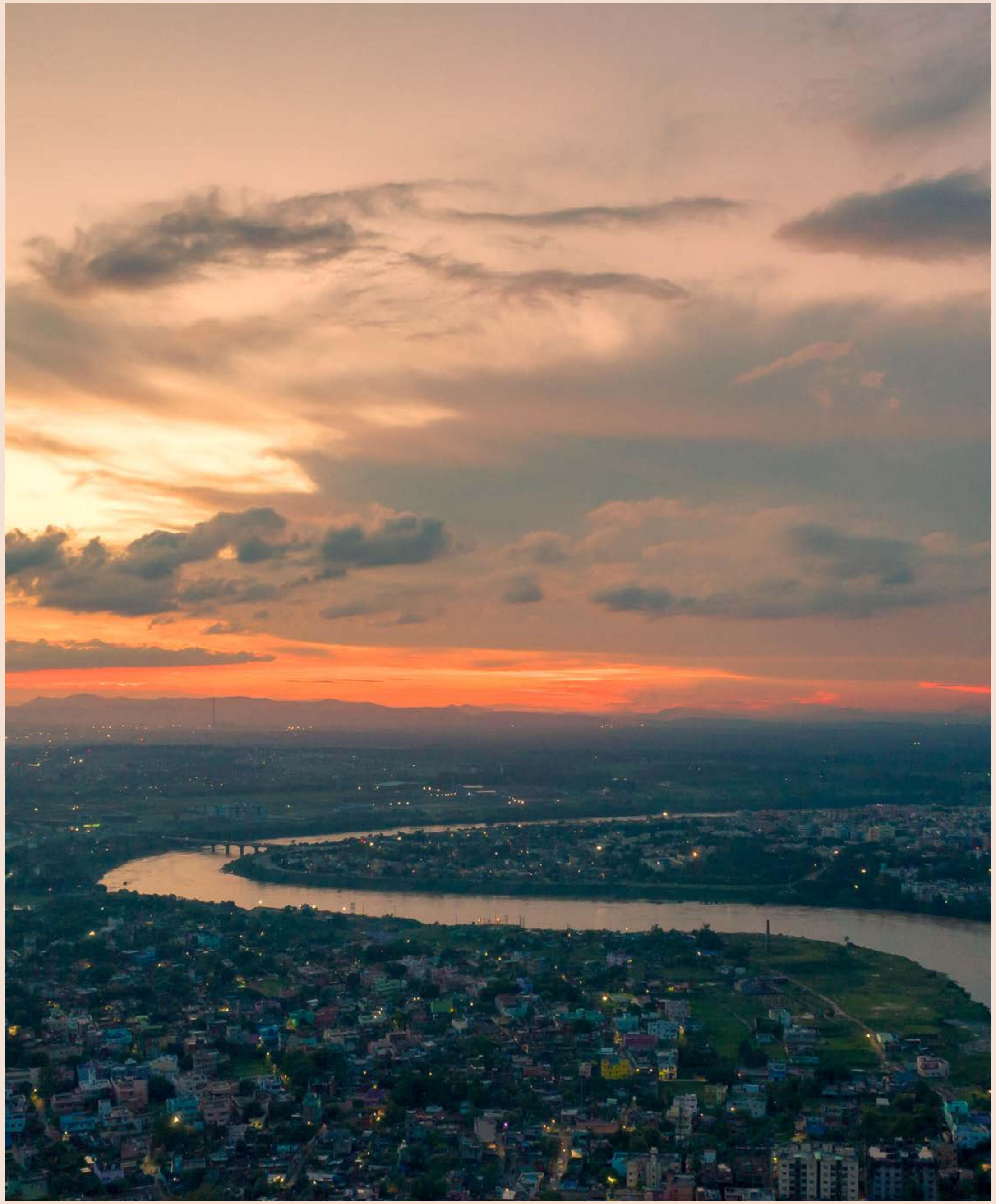
2022

Annual Report

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

GRUNDFOS

Possibility in every drop



Transition to IFRS

From financial year 2022 onward, Grundfos 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 Grundfos' 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 Grundfos' 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.

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Management's Report

Management's Report 2022

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.

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.

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.

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

A quick overview
Poul Due Jensen,
Group President, CEO

Conversion to International Financial Reporting Standards

For the financial year 2022, we have decided to shift from reporting under the Danish Financial Statements Act ("in Danish: Årsregnskabsloven") to the International Financial Reporting Standards (IFRS) as adopted by the European Union. This 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 36.25 in the Annual Report.

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 3,939m (2021: DKK 3,266m) corresponding to an EBIT-ratio of 11.8% (2021: 11.4%).

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 3,941m (2021: DKK 3,285m) corresponding to a performance EBIT ratio of 11.8% (2021: 11.4%).

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 339m (2021: net income of DKK 104m).

Profit before Tax (PBT), including the one-off restructuring expense related to Russia and Belarus, made up DKK 2,749m (2021: DKK 3,370m).

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 11.8% 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 2,201m 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 2,943m. This corresponds to a cash conversion ratio (cash flow from operating activities/EBITDA) of 0.38 which falls short of our targeted average cash conversion ratio of 0.75.

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 986m. 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 68.0%.

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

12.1%
sales growth

The table below shows the 2025 targets and realised figures for 2021 and 2022 for the Grundfos Group:

KPI	2022	2021	2025 TARGET
Sales growth	12.1%	10.4%	Grow more than served market (avg. 4%)
Customer satisfaction	80	80	81
Employee motivation and satisfaction	76	77	78
Return on sales (performance EBIT/Net sales)	11.8%	11.4%	10%
Cash conversion	0.38	0.89	Average 0.75
Sustainability index	62	51	100

Sales growth: Annual growth in net sales in local currencies.

Customer satisfaction is measured in the annual External Customer Satisfaction Survey, ECSS. The customer satisfaction factor is measured on three questions regarding overall customer satisfaction. All questions are asked on a scale from 1 to 10, and for reporting the scores are converted to an index number between 0 and 100.

Employee motivation and satisfaction is captured through 45 questions in the annual survey within 13 topic areas.

Return on sales: Performance EBIT is reported EBIT adjusted for non-performance items which in 2022 are the one-off expense related to Russia and Belarus, IFRS adjustment and the expense associated with our employee share programme.

Cash Conversion: Operating Cash Flow divided by EBITDA, with Operating Cash Flow given by the cash generated by our normal business operations/activities.

Sustainability Index: An index score (0-100) that rates our sustainability performance on 10 metrics according to our 2025-target on each metric.

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 1,677m (2021: DKK 1,563m) 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.

Our Group KPIs

The above table summarises the achievements for the Group's six most important KPIs.

Research and development

Differentiation is our main source of competitiveness, which is why research and development (R&D) activities are critical to our future success. Our R&D functions are 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

20,026
employees

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.

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 6,480m by end of 2022 (2021: DKK 7,482m).
- 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.

Data ethics

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

Uncertainty relating to recognition and measurement

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).

Grundfos 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

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 Grundfos. 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%.

Sustainability performance

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

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

Our Sustainability Report and this Annual Report shall be seen in conjunction. By publishing our Sustainability Report, we fulfil the requirements for corporate sustainability reporting set out in section 99a of the Danish Financial Statements Act as well as section 99b on the gender balance at management levels, etc.

Please find our Sustainability Report here:
https://www.grundfos.com/sustainability

Management's Report on the parent company

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

In this capacity, Grundfos Holding A/S performs several overarching functions and services. Grundfos Holding A/S had 1,756 employees at the end of 2022 (2021: 1,761). In 2022, the net turnover of Grundfos Holding A/S totalled DKK 4,274m (2021: DKK 4,345m), and the Earnings before interest and tax (EBIT) amounted to DKK 135m (2021: DKK 540m).

According to the equity method, income from the other group companies amounted to DKK 1,989m (2021: DKK 2,021m). Profit after tax stands at DKK 2,011m (2021: DKK 2,656m). The balance sheet shows equity of DKK 20,922m (2021: DKK 19,484m), corresponding to an equity ratio of 78.1% (2021: 80.5%).

For 2023 we expect net turnover as well as earnings before interest and tax on par with 2022.

Amounts in DKK Millions

Key figures and financial ratios – The Grundfos Group

1 January – 31 December 2022	2022	2021	2020 (Not adjusted for IFRS)	2019 (Not adjusted for IFRS)	2018 (Not adjusted for IFRS)
CONSOLIDATED PROFIT AND LOSS ACCOUNT					
Revenue	33,341	28,733	26,340	27,518	26,721
Earning before interest and tax (EBIT) before special items	3,939	3,266	2,606	2,791	2,400
Earning before interest and tax (EBIT)	3,088	3,266	2,606	2,791	2,400
Net finance income and expenses	(339)	104	(42)	168	(74)
Profit before tax	2,749	3,370	2,564	2,959	2,326
CONSOLIDATED PROFIT AFTER TAX	**2,016**	**2,659**	**1,931**	**2,208**	**1,762**
CONSOLIDATED BALANCE SHEET - ASSETS					
Intangible assets	2,530	2,548	1,138	589	535
Property, plant and equipment	6,517	6,640	5,718	6,020	6,099
Financial assets	1,063	884	777	818	1,177
Current assets	20,682	19,196	17,762	17,787	19,895
TOTAL ASSETS	**30,792**	**29,268**	**25,395**	**25,214**	**27,706**
LIABILITIES					
Equity	20,946	19,507	17,501	17,160	16,045
Non-current liabilities	1,414	1,436	1,659	1,392	1,047
Current liabilities	8,432	8,325	6,235	6,662	10,614
TOTAL LIABILITIES AND EQUITY	**30,792**	**29,268**	**25,395**	**25,214**	**27,706**
KEY FIGURES AND RATIOS					
Number of employees at year-end	20,026	20,154	19,221	19,060	19,014
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 cost, incl. capitalised cost	1,677	1,563	1,186	1,109	1,190
Interest-bearing net deposit/loan	6,625	7,482	7,435	6,710	4,817
Net cash flow from operating and investment activities	967	2,781	2,427	2,711	1,488
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 before special items as a percentage of net turnover	11.8%	11.4%	9.9%	10.1%	9.0%
Return on equity	10.0%	14.4%	11.1%	13.3%	11.3%
Equity ratio	68.0%	66.6%	68.9%	68.1%	57.9%

Definition of
KEY FIGURES AND FINANCIAL RATIOS:

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

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

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

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

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

Group Management

Poul Due Jensen
Group President,
Chief Executive Officer

Mikael Geday
Group Executive Vice President,
Chief Financial Officer

Jens Ulrik Gernow
Group Executive Vice President
Chief Operating Officer

Mirjam Baijens
Group Executive Vice President
Chief Human Resources Officer

Stéphane Simonetta
Group Executive Vice President
CEO Industry

Morten Bach Jensen
Group Executive Vice President
CEO Domestic Building Services

Bent Jensen
Group Executive Vice President
CEO Commercial Building Services

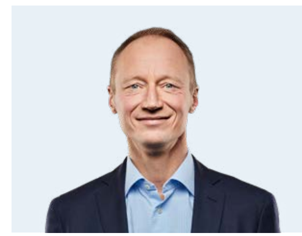
HP Nanda
Group Executive Vice President
CEO Water Utility

Board of Directors

Jens Winther Moberg
Chairman

Carsten Joachim Reinhardt
Vice Chairman

Cindy Grönke
Member of the Board



Henrik Ehlers Wulff
Member of the Board

Jacoba Theresia Maria van der Meijs
Member of the Board

Jens Maaløe
Member of the Board

Kitty Thaarup Herholdt
Member of the Board,
elected by employees

Rudolf Martini
Member of the Board,
elected by employees

Torben Ømark
Member of the Board,
elected by employees

Domestic Building Services

The Domestic Building Services (DBS) Division is headquartered in Bjerringbro, Denmark and is the Division within Grundfos that serves OEMs, distributors, installers, and homeowners with some of the world's most energy-efficient pumps and solutions for domestic homes. DBS develops, produces, and sell smaller domestic pumps and solutions for single family housing and residential buildings, serving six domestic applications in heating, HVAC OEM, domestic hot water, boosting, drainage, and wastewater. DBS has an opportunity and a responsibility to enable homeowners to reduce their climate impact and increase comfort. DBS aspires to offer homeowners the most attractive choices for sustainable homes and comfortable lives.

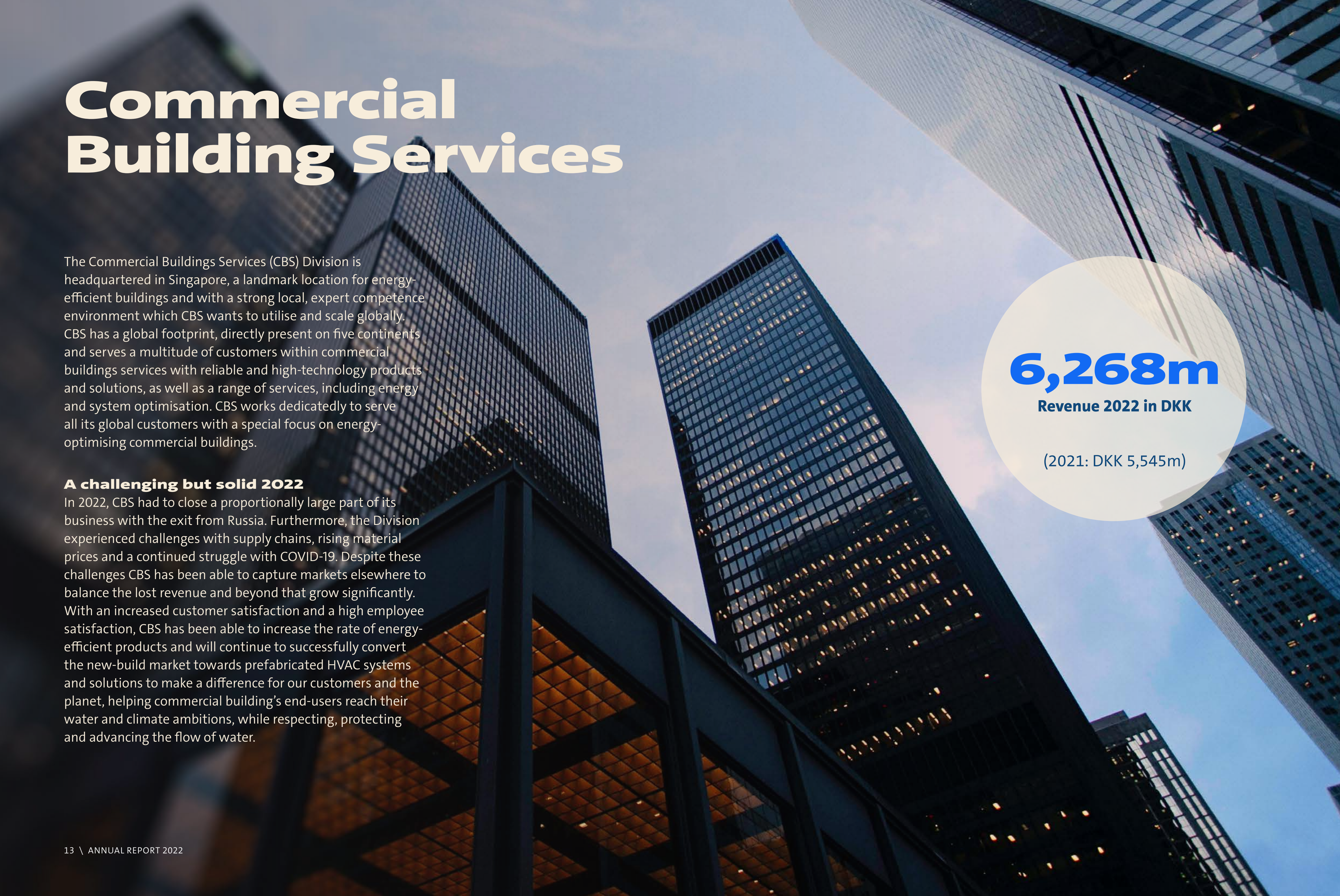
Strong performance despite global headwinds

2022 was a year of uncertainty and challenges given ongoing COVID-19 restrictions, material price increases, global supply chain constraints, and Grundfos' exit of Russia. Despite these headwinds, DBS delivered record sales growth of 11% and carries a solid order bank into 2023. Additionally, DBS extended its footprint in Serbia with a 17,000 sqm expansion to meet customer needs with even greater speed and flexibility. DBS also launched a new generation of circulators to take Grundfos further into the digital era and delivered on increasing demand for energy-efficient and climate-friendly solutions, which is expected to continue in 2023 as a result of the ongoing energy crisis.

9,426m

Revenue 2022 in DKK

(2021: DKK 8,218m)



Commercial Building Services

The Commercial Buildings Services (CBS) Division is headquartered in Singapore, a landmark location for energy-efficient buildings and with a strong local, expert competence environment which CBS wants to utilise and scale globally. CBS has a global footprint, directly present on five continents and serves a multitude of customers within commercial buildings services with reliable and high-technology products and solutions, as well as a range of services, including energy and system optimisation. CBS works dedicatedly to serve all its global customers with a special focus on energy-optimising commercial buildings.

