

2021 Annual Report

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

The annual report (1.1.2021 – 31.12.2021) is presented and approved at the Annual General Meeting on 29 April 2022. Conductor: Astrid Nørgaard Friis

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Management's report

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Grundfos CR pumps installed at William Grant
& Sons' Girvan Distillery in Scotland.

Management's report 2021

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

In 2021, we have delivered the strongest financial result ever. We delivered this result in a challenging year, where we felt the impacts of material shortages and the delays and bottlenecks in global logistics. The COVID-19 pandemic also continued to pose challenges. Through diligent efforts across our many sites, we have succeeded in maintaining a safe work environment. Further, we have continued our organisational transformation announcing a divisional structure taking effect from 1 January 2022.

EMPLOYEES AND CUSTOMERS HAVE BEEN OUR KEY PRIORITY

Throughout the COVID-19 pandemic, it has been pivotal for us to maintain a safe work environment for our employees globally. As countries have been impacted very differently during the pandemic, we have mandated our country organisations to take all the measures they deemed

needed to safeguard our people. To support our people in working from home, we have invested in IT equipment for employees' home offices globally, and additional local initiatives have been carried out to support better working conditions in the home.

In our annual employee motivation and satisfaction survey (EMS) conducted in September 2021, the average score landed at 77, which is on par with our record score from 2020. We are very satisfied with this result. However, we also see increasing stress levels in parts of our organisation that concern us. We stay committed to addressing issues of stress across our entire organisation.

We have done our utmost to meet customer demand despite increasing supply chain headwind throughout 2021. It was very encouraging to see the results from our annual customer satisfaction and loyalty survey showing a customer satisfaction score of 80. This is an increase of two points from 2020 and the highest level we have ever scored since we started conducting customer satisfaction and loyalty

surveys. The result inspires us to continue to provide the best customer experience.

TAKING THE NEXT STEPS TOWARDS A DIVISIONAL STRUCTURE

With effect from 1 January 2021, we implemented a new organisational structure based on four global customer segments covering Commercial Building Services, Domestic Building Services, Industry and Water Utility. The new organisation was created to strengthen our ability to bring innovation to market, and to serve our customers even better through customising customer journeys and experiences targeting specific applications and sales channels.

The first year of operating with our new structure confirmed our beliefs and ambitions. With effect from 1 January 2022, we have taken the next steps towards a fully divisional structure with four divisions. The divisions hold responsibility for their entire value chain and we believe this will further enable us to become even more customer centric, be easy to do business with, and to innovate faster. The implementation of the divisional



A QUICK OVERVIEW

Poul Due Jensen, Group President, CEO

structure entailed the appointment of a new Group Management team including Divisional CEOs for Commercial Building Services, Domestic Building Services, Industry and Water Utility respectively.

To see the full Group Management team, please view page 10 of the Annual Report.

A NEW SALES RECORD

Demand for our pump solutions was strong, bringing us to a full-year sales growth of 10.4% when measured in local currencies. Sales for the year totalled DKK 28.7bn which is a new sales record and corresponds to a growth in DKK of 9.1%.

The sales growth was strongest in the first half of the year with 18.4% growth. As expected, the second half of the year showed a significantly lower growth of 3.6%. The lower growth in the second

half of 2021 reflects that sales in the second half of 2020 were almost on par with pre-COVID-19 sales, and that we were increasingly hit by material shortages particularly on electronic components.

Across our global customer segments, Domestic Building Services showed the highest growth of 12%, driven by a high activity level in new built and refurbishment. Our Industry segment also benefited from high investment levels across many industries bringing a growth of 10%. Commercial Building Services and Water Utility saw a slower rebound with growth levels of 2% and 0% respectively. The DAB branded business, headquartered in Mestrino, Italy, showed high growth.

All of our main geographic markets including the USA, China, Germany and the United Kingdom showed solid growth. →

By 1 November 2021, we closed the acquisition of the Mechanical Equipment Company Inc. (MECO) headquartered in Mandeville, Louisiana, USA. Thereby we took the next step in building our water treatment business which started by the acquisition of Eurowater, Denmark in November 2020.

RECORD FINANCIALS

Our earnings before interest and tax (EBIT) landed at DKK 3,185m representing an EBIT ratio of 11.1%.

Adjusting for non-performance items, primarily the costs related to our employee share programme, our "performance EBIT" for 2021 made up DKK 3,285m equalling a performance EBIT ratio of 11.4%. This is up 0.3 percentage points compared to 2020 and well above our 2025 ambition of delivering a minimum 10% return on sales.

Driven by the positive financial markets, net financial items ended at an income of DKK 113m against a cost in 2020 of DKK 42m. Profit before tax (PBT) makes up DKK 3,298m which is DKK 734m up compared to 2020.

Cash flow from operating activities in 2021 was DKK 3,860m. This represents a cash conversion ratio (cash flow from operations/EBITDA) of 0.89 and thereby we meet our targeted average cash conversion ratio of 0.75. We have ramped up investment activities in 2021. Our net investments for the year constitute

DKK 1,313m. The free cash flow – before purchase and sale of securities and acquisitions – ended at DKK 2,547m.

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 2021 stands at 67.7%.

Overall, the financial results for the year are very satisfactory. But we have seen an increased pressure on margins and profitability coming from the sharp price increase on materials, energy, and logistics services during 2021. Additionally, we see general inflationary pressures across our entire cost base. To safeguard our business, these costs will need to be passed on to the market.

LIVING OUR STRATEGY 2025

Our Strategy 2025 is founded on our purpose of pioneering solutions to the world's water and climate challenges and improving the quality of life for people.

We build our competitiveness on three fundamentals:

- **Market leadership** – we aim for taking leadership positions in the businesses we compete in
- **Innovate to differentiate** – differentiation is our main source of competitiveness
- **Operational excellence** – a constant drive to do everything in better, faster and simpler ways

During 2021 we have invested substantial resources in preparing for our new divisional structure which is a key enabler in realising our strategic ambitions. Our divisions will promote customer centricity, bring more relevant innovation faster to market, and allow us to take a full value chain perspective in our decision making. Combined with a continued One Grundfos mindset and our relentless drive for operational excellence, we see our new structure as a lever for increased profitable growth.

With the acquisition of MECO in November 2021, we have taken the next important step in building our Water Treatment platform. MECO has a primary focus on North America and holds a leadership

position in clean water treatment within the pharmaceuticals sector. Together with Eurowater, acquired in November 2020, MECO will strengthen our position within clean water treatment.

