

Grundfos A/S
Poul Due Jensens Vej 7
DK - 8850 Bjerringbro


CVR no. 37 49 99 19

Annual Report 2015

The Annual General Meeting adopted the annual report on 29 April 2016

Chairman of the meeting

Andreas F. Brandt

A handwritten signature in blue ink, consisting of stylized, overlapping loops and strokes, positioned above a horizontal line.

Contents

	Page
	<hr/>
Company details	1
Management statement	3
Independent auditor's report	4
Key figures	6
Management report	7
Accounting policies	14
Profit and loss account for 2015	21
Balance sheet at 31.12.2015	22
Statement of changes in equity	24
Cashflow statement	25
Notes	26

Company details

Company

GRUNDFOS A/S

Poul Due Jensens Vej 7

DK-8850 Bjerringbro, Denmark

CVR no. 37 49 99 19

Registered in the municipality of Viborg

Phone +45 87 50 14 00

Internet www.grundfos.com

Board of Directors

Chairman Stephane Simonetta

Board member Klavs Hornum

Board member Knud Krægpøth

Board member Anette Rosgaard Kristensen, elected by employees

Board member Kristian Bredahl Rasmussen, elected by employees

Executive Board

CEO Niels Møller Jensen

Departments

Gl. Viborgvej 79, Hvam

9620 Ålestrup

Erhvervsparken 22

8882 Fårvang

M. P. Allerupsvej 45 D

5220 Odense SØ

Ryttermarken 15

3520 Farum

Secondary names

GRUNDFOS Electronics A/S

GRUNDFOS Water Equipment A/S

GRUNDFOS International A/S

GRUNDFOS Sensor A/S

Affiliated companies

GRUNDFOS DK A/S

Martin Bachs Vej 3

8850 Bjerringbro

Sintex A/S

Jyllandsvej 14

9500 Hobro

Bank connection

Danske Bank A/S, Holmens Kanal 2,
Copenhagen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Management statement

The Board of Directors and the Executive Board have today reviewed and approved the annual report of Grundfos A/S for the financial year 1 January to 31 December 2015.

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

In our opinion, the annual accounts give a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2015 and of its financial performance for the financial year 1 January to 31 December 2015.

We believe that the management report contains a fair review of the matters covered by the report.

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

Bjerringbro, 15 March 2016

Executive Board



Niels Møller Jensen

Board of Directors



Stephane Simonetta
Chairman



Klavs Hornum



Knud Krægpøth



Anette Rosgaard Kristensen



Kristian Bredahl Rasmussen

Independent auditor's report

To the shareholders of Grundfos A/S

Report on the annual accounts

We have audited the annual accounts of Grundfos A/S for the financial year 1 January to 31 December 2015, which comprise the accounting policies, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the annual accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with international Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of annual accounts that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual accounts give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management report

Pursuant to the Danish Financial Statements Act, we have read the management report. We have not performed any further procedures in addition to the audit of the annual accounts.

On this basis, it is our opinion that the information provided in the management report is consistent with the annual accounts.

Copenhagen, 15 March 2016

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 96 35 56



Anders Dons

State Authorised Public Accountant



Thorsten Jørgensen

State Authorised Public Accountant

Key figures

	<u>2015</u> <u>DKK m</u>	<u>2014</u> <u>DKK m</u>	<u>2013</u> <u>DKK m</u>	<u>2012</u> <u>DKK m</u>	<u>2011</u> <u>DKK m</u>
Key figures and financial ratios					
Key figures					
Net turnover	2,719	5,495	5,677	5,822	5,424
Share of net turnover as export (%)	87	87	86	85	83
Operating profit	142	154	245	275	287
Earnings before interest and tax (EBIT)	185	162	255	285	296
Income from affiliated companies, net	15	12	38	14	50
Net financials	12	-2	-7	-1	-11
Profit before tax	213	173	286	298	335
Profit for the year	170	136	229	231	261
Fixed assets	1,992	1,962	1,777	1,702	1,545
Current assets	456	1,489	1,659	1,556	1,482
Equity	1,930	1,826	1,850	1,808	1,873
Balance sheet total	2,448	3,451	3,436	3,258	3,028
Balance sheet total – interest bearing assets	2,344	3,338	3,281	3,150	2,822
Investments in tangible fixed assets	338	492	368	487	423
Number of employees at year-end	2,477	2,651	2,832	2,776	2,805
Financial ratios					
Profit (EBIT) margin (%)	6.8	3.0	4.5	4.9	5.5
Return on investment (ROI) (%)	6.5	4.9	7.9	9.5	9.7
Return on equity (%)	9.0	7.4	12.5	12.6	12.7

Definition of key figures:

$$\text{Profit (EBIT) margin} = \frac{\text{EBIT} \times 100}{\text{Net turnover}}$$

$$\text{Return on Investment (ROI)} = \frac{\text{EBIT} \times 100}{\text{Average (balance sheet total – interest bearing assets)}}$$

$$\text{Return on equity} = \frac{\text{Profit for the year} \times 100}{\text{Average equity}}$$

Management report

Grundfos Group Purpose

Grundfos is a global leader in advanced pump solutions and a trendsetter in water technology. We contribute to global sustainability by pioneering technologies that improve quality of life for people and care for the planet.

