

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

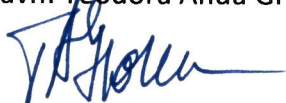
**CVR no. 35 81 73 52**

**Annual Report 2015**  
**(second financial year)**

The Annual General Meeting adopted the annual report on 27 May 2016

**Chairman of the meeting**

Navn: Teodora Anda Grosu



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## **Company details**

### **Company**

GRUNDFOS Operations A/S

Poul Due Jensens Vej 7

DK-8850 Bjerringbro, Denmark

CVR no. 35 81 73 52

Registered in the municipality of Viborg

Phone +45 87 50 14 00

Internet [www.grundfos.com](http://www.grundfos.com)

### **Board of Directors**

Chairman Mikael Geday

Board member Stéphane Simonetta

Board member Klavs Hornum

### **Executive Board**

Niels Møller Jensen

### **Auditors**

Deloitte Statsautoriseret Revisionspartnerselskab

## Management statement

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

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

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

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

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

Bjerringbro, 18 May 2016

### Executive Board

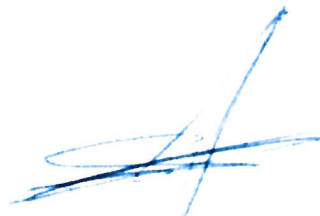


Niels Møller Jensen

### Board of Directors



Mikael Geday  
Chairman



Stéphane Simonetta



Klavs Hornum

## Independent auditor's report

### To the shareholders of Grundfos Operations A/S

#### Report on the annual accounts

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

#### Management's responsibility for the annual accounts

Management is responsible for the preparation of annual accounts that gives 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 annual accounts that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

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

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

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

Our audit has not resulted in any qualification.

#### Opinion

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

**Statement on the management report**

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

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

Copenhagen, 18 May 2016

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR-no. 33 96 35 56



Anders Dons  
State Authorised Public Accountant



Thorsten Jørgensen  
State Authorised Public Accountant

## Management report

### Grundfos Group Purpose

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

### Main activities in Grundfos Operations A/S

Grundfos Operations A/S is part of the Grundfos Group. Grundfos Operations A/S was established in 2014 and the purpose is to conduct business in production of primarily pumps, for resale through the Grundfos group sales companies.

As from April 2015 the production set-up was changed in the Grundfos group. The change involve all Grundfos production companies in EU. The turnover consist of sales of products to the sales companies in Grundfos Group. The main activity is to have products produced by toller manufacturing companies, for which activity the producing company receive a toller manufacturing fee.

All inventories from raw materials to finished goods relating to production and sales are owned by Grundfos Operations A/S.

### Development in activities and finances

The operational set-up is purchase of production services from Grundfos group production companies and sourcing of raw materials and components. This is the first year with sales of products to Grundfos sales companies.

Profit before tax for the year amounts to 26 mEUR compared with a negative amount in 2014 of 8 mEUR. The result in 2014 was significantly influenced by group related development- and administration costs. The development activities in 2014 relates to development of the IT structure to enable the production activity.

The result in 2015 is satisfactory and in accordance with previously reported expectations.

A capital injection from the shareholder amounting to 90 mEUR took place in 2015.

The financial expectations for 2016 is a net result on a similar level as in 2015.

### Environment 2015

The company's activities have no particular impact on the external environment.

### CSR and Sustainability

Group Management has approved a 2020 target for employees with reduced work capacity to minimum 5 percent of the total Danish workforce. This target was met in 2015 measured on the Danish workforce.

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

For further information on Sustainability issues at Grundfos please read the consolidated accounts of the Poul Due Jensen foundation, CVR no. 83 64 88 13.

## **Particular risks**

### **Business risks**

Grundfos Operating A/S is acting as owner of the products and are selling Grundfos products to all sales companies within the Grundfos Group. Geographically the risk is spread which reduce the risk relating to reduced turnover and demand on single markets.