OUR GROUP KPIS

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

RESEARCH AND DEVELOPMENT

Differentiation is our main source of competitiveness, which is why research and development (R&D) activities are critical to our future success. Our R&D functions are globally organised. Further to our company headquarters in Denmark, being our R&D power house, we also hold 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 continuously invest in additional resources and capabilities within software development, IoT technologies and similar.

Partnering with universities and other public and private partners is increasingly important in supporting our research activities and applying technology in practice.

INTELLECTUAL CAPITAL RESOURCES

We want Grundfos to be a great place to work, learn and grow. To that end we →

The table below shows the 2025 targets and realised figures for 2021 and 2020 for the Grundfos Group

KPI	2021	2020	2025 target
Sales growth (excl. currency impact)	10.4%	(4.4%)	Grow more than served market (avg. 4%)
Customer satisfaction	80	78	81
Employee motivation and satisfaction	77	77	78
Return on sales (performance EBIT/net turnover)	11.4%	11.1%	10%
Cash conversion	0.89	0.91	Average 0.75
Sustainability index	51	50	100

- **Sales growth:** Annual growth in net sales in local currencies.
- **Customer satisfaction** is measured in the annual External Customer Satisfaction Survey, ECSS. The customer satisfaction factor is measured on three questions regarding overall customer satisfaction. All questions are asked on a scale from 1 to 10, and for reporting the scores are converted to an index number between 0 and 100.
- **Employee motivation and satisfaction** is captured through 29 questions in the annual survey within eight topic areas.
- **Cash Conversion:** Operating Cash Flow divided by EBITDA, with Operating Cash Flow given by the cash generated by our normal business operations/activities.
- **Sustainability Index:** An index score (0-100) that rates our sustainability performance on 10 metrics according to our 2025-target on each metric.
- **Return on sales:** Performance EBIT is reported EBIT adjusted for non-performance items, primarily the costs related to our employee share programme.

are dedicated to attracting, retaining, and developing 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, digitalization, and innovation.

Our more than 20,000 engaged colleagues are instrumental to our business as the ones who innovate, design, produce, sell, and service our solutions every day. We prioritise their life-long learning and opportunity to continuously acquire new capabilities and skills.

Therefore:

- We are committed to spot, review and grow the highest potential in all our people
- We run dedicated talent programmes
- We make focused efforts to strengthen diversity across the organisation and make Grundfos an inclusive and equitable workplace
- We strive to foster an empowering environment which enables personal and professional growth

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 2021, currency contracts to reduce the foreign exchange risk in connection with the flow of goods amounted to DKK 6,938m (2020: DKK 5,663m). Reference is made to note 26 for further details.

Other financial risks

- **Liquidity risk:** Financial independence is a core value to Grundfos. Maintaining adequate liquidity is therefore key. In addition to unused borrowing facilities, the net deposit amounts to DKK 7.6bn by end of 2021 (2020: DKK 7.4bn).
- **Credit risk:** Credit risks derive primarily

from trade debtors, securities, and bank receivables. Risks on trade debtors are 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.

DATA ETHICS

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

UNCERTAINTY RELATING TO RECOGNITION AND MEASUREMENT

We have in conjunction with the financial reporting for 2021 not identified any areas with material uncertainties regarding recognition and measurement, however, Grundfos is, as disclosed in note 23, party to ongoing disputes and legal actions. None of these disputes and legal actions will have a significant impact on our financial position beyond what has been recognised and stated in the Annual Report.

OUTLOOK FOR 2022

Generally, the COVID-19 pandemic itself is likely to have less direct impact on daily operations although this varies significantly across geographies. However, the derived impacts on shortages of critical materials and logistics delays and bottlenecks are likely to continue for most of 2022.

For the full year, we expect sales growth in the range 3-7% excluding effects from potential acquisitions or divestments. However, the current political tensions bring significant uncertainty to the outlook.

The price increases on materials, energy and logistics services and general inflationary pressures across our cost base will negatively impact our profitability in 2022. We forecast a performance EBIT ratio around our strategic ambition of 10%.

SUSTAINABILITY PERFORMANCE

Our purpose and the Grundfos Strategy 2025 are rooted in our commitment to pioneer 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 1,761 employees at the end of 2021 (2020: 1,676). In 2021, the net turnover of Grundfos Holding A/S totalled DKK 4,345m (2020: DKK 3,627m), and the operating profit amounted to DKK 524m (2020: DKK 313m).

According to the equity method, income from the other group companies amounted to DKK 1,963m (2020: DKK 1,665m). Profit after tax stands at DKK 2,587m (2020: DKK 1,928m). The balance sheet shows equity of DKK 19,384m (2020: DKK 17,482m), corresponding to an equity ratio of 81.5% (2020: 76.4%).

Key figures and financial ratios – The Grundfos Group

1 January – 31 December 2021

Consolidated profit and loss account	2021	2020	2019	2018	2017
Net turnover	28,733	26,340	27,518	26,721	25,634
Earnings before interest and tax (EBIT)	3,185	2,606	2,791	2,400	2,346
Net financials	113	(42)	168	(74)	69
Profit before tax	3,298	2,564	2,959	2,326	2,415
Consolidated profit after tax	2,590	1,931	2,208	1,762	1,755
Consolidated profit and loss account					
Assets					
Intangible fixed assets	2,487	1,138	589	535	628
Tangible fixed assets	6,098	5,718	6,020	6,099	6,229
Financial fixed assets	126	119	136	700	991
Current assets	19,976	18,420	18,469	20,372	18,141
Total assets	28,687	25,395	25,214	27,706	25,989
Liabilities					
Equity	19,407	17,501	17,160	16,045	15,200
Provisions	1,442	1,568	1,264	1,026	1,245
Long-term liabilities	31	91	128	21	20
Short-term liabilities	7,807	6,235	6,662	10,614	9,524
Total liabilities and equity	28,687	25,395	25,214	27,706	25,989
Key figures and financial ratios					
Number of employees at year-end	20,154	19,221	19,060	19,014	18,596
Capital investments, tangible	1,078	935	983	1,010	768
Capital investments, intangible	256	193	259	132	143
Total capital investments	1,334	1,128	1,242	1,142	911
Research and development costs, incl. capitalised costs	1,371	1,186	1,109	1,190	1,162
Interest-bearing net deposit/loan	7,613	7,435	6,710	4,817	4,388
Net cash flow from operating and investment activities	2,547	2,427	2,711	1,488	2,214
Sales growth	9.1%	(4.3%)	3.0%	4.2%	3.4%
Sales growth in local currencies	10.4%	(4.4%)	2.2%	6.6%	5.3%
EBIT as a percentage of net turnover	11.1%	9.9%	10.1%	9.0%	9.2%
Return on equity	14.0%	11.1%	13.3%	11.3%	11.8%
Equity ratio	67.7%	68.9%	68.1%	57.9%	58.5%



Definition of KEY FIGURES AND FINANCIAL 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.

