

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

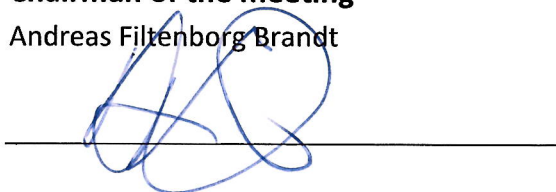
CVR no. 37 49 99 19

Annual Report 2017

The Annual General Meeting adopted the annual report on 20 April 2018

Chairman of the meeting

Andreas Filtenborg Brandt



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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 Niels Herman Møller Jensen

Board member Klavs Christensen Hornum

Board member Jacob Dirks

Board member Anette Rosgaard Kristensen, elected by employees

Board member Jens Erik Bjørklund Lysdahl, elected by employees

Executive Board

CEO Anders Lund Hansen

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 2017.

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

In our opinion, the annual accounts gives a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2017 and of its financial performance for the financial year 1 January to 31 December 2017.

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, 16 March 2018

Executive Board



Anders Lund Hansen

Board of Directors



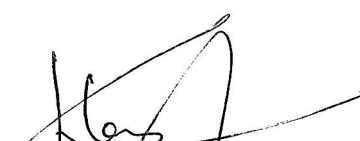
Niels Herman Møller Jensen
Chairman



Jacob Dirks



Jens Erik Bjørklund Lysdahl



Klavs Christensen Hornum



Anette Rosgaard Kristensen

Independent auditor's report

To the shareholder of Grundfos A/S

Opinion

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31-12-2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Aarhus, 16 March 2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56



Lars Siggaard Hansen

State-Authorised

Public Accountant

MNE no mne 32208

Key figures

	2017 DKK m	2016 DKK m	2015 DKK m	2014 DKK m	2013 DKK m
Key figures and financial ratios					
Key figures					
Net turnover	1,875	1,841	2,745	5,495	5,677
Share of net turnover as export (%)	0	0	43	87	86
Operating profit	180	174	142	154	245
Earnings before interest and tax (EBIT)	180	181	185	162	255
Income from affiliated companies, net	17	21	15	12	38
Net financials	-2	-2	12	-2	-7
Profit before tax	196	199	213	173	286
Profit for the year	155	161	170	136	229
Fixed assets	1,650	1,831	1,992	1,962	1,777
Current assets	447	421	456	1,489	1,659
Equity	1,323	1,457	1,930	1,826	1,850
Balance sheet total	2,097	2,251	2,448	3,451	3,436
Balance sheet total – interest bearing assets	1,990	2,121	2,344	3,338	3,281
Investments in tangible fixed assets	150	155	338	492	368
Number of employees at year-end	2,351	2,328	2,477	2,651	2,832
Financial ratios					
Profit (EBIT) margin (%)	9.6	9.8	6.8	3.0	4.5
Return on investment (ROI) (%)	8.8	8.1	6.5	4.9	7.9
Return on equity (%)	11.1	9.5	9.0	7.4	12.5

Definition of key figures:

Profit (EBIT) margin

$$= \frac{\text{EBIT} \times 100}{\text{Net turnover}}$$

Return on Investment (ROI)

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

Return on equity

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

Management report

Primary activities

Grundfos A/S activities include production and delivery of the Grundfos group's products, primarily in Europe.

Development in activities and finances

Until April 2015 the turnover in Grundfos A/S consist of sale of goods. As from April 2015 the production set-up was changed in the Grundfos group. The turnover realised in 2015 and 2016 in Grundfos A/S has dropped compared to 2014 and earlier due to this structural change in the Grundfos group. The change involves all production companies in EU, including Grundfos A/S. From April 2015 the turnover consists of costs to produce and distribute inclusive a mark-up.

Production in Grundfos A/S is taking place on behalf of Grundfos Operations A/S, which company is the owner of the goods from raw materials to finished goods and pay a manufacturing fee for the production services. The turnover realised in Grundfos A/S in 2017 is on the expected level.

The operating profit is higher than last year which is due to a higher manufacturing fee. Other income has dropped compared to last year due to a lower gain from sale of fixed assets. Income from affiliated companies is on a lower level than last year.

Profit before tax for the year amounts to 196 mDKK compared with 199 mDKK last year. Tax on profit for the year is 41 mDKK against 38 mDKK last year. Profit after tax for the year thus amounts to 155 mDKK compared with 161 mDKK in 2016.

