

LIMITED LIABILITY COMPANY
GRUNDFOS PUMPS BALTIC
(UNIFIED REGISTRATION NUMBER 40003500153)

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS
AND CONSOLIDATED ANNUAL REPORTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Riga, 2022

*This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

TABLE OF CONTENTS

| | |
|--|----|
| CORPORATE INFORMATION | 3 |
| MANAGEMENT REPORT | 4 |
| STATEMENT OF PROFIT AND LOSS | 5 |
| BALANCE SHEET AS OF 31 DECEMBER 2021 - ASSETS | 6 |
| BALANCE SHEET AS OF 31 DECEMBER 2021 – EQUITY AND LIABILITIES | 7 |
| CASH FLOW STATEMENT | 8 |
| STATEMENT OF CHANGES IN EQUITY | 9 |
| NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 | 10 |
| INDEPENDENT AUDITOR'S REPORT | 21 |

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT**CORPORATE INFORMATION**

| | |
|--|---|
| Name of the Company | GRUNDFOS PUMPS BALTIC |
| Legal status of the Company | Limited liability company |
| Registration number, place and date | 40003500153 Riga, 30 June 2000 |
| Registered and office address | Gunāra Astras 8B, Riga, LV-1082 Latvia |
| Branch in Estonia | Priekule tee 10 Tallin, 13914, Estonia |
| Branch in Lithuania | Smolensko g. 6 Vilnius, 03201, Lithuania |
| Shareholder | Grundfos Holding A/S, Denmark, 100% |
| Type of operations | Wholesale of other machinery and equipment |
| NACE code | 46.69 Wholesale of other machinery and equipment |
| Chairman of the Board | Robert Zbigniew Dudzik (till 08.12.2021) Anders Ulrikjaer Duelund (since 08.12.2021) |
| Board of the Company | Jaroslav Blahut (till 08.12.2021) Petr Jelinek (till 08.12.2021) Catherine Ann Weaver (since 08.12.2021) Sandis Dancis (since 08.12.2021) |
| Prosecutor | Sandis Dancis (till 08.12.2021) |
| Reporting year | 1 January to 31 December 2021 |
| Previous reporting year | 1 January to 31 December 2020 |
| Outsourced Accountant | Reinis Onzuls SIA "Deloitte Latvia" Reg. No. 40003247787 |
| Independent auditors and their address | Iveta Vimba, Latvian sworn auditor, certificate no. 153 SIA „Ernst & Young Baltic” Muitas iela 1a, Riga Latvia, LV – 1010 Licence No.17 |

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

MANAGEMENT REPORT

The main business goal of SIA Grundfos Pumps Baltic (Registration number 40003500153) is sale of pumps and pumping systems. Starting from 1 July 2010 the Company operates in all Baltic States and has registered branches in the Estonian and Lithuanian market.

In 2021 net sales of the Company was equal to 2020. (In 2020 sales decreased 11,1% compared with 2019). Even with reduced number of employees during reorganization, company managed to reach the same net sales as the year before. Mainly thanks to open projects in previous years

Net Sales volumes in each of Baltic countries have shown different performance: turnover in Estonia declined by -15,75 % (in 2020 sales increased by 23,2%) where it was caused by missing sales resources in Industry segment and COVID-19 economic impact on Commercial sector in the market. Net sales in Latvia increased by 4,37% (in 2020 sales decreased by 11,1%) and in Lithuania net sales increased by 14,69 % (in 2020 sales decreased by 24%) due to good project base in Water utility business and high demand of products in private sector.

In 2021, Grundfos Group worked in accordance with the structure of the already introduced reorganization, dividing the sales structure by divisions, thus with the aim of improving the organization's ability to offer innovative solutions on the market and improve customer service in various product segments and sales channels

Gross profitability of the Company increased to 27% in 2021 (in 2020 – 24%) due to the changes in the sales product mix. Comparing to 2020 the total operating costs of the Company had increased by 25% due to restructuring expenses.

The Board proposes to distribute 473 000 EUR from retained earnings as dividends for 2021.

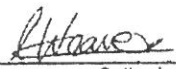
The COVID-19 pandemic continued to affect the global economy in 2021, mainly affecting the availability of materials and supply chains. However, the economy adjusted to the situation, and it gave hope to predict a slight increase in sales in the reporting year. In 2022, the main tasks are to ensure sales profitability and achieve sales turnover targets in all product segments, as well as to continue to improve and sell a full-spectrum package of offers to customers (product and service).

The management of the Company is responsible for these financial statements.

The Annual Report has been prepared in accordance with the Latvian statutory regulations and provides a true and fair view of the Company's financial position.