Financial highlights 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) have been made in 2019. Comparison figures for 2017-2018 have not been restated.

Laying the foundation for the future

Grundfos has achieved record results in Poul Due Jensen's first full year as CEO. This strengthens our company in its ongoing transformation to be even better at developing innovative customer-oriented solutions.

Grundfos wants to become even more innovative and customer-oriented. With effect from 1 January, 2021, Commercial Building Services, Domestic Building Services, Industry and Water Utility were established as global customer segments with own management teams. The transformation continued at the beginning of 2022, when the four customer segments further developed into divisions, each with individual Divisional Chief Executive Officers, who are responsible for the entire value chain from innovation to delivery of products, solutions and after-sales service.

This creates a new foundation for the future of our company with the third generation at the wheel. The changes will lead to less complexity and greater decision-making power in the individual divisions as well as increased sales.

"In order to execute on our strategy, we need to be much closer to our customers - also in terms of management. With the changes in the organisation, we not only get closer to our customers - we also become easier to do business with and quicker at innovating, and we give our employees greater motivation and empowerment to make the decisions needed

to execute on our strategy," explains Poul Due Jensen.

At the same time, he stresses that, despite the sectioning into divisions, Grundfos will continue to be one cohesive company - with all the competencies and synergies it entails.

"The four Divisional Chief Executive Officers will become part of Group Management. Together with a newly appointed Group Chief Operating Officer, the CFO, the CHRO and myself, they and we will ensure strong collaboration between our Divisions and our Group," Poul Due Jensen elaborates.



Management's statement

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Grundfos NKE pumps installed at Takéo Safe Water Supply in Cambodia.

Group Management



Poul Due Jensen
Group President,
Chief Executive Officer



Mikael Geday
Group Executive Vice President,
Chief Financial Officer



Jens Ulrik Gernow
Group Executive Vice President
Chief Operating Officer



Mirjam Baijens
Group Executive Vice President
Chief Human Resources Officer
Assumes the position per 1 May 2022



Stéphane Simonetta
Group Executive Vice President
CEO Industry



Morten Bach Jensen
Group Executive Vice President
CEO Domestic Building Services



Bent Jensen
Group Executive Vice President
CEO Commercial Building Services



HP Nanda
Group Executive Vice President
CEO Water Utility

Board of Directors



Jens Winther Moberg
Chairman



Carsten Joachim Reinhardt
Vice Chairman



Cindy Grönke
Member of the Board



Henrik Ehlers Wulff
Member of the Board



**Jacoba Theresia Maria
van der Meijs**
Member of the Board



Jens Maaløe
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 2021.

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 2021, the results of the Group's and Parent Company's operations, and consolidated cash flows for the financial year 2021.

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, 9 March 2022

Registered Group Management

Poul Due Jensen
Group President,
CEO

Mikael Andreas Holm Geday
Group Executive Vice President,
CFO

Jens Ulrik Gernow
Group Executive Vice President,
COO

Board of Directors

Jens Winther Moberg
Chairman

Carsten Joachim Reinhardt
Vice Chairman

Cindy Grönke
Member of the Board

Henrik Ehlers Wulff
Member of the Board

Jacoba Theresia Maria van der Meijs
Member of the Board

Jens Maaløe
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 company financial statements of Grundfos Holding A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's oper-

ations as well as the consolidated cash flows for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Inter-

national Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related

to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of the financial statements.

INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order →

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note

disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- 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 REVIEW

Management is responsible for the Management's review. Our opinion on the financial statements does not cover

the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

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

Aarhus, 9 March 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Henrik Kronborg Iversen

State Authorised Public Accountant
mne 24687

Morten Friis

State Authorised Public Accountant
mne 32732

We are boosting our innovation efforts

We are further strengthening our efforts within innovation and digitalization. In 2021, an additional investment of approximately 200m DKK made it possible to put substantially more resources to innovation and thereby boosting a number of development projects. This will allow us to bring new trend-setting products and solutions to market in the coming years.

One way we approach innovation is to improve our opportunities for combining our existing products and components into new variants. Thus bringing forth new innovative and energy-efficient solutions which meet the individual needs of our different customers.

This has resulted, for example, in a new application for our energy-efficient MAGNA3 circulation pump, which is developed for heating in large buildings - this can now also be used for cooling.

This is made possible by a groundbreaking and disruptive system called Distributed Pumping, which significantly increases the comfort for people in the building while being considerably more energy efficient.

“Traditionally, the cooling has been done by using a large pump and a central control, located in the basement of the building. The groundbreaking feature of Distributed Pumping is the installation of several MAGNA3 pumps in different places in the building. By utilising their built-in intelligence, the cooling can be adapted to the individual needs in pre-defined zones of the building,” explains Peter Vestergren Åkesen, Senior Product Director.

In other development projects, not only the pumps' built-in intelligence is utilised, but also their ability to communicate with each other and the systems they are part of – for example via Bluetooth and Wi-Fi in Smart Homes.

With an additional investment of approximately 200m DKK, Grundfos is set up to bring new trend-setting products and solutions to market in the coming years.



Consolidated annual accounts

Grundfos DME digital dosing pumps at
the Ningbo Dongqian Lake water plant in China.

Consolidated profit and loss account

1 January – 31 December 2021

	Note	2021	2020
Net turnover	1, 2	28,733	26,340
Production costs	2, 3	(16,895)	(16,133)
Gross profit		11,838	10,207
Research and development costs	3, 4	(1,391)	(1,220)
Sales and distribution costs	3, 4	(4,685)	(4,106)
Administrative costs	3, 4	(2,577)	(2,275)
Operating profit		3,185	2,606
Earnings before interest and tax (EBIT)		3,185	2,606
Financial income	5	293	90
Financial costs	2, 6	(180)	(132)
Profit before tax		3,298	2,564
Tax on profit for the year	7	(708)	(633)
Consolidated profit for the year	8	2,590	1,931

Consolidated balance sheet

As at 31 December 2021

Assets	Note	2021	2020
Fixed assets			
Intangible fixed assets			
Goodwill		1,120	397
Other intangible fixed assets		1,226	580
Completed development projects		100	96
Development projects in progress		41	65
	9	2,487	1,138
Tangible fixed assets			
Land and buildings		2,981	2,641
Technical installations and machinery		1,879	1,941
Other technical installations		339	385
Tangible fixed assets in progress		899	751
	10	6,098	5,718
Financial fixed assets			
Securities	11	68	63
Other accounts receivable		58	56
	12	126	119
Total fixed assets		8,711	6,975
Current assets			
Inventories	13	5,304	3,991
Accounts receivable			
Trade debtors		4,729	4,607
Work in progress	14	34	42
Deferred tax assets	15	756	658
Corporation tax		512	447
Other accounts receivable		730	751
Prepayments	16	237	191
		6,998	6,696
Securities	11	3,587	2,341
Cash at bank and in hand		4,087	5,392
Total current assets		19,976	18,420
Total assets		28,687	25,395

