

ANNUAL REPORT 2015

Poul Due Jensens Fond
Poul Due Jensens Vej 7,
DK-8850 Bjerringbro
CVR no.: 83 64 88 13

be
think
innovate

GRUNDFOS X

Cover photo:

Weston in Florida, USA

The low-lying areas in Florida are very sensitive to sea level rise, as large parts of the American state are located less than three metres above sea level. This makes the need for flood protection solutions increasingly important here – and in other American coastal areas, too.

Contents

MANAGEMENT REPORT

- 04** Management report – Poul Due Jensens Fond (Grundfos Fonden)
- 07** Management report – Grundfos Group
- 11** Sustainability
- 13** Key figures and financial ratios

MANAGEMENT'S STATEMENT AND AUDITOR'S REPORT

- 14** Management's statement
- 14** Board of Poul Due Jensens Fond
- 15** Independent auditor's report
- 16** Group structure overview
- 17** Board of Grundfos Holding A/S
- 17** Group Management

CONSOLIDATED ANNUAL ACCOUNTS AND ANNUAL ACCOUNTS

- 18** Accounting policies
- 23** Consolidated profit and loss account
- 24** Consolidated balance sheet
- 26** Statement of changes in consolidated equity
- 27** Consolidated cash flow statement
- 28** Notes to the consolidated accounts
- 39** Profit and loss account for Poul Due Jensens Fond
- 40** Balance sheet for Poul Due Jensens Fond
- 41** Statement of changes in equity for Poul Due Jensens Fond
- 42** Notes to the accounts of Poul Due Jensens Fond
- 44** Group structure
- 45** Ownership

Management report

Poul Due Jensens Fond (Grundfos Fonden)

The Poul Due Jensens Fond (the Foundation) was established in 1975 by the founder of Grundfos, Poul Due Jensen, with the aim of ensuring a financially sound and sustainable development of Grundfos and its affiliated companies.

The Foundation owns 88 per cent of the Grundfos Group. As the majority owner of Grundfos, the Foundation is therefore destined and committed to continue owning, protecting and developing Grundfos.

Active ownership in a nutshell

The Foundation's majority ownership of the Grundfos Group focuses on more than economic indicators. Sustainability in the broadest sense of the word is just as important as profit. According to the purpose set out in the Charter of Poul Due Jensens Fond, the Board of Directors has carefully considered what constitutes sustainable growth and development for Grundfos, and how best to achieve this without interfering in the daily operation of the business.

History and purpose set the overall direction for management

Using Grundfos' historical recipe for success as its starting point, the Board of Directors has agreed on a new set of eight themes that define the Foundation's understanding of sustainable development.

Over the course of the calendar year, the Group systematically reports to the Foundation on eight themes:

- **March:** Financial situation, business and market development and strategy implementation
- **August/September:** Technology and

product development, employee and talent development, as well as sustainability and corporate social responsibility

- **December:** Risk profile, status on overall economic targets for the Grundfos Group and the founder's set of values.

"Poul Due Jensen believed that a company's responsibility to society goes beyond fulfilling legal obligations and paying tax. He made this belief a cornerstone of the Grundfos vision and regarded it as a legacy worth defending. Today, this belief is often referred to as corporate social responsibility."

- Niels Due Jensen

Social responsibility

In 2015, the Foundation has become more vocal in its expectations regarding corporate social responsibility. It encourages Grundfos to truly 'walk the talk' of corporate social responsibility. This can happen on three levels:

CARE for Grundfos employees

- Practising on-the-job inclusion by earmarking jobs in the Grundfos workforce

for employees with special needs

- Retaining workers in danger of losing connection with the labour market
- Handling redundancies with dignity

SUPPORT the local community if possible

- Integrating marginalised groups from the surrounding community in the workforce
- Engaging in activities that improve the quality of life and standard of living in the local community

ENGAGE in the public debate

- Grundfos is a public voice which defends those who find it difficult to get a foothold in society

Foundation governance

In 2015, the Foundation completed the process of integrating the legislation of the new Danish Act on Commercial Foundations into the Charter. It also defined its ambitions concerning compliance with the new Recommendations on Foundation Governance.

Compliance with new Act on Commercial Foundations

Since its first publication in 1975, the Foundation Charter has been amended several times to address changes in the business and legislative landscape. In 2015, two minor formal changes have been made to the Foundation Charter in order to comply with new requirements in the Act on Commercial Foundations. The first change names the founder. The second lists the full story on how the basic capital was established.

- The full revised Charter is available at www.poulduejensenfoundation.com/charter

Recommendations on good foundation governance

Poul Due Jensens Fond has – like all other Danish commercial foundations – become subject to a new set of 16 recommendations on foundation governance which the Foundation is required to report on annually.

The recommendations are not a perfect “one size fits all” solution, but they have in our opinion kick-started a healthy discussion within the Foundation Board about how the Foundation is governed and how to further improve its daily work.

Compliance target

The 16 recommendations on foundation governance are based on a “comply or explain” principle, and each foundation decides whether to comply or alternatively explain why the foundation has chosen not to comply. Poul Due Jensens Fond currently complies with 12 of 16 recommendations and will aim for compliance with 14 of the 16 recommendations by 2017.

- The full Comply or Explain report is available at www.poulduejensenfoundation.com/governance
- An account of the composition of the board of directors are present at www.poulduejensenfoundation.com/board-composition

Explanations

Composition of the Board of Directors

Two related recommendations require explanations in 2016:

- A majority of the Foundation’s board members hold parallel seats in the Board of Directors or the executive management of Grundfos Holding A/S (recommendation 2.3.5)
- None of the board members can qualify as being independent as described in recommendation 2.4.1.

The Foundation plans to reach compliance in 2017, when two new independent board members, who do not hold parallel seats in the Board of Directors or the executive management of Grundfos Holding A/S, will replace two of the current external board members.

No to age discrimination

The Foundation fundamentally disagrees with the recommendation 2.5.2 of setting an absolute date of retirement. Age alone should not be a disqualifying factor when evaluating the competences of Board mem-

bers. The Foundation has therefore declined to set an absolute age limit. However, Board members having reached the age of 70 are elected for a term of two years rather than four years.

Protecting sensitive personal data

Recommendation 3.2 suggests that the full remuneration received from the Foundation and any subsidiary of the Foundation by Board members and any executives should be fully disclosed in the annual financial statements. Poul Due Jensens Fond sees no specific need for the public to have access to such sensitive information about private individuals. Hence, it has chosen to group the fees, which is in full compliance with the Financial Statements Act.

All information regarding individual remuneration is available to the Danish Business Authority upon request as well as to the Board of Directors.

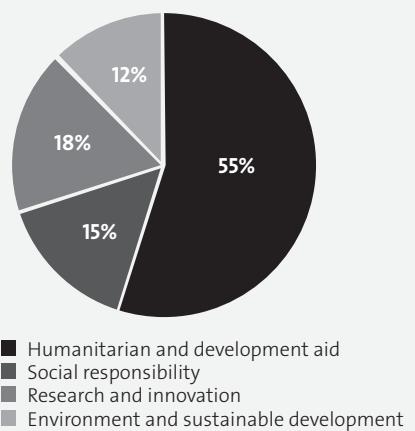
Philanthropic activities

In 2015, Poul Due Jensens Fond focused its activities on delivering sustainable and safe drinking water to rural areas in Africa and Asia, while also supporting vulnerable communities and funding research in Denmark.

According to its Charter, the Foundation may donate to general non-political, scientific, humanitarian, business, environmental and social causes. In practice, we operate within four main categories:

- Research and innovation
- Environment and sustainable development
- Humanitarian and development aid
- Social responsibility (social inclusion in Denmark).

In 2015, the donations were distributed between the four thematic areas as follows:



Most of our donations go to the **Humanitarian & Development Aid** category, where we collaborate with NGOs to support local communities in developing countries in gaining access to safe water in a sustainable way. Besides establishing physical access to water, the Foundation finances a variety of capacity development activities in the local communities to ensure long-lasting effect. Projects in this category are primarily non-political, humanitarian causes, but may also have elements of business.

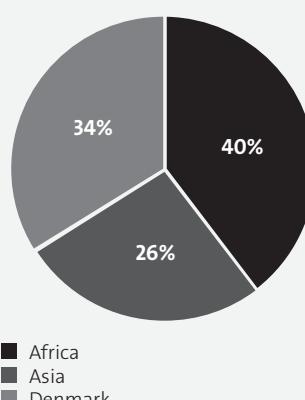
Research and innovation received 18 per cent of our donations in 2015, closely followed by the **Social responsibility** category. We support research and innovation, which falls within our interest as majority owner of Grundfos. Projects in this category are primarily non-political, scientific and environmental causes.

In the **Social responsibility** category, we support social causes focusing on the inclusion of the most socially vulnerable people in their local communities in Denmark. We want to enable people to be or become constructive members of their local community. Projects in this category are primarily non-political and social causes.

Environment and sustainability is the smallest category, where we collaborate with NGOs and research institutions to advocate and push forward new sustainable water solutions where the focus is on water efficiency and recycling. Projects in this category are primarily non-political, scientific, business and environmental causes.

Geography of donations

In 2015, the donations were mainly distributed to beneficiaries in Africa, Asia and Denmark:



Africa is our biggest receiver, where we do most of our safe water projects. In Denmark, the Foundation funds research and innovation projects as well as various social inclusion projects. In Asia, the Foundation also supports safe water projects.

Donations overview

In total, the Foundation distributed close to DKK 15m for philanthropic purposes in 2015. Today, the Foundation actively follows up on all projects to monitor progress towards the expected results. Consequently, we decided to close one 2015 project before it was finalised.

