

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Poul Due Jensens Fond

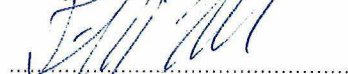
Poul Due Jensens Vej 7-11, 8850 Bjerringbro

CVR no. 83 64 88 13

Annual report 2022

The Board meeting adopted the annual report on 15 March 2023

Acting chairman of the Board of Directors:



.....
Flemming Konradsen

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 2022.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements of 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 2022 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2022.

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, 15 March 2023
Executive Board:




Kim Nohr Skibsted

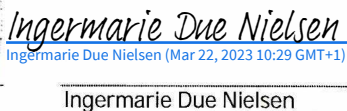
Board of Directors:



Jens Maaløe
Chairman

Flemming Konradsen
Vice chairman

Poul Due Jensen (Mar 21, 2023 04:41 EDT)
Poul Due Jensen

Helena Due Langvad

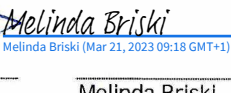
Ingermarie Due Nielsen (Mar 22, 2023 10:29 GMT+1)
Ingermarie Due Nielsen

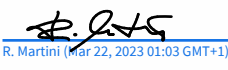
Annette Due Jensen
Annette Due Jensen

Jens Winther Moberg

Elsebeth Nielsen

Jens Erik Bjørklund Lysdahl

Torben Ømark

Melinda Briski (Mar 21, 2023 09:18 GMT+1)
Melinda Briski

R. Martini (Mar 22, 2023 01:03 GMT+1)
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 2022, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Foundation. The consolidated financial statements and the Foundation financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 2022 and of the results of the Group's and the Foundation's operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

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

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Independent auditor's report

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

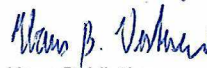
Independent auditor's report

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.

Bjerringbro, 15 March 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Henrik Kronborg Iversen
State Authorised
Public Accountant
mne24687

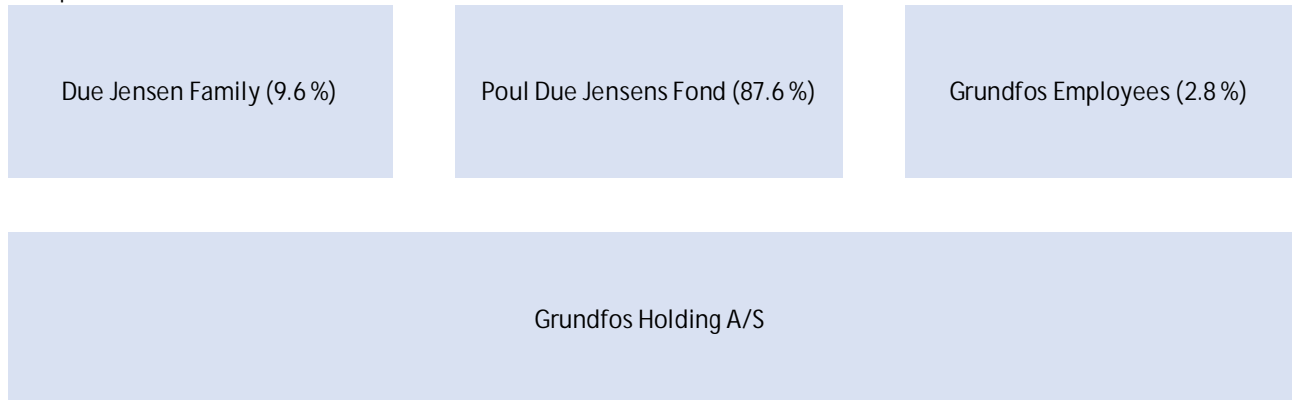


Hans B. Vistisen
State Authorised
Public Accountant
mne23254

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Group chart



Other Group companies

Argentina, Bombas Grundfos de Argentina S.A.	Germany, Eurowater Wasseraufbereitung GmbH	Poland, Grundfos Pompy Sp.Z.o.o.
Austria, Eurowater Wasseraufbereitung GmbH	Germany, Grundfos GmbH	Portugal, Bombas Grundfos (Portugal) S.A.
Austria, Grundfos Pumpen Vertrieb G.m.b.H.	Germany, Grundfos Pumpenfabrik GmbH	Romania, SC Grundfos Pompe Romania SRL
Australia, BKB Building Solutions Pty. Ltd.	Germany, Grundfos Verwaltung GmbH	Russia, OOO Grundfos Istra
Australia, DAB Pumps Oceania Pty. Ltd.	Germany, Grundfos Water Treatment GmbH	Russia, OOO DWT Pumps
Australia, Grundfos Australia Holding Pty. Ltd.	Ghana, Grundfos Pumps Ghana Ltd.	Russia, OOO Grundfos
Australia, Grundfos Pumps Pty. Ltd.	Greece, Grundfos Hellas Single-Member A.E.B.E.	Saudi Arabia, Grundfos Saudi Arabia Company Limited
Belgium, Eurowater Belgium NV	Hungary, DAB Pumps Hungary Kft.	Serbia, Grundfos Srbija d.o.o.
Belgium, Grundfos Bellux S.A.	Hungary, Eurowater Vizkezelés Kft.	Singapore, MECO Water Purification (Asia) Pte
Brazil, Bombas Grundfos do Brasil Ltda.	Hungary, Grundfos Shared Services Kft.	Singapore, Grundfos (Singapore) Pte. Ltd.
Bulgaria, Grundfos Bulgaria EOOD	Hungary, Grundfos Hungary Manufacturing Ltd.	Slovakia, Eurowater spol. s.r.o.
Canada, Grundfos Canada Inc.	Hungary, Grundfos South East Europe Kft.	Slovenia, Grundfos Ljubljana d.o.o.
Chile, Bombas Grundfos Chile SpA	India, Grundfos Pumps India Private Ltd.	South Africa, DAB Pumps South Africa (Pty) Ltd.
China, DAB Pumps (Qingdao) Co. Ltd.	Indonesia, PT DAB Pumps Indonesia	South Africa, Grundfos Holding South Africa (Pty) Ltd
China, Grundfos Pumps (Changshu) Co. Ltd.	Indonesia, PT Grundfos Pompa	South Africa, Grundfos (Pty) Ltd.
China, Grundfos (China) Holding Co. Ltd.	Indonesia, PT Grundfos Trading Indonesia	Spain, Bombas Grundfos España S.A.
China, Grundfos Pumps (Chongqing) Co. Ltd.	Ireland, Grundfos (Ireland) Ltd.	Spain, DAB Pumps Iberica S.L.
China, Grundfos Pumps (Hong Kong) Ltd.	Ireland, Mecanical Equipment Company Ireland Ltd	Sweden, Eurowater AB
China, Grundfos Pumps (Shanghai) Co. Ltd.	Italy, DAB Pumps S.p.A.	Sweden, Grundfos AB
China, Grundfos Pumps (Suzhou) Ltd.	Italy, DWT Holding S.p.A.	Switzerland, Biral AG
China, Grundfos Pumps (Wuxi) Ltd.	Italy, Grundfos Pompe Italia S.r.l.	Switzerland, Eurowater Wasseraufbereitung AG
Colombia, Grundfos Columbia S.A.S.	Japan, Grundfos Pumps K.K.	Switzerland, Grundfos Holding AG
Croatia, Grundfos Sales Croatia d.o.o.	Kazakhstan, Grundfos Kazakhstan LLP	Switzerland, Grundfos Handels AG
Czech Republic, Eurowater spol. s.r.o.	Kenya, Grundfos Kenya Ltd.	Switzerland, Grundfos Pumpen AG
Czech Republic, Grundfos Sales Czechia and Slovakia s.r.o.	Korea, Grundfos Pumps Korea Ltd.	Taiwan, Grundfos Pumps (Taiwan) Ltd.
Denmark, Armacoat A/S	Latvia, GRUNDFOS Pumps Baltic SIA	Thailand, Grundfos (Thailand) Ltd.
Denmark, Eurotank A/S	Malaysia, Grundfos Pumps SDN. BHD	Turkey, Grundfos Pompa Sanayi ve Ticaret Ltd.Sti.
Denmark, Grundfos A/S	Mexico, Bombas Grundfos de Mexico Manufacturing S.A. de C.V.	Ukraine, Eurowater Ltd.
Denmark, Grundfos DK A/S	Mexico, Bombas Grundfos de Mexico S.A. de C.V.	Ukraine, TOV Grundfos Ukraine
	Mexico, DAB Pumps de Mexico S.A. de C.V.	United Arab Emirates, Grundfos Gulf Distribution FZE

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Denmark, Grundfos Finance A/S	Mexico, Peerless Pump Mexico S.A. de C.V.	United Kingdom, DAB Pumps Ltd.
Denmark, Grundfos Operations A/S	Netherlands, DAB Pumps B.V.	United Kingdom, Grundfos Manufacturing Ltd.
Denmark, Grundfos US ApS	Netherlands, Eurowater BV	United Kingdom, Grundfos Pumps Ltd.
Denmark, Silhorko-Eurowater A/S	Netherlands, Solvermedia B.V.	United Kingdom, Grundfos Watermill Ltd.
Denmark, Sintex A/S	Netherlands, Grundfos Nederland B.V.	USA, Grundfos CBS Inc.
Egypt, Grundfos Holding Egypt LLC	New Zealand, Grundfos Pumps NZ Ltd.	USA, Grundfos Americas Corporation
Egypt, Grundfos Egypt LLC	Nigeria, Grundfos Water Solutions NGA Limited	USA, Grundfos Pumps Corporation
Egypt, Grundfos Service Egypt LLC	Norway, Eurowater AS	USA, Grundfos Pumps Manufacturing Corporation
Finland, OY Grundfos Environment Finland AB	Norway, Grundfos Norge AS	USA, Grundfos US Holding Corporation
Finland, OY Grundfos Pumput AB	Peru, Grundfos de Peru S.A.C.	USA, Mecanical Equipment Company Inc.
France, Eurowater Sarl	Philippines, Grundfos IS Support & Operations Centre Philippines Inc.	USA, Sterling Fluid Systems (USA) LLC (DBA Peerless Pump Company)
France, Pompes Grundfos Distribution S.A.S.		USA, DAB Pumps Inc.
France, Pompes Grundfos S.A.S.	Philippines, Grundfos Pumps (Philippines) Inc.	USA, SFS (USA) Holding Inc.
Germany, Biral GmbH	Poland, Centrum Badawczo-Wdrozeniowe Unitex Sp.z o.o.	USA, Grundfos Water Utility Inc.
Germany, DAB Pumps GmbH	Poland, DAB Pumps Poland Sp.Z.o.o.	Vietnam, Grundfos Vietnam Company Ltd.
Germany, Deutsche Vortex GmbH & Co. KG	Poland, Eurowater Sp. z o.o.	

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

Grundfos Saudi Arabia Company Limited, Saudi Arabia - 75%.

Associates

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

Financial highlights

DKKkm	2022	2021	Not adjusted for IFRS		
			2020*	2019*	2018*
Consolidated profit and loss account					
Revenue	33,341	28,733	26,340	27,518	26,721
Operating profit (EBIT) before special items	4,053	3,347	2,571	2,634	2,283
Operating profit (EBIT)	3,202	3,347	2,571	2,634	2,283
Net finance income and expenses	-2,406	-788	-1,316	229	-72
Profit before tax	796	2,559	1,255	2,863	2,211
Consolidated profit after tax	268	1,793	557	2,110	1,645
Consolidated balance sheet - assets					
Intangible fixed assets	2,609	2,627	1,217	680	638
Tangible fixed assets	6,517	6,640	6,313	6,020	6,099
Financial fixed assets	1,214	885	779	818	1,177
Current assets	28,181	26,313	23,856	23,124	19,901
Total assets	38,521	36,465	32,165	30,642	27,815
Liabilities					
Equity	20,903	20,173	18,310	21,524	19,860
Non-current liabilities	7,635	6,621	6,084	2,278	1,764
Current liabilities	9,983	9,671	7,771	6,840	6,191
Total liabilities and equity	38,521	36,465	32,165	30,642	27,815
Key figures and financial ratios					
Distributions, net	236	200	194	115	95
Number of employees of year-end	20,033	20,161	19,226	19,066	19,022
Capital investments tangible	1,234	1,078	935	983	1,010
Capital investments, intangible	193	256	193	259	132
Total capital investments	1,427	1,334	1,128	1,242	1,142
Research and development costs, incl. capitalised costs	1,657	1,395	1,186	1,108	1,190
Interest-bearing net deposit/loan	14,059	14,589	13,538	12,033	4,823
Net cash flow from operating and investment activities	44	-742	58	1,920	1,271
Sales growth	16.0%	9.1%	-4.3%	3.0%	4.2%
Sales growth in local currencies	12.1%	10.4%	-4.4%	2.2%	6.6%
EBIT as a percentage of net turnover	12.2%	11.6%	9.8%	9.6%	8.5%
Return on equity	1.3%	9.3%	2.8%	10.2%	8.5%
Equity ratio	54.3%	55.3%	56.9%	70.2%	71.4%

* 2020 is in 2021 adjusted for recognition of buy-back obligation. According to Section 101(3) of the Danish Financial Statements Act, the key figures for the financial years 2018-2019 have not been adjusted.

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

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

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

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

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

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 87.6% 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.

Conversion to International Financial Reporting Standards

From financial year 2022 onward, the Poul Due Jensen Foundation will present its financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union.

IFRS represent globally recognised accounting standards that enhance the quality and comparability of the financial information and ensure more transparency in the interest of Groups' key stakeholders.

The transition to IFRS impacts our accounting policies. The key areas affected during 2022 are:

- ▶ Goodwill is no longer amortised but instead annually tested for impairment
- ▶ Lease contracts are recognised in the balance sheet as right of use assets and lease liabilities.

The IFRS conversion also affects other areas with less significance to the financial statements.

Among others the financial statements now include a statement of Poul Due Jensen Foundation' comprehensive income which details value accretion or impairment during the period and contains a number of extensive disclosures, which are described in the notes sections of the report.

For the financial year 2022, the shift to IFRS impacts our profit and loss statement and our balance sheet. Numbers for the financial year 2021 have been adjusted. For further details, please refer to note 36 in the Annual Report.

Development in activities and finances

This year's profit in the Foundation amounts to DKK 1,283m in 2022 compared to a profit of DKK 2,528m in 2021.

The Foundation made donations of DKK 236m in 2022 compared to DKK 200m in 2021 cf. below for more information. The donation level is in line with the expectations in the Annual Report for 2021.

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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

The Foundation's compliance target is 15 out of 17 recommendations. The Comply or Explain reports covering 2022 and previous years are available at www.pdjf.dk/governance.

Changes in the Board of Directors

In March 2022, Mrs. Helena Due Langvad replaced Mrs. Estrid Due Hesselholt as member of the Board of Directors of the Foundation.

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 87.6% 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 2,016m compared to a profit of DKK 2,659m in 2021, 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.

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 and wishes to direct its investments and portfolio towards a greater focus on ESG (Environmental-Social-Governance). This will continue in 2023.

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.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

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.

Just as we thought the world had reached a better place in the wake of the pandemic, war broke out in Europe and brought with it a long tail of related crises. But despite the turmoil, the year also brought new collaboration, methods and new knowledge that will create necessary and innovative solutions for humanity.

The Russian invasion of Ukraine in early 2022 created new insecurity and uncertainty. The conflict brought us an energy crisis, rising energy and raw material prices, turmoil in the financial markets and boosted inflation globally. These crises all affected the Foundation's activities in 2022.

Challenging – but good – year for Grundfos

The Foundation was created to own and protect Grundfos and has therefore closely followed the Group's efforts to handle the situation. In the Russian market, all activities were first paused and later it was decided to pull out entirely. Grundfos has gone to great lengths to protect the employees, and Ukrainian staff were offered fast help in the early days of the invasion. Despite losses in the affected markets, Grundfos managed to produce a very satisfying overall result, thanks to progress in several other markets.

Grundfos has also delivered impressive results beyond the financial bottom line. This goes for new products and services, employee satisfaction, customer loyalty and the effort to improve the diversity, equity and inclusion (DEI) agenda. The latter has been awarded externally, but also built motivation and awareness in and around Grundfos to celebrate and strengthen diversity across functions and departments.

Philanthropy in a time of crisis

The Ukraine emergency also affected the Foundation's ordinary philanthropic activities. In partnership with a number of partners, we ensured fast and efficient emergency aid both in Ukraine and neighbouring countries, including Denmark where refugee children and youth are offered leisure time sports activities. Together with the Danish and Ukrainian governments, we have been involved in re-establishing vital infrastructure, including water supply, in war-torn areas.

Within our three main donation areas, Water, Research, and Inclusion, we have participated in exciting and promising projects and partnerships. It is very important to us that we continuously look out for new methodologies and collaborative method that improve the impact of our donations. Good examples are our flagship projects such as the Sustainable Lake Stewardship research project where we extract phosphorus from polluted lakes in close collaboration with several universities, an ambitious partnership to transform water supply in UNHCR-led refugee camps to rely more on sustainable energy sources, and finally to use Denmark's voluntary sports associations as a vehicle for better inclusion of vulnerable children and youth in safe communities.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Donations

The Board of Directors established an overall framework for donations of DKK 250m for the period from March 2022 to March 2023. During 2022 the donation frame was expanded with DKK 50m for unforeseen events. In 2022, the Foundation committed donations for DKK 236.9m to philanthropic projects within the strategic focus areas and increased the level compared to DKK 199.7m in 2021. After deducting the returned donations from unrealized projects, the total amount of donations in 2022 was DKK 235.6m (2021: DKK 199.6m).

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. The initiative has become a success as local engagement and follow-up is very much needed to ensure progress and satisfactory results. It became clear in connection with both the COVID-19 pandemic and latest in the Ukraine crisis that these small donations with low administrative demands were able to create sustainable improvements. The Foundation will continue and strengthen the Community Grant in the future and paired with the Grundfos Group's new volunteering policy offering employees three paid days' leave to do voluntary work, our combined efforts can be a driver for progress all over the world.

In total, the Foundation committed DKK 20.8m to Community Engagement Grants.

Water changes lives and communities

The Foundation supports sustainable and economically viable water projects in poor village communities in rural areas in the global south, where 80% of those who do not currently have access to clean water live. In addition, the Foundation supports people in forgotten refugee camps who often do not have access to a secure supply of drinking water. 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 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.

We believe that access to clean water is a basic human right and a necessity for the healthy development of society. Clean water means better health, decreases expenses for health services, which can kickstart 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 a better opportunity to improve their own and their families' living conditions in the future.

DKK 111.6m from the Foundation were committed to implementing water projects delivering drinking water, education for the water sector and communication about water issues. Hereof DKK 2.0m was allocated to water related emergency response globally.

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Research and learning within engineering and natural science

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

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

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

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.

In total, the Foundation committed DKK 47.2m to research and learning initiatives in 2022.

Inclusion and community engagement

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

We want to explore new approaches to solving societal challenges and invest in new economic models with a 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 help marginalised people enter - or remain within - the labour market. Currently, there is a special focus on social effect investments, social enterprises, and other constellations with a potential to solve societal challenges.

The Foundation wants to help vulnerable groups enter or remain within the labour market (or in a community).

There are a number of well-known problems in society that we still haven't 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 2022 labour market inclusion and community engagement initiatives ended at DKK 55.5m. Hereof DKK 20.0m was allocated to victims of the war in Ukraine.

Awards

The 2022 Grundfos Prize was awarded to Professor Anne Ladegaard Skov, Technical University of Denmark, Chemical Engineering and BioScience for her work on research in silicone-based elastomers, used in artificial muscles and controlled medicine release.

3 students received the Grundfos Prize student awards and 16 lucky and talented Grundfos employees received the Grundfos People award from the Poul Due Jensen Foundation in 2022. Furthermore, Swabodhini School for Children with Special Needs received the Grundfos People Community Engagement award. The winners were invited to Denmark for a celebration.