Liabilities	Note	2021	2020
Equity			
Share capital		381	381
Retained profit		18,163	16,669
Reserve for currency translation		(299)	(523)
Reserve for value adjustment of hedging instruments		(136)	5
Proposed dividend		1,275	950
Grundfos Holding's share of equity		19,384	17,482
Minority interests		23	19
Total equity		19,407	17,501
Provisions			
Liabilities under guarantee	17	193	179
Pension liabilities	17	413	621
Other provisions	17	626	687
Deferred tax liabilities	15	210	81
Total provisions		1,442	1,568
Liabilities			
Long-term liabilities			
Bank loans		19	35
Other loans		12	56
	18	31	91
Short-term liabilities			
Bank overdrafts and loans		98	270
Trade creditors		3,095	2,373
Work in progress	14	14	4
Corporation tax		869	857
Other liabilities		3,259	2,421
Deferred income	19	472	310
		7,807	6,235
Total liabilities		7,838	6,326
Total equity, provisions and liabilities		28,687	25,395
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Statement of changes in consolidated equity

1 January – 31 December 2021

	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 01.01.2020	381	15,735	0	(74)	1,100	17,142	18	17,160
Profit for the year	0	978	0	0	950	1,928	3	1,931
Exchange rate adjustments, affiliated companies, etc.	0	0	(567)	0	0	(567)	(2)	(569)
Dividend paid	0	0	0	0	(1,100)	(1,100)	0	(1,100)
Changes in actuarial assumptions	0	(56)	0	0	0	(56)	0	(56)
Changes in value of hedging instruments	0	0	0	102	0	102	0	102
Reversed tax on equity items, opening	0	0	(10)	(19)	0	(29)	0	(29)
Recognised tax on equity items, closing	0	12	54	(4)	0	62	0	62
Equity 31.12.2020	381	16,669	(523)	5	950	17,482	19	17,501
Profit for the year	0	1,312	0	0	1,275	2,587	3	2,590
Exchange rate adjustments, affiliated companies, etc.	0	0	256	0	0	256	1	257
Dividend paid	0	0	0	0	(950)	(950)	0	(950)
Changes in actuarial assumptions	0	235	0	0	0	235	0	235
Changes in value of hedging instruments	0	0	0	(179)	0	(179)	0	(179)
Reversed tax on equity items, opening	0	(12)	(54)	4	0	(62)	0	(62)
Recognised tax on equity items, closing	0	(41)	22	34	0	15	0	15
Equity 31.12.2021	381	18,163	(299)	(136)	1,275	19,384	23	19,407

Consolidated cash flow statement

1 January – 31 December 2021

	Note	2021	2020
Consolidated profit after tax		2,590	1,931
Adjustments	24	1,516	2,170
Changes in working capital	25	573	42
Cash flow from operating activities before financials		4,679	4,143
Financial income		175	108
Financial costs		(126)	(123)
Cash flow from ordinary activities		4,728	4,128
Corporation tax paid		(868)	(599)
Cash flow from operating activities		3,860	3,529
Acquisition of companies		(1,547)	(518)
Investment in tangible assets		(1,078)	(935)
Sale of tangible fixed assets		21	26
Investment in intangible fixed assets		(256)	(193)
Purchase of securities		(2,439)	(2,486)
Sale of securities		1,255	982
Cash flow from investment activities		(4,044)	(3,124)
Net cash flow from operating and investment activities		(184)	405
Cash repayment of interest-bearing debt		(320)	(57)
Cash proceeds from interest-bearing debt		87	270
Dividend paid		(950)	(1,100)
Cash flow from financing activities		(1,183)	(887)
Change in liquid funds		(1,367)	(482)
Cash at bank and in hand, beginning of year		5,392	5,964
Exchange rate adjustments		62	(90)
Available funds, opening		5,454	5,874
Available funds, closing		4,087	5,392

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

Supply chain bottlenecks negatively impact growth



The extensive COVID-19 lockdown and the following steep recovery of the world economy have taken a toll on the global supply chains.

Throughout 2021, Grundfos faced an increasing shortage of materials due to the supply chain constraints that have impacted businesses worldwide. To mitigate the lack of materials, Grundfos has sought alternative suppliers and put time and effort into using alternative materials. To further safeguard the company supply chain, raw materials and component stocks were increased where possible.

These mitigating actions enabled Grundfos to meet customer demand and support growth through the first half of 2021. However, in the second half of the year Grundfos felt the impact from material shortages more severely and especially the shortages on electronic components were difficult to mitigate. This led to temporary production and delivery stops for certain Grundfos products, inevitably causing a negative impact on sales growth in the latter half of 2021. On top, the increasing prices on raw materials and components have led to an increased pressure on margins and profitability for Grundfos.

Also bottlenecks in logistics services characterised 2021. Delays were apparent in sea freight in particular and overall, there was a price increase to global logistics services.

Since the beginning of the global logistics challenges, Grundfos has made substantial efforts to protect customers for example with the choice of using more airfreight at a higher cost.

“With some nuances, we expect the price increases on materials, energy, logistics services and other input factors to sustain throughout 2022 and this pressure across our cost base will be reflected in our sales prices,” says Mikael Geday, Executive Vice President, CFO. He continues,

“We are very grateful to the many colleagues who do their utmost every day to navigate through the many supply chain challenges, and to the many suppliers who work proactively with us to safeguard supplies to our customers.”


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Note 1 Net turnover	2021	2020
Net turnover split by divisions		
Domestic Buildings Services	8,218	7,323
Commercial Building Services	5,545	5,419
Industry	6,843	6,223
Water Utility	4,326	4,327
Other	3,801	3,048
	28,733	26,340
Net turnover split by geographical markets		
Europe (including Russia)	16,474	14,798
North and South America	4,484	4,259
Asia	6,582	6,041
The Middle East/Africa	1,193	1,242
	28,733	26,340

Note 2 Result from hedging instruments recognised in profit and loss account	2021	2020
Foreign exchange rate contracts recognised in net turnover	(107)	5
Foreign exchange rate contracts recognised in production costs	(22)	(70)
Foreign exchange rate contracts recognised in financial costs	12	19
	(117)	(46)

 Fair value of unrealised exchange rate contracts (cash flow hedges) recognised in other creditors and equity amount to DKK -143m.