Main activities in Grundfos A/S

Grundfos A/S is part of the Grundfos Group. Poul Due Jensen established the company in 1945 and changed it into corporate form in 1957, where Grundfos A/S was established as the first company in the Grundfos Group. Grundfos A/S is still a significant contributor to manufacturing in the Grundfos Group, partly of finished pumps and partly of key components to those pumps that are assembled by sister companies. Grundfos A/S is still the Group's largest production company measured at activity level and number of employees.

Grundfos A/S contributes significantly to the Grundfos Group's development by being a World Class production company, which delivers products and services according to customer wishes and expectations. Grundfos A/S develops production technology internally, contributes actively to the Grundfos Group's globalisation activities and support Grundfos Group sustainability.

As from April 2015 the production set-up was changed in the Grundfos Group. The turnover realised in 2015 has dropped compared to 2014 due to this structural change in the Grundfos Group. The change involves all production companies in EU, including Grundfos A/S. From April 2015, Grundfos A/S is rendering sub-contracting services to Grundfos Operations A/S, a Danish company located in Bjerringbro. The turnover is the production service fee for the services rendered. Another consequence is that all inventories are owned by Grundfos Operations A/S.

Development in activities and finances

The turnover in 2015 is – as expected and reported – lower than last year due to the new European production set-up in Grundfos Group. Until April 2015 the turnover consisted of sale of goods. Production in Grundfos A/S is based on sub-contracting on behalf of Grundfos Operations A/S, which is the owner of the goods from raw materials to finished goods and pay a fee for the production services. The turnover realised in Grundfos A/S in 2015 is almost on the expected level.

The operating profit is lower than last year, which is due to the new production set-up. Other income is relating to the gain (mark-up) from transfer of inventories etc. relating to the structural change in April 2015 in the Grundfos Group and also the gain from sale of fixed assets. Income from affiliated companies and financial activities is higher than last year and has shown a positive development.

Profit before tax for the year amounts to 213 mDKK compared with 173 mDKK last year.

Tax on profit for the year is 43 mDKK against 37 mDKK last year. The higher tax of the profit compared to last year is due to the higher profit before tax. Profit after tax for the year thus amounts to 170 mDKK compared with 136 mDKK in 2014.

The result is satisfactory and is slightly better than expectations.

Cash flow statement

Cash flow from business amounts to 862 mDKK in 2015 compared to 547 mDKK last year. The improvement is the higher profit and also relating to the transfer of assets and liabilities to Grundfos Operations A/S, which net resulted in cash received.

The impact from investments is relating to net investments in fixed assets and amounts to 332 mDKK against 486 mDKK the year before. The lower investment level is as expected.

Cashflow from financing includes repayments of intercompany loans with 441 mDKK and dividend paid to the shareholder with 100 mDKK. Dividend amounting to 20 mDKK has been received from affiliated companies.

There has been a reduction in liquidities amounting to 2 mDKK and at year end, net cash is very close to zero. There are significant cash facilities in Grundfos Group, which can be used by the company in case this is needed.

Due to the structural change in the production set-up as from April 2015 concerning ownership of inventories and receivables, etc. the total balance value has been reduced significantly. The intention is to keep a solvency rate around 50%, therefore the proposed dividend for the year is 650 mDKK. The solvency rate after payment of dividend will be 52%.

Operations and organization

Grundfos A/S has continued the optimization of production in 2015 through GSE activities (Grundfos Shopfloor Excellence). GSE is now a widespread tool in Grundfos A/S, applying daily action meetings (DAM) in all production areas, and weekly action meetings (WAM) on management level. Relevant GSE tools and activities are also being applied in support functions. Employees are trained and empowered to participate in daily action meetings.

During 2015 leaders and managers in all areas of Grundfos A/S have worked on improving their leadership skills within feedback, goalsetting and LEAN, and assessments have been made during the year in order to track progress. The development in productivity increased by 6% in 2015. This is 1.8% better than target, despite volatile demand and change of plans, especially regarding OEM-products.

In 2016 demand for pumps and components is expected to remain volatile. Grundfos A/S is working on becoming more adaptive towards fast changing demand by gradually increasing the number of short term contracts and temporary employment.

During 2015 transfer of UP rotor production has taken place to our sister company in China and the UP2000 production line has been transferred to our sister company in Serbia along with related rotor production. In total approximately 41 workplaces have been transferred during the year. All employees affected by transfers have been employed in other areas of Grundfos A/S.

Due to lower activity and other reasons it has been necessary to adjust our headcount two times in 2015. In February we reduced our workforce with 25 employees, and again in October with 18 employees.

