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ANNUAL REPORT

Grundfos Holding A/S,
Poul Due Jensens Vej 7,
DK-8850 Bjerringbro
CVR no.: 31 85 83 56

The annual report (01.01.2018-31.12.2018) is presented and approved at the Annual Meeting on 26 April 2019.
Conductor: Andreas F. Brandt

be
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innovate

GRUNDFOS

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Management’s report 2018

This report covers the annual result of the Grundfos Group, Grundfos Holding A/S and its affiliated companies. To read the majority owner’s annual report, please visit the Poul Due Jensens Fond website, thepoulduejensenfoundation.com.

2018 in brief

Grundfos is a global leader in advanced pump solutions and a trendsetter in water technology.

Our sales developed very positively in 2018. Measured in local currencies, we grew our sales organically by 6.6%. Our growth was higher than we expected going into 2018 and, based on available market data, Grundfos has again in 2018 taken market share globally.

Growth fuels motivation among our people. Growth is a prerequisite for sustained financial value creation. When we sell more of our energy-efficient pump solutions, we make a positive impact on the world. We make a positive impact by securing reliable and safe supply of clean water and by efficiently disposing of wastewater. And we make a positive impact by reducing electricity consumption and thereby taking away causes for climate change.

We had growth in by far most of our markets and in most of the applications we serve. Currency developments worked against us in most of 2018. On net turnover, currency development had a negative 2.4%-point impact, meaning that growth in DKK landed at 4.2%, equalling a net turnover of DKK 26.7bn.

Our earnings remain solid, although we only to a limited extent converted top line growth into increased profits. Earnings Before Interest and Tax (EBIT) grew to DKK 2,400m, which is an increase of DKK 54m over 2017. The EBIT/net turnover ratio ended at 9.0% compared to 9.2% in 2017.

It is part of our core values to keep our customers satisfied and loyal and keep our employees highly motivated. These two objectives are important in themselves and not only because they are the foundation for growth, innovation and future profitability.

In our annual customer satisfaction and loyalty survey, we received feedback from more than 9,000 customers globally. In all of the years we have conducted customer satisfaction and loyalty surveys, we have never received as positive a scoring from our customers as we did in 2018. This puts our customer loyalty score among the best in a global benchmark. We will do our very best to live up to the confidence shown by our customers.

Also, our employee motivation and satisfaction rating increased significantly. We are happy to see a stronger motivation among our employees, however, we remain determined to do even better in creating a work space where our colleagues thrive.

Sales and market development

Net turnover reached DKK 26.7bn compared to DKK 25.6bn in 2017 representing growth of 4.2% measured in DKK. Measured in local currencies, sales grew 6.6%

We saw growth in by far most of our markets and in most of the applications we serve.

Based on available market data, we estimate global market growth in 2018 of approximately 5%, which means that Grundfos has gained further global market share.

We want to strengthen our position in China and the USA. In China we continue showing annual double-digit growth rates as we have done in the past years. And in the USA, we grew solidly in 2018. As part of our 2020 strategy, we have also invested in our global service business. It has paid off with a satisfactory double-digit growth.

In our European core markets, where we still maintain the larger share of our global sales, we have across all the main regions and in our European HVAC OEM business delivered solid growth. The same goes for the Asia-Pacific region and Africa.

The market environment has been more challenging in Russia and the Greater Middle East although we still delivered growth.

Our DAB business consistently shows solid growth.

Profitability and cash flow

Earnings Before Interest and Tax (EBIT) in 2018 totalled DKK 2,400m which is up DKK 54m over 2017.

Adjusted for non-performance related items, i.e. restructuring costs and the rebate we give to our employees on share purchases made under our employee share programme, the Group’s “performance EBIT” made up DKK 2,464m. This is DKK 71m less than in 2017 and corresponds to a 9.2% performance EBIT/net turnover.

Our push for growth, in combination with increasing commodity prices and negative currency impacts that lasted throughout most of 2018, were factors that drove down our margins and our profitability. We have kept our selling and administrative costs well under control, while we continue investing resources into strategically prioritised areas like our service business and digital transformation. Our profitability remains solid, however, we are not satisfied with the performance EBIT development.

The financial markets, in particular the stock markets, developed negatively towards the end of 2018. As Grundfos holds a substantial portfolio of securities, this meant a significant unrealised loss which is reported as part of our financial costs. As a result, our net financial income for 2018 stands at a loss of DKK 74m compared to a net financial income of DKK 69m in 2017.

Profit Before Tax (PBT) landed at DKK 2,326m which is DKK 89m lower than in 2017.

Cash flow from operating activities ended at DKK 2,579m. Net investments for the year made up DKK 1,091m, resulting in a free cash flow (before purchase and sale of securities) of DKK 1,488m, which is DKK 726m lower than in 2017.

The Grundfos Group's financial position is very solid. At the end of 2018, the Group had a net interest-bearing deposit of DKK 4.8bn. The equity ratio at the end of 2018 stands at 57.9%. Our solid balance sheet allows us to make significant investments without compromising our financial independence.

The growth in net turnover exceeded the expectations set out in our 2017 annual report, whereas we did not meet our expected EBIT development.

Group Key Performance Indicators (KPIs)

In Grundfos, we have identified five Group KPIs that we track as our ultimate measure of success. For 2018, these KPIs are:

- Average sales growth
- Customer loyalty
- Employee motivation and satisfaction
- Return on Sales (EBIT/net turnover)
- Return on Capital Employed (ROCE)

With 6.6% sales growth in 2018, we exceeded the targeted average annual sales growth of 3%.

Our Return on Sales target is measured on performance EBIT. In 2018, the performance EBIT ratio landed at 9.2% which was 0.7%-points lower than in 2017 and short of our 2020 target of hitting a minimum 10% Return on Sales.

We reached a ROCE of 17.0% in 2018, thereby meeting our 2020 target.

The table below shows the 2020 targets and realised figures for 2017 and 2018 for the Grundfos Group.

KPI	2017	2018	2020 ambition
Sales growth (excl. currency impact)	5.3%	6.6%	Grow more than served market (avg. 3%)
Customer loyalty	86	88	86
Employee motivation and satisfaction	70	73	78
Return on Sales (performance EBIT/net turnover)	9.9%	9.2%	>10%
Return on Capital Employed (ROCE)	17.6%	17.0%	17%

We have further improved our customer loyalty score two points from 86 in 2017 to 88 in 2018. This means we are exceeding our 2020 target and that our customer loyalty score is among the very best across companies globally.

Our employee motivation and satisfaction score went up 3 points from 70 in 2017 to 73 in 2018. We are happy with the significant increase in motivation among our people, but we remain ambitious in lifting employee motivation and satisfaction further.

Outlook for 2019

We forecast sales growth measured in local currencies in the range of 3-5%, and a growth in performance EBIT in the range of 5-15%. We see an increasing uncertainty in the global economy, fuelled among other things by political uncertainties around trade agreements, Brexit etc., which may negatively impact the overall business climate.

Sustainability is our core

Sustainability is embedded in our overall strategy as we believe doing business and doing good can go hand in hand, and as we aspire to be a company which conducts its business in an ever more sustainable way.

We have supported the UN's Global Compact principles since 2002, and will continue doing so, in particular focusing on achieving results with Sustainable Development Goals #6 (water and sanitation) and #13 (climate change).

For 2018, we launch our Sustainability Report and this Annual Report simultaneously, and with our Sustainability Report, we fulfil the requirements for corporate sustainability reporting set out in section 99a of the Danish Financial Statements Act, as well as section 99b on the gender balance at management levels etc.

See and download our Sustainability Report here: www.grundfos.com/about-us/news-and-press/reports-magazines/sustainability-reports.html

Management's report on the Parent Company

Grundfos Holding A/S is the Parent Company of the Grundfos Group and holds the shares of all the other Grundfos Group companies – either directly or indirectly. The company's activities include the majority of the Group's R&D functions as well as group functions involving coordination, planning and management.

In this capacity, Grundfos Holding A/S performs a number of overarching functions and services. Grundfos Holding A/S had

1,623 employees at the end of 2018 (2017: 1,563). In 2018, net turnover of Grundfos Holding A/S totalled DKK 3.3bn (2017: DKK 3.3bn), and the operating profit amounted to DKK 0.2bn (2017: 0.4bn).

According to the equity method, income from the other group companies amounted to DKK 1.5bn (2017: 1.3bn). Profit after tax at DKK 1.8bn in 2018 is unchanged compared to 2017. The balance sheet shows an equity of DKK 16.0bn (2017: DKK 15.2bn), corresponding to an equity ratio of 54.1% (2017: 62.0%).

Key figures and financial ratios

The Grundfos Group

Amounts in DKKm

CONSOLIDATED PROFIT AND LOSS ACCOUNT	2018	2017	2016	2015	2014*
Net turnover	26,721	25,634	24,677	24,800	23,618
Operating profit	2,405	2,351	2,255	1,969	934
Earnings before interest and tax (EBIT)	2,400	2,346	2,248	2,083	935
Net financials	(74)	69	26	(25)	(7)
Profit before tax	2,326	2,415	2,274	2,058	928
Consolidated profit after tax	**1,762**	**1,755**	**1,680**	**1,491**	**553**
CONSOLIDATED BALANCE SHEET					
Assets					
Intangible fixed assets	535	628	884	1,176	1,280
Tangible fixed assets	6,099	6,229	6,755	6,991	7,125
Financial fixed assets	1,177	1,435	1,797	1,551	1,291
Current assets	19,883	17,697	15,208	12,919	11,511
Total assets	**27,694**	**25,989**	**24,644**	**22,637**	**21,207**
Liabilities					
Equity	16,045	15,200	14,503	13,577	12,410
Provisions	1,026	1,245	1,314	1,177	981
Long-term liabilities	21	20	126	143	136
Short-term liabilities	10,602	9,524	8,701	7,740	7,680
Total liabilities and equity	**27,694**	**25,989**	**24,644**	**22,637**	**21,207**
KEY FIGURES AND RATIOS					
Number of employees at year-end	19,014	18,596	17,777	17,942	18,875
Capital investments, tangible	1,010	768	942	954	1,126
Capital investments, intangible	132	143	139	281	308
Total capital investments	1,142	911	1,081	1,235	1,434
Research and development costs, incl. capitalised	1,190	1,162	1,151	1,106	1,293
Interest-bearing net accounts receivable	4,817	4,388	2,950	1,617	292
Net cash flow from operating and investment activities before impact from purchase and sale of securities	1,488	2,214	2,069	1,603	(95)
Sales growth	4.2%	3.9%	-0.5%	5.0%	1.6%
Sales growth in local currencies	6.6%	5.3%	0.5%	0.8%	5.6%
EBIT as a percentage of net turnover	9.0%	9.2%	9.1%	8.4%	4.0%
Return on equity	11.3%	11.8%	12.0%	11.5%	4.4%
Equity ratio	57.9%	58.5%	58.9%	60.0%	58.5%

DEFINITION OF KEY FIGURES AND RATIOS:

Sales growth: Yearly change in consolidated net turnover measured in DKK.
Sales growth in local currencies: Yearly change in consolidated net turnover adjusted for currency impact.
Return on equity: Consolidated profit after tax as a percentage of the average equity.
Equity ratio: Equity at year-end as a percentage of total assets.
Net cash flow from operating and investment activities before impact from purchase and sale of securities: Net cash flow from operating and investments added cash flow effect from the purchase and sale of securities.
Financial highlights are defined and calculated in accordance with the latest "Recommendations & Ratios" issued by the Danish Finance Society.

