

# ANNUAL REPORT 2006



The Grundfos Group and the Poul Due Jensen Foundation

## Milestones 2006

- 1 January: New sales company opens in Romania.
- 10 January: Grundfos takes over the American pump manufacturer PACO Pumps.
- February: The Group declares 2006 Grundfos Innovation Year.
- 21 March: The Poul Due Jensen Academy's first satellite academy opens in Suzhou, China.
- 2-8 April: Cooperation with the institutions of higher education is strengthened under the heading of the "Grundfos Challenge", and students are given an insight into the professional and career opportunities that the Group offers.
- 15 May: The Grundfos Prize 2006 is awarded to Professor, DSc Flemming Besenbacher, Centre Director of the iNANO centre at the University of Aarhus.
- 30 June: Grundfos enters into an agreement on the acquisition of the Swedish pit manufacturer Wåge Industri AB retrospective to 1 January 2006.
- July: Grundfos enters into an agreement with Cummins Emission Solutions to deliver NoNox pumps to clean the exhausts of the company's diesel engines for trucks and busses.
- 12 September: The Grundfos Group's first Sustainability Report is published.
- 12 October: Another satellite academy of the Poul Due Jensen Academy in Denmark is opened at Grundfos in Moscow.
- 24 October: Grundfos enters into an agreement that makes it official sponsor of the coming EXPO Zaragoza World Exposition in 2008.
- 7 November: The Danish production company receives the main award and two special prizes at the EFQM Forum in Budapest, Hungary.
- 15 November: Jens Jørgen Madsen resigns, and Carsten Bjerg is appointed as Group President.
- 18 December: The Danish company Bohen DK receives the Grundfos Supplier Award.
- 18 December: Grundfos acquires the UK pump manufacturer for shower and bath water installations Watermill Products Ltd.



# KEY FIGURES

Amounts in DKKm

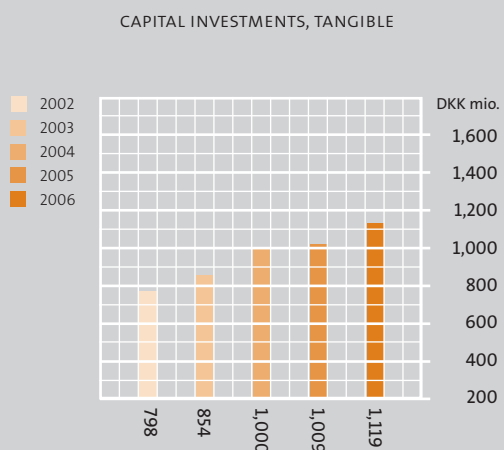
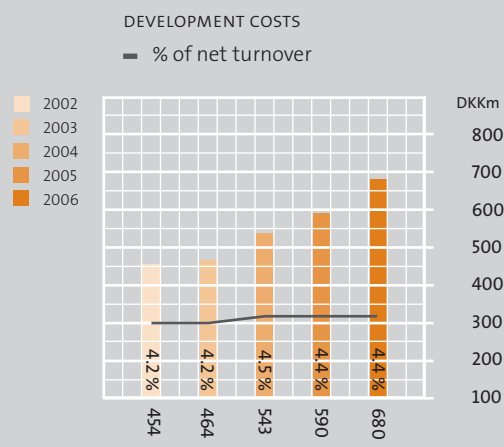
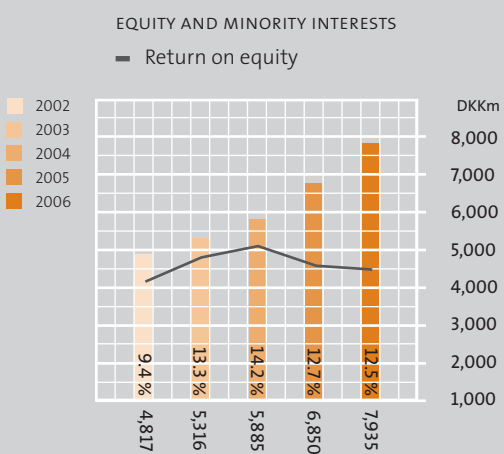
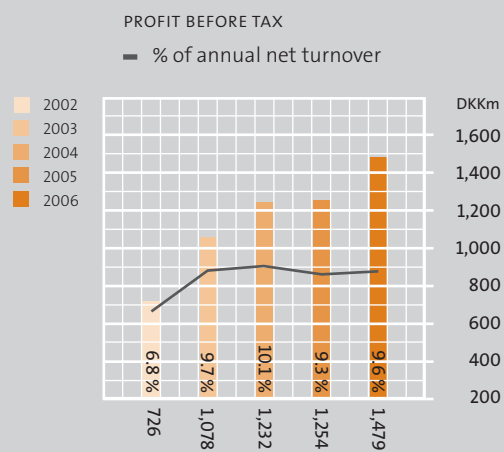
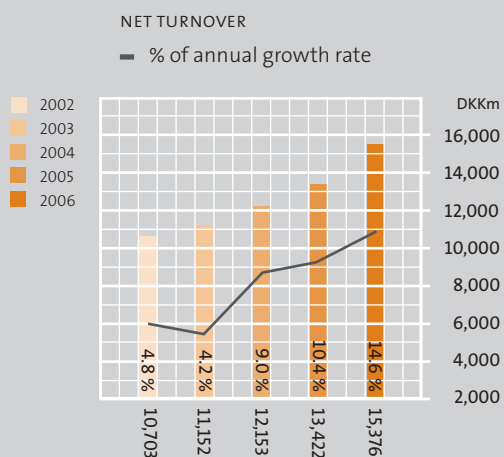
	2006	2005	2004	2003	2002
Profit and loss account					
Net turnover	15,376	13,422	12,153	11,152	10,703
Operating profit	1,534	1,353	1,328	1,154	913
Earnings before interest and tax (EBIT)	1,503	1,297	1,281	1,087	903
Net financials	(24)	(43)	(49)	(9)	(177)
Profit before tax	1,479	1,254	1,232	1,078	726
Consolidated profit after tax	923	807	794	673	441
Profit for the year (excluding minorities)	796	701	690	579	373
Balance sheet					
Assets					
Intangible fixed assets	1,090	993	676	586	554
Tangible fixed assets	5,043	4,700	4,347	3,887	3,792
Fixed asset investments	582	567	590	567	534
Current assets	8,366	6,906	6,185	5,753	5,292
Total assets	15,081	13,166	11,798	10,793	10,172
Liabilities					
Equity	6,939	5,994	5,150	4,637	4,205
Minority interests	996	856	735	679	612
Provisions	1,212	1,036	911	701	595
Long-term liabilities	1,456	1,526	1,665	1,799	1,640
Short-term liabilities	4,478	3,754	3,337	2,977	3,120
Total liabilities	15,081	13,166	11,798	10,793	10,172
Other figures					
Number of employees at year-end	14,782	13,369	12,586	11,707	11,383
Capital investments, tangible	1,119	1,009	1,000	854	798
Research and development costs, incl. capitalised	680	590	543	464	454
Interest-bearing debt, net	823	843	1,015	881	1,732
Result before tax as a percentage of net turnover	9.6 %	9.3 %	10.1 %	9.7 %	6.8 %
Return on equity	12.5 %	12.7 %	14.2 %	13.3 %	9.4 %
Equity ratio	52.6 %	52.0 %	49.9 %	49.3 %	47.4 %

As of 2004, accounting policies for the inclusion of defined benefit schemes were changed. No restatement of comparatives has been made for previous years in this respect.

Definition of ratios:

Return on equity: Consolidated profit as a percentage of the average equity inclusive of minority interests.

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



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## INTRODUCTION

It is with great satisfaction that we look back at the financial results of the Grundfos Group in 2006. The year was characterised by strong financial growth in all areas and by an organisation that, in spite of great activity, found the energy to put innovation and corporate social responsibility (CSR) even higher on the agenda.

The total turnover increased by DKK 2.0bn to DKK 15.4bn, and the profit before tax was just under DKK 1.5bn. The profit thus increased by 18 per cent compared to 2005. Furthermore, we are pleased to have passed another financial milestone, as a total turnover of EUR 2bn or DKK 15bn has been achieved one year earlier than planned.

The good annual results enable the Grundfos Group to accelerate its growth plans and at the same time continue to self-finance its investments in the globalisation process. Furthermore, they enable us to maintain our objective of investing four to five per cent of the Group turnover in research and development, which is reflected in a large increase in the amount budgeted for 2007.

After more than 10 years' intensive work with the Business Excellence management model, the largest company in the Group, the Danish manufacturing company Grundfos A/S, was awarded one of the most prestigious international company awards – the European Quality Award or the EFQM Award, which is awarded by the European Foundation for Quality Management. It is an acknowledgement which does not only oblige, but which will also inspire the other companies of the Group in their continued efforts to develop and strengthen the Grundfos Group.

We are convinced that the past 10 years' intensive work with Business Excellence together with continued efforts within research and development have been decisive for the strong growth and successful globalisation of the Group during this period.

In 2006, we chose to increase our focus on innovation, and we have now increased the understanding in the organisation of what innovation means at Grundfos and how important innovation – in all fields – is in developing the way in which the Grundfos Group does business. The objective remains to develop trend-setting pumps, but we also need to be innovative with regard to the way we think and act in other contexts.

Grundfos wants to continue to be the industry leader with groundbreaking solutions and efficient pumps and pump systems, but at the same time we wish to venture into new fields. An example of this is New Business, where we are developing a number of new business areas which may in the long term hold important business potential and at the same time contribute to relieving some of the world's most urgent needs within water, water purification, energy efficient solutions and thus ensure better living conditions and less strain on the environment.

Grundfos has great expertise with regard to one of the world's most critical resource issues – clean water for an increasing number of people and the domestic animals and crops that have to supply us all with food. The world's groundwater resources are being reduced these years, and in order to ensure clean water in the future it is essential that we increase our focus on purification and recycling of our fresh water resources as well as exploitation of the enormous water reserves of the oceans. At Grundfos, we are working intensively to develop technologies that can meet this need for new ways of exploiting our water resources.

We are fully aware of the need for further energy optimisation of Grundfos pumps, and in 2005 we launched the first A-labelled circulator pumps. On behalf of the environment and Grundfos, we are pleased that the new A-labelled pumps were very successful in the European markets in 2006. Together with our solar-powered and wind-powered drinking water pumps, these pumps are concrete examples of the fact that CSR is becoming an increasingly central and integrated part of Grundfos' main business areas.

CSR also includes the obligation of the company to exercise social and ethical responsibility, and in this respect Grundfos has a long and deep-rooted tradition. In 2006, parts of this effort were described in the Group's first CSR report. In recent years, we have increased our efforts in the entire area, and we are planning further initiatives in 2007. We do this because we believe that CSR will strengthen Grundfos' competitiveness, but we also do it because we wish to contribute to the creation of a better world for future generations.

Grundfos' Group President during the past almost four years, Jens Jørgen Madsen, retired from his position on 30 November 2006 after 32 years in Grundfos. The Board of Directors would like to express its recognition and thank Jens Jørgen Madsen for his many years in the Group, including 15 years as a member of the Group Management. At the same time, Vice Group President Carsten Bjerg took over as acting Group President, and the new Group President is expected to be formally appointed in the spring of 2007.

We would like to thank our customers, our almost 15,000 employees, our suppliers and our other partners for good cooperation in 2006 and look forward to another busy and prosperous year.

Niels Due Jensen  
Group Chairman

Carsten Bjerg  
Group President and CEO









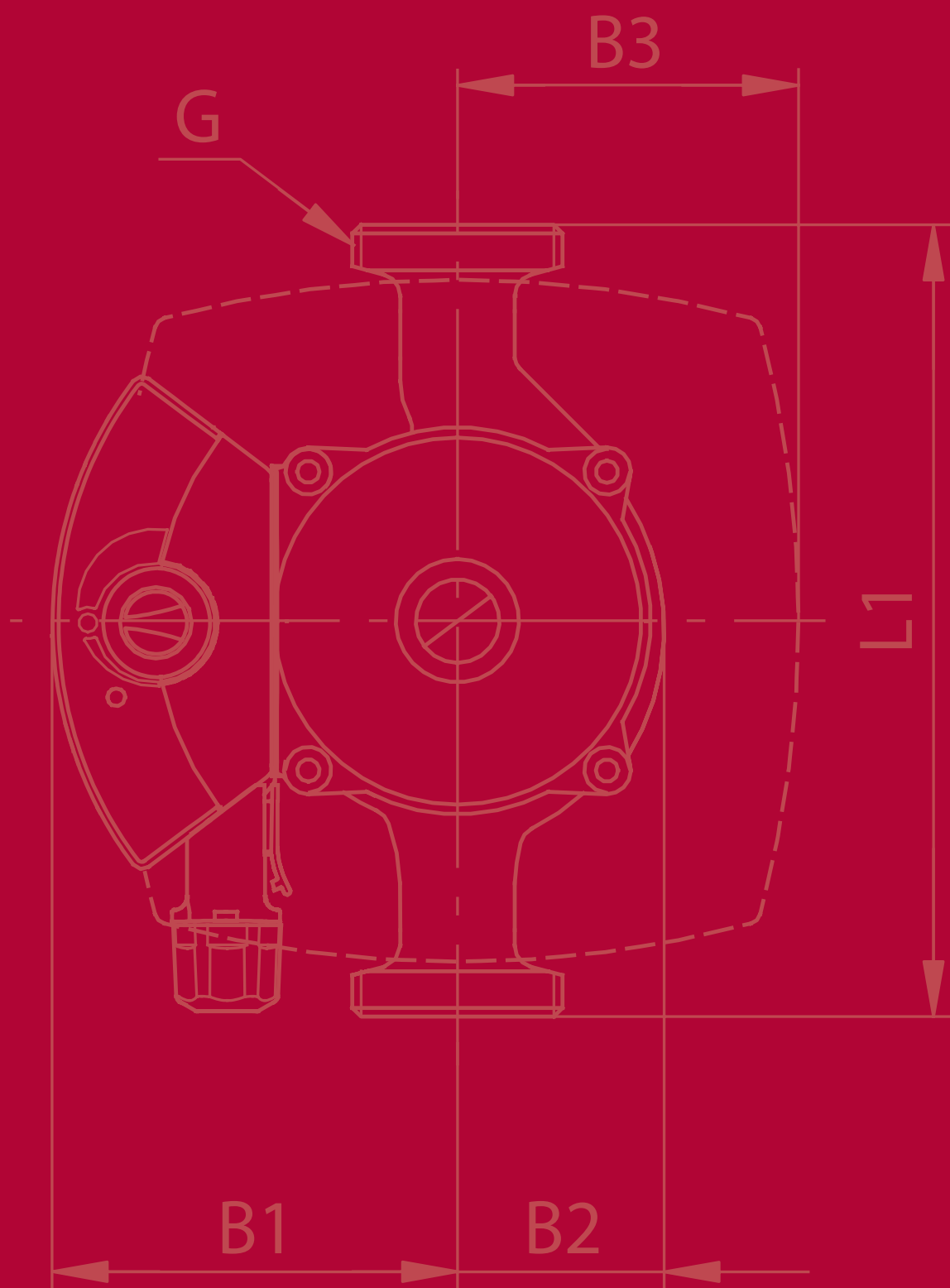














## FINANCES

Record turnover and record profit for the consecutive fifth year.

