POUL DUE JENSEN / GRUNDFOS
FOUNDATION

Poul Due Jensens Fond

Poul Due Jensens Vej 7-11, 8850 Bjerringbro

CVR no. 83 64 88 13

Annual report 2023

The Board meeting adopted the annual report on 13 March 2024

Chairman of the Board of Directors:

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Flemming Konradsen

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Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Poul Due Jensens Fond for the financial year 1 January – 31 December 2023.

The annual report has been prepared in accordance with the IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Foundation financial statements give a true and fair view of the financial position of the Group and the Foundation at 31 December 2023 and of the results of their operations and cash flows for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Foundation's operations and financial matters, the results for the year and the Group's and the Foundation's financial position as well as a description of the most significant risks and elements of uncertainty facing the Group and the Foundation.

Bjerringbro, 13 March 2024
Executive Board:

Kim Nøhr Skibsted

Board of Directors:

Flemming Konradsen Chairman	Jens Winther Moberg Vice chairman	Ingermarie Due Nielsen
Annette Due Jensen	Poul Due Jensen	Elsebeth Nielsen
Jens Erik Bjørklund Lysdahl	John Bjerregaard Jacobsen	Helena Due Langvad
Rudolf Martini	Melinda Briski	Jacoba Theresia Maria van der Meijs

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Independent auditor's report

Opinion

We have audited the consolidated financial statements and the Foundation financial statements of Poul Due Jensens Fond for the financial year 1 January – 31 December 2023, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including material accounting policy information, for the Group and the Foundation. The consolidated financial statements and the Foundation financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Foundation financial statements give a true and fair view of the financial position of the Group and the Foundation at 31 December 2023 and of the results of the Group's and the Foundation's operations and cash flows for the financial year 1 January – 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Statement on the Management's review

Management is responsible for the Management's review.

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

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Independent auditor's report

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Foundation or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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Independent auditor's report

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

Copenhagen, 13 March 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen	Hans B. Vistisen
State Authorised	State Authorised
Public Accountant	Public Accountant
mne24687	mne23254

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Management's review

Group information

Poul Due Jensens Fond owns 87.5% of the share capital in Grundfos Holding A/S, while the founder´s family owns 9.6% and the employees own 2.9%. Furthermore Poul Due Jensens Fond owns 100% of the share capital in PDJF Direct Invest ApS.

Grundfos Holding A/S, based in Bjerringbro, Denmark, is the Parent Company of the Grundfos Holding A/S Group. 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 of 75%.

Group companies:

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

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Management's review

Sweden, Eurowater AB	Ukraine, TOV Grundfos Ukraine	USA, Grundfos Pumps Manufacturing Corporation
Sweden, Grundfos AB	United Arab Emirates, Grundfos Gulf Distribution FZE	USA, Grundfos US Holding Corporation
Switzerland, Biral AG	United Kingdom, DAB Pumps Ltd.	USA, Mecanical Equipment Company Inc.
Switzerland, Eurowater Wasseraufbereitung AG	United Kingdom, Grundfos Manufacturing Ltd.	USA, Sterling Fluid Systems (USA) LLC (DBA Peerless Pump Company)
Switzerland, Grundfos Holding AG	United Kingdom, Grundfos Pumps Ltd.	USA, DAB Pumps Inc.
Switzerland, Grundfos Handels AG	United Kingdom, Grundfos Watermill Ltd.	USA, SFS (USA) Holding Inc.
Switzerland, Grundfos Pumpen AG	United Kingdom, Metasphere UK Limited	USA, Grundfos Water Utility Inc.
Taiwan, Grundfos Pumps (Taiwan) Ltd.	United Kingdom, Meniscus Systems Ltd.	USA, Metasphere Holding LLC
Thailand, Grundfos (Thailand) Ltd.	USA, Grundfos CBS Inc.	USA, Metasphere Intermediate LLC
Turkey, Grundfos Pompa Sanayi ve Ticaret Ltd.Sti.	USA, Grundfos Americas Corporation	USA, Water Works Inc.
Ukraine, Eurowater Ltd.	USA, Grundfos Pumps Corporation	Vietnam, Grundfos Vietnam Company Ltd.

Associates via ownership in Grundfos Holding A/S and PDJF Direct Invest ApS

Base Business Bjerringbro A/S, Denmark – 21% ownership.

Megat Projekt Sp. z o.o., Poland - 50% ownership.

Aarhus GeoInstruments ApS (TEMcompany) – 25% ownership.

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

There are restrictions on access to liquidity among the Group´s companies but the amounts on which the restrictions occur are immaterial.

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Management's review

Financial highlights

DKKm	2023	2022	2021	Not adjusted for IFRS 2020*	2019*
Consolidated profit and loss account					
Revenue	34,407	33,341	28,733	26,340	27,518
Earnings before interest and tax (EBIT) before special items	4,418	4,053	3.347	2,571	2,634
Earnings before interest and tax (EBIT)	4,418	3,202	3,347	2,571	2,634
Net finance income and expenses	1.937	-2,406	-788	-1,316	229
Profit before tax	6,355	796	2,559	1,255	2,863
Consolidated profit after tax	4,949	268	1,793	557	2,110
Consolidated balance sheet - assets					
Intangible assets	2,818	2,609	2,627	1,217	680
Property, plant and equipment	7,112	6,517	6,640	6,313	6,020
Financial assets	1,111	1,214	885	779	818
Current assets	30,572	28,181	26,313	23,856	23,124
Total assets	41,613	38,521	36,465	32,165	30,642
Liabilities					
Equity	25,384	20,903	20,173	18,310	21,524
Non-current liabilities	6,709	7,635	6,621	6,084	2,278
Current liabilities	9,520	9,983	9,671	7,771	6,840
Total liabilities and equity	41,613	38,521	36,465	32,165	30,642
Key figures and financial ratios					
Distributions, net	255	236	200	194	115
Capital investments tangible	1,593	1,234	1,078	935	983
Capital investments, intangible	278	193	256	193	259
Total capital investments	1,871	1,427	1,334	1,128	1,242
Research and development costs, incl. capitalised costs	1,826	1,657	1,395	1,186	1,108
Interest-bearing net deposit/loan	17,586	14,059	14,589	13,538	12,033
Net cash flow from operating and investment activities	4,410	1,243	2,849	2,425	2,761
Sales growth	3.2%	16.0%	9.1%	-4.3%	3.0%
Sales growth in local currencies	4.2%	12.1%	10.4%	-4.4%	2.2%
EBIT before special items as a percentage of net turnover	12.8%	12.2%	11.6%	9.8%	9.6%
Return on equity	21.4%	1.3%	9.3%	2.8%	10.2%
Equity ratio	61.0%	54.3%	55.3%	56.9%	70.2%
Sustainability key figures					
Emission Scope 1 and Scope 2 (1,000 t CO_2e)	94.1	100.3	114.6	114.9	-
Emission Scope 3 (1,000 t CO_2e)	105,567.9	116,636.4	-	-	-
EMS (Score)	78	76	77	77	75
Women leaders	25 %	24 %	22 %	24 %	24 %
Water withdrawal (m^3)	339,608	365,126	341,538	318,469	386,060
Number of employees of year-end	19,946	20,033	20,161	19,226	19,066

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

Sales growth: Annual change in consolidated net turnover measured in DKK.
Sales growth in local currencies: Annual 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.
Women leaders: The figures covers share of women at all levels of the organisation.

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Management's review

Primary activities

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

The Foundation owns 87.5% of Grundfos Holding A/S being the supreme holding company of all other Grundfos companies worldwide. As the majority owner of Grundfos, the Foundation is therefore destined and committed to continue to own, protect and develop Grundfos. Active ownership of Grundfos is the Foundation's answer to this obligation.

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

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

Development in activities and finances

This year's profit in the Foundation amounts to DKK 3,430m compared to a profit of DKK 1,283m in 2022.

The Foundation made donations of DKK 255m in 2023 compared to DKK 236m in 2022 cf. below for more information. The donation level is in line with the expectations in the Annual Report for 2022 as there has been no material unforeseen events.

Statutory report on corporate governance

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

Today, the group of descendants and external board members consist of three men and five women. The gender balance is hence 37% men and 63% women among the descendants and the external members.

The Foundation's compliance target is 15 out of 17 recommendations. The Comply or Explain reports covering 2023 and previous years are available at www.pdjf.dk/governance.

Changes in the Board of Directors

Unfortunately, the Foundation lost its Chairman Jens Maaløe in March 2023 after a short illness. Former Vice Chairman Flemming Konradsen stepped in as Chairman, and Jens Moberg was elected new Vice Chairman.

In June 2023 Jacoba Theresia Maria van der Meijs was elected to the Board of Directors, covering Jens Maaløe´s mandate.

At the end of the year, employee representative Torben Ømark chose to retire, and his first alternate John B. Jacobsen fills the seat until the end of the mandate.

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

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Active ownership of Grundfos

The Foundation's primary asset is the 87.5% shareholding in Grundfos Holding A/S. The Foundation exercises its controlling ownership through election of not only the board members of Grundfos Holding A/S, but also via direct election of the chairman and the vice-chairman of the Board of Directors of Grundfos Holding A/S.

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

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

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

This year's profit in Grundfos amounts to DKK 3,422m compared to a profit of DKK 2,016m in 2022, of which 50% is expected to be distributed to the shareholders: The Foundation, the Founder's descendants and the employee shareholders.

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

Responsible investments

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

The Foundation supports the UN Global Compact principles. Furthermore, the Foundation has and wishes to direct its investments and portfolio towards a greater focus on ESG (Environmental-Social-Governance). This will continue in 2024.

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

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

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

In 2023, the Foundation established a direct investment company, PDJF Direct Invest ApS, which has bought a minority stake in TEMcompany ApS (formerly Aarhus GeoInstruments ApS).

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

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Philanthropic activities

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

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

The world constantly challenges our way of living, thinking, and acting. Dialogue and strengthened cooperation are the best means of creating lasting and sustainable social and life improvements.

These times are not for passivity or indifference, but for action and commitment. The pandemic is still looming, and viral diseases pop up sporadically. The continuing war in Ukraine creates insecurity and uncertainty about European stability. Hamas's terrorist attacks on Israel risk increasing tensions in the Middle East. At the same time, new epoch-making technologies are rolling over us and changing the way we live. Misinformation and deliberate manipulation are an acute threat, and artificial intelligence offers both opportunities and challenges.

The Foundation has consolidated its activities and complied with the Charter by engaging locally, nationally, and globally. Through the Poul Due Jensen Community Engagement Grants, improvements are created in local communities through local partners and Grundfos employees. This program was initiated in connection with the pandemic and had a lasting and beneficial effect in several places. With Grundfos' volunteering program, which gives employees three paid days to engage locally, the program remains highly relevant and beneficial on several levels.

Grundfos performs well

Despite more complex and changing markets, Grundfos managed to create solid results. Despite the full exit from Russia, the Group lands a very good profit, impacting on the Foundation positively through the Group's dividend payout. The colossal customer loyalty has been maintained and employee motivation is sky-high. Despite geopolitical and world economic tensions, Grundfos' products, technologies, and services promoting energy efficiency and sustainability are in high demand.

Targeted partnerships

The Foundation's philanthropy is viewed through three lenses: research, water and social inclusion. Through strong cooperation with various partners, the efforts have become more targeted. In particular, the strategically based partnerships and alliances have been strengthened. Likewise, our desire to gather more people around mission-driven efforts has been strengthened. This applies, for example, where universities and other learning institutions explore and gain new knowledge together. The focus is primarily water technologies, but we are bringing in other disciplines to make it more useful for more people. Here, for example, artificial intelligence will be found.

Together with NGOs and UN bodies, we work with water as crucial for societal development and look at connections to health and learning as prerequisites for real development. Finally, civil society is an important player for greater social engagement and responsibility, for example sport plays an important role in including more vulnerable fellow human beings in communities.

Collaboration needed

In the context of the pandemic, we saw a great need to talk to other similar funds about contributing more effectively and systemically. This has manifested itself in concrete collaborations that have set out to do more for more people. One example is an alliance where we, together with the LEGO Foundation, the Novo Nordisk Foundation, the Danish Ministry of Foreign Affairs and a number of NGO partners skilled in education, health and water, join forces to increase life opportunities for refugees in Kenya.

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Management's review

The alliance was formally presented at UNHCR's Global Refugee Forum in Geneva and attracted attention. We believe this kind of collaboration can inspire others to do the same; combining their skills and means to create long-lasting results faster.

Asset management

The Foundation's liquid assets primarily include investments in shares and bonds. It has been an important priority for the Foundation over the past year to further systematize and professionalize asset management and to allocate assets sensibly and responsibly.

Direct investment

In some cases, the Foundation's grants provide opportunities for technology and business development. In 2023, we therefore established a direct investment company, PDJF Direct Invest ApS, which has bought a minority stake in TEMcompany ApS (formerly Aarhus GeoInstruments ApS).

Donations

The Board of Directors established an overall framework for donations of DKK 300m for the period from March 2023 to March 2024 including DKK 50m for unforeseen events. In 2023, the Foundation committed donations for DKK 255.9m to philanthropic projects within the strategic focus areas and increased the level compared to DKK 236.9m in 2022. After deducting the returned donations from unrealized projects, the total amount of donations in 2023 was DKK 255.5m (2022: DKK 235.6m).

Community engagement grants

The Poul Due Jensen Community Engagement Grant supports local community engagement in locations where Grundfos is present with offices or factories. This gives Grundfos companies and their employees better options to engage with the local community. The grant is only and directly given to a local authority, NGO, institution (or similar) that engages in social responsibility and is recommended by the local Grundfos staff. The initiative has become a success as local engagement and follow-up is very much needed to ensure progress and satisfactory results. The Foundation will continue and strengthen the Community Grant in the future and paired with the Grundfos Group's volunteering policy offering employees three paid days' leave to do voluntary work, our combined efforts can be a driver for progress all over the world.

In total, the Foundation committed DKK 21.7m to Community Engagement Grants.