Note 3 **Staff costs**

	2021	2020
Total payments to employees and Board of Directors	7,106	6,373
Pensions	455	430
Social contributions	686	561
	8,247	7,364
Staff costs are recognised as follows		
Production costs	3,493	3,305
Research and development costs	908	803
Sales and distribution costs	2,520	2,071
Administrative costs	1,326	1,185
	8,247	7,364
	2021	2020
Average number of full-time employees	19,533	19,227
Number of employees, closing	20,154	19,221

i The staff costs of the year include fees to the 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 programmes prior to 2021, participants may receive shares in Grundfos Holding A/S based on the Group meeting certain targets for sales growth, EBIT growth and return on capital employed. Shares granted will be vested to the participants in the 4 years following the year they were earned, contingent on continued service.

As of 2021, the LTI programme is based on targets for sales growth and EBIT-ratio for a 3-year period (2021-2023). Shares granted to the participants will vest after the 3-year period, contingent on continued service.

	2021			2020		
	Board of Directors of the Parent Company	Registered Group Management of the Parent Company	Other Group Management	Board of Directors of the Parent Company	Registered Group Management of the Parent Company	Other Group Management
Fixed Salary	10	16	11	10	18	16
Cash Bonus	0	11	7	0	9	6
Pensions and other post-employment benefits	0	3	2	0	4	2
Share-based benefits	0	7	4	0	3	2
Termination benefits	0	0	12	0	0	0
Total	10	37	36	10	34	26

Note 4 Depreciation, amortisation and write-downs	2021	2020
Intangible fixed assets	319	246
Tangible fixed assets	911	1,010
Gain/loss from sale of fixed assets	2	1
	1,232	1,257
Recognised in the profit and loss account under the following items		
Production costs	806	864
Research and development costs	161	190
Sales and distribution costs	81	87
Administrative costs	184	116
	1,232	1,257

Note 5 Financial income	2021	2020
Value adjustment from shares	158	14
Value adjustments from bonds	0	9
Dividend income from shares	11	5
Interest income from bonds	22	8
Other financial income	102	54
	293	90

Note 6 Financial costs	2021	2020
Value adjustments from bonds	97	0
Other financial costs	83	132
	180	132

Note 7 Tax on profit for the year	2021	2020
Current tax	789	604
Deferred tax	(98)	(21)
Change in deferred tax due to changes in tax rates	1	(3)
Adjustment regarding previous years	16	53
Tax on profit for the year	708	633
Danish rate of taxation	22%	22%
Deviations in tax in foreign companies in relation to Danish tax rate	1%	1%
Non-taxable income and non-deductible expenses	(3%)	(1%)
Non-deductible withholding taxes	1%	1%
Change regarding deferred tax assets	0%	0%
Other, including adjustments regarding previous years	0%	2%
Effective tax rate for the year	21%	25%

Note 8 Consolidated profit for the year	2021	2020
Attributable to		
Minority shareholders' share of profit in subsidiaries	3	3
Proposed dividend	1,275	950
Retained earnings	1,312	978
	2,590	1,931

Note 9 Intangible fixed assets

	Goodwill	Other intangible fixed assets	Completed development projects	Development projects in progress	Total
Costs					
Costs 01.01.2021	747	1,169	441	65	2,422
Exchange rate adjustments	(3)	(5)	0	0	(8)
Acquisition of companies	789	624	0	0	1,413
Additions of the year	0	129	10	41	180
Disposals of the year	(2)	(101)	(297)	0	(400)
Transfers	0	94	65	(65)	94
Costs 31.12.2021	1,531	1,910	219	41	3,701
Acc. amortisation/write-downs of the year					
Acc. amortisation/write-downs 01.01.2021	350	589	345	0	1,284
Exchange rate adjustments	1	9	0	0	10
Amortisation of the year	61	186	71	0	318
Amortisations and write-downs on disposals of the year	(1)	(100)	(297)	0	(398)
Acc. amortisation/write-downs 31.12.2021	411	684	119	0	1,214
Book value 31.12.2021	1,120	1,226	100	41	2,487
Book value 31.12.2020	397	580	96	65	1,138

i 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 01.01.2021	6,096	12,964	1,679	751	21,490
Exchange rate adjustments	138	185	26	25	374
Acquisition of companies	87	13	0	0	100
Additions of the year	201	242	65	655	1,163
Disposals of the year	(24)	(87)	(31)	0	(142)
Transfers	189	228	21	(532)	(94)
Costs 31.12.2021	6,687	13,545	1,760	899	22,891
Acc. depreciation/write-downs of the year					
Acc. depreciation/write-downs 01.01.2021	3,455	11,023	1,294	0	15,772
Exchange rate adjustments	70	140	21	0	231
Depreciation of the year	204	573	135	0	912
Depreciation and write-downs on disposals of the year	(23)	(70)	(29)	0	(122)
Transfers	0	0	0	0	0
Acc. depr./write-downs 31.12.2021	3,706	11,666	1,421	0	16,793
Book value 31.12.2021	2,981	1,879	339	899	6,098
Book value 31.12.2020	2,641	1,941	385	751	5,718

i Book value of financially leased facilities as at 31.12.2021 amounts to DKK 10m (2020: DKK 15m).

Note 11 Fair value adjustment on financial assets

Fair value adjustment in profit and loss

Market value, year end

	2021	2020	2021	2020
Securities, fixed asset	4	4	68	63
Securities, current assets	60	27	3,587	2,341
	64	31	3,655	2,404
Bonds	(51)	14	2,785	1,970
Shares	115	17	870	434
	64	31	3,655	2,404

Note 12 Financial fixed assets

Securities

Other accounts receivable

Total

	Securities	Other accounts receivable	Total
Cost			
Cost 01.01.2021	65	70	135
Exchange rate adjustments	3	3	6
Additions of the year	2	6	8
Disposals of the year	0	(7)	(7)
Cost 31.12.2021	70	72	142
Value adjustments			
Value adjustments 01.01.2021	2	14	16
Write-downs of the year	0	0	0
Disposals of the year	0	0	0
Value adjustments 31.12.2021	2	14	16
Book value 31.12.2021	68	58	126
Book value 31.12.2020	63	56	119

Note 13 Inventories	2021	2020
Inventory before write-downs	5,799	4,489
Write-downs	(495)	(498)
	5,304	3,991
Breakdown in categories:		
Raw materials and consumables	2,078	1,562
Work in progress	1,777	1,236
Manufactured goods and goods for resale	1,449	1,193
	5,304	3,991