The management report was signed on 29th of November 2022 on the Company's behalf by:


29/11/22
Anders Ulkjaer Dørlund
Chairman of the Board


29/11/2022
Catherine Ann Weaver
Member of the Board


29/11/2022
Sandis Dancis
Member of the Board

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

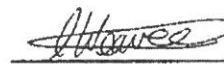
STATEMENT OF PROFIT AND LOSS

| | Notes | 2021 EUR | 2020 EUR |
|---|-------|-----------------------|-----------------------|
| Net turnover | 3 | 13 583 134 | 13 585 885 |
| Cost of sales | 4 | <u>(8 913 123)</u> | <u>(10 320 967)</u> |
| Gross profit | | 3 670 011 | 3 265 018 |
| Selling expense | 5 | (1 453 349) | (1 881 300) |
| Administrative expenses | 6 | (1 080 090) | (880 409) |
| Other income | 7 | 10 819 | 10 497 |
| Other expense | 8 | (42 892) | (309 088) |
| Interest income and similar income | | 3 | 215 |
| a) from related companies | | - | 9 |
| b) from other persons | | 3 | 206 |
| Interest payments and similar costs | | (2 341) | (5 755) |
| a) from related companies | | (2 060) | (4 971) |
| b) from other persons | | (281) | (784) |
| Profit or loss before corporate income tax | | <u>1 102 181</u> | <u>219 178</u> |
| Corporate income tax for the reporting year | 9 | <u>(250 602)</u> | <u>(65 310)</u> |
| NET PROFIT FOR THE YEAR | | <u>851 579</u> | <u>153 868</u> |

The accompanying notes are an integral part of these financial statements.

Signed on 29th of November 2022 on the Company's behalf by:

 29/11/22
Anders Ulrikjaer Duelund
Chairman of the Board

 29/11/2022
Catherine Ann Weaver
Member of the Board

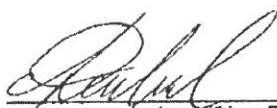
 29/11/2022
Sandis Dancis
Member of the Board


SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT
BALANCE SHEET AS OF 31 DECEMBER 2021 - ASSETS


| | Notes | 31.12.2021. EUR | 31.12.2020. EUR |
|--------------------------------------|-------|--------------------|--------------------|
| ASSETS | | | |
| Long-term investments | | | |
| FIXED ASSETS | | | |
| Leasehold improvements | | - | 328 |
| Other fixed assets | | 66 147 | 77 542 |
| Total fixed assets | 10 | <u>66 147</u> | <u>77 870</u> |
| Total long-term investments | | <u>66 147</u> | <u>77 870</u> |
| Current assets | | | |
| INVENTORIES | | | |
| Finished products and goods for sale | | 67 503 | 129 346 |
| Goods in transit | | 149 791 | 18 893 |
| Total inventories | 11 | <u>217 294</u> | <u>148 239</u> |
| DEBTORS | | | |
| Trade receivables | 12 | 1 862 754 | 1 974 327 |
| Related party receivables | 18 | 660 | 60 025 |
| Other debtors | 13 | 51 762 | 107 481 |
| Short-term loans to related party | | 1 922 757 | 1 142 268 |
| Deferred expenses | | 11 856 | 19 912 |
| Total debtors | | <u>3 849 789</u> | <u>3 304 013</u> |
| Cash | 14 | <u>13 190</u> | <u>336 848</u> |
| Total current assets | | <u>4 080 273</u> | <u>3 789 100</u> |
| TOTAL ASSETS | | <u>4 146 420</u> | <u>3 888 970</u> |

The accompanying notes are an integral part of these financial statements.

Signed on 29th of November 2022 on the Company's behalf by:


 29/11/22
 Anders Ulrikjaer Duelund
 Chairman of the Board


 29/11/2022
 Catherine Ann Weaver
 Member of the Board


 29/11/22
 Sandis Dancis
 Member of the Board


SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT


BALANCE SHEET AS OF 31 DECEMBER 2021 – EQUITY AND LIABILITIES

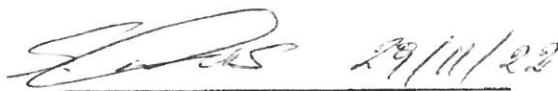
| | Notes | 31.12.2021. EUR | 31.12.2020. EUR |
|---|-------|--------------------|--------------------|
| EQUITY AND LIABILITIES | | | |
| Share capital | | 206 145 | 206 145 |
| Retained earnings: | | | |
| Retained profit brought forward from previous years | 15 | 946 189 | 1 292 321 |
| Profit for the financial year | | 851 559 | 153 868 |
| Total equity | | 2 003 893 | 1 652 334 |
| PROVISIONS | | | |
| Other provisions | 16 | 85 720 | 90 276 |
| Total provisions | | 85 720 | 90 276 |
| LIABILITIES | | | |
| Short-term creditors | | | |
| Short-term loans from related parties | 18 | - | 302 431 |
| Prepayments received from purchasers | | 12 404 | 26 283 |
| Accounts payable to suppliers and contractors | | 98 675 | 170 580 |
| Accounts payable to related parties | 18 | 881 993 | 820 481 |
| Taxes and State mandatory social insurance payments | | 450 095 | 381 494 |
| Other creditors | | 2 899 | 6 630 |
| Accrued liabilities | 17 | 812 741 | 416 481 |
| Total short-term creditors | | 2 058 607 | 2 124 360 |
| Total liabilities | | 2 058 607 | 2 124 360 |
| TOTAL EQUITY AND LIABILITIES | | 4 148 420 | 3 866 970 |

The accompanying notes are an integral part of these financial statements.