2015 Poul Due Jensens Fond donations

#	Organisation	Project name	Country	Amount (DKK)
HUMANITARIAN & DEVELOPMENT AID - SAFE WATER PROJECTS				
1	Kontutto	Plumber course for Dalit boys	India	616,459
2	Thrive networks	Capacity building for small water enterprises	Vietnam	1,020,166
3	DanChurchAid	Nepal earthquake emergency aid	Nepal	1,048,396
4	Sunlit Future	100 pumps 100 villages, phase 2	India	1,284,207
5	Water Missions International	Rehabilitation of 23 pumps in Kenya, phase 2	Kenya	4,245,139
<i>Subtotal</i>				8,214,367
SOCIAL RESPONSIBILITY IN DENMARK				
6	Kirkernes Integrationstjeneste	Contact families for refugees	Denmark	350,000
7	Viborg Y's Men's Club	Weekend for girls with alcoholic parents	Denmark	23,500
8	Randers Ungdomsskole	MiLife: Testing methodology for youth coaching	Denmark	600,000
9	High Five	Establishment of High Five Foundation	Denmark	100,000
10	Kvisten	Help to victims of sexual abuse	Denmark	362,300
11	Søndagskaffe	Sunday social activities for lonely pensioners	Denmark	50,000
12	Copenhagen Budo Academy	Integration of dysfunctional youths through sport	Denmark	191,000
13	Salvation Army	Contribution to Christmas collection	Denmark	200,000
14	Mødrehjælpen	Contribution to Christmas collection	Denmark	200,000
15	DGI	Christmas donation, integration through sports	Denmark	200,000
<i>Subtotal</i>				2,276,800
RESEARCH & INNOVATION				
16	AAU Department of Chemistry & Bioscience	New equipment for DNA-sequencing	Denmark	850,000
17	Engineers without borders	Geomembrane for water collection	Kenya	217,200
18	Huset Mandag Morgen	#for Danmark campaign	Denmark	250,000
19	Prof. Henrik Gordon Pedersen	Grundfos Prize	Denmark	1,000,000
20	Individuals	Poul Due Jensen Scholarships	World	119,612
21	Individuals	Poul Due Jensen Innovation Award	Denmark	225,000
<i>Subtotal</i>				2,661,812
ENVIRONMENT & SUSTAINABILITY				
22	Copenhagen Business School	Rio to Roskilde: Sustainable solutions	Denmark	365,000
23	DanChurchAid	Sustainable batteries Malawi, phase 2	Malawi	1,478,400
<i>Subtotal</i>				1,843,400
TOTAL DONATIONS 2015				14,996,379

Management report

Grundfos Group

2015 in brief

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

2015 was a year of transformation in our organisation. It was also a year of business consolidation through focusing more on our core and growing markets and key product groups. Going into the year, Grundfos established three key targets for the year:

- Show a significant improvement in profitability
- Maintain our global market share
- Get traction with the company's Strategy 2020.

Despite a difficult market environment, we have succeeded in meeting all three targets.

Due to the unstable global economy, we expected sales growth to be moderate in 2015. Measured in local currencies our net turnover grew by 0.8 per cent, which is satisfactory given the headwinds in key markets such as Russia and China. An analysis of competitor development compared to our growth in turnover clearly indicates that we have maintained or slightly improved our global market position in 2015 and we remain a leader in the pump industry.

We have delivered a significant improvement in profitability in 2015. Group EBIT ended at DKK 2,014m compared to DKK 861m in 2014. Adjusted for positive one-off items in 2015 and restructuring provisions in 2014, the underlying performance improvement in EBIT corresponds to 77 per cent.

Grundfos' Strategy 2020 was approved in

January 2015, and the year has been spent on rooting the strategy in the organisation. A number of initiatives have been launched to support the ambitions of intensified customer focus, cost-consciousness, better service offerings, strengthened product leadership and more efficient value chains. Even though, we have only just started the strategic journey, Group Management sees strong traction.

An unstable global economy

2015 was characterised by an unstable and unpredictable global economy. The dramatic decline in the Russian economy, the slowdown in the Chinese economy and continued weak European demand were all contributing factors to a difficult market environment. Against this background, we are satisfied in delivering growth of 0.8 per cent relative to 2014 when measured in local currencies and net of divestments.

In DKK, net turnover in 2015 amounted to DKK 24.8bn, up 5.0 per cent on the prior-year period. Net sales in DKK were supported by the appreciation of a number of key currencies including the USD, CNY, AED and GBP. The positive currency impacts were partly offset by hedging contracts concluded in line with the Group's hedging policy. Net of hedging contracts, the positive impact of currencies on net sales accounted for DKK 1bn or 4.4 per cent of net sales.

Europe, Middle East and Africa (EMEA)

Europe, including Russia, continues to be the most important region for Grundfos.

The decline in sales seen in Russia in 2014 accelerated into 2015, with net sales more

than 25 per cent down on 2014. The decrease in sales was most significant in the second half of 2015 and there are no signs of immediate improvements in the Russian market. Grundfos has a long-term commitment to serve its Russian customers, and we have therefore chosen to keep our highly dedicated and efficient sales and service organisation intact despite the unfavourable market conditions.

In Germany, there has been weak demand in the pump market, resulting in sales on a par with 2014. Quality has always been a key element of our success. Unfortunately, we suffered from quality issues with our MAGNA3 circulator range, which impacted the German market in particular. We immediately initiated a number of actions and procedures; this included recalling and reworking the pumps in distributors' warehouses and repairing those pumps that were already installed with end-users. The quality issues, however, meant that we needed to rebuild confidence with some of our customers. The MAGNA3 product range is acknowledged as an innovative and intelligent pump, and is deemed to hold considerable sales potential.

Markets such as Italy, Poland, Hungary, Turkey, the Czech Republic and the Baltics have shown solid growth in 2015, whereas the UK, Spain and Benelux have seen a flat sales development, while sales in the Nordic countries and France have dropped slightly. Sales in Africa have been stable in 2015.

In the important HVAC OEM segment, where we deliver pumps to leading boiler manufacturers, 2015 was the year in which

we saw the effect of EU-based legislation stipulating requirements for energy-efficient electronically regulated pumps (ERP). Most boiler manufacturers have now implemented the changes needed to meet these EU requirements. By offering high efficiency pumps, we have maintained our leading position in this very competitive market segment, which has translated into sales growth.

The German pump brand Hilge has been a part of the Grundfos Group since 2004. However, the increased focus on our core business led to the conclusion that the sanitary business is not a strategic focus area for Grundfos, and consequently Hilge was sold to GEA in 2015. GEA is a strong strategic fit for Hilge given GEA's focus on the processing industry.

Americas

In 2015, our Americas sales region – which covers both North and South America – has again delivered strong growth. A growing economy and close customer interaction have boosted sales in North America by 12 per cent (in USD) relative to 2014 in an otherwise mature market.

In South America, Grundfos has in 2015 refocused its activities in Brazil to regain profitability. This means, among other things, that we have decided to focus primarily on profitable sales and projects and thereby accepted a decline in sales volume. Despite this, our overall sales in South America have grown by 18 per cent.

China

Already in the second half of 2014, we saw the first signs of a slowdown in Chinese economy. This has continued into 2015. Although overall Chinese GDP is still showing growth, the construction sector sees a significant reduction in project sales.

As a result, sales in China have been stable. Grundfos is successfully expanding activities into Central and Western China where we see a substantial growth potential, but this has been offset by a lower activity level in the larger cities in Eastern China.

Asia Pacific

Measured in local currencies, Asia Pacific has shown stable sales in 2015. On a positive note, we have seen solid growth in Japan and Vietnam. Sales have also picked

up in Australia and New Zealand after a slow 2014.

Sales in the Indian market have been flat. However, this is acceptable, as our focus in 2015 has been on creating a platform for profitable growth by optimising and reorganising our capabilities in this market, which holds massive potential.

However, we have also seen declining sales in countries like Korea, the Philippines and Singapore.

Global market share

We estimate that the development of the global pump market in 2015 was flat and our moderate growth indicates that we at least maintained or slightly increased our global market share.

Profitability and cash flow

The single most important objective for Grundfos in 2015 was to turn the negative trend since 2011 where profitability has been declining every year. In late 2014, Group Management launched a number of successful initiatives to improve profitability.

The restructuring initiative in November 2014, further minor organisational adjustments in 2015 and a general capacity cost discipline have led to a reduction in capacity costs of approx. DKK 0.6bn compared to 2014 (excluding currency impacts).

In addition, substantial efforts have been made to reduce material costs (product "cost out") in our existing product portfolio, while at the same time safeguarding the functionality and the quality of our products and solutions. Based on fruitful cross-functional collaboration, in 2015 we have successfully implemented material cost savings with an in-year impact of more than DKK 200m, and we have also generated a substantial pool of ideas for further savings which are about to be implemented.

Furthermore, we have focused on a more sustainable balance between sales and profitability. In selected markets, including Brazil and India, we have reorganised and refocused our sales to become more profitable. Here, we have decided to pursue profitable project sales and avoid sales volume with no substantial profits. This has resulted in an improved contribution ratio, which has been under pressure for some years.

Group EBIT in 2015 ended at DKK 2,014m compared to DKK 861m in 2014 – an improvement of 134 per cent.

In 2015, earnings before interest and tax (EBIT) included positive one-off items totalling DKK 215m relating to the divestment of Hilge and a change in management estimates regarding internal profit elimination on inventory. Adjusted for these positive one-off items and the restructuring provisions in 2014 totalling DKK 158m, the improvement in EBIT corresponds to a 77 per cent increase.

The profit before tax (PBT) totalled DKK 2,018m (DKK 881m), a 129 per cent increase, and which corresponds to a PBT/net sales ratio of 8.1 per cent (3.7 per cent).

The improvement in profitability and the better management of working capital resulted in a cash flow from operating activities of DKK 2,546m compared to DKK 1,223m for the prior-year period. With an investment level in 2015 of DKK 1,235m, the free cash flow (not including the purchase and sale of securities) totalled DKK 1,537m, which is up DKK 1,656m relative to 2014.

Management is satisfied with the positive development in both profitability and cash flow, which puts Grundfos on the first step towards achieving its 2020 goal of a 10 per cent EBIT/net turnover.

The equity ratio increased from 68.1 per cent to 71.0 per cent, with the Group holding interest-bearing net deposits of DKK 4.2bn at the end of FY 2015. This ensures that Grundfos remains financially independent.

Overall, the financial development in 2015 reflects the expectations for moderate sales growth and a significant improvement in earnings and cash flow as stated in our 2014 annual report.

Strategy 2020

The Grundfos Board of Directors approved in January 2015 a new Strategy 2020. The strategy is based on Grundfos' existing purpose and six core values. We have identified five group Must Win Battles critical for the company's medium and long-term success:

- Funding the journey** – lowering our cost base across the business to remain competitive, transparency in value creation and faster and more effective decision-making.
- Supply chain** – make supply chain a competitive advantage, providing world-class delivery service and using our supply chain as a showcase for sustainable manufacturing.
- Product leadership** – maintain category leadership in eight defined “critical to succeed” product families, increase speed in product development and lower cost base by product cost out activities in our existing product portfolio. New creative business models and stronger digitalisation will be key components in this battle.
- Service** – develop service as a commercial differentiator with particular focus on the Water Utility segment and become a global spare parts supplier through dedicated regional setups.
- Customer and collaboration** – build a customer-centric and highly collaborative culture while simultaneously insisting on empowerment and interdependence.

Each of the 5 Must Win Battles have a Group Management member as its sponsor. All of our senior managers have spent 2015 to communicate and anchor the Strategy 2020 and the Must Win Battles throughout the company. A series of initiatives have been launched turning the strategy and the Must Win Battles into action. Although we are only at the start of the strategy period, management sees solid deployment and traction.

