ANNUAL REPORT 2013

The Poul Due Jensen Foundation
and the Grundfos Group
CVR no.: 83 64 88 13

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GRUNDFOS

Content

MANAGEMENT REPORT

MANAGEMENT STATEMENT AND AUDITOR'S REPORT

CONSOLIDATED ANNUAL ACCOUNTS AND ANNUAL ACCOUNTS

The Poul Due Jensen Foundation

The Poul Due Jensen Foundation owns 88 per cent of the Grundfos Group. The Foundation was established back 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. A commercial foundation is a unique model for ownership of companies that have secured growth and employment for many trendsetting companies in Denmark, including Grundfos. In addition to practising responsible ownership, the Foundation supports various non-profit purposes. In 2013, the Board of the Foundation decided to strengthen its visibility and activity level by establishing a website, host events and offer awards and scholarships. The Board of the Foundation has also decided to establish a foundation secretariat to be presided over by an Executive Director. The person chosen is Christian Hartvig, who for the past 11 years has held a position in Grundfos as General Counsel of the legal department.

Beneficial donations

In a wide range of situations, the Foundation's donations are very beneficial to the recipients and their causes. The Foundation supports persons, groups and initiatives within four areas: 1) the fields of research (natural science), 2) design and innovation, 3) sustainability and the environment and 4) humanitarian aid. The Board of The Poul Due Jensen Foundation decided to increase the amount for 2013 to 15 million Danish kroner.

Development projects

The distribution of the amount across the four supported fields clearly favours Grundfos' core competence – water technology – and by collaborating with various NGOs, a number of development projects were initiated in East Africa and Southeast Asia. The development projects helped develop new methods of solving everyday problems for some of the poorest people in the world. With the aim of providing safe drinking water and water for food production, a number of derived challenges emerge, such as health, hygiene, learning, business development, etc., so even though clean water is the starting point, the development chain includes several of the Foundation's other four main premises – particularly a flair for innovation.

Research recognised

At the other end of the development chain is our natural science research – a field of donation that has accompanied the Foundation since the early years. The road may be long, but there is logic and continuity between the elite research projects valued by the Foundation and the tasks that Grundfos technologies help solve in the poorest parts of the world. The 2013 Grundfos Prize of 1 million Danish kroner was awarded to Professor, Dr. Scient. Niels Peter Revsbech of the Department of Bioscience at Aarhus University. While 250,000 Danish kroner of the Grundfos Prize is awarded as a personal acknowledgement, 750,000 Danish kroner is earmarked specifically for research. Niels Peter Revsbech plans to invest that money in laboratory equipment and to buy time to concentrate on developing new and potentially important sensor techniques.

Innovation award for clever ideas

In 2013, the Board of the Foundation introduced two additional prizes, which are available for Grundfos employees only: Poul Due Jensen's Innovation Award and Poul Due Jensen's Scholarship. The Poul Due Jensen Foundation wishes to acknowledge and support research, education and innovation. In 2013, the number of nominees for the Innovation Award was so high that the Foundation decided to award both a winner and two runner-ups. The Innovation Award went to Poul Johannes Henning, Pekka Mäntylä and Flemming Lykholt-Ustrup for their work in developing the new S-tube impeller for a new wastewater pump. The pump is characterised by a unique combination of an anti-clogging feature, high performance and low vibration level. Two additional projects were recognised as runner-ups: The Filter Cake project is a potentially revolutionary and energy-saving technology. The employees behind the project are Dominik Marek Dominiak, Tom Jæger and Søren Vigsø. The other project is taking place in Vietnam, where a sales employee is in the field in order to understand the challenges related to the Mekong delta water supply. A local solution has been developed to continuously supply drinking water despite an unstable power supply. The employees behind the project are Le Tanh Hai and Gert Borrits.

Scholarships for diversity and education

The two scholarships were awarded to Lucy Hughes of Italy and Marko Obrknezev of Serbia. Lucy Hughes has been involved in establishing a work group with the aim of identifying concrete initiatives to support diversity in the entire region. Lucy Hughes is passionate about how women can achieve success professionally. Marko Obrknezev is a Logistics Engineer in Grundfos Serbia. He used his scholarship to finance the remainder of his MBA.

Visiting projects in East Africa

The importance of the support for the many development projects in East Africa was emphasised when several of the projects

“The MBA gave me structure, especially in Accounting and Finances which is a very important background in my line of work. Generally speaking, the MBA gave me a wider view, and I believe that it has been worth the time and effort I put into it.”
Marko Obrknezev, Logistics Engineer and awarded Poul Due Jensen's Scholarship.

were visited by Chairman of the Foundation Niels Due Jensen and his wife, Minna Due Jensen, in the spring of 2013. Water is a precondition for life in the form of safe drinking water and as the basis of food production. Malawi is one of the poorest countries in the world with an average life expectancy of about 40 years. But it is a peaceful country, and its soil is fertile. Rain periods are unevenly distributed, however, and climate changes have had a negative effect. The challenges must be met with advanced technologies – particularly solar-powered pumps in this connection. In addition to being reliable, the installations must be as good as maintenance-free. Sustainability also applies to co-ownership, so the precious equipment has been secured to prevent vandalism and misuse. A double water supply project has been carried out in cooperation with DanChurchAid and The Poul Due Jensen Foundation.

In Kenya, Grundfos has tested award-winning concept LifeLink for several years, in which co-ownership and user payments are integral parts of water turnover. New LifeLink models are coming, and with NGO and foundation support, the concept is spreading to other countries in Africa and Asia. LifeLink will play a unique role in one of the world’s largest slums, Kibera in Nairobi, Kenya. The Poul Due Jensen Foundation has donated a plant, and water supply is an important part of the prototype for a town centre, which is being developed by the Human Needs Project organisation.

Fruitful NGO cooperation

As previously mentioned in our annual reports, certain NGOs have received support for their projects for several years, and therefore it has been possible to follow various models of development work under highly diverse conditions. Along with DanChurchAid, Water Missions International in the US is one of the well-established NGOs. Also in this group are two young NGOs which have excelled in Nepal and India. Through a targeted effort spanning 3-4 years, both Danish-based development projects have managed to take huge steps towards sustainability. From the start, the main focus for both projects has been on water. This has then been developed further to involve hygiene, health, food production and not least learning and autonomy.

In the course of just a few years, Jutland Village Development in Nepal has gone from offering first aid to entering a phase of targeted work in order to meet our goal of sustainability in several areas: health, school and education, infrastructure and business development. Danish competence groups are exchanging know-how and training local villagers in Nepal.

Married couple Jette Kaae and Helge Pedersen had been travelling extensively around India, and by coincidence they came across CODEP, a technical school in south-east India. Under rather fragile conditions, the school educated young (casteless) men to become a type of engineer. The Danish couple later formalised their efforts via the X-Change Aid NGO, and in connection with some subprojects, which has provided organisation of micro financing, business development, etc. in several developing countries. Now, the project includes the hospital next to CODEP, and the two organisations are working together to ensure a safe water supply and food production.

The climate battle

In the course of the year, the Foundation decided to join the Carbon War Room (CWR) as a founding member. The CWR establishes projects with foundations, companies and authorities to help decrease CO_2 emissions. The organisation has made considerable progress and achieved remarkable results. The CWR was founded by entrepreneur Richard Branson and is managed by the former president of Costa Rica, José Maria Figueres Olsen, who has visited Grundfos and the Foundation on numerous occasions. We are excited to participate in the climate battle against increased CO_2 emissions alongside the CWR. Further info: www.carbonwarroom.com

Composition of management regarding gender

The board of directors for The Poul Due Jensen Foundation has 12 members of whom 4 have been chosen by the employees. The remaining 8 members are composed of 5 men and 3 women. The women therefore accounts for 37.5 per cent, which is a little less than 40 per cent. The board of directors consider this an appropriate distribution, and has for that reason stipulated a target level for the underrepresented gender at “3 out of 8”, which is in effect until 2017.

Read more about the Foundation at the web site: www.poulduejensensfond.dk or www.poulduejensenfoundation.com.

List of donations in 2013

Individual donations are listed in the category mostly attributed to the form of support *(amounts are listed in DKK):*

HUMANITARIAN AID

DanChurchAid, development projects in Malawi	1,500,000
Water Missions International, drinking water projects in Southeast Asia	1,565,000
X-Change Aid, water supply for technical school and hospital in India	850,000
CARE, farming projects in Tanzania	300,000
Churches' Integration Ministry	100,000
Children Without Borders, water supply in Sifoe, Gambia	70,000
Patrick Ivulu, family aid	12,000
Children's Welfare, communication and consultancy	150,000
Fair Start, global children's welfare programme (management training)	400,000
Danish Burkinabé Link, development work in Burkina Faso	100,000
The Babakian Foundation, social residence in Aarhus, DK	150,000
The Amazonia Association, water supply	100,000
Maternity Worldwide, maternity wards in Ethiopia	550,000
Water for People in Lunzu, Malawi	745,910
Seniors Without Borders, greenhouse project in Kenya	50,000
The Workingschool Project, IT donations, etc., education	100,000
Jutland Village Development in Nepal, sustainability	923,000
Redder af Verden (Global Paramedics), emergency aid and development	100,000
Christiansfeld Rotary, water project in Tanzania	100,000
Dental Care Without Borders in south India, children's project	78,546
The Salvation Army, Christmas donation	200,000
DANNER (shelter and crisis centre), Christmas donation	200,000
National Council for the Unmarried Mother and Her Child, Christmas donation	200,000
Peace and Development in Africa, Congo and Burundi	100,000
The Social Legal Aid, fund foundation	125,000
Engineers Without Borders, water project in Gambia	200,000
Mama na Dada Africa, water supply for village in Kenya	175,000
Water Missions International, emergency aid for the Philippines	370,000
Oldonyowas Village in Tanzania, water supply	276,000

RESEARCH, EDUCATION (natural science)

School of Herlufsholm, Denmark: rooms, natural science	2,000,000
Aalborg University, global mind set	132,862
Pindstrup Centret, knowledge centre on Zealand, Denmark	500,000

INNOVATION AND DESIGN

Danish Design Council, honorary award and travel grant	100,000
The Quaravane Association, social innovation	150,000
OK Centret Enghaven, autonomy programmes	131,578
The Karen Blixen Museum in Nairobi, refurbishment and expansions (water)	573,300

SUSTAINABILITY, THE ENVIRONMENT

Majete Wildlife Reserve, pumps for water holes in Malawi	143,325

PRIZES, AWARDS AND SCHOLARSHIPS

The Grundfos Prize, Aarhus University	750,000
The Grundfos Prize, Professor Niels Peter Revsbech	250,000
Innovation Awards (3)	186,428
Innovation Awards (5)	149,141
Scholarships (2)	104,404

Board of the Foundation

Niels Due Jensen
Chairman

Ingelise Bogason
Vice Chairman

Bo Risberg
Member of the Board

Poul Due Jensen
Member of the Board

Jens Moberg
Member of the Board

Jens Maaløe
Member of the Board

Estrid Due Hesselholt
Member of the Board

Ingermarie Due Nielsen
Member of the Board

Rudolf Martini
Member of the Board
Elected by employees

Randi Rasmussen
Member of the Board
Elected by employees

Mogens Henriksen
Member of the Board
Elected by employees

Monika Fulopne Stugner
Member of the Board
Elected by employees

Management's report

The Grundfos Group is a global company with its headquarters situated in Bjerringbro, Denmark. Grundfos delivers pump solutions worldwide through 15 production companies and 66 sales companies, which are mapped out in the regions EUREG for Europe, NAMREG for North America, APREG for Asia and the Pacific, CHINA for China and finally STAR, which covers growth markets as for instance India, the Middle East, Africa and the South American countries. We deliver solutions for domestic and commercial buildings and for the industry and the water sector.