Signed on 29th of November 2022 on the Company's behalf by:


 Anders Ulfkjaer Duelund
 Chairman of the Board


 Catherine Ann Weaver
 Member of the Board


 Sandis Dancis
 Member of the Board


SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

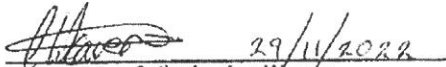
CASH FLOW STATEMENT


| | Notes | 2021 EUR | 2020 EUR |
|---|-------|--------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit or loss before extraordinary items and taxes | | 1 102 161 | 219 178 |
| Adjustments for: | | | |
| <i>fixed assets depreciation</i> | 11 | 20 625 | 22 838 |
| <i>value write-downs of fixed assets</i> | 11 | 19 | - |
| <i>provisions and allowances (excluding the provision for doubtful debts)</i> | | 191 705 | (198 719) |
| <i>other interest income and similar income</i> | | (3) | (8) |
| <i>interest payments and similar expenses</i> | | 2 341 | 5 095 |
| Profit or loss before adjustments of changes in current assets and short-term liabilities | | 1 318 849 | 48 384 |
| Adjustments for: | | | |
| <i>decrease or (increase) in trade and other receivables</i> | | 221 947 | 894 288 |
| <i>deferred expenses</i> | | 8 056 | (2 044) |
| Trade accounts payable | | | |
| <i>decrease or (increase) in inventories</i> | | (69 055) | (16 431) |
| <i>(decrease) or increase in accounts payable to suppliers and contractors, and other creditors</i> | | (180 278) | (77 597) |
| Gross cash flow from operating activities | | 1 297 518 | 646 600 |
| Corporate income tax paid | | (28 996) | (151 862) |
| Net cash flow from operating activities | | 1 270 522 | 494 738 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets and intangible investments | 11 | (8 821) | (4 855) |
| Net cash flow from investing activities | | (8 821) | (4 855) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| (Paid) and received or borrowings | | (1 082 920) | (2 869 513) |
| Interest paid | | (2 339) | (5 086) |
| Dividends paid | | (500 000) | (750 000) |
| Net cash flow from financing activities | | (1 585 259) | (3 624 609) |
| Net changes in cash or cash equivalents | | (323 658) | (3 134 738) |
| Cash and cash equivalents at the beginning of the reporting year | 15 | 336 848 | 3 471 584 |
| Cash and cash equivalents at the end of the reporting year | | 13 190 | 336 848 |

The accompanying notes are an integral part of these financial statements.

Signed on 29th of November 2022 on the Company's behalf by:


 Anders Ulrikjaer Duelund
 Chairman of the Board


 Catherine Ann Weaver
 Member of the Board


 Sandis Dancis
 Member of the Board


SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT


STATEMENT OF CHANGES IN EQUITY

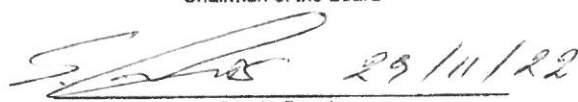
| | Share capital | Retained earnings | Profit/ (loss) for the period | Total |
|---|----------------|-------------------|-------------------------------|------------------|
| Balance as of 31 December 2019 | 206 146 | 1 028 416 | 810 905 | 2 045 466 |
| Dividends calculated and paid | - | (547 000) | | (547 000) |
| Transfer of prior period result | | 810 905 | (810 905) | - |
| Profit/ (loss) for the reporting period | - | | 153 868 | 153 868 |
| Balance as of 31 December 2020 | 206 146 | 1 292 321 | 153 868 | 1 662 334 |
| Dividends calculated and paid | - | (500 000) | - | (500 000) |
| Transfer of prior period result | - | 153 868 | (153 868) | - |
| Profit/ (loss) for the reporting period | - | - | 851 559 | 851 559 |
| Balance as of 31 December 2021 | 206 146 | 946 189 | 851 559 | 2 003 893 |

The accompanying notes are an integral part of these financial statements.

Signed on 29th of November 2022 on the Company's behalf by:


 Anders Ulrikjaer Duelund
 Chairman of the Board


 Catherine Ann Weaver
 Member of the Board


 Sandis Dancis
 Member of the Board

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION

SIA „Grundfos Pumps Baltic“ fully owned by Grundfos Holding A/S, legal address: Poul Due Jensen's Vej 7, 8850 Bjerringbro, Denmark, was established on 30 June 2000. On 29 September 2010 the Company merged with Grundfos Pumps Eesti OU (Estonia) and Grundfos Pumps UAB (Lithuania).

The main business activities of the Company are wholesale of mechanical pumps and related accessories. The accompanying financial statements also include the financial data of the Company's branches in Estonia and Lithuania for year 2020 and 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report of SIA GRUNDFOS Pumps Baltic has been prepared in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia. The financial statement is prepared in accordance with the principle of accounting for initial values. The Company's financial statements are presented in Euro (EUR).

The financial statements cover the period from 1 January to 31 December 2021.

According to criteria in Law on the Annual Financial Statements and Consolidated Financial Statements, the Company is classified as a medium-sized Company. The law provides additional relief for small and medium-sized companies in the preparation of the financial report, but at the same time it also stipulates that the financial report must provide a true and clear picture of the company's financial position and profit or loss, and the annual report of medium-sized and large companies must also present the cash flow.

The statement of profit and loss is prepared according to the function of expense method. The cash flow statement is made according to the indirect method.

In order to improve the comparability of the prepared profit or loss statement and balance sheet, certain items of the 2020 profit or loss statement and balance sheet have been reclassified.

