



Annual Report 2020

Xylem Water Solutions Denmark ApS

Ejby Industrivej 60
2600 Glostrup
CVR No. 11945317

The Annual General Meeting adopted the annual
report on 28.05.2021

Tim Rindsig

Tim Rindsig

Chairman of the General Meeting

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Entity details

Entity

Xylem Water Solutions Denmark ApS

Ejby Industrivej 60

2600 Glostrup

CVR No.: 11945317

Registered office: Glostrup

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Tim Rindsig

Jörgen Petersen

Nissa Chuayphan Duong

Kenn Frydenlund Jensen

Morten Rosford Tranberg

Executive Board

Tim Rindsig

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Xylem Water Solutions Denmark ApS for the financial year 01.01.2020 - 31.12.2020.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Glostrup, 28.05.2021

Executive Board



Tim Rindsig

Board of Directors

Tim Rindsig



Jürgen Petersen



Nissa Chuayphan Duong



Kenn Frydenlund Jensen



Morten Rosford Tranberg

Independent auditor's report

To the shareholders of Xylem Water Solutions Denmark ApS

Opinion

We have audited the financial statements of Xylem Water Solutions Denmark ApS for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement 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 Entity'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 in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

København, 28.05.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556



Kim Takata Mücke

State Authorised Public Accountant
Identification No (MNE) mne10944

Management commentary

Financial highlights

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	38,636	44,356	36,585	37,712	27,538
Operating profit/loss	6,743	7,966	3,479	5,999	5,362
Net financials	(47)	(71)	(50)	(21)	(52)
Profit/loss for the year	5,312	6,126	2,929	4,904	4,483
Total assets	75,027	69,917	78,467	74,724	72,946
Investments in property, plant and equipment	971	237	1,227	1,270	1,357
Equity	22,762	21,450	17,324	19,395	19,491
Ratios					
Return on equity (%)	24.03	31.60	15.95	25.22	21.60
Equity ratio (%)	30.34	30.68	22.08	25.96	26.72

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Primary activities

The Company is responsible for production, marketing, sales and servicing of Xylem products and solutions for the handling of liquids to the Danish market.

Development in activities and finances

The Company's gross profit has decreased by 13% (DKK -5.720k) and the operating profit has decreased by 15% (DKK -1,223k) compared to 2019.

Profit/loss for the year in relation to expected developments

A profit of DKK 5.312k (2019: DKK 6,126k) was in line with Management's expectations.

Uncertainty relating to recognition and measurement

No material uncertainties are involved in recognition or measurement of the Company's assets and liabilities.

Unusual circumstances affecting recognition and measurement

No unusual circumstances have been found to exist in the financial statements for 2020.

Outlook

The Company expects an increase in both revenue and order intake in 2021 of 5-7% primarily in new areas such as construction and industry.

Particular risks

There are no unusual business-related risks in the financial statements for 2020.

Environmental performance

The Company participates in the Xylem Group's extensive environmental, safety and health programme.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Gross profit/loss		38,636	44,356
Distribution costs		(24,588)	(28,417)
Administrative expenses		(7,305)	(7,973)
Operating profit/loss		6,743	7,966
Other financial income		0	3
Financial expenses from group enterprises		(12)	(73)
Other financial expenses		(35)	(1)
Profit/loss before tax		6,696	7,895
Tax on profit/loss for the year	3	(1,384)	(1,769)
Profit/loss for the year	4	5,312	6,126

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Plant and machinery		758	327
Other fixtures and fittings, tools and equipment		1,008	1,130
Leasehold improvements		674	1,098
Property, plant and equipment	5	2,440	2,555
Deferred tax	6	0	520
Financial assets		0	520
Fixed assets		2,440	3,075
Raw materials and consumables		7,451	8,928
Inventories		7,451	8,928
Trade receivables		39,696	46,641
Contract work in progress		9,664	5,477
Receivables from group enterprises		12,944	1,620
Other receivables		1,387	1,387
Prepayments	7	889	2,321
Receivables		64,580	57,446
Cash		556	468
Current assets		72,587	66,842
Assets		75,027	69,917

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	8	6,000	6,000
Retained earnings		12,762	11,450
Proposed dividend		4,000	4,000
Equity		22,762	21,450
Deferred tax	6	142	0
Other provisions	9	2,199	1,174
Provisions		2,341	1,174
Other payables		0	1,895
Non-current liabilities other than provisions		0	1,895
Trade payables		13,046	12,712
Payables to group enterprises		11,847	14,545
Tax payable		156	972
Other payables	10	24,875	17,169
Current liabilities other than provisions		49,924	45,398
Liabilities other than provisions		49,924	47,293
Equity and liabilities		75,027	69,917
Staff costs	1		
Amortisation, depreciation and impairment losses	2		
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Related parties with controlling interest	13		
Non-arm's length related party transactions	14		
Group relations	15		

