

**Grundfos Operations A/S**

**Poul Due Jensens Vej 7**

**DK - 8850 Bjerringbro**

**CVR no. 35 81 73 52**

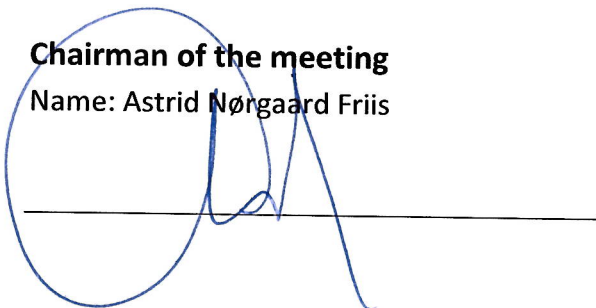
**Annual Report 2017**

**(fourth financial year)**

The Annual General Meeting adopted the annual report on 30 May 2018

**Chairman of the meeting**

Name: Astrid Nørgaard Friis



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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 Andreas Holm Geday

Board member Stéphane Laurent Gilles Simonetta

Board member Klavs Christensen Hornum

### **Executive Board**

Niels Herman 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 2017.

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

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

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

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


Bjerringbro, 30 May 2018

### Executive Board



Niels Herman Møller Jensen

### Board of Directors



Mikael Andreas Holm Geday  
Chairman



Klavs Christensen Hornum



Stéphane Laurent Gilles Simonetta

## **Independent auditor's report**

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

#### **Opinion**

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

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

#### **Basis for opinion**

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

#### **Management's responsibilities for the financial statements**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

### **Statement on the management commentary**

Management is responsible for the management commentary.

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

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

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

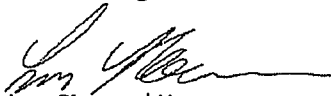
Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 30 May 2018

**Deloitte**

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56



Lars Siggaard Hansen

State-Authorised

Public Accountant

MNE no mne 32208

## Key figures and financial ratios

	2017	2016	2015	2014
	kEUR	kEUR	kEUR	kEUR
<b>Key figures</b>				
Net turnover	1,788,573	1,778,393	1,170,350	0
Operating profit	35,794	38,599	28,518	-8,282
Net financials	-6,235	-6,382	-2,516	-10
Profit before tax	29,559	32,217	26,002	-8,292
Profit for the year	23,495	24,506	19,929	-6,359
Equity	199,245	166,687	98,553	-12,646
Balance sheet total	700,411	546,971	501,600	9,059
Number of employees at year-end	106	115	55	0
<b>Financial ratios</b>				
Operating profit as a percentage of net turnover (%)	2.0	2.2	2.4	n/a
Return on equity (%)	12.8	18.5	23.2	Neg.
Equity ratio (%)	28.5	30.5	19.7	Neg.

### Definition of key figures

Operating profit as a percentage of net

$$\text{turnover (\%)} = \frac{\text{Operating profit} \times 100}{\text{Net turnover}}$$

Return on equity (%)

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

Equity ratio (%)

$$= \frac{\text{Equity} \times 100}{\text{Balance sheet total}}$$



## 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.

As from 1 January 2016 the OEM business was transferred from Grundfos Holding A/S to Grundfos Operations A/S which resulted in higher revenue and higher costs and the financial impact from transferred assets and liabilities relating to the OEM business.

### 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 third year with sales of products to Grundfos sales companies.

Profit before tax for the year amounts to 30 mEUR compared with 32 mEUR last year. The result in 2017 is regarded satisfactory and in accordance with expectations.

### Composition of management

The Board of Directors in Grundfos Operations A/S has three members, of which none has been elected by the employees. The three members are men and as such women are under-represented in relation to the share of 40%, which legislation aims to ensure. When electing members for the Board of Directors this year, there were no relevant female candidates in the recruitment base. The board intends to increase the female representation to one out of three members. The board has set a goal for achieving this by the end of 2020.