### **Financial risks**

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

### **Foreign exchange risks**

Purchase of raw materials, components and service as well as invoicing of goods are primarily done in EUR, USD, GBP and HUF. The corresponding foreign risks are hedged on an ongoing basis in accordance with budgets and expectations.

### **Raw materials risks**

The price on raw materials is depending on worldwide market prices. The corresponding risk on changes in raw material prices is hedged on an ongoing basis in accordance with budgets and expectations.

### **Credit risks**

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

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

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

With effect from 1 January 2016 the OEM business in Grundfos Holding A/S has been transferred to Grundfos Operations A/S. This will have a significant impact on the activities in Grundfos Operations A/S from 2016 on.



**Expected development in 2016**

The activity level in Grundfos Operations A/S is – as mentioned above - expected to be higher than realised in 2015, partly due to the transfer of the OEM business as mentioned and also due to the fact, that the sales of products will cover a full financial year, compared to 9 months in 2015.

The financial expectations for 2016 is a net result on a similar level as in 2015.

## Accounting policies

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act for B class companies with addition of certain rules for C class. From next year the annual report is expected to be prepared using the provisions for C class companies.

The Company is included in the consolidated annual accounts for the Poul Due Jensen Foundation, DK-8850 Bjerringbro. The consolidated annual accounts for the Poul Due Jensen Foundation are available to the public at the offices of the Danish Business Authority under CVR no. 83 64 88 13.

The annual report has been presented in accordance with the same accounting policies as last year. The currency of this Annual Report is in EUR (euro).

### General information about recognition and measurement

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

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

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

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

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

### Foreign currency translation

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

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

## Accounting policies

### Derivative financial instruments

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

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

Changes in the market value of derivative financial instruments that secure future assets or liabilities are recognised directly in equity. When the hedged transactions are realised, the changes are recognised as part of the relevant items in the annual accounts.

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

### Profit and loss account

#### Gross profit

With reference to Danish Financial Statements Act § 32, litra 1 the net turnover is not disclosed in the Annual Report.

Gross profit comprises net turnover with deduction of cost of goods sold and production costs.

#### Net turnover

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

#### Production costs

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

#### Distribution costs

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

## Accounting policies

### Administrative costs

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

### Staff costs

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

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

### Financials

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

### Tax on profit for the year

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

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

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

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

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

## Balance sheet

### Tangible fixed assets

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

## Accounting policies

### Tangible fixed assets (continued)

The estimated useful lives are:

Technical installations and machinery and other installations	3 - 10 years
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Installations and machinery are written down to the lower of recoverable amount and carrying amount.

### Inventories

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

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs (production fee to toller companies).

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

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

### Trade debtors

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

### Prepayments

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

### Equity

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

### Liabilities under guarantee and other provisions

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

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

## Accounting policies

### Deferred tax

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

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

### Financial liabilities

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

Other liabilities, including trade creditors, debt to affiliated companies and other debts are measured at amortised cost.

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

## Profit and loss statement for 2015

		2015 1/1 - 31/12 EUR '000	2014 1/4 - 31/12 EUR '000
	Note	<u>EUR '000</u>	<u>EUR '000</u>
<b>Gross profit</b>	1.2	<b>70,193</b>	<b>-8,282</b>
Distribution costs	1.2	-39,488	0
Administrative costs	1.2	-2,187	0
<b>Operating profit</b>		<b><u>28,518</u></b>	<b><u>-8,282</u></b>
Financial income	3	4,269	0
Financial costs	4	-6,785	-10
<b>Profit before tax</b>		<b><u>26,002</u></b>	<b><u>-8,292</u></b>
Tax on profit for the year	5	-6,073	1,933
<b>Profit for the year</b>		<b><u><u>19,929</u></u></b>	<b><u><u>-6,359</u></u></b>
<b>Proposed profit distribution</b>			
Retained profit		<u>19,929</u>	<u>-6,359</u>
		<b><u><u>19,929</u></u></b>	<b><u><u>-6,359</u></u></b>

