

Poul Due Jensens Fond


Poul Due Jensens Vej 7-11, 8850 Bjerringbro

CVR no. 83 64 88 13

Annual report 2021

The Board meeting adopted the annual report on 14 March 2022

Chairman of the Board of Directors:


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Jens Maaløe

POUL DUE JENSEN / GRUNDFOS FOUNDATION

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POUL DUE JENSEN / GRUNDFOS FOUNDATION

Statement by Management

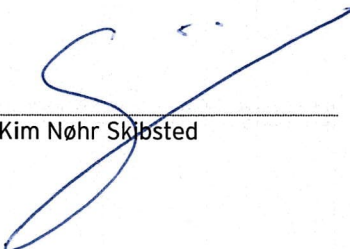
The Board of Directors and the Executive Board have today discussed and approved the annual report of Poul Due Jensens Fond for the financial year 1 January - 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Foundation financial statements give a true and fair view of the financial position of the Group and the Foundation at 31 December 2021 and of the results of their operations and consolidated cash flows for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Foundation's operations and financial matters, the results for the year and the Group's and the Foundation's financial position.

Bjerringbro, 14 March 2022
Executive Board:



Kim Nøhr Skjibsted

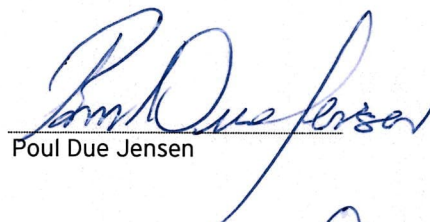
Board of Directors:



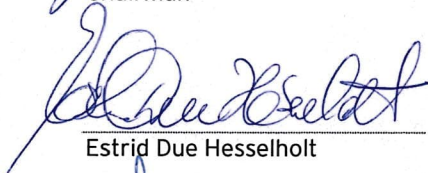
Jens Maaløe
Chairman



Flemming Konradsen
Vice chairman



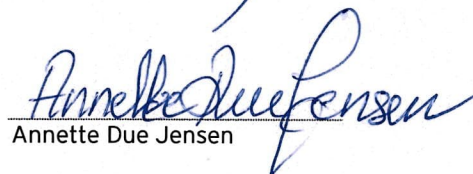
Poul Due Jensen




Estrid Due Hesselholt

Ingermarie Due Nielsen
Ingermarie Due Nielsen (Mar 17, 2022 13:49 GMT+1)

Ingermarie Due Nielsen



Annette Due Jensen

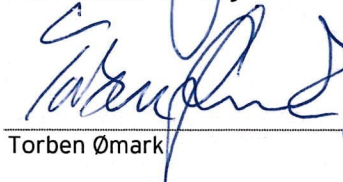


Jens Winther Moberg



Elsebeth Nielsen

Jens Erik Bjørklund Lysdahl



Torben Ømark



Melinda Briski



Rudolf Martini

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Independent auditor's report

To the shareholders of Poul Due Jensens Fond

Opinion

We have audited the consolidated financial statements and the Foundation financial statements of Poul Due Jensens Fond 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 Foundation, and a consolidated cash flow statement. The consolidated financial statements and the Foundation financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Foundation financial statements give a true and fair view of the financial position of the Group and the Foundation at 31 December 2021 and of the results of the Group's and the Foundation's operations 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 Foundation 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and Foundation 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 Foundation'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 Foundation 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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

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 Foundation'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 Foundation'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 Foundation 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.

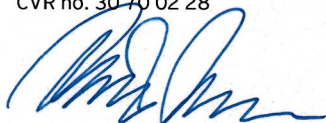
Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Independent auditor's report

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.

Bjerringbro, 14 March 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Henrik Kronborg Iversen
State Authorised
Public Accountant
mne24687

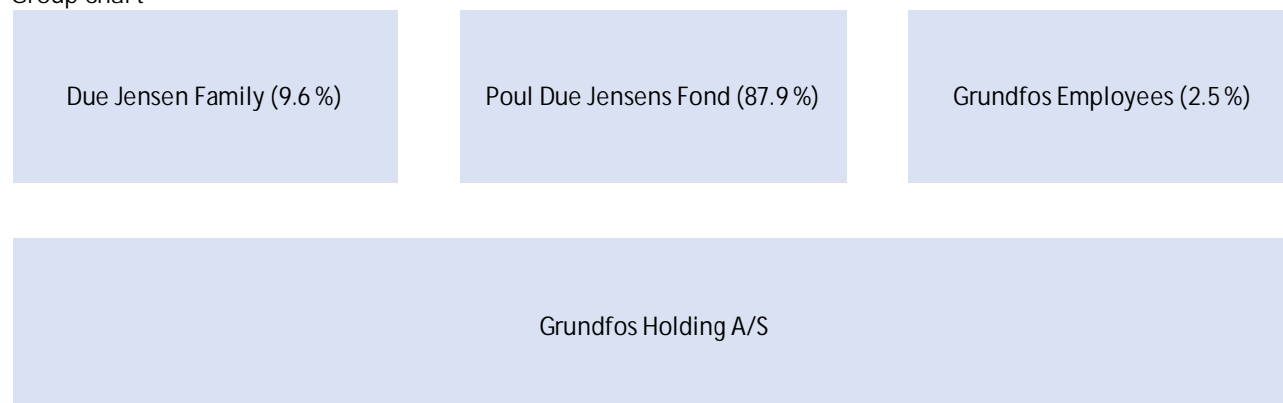


Hans B. Vistisen
State Authorised
Public Accountant
mne23254

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Group chart



Other Group companies (100 % owed)

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 (EBE)
 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.
 Columbia, Grundfos Columbia S.A.S.
 Croatia, Grundfos Sales Croatia d.o.o.
 Czech Republic, Eurowater spol. s.r.o.
 Czech Republic, Grundfos Sales Czechia and Slovakia s.r.o.
 Denmark, Armacoat A/S
 Denmark, Eurotank A/S
 Denmark, Eurotronic A/S
 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 (EFR)
 France, Pompes Grundfos Distribution S.A.S.
 France, Pompes Grundfos S.A.S.
 Group chart
 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 (Ireland) Ltd.
 Ireland, Mecanical Equipment Company Ireland Limited
 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

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Group chart

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

Group chart

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

Capital Interests:

Denmark, Base Business Bjerringbro A/S (21%)
 Poland, Megat Projekt Sp. z o.o. (50%)

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Financial highlights

DKKm	2021	2020 (corrected*)	2019**	2018**	2017**
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Key figures for the Foundation

Operating profit/loss	-24	-23	-145	-110	-65
Net financials	273	313	61	7	11
Profit/loss for the year	2,457	1,914	1,884	1,465	1,504

Balance sheet total	24,225	21,621	20,859	19,112	17,691
Equity	24,014	21,415	19,798	18,237	17,039
Distributions awarded net	201	194	115	95	96
Dividend from subsidiary	838	964	769	766	724
Available capital (including proposed distributions)	7,932	6,889	4,971	4,410	3,840

Key figures for the Group

Revenue	28,733	26,340	27,518	26,721	25,634
Gross profit/loss	11,838	10,207	10,586	10,163	10,023
Operating profit/loss	3,150	2,571	2,634	2,283	2,274
Net financials	-674	-1,316	229	-72	75
Profit/loss for the year	1,713	557	2,110	1,645	1,690

Balance sheet total	35,872	31,592	30,642	27,815	26,122
Investments in tangible fixed assets	1,078	935	983	1,010	768
Equity	20,061	18,282	21,524	19,860	18,658

Financial ratios Group

Gross margin (%)	41.20	38.75	38.47	38.03	39.10
Net Margin (%)	5.96	2.11	7.67	6.16	6.59
Equity ratio (%)	55.9	57.9	70.2	71.4	71.4
Return on equity (%)	8.9	2.8	10.2	8.5	9.4

* Adjusted for recognition of buy-back obligation, see Note 1

** Key figures for the financial year 2020 have been adjusted for the change in accounting policies applied regarding minority interests in general and buy-back obligations in relation to minority interests, cf. the description under the applied accounting policy page 27 and 51. According to Section 101(3) of the Danish Financial Statements Act, the key figures for the financial years 2017-2019 have not been adjusted.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$
Equity ratio (%)	$\frac{\text{Equity incl. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl. non-controlling interests}}$

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Primary activities

Poul Due Jensens Fond (Grundfos Fonden or the Foundation) was established in 1975 by the Founder of Grundfos, Poul Due Jensen, with the aim of ensuring a financially sound and sustainable development of Grundfos and its affiliated companies.

The Foundation owns 87.9% of Grundfos Holding A/S being the supreme holding company of all other Grundfos companies worldwide. As the majority owner of Grundfos, the Foundation is therefore destined and committed to continue to own, protect and develop Grundfos. Active ownership of Grundfos is the Foundation's answer to this obligation.

Besides exercising the active ownership, the Foundation also distributes funds for philanthropic activities for the common good. Distributions for philanthropic activities are secondary to the active ownership of Grundfos Holding A/S and can hence fluctuate if the dividends from Grundfos Holding A/S become insufficient to support both, and the Grundfos Holding A/S Group would need an increased economical commitment from the Foundation.

Please refer to the section on Sustainability further down for more detailed information on the sustainability of the business.

Change in accounting policies etc.

In 2021, the Foundation has changed the accounting policies applied regarding the recognition and measurement of put options on minority interests in the consolidated financial statements. The change reflects the recent interpretation of the Danish Financial Statement Act regarding classification and measurement of put options on minority interests.