In 2006, the total Group turnover increased by DKK 2.0bn or 15 per cent to DKK 15.4bn. We are thus pleased to note that the objective of a turnover of EUR 2bn or DKK 15bn in 2007 has been achieved one year earlier than expected.

With a growth rate of 14 per cent, the organic growth gathered momentum already in the second half of 2005, and the development continued throughout 2006. The total organic growth of the year thus amounted to 13 per cent compared to seven per cent in 2005. Acquired growth made up two per cent, while the influence of exchange rates, like in 2005, was insignificant.

The 2006 profit before tax was just under DKK 1.5bn and constituted 9.6 per cent of the turnover. The profit increased by 18 per cent compared to 2005, which made it significantly higher than budgeted. This was primarily due to the fact that the sales growth and the capacity utilisation were higher than expected and that the Group managed to keep the cost development steady in spite of the high activity level. However, the profit for the year was once again influenced negatively by considerable rises in the prices of the most used raw materials such as copper, aluminium, stainless steel and castings.

The cost increases on the Group's mature markets were limited, while globalisation of the production and continued expansion in connection with the development of new market areas entailed a relatively higher increase in the costs in these areas.

Development costs including capitalised development projects amounted to a total of DKK 680m, corresponding to 4.4 per cent of the turnover.

Capital investments reached the same high level as in 2005, i.e. DKK 1.1bn. Of this amount DKK 100m were spent on considerable investments in factory extensions and establishments.

The working capital developed as expected, and considering the high level of earnings, this meant that, like in 2005, the Group achieved a very fine cash flow of DKK 1.5bn. The cash flow provided capital for all capital investments, which amounted to a total of DKK 1.1bn, as well as the acquisition of companies, which amounted to DKK 180m. Furthermore, the net interest-bearing debt was reduced by DKK 20m. This debt now only amounts to DKK 823m – the lowest level for several years.

The equity ratio also showed a positive trend as it rose from 52 per cent to 52.6 per cent.

## THE PUMP MARKET

Sales developed very positively, and the increase was remarkable as it was high for the Group as a whole and comprised all main geographical markets.

With a total growth of 15 per cent compared to 2005, Grundfos won considerable market shares as the total pump market is estimated to have grown by four to six per cent during 2006 – though with great geographical variations.

Two per cent of the growth derives from acquired companies, especially the American company PACO Pumps Ltd., which was acquired on 1 March 2006 together with its affiliated company in China, Wuxi Ltd. The two other strategic acquisitions of 2006 consist of two smaller companies: Wåge Industri AB in Sweden and Watermill Products Ltd in the UK.

The sales growth was broadly based, and the majority of our sales regions achieved two-digit percentage increases, however not the mature markets in Southern Europe and Japan. These, however, followed the budgeted development with increases of six to seven per cent. The Middle East and related individual markets experienced similar or lower growth rates. Unless otherwise stated, the growth percentages of this section only comprise the sale of products from companies that operate under the Grundfos name. The turnover from the other brands of the Group amounted to DKK 2.1bn and has not been included.

Several years' stagnation on the Group's largest individual market, Germany, was turned into a sales growth of 14 per cent in 2006, which was better than expected. Strategic growth markets such as Russia, India, China and the USA grew by even higher percentages, and in several places Grundfos passed important milestones for sales growth.

The fact that the sales development was very positive on all main markets is remarkable, and it indicates that the globalisation strategy for sale to the large markets outside Europe has succeeded.

The globalisation of the Group's research and development activities gathered momentum in 2006 with the establishment of local development centres in the USA, China, Hungary and Germany. But the main part of the Group's product development still takes place in Denmark.

### NORTH AMERICA — 35 PER CENT GROWTH

In North America, sales increased by 35 per cent – of which 20 per cent was organic growth and the rest derived from the acquisition of PACO. To mention but a few significant activities, the construction of a new factory in Mexico was initiated, a dedicated American development division was established and last but not least the focus on sale and marketing was increased.

### EASTERN EUROPE — 27 PER CENT GROWTH

The Eastern European region grew organically by 27 per cent – Russia alone by 46 per cent. The figures reflect the fact that the Grundfos Group has achieved a significant position in this relatively new region by establishing and developing sales companies with high sale and marketing competences on the most important local markets. The most recent addition was the establishment of a Grundfos company in Romania in May 2006.

The infrastructure has also been strengthened through the development of factories and distribution centres in Russia and Hungary.

### ASIA — 12 PER CENT GROWTH

The Asian sales figures are satisfactory as they have increased by 12 per cent – China alone by 24 per cent. However, the potential must be better exploited in the years to come through establishment of sale and marketing competences, i.e. new establishments as well as increased efficiency of existing factory and distribution capacity. This will ensure an even better presence and availability of our products and competences in the Asian market.

### NORTHERN EUROPE — 13 PER CENT GROWTH

As a well-established region, Northern Europe with Great Britain and Denmark as its main markets also experienced a positive development with a growth figure of 13 per cent.

### GERMANY — 14 PER CENT GROWTH

We are also pleased that European sales have developed positively. After several years' stagnation-like development, the large German market grew by 14 per cent, and Grundfos thus further strengthened its position – not least through intensive marketing of pumps with low energy consumption and thus reduced strain on the environment, for instance the Grundfos ALPHA Pro and Grundfos Magna circulator pumps.

### **BUILDING SERVICES – 18 PER CENT GROWTH**

The Grundfos Group serves its customers all over the world via an organisation that is both divided into geographical regions and into business areas across geography.

In 2006, the largest business area, Building Services, achieved a sales growth figure of 18 per cent, and through a strengthening of its partnerships, among other things, the Group has improved its market position with wholesalers and boiler manufacturers.

Building Services comprises all Grundfos products that contribute to the operation of buildings, i.e. are part of building installations for heating and air-conditioning, drinking water and domestic water, and wastewater. The buildings may be anything from single-family houses to large blocks of flats and commercial buildings, hotels and hospitals.

The growth in Building Services was primarily driven by the positive development on the market but was in particular supported by remarkable campaigns as for instance the so-called Energy Project, which by means of the energy label promotes installers' and consumers' understanding of energy-efficient and environmentally friendly products.

Especially Denmark and Germany are pioneers with regard to consumers' awareness of energy consumption – not least because there is great political focus on the problem. Now, one in two Grundfos circulator pumps sold for heating in Denmark is thus a low energy pump. In Germany, the share is rapidly increasing, and the trend is spreading to several other countries.

The electronically regulated ALPHA Pro circulator pump for single-family houses has been far more successful than even the most optimistic predictions. For the professional market, the range of electronically regulated pumps was expanded in 2006 with Grundfos Magna in smaller sizes.

During recent years, the OEM customers have developed from mostly concentrating on gas boilers to also focusing on heating and comfort at home. Therefore, their requirements to their business partners are also increasing, and they now demand a wider range of products and knowledge of markets and applications.

This is the reason why Grundfos has expanded its product range with "Smart" valves, which are protected by a number of patents. The valves also contribute to the marketing of the UPM low energy pump, which is already part of several long-term contracts with OEM key customers.

Grundfos has also strengthened its efforts to increase sales to large, international projects. This makes special requirements for close cooperation between various parts of our organisation to make many different pumps and components work in a comprehensive solution for the customer. In 2006, this resulted in a number of large orders – e.g. 1,200 large pumps for renovation of water supply in Cuba, equipment for a number of large district heating projects in China and Russia and pumps for various purposes in Suvarnabhumi International Airport in Bangkok, Thailand.

#### **INDUSTRY AND WATER SERVICES – 12 PER CENT GROWTH**

Throughout 2006, Grundfos introduced a number of new products and concepts within the business area of Industry and Water Services. In Europe as well as in Asia and the USA, the market position was strengthened, and the business area experienced a 12 per cent growth.

There is a large unexploited sales potential, especially within the so-called process industry. With regard to sale to this market, the acquired companies Alldos and Hilge are cornerstones as regards products and competences.

NovaLobe for viscous liquids primarily in the food and brewery industries and the medical industry is a new product, which was launched in 2006. Another is the MPC control, which contains a number of improvements compared to the controls used up until now – among other things all language and application variants have now been brought together in one single control, the user interface has been improved and low energy systems have been prioritised.

With 12 per cent growth in 2006, Grundfos considers itself a leading supplier of pumps for water supply worldwide, and remarkable Grundfos products such as the compact SQ and SQFlex pumps continue to be trend-setting in this market area.

During 2006, a number of exhibitions and events presented Grundfos as a total supplier to the industry, including the food and brewery industries. The activities concerning key customers within water treatment, machine tools, the utility sector and large industrial companies were further consolidated. Furthermore, Grundfos conducted campaigns to draw attention to for instance copying of Grundfos products in Asia and the Middle East.

#### **WASTEWATER – 17 PER CENT GROWTH**

In 2006, Grundfos strengthened its commitment to the professional wastewater market. This was illustrated by the fact that the positive development from recent years continued, and the growth figure for 2006 reached 17 per cent.

Furthermore, Grundfos consolidated its position as a player on the global market for prefabricated pumping stations for wastewater through the acquisition of Wåge – one of the leading manufacturers in Scandinavia.



In 2006, the Group Management decided to expand production capacity by supplementing the production of wastewater pumps at the factory in Finland with a similar production in China. This will make it possible to give better service to the Asian market, including the Chinese, which is the largest and fastest growing market in the world.

The global wastewater market is expected to grow in the years to come as a result of the economic growth in especially Asia and the Middle East. To exploit this potential and increase its market share, Grundfos intends to further accelerate its activities in the area.

#### **DOSING – 18 PER CENT GROWTH**

Once again Grundfos experienced a considerable increase in turnover in all markets and regions within the Dosing business area. In 2006, the growth figure reached 18 per cent, which was not least due to the concept for digital dosing of chemicals, which has earned Grundfos a position as trendsetter on the market for diaphragm pumps.

Especially the synergy from the ongoing integration of Alldos' supplementing range of pumps, sensors, regulating systems and disinfection technology gives rise to high expectations to the future growth within the area, and Grundfos has similar expectations to the exploitation of the synergy potential of Hilge's position and experience within the food industry.

Alldos and Hilge have become part of the Grundfos Group within the past three years. During 2006, preparations have been made to unite the three sales forces into one industrial sales division under Grundfos' German sales company as from 1 January 2007. This will make Grundfos appear as a strong supplier to the process industry with improved chances of becoming the customers' preferred supplier.

In the next few years, similar regional sales and advice centres for dosing and disinfection will be established in Australia, South Africa, China and the USA. And in future, Alldos will act as a competence centre for the development and production of dosing pumps.

## RESEARCH AND DEVELOPMENT

Record investments in research and product development resulted in innovative pumps and monitoring systems. New Business projects are continuously being developed towards commercialisation.

Knowledge of the condition in the pumps and their immediate surroundings is very important for the customers. Therefore, communication was a central part of Grundfos' product development in 2006.

Research into sensors and signal treatment has high priority, which results in new technology that, when built into the pumps, benefits our customers as it enables them to plan the maintenance of a pump on the basis of its actual condition – and not just fixed time intervals.

The importance of communication is reflected in one of this year's important product news – a brand new generation of Grundfos control systems with expanded functionality and a highly improved user interface. It is called Grundfos Multi Pump Control (MPC), and it makes it possible to monitor all heating, air-conditioning and pressure boosting installations in a large building from the operations officer's ordinary PC work station. In this way, the users of the building are ensured stable and good comfort and operating costs are minimised.

With its sensors and controls, Grundfos is a trendsetter in the pump industry with regard to the ability to communicate and send information between pumps and the customers' monitoring systems, between pumps or between different components of an installation. This also applies to wireless communication, which will often be used in the pumps of the future.

The first innovative Grundfos products with wireless communication were made available to customers in 2006. With the expansion of the Magna series at the beginning of 2006, Grundfos presented the world's first ever pump with a wireless add-on communication module. The fact that the module is both simple and safe to install because the installer does not have to touch power supply or signal transmission cables is but one of the advantages of the pump.

