

**LIMITED LIABILITY COMPANY GRUNDFOS Pumps Baltic**  
(UNIFIED REGISTRATION NUMBER 40003500153)

**ANNUAL REPORT**  
FOR THE YEAR ENDED 31 DECEMBER 2020\*

PREPARED IN ACCORDANCE WITH  
LAW ON THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

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

Riga, 2021

---

## Content

	Page
General information	3
Management report	4
Financial statement:	
Income statement	5
Balance sheet	6-7
Cash flow statement	8
Statement of changes in equity	9
Notes to the financial statements	10-17
Report of independent auditors	18-20

## General information

Name of the company	GRUNDFOS Pumps Baltic	
Legal status of the company	LIMITED LIABILITY COMPANY	
Unified registration number	40003500153	
Place and date of registration	Rīga, 30 June 2000	
Legal address	Gunāra Astras 8B Rīga, LV-1082, Latvija	
Branches		
Branch in Estonia	Priisle 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 codes	46.69 Wholesale of other machinery and equipment	
Company board	Robert Zbigniew Dudzik (since 24.10.2019) Jaroslav Blahut (since 28.03.2017) Petr Jelinek (since 28.03.2017) Jan Warrer (28.03.2017-24.10.2019)	
Procura	Jānis Nolle (27.01.2004-29.12.2020) Sandis Dancis (since 29.12.2020)	
Reporting year	1 January 2020 – 31 December 2020	
Previous reporting year	1 January 2019 – 31 December 2019	
Outsourced Accountant	Ernst & Young Baltic SIA Reg. No. 40003593454	
Independent auditors and their address	Deloitte Audit Latvia SIA License No. 43, Gredu street 4a, Rīga, LV- 1019 Latvia  Elina Sebre-Cunška Certified auditor Certificate No. 218	

## Management report

The main business goal of SIA Grundfos Pumps Baltic (Registration number 4000350015) 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 2020 net sales of the Company decreased by 5,6% compared to previous year (in 2019 sales grew 5,6% vs. 2018). Decline of turnover was caused by adverse effects from COVID-19 pandemic in economies of the world and Baltic countries as well as fluctuations of completions of several larger projects in Estonia and Lithuania. Net Sales volumes in each of Baltic countries have shown different performance: turnover in Estonia increased by 24% (in 2019 by 3%) and reached historically highest level, mostly due to a new attracted Industry customers and substantial project sales order, net sales in Latvia declined by 10% (in 2019 growth by 9%), Lithuanian suffered drop of 24% (in 2019 growth by 5%).

In 2020 Grundfos Group completed reorganization with an aim to strengthening our ability to bring innovation to market; and serving our customers even better in different product segments sales channels.

Gross profitability of the Company declined to 24% in 2020 (in 2019 – 26%) due to the changes in the sales product mix. Comparing to 2019 the total operating costs of the Company have increased by 5%, is driven by expenses of above mentioned restructuring. Both elements contributed to decline of Company's net profit for the year.

The Board proposes to distribute 500 000 EUR from retained earnings as dividends for 2020.

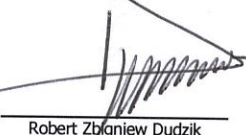
Most likely the COVID-19 pandemic will continue to impact the global economy deep into 2021, however, we see growth opportunities and we expect single digit sales growth in 2021. The main tasks for 2021 are to ensure sales profitability and reach sales targets in all product segments, as well as to further develop and sell a full range of packages to customers (value selling: product + service offerings).

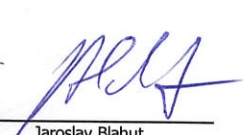
The management of the Company is responsible for these financial statements.


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.

