


**GRUNDFOS DK A/S**  
Martin Bachs Vej 3  
8850 Bjerringbro  
Business Registration No  
19342735

## **Annual report 2017**

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The Annual General Meeting adopted the annual report on 31.05.2018

**Chairman of the General Meeting**



Name: Teodora Anda Grosu

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## Entity details

### Entity

GRUNDFOS DK A/S  
Martin Bachs Vej 3  
8850 Bjerringbro

Central Business Registration No (CVR): 19342735

Registered in: Viborg

Financial year: 01.01.2017 - 31.12.2017

### Board of Directors

Hung Chung Humphrey Lau, Chairman

Angelo Colombo

Hans Jørgen Hansen

Jens Erik Tredal, Elected by the employees

Juel Skovgaard, Elected by the employees

### Executive Board

Claus Witt, Chief Executive Officer

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of GRUNDFOS DK A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Bjerringbro, 30.05.2018

### Executive Board

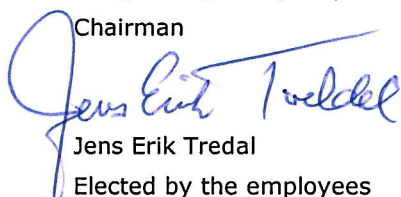


Claus Witt

Chief Executive Officer

### Board of Directors

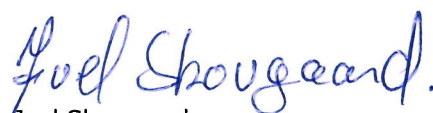
Hung Chung Humphrey Lau  
Chairman



Jens Erik Tredal

Elected by the employees

Angelo Colombo



Juel Skovgaard

Elected by the employees



Hans Jørgen Hansen

# Independent auditor's report

## To the shareholders of GRUNDFOS DK A/S

### Opinion

We have audited the financial statements of GRUNDFOS DK A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

## Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 30.05.2018

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556



Lars Siggaard Hansen  
State Authorised Public Accountant  
Identification No (MNE) mne32208



Jacob Tækker Nørgaard  
State Authorised Public Accountant  
Identification No (MNE) mne40049

## Management commentary

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	565.617	567.467	573.328	565.723	547.854
Gross profit/loss	90.516	86.690	84.167	66.097	150.151
Operating profit/loss	17.158	12.246	12.107	(5.806)	11.854
Net financials	(116)	(39)	(5)	427	1.024
Profit/loss for the year	13.079	9.118	9.005	(4.282)	9.387
Total assets	193.229	173.379	182.420	180.057	190.604
Investments in property, plant and equipment	415	210	1.023	567	390
Equity	41.393	41.903	39.160	30.155	47.237
<b>Ratios</b>					
Gross margin (%)	16,0	15,3	14,7	11,7	27,4
Net margin (%)	2,3	1,6	1,6	(0,8)	1,7
Return on equity (%)	31,4	22,5	26,0	(11,1)	19,9
Equity ratio (%)	21,4	24,2	21,5	16,7	24,8

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2017" issued by the Danish Society of Financial Analysts.

<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.



## Management commentary

### Primary activities

The Company's activities consist in marketing and sale of the Grundfos Group's products, primarily in Denmark and secondarily in Iceland as well as a more precisely defined export area.

### Development in activities and finances

In the financial year, the Company has realised a revenue at the level of 2016.

The Danish market has seen a decrease in revenue of 4% compared to a growth rate above normal on selected export markets.

Profit for the year is significantly higher in 2017 compared to 2016, and the Company has seen an increase in earnings of 43%. Despite a marginally declining revenue, the Company has thus continued to improve earnings. This is primarily attributable to a more profitable business in general.

Profit for the year is satisfactory.

### Outlook

The Company's activities will again in 2018 primarily consist of marketing and sale of pumps on the Danish market, secondarily of sale to Iceland as well as other minor export activities. For 2018 the Company expects growth in revenue of 3-5%. Moreover, it is Management's expectation that profit will also improve in 2018.

### Particular risks

#### Currency exposure

The Company primarily sells its products on the domestic market and is therefore not subject to any particular currency exposure.

#### Interest rate exposure

The Company's interest-bearing debt at 31.12.2017 amounts to approx. DKK 58m against DKK 35.8m at 31.12.2016. The interest-bearing debt primarily consists of intercompany balances.

The Company does not enter into interest rate positions to hedge interest rate risks.

#### Credit risk

As a natural part of the Company's business, the main part of the products is sold on credit. Trade receivables are the Company's most essential asset. To minimise the risk of bad debt, the Company has set up a credit policy according to which all customers are credit rated and according to which receivables are subject to current follow-up.

## Management commentary

### **Intellectual capital resources**

The Company uses the principles of the Business Excellence model to support, develop and measure the business affairs and organisational conditions. The elements of this model are management, strategy and planning, competency development, optimum resource utilisation and ensuring efficient and reliable business processes to ensure great customer and employee satisfaction and to achieve its business performance.

### **Group relations**

Grundfos DK A/S is included in the consolidated financial statements of the Poul Due Jensen Foundation, which is accessible through the Danish Companies Agency under business reg. no. 83 64 88 13.