**Balance sheet at 31.12.2015**

	<b>Note</b>	<b>2015</b> <b>EUR '000</b>	<b>2014</b> <b>EUR '000</b>
Technical installations and machinery		311	0
Tangible fixed assets in progress		2,312	0
<b>Tangible fixed assets</b>	<b>6</b>	<b>2,623</b>	<b>0</b>
<b>Total fixed assets</b>		<b>2,623</b>	<b>0</b>
<b>Inventories</b>	<b>7</b>	<b>254,721</b>	<b>0</b>
Trade debtors		3,002	0
Accounts receivable from affiliated companies		236,749	2,400
Deferred tax asset	8	542	2,578
Corporate tax		0	3,017
Other accounts receivable		2,540	209
Prepayments		214	0
<b>Accounts receivables</b>		<b>243,047</b>	<b>8,204</b>
<b>Cash at bank and in hand</b>		<b>1,209</b>	<b>855</b>
<b>Total current assets</b>		<b>498,977</b>	<b>9,059</b>
<b>Total assets</b>		<b>501,600</b>	<b>9,059</b>



**Balance sheet at 31.12.2015**

	<b>Note</b>	<b>2015 EUR '000</b>	<b>2014 EUR '000</b>
Share capital	9	1,000	1,000
Retained profit		97,553	-13,646
<b>Equity</b>		<b>98,553</b>	<b>-12,646</b>
Liabilities under guarantee and other provisions	10	151	0
<b>Provisions</b>		<b>151</b>	<b>0</b>
Loans from affiliated companies	11	200,000	0
<b>Long term liabilities</b>		<b>200,000</b>	<b>0</b>
Bank overdrafts and loans		0	89
Trade creditors		86,720	3
Debt to affiliated companies		99,939	6,664
Company tax		1,071	0
Other liabilities		15,166	14,949
<b>Short term liabilities</b>		<b>202,896</b>	<b>21,705</b>
<b>Total liabilities</b>		<b>402,896</b>	<b>21,705</b>
<b>Total equity, provisions and liabilities</b>		<b>501,600</b>	<b>9,059</b>
Securities, contingent liabilities, etc.	12		
Related parties and shareholder	13-14		
Financial instruments	15		

## Statement of changes in equity

	<b>Share Capital EUR '000</b>	<b>Retained profit EUR '000</b>	<b>Total EUR '000</b>
Equity 01.01.2015	1,000	-13,646	-12,646
Capital injection		90,000	90,000
Profit for the year		19,929	19,929
Net adjustment after tax hedging instruments		1,270	1,270
<b>Equity 31.12.2015</b>	<b>1,000</b>	<b>97,553</b>	<b>98,553</b>

## Notes

	<b>2015</b> <b>1/1 - 31/12</b> <b>EUR '000</b>	<b>2014</b> <b>1/4 - 31/12</b> <b>EUR '000</b>
<b>1. Staff costs</b>		
Salaries and wages	3,157	0
Pensions	284	0
Social contributions	60	0
	<b>3,501</b>	<b>0</b>
Staff costs are incorporated as shown below in the profit and loss statement:		
Costs of goods sold (Gross profit)	3,501	0
	<b>3,501</b>	<b>0</b>
Average number of full time employees	<b>46</b>	<b>0</b>
Number of full time employees at year end	<b>55</b>	<b>0</b>
<b>2. Depreciation</b>		
Technical installations and machinery	13	0
	<b>13</b>	<b>0</b>
Depreciation is included in the profit and loss statement as follows:		
Costs of goods sold (Gross profit)	13	0
	<b>13</b>	<b>0</b>
<b>3. Financial income</b>		
Interest income from affiliated companies	100	0
Currency adjustments	4,169	0
	<b>4,269</b>	<b>0</b>
<b>4. Financial costs</b>		
Financial costs to affiliated companies	2,395	1
Currency adjustments and other financial costs	4,390	9
	<b>6,785</b>	<b>10</b>

