

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

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Riga, 2018

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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
Registered office	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
Member	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 2017 – 31 December 2017
Previous reporting year	1 January 2016 – 31 December 2016
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 2017 the Company faced net sales increase by 5,7% compared to previous year. Comparing results between countries, the highest sales increase was in Latvia – 10,8% (2016 – the highest decrease by 25,4%), Lithuania in 2017 experienced a sales increase of 3,5% (2016 – decrease of 22,3%) and turnover in Estonia increased by 3,8% (2016 – decrease by 9,3%).

Gross profitability of the Company decreased to 24% in 2016 (2016 – 26%) due to the changes in the sales product mix. Comparing to 2016 the total operating costs of the Company have increased by 4%, in 2017. Cost increase is driven by salary increase, office rent fee increases and professional consultation fees regarding tax legislation changes. Decrease of gross profit and increase of operating costs during the year provided decrease in net profit for the year compared to previous year.

In 2017 the Company continued to invest in fixed assets by investing in furnishing new office space in Tallinn and in renovation of office in Riga as well as IT equipment replacement for all Baltic countries.

The Board proposes to distribute part of 2017 profit in dividends in the amount of 203 000 EUR.

The main tasks for 2018 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.

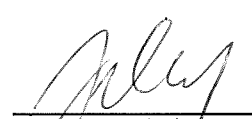
The Annual Report has been prepared in accordance with the Latvian statutory regulations and provides a true and fair view of the Company's financial position.

No subsequent events occurred after the balance sheet date which would require adjustments or disclosure in the financial statements for 2017.

Behalf of the Company on __ April, 2018 the management report was signed by:

In the name of the Board 
Jan Warrer
Chairperson of the Board


Jaroslav Blahut
Member of the Board


Petr Jelinek
Member of the Board

The Annual Report was approved in the shareholders meeting on 10 April, 2018

The Chairman of the Meeting  Jan Warrer

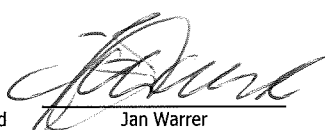
Financial Statements

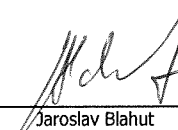
Income statement

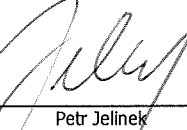
	Notes	2017 EUR	2016 EUR
Net turnover	3	12 786 127	12 097 546
Services provided	4	(9 690 412)	(8 914 849)
Gross profit		3 095 715	3 182 697
Sales costs	5	(1 666 105)	(1 500 207)
Administrative expenses	6	(1 010 687)	(1 093 770)
Other income from economic activities	7	23 636	16 546
Other costs of economic activities		(48 767)	(25 775)
Interest income and similar income	8	3 362	10 157
Interest payments and similar costs	9	(2 543)	(1 410)
Profit before corporate income tax		394 611	588 238
Corporate income tax for the reporting year	10	(61 699)	(78 740)
Profit after calculation of corporate income tax		332 912	509 498
Revenue or costs from changes in balances of deferred tax assets or liabilities		(76 595)	(58 637)
Net profit for the year		256 317	450 861

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

In the name of the Board


 Jan Warrer
 Chairperson of the Board


 Jaroslav Blahut
 Member of the Board


 Petr Jelinek
 Member of the Board

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


 Arta Spilberga
 Authorized person

30 April 2018

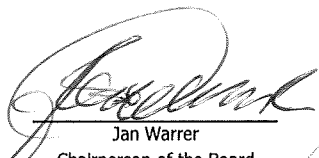
Balance sheet

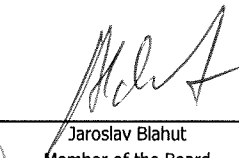
ASSETS

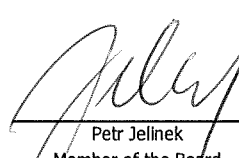
	Notes	31/12/2017 EUR	31/12/2016 EUR
Long-term investments			
FIXED ASSETS			
Long-term investments in rented fixed assets		2 298	7 955
Other fixed assets and inventory		109 911	92 794
TOTAL	11	112 209	100 749
LONG-TERM FINANCIAL INVESTMENTS			
Deferred tax assets	10	-	76 595
TOTAL		-	76 595
TOTAL LONG-TERM INVESTMENTS		112 209	177 344
Current assets			
INVENTORIES			
Finished products and goods for sale		108 107	56 871
Goods in transit		91 479	13 351
TOTAL	12	199 586	70 222
DEBTORS			
Purchasers and commissioning party debts	13	2 887 924	2 664 810
Related company debts	20	74 164	25 241
Other debtors	14	46 042	84 759
Short-term loans to co-owners of undertakings and management	20	437 312	175 752
Next period costs		14 990	13 753
TOTAL		3 460 432	2 964 315
CASH	15	81 426	296 448
TOTAL CURRENT ASSETS		3 741 444	3 330 985
TOTAL ASSETS		3 853 653	3 508 329