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Donations 2022

Water and Sustainable Development					
Organization	Project number	Project name	Country	Period	Amount (DKK'000)
Jysk landsbyudvikling	2021-532	Water2Nepal - through Danish Solutions and International Partnerships	Nepal	2022-2027	6.992
UNHCR	2022-636	Green Energy for Water: Project Flow Sustainable water for refugees	Global	2022-2026	32.516
C40 Cities	2022-650	Water Safe Cities II	Global	2022-2025	11.687
Sunlit Future	2022-653	Drinking water for rural India Phase VI	India	2022-2023	4.512
PlanBørnefonden (Plan International)	2022-654	SunWash refugee societies in Gambella	Ethiopia	2022-2023	2.874
Sunlit Future	2022-655	India Drinking water project - Revisit and repair	India	2022-2023	996
Den Danske UNICEF Fond	2022-668	Water supply for rural refugee societies in Western Tanzania	Tanzania	2022-2024	15.741
Oxfam	2022-789	Sustainable Rural Water Supply - Delivering the Alternative Management Model	Nepal	2022-2023	4.906
Global Water Center	2022-790	Certified water education	Ghana	2022-2023	3.231
Water Mission	2022-791	Trust-based donation	Global	2022-2023	5.000
Water Mission	2022-792	Watersupply for refugee Society in Turkana	Kenya	2022-2023	10.550
Human Needs Project	2022-801	Kibera Town Center Operational support	Kenya	2022-2023	860
Energy 4 Impact	2022-806	Test of irrigation pump	Tanzania	2022	24
Sunlit Future	2022-827	Drinking Water for societies in Maharashtra	India	2022-2023	1.488
PlanBørnefonden (Plan International)	2022-828	Revisit and Repair of water installations in Togo	Togo	2022-2023	6.091
Mount Mulanje Biosphere Reserve	2022-835	Pre-project for exploring water opportunities in Mount Mulanje	Malawi	2022-2023	255
Oxfam	2022-848	Support for Pakistan Floods	Pakistan	2022-2023	1.000
Stockholm International Water Institute	2022-903	World Water Week 2023 Communication Accelerator	Global	2023	1.400
Water Mission	2022-911	Emergency groundwater investigations Dolo Addo region	Ethiopia	2023	1.000
Human Needs Project	2022-914	Understanding how to scale Kibera Town Center	Kenya	2023-2024	500
Total					111.623
Research and Learning					
Organization	Project number	Project name	Country	Period	Amount (DKK'000)
Copenhagen University, Department of Science Education	2021-514	GATE: Gender Aware Teaching for Equity in Science and Engineering	Denmark	2022-2026	8.811
Odense Robotics Startup Foundation	2022-662	Establishing Odense Robotics Startup Foundation	Denmark	2022-2028	1.840
Aalborg University, Department of Materials and Production	2022-778	Advanced Laser Processing with Tailored Beams	Denmark	2022-2023	2.750
Danmarks Matematiklærerforening	2022-780	Math Day 2022 - Math and Science	Denmark	2022	807
Young Water Professionals Denmark	2022-786	Book gift for young participants in IWA Congress	Denmark	2022	187
Aalborg University, Department of Chemistry and Bioscience	2022-787	Microflora Danica III	Denmark	2022-2025	6.000
House of Natural Science	2022-788	Trust-based donation	Denmark	2022-2024	5.000
Several universities and WaterITech ApS	2022-832	Lake Stewardship II	Denmark	2023-2025	20.000
Skills by Innovation Lab	2022-834	Next Generation - kids, play and tech	Denmark	2022-2023	760
ASTRA	2022-907	Young Scientists and Big Bang 2023	Denmark	2023	1.000
Total					47.155

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Inclusion and Community Engagement					
Organization	Project number	Project name	Country	Period	Amount (DKK'000)
Socialt Udviklingscenter SUS	2022-618	Collective Youth Budgets	Denmark	2022-2025	5.848
Danish Red Cross	2022-633	Strengthening released persons' prerequisites for a good life without crime	Denmark	2023-2025	7.500
Viborg International School	2022-658	Support to Viborg International School	Denmark	2022-2025	1.500
Ejendomsfonden Aarhus International School	2022-667	Support to Aarhus International School	Denmark	2022-2024	7.000
Hej Fonden	2022-785	Building communities in handball for inclusion of all	Denmark	2022-2025	3.000
Boligselskabet Viborg	2022-802	Social Housing Jobs	Denmark	2023-2024	2.913
Foreningen for etablering af Hospice Viborg	2022-807	Pre-projekt for Hospice Viborg	Denmark	2022	45
Foreningen Demokratifronten	2022-808	The Political Academy	Denmark	2022-2023	200
Mødrehjælpen	2022-837	Christmas Donation	Denmark	2022	1.200
Danish Red Cross	2022-837	Christmas Donation	Denmark	2022	1.200
Dansk Folkehjælp	2022-837	Christmas Donation	Denmark	2022	500
The Children's Aid Foundation	2022-837	Christmas Donation	Denmark	2022	100
Børns Vilkår	2022-838	Scaling of Børns Vilkår in Aarhus	Denmark	2022-2023	2.000
National Olympic Committee and Sports Confederation of Denmark	2022-839	Veteran Match - Sport Creating Employment	Denmark	2022-2023	2.500
DRC - Danish Refugee Council	2022-675	Ukraine support: Refugee support	Ukraine	2022	5.000
MSF Doctors without Borders	2022-676	Ukraine support: Medicine and Doctors	Ukraine	2022	5.000
National Olympic Committee and Sports Confederation of Denmark	2022-728	Ukraine support: Get2sport - Refugee children to sports	Denmark	2022	5.000
Ministry of Industry, Business and Financial Affairs	2022-781	Ukraine support: Humanitarian donation of construction machinery	Ukraine	2022-2023	5.000
Total					55.506
Community Engagement Grants					
Organization	Project number	Project name	Country	Period	Amount (DKK'000)
Bialskopodlaska Ecological Foundation	2021-490	Adaptation of chlorine plant for teaching purposes	Poland	2022	299
Mølleskolen in Ry	2021-497	Alma's Intelligent Garden	Denmark	2022	952
Water4 Inc.	2021-545	Expanding safe water points in Upper West Ghana	Ghana	2022-2023	647
Rector Cares Foundation	2022-579	Supporting water as a business in Ochicha	Nigeria	2022	1.006
ADDA, Tanzania	2022-581	Improvement of food security in Dodoma through water management	Tanzania	2022-2023	1.025
NiiS	2022-583	Integration through jobs in Aarhus area	Denmark	2022-2023	425
Aktiv NS	2022-586	Sports summer camp for orphans	Serbia	2022	261
Blue Gold Works	2022-589	Affordable Irrigation for smallholder farmers in Grube	Ghana	2022	373
Red Alert Robotics	2022-592	Sponsorship, STEM for girls	USA	2022	66
PIAMERICA S.A.	2022-597	Improved water access through community centers in Escobar	Argentina	2022	992
Water and Life Philippines	2022-604	Sustainable water access and sanitation in Cebu	Philippines	2022	746
IHE Delft Institute for Water Education	2022-607	Open access book on membrane filtration	Netherlands	2022-2023	205
High5Girls	2022-610	STEM network and camps for girls	Denmark	2022-2023	439
Ability Foundation	2022-611	Employment support program for special needs graduates	India	2022	153
Bridge for Billions	2022-616	Support for female entrepreneurs in WASH	Ghana	2022	724
Fundación Balia	2022-628	Scholarships for leisure activities for vulnerable children in Algete	Spain	2022	112
Juntos	2022-629	Training center for people with disabilities in Bajío	Mexico	2022	481
Eco-pads Africa	2022-648	Re-usable Pads for school girls	Uganda	2022-2023	241
University of South Africa	2022-698	Preschool: Sustainable Building, Water and Energy Project	South Africa	2022	153

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Organization	Project number	Project name	Country	Period	Amount (DKK'000)
SOSNPO, Save our Schools, SA	2022-735	Handwashing stations for schools in Cape Town	South Africa	2022-2023	254
Green Gold Ghana	2022-736	Drinking Water for Zuo Community, Northern Ghana	Ghana	2022-2023	283
China Guanghua Foundation	2022-742	Business support for ethnic minority women	China	2022-2023	313
ReDI School of Digital Integration Denmark	2022-747	Digital empowerment of women with migrant and refugee background	Denmark	2022-2023	744
Tanzania Development Foundation Trust (TDFT)	2022-750	Solar Powered Water Supply System in Usinga	Tanzania	2022	679
OI Pejeta Conservancy	2022-759	Sustainable water supply for national park	Kenya	2022-2023	746
Our Hope Integrated Community Based Organisation	2022-766	Solar Powered Water Supply System in Ung'atani	Kenya	2022-2023	436
Wahana Visi Indonesia	2022-769	Water access and awareness in Kuanfatu Village	Indonesia	2022-2023	946
Afrolynk	2022-773	Community Water Center in Effiakuma	Ghana	2022	453
Fundación Agua es Vida	2022-799	Drinking water for kindergartens in rural areas	Chile	2022	157
Club Balonmano Alcobendas	2022-820	Mental health program in Alcobendas Handball Club	Spain	2022-2023	393
Action jeunesse feminine du Burkina	2022-823	Solar Powered Water supply for Djibo	Burkina Faso	2022	483
Heartur Community Foundation	2022-824	Water supply and malaria prevention in Biankouri community	Togo	2022-2024	444
Habitat for Humanity	2022-829	Homes for vulnerable families	Romania	2022	187
SOS Children's Villages Poland	2022-682	Ukraine support: Children in need	Poland	2022-2023	373
Polska Akcja Humanitarna	2022-684	Ukraine support: Humanitarian aid for refugees	Poland	2022	373
Hungarian Interchurch Aid	2022-704	Ukraine support: Long-term activities for the victims of the crisis	Hungary	2022-2023	373
Towarzystwo Przyjaciół Ukrainy (Society of Friends of Ukraine)	2022-707	Ukraine support: Humanitarian aid for refugees	Poland	2022-2023	373
Polish Medical Mission	2022-709	Ukraine support: Medical supplies for hospitals	Ukraine	2022	373
Magyar Református Szeretetszolgálat	2022-710	Ukraine support: Humanitarian aid for refugees	Hungary	2022	373
Stiprūs Kartu	2022-711	Ukraine support: Humanitarian aid for refugees	Lithuania	2022	186
Carmel centrum, n.o.	2022-712	Ukraine support: Humanitarian aid for refugees	Slovakia	2022	90
VONESZO Hátrányos Helyzetűeket Segítő Alapítvány	2022-717	Ukraine support: Humanitarian aid for refugees	Hungary	2022-2024	373
St Joseph Parish, Békásmegyer Ófalu	2022-719	Ukraine support: Humanitarian aid for refugees	Hungary	2022	45
Water Mission	2022-721	Ukraine support: Humanitarian aid for refugees	Romania	2022-2023	373
Polish Center for International Aid	2022-722	Ukraine support: Humanitarian aid for refugees	Poland	2022	187
Fejér County Branch of the Hungarian Red Cross	2022-724	Ukraine support: Humanitarian aid for refugees	Hungary	2022	37
Helping Wing	2022-727	Ukraine support: Humanitarian aid for war victims	Ukraine	2022	75
Royal Rangers Stamm 343 Pfaffenhofen/Holledau	2022-731	Ukraine support: Humanitarian aid for war victims	Ukraine	2022	19
Charita Olomouc	2022-745	Ukraine support: Humanitarian aid for refugees	Czech Republic	2022	75
Ukraine-Denmark Humanitarians	2022-746	Ukraine support: Humanitarian aid for war victims	Ukraine	2022	186
Habitat for Humanity	2022-755	Ukraine support: Humanitarian aid for refugees	Romania	2022	75
PlanBornefonden (Plan International)	2022-783	Ukraine support: Humanitarian aid for war victims	Ukraine	2022-2023	1.000
Total					20.777

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Awards					
Recipient(s)		Award	Country	Period	Amount (DKK'000)
16 Grundfos employees			Global	2022	597
Swabodhini School for Children with Special Needs			India	2022	149
Technical University of Denmark, Chemical Engineering			Denmark	2022	750
Professor Anne Ladegaard Skov			Denmark	2022	250
3 students			Denmark	2022	75
Total					1,821
Total					236.882
Returned donations					
Organization	Project number	Project name	Country	Period	Amount (DKK'000)
Practical Action	2016-072	Safe Water Malawi	Malawi	2016-2018	-319
Planbørnefonden	2018-007	Healthy Children, Healthy Communities in Togo	Togo	2018-2021	-5
Patch Farms	2021-281	Irrigation systems for special needs farming school	USA	2021-2022	-757
Beyond The City	2021-489	Career planning education for students from rural areas	China	2022	-208
Total					-1.289
Grand total					235.593

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.

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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 anti-corruption, 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 2022. The Foundation supports the UN Global Compact principles. Furthermore, the Foundation wishes to direct its investments and portfolio towards a greater focus on ESG (Environmental-Social-Governance).

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.

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.

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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 centered on Grundfos' efforts within the areas of corporate responsibility.

Continuity and balance in our reporting

We strive to have continuity and balance in our reporting on sustainability and to be transparent about both targets, progress, and setback. Going forward we will align our materiality assessment with the double materiality assessment requirements which will be determined with the Corporate Sustainability Reporting Directive (CSRD) and the underlying European Sustainability Reporting Standards (ESRS).

Business model

Grundfos is a global water technology company represented by more than 100 companies in more than 60 countries. Our business is supported by four divisions: Commercial Building Services, Domestic Building Services, Industry and Water Utility. Our promise is to respect, protect and advance the flow of water. Our main products are circulation pumps, submersible pumps, and centrifugal pumps.

Human Rights

Protecting the working conditions, human rights, safety and wellbeing of people throughout our operations and supply chain is a primary concern and risk. We recognise that certain parts of our supply chain represent increased sources of risk, and that enforcing Grundfos' policies can be particularly challenging in unstable regions with limited legislation.

Respecting the dignity and human rights of all people is an integral part of how we do business. Poul Due Jensen Foundation is committed to respecting human rights, in line with the UN Guiding Principles on Business and Human Rights (UNGPs) and the UN Global Compact. Our Human Rights Policy was updated in 2022, to ensure we are prepared to meet existing and upcoming regulations, as well as meeting stakeholder expectations. It clearly outlines our human rights governance structure and due diligence process, grievance mechanisms, access to remedy and links to our identified salient issues.

In 2023, we will roll-out our revised Human Rights Policy using training to raise awareness throughout the organization. We are looking to accelerate stakeholder engagement with our human rights activities by formalizing our approach to integrate human rights due diligence into downstream activities by conducting impact assessments and further engaging in community dialogues to support human rights needs in our higher-risk areas.

Environmental and climate issues

Due to a combination of climate change, human action, and population growth the world will face a 40% water shortfall between demand and supply in 2030 if current trends in water development and management continue. This means using more water more efficiently has never been more important.

Sustainability is a fundamental driver in our 2025 business strategy. Grundfos' sustainability ambitions, targets and actions are aligned with the UN Sustainable Development Goals and the Paris Agreement. Our sustainability framework provides the blueprint for how we embed sustainability throughout our business.

For Grundfos the water-energy saving intersection is where our potential to help the global climate agenda lies. We have the greatest impact when our products are in use. By optimizing our products and solutions we can save water and energy for ourselves, our end-users and the planet. In 2022 Grundfos became the first water solutions company in the world to have near-term and Net-Zero science-based targets validated. Recent acquisitions expanded our water footprint and thereby causing an increase in

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our own water withdrawal for the year. Excluding our recent acquisition, our water withdrawal decreased by 4% compared to 2021.

We aim to be responsible stewards of water from withdrawal and treatment through to replenishment and everywhere in between. Our ambition is to enable our customers to save water through water efficiency and water reuse. In 2022 we enabled our end-users to save 1.8 billion m³ through product and solution optimizations.

One in every four people on the planet do not have access to clean water and sanitation. Our ambition is to work with our partners to reach 300 million people in need by 2030. We work with global and local organizations to help underserved people. In 2022, we provided basic water access to 3.9 million people in 2022 – bringing us to 7.45 million people reached since 2020.

Social and employee conditions

Our people are our power and our most valuable asset. There are several risks to consider when securing a safe and healthy environment for our employees. The main risk is ensuring the physical and mental wellbeing of our employees.

In 2022 we reduced the Lost Time Injury Ratio from 2.23 in 2021 to 2.06. At the same time, we saw an increase in the stress level score by 1% compared to 2021. Over the past few years, we have experienced stagnation in the number of injuries and higher levels of stress. This is not in line with our values as a company and therefore we are making vital adjustments. To build on our safety culture we will strengthen our efforts through improved visible safety leadership. In well-being, we will focus on improving our understanding of the mechanisms that lead to stress and stress prevention in the formation of our 2023-2025 engagement and well-being roadmap. 2023 will see us focus on simplicity and speed, stress and well-being, global collaboration and communication.

Embracing diversity, equity and inclusion (DE&I) means we make our communities, society and Grundfos better. Our approach centres on five key themes; leadership commitment, inclusive culture, advancement and recruitment of women, early career development and special needs representation. In 2022, we improved DE&I across the organization. We experienced role modelling from senior leadership and growth in our award-winning Employee Resource Groups (ERGs). In 2022, 43% of employees said Grundfos was fully 'committed' to DE&I with 78% saying they can bring their 'authentic selves' to work, both scores increased from 2021.

2022 saw Grundfos continue to strengthen their learning and development programme with initiatives including the launch of Viva Learning. This LinkedIn based learning platform gives our employees access to over 16,000 courses. The aim is to encourage a culture of continuous learning throughout the organization. Since launching, nearly 9,000 employees have accessed the platform.

Anticorruption

We have zero tolerance for bribery and any form of corruption. Given the large number of employees and countries in which we operate, we acknowledge that we cannot fully prevent breaches of anti-corruption rules, regulations, and legislation. Breaches can result in expending substantial resources and can lead to fines and reputational damage.

Our Code of Conduct (CoC) provides a blueprint for all employee transactions, interactions and business opportunities, guiding them in situations they face every day. All directors, managers and employees are required to adhere to the CoC and we maintain a zero-tolerance approach to corruption. If local laws and regulations are more stringent than our CoC, we follow the local laws and regulations. The Grundfos CoC is available in 22 languages, and we assign mandatory CoC training annually to our office-based staff.

In December 2022, mandatory CoC training was rolled out in 13 languages to accommodate our shopfloor workers worldwide.

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In 2023, we will make further steps to ensure that the fundamental principles of the EU Whistleblowing Directive and applicable national laws, such as confidentiality and non-retaliation, are applied throughout the organization. We will also improve the visibility and accessibility of our whistleblowing channels. To improve the accessibility for external stakeholders we have added a link at the bottom of every web page, linking directly to our whistleblowing system which will be available in a mobile friendly version in 2023. Fair and legal competition continues to be a key focus area and additional initiatives are being planned for 2023.

Our Supplier Code of Conduct (SCoC) was updated in 2022, considering the existing and foreseeable legislation and international standards. It contains the minimum sustainability requirements our suppliers must adhere to for them to be and remain a Grundfos partner. The document covers the area of Human Rights, Health & Safety, Environment, Business Ethics & Integrity, assessments, and corrective actions with a dedicated part covering consequences in the case of non-compliance with the code and Grundfos' responsibilities.

The SCoC provides the frame for building a sustainable, transparent and accountable supplier base whilst enabling a more comprehensive, consistent and optimized approach to creating due diligence in our supply chain.

Our focus continues to be on boosting the transparency, accountability and data quality for our entire supplier base. We are continuously refining our roadmap and strategy based on legislative requirements and customer expectations.

Business Ethics

We prioritise the interests and welfare of our employees, customers, society, stakeholders and the climate. This guides our development of ethical models and practices and helps us to deliver world-class products and solutions with integrity. Integral to our governance model is upholding compliance to laws and regulations, human rights, fair competition, data privacy and innovation across the business. In December 2022, mandatory CoC training was rolled out in 13 languages to accommodate our shopfloor workers worldwide.

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.

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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.

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. 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.

Management's report on the Group

Development in activities and finances

This year's profit in the Group amounts to DKK 268m in 2022 compared to a profit of DKK 1,793m in 2021.

Grundfos come out strong of 2022 despite the year bringing us the most turbulent market conditions, that we have seen in recent history. Customer satisfaction is high, and we deliver solid financial results. On top, we have in 2022 fully implemented a divisional structure, that we see as a key lever for successfully meeting our strategic ambitions.

Meeting customer expectations in a turbulent external environment

The Russian invasion of Ukraine on 24 February 2022 marked a significant change to the world and to Grundfos. Following the invasion, we on 3 March 2022 announced a pause of all of our activities in Russia and Belarus. As we watched the tragic events unfold, and as we saw no signs of a change to the war, we in August 2022 announced a full exit of our business in Russia and Belarus. On 30 December 2022 we announced the conclusion of an agreement whereby we have sold our two Russian Grundfos companies to local management. The completion of the transfer relies on approval by authorities in Russia, Denmark and the EU, and we expect a clarification in Q1 2023.

The exit from Russia and Belarus means we part ways with close to 500 local employees, and the associated loss of net turnover. On top of that, we have recorded a one-off cost of DKK 851m related to the exit from Russia and Belarus. In our profit and loss statement this cost is classified as a special item.

There have been many unusual external factors in 2022 including the war in Ukraine, the continued restrictions implemented to combat COVID-19, the bottlenecks in global supply chains, the rising energy prices, high inflationary pressures and the significant currency swings. These factors have had massive impacts for businesses across the world and for Grundfos. Our focus has been on serving our customers in the best possible way given the challenges, on protecting our people who every single day have worked hard for our customers and for Grundfos, and on navigating Grundfos financially through the stormy waters. At the same time, we have maintained our long-term focus on innovation and sustainability.

In our annual customer satisfaction and loyalty survey more than 8,000 customers provided us their feedback. We are proud that our customers gave us an overall score of 80, which is on par with 2021, and which represents a customer satisfaction score among the best companies globally. Customers generally recognise our responsiveness, the support from our sales organisation, and the efforts made in our entire supply chain to mitigate the many logistical issues.

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Management's review

Our achievements in 2022 are the result of extraordinary efforts by our people. Their responsiveness, loyalty, dedication and collaboration across the organisation have been pivotal. But the many challenges have also taken a toll on our organisation. In our annual Employee Motivation Survey (EMS) conducted in Q3 2022, we maintain a high average score of 76 on satisfaction and motivation, which is only one point down compared to 2021. Yet, we continue to see significant signals of high workload and stress among our people. Lowering stress levels significantly will require a multi-year effort, and we are fully committed to investing in this.