Behalf of the Company on 13 April, 2021 the management report was signed by:

On behalf of the Board

  
Robert Zbigniew Dudzik  
Chairman of the Board

  
Jaroslav Blahut  
Member of the Board

  
Petr Jelinek  
Member of the Board

The Annual Report was approved in the shareholders meeting on 13 April, 2021

The Chairman of the Meeting

  
Robert Zbigniew Dudzik

## Financial Statements

### Income statement

	Notes	2020 EUR	2019 EUR
Net turnover	3	13 585 985	14 393 315
Cost of sales	4	(10 320 967)	(10 589 914)
<b>Gross profit</b>		<b>3 265 018</b>	<b>3 803 401</b>
Selling expense	5	(1 881 300)	(1 912 295)
Administrative expenses	6	(860 409)	(815 359)
Other income	7	10 497	17 656
Other expense	8	(309 088)	(101 806)
Interest income and similar income		215	9 731
a) from related companies	19	9	-
b) from other persons		206	9 731
Interest payments and similar costs	9	(5 755)	(98 350)
a) from related companies	19	(4 971)	(86 324)
b) from other persons		(784)	(12 026)
<b>Profit before corporate income tax</b>		<b>219 178</b>	<b>902 978</b>
Corporate income tax for the reporting year	10	(65 310)	(92 073)
<b>Profit after calculation of corporate income tax</b>		<b>153 868</b>	<b>810 905</b>
<b>Net profit for the year</b>		<b>153 868</b>	<b>810 905</b>

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

On behalf of the Board

Robert Zbigniew Dudzik  
Chairman of the Board

Jaroslav Blahut  
Member of the Board

Petr Jelinek  
Member of the Board

In the name of accounting services provider  
Ernst & Young Baltics SIA

Zane Čaune  
Authorized person

13.04.2021

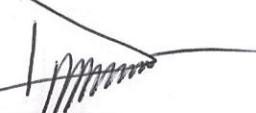
## Balance sheet


### ASSETS


	Notes	31.12.2020 EUR	31.12.2019 EUR
<b>Long-term investments</b>			
<b>FIXED ASSETS</b>			
Leasehold improvements		328	985
Other fixed assets		77 542	94 869
TOTAL	11	77 870	95 854
TOTAL LONG-TERM INVESTMENTS		77 870	95 854
<b>Current assets</b>			
<b>INVENTORIES</b>			
Finished products and goods for sale		129 346	71 624
Goods in transit		18 893	60 184
TOTAL	12	148 239	131 808
<b>DEBTORS</b>			
Trade receivables	13	1 974 327	2 607 544
Related party receivables	19	60 025	108 969
Other debtors	14	107 481	119 608
Short-term loans to related party	19	1 142 268	-
Deferred expenses		19 912	17 868
TOTAL		3 304 013	2 853 989
<b>CASH</b>	15	<b>336 848</b>	<b>3 471 584</b>
TOTAL CURRENT ASSETS		3 789 100	6 457 381
<b>TOTAL ASSETS</b>		<b>3 866 970</b>	<b>6 553 235</b>