To be able to ensure work for our employees affected by transfers, and to reduce the impact of fluctuations due to changes in sales forecast, we have used temps and employees on short term contracts as a buffer. This means that we hired very few shop floor employees on fixed contracts. At the end of 2015 we had no employees on short term contracts and only 10 temps (FTE). Our headcount (FTE) was 2,477 by the end of December 2015 compared to 2,651 (FTE) by the end of 2014. Besides reduction due to the sales development, Guest function and Payroll have also been moved from Grundfos A/S to Grundfos Holding A/S.

The last few years management has in close collaboration with the shop stewards worked on designing a new "wage system" for our shop floor employees. That work was finalized in 2015, and we have started to implement it from January 2016. The constructive collaboration between management and the shop floor stewards has been essential for the outcome, and both sides fully support the new system.

In 2015 we launched an education program for training unskilled employees to skilled employees. 22 unskilled employees finalized this education program and are now working as skilled Industry Operators or Electronic Operators. We continue this program in 2016.

Our target in 2015 was 160 apprentices in total and we reached 157. One of our apprentices participated in World Skills and won the group title for Industry Technique and ended up as number 13 out of 23 for the individual competition in Industry Technique. Two apprentices won a national price for Toolmaker and Automatic technician. We have managed to maintain a high number of apprentices in 2015.

Composition of management

The Board in Grundfos A/S was changed in 2015. Today the composition of the Board is: Chairman Group Executive Vice President, Stephane Simonetta, Group Senior Vice President Knud Krægpøth, General Manager Klavs Hornum, and two employee representatives, Shop Steward Annette R. Kristensen and Maintenance Technician Kristian B. Rasmussen.

Beside the Board members there is an Advisory Board with two external members, John Bennett-Therkildsen and Peter A. Poulsen.

Thus the Board of directors in Grundfos A/S has five members, of which two have been elected by the employees. The remaining three members are men. There are no women and as such women are under-represented according to the target. The goal was not met as no female candidates were chosen in the process of changing the Board composition in 2015. The Board intends to increase the female representation to one out of three members. The Board has set a goal for achieving this by the end of 2017.

For all other management positions, Grundfos A/S has defined a diversity policy, in which the first priorities are to increase the number of non-Danes and women in management positions. Non-Danes in other management positions made up 1% in 2015. By the end of 2015 the status was 15% female leaders. The goal in Grundfos A/S for the gender distribution is that in 2020, at least 20% of our leaders in

general must be women. We have therefore planned to further integrate diversity into our recruiting process and leadership programs, to facilitate having a more diverse workforce in Grundfos A/S.

Products

In 2015 we have continued the work with introduction of a new large pump for our industrial customers. The project contains a new and ground-breaking production cell for manufacturing of impellers and chambers, and in 2015 it has been moved to the CR factory in Bjerringbro. We are now well under way using and verifying the production cell, which is a significant change in how we produce.

During 2015 we launched a new submersible pump for markets Asia (April) and North America (November). Furthermore, during 2015 we have continued verification of our technology initiatives in relation to production of injection moulded rotors with permanent magnets that are cheaper and we look forward to introducing the new rotors in the market.

We have increased focus on quality in 2015, which will continue to ensure the high quality of new Grundfos products. It is essential that our products are supported by quality in our production and manufacturing processes.

Technology

In 2015 we have operated a more integrated technology planning process in collaboration with Research and Technology and the business, where focus has been on “Critical to Success” products. This has resulted in a mapping of the critical production capabilities linked to new products.

In 2015 work was done on two important technology projects, which support the goal of limiting water consumption in our own production. One of these projects reduces the water consumption by 50%. This technology is now a part of our platform for new future testers. It is also desired that an evaluation will be carried out during 2016 and 2017 on the existing testers. The other project involves changing processes in surface treatment equipment to use reduced chemical and water consumption. The CED process is the greatest consumer of process water, so the project will have an effect on the overall consumption of water in the Group. The improved process will be implemented in Grundfos A/S mid-2016 and thereafter deployed to other production sites.

The potentials of platform use became clearer in 2015 through the Ellehammer pilot project, where common platforms across product and production, was defined in collaboration. The project revealed a large, attractive economic potential to be exploited with modularisation. The project has been run under the national MADE (Manufacturing Academy of Denmark) initiative, in which Grundfos participates and will continue in 2016.

The early development phase has focus on preparing the new CR and close involvement has enabled us to simplify the production of hydraulic components, while achieving a high degree of reuse of equipment, thus improving the business case.

Environment

In 2015 the Grundfos A/S Chemical Reduction Project was selected as one of the winners of the Future Now Award. The CR and RF factories were able to reduce the loss of cooling lubricants to containers in

connection with processes that generate metal chips with 3,400 litres per year (80% reduction), saving more than 20% of the yearly amount of cooling lubricant used in the production.

EU has decided that all large companies in the EU must make an energy inspection. Grundfos A/S has decided to implement the energy inspection in our 14001 management system, and in 2015 we have made two pilot projects that have provided the basis of the handling in other factories. Grundfos A/S has until next re-certification to solve the task.