Previously, minority interests with a put option were treated as minority interests. The purchase of minority interests with a put option was accounted for as an equity transaction.

Going forward, minority interests with a put option will be considered as acquired when the put option is granted. Any differences between the carrying value of the minority interest and the fair value of the liability at initial recognition of the put option is recognised in equity. Subsequently the financial liability for the put option is measured at fair value with all changes in the carrying amount recognised in profit and loss. Dividends paid to minority interests with a put option are recognised as an expense of the group unless they represent a repayment of the liability.

The impact of the change in the accounting policies in the consolidated financial statements represents a reduction in profit for the year before tax in 2020 by DKK 1,547m. The change made has no tax effect. The balance sheet total as of 31 December 2020 is not affected and the equity as of 31 December 2020 decreases by DKK 4,310m.

The impact of the change in the accounting policies in the parent financial statements represents a reduction in profit for the year before tax by DKK 3m in 2020. The change made has no tax effect. The balance sheet total as of 31 December 2020 is decreased by DKK 408m, and the equity as of 31 December 2020 increases by DKK 494m.

Development in activities and finances

This year's profit in the Foundation amounts to DKK 2,457m in 2021 compared to a profit of DKK 1,914m in 2020.

The Foundation made donations recognised in equity of DKK 199.6m in 2021 compared to DKK 193.9m in 2020 cf. below for more information.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Statutory report on corporate governance

The Board of Directors of the Foundation consists of 12 members, of whom the Grundfos Group's EU-based employees elect four. Of the remaining eight, four are descendants of Grundfos' Founder and four are external members elected by the Board itself.

Today, the group of descendants and external board members consist of four men and four women. The gender balance is hence 50% of each sex among the descendants and the external members.

In 2015, the Foundation Board decided to aim for compliance with the recommendation on double seats and board independence as described in Recommendations on Foundation Governance 2.3.5 and 2.4.1. We reached that goal in 2017.

The Foundation's compliance target is 15 out of 17 recommendations. The Comply or Explain reports covering 2021 and previous years are available at www.pdjf.dk/governance.

Changes in the Board of Directors

The Board of Directors of the Foundation has been unchanged during 2021.

CVs for all Board members and employee representatives are available at <https://www.pdjf.dk/fondsbestyrelse/>

Active ownership of Grundfos

The Foundation's primary asset is the 87.9% shareholding in Grundfos Holding A/S. The Foundation exercises its controlling ownership through election of not only the board members of Grundfos Holding A/S, but also via direct election of the chairman and the vice-chairman of the Board of Directors of Grundfos Holding A/S.

According to the Articles of Association of Grundfos Holding A/S, board members, chairman, and vice-chairman of the Board of Directors are directly elected at the Annual Meeting of Shareholders.

Besides, the Foundation has an ongoing dialogue with the Grundfos Holding A/S' Board of Directors and Executive Management on development of Grundfos in general, but especially on long-term ambitions in respect of

- Annual organic growth in turnover;
- Annual pre-tax profit;
- A capital structure based on a high equity interest;
- Return on equity;
- Best-in-market development, manufacturing, sale and service of highly innovative products;
- A socially responsible company believing that there are obligations that go beyond those derived from legislation and tax payments;
- Sustainability in products, production processes and other activities, and
- Adherence to the Founders' six values (cf. section on Sustainability below)

This year's profit in Grundfos amounts to DKK 2,590m compared to a profit of DKK 1,931m in 2020, of which 50% is expected to be distributed to the shareholders: The Foundation, the Founder's descendants and the employee shareholders.

Detailed information about the performance and development of the entire Grundfos Holding A/S Group is available in the Annual Report of Grundfos Holding A/S to be published on www.grundfos.com. The consolidated result of the Foundation and the Grundfos Group can be found in this report.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Responsible investments

The purpose of the Foundation's investment strategy is to outline the principles for how to invest in securities (e.g. bonds, shares and mutual funds) to secure a long-term return from interest and dividend payments related to the said securities, whilst maintaining an acceptable risk profile.

The Foundation supports the UN Global Compact principles. Furthermore, the Foundation has decided to direct its investments and portfolio towards ESG (Ethics-Social-Governance). This will continue in 2022.

The level of risk related to the investments may not impact the Foundation's capability to maintain an active ownership of the Grundfos Group.

The Foundation may upon approval by the Board of Directors, invest in incubator-like technology companies that may in the long run provide a commercial advantage for Grundfos.

Such investments must be made upon request from or in consultation with the Grundfos Group, and the Foundation must with its investment secure intellectual property rights, patents, and technology access.

The Board of Directors of the Poul Due Jensen Foundation is the sole responsible decision making body concerning the Foundation's investments.

Philanthropic activities

The Foundation's philanthropic activities are based on the Foundation Strategy, covering three main areas:

- Sustainable access to clean and affordable drinking water for the world's poorest, mainly in rural communities and forgotten refugee camps
- Strengthening use-inspired basic research and learning environments mainly within engineering and natural science
- Improving labour market inclusion and community engagement

Currently, we all have a lot to thank researchers and health professionals for. Infection tracking, effective healthcare and behaviour-change helped curb the pandemic. Dedicated research and development created vaccines against COVID-19 with a speed the world has never seen before. Imagine if we could do the same for the climate.

Humanity can do great things in a very short time. We have to learn from that. At the Foundation, we try to use the collected experience to become even more agile as owners, philanthropists and investors.

Mission-driven partnerships

Our mission-driven approach has shown that targeted collaboration between different partners to solve a societal problem is the way forward. An example is the Circular Phosphorus Recovery project, which has as its mission to clean lakes and at the same time try to extract phosphorus. Here, four Danish universities have succeeded in working well and strongly together to solve a major societal challenge that can have a significant impact on the climate impact of lakes.

The American NGO Water Mission and Danish PlanBørnefonden work together to provide clean drinking water for thousands of refugees in Ethiopia, which has great prospects, but which was affected by both the ongoing pandemic and civil war.

Finally, together with municipalities, private actors and civil society, we are trying to develop new methods for the inclusion of vulnerable people, e.g. the Danish Refugee Council, housing associations and sports life. Common to all is an objective of scalability, and it is our hope that our experience can inspire others.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Trust creates results

A number of the Foundation's partners in all philanthropic distribution areas have achieved an exemplary impact from donations in research and learning, water and sustainable development and social inclusion and community engagement.

We have learned that many people can easily do better themselves and even do better if we pass on freedom and responsibility. We will make more use of this trust-based approach, so that partners and projects that have proven transparency and produce results should not be followed zealously, but should instead be given a framework in which they have the freedom to achieve the agreed objectives in their way.

New skills and tools

In 2021, the Foundation has boosted the Secretariat within finance and administration. It has strengthened internal processes, among other things with new tools to define and measure impact of donations. The Foundation has also brought in a flex employee 12 hours per week and employed an intern from September 2021 to January 2022.

In 2020, the Foundation decided to increase the framework for distributions to DKK 200m annually. This level was repeated in 2021 with a desire to increase the coherence between the three distribution areas so that they contribute to sustainable development through a more holistic approach.

In 2021, the Foundation committed donations for DKK 199.7m to philanthropic projects within the strategic focus areas and increased the level compared to DKK 194.1m in 2020. After deducting the returned donations from unrealized projects, the total amount of donations in 2021 was DKK 199.6m (2020: DKK 193.9m).

In 2022, the Foundation's strategy will be lived out through active and responsible ownership, strong partnerships and projects, as well as investments that contribute overall to more sustainable development.

Community engagement grants

The Poul Due Jensen Community Engagement Grant supports local community engagement in locations where Grundfos is present with offices or factories. This gives Grundfos companies and their employees better options to engage with the local community. The grant is only and directly given to a local authority, NGO, institution (or similar) that engages in social responsibility and is recommended by the local Grundfos staff. We have witnessed a huge interest and demand for local engagement, especially during the COVID-19 pandemic. This is a model we will continue in 2022.

In total, the Foundation committed DKK 14.4m to community engagement grants.

Water changes lives and communities

Poul Due Jensen said: 'The world is full of problems that can be solved in better ways.' This phrase is still highly relevant, even if he said it many years ago.

Experience over the years has shown that you cannot just stick a pump in the ground and expect things to run smoothly from there. That's why we pursue a more holistic approach to our water projects.

Until now, we have not found one solution that fits all, and we probably never will. But we are blessed with skilled and dedicated partners who openly share their experiences, challenges and problems in implementing water projects.

In the future, we will allocate more resources to learn, document and communicate our learnings, and we will focus on job-creation in and around the Foundation's water projects.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

The Foundation supports sustainable and economically sustainable water projects in poor village communities and forgotten refugee camps. Furthermore, the Foundation supports initiatives around water that promote the development of sustainable local communities and puts water issues at the top of the agenda, both in Denmark and globally.

Projects are followed for several years after implementation and give us knowledge about how the projects affect the local community, what works and what we can improve.

The Foundation works through selected professional NGOs who, with their competencies and insights, can ensure a long-term effort that improves people's health and life opportunities.

The partners' professionalism is the key to maximizing the effect we want to achieve in our water projects. Partnership is therefore a core value for the Foundation and the best way to ensure mutual development and learning.

The Foundation helps the world's poorest i.e. in rural areas in developing countries, where 80% of those who do not currently have access to clean water live.

In addition, there are people in forgotten refugee camps who often do not have access to a secure supply of drinking water.

We believe that access to clean water is a basic human right and a necessity for the healthy development of society. Clean water provides health, fewer sick days and fewer expenses for medicines, which can be the start of an economic development for each individual and for society.