The Group has had a year with a modest growth in turnover of 4,5 per cent, constituting a total of DKK 23.3bn against DKK 22.6bn in 2012. However in DKK the growth is 2,9 per cent due to a negative impact of 1.6 points as a result of currency depreciations on all major currencies outside the Eurozone. The result before taxes comes to DKK 1.5bn against DKK 1.8bn in 2012, which is less than expected. We maintain our ambitions of investing in research and development. At the same time we have focused on our composition of costs in order to reduce these during the year under review. An important value for us is independence, for instance created through a solid financial strength with an interest-bearing net positive liquidity position of DKK 2.9bn against DKK 2.6bn in 2012.

In 2014, an important development process has been initiated, which is to determine the business strategy for the years to come, with reference to being better at using the great potential that Grundfos has for increasing both top and bottom line. This will help realise our long term ambitions and at the same time maintain focus on operations and we expect a continued growth both in turnover and profit in 2014 compared to 2013.

Necessary switch to energy friendly pumps

Grundfos has always been a great supporter of higher and stricter demands for pumps and motors which can promote energy efficiency and sustainability. It creates a healthy competition within energy friendly technologies. This now happens in the EU which also inspires other parts of the world. Unfortunately, the expected conversion to more energy efficient pumps, in connection with the so-called EuP directive, Energy-using Products, which makes demands on for example the energy efficiency of circulator pumps in the EU, has not happened as quickly as we could have hoped for. We have noted somewhat of an exhaustion regarding the switch to the energy efficient pumps in some of the markets in Europe, but vital markets such as Russia and Germany have grown with respectively 13 and 6 per cent.

"A certain exhaustion has been noted regarding the switch to the energy efficient pumps we offered the market. Grundfos has has always been a great supporter of higher and stricter demands for pumps and motors which can promote energy efficiency and sustainability."

North America has unfortunately not been moving in the positive growth direction that we had hoped for. The US, Canada and Mexico have bigger potential for Grundfos which we are currently exploring and acting on. We have especially been occupied with a better execution of our plans and strategies in the world's largest pump market, the US. During the year, a new regional head office has been established in Chicago.

China is exhibiting solid and strong growth and is meeting our goal of becoming our second home market. Turnover has increased by 19 per cent, and the potential for further growth is there, particularly in western China, where we also opened a new sales company this year, already presenting impressive growth rates. In parts of Asia we expected to see better growth rates, but here, the machining industry, in for example Korea and Japan, is still under pressure due to the financial crisis. In Australia we experience similar challenges in the mining industry which is an important customer. India and the Middle East show modest growth and here we expect a number of initiatives paying off shortly. On the African continent, especially South Africa is of importance to us, with its growth rate of as much as 31 per cent. Furthermore, we see great possibilities in South America and in 2013 we opened a sales company in Colombia.

"China is exhibiting a solid and strong growth and is meeting our goal of becoming our second home market."

Large investments

During 2013, we have introduced several new products and product modifications to the markets spanning our entire product portfolio. In 2012 we announced that we would invest heavily in product and capacity development, and those investments have resulted in both new products, for instance ALPHA2, MAGNA3, SOLOLIFT and others, plus new production facilities in Indjija in Serbia and expansion of existing facilities in Székesfehérvár in Hungary.

The sale of circulator pumps has not met our expectations, despite the generation of the new energy efficient circulator pump, ALPHA2, once again being top ranked in a test conducted by the German technology consultant TÜV Süd. We especially notice less effective and less technology-based – and thus cheaper – circulator pumps in certain markets. To counter this increased competition, we are in the process of evaluating new ways of breaking into the market.

We wish to improve our competences in the water sector, which we have done in 2013 by for example acquiring the Italian company ISIA, a leading expert in water disinfection equipment using chlorine dioxide and technologies for water supply, wastewater and industrial applications.

Continued climate efforts

Grundfos is a value-based company committed to global social development. We believe that as a company, we must develop, innovate and produce solutions that are not just beneficial to our customers, but to the environment and the climate as well. We have given a promise of not emitting more CO_2 than in 2008 despite growth and expansion. We have fulfilled that promise. In 2008, we emitted 115,023 tonnes CO_2, in 2012 94,566 tonnes and in 2013 92,658 tonnes CO_2. Also the energy and water consumption have decreased year by year.

The Earth's climate crisis is by no means gone, and the financial crisis has not diminished the need for eco- and energy-friendly solutions to tomorrow's needs and a reduction of the use of fossil fuels and the Earth's resources.

The continued population growth and urbanisation create a need for energy efficient solutions within the areas of housing, building, production and infrastructure. Europe has taken the lead by placing greater demands on the energy efficiency and consumption of pumps and motors. Political regulation is necessary to drive this development towards increased energy efficiency. Ten per cent of the world's electricity consumption comes from running pumps. If the world chose to follow the best standards, this could be reduced to just four per cent. Furthermore, it increases competition in the market so that price is not the only parameter to compete on. This is a good thing, as it helps bring in more players with technologies and products to counter unbridled and irresponsible energy consumption. All companies have a responsibility to participate in and facilitate this development. The potential and the perspectives of increased energy efficiency are most certainly there.

"The continued population growth and urbanisation create a need for energy efficient solutions within the areas of housing, building, production and infrastructure."

Proactive ambitions and strong management

The competition in the pump market has grown. Many of our colleagues also invent energy-efficient and sustainable solutions which ultimately benefit customers, consumers and the state of the Earth. It also demands more of us as a company, if we still want to retain our leading position in the market.

At the moment, our market share is approximately ten per cent, and we aim to increase it by adding value for our customers. Our agility needs to be improved, and we are working on a greater strategy process to look at the possibilities which the markets provide us. Here, we need to prioritise and focus in close cooperation with our customers and partners. Furthermore, we maintain our focus and commitment to develop eco-friendly products and technologies to meet the demands of the market at a speed and quality to maintain our global lead.

Our products, technologies and most of all our employees are and will be the most important assets in our efforts of maintaining Grundfos as the world's most preferred pump supplier in the business. Therefore, we need to maintain and attract the best employees through a global working culture, talent development, continuous training and management and training programmes. We have focused on the latter through face-to-face training and e-learning and have increased the activity in the area with 21 per cent. Our talent programme, which we started in 2009, shows that 82 per cent of our talents stay with us, and that 79 per cent have received new assignments or greater responsibilities.

Grundfos is strong financially and organisationally, and it is these strengths that we will use in our efforts to win new customers and market shares. That is why in late 2013, the Board decided that we need a new and more offensive direction in our development and activities, which included the Board's decision to discontinue its collaboration with Group President Carsten Bjerg.

Grundfos is a well-run and healthy company. We plan on realising this potential, and the Board has assessed a new strategy, being developed in 2014. We expect to present a new Group President & CEO during 2014. A new Executive Vice President and Head of finance, Mikael Geday, has been appointed in early 2014. Thus, at the end of 2014, Grundfos will have a strong Group Management consisting of very experienced people with long seniority in Grundfos and new competent leaders brought in from the outside world with relevant experience from other companies.

Financial status

THE GROUP

Turnover was realised at 2,9 per cent above 2012, which is lower than expected. Thus the operating profit was realised at DKK 1,4bn in 2013 against DKK 1,8bn in 2012.

Profit and loss account

Net turnover

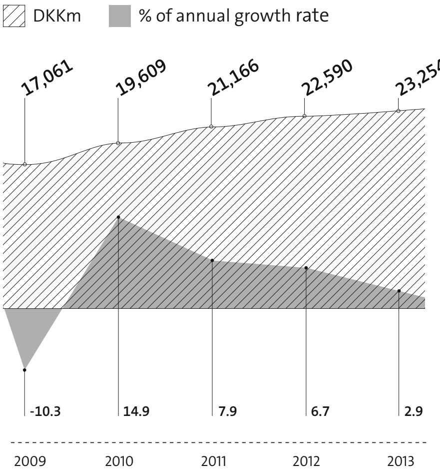
In 2013, Group net turnover amounted to DKK 23.3bn as against DKK 22.6bn in 2012, which is a 4.5 per cent growth. However in DKK the growth is 2,9 per cent due to a negative impact of 1.6 points as a result of currency depreciations on all major currencies outside the Eurozone.

Net turnover 2012	**22,590**
Effects of currency (-1.6%)	(366)
Acquisition of companies (0.3%)	79
Organic growth (4.2%)	951
Net turnover 2013	**23,254**

The total growth figures for the turnover in the first and second halves of the year were more or less at the same level.

Compared with previous years, the growth in turnover is below average in the past years; however, as can be seen from the graph, the past years have been characterised by significant differences – most notably in 2009 and 2010, i.e. before and after the culmination of the financial crisis.

NET TURNOVER



Gross profit

The 2013 gross profit was DKK 8.8bn as against DKK 8.8bn in 2012, corresponding to 37.7 per cent of the 2013 turnover, which is below the 2012 level (39.0 per cent). This decrease is caused partly by negative impact from currency and partly by an unfavourable impact from the mix of products sold.

Costs

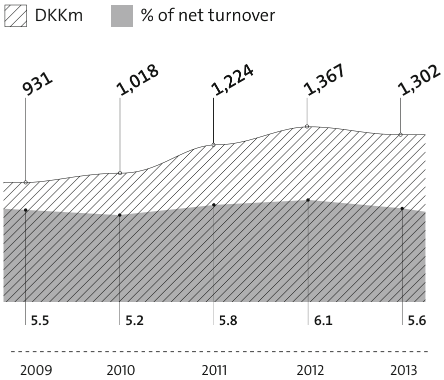
R&D costs amounted to DKK 1.3bn, which corresponds to a 9 per cent increase compared with 2012.

Total Group costs of product development, including our own development projects, which are recognised in the balance sheet, also amounted to DKK 1.3bn in 2013 as against DKK 1.4bn in 2012. In comparison with the turnover, these costs amounted to 5.6 per cent in 2013 as against 6.1 per cent in 2012. Over the past years, total R&D costs have expensed to 5 to 6 per cent of Group turnover including capitalized developments projects which is recognised in the balance sheet.

Sales and distribution costs amounted to DKK 3.9bn as against DKK 3.7bn in 2012, which is a 4 per cent increase.

In comparison with 2012, administrative costs saw a 4 per cent increase and amounted to DKK 2.1bn in 2013.

R&D COSTS



Due to the lower growth rates in turnover there has been an increased focus on cost spending in the above-mentioned functions during 2013, especially in the second half of the year. Consequently the spending of capacity costs in the second half of 2013 is almost equal to the second half of 2012.

The operating profit for 2013 thus amounts to DKK 1.4bn as against DKK 1.8 bn in 2012.

Financing items

Net financing items of the year show an income of DKK 70m as against an income in 2012 of DKK 76m. Of the DKK 70m net income in 2013, DKK 59m is attributable to returns on the Group's shareholding and DKK 50m to returns on the Group's bondholding. The corresponding returns in 2012 amounted to DKK 48m on shares and DKK 47m on bonds.

In addition, we are pleased to note that, in 2013 – like in 2012 – Group financing items, excluding gain on shares, shows net revenue, which is a result of the Group's strong cash flow position and massive reduction of external debt over the past years.

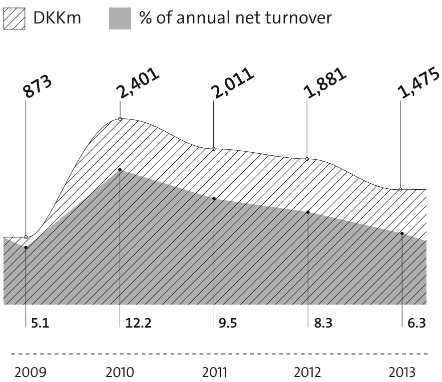
Profit before tax

The consolidated profit before tax amounted to DKK 1.5bn as against DKK 1.9bn in 2012. As can be seen from the above, the reduction is mainly a result from the decrease of the in gross profit combined with a continued increase of the costs.