Note 14 Work in progress	2021	2020
Selling price of project contracts	212	138
Progress billings	(192)	(100)
	20	38
Recognised as follows		
Receivables	34	42
Current liabilities	(14)	(4)
	20	38

Note 15 Deferred tax assets and deferred tax liabilities

	2021	2020
Changes in deferred tax		
Deferred tax 01.01.2021	577	642
Exchange rate adjustments	20	(27)
Acquisition of companies	(137)	(49)
Changes in tax rates	(1)	3
Deferred tax recognised in profit and loss account	98	21
Deferred tax recognised in equity	(11)	(13)
Deferred tax 31.12.2021	546	577
Breakdown of deferred tax		
Fixed assets	(173)	(182)
Current assets	466	407
Provisions	192	271
Liabilities	61	72
Deficit (Tax loss carry forward)	0	9
	546	577
The above has been recognised in the balance sheet as		
Deferred tax assets	756	658
Deferred tax liabilities	(210)	(81)
	546	577

Note 16 Prepayments

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

 The Group recognises deferred tax assets, including the tax value of loss carry-forwards, 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 are related to ordinary and recurring temporary differences.

Unrecognised tax assets related to tax losses carry-forward amount to approx. DKK 89m (2020: DKK 90m).

Note 17 Provisions

	Liabilities under guarantee	Pension liabilities	Other provisions
01.01.2021	179	621	687
Exchange rate adjustments	6	34	7
Acquisition of companies	4	0	0
Provisions spent during the year	(16)	(55)	(157)
Provisions reversed	(2)	(242)	(9)
Provisions of the year	22	55	98
31.12.2021	193	413	626

Note 18 Long-term liabilities

	2021	2020
Debt falling due after more than one year but less than five years		
Bank loans	19	35
Other monetary creditors	12	56
	31	91

Note 19 Deferred income

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

i **Liabilities under guarantee**

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

Other provisions

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

i No debt falling due after more than five years.

Note 20 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 2021	Deferred recognition in the profit and loss account before tax 2021	Volume 2020	Deferred recognition in the profit and loss account before tax 2020
Currency contracts EUR	3,680	(148)	3,708	60
Currency contracts USD	1,910	(7)	1,038	(27)
Currency contracts SGD	274	(6)	267	(6)
Currency contracts other	580	19	287	(6)
Interest rate swaps	8	0	8	(1)
Total		(142)		20

Note 21 Fees to auditors

	2021	2020
Statutory auditing	13	15
Other assurance engagements	0	1
Tax advisory services	3	8
Other services	13	8
	29	32

 For the financial year 2021, Grundfos Holding A/S has appointed EY as Group auditor. The fees above to auditors are therefore attributable to EY for 2021 and Deloitte for 2020.

Note 22 Related parties

Related parties of Grundfos Holding A/S comprise the parent foundation, the Poul Due Jensen Foundation 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 23 Securities, contingent liabilities, etc.


	2021	2020
Operational leasing contracts and lease obligations for the coming years amount to	623	577
Group-issued performance and payment guarantees of	126	138

Note 24 Adjustments

	2021	2020
Depreciation and amortisation	1,230	1,256
Liabilities under guarantee and other provisions	(311)	173
Gain from sale of fixed assets	2	1
Financial income	(293)	(90)
Financial costs	180	132
Tax on profit for the year	708	633
Other adjustments	0	65
Adjustments	1,516	2,170

Note 25 Changes in working capital

	2021	2020
Change in inventories	(1,128)	278
Change in accounts receivable	179	452
Change in trade creditors, other liabilities and deferred income	1,606	(474)
Unrealised exchange rate adjustments	(84)	(214)
Changes in working capital	573	42

 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 is under no material contractual obligations to acquire assets.

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:

	2021	2020
Cash at bank and in hand	4,087	5,392
Securities, current assets	3,587	2,341
Securities, fixed assets	68	63
	7,742	7,796
The securities portfolio consists of		
Bonds	2,785	1,970
Shares	870	434
Total	3,655	2,404

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 2,785m (2020: DKK 1,970m) when expressed by an increase of the interest rate by 1 percentage point – is approx. DKK 112m (2020: approx. DKK 64m). The Group's total borrowing was reduced by DKK 232m in 2021 (2020: increased by DKK 207m).

To reduce the Group's interest rate exposure, a set of general guidelines have been adopted for the Group's borrowing and use of interest rate instruments. Derivative financial instruments applied to reduce the interest rate risk totalled DKK 8m (2020: DKK 8m).

Foreign exchange risk

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

Forward exchange contracts used in connection with foreign exchange swaps amount to DKK 460m (2020: DKK 173m).

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 the Euro and US Dollar. At the end of 2021, currency contracts to reduce the foreign exchange risk in connection with the flow of goods amount to DKK 6,938m (2020: DKK 5,663m). Of this, a contract volume of DKK 492m has been recognised for hedging of balance sheet items as at the balance sheet date (2020: DKK 363m).

**Credit risk**

The maximum credit risk includes the balance sheet items regarding the Group's trade debtors, securities and bank receivables.

The Group's trade debtors comprise a large number of customers, and the Group's risk in that connection is not considered unusually high.

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.

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 losses.

The accounts used for the consolidation are prepared in accordance with the Group's accounting policies.

ACQUISITION OF COMPANIES

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. 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 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.

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 income in the profit and loss account under R&D costs.

Grants for the purchase of assets are initially recognised as deferred income in the balance sheet and subsequently recognised as income in the profit and loss account in line with the depreciation of the assets in question.

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.

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.

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 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 and technology	3-10 years
Customer relations	3-10 years
Other intangible assets	3-5 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

Listed bonds are 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.

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 and liabilities

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, the 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.

Parent Company annual accounts

The Urban Rigger in Copenhagen, Denmark.
Where ALPHA2 circulators and UNILIFT KP250
pumps run an efficient system behind the scenes.