However, far from all development projects have to do with communication. In 2006, for instance, Grundfos introduced a water-in-oil sensor for its range of wastewater pumps. The newly developed sensor keeps the customer informed about the water content in the pump's oil chamber. If it becomes too high, an alarm will be activated at the customer's premises so the required service can be carried out in time and breakdowns avoided.

Furthermore, in 2006, Grundfos launched an extension of the SQ product range based on the needs on the American market, and in addition the first large TP circulator pumps in a series that will replace the product range that Grundfos took over at the acquisition of Svanehøj's Danish district heating business in 2002 saw the light of day. Another new product of 2006 was Grundfos MTB, which is used in large central lubrication installations that provide coolants/lubricants containing shavings or abrasive particles for an entire assembly of machinery.

#### **GLOBALISATION OF PRODUCT DEVELOPMENT**

Right now, Grundfos' research and development activities are undergoing an extensive globalisation process. Outside Denmark, development units have now been established in Hungary, India, China, Finland and the USA.

Eventually, the globalisation will comprise technology development, product development and the adaptation of products to local and global markets in close cooperation with the central development divisions of the Group in Denmark. The advantages to Grundfos are that the product development will take place closer to the local manufacturing companies, that the products will better meet the customers' local requirements and needs and that the response time will be reduced.

In 2007, we will focus especially on Hungary and China, where the growth in development employees is highest. At the end of 2007, we expect that there will be approx. 100 development employees outside Denmark, and in 2010 the number is expected to have increased to approx. 200.

#### **DEVELOPMENT OF NEW INITIATIVES**

With New Business as a common denominator, Grundfos has launched a number of large projects during recent years, and they are under continuous development towards increased commercialisation.

Grundfos NoNox, which delivers urea dosing systems for the purification of exhaust from diesel engines, was chosen as a supplier to the world's largest manufacturer of large diesel engines in 2006.

During 2006, Grundfos Sensor Division built a portfolio of regular external customers for its microsensors, which may because of a special coating be placed directly in a liquid flow.

The mobile biological purification plant Grundfos BioBooster is still under development, and we have great expectations to Grundfos' investment in the Danish company Infarm A/S' development of environmental technology for animal production as a result of legal initiatives concerning liquid manure.

## PRODUCTION AND SUPPLY CHAIN

The physical limits for growth of our production were greatly challenged, and the high level of activity resulted in longer delivery times from Grundfos' suppliers and at times problems with the supply of certain components and pumps to our customers.

The significant growth of the Grundfos Group in 2006 meant that the consumption of raw materials was far larger than expected and indicated to the suppliers. In addition, the generally increased demand for raw materials caused by the boom made it seller's market.

This resulted in a near-doubling of the price of stainless steel in 2006, and also copper, nickel and aluminium prices saw dramatic fluctuations. Even for a period with a booming economy, these fluctuations were unusual, because this time both China and Japan are experiencing rapid growth and in addition price rise speculation did occur.

For Grundfos, it became necessary to remedy supply problems by using many resources on intensive dialogue with our suppliers about supplies to the Group factories. We succeeded among other things thanks to Grundfos' tradition for establishing and maintaining partnerships and good relations with our suppliers.

The strengthening of the relations between Grundfos and our suppliers for the benefit of both parties was also a central subject of the continued work with Perfecting Procurement Processes. In 2006, Grundfos, among other things, developed a method to classify suppliers and ensure that Grundfos remains attractive in relation to them.

Another initiative aims at establishing purchasing networks across the Group. Generally speaking, the purpose of the networks is to agree on a purchasing strategy, to comply with it and to target the communication about purchasing between the national affiliated companies and Group headquarters.

### CAPACITY EXPANDED CONSIDERABLY

During 2006, the production limit was reached on a number of production lines, and consequently the capacity was expanded considerably through heavy investment in especially component lines for UPS circulator pumps and production lines for CR industrial pumps and production equipment at the electronics factory. This development will continue in 2007.

Longer delivery times from Grundfos' subsuppliers and the limitations of Grundfos' own production capacity meant that the supply of certain components and pumps to external customers was characterised by longer-than-usual delivery times during certain periods of the year.

Thanks to e.g. the new distribution centre in Moscow, which was in operation throughout 2006, it became possible to ensure healthy growth in this part of the Eastern European region. And because of an increase in productivity as well as the degree of automation, we succeeded in maintaining a very low production cost increase at the large, well-established factories.

The globalisation of the production capacity continued throughout the year. For instance building projects were initiated in Mexico and Hungary, which should be ready for use by the middle of 2007. The investments in new markets made up a considerable part of the total investment budget.

In order to strengthen the innovation and efficiency of the production processes, Grundfos adjusted its production strategy under the heading of "More alike and more diverse" in 2006. The aim is for the strategy to ensure that Grundfos on the one hand further improves efficiency within in the part of the business that traditionally works with standardised products in large numbers, and on the other hand improves and becomes more efficient when serving different markets and small, but rapidly growing customer groups' requirements for adapted products.



## CORPORATE SOCIAL RESPONSIBILITY (CSR)

Together with the accession to the UN Global Compact, the core values of the Grundfos Group, Be – Think – Innovate, provide the foundation for Grundfos' holistic approach to CSR as an integrated part of the way in which we do business.

2006 was the year in which the Group published its first CSR report for the purpose of informing the public about the company's efforts within CSR and environment.

As Grundfos' globalisation activities have increased through expansion and acquisitions of foreign companies, the Group has become even more aware of its responsibility for the lives of the people who are influenced by the Group's products and activities.

Grundfos considers its CSR activities a demanding learning process, where new goals are constantly set, and we are currently developing a general sustainability strategy for the entire Group.

### ENVIRONMENTAL CONSIDERATIONS THROUGHOUT THE LIFE CYCLE OF PRODUCTS

Up until now, the Group's Danish manufacturing company has had an advisory and controlling role for the entire Group with regard to environmental issues. In 2006, in order to further strengthen these efforts, the Group Management decided to establish an independent Group environmental division, which will coordinate environmental activities internally in the entire Group.

It is important to Grundfos to be trend-setting – also with regard to environmental considerations within product development, production, use and disposal of products. Grundfos takes its responsibility seriously and works determinedly to energy-optimize its products and ensure that they do not contain substances that are damaging to the environment and health. Furthermore, the Group ensures a good working environment for its employees and works according to the principles of causing as little impact to the surrounding environment as possible.

Every year sees the establishment of new Group-wide objectives for improving the environment and the working environment, and these are often stricter than stipulated in the law and by interested parties.

### LEAD-FREE PRODUCTS

Grundfos' products are not covered by the EU regulations on lead-free products. Despite this we have chosen to change all processes so that lead will be phased out in the electronics production by the end of 2009 at the latest.

#### **SALE OF E-PRODUCTS**

According to former life cycle analyses of Grundfos products, the major part of the products' strain on the environment takes place during the use phase – for some products up to 98 per cent. Therefore, Grundfos makes an enormous effort to energy-optimize all its products in the product development process.

In 2006 alone, Grundfos sold energy-optimized circulator pumps in Europe in numbers that entail electricity savings corresponding to the annual consumption of more than 118,000 average Western European households or 532 million kWh.

#### **ENVIRONMENTAL SAVINGS IN PRODUCTION**

As clean water is a scarce resource, the Group has, for several years, focused on reducing the water consumption in the production. The most recent example of this is the fact that the new factory in China has invested in a biological purification plant, which makes it possible to recycle all wastewater from the cathodes process, which is a chemical surface treatment of metal.

Grundfos' die-casting foundry in Denmark presents another good example of how environmental and financial savings may walk hand in hand. The foundry has exchanged a mineral mould release agent with a synthetic one, which in addition to improving the environment internally and externally, has also resulted in technical improvements and a reduction of the chemical consumption corresponding to a saving of more than DKK 300,000 and a cost reduction for wastewater treatment of approx. DKK 250,000.

#### **SOCIAL RESPONSIBILITY**

The companies of the Grundfos Group showed many inspiring examples of social responsibility in 2006 – especially in relation to groups of employees, which may be difficult to integrate on the labour market.

### MINORITY GROUPS ON THE LABOUR MARKET

The objective is for three per cent of the jobs in the Grundfos Group to be reserved for employees employed on special terms due to physical, mental or social problems. Good examples may be found in both the UK and Denmark regarding the integration of refugees and immigrants, and a small group of previously convicted offenders have also been given an opportunity to return to the labour market.

In 2006, we increased the attention to highly educated people with a disability in Denmark with our “Disability Mentoring Day” in the company, where the guests could meet the employees face to face. The event, which was carried out in cooperation with Hewlett-Packard, was very positively received by the invited guests, and at the same time it worked as a so-called eye-opener for the organisation. Therefore, there will be similar initiatives in this area in 2007.

### DONATIONS, CHARITY AND FUNDRAISING

Donations for underprivileged or financially challenged groups and other ways of showing responsibility for other people and societies have high priority in many Grundfos companies. In connection with the floods in Romania for instance, the newly established Grundfos company made a massive voluntary effort to solve the problems with the enormous amounts of water in parts of the country.

An example with relation to Africa is a sponsor scheme, in which colleagues from the UK sales company donate a small monthly amount so children of their South African colleagues may go to school. Normally, the children are only guaranteed a minimum of education, and in this way Grundfos supports the employees as well as the development in South Africa in general.

### HUMAN AND EMPLOYEE RIGHTS

Grundfos continuously implements the measures necessary to ensure good working and employment conditions for the employees of the Group.

Since August 2005, we have made the same requirements to our suppliers as we do to ourselves, i.e. that, within their respective areas of influence, they must respect and support the UN Global Compact, including the principles of human rights and employees’ rights. The success of the suppliers in meeting the requirements is assessed partly through self-evaluation and partly through auditing of selected suppliers.

We regret to admit, however, that promises and control is not enough to ensure the employees at the suppliers’ suppliers. We have learned that we have to get involved, work for international standards and exchange knowledge across cultures and national borders to ensure the people at the other end of the chain.

## ORGANISATION AND LEADERSHIP

2006 was characterised by a growing organisation. This requires strength and flexibility as the organisation gets ready to meet future requirements. This was the background for our increased focus on innovation, competence development and organisational development.

The work to promote the Business Excellence model as the Group management model yielded many good results in 2006. The model creates results through clear, targeted communication and constant attention to improving organisational processes. The model ensures that the entire company improves in relation to Grundfos' mission, vision and values.

In a business perspective, the work with the Business Excellence model has created a number of process improvements – for individual companies as well as across the Group. The work with LEAN, which has reduced the production lead time at the factories considerably, is one of the most important areas. The work with Six Sigma has caused the production quality to increase significantly, and furthermore it has provided methods to maintain the high quality level. In addition, the Group's production planning processes are currently being adapted to reduce the time wasted.

All these process improvements create important results on the bottom line, and we will continue to disseminate the Business Excellence model to the entire organisation.

### MANAGEMENT AWARDS

The largest company of the Group, the Danish manufacturing company Grundfos A/S, was the first company in the Group to introduce Business Excellence. On 7 November 2006, after 10 years' work to implement the management principles, Grundfos A/S was chosen as EFQM Award winner and in addition received two special prizes for Corporate Social Responsibility and People Development and Involvement. The EFQM Award is considered one of Europe's most prestigious company awards and is awarded by the European Foundation for Quality Management (EFQM), a joint organisation for all companies working with the Business Excellence model.

Furthermore, in 2006, together with other trend-setting companies in Europe, including BMW and TNT, Grundfos entered into a partnership agreement with EFQM on the further development of the Business Excellence model. The cooperation has led to the launch of a new global training programme for all Grundfos managers, the purpose of which is to teach them how to work with Business Excellence.

At present, approx. 75 per cent of the Group companies are working actively in accordance with the Business Excellence model, and in 2006 the Danish and UK sales companies as well as the German manufacturing company won national awards and honour for their work with Business Excellence.

### INNOVATION YEAR – A STRONG FOUNDATION FOR THE FUTURE

Grundfos has achieved its position as one of the world's leading pump manufacturers through innovation. This, however, was not the reason why Grundfos chose to focus on one of its core values throughout the organisation by making 2006 Grundfos Innovation Year. The reason was that we wished to mark the beginning of one of our organisation's most important target areas in the years to come.

It was a global initiative focusing on strengthening a common understanding of what innovation means at Grundfos and how we as an organisation may work determinedly to become even more innovative.

At Grundfos, innovation is not only to do with products. Innovation must also be a natural part of our work with for instance business models, business processes and customer experiences. And not least, we aim at combining various types of innovation and thus create unique services and value for our customers.

Our definition is:

**Innovation = Creativity x successful implementation**

The creative ideas must be realised in order to benefit our customers and our business.

In order to support this idea, we developed and introduced an innovation model during 2006, which will improve the efficiency of our efforts in the area. The model was developed to train the organisation in being innovative and is structured in individual phases, each with a series of tools.

It is the long-term and consistent work following this definition and model that will create results for the organisation and make us stand out from our competitors.

During 2006, all Group companies contributed with at least one innovation project to a common project pool. The purpose of the projects is to challenge habitual thinking – the way in which we are used to doing business or thinking about products – and the projects will be closely monitored during the years to come.

## **HR – COMPETENCES AND DEVELOPMENT**

In Denmark and in a few other Western European countries, booming economies and the demographical development meant that, for the first time in many years, we experienced a scarcity in connection with hiring new employees for certain positions. And in some of our Asian companies, too, demographical and cyclical conditions put recruitment and retention under pressure.

The situation has not become critical, but it illustrates the importance of constantly focusing on the general HR issues of attracting and retaining competent employees as well as developing managers, key employees and talented persons. Not least has it become clear that it is and will continue to be necessary to draw attention to the qualities of Grundfos as a workplace.