Grundfos A/S' 2015 target was an energy consumption of maximum 112,000 MWh. In 2015 in total 110,342 MWh has been used and have met the target. In comparison with 2014 a 4% energy consumption reduction has taken place in 2015.

The 2015 target for Grundfos A/S' water consumption was a maximum of 104,000 m³. In 2015 in total 96,591 m³ was spent, and the target was met. In comparison with 2014 the water consumption in 2015 was reduced by 7%.

The target concerning hazardous waste that is not recycled, was reduced by 20% compared to 2014. This reduction is connected to the optimization of the wastewater treatment process. The amount of chemistry used in the process has been reduced and hereby the amount of sludge created has declined.

The amount of non-hazardous waste that is not recycled, was reduced by 8% compared to 2014. The reduction is mainly because of better separation of plastic from the waste for combustion (incineration plants).

Unfortunately, in 2015 Grundfos A/S had to handle two soil pollution incidents, and especially one of them has been a big challenge, because the pollution had spread under part of our production area in Bjerringbro. Both incidents were handled in close cooperation with the authorities and with great respect for the risk to our ground water resources.

Also in 2015 the cooperation with Bjerringbro District Heating has been highly successful, and an uninterrupted flow of interest has been seen for our common project from both Denmark and foreign countries. To use the full capacity of the Energy Plant a new cooling freeway has been established from Bjerringbro District Heating into the new Electronics Factory. This is a result of the letter of intent of extended cooperation between Grundfos and Bjerringbro District Heating signed in 2015.

In 2015 Grundfos A/S has implemented and strengthened a systematic evaluation of new equipment being implemented to reduce the environmental impact from production. The use of our own energy efficient products is still increasing and shows the customers our own commitment, when they visit the manufacturing plants in Denmark.

CSR and Sustainability

For a complete presentation of the sustainability reporting at Grundfos please read the consolidated accounts of the Poul Due Jensen Foundation, CVR no. 83 64 88 13.

With respect of the presentation of the Poul Due Jensen Foundation we have presented a few highlights related to Grundfos A/S below.

Group Management has approved a 2020 target for employees with reduced work capacity to minimum 5% of the total Danish workforce. Grundfos A/S employs 137 employees with reduced work capacity equivalent to 5.4% of the current workforce. In 2014 it was 4.7%.

In order to reach this target in the future and ensure jobs for the current and future employees with reduced work capacity, new workplaces have been identified, jobs and tasks that meet the health considerations needed for employees with reduced work capacity.

In 2015 there were 255 employees with absence due to long-term illness and the retention rate for these employees was 86.7%, which is above our target on 85%.

The many activities that have been offered to Grundfos employees at The Grundfos Fitness Centre have been a great success. Employees have used the facilities 42,820 times, and the number of users of the centre and participants in different classes has increased since 2014 and many new initiatives have been implemented.

In collaboration with Jacob Søndergaard from the Danish television hit show “Real Men” (Rigtige Mænd) Grundfos introduced a new health initiative “The Health Factory”. The purpose of this initiative is to increase health and well-being among the employees. The primary goal is to reach employees that struggle with challenges within the areas of nutrition, physical pain and stress. More than 200 employees participate in this initiative.

Safety

The number of work-related accidents (with and without absence) increased from 132 in 2014 to 142 in 2015, but the number of accidents with absence declined from 38 in 2014 to 33 in 2015. Based on that, the accident frequency (number of accidents per million accomplished working hours) increased from 7.5 in 2014 to 7.9 in 2015. To change this trend, we will strengthen our activities within this area, by increasing attention on “near miss incidents” and deploy safety walks all over the plants. We also extend the “best practice sharing” between the Grundfos A/S plants and Grundfos companies outside Denmark.

The number of near miss incidents in 2015 increased to 6,538 compared to a target of 3,720. This indicates that we are now much better at reporting everything, and thereby we hope that we will experience a decline in accidents in the future.

We have launched safety walks with the purpose of building a strong safety culture where the leaders in Grundfos have an ongoing dialogue with their employees to make them take responsibility for their own and others safety. This is done in order to achieve our goal: to have a company without work related accidents.

Particular risks

Business risks

Grundfos A/S is acting as a contractual producer. Geographically the risk is spread, which reduces the risk relating to reduced turnover and demand on single markets. The production fee is calculated as related costs inclusive a mark-up.

Financial risks

The general framework for management of the financial risks of the Company and the Group is determined by the Board of Directors and managed on a day-to-day basis by the Group's Finance Department.

Foreign exchange risks

Manufacturing services are invoiced in DKK and therefore there is no need for hedging.

Credit risks

The credit risk relates to trade debtors and accounts receivable from affiliated companies. Trade debtors are closely monitored and the solvency of the customers assessed on a regular basis.

Events after the balance sheet date

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

Expected development in 2016

The activity level in Grundfos A/S is expected to be slightly higher than realised in 2015.

