

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

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019*

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.

Rīga, 2020

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	10-19
Report of independent auditors	20-22

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	Riga, 30 June 2000
Legal address	Gunāra Astras 8B Riga, 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 (since 27.01.2004)
Reporting year	1 January 2019 – 31 December 2019
Previous reporting year	1 January 2018 – 31 December 2018
Outsourced Accountant	Ernst & Young Baltic SIA Reg. No. 40003593454
Independent auditors and their address	Deloitte Audit Latvia SIA License No. 43, Gredu street 4a, Riga, LV- 1019 Latvia Kitija Kepīte Certified auditor Certificate No. 182

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 2019 the Companies net sales increased by 5,6% compared to previous year. Comparing results between countries, the highest sales increase was in Latvia – 8,7% (2018 – increase by 9,0%), Lithuania in 2019 experienced a sales increase of 5,1% (2018 – increase of 5,8%) and turnover in Estonia increased by 3,0% (2018 – constant by 3,0%).

Gross profitability of the Company increased to 26% in 2019 (2018 – 25%) due to the changes in the sales product mix. Comparing to 2018 the total operating costs of the Company have increased by 3%, in 2019. Cost increase is driven by salary increase, professional consultation fees and guarantee expenses. Increase of gross profit during the year provided significant increase in net profit for the year.

In 2019 the Company continued to invest in fixed assets by investing in furnishment finalization in office space in Lithuania as well as printer replacement for Estonia and Headset investment in all Baltic countries.

The Board proposes to distribute additional 547 000 EUR of retained earnings.

The main tasks for 2020 are to increase sales profitability in all sales segments, introduction of new water supply and heating pump models of domestic building sector, as well as to promote sales of Grundfos service products in order to perform energy-efficient pump project realization.

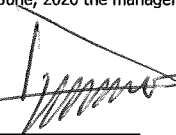
The management of the Company is responsible for these financial statements.


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.

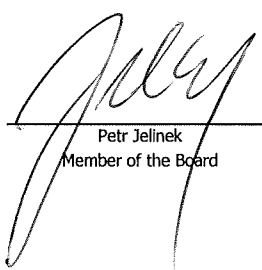
Growth in the global economy is expected to stay modest, and we expect significant negative impacts both on the demand and the supply side following the COVID-19 outbreak. We therefore forecast flat or slightly negative sales growth compared to 2019 though with a high uncertainty given the unpredictable market conditions.

Behalf of the Company on 3 June, 2020 the management report was signed by:

On behalf of the Board


Robert Zbigniew Dudzik
Head of the board


Jaroslav Blahut
Chairman of the Board


Petr Jelinek
Member of the Board

The Annual Report was approved in the shareholders meeting on 3 June, 2020

The Chairman of the Meeting  Robert Zbigniew Dudzik

Financial Statements

Income statement

	Notes	2019 EUR	2018 EUR
Net turnover	3	14 393 315	13 592 162
Cost of sales	4	(10 589 914)	(10 182 630)
Gross profit		3 803 401	3 409 532
Selling expense	5	(1 912 295)	(1 834 447)
Administrative expenses	6	(815 359)	(1 051 433)
Other income	7	17 656	19 216
Other expense		(101 806)	(56 443)
Interest income and similar income		9 731	4
Interest payments and similar costs	8	(98 350)	(4 861)
Profit before corporate income tax		902 978	481 568
Corporate income tax for the reporting year	9	(92 073)	(55 605)
Profit after calculation of corporate income tax		810 905	425 963
Net profit for the year		810 905	425 963