Strong sales growth driven by price increases

The overall inflationary pressures and the increase in prices of energy, logistics services and materials going into our products have all contributed to a significant increase in our cost base. The increase in our cost base has been reflected in price increases on our products. The price increases are the single biggest contributor to our sales growth.

Sales for 2022 totalled DKK 33.3bn representing a growth compared to 2021 of 12.1% when measured in local currencies. We have been favoured by the appreciation of certain key currencies, among others the USD and the CNY, towards the DKK. This has led to a 2022 sales growth measured in DKK of 16.0%. Sales growth references in the subsequent sections of the Annual Report are all measured in local currency terms.

All of our four divisions have delivered growth. Measured in local currencies, our Industry division grew 15%, the Domestic Building Services division 11%, whereas both the Commercial Building Services division and the Water Utility division grew 9% compared to 2021. Our DAB branded business grew 13% versus last year. Following the acquisition of MECO in November 2021, we saw solid growth in our Water Treatment Solutions business with net turnover up 58%.

As a consequence of the decision made in early March 2022 to pause activities in Russia and Belarus, we have in 2022 realised only approximately two months' of sales in Russia and Belarus, which has negatively impacted sales growth. This has been compensated by a strong sales development in traditional core markets like the USA, Germany, and the United Kingdom but also in markets like India. The Chinese market has been negatively impacted by continued COVID-19 restrictions putting many building sites at a standstill and a general softening of construction activities in China.

Solid financials

Throughout 2022, we have carefully balanced the significant impacts to our cost base and the sales growth, including the price increases installed in the market. Next to this, we have as previously announced in 2022 incurred a one-off restructuring expense of DKK 851m related to our decision of exiting Russia and Belarus. This restructuring expense is in our profit and loss statement reported as a special item.

Our Earnings before Interest and Tax (EBIT) before special items landed at DKK 4,053m (2021: DKK 3,347m) corresponding to an EBIT-ratio of 12.2% (2021: 11.7%).

In Grundfos internal performance measurement we correct EBIT for other so-called non-performance items and also for once this year for effects from the conversion to IFRS thereby arriving at our "performance EBIT". In 2022, non-performance items are the one-off expense related to Russia and Belarus, the expense associated with our employee share programme and the IFRS related adjustments resulting from the reversal of goodwill amortization and a change in how we account for the long-term incentive programme. Compared to the EBIT before special items as reported under IFRS, the net effect of the corrections related to employee share programme and IFRS adjustments amounted to DKK 2m, therefore, our 2022 performance EBIT constituted DKK 4,054m (2021: DKK 3,366m) corresponding to a performance EBIT ratio of 12.2% (2021: 11.7%).

The global equity and debt markets saw a significant decline in 2022, negatively impacting the value of our securities portfolio. This has led to a net loss in finance items of DKK 2,406m (2021: net loss of DKK 788m). The amount includes fair value adjustment of buy back obligation relating to minority shares.

Profit before Tax (PBT), including the one-off restructuring expense related to Russia and Belarus, made up DKK 796m (2021: DKK 2,559m).

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Management's review

The global geopolitical environment and other external factors developed very differently than what was expected going into 2022, leading to significantly higher inflation than assumed in our outlook for 2022. This led to a significantly higher than expected growth in net turnover of 12.1%. With a performance EBIT-ratio of 12.2% we met our 2022 outlook of a 10% performance EBIT-ratio.

In 2022 we have been focused on serving our customers in the best possible way despite material shortages and delays in logistics chains. This has led us to invest in our inventory position. On top of that, the price increases on materials going into our products have contributed to a further increase in the value of our inventories. For these reasons inventories have increased by DKK 1,216m in 2022. Furthermore, the increase in net turnover has led to an increase in trade debtors in 2022. In total, this has amounted to a DKK 2,224m increase in our working capital in 2022 which constituted the main adverse impact to our cash flow from operating activities during 2022.

As a result, we have seen a drop in our cash flow from operating activities to DKK 3,033m.

We continue investing significantly in our business and in particular we have in 2022 ramped up investments in new products. For 2022 net investments totalled DKK 1,427m (2021: DKK 1,334m).

Free cash flow, before purchase and sale of securities and acquisitions/divestments, constitutes DKK 1,262m. The drop in free cash flow compared to 2021 is a result of the drop in cash flow from operating activities combined with a continued high investment level.

Our balance sheet remains very solid. The equity ratio end of 2022 stands at 54.3%.

We are satisfied with the financial development in 2022. The decision to leave Russia and Belarus has had a negative in-year impact, yet our underlying business remains strong. Despite a turbulent year, we have delivered solid profitability. Following previous years' focus on cash flow generation and building a robust cash position, we have the financial strength to absorb a year with below average cash generation.

Implementing our divisional structure

1 January 2022 we launched our new organisational structure based on four divisions: Commercial Building Services, Domestic Building Services, Industry and Water Utility. Each division is headed by a divisional CEO. The divisions hold end-to-end accountability for their business and performance.

The divisions are supplemented by a number of global functions.

In 2022 we have implemented a number of organisational changes meaning that by 1 January 2023 our new organisational structure is fully in place.

Executing our strategy 2025

Our purpose is to pioneer solutions to the world's water and climate challenges and improve quality of life for people. Being a water solutions company, our promise is to respect, protect and advance the flow of water. We stay relentlessly ambitious in finding new ways to deliver on our promise. In support of our promise, we in 2022 introduced our new tagline "Possibility in every drop".

Throughout 2022 we have dedicated substantial efforts on operationalising our divisional organisation structure, as it serves as a key lever in delivering on our strategic ambitions.

We have in parallel further fuelled our innovation agenda with a record spend on innovation of DKK 1,634m (2021: DKK 1,375m) and by significantly increasing investments into new offerings.

On our sustainability agenda we reached a milestone in November 2022, where we had both our 2050 Net-Zero commitment and our 2030 climate commitments validated and approved by the Science Based Targets initiative (SBTi). The SBTi is the globally leading organisation for verification of companies' commitments on climate action. We are the first water solutions company to have our commitments validated and approved by the SBTi.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Research and development

Differentiation is our main source of competitiveness, which is why research and development (R&D) activities are critical to our future success. Our R&D functions are organised across our four divisions working closely with central R&D functions. Further to our company headquarters in Denmark, being our R&D powerhouse, we also hold significant R&D teams in selected key markets such as China and India. R&D covers a wide range of activities such as research into materials, product development, production technologies, and methodologies etc. We continuously invest in additional resources and capabilities within software development, IoT technologies and similar. Partnering with universities and other public and private partners is increasingly important in supporting our research activities and applying technology in practice.

Intellectual capital resources

We want Grundfos to be a great place to work, learn and grow. To that end we are dedicated to attracting, retaining, and developing highly skilled employees with intellectual capital resources in areas that are relevant for the continued growth and development of the business, such as advanced production technology, digitalization, and innovation.

Our more than 20,000 engaged colleagues constitute the foundation of our business when it comes to innovating, designing, producing, selling, and servicing our solutions every day. Life-long learning and the opportunity to continuously acquire new capabilities and skills are core to our people development.

Therefore, we are committed to spot, review and grow the highest potential in all our people.

In support of this commitment, we run dedicated talent programmes, and we strive to foster an empowering environment which enables personal and professional growth. Furthermore, we make focused efforts to strengthen diversity across the organisation with the ambition of developing Grundfos as an inclusive and equitable workplace.

Financial risks

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

Foreign exchange risk

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

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

The most important currencies for hedging are the USD, the CHF, the GBP, the CNY and HUF. At the end of 2022, currency contracts to reduce the foreign exchange risk in connection with the flow of goods amounted to DKK 6,630m (2021: DKK 5,787m). Reference is made to note 31 for further details.

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Management's review

Other financial risks

- ▶ **Liquidity risk:** Financial independence is a core value to Grundfos. Maintaining adequate liquidity is therefore key. In addition to unused borrowing facilities, the net deposit amounts to DKK 13,914m by end of 2022 (2021: DKK 14,589m).
- ▶ **Credit risk:** Credit risks derive primarily from trade debtors, securities, and bank receivables. Risks on trade debtors are diversified across a large number of customers reducing the exposure. The credit risk is reduced on bank receivables, forward exchange contracts etc. by selecting financial business partners with a high credit rating.
- ▶ **Raw material risk:** Grundfos does not hedge raw materials. No single raw material constitutes a significant proportion of production cost.

Uncertainty relating to recognition and measurement

In preparing the Consolidated Annual Accounts, management makes a number of estimates and assumptions related to recognition and measurement of assets and liabilities, all of which are inherently subject to uncertainty. As at 31 December 2022, estimates and assumptions are particularly relevant in respect of the assessment of the costs associated to the exit of Russia and Belarus (note 7). The Group is, as disclosed in note 28, 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 2023 for the Foundation and the Group

Macroeconomic indicators point in the direction of a slow-down in the global economy and a potential recession in a number of geographies. As a globally operating business this will have an impact on the Foundation and the Grundfos Group. Supply chain issues still remain and may impact sales, however, to a significantly lesser extent than in 2022.

At the same time the need for energy efficient solutions is growing driven by shortage of energy, increasing energy prices and the shift in energy sources. Grundfos' portfolio of highly energy efficient pump solutions can bring significant energy savings. Similarly, there is a growing need for saving water and protecting scarce water resources. This brings opportunities to our business.

For 2023, we forecast sales growth in the range of 3-7%. Our sales forecast includes the effects from our exit from Russia and Belarus, but excludes impacts from acquisitions and divestments in 2023. As in recent years, the outlook is associated with significant uncertainty.

We forecast a performance EBIT ratio around our strategic ambition of 10%.

In 2023, the Foundation will set the provision for distribution to a level of DKK 300m.

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Consolidated statement of profit and loss

Note	Amounts in DKK million	2022	2021
1	Revenue	33,341	28,733
	Production cost	-19,675	-16,854
	Gross profit	13,666	11,879
2,5,6	Research and development cost	-1,634	-1,375
3,5,6	Selling and distribution cost	-5,073	-4,652
4,5,6	Administrative cost	-2,906	-2,505
	Earnings before interest and tax (EBIT) before special items	4,053	3,347
7	Special items	-851	0
	Earnings before interest and tax (EBIT)	3,202	3,347
8	Finance income	314	734
8	Finance expenses	-2,720	-1,522
	Profit before tax	796	2,559
9	Income tax expenses	-528	-766
	Profit for the year	268	1,793
	Attributable to		
	Parent foundation	263	1,790
	Non-controlling interests (NCI)	5	3
	Total	268	1,793

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Consolidated statement of other comprehensive income

Note	Amounts in DKK million	2022	2021
	Profit for the year	268	1,793
	Other comprehensive income that may be reclassified to profit and loss in subsequent periods:		
	Exchange rate adjustments on foreign operations	271	257
	Net gain/loss on cash flow hedges	237	-179
7	Tax on foreign exchange adjustments and hedging instruments	-94	6
	Other comprehensive income that may be reclassified to profit and loss in subsequent periods, net of tax	414	84
	Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
18	Remeasurement gain/loss on defined benefit plans	347	235
7	Tax on defined benefit plans	-85	-53
	Other comprehensive income that will not be reclassified to profit and loss in subsequent periods, net of tax	262	182
	Other comprehensive income for the year, net of tax	676	266
	Total comprehensive income for the year, net of tax	944	2,059
	Attributable to:		
	Parent foundation	943	2,055
	Non-controlling interests (NCI)	1	4
		944	2,059

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Consolidated statement of financial position

Note	Amounts in DKK million	2022	2021	1 January 2021*
	ASSETS			
	Non-current assets			
10	Intangible assets			
	Goodwill	1,307	1,260	476
	Other intangible assets	1,138	1,226	580
	Completed development projects	91	100	96
	Development projects in progress	73	41	65
	Total intangible assets	2,609	2,627	1,217
	Property, plant and equipment			
11	Land and buildings	2,836	2,981	2,641
11	Technical installations and machinery	1,925	1,879	1,941
11	Other technical installations	341	339	385
11	Property, plant and equipment in progress	1,004	899	751
12	Right-of-use assets	411	542	595
	Total property, plant and equipment	6,517	6,640	6,313
	Financial assets			
13	Securities	58	68	63
9	Deferred tax assets	931	758	660
18	Pension assets	156	0	0
	Other accounts receivables	69	59	56
	Total financial assets	1,214	885	779
	Total non-current assets	10,340	10,152	8,309
	Current assets			
14	Inventories	6,520	5,304	3,991
15	Trade and other receivables	7,048	5,716	5,583
9	Income tax receivable	509	512	447
13	Securities	10,518	10,556	8,246
16	Cash and cash equivalents	3,586	4,225	5,589
	Total current assets	28,181	26,313	23,856
	TOTAL ASSETS	38,521	36,465	32,165

* Please see note 36 'First time adoption of IFRS' for further details on the opening balance.

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Consolidated statement of financial position

Note	Amounts in DKK million	2022	2021	1 January 2021*
	EQUITY AND LIABILITIES			
17	Basic capital	505	505	505
	Hedge transaction reserve	47	-136	5
	Exchange adjustment reserve	459	224	0
	Retained earnings	19,504	19,307	17,581
	Proposed provision for distribution	364	250	200
	Equity attributable to parent foundation	20,879	20,150	18,291
	Non-controlling interests	24	23	19
	Total equity	20,903	20,173	18,310
	Non-current liabilities			
18	Pensions and similar obligations	180	380	588
19	Provisions	776	489	586
9	Deferred tax liabilities	218	213	81
12, 20	Lease liabilities			
25		237	323	379
20, 25	Interest-bearing debt	3	31	91
22	Other liabilities	6,221	5,185	4,359
	Total non-current liabilities	7,635	6,621	6,084
	Current liabilities			
19	Provisions	118	164	144
21	Trade and other payables	2,845	3,095	2,373
20, 25	Interest-bearing debt	100	98	270
12, 20	Lease liabilities			
25		164	223	216
9	Income tax payable	1,157	874	884
22	Other liabilities	5,599	5,217	3,884
	Total current liabilities	9,983	9,671	7,771
	Total liabilities	17,618	16,292	13,855
	TOTAL EQUITY AND LIABILITIES	38,521	36,465	32,165

* Please see note 36 'First time adoption of IFRS' for further details on the opening balance.

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Consolidated statement of cash flows

Note	Amounts in DKK million	2022	2021
	Operating activities		
	Profit after tax	268	1,793
6	Depreciation and amortisation of non-current assets	1,754	1,368
8	Finance income	-314	-734
8	Finance expenses	2,720	1,522
	Loss on disposal of property, plant and equipment	8	2
	Other adjustments	56	33
9	Tax for the year	528	766
24	Changes in net working capital	-2,224	579
	Changes in warranty and other provisions	237	-311
	Cash flow from operations before financial items and tax	3,033	5,018
	Taxes paid	-582	-946
8	Interest paid and realised currency losses	-67	-128
8	Interest received and realised currency gains	314	229
8, 12	Interest paid on lease liabilities	-10	-11
	Cash flow from operating activities	2,688	4,162
	Investing activities		
11	Purchase of property, plant and equipment	-1,234	-1,078
	Proceeds from sale of property, plant and equipment	1	21
10	Purchase of intangible assets	-193	-256
27	Acquisition of subsidiaries, net of cash acquired	0	-1,547
	Disposal of subsidiaries, net of cash disposed	-19	0
13	Purchase of securities	-7,261	-6,604
13	Sale of securities	6,062	4,560
	Cash flow from investing activities	-2,644	-4,904
	Net cash flow from operating and investing activities	44	-742
	Financing activities		
25	Payment of principal portion of lease liabilities	-223	-195
25	Proceeds from borrowings	2	87
25	Repayment of borrowings	-28	-320
	Purchase of own shares	-22	-29
	Distributions paid	-252	-174
	Dividend to minorities, with associated buy-back obligation	-154	-112
	Acquisition and sale of minority holdings and exploitation of buy-back obligations, net	7	59
	Cash flow from financing activities	-670	-684
	Net increase/(decrease) in cash and cash equivalents	-626	-1,426
	Cash and cash equivalents as at 1 January	4,225	5,589
	Exchange rate adjustments	-13	62
	Available fund (Opening)	4,212	5,651
	Cash and cash equivalents as at 31 December	3,586	4,225

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Consolidated statement of changes in equity

Note	Amounts in DKK million	Basic capital	Retained earnings	Hedge transaction reserve	Exchange adjustment reserve	Provision for distribution	Equity attributable to the parent foundation	Non-Controlling Interest	Equity
	Balance at 1 January 2021	505	17,581	5	0	200	18,291	19	18,310
	Profit for the year	0	1,540	0	0	250	1,790	3	1,793
	Exchange rate adjustments, affiliated companies, etc.	0	0	0	256	0	256	1	257
18	Actuarial gain/loss	0	235	0	0	0	235	0	235
	Fair value adjustment of hedging instruments	0	0	-179	0	0	-179	0	-179
	Tax on other comprehensive income	0	-53	38	-32	0	-47	0	-47
	Total other comprehensive income	0	182	-141	224	0	265	1	266
17	Distributions paid	0	0	0	0	-200	-200	0	-200
	Exercise of options (LTI)	0	-29	0	0	0	-29	0	-29
	Share-based compensation expenses (LTI)	0	33	0	0	0	33	0	33
	Total other transactions	0	4	0	0	-200	-196	0	-196
	Balance at 31 December 2021	505	19,307	-136	224	250	20,150	23	20,173

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Consolidated Statement of changes in equity

Note	Amounts in DKK million	Basic capital	Retained earnings	Hedge transaction reserve	Exchange adjustment reserve	Provision for distribution	Equity attributable to the parent foundation	Non-Controlling Interest	Equity
	Balance at 1 January 2022	505	19,307	-136	224	250	20,150	23	20,173
	Profit for the year	0	-37	0	0	300	263	5	268
	Exchange rate adjustments, affiliated companies, etc.	0	0	0	275	0	275	-4	271
16	Actuarial gain/loss	0	347	0	0	0	347	0	347
	Fair value adjustment of hedging instruments	0	0	237	0	0	237	0	237
	Tax on other comprehensive income	0	-85	-54	-40	0	-179	0	-179
	Total other comprehensive income	0	262	183	235	0	680	-4	676
	Extraordinary provision for distributions	0	-50	0	0	50	0	0	0
17	Distributions paid	0	0	0	0	-236	-236	0	-236
	Exercise of options (LTI)	0	-22	0	0	0	-22	0	-22
	Share-based compensation expenses (LTI)	0	44	0	0	0	44	0	44
	Total other transactions	0	-28	0	0	-186	-214	0	-214
	Balance at 31 December 2022	505	19,504	47	459	364	20,879	24	20,903

Hedge transaction reserve

The Group has presented, in OCI the gains and losses arising from hedge transaction reserve, including those related to foreign currency forward contracts that are hedges for forecasted revenue and inventory purchases, that may be reclassified to profit and loss in subsequent periods. In subsequent periods, the amount previously recorded in the cash flow hedge reserve will be recognised in profit and loss when the asset (liability) is being recovered (settled) or the case that the conditions for cash flow hedging are no longer fulfilled.

Exchange adjustment reserve

The Group recognised translation differences on foreign operations in a separate component of equity i.e. Exchange adjustment reserve. Cumulative currency translation differences for all foreign operations are deemed to be zero as of 1 Jan 2021, cf. note 36 on first time adoption of IFRS. The resulting adjustment was recognised against retained earnings. The exchange adjustment reserve also includes exchange rate adjustments related to balances which are considered part of the total net investment in companies with a different functional currency than DKK.

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1 Revenue

Revenue break down according to the following divisions and regions:

Amounts in DKK million	2022	2021
Domestic Buildings Services	9,426	8,218
Commercial Buildings Services	6,268	5,545
Water utility	4,980	4,339
Industry	8,217	6,820
Other	4,450	3,811
Total	33,341	28,733
Geographical markets		
Europe	17,740	16,474
North and South America	6,638	4,484
Asia	7,505	6,582
The Middle East/Africa	1,458	1,193
Total	33,341	28,733

Revenue includes sale of goods of DKK 32,738m (2021: DKK 28,214m) and service income of DKK 603m (2021: DKK 519m).

Amounts in DKK million	2022	2021
2 Research and development cost		
Staff cost	1,170	1,045
Depreciation and amortisation	144	157
Other research and development cost	320	173
Total	1,634	1,375
3 Selling and distribution cost		
Staff costs	2,717	2,488
Distribution cost	853	665
Depreciation and amortisation	100	81
Other selling and distribution related cost	1,403	1,418
Total	5,073	4,652
4 Administration cost		
Staff cost	1,524	1,362
Depreciation and amortisation	204	125
Other administration	1,178	1,018
Total	2,906	2,505

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5 Staff cost

Amounts in DKK million	2022	2021
Wages and salaries	7,488	6,979
Share-based payments	44	33
Pensions, defined benefit plans	36	30
Pensions, defined contribution plans	423	426
Other social security cost	812	686
Total	8,803	8,154

Staff cost includes our Long-Term incentive Programme (LTI) which is described in note 26 Share-based compensation expenses.