As part of the Strategy 2020 we have identified five Group KPIs that ultimately are the most important KPIs for Grundfos to meet by 2020. The KPIs are:

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

The following table shows the 2020 targets and realised figures for 2014 and 2015 for the Grundfos Group (excluding Poul Due Jensens Fond).

KPI	2014	2015	2020 Target
Sales growth (Excl. currency impact)	4.4%	0.8%	Avg. 6% growth over the period
Customer loyalty	86	85	86
Employee motivation and satisfaction	Not measured	69	78
Return on Sales (EBIT/Net Sales)	4.0%	7.5%	10%
Return on Capital Employed (ROCE)	6.0%	11.9%	17%

Due to the very unstable and difficult market environment, it has not been possible to meet the average 6 per cent sales growth target in 2014 and 2015. Management still has a target of 6 per cent average sales growth each year for the 2016-2020 period.

We are satisfied with maintaining a high customer loyalty score, although it saw a slight dip from 86 to 85 in 2015. Employee motivation and satisfaction has fallen from 73 in 2012 to 69 in 2015, while we are targeting a score of 78 in 2020. Group Management acknowledges the concerns and uncertainty among our employees following the organisational changes implemented throughout 2014 and 2015. We are determined to regain employee motivation and satisfaction and will do so among others by leveraging the ongoing open and honest dialogue about the reasons for the changes, by making sure roles and responsibilities are clear and by removing unnecessary complexity that blocks empowerment and initiative.

Becoming more profitable was the single most important objective for 2015, and we have succeeded in this respect, while still recognising we have some way to go before meeting the 2020 target of a 10 per cent return on sales. Equally, ROCE has improved significantly primarily driven by the increase in profitability.

Overall, we are satisfied with the development in our Group KPIs.

Research and development

Research and development (R&D) activities continue to be critical for Grundfos. Our

R&D functions are primarily located at company headquarters in Bjerringbro covering a wide range of activities such as research into materials, product development and production technologies and methodologies etc. In addition, there are also R&D teams located in selected key markets. We have extensive collaboration with a number of universities and public bodies both into more basic research and into applying technology in practice.

The Grundfos History

In May 2015, Grundfos celebrated its 70th anniversary. We can look back at a fantastic journey that has made Grundfos a truly global company. Our successful development is deeply rooted in the values formulated by our founder Poul Due Jensen. It was with great pride that the company's 70th anniversary marked the opening of a new and renovated part of the Grundfos museum at Østergade 41 in Bjerringbro (Denmark), which was not only the private home of the founder Poul Due Jensen and his family but also where the business originally started.

The family values that have characterised the business since its inception are evident in the strong sense of togetherness among the company's employees, who respect and help each other in achieving our goals while celebrating both individual and collective results. These values were expressed at the seventh Grundfos Olympics, which were held in Bjerringbro in May 2015. Under the headline 'For friendship and teambuilding', 1,200 Grundfos colleagues from 55 countries met for friendly competition in 73 disciplines across 26 sports. The Grundfos Olympics build close ties and friendships that are extremely valuable for our company.

Global Sustainability

Grundfos wants to make a significant and real contribution to global sustainability. Our energy-efficient pumps reduce electricity consumption significantly. If all the pumps which are currently installed worldwide were converted to Grundfos pumps, global electricity consumption could be reduced by significant percentages, which in turn would result in significantly lower carbon emissions.

Our pumps and solutions within water supply and water management are helping

to solve one of the world's biggest problems – reliable access to clean water. Our LIFE-LINK initiative brings clean water solutions to some of the poorest places in the world. In December 2015, we were awarded the United Nations' Momentum for Change Lighthouse Activity Award for our LIFELINK solutions. Most recently, we have launched the AQTap, an innovative water dispenser solution which provides water utilities better options of controlling the water supply in areas with water scarcity, and the AQPure that effectively turns potentially contaminated surface water and river water into water of drinking quality.

At the UNFCCC COP21 held in December 2015 in Paris, Grundfos was among those industrial companies that strongly advocated a binding international agreement on CO₂ emissions. We are happy to see the progress that was made on climate change in Paris, although we think the ambition level and commitment among the political leadership for reducing CO₂ emissions could go much further.

For Grundfos, the most important long-term task continues to be our contribution to a sustainable world. We aim to reduce our own environmental impact by maintaining CO₂ emissions below 2008 levels in spite of the company's growth, and by continuously cutting both energy and water consumption in our production. These ambitions have also been met in 2015.

Organisation and Management

The Grundfos organisation has seen a number of changes aimed at reducing complexity while supporting existing capabilities with a more streamlined and simple approach. This journey will continue to meet the challenges with agility.

Group Management was made complete during the year with the addition of Stéphane Simonetta as new Executive Vice President of Operations, and who replaced Lars Aagaard, who took over as Executive Vice President of Business Development.

Outlook

In 2016, we expect the global economy to be characterised by considerable instability and unpredictability, and therefore anticipate only moderate sales growth. We plan for a continued growth in earnings, although with a lower growth rate than in 2015.

Events after the balance sheet date

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

Sustainability

Due to rising global temperatures and increasing water scarcity, the world is facing major social, environmental and economic challenges. Grundfos is part of the solution to solving these challenges. Our purpose states: “*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.*” We strive to conduct our business in a sustainable way, from ensuring healthy and safe working conditions and reducing the environmental impact of our own operations and those of our customers to making a companywide commitment to respect human rights. Since 2002, we have supported the UN Global Compact and we continue to do so. Our sustainability efforts are concentrated around six focus areas: Sustainable Product Solutions, People Competences, Environmental Footprint, Workplace, Community and Responsible Business Conduct.

Sustainable Product Solutions

Every day, the world faces major challenges as a result of climate change and resource scarcity. We strive to help solving these challenges. We are doing so by delivering the most energy-effective circulation pump solutions, by improving the design and production phase of our solutions and by producing solutions to help water-related problems, such as flooding and water scarcity. An example of this is the Grundfos LIFELINK solution, which in 2015 was honoured with the UN Momentum for Change Lighthouse Activity Award at COP21 in Paris for its contribution to sustainable water supply in Kenya and Uganda.

Securing our License to Operate: With increasing demands from regulatory bodies, international standards and customers, Grundfos has used 2015 and will use 2016 to further strengthen our processes to ensure that we live up to stricter management standards before they become mandatory.

Design and product development: We aim to incorporate environmental and social considerations even more in the various stages of our product development process. To facilitate this integration, we have developed a Sustainable Product Solution Toolbox, which aims to enable lifecycle thinking based on eco-design best practices.

People Competences

Leadership development: When we launched the new Strategy 2020, many leadership development initiatives were launched to support strong strategy deployment. More than 700 leaders were involved in hands-on leadership development/-training at eight Strategy Deployment Sessions in Shanghai, Frankfurt, Chicago, Singapore and Bjerringbro. Following these sessions, the 700 leaders attending have been facilitating strategy sessions with the rest of the leadership population in the company. This has provided a strong foundation for the continued deployment of the Strategy 2020.

Water2Life: Our employee programme Water2Life provides access to clean drinking water for poor people in developing countries. However, the purpose of Water2Life goes beyond providing clean drinking water; Water2Life also builds a sustainable mindset among employees. Grundfos employees around the world arrange events

and happenings in their local companies, encouraging colleagues to donate to Water2Life. Grundfos doubles the amount donated by the employees. In 2015, this resulted in four new water systems established in the Mekong region in Vietnam.

	2008	2014	2015
CO ₂ (Metric tonnes)	132,603	107,616	99,627
Energy (MWh)	347,207	314,966	305,739
Water (m ³)	655,136	445,869	435,038

Please note that comparison figures from 2008 and 2014 have been adjusted since first reported. This is due to enhanced data-measurement and reporting processes.

Energy and CO₂: Our ambition is to never emit more CO₂ than in 2008 in absolute terms. We reduced our CO₂ emissions by 7 per cent compared to 2014; meaning a 25 per cent reduction compared to 2008 levels. Grundfos reduced its CO₂ emissions mainly through reducing its energy consumption. During 2015, we have implemented several energy reduction initiatives across our facilities. Investments included replacing old motors and pumps through Grundfos' motor and pump replacement programme, lighting schemes across our largest production facilities as well as an extension of our symbiotic partnership with Bjerringbro district heating at our headquarters and our largest production facility. Energy consumption has been reduced by 3 per cent in 2015, 12 per cent compared to 2008.

Water: Our commitment to reducing water consumption by 50 per cent by 2025 compared to 2008 is progressing as planned. In 2015, water consumption was reduced by 2 percent compared to 2014, and compared to 2008 the consumption has been reduced by 34 per cent. Local water initiatives have been key to obtaining this reduced water consumption. From water harvesting projects in Hungary and in the UK to water optimisation in toilet, shower and kitchen facilities in China. Projects aimed at ongoing reductions in water consumption will continue in 2016.

Chemical management: Since 2013, we have been working actively with all our suppliers worldwide to ensure that they comply with the Grundfos Focus List, which is based on EU chemical legislation. The continued work with Product Chemical Compliance covers the whole supply chain – starting with our development projects. This is also to ensure fast response to growing customer request regarding documenting legal compliance.

Workplace

Diversity: The Board of Directors of Poul Due Jensens Fond consists of 12 members, of whom the Grundfos Group's European employees elect four. The remaining eight members consist of five men and three women. The women thus constitute 37.5 per cent. The Board of Directors is aware that this figure is lower than recommended according to the rules on the gender composition of managements of the largest Danish companies. The Board has set a goal for achieving the recommended balance of 50 per cent in connection with the planned changes to the Board in 2017.

In order to achieve a truly innovative environment, and one where Grundfos can maintain its position as a trendsetter within water technology, we need to have a diverse workforce; this includes gender equality among managers and non-Danes in executive positions. For management positions, the group has defined a diversity policy in which the aim is to increase the number of non-Danes and women in management. Our aim is to have 25 per cent female representation in management positions by 2017. In 2015, 20 per cent of managers in Grundfos were female, so we are not seeing the progress for which we had hoped. Plans are therefore being implemented to

integrate more diversity into Grundfos' recruitment processes and leadership programmes to facilitate having a more diverse workforce. Non-Danes in executive positions made up 41 per cent in 2015.

During 2016, we will launch the new People Dashboard, where employees in Grundfos can follow the development of a number of KPIs, including gender equality and non-Danes in executive positions. With this dashboard, we wish to communicate openly and transparently according to our values, as we believe this will improve diversity in Grundfos.

Employees on special terms: It has always been a part of Grundfos to take care of people with reduced work capabilities. In 2015, 2.2 per cent of our workforce was employed on special terms. This includes employees with special needs and employees who have been affected by long-term unemployment. Grundfos wishes to focus more strongly on employees on special terms, which is why we, in 2015, initiated a process to reassess the scope and definition of this area, which will carry on in 2016.