* Changes in accounting policies regarding pensions as from 2016 have been implemented in the above figures apart from 2014.
Changes in accounting policies regarding minority interests have been made for the full period.

Group Management

From left:
Stéphane Simonetta, Group Executive Vice President – Operations. **Mikael Geday,** Group Executive Vice President – Finance, IT & Corporate Affairs.
Poul Due Jensen, Group Executive Vice President – Sales, Marketing & Service. **Mads Nipper,** Group President, CEO.
Henrik M. Christiansen, Group Senior Vice President – Human Resources. **Ernst Lutz,** Group Executive Vice President – Business Development.

Board of Directors

From left:
Niels Erik Olsen, Member of the Board. **Rudolf Martini,** Member of the Board, elected by employees. **Bo Risberg,** Vice Chairman.
John B. Jacobsen, Member of the Board, elected by employees. **Jens Winther Moberg,** Chairman. **Kitty Thaarup Herholdt,** Member of the Board, elected by employees.
Jens Maaløe, Member of the Board. **Carsten Reinhardt,** Member of the Board. **Natalie Peck Michalik Knight,** Member of the Board.

Management's statement

STATEMENT BY THE BOARD OF DIRECTORS AND GROUP MANAGEMENT ON THE ANNUAL REPORT

Today, the Board of Directors and Group Management have reviewed and approved the Annual Report of Grundfos Holding A/S for the financial year 1 January – 31 December 2018.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements of the Parent Company give a true and fair view of the financial position at 31 December 2018, the results of the Group's and Parent Company's operations, and consolidated cash flows for the financial year 2018.

In our opinion, Management's Report includes a true and fair account of the development in the operations and financial circumstances of the results for the year, and of the financial position of the Group and the Parent Company, as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Bjerringbro, 27 February 2019

REGISTERED GROUP MANAGEMENT

Mads Nipper
Group President, CEO

Mikael Andreas Holm Geday
Group Executive Vice President

Stéphane Laurent Gilles Simonetta
Group Executive Vice President

Poul Due Jensen
Group Executive Vice President

Ernst Lutz
Group Executive Vice President

BOARD OF DIRECTORS

Jens Winther Moberg
Chairman

Bo Risberg
Vice Chairman

Jens Maaløe
Member of the Board

Natalie Peck Michalik Knight
Member of the Board

Niels Erik Olsen
Member of the Board

Carsten Joachim Reinhardt
Member of the Board

Rudolf Martini
Member of the Board, elected by employees

John Bjerregaard Jacobsen
Member of the Board, elected by employees

Kitty Thaarup Herholdt
Member of the Board, elected by employees

Independent auditor's report

To the shareholders of Grundfos Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Grundfos Holding A/S for the financial year 1 January – 31 December 2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2018, and of the results of their operations and the consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements, unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent 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:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent

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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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's report

Management is responsible for the management's report.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management's report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management's report and, in doing so, consider whether the management's report is materially inconsistent with the consolidated financial statements and the parent 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's report provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management's report is in accordance with the consolidated financial statements and the parent 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's report.

Aarhus, 27 February 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Thomas Rosquist Andersen
State-Authorised Public Accountant
MNE no 31482

Lars Siggaard Hansen
State-Authorised Public Accountant
MNE no 32208

Consolidated profit and loss account

1 January – 31 December 2018

Amounts in DKKm

	Note	2018	2017
Net turnover	1, 2	26,721	25,634
Production costs	2, 3	(16,558)	(15,611)
Gross profit		**10,163**	**10,023**
Research and development costs	3, 4	(1,289)	(1,324)
Sales and distribution costs	3, 4	(4,269)	(4,132)
Administrative costs	3, 4	(2,200)	(2,216)
Operating profit		**2,405**	**2,351**
Share of profit, associated companies		(5)	(5)
Earnings before interest and tax (EBIT)		**2,400**	**2,346**
Income from fixed asset investments		18	25
Financial income	5	115	234
Financial costs	2, 6	(207)	(190)
Profit before tax		**2,326**	**2,415**
Tax on profit for the year	7	(564)	(660)
Consolidated profit for the year	8	**1,762**	**1,755**

Consolidated balance sheet

As at 31 December 2018

Amounts in DKKm

ASSETS	Note	2018	2017
Fixed assets			
Intangible fixed assets			
Completed development projects		255	337
Goodwill		68	86
Other intangible fixed assets		206	182
Development projects in progress		6	23
	9	**535**	**628**
Tangible fixed assets			
Land and buildings		2,769	2,816
Technical installations and machinery		2,340	2,422
Other technical installations		442	463
Tangible fixed assets in progress		548	528
	10	**6,099**	**6,229**
Financial fixed assets			
Investments in associated companies		0	0
Securities		634	931
Deferred tax assets	11	477	444
Other accounts receivable		66	60
	12	**1,177**	**1,435**
Total fixed assets		**7,811**	**8,292**
Current assets			
Inventories	13	**4,496**	**4,105**
Accounts receivable			
Trade debtors		4,815	4,728
Other accounts receivable		1,513	1,212
Prepayments		185	164
		6,513	**6,104**
Securities		**4,706**	**4,304**
Cash at bank and in hand		**4,168**	**3,184**
Total current assets		**19,883**	**17,697**
Total assets		**27,694**	**25,989**

Consolidated balance sheet

As at 31 December 2018

Amounts in DKKm

LIABILITIES	Note	2018	2017
Equity			
Share capital		381	381
Retained profit		14,775	13,935
Proposed dividend		875	875
Grundfos Holding's share of equity		**16,031**	**15,191**
Minority interests		14	9
Total equity		**16,045**	**15,200**
Provisions			
Liabilities under guarantee	14	189	165
Pension liabilities	14	370	462
Other provisions	14	393	490
Deferred tax liabilities	11	74	128
Total provisions		**1,026**	**1,245**
Liabilities			
Long-term liabilities			
Bank loans		12	14
Other loans		9	6
	15	**21**	**20**
Short-term liabilities			
Short-term element of long-term liabilities		15	13
Bank overdrafts and loans		79	13
Trade creditors		2,364	2,553
Debt to affiliated companies		4,576	3,985
Corporation tax		491	315
Other liabilities		2,888	2,450
Deferred income		189	195
		10,602	**9,524**
Total liabilities		**10,623**	**9,544**
Total equity, provisions and liabilities		**27,694**	**25,989**

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Statement of changes in consolidated equity

1 January – 31 December 2018

Amounts in DKKm

	Share capital	Retained profit	Proposed dividend	Grundfos Holding's share of equity	Minority interests	Total equity
Equity 01.01.2017	**381**	**13,281**	**825**	**14,487**	**16**	**14,503**
Profit for the year		883	875	1,758	(3)	1,755
Exchange rate adjustments, affiliated companies, etc.		(431)		(431)	(1)	(432)
Dividend paid			(825)	(825)		(825)
Changes to minority interests		3		3	(3)	0
Changes in actuarial assumptions		108		108		108
Reversed value of hedging instruments, opening		(24)		(24)		(24)
Reversed tax on equity items, opening		16		16		16
Recognised value of hedging instruments, closing		111		111		111
Recognised tax on equity items, closing		(12)		(12)		(12)
Equity 31.12.2017	**381**	**13,935**	**875**	**15,191**	**9**	**15,200**
Profit for the year		883	875	1,758	4	1,762
Exchange rate adjustments, affiliated companies, etc.		49		49	1	50
Dividend paid			(875)	(875)		(875)
Changes in actuarial assumptions		107		107		107
Reversed value of hedging instruments, opening		(111)		(111)		(111)
Reversed tax on equity items, opening		12		12		12
Recognised value of hedging instruments, closing		(96)		(96)		(96)
Recognised tax on equity items, closing		(4)		(4)		(4)
Equity 31.12.2018	**381**	**14,775**	**875**	**16,031**	**14**	**16,045**

Consolidated cash flow statement

1 January – 31 December 2018

Amounts in DKKm

	Note	2018	2017
Consolidated profit after tax		1,762	1,755
Adjustments	20	1,762	2,125
Changes in working capital	21	(542)	(142)
Cash flow from operating activities before financials		**2,982**	**3,738**
Income from financial fixed assets		18	25
Financial income		115	123
Financial costs		(6)	(190)
Cash flow from ordinary activities		**3,109**	**3,696**
Corporation tax paid		**(530)**	**(647)**
Cash flow from operating activities		**2,579**	**3,049**
Investment in tangible assets		(1,010)	(768)
Disposal of tangible fixed assets		51	76
Investment in intangible fixed assets		(132)	(143)
Purchase and sale of securities		(304)	(2,313)
Cash flow from investment activities		**(1,395)**	**(3,148)**
Net cash flow from operating and investment activities		**1,184**	**(99)**
Liabilities incurrred		585	748
Increase in liabilities		71	(125)
Dividend paid		(875)	(825)
Cash flow from financing activities		**(219)**	**(202)**
Change in liquid funds		**965**	**(301)**
Available funds, opening	22	3,203	3,485
Available funds, closing	23	**4,168**	**3,184**

Individual items in the cash flow statement cannot be directly deduced from the consolidated profit and loss account and the consolidated balance sheet.

