



2020 Annual Report

Grundfos Holding A/S
Poul Due Jensens Vej 7
DK-8850 Bjerringbro
CVR no.: 31 85 83 56

The annual report (1.1.2020 – 31.12.2020) is presented and approved at the Annual General Meeting on 7 May 2021. Conductor: Astrid Nørgaard Friis

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GRUNDFOS 

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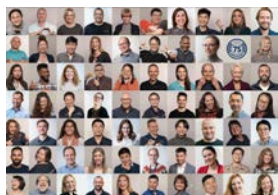
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ON THE COVER

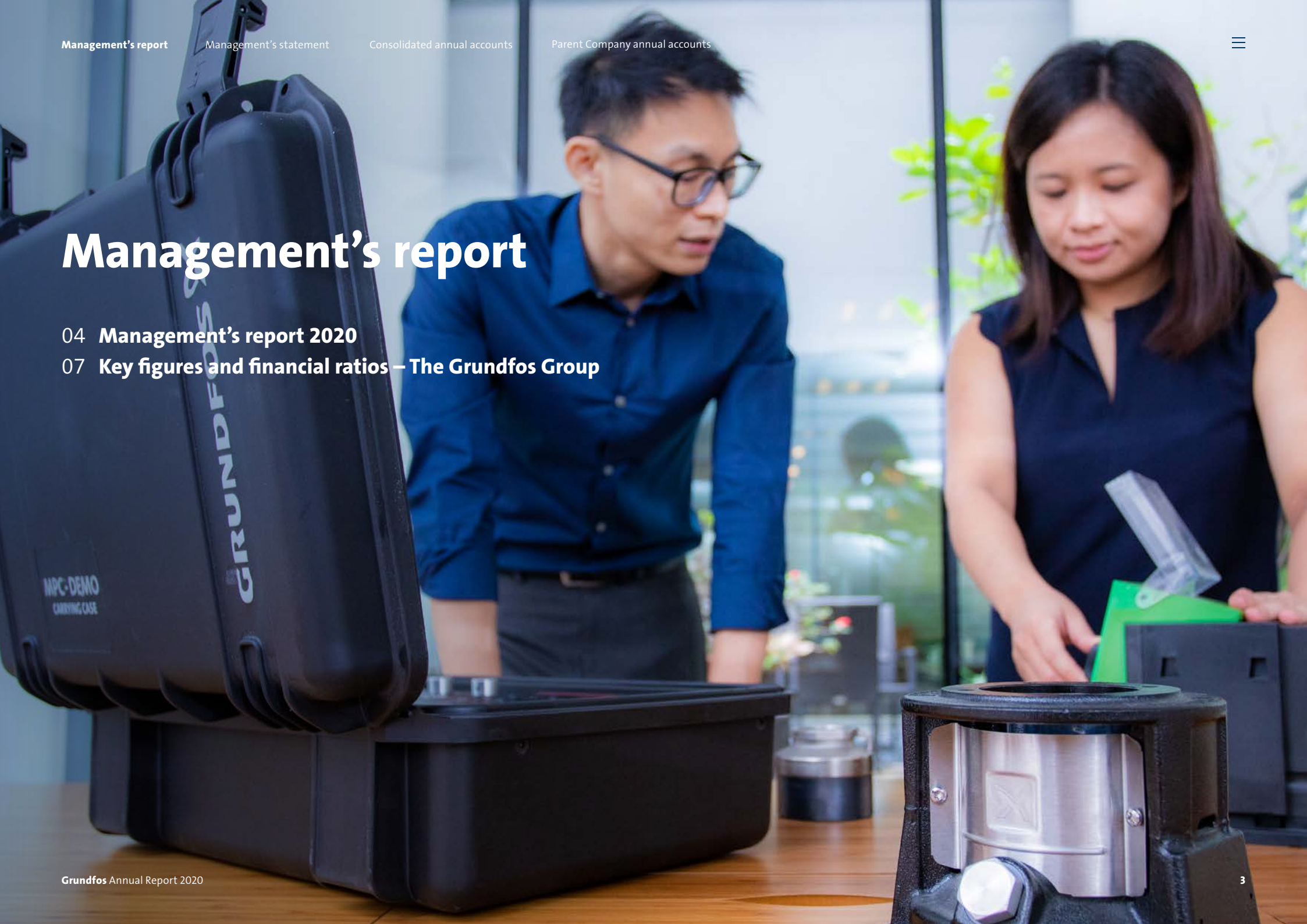
In our anniversary year we celebrated what we are able to accomplish when we work together.



Management's report

04 Management's report 2020

07 Key figures and financial ratios – The Grundfos Group



Management's report 2020

This report covers the annual results of the Grundfos Group, Grundfos Holding A/S, and affiliated companies. To read the majority owner's annual report, please visit the Poul Due Jensen Fond's website, www.poulduejensenfoundation.com.

In a turbulent year where the COVID-19 pandemic had severe adverse impacts across the world, we have delivered a strong performance from all parts of our business. We have taken extensive measures to ensure a safe work environment and we have kept our supply chain fully operational to support customers. We have maintained a solid financial performance, whilst staying on track with our 2025 Strategy. Throughout 2020 we have prepared the implementation of an entirely new organisation structure that successfully went live 1 January 2021.

KEEPING EMPLOYEES SAFE AND SERVICING OUR CUSTOMERS

Since the COVID-19 pandemic emerged as a real global threat in February 2020,

our primary focus has been on keeping a safe work environment for our employees. Through a broad set of measures across the organisation we have maintained full operational integrity whilst safeguarding the well-being of our colleagues at their workplace. Our people across functions and geographies have showed a deep care towards each other, Grundfos, our customers and our other collaboration partners. Colleagues quickly adapted to a new reality. We are deeply grateful towards our employees for their dedication.

Our annual employee motivation and satisfaction survey (EMS) conducted in September 2020 showed an average score of 77, up two points over 2019. This is the best EMS score ever in the years where we have tracked motivation and satisfaction among our people, a result we are very proud of.

Throughout the year we have been able to maintain a fully operational supply

chain and thereby supported our customers. Where needed we have taken the steps necessary to secure timely deliveries. Our customers recognise our efforts as our annual customer satisfaction and loyalty survey showed a satisfaction score of 78 on par with 2019. This is a satisfactory result in a difficult year, but we are determined to work even harder for our customers.

BUILDING THE ORGANISATION FOR THE FUTURE

In 2020 we announced a complete re-organisation of our Grundfos business. The new organisational structure serves two primary purposes; strengthening our ability to bring innovation to market; and serving our customers even better through customising customer journeys and experiences targeting specific applications and sales channels.

For many years the Grundfos customer facing organisation has been organised primarily along a geographical dimen-

sion. Going forward we have chosen to organise our Grundfos business in four global customer segments covering Domestic Building Services, Commercial Building Services, Industry and Water Utility. The customer segments will be supported by our global Service business. We have established cross functional customer segment leadership teams that will drive end-to-end thinking to the benefit of our customers. The new organisation successfully went live 1 January 2021.

As part of the reorganisation we have simplified and delayed our organisation. Unfortunately this meant that we in

Q4 2020 announced a restructuring plan eliminating more than 400 positions globally.

In September 2020 we announced the departure of CEO Mads Nipper, who had accepted the position as CEO of the Danish renewable energy company Ørsted. Already in October 2020, we could announce Poul Due Jensen as Grundfos' new CEO. Poul Due Jensen has been part of the Group Management team since 2015. With his global experience, strong results, leadership qualities and values he is the obvious choice to lead the new Grundfos organisation. →



A QUICK OVERVIEW

Poul Due Jensen, Group President, CEO

SOLID SALES UNDER DIFFICULT CIRCUMSTANCES

Many of our customers have been severely impacted by the global pandemic with an unavoidable negative effect on our sales. For the full year, our sales dropped 4.4% compared to 2019 when measured in local currencies. Global sales landed at DKK 26.3bn meaning sales measured in DKK dropped 4.3% versus last year.

The European markets, our global service business and our Heating, Ventilation, Air Conditioning (HVAC) OEM business all showed low single digit drops in sales, whereas our Chinese and Americas businesses were on par with 2019. The deepest negative impact was seen in the Asian markets.

Our DAB branded business delivered another year of growth.

In light of the difficult circumstances, we are satisfied with the sales development in 2020.

DELIVERING ON OUR FINANCIAL TARGETS

Through diligent management of margins and costs we have in 2020 succeeded in delivering earnings before interest and tax (EBIT) of DKK 2,606m representing an EBIT ratio of 9.9%.

In 2020 we have incurred extraordinary restructuring costs following the initiative to simplify and delay our organ-

isation. Also, we have - as in previous years - incurred costs for the discount we give our employees in our employee share program. When adjusting for such non-performance items our 2020 "performance EBIT" totalled DKK 2,927m which is on par with 2019.

The performance EBIT ratio stands at 11.1% improving last year's performance EBIT ratio by 0.5% points and meeting our 2025 ambition of delivering a minimum 10% return on sales.

Net financial items landed at a cost of DKK 42m against an income in 2019 of DKK 168m.

Profit before tax (PBT) ended at DKK 2,564m down DKK 395m compared to last year driven primarily by the restructuring costs and the drop in financial items.

Cash flow from operating activities in 2020 was DKK 3,529m. This represents a cash conversion ratio (cash flow from operations / EBITDA) of 0.91, well above our targeted average cash conversion ratio of 0.75. This very solid cash flow is a result of the strong operating result and a reduction of our working capital.

In 2020, we have continued to invest for the future. Our net investments for the year made up DKK 1,128m. The free cash flow - before purchase and sale of securities and acquisitions - ended at DKK 2,427m.

The solid financial results bring us the best possible platform for the future.

A healthy balance sheet gives us the strength to make long-term decisions without risking our financial independence. Our equity ratio at the end of 2020 stands at 68.9%.

STRATEGIC TRACTION

We continue investing in our 2025 Strategy.

Our purpose is to pioneer solutions to the world's water and climate challenges and to improve the quality of life for people. Our purpose builds on our long heritage of going beyond business as usual, taking responsibility for societal issues and contributing with our knowledge and technology to a more sustainable world.

Building a sizeable business within water treatment is a transformational element in our 2025 Strategy. In 2020, we laid the foundation by the acquisition of Eurowater - a leading player within the water treatment space. Eurowater generates most of its sales in Europe, and is primarily focused at water intake cleaning processes with industrial customers. But the company also holds a solid position with water utilities. The acquisition was closed as of 1 November 2020 where we could invite 432 new colleagues into the Grundfos family.

Our digital transformation is another critical element of our 2025 Strategy. We continue to bring digital solutions to the market and building sales capabilities dedicated at selling digitally enabled services. We have entered partnerships

with industry leading players for condition monitoring solutions such as Augury and Siemens. The many restrictions on meeting physically in 2020 was a set-back as selling new digital solutions often requires close customer dialogues. There is still much work ahead of us before we can deliver on our ambitions. In 2021 we will make further investments in bringing digital solutions to the market.

OUR GROUP KPIS

Below, we summarised the development in the Group's six most important KPIs.