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


In the name of the Board

 Jan Warrer
Chairperson of the Board

 Jaroslav Blahut
Member of the Board

 Petr Jelinek
Member of the Board

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

 Arta Spilberga
Authorized person

30 April 2018

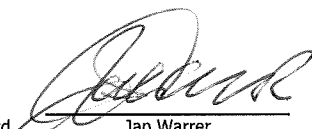
Balance sheet

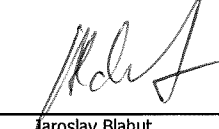
EQUITY AND LIABILITIES

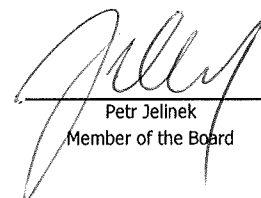
	Notes	31/12/2017 EUR	31/12/2016 EUR
EQUITY			
Equity capital	16	206 145	206 145
Retained profit brought forward from previous years		549 136	518 275
Profit for the financial year		256 317	450 861
TOTAL EQUITY		1 011 598	1 175 281
PROVISIONS			
Other provisions	17	223 031	442 637
TOTAL PROVISIONS		223 031	442 637
LIABILITIES			
SHORT-TERM CREDITORS			
Short-term loans from affiliated companies		84 386	154 047
Prepayments received from purchasers		426	27 863
Accounts payable to suppliers and contractors		274 132	248 843
Debts to related companies	20	1 535 082	968 512
Taxes and State mandatory social insurance payments		361 911	341 048
Other creditors		5 557	11 531
Accrued obligations	19	357 530	138 567
TOTAL		2 619 024	1 890 411
TOTAL LIABILITIES		2 619 024	1 890 411
TOTAL EQUITY AND LIABILITIES		3 853 653	3 508 329

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

In the name of the Board


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 Chairperson of the Board


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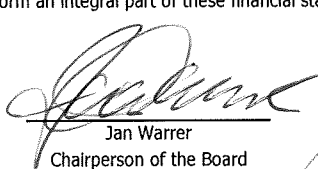
30 April 2018

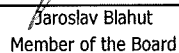
Cash flow statement

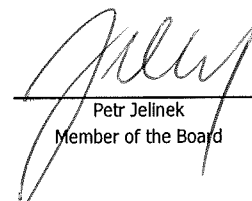
	Notes	2017 EUR	2016 EUR
CASH FLOW FROM OPERATING ACTIVITIES			
Profit or loss before extraordinary items and taxes		394 611	588 238
Adjustments for:			
fixed assets depreciation	11	43 519	66 064
value write-downs of fixed assets	11	834	640
provisions and allowances (excluding the provision for doubtful debts)		(643)	144 999
other interest income and similar income	8	(3 362)	(10 157)
interest payments and similar expenses	9	2 316	1 298
Profit or loss before adjustments of changes in current assets and short-term liabilities		437 275	791 082
Adjustments for:			
increase or decrease in trade and other receivables		(223 114)	(277 601)
deferred expenses		65 152	36 245
increase or decrease in inventories		(129 364)	(40 865)
increase or decrease in accounts payable to suppliers and contractors, and other creditors		502 716	508 864
Gross cash flow from operating activities		652 665	1 017 725
Received interest payments		-	10 158
Corporate income tax paid	10	(61 699)	(102 920)
Net cash flow from operating activities		590 966	924 962
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets and intangible investments	11	(55 813)	(15 453)
Loans granted		(261 560)	294 239
Net cash flow from investing activities		(317 373)	278 786
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings		(69 661)	(431 002)
Interest paid		1 046	(1 298)
Dividends paid		(420 000)	(475 000)
Net cash flow from financing activities		(488 615)	(907 300)
Net changes in cash or cash equivalents		(215 022)	296 448
Cash and cash equivalents at the beginning of the period	15	296 448	-
Cash and cash equivalents at the end of the period		81 426	296 448