Notes to the consolidated accounts

Amounts in DKKm

Note 1	Net turnover	2018	2017
	Europe (including Russia)	14,627	13,969
	North and South America	4,235	4,098
	Asia	6,512	6,187
	The Middle East/Africa	1,347	1,380
		26,721	**25,634**

The Grundfos Group's activities lie solely within the segment of the manufacture and sale of pumps. Therefore, net turnover has only been divided according to geographical markets.

Note 2	Result from hedging instruments recognised in profit and loss account	2018	2017
	Foreign exchange rate contracts recognised in net turnover	(26)	53
	Foreign exchange rate contracts recognised in production costs	(18)	(9)
	Raw material contracts recognised in production costs	64	54
	Foreign exchange rate contracts recognised in financial costs	(4)	0
		16	**98**

Amounts in DKKm

Note 3	Staff costs	2018	2017
	Total Group payments to employees and the Board of Directors	6,197	5,867
	Pensions	409	400
	Social contributions	604	596
		7,210	**6,863**
	Staff costs are recognised as follows: Production costs	3,185	2,999
	Research and development costs	793	717
	Sales and distribution costs	2,127	2,093
	Administrative costs	1,105	1,054
		7,210	**6,863**
	The staff costs of the year include fees to the Group Management and the Board of Directors of Grundfos Holding A/S for directorships in Grundfos Holding A/S		
	Board of Directors	7	7
	Registered Group Management	52	58
		59	**65**

The Group continued the long-term incentive (LTI) programme targeted at Group Management and other members of senior management that was implemented in 2015. Members of the Board of Grundfos Holding A/S do not participate in the LTI programme.

Under the LTI programme, participants may receive shares in Grundfos Holding A/S based on the Group meeting certain targets for profit growth and return on capital employed. Shares granted will be vested to the participants in the four years following the year they were earned.

	2018	2017
Average number of full-time employees	18,888	18,241
Number of employees, closing	19,014	18,596

Note 4	Depreciation, amortisation and write-downs	2018	2017
	Intangible fixed assets	239	400
	Tangible fixed assets	1,066	1,115
	Gain from sale of fixed assets	(10)	(46)
		1,295	**1,469**
	Recognised in the profit and loss account under the following items: Production costs	886	922
	Research and development costs	208	296
	Sales and distribution costs	88	92
	Administrative costs	113	159
		1,295	**1,469**

The amounts for research and development costs and goodwill include write-downs of DKK 0m (2017: DKK 53m).

Amounts in DKKm

Note 5	Financial income	2018	2017
	Value adjustments, etc. from shares	0	85
	Value adjustments, etc. from bonds	0	26
	Interest income from bonds	41	24
	Other financial income	74	99
		115	**234**

Note 6	Financial costs	2018	2017
	Value adjustments, etc. from shares	121	0
	Value adjustments, etc. from bonds	15	0
	Interest, affiliated company	7	11
	Other financial costs	64	179
		207	**190**

Note 7	Tax on profit for the year	2018	2017
	Current tax	677	545
	Deferred tax	(56)	122
	Change in deferred tax due to changes in tax rates	(6)	62
	Adjustment regarding previous years	(51)	(69)
	Tax on profit for the year	**564**	**660**
	Reconciliation of tax rate for the year: Danish tax rate	22%	22%
	Deviations in tax in foreign companies in relation to Danish tax rate	1%	0%
	Non-deductible expenses and non-taxable income	1%	0%
	Non-deductible withholding taxes	2%	1%
	Other, including adjustments regarding previous years	(2%)	1%
	Changes in tax rates	0%	3%
	Effective tax rate for the year	**24%**	**27%**

Amounts in DKKm

Note 8	Consolidated profit for the year	2018	2017
	Attributable to: Minority shareholders' share of profit in subsidiaries	4	(3)
	Proposed distributions (distribution)	875	875
	Retained profit	883	883
		1,762	**1,755**

Note 9	Intangible fixed assets	Completed develop-ment pro-jects	Goodwill	Other intangible fixed assets	Develop-ment pro-jects in progress	Total
	Cost Cost 01.01.2018	758	577	748	23	2,106
	Additions of the year			120	12	132
	Disposals of the year	(280)	(90)	(142)		(512)
	Transfers	29		20	(29)	20
	Cost 31.12.2018	**507**	**487**	**746**	**6**	**1,746**
	Acc. amortisation/write-downs of the year Acc. amortisation/write-downs 01.01.2018	421	491	566	0	1,478
	Amortisation of the year	111	18	110		239
	Amortisations and write-downs on disposals of the year	(281)	(90)	(141)		(512)
	Transfer	1		5		6
	Acc. amortisation/write-downs 31.12.2018	**252**	**419**	**540**	**0**	**1,211**
	Book value 31.12.2018	**255**	**68**	**206**	**6**	**535**
	Book value 31.12.2017	**337**	**86**	**182**	**23**	**628**

The Group recognises only development projects which generate new saleable products that meet certain criteria for profitability. Project progress is assessed regularly during the development phase in accordance with the Group's "Decision Point Model". Development projects in progress are related to core pump business. After sales release, where amortisation commences, it is assessed annually for each project, if there is indication of impairment. If this is the case, a more thorough impairment test is carried out for such projects. In case of impairment the project in question is written down to its recoverable amount.

Amounts in DKKm

Note 10	Tangible fixed assets	Land and buildings	Technical installa- tions and machinery	Other technical installa- tions	Tangible fixed assets in progress	Total
	Cost					
	Cost 01.01.2018	5,790	11,910	1,565	528	19,793
	Exchange rate adjustments	6	5	(1)	(2)	8
	Additions of the year	85	484	105	336	1,010
	Disposals of the year	(40)	(161)	(63)	(8)	(272)
	Transfers	76	203	7	(306)	(20)
	Cost 31.12.2018	**5,917**	**12,441**	**1,613**	**548**	**20,519**
	Acc. depreciation/write-downs of the year					
	Acc. depreciation/write-downs 01.01.2018	2,974	9,488	1,102	0	13,564
	Exchange rate adjustments	11	11	1	0	23
	Depreciation of the year	190	750	126	0	1,066
	Depreciation and write-downs on disposals of the year	(27)	(147)	(53)	0	(227)
	Transfers	0	(1)	(5)	0	(6)
	Acc. depreciation/write-downs 31.12.2018	**3,148**	**10,101**	**1,171**	**0**	**14,420**
	Book value 31.12.2018	**2,769**	**2,340**	**442**	**548**	**6,099**
	Book value 31.12.2017	**2,816**	**2,422**	**463**	**528**	**6,229**

The book value of financially leased facilities as at 31.12.2018 amounts to DKK 15m (2017: DKK 9m).

Amounts in DKKm

Note 11	Deferred tax assets and deferred tax liabilities	2018	2017
	Changes in deferred taxes: Deferred tax 01.01.2018	316	540
	Exchange rate adjustments	4	(31)
	Changes in tax rates	6	(62)
	Deferred tax recognised in profit and loss account	56	(122)
	Deferred tax recognised in equity	21	(9)
	Deferred tax 31.12.2018	**403**	**316**
	Break-down of deferred tax: Fixed assets	(57)	(70)
	Current assets	408	234
	Provisions	(85)	(41)
	Liabilities	134	167
	Deficit (tax loss carry-forward)	3	26
		403	**316**
	The above has been recognised in the balance sheet as: Deferred tax assets	477	444
	Deferred tax liabilities	(74)	(128)
		403	**316**

The Group recognises deferred tax assets, including the tax value of loss carry-forwards, where Management assesses that the tax assets may be utilised in the foreseeable future or offset against positive taxable income. The assessment is made annually and is based on budgets and business plans for future years, including planned business initiatives. Key parameters are expected turnover and EBIT development considering expected allocation on future taxable income based on the transfer pricing policy in place.

The majority of the tax assets are related to ordinary and recurring temporary differences, while tax loss carry-forwards represent only a small portion of the total tax asset, in 2018 DKK 3m (2017: DKK 26m). Tax assets related to loss carry-forwards are only recognised, if they are expected to be utilised within 3 years. Unrecognised tax assets related to tax loss carry-forward amounts to approx. DKK 110m (2017: DKK 110m).

Amounts in DKKm

Note 12	Financial fixed assets	Investments in associated companies	Securities	Deferred tax assets	Other accounts receivable	Total
	Cost					
	Cost 01.01.2018	20	933	444	73	1,470
	Exchange rate adjustments	0	2	5	2	9
	Additions of the year	4	5	99	4	112
	Disposals of the year	0	(304)	(71)	(2)	(377)
	Cost 31.12.2018	**24**	**636**	**477**	**77**	**1,214**
	Value adjustments					
	Value adjustments 01.01.2018	20	2	0	13	35
	Revaluations of the year	0	0	0	(2)	(2)
	Write-downs of the year	4	0	0	0	4
	Value adjustments 31.12.2018	**24**	**2**	**0**	**11**	**37**
	Book value 31.12.2018	**0**	**634**	**477**	**66**	**1,177**
	Book value 31.12.2017	**0**	**931**	**444**	**60**	**1,435**

The market value of securities as at 31.12.2018 amounts to DKK 652m (2017: DKK 964m).

Note 13	Inventories	2018	2017
	Raw materials and consumables	1,758	1,731
	Work in progress	1,473	1,295
	Manufactured goods and goods for resale	1,265	1,079
		4,496	**4,105**

Amounts in DKKm

Note 14	Provisions	Liabilities under guarantee	Pension liabilities	Other provisions
	01.01.2018	**165**	**462**	**490**
	Exchange rate adjustments	1	8	(1)
	Provisions spent during the year	(10)	(68)	(86)
	Provisions reversed	(4)	(99)	(55)
	Provisions of the year	37	67	45
	31.12.2018	**189**	**370**	**393**

Liabilities under guarantee
The ordinary guarantee on products sold covers a period of 24 months.

Other provisions
Other provisions include DKK 52m (2017: DKK 52m) according to a long-term incentive (LTI) programme for senior management in the Group.

Note 15	Long-term liabilities	2018	2017
	Debt falling due after more than one year but less than five years:		
	Bank loans	12	14
	Other monetary creditors	9	6
		21	**20**

No debt falling due after more than five years.