Continuation of the company's activities

The financial statement has been prepared based on the assumption that the Company will continue to operate

Foreign currencies

Transactions denominated in foreign currency are translated into EUR at the official European Central Bank exchange rate on the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange on the balance sheet date. The applicable rates used for the principal currencies as of 31 December was:

| | 31.12.2021 | 31.12.2020 |
|-----|------------|------------|
| USD | 1.13260 | 1.22710 |

Gains and losses on translation are credited or charged to the profit and loss account at the European Central Bank official exchange rate at the balance sheet date.

Useful lives of fixed assets

The useful lives of property, plant and equipment are reviewed at each balance sheet date and, if necessary, they are changed to reflect the Company's management's current views on the assets' remaining useful lives, considering changes in technology, the assets' remaining economic lives and their physical condition.

Book value of fixed assets

The company's management evaluates the book value of the fixed assets and assesses whether there are any signs indicating that the recoverable amount of the assets is lower than the book value. The company's management calculates and recognizes losses from the depreciation of fixed assets based on estimates of their future use, disposal, or sale. Considering the Company's planned volumes of economic activity and the possible market value of assets, the

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

Company's management believes that significant corrections of the value of fixed assets are not necessary on December 31, 2021

Fixed Assets

Fixed assets are presented at their initial value, from which accumulated depreciation and a decrease in value are deducted. Depreciation is calculated for all fixed assets, taking into account their initial value, according to the straight-line method, at the following annual rates:

| | |
|--------------------------------|-------------|
| Office furniture and equipment | 10% - 12,5% |
| IT equipment | 20% - 33% |
| Other fixed assets | 20% - 33% |

Inventory

Inventories are stated at the lower of cost and net realizable value. Inventory purchase cost comprises the purchase price, import charges and other fees and charges, transport costs as well as other directly attributable costs incurred in bringing the inventories to their present location and condition. The carrying value of inventories is reduced by charging trade discounts, reductions, and similar allowances.

Net realizable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Inventory cost price is determined using the average weighted cost/the first-in, first-out (FIFO) method.

If necessary, an allowance is provided for obsolete, slow moving, and defective inventories. The amount of the allowance is recognized in the statement of profit and loss as cost of goods sold.

Trade payables

Payables balances are stated at nominal value.

Loans

Primary loans are considered in the volume of received funds with deducted expenses related to receipt of the loan.

Borrowing costs

All costs related to loans are expensed in the related period and recognized in the position "Interest and similar expenses"

Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

If the Company is a lessee in a finance lease arrangement, it recognizes in the balance sheet the asset as an item of property, plant and equipment and a lease liability measured as the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant interest rate on the balance of liability outstanding. The interest element of the lease payment is charged to the statement of profit or loss over the lease period. The item of property, plant and equipment acquired under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Accounts receivable

Accounts receivables are stated at their nominal value less provisions for uncollectible and doubtful receivables (individual evaluation for each debtor) if any.

The Company records allowance for doubtful and bad receivables based on the aging analysis of these accounts. The balance of the allowance is individually assessed to reflect the amount of the debt, the payback time and the client's credit history.

Cash

Cash represents cash in bank accounts.

The statement of cash flows is prepared in accordance with the indirect method to reconcile profit from operating activities with cash flow from operating activities.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

Warranty provision

Warranty provision is estimated based on sales, guarantee period and history of warranty claims.

Provisions for customer bonuses

Provisions for customer bonuses are calculated in accordance with the concluded agreements and achieved sales turnover in the reporting year. Provisions are recognized monthly, in accordance with the conditions set in the agreement and sales volume.

Accrued liabilities for unused vacations

Accrued liabilities for unused vacations is computed by multiplying employees' average salary for the last 6 months by the number of unused vacation days at the end of the reporting year, additionally calculating employers' social security contributions

Accrued liabilities

Accrued liabilities comprise clearly known trade payables for goods or services which have been supplied during the reporting year, but for which payment documents (invoices) have not been received by the balance sheet date due to the terms of the supply, sale or contractor agreement or for any other reasons. These liabilities are calculated on the basis of the price defined in the relevant agreement and the documents evidencing the actual receipt of goods or services.

Revenue recognition

Revenue from operating activities consists of bills invoiced during the financial year for goods and services delivered, less value added tax and price decreases, which relate to net turnover.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred the significant risks connected with ownership of goods and rewards to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits associated with the transaction will flow to the Company, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Related parties

Within the financial statement the related parties are company's associated companies, shareholders that have significant influence on the company's activities, members of the Board, management (employees responsible for the planning, management and control, any directors including), their close relatives, entities controlled by them and where they have significant influence.

Corporate income tax

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with tax legislation.

Corporate income tax on profit earned in the Republic of Lithuania is calculated and paid in the Republic of Lithuania. CIT taxable expenses in Lithuania is eliminated from corporate income tax calculation which is performed according to the Latvian Law on Corporate Income Tax.

In Lithuania the applicable corporate income tax rate is 15%.

For profit earned in Latvia Corporate income tax is calculated in accordance with Corporate Income Tax Law, in accordance with which corporate income tax is payable only at the moment of distribution of profits or for transactions considered as deemed distribution. Corporate income tax rate 20% was applied to taxable expenses.

