



Xylem Water Solutions Denmark ApS

Ejby Industrivej 60
2600 Glostrup
CVR No. 11945317

Annual report 2022

The Annual General Meeting adopted the
annual report on 29.06.2023

Tim Rindsig

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2022	9
Balance sheet at 31.12.2022	10
Statement of changes in equity for 2022	12
Notes	13
Accounting policies	16

Entity details

Entity

Xylem Water Solutions Denmark ApS
Ejby Industrivej 60
2600 Glostrup

Business Registration No.: 11945317
Registered office: Glostrup
Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Tim Rindsig
Jörgen Petersen
Marianne Kjær Andersen
Michael Hansen
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 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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, 29.06.2023

Executive Board

Tim Rindsig

Board of Directors

Tim Rindsig

Jörgen Petersen

Marianne Kjær Andersen

Michael Hansen

Morten Rosford Tranberg

Independent auditor's report

To the shareholder of Xylem Water Solutions Denmark ApS

Opinion

We have audited the financial statements of Xylem Water Solutions Denmark ApS for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Copenhagen, 29.06.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Hartmann Olesen

State Authorised Public Accountant
Identification No (MNE) mne34143

Management commentary

Financial highlights

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	46,297	41,686	38,644	44,350	36,583
Operating profit/loss	6,765	6,872	6,751	7,960	3,477
Net financials	(135)	(24)	(47)	(71)	(50)
Profit/loss for the year	5,179	5,071	5,320	6,120	2,927
Total assets	86,398	87,893	75,035	69,911	80,460
Investments in property, plant and equipment	4,417	842	971	237	1,227
Equity	25,012	23,833	22,762	21,450	17,324
Ratios					
Return on equity (%)	21.21	21.77	24.07	31.57	15.95
Equity ratio (%)	28.95	27.12	30.34	30.68	21.53

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

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

The Company is responsible for 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 increased by 11% (DKK 4.612k) and the operating profit has decreased by 2% (DKK 107k) compared to 2021.

Profit/loss for the year in relation to expected developments

A profit of DKK 5.179 k (2021: DKK 5.071k) was in line with Management's expectations.

Uncertainty relating to recognition and measurement

No material uncertainties have been found to exist in the financial statement of 2022.

Unusual circumstances affecting recognition and measurement

No unusual circumstances have been found to exist in the financial statements for 2022.

Outlook

The Company expects an increase in both revenue and order intake in 2023 of 5-7% primarily in new areas such as construction and industry.

Environmental performance

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

Events after the balance sheet date

In Xylem's efforts to constantly improve its efficiency and customer service, the Company has decided to merge the two sales companies MJK and Xylem Water Solutions Denmark. This means that the Company improves the coordination of its activities and jointly offer the entire portfolio of MJK's high-quality measuring and monitoring instruments with Xylem's other water treatment and transport solutions.

Simultaneously, the Company is moving the production of high-quality measuring and monitoring instruments from Birkerød to the European Factory in Weilheim, Germany, to ensure even higher delivery reliability than before.

It is the plan to merge the Companies on 1 July 2023 with Xylem Water Solutions Denmark ApS as surviving entity. The merger of the Companies will have accounting effect from 01.01.2023.

Apart from this, no events have occurred after the balance sheet date, which would change the evaluation of the annual report.

Income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Gross profit/loss		46,297	41,686
Distribution costs		(31,478)	(26,472)
Administrative expenses		(8,054)	(8,342)
Operating profit/loss		6,765	6,872
Other financial income		18	0
Financial expenses from group enterprises		(141)	(8)
Other financial expenses		(12)	(16)
Profit/loss before tax		6,630	6,848
Tax on profit/loss for the year	2	(1,451)	(1,777)
Profit/loss for the year	3	5,179	5,071

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Plant and machinery		931	819
Other fixtures and fittings, tools and equipment		409	622
Leasehold improvements		240	375
Property, plant and equipment in progress		4,125	439
Property, plant and equipment	4	5,705	2,255
Deferred tax	5	240	126
Financial assets		240	126
Fixed assets		5,945	2,381
Raw materials and consumables		16,500	16,210
Inventories		16,500	16,210
Trade receivables		54,104	54,622
Contract work in progress		970	5,932
Receivables from group enterprises		0	3,672
Other receivables		1,824	1,420
Tax receivable		264	437
Prepayments	6	365	2,720
Receivables		57,527	68,803
Cash		6,426	499
Current assets		80,453	85,512
Assets		86,398	87,893

