



Xylem Denmark Holdings ApS

Blokken 9, st.
3460 Birkerød
CVR No. 34615284

Annual report 2019

The Annual General Meeting adopted the
annual report on 11.09.2020

Carsten Saugmann Sønder
Chairman of the General Meeting

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Entity details

Entity

Xylem Denmark Holdings ApS

Blokken 9, st.

3460 Birkerød

CVR No.: 34615284

Registered office: Rudersdal

Financial year: 01.01.2019 - 31.12.2019

Executive Board

Carsten Saugmann Sønder, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

Statement by Management

The Chief Executive Officer has today considered and approved the annual report of Xylem Denmark Holdings ApS for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 11.09.2020

Executive Board

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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. 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, 11.09.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 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 2019 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.

The COVID-19 outbreak in 2020 is not assessed to impact the financial performance of the Company.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Other external expenses		(116,710)	(96,375)
Gross profit/loss		(116,710)	(96,375)
Other financial income		24,910	15,824
Financial expenses from group enterprises		(2,844,841)	(2,792,093)
Other financial expenses		(4,154)	(3,378)
Profit/loss before tax		(2,940,795)	(2,876,022)
Tax on profit/loss for the year	2	(43,739)	632,725
Profit/loss for the year		(2,984,534)	(2,243,297)
Proposed distribution of profit and loss:			
Retained earnings		(2,984,534)	(2,243,297)
Proposed distribution of profit and loss		(2,984,534)	(2,243,297)

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Investments in group enterprises		78,223,145	78,223,145
Other financial assets	3	78,223,145	78,223,145
Fixed assets		78,223,145	78,223,145
Income tax receivable		1,710,821	1,127,642
Receivables		1,710,821	1,127,642
Current assets		1,710,821	1,127,642
Assets		79,933,966	79,350,787

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		80,000	80,000
Retained earnings		(17,512,325)	(14,527,791)
Equity		(17,432,325)	(14,447,791)
Payables to group enterprises	4	97,275,030	93,726,818
Non-current liabilities other than provisions		97,275,030	93,726,818
Other payables		91,261	71,760
Current liabilities other than provisions		91,261	71,760
Liabilities other than provisions		97,366,291	93,798,578
Equity and liabilities		79,933,966	79,350,787
Going concern	1		
Contingent liabilities	5		
Group relations	6		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	80,000	(14,527,791)	(14,447,791)
Profit/loss for the year	0	(2,984,534)	(2,984,534)
Equity end of year	80,000	(17,512,325)	(17,432,325)

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.

2 Tax on profit/loss for the year

	2019 DKK	2018 DKK
Current tax	(583,179)	(638,531)
Adjustment concerning previous years	626,918	5,806
	43,739	(632,725)

3 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	78,223,145
Cost end of year	78,223,145
Carrying amount end of year	78,223,145

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity DKK	Profit/loss DKK
MJK Automation ApS	Rudersdal, Denmark	ApS	100	52,206,132	16,012,694

MJK Automation ApS is following the plans assumed when the investment took place in 2012, and hence Management has determined that the investment is not impaired.

4 Payables 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

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity 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 these entities.

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.

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 to 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 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

Other external expenses

Other external expenses cover general corporate costs.

Other financial income

Other financial income comprises #dividends etc received on other investments, interest income, #including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses from payables to group enterprises.

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 Entity 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**Investments in group enterprises**

Investments in group enterprises are measured at cost. Investments 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 computed 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.