Distribution of currencies and interest as at 31.12.2018:

Currency	2018	Average interest rate
DKK	4	0.0%
EUR	5	5.2%
GBP	6	5.9%
Other	6	8.0%
Total	**21**	

Amounts in DKKm

Note 16 Financial instruments

For hedging purposes, the Group has entered into financial contracts covering 1-12 months. On the balance sheet date, financial contracts can be broken down into the following principal items:

	Volume 2018	Deferred recognition in the profit and loss account before tax 2018	Volume 2017	Deferred recognition in the profit and loss account before tax 2017
Currency contracts EUR	4,025	(73)	4,207	56
Currency contracts USD	1,427	13	916	(24)
Currency contracts SGD	423	(6)	490	1
Currency contracts, other	285	(4)	304	0
Interest rate swaps	8	(1)	8	(2)
Raw material contracts (DKKm)	209	(45)	416	59
Electricity contracts (MWh)	79	20	170	13
Gas contracts (m^3)	435,000	0	311,000	0
Total		**(96)**		**103**

Note 17 Auditors' remuneration

	2018	**2017**
Fee to Deloitte for statutory auditing	14	12
Fee to Deloitte for other assurance engagements	0	0
Fee to Deloitte for tax advisory services	10	8
Fee to Deloitte for other services	6	5
	30	**25**

Note 18 Related parties

Related parties of Grundfos Holding A/S comprise the parent foundation, the Poul Due Jensens Fond and the Board of Directors of Grundfos Holding A/S and the registered Group Management of Grundfos Holding A/S.

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

Amounts in DKKm

Note 19	Securities, contingent liabilities, etc.	2018	2017
	Operational leasing contracts and lease obligations for the coming years amount to	735	703

The Group is party to a number of disputes, lawsuits and legal actions including tax disputes. It is the view of the management that the outcome of these legal actions will have no other significant impact on the Group's financial position beyond what has been recognised and stated in the annual report.

The Group has issued performance and payment guarantees of DKK 140m (2017: DKK 109m).

The Group is under no material contractual obligations to acquire assets.

Note 20	Adjustments	2018	2017
	Depreciation	1,305	1,515
	Liabilities under guarantee and other provisions	(176)	51
	Gain from sale of fixed assets	(10)	(46)
	Share of profit, affiliated companies	5	5
	Income financial fixed assets	(18)	(25)
	Unrealised value adjustments on securities	0	9
	Financial income	(115)	(234)
	Financial costs	207	190
	Tax on profit for the year	564	660
	Adjustments	**1,762**	**2,125**

Note 21	Changes in working capital	2018	2017
	Changes in inventories	(391)	(444)
	Changes in accounts receivable	(320)	209
	Change in trade creditors, other liabilities and deferred income	214	150
	Unrealised exchange rate adjustments	(45)	(57)
	Changes in working capital	**(542)**	**(142)**

Note 22	Available funds, opening	2018	2017
	Cash at bank and in hand	3,184	3,441
	Exchange rate adjustments	19	44
	Available funds, opening	**3,203**	**3,485**

Amounts in DKKm

Note 23 **Financial risks**

As a result of the Group's international activities, consolidated profit and equity are influenced by a number of financial risks. Foreign exchange risks in the operating companies are managed centrally, as are interest and liquidity risks, as well as a significant part of the external coverage of the Group's financial positions.

The use of financial instruments is determined by instructions from the Board of Directors and Group Management.

Liquidity risks:

Financial independence is a main concern of the Group, and the Group therefore always seeks to maintain an adequate cash reserve. In addition to unused borrowing facilities, the reserve may be calculated as follows:

	2018	**2017**
Cash at bank and in hand	4,168	3,184
Securities, current assets	4,706	4,304
Securities, fixed assets	634	931
	9,508	**8,419**
The securities portfolio consists of:		
Bonds	4,420	4,166
Shares	920	1,069
Total	**5,340**	**5,235**

Interest rate risk

The Group's interest rate risk is primarily related to bank deposits, bonds and loans. Bank deposits have a short investment horizon, whereas the exposure of the bond portfolio – amounting to a total of DKK 4,420m (2017: DKK 4,166m) when expressed by an increase of the interest rate by 1 percentage point – is approx. DKK 112m (2017: approx. DKK 105m). The Group's total borrowing increased by DKK 69m in 2018 (2017: DKK -125m).

To reduce the Group's interest rate exposure, a set of general guidelines have been adopted for the Group's borrowing and use of interest rate instruments. Derivative financial instruments applied to reduce the interest rate risk totalled DKK 8m (2017: DKK 8m).

Foreign exchange risk

It is group policy that group operating companies mainly raise loans in their local currencies. This ensures that the foreign exchange risk of the consolidated balance sheet is limited to net assets. When appropriate, loans are raised in a foreign currency and subsequently converted to the local currency using financial instruments.

Forward exchange contracts used in connection with foreign exchange swaps amount to DKK 778m (2017: DKK 120m).

The Group's policy is to secure the currency exchange rates for the most essential flow of goods, i.e. sale and purchase of goods. The most important currencies are the euro and US dollar. At the end of 2018, currency contracts to reduce the foreign exchange risk in connection with the flow of goods amounted to DKK 6,556m (2017: DKK 6,318m). Of this, a contract volume of DKK 396m has been recognised for hedging of balance sheet items as at the balance sheet date (2017: DKK 401m).

Amounts in DKKm

Note 23 **Financial risks – continued**

Raw material risk
It has been the Group's policy to fix prices for the manufacturing companies' use of the most important industrial metals. At the end of 2018, raw material futures contracts to reduce the raw material risk amounted to a volume of DKK 209m (2017: DKK 416m). During 2018, it was decided to cease hedging raw materials as it is only possible to hedge a very small part of the types of raw materials used by the Group. Thus, hedging expires mid-2019.

Credit risk
The maximum credit risk includes balance sheet items regarding the Group's trade debtors, securities and bank receivables. The Group's trade debtors comprise a large number of customers, and the Group's risk in this respect is not considered unusually high.

The credit risk is reduced on cash reserves in financial institutions, forward exchange contracts and other derivative financial instruments by selecting financial business partners with a high credit rating.

Note 24 **Events after the balance sheet date**

No events have occurred after the balance sheet date that may materially impact the Group's financial position.

Grundfos Holding A/S Group: Accounting Policies

The consolidated annual accounts are presented in accordance with the provisions of the Danish Financial Statements Act for large class C companies.

The accounting policies for the consolidated annual accounts remain unchanged in comparison with last year.

General information about recognition and measurement

Assets are recognised in the balance sheet when it is likely that future economic benefits accrue to the Group and the value can be measured reliably.

Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.

Assets and liabilities are measured at cost at the initial recognition. Subsequently, assets and liabilities are measured for the individual items as described below.

Certain financial assets and liabilities are measured at amortised cost, whereby a constant redemption yield is recognised for the term. Amortised cost is calculated as initial cost minus any instalments and plus/minus the accumulated amortisation of the difference between cost and nominal amount.

At recognition and measurement, allowance is made for profits, losses and risks that appear before the consolidated annual accounts are presented and that confirm or deny conditions that were present on the balance sheet date.

Income is recognised in the profit and loss account as it is realised, including the value adjustment of financial assets and liabilities, which are measured at market value or amortised cost. In addition, costs incurred in order to achieve the earnings of the year, including depreciation, write-downs, provisions and reversals following accounting estimates of amounts which have previously been recognised in the profit and loss account, are recognised.

Consolidation policies

The consolidated annual accounts comprise Grundfos Holding A/S (Parent Company) and the companies (subsidiaries) where the Parent Company directly or indirectly owns more than 50% of the voting shares or in another way has a dominant participation. Companies in which the Group owns between 20% and 50% of the voting shares and has a significant position are considered associated companies.

The consolidated annual accounts are prepared as a consolidation of the accounts of the Parent Company and the individual subsidiaries. Adjustments are made for intercompany turnover and expenditure, shareholdings, intragroup balances and dividends, as well as unrealised internal income and loss. The accounts used for the consolidation are prepared in accordance with the Group's accounting policies.

Newly acquired subsidiaries are recognised in the profit and loss account as from the date of acquisition.

When acquiring new companies, the acquisition method is used, upon which the identified assets and liabilities in the newly acquired companies are measured at market value at the date of acquisition. Provisions are made for planned and published reorganisation in the acquired company in connection with the acquisition. Positive balances are recognised as Group goodwill in the year of acquisition. Any negative balances (badwill) are recognised as turnover.

When subsidiaries are sold, they cease to be recognised in the profit and loss account at the time of transfer, and earnings or losses at the time of sale are recognised in the profit and loss account. Earnings or losses are specified as the difference between the sale total and the accounting value of the net assets sold, including non-depreciated goodwill and estimated costs for sale or phasing out.

Minority interests

The items of subsidiaries are fully recognised in the consolidated annual accounts. The minority interests' pro rata share of the profit and equity of the subsidiaries is adjusted annually and recorded as separate items in the equity. Goodwill acquired from minority shareholders after 1 January 2016 is recognised directly in equity.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Exchange differences that arise between the rate at the transaction date and the rate at the payment date are recognised in the profit and loss account.

Accounts receivable and debts in foreign currencies are translated into Danish kroner at the exchange rate on the balance sheet date. Realised and unrealised exchange rate adjustments are included in the profit and loss account.

The profit and loss accounts of foreign subsidiaries are translated into Danish kroner at the average exchange rate of the individual months. The balance sheets of foreign subsidiaries are translated at the exchange rate of the balance sheet date.

Exchange rate adjustments of the net assets of the subsidiaries at the beginning of the financial year are recognised directly in the equity. This also applies to exchange rate differences following the translation of the profit and loss account of each month at the average exchange rate to the exchange rate of the balance sheet date.

Foreign exchange rate adjustments of balances which are considered part of the total investment in companies with a different functional currency than Danish kroner are recognised directly in the equity.

Subsidiaries in countries affected by high inflation rates have been adjusted to eliminate the effect of inflation.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at market value. Positive and negative market values of derivative financial instruments are included in other accounts receivable and other liabilities, respectively.

Changes in the market value of derivative financial instruments that secure the market value of recognised assets or liabilities are recognised in the profit and loss account in the same item as changes in the value of the hedged asset or the hedged liability.