RESEARCH AND DEVELOPMENT

Research and development (R&D) activities continue to be critical for Grundfos. Our R&D functions are globally organised with most activities placed at company headquarters in Bjerringbro, Denmark, →

The table below shows the 2025 targets and realised figures for 2019 and 2020 for the Grundfos Group

KPI	2019	2020	2025 target
Sales growth (excl. currency impact)	2.2%	-4.4%	Grow more than served market (avg. 4%)
Customer satisfaction	78	78	81
Employee motivation and satisfaction	75	77	78
Return on sales (performance EBIT/net turnover)	10.6%	11.1%	10%
Cash conversion	0.97	0.91	Average 0.75
Sustainability index	19	50	100

and with significant R&D teams in selected key markets such as China and India. R&D covers a wide range of activities such as research into materials, product development, production technologies and methodologies etc.

We partner with universities, public and private partners, supporting research activities and applying technology in practice.

INTELLECTUAL CAPITAL RESOURCES

It is our purpose to attract, retain and develop highly skilled employees with intellectual capital resources in areas that are relevant for the continued growth and development of the business, such as advanced production technology, digitalisation and innovation.

We are well positioned to deliver on our purpose with approximately 19,000 engaged colleagues who innovate, design, produce, sell and service our solutions every day. Today we depend on learning and on the ability to acquire new capabilities and skills in a fast and agile way.

Therefore:

- We are committed to spot, review and grow the highest potential in all our people
- We run dedicated talent programs
- We make focused efforts to broaden diversity across the organisation to drive growth and innovation
- We strive to foster an empowering environment which enables personal and professional growth

Being a global organisation with an ambitious strategy and an engaging purpose, we understand that constant upskilling/re-skilling are key, and we are always curious to find new ways to match people and opportunities.

FINANCIAL RISKS

As a result of our global activities, group profit and equity are influenced by a number of financial risks. Foreign exchange risks in the operating companies are managed centrally, as are interest and liquidity risks. The Board of Directors has set up a policy for the use of financial instruments.

Foreign exchange risk

Grundfos' policy is to secure the currency exchange rates for the most essential flow of goods, i.e. sale and purchase of goods. The objective of the policy is to reduce the potential adverse short-term (up to 15 months) impact from foreign exchange rate fluctuations on cash flows and earnings and thereby allow for planning and counter actions in order to handle the longer term adverse impact.

Currency hedging is carried out centrally by Group Treasury and covers cash flow risk as well as fair value risk. Cash flow risk is hedged for a period of up to 15 months aiming at a coverage of 50% - 90% of the expected exposure whereas fair value hedge is aiming at a 80% - 90% coverage of the balance sheet exposure.

The most important currencies for hedging are the Euro and the US dollar. At the end of 2020, currency contracts to reduce the foreign exchange risk in connection with the flow of goods amounted to DKK 5,663m (2019: DKK 6,294m). Reference is made to note 26 for further details.

Other financial risks

- **Liquidity risk:** Financial independence is a core value to Grundfos. Maintaining an adequate cash reserve is therefore key. In addition to unused borrowing facilities, the reserve amounts to DKK 7.8bn by end of 2020 (2019: DKK 6.9bn).
- **Credit risk:** Credit risks derive primarily from trade debtors, securities and bank receivables. Risk on trade debtors is diversified across a large number of customers reducing the exposure. The credit risk is reduced on bank receivables, forward exchange contracts etc. by selecting financial business partners with a high credit rating.
- **Raw material risk:** Grundfos does not hedge raw materials. No single raw material constitutes a significant proportion of production costs.

UNCERTAINTY RELATING TO RECOGNITION AND MEASUREMENT

We have, in conjunction with the financial reporting for 2020, not identified any areas with material uncertainties regarding recognition and measurement, however Grundfos is, as disclosed in note 22, party to ongoing disputes and legal actions. But none of these will have a significant impact on our financial position beyond

what has been recognised and stated in the Annual Report.

OUTLOOK FOR 2021

Most likely the COVID-19 pandemic will continue to impact the global economy deep into 2021. However, we see growth opportunities and we expect single digit sales growth. The current market environment, however, requires us to navigate diligently as global demand may shift significantly.

We forecast a performance EBIT ratio around our strategic ambition of 10%. We choose to increase our investments in innovation and other strategic initiatives supporting our 2025 Strategy, which is why we expect a performance EBIT ratio lower than in 2020.

SUSTAINABILITY PERFORMANCE

Our purpose and the Grundfos Strategy 2025 are rooted in our commitment to pioneering solutions to the world's water and climate challenges.

We have supported the UN Global Compact principles since 2002 and will continue doing so, in particular focusing on achieving results on Sustainable Development Goals #6 (water and sanitation) and #13 (climate change).

Our Sustainability Report and this Annual Report shall be seen in conjunction. By publishing our Sustainability Report, we fulfil the requirements for corporate sustainability reporting set out in section

99a of the Danish Financial Statements Act as well as section 99b on the gender balance at management levels, etc.

Please find our Sustainability Report here: <https://www.grundfos.com/sustainability/sustainability-report>

MANAGEMENT'S REPORT ON THE PARENT COMPANY

Grundfos Holding A/S is the Parent Company of the Grundfos Group and holds the shares of all the other Grundfos Group companies – either directly or indirectly. The company's activities include the majority of the Group's R&D functions as well as group functions involving coordination, planning and management.

In this capacity, Grundfos Holding A/S performs several overarching functions and services. Grundfos Holding A/S had 1,676 employees at the end of 2020 (2019: 1,609). In 2020, the net turnover of Grundfos Holding A/S totalled DKK 3,627m (2019: DKK 3,401m), and the operating profit amounted to DKK 313m (2019: DKK 254m).

According to the equity method, income from the other group companies amounted to DKK 1,665m (2019: DKK 1,744m). Profit after tax stands at DKK 1,993m (2019: DKK 2,350m). The balance sheet shows equity of DKK 17,482m (2019: DKK 17,142m), corresponding to an equity ratio of 76.4% (2019: 75.0%).

Key figures and financial ratios – The Grundfos Group

1 January – 31 December 2020

Consolidated profit and loss account	2020	2019	2018	2017	2016
Net turnover	26,340	27,518	26,721	25,634	24,677
Earnings before interest and tax (EBIT)	2,606	2,791	2,400	2,346	2,248
Net financials	(42)	168	(74)	69	26
Profit before tax	2,564	2,959	2,326	2,415	2,274
Consolidated profit after tax	1,931	2,208	1,762	1,755	1,680
Consolidated balance sheet					
Assets					
Intangible fixed assets	1,138	589	535	628	884
Tangible fixed assets	5,718	6,020	6,099	6,229	6,755
Financial fixed assets	777	818	1,177	1,435	1,797
Current assets	17,762	17,787	19,895	17,697	15,208
Total assets	25,395	25,214	27,706	25,989	24,644
Liabilities					
Equity	17,501	17,160	16,045	15,200	14,503
Provisions	1,568	1,264	1,026	1,245	1,314
Long-term liabilities	91	128	21	20	126
Short-term liabilities	6,235	6,662	10,614	9,524	8,701
Total liabilities and equity	25,395	25,214	27,706	25,989	24,644
Key figures and ratios					
Number of employees at year-end	19,221	19,060	19,014	18,596	17,777
Capital investments, tangible	935	983	1,010	768	942
Capital investments, intangible	193	259	132	143	139
Total capital investments	1,128	1,242	1,142	911	1,081
Research and development costs, incl. capitalised	1,186	1,109	1,190	1,162	1,151
Interest-bearing net accounts receivable	7,435	6,710	4,817	4,388	2,950
Net cash flow from operating and investment activities	2,427	2,711	1,488	2,214	2,069
Sales growth	-4.3%	3.0%	4.2%	3.9%	-0.5%
Sales growth in local currencies	-4.4%	2.2%	6.6%	5.3%	0.5%
EBIT as a percentage of net turnover	9.9%	10.1%	9.0%	9.2%	9.1%
Return on equity	11.1%	13.3%	11.3%	11.8%	12.0%
Equity ratio	68.9%	68.1%	57.9%	58.5%	58.9%



Definition of KEY FIGURES AND RATIOS:

Sales growth: Yearly change in consolidated net turnover measured in DKK.

Sales growth in local currencies: Yearly change in consolidated net turnover adjusted for currency impact.

Return on equity: Consolidated profit after tax as a percentage of the average equity.

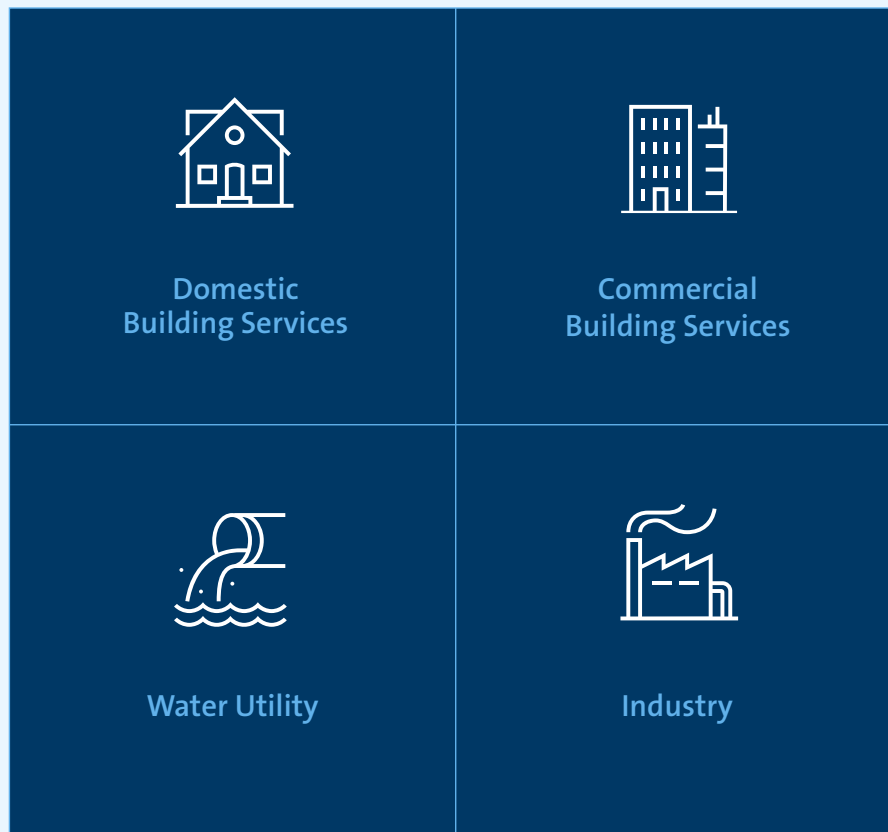
Equity ratio: Equity at year-end as a percentage of total assets.

Net cash flow from operating and investment activities: Net cash flow from operating and investments activities before impact from purchase/sale of securities and acquisition/sale of companies.

Key figures and financial ratios are defined and calculated in accordance with the latest "Recommendations & Ratios" issued by the Danish Finance Society.

Changes in accounting policies regarding provision for uncertain tax positions (IFRIC 23) has been made in 2019. Comparison figures for 2016-2018 have not been restated.

Reorganising to fulfil our ambitious purpose



New ways of working improve our ability to pioneer solutions to the world's water and climate challenges and improve quality of life for people.

Putting our customers first in a changing world requires new ways of working to truly meet future demands for simplicity and speed. Therefore, and effective from the beginning of 2021 we have organised our primary functions around our four customer segments – Commercial Building Services, Domestic Building Services, Industry and Water Utility.

