

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

**ANNUAL REPORT**  
FOR THE YEAR ENDED 31 DECEMBER 2018\*

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, 2019

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## 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	Prisile 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	Jan Warrer (since 28.03.2017) Petr Jelinek (since 28.03.2017) Jaroslav Blahut (since 28.03.2017) Maurycy Ratajczyk (until 28.03.2017) Patryk Rudzki (until 28.03.2017) Petr Jelinek (until 28.03.2017)
Procura	Jānis Nolle (since 27.01.2004)
Reporting year	1 January 2018 – 31 December 2018
Previous reporting year	1 January 2017 – 31 December 2017
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 Ķepīte 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 2018 the Companies net sales increased by 6,3% compared to previous year. Comparing results between countries, the highest sales increase was in Latvia – 9,9% (2017 – increase by 10,8%), Lithuania in 2018 experienced a sales increase of 6,2% (2017 – Increase of 3,5%) and turnover in Estonia increased by 3,1% (2017 – increase by 3,8%).

Gross profitability of the Company increased to 25% in 2018 (2017 – 24%) due to the changes in the sales product mix. Comparing to 2017 the total operating costs of the Company have increased by 7,7%, in 2018. Cost increase is driven by salary increase, office rent fee increases and professional consultation fees regarding tax legislation changes. Increase of gross profit during the year provided significant increase in net profit for the year.

In 2018 the Company continued to invest in fixed assets by investing in furnishing new office space in Lithuania as well as printer replacement for Latvia and Lithuania.

The Board proposes to not distribute 2018 profit.

The main tasks for 2019 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.

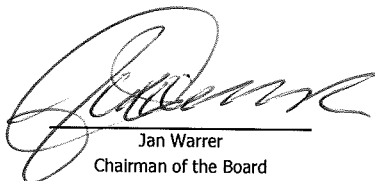
The management of the Company is responsible for these financial statements.

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.

No subsequent events occurred after the balance sheet date which would require adjustments or disclosure in the financial statements for 2018.

Behalf of the Company on 24 April, 2019 the management report was signed by:

On behalf of the Board



Jan Warrer  
Chairman of the Board

The Annual Report was approved in the shareholders meeting on 24 April, 2019

The Chairman of the Meeting  Jan Warrer

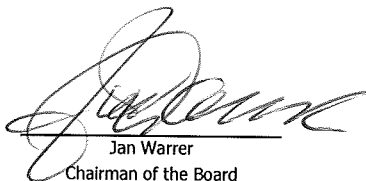
## Financial Statements

### Income statement

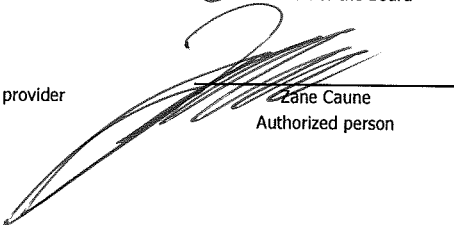
	Notes	2018 EUR	2017 EUR
Net turnover	3	13 592 162	12 786 127
Cost of sales	4	(10 182 630)	(9 690 412)
<b>Gross profit</b>		<b>3 409 532</b>	<b>3 095 715</b>
Selling expense	5	(1 834 447)	(1 666 105)
Administrative expenses	6	(1 051 433)	(1 010 687)
Other income	7	19 216	23 636
Other expense		(56 443)	(48 767)
Interest income and similar income	8	4	3 362
Interest payments and similar costs	9	(4 861)	(2 543)
<b>Profit before corporate income tax</b>		<b>481 568</b>	<b>394 611</b>
Corporate income tax for the reporting year	10	(55 605)	(61 699)
<b>Profit after calculation of corporate income tax</b>		<b>425 963</b>	<b>332 912</b>
Revenue or costs from changes in balances of deferred tax assets or liabilities		-	(76 595)
<b>Net profit for the year</b>		<b>425 963</b>	<b>256 317</b>