## **EMPLOYEE SATISFACTION**

As an important element of our attraction and retention strategy, we work determinedly with employee development and with creating a framework that makes it possible to obtain a good balance between working life and private life.

At Group level, we have carried out employee satisfaction analyses for a number of years. The annual study does not only provide an opportunity to measure the current level of satisfaction. It also serves as a foundation for the work to create improvements in the organisation, which push the business forward and create the best possible framework for working life. In 2006, like the previous years, employee satisfaction was high.

In the spring, the management support functions of the Group and one of the factories of the Danish manufacturing company, Grundfos A/S, carried out a new type of satisfaction analysis. The new analysis makes it possible to analyse employee motivation and the improvement potential of the individual departments in more detail. The new type of analysis was well received by the organisation, and it has been decided to introduce the concept in all companies in the spring of 2007.

### COMPETENCE DEVELOPMENT AND TALENT PROMOTION

Internally, the organisation works determinedly with talent promotion through for instance management training, a management trainee programme for internal management talents, project manager training and a trainee programme for newly qualified Masters.

In 2006, we adjusted our basic leadership competences to give innovation a more prominent role. This change is reflected in our internal manager and talent training schemes, in which innovative management has now been given much more prominence.

In 2006, the Grundfos Challenge – a new competition for students at institutions of higher education, such as universities, business schools and engineering colleges – was conducted at Grundfos' headquarters in Denmark. The purpose of the competition was to increase awareness of the cooperation that exists between the company and the institutions of higher education, the development of talented persons and Grundfos as an interesting workplace. Grundfos Challenge reached its goal, and with 42 students from 12 institutions of higher education it was a great success, so the competition will be repeated in 2007.

Grundfos' international training academy, the Poul Due Jensen Academy, continued to focus on sales, marketing and management training in 2006. The academy supports the global development of the Group, and in 2006 it opened its two first satellite academies in China and Russia. We expect to open satellites in India and Australia in the beginning of 2007. In future, the Academy will aim at strengthening its cooperation with the local training organisations of the Group companies and thus develop its activities to a global training concept.

During the past few years, Grundfos has cooperated with the international Business School, IMD, in Switzerland about parts of the internal manager training programme, and furthermore selected managers have gone to Switzerland to participate in short training programmes. In 2006, we extended this cooperation and the first Grundfos employees commenced an IMD Executive MBA programme.

## OBJECTIVES AND FOCUS AREAS IN 2007

With an organic growth figure of 13 per cent in 2006, the Board of Directors and the Group Management are optimistic about 2007. We expect to maintain the growth in 2007, though at a slightly lower level.

We budget for a total organic growth of approx. eight per cent in 2007, where the highest growth rates are again expected to be realised in Eastern Europe, India and the Far East. But also in North America, we expect continued high growth figures as a result of the past years' investments in this market and the acquisition of the pump manufacturer PACO. In terms of earnings, the objective for 2007 is to maintain the high earnings level of the previous years.

The strong organic growth in 2006 challenged our factories and suppliers to the limit, and for a few products, sales were limited by our production capacity. As a result of this, we initiated a number of unplanned investments in further production capacity early in 2006. A quick reaction to bottleneck situations means that new production lines are now on their way to our factories and thus our ability to supply and growth figures in 2007 will not be limited by a lack of production capacity.

Grundfos is planning for record-high investments for 2007, and the total investment level of nearly DKK 1.5bn reflects our prioritisation of investments in long-term growth. The investments are first and foremost extensions to the product range and a continued development of our global presence. This is true not least of the factories that we are building. We look forward to strengthening our global manufacturing network by opening a new factory in Mexico and our third factory in Hungary.

Based on the Innovation Year, which has just ended, we will intensify our research and product development activities. New technology in new trend-setting products will continue to be characteristic of Grundfos, and the budget for this area has been increased by 30 per cent in only two years. As a result of this, we expect to launch a record-high number of new products during the coming 18 months.



In 2002, we set two goals to reach a profit before tax of 10 per cent in 2005 and a turnover of EUR 2bn or DKK 15bn in 2007. Both goals have been reached one year ahead of time. We have now set a goal to achieve a turnover of DKK 20bn in 2010 with an unchanged level of earnings. The Group Management is convinced that we are capable of reaching this goal, and our focus on the Group's long-term strategic possibilities has been increased.

With Grundfos' great expertise in providing water for the world and experience of finding and using advanced technology as our foundation, we will continue to develop our range of ground-breaking solutions, which meet the customers' increasing requirements for low energy consumption, user-friendliness and sustainability.

The Business Excellence management tools will continue to form the basis of our work to develop our business processes throughout the Group. In 2007, we will focus especially on our sales processes and optimise these in accordance with the special needs of our individual customer groups.

The work with corporate social responsibility will also be intensified, and 2007 will be the year in which the globalisation of Grundfos' research and development efforts will really gather momentum with considerable extensions in China and Hungary.













MANAGE-  
MENT  
STRUCTURE



GRUNDE





## GROUP BOARD OF DIRECTORS AND MANAGEMENT



Group Chairman,  
Niels Due Jensen, Grundfos



Vice Chairman Lars Kolind,  
The Poul Due Jensen Foundation



Professor Niels Christian Nielsen,  
CBS



Director Thomas Lund,  
Dansk Teknologi



Group CEO Christine Bosse,  
TrygVesta



Group President and CEO  
Carsten Bjerg,  
Grundfos



Group Executive Vice President  
Carlo Prola,  
Grundfos



Group Executive Vice President  
Søren Ø. Sørensen,  
Grundfos

# MANAGEMENT STRUCTURE



## The Board of Directors of the Poul Due Jensen Foundation

Chairman LARS KOLIND	Member of the Board POUL DUE JENSEN	Member of the Board INGERMARIE DUE NIELSEN	Member of the Board THOMAS LUND
Vice Chairman NIELS DUE JENSEN	Member of the Board ESTRID DUE HESSELHOLT	Member of the Board NIELS CHRISTIAN NIELSEN	Member of the Board CHRISTINE BOSSE

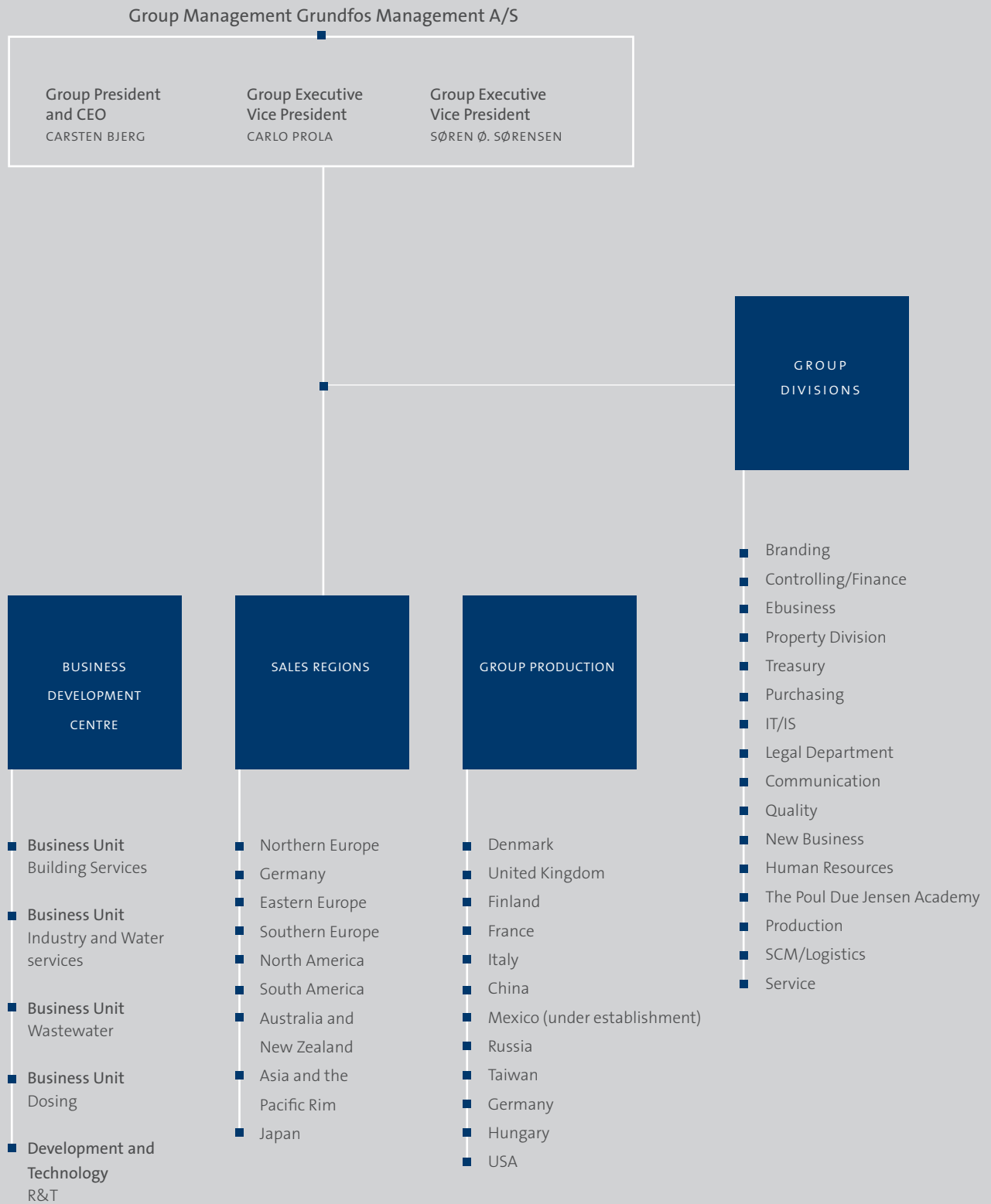


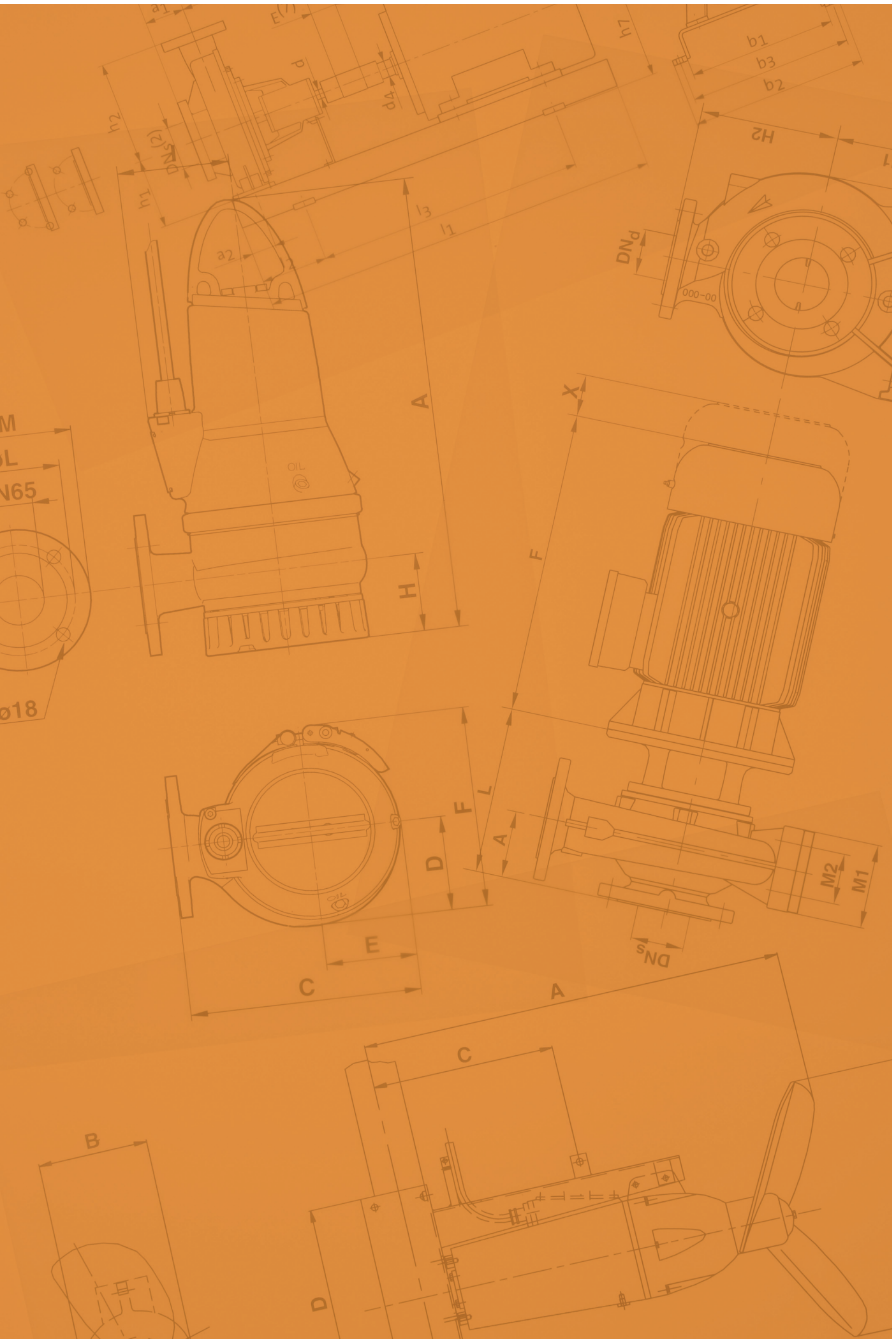
## Group Board of Directors Grundfos Management A/S