At the same time, we have invested significantly in innovation and digital activities. All in all, it will help us realise our purpose – to pioneer solutions to the world's water and climate challenges and improve quality of life for people.

In the new setup, sales and marketing have been moved to the customer segments, and more functions will follow. This creates a more customer-centric structure with a complete value chain that is focused on meeting customers' unique needs fast and efficiently.

Even though the COVID-19 pandemic has had a significant impact on markets globally in 2020, we are making these changes from a position of strength.

“Now is the right time for us to make the changes to put our strategy into action. Since the birth of the business back in 1945, we have reorganised many times to ensure our success. Now is no different, we are taking these important moves to proactively put our strategy into action and better fulfil our purpose,” states Jens Moberg, Chairman of the Board, Grundfos Holding.

The Group remains headquartered in Bjerringbro, Denmark, and so is Domestic Building Services and Industry, but to get closer to our markets, other activities have been moved to other locations. Leadership for Commercial Building Services is now based in Shanghai, China, and leadership for Water Utilities is based in Houston, USA.

Management's statement

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Group Management



Poul Due Jensen
Group President, CEO



Mikael Geday
Group Executive Vice President, CFO
Finance, IT & Legal Affairs



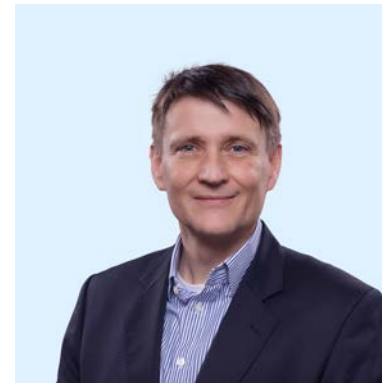
Stéphane Simonetta
Group Executive Vice President, COO
Operations



Ulrik Gernow
Group Executive Vice President, CCO
Sales & Marketing



Lone Tvis
Group Executive Vice President, CHRO
Human Resources



Markus Brandstetter
Group Executive Vice President, CTO
Technology & Development

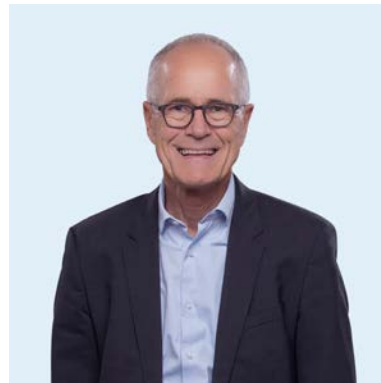
Board of Directors



Jens Winther Moberg
Chairman



Carsten Joachim Reinhardt
Vice Chairman



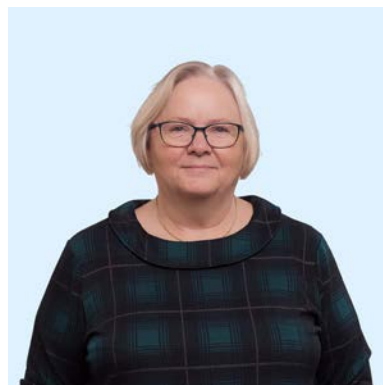
Jens Maaløe
Member of the Board



Anders Jakob Vedel
Member of the Board



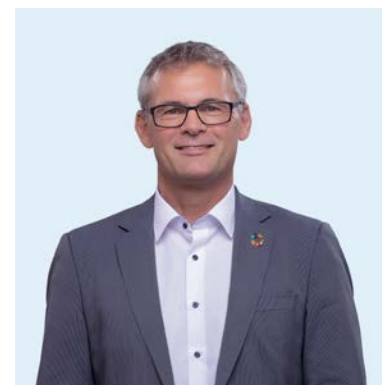
Henrik Ehlers Wulff
Member of the Board



Kitty Thaarup Herholdt
Member of the Board,
elected by employees



Rudolf Martini
Member of the Board,
elected by employees



Torben Ømark
Member of the Board,
elected by employees

Management's statement

STATEMENT BY THE BOARD OF DIRECTORS AND GROUP MANAGEMENT ON THE ANNUAL REPORT

Today, the Board of Directors and Group Management have reviewed and approved the Annual Report of Grundfos Holding A/S for the financial year 1 January – 31 December 2020.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements of the Parent Company give a true and fair view of the financial position at 31 December 2020, the results of the Group's and Parent Company's operations, and consolidated cash flows for the financial year 2020.

In our opinion, the Management's report includes a true and fair view of the development in the operations and financial circumstances of the results for the year, and of the financial position of the Group and the Parent Company, as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Bjerringbro, 10 March 2021

Registered Group Management

Poul Due Jensen

Group President, CEO

Mikael Andreas Holm Geday

Group Executive Vice President, CFO

Stéphane Laurent Gilles Simonetta

Group Executive Vice President, COO

Board of Directors

Jens Winther Moberg

Chairman

Carsten Joachim Reinhardt

Vice Chairman

Jens Maaløe

Member of the Board

Anders Jakob Vedel

Member of the Board

Henrik Ehlers Wulff

Member of the Board

Kitty Thaarup Herholdt

*Member of the Board,
elected by employees*

Rudolf Martini

*Member of the Board,
elected by employees*

Torben Ømark

*Member of the Board,
elected by employees*

Independent auditor's report

TO THE SHAREHOLDERS OF GRUNDFOS HOLDING A/S

OPINION

We have audited the consolidated financial statements and the parent financial statements of Grundfos Holding A/S for the financial year 1 January – 31 December 2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2020, and of

the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements, unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements

and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 REPORT

Management is responsible for the management's report.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management's report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management's report and, in doing so, consider whether the management's report is materially inconsistent with the consolidated financial statements and the parent 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's report provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management's report is in accordance with the consolidated financial statements and the parent 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's report.

Aarhus, 10 March 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Thomas Rosquist Andersen

State-Authorised Public Accountant
MNE no 31482

Lars Siggaard Hansen

State-Authorised Public Accountant
MNE no 32208

New CEO will strengthen focus on innovation and customers

Poul Due Jensen has been an invaluable part of Grundfos since the turn of the millennium, and since 2015 he has been a central part of Group Management.

In his new role, Poul Due Jensen will head a company in excellent shape with a strong management team, talented employees and strong results. He will continue to implement the Grundfos Strategy 2025 which is our response to the fundamental changes taking place around us, as well as our desire to make a positive contribution to the world.

This means accelerating our offerings and impact within water and climate. It is about becoming a truly digital solutions and service provider. It is about innovating to bring differentiated solutions to our customers. And it is about constantly

striving to do things better, faster and simpler.

Poul Due Jensen looks forward to further developing the competences of a reorganised, more customer-focused group and working with partners around the world to find new water and climate solutions.

“Previous years’ strong financial results give us the best starting point for implementing our ambitious strategy and our organisational transformation. I want us to focus even more on innovation and digital competences, and I am passionate about developing Grundfos,

so that we continue to be an attractive workplace for talents from all over the world,” he says.

Poul Due Jensen is the grandson of the founder, whom he is named after, and the son of Niels Due Jensen, former CEO and Chairman of the Board. Hence, Poul has been surrounded by the Grundfos values and culture throughout his upbringing. During his 23 years in Grundfos, he has gained valuable skills and experiences, and he has held several management positions in Asia, Denmark and North America before joining the group management team.



Consolidated annual accounts

Consolidated profit and loss account

1 January – 31 December 2020

	Note	2020	2019
Net turnover	1, 2	26,340	27,518
Production costs	2, 3, 4	(16,133)	(16,932)
Gross profit		10,207	10,586
Research and development costs	3, 4	(1,220)	(1,176)
Sales and distribution costs	3, 4	(4,106)	(4,421)
Administrative costs	3, 4	(2,275)	(2,198)
Earnings before interest and tax (EBIT)		2,606	2,791
Income from fixed asset investments		0	24
Financial income	5	90	305
Financial costs	2, 6	(132)	(161)
Profit before tax		2,564	2,959
Tax on profit for the year	7	(633)	(751)
Consolidated profit for the year	8	1,931	2,208

Consolidated balance sheet

As at 31 December 2020

Assets	Note	2020	2019
Fixed assets			
Intangible fixed assets			
Goodwill		397	57
Other intangible fixed assets		580	338
Completed development projects		96	167
Development projects in progress		65	27
	9	1,138	589
Tangible fixed assets			
Land and buildings		2,641	2,812
Technical installations and machinery		1,941	2,156
Other technical installations		385	408
Tangible fixed assets in progress		751	644
	10	5,718	6,020
Financial fixed assets			
Investments in associated companies		3	5
Securities		63	66
Deferred tax assets	11	658	682
Other accounts receivable		53	65
	12	777	818
Total fixed assets		7,633	7,427
Current assets			
Inventories	13	3,991	4,158
Accounts receivable			
Trade debtors		4,607	5,008
Work in progress	14	42	29
Corporation tax		447	689
Other accounts receivable		751	925
Prepayments	15	191	179
		6,038	6,830
Securities		2,341	835
Cash at bank and in hand		5,392	5,964
Total current assets		17,762	17,787
Total assets		25,395	25,214

Liabilities	Note	2020	2019
Equity			
Share capital		381	381
Retained profit		16,684	15,729
Reserve for currency translation		(567)	0
Reserve for value adjustment of hedging instruments		34	(68)
Proposed dividend		950	1,100
Grundfos Holding's share of equity		17,482	17,142
Minority interests		19	18
Total equity		17,501	17,160
Provisions			
Liabilities under guarantee	16	179	213
Pension liabilities	16	621	578
Other provisions	16	687	433
Deferred tax liabilities	11	81	40
Total provisions		1,568	1,264
Liabilities			
Long-term liabilities			
Bank loans		35	39
Other loans		56	89
	17	91	128
Short-term liabilities			
Short-term element of long-term liabilities		269	10
Bank overdrafts and loans		1	17
Trade creditors		2,373	2,374
Work in progress	14	4	14
Corporation tax		857	1,075
Other liabilities		2,421	2,999
Deferred income	18	310	173
		6,235	6,662
Total liabilities		6,326	6,790
Total equity, provisions and liabilities		25,395	25,214
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Statement of changes in consolidated equity

1 January – 31 December 2020

	Share capital	Retained profit	Reserve for currency translation	Reserve for value adjustment of hedging instruments	Proposed dividend	Grundfos Holding's share of equity	Minority interests	Total equity
Equity 01.01.2019	381	14,871	0	(96)	875	16,031	14	16,045
Profit for the year	-	1,104	-	-	1,100	2,204	4	2,208
Change in accounting policies	-	(182)	-	-	-	(182)	-	(182)
Exchange rate adjustments, affiliated companies, etc.	-	129	-	-	-	129	-	129
Dividend paid	-	-	-	-	(875)	(875)	-	(875)
Changes in actuarial assumptions	-	(226)	-	-	-	(226)	-	(226)
Changes in value of hedging instruments	-	-	-	28	-	28	-	28
Reversed tax on equity items, opening	-	29	-	(25)	-	4	-	4
Recognised tax on equity items, closing	-	10	-	19	-	29	-	29
Equity 31.12.2019	381	15,735	0	(74)	1,100	17,142	18	17,160
Profit for the year	-	978	-	-	950	1,928	3	1,931
Exchange rate adjustments, affiliated companies, etc.	-	-	(567)	-	-	(567)	(2)	(569)
Dividend paid	-	-	-	-	(1,100)	(1,100)	-	(1,100)
Changes in actuarial assumptions	-	(56)	-	-	-	(56)	-	(56)
Changes in value of hedging instruments	-	-	-	102	-	102	-	102
Reversed tax on equity items, opening	-	-	(10)	(19)	-	(29)	-	(29)
Recognised tax on equity, closing	-	12	54	(4)	-	62	-	62
Equity 31.12.2020	381	16,669	(523)	5	950	17,482	19	17,501