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

On behalf of the Board

  
Jan Warrer  
Chairman of the Board

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

  
Zane Caune  
Authorized person

24.04.2019

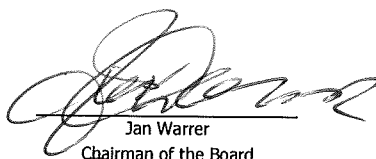
## Balance sheet

### ASSETS

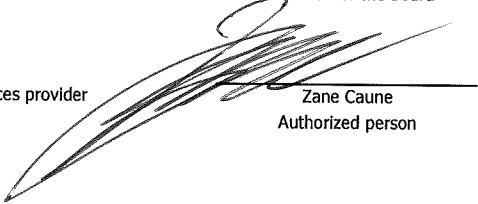
	Notes	31.12.2018 EUR	31.12.2017 EUR
<b>Long-term investments</b>			
<b>FIXED ASSETS</b>			
Leasehold improvements		3 912	2 298
Other fixed assets		102 962	109 911
<b>TOTAL</b>	<b>11</b>	<b>106 874</b>	<b>112 209</b>
<b>TOTAL LONG-TERM INVESTMENTS</b>		<b>106 874</b>	<b>112 209</b>
<b>Current assets</b>			
<b>INVENTORIES</b>			
Finished products and goods for sale		183 876	108 107
Goods in transit		30 447	91 479
<b>TOTAL</b>	<b>12</b>	<b>214 323</b>	<b>199 586</b>
<b>DEBTORS</b>			
Trade receivables	13	2 713 955	2 887 924
Related party receivables	19	42 852	74 164
Other debtors	14	68 821	46 042
Short-term loans to related party	19	-	437 312
Deferred expenses		9 248	14 990
<b>TOTAL</b>		<b>2 834 876</b>	<b>3 460 432</b>
<b>CASH</b>	<b>15</b>	<b>9 825 400</b>	<b>81 426</b>
<b>TOTAL CURRENT ASSETS</b>		<b>12 874 599</b>	<b>3 741 444</b>
<b>TOTAL ASSETS</b>		<b>12 981 473</b>	<b>3 853 653</b>

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

On behalf of the Board

  
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Chairman of the Board

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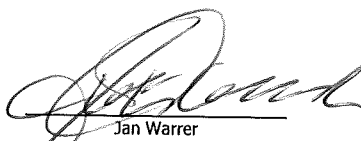
## Balance sheet

### EQUITY AND LIABILITIES

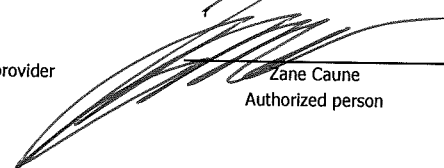
	Notes	31.12.2018 EUR	31.12.2017 EUR
<b>EQUITY</b>			
Share capital		206 145	206 145
Retained profit brought forward from previous years		805 453	549 136
Profit for the financial year		425 963	256 317
<b>TOTAL EQUITY</b>		<b>1 437 561</b>	<b>1 011 598</b>
<b>PROVISIONS</b>			
Other provisions	17	268 297	223 031
<b>TOTAL PROVISIONS</b>		<b>268 297</b>	<b>223 031</b>
<b>LIABILITIES</b>			
<b>SHORT-TERM CREDITORS</b>			
Short-term loans from related parties	19	9 360 395	84 386
Prepayments received from purchasers		7 800	426
Accounts payable to suppliers and contractors		280 179	274 132
Accounts payable to related parties	19	825 459	1 535 082
Taxes and State mandatory social insurance payments		330 306	361 911
Other creditors		364	5 557
Accrued liabilities	18	471 112	357 530
<b>TOTAL</b>		<b>11 275 615</b>	<b>2 619 024</b>
<b>TOTAL LIABILITIES</b>		<b>11 275 615</b>	<b>2 619 024</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12 981 473</b>	<b>3 853 653</b>

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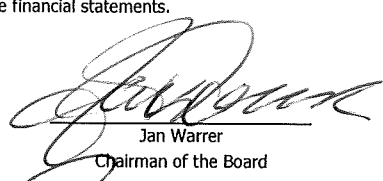
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## Cash flow statement