Changes in the market value of derivative financial instruments that secure future assets or liabilities are recognised directly in the equity. Income and costs regarding such hedging transactions are transferred from the equity at the realisation of the hedged items and are recognised in the same item as the hedged item.

As regards other derivative financial instruments, which are not hedging instruments, changes are continuously recognised in the profit and loss account at market value.

Public grants
R&D grants are recognised as turnover in the profit and loss account under R&D costs, thus offsetting the costs they compensate.

Grants for the purchase of assets and development projects that are capitalised are offset in the cost of the assets to which the grants are given.

Profit and loss account

Net turnover
Net turnover is recognised in the profit and loss account, provided that delivery and the passing of risk to the buyer have taken place before the end of the year, and provided that the income can be reliably calculated and is expected. Net turnover is measured exclusive of VAT, duties, returns and discounts that are directly connected with the sale.

Contracted work-in-progress is entered under net turnover subject to the percentage-of-completion method so that the net turnover corresponds to the sales value of the work carried out in the financial year.

Production costs
Production costs comprise payroll costs, cost of sales as well as indirect costs, including salaries, amortisation, depreciation and write-downs which are incurred in order to realise the net turnover for the year.

Research and development costs
R&D costs are costs that relate to the Group's R&D activities, including salaries and depreciation.

Research costs are recognised in the profit and loss account in the year they are incurred.

Development costs incurred for the maintenance and optimisation of existing products or production processes are recognised in the profit and loss account. Costs for the development of new products are recognised in the profit and loss account, unless the criteria for recognition in the balance sheet are met for the individual development project.

Sales and distribution costs
Sales and distribution costs include costs relating to the sale and distribution of the Group's products, including salaries for sales staff, advertising and exhibition expenses, depreciation, etc.

Administrative costs
Administrative costs comprise costs of the administrative functions, staff, management, etc., including salaries, depreciation and amortisation of goodwill.

Staff costs
Staff costs include the Group's total costs of wages, salaries, pensions and other social insurance costs. Staff costs also include costs in accordance with the Group's employee share programme.

Costs of wages, salaries, pensions, etc. are distributed across functions in accordance with the functions primarily executed by the relevant employees. Costs relating to the employee share programme are distributed across functions in relation to the distribution of other staff costs.

Other operating income
Other operating income includes income of a secondary nature in relation to the Group's primary activities, including gains from the sale of companies.

Share of profit, associated companies
The Group's share of profits after tax in associated companies is recognised in the profit and loss account by the equity method.

Income from fixed asset investments
In addition to dividends and interest yields, this item comprises estimated gains or losses on investments.

Financials
Financials comprise interest received and interest paid, realised and unrealised capital losses and capital gains on securities, and exchange rate adjustments of financials in foreign currencies.

Tax on profit for the year
The anticipated tax on the taxable income of the year in the individual companies is charged to the profit and loss account, adjustment being made for timing differences in relation to the provided deferred tax. The portion of the tax expense attributable to items directly in the equity, however, is recognised in the equity.

Changes in deferred tax as a consequence of changed tax rates are recognised in the profit and loss account except for items recognised directly in equity.

All Danish subsidiaries are taxed jointly. The current Danish corporation tax is distributed among the jointly taxed companies in relation to their taxable income (full distribution with refunds regarding tax-related deficits).

Withholding taxes regarding repatriation of dividend from foreign subsidiaries are charged as expenditure in the year in which the dividend is generated.

Balance sheet

Intangible fixed assets

Development projects

Development projects on clearly defined and identifiable products, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or use the product in question, are recognised as intangible assets. Other development costs are recognised as costs in the profit and loss account as incurred.

Capitalised development projects are measured at cost less accumulated amortisation or at the recoverable amount, whichever is lower.

Cost includes wages, salaries, services and amortisation that are directly and indirectly attributable to the company's development activities.

After completion of the development work, capitalised development projects are amortised by the straight-line method over the anticipated economic life of the asset.

The amortisation period is five years.

Goodwill

Goodwill is recognised at first recognition in the balance sheet at cost as described under consolidation policies.

Goodwill is amortised according to the straight-line method over the anticipated economic life. In the case of strategic acquisitions, and where the economic life so warrants, the amortisation period for goodwill is up to 20 years.

Other intangible fixed assets

Other intangible fixed assets are measured at cost less accumulated amortisation and write-downs.

Amortisation on other intangible fixed assets is made according to the straight-line method over the anticipated economic life of the asset, which – based on individual assessments – is up to five years.

Tangible fixed assets

Land and buildings are measured at cost less accumulated depreciation and write-downs. Land is not depreciated.

Technical installations and machinery as well as other installations are measured at cost less accumulated depreciation and write-downs. The cost price comprises the purchase price, expenses directly connected to the acquisition and expenses for the preparation of the asset until the time when the asset is ready for use. Tangible fixed assets produced in-house are recorded at initial cost, including a proportion of the indirect production costs. No interest is included in the cost.

Tangible fixed assets are depreciated on a straight-line basis to the estimated residual value using the estimated useful technical and economical lives of the assets. The useful life of large assets is determined individually, whereas the useful life of other assets is determined for groups of similar assets. Estimated useful lives and residual values are reassessed anually. The estimated useful lives are:

Buildings .... 20-40 years
Technical installations
and machinery .... 3-10 years
Other technical installations .... 3-10 years

Financially leased assets are capitalised and depreciated by the straight-line method over the useful life of the leased asset.

Value in the use of intangible and tangible fixed assets

The accounting value of intangible and tangible fixed assets is reviewed in general to determine whether there is any indication of impairment in addition to that expressed by amortisation or depreciation.

If this is the case, the recoverable amount of the asset is determined, and writing down is performed to the recoverable amount provided that it is lower than the accountable amount.

The recoverable amount of the asset is determined as the value of the net sales price and the capital price, whichever is higher.

Financial fixed assets

Investments in associated companies are measured by the equity method in the balance sheet at the pro rata share of the companies' equity with the addition of goodwill.

Listed bonds are measured at amortised cost, as the intention is to keep them until maturity.

Inventories

Inventories are measured at cost in accordance with the FIFO principle or net realisable value, whichever is lower.

The cost of goods for resale, raw materials and consumables includes the purchase price with the addition of delivery costs. The cost of manufactured goods and work in progress includes expenses for raw materials, consumables and direct wages as well as indirect production costs.

Indirect production costs include a proportion of the capacity costs incurred which have led to the current position and condition of goods in progress and manufactured goods. The indirect production costs calculated include costs of operation, maintenance and depreciation relating to production facilities, as well as administration and factory management.

Obsolete goods, including slow-moving goods, are written down. The net realisable value of inventories is calculated as the estimated selling price less cost of completion and expenses incurred to make the sale.

Accounts receivable

Accounts receivable are measured at amortised cost less writing down to meet the risk of losses based on individual assessments. The loss potential of minor receivables is estimated on the basis of their age.

Contracted work in progress is measured at sales value of the completed part of the contracts as at the balance sheet date.

Prepayments recognised under assets include costs incurred relating to the following accounting year. Prepayments are measured at cost.

Securities (current assets)

Securities include bonds and shares measured at market value.

Realised and unrealised capital losses and realised and unrealised capital gains are included in the profit and loss account under financials.

Provisions

Liabilities under guarantee

Provisions made to cover liabilities under guarantee are recognised on the basis of previous years' experience concerning claims raised within the guarantee period.

Pension liabilities

The Group has made pension agreements with a considerable number of its employees. The majority of the agreements are for defined contribution schemes, whereas defined benefit schemes have been agreed for employees in a few companies.

In connection with contribution schemes, the Group makes regular payments to independent pension companies. The Group has no obligations apart from these payments.

Defined benefit schemes, organised in independent pension funds, are characterised by the employees being entitled to a certain annual benefit in connection with retirement (e.g. a share of the employee's exit salary). Such pension liabilities are calculated for the Group by actuarially discounting pension liabilities to the net present value, which is calculated on the basis of assessments of the future development in, among other things, interest, inflation, mortality and disablement. The actuarially calculated net present value less assets attached to the scheme is recognised in the balance sheet under pension liabilities.

Gains and losses incurred as a consequence of changes in the basis for the calculation of the pension liability or in the calculation of the assets attached to the scheme are recognised in the profit and loss account.

Actuarial gains and losses incurred as a consequence of changes in the assumptions applied when calculating the discounted value of the pension liability or the assets attached to the scheme are recognised directly in the equity.

Provisions are made during the employment period to cover other minor pension liabilities – relating to benefit schemes – resting with the Group.

Other provisions

These provisions include other obligations, including anniversary lump sums, legal disputes, unhedged insurance risks, share-based long-term incentive programme etc. Obligations related to the share-based long-term incentive programme are measured according to the graded vesting principle.

Deferred tax

Deferred tax is measured by the balance sheet liability method of all temporary differences between the accounting and tax value of assets and liabilities. For consolidation purposes, deferred tax is calculated on the eliminated unrealised internal profit margins. Deferred tax liabilities relating to investments in affiliated companies are not calculated.

Deferred tax assets are recognised in the balance sheet provided that they are likely to reduce tax payments within a short period of time.

Deferred tax is measured on the basis of tax rules and tax rates that – based on current legislation on the balance sheet date – will be in force when the deferred tax is expected to be converted into current tax.

Financial liabilities

Mortgage debt and debt owed to banks, etc. is valued at the time of borrowing at the received net yield less borrowing costs. In subsequent periods, the financial liabilities are recognised at amortised cost.

Financial liabilities also include the capitalised outstanding liability on financial lease contracts.

Other liabilities, including trade creditors, other debts etc. are measured at amortised cost.

Deferred income recognised under liabilities includes income received relating to the following accounting year. Deferred income is measured at cost.

Cash flow statement

The cash flow statement is prepared by the indirect method based on consolidated profit after tax, and shows cash flows from operating, investment and financing activities as well as the Group's available funds at opening and closing.

Cash flow from operating activities is specified as the profit for the year adjusted for non-cash operating items, changes in the working capital, and corporation tax paid.

Cash flow from investment activities includes the purchase and sale of intangible and tangible fixed assets, and fixed asset investments, including the purchase and sale of companies.

Cash flow from financing activities includes the raising and repaying of long-term liabilities, short-term bank loans and the payment of dividends.

Available funds include cash resources.