Profit and loss account for Grundfos Holding A/S

1 January – 31 December 2021

	Note	2021	2020
Net turnover	1, 2	4,345	3,627
Production costs	2, 3	(227)	(274)
Gross profit		4,118	3,353
Research and development costs	3, 4	(1,267)	(1,107)
Sales and distribution costs	3, 4	(784)	(556)
Administrative costs	3, 4	(1,543)	(1,377)
Operating profit		524	313
Income from investments in affiliated companies		1,963	1,665
Earnings before interest and tax (EBIT)		2,487	1,978
Financial income	5	337	154
Financial costs	2, 6	(130)	(139)
Profit before tax		2,694	1,993
Tax on profit for the year	7	(107)	(65)
Profit for the year	8	2,587	1,928

Balance sheet for Grundfos Holding A/S

As at 31 December 2021

Assets	Note	2021	2020
Fixed assets			
Intangible fixed assets			
Completed development projects		93	82
Other intangible fixed assets		339	216
Development projects in progress		41	65
Other intangible fixed assets in progress		24	108
	7	497	471
Tangible fixed assets			
Technical installations and machinery		81	75
Other technical installations		201	236
Tangible fixed assets in progress		118	123
	8	400	434
Financial fixed assets			
Investments in affiliated companies		11,871	11,010
Accounts receivable from affiliated companies		2,786	2,855
Other accounts receivable		23	26
	9	14,680	13,891
Total fixed assets		15,577	14,796
Current assets			
Inventories	10	9	5
Accounts receivable			
Accounts receivable from affiliated companies		2,076	1,770
Corporation tax		152	38
Other accounts receivable		19	13
Prepayments	11	93	81
		2,340	1,902
Securities		3,583	2,340
Cash at bank and in hand		2,273	3,833
Total current assets		8,205	8,080
Total assets		23,782	22,876

Liabilities	Note	2021	2020
Equity			
Share capital		381	381
Reserve development projects		105	94
Reserve equity method		1,081	279
Retained profit		16,542	15,778
Proposed dividend		1,275	950
Total equity		19,384	17,482
Provisions			
Other provisions	13	180	148
Deferred tax liabilities	14	110	117
Total provisions		290	265
Short-term liabilities			
Bank overdrafts and loans		57	180
Trade creditors		247	193
Debt to affiliated companies		3,387	4,453
Other liabilities		417	303
		4,108	5,129
Total liabilities		4,108	5,129
Total equity, provisions and liabilities		23,782	22,876

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Statement of changes in equity for Grundfos Holding A/S

1 January – 31 December 2021

	Share capital	Reserve development projects	Reserve equity method	Retained profit	Proposed dividend	Total equity
Equity 01.01.2020	381	70	1,448	14,143	1,100	17,142
Dividend paid	0	0	0	0	(1,100)	(1,100)
Profit for the year	0	24	(720)	1,674	950	1,928
Exchange rate adjustment	0	0	(447)	0	0	(447)
Transfer	0	0	(55)	55	0	0
Other equity adjustments	0	0	53	0	0	53
Exchange rate adjustment designated loans	0	0	0	(120)	0	(120)
Tax on exchange rate adjustment designated loans	0	0	0	26	0	26
Equity 31.12.2020	381	94	279	15,778	950	17,482
Dividend paid	0	0	0	0	(950)	(950)
Profit for the year	0	11	630	671	1,275	2,587
Exchange rate adjustment	0	0	193	0	0	193
Other equity adjustments	0	0	(21)	0	0	(21)
Exchange rate adjustment designated loans	0	0	0	119	0	119
Tax on exchange rate adjustment designated loans	0	0	0	(26)	0	(26)
Equity 31.12.2021	381	105	1,081	16,542	1,275	19,384

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

MECO acquisition further expands our water treatment capabilities

With the acquisition of MECO (Mechanical Equipment Company Inc.), we have taken yet another important step in the pursuit of our 2025 strategic ambition to become a global provider of water treatment solutions.



The acquisition represents the second such transaction since November 2020, when we acquired EUROWATER, one of the leading suppliers of decentralised water treatment equipment and solutions in Europe. MECO is known as a world leader in the engineering and manufacturing of water purification solutions for a variety of industries, using a broad array of technologies.

The acquisition will expand our water treatment capabilities further and strengthen our innovative leadership within water solutions. This aligns closely with our strategy and will support our purpose to pioneer solutions to the world's water and climate challenges and improve the quality of life for people.

Stéphane Simonetta, Group Executive Vice President & CEO Industry, sees MECO and Grundfos as a perfect fit.

“This acquisition is about much more than superior technology. Grundfos and MECO are founded on similar values, and we share a deep commitment to innovation and sustainability as well as a genuine care for our customers and employees.

Together, we will leverage our combined experience and skills to create even better solutions for our customers,” says Stéphane Simonetta.

George Gsell, CEO at MECO, sees an exceptionally solid match grounded in common values and customer-centric approach as well as ambitions to make a significant difference in the field of water. He regards Grundfos as the ideal new owner for their company.

“As part of the Grundfos Group, we will continue strengthening our ongoing innovation, providing value-adding services to customers, as well as our commitment to offering high-quality products designed with sustainability in mind,” says George Gsell.

MECO is based in the United States and has international offices in Singapore and Ireland. The company offers a full line of water treatment solutions with focus on the industrial market, possessing unique capabilities especially within the Pharmaceutical and Food & Beverage sectors. It holds deep application knowledge and experience, and proven ability to offer reliable solutions to customers.


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Notes to the accounts of Grundfos Holding A/S

Note 1 Net turnover	2021	2020
Inter-company services	4,345	3,627
	4,345	3,627

 Net turnover consists of royalty fee and fees for IT and other inter-company services.

Note 2 Staff costs	2021	2020
Salaries and wages	1,322	1,217
Pensions	99	92
Social contributions	18	17
	1,439	1,326

The staff costs to the Group Management and the Board of Directors of Grundfos Holding A/S are shown in note 3 for the Group (page 24).


Average number of full-time employees	1,707	1,652
Number of full-time employees, closing	1,761	1,676

Note 3 Financial income	2021	2020
Value adjustment from bonds	0	9
Interest income from bonds	18	8
Value adjustment etc. from shares	169	19
Hedging forward contracts	57	0
Exchange rate adjustments, other	19	0
Financial income, affiliated companies	70	110
Other financial income	4	8
	337	154

Note 4 Financial costs	2021	2020
Value adjustment from bonds	97	0
Hedging forward contracts	0	59
Exchange rate adjustments, other	0	44
Financial costs, affiliated companies	15	13
Other financial costs	18	23
	130	139

Note 5 Tax on profit for the year

	2021	2020
Current tax	133	40
Deferred tax	(8)	1
Adjustment regarding previous years	(44)	0
Withholding taxes paid abroad	26	24
Tax on profit for the year	107	65
Restatement of tax rate for the year		
Danish rate of taxation	22%	22%
Adjustment previous years	(1%)	0%
Withholding taxes paid abroad	1%	1%
Deferred tax due to change in tax rates	0%	0%
Non-deductible expenses/non-taxable income	(18%)	(18%)
Other adjustments	0%	(2%)
	4%	3%

 Deferred tax primarily relates to fixed assets.