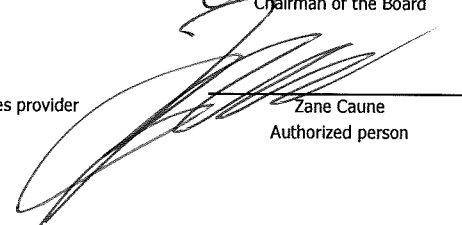
	Notes	2018 EUR	2017 EUR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit or loss before extraordinary items and taxes		481 568	394 611
Adjustments for:			
<i>fixed assets depreciation</i>	11	46 947	43 519
<i>value write-downs of fixed assets</i>	11	1 488	834
<i>provisions and allowances (excluding the provision for doubtful debts)</i>		158 848	(643)
<i>other interest income and similar income</i>	8	(4)	(3 362)
<i>interest payments and similar expenses</i>	9	3 212	2 316
<b>Profit or loss before adjustments of changes in current assets and short-term liabilities</b>		<b>692 058</b>	<b>437 275</b>
Adjustments for:			
<i>decrease or (increase) in trade and other receivables</i>		173 969	(223 114)
<i>deferred expenses</i>		14 275	65 152
<i>(increase) in inventories</i>		(14 737)	(129 364)
<i>decrease or (increase) in accounts payable to suppliers and contractors, and other creditors</i>		(733 000)	502 716
<b>Gross cash flow from operating activities</b>		<b>132 565</b>	<b>652 665</b>
Corporate income tax paid	10	(55 605)	(61 699)
<b>Net cash flow from operating activities</b>		<b>76 960</b>	<b>590 966</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets and intangible investments	11	(43 100)	(55 813)
Loans paid and (granted)		437 312	(261 560)
<b>Net cash flow from investing activities</b>		<b>394 212</b>	<b>(317 373)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Received borrowings		9 276 009	(69 661)
Interest paid		(3 207)	1 046
Dividends paid		-	(420 000)
<b>Net cash flow from financing activities</b>		<b>9 272 802</b>	<b>(488 615)</b>
Net changes in cash or cash equivalents		9 743 974	(215 022)
Cash and cash equivalents at the beginning of the period	15	81 426	296 448
<b>Cash and cash equivalents at the end of the period</b>		<b>9 825 400</b>	<b>81 426</b>

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

On behalf of the Board

  
Jan Warrer  
Chairman of the Board

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

  
Zane Caune  
Authorized person

24.04.2019

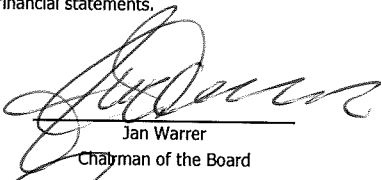


## Statement of changes in equity

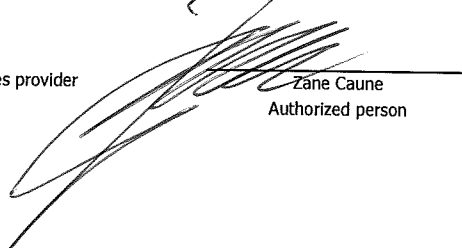
	Share capital	Retained earnings	Profit/ (loss) for the period	Total
<b>Balance as at 31 December 2016</b>	<b>206 145</b>	<b>969 136</b>	-	<b>1 175 281</b>
Dividends paid	-	(420 000)	-	(420 000)
Profit/ (loss) for the reporting period	-	256 317	-	256 317
<b>Balance as at 31 December 2017</b>	<b>206 145</b>	<b>805 453</b>	-	<b>1 011 598</b>
Profit/ (loss) for the reporting period	-	-	425 963	425 963
<b>Balance as at 31 December 2018</b>	<b>206 145</b>	<b>805 453</b>	<b>425 963</b>	<b>1 437 561</b>

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24.04.2019

## 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 2017 and 2018.

### 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, except the item "Deferred tax assets", that is recognized and evaluated in report of 2017 in accordance with International accounting standard No. 12 "Income tax" requirements

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:

	31.12.2018	31.12.2017
USD	1.14500	1.19930

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

#### *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.

Corporate income tax for a period January – December, 2018 is calculated in accordance with Enterprise 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.