In Estonia and in Latvia, corporate income tax is calculated and paid based on a cash flow model, which stipulates that the tax is payable only on calculated dividends and certain expenses comparable to profit distribution. Expenses comparable to profit distribution are taxed in a month when distribution happened.

Paid CIT in Estonia is included in Latvian CIT calculation to decrease calculated CIT for dividend distribution, according to Latvian Law on Corporate Income Tax.

In Latvia and Estonia corporate income tax is applicable to distributed profits and several expenses that would be treated as profit distribution (20/80 from the net amount distributed to shareholders). In case of reinvestment of profit

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

corporate income tax shall not be applied.

Use of estimates and significant assumptions

The legislation of the Republic of Latvia requires that in preparation of the financial statements the management of the Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of off-balance sheet assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty which exist at the reporting date of the financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period.

Allowance for doubtful and bad trade receivables

The Company's management evaluates the carrying amounts of trade receivables and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary. The Company's management has evaluated the trade receivables and considers that it is not necessary to make an additional significant allowance as of 31 December 2021.

Foreign exchange rates risk

The Company cooperates with foreign affiliated companies, and therefore the Company is exposed to currency risk primarily in transactions in U.S. dollars and United Kingdom's pounds. In accordance with the Company's internal policies, this risk is mitigated converting currency into local currency, if the amount of foreign currency reaches to a significant extent.

Net realizable value of inventories

The Company's management evaluates the net realizable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realizable value of inventories is lower than the cost of inventories, then an allowance is recorded. The Company's management has evaluated the net realizable value of inventories and considers that it is not necessary to make an additional significant allowance as of 31 December 2021.

Warranty provisions

Warranty provisions are made in the amount of 0.6% from the total cost of goods sold during the reporting period, in accordance with the Company's historical experience. The Company's management considers that it is not necessary to make additional significant warranty provisions as of 31 December 2021.

3. NET TURNOVER

| | 2021 | 2020 |
|--------------------|-------------------|-------------------|
| | EUR | EUR |
| Sales in Estonia | 4 391 344 | 5 212 091 |
| Sales in Lithuania | 5 023 285 | 4 379 899 |
| Sales in Latvia | 4 168 525 | 3 993 995 |
| TOTAL: | 13 583 134 | 13 585 985 |

4. COST OF SALES

| | 2021 | 2020 |
|--------------------------|------------------|-------------------|
| | EUR | EUR |
| Costs of materials | 9 847 756 | 10 276 320 |
| Costs of environment tax | 29 285 | 25 384 |
| Delivery expenses | 36 082 | 19 283 |
| TOTAL: | 9 913 123 | 10 320 987 |

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

6. SELLING EXPENSE

| | 2021 | 2020 |
|--------------------------------|-------------------------|-------------------------|
| | EUR | EUR |
| Personnel salary expenses | 877 245 | 1 080 776 |
| Warranty expenses | 144 847 | 204 152 |
| Social security payment | 161 383 | 195 722 |
| Rent of vehicles | 19 657 | 95 605 |
| Advertising expenses | 96 295 | 93 763 |
| Transport maintenance expenses | 22 548 | 57 404 |
| Representation expenses | 17 029 | 28 545 |
| Communication expenses | 7 210 | 23 723 |
| Logistics service expenses | 18 555 | 18 591 |
| Employee insurance | 19 228 | 18 413 |
| Business trip expenses | 9 064 | 15 369 |
| Employee training | 70 | 14 485 |
| Consulting expenses | 3 619 | 14 415 |
| Other expenses | 56 499 | 20 282 |
| TOTAL: | <u>1 463 349</u> | <u>1 881 300</u> |

6. ADMINISTRATIVE EXPENSES

| | 2021 | 2020 |
|--|-------------------------|-----------------------|
| | EUR | EUR |
| Personal salary expenses | 287 447 | 307 903 |
| Related parties consulting and management expenses | 87 071 | 244 639 |
| Information technology services | 167 955 | 200 822 |
| Accounting expenses | 75 457 | 143 499 |
| Office space rental and maintenance expenses | 126 471 | 99 674 |
| Social security payments | 34 874 | 49 725 |
| Rent of vehicles | 69 789 | 28 813 |
| Depreciation of fixed assets | 20 625 | 22 838 |
| Audit services | 6 200 | 16 669 |
| Employee insurance expenses | 10 501 | 13 727 |
| Transportation maintenance expenses | 30 007 | 7 679 |
| Communication expenses | 19 783 | 7 215 |
| Legal and consulting services | 2 039 | 4 932 |
| Business trip expenses | 17 412 | 2 234 |
| Other personnel expenses (see note 19) | - | (33 627) |
| Other expenses | 124 459 | 43 667 |
| TOTAL: | <u>1 060 090</u> | <u>860 409</u> |

7. OTHER INCOME

| | 2021 | 2020 |
|--------------------------------|----------------------|----------------------|
| | EUR | EUR |
| Income from logistics services | 10 819 | 10 497 |
| TOTAL: | <u>10 819</u> | <u>10 497</u> |

8. OTHER EXPENSES

| | 2021 | 2020 |
|--|----------------------|-----------------------|
| | EUR | EUR |
| Compensations paid to employees due to restructuring | 202 | 257 196 |
| Other restructuring expenses | - | 5 921 |
| Other costs | 42 690 | 45 971 |
| TOTAL: | <u>42 892</u> | <u>309 088</u> |