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

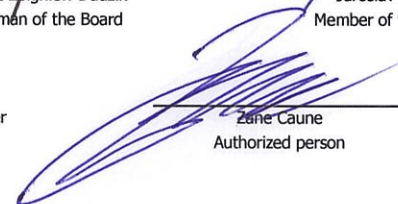
On behalf of the Board

  
Robert Zbigniew Dudzik  
Chairman of the Board

  
Jaroslav Blahut  
Member of the Board

  
Petr Jelinek  
Member of the Board

In the name of accounting services provider  
Ernst & Young Baltics SIA

  
Zane Caune  
Authorized person

13.04.2021




## Balance sheet

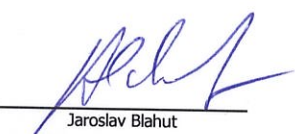
### EQUITY AND LIABILITIES


	Notes	31.12.2020 EUR	31.12.2019 EUR
<b>EQUITY</b>			
Share capital		206 145	206 145
Retained profit brought forward from previous years	16	1 292 321	1 028 416
Profit for the financial year	16	153 868	810 905
<b>TOTAL EQUITY</b>		<b>1 652 334</b>	<b>2 045 466</b>
<b>PROVISIONS</b>			
Other provisions	17	196 635	276 275
<b>TOTAL PROVISIONS</b>		<b>196 635</b>	<b>276 275</b>
<b>LIABILITIES</b>			
<b>SHORT-TERM CREDITORS</b>			
Short-term loans from related parties	19	302 431	2 029 676
Prepayments received from purchasers		26 283	7 826
Accounts payable to suppliers and contractors		170 560	254 249
Accounts payable to related parties	19	820 481	928 426
Taxes and State mandatory social insurance payments		381 494	363 733
Other creditors		6 630	15 383
Unpaid dividends		-	203 000
Accrued liabilities	18	310 122	429 201
<b>TOTAL</b>		<b>2 018 001</b>	<b>4 231 494</b>
<b>TOTAL LIABILITIES</b>		<b>2 018 001</b>	<b>4 231 494</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3 866 970</b>	<b>6 553 235</b>

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

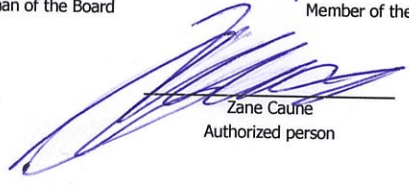
On behalf of the Board

  
Robert Zbigniew Dudzik  
Chairman of the Board

  
Jaroslav Blahut  
Member of the Board

  
Petr Jelinek  
Member of the Board

In the name of accounting services provider  
Ernst & Young Baltics SIA

  
Zane Caune  
Authorized person

13.04.2021

## Cash flow statement

	Notes	2020 EUR	2019 EUR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit or loss before extraordinary items and taxes		219 178	902 978
Adjustments for:			
fixed assets depreciation	11	22 838	39 867
value write-downs of fixed assets	11	-	29 667
provisions and allowances (excluding the provision for doubtful debts)		(198 719)	(33 933)
other interest income and similar income		(8)	(9 731)
interest payments and similar expenses	9	5 095	86 870
<b>Profit or loss before adjustments of changes in current assets and short-term liabilities</b>		<b>48 384</b>	<b>1 015 719</b>
Adjustments for:			
decrease or (increase) in trade and other receivables		694 288	(10 494)
deferred expenses		(2 044)	(8 620)
decrease or (increase) in inventories		(16 431)	82 515
(decrease) or increase in accounts payable to suppliers and contractors, and other creditors		(77 597)	43 101
<b>Gross cash flow from operating activities</b>		<b>646 600</b>	<b>1 122 221</b>
Corporate income tax paid		(151 882)	(9 665)
<b>Net cash flow from operating activities</b>		<b>494 718</b>	<b>1 112 556</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets and intangible investments	11	(4 855)	(58 513)
<b>Net cash flow from investing activities</b>		<b>(4 855)</b>	<b>(58 513)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
(Paid) and received or borrowings		(2 869 513)	(7 330 719)
Interest paid		(5 086)	(77 140)
Dividends paid		(750 000)	-
<b>Net cash flow from financing activities</b>		<b>(3 624 599)</b>	<b>(7 407 859)</b>
Net changes in cash or cash equivalents		(3 134 736)	(6 353 816)
Cash and cash equivalents at the beginning of the reporting year	15	3 471 584	9 825 400
<b>Cash and cash equivalents at the end of the reporting year</b>		<b>336 848</b>	<b>3 471 584</b>

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

On behalf of the Board

Robert Zigmiew Dudzik  
Chairman of the Board

Jaroslav Blahut  
Member of the Board

Petr Jelinek  
Member of the Board

In the name of accounting services provider  
Ernst & Young Baltics SIA

Zariņa Caune  
Authorized person

13.04.2021



Statement of changes in equity

	Share capital	Retained earnings	Profit/ (loss) for the period	Total
Balance as at 31 December 2018	206 145	1 028 416	-	1 234 561
Profit/ (loss) for the reporting period	-	-	810 905	810 905
Balance as at 31 December 2019	206 145	1 028 416	810 905	2 045 466
Dividends calculated and paid	-	(547 000)	-	(547 000)
Profit/ (loss) for the reporting period	-	-	153 868	153 868
Balance as at 31 December 2020	206 145	481 416	964 773	1 652 334