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

On behalf of the Board

Robert Zbigniew Dudzik
Head of the board

Jaroslav Blahut
Chairman of the Board

Petr Jelinek
Member of the Board

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

Zane Caune
Authorized person

03.06.2020

Balance sheet

ASSETS

	Notes	31.12.2019 EUR	Adjusted 31.12.2018 EUR
Long-term investments			
FIXED ASSETS			
Leasehold improvements		985	3 912
Other fixed assets		94 869	102 962
TOTAL	10	95 854	106 874
TOTAL LONG-TERM INVESTMENTS		95 854	106 874
Current assets			
INVENTORIES			
Finished products and goods for sale		71 624	183 876
Goods in transit		60 184	30 447
TOTAL	11	131 808	214 323
DEBTORS			
Trade receivables	12	2 607 544	2 713 955
Related party receivables	18	108 969	42 852
Other debtors	13	119 608	68 821
Deferred expenses		17 868	9 248
TOTAL		2 853 989	2 834 876
CASH	14	3 471 584	9 825 400
TOTAL CURRENT ASSETS		6 457 381	12 874 599
TOTAL ASSETS		6 553 235	12 981 473

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

On behalf of the Board

Robert Zbigniew Dudzik
Head of the board

Jaroslav Blahut
Chairman of the Board

Petr Jelinek
Member of the Board

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

Zane Čaune
Authorized person

03.06.2020

Balance sheet

EQUITY AND LIABILITIES

	Notes	31.12.2019 EUR	Adjusted 31.12.2018 EUR
EQUITY			
Share capital		206 145	206 145
Retained profit brought forward from previous years*	15	1 028 416	602 453
Profit for the financial year	15	810 905	425 963
TOTAL EQUITY		2 045 466	1 234 561

PROVISIONS

Other provisions	16	276 275	268 297
TOTAL PROVISIONS		276 275	268 297

LIABILITIES

SHORT-TERM CREDITORS


Short-term loans from related parties	18	2 029 676	9 360 395
Prepayments received from purchasers		7 826	7 800
Accounts payable to suppliers and contractors		254 249	280 179
Accounts payable to related parties	18	928 426	825 459
Taxes and State mandatory social insurance payments		363 733	330 306
Other creditors		15 383	364
Unpaid dividends*		203 000	203 000
Accrued liabilities	17	429 201	471 112
TOTAL		4 231 494	11 478 615
TOTAL LIABILITIES		4 231 494	11 478 615


TOTAL EQUITY AND LIABILITIES		6 553 235	12 981 473
-------------------------------------	--	------------------	-------------------


* Adjustment for year 2018, EUR 203 000 was reclassified from "Retained earnings" to "Outstanding dividends". Refer to note 21.

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

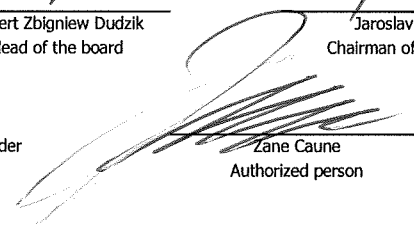
On behalf of the Board


Robert Zbigniew Dudzik
Head of the board


Jaroslav Blahut
Chairman of the Board


Petr Jelinek
Member of the Board

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


Zane Caune
Authorized person

03.06.2020

Cash flow statement

	Notes	2019 EUR	2018 EUR
CASH FLOW FROM OPERATING ACTIVITIES			
Profit or loss before extraordinary items and taxes		902 978	481 568
Adjustments for:			
<i>fixed assets depreciation</i>	10	39 867	46 947
<i>value write-downs of fixed assets</i>	10	29 667	1 488
<i>provisions and allowances (excluding the provision for doubtful debts)</i>		(33 933)	158 848
<i>other interest income and similar income</i>		(9 731)	(4)
<i>interest payments and similar expenses</i>	9	86 870	3 212
Profit or loss before adjustments of changes in current assets and short-term liabilities		1 015 719	692 058
Adjustments for:			
<i>decrease or (increase) in trade and other receivables</i>		(10 494)	173 969
<i>deferred expenses</i>		(8 620)	14 275
<i>decrease or (increase) in inventories</i>		82 515	(14 737)
<i>decrease or (increase) in accounts payable to suppliers and contractors, and other creditors</i>		43 101	(733 000)
Gross cash flow from operating activities		1 122 221	132 565
Corporate income tax paid		(9 665)	(55 605)
Net cash flow from operating activities		1 112 556	76 960
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets and intangible investments	10	(58 513)	(43 100)
Loans paid and (granted)		-	437 312
Net cash flow from investing activities		(58 513)	394 212
CASH FLOW FROM FINANCING ACTIVITIES			
(Paid) and received or borrowings		(7 330 719)	9 276 009
Interest paid		(77 140)	(3 207)
Net cash flow from financing activities		(7 407 859)	9 272 802
Net changes in cash or cash equivalents		(6 353 816)	9 743 974
Cash and cash equivalents at the beginning of the period	14	9 825 400	81 426
Cash and cash equivalents at the end of the period		3 471 584	9 825 400