6,268m

Revenue 2022 in DKK

(2021: DKK 5,545m)

A challenging but solid 2022

In 2022, CBS had to close a proportionally large part of its business with the exit from Russia. Furthermore, the Division experienced challenges with supply chains, rising material prices and a continued struggle with COVID-19. Despite these challenges CBS has been able to capture markets elsewhere to balance the lost revenue and beyond that grow significantly. With an increased customer satisfaction and a high employee satisfaction, CBS has been able to increase the rate of energy-efficient products and will continue to successfully convert the new-build market towards prefabricated HVAC systems and solutions to make a difference for our customers and the planet, helping commercial building's end-users reach their water and climate ambitions, while respecting, protecting and advancing the flow of water.

Water Utility

The Water Utility (WU) Division is headquartered in Brookshire, Texas, USA, with a global presence throughout all continents. It provides intelligent, sustainable pumping and solar powered solutions aimed at optimising water management in ground water and irrigation, clean water distribution, wastewater collection and transport, as well as water intake. Furthermore, the Division dedicates a specific strategic business unit, SafeWater, to transform underserved communities through commercially viable and sustainable water solutions in close collaboration with strategic partners.

Meeting the growing demand for clean and safe water requires a transformation of the way the entire water cycle is managed, from drinking water to wastewater, from communities to irrigation. WU works in close partnership with stakeholders from its entire ecosystem as well as suppliers towards a sustainable water future.

4,980m

Revenue 2022 in DKK

(2021: DKK 4,339m)

A challenging but sound 2022

Despite the global challenging scene, which included inflation, an unstable geopolitical situation in Europe, supply chain constraints, COVID-19, and logistical challenges, WU delivered solid sales results and profit improvements. Moreover, goals around Customer Satisfaction, Annual CO2 Emissions and percentage of Women in Leadership were met and even surpassed. In addition, the new WU Brookshire Headquarters, constructed with a focus on energy and water sustainability, obtained perfect scores in those categories, reaching the highest stage of efficiency standard recognised by LEED.

Industry

The Industry (IND) Division is headquartered out of Bjerringbro, Denmark and has a global manufacturing, engineering, and service footprint, directly present on five continents. IND delivers a wide range of premium quality products, solutions, and services based on pumping and water treatment systems. IND helps industrial customers and end-users globally reach their water and climate ambitions while maximising their output. IND optimises industrial utilities, and industrial processes, covering areas such as water treatment or water reuse, system integration, energy and process optimisation, and liquid composition, as well as delivering value-adding digital solutions.

A record 2022

2022 was a year with challenged global markets across industries due to continued supply chain challenges, rising material prices, COVID-19 impact and Grundfos' exit from Russia. Despite this, IND delivered a record year with a double digit sales growth in percent, while maintaining high customer satisfaction and employee engagement. In addition to this, the Division continued its path of building and strengthening the Water Treatment Solutions and Digital Solutions platforms. IND has a sustainable growth agenda and is well positioned to help industries solve their climate and water challenges. IND's commercial, operational and innovation strategic initiatives will be key to ensure we reach our target of reducing our carbon emissions in alignment with Grundfos' Science Based Targets initiative commitments.

8,217m

Revenue 2022 in DKK

(2021: DKK 6,820m)

Possibility in every drop

As part of shaping the future direction of our company, we have revitalised our tagline. **We believe there is "Possibility in every drop".**

Water has always been at the heart and soul of Grundfos, and so has our can-do spirit. This is what enables us to meet our customers' needs for reliable state-of-the art pumps and solutions. Whether the need is to heat or cool the places where we live and work, to move water to the smallest villages or the tallest skyscrapers or to provide industries with a reliable and sustainable flow of water.

The most important thing for us is that our customers can rely on Grundfos as a partner who is aware that energy efficiency plays an important role in tackling the climate crisis. A partner working to make water more accessible and more reliable, to reduce waste and increase efficiency, minimising impact on the environment and improving the quality of life for people.

"Possibility in every drop" is our statement of relentless ambition, optimism, and belief that wherever some see problems, we see possibilities to make a difference. It is our commitment to meet the world's water, energy and climate challenges with the utmost care, respect, and responsibility.

Our tagline conveys innovative solutions that push the boundaries of what is possible, setting new standards in water utilities, commercial, domestic, industrial, or areas of business we are yet to discover. It proves our determination to stay curious, continually asking questions and pursuing new answers.

We want to tell the world that we believe there is "Possibility in every drop", as it underlines our promise to respect, protect and advance the flow of water. It is our dedication to water and our commitment to put our expertise and solutions in play to make a positive difference for the global water challenges.

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Management's Statement and Auditor's Report

Management's Statement

Statement by the Board of Directors and Group Management on the Annual Report
Today, the Board of Directors and Group Management have reviewed and approved the Annual Report of Grundfos Holding A/S for the financial year 1 January – 31 December 2022.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements of the Parent Company give a true and fair view of the financial position at 31 December 2022, the results of the Group's and Parent Company's operations, and consolidated cash flows for the financial year 2022.

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

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

Bjerringbro, 7 March 2023

Registered Group Management

Poul Due Jensen
Group President, CEO

Mikael Andreas Holm Geday
Group Executive Vice President, CFO

Jens Ulrik Gernow
Group Executive Vice President, COO

Board of Directors

Jens Winther Moberg
Chairman

Carsten Joachim Reinhardt
Vice Chairman

Cindy Grönke
Member of the Board

Henrik Ehlers Wulff
Member of the Board

Jacoba Theresia Maria van der Meijs
Member of the Board

Jens Maaløe
Member of the Board

Kitty Thaarup Herholdt
Member of the Board, elected by employees

Rudolf Martini
Member of the Board, elected by employees

Torben Ømark
Member of the Board, elected by employees

Independent Auditor's Report

To the shareholders of Grundfos Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Grundfos Holding A/S for the financial year 1 January – 31 December 2022, which comprise statement of profit and loss, statement of other comprehensive income, statement of financial position, statement of cash flows, statement of changes of equity and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company 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 parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company'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 parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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 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 our procedures, 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with 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 Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 7 March 2023

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen
State Authorised Public Accountant
mne 24687

Morten Friis
State Authorised Public Accountant
mne 32732

Customer considerations grow working capital

Global constraints on our supply chains are the main reason why our working capital has been increasing during 2022.

Our efforts to meet our customers' needs in the best and fastest possible way continue to be challenged by global constraints on our supply chains. Therefore, to maintain a high ability to deliver, we need to have more products on stock than usual.

The stock expansion is the main reason for why our working capital balance has increased by DKK 2.2bn during 2022.

Our efforts to mitigate the of supply constraints on our customers as well as longer lead times to which we are exposed to by our supply base, led to an additional DKK 1.2bn tied up in inventories during 2022. The growth of inventories is however also affected by higher component and base material prices as well as foreign exchange rate effects.

The trade receivable balances with customers also increased, mostly in line with the sales. Our days of sales outstanding (DSO) remained consistent year over year.

Trade payables decreased marginally in nominal terms and thus days outstanding (DPO) reduced from the previous year.

These changes in working capital significantly impacted cash flow from operations. Cash flow from operating activities is reported as DKK 2.4bn against DKK 4.0bn in 2021.

In the last quarter of this year, the working capital balance started to stabilise and we expect a further reduction during 2023.

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Consolidated financial statements

Amounts in DKK Millions

Consolidated statement of profit and loss

1 January - 31 December 2022	NOTE	2022	2021
Revenue	1	33,341	28,733
Production cost		(19,727)	(16,850)
GROSS PROFIT		**13,614**	**11,883**
Research and development cost	2	(1,654)	(1,542)
Selling and distribution cost	3	(5,118)	(4,686)
Administrative cost	4	**(2,903)**	**(2,389)**
EARNINGS BEFORE INTEREST AND TAX (EBIT) BEFORE SPECIAL ITEMS		**3,939**	**3,266**
Special items	7	**(851)**	**0**
EARNINGS BEFORE INTEREST AND TAX (EBIT)		**3,088**	**3,266**
Finance income	8	147	293
Finance expenses	8	(486)	(189)
PROFIT BEFORE TAX		**2,749**	**3,370**
Income tax expenses	9	(733)	(711)
PROFIT FOR THE YEAR		**2,016**	**2,659**
ATTRIBUTABLE TO:			
Shareholders of Grundfos Holding A/S		2,011	2,656
Non-controlling interests (NCI)		5	3
TOTAL		**2,016**	**2,659**

Amounts in DKK Millions

Consolidated statement of other comprehensive income

1 January - 31 December 2022	NOTE	2022	2021
PROFIT FOR THE YEAR		**2,016**	**2,659**
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)
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:			
Remeasurement gain/loss on defined benefit plans	18	347	235
Tax on defined benefit plans	9	(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		**2,692**	**2,925**
Attributable to:			
Shareholders of Grundfos Holding A/S		2,687	2,922
Non-controlling interests (NCI)		5	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,692**	**2,925**

Amounts in DKK Millions

Consolidated statement of financial position

As at 31 December 2022

ASSETS	NOTE	2022	2021	* 1 JANUARY 2021
NON-CURRENT ASSETS				
INTANGIBLE ASSETS				
Goodwill	10	1,228	1,181	397
Other intangible assets	10	1,138	1,226	580
Completed development projects	10	91	100	96
Development projects in progress	10	73	41	65
TOTAL INTANGIBLE ASSETS		**2,530**	**2,548**	**1,138**
PROPERTY, PLANT AND EQUIPMENT				
Land and buildings	11	2,836	2,981	2,641
Technical installations and machinery	11	1,925	1,879	1,941
Other technical installations	11	341	339	385
Property, plant and equipment in progress	11	1,004	899	751
Right-of-use assets	12	411	542	595
TOTAL PROPERTY, PLANT AND EQUIPMENT		**6,517**	**6,640**	**6,313**
FINANCIAL ASSETS				
Securities	13	58	68	63
Deferred tax assets	9	780	758	660
Pension assets	18	156	0	0
Other accounts receivable		69	58	56
TOTAL FINANCIAL ASSETS		**1,063**	**884**	**779**
TOTAL NON-CURRENT ASSETS		**10,110**	**10,072**	**8,230**
CURRENT ASSETS				
Inventories	14	6,520	5,304	3,991
Trade and other receivables	15	7,013	5,706	5,567
Income tax receivable		479	512	447
Securities	13	3,147	3,587	2,341
Cash and cash equivalents	16	3,523	4,087	5,392
TOTAL CURRENT ASSETS		**20,682**	**19,196**	**17,738**
TOTAL ASSETS		**30,792**	**29,268**	**25,968**

* Please see note 36.25 'First time adoption of IFRS' for further details on the opening balance.

Amounts in DKK Millions

Consolidated statement of financial position

As at 31 December 2022

EQUITY AND LIABILITIES	NOTE	2022	2021	* 1 JANUARY 2021
EQUITY				
Share capital	17	381	381	381
Hedge transaction reserve		47	(136)	5
Exchange adjustment reserve		459	224	0
Retained earnings		19,035	17,740	16,173
Proposed dividend		1,000	1,275	950
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF GRUNDFOS HOLDING A/S		**20,922**	**19,484**	**17,509**
Non-controlling interests		24	23	19
TOTAL EQUITY		**20,946**	**19,507**	**17,528**
NON-CURRENT LIABILITIES				
Pensions and similar obligations	18	180	380	588
Provisions	19	776	489	586
Deferred tax liabilities	9	218	213	81
Lease liabilities	12, 20, 25	237	323	379
Interest-bearing debt	20, 25	3	31	91
Total non-current liabilities		**1,414**	**1,436**	**1,725**
CURRENT LIABILITIES				
Provisions	19	118	164	144
Trade and other payables	21	2,845	3,095	2,373
Interest-bearing debt	20, 25	100	98	270
Lease liabilities	12, 20, 25	164	223	216
Income tax payable		1,157	869	857
Other liabilities	22	4,048	3,876	2,855
TOTAL CURRENT LIABILITIES		**8,432**	**8,325**	**6,715**
TOTAL LIABILITIES		**9,846**	**9,761**	**8,440**
TOTAL LIABILITIES AND EQUITY		**30,792**	**29,268**	**25,968**

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* Please see note 36.25 'First time adoption of IFRS' for further details on the opening balance.

Amounts in DKK Millions

Consolidated statement of cash flows

1 January - 31 December 2022	NOTE	2022	2021
OPERATING ACTIVITIES			
Profit after tax		2,016	2,659
Depreciation and amortisation of non-current assets	7, 10, 11, 12	1,755	1,368
Finance income	8	(147)	(292)
Finance expenses	8	486	191
Loss on disposal of property, plant and equipment		8	2
Other adjustments		56	12
Tax for the year	9	733	711
Changes in net working capital	24	(2,201)	573
Changes in warranty and other provisions		237	(311)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAX		**2,943**	**4,913**
Taxes paid		(602)	(868)
Interest paid and realised currency losses	8	(66)	(126)
Interest received and realised currency gains	8	147	175
Interest paid on lease liabilities	8, 12	(10)	(11)
CASH FLOW FROM OPERATING ACTIVITIES		**2,412**	**4,083**

	NOTE	2022	2021
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(1,234)	(1,078)
Proceeds from sale of property, plant and equipment		1	21
Purchase of intangible assets	10	(193)	(256)
Acquisition of subsidiaries, net of cash acquired	27	0	(1,547)
Disposal of subsidiaries, net of cash disposed		(19)	0
Purchase of securities	13	(2,213)	(2,439)
Sale of securities	13	2,241	1,255
CASH FLOW FROM INVESTING ACTIVITIES		**(1,417)**	**(4,044)**
NET CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES		**995**	**39**
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	25	(223)	(194)
Proceeds from borrowings	25	2	87
Repayment of borrowings	25	(28)	(320)
Purchase of own shares		(22)	(29)
Dividend paid		(1,275)	(950)
CASH FLOW FROM FINANCING ACTIVITIES		**(1,546)**	**(1,406)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(551)**	**(1,367)**
Cash and cash equivalents as at 1 January		4,087	5,392
EXCHANGE RATE ADJUSTMENTS		**(13)**	**62**
Available fund (Opening)		4,074	5,454
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**3,523**	**4,087**

Amounts in DKK Millions

Consolidated statement of changes in equity

1 January - 31 December 2022	NOTE	SHARE CAPITAL	RETAINED EARNINGS	HEDGE TRANSACTION RESERVE	EXCHANGE ADJUSTMENT RESERVE	PROPOSED DIVIDEND	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF GRUNDFOS HOLDING A/S	NON CONTROLLING INTEREST	EQUITY
BALANCE AT 1 JANUARY 2021		**381**	**16,173**	**5**	**0**	**950**	**17,509**	**19**	**17,528**
PROFIT/LOSS FOR THE YEAR, ATTRIBUTABLE TO SHAREHOLDERS		**0**	**1,381**	**0**	**0**	**1,275**	**2,656**	**3**	**2,659**
Exchange rate adjustments, affiliated companies, etc.		0	0	0	256	0	256	1	257
Actuarial gain/loss	18	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**
Dividend paid	17	0	0	0	0	(950)	(950)	0	(950)
Purchase of treasury shares		0	(220)	0	0	0	(220)	0	(220)
Sale of own shares		0	86	0	0	0	86	0	86
Share-based compensation expenses		0	138	0	0	0	138	0	138
TOTAL TRANSACTIONS WITH SHAREHOLDERS		**0**	**4**	**0**	**0**	**(950)**	**(946)**	**0**	**(946)**
BALANCE AT 31 DECEMBER 2021		**381**	**17,740**	**(136)**	**224**	**1,275**	**19,484**	**23**	**19,507**
PROFIT/LOSS FOR THE YEAR, ATTRIBUTABLE TO SHAREHOLDERS		**0**	**1,011**	**0**	**0**	**1,000**	**2,011**	**5**	**2,016**
Exchange rate adjustments, affiliated companies, etc.		0	0	0	275	0	275	(4)	271
Actuarial gain/loss	18	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**
Dividend paid	17	0	0	0	0	(1,275)	(1,275)	0	(1,275)
Purchase of treasury shares		0	(271)	0	0	0	(271)	0	(271)
Sale of own shares		0	109	0	0	0	109	0	109
Share-based compensation expenses		0	184	0	0	0	184	0	184
TOTAL TRANSACTIONS WITH SHAREHOLDERS		**0**	**22**	**0**	**0**	**(1,275)**	**(1,253)**	**0**	**(1,253)**
BALANCE AT 31 DECEMBER 2022		**381**	**19,035**	**47**	**459**	**1,000**	**20,922**	**24**	**20,946**

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 forcasted 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 36.25 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.

We create energy efficient solutions to save costs and the planet

Grundfos helps our customers mitigate the impacts of the energy crisis with the help of our energy-efficient solutions

Increasing energy prices and uncertainty about energy supply have major consequences for households, businesses and the economy. This calls for innovative and intelligent solutions that can help reduce the impacts of the growing energy crisis.