Group Chairman NIELS DUE JENSEN	Vice Chairman DIRECTOR LARS KOLIND	Member of the Board PROFESSOR NIELS CHRISTIAN NIELSEN	Member of the Board DIRECTOR THOMAS LUND	Member of the Board GROUP CEO CHRISTINE BOSSE
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## GROUP STRUCTURE











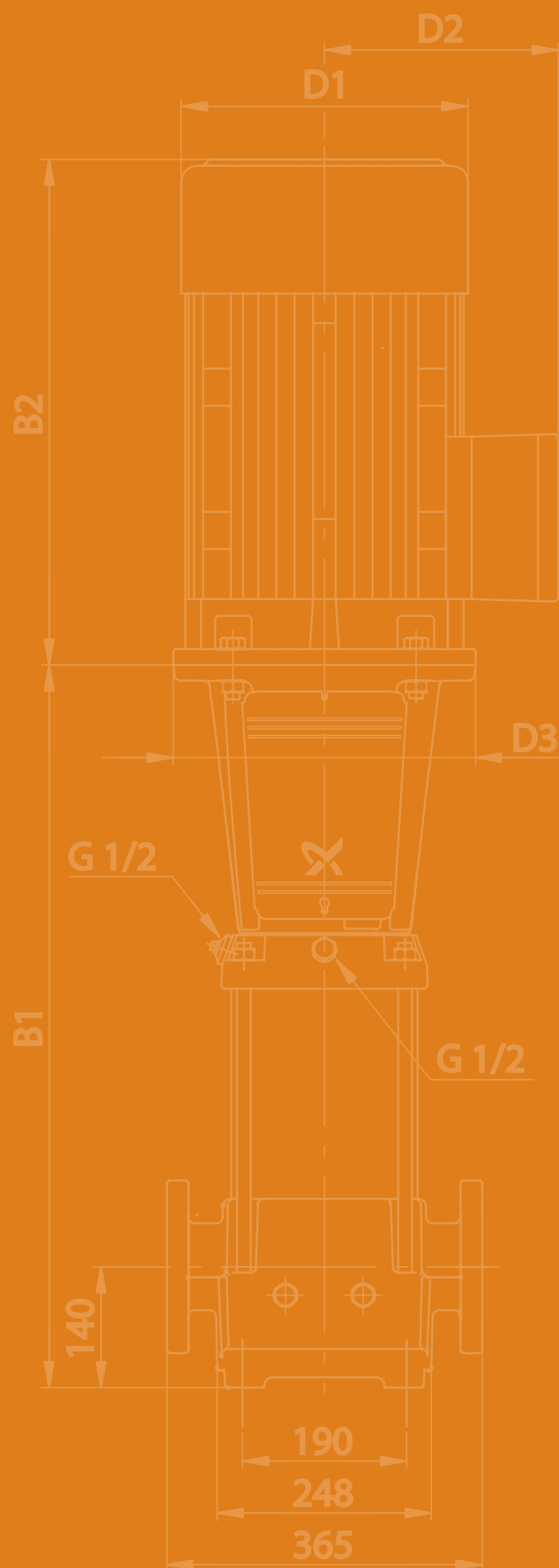






FINANCIAL  
MATTERS





## FINANCIAL REVIEW

### PROFIT AND LOSS ACCOUNT

The consolidated profit before tax amounts to DKK 1,479m compared to DKK 1,254m in 2005, which is an increase of 18 per cent.

This increase was realised through an increase in the net turnover of 15 per cent, while costs within the fields of production, research and development, sale and distribution, administration and depreciation also rose by 15 per cent.

Net turnover as well as costs remained largely unaffected by exchange rate fluctuations compared to 2005.

In addition to the development costs amounting to DKK 562m (2005: DKK 489m) charged to the profit and loss account, DKK 118m (2005: DKK 101m) has been capitalised as development projects in progress. The total development costs thus amounted to 4.4 per cent of the net turnover in 2006, which is the same level as in 2005.

The profit before tax as a percentage of the net turnover increased to 9.6 per cent (2005: 9.3 per cent). The increase is among other things due to the fact that the net costs of financing were reduced from DKK 43m in 2005 to DKK 24m in 2006. Financing items of the year include a positive return on the Group's shareholding amounting to DKK 80m (2005: DKK 62m).

The consolidated profit (after tax) is DKK 923m compared to DKK 807m in 2005, an increase of 14 per cent.

The effective tax rate in 2006 is 38 per cent compared to 36 per cent in 2005.

### BALANCE SHEET

The balance sheet total increased by 15 per cent, amounting to DKK 15,081m at year end (2005: DKK 13,166m). The increase thus corresponds to the increase in the net turnover.

Fixed assets increased by DKK 455m (7 per cent). In 2006, investments in tangible fixed assets amounted to DKK 1,119m (2005: DKK 1,009m), which is the highest investment level in Group history.

The current assets increased by no less than 21 per cent. The largest items, inventories and accounts receivable, increased by DKK 530m and DKK 779m respectively. In percentages,

the increases in these items are 22 per cent and 24 per cent, respectively (2005: 8 per cent and 16 per cent). These rates of increase are thus higher than the increase in net turnover.

Cash at bank and in hand and securities increased by DKK 151m (12 per cent).

The equity ratio, including minority interests, increased from 52.0 per cent in 2005 to 52.6 per cent. 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 1.9bn (2005: DKK 1.8bn). Had these funds been used to reduce debts, the equity ratio would have been 60.3 per cent against 60.1 per cent in 2005.

### CASH FLOW STATEMENT

The cash flow statement shows a cash flow from operating activities of DKK 1,501m against DKK 1,617m in 2005. The reduction of DKK 116m can primarily be attributed to the fact that the funds tied up in working capital were increased by DKK 353m in 2006 against only DKK 46m in 2005.

In 2006, DKK 1,450m (2005: DKK 1,318m) was invested, of which DKK 1,119m (2005: DKK 1,009m) was spent on acquiring tangible fixed assets and DKK 180m (2005: DKK 293m) on acquiring companies.

Cash flow from operating activities exceeds cash flow from investment activities by DKK 51m (2005: DKK 298m), so the Group has fully lived up to its practice of self-financing the year's capital investments in 2006. Normally, acquisitions of companies are not expected to be fully self-financed.

### THE ANNUAL ACCOUNTS OF THE POUL DUE JENSEN FOUNDATION

The Foundation's 2006 accounts, which, like the 2005 accounts, recognise share of profit and value of the shareholding in Grundfos Holding AG by the equity method, show a profit of DKK 809m as against DKK 701m in 2005.

At year-end, the Foundation's equity amounts to DKK 6,939m as against DKK 5,994m at the end of 2005.



## FINANCIAL INFORMATION

As a result of the Grundfos Group's international activities, Group profit and equity are influenced by a number of financial risks. The Group's financial risks are managed centrally at the Group's finance company. Foreign exchange risks in the operating companies are usually covered by the finance company, which also manages interest rate and liquidity risks, 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

At the end of 2006, the Group's liquid reserve included cash resources of DKK 820m (2005: DKK 822m), securities of DKK 1,111m (2005: DKK 943m) and unused borrowing facilities at banks. The securities portfolio was made up of DKK 750m worth of bonds (2005: DKK 761m) and DKK 361m worth of securities (2005: DKK 182m).

The net interest-bearing debt of the Group was reduced by DKK 20m to DKK 823m in 2006.

At the end of 2006, the total interest-bearing debt amounts to DKK 2,754m (2005: DKK 2,608m). Of this, 53 per cent is long-term debt (2005: 59 per cent).

### INTEREST RATE RISK

The Group's interest rate risk is primarily related to bonds and loans. When expressed by an increase in the interest rate of 1 percentage point, the exposure of the bond portfolio, amounting to a total of DKK 750m (2005: DKK 761m), is approx. DKK 19m (2005: approx. DKK 9m). The total borrowing of the Group consists of 56 per cent (2005: 64 per cent) fixed-rate loans.

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. In pursuance of these guidelines, major fixed assets should primarily be financed by fixed-rate loans. Furthermore, a 2 per cent increase in interest rates of the floating-rate loans raised in the Group companies must only have a potential maximum negative effect of 10 per cent on the company's budgeted profit for the coming year. Derivative financial instruments applied to reduce the interest rate risk totalled DKK 1,848m on the balance sheet date (2005: DKK 1,868m).

### 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 316m (2005: DKK 262m) at the balance sheet date.

As at 31 December 2006, the Group's loans are composed of the following currencies:

	2006	2005
EUR	58 %	50 %
DKK	14 %	25 %
USD	13 %	2 %
GBP	3 %	5 %
Others	12 %	18 %

Currency hedging of the Group's budgeted flow of goods is concerned with Group manufacturing companies. The most important currencies are the Euro, the American Dollar, the British Pound Sterling, the Japanese Yen and the Hungarian Forint. Forward exchange contracts and currency options used to reduce the foreign exchange risk in connection with the flow of goods amount to DKK 1,787m at the end of 2006 (2005: DKK 2,341m). Of this, a contract volume of DKK 217m (2005: DKK 334m) has been recognised for hedging of balance sheet items as at the balance sheet date. Group policy only allows for maximum annual speculation losses that are insignificant in relation to the Group profit and balance sheet.

### CREDIT RISK

The maximum credit risk includes the balance sheet items regarding the Group's trade debtors, securities and bank deposits. 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 resources in financial institutions, forward exchange contracts and other derivative financial instruments by selecting financial business partners with a high credit rating.



## ACCOUNTING POLICIES

### THE GRUNDFOS GROUP

The Annual Report and the Group Annual Report are presented in accordance with the provisions of the Danish Financial Statements Act for large C class companies and Danish accounting standards.

The accounting policies for the Annual Report and the Group Annual Report remain unchanged in comparison with last year.

#### GENERAL INFORMATION ABOUT RECOGNITION AND MEASUREMENT

Assets are recognised in the balance sheet when the Group is likely to capitalise on them in the future and when the asset 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 report is 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 fixed asset investments 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

The Group Annual Report comprises 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 without having a dominant position are considered associated companies.

The Group Annual Report is 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 time of acquisition.

When acquiring new companies, the acquisition method is used, by which the identified assets and liabilities in the newly acquired companies are measured at market value at the time 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 (negative goodwill) are entered under provisions and are systematically recognised as revenue for a number of years, however, a maximum of 20 years.

#### MINORITY INTERESTS

The items of subsidiaries are fully recognised in the Group Annual Report. 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**

Transactions in foreign currency are translated at first recognition at the exchange rate of the transaction date. Exchange rate differences arising between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the profit and loss account.

Receivables and payables in foreign currency 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**

Derivative financial instruments are initially recognised in the balance sheet at cost, and subsequently measured 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**

Research and development grants are recognised as revenue in the profit and loss account under development 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.

### **THE 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 recognised under net turnover by the percentage-of-completion method.

**PRODUCTION COSTS**

Production costs comprise costs, including depreciation, wages and salaries paid to realise the net turnover of the year.

**RESEARCH AND DEVELOPMENT COSTS**

Research and development costs are costs, including salaries and depreciation, which relate to the Group's research and development activities.

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 charged to 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 for the administrative staff, the management, Group costs etc., including salaries and depreciation.

**OTHER OPERATING EXPENSES**

Other operating expenses comprise revenue and costs of a secondary nature in relation to Group activities, e.g. results of derivative financial instruments, which have not been concluded for the purpose of hedging, as well as buy-back obligations relating to employee shares.

**SHARE OF PROFIT, ASSOCIATED COMPANIES**

The Group's share of profits after tax in associated 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 comprises interest received and interest paid, realised and unrealised capital losses and capital gains on securities, and exchange rate adjustments of financial items in foreign currencies.

**TAX ON PROFIT FOR THE YEAR**

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

Dividend tax on dividends from foreign subsidiaries is charged to the profit and loss account 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.

**THE BALANCE SHEET****INTANGIBLE FIXED ASSETS****DEVELOPMENT PROJECTS, PATENTS AND LICENCES**

Development costs include costs, wages, salaries and amortisation that are directly and indirectly attributable to the company's development activities and meet the criteria for recognition in the balance sheet. Up until and including

2001, all development costs incurred were charged to the profit and loss account.

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

After completion of the development work, capitalised development projects are amortised by the straight-line method over the anticipated economic life of the asset. The amortisation period is normally 5-10 years.

#### **OTHER INTANGIBLE FIXED ASSETS**

Other intangible fixed assets are measured at acquisition price less accumulated amortisation and write-downs or at the recoverable amount, whichever is lower.

Amortisation of intangible fixed assets is by the straight-line method over the anticipated economic life of the asset, which – based on individual assessment – is as follows:

Group goodwill.....	up to 20 years
Other intangible fixed assets.....	up to 5 years

#### **TANGIBLE FIXED ASSETS**

Land and buildings are measured at acquisition price with the addition of revaluations and deduction of accumulated depreciation and write-downs. The most recent revaluation of buildings was on 1 April 1982.

Technical installations and machinery and other technical installations are measured at acquisition price less accumulated depreciation and write-downs. Tangible fixed assets produced in-house are measured at cost, including a proportion of the indirect production costs.

Tangible fixed assets are depreciated by the straight-line method through the anticipated useful and economic life to the estimated residual value. The useful life of large assets is determined individually, whereas the useful life of

other assets is determined for groups of similar assets. The expected useful lives are:

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

Where the value of the expected future earnings capacity of the asset in use is lower than the book value, the asset is written down to the recoverable amount.

Minor acquisitions and assets with a short useful life are charged to the profit and loss account in the year of acquisition.

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

#### **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.

Listed shares are measured at market value. Non-listed shares are measured at the estimated market value, and where such value does not exist, at cost.

#### **INVENTORIES**

Inventories are measured at acquisition price or cost price in accordance with the FIFO principle or net realisable value, whichever is lower. The cost price includes direct wages, cost of goods sold and indirect production costs.