### *Deferred tax*

According to the new Law on Enterprise Income Tax of the Republic of Latvia adopted on 28 July 2017, and effective as of 1 January 2018, a 20% rate is only applied to distributed profits while a 0% rate is expected to be applied to undistributed profits. Therefore, deferred tax assets and liabilities are recognisable at nil amount. This principle has been applied in the Company's financial statements for the year ended 31 December 2017.

The carrying amounts of deferred tax assets and liabilities were reversed and changes were charged to profit or loss in the reporting period.

## 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 2018.

### *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 2018.

### *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 2018.

### *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 2018.

### 3. Net Turnover

	2018	2017
Sales in Lithuania	5 488 598	5 168 417
Sales in Estonia	4 068 501	3 946 319
Sales in Latvia	4 035 063	3 671 391
<b>TOTAL:</b>	<b>13 592 162</b>	<b>12 786 127</b>

### 4. Cost of sales

	2018	2017
Costs of materials	10 178 690	9 678 212
Delivery expenses	3 940	12 200
<b>TOTAL:</b>	<b>10 182 630</b>	<b>9 690 412</b>

### 5. Selling expense

	2018	2017
Personnel salary expenses	1 006 002	989 250
Social security payments	319 515	317 268
Rent of vehicles	126 706	127 810
Warranty expenses	105 944	109 845
Transport maintenance expenses	93 218	95 821
Representation expenses	85 155	54 930
Business trip expenses	60 260	59 568
Advertising expenses	52 758	148 107
Logistics service expenses	28 595	23 794
Communication expenses	24 865	25 081
Employee insurance	15 131	13 294
Employee training	5 640	6 304
Consulting expenses	183	20 958
Income from management services (see note 19)	-	(113 911)
Other (see note 19)	(89 525)	(212 014)
<b>TOTAL:</b>	<b>1 834 447</b>	<b>1 666 105</b>

### 6. Administrative expenses

	2018	2017
Personal salary expenses	283 224	264 955
Information technology services	213 394	218 104
Related parties consulting and management expenses	204 543	171 037
Accounting expenses	148 037	117 228
Office space rental and maintenance expenses	92 553	97 526
Social security payments	69 356	67 684
Depreciation of fixed assets	47 831	43 519
Rent of vehicles	30 480	30 012
Business trip expenses	26 151	25 489
Employee insurance expenses	11 643	11 584
Communication expenses	7 976	9 130
Transportation maintenance expenses	7 770	9 294
Audit services	5 611	7 881
Legal and consulting services	2 271	3 419
Other (see note 19)	(99 407)	(66 175)
<b>TOTAL:</b>	<b>1 051 433</b>	<b>1 010 687</b>

### 7. Other income

	2018	2017
Income from logistics services	11 634	11 202
Other operating income	7 582	12 434
<b>TOTAL:</b>	<b>19 216</b>	<b>23 636</b>

#### 8. Other interest income and similar income

	2018	2017
Interest receivable and similar income	4	3 362
<b>TOTAL:</b>	<b>4</b>	<b>3 362</b>

#### 9. Interest payments and similar costs

	2018	2017
Interest and similar expenses	3 212	2 316
Paid penalties	1 649	227
<b>TOTAL:</b>	<b>4 861</b>	<b>2 543</b>

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

	2018	2017
Corporate income tax in Lithuania	45 396	21 509
Corporate income tax in Estonia	10 209	18 916
Corporate income tax in Latvia	-	21 274
<b>Corporate income tax charged to the income statement:</b>	<b>55 605</b>	<b>61 699</b>

#### Deferred corporate income tax (applicable only for year 2017\*):

	Balance sheet
<b>Latvia and Estonia</b>	<b>31.12.2017</b>
Deferred corporate income tax liability	
Accelerated depreciation for tax purposes, 15%	(9 395)
<b>Gross deferred tax liability</b>	<b>(9 395)</b>
<b>Deferred corporate income tax asset</b>	
provisions for doubtful debts and inventories (15%)	1 619
Other, 15%	51 727
<b>Gross deferred tax asset</b>	<b>53 346</b>
Unrecognized deferred tax asset	43 951
<b>Net deferred tax asset</b>	<b>-</b>
	<b>Balance sheet</b>
<b>Lithuania</b>	<b>31.12.2017</b>
Deferred corporate income tax liability	
Accelerated depreciation for tax purposes, 15%	-
<b>Gross deferred tax liability</b>	<b>-</b>
<b>Deferred corporate income tax asset</b>	
provisions for doubtful debts and inventories (15%)	245
Other, 15%	28 503
<b>Gross deferred tax asset</b>	<b>28 747</b>
Unrecognized deferred tax asset	28 747
<b>Net deferred tax asset</b>	<b>-</b>

#### Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:

	2017
Profit before tax	394 611
Tax at the applicable tax rate of 15%	(59 192)
Temporary differences	(9 395)
Deferred corporate income tax asset derecognised in the reporting year for the previous reporting years	(76 595)
Deferred corporate income tax asset non recognized for the reporting year	72 698
Other	(4 111)
<b>Actual corporate income tax for the reporting year:</b>	<b>(76 595)</b>

\* Due to tax reform in Latvia, Corporate income tax in 2017 was calculated at the rate of 15% on taxable income generated by the Company. While Corporate income tax for 2018 in calculated in accordance with Enterprise Income Tax Law, entered into force as of 1 January 2018, and effective Corporate income tax rate 25% was applied to taxable expenses.

## 11. Intangible investments and fixed assets

	Leasehold improvement	Office furniture and equipment	Computers	Other fixed assets	TOTAL
As at 31 December 2016					
Cost	33 941	152 086	126 312	105 429	417 768
Accumulated depreciation and impairment	(25 986)	(115 697)	(91 044)	(84 292)	(317 019)
<b>Carrying amount as at 31 December</b>	<b>7 955</b>	<b>36 389</b>	<b>35 268</b>	<b>21 137</b>	<b>100 749</b>
Year 2017					
Carrying amount as at 1 January	7 955	36 389	35 268	21 137	100 749
Additions	-	28 798	27 015	-	55 813
Cost of disposals	(20 000)	(28 969)	(38 598)	-	(87 567)
Accumulated depreciation of disposals	20 000	28 135	38 598	-	86 733
Depreciation	(5 657)	(8 444)	(21 611)	(7 807)	(43 519)
<b>Carrying amount as at 31 December</b>	<b>2 298</b>	<b>55 909</b>	<b>40 672</b>	<b>13 330</b>	<b>112 209</b>
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)
<b>Carrying amount as at 31 December</b>	<b>2 298</b>	<b>55 909</b>	<b>40 672</b>	<b>13 330</b>	<b>112 209</b>
Year 2018					
Carrying amount as at 1 January	2 298	55 909	40 672	13 330	112 209
Additions	9 839	27 000	6 261	-	43 100
Cost of disposals	-	(1 353)	(134)	-	(1 487)
Accumulated depreciation of disposals	-	750	134	-	884
Depreciation charge	(8 226)	(9 921)	(21 977)	(7 708)	(47 832)
<b>Carrying amount as at 31 December</b>	<b>3 912</b>	<b>72 386</b>	<b>24 955</b>	<b>5 622</b>	<b>106 874</b>
As at 31 December 2018					
Cost	23 780	177 563	120 855	105 429	427 627
Accumulated depreciation and impairment	(19 868)	(105 178)	(95 900)	(99 807)	(320 753)
<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>

## 12. Inventories

	31.12.2018	31.12.2017
Finished products and goods for sale	199 948	124 113
Goods in transit	19 327	87 040
Accruals for slow moving goods	(4 952)	(11 567)
<b>TOTAL:</b>	<b>214 323</b>	<b>199 586</b>
<b>Provision for slow-moving inventory 31.12.2016</b>		<b>2 931</b>
Increase during year 2017		11 567
Decrease during year 2017		(2 931)
<b>Provision for slow-moving inventory 31.12.2017</b>		<b>11 567</b>
<b>Provision for slow-moving inventory 31.12.2017</b>		<b>11 567</b>
Increase during year 2018		4 952
Decrease during year 2018		(11 567)
<b>Provision for slow-moving inventory 31.12.2018</b>		<b>4 952</b>