The turnover in 2016 will be on a lower level than previously due to the changed set-up and a lower EBIT is expected.

Investments are expected to be on a lower level than in 2015.

Accounting policies

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act for large C - class companies.

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.

In accordance with section 112 (1) of the Danish Financial Statements Act, the Company has not prepared consolidated annual accounts. The Company is included in the consolidated annual accounts for the Poul Due Jensen Foundation, DK-8850 Bjerringbro. The consolidated annual accounts for the Poul Due Jensen Foundation are available to the public at the offices of the Danish Business Authority under CVR no. 83 64 88 13.

The annual report has been presented in accordance with the same accounting policies as 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 asset 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.

At recognition and measurement, allowance is made for predictable losses and risks that appear before the annual report is presented and that confirms or denies conditions that were present on the balance sheet date.

Income is recognised in the profit and loss account when earned, whereas costs are recognised by the amounts attributable to the financial year in question. Value adjustments of financial assets and liabilities are recognised in the profit and loss account as financial income or financial costs.

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. Comparatives are restated as if the companies had merged prior to the year of comparison.

Accounting policies

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 exchange rate at the transaction date and the exchange rate at the payment date are recognised in the profit and loss account.

Accounts receivables and payables in foreign currency 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.

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 equity. When the hedged transactions are realised, the changes are recognised as part of the relevant items in the annual accounts.

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

Profit and loss account

Net turnover

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

Net turnover includes all production services to companies in the Grundfos Group invoiced during the year.

Accounting policies

Production costs

Production costs comprise costs relating to the Company's general production and logistics activities, including salaries and depreciation. Production costs furthermore include contribution to the group research and development activities.

Distribution costs

Distribution costs comprise costs relating to the distribution of the Company's products and services, including salaries for sales staff, advertising, depreciation, etc.

Administrative costs

Administrative costs comprise costs for the administrative staff and Management, including salaries and depreciation.

Staff costs

Staff costs include the Company's total costs of wages, salaries, pensions and other social insurance costs.

Costs of wages, salaries, pensions, etc. are distributed across functions in accordance with the functions primarily executed by the relevant staff.

Other operating income

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

Income from investments in affiliated companies

The Company's share of the affiliated and associated companies' profits and/or losses after elimination of unrealised intra-group profits and losses and less or plus amortisation of positive, or negative, goodwill is recognised in the income statement.

Accounting policies

Financials

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

Tax on profit for the year

The anticipated tax on the taxable income of the year is recognised in the profit and loss account, adjustment being made for timing differences in relation to the provided deferred tax.

Changes in deferred tax as a consequence of changed tax rates are recognised in the profit and loss account.

Deferred tax is measured by the balance sheet liability method of all timing differences between the fiscal and financial value of assets and liabilities.

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

The Company is jointly taxed with wholly owned Danish subsidiaries. The current Danish corporation tax is distributed among the jointly taxed Danish companies proportionally to their taxable income (full distribution with a refund concerning tax losses).

Balance sheet

Other intangible fixed assets

Other intangible fixed assets are measured at cost less accumulated amortisation and write-downs. Other intangible fixed assets are amortised by the straight-line method using the estimated useful lives of the assets, which, based on individual assessments, are as follows:

Intangible fixed assets (licenses and similar intangible rights)	up to 5 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 and other installations are measured at cost less accumulated depreciation and write-downs.

Cost 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. For company-manufactured assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs.

Accounting policies

Tangible fixed assets are depreciated by the straight-line method through the anticipated useful and economic life to the estimated residual value. The useful lives and the residual value, if any, of large assets are determined individually, whereas the useful life of other assets is determined for groups of similar assets. The estimated useful lives are:

Buildings	20 - 25 years
Technical installations and machinery and other installations	3 - 10 years

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

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method. This means that, in the balance sheet, investments are measured at the pro rata share of the enterprises' equity plus or less unamortised positive, or negative, goodwill and plus or less unrealised intra-group profits or losses.

Subsidiaries and associates with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Company's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognised under provisions if the Company has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in subsidiaries and associates is transferred to reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and the pro rata share of the fair value of the assets and liabilities acquired, which have been measured at fair value at the date of acquisition. The amortisation period for goodwill is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Investments in subsidiaries and associates are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost of goods for resale, raw materials and consumables consist of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Accounting policies

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of and depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

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

Trade debtors

Trade debtors and customer projects are measured at amortised cost, usually equalling nominal value less provisions for bad debts.

Customer projects

Customer projects are measured at amortised cost, usually equalling nominal value less aconto invoices. If aconto invoices are exceeding the accumulated costs for a certain project, the amount is stated as prepayments received.

Prepayments

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

Equity

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

Liabilities under guarantee and other provisions

Liabilities under guarantee comprise expected expenses under guarantees, which the Company normally incurs in relation to the products sold.

Other provisions include other obligations, including obligations relating to anniversary lump sum payments.