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

On behalf of the Board

  
Robert Zbigniew Dudzik  
Chairman of the Board

  
Jaroslav Blahut  
Member of the Board

  
Petr Jelinek  
Member of the Board

In the name of accounting services provider  
Ernst & Young Baltics SIA

  
Zane Caune  
Authorized person

13.04.2021

## Notes to the financial statements

### 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 include also the financial data of the Company's branches in Estonia and Lithuania for year 2019 and 2020.

### 2. Summary of significant accounting policies

#### Basis of Preparation

The financial statements are prepared in accordance with the Law of the Republic of Latvia on Law On the Annual Financial Statements and Consolidated Financial Statements, On Accounting.

The Company's financial statements are presented in the Euro (EUR).

General accounting and evaluation methods has not changed compared to previous financial year.

#### 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:

	31.12.2020	31.12.2019
USD	1.22710	1.12340

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.

#### Fixed Assets

Fixed assets are stated at capitalization cost less accumulated depreciation and impairment loss, if any. Depreciation is provided on all non-current assets based on capitalization cost. Depreciation is computed using the straight-line method at the following 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 amount 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 recognised 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 receivable 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 recognised 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.

## 2. Summary of significant accounting policies (cont'd)

### *Warranty provision*

Warranty provision is estimated based on sales, guarantee period and history of guarantee claims. 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 2020.

### *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.

### *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 2020.

### *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, entered into force as of 1 January 2018, 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 on the basis of 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 every month.

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 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;

### *Net realisable value of inventories*

The Company's management evaluates the net realisable 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 realisable value of inventories is lower than the cost of inventories then an allowance is recorded. The Company's management has evaluated the net realisable value of inventories and considers that it is not necessary to make an additional significant allowance as of 31 December 2020.

### *Useful lives of property, plant and equipment*

Useful lives of property, plant and equipment are assessed at each balance sheet date and changed, if necessary, to reflect the Company's management current view on their remaining useful lives in the light of changes in technology, the remaining prospective economic utilisation of the assets and their physical condition.

### *The carrying amounts of property, plant and equipment*

The Company's management reviews the carrying amounts of property, plant and equipment and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Company's management calculates and records an impairment loss on property, plant and equipment based on the estimates related to the expected future use, planned liquidation or sale of the assets. Taking into consideration the Company's planned level of activities and the estimated market value of the assets, the Company's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as of 31 December 2020.

### 3. Net Turnover

	2020	2019
Sales in Estonia	5 212 091	4 193 342
Sales in Lithuania	4 379 899	5 780 827
Sales in Latvia	3 993 995	4 419 146
<b>TOTAL:</b>	<b>13 585 985</b>	<b>14 393 315</b>

### 4. Cost of sales

	2020	2019
Costs of materials	10 276 320	10 558 884
Costs of environment tax	25 384	23 255
Delivery expenses	19 263	7 775
<b>TOTAL:</b>	<b>10 320 967</b>	<b>10 589 914</b>

### 5. Selling expense

	2020	2019
Personnel salary expenses	1 087 785	1 105 238
Warranty expenses	204 152	199 978
Social security payments	188 713	197 372
Rent of vehicles	95 650	122 851
Advertising expenses	93 763	53 691
Transport maintenance expenses	57 404	92 890
Representation expenses	28 545	60 743
Communication expenses	23 723	26 212
Logistics service expenses	18 591	22 468
Employee insurance	18 413	18 796
Business trip expenses	15 369	68 501
Employee training	14 485	11 317
Consulting expenses	14 415	7 800
Other expenses	20 292	(75 562)
<b>TOTAL:</b>	<b>1 881 300</b>	<b>1 912 295</b>