Water changes lives and communities

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

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

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

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

We believe that access to clean water is a basic human right and a necessity for the healthy development of society. Clean water means better health, decreases expenses for health services, which can kickstart economic development for each individual and for society.

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

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In addition to providing access to water and sanitation in rural and refugee communities, the Foundation has teamed up with other donors and new implementing partners to ensure holistic efforts in areas such as health, local food production and education.

DKK 114.2m from the Foundation were committed to implement WASH projects always including drinking water, education for the water sector and communication about water issues. Hereof DKK 9.0m was allocated to emergency response globally.

Research and learning within engineering and natural science

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

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

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

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

In total, the Foundation committed DKK 68.1m to research and learning initiatives in 2023.

Inclusion and community engagement

The Foundation wants to provide people who have lost their sense of belonging to rejoin and feel part of one or more communities.

There are a number of well-known problems in society that we still haven't figured out how to solve. To include people, we want to explore new approaches to solving societal challenges and invest in new economic models with a focus on anchoring and dissemination to ensure the efforts that pay off are scaled.

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

We want to see innovative thinking and new partnerships help marginalised people. Currently, there is a special focus on social effect investments, social enterprises, and other constellations with a potential to solve societal challenges.

The 2023 inclusion and community engagement initiatives ended at DKK 50.0m.

Awards

The 2023 Grundfos Prize was awarded to Associate Professor Patrick Biller, Aarhus University, Department of Biological and Chemical Engineering for his work on transformation of organic waste streams to oil and water under high temperature and pressure, so-called high-temperature liquefaction.

3 students received the Grundfos Prize student awards and 25 lucky and talented Grundfos employees received the Grundfos People award from the Poul Due Jensen Foundation in 2023. Furthermore, Turning Point Educational Trust received the Grundfos People Community Engagement award. The winners were invited to Denmark for a celebration.

In total, the Foundation awarded DKK 1.9m in 2023.

Returned donations

During 2023, donations of DKK 0.4m was returned to the Foundation.

Management's review

Sustainability in the Foundation

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

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

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

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

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

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The Foundation's offices are located in buildings owned and serviced by Grundfos in accordance with ambitious principles and policies. Besides, the Foundation began focusing on sustainability in its own daily operations in 2017. The first step in this direction was to engage a cradle-to-cradle certified printing company for delivery of printed material to the Foundation. This work continued in 2023. The Foundation supports the UN Global Compact principles. Furthermore, the Foundation wishes to direct its investments and portfolio towards a greater focus on ESG (Environmental-Social-Governance).

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

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

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

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

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

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

Continuity and balance in our reporting

We strive to have continuity and balance in our reporting on sustainability and to be transparent about both targets, progress, and setback. In 2023, Grundfos conducted its' first double materiality assessment as one of the first steps in preparation for compliance with the EU Corporate Sustainability Reporting Directive (CSRD) and the underlying European Sustainability Reporting Standards (ESRS). This double materiality assessment will be reviewed on a yearly basis and will inform Grundfos' strategic decisions.

Business model

Grundfos is a global water technology company represented by more than 100 companies globally. Supported by four business divisions: Commercial Building Services, Domestic Building Services, Industry and Water Utility, Grundfos' purpose is to pioneer solutions to the world's water and climate challenges and improve the quality of life for people. Grundfos' main products are circulation pumps, submersible pumps, and centrifugal pumps.

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Human Rights

Grundfos is committed to respecting human rights, in line with international legislation, conventions, treaties and guidance defined by the OECD, UN Guiding Principles on Business and Human Rights (UNGPs), the UN Global Compact and the International Labour Organization.

Our risks relate to protecting working conditions, human rights, safety and wellbeing of people throughout our operations and supply chain. We recognise that certain parts of our supply chain represent increased sources of risk, and that enforcing Grundfos' policies can be particularly challenging in unstable regions with limited legislation.

We systematically conduct human rights due diligence across our operations, business activities, and relationships (incl. M&A processes) to ensure we uphold the commitments outlined in our Human Rights Policy. Employees undergo training to ensure awareness and understanding of potential human rights risks and impacts across our value chain. They are equipped to apply a human rights lens and conduct due diligence as part of their daily work and decision-making. Further, we have a dedicated team responsible for assessing our prioritised salient human rights issues, conducting on-site human rights impact assessments (HRIAs), spot-checks, and further embedding human rights due diligence into existing policies and processes.

During HRIAs, we investigate and assess different topics, focusing on human rights and labour rights of potentially affected parties, such as own employees, workers in the value chain, users, and local communities. This includes extensive desktop research on the business and site risk profiles using numerous trustworthy external databases and reports, reviewing local documents, and conducting deep-dive qualitative interviews with local management and other potentially affected stakeholders. This is followed by ongoing engagement with local management to discuss and implement corrective action plans for any identified issues or risks.

The findings from HRIAs, other human rights site visits and spot-checks, and other relevant insights, such as our whistleblower channel or internal audits, are also used to further strengthen and embed human rights considerations into policies and processes and implement mitigation actions globally.

As part of our approach to human rights, our Human Rights Policy was updated in 2022, to meet existing and upcoming regulations, such as the EU Corporate Sustainability Reporting Directive (EU CSRD) and the EU Corporate Sustainability Due Diligence Directive (EU CSDDD). The Policy outlines our human rights governance structure and due diligence program, grievance mechanisms, access to remedy and links to our identified salient issues. Our due diligence program includes human rights impact assessments (HRIAs) in regions which have been identified as holding a potential human rights risk. In 2023, we conducted a human rights impact assessment in the Philippines, where we worked to integrate due diligence into our downstream activities and identify Grundfos' impacts on the wider communities in which we operate.

In 2023, we also carried out training on our updated Human Rights Policy, engaging our employees, suppliers and local service providers in educating them on human rights risks and impacts within their local operations. Following this direct engagement, we have developed an eLearning tool as a supplement to face-to-face interactions, to reach a wider Grundfos audience.

In 2024, in addition to our annual HRIA, we intend to embed the new eLearning tool into the development plans of all management positions, globally. Additionally, we will follow up on our HRIA in the Philippines and conduct a Living Wage benchmarking assessment.

Access to clean water is a fundamental human right. Therefore, it is our ambition to work with our international partners and local organizations to reach 300 million people in need by 2030 through the provision of basic water access. In 2023 Grundfos provided basic water access to 2 million people through projects in collaboration with NGO partners and an estimated 5 million people through standard sales operations.

Environmental and climate issues

Climate change is one of the most pressing challenges we face. Addressing environmental and climate issues is a fundamental driver in Grundfos' 2025 business strategy, both with addressing our direct

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impact through our operations and our indirect operations within our supply chain. Our environmental policies guides our approach to reducing our environmental and climate impact. It is aligned with our environmental management system, based on ISO 14001:2015 standard for Environmental Management.

We are committed to achieving net-zero emissions and support the global transition to a climate resilient, equitable and low-carbon economy. In 2023, we built on our commitment by developing a decarbonisation roadmap to outline our approach to achieving our SBTi near-term and net-zero targets.

In 2023 Grundfos has signed a PPA which will cover 80% of Grundfos' EU power consumption with renewable energy. This means that Grundfos is on course to achieving a 50% reduction in Scope 2 emissions by 2025, allowing us to reach our 2030 target five years earlier than planned. In 2023 we reduced our total emissions by 9.5% compared to 2022 and 11.7% compared to our 2020 baseline.

In our sustainability journey, we acknowledge the pressing reality of climate-related risks that our company faces. While we recognize the existence of these risks, we currently lack a comprehensive understanding of their scope and potential impacts. To address this critical gap, we are committed to undertaking a thorough climate risk and opportunity mapping and analysis initiative in the first half of 2024. In this assessment we will look both at our own operations, as well as our key market and customer segments. The output of this analysis will serve as a critical input to our Climate Transition Action Plan.

In our 2023 double materiality assessment we have identified risks and opportunities within the categories listed below:

- Climate change mitigation and adaptation and Grundfos ambition to positively impact climate challenges and meet our net-zero target.
- Water sustainability and water management.
- Resource inflows and outflows and Grundfos' ability to seize opportunities.
- Pollution to water and soil including substances of concern.

At Grundfos, we are accelerating action on water by optimising our products and solutions for our own business, end-users and the planet. 2023 has been a year with great focus on water within Grundfos. In 2023, we worked on our current target of reducing water withdrawal by 50% by 2025 against our 2008 baseline. We have achieved 96% of this target and reduced our water withdrawal by 7% compared to 2022 figures.

Grundfos solutions also continue to enable our end-users to save water in their operations, whether in industrial production sites or water service networks. We estimate the total water saving of end-users in 2023 to be 1.6b m3.

In 2024, we will develop and launch a new, more ambitious and holistic strategy that both expands our strategic focus and better leverages the different parts of our business to drive action. This will include changing how we manage water in our own operations, how we use our supply chain to drive down water risks, and how we can make better use of our policy and external relations agendas. We will explore themes of water resilience, and water efficiency. Finally, we want to explore and further develop cross-sector partnerships to drive water sustainability action locally and globally.

We strive to embed circularity principles across the lifecycle of our products and reduce waste in our global operations. We see this as critical to environmental issues related to resource extraction, waste management, water scarcity, and the protection of biodiversity.

In 2023, we surpassed our reduction in waste-to-landfill target for 2025. As a result, we will set a new target and work to further reduce waste, while also implementing our new circularity strategy, which will include additional KPIs and targets. We scaled up our takeback scheme and received 134,098 kg of pumps through the takeback scheme, which represents a 108% increase on 2022 figures.

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Social and employee conditions

There are several risks to consider when securing a safe and healthy environment for our employees. The main risk is ensuring the physical and mental health, safety, and wellbeing of our employees. In 2023, we implemented new health and safety training on risk assessment management. This program encourages our employees to identify and reduce the risk of injury before it materialises. As a result, we saw a reduction in our LTIR to 1.77. In 2024, we will launch a new metric to measure our total recordable injury rate, to help us monitor all recordable injuries and reduce their occurrences.

We want to create a culture that champions respect and fosters a diverse and inclusive workplace where people feel valued, respected and supported. Our approach centres on five key themes; leadership commitment; inclusive culture; advancement and recruitment of women; early career development and special needs representation. In 2023, we further focused on improving DE&I across the organisation by developing new Inclusive Leadership training for our senior leaders, which will be integrated into all basic leadership training moving forward. Through this, we want people to feel that Grundfos is committed to DE&I and that they can bring their inclusive selves to work.

Lastly, we bolstered our performance and development dialogues (PDD) over the course of 2023. This has helped to support our employees in navigating their careers at Grundfos and has improved the quality and engagement between our leaders and their teams. We will look to measure the effect of these efforts in 2024.

In 2024, we will launch further programmes within our leadership development portfolio, creating programmes for new managers, experienced managers and executive managers. In 2024, we will launch a set of three new global talent programs that aim at developing and helping our talents to take on new and more complex roles. Additionally, we will implement a global learning programme for all plant supervisors in our manufacturing facilities.

Business Ethics

Business ethics is the framework that guides the conduct in the business world. Our Code of Conduct (CoC) provides guidance for all employee transactions, interactions and business opportunities, guiding our employees in dilemmas or situations they may face as part of their job. All Grundfos employees and directors are required to adhere to the CoC, and we maintain a zero-tolerance approach to corruption, bribery and any form of unethical conduct or illegal activities. Should any breaches of our CoC be reported, we conduct a formal investigation process, and take appropriate action. If local laws and regulations are more stringent than our CoC, we follow the local legislation. Our CoC builds on our values as a company. The CoC references a wide collection of our company policies.

In 2023, we updated our Whistleblowing Policy to be in line with the EU Whistleblowing Directive and applicable national laws, such as confidentiality and non-retaliation, are applied throughout the organization. Fair and legal competition continues to be a key focus area and in 2023, general legal compliance and basic competition law training was developed for all employees with a sales focus in our finance functions and other relevant business units.

Our whistleblower system gives all employees, directors and third parties cooperating with Grundfos as well as other relevant stakeholders and local communities, a channel to report suspected breaches or non-compliance with Grundfos' CoC. The reported cases are processed by a dedicated committee, the Grundfos Ethics Committee.

In relation to our supply chain, our focus continues to be on boosting the transparency, accountability and data quality for our entire supplier base. We want our Supplier Code of Conduct (SCoC), which covers current and foreseeable legislation and international standards, to be a prerequisite when sourcing suppliers. To achieve this, we updated our 'Sourcing Sustainability Roadmap' to include due diligence measures which enable us to mitigate sourcing risks. In 2024, we plan to make our SCoC a prerequisite for all new suppliers who are onboarded, as well as those renewing their contracts with Grundfos.

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Anticorruption

Grundfos does not accept that its employees pay or receive bribes. Neither does Grundfos accept that third parties pay or receive bribes in the interest of Grundfos. Any participation in any form of corruption, bribery, money-laundry, or any other type of financial crime is strictly prohibited, and good business ethics are always expected. Group Legal investigate all cases or models that could reasonably cause that Grundfos is being used as a tool for money laundry as well as any possible cases of bribery and corruption and take the relevant actions. We believe that businesses should work against corruption in all its forms, including extortion and bribery.

The main risk that Poul Due Jensens Fond faces regarding corruption is when interacting with partners.

Working with partners, we carefully explore potential risks in a dialogue and desk analysis identifying potential risks to worker's and human rights within the labour market, interviews with the partner, and assessment of their self-reported compliance within relevant areas. Our collaboration with partners mainly focuses on credible and trusted partners, e.g. UN bodies and international NGOs that apply to both Labor and Human Rights etc. We screen their websites and annual reports and follow the communities via contacts. If any breaches, the partners are asked to provide explanation and detailed information about incidents and actions. All dialogues with partners are made on senior levels and for the largest part on CEO levels. We evaluate the partners continuously on their impact reporting on our programs and projects which include credibility. We intent to increase our due diligence by surveys and random samples.