The result is regarded satisfactory and in accordance with expectations.

Composition of management

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 and as such women are under-represented in relation to the share of 40%, which legislation aims to ensure. When electing members for the Board of Directors this year, there were no relevant female candidates in the recruitment base. 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 2020.

For all other management positions Grundfos Holding 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 2% in 2017. By the end of 2017 the status was 14% female managers. The goal in Grundfos A/S for the gender distribution is that in 2020, at least 20% of our managers in general must be women. It has therefore been planned to further integrate diversity into the recruiting process and leadership programmes, to facilitate having a more diverse workforce in Grundfos A/S.

For further description of the policy and implementation reference is made to Grundfos Holding A/S.

CSR reporting

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

For further information on corporate social responsibility (CSR) and Sustainability issues at Grundfos in general please see the consolidated accounts for Grundfos Holding A/S, CVR no. 31 85 83 56.

Particular risks**Business risks**

Grundfos A/S is acting as a contractual producer. Geographically the risk is spread which reduce 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 2018

The activity level in Grundfos A/S is expected to be slightly higher than realised in 2017. The turnover and EBIT in 2018 are both expected to be on an equal level as this year.

Accounting policies

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act for large C - class 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. Referring to section 98b (3) of the Danish Financial Statements Act, the Company has summarized the remuneration to the executive board and board of directors to one amount.

In accordance with section 112 (3.2) of the Danish Financial Statements Act, the Company has not prepared consolidated annual accounts. The Company is included in the consolidated annual accounts for Grundfos Holding A/S, DK-8850 Bjerringbro. The consolidated annual accounts for Grundfos Holding A/S is available to the public at the offices of the Danish Business Authority under CVR no. 31 85 83 56.

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 confirm or deny 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.

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.

Accounting policies

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 and associated 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.

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.

Accounting policies

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
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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.

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.

Accounting policies

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.

Securities and deposits

Securities and deposits are measured at the lower of costs and net realisable value.

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 consists 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.

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.

Accounting policies

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

Trade debtors and accounts receivables

Trade debtors, accounts receivables 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 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 include income received relating to the following accounting year. Deferred income is measured at cost.

Profit and loss statement for 2017

	Note	2017 DKK '000	2016 DKK '000
Net turnover	1	1,874,581	1,841,363
Production costs	2.3.4	-1,438,852	-1,373,131
Gross profit		435,729	468,232
Distribution costs	3.4	-67,338	-76,014
Administrative costs	3.4	-188,096	-217,813
Operating profit		180,295	174,405
Other income	5	27	6,262
Earnings before interest and tax		180,322	180,667
Income from investments in affiliated companies	6	17,331	20,624
Income from investments in associated companies	7	46	69
Financial income	8	441	258
Financial costs	9	-2,377	-2,218
Profit before tax		195,763	199,400
Tax on profit for the year	10	-41,013	-38,151
Profit for the year	11	154,750	161,249

Balance sheet at 31.12.2017

	Note	2017 DKK '000	2016 DKK '000
Other intangible assets	12	379	0
Intangible fixed assets		379	0
Land and buildings		532,666	587,624
Technical installations and machinery		708,596	891,479
Other technical installations		2,405	3,600
Tangible fixed assets in progress		303,114	239,926
Tangible fixed assets	13	1,546,781	1,722,629
Investments in affiliated companies	14	96,470	102,049
Investments in associated companies	14	4,584	4,434
Securities and deposits	15	1,595	1,599
Financial fixed assets		102,649	108,082
Total fixed assets		1,649,809	1,830,711
Inventories	16	20,293	18,123
Trade debtors		4,652	3,387
Customer projects in progress		14,767	7,160
Accounts receivable from affiliated companies		354,274	345,804
Corporate tax		9,682	22,350
Deferred tax	17	3,980	0
Other accounts receivable		36,403	19,576
Prepayments	18	3,080	4,189
Accounts receivables		426,838	402,466
Cash at bank and in hand		2	0
Total current assets		447,133	420,589
Total assets		2,096,942	2,251,300