Consolidated cash flow statement

1 January – 31 December 2020

	Note	2020	2019
Consolidated profit after tax		1,931	2,208
Adjustments	23	2,170	2,164
Changes in working capital	24	42	102
Cash flow from operating activities before financials		4,143	4,474
Income from financial fixed assets		0	24
Financial income		108	284
Financial costs		(123)	(161)
Cash flow from ordinary activities		4,128	4,621
Corporation tax paid		(599)	(674)
Cash flow from operating activities		3,529	3,947
Acquisition of companies		(518)	0
Investment in tangible assets		(935)	(983)
Disposal of tangible fixed assets		26	6
Investment in intangible fixed assets		(193)	(259)
Purchase and sale of securities		(1,504)	4,448
Cash flow from investment activities		(3,124)	3,212
Net cash flow from operating and investment activities		405	7,159
Changes in loans		0	(4,576)
Changes in liabilities		213	41
Dividend paid		(1,100)	(875)
Cash flow from financing activities		(887)	(5,410)
Change in liquid funds		(482)	1,749
Available funds, opening	25	5,874	4,215
Available funds, closing	25	5,392	5,964



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

Eurowater acquisition strengthens our water treatment business

Eurowater brings a broad portfolio of solutions and a deep understanding of water treatment applications for industrial end-users and water utilities. Thus, the acquisition aligns closely with Grundfos' strategy to strengthen our innovation leadership within water technology, supports our purpose to pioneer solutions to the world's water and climate challenges and improve the quality of life for people.

"The acquisition enables us to strengthen our value proposition to customers. It further advances our important work to address water challenges in Europe and also on a global scale," says Ulrik Gernow, Group Executive Vice President, CCO, Grundfos, and continues: "Eurowater is an outstanding company and we are truly impressed by the 432 talented people, we welcomed into our company."

The Eurowater and Grundfos businesses share many similarities, including a sharp

focus on innovation and the capability of offering high-quality products and value-added services to customers. Culturally, the two organisations match well as they are both purpose-driven and highly customer-centric.

Headquartered in Denmark, Eurowater primarily serves the European markets with a range of water treatment offerings focusing on customers in the industrial and municipal sectors. Grundfos officially took ownership as of November 1 2020. Former Eurowater owners and CEOs, Kurt Hufnagl and Torben Buhl, continue in their roles as co-CEOs of the company.

Torben Buhl says:

"We took over the company 17 years ago from the Scherfig family, who had owned the company since its foundation in 1936. With the global reach and presence of Grundfos and our track record of producing premium products, we see great opportunities to boost the development of innovative and efficient water solutions."

The acquisition of Eurowater marks an important milestone in Grundfos' ongoing efforts to pioneer solutions to combat global water challenges.



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Note 1 Net turnover	2020	2019
Europe (including Russia)	14,798	14,912
North and South America	4,259	4,500
Asia	6,041	6,713
The Middle East/Africa	1,242	1,393
	26,340	27,518

Note 2 Result from hedging instruments recognised in profit and loss account	2020	2019
Foreign exchange rate contracts recognised in net turnover	5	(229)
Foreign exchange rate contracts recognised in production costs	(70)	7
Raw material contracts recognised in production costs	0	(50)
Foreign exchange rate contracts recognised in financial costs	19	(15)
	(46)	(287)



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

Note 3 **Staff costs**

	2020	2019
Total Group payments to employees and Board of Directors	6,373	6,549
Pensions	430	476
Social contributions	561	599
	7,364	7,624
Staff costs are recognised as follows		
Production costs	3,305	3,496
Research and development costs	803	771
Sales and distribution costs	2,071	2,189
Administrative costs	1,185	1,168
	7,364	7,624
Staff costs include fees to Group Management and the Board of Directors of Grundfos Holding A/S for directorships in Grundfos Holding A/S		
Board of Directors	10	8
Registered Group Management	34	34
	44	42
Average number of full-time employees	19,227	19,019
Number of employees, closing	19,221	19,060



Staff costs of the year include fees to Group Management and the Board of Directors of Grundfos Holding A/S for directorships in Grundfos Holding A/S.

The Group continued the long-term incentive (LTI) programme targeted at Group Management and other members of senior management. Members of the board of Grundfos Holding A/S do not participate in the LTI programme.

Under the LTI programme, participants may receive shares in Grundfos Holding A/S based on the Group meeting certain targets for sales growth, profit growth and return on capital employed. Shares granted will be vested to the participants in the four years following the year they were earned.

Note 4 Depreciation, amortisation and write-downs

	2020	2019
Intangible fixed assets	246	224
Tangible fixed assets	1,010	1,078
Gain/loss from sale of fixed assets	1	18
	1,257	1,320
Recognised in the profit and loss account under the following items		
Production costs	864	915
Research and development costs	190	202
Sales and distribution costs	87	92
Administrative costs	116	111
	1,257	1,320



The amounts for research and development costs and goodwill include write-downs of DKK 0m (2019: DKK 0m).

Note 5 Financial income

	2020	2019
Value adjustments, etc. from shares	14	137
Value adjustments, etc. from bonds	9	0
Dividend income from shares	5	36
Interest income from bonds	8	37
Other financial income	54	95
	90	305

Note 6 Financial costs

	2020	2019
Value adjustments, etc. from bonds	0	38
Interest affiliated company	0	4
Other financial costs	132	119
	132	161

Note 7 Tax on profit for the year	2020	2019
Current tax	604	737
Deferred tax	(21)	(194)
Change in deferred tax due to changes in tax rates	(3)	(1)
Adjustment regarding previous years	53	209
Tax on profit for the year	633	751
Reconciliation of tax rate for the year		
Danish tax rate	22%	22%
Deviations in tax in foreign companies in relation to Danish tax rate	1%	1%
Non-taxable income and non-deductible expenses	(1%)	0%
Non-deductible withholding taxes	1%	2%
Change regarding deferred tax assets	0%	(1%)
Other, including adjustments regarding previous years	2%	1%
Effective tax rate for the year	25%	25%

Note 8 Consolidated profit for the year	2020	2019
Attributable to		
Minority shareholders' share of profit in subsidiaries	3	4
Proposed dividend	950	1,100
Retained earnings	978	1,104
	1,931	2,208

Note 9 Intangible fixed assets	Goodwill	Other intangible fixed assets	Completed development projects	Development projects in progress	Total
Costs					
Costs 01.01.2020	410	951	470	27	1,858
Exchange rate adjustments	(3)	(20)	-	-	(23)
Acquisition of companies	359	226	-	-	585
Additions of the year	-	129	9	49	187
Disposals of the year	(19)	(154)	(49)	-	(222)
Transfers	-	37	11	(11)	37
Costs 31.12.2020	747	1,169	441	65	2,422
Acc. amortisation/write-downs of the year					
Acc. amortisation/write-downs 01.01.2020	353	613	303	-	1,269
Exchange rate adjustments	(2)	(18)	0	-	(20)
Acquisition of companies	-	8	-	-	8
Amortisations of the year	18	139	92	-	249
Amortisations and write-downs on disposals of the year	(19)	(153)	(50)	-	(222)
Acc. amortisation/write-downs 31.12.2020	350	589	345	0	1,284
Book value 31.12.2020	397	580	96	65	1,138
Book value 31.12.2019	57	338	167	27	589



The Group recognises only development projects which generate new saleable products that meet a certain criteria for profitability. Project progress is assessed regularly during the development phase in accordance with the Group's "Decision Point Model". Development projects in progress are related to core pump business.

After sales release, where amortisation 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.

Note 10 Tangible fixed assets	Land and buildings	Technical installations and machinery	Other technical installations	Tangible fixed assets in progress	Total
Costs					
Costs 01.01.2020	6,156	12,848	1,674	644	21,322
Exchange rate adjustments	(252)	(314)	(58)	(16)	(640)
Acquisition of companies	78	86	-	-	164
Additions of the year	79	243	56	562	940
Disposals of the year	(28)	(148)	(71)	(11)	(258)
Transfers	63	249	78	(428)	(38)
Costs 31.12.2020	6,096	12,964	1,679	751	21,490
Acc. depreciation/write-downs of the year					
Acc. depreciation/write-downs 01.01.2020	3,344	10,692	1,266	-	15,302
Exchange rate adjustments	(103)	(245)	(51)	-	(399)
Acquisition of companies	33	61	-	-	94
Depreciation of the year	198	674	139	-	1,011
Depreciation and write-downs on disposals of the year	(17)	(153)	(65)	-	(235)
Transfers	0	(6)	5	-	(1)
Acc. depr./write-downs 31.12.2020	3,455	11,023	1,294	0	15,772
Book value 31.12.2020	2,641	1,941	385	751	5,718
Book value 31.12.2019	2,812	2,156	408	644	6,020

 Book value of financially leased facilities at 31.12.2020 amounts to DKK 15m (2019: DKK 10m).

Note 11 Deferred tax assets and deferred tax liabilities

	2020	2019
Changes in deferred tax		
Deferred tax 01.01.2020	642	403
Exchange rate adjustments	(27)	6
Acquisition of companies	(49)	0
Changes in tax rates	3	1
Deferred tax recognised in profit and loss account	21	194
Deferred tax recognised in equity	(13)	38
Deferred tax 31.12.2020	577	642
Breakdown of deferred tax		
Fixed assets	(182)	(66)
Current assets	407	414
Provisions	271	188
Liabilities	72	102
Deficit (Tax loss carryforward)	9	4
	577	642
The above has been recognised in the balance sheet as		
Deferred tax assets	658	682
Deferred tax liabilities	(81)	(40)
	577	642

i The Group recognises deferred tax assets, including the tax value of loss carryforwards, where Management assesses that the tax assets may be utilised in the foreseeable future or set off against positive taxable income. The assessment is made annually and is based on budgets and business plans for future years, including planned business initiatives. Key parameters are expected turnover and EBIT development considering expected allocation on future taxable income based on the transfer pricing policy in place.

The majority of the tax assets is related to ordinary and recurring temporary differences, while tax loss carryforwards represent only a small portion of the total tax asset, in 2020 DKK 9m (2019: DKK 4m).

Tax assets related to carryforward losses are only recognised, if they are expected to be utilised within 3 years.

Unrecognised tax assets related to tax losses carryforward amount to approx. DKK 90m (2019: DKK 110m).

Note 12 Financial fixed assets	Investments in associated companies	Securities	Deferred tax assets	Other accounts receivable	Total
Cost					
Cost 01.01.2020	5	68	682	77	832
Exchange rate adjustments	-	(5)	(27)	(6)	(38)
Additions of the year	-	2	62	4	68
Disposals of the year	-	-	(59)	(10)	(69)
Cost 31.12.2020	5	65	658	65	793
Value adjustments					
Value adjustments 01.01.2020	-	2	-	12	14
Write-downs of the year	2	-	-	(2)	0
Disposals of the year	-	-	-	2	2
Value adjustments 31.12.2020	2	2	0	12	16
Book value 31.12.2020	3	63	658	53	777
Book value 31.12.2019	5	66	682	65	818

 The market value of securities at 31.12.2020 amounts to DKK 63m (2019: DKK 66m).