Profit and loss account for Grundfos Holding A/S (Parent Company)

1 January – 31 December 2018

Amounts in DKKm

	Note	2018	2017
Net turnover	1	3,251	3,309
Production costs	2	(197)	(142)
Gross profit		**3,054**	**3,167**
Research and development costs	2	(1,190)	(1,155)
Sales and distribution costs	2	(553)	(496)
Administrative costs	2	(1,156)	(1,070)
Operating profit		**155**	**446**
Other operating income		0	0
Income from investments in affiliated companies		1,508	1,272
Earnings before interest and tax		**1,663**	**1,718**
Income from fixed asset investments		8	7
Financial income	3	246	268
Financial costs	4	(158)	(106)
Profit before tax		**1,759**	**1,887**
Tax on profit for the year	5	(1)	(129)
Profit for the year	6	**1,758**	**1,758**

Balance sheet for Grundfos Holding A/S (Parent Company)

As at 31 December 2018

Amounts in DKKm

ASSETS		Note	2018	2017
	Fixed assets			
	Intangible fixed assets			
	Completed development projects		226	296
	Other intangible fixed assets		298	327
	Development projects in progress		6	23
	Other intangible fixed assets in progress		19	1
		7	**549**	**647**
	Tangible fixed assets			
	Technical installations and machinery		110	96
	Other technical installations		253	270
	Tangible fixed assets in progress		41	34
		8	**404**	**400**
	Financial fixed assets			
	Investments in affiliated companies		15,125	13,946
	Accounts receivable from affiliated companies		3,135	3,094
	Securities		431	657
	Other accounts receivable		29	27
		9	**18,720**	**17,724**
	Total fixed assets		**19,673**	**18,771**
	Current assets			
	Inventories	10	**9**	**11**
	Account receivables			
	Accounts receivable from affiliated companies		2,636	1,235
	Corporation tax		85	71
	Other accounts receivable		53	40
	Prepayments	11	48	39
			2,822	**1,385**
	Securities		**4,694**	**4,304**
	Cash at bank and in hand		**2,427**	**32**
	Total current assets		**9,952**	**5,732**
	Total assets		**29,625**	**24,503**

Balance sheet for Grundfos Holding A/S (Parent Company)

As at 31 December 2018

Amounts in DKKm

LIABILITIES		Note	2018	2017
	Equity			
	Share capital		381	381
	Reserve for development projects		65	69
	Reserve using the equity method		5,291	4,474
	Retained profit		9,419	9,392
	Proposed dividend		875	875
	Total equity		**16,031**	**15,191**
	Provisions			
	Other provisions	12	81	82
	Deferred tax liabilities	13	117	138
	Total provisions		**198**	**220**
	Liabilities			
	Long-term liabilities			
	Other loans		4	0
			4	**0**
	Short-term liabilities			
	Bank overdrafts and loans		96	1
	Trade creditors		135	140
	Debt to affiliated companies		12,834	8,658
	Other liabilities		327	293
			13,392	**9,092**
	Total liabilities		**13,396**	**9,092**
	Total equity, provisions and liabilities		**29,625**	**24,503**

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Statement of changes in equity for Grundfos Holding A/S (Parent Company)

1 January – 31 December 2018

Amounts in DKKm

	Share capital	Reserve for development projects	Reserve using the equity method	Retained profit	Proposed dividend	Total equity
Equity 01.01.2017	**381**	**56**	**4,172**	**9,053**	**825**	**14,487**
Dividend paid					(825)	(825)
Profit for the year		13	416	454	875	1,758
Exchange rate adjustment			(283)			(283)
Other equity adjustments			169			169
Exchange rate adjustment, designated loans				(148)		(148)
Tax on exchange rate adjustment, designated loans				33		33
Equity 31.12.2017	**381**	**69**	**4,474**	**9,392**	**875**	**15,191**
Dividend paid					(875)	(875)
Profit for the year		(4)	905	(18)	875	1,758
Exchange rate adjustment			(8)			(8)
Other equity adjustments			(80)			(80)
Exchange rate adjustment, designated loans				57		57
Tax on exchange rate adjustment, designated loans				(12)		(12)
Equity 31.12.2018	**381**	**65**	**5,291**	**9,419**	**875**	**16,031**

The share capital consists of 38,090,911 shares of DKK 10 each, in total DKK 380,909,110.

Notes to the accounts of Grundfos Holding A/S (Parent Company)

Amounts in DKKm

Note 1	Net turnover	2018	2017
	Inter-company services	3,251	3,309
	External turnover	0	0
		3,251	**3,309**

Net turnover consists of royalty fee and fees for IT and other intra-group services.

Note 2	Staff costs	2018	2017
	Salaries and wages	1,048	977
	Pensions	83	71
	Social contributions	16	13
		1,147	**1,061**

The staff costs of the year include the following fees to the Group Management and members of the Board of Directors of Grundfos Holding A/S for directorships in this company.

		2018	2017
	Board of Directors	7	7
	Registered Group Management	52	58
		59	**65**

The Group continued the long-term incentive (LTI) programme targeted at Group Management and other members of senior management that was implemented in 2015. Members of the Board of Grundfos Holding A/S do not participate in the LTI programme.

Under the LTI programme, participants may receive shares in Grundfos Holding A/S based on the Group meeting certain targets for profit growth and return on capital employed. Shares granted will be vested to the participants in the four years following the year they were earned.

		2018	2017
	Average number of full-time employees	1,609	1,502
	Number of full-time employees, closing	1,623	1,563

Note 3	Financial income	2018	2017
	Value adjustment, etc. from bonds	0	26
	Interest income from bonds	41	24
	Value adjustment, etc. from shares	0	86
	Hedging forward contracts	44	0
	Exchange-rate adjustments, other	1	0
	Financial income, affiliated companies	126	128
	Other financial income	34	4
		246	**268**

Amounts in DKKm

Note 4	**Financial costs**	**2018**	**2017**
	Value adjustment, etc. from bonds	15	0
	Value adjustment, etc. from shares	121	0
	Hedging forward contracts	0	77
	Exchange rate adjustments, other	0	14
	Financial costs, affiliated companies	14	14
	Other financial costs	8	1
		158	**106**

Note 5	**Tax on profit for the year**	**2018**	**2017**
	Current tax	75	144
	Deferred tax	(21)	6
	Adjustment regarding previous years	(66)	(28)
	Withholding taxes paid abroad	13	7
	Tax on profit for the year	**1**	**129**
	Restatement of tax rate for the year: Danish tax rate	22%	22%
	Adjustment previous years	(4%)	(1%)
	Withholding taxes paid abroad	1%	0%
	Non-deductible expenses/non-taxable income	(19%)	(14%)
		0%	**7%**

Deferred tax primarily relates to fixed assets.

Note 6	**Profit for the year**	**2018**	**2017**
	Attributable to: Reserve for development projects	(4)	13
	Brought forward to revaluation reserve using the equity method	905	416
	Proposed dividend	875	875
	Retained profit	(18)	454
		1.758	**1.758**

Amounts in DKKm

Note 7	Intangible fixed assets	Completed develop-ment projects	Other intangible fixed assets	Develop-ment projects in progress	Other intangible fixed assets in progress	Total
	Cost					
	Cost 01.01.2018	682	488	23	1	1,194
	Additions of the year	6	87	6	20	119
	Disposals of the year	(280)	(144)	0	0	(424)
	Transfers	23	13	(23)	(2)	11
	Cost 31.12.2018	**431**	**444**	**6**	**19**	**900**
	Acc. amortisation/write-downs of the year					
	Acc. amortisation/write-downs 01.01.2018	386	161	0	0	547
	Amortisation of the year	98	129	0	0	227
	Amortisations and write-downs on disposals of the year	(280)	(144)	0	0	(424)
	Transfer	1	0	0	0	1
	Acc. amortisation/write-downs 31.12.2018	**205**	**146**	**0**	**0**	**351**
	Book value 31.12.2018	**226**	**298**	**6**	**19**	**549**
	Book value 31.12.2017	**296**	**327**	**23**	**1**	**647**

Grundfos Holding A/S recognises only development projects which generate new saleable products that meet certain criteria for profitability. Project progress is assessed regularly during the development phase in accordance with the Group's "Decision Point Model". Development projects in progress are related to core pump business. After sales release, where amortisation commences, it is assessed annually for each project, if there is indication of impairment. If this is the case, a more thorough impairment test is carried out for such projects. In case of impairment the project in question is written down to its recoverable amount.

The amount for write-downs of completed development projects and development projects in progress amounts to DKK 0m (2017: DKK 22m).

Amounts in DKKm

Note 8	Tangible fixed assets	Technical installations and machinery	Other technical installations	Tangible fixed assets in progress	Total
	Cost				
	Cost 01.01.2018	378	551	34	963
	Additions of the year	30	33	27	90
	Disposals of the year	(1)	(2)	0	(3)
	Transfers	8	1	(20)	(11)
	Cost 31.12.2018	**415**	**583**	**41**	**1,039**
	Acc. depreciation/write-downs of the year				
	Acc. depreciation/write-downs 01.01.2018	282	281	0	563
	Depreciation of the year	25	50	0	75
	Depreciation and write-downs on disposals of the year	(1)	(1)	0	(2)
	Transfers	(1)	0	0	(1)
	Acc. depreciation/write-downs 31.12.2018	**305**	**330**	**0**	**635**
	Book value 31.12.2018	**110**	**253**	**41**	**404**
	Book value 31.12.2017	**96**	**270**	**34**	**400**

The book value of financially leased facilities as at 31.12.2018 amounts to DKK 15m (2017: DKK 0m).

Amounts in DKKm

Note 9	Financial fixed assets	Investments in affiliated companies	Accounts receivable, affiliated companies	Securities	Other accounts receivable	Total
	Cost					
	Cost 01.01.2018	11,126	3,094	658	27	14,905
	Exchange rate adjustments	0	57	0	1	58
	Additions of the year	5,312	0	0	2	5,314
	Disposals of the year	0	(16)	(226)	0	(242)
	Cost 31.12.2018	**16,438**	**3,135**	**432**	**30**	**20,035**
	Value adjustments					
	Value adjustments 01.01.2018	2,820	0	(1)	0	2,819
	Profit for the year	1,508	0	0	0	1,508
	Dividend received	(5,696)	0	0	0	(5,696)
	Revaluations of the year	143	0	0	(1)	142
	Other adjustments	(88)	0	0	0	(88)
	Value adjustments 31.12.2018	**(1,313)**	**0**	**(1)**	**(1)**	**(1,315)**
	Book value 31.12.2018	**15,125**	**3,135**	**431**	**29**	**18,720**
	Book value 31.12.2017	**13,946**	**3,094**	**657**	**27**	**17,724**

The book value of investments in affiliated companies does not include goodwill.