Profit before tax in per cent of net turnover amounted to 6.3 per cent in 2013, which is a reduction in comparison with 8.3 per cent in 2012. As already stated, this development is not in line with our expectations for 2013.

The Group's earnings objective is a profit before tax of 8-10 per cent of turnover. Over the past years, the results have been both above and below this interval. Here too, the financial crisis stands out with the lowest result in 2009.

PROFIT BEFORE TAX



Profit after tax

Group profit (after tax) is DKK 1.0bn, which is a reduction of DKK 0.3bn as against 2012. The decline in the profit after tax is mainly a result of the decline in the pre-tax profit, as the Group's effective tax rate of 29 per cent remains unchanged as compared with 2012. However the effective tax rate in 2013 is impacted positively a reduction of the Danish corporate tax rate from 25 per cent to 22 per cent over the next three years and negatively impacted among others by the decline in profit before tax.

Balance sheet

Assets

The Group balance sheet total is DKK 21.4bn at year-end, which is a 2 per cent increase compared with 2012 (DKK 20.9bn).

Total fixed assets are more or less unchanged at DKK 10.3bn (2012: DKK 10.2bn cent). Measured per line item intangible fixed assets have decreased by DKK 0.1bn, whereas tangible fixed assets show an increase of DKK 0.3bn compared with 2012.

Current assets increased by DKK 0.4bn, corresponding to 4 per cent. The most significant increases are inventories, DKK 0.3bn (8 per cent), whereas trade debtors are very close to the level in 2012 DKK 4.1bn (minus 1 per cent).

Equity

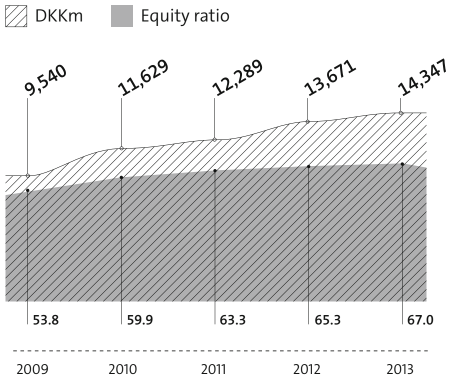
Group equity excluding minority interests amounted to DKK 13.0bn at the end of 2013, which is an increase of DKK 0.7bn.

Equity, opening	**12,317**
Profit for the year	931
Foreign exchange adjustments	(283)
Hedging instruments, net	27
Dividends	(9)
Equity, closing	**12,983**

Group equity including minority interests, mainly the founder's family, amounts to DKK 14.3bn as against DKK 13.7bn in 2012.

Compared with 2012, the equity ratio, including minority interests, has risen from 65.3 per cent to 67.0 per cent.

EQUITY AND MINORITY INTERESTS



Like previous years, the equity ratio was affected by the decision made in accordance with Group policies to maintain available funds and securities, which, at the balance sheet date, amount to approx. DKK 3.6bn (2012: DKK 3.6bn). Had these funds been used to pay the remaining interest-bearing debt, the equity ratio would have been 69.5 per cent as against 68.3 per cent last year.

Provisions

Provisions amount to DKK 1.4bn as against DKK 1.5bn in 2012. The largest items include the buy-back obligation regarding the Group's employee share scheme, pension liabilities and other provisions.

Liabilities

At year-end, the Group's interest-bearing gross debt was reduced to DKK 0.8bn as against DKK 0.9bn in 2012. The interest-bearing debt mainly consists of short-term loans, which will be repaid during first half year 2014.

Securities and bank deposits, however, by far outweigh the interest-bearing gross debt. The Group's interest-bearing net deposit for 2013 thus amounts to DKK 2.8bn as against DKK 2.6 bn in 2012.

Credit to suppliers and other short-term debt amount to DKK 5.5bn at the end of 2013, which slightly above the level in 2012 (DKK 5.0bn).

Cash flow statement

Operating activities

The cash flow statement shows a cash flow from ordinary Group operations of DKK 2.0bn, which is below the level in 2012 (DKK 2.2bn).

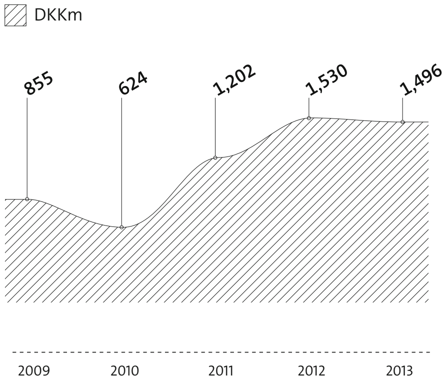
Working capital

In 2013, an increase in the working capital affected the cash flow by DKK –0.2bn – which is a little less than in 2012 (DKK –0.4bn). Following the significant reductions of the working capital in 2009 and 2010, both in absolute figures as in per cent of turnover, the working capital has seen a slight increase measured in absolute figures in 2011, 2012 and again in 2013.

Investment activity

In 2013, DKK 1.8bn (2012: DKK 1.9bn) was spent on investment activities, of which DKK 1.5bn (2012: DKK 1.5bn) was spent on the purchase of tangible fixed assets. In 2013, the overall investment has like in 2012 been above the level before the financial crisis. This applies to investments in tangible and intangible fixed assets alike.

CAPITAL INVESTMENTS, TANGIBLE



DKK 0.1bn has been spent on acquiring two small companies.

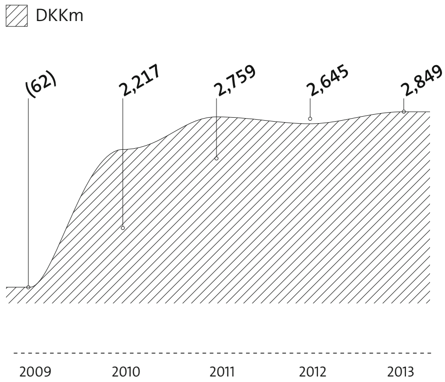
Free cash flow

Cash flow from operating activities thus exceeds cash flow from investment activities by DKK 0.3bn (2012: DKK 0.2bn). The Group principle of self-financing the year's capital investments was thus adhered to in both 2012 and 2013.

Interest-bearing net accounts receivable

At the end of 2013, the Group's interest-bearing net accounts receivable amount to DKK 2.8bn, which is above the level in 2012 of DKK 2.6bn. During the 2009 to 2013 period, the Group's interest-bearing net accounts receivable, as appears from the graph, have been improved by DKK 2.9bn. This helps ensure the Group's independence and freedom of action.

INTEREST-BEARING NET ACCOUNTS RECEIVABLE/(LIABILITIES)



Events after the balance sheet date

No events have occurred after the balance sheet date, which affect the result.

Two major positions have been filled; Mikael Geday is new Executive Vice President and Head of Finance, and Christian Hartvig has been appointed as Executive Director of The Poul Due Jensen Foundation.

Report on sustainability

We believe that every day holds the possibility of solving the urgent challenges of the world. Every day we choose to take steps to care for our people, our planet and our business. In Grundfos everyone is invited to take part in making the world better. Only through a joint global effort will we be able to keep our core promise: to be responsible, to think ahead and innovate the future. Since 2002 we have supported the UN Global Compact and continue doing so.

The Grundfos Sustainability Strategy 2012-2017 sets the direction for the sustainability effort in Grundfos with six focus areas; Sustainable product solutions, People competences, Environmental footprint, Workplace, Community and Responsible Business Conduct. *Read more on www.grundfos.com/sustainability*

Focus of 2013 has been on implementing the Grundfos Sustainability Strategy, and transforming the visions into actions. In the following you can read about the progress.

Sustainable product solutions

By 2017 we aim to know the impact of our products throughout the entire life cycle and not only focus on energy efficiency. Focus of 2013 has been e.g. systematic process integration, development of tools and training. This will become a mandatory and integrated part to ensure decision making based on all pillars of sustainability, once the basic structures are in place.

Sustainable Product Solutions Toolbox: Environmental and social considerations during the various stages of the design phase are essential for sustainable product solutions. A toolbox has been developed in order to facilitate life-cycle thinking integration into our core processes. The toolbox consists of strategic tools, design tools as well as evaluation tools. They are adaptable to allow flexibility towards the different product types and evaluating products in comparison with a reference product, measuring relative improvement. The method was verified and enhanced through collaboration with universities and experts. The toolbox is currently in a pilot phase, verifying it with core product development teams. Implementation starts out in 2014, expanding well into 2015, since training, target setting, decision making and design choices need to be supported by internal experts.

People competences

Developing talents. In 2009 the first talents entered a new talent programme, and results today show that the programme accelerates a talent's career as expected. Key success indicator internal mobility shows that 79 per cent of talents have taken on greater responsibility and/or moved to a new business unit or Grundfos location. Retention rates also demonstrate that we can capitalise on our investment in top talents: 82 per cent of those assessed in 2009 are still with Grundfos. Employee Motivation Surveys also confirm that the global talents are significantly more motivated and loyal than average. This year, similar initiatives have been established in regional centres around the world.

The global graduate programme has now completed its first full two-year cycle, and 12 of the 14 graduates from six countries have chosen to establish a career with us.

Developing managers. Inspired by the five Grundfos Leadership Principles, systematic training programmes were initiated for first-time managers and for managers who lead other managers. Initially, focus is on training a back-log of recently appointed managers: 88 in 2013.

Environmental footprint

For a number of years, we have focused on reducing our environmental footprint on water and energy in the entire value chain. Initiatives such as UN Global Compact's "CEO Water Mandate" and "Caring for Climate" have in that connection been supportive and obvious for us to join.

Our ambition is never to emit more CO_2 than in 2008 in absolute numbers. We have continued successfully on this path in 2013, by reducing our CO_2 emissions by 2per cent compared to 2012. Overall we are now 19 per cent lower than in 2008, while turnover during the same period saw a 22 per cent increase. An additional result is that energy is reduced by 6 per cent compared to 2012.

We have committed ourselves to reduce our total water consumption by 50 per cent before 2025 compared with 2008 – as well as improving the water quality. In 2013 water consumption has been reduced 10 per cent compared with 2012 – an important step towards reaching the 2025 goal, as the water consumption is now reduced 25 per cent compared to 2008.

	2008	2012	2013
CO_2 (tonnes)	115,023	94,566	92,658
Energy (MWh)	317,782	298,233	280,649
Water (m^3)	478,816	399,667	359,787

NOTE (water):
The figures cover 26 of the largest Grundfos companies, corresponding to approx. 78 per cent of the water consumption.

NOTE (energy):
The figures cover 26 of the largest Grundfos companies, corresponding to approx. 90 per cent of the energy consumption.

NOTE (CO_2):
The figures cover 26 of the largest Grundfos companies, corresponding to approx. 89 per cent of the CO_2 emissions.

Activities contributing to these results are our global Motor & Pump Programme replacing old pumps and motors in our production with more energy efficient ones. The Green Lean concept: Structured Analysis of consumption and waste in production to minimize use of energy, water, chemicals and materials. Furthermore we introduced a Grundfos Focus List of Chemicals: Global list of unwanted chemical substances. Besides Grundfos' global water risks have been mapped by analysing the physical, regulatory and reputational water risks for Grundfos companies globally.

Workplace

Female leaders: It is Grundfos' ambition to employ at least 25 per cent female managers by 2017. 2013 showed 19 per cent female leaders, compared with 17 per cent in 2012. However this covers significant differences globally. Activities supporting this differs as well, e.g. the employer branding activity "Female frontrunners" targeted at attracting more female university graduates. Other examples of local activities is mentoring for potential female leaders and establishing a diversity committee with female leaders from various companies to initiate further activities promoting diversity.