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

On behalf of the Board

Robert Zbigniew Dudzik
Head of the board

Jaroslav Blahut
Chairman of the Board

Petr Jelinek
Member of the Board

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

Zane Caune
Authorized person

03.06.2020

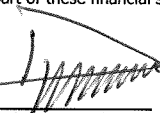
Statement of changes in equity


	Share capital	Retained earnings*	Profit/ (loss) for the period	Total
Balance as at 31 December 2017	206 145	805 453	-	1 011 598
Dividends calculated*	-	(203 000)	-	(203 000)
Profit/ (loss) for the reporting period	-	425 963	-	425 963
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


* Adjustment for year 2018. EUR 203 000 was reclassified from "Retained earnings" to "Outstanding dividends". Refer to note 21.

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

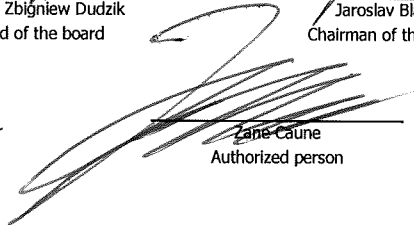
On behalf of the Board


Robert Zbigniew Dudzik
Head of the board


Jaroslav Blahut
Chairman of the Board


Petr Jelinek
Member of the Board

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


Zane Caune
Authorized person

03.06.2020

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 2018 and 2019.

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:

	31.12.2019	31.12.2018
USD	1.12340	1.14500

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.

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

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.

Warranty provision

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

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

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 is assessed based on the taxable income for the period in accordance with Latvian 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.

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 Estonia for several years and in Latvia from 1 January 2018, 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.

Corporate income tax for a period January – December, 2019 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.

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

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 2019.

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 2019.

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 2019.

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 2019.

3. Net Turnover

	2019	2018
Sales in Lithuania	5 780 827	5 488 598
Sales in Latvia	4 419 146	4 035 063
Sales in Estonia	4 193 342	4 068 501
TOTAL:	14 393 315	13 592 162

4. Cost of sales

	2019	2018
Costs of materials	10 558 884	10 178 690
Costs of environment tax	23 255	-
Delivery expenses	7 775	3 940
TOTAL:	10 589 914	10 182 630

5. Selling expense

	2019	2018
Personnel salary expenses	1 105 238	1 006 002
Warranty expenses	199 978	105 944
Social security payments	197 372	319 515
Rent of vehicles	122 851	126 706
Transport maintenance expenses	92 890	93 218
Business trip expenses	68 501	60 260
Representation expenses	60 743	85 155
Advertising expenses	53 691	52 758
Communication expenses	26 212	24 865
Logistics service expenses	22 468	28 595
Employee insurance	18 796	15 131
Employee training	11 317	5 640
Consulting expenses	7 800	183
Other personnel expenses* (see note 18)	-	(198 458)
Other expenses	(75 562)	108 933
TOTAL:	1 912 295	1 834 447

*Reclassification was made for 2018, EUR (198 458) was reclassified from "Other expenses" to "Other personnel expenses".