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

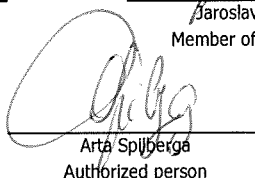
In the name of the Board


 Jan Warrer
 Chairperson of the Board


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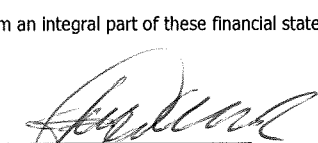
50 April 2018


Statement of changes in equity


	Share capital	Retained earnings	Profit/ (loss) for the period	Total
Balance as at 31 December 2015	206 145	993 275	-	1 199 420
Dividends paid	-	(475 000)	-	(475 000)
Profit/ (loss) for the reporting period	-	450 861	-	450 861
Balance as at 31 December 2016	206 145	969 136	-	1 175 281
Dividends paid	-	(420 000)	-	(420 000)
Profit/ (loss) for the reporting period	-	-	256 317	256 317
Balance as at 31 December 2017	206 145	549 136	256 317	1 011 598

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

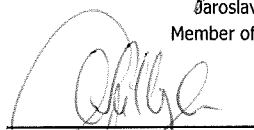
Trade accounts payable


 Jan Warrer
 Chairperson of the Board


 Jaroslav Blahut
 Member of the Board


 Petr Jelinek
 Member of the Board

In the name of the Board
 Ernst & Young Baltics SIA


 Arta Spilberga
 Authorized person

30 April 2018

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 2016 and 2017.

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 accordance with International accounting standard No. 12 "Income tax" requirements

The Company's financial statement for subsequent financial periods 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:

	31.12.2017	31.12.2016
USD	0.94867	0.91853

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%

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.

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 disclosed in the position "Interest and similar expenses"

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.

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

Warranty provision

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

Accounts payable

The accounts payables represent non-current liabilities and liabilities for expenses of current operating activities.

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.

Financial costs

The borrowing costs are included into the costs in the relevant period and are indicated under "Interest expenses and similar expenses".

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. The tax rate stated by Latvian tax legislation is 15%.

Corporate income tax on profit earned in the Republic of Lithuania is calculated and paid in the Republic of Lithuania. Profit or loss earned in Lithuania is eliminated from corporate income tax calculation which is performed according to the Latvian Law on Corporate Income Tax. Calculated tax on profit distribution is decreased by paid part of tax in Estonia by performing recalculation at the tax rate of 15%.

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 2017.

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 2017.

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 2017.

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 2017.

3. Net Turnover

	2017	2016
Sales in Lithuania	5 168 417	4 983 401
Sales in Estonia	3 946 319	3 794 300
Sales in Latvia	3 671 391	3 311 343
Sales in other EU countries	-	8 503
TOTAL:	12 786 127	12 097 546

4. Services provided

	2017	2016
Costs of materials	9 678 212	9 016 531
Delivery expenses	12 200	27 909
Other costs	-	(129 591)
TOTAL:	9 690 412	8 914 849

5. Sales costs

	2017	2016
Personnel salary expenses	989 250	927 628
Social security payments	317 268	291 801
Advertising expenses	148 107	96 362
Rent of vehicles	127 810	133 517
Warranty expenses	109 845	108 657
Transport maintenance expenses	95 821	85 972
Business trip expenses	59 568	77 385
Representation expenses	54 930	110 320
Communication expenses	25 081	26 547
Logistics service expenses	23 794	36 324
Consulting expenses	20 958	9 093
Employee insurance	13 294	12 481
Employee training	6 304	3 125
Income from management services (Note 20)	(113 911)	(199 021)
Other	(212 014)	(219 984)
TOTAL:	1 666 105	1 500 207

6. Administrative expenses

	2017	2016
Personal salary expenses	264 955	220 828
Information technology services	218 104	247 322
Related companies consulting and management expenses	171 037	181 000
Accounting expenses	117 228	111 142
Office space rental and maintenance expenses	97 526	85 568
Social security payments	67 684	49 553
Depreciation of fixed assets	43 519	66 064
Rent of vehicles	30 012	24 866
Business trip expenses	25 489	13 992
Employee insurance expenses	11 584	10 800
Transportation maintenance expenses	9 294	7 318
Communication expenses	9 130	5 636
Audit services	7 881	9 669
Legal and consulting services	3 419	4 205
Other	(66 175)	55 657
TOTAL:	1 010 687	1 093 620