The market value of securities as at 31.12.2018 amounts to DKK 442m (2017: DKK 669m).

Note 10	Inventories	2018	2017
	Work in progress	9	11
		9	**11**

Note 11	Prepayments	2018	2017
	Prepayments 01.01.2018	39	58
	Changes for the year	9	(19)
	Prepayments 31.12.2018	**48**	**39**

Prepayments include IT costs, sponsorship, marketing costs, membership fee and insurance.

Amounts in DKKm

Note 12	Other provisions	2018	2017
	Other provisions 01.01.2018	82	53
	Changes for the year	(1)	29
	Other provisions 31.12.2018	**81**	**82**

Other provisions include anniversary provisions and provisions according to a global share-based programme for senior management in the Group.

Note 13	Deferred tax	2018	2017
	Deferred tax 01.01.2018	138	132
	Deferred tax recognised in profit and loss account	(21)	6
	Deferred tax 31.12.2018	**117**	**138**

Deferred tax is mainly related to tangible and intangible fixed assets.

Note 14 **Financial instruments**

For hedging purposes, Grundfos Holding A/S has entered into financial contracts covering 1-12 months. The contracts are transferred to affiliated companies and hence the net exposure in Grundfos Holding A/S is zero.

For hedging purposes, Grundfos Holding A/S has entered into forward exchange contracts that are used in connection with foreign exchange swaps amounting to DKK 778m (2017: DKK 0m).

Reference is made to the group policy on hedging in note 23 to the consolidated accounts.

Amounts in DKKm

Note 15 Related parties

Related parties with a controlling interest in Grundfos Holding A/S are the company's parent foundation, the Poul Due Jensens Fond, the Board of Directors of Grundfos Holding A/S and the registered Group Management of Grundfos Holding A/S.

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

Note 16 Securities, contingent liabilities, etc.

Operational leasing contracts for the coming years amount to DKK 28m (2017: DKK 24m).

The company has provided security for debts and leasing liabilities in subsidiaries. The total liability amounted to DKK 2m as at 31.12.2018 (2017: DKK 9m).

The company has provided security for facilities in subsidiaries. The total corporate guarantee amounted to DKK 292m as at 31.12.2018 (2017: DKK 299m), of which DKK 96m was utilised as at 31.12.2018 (2017: DKK 39m)

In addition to this, the company has issued letters of intent to support bank debt of DKK 27m as at 31.12.2018 (2017: DKK 27m).

The company has issued performance and payments guarantees of DKK 32m (2017: DKK 19m).

The company has issued support letters for a number of subsidiaries.

The Danish affiliated companies participate in a Danish joint taxation arrangement with Grundfos Holding A/S serving as the administration company and are therefore jointly and severally liable from the financial year 2013 for the total corporation tax 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 the Danish tax authorities is recognised in the accounts of Grundfos Holding A/S.

Note 17 Events after the balance sheet date

No events have occurred after the balance sheet date that may materially impact the company's financial position.

Grundfos Holding A/S (Parent company): Accounting Policies

The annual accounts are presented in accordance with the provisions of the Danish Financial Statements Act for large class C companies.

In pursuance of section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement. Referring to section 96(3) of the Danish Financial Statements Act, the Company also does not disclose the fee paid to the auditors appointed by the general meeting.

The accounting policies for the annual accounts remain unchanged in comparison with last year.

General information about recognition and measurement

Assets are recognised in the balance sheet when it is likely that future economic benefits accrue to the Company and the value can be measured reliably.

Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.

Assets and liabilities are measured at cost at the initial recognition. Subsequently, assets and liabilities are measured for the individual items as described below.

Certain financial assets and liabilities are measured at amortised cost, whereby a constant redemption yield is recognised for the term. Amortised cost is calculated as initial cost minus any instalments and plus/minus the accumulated amortisation of the difference between cost and nominal amount.

At recognition and measurement, allowance is made for profits, losses and risks that appear before the consolidated annual accounts are presented and that confirm or deny conditions that were present on the balance sheet date.

Income is recognised in the profit and loss account as it is realised, including the value adjustment of financial assets and liabilities, which are measured at market value or amortised cost. In addition, costs incurred in order to achieve the earnings of the year, including depreciation, write-downs, provisions and reversals following accounting estimates of amounts which have previously been recognised in the profit and loss account, are recognised.

Mergers

The merger method is applied in connection with inter-company mergers. The difference between the amount paid for the acquiree and the equity value of the acquiree is recognised directly in the equity of the acquirer at the beginning of the financial year in which the transaction takes place.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Exchange differences that arise between the rate at the transaction date and the rate at the payment date are recognised in the profit and loss account.

Accounts receivable and debts in foreign currencies are translated into Danish kroner at the exchange rate on the balance sheet date. Realised and unrealised exchange rate adjustments are included in the profit and loss account.

Foreign exchange rate adjustments of balances which are considered part of the total investment in companies with a different functional currency than Danish kroner are recognised directly in the equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at market value. Positive and negative market values of derivative financial instruments are included in other accounts receivable and other liabilities, respectively.

Changes in the market value of derivative financial instruments that secure the market value of recognised assets or liabilities are recognised in the profit and loss account in the same item as changes in the value of the hedged asset or the hedged liability.

Changes in the market value of derivative financial instruments that secure future assets or liabilities are recognised directly in the equity. Income and costs regarding such hedging transactions are transferred from the equity at the realisation of the hedged items and are recognised in the same item as the hedged item.

As regards other derivative financial instruments, which are not hedging instruments, changes are continuously recognised in the profit and loss account at market value.

Public grants

R&D grants are recognised as turnover in the profit and loss account under R&D costs, thus offsetting the costs they compensate.

Grants for the purchase of assets and development projects that are capitalised are offset in the cost of the assets to which the grants are given.

Profit and loss account

Net turnover

Net turnover includes all management, development and group services to companies in the Grundfos Group invoiced during the year, and before 2016 also sale of products to OEM customers less returns and discounts directly associated with the sale.

Production costs

Production costs comprise costs relating to the Company's general production and logistics activities, including salaries and depreciation. Before 2016, the item also includes cost of sales relating to the OEM business.

Research and development costs
Research and development costs are costs that relate to the Company's R&D activities, including salaries and depreciation.

Research costs are recognised in the profit and loss account in the year they are incurred.

Development costs incurred for the maintenance and optimisation of existing products or production processes are recognised in the profit and loss account. Costs for the development of new products are recognised in the profit and loss account, unless the criteria for recognition in the balance sheet are met for the individual development project.

Sales and distribution costs
Sales and distribution costs include costs relating to the sale and distribution of the Company's products and services, including salaries for sales staff, advertising and exhibition expenses, depreciation, etc.

Administrative costs
Administrative costs comprise costs of the administrative functions, staff, management, etc., including salaries and depreciation.

Staff costs
Staff costs include the Group's total costs of wages, salaries, pensions and other social insurance costs. Staff costs also include costs related to the employees of the Company who participate in the Group's employee share programme.

Costs of wages, salaries, pensions, etc. are distributed across functions in accordance with the functions primarily executed by the relevant employees. Costs relating to the employee share programme are distributed across functions in relation to the distribution of other staff costs.

Other operating income
Other operating income includes income of a secondary nature in relation to the Group's primary activities.

Income from investments in affiliated companies
Income from investments in affiliated companies is recognised in accordance with the equity method, which means that the pro rata share of the affiliated companies' profit following the elimination of internal margins is recognised in the Company's profit and loss account.

Income from fixed asset investments
In addition to dividends and interest yields, this item comprises estimated gains or losses on investments.

Financials
Financials comprise interest received and interest paid, realised and unrealised capital losses and capital gains on securities, and exchange rate adjustments of financials in foreign currencies.

Tax on profit for the year
The anticipated tax on the taxable income of the year in the individual companies is charged to the profit and loss account, adjustment being made for timing differences in relation to the provided deferred tax. The portion of the tax expense attributable to items directly in the equity, however, is recognised in the equity.

Changes in deferred tax as a consequence of changed tax rates are recognised in the profit and loss account except for items recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries. The current Danish corporation tax is distributed among the jointly taxed companies in relation to their taxable income (full distribution with refunds regarding tax-related deficits).

Withholding taxes regarding repatriation of dividend from foreign subsidiaries are charged as expenditure in the year in which the dividend is generated.

Balance sheet

Intangible fixed assets

Development projects
Development projects on clearly defined and identifiable products, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or use the product in question, are recognised as intangible assets. Other development costs are recognised as costs in the profit and loss account as incurred.

Capitalised development projects are measured at cost less accumulated amortisation or at the recoverable amount, whichever is lower.

Costs include wages, salaries, services and amortisation that are directly and indirectly attributable to the Company's development activities.

After completion of the development work, capitalised development projects are amortised by the straight-line method over the anticipated economic life of the asset.

The amortisation period is five years.

Other intangible fixed assets
Other intangible fixed assets are measured at cost less accumulated amortisation and write-downs.

Amortisation on other intangible fixed assets is made according to the straight-line method over the anticipated economic life of the asset, which – based on individual assessments – is up to five years.

Tangible fixed assets
Technical installations and machinery as well as other installations are measured at cost less accumulated depreciation and write-downs. The cost price comprises the purchase price, expenses directly connected to the acquisition and expenses for the preparation

of the asset until the time when the asset is ready for use. Tangible fixed assets produced in-house are recorded at initial cost, including a proportion of the indirect production costs. No interest is included in the cost.

Tangible fixed assets are depreciated on a straight-line basis to the estimated residual value using the estimated useful technical and economical lives of the assets. The useful life of large assets is determined individually, whereas the useful life of other assets is determined for groups of similar assets. Estimated useful lives are reassessed anually. The estimated useful lives are:

Buildings..20-40 years
Technical installations
and machinery .... 3-10 years
Other technical installations .... 3-10 years

Value in the use of intangible and tangible fixed assets

The accounting value of intangible and tangible fixed assets is reviewed in general to determine whether there is any indication of impairment in addition to that expressed by amortisation or depreciation.