Health and safety: In 2015, the number of lost time injuries was 5 percent higher than in 2014. There should be no doubt that this is not acceptable. This is also the reason why we have introduced a new health and safety standard. The standard covers all of Grundfos, including production, sales and service employees working outside Grundfos premises. To ensure that all employees focus on safety, each company has assigned at least one health and safety responsible officer. Through intensive training, the appointed officer acquires a thorough understanding of Grundfos' health and safety standards. Furthermore, the responsible health and safety officers drive local health and safety processes, such as risk assessments, safety walks and near-miss assessments.

Community

Grundfos wishes to improve our positive impact on the communities in which we operate. Many of our companies support their local communities. For example, Grundfos in South Africa provides basic education to underprivileged schools in rural areas, through a project called SACRED. Another example is Grundfos in Mexico who has donated a pump system to a local community, giving the inhabitants access

to clean drinking water. Furthermore, Grundfos has donated DKK 500,000 to help ease the current refugee situation in Syria and Afghanistan.

Responsible Business Conduct

Grundfos has supported the Global Compact since 2002, and our commitment to its principles is also integrated in our Code of Conduct. We have an Ethics Committee to ensure that potential breaches of our Code of Conduct will be subject to a thorough and impartial assessment. The committee will also advise Group Management on ethical issues. Employees have the option to report potential breaches of the Code of Conduct anonymously to the Ethics Committee.

In 2015, the number of claims received was 13. All the cases were assessed by the Ethics Committee, which determined one of these claims to be a breach of the Code of Conduct.

In 2015, we developed a training programme to improve the competences of the employees conducting Code of Conduct investigations. A series of initiatives have also been introduced to strengthen our business ethics programme, mainly focusing on capacity building through workshops and supporting materials.

We launched our Grundfos Human Rights policy in 2014, which states that Grundfos supports and respects the protection of internationally proclaimed human rights. In 2015, we conducted a human rights mapping exercise to identify our areas of impact. Our partnership with Business for Social Responsibility (BSR) continued in 2015 with a project aimed at developing our internal capacities in relation to human rights. This included creating a gap assessment tool, which will be used in a pilot project in five countries in 2016.

Key figures and financial ratios

Amounts in DKKm

CONSOLIDATED PROFIT AND LOSS ACCOUNT	2015	2014	2013	2012	2011
Net turnover	24,800	23,618	23,254	22,590	21,166
Operating profit	1,900	860	1,403	1,801	2,035
Earnings before interest and tax (EBIT)	2,014	861	1,405	1,805	2,039
Result of financials	4	20	70	76	(28)
Profit before tax	2,018	881	1,475	1,881	2,011
Consolidated profit after tax	1,450	503	1,049	1,336	1,421
Profit for the year (excluding minorities)	1,286	443	931	1,175	1,250

CONSOLIDATED BALANCE SHEET

<i>Assets</i>	2015	2014	2013	2012	2011
Intangible fixed assets	1,316	1,432	1,566	1,663	1,256
Tangible fixed assets	6,991	7,125	7,002	6,726	6,074
Fixed asset investments	1,529	1,291	1,767	1,853	1,718
Current assets	12,922	11,519	11,075	10,695	10,379
Total assets	22,758	21,367	21,410	20,937	19,427
<i>Liabilities</i>					
Equity	14,679	13,212	12,983	12,317	10,949
Minority interests	1,489	1,338	1,364	1,354	1,340
Provisions	1,220	1,343	1,355	1,461	1,222
Long-term liabilities	143	136	162	760	906
Short-term liabilities	5,227	5,338	5,546	5,045	5,010
Total liabilities	22,758	21,367	21,410	20,937	19,427

FINANCIAL RATIOS

Number of employees at year-end	17,945	18,878	18,776	17,984	17,481
Capital investments, tangible	954	1,126	1,496	1,530	1,202
Capital investments, intangible	281	308	265	433	313
Total capital investments	1,235	1,434	1,761	1,963	1,515
Research and development costs, incl. capitalised	1,106	1,293	1,302	1,367	1,224
Interest-bearing net accounts receivable/(liabilities)	4,153	2,653	2,849	2,645	2,759
Net cash flow from operating and investment activities	1,440	396	274	245	794
Sales growth	5.0%	1.6%	2.9%	6.7%	7.9%
Profit before tax as a percentage of net turnover	8.1%	3.7%	6.3%	8.3%	9.5%
Return on equity	9.4%	3.5%	7.5%	10.3%	11.9%
Equity ratio	71.0%	68.1%	67.0%	65.3%	63.3%

DEFINITION OF KEY FIGURES

Sales growth: Yearly change in consolidated net turnover.

Return on equity: Consolidated profit as a percentage of the average equity inclusive minority interests.

Equity ratio: Equity inclusive of minority interests at year-end as a percentage of total assets.

Management's statement

On today's date, the Board of Directors and the Executive Management have reviewed and approved the 2015 Annual Report covering the financial year 1 January to 31 December 2015 for Poul Due Jensens Fond.

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

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the Group's and the Parent Foundation's assets, liabilities and financial position as at 31 December 2015 and of their financial performance and the consolidated cash flows 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.

Bjerringbro, 3 March 2016

Executive Director
Christian Hartvig

Board of Poul Due Jensens Fond



Rudolf Martini, Member of the Board,
Elected by employees. **Monika Fulopne Stugner**, Member of the Board, Elected by employees. **Bo Risberg**, Member of the Board. **Poul Due Jensen**, Member of the Board. **Ingermarie Due Nielsen**, Member of the Board. **Mogens Henriksen**, Member of the Board, Elected by employees. **Niels Due Jensen**, Chairman. **Jens Maaløe**, Member of the Board. **Estrid Due Hesselholt**, Member of the Board. **Jens Moberg**, Member of the Board. **Ingelise Bogason**, Vice Chairman. **Randi Rasmussen**, Member of the Board, Elected by employees.

Niels Due Jensen
Chairman

Ingelise Bogason
Vice Chairman

Bo Risberg
Member of the Board

Poul Due Jensen
Member of the Board

Jens Moberg
Member of the Board

Jens Maaløe
Member of the Board

Estrid Due Hesselholt
Member of the Board

Ingermarie Due Nielsen
Member of the Board

Rudolf Martini
Member of the Board
Elected by employees

Randi Rasmussen
Member of the Board
Elected by employees

Mogens Henriksen
Member of the Board
Elected by employees

Monika Fulopne Stugner
Member of the Board
Elected by employees

Independent auditor's report

To Poul Due Jensens Fond

Report on the consolidated annual accounts and annual accounts of the Parent Foundation

We have audited the consolidated annual accounts and annual accounts of Poul Due Jensens Fond 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 for the Group as well as for the Parent Foundation, and the consolidated cash flow statement. The consolidated annual accounts and annual accounts of the Parent Foundation are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated annual accounts and parent annual accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated annual accounts and annual accounts of the Parent Foundation

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 consolidated annual accounts and annual accounts of the Parent Foundation are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts and annual accounts of the Parent Foundation. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated annual accounts and annual accounts of the Parent Foundation, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated annual accounts and annual accounts of the Parent Foundation that give 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 consolidated annual accounts and annual accounts of the Parent Foundation.

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 consolidated annual accounts and annual accounts of the Parent Foundation give a true and fair view of the Group's and the Parent Foundation's financial position at 31 December 2015, and of the results of their operations and the consolidated cash flows 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 consolidated annual accounts and annual accounts of the Parent Foundation.

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

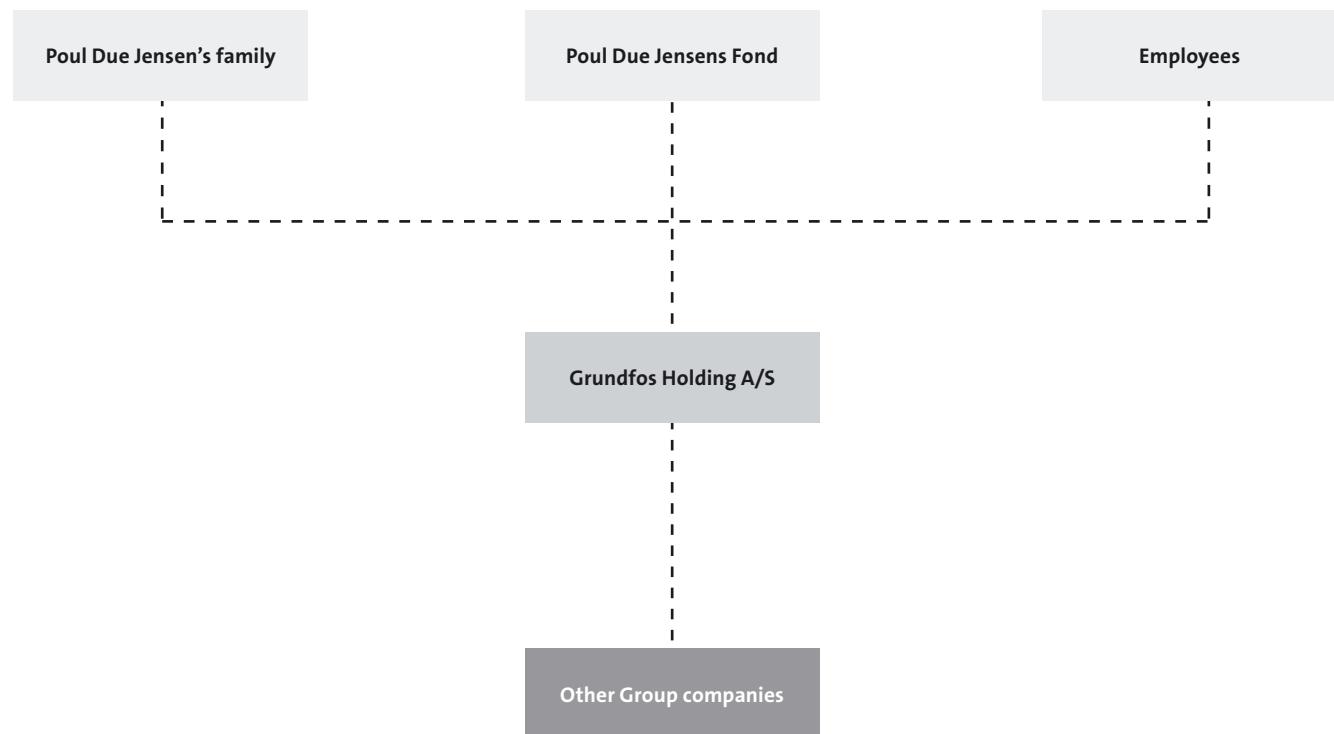
Copenhagen, 3 March 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no.: 3396 3556

Anders Dons
State Authorised Public Accountant

Thorsten Jørgensen
State Authorised Public Accountant

Group structure overview



Board of Grundfos Holding A/S



Jens Maaløe, Member of the Board. Niels Due Jensen, Member of the Board. Zsusanna Tóth, Member of the Board, Elected by employees.
Jens Moberg, Chairman of the Board. Ingelise Bogason, Member of the Board. Kitty Thaarup Herholdt, Member of the Board, Elected by employees.
Randi Rasmussen, Member of the Board, Elected by employees. Bo Risberg, Vice Chairman.