Staff costs are recognised as follows:

Production cost	3,392	3,259
Research and development cost	1,170	1,045
Sales and distribution cost	2,717	2,488
Administration cost	1,524	1,362
Total	8,803	8,154
 Average number of full-time employees	 20,241	 19,539
 Numbers of employees. Closing	 20,033	 20,161

The staff costs include fees to the Executive Board and the Board of Directors of the Foundation for the directorships in the Group of DKK 14m (2021: DKK 14m).

6 Depreciation, amortisation and impairments

Amounts in DKK million	2022	2021
Intangible non-current assets, note 10	327	257
Tangible non-current assets, note 11	1,220	912
Right-of-use assets, note 12	207	199
Total	1,754	1,368

Depreciation, amortisation and impairments are recognised as follows:

Production costs	1,022	1,005
Research and development costs	144	157
Sales and distribution costs	100	81
Administration costs	204	125
Special items	284	0
Total	1,754	1,368

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7 Special items

In March 2022 Grundfos decided to pause its business activities in Russia and Belarus which was later in August followed by an announcement to exit these countries. The exit decision led to a one-off expense recognition of DKK 851m reported as special items in the consolidated profit and loss accounts. The one-off expense is based on management's best estimate and is comprised of impairment of assets and other cost such as severance and other legal commitments.

In December 2022 Grundfos signed an agreement with Grundfos Russia local management members to sell the two Grundfos legal entities in Russia. The agreement is subject to approval by relevant authorities in Russia, Denmark and the European Union and is expected to conclude by the end of first quarter 2023.

Upon closing of the sale of the Grundfos legal entities in Russia, the exchange adjustment reserve that accumulated from the translation of the RUB-based entities into DKK for Group reporting purposes and that are currently part of other comprehensive income will be reversed into profit and loss.

Amounts in DKK million	2022	2021
Impairment of non-current assets	284	0
Write-down and expected loss on current assets	148	0
Other cost related to the divestment	419	0
Total	<u>851</u>	<u>0</u>

8 Financial income and expenses

Amounts in DKK million	2022	2021
Interest income bonds	100	54
Value adjustments shares	0	545
Dividend income shares	129	33
Other financial income	85	102
Total	<u>314</u>	<u>734</u>
Value adjustments bonds	791	263
Fair value adjustment of buy-back obligation	1,254	1,053
Dividend to minorities, with associated buy-back obligation	154	112
Value adjustments shares	444	0
Interest on lease liabilities	10	11
Other finance expense	67	83
Total	<u>2,720</u>	<u>1,522</u>

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9 Tax

Amounts in DKK million	2022	2021
Income taxes in statement of profit and loss and reconciliation		
Tax on the profit for the year is specified as follows:		
Tax on profit/loss for the year	528	766
Tax on other comprehensive income, deferred	139	15
Tax on other comprehensive income, current	40	32
Total	707	813
Tax on the profit for the year has been calculated as follows:		
Current income taxes	971	844
Deferred income taxes	-305	-103
Change in deferred tax due to changes in tax rates	-6	1
Deferred income taxes re. previous years	4	8
Adjustment regarding previous years	-136	16
Total	528	766
Effective tax rate can be calculated as follows:		
Danish tax rate	22%	22%
Deviation in tax in foreign companies in relation to Danish tax rate	2%	1%
Non-taxable income and non-deductible expenses	6%	-3%
Non-deductible expenses regarding minority interests and buy-back obligations	39%	9%
Non-deductible withholding taxes	1%	1%
Other, including adjustments regarding previous years	-4%	0%
Effective tax rate	66%	30%
Consolidated other comprehensive income:		
Deferred tax related to items recognised in OCI during in the year:		
Net gain/loss on cash flow hedges	54	-38
Remeasurement gain/loss on actuarial gains and losses	85	53
Deferred tax charged to OCI	139	15
Consolidated income tax:		
Income tax receivable	509	512
Income tax payable	-1,157	-874
Total income tax	-648	-362

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9 Tax (continued)

Deferred taxes

Amounts in DKK million	2022	2021
Changes in deferred tax		
Net deferred tax assets 1 January	545	579
Exchange rate adjustment	-1	20
Acquisition of companies	0	-137
Change in tax rate	6	-1
Deferred tax recognised in profit and loss account	302	95
Deferred tax recognised in equity	-139	-11
Net deferred tax assets	<u>713</u>	<u>545</u>

Breakdown of deferred tax

Amounts in DKK million	2022	2021	1 January 2021
Non-current assets	-192	-173	-182
Current assets	560	466	407
Provisions	226	189	271
Liabilities	-32	63	74
Tax loss carry forward	151	0	9
Net deferred tax assets	<u>713</u>	<u>545</u>	<u>579</u>

Reflected in the statement of financial position as follows:

Deferred tax assets	931	758	660
Deferred tax liabilities	-218	-213	-81
Net deferred tax assets	<u>713</u>	<u>545</u>	<u>579</u>

The Foundation has tax losses by end of 2022 of 151m (2021: 0m) that are available indefinitely for offsetting against future taxable profits in the Foundation.

The Foundation has an unrecognised deferred tax liability of DKK 65m as at 31 December 2022 in respect of tax provisions for subsequent distributions. The amount has not been recognised in accordance with accounting policies as it is not considered likely to be subject to taxation due to the Foundations intention to continue distributing resources in accordance with the Foundations objectives.

Deferred tax assets have been recognised as they are expected to be used to offset taxable profits in the future.

The Grundfos Holding Group has tax losses by end of 2022 of DKK 97m (2021: DKK 89m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Grundfos Group. They have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

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9 Tax (continued)

Cumulative deferred income taxes recorded in equity amounted to DKK 145m (2021: DKK 7m). The group does not recognize any deferred taxes on investment in subsidiaries because it controls the dividend policy of its subsidiaries – i.e. the group control the timing of reversal of the related taxable temporary differences and management is satisfied that no material amounts will reverse in the foreseeable future.

10 Intangible assets

Amounts in DKK million	2022				Total
	Goodwill	Other intangible assets	Completed development projects	Development projects in progress	
Cost at 1 January 2022	1,260	1,910	219	41	3,430
Additions	0	132	6	55	193
Disposals	0	-10	-55	0	-65
Transfers	0	31	23	-23	31
Exchange rate adjustments	47	42	0	0	89
Cost at 31 December 2022	1,307	2,105	193	73	3,678
Amortisation and impairment at 1 January 2022	0	684	119	0	803
Amortisation	0	289	38	0	327
Amortisations and impairment on disposals	0	-9	-55	0	-64
Exchange rate adjustments	0	3	0	0	3
Amortisation and impairment at 31 December 2022	0	967	102	0	1,069
Carrying amount at 31 December 2022	1,307	1,138	91	73	2,609

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10 Intangible assets (continued)

Amounts in DKK million	2021				Total
	Goodwill	Other intangible assets	Completed development projects	Development projects in progress	
Cost at 1 January 2021	476	1,169	441	65	2,151
Acquisition of companies	789	624	0	0	1,413
Additions	0	129	10	41	180
Disposals	0	-101	-297	0	-398
Transfers	0	94	65	-65	94
Exchange rate adjustments	-5	-5	0	0	-10
Cost at 31 December 2021	1,260	1,910	219	41	3,430
Amortisation and impairment at 1 January 2021	0	589	345	0	934
Exchange rate adjustments	0	9	0	0	9
Amortisation	0	186	71	0	257
Amortisations and impairment on disposals	0	-100	-297	0	-397
Transfers	0	0	0	0	0
Amortisation and impairment losses at 31 December 2021	0	684	119	0	803
Carrying amount at 31 December 2021	1,260	1,226	100	41	2,627
Carrying amount at 1 January 2021	476	580	96	65	1,217

Amortisation of intangible assets is included in the Consolidated Statement of Income and Loss as follows:

Amounts in DKK million	2022		2021	
	Other intangible assets	Completed development projects	Other intangible assets	Completed development projects
Research and development expenses	106	38	86	71
Selling and distribution expenses	92	0	49	0
Administration expenses	91	0	51	0
Total	289	38	186	71

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10 Intangible assets (continued)

Carrying amount of goodwill

Amounts in DKK million	2022	2021	1 January 2021
Water treatment Solutions	1,093	1,052	353
Industry – Division	91	85	0
Others	123	123	123
Total	<u>1,307</u>	<u>1,260</u>	<u>476</u>

Impairment test

Per the end of 2022, the reported goodwill amounts to DKK 1,307m. Goodwill primarily arose from the acquisitions of Silhorko-Eurowater in 2020 and the Mechanical Equipment Company Inc. (MECO) in 2021. Goodwill represents the premium paid by Grundfos above the fair value of the net tangible assets acquired. It is attributable to synergies and know-how resulting from the combination of the businesses and the value of the employee base.

Goodwill is allocated to cash-generating units which are determined to be the most appropriate business segment levels it pertains to. For the reporting period, following cash generating units were identified: (i) Water Treatment Solutions and (ii) Industry Division. The allocation of the goodwill to the cash generating units is specified in above table.

As at the reporting date, an impairment test was performed on the carrying amount of intangible assets with indefinite useful lives which for the reporting period only represents goodwill.

Impairment tests are performed based on expected future cash flows that are built from budgets and long-term business plans. The carrying amount of the net assets including goodwill is compared to the recoverable amount. The recoverable amount is calculated using cash flow projections for a 5-year period which from thereafter converge into a terminal value applying perpetuity growth. The projected cash flows represent management's best estimate of revenue, profitability and investment plans for the cash generating units.

The discount rate applied to cash flow projections is 9.0% and terminal value cash flows are extrapolated using a 2.5% growth rate which represents the estimated long-term average growth rate for the industry.

The impairment test concluded that the recoverable amounts are in excess of the carrying amount of the cash generating units and that no impairment is required.

Key assumptions and sensitivity Analysis

The recoverable amount of the Water Treatment Solutions business is determined to be in close range to the carrying amount and the impairment test results are sensitive to assumptions made for the (i) EBITDA growth rate (ii) the terminal value growth rate and (iii) the discount rate. Each of these parameters have been assessed and estimated using the most recently available market data and management's experience and best judgement on the business outlook.

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10 Intangible assets (continued)

The EBITDA growth rate is built on assumptions on volume growth and profitability expectations that leverage synergies. A change in EBITDA margin by +/- 1% point will change the value of the cash generating unit by +/- 8.5% (DKK 195m in either direction). The terminal value growth rate is in line with long term industry average growth projections at 2.5%. A change in the growth rate by +/-0.5%-point will increase or decrease the value of the cash generating unit by 4.8% (DKK 110m) and 4.1% (DKK 94m) respectively.

The discount rate applied to cash flow projections is 9.0%. This rate was determined based on available market data and an assessment of the risk profile of the individual entities. Specifically, a risk-free interest rate based on the current yield of a 10-year government bond in the relevant geography plus an estimated market-risk premium are used to estimate the required rate of return on equity. Estimated risk premiums are then added, depending on industry, business model and geography. The required rate of return on debt is based on an estimated credit assessment of the entities and current interest rate levels. The required rates of return on equity and debt are weighted using a capital structure based on a group of company peers. An increase in the weighted average cost of capital (WACC) by 0.5%-point will decrease the equity value of the cash generating unit by 8.3% (DKK 190m) and a decrease in the WACC by 0.5% point will increase the equity value of the cash generating unit by 9.7% (DKK 220m).

11 Property, plant and equipment

Amounts in DKK million	2022				
	Land and buildings	Technical installation and machinery	Other technical installations	Property, plant and equipment in progress	Total
Cost at 1 January 2022	6,687	13,545	1,760	899	22,891
Additions	130	271	81	752	1,234
Disposals	-21	-311	-58	-1	-391
Transfers	139	411	76	-657	-31
Exchange rate adjustments	39	-52	0	11	-2
Cost at 31 December 2022	6,974	13,864	1,859	1,004	23,701
Depreciations and impairment at 1 January 2022	3,706	11,666	1,421	0	16,793
Depreciation	221	573	143	0	937
Write-down of the year	226	53	5	0	284
Depreciation and impairment on disposals	-20	-306	-57	0	-383
Transfers	-2	-6	5	0	-3
Exchange rate adjustments	7	-41	1	0	-33
Depreciations and impairment at 31 December 2022	4,138	11,939	1,518	0	17,595
Carrying amount 31 December 2022	2,836	1,925	341	1,004	6,106

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11 Property, plant and equipment (continued)

Amounts in DKK million	2021				Total
	Land and buildings	Technical installation and machinery	Other technical installations	Property, plant and equipment in progress	
Cost at 1 January 2021	6,096	12,964	1,679	751	21,490
Acquisition of companies	87	13	0	0	100
Additions	201	242	65	655	1,163
Disposals	-24	-87	-31	0	-142
Transfers	189	228	21	-532	-94
Exchange rate adjustments	138	185	26	25	374
Cost at 31 December 2021	6,687	13,545	1,760	899	22,891
Depreciations and impairment at 1 January 2021	3,455	11,023	1,294	0	15,772
Exchange rate adjustments	70	140	21	0	231
Depreciation	204	573	135	0	912
Depreciation and impairment on disposals	-23	-70	-29	0	-122
Depreciations and impairment at 31 December 2021	3,706	11,666	1,421	0	16,793
Carrying amount 31 December 2021	2,981	1,879	339	899	6,098
Carrying amount 1 January 2021	2,641	1,941	385	751	5,718

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12 Leases

The Group has lease contracts, primarily for buildings and vehicles used in its operations. Leases of motor vehicles generally have lease terms between 4-5 years and buildings have lease terms between 1 and 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group has leases with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Amounts in DKK million	2022			
	Land and buildings	Motor vehicles	Other equipment	Total
Carrying amount at 1 January 2022	357	142	43	542
Exchange rate adjustments	-2	0	0	-2
Additions	35	34	9	78
Depreciations	-124	-69	-14	-207
Carrying amount at 31 December 2022	<u>266</u>	<u>107</u>	<u>38</u>	<u>411</u>

Amounts in DKK million	2021			
	Land and buildings	Motor vehicles	Other equipment	Total
Carrying amount at 1 January 2021	404	153	38	595
Additions	69	60	16	145
Depreciations	-116	-71	-11	-198
Carrying amount at 31 December 2021	<u>357</u>	<u>142</u>	<u>43</u>	<u>542</u>

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12 Leases (continued)

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

Amounts in DKK million	2022	2021
Balance at 1 January	546	595
Additions	78	145
Interest	10	11
Payments	-233	-205
Balance at 31 December	<u>401</u>	<u>546</u>
Current	164	223
Non-current	<u>237</u>	<u>323</u>
Total	<u><u>401</u></u>	<u><u>546</u></u>

Undiscounted lease liabilities maturity analysis:

Less than one year	167	227
One to three years	200	273
More than three years	<u>42</u>	<u>56</u>
Total undiscounted lease liabilities at 31 December	<u><u>409</u></u>	<u><u>557</u></u>

The following are the amounts recognised in profit and loss:

Depreciation expense of right-of-use assets	207	198
Interest expense on lease liabilities	10	11
Expense relating to short-term leases	126	121
Variable lease payments	<u>26</u>	<u>24</u>
Total	<u><u>369</u></u>	<u><u>354</u></u>

The Group had total cash outflows for leases of DKK 233m in 2022 (DKK 205m in 2021).

The Group has several lease contracts that include extension and termination options. Management assesses whether or not it is reasonably certain that these options will be exercised after considering all relevant facts and circumstances.

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13 Securities

Amounts in DKK million	2022	2021
Costs at 1 January	10,022	7,975
Exchange rate adjustments	-2	3
Additions during the year	7,261	6,604
Disposals during the year	-6,062	-4,560
Cost at 31 December	11,219	10,022
Value adjustments at 1 January	602	334
Value adjustments during the year	-1,245	268
Value adjustments at 31 December	-643	602
Balance at 31 December	10,576	10,624
Balance at 1 January	10,624	8,309
Current	10,518	10,556
Non-current	58	68
Total	10,576	10,624

The portfolio consists solely of listed shares and bonds and is distributed as follows:

Shares	2,853	2,946
Bonds	7,723	7,678
Total	10,576	10,624

Information about the Group's financial assets and associated risks is disclosed in note 29.

14 Inventories

Amounts in DKK million	2022	2021	1 January 2021
Raw materials and consumables	2,414	2,078	1,562
Work in progress	2,106	1,777	1,236
Manufactured goods and goods for resale	2,000	1,449	1,193
Total inventories	6,520	5,304	3,991

During 2022, we recognized an expense of DKK 37m (2021: DKK 23m) for inventories carried at net realisable value. This is recognised in cost of sales.

Amounts in DKK million	2022	2021
Provision for obsolete inventory at 1 January	495	498
Reversal of provision through profit and loss	-10	-38
Additional provision	57	35
Provision for obsolete inventory at 31 December	542	495

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15 Trade and other receivables

Amounts in DKK million	2022	2021	1 January 2021
Trade receivables	6,000	4,918	4,777
Prepayments	246	239	193
Other current receivables	940	714	783
Total trade and other receivables	7,186	5,871	5,753
Provision for bad debt	-138	-155	-170
Trade and other receivables, net	7,048	5,716	5,583

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

Set out below is the movement in the provision for bad debt of trade receivables and contract assets:

Amounts in DKK million	2022	2021
Balance at 1 January	155	170
Provisions during the year	32	39
Realised losses	-23	-14
Reversal of provision through profit and loss	-25	-40
Exchange rate adjustments	-1	0
Balance at 31 December	138	155

Trade and other receivables' age profile	2022	2021
Not overdue at the reporting date	6,597	5,427
Overdue less than 30 days	356	202
Overdue 30 to 60 days	75	74
Overdue 60 to 120 days	65	52
Overdue more than 120 days	93	116
Trade receivables before provision	7,186	5,871
Provision for bad debt at 31 December	-138	-155
Balance at 31 December	7,048	5,716

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. 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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15 Trade and other receivables (continued)

Outstanding customer receivables and contract assets are regularly monitored. At 31 December 2022, the Group had 50 customers (2021: 33) that owed it more than DKK 10m each and accounted for approximately 25% (2021: 21%) of all the receivables and contract assets outstanding.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 29. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

16 Cash and cash equivalents

Amounts in DKK million	2022	2021	1 January 2021
Cash at bank and on hand	<u>3,586</u>	<u>4,225</u>	<u>5,589</u>
Total	<u><u>3,586</u></u>	<u><u>4,225</u></u>	<u><u>5,589</u></u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

17 Basic Capital

The basic capital amounts to DKK 505m.

The basic capital shall always remain untouched while the retained earnings is for the free disposal of the Foundation in accordance with the Foundation's objective.

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18 Pension and similar obligations

Defined contribution plans

The Group has made pension agreements with a considerable number of its employees. The majority of the agreements are for defined contribution plans. Contributions are paid to pension insurance plans and charged to the consolidated income statement in the period to which the contributions relate to. Once the contributions have been paid, there are no further payment obligations.

Defined benefit plans

The Group has a number of defined benefit plans where the responsibility for the pension obligation towards the employees rests with the Group. The largest plans are in Switzerland and the UK accounting for 68% (2021: 69%) of the Group's obligation (gross) and 77% (2021: 76%) of its plan assets.

The plans are primarily based on years of service, and benefits are generally determined on the basis of salary and rank. The Group assumes the risk associated with future developments in salary, interest rates, inflation, mortality and disability etc.

The majority of the obligations are funded with assets placed in independent pension funds. In a number of countries, some minor obligations are unfunded. For these unfunded plans, the retirement benefit obligations amounted to DKK 117m or 6% of the present value of the gross obligation (2021: DKK 155m or 6%).

Switzerland

Participants are insured against the financial consequences of retirement, disability and death. The pension plans guarantee a minimum interest credit and fixed conversion rates at retirement. Contributions are paid by both the employee and the employer. The plans must be fully funded. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, reduction of benefits or a combination of both.

The pension plans include a risk-sharing element between Grundfos and the plan participants.

UK

Participants are insured against the financial consequences of retirement and death. The schemes do not provide any insured disability benefits. The pension plans are plans to guarantee defined benefit pension at retirement on a final salary basis. The majority of the pension plans does not include a risk-sharing element between Grundfos and the plan participants.

Actuarial assumptions

Actuarial calculations and valuations are performed annually for all major plans. The actuarial assumptions vary from country to country due to local conditions. Discount rates at 31 December are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the obligations.