Obsolete goods, including slow-moving goods, are written down.

**ACCOUNTS RECEIVABLE**

Accounts receivable are measured at amortised cost; writing down is performed 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.

**SECURITIES STATED AS 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.

Concluded REPO transactions are recognised as loans with security in the bond portfolio.

**DIVIDEND**

The proposed dividend to minority shareholders, which is expected to be paid out for the year, is recognised under minority interests on the liability side of the balance sheet.

**DEFERRED TAX**

Deferred tax is measured by the balance sheet liability method of all timing differences between the fiscal and financial value of assets and liabilities. For consolidation purposes, deferred tax is calculated on the eliminated unrealised internal profit margins.

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 converted into current tax.

**PROVISIONS****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.

The benefit schemes, which are organised in independent pension funds, are mainly used by the British companies of the Group. According to these schemes, the employee is 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 rates, 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 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 report, 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**

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

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

#### **FINANCIAL LIABILITIES**

Mortgage debt and bank loans etc. are measured at the time of borrowing at the received net proceeds 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.

### **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 activities, investment activities 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 subsidiaries.

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 and securities with only negligible currency risks.

### **THE PARENT FOUNDATION**

#### **INCOME FROM INVESTMENTS IN SUBSIDIARIES**

The prorated share of the affiliated companies' profit before tax after elimination of internal profit 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.

#### **INVESTMENTS 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.

## MANAGEMENT STATEMENT

THE BOARD OF DIRECTORS HAS REVIEWED AND APPROVED THE 2006 ANNUAL REPORT FOR THE POUL DUE JENSEN FOUNDATION.

The Annual Report has been presented in accordance with the Danish Financial Statements Act and Danish accounting standards. In our opinion, the appropriate accounting policies have been applied, and the Annual Report gives a true and fair view of the Group's and Parent Foundation's assets, liabilities, financial position, profit and cash flow.

Bjerringbro, Denmark, 17 April 2007

### THE BOARD OF DIRECTORS

The Poul Due Jensen Foundation



■ Lars Kolind  
Chairman



■ Niels Due Jensen  
Vice Chairman



■ Niels Christian Nielsen  
Member of the Board



■ Poul Due Jensen  
Member of the Board



■ Thomas Lund  
Member of the Board



■ Estrid Due Hesselholt  
Member of the Board



■ Christine Bosse  
Member of the Board



■ Ingermarie Due Nielsen  
Member of the Board

## INDEPENDENT AUDITOR'S REPORT

### TO THE POUL DUE JENSEN FOUNDATION

We have audited the annual report of the Poul Due Jensen Foundation for the financial year 1 January to 31 December 2006, which comprises the management statement, management report, accounting policies, profit and loss account, balance sheet, statement of changes in equity and the notes for the Group as well as the Parent Foundation and the consolidated cash flow statement. The annual report has been prepared in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

### MANAGEMENT'S RESPONSIBILITY FOR THE ANNUAL REPORT

Management is responsible for the preparation and fair presentation of an annual report in accordance with the Danish Financial Statements Act and Danish Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### AUDITOR'S RESPONSIBILITY AND BASIS OF OPINION

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of an annual report 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 evaluating the overall presentation of the annual report.

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 annual report gives a true and fair view of the Group's and the Parent Foundation's financial position at 31 December 2006, and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2006 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Århus, 17 April 2007

DELOITTE

Statsautoriseret Revisionsaktieselskab

H.P. Møller Christiansen,  
State Authorised Public Accountant

Jesper Meto,  
State Authorised Public Accountant



## PROFIT AND LOSS ACCOUNT

1 January - 31 December 2006

Amounts in DKK 1,000

	Note	2006	2005
Net turnover	1	15,376,176	13,421,580
Production costs	2, 3	(9,339,467)	(8,250,638)
Research and development costs	2, 3	(561,975)	(488,708)
<b>Gross profit</b>		<b>5,474,734</b>	<b>4,682,234</b>
Sales and distribution costs	2, 3	(2,619,564)	(2,241,020)
Administrative costs	2, 3	(1,225,621)	(1,039,016)
Amortisation of Group goodwill		(95,657)	(49,385)
<b>Operating profit</b>		<b>1,533,892</b>	<b>1,352,813</b>
Other operating expenses		(25,279)	(51,211)
Share of profit, associated companies		(5,344)	(4,262)
Income from fixed asset investments		19,849	15,615
Cost of financing, net	4	(44,317)	(58,794)
<b>Profit before tax</b>		<b>1,478,801</b>	<b>1,254,161</b>
Tax on profit for the year	5	(555,838)	(447,143)
<b>Consolidated profit after tax</b>		<b>922,963</b>	<b>807,018</b>
Minority shareholders' share of profits in subsidiaries		(126,672)	(106,420)
<b>Profit for the year</b>		<b>796,291</b>	<b>700,598</b>

## BALANCE SHEET

As at 31 December 2006

Amounts in DKK 1,000

### ASSETS

Fixed assets	Note	2006	2005
<b>Intangible fixed assets</b>			
Completed development projects		147,157	91,939
Group goodwill		762,201	756,686
Other intangible fixed assets		34,353	36,787
Development projects in progress		146,205	108,009
6		<b>1,089,916</b>	<b>993,421</b>
<b>Tangible fixed assets</b>			
Land and buildings		2,395,816	2,242,248
Technical installations and machinery		1,613,858	1,619,759
Other technical installations		470,400	456,300
Tangible fixed assets in progress		563,208	381,412
7		<b>5,043,282</b>	<b>4,699,719</b>
<b>Fixed asset investments</b>			
Investments in associated companies		0	730
Securities		563,569	548,683
Other accounts receivable		18,486	17,677
7		<b>582,055</b>	<b>567,090</b>
<b>Total fixed assets</b>		<b>6,715,253</b>	<b>6,260,230</b>
<b>Current assets</b>			
<b>Inventories</b>	8	<b>2,930,990</b>	<b>2,400,946</b>
<b>Accounts receivable</b>			
Trade debtors and B/E debtors		3,064,919	2,741,998
Deferred tax assets	9	69,966	57,016
Other accounts receivable		732,642	325,500
Prepayments and accrued income		199,882	163,882
		<b>4,067,409</b>	<b>3,288,396</b>
<b>Securities</b>		<b>547,503</b>	<b>394,715</b>
<b>Cash at bank and in hand</b>		<b>819,771</b>	<b>822,011</b>
<b>Total current assets</b>		<b>8,365,673</b>	<b>6,906,068</b>
<b>Total assets</b>		<b>15,080,926</b>	<b>13,166,298</b>

Amounts in DKK 1,000

## ■ LIABILITIES

	Note	2006	2005
<b>Equity</b>			
Registered capital		505,000	505,000
Retained profit		6,434,264	5,489,383
		<b>6,939,264</b>	<b>5,994,383</b>
<b>Minority interests</b>		<b>995,866</b>	<b>856,348</b>
(mainly the founder's family)			
<b>Provisions</b>			
Liabilities under guarantee	10	110,222	104,172
Buy-back obligation relating to employee shares	10	367,653	358,536
Pension liabilities	10	316,174	312,556
Other provisions	10	227,685	133,027
Deferred tax	9	190,149	127,531
		<b>1,211,883</b>	<b>1,035,822</b>
<b>Long-term liabilities</b>			
Mortgage debt		623,718	652,619
Bank loans		805,947	843,560
Other monetary creditors		22,989	29,880
Corporation tax		3,703	0
	11	<b>1,456,357</b>	<b>1,526,059</b>
<b>Short-term liabilities</b>			
Bank overdrafts and loans		1,300,932	1,082,161
Trade creditors		1,608,912	1,290,225
Debts to associated companies		193	1,379
Corporation tax		145,286	145,822
Other liabilities		1,412,683	1,221,170
Accruals and deferred income		9,550	12,929
		<b>4,477,556</b>	<b>3,753,686</b>
<b>Total liabilities</b>		<b>15,080,926</b>	<b>13,166,298</b>
<b>Financial instruments</b>	12		
<b>Auditors' remuneration</b>	13		
<b>Related parties</b>	14		
<b>Securities, contingent liabilities etc.</b>	15		

## STATEMENT OF CHANGES IN EQUITY

1 January - 31 December 2006

Amounts in DKK 1,000

	Registered capital	Revaluation of provisions	Retained profit	Total equity
<b>Equity, opening 2005</b>	<b>505,000</b>	<b>1,828</b>	<b>4,643,508</b>	<b>5,150,336</b>
Profit for the year			700,598	700,598
Exchange rate adjustments, subsidiaries etc.			151,815	151,815
Changes in minority interests			(797)	(797)
Reversal of revaluations		(1,828)	1,828	0
Value adjustment of hedging instruments, opening			(54,662)	(54,662)
Value adjustment of hedging instruments, closing			38,692	38,692
Tax on equity items			8,401	8,401
<b>Equity, closing 2005</b>	<b>505,000</b>	<b>0</b>	<b>5,489,383</b>	<b>5,994,383</b>
Profit for the year			796,291	796,291
Exchange rate adjustments, subsidiaries etc.			(107,231)	(107,231)
Changes in minority interests			(189)	(189)
Value adjustment of hedging instruments, opening			(38,692)	(38,692)
Value adjustment of hedging instruments, closing			391,795	391,795
Tax on equity items			(97,093)	(97,093)
<b>Equity, closing 2006</b>	<b>505,000</b>	<b>0</b>	<b>6,434,264</b>	<b>6,939,264</b>

## CASH FLOW STATEMENT

1 January - 31 December 2006

Amounts in DKK 1,000

	Note	2006	2005
Consolidated profit after tax		922,963	807,018
Reversal of entries with no liquidity effect	16	1,573,347	1,389,976
Changes in working capital	17	(352,915)	(45,631)
Cash flow from operations before financials		2,143,395	2,151,363
Income from fixed asset investments		19,849	15,615
Cost of financing, net		(44,317)	(58,794)
Cash flow from ordinary activities		2,118,927	2,108,184
Corporation tax paid		(618,173)	(491,538)
<b>Cash flow from operating activities</b>		<b>1,500,754</b>	<b>1,616,646</b>
Acquisition of companies	18	(180,239)	(292,912)
Investment in tangible fixed assets		(1,118,639)	(1,008,752)
Disposal of tangible fixed assets		13,648	68,899
Investment in intangible fixed assets		(130,551)	(110,136)
Purchase and sale of securities		(33,719)	24,443
<b>Cash flow from investment activities</b>		<b>(1,449,500)</b>	<b>(1,318,458)</b>
Change in long-term liabilities		(69,702)	(148,662)
Change in short-term liabilities		151,071	(3,145)
Distribution of dividend		(7,704)	(7,292)
Unrealised exchange rate adjustments		55,384	(68,622)
<b>Cash flow from financing activities</b>		<b>129,049</b>	<b>(227,721)</b>
<b>Change in liquid funds</b>		<b>180,303</b>	<b>70,467</b>
Available funds including securities, opening	19	1,186,971	1,146,259
<b>Available funds including securities stated as current assets, closing</b>	20	<b>1,367,274</b>	<b>1,216,726</b>



## NOTES TO THE ACCOUNTS

As at 31 December 2006

Amounts in DKK 1,000

### Note 1

Net turnover	2006	2005
Europe	10,494,242	9,302,687
North and South America	1,712,079	1,331,466
East Asia	2,573,136	2,287,572
The Middle East/Africa	596,719	499,855
<b>Net turnover</b>	<b>15,376,176</b>	<b>13,421,580</b>
<p>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.</p>		

### Note 2

Staff costs	2006	2005
Total Group payments to employees and Board of Directors	3,643,329	3,356,848
Pensions	258,645	206,820
Social contributions	424,305	388,188
	<b>4,326,279</b>	<b>3,951,856</b>
Staff costs are recognised as follows:		
Production costs	2,229,007	2,046,382
Research and development costs	378,424	370,662
Sales and distribution costs	1,145,505	1,029,366
Administrative costs	573,343	505,446
	<b>4,326,279</b>	<b>3,951,856</b>
The staff costs of the year include directors' fees to the Board of the Foundation totalling	2,489	2,404
<b>Average number of full-time employees</b>	<b>14,228</b>	<b>13,112</b>
<b>Number of employees, closing</b>	<b>14,782</b>	<b>13,369</b>

Amounts in DKK 1,000

■ **Note 3****Depreciation, amortisation and write-downs**

	2006	2005
Amortisation, intangible fixed assets	135,685	75,672
Depreciation, tangible fixed assets	731,397	731,138
	<b>867,082</b>	<b>806,810</b>
Depreciation, amortisation and write-downs are recognised as follows:		
Production costs	587,671	577,006
Research and development costs	62,100	60,973
Sales and distribution costs	58,783	57,716
Administrative costs	62,871	61,730
Group goodwill	95,657	49,385
	<b>867,082</b>	<b>806,810</b>

■ **Note 4****Cost of financing, net**

Interest expenses	(183,828)	(154,903)
<b>Total interest expenses</b>	<b>(183,828)</b>	<b>(154,903)</b>
Interest income from bonds	7,357	4,288
Price adjustment etc. from securities	80,085	61,992
Other interest income	52,069	29,829
<b>Total interest income</b>	<b>139,511</b>	<b>96,109</b>
<b>Cost of financing, net</b>	<b>(44,317)</b>	<b>(58,794)</b>