### **Statutory report on corporate social responsibility**

An overall report for the Grundfos Group's corporate social responsibility (CSR reporting) has been prepared in the annual report for Grundfos Holding A/S, CVR no. 31 85 83 56. We refer to this report for the Group's statement on corporate social responsibility.

### **Statutory report on the underrepresented gender**

The Board of Directors in Grundfos DK A/S has five members, two of them being elected by the employees. All members are male. Women are thus under-represented in relation to the share of 40% which legislation aims to ensure. It is the Company's aim to increase the share of women so that 1 of the 3 members elected by the General Meeting is a woman in 2018. When electing members for the Board of Directors this year, there were no relevant female candidates in the recruitment base.

Concerning the policy for gender composition in the other management levels in Grundfos DK A/S, we refer to the Grundfos Group's statement in the annual report for Grundfos Holding A/S, CVR no. 31 85 83 56.

### **Events after the balance sheet date**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## Income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Revenue	1	565.617	567.467
Costs of raw materials and consumables		(421.708)	(429.466)
Other external expenses		<u>(53.393)</u>	<u>(51.311)</u>
<b>Gross profit/loss</b>		<b>90.516</b>	<b>86.690</b>
Staff costs	2	(72.653)	(73.736)
Depreciation, amortisation and impairment losses	3	<u>(705)</u>	<u>(708)</u>
<b>Operating profit/loss</b>		<b>17.158</b>	<b>12.246</b>
Other financial income	4	141	194
Other financial expenses	5	<u>(257)</u>	<u>(233)</u>
<b>Profit/loss before tax</b>		<b>17.042</b>	<b>12.207</b>
Tax on profit/loss for the year	6	<u>(3.963)</u>	<u>(3.089)</u>
<b>Profit/loss for the year</b>	7	<u><b>13.079</b></u>	<u><b>9.118</b></u>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Other fixtures and fittings, tools and equipment		1.331	1.621
<b>Property, plant and equipment</b>	8	<u>1.331</u>	<u>1.621</u>
Other investments		330	330
<b>Fixed asset investments</b>	9	<u>330</u>	<u>330</u>
<b>Fixed assets</b>		<u>1.661</u>	<u>1.951</u>
Manufactured goods and goods for resale		3.574	4.389
<b>Inventories</b>		<u>3.574</u>	<u>4.389</u>
Trade receivables		185.496	160.724
Contract work in progress	10	681	1.828
Receivables from group enterprises		762	1.922
Deferred tax		161	430
Income tax receivable		0	1.167
Prepayments	11	885	943
<b>Receivables</b>		<u>187.985</u>	<u>167.014</u>
<b>Cash</b>		<u>9</u>	<u>25</u>
<b>Current assets</b>		<u>191.568</u>	<u>171.428</u>
<b>Assets</b>		<u>193.229</u>	<u>173.379</u>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital	12	22.000	22.000
Retained earnings		10.293	7.403
Proposed dividend		<u>9.100</u>	<u>12.500</u>
<b>Equity</b>		<b><u>41.393</u></b>	<b><u>41.903</u></b>
Other provisions	13	<u>7.754</u>	<u>7.808</u>
<b>Provisions</b>		<b><u>7.754</u></b>	<b><u>7.808</u></b>
Prepayments received from customers		1.202	5.036
Trade payables		17.451	10.744
Payables to group enterprises		93.973	77.862
Income tax payable		560	0
Other payables		<u>30.896</u>	<u>30.026</u>
<b>Current liabilities other than provisions</b>		<b><u>144.082</u></b>	<b><u>123.668</u></b>
<b>Liabilities other than provisions</b>		<b><u>144.082</u></b>	<b><u>123.668</u></b>
<b>Equity and liabilities</b>		<b><u>193.229</u></b>	<b><u>173.379</u></b>
Unrecognised rental and lease commitments	14		
Assets charged and collateral	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

## Statement of changes in equity for 2017

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed dividend DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	22.000	7.403	12.500	41.903
Ordinary dividend paid	0	0	(12.500)	(12.500)
Other entries on equity	0	(1.089)	0	(1.089)
Profit/loss for the year	0	3.979	9.100	13.079
<b>Equity end of year</b>	<b>22.000</b>	<b>10.293</b>	<b>9.100</b>	<b>41.393</b>

## Notes

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>1. Revenue</b>		
Danmark	522.109	544.032
Øvrige lande	43.508	23.435
	<b>565.617</b>	<b>567.467</b>

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>2. Staff costs</b>		
Wages and salaries	66.523	68.152
Pension costs	4.489	4.457
Other social security costs	1.641	1.127
	<b>72.653</b>	<b>73.736</b>
Average number of employees	<b>126</b>	<b>127</b>

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>3. Depreciation, amortisation and impairment losses</b>		
Depreciation of property, plant and equipment	705	708
	<b>705</b>	<b>708</b>

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>4. Other financial income</b>		
Financial income arising from group enterprises	8	58
Other interest income	133	136
	<b>141</b>	<b>194</b>

