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# **Xylem Denmark Holdings ApS**

Blokken 9, st.  
3460 Birkerød  
Business Registration No  
34615284

## **Annual report 2018**

The Annual General Meeting adopted the annual report on 03.07.2019

### **Chairman of the General Meeting**

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Name: Carsten Saugmann Sønder

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## Entity details

### Entity

Xylem Denmark Holdings ApS  
Blokken 9, st.  
3460 Birkerød

Central Business Registration No (CVR): 34615284  
Registered in: Rudersdal  
Financial year: 01.01.2018 - 31.12.2018

### Board of Directors

Carsten Saugmann Sønder, Chief Executive Officer

### Executive Board

Antonio Varotto

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
2300 Copenhagen

## Statement by Management on the annual report

The Executive Board and the Board of Directors has today considered and approved the annual report of Xylem Denmark Holdings ApS for the financial year 01.01.2018 - 31.12.2018.

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

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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

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

Birkerød, 03.07.2019

### **Executive Board**

Antonio Varotto

### **Board of Directors**

Carsten Saugmann Sønder  
Chief Executive Officer

# Independent auditor's report

## To the shareholder of Xylem Denmark Holdings ApS

### Opinion

We have audited the financial statements of Xylem Denmark Holdings ApS for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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, 03.07.2019

### **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 was founded by the Xylem Group for the purpose of owning the entire share capital of MJK Automation ApS.

### Development in activities and finances

On 12 July 2012, the Company acquired all the shares in MJK Automation ApS. The investment is financed through an intercompany loan.

Since making the investment, MJK Automation ApS has performed satisfactory and following expectations.

The Company is wholly owned by the Xylem Group. The Company's primary creditor is the group enterprise, Xylem Industries Sarl. The Company has incurred losses to date from the interest charged on the intercompany loan. The loan from Xylem Industries Sarl falls due on 13 July 2022 including interest rate of 3,42%. The interest rate on the loan will only be settled in so far as the holding company holds sufficient capital to do so. Based on this, the Company is not considered to be subject to financial risks and the negative equity at 31 December 2018 is not considered to represent a going-concern risk.

### 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 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Other external expenses		(96.375)	(96.198)
<b>Operating profit/loss</b>		<b>(96.375)</b>	<b>(96.198)</b>
Financial expenses from group enterprises		(2.792.093)	(2.752.930)
Other financial expenses		12.446	(501)
<b>Profit/loss before tax</b>		<b>(2.876.022)</b>	<b>(2.849.629)</b>
Tax on profit/loss for the year	2	632.725	494.918
<b>Profit/loss for the year</b>		<b>(2.243.297)</b>	<b>(2.354.711)</b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		(2.243.297)	(2.354.711)
		<b>(2.243.297)</b>	<b>(2.354.711)</b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Investments in group enterprises		78.223.145	78.223.145
<b>Fixed asset investments</b>	3	<b>78.223.145</b>	<b>78.223.145</b>
<b>Fixed assets</b>		<b>78.223.145</b>	<b>78.223.145</b>
Income tax receivable		1.127.642	494.918
<b>Receivables</b>		<b>1.127.642</b>	<b>494.918</b>
<b>Current assets</b>		<b>1.127.642</b>	<b>494.918</b>
<b>Assets</b>		<b>79.350.787</b>	<b>78.718.063</b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		80.000	80.000
Retained earnings		<u>(14.527.791)</u>	<u>(12.284.494)</u>
<b>Equity</b>		<b><u>(14.447.791)</u></b>	<b><u>(12.204.494)</u></b>
Payables to group enterprises	4	<u>93.726.818</u>	<u>90.850.797</u>
<b>Non-current liabilities other than provisions</b>		<b><u>93.726.818</u></b>	<b><u>90.850.797</u></b>
Other payables		<u>71.760</u>	<u>71.760</u>
<b>Current liabilities other than provisions</b>		<b><u>71.760</u></b>	<b><u>71.760</u></b>
<b>Liabilities other than provisions</b>		<b><u>93.798.578</u></b>	<b><u>90.922.557</u></b>
<b>Equity and liabilities</b>		<b><u>79.350.787</u></b>	<b><u>78.718.063</u></b>
Going concern	1		
Contingent liabilities	5		
Group relations	6		

## Statement of changes in equity for 2018

	<b>Contributed capital DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	80.000	(12.284.494)	(12.204.494)
Profit/loss for the year	<u>0</u>	<u>(2.243.297)</u>	<u>(2.243.297)</u>
<b>Equity end of year</b>	<b><u>80.000</u></b>	<b><u>(14.527.791)</u></b>	<b><u>(14.447.791)</u></b>

## Notes

### 1. Going concern

At 31 December 2018, the Company has a negative equity. The Company is wholly owned by the Xylem Group. The Company's primary creditor is the group enterprise, Xylem Industries Sarl, which granted a loan of originally DKK 78,223,145 to the Company to finance the acquisition of MJK Automation ApS. The loan falls due on 13 July 2022 and will only be paid to Xylem Industries Sarl in so far as the Company holds sufficient capital to do so. Based on this, the going concern assumption is considered to have been complied with.

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Tax on profit/loss for the year</b>		
Current tax	(638.531)	(494.918)
Adjustment concerning previous years	5.806	0
	<b>(632.725)</b>	<b>(494.918)</b>

	<b>Investments in group enterprises</b>
	<b>DKK</b>
<b>3. Fixed asset investments</b>	
Cost beginning of year	78.223.145
<b>Cost end of year</b>	<b>78.223.145</b>
<b>Carrying amount end of year</b>	<b>78.223.145</b>

	<b>Registered in</b>	<b>Corpo- rate form</b>	<b>Equity inte- rest %</b>	<b>Equity DKK</b>	<b>Profit/loss DKK</b>
Investments in group enterprises comprise:					
MJK Automation ApS	Rudersdal, Denmark	ApS	100,0	36.193.438	4.429.910

MJK Automation ApS is following the plans assumed when the investment took place in 2014, and hence Management has determined that the investment is not impaired.

## Notes

### **4. Long-term debt to group enterprises**

Payables to group enterprises relate to the loan with Xylem Industries Sarl and cash pool arrangement with Xylem Germany GmbH. The loan is an interest-only loan payable at a yearly interest rate of 3.42%. The loan falls due on 13 July 2022 and will only be paid to Xylem Industries Sarl in so far as the Company holds sufficient capital to do so.

### **5. Contingent liabilities**

Xylem Denmark Holdings ApS participates in a Danish joint taxation arrangement. According to the joint taxation provisions of 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.

### **6. 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. The consolidated financial statements are available on [www.xyleminc.com](http://www.xyleminc.com)

## 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.

### Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

### 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 rate differences that arise between the rate at the transaction date and the one 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

#### Other external expenses

Other external expenses cover general corporate costs.

#### Financial expenses from group enterprises

Financial expenses comprise interest expenses from intercompany loan.

## Accounting policies

### Other financial expenses

Other financial expenses comprise various finance charges.

### 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

#### Investments in group enterprises

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

#### Income tax payable or receivable

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.

#### Other financial liabilities

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