

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

CVR no. 35 81 73 52

Annual Report 2021
(eight financial year)

The Annual General Meeting adopted the annual report on 16 June 2022

Chairman of the meeting

Name: Astrid Nørgaard Friis



Astrid Nørgaard Friis (Jun 21, 2022 10:16 GMT+2)

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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

Board of Directors

Chairman, Mikael Andreas Holm Geday

Board member, Stéphane Laurent Gilles Simonetta

Board member, Silvio Vanzo

Executive Board

CEO, Niels Herman Møller Jensen

Auditors

EY Godkendt Revisionspartnerselskab

Værkmestergade 25

DK – 8000 Aarhus C

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 2021.

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

In our opinion, the annual accounts give a true and fair view of the Company's assets, liabilities and financial position as of 31 December 2021 and of its financial performance for the financial year 1 January to 31 December 2021.

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

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

Bjerringbro, 16 June 2022

Executive Board



Niels Herman Møller Jensen

Board of Directors



Mikael Andreas Holm Geday
Chairman



Silvio Vanzo

Stéphane SIMONETTA
Stéphane SIMONETTA (Jun 17, 2022 18:50 GMT+2)

Stéphane Laurent Gilles Simonetta

Independent auditor's report

To the shareholder of Grundfos Operations A/S

Opinion

We have audited the financial statements of Grundfos Operations A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Company'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 Company'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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Aarhus, 16 June 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Morten Friis
State-Authorised Public Accountant
Identification No (MNE) mne32732

Peter Ørsøe
State-Authorised Public Accountant
Identification No (MNE) mne44105

Key figures and financial ratios

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-----------|-----------|-----------|-----------|-----------|
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| Key figures | | | | | |
| Net turnover | 1,981,603 | 1,818,843 | 1,851,110 | 1,814,428 | 1,788,573 |
| Operating profit (EBIT) | 39,632 | 36,376 | 37,022 | 36,289 | 35,794 |
| Net financials | -835 | -6,225 | -3,135 | -5,446 | -6,235 |
| Profit before tax | 38,797 | 30,151 | 33,887 | 30,843 | 29,559 |
| Profit for the year | 30,264 | 23,437 | 26,374 | 24,049 | 23,495 |
| Equity | 279,103 | 270,371 | 234,080 | 202,740 | 199,245 |
| Balance sheet total | 661.150 | 703,536 | 697,555 | 722,110 | 700,411 |
| Number of employees at year-end | 168 | 152 | 158 | 173 | 106 |
| Financial ratios | | | | | |
| Operating profit as a percentage of net turnover (%) | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Return on equity (%) | 11.0 | 9.3 | 12.1 | 12.0 | 12.8 |
| Equity ratio (%) | 42.2 | 38.4 | 33.6 | 28.1 | 28.5 |

Definition of key figures

Operating profit as a percentage of net

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

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

$$\text{Equity ratio (\%)} = \frac{\text{Equity} \times 100}{\text{Balance sheet total}}$$

Financial highlights are defined and calculated in accordance with the current version of "Recommendations and Ratios" issued by CFA Society Denmark.

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.

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.

Profit before tax for the year amounts to 39 mEUR compared with 30 mEUR last year. The result in 2021 is regarded satisfactory and ended on a higher level than the expectations as mentioned in the 2020 annual report mainly caused by a higher gross profit.

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 2025.