By ensuring environmentally, socially and economically sustainable drinking water solutions, we can give the world's poorest people a better opportunity to improve their own and their families' living conditions in the future.

DKK 92.1m from the Foundation were committed to revisit and future-proof water projects delivering drinking water to app. 338,000 new beneficiaries with access to water in 2021 and the years to come. Hereof DKK 4.6m was allocated to emergency response globally.

In 2022 and onwards, the focus on hygiene will remain due to the learnings we have had in our projects during the pandemic. We will also take a more holistic approach to the water projects and where relevant we will integrate "Inclusion" and/or "Research and learning" activities in new projects.

Research and learning within engineering and natural science

Development of innovative and groundbreaking pumping technologies has always been Grundfos' recipe for success, in close collaboration with leading researchers as an integrated component.

Access to world-class research is therefore important for Grundfos and other technology-driven companies. But research cannot function in the long term without a "food chain" of young people who choose and pursue careers in science and technology and thereby contribute to a sustainable future.

The threat from climate change toward humanity is ever more present, and most of the consequences revolve around water.

The Foundation supports mission-driven basic research. We want to promote collaboration between research groups nationally and globally, and increase diversity within STEM research.

Long-term research requires long-term efforts. The Foundation invests in research projects tailored for the research group and its mission.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

We define common goals with our partners and work closely together until the goals are reached. We often adjust our common goals as we climb the learning curve together.

We also fund activities and initiatives offering children and young people - and their teachers - greater opportunities to meet the wonders of nature and technology.

In total, the Foundation committed DKK 68.3m to research and learning initiatives in 2021.

Labour market inclusion and community engagement

In 1968, when Poul Due Jensen set up one of the world's first privately held sheltered workshops, the flex workshop at Grundfos, it created a new space in the labour market for marginalised people. It was a whole new way of looking at human resources and creating new communities.

The Grundfos Foundation's Inclusion programme stands on the shoulders of this tradition. We want to help spread this way of thinking while helping to build the 'flex workshops of the future' through developing new flexible approaches to solve those societal challenges to which a solution is yet to be found.

The Foundation wants to provide people who have lost their sense of belonging with an opportunity to come back and participate in one or more communities.

We want to explore new approaches to solving societal challenges and invest in new economic models and focus on anchoring and dissemination to ensure the efforts that pay off are scaled.

The Foundation collaborates with several partners, companies, NGOs, municipalities and other foundations, to develop projects and methods that can make a difference and include more people in the labour market.

We want to see innovative thinking and new partnerships to help marginalised people enter - or remain within - the labour market. Currently, there is a special focus on social effect investments, socio-economic enterprises, and other constellations with a potential to solve societal challenges.

The Poul Due Jensen Foundation wants the grants to help vulnerable groups enter or stay in the labour market (or in a community).

Projects can also benefit citizens in Bjerringbro and the nearby municipalities in the Central Jutland Region.

There are a number of well-known problems in society that we still have not figured out how to solve. We want to break patterns and turn the tide so people who have been left marginalised can get a foot back in the door.

The 2021 labour market inclusion and community engagement initiatives ended at DKK 23.0m.

Awards

The 2021 Grundfos Prize was awarded to Professor Mads Albertsen, Aalborg University's Department of Chemistry and BioScience for his work on research within microbiology and bioinformatics, applied for analyses of microbial societies.

3 students received the Grundfos Prize student awards and 28 lucky and talented Grundfos employees received the Grundfos People award from the Poul Due Jensen Foundation in 2021. Furthermore NuevaLife Foundation received the Grundfos People Community Engagement award. As the Foundation could not invite the winners to Denmark, the diplomas were handed over at local ceremonies in the companies of the winners.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Donations 2021

Water and Sustainable Development

Organisation	Project number	Project name	Country	Period	Amount (DKK '000)
PlanBornefonden (Plan International)	2020-081	Refugee communities in Gambella	Ethiopia	2021-2023	12.450
UNICEF	2020-082	Rural communities in Western Tanzania	Tanzania	2021-2024	22.548
Sunlit Future	2020-112	Water supply in rural communities	India	2021-2022	7.225
Water Mission	2021-002	Emergency Relief, Indonesia earthquake	Indonesia	2021	1.005
PlanBornefonden (Plan International)	2021-003	Extension of water supply in Plateaux Region	Togo	2021	1.528
PlanBornefonden (Plan International)	2021-007	Revisit and repair of water projects	Togo	2021-2023	7.600
UNICEF	2021-008	Donation of technical equipment	Tanzania	2021-2024	1.436
SOSNPO, Save Our Schools, SA	2021-011	Emergency Relief, fire in Cape Town	South Africa	2021	200
Hand in Hand India	2021-012	Emergency response, COVID-19 in India	India	2021	319
IDCC, Indian Danish Chamber of Commerce	2021-014	Emergency response, COVID-19 in India	India	2021	250
Water Mission	2021-020	Clean drinking water in Makere	Tanzania	2021-2023	2.998
Oxfam	2021-025	COVID-19 response in Terai Lowlands	Nepal	2021	1.142
Human Needs Project	2021-026	COVID-19 response in Kibera	Kenya	2021-2022	614
Nanyang Charity Federation	2021-028	Emergency Relief, flood China	China	2021	983
Water Mission	2021-031	Emergency Relief, Haiti earthquake	Haiti	2021	998
Practical Action	2021-291	Water supply for pastoralist communities in Turkana	Kenya	2022-2023	7.530
Human Needs Project	2021-292	Mini bottling plant, Kibera Town Center	Kenya	2021-2024	996
Water Mission	2021-293	Safe water for refugee communities in Western Tanzania	Tanzania	2021-2022	6.655
ICRC - International Committee of the Red Cross	2021-294	Energy and water training hub for NGOs	Kenya	2021-2022	1.650
PlanBornefonden (Plan International)	2021-494	Pre-study: Holistic WASH approaches	Togo	2022-2023	3.487
Oxfam	2021-507	Sustainable rural water supply - alternative management model	Nepal	2022	4.679
Stockholm International Water Institute	2021-508	World Water Week Communications Initiative	Global	2022	1.500
Water Mission	2021-518	Water supply for rural communities	Kenya	2022	3.280
Global Water Center	2021-530	Mapping of plumbing curriculum	Ghana	2022	275
PlanBornefonden (Plan International)	2021-531	Emergency relief Tigray	Ethiopia	2021-2022	500
Water and Life	2022-565	Emergency Relief, Super Typhoon Rai	Philippines	2022	297
Total					92.145

Research and Learning

Organisation	Project number	Project name	Country	Period	Amount (DKK '000)
Aalborg University, Department of Chemistry and Bioscience	2020-069	Membrane Crystallization	Denmark	2021-2024	5.562
ASTRA	2020-074	Danish Science Week	Denmark	2021-2024	7.500
Aarhus University, Department of Geoscience	2020-077	SuperTEM- groundwater monitoring	Denmark	2021-2024	2.200
Aalborg University, Department of Energy Technology	2021-001	Next generation Power Electronics (CoDE)	Denmark	2021-2026	15.634
Aalborg University, Department of Planning	2021-005	Interdisciplinary problem-based learning	Denmark	2021-2025	5.844
Aarhus University, Department of Electrical and Computer Engineering	2021-006	Transceiver PhD extension	Denmark	2021	113
Den selvejende institution Videnskabsår22	2021-289	International year of basic sciences 2022	Denmark	2022	850
Several universities	2021-290	Circular lake restoration - rePair	Denmark	2021-2025	25.919
Technical University of Denmark - Skylab	2021-396	Next Generation Water Action 2022	Denmark	2022	800
Aarhus University, School of Culture and Society	2021-505	Urban water governance in Nairobi, Kenya	Denmark	2021-2024	148
VIA University College, Horsens	2021-511	World Water Camp 2022	Denmark	2022	350
ASTRA	2021-512	Young scientists 2022	Denmark	2022	250
ASTRA	2021-516	Big Bang Conference 2022	Denmark	2022	500
Technical University of Denmark, department of Mechanical Engineering	2021-521	Open Additive Manufacturing Binder Jet	Denmark	2021-2023	2.610
Total					68.280

Inclusion and Community Engagement

Organisation	Project number	Project name	Country	Period	Amount (DKK '000)
Flexfabrikken	2021-009	Feel the job	Denmark	2021-2023	5.475
Den Sociale Retshjælp	2021-013	Future-proofing the Organisation	Denmark	2021-2023	3.000
Viborg Municipality	2021-016	Establishment of Forest to secure healthy ground water	Denmark	2022-2031	3.000
Scanreg, author Peter Birk Christiansen	2021-017	Book about the history of irrigation	Denmark	2021	200
Aarhus International School	2021-018	Support for Aarhus International School	Denmark	2021	3.000
National Olympic Committee and Sports Confederation of Denmark (DIF)	2021-288	Veteran Match - sport creating employment	Denmark	2022-2023	2.750
Think Tank Europa	2021-297	EU-Africa Relations: Is it time to refocus Denmark's engagement?	Global	2022	370
Dansk Folkehjælp	2021-302	Christmas Donation	Denmark	2021	250
Salvation Army Denmark	2021-302	Christmas Donation	Denmark	2021	500
Mødrehjælpen	2021-302	Christmas Donation	Denmark	2021	500
The Children's Aid Foundation	2021-302	Christmas Donation	Denmark	2021	250
Danish Red Cross	2021-302	Christmas Donation	Denmark	2021	500
Kvisten	2021-535	Therapy for victims of sexual abuse	Denmark	2021-2023	3.000
Bjerringbro Cinema	2021-554	Support for new projector	Denmark	2021	186
Total					22.981