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18 Pension and similar obligations (continued)

Sensitivity analysis

The table below illustrates the sensitivity related to significant actuarial assumptions used in the calculation of the defined benefit obligation recognised at the reporting date. The sensitivity covers the plans in UK and Switzerland. The analysis is based on changes in assumptions that the Group considered to be reasonably possible at the reporting date. It is estimated that the relevant changes in assumptions would have increased/(decreased) the defined benefit obligation by the amounts shown below:

	2022		2021	
	0.5%	-0.5%	0.5%	-0.5%
Discount rate	-85	92	-154	176
Salary increase	3	-3	3	-3
Pension increase	42	-38	65	-63

	2022		2021	
	CH	UK	CH	UK
Discount rate (%)	1.90	4.30	0.20	1.65
Salary increase (%)	2.00	2.50	1.00	2.50
Pension increase (%)	0.00	3.10	0.00	3.25

The fair values of each major class of plan assets are as follows:

Amounts in DKK million	2022	2021
Investments quoted in active markets		
Listed equity investments	751	1,114
Real estates	137	155
Corporate bonds	672	689
Cash and cash equivalents	32	41
Unquoted investments		
Insurance contracts	118	182
Corporate bonds	11	11
Other	158	48
Total	1,879	2,240

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18 Pension and similar obligations (continued)

	2022			2021		
	Present value of obligation	Fair value of plan assets	Obligation, net	Present value of obligation	Fair value of plan assets	Obligation, net
Amounts in DKK million						
Carrying amount at 1 January	2,620	2,240	380	2,654	2,066	588
Current service cost	33	0	33	23	0	23
Interest on obligation/plan asset	39	36	3	32	25	7
Recognised in profit and loss	72	36	36	55	25	30
Actuarial gain/loss, demographic assumptions	8	0	8	-50	0	-50
Actuarial gain/loss, financial assumptions	-759	0	-759	-27	0	-27
Actuarial gain/loss, experience adjustments	42	0	42	-31	0	-31
Return on plan assets excl. interest income	0	-340	340	0	127	-127
Impact from asset ceiling	0	-22	22	0	0	0
Recognised in other comprehensive income	-709	-362	-347	-108	127	-235
Foreign exchange adjustments	-10	-7	-3	98	67	31
Employee contributions	10	10	0	10	10	0
Employer contributions	-4	42	-46	-1	33	-34
Benefits paid	-100	-104	4	-88	-88	-0
Other changes	-104	-59	-45	19	22	-3
Carrying amount at 31 December	1,879	1,855	24	2,620	2,240	380
Accumulated impact from asset celling	0	22	-22	0	0	0
Pensions and similar obligations at 31 December	<u>1,879</u>	<u>1,877</u>	<u>2</u>	<u>2,620</u>	<u>2,240</u>	<u>380</u>
Carrying amount is reflected in the statement of financial position as follows:						
Net pension obligations			180			380
Net pension assets			-156			0
Net pension obligations			<u>24</u>			<u>380</u>

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18 Pension and similar obligations (continued)

2022 has been characterised by material impact from actuarial gains and losses. The increase in the global interest levels impacting the discount rates has led to a significant reduction of the defined benefit obligations, i.e. actuarial gains totalling DKK 709m (2021: Gain DKK 108m). On the other hand, the actuarial returns on the plan assets (other than interest) in 2022 amounted to a loss of DKK 340m (2021: Gain DKK 127m). Out of the net actuarial gain of DKK 347m (2021: Gain DKK 235m), DKK 252m (2021: Gain DKK 155m) can be attributed to the scheme in UK.

Due to the significant actuarial net gains, the pension schemes in UK and Switzerland have during 2022 changed to net assets amounting to a total of DKK 156m (2021: Net obligations DKK 106m). In addition to the recognised net assets, a total asset amount of DKK 22m related to the Swiss scheme is not recognised due to asset ceiling rules.

The estimated weighted average duration of the defined benefit obligation was 13.5 years (2021: 17.0 years) and is split into:

Members of defined benefit schemes	2022	2021
Active employees	1,542	1,605
Retired employees	670	700
Deferred vested	668	626
Total employees	<u>2,880</u>	<u>2,931</u>

The expected payments or contributions to the defined benefit plans within the next 12 months amount to DKK 22m (2021: DKK 36m).

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19 Provisions

	Warranty	Restruc- turing	Jubilee	Others	Total
Balance at 1 January 2022	193	33	178	249	653
Provision	142	389	18	149	698
Utilised	-145	-59	-7	-13	-224
Reversed	-8	-2	0	-10	-20
Exchange rate adjustments	3	-217	0	1	-213
Balance at 31 December 2022	<u>185</u>	<u>144</u>	<u>189</u>	<u>376</u>	<u>894</u>
Current	118	0	0	0	118
Non-current	67	144	189	376	776
Balance at 1 January 2021	179	144	167	243	733
Provision	140	10	10	16	176
Utilised	-134	-121	-1	-5	-261
Reversed	-2	0	-1	-9	-12
Acquisition of companies	4	0	0	0	4
Exchange rate adjustments	6	0	3	4	13
Balance at 31 December 2021	<u>193</u>	<u>33</u>	<u>178</u>	<u>249</u>	<u>653</u>
Current	124	33	2	5	164
Non-current	69	0	176	244	489

Warranty

The provision is recognised for potential warranty claims on the basis of past experience and expected measures. The ordinary warranty on product sold covers a period of 24 months

Restructuring

The provision mainly covers the expected costs related to the divestment of Grundfos' operations in Russia. This is expected to be settled during 2023.

Jubilee

In certain companies there is an obligation to remunerate employees celebrating long service (e.g. 25 or 40 years). The payments vary among countries and companies.

Others

Other provisions include legal disputes to which the Group is a party.

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20 Bank and other loans

Amounts in DKK million	Interest rate	Maturity	2022	2021	1 January 2021
Bank loans	3-5%	2023-2025	13	19	35
Other loans	3-5%	2023	38	102	326
Lease liabilities	0-3%	2023-2031	401	546	595
Bank overdrafts and loans	3-5%	On Demand	52	8	1
Total			504	675	957
Current			264	321	487
Non-current			240	354	470
Total			504	675	957

Bank overdrafts

The bank overdrafts are secured by a portion of the Group's short-term deposits.

21 Trade and other payables

Amounts in DKK million	2022	2021	1 January 2021
Trade payables	2,845	3,095	2,373
Total	2,845	3,095	2,373

Trade payables are non-interest bearing and are normally settled on 60-day terms.

22 Other Liabilities

Amounts in DKK million	2022	2021	1 January 2021
Buy-back obligation relating to shares	7,584	6,322	5,210
Customer bonus	1,002	830	677
Staff related	1,375	1,143	929
Deferred income	537	472	310
VAT and other taxes	312	214	211
Accrued expenses	664	892	450
Accrued distributions	178	194	168
Other	168	335	288
Total	11,820	10,402	8,243
Current	5,599	5,217	3,884
Non-current	6,221	5,185	4,359
Total	11,820	10,402	8,243

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22 Other Liabilities (continued)

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.

Amounts in DKK million	2022	2021
1 January	6,322	5,210
Additions of the year	132	115
Disposals of the year	-124	-56
Fair value adjustment	1,254	1,053
31 December	7,584	6,322

DKK 5,237m is falling due after more than five years. (2021: DKK 4,408m).

Customer bonus

Customer bonus is recognised at an estimated value according to underlying agreements. When finally settled the bonus will be set off against future payments from the customer.

Deferred income

Deferred income refers to prepayments from customers for goods and services where the Group has not yet fulfilled its contractual obligations.

Amounts in DKK million	2022	2021
23 Fees to auditors appointed by the shareholders		
Fee to EY for statutory audit	14	13
Fee to EY for other assurance engagements	1	0
Fee to EY for tax advisory services	3	3
Fee to EY for other services	12	13
Total	30	29
24 Changes in working capital		
Changes in inventories	-1,216	-1,128
Changes in accounts receivable	-1,103	184
Change in trade creditors, other liabilities and deferred income	-79	1,607
Unrealised exchange rate adjustments	174	-84
Total	-2,224	579

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25 Changes in liabilities arising from financing activities

Amounts in DKK million	Current interest-bearing loans and borrowings	Current lease liabilities	Non-current interest-bearing loans and borrowings	Non-current lease liabilities	Total
Balance at 1 January 2022	98	223	31	323	675
Cash flows	2	-59	-28	-164	-249
Exchange rate adjustments	0	0	0	0	0
New leases	0	0	0	78	78
Other	0	0	0	0	0
Balance at 31 December 2022	100	164	3	237	504
Balance at 1 January 2021	270	216	91	379	956
Cash flows	-172	7	-60	-201	-426
Exchange rate adjustments	0	0	0	0	0
New leases	0	0	0	145	145
Other	0	0	0	0	0
Balance at 31 December 2021	98	223	31	323	675

The 'Other' includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including lease liabilities to current due to the passage of time, the accrual of special dividends that were not yet paid at year-end, and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, including lease liabilities. The Group classifies interest paid as cash flows from operating activities.

26 Share-based compensation expenses

Long-Term Incentive Programme (LTI)

The LTI is targeted at Group management and other members of senior management. Under this programme, Restricted Stock Units (RSUs) are granted to the executives. These RSUs vest with them after a continued service of 3.5 years and are also contingent on targets for performance indicators that are defined for the programme for a specific year.

There are certain unvested tranches of LTI granted prior to 1 January 2021 according to a slightly different programme, which vest with the employees in 4 equal tranches and hence are contingent on continued service by the executives.

Following the vesting of RSUs under both these programmes, the executives will receive shares of Grundfos Holding A/S.

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26 Share-based compensation expenses (continued)

The expense recognised over the vesting period is based on the fair value of the RSUs at the grant date.

	No. of units	Weighted average grant date fair value (DKK per unit)
Outstanding as at 1 January 2021	32,946	1,046
Granted during the year	68,981	1,372
Vested during the year	-20,931	1,091
Forfeited during the year	-613	1,049
Outstanding as at 31 December 2021	80,383	1,313
Granted during the year	52,370	1,614
Vested during the year	-13,792	1,122
Forfeited during the year	-1,916	1,324
Outstanding as at 31 December 2022	117,045	1,470

The outstanding units are expected to vest over a weighted average period of 1.9 years (2021: 2.1 years).

Expense recognised during the year

Amounts in DKK million	2022	2021
Expense arising from equity-settled share-based payment transactions (LTI)	44	33
Total	44	33

There were no cancellations or modifications to the awards.

Inputs and model used

	2022	2021	1 January 2021
Benchmark PE multiple	25.2	26.9	20.7
Annual growth in average profit after tax applied for share price calculation	25%	-9%	6%

27 Business Combination

Acquisitions in 2022

None.

Acquisitions in 2021

On 1 November 2021, Grundfos acquired 100% of the shares of the Mechanical Equipment Company Inc. (MECO) for a consideration of DKK 1,547m. MECO forms part of the Industry-Water Treatment solution segment. The results of MECO have been included in the consolidated financial statements as of 1 November 2021. MECO does not have a material impact on the consolidated financial statements, and therefore historical and pro forma disclosures have not been presented. Had Mechanical Equipment Company Inc been acquired at 1 January 2021, revenue and profit would be higher by DKK 278m and DKK 27m respectively.

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27 Business Combination (continued)

The fair values of the identifiable assets and liabilities of MECO as at the date of acquisition were:

Amounts in DKK million	Fair value recognised in acquisition
Recognized amounts of identifiable assets acquired, and liabilities assumed	
Technology	217
Customer relations and distributors	390
Brand	17
Total intangible assets	624
Property, plant and equipment	100
Total non-current assets	724
Inventories	188
Trade receivables	88
Other receivables	9
Cash at bank	55
Total current assets	340
Total assets	1,064
Long term liabilities	-22
Deferred tax	-137
Total non-current liabilities	-159
Short term liabilities	
Bank loans and overdraft	-3
Trade creditors	-7
Other payables	-107
Total current liabilities	-117
Total liabilities assumed	-276
Total identifiable net assets	788
Goodwill	789
Cash net	-30
Total cash acquisition cost	1,547
Recognised amounts of identifiable assets acquired, and liabilities assumed:	
Purchase consideration	1,547
Contingent purchase consideration	0
Fair value of consideration	1,547

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27 Business Combination (continued)

The fair value of the trade receivables amounts to DKK 88m. The gross amount of trade receivables is DKK 88m and it is expected that the full contractual amounts can be collected.

The deferred tax liability mainly comprises the tax effect of the identified intangible assets.

As part of the purchase price allocation of the acquisition, goodwill of DKK 789m was identified after recognition of the fair value of identifiable assets, liabilities and contingent liabilities. Fair value adjustments were determined using discounted cash flows for identified assets. The intangible assets reflect the recognition of Technological know-how (DKK 217m), Customer relations and distributors (DKK 390m) and Brand (DKK 17m). Deferred tax of DKK 137m is in relation to these intangible asset adjustments. The acquisition of MECO involved acquisition costs of DKK 11m, which are recognised as administrative expenses.

The goodwill of DKK 789m comprises the value of expected commercial and scaling synergies arising from the integration of the MECO business into the Industry-Water Treatment Solutions. The goodwill does not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognised is expected to be deductible for income tax purposes.

28 Commitments and Contingencies

Commitments

Amounts in DKK million	2022	2021
Performance and payment guarantees	142	126
Property, plant and equipment	191	109
Total	333	235

Lease contracts etc. are renewed at a continuous basis hence, there is a minor number of contracts committed not yet recorded as at 31 December 2022. The value of these contracts is considered to be immaterial.

Contingencies

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.

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29 Financial risk management and financial assets

The Group's activities expose it to a variety of financial risks:

- ▶ Market risks: Currency risk and commodity risk
- ▶ Credit risk
- ▶ Liquidity risk

The main purpose of the Group's financial risk management is to finance the Group's operations and to provide guarantees to support its operations. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's financial risk activities are governed by the policies approved by the Board of Directors. Risk management is carried out by the Central Treasury department who are responsible for identifying, measuring and managing the Group's financial risks in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives should be undertaken for speculative purposes.

Financial risks

Market Risk

Market Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk and other price risk, such as interest-rate risk and raw material risk. Financial instruments affected by market risk include transactions with entities in foreign currencies.

The sensitivity analysis in the following sections relate to the position as at 31 December in 2022 and 2021.

The sensitivity analysis has been prepared on the basis that the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2022. Further, it is assumed that the exchange rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The following assumptions have been made in calculating the sensitivity analysis:

- ▶ The sensitivity of the relevant statement of profit and loss item is the effect of the assumed changes in respective market risks.

This is based on the financial assets and financial liabilities held at 31 December 2022 and 2021 including the effect of hedge accounting.

The sensitivity analysis shows the effect on profit and equity of a reasonably possible change in exchange rates.

Hedges comprise primarily of currency derivatives, which are further described in the following sections.

Risk on raw material prices is not hedged by way of financial instruments. Risks on change in interest-rates are not considered material for the purposes of the consolidated financial statements.

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29 Financial risk management and financial assets (continued)

Financial instruments by category

Amounts in DKK million	2022	2021
Financial risk		
Shares	2,853	2,946
Bonds	7,723	7,678
Financial assets measured at fair value through profit and loss	<u>10,576</u>	<u>10,624</u>
Trade receivables	6,000	4,918
Cash and cash equivalents	3,586	4,225
Financial assets measured at amortised cost	<u>9,586</u>	<u>9,143</u>
Bank and other loans	103	129
Trade creditors	2,845	3,095
Financial liabilities measured at amortised cost	<u>2,948</u>	<u>3,224</u>
Buy-back obligation relating to shares	7,584	6,322
Financial liabilities measured at fair value through profit and loss	<u>7,584</u>	<u>6,322</u>
Forward currency contracts	-72	141
Financial liabilities measured at fair value through OCI	<u>-72</u>	<u>141</u>

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29 Financial risk management and financial assets (continued)

Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value hierarchy

Amounts in DKK million	Quoted market prices (level 1)	Valuation based directly or indirectly market (level 2)	Valuation techniques based on unobservable inputs for valuation (level 3)	Total
2022				
Shares	2,853	0	0	2,853
Bonds	7,723	0	0	7,723
Financial assets measured at fair value as of 31 December	10,576	0	0	10,576
Buy-back obligation relating to shares	0	0	7,584	7,584
Forward currency contracts	0	-72	0	-72
Financial liabilities measured at fair value as of 31 December	0	-72	7,584	7,512
2021				
Shares	2,946	0	0	2,946
Bonds	7,678	0	0	7,678
Financial assets measured at fair value as of 31 December	10,624	0	0	10,624
Buy-back obligation relating to shares	0	0	6,322	6,322
Forward currency contracts	0	141		141
Financial liabilities measured at fair value as of 31 December	0	141	6,322	6,463

There were no transfers between levels during 2022 or 2021.

Valuation techniques and assumptions used

Management assesses that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Securities

Fair value of securities is based on observable market prices from stock exchanges.

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29 Financial risk management and financial assets (continued)

Buy-back obligation

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 2021.

The main non-observable inputs in the calculation are profit for 2023 (budget), profit for 2024 (forecast) and P/E values for the peer group.

Foreign Exchange Derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies and currency basis spreads between the respective currencies. As at 31 December 2022, the mark-to-market value of other derivative asset positions do not contain a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Foreign currency risks

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a local currency, normally being a foreign currency).

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 15-month period for hedges of forecasted sales and purchases.

The Group hedges its exposure to fluctuations on the translation into Danish Kroner of its foreign operations by using foreign currency swaps and forwards.

At 31 December, the Group has hedged 80% of the next 12 months exposure, respectively, of its expected foreign currency sales. The hedged sales were highly probable at the reporting date. The foreign currency risk is hedged by using foreign currency forward contracts.

The majority of Grundfos' transactions are denominated in USD, EUR, CHF, GBP, CNY or HUF. The functional currency of the subsidiaries is generally the local currency, therefore, Grundfos has exposure to these currencies through the translate value of future EBIT and cash flows. The following table demonstrates the sensitivity to the possible change in the exchange rates of the currencies below after the effect of hedge accounting, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material. Given the Danish Kroner has a fluctuation limit of a maximum +/- 2.25% through the European Exchange Rate Mechanism, the effect of EUR on sensitivity is minimal.

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29 Financial risk management and financial assets (continued)

Currency Sensitivity – impact to equity (before tax)

	Increase in exchange rate	2022			2021		
		Monetary items	Hedging	Net	Monetary items	Hedging	Net
USD	5 %	47	-57	-10	31	-52	-21
CHF	5 %	4	-12	-8	2	-9	-7
GBP	5 %	11	-24	-13	9	-28	-19
CNY	5 %	29	-22	7	19	-33	-14
HUF	5 %	1	18	19	1	17	18
Total		92	-97	-5	62	-105	-43

The movements in the income statement arise from monetary items (cash, borrowings, receivables and payables) where the functional currency of the entity differs from the currency that the monetary items are denominated in.

The impact on equity arise from monetary items and hedging instruments where the currency that the hedging instruments and monetary items are denominated in differs from the functional currency of the entity. The impact would have been the opposite if exchange rates had been decreasing by similar percentages. The analysis is based on the transaction currency.

Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and lease contracts. The Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. Approximately 10% of the Group's debt will mature in less than one year at 31 December 2022 (2021: 11%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders. Further, to prevent significant restrictions to Grundfos' liquidity, cash is held in several investment grade financial institutions to minimise loss in an illiquidity event.

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29 Financial risk management and financial assets (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Amounts in DKK million	Maturity				Total
	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	
As at 31 December 2022					
Interest-bearing loans and borrowings (excl. Items below)	0	100	3	0	103
Lease liabilities (refer to note 12)	41	123	237	0	401
Trade and other payables	2,371	474	0	0	2,845
Buy-back obligation	0	1,363	984	5,237	7,584
Forward currency contracts	-7	-65	0	0	-72
Total	2,405	1,995	1,224	5,237	10,861
As at 31 December 2021					
Interest-bearing loans and borrowings (excl. Items below)	0	98	31	0	129
Lease liabilities (refer to note 12)	56	167	323	0	546
Trade and other payables	2,579	516	0	0	3,095
Buy-back obligation	0	1,137	777	4,408	6,322
Forward currency contracts	14	127	0	0	141
Total	2,649	2,045	1,131	4,408	10,233
As at 1 January 2021					
Interest-bearing loans and borrowings (excl. Items below)	0	270	91	0	361
Lease liabilities (refer to note 12)	54	162	379	0	595
Trade and other payables	1,977	396	0	0	2,373
Buy-back obligation	0	851	704	3,656	5,211
Forward currency contracts	-13	-8	0	0	-21
Total	2,018	1,671	1,174	3,656	8,519

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30 Capital management

For the purpose of the Group's capital management, capital includes issued capital and all equity reserves attributable to the Parent Foundation. The primary objective of the Group's capital management is in accordance with guidelines defined by Poul Due Jensens Fond, to ensure and support healthy economic growth and development of the Grundfos Group. This includes to maintain a solid equity ratio – under the current economic conditions – at a level above 60%.

There is no written distribution policy, but in recent years, distributions have been at a level of DKK 200m – 300m.

Amounts in DKK million	31 December 2022	31 December 2021	1 January 2021
Interest-bearing loans and borrowings other than convertible preference shares	504	675	956
Trade and other payables	2,845	3,095	2,373
Less: cash and short-term deposits	-14,104	-14,781	-13,835
Net debt	<u>-10,755</u>	<u>-11,011</u>	<u>-10,506</u>

In terms of liquidity, the Group has for a number of years possessed a cash reserve comprising bank deposits (cf. note 16) and securities (cf. note 13). The Group has only few and immaterial loans. Thus, the Group is not subject to financial covenants from banks or other financial institutions.

31 Hedging activities and derivatives

Forward currency contracts are estimated by generally accepted valuation techniques based on relevant observable swap curves and exchange rates. The fair value applied are calculated mainly by external sources on the basis of discounted future cash flows. Anticipated cash flow for individual contracts are based on observable market data such as interest rates and exchange rates. In addition, fair values are based on non-observable data, including exchange rate volatilities, or correlation between yield curves and credit risks. Non-observable marked data account for an insignificant part of the fair value of the derivative financial instruments.

Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast cash inflows of predominantly, USD, EUR, CHF, GBP, CNY and cash outflows of HUF from operations denominated in the local currency of entities within the Group. Should there be a forecasted transaction in excess of DKK 50m, this will be considered significant, and therefore, between 50-90% of this cash flow exposure should be hedged. Otherwise, the exposures of foreign currency cash flows must be within the following ratios:

- ▶ 0-6 months: 80% - 90%
- ▶ 7-12 Months: 70% - 80%
- ▶ 12-15 Months: 50% - 70%

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31 Hedging activities and derivatives (continued)

These forecast transactions are highly probable. Refer to the table below for the relevant amounts of the respective transactions. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates. Given the Danish Kroner has a fluctuation limit towards EUR of a maximum +/- 2.25% through the European Exchange Rate Mechanism, the Group has entered into foreign exchange forward contracts predominantly with EUR as the other leg of the currency pair.

There is no proxy hedging for the currency risk hedging, and therefore the economic relationship between the hedged exposure and the hedge is high. Effectiveness is assessed using the critical terms match approach according to IFRS 9. The source of ineffectiveness is the credit risk of the hedging instruments. For hedges where the cost of hedging is applied, the change in basis spread is recognised in other comprehensive income and is a time effect during the life of the forward contract. At maturity, this amounts to zero.

The net amount of the foreign exchange contracts is presented within either 'Other Current Assets' or 'Other Current Liabilities', depending on whether the carrying amount is positive or negative.

The Group is holding the following foreign exchange forward contracts as at 31 December 2022:

Foreign exchange forward contracts (highly probable forecast sales or purchases)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity					Total
				Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	
USD			EUR	3	33	50	46	33	165
CHF			EUR	0	6	8	10	9	33
GBP			EUR	1	16	15	12	13	56
CNY			EUR	0	139	147	94	54	434
HUF			EUR	-243	-3,513	-6,523	-5,791	-4,575	-20,645

Notional amount (in DKKm)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity					Total
				Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	
USD	30.3	12.1		16	221	353	334	233	1,157
CHF	0.9	4.2		0	44	60	77	65	246
GBP	12.6	0.1		5	136	129	98	115	482
CNY	11.4	0		0	143	152	99	55	449
HUF	7.9	2.5		-4	-64	-115	-96	-75	-354

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31 Hedging activities and derivatives (continued)

Average forward rate (EUR/one currency unit)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity					
				Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
USD				1.160	1.116	1.062	1.028	1.055	1.063
CHF				0	1.017	1.020	0.962	0.973	0.989
GBP				0.860	0.852	0.867	0.875	0.883	0.868
CNY				0	7.191	7.222	7.034	7.309	7.181
HUF				404.279	406.533	423.584	449.251	452.225	433.280

The Group is holding the following foreign exchange forward contracts as at 31 December 2021:

Foreign exchange forward contracts (highly probable forecast sales or purchases)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity					
				Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
USD			EUR	1	32	52	42	30	157
CHF			EUR	0	5	7	8	5	25
GBP			EUR	1	17	18	18	10	64
CNY			EUR	0	148	214	164	123	649
HUF			EUR	0	-3,118	-4,596	-5,741	-3,294	-16,749

Notional amount (in DKKm)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity					
				Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
USD	0.6	43.6		8	196	319	266	193	982
CHF		7.5		0	32	50	56	37	175
GBP		14.6		5	146	154	157	85	546
CNY	0.2	43.5		0	137	199	156	122	614
HUF		14.6		0	-63	-95	-118	-65	-342

Average forward rate (EUR/one currency unit)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity					
				Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
USD				1.207	1.201	1.210	1.183	1.149	1.189
CHF					1.101	1.094	1.075	1.046	1.079
GBP				0.881	0.870	0.868	0.861	0.861	0.865
CNY					8.040	8.000	7.813	7.520	7.866
HUF					366.424	358.456	360.611	375.259	363.879

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31 Hedging activities and derivatives (continued)

The Group is holding the following foreign exchange forward contracts as at 1 January 2021.

Foreign exchange forward contracts (highly probable forecast sales or purchases)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity					Total
				Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	
USD			EUR	7	27	32	24	39	129
CHF			EUR	2	4	6	7	5	24
GBP			EUR	7	14	13	18	17	69
CNY			EUR	51	149	200	226	144	770
HUF			EUR	-1,620	-3,158	-5,843	-5,053	-3,582	-19,256

Notional amount (in DKKm)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity					Total
				Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	
USD		56.7		48	181	212	151	240	832
CHF		2.3		10	30	45	48	35	168
GBP	3.8	7.8		58	119	109	148	139	573
CNY	3.6	7.8		48	141	185	203	132	709
HUF	16.5			-36	-69	-124	-105	-74	-407

Average forward rate (EUR/one currency unit)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity					Total
				Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	
USD				1.141	1.103	1.115	1.173	1.202	1.150
CHF				1.074	1.058	1.061	1.077	1.076	1.069
GBP				0.868	0.885	0.892	0.921	0.912	0.900
CNY				7.946	7.838	8.034	8.259	8.158	8.076
HUF				333.403	340.989	351.326	359.829	361.801	352.062

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31 Hedging activities and derivatives (continued)

The impact of hedged items on the statement of financial position is, as follows:

Amounts in DKK million	Volume of foreign exchange forward contracts	Cash flow hedge reserve
31 December 2022		
Highly probable expected net cash flows from customers/to vendors	6,630	72
31 December 2021		
Highly probable expected net cash flows from customers/to vendors	5,787	-141
1 January 2022		
Highly probable expected net cash flows from customers/to vendors	5,401	21

The effect of the cash flow hedge in the statement of profit and loss and other comprehensive income is, as follows:

Amounts in DKK million	Total hedging gain/loss recognised in OCI	Ineffective -ness recognised in profit and loss	Line item in the statement of profit and loss
Year ended 31 December 2022			
Highly probable expected net cash flows from customers/ to vendors	72	0	Revenue/ production cost
Year ended 31 December 2021			
Highly probable expected net cash flows from customers/ to vendors	-141	0	Revenue/ production cost

32 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

In the financial year, no transactions took place with the Board of Directors and the Executive Board other than the transactions as a result of conditions of employment.

For compensation of the Board of Directors and the Executive Board of the Group please refer to note 5.

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33 Events after the balance sheet date

The Board of Directors of Poul Due Jensen Foundation has approved the issuance of these consolidated financial statements on 15 March 2023.

After the reporting date the following material events has occurred, which is described below.

After the balance sheet date the Board of Directors has approved distributions of DKK 17m, hereof DKK 4m related to earthquake disaster relief in Turkey and Syria.

On January 9, 2023, the Foundation established an investment company, PDJF Direct Invest ApS, in order to invest in technology-based companies. The first investment was made on January 19, 2023, where PDJF Direct Invest ApS acquired 24.9% of the shares of the startup Aarhus Geo Instruments ApS (AGI), a spin-out from Aarhus University's Hydro Geophysics Group. The company provides geophysical instrumentation for large scale subsurface imaging using Transient Electro Magnetics (TEM) and has developed a unique way of mapping subsurface water basins via this instrumentation technology.

A further step to expand our global Water Treatment Solutions platform inside the Industry division was completed early January 2023 when Water Works Inc. based in San Diego, United States was acquired.

Water Works will be integrated into MECO, strengthening the Group's ultrapure water solutions offerings to the life science and biopharmaceutical segments.

In 2022 Water Works generated a revenue of DKK 68m. As per end of 2022 its total asset base amounted to DKK 33m and the company hosted 29 employees. See more at www.ultrapurewaterworks.com

34 Summary of significant accounting policies

Basis of preparation

The annual report for the year ended 31 December 2022 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and additional requirements in the Danish Financial Statements Act applicable to reporting class C (Large) entities.

These consolidated financial statements, for the year ended 31 December 2022, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2021, the Group prepared its consolidated financial statements in accordance with The Danish Financial Statements Act and hereinafter "DK GAAP". Refer to Note 36 for information on how the Group adopted IFRS.

The Group has adopted all new, amended, or revised accounting standards and interpretations (IFRS) as adopted by the EU effective as of 1 January 2022.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, earn out and debt and equity financial assets that have been measured at fair value.

The annual report is presented in Danish Kroner (DKK), the functional currency of the parent company, and all amounts are stated in millions, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the parent company, Poul Due Jensens Foundation, and subsidiaries over which Poul Due Jensens Foundation exercises control.

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities disposed of are recognised in the consolidated statement of profit and loss until the date of disposal.

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34 Summary of significant accounting policies (continued)

Profit and loss and each component of other comprehensive income are attributed to the owners of the parent company and to non-controlling interests even if this means that the non-controlling interests have a negative balance. When necessary, the consolidated financial statements of subsidiaries are adjusted to align to the accounting policies of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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.

New accounting standards not yet adopted

The following standards, interpretations and amendments to existing standards were adopted for the first time in the 2022 financial year, but had no or no material effect on the consolidated financial statements of group:

- ▶ Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- ▶ Conceptual Framework – Amendments to IFRS 3
- ▶ Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
- ▶ First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time Adopter
- ▶ Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- ▶ IAS 41 Agriculture – Taxation in fair value measurements.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- ▶ IFRS 17 Insurance Contracts
- ▶ Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- ▶ Definition of Accounting Estimates - Amendments to IAS 8
- ▶ Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

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34 Summary of significant accounting policies (continued)

- ▶ Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12.

Critical accounting estimates and judgements

In preparing the consolidated financial statement, Management has made judgements, estimates and assumptions that affect how the Group's accounting policies are applied and the amount of assets, liabilities, income and expenses reported.

Judgements

Special items

The use of special items entails management judgement in the separation from ordinary items. Management carefully assesses individual classifications for a fair distinction between operating activities and significant income and expenses of a special nature.

The exit decision from Russia and Belarus led to one-off expenses which management deems a special item. Exit related expenses relate to impairment of assets and costs related to severance and other legal commitments arising from the Share Purchase Agreement with the buyer.

Management has assessed the various scenarios and likelihood in their judgement and estimation of the provision.

Management makes accounting estimates and assumptions on which the recognition and measurement of the Group's revenues, expenses, assets and liabilities, and the accompanying disclosures, are based.

The following provides information about assumptions and estimation uncertainties which could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

Assumptions and estimation uncertainties

Management makes accounting estimates and assumptions on which the recognition and measurement of the Group's revenues, expenses, assets and liabilities, and the accompanying disclosures, are based.

The following provides information about assumptions and estimation uncertainties which could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

Tax (Note 9)

Conducting business globally the interpretation of local tax regulations – including transfer pricing – creates uncertainty with regards to timing, assessment and other assumptions.

Management reviews the assumptions on an ongoing basis. Tax assets and liabilities are recognised at the most likely future impact to the consolidated financial statements, considering the level and timing of future taxable income.

Impairment test of goodwill (Note 10)

The key assumptions supporting recoverable amounts mainly comprise discount rate (WACC) and expectations regarding future production and unit prices. Please refer to note 10 for more details related to the impairment test.

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34 Summary of significant accounting policies (continued)

Depreciation on tangible non-current assets (Note 11)

The expected lifetime for tangible assets is determined based on experience and expectations for future use of the assets. Estimated lifetime is linked to uncertainty due to varying utilisation.

Inventories (Note 14)

Valuation of inventories includes estimates related to allocation of indirect costs and estimates on the net realisable value at which inventories are expected to be sold. Estimates in these areas are based on judgements such as determination of obsolete items and expected future turnover.

Trade receivables (Note 15)

The valuation of trade receivables includes estimates on the expected credit loss. These estimates are based on statistics over the historic risk of credit losses, and judgements over future risk of losses. By nature, this methodology is associated with uncertainty.

Pension obligations, defined benefit plans (Note 18)

Pension obligations under defined benefit plans are based on assumptions in the actual individual agreements (such as a fixed amount or a percentage of the employee's salary) and generic assumptions (interest, inflation, mortality etc.) which are associated with a degree of uncertainty. External actuarial support is used on significant plans.

The calculated pension obligation is measured at discounted present value.

Provisions (Note 19)

Provision for warranty is determined on historic experience on the level and size of claims under the warranty provided. The provision is adjusted annually.

Management continually assesses provisions, including contingencies and the likely outcome of pending and potential legal proceedings. The outcome of such proceedings depends on future events, which are, by nature, uncertain. When considering provisions involving significant estimates opinions and estimates by external legal experts and existing case law are applied in assessing the probable outcome of material legal proceedings.

Estimated costs of restructuring reflect the total estimated cost of decided or foreseen significant restructuring measures.

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35 Group general accounting policies

Revenue

Pump solutions

Pump solution relates to sale of finished goods of which revenue is recognised in the statement of profit and loss when control of the products has been transferred to the customer (The performance obligation is satisfied at a point in time). Control is transferred when the products are delivered, which occurs when the Group has objective evidence that all criteria for transfer of risk has been satisfied. Sales are only recognized to the extent that it is highly probable that a significant reversal will not occur. Products are often sold with retrospective volume discounts. Net sales are measured at the fair value of the consideration agreed, excluding VAT, duties, and discounts in relation to the sale contract. Accumulated experience is used to estimate variable considerations (expected value method). The validity of assumptions and estimates are reassessed at each reporting date. Because of historical accurate estimates, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur.

Service sales

Service income is recognized in the statement of profit and loss as the services are rendered. Accordingly, the recognised sale corresponds to the sales value of the work performed during the year. This is determined based on the actual costs incurred relative to the total expected costs. The sale of services is recognised in the statement of profit and loss when the aggregated income and expenses of the service contract can be reliably measured, and it is probable that the Group will receive the financial benefits, including payments.

Project sales

In addition to the standard pump sales Grundfos develops and delivers highly customised pump solution. The performance obligation is satisfied over-time and payment is generally due upon completion of installation and acceptance of the customer. In some contracts, short-term advances are required before the installation service is provided.

A loss is recognized if the sum of the expected costs for services under the contract exceeds the transaction price.

The Group's standard payment terms is 30-60 days. However, there may be country-specific deviations from the standard payment terms. The Group does not expect to have any contracts where the period between the transfer of the promised products or services to the customer and payment by the customer exceeds one year. Therefore, the Group does not adjust any of the transaction prices for the time value of money. A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. This includes direct and indirect costs such as staff costs, depreciation, amortisation and provisions for obsolete inventory.

Research and development costs

Research and development costs are costs that relate to the Company's R&D activities, including staff costs, amortisation and depreciation. Research costs are recognised in the profit and loss account in the year they are incurred.

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35 Group general accounting policies (continued)

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 consolidated statement of financial position are met for the individual development project.

Staff costs

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

Special items and earnings before interest and tax (EBIT) before special items

Special items include significant and rarely occurring items that are the result of external events over which Grundfos have no influence and are not attributable to Grundfos' normal operations. This includes – but are not limited to – unforeseeable events that would be considered as force majeure such as natural disasters and political actions that significantly impacts Grundfos' operations.

Consequently, earnings before interest and tax (EBIT) before special items is defined as earnings before interest and tax (EBIT) excluding the above-mentioned special items.

Finance income and expenses

Finance income and expenses comprise interest received, and interest paid, realised and unrealised gains and losses on securities, receivables, debt and transactions denominated in foreign currencies. Further the interest element of leasing payments is included.

Goodwill

Goodwill is recognised at initial recognition in the statement of financial position at cost and allocated to cash-generating units as described under "note 10 Intangible assets".

Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Other Intangible Assets

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

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

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

Know-how	3-10 years
Customer relations	3-10 years
Other intangible assets	3-5 years

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35 Group general accounting policies (continued)

Development Projects

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or utilisation opportunity within the group is demonstrated, and where the group intends to produce, market or use the project, are recognised as intangible assets, provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover cost of sales, selling and distribution costs and administrative expenses and development costs.

Other development costs are recognised in the consolidated statement of profit and loss when incurred.

Recognised development projects are measured at cost less accumulated amortisation and impairment.

Cost includes direct and indirect expenses, including wages.

Completed development projects are generally amortised on a straight-line basis over 5 years.

Development projects in progress are not amortised, but annually tested for impairment.

Property, plant & equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the assets is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	20-40 years
Technical installations and machinery	3-10 years
Other technical installations	3-10 years
Land	Not depreciated

The remaining useful life is reassessed annually and adjusted as necessary. The residual value of an asset is considered when the depreciable amount of the asset is determined.

The basis of depreciation is calculated considering the asset's residual value less any impairment losses. The residual value is determined at the date of acquisition and reassessed annually. When the residual value exceeds the carrying amount of the assets, depreciation is discontinued. If the depreciation period or the residual value is changed, the changes are accounted for as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price and the carrying amount at the date of disposal.

Gains and losses are recognised in the consolidated statement of profit and loss as other operating income or operating costs in the period of disposal.

Right-of-use assets and lease liability

For identified leases, a right-of-use asset and a corresponding lease liability is recognised on the lease commencement date. Upon initial recognition, the right-of-use asset is measured at cost corresponding to the lease liability recognised, adjusted for any lease prepayments or directly related costs, including dismantling and restoration costs.

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35 Group general accounting policies (continued)

Right-of-use assets depreciated by the straight-line method over the lease term or the useful life of the leased asset, whichever is shortest.

The lease liability is measured at the present value of lease payments of the lease term discounted using the interest rate implicit in the lease contract. In cases where the implicit interest rate cannot be determined, an appropriate incremental Grundfos borrowing rate is applied corresponding to the borrowing rate used in the country specific project.

Lease extensions are applied where they are available and when it is foreseeable and reasonably certain they will be exercised.

Right-of-use assets and lease liabilities are not recognised for low value lease assets or leases with a term of 12 months or less. These are recognised as an expense on a straight-line basis over the term of the lease.

Trade receivables and other receivables

Receivables are measured at amortised cost less expected credit losses. The estimated value is discounted where relevant.

Contracted work in progress is measured at sales value of the completed part of the contracts as at the date of statement of financial position.

Expected credit loss is based on historic experience including impact from regional and specific circumstances.

An impairment analysis is performed to measure expected credit losses. The provision rates are based on days past due, customer geography, type and rating and coverage by letters of credit or other forms of credit insurance. Generally, trade receivables are written-off if past due for more than one year.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Inventories

Inventories are measured at the lower of cost in accordance with the FIFO method and the net realisable value. The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct wages and indirect costs such as material and labour, maintenance of and depreciation on production machinery, buildings and equipment and costs relating to production administration and management.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to make the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Provisions

Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation, and it is probable that there may be outflow to settle the obligation.

Provisions are measured at the expected future cash flows and - where material - discounted, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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35 Group general accounting policies (continued)

Management continually assesses provisions, including contingencies and the likely outcome of pending and potential legal proceedings.

Pension and similar obligations

The Group has established defined-benefit plans with certain employees at some of the Group's foreign companies. The plans place the Group under an obligation to pay a certain benefit in connection with retirement (e.g. in the form of a fixed amount at retirement or a share of the employee's exit salary). The pension obligations are determined by discounting the pension obligations at the present value. The present value is determined based on assumptions about the future development in economic variables such as interest rates, inflation, mortality and disability probabilities, which are subject to some degree of uncertainty. External actuaries are used for the measurement of all significant defined-benefit plans. The assumptions used are disclosed in Note 18 Pension and similar obligations.

Income Tax

Income tax

Tax expense for the year includes current and deferred tax. Tax is recognised in the consolidated statement of profit and loss, except when the tax relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax

Current tax assets and tax liabilities arising from current or prior periods are recognised at the amounts expected to be received from or paid to the relevant tax authority.

Tax for the period is recognised in the consolidated statement of profit and loss.

The tax rates applied are those in force at the date of the statement of financial position.

Deferred tax

Deferred tax is measured using all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised to the extent that future taxable income is likely to be available against which the differences can be used – either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax assets are assessed on an ongoing basis and are recognised only to the extent that future taxable profits are likely to allow the recovery of the deferred tax asset.

Deferred tax assets and deferred tax liabilities are measured using the tax rates expected to apply in the year when the asset is realised, or the liability is settled.

Deferred tax assets and deferred tax liabilities are set off if a legal right to do so exists, and the deferred tax is attributable to the same legal tax entity.

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35 Group general accounting policies (continued)

Uncertain tax positions

Uncertain tax positions are recognized if it is probable that the uncertain tax position will affect the Group's future tax payments. Uncertain tax positions are measured at the expected future value to be settled

Share Based Payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (retained earnings), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Financial Instruments

Financial Assets and Financial liabilities

Financial assets and liabilities are measured at fair value through the consolidated statement of profit and loss or at fair value through other comprehensive income (hedging instruments).

Derivates and hedge accounting

Derivative financial instruments are measured at fair value.

An economic relationship between the hedged item and the hedging instrument exists when it is expected that the values of the hedged item and hedging instrument will typically move in opposite directions in response to movements in the same risk (hedged risk).

Effectiveness is monitored by comparing the change in the value of the future cash flow hedged to the change in the value of the derivative.

Changes in the fair value of derivative financial instruments designated as a hedge of a recognised asset or liability are recognised in other comprehensive income.

Changes in the fair value of derivative financial instruments that are not designated as a hedge or does not meet the criteria for hedge accounting are recognised as finance income or finance costs in the consolidated statement of profit and loss.

Other financial assets and liabilities

Receivables and other financial assets are measured at amortised cost and written down for expected credit loss on bad debt.

Payables are measured at amortised cost.

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35 Group general accounting policies (continued)

Fair Value Measurements

The Group uses fair value for certain disclosures and measurement of financial instruments and other investments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, presuming that they are acting in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, thus maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, described as follows, on the basis of the lowest level input that is significant to the fair value measurement as a whole.