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 12% by the end of 2021 (against 10% by end of 2020). By the end of 2021, the status was 18% female managers (against 21% by end of 2020). The goal in Grundfos Operations A/S for the gender distribution is that in 2025, 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. As for the policy concerning the other management positions, the Group policy covers Grundfos Operations A/S as well, and hence the statement is part of Grundfos Group's Sustainability Report 2021, which can be found here: <https://www.grundfos.com/content/dam/corporate/sustainability/documents/grundfos-sustainability-report-2021.pdf>

CSR reporting

An overall report for the Grundfos Group's corporate social responsibility (CSR) has been prepared separately. Reference is made 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 and download Sustainability Report at: <https://www.grundfos.com/content/dam/corporate/sustainability/documents/grundfos-sustainability-report-2021.pdf>

Data Ethics

In Grundfos we are committed to ensuring compliance with applicable data privacy laws, and we have a strong focus on the principles of self-determination, human dignity, responsibility, equality and fairness, progressiveness, and diversity. When bringing new products and services to market, we focus on privacy by design and default. We have not adopted a formal policy on data ethics but expect to do so in the coming years.

Financial 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 reduces 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 services 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 not hedged anymore. In the future, no raw material price hedge will take place.

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.

Credit facilities are secured and available in the content needed for the entire business.

Management monitors the development of the current COVID-19 health situation closely and the impact on our business and employees. We seek to adhere with applicable legislation related to COVID-19 and adjusting our daily work and routines accordingly to minimize the spread and impact of the disease.

As of mid June 2022, we have to the best of our knowledge not experienced any material impact on our business, financial performance or our customers' ability to pay, however, Management acknowledges increased uncertainty related to the future and are taking measures to safeguard the company's financial position.

Expected development in 2022

The financial expectations for 2022 is a net turnover and profit for the year, in all material respect, on a similar financial level as the figures realised in 2021. The profit for the year is expected to be in the level 26 – 32 mEUR.

The Corona virus and the current situation in Ukraine and Russia may have a negative impact on the expectations to the 2022 result. It is not possible for the time being to estimate the full year financial impact of above.

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 depreciation and write-downs. Goodwill is amortised by the straight-line method using the estimated useful live 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 depreciation or at the recoverable amount, whichever is lower.

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

Accounting policies

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

In case of development projects that are considered to have high sales potential and where the anticipated economic life of the developed products and technologies so warrant, the depreciation period exceed five years – but never more than seven years.

Other intangible fixed assets

Other intangible fixed assets are measured at cost less accumulated depreciation and write-downs. Other intangible fixed assets are depreciated 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 |
|-------------------------------|-------------|

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 depreciation 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 |
|---|--------------|

Technical installations and machinery and other installations are written down to the lower of recoverable amount and carrying amount. The residual value is revised annually.

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.

Accounting policies

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 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.

Accounting policies

Financial liabilities

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

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

Profit and loss statement for 2021

| | Note | 2021 1/1 - 31/12 EUR '000 | 2020 1/1 - 31/12 EUR '000 |
|--------------------------------|--------------|--|--|
| Net turnover | 1,2 | 1.981.603 | 1.818.843 |
| Production costs | 2.3.4 | -1.821.196 | -1.721.609 |
| Gross profit | | 160.407 | 97.234 |
| Distribution costs | 3 | -108.130 | -55.237 |
| Administrative costs | 3 | -12.645 | -5.621 |
| Operating profit (EBIT) | | 39.632 | 36.376 |
| Financial income | 5 | 6.100 | 8.401 |
| Financial costs | 6 | -6.935 | -14.626 |
| Profit before tax | | 38.797 | 30.151 |
| Tax on profit for the year | 7 | -8.533 | -6.714 |
| Profit for the year | 8 | 30.264 | 23.437 |

Balance sheet at 31.12.2021

| | Note | 2021 EUR '000 | 2020 EUR '000 |
|---|-------------|--------------------------|--------------------------|
| Goodwill | | 0 | 0 |
| Development projects | | 377 | 1.254 |
| Intangible fixed assets | 9 | 377 | 1.254 |
| Technical installations and machinery | | 16.175 | 14.736 |
| Tangible fixed assets in progress | | 9.988 | 6.975 |
| Tangible fixed assets | 10 | 26.163 | 21.711 |
| Total fixed assets | | 26.540 | 22.965 |
| Inventories | 11 | 283.189 | 246.487 |
| Trade debtors | | 55.512 | 57.029 |
| Accounts receivable from affiliated companies | | 253.095 | 330.673 |
| Deferred tax asset | 12 | 5.804 | 0 |
| Company tax receivable | | 1.446 | 0 |
| Other accounts receivable | | 34.482 | 44.887 |
| Prepayments | 13 | 288 | 287 |
| Accounts receivables | | 350.627 | 432.876 |
| Cash at bank and in hand | | 794 | 1.208 |
| Total current assets | | 634.610 | 680.571 |
| Total assets | | 661.150 | 703.536 |