While focusing on the production and utilisation of renewable energy will definitely benefit us in the long run, an easy immediate solution to alleviate the energy crisis is by focusing on energy efficient solutions that can reduce and optimize energy consumption.

Focusing on energy efficiency therefore will help not only energy consumption, but will also improve energy security, affordability, and reductions in carbon emissions.

Grundfos has never underestimated the importance of energy efficiency and we realize that our customers cannot afford to be losing out on the savings that better energy efficiency can unlock.

An example of this, is how we are helping global dairy company Arla Foods reduce energy consumption and carbon emissions across their global production facilities. The target is to reduce carbon emissions in Arla Foods' operations by 63 percent by 2030, and to realise this they have liaised with Grundfos and other key partners across their value chain to optimise operations and identify levers to advance them towards their climate friendly aspiration.

Notes index

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 1 Revenue

Revenue break down according to the following divisions and regions:

	2022	2021
DIVISIONS		
Domestic Building Services	9,426	8,218
Commercial Building 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**

	2022	2021
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 sales of DKK 603m (2021: DKK 519m).

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 2 Research and development cost

	2022	2021
Staff cost	1,190	1,060
Depreciation and amortisation	144	157
Other research and development cost	320	325
TOTAL	**1,654**	**1,542**

Note 3 Selling and distribution cost

	2022	2021
Staff cost	2,762	2,521
Distribution cost	853	665
Depreciation and amortisation	100	81
Other selling and distribution related cost	1,403	1,419
TOTAL	**5,118**	**4,686**

Note 4 Administration cost

	2022	2021
Staff cost	1,536	1,369
Depreciation and amortisation	204	124
Other administration	1,163	896
TOTAL	**2,903**	**2,389**

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 5 Staff Cost

	2022	2021
Wages and salaries	7,476	6,968
Share-based payments	184	138
Pensions, defined benefit plans	36	30
Pensions, defined contribution plans	422	425
Other social security cost	812	686
TOTAL	**8,930**	**8,247**

Staff cost is recognised as follows:	2022	2021
Production cost	3,442	3,297
Research and development cost	1,190	1,080
Sales and distribution cost	2,762	2,521
Administration cost	1,536	1,349
TOTAL	**8,930**	**8,247**
Average number of full-time employees	20,234	19,533
Number of employees, closing	20,026	20,154

Staff cost includes fees to Group Management and the Board of Directors of Grundfos Holding A/S for directorships in Grundfos Holding A/S and can be specified as follows:

	2022			2021		
	BOARD OF DIRECTORS OF THE PARENT COMPANY	REGISTERED GROUP MANAGEMENT OF THE PARENT COMPANY	OTHER GROUP MANAGEMENT	BOARD OF DIRECTORS OF THE PARENT COMPANY	REGISTERED GROUP MANAGEMENT OF THE PARENT COMPANY	OTHER GROUP MANAGEMENT
Remuneration	11	18	20	10	16	11
Cash Bonus	0	8	10	0	11	7
Pensions and other post-employment benefits	0	4	3	0	3	2
Termination benefits	0	0	0	0	0	12
Share-based payments (note 26)	0	7	5	0	5	3
TOTAL	**11**	**37**	**38**	**10**	**35**	**35**

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

For details on members of Group Management please refer to page 10 and 18 in the Annual Report.

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 6 Depreciation, amortisation and impairments

	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	198
TOTAL	**1,754**	**1,367**

Depreciation, amortisation and impairment are recognised in the statement of income and loss as follows:	2022	2021
Production cost	1,306	1,005
Research and development cost	144	157
Selling and distribution cost	100	81
Administrative cost	204	124
TOTAL	**1,754**	**1,367**

Note 7 Special items

	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	**851**	**0**

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 Millions

Notes to the consolidated financial statements

Note 8 Finance income and expenses

	2022	2021
Interest income bonds	33	22
Value adjustment shares	0	158
Dividend income shares	29	11
Other financial income	85	102
TOTAL	**147**	**293**

Value adjustment bonds	283	97
Value adjustment shares	127	0
Interest on lease liabilities	10	11
Other finance expense	66	81
TOTAL	**486**	**189**

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 9 Tax

Note 9.1 Income taxes in statement of profit and loss and reconciliation

	2022	2021
TAX ON THE PROFIT FOR THE YEAR IS SPECIFIED AS FOLLOWS:		
Tax on profit/loss for the year	733	711
Tax on other comprehensive income, deferred	139	15
Tax on other comprehensive income, current	40	32
TOTAL	**912**	**758**
TAX ON THE PROFIT FOR THE YEAR IS CALCULATED AS FOLLOWS:		
Current income taxes	970	789
Deferred income taxes	(154)	(103)
Change in deferred tax due to change in tax rates	(6)	1
Deferred income taxes re. previous years	4	8
Adjustment regarding previous years	(81)	16
TOTAL	**733**	**711**
EFFECTIVE TAX RATE IS CALCULATED AS FOLLOWS:		
Danish tax rate	22%	22%
Deviation in tax rate in foreign companies in relation to Danish tax rate	2%	1%
Non-taxable income and non-deductible expenses	6%	(3%)
Non-deductible withholding taxes	1%	1%
Other, including adjustments regarding previous years	(4%)	0%
EFFECTIVE TAX RATE	**27%**	**21%**
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**

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 9.2 Deferred taxes

	2022	2021	1 JANUARY 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	151	95	
Deferred tax recognised in equity	(139)	(11)	
NET DEFERRED TAX ASSETS 31 DECEMBER	**562**	**545**	
BREAKDOWN OF DEFERRED TAX			
Non-current assets	(192)	(173)	(182)
Current assets	560	466	407
Provisions	226	189	271
Liabilities	(32)	63	74
Tax loss carry forward	0	0	9
NET DEFERRED TAX ASSETS	**562**	**545**	**579**
REFLECTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS:			
Deferred tax assets	780	758	660
Deferred tax liabilities	(218)	(213)	(81)
NET DEFERRED TAX ASSETS	**562**	**545**	**579**

The 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.

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

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 10 Intangible assets	GOODWILL	OTHER INTANGIBLE ASSETS	COMPLETED DEVELOPMENT PROJECTS	DEVELOPMENT PROJECTS IN PROGRESS	TOTAL
COST AT 1 JANUARY 2022	**1,181**	**1,910**	**219**	**41**	**3,351**
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	**1,228**	**2,105**	**193**	**73**	**3,599**
AMORTISATION AND IMPAIRMENT AT 1 JANUARY 2022	**0**	**684**	**119**	**0**	**803**
Amortisation	0	289	38	0	327
Amortisation 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	**1,228**	**1,138**	**91**	**73**	**2,530**
COST AT 1 JANUARY 2021	**397**	**1,169**	**441**	**65**	**2,072**
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	**1,181**	**1,910**	**219**	**41**	**3,351**

Amounts in DKK Millions

Notes to the consolidated financial statements

	GOODWILL	OTHER INTANGIBLE ASSETS	COMPLETED DEVELOPMENT PROJECTS	DEVELOPMENT PROJECTS IN PROGRESS	TOTAL
AMORTISATION AND IMPAIRMENT AT 1 JANUARY 2021	**0**	**589**	**345**	**0**	**934**
Exchange rate adjustments	1	9	0	0	10
Amortisation	0	186	71	0	257
Amortisation and impairment on disposals	(1)	(100)	(297)	0	(398)
Transfers	0	0	0	0	0
AMORTISATION AND IMPAIRMENT AT 31 DECEMBER 2021	**0**	**684**	**119**	**0**	**803**
CARRYING AMOUNT AT 31 DECEMBER 2021	**1,181**	**1,226**	**100**	**41**	**2,548**
CARRYING AMOUNT AT 1 JANUARY 2021	**397**	**580**	**96**	**65**	**1,138**

Amortisation of intangible assets is included in the Consolidated Statement of Income and Loss as follows:	2022 OTHER INTANGIBLE ASSETS	2022 COMPLETED DEVELOPMENT PROJECTS	2021 OTHER INTANGIBLE ASSETS	2021 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**

Carrying amount of goodwill:	2022	2021	1 JANUARY 2021
Water Treatment Solutions	1,093	1,052	353
Industry Division	91	85	0
Others	44	44	44
TOTAL	**1,228**	**1,181**	**397**

Notes to the consolidated financial statements

Impairment test

Per the end of 2022, the reported goodwill amounts to DKK 1,228m. 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.

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).

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 11 Property, plant and equipment

	LAND AND BUILDINGS	TECHNICAL INSTALLATIONS 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)
DEPRECIATION 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**
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**

Amounts in DKK Millions

Notes to the consolidated financial statements

DEPRECIATION 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)
DEPRECIATION 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**

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 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:

	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
Depreciation	(124)	(69)	(14)	(207)
CARRYING AMOUNT AT 31 DECEMBER 2022	**266**	**107**	**38**	**411**
CARRYING AMOUNT AT 1 JANUARY 2021	**404**	**153**	**38**	**595**
Additions	69	60	16	145
Depreciation	(116)	(71)	(11)	(198)
CARRYING AMOUNT AT 31 DECEMBER 2021	**357**	**142**	**43**	**542**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:	2022	2021
Balance at 1 January	546	595
Additions	78	145
Interest	10	11
Payments	(233)	(205)
BALANCE AT 31 DECEMBER	**401**	**546**
Current	164	223
Non-current	237	323
TOTAL	**401**	**546**

Amounts in DKK Millions

Notes to the consolidated financial statements

Undiscounted lease liabilities maturity analysis:	2022	2021
Less than one year	167	227
One to three years	200	273
More than three years	42	56
TOTAL UNDISCOUNTED LEASE LIABILITIES AT 31 DECEMBER	**409**	**557**

The following are the amounts recognised in profit and loss:	2022	2021
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	26	24
TOTAL	**369**	**354**

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.

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 13 Securities

	2022	2021
COST AT 1 JANUARY	**3,605**	**2,401**
Exchange rate adjustments	(2)	3
Additions during the year	2,213	2,439
Disposals during the year	(2,241)	(1,238)
COST AT 31 DECEMBER	**3,575**	**3,605**
Value adjustments at 1 January	50	3
Value adjustments during the year	(420)	47
VALUE ADJUSTMENTS AT 31 DECEMBER	**(370)**	**50**
BALANCE AT 31 DECEMBER	**3,205**	**3,655**
BALANCE AT 1 JANUARY	**3,655**	**2,404**
Current	3,147	3,587
Non-current	58	68
TOTAL	**3,205**	**3,655**

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

Shares	761	870
Bonds	2,444	2,785
TOTAL	**3,205**	**3,655**

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

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 14 Inventories

	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	**6,520**	**5,304**	**3,991**

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

	2022	2021
PROVISION FOR OBSOLETE INVENTORIES AT 1 JANUARY	**495**	**498**
Reversal of provision through profit and loss	(10)	(38)
Additional provision	57	35
PROVISION FOR OBSOLETE INVENTORIES AT 31 DECEMBER	**542**	**495**

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 15 Trade and other receivables

	2022	2021	1 JANUARY 2021
Trade receivables	6,000	4,918	4,777
Prepayments	244	237	191
Other current receivables	907	706	769
TOTAL TRADE AND OTHER RECEIVABLES	**7,151**	**5,861**	**5,737**
Provision for bad debt	(138)	(155)	(170)
TRADE AND OTHER RECEIVABLES, NET	**7,013**	**5,706**	**5,567**

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:

	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 receivables' age profile:

	2022	2021
Not overdue at the reporting date	6,562	5,417
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	**7,151**	**5,861**
PROVISION FOR BAD DEBT AT 31 DECEMBER	**(138)**	**(155)**
BALANCE AT 31 DECEMBER	**7,013**	**5,706**

Amounts in DKK Millions

Notes to the consolidated financial statements

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.

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.

Note 16 Cash and cash equivalents

	2022	2021	1 JANUARY 2021
Cash at bank and on hand	3,523	4,087	5,392
TOTAL	**3,523**	**4,087**	**5,392**

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.

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 17 Share Capital

The share capital consists of 38,090,911 shares with a nominal value of DKK 10 each. All shares rank equally.
The share capital is fully paid.

	2022	2021	1 JANUARY 2021
Ordinary shares of DKK 10 each	381	381	381
TOTAL	**381**	**381**	**381**

In 2022, the Group bought own shares from Poul Due Jensens Fond at fair value for proceeds of DKK 271m. All shares have been used for the Group's share programmes during 2022. The shares had a fair value of DKK 271m at the time of purchase. The Group has been authorised by the shareholders to acquire up to 2,759,000 treasury shares, equal to 7.2% of the share capital. The authorisation expires in yearly tranches during the period from 30 April 2023 to 30 April 2027.

The Company acquires treasury shares for allocation to the Group's share programmes. At 31 December 2022 the Company did not hold any treasury shares.

DIVIDEND PER SHARE	2022	2021	1 JANUARY 2021
Proposed dividend per share	26,25	33,47	24,94
Dividend from last year per share	33,47	24,94	28,87

1. Management's Report
2. Management's Statement and Auditor's Report
3. Consolidated financial statements
4. Parent Company financial statements

Notes to the consolidated financial statements

Note 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 guaranteeing defined benefit pension at retirement on a final salary basis. The majority of the pension plans do 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.

Amounts in DKK Millions

Notes to the consolidated financial statements

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 rates	(85)	92	(154)	176
Salary increase	3	(3)	3	(3)
Pension increase	42	(38)	65	(63)

	2022		2021	
	CH	UK	CH	UK
Discount rates (%)	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

	2022	2021
INVESTMENTS QUOTED IN ACTIVE MARKETS:		
Listed equity investments	751	1,114
Real estate	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**

Amounts in DKK Millions

Notes to the consolidated financial statements

	2022			2021		
	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSETS	OBLIGATION, NET	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSETS	OBLIGATION, NET
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 ceiling	0	22	(22)	0	0	0
PENSIONS AND SIMILAR OBLIGATIONS AT 31 DECEMBER	**1,879**	**1,877**	**2**	**2,620**	**2,240**	**380**
Carrying amount is reflected in the statement of financial position as follows:						
Net pension obligations			180			380
Net pension assets			(156)			
NET PENSION OBLIGATIONS			**24**			**380**

Amounts in DKK Millions

Notes to the consolidated financial statements

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	**2,880**	**2,931**

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

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 19 Provisions

	WARRANTY	RESTRUCTURING	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	**185**	**144**	**189**	**376**	**894**
Current	118	0	0	0	118
Non-Current	67	144	189	376	776

	WARRANTY	RESTRUCTURING	JUBILEE	OTHERS	TOTAL
BALANCE AT 1 JANUARY 2021	**179**	**144**	**167**	**243**	**733**
Provision	140	10	10	16	179
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	**193**	**33**	**178**	**249**	**653**
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 cost 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.

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

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 20 Bank and other loans

	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	261	487
Non-current			240	414	470
TOTAL			**504**	**675**	**957**

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

Note 21 Trade and other payables

	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.

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 22 Other Liabilities

	2022	2021	1 JANUARY 2021
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	656	884	443
Other	166	333	285
TOTAL	**4,048**	**3,876**	**2,855**

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

Note 23 Fees to auditors appointed by the shareholders

	2022	2021
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	11	13
TOTAL	**29**	**29**

Note 24 Changes in working capital

	2022	2021
Changes in inventories	(1,216)	(1,128)
Changes in accounts receivable	(1,081)	179
Change in trade creditors, other liabilities and deferred income	(78)	1,606
Unrealised exchange rate adjustments	174	(84)
TOTAL	**(2,201)**	**573**

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 25 Changes in liabilities arising from financing activities

	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**

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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.

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 26 Share-based compensation expenses

Note 26.1 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.

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).

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 26.2 Employee Share Purchase Plan (ESP)

ESP is a global programme, whereby certain employees are granted an option to buy shares of Grundfos Holding A/S at a discounted price. Employees employed by Group companies in certain countries are excluded from this due to local restrictions or requirements. The only condition for eligibility is that the employee should be employed by the Group as at the specified date (close to the grant date) and has not resigned or been terminated.

The Board of Directors of Grundfos Holding A/S will each year decide if an Employee Share Purchase Plan is offered.

The expense recognised in the year in question is based on the discount the employee is entitled to upon purchase of the shares.

	2022	2021
Number of shares purchased during the year	154,165	139,211

Note 26.3 Expense recognised during the year

	2022	2021
Expense arising from equity-settled share-based payment transactions (LTI)	44	33
Expense arising from equity-settled share-based payment transactions (ESP)	140	105
TOTAL	**184**	**138**

There were no cancellations or modifications to the awards.

Note 26.4 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%

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 27 Business Combination

Acquisitions in 2022
None

Acquisitions in 2021
On 1 November 2021, Grundfos acquired 100% of the shares of MECO for a consideration of DKK 1,547m. MECO forms part of the Industry-Water Treatment Solutions 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 MECO been acquired at 1 January 2021, revenue and profit would have been higher by DKK 278m and DKK 27m respectively.

