



Xylem Water Solutions Denmark ApS

Ejby Industrivej 60
2600 Glostrup
CVR No. 11945317

Annual report 2023

The Annual General Meeting adopted the annual
report on 04.07.2024

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 2023	9
Balance sheet at 31.12.2023	10
Statement of changes in equity for 2023	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: 01.01.2023 - 31.12.2023

Board of Directors

Tim Rindsig
Marianne Kjær Andersen
Michael Sommer 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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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, 04.07.2024

Executive Board

Tim Rindsig

Board of Directors

Tim Rindsig

Marianne Kjær Andersen

Michael Sommer 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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Copenhagen, 04.07.2024

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Henrik Hartmann Olesen

State Authorised Public Accountant

Identification No (MNE) mne34143

Management commentary

Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	99,845	46,297	41,686	38,644	44,350
Operating profit/loss	33,766	6,765	6,872	6,751	7,960
Net financials	(6,283)	(135)	(24)	(47)	(71)
Profit/loss for the year	21,833	5,179	5,071	5,320	6,120
Total assets	157,127	86,398	87,893	75,035	69,911
Investments in property, plant and equipment	14,286	4,417	842	971	237
Equity	13,955	25,012	23,833	22,762	21,450
Ratios					
Return on equity (%)	112.06	21.21	21.77	24.07	31.57
Equity ratio (%)	8.88	28.95	27.12	30.34	30.68

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

Return on equity (%):

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

Equity ratio (%):

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

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 to DKK 99,845k and the operating profit has increased to DKK 33.766k.

On 1 July 2023 the entity has merged with the group companies MJK Automation ApS and Xylem Denmark Holding ApS with Xylem Water Solutions ApS as the surviving entity. In the annual report the merger has been incorporated with effect from 1 January 2023 resulting in a merger effect recognised into equity of DKK 32,890 (loss).

A gain from sale of assets of DKK 19,1 million related to discontinuing activities in Denmark has been recognised in 2023 increasing the result compared to last year.

Profit/loss for the year in relation to expected developments

A profit of DKK 21.833 k (2022: DKK 5.179k) 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 2023.

Unusual circumstances affecting recognition and measurement

No unusual circumstances have been found to exist in the financial statements for 2023.

Outlook

The Company expects an increase in both revenue and order intake in 2024 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

As of July the 4 July 2024 the parent has contributed DKK 30 million into the Company as Equity to secure a solid equity rate.

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

Income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Gross profit/loss		99,845	46,297
Distribution costs		(42,792)	(31,478)
Administrative expenses		(23,287)	(8,054)
Operating profit/loss		33,766	6,765
Other financial income		658	18
Financial expenses from group enterprises		(6,132)	(141)
Other financial expenses		(809)	(12)
Profit/loss before tax		27,483	6,630
Tax on profit/loss for the year	3	(5,650)	(1,451)
Profit/loss for the year	4	21,833	5,179

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Plant and machinery		766	931
Other fixtures and fittings, tools and equipment		1,986	409
Leasehold improvements		2,822	240
Property, plant and equipment in progress		857	4,125
Property, plant and equipment	5	6,431	5,705
Deferred tax	6	449	240
Financial assets		449	240
Fixed assets		6,880	5,945
Raw materials and consumables		15,619	16,500
Inventories		15,619	16,500
Trade receivables		75,339	54,104
Contract work in progress		902	970
Receivables from group enterprises		41,386	0
Other receivables		13,994	1,824
Tax receivable		0	264
Prepayments	7	684	365
Receivables		132,305	57,527
Cash		2,323	6,426
Current assets		150,247	80,453
Assets		157,127	86,398

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		6,000	6,000
Retained earnings		7,955	19,012
Equity		13,955	25,012
Other provisions	8	1,945	1,678
Provisions		1,945	1,678
Payables to group enterprises	9	76,373	0
Non-current liabilities other than provisions		76,373	0
Prepayments received from customers		250	3,606
Trade payables		19,414	18,723
Payables to group enterprises		2,527	16,256
Tax payable		4,737	0
Other payables	10	37,926	21,123
Current liabilities other than provisions		64,854	59,708
Liabilities other than provisions		141,227	59,708
Equity and liabilities		157,127	86,398
Events after the balance sheet date	1		
Staff costs	2		
Unrecognised rental and lease commitments	11		
Related parties with controlling interest	12		
Non-arm's length related party transactions	13		
Group relations	14		

Statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	6,000	19,012	25,012
Effect of mergers and business combinations	0	(32,890)	(32,890)
Profit/loss for the year	0	21,833	21,833
Equity end of year	6,000	7,955	13,955

As of July the 4 July 2024 the parent has contributed DKK 30 million into the Company as Equity to secure a solid equity rate.skrivelse af eventuelle særlige forhold

Notes

1 Events after the balance sheet date

As of July the 4 July 2024 the parent has contributed DKK 30 million into the Company as Equity to secure a solid equity rate.

2 Staff costs

	2023	2022
	DKK'000	DKK'000
Wages and salaries	106,923	65,042
Pension costs	9,622	6,243
Other social security costs	1,178	1,025
	117,723	72,310
Average number of full-time employees	164	109

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

3 Tax on profit/loss for the year

	2023	2022
	DKK'000	DKK'000
Current tax	5,794	1,597
Change in deferred tax	33	114
Adjustment concerning previous years	(177)	(260)
	5,650	1,451

4 Proposed distribution of profit and loss

	2023	2022
	DKK'000	DKK'000
Retained earnings	21,833	5,179
	21,833	5,179

5 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	2,824	5,544	3,770	4,125
Addition through business combinations etc	0	9,858	0	0
Additions	134	1,121	3,173	0
Disposals	0	(1,173)	0	(3,268)
Cost end of year	2,958	15,350	6,943	857
Depreciation and impairment losses beginning of year	(1,893)	(5,133)	(3,530)	0
Addition through business combinations etc	0	(6,828)	0	0
Depreciation for the year	(299)	(2,079)	(591)	0
Reversal regarding disposals	0	676	0	0
Depreciation and impairment losses end of year	(2,192)	(13,364)	(4,121)	0
Carrying amount end of year	766	1,986	2,822	857

6 Deferred tax

	2023 DKK'000	2022 DKK'000
Changes during the year		
Beginning of year	240	126
Recognised in the income statement	33	114
Additions from merger	176	0
End of year	449	240

Deferred tax assets

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

7 Prepayments

Prepayments represent prepaid expenses.

8 Other provisions

Other provisions comprise anticipated warranty commitments.

9 Payables to group enterprises

Long-term payables to group enterprises relate to a loan with the group related entity Xylem Industries Sarl. Xylem Industries Sarl, granted a loan of originally DKK 74,2 million to Xylem Denmark Holdings ApS to finance the acquisition of MJK Automation ApS. The Loan has been extended in 2022 and falls due on 13 July 2027. After the merger between Xylem Water Solutions Denmark ApS, MJK Automation ApS and Xylem Denmark Holding ApS on 1 July 2023 with Xylem Water Solutions as the surviving entity, the company has taken over the loan granted from Xylem Industries Sarl.

10 Other payables

	2023	2022
	DKK'000	DKK'000
VAT and duties	10,840	9,137
Wages and salaries, personal income taxes, social security costs, etc payable	7,196	5,843
Holiday pay obligation	4,303	2,940
Other costs payable	15,587	3,203
	37,926	21,123

11 Unrecognised rental and lease commitments

The Company has rental obligations covering different periods up until 2026. Rental obligations total DKK 4.231k (2022: DKK 5,286k). The Company has operating lease commitments covering different periods up until 2026. Lease commitments total DKK 18,150k (2022: DKK 12,487k)

12 Related parties with controlling interest

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

Xylem Luxembourg 1 (Sarl), Luxembourg, 100% ownership, is owned by:

Xylem Water Systems International Inc. (US), 100% ownership, is owned by;

Xylem Delaware Inc., (US), 100% ownership, is owned by:

Xylem Inc., 301 Water Street SE, Washington, DC 20003, 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., 301 Water Street SE, Washington, DC 20003, USA

Copies of the consolidated financial statements of Xylem Inc. 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).

The accounting policies applied to these financial statements are consistent with those applied last year.

Non-comparability

The merger has been completed without restatement of comparative figures

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.

Business combinations

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

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.

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.

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.