For all other management positions Grundfos Operations A/S has defined a diversity policy, in which the first priorities are to increase the number of non-Danes and women in management positions. Non-Danes in other

management positions was 7% by the end of 2017 (against 10% by end of 2016). By the end of 2017 the status was 35% female managers (against 29% by end of 2016). The goal in Grundfos Operations A/S for the gender distribution is that in 2020, at least 25% of our managers in general must be women. We follow the group process to always include qualified female candidates and Non-Danes in executive recruitments to facilitate having a more diverse workforce in Grundfos Operations A/S.

### **CSR reporting**

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

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

### **Particular risks**

#### **Business risks**

Grundfos Operations 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 change had an impact on the activities and financial reporting in Grundfos Operations A/S from the beginning of 2016 on.

**Expected development in 2018**

The financial expectations for 2018 is a net turnover and profit for the year, in all material respect, on a similar level as in 2017.

## Accounting policies

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

In pursuance of section 86 (4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement. Referring to section 96 (3) of the Danish Financial Statements Act, the Company also does not disclose the fee paid to the auditors appointed by the general meeting. Referring to section 98b (3) of the Danish Financial Statements Act, the Company has not shown the remuneration to executive board and board of Directors.

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 EUR (euro) 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

#### 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 contribution to the group research and development activities.

#### Distribution costs

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

#### Administrative costs

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

#### Staff costs

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

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

## Accounting policies

### Financials

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

### Tax on profit for the year

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

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

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

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

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

### Balance sheet

#### Goodwill

Goodwill is measured at cost less accumulated amortisation and write-downs. Goodwill is amortised by the straight-line method using the estimated useful life of the asset, which is up to five years.

#### 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 possibility in the company can be shown, and where the intention is to produce, 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.

The cost of development projects includes costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

## Accounting policies

Capitalised development projects are amortised by the straight-line method upon completion of the development work using the estimated useful lives of the assets. The amortisation period is usually 5–7 years.

In 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 exceed five years.

### Other intangible fixed assets

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

Other intangible fixed assets	3 – 5 years
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Other intangible fixed assets are written down to the lower of recoverable amount and carrying amount.

### Tangible fixed assets

Tangible fixed assets and assets in progress are measured at cost less accumulated amortisation and write-downs. Tangible fixed assets are depreciated by the straight-line method through the anticipated useful and economic life to the estimated residual value. The useful lives and the residual value, if any, of large assets are determined individually, whereas the useful life of other assets is determined for groups of similar assets.

The estimated useful lives are:

Technical installations and machinery and other installations	3 - 10 years
---------------------------------------------------------------	--------------

Tangible fixed assets are written down to the lower of recoverable amount and carrying amount.

### Value in the use of intangible and tangible fixed assets

The accounting value of intangible and tangible fixed assets is reviewed in general to determine whether there is any indication of impairment in addition to that expressed by amortisation or depreciation. If this is the case, the recoverable amount of the asset is determined, and writing down is performed to the recoverable amount provided that it is lower than the accountable amount. The recoverable amount of the asset is determined as the value of the net sales price and the capital price, whichever is higher.

### 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).

## Accounting policies

Indirect production costs (production service fee to toller companies) comprise indirect materials and labour costs, costs of maintenance of and depreciation 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 are measured at amortised cost, usually equalling nominal value less provisions for bad debts.

### Prepayments

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

### Equity

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

### Liabilities under guarantee and other provisions

Liabilities under guarantee comprise expected expenses under guarantees which the Company normally incurs in relation to the products sold. Other provisions include other obligations, including obligations relating to anniversary lump sum payments.

### Deferred tax

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

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

### Financial liabilities

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

Other liabilities, including trade creditors, debt to affiliated companies and other debts are measured at amortised cost. Deferred income recognised under liabilities include income received relating to the following accounting year. Deferred income is measured at cost.