In the Grundfos Group the total number of reported whistleblower cases in 2023 was 53. The reported cases have been categories in the following categories:

1) Harassment

2) Compliance with Laws and Regulation

3) Travel, Entertainment, Gifts and Personal Benefits

4) Bookkeeping and Accounts

5) Non-Code of Conduct.

In 2023 we found four of the reported whistleblower cases to be breaches of the Grundfos Code of Conduct.

In the Foundation no instances or allegations of corruption, bribery, or unethical behavior were reported or identified within our organization, indicating the effectiveness of our anti-corruption measures in the financial year.

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

The policy of the Foundation is to support diversity and gender equality in its philanthropic work as well as in its own operations and in the Grundfos Group.

Supreme governing body

Leadership levels	2023
Board of Directors excl. employee representatives	
Total members	8
The underrepresented gender in %	37,5%
Target in %	50%
Year for meeting targets	2025
Top leadership	
Total members	2
The underrepresented gender in %	0%
Target in %	N/A
Year for meeting targets	N/A

Board of Directors: Members of the Board of Directors excl. employee representatives

Top leadership: Executive Board and next level of people leaders in Poul Due Jensens Fond. In the Foundation it corresponds to the Executive Director and the Deputy Director.

Board of Directors

In December 2013, the Board of Directors agreed on a gender equality policy and set minimum targets for female representation among the board members. In 2023, there is an equal gender distribution in the Board of Directors as the group of descendants and external board members consist of three men (37,5%) and five women (62,5%) and the targets have been fulfilled.

Other levels of management

The Foundation's top leadership is made up by the Executive Director and the Deputy Director. In 2023, these two positions were both held by men (100%) and thus, the underrepresented gender makes up 0 % of the top leadership.

End of 2023, the Foundation had 2 or fewer members on top leadership level, and thus a target for the underrepresented gender is not required.

The Foundation employs less than 50 people and has opted not to have a specific policy for the underrepresented gender in management.

Leadership levels at Group Level

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

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Data Ethics Policy, cf. FSA § 99d

In the Foundation and the Grundfos Group we are committed to responsible data consumption, including when we collect, process and use personal data, and implement new technologies. In the Grundfos Data Ethics Policy, we set out the key principles for our handling of data, as per section 99d of the Danish Financial Statements Act.

Below, we set out the principles we follow when we handle data, including collect, process and use personal data, and implement new technologies:

Annual review:

- on a yearly basis measure our level of data privacy and security maturity.

Control over personal data:

- prioritize the ability of data subjects to retain control over their personal data.
- have channels for data subjects to submit requests to exercise their rights.

Employees:

- believe that our employees should never lose their right to privacy in our workplaces. Therefore, we will only process personal data of our employees in a proportional, transparent manner and only to a necessary extent, where it has a legitimate ground.
- are responsible data controllers through the whole employee journey. I.e., during our recruitment, hiring, performance development and rewarding processes we take measures to have accurate data, so we can make bias free decisions.

GDPR as a standard:

- apply the European Union General Data Protection Regulation ("GDPR") as a common standard in countries with privacy laws less strict than the GDPR.

Human rights:

- recognize that personal data is part of human dignity and that respect for personal data is a basic human right. For those reasons, we will never treat personal data as an exploitable asset.

Internal awareness:

- educate, motivate and engage our employees to understand, promote and contribute actively to our privacy compliance.
- have available training tailored to the specific roles of our employees, including data privacy training of our employees in Marketing, Sales, HR and IT Services.

Legal compliance:

- commit to comply with privacy laws and other laws governing data and stay up to date with the legal developments.

New technologies, including artificial intelligence ("AI"):

- do not employ technologies or methods that can result in unfair treatment or consequences for data subjects.
- recognize AI as a possibility for innovation and development, however always being mindful users of AI.
- intend that no business solutions enabled by the use of generative AI may be designed, tested, or implemented without the approval of an internal Generative AI Expert Group with members from Grundfos IT, Legal, and Corporate Communications
- have implemented guidelines on how to use generative AI solutions in a compliant and ethical way.

Management's review

Security measures:

- implement appropriate technical and organizational measures, like using pseudonymized or aggregated data for product development whenever it is possible and implementing security and privacy measures when we develop new solutions.
- select our data controllers diligently and in line with the current security recommendations.

This policy is supplemented by some of our other policies and guidelines, including our Code of Conduct, Guidelines to Grundfos Employees On How To Process Personal Data, IT-Cybersecurity Rules of Behaviour and the above-mentioned Generative AI Guidance.

Management's report on the Group

Development in activities and finances

This year's profit in the Group amounts to DKK 4,949m in 2023 compared to a profit of DKK 268m in 2022.

2023 marked yet another year of robust financial performance for Grundfos. Despite turbulent markets and declining demand as the year progressed, we have grown sales in line with our expectations going into the year. Our earnings and cash flow generation were very solid, and well above our strategic ambition.

Our continued efforts to serve our customers were reflected in the highest ever recorded customer satisfaction score, just as 2023 marked the year, where we recorded the highest ever motivation and satisfaction score from our employees. Happy customers and employees are foundational to us.

Moreover, during 2023 Grundfos made significant progress on the strategic agenda across innovation, sustainability and M&A driven growth.

Highest ever customer and employee satisfaction

It is foundational to us to serve our customers well, while being a world-class place to work, learn and grow.

To constantly improve, we take feedback from customers in many ways including ongoing pulse surveys. In addition, we conduct an annual global External Customer Satisfaction Survey (ECSS), where we in 2023 gathered inputs from approximately 10,000 respondents.

We are excited that our customers gave an overall satisfaction score of 81, which is up 2 points from 2022 and the highest score ever since we started measuring customer satisfaction. With the 81 score, we are on par with our customer satisfaction target for 2025 two years ahead of time.

The customer satisfaction score reflects across all our divisions and geographies, with the most significant improvement realised in the USA. The high customer satisfaction score is thanks to all global colleagues and their day-to-day dedication, loyalty and hard work.

We also conduct an annual Employee Motivation and Satisfaction Survey (EMS) taking feedback from employees all across the company. In 2023, our people gave an overall motivation and satisfaction score of 78, which is up 2 points compared to 2022, and the highest score recorded since we started the annual survey. Our employee motivation and satisfaction score was thereby also on the level of our 2025 target two years ahead of time. We are mindful that there are still many things we can do even better as an employer. Among others, we are not happy with still seeing stress being a major topic for many of our people. However, the strong feedback from our employees represents encouraging progress towards our ambition to be a world-class place to work, learn and grow.

Sales development – two years in one

2023 was characterised by a significantly different development in sales throughout the year.

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We entered into 2023 with an above normal order backlog, which we were able to effectively deliver on, as global supply chains reverted to normal. In combination with carry-over effects from price increases installed in 2022, this led to 14% sales growth in the first half of 2023.

However, as we progressed through 2023, we have seen significant drops in end-user demand in particular impacting our heating market in Europe and certain industrial applications. In addition, in many distribution channels there has been a drive towards reducing stock levels built up throughout the previous period with challenged supply chains. This led to a sales decline of 5% in the second half of 2023 compared to 2022. In that sense, 2023 has been two years in one.

Full-year 2023 landed a total sales of DKK 34.4bn, representing sales growth of 4.2% measured in local currencies, compared to last year. Measured in DKK, sales growth for 2023 stands at 3.2%, including an approximate 1% negative impact following the depreciation in a number of currencies, including the USD and the CNY.

We have seen significant differences in the market development across applications and geographies. Measured in local currencies, our Commercial Building Services division had solid demand throughout the year, growing sales by 14% compared to last year. Likewise, our Water Utility division delivered sales growth of 7%, primarily reflecting a stable municipal market. The Industry division delivered a more moderate sales growth rate of 2%, whereas the Domestic Building Services division was challenged by a significant demand drop in domestic heating applications, resulting in a sales decline of 4%.

Our Peerless Pump business delivered impressive sales growth of 25% measured in local currencies, and our DAB branded business grew 2%.

Sales in our Water Treatment Solutions business grew by 16% over 2022 in line with our expectations. Following a review of a number of factors including future growth rates and interest rates we have in 2023 realised an impairment of goodwill in this business.

Consistent financial performance

Despite the significant swings in sales throughout 2023, we delivered consistent financial performance well above our strategic ambitions for earnings and cash flow generation.

The year ended with EBIT before special items of DKK 4,418m (2022: DKK 4,053m) corresponding to an EBIT-ratio of 12.8% (2022: 12.2%). This is significantly above our strategic earnings ambition of a 10% EBIT-ratio.

The net income from finance items ended at DKK 1,937m (2022: net loss of DKK 2,406m), driven mainly by returns on our securities portfolio and fair value adjustment of buy back obligation relating to minority shares.

Profit Before Tax made up DKK 6,355m (2022: DKK 796m including one-off expense of DKK 851m related to our exit from Russia and Belarus).

Cash flow from operating activities amounted to DKK 6,274m (2022: DKK 2,688m). The significant improvement in cash flow from operating activities derives primarily from improved EBIT and a notable reduction in our net working capital position.

Going into 2023 we had the ambition to lower our inventory position, as inventories had been growing in previous years following the supply chain constraints and an inflationary environment. Through meticulous work, we have in 2023 lowered our inventory position by DKK 857m, whilst at the same time further improving our lead times to customers. We will continue this work as we are still above pre-COVID inventory levels.

We continue investing significantly into development of new products, services and solutions. Furthermore, we continuously strengthen our footprint. In 2023, we made a major investment into a new factory located in Changshu close to Shanghai, China. The factory will be operational from early 2024, and it will strengthen our ability to serve the Chinese market. Investments in the year totalled DKK 1,871m (2022: DKK 1,427m), equivalent to 5.4% of revenue.

Free cash flow ended at DKK 3,081m (2022: 44m) largely as a result of the increase in cash flow from operating activities.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Our balance sheet remains strong. The equity ratio stands at 61.0% per year end.

Overall, we are satisfied with the financial performance in 2023. Growth in revenue was within the range forecasted for the year, and our earnings exceeded the targeted 10% EBIT-ratio.

Closing in on 2025 Strategy

In 2023, we have taken important steps in accordance with our 2025 strategy.

We met our targets for all of our six Group KPIs set out in our 2025 Strategy, covering both financial and non-financial ambitions. On both customer satisfaction and employee motivation and satisfaction we met our 2025 ambition two years ahead of time.

To advance our innovation agenda, we have in 2023 dedicated DKK 1,826m (2022: DKK 1,657m) to research and development, representing nearly 5.3% of our sales. Our divisional set up enables us to drive innovation closer to our customers, and our focus on strengthening our digital and software capabilities remains high. In 2023, this materialised in further development of several product ranges and applications and in 17 product launches, including the SaVer3 motor range, which meets the highest energy efficiency standards in the market. We are determined to continue to bring the most energy-efficient and reliable solutions to the market.

Further advancing our green impact, we completed a major milestone towards reaching our commitments under the Science Based Targets initiative (SBTi) as we signed a 10-year power purchase agreement with German based ABO Wind to source green energy from an onshore wind farm currently being established in Finland. With effect from 2024/2025, approximately 80% of Grundfos' power consumption in the EU will be covered by renewable energy. The power purchase agreement allows us to reach our 2030-commitment of reducing Scope 1 and 2 emissions by 50% already in 2025.

Part of our Strategy 2025 is to leverage acquisitions as a tool to further our business and strategy. In 2023, we completed two acquisitions.

On 1 January 2023, we completed the acquisition of the San Diego, USA based company Water Works. Water Works is a service company serving primarily the pharma sector.

The company has been integrated with our US water treatment business MECO.

Furthermore, on 1 July 2023, we welcomed the UK headquartered company Metasphere into the Grundfos Group. Metasphere is a leading provider of telemetry and analytics solutions for water networks. In Grundfos, the company is anchored with our Water Utility division.

Research and development

Grundfos is founded on a determination to bring new innovative products, services and solutions to market. Differentiation is our main source of competitiveness. Our research and development (R&D) activities are therefore key to our business, and to our purpose of pioneering solutions to the world's water and climate challenges and improving quality of life for people.

The R&D functions are organised across our four divisions, working closely with central R&D functions. Our company headquarter in Denmark is our R&D powerhouse, while we also hold significant R&D teams in selected key markets such as USA, Hungary, China and India. R&D covers a broad range of activities such as research into materials, product development, production technologies, and methodologies and so forth.

We continuously invest in additional resources and capabilities within modularisation, circularity, energy efficiency, software development, IoT technologies, and similar areas. We also partner with universities and other public and private partners to support our research activities and to apply technology in practice.

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Management's review

Intellectual capital resources

We are our people, and we want Grundfos to be a great place to work, learn and grow for all. 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.

The strength of our business is owing to our close to 20,000 dedicated colleagues. Our colleagues put in remarkable efforts every day to innovate, design, produce, sell and service our solutions. This is what drives our company's competitiveness and serves our commitment to pioneer solutions to the world's water and climate challenges.

Honouring our colleagues' dedication, it is core to our values to focus on people development and ensure opportunities to acquire new capabilities and skills. We are committed to spotting and growing the full potential in all our people. We run dedicated talent programmes, and we strive to foster a healthy work environment which enables personal and professional growth.

Furthermore, we are dedicated to strengthening diversity across the organisation with the ambition of developing Grundfos as an inclusive and equitable workplace. Grundfos is our people, and we see diversity, equity and inclusion as a competitive advantage. Differences in backgrounds, mindsets, preferences, traits and skillsets are key to driving and developing our business.

Gender distribution in our leadership

Historically, the industry we are part of has mainly attracted men. Though we have made significant progress compared to the past this continues to be reflected in gender distribution in our leadership. It is our ambition to increase the representation of women in all leadership positions within Grundfos. To achieve our goal of more diverse representation, Grundfos has implemented a Diversity, Equity & Inclusion (DE&I) strategy. This includes Recruitment and Advancement of Women as one of five strategic priorities. Further, we provide all leaders a training on unconscious bias and have implemented a recruitment policy to ensure Grundfos recruits individuals from diverse talent pools. We further provide a gender-mixed mentorship program and a gender-mixed reverse mentor programme for all employees. In addition, our employee-driven Employee Resource Groups provide crucial input to our strategy execution, including one working for the advancement of women in Grundfos.