Note 13 Inventories	2020	2019
Raw materials and consumables	1,562	1,579
Work in progress	1,236	1,353
Manufactured goods and goods for resale	1,193	1,226
	3,991	4,158

Note 14 **Work in progress**

	2020	2019
Selling price of project contracts	138	220
Progress billings	(100)	(205)
	38	15
Recognised as follows		
Receivables	42	29
Current liabilities	(4)	(14)
	38	15

Note 15 **Prepayments**

Prepayments comprise prepaid costs regarding rent, insurance premiums, marketing and subscriptions.

Note 16 **Provisions**

	Liabilities under guarantee	Pension liabilities	Other provisions
01.01.2020	213	578	433
Exchange rate adjustments	(11)	(27)	(13)
Provisions spent during the year	(23)	(37)	(59)
Provisions reversed	(4)	(2)	(13)
Provisions of the year	4	109	339
31.12.2020	179	621	687

**Liabilities under guarantee**


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

Other provisions

Other provisions include a long-term incentive (LTI) programme for senior management in the Group, restructuring costs and legal disputes to which the Group is a party.

Note 17 Long-term liabilities

	2020	2019
Debt falling due after more than one year but less than five years		
Bank loans	35	39
Other monetary creditors	56	89
	91	128

 No debt falling due after more than five years.

Distribution of currencies and interest as at 31.12.2020

Currency	2020	Average interest rate
DKK	56	0.0%
EUR	7	4.9%
GBP	5	5.9%
Other	23	5.5%
Total	91	

Note 18 Deferred income

Deferred income consists of payments received in respect of income in subsequent financial years.

Note 19 Financial instruments

For hedging purposes, the Group has entered into financial contracts covering 1-12 months. On the balance sheet date, financial contracts can be broken down into the following principal items:

	Volume 2020	Deferred recognition in the profit and loss account before tax 2020	Volume 2019	Deferred recognition in the profit and loss account before tax 2019
Currency contracts EUR	3,708	60	4,059	(55)
Currency contracts USD	1,038	(27)	1,119	(13)
Currency contracts SGD	267	(6)	396	(5)
Currency contracts other	287	(6)	263	3
Interest rate swaps	8	(1)	8	(1)
Electricity contracts (GWh)	80	3	75	1
Gas contracts (m ³)	344,000	0	422,000	0
Total		23		(70)

Note 20 Auditors' remuneration

	2020	2019
Fee to Deloitte for statutory auditing	15	14
Fee to Deloitte for other assurance engagements	1	0
Fee to Deloitte for tax advisory services	8	9
Fee to Deloitte for other services	8	5
	32	28

Note 21 Related parties

Related parties of Grundfos Holding A/S comprise the parent foundation, the Poul Due Jensens Fond and the Board of Directors of Grundfos Holding A/S and the registered Group Management of Grundfos Holding A/S.


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

Note 22 Securities, contingent liabilities, etc.

	2020	2019
Operational leasing contracts and lease obligations for the coming years amount to	577	658

Note 23 Adjustments

	2020	2019
Depreciation	1,256	1,302
Liabilities under guarantee and other provisions	173	261
Gain from sale of fixed assets	1	18
Income financial fixed assets	0	(24)
Financial income	(90)	(305)
Financial costs	132	161
Tax on profit for the year	633	751
Other adjustments	65	0
Adjustments	2,170	2,164

 The Group is party to a number of disputes, lawsuits and legal actions including tax disputes. It is the view of Management that the outcome of these legal actions will have no other significant impact on the Group's financial position beyond what has been recognised and stated in the annual report.

The Group has issued performance and payment guarantees of DKK 138m (2019: DKK 136m).

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

Note 24 Changes in working capital	2020	2019
Changes in inventories	278	338
Changes in accounts receivable	452	(321)
Change in trade creditors, other liabilities and deferred income	(474)	93
Unrealised exchange rate adjustments	(214)	(8)
Changes in working capital	42	102

Note 25 Available funds, opening	2020	2019
Cash at bank and in hand	5,964	4,168
Exchange rate adjustments	(90)	47
Available funds, opening	5,874	4,215

Note 26 Financial risks

As a result of the Group's international activities, group profit and equity are influenced by a number of financial risks. Foreign exchange risks in the operating companies are managed centrally, as are interest and liquidity risks, as well as a significant part of the external coverage of the Group's financial positions. The use of financial instruments is determined by instructions from the Board of Directors and Group Management.

Liquidity risks

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

	2020	2019
Cash at bank and in hand	5,392	5,964
Securities, current assets	2,341	835
Securities, fixed assets	63	66
	7,796	6,865
The securities portfolio consists of		
Bonds	1,970	718
Shares	434	183
Total	2,404	901

Interest rate risk

The Group's interest rate risk is primarily related to bank deposits, bonds and loans. Bank deposits have a short investment horizon, whereas the exposure of the bond portfolio – amounting to a total of DKK 1970m (2019: DKK 718m) when expressed by an increase of the interest rate by 1 percentage point – is approx. DKK 64m (2019: approx. DKK 12m). The Group's total borrowing was increased by DKK 206m in 2020 (2019: DKK 40m).

Foreign exchange risk

It is group policy that group operating companies mainly raise loans in their local currencies. This ensures that the foreign exchange risk of the group balance sheet is reduced to the net assets.

Forward exchange contracts used in connection with foreign exchange swaps amount to DKK 173m (2019: DKK 172m).

The Group's policy is to secure the currency exchange rates for the most essential flow of goods, i.e. sale and purchase of goods. The most important currencies are Euro and the American Dollar. At the end of 2020, currency contracts to reduce the foreign exchange risk in connection with the flow of goods amount to DKK 5,663m (2019: DKK 6,294m). Of this, a contract volume of DKK 363m has been recognised for hedging of balance sheet items as at the balance sheet date (2019: DKK 457m).

Note 27 Events after the balance sheet date

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

Grundfos Holding A/S Group

Accounting policies

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

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

GENERAL INFORMATION ABOUT RECOGNITION AND MEASUREMENT

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

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

Certain financial assets and liabilities are measured at amortised cost, whereby a

constant redemption yield is recognised for the term. Amortised cost is calculated as initial cost minus any instalments and plus/minus the accumulated amortisation of the difference between cost and nominal amount.

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

Income is recognised in the profit and loss account as it is realised, including the value adjustment of financial assets and liabilities, which are measured at market value or amortised cost. In addition, costs incurred in order to achieve the earnings of the year, including depreciation, write-downs, provisions and reversals following accounting estimates of amounts which have previously been recognised in the profit and loss account, are recognised.

CONSOLIDATION POLICIES

The consolidated annual accounts comprise Grundfos Holding A/S (Parent Company) and the companies (subsidiaries) where the Parent Company directly or indirectly owns more than 50% of the voting shares or in another way has a dominant participation. Companies in which the Group owns between 20% and 50% of the voting shares and has a significant position are considered associated companies.

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

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

When acquiring new companies, the acquisition method is used, upon which the identified assets and liabilities in the newly acquired companies are measured at market value at the date of acquisition. Provisions are made for planned and published reorganisation in the acquired company in connection with the acquisition. Positive balances are recognised as Group goodwill in the year of acquisition. Any negative balances (badwill) are recognised as income.

When subsidiaries are sold, they cease to be recognised in the profit and loss account at the time of transfer, and earnings or losses at the time of sale are recognised in the profit and loss account. Earnings or losses are specified as the difference between the sale total and the accounting value of the net assets sold,

including non-depreciated goodwill and estimated costs for sale or phasing out.

MINORITY INTERESTS

The items of subsidiaries are fully recognised in the consolidated annual accounts. The minority interests' pro rata share of the profit and equity of the subsidiaries is adjusted annually and recorded as separate items in the equity. Goodwill acquired from minority shareholders after 1 January 2016 is recognised directly in equity.

FOREIGN CURRENCY TRANSLATION

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

Accounts receivable and debts in foreign currencies are translated into Danish →

kroner at the exchange rate on the balance sheet date. Realised and unrealised exchange rate adjustments are included in the profit and loss account.

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

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

Foreign exchange rate adjustments of balances which are considered part of the total investment in companies with a different functional currency than Danish kroner are recognised directly in the equity.

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

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at market value. Positive and negative

market values of derivative financial instruments are included in other accounts receivable and other liabilities, respectively.

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

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

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

PUBLIC GRANTS

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

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

PROFIT AND LOSS ACCOUNT

NET TURNOVER

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

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

PRODUCTION COSTS

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

RESEARCH AND DEVELOPMENT COSTS

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

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

Development costs incurred for the maintenance and optimisation of existing

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

SALES AND DISTRIBUTION COSTS

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

ADMINISTRATIVE COSTS

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

STAFF COSTS

Staff costs include the Group's total costs of wages, salaries, pensions and other social insurance costs. Staff costs also include costs in accordance with the Group's employee share programme.

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

OTHER OPERATING INCOME

Other operating income includes income

of a secondary nature in relation to the Group's primary activities, including gains from the sale of companies.

SHARE OF PROFIT, ASSOCIATED COMPANIES

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

INCOME FROM FIXED ASSET INVESTMENTS

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

FINANCIALS

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

TAX ON PROFIT FOR THE YEAR

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

Changes in deferred tax as a consequence of changed tax rates are recognised in the profit and loss account except for items recognised directly in equity. →

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

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

BALANCE SHEET

Intangible fixed assets

DEVELOPMENT PROJECTS

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

Other development costs are recognised as costs in the profit and loss account as incurred.

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

Costs includes wages, salaries, services and amortisation that are directly and

indirectly attributable to the company's development activities.

After completion of the development work, capitalised development projects are amortised by the straight-line method over the anticipated economic life of the asset.

The amortisation period is five years.

GOODWILL

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

Goodwill is amortised according to the straight-line method over the anticipated economic life. In the case of strategic acquisitions, and where the economic life so warrants, the amortisation period for goodwill is up to 10 years.

OTHER INTANGIBLE FIXED ASSETS

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

Amortisation on other intangible fixed assets is made according to the straight-line method over the anticipated economic life of the asset.

Estimated useful lives and residual values are reassessed annually. The estimated useful lives are:

Know-how.....3-10 years
Customer relation.....3-10 years
Other intangible assets3-5 years

Tangible fixed assets

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

Technical installations and machinery as well as other installations are measured at cost less accumulated depreciation and write-downs. The cost price comprises the purchase price, expenses directly connected to the acquisition and expenses for the preparation of the asset until the time when the asset is ready for use. Tangible fixed assets produced in-house are recorded at initial cost, including a proportion of the indirect production costs. No interest is included in the cost.

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

Buildings..... 20-40 years
Technical installations
and machinery..... 3-10 years
Other technical installations..3-10 years

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

VALUE IN 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.

FINANCIAL FIXED ASSETS

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

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

INVENTORIES

Inventories are measured at cost in accordance with the FIFO principle or net realisable value, whichever is lower.

The cost of goods for resale, raw materials and consumables includes the purchase price with the addition of delivery costs. The cost of manufactured goods

and work in progress includes expenses for raw materials, consumables and direct wages as well as indirect production costs.