■ **Note 5****Tax on profit for the year**

Current tax	605,968	457,970
Deferred tax	(59,449)	8,050
Deferred tax adjustment due to changed rate of taxation	0	(16,548)
Adjustment re previous years	9,319	(2,329)
<b>Tax on profit for the year</b>	<b>555,838</b>	<b>447,143</b>
Restatement of rate of taxation for the year:		
Danish rate of taxation	28 %	28 %
Deviations in tax in foreign companies in relation to Danish rate of taxation	2 %	4 %
Non-taxable income and non-deductible expenses	4 %	2 %
Non-deductible amortisation of goodwill	2 %	1 %
Reduction of tax rates	0 %	(1 %)
Other, including adjustments re previous years	2 %	2 %
<b>Rate of taxation for the year</b>	<b>38 %</b>	<b>36 %</b>

Amounts in DKK 1,000

■ **Note 6**

**Intangible fixed assets**

	Completed development projects	Group goodwill	Other intangible fixed assets	Develop- ment projects in progress
<b>Acquisition price</b>				
Opening	104,006	984,519	147,209	108,009
Acquisition/sale of activities		101,628	663	
Exchange rate adjustments		(560)	(52)	
Additions of the year	79,618		16,407	117,814
Disposals at acquisition price		(1,789)	(21,597)	(79,618)
<b>Closing</b>	<b>183,624</b>	<b>1,083,798</b>	<b>142,630</b>	<b>146,205</b>
<b>Accumulated amortisation</b>				
Opening	12,067	227,833	110,422	0
Acquisition/sale of activities			176	
Exchange rate adjustments		(104)	(22)	
Amortisation/write-downs of the year	24,400	95,657	15,628	
Amortisation on disposals of the year		(1,789)	(17,927)	
<b>Closing</b>	<b>36,467</b>	<b>321,597</b>	<b>108,277</b>	<b>0</b>
<b>Book value 31 Dec. 2006</b>	<b>147,157</b>	<b>762,201</b>	<b>34,353</b>	<b>146,205</b>
<b>Book value 31 Dec. 2005</b>	<b>91,939</b>	<b>756,686</b>	<b>36,787</b>	<b>108,009</b>

■ **Note 7**

**Tangible fixed assets and fixed asset investments**

	Land and buildings	Technical installations and machinery	Other technical installations	Tangible fixed assets in course of construction	Associated companies	Securities	Other debtors
<b>Acquisition price</b>							
Opening	3,367,274	5,875,857	1,284,354	381,412	19,780	551,179	18,479
Acquisition/sale of activities	36,425	6,290	4,454				
Exchange rate adjustments	(66,465)	(240,601)	1,603	(2,591)		(5,502)	(1,809)
Additions of the year	287,541	483,466	163,245	556,439	3,406	175,231	6,344
Disposals at acquisition price	(16,370)	(206,556)	(67,767)	(372,052)		(150,239)	(1,400)
<b>Closing</b>	<b>3,608,405</b>	<b>5,918,456</b>	<b>1,385,889</b>	<b>563,208</b>	<b>23,186</b>	<b>570,669</b>	<b>21,614</b>
<b>Revaluations</b>							
Opening	21,845						492
Revaluations of the year							164
Revaluation (install. sold)							(656)
<b>Closing</b>	<b>21,845</b>						<b>0</b>

Amounts in DKK 1,000

■ **Note 7 (continued)**

	Land and buildings	Technical installations and machinery	Other technical installations	Tangible fixed assets in course of construction	Associated companies	Securities	Other debtors
<b>Accumulated depreciation</b>							
Opening	1,146,871	4,256,098	828,054	0	19,050	2,496	1,294
Acquisition/sale of activities	1,988	1,492	1,361				
Exchange rate adjustments	(22,449)	(223,093)	9,847			459	(391)
Deprec./wr-downs of the year	118,500	469,255	143,642		5,454	4,145	2,225
Depreciation on disposals	(10,476)	(199,154)	(67,415)				
Brought forward to provisions regarding associated company					(1,318)		
<b>Closing</b>	<b>1,234,434</b>	<b>4,304,598</b>	<b>915,489</b>	<b>0</b>	<b>23,186</b>	<b>7,100</b>	<b>3,128</b>
<b>Book value 31 Dec. 2006</b>	<b>2,395,816</b>	<b>1,613,858</b>	<b>470,400</b>	<b>563,208</b>	<b>0</b>	<b>563,569</b>	<b>18,486</b>
<b>Book value 31 Dec. 2005</b>	<b>2,242,248</b>	<b>1,619,759</b>	<b>456,300</b>	<b>381,412</b>	<b>730</b>	<b>548,683</b>	<b>17,677</b>
The cash value of land and buildings in Denmark at the latest tax assessment of real property amounts to DKK 860m (book value: DKK 665m). The book value of capitalised leased facilities as at 31 December 2006 amounts to DKK 26m (2005: DKK 37m). The market value of securities as at 31 December 2006 amounts to DKK 551m (2005: DKK 534m).							

■ **Note 8****Inventories**

	2006	2005
Raw materials and consumables	1,289,646	1,057,840
Work in progress	577,305	469,231
Manufactured goods and goods for resale	1,064,039	873,875
<b>Inventories</b>	<b>2,930,990</b>	<b>2,400,946</b>

■ **Note 9****Deferred tax/deferred tax assets**

	2006	2005
Deferred tax broken down:		
Fixed assets	231,537	218,016
Current assets	(37,695)	(102,927)
Provisions	(73,778)	(73,465)
Liabilities	1,490	7,124
Deficit	(9,184)	(6,174)
Other	7,813	27,941
	<b>120,183</b>	<b>70,515</b>
The above has been recognised in the balance sheet as:		
Deferred tax assets	69,966	57,016
Deferred tax (liability)	190,149	127,531

Amounts in DKK 1,000

#### ■ Note 10

##### Other provisions

Other provisions	Liabilities under guarantee	Buy-back obligation relating to employee shares	Pension liabilities	Other provisions
Opening 2006	104,172	358,536	312,556	133,027
Exchange rate adjustments	(3,823)	0	2,899	(4,908)
Acquisition of companies	1,728	0	0	0
Provisions spent during the year	(2,781)	(19,328)	(23,795)	(26,268)
Provisions reversed	(3,334)	0	0	20,245
Provisions of the year	14,260	28,445	24,514	105,589
Closing 2006	110,222	367,653	316,174	227,685
The ordinary guarantee on products sold covers a period of 24 months.				
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:				
Released before 2007		18,099		
2007		84,617		
2008		31,029		
2009		103,191		
2010-2012		130,717		
The buy-back obligation calculated at market value amounts to DKK 396m (2005: DKK 346m).				
Unrecognised actuarial losses in connection with pension liabilities amount to DKK 51m (2005: DKK 51m).				

#### ■ Note 11

##### Long-term liabilities

	2006	2005
Debt falling due after more than one year but less than five years:		
Mortgage debt	214,520	151,153
Bank loans	780,597	818,194
Other monetary creditors	22,989	29,880
Corporation tax	3,703	0
Debt falling due after more than five years:		
Mortgage debt	409,198	501,466
Bank loans	25,350	25,366
Distribution of currencies and interest as at 31 December 2006:		
<b>Currencies</b>	<b>Rente</b>	<b>Amounts in DKKm</b>
EUR	4.2 %	761
DKK	4.1 %	562
CNY	6.0 %	46
GBP	5.6 %	17
Other	3.6 %	67
<b>Total</b>		<b>1,453</b>

Amounts in DKK 1,000

## Note 12

### Financial instruments

For hedging purposes, the Group has entered into foreign exchange and option contracts, which on the balance sheet date can be broken down into the following principal items (DKKm):

	Volume	Deferred entering in the profit and loss account
EUR	772	11
USD	274	8
GBP	336	(2)
JPY	45	2
Other	143	(4)
<b>Total</b>	<b>1,570</b>	<b>15</b>

As at 31 December 2006, the hedging horizon for the individual currencies is up to one year. Interest rate swaps entered into for hedging purposes at a volume of DKK 1,848m (2005: DKK 1,868m) amount to a loss of DKK 5m (2005: loss of DKK 25m).

Raw material contracts (nickel, copper and aluminium) entered into for hedging purposes amount to a gain of DKK 310m (2005: gain of DKK 62m).

## Note 13

### Auditors' remuneration

	2006	2005
Fee to Deloitte for auditing	12,540	12,607
Fee to Deloitte for other services	11,156	9,217

## Note 14

### Related parties

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

The Group has conducted business with DUBA-B8 A/S, in which member of the Board of Directors Niels Due Jensen has a controlling interest. The Group's purchases from DUBA-B8 A/S amounted to DKK 11m in 2006. Furthermore, the Group has received DKK 4m from DUBA-B8 A/S as rent receipts.

Apart from this, there have been no transactions between the minority shareholders and the Grundfos Group, except distribution of dividend and payment of salaries and directors' fees.



Amounts in DKK 1,000

#### ■ Note 15

##### **Securities, contingent liabilities etc.**

The Group has mortgaged property at a book value of DKK 424m and machinery and equipment at a book value of DKK 563m, a total of DKK 987m as security for loans, which on the balance sheet date show outstanding debts of DKK 525m.

	2006	2005
Operational leasing contracts and lease obligations for the coming years amount to	271,834	275,746

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 16

##### **Reversal of entries with no liquidity effect**

	2006	2005
Depreciation	867,082	806,810
Liabilities under guarantee and other provisions	120,615	88,582
Share of profit, associated companies	5,344	4,262
Income from other securities and investments, which are fixed assets	(19,849)	(15,615)
Cost of financing, net	44,317	58,794
Tax on profit for the year	555,838	447,143
<b>Reversal of entries with no liquidity effect</b>	<b>1,573,347</b>	<b>1,389,976</b>

#### Note 17

##### ■ **Changes in working capital**

	2006	2005
Changes in inventories	(482,147)	(106,439)
Changes in accounts receivable	(304,891)	(304,070)
Changes in suppliers etc.	503,386	303,495
Unrealised exchange rate adjustments	(69,263)	61,383
<b>Changes in working capital</b>	<b>(352,915)</b>	<b>(45,631)</b>

Amounts in DKK 1,000

#### Note 18

##### Acquisition of companies

Acquisitions of the year include Paco (USA), Wuxi (China), Wåge (Sweden) and Watermill (the UK) together with adjustments of previous years' acquisitions.

	2006	2005
Fixed assets	(42,813)	(41,314)
Inventories	(47,897)	(61,239)
Accounts receivable	(59,783)	(80,815)
Cash at bank and in hand	(17,366)	(16,978)
Provisions	1,926	26,805
Long-term liabilities	0	9,735
Short-term liabilities	69,956	127,927
<b>Net assets</b>	<b>(95,977)</b>	<b>(35,879)</b>
Group goodwill	(101,628)	(274,011)
<b>Acquisition price</b>	<b>(197,605)</b>	<b>(309,890)</b>
Of this, cash at bank and in hand	17,366	16,978
<b>Cash acquisition price</b>	<b>(180,239)</b>	<b>(292,912)</b>

#### Note 19

##### Available funds, opening

Cash at bank and in hand	1,216,726	1,119,919
Unrealised exchange rate adjustments	(29,755)	26,340
<b>Available funds, opening</b>	<b>1,186,971</b>	<b>1,146,259</b>

#### Note 20

##### Available funds, closing

Securities	547,503	394,715
Cash at bank and in hand	819,771	822,011
<b>Available funds, closing</b>	<b>1,367,274</b>	<b>1,216,726</b>

## PROFIT AND LOSS ACCOUNT FOR THE POUL DUE JENSEN FOUNDATION

1 January - 31 December 2006

Amounts in DKK 1,000

	Note	2006	2005
Administrative costs	1	(2,412)	(1,961)
Income from investment in subsidiary before tax		1,311,291	1,112,374
Gain from sale of shares		390	55,708
Provision for buy-back of employee shares		(28,427)	(80,279)
Interest income	2	10,480	7,207
Cost of financing	3	(3,194)	(3,482)
<b>Profit before tax</b>		<b>1,288,128</b>	<b>1,089,567</b>
Tax on profit for the year	4	(479,552)	(388,179)
<b>Profit for the year</b>		<b>808,576</b>	<b>701,388</b>
<b>Proposed profit appropriation</b>			
Distribution		12,285	790
Brought forward to revaluation reserve by the equity method		822,258	708,579
Retained profit		(25,967)	(7,981)
		<b>808,576</b>	<b>701,388</b>

## BALANCE SHEET FOR THE POUL DUE JENSEN FOUNDATION

Amounts in DKK 1,000

### Assets

	Note	2006	2005
<b>Fixed assets</b>			
<b>Fixed asset investments</b>			
Investment in affiliated company		7,063,728	6,092,880
Accounts receivable from affiliated company		58,978	63,138
Securities		70	70
<b>Total fixed assets</b>	5	<b>7,122,776</b>	<b>6,156,088</b>
<b>Current assets</b>			
<b>Accounts receivable</b>			
Accounts receivable from affiliated companies		257,218	255,007
Deferred tax assets		0	1,057
Corporation tax receivable		0	2,236
		<b>257,218</b>	<b>258,300</b>
<b>Cash at bank and in hand</b>		<b>1,012</b>	<b>233</b>
<b>Total current assets</b>		<b>258,230</b>	<b>258,533</b>
<b>Total assets</b>		<b>7,381,006</b>	<b>6,414,621</b>

### Liabilities

<b>Equity</b>			
Registered capital		505,000	505,000
Net revaluation by the equity method		6,419,513	5,448,665
Capital available		14,751	40,718
		<b>6,939,264</b>	<b>5,994,383</b>
<b>Provisions</b>			
Buy-back obligation relating to employee shares		367,653	350,465
		<b>367,653</b>	<b>350,465</b>
<b>Long-term liabilities</b>			
Mortgage debt	6	58,978	63,138
		<b>58,978</b>	<b>63,138</b>
<b>Short-term liabilities</b>			
Bank overdrafts and loans		4,160	3,976
Debts to affiliated companies		0	1,268
Corporation tax		1,205	0
Other liabilities		9,746	1,391
		<b>15,111</b>	<b>6,635</b>
<b>Total liabilities</b>		<b>7,381,006</b>	<b>6,414,621</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE POUL DUE JENSEN FOUNDATION

1 January - 31 December 2006

Amounts in DKK 1,000

	Registered capital	Reserve equity method	Capital available	Total equity
<b>Equity, opening 2005</b>	<b>505,000</b>	<b>4,596,637</b>	<b>48,699</b>	<b>5,150,336</b>
Profit for the year		708,579	(7,981)	700,598
Exchange rate adjustments, subsidiaries etc.		151,815		151,815
Changes in minority interests		(797)		(797)
Value adjustment of hedging instruments, opening		(54,662)		(54,662)
Value adjustment of hedging instruments, closing		38,692		38,692
Tax on equity items		8,401		8,401
<b>Equity, closing 2005</b>	<b>505,000</b>	<b>5,448,665</b>	<b>40,718</b>	<b>5,994,383</b>
Profit for the year		822,258	(25,967)	796,291
Exchange rate adjustments, subsidiaries etc.		(107,231)		(107,231)
Changes in minority interests		(189)		(189)
Value adjustment of hedging instruments, opening		(38,692)		(38,692)
Value adjustment of hedging instruments, closing		391,795		391,795
Tax on equity items		(97,093)		(97,093)
<b>Equity, closing 2006</b>	<b>505,000</b>	<b>6,419,513</b>	<b>14,751</b>	<b>6,939,264</b>

## NOTES TO THE ACCOUNTS OF THE POUL DUE JENSEN FOUNDATION

Amounts in DKK 1,000

### ■ Note 1

#### Administrative costs

	2006	2005
Including:		
Directors' fees	545	500
Fee to Deloitte for auditing	30	35
Fee to Deloitte for other services	109	126

### ■ Note 2

#### Interest income

Interest income from affiliated companies amounts to DKK 10,227 thousand against DKK 7,207 thousand in 2005.