If this is the case, the recoverable amount of the asset is determined, and writing down is performed to the recoverable amount provided that it is lower than the accountable amount.

The recoverable amount of the asset is determined as the value of the net sales price and the capital price, whichever is higher.

Financial fixed assets

Investment in affiliated companies

Investments in affiliated companies are measured by the equity method at the pro rata owned share of the companies' equity. This means that investments are measured at the pro rata share of the enterprises' equity plus unamortised goodwill and plus or less unrealised intra-group profits or losses.

Net revaluation of investments in affiliated companies is brought forward under the equity to the revaluation reserve by the equity method to the extent that the accounting value exceeds the original cost.

Securities

Listed bonds are measured at amortised cost, as the intention is to keep them until maturity.

Inventories

Inventories are measured at cost in accordance with the FIFO principle or net realisable value, whichever is lower.

The cost of goods for resale, raw materials and consumables includes the purchase price with the addition of delivery costs. The cost of manufactured goods and work in progress includes expenses for raw materials, consumables and direct wages as well as indirect production costs.

Indirect production costs include a proportion of the capacity costs incurred which have led to the current position and condition of goods in progress and manufactured goods. The indirect production costs calculated include costs of operation, maintenance and depreciation relating to production facilities, as well as administration and factory management.

Obsolete goods, including slow-moving goods, are written down. The net realisable value of inventories is calculated as the estimated selling price less cost of completion and expenses incurred to make the sale.

Accounts receivable

Accounts receivable are measured at amortised cost less writing down to meet the risk of losses based on individual assessments. The loss potential of minor receivables is estimated on the basis of their age.

Prepayments recognised under assets include costs incurred relating to the following accounting year. Prepayments are measured at cost.

Securities (current assets)

Securities include bonds and shares measured at market value.

Realised and unrealised capital losses and realised and unrealised capital gains are included in the profit and loss account under financials.

Equity

Proposed dividend for the financial year is recognised as a separate item in equity.

Provisions

Liabilities under guarantee

Provisions made to cover liabilities under guarantee are recognised on the basis of previous years' experience concerning claims raised within the guarantee period.

Other provisions

These provisions include other obligations, including anniversary lump sums, share-based long-term incentive programme etc. Obligations related to the share-based long-term incentive programme are measured according to the graded vesting principle.

Deferred tax

Deferred tax is measured by the balance sheet liability method of all temporary differences between the accounting and tax value of assets and liabilities. For consolidation purposes, deferred tax is calculated on the eliminated unrealised internal profit margins. Deferred tax liabilities relating to investments in affiliated companies are not calculated.

Deferred tax assets are recognised in the balance sheet provided that they are likely to reduce tax payments within a short period of time.

Deferred tax is measured on the basis of tax rules and tax rates that – based on current legislation on the balance sheet date – will be in force when the deferred tax is expected to be converted into current tax.

Financial liabilities

Bank loans etc. are valued at the time of borrowing at the received net yield less borrowing costs. In subsequent periods, the financial liabilities are recognised at amortised cost.

Other liabilities, including trade creditors, other debts etc. are measured at amortised cost.

Deferred income recognised under liabilities includes income received relating to the following accounting year. Deferred income is measured at cost.

Group structure

Denmark
Grundfos Holding A/S

Other Group companies

Argentina, Bombas Grundfos de Argentina S.A.
Austria, Grundfos Pumpen Vertrieb G.m.b.H.
Australia, BKB Aqua Engineering Pty. Ltd.
Australia, BKB Building Solutions Pty. Ltd.
Australia, DAB Pumps Oceania Pty. Ltd.
Australia, Grundfos Australia Holding Pty. Ltd.
Australia, Grundfos Pumps Pty. Ltd.
Belgium, Grundfos Bellux S.A.
Brazil, Bombas Grundfos do Brasil Ltda.
Bulgaria, Grundfos Bulgaria EOOD
Canada, Grundfos Canada Inc.
Chile, Bombas Grundfos Chile SpA
China, DAB Pumps (Qingdao) Co. Ltd.
China, Grundfos (China) Holding Co. Ltd.
China, Grundfos Pumps (Chongqing) Co. Ltd.
China, Grundfos Pumps (Hong Kong) Ltd.
China, Grundfos Pumps (Shanghai) Co. Ltd.
China, Grundfos Pumps (Suzhou) Ltd.
China, Grundfos Pumps (Wuxi) Ltd.
Columbia, Grundfos Columbia S.A.S.
Croatia, Grundfos Sales Croatia d.o.o.
Czech Republic, Grundfos Sales Czechia and Slovakia s.r.o.
Denmark, Grundfos A/S
Denmark, Grundfos BioBooster A/S
Denmark, Grundfos DK A/S
Denmark, Grundfos Finance A/S
Denmark, Grundfos LIFELINK A/S
Denmark, Grundfos Operations A/S
Denmark, Grundfos US ApS
Denmark, Sintex A/S
Egypt, Grundfos Holding Egypt LLC
Egypt, Grundfos Egypt LLC
Egypt, Grundfos Service Egypt LLC
Finland, OY Grundfos Environment Finland AB
Finland, OY Grundfos Pumput AB
France, Pompes Grundfos Distribution S.A.S.
France, Pompes Grundfos S.A.S.
Germany, Biral GmbH
Germany, DAB Pumpen Deutschland GmbH
Germany, Deutsche Vortex GmbH & Co. KG
Germany, Europump GmbH
Germany, Grundfos GmbH
Germany, Grundfos Pumpenfabrik GmbH
Germany, Grundfos Verwaltung GmbH
Germany, Grundfos Water Treatment GmbH
Ghana, Grundfos Pumps Ghana Ltd.
Greece, Grundfos Hellas A.E.B.E.
Hungary, DAB Pumps Hungary Kft.
Hungary, Grundfos Shared Services Kft.
Hungary, Grundfos Hungary Manufacturing Ltd.
Hungary, Grundfos South East Europe Kft.
India, Grundfos Pumps India Private Ltd.
Indonesia, PT Grundfos Pompa
Indonesia, PT Grundfos Trading Indonesia
Ireland, Grundfos (Ireland) Ltd.
Italy, DAB Pumps S.p.A.
Italy, DWT Holding S.p.A.
Italy, Grundfos Pompe Italia S.r.l.
Italy, Isia S.p.A.
Japan, Grundfos Pumps K.K.
Kazakhstan, Grundfos Kazakhstan LLP
Kenya, Grundfos Kenya Ltd.
Korea, Grundfos Pumps Korea Ltd.
Latvia, GRUNDFOS Pumps Baltic SIA
Malaysia, Grundfos Pumps SDN. BHD
Mexico, Bombas Grundfos de Mexico Manufacturing S.A. de C.V.
Mexico, Bombas Grundfos de Mexico S.A. de C.V.
Mexico, DAB Pumps de Mexico S.A. de C.V.
Mexico, Grundfos Mexico Servicios S.A. de C.V.
Mexico, Peerless Pump Mexico S.A. de C.V.
Netherlands, DAB Pumps B.V.
Netherlands, Grundfos Distribution Service B.V.
Netherlands, Grundfos Nederland B.V.
New Zealand, Grundfos Pumps NZ Ltd.
Norway, Grundfos Norge AS
Peru, Grundfos de Peru S.A.C.

Philippines, Grundfos IS Support & Operations Centre Philippines Inc.
Philippines, Grundfos Pumps (Philippines) Inc.
Poland, DAB Pumps Poland Sp.Z.o.o.
Poland, Grundfos Pompy Sp.Z.o.o.
Portugal, Bombas Grundfos (Portugal) S.A.
Romania, SC Grundfos Pompe Romania SRL
Russia, OOO Grundfos Istra
Russia, OOO DWT Group
Russia, OOO Grundfos
Saudi Arabia, Grundfos Saudi Arabia Company Limited
Serbia, Grundfos Srbija d.o.o.
Singapore, Grundfos (Singapore) Pte. Ltd.
Slovenia, Grundfos Ljubljana d.o.o.
South Africa, Alldos (Pty) Ltd.
South Africa, DAB Pumps South Africa (Pty) Ltd.
South Africa, Grundfos (Pty) Ltd.
Spain, Bombas Grundfos España S.A.
Spain, DAB Pumps Iberica S.L.
Sweden, Grundfos AB
Switzerland, Biral AG
Switzerland, Grundfos Holding AG
Switzerland, Grundfos Handels AG
Switzerland, Grundfos Insurance Management AG
Switzerland, Grundfos Pumpen AG
Taiwan, Grundfos Pumps (Taiwan) Ltd.
Thailand, Grundfos (Thailand) Ltd.
Turkey, Grundfos Pompa Sanayi ve Ticaret Ltd. Sti.
Ukraine, TOV Grundfos Ukraine
United Arab Emirates, Grundfos Gulf Distribution FZE
United Kingdom, DAB Pumps Ltd.
United Kingdom, Grundfos Manufacturing Ltd.
United Kingdom, Grundfos Pumps Ltd.
United Kingdom, Grundfos Watermill Ltd.
USA, Enaqua
USA, Grundfos CBS Inc.
USA, Grundfos Americas Corporation
USA, Grundfos Pumps Corporation
USA, Grundfos Pumps Manufacturing Corporation
USA, Grundfos US Holding Corporation
USA, Sterling Fluid Systems LLC (USA)
(DBA Peerless Pump Company)
USA, DAB Pumps Inc.
USA, SFS (USA) Holding Inc.
USA, Grundfos Water Utility Inc.
Vietnam, Grundfos Vietnam Company Ltd.

Ownership

Grundfos Holding A/S, based in Bjerringbro, Denmark, is the Parent Company of the Grundfos Holding A/S Group. The Poul Due Jensens Fond owns 87.8% of the share capital in Grundfos Holding A/S, while the founder's family owns 10.1% and the employees own 2.1%.

Grundfos Holding A/S directly or indirectly owns the entire share capital in all subsidiaries, except for the following:

Grundfos Pumps Services Company Limited, Saudi Arabia – 75%

Associated companies:
Bjerringbro Savværk Holding A/S, Denmark – 20%
Better Home ApS, Denmark – 34%
KnowHowZ A/S, Denmark – 21%
Tange Sø Golf A/S, Denmark – 49%

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