The share of women in leadership positions is monitored on a monthly basis to drive progress. At year-end 2023, we see the main progress on our target for all leadership levels. We will continue to actively work towards increasing the representation of women in Board of Directors, Top leadership and all other levels towards our 2025 targets.

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

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 hedging is aiming at an 80%–90% coverage of the balance sheet exposure. The most important currencies for hedging are the USD, CHF, GBP, CNY and HUF. At the end of 2023, currency contracts to reduce the foreign exchange risk in connection with the flow of goods amounted to 6,470m (2022: DKK 6,630m). Reference is made to note 31 for further details.

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Management's review

Other financial risks

Liquidity risk: Financial independence is a core value to Grundfos. Maintaining adequate liquidity is therefore key. In addition to unused borrowing facilities, net deposits amount to DKK 17,586m by end of 2023 (2022: DKK 14,059).

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 on bank receivables, forward exchange contracts and similar is reduced by selecting financial business partners with a high credit rating.

Raw material risk: Grundfos does not hedge raw materials. No single raw material constitutes a significant proportion of production cost.

Uncertainty relating to recognition and measurement

In preparing the Consolidated Financial Statements, management makes a number of estimates and assumptions related to the recognition and measurement of assets and liabilities, all of which are inherently subject to uncertainty. As of 31 December 2023, estimates and assumptions are particularly relevant in respect of the impairment testing of goodwill and of the provision associated with the exit from Russia and Belarus established last year.

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 2024 for the Foundation and the Group

The weakening of demand in certain core applications and geographies seen in particular in the second half of 2023, is expected to continue into the beginning of 2024. We expect demand to develop positively throughout 2024. It is likely there will be substantially different developments in demand across applications and geographies.

For 2024, we forecast growth in revenue in the range of 0-5%. Our sales forecast excludes impacts from acquisitions and divestments in 2024. Given the current market conditions there is significant uncertainty associated with the forecast.

We forecast an EBIT before special items ratio around our strategic ambition of 10%.

In 2024, the Foundation will set the provision for distribution to a level of DKK 375m including DKK 75m for unforeseen events.

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Consolidated statement of profit and loss

Note	Amounts in DKK Millions	2023	2022
1	Revenue	34,407	33,341
	Production cost	-19,431	-19,675
	Gross profit	14,976	13,666
2,5,6	Research and development cost	-1,712	-1,634
3,5,6	Selling and distribution cost	-5,630	-5,073
4,5,6	Administrative cost	-3,216	-2,906
	Earnings before interest and tax (EBIT) before special items	4,418	4,053
7	Special items	0	-851
	Earnings before interest and tax (EBIT)	4,418	3,202
8	Finance income	2,128	314
8	Finance expenses	-191	-2,720
	Profit before tax	6,355	796
9	Income tax expenses	-1,406	-528
	Profit for the year	4,949	268
	Attributable to:		
	Parent foundation	4,944	263
	Non-controlling interests (NCI)	5	5
	Total	4,949	268

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Consolidated Financial Statements 1 January – 31 December

Consolidated statement of other comprehensive income

Note	Amounts in DKK Millions	2023	2022
	Profit for the year	4,949	268
	Other comprehensive income that may be reclassified to profit and loss in subsequent periods:		
	Net gain/loss on cash flow hedges	-47	237
	Exchange rate adjustments on foreign operations	-237	271
9	Tax on foreign exchange adjustments and hedging instruments	33	-94
	Other comprehensive income that may be reclassified to profit and loss in subsequent periods, net of tax	-251	414
	Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
18	Remeasurement gain/loss on defined benefit plans	-2	347
9	Tax on defined benefit plans	-3	-85
	Other comprehensive income that will not be reclassified to profit and loss in subsequent periods, net of tax	-5	262
	Other comprehensive income for the year, net of tax	-256	676
	Total comprehensive income for the year, net of tax	4,693	944
	Attributable to:		
	Parent foundation	4,689	943
	Non-controlling interests (NCI)	4	1
	Total comprehensive income for the year, net of tax	4,693	944

POUL DUE JENSEN / GRUNDFOS FOUNDATION

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Consolidated statement of financial position

Note	Amounts in DKK Millions	2023	2022
	ASSETS		
	Non-current assets		
10	**Intangible assets**		
	Goodwill	1,157	1,307
	Other intangible assets	1,447	1,138
	Completed development projects	29	91
	Development projects in progress	185	73
	Total intangible assets	2,818	2,609
	Property, plant and equipment		
11	Land and buildings	3,029	2,836
11	Technical installations and machinery	2,217	1,925
11	Other technical installations	338	341
11	Property, plant and equipment in progress	1,135	1,004
12	Right-of-use assets	393	411
	Total property, plant and equipment	7,112	6,517
	Financial assets		
13	Securities	64	58
9	Deferred tax assets	869	931
18	Pension assets	105	156
	Other accounts receivables	73	69
	Total financial assets	1,111	1,214
	Total non-current assets	11,041	10,340
	Current assets		
14	Inventories	5,663	6,520
15	Trade and other receivables	6,625	7,048
9	Income tax receivable	630	509
13	Securities	11,697	10,518
16	Cash and cash equivalents	5,957	3,586
	Total current assets	30,572	28,181
	TOTAL ASSETS	41,613	38,521

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Consolidated statement of financial position

Note	Amounts in DKK Millions	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
17	Basic capital	505	505
	Hedge transaction reserve	12	47
	Exchange adjustment reserve	244	459
	Retained earnings	24,211	19,504
	Proposed provision for distribution	384	364
	Equity attributable to parent foundation	25,356	20,879
	Non-controlling interests	28	24
	Total equity	25,384	20,903
	Non-current liabilities		
18	Pensions and similar obligations	140	180
19	Provisions	755	776
9	Deferred tax liabilities	302	218
12, 20 25	Lease liabilities	239	237
20, 25	Interest-bearing debt	8	3
22	Other liabilities	5,265	6,221
	Total non-current liabilities	6,709	7,635
	Current liabilities		
19	Provisions	280	118
21	Trade and other payables	2,656	2,845
20, 25	Interest-bearing debt	124	100
12, 20 25	Lease liabilities	162	164
9	Income tax payable	1,093	1,157
22	Other liabilities	5,205	5,599
	Total current liabilities	9,520	9,983
	Total liabilities	16,229	17,618
	TOTAL LIABILITIES AND EQUITY	41,613	38,521

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Consolidated statement of cash flows

Note	Amounts in DKK Millions	2023	2022
	Operating activities		
	Profit after tax	4,949	268
6	Depreciation and amortisation of non-current assets	1,845	1,754
8	Finance income	-2,128	-314
8	Finance expenses	191	2,720
	Loss on disposal of property, plant and equipment	64	8
	Other adjustments	204	56
9	Tax for the year	1,406	528
24	Changes in net working capital	655	-2,224
	Changes in warranty and other provisions	106	237
	Cash flow from operations before financial items and tax	7,292	3,033
	Taxes paid	-1,509	-582
8	Interest paid and realised currency losses	-57	-67
8	Interest received and realised currency gains	559	314
8, 12	Interest paid on lease liabilities	-11	-10
	Cash flow from operating activities	6,274	2,688
	Investing activities		
10	Purchase of intangible assets	-278	-193
	Proceeds from sale of property, plant and equipment	7	1
11	Purchase of property, plant and equipment	-1,593	-1,234
27	Acquisition of subsidiaries, net of cash acquired	-629	0
	Acquisition of equity interest	-11	0
	Disposal of subsidiaries, net of cash disposed	0	-19
13	Purchase of securities	-5,762	-7,261
	Sale of securities	5,073	6,062
	Cash flow from investing activities	-3,193	-2,644
	Net cash flow from operating and investing activities	3,081	44
	Financing activities		
25	Payment of principal portion of lease liabilities	-204	-223
25	Proceeds from borrowings	40	2
25	Repayment of borrowings	0	-28
	Purchase of own shares	-12	-22
	Distributions paid	-176	-252
	Dividend to minorities, with associated buy-back obligation	-120	-154
	Acquisition and sale of minority holdings and exploitation of buy-back obligations, net	-97	7
	Cash flow from financing activities	-569	-670
	Net increase/decrease in cash and cash equivalents	2,512	- 626
	Cash and cash equivalents as at 1 January	3,586	4,225
	Exchange rate adjustments	-141	-13
	Available fund (Opening)	3,445	4,212
	Cash and cash equivalents as at 31 December	5,957	3,586

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Consolidated statement of changes in equity

Note	Amounts in DKK Millions	Basic capital	Hedge trans-action reserve	Exchange adjust-ment reserve	Retained earnings	Proposed provision for distribu-tion	Equity attribut-able to the parent founda-tion	Non-Control-ling Interest	Equity
	Balance at 1 January 2023	505	47	459	19,504	364	20,879	24	20,903
	Profit for the year	0	0	0	4,669	275	4,944	5	4,949
18	Actuarial gain/loss	0	0	0	-2	0	-2	0	-2
	Fair value adjustment of hedging instruments	0	-47	0	0	0	-47	0	-47
	Exchange rate adjustments, affiliated companies, etc.	0	0	-236	0	0	-236	-1	-237
	Tax on other comprehensive income	0	12	21	-3	0	30	0	30
	Total other comprehensive income	0	-35	-215	-5	0	-255	-1	-256
	Dividend paid	0	0	0	0	-255	-255	0	-255
	Exercise of options (LTI)	0	0	0	-12	0	-12	0	-12
26	Share-based compensation expenses (LTI)	0	0	0	55	0	55	0	55
	Total other transactions	0	0	0	43	-255	-212	0	-212
	Balance at 31 December 2023	505	12	244	24,211	384	25,356	28	25,384

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Consolidated Statement of changes in equity

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

Hedge transaction reserve

The Group has in OCI presented the gains and losses arising from hedge transaction reserve, including those related to foreign currency forward contracts that are hedges of forecast 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 if 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.

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Notes to the consolidated financial statements

1 **Revenue**

Revenue break down according to the following divisions and regions:

Amounts in DKK Millions	2023	2022
Domestic Buildings Services	8,937	9,426
Commercial Buildings Services	6,965	6,268
Water Utility	5,150	4,980
Industry	8,036	8,217
Other	5,319	4,450
Total	34,407	33,341

Geographical markets		
Europe	18,592	17,740
North and South America	7,260	6,638
Asia	6,878	7,505
The Middle East/Africa	1,677	1,458
Total	34,407	33,341

Revenue includes sale of goods of DKK 33,715m (2022: DKK 32,738m) and service sales of DKK 692m (2022: DKK 603m).

	Amounts in DKK Millions	2023	2022
2	**Research and development cost**		
	Staff cost	1,057	1,109
	Depreciation and amortisation	139	144
	Other research and development cost	516	381
	Total	1,712	1,634
3	**Selling and distribution cost**		
	Staff costs	2,437	2,572
	Distribution cost	665	853
	Depreciation and amortisation	502	100
	Other selling and distribution related cost	2,026	1,548
	Total	5,630	5,073
4	**Administration cost**		
	Staff cost	1,492	1,445
	Depreciation and amortisation	230	204
	Other administration	1,494	1,257
	Total	3,216	2,906

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Notes to the consolidated financial statements

5 Staff cost

Amounts in DKK Millions	2023	2022
Wages and salaries	7,149	7,488
Share-based payments	55	44
Pensions, defined benefit plans	72	36
Pensions, defined contribution plans	347	423
Other social security cost	667	812
Total	8,290	8,803

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

Staff costs are recognised as follows:

Production cost	3,304	3,677
Research and development cost	1,057	1,109
Selling and distribution cost	2,437	2,572
Administration cost	1,492	1,445
Total	8,290	8,803
Average number of full-time employees	19,924	20,241
Numbers of employees at year-end	19,946	20,033

Staff costs includes fee to the Executive Board and the Board of Directors of the Foundation for the directorships in the Group and can be specified as follows:

Executive Board	3	3
Board of Directors	11	11
Total	14	14

6 Depreciation, amortisation and impairments

Amounts in DKK Millions	2023	2022
Intangible non-current assets, note 10	707	327
Tangible non-current assets, note 11	917	1,220
Right-of-use assets, note 12	221	207
Total	1,845	1,754

Depreciation, amortisation and impairments are recognised as follows:

Production costs	974	1,022
Research and development costs	139	144
Sales and distribution costs	502	100
Administration costs	230	204
Special items	0	284
Total	1,845	1,754

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Notes to the consolidated financial statements

7 Special items

In August 2022, Grundfos announced the exit from Russia and Belarus. 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 was 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 and other closing conditions.

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 is currently part of other comprehensive income will be reversed into profit and loss.

Amounts in DKK Millions	2023	2022
Impairment of non-current assets	0	284
Write-down and expected loss on current assets	0	148
Other cost related to the divestment	0	419
Total	0	851

The assets are measured at zero and consequently there are none of the assets to be stated as non-current assets held for sale under current assets.