Employees on special terms: Grundfos has an objective to employ a minimum of 3 per cent of our workforce on special terms. This includes employees with special needs or employees who have been affected by long-term unemployment.

Over the past five years, this figure has been 4 per cent.

Work environment: Grundfos strives to provide a safe and healthy work environment. As one result the rate of injuries has been reduced by 45 per cent in 2013 compared to 2008, however this is an increase of 7 per cent compared to last year. After working with a global network of health and safety professionals from the Grundfos companies for more than two years, the next step is to focus on a global health and safety strategy to integrate the area even more in business culture, day to day activities and decision making processes.

Community

All over the world, Grundfos companies take an active role in the society that surrounds them, and we want to have a positive impact and establish local partnerships.

Water2Life. Our employee programme Water2Life supports access to clean water as a human right. Employees in 54 Grundfos companies were active in promoting action for a better world through campaigns and fun-and-information activities in their respective companies.

The 11th – and final – solar driven Grundfos Lifelink water system was installed in Kenya in September. A new project started up in Vietnam in collaboration with the NGO East Meets West. In the Mekong Delta the surface water is undrinkable due to heavy pollution. Our employees help provide ground water through solar driven Grundfos pumps with our own dosing and disinfection system for purifying the water. Funds for almost two complete water systems have been collected.

Water2Life also took action to provide financial aid to the Philippines in the wake of typhoon Haiyan in November.

Responsible business conduct

Code of Conduct: We have implemented a new governance structure for the Code of Conduct and the Grundfos Ethics Committee. After introducing the Code of Conduct Handbook in 2012 the number of cases reported has increased (15 cases reported during 2013 compared to 6 in 2012). All cases have been assessed by the Ethics Committee. However, none of the cases showed a breach of the Grundfos Code of Conduct.

Labour rights and employee rights. Grundfos supports and respects internationally proclaimed Labour rights as well as the ILO Declaration on Fundamental Principles and Rights at Work. This is stressed and explained in the Grundfos Code of Conduct. A policy on human rights is not yet formulated, but is planned as part of the 2014 activities.

Labour rights and employee rights are part of our activities within sustainable supplier management. Our Supplier Code of Conduct is also based on the UN Global Compact principles, international human rights conventions and the ILO Declaration on Fundamental Principles and Rights at Work. This means, among other things, that these are part of our supplier screening activities and our general audit of suppliers. In addition, we perform special social audits as a supplement to the other audits we perform. These are followed up by concrete action plans.

Key figures and financial ratios
The Grundfos Group

Amounts in DKKm

PROFIT AND LOSS ACCOUNT	2013	2012	2011	2010	2009
Net turnover	23,254	22,590	21,166	19,609	17,061
Operating profit	1,403	1,801	2,035	2,212	960
Earnings before interest and tax (EBIT)	1,405	1,805	2,039	2,488	960
Result of financials	70	76	(28)	(87)	(87)
Profit before tax	1,475	1,881	2,011	2,401	873
Consolidated profit after tax	1,049	1,336	1,421	1,778	576
Profit for the year (excluding minorities)	**931**	**1,175**	**1,250**	**1,576**	**502**
BALANCE SHEET					
Assets					
Intangible fixed assets	1,566	1,663	1,256	1,138	1,171
Tangible fixed assets	7,002	6,726	6,074	5,873	6,046
Fixed asset investments	1,767	1,853	1,718	1,785	878
Current assets	11,075	10,695	10,379	10,627	9,625
Total assets	**21,410**	**20,937**	**19,427**	**19,423**	**17,720**
LIABILITIES					
Equity	12,983	12,317	10,949	10,288	8,400
Minority interests	1,364	1,354	1,340	1,341	1,140
Provisions	1,355	1,461	1,222	1,207	1,257
Long-term liabilities	162	760	906	2,732	2,515
Short-term liabilities	5,546	5,045	5,010	4,855	4,408
Total liabilities	**21,410**	**20,937**	**19,427**	**19,423**	**17,720**
Number of employees at year-end	18,776	17,984	17,481	16,609	15,799
Capital investments, tangible	1,496	1,530	1,202	624	855
Capital investments, intangible	265	433	313	257	171
Total capital investments	1,761	1,963	1,515	881	1,026
Research and development costs, incl. capitalised	1,302	1,367	1,224	1,018	931
Interest-bearing net accounts receivable/(liabilities)	2,849	2,645	2,759	2,217	(62)
Free cash flow	274	245	794	1,598	2,026
Profit before tax as a percentage of net turnover	6.3%	8.3%	9.5%	12.2%	5.1%
Return on equity	7.5%	10.3%	11.9%	16.8%	6.3%
Equity ratio	67.0%	65.3%	63.3%	59.9%	53.8%

DEFINITION OF KEY FIGURES
Return on equity: Consolidated profit as a percentage of the average equity including minority interests.
Equity ratio: Equity including minority interests at year-end as a percentage of total assets.

On today's date, the Board of Directors has reviewed and approved the 2013 Annual Report covering the financial year 1 January to 31 December 2013 for The Poul Due Jensen Foundation.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the Group's and Parent Foundation's assets, liabilities and financial position as at 31 December 2013 and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2013.

We believe that the management report contains a fair review of the matters covered by the report.

Bjerringbro, 5 March 2014

The board of directors of The Poul Due Jensen foundation

Niels Due Jensen, Chairman	Bo Risberg, Member of the Board	Rudolf Martini, Member of the Board, elected by employees
Ingelise Bogason, Vice Chairman	Jens Maaløe, Member of the Board	Randi Rasmussen, Member of the Board, elected by employees
Poul Due Jensen, Member of the Board	Estrid Due Hesselholt, Member of the Board	Mogens Henriksen, Member of the Board, elected by employees
Jens Moberg, Member of the Board	Ingermarie Due Nielsen, Member of the Board	Monika Fulopne Stugner, Member of the Board, elected by employees

Independent auditor's report

To The Poul Due Jensen Foundation

Report on the consolidated annual accounts and annual accounts of the Parent Foundation

We have audited the consolidated annual accounts and annual accounts of The Poul Due Jensen Foundation for the financial year 1 January to 31 December 2013, which comprise the accounting policies, profit and loss account, balance sheet, statement of changes in equity and notes for the Group as well as for the Parent Foundation, and the consolidated cash flow statement. The consolidated annual accounts and annual accounts of the Parent Foundation are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated annual accounts and parent annual accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated annual accounts and annual accounts of the Parent Foundation based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts and annual accounts of the Parent Foundation are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts and annual accounts of the Parent Foundation. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated annual accounts and annual accounts of the Parent Foundation, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated annual accounts and annual accounts of the Parent Foundation that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated annual accounts and annual accounts of the Parent Foundation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated annual accounts and annual accounts of the Parent Foundation give a true and fair view of the Group's and the Parent Foundation's financial position at 31 December 2013, and of the results of their operations and the Group's cash flows for the financial year 1 January to 31 December 2013 in accordance with the Danish Financial Statements Act.

Statement on the management report

Pursuant to the Danish Financial Statements Act, we have read the management report. We have not performed any further procedures in addition to the audit of the consolidated annual accounts and annual accounts of the Parent Foundation.

On this basis, it is our opinion that the information provided in the management report is consistent with the consolidated annual accounts and annual accounts of the Parent Foundation.

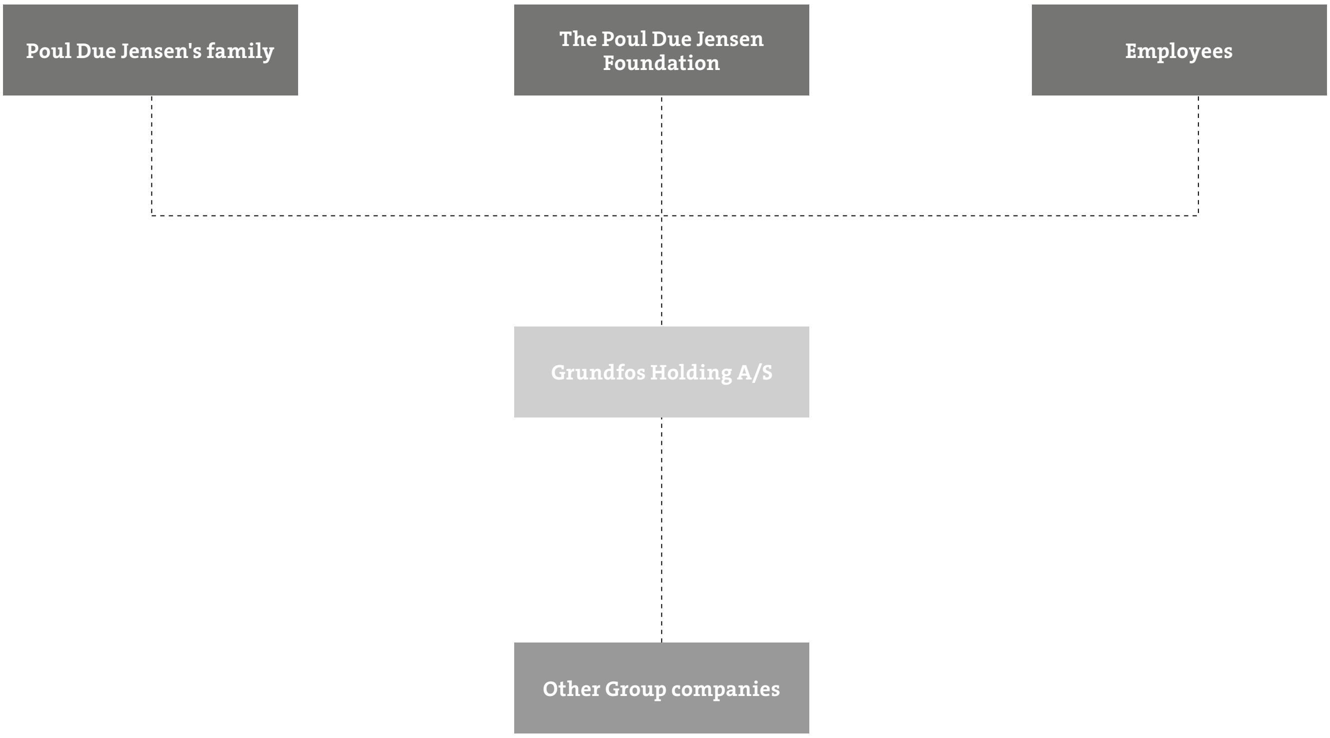
Copenhagen, 5 March 2014

Deloitte
Statsautoriseret Revisionspartnerselskab

Anders Dons
State Authorised Public Accountant

Kirsten Aaskov Mikkelsen
State Authorised Public Accountant

Group structure



Group Board of Directors

Jens Moberg
Chairman of the Board

Bo Risberg
Vice Chairman

Niels Due Jensen
Member of the Board

Ingelise Bogason
Member of the Board

Jens Maaløe
Member of the Board

Kitty Thaarup Herholdt
Member of the Board
Elected by employees

Zsusanna Tóth
Member of the Board
Elected by employees

Randi Rasmussen
Member of the Board
Elected by employees

Group Management

Lars Aagaard
Group Executive
Vice President

Søren Ø. Sørensen
Group Executive
Vice President

The Grundfos Group: **Accounting policies**

The Grundfos Group
The annual accounts and the consolidated annual accounts are presented in accordance with the provisions of the Danish Financial Statements Act for large C class companies.

The accounting policies for the annual accounts and the consolidated annual accounts remain unchanged in comparison with last year.