## Profit and loss statement for 2017

		2017	2016
		1/1 - 31/12	1/1 - 31/12
	<u>Note</u>	<u>EUR '000</u>	<u>EUR '000</u>
Net turnover	1.2	1,788,573	1,778,393
Production costs	2.3.4	-1,686,680	-1,669,768
<b>Gross profit</b>		<b>101,893</b>	<b>108,625</b>
Distribution costs	3	-59,385	-64,566
Administrative costs	3	-6,714	-5,460
<b>Operating profit</b>		<b>35,794</b>	<b>38,599</b>
Financial income	5	4,968	6,390
Financial costs	6	-11,203	-12,772
<b>Profit before tax</b>		<b>29,559</b>	<b>32,217</b>
Tax on profit for the year	7	-6,064	-7,711
<b>Profit for the year</b>	8	<b>23,495</b>	<b>24,506</b>

**Balance sheet at 31.12.2017**

	<b>Note</b>	<b>2017 EUR '000</b>	<b>2016 EUR '000</b>
Goodwill		0	0
Development projects		5,537	7,238
<b>Intangible fixed assets</b>	<b>9</b>	<b>5,537</b>	<b>7,238</b>
Technical installations and machinery		7,352	5,099
Tangible fixed assets in progress		1,927	1,693
<b>Tangible fixed assets</b>	<b>10</b>	<b>9,279</b>	<b>6,792</b>
<b>Total fixed assets</b>		<b>14,816</b>	<b>14,030</b>
<b>Inventories</b>	<b>11</b>	<b>275,629</b>	<b>242,836</b>
Trade debtors		48,779	41,753
Accounts receivable from affiliated companies		311,404	233,891
Deferred tax asset	12	1,474	2,709
Other accounts receivable		46,576	9,524
Prepayments		113	178
<b>Accounts receivables</b>		<b>408,346</b>	<b>288,055</b>
<b>Cash at bank and in hand</b>		<b>1,620</b>	<b>2,050</b>
<b>Total current assets</b>		<b>685,595</b>	<b>532,941</b>
<b>Total assets</b>		<b>700,411</b>	<b>546,971</b>

**Balance sheet at 31.12.2017**

	<b>Note</b>	<b>2017 EUR '000</b>	<b>2016 EUR '000</b>
Share capital	13	1,001	1,001
Reserve for development projects		1,038	1,263
Retained profit		197,206	164,423
<b>Equity</b>		<b>199,245</b>	<b>166,687</b>
Liabilities under guarantee and other provisions	14	1,261	1,421
<b>Provisions</b>		<b>1,261</b>	<b>1,421</b>
Loans from affiliated companies	15	200,000	200,000
<b>Long term liabilities</b>		<b>200,000</b>	<b>200,000</b>
Bank overdrafts and loans		0	9
Trade creditors		97,754	98,950
Debt to affiliated companies		168,297	62,646
Company tax		6,015	5,811
Other liabilities		27,839	11,447
<b>Short term liabilities</b>		<b>299,905</b>	<b>178,863</b>
<b>Total liabilities</b>		<b>499,905</b>	<b>378,863</b>
<b>Total equity, provisions and liabilities</b>		<b>700,411</b>	<b>546,971</b>
Securities, contingent liabilities, etc.	16		
Related parties and shareholder	17-18		
Financial instruments	19		
Events after the balance sheet date	20		

## Statement of changes in equity

	Share Capital EUR '000	Reserve for development projects EUR '000	Retained profit EUR '000	Total EUR '000
Equity 01.01.2016	1,000	0	97,553	98,553
Capital injection OEM business	1		34,123	34,124
Profit for the year		1,263	23,243	24,506
Net adjustment after tax hedging instruments			9,504	9,504
<b>Equity 31.12.2016</b>	<b>1,001</b>	<b>1,263</b>	<b>164,423</b>	<b>166,687</b>
Profit for the year		-225	23,720	23,495
Net adjustment after tax hedging instruments			9,063	9,063
<b>Equity 31.12.2017</b>	<b>1,001</b>	<b>1,038</b>	<b>197,206</b>	<b>199,245</b>