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Donations 2021 (continued)

Community Engagement Grants

Organisation	Project number	Project name	Country	Period	Amount (DKK '000)
Rector Cares Foundation	2021-175	Solar-powered water to Obuofia community	Nigeria	2021	465
COLANDEF	2021-179	Ghana Water Initiative - Improving sanitation in Abomosu	Ghana	2021	186
Yidu Municipal Red Cross	2021-180	Shower room for nursing facility in Yidu City	China	2021	375
Proyecto Agua Segura	2021-189	Water access and hygiene workshops to fight COVID-19	Argentina	2021	842
Water and Life Philippines	2021-192	WASH Services in Cebu slum areas	Philippines	2021	372
Xishui County Red Cross	2021-196	Safe drinking water supply for residents in rural areas near Xishui	China	2021	373
International Water and Development Consultancy (IWDC)	2021-199	Replacing hand pumps with solar pumping in Nuba Hills	South Sudan	2021	411
Glve Back Ghana	2021-219	Food and sanitation boxes to the residents of Old Fadama	Ghana	2021	314
World Vision China Foundation Limited	2021-241	Water access and awareness project in rural parts of China	China	2021	261
Danish Red Cross Youth	2021-243	Summer Camp, the Frog	Denmark	2021	40
Dream Farm Kyakabunga Group	2021-245	Sustainable integrated land use in Kyakabunga	Uganda	2021-2022	334
The Water Well Trust	2021-246	Access to water after wildfires in California	USA	2021-2022	745
Agua Por La Vida	2021-262	Water filtration towers for schools in Quipile and Cumaral	Colombia	2021	469
Association of Danish Pupils	2021-265	Sustainability educational material	Denmark	2021-2025	446
Blue Gold Works Inc.	2021-266	Solar-powered water and irrigation for Gurbi	Ghana	2021-2022	373
FANT - Football for A New Tomorrow	2021-273	Creating independent girls through sport	Ghana and Sierra Leone	2022	1.296
SA.LA.MA (Santé par la Langue Maternelle)	2021-275	Sustainable water pumping system for drinking and farming in Kar Hay	Cameroon	2021	319
HOPin Academy	2021-278	Renovation and upgrade of Nanton's main health clinic	Ghana	2021-2022	385
Patch Farms	2021-281	Irrigation systems for special needs farming school	USA	2021-2022	757
Asociacion Cooperadora del Establecimiento Educativo E.P. No 12 del Distrito de Tigre	2021-282	Sustainable Island School & Community center in Tigre delta	Argentina	2021-2022	968
Energy 4 Impact	2021-284	Solar Irrigation for agricultural resilience in least developed regions	Tanzania	2021-2022	962
Safe Water Network	2021-286	Development of commercially viable, smart safe water solutions	Ghana	2021-2022	595
NuevaLife	2021-304	Solar-powered illumination systems for houses and soccer playing field	Colombia	2021-2022	131
Sustainability Steps Association	2021-473	Inspire young engineers: Solution workshops and panels for the SDG's	Turkey	2022	260
Rainbow Trust Foundation	2021-476	Build and stock libraries at five schools in the districts around Accra	Ghana	2021-2022	869
ACE Charity	2021-486	WASH service delivery at learning centres	Nigeria	2022	739
Fundacion Club Universitario de Buenos Aires	2021-488	Education and Sports: accompany social inclusion after the health crisis	Argentina	2021-2022	521
Beyond The City	2021-489	Career planning education for students from rural areas	China	2022	208
Makueni Aloe Vera Farmer Self Help Group	2021-492	Access to water, sustainable agricultural practices, and training on health and nutrition.	Kenya	2021-2022	375
Total					14.391

Awards

Recipient(s)	Award	Country	Period	Amount (DKK '000)
Aalborg University, Department of Chemistry and Bioscience	2021 Grundfos Prize - research grant	Denmark	2021	750
Professor Mads Albertsen	2021 Grundfos Prize - personal reward	Denmark	2021	250
3 students	2021 Grundfos Prize student awards	Denmark	2021	75
28 Grundfos employees	2021 Grundfos people award	Global	2021	675
NuevaLife Foundation	2021 Grundfos people award Community Engagement	Colombia	2021	149
Total				1.899

Total 199.696

Returned donations

Organisation	Project number	Project name	Country	Period	Amount (DKK '000)
Central Jutland Region - Prehospital	2020-024	COVID-19 Pre-hospital Tests	Denmark	2021	-115
Total					-115

Grand total 199.581

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Sustainability in the Foundation

Sustainability is a key value of the Foundation (cf. Primary Activities and Business Model above). Furthermore, it is an important part of the Foundation's and the Grundfos Group's values to act in a socially responsible and sustainable way. The six values of the Founder define the way Grundfos and the Foundation operate:

- Sustainable: Grundfos runs its business in a responsible and ever more sustainable way. We make products and solutions that help our customers save natural resources and reduce climate impact. We take an active role in the society around us. Grundfos is a socially responsible company. We take care of our people - also those with special needs.
- Open and trustworthy: In Grundfos we do what we say, and we say what we do. Our communication is open and honest among ourselves and with the world around us. We put the facts on the table - also when it is not pleasant.
- Focused on people: Grundfos is our people. We develop the individual. Everyone in Grundfos has passion and potential. Everyone has the power to influence. Everyone must feel respected and valued.
- Independent: The main shareholder of Grundfos - now and in the future - is the Poul Due Jensen Foundation. Profit is a means to growth - not a goal in itself. We ensure a healthy financial foundation at all times.
- Partnership: Grundfos creates value through close relations with customers, suppliers and other stakeholders. We are a global company building on local entrepreneurship. We believe that diversity drives innovation and growth.
- Relentlessly ambitious: In Grundfos we never stop challenging ourselves to create better solutions faster. We take pride in delivering premium quality in everything we do. We show leadership and innovate the future.

Principles, policies and risk management in the daily and philanthropic activities

The Foundation's philanthropic activities directly affect the lives of thousands of beneficiaries, while the daily activities affect its own employees as well as employees of its partners and suppliers. Hence, we are very aware of our positive, as well as potential risk of negative impact on society and employees. This is also the case for our financial activities.

- Regarding human rights, the Foundation must consider whether its suppliers and partners adhere to its high standards and whether (financial) activities and projects contribute to improving the lives and opportunities of the people affected.
- Regarding environment and climate protection, the Foundation must consider how the environmental footprint of its (financial) activities and philanthropic projects affects the world.
- Regarding social and employee matters, the Foundation must consider how its (financial) activities impact the lives of employees both physically and psychologically. The same goes for the partners and suppliers of the Foundation and the communities that are at the receiving end of the Foundation's philanthropic projects.
- Regarding bribery and anticorruption, the Foundation must consider how to manage its liquid reserves responsibly and continuously nourish a collaboration environment where integrity and high ethical standards are valued and rewarded, both internally and with its partners and suppliers.

The Foundation's offices are located in buildings owned and serviced by Grundfos in accordance with ambitious principles and policies. Besides, the Foundation began focusing on sustainability in its own daily operations in 2017. The first step in this direction was to engage a cradle to cradle certified printing company for delivery of printed material to the Foundation. This work continued in 2021. The Foundation supports the UN Global Compact principles. Furthermore, the Foundation has decided to direct its investments and portfolio towards ESG (Ethics-Social-Governance).

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Management's review

Besides working directly with UN Sustainable Development Goal 4 (Quality education), Goal 6 (Clean water and sanitation), Goal 7 (Affordable and clean energy), Goal 8 (Decent work and economic growth) and Goal 9 (Industry, innovation and infrastructure) in the philanthropic activities, the Foundation indirectly works with UN Sustainable Development Goal 1 (No poverty), Goal 2 (Zero hunger), Goal 3 (Good health and wellbeing), Goal 5 (Gender equality), Goal 10 (Reduced inequalities), and Goal 13 (Climate action). Our investment policy follows UN Global Compact principles.

The Foundation has integrated sustainability and focus on resilience in the philanthropic strategies as well as in the processes for developing philanthropic projects. The philanthropic strategies are focused on creating a positive impact in a number of areas, including social and human rights matters as well as environment and climate protection. Sustainability and resilience of the supported initiatives are also - in their core meaning - direct and strict requirements and measures of success in all philanthropic projects as defined in the strategy document. The processes of ensuring sustainability and resilience after the Foundation engagement with the project has ended has its own dedicated phase in the project development model applied by the Foundation.

The Foundation runs a lean organization and partnering is therefore key to reaching our philanthropic goals. We evaluate our partners carefully to ensure that values and goals are aligned, and that the partners organization has the necessary resources to execute the projects in line with the ambitions of the Foundation. To ensure that philanthropic donations are not misused, and partners behave with the same high ethical level as we expect from ourselves, this is discussed and controlled by mutual agreement.

It is the ambition that The Foundation and all partners meet at least once annually at executive level to discuss results, strategic opportunities and challenges of the partnership.

As a result of this, we believe that the Foundation has strengthened its sustainable profile and business conduct in its philanthropic donations as well as in its daily operations in 2021.

The focus points will remain in 2022 in all areas and the Foundation will continue to make its impact through its donations and investments - possibly with adjustments pending the status of the COVID-19 pandemic.