Indirect production costs include a proportion of the capacity costs incurred which have led to the current position and condition of goods in progress and manufactured goods. The indirect production costs calculated include costs of operation, maintenance and depreciation relating to production facilities, as well as administration and factory management. Obsolete goods, including slow-moving goods, are written down. The net realisable value of inventories is calculated as the estimated selling price less cost of completion and expenses incurred to make the sale.

ACCOUNTS RECEIVABLE

Accounts receivable are measured at amortised cost less writing down to meet the risk of losses based on individual assessments. The loss potential of minor receivables is estimated on the basis of their age.

Contracted work in progress is measured at sales value of the completed part of the contracts as at the balance sheet date.

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

SECURITIES (CURRENT ASSETS)

Securities include bonds and shares measured at market value.

Realised and unrealised capital losses and realised and unrealised capital gains are included in the profit and loss account under financials.

Provisions**LIABILITIES UNDER GUARANTEE**

Provisions made to cover liabilities under guarantee are recognised on the basis of previous years' experience concerning claims raised within the guarantee period.

PENSION LIABILITIES

The Group has made pension agreements with a considerable number of its employees. The majority of the agreements are for defined contribution schemes, whereas defined benefit schemes have been agreed for employees in a few companies.

In connection with contribution schemes, the Group makes regular payments to independent pension companies. The Group has no obligations apart from these payments.

Defined benefit schemes, organised in independent pension funds, are characterised by the employees being entitled to a certain annual benefit in connection with retirement (e.g. a share of the employee's exit salary). Such pension liabilities are

calculated for the Group by actuarially discounting pension liabilities to the net present value, which is calculated on the basis of assessments of the future development in, among other things, interest, inflation, mortality and disablement. The actuarially calculated net present value less assets attached to the scheme is recognised in the balance sheet under pension liabilities.

Gains and losses incurred as a consequence of changes in the basis for the calculation of the pension liability or in the calculation of the assets attached to the scheme are recognised in the profit and loss account.

Actuarial gains and losses incurred as a consequence of changes in the assumptions applied when calculating the discounted value of the pension liability or the assets attached to the scheme are recognised directly in the equity.

Provisions are made during the employment period to cover other minor pension liabilities – relating to benefit schemes – resting with the Group.

OTHER PROVISIONS

These provisions include other obligations, including anniversary lump sums, legal disputes, unhedged insurance risks, share-based long-term incentive programme etc. Obligations related to the share-based long-term incentive programme are measured according to the graded vesting principle.

DEFERRED TAX

Deferred tax is measured by the balance sheet liability method of all temporary differences between the accounting and tax value of assets and liabilities. For consolidation purposes, deferred tax is calculated on the eliminated unrealised internal profit margins. Deferred tax liabilities relating to investments in affiliated companies are not calculated.

Deferred tax assets are recognised in the balance sheet provided that they are likely to reduce tax payments within a short period of time.

Deferred tax is measured on the basis of tax rules and tax rates that – based on current legislation on the balance sheet date – will be in force when the deferred tax is expected to be converted into current tax.

FINANCIAL LIABILITIES

Mortgage debt and debt owed to banks etc. is valued at the time of borrowing at the received net yield less borrowing costs. In subsequent periods, the financial liabilities are recognised at amortised cost.

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

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

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

CASH FLOW STATEMENT

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

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

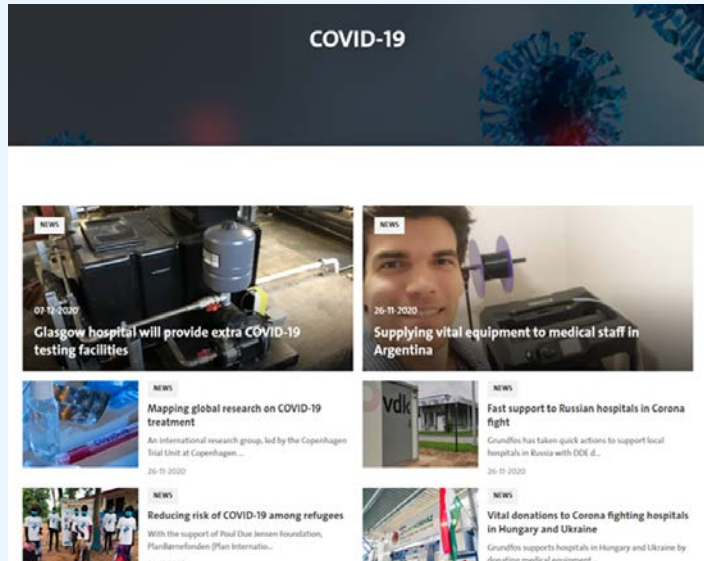
Cash flow from investment activities includes the purchase and sale of intangible and tangible fixed assets, and fixed asset investments, including the purchase and sale of companies.

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

Available funds include cash resources.

New ways of working and the COVID-19 pandemic

The pandemic has had severe consequences for many people around the world. However, it has also taught us to find creative solutions to new challenges for the benefit of our customers and surroundings.



COVID-19 has turned everything upside down. Throughout the year, we have done our utmost for employees as well as people around us to mitigate the consequences for our employees as well as our customers.

The safety and health of our employees is a priority, and in order to minimise the risk of infection, the production employees have been divided into groups that only move within their own zones, and many office workers have worked from home for much of the year.

The challenges of providing customers with the water solutions needed have differed from customer segment to

customer segment and from country to country, but everywhere our employees have done everything possible to serve our customers in the best possible way.

It is worth mentioning our quick and effective global collaboration across the entire organisation, which meant that we were able to provide our OEM customers with circulation pumps for installation in their oil and gas boilers for domestic heating by moving production to Denmark and Serbia, when disrupted in France. Many of our customers expressed their gratitude for our quick response and explained how they were able to gain market shares because of our ability to supply pumps to them during the crisis.

Other customers have also benefitted from us upholding a reliable production even though conditions have been fundamentally different, and despite the fact that the safety and health of our employees always comes first.

“Across the group, an extraordinary effort has been made to serve our customers in the best possible way. All employees have shown a unique ability and will to break routines and find new ways of doing things to make all functions and processes work,” says Poul Due Jensen, CEO.

Parent Company annual accounts



Profit and loss account for Grundfos Holding A/S

1 January – 31 December 2020

	Note	2020	2019
Net turnover	1	3,627	3,401
Production costs	2	(274)	(260)
Gross profit		3,353	3,141
Research and development costs	2	(1,107)	(1,020)
Sales and distribution costs	2	(556)	(610)
Administrative costs	2	(1,377)	(1,257)
Operating profit		313	254
Income from investments in affiliated companies		1,665	1,744
Earnings before interest and tax (EBIT)		1,978	1,998
Income from fixed asset investments		0	10
Financial income	3	154	437
Financial costs	4	(139)	(95)
Profit before tax		1,993	2,350
Tax on profit for the year	5	(65)	(146)
Profit for the year	6	1,928	2,204

Balance sheet for Grundfos Holding A/S

As at 31 December 2020

Assets	Note	2020	2019
Fixed assets			
Intangible fixed assets			
Completed development projects		82	148
Other intangible fixed assets		216	256
Development projects in progress		65	26
Other intangible fixed assets in progress		108	80
	7	471	510
Tangible fixed assets			
Technical installations and machinery		75	94
Other technical installations		236	221
Tangible fixed assets in progress		123	95
	8	434	410
Financial fixed assets			
Investments in affiliated companies		11,010	11,354
Accounts receivable from affiliated companies		2,855	3,110
Other accounts receivable		26	30
	9	13,891	14,494
Total fixed assets		14,796	15,414
Current assets			
Inventories	10	5	13
Accounts receivable			
Accounts receivable from affiliated companies		1,770	2,205
Corporation tax		38	42
Other accounts receivable		13	30
Prepayments	11	81	55
		1,902	2,332
Securities		2,340	834
Cash at bank and in hand		3,833	4,272
Total current assets		8,080	7,451
Total assets		22,876	22,865

Liabilities	Note	2020	2019
Equity			
Share capital		381	381
Reserve development projects		94	70
Reserve equity method		279	1,448
Retained profit		15,778	14,143
Proposed dividend		950	1,100
Total equity		17,482	17,142
Provisions			
Other provisions	12	148	65
Deferred tax liabilities	13	117	116
Total provisions		265	181
Liabilities			
Long-term liabilities			
Other liabilities		0	38
		0	38
Short-term liabilities			
Short-term element of long-term liabilities		173	4
Bank overdrafts and loans		7	34
Trade creditors		193	176
Debt to affiliated companies		4,453	4,912
Other liabilities		303	378
		5,129	5,504
Total liabilities		5,129	5,542
Total equity, provisions and liabilities		22,876	22,865
Financial instruments	14		
Related parties	15		
Securities, contingent liabilities, etc.	16		
Events after the balance sheet date	17		

Statement of changes in equity for Grundfos Holding A/S

1 January – 31 December 2020

	Share capital	Reserve development projects	Reserve equity method	Retained profit	Proposed dividend	Total equity
Equity 01.01.2019	381	65	5,291	9,419	875	16,031
Changes in accounting policies	-	-	(182)	0	-	(182)
Dividend paid	-	-	-	-	(875)	(875)
Profit for the year	-	5	(3,658)	4,757	1,100	2,204
Exchange rate adjustment	-	-	100	-	-	100
Transfer	-	-	55	(55)	0	0
Other equity adjustments	-	-	(158)	-	-	(158)
Exchange rate adjustment designated loans	-	-	-	29	-	29
Tax on exchange rate adjustment designated loans	-	-	-	(7)	-	(7)
Equity 31.12.2019	381	70	1,448	14,143	1,100	17,142
Dividend paid	-	-	-	-	(1,100)	(1,100)
Profit for the year	-	24	(720)	1,674	950	1,928
Exchange rate adjustment	-	-	(447)	-	-	(447)
Transfer	-	-	(55)	55	-	0
Other equity adjustments	-	-	53	-	-	53
Exchange rate adjustment designated loans	-	-	-	(120)	-	(120)
Tax on exchange rate adjustment designated loans	-	-	-	26	-	26
Equity 31.12.2020	381	94	279	15,778	950	17,482

i The share capital consists of 38,090,911 shares of DKK 10 each, in total DKK 380,909,110.

75 years of pioneering together

Grundfos' story started in 1945 when Poul Due Jensen received an order for a small, automatic waterworks. Because it was not possible to obtain an electrical pump of proper quality back then, Poul began to construct one himself. The first construction was a great success and it became clear that the company had constructed a product that would set its future direction.

In the following decades, one new pump followed the other, and in 1960, the first factory outside Denmark opened in Wahlstedt, Germany. Expansion took off and, gradually, new Grundfos companies were added all over the world. Today, they develop, produce and sell a broad selection of energy-efficient water solutions for a wide range of purposes.

Over the years, one new innovative technology after the other has been developed and incorporated into the new pumps. In 1952, the first centrifugal pump was introduced, and in 1959 the first circulator pump for domestic heating systems saw the light of day. In 1991, Grundfos reached another significant

milestone, developing a frequency converter small enough to be integrated into circulation pumps for domestic heating systems.

The built-in electronics resulted in an intelligent pump. The pump could now adjust its performance making it capable of delivering the exact amount of water needed – no more, no less. As a result, it was possible to reduce the energy consumption considerably.