8 Financial income and expenses

Amounts in DKK Millions	2023	2022
Interest income bonds	254	100
Value adjustments bonds	169	0
Dividend income shares	89	129
Value adjustments shares	329	0
Fair value adjustment of buy-back obligation	1,071	0
Other financial income	216	85
Total	2,128	314
Value adjustments bonds	0	791
Value adjustments shares	0	444
Fair value adjustment of buy-back obligation	0	1,254
Dividend to minorities, with associated buy-back obligation	120	154
Interest on lease liabilities	11	10
Other finance expense	60	67
Total	191	2,720

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Notes to the consolidated financial statements

9 **Tax**

Amounts in DKK Millions	2023	2022
Income taxes in statement of profit or loss and reconciliation		
Tax on the profit for the year is specified as follows:		
Tax on profit/loss for the year	1,406	528
Tax on other comprehensive income, deferred	9	139
Tax on other comprehensive income, current	20	40
Total	1,435	707
Tax on the profit for the year is calculated as follows:		
Current income taxes	1,302	971
Deferred income taxes	96	-305
Change in deferred tax due to changes in tax rates	0	-6
Deferred income taxes regarding previous years	-38	4
Adjustment regarding previous years	46	-136
Total	1,406	528
Effective tax rate is calculated as follows:		
Danish tax rate	22%	22%
Deviation in tax in foreign companies in relation to Danish tax rate	1 %	2%
Non-taxable income and non-deductible expenses	1 %	6%
Non-deductible expenses regarding minority interests and buy-back obligations	-3 %	39%
Non-deductible withholding taxes	0 %	1%
Other, including adjustments regarding previous years	1 %	-4%
Effective tax rate	22%	66%
Consolidated other comprehensive income:		
Deferred tax related to items recognised in OCI during in the year:		
Net gain/loss on cash flow hedges	12	54
Remeasurement gain/loss on actuarial gains and losses	-3	85
Deferred tax charged to OCI	9	139
Consolidated income tax:		
Income tax receivable	630	509
Income tax payable	-1,093	-1,157
Total income tax	-463	-648

The Group will be subject to the new 15 % Global Minimum Tax as from 2024. An estimate based on 2022 numbers indicates that the yearly impact will not exceed DKK 20 mill.

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Notes to the consolidated financial statements

9 Tax (continued)

Deferred taxes

Changes in deferred tax

Amounts in DKK Millions	2023	2022
Net deferred tax assets 1 January	713	545
Acquisition of companies	-88	0
Exchange rate adjustment	-9	-1
Change in tax rate	0	6
Deferred tax recognised in profit or loss account	-58	302
Deferred tax recognised in equity	9	-139
Net deferred tax assets 31 December	567	713

Breakdown of deferred tax

Amounts in DKK Millions	2023	2022
Non-current assets	-220	-192
Current assets	423	560
Provisions	210	226
Liabilities	79	-32
Tax loss carry forward	75	151
Net deferred tax assets	567	713

Reflected in the statement of financial position as follows:

Deferred tax assets	869	931
Deferred tax liabilities	-302	-218
Net deferred tax assets	567	713

The Foundation has tax losses by end of 2023 of 75m (2022: 151m) that are available indefinitely for offsetting against future taxable profits in the Foundation.

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

The Foundation has an unrecognised deferred tax liability of DKK 9m as at 31 December 2023 (2022: DKK 65m) in respect of tax provisions for subsequent distributions. The amount has not been recognised in accordance with accounting policies as it is not considered likely to be subject to taxation due to the Foundations intention to continue distributing resources in accordance with the Foundations objectives.

The Grundfos Holding Group has tax losses of DKK 98m (2022: DKK 97m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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

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9 Tax (continued)

Cumulative deferred income taxes recorded in equity amounted to DKK 154m (2022: DKK 145m). 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.

10 Intangible assets

	2023				
Amounts in DKK Millions	Goodwill	Other intangible assets	Completed develop-ment projects	Develop-ment projects in progress	Total
Cost at 1 January 2023	1,307	2,105	193	73	3,678
Acquisition of companies	271	424	0	0	695
Additions	0	155	10	113	278
Disposals	0	-361	-43	0	-404
Transfers	0	35	1	-1	35
Exchange rate adjustments	-32	-22	0	0	-54
Cost at 31 December 2023	1,546	2,336	161	185	4,228
Amortisation and impairment at 1 January 2023	0	967	102	0	1,069
Amortisation	0	279	30	0	309
Impairment	398	0	0	0	398
Amortisations and impairment on disposals	0	-350	0	0	-351
Exchange rate adjustments	-9	-7	0	0	-15
Amortisation and impairment at 31 December 2023	389	889	132	0	1,410
Carrying amount at 31 December 2023	1,157	1,447	29	185	2,818

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10 Intangible assets (continued)

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

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

	2023		2022	
Amounts in DKK Millions	Other intangible assets	Completed develop-ment projects	Other intangible assets	Completed develop-ment projects
Research and development expenses	101	30	106	38
Selling and distribution expenses	90	0	92	0
Administration expenses	88	0	91	0
Total	279	30	289	38

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10 Intangible assets (continued)

Carrying amount of goodwill

Amounts in DKK Millions	2023	2022
Industry - Water treatment Solutions	717	1,093
Industry – Pump Solutions	88	91
Water Utility	229	0
Others	123	123
Total	1,157	1,307

Impairment test

End of 2023, the reported goodwill amounts to DKK 1,157m. Goodwill primarily arose from the acquisitions of Silhorko- Eurowater in 2020, Mechanical Equipment Company Inc. (MECO) in 2021 followed by Water Works and Metasphere in 2023.

Goodwill represents the premium paid by Grundfos above the fair value of the net intangible and 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) Industry - Water Treatment Solutions, (ii) Industry – Pump Solutions and (iii) Water Utility. 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.

Water Treatment Solutions

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.

Group performed an impairment test of the carrying amount of intangibles for the 2023 financial year and identified an impairment loss of DKK 398m on goodwill that pertains to the water treatment solution platform. The main reason for the asset impairment is a slower realization of the growth levers across key geographies and market verticals.

The impairment test determined that the equity carrying amount of the Water Treatment Solutions exceeds its recoverable amount by DKK 398m which is fully allocable to goodwill. Management still remains fully committed to achieving the maximum benefits from a combined platform.

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10 Intangible assets (continued)

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 percentage point will change the value of the cash generating unit by +/- 3.5% (DKK 71m 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 percentage points will increase or decrease the value of the cash generating unit by 5.9% (DKK 119m) and 5.0% (DKK 102m) 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 percentage points will decrease the equity value of the cash generating unit by 7.9% (DKK 160m) and a decrease in the WACC by 0.5 percentage points will increase the equity value of the cash generating unit by 9.2% (DKK 187m).

Water Utility

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 recoverable amount of the Water Utility is significantly higher than the carrying amount.

The Group did not identify any reasonably possible change in key assumptions which could cause an impairment loss to be recognized for Water Utility.

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11 Property, plant and equipment

	2023				
Amounts in DKK Millions	**Land and buildings**	**Technical installation and machinery**	**Other technical instal-lations**	**Property, plant and equipment in progress**	**Total**
Cost at 1 January 2023	6,974	13,864	1,859	1,004	23,701
Acquisition of companies	0	3	0	0	3
Additions	97	295	76	1,125	1,593
Disposals	-37	-348	-63	7	-441
Transfers	334	577	57	-1,003	-35
Exchange rate adjustments	-34	-21	-13	2	-66
Cost at 31 December 2023	7,334	14,370	1,916	1,135	24,755
Depreciations and impairment at 1 January 2023	4,138	11,939	1,518	0	17,595
Depreciation	224	562	131	0	917
Write-down of the year	0	0	0	0	0
Depreciation and impairment on disposals	-32	-330	-62	0	-424
Transfer	0	0	0	0	0
Exchange rate adjustments	-25	-18	-9	0	-52
Depreciations and impairment at 31 December 2023	4,305	12,153	1,578	0	18,036
Carrying amount 31 December 2023	3,029	2,217	338	1,135	6,719

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11 Property, plant and equipment (continued)

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

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12 Right-of-use assets

The Group has lease contracts, primarily 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:

	2023			
Amounts in DKK Millions	**Land and buildings**	**Motor vehicles**	**Other equipment**	**Total**
Carrying amount at 1 January 2023	266	107	38	411
Additions	43	155	23	221
Disposal of ROU assets	-8	-3	-2	-13
Depreciations	-111	-88	-22	-221
Exchange rate adjustments	0	-4	-1	-5
Carrying amount at 31 December 2023	190	167	36	393

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

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12 Right-of-use assets (continued)

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

Amounts in DKK Millions	2023	2022
Balance at 1 January	401	546
Additions	221	78
Interest	11	10
Disposals	-13	0
Payments	-219	-233
Balance at 31 December	401	401
Current	162	164
Non-current	239	237
Total	401	401
Undiscounted lease liabilities maturity analysis:		
Less than one year	167	167
One to three years	200	200
More than three years	46	42
Total undiscounted lease liabilities at 31 December	413	409

The following are the amounts recognised in profit and loss:

Depreciation expense of right-of-use assets	221	207
Interest expense on lease liabilities	11	10
Expense relating to short-term leases	93	126
Variable lease payments	33	26
Total	358	369

The Group had total cash outflows for leases of DKK 215m in 2023 (DKK 233m in 2022).

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

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13 Securities

Amounts in DKK Millions	2023	2022
Costs at 1 January	10,796	10,104
Additions during the year	5,762	7,261
Disposals during the year	-4,978	-6,569
Exchange rate adjustments	0	0
Cost at 31 December	11,580	10,796
Value adjustments at 1 January	-220	520
Value adjustments during the year	401	-740
Value adjustments at 31 December	181	-220
Balance at 31 December	11,761	10,576
Current	11,697	10,518
Non-current	64	58
Total	11,761	10,576

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

	2023	2022
Shares	4,146	2,853
Bonds	7,615	7,723
Total	11,761	10,576

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

14 Inventory

Amounts in DKK Millions	2023	2022
Raw materials and consumables	2,120	2,414
Work in progress	1,813	2,106
Manufactured goods and goods for resale	1,730	2,000
Total inventories	5,663	6,520

During 2023, DKK 60m (2022: DKK 37m) was recognized as an expense of for inventories carried at net realisable value. This is recognised in cost of sales.

Amounts in DKK Millions	2023	2022
Provision for obsolete inventories at 1 January	542	495
Reversal of provision through profit and loss	-51	-10
Additional provision	114	57
Provision for obsolete inventories at 31 December	605	542

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15 Trade and other receivables

Amounts in DKK Millions	2023	2022
Trade receivables	5,545	6,000
Prepayments	270	246
Other current receivables	940	940
Total trade and other receivables	6,755	7,186
Allowance for expected credit loss	-130	-138
Trade and other receivables, net	6,625	7,048

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

Set out below is the movement in the allowance for expected credit losses of trade receivables and contract assets:

Amounts in DKK Millions	2023	2022
Balance at 1 January	138	155
Provisions during the year	29	32
Realised losses	-20	-23
Reversal of provision through profit and loss	-16	-25
Exchange rate adjustments	-1	-1
Balance at 31 December	130	138

Trade and other receivables' age profile		
Not overdue at the reporting date	6,163	6,597
Overdue less than 30 days	356	356
Overdue 30 to 60 days	87	75
Overdue 60 to 120 days	72	65
Overdue more than 120 days	77	93
Trade receivables before provision	6,755	7,186
Provision for bad debt at 31 December	-130	-138
Balance at 31 December	6,625	7,048

Credit risk

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

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. The Group's trade debtors comprise a large number of customers, and the Group's risk in that connection is not considered unusually high.

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15 Trade and other receivables (continued)

Outstanding customer receivables are regularly monitored. At 31 December 2023, the Group had 50 customers (2022: 50) that owed it more than DKK 10m each and accounted for approximately 25% (2022: 25%) 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 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 an integral part of trade receivables and considered in the calculation of impairment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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

16 Cash and cash equivalents

Amounts in DKK Millions	2023	2022
Cash at bank and on hand	5,957	3,586
Total	5,957	3,586

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

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

17 Basic capital

The basic capital amounts to DKK 505m.

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

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18 Pension and similar obligations

Defined contribution plans

The Group has made pension agreements with a considerable number of its employees. The majority of the agreements are for defined contribution plans. Contributions are paid to pension insurance plans and charged to the Consolidated income statement in the period to which the contributions relate. 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 70% (2022: 68%) of the Group's obligation (gross) and 77% (2022: 77%) 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 106m or 6% of the present value of the gross obligation (2022: DKK 117m or 6%).

Switzerland

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

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

UK

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

Actuarial assumptions

Actuarial calculations and valuations are performed annually for all major plans. The actuarial assumptions vary from country to country due to local conditions.

Discount rates at 31 December are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the obligations.

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18 Pension and similar obligations (continued)

Sensitivity analysis for UK and Switzerland

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:

	2023		2022	
	0.5%	-0.5%	0.5%	-0.5%
Discount rate	-83	93	-85	92
Salary increase	7	-7	3	-3
Pension increase	39	-36	42	-38

	2023		2022	
	CH	UK	CH	UK
Discount rate (%)	1.75	5.00	1.90	4.30
Salary increase (%)	2.00	4.80	2.00	2.50
Pension increase (%)	0.00	3.10	0.00	3.10

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

Amounts in DKK Millions	2023	2022
Investments quoted in active markets		
Listed equity investments	636	751
Real estates	157	137
Corporate bonds	736	672
Cash and cash equivalents	17	32
Unquoted investments		
Insurance contracts	127	118
Corporate bonds	13	11
Other	169	158
Total	1,855	1,879

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18 Pension and similar obligations (continued)

	2023			2022		
Amounts in DKK Millions	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	1,879	1,855	24	2,620	2,240	380
Current service cost	20	0	20	33	0	33
Past service cost	54	0	54	0	0	0
Interest on obligation/plan asset	66	68	-2	39	36	3
Recognised in profit and loss	140	68	72	72	36	36
Actuarial gain/loss, demographic assumptions	-10	0	-10	8	0	8
Actuarial gain/loss, financial assumptions	-85	0	-85	-759	0	-759
Actuarial gain/loss, experience adjustments	13	0	13	42	0	42
Return on plan assets excl. interest income	0	-87	87	0	-340	340
Impact from asset ceiling	0	7	-7	0	-22	22
Recognised in other comprehensive income	-82	-80	-2	-709	-362	-347
Foreign exchange adjustments	37	46	-9	-10	-7	-3
Employee contributions	10	10	0	10	10	0
Employer contributions	-6	50	-56	-4	42	-46
Benefits paid	-106	-112	6	-100	-104	4
Other changes	-65	-6	-59	-104	-59	-45
Carrying amount at 31 December	1,872	1,837	35	1,879	1,855	24
Accumulated impact from asset celling	0	16	-16	0	22	-22
Pensions and similar obligations at 31 December	1,872	1,853	19	1,879	1,877	2
Carrying amount is reflected in the statement of financial position as follows:						
Net pension obligations			140			180
Net pension assets			-105			-156
Net pension obligations			35			24

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18 Pension and similar obligations (continued)

In addition to the recognised net assets, a total asset amount of DKK 16m (2022: 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 13.0 years (2022: 13.5 years) and is split into:

Members of defined benefit schemes	2023	2022
Active employees	2,160	1,542
Retired employees	598	670
Deferred vested	683	668
Total employees	3,441	2,880

The expected payments or contributions to the defined benefit plans within the next 12 months amount to DKK 24m (2022: DKK 22m).