7. Other income from economic activities

	2017	2016
Other operating income	12 433	1 628
Income from logistics services	11 203	14 918
TOTAL:	23 636	16 546

8. Other interest income and similar income

	2017	2016
Interest receivable and similar income	3 362	10 157
TOTAL:	3 362	10 157

9. Interest payments and similar costs

	2017	2016
Interest and similar expenses	2 316	1 298
Paid penalties	227	13
Losses on currency exchange net	-	99
TOTAL:	2 543	1 410

10. Corporate income tax for the reporting year

	2017	2016
Corporate income tax in Lithuania	21 509	25 624
Corporate income tax in Lithuania for previous years	-	(177)
Corporate income tax in Estonia	18 916	33 758
Corporate income tax in Latvia	21 274	19 535
Corporate income tax charged to the income statement:	61 699	78 740

Deferred corporate income tax:

	Balance sheet	
Latvia and Estonia	31/12/2017	30/12/2016
Deferred corporate income tax liability		
Accelerated depreciation for tax purposes, 15%	(9 395)	(8 288)
Gross deferred tax liability	(9 395)	(8 288)
Deferred corporate income tax asset		
provisions for doubtful debts and inventories (15%)	1 619	440
Other, 15%	51 727	44 552
Gross deferred tax asset	53 346	44 992
Unrecognized deferred tax asset	43 951	-
Net deferred tax asset	-	36 704

	Balance sheet	
Lithuania	31/12/2017	30/12/2016
Deferred corporate income tax liability		
Accelerated depreciation for tax purposes, 15%	-	-
Gross deferred tax liability	-	-
Deferred corporate income tax asset		
provisions for doubtful debts and inventories (15%)	245	5 284
Other, 15%	28 503	34 607
Gross deferred tax asset	28 747	39 891
Unrecognized deferred tax asset	28 747	-
Net deferred tax asset	-	39 891

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

	2017	2016
Profit before tax	394 611	588 238
Tax at the applicable tax rate of 15%	(59 192)	(88 236)
Temporary differences	(9 395)	(8 288)
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)	37 887
Actual corporate income tax for the reporting year:	(76 595)	(58 637)

11. Intangible investments and fixed assets

	Leasehold improvement	Office furniture and equipment	Computers	Other fixed assets	TOTAL
As at 31 December 2015					
Cost	84 664	168 410	124 662	107 357	485 093
Accumulated depreciation and impairment	(77 525)	(122 118)	(68 209)	(75 241)	(343 093)
Carrying amount as at 31 December	7 139	46 292	56 453	32 116	142 000
Year 2016					
Carrying amount as at 1 January	7 139	46 292	56 453	32 116	142 000
Additions	13 211	-	2 242	-	15 453
Cost of disposals	(73 934)	(16 324)	(592)	(1 928)	(92 778)
Reclassification	10 000	-	-	-	10 000
Carrying amount as at 31 December	(43 584)	29 968	58 103	30 188	74 675
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)
Carrying amount as at 31 December	7 955	36 389	35 268	21 137	100 749
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 charge	(5 657)	(8 444)	(21 611)	(7 807)	(43 519)
Carrying amount as at 31 December	2 298	55 909	40 672	13 330	112 209
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

12. Inventories

	31/12/2017	31/12/2016
Finished products and goods for sale	124 113	59 802
Goods in transit	87 040	13 351
Accruals for slow moving goods	(11 567)	(2 931)
TOTAL:	199 586	70 222

Provision for slow-moving inventory 31.12.2015	398 178
Increase during year 2016	10 009
Decrease during year 2016	(405 256)
Provision for slow-moving inventory 31.12.2016	2 931
Provision for slow-moving inventory 31.12.2016	2 931
Increase during year 2017	11 567
Decrease during year 2017	(2 931)
Provision for slow-moving inventory 31.12.2017	11 567

13. Purchasers and commissioning party debts

	31/12/2017	31/12/2016
Trade receivables	2 892 517	2 700 035
Provisions for bad debtors	(4 593)	(35 225)
TOTAL:	2 887 924	2 664 810

Provisions for doubtful debts 31.12.2015

Increase during year 2016	35 225
Decrease during year 2016	(273 923)

Provisions for doubtful debts 31.12.2016

	35 225
--	---------------

Provisions for doubtful debts 31.12.2016

Increase during year 2017	4 593
Decrease during year 2017	(35 225)