General information about recognition and measurement
Assets are recognised in the balance sheet when it is likely that future economic benefits accrue to the Group and the value can be measured reliably.

Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.

Assets and liabilities are measured at cost at the initial recognition. Subsequently, assets and liabilities are measured for the individual items as described below.

Certain financial assets and liabilities are measured at amortised cost, whereby a constant redemption yield is recognised for the term. Amortised cost is calculated as initial cost minus any instalments and plus/minus the accumulated amortisation of the difference between cost and nominal amount.

At recognition and measurement, allowance is made for profits, losses and risks that appear before the annual accounts are presented and that confirm or deny conditions that were present on the balance sheet date.

Income is recognised in the profit and loss account as it is realised, including value adjustment of financial asset and liabilities, which are measured at market value or amortised cost. In addition, costs incurred in order to achieve the earnings of the year, including depreciation, write-downs, provisions and reversals following accounting estimates of amounts, which have previously been recognised in the profit and loss account, are recognised.

Consolidation policies
The consolidated annual accounts comprise The Poul Due Jensen Foundation (Parent Foundation) and the companies (subsidiaries), where the Parent Foundation directly or indirectly owns more than 50 per cent of the voting shares or in another way has a dominant participation. Companies in which the Group owns between 20 and 50 per cent of the voting shares and has a substantial position are considered affiliated companies.

The consolidated annual accounts are prepared as a consolidation of the accounts of the Parent Foundation and the individual subsidiaries. Adjustments are made for inter-company revenue and expenditure, shareholdings, intragroup balances and dividends, as well as unrealised internal income and loss. The accounts used for the consolidation are prepared in accordance with the Group's accounting policies.

Newly acquired subsidiaries are recognised in the profit and loss account as from the date of acquisition.

When acquiring new companies, the acquisition method is used, upon which the identified assets and liabilities in the newly acquired companies are measured at market value at the date of acquisition. Provisions are made for planned and published reorganisation in the acquired company in connection with the acquisition. Positive balances are recognised as Group goodwill in the year of acquisition. Any negative balances (badwill) are entered under provisions and are systematically recognised as revenue for a number of years, up to a maximum of 20 years.

When subsidiaries are sold, they cease to be recognised in the profit and loss account at the time of transfer, and earnings or losses at the time of sale are recognised in the profit and loss account. Earnings or losses are specified as the difference between the sale amount and the accounting value of the net assets sold, including non-depreciated goodwill and estimated costs for sale or phasing out.

Minority interests
The items of subsidiaries are fully recognised in the consolidated annual accounts. The minority interests' prorated share of the profit and equity of the subsidiaries is adjusted annually and recorded as separate items in the profit and loss account and the balance sheet.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Exchange differences that arise between the rate at the transaction date and the rate at the payment date are recognised in the profit and loss account.

Accounts receivable and debts in foreign currencies are translated into Danish kroner at the exchange rate on the balance sheet date. Realised and unrealised exchange rate adjustments are included in the profit and loss account.

The profit and loss accounts of foreign subsidiaries are translated into Danish kroner at the average exchange rate of the individual months. The balance sheets of foreign subsidiaries are translated at the exchange rate of the balance sheet date.

Exchange rate adjustments of the net assets of the subsidiaries at the beginning of the financial year are recognised directly in the equity. This also applies to exchange rate differences following the translation of the profit and loss account of each month at the average exchange rate to the exchange rate of the balance sheet date.

Subsidiaries in countries affected by high inflation rates have been adjusted to eliminate the effect of inflation.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at market

value. Positive and negative market values of derivative financial instruments are included in other accounts receivable and other liabilities, respectively.

Changes in the market value of derivative financial instruments that secure the market value of recognised assets or liabilities are recognised in the profit and loss account in the same item as changes in the value of the hedged asset or the hedged liability.

Changes in the market value of derivative financial instruments that secure future assets or liabilities are recognised directly in the equity. Income and costs regarding such hedging transactions are transferred from the equity at the realisation of the hedged items and are recognised in the same item as the hedged item.

As regards other derivative financial instruments, which are not hedging instruments, changes are continuously recognised in the profit and loss account at market value.

Public grants
R&D grants are recognised as revenue in the 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.

Profit and loss account

Net turnover
Net turnover is recognised in the profit and loss account, provided that delivery and the passing of risk to the buyer have taken place before the end of the year, and provided that the income can be reliably calculated and is expected. Net turnover is measured exclusive of VAT, duties, returns and discounts that are directly connected with the sale.

Contracted work-in-progress is entered under net turnover subject to the percentage-of-completion method so that the net turnover corresponds to the sales value of the work carried out in the financial year.

Production costs
Production costs comprise payroll costs, cost of sales as well as indirect costs, including salaries, amortisation, depreciation and write-downs which are incurred in order to realise the net turnover for the year.

Research and development costs
R&D costs are costs that relate to the Group’s R&D activities, including salaries and depreciation.

Research costs are recognised in the profit and loss account in the year they are incurred.

Development costs incurred for the maintenance and optimisation of existing products or production processes are recognised in the profit and loss account. Costs for the development of new products are recognised in the profit and loss account, unless the criteria for recognition in the balance sheet are met for the individual development project.

Sales and distribution costs
Sales and distribution costs include costs relating to the sale and distribution of the Group’s products, including salaries for sales staff, advertising and exhibition expenses, depreciation, etc.

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

Staff costs
Staff costs include the Group's total costs of wages, salaries, pensions and other social insurance costs. Staff costs also include costs in accordance with the Group's employee share programme, including the regulation of provisions for coverage of the Foundation's obligation to buy back shares from employees.

Costs of wages, salaries, pensions, etc. are distributed across functions in accordance with the functions primarily executed by the relevant employees. Costs relating to the employee share programme are distributed across functions in relation to the distribution of other staff costs.

Amortisation of Group goodwill
As amortisation of Group goodwill cannot be distributed on functions in order to give a true and fair view, such amortisation is shown as an individual item in the profit and loss account.

Other operating income
Other operating income includes income of a secondary nature in relation to the Group's primary activities, including gain from the sale of companies.

Share of profit, affiliated companies
The Group’s share of profits after tax in affiliated companies is recognised in the profit and loss account by the equity method.

Income from fixed asset investments
In addition to dividends and interest yields, this item comprises estimated gains or losses on investments.

Financials
Financials comprise interest received and interest paid, realised and unrealised capital losses and capital gains on securities, and exchange rate adjustments of financials in foreign currencies.

Tax on profit for the year
The anticipated tax on the taxable income of the year in the individual companies is charged to the profit and loss account, adjustment being made for timing differences in relation to the provided deferred tax. The portion of the tax expense attributable to items directly in the equity, however, is recognised in the equity.

All Danish subsidiaries are taxed jointly. The current Danish corporation tax is distributed among the jointly taxed companies in relation to their taxable income (full distribution with refunds regarding tax-related deficits).

Withholding taxes regarding repatriation of dividend from foreign subsidiaries are charged as expenditure in the year in which the dividend is generated.

Changes in deferred tax as a consequence of changed tax rates are recognised in the profit and loss account.

Balance sheet

Intangible fixed assets

Development projects

Development projects on clearly defined and identifiable products, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or use the product in question, are recognised as intangible assets. Other development costs are recognised as costs in the profit and loss account as incurred.

Capitalised development projects are measured at cost less accumulated amortisation or at the recoverable amount, whichever is lower.

Cost includes wages, salaries, services and amortisation that are directly and indirectly attributable to the company's development activities.

After completion of the development work, capitalised development projects are amortised by the straightline method over the anticipated economic life of the asset.

The amortisation period is 5–10 years.

In case of development projects that are considered to have great sales potential and where the anticipated economic life of the developed products and technologies so warrant, the amortisation period exceed five years.

Group goodwill

Group goodwill is recognised at first recognition in the balance sheet at cost as described under consolidation policies.

Group goodwill is amortised according to the straightline method over the anticipated economic life. The amortisation period for Group goodwill is up to 20 years.

In case of strategic acquisitions, and where the economic life so warrants, the amortisation period exceeds five years.

Other intangible fixed assets

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

Amortisation on other intangible fixed assets is made according to the straight-line method over the anticipated economic life of the asset, which – based on individual assessments – is up to five years.

Tangible fixed assets

Land and buildings are measured at cost less accumulated depreciation and write-downs. Land is not depreciated.

Technical installations and machinery as well as other installations are measured at cost less accumulated depreciation and write-downs. The cost price comprises the purchase price, expenses directly connected to the acquisition and expenses for the preparation of the asset until the time when the asset is ready for use. Tangible fixed assets produced in-house are recorded at initial cost, including a proportion of the indirect production costs.

Tangible fixed assets are depreciated on a straight-line basis to the estimated residual value using the estimated useful technical and economical lives of the assets. The useful life of large assets is determined individually, whereas the useful life of other assets is determined for groups of similar assets. The estimated useful lives are:

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

Financially leased assets are capitalised and depreciated by the straight-line method over the useful life of the leased asset.

Writing down of intangible and tangible fixed assets

The accounting value of intangible and tangible fixed assets are reviewed in general to determine whether there is any indication of impairment in addition to that expressed by amortization or depreciation.

If this is the case, the recoverable amount of the asset is determined, and writing down is performed to the recoverable amount provided that it is lower than the accountable amount.

The recoverable amount of the asset is determined as the value of the net sales price and the capital price, whichever is higher.

Fixed asset investments

Investments in associated companies are measured by the equity method in the balance sheet at the prorated share of the companies' equity with the addition of goodwill.

Listed bonds are measured at amortised cost, as the intention is to keep them until maturity.

Listed shares are measured at market value. Non-listed shares are measured at the estimated market value, unless it is not possible to reliably determine such a value.

Inventories

Inventories are measured at cost in accordance with the FIFO principle or net realisable value, whichever is lower.

The cost of goods for resale, raw materials and consumables includes the purchase price with the addition of delivery costs.

The cost of manufactured goods and work in progress includes expenses for raw materials, consumables and direct wages as well as indirect production costs.

Indirect production costs include a proportion of the capacity costs incurred which have led to the current position and condition of goods in progress and manufactured goods. The indirect production costs calculated include costs of operation, maintenance and depreciation relating to production facilities, as well as administration and factory management.

Obsolete goods, including slow-moving goods, are written down. The net realisable value of inventories is calculated as the estimated selling price less cost of completion and expenses incurred to make the sale.

Accounts receivable

Accounts receivable are measured at amortised cost less writing down to meet the risk of losses based on individual assessments. The loss potential of minor receivables is estimated on the basis of their age.

Contracted work-in-progress is measured at sales value of the completed part of the contracts as at the balance sheet date.

Prepayments recognised under assets include costs incurred relating to the following accounting year. Prepayments are measured at cost.

Securities (current assets)

Securities include bonds and shares measured at market value.

Realised and unrealised capital losses and realised and unrealised capital gains are included in the profit and loss account under financials.

Provisions

Liabilities under guarantee

Provisions made to cover liabilities under guarantee are recognised on the basis of previous years' experience concerning claims raised within the guarantee period.

Buy-back obligation relating to employee shares

Provisions are made to cover the obligation that rests with the Group regarding buy-back of employee shares. The provision made is measured on the basis of future expectations to share prices, considering the long-term development of Group profits, the topicality of the obligation and the market value of the shares.

Pension liabilities

The Group has made pension agreements with a considerable number of its employees. The majority of the agreements are for defined contribution schemes, whereas defined benefit schemes have been agreed for employees in a few companies.

In connection with contribution schemes, the Group makes regular payments to independent pension companies. The Group has no obligations apart from these payments.