Balance sheet at 31.12.2021

| | Note | 2021 EUR '000 | 2020 EUR '000 |
|--|--------------|--------------------------|--------------------------|
| Share capital | 14 | 1.001 | 1.001 |
| Reserve for development projects | | 377 | 363 |
| Reserve for currency translation | | 0 | 12.854 |
| Retained profit | | 277.725 | 256.153 |
| Equity | | 279.103 | 270.371 |
| Liabilities under guarantee and other provisions | 15 | 704 | 741 |
| Deferred tax liabilities | 12 | 0 | 3.505 |
| Provisions | | 704 | 4.246 |
| Loans from affiliated companies | 16 | 0 | 200.000 |
| Other liabilities | 17 | 0 | 1.537 |
| Long term liabilities | | 0 | 201.537 |
| Trade creditors | | 133.443 | 91.168 |
| Debt to affiliated companies | | 213.893 | 125.228 |
| Company tax liability | | 0 | 3.042 |
| Other liabilities | | 34.007 | 7.944 |
| Short term liabilities | | 381.343 | 227.382 |
| Total liabilities | | 381.343 | 428.919 |
| Total equity, provisions and liabilities | | 661.150 | 703.536 |
| Securities, contingent liabilities, etc. | 18 | | |
| Related parties and shareholder | 19-20 | | |
| Financial instruments | 21 | | |
| Events after the balance sheet date | 22 | | |

Statement of changes in equity

| | Share Capital EUR '000 | Reserve for development projects EUR '000 | Reserve for currency translation EUR '000 | Retained profit EUR '000 | Total EUR '000 |
|---|------------------------------|--|--|--------------------------------|-------------------|
| Equity 01.01.2020 | 1.001 | 588 | 0 | 232.491 | 234.080 |
| Profit for the year | | -225 | | 23.662 | 23.437 |
| Net adjustment after tax hedging instruments | | | 12.854 | | 12.854 |
| Equity 31.12.2020 | 1.001 | 363 | 12.854 | 256.153 | 270.371 |
| Profit for the year | | 14 | | 30.250 | 30.264 |
| Net adjustment after tax hedging instruments | | | -12.854 | -8.678 | -21.532 |
| Equity 31.12.2021 | 1.001 | 377 | 0 | 277.725 | 279.103 |

Notes

| | 2021 1/1 - 31/12 EUR '000 | 2020 1/1 - 31/12 EUR '000 |
|--|---------------------------------|---------------------------------|
| 1. Net turnover geographical split | | |
| Africa | 30.632 | 30.868 |
| America | 201.130 | 174.946 |
| Asia | 293.085 | 295.956 |
| Australia | 26.367 | 22.249 |
| Europe | 1.430.389 | 1.294.824 |
| | 1.981.603 | 1.818.843 |
| <p>Grundfos Operations A/S has only activities within the segment sale and service of pumps. That is the reason for showing the net turnover on geographical split and not also on activities.</p> | | |
| 2. Result from hedging instruments recognised in profit and loss account | | |
| Foreign currency contracts loss recognised in net turnover | 16.076 | 1.199 |
| Foreign currency contracts loss recognised in cost of goods sold | 342 | 5.358 |
| 3. Staff costs | | |
| Salaries and wages | 16.566 | 15.817 |
| Pensions | 1.308 | 1.258 |
| Social contributions | 201 | 179 |
| | 18.075 | 17.254 |
| <p>Staff costs are incorporated as shown below in the profit and loss statement:</p> | | |
| Production costs | 9.399 | 14.785 |
| Distribution costs | 1.084 | 352 |
| Administrative costs | 7.592 | 2.117 |
| | 18.075 | 17.254 |
| Average number of full time employees | 170 | 152 |
| Number of full time employees at year end | 168 | 152 |
| 4. Depreciation | | |
| Development projects | 889 | 885 |
| Technical installations and machinery | 5.620 | 4.813 |
| | 6.509 | 5.698 |
| <p>Depreciation is included in the profit and loss statement as follows:</p> | | |
| Production costs | 6.509 | 5.698 |
| | 6.509 | 5.698 |