Group Management



Kim Nøhr Skibsted, Group Vice President – Communications. Poul Due Jensen, Group Executive Vice President – Sales, Marketing & Services.
Mikael Geday, Group Executive Vice President – Finance, IT & Legal Affairs. Mads Nipper, CEO and Group President.
Henrik M. Christiansen, Group Senior Vice President – Human Resources. Stéphane Simonetta, Group Executive Vice President – Operations.
Lars Aagaard, Group Executive Vice President – Business Development (not present).

Accounting policies

The Grundfos Group

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

As mentioned in the management report, a change in management estimates regarding internal profit elimination on inventory has been implemented.

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

General information about recognition and measurement

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

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

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

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

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

Income is recognised in the profit and loss account as it is realised, including value adjustment of financial assets and liabilities, which are measured at market value or

amortised cost. In addition, costs incurred in order to achieve the earnings for the year, including depreciation, write-downs, provisions and reversals following accounting estimates of amounts which have previously been recognised in the profit and loss account, are recognised.

Consolidation policies

The consolidated annual accounts comprise Poul Due Jensens Fond (Parent Foundation) and the companies (subsidiaries), where the Parent Foundation directly or indirectly owns more than 50 per cent of the voting shares or in another way has a dominant participation. Companies in which the Group owns between 20 and 50 per cent of the voting shares and has a significant position are considered affiliated companies.

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

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

When acquiring new companies, the acquisition method is used, upon which the identified assets and liabilities in the newly acquired companies are measured at market value at the date of acquisition. Provisions are made for planned and published reorganisation in the acquired company in connection with the acquisition. Positive balances are recognised as Group goodwill in the year of acquisition. Any negative balances (badwill) are entered under provisions and are systematically recognised as revenue for a number of years, up to a maximum of 20 years.

When subsidiaries are sold, they cease to be recognised in the profit and loss account

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

Minority interests

The items of subsidiaries are fully recognised in the consolidated annual accounts. The minority interests' prorated share of the profit and equity of the subsidiaries is adjusted annually and recorded as separate items in the profit and loss account and the balance sheet.

Foreign currency translation

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

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

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

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

Foreign exchange rate adjustments of balances, which are considered part of the total investment in companies with a dif-

ferent functional currency than Danish kroner, are recognised directly in the equity.

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

Derivative financial instruments

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

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

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

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

Public grants

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

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

Profit and loss account

Net turnover

Net turnover is recognised in the profit and loss account, provided that delivery and

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

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

Production costs

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

Research and development costs

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

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

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

Sales and distribution costs

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

Administrative costs

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

Staff costs

Staff costs include the Group's total costs of wages, salaries, pensions and other social insurance costs. Staff costs also include costs in accordance with the Group's employee share programme, including the regulation of provisions for coverage of the Foundation's obligation to buy back shares from employees.

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

Amortisation of Group goodwill

As amortisation of Group goodwill cannot be distributed on functions in order to give a true and fair view, such amortisation is shown as an individual item in the profit and loss account.

Other operating income

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

Share of profit, affiliated companies

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

Income from fixed asset investments

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

Financials

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

Tax on profit for the year

The anticipated tax on the taxable income of the year in the individual companies is

charged to the profit and loss account, adjustment being made for timing differences in relation to the provided deferred tax. The portion of the tax expense attributable to items directly in the equity, however, is recognised in the equity.

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

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

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

Balance sheet

Intangible fixed assets

Development projects

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

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

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

After completion of the development work, capitalised development projects are amortised by the straight-line method over the

anticipated economic life of the asset.

The amortisation period is 5-10 years.

In the case of development projects that are considered to have great sales potential and where the anticipated economic life of the developed products and technologies so warrant, the amortisation period exceeds five years.

Group goodwill

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

Group goodwill is amortised according to the straight-line method over the anticipated economic life. The amortisation period for Group goodwill is up to 20 years.

In the case of strategic acquisitions, and where the economic life so warrants, the amortisation period exceeds five years.

Other intangible fixed assets

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

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

Tangible fixed assets

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

Technical installations and machinery as well as other installations are measured at cost less accumulated depreciation and write-downs. The cost price comprises the purchase price, expenses directly connected to the acquisition and expenses for the preparation of the asset until the time when the asset is ready for use. Tangible fixed assets produced in-house are recorded at initial cost, including a proportion of the indirect production costs.

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

Buildings 20-40 years

Technical installations and machinery..... 3-10 years
Other technical installations... 3-10 years

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

Value in use of intangible and tangible fixed assets

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

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

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

Financial fixed assets

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

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

Listed shares are measured at market value. Non-listed shares are measured at the estimated market value, unless it is not possible to reliably determine such a value.

Inventories	Provisions	
Inventories are measured at cost in accordance with the FIFO principle or net realisable value, whichever is lower.	Liabilities under guarantee Provisions made to cover liabilities under guarantee are recognised on the basis of previous years' experience concerning claims raised within the guarantee period.	to the scheme are recognised in the profit and loss account.
The cost of goods for resale, raw materials and consumables includes the purchase price with the addition of delivery costs. The cost of manufactured goods and work in progress includes expenses for raw materials, consumables and direct wages as well as indirect production costs.	Buy-back obligation relating to employee shares Provisions are made to cover the obligation that rests with the Group regarding buy-back of employee shares. The provision made is measured on the basis of future expectations to share prices, considering the long-term development of Group profits, the topicality of the obligation and the market value of the shares.	Actuarial gains and losses in excess of the higher of either 10 per cent of the calculated pension liability or 10 per cent of the market value of the pension fund assets are amortised over the remainder of the employee's estimated work life in the Group. Actuarial gains and losses below the 10 per cent limit are not recognised in the annual accounts, but are included in the actuarial projections (the corridor method).
Indirect production costs include a proportion of the capacity costs incurred which have led to the current position and condition of goods in progress and manufactured goods. The indirect production costs calculated include costs of operation, maintenance and depreciation relating to production facilities, as well as administration and factory management.	Pension liabilities The Group has made pension agreements with a considerable number of its employees. The majority of the agreements are for defined contribution schemes, whereas defined benefit schemes have been agreed for employees in a few companies.	Provisions are made during the employment period to cover other minor pension liabilities – relating to benefit schemes – resting with the Group.
Obsolete goods, including slow-moving goods, are written down. The net realisable value of inventories is calculated as the estimated selling price less cost of completion and expenses incurred to make the sale.	In connection with contribution schemes, the Group makes regular payments to independent pension companies. The Group has no obligations apart from these payments.	Other provisions These provisions include other obligations, including anniversary lump sums, legal disputes, unhedged insurance risks, share-based long-term incentive programme etc. Obligations related to the share-based long-term incentive programme are measured according to the graded vesting principle.
Accounts receivable	Deferred tax	
Accounts receivable are measured at amortised cost less writing down to meet the risk of losses based on individual assessments. The loss potential of minor receivables is estimated on the basis of their age.	Defined benefit schemes, organised in independent pension funds, are characterised by the employees being entitled to a certain annual benefit in connection with retirement (e.g. a share of the employee's exit salary). Such pension liabilities are calculated for the Group by actuarially discounting pension liabilities to the net present value, which is calculated on the basis of assessments of the future development in, among other things, interest, inflation, mortality and disablement. The actuarially calculated net present value less assets attached to the scheme is recognised in the balance sheet under pension liabilities.	Deferred tax is measured by the balance sheet liability method of all temporary differences between the accounting and tax value of assets and liabilities. For consolidation purposes, deferred tax is calculated on the eliminated unrealised internal profit margins. Deferred tax liabilities relating to investments in affiliated companies are not calculated.
Contracted work in progress is measured at sales value of the completed part of the contracts as at the balance sheet date.	Prepayments recognised under assets include costs incurred relating to the following accounting year. Prepayments are measured at cost.	Deferred tax assets are recognised in the balance sheet provided that they are likely to reduce tax payments within a short period of time.
Securities (current assets)		
Securities include bonds and shares measured at market value.	Actuarial gains and losses incurred as a consequence of changes in the basis for the calculation of the pension liability or in the calculation of the assets attached	Deferred tax is measured on the basis of tax rules and tax rates that – based on current legislation on the balance sheet date – will be in force when the deferred tax is expected to be converted into current tax.
Realised and unrealised capital losses and realised and unrealised capital gains are included in the profit and loss account under financials.	Financial liabilities Mortgage debt and debt owed to banks, 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.

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

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

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

Cash flow statement

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

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

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

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

Available funds include cash resources.

The Parent Foundation

Income from investments in affiliated companies

Income from investments in affiliated companies is recognised in accordance with the equity method, which means that the prorated share of the affiliated companies' profit following elimination of internal

margins is recognised in the Parent Foundation's profit and loss account.

Other operating expenses

Other operating expenses comprise revenue and expenditure of a secondary nature, including gains from the sale of shares and provisions regarding the buy-back obligation relating to employee shares.

Distributions

Distributions from the Parent Foundation, which are recognised as costs in the consolidated profit and loss account, are shown as an equity adjustment in the Parent Foundation.

Investment in affiliated companies

Investments in affiliated companies are measured by the equity method at the prorated owned share of the companies' equity.