Deferred tax

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

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

Accounting policies

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, debt to affiliated companies and other debts 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.

Cashflow statement

The cashflow statement is prepared using the indirect method and shows cashflow from business, investments and financing and cash primo and ultimo the financial year.

Cashflow from business is the operating profit adjusted for interest, non-cash bookings, change in current assets and short term liabilities and paid company tax.

Cashflow concerning investments includes purchase and sale of immaterial, fixed and financial assets.

Cashflow concerning financing includes movements concerning loans and movements concerning intercompany financial balances (both receivables / loans) and both incoming and outgoing flows concerning dividend.

Profit and loss statement for 2015

	Note	2015 DKK '000	2014 DKK '000
Net turnover	1	2,718,807	5,495,157
Production costs	2-3	-2,315,994	-4,945,425
Gross profit		402,813	549,732
Distribution costs	2-3	-38,705	-170,107
Administrative costs	2-3	-222,249	-225,520
Operating profit		141,859	154,105
Other income	4	43,468	8,378
Other costs		0	-98
Earnings before interest and tax		185,327	162,385
Income from investments in affiliated companies	5	14,982	11,870
Income from investments in associated companies	6	77	38
Financial income	7	13,790	5,513
Financial costs	8	-1,551	-7,147
Profit before tax		212,625	172,659
Tax on profit for the year	9	-42,960	-36,561
Profit for the year		169,665	136,098
Proposed profit distribution			
Dividend		650,000	100,000
Reserve net revaluation affiliated companies		-4,941	-20,892
Retained profit		-475,394	56,990
		169,665	136,098

The proposed dividend is equal to 35.56 DKK per nominal 10 DKK share.

Balance sheet at 31.12.2015

	Note	2015 DKK '000	2014 DKK '000
Land and buildings		622,529	575,669
Technical installations and machinery		888,514	774,673
Other technical installations		3,122	8,554
Tangible fixed assets in progress		382,597	502,263
Tangible fixed assets	10	1,896,762	1,861,159
Investments in affiliated companies	11	89,743	94,895
Investments in associated companies	11	4,286	4,139
Securities and deposits	12	1,599	1,599
Financial fixed assets		95,628	100,633
Total fixed assets		1,992,390	1,961,792
Inventories	13	20,652	649,290
Trade debtors		3,465	7,913
Customer projects in progress		15,135	17,453
Accounts receivable from affiliated companies		392,748	780,833
Corporate tax		7,978	9,843
Other accounts receivable		11,377	16,830
Prepayments		4,194	4,251
Accounts receivables		434,897	837,123
Cash at bank and in hand		87	2,467
Total current assets		455,636	1,488,880
Total assets		2,448,026	3,450,672

Balance sheet at 31.12.2015

	Note	2015 DKK '000	2014 DKK '000
Share capital	14	182,800	182,800
Reserve concerning revaluation affiliated companies		34,272	39,277
Retained profit		1,062,514	1,503,522
Proposed dividend		650,000	100,000
Equity		1,929,586	1,825,599
Deferred tax	15	9,052	1,314
Liabilities under guarantee and other provisions	16	37,021	50,374
Provisions		46,073	51,688
Short term monetary creditors		0	12,057
Bank overdrafts and loans		103	0
Prepayments received		10,029	24,039
Trade creditors		121,922	513,706
Debt to affiliated companies		80,755	543,339
Other liabilities		258,642	479,328
Deferred income		916	916
Short term liabilities		472,367	1,573,385
Total liabilities		472,367	1,573,385
Total equity, provisions and liabilities		2,448,026	3,450,672
Securities, contingent liabilities, etc.	17		
Related parties and shareholder	18		
Other notes	19-20		

Statement of changes in equity

	Share Capital DKK '000	Reserve revaluation affiliated companies DKK '000	Retained profit DKK '000	Proposed dividend DKK '000	Total DKK '000
Equity 01.01.2015	182,800	39,277	1,503,522	100,000	1,825,599
Dividend paid				-100,000	-100,000
Profit for the year		-4,941	-475,394	650,000	169,665
Net adjustment financial instruments in affiliated companies		-64			-64
Net adjustment after tax hedging instruments			34,386		34,386
Equity 31.12.2015	182,800	34,272	1,062,514	650,000	1,929,586

Cashflow statement for 2015

	Note	2015 DKK '000	2014 DKK '000
Operating profit		185,327	162,385
Depreciation		296,293	280,134
Change in provisions		-13,353	9,968
Financial income and costs, net		12,239	-1,634
Company tax paid		-43,829	-50,109
		436,677	400,744
Change in inventories		628,638	-33,127
Change in accounts receivable		490,808	174,632
Change in suppliers and short term liabilities		-693,815	5,007
Cashflow from business		862,308	547,256
Investments in fixed assets, net		-331,896	-485,700
Cashflow from investments		-331,896	-485,700
Dividend received		20,000	32,800
Change in liability Employee Bonds		-12,057	-27
Cashflow from intercompany accounts with affiliated companies		-440,838	9,432
Dividend paid		-100,000	-125,000
Cashflow from financing activities		-532,895	-82,795
Change in cash and bank overdrafts, net		-2,483	-21,239
Cash 01.01.2015		2,467	23,706
Cash and bank overdrafts 31.12.2015, net		-16	2,467

Above amounts can not entirely be calculated on background of the financial statements.

