

MJK Automation ApS

Blokken 9, st.
3460 Birkerød
Business Registration No
14382933

Annual report 2017

The Annual General Meeting adopted the annual report on 02.07.2018

Chairman of the General Meeting

Name: Carsten Saugmann Sønder

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Entity details

Entity

MJK Automation ApS
Blokken 9, st.
3460 Birkerød

Central Business Registration No (CVR): 14382933

Registered in: Rudersdal

Financial year: 01.01.2017 - 31.12.2017

Phone: 45560656

Fax: 45560646

Board of Directors

Sean Donnelly, Chairman
Antonio Varotto
Carsten Saugmann Sønder

Executive Board

Carsten Saugmann Sønder, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
2300 København SV

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of MJK Automation ApS for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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.

Birkerød, 02.07.2018

Executive Board

Carsten Saugmann Sønder
Chief Executive Officer

Board of Directors

Sean Donnelly
Chairman

Antonio Varotto

Carsten Saugmann Sønder

Independent auditor's report

To the shareholder of MJK Automation ApS

Opinion

We have audited the financial statements of MJK Automation ApS for the financial year 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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.

Independent auditor's report

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.

Independent auditor's report

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, 02.07.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Kim Takata Mücke
State Authorised Public Accountant
Identification No (MNE) mne10944

Management commentary

Primary activities

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

Development in activities and finances

The Company's revenue has decreased by 3% and the operating profit has decreased by 43% (DKK 2,007k) compared to 2016. Management considers the result for the year to be not satisfactory.

The Company expects an increase in both revenue and order intake in 2018 by developing its core areas and continuously strict management of costs.

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 2017

	<u>Notes</u>	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
Gross profit		32.505.509	33.163.129
Staff costs	1	(29.180.154)	(28.079.230)
Depreciation, amortisation and impairment losses	2	<u>(606.006)</u>	<u>(357.784)</u>
Operating profit/loss		2.719.349	4.726.115
Other financial income		27	67.373
Other financial expenses		<u>(148.275)</u>	<u>(72.367)</u>
Profit/loss before tax		2.571.101	4.721.121
Tax on profit/loss for the year	3	<u>(773.972)</u>	<u>(1.217.091)</u>
Profit/loss for the year		<u>1.797.129</u>	<u>3.504.030</u>
Proposed distribution of profit/loss			
Retained earnings		<u>1.797.129</u>	<u>3.504.030</u>
		<u>1.797.129</u>	<u>3.504.030</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Other fixtures and fittings, tools and equipment		602.538	631.890
Leasehold improvements		1.013.907	45.828
Property, plant and equipment	4	<u>1.616.445</u>	<u>677.718</u>
Deposits		1.051.250	0
Deferred tax		81.575	80.324
Fixed asset investments	5	<u>1.132.825</u>	<u>80.324</u>
Fixed assets		<u>2.749.270</u>	<u>758.042</u>
Raw materials and consumables		8.059.174	6.462.636
Work in progress		1.262.826	3.008.641
Manufactured goods and goods for resale		3.214.789	4.199.014
Inventories		<u>12.536.789</u>	<u>13.670.291</u>
Trade receivables		6.058.358	4.781.580
Receivables from group enterprises		17.402.300	14.541.595
Other receivables		1.123.405	1.326.256
Prepayments		181.372	954.575
Receivables		<u>24.765.435</u>	<u>21.604.006</u>
Cash		<u>5.917.706</u>	<u>7.664.540</u>
Current assets		<u>43.219.930</u>	<u>42.938.837</u>
Assets		<u>45.969.200</u>	<u>43.696.879</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
Contributed capital		500.000	500.000
Retained earnings		<u>31.263.528</u>	<u>29.466.399</u>
Equity		<u>31.763.528</u>	<u>29.966.399</u>
Trade payables		4.413.596	2.565.443
Payables to group enterprises		2.789.633	3.197.697
Income tax payable		275.729	1.050.748
Other payables		<u>6.726.714</u>	<u>6.916.592</u>
Current liabilities other than provisions		<u>14.205.672</u>	<u>13.730.480</u>
Liabilities other than provisions		<u>14.205.672</u>	<u>13.730.480</u>
Equity and liabilities		<u>45.969.200</u>	<u>43.696.879</u>
Contingent liabilities	6		
Related parties with controlling interest	7		
Group relations	8		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500.000	29.466.399	29.966.399
Profit/loss for the year	0	1.797.129	1.797.129
Equity end of year	500.000	31.263.528	31.763.528

Notes

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	27.268.773	26.327.015
Pension costs	1.591.268	1.368.127
Other social security costs	320.113	384.088
	<u>29.180.154</u>	<u>28.079.230</u>
Average number of employees	<u>53</u>	<u>56</u>
	2017	2016
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	601.710	396.042
Profit/loss from sale of intangible assets and property, plant and equipment	4.296	(38.258)
	<u>606.006</u>	<u>357.784</u>
	2017	2016
	DKK	DKK
3. Tax on profit/loss for the year		
Current tax	775.223	1.050.748
Change in deferred tax	(1.251)	6.650
Adjustment concerning previous years	0	159.693
	<u>773.972</u>	<u>1.217.091</u>

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
4. Property, plant and equipment		
Cost beginning of year	3.276.745	534.003
Additions	413.922	1.195.363
Disposals	<u>(919.585)</u>	<u>(534.004)</u>
Cost end of year	<u>2.771.082</u>	<u>1.195.362</u>
Depreciation and impairment losses beginning of year	(2.644.855)	(488.175)
Depreciation for the year	(420.252)	(181.458)
Reversal regarding disposals	<u>896.563</u>	<u>488.178</u>
Depreciation and impairment losses end of year	<u>(2.168.544)</u>	<u>(181.455)</u>
Carrying amount end of year	<u>602.538</u>	<u>1.013.907</u>
	Deposits DKK	Deferred tax DKK
5. Fixed asset investments		
Cost beginning of year	0	80.324
Additions	<u>1.051.250</u>	<u>1.251</u>
Cost end of year	<u>1.051.250</u>	<u>81.575</u>
Carrying amount end of year	<u>1.051.250</u>	<u>81.575</u>

6. Contingent liabilities

The following rental agreements and operating leases have been entered into:

The Company has rental obligations covering different periods up until 2022. Rental obligations total DKK 4,857k (2016: DKK 5,471k).

The Company has operating lease commitments of a total of DKK 1,210k (2016: DKK 1,351k).

MJK Automation ApS participates in a joint taxation arrangement. According to the Danish Corporation Tax Act, the Company is therefore liable for obligations, if any, relating to withholding tax on interest, royalties and dividend for the jointly taxed companies and for income taxes for the jointly taxed companies.

Notes

7. Related parties with controlling interest

Xylem Denmark Holdings ApS, Blokken 9, 3450 Birkerød, owns 100% of the share capital.

8. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Xylem Inc., 1 International Drive, Rye Brook, NY 10573, USA.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for 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 Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company 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 Company, 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.

Income statement

Gross profit or loss

With reference to the Danish Financial Statements Act, section 32, the Company has chosen to aggregate revenue, cost of sales and other external expenses into one line in the income statement; Gross profit.

Revenue

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

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Accounting policies

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for the Company's staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and leasehold improvements comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises interest income and net gains on transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses and net losses on transactions in foreign currencies.

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 participates in a joint taxation arrangement. 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

Other fixtures and fittings, tools and equipment and leasehold improvements 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:

Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5 years

Accounting policies

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 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 the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consist of costs of raw materials, consumables and direct labour 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.

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 financial liabilities

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

Income 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.