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

Consolidated profit and loss account

1 January – 31 December 2015

Amounts in DKKm

	Note	2015	2014
Net turnover	1	24,800	23,618
Production costs	2, 3	(15,862)	(15,052)
Gross profit		8,938	8,566
Research and development costs	2, 3	(1,111)	(1,335)
Sales and distribution costs	2, 3	(3,852)	(4,023)
Administrative costs	2, 3	(1,996)	(2,244)
Amortisation of Group goodwill		(79)	(104)
Operating profit		1,900	860
Other operating income		115	0
Share of profit, affiliated companies		(1)	1
Earnings before interest and tax		2,014	861
Income from fixed asset investments		24	31
Financial income	4	154	98
Financial costs	5	(174)	(109)
Profit before tax		2,018	881
Tax on profit for the year	6	(568)	(378)
Consolidated profit after tax		1,450	503
Minority shareholders' share of profits in subsidiaries		(164)	(60)
Profit for the year		1,286	443

Consolidated balance sheet

As at 31 December 2015

Amounts in DKKm

ASSETS	Note	2015	2014
<i>Fixed assets</i>			
Intangible fixed assets			
Completed development projects		308	419
Group goodwill		351	429
Other intangible fixed assets		331	363
Development projects in progress		326	221
	7	1,316	1,432
Tangible fixed assets			
Land and buildings		3,078	3,142
Technical installations and machinery		2,995	2,801
Other technical installations		322	364
Tangible fixed assets in progress		596	818
	8	6,991	7,125
Financial fixed assets			
Investments in affiliated companies		8	10
Securities		1,019	905
Deferred tax assets	9	358	264
Other accounts receivable		144	112
	10	1,529	1,291
Total fixed assets		9,836	9,848
<i>Current assets</i>			
Inventories	11	3,762	4,162
Accounts receivable			
Trade debtors		4,475	4,302
Other accounts receivable		1,184	924
Prepayments		176	166
		5,835	5,392
Securities		459	462
Cash at bank and in hand		2,866	1,503
Total current assets		12,922	11,519
Total assets		22,758	21,367

Amounts in DKKm

LIABILITIES	Note	2015	2014
<i>Equity</i>			
Registered capital		505	505
Retained profit		14,174	12,707
Total equity		14,679	13,212
Minority interests	12	1,489	1,338
<i>Provisions</i>			
Liabilities under guarantee	13	202	169
Buy-back obligation relating to employee shares	13	330	361
Pension liabilities	13	259	300
Other provisions	13	370	429
Deferred tax liabilities	9	59	84
Total provisions		1,220	1,343
<i>Liabilities</i>			
Long-term liabilities			
Mortgage debt		73	73
Bank loans		56	36
Other monetary creditors		14	27
	14	143	136
Short-term liabilities			
Short-term element of long-term liabilities		33	70
Bank overdrafts and loans		15	11
Trade creditors		2,206	2,384
Corporation tax		295	107
Other liabilities		2,454	2,555
Deferred income		224	211
		5,227	5,338
Total liabilities		5,370	5,474
Total equity, minority interests, provisions and liabilities		22,758	21,367

Financial instruments	15
Auditors' remuneration	16
Related parties	17
Securities, contingent liabilities, etc.	18
Financial risks	23

Statement of changes in consolidated equity

1 January – 31 December 2015

Amounts in DKKm

	Registered capital	Retained profit	Total equity
Equity 01.01.2014	505	12,478	12,983
Profit for the year		443	443
Exchange rate adjustments, subsidiary companies, etc.		(49)	(49)
Dividend paid		(8)	(8)
Reversed value of hedging instruments, opening		(51)	(51)
Reversed tax on equity items, opening		17	17
Recognised value of hedging instruments, closing		(160)	(160)
Recognised tax on equity items, closing		37	37
Equity 31.12.2014	505	12,707	13,212
Profit for the year		1,286	1,286
Exchange rate adjustments, subsidiary companies, etc.		127	127
Dividend paid		(4)	(4)
Reversed value of hedging instruments, opening		160	160
Reversed tax on equity items, opening		(37)	(37)
Recognised value of hedging instruments, closing		(87)	(87)
Recognised tax on equity items, closing		22	22
Equity 31.12.2015	505	14,174	14,679

Consolidated cash flow statement

1 January – 31 December 2015

Amounts in DKKm

	Note	2015	2014
Consolidated profit after tax		1,450	503
Adjustments	19	1,845	1,916
Changes in working capital	20	(142)	(648)
Cash flow from operating activities before financials		3,153	1,771
Income from fixed asset investments		24	31
Financial income		100	57
Financial costs		(169)	(105)
Cash flow from ordinary activities		3,108	1,754
Corporation tax paid		(562)	(531)
Cash flow from operating activities		2,546	1,223
Divestment of companies		208	0
Investment in tangible fixed assets		(954)	(1,126)
Disposal of tangible fixed assets		18	10
Investment in intangible fixed assets		(281)	(308)
Disposal of other financial assets		0	82
Purchase and sale of securities		(97)	515
Cash flow from investment activities		(1,106)	(827)
Net cash flow from operating and investment activities		1,440	396
Repayment of liabilities		(29)	(568)
Distribution of dividend		(34)	(71)
Acquisition of minority interests		0	0
Cash flow from financing activities		(63)	(639)
Change in liquid funds		1,377	(243)
Available funds, opening	21	1,489	1,746
Available funds, closing	22	2,866	1,503

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

Notes to the consolidated accounts

Amounts in DKKm

Note 1	Net turnover	2015	2014
Europe (including Russia)		13,242	13,672
North and South America		4,253	3,307
Asia		5,808	5,246
The Middle East/Africa		1,497	1,393
		24,800	23,618

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

Note 2	Staff costs	2015	2014
Total Group payments to employees and the Board of Directors		5,575	5,575
Pensions		437	424
Social contributions		740	707
		6,752	6,706
Staff costs are recognised as follows:			
Production costs		3,126	3,052
Research and development costs		643	676
Sales and distribution costs		1,963	1,956
Administrative costs		1,020	1,022
		6,752	6,706
The staff costs of the year include fees to the Executive Director and members of the Board of the Foundation for directorships in the Foundation and other Group units totalling		11	10
Of this, fees to the Executive Director and members of the Board of the Foundation		5	5
For 2015, the Group has introduced a long-term incentive (LTI) programme targeted at Group Management and other members of senior management. Members of the boards of the Poul Due Jensens Fond and Grundfos Holding A/S do not participate in the LTI programme unless a board member is part of senior management.			
Under the LTI programme, participants may receive shares in Grundfos Holding A/S based on the Group meeting certain targets for profit growth and Return on Capital Employed. Shares granted will be vested to the participants in the four years following the year in which they were earned.			
Average number of full-time employees		18,214	19,078
Number of employees, closing		17,945	18,878

Amounts in DKKm

Note 3 Depreciation, amortisation and write-downs

	2015	2014
Intangible fixed assets	396	450
Tangible fixed assets	1,114	1,029
	1,510	1,479
Recognised in the profit and loss account under the following items:		
Production costs	967	881
Research and development costs	263	312
Sales and distribution costs	97	94
Administrative costs	104	88
Group goodwill	79	104
	1,510	1,479

Note 4 Financial income

	2015	2014
Price adjustment, etc. from shares	49	37
Interest income from bonds	3	7
Other financial income	102	54
	154	98

Note 5 Financial costs

	2015	2014
Price adjustments, etc. from bonds	5	4
Other financial costs	169	105
	174	109

Amounts in DKKm

Note 6	Tax on profit for the year	2015	2014
Current tax		683	400
Deferred tax		(117)	(39)
Change in deferred tax due to changes in tax rates		(2)	(6)
Adjustment re previous years		4	23
Tax on profit for the year		568	378
Restatement of rate of taxation for the year:			
Danish rate of taxation		24%	25%
Deviations in tax in foreign companies in relation to Danish rate of taxation		0%	(3%)
Non-taxable income and non-deductible expenses		0%	4%
Non-deductible write-downs on goodwill		1%	3%
Non-deductible withholding taxes		3%	6%
Change re deferred tax assets		0%	6%
Other, including adjustments re previous years		0%	3%
Changes in tax rates		0%	(1%)
Rate of taxation for the year		28%	43%

Note 7	Intangible fixed assets	Completed development projects	Other intangible fixed assets		Development projects in progress	Total
			Group goodwill	intangible fixed assets		
	Cost					
	Cost 01.01.2015	911	1,131	1,028	221	3,291
	Exchange rate adjustments	0	3	2	0	5
	Additions of the year	0	0	125	156	281
	Disposals of the year	(126)	30	(188)	0	(284)
	Transfers	51	0	3	(51)	3
	Cost 31.12.2015	836	1,164	970	326	3,296
	Acc. amortisation/write-downs of the year					
	Acc. amortisation/write-downs 01.01.2015	492	702	665	0	1,859
	Exchange rate adjustments	0	2	3	0	5
	Amortisation of the year	157	79	155	0	391
	Write-downs of the year	5	0	0	0	5
	Amortisation and write-downs on disposals of the year	(126)	30	(184)	0	(280)
	Transfer	0	0	0	0	0
	Acc. amortisation/write-downs 31.12.2015	528	813	639	0	1,980
	Accounting value 31.12.2015	308	351	331	326	1,316
	Accounting value 31.12.2014	419	429	363	221	1,432

Amounts in DKKm

Note 8	Tangible fixed assets	Land and buildings	Technical installations and machinery	Other technical installations	Tangible fixed assets in progress	Total
Cost						
Cost 01.01.2015		5,482	10,538	1,276	818	18,114
Exchange rate adjustments		115	165	22	9	311
Acquisition/sale of activities		(90)	(47)	(7)	0	(144)
Additions of the year		102	316	56	480	954
Disposals of the year		(28)	(133)	(32)	(51)	(244)
Transfers		56	578	25	(660)	(1)
Cost 31.12.2015		5,637	11,417	1,340	596	18,990
Acc. depreciation/write-downs of the year						
Acc. depreciation/write-downs 01.01.2015		2,340	7,737	912	0	10,989
Exchange rate adjustments		50	66	18	0	134
Acquisition/sale of activities		(15)	(30)	(6)	0	(51)
Depreciation of the year		206	783	125	0	1,114
Depreciation and write-downs on disposals of the year		(22)	(133)	(31)	0	(186)
Transfers		0	(1)	0	0	(1)
Acc. depreciation/write-downs 31.12.2015		2,559	8,422	1,018	0	11,999
Accounting value 31.12.2015		3,078	2,995	322	596	6,991
Accounting value 31.12.2014		3,142	2,801	364	818	7,125

The accounting value of financially leased facilities as at 31.12.2015 amounts to DKK 11m (2014: DKK 5m).

Note 9	Deferred tax assets/deferred tax liabilities		2015	2014
Deferred tax broken down:				
Fixed assets			(219)	(240)
Current assets			397	298
Provisions			(10)	25
Liabilities			126	80
Deficit			5	17
			299	180
The above has been recognised in the balance sheet as:				
Deferred tax assets			358	264
Deferred tax liabilities			(59)	(84)
			299	180

Amounts in DKKm

Note 10	Financial fixed assets	Investments in affiliated companies	Securities	Deferred tax assets	Other accounts receivable	Total
Cost						
Cost 01.01.2015	20	895	264	157	1,336	
Exchange rate adjustments	0	14	9	2	25	
Additions of the year	0	227	119	95	441	
Disposals of the year	0	(128)	(34)	(96)	(258)	
Cost 31.12.2015	20	1,008	358	158	1,544	
Acc. depreciation/write-downs of the year						
Acc. depreciation/write-downs 01.01.2015	10	(10)	0	45	45	
Exchange rate adjustments	0	0	0	(5)	(5)	
Revaluations of the year	0	(1)	0	4	3	
Write-downs of the year	2	0	0	(30)	(28)	
Acc. depreciation/write-downs 31.12.2015	12	(11)	0	14	15	
Accounting value 31.12.2015	8	1,019	358	144	1,529	
Accounting value 31.12.2014	10	905	264	112	1,291	

The market value of securities as at 31.12.2015 amounts to DKK 1,016m (2014: DKK 938m).