Notes

	2015 DKK '000	2014 DKK '000
1. Net turnover		
Home market	193,108	735,436
Export	1,176,702	4,759,721
Manufacturing fee etc.	1,348,997	0
	2,718,807	5,495,157
Grundfos A/S has only activities within the segment production of pumps and sale of pumps. That is the reason for showing the net turnover on geographical areas only.		
Concerning the set-up as from April 2015 regarding manufacturing fee etc. and no ownership to inventories - please refer to description in the management report.		
2. Staff costs		
Salaries and wages	996,875	1,065,772
Pensions	77,030	82,680
Social contributions	26,065	21,959
	1,099,970	1,170,411
Staff costs are incorporated as shown below in the profit and loss statement:		
Production costs	1,038,654	1,051,967
Distribution costs	18,021	44,655
Administration costs	43,295	73,789
	1,099,970	1,170,411
Of above is remuneration to:		
Board of Directors	180	275
Executive Board	5,703	7,168
	5,883	7,443
Average number of full time employees	2,547	2,753
Number of full time employees at year end	2,477	2,651

Notes

3. Depreciation

	2015 DKK '000	2014 DKK '000
Licenses and other intangible fixed assets	0	138
Buildings	57,403	57,510
Technical installations and machinery	236,404	217,308
Other technical installations	2,486	5,166
	296,293	280,122

Depreciation is included in the profit and loss statement as follows:

Productions costs	292,752	274,577
Distribution costs	2,743	2,940
Administration costs	798	2,605
	296,293	280,122

4. Other income

Gain on sale of fixed assets	9,888	8,378
Gain on transfer of stocks etc. regarding intra-group restructuring	33,580	0
	43,468	8,378

5. Income from investments in affiliated companies

Share of the result after taxes in:		
Grundfos DK A/S	9,005	-4,295
Sintex A/S	5,512	17,834
Change in internal margin on inventories	465	-1,669
	14,982	11,870

6. Income from investments in associated companies

Share of the result after taxes	77	38
	77	38

7. Financial income

Interest income from banks	0	1
Interest income from affiliated companies	1,678	2,229
Currency adjustments	12,003	3,098
Other financial income	109	185
	13,790	5,513

8. Financial costs

Financial costs to banks	0	613
Financial costs to affiliated companies	1,436	6,534
Currency adjustments	115	0
	1,551	7,147

Notes

9. Tax on profit for the year

Current tax

Change in deferred tax

Effect from change in tax rate (deferred tax)

Adjustment of tax, prior years

Tax on profit for the year

Tax on profit for the year can be explained as:

Profit before tax

Income from affiliated companies

Income from associated companies

Tax calculated hereof

Tax effect of:

Adjustment tax, prior years

Effect from change in tax rate (deferred tax)

Effect from permanent differences, net

Tax on profit for the year

2015 DKK '000	2014 DKK '000
46,298	48,052
-2,201	-11,055
-512	-461
-625	25
42,960	36,561
212,625	172,659
-14,982	-11,870
-77	-38
197,566	160,751
46,428	39,384
-625	25
-512	-461
-2,331	-2,387
42,960	36,561

Notes

	Land and buildings DKK '000	Technical install. and machinery DKK '000	Other install. etc. DKK '000	Fixed instal- lations in progress DKK '000
10. Tangible fixed assets				
Cost 01.01.2015	1,451,521	3,919,205	61,304	502,263
Additions of the year	81,491	52,077	767	203,655
Disposals of the year	-4,711	-87,257	-10,510	0
Transfers	24,041	299,058	222	-323,321
Cost 31.12.2015	1,552,342	4,183,083	51,783	382,597
Depreciation 31.12.2015	-875,852	-3,144,532	-52,750	0
Depreciation for the year	-57,403	-236,404	-2,486	0
Depreciation on disposals	3,442	86,367	6,575	0
Depreciation 31.12.2015	-929,813	-3,294,569	-48,661	0
Accounting value 31.12.2015	622,529	888,514	3,122	382,597
Accounting value 31.12.2014	575,669	774,673	8,554	502,263
Accounting value at 31.12.2015 for buildings in Denmark	615,667			
Public property valuation at 01.01.2016	843,653			

Buildings abroad with a book value of 6.9 mDKK are not included in the public property valuation.