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

Recognised amounts of identifiable assets acquired, and liabilities assumed:	FAIR VALUE RECOGNISED IN ACQUISITION
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**

Amounts in DKK Millions

Notes to the consolidated financial statements

Recognised amounts of identifiable assets acquired, and liabilities assumed:	FAIR VALUE RECOGNISED IN ACQUISITION
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:	FAIR VALUE RECOGNISED IN ACQUISITION
Purchase consideration	1,547
Contingent purchase consideration	0
FAIR VALUE OF CONSIDERATION	**1,547**

Amounts in DKK Millions

Notes to the consolidated financial statements

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 cost of DKK 11m, which is recognised as administrative expense.

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.

Note 28 Commitments and Contingencies

Note 28.1 Commitments

	2022	2021
Performance and payment guarantees	142	126
Property, plant and equipment	191	109
TOTAL	**333**	**235**

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

Note 28.2 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.

Notes to the consolidated financial statements

Note 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.

Note 29.1 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 proportions 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 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.

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 29.2 Financial instruments by category

	2022	2021
FINANCIAL RISKS		
Shares	761	870
Bonds	2,444	2,785
FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	**3,205**	**3,655**
Trade receivables	6,000	4,884
Cash and cash equivalents	3,523	4,087
FINANCIAL ASSETS MEASURED AT AMORTISED COST	**9,523**	**8,971**
Bank and other loans	103	129
Trade creditors	2,887	3,095
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**2,990**	**3,224**
FORWARD CURRENCY CONTRACTS	**72**	**(141)**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**72**	**(141)**

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 29.3 Fair value measurement

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

Fair value hierarchy	QUOTED MARKET PRICES (LEVEL 1)	VALUATION BASED DIRECTLY OR INDIRECTLY ON MARKET (LEVEL 2)	VALUATION TECHNIQUES BASED ON UNOBSERVABLE INPUTS FOR VALUATION (LEVEL 3)	TOTAL
2022				
Shares	761	0	0	761
Bonds	2,444	0	0	2,444
FINANCIAL ASSETS MEASURED AT FAIR VALUE AS OF 31 DECEMBER	**3,205**	**0**	**0**	**3,205**
Forward currency contracts	0	72	0	72
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE AS OF 31 DECEMBER	**0**	**72**	**0**	**72**
2021				
Shares	870	0	0	870
Bonds	2,785	0	0	2,785
FINANCIAL ASSETS MEASURED AT FAIR VALUE AS OF 31 DECEMBER	**3,655**	**0**	**0**	**3,655**
Forward currency contracts	0	(141)	0	(141)
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE AS OF 31 DECEMBER	**0**	**(141)**	**0**	**(141)**

There were no transfers between Level 1 and Level 2 during 2022 or 2021.

Notes to the consolidated financial statements

Note 29.4 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.

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 values 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.

Note 29.5 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.

Amounts in DKK Millions

Notes to the consolidated financial statements

		2022			2021		
CURRENCY SENSITIVITY - IMPACT TO EQUITY (BEFORE TAX)	**INCREASE IN EXCHANGE RATE**	**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 movements in equity arise from monetary items and hedging instruments where the functional currency of the entity differs from the currency that the hedging instruments or monetary items are denominated in. The impact would have been the opposite if exchange rates had been decreasing by similar percentages. The analysis is based on the transaction currency.

Note 29.6 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.

Amounts in DKK Millions

Notes to the consolidated financial statements

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

	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	> 5 YEARS	TOTAL
As at 31 December 2022					
Interest-bearing loans and borrowings	0	0	100	0	100
Lease liabilities (refer to note 12)	41	123	237	0	401
Trade and other payables	2,371	474	0	0	2,845
Forward currency contracts	(7)	(65)	0	0	(72)
TOTAL	**2,406**	**534**	**337**	**0**	**3,274**
As at 31 December 2021					
Interest-bearing loans and borrowings	0	0	98	0	98
Lease liabilities (refer to note 12)	56	167	323	0	546
Trade and other payables	2,579	516	0	0	3,095
Forward currency contracts	14	127	0	0	141
TOTAL	**2,649**	**810**	**421**	**0**	**3,880**
As at 1 January 2021					
Interest-bearing loans and borrowings	0	190	80	0	270
Lease liabilities (refer to note 12)	54	216	325	0	595
Trade and other payables	1,977	396	0	0	2,373
Forward currency contracts	(13)	(8)	0	0	(21)
TOTAL	**2,018**	**794**	**405**	**0**	**3,217**

Amounts in DKK Millions

Notes to the consolidated financial statements

Note 30 Capital management

For the purpose of the Group's capital management, capital includes issued capital and all equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is in accordance with guidelines defined by the majority owner, 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 dividend policy; however, in recent years, dividend distribution has been at a level of 50% of the consolidated profit for the year.

	31 DECEMBER 2022	31 DECEMBER 2021	1 JANUARY 2021
Interest-bearing loans and borrowings	504	675	956
Trade and other payables	2,845	3,095	2,373
Less: Cash and short-term deposits	(6,670)	(7,674)	(7,733)
NET DEBT	**(3,321)**	**(3,904)**	**(4,404)**

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.

Notes to the consolidated financial statements

Note 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 is calculated mainly by external sources on the basis of discounted future cash flows. Anticipated cash flow for individual contracts is 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%

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.

Amounts in DKK Millions

Notes to the consolidated financial statements

The Group is holding the following foreign exchange forward contracts:

				MATURITY					
				LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 TO 9 MONTHS	9 TO 12 MONTHS	TOTAL
As at 31 December 2022	**Fair Value, Asset**	**Fair Value, Liability**	**Notional Amount**						
Foreign exchange forward contracts (highly probable forecast sales or purchases)									
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 DKK MIO)									
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)
AVERAGE FORWARD RATE (EUR/ONE CURRENCY UNIT)									
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	452.255	433.280

Amounts in DKK Millions

Notes to the consolidated financial statements

The Group is holding the following foreign exchange forward contracts:

				MATURITY					
				LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 TO 9 MONTHS	9 TO 12 MONTHS	TOTAL
AS AT 31 DECEMBER 2021	**Fair Value, Asset**	**Fair Value, Liability**	**Notional Amount**						
Foreign exchange forward contracts (highly probable forecast sales or purchases)									
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 DKK MIO)									
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)									
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

Amounts in DKK Millions

Notes to the consolidated financial statements

The Group is holding the following foreign exchange forward contracts:

				MATURITY					
				LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 TO 9 MONTHS	9 TO 12 MONTHS	TOTAL
AS AT 1 JANUARY 2021	**Fair Value, Asset**	**Fair Value, Liability**	**Notional Amount**						
Foreign exchange forward contracts (highly probable forecast sales or purchases)									
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 DKK MIO)									
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)									
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

Amounts in DKK Millions

Notes to the consolidated financial statements

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

Fair value hierarchy	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 2021		
Highly probable expected net cash flows from customers/to vendors	5,401	20

The effect of the cash flow hedge in the statement of profit and loss and other comprehensive income is, as follows:	TOTAL HEDGING GAIN/LOSS RECOGNISED IN OCI	INEFFECTIVENESS 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

Notes to the consolidated financial statements

Note 32 Related parties

Note 32.1 Group information

The table below provides information about the Group's structure, including details of the subsidiaries and the holding company. Grundfos Holding A/S directly or indirectly owns the entire share capital in all subsidiaries except for Grundfos Saudi Arabia Company Limited, Saudi Arabia with an ownership percentage of 75%.

Group companies

Argentina, Bombas Grundfos de Argentina S.A.
Austria, Eurowater Wasseraufbereitung GmbH
Austria, Grundfos Pumpen Vertrieb G.m.b.H.
Australia, BKB Building Solutions Pty. Ltd.
Australia, DAB Pumps Oceania Pty. Ltd.
Australia, Grundfos Australia Holding Pty. Ltd.
Australia, Grundfos Pumps Pty. Ltd.
Belgium, Eurowater Belgium NV
Belgium, Grundfos Bellux S.A.
Brazil, Bombas Grundfos do Brasil Ltda.
Bulgaria, Grundfos Bulgaria EOOD
Canada, Grundfos Canada Inc.
Chile, Bombas Grundfos Chile SpA
China, DAB Pumps (Qingdao) Co. Ltd.
China, Grundfos (China) Holding Co. Ltd.
China, Grundfos Pumps (Changshu) Co, Ltd.
China, Grundfos Pumps (Chongqing) Co. Ltd.
China, Grundfos Pumps (Hong Kong) Ltd.
China, Grundfos Pumps (Shanghai) Co. Ltd.
China, Grundfos Pumps (Suzhou) Ltd.
China, Grundfos Pumps (Wuxi) Ltd.
Colombia, Grundfos Columbia S.A.S.
Croatia, Grundfos Sales Croatia d.o.o.
Czech Republic, Eurowater spol. s.r.o.
Czech Republic, Grundfos Sales Czechia and Slovakia s.r.o.
Denmark, Armacoat A/S
Denmark, Eurotank A/S
Denmark, Grundfos A/S
Denmark, Grundfos DK A/S
Denmark, Grundfos Finance A/S
Denmark, Grundfos Operations A/S
Denmark, Grundfos US ApS
Denmark, Silhorko-Eurowater A/S
Denmark, Sintex A/S
Egypt, Grundfos Holding Egypt LLC
Egypt, Grundfos Egypt LLC
Egypt, Grundfos Service Egypt LLC
Finland, OY Grundfos Environment Finland AB
Finland, OY Grundfos Pumput AB
France, Eurowater Sarl
France, Pompes Grundfos Distribution S.A.S.
France, Pompes Grundfos S.A.S.
Germany, Biral GmbH
Germany, DAB Pumps GmbH
Germany, Deutsche Vortex GmbH & Co. KG
Germany, Eurowater Wasseraufbereitung GmbH
Germany, Grundfos GmbH
Germany, Grundfos Pumpenfabrik GmbH
Germany, Grundfos Verwaltung GmbH
Germany, Grundfos Water Treatment GmbH
Ghana, Grundfos Pumps Ghana Ltd.
Greece, Grundfos Hellas Single-Member A.E.B.E.
Grundfos Saudi Arabia Company Limited, Saudi Arabia
Hungary, DAB Pumps Hungary Kft.
Hungary, Eurowater Vízkezelés Kft.
Hungary, Grundfos Shared Services Kft.
Hungary, Grundfos Hungary Manufacturing Ltd.
Hungary, Grundfos South East Europe Kft.
India, Grundfos Pumps India Private Ltd.
Indonesia, PT DAB Pumps Indonesia
Indonesia, PT Grundfos Pompa
Indonesia, PT Grundfos Trading Indonesia
Ireland, Grundfos (Ireland) Ltd.
Ireland, Mecanical Equipment Company Ireland Ltd.
Italy, DAB Pumps S.p.A.
Italy, DWT Holding S.p.A.
Italy, Grundfos Pompe Italia S.r.l.
Japan, Grundfos Pumps K.K.
Kazakhstan, Grundfos Kazakhstan LLP
Kenya, Grundfos Kenya Ltd.
Korea, Grundfos Pumps Korea Ltd.
Latvia, GRUNDFOS Pumps Baltic SIA
Malaysia, Grundfos Pumps SDN. BHD
Mexico, Bombas Grundfos de Mexico Manufacturing S.A. de C.V.
Mexico, Bombas Grundfos de Mexico S.A. de C.V.
Mexico, DAB Pumps de Mexico S.A. de C.V.
Mexico, Peerless Pump Mexico S.A. de C.V.
Netherlands, DAB Pumps B.V.
Netherlands, Eurowater BV
Netherlands, Solvermedia B.V.
Netherlands, Grundfos Nederland B.V.
New Zealand, Grundfos Pumps NZ Ltd.
Nigeria, Grundfos Water Solutions NGA Limited
Norway, Eurowater AS
Norway, Grundfos Norge AS
Peru, Grundfos de Peru S.A.C.
Philippines, Grundfos IS Support & Operations Centre Philippines Inc.
Philippines, Grundfos Pumps (Philippines) Inc.
Poland, Centrum Badawczo-Wdrozeniowe Unitex Sp.z o.o.
Poland, DAB Pumps Poland Sp.Z.o.o.
Poland, Eurowater Sp. z o.o.
Poland, Grundfos Pompy Sp.Z.o.o.
Portugal, Bombas Grundfos (Portugal) S.A.
Romania, SC Grundfos Pompe Romania SRL
Russia, OOO Grundfos Istra
Russia, OOO DWT Pumps
Russia, OOO Grundfos
Serbia, Grundfos Srbija d.o.o.
Singapore, Grundfos (Singapore) Pte. Ltd.
Singapore, MECO Water Purification (Asia) Pte
Slovakia, Eurowater spol. s.r.o.
Slovenia, Grundfos Ljubljana d.o.o.
South Africa, DAB Pumps South Africa (Pty) Ltd.
South Africa, Grundfos Holding South Africa (Pty) Ltd
South Africa, Grundfos (Pty) Ltd.
Spain, Bombas Grundfos España S.A.
Spain, DAB Pumps Iberica S.L.
Sweden, Eurowater AB
Sweden, Grundfos AB
Switzerland, Biral AG
Switzerland, Eurowater Wasseraufbereitung AG
Switzerland, Grundfos Holding AG
Switzerland, Grundfos Handels AG
Switzerland, Grundfos Pumpen AG
Taiwan, Grundfos Pumps (Taiwan) Ltd.
Thailand, Grundfos (Thailand) Ltd.
Turkey, Grundfos Pompa Sanayi ve Ticaret Ltd.Sti.
Ukraine, Eurowater Ltd.
Ukraine, TOV Grundfos Ukraine
United Arab Emirates, Grundfos Gulf Distribution FZE
United Kingdom, DAB Pumps Ltd.
United Kingdom, Grundfos Manufacturing Ltd.
United Kingdom, Grundfos Pumps Ltd.
United Kingdom, Grundfos Watermill Ltd.
USA, Grundfos CBS Inc.
USA, Grundfos Americas Corporation
USA, Grundfos Pumps Corporation
USA, Grundfos Pumps Manufacturing Corporation
USA, Grundfos US Holding Corporation
USA, Mecanical Equipment Company Inc.
USA, Sterling Fluid Systems (USA) LLC (DBA Peerless Pump Company)
USA, DAB Pumps Inc.
USA, SFS (USA) Holding Inc.
USA, Grundfos Water Utility Inc.
Vietnam, Grundfos Vietnam Company Ltd.B10:H55

Ownership

Grundfos Holding A/S, based in Bjerringbro, Denmark, is the Parent Company of the Grundfos Group. Poul Due Jensens Fond owns 87.6% of the share capital in Grundfos Holding A/S, while the founder's family owns 9.6% and the employees own 2.8%.

Grundfos Holding A/S is included in the consolidated annual accounts for Poul Due Jensens Fond.

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

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

Notes to the consolidated financial statements

Note 32.2 Transactions with related parties

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

For compensation of Group Management, please refer to note 5.

Poul Due Jensens Fond
In the financial year, a limited number of transactions have taken place with Poul Due Jensens Fond. The transactions comprise service transactions. The total payment to the Grundfos Group does not exceed DKK 5m (2021: DKK 5m). In the financial year, Poul Due Jensens Fond sold shares in Grundfos Holding A/S at a value of DKK 271m to Grundfos Holding A/S (2021: DKK 220m).

Other related parties
In the financial year, a limited number of transactions have taken place with certain shareholder members of the Due Jensen Family. The transactions comprise service transactions.
The total transactions with the Grundfos Group do not exceed DKK 1m (2021: DKK 1m).

Note 33 Events after the balance sheet date

The Board of Directors of Grundfos Holding A/S has approved the issuance of these consolidated financial statements on 7 March 2023. The annual general assembly is expected to finally approve the consolidated financial statements on 28 April 2023. One material event has occurred after reporting date, which is described below.

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

Note 34 Information regarding the Group

Note 34.1 Corporate information

The annual consolidated financial statements comprise the parent company Grundfos Holding A/S and its subsidiaries (the Group) for the year ended 31 December 2022. The Group's main operations consist of manufacture and sale of pump solutions.

The parent company is a limited liability company incorporated and domiciled in Denmark. The company's registered office address is Grundfos Holding A/S, Poul Due Jensens Vej 7, DK-8850 Bjerringbro.

Notes to the consolidated financial statements

Note 35 Summary of Significant Accounting Policies

Note 35.1 Basis of preparation

The Annual Report for the year ended 31 December 2022 was 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 (DK GAAP). Refer to note 36.25 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.

Note 35.2 Basis of consolidation

The consolidated financial statements comprise the parent company, Grundfos Holding A/S, and subsidiaries over which Grundfos Holding A/S 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 or loss until the date of disposal.

Profit or 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.

Notes to the consolidated financial statements

Note 35.3 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
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

Note 35.4 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.

Note 35.4.1 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.

Notes to the consolidated financial statements

Note 35.4.2 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.

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.