Provisions for doubtful debts 31.12.2017

	4 593
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14. Other debtors

	31/12/2017	31/12/2016
Corporate income tax receivable Lithuania	34 970	56 479
Corporate income tax receivable Latvia	(1 738)	22 850
Other debtors	12 810	5 430
TOTAL:	46 042	84 759

15. Cash

	31/12/2017	31/12/2016
Current account	81 426	296 448
TOTAL:	81 426	296 448

16. Equity capital

As of 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 2017:

	Amount EUR
Retained earnings from prior years	549 136
Current year profit	256 317
Retained earnings at the end of the financial year	805 453
Recommended distribution:	
- dividends	(203 000)
Retained earnings at the end of the financial year after recommended profit	602 453

17. Other provisions

	31/12/2017	31/12/2016
Provisions for employee bonuses	121 197	109 420
Provisions for guarantee obligations	67 070	68 558
Provision for customers for cooperation agreement discounts	22 649	260 724
Other provisions	12 115	3 935
TOTAL:	223 031	442 637

18. Loans from credit institutions

The Company has signed following agreements for the credit line:

- Nordea Bank AB Latvian branch for 500 000 EUR with repayment date 12 January, 2018;
- Nordea Bank AB, Estonian branch for 500 000 EUR with no definite repayment term;
- Nordea Bank AB Lithuanian branch for 500 000 EUR with no definite repayment term;

The interest rate consists of a variable portion of base interest rate defined by the lender plus added rate of 0.85%. There is no collateral for the credit lines.

19. Accrued obligations

	31/12/2017	31/12/2016
Accrued obligations for bonuses	234 270	-
Accrued obligations for unused vacations	106 167	124 141
Other accruals	9 313	11 285
Accrued obligations for audit	7 780	3 141
TOTAL:	357 530	138 567

20. Related companies disclosure

Related companies are defined as subsidiaries and associates of the Company as well as shareholders that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions, members of the key management personnel of the Company or its parent company, and close members of the families of any individual referred to previously and entities over which these persons exercise significant influence or control.

Related company		Amounts owed to related company	Amounts owed by related company	Sales to related company	Purchases from related company
Grundfos Handels AG**	2016	15 750	3 221	62 221	123 000
Grundfos Handels AG**	2017	16 003	14 703	145 921	129 615
Grundfos Holding A/S *	2016	26 943	19 345	142 465	339 868
Grundfos Holding A/S *	2017	24 071	50 380	318 356	312 742
Grundfos Holding Co.,Ltd.	2016	-	-	-	-
Grundfos Holding Co.,Ltd.	2017	-	648	-	-
Grundfos Pumpen AG	2016	-	-	-	-
Grundfos Pumpen AG	2017	531	-	-	531
TOV Grundfos Ukraine	2016	-	-	-	-
TOV Grundfos Ukraine	2017	8 031	-	-	8 031
Poul Due Jensens Fond	2016	-	-	-	-
Poul Due Jensens Fond	2017	-	-	-	10 934
Grundfos Colombia S.A.S.	2016	-	-	-	-
Grundfos Colombia S.A.S.	2017	-	-	-	803
Grundfos Pumpenfabrik GmbH	2016	207	-	-	207
Grundfos Pumpenfabrik GmbH	2017	-	-	-	702
Grundfos Pompe ITALIA S.R.L.	2016	-	-	-	22 739
Grundfos Pompe ITALIA S.R.L.	2017	16 880	-	-	142 524
Grundfos Hungary Manufacturing Ltd.	2016	-	-	-	9 255
Grundfos Hungary Manufacturing Ltd.	2017	-	-	-	1 581
Grundfos Pompy Sp Z.o.o.	2016	9 333	-	4 480	78 592
Grundfos Pompy Sp Z.o.o.	2017	4 368	-	-	98 000
Grundfos Financial Shared Services Kft.	2016	6 743	-	-	80 916
Grundfos Financial Shared Services Kft.	2017	15 039	-	-	87 958
Grundfos Moskau	2016	-	-	-	-
Grundfos Moskau	2017	-	-	-	4 301