### 13. Trade receivables

	31.12.2018	31.12.2017
Trade receivables gross	2 812 555	2 892 517
Provisions for bad debtors	(98 600)	(4 593)
<b>TOTAL:</b>	<b>2 713 955</b>	<b>2 887 924</b>

#### Provisions for doubtful debts 31.12.2016

**35 225**

Increase during year 2017

4 593

Decrease during year 2017

(35 225)

#### Provisions for doubtful debts 31.12.2017

**4 593**

#### 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**

### 14. Other debtors

	31.12.2018	31.12.2017
Corporate income tax receivable Lithuania	41 376	34 970
Corporate income tax receivable Latvia	9 768	(1 738)
Other debtors	17 677	12 810
<b>TOTAL:</b>	<b>68 821</b>	<b>46 042</b>

### 15. Cash

	31.12.2018	31.12.2017
Cash in bank	9 825 400	81 426
<b>TOTAL:</b>	<b>9 825 400</b>	<b>81 426</b>

### 16. Equity capital

As of 31 December 2018 and 31 December 2017 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 2018:**

	Amount EUR
Retained earnings from prior years	805 453
Current year profit	425 963
<b>Retained earnings at the end of the financial year</b>	<b>1 231 416</b>

### 17. Other provisions

	31.12.2018	31.12.2017
Provisions for employee bonuses	167 535	121 197
Provisions for guarantee obligations	70 659	67 070
Provision for customers for cooperation agreement discounts	30 103	22 649
Other provisions	-	12 115
<b>TOTAL:</b>	<b>268 297</b>	<b>223 031</b>



## 18. Accrued liabilities

	31.12.2018	31.12.2017
Accrued obligations for bonuses	328 136	234 270
Accrued obligations for unused vacations	93 348	106 167
Other accruals	44 317	9 313
Accrued obligations for audit	5 311	7 780
<b>TOTAL:</b>	<b>471 112</b>	<b>357 530</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 Handels AG**	2017	16 003	14 703	145 921	129 615
Grundfos Handels AG**	2018	-	-	75 810	(5 724)
Grundfos Holding A/S *	2017	24 071	50 380	318 356	312 742
Grundfos Holding A/S *	2018	65 012	36 002	280 886	546 094
Grundfos Holding Co.,Ltd.	2017	-	648	-	-
Grundfos Holding Co.,Ltd.	2018	-	-	-	-
Grundfos Pumpen AG	2017	531	-	-	531
Grundfos Pumpen AG	2018	-	-	-	362
TOV Grundfos Ukraine	2017	8 031	-	-	8 031
TOV Grundfos Ukraine	2018	-	-	-	1 489
Poul Due Jensens Fond	2017	-	-	-	10 934
Poul Due Jensens Fond	2018	-	-	-	-
Grundfos Colombia S.A.S.	2017	-	-	-	803
Grundfos Colombia S.A.S.	2018	-	-	-	-
Grundfos Pumpenfabrik GmbH	2017	-	-	-	702
Grundfos Pumpenfabrik GmbH	2018	-	-	-	-
Grundfos Pompe ITALIA S.R.L.	2017	16 880	-	-	142 524
Grundfos Pompe ITALIA S.R.L.	2018	8 543	-	-	245 002
Grundfos Hungary Manufacturing Ltd.	2017	-	-	-	1 581
Grundfos Hungary Manufacturing Ltd.	2018	-	-	-	6 461
Grundfos Pompy Sp Z.o.o.	2017	4 368	-	-	98 000
Grundfos Pompy Sp Z.o.o.	2018	4 097	-	-	130 175
Grundfos Financial Shared Services Kft.	2017	15 039	-	-	87 958
Grundfos Financial Shared Services Kft.	2018	-	-	-	-
Grundfos Moskau	2017	-	-	-	4 301
Grundfos Moskau	2018	-	-	-	-