Statutory statement on social responsibility, cf. FSA § 99a

Poul Due Jensens Fond (the Foundation) was established by the Founder of Grundfos, Poul Due Jensen. The Foundation is the majority shareholder of Grundfos, and the main purpose of the Foundation is to own, protect, and develop Grundfos. Thus, the Foundation's impacts on society and the environment are therefore related to the business activities of Grundfos and the reporting on social responsibility, cf. the statutory requirements of FSA §99a, is centred on Grundfos' efforts within the areas of corporate responsibility.

Business model

Grundfos is a global water technology company committed to pioneering solutions to the world's water and climate challenges and improving the quality of life for people. Grundfos is the world's largest manufacturer of pumps, and the three main products are circulation pumps, submersible pumps, and centrifugal pumps.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Human Rights

Having operations and activities across the world, protecting the working conditions, human rights, and safety and well-being of people is a primary concern and material risk for the Foundation and Grundfos. We are committed to creating a culture that highly prioritises respect for human rights. We must always consider whether suppliers and partners adhere to these standards and whether our activities contribute to improving the lives and opportunities of the people affected. In 2021, we revised the Company's human rights due diligence process and identified salient human rights issues that focus on prevention and mitigation measures. In the coming year, Grundfos will launch the Human Rights Plan, which outlines the goals in this area and concrete action steps. With this plan, we aim to have a sharpened focus on our human rights efforts with a broader perspective on the overall footprint.

Environmental and climate issues

As we consume raw materials of limited or scarce to make our products, it also poses a material risk for the company since it can result in a broad range of environmental impacts throughout the supply chain. We are committed to responsible measuring, managing and reducing our own water withdrawal, as climate change, water scarcity and urbanisation are some of the biggest challenges that impact the way we use water today and also in the future. As water is a localised issue, a mapping of our major water consuming sites in high-water risk areas was done in 2021 to understand our impact. Grundfos experienced a small increase in water withdrawal of 7.2% compared to 2020. In 2022, a validated and robust data baseline will be established to accurately evaluate the environmental impacts of the water discharge we are responsible for. Then it is planned to having implemented the necessary improvements to our infrastructure. The developments up until now puts us in a strong position to achieve our 2025 goal to reduce our water withdrawal by 50%.

Social and employee conditions

Producing, assembling and servicing pumps can cause a number of risks, such as work-related injuries if safety is not properly taking care of through process and systems. The Foundation contributes to create, maintain, and develop a healthy and safety environment, while also having focus on protecting mental health and wellbeing in the workplace. On an annual basis, health and safety is monitored through a self-assurance process. To ensure that we are monitoring our risks, opportunities and performance, and are meeting the standards of HS&W, we achieved the ISO45001 certification in February 2021. We have set a goal of reducing staff reporting stress levels to 10% in 2025.

Covid-19

COVID-19 has continued to evolve over the last 18 months and is now an integrated part of how we do business at Grundfos. One way we adapted to the pandemic is by offering on-site COVID-19 testing at our corporate headquarters location in Denmark and several sites in the US, in order to minimise the risk of contamination.

Anticorruption

The primary risk to the company relates to the possibility that parties do not comply with high ethical standards and do not value integrity. The Foundation conducts its business in an ethically and responsible manner. Therefore, the Foundation requires and demand that all employees shall act in a fair and transparent way and adhere to the principles described in our operating values. We have zero tolerance for bribery and any form of corruption. To ensure that the principles are being followed by all entities, Grundfos conducted a Code of Conduct risk assessment in 2020, and have during 2021 focused on reviewing and validating the results to prioritise future topics and training in guidelines. All office-based staff have had their mandatory Code of Conduct training. Grundfos will in the future look at ways to further improve visibility and accessibility for external stakeholders to the whistle-blower system.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Statutory reporting on gender distribution in management, cf. FSA § 99b

The Foundation employs less than 50 people and has opted not to have a specific policy for the underrepresented gender in management. Nonetheless, it is the policy of the Foundation to support diversity and gender equality in its philanthropic work as well as in its own operations and in the Grundfos Group.

In December 2013, the Board of Directors agreed on a gender equality policy and set minimum targets for female representation:

Family members		Externally elected members	
<i>The descendants will promote gender equality when electing new family members to the Board (if deemed appropriate and in the best interest of the Foundation at the time of the election).</i>		<i>The Board will promote gender equality when electing new external members (if deemed appropriate and in the best interest of the Foundation at the time of the election).</i>	
2014	2 females out of 4 members	2014	1 females out of 4 members
2017	2 females out of 4 members	2017	1 female out of 4 members
2025	2 females out of 4 members	2025	2 females out of 4 members

Today, the group of descendants and external board members consist of four men and four women. The gender balance is hence 50% of each sex among the descendants and the external members, and the Foundation has fulfilled the targets.

The Foundation has not set a target for the underrepresented gender in the Boards of Directors at Group level or laid down a Group policy for the underrepresented gender in management. Instead, it has ensured that Grundfos Holding A/S sets its own targets and policies, and that Grundfos Holding A/S is working towards fulfilling it. Please refer to Grundfos Holding A/S' Annual Report and Sustainability Report to read the statement on target figures and policies for the underrepresented gender in the Grundfos Group.

Ownership

Poul Due Jensens Fond, based in Bjerringbro, Denmark, is the parent company of the Grundfos Holding A/S Group. Poul Due Jensens Fond 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 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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Data Ethics

In the Foundation and the Grundfos Group 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 in general. 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 the Group is, as disclosed in note 29, 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 new 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. Therefore, we forecast a performance EBIT ratio around our strategic ambition of 10%.

In 2022, the Foundation will increase the provision for distribution to a level of DKK 250m.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Income statement

Note	Amounts in DKK million	2021	2020 (adjusted*)
3,4	Net turnover	28,733	26,340
4,5	Production costs	-16,895	-16,133
	Gross profit	11,838	10,207
5,6	Research and development costs	-1,391	-1,220
5,6	Sales and distribution costs	-4,685	-4,106
5,6	Administrative costs	-2,612	-2,310
	Operating profit	3,150	2,571
	Earnings before interest and tax (EBIT)	3,150	2,571
7	Financial income	734	405
4,8	Financial expenses	-1,408	-1,721
	Profit before tax	2,476	1,255
9	Tax on profit for the year	-763	-698
10	Consolidated profit for the year	1,713	557

* Adjusted for change in accounting policies, see Note 1

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Balance sheet

Note	Amounts in DKK million	2021	2020 (adjusted*)
	ASSETS		
	Fixed assets		
11	Intangible fixed assets		
	Goodwill	1,188	476
	Other intangible fixed assets	1,226	580
	Completed development projects	100	96
	Development projects in progress	41	65
		<u>2,555</u>	<u>1,217</u>
12	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
		<u>6,098</u>	<u>5,718</u>
13	Financial fixed assets		
14	Securities	68	63
	Other accounts receivables	58	56
		<u>126</u>	<u>119</u>
	Total fixed assets	<u>8,779</u>	<u>7,054</u>
	Current assets		
15	Inventories		
	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
		<u>5,304</u>	<u>3,991</u>
	Accounts receivable		
	Trade debtors	4,729	4,607
16	Work in progress	34	42
17	Deferred tax assets	756	658
	Corporation tax	512	447
	Other accounts receivable	738	765
18	Prepayments	239	193
		<u>7,008</u>	<u>6,712</u>
14	Securities	10,556	8,246
	Cash at bank and in hand	4,225	5,589
	Total current assets	<u>27,093</u>	<u>24,538</u>
	TOTAL ASSETS	<u>35,872</u>	<u>31,592</u>

* Adjusted for change in accounting policies, see Note 1

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Balance sheet

Note	Amounts in DKK million	2021	2020 (adjusted*)
	LIABILITIES		
	Equity		
	Share capital	505	505
	Retained profit	19,718	18,076
	Reserve for currency translation	-299	-523
	Reserve for value adjustment of hedging instruments	-136	5
	Proposed distribution	250	200
	Equity belonging to parent foundation	20,038	18,263
	Minority interests	23	19
	Total equity	20,061	18,282
	Provisions		
19	Liabilities under guarantee	193	179
19	Pension liabilities	413	621
19	Other provisions	626	687
17	Deferred tax	210	81
	Total provisions	1,442	1,568
	Liabilities		
	Long-term liabilities		
20	Bank loans	19	35
20	Other loans	12	56
21	Other liabilities	5,185	4,359
	Total long-term liabilities	5,216	4,450
	Short-term liabilities		
	Bank overdrafts and loans	98	270
	Trade creditors	3,095	2,373
16	Work in progress	14	4
	Corporation tax	874	885
21	Other liabilities	4,600	3,450
22	Deferred income	472	310
	Total short-term liabilities	9,153	7,292
	Total liabilities	14,369	11,742
	TOTAL EQUITY, PROVISIONS AND LIABILITIES	35,872	31,592

- 1 Accounting policies
- 2 Events after the balance sheet date
- 23 Financial instruments
- 24 Fees to auditors
- 25 Related parties
- 26 Securities, contingent liabilities, etc.
- 29 Financial risks