Notes

	Investments in affiliated companies DKK '000	Investments in associated companies DKK '000	
11. Investments in affiliated and associated companies			
Cost 01.01.2015	55,414	4,339	
Cost 01.01.2015	55,414	4,339	
Value adjustments 01.01.2015	39,481	-200	
Net adjustment hedging contracts	-134	70	
Share of profit for the year, net	14,982	77	
Received dividend	-20,000	0	
Value adjustments 31.12.2015	34,329	-53	
Accounting value 31.12.2015	89,743	4,286	
Accounting value 31.12.2014	94,895	4,139	
Investments in affiliated companies include:			
	Cost 31.12.15 DKK '000	Share of profit for the year net DKK '000	Accounting value 31.12.15 DKK '000
Grundfos DK A/S, Martin Bachs Vej 3, 8850 Bjerringbro (ownership 100 %)	22,414	8,590	38,205
Sintex A/S, Jyllandsvej 14, 9500 Hobro (ownership 100 %)	33,000	6,392	51,538
	55,414	14,982	89,743

Investments in associated companies include:

KnowHowZ A/S, Baldersvej 10-12, 8850 Bjerringbro (ownership 20.77 %)
Tange Sø Golf A/S, Tange Søvej 68, 8840 Rødkærsbro (ownership 49 %)

Notes

15. Deferred tax

Deferred tax 01.01.

Adjustment of deferred tax in the profit and loss statement

Adjustment of deferred tax relating to hedge contracts

Effekt from change in tax rate

Adjustment concerning prior years

Deferred tax 31.12.

Deferred tax relate to the following balance sheet items:

Fixed assets

Current assets

Provisions

Short term liabilities

Equity

16. Liabilities under guarantee and other provisions

Liabilities under guarantee and other provisions 01.01.

Provisions used in the year

Provisions reversed in the year

Provisions made in the year

Liabilities under guarantee and other provisions 31.12.

	2015 DKK '000	2014 DKK '000
	1,314	25,607
	-2,201	-11,055
	-1,052	-10,433
	-512	-461
	11,503	-2,344
	9,052	1,314
	22,249	17,989
	313	8,901
	-10,328	-11,005
	228	-12,214
	-3,410	-2,357
	9,052	1,314
	50,374	40,367
	-11,830	-658
	-1,676	0
	153	10,665
	37,021	50,374

Noter

17. Pledge of assets, guarentees and other liabilities etc.

No pledge has been given in the buildings and machinery.

The company have the following rental and lease commitments:

	End of contract	Total obligation DKK '000
Buildings inclusive stock area and parking places	2016-2031	28,297
Cars and lorries	2016-2022	11,773
Other equipment (production equipment and trucks)	2016	5,918
		45,988

The company has provided a guarentee for an associated companys debt to a sister company. The guarentee has a maximum of 3 mDKK.

There is no court case or alike, which according to management can have significant impact on the companys financial situation.

The Danish group enterprises 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 income tax and from 1 July 2012 also for obligations, if any, to withhold tax on interest, royalties and dividends for the jointly taxed enterprises. The total net liability to the Danish tax authorities is recognised in financial statements of Grundfos Holding A/S.

18. Related parties

Related parties with a controlling influence in Grundfos A/S:

- The company's parent foundation, The Poul Due Jensens foundation and Grundfos Holding A/S

Grundfos A/S and affiliated companies are included in the consolidated financial statements for Poul Due Jensens Foundation, 8850 Bjerringbro. The consolidated financial statements for Poul Due Jensens Foundation, 8850 Bjerringbro is available at Erhvervsstyrelsen (Register of Commerce) under CVR no. 83 64 88 13.

19. Shareholders

The following shareholder is registrered as holding more than 5% of the Company's share capital:

GRUNDFOS HOLDING AG, Baar, Schweiz, 100 % of ownership

Noter

20. Financial instruments

Grundfos A/S is hedging expected currency risks with currency contracts. For hedging purposes the mentioned currency contracts have been concluded. As of the balance sheet date the hedging contracts can be split into the following currencies:

	Contract value 2015 mDKK	Contract value 2014 mDKK	Deferred profit/loss 2015 mDKK	Deferred profit/loss 2014 mDKK
GBP	0	70	0.0	-4.1
USD	0	330	0.0	-40.1
SEK	0	4	0.0	-0.2
JPY	0	3	0.0	0.1
	0	407	0.0	-44.3

Deferred profit or loss on forward contracts is recognized in the balance sheet under receivables or other liabilities. The deferred profit or loss after deduction of deferred tax is booked on equity.

At the end of the financial year 2015 no hedging contracts are made as all significant invoicing is taking place in DKK.

No raw material contracts have been made at the end of the financial year as no purchase of raw materials are taking place anymore in Grundfos A/S. At the end of 2014 there was a loss relating to raw material contracts amounting to 5.8 mDKK.

Concerning hedge of the future electricity prices there is a loss of 15.5 mDKK at the end of the financial year. At 31.12.2014 there was a loss of 10.3 mDKK concerning electricity contracts.

Deferred profit and loss on raw materials and electricity contracts have been included in the balance sheet under other receivables or other liabilities and recorded on the equity after deduction of deferred tax.