20. Related companies 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	2016	686	-	186	731
Grundfos Sales Czechia and Slovakia	2017	-	-	-	3 046
Grundfos South East Europe Kft.	2016	-	-	-	-
Grundfos South East Europe Kft.	2017	-	-	-	460
Grundfos Serbia d.o.o	2016	-	-	-	-
Grundfos Serbia d.o.o	2017	2 801	-	-	2 801
Grundfos DK A/S	2016	-	2 675	2 675	45
Grundfos DK A/S	2017	-	-	1 408	91
Grundfos Operations A/S	2016	908 108	-	-	8 464 069
Grundfos Operations A/S	2017	1 447 522	8 433	8 433	8 222 844
Grundfos AB	2016	-	-	-	-
Grundfos AB	2017	-	-	1 447	20
Grundfos GMBH	2016	1 191	-	856	1 191
Grundfos GMBH	2017	(164)	-	-	2 524
Grundfos Pompes SAS	2016	-	-	-	1 298
Grundfos Pompes SAS	2017	-	-	-	-
Grundfos Water Utility Inc.	2016	-	-	-	1 593
Grundfos Water Utility Inc.	2017	-	-	-	-
Grundfos Water Treatment GmbH	2016	-	-	-	2 926
Grundfos Water Treatment GmbH	2017	-	-	-	-
Grundfos Pumps (Wuxi) Ltd.	2016	-	-	-	5 361
Grundfos Pumps (Wuxi) Ltd.	2017	-	-	-	-
Grundfos Nederland B.V.	2016	-	-	255	-
Grundfos Nederland B.V.	2017	-	-	-	-
GRUNDFOS PUMPS K.K.	2016	-	-	-	109
GRUNDFOS PUMPS K.K.	2017	-	-	-	-
Grundfos A/S	2016	(449)	-	-	9
Grundfos A/S	2017	-	-	-	-
GRUNDFOS PUMPUT OY AB	2016	-	-	-	1 763
GRUNDFOS PUMPUT OY AB	2017	-	-	-	-
TOTAL:	2016	968 512	25 241	213 138	9 133 672
TOTAL:	2017	1 535 082	74 164	475 565	9 029 507

20. Related companies disclosure (cont'd)

Terms and conditions of transactions with related companies

*Income from Grundfos Holding AS for personnel services in 2016 was 136 800 EUR and in 2017 - 204 407 EUR

**Income from Grundfos Handels AG for personnel services in 2016 was 62 221 EUR and in 2017 - 145 921 EUR

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

- 84 386 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 2017 was 2 126 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;

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

21. Commitments and contingencies

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

	31.12.2017
	EUR
Within one year	59 303
2 - 5 years	111 854
TOTAL:	<u>171 157</u>

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:

	31.12.2017
	EUR
Within one year	34 216
2 - 5 years	137 700
TOTAL:	<u>171 916</u>

22. Financial risk management

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

Foreign currency risk

Foreign currency risk is the risk of financial losses incurred by the Company due to adverse fluctuations in foreign currency exchange rates. This risk arises when financial assets denominated in a foreign currency do not match financial liabilities in that currency which results in open currency positions. The Company does not have any material 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 bank 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, and to insure the availability of funding through sufficient amount of committed bank credit line facilities 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.

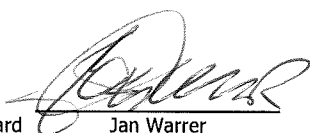
Credit risk

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, trade receivables and issued non-current and current loans. The Company has obtained partial credit insurance by "Compagnie française d'assurance pour le commerce" extérieur Latvian branch.

23. 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.

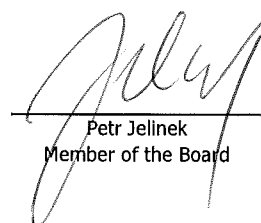
In the name of the Board



Jan Warrer
Chairperson of the Board



Jarošlav Blahut
Member of the Board



Petr Jelinek
Member of the Board

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



Arta Spilberga
Authorized person

30th April 2018

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 2017, the profit and loss statement, the statement of changes in equity and 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.

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 2017, 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 management is responsible for the other information. The other information comprises the Management Report, as set out on page 4 and Information about the Company, as set out on page 3 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.

INDEPENDENT AUDITORS' REPORT (Continued)

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.

Auditors' 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.

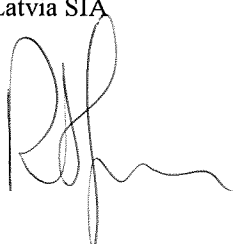
INDEPENDENT AUDITORS' REPORT (Continued)

- 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 Nr. 43

Roberts Stugis
Board member



Riga, Latvia
30 April 2018



Kitija Kepite
Certified auditor
Certificate No 182

Sidevahendid

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