6. Administrative expenses

	2019	2018
Personal salary expenses	308 356	283 224
Related parties consulting and management expenses	210 213	204 543
Information technology services	190 627	213 394
Accounting expenses	144 881	148 037
Office space rental and maintenance expenses	106 118	92 553
Social security payments	77 110	69 356
Depreciation of fixed assets	39 867	47 831
Business trip expenses	38 821	26 151
Rent of vehicles	30 187	30 480
Employee insurance expenses	14 960	11 643
Audit services	9 328	5 611
Communication expenses	8 661	7 976
Transportation maintenance expenses	8 073	7 770
Legal and consulting services	5 858	2 271
Other personnel expenses* (see note 18)	(420 591)	(156 839)
Other expenses	42 890	57 431
TOTAL:	815 359	1 051 432

*Reclassification was made for 2018, EUR (156 839) was reclassified from "Other expenses" to "Other personnel expenses".

7. Other income

	2019	2018
Income from logistics services	11 693	11 634
Other operating income	5 963	7 582
TOTAL:	17 656	19 216

8. Interest payments and similar costs

	2019	2018
Interest and similar expenses	86 870	3 212
Paid penalties	11 480	1 649
TOTAL:	98 350	4 861

9. Corporate income tax for the reporting year

	2019	2018
Corporate income tax in Lithuania	73 063	45 396
Corporate income tax in Estonia	11 382	10 209
Corporate income tax in Latvia	7 628	-
Corporate income tax charged to the income statement:	92 073	55 605

10. Intangible investments and fixed assets

	Leasehold improvement	Office furniture and equipment	Computers	Other fixed assets	TOTAL
As at 31 December 2017					
Cost	13 941	151 915	114 729	105 429	386 014
Accumulated depreciation and impairment	(11 643)	(96 006)	(74 057)	(92 099)	(273 805)
Carrying amount as at 31 December	2 298	55 909	40 672	13 330	112 209
Year 2018					
Carrying amount as at 1 January	2 298	55 909	40 672	13 330	112 210
Additions	9 839	27 000	6 261	-	43 100
Cost of disposals	-	(1 354)	(134)	-	(1 488)
Accumulated depreciation of disposals	-	750	134	-	884
Depreciation	(8 226)	(9 921)	(21 977)	(7 708)	(47 832)
Carrying amount as at 31 December	3 912	72 385	24 956	5 622	106 874
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)
Carrying amount as at 31 December	3 912	72 385	24 955	5 622	106 874
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	58 513
Cost of disposals	-	(80 140)	(16 457)	-	(96 596)
Accumulated depreciation of disposals	-	53 141	13 790	-	66 931
Depreciation charge	(2 927)	(12 614)	(19 659)	(4 667)	(39 867)
Carrying amount as at 31 December	984	73 678	16 237	4 955	95 854
As at 31 December 2019					
Cost	23 780	138 328	118 006	109 429	389 543
Accumulated depreciation and impairment	(22 796)	(64 650)	(101 769)	(104 474)	(293 689)
Carrying amount as at 31 December	984	73 678	16 237	4 955	95 854

11. Inventories

	31.12.2019	31.12.2018
Finished products and goods for sale	82 890	199 948
Goods in transit	54 617	19 327
Accruals for slow moving goods	(5 699)	(4 952)
TOTAL:	131 808	214 323
Provision for slow-moving inventory 31.12.2017		11 567
Increase during year 2018		4 952
Decrease during year 2018		(11 567)
Provision for slow-moving inventory 31.12.2018		4 952
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

12. Trade receivables

	31.12.2019	31.12.2018
Trade receivables gross	2 611 285	2 812 555
Provisions for bad debtors	(3 741)	(98 600)
TOTAL:	2 607 544	2 713 955
Provisions for doubtful debts 31.12.2017		4 593
Increase during year 2018		98 600
Decrease during year 2018		(4 593)
Provisions for doubtful debts 31.12.2018		98 600
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