* Adjusted for change in accounting policies, see Note 1

Consolidated financial statements 1 January – 31 December

Statement of changes in consolidated equity

Amounts in DKK million	Share capital	Retained profit	Reserve for currency translation	Reserve for value adjustment of hedging instruments	Provisions for distributions	Total	Minority interests	Total equity
Equity at 1 January 2020	505	19,167	0	-74	200	19,798	1,726	21,524
Cumulated effect of change in accounting policies regarding minority interests and buy-back obligations	0	-1,408	0	0	0	-1,408	-1,708	-3,116
Equity at 1 January 2020 (adjusted)	505	17,759	0	-74	200	18,390	18	18,408
Transferred; see distribution of profit	0	361	0	0	193	554	3	557
Donations	0	0	0	0	-194	-194	0	-194
Exchange rate adjustment, affiliated companies, etc.	0	0	-567	0	1	-566	-2	-568
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 at 31 December 2020	505	18,076	-523	5	200	18,263	19	18,282
Equity at 1 January 2021	505	18,076	-523	5	200	18,263	19	18,282
Transferred; see distribution of profit	0	1,460	0	0	250	1,710	3	1,713
Donations	0	0	0	0	-201	-201	0	-201
Exchange rate adjustment, affiliated companies, etc.	0	0	256	0	1	257	1	258
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 at 31 December 2021	505	19,718	-299	-136	250	20,038	23	20,061

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Consolidated cash flow statement

Note	Amounts in DKK million	2021	2020 (adjusted*)
	Consolidated profit after tax	1,713	557
27	Adjustments	2,369	3,521
28	Changes in working capital	579	40
	Cash flows from operating activities before financials	4,661	4,118
	Financial income	229	173
	Financial costs	-128	-125
	Cash flows from ordinary activities	4,762	4,166
	Corporation tax paid	-946	-639
	Cash flow from operating activities	3,816	3,527
	Acquisition of companies	-1,547	-518
	Investment in tangible fixed assets	-1,078	-935
	Sale of tangible fixed assets	21	26
	Investment in intangible fixed assets	-256	-193
	Purchase and sale of securities, net	-2,027	-1,849
	Cash flows from investing activities	-4,887	-3,469
	Cash repayment of interest-bearing debt	-320	-57
	Cash proceeds from interest-bearing debt	87	270
	Dividends to minorities, with associated buy-back obligation	-112	-136
	Distributions paid	-174	-188
	Acquisition and sale of minority holdings and exploitation of buy-back obligations, net	164	-244
	Cash flows from financing activities	-355	-355
	Change in liquid funds	-1,426	-297
	Cash at bank and in hand, beginning of year	5,589	5,977
	Exchange rate adjustments	62	-91
	Cash and cash equivalents, year end	4,225	5,589

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

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies

The consolidated annual accounts of Poul Due Jensens Fond for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Change in accounting policies

In 2021, the Foundation has changed the accounting policies applied regarding the recognition and measurement of put options on minority interests in the consolidated financial statements. The change reflects the recent interpretation of the Danish Financial Statement Act regarding classification and measurement of put options on minority interests.

Previously, minority interests with a put option were treated as minority interests. The purchase of minority interests with a put option was accounted for as an equity transaction.

Going forward, minority interests with a put option will be considered as acquired when the put option is granted. Any differences between the carrying value of the minority interest and the fair value of the liability at initial recognition of the put option is recognised in equity. Subsequently the financial liability for the put option is measured at fair value with all changes in the carrying amount recognised in profit and loss. Dividends paid to minority interests with a put option are recognised as an expense of the group unless they represent a repayment of the liability.

The impact of the change in the accounting policies in the consolidated financial statements represents a reduction in profit for the year before tax in 2020 by DKK 1,547m. The change made has no tax effect. The balance sheet total as of 31 December 2020 is not affected and the equity as of 31 December 2020 decreases by DKK 4,310m.

Comparative figures and key figures are adapted to changing accounting policies.

Apart from the above, the financial statements were presented in accordance with the same accounting policies as last year.

Consolidation policies

The consolidated annual accounts comprise Poul Due Jensens Fond (Parent Foundation) and the companies (subsidiaries) where the Parent Foundation 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 Foundation 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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

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Notes

1 Accounting policies (continued)

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.

Minority interests with related buy-back obligation

The contractual obligation to purchase minority interests (put option) gives rise to a financial commitment (derivative financial instrument). The financial commitment is measured at fair value and, when determined, it is assumed that the purchase of the shares will take place on the earliest possible date and for the maximum number of shares. As accounting policy, the foundation has chosen to immediately cease the recognition of minority interests and to include a financial commitment (derivative financial instrument). Any differences between the amount relating to minority interests and the recognition of the financial commitment related to the put option is recognised in the equity. Subsequent changes in the financial commitment is recognised directly in the profit and loss account.

Any dividends paid to the minority going forward are recognised in the consolidated financial statements as a cost, except in the situation where the dividend is a reduction in the debt to the minority. As a result, the minority's share of the result is allocated to the majority, as there is no minority. When the option is used, the financial commitment is offset by the payment by the Foundation of the exercise price related to the put option. If the option expires, the minority interest is re-recognised and any differences between the minority interest and the financial commitment are recognised as own funds.

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 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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Derivate 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.

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Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

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Notes

1 Accounting policies (continued)

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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Notes

2 Events after the balance sheet date

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

3 Net turnover

Net turnover split by divisions

Amounts in DKK million

	2021	2020
Domestic Buildings Services	8,218	7,323
Commercial Buildings Services	5,545	5,419
Industry	6,843	6,223
Water utility	4,326	4,327
Other	3,801	3,048
Total net turnover by divisions	<u>28,733</u>	<u>26,340</u>

Net turnover split by geographical markets

Europa (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
Total net turnover by geographical market	<u>28,733</u>	<u>26,340</u>

4 Results from hedging instruments recognised in profit and loss account

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
	<u>-117</u>	<u>-46</u>

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

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Notes

Amounts in DKK million	2021	2020
5 Staff costs		
Wages and salaries	7,117	6,385
Pensions	456	431
Social contributions	686	561
	<u>8,259</u>	<u>7,377</u>

Staff costs are recognised in the financial statements as follows:

Production costs	3,493	3,305
Research and development costs	908	803
Sales and distribution costs	2,520	2,071
Administrative costs	1,338	1,198
	<u>8,259</u>	<u>7,377</u>

Average number of full-time employees	<u>19,539</u>	<u>19,233</u>
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Numbers of employees, closing	<u>20,161</u>	<u>19,226</u>
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The staff costs of the year include fees to the Executive Management and the Board of Directors of the Foundation for the directorships in the Foundation of DKK 14m (2020: DKK 15m).

The Grundfos Holding Group continued the long-term incentive (LTI) programme targeted at Group Management and other members of senior management in the Grundfos Holding Group. Members of the board of Poul Due Jensens Fond and members of the board of Grundfos Holding A/S do not participate in the LTI programme, unless a board member is part of senior management.

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 four 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.

Amounts in DKK million	2021	2020
6 Depreciation, amortisation and write-downs		
Intangible fixed assets	329	258
Tangible fixed assets	911	1,010
Gain/loss from sale of fixed assets	2	1
	<u>1,242</u>	<u>1,269</u>

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
Administration costs	194	128
	<u>1,242</u>	<u>1,269</u>

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Consolidated financial statements 1 January – 31 December

Notes

Amounts in DKK million		2021	2020
7	Financial income		
	Value adjustments from shares	545	222
	Value adjustments from bonds	0	51
	Dividend income from shares	33	32
	Interest income from bonds	54	46
	Other financial income	102	54
		<u>734</u>	<u>405</u>
8	Financial costs		
	Value adjustments from bonds	165	0
	Fair value adjustment of buy-back obligations	948	1,451
	Dividends to minorities, with associated buy-back obligation	112	136
	Other financial costs	183	134
		<u>1,408</u>	<u>1,721</u>
9	Tax on profit for the year		
	Current tax	844	668
	Deferred tax	-98	-21
	Change in deferred tax due to changes in tax rates	1	-3
	Adjustment regarding previous years	16	54
	Tax on profit for the year	<u>763</u>	<u>698</u>
	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	-2%	2%
	Non/deductible expenses regarding minority interests and buy-back obligations	9%	28%
	Non-deductible withholding taxes	1%	1%
	Other, including adjustments regarding previous years	0%	2%
	Effective tax rate for the year	<u>31%</u>	<u>56%</u>
10	Consolidated profit for the year		
	Attributable to		
	Minority shareholder's share of profit in subsidiaries	3	3
	Provision for future distributions	250	193
	Retained earnings	1,460	361
		<u>1,713</u>	<u>557</u>

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11 Intangible assets

Amounts in DKK million	Goodwill	Other in- tangible fixed as- sets	Completed develop- ment pro- jects	Develop- ment projects in progress	Total
Costs					
Cost at 1 January 2021	989	1,169	441	65	2,664
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
Cost at 31 December 2021	<u>1,773</u>	<u>1,910</u>	<u>219</u>	<u>41</u>	<u>3,943</u>
Acc. Amortisation/write-downs of the year					
Amortisation and impairment losses at 1 January 2021					
Exchange rate adjustments	1	9	0	0	10
Amortisation of the year	72	186	71	0	329
Amortisations and write-downs on disposals of the year	-1	-100	-297	0	-398
Transfer	0	0	0	0	0
Amortisation and impairment losses at 31 December 2021	<u>585</u>	<u>684</u>	<u>119</u>	<u>0</u>	<u>1,388</u>
Book value 31 December 2021	<u>1,188</u>	<u>1,226</u>	<u>100</u>	<u>41</u>	<u>2,555</u>
Book value 31 December 2020	<u>476</u>	<u>580</u>	<u>96</u>	<u>65</u>	<u>1,217</u>

The Group recognises only development projects which generate new saleable products that meet certain criterias 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, 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.