Balance sheet at 31.12.2017

	Note	2017 DKK '000	2016 DKK '000
Share capital	19	182,800	182,800
Reserve concerning revaluation affiliated companies		41,301	46,730
Retained profit		1,099,087	927,355
Proposed dividend		0	300,000
Equity		1,323,188	1,456,885
Deferred tax	17	0	9,698
Liabilities under guarantee and other provisions	20	47,756	34,840
Provisions		47,756	44,538
Prepayments received		4,398	9,935
Trade creditors		120,363	108,984
Debt to affiliated companies		338,531	380,075
Other liabilities		262,706	250,778
Deferred income	21	0	105
Short term liabilities		725,998	749,877
Total liabilities		725,998	749,877
Total equity, provisions and liabilities		2,096,942	2,251,300
Securities, contingent liabilities, etc.	22		
Related parties and shareholders	23 - 24		
Other notes	25 - 26		

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 01.01.2017	182,800	46,730	927,355	300,000	1,456,885
Dividend paid				-300,000	-300,000
Profit for the year		-10,123	164,873		154,750
Net adjustment financial instruments and equity postings in affiliated companies		4,694			4,694
Net adjustment after tax hedging instruments			6,859		6,859
Equity 31.12.2017	182,800	41,301	1,099,087	0	1,323,188

Notes

	2017 DKK '000	2016 DKK '000
1. Net turnover		
Home market	7,454	5,760
Export	6,935	5,627
Distribution fee	67,136	82,762
Manufacturing fee etc.	1,793,056	1,747,214
	1,874,581	1,841,363

Grundfos A/S has only activities within the segment production of pumps and sale of pumps and components. 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. Result from hedging instruments recognised in profit and loss account

Result from electricity contracts recognised in production costs	-1,275	-6,338
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3. Staff costs

Salaries and wages	930,879	958,108
Pensions	69,085	77,821
Social contributions	24,225	24,208
	1,024,189	1,060,137

Staff costs are incorporated as shown below in the profit and loss statement:

Production costs	969,846	988,190
Distribution costs	32,910	41,166
Administration costs	21,433	30,781
	1,024,189	1,060,137

Of above is remuneration to:

Board of Directors and Executive Board	1,814	1,693
Average number of full time employees	2,310	2,408
Number of full time employees at year end	2,351	2,328

Notes

	2017 DKK '000	2016 DKK '000
4. Depreciation		
Other intangible assets	464	0
Buildings	60,843	60,537
Technical installations and machinery	257,440	263,136
Other technical installations	936	2,779
	319,683	326,452
Depreciation is included in the profit and loss statement as follows:		
Production costs	316,895	322,820
Distribution costs	1,848	2,625
Administrative costs	940	1,007
	319,683	326,452
5. Other income		
Gain on sale of fixed assets and spareparts	27	6,262
	27	6,262
6. Income from investments in affiliated companies		
Share of the result after taxes in:		
Grundfos DK A/S	13,299	9,118
Sintex A/S	3,889	12,147
Change in internal margin on inventories	143	-641
	17,331	20,624
7. Income from investments in associated companies		
Share of the result after taxes	46	69
	46	69
8. Financial income		
Financial income from affiliated companies	37	258
Currency adjustments income	403	0
Other financial income	1	0
	441	258
9. Financial costs		
Financial costs to external parties	67	64
Financial costs to affiliated companies	1,884	2,094
Currency adjustments costs	426	60
	2,377	2,218

Notes

10. Tax on profit for the year

	2017 DKK '000	2016 DKK '000
Current tax	56,235	41,224
Change in deferred tax	-15,217	-3,121
Effect from change in tax rate (deferred tax)	0	43
Adjustment of tax, prior years	-5	5
Tax on profit for the year	41,013	38,151

Tax on profit for the year can be explained as:

Profit before tax	195,763	199,400
Income from affiliated companies	-17,331	-20,624
Income from associated companies	-46	-69
	178,386	178,707

Tax calculated hereof	39,245	39,316
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Tax effect of:

Adjustment tax, prior years	-5	5
Effect from change in tax rate (deferred tax)	0	43
Effect from permanent differences, net	1,773	-1,213
Tax on profit for the year	41,013	38,151

11. Profit for the year

Proposed profit distribution:

Dividend	0	300,000
Reserve net revaluation affiliated companies	-10,123	12,018
Retained profit	164,873	-150,769
	154,750	161,249