Note 11	Inventories	2015	2014
Raw materials and consumables	1,611	1,846	
Work in progress	1,013	892	
Manufactured goods and goods for resale	1,138	1,424	
	3,762	4,162	

Note 12	Minority interests	2015	2014
01.01.2015		1,338	1,364
Changes to minority interests		(1)	0
Exchange rate adjustment		11	(1)
Profit for the year		164	60
Financial instruments		7	(21)
Dividend paid		(30)	(64)
31.12.2015		1,489	1,338

Amounts in DKKm

Note 13	Provisions	Liabilities under guarantee	Buy-back obligation relating to employee shares	Pension liabilities	Other provisions
	01.01.2015	169	361	300	429
	Exchange rate adjustments	4	0	1	7
	Divestment of company	0	0	(52)	0
	Provisions spent during the year	(15)	(53)	(20)	(84)
	Provisions reversed	(11)	0	(9)	(30)
	Provisions of the year	55	22	39	48
	31.12.2015	202	330	259	370

Liabilities under guarantee

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

Buy-back obligation relating to employee shares

The buy-back obligation relating to employee shares will typically not arise before the settlement period for the shares in question expires. The settlement periods expire as follows:

	2015	2014
Released	219	256
2017	111	105
	330	361

The buy-back obligation calculated at market value amounts to DKK 214m (2043: DKK 340m).

Pension liabilities

Unrecognised actuarial losses in connection with pension liabilities amount to DKK 400m (2014: DKK 432m).

Other provisions

Other provisions include DKK 8m (2014: DKK 0m) according to a global share based incentive programme for senior management in the Group.

Note 14	Long-term liabilities	2015	2014
Debt falling due after more than one year but less than five years:			
Mortgage debt		73	73
Bank loans		56	36
Other monetary creditors		14	27
		143	136

No debt falling due after more than five years.

Distribution of currencies and interest as at 31.12.2015:

Currency	2015	Average interest rate
EUR	86	4.7%
GBP	40	5.4%
Other	17	4.5%
Total	143	

Note 15 Financial instruments

For hedging purposes the Group has entered into the following financial contracts, which on the balance sheet date can be broken down into the following principal items:

	Volume 2015	Deferred recognition in the profit and loss account before tax 2015	Volume 2014	Deferred recognition in the profit and loss account before tax 2014
Currency contracts EUR	3,273	1	6,305	(78)
Currency contracts USD	512	15	1,210	(48)
Currency contracts GBP	0	0	144	(8)
Currency contracts AUD	315	4	230	20
Currency contracts, other	61	0	79	3
Interest rate swaps	113	(8)	114	(12)
Raw material contracts (DDKm)	761	(94)	484	(45)
Electricity contracts (MWh)	176	(15)	265	(10)
Gas contracts (m³)	373,000	0	373,000	0
Total		(97)		(178)

Amounts in DKKm

Note 16	Auditors' remuneration	2015	2014
	Fee to Deloitte for statutory auditing	12	13
	Fee to Deloitte for tax advisory services	10	9
	Fee to Deloitte for other services	13	10
		35	32

Note 17 Related parties

Related parties of Poul Due Jensens Fond comprise key management personnel, including the Executive Board and the Board of Directors of Poul Due Jensens Fond, as well as the Executive Board and the Board of Directors of Grundfos Holding A/S.

In addition, related parties comprise subsidiaries, including Grundfos Holding A/S, and enterprises in which the above persons have a controlling interest.

Subsidiaries

Poul Due Jensens Fond holds 88.1% of the share capital and voting rights in Grundfos Holding A/S, and thus exercises a controlling interest.

The Foundation has received DKK 220m in dividends from Grundfos Holding A/S in 2015.

In 2015, the Foundation has received DKK 29m in interest income from a loan to Grundfos Holding A/S. The loan amounted to DKK 2,525m at the end of 2015.

In the financial year, the Foundation has purchased services from the Group amounting to DKK 3m.

In the financial year, the Foundation has sold shares for DKK 1m in Grundfos Holding A/S back to Grundfos Holding A/S.

Key management personnel

In 2015, the key management personnel have received salaries and remuneration etc. totaling DKK 47m, of which DKK 5m has been paid from Poul Due Jensens Fond. Payable remuneration at 31 December 2015 amounts to DKK 5m.

In 2015, key management personnel have received DKK 26m in dividends from Grundfos Holding A/S.

Moreover, no transactions have been carried out with the key management personnel apart from transactions resulting from the employment except for the following:

To enterprises in which key management personnel Poul Due Jensens Fond exercise a controlling interest, the Group has sold goods and services for DKK 7m and the Group has purchased goods and services for DKK 14m in 2015. 31 December 2015, the Group has receivables of DKK 3m from these enterprises and payables of DKK 2m to these enterprises.

All transactions have been carried out on an arm's length basis.

Note 18 Securities, contingent liabilities, etc.

The Group has mortgaged property at a book value of DKK 11m as security for loans, which on the balance sheet date show outstanding debts of DKK 73m.

	2015	2014
Operational leasing contracts and lease obligations for the coming years amount to	767	708
No legal proceedings are in progress, nor have any other claims been filed against the Group which, in the Group Management's opinion, may have any particular influence on the Group's financial position.		

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

The Group has issued performance and payment guarantees of DKK 92m (2014: DKK 64m).

Note 19 Adjustments

	2015	2014
Depreciation	1,510	1,479
Liabilities under guarantee and other provisions	(125)	83
Gain from sale of fixed assets	0	(3)
Share of profit, affiliated companies	(1)	(1)
Profit from divestment in associated companies	(121)	0
Income from financial fixed assets	(24)	(31)
Unrealised value adjustments on securities	(31)	(37)
Financial income	(100)	(57)
Financial costs	169	105
Tax on profit for the year	568	378
Adjustments	1,845	1,916

Note 20 Changes in working capital

	2015	2014
Changes in inventories	387	(506)
Changes in accounts receivable	(415)	(497)
Changes in suppliers, etc.	(164)	380
Unrealised exchange rate adjustments	50	(25)
Changes in working capital	(142)	(648)

Note 21 Available funds, opening

	2015	2014
Cash at bank and in hand	1,503	1,748
Unrealised exchange rate adjustments	(14)	(2)
Available funds, opening	1,489	1,746

Amounts in DKKm

Note 22	Available funds, closing	2015	2014
Cash at bank and in hand		2,866	1,503
Available funds, closing		2,866	1,503

Note 23 Financial risks

As a result of the Group's international activities, group profit and equity are influenced by a number of financial risks. Foreign exchange risks in the operative companies are covered centrally, where interest and liquidity risks are also controlled, as well as a significant part of the external covering of the Group's financial positions.

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

Liquidity risk

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

	2015	2014
Cash at bank and in hand	2,866	1,503
Securities, current assets	459	462
Securities, fixed assets	1,019	905
	4,344	2,870
The securities portfolio consists of:		
Bonds	1,218	1,110
Shares	260	257
Total	1,478	1,367

Interest rate risk

The Group's interest rate risk is primarily related to bank deposits, bonds and loans. Bank deposits have a short investment horizon, while on the other hand the exposure of the bond portfolio, amounting to a total of DKK 1,218m (2014: DKK 1,110m) when expressed by an increase of the interest rate by 1 percentage point – is approx. DKK 55m (2014: approx. DKK 11m). The Group's total borrowing was reduced by DKK 26m in 2015 (2014: DKK 560m).

To reduce the Group's interest rate exposure, a set of general guidelines have been adopted for the Group's borrowing and use of interest rate instruments. Derivative financial instruments applied to reduce the interest rate risk totalled DKK 113m (2014: DKK 114m).

Foreign exchange risk

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

Forward exchange contracts used in connection with foreign exchange swaps amount to DKK 624m (2014: DKK 4,600m). The significant reduction is a result of a decision in 2015 that future intercompany loans will not be hedged.

Note 23 Financial risks – continued

The Group's policy is to secure the currency exchange rates for the most essential flow of goods. The most important currencies are the euro, the US dollar and the Australian dollar. At the end of 2015, currency contracts to reduce the foreign exchange risk in connection with the flow of goods amount to DKK 4,362m (2014: DKK 8,192m). Of this, a contract volume of DKK 201m has been recognised for hedging of balance sheet items as at the balance sheet date (2014: DKK 224m).

Raw material risk

The Group's policy is to fix prices for the manufacturing companies' use of the most important industrial metals. At the end of 2015, raw material futures contracts to reduce the raw material risk amount to DKK 761m (2014: DKK 484m).

Credit risk

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

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

Profit and loss account for Poul Due Jensens Fond

1 January – 31 December 2015

Amounts in DKKm

	Note	2015	2014
Administrative costs	1	(15)	(14)
Income from investments in subsidiaries		1,307	481
Provision for buy-back of employee shares		(17)	(30)
Financial income	2	29	27
Profit before tax		1,304	464
Tax on profit for the year	3	(3)	(3)
Profit for the year		1,301	461
Proposed profit appropriation			
Proposed distributions		20	20
Brought forward to revaluation reserve by the equity method		1,307	481
Retained profit		(26)	(40)
		1,301	461

Balance sheet for Poul Due Jensens Fond

As at 31 December 2015

Amounts in DKKm

ASSETS	Note	2015	2014
Fixed assets			
Financial fixed assets			
Investment in affiliated companies		12,494	11,226
Total fixed assets	4	12,494	11,226
Current assets			
Accounts receivable			
Accounts receivable from affiliated companies		2,525	2,352
Other accounts receivable		0	0
		2,525	2,352
Cash at bank and in hand			
	5		8
Total current assets		2,530	2,360
Total assets		15,024	13,586
LIABILITIES	Note	2015	2014
Equity			
Registered capital		505	505
Net revaluation by the equity method		11,492	10,224
Capital available		2,657	2,463
Proposed distribution		25	20
Total equity		14,679	13,212
Provisions			
Buy-back obligation relating to employee shares	5	330	361
Total provisions		330	361
Liabilities			
Short-term liabilities			
Company tax		0	3
Other liabilities		15	10
		15	13
Total liabilities		345	374
Total equity, provisions and liabilities		15,024	13,586

Statement of changes in equity for Poul Due Jensens Fond

1 January – 31 December 2015

Amounts in DKKm

	Registered capital	Reserve equity method	Available capital	Proposed distribution	Total equity
Equity 01.01.2014	505	10,417	2,061	0	12,983
Profit for the year		481	(40)	20	461
Dividend received		(460)	460		0
Distributions			(18)		(18)
Exchange rate adjustments, subsidiary companies, etc.		(49)			(49)
Other adjustments		(8)			(8)
Reversed value of hedging instruments in subsidiaries, opening		(51)			(51)
Reversed tax on equity items, opening		17			17
Recognised value of hedging instruments in subsidiaries, closing		(160)			(160)
Recognised tax on equity items, closing		37			37
Equity 31.12.2014	505	10,224	2,463	20	13,212
Profit for the year		1,307	(26)	20	1,301
Dividend received		(220)	220		0
Distributions			(15)		(15)
Exchange rate adjustments, subsidiary companies, etc.		127			127
Other adjustments		(4)			(4)
Reversed value of hedging instruments in subsidiaries, opening		160			160
Reversed tax on equity items, opening		(37)			(37)
Recognised value of hedging instruments in subsidiaries, closing		(87)			(87)
Recognised tax on equity items, closing		22			22
Equity 31.12.2015	505	11,492	2,657	25	14,679

Available capital is that part of the equity in Poul Due Jensens Fond which can be paid out in accordance with the provisions on this in the charter of Poul Due Jensens Fond.