Notes to the consolidated financial statements

Note 36 Grundfos Holding A/S Group General Accounting Policies

Note 36.1 Revenue

Pump solutions
Pump solutions relate 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 solutions. 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 recognised 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.

Note 36.2 Production cost

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.

Note 36.3 Research and development cost

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.

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.

Notes to the consolidated financial statements

Note 36.4 Staff cost

Staff cost includes the Group's total cost of wages, salaries, pensions and other social insurance cost. Staff cost also includes cost in accordance with the Group's employee share programme.
Staff cost including cost related to the employee share programme is distributed across functions in accordance with the activities primarily executed by the relevant employees.

Note 36.5 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 has no influence and are not attributable to Grundfos' normal operations.
These include – but are not limited to – unforeseeable events that would be considered as force majeure such as natural disasters and political actions that significantly impact 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.

Note 36.6 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.

Note 36.7 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.

Note 36.8 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

Notes to the consolidated financial statements

Note 36.9 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 cost and administrative expenses and development cost.

Other development cost is 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.

Note 36.10 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any cost directly attributable to the acquisition until the date on which the assets are 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 in the period of disposal.

Notes to the consolidated financial statements

Note 36.11 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 cost, including dismantling and restoration cost.

Right-of-use assets are 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.

Note 36.12 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.

Note 36.13 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 cost such as material and labour, maintenance of and depreciation on production machinery, buildings and equipment and cost relating to production administration and management.

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

Notes to the consolidated financial statements

Note 36.14 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.

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

Note 36.15 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.

Notes to the consolidated financial statements

Note 36.16 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.

Uncertain tax positions
Uncertain tax positions are recognised 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.

Note 36.17 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.

Notes to the consolidated financial statements

Note 36.18 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).

Derivatives 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 do not meet the criteria for hedge accounting are recognised as finance income or finance cost 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.

Note 36.19 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.

Notes to the consolidated financial statements

Note 36.20 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.

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.

Note 36.21 Government grants

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

Note 36.22 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.

Notes to the consolidated financial statements

Note 36.23 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.

Note 36.24 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.

Notes to the consolidated financial statements

Note 36.25 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 as 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

Amounts in DKK Millions

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

ASSETS	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS AS AT 1 JANUARY 2021
NON-CURRENT ASSETS				
INTANGIBLE ASSETS				
Goodwill	A	397	0	397
Other intangible assets		580	0	580
Completed development projects		96	0	96
Development projects in progress		65	0	65
TOTAL INTANGIBLE ASSETS		**1,138**	**0**	**1,138**
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
Right-of-use assets	B	0	595	595
TOTAL PROPERTY, PLANT AND EQUIPMENT		**5,718**	**595**	**6,313**
FINANCIAL ASSETS				
Securities		63	0	63
Deferred tax assets	E	658	2	660
Other accounts receivable		56	0	56
TOTAL FINANCIAL ASSETS		**777**	**2**	**779**
TOTAL NON-CURRENT ASSETS		**7,633**	**597**	**8,230**
CURRENT ASSETS				
Inventories		3,991	0	3,991
Trade receivables		4,607	0	4,607
Income tax receivable		447	0	447
Other current receivables	D	793	(24)	769
Prepayments		191	0	191
Securities		2,341	0	2,341
Cash and cash equivalents		5,392	0	5,392
TOTAL CURRENT ASSETS		**17,762**	**(24)**	**17,738**
TOTAL ASSETS		**25,395**	**573**	**25,968**

Amounts in DKK Millions

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

EQUITY AND LIABILITIES	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS AS AT 1 JANUARY 2021
EQUITY				
Share capital		381	0	381
Hedge transaction reserve		5	0	5
Exchange adjustment reserve	H	(523)	523	0
Retained earnings	C, G	16,669	(496)	16,173
Proposed dividend		950	0	950
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**17,482**	**27**	**17,509**
NON-CONTROLLING INTERESTS		**19**	**0**	**19**
TOTAL EQUITY		**17,501**	**27**	**17,528**
NON-CURRENT LIABILITIES				
Pensions and similar obligations	D, G	621	(33)	588
Provisions	C, D	722	(136)	586
Deferred tax liabilities		81	0	81
Lease liabilities	B	0	379	379
Interest-bearing debt		**91**	0	**91**
TOTAL NON-CURRENT LIABILITIES		**1,515**	**210**	**1,725**
CURRENT LIABILITIES				
Provisions		144	0	144
Trade and other payables		2,373	0	2,373
Interest-bearing debt		270	0	270
Lease liabilities	B	0	216	216
Income tax payable		857	0	857
Deferred income	F	310	(310)	0
Other liabilities	F	2,425	430	2,855
TOTAL CURRENT LIABILITIES		**6,379**	**336**	**6,715**
TOTAL LIABILITIES		**7,894**	**546**	**8,440**
TOTAL LIABILITIES AND EQUITY		**25,395**	**573**	**25,968**

1. Management's Report
2. Management's Statement and Auditor's Report
3. Consolidated financial statements
4. Parent Company financial statements

Amounts in DKK Millions

Group reconciliation of equity as at 31 December 2021

	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS AS AT 31 DECEMBER 2021
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	A	1,120	61	1,181
Other intangible assets		1,226	0	1,226
Completed development projects		100	0	100
Development projects in progress		41	0	41
TOTAL INTANGIBLE ASSETS		**2,487**	**61**	**2,548**
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
Right-of-use assets	B	0	542	542
TOTAL PROPERTY, PLANT AND EQUIPMENT		**6,098**	**542**	**6,640**
FINANCIAL ASSETS				
Securities		68	0	68
Deferred tax assets	E	756	2	758
Other accounts receivable		58	0	58
TOTAL FINANCIAL ASSETS		882	2	884
TOTAL NON-CURRENT ASSETS		**9,467**	**605**	**10,072**
CURRENT ASSETS				
Inventories		5,304	0	5,304
Trade receivables		4,763	0	4,763
Income tax receivable		512	0	512
Other current receivables	D	730	(24)	706
Prepayments		237	0	237
Securities		3,587	0	3,587
Cash and cash equivalents		4,087	0	4,087
TOTAL CURRENT ASSETS		**19,220**	**(24)**	**19,196**
TOTAL ASSETS		**28,687**	**581**	**29,268**

1. Management's Report
2. Management's Statement and Auditor's Report
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Amounts in DKK Millions

Group reconciliation of equity as at 31 December 2021

EQUITY AND LIABILITIES	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS AS AT 31 DECEMBER 2021
EQUITY				
Share capital		381	0	381
Hedge transaction reserve		(136)	0	(136)
Exchange adjustment reserve		(299)	523	224
Retained earnings	A, C, E, G, H	18,163	(423)	17,740
Proposed dividend		1,275	0	1,275
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**19,384**	**100**	**19,484**
NON-CONTROLLING INTERESTS		**23**	**0**	**23**
TOTAL EQUITY		**19,407**	**100**	**19,507**
NON-CURRENT LIABILITIES				
Pensions and similar obligations	D, G	413	(33)	380
Provisions	D	655	(166)	489
Deferred tax liabilities	F	210	3	213
Lease liabilities	B	0	352	352
Interest-bearing debt		**31**	0	**31**
TOTAL NON-CURRENT LIABILITIES		**1,309**	**156**	**1,465**
CURRENT LIABILITIES				
Provisions		164	0	164
Trade and other payables		3,095	0	3,095
Interest-bearing debt		98	0	98
Lease liabilities	B	0	194	194
Income tax payable		869	0	869
Deferred income	D	472	(472)	0
Other liabilities	D	3,273	603	3,876
TOTAL CURRENT LIABILITIES		**7,971**	**325**	**8,296**
TOTAL LIABILITIES		**9,280**	**481**	**9,761**
TOTAL LIABILITIES AND EQUITY		**28,687**	**581**	**29,268**

Amounts in DKK Millions

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

	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS 2021
Revenue		28,733	0	28,733
Cost of sales	B	(16,853)	3	(16,850)
GROSS PROFIT		**11,880**	**0**	**11,883**
Research and development cost	A,B	(1,563)	1	(1,542)
Selling and distribution cost		(4,686)	0	(4,686)
Administration cost	A,B	(2,446)	77	(2,389)
EARNINGS BEFORE INTEREST AND TAX (EBIT)		**3,185**	**0**	**3,266**
Finance income		**293**	**0**	**293**
Finance expenses	B	(180)	(9)	(189)
PROFIT/LOSS BEFORE TAX		**3,298**	**0**	**3,370**
Income tax expenses	A,B	(708)	(3)	(711)
PROFIT/LOSS FOR THE YEAR		**2,590**	**69**	**2,659**

Attributable to:

Equity holders of the parent Non-controlling interests (NCI)

	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS AS AT 31 DECEMBER 2021
PROFIT/LOSS FOR THE YEAR		**2,590**	**0**	**2,659**
Other comprehensive income/(loss) for the year, net of tax	I	0	266	266
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,590**	**0**	**2,925**
Attributable to:				
Equity holders of the parent		2,587	-	2,922
Non-controlling interests (NCI)		3	0	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,590**	**0**	**2,925**

Notes to the reconciliation of equity as at 1 January 2021 and 31 December 2021 and total comprehensive income for the year ended 31 December 2021

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 are no amortisations according to IFRS, but instead there is a requirement for yearly impairment tests, 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 cost for goodwill under IFRS. Thus, amortisations under DK GAAP in 2021 of DKK 61m 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 or 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 shortterm 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. This amount of DKK 34m is the only impact to the total equity in the transition balance 1 January 2021.

IFRS requires the fair value of the restricted stock units to be determined using an appropriate pricing model recognised over the vesting period but based on the fair value of 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 liabillities
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 points are also reclassified in balance as at 31 December 2021.

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 36.16, 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 calcualations 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, these amounts were disclosed as movements in equity only.

Amounts in DKK Millions

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

	NOTES	DK GAAP	EFFECT OF TRANSITION TO IFRS	IFRS
CASH FLOWS FROM OPERATING ACTIVITIES				
PROFIT AND LOSS AFTER TAX		**2,590**	**69**	**2,659**
Adjustments to reconcile profit before tax to net cash flows:				
Net financial income/expense		(112)	11	(101)
Depreciation and impairment of property, plant and equipment		1.230	137	1.367
Share-based payment expense		0	(15)	(15)
Other adjustments		0	29	29
Tax expense		708	3	711
Working capital adjustments:				
Changes in other receivables		96	0	96
Changes in trade and other payables		1,606	0	1,606
Changes in inventories		(1,128)	0	(1,128)
Changes in provisions and other liabilities		(311)	0	(311)
Taxes paid		(868)	0	(868)
Net interest received and realised currency gain		49	0	49
Interest paid on lease liabilities		0	(11)	(11)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**3,860**	**223**	**4,083**

Amounts in DKK Millions

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

	NOTES	DK GAAP	EFFECT OF TRANSITION TO IFRS	IFRS
CASH FLOWS FROM OPERATING ACTIVITIES - CONTINUED				
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1,078)		(1,078)
Proceeds from sale of property, plant and equipment		21	0	21
Purchase of intangible assets		(256)	0	(256)
Purchase of financial instruments		(2,439)	0	(2,439)
Proceeds from sale of financial instruments		1,255	0	1,255
Acquisition of subsidiaries, net of cash acquired		(1,547)	0	(1,547)
NET CASH FLOW FROM INVESTING ACTIVITIES		**(4,044)**	0	**(4,044)**
CASH FLOW FROM FINANCING ACTIVITIES				
Payments for the principal portion of the lease liability		0	(194)	(194)
Dividends paid to equity holders of the parent/NCI		(950)	0	(950)
Purchase of own shares		0	(29)	(29)
Proceeds from borrowings		87	0	87
Repayment of borrowings		(320)	0	(320)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(1,183)**	**(223)**	**(1,406)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,367)	0	(1,367)
Cash and cash equivalents at beginning of the year/period		5,392	0	5,392
Net foreign exchange difference		62	0	**62**
CASH AND CASH EQUIVALENTS, END OF YEAR		**4,087**	**0**	**4,087**

Grundfos will always be about innovation

We innovate to differentiate by creating the solutions our customers need not only today, but also tomorrow.

Innovation has always been the driving force behind Grundfos. Our pioneering spirit started back in 1945 and continues to push us forward. Our history of making bold moves and constantly being one step ahead is the very backbone of our company.

We will continuously break new ground and set new standards – innovating today what was impossible yesterday. And we will bring new even more innovative products and solutions to market in the coming years.

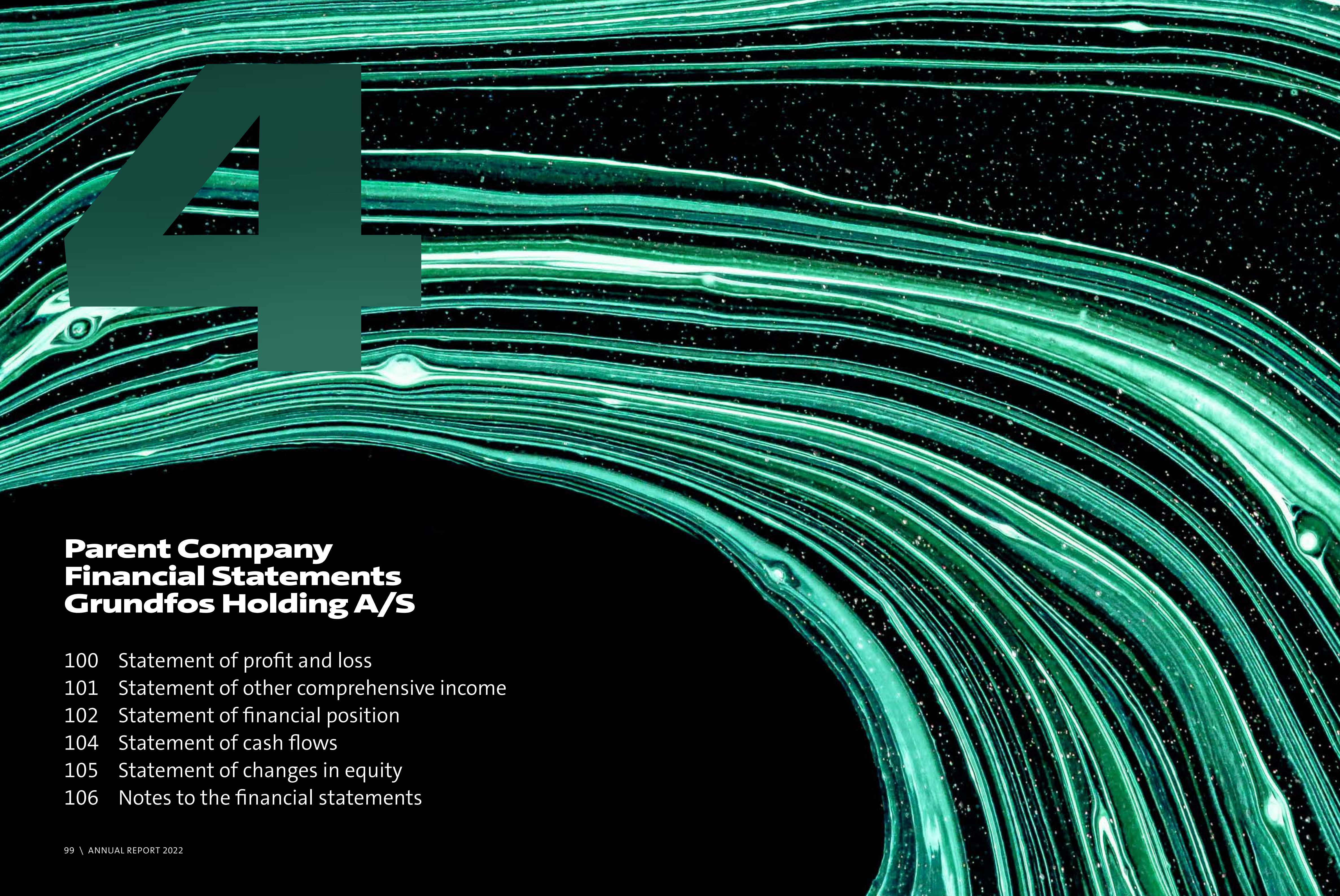
Our components and products will be combined in various ways in new innovative, energy-efficient solutions to meet the needs of different customer groups. Using the built-in intelligence of our pumps, our solutions will be able to communicate with each other and with the systems they are part of.

Latest examples of new Grundfos products brought to market are the Digital Next Heating Circulators. This generation of energy saving circulators is set to increase both sustainability and comfort with houseowners starting in the USA.

The pumps have been rated with the highest Energy Rating in the market and include a set of digital benefits enabling increased sustainability and comfort.

In Grundfos our earnings serve to support our future growth. Therefore, we reinvest substantial parts of our earnings into innovation.

This is to ensure that we can continuously pioneer solutions to the world's water and climate challenges and improve the quality of life for people.