### 6. Administrative expenses

	2020	2019
Personal salary expenses	307 903	308 356
Related parties consulting and management expenses	244 639	210 213
Information technology services	200 822	190 627
Accounting expenses	143 499	144 881
Office space rental and maintenance expenses	99 674	106 118
Social security payments	49 725	77 110
Rent of vehicles	28 813	30 187
Depreciation of fixed assets	22 838	39 867
Audit services	16 669	9 328
Employee insurance expenses	13 727	14 960
Transportation maintenance expenses	7 679	8 073
Communication expenses	7 215	8 661
Legal and consulting services	4 932	5 858
Business trip expenses	2 234	38 821
Other personnel expenses (see note 19)	(333 627)	(420 591)
Other expenses	43 667	42 890
<b>TOTAL:</b>	<b>860 409</b>	<b>815 359</b>

### 7. Other income

	2020	2019
Income from logistics services	10 497	11 693
Other operating income	-	5 963
<b>TOTAL:</b>	<b>10 497</b>	<b>17 656</b>

### 8. Other expense

	2020	2019
Compensations paid to employees due to restructuring	257 196	33 630
Other restructuring expenses	5 921	-
Other costs	45 971	68 176
<b>TOTAL:</b>	<b>309 088</b>	<b>101 806</b>

#### 9. Interest payments and similar costs

	2020	2019
Interest and similar expenses	5 095	86 870
Paid penalties	660	11 480
<b>TOTAL:</b>	<b>5 755</b>	<b>98 350</b>

#### 10. Corporate income tax for the reporting year

	2020	2019
Corporate income tax in Estonia	52 989	11 382
Corporate income tax in Lithuania	11 455	73 063
Corporate income tax in Latvia	865	7 628
<b>Corporate income tax charged to the income statement:</b>	<b>65 310</b>	<b>92 073</b>

#### 11. Intangible investments and fixed assets

	Leasehold improvement	Office furniture and equipment	Computers	Other fixed assets	TOTAL
As at 31 December 2018					
Cost	23 780	177 562	120 855	105 429	427 626
Accumulated depreciation and impairment	(19 868)	(105 177)	(95 900)	(99 807)	(320 752)
<b>Carrying amount as at 31 December</b>	<b>3 912</b>	<b>72 385</b>	<b>24 955</b>	<b>5 622</b>	<b>106 874</b>
Year 2019					
Carrying amount as at 1 January	3 912	72 385	24 955	5 622	106 874
Additions	-	40 906	13 608	4 000	58 514
Cost of disposals	-	(80 141)	(16 457)	-	(96 598)
Accumulated depreciation of disposals	-	53 141	13 790	-	66 931
Depreciation	(2 927)	(12 614)	(19 659)	(4 667)	(39 867)
<b>Carrying amount as at 31 December</b>	<b>985</b>	<b>73 677</b>	<b>16 237</b>	<b>4 955</b>	<b>95 854</b>
As at 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)	(293 688)
<b>Carrying amount as at 31 December</b>	<b>985</b>	<b>73 677</b>	<b>16 237</b>	<b>4 955</b>	<b>95 854</b>
Year 2020					
Carrying amount as at 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 charge	(657)	(12 372)	(8 055)	(1 755)	(22 839)
<b>Carrying amount as at 31 December</b>	<b>328</b>	<b>61 305</b>	<b>8 182</b>	<b>8 055</b>	<b>77 870</b>
As at 31 December 2020					
Cost	23 780	138 327	118 006	87 017	367 130
Accumulated depreciation and impairment	(23 452)	(77 022)	(109 824)	(78 962)	(289 260)
<b>Carrying amount as at 31 December</b>	<b>328</b>	<b>61 305</b>	<b>8 182</b>	<b>8 055</b>	<b>77 870</b>



## 12. Inventories

	31.12.2020	31.12.2019
Finished products and goods for sale	143 726	82 890
Goods in transit	14 273	54 617
Accruals for slow moving goods	(9 760)	(5 699)
<b>TOTAL:</b>	<b>148 239</b>	<b>131 808</b>