## Notes

	<b>2015</b> <b>1/1 - 31/12</b> <b>EUR '000</b>	<b>2014</b> <b>1/4 - 31/12</b> <b>EUR '000</b>
<b>5. Tax on profit for the year</b>		
Current tax	3,783	1,933
Change in deferred tax	1,805	0
Effect from change in tax rate (deferred tax)	626	0
Adjustment of tax, prior years	-141	0
<b>Tax on profit for the year</b>	<b>6,073</b>	<b>1,933</b>
Tax on profit for the year can be explained as:		
Profit before tax	26,002	-8,292
	<b>26,002</b>	<b>-8,292</b>
Tax calculated hereof	6,110	-1,933
Tax effect of:		
Adjustment tax, prior years	-141	0
Effect from change in tax rate (deferred tax)	626	0
Effect from permanent differences, net	-522	0
<b>Tax on profit for the year</b>	<b>6,073</b>	<b>-1,933</b>
	<b>Technical</b> <b>install. and</b> <b>macinery</b> <b>EUR '000</b>	<b>Fixed instal-</b> <b>lations in</b> <b>progress</b> <b>EUR '000</b>
<b>6. Tangible fixed assets</b>		
Cost 01.01.2015	0	0
Additions of the year	324	2,312
<b>Cost 31.12.2015</b>	<b>324</b>	<b>2,312</b>
Depreciation 31.12.2015	0	0
Depreciation for the year	13	0
<b>Depreciation 31.12.2015</b>	<b>13</b>	<b>0</b>
<b>Accounting value 31.12.2015</b>	<b>311</b>	<b>2,312</b>
Accounting value 31.12.2014	0	0

## Notes

	<b>2015</b> <b>EUR '000</b>	<b>2014</b> <b>EUR '000</b>
<b>7. Inventories</b>		
Raw materials and consumables	77,106	0
Work in progress	92,204	0
Manufactured goods and goods for resale	85,411	0
	<b>254,721</b>	<b>0</b>

### 8. Deferred tax

Deferred tax relates to fixed assets, current assets, provisions and financial instruments.

### 9. Share capital

Share capital consist of 1,000,000 shares of each 1EUR.  
The shares are not divided into classes.

No capital increase has taken place since the establishment.

	<b>2015</b> <b>EUR '000</b>	<b>2014</b> <b>EUR '000</b>
<b>10. Liabilities under guarantee and other provisions</b>		
Liabilities under guarantee and other provisions 01.01.	0	0
Provisions for Jubilees made in the year	151	0
<b>Liabilities under guarantee and other provisions 31.12.</b>	<b>151</b>	<b>0</b>

### 11. Loans from affiliated companies

The loan is a designated group internal EUR based loan.

Repayment in full is scheduled to December 2020.

## Notes

### 12. Pledge of assets, guarentees and other liabilities etc.

No pledge has been given in the machinery and equipment.

Guarantees have been issued for the benefit of third parties amounting to 1,101 kEUR as of 31 December 2015

The company have the following rental and lease commitments:

	<b>End of contract</b>	<b>Total obligation EUR '000</b>
Cars	2016-2019	177
Total		<b>177</b>

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

The Danish group enterprises participate in a Danish joint taxation arrangement with Grundfos Holding A/S serving as the administration company and are therefore jointly and severally liable from the financial year 2013 for the total income tax and from 1 July 2012 also for obligations, if any, to withhold tax on interest, royalties and dividends for the jointly taxed enterprises. The total net liability to the Danish tax authorities is recognised in financial statements of Grundfos Holding A/S.

### 13. Related parties

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

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

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

### 14. Shareholder

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

**GRUNDFOS Holding A/S, Poul Due Jensens Vej 7, 8850 Bjerringbro. 100 % of ownership.**

## Notes

### 15. Financial instruments

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

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

Grundfos Operations A/S is hedging expected raw material risks with raw material contracts.

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