt Germany Stock Exchange (SAR)

### ISIN

US8041371076

### German Security Identification Number (WKN)

880208

### Research Coverage

HSBC Trinkaus & Burkhardt KGaA  
Independent Research GmbH

### Designated Sponsor

HSBC Trinkaus & Burkhardt KGaA

## Board of Directors

### Ole Steen Andersen, 57

**Executive Vice President and Chief Financial Officer—Danfoss A/S**

Ole Steen Andersen has been a director of the Company since 2000. Mr. Andersen is currently Executive Vice President and Chief Financial Officer of Danfoss A/S and a member of its Executive Committee. Mr. Andersen is also Chairman of the Board of Cowi A/S, an independent consulting company which delivers state-of-the-art services within the fields of engineering, environmental science, and economics.

### David J. Anderson, 56<sup>[1]</sup>

**President and Chief Executive Officer—Sauer-Danfoss Inc.**

David J. Anderson has been a director of the Company since 2002, when he became President and Chief Executive Officer of Sauer-Danfoss Inc. Mr. Anderson joined Sauer-Danfoss in 1984 and since then has held a variety of sales and marketing leadership positions, including Vice President—Marketing and most recently Executive Vice President—Strategic Business Development. He has more than 30 years of experience in the fluid power industry and is a member of the board of the National Fluid Power Association.

### Jørgen M. Clausen, 55<sup>[2]</sup>

**President and Chief Executive Officer—Danfoss A/S**

Jørgen M. Clausen has been a director and Vice Chairman of the Company since 2000. He is President and Chief Executive Officer of Danfoss A/S and a member of its Executive Committee. Mr. Clausen is also Chairman of the Board of Risoe National Laboratories, a Danish government-owned research organization, Chairman of Junior Achievement/Young Enterprise Group, and a member of the Academy of Technical Sciences, a nonprofit organization promoting the technical sciences in Denmark.

### Nicola Keim, 43

Nicola Keim, a lawyer by profession, has been a director of the Company since 1990.

### Johannes F. Kirchhoff, 46<sup>[3]</sup>

**Managing Director—FAUN Umwelttechnik GmbH & Co.**

Johannes F. Kirchhoff has been a director of the Company since 1997. Mr. Kirchhoff is owner and Managing Director of FAUN Umwelttechnik GmbH & Co., a German manufacturer of vehicles for waste disposal.

### Hans Kirk, 61

**Executive Vice President and Chief Operating Officer—Danfoss A/S**

Hans Kirk has been a director of the Company since 2000. Mr. Kirk is Executive Vice President and Chief Operating Officer of Danfoss A/S and a member of its Executive Committee. He is also a director of NIRAS Group, a Danish construction consulting company, and a director of The Danish Technological Institute, an independent institution approved by the Danish authorities to provide technological services to businesses and the community.

### F. Joseph Loughrey, 54<sup>[3]</sup>

**Executive Vice President—Cummins Inc. President—Engine Business**

F. Joseph Loughrey has been a director of the Company since 2000. Mr. Loughrey is currently Executive Vice President of Cummins Inc. and President—Engine Business. Prior to that, he served as Executive Vice President of Cummins Engine Company and Group President—Industrial and Chief Technical Officer. Mr. Loughrey is also a director of Tower Automotive Inc., a leading global designer and producer of structural components and assemblies used by every major automotive original equipment manufacturer.

[1] Member of Executive Committee

[2] Member of Nominating Committee

[3] Member of Audit Committee and Compensation Committee



**Board of Directors:** (left to right) Sven Murmann, Kenneth D. McCuskey (Corporate Secretary), Jørgen M. Clausen, Nicola Keim, Ole Steen Andersen, Klaus H. Murmann, Johannes F. Kirchhoff, Steven H. Wood, F. Joseph Loughrey, David J. Anderson, Hans Kirk.

### Klaus H. Murmann, 72<sup>[1,2]</sup>

#### **Chairman—Sauer-Danfoss Inc.**

Klaus H. Murmann is currently Chairman of the Company. He was Chairman and Chief Executive Officer of the Company from 1987 to 2000. Mr. Murmann founded Sauer Getriebe in 1967 and has been involved in the hydrostatics business for more than 40 years. He is Chairman of the Board of Gothaer Insurance Company, Cologne, a German insurance company; Chairman of the Board of PSV AG, Cologne, a national pension fund; a member of the board of Bankgesellschaft Berlin AG, a German bank; and a nonexecutive director of GKN plc, London/United Kingdom, an engineering company.

### Sven Murmann, 36

#### **Managing Director—Sauer Holding GmbH**

Sven Murmann has been a director of the Company since 1994. Mr. Murmann is currently Managing Director of Sauer Holding GmbH, an investment company held by the Murmann Family. During his career, Mr. Murmann held several academic positions in Germany and Switzerland, was a Visiting Fellow at the Graduate School of Arts and Sciences at Harvard University in the United States, and served as a Manager of Hako Holding GmbH & Co., a global manufacturer of indoor and outdoor cleaning equipment based in Germany.

### Steven H. Wood, 46<sup>[3]</sup>

Steven H. Wood joined the board of directors of the Company in January of 2003. He was formerly Executive Vice President and Chief Financial Officer of Maytag Corporation until July of 2003. Mr. Wood joined Maytag Corporation in 1989 as director of internal audit, and held various financial leadership positions within the company. Prior to joining Maytag, Mr. Wood worked for Ernst & Young in Chicago, Illinois.



**Sauer-Danfoss Inc.**  
250 Parkway Drive  
Suite 270  
Lincolnshire, IL 60069 USA

[www.sauer-danfoss.com](http://www.sauer-danfoss.com)