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

9. CORPORATE INCOME TAX FOR THE REPORTING YEAR

| | 2021 EUR | 2020 EUR |
|-----------------------------------|----------------|---------------|
| Corporate income tax in Estonia | 57 565 | 52 990 |
| Corporate income tax in Lithuania | 67 896 | 11 455 |
| Corporate income tax in Latvia | 125 141 | 865 |
| TOTAL: | 250 602 | 65 310 |

10. INTANGIBLE INVESTMENT AND FIXED ASSETS

| | Leasehold improvement | Office furniture and equipment | Comput ers | Other fixed assets | TOTAL |
|--|--------------------------|---|---------------|--------------------------|---------------|
| As of 31 December 2019 | | | | | |
| Cost | 23,780 | 138,327 | 118,006 | 109,429 | 389,542 |
| Accumulated depreciation and impairment | (22,795) | (64,650) | (101,769) | (104,474) | (293,686) |
| Carry amount as of 31 December | 985 | 73,677 | 16,237 | 4,955 | 95,854 |
| Year 2020 | | | | | |
| Carry amount as of 1 January | 985 | 73,677 | 16,237 | 4,955 | 95,854 |
| Additions | - | - | - | 4,855 | 4,855 |
| Cost of disposals | - | - | - | (27,267) | (27,267) |
| Accumulated depreciation of disposals | - | - | - | 27,267 | 27,267 |
| Depreciation | (657) | (12,372) | (8,055) | (1,755) | (22,839) |
| Carry amount as of 31 December | 328 | 61,305 | 8,182 | 8,055 | 77,870 |
| As of 31 December 2020 | | | | | |
| Cost | 23,780 | 138,327 | 118,006 | 87,017 | 367,130 |
| Accumulated depreciation and impairment | (23,452) | (77,022) | (108,824) | (78,982) | (289,280) |
| Carrying amount as of 31 December | 328 | 61,305 | 8,182 | 8,055 | 77,870 |
| Year 2021 | | | | | |
| Carrying amount as of 1 January | 328 | 61,305 | 8,182 | 8,055 | 77,870 |
| Additions | - | - | - | 5,121 | 5,121 |
| Costs of disposals | - | (19) | - | - | (19) |
| Accumulated depreciation of disposals | - | - | - | - | - |
| Assets in course of construction | - | - | - | 3,800 | 3,800 |
| Reclassification | - | - | - | - | - |
| Depreciation change | (328) | (11,303) | (4,536) | (4,458) | (20,625) |
| Impairment charge | - | - | - | - | - |
| Carrying amount as of 31 December | - | 49,983 | 3,646 | 12,618 | 66,147 |
| As of 31 December 2021 | | | | | |
| Cost | 23,780 | 138,308 | 118,006 | 95,938 | 376,032 |
| Accumulated depreciation and impairment | (23,780) | (88,325) | (114,380) | (83,420) | (309,885) |
| Carrying amount as of 31 December | - | 49,983 | 3,646 | 12,618 | 66,147 |

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

11. INVENTORIES

| | 31.12.2021. | 31.12.2020. |
|---|----------------|----------------|
| Finished products and goods for sale | 80,830 | 143,728 |
| Goods in transit | 148,798 | 14,273 |
| Accruals for slow moving goods | (12,132) | (9,760) |
| TOTAL: | 217,294 | 148,239 |
| | | |
| Provision for slow-moving inventory 31.12.2019 | | 5,688 |
| Increase during year 2020 | | 9,760 |
| Decrease during year 2020 | | (5,699) |
| Provision for slow-moving inventory 31.12.2020 | | 9,760 |
| | | |
| Provision for slow-moving inventory 31.12.2020 | | 9,760 |
| Increase during year 2021 | | 12,132 |
| Decrease during year 2021 | | (9,760) |
| Provision for slow-moving inventory 31.12.2021 | | 12,132 |

12. TRADE RECEIVABLES

| | 31.12.2021. | 31.12.2020. |
|---|------------------|------------------|
| Trade receivable gross | 1,889,610 | 1,980,384 |
| Provisions for bad debtors | (36,856) | (10,777) |
| TOTAL: | 1,862,754 | 1,969,617 |
| | | |
| Provisions for doubtful debts 31.12.2019 | | 3,741 |
| Increase during year 2020 | | 10,777 |
| Decrease during year 2020 | | (3,741) |
| Provisions for doubtful debts 31.12.2020 | | 10,777 |
| | | |
| Provisions for doubtful debts 31.12.2020 | | 10,777 |
| Increase during year 2021 | | 36,856 |
| Decrease during year 2021 | | (10,777) |
| Provisions for doubtful debts 31.12.2021 | | 12,132 |
| | | 36,866 |

13. OTHER DEBTORS

| | 31.12.2021. | 31.12.2020. |
|---|---------------|----------------|
| Corporate income tax receivable Lithuania | 45,530 | 71,660 |
| Deposit payments | 4,000 | 12,988 |
| Corporate income tax receivable Latvia | 2,000 | 1,523 |
| Other debtors | 232 | 21,311 |
| TOTAL: | 61,762 | 107,481 |

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

14. CASH

| | 31.12.2021. | 31.12.2020. |
|---------------|---------------|----------------|
| Cash in bank | 13,180 | 336,648 |
| TOTAL: | 13,180 | 338,848 |