Technologies have been refined and further developed on an ongoing basis to also include innovative sensors, among other things, and this has provided Grundfos with great competitive advantages. Today, development work is mainly focused on providing complete, intelligent water solutions within areas such as heat supply, water supply and wastewater treatment to name a few.

As was the case when the first pump was produced, customer needs remain at the center of attention, whilst contributing towards solving the world's water and climate challenges.

With the help of only a handful of employees, the founder of Grundfos developed the first pump in 1945. In 2020, the pioneering spirit is still found among more than 19,000 employees.



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Parent Company annual accounts

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Notes to the accounts of Grundfos Holding A/S

Note 1 Net turnover	2020	2019
Inter-company services	3,627	3,401
	3,627	3,401

i Net turnover consists of royalty fee and fees for IT and other intra-group services.

Note 2 Staff costs	2020	2019
Salaries and wages	1,217	1,106
Pensions	92	84
Social contributions	17	16
	1,326	1,206

Staff costs include the following fees to the Group Management and the Board of Directors of Grundfos Holding A/S for directorships in this company

Board of Directors	10	8
Registered Group Management	34	34
	44	42
Average number of full-time employees	1,652	1,585
Number of full-time employees, closing	1,676	1,609

i The Group continued the long-term incentive (LTI) programme targeted at Group Management and other members of senior management. Members of the board of Grundfos Holding A/S do not participate in the LTI programme.

Under the LTI programme, participants may receive shares in Grundfos Holding A/S based on the Group meeting certain targets for sales growth, profit growth and return on capital employed. Shares granted will be vested to the participants in the four years following the year they were earned.



Note 3 Financial income	2020	2019
Value adjustment etc. from bonds	9	0
Interest income from bonds	8	37
Value adjustment etc. from shares	19	172
Hedging forward contracts	0	58
Exchange rate adjustments, other	0	8
Financial income, affiliated companies	110	143
Other financial income	8	19
	154	437

Note 4 Financial costs	2020	2019
Value adjustment etc. from bonds	0	38
Hedging forward contracts	59	0
Exchange rate adjustments, other	44	0
Financial costs, affiliated companies	13	25
Other financial costs	23	32
	139	95

Note 5 **Tax on profit for the year**

	2020	2019
Current tax	40	137
Deferred tax	1	(1)
Adjustment regarding previous years	0	(5)
Withholding taxes paid abroad	24	15
Tax on profit for the year	65	146
Restatement of tax rate for the year		
Danish rate of taxation	22%	22%
Adjustment previous years	0%	0%
Withholding taxes paid abroad	1%	1%
Non-deductible expenses/non-taxable income	(18%)	(16%)
Other adjustments	(2%)	0%
	3%	6%

 Deferred tax primarily relates to fixed assets.

Note 6 **Profit for the year**


	2020	2019
Attributable to		
Reserve for development projects	24	5
Brought forward to revaluation reserve using the equity method	(720)	(3,658)
Proposed dividend	950	1,100
Retained profit	1,674	4,757
	1,928	2,204

Note 7 Intangible fixed assets	Completed development projects	Other intangible fixed assets	Development projects in progress	Other intangible fixed assets in progress	Total
Costs					
Costs 01.01.2020	440	491	26	80	1,037
Additions of the year	8	12	50	86	156
Disposals of the year	(50)	(143)	0	0	(193)
Transfers	11	86	(11)	(58)	28
Costs 31.12.2020	409	446	65	108	1,028
Acc. amortisation/write-downs of the year					
Acc. amortisations/write-downs 01.01.2020	292	235	0	0	527
Amortisations of the year	85	138	0	0	223
Amortisations and write-downs on disposals of the year	(50)	(143)	0	0	(193)
Acc. amortisations/write-downs 31.12.2020	327	230	0	0	557
Book value 31.12.2020	82	216	65	108	471
Book value 31.12.2019	148	256	26	80	510


i Grundfos Holding A/S recognises only development projects which generate new saleable products that meet certain criteria for profitability. Project progress is assessed regularly during the development phase in accordance with the Group's "Decision Point Model". Development projects in progress are related to core pump business. After sales release, where amortisation 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.

The amount for write-downs of completed development projects and development projects in progress amounts to DKK 0m (2019: DKK 0m):

Note 8 Tangible fixed assets	Technical installations and machinery	Other technical installations	Tangible fixed assets in progress	Total
Costs				
Costs 01.01.2020	425	606	95	1,126
Additions of the year	11	17	108	136
Transfers	(12)	65	(80)	(27)
Costs 31.12.2020	424	688	123	1,235
Acc. depreciation/write-downs of the year				
Acc. depreciation/write-downs 01.01.2020	331	385	0	716
Depreciation of the year	23	62	0	85
Transfers	(5)	5	0	0
Acc. depr./write-downs 31.12.2020	349	452	0	801
Book value 31.12.2020	75	236	123	434
Book value 31.12.2019	94	221	95	410

 Book value of financially leased facilities at 31.12.2020 amounts to DKK 5m (2019: DKK 10m).

Note 9 Financial fixed assets	Investments in affiliated companies	Accounts receivable, affiliated companies	Other accounts receivable	Total
Costs				
Costs 01.01.2020	16,510	3,165	31	19,706
Exchange rate adjustments	0	(120)	(1)	(121)
Additions of the year	825	72	0	897
Disposals of the year	0	(262)	(3)	(265)
Costs 31.12.2020	17,335	2,855	27	20,217
Value adjustments				
Values adjustments 01.01.2020	(5,156)	(55)	(1)	(5,212)
Profit for the year	1,665	0	0	1,665
Dividend received	(2,385)	0	0	(2,385)
Transfer from account receivable	(55)	55	0	0
Other adjustments	(394)	0	0	(394)
Value Adjustments 31.12.2020	(6,325)	0	(1)	(6,326)
Book value 31.12.2020	11,010	2,855	26	13,891
Book value 31.12.2019	11,354	3,110	30	14,494

 The book value of investments in affiliated companies does not include goodwill.

The market value of securities at 31.12.2020 amounts to DKK 0m (2019: DKK 0m).

Note 10 Inventories	2020	2019
Work in progress	5	13
	5	13

Note 11 Prepayments

Prepayments comprise prepaid costs regarding rent, insurance premiums, marketing and subscriptions.

Note 12 Other provisions

Other provisions 01.01.2020	65
Provisions spent during the year	(36)
Provisions of the year	119
Other provisions 31.12.2020	148

Other provisions include provisions for jubilees, restructuring costs and the global share based programme for senior management in the Group.

Note 13 Deferred tax

	2020	2019
Deferred tax 01.01.2020	116	117
Deferred tax recognised in profit and loss account	1	(1)
Deferred tax 31.12.2020	117	116

Deferred tax is mainly related to tangible and intangible fixed assets.

Note 14 Financial instruments

For hedging purposes Grundfos Holding A/S has entered into financial contracts covering 1-12 months. The contracts are transferred to affiliated companies and hence the net exposure in Grundfos Holding A/S is zero.

For hedging purposes Grundfos Holding A/S has entered into forward exchange contracts that are used in connection with foreign exchange swaps amounting to DKK 173m (2019: DKK 172m).

Reference is made to the group policy on hedging in note 26 to the consolidated accounts.

Note 15 **Related parties**

Related parties with a controlling interest in Grundfos Holding A/S are the Company's parent foundation, The Poul Due Jensens Fond, the Board of Directors of Grundfos Holding A/S and the registered Group Management of Grundfos Holding A/S.

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

Note 16 **Securities, contingent liabilities, etc.**

Operational leasing contracts for the coming years amount to DKK 25m (2019: DKK 28m).

The Company has provided security for debts and leasing liabilities in subsidiaries. The total liability amounts to DKK 0m (2019: DKK 0m).

The Company has provided security for facilities in subsidiaries. The total corporate guarantee amounts to DKK 293m (2019: DKK 338m), hereof utilised DKK 46m (2019: DKK 42m)

In addition to this, the Company has issued letters of intent to support bank debt of DKK 56m (2019: DKK 66m).

The Company has issued performance and payment guarantees of DKK 14m (2019: DKK 13m).

The Company has issued support letters for a number of subsidiaries.

The Danish affiliated companies 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 corporation tax and from 1 July 2012 also for obligations, if any, to withhold tax on interest, royalties and dividends for the jointly taxed companies. The total net liability to the Danish tax authorities is recognised in financial statements of Grundfos Holding A/S.

Note 17 **Events after the balance sheet date**

No events have occurred after the balance sheet date that materially impacts the Company's financial position.

Grundfos Holding A/S

Accounting policies

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

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

GENERAL INFORMATION ABOUT RECOGNITION AND MEASUREMENT

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

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

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

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

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

Income is recognised in the profit and loss account as it is realised, including the value adjustment of financial assets and liabilities, which are measured at market value or amortised cost. In addition, costs incurred in order to achieve the earnings of the year, including depreciation, write-downs, provisions and reversals following accounting estimates of amounts which have previously been recognised in the profit and loss account, are recognised.

MERGERS

The merger method is applied in connection with inter-company mergers. The difference between the amount paid for the acquiree and the equity value of the acquiree is recognised directly in the equity of the acquirer at the beginning of the financial year in which the transaction takes place.

FOREIGN CURRENCY TRANSLATION

On initial recognition, foreign currency

transactions are translated by applying the exchange rate at the transaction date. Exchange differences that arise between the rate at the transaction date and the rate at the payment date are recognised in the profit and loss account.

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

Foreign exchange rate adjustments of balances which are considered part of the total investment in companies with a different functional currency than Danish kroner are recognised directly in the equity.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently

at market value. Positive and negative market values of derivative financial instruments are included in other accounts receivable and other liabilities, respectively.

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

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

As regards other derivative financial instruments, which are not hedging →

instruments, changes are continuously recognised in the profit and loss account at market value.

PUBLIC GRANTS

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

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

PROFIT AND LOSS ACCOUNT

NET TURNOVER

Net turnover includes all management, development and group services to companies in the Grundfos Group invoiced during the year.

PRODUCTION COSTS

Production costs comprise costs relating to the Company's general production and logistics activities, including salaries and depreciation.

RESEARCH AND DEVELOPMENT COSTS

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

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

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

SALES AND DISTRIBUTION COSTS

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

ADMINISTRATIVE COSTS

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

STAFF COSTS

Staff costs include the Group's total costs of wages, salaries, pensions and other social insurance costs. Staff costs also include costs related to the employees of the Company who participate in the Group's employee share programme.

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

OTHER OPERATING INCOME

Other operating income includes income of a secondary nature in relation to the Group's primary activities.

INCOME FROM INVESTMENTS IN AFFILIATED COMPANIES

Income from investments in affiliated companies is recognised in accordance with the equity method, which means that the pro rata share of the affiliated companies' profit following the elimination of internal margins is recognised in the Company's profit and loss account.

INCOME FROM FIXED ASSET INVESTMENTS

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

FINANCIALS

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

TAX ON PROFIT FOR THE YEAR

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

Changes in deferred tax as a consequence of changed tax rates are recognised in the profit and loss account except for items recognised directly in equity.

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

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

BALANCE SHEET

Intangible fixed assets

DEVELOPMENT PROJECTS

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

Capitalised development projects are measured at cost less accumulated amor-

tisation or at the recoverable amount, whichever is lower.