Defined benefit schemes, organised in independent pension funds are characterised by the employees being entitled to a certain annual benefit in connection with retirement (e.g. a share of the employee's exit salary). Such pension liabilities are calculated for the Group by actuarially discounting pension liabilities to the net present value, which is calculated on the basis of assessments of the future development in, among other things, interest, inflation, mortality and disablement. The actuarially calculated net present value less assets attached to the scheme is recognised in the balance sheet under pension liabilities.

Actuarial gains and losses incurred as a consequence of changes in the basis for the calculation of the pension liability or in the calculation of the assets attached to the scheme are recognised in the profit and loss account.

Actuarial gains and losses in excess of the higher of either 10 per cent of the calculated pension liability or 10 per cent of the market value of the pension fund assets are amortised over the remainder of the employee's estimated work life in the Group. Actuarial gains and losses below the 10 per cent limit are not recognised in the annual accounts, but are included in the actuarial projections (the corridor method).

Provisions are made during the employment period to cover other minor pension liabilities – relating to benefit schemes – resting with the Group.

Other provisions

These provisions include other obligations, including anniversary lump sums, legal disputes, unhedged insurance risks, etc.

Deferred tax

Deferred tax is measured by the balance sheet liability method of all timing differences between the accounting and tax value of assets and liabilities. For consolidation purposes, deferred tax is calculated on the eliminated unrealised internal profit margins. Deferred tax liabilities relating to investments in affiliated companies are not calculated.

Deferred tax assets are recognised in the balance sheet provided that they are likely to reduce tax payments within a short period of time.

Deferred tax is measured on the basis of tax rules and tax rates that – based on current legislation on the balance sheet date – will be in force when the deferred tax is expected to be converted into current tax.

Financial liabilities

Mortgage debt and debt owed to banks, etc. are valued at the time of borrowing at the received net yield less borrowing costs. In subsequent periods, the financial liabilities are recognised at amortised cost.

Financial liabilities also include the capitalised outstanding liability on financial lease contracts.

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

Deferred income recognised under liabilities include income received relating to the following accounting year. Deferred income is measured at cost.

Cash flow statement

The cash flow statement is prepared by the indirect method based on profit for the year and shows cash flows from operating, investment and financing activities as well as the Group's available funds at opening and closing.

Cash flow from operating activities is specified as the profit for the year adjusted for non-cash operating items, changes in the working capital, and corporation tax paid.

Cash flow from investment activities includes the purchase and sale of intangible and tangible fixed assets, and fixed asset investments, including the purchase and sale of companies.

Cash flow from financing activities includes the raising and repaying of long-term liabilities, short-term bank loans and the payment of dividends.

Available funds include cash resources.

The Parent Foundation

Income from investments in subsidiaries

The prorated share of the associated companies' profit following elimination of internal margins is recognised in the parent foundation's profit and loss account.

Other operating expenses

Other operating expenses comprise revenue and expenditure of a secondary nature, including gains from the sale of shares and provisions regarding the buy-back obligations relating to employee shares.

Investment in affiliated companies

Investments in affiliated companies are measured by the equity method at the prorated owned share of the companies' equity.

Net revaluation of investments in affiliated companies is brought forward under the equity to the revaluation reserve by the equity method to the extent that the accounting value exceeds the original cost.

Profit and loss account

1 January – 31 December 2013

Amounts in DKKm

	Note	2013	2012
Net turnover	1	23,254	22,590
Production costs	2, 3	(14,498)	(13,773)
Gross profit		**8,756**	**8,817**
Research and development costs	2, 3	(1,348)	(1,237)
Sales and distribution costs	2, 3	(3,855)	(3,705)
Administrative costs	2, 3	(2,093)	(2,013)
Amortisation of Group goodwill		(57)	(61)
Operating profit		**1,403**	**1,801**
Share of profit, affiliated companies		2	4
Income from fixed asset investments		44	42
Financial income	4	119	123
Financial costs	5	(93)	(89)
Profit before tax		**1,475**	**1,881**
Tax on profit for the year	6	(426)	(545)
Consolidated profit after tax		**1,049**	**1,336**
Minority shareholders’ share of profits in subsidiaries		(118)	(161)
Profit for the year		**931**	**1,175**

Consolidated balance sheet

As at 31 December 2013

Amounts in DKKm

ASSETS	Note	2013	2012
Fixed assets			
Intangible fixed assets			
Completed development projects		594	511
Group goodwill		531	558
Other intangible fixed assets		295	295
Development projects in progress		146	299
	7	**1,566**	**1,663**
Tangible fixed assets			
Land and buildings		3,257	3,132
Technical installations and machinery		2,568	2,411
Other technical installations		344	323
Tangible fixed assets in progress		833	860
	8	**7,002**	**6,726**
Fixed asset investments			
Investments in affiliated companies		9	7
Securities		1,359	1,402
Deferred tax assets	9	244	205
Other accounts receivable		155	239
	10	**1,767**	**1,853**
Total fixed assets		**10,335**	**10,242**
Current assets			
Inventories	11	**3,657**	**3,371**
Accounts receivable			
Trade debtors		4,079	4,121
Other accounts receivable		878	851
Prepayments		194	196
		5,151	**5,168**
Securities		**519**	**396**
Cash at bank and in hand		**1,748**	**1,760**
Total current assets		**11,075**	**10,695**
Total assets		**21,410**	**20,937**

Amounts in DKKm

LIABILITIES	Note	2013	2012
Equity			
Registered capital		505	505
Retained profit		12,478	11,812
		12,983	**12,317**
Minority interests (mainly the founder's family)	12	**1,364**	**1,354**
Provisions			
Liabilities under guarantee	13	166	181
Buy-back obligation relating to employee shares	13	356	389
Pension liabilities	13	299	296
Other provisions	13	343	367
Deferred tax liabilities	9	191	228
		1,355	**1,461**
Long-term liabilities			
Mortgage debt		73	73
Bank loans		51	645
Other monetary creditors		38	42
	14	**162**	**760**
Short-tern liabilities			
Short-term element of long-term liabilities		610	146
Bank overdrafts and loans		5	7
Trade creditors		2,321	2,311
Corporation tax		174	141
Other liabilities		2,224	2,243
Deferred income		212	197
		5,546	**5,045**
Total liabilities		**21,410**	**20,937**

Financial instruments	15
Auditors' remuneration	16
Related parties	17
Securities, contingent liabilities, etc.	18
Financial risks	23

Statement of changes in equity

1 January – 31 December 2013

Amounts in DKKm

	Registered capital	Retained profit	Total equity
Equity 01.01.2012	**505**	**10,444**	**10,949**
Profit for the year		1,175	1,175
Exchange rate adjustments, subsidiary companies, etc.		102	102
Dividend paid		(13)	(13)
Reversed value of hedging instruments, opening		122	122
Reversed tax on equity items, opening		(24)	(24)
Recognised value of hedging instruments, closing		20	20
Recognised tax on equity items, closing		(14)	(14)
Equity 31.12.2012	**505**	**11,812**	**12,317**
Profit for the year		931	931
Exchange rate adjustments, subsidiary companies, etc.		(283)	(283)
Dividend paid		(9)	(9)
Reversed value of hedging instruments, opening		(20)	(20)
Reversed tax on equity items, opening		14	14
Recognised value of hedging instruments, closing		51	51
Recognised tax on equity items, closing		(18)	(18)
Equity 31.12.2013	**505**	**12,478**	**12,983**

Cash flow statement

1 January – 31 December 2013

Amounts in DKKm

	Note	2013	2012
Consolidated profit after tax		1,049	1,336
Adjustments	19	1,628	1,757
Changes in working capital	20	(223)	(382)
Cash flow from operating activities before financials		**2,454**	**2,711**
Income from fixed asset investments		44	42
Financial income		63	81
Financial costs		(91)	(89)
Cash flow from ordinary activities		**2,470**	**2,745**
Corporation tax paid		**(439)**	**(554)**
Cash flow from operating activities		**2,031**	**2,191**
Acquisition of companies		(53)	(109)
Investment in tangible fixed assets		(1,496)	(1,530)
Disposal of tangible fixed assets		87	21
Investment in intangible fixed assets		(265)	(433)
Purchase and sale of securities		(30)	105
Cash flow from investment activities		**(1,757)**	**(1,946)**
Net cash flow from operating and investment activities		**274**	**245**
Repayment of liabilities		(140)	(139)
Distribution of dividend		(92)	(96)
Acquisition of minority interests		(2)	(189)
Cash flow from financing activities		**(234)**	**(424)**
Change in liquid funds		**40**	**(179)**
Available funds, opening	21	1,708	1,939
Available funds, closing	22	**1,748**	**1,760**

Notes to the accounts

Amounts in DKKm

Note 1	Net turnover	2013	2012
	Europe	13,787	13,304
	North and South America	3,078	2,988
	Asia	5,115	4,949
	The Middle East/Africa	1,274	1,349
		23,254	**22,590**

The Grundfos Group's activities lie solely within the segment of manufacture and sale of pumps. Therefore, net turnover has only been divided according to geographical markets.

Note 2	Staff costs	2013	2012
	Total Group payments to employees and Board of Directors	5,487	5,230
	Pensions	396	378
	Social contributions	649	642
		6,532	**6,250**
	Staff costs are recognised as follows: Production costs	2,922	2,832
	Research and development costs	674	631
	Sales and distribution costs	1,909	1,797
	Administrative costs	1,027	990
		6,532	**6,250**
	The staff costs of the year include fees to members of the Board of the Foundation for directorships in the Foundation and other Group units totalling	6	9
	Of this, fees to members of the Board of the Foundation	2	4
	Average number of full-time employees	**18,489**	**17,773**
	Number of employees, closing	**18,776**	**17,984**

Amounts in DKKm

Note 3	Depreciation, amortisation and write-downs	2013	2012
	Intangible fixed assets	381	270
	Tangible fixed assets	974	937
		1,355	**1,207**
	Recognised in the profit and loss account under the following items: Production costs	814	785
	Research and development costs	315	198
	Sales and distribution costs	87	84
	Administrative costs	82	79
	Group goodwill	57	61
		1,355	**1,207**

Note 4	Financial income	2013	2012
	Price adjustment, etc. from shares	59	48
	Interest income from bonds	8	7
	Other financial income	52	68
		119	**123**

Note 5	Financial costs	2013	2012
	Price adjustments, etc. from bonds	2	0
	Other financial costs	91	89
		93	**89**

Amounts in DKKm

Note 6	Tax on profit for the year	2013	2012
	Current tax	513	499
	Deferred tax	(60)	38
	Change in deferred tax due to changes in tax rates	(21)	0
	Adjustment re previous years	(6)	8
	Tax on profit for the year	**426**	**545**
	Restatement of rate of taxation for the year: Danish rate of taxation	25%	25%
	Deviations in tax in foreign companies in relation to Danish rate of taxation	(1%)	(1%)
	Non-taxable income and non-deductible expenses	1%	1%
	Non-deductible wr-downs on goodwill	1%	1%
	Non-deductible withholding taxes	5%	3%
	Change re deferred tax assets	(1%)	(1%)
	Other, including adjustments re previous years	0%	1%
	Changes in tax rates	(1%)	(0%)
	Rate of taxation for the year	**29%**	**29%**