Notes

5. Financial income

Interest income from affiliated companies
Interest income from external parties
Currency adjustments

| | 2021 | 2020 |
|--|--------------------|--------------------|
| | 1/1 - 31/12 | 1/1 - 31/12 |
| | EUR '000 | EUR '000 |
| | 52 | 69 |
| | 40 | 22 |
| | 6.008 | 8.310 |
| | 6.100 | 8.401 |

6. Financial costs

Financial costs to affiliated companies
Interest costs to external parties
Currency adjustments

| | | |
|--|--------------|---------------|
| | 313 | 4.700 |
| | 15 | 0 |
| | 6.607 | 9.926 |
| | 6.935 | 14.626 |

7. Tax on profit for the year

Current tax
Change in deferred tax
Adjustment to deferred tax, prior years
Adjustment of company tax, prior years

| | | |
|--|--------------|--------------|
| | 9.620 | 4.261 |
| | -1.081 | 2.420 |
| | -2.155 | 38 |
| | 2.149 | -5 |
| | 8.533 | 6.714 |

Tax on profit for the year

Tax on profit for the year can be explained as:

Profit before tax

| | | |
|--|---------------|---------------|
| | 38.797 | 30.151 |
| | 38.797 | 30.151 |

Tax calculated hereof

| | | |
|--|-------|-------|
| | 8.535 | 6.633 |
|--|-------|-------|

Tax effect of:

Adjustment of company tax, prior years
Effect from permanent differences, net

| | | |
|--|--------|----|
| | 2.149 | -5 |
| | -2.151 | 86 |

Tax on profit for the year

| | | |
|--|--------------|--------------|
| | 8.533 | 6.714 |
|--|--------------|--------------|

Deferred taxes relates to fixed assets, current assets, provisions, liabilities and equity postings.

8. Profit for the year

Proposed profit distribution

Reserve for development projects
Retained profit

| | | |
|--|---------------|---------------|
| | 14 | -225 |
| | 30.250 | 23.662 |
| | 30.264 | 23.437 |

Notes

| | Goodwill EUR '000 | Development projects EUR '000 |
|------------------------------------|------------------------------|--|
| 9. Intangible fixed assets | | |
| Cost 01.01.2021 | 1.248 | 4.426 |
| Additions of the year | 0 | 12 |
| Cost 31.12.2021 | 1.248 | 4.438 |
| Depreciation 01.01.2021 | 1.248 | 3.172 |
| Depreciation for the year | 0 | 889 |
| Disposals of the year | 0 | 0 |
| Depreciation 31.12.2021 | 1.248 | 4.061 |
| Accounting value 31.12.2021 | 0 | 377 |
| Accounting value 31.12.2020 | 0 | 1.254 |

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.