LEVEL 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

LEVEL 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

LEVEL 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of interest rate swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date. Fair value of the issued bonds is equal to the listed bond price at the balance sheet date.

Business Combination

Enterprises acquired during the year are recognised in the consolidated financial statements from the date of acquisition. The acquisition date is the date when the parent company effectively obtains control of the acquired enterprise. Enterprises disposed of are recognised in the consolidated statement of profit and loss until the disposal date.

For acquisitions of new enterprises in which the parent company is able to exercise control over the acquired enterprise, the purchase method is used. The acquired enterprise's identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

Goodwill is initially measured at cost, being the excess of the consideration transferred, over the Group net identifiable assets acquired, and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of profit and loss as a gain from a bargain purchase. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group cash-generating units that are expected to benefit from the combination. Goodwill is tested for impairment at year-end or more frequently when impairment indicators are identified.

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35 Group general accounting policies (continued)

The cost of a business combination comprises the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the adjustment is probable and can be measured in a reliable manner. Subsequent changes to contingent considerations are recognised in the consolidated statement of profit and loss. If uncertainties regarding the measurement of identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have significant different fair value at the acquisition date than first assumed, goodwill is adjusted up to twelve months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity and the comparative figures are restated accordingly.

Government Grants

Grants for R&D purposes are recognised as income in the consolidated profit and loss account under R&D costs, thus offsetting the costs they compensate.

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

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency of the parent company is DKK. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in other currencies than the functional currency are foreign currency transactions. On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the consolidated statement of profit and loss as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency using the exchange rates at the reporting date. The difference between the exchange rates at the date of statement of financial position and at the date at which the receivable or payable arose or the exchange rates in the latest annual report is recognised in the consolidated statement of profit and loss.

The consolidated statement of profit and loss and the consolidated statement of comprehensive income of entities with a functional currency other than Danish kroner are translated at the exchange rates at the transaction date. Balance sheet items are translated at the exchange rates at the date of statement of financial position. An average exchange rate for each month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions.

Foreign currency translation adjustments that are considered part of the total net investment in entities with another functional currency than DKK are recognised in the consolidated financial statements in other comprehensive income under a separate reserve for foreign currency translation adjustments under equity.

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35 Group general accounting policies (continued)

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquired entities are recognised in the cash flow statement from the acquisition date. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities are calculated in accordance with the indirect method based on profit/loss after tax adjusted for non-cash operating items, changes in working capital, interest received and paid, including the interest element related to recognised lease commitments, dividends received and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, of intangible assets, property, plant and equipment and other non-current assets as well as securities that are not presented as cash and cash equivalents.

Cash flows from financing activities comprise changes in the size or composition of the share capital and related expenses as well as borrowings, repayment of interest-bearing debt, repayment of lease commitments, purchase and sale of treasury shares and distribution of dividends to shareholders.

Cash and cash equivalents comprise cash at bank and in hand. Cash flow in currencies other than the functional currency are translated using average exchange rates unless this deviates significantly from the rate at the transaction date.

Contingent liabilities and assets

Contingent liabilities comprise obligations that are not recognised because the outflow of resources embodying economic benefits will probably not be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

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36 First time adoption of IFRS

The Group has prepared consolidated financial statements that comply with IFRS applicable as at 31 December 2022, together with the comparative period data for the year ended 31 December 2021, as described in the summary of significant accounting policies. In preparing the consolidated financial statements the Group's opening statement of financial position was prepared as at 1 January 2021, the Group's date of adoption of IFRS. This note explains the principal adjustments made by the Group in restating its DK GAAP consolidated financial statements, including the consolidated statement of financial position as at 1 January 2021 and the consolidated financial statements as of, and for, the year ended 31 December 2021.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

- ▶ IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries that are considered businesses under IFRS, nor acquisitions of interests in associates and joint ventures that occurred before 1 January 2021. Use of this exemption means that the carrying amounts of assets and liabilities under DK GAAP, that are required to be recognised under IFRS, are their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise any assets or liabilities that were not recognised under DK GAAP or exclude any previously recognised amounts as a result of IFRS recognition requirements.
- ▶ In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. There was no impairment recognised on goodwill at 1 January 2021.
- ▶ The Group has not applied IAS 21 The Effects of Changes in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- ▶ Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2021.
- ▶ IFRS 16 Leasing was implemented using the modified retrospective approach. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2021. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2021. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on a straight-line basis over the lease term.
- ▶ The following requirements of IFRS 10 are applied prospectively from the date of transition to IFRS:
 - To attribute total comprehensive income to non-controlling interests irrespective of whether this results in a deficit balance
 - To treat changes in a parent's ownership interest as equity transactions
 - To apply IFRS 10 to loss of control of a subsidiary.

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36 First time adoption of IFRS (continued)

Group reconciliation of equity as at 1 January 2021 (date of transition to IFRS)

Note	Amounts in DKK million	DK GAAP	Reclassifica- tion and remeasure- ments	IFRS as at 1 January 2021
	Assets			
	Non-current assets			
	Intangible assets			
A	Goodwill	476	0	476
	Other intangible assets	580	0	580
	Completed development projects	96	0	96
	Development projects in progress	65	0	65
		<u>1,217</u>	<u>0</u>	<u>1,217</u>
	Property, plant and equipment			
	Land and buildings	2,641	0	2,641
	Technical installations and machinery	1,941	0	1,941
	Other technical installations	385	0	385
	Property, plant and equipment in progress	751	0	751
B	Right-of-use assets	0	595	595
		<u>5,718</u>	<u>595</u>	<u>6,313</u>
	Financial assets			
	Securities	63	0	63
	Deferred tax assets	658	2	660
	Other accounts receivable	56	0	56
		<u>777</u>	<u>2</u>	<u>779</u>
	Total non-current assets	<u>7,712</u>	<u>597</u>	<u>8,309</u>
	Current assets			
	Inventories	3,991	0	3,991
	Trade and other receivables	5,607	-24	5,583
	Income tax receivable	447	0	447
	Securities	8,246	0	8,246
	Cash and cash equivalents	5,589	0	5,589
	Total current assets	<u>23,880</u>	<u>-24</u>	<u>23,856</u>
	Total assets	<u>31,592</u>	<u>573</u>	<u>32,165</u>

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36 First time adoption of IFRS (continued)

Group reconciliation of equity as at 1 January 2021 (date of transition to IFRS)

Note	Amounts in DKK million	DK GAAP	Reclassifica- tion and remeasure- ments	IFRS as at 1 January 2021
	Equity and liabilities			
	Equity			
	Basic capital	505	0	505
	Retained earnings	18,077	-496	17,581
	Hedge transaction reserve	5	0	5
	Exchange adjustment reserve	-523	523	0
	Proposed dividend for distribution	200	0	200
C	Equity attributable to parent foundation	18,264	27	18,291
	Non-controlling interests	19	0	19
	Total equity	18,283	27	18,310
	Non-current liabilities			
D	Pensions and similar obligations	621	-33	588
C,D	Provisions	722	-136	586
E	Deferred tax liabilities	81	0	81
B	Lease liabilities	0	379	379
	Interest-bearing debt	91	0	91
	Other liabilities	4,359	0	4,359
	Total non-current liabilities	5,874	210	6,084
	Current liabilities			
	Provisions	144	0	144
	Trade and other payables	2,373	0	2,373
D	Interest-bearing debt	270	0	270
	Lease liabilities	0	216	216
	Income tax payable	884	0	884
F	Deferred income	310	-310	0
F	Other liabilities	3,454	430	3,884
	Total current liabilities	7,435	336	7,771
	Total liabilities	13,309	546	13,855
	Total liabilities and equity	31,592	573	32,165

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36 First time adoption of IFRS (continued)

Group reconciliation of equity as at 31 December 2021

Note	Amounts in DKK million	DK GAAP	Reclassifica- tion and Remeasure- ments	IFRS as at 31 December 2021
	Assets			
	Non-current assets			
	Intangible assets			
A	Goodwill	1,187	73	1,260
	Other intangible assets	1,226	0	1,226
	Completed development projects	100	0	100
	Development projects in progress	41	0	41
		<u>2,554</u>	<u>73</u>	<u>2,627</u>
	Property, plant and equipment			
	Land and buildings	2,981	0	2,981
	Technical installations and machinery	1,879	0	1,879
	Other technical installations	339	0	339
	Property, plant and equipment in progress	899	0	899
B	Right-of-use assets	0	542	542
		<u>6,098</u>	<u>542</u>	<u>6,640</u>
	Financial assets			
	Securities	68	0	68
E	Deferred tax assets	756	2	758
	Other accounts receivable	59	0	59
		<u>883</u>	<u>2</u>	<u>885</u>
	Total non-current assets	<u>9,535</u>	<u>617</u>	<u>10,152</u>
	Current assets			
	Inventories	5,304	0	5,304
D	Trade and other receivables	5,740	-24	5,716
	Income tax receivable	512	0	512
	Securities	10,556	0	10,556
	Cash and cash equivalents	4,225	0	4,225
	Total current assets	<u>26,337</u>	<u>-24</u>	<u>26,313</u>
	Total assets	<u>35,872</u>	<u>593</u>	<u>36,465</u>

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36 First time adoption of IFRS (continued)

Group reconciliation of equity as at 31 December 2021

Note	Amounts in DKK million	DK GAAP	Reclassifica- tion and remeasure- ments	IFRS as at 31 December 2021
	Equity and liabilities			
	Equity			
	Basic capital	505	0	505
A,C,E,G	,H Retained earnings	19,718	-411	19,307
	Hedge transaction reserve	-136	0	-136
H	Exchange adjustment reserve	-299	523	224
	Proposed dividend for distribution	250	0	250
	Equity attributable to parent foundation	20,038	112	20,150
	Non-controlling interests	23	0	23
	Total equity	20,061	112	20,173
	Non-current liabilities			
D,G	Pensions and similar obligations	413	-33	380
D	Provisions	655	-166	489
E	Deferred tax liabilities	210	3	213
B	Lease liabilities	0	323	323
	Interest-bearing debt	31	0	31
	Other liabilities	5,185	0	5,185
	Total non-current liabilities	6,494	127	6,621
	Current liabilities			
	Provisions	164	0	164
	Trade and other payables	3,095	0	3,095
	Interest-bearing debt	98	0	98
B	Lease liabilities	0	223	223
	Income tax payable	874	0	874
F	Deferred income	472	-472	0
D,F	Other liabilities	4,614	603	5,217
	Total current liabilities	9,317	354	9,671
	Total liabilities	15,811	481	16,292
	Total liabilities and equity	35,872	593	36,465

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Notes

36 First time adoption of IFRS (continued)

Group reconciliation of total comprehensive income for the year ended 31 December 2021

Note	Amounts in DKK million	DK GAAP	Reclassification and Remeasurements	IFRS 2021
	Revenue	28,733	0	28,733
B	Production cost	-16,895	41	-16,854
	Gross profit	11,838	41	11,879
A,B	Research and development cost	-1,391	16	-1,375
	Selling and distribution cost	-4,685	33	-4,652
A,B	Administrative cost	-2,612	107	-2,505
	Operating profit (EBIT)	3,150	197	3,347
	Finance income	734	0	734
B	Finance expenses	-1,408	-114	-1,522
	Profit before tax	2,476	83	2,559
A,B	Income tax expenses	-763	-3	-766
	Profit for the year	1,713	80	1,793
	Attributable to:			
	Parent foundation	1,710	80	1,790
	Non-controlling interests (NCI)	3	0	3
		1,713	80	1,793
	Profit for the year	1,713	80	1,793
	Other comprehensive income for the year, net of tax	0	266	266
	Total comprehensive income for the year, net of tax	1,713	346	2,059
	Attributable to:			
	Parent foundation	1,710	345	2,055
	Non-controlling interests (NCI)	3	1	4
		1,713	346	2,059

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Notes

36 First time adoption of IFRS (continued)

A Goodwill

Under DK GAAP, Goodwill was measured at cost less yearly amortisations. Under IFRS, goodwill is still measured at cost upon initial recognition. However, there is no amortisations according to IFRS, but instead there is a requirement for yearly impairment test, and if a goodwill amount is impaired, a write-down to the recoverable amount is required. For goodwill amounts existing 1 January 2021 under DK GAAP, the carrying amounts are the deemed costs for goodwill under IFRS. Thus, amortizations under DK GAAP in 2021 of DKK 72m are reversed in the statement of Profit and loss for 2021.

B Right of use assets

Under DK GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit and loss on a straight-line basis over the lease term. Under IFRS, as explained in note 12, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, the Group recognised an increase of DKK 542m (31 December 2020: DKK 595m) of lease liabilities included under interest-bearing loans and borrowings and DKK 546m (31 December 2020: DKK 595m) of right-of-use assets. The consolidated statement of profit and loss is impacted by lower costs of DKK 5m on the lines above EBIT and additional finance costs of DKK 9m.

C Share-based payments

Under DK GAAP, the Group recognised the cost for the long-term incentive plan over the vesting period based on the estimated cost of the related shares. This cost was offset against provisions in the balance sheet under DK GAAP. As IFRS requires the cost of such equity-settled plans to be set off against equity, a provision of DKK 34m has been transferred to retained earnings as per 1 January 2021.

IFRS requires the fair value of the restricted stock units to be determined using an appropriate pricing model recognized over the vesting period but based on the fair value the restricted stock units at grant date. Thus, the cost of the long-term incentive plan in 2021 is DKK 15m lower according to IFRS than the cost which was included in the statement of profit and loss under DK GAAP.

D Reclassification of receivables and liabilities

In the IFRS transition balance as at 1 January 2021, the following reclassifications have taken place:

- ▶ Earn outs amounting to DKK 120m have been reclassified from provisions under DK GAAP to other liabilities under IFRS.
- ▶ An amount of DKK 18m has been reclassified from pensions under DK GAAP to provisions under IFRS.
- ▶ An amount of DKK 24m has been reclassified from other accounts receivable to pension liabilities according to an actuarial valuation based on IAS 19.

The two last bullet point are also reclassified in balance as at 31 December 2021.

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36 First time adoption of IFRS (continued)

E Deferred tax

The transitional adjustments related to leases (IFRS 16) and share-based payments (IFRS 2) resulted in temporary differences. According to the accounting policies in note 35, the Group has to recognise the tax effects of such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

F Deferred income

According to DK GAAP, deferred income was disclosed as a separate line item in the balance sheet: DKK 310m as at 1 January 2021 and DKK 472m as at 31 December 2021. Under IFRS, it has been included in "Other liabilities"

G Pension liabilities

Based on actuarial calculations cf. IAS 19, additional pension liabilities of DKK 7m as at 1 January 2021 and at 31 December 2021 have been identified.

H Cumulative currency translation

Cumulative currency translation DKK 523m for all foreign operations are deemed to be zero as at 1 January 2021.

I Other comprehensive income

Other comprehensive income of DKK 266m in 2021 is a new disclosure requirement according to IFRS. The amount comprises the following items net of tax: Actuarial gains, fair value of hedging and exchange adjustment reserve. Under Danish GAAP, these amounts were disclosed as movements in equity only.

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36 First time adoption of IFRS (continued)

Group reconciliation of Cash Flow for the year ended 31 December 2021

Note	Amounts in DKK million	DK GAAP	Reclassification and Remeasurements	IFRS 2021
	Cash flows from operating activities			
	Profit after tax	1,713	80	1,793
	Adjustments to reconcile profit before tax to net cash flows:			
	Net financial income/expense	779	9	788
	Depreciation and impairment of property, plant and equipment	1,241	127	1,368
	Share-based payment expense	0	-15	-15
	Other adjustments	19	31	50
	Tax expense	763	3	766
	Working capital adjustments:			
	Changes in other receivables	100	0	100
	Changes in trade and other payables	1,607	0	1,607
	Changes in inventories	-1,128	0	-1,128
	Changes in provisions and other liabilities	-311	0	-311
	Taxes paid	-946	0	-946
	Net interest received and realized currency gain	101	0	101
	Interest paid on lease liabilities	0	-11	-11
	Net cash flows from operating activities	3,938	224	4,162
	Cash flows from investing activities			
	Purchase of property, plant and equipment	-1,078	0	-1,078
	Proceeds from sale of property, plant and equipment	21	0	21
	Purchase of intangible assets	-256	0	-256
	Purchase of financial instruments	-6,322	0	-6,322
	Proceeds from sale of financial instruments	4,278	0	4,278
	Acquisition of subsidiaries, net of cash acquired	-1,547	0	-1,547
	Net cash flows from investing activities	-4,904	0	-4,904

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Notes

36 First time adoption of IFRS (continued)

Group reconciliation of Cash Flow for the year ended 31 December 2021

Note	Amounts in DKK million	DK GAAP	Reclassification and Remeasurements	IFRS 2021
	Cash flow from financing activities			
	Payment of principal portion of lease liabilities	0	-195	-195
	Proceeds from borrowings	87	0	87
	Repayment of borrowings	-320	0	-320
	Purchase of own shares	0	-29	-29
	Distributions paid	-174	-0	-174
	Dividend to minorities, with associated buy-back obligation	-112	0	-112
	Acquisition and sale of minority holdings and exploitation of buy-back obligations, net	59	0	59
	Net cash flow from financing activities	-460	-224	-684
	Net increase/(decrease) in cash and cash equivalents	-1,426	0	-1,426
	Cash and cash equivalents at beginning of the year/period	5,589	0	5,589
	Net foreign exchange difference	62	0	62
	Cash and cash equivalents end of year	4,225	0	4,225

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Parent Foundation Annual Accounts for 1 January – 31 December

Statement of profit and loss

Note	Amounts in DKK million	2022	2021
1,2,3	Administrative cost	-27	-24
	Earnings before interest and tax (EBIT)	-27	-24
	Income from investments in affiliated companies	1,763	2,334
4	Financial income	167	441
4	Financial expenses	-826	-168
	Profit before tax	1,077	2,583
5	Income tax expenses	206	-55
	Profit for the year	<u>1,283</u>	<u>2,528</u>
	Attributable to		
	Retained earnings	293	782
	Reserve equity method	640	1,496
	Extraordinary adjustment of provision for distributions	50	0
	Distributions	<u>300</u>	<u>250</u>
	Total	<u>1,283</u>	<u>2,528</u>

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Parent Foundation Annual Accounts for 1 January – 31 December

Statement of other comprehensive income

Note	Amounts in DKK million	<u>2022</u>	<u>2021</u>
	Profit for the year	1,283	2,528
	Other comprehensive income that may be reclassified to profit and loss in subsequent periods (net of tax)		
	Other comprehensive income from affiliated companies	<u>599</u>	<u>234</u>
	Other comprehensive income that may be reclassified to profit and loss in subsequent period, net of tax	<u>599</u>	<u>234</u>
	Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
	Other comprehensive income from affiliated companies	<u>19</u>	<u>3</u>
	Other comprehensive income that will not be reclassified to profit and loss in subsequent periods, net of tax	<u>19</u>	<u>3</u>
	Other comprehensive income for the year, net of tax	<u>618</u>	<u>237</u>
	Total comprehensive income for the year, net of tax	<u><u>1,901</u></u>	<u><u>2,765</u></u>
	Attributable to:		
	Retained earnings	455	782
	Reserve equity method	1,096	1,733
	Extraordinary adjustment of provision for distributions	50	0
	Distributions	<u>300</u>	<u>250</u>
	Total	<u><u>1,901</u></u>	<u><u>2,765</u></u>

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Parent Foundation Annual Accounts for 1 January – 31 December

Statement of financial position

Note	Amounts in DKK million	2022	2021	1 January 2021*
	ASSETS			
	Non-current assets			
	Property, plant and equipment			
6	Right-of-use assets	4	4	5
		<u>4</u>	<u>4</u>	<u>5</u>
	Financial assets			
7	Investments in affiliated companies	18,420	17,205	15,525
5	Deferred tax assets	151	0	0
		<u>18,571</u>	<u>17,205</u>	<u>15,525</u>
	Total non-current assets	<u>18,575</u>	<u>17,209</u>	<u>15,530</u>
	Current assets			
5	Income tax receivable	30	0	0
8	Other receivables	34	12	17
9	Securities	7,371	6,969	5,905
10	Cash and cash equivalents	63	138	198
		<u>7,498</u>	<u>7,119</u>	<u>6,120</u>
	Total current assets	<u>7,498</u>	<u>7,119</u>	<u>6,120</u>
	TOTAL ASSETS	<u>26,073</u>	<u>24,328</u>	<u>21,650</u>
	EQUITY AND LIABILITIES			
11	Basic capital	505	505	505
	Retained earnings	8,235	7,682	6,689
	Reserve equity method	16,775	15,676	14,045
	Provision for distributions	364	250	200
	Total equity	<u>25,879</u>	<u>24,113</u>	<u>21,439</u>
	Non-current liabilities			
6	Lease liabilities	4	4	4
	Total non-current liabilities	<u>4</u>	<u>4</u>	<u>4</u>
	Current liabilities			
6	Lease liabilities	0	0	1
5	Income tax payable	0	5	28
12	Other liabilities	190	206	178
	Total current liabilities	<u>190</u>	<u>211</u>	<u>207</u>
	Total liabilities	<u>194</u>	<u>215</u>	<u>211</u>
	TOTAL EQUITY AND LIABILITIES	<u>26,073</u>	<u>24,328</u>	<u>21,650</u>

* Please see Note 20 'First time adoption of IFRS' for further details on the opening balance.