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital	7	6,000	6,000
Retained earnings		19,012	13,833
Proposed dividend		0	4,000
Equity		25,012	23,833
Other provisions	8	1,678	1,313
Provisions		1,678	1,313
Prepayments received from customers		3,606	0
Trade payables		21,556	16,378
Payables to group enterprises		16,256	28,394
Other payables	9	18,290	17,975
Current liabilities other than provisions		59,708	62,747
Liabilities other than provisions		59,708	62,747
Equity and liabilities		86,398	87,893
Staff costs	1		
Unrecognised rental and lease commitments	10		
Contingent liabilities	11		
Related parties with controlling interest	12		
Non-arm's length related party transactions	13		
Group relations	14		

Statement of changes in equity for 2022

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	6,000	13,833	4,000	23,833
Ordinary dividend paid	0	0	(4,000)	(4,000)
Profit/loss for the year	0	5,179	0	5,179
Equity end of year	6,000	19,012	0	25,012

Notes

1 Staff costs

	2022	2021
	DKK'000	DKK'000
Wages and salaries	65,042	56,773
Pension costs	6,243	5,826
Other social security costs	1,025	894
	72,310	63,493
Average number of full-time employees	109	97

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B (3) of the Danish Financial Statements Act.

2 Tax on profit/loss for the year

	2022	2021
	DKK'000	DKK'000
Current tax	1,597	1,587
Change in deferred tax	114	268
Adjustment concerning previous years	(260)	(78)
	1,451	1,777

3 Proposed distribution of profit and loss

	2022	2021
	DKK'000	DKK'000
Retained earnings	5,179	5,071
	5,179	5,071

4 Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	2,410	5,277	3,719	439
Additions	414	266	51	3,686
Cost end of year	2,824	5,543	3,770	4,125
Depreciation and impairment losses beginning of year	(1,592)	(4,655)	(3,344)	0
Depreciation for the year	(301)	(479)	(186)	0
Depreciation and impairment losses end of year	(1,893)	(5,134)	(3,530)	0
Carrying amount end of year	931	409	240	4,125

5 Deferred tax

	2022 DKK'000	2021 DKK'000
Changes during the year		
Beginning of year	126	(142)
Recognised in the income statement	114	268
End of year	240	126

Deferred tax assets

Deferred tax relates to property, plant & equipment and receivables.

6 Prepayments

Prepayments represent prepaid expenses.

7 Share capital

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

8 Other provisions

Other provisions comprise anticipated warranty commitments.

9 Other payables

	2022 DKK'000	2021 DKK'000
VAT and duties	9,137	8,356
Wages and salaries, personal income taxes, social security costs, etc payable	5,843	6,284
Holiday pay obligation	2,940	2,735
Other costs payable	370	600
	18,290	17,975

10 Unrecognised rental and lease commitments

The Company has rental obligations covering different periods up until 2026. Rental obligations total DKK 5,286k (2021: DKK 5,528k).

The Company has operating lease commitments covering different periods up until 2026. Lease commitments total DKK 12,487k (2021: DKK 12,696k)

11 Contingent liabilities

The Company participates in a Danish joint taxation arrangement where Xylem Denmark Holdings ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company 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.

12 Related parties with controlling interest

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

Xylem Industries Sari, 11 Breedewues, L-1249 Senningerberg, Luxembourg, 100% ownership, is owned by: Xylem

International Sari, 11 Breedewues, L-1249 Senningerberg, Luxembourg, 100% ownership, is owned by: Xylem

Global Sari, 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.

13 Non-arm's length related party transactions

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

14 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. are available from www.xylem.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).

The accounting policies applied to these financial statements are consistent with those applied 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, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses 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, travel costs 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, IT costs 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 comprise interest income etc.

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 etc.

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 Company 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:

	Useful life
Plant and machinery	8 years
Other fixtures and fittings, tools and equipment	4 years
Leasehold improvements	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 the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised 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 writedowns 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 in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the 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.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

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.