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19 Provisions

	Warranty	Restruc-turing	Jubilee	Others	Total
Balance at 1 January 2023	185	144	189	376	894
Provision	151	164	4	97	416
Utilised	-115	-73	0	-2	-190
Reversed	-1	-1	0	-51	-53
Acquisition of companies	1	0	0	0	1
Exchange rate adjustments	-2	-27	0	-4	-33
Balance at 31 December 2023	219	207	193	416	1,035
Current	140	140	0	0	280
Non-current	79	67	193	416	755
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

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

Restructuring

The provision mainly covers the expected costs related to the divestment of Grundfos' operations in Russia. This is expected to be settled during 2024.

Jubilee

In certain companies there is an obligation to remunerate employees celebrating certain anniversaries (such as 25 or 40 years). The payments vary among countries and companies.

Others

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

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20 Bank and other loans

Amounts in DKK Millions	Interest rate	Maturity	2023	2022
Bank loans	6.8%	2024	15	13
Other loans	3-5%	2024	29	38
Lease liabilities	0-3%	2024-2031	401	401
Bank overdrafts and loans			88	52
Total			533	504
Current			286	264
Non-current			247	240
Total			533	504

Bank overdrafts

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

21 Trade and other payables

Amounts in DKK Millions	2023	2022
Trade payables	2,656	2,845
Total	2,656	2,845

Trade payables are non-interest bearing.

22 Other liabilities

Amounts in DKK Millions	2023	2022
Buy-back obligation relating to shares	6,416	7,584
Customer bonus	901	1,002
Staff related	1,526	1,375
Deferred income	487	537
VAT and other taxes	366	312
Accrued expenses	502	664
Accrued distributions	257	178
Other	15	168
Total	10,470	11,820
Current	5,205	5,599
Non-current	5,265	6,221
Total	10,470	11,820

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22 Other liabilities (continued)

Buy-back obligation relating to shares

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

Amounts in DKK Millions	2023	2022
1 January	7,584	6,322
Additions of the year	149	132
Disposals of the year	-246	-124
Fair value adjustment	-1,071	1,254
31 December	6,416	7,584

DKK 4,267m is falling due after more than five years. (2022: DKK 5,237m).

Customer bonus

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

Deferred income

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

	Amounts in DKK Millions	2023	2022
23	**Fees to auditors appointed**		
	Fee to EY for statutory audit	15	14
	Fee to EY for other assurance engagements	2	1
	Fee to EY for tax advisory services	4	3
	Fee to EY for other services	8	12
	Total	29	30
24	**Changes in working capital**		
	Changes in inventories	857	-1,216
	Changes in accounts receivable	426	-1,103
	Change in trade creditors, other liabilities and deferred income	-442	-79
	Unrealised exchange rate adjustments	-186	174
	Total	655	-2,224

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25 Changes in liabilities arising from financing activities

Amounts in DKK Millions	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 2023	100	164	3	237	504
Cash flows	31	-50	9	-154	-164
New leases	0	53	0	168	221
Other	0	-5	0	-12	-17
Exchange rate adjustments	-7	0	-4	0	-11
Balance at 31 December 2023	124	162	8	239	533
Balance at 1 January 2022	98	223	31	323	675
Cash flows	2	-59	-28	-164	-249
New leases	0	0	0	78	78
Other	0	0	0	0	0
Exchange rate adjustments	0	0	0	0	0
Balance at 31 December 2022	100	164	3	237	504

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

26 Share-based compensation expenses

Long-Term Incentive Programme (LTI)

The LTI is targeted at Group management and other members of senior management. Under this programme, Restricted Stock Units (RSUs) are granted to the executives.

These RSUs vest after a continued service of 3.5 years and are also contingent to targets for performance indicators that are defined under the programme for a specific year.

There are certain unvested tranches of LTI granted prior to 1 January 2022 according to a slightly different programme, which vest with the employees in 4 equal tranches and hence are contingent on continued service by the executives.

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

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26 Share-based compensation expenses (continued)

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

	No. of units	Weighted average grant date fair value (DKK per unit)
Outstanding as at 1 January 2022	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
Granted during the year	66,691	1,351
Vested during the year	-8,751	1,249
Forfeited during the year	-13,942	1,458
Outstanding as at 31 December 2023	161,043	1,434

The outstanding units are expected to vest over a weighted average period of 1.6 years (2022: 1.9 years).

Expense recognised during the year

Amounts in DKK Millions	2023	2022
Expense arising from equity-settled share-based payment transactions (LTI)	55	44
Total	55	44

There were no cancellations or modifications to the grants.

Inputs and model used

	2023	2022
Benchmark PE multiple	18.6	25.2
Annual growth in average profit after tax applied for share price calculation	14%	25%

The share price is calculated once per year and is valid for a 12-month period. The methodology for calculating the share price is prescribed in the articles of association and is based on a multiples approach. Thus the key parameters are multiples on price earnings from a peer group of companies and the profit after tax for the Grundfos Group.

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27 Business combination

Acquisitions in 2023

On 1 January 2023, Grundfos acquired 100% of the shares of Water Works Inc., which forms part of the Water Treatment Solutions business and on 1 July 2023 Grundfos aquired 100% of the shares of Metasphere Holding LLC, which forms part of the Water Utility division. The total consideration for the two acquisitions amounted to DKK 629m. The results of Water Works Inc. and Metasphere Holding LLC have been included in the consolidated financial statements as of 1 January 2023 and 1 July 2023 respectively. The two acquisitions do not have a material impact on the consolidated financial statements, and therefore historical and pro forma disclosures have not been presented. Had both acquisitions taken place at 1 January 2023, revenue would have been higher by DKK 73m and profit would have been lower by DKK 2m.

The fair value of the trade receivables amounts to DKK 56m. The gross amount of trade receivables is DKK 56m 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 271m 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 139m) and Customer relations and distributors (DKK 285m). Deferred tax of DKK 88m is in relation to these intangible asset adjustments. The acquisition of Water Works Inc. and Metasphere Holding LLC involved acquisition costs of DKK 14m, which is recognised as administrative expenses.

The goodwill of DKK 271m comprises the value of expected commercial and scaling synergies arising from the integration of the Water Works Inc. business into the Industry-Water Treatment Solutions and the Metasphere Holding LLC business into the Water Utility division.

The goodwill does not meet the criteria for recognition as an intangible asset under IAS 38. Around 10% of the goodwill recognised is expected to be deductible for income tax purposes.

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27 Business combination (continued)

The fair values of the identifiable assets and liabilities of Water Works Inc. and Metasphere Holding LLC as at the date of acquisition were:

Amounts in DKK Millions	Fair value recognised in acquisition
Recognized amounts of identifiable assets acquired, and liabilities assumed	
Technology	139
Customer relations and distributors	285
Total intangible assets	424
Property, plant and equipment	3
Total non-current assets	427
Inventories	38
Trade receivables	56
Other receivables	13
Cash at bank	14
Total current assets	121
Total assets	548
Long term liabilities	-4
Deferred tax	-88
Total non-current liabilities	-92
Short term liabilities	-43
Trade creditors	-28
Other payables	-60
Total current liabilities	-131
Total liabilities assumed	-223
Total identifiable net assets	325
Goodwill	271
Cash net	33
Total cash acquisition cost	629
Recognised amounts of identifiable assets acquired, and liabilities assumed:	
Purchase consideration	629
Contingent purchase consideration	0
Fair value of consideration	629

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28 Commitments and contingencies

Commitments

Amounts in DKK Millions	2023	2022
Performance and payment guarantees	161	142
Purchase agreements of property, plant and equipment	129	191
Total	290	333

Lease contracts etc. are renewed on a continuous basis hence, there is a minor number of contracts committed not yet recorded as at 31 December 2023. The value of these contracts is considered to be immaterial.

Apart from this the Group is under no material obligations to acquire assets.

Contingencies

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

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29 Financial risk management and financial assets

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

Market risks: Currency risk and commodity risk

Credit risk

Liquidity risk.

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

The Group's financial risk activities are governed by the policies approved by the Board of Directors. Risk management is carried out by the Central Treasury department who are responsible for identifying, measuring and managing the Group's financial risks in accordance with the Group's policies and risk objectives.

It is the Group's policy that no trading in derivatives should be undertaken for speculative purposes.

Financial risks

Market Risk

Financial risks	Description	Effect	Reference
Currency risk	The Group is exposed to fluctuations when performing sales and purchase in foreign currencies	Effect Moderate Threat Moderate	Note 1 Revenue
Interest rate risk	The Group is exported to fluctuations in interest rates related to cash position, financial investments and financing arrangements	Effect Low Threat Moderate	Note 13 Securities
Credit risk	The Group is exposed to a counterparty (mainly related to Trade receivables and cash position), will not meet its obligation leading to a financial loss.	Effect Moderate Threat Low	Note 15 Trade and other receivables Note 20 Bank and other loans
Raw materials risk	The Group is exposed to raw material price inflation mainly related to copper and aluminium	Effect High Threat Moderate	Note 14 Inventory

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 relates to the position as at 31 December in 2023 and 2022.

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 2023. 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 assumption has been made in calculating the sensitivity analysis:

The sensitivity of the relevant statement of profit or 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 2023 and 2022 including the effect of hedge accounting.

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29 Financial risk management and financial assets (continued)

The sensitivity analysis shows the effect on profit and equity of a reasonably possible change in exchange rates. Hedges consist primarily of currency derivatives, which are further described in the following sections.

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

Financial instruments by category

Amounts in DKK Millions	2023	2022
Shares	4,146	2,853
Bonds	7,615	7,723
Long-term electricity swap	1	0
Financial assets measured at fair value through profit or loss	11,762	10,576
Trade receivables	5,545	6,000
Cash and cash equivalents	5,957	3,586
Financial assets measured at amortised cost	11,502	9,586
Bank and other loans	132	103
Trade creditors	2,656	2,845
Financial liabilities measured at amortised cost	2,788	2,948
Buy-back obligation relating to shares	6,416	7,584
Financial liabilities measured at fair value through profit and loss	6,416	7,584
Forward currency contracts	-24	-72
Financial liabilities measured at fair value through OCI	-24	-72

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29 Financial risk management and financial assets (continued)

Fair value measurement

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

Fair value hierachy

Amounts in DKK Millions	Quoted market prices (level 1)	Valuation based directly or indirectly market (level 2)	Valuation techniques based on unobser-vable inputs for valuation (level 3)	Total
2023				
Shares	4,146	0	0	4,146
Bonds	7,615	0	0	7,615
Long-term electricity swap	0	0	1	1
Financial assets measured at fair value as of 31 December	11,761	0	1	11,762
Buy-back obligation relating to shares	0	0	6,416	6,416
Forward currency contracts	0	-24	0	-24
Financial liabilities measured at fair value as of 31 December	0	-24	6,416	6,392
2022				
Shares	2,853	0	0	2,853
Bonds	7,723	0	0	7,723
Financial assets measured at fair value as of 31 December	10,576	0	0	10,576
Buy-back obligation relating to shares	0	0	7,584	7,584
Forward currency contracts	0	-72	0	-72
Financial liabilities measured at fair value as of 31 December	0	-72	7,584	7,512

There were no transfers between the 3 levels during 2023 or 2022.

Valuation techniques and assumptions used

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

Securities

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

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29 Financial risk management and financial assets (continued)

Buy-back obligation

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

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

Valuation principles applied remain unchanged from 2022.

The main non-observable inputs in the calculation are profit for 2024 (budget), profit for 2025 (forecast) and P/E values for the peer group.

Foreign Exchange Derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions, with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable input. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.

The models incorporate various input 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 2023, 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.

Electricity swap

In 2023, the Group has entered into a long-term electricity swap, in which the Group purchases renewable electricity from a windturbine farm at a fixed price and sells it at market price with net settlement. The volume in the electricity swap covers a portion of the Group's electricity consumption but is not considered a hedge. The valuation of electricity swaps is based on estimates on non-observable prices for a long-term period. The fair value of electricity swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of estimated price curves and volumes of electricity produced.

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 2023, 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.

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29 Financial risk management and financial assets (continued)

The majority of Grundfos' transactions are denominated in USD, EUR, AUD, 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.

Currency Sensitivity – impact to equity (before tax)

		2023			2022		
	Increase in exchange rate	Monetary items	Hedging	Net	Monetary items	Hedging	Net
USD	5 %	32	-48	-16	47	-57	-10
AUD	5 %	4	-13	-9	4	-12	-8
GBP	5 %	15	-32	-17	11	-24	-13
CNY	5 %	3	-20	-17	29	-22	7
HUF	5 %	0	22	22	1	18	19
Total		54	-91	-37	92	-97	-5

The impact on equity arises 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.

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.

Profit before tax will not be impacted by changes in the exchange rates due to a high degree of efficiency in the hedging.

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 2023 (2022: 10%) 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 among several investment grade financial institutions to minimise loss in an illiquidity event.