Notes to the accounts of Poul Due Jensens Fond

As at 31 December 2015

Amounts in DKKm

Note 1	Administrative costs	2015	2014
	Including: Remuneration to the Executive director and members of the Board of the Foundation for directorships in the Foundation.	5	5

Salaries to the executive management are not disclosed separately since the executive management consists of one person only.

Note 2	Financial income	2015	2014
	Affiliated companies	29	27
	Financial income	29	27

Note 3	Tax on profit for the year	2015	2014
	Current tax	3	3
	Deferred tax	0	0
	Adjustment re previous years	0	0
	Tax on profit for the year	3	3

Note 4	Financial fixed assets	Investment in affiliated companies
	Cost	
	Cost 01.01.2015	905
	Additions	0
	Cost 31.12.2015	905
	Value adjustments	
	Value adjustments 01.01.2015	10,321
	Profit for the year	1,307
	Dividend received	(220)
	Exchange rate adjustments	127
	Other adjustments	54
	Value adjustments 31.12.2015	11,589
	Accounting value 31.12.2015	12,494
	Accounting value 31.12.2014	11,226

The accounting value of investment in affiliated companies includes goodwill amounting to DKK 140m (2014: DKK 152m).

Please see page 44 for a list of subsidiaries.

Amounts in DKKm

Note 5	Provisions	Buy-back obligation relating to employee shares
	01.01.2015	361
	Provisions spent during the year	(53)
	Provisions of the year	22
	31.12.2015	330

Buy-back obligation relating to employee shares

The buy-back obligation relating to employee shares will essentially only arise once the settlement period for the shares in question expires. The settlement periods expire as follows:

	2015	2014
Released	219	256
2017	111	105
	330	361

The buy-back obligation calculated at market value amounts to DKK 214m (2014: DKK 340m).

Note 6 Related parties

Please see note 17 in the notes to the consolidated accounts where disclosures to the related parties are described.

Group structure

Denmark

Poul Due Jensens Fond

Denmark

Grundfos Holding A/S

Other Group companies

Argentina, Bombas Grundfos de Argentina S.A.

Austria, Grundfos Pumpen Vertrieb G.m.b.H.

Australia, BKB Aqua Engineering Pty. Ltd.

Australia, BKB Building Solutions Pty. Ltd.

Australia, Grundfos Australia Holding Pty. Ltd.

Australia, Grundfos Pumps Pty. Ltd.

Belgium, Grundfos Bellux S.A.

Brazil, Bombas Grundfos do Brasil Ltda.

Bulgaria, Grundfos Bulgaria EOOD

Canada, Grundfos Canada Inc.

Chile, Bombas Grundfos Chile Ltda.

China, Alldos (Shanghai) Water Technology Co. Ltd.

(under liquidation)

China, DAB Pumps (Qingdao) Co. Ltd.

China, EmerCo Pumps (Beijing) Co. Ltd.

China, Grundfos (China) Holding Co. Ltd.

China, Grundfos Pumps (Chongqing) Co. Ltd.

China, Grundfos Pumps (Hong Kong) Ltd.

China, Grundfos Pumps (Shanghai) Co. Ltd.

China, Grundfos Pumps (Suzhou) Ltd.

China, Grundfos Pumps (Wuxi) Ltd.

Columbia, Grundfos Columbia S.A.S.

Croatia, Grundfos Sales Croatia d.o.o.

Czech Republic, Grundfos Sales Czechia and Slovakia s.r.o.

Denmark, Grundfos A/S

Denmark, Grundfos BioBooster A/S

Denmark, Grundfos DK A/S

Denmark, Grundfos Finance A/S

Denmark, Grundfos LIFELINK A/S

Denmark, Grundfos Operations A/S

Denmark, Grundfos US ApS

Denmark, Sintex A/S

Egypt, Grundfos Holding Egypt LLC

Egypt, Grundfos Egypt LLC

Egypt, Grundfos Service Egypt LLC

Finland, OY Grundfos Environment Finland AB

Finland, OY Grundfos Pumput AB

France, Pompes Grundfos Distribution S.A.S.

France, Pompes Grundfos S.A.S.

Germany, Biral GmbH

Germany, DAB Pumpen Deutschland GmbH

Germany, Deutsche Vortex GmbH & Co. KG

Germany, Europump GmbH

Germany, Grundfos GmbH

Germany, Grundfos Pumpenfabrik GmbH

Germany, Grundfos Verwaltung GmbH

Germany, Grundfos Water Treatment GmbH

Ghana, Grundfos Pumps Ghana Ltd.

Greece, Grundfos Hellas A.E.B.E.

Hungary, DAB Pumps Hungary Kft.

Hungary, Grundfos Financial Shared Services Kft.

Hungary, Grundfos Hungary Manufacturing Ltd.

Hungary, Grundfos South East Europe Kft.

India, Grundfos Pumps India Private Ltd.

Indonesia, PT Grundfos Pompa

Ireland, Grundfos (Ireland) Ltd.

Italy, DAB Pumps S.p.A.

Italy, DWT Holding S.p.A.

Italy, Grundfos Pompe Italia S.r.l.

Italy, Isia S.p.A.

Japan, Grundfos Pumps K.K.

Kazakhstan, Grundfos Kazakhstan LLP

Kenya, Grundfos Kenya Ltd.

Korea, Chung Suk Co. Ltd.

Korea, Grundfos Pumps Korea Ltd.

Korea, Keum Jung Industrial Co. Ltd.

Latvia, GRUNDFOS Pumps Baltic SIA

Malaysia, Grundfos Pumps SDN. BHD

Mexico, Bombas Grundfos de Mexico Manufacturing S.A. de C.V.

Mexico, Bombas Grundfos de Mexico S.A. de C.V.

Mexico, DAB Pumps de Mexico S.A. de C.V.

Mexico, Grundfos Mexico Servicios S.A. de C.V.

Mexico, Peerless Pump Mexico S.A. de C.V.

Netherlands, Biral Pompen B.V.

Netherlands, DAB Pumps B.V.

Netherlands, Grundfos Distribution Service B.V.

Netherlands , Grundfos Nederland B.V.	Switzerland , Grundfos Handels AG
Netherlands , Grundfos Waterdam B.V.	Switzerland , Grundfos Insurance Management AG
New Zealand , Grundfos Pumps NZ Ltd.	Switzerland , Grundfos Pumpen AG
Norway , Grundfos Norge AS	Taiwan , Grundfos Pumps (Taiwan) Ltd.
Peru , Grundfos de Peru S.A.C.	Thailand , Grundfos (Thailand) Ltd.
Philippines , Grundfos IS Support & Operations Centre Philippines Inc.	Thailand , Grundfos Holding Co. Ltd.
Philippines , Grundfos Pumps (Philippines) Inc.	Turkey , Grundfos Pompa Sanayi ve Ticaret Ltd. Sti.
Poland , DAB Pumps Poland Sp.Z.o.o.	Ukraine , TOV Grundfos Ukraine
Poland , Grundfos Pompy Sp.Z.o.o.	United Arab Emirates , Grundfos Gulf Distribution FZE
Portugal , Bombas Grundfos (Portugal) S.A.	United Arab Emirates , Isia International UAE (under liquidation)
Romania , SC Grundfos Pompe Romania SRL	United Kingdom , DAB Pumps Ltd.
Russia , OOO Grundfos Istra	United Kingdom , Grundfos Service Ltd.
Russia , OOO DWT Group	United Kingdom , Grundfos Manufacturing Ltd.
Russia , OOO Grundfos	United Kingdom , Grundfos Pumps Ltd.
Saudi Arabia , Grundfos Pumps Services Saudi Arabia Co. Ltd.	United Kingdom , Grundfos Watermill Ltd.
Serbia , Grundfos Srbija d.o.o.	USA , Enaqua
Singapore , Grundfos (Singapore) Pte. Ltd.	USA , Grundfos CBS Inc.
Slovenia , Grundfos Ljubljana d.o.o.	USA , Grundfos Americas Corporation
South Africa , Alldos (Pty) Ltd.	USA , Grundfos Pumps Corporation
South Africa , DWT Pumps Motors and Electronics Ltd.	USA , Grundfos Pumps Manufacturing Corporation
South Africa , Grundfos (Pty) Ltd.	USA , Grundfos US Holding Corporation
Spain , Bombas Grundfos España S.A.	USA , Sterling Fluid Systems LLC (USA) (DBA Peerless Pump Company)
Spain , DAB Pumps Iberica S.L.	USA , DAB Pumps Inc.
Sweden , Grundfos AB	USA , SFS (USA) Holding Inc.
Switzerland , Grundfos Arnold AG	USA , Grundfos Water Utility Inc.
Switzerland , Biral AG	Vietnam , Grundfos Vietnam Company Ltd.
Switzerland , Grundfos Corporate Purchase AG	
Switzerland , Grundfos Holding AG	

Ownership

Poul Due Jensens Fond, based in Bjerringbro, Denmark, is the parent company of the Grundfos Group. Poul Due Jensens Fond owns 88.1 per cent of the share capital in Grundfos Holding A/S, while the founder's family owns 10.6 per cent and the employees own 1.3 per cent.

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

Grundfos Pumps Pty. Ltd., Australia – 70 per cent
Isia International UAE – 80 per cent

Associated companies:
Bjerringbro Savværk Holding A/S, Denmark – 30 per cent

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Headquarters
DK-8850 Bjerringbro
Denmark

+45 87 50 14 00
info@grundfos.com

CVR no.: 83 64 88 13

Further information:
www.grundfos.com
www.poulduejensenfoundation.com

GRUNDFOS X