**19. 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
Grundfos Sales Czechia and Slovakia	2017	-	-	-	3 046
Grundfos Sales Czechia and Slovakia	2018	-	-	-	-
Grundfos South East Europe Kft.	2017	-	-	-	460
Grundfos South East Europe Kft.	2018	-	-	-	-
Grundfos Serbia d.o.o	2017	2 801	-	-	2 801
Grundfos Serbia d.o.o	2018	-	-	-	-
Grundfos DK A/S	2017	-	-	1 408	91
Grundfos DK A/S	2018	68	-	966	68
Grundfos Operations A/S	2017	1 447 522	8 433	8 433	8 632 392
Grundfos Operations A/S	2018	746 193	350	350	8 470 874
Grundfos AB	2017	-	-	1 447	20
Grundfos AB	2018	-	-	-	435
Grundfos GMBH	2017	(164)	-	-	2 524
Grundfos GMBH	2018	-	-	275	5 985
Bombas Grundfos Portugal LDA.	2017	-	-	-	-
Bombas Grundfos Portugal LDA.	2018	-	-	-	120
Grundfos Norge A/S	2017	-	-	-	-
Grundfos Norge A/S	2018	-	-	-	5 068
Grundfos Sales Czechia and Slovakia	2017	-	-	-	-
Grundfos Sales Czechia and Slovakia	2018	1 545	-	-	1 545
Grundfos Gulf Distribution	2017	-	-	-	-
Grundfos Gulf Distribution	2018	-	6 500	6 500	-
Grundfos A/S	2017	-	-	-	-
Grundfos A/S	2018	-	-	-	1 630
Grundfos Pumps (Wuxi) Ltd.	2017	-	-	-	-
Grundfos Pumps (Wuxi) Ltd.	2018	-	-	2 100	-
TOTAL:	2017	1 535 082	74 164	475 565	9 439 055
TOTAL:	2018	825 459	42 852	366 887	9 409 583

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

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

\*income from Grundfos Holding AS for personnel services in 2017 was 204 207 EUR and in 2018 - 280 886 EUR

\*\*income from Grundfos Handels AG for personnel services in 2017 was 145 921 EUR and in 2018 - 75 818 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 December 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 December 2018 was 5 EUR;

On 31 December 2017 the Company has issued following short – term loans from Grundfos Holding AG:

• 437 312 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 December 2017 was 103 EUR;

## 20. 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:

	<b>31.12.2018</b>
	<b>EUR</b>
Within one year	124 554
2 - 5 years	123 659
<b>TOTAL:</b>	<b><u>248 213</u></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:

	<b>31.12.2018</b>
	<b>EUR</b>
Within one year	50 921
2 - 5 years	40 771
<b>TOTAL:</b>	<b><u>91 692</u></b>

## 21. 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 non-current and 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.

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**21. Financial risk management (cont'd)**

*Credit risk*

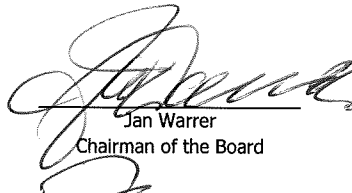
Credit risk is the risk that Company will incur financial losses as a result of default by counterparty on its obligation to the Company. Credit risk mainly arises from cash and short-term deposits with banks and trade receivables.

The Company has obtained partial credit insurance by "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.credilweb.lv](http://www.credilweb.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.

**22. Events after balance sheet date**

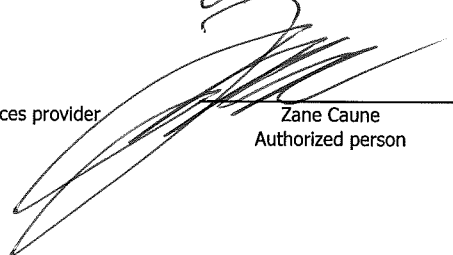
During the period since the last date of financial statement and the signing of this report there have been no any other significant events that would materially affect the financial statement presentation, non that would adjust financial statements.

On behalf of the Board



Jan Warrer  
Chairman of the Board

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



Zane Caune  
Authorized person

24.04.2019

*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 20 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2018;
- 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 2018, 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 x of the accompanying Annual Report,
- the Management Report, as set out on page x 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.

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## *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:

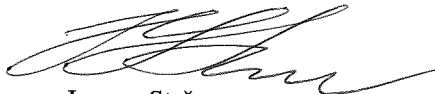
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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  
24 April 2019

## Sidevahendid

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