4

Parent Company Financial Statements Grundfos Holding A/S

Amounts in DKK Millions

Statement of profit and loss

1 January - 31 December 2022	NOTE	2022	2021
Revenue	1	4,274	4,345
Production cost		(211)	(227)
GROSS PROFIT		**4,063**	**4,118**
Research and development cost	2	(1,483)	(1,267)
Selling and distribution cost	3	(631)	(784)
Administrative cost	**4**	**(1,814)**	**(1,527)**
EARNING BEFORE INTEREST AND TAX (EBIT)		**135**	**540**
Income from investments in affiliated companies		1,989	2,021
Finance income	5	252	337
Finance expenses	5	(469)	(132)
PROFIT BEFORE TAX		**1,907**	**2,766**
Income tax expenses	6	104	(110)
PROFIT FOR THE YEAR		**2,011**	**2,656**

Amounts in DKK Millions

Statement of other comprehensive income

1 January - 31 December 2022

	NOTE	2022	2021
PROFIT FOR THE YEAR		**2,011**	**2,656**
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of foreign operations		148	119
Other OCI adjustments		565	172
Tax on other comprehensive income		(33)	(26)
NET OTHER COMPREHENSIVE LOSS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIOD		**680**	**265**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,691**	**2,921**

Amounts in DKK Millions

Statement of financial position

As at 31 December 2022

ASSETS	NOTE	2022	2021	* 1 JANUARY 2021
NON-CURRENT ASSETS				
INTANGIBLE ASSETS				
Completed development projects		88	93	82
Other intangible assets		208	339	216
Development projects in progress		73	41	65
Other intangible assets in progress		93	24	108
TOTAL INTANGIBLE ASSETS	7	**462**	**497**	**471**
PROPERTY, PLANT AND EQUIPMENT				
Technical installations and machinery	8	78	81	75
Other technical installations	8	198	201	236
Property, plant and equipment in progress	8	109	118	123
Right of use assets	9	280	377	470
TOTAL PROPERTY, PLANT AND EQUIPMENT		**665**	**777**	**904**
FINANCIAL ASSETS				
Investments in affiliated companies	10	13,810	11,922	11,003
Accounts receivable from affiliated companies	11	2,905	2,786	2,855
Other accounts receivable		37	23	26
TOTAL FINANCIAL ASSETS		**16,752**	**14,731**	**13,884**
TOTAL NON-CURRENT ASSETS		**17,879**	**16,005**	**15,259**
CURRENT ASSETS				
Inventories		7	9	5
Accounts receivable from affiliated companies	11	3,830	2,076	1,770
Corporation tax receivable		109	152	38
Other accounts receivables	12	151	112	94
Securities	13	3,144	3,583	2,340
Cash and cash equivalents	14	1,654	2,273	3,833
TOTAL CURRENT ASSETS		**8,895**	**8,205**	**8,080**
TOTAL ASSETS		**26,774**	**24,210**	**23,339**

*Please see Note 28.5 First time adoption of IFRS for further details on the opening balance.

Amounts in DKK Millions

Statement of financial position

As at 31 December 2022

EQUITY AND LIABILITIES	NOTE	2022	2021	* 1 JANUARY 2021
EQUITY				
Share capital	15	381	381	381
Reserve development projects		105	105	94
Reserve for net revaluation under the equity method		3,111	1,132	272
Retained earnings		16,325	16,591	15,812
Proposed dividend		1,000	1,275	950
TOTAL EQUITY		**20,922**	**19,484**	**17,509**
NON-CURRENT LIABILITIES				
Provisions	16	29	29	29
Deferred tax liabilities	6	100	113	117
Lease liabilities	9	208	280	371
TOTAL NON-CURRENT LIABILITIES		**337**	**422**	**517**
CURRENT LIABILITIES				
Trade and other payables	18	238	247	193
Accounts payables to affiliated companies	11	4,753	3,387	4,453
Interest-bearing debt	17	40	57	180
Lease liabilities	9	73	98	99
Other liabilities	19	411	515	388
TOTAL CURRENT LIABILITIES		**5,515**	**4,304**	**5,313**
TOTAL LIABILITIES		**5,852**	**4,726**	**5,830**
TOTAL LIABILITIES AND EQUITY		**26,774**	**24,210**	**23,339**

*Please see Note 28.5 First time adoption of IFRS for further details on the opening balance.

Amounts in DKK Millions

Statement of cash flows

1 January - 31 December 2022

	NOTE	2022	2021
OPERATING ACTIVITIES			
Profit after tax		2,011	2,656
Depreciation and amortisation of non-current assets	7, 8, 9	408	398
Finance income	5	(252)	(337)
Finance expenses	5	469	132
Income from investments in affiliated companies	10	(1,989)	(2,021)
Tax for the year	6	(104)	110
Changes in net working capital		403	(395)
Dividends received	10	740	1,333
CASH FLOW FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAX		**1,686**	**1,876**
Taxes paid		134	(254)
Interest paid and realised currency losses		(469)	(132)
Interest received and realised currency gains		252	277
Other adjustments		433	62
CASH FLOW FROM OPERATING ACTIVITIES		**2,036**	**1,829**

	NOTE	2022	2021
INVESTING ACTIVITIES			
Purchase of intangible assets	7	(161)	(148)
Purchase of property, plant and equipment	8	(100)	(143)
Capital injections to subsidiaries		(74)	(89)
Lending to affiliated companies		(1,657)	(2,093)
Repayment of loans from affiliated companies		29	1,880
Purchase of securities	13	(2,213)	(2,438)
Sale of securities	13	2,230	1,255
CASH FLOW FROM INVESTING ACTIVITIES		**(1,946)**	**(1,776)**
NET CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES		**90**	**53**
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	9	(98)	(98)
Proceeds from borrowings affiliated companies		703	0
Repayment of borrowings		(17)	(536)
Purchase of own shares		(22)	(29)
Dividend paid		(1,275)	(950)
CASH FLOW FROM FINANCING ACTIVITIES		**(709)**	**(1,613)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(619)**	**(1,560)**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**2,273**	**3,833**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**1,654**	**2,273**

Amounts in DKK Millions

Statement of changes in equity

	SHARE CAPITAL	RESERVE DEVELOPMENT PROJECTS	RESERVE EQUITY METHOD	RETAINED EARNINGS	PROPOSED DIVIDEND	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF GRUNDFOS HOLDING A/S
BALANCE AT 1 JANUARY 2021	**381**	**94**	**272**	**15,812**	**950**	**17,509**
Profit for the year, attributable to shareholders	0	11	688	682	1,275	2,656
Exchange rate adjustments, affiliated companies, etc.	0	0	0	119	0	119
Other OCI adjustments	0	0	172	0	0	172
Tax on other comprehensive income	0	0	0	(26)	0	(26)
TOTAL COMPREHENSIVE INCOME/(LOSS)	**0**	**11**	**860**	**775**	**1,275**	**2,921**
TRANSACTIONS WITH OWNERS:						
Dividend paid	0	0	0	0	(950)	(950)
Purchase of treasury shares	0	0	0	(220)	0	(220)
Sale of own shares	0	0	0	158	0	152
Share-based compensation expenses	0	0	0	66	0	72
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**0**	**0**	**0**	**4**	**(950)**	**(946)**
BALANCE AT 31 DECEMBER 2021	**381**	**105**	**1,132**	**16,591**	**1,275**	**19,484**
Profit for the year, attributable to shareholders	0	21	1,249	(259)	1,000	2,011
Exchange rate adjustments, affiliated companies, etc.	0	0	0	148	0	148
Other OCI adjustments	0	0	730	(165)	0	565
Tax on other comprehensive income	0	0	0	(33)	0	(33)
TOTAL COMPREHENSIVE INCOME/(LOSS)	**0**	**21**	**1,979**	**(309)**	**1,000**	**2,691**
TRANSACTIONS WITH OWNERS:						
Dividend paid	0	0	0	0	(1,275)	(1,275)
Purchase of treasury shares	0	0	0	(271)	0	(271)
Sale of own shares	0	0	0	210	0	216
Share-based compensation expenses	0	0	0	83	0	77
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**0**	**0**	**0**	**22**	**(1,275)**	**(1,253)**
BALANCE AT 31 DECEMBER 2022	**381**	**126**	**3,111**	**16,304**	**1,000**	**20,922**

Notes index

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 1 Revenue

	2022	2021
Intercompany services	4,274	4,345
TOTAL	**4,274**	**4,345**

Sale of services consists of royalty fee, fee for IT services and other intra-group services.

Note 2 Research and development cost

	2022	2021
Staff cost	686	638
Consultancy	195	217
Depreciation and amortisation	95	121
Other research and development cost	507	291
TOTAL	**1,483**	**1,267**

Note 3 Selling and distribution cost

	2022	2021
Staff cost	160	334
Distribution cost	99	137
Consultancy	58	55
Depreciation and amortisation	55	63
Other selling and distribution cost	259	194
TOTAL	**631**	**783**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 4 Administration cost

	2022	2021
Staff cost	580	543
Consultancy	228	255
Depreciation and amortisation	234	203
Other administration	772	526
TOTAL	**1,814**	**1,527**

Note 5 Finance income and expense

	2022	2021
Interest income from bonds	33	18
Value adjustment etc. from shares	0	169
Hedging forward contracts	71	57
Exchange rate adjustments, other	(4)	19
Financial income, affiliated companies	127	70
Other financial income	25	4
TOTAL	252	337
Value adjustment etc. from bonds	283	97
Value adjustment etc. from shares	98	0
Interest on lease liabilities	1	2
Financial cost, affiliated companies	82	15
Other finance expense	5	18
TOTAL	**469**	**132**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 6 Tax

Note 6.1 Income taxes in statement of profit and loss and reconciliation

	2022	2021
TAX ON THE PROFIT FOR THE YEAR IS SPECIFIED AS FOLLOWS:		
Tax on profit/loss for the year	(104)	110
Tax on other comprehensive income	33	26
TOTAL	**(71)**	**136**
TAX ON THE PROFIT FOR THE YEAR HAS BEEN CALCULATED AS FOLLOWS:		
Current income taxes	(52)	133
Deferred income taxes	(13)	(4)
Withholding taxes paid abroad	23	26
Adjustment regarding previous years	(62)	(45)
TOTAL INCOME TAXES	**(104)**	**110**
EFFECTIVE TAX RATE CAN BE CALCULATED AS FOLLOWS:		
Danish tax rate	22%	22%
Non-taxable income and non-deductible expenses	(25%)	(18%)
Withholding taxes paid abroad	1%	1%
Adjustment previous years	(3%)	(1%)
EFFECTIVE TAX RATE	**(5%)**	**4%**

Income tax receivable	109	152
Income tax payable	0	0
TOTAL INCOME TAX	**109**	**152**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 6.2 Deferred taxes

	2022	2021
CHANGES IN DEFERRED TAX		
Net deferred tax assets 1 January	113	117
Deferred tax recognised in profit and loss account	(13)	(4)
Deferred tax recognised in equity	0	0
NET DEFERRED TAX LIABILITY	**100**	**113**

	2022	2021	1 JANUARY 2021
BREAKDOWN OF DEFERRED TAX			
Fixed Assets	107	119	127
Current Assets	15	19	13
Provisions	(22)	(15)	(13)
Liabilities	0	(10)	(10)
Tax loss carry forward	0	0	0
NET DEFERRED TAX LIABILITY	**100**	**113**	**117**
REFLECTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS:			
Deferred tax assets	0	0	0
Deferred tax liabilities	(100)	(113)	(117)
NET DEFERRED TAX LIABILITY	**(100)**	**(113)**	**(117)**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 7 Intangible assets

	COMPLETED DEVELOPMENT PROJECTS	OTHER INTANGIBLE FIXED ASSETS	DEVELOPMENT PROJECTS IN PROGRESS	OTHER INTANGIBLE FIXED PROPERTY, PLANT AND EQUIPMENT IN PROGRESS	TOTAL
COST AT 1 JANUARY 2022	**187**	**627**	**41**	**24**	**879**
Additions	6	12	55	88	161
Disposals	(55)	(66)	0	0	(121)
Transfers	23	47	(23)	(19)	28
COST AT 31 DECEMBER 2022	**161**	**620**	**73**	**93**	**947**
AMORTISATION AND IMPAIRMENT AT 1 JANUARY 2022	94	288	0	0	382
Amortisation and impairment	34	190	0	0	224
Amortisation and impairment on disposals	(55)	(66)	0	0	(121)
AMORTISATION AND IMPAIRMENT AT 31 DECEMBER 2022	**73**	**412**	**0**	**0**	**485**
CARRYING AMOUNT 31 DECEMBER 2022	**88**	**208**	**73**	**93**	**462**
COST AT 1 JANUARY 2021	**409**	**446**	**65**	**108**	**1,028**
Additions	10	75	41	22	148
Disposals	(297)	(89)	0	0	(386)
Transfers	65	195	(65)	(106)	89
COST AT 31 DECEMBER 2021	**187**	**627**	**41**	**24**	**879**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

	GOODWILL	OTHER INTANGIBLE ASSETS	COMPLETED DEVELOPMENT PROJECTS	DEVELOPMENT PROJECTS IN PROGRESS	TOTAL
AMORTISATION AND IMPAIRMENT AT 1 JANUARY 2021	327	230	0	0	557
Amortisation and impairment	64	147	0	0	211
Amortisation and impairment on disposals	(297)	(89)	0	0	(386)
AMORTISATION AND IMPAIRMENT AT 31 DECEMBER 2021	**94**	**288**	**0**	**0**	**382**
CARRYING AMOUNT 31 DECEMBER 2021	**93**	**339**	**41**	**24**	**497**
CARRYING AMOUNT 1 JANUARY 2021	**82**	**216**	**65**	**108**	**471**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 8 Property, plant and equipment

	TECHNICAL INSTALLATION AND MACHINERY	OTHER TECHNICAL INSTALLATIONS	PROPERTY, PLANT AND EQUIPMENT IN PROGRESS	TOTAL
COST AT 1 JANUARY 2022	**453**	**718**	**118**	**1,289**
Additions	18	19	62	99
Disposals	0	0	0	0
Transfers	1	42	(71)	(28)
COST AT 31 DECEMBER 2022	**472**	**779**	**109**	**1,360**
Depreciation at 1 January 2022	372	517	0	889
Depreciation	22	64	0	86
DEPRECIATION AT 31 DECEMBER 2022	**394**	**581**	**0**	**975**
CARRYING AMOUNT 31 DECEMBER 2022	**78**	**198**	**109**	**385**
COST AT 1 JANUARY 2021	**424**	**688**	**123**	**1,235**
Additions	26	14	103	143
Disposals	(1)	0	0	(1)
Transfers	4	16	(108)	(88)
COST AT 31 DECEMBER 2021	**453**	**718**	**118**	**1,289**
DEPRECIATION AT 1 JANUARY 2021	**349**	**452**	**0**	**801**
Depreciation	23	65	0	88
DEPRECIATION AT 31 DECEMBER 2021	**372**	**517**	**0**	**889**
CARRYING AMOUNT AT 31 DECEMBER 2021	**81**	**201**	**118**	**400**
CARRYING AMOUNT AT 1 JANUARY 2021	**75**	**236**	**123**	**434**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 9 Leases

The Company has lease contracts for buildings, motor vehicles and other equipment used in its operations. For buildings that are all leased from another company in the group, lease terms of 5 years have been applied, while motor vehicles and other equipment generally have lease terms between 4 - 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has leases with lease terms of 12 months or less and leases of low value. The Company 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:

	BUILDINGS	MOTOR VEHICLE	OTHER EQUIPMENT	TOTAL
CARRYING AMOUNT AT 1 JANUARY 2022	**360**	**17**	**0**	**377**
Additions	0	1	0	1
Depreciation	(90)	(8)	0	(98)
CARRYING AMOUNT AT 31 DECEMBER 2022	**270**	**10**	**0**	**280**
CARRYING AMOUNT AT 1 JANUARY 2021	**450**	**20**	**0**	**470**
Additions	0	6	0	6
Depreciation	(90)	(9)	0	(99)
CARRYING AMUNT AT 31 DECEMBER 2021	**360**	**17**	**0**	**377**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:	2022	2021
BALANCE AT 1 JANUARY	**378**	**470**
Additions	1	6
Interest	1	2
Payments	(99)	(100)
BALANCE AT 31 DECEMBER	**281**	**378**
Current	73	98
Non-Current	208	280
TOTAL	**281**	**378**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Undiscounted lease liabilities maturity analysis:	2022	2021
Less than one year	73	98
One to three years	44	59
More than three years	164	221
TOTAL UNDISCOUNTED LEASE LIABILITIES AT 31 DECEMBER	**281**	**378**

The following are the amounts recognised in profit or loss:	2022	2021
Depreciation expense of right-of-use assets	98	99
Interest expense on lease liabilities	1	2
Expense relating to short-term leases	2	2
Expense relating to leases of low-value assets	0	0
Variable lease payments	0	0
TOTAL AMOUNT RECOGNISED IN PROFIT OR LOSS	**101**	**103**

The company had total cash outflows for leases of DKK 100m in 2022 (2021: DKK 99m).

The company has a number of 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.