| | Technical install. and machinery EUR '000 | Fixed instal- lations in progress EUR '000 |
|------------------------------------|--|---|
| 10. Tangible fixed assets | | |
| Cost 01.01.2021 | 27.955 | 6.975 |
| Additions of the year | 3.606 | 6.478 |
| Transfers | 3.453 | -3.465 |
| Disposals of the year | 0 | 0 |
| Cost 31.12.2021 | 35.014 | 9.988 |
| Depreciation 01.01.2021 | 13.219 | 0 |
| Depreciation for the year | 5.620 | 0 |
| Disposals of the year | 0 | 0 |
| Depreciation 31.12.2021 | 18.839 | 0 |
| Accounting value 31.12.2021 | 16.175 | 9.988 |
| Accounting value 31.12.2020 | 14.736 | 6.975 |

Notes

11. Inventories

Raw materials and consumables
Work in progress
Manufactured goods and goods for resale

| 2021 EUR '000 | 2020 EUR '000 |
|------------------|------------------|
| 95.297 | 70.646 |
| 92.804 | 75.072 |
| 95.088 | 100.769 |
| 283.189 | 246.487 |

12. Deferred tax

Deferred tax 01.01
Deferred tax recognized in profit and loss account
Deferred tax recognized in equity
Adjustment to deferred tax previous years
Deferred tax asset and liability 31.12

| | |
|--------------|---------------|
| -3.505 | 2.578 |
| 1.081 | -2.420 |
| 6.073 | -3.625 |
| 2.155 | -38 |
| 5.804 | -3.505 |

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

13. Prepayments

Prepayments 01.01
Changes for the year
Prepayments 31.12

| | |
|------------|------------|
| 287 | 48 |
| 1 | 239 |
| 288 | 287 |

Prepayments are relating to prepaid insurance and subscriptions.

14. Share capital

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

No changes in the period 2017 - 2021.

15. Liabilities under guarantee and other provisions

Liabilities under guarantee and other provisions 01.01.
Provision for the period
Provision reversed
Liabilities under guarantee and other provisions 31.12.

| 2021 EUR '000 | 2020 EUR '000 |
|------------------|------------------|
| 741 | 1.122 |
| 69 | 0 |
| -106 | -381 |
| 704 | 741 |

Other provisions include jubilee provision and product guarantees.

16. Debt to and loans from affiliated companies

A loan amounting to 200,000 EUR was granted as a designated group internal EUR loan.
Repayment of the loan took place in May 2021.

17. Other liabilities

Other liabilities 01.01.
Disposals for the period
Other liabilities 31.12.

| | |
|----------|--------------|
| 1.537 | 528 |
| -1.537 | 1.009 |
| 0 | 1.537 |

Notes

18. Pledge of assets, guarantees and other liabilities etc.

No pledge has been given in the machinery and equipment.

Guarantees have been issued for the benefit of third parties (the Tax Authorities) amounting to 1,718 kEUR as of 31 December 2021.

The company have the following rental and lease commitments:

| | End of contract | Total obligation EUR '000 |
|-------|----------------------------|--|
| Cars | 2022-2023 | 198 |
| Total | | 198 |

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.

19. Related parties

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

The company's parent foundation, the Poul Due Jensens Fond, the parent Grundfos Holding A/S, the Board of Directors and the registered Management.

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 to the public 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.

20. 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 Register of Commerce under CVR no. 31 85 83 56.

Notes

21. 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 2021 there was a net currency forward contract loss amounting to 20,191 kEUR (against a net gain amounting to 7,414 kEUR at 31 December 2020).

These net gains and losses ultimo 2020 and 2021 are included in other accounts receivable and other liabilities and are due within the next 12 months.

Grundfos Operations A/S is no longer hedging the raw material price risks.

22. Events after the balance sheet date

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

Management monitors the development of the current COVID-19 health situation closely and the impact on our business and employees. We seek to adhere with applicable legislation related to COVID-19 and adjusting our daily work and routines accordingly to minimize the spread and impact of the disease.

As of mid June 2022, we have to the best of our knowledge not experienced any material impact on our business, financial performance or our customers' ability to pay, however, Management acknowledges increased uncertainty related to the future and are taking measures to safeguard the company's financial position.