13. Other debtors

	31.12.2019	31.12.2018
Corporate income tax receivable Lithuania	85 900	41 376
Corporate income tax receivable Latvia	15 145	9 768
Deposit payments	10 988	-
Other debtors	7 575	17 677
TOTAL:	119 608	68 821

14. Cash

	31.12.2019	31.12.2018
Cash in bank	3 471 584	9 825 400
TOTAL:	3 471 584	9 825 400

15. Equity capital

As of 31 December 2019 and 31 December 2018 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 2019:

	Amount EUR
Retained earnings from prior years	1 028 416
Current year profit	810 905
Retained earnings at the end of the financial year	1 839 321
Recommended distribution:	
- dividends	547 000
Retained earnings at the end of the financial year after recommended profit distribution	1 292 321

16. Other provisions

	31.12.2019	31.12.2018
Provisions for employee bonuses	131 073	167 535
Provisions for guarantee obligations	92 782	70 659
Provision for customers for cooperation agreement discounts	52 420	30 103
Other provisions	-	-
TOTAL:	276 275	268 297

17. Accrued liabilities

	31.12.2019	31.12.2018
Accrued obligations for bonuses	290 468	328 136
Accrued obligations for unused vacations	85 038	93 348
Other accruals	47 531	44 317
Accrued obligations for audit	6 164	5 311
TOTAL:	429 201	471 112

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 Handels AG**	2018	-	-	75 810	(5 724)
Grundfos Handels AG**	2019	-	-	-	-
Grundfos Holding A/S *	2018	65 012	36 002	280 886	546 094
Grundfos Holding A/S *	2019	68 568	108 969	420 591	514 729
Grundfos Pumpen AG	2018	-	-	-	362
Grundfos Pumpen AG	2019	-	-	-	-
TOV Grundfos Ukraine	2018	-	-	-	1 489
TOV Grundfos Ukraine	2019	-	-	-	-
Grundfos Pompe ITALIA S.R.L.	2018	8 543	-	-	245 002
Grundfos Pompe ITALIA S.R.L.	2019	27	-	-	172 578
Grundfos Hungary Manufacturing Ltd.	2018	-	-	-	6 461
Grundfos Hungary Manufacturing Ltd.	2019	-	-	-	-
Grundfos Pompy Sp Z.o.o.	2018	4 097	-	-	130 175
Grundfos Pompy Sp Z.o.o.	2019	9 292	-	-	58 527
Grundfos Moskau	2018	-	-	-	-
Grundfos Moskau	2019	1 098	-	-	5 209
Grundfos DK A/S	2018	68	-	966	68
Grundfos DK A/S	2019	-	-	-	63
Grundfos Operations A/S	2018	746 193	350	350	8 470 874
Grundfos Operations A/S	2019	849 171	-	-	9 364 336
Grundfos AB	2018	-	-	-	435
Grundfos AB	2019	-	-	-	-
Grundfos GMBH	2018	-	-	275	5 985
Grundfos GMBH	2019	-	-	-	-

18. Related parties disclosure (cont'd)

Related company		Amounts owed to related company	Amounts owed by related company	Sales to related company	Purchases from related company
Bombas Grundfos Portugal LDA.	2018	-	-	-	120
Bombas Grundfos Portugal LDA.	2019	270	-	-	960
Grundfos Norge A/S	2018	-	-	-	5 068
Grundfos Norge A/S	2019	-	-	-	-
Grundfos Sales Czechia and Slovakia	2018	1 545	-	-	1 545
Grundfos Sales Czechia and Slovakia	2019	-	-	-	2 646
Grundfos Gulf Distribution	2018	-	6 500	6 500	-
Grundfos Gulf Distribution	2019	-	-	-	-
Grundfos A/S	2018	-	-	-	1 630
Grundfos A/S	2019	-	-	-	-
Grundfos Pumps (Wuxi) Ltd.	2018	-	-	2 100	-
Grundfos Pumps (Wuxi) Ltd.	2019	-	-	-	-
	TOTAL:	2018	825 459	42 852	366 887
	TOTAL:	2019	928 426	108 969	420 591
					10 119 048

Terms and conditions of transactions with related parties

*Income from Grundfos Holding AS for personnel services in 2019 was 420 591 EUR, in 2018 was 279 487 EUR.