Note 7	Intangible fixed assets	Completed develop-ment projects	Group goodwill	Other intangible fixed assets	Develop-ment projects in progress	Total
	Cost Cost 01.01.2013	859	1,119	569	299	2,846
	Exchange rate adjustments	0	(2)	(14)	0	(16)
	Acquisition/sale of activities	7	65	3	0	75
	Additions of the year	0	0	104	161	265
	Disposals of the year	(199)	(37)	(23)	(34)	(293)
	Transfers	280	0	149	(280)	149
	Cost 31.12.2013	**947**	**1,145**	**788**	**146**	**3,026**
	Acc. amortisation/wr-downs of the year Acc. amortisation/wr-downs 01.01.2013	348	561	274	0	1,183
	Exchange rate adjustments	0	(1)	(9)	0	(10)
	Amortisation of the year	173	57	103	0	333
	Write downs of the year	14	0	0	34	48
	Amortisation and wr-downs on disposals of the year	(182)	(3)	(21)	(34)	(240)
	Transfer	0	0	146	0	146
	Acc. amortisation/wr-downs 31.12.2013	**353**	**614**	**493**	**0**	**1,460**
	Accounting value 31.12.2013	**594**	**531**	**295**	**146**	**1,566**
	Accounting value 31.12.2012	**511**	**558**	**295**	**299**	**1,663**

Amounts in DKKm

Note 8	Tangible fixed assets	Land and buildings	Technical installa-tions and machinery	Other technical installa-tions	Tangible fixed assets in progress	Total
	Cost					
	Cost 01.01.2013	5,146	9,257	1,418	860	16,681
	Exchange rate adjustments	(180)	(121)	(47)	(6)	(354)
	Acquisition/sale of activities	1	4	1	0	6
	Additions of the year	157	558	128	653	1,496
	Disposals of the year	(49)	(204)	(60)	(4)	(317)
	Transfers	305	354	(127)	(670)	(138)
	Cost 31.12.2013	**5,380**	**9,848**	**1,313**	**833**	**17,374**
	Acc. depreciation/wr-downs of the year					
	Acc. depreciation/wr-downs 01.01.2013	2,014	6,846	1,095	0	9,955
	Exchange rate adjustments	(48)	(78)	(34)	0	(160)
	Acquisition/sale of activities	1	3	0	0	4
	Depreciation of the year	187	688	99	0	974
	Depreciation and wr-downs on disposals of the year	(29)	(182)	(53)	0	(264)
	Transfers	(2)	3	(138)	0	(137)
	Acc. depr./write-downs 31.12.2013	**2,123**	**7,280**	**969**	**0**	**10,372**
	Accounting value 31.12.2013	**3,257**	**2,568**	**344**	**833**	**7,002**
	Accounting value 31.12.2012	**3,132**	**2,411**	**323**	**860**	**6,726**

Accounting value of financially leased facilities as at 31.12.2013 amount to DKK 6m (2012: DKK 16m).

Note 9	Deferred tax assets/deferred tax liabilities	2013	2012
	Deferred tax broken down:		
	Fixed assets	(272)	(312)
	Current assets	212	200
	Provisions	(5)	(2)
	Liabilities	75	81
	Deficit	43	25
	Other	0	(15)
		53	**(23)**
	The above has been recognised in the balance sheet as:		
	Deferred tax assets	244	205
	Deferred tax liabilities	(191)	(228)
		53	**(23)**

Amounts in DKKm

Note 10	Fixed asset investments	Invest-ments in affiliated companies	Securities	Deferred tax assets	Other accounts receivable	Total
	Cost					
	Cost 01.01.2013	20	1,396	205	270	1,891
	Exchange rate adjustments	0	(1)	(13)	(2)	(16)
	Additions of the year	0	38	65	34	137
	Disposals of the year	0	(82)	(13)	(104)	(199)
	Cost 31.12.2013	**20**	**1,351**	**244**	**198**	**1,813**
	Acc. depreciation/wr-downs of the year					
	Acc. depreciation/wr-downs 01.01.2013	13	(6)	0	31	38
	Exchange rate adjustments	0	0	0	2	2
	Revaluations of the year	(2)	(2)	0	9	5
	Write-downs of the year	0	0	0	1	1
	Acc. depr./write-downs 31.12.2013	**11**	**(8)**	**0**	**43**	**46**
	Accounting value 31.12.2013	**9**	**1,359**	**244**	**155**	**1,767**
	Accounting value 31.12.2012	**7**	**1,402**	**205**	**239**	**1,853**

The market value of securities as at 31.12.2013 amounts to DKK 1,373m (2012: DKK 1,445m).

Note 11	Inventories	2013	2012
	Raw materials and consumables	1,687	1,668
	Work in progress	733	535
	Manufactured goods and goods for resale	1,237	1,168
	Inventories	**3,657**	**3,371**

Note 12	Minority interests (mainly the founder's family)	2013	2012
	01.01.2013	**1,354**	**1,340**
	Changes to minority	2	(88)
	Exchange rate adjustment	(30)	11
	Profit for the year	118	161
	Financial instruments	3	13
	Dividend paid	(83)	(83)
	31.12.2013	**1,364**	**1,354**

Amounts in DKKm

Note 13	Provisions	Liabilities guarantee	Buy-back obligation relating to employee shares	Pension liabilities	Other obligations
	01.01.2013	**181**	**389**	**296**	**367**
	Exchange rate adjustments	(7)	0	(3)	(11)
	Provisions spent during the year	(12)	(40)	(1)	(11)
	Provisions reversed	(22)	(24)	(5)	(36)
	Provisions of the year	26	31	12	34
	31.12.2013	**166**	**356**	**299**	**343**

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

Buy-back obligation relating to employee shares
The bbuy-back obligation relating to employee shares will in all essentials only arise once the settlement period for the shares in question expires. The settlement periods expire as follows:

		2013	2012
	Released	259	126
	2013	0	168
	2017	97	95
		356	**389**

The buy-back obligation calculated at market value amounts to DKK 360m (2011: DKK 318m).

Pension liabilities
Not recognised actuarial losses in connection with pension liabilities amount to DKK 207m (2011: DKK 270m).

Amounts in DKKm

Note 14 Long-term liabilities

	2013	2012
Debt due after more than one year but less than five years:		
Mortgage debt	73	73
Bank loans	51	645
Other monetary creditors	38	42
	162	**761**

No debt due after more than five years.

Distribution of currencies and interest as at 31.12.2013:

Currency	2013	Average interest rate
EUR	90	4.8 %
DKK	17	3.1 %
GBP	36	5.5 %
Other	19	3.4 %
Total	**162**	

Note 15 Financial instruments

For hedging purposes, the Group has entered into the following financial contracts, which on the balance sheet date can be broken down into the following principal items:

	Volume 2013	Deferred entering in the profit and loss account before tax 2013	Volume 2012	Deferred entering in the profit and loss account before tax 2012
Currency contracts EUR	1,457	24	1,473	2
Currency contracts USD	1,645	54	2,278	64
Currency contracts GBP	374	(5)	435	(1)
Currency contracts AUD	200	17	274	(3)
Currency contracts, other	95	7	113	5
Interest rate swaps	112	(14)	236	(22)
Raw material contracts (millions of kg)	16	(19)	12	(17)
Electricity contracts (MWh)	178	(12)	173	(5)
Total		**52**		**23**

Amounts in DKKm

Note 16	Auditors' remuneration	2013	2012
	Fee to Deloitte for statutory auditing	14	14
	Fee to Deloitte for tax advisory services	8	8
	Fee to Deloitte for other services	9	8
		31	**30**

Note 17 **Related parties**

Related parties include the Board of Directors in the Poul Due Jensen Foundation and companies in which these persons have a controlling interest.

Note 18 **Securities, contingent liabilities, etc.**

The Group has mortgaged property at a book value of DKK 13m as security for loans, which on the balance sheet date, show outstanding debts of DKK 73m.

	2013	2012
Operational leasing contracts and lease obligations for the coming years amount to	648	587

No legal proceedings are in progress, nor have any other claims been filed against the Group, which, in the Group Management's opinion, may have any particular influence on the Group's financial position.

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

Note 19	Adjustments	2013	2012
	Depreciation	1,355	1,207
	Liabilities under guarantee and other provisions	(39)	89
	Gain from sale of fixed assets	(34)	(4)
	Share of profit, affiliated companies	(2)	(4)
	Income fixed asset investments	(44)	(42)
	Unrealised exchange rate adjustments on securities	(54)	(42)
	Financial income	(63)	(81)
	Financial costs	91	89
	Tax on profit for the year	418	545
	Adjustments	**1,628**	**1,757**

Amounts in DKKm

Note 20	Changes in working capital	2013	2012
	Changes in inventories	(281)	(219)
	Changes in accounts receivable	120	(211)
	Changes in suppliers, etc.	(16)	22
	Unrealised exchange rate adjustments	(46)	26
	Changes in working capital	**(223)**	**(382)**

Note 21	Available funds, opening	2013	2012
	Cash at bank and in hand	1,760	1,935
	Unrealised exchange rate adjustments	(52)	4
	Available funds, opening	**1,708**	**1,939**

Note 22	Available funds, closing	2013	2012
	Cash at bank and in hand	1,748	1,760
	Available funds, closing	**1,748**	**1,760**

Note 23 Financial risks

As a result of the Grundfos Group's international activities, Group profit and equity are influenced by a number of financial risks. Foreign exchange risks in the operative companies are covered centrally, where interest and liquidity risks are also controlled, as well as a significant part of the external covering of the Group's financial positions.

The use of financial instruments is determined by instructions from the Board of Directors and the Management .

Liquidity risk

Financial independence is a main concern of the Group, and the Group therefore always seeks to maintain an adequate cash reserve. In addition to unused borrowing facilities, these items may be calculated as follows:

	2013	2012
Cash at bank and in hand	1,748	1,760
Securities, current assets	519	396
Securities, fixed assets	1,359	1,402
	3,626	**3,558**
The securities portfolio consists of:		
Bonds	1,611	1,573
Shares	267	225
Total	**1,878**	**1,798**

Amounts in DKKm

Note 23	Financial risks – continued	2013	2012

Interest rate risk

The Group's interest rate risk is primarily related to bank deposits, bonds and loans. Bank deposits have a short investment horizon, while on the other hand the exposure of the bond portfolio, amounting to a total of DKK 1,611m (2012: DKK 1,573m) when expressed by an increase of the interest rate by 1 percentage point – is approx. DKK 53m (2012: approx. DKK 22m). The Group's total borrowing was reduced by DKK 140m in 2013 (2012: DKK 139m). The Group's total borrowing consists of 95 per cent fixed-rate loans (2012: 73 per cent).

To reduce the Group's interest rate exposure, a set of general guidelines has been adopted for the Group's borrowing and use of interest rate instruments. Derivative financial instruments applied to reduce the interest rate risk totaled DKK 122m (2012: DKK 236m).

Foreign exchange risk

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

Forward exchange contracts used in connection with foreign exchange swaps amount to DKK 4,111m (2012: DKK 3,685m).

As at 31 December, the Group's loans are composed of the following currencies:	2013	2012
EUR	79%	66%
DKK	12%	11%
CNY	0%	13%
GBP	5%	4%
Other	4%	6%

The Group's policy is to secure the currency exchange rates for the most essential flow of goods. The most important currencies are euro, the American dollar and the British pound sterling. At the end of 2013, currency contracts to reduce the foreign exchange risk in connection with the flow of goods amount to DKK 3,963m (2012: DKK 4,791m). Of this, a contract volume of DKK 193m has been recognised for hedging of balance sheet items as at the balance sheet date (2012: DKK 218m).

Raw material risk

The Group's policy is to fix prices for the manufacturing companies' use of the most important industrial metals. At the end of 2013, raw material futures contracts to reduce the raw material risk amount to 16m kg (2012: 12m kg).

Credit risk

The maximum credit risk includes the balance sheet items regarding the Group's trade debtors, securities and bank receivables. The Group's trade debtors comprise a large number of customers, and the Group's risk in that connection is not considered unusually high.

The credit risk is reduced on cash reserves in financial institutions, forward exchange contracts and other derivative financial instruments by selecting financial business partners with a high credit rating.