15. EQUITY CAPITAL

As of 31 December 2020, and 31 December 2019 the paid share capital of the Company was 206 145 EUR and consisted of 206 145 shares with a nominal value of EUR 1 per share. All shares are owned by Grundfos Holding A/S. Management proposes the following distribution at the profit for the year 2021:

| | EUR |
|---|------------------|
| Retained earnings from prior years | 946 189 |
| Current year profit | 851 559 |
| Retained earnings at the end of the financial year | 1 787 748 |

| | |
|---------------------------------------|---------|
| Proposed distribution for the profit: | |
| - - dividends | 473,000 |

16. OTHER PROVISIONS

| | 31.12.2021. | 31.12.2020. |
|-------------------------------------|---------------|---------------|
| Provisions for warranty obligations | 85,720 | 90,276 |
| TOTAL: | 85,720 | 90,276 |

17. ACCRUED LIABILITIES

| | 31.12.2021. | 31.12.2020. |
|--|----------------|----------------|
| Accrued obligations for customer bonuses | 287,920 | 179,671 |
| Provisions for employee bonuses | 178,288 | 91,004 |
| Accrued obligations for unused vacations | 77,342 | 89,452 |
| Provision for customer bonuses | 11,118 | 15,355 |
| Accrued obligations for audit | 9,790 | 12,000 |
| Other accruals | 48,285 | 28,999 |
| TOTAL | 612,741 | 418,481 |

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

18. RELATED PARTIES DISCLOSURE

Related company

| | | Amounts owed to related company | Amounts owed by related company | Sales to related company | Purchases from related company |
|-------------------------------------|------|--|--|-----------------------------|--------------------------------------|
| Grundfos Holding A/S * | 2020 | 31,207 | 60,025 | 333,627 | 564,764 |
| Grundfos Holding A/S * | 2021 | 27,840 | - | - | 764,730 |
| Poul Due Jensens Fond | 2020 | - | - | - | - |
| Poul Due Jensens Fond | 2021 | - | - | - | 218 |
| Grundfos Pompe ITALIA S.R.L. | 2020 | - | - | - | 123,658 |
| Grundfos Pompe ITALIA S.R.L. | 2021 | 44,460 | - | - | 93,459 |
| Grundfos Hungary Manufacturing Ltd. | 2020 | - | - | - | 2,417 |
| Grundfos Hungary Manufacturing Ltd. | 2021 | - | - | - | - |
| Grundfos Pompy Sp Z.o.o. | 2020 | 5,206 | - | - | 73,111 |
| Grundfos Pompy Sp Z.o.o. | 2021 | 66 | - | - | 23,427 |
| Grundfos Moskau | 2020 | - | - | - | 152 |
| Grundfos Moskau | 2021 | - | - | - | - |
| Grundfos DK A/S | 2020 | - | - | - | 116 |
| Grundfos DK A/S | 2021 | - | - | - | 111 |
| Grundfos Operations A/S | 2020 | 784,038 | - | - | 9,238,707 |
| Grundfos Operations A/S | 2021 | 809,627 | - | - | 8,877,269 |
| Grundfos GMBH | 2020 | - | - | - | - |
| Grundfos GMBH | 2021 | - | 660 | 660 | - |
| Bombas Grundfos Portugal LDA. | 2020 | 30 | - | - | 300 |
| Bombas Grundfos Portugal LDA. | 2021 | - | - | - | 202 |
| Grundfos Norge A/S | 2020 | - | - | 582 | 5,784 |
| Grundfos Norge A/S | 2021 | - | - | - | - |
| Grundfos A/S | 2020 | - | - | - | - |
| Grundfos A/S | 2021 | - | - | - | 598 |
| Grundfos Water Utility Inc. | 2020 | - | - | - | 204,306 |
| Grundfos Water Utility Inc. | 2021 | - | - | - | - |
| Grundfos (PTY) Ltd | 2020 | - | - | - | 234 |
| Grundfos (PTY) Ltd | 2021 | - | - | - | - |
| TOTAL: | 2020 | 820,481 | 60,025 | 334,209 | 10,213,549 |
| TOTAL: | 2021 | 881,993 | 660 | 660 | 9,860,015 |

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

18. RELATED PARTIES DISCLOSURE (CONT'D)

Terms and conditions of transactions with related parties

*Income from Grundfos Holding A/S for personnel services in 2021 was 0 EUR, in 2020 was 333 627 EUR.

On 31 December 2021 the Company has received following short – term loans to Grundfos Holding AG:

1) 1 922 757 EUR as credit line with rate, which consists of variable lender's determined base interest rate and mark-up of 0.36%, interest income for 2021 was 3 EUR. Interest expense for 2021 was 2 060 EUR.

On 31 December 2020 the Company has received following short – term loans from Grundfos Holding AG:

1) 302 431 EUR as credit line with rate, which consists of variable lender's determined base interest rate and mark-down of 2.37%, interest expense for 2020 was 4 971 EUR.

On 31 December 2020 the Company has issued following short – term loans to Grundfos Holding AG:

1) 1 142 268 EUR as credit line with rate, which consists of variable lender's determined base interest rate and mark-up of 0.36%, interest income for 2020 was 9 EUR.