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Parent Foundation Annual Accounts 1 January – 31 December

Statement of cash flows

Note	Amounts in DKK million	2022	2021
	Operating activities		
	Profit after tax	1,283	2,528
3	Depreciation and amortisation of non-current assets	0	1
4	Finance income	-167	-441
4	Finance expenses	826	168
7	Income from investments in affiliated companies	-1,763	-2,334
5	Tax for the year	-206	55
14	Changes in net working capital	-22	6
	Dividend received	1,121	838
	Cash generated from operation before financial items and tax	1,072	821
	Taxes paid	19	-78
	Interest paid and realised currency losses	-1	-2
	Interest received and realised currency gains	167	54
	Interest paid on lease liabilities	0	0
	Cash flow from operating activities	1,257	795
	Investing activities		
9	Purchase of securities	-5,048	-4,165
9	Sale of securities	3,821	3,322
	Cash flow from investing activities	-1,227	-843
	Net cash flow from operating and investing activities	30	-48
	Financing activities		
	Payment of principal portion of lease liabilities	0	-1
	Distributions paid	-252	-174
	Acquisition and sale of minority holdings	147	163
15	Cash flow from financing activities	-105	-12
	Net increase/(decrease) in cash and cash equivalents	-75	-60
	Cash and cash equivalents, beginning of the year	138	198
	Cash and cash equivalents, end of the year	63	138

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Parent Foundation Annual Accounts 1 January – 31 December

Statement of changes in equity

Note	Amounts in DKK million	Basic capital	Retained earnings	Reserve equity method	Provision for distribution	Total
	Balance at 1 January 2021	505	6,689	14,045	200	21,439
	Profit for the year	0	782	1,496	250	2,528
	Other comprehensive income	0	0	237	0	237
	Distributions	0	0	0	-201	-201
	Adjustment to provision for distributions	0	0	0	1	1
	Transaction with non-controlling interests	0	211	-102	0	109
	Total other transactions	0	211	-102	-200	-91
	Balance at 31 December 2021	505	7,682	15,676	250	24,113
	Balance at 1 January 2022	505	7,682	15,676	250	24,113
	Profit for the year	0	293	640	350	1,283
	Other comprehensive income	0	0	618	0	618
	Distributions	0	0	0	-236	-236
	Adjustment to provision for distributions	0	0	0	0	0
	Transaction with non-controlling interests	0	260	-159	0	101
	Total transactions with shareholders	0	260	-159	-236	-135
	Balance at 31 December 2022	505	8,235	16,775	364	25,879

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Amounts in DKK million		2022	2021
1	Administration cost		
	Staff cost	13	12
	Depreciation and amortisation	0	1
	Other administration	14	11
	Total	<u>27</u>	<u>24</u>
2	Staff cost		
	Wages and salaries	12	11
	Pensions	1	1
	Total	<u>13</u>	<u>12</u>
	Staff costs are recognised as follows:		
	Administration cost	13	12
	Total	<u>13</u>	<u>12</u>
	Average number of full-time employees	<u>7</u>	<u>6</u>
	Numbers of employees, closing	<u>7</u>	<u>7</u>

The staff costs include wages and salaries to the Executive Board and the Board of Directors of the Foundation for the directorships in the Foundation of DKK 8m (2021: DKK 8m).

3	Depreciation, amortisation and impairments		
	Amounts in DKK million	2022	2021
	Right-of-use assets, note 6	0	1
	Total	<u>0</u>	<u>1</u>
	Depreciation, amortisation and are recognised as follows:		
	Administration cost	0	1
	Total	<u>0</u>	<u>1</u>

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Amounts in DKK million		2022	2021
4	Financial income and expenses		
	Interest income bonds	67	32
	Value adjustments shares	0	387
	Dividend income shares	100	22
	Other financial income	0	0
	Total	167	441
	Value adjustments bonds	508	166
	Value adjustment shares	317	0
	Interest on lease liabilities	0	0
	Other finance expense	1	2
	Total	826	168
5	Tax		
	Income taxes in statement of profit and loss and reconciliation		
	Tax on the profit for the year is specified as follows:		
	Tax on profit/loss for the year	-206	55
	Total	-206	55
	Tax on the profit for the year has been calculated as follows:		
	Current income taxes	0	55
	Deferred income taxes	-151	0
	Adjustment regarding previous years	-55	0
	Total	-206	55
	Effective tax rate can be calculated as follows:		
	Danish tax rate	22%	22%
	Non-taxable income and non-deductible expenses	-36%	-20%
	Adjustment regarding previous years	-5%	0%
	Effective tax rate	-19%	2%
	Income tax:		
	Income tax receivable	30	0
	Income tax payable	0	-5
	Total income tax	30	-5

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5 Tax (continued)

Deferred taxes

Changes in deferred tax

Amounts in DKK million	2022	2021
Net deferred tax assets 1 January	0	0
Deferred tax recognised in profit and loss account	151	0
Net deferred tax assets	<u>151</u>	<u>0</u>

Breakdown of deferred tax

Amounts in DKK million	2022	2021	1 January 2021
Non-current assets	0	0	0
Current assets	0	0	0
Provisions	0	0	0
Liabilities	0	0	0
Tax loss carry forward	151	0	0
Net deferred tax assets	<u>151</u>	<u>0</u>	<u>0</u>

Reflected in the statement of financial position as follows:

Deferred tax assets	151	0	0
Deferred tax liabilities	0	0	0
Net deferred tax assets	<u>151</u>	<u>0</u>	<u>0</u>

The Foundation has tax losses by end of 2022 of 151m (2021: 0m) that are available indefinitely for offsetting against future taxable profits in the Foundation.

Deferred tax assets have been recognised as they are expected to be used to offset taxable profits in the future.

The Foundation has an unrecognised deferred tax liability of DKK 65m as at 31 December 2022 in respect of tax provisions for subsequent distributions. The amount has not been recognised as it is not considered likely to be subject to taxation due to the Foundations intention to continue distributing resources in accordance with the Foundations objectives, in accordance with accounting policies.

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Notes

6 Leases

The Foundation has lease contracts primarily for buildings. Leases of buildings have a lease term of 10 years. The Foundation's obligations under its leases are secured by the lessor's title to the leased assets. The Foundation is restricted from assigning and subleasing the leased assets

The Foundation also has leases with lease terms of 12 months or less and leases of low value. The Foundation applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Amounts in DKK million	Property
Carrying amount at 1 January 2022	4
Additions	0
Depreciations	0
Carrying amount at 31 December 2022	<u>4</u>
Carrying amount at 1 January 2021	5
Exchange rate adjustments	0
Additions	0
Depreciations	-1
Carrying amount at 31 December 2021	<u>4</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Amounts in DKK million	2022	2021
Balance at 1 January	4	5
Exchange rate adjustments	0	0
Additions	0	0
Interest	0	0
Payments	0	-1
Balance at 31 December	<u>4</u>	<u>4</u>
Current	0	0
Non-Current	4	4
Total	<u>4</u>	<u>4</u>
Undiscounted lease liabilities maturity analysis		
Less than one year	0	0
One to three years	1	1
More than three years	3	3
Total undiscounted lease liabilities at 31 December	<u>4</u>	<u>4</u>

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6 Leases (continued)

The following are the amounts recognised in profit and loss:

Amounts in DKK million	2022	2021
Depreciation expense of right-of-use assets	0	1
Interest expense on lease liabilities	0	0
Expense relating to short-term leases	0	0
Expense relating to leases of low-value assets	0	0
Variable lease payments	0	0
Total amount recognised in profit and loss	<u>0</u>	<u>1</u>

The Foundation had total cash outflows for leases of DKK 0m in 2022 (DKK 1m in 2021).

7 Investments in affiliated companies

Amounts in DKK million	2022	2021	1 January 2021
Cost at 1 January	1,529	1,481	1,110
Additions	124	56	375
Disposals	-8	-8	-4
Cost at 31 December	<u>1,645</u>	<u>1,529</u>	<u>1,481</u>
Value adjustments at 1 January	15,676	14,045	14,001
Share of profit	1,763	2,334	1,731
Dividends received	-1,121	-838	-964
Disposals of the year	-78	-67	-47
Other value adjustments	535	202	-676
Adjustments at 31 December	<u>16,775</u>	<u>15,676</u>	<u>14,045</u>
Carrying amount at 31 December	<u>18,420</u>	<u>17,205</u>	<u>15,525</u>

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

8 Other receivables

Amounts in DKK million	2022	2021	1 January 2021
Prepayments	2	2	2
Other current receivables	32	10	15
Total	<u>34</u>	<u>12</u>	<u>17</u>

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9 Securities

Amounts in DKK million	2022	2021
Costs at 1 January	6,417	5,574
Exchange rate adjustments	0	0
Additions during the year	5,048	4,165
Disposals during the year	-3,821	-3,322
Cost at 31 December	7,644	6,417
Value adjustments at 1 January	552	331
Value adjustments during the year	-825	221
Value adjustments at 31 December	-273	552
Balance at 31 December	7,371	6,969
Balance at 1 January	6,969	5,905
Current	7,371	6,969
Non-current	0	0
Total	7,371	6,969

The portfolio consists solely of listed shares and bonds and is distributed as follows:

Amounts in DKK million	2022	2021
Shares	2,092	2,076
Bonds	5,279	4,893
Total	7,371	6,969

10 Cash and equivalents

Amounts in DKK million	2022	2021
Cash at bank and on hand	63	138
Total	63	138

Cash at banks earns interest at floating rates based on daily bank deposit rates.

11 Basic Capital

The basic capital amounts to DKK 505m.

The basic capital shall always remain untouched while the retained earnings is for the free disposal of the Foundation in accordance with the Foundation's objective.

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12 Other Liabilities

Amounts in DKK million	2022	2021	1 January 2021
Accrued expenses	8	8	7
Accrued distributions	178	194	168
Other	4	4	3
Total	190	206	178

13 Fees to auditors

Amounts in DKK million	2022	2021
Fee to EY for Statutory audit	0	0
Fee to EY for other assurance engagements	0	0
Fee to EY for tax advisory services	0	0
Fee to EY for other services	1	0
Total	1	0

14 Changes in working capital

Changes in accounts receivable	-22	5
Change in other liabilities	0	1
Total	-22	6

15 Changes in liabilities arising from financing activities

Amounts in DKK million	Current lease liabilities	Non-current lease liabilities	Total
Balance at 1 January 2022	0	4	4
Cash flows	0	0	0
Balance at 31 December 2022	0	4	4
Balance at 1 January 2021	1	4	5
Cash flows	-1	0	-1
Balance at 31 December 2021	0	4	4

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16 Financial risk management

The main purpose of the Foundation's financial liabilities is to finance the Foundation's operations and to provide guarantees to support its operations.

Foundation Management oversees the management of these risks, including overseeing that the Foundation's financial risk activities are governed by the policies and procedures outlined by Management and that financial risks are identified, measured and managed in accordance with the Foundation's policies and risk objectives. It is the Foundation's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees on policies for managing each of these risks.

Financial instrument by category

Amounts in DKK million	2022	2021
Carrying amount		
Shares	2,092	2,076
Bonds	5,279	4,893
Financial assets measured at fair value through profit and loss	<u>7,371</u>	<u>6,969</u>
Cash and cash equivalent	<u>63</u>	<u>138</u>
Financial assets measured at amortised cost	<u>63</u>	<u>138</u>
Buy-back obligation relating to shares	<u>0</u>	<u>0</u>
Financial liabilities measured at fair value through OCI	<u>0</u>	<u>0</u>

Fair value measurement

The following table provides the fair value measurement hierarchy of the Foundation's assets and liabilities.

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16 Financial risk management (continued)

Fair value hierarchy

Amounts in DKK million	Quoted market prices (level 1)	Valuation based on directly or indirectly market (level 2)	Valuation techniques based on unobservable inputs for valuation (level 3)	Total
2022				
Shares	2,092	0	0	2,092
Bonds	5,279	0	0	5,279
Financial assets measured at fair value as of 31 December	7,371	0	0	7,371
Buy-back obligation relating to shares	0	0	0	0
Financial liabilities measured at fair value as of 31 December	0	0	0	0
2021				
Shares	2,076	0	0	2,076
Bonds	4,893	0	0	4,893
Financial assets measured at fair value as of 31 December	6,969	0	0	6,969
Buy-back obligation relating to shares	0	0	0	0
Financial liabilities measured at fair value as of 31 December	0	0	0	0

There were no transfers between levels during 2022 or 2021.

Valuation techniques and assumptions used

The management assessed that the fair values of cash and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Securities

Fair value of securities is based on observable market prices from stock exchanges.

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.

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16 Financial risk management (continued)

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 0m in the balance sheet of the parent company's financial statements as of 31 December 2022 (2021: DKK 0m).

Liquidity risk

There is no material liquidity risk in the Foundation.

17 Related parties

Related parties of Poul Due Jensens Fond comprise key management personal, 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.

For more information about related parties, including compensation to Group Management, see note 32 Related parties under the Consolidated Financial Statement.

Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

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

Amounts in DKK million	2022	2021	1 January 2021
Related party transactions			
Subsidiaries			
Sale of shares to Grundfos Holding A/S	271	220	-
Cost of services	5	5	-
Dividend received	1,121	838	-
Key management personnel			
Salaries and remunerations*	56	53	-
Dividends from Grundfos Holding A/S	56	67	-
Acquisition of shares in Grundfos Holding A/S	6	9	-
Payable remuneration	36	29	24

*DKK 8m (2021: DKK 8m) has been paid from Poul Due Jensens Fond.

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18 Events after the balance sheet date

The Board of Directors has approved the issuance of these financial statements on 15 March 2023.

After the balance sheet date the Board of Directors has approved distributions of DKK 17m, hereof DKK 4m related to earthquake disaster relief in Turkey and Syria.

On January 9, 2023, the Foundation established an investment company, PDJF Direct Invest ApS, in order to invest in technology-based companies. The first investment was made on January 19, 2023, where PDJF Direct Invest ApS acquired 24.9% of the shares of the startup Aarhus Geo Instruments ApS (AGI), a spin-out from Aarhus University's Hydro Geophysics Group. The company provides geophysical instrumentation for large scale subsurface imaging using Transient Electro Magnetics (TEM) and has developed a unique way of mapping subsurface water basins via this instrumentation technology.

19 Parent Foundation accounting policies

Poul Due Jensens Fond is a Foundation domiciled in Denmark. The Annual Report for the period 1 January to 31 December 2022, comprises the Financial Statements of Poul Due Jensens Fond.

The Financial Statements of Poul Due Jensens Fond have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for large class C companies.

Unless otherwise indicated, the Annual Report is presented in DKK rounded to the nearest million.

Besides the following section, the accounting policies for Poul Due Jensens Fond are the same as for the Group.

Investments in subsidiaries

Investments in subsidiaries are measured at cost on initial recognition and subsequently at the proportionate share of the companies' net asset value calculated in accordance with the parent Foundation's accounting policies with the deduction or addition of unrealised intra-group gains and losses and with the addition or deduction of goodwill calculated according to the purchase method.

Companies with a negative net asset value are recognised at DKK nil, and any receivable amount from these companies is written down, to the extent it is deemed to be irrecoverable, by the parent Foundation's share of the negative net asset value. If the negative net asset value exceeds the amount receivable, the residual amount is recognised under provisions to the extent that the parent Foundation has a legal or constructive obligation to cover the subsidiary's negative balance.

The proportionate share of the profit and loss of subsidiaries after tax is recognised in the income statement after full elimination of intra-group gains/losses.

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.

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Parent Foundation accounting policies (continued)

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.

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.

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Parent financial statements 1 January – 31 December

Notes

20 First time adoption of IFRS

The Foundation has prepared financial statements that comply with IFRS applicable as at 31 December 2022, together with the comparative period data for the year ended 31 December 2021, as described in the summary of significant accounting policies for the Group. In preparing the financial statements the Foundation's opening statement of financial position was prepared as at 1 January 2021, the Foundation's date of adoption of IFRS. This note explains the principal adjustments made by the Foundation in restating its DK GAAP financial statements, including the statement of financial position as at 1 January 2021 and the financial statements as of, and for, the year ended 31 December 2021.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Foundation has applied the following exemptions:

- ▶ In accordance with IFRS 1, the Foundation has tested goodwill for impairment at the date of transition to IFRS. There was no impairment recognised on goodwill at 1 January 2021. Goodwill is included in "investment in affiliated companies".
- ▶ IFRS 16 Leasing was implemented using the modified retrospective approach. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2021. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2021. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on a straight-line basis over the lease term.

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Notes

20 First time adoption of IFRS (continued)

Reconciliation of equity as at 1 January 2021 (date of transition to IFRS)

Note	Amounts in DKK million	DK GAAP	Reclassifica- tion and remeasure- ments	IFRS as at 1 January 2021
	Assets			
	Non-current assets			
	Property, plant and equipment			
B	Right-of-use assets	0	5	5
		0	5	5
	Financial assets			
A	Investments in affiliated companies	15,501	24	15,525
		15,501	24	15,525
	Total non-current assets	15,501	29	15,530
	Current assets			
	Other receivables	17	0	17
	Securities	5,905	0	5,905
	Cash and cash equivalents	198	0	198
	Total current assets	6,120	0	6,120
	Total assets	21,621	29	21,650
	Equity and liabilities			
	Equity			
	Basic capital	505	0	505
	Retained earnings	6,689	0	6,689
A	Reserve equity method	14,021	24	14,045
	Provision for distribution	200	0	200
	Total equity	21,415	24	21,439
	Non-current liabilities			
B	Lease liabilities	0	4	4
	Total non-current liabilities	0	4	4
	Current liabilities			
	Contract Liabilities			
B	Lease liabilities	0	1	1
	Income tax payable	28	0	28
	Other liabilities	178	0	178
	Total current liabilities	206	1	207
	Total liabilities	206	5	211
	Total liabilities and equity	21,621	29	21,650

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Notes

20 First time adoption of IFRS (continued)

Reconciliation of equity as at 31 December 2021

Note	Amounts in DKK million	DK GAAP	Reclassifica- tion and remeasure- ments	IFRS as at 31 December 2021
	Assets			
	Non-current assets			
	Property, plant and equipment			
B	Right-of-use assets	0	4	4
		0	4	4
	Financial assets			
A	Investments in affiliated companies	17,106	99	17,205
		17,106	99	17,205
	Total non-current assets	17,106	103	17,209
	Current assets			
	Other receivables	12	0	12
	Securities	6,969	0	6,969
	Cash and cash equivalents	138	0	138
	Total current assets	7,119	0	7,119
	Total assets	24,225	103	24,328
	Equity and liabilities			
	Equity			
	Basic capital	505	0	505
	Retained earnings	7,682	0	7,682
A	Reserve equity method	15,577	99	15,676
	Provision for distribution	250	0	250
	Total equity	24,014	99	24,113
	Non-current liabilities			
B	Lease liabilities	0	4	4
	Total non-current liabilities	0	4	4
	Current liabilities			
	Contract Liabilities			
B	Lease liabilities	0	0	0
	Income tax payable	5	0	5
	Other liabilities	206	0	206
	Total current liabilities	211	0	211
	Total liabilities	206	4	210
	Total liabilities and equity	24,225	103	24,328

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Notes

20 First time adoption of IFRS (continued)

Reconciliation of total comprehensive income for the year ended 31 December 2021

Note	Amounts in DKK million	DK GAAP	Reclassification and Remeasurements	IFRS 2021
B	Administrative cost	-24	0	-24
	Earnings before interest and tax (EBIT)	-24	0	-24
	Income from investments in affiliated companies	2,263	71	2,334
A	Finance income	441	0	441
B	Finance expenses	-168	0	-168
	Profit before tax	2,512	71	2,583
B	Income tax expenses	-55	0	-55
	Profit for the year	2,457	71	2,528
	Profit for the year	2,457	71	2,528
I	Other comprehensive income for the year, net of tax	0	234	234
	Total comprehensive income for the year, net of tax	2,457	305	2,762

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Notes

20 First time adoption of IFRS (continued)

A Goodwill

Under DK GAAP, Goodwill related to affiliated companies was measured at cost less yearly amortisations. Under IFRS, goodwill is still measured at cost upon initial recognition. However, there is no amortisations according to IFRS, but instead there is a requirement for yearly impairment test, and if a goodwill amount is impaired, a write-down to the recoverable amount is required. For goodwill amounts existing 1 January 2021 under DK GAAP, the carrying amounts are the deemed costs for goodwill under IFRS. Thus, amortizations under DK GAAP in 2021 of DKK 11m are reversed under "income from investments in affiliated companies" in the statement of profit and loss for 2021.

B Right of use assets

Under DK GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit and loss on a straight-line basis over the lease term. Under IFRS, as explained in note 6, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At the date of transition to IFRS, the Foundation applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, the Foundation recognised an increase of DKK 5m (31 December 2020: DKK 4m) of lease liabilities included under interest-bearing loans and borrowings and DKK 4m (31 December 2020: DKK 5m) of right-of-use assets. The statement of profit and loss is impacted by lower costs of DKK 0m on the lines above EBIT and additional finance costs of DKK 0m.