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29 Financial risk management and financial assets (continued)

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

	Maturity				
Amounts in DKK Millions	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
As at 31 December 2023					
Interest-bearing loans and borrowings (excl. Items below)	0	124	8	0	132
Lease liabilities (refer to note 12)	41	121	239	0	401
Trade and other payables	2,213	443	0	0	2,656
Buy-back obligation relating to shares	0	1,151	998	4,267	6,416
Forward currency contracts	-5	-19	0	0	-24
Total	2,249	1,820	1,245	4,267	9,581
As at 31 December 2022					
Interest-bearing loans and borrowings (excl. Items below)	0	100	3	0	103
Lease liabilities (refer to note 12)	41	123	237	0	401
Trade and other payables	2,371	474	0	0	2,845
Buy-back obligation relating to shares	0	1,363	984	5,237	7,584
Forward currency contracts	-7	-65	0	0	-72
Total	2,405	1,995	1,224	5,237	10,861

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30 Capital management

For the purpose of the Group's capital management, capital includes issued capital and all equity reserves attributable to the Parent Foundation. The primary objective of the Group's capital management is in accordance with guidelines defined by Poul Due Jensens Fond, to ensure and support healthy economic growth and development of the Grundfos Group.

This includes to maintain a solid equity ratio – under the current economic conditions – at a level above 60%.

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

Amounts in DKK Millions	**31 December 2023**	**31 December 2022**
Interest-bearing loans and borrowings	533	504
Trade and other payables	2,656	2,845
Less: cash and short-term deposits	-17,654	-14,104
Net debt	-14,465	-10,755

In terms of liquidity, the Group has a cash reserve comprising bank deposits (see Note 16) and securities (see 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.

Gearing ratio is negative, demonstrating that the Group has effectively no net debt.

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 market 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, AUD, GBP, CNY and cash outflows of HUF from operations denominated in the local currency of entities within the Group. Should there be a forecasted transaction in excess of DKK 50m, this will be considered significant, and therefore, between 50-90% of this cash flow exposure should be hedged.

Otherwise, the exposures of foreign currency cash flows must be within the following ratios:

0-6 months: 80% - 90%

7-12 Months: 70% - 80%

12-15 Months: 50% - 70%

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31 Hedging activities and derivatives (continued)

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

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

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

The Group is holding the following foreign exchange forward contracts as at 31 December 2023:

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

				Maturity					
				Less than 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 9 months**	**9 to 12 months**	**Total**
	Fair Value, Asset	Fair Value, Liability	Notional Amount						
USD			EUR	20	34	34	23	23	134
AUD			EUR	5	10	17	14	9	55
GBP			EUR	12	11	15	19	14	71
CNY			EUR	44	62	106	111	77	400
HUF			EUR	-2,398	-3,526	-6,417	-5,868	-3,564	-21,773

Notional amount (in DKKm)

				Maturity					
				Less than 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 9 months**	**9 to 12 months**	**Total**
	Fair Value, Asset	Fair Value, Liability	Notional Amount						
USD	12.8	1.0		132	230	232	153	158	905
AUD	1.2	3.9		22	47	80	63	41	253
GBP	0.6	7.5		100	95	127	161	126	608
CNY	11.1	0.0		42	59	101	105	73	380
HUF	18.3	1.3		-47	-69	-125	-114	-69	-425

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31 Hedging activities and derivatives (continued)

Average forward rate (EUR/one currency unit)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity: Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
USD				1.099	1.094	1.104	1.092	1.091	1.096
AUD				1.556	1.627	1.637	1.678	1.675	1.644
GBP				0.895	0.896	0.878	0.878	0.877	0.883
CNY				7.294	7.393	7.683	7.726	7.712	7.611
HUF				408.407	415.239	408.539	411.117	396.390	408.233

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

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

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity: Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
USD			EUR	3	33	50	46	33	165
AUD			EUR	0	5	8	10	7	30
CHF			EUR	0	6	8	10	9	33
GBP			EUR	1	16	15	12	13	56
CNY			EUR	0	139	147	94	54	434
HUF			EUR	-243	-3,513	-6,523	-5,791	-4,575	-20,645

Notional amount (in DKKm)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity: Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
USD	30.3	12.1		16	221	353	334	233	1,157
AUD	6.8	0.1		0	8	13	14	11	46
CHF	0.9	4.2		0	44	60	77	65	246
GBP	12.6	0.1		5	136	129	98	115	482
CNY	11.4	0		0	143	152	99	55	449
HUF	7.9	2.5		-4	-64	-115	-96	-75	-354

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31 Hedging activities and derivatives (continued)

Average forward rate (EUR/one currency unit)

	Fair Value, Asset	Fair Value, Liability	Notional Amount	Maturity: Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
USD				1.160	1.116	1.062	1.028	1.055	1.063
AUD				1.626	1.505	1.535	1.521	1.577	1.537
CHF				0	1.017	1.020	0.962	0.973	0.989
GBP				0.860	0.852	0.867	0.875	0.883	0.868
CNY				0	7.191	7.222	7.034	7.309	7.181
HUF				404.279	406.533	423.584	449.251	452.225	433.280

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

Amounts in DKK Millions	Volume of foreign exchange forward contracts	Cash flow hedge reserve
31 December 2023		
Highly probable expected net cash flows from customers/to vendors	6,470	24
31 December 2022		
Highly probable expected net cash flows from customers/to vendors	6,630	72

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

Amounts in DKK Millions	Total hedging gain/loss recognised in OCI	Ineffec-tiveness recognised in profit and loss	Line item in the statement of profit and loss
Year ended 31 December 2023			
Highly probable expected net cash flows from customers/ to vendors	24	0	Revenue/ production cost
Year ended 31 December 2022			
Highly probable expected net cash flows from customers/ to vendors	72	0	Revenue/ production cost

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32 Related parties

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

Transactions with related parties

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

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

33 Events after the balance sheet date

The Board of Directors of Poul Due Jensen Foundation has approved the issuance of these consolidated financial statements on 13 March 2024.

After the balance sheet date the Board of Directors has approved distributions of DKK 9m.

Subsequent to 31 December 2023, there have been no further events with any significant effect on the financial statements beyond what has been recognized and disclosed in the Annual Report.

34 Summary of material Accounting Policies

Basis of preparation

The Annual Report for the year ended 31 December 2023 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and additional disclosure requirements in the Danish Financial Statements Act applicable to reporting class C (Large) entities.

The Group has adopted all new, amended or revised accounting standards and interpretations (IFRS) as endorsed by the EU effective as of 1 January 2023.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, earn out, buy-back obligation relating to shares and debt or securities 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 Foundation, and all amounts are stated in millions, except when otherwise indicated.

Basis of consolidation

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

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34 Summary of material Accounting Policies (continued)

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 financial statements of subsidiaries are adjusted to align their accounting policies with those of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows arising from transactions between group entities are fully eliminated on consolidation.

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

Minority interests with related buy-back obligation

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

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

New and amended standards and interpretations

The following accounting standards/amendments are effective as of 1 January 2023.

IFRS 17 Insurance Contracts

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.

International Tax Reform-Pillar Two Model Rules – Amendments to IAS 12

Above standards and amendments does not have material impact on our financial statements.

Standards issued but not yet effective

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.

The following accounting standards/amendments are effective as of 1 January 2024.

Amendments to IFRS 16: Liability in a sale and leaseback

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Notes to the consolidated financial statements

34 Summary of material Accounting Policies (continued)

Amendments to IAS 1: Classification of Liabilities as current or non-current

Supplier Finance Arrangements – amendments to IAS 7 and IFRS 7

The adoption is not expected to have material impact on our financial statements.

Critical accounting estimates and judgements

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

Judgements

The following provides information about judgements made in applying those accounting policies that most significantly impact the amounts recognised in the consolidated and separate financial statements:

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 cost 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.

Assumptions and estimation uncertainties

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

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

Tax (Note 9)

Conducting business globally the interpretation of local tax regulations – including transfer pricing – creates uncertainty with regards to timing, assessment and other assumptions. Management reviews the assumptions on an ongoing basis. Tax assets and liabilities are recognised at the most likely future impact to the consolidated financial statements, considering the level and timing of future taxable income.

Impairment test of goodwill (Note 10)

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

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34 Summary of material Accounting Policies (continued)

Depreciation on tangible non-current assets (Note 11)

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

Inventories (Note 14)

Valuation of inventories includes estimates related to allocation of indirect cost 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 cost of restructuring reflects the total estimated cost of decided or foreseen significant restructuring measures.

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35 Group General Accounting Policies

Revenue

Pump solutions

Pump solution relates to sale of finished goods of which revenue is recognised in the statement of profit and loss when control of the products has been transferred to the customer (the performance obligation is satisfied at a point in time). Control is transferred when the products are delivered, which occurs when the Group has objective evidence that all criteria for transfer of risk has been satisfied. Sales are only recognized to the extent that it is highly probable that a significant reversal will not occur. Products are often sold with retrospective volume discounts. Revenue is 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 cost incurred relative to the total expected cost. The sale of services is recognised in the statement of profit and loss when the aggregated income and expenses of the service contract can be reliably measured, and it is probable that the Group will receive the financial benefits, including payments.

Project sales

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

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

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

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

Production cost

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

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35 Group General Accounting Policies (continued)

Research and development cost

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

Development cost incurred for the maintenance and optimisation of existing products or production processes are recognised in the profit and loss account. Cost for the development of new products is recognised in the profit and loss account, unless the criteria for recognition in the consolidated statement of financial position are met for the individual development project.

Staff cost

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

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

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

Consequently, operating profit (EBIT) before special items is defined as operating profit (EBIT) excluding the above-mentioned special items.

Finance income and expenses

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

Goodwill

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

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

Other intangible assets

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

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

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

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

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35 Group General Accounting Policies (continued)

Development projects

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

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

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

Cost includes direct and indirect expenses, including wages.

Completed development projects are generally amortised on a straight-line basis over 5 years. Development projects in progress are not amortised, but annually tested for impairment.

Property, plant & equipment

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

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

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

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

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

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

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

Right-of-use assets and lease liability

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

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Notes to the consolidated financial statements

35 Group General Accounting Policies (continued)

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

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

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

Right-of-use assets and lease liabilities are not recognised for low value lease assets below DKK 50.000 or leases with a term of 12 months or less. These are recognised as an expense on a straight-line basis over the term of the lease.

Trade receivables and other receivables

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

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

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

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

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

Inventories

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

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

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

Provisions

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

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

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35 Group General Accounting Policies (continued)

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

Pension and similar obligations

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

Income Tax

Income tax

Tax expense for the year includes current and deferred tax. Tax is recognised in the consolidated statement of profit or 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 or 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 setoff 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.

A temporary exception from the requirement to account for deferred taxed arising from the implementation of the Global Minimum Tax has been applied.

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35 Group General Accounting Policies (continued)

Uncertain tax positions

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

Share-based payments

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

Equity-settled transactions

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

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

Financial instruments

Financial assets and financial liabilities

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

Derivates and hedge accounting

Derivative financial instruments are measured at fair value.

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

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

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

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

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Notes to the consolidated financial statements

35 Group General Accounting Policies (continued)

Fair value measurements

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, thus maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, described as follows, on the basis of the lowest level input that is significant to the fair value measurement as a whole.

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

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

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

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

The fair value of electricity swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of estimated price curves and estimated volumes of electricity produced.

Business combinations

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 or loss until the disposal date.

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

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

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35 Group General Accounting Policies (continued)

The cost of a business combination comprises the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the adjustment is probable and can be measured in a reliable manner. Subsequent changes to contingent considerations are recognised in the consolidated statement of profit or 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 significantly different fair value at the acquisition date than first assumed, goodwill is adjusted up to twelve months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity and the comparative figures are restated accordingly.

Government grants

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

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

Foreign currency translation

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

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

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

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35 Group General Accounting Policies (continued)

Cash flow statement

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

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

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

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

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

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

Contingent liabilities and assets

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

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Parent Foundation Financial Statements 1 January – 31 December

Statement of profit and loss

Note	Amounts in DKK Millions	2023	2022
1,2,3	Administrative cost	-27	-27
	Earnings before interest and tax (EBIT)	-27	-27
	Income from investments in affiliated companies	2,987	1,763
4	Financial income	594	167
4	Financial expenses	0	-826
	Profit before tax	3,554	1,077
5	Income tax expenses	-124	206
	Profit for the year	3,430	1,283
	Attributable to:		
	Retained earnings	1,048	293
	Reserve equity method	2,107	640
	Extraordinary adjustment of provision for distributions	0	50
	Distributions	275	300
	Total	3,430	1,283

POUL DUE JENSEN / GRUNDFOS FOUNDATION

Parent Foundation Financial Statements 1 January – 31 December

Statement of other comprehensive income

Note	Amounts in DKK Millions	2023	2022
	Profit for the year	3,430	1,283
	Other comprehensive income that may be reclassified to profit and loss in subsequent periods (net of tax)		
	Other comprehensive income from affiliated companies	-224	599
	Other comprehensive income that may be reclassified to profit and loss in subsequent period, net of tax	-224	599
	Other comprehensive income that will not be reclassified to profit and loss in subsequent periods (net of tax)		
	Other comprehensive income from affiliated companies	43	19
	Other comprehensive income that will not be reclassified to profit and loss in subsequent periods, net of tax	43	19
	Other comprehensive income for the year, net of tax	-181	618
	Total comprehensive income for the year, net of tax	3,249	1,901
	Attributable to:		
	Retained earnings	1,048	293
	Reserve equity method	1,926	1,258
	Extraordinary adjustment of provision for distributions	0	50
	Distributions	275	300
	Total comprehensive income for the year, net of tax	3,249	1,901

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Parent Foundation Financial Statements 1 January – 31 December

Statement of financial position

Note	Amounts in DKK Millions	2023	2022
	ASSETS		
	Non-current assets		
	Property, plant and equipment		
6	Right-of-use assets	12	4
	Total, property, plant and equipment	12	4
	Financial assets		
7	Investments in affiliated companies	20,340	18,420
5	Deferred tax assets	75	151
	Total financial assets	20,415	18,571
	Total non-current assets	20,427	18,575
	Current assets		
5	Income tax receivable	0	30
8	Other receivables	51	34
9	Securities	8,554	7,371
10	Cash and cash equivalents	134	63
		8,739	7,498
	Total current assets	8,739	7,498
	TOTAL ASSETS	29,166	26,073
	EQUITY AND LIABILITIES		
11	Basic capital	505	505
	Retained earnings	9,559	8,235
	Reserve equity method	18,434	16,775
	Proposed provision for distribution	384	364
	Total equity	28,882	25,879
	Non-current liabilities		
6	Lease liabilities	3	4
	Total non-current liabilities	3	4
	Current liabilities		
6	Lease liabilities	1	0
5	Income tax payable	13	0
12	Other liabilities	267	190
	Total current liabilities	281	190
	Total liabilities	284	194
	TOTAL LIABILITIES AND EQUITY	29,166	26,073