### ■ Note 3

#### Cost of financing

Cost of financing to affiliated companies amount to DKK 0 thousand against DKK 0 thousand in 2005.

### ■ Note 4

#### Tax on profit for the year

	2006	2005
Tax in affiliated companies	466,001	380,299
Current tax	12,494	9,570
Deferred tax	1,057	(1,690)
<b>Tax on profit for the year</b>	<b>479,552</b>	<b>388,179</b>



Amounts in DKK 1,000

■ **Note 5**

**Fixed asset investments**

	Investment in affiliated company	Accounts receivable from affiliated company	Securities
<b>Acquisition price</b>			
Opening	548,201	63,138	70
Disposal at acquisition price		(4,160)	
<b>Closing</b>	<b>548,201</b>	<b>58,978</b>	<b>70</b>
<b>Value adjustments</b>			
Opening	5,544,679	0	0
Profit for the year	845,290		
Dividend received	(23,032)		
Exchange rate adjustments	(107,231)		
Other adjustments	255,821		
<b>Closing</b>	<b>6,515,527</b>	<b>0</b>	<b>0</b>
<b>Book value 31 Dec. 2006</b>	<b>7,063,728</b>	<b>58,978</b>	<b>70</b>
<b>Book value 31 Dec. 2005</b>	<b>6,092,880</b>	<b>63,138</b>	<b>70</b>
The book value of investment in affiliated company includes goodwill amounting to DKK 71,050 thousand against DKK 75,791 thousand in 2005.			

■ **Note 6**

**Long-term liabilities**

	2006	2005
Amounts falling due after more than five years:		
Mortgage debt	40,312	45,301

## PROFIT AND LOSS ACCOUNT IN EUROS

1 January - 31 December 2006

Amounts in EUR 1,000

	2006	2005
Net turnover	2,061,371	1,801,435
Production costs	(1,252,074)	(1,107,395)
Research and development costs	(75,340)	(65,594)
<b>Gross profit</b>	<b>733,957</b>	<b>628,446</b>
Sales and distribution costs	(351,186)	(300,788)
Administrative costs	(164,310)	(139,456)
Amortisation of Group goodwill	(12,824)	(6,628)
<b>Operating profit</b>	<b>205,637</b>	<b>181,574</b>
Other operating expenses	(3,389)	(6,874)
Share of profit, associated companies	(716)	(572)
Income from fixed asset investments	2,661	2,096
Cost of financing, net	(5,941)	(7,891)
<b>Profit before tax</b>	<b>198,252</b>	<b>168,333</b>
Tax on profit for the year	(74,517)	(60,015)
<b>Consolidated profit after tax</b>	<b>123,735</b>	<b>108,318</b>
Minority shareholders' share of profits in subsidiaries	(16,982)	(14,284)
<b>Profit for the year</b>	<b>106,753</b>	<b>94,034</b>

## GRUNDFOS IN BRIEF

Water gives life to people, animals and plants and is a necessity for industry to produce. Water is very useful when heating and cooling buildings and is also used to drain off waste products. Anywhere where water is a coveted resource or needs to be drained away, Grundfos plays a central role.

Our range of efficient and reliable pump solutions is continuously expanded. Extensive know-how and intensive research and product development allow us to develop new, trend-setting products, which meet the ever-increasing requirements of customers and society at large for improved energy efficiency and a reduced impact on the environment.

In addition to pumps and pump systems, Grundfos develops, manufactures and sells energy-efficient electromotors and sophisticated electronics. Once the electronics are built into the pumps they become "intelligent", i.e. capable of assessing the current need for water and adapt their performance accordingly - all of which results in a significant reduction in energy consumption.

At all stages of production, quality is controlled effectively as we have a high degree of own production. Also, production control ensures high productivity while at the same time enabling us to take both the external environment and the working environment into consideration.

With their knowledge and commitment, the employees are the most important resource in the Grundfos Group. Therefore, the Group strives to offer its employees further training and to create an inspiring environment that promotes the development of new products with an increased utility value and high quality for the customers.

In a world characterised by frequent changes in the global economy, the Group's global nature is our customers' guarantee for continuous and easy access to pumps, spare parts and service. Consequently, the Grundfos Group constantly expands its network of sales and service companies in Europe, America, the Middle East, Australia and Asia. High reliability of supply and the possibility of adapting the pump solutions to local requirements are ensured through decentralised production and the establishment of regional research and development units.

Being a globally responsible company, Grundfos strongly emphasises the importance of being in harmony with the environment. All over the world, we strive to create and strengthen lasting ties with employees and business partners as well as the communities in which we operate.

The Grundfos Group is owned by the Poul Due Jensen Foundation, whose primary purpose is to expand and develop the Group. Reinvestment of earnings ensures that the Grundfos Group remains an independent company.

For further information about Grundfos, please visit our website at: <http://www.grundfos.com>

## LIST OF GROUP COMPANIES

	Denmark <b>The Poul Due Jensen Foundation</b>	
	Switzerland <b>Grundfos Holding AG</b>	
Denmark <b>Grundfos Management A/S</b>	Switzerland <b>Grundfos Insurance Management AG</b>	Denmark <b>Grundfos Finance A/S</b>

### SALES COMPANIES

Argentina, **Bombas Grundfos de Argentina S.A.**

Australia, **Grundfos Pumps Pty. Ltd.**

Austria, **Grundfos Pumpen Vertrieb Ges.m.b.H.**

Belgium, **N.V. Grundfos Bellux S.A.**

Brazil, **Mark Grundfos Ltda.**

Canada, **Grundfos Canada Inc.**

China, **Grundfos Pumps (Hong Kong) Ltd.**

China, **Grundfos Pumps (Shanghai) Co. Ltd.**

Denmark, **Grundfos DK A/S**

Finland, **OY Grundfos Pumput AB**

France, **Pompes Grundfos Distribution S.A.**

Germany, **Grundfos GmbH**

Greece, **Grundfos Hellas A.E.B.E.**

Hungary, **Grundfos Hungária Kft.**

India, **Grundfos Pumps India Private Limited**

Indonesia, **PT Grundfos Pompa**

Ireland, **Grundfos (Ireland) Ltd.**

Italy, **Grundfos Pompe Italia S.r.l.**

Japan, **Grundfos Pumps K.K.**

Korea, **Grundfos Pumps Korea Ltd.**

Malaysia, **Grundfos Pumps SDN. BHD**

Mexico, **Bombas Grundfos de Mexico S.A. de C.V.**

New Zealand, **Grundfos Pumps NZ Ltd.**

Norway, **Grundfos Pumper A/S**

Poland, **Grundfos Pompy Sp.z.o.o.**

Portugal, **Bombas Grundfos (Portugal) Lda.**

Romania, **Grundfos Pompe Romania S.R.L.**

Russia, **Grundfos Russia OOO**

Singapore, **Grundfos (Singapore) Pte. Ltd.**

Spain, **Bombas Grundfos España S.A.**

Sweden, **Grundfos AB**

Sweden, **Wåge Industri AB**

South Africa, **Brisan Turbo Pty. Ltd.**

South Africa, **Grundfos Pty. Ltd.**

Switzerland, **Grundfos Pumpen AG**

Taiwan, **Grundfos Pumps (Taiwan) Ltd.**

Thailand, **Grundfos (Thailand) Ltd.**

The Baltic states, **Grundfos Pumps UAB**

The Czech Republic, **Grundfos s.r.o.**

The Netherlands, **Grundfos Nederland B.V.**

The Ukraine, **Grundfos Ukraine**

The USA, **Grundfos CBS Inc.**

The USA, **Grundfos Pumps Corporation**

Turkey, **Grundfos Pompa San. ve Tic. Ltd. Sti.**

United Arab Emirates, **Grundfos Gulf Distribution**

United Kingdom, **Grundfos Euro Pump UK**

United Kingdom, **Grundfos Pumps Ltd.**

United Kingdom, **Watermill Products Ltd.**

### PRODUCTION COMPANIES

China, **Grundfos Pumps (Suzhou) Co. Ltd.**

Denmark, **Grundfos A/S**

Denmark, **Sintex A/S**

Finland, **OY Grundfos Environment Finland AB**

France, **Pompes Grundfos S.A.**

Germany, **Grundfos Pumpenfabrik GmbH**

Hungary, **Grundfos Hungary Manufacturing Ltd.**

Italy, **Grundfos Submersible Motors Srl.**

Mexico, **Bombas Grundfos de Mexico Manufacturing S.A. de C.V.**

Russia, **Grundfos Istra LLC**

Taiwan, **Grundfos Taiwan Manufacturing Co. Ltd.**

The USA, **Grundfos Pumps Manufacturing Corporation**

United Kingdom, **Grundfos Manufacturing Ltd.**

### NON-GRUNDFOS BRAND COMPANIES

China, **Grundfos Pumps (Wuxi) Ltd.**

Germany, **Alldos**

Germany, **Deutsche Vortex GmbH & Co. KG**

Germany, **Philipp Hilge GmbH & Co. KG**

Italy, **DAB Pumps S.p.A.**

Italy, **Leader Pumps Group S.p.A.**

Italy, **Tesla**

Korea, **Chung Suk Co. Ltd.**

Switzerland, **Arnold AG**

Switzerland, **Biral AG**

### NEW BUSINESS COMPANIES

Denmark, **Grundfos BioBooster A/S**

Denmark, **Grundfos Micro Refinery A/S**

Denmark, **Grundfos Nonox A/S**

Denmark, **Grundfos Sensor A/S**



## OWNERSHIP

The Poul Due Jensen Foundation, based in Bjerringbro, Denmark, is the parent company of the Grundfos Group. The Poul Due Jensen Foundation owns 85.1 per cent of the share capital in Grundfos Holding AG, Switzerland, while the founder's family owns 12.0 per cent and the employees own 2.9 per cent.

**Grundfos Holding AG, Switzerland, directly or indirectly owns the entire share capital in all subsidiaries, except for the following:**

Grundfos Pumps Pty. Ltd., Australia – 70 per cent.

PT Grundfos Pompa, Indonesia – 98 per cent.

Grundfos (Thailand) Ltd., Thailand – 74 per cent.

Philipp Hilge International GmbH & Co. KG, Germany – 94 per cent.

**Associated companies:**

Bjerringbro Savværk Holding A/S, Denmark – 30 per cent.

Infarm A/S, Denmark – 48.6 per cent.

## Historical Milestones of the Grundfos Group

1945	■	Poul Due Jensen establishes Grundfos.
1959	■	The launch of the first circulator pump marks the beginning of a completely new era.
1960	■	With the establishment of a pump factory in Germany, Grundfos opens a company outside Denmark for the first time.
1961	■	With an annual production of 34,000 pumps, Poul Due Jensen sees his vision of mass production come true.
1975	■	Poul Due Jensen transfers his ownership of the Grundfos Group to the Poul Due Jensen Foundation.
1977	■	Poul Due Jensen dies and Niels Due Jensen takes over as Chairman of the Board of Directors.
1980	■	The first Group Management with Niels Due Jensen as Group President.
1985	■	The Grundfos Group comprises 15 companies employing 5,000 staff. The annual turnover exceeds DKK 2 billion.
1990	■	Grundfos inaugurates the Technology Centre, which engages in research in new materials and processes and designs and manufactures new machines and tools.
1994	■	Grundfos inaugurates the Development Centre.
2001	■	Inauguration of the Poul Due Jensen Academy. With the Academy, the Group's massive investment in product development and branding is mirrored by the investment in training within sales/marketing and service, among others.
2003	■	Niels Due Jensen leaves the position as Group President and is replaced by Jens Jørgen Madsen.
2005	■	Grundfos introduces the world's first A-labelled circulator pump, ALPHA Pro, and the world's first B-labelled standard circulator pump.

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