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Xylem Denmark Holdings ApS
Central Business Registration No
34615284
Byageren 7
2850 Nærum

Annual report 2015

The Annual General Meeting adopted the annual report on ^{17.05.} ~~1.05.~~2016

Chairman of the General Meeting



Name: Gerda Solskov

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Entity details

Entity

Xylem Denmark Holdings ApS
Byageren 7
2850 Nærum

Central Business Registration No: 34615284
Registered in: Rudersdal
Financial year: 01.01.2015 - 31.12.2015

Executive Board

Rainer Paul Friedrich Röhrig, Chief Executive Officer
Gerda Solskov

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 Xylem Denmark Holdings ApS for the financial year 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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.

Nærum, 31.05.2016

Executive Board


Rainer Paul-Friedrich Röhrig
Chief Executive Officer


Gerda Solskov

Independent auditor's reports

To the owners of Xylem Denmark Holdings ApS

Report on the financial statements

We have audited the financial statements of Xylem Denmark Holdings ApS for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Independent auditor's reports

Copenhagen, 31.05.2016

Deloitte

Statsautoriseret Revisionspartnerselskab



Kim Mücke

State Authorised Public Accountant

CVR-nr. 33963556

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 exceeding expectations.

The Company is wholly owned by the Xylem Group. The Company's primary creditor is the group enterprise, Xylem Holdings S.a.r.l. The Company has incurred losses to date from the interest charged on the intercompany loan. The debt to Xylem Holdings S.a.r.l. 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 2015 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.

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.

Referring to Section 112(2) of the Danish Financial Statements Act, Xylem Denmark Holding ApS does not prepare consolidated financial statements.

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 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.

Accounting policies

Financial expenses from group enterprises

Financial expenses comprise interest expenses from intercompany loan.

Other financial expenses

Other financial expenses comprise various finance charges.

Income taxes

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

The Entity is jointly taxed with all Danish subsidiaries. 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.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Other external expenses		(96.000)	(173.025)
Operating profit/loss		(96.000)	(173.025)
Financial expenses from group enterprises		(2.655.296)	(2.693.060)
Other financial expenses		(2.003)	(2.018)
Profit/loss from ordinary activities before tax		(2.753.299)	(2.868.103)
Tax on profit/loss from ordinary activities		526.000	580.185
Profit/loss for the year		<u>(2.227.299)</u>	<u>(2.287.918)</u>
Proposed distribution of profit/loss		(2.227.299)	(2.287.918)
Retained earnings		<u>(2.227.299)</u>	<u>(2.287.918)</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Investments in group enterprises		<u>78.223.145</u>	<u>78.223.145</u>
Fixed asset investments	2	<u>78.223.145</u>	<u>78.223.145</u>
Fixed assets		<u>78.223.145</u>	<u>78.223.145</u>
Income tax receivable		<u>453.300</u>	<u>512.114</u>
Receivables		<u>453.300</u>	<u>512.114</u>
Current assets		<u>453.300</u>	<u>512.114</u>
Assets		<u>78.676.445</u>	<u>78.735.259</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Contributed capital		80.000	80.000
Retained earnings		<u>(7.679.121)</u>	<u>(5.451.822)</u>
Equity		<u>(7.599.121)</u>	<u>(5.371.822)</u>
Payables to group enterprises	3	<u>86.192.308</u>	<u>83.358.453</u>
Non-current liabilities other than provisions		<u>86.192.308</u>	<u>83.358.453</u>
Debt to group enterprises		0	652.990
Other payables		<u>83.258</u>	<u>95.638</u>
Current liabilities other than provisions		<u>83.258</u>	<u>748.628</u>
Liabilities other than provisions		<u>86.275.566</u>	<u>84.107.081</u>
Equity and liabilities		<u>78.676.445</u>	<u>78.735.259</u>
Going concern	1		
Contingent liabilities	4		
Ownership	5		
Consolidation	6		

Statement of changes in equity for 2015

	<u>Contributed capital DKK</u>	<u>Retained ear- nings DKK</u>	<u>Total DKK</u>
Equity beginning of year	80.000	(5.451.822)	(5.371.822)
Profit/loss for the year	0	(2.227.299)	(2.227.299)
Equity end of year	<u>80.000</u>	<u>(7.679.121)</u>	<u>(7.599.121)</u>

Notes

1. Going concern

At 31 December 2015, 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 Holdings S.a.r.l., who granted a loan of originally DKK 78,223,145 to the Company to finance the acquisition of MJK Automation ApS. Principal and interest on the loan will only be paid to Xylem Holding S.a.r.l 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.

	<u>Investments in group en- terprises DKK</u>
2. Fixed asset investments	
Cost beginning of year	<u>78.223.145</u>
Cost end of year	<u>78.223.145</u>
Carrying amount end of year	<u>78.223.145</u>

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity interest %</u>	<u>Equity DKK</u>	<u>Profit/loss DKK</u>
Subsidiaries:					
MJK Automation ApS	Nærum	ApS	100,00	26.462.369	3.041.141

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

3. Long-term debt to group enterprises

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

4. 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 from 1 July 2012 for obligations, if any, relating to withholding tax on interest, royalties and dividend for the jointly taxed companies and from 1 January 2013 for income taxes for the jointly taxed companies.

Notes

5. Ownership

Xylem Holdings S.a.r.l, 9 Rue Gabriel Lippman, L-5365 Münsbach, Luxembourg, owns 100% of the share capital.

6. Consolidation

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. The consolidated financial statements are available on www.xylem.com