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Statement of cash flows

Note	Amounts in DKK Millions	2023	2022
	Operating activities		
	Profit after tax	3,430	1,283
3	Depreciation and amortisation of non-current assets	1	0
4	Finance income	-594	-167
4	Finance expenses	0	826
7	Income from investments in affiliated companies	-2,987	-1,763
5	Tax for the year	124	-206
14	Changes in net working capital	-19	-22
	Dividend received	880	1,121
	Cash flow from operations before financial items and tax	835	1,072
	Taxes paid	-5	19
	Interest paid and realised currency losses	0	-1
	Interest received and realised currency gains	253	167
	Interest paid on lease liabilities	0	0
	Cash flow from operating activities	1,083	1,257
	Investing activities		
	Purchase of affiliated company	-25	0
9	Purchase of securities	-4,474	-5,048
	Sale of securities	3,632	3,821
	Cash flow from investing activities	-867	-1,227
	Net cash flow from operating and investing activities	216	30
	Financing activities		
15	Payment of principal portion of lease liabilities	-9	0
	Distributions paid	-176	-252
	Acquisition and sale of minority holdings	40	147
	Cash flow from financing activities	-145	-105
	Net increase/decrease in cash and cash equivalents	71	- 75
	Cash and cash equivalents as at 1 January	63	138
	Cash and cash equivalents as at 31 December	134	63

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Parent Foundation Financial Statements 1 January – 31 December

Statement of changes in equity

Note	Amounts in DKK Millions	Basic capital	Retained earnings	Reserve equity method	Proposed rovision for distribu-tion	Total
	Balance at 1 January 2023	505	8,235	16,775	364	25,879
	Profit for the year	0	1,048	2,107	275	3,430
	Other comprehensive income	0	0	-181	0	-181
	Distributions paid	0	0	0	-255	-255
	Adjustment to provision for distributions	0	0	0	0	0
	Transaction with non-controlling interests	0	276	-267	0	9
	Total other transactions	0	276	-267	-255	-246
	Balance at 31 December 2023	505	9,559	18,434	384	28,882
	Balance at 1 January 2022	505	7,682	15,676	250	24,113
	Profit for the year	0	293	640	350	1,283
	Other comprehensive income	0	0	618	0	618
	Distributions paid	0	0	0	-236	-236
	Adjustment to provision for distributions	0	0	0	0	0
	Transaction with non-controlling interests	0	260	-159	0	101
	Total transactions with shareholders	0	260	-159	-236	-135
	Balance at 31 December 2022	505	8,235	16,775	364	25,879

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Notes to parent foundation financial statements

Amounts in DKK Millions		2023	2022
1	**Administration cost**		
	Staff cost	14	13
	Depreciation and amortisation	1	0
	Other administration	12	14
	Total	27	27

		2023	2022
2	**Staff cost**		
	Wages and salaries	13	12
	Pensions	1	1
	Total	14	13
	Staff costs are recognised as follows:		
	Administration cost	14	13
	Total	14	13
	Average number of full-time employees	8	7
	Numbers of employees at year-end	9	7

Staff costs includes fee to the Executive Board and the Board of Directors of the Foundation for the directorships in the Foundation and can be specified as follows:

	2023	2022
Executive Board	3	3
Board of Directors	5	5
Total	8	8

3 **Depreciation, amortisation and impairments**

Amounts in DKK Millions	2023	2022
Right-of-use assets, note 6	1	0
Total	1	0

Depreciation, amortisation and are recognised as follows:

	2023	2022
Administration cost	1	0
Total	1	0

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	Amounts in DKK Millions	2023	2022
4	**Financial income and expenses**		
	Interest income bonds	183	67
	Value adjustments bonds	106	0
	Dividend income shares	65	100
	Value adjustments shares	235	0
	Other financial income	5	0
	Total	594	167
	Value adjustments bonds	0	508
	Value adjustment shares	0	317
	Interest on lease liabilities	0	0
	Other finance expense	0	1
	Total	0	826
5	**Tax**		
	Income taxes in statement of profit or loss and reconciliation		
	Tax on the profit for the year is specified as follows:		
	Tax on profit/loss for the year	124	-206
	Total	124	-206
	Tax on the profit for the year has been calculated as follows:		
	Current income taxes	49	0
	Deferred income taxes	76	-151
	Adjustment regarding previous years	-1	-55
	Total	124	-206
	Effective tax rate can be calculated as follows:		
	Danish tax rate	22%	22%
	Non-taxable income and non-deductible expenses	-19%	-36%
	Other, including adjustments regarding previous years	0	-5%
	Effective tax rate	3%	-19%
	Income tax:		
	Income tax receivable	0	30
	Income tax payable	-13	0
	Total income tax	-13	30

The Foundation will be subject to the new 15 % Global Minimum Tax as from 2024. An estimate based on 2022 numbers indicates that the yearly impact will not exceed DKK 20 mill.

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5 Tax (continued)

Deferred taxes

Changes in deferred tax

Amounts in DKK Millions	2023	2022
Net deferred tax assets 1 January	151	0
Deferred tax recognised in profit or loss account	-76	151
Net deferred tax assets 31 December	75	151

Breakdown of deferred tax

Amounts in DKK Millions	2023	2022
Non-current assets	0	0
Current assets	0	0
Provisions	0	0
Liabilities	0	0
Tax loss carry forward	75	151
Net deferred tax assets	75	151
Reflected in the statement of financial position as follows:		
Deferred tax assets	75	151
Deferred tax liabilities	0	0
Net deferred tax assets	75	151

The Foundation has tax losses by end of 2023 of DKK 75m (2022: DKK 151m) that are available indefinitely for offsetting against future taxable profits in the Foundation.

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

The Foundation has an unrecognised deferred tax liability of DKK 9m as at 31 December 2023 (2022: DKK 65m) in respect of tax provisions for subsequent distributions. The amount has not been recognised in accordance with accounting policies as it is not considered likely to be subject to taxation due to the Foundations intention to continue distributing resources in accordance with the Foundations objectives.

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6 Right-of-use assets

The Foundation has lease contracts primarily for buildings. Leases of buildings have a lease term of 10 years.

The Foundation's obligations under its leases are secured by the lessor's title to the leased assets. The Foundation is restricted from assigning and subleasing the leased assets.

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

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

Amounts in DKK Millions	Property
Carrying amount at 1 January 2023	4
Exchange rate adjustments	0
Additions	9
Depreciations	-1
Carrying amount at 31 December 2023	12
Carrying amount at 1 January 2022	4
Additions	0
Depreciations	0
Carrying amount at 31 December 2022	4

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

Amounts in DKK Millions	2023	2022
Balance at 1 January	4	4
Exchange rate adjustments	0	0
Additions	9	0
Interest	0	0
Payments	-9	0
Balance at 31 December	4	4
Current	1	0
Non-Current	3	4
Total	4	4
Undiscounted lease liabilities maturity analysis		
Less than one year	1	0
One to three years	1	1
More than three years	2	3
Total undiscounted lease liabilities at 31 December	4	4

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6 Right-of-use assets (continued)

The following are the amounts recognised in profit and loss:

Amounts in DKK Millions	2023	2022
Depreciation expense of right-of-use assets	1	0
Interest expense on lease liabilities	0	0
Expense relating to short-term leases	0	0
Variable lease payments	0	0
Total	1	0

The Foundation had total cash outflows for leases of DKK 9m in 2023 (DKK 0m in 2022).

The Foundation has 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.

7 Investments in affiliated companies

Amounts in DKK Millions	2023	2022
Cost at 1 January	1,645	1,529
Additions	271	124
Disposals	-10	-8
Cost at 31 December	1,906	1,645
Value adjustments at 1 January	16,775	15,676
Share of profit	2,987	1,763
Dividends received	-880	-1,121
Disposals of the year	-106	-78
Other value adjustments	-342	535
Adjustments at 31 December	18,434	16,775
Carrying amount at 31 December	20,340	18,420

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

8 Other receivables

Amounts in DKK Millions	2023	2022
Prepayments	0	2
Other current receivables	51	32
Total	51	34

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Amounts in DKK Millions	2023	2022
9 Securities		
Costs at 1 January	7,419	6,499
Additions during the year	4,474	5,048
Disposals during the year	-3,538	-4,128
Exchange rate adjustments	0	0
Cost at 31 December	8,355	7,419
Value adjustments at 1 January	-48	470
Value adjustments during the year	247	-518
Value adjustments at 31 December	199	-48
Balance at 31 December	8,554	7,371
Current	8,554	7,371
Non-current	0	0
Total	8,554	7,371

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

	2023	2022
Shares	3,361	2,092
Bonds	5,193	5,279
Total	8,554	7,371

	2023	2022
10 Cash and cash equivalents		
Cash at bank and on hand	134	63
Total	134	63

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

11 Basic capital

The basic capital amounts to DKK 505m.

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

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Amounts in DKK Millions	2023	2022
12 Other liabilities		
Accrued expenses	6	8
Accrued distributions	257	178
Other	4	4
Total	267	190

13 Fees to auditors appointed		
Fee to EY for statutory audit	0	0
Fee to EY for other assurance engagements	0	0
Fee to EY for tax advisory services	0	0
Fee to EY for other services	1	1
Total	1	1

14 Changes in working capital		
Changes in accounts receivable	-17	-22
Change in other liabilities	-2	0
Total	-19	-22

15 Changes in liabilities arising from financing activities

Amounts in DKK Millions	Current lease liabilities	Non-current lease liabilities	Total
Balance at 1 January 2023	0	4	4
Cash flows	0	-9	-9
New leases	1	8	9
Balance at 31 December 2023	1	3	4
Balance at 1 January 2022	0	4	4
Cash flows	0	0	0
Balance at 31 December 2022	0	4	4

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16 Financial risk management and financial assets

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

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

Financial instrument by category

Amounts in DKK Millions	2023	2022
Shares	3,361	2,092
Bonds	5,193	5,279
Financial assets measured at fair value through profit or loss	8,554	7,371
Cash and cash equivalent	134	63
Financial assets measured at amortised cost	134	63
Buy-back obligation relating to shares	0	0
Financial liabilities measured at fair value through OCI	0	0

Fair value measurement

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

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16 Financial risk management and financial assets (continued)

Fair value hierachy

Amounts in DKK Millions	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
2023				
Shares	3,361	0	0	3,361
Bonds	5,193	0	0	5,193
Financial assets measured at fair value as of 31 December	8,554	0	0	8,554
Buy-back obligation relating to shares	0	0	0	0
Financial liabilities measured at fair value as of 31 December	0	0	0	0
2022				
Shares	2,092	0	0	2,092
Bonds	5,279	0	0	5,279
Financial assets measured at fair value as of 31 December	7,371	0	0	7,371
Buy-back obligation relating to shares	0	0	0	0
Financial liabilities measured at fair value as of 31 December	0	0	0	0

There were no transfers between the 3 levels during 2023 or 2022.

Valuation techniques and assumptions used

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

Securities

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

Buy-back obligation

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

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16 Financial risk management and financial assets (continued)

Management considers that the valuation method used is within the framework of generally accepted valuation methods for establishing fair value in the fair value hierarchy (level 3). The fair value of the contractual obligation (financial instrument), measured as the difference between the expected purchase price and the fair value of the shares, is thus recognised at DKK 0m in the balance sheet of the parent company's financial statements as of 31 December 2023 (2022: DKK 0m).

Liquidity risk

There is no material liquidity risk in the Foundation.

17 Related parties

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

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

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

Transactions with related parties

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

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

Amounts in DKK Millions	2023	2022
Related party transactions		
Subsidiaries		
Sale of shares to Grundfos Holding A/S	287	271
Cost of services	6	5
Dividend received	880	1,121
Key management personnel		
Salaries and remunerations*	70	56
Dividends from Grundfos Holding A/S	44	56
Acquisition of shares in Grundfos Holding A/S	5	6
Payable remuneration	41	36

*DKK 8m (2022: DKK 8m) has been paid from Poul Due Jensens Fond

The amounts disclosed in the table are the amounts recognised as an expense or income during the reporting period.

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18 Events after the balance sheet date

The Board of Directors has approved the issuance of these financial statements on 13 March 2024.

After the balance sheet date the Board of Directors has approved distributions of DKK 9m.

Subsequent to 31 December 2023, there have been no further events with any significant effect on the financial statements beyond what has been recognized and disclosed in the Annual Report.

19 Parent Foundation Accounting Policies

Poul Due Jensens Fond is a Foundation domiciled in Denmark. The Annual Report for the period 1 January to 31 December 2023, comprises the Financial Statements of Poul Due Jensens Fond.

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

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

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

Investments in subsidiaries

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

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

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

Minority interests with related buy-back obligation

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

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19 Parent Foundation Accounting Policies (continued)

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

Especially, regarding the Foundations financial statements the Foundation has a buy-back obligation to minority interests related to shares in Grundfos Holding A/S. Under the shareholders' agreement in Grundfos Holding A/S, minority interests in Grundfos Holding A/S must be able to sell their shareholdings back to the Foundation in whole or in part at a price that corresponds to the market value of the shares. Management considers that the valuation method used is within the framework of generally accepted valuation methods for establishing fair value in the fair value hierarchy (level 3). The fair value of the contractual obligation (financial instrument), measured as the difference between the expected purchase price and the fair value of the shares, is thus recognised at DKK 0 in the balance sheet of the parent Foundations financial statement as of 31 December 2023.