Note 6 Profit for the year

	2021	2020
Attributable to		
Reserve for development projects	11	24
Brought forward to revaluation reserve using the equity method	630	(720)
Proposed dividend	1,275	950
Retained profit	671	1,674
	2,587	1,928

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 01.01.2021	409	446	65	108	1,028
Additions of the year	10	75	41	22	148
Disposals of the year	(297)	(89)	0	0	(386)
Transfers	65	195	(65)	(106)	89
Costs 31.12.2021	187	627	41	24	879
Acc. amortisation/write-downs of the year					
Acc. amortisations/write-downs 01.01.2020	327	230	0	0	557
Amortisations of the year	64	147	0	0	211
Write-downs of the year	0	0	0	0	0
Amortisations and write-downs on disposals of the year	(297)	(89)	0	0	(386)
Acc. amortisations/write-downs 31.12.2021	94	288	0	0	382
Book value 31.12.2021	93	339	41	24	497
Book value 31.12.2020	82	216	65	108	471

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.

Note 8 Tangible fixed assets	Technical installations and machinery	Other technical installations	Tangible fixed assets in progress	Total
Costs				
Costs 01.01.2021	424	688	123	1,235
Additions of the year	26	14	103	143
Disposals of the year	(1)	0	0	(1)
Transfers	4	16	(108)	(88)
Costs 31.12.2021	453	718	118	1,289
Acc. depreciation/write-downs of the year				
Acc. depreciation/write-downs 01.01.2021	349	452	0	801
Depreciation of the year	23	65	0	88
Depreciation and write-downs on disposals of the year	0	0	0	0
Acc. depr./write-downs 31.12.2021	372	517	0	889
Book value 31.12.2021	81	201	118	400
Book value 31.12.2020	75	236	123	434

i Book value of financially leased facilities as at 31.12.2021 amount to DKK 5m (2020: DKK 10m).

Note 9 Financial fixed assets

	Investments in affiliated companies	Accounts receivable, affiliated companies	Other accounts receivable	Total
Costs				
Costs 01.01.2021	17,335	2,855	27	20,217
Exchange rate adjustments	0	119	2	121
Additions of the year	89	1,686	0	1,775
Disposals of the year	(30)	(1,874)	(5)	(1,909)
Costs 31.12.2021	17,394	2,786	24	20,204
Value adjustments				
Value adjustments 01.01.2021	(6,325)	0	(1)	(6,326)
Profit for the year	1,963	0	0	1,963
Dividend received	(1,333)	0	0	(1,333)
Disposals of the year	0	0	0	0
Revaluation of the year	0	0	0	0
Other adjustments	172	0	0	172
Value Adjustments 31.12.2021	(5,523)	0	(1)	(5,524)
Book value 31.12.2021	11,871	2,786	23	14,680
Book value 31.12.2020	11,010	2,855	26	13,891

i The book value of investments in affiliated companies includes goodwill of DKK 1,120m (2020 DKK 397m).

Note 10 Inventories

	2021	2020
Work in progress	9	5
	9	5

Note 11 Prepayments

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

Note 12 Fair value adjustment on financial assets

	Fair value adjustment in profit and loss		Market value, year end	
	2021	2020	2021	2020
Securities, current assets	60	27	3,583	2,340
	60	27	3,583	2,340
Bonds	(55)	10	2,713	1,906
Shares	115	17	870	434
	60	27	3,583	2,340

Note 13 Other provisions

Other provisions 01.01.2021	148
Provisions spent during the year	(29)
Provisions reversed	0
Provisions of the year	61
Other provisions 31.12.2021	180

i Other provisions includes provisions for jubilee, restructuring costs and the global share based programme for senior management in the Group.

Note 14 Deferred tax

	2021	2020
Deferred tax 01.01.2021	117	116
Deferred tax recognised in profit and loss account	(7)	1
Deferred tax 31.12.2021	110	117

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

Note 15 **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 460m (2020: DKK 173m).

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

Note 16 **Related parties**

The Poul Due Jensen Foundation is the majority shareholder of Grundfos Holding A/S and exercises as such a controlling interest in the company. Additional related parties are the Board of Directors of Grundfos Holding A/S, the registered Group Management of Grundfos Holding A/S and the affiliated companies 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 17 **Securities, contingent liabilities, etc.**

Operational leasing contracts for the coming years amount to DKK 23m (2020: DKK 25m).

Grundfos Holding A/S has provided security for facilities in subsidiaries. The total corporate guarantee amount to DKK 238m (2020: DKK 293m), hereof utilised DKK 40m (2020: DKK 46m)

In addition to this, Grundfos Holding A/S has issued letters of intent to support bank debt of DKK 117m (2020: DKK 56m).

Grundfos Holding A/S has issued performance and payments guarantees of DKK 1m (2020: DKK 14m).

Grundfos Holding A/S 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 the financial statements of Grundfos Holding A/S.

Note 18 **Events after the balance sheet date**

No events have occurred after the balance sheet date that materially impact Grundfos Holding A/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.

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 income in the profit and loss account under R&D costs.

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.

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.

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 amortisation 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:

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

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 and liabilities

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 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 Pumps (Changshu) Co. Ltd.
 China, Grundfos (China) Holding Co. Ltd.
 China, Grundfos Pumps (Chongqing) Co. Ltd.
 China, Grundfos Pumps (Hong Kong) Ltd.
 China, Grundfos Pumps (Shanghai) Co. Ltd.
 China, Grundfos Pumps (Suzhou) Ltd.
 China, Grundfos Pumps (Wuxi) Ltd.
 Colombia, 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 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
 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 A/O
 Ireland, Mecanical Equipment Company Ireland Ltd
 Italy, DAB Pumps S.p.A.
 Italy, DWT Holding S.p.A.
 Italy, Grundfos Pompe Italia S.r.l.
 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, DAB Pumps de Mexico S.A. de C.V.
 Mexico, Bombas Grundfos de Mexico S.A. de C.V.
 Mexico, OY Grundfos 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 (Ireland) Ltd.
 Saudi Arabia, Grundfos Saudi Arabia Company Limited
 Serbia, Grundfos Srbija d.o.o.
 Singapore, Grundfos (Singapore) Pte. Ltd.
 Singapore, MECO Water Purification (Asia) Pte. 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, Mecanical Equipment Company Inc.
 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 Group. The Poul Due Jensen Foundation owns 87.9% of the share capital in Grundfos Holding A/S, while the founder's family owns 9.6% and the employees own 2.5%.

Grundfos Holding A/S is included in the consolidated annual accounts for The Poul Due Jensen Foundation.

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%.

Capital interests: Base Business Bjerringbro A/S, Denmark – 21%. Megat Projekt Sp. z o.o., Poland – 50%.

The German subsidiary Deutsche Vortex GmbH & Co. KG, Ludwigsburg, uses the exemption in the § 264b HGB to prepare, audit and publish individual annual accounts.

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