Costs include wages, salaries, services and amortisation that are directly and indirectly attributable to the Company's development activities.

After completion of the development work, capitalised development projects are amortised by the straight-line method over the anticipated economic life of the asset.

The amortisation period is five years.

OTHER INTANGIBLE FIXED ASSETS

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

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

Tangible fixed assets

Technical installations and machinery as well as other installations are measured at cost less accumulated depreciation and write-downs.

The cost price comprises the purchase price, expenses directly connected to the acquisition and expenses for the preparation of the asset until the time when the asset is ready for use. Tangible fixed →

assets produced in-house are recorded at initial cost, including a proportion of the indirect production costs. No interest is included in the cost.

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

Buildings20-40 years
 Technical installations
 and machinery3-10 years
 Other technical installations ..3-10 years

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.

Financial fixed assets

INVESTMENT IN AFFILIATED COMPANIES

Investments in affiliated companies are measured by the equity method at the pro rata owned share of the companies' equity. This means that investments are measured at the pro rata share of the enterprises' equity plus unamortised goodwill and plus or less unrealised intra-group profits or losses.

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

SECURITIES

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

INVENTORIES

Inventories are measured at cost in accordance with the FIFO principle or net realisable value, whichever is lower.

The cost of goods for resale, raw materials and consumables includes the purchase price with the addition of delivery costs. The cost of manufactured goods and work in progress includes expenses for raw materials, consumables and direct wages as well as indirect production costs.

Indirect production costs include a proportion of the capacity costs incurred which have led to the current position and condition of goods in progress and manufactured goods. The indirect production costs calculated include costs of operation, maintenance and depreciation relating to production facilities, as well as administration and factory management.

Obsolete goods, including slow-moving goods, are written down. The net realisable value of inventories is calculated as the estimated selling price less cost of completion and expenses incurred to make the sale.

ACCOUNTS RECEIVABLE

Accounts receivable are measured at amortised cost less writing down to meet the risk of losses based on individual assessments. The loss potential of minor receivables is estimated on the basis of their age.

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

SECURITIES (CURRENT ASSETS)

Securities include bonds and shares measured at market value. Realised and unrealised capital losses and realised and unrealised capital gains are included in the profit and loss account under financials.

EQUITY

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

Provisions

LIABILITIES UNDER GUARANTEE

Provisions made to cover liabilities under guarantee are recognised on the basis of previous years' experience concerning claims raised within the guarantee period.

OTHER PROVISIONS

These provisions include other obligations, including anniversary lump sums and a share-based, long-term incentive programme etc. Obligations related to the share-based long-term incentive programme are measured according to the graded vesting principle.

DEFERRED TAX

Deferred tax is measured by the balance sheet liability method of all temporary differences between the accounting and tax value of assets and liabilities.

For consolidation purposes, deferred tax is calculated on the eliminated unrealised internal profit margins. Deferred tax liabilities relating to investments in affiliated companies are not calculated. Deferred tax assets are recognised in the balance sheet provided that they are likely to reduce tax payments within a short period of time.

Deferred tax is measured on the basis of tax rules and tax rates that – based on current legislation on the balance sheet date – will be in force when the deferred tax is expected to be converted into current tax.

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, other debts etc. are measured at amortised cost.

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

Group structure

Denmark

Grundfos Holding A/S

Other Group companies

Argentina, Bombas Grundfos de Argentina S.A.
 Austria, Eurowater Wasseraufbereitung GmbH
 Austria, Grundfos Pumpen Vertrieb G.m.b.H.
 Australia, BKB Aqua Engineering Pty. Ltd.
 Australia, BKB Building Solutions Pty. Ltd.
 Australia, DAB Pumps Oceania Pty. Ltd.
 Australia, Grundfos Australia Holding Pty. Ltd.
 Australia, Grundfos Pumps Pty. Ltd.
 Belgium, Eurowater Belgium NV
 Belgium, Grundfos Bellux S.A.
 Brazil, Bombas Grundfos do Brasil Ltda.
 Bulgaria, Grundfos Bulgaria EOOD
 Canada, Grundfos Canada Inc.
 Chile, Bombas Grundfos Chile SpA
 China, DAB Pumps (Qingdao) Co. Ltd.
 China, Grundfos (China) Holding Co. Ltd.
 China, Grundfos Pumps (Hongkong) Co. Ltd.
 China, Grundfos Pumps (Shanghai) Co. Ltd.
 China, Grundfos Pumps (Suzhou) Ltd.
 China, Grundfos Pumps (Wuxi) Ltd.
 Columbia, Grundfos Columbia S.A.S.
 Croatia, Grundfos Sales Croatia d.o.o.
 Czech Republic, Eurowater spol. s.r.o.
 Czech Republic, Grundfos Sales Czechia and Slovakia s.r.o.
 Denmark, Armacoat A/S
 Denmark, Eurotank A/S
 Denmark, Eurotronic ApS
 Denmark, Grundfos A/S
 Denmark, Grundfos BioBooster A/S
 Denmark, Grundfos DK A/S
 Denmark, Grundfos Finance A/S

Denmark, Grundfos Lifelink A/S
 Denmark, Grundfos Operations A/S
 Denmark, Grundfos US ApS
 Denmark, Silhorko-Eurowater A/S
 Denmark, Sintex A/S
 Egypt, Grundfos Holding Egypt LLC
 Egypt, Grundfos Egypt LLC
 Egypt, Grundfos Service Egypt LLC
 Finland, OY Grundfos Environment Finland AB
 Finland, OY Grundfos Pumput AB
 France, Eurowater Sarl
 France, Pompes Grundfos Distribution S.A.S.
 France, Pompes Grundfos S.A.S.
 Germany, Biral GmbH
 Germany, DAB Pumps GmbH
 Germany, Deutsche Vortex GmbH & Co. KG
 Germany, Eurowater Wasseraufbereitung GmbH
 Germany, Grundfos GmbH
 Germany, Grundfos Pumpenfabrik GmbH
 Germany, Grundfos Verwaltung GmbH
 Germany, Grundfos Water Treatment GmbH
 Germany, Solver Deutschland GmbH
 Ghana, Grundfos Pumps Ghana Ltd.
 Greece, Grundfos Hellas Single-Member A.E.B.E.
 Hungary, DAB Pumps Hungary Kft.
 Hungary, Eurowater Vizkezelés Kft.
 Hungary, Grundfos Shared Services Kft.
 Hungary, Grundfos Hungary Manufacturing Ltd.
 Hungary, Grundfos South East Europe Kft.
 India, Grundfos Pumps India Private Ltd.
 Indonesia, PT DAB Pumps Indonesia
 Indonesia, PT Grundfos Pompa
 Indonesia, PT Grundfos Trading Indonesia
 Ireland, Grundfos (Ireland) Ltd.
 Italy, DAB Pumps S.p.A.
 Italy, DWT Holding S.p.A.
 Italy, Grundfos Pompe Italia S.r.l.
 Italy, Isia S.p.A.

Japan, Grundfos Pumps K.K.
 Kazakhstan, Grundfos Kazakhstan LLP
 Kenya, Grundfos Kenya Ltd.
 Korea, Grundfos Pumps Korea Ltd.
 Latvia, GRUNDFOS Pumps Baltic SIA
 Malaysia, Grundfos Pumps SDN. BHD
 Mexico, Bombas Grundfos de Mexico Manufacturing S.A. de C.V.
 Mexico, Bombas Grundfos de Mexico S.A. de C.V.
 Mexico, DAB Pumps de Mexico S.A. de C.V.
 Mexico, Grundfos Mexico Servicios S.A. de C.V.
 Mexico, Peerless Pump Mexico S.A. de C.V.
 Netherlands, DAB Pumps B.V.
 Netherlands, Eurowater BV
 Netherlands, Solvermedia B.V.
 Netherlands, Grundfos Nederland B.V.
 New Zealand, Grundfos Pumps NZ Ltd.
 Nigeria, Grundfos Water Solutions NGA Limited
 Norway, Eurowater AS
 Norway, Grundfos Norge AS
 Peru, Grundfos de Peru S.A.C.
 Philippines, Grundfos IS Support & Operations Centre Philippines Inc.
 Philippines, Grundfos Pumps (Philippines) Inc.
 Poland, Centrum Badawczo-Wdrozeniowe Unitek Sp.z o.o.
 Poland, DAB Pumps Poland Sp.Z.o.o.
 Poland, Eurowater Sp. z o.o.
 Poland, Grundfos Pompy Sp.Z.o.o.
 Portugal, Bombas Grundfos (Portugal) S.A.
 Romania, SC Grundfos Pompe Romania SRL
 Russia, OOO Grundfos Istra
 Russia, OOO DWT Group
 Russia, OOO Grundfos
 Saudi Arabia, Grundfos Saudi Arabia Company Limited
 Serbia, Grundfos Srbija d.o.o.
 Singapore, Grundfos (Singapore) Pte. Ltd.

Slovakia, Eurowater spol. s.r.o.
 Slovenia, Grundfos Ljubljana d.o.o.
 South Africa, DAB Pumps South Africa (Pty) Ltd.
 South Africa, Grundfos Holding South Africa (Pty) Ltd
 South Africa, Grundfos (Pty) Ltd.
 Spain, Bombas Grundfos España S.A.
 Spain, DAB Pumps Iberica S.L.
 Sweden, Eurowater AB
 Sweden, Grundfos AB
 Switzerland, Biral AG
 Switzerland, Eurowater Wasseraufbereitung AG
 Switzerland, Grundfos Holding AG
 Switzerland, Grundfos Handels AG
 Switzerland, Grundfos Pumpen AG
 Taiwan, Grundfos Pumps (Taiwan) Ltd.
 Thailand, Grundfos (Thailand) Ltd.
 Turkey, Grundfos Pompa Sanayi ve Ticaret Ltd.Sti.
 Ukraine, Eurowater Ltd.
 Ukraine, TOV Grundfos Ukraine
 United Arab Emirates, Grundfos Gulf Distribution FZE
 United Kingdom, DAB Pumps Ltd.
 United Kingdom, Grundfos Manufacturing Ltd.
 United Kingdom, Grundfos Pumps Ltd.
 United Kingdom, Grundfos Watermill Ltd.
 USA, Enaqua
 USA, Grundfos CBS Inc.
 USA, Grundfos Americas Corporation
 USA, Grundfos Pumps Corporation
 USA, Grundfos Pumps Manufacturing Corporation
 USA, Grundfos US Holding Corporation
 USA, Sterling Fluid Systems (USA) LLC (DBA Peerless Pump Company)
 USA, DAB Pumps Inc.
 USA, SFS (USA) Holding Inc.
 USA, Grundfos Water Utility Inc.
 Vietnam, Grundfos Vietnam Company Ltd.

Ownership

Grundfos Holding A/S, based in Bjerringbro, Denmark, is the Parent Company of the Grundfos Holding A/S Group. The Poul Due Jensens Fond owns 88.2% of the share capital in Grundfos Holding A/S, while the founder's family owns 9.6% and the employees own 2.2%.

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

Grundfos Pumps Services Company Limited, Saudi Arabia – 75%

Associated companies:
 Better Home ApS, Denmark – 34%
 Base Business Bjerringbro A/S, Denmark – 21%
 Tange Sø Golf A/S, Denmark – 49%

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