### Provision for slow-moving inventory 31.12.2018

4 952

Increase during year 2019

5 699

Decrease during year 2019

(4 952)

### Provision for slow-moving inventory 31.12.2019

5 699

### Provision for slow-moving inventory 31.12.2019

5 699

Increase during year 2020

9 760

Decrease during year 2020

(5 699)

### Provision for slow-moving inventory 31.12.2020

9 760

## 13. Trade receivables

	31.12.2020	31.12.2019
Trade receivables gross	1 985 104	2 611 285
Provisions for bad debtors	(10 777)	(3 741)
<b>TOTAL:</b>	<b>1 974 327</b>	<b>2 607 544</b>

### Provisions for doubtful debts 31.12.2018

98 600

Increase during year 2019

3 741

Decrease during year 2019

(98 600)

### Provisions for doubtful debts 31.12.2019

3 741

### 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

## 14. Other debtors

	31.12.2020	31.12.2019
Corporate income tax receivable Lithuania	71 660	85 900
Deposit payments	12 988	10 988
Corporate income tax receivable Latvia	1 523	15 145
Other debtors	21 311	7 575
<b>TOTAL:</b>	<b>107 481</b>	<b>119 608</b>

## 15. Cash

	31.12.2020	31.12.2019
Cash in bank	336 848	3 471 584
<b>TOTAL:</b>	<b>336 848</b>	<b>3 471 584</b>

## 16. 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 2020:

	Amount EUR
Retained earnings from prior years	1 292 321
Current year profit	153 868
<b>Retained earnings at the end of the financial year</b>	<b>1 446 189</b>
Proposed distribution for the profit:	
- dividends	500 000

# 17. Other provisions

	31.12.2020	31.12.2019
Provisions for employee bonuses	91 004	131 073
Provisions for guarantee obligations	90 276	92 782
Provision for customer bonuses	15 355	52 420
<b>TOTAL:</b>	<b>196 635</b>	<b>276 275</b>

# 18. Accrued liabilities

	31.12.2020	31.12.2019
Accrued obligations for customer bonuses	179 671	290 468
Accrued obligations for unused vacations	89 452	85 038
Accrued obligations for audit	12 000	6 164
Other accruals	28 999	47 531
<b>TOTAL:</b>	<b>310 122</b>	<b>429 201</b>

# 19. 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 *	2019	68 568	108 969	420 591	514 729
Grundfos Holding A/S *	2020	31 207	60 025	333 627	564 764
Grundfos Pompe ITALIA S.R.L.	2019	27	-	-	172 578
Grundfos Pompe ITALIA S.R.L.	2020	-	-	-	123 658
Grundfos Hungary Manufacturing Ltd.	2019	-	-	-	-
Grundfos Hungary Manufacturing Ltd.	2020	-	-	-	2 417
Grundfos Pompy Sp Z.o.o.	2019	9 292	-	-	58 527
Grundfos Pompy Sp Z.o.o.	2020	5 206	-	-	73 111
Grundfos Moskau	2019	1 098	-	-	5 209
Grundfos Moskau	2020	-	-	-	152
Grundfos DK A/S	2019	-	-	-	63
Grundfos DK A/S	2020	-	-	-	116
Grundfos Operations A/S	2019	849 171	-	-	9 364 336
Grundfos Operations A/S	2020	784 038	-	-	9 238 707
Bombas Grundfos Portugal LDA.	2019	270	-	-	960
Bombas Grundfos Portugal LDA.	2020	30	-	-	300
Grundfos Norge A/S	2019	-	-	-	-
Grundfos Norge A/S	2020	-	-	582	5 784
Grundfos Sales Czechia and Slovakia	2019	-	-	-	2 646
Grundfos Sales Czechia and Slovakia	2020	-	-	-	-
Grundfos Water Utility Inc.	2019	-	-	-	-
Grundfos Water Utility Inc.	2020	-	-	-	204 306
Grundfos (PTY) Ltd	2019	-	-	-	-
Grundfos (PTY) Ltd	2020	-	-	-	234
<b>TOTAL:</b>	<b>2019</b>	<b>928 426</b>	<b>108 969</b>	<b>420 591</b>	<b>10 119 048</b>
<b>TOTAL:</b>	<b>2020</b>	<b>820 481</b>	<b>60 025</b>	<b>334 209</b>	<b>10 213 549</b>