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>5. Other financial expenses</b>		
Financial expenses from group enterprises	138	76
Other interest expenses	119	157
	<b>257</b>	<b>233</b>

## Notes

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>6. Tax on profit/loss for the year</b>		
Current tax	3.693	3.345
Change in deferred tax	270	(256)
	<b>3.963</b>	<b>3.089</b>
	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>7. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	9.100	12.500
Retained earnings	3.979	(3.382)
	<b>13.079</b>	<b>9.118</b>
		<b>Other</b>
		<b>fixtures and</b>
		<b>fittings,</b>
		<b>tools and</b>
		<b>equipment</b>
		<b>DKK'000</b>
<b>8. Property, plant and equipment</b>		
Cost beginning of year		17.808
Additions		415
<b>Cost end of year</b>		<b>18.223</b>
Depreciation and impairment losses beginning of year		(16.187)
Depreciation for the year		(705)
<b>Depreciation and impairment losses end of year</b>		<b>(16.892)</b>
<b>Carrying amount end of year</b>		<b>1.331</b>
		<b>Other</b>
		<b>investments</b>
		<b>DKK'000</b>
<b>9. Fixed asset investments</b>		
Cost beginning of year		330
<b>Cost end of year</b>		<b>330</b>
<b>Carrying amount end of year</b>		<b>330</b>



## Notes

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>10. Contract work in progress</b>		
Contract work in progress	12.097	4.963
Progress billings regarding contract work in progress	(12.259)	(6.865)
Transferred to liabilities other than provisions	843	3.730
	<b>681</b>	<b>1.828</b>

Prepayments from customers total DKK 1,202k of which DKK 843k relates to prepayments from customers for work in progress. Prepayments of a total of DKK 359k relate to prepayments from trade receivables.

### 11. Prepayments

Prepayments consist primarily of prepaid insurance and lease payments.

### 12. Contributed capital

The share capital consists of shares at 1,000 DKK and multiples of these.

The shares have not been divided into classes.

In the period 01.01.2012-31.12.2017 there have not been any changes in share capital.

### 13. Other provisions

Other provisions consisted in 2017 of non-recourse guarantee commitments of DKK 6,346k and anniversary bonuses of DKK 1,408k.

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>14. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<b>15.876</b>	<b>15.484</b>
Liabilities under rental agreements or leases with group enterprises until expiry	<b>6.962</b>	<b>6.962</b>

The company has entered into a rental contract with a notice of termination of 12 months.

### 15. Assets charged and collateral

Performance guarantees of DKK 4,779k in 2017.

#### Collateral security provided for subsidiaries and other group enterprises

The Entity participates in a Danish joint taxation arrangement with Grundfos Holding A/S serving as the administration company and is therefore jointly and severally liable with its jointly taxed companies for the total income tax from the financial year 2012 and from 1 July 2012 also for obligations, if any, to withhold tax on interest, royalties and dividends for the jointly taxed companies. The total net liability to SKAT appears from the financial statements of Grundfos Holding A/S.

## Notes

### **16. Related parties with controlling interest**

Related parties with a controlling interest in Grundfos DK:

The Company's immediate Parent, Grundfos A/S, Bjerringbro and the Company's ultimate Parent, the Poul Due Jensen Foundation, Bjerringbro.

Please see the consolidated financial statements of the Grundfos Group, the Poul Due Jensen Foundation (Central Business Reg. No. 83 64 88 13).

### **17. Transactions with related parties**

Transactions with related parties are only disclosed in the annual report if they are not on arm's length terms. Transactions between Grundfos DK A/S and related parties are on arm's length terms.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Fees to the auditor appointed by the general meeting are not disclosed in pursuance of section 96(3) of the Danish Financial Statements Act. Furthermore, remuneration to Management is not disclosed in pursuance of section 98 b(3) of the Danish Financial Statements Act.

The accounting policies applied to these financial statements are consistent with those applied last year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

### Income statement

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

## Accounting policies

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

### **Costs of raw materials and consumables**

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

### **Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

### **Staff costs**

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

### **Depreciation, amortisation and impairment losses**

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

### **Other financial income**

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### **Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### **Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

## Accounting policies

The Company is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed enterprises proportionally to their taxable income (full allocation with a refund concerning tax losses).

Deferred tax is recognised and measured applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities. The tax-based value of the assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforward, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax is measured on the basis of the tax rules and tax rates which under Danish law will be in effect at the balance sheet when the deferred tax crystallises as current tax.

### Balance sheet

#### Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-10 years
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Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement together with depreciation and impairment losses or under other operating income if the selling price exceeds original cost.

#### Other investments

Other investments comprise unlisted shares recognised at cost. If cost exceeds net realisable value, investments are written down to such lower value.

## Accounting policies

### Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and goods for resale, consists of purchase price plus landing costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Cash

Cash comprises bank deposits.

## Accounting policies

### Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

### Other provisions

Other provisions comprise anticipated costs of nonrecourse guarantee commitments and anniversary bonuses.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

### Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax

### Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, Grundfos DK A/S has not prepared any cash flow statement.