Credit lines are without collateral. On the date of approving these financial statements loan and deposit are partly repaid.

19. AVERAGE NUMBER OF EMPLOYEES

| | 2021 | 2020 |
|---|------|------|
| Average number of employees during the reporting year | 32 | 32 |
| | 32 | 32 |

20. COMPANY BOARD REMUNERATION

No additional remuneration is paid to board members for their work at the management board.

21. COMMITMENTS AND CONTINGENCIES

The Company has signed several operating lease agreements for lease of cars. According to effective lease agreements, in future reporting periods the Company is required to make the following payments:

| | 31.12.2021 EUR |
|-----------------|-------------------|
| Within one year | 49,316 |
| 2 – 5 years | - |
| TOTAL: | 49,316 |

The Company has signed office lease agreement. According to effective lease agreements, in future reporting periods the Company is required to make the following payments:

| | 31.12.2021 EUR |
|-----------------|-------------------|
| Within one year | 7,624 |
| 2 – 5 years | - |
| TOTAL: | 7,624 |

22. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risk

Foreign currency risk is the risk of financial losses incurred by the Company due to adverse fluctuations in foreign currency exchange rates. This risk arises when financial assets denominated in a foreign currency do not match financial liabilities in that currency which results in open currency positions. The Company does not have any material

SIA GRUNDFOS PUMPS BALTIC 2021 ANNUAL REPORT

balances of financial assets and liabilities denominated in currencies other than the Euro. Therefore, during the reporting year the Company's exposure to foreign currency risk was not significant.

Interest rate risk

Interest rate risk is the risk of financial losses incurred by the Company due to adverse fluctuations in interest rates. The Company's interest rate risk mainly arises from current Group borrowings at floating interest rates. This exposes the Company to the risk that interest expenses will increase in a situation when interest rates go up.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle its obligations in full as they fall due. Liquidity risk arises when the maturities of financial assets and liabilities do not match. The aim of the Company's liquidity risk management is to maintain sufficient amount of cash and its equivalents to settle its obligations at a given date. The Company assesses the repayment term matching of its financial assets and liabilities and the stability of long-term investment sources of funding on a regular basis. An operating cash flow forecast is prepared to manage the liquidity risk monthly after the actual results of the previous month are available. The Company's management takes the view that the Company will have sufficient cash resources so its liquidity will not be compromised.

Credit risk

Credit risk is the risk that Company will incur financial losses as a result of default by counterparty on its obligation to the Company. Credit risk mainly arises from cash and short-term deposits with banks and trade receivables. The Company has obtained partial credit insurance by "Euler Hermes" in Latvia and branch offices in Lithuania and Estonia. New Customer acceptance consists of following steps - first step - local Credit control in following sites – www.credivib.lv in Latvia, www.cr.lt in Lithuania and www.creditinfo.ee in Estonia; second step – credit Insurance check based on credit insurance by "Compagnie française d'assurance pour le commerce" extérieur; third approval by local Management based on "Delegation of Authorities" rules.




23. EVENTS AFTER BALANCE SHEET DATE

In the period from the last day of the reporting year to the date of signing this financial statement, there have been no events that would result in adjusting this financial statement or should be explained in this financial statement.

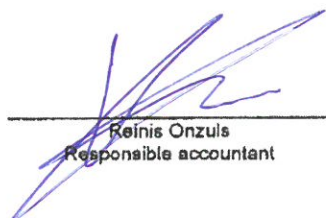
Grundfos Pumps Baltic does not anticipate a significantly different impact of Covid-19 in 2022 compared to the previous year. Management of the Company is continuously evaluating the situation and believes that the Company will be able to overcome the emergency through continuous situation monitoring, remote meetings and working from home, disinfection of workplaces and increased observance of personal hygiene. However, this conclusion is based on information available at the date of signing these financial statements and the effect of future events on the future performance of the Company may differ from management's judgment.

In February 2022, sanctions have been imposed on Russia and Belarus. Grundfos Pumps Baltic does not have any suppliers or active projects in these countries. It is expected that these developments will not affect the activities of the company.

The Annual report was signed on 29th of November 2022 on the Company's behalf by the board members and the responsible accountant

 29/11/22  29/11/2022  29/11/22

Anders Ulkjaer Daelund Catherine Ann Weaver Sandis Dancis
Chairman of the Board Member of the Board Member of the Board



Reinis Onzulis
Responsible accountant

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Grundfos Pumps Baltic SIA

Opinion

We have audited the accompanying financial statements of Grundfos Pumps Baltic SIA (the Company) set out on pages 5 to 20 of the accompanying annual report, which comprise the balance sheet as at 31 December 2021, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Grundfos Pumps Baltic SIA as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on other information

Management is responsible for the other information. The other information comprises:

- the General information about the Company as set out on page 3 of the accompanying Annual Report;
- the Management Report as set out on page 4 of the accompanying Annual Report.

Other information does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

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

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

We have other reporting responsibilities in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report. These additional reporting responsibilities are beyond those required under the ISAs.

Our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law on the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based solely on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



EY

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

ERNST & YOUNG BALTIC SIA

Licence No. 17

Iveta Vimba
Member of the Board
Latvian Certified Auditor
Certificate No. 153

Riga, 29 November 2022

Sidevahendid

| | |
|-----------------|-----------------------|
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