## Notes

	2017 1/1 - 31/12 EUR '000	2016 1/1 - 31/12 EUR '000
<b>1. Net turnover</b>		
Inter-company turnover	1,534,789	1,534,110
External turnover	253,784	244,283
	<b>1,788,573</b>	<b>1,778,393</b>

Grundfos Operations A/S has only activities within the segment sale of pumps. That is the reason for showing the net turnover on customers (inter-company and external).

## 2. Result from hedging instruments recognised in profit and loss account

Foreign currency contracts gain recognised in net turnover	4,085	5,357
Foreign currency contracts loss/gain recognised in cost of goods sold	1,052	-299
Raw material contracts gain/loss recognised in cost of goods sold	4,773	-7,693

## 3. Staff costs

Salaries and wages	9,947	10,475
Pensions	854	929
Social contributions	118	146
	<b>10,919</b>	<b>11,550</b>

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

Production costs	8,905	9,106
Distribution costs	341	1,363
Administrative costs	1,673	1,081
	<b>10,919</b>	<b>11,550</b>

Average number of full time employees	111	126
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Number of full time employees at year end	106	115
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## 4. Depreciation

Technical installations and machinery	1,630	588
	<b>1,630</b>	<b>588</b>

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

Production costs	1,630	588
	<b>1,630</b>	<b>588</b>

**Notes**

	<b>2017</b>	<b>2016</b>
	<b>1/1 - 31/12</b>	<b>1/1 - 31/12</b>
	<b>EUR '000</b>	<b>EUR '000</b>
<b>5. Financial income</b>		
Interest income from affiliated companies	315	151
Interest income from bank	370	17
Currency adjustments	4,283	6,222
	<b>4,968</b>	<b>6,390</b>
<b>6. Financial costs</b>		
Financial costs to affiliated companies	7,412	7,127
Financial costs to bank	1	5
Currency adjustments and other financial costs	3,790	5,640
	<b>11,203</b>	<b>12,772</b>
<b>7. Tax on profit for the year</b>		
Current tax	11,092	14,311
Change in deferred tax	-4,489	-6,593
Adjustment to deferred tax previous years	3,164	1,639
Adjustment of company tax, prior years	-3,703	-1,646
<b>Tax on profit for the year</b>	<b>6,064</b>	<b>7,711</b>
Tax on profit for the year can be explained as:		
Profit before tax	29,559	32,217
	<b>29,559</b>	<b>32,217</b>
Tax calculated hereof	6,503	7,088
Tax effect of:		
Adjustment of company tax, prior years	-3,703	-1,646
Effect from permanent differences, net	3,264	2,269
<b>Tax on profit for the year</b>	<b>6,064</b>	<b>7,711</b>
Deferred taxes relates to fixed assets, current assets, provisions, liabilities and financial instruments.		
<b>8. Profit for the year</b>		
<b>Proposed profit distribution</b>		
Reserve for development projects	-225	1,263
Retained profit	23,720	23,243
	<b>23,495</b>	<b>24,506</b>

## Notes

	<b>Goodwill EUR '000</b>	<b>Development projects EUR '000</b>
<b>9. Intangible fixed assets</b>		
Cost 01.01.2017	1,248	10,470
Additions of the year	0	36
<b>Cost 31.12.2017</b>	<b>1,248</b>	<b>10,506</b>
Depreciation 31.12.2017	1,248	3,232
Depreciation for the year	0	1,737
<b>Depreciation 31.12.2017</b>	<b>1,248</b>	<b>4,969</b>
<b>Accounting value 31.12.2017</b>	<b>0</b>	<b>5,537</b>
Accounting value 31.12.2016	0	7,238