## 19. Related parties disclosure (cont'd)

### *Terms and conditions of transactions with related parties*

\*Income from Grundfos Holding A/S for personnel services in 2020 was 333 627 EUR, in 2019 was 420 591 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-up of 2.37%, interest expense for 2020 was 4 971 EUR.

On 31 December 2020 the Company has issued following short – term loans from 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-down of 0.36%, interest income for 2020 was 9 EUR.

On 31 December 2019 the Company has received following short – term loans from Grundfos Holding AG:

1) 2 029 676 EUR as credit line with rate, which consists of variable lender's determined base interest rate and mark-up of 2.37%, interest expense for 2019 was 86 324 EUR.

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

## 20. Average number of employees

	2020	2019
Average number of employees during the reporting year	32	36
	<b>32</b>	<b>36</b>

## 21. Company Board remuneration

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

## 22. 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:

	31.12.2020 EUR
Within one year	52 684
2 - 5 years	49 316
<b>TOTAL:</b>	<b>102 000</b>

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:

	31.12.2020 EUR
Within one year	47 547
2 - 5 years	7 624
<b>TOTAL:</b>	<b>55 171</b>

## 23. 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 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 on a monthly basis 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.

### 23. Financial risk management (cont'd)

#### 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.

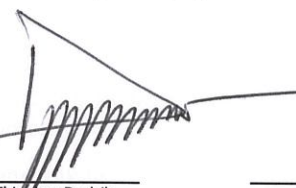
The Company has obtained partial credit insurance by "Euler Hermes" in Latvia and branch offices in Lithuania and Estonia. New Customer acceptance consists on following steps - first step - local Credit control in following sites - [www.crediweb.lv](http://www.crediweb.lv) in Latvia, [www.cr.lt](http://www.cr.lt) in Lithuania and [www.creditinfo.ee](http://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.


### 24. 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 making adjustments to 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 2021 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 situation 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.

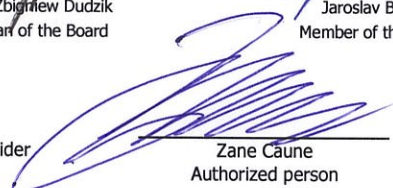
On behalf of the Board

  
Robert Zbigniew Dudzik  
Chairman of the Board

  
Jaroslav Blahut  
Member of the Board

  
Petr Jelinek  
Member of the Board

In the name of accounting services provider  
Ernst & Young Baltics SIA

  
Zane Čaune  
Authorized person

13.04.2021

*Translation from Latvian*

## INDEPENDENT AUDITORS' REPORT

To the shareholder of SIA Grundfos Pumps Baltic:

### *Our Opinion on the Financial Statements*

We have audited the accompanying financial statements of SIA Grundfos Pumps Baltic ("the Company") set out on pages 5 to 17 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2020,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include 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 SIA Grundfos Pumps Baltic as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

### *Basis for Opinion*

In accordance with the Law on Audit Services of the Republic of Latvia 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 Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

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

### *Reporting on Other Information*

The Company's management is responsible for the other information. The other information comprises:

- 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.

Our opinion on the financial statements does not cover the other information included in the Annual Report, 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*

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, 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 required to be 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 the 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 the 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 Responsibility 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 a fair presentation.

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.

Deloitte Audits Latvia SIA  
Licence No 43



Inguna Staša  
Board member



Elīna Sebre - Cunska  
Certified auditor  
Certificate No 218

Riga, Latvia  
13 April 2021

## Sidevahendid

Liik	Sisu
Telefon	+372 6061690
E-posti aadress	Info_gst@grundfos.com