Profit and loss account for The Poul Due Jensen Foundation

1 January – 31 December 2013

Amounts in DKKm

	Note	2013	2012
Administrative costs	1	(10)	(11)
Income from investments in subsidiaries		956	1,298
Provision for buy-back of employee shares		(6)	(111)
Financial income	2	6	10
Profit before tax		**946**	**1,186**
Tax on profit for the year	3	0	0
Profit for the year		**946**	**1,186**
Proposed profit appropriation			
Distributions		15	11
Brought forward to revaluation reserve by the equity method		956	1,298
Retained profit		(25)	(123)
		946	**1,186**

Amounts in DKKm

Balance sheet for
The Poul Due Jensen Foundation
1 January – 31 December 2013

ASSETS	Note	2013	2012
Fixed assets			
Fixed asset investments			
Investment in affiliated companies		11,419	11,314
Total fixed assets	4	**11,419**	**11,314**
Current assets			
Accounts receivable			
Accounts receivable from affiliated companies		1,920	1,386
Other accounts receivable		1	1
		1,921	**1,387**
Cash at bank and in hand		**4**	**14**
Total current assets		**1,925**	**1,401**
Total assets		**13,344**	**12,715**

LIABILITIES	Note	2013	2012
Equity			
Registered capital		505	505
Net revaluation by the equity method		10,417	10,312
Capital available		2,061	1,500
		12,983	**12,317**
Provisions			
Buy-back obligation relating to employee shares	5	356	389
		356	**389**
Short-term liabilities			
Other liabilities		5	9
		5	**9**
Total liabilities		**13,344**	**12,715**

Amounts in DKKm

Statement of changes in equity for
The Poul Due Jensen Foundation
1 January – 31 December 2013

	Registered capital	Reserve equity method	Available capital	Total equity
Equity 01.01.2012	**505**	**9,443**	**1,001**	**10,949**
Profit for the year		1,298	(123)	1,175
Dividend received		(622)	622	0
Exchange rate adjustments, subsidiary companies, etc.		102		102
Other adjustments		(13)		(13)
Reversed value of hedging instruments in subsidiaries, opening		122		122
Reversed tax on equity items, opening		(24)		(24)
Recognised value of hedging instruments in subsidiaries, closing		20		20
Recognised tax on equity items, closing		(14)		(14)
Equity 31.12.2012	**505**	**10,312**	**1,500**	**12,317**
Profit for the year		956	(25)	931
Dividend received		(586)	586	0
Exchange rate adjustments, subsidiary companies, etc.		(283)		(283)
Other adjustments		(9)		(9)
Reversed value of hedging instruments in subsidiaries, opening		(20)		(20)
Reversed tax on equity items, opening		14		14
Recognised value of hedging instruments in subsidiaries, closing		51		51
Recognised tax on equity items, closing		(18)		(18)
Equity 31.12.2013	**505**	**10,417**	**2,061**	**12,983**

Available capital is that part of the equity in the Foundation which can be paid out in accordance with the provisions on this in the charter of the Foundation.

Notes to the accounts of
The Poul Due Jensen Foundation
As at 31 December 2013

Amounts in DKKm

Note 1	Administrative costs	2013	2012
	Including: Directors' fees	2	4

Note 2	Financial income	2013	2012
	Affiliated companies	6	10
	Financial income	**6**	**10**

Note 3	Tax on profit for the year	2013	2012
	Current tax	0	0
	Deferred tax	0	0
	Adjustment re previous years	0	0
	Tax on profit for the year	**0**	**0**

Amounts in DKKm

Note 4	Fixed asset investments	Investment in affiliated companies
	Cost	
	Cost 01.01.2013	905
	Additions	0
	Cost 31.12.2013	**905**
	Value adjustments	
	Value adjustments 01.01.2013	10,409
	Profit for the year	956
	Dividend received	(586)
	Exchange rate adjustments	(283)
	Other adjustments	18
	Value adjustments 31.12.2013	**10,514**
	Accounting value 31.12.2013	**11,419**
	Accounting value 31.12.2012	**11,314**

The accounting value of investment in affiliated companies includes goodwill amounting to DKK 164m (2012: DKK 176m).

Please see page 46 for a list of subsidiaries.

Note 5	Provisions	Buy-back obligation employee shares
	01.01.2013	**389**
	Provisions spent during the year	(40)
	Provisions reversed	(24)
	Provisions of the year	31
	31.12.2013	**356**

Buy-back obligation relating to employee shares

The buy-back obligation relating to employee shares will in all essentials only arise once the settlement period for the shares in question expires. The settlement periods expire as follows:

	2013	**2012**
Released	259	126
2013	0	168
2017	97	95
	356	**389**

The buy-back obligation calculated at market value amounts to DKK 360m (2012: DKK 318m).

Group structure

Denmark
The Poul Due Jensen Foundation

Denmark
Grundfos Holding A/S

Other Group companies

Argentina, Bombas Grundfos de Argentina S.A.
Austria, Grundfos Pumpen Vertrieb Ges.m.b.H.
Australia, BKB Aqua Engineering Pty. Ltd.
Australia, BKB Building Solutions Pty. Ltd.
Australia, Grundfos Australia Holding Pty. Ltd.
Australia, Grundfos Pumps Pty. Ltd.
Belgium, N.V. Grundfos Bellux S.A.
Bosnia-Herzegovina, Grundfos Bosnia-Herzegovina
Brazil, Bombas Grundfos do Brasil Ltda.
Bulgaria, Grundfos Bulgaria EOOD
Canada, Grundfos Canada Inc.
Chile, Bombas Grundfos Chile Ltda.
China, Alldos Water Technology Co. Ltd.
China, DAB Pumps (Qingdao) Co. Ltd.
China, EmerCo Pumps Co. Ltd.
China, Grundfos Holding China
China, Grundfos Pumps (Hong Kong) Ltd.
China, Grundfos Pumps (Shanghai) Co. Ltd.
China, Grundfos Pumps (Suzhou) Co. Ltd.
China, Grundfos Pumps (Wuxi) Ltd.
Columbia, Grundfos Columbia S.A.S
Croatia, Grundfos Croatia LLC
Czech Republic, Grundfos s.r.o.
Denmark, Grundfos A/S
Denmark, Grundfos BioBooster A/S
Denmark, Grundfos DK A/S
Denmark, Grundfos Finance A/S
Denmark, Grundfos LIFELINK A/S
Denmark, Grundfos New Business A/S
Denmark, Sintex A/S
Egypt, Grundfos Holding Egypt
Egypt, Grundfos Sales Egypt
Egypt, Grundfos Service Egypt
Finland, OY Grundfos Environment Finland AB
Finland, OY Grundfos Pumput AB
France, Pompes Grundfos Distribution S.A.
France, Pompes Grundfos S.A.
Germany, Biral GmbH
Germany, DAB Pumpen Deutschland GmbH
Germany, Deutsche Vortex GmbH & Co. KG
Germany, Europump GmbH
Germany, Grundfos GmbH
Germany, Grundfos Pumpenfabrik GmbH
Germany, Hilge GmbH & Co. KG
Germany, Grundfos Water Treatment GmbH
Ghana, Grundfos Pumps Ghana Ltd.
Greece, Grundfos Hellas A.E.B.E.
Hungary, DAB Production Hungary Kft.
Hungary, Grundfos Financial Services Kft.
Hungary, Grundfos Hungária Kft.
Hungary, Grundfos Hungary Manufacturing Ltd.
India, Grundfos Pumps India Private Ltd.
Indonesia, PT Grundfos Pompa
Ireland, Grundfos (Ireland) Ltd.
Italy, DAB Pumps S.p.A.
Italy, DWT Holding S.p.A.
Italy, Grundfos Pompe Italia S.r.l.
Italy, Isia S.p.A.
Japan, Grundfos Pumps K.K.
Kazakhstan, Grundfos Kazakhstan LLP
Kenya, Grundfos Kenya Ltd.
Korea, Chung Suk Co. Ltd.
Korea, Grundfos Pumps Korea Ltd.
Korea, Keum Jung Industrial Co. Ltd.
Latvia, GRUNDFOS Pumps Baltic SIA
Malaysia, Grundfos Pumps SDN. BHD
Mexico, Bombas Grundfos de Mexico Manufacturing S.A. de C.V.
Mexico, Bombas Grundfos de Mexico S.A. de C.V.
Mexico, Grundfos Mexico Servicios S.A. de C.V.
Mexico, Peerless Pump Mexico S.A. de C.V.
Netherlands, Biral Pompen B.V.
Netherlands, DAB Pumps B.V.
Netherlands, Grundfos Distribution Service B.V.
Netherlands, Grundfos Nederland B.V.

Netherlands, Grundfos Waterdam B.V.
New Zealand, Grundfos Pumps NZ Ltd.
Norway, Grundfos Pumper A/S
Peru, Grundfos de Peru S.A.C.
Philippines, Grundfos Pumps (Philippines) Inc.
Poland, Grundfos Pompy Sp.Z.o.o.
Portugal, Bombas Grundfos (Portugal) S.A.
Romania, Grundfos Pompe Romania S.R.L.
Russia, Grundfos Istra LLC
Russia, OOO DAB Pumps
Russia, OOO Grundfos
Saudi Arabia, Grundfos Service Saudi Arabia
Serbia, Grundfos Serbia
Singapore, Grundfos (Singapore) Pte. Ltd.
Slovenia, Grundfos Slovenija
South Africa, Alldos (Pty) Ltd.
South Africa, DWT Pumps, Motors and Electronics Ltd.
South Africa, Grundfos Pty. Ltd.
Spain, Bombas Grundfos España S.A.U.
Spain, DAB Pumps Iberica S.L.
Sweden, Grundfos AB
Switzerland, Arnold AG
Switzerland, Biral AG
Switzerland, Grundfos Holding AG
Switzerland, Grundfos Handels AG
Switzerland, Grundfos Insurance Management AG
Switzerland, Grundfos Pumpen AG
Taiwan, Grundfos Handels AG, Taiwan Branch
Taiwan, Grundfos Pumps (Taiwan) Ltd.
Thailand, Grundfos (Thailand) Ltd.
Thailand, Grundfos Holding Co. Ltd.
Turkey, Grundfos Pompa Sanyi ve Ticaret Ltd. Sti.
Ukraine, TOV Grundfos Ukraine LLC
United Arab Emirates, Grundfos Gulf Distribution FZE WLL
United Arab Emirates, Isia International UAE
United Kingdom, DAB Pumps Ltd.
United Kingdom, Grundfos Euro Pump Services Ltd.
United Kingdom, Grundfos Manufacturing Ltd.
United Kingdom, Grundfos Pumps Ltd.
United Kingdom, Watermill Products Ltd.
USA, Enaqua
USA, Grundfos CBS Inc.
USA, Grundfos Innovation Holding Inc.
USA, Grundfos Pumps Corporation
USA, Grundfos Pumps Manufacturing Corporation
USA, Grundfos US Holding Corporation
USA, Peerless Pump Company
USA, Pumps America Inc.
USA, SFS Holding Inc.
USA, Yeomans Chicago Corporation
Vietnam, Grundfos Pump Vietnam

Ownership

The Poul Due Jensen Foundation, based in Bjerringbro, Denmark, is the parent company of the Grundfos Group. The Poul Due Jensen Foundation owns 87.8 per cent of the share capital in Grundfos Holding A/S, while the founder's family owns 10.6 per cent and the employees own 1.6 per cent.

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

Grundfos Pumps Pty. Ltd., Australia – 70 per cent
Hilge GmbH & Co. KG, Germany – 94 per cent

Associated companies:
Bjerringbro Savværk Holding A/S, Denmark – 30 per cent

2014 / 50186

Headquarters
DK-8850 Bjerringbro
Denmark

Tel.: +45 87 50 14 00
Email:
info@grundfos.com

CVR no.: 83 64 88 13

Further information:
www.grundfos.com