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

	<b>Technical install. and machinery EUR '000</b>	<b>Fixed instal- lations in progress EUR '000</b>
<b>10. Tangible fixed assets</b>		
Cost 01.01.2017	5,706	1,693
Additions of the year	3,883	234
Disposals of the year	0	0
<b>Cost 31.12.2017</b>	<b>9,589</b>	<b>1,927</b>
Depreciation 01.01.2017	607	0
Depreciation for the year	1,630	0
<b>Depreciation 31.12.2017</b>	<b>2,237</b>	<b>0</b>
<b>Accounting value 31.12.2017</b>	<b>7,352</b>	<b>1,927</b>
Accounting value 31.12.2016	5,099	1,693

## Notes

	<b>2017</b> <b>EUR '000</b>	<b>2016</b> <b>EUR '000</b>
<b>11. Inventories</b>		
Raw materials and consumables	87,615	74,188
Work in progress	92,609	73,431
Manufactured goods and goods for resale	95,405	95,217
	<b>275,629</b>	<b>242,836</b>
<b>12. Deferred tax</b>		
Deferred tax 01.01	2,709	542
Deferred tax recognized in profit and loss account	4,489	6,593
Deferred tax recognized in equity	-2,560	-2,787
Adjustment to deferred tax previous years	-3,164	-1,639
Deferred tax 31.12	<b>1,474</b>	<b>2,709</b>

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

### 13. Share capital

Share capital consist of 1,001,000 shares of each 1EUR.  
The shares are not divided into classes.

A capital increase amounting to 1,000 EUR took place in 2016 in relation to the OEM business transfer from Grundfos Holding A/S.

	<b>2017</b> <b>EUR '000</b>	<b>2016</b> <b>EUR '000</b>
<b>14. Liabilities under guarantee and other provisions</b>		
Liabilities under guarantee and other provisions 01.01.	1,421	151
Transfer from affiliated company	0	999
Changes for the year	-160	271
<b>Liabilities under guarentee and other provisions 31.12.</b>	<b>1,261</b>	<b>1,421</b>

Other provisions include jubilee provision and product guarentees.

### 15. Loans from affiliated companies

The loan is a designated group internal EUR based loan.

Repayment in full is scheduled to December 2020.

No liabilities are due after more than 5 years.



## Notes

### 16. 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 404 kEUR as of 31 December 2017.

The company have the following rental and lease commitments:

	<b>End of contract</b>	<b>Total obligation EUR '000</b>
Cars	2018-2021	213
Total		<b>213</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.

### 17. Related parties

Related parties with a controlling influence in Grundfos Operations 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 Grundfos Holding A/S, 8850 Bjerringbro. The consolidated financial statements for Grundfos Holding A/S, 8850 Bjerringbro is available at Erhvervsstyrelsen (Register of Commerce) under CVR no. 31 85 83 56.

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

### 18. 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.**

The Poul Due Jensen Foundation (CVR no. 83 64 88 13) in Denmark, is the ultimate shareholder.

Grundfos Operations A/S and affiliated companies are included in the consolidated financial statements for Grundfos Holding A/S, 8850 Bjerringbro.

The consolidated financial statements for Grundfos Holding A/S are available to the public at the offices of the Danish Business Authority under CVR no. 31 85 83 56.

## Notes

### 19. Financial instruments

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

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

At 31 December 2017 there was a net currency forward contract gain amounting to 6,236 kEUR (against a net loss amounting to 2,486 kEUR at 31 December 2016).

These net gains ultimo 2017 are included in other receivables and are due within the next 12 months.

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.

At 31 December 2017 there were net raw material contracts gain amounting to 4,680 kEUR (against a net gain amounting to 1,782 kEUR at 31 December 2016).

These net gains are included in other receivables and are due within the next 12 months.

### 20. Events after the balance sheet date

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