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12 Tangible fixed assets

Amounts in DKK million	Land and buildings	Technical installation and machinery	Other technical installations	Tangible fixed assets in progress	Total
Costs					
Cost at 1 January 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
Cost at 31 December 2021	<u>6,687</u>	<u>13,545</u>	<u>1,760</u>	<u>899</u>	<u>22,891</u>
Acc. depr./write-downs of the year					
Acc. Depreciation/ write-downs 1 January 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 December 2021	<u>3,706</u>	<u>11,666</u>	<u>1,421</u>	<u>0</u>	<u>16,793</u>
Book value 31 December 2021	<u>2,981</u>	<u>1,879</u>	<u>339</u>	<u>899</u>	<u>6,098</u>
Book value 31 December 2020	<u>2,641</u>	<u>1,941</u>	<u>385</u>	<u>751</u>	<u>5,718</u>

Book value of financially leased facilities as at 31 December 2021 amounts to DKK 10m (2020: DKK 15m).

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13 Financial fixed assets

Amounts in DKK million	Securities	Other ac- counts re- ceivables	Total
Costs			
Cost at 1 January 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 at 31 December 2021	70	72	142
Value adjustments			
Value adjustments at 1 January 2021	-2	-14	-16
Write-downs of the year	0	0	0
Disposals of the year	0	0	0
Value adjustments 31 December 2021	-2	-14	-16
Book value 31 December 2021	68	58	126
Book value 31 December 2020	63	56	119

14 Fair value adjustment on financial assets

Amounts in DKK million	Fair value adjustment in profit and loss		Market value, year end	
	2021	2020	2021	2020
Securities, fixed assets	4	4	68	63
Securities, current assets	328	297	10,556	8,246
Total	332	301	10,624	8,309
Bonds	-119	56	7,678	6,280
Shares	451	245	2,946	2,029
Total	332	301	10,624	8,309

15 Inventories

Amounts in DKK million	2021	2020
Inventory before write-downs	5,799	4,489
Write-down	-495	-498
	5,304	3,991
Break-down 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

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16 Work in progress

Amounts in DKK million	2021	2020
Selling price of project contracts	212	138
Progress billings	-192	-100
	<u>20</u>	<u>38</u>
Recognised as follows		
Receivables	34	42
Current liabilities	-14	-4
	<u>20</u>	<u>38</u>

17 Deferred tax assets and deferred tax liabilities

Deferred tax at 1 January 2021	577	642
Exchange rate adjustments	20	-27
Acquisition of companies	-137	-49
Change in tax rates	-1	3
Deferred tax recognised in profit and loss account	98	21
Deferred tax recognised in equity	-11	-13
Deferred tax at 31 December 2021	<u>546</u>	<u>577</u>
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
	<u>546</u>	<u>577</u>
The above has been recognised in the balance sheet as		
Deferred tax assets	756	658
Deferred tax liabilities	-210	-81
	<u>546</u>	<u>577</u>

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).

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18 Prepayments

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

Amounts in DKK million	Liabilities under guarantee	Pension li- abilities	Other pro- visions
19 Provisions			
1 January 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 December 2021	<u>193</u>	<u>413</u>	<u>626</u>

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.

20 Long-term liabilities

Amounts in DKK million	2021	2020
Debt falling due after more than one year but less than five years		
Bank loans	19	35
Other monetary creditors	12	56
	<u>31</u>	<u>91</u>

No debt falling due after more than five years.

21 Buy-back obligation relating to shares

The Foundation has a buy-back obligation to minority interests related to shares in Grundfos Holding A/S. Under the shareholders' agreement in Grundfos Holding A/S, minority interests in Grundfos Holding A/S must be able to sell their shareholdings back to the Foundation in whole or in part at a price that corresponds to the market value of the shares.

The buy-back obligation is valued annually with a price earnings approach. Management considers that the valuation method used is within the framework of generally accepted valuation methods for establishing fair value in the fair value hierarchy (level 3).

Price earnings values are determined on the basis of comparable industries. Input to the profit for the year is based on the realized, budget and forecast of the Grundfos Holding Group.

Valuation principles applied remain unchanged from 2020.

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21 Buy-back obligation relating to shares (continued)

The main non-observable inputs in the calculation are:

- Profit for 2021 (budget)
- Profit for 2022 (forecast)
- P/E values for the peer group.

Amounts in DKK million	2021	2020
1 January 2021	5,210	4,003
Additions of the year	220	130
Disposals of the year	-56	-374
Fair value adjustment	948	1,451
31 December 2021	<u>6,322</u>	<u>5,210</u>
Recognised as follows		
Long-term liabilities	5,185	4,359
Short-term liabilities	1,137	851
	<u>6,322</u>	<u>5,210</u>

DKK 4,408m is falling due after more than five years. (2020: DKK 3,656m)

22 Deferred income

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

23 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:

Amounts in DKK million	Deferred recognition in the profit and loss account before tax		Deferred recognition in the profit and loss account before tax	
	Volume	2021	Volume	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		<u>-142</u>		<u>20</u>

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24 Fees to auditors		
Amounts in DKK million	2021	2020
Statutory audit	13	15
Other assurance engagements	0	1
Tax advisory services	3	8
Other services	13	8
	<u>29</u>	<u>32</u>

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

25 Related parties

Related parties of the Poul Due Jensen Foundation comprise the Board of Directors and the registered Group Management of the Poul Due Jensen Foundation.

Transactions with related parties are only disclosed in the annual report if they are not on arm's length terms. Transactions between Poul Due Jensens Fond and related parties are on arm's length terms.

26 Securities, contingent liabilities, etc.		
Amounts in DKK million	2021	2020
Operational leasing contracts and lease obligations for the coming years amount to	<u>623</u>	<u>577</u>

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

The Group has issued performance and payment guarantees of DKK 126m (2020: DKK 138m).

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

27 Adjustments		
Amounts in DKK million	2021	2020
Depreciation	1,241	1,268
Liabilities under guarantee and other provisions	-311	173
Gain from sale of fixed assets	2	1
Financial income	-734	-405
Financial costs	1,408	1,721
Tax on profit for the year	763	698
Other adjustments	0	65
Adjustments	<u>2,369</u>	<u>3,521</u>

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28	Changes in working capital		
	Amounts in DKK million	2021	2020
	Change in inventories	-1,128	278
	Change in accounts receivable	184	450
	Change in trade creditors, other liabilities and deferred income	1,607	-474
	Unrealised exchange rate adjustments	-84	-214
	Changes in working capital	<u>579</u>	<u>40</u>

29 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:

Amounts in DKK million	2021	2020
Cash at bank and in hand	4,225	5,589
Securities, current assets	10,556	8,246
Securities, fixed assets	68	63
	<u>14,849</u>	<u>13,898</u>
The securities portfolio consist of		
Bonds	7,678	6,280
Shares	2,946	2,029
Total	<u>10,624</u>	<u>8,309</u>

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 7,678m (2020: DKK 6,280m) when expressed by an increase of the interest rate by 1 percentage point - is approx. DKK 287m (2020: approx. DKK 163m). The Group's total borrowing was reduced by DKK 232m in 2021 (2020: increased by DKK 206m).

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).

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29 Financial risks (continued)

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.

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Parent financial statement for 1 January – 31 December

Income statement

Note	Amounts in DKK million	2021	2020 (adjusted*)
3	Administrative costs	-24	-23
	Operating loss	-24	-23
	Income from investments in affiliated companies	2,263	1,689
	Earnings before interest and tax (EBIT)	2,239	1,666
4	Financial income	441	315
5	Financial expenses	-168	-2
	Profit before tax	2,512	1,979
6	Tax on profit for the year	-55	-65
7	Profit for the year	2,457	1,914

* Adjusted for change in accounting policies, see Note 1

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Parent financial statements for 1 January – 31 December

Balance sheet

Note	Amounts in DKK million	2021	2020 (adjusted*)
	FIXED ASSETS		
8	Financial fixed assets		
	Investments in affiliated companies	17,106	15,501
		<u>17,106</u>	<u>15,501</u>
	Accounts receivables		
	Other accounts receivables	10	15
9	Prepayments	2	2
		<u>12</u>	<u>17</u>
10	Securities	6,969	5,905
	Cash at bank and in hand	138	198
	Total current assets	<u>7,119</u>	<u>6,120</u>
	Total assets	<u><u>24,225</u></u>	<u><u>21,621</u></u>

* Adjusted for change in accounting policies, see Note 1

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Balance sheet

Note	Amounts in DKK million	2021	2020 (adjusted*)
	LIABILITIES		
	Equity		
	Share capital	505	505
	Reserve equity method	15,577	14,021
11	Provision for distributions	250	200
	Retained profit	7,682	6,689
	Total equity	24,014	21,415
	Current liabilities		
	Corporation tax	5	28
	Other liabilities	206	178
	Total current liabilities	211	206
	TOTAL EQUITY AND LIABILITIES	24,225	21,621

- 1 Accounting policies
- 2 Events after the balance sheet date
- 12 Buy-back obligation
- 13 Related parties

* Adjusted for change in accounting policies, see Note 1

Parent financial statements 1 January – 31 December

Statement of changes in parent equity

Note	Amounts in DKK million	Share capital	Reserve equity method	Provisions for distributions	Retained profit	Total equity
	Equity at 1 January 2020	505	14,322	200	4,771	19,798
	Cumulated effect of change in accounting policies regarding minority interest and buy-back obligations	0	-314	0	796	482
	Equity at 1 January 2020 (corrected)	505	14,008	200	5,567	20,280
	Transferred; see distribution of profit	0	1,689	193	32	1,914
	Distributions	0	0	-194	0	-194
	Exchange rate adjustment, affiliated companies, etc.	0	-500	1	0	-499
	Changes in actual assumptions	0	-49	0	0	-49
	Changes in value of hedging instruments	0	90	0	0	90
	Reversed tax on equity items, opening	0	-26	0	0	-26
	Recognised tax on equity items, closing	0	55	0	0	55
	Dividend received	0	-970	0	964	-6
	Other equity adjustments	0	-276	0	126	-150
	Equity at 31 December 2020	505	14,021	200	6,689	21,415
	Equity at 1 January 2021	505	14,021	200	6,689	21,415
	Transferred; see distribution of profit	0	2,263	250	-56	2,457
	Distributions	0	0	-201	0	-201
	Exchange rate adjustment, affiliated companies, etc.	0	224	1	0	225
	Changes in actual assumptions	0	207	0	0	207
	Changes in value of hedging instruments	0	-157	0	0	-157
	Reversed tax on equity items, opening	0	-54	0	0	-54
	Recognised tax on equity items, closing	0	13	0	0	13
	Dividend received	0	-838	0	838	0
	Other equity adjustments	0	-102	0	211	109
	Equity at 31 December 2021	505	15,577	250	7,682	24,014

Retained earnings is that part of the equity in the Foundation which can be paid out in accordance with the relevant provisions in the charter of the Foundation.