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 10 Investments in affiliated companies

	2022	2021	1 JANUARY 2021
COST AT 1 JANUARY 2022	**17,394**	**17,335**	**16,510**
Additions	74	89	825
Disposals	(165)	(30)	0
COST AT 31 DECEMBER	**17,303**	**17,394**	**17,335**
Value adjustments at 1 January	(5,472)	(6,332)	(5,156)
Share of profit	1,989	2,021	1,665
Dividends received	(740)	(1,333)	(2,385)
Other value adjustments	730	172	(456)
ADJUSTMENTS AT 31 DECEMBER	**(3,493)**	**(5,472)**	**(6,332)**
CARRYING AMOUNT AT 31 DECEMBER	**13,810**	**11,922**	**11,003**
OF WHICH CARRYING AMOUNT OF GOODWILL	**1,228**	**1,181**	**397**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 11 Accounts receivable from and payables to affiliated companies

	2022	2021	1 JANUARY 2021
Receivables from affiliated companies – non-current	2,905	2,786	2,855
Receivables from affiliated companies – current	3,830	2,076	1,770
Payables to affiliated companies	(4,753)	(3,387)	(4,453)
TOTAL RECEIVABLES FROM AFFILIATED COMPANIES	**1,982**	**1,475**	**172**

	2022	2021	1 JANUARY 2021
Breakdown of receivables from affiliated companies:			
Interest-bearing receivables	6,224	4,448	4,112
Non-interest-bearing receivables	511	414	513
TOTAL RECEIVABLES FROM AFFILIATED COMPANIES	**6,735**	**4,862**	**4,625**

	2022	2021	1 JANUARY 2021
Payables to affiliated companies – non-current	0	0	0
Interest-bearing payables to affiliated companies – current	4,396	3,387	4,130
Non-interest-bearing payables to affiliated companies	357	0	323
TOTAL PAYABLE TO AFFILIATED COMPANIES	**4,753**	**3,387**	**4,453**

Note 12 Prepayments

	2022	2021	1 JANUARY 2021
Prepayments	114	112	94
Other accounts receivable	37	0	0
TOTAL	**151**	**112**	**94**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 13 Securities

	2022	2021
COST AT 1 JANUARY	**3,533**	**2,333**
Exchange rate adjustments	(2)	3
Additions during the year	2,213	2,439
Disposals during the year	(2,230)	(1,242)
COST AT 31 DECEMBER	**3,514**	**3,533**
Value adjustments at 1 January	50	3
Value adjustments during the year	(420)	47
VALUE ADJUSTMENTS AT 31 DECEMBER	**(370)**	**50**
BALANCE AT 31 DECEMBER	**3,144**	**3,583**
BALANCE AT 1 JANUARY	**3,583**	**2,336**
Current	3,144	3,583
Non-Current	0	0
TOTAL	**3,144**	**3,583**

The portfolio consists solely of listed shares and bonds and is distributed as follows:		
Shares	758	866
Bonds	2,386	2,717
TOTAL	**3,144**	**3,583**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 14 Cash and cash equivalents

	2022	2021	1 JANUARY 2021
Cash at bank and on hand	1,654	2,273	3,833
TOTAL	**1,654**	**2,273**	**3,833**

	2022	2021	1 JANUARY 2021
Cash at bank and on hand	1,654	2,273	3,833
TOTAL	**1,654**	**2,273**	**3,833**
BANK OVERDRAFTS	**0**	**0**	**0**
CASH AND CASH EQUIVALENTS	**1,654**	**2,273**	**3,833**

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 Company, and earn interest at the respective short-term deposit rates.

Note 15 Share Capital

The share capital consist of 38,090,911 shares with a nominal value of DKK 10 each. All shares rank equally. The share capital is fully paid.

	2022	2021	1 JANUARY 2021
Ordinary shares of DKK 10 each	381	381	381
TOTAL	**381**	**381**	**381**

In 2022 the Group bought own shares from Poul Due Jensens Fond at fair value for proceeds of DKK 271m. All shares have been used for the Group’s share programmes during 2022. The shares had a fair value of DKK 271m at the time of purchase. The Group has been authorised by the shareholders to acquire up to 2,759,000 treasury shares, equal to 7.2% of the share capital. The authorisation expires in yearly tranches during the period from 30 April 2023 to 30 April 2027.

The company acquires treasury shares for allocation to the Group’s share programmes. At 31 December 2022, the company did not hold any treasury shares.

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 16 Provisions

	RESTRUCTURING	JUBILEE	OTHERS	TOTAL
BALANCE AT 1 JANUARY 2022	**0**	**26**	**3**	**29**
Provision	0	3	0	3
Utilised	0	0	0	0
Reversed	0	0	(3)	(3)
BALANCE AT 31 DECEMBER 2022	**0**	**29**	**0**	**29**
Current	0	0	0	0
Non-Current	0	29	0	29

	RESTRUCTURING	JUBILEE	OTHERS	TOTAL
BALANCE AT 1 JANUARY 2021	**1**	**25**	**3**	**29**
Provision	0	1	0	1
Utilised	(1)	0	0	(1)
Reversed	0	0	0	0
BALANCE AT 31 DECEMBER 2021	**0**	**26**	**3**	**29**
Current	0	0	0	0
Non-Current	0	26	3	29

Jubilee
In Grundfos Holding A/S, employees celebrating 25 or 40 years anniversary are paid an additional month's salary.

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 17 Interest bearing debt

	2022	2021	1 JANUARY 2021
Loan from a third-party	40	57	180
TOTAL	**40**	**57**	**180**

Current	40	57	180
Non-Current	0	0	0
TOTAL	**40**	**57**	**180**

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

Note 18 Trade and other payable

	2022	2021	1 JANUARY 2021
Trade payables	238	247	193
TOTAL	**238**	**247**	**193**

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

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 19 Other Liabilities

	2022	2021	1 JANUARY 2021
Staff related	206	285	207
Earn out	110	98	85
Accrued expenses	81	112	82
Other	14	19	14
TOTAL OTHER LIABILITIES	**411**	**515**	**388**

Note 20 Fees to auditors appointed by the shareholders

	2022	2021
Fee to EY for Statutory audit	1	1
Fee to EY for other assurance engagements	1	0
Fee to EY for tax advisory services	1	1
Fee to EY for other services	9	8
TOTAL FEES	**12**	**10**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 21 Staff Cost

	2022	2021
Wages and salaries	1,314	1,256
Share-based payments	83	66
Pensions	106	99
Other social security cost	19	18
TOTAL	**1,522**	**1,439**

Staff cost is recognised in the financial statements as follows:	2022	2021
Production	96	125
Research and development	686	553
Sales and distribution	160	290
Administration	580	471
TOTAL	**1,522**	**1,439**
Average number of full-time employees	1,763	1,707
Number of full-time employees, closing	1,756	1,761

Staff cost includes fees to Group Management and the Board of Directors of Grundfos Holding A/S for directorships in Grundfos Holding A/S and can be specified as follows:

	2022			2021		
	BOARD OF DIRECTORS	REGISTERED GROUP MANAGEMENT	OTHER GROUP MANAGEMENT	BOARD OF DIRECTORS	REGISTERED GROUP MANAGEMENT	OTHER GROUP MANAGEMENT
Remuneration	11	18	20	10	16	11
Pensions and other post-employment benefits	0	8	10	0	11	7
Other long-term benefits	0	4	3	0	3	2
Termination benefits	0	0	0	0	0	12
Share-based payments (according to note 26 in the Consolidated notes)	0	7	5	0	5	3
TOTAL	**11**	**37**	**38**	**10**	**35**	**35**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 22 Share-based compensation expenses

Note 22.1 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 target of Group EBIT ratio, Group Net Sales Growth and Reduction of Scope 1 & Scope 2 CO2 emission.

There are certain unvested tranches of LTI granted prior to 1 January 2021, which vest with the employees in 4 equal tranches and hence are contingent on continued service by the executives. The number of RSUs vested pursuant to these programme depends on the individual performance and the performance of the Group in terms of targets for Sales Growth, EBIT Growth and Return on Capital Employed.

Following the vesting of RSUs under both these programmes, the executives will receive shares of the parent Company. There are no cash settlement alternatives. The Group also does not have a past practice of cash settlement for these RSUs.

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 OF 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 OF 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 OF 31 DECEMBER 2022	**117,045**	**1,470**

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

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 22.2 Employee Share Purchase Plan (ESP)

ESP is a global programme, whereby certain employees are granted an option to buy shares of Grundfos Holding A/S at a discounted price. Employees employed by Group companies in certain countries are excluded from this due to local restrictions or requirements. The only condition for eligibility is that the employee should be employed by the Group as at the specified date (close to the grant date) and has not resigned or been terminated.

The Board of Directors of Grundfos Holding A/S will each year decide if an Employee Share Purchase Plan is offered.

The expense recognised in the year in question is based on the discount the employee is entitled to upon purchase of the shares.

	2022	2021
Number of shares purchased during the year	154,165	139,211

Note 22.3 Expense recognised during the year

	2022	2021
Expense arising from equity-settled share-based payment transactions	83	66

There were no cancellations or modifications to the awards.

Note 22.4 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%

Notes to the accounts of Grundfos Holding A/S

Note 23 Financial risk management and financial assets

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

The Company is exposed to financial risk, consisting of liquidity risk, foreign currency risk, interest rate risk and credit risk that affect its earnings. Company Management oversees the management of these risks, including overseeing that the Company'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 Company's policies and risk objectives. It is the Company'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.

Note 23.1 Financial risks

FINANCIAL RISKS	DESCRIPTION	EFFECT	Reference
Currency risk	The Group is exposed to fluctuations when performing sales and purchase in foreign currencies.	Effect: High Threat: Moderate	Note 1 'Revenue'
Interest rate risk	The Group is exposed to fluctuations in interest rates related to financing arrangements	Effect: High Threat: Moderate	Note 17 'Interest bearing debt'
Credit risk	The Group is exposed to a counterparty (mainly related to Trade receivables and contracts assets) will not meet its obligation leading to a financial loss.	Effect: High Threat: Moderate	Note 11 'Accounts receivable from and payables to affiliated companies'
Raw materials risk	The Group is exposed to raw material price inflation mainly related to copper and aluminum.	Effect: High Threat: Moderate	

Risk on raw material prices is not hedged by way of financial instruments.

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 23.2 Financial instrument by category

	2022	2021
Shares	758	870
Bonds	2,386	2,785
FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	**3,144**	**3,655**
Accounts receivables	3,830	2,076
Cash and cash equivalent	1,654	2,273
FINANCIAL ASSETS MEASURED AT AMORTISED COST	**5,484**	**4,349**
Bank and other loans	40	57
Accounts payables	4,991	3,634
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**5,031**	**3,691**
Forward currency contracts, external banks	83	(150)
Forward currency contracts, affiliated companies	(83)	150
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**	**0**

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 23.3 Fair value measurement

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

Fair value hierarchy	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	758	0	0	758
Bonds	2,386	0	0	2,386
FINANCIAL ASSETS MEASURED AT FAIR VALUE AS AT 31 DECEMBER	**3,144**	**0**	**0**	**3,144**
Forward currency contracts	0	83	0	83
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE AS AT 31 DECEMBER	**0**	**83**	**0**	**83**
2021				
Shares	870	0	0	870
Bonds	2,785	0	0	2,785
FINANCIAL ASSETS MEASURED AT FAIR VALUE AS AT 31 DECEMBER	**3,655**	**0**	**0**	**3,655**
Forward currency contracts	0	(150)	0	(150)
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE AS AT 31 DECEMBER	**0**	**(150)**	**0**	**(150)**

There were no transfers between Level 1 and Level 2 during 2022 or 2021.

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 23.4 Valuation techniques and assumptions used

Management assessed 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.

Note 23.5 Foreign currency risks

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of variations in foreign currency rates.

		2022			2021		
	INCREASE IN EXCHANGE RATE	MONETARY ITEMS	HEDGING	NET	MONETARY ITEMS	HEDGING	NET
CURRENCY SENSITIVITY - IMPACT TO EQUITY (BEFORE TAX)							
USD	5%	127	0	127	118	0	118
CHF	5%	(8)	0	(8)	0	0	0
GBP	5%	(25)	0	(25)	(19)	0	(19)
CNY	5%	0	0	0	0	0	0
HUF	5%	(15)	0	(15)	(18)	0	(18)
TOTAL		**79**	**0**	**79**	**81**	**0**	**81**

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. The company hedges group cashflow with external banks and enters opposite contracts with group comanies hence, the net value and calculated impact of currency fluctuations on hedging is zero.

Monetary items are expected to be converted to cash during a period of up to 60 days. Hedging contracts cover up to 80% of expected inflow in each currency for a period of up to 12 months.

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 23.6 Liquidity risk

The Company's objective is to maintain a balance between funding continuity and flexibility through the use of bank overdrafts, bank loans and bonds issue.
The Management assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

	ON DEMAND	UP TO 1 YEAR	FROM 1 TO 3 YEARS	FROM 3 YEARS TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
31 DECEMBER 2022						
Interest-bearing loans and borrowings	0	40	0	0	0	40
Lease Liabilities	0	73	44	164	0	281
Trade payables	0	238	0	0	0	238
Forward currency contracts	0	0	0	0	0	0
TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**0**	**351**	**44**	**164**	**0**	**559**
31 DECEMBER 2021						
Interest-bearing loans and borrowings	0	57	0	0	0	57
Lease Liabilities	0	98	59	221	0	378
Trade payables	0	247	0	0	0	247
Forward currency contracts	0	0	0	0	0	0
TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**0**	**402**	**59**	**221**	**0**	**682**
1 JANUARY 2021						
Interest-bearing loans and borrowings	0	180	0	0	0	180
Lease Liabilities	0	96	190	184	0	470
Trade payables	0	193	0	0	0	193
Forward currency contracts	0	0	0	0	0	0
TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**0**	**469**	**190**	**184**	**0**	**843**

Notes to the accounts of Grundfos Holding A/S

Note 23.7 Interest rate risks

The company's interest risk is mainly related to bank deposits and bonds. Bank deposits have a short time horizon, whereas the exposure of the bond portfolio - amounting to a total of DKK 2,785m (2021: DKK 1,970m) - when expressed by an increase of the interest rate by 1 percentage point is approx DKK 78m (2021: DKK 112m).

Note 24 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 is calculated mainly by external sources on the basis of discounted future cash flows. Anticipated cash flow for individual contracts is 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 cures 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 entitites controlled by the Company. Should there be a forecasted transaction in excess of 50mDKK, 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%"

The Company sets out opposite contracts with the controlled entities which effectively transfers the value of the contract to the controlled entity.

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.

Further to the described contracts that are transferred to the controlled entities, the Company has entered contracts to hedge own cash outflows in USD.

There are 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 ineffetiveness 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.