Notes

	Investments in affiliated companies DKK '000	Investments in associated companies DKK '000
14. Investments in affiliated and associated companies		
Cost 01.01.2017	55,414	4,339
Cost 01.01.2017	55,414	4,339
Value adjustments 01.01.2017	46,635	95
Net adjustment hedging contracts and other equity postings	4,590	104
Share of profit for the year, net	17,331	46
Received dividend	-27,500	0
Value adjustments 31.12.2017	41,056	245
Accounting value 31.12.2017	96,470	4,584
Accounting value 31.12.2016	102,049	4,434

Investments in affiliated companies include:

	Cost 31.12.17 DKK '000	Share of profit for the year net DKK '000	Accounting value 31.12.17 DKK '000
Grundfos DK A/S, Martin Bachs Vej 3, 8850 Bjerringbro (ownership 100 %)	22,414	12,756	45,848
Sintex A/S, Jyllandsvej 14, 9500 Hobro (ownership 100 %)	33,000	4,575	50,622
	55,414	17,331	96,470

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

Securities and deposits DKK '000

15. Securities and deposits

Cost 01.01.2017	1,599
Disposals	-4
Cost 31.12.2017	1,595
Value adjustments 01.01.2017	0
Value adjustments 31.12.2017	0
Accounting value 31.12.2017	1,595
Accounting value 31.12.2016	1,599

2017 DKK '000

2016 DKK '000

16. Inventories

Raw materials and consumables	20,293	18,123
	20,293	18,123

17. Deferred tax

Deferred tax liability 01.01.	-9,698	-9,052
Adjustment of deferred tax in the profit and loss statement	15,217	3,121
Adjustment of deferred tax relating to hedge contracts	-1,935	-4,403
Effekt from change in tax rate	0	-43
Adjustment concerning prior years	396	679
Deferred tax asset / liability 31.12.	3,980	-9,698

Deferred tax relate to the following balance sheet items:

Fixed assets	-4,670	-19,469
Current assets	-1,623	-584
Provisions	9,969	9,987
Short term liabilities	3,233	1,361
Equity	-2,929	-993
Deferred tax asset / liability	3,980	-9,698

18. Prepayments

Prepayments 01.01	4,189	4,194
Changes for the year	-1,109	-5
Prepayments 31.12	3,080	4,189

Prepayments are relating to prepaid insurance and lease agreements.

Notes

19. Share capital

Share capital can be specified as follows:

	2017 DKK '000	2016 DKK '000
A-shares, nominal value	176,552	176,552
B-shares, nominal value	6,248	6,248
Share capital	182,800	182,800

A-shares and B-shares have equal voting rights and receive equal dividend.
Both A-shares and B-shares are split into 10 DKK or multiple of this.

No movements have taken place in the period 01.01.2013 – 31.12.2017.

20. Liabilities under guarantee and other provisions

	2017 DKK '000	2016 DKK '000
Liabilities under guarantee and other provisions 01.01.	34,840	37,021
Provisions used in the year	0	-952
Provisions reversed in the year	-84	-2,181
Provisions made in the year	13,000	952
Liabilities under guarantee and other provisions 31.12.	47,756	34,840

Other provisions relates to jubilee provision, provisions concerning
decided changes in the future production set-up and product guarantee.

21. Deferred income

	2017	2016
Deferred income 01.01	105	916
Changes for the year	-105	-811
Deferred income 31.12	0	105

Deferred income is relating to rental income.

Notes

22. 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	2018-2031	24,048
Cars and lorries	2018-2025	8,878
Other equipment (production equipment and trucks)	2018	5,359
		38,285

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.

23. 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

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

Grundfos A/S and affiliated companies are included in the consolidated financial statements for Grundfos Holding A/S, 8850 Bjerringbro. The consolidated financial statements for Grundfos Holding A/S, 8850 Bjerringbro is available at Erhvervsstyrelsen (Register of Commerce) under CVR no. 31 85 83 56.

24. Shareholder

The following shareholder is registreret as holding more than 5% of the Company's sharecapital:

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

Notes

25. Financial instruments

Grundfos A/S is hedging expected, significant currency risks with currency contracts.

At the end of the financial year 2017 and 2016 no hedging contracts are made as all significant invoicing and purchase is taking place in DKK.

Concerning hedge of the future electricity prices there is a gain of 13.3 mDKK at the end of the financial year. At 31.12.2016 there was a loss of 4.5 mDKK concerning electricity contracts. The hedge of electricity consumption covers the expected consumption in the coming two years.

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

26. Events after the balance sheet date

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