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1 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.

Change in accounting policies

In 2021, the Foundation has changed the accounting policies applied regarding the recognition and measurement of put options on minority interests in the Foundations financial statements. The change reflects the recent interpretation of the Danish Financial Statement Act regarding classification and measurement of put options on minority interests.

Previously, minority interests with a put option were accounted for as an equity transaction.

Going forward, minority interests with a put option will be recognised as a derivative at fair value. Subsequently the derivative is measured at fair value with all changes in the carrying amount recognised in profit and loss. When the put options are exercised the difference between cost and equity value is booked directly on equity.

The impact of the change in the accounting policies in the parent financial statements represents a reduction in profit for the year before tax by DKK 3m in 2020. The change made has no tax effect. The balance sheet total as of 31 December 2020 is decreased by DKK 408m, and the equity as of 31 December 2020 increases by DKK 494m.

Comparative figures and key figures are adapted to changing accounting policies.

Apart from the above, the financial statements were presented in accordance with the same accounting policies as 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.

Administrative costs

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

Staff costs

Staff costs include the Foundation's total costs of wages, salaries, pensions and other social insurance 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 Foundation's profit and loss account.

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Notes

1 Accounting policies (continued)

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 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.

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.

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.

Minority interests with related buy-back obligation

The contractual obligation to purchase minority interests (put option) gives rise to a financial commitment (derivative financial instrument). The financial commitment is measured at fair value and, when determined, it is assumed that the purchase of the shares will take place on the earliest possible date and for the maximum number of shares. As accounting policy, the foundation has chosen to immediately cease the recognition of minority interests and to include a financial commitment (derivative financial instrument). Any differences between the amount relating to minority interests and the recognition of the financial commitment related to the put option is recognised in the equity. Subsequent changes in the financial commitment is recognised directly in the profit and loss account.

Any dividends paid to the minority going forward are recognised in the consolidated financial statements as a cost, except in the situation where the dividend is a reduction in the debt to the minority. As a result, the minority's share of the result is allocated to the majority, as there is no minority. When the option is used, the financial commitment is offset by the payment by the Foundation of the exercise price related to the put option. If the option expires, the minority interest is re-recognised and any differences between the minority interest and the financial commitment are recognised as own funds.

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Parent financial statements 1 January – 31 December

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1 Accounting policies (continued)

Especially, regarding the Foundations financial statements the Foundation has a buy-back obligation to minority interests related to shares in Grundfos Holding A/S. Under the shareholders' agreement in Grundfos Holding A/S, minority interests in Grundfos Holding A/S must be able to sell their shareholdings back to the Foundation in whole or in part at a price that corresponds to the market value of the shares. Management considers that the valuation method used is within the framework of generally accepted valuation methods for establishing fair value in the fair value hierarchy (level 3). The fair value of the contractual obligation (financial instrument), measured as the difference between the expected purchase price and the fair value of the shares, is thus recognised at DKK 0 in the balance sheet of the parent company's financial statements as of 31 December 2021.

Financial liabilities

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

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Parent financial statements 1 January – 31 December

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2 Events after the balance sheet date

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

3 Staff costs

The administrative costs include remuneration on the Executive Director and members of the Board of the Foundation for directorships in the Foundation.

Amounts in DKK million	2021	2020
Wages and salaries	11	12
Pensions	1	1
Social contributions	0	0
	<u>12</u>	<u>13</u>
Average number of full-time employees	<u>6</u>	<u>6</u>
Numbers of employees, closing	<u>7</u>	<u>5</u>

The amount for remuneration of management for the year includes fees to the Executive Directors and members of the Board of Directors of the Foundation for directorship in the Foundation of DKK 8m (2020: DKK 9m).

Amounts in DKK million	2021	2020
4 Financial income		
Value adjustments from shares	387	208
Value adjustments from bonds	0	42
Dividend income from shares	22	27
Interest income from bonds	32	38
	<u>441</u>	<u>315</u>

5 Financial costs		
Value adjustments from bonds	166	0
Other financial costs	2	2
	<u>168</u>	<u>2</u>

6 Tax on profit for the year		
Current tax	55	64
Adjustment regarding previous years	0	1
	<u>55</u>	<u>65</u>

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Amounts in DKK million		2021	2020
7	Profit for the year		
	Attributable to		
	Brought forward to revaluation reserve using the equity method	2,263	1,689
	Provision for distributions	250	193
	Retained profit	-56	32
		<u>2,457</u>	<u>1,914</u>
8	Financial fixed assets		
	Amounts in DKK million		Investments in affiliated companies
	Costs		
	Cost at 1 January 2021		1,481
	Additions of the year		56
	Disposals of the year		-8
	Cost at 31 December 2021		<u>1,529</u>
	Value adjustments		
	Value adjustments at 1 January 2021		14,021
	Profit for the year		2,263
	Dividend received		-838
	Disposals of the year		-67
	Exchange rate adjustments		0
	Other adjustments		198
	Value adjustments 31 December 2021		<u>15,577</u>
	Book value 31 December 2021		<u>17,106</u>
	Book value 31 December 2020		<u>15,501</u>

A specification of the investments in affiliated companies is evident from the management's review.

- 9 Prepayments
Prepayments comprise prepaid costs regarding subscriptions.

Amounts in DKK million	Fair value adjustment in profit and loss		Market value, year end	
	2021	2020	2021	2020
Securities, current assets	268	270	6,969	5,905
Total	<u>268</u>	<u>270</u>	<u>6,969</u>	<u>5,905</u>
Bonds	-68	42	4,893	4,310
Shares	336	228	2,076	1,595
Total	<u>268</u>	<u>270</u>	<u>6,969</u>	<u>5,905</u>

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Parent financial statements 1 January – 31 December

Notes

11 Provision for distribution

Poul Due Jensens Fond's philanthropic activities and donations are described in the management's review.

12 Buy-back obligation

The Foundation has a buy-back obligation to minority interests related to shares in Grundfos Holding A/S. Under the shareholders' agreement in Grundfos Holding A/S, minority interests in Grundfos Holding A/S must be able to sell their shareholdings back to the Foundation in whole or in part at a price that corresponds to the market value of the shares. No gross buy-back obligation is recognized, since the obligation constitutes an investment obligation resulting in a later recognition of an asset. The written put option constitutes a derivative financial instrument measured at fair value with revaluation in the profit and loss account. Management considers that the valuation method used is within the framework of generally accepted valuation methods for establishing fair value in the fair value hierarchy (level 3). The fair value of the contractual obligation (financial instrument), measured as the difference between the expected purchase price and the fair value of the shares, is thus recognised at DKK 0 in the balance sheet of the Foundations financial statements as of 31 December 2021 (31 December 2020: DKK 0).

13 Related parties

Related parties of Poul Due Jensens Fond comprise key management personnel, including the Executive Board and the Board of Directors of Poul Due Jensens Fond, as well as the Executive Board and the Board of Directors of Grundfos Holding A/S.

In addition, related parties comprise affiliated companies, including Grundfos Holding A/S, and enterprises in which the above persons have a controlling interest.

Subsidiaries

Poul Due Jensens Fond holds 87.9 % (2020: 88.2 %) of the share capital and voting rights in Grundfos Holding A/S, and thus exercises a controlling interest.

The Foundation has received DKK 838m (2020: DKK 964m) in dividends from Grundfos Holding A/S in 2021.

In the financial year, the Foundation has purchased services from the Group amounting to DKK 5m (2020: DKK 7m).

In the financial year, the Foundation has sold shares for DKK 220m (2020: DKK 130m) in Grundfos Holding A/S back to Grundfos Holding A/S. The shares have been transferred to employees according to various share programmes.

Transactions with subsidiaries are eliminated in the consolidated financial statements.

Key management personnel

In 2021, the key management personnel have received salaries and remuneration etc. totalling DKK 55m (2020: DKK 52m), of which DKK 8m (2020: DKK 9m) has been paid from Poul Due Jensens Fond. Payable remuneration at 31 December 2021 amounts to DKK 28m (2020: DKK 24m).

In 2021, key management personnel have received DKK 67m (2020: DKK 79m) in dividends from Grundfos Holding A/S.

In 2021, key management personnel have sold shares for DKK 8m (2020: DKK 105m) in Grundfos Holding A/S back to the Foundation.

Moreover, no transactions have been carried out with the key management personnel from transactions resulting from the employment.

All transactions have been carried out on an arm's length basis.