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

The Company is holding the following foreign exchange forward contracts:

				MATURITY					
				LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 TO 9 MONTHS	9 TO 12 MONTHS	TOTAL
AS AT 31 DECEMBER 2022	**Fair Value, Asset**	**Fair Value, Liability**	**Notional Amount**						
Foreign exchange forward contracts (highly probable forecast sales or purchases)									
USD - inflow			EUR	1	29	48	41	30	148
USD - outflow			EUR	(3)	(33)	(50)	(46)	(33)	(165)
CHF - inflow			EUR	0	6	8	10	9	33
CHF - outflow			EUR	0	(6)	(8)	(10)	(9)	(33)
GBP - inflow			EUR	1	16	15	12	13	56
GBP - outflow			EUR	(1)	(16)	(15)	(12)	(13)	(56)
CNY - inflow			EUR	0	139	147	94	54	434
CNY - outflow			EUR	0	(139)	(147)	(94)	(54)	(434)
HUF - inflow			EUR	243	3,513	6,523	5,791	4,575	20,645
HUF - outflow			EUR	(243)	(3,513)	(6,523)	(5,791)	(4,575)	(20,645)
NOTIONAL AMOUNT (IN DKK MIO)									
USD - inflow	32.6	14.7		4	191	337	299	208	1040
USD - outflow	12.1	30.3		(16)	(221)	(353)	(334)	(233)	(1,157)
CHF - inflow	0.9	4.2		0	44	60	77	65	246
CHF - outflow	4.2	0.9		0	(44)	(60)	(77)	(65)	(246)
GBP - inflow	12.5	0.1		5	136	129	98	115	482
GBP - outflow	0.1	12.5		(5)	(136)	(129)	(98)	(115)	(482)
CNY - inflow	11.4	0		0	143	152	99	55	449
CNY - outflow	0	114		0	(143)	(152)	(99)	(55)	(449)
HUF - inflow	7.9	2.5		5	64	115	96	75	354
HUF - outflow	2.5	7.9		(5)	(64)	(115)	(96)	(75)	(354)
AVERAGE FORWARD RATE (EUR/ONE CURRENCY UNIT)									
USD				1.166	1.116	1.061	1.028	1.056	1.061
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	406.534	423.584	449.250	452.255	433.280

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

The Company is holding the following foreign exchange forward contracts:

AS AT 31 DECEMBER 2021	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
Foreign exchange forward contracts (highly probable forecast sales or purchases)									
USD - inflow			EUR	1	32	52	42	30	157
USD - outflow			EUR	(1)	(32)	(52)	(42)	(30)	(157)
CHF - inflow			EUR	0	5	7	8	5	25
CHF - outflow			EUR	0	(5)	(7)	(8)	(5)	(25)
GBP - inflow			EUR	1	17	18	18	10	64
GBP - outflow			EUR	(1)	(17)	(18)	(18)	(10)	(64)
CNY - inflow			EUR	0	148	214	164	123	649
CNY - outflow			EUR	0	(148)	(214)	(164)	(123)	(649)
HUF - inflow			EUR	0	3,118	4,596	5,741	3,294	16,749
HUF - outflow			EUR	0	(3,118)	(4,596)	(5,741)	(3,294)	(16,749)
NOTIONAL AMOUNT (IN DKK MIO)									
USD - inflow	0.6	43.6		8	196	319	266	193	982
USD - outflow	43.6	0.6		(8)	(196)	(319)	(266)	(193)	(982)
CHF - inflow		7.5		0	32	50	56	37	175
CHF - outflow	7.5			0	(32)	(50)	(56)	(37)	(175)
GBP - inflow		14.6		5	146	154	157	85	546
GBP - outflow	14.6			(5)	(146)	(154)	(157)	(85)	(546)
CNY - inflow	0.2	43.5		0	137	199	156	122	614
CNY - outflow	43.5	0.2		0	(137)	(199)	(156)	(122)	(614)
HUF - inflow	14.6			0	63	95	118	65	342
HUF - outflow		14.6		0	(63)	(95)	(118)	(65)	(342)
AVERAGE FORWARD RATE (EUR/ONE CURRENCY UNIT)									
USD				1.207	1.201	1.210	1.183	1.149	1.189
CHF				0	1.101	1.094	1.075	1.046	1.079
GBP				0.881	0.870	0.868	0.861	0.861	0.865
CNY				0	8.040	8.000	7.813	7.520	7.866
HUF				0	366.424	358.456	360.611	375.259	363.879

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

The Company is holding the following foreign exchange forward contracts:

				MATURITY					
				LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 TO 9 MONTHS	9 TO 12 MONTHS	TOTAL
AS AT 1 JANUARY 2021	**Fair Value, Asset**	**Fair Value, Liability**	**Notional Amount**						
Foreign exchange forward contracts (highly probable forecast sales or purchases)									
USD - inflow			EUR	7	27	32	24	39	129
USD - outflow			EUR	(7)	(27)	(32)	(24)	(39)	(129)
CHF - inflow			EUR	2	4	6	7	5	24
CHF - outflow			EUR	(2)	(4)	(6)	(7)	(5)	(24)
GBP - inflow			EUR	7	14	13	18	17	69
GBP - outflow			EUR	(7)	(14)	(13)	(18)	(17)	(69)
CNY - inflow			EUR	51	149	200	226	144	770
CNY - outflow			EUR	(51)	(149)	(200)	(226)	(144)	(770)
HUF - inflow			EUR	1,620	3,158	5,843	5,053	3,582	19,256
HUF - outflow			EUR	(1,620)	(3,158)	(5,843)	(5,053)	(3,582)	(19,256)
NOTIONAL AMOUNT (IN DKK MIO)									
USD - inflow		56.7		48	181	212	151	240	832
USD - outflow	56.7			(48)	(181)	(212)	(151)	(240)	(832)
CHF - inflow		2.3		10	30	45	48	35	168
CHF - outflow	2.3			(10)	(30)	(45)	(48)	(35)	(168)
GBP - inflow	3.8	7.8		58	119	109	148	139	573
GBP - outflow	7.8	3.8		(58)	(119)	(109)	(148)	(139)	(573)
CNY - inflow	3.6	7.8		48	141	185	203	132	709
CNY - outflow	7.8	3.6		(48)	(141)	(185)	(203)	(132)	(709)
HUF - inflow	16.5			36	69	124	105	74	407
HUF - outflow		16.5		(36)	(69)	(124)	(105)	(74)	(407)
AVERAGE FORWARD RATE (EUR/ONE CURRENCY UNIT)									
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

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

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

Fair value hierarchy	**VOLUME OF FOREIGN EXCHANGE FORWARD CONTRACTS**	**CASH FLOW HEDGE RESERVE**
31 DECEMBER 2022		
Highly probable expected net cash flows from customers/to vendors	116	0
31 DECEMBER 2021		
Highly probable expected net cash flows from customers/to vendors	0	0
1 JANUARY 2021		
Highly probable expected net cash flows from customers/to vendors	0	0

The effect of the cash flow hedge in the statement of profit and loss and other comprehensive income is as follows:	**TOTAL HEDGING GAIN/LOSS RECOGNISED IN OCI**	**INEFFECTIVENESS RECOGNISED IN PROFIT AND LOSS**	**LINE ITEM IN THE STATEMENT OF PROFIT AND LOSS**
YEAR ENDED 31 DECEMBER 2021			
Highly probable expected net cash flows from customers/ to vendors	0	0	Revenue / production cost
YEAR ENDED 31 DECEMBER 2021 - 1 JANUARY 2021			
Highly probable expected net cash flows from customers/ to vendors	0	0	Revenue / production cost

Amounts in DKK Millions

Notes to the accounts of Grundfos Holding A/S

Note 25 Related parties

Note 25.1 Group information

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

Note 25.2 Transactions with related parties

Transactions between Grundfos Holding A/S and the subsidiaries

	2022	2021	1 JANUARY 2021
Sale of goods and services	4,274	4,345	
Cost of services	1,358	1,086	
Interest income	127	70	
Interest expense	82	15	
Dividends received	740	1,333	
Loans given	6,224	4,448	4,112
Loan received	4,396	3,694	4,107

The amounts disclosed in the table are the amounts recognised as an expense or income during the reporting period. The amount of loans represent the balances at year-end.

Notes to the accounts of Grundfos Holding A/S

Note 26 Commitments and Contingencies

Note 26.1 Commitments

The Company has provided security for facilities in subsidiaries. The total corporate guarantee amounts to DKK 478m (2021: DKK 232m), hereof utilised DKK 40m (2021: DKK 40m).

The Company has issued letters of intent to support bank debt of DKK 19m (2021: DKK 121m).

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

Apart from this the Group is under no material obligations or commitments.

Note 26.2 Contingencies

The Company has issued performance and payment guarantees of DKK 0m (2021: DKK 1m)
The Company has issued support letters for a number of subsidiaries.

The Danish affiliated companies participate in a Danish joint taxation arrangement with Grundfos Holding A/S serving as the administration company and are therefore jointly and severally liable for the totalcorporation tax and for obligations, if any, to withhold tax on interest, royalties and dividends for the jointly taxed companies. The total net liability to the Danish tax authorities is recognised in financial statements of Grundfos Holding A/S.

Note 27 Events after the balance sheet date

The Board of Directors of Grundfos Holding has approved the issuance of these consolidated financial statements on 7 March 2023. As of this date, no material events after the reporting date have occurred that are not recognized and disclosed.

Notes to the accounts of Grundfos Holding A/S

Note 28 Grundfos Holding A/S Accounting Policies

Grundfos Holding A/S is a private limited company domiciled in Denmark. The Annual Report for the period 1 January to 31 December 2022, comprises the Financial Statements of Grundfos Holding A/S.

The Financial Statements of Grundfos Holding A/S 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 Grundfos Holding A/S are the same as for the Grundfos Group.

Note 28.1 Investments in subsidiaries, associates and joint ventures

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 company'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 company'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 company has a legal or constructive obligation to cover the subsidiary's negative balance.

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

Notes to the accounts of Grundfos Holding A/S

Note 28.2 Dividend

Dividend proposed for the financial year is shown as a separate item under Shareholders' equity.

Dividend is recognised as a liability at the time of adoption by the shareholders at the annual general meeting (the date of declaration). Dividends expected to be declared in respect of the year are stated as a separate line item under equity.

Note 28.3 Corporation tax

Grundfos Holding A/S is jointly taxed with its Danish subsidiaries. Current tax and deferred tax is allocated between the jointly taxed companies. The jointly taxed companies are taxed under the tax prepayment scheme.

Note 28.4 Development projects

Grundfos Holding A/S has established a non-distributable reserve in equity regarding capitalized development projects. This reserve will be reversed as the development projects have effect on the income statements. The amount is presented net of deferred tax.

Notes to the accounts of Grundfos Holding A/S

Note 28.5 First time adoption of IFRS

The Company 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 Company's opening statement of financial position was prepared as at 1 January 2021, the Company's date of adoption of IFRS. This note explains the principal adjustments made by the Company 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 Company has applied the following exemptions:

In accordance with IFRS 1, the Comany 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".

The following requirements of IFRS 10 are applied prospectively from the date of transition to IFRS:

- 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.

Amounts in DKK Millions

Reconciliation of equity as at 1 January 2021

ASSETS	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS AS AT 1 JANUARY 2021
NON-CURRENT ASSETS				
Intangible assets				
Completed development projects		82	0	82
Other intangible assets		216	0	216
Development projects in progress		65	0	65
Other intangible assets in progress		108	0	108
TOTAL NON-CURRENT ASSETS		**471**	**0**	**471**
PROPERTY, PLANT AND EQUIPMENT				
Technical installations and machinery		75	0	75
Other technical installations		236	0	236
Property, plant and equipment in progress		123	0	123
Right-of-use assets	B	0	**470**	**470**
TOTAL PROPERTY, PLANT AND EQUIPMENT		**434**	**470**	**904**
FINANCIAL ASSETS				
Investments in affiliated companies	A	11,010	(7)	11,003
Receivables from affiliated companies		2,855	0	2,855
Other accounts receivable		26	0	26
TOTAL FINANCIAL ASSETS		**13,891**	**(7)**	**13,884**
TOTAL NON-CURRENT ASSETS		**14,796**	**463**	**15,259**
CURRENT ASSETS				
Inventories		5	0	5
Receivables from affiliated companies		1,770	0	1,770
Income tax receivable		38	0	38
Other current receivables		13	81	94
Prepayments		81	(81)	0
Securities		2,340	0	2,340
Cash and cash equivalents		3,833	0	3,833
TOTAL CURRENT ASSETS		**8,080**	**0**	**8,080**
TOTAL ASSETS		**22,876**	**463**	**23,339**

Amounts in DKK Millions

Reconciliation of equity as at 1 January 2021

EQUITY AND LIABILITIES	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS AS AT 1 JANUARY 2021
EQUITY				
Share capital		381	0	381
Reserve, development projects		94	0	94
Reserve, equity method		279	(7)	272
Retained earnings	C	15,778	34	15,812
Proposed dividend		950	0	950
TOTAL EQUITY		**17,482**	**27**	**17,509**
NON-CURRENT LIABILITIES				
Provisions	C, D	148	(119)	29
Deferred tax liabilities		117	0	117
Lease liabilities		0	371	**371**
TOTAL NON-CURRENT LIABILITIES		**265**	**252**	**517**
CURRENT LIABILITIES				
Bank overdrafts and loans		180	0	180
Trade and other payables		193	0	193
Payables, affiliated companies		4,453	0	4,453
Lease liabilities	B	0	99	99
Other liabilities	D	303	85	388
TOTAL CURRENT LIABILITIES		**5,129**	**184**	**5,313**
TOTAL LIABILITIES		**5,394**	**436**	**5,830**
TOTAL LIABILITIES AND EQUITY		**22,876**	**463**	**23,339**

Amounts in DKK Millions

Reconciliation of equity as at 31 December 2021

ASSETS	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS AS AT 1 JANUARY 2021
NON-CURRENT ASSETS				
Intangible assets				
Completed development projects		93	0	93
Other intangible assets		339	0	339
Development projects in progress		41	0	41
Other intangible assets in progress		24	0	24
TOTAL INTANGIBLE ASSETS		**497**	**0**	**497**
PROPERTY, PLANT AND EQUIPMENT				
Technical installations and machinery		81	0	81
Other technical installations		201	0	201
Property, plant and equipment in progress		118	0	118
Right-of-use assets	B	**0**	377	377
TOTAL TANGIBLE ASSETS		**400**	**377**	**777**
FINANCIAL ASSETS				
Investments in affiliated companies	A	11,871	51	11,922
Accounts receivables from affiliated companies		2,786	0	2,786
Other accounts receivable		23	0	23
TOTAL FINANCIAL ASSETS		**14,680**	**51**	**14,731**
TOTAL NON-CURRENT ASSETS		**15,577**	**428**	**16,005**
CURRENT ASSETS				
Inventories		9	0	9
Receivables from affiliated companies		2,076	0	2,076
Income tax receivable		152	0	152
Other current receivables		19	93	112
Prepayments		93	(93)	0
Securities		3,583	0	3,583
Cash and cash equivalents		2,273	0	2,273
TOTAL CURRENT ASSETS		**8,205**	**0**	**8,205**
TOTAL ASSETS		**23,782**	**428**	**24,210**

Amounts in DKK Millions

Reconciliation of equity as at 31 December 2021

EQUITY AND LIABILITIES	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS AS AT 1 JANUARY 2021
EQUITY				
Share capital		381	0	381
Reserve, development projects		105	0	105
Reserve, equity method	A	1,081	51	1,132
Retained earnings	C	16,542	49	16,591
Proposed dividend		1,275	0	1,275
TOTAL EQUITY		**19,384**	**100**	**19,484**
NON-CURRENT LIABILITIES				
Provisions	C, D	180	(151)	29
Deferred tax liabilities	F	110	3	113
Lease liabilities	B	0	279	**279**
TOTAL NON-CURRENT LIABILITIES		**290**	**131**	**421**
CURRENT LIABILITIES				
Bank overdrafts and loans		57	0	57
Trade and other payables		247	0	247
Payables, affiliated companies		3,387	0	3,387
Lease liabilities	B	0	99	99
Other liabilities	D	417	98	515
TOTAL CURRENT LIABILITIES		**4,108**	**197**	**4,305**
TOTAL LIABILITIES		**4,398**	**328**	**4,726**
TOTAL LIABILITIES AND EQUITY		**23,782**	**428**	**24,210**

Amounts in DKK Millions

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

	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS 2021
Revenue		4,345	0	4,345
Production cost		(227)	0	(227)
GROSS PROFIT		**4,118**	**0**	**4,118**
Research and development cost		(1,267)	0	(1,267)
Selling and distribution cost		(784)	0	(784)
Administration cost	A, B	(1,543)	16	(1,527)
OPERATING PROFIT BEFORE INCOME FROM INVESTMENTS		**524**	**16**	**540**
Income from investments in affiliated companies	A	**1,963**	**58**	**2,021**
OPERATING PROFIT		**2,487**	**0**	**2,561**
Finance income		**337**	0	**337**
Finance expenses	B	(130)	(2)	(132)
PROFIT/LOSS BEFORE TAX		**2,694**	0	**2,766**
Income tax expenses	E	(107)	(3)	(110)
PROFIT/LOSS FOR THE YEAR		**2,587**	**69**	**2,656**

Attributable to:

Equity holders of the parent Non-controlling interests (NCI)

	NOTE	DK GAAP	RECLASSIFICATION AND REMEASUREMENTS	IFRS AS AT 31 DECEMBER 2021
PROFIT/LOSS FOR THE YEAR		**2,587**	**69**	**2,656**
Other comprehensive income/(loss) for the year, net of tax		0	265	265
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,587**	**334**	**2,921**
Attributable to:				
EQUITY HOLDERS OF THE COMPANY		**2,587**	**334**	**2,921**

Notes to the reconciliation of equity as at 1 January 2021 and 31 December 2021 and total comprehensive income for the year ended 31 December 2021

A. Goodwill

Under DK GAAP, Goodwill related to affiliated companies was measured at cost less yearly amortisations. Under IFRS, goodwill is measured at cost upon initial recognition. However, there are 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, amortisations under DK GAAP in 2021 of DKK 61m are reversedunder “Income from investments in affiliated companies” in the statement of Profit or 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 or loss on a straight-line basis over the lease term. Under IFRS, as explained in Note 9, a lessee applies a single recognition and measurement approach for all leases, except for shortterm 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 31 December 2021 lease liabilities of of DKK 377m (31 December 2020: DKK 470m) of lease liabilities included under interest-bearing loans and borrowings and DKK 377m (31 December 2020: DKK 470m) of right-of-use assets.

C. Share-based payments

Under DK GAAP, the company 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 recognised 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 liabilities

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

- Earn outs amounting to DKK 85m 1 January 2021 and DKK 98m 31 December 2021 have been reclassified from provisions under DK GAAP to other liabilities under IFRS.

- According to DK GAAP, prepayments was disclosed as a separate line item under assets in the balance sheet. Under IFRS, it has been included in “Other accounts receivable

E. Deferred tax

The transitional adjustments related to leases (IFRS 16) and sharebased payments (IFRS 2) resulted in temporary differences. According to the accounting policies in Note 33.14, 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.

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