**income from Grundfos Handels AG for personnel services in 2018 - 75 810 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;

On 31 December 2018 the Company has received following short – term loans from Grundfos Holding AG:

1) 4 138 702 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 2018 was 3 227 EUR;

2) 5 221 693 EUR as credit line with rate, which consists of variable lender's determined base interest rate and mark-down of 0.36%, interest expense for 2018 was 5 EUR;

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

19. 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:

	31.12.2019
	EUR
Within one year	160 115
2 - 5 years	100 563
TOTAL:	260 678

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:

	31.12.2019
	EUR
Within one year	53 981
2 - 5 years	20 524
TOTAL:	74 505

20. 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.

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 "Compagnie française d'assurance pour le commerce" extérieur 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 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.

21. Balance sheet adjustment

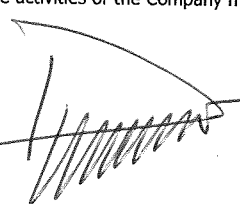
Adjustment for year 2018. EUR 203 000 was reclassified from "Retained earnings" to "Outstanding dividends".

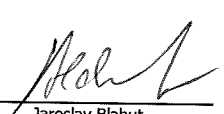
	31.12.2018 Initial balance	Adjustment	31.12.2018 Adjusted balance
Equity	EUR	EUR	EUR
Retained profit from previous periods	805 453	-203 000	602 453
Total equity:	1 437 561		1 234 561
Short-term creditors	EUR	EUR	EUR
Outstanding dividends	-	203 000	203 000
Total short-term creditors:	11 275 615	-	11 478 615
Total equity and liabilities	12 981 473	-	12 981 473

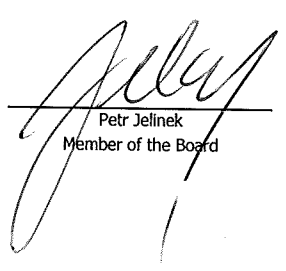
22. Events after balance sheet date

Since the end of the fiscal year, in March 2020, the Republic of Latvia and many other countries have entered into force restrictions related to the spread of the Covid-19 coronavirus, significantly reducing economic development in the country and globally. It is unpredictable how the situation may develop in the future, and hence economic uncertainty. The management of the Company continuously evaluates the situation. . Currently the Company Sales results are below Last Year and Budget. Despite deteriorated business results the Company is able to generate adequate profit margin and cash flows to overcome this temporary decline. Business is continued in alignment with local government restrictions. Main focus is employee Health and Safety. Company have provided all employees with the possibility to work remotely. The management of the Company believes that the Company will be able to overcome the emergency situation through the following compensatory measures like Cost Savings, Sales Promotion in digital platforms and recruitment stop. 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 activities of the Company may differ from management's judgment.

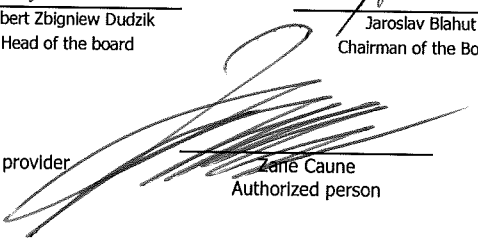
On behalf of the Board


Robert Zbigniew Dudzik
Head of the board


Jaroslav Blahut
Chairman of the Board


Petr Jelinek
Member of the Board

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


Zane Caune
Authorized person

03.06.2020

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 19 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2019;
- 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 2019, 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' Code of Ethics for Professional Accountants (IESBA Code) 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 IESBA Code 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



Kitija Kepite
Certified auditor
Certificate No 182

Riga, Latvia
3 June 2020

Sidevahendid

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