Statement of changes in equity for 2020

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	6,000	11,450	4,000	21,450
Ordinary dividend paid	0	0	(4,000)	(4,000)
Profit/loss for the year	0	1,312	4,000	5,312
Equity end of year	6,000	12,762	4,000	22,762

Notes

1 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	52,799	55,690
Pension costs	6,745	5,985
Other social security costs	836	1,060
	60,380	62,735
Average number of full-time employees	92	96

2 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Depreciation of property, plant and equipment	1,077	1,037
	1,077	1,037

3 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	1,034	1,864
Change in deferred tax	662	(95)
Adjustment concerning previous years	(312)	0
	1,384	1,769

4 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Ordinary dividend for the financial year	4,000	4,000
Retained earnings	1,312	2,126
	5,312	6,126

5 Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	1,744	6,174	3,652
Additions	625	321	25
Disposals	(225)	(1,200)	(63)
Cost end of year	2,144	5,295	3,614
Depreciation and impairment losses beginning of year	(1,426)	(5,044)	(2,554)
Depreciation for the year	(185)	(443)	(449)
Reversal regarding disposals	225	1,200	63
Depreciation and impairment losses end of year	(1,386)	(4,287)	(2,940)
Carrying amount end of year	758	1,008	674

6 Deferred tax

	2020 DKK'000	2019 DKK'000
Property, plant and equipment	175	69
Receivables	0	(136)
Provisions	(317)	587
Deferred tax	(142)	520

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	520	425
Recognised in the income statement	(662)	95
End of year	(142)	520

7 Prepayments

Prepayments represent prepaid expenses.

8 Share capital

	Number	Nominal value DKK'000
Ordinary shares	112,500	6,000
	112,500	6,000

9 Other provisions

Other provisions comprise anticipated warranty commitments.

10 Other payables

	2020 DKK'000	2019 DKK'000
VAT and duties	6,884	7,627
Wages and salaries, personal income taxes, social security costs, etc payable	8,938	4,048
Holiday pay obligation	8,533	4,993
Other costs payable	520	501
	24,875	17,169

11 Unrecognised rental and lease commitments

The Company has rental obligations covering different periods up until 2026. Rental obligations total DKK 6,272k (2019: DKK 6,435k)

The Company has operating lease commitments covering different periods up until 2025. Lease commitments total DKK 9.172k (2019: DKK 10,452k)

12 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Xylem Water Solutions Denmark ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

13 Related parties with controlling interest

The following parties have a controlling interest in Xylem Water Solutions Denmark ApS:

Xylem Industries Sàrl, 11 Breedewues, L-1249 Senningerberg, Luxembourg, 100% ownership, is owned by:
 Xylem International Sàrl, 11 Breedewues, L-1249 Senningerberg, Luxembourg, 100% ownership, is owned by:
 Xylem Global Sàrl, 11 Breedewues, L-1249 Senningerberg, Luxembourg, 100% ownership, is owned by:
 Xylem Delaware Inc., Wilmington, DE 19899, USA, 100% ownership, is owned by:
 Xylem Inc., 1 International Drive, Rye Brook, NY 10573, USA, 100% ownership.

14 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

15 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
 Xylem Inc., 1 International Drive, Rye Brook, NY 10573, USA

Copies of the consolidated financial statements of Xylem Inc. may be obtained at the following address:
 The consolidated financial statements are available from www.xyleminc.com.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Changes in accounting presentation

The Company has changed the presentation for trade receivables and prepayments received from customers. In past years, pre-invoicing to customers not yet paid was included as both trade receivables and prepayments from customers. With effect from 2020 and with adjustment of comparative figures for 2019, pre-invoicing to customers are no longer recognised as part of trade receivables and prepayments from customers. The change has impacted the balance sheet as follows:

- Trade receivables have decreased by DKK 5.787 thousand (2019: DKK 2.506 thousand)
- Prepayments received from customers have decreased by DKK 5.787 thousand (2019: DKK 2.506 thousand)

Comparative figures have been adjusted accordingly.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises a summary of revenue and production costs.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables relating to intangible assets and property, plant and equipment included in the production process. Production costs concerning contract work is recognised as incurred.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises interest income.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, bank charges and foreign exchange losses.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Rental equipment and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Leasehold improvements	8 years
Rental equipment	4 years
Operating equipment	3-10 years

Depreciation is recognised in the income statement under production costs, distribution costs and administrative expenses, respectively.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Gains and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Gains or losses are recognised in the income statement as adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds original cost.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using weighted average cost and net realisable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance

sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

The company participates in a cash-pooling arrangement together with other Xylem group companies on a worldwide basis. The Company's deposits or drawings on the cash-pooling arrangement are included in receivables or payables to group enterprises.

Dividend

Dividend is recognised as a liability at the time of adoption at the annual general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other provisions

Other provisions comprise anticipated warranty costs, product returns and loss on contract work in progress.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, the financial statements do not include a cash flow statement as reference is made to the consolidated financial statements of Xylem Inc., USA, in which Xylem Water Solutions Denmark ApS is included.