Deloitte.

Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
Egtved Allé 4
6000 Kolding

Phone 75 53 00 00
Fax 75 53 00 38
www.deloitte.dk

# Pentair Denmark Holding ApS

Snaremosevej 27
7000 Fredericia
Business Registration No
38351192

# Annual report 2018

The Annual General Meeting adopted the annual report on 26.06.2019

**Chairman of the General Meeting**

Name: Grant William O'Grady

# Contents

# Entity details

**Entity**
Pentair Denmark Holding ApS
Snaremosevej 27
7000 Fredericia

Central Business Registration No (CVR): 38351192
Registered in: Fredericia
Financial year: 01.01.2018 - 31.12.2018

**Board of Directors**
Andrew Gary Smyth
Henning Wolfgang Wistorf
Grant William O'Grady

**Executive Board**
Grant William O'Grady

**Auditors**
Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Pentair Denmark Holding 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 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.

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.

Fredericia, 26.06.2019

**Executive Board**

Grant William O'Grady

**Board of Directors**

| | | |
|---|---|---|
| Andrew Gary Smyth | Henning Wolfgang Wistorf | Grant William O'Grady |

# Independent auditor's report

**To the shareholders of Pentair Denmark Holding ApS**

**Adverse opinion**

We have audited the financial statements of Pentair Denmark Holding 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, due to the significance of the matter discussed in the Basis for adverse opinion section, the financial statements do not 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 adverse opinion**

Investments in group enterprises are recognised with a carrying amount of DKK 248.752k. Based on the performance of the cash generating unit (CGU) from the time of acquisition we assess that the assumptions applied by Management as disclosed in note 2 to the financial statements are too optimistic. If other assumptions were applied, which would be more realistic in our opinion, a further impairment in the level of DKK 70-80 million should be recorded. This would increase the loss for the financial year with the same amount as well as reduce the carrying amount of investments in group enterprises and further increase the negative equity.

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 adverse 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

# Independent auditor's report

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.

# Independent auditor's report

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.

As described under the section "basis for adverse opinion" above our conclusion is modified due to investments in group enterprises being overstated. We have concluded that the management commentary for the same reason includes significant misinformation since the management commentary in our opinion should have reflected this matter.

Kolding, 26.06.2019

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556

Ole Søndergaard Larsen
State Authorised Public Accountant
Identification No (MNE) mne11676

Lars Dam Østergaard
State Authorised Public Accountant
Identification No (MNE) mne34501

# Management commentary

**Primary activities**
Pentair Denmark Holding ApS owns and controls 100% of the shares in Union Engineering Holding II A/S, and is the holding company for the operating company Union Engineering A/S and its subsidiaries.

**Development in activities and finances**
The company has on a stand-alone basis no activities.

The loss for the year after tax amounted to DKK (80 million). Management considers this to be unsatisfactory. The loss is affected by an impairment loss of DKK 27 million in addition to ordinary amortisation cf. note 6.

**Going concern**
Reference is made to note 1 in the financial statements.

**Uncertainty relating to recognition and measurement**
Reference is made to note 2 in the financial statements.

**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

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|---|
| **Gross profit** | | **0** | **0** |
| Administrative expenses | | 741 | (2.860) |
| **Operating profit/loss** | | **741** | **(2.860)** |
| Income from investments in group enterprises | | (72.376) | (14.963) |
| Other financial expenses | 4 | (10.705) | (15.238) |
| **Profit/loss before tax** | | **(82.340)** | **(33.061)** |
| Tax on profit/loss for the year | 5 | 1.928 | 3.359 |
| **Profit/loss for the year** | | **(80.412)** | **(29.702)** |
| **Proposed distribution of profit/loss** | | | |
| Retained earnings | | (80.412) | (29.702) |
| | | **(80.412)** | **(29.702)** |

# Balance sheet at 31.12.2018

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|---|
| Investments in group enterprises | | 248.751 | 342.794 |
| **Fixed asset investments** | 6 | **248.751** | **342.794** |
| **Fixed assets** | | **248.751** | **342.794** |
| Receivables from group enterprises | | 2.243 | 50 |
| Deferred tax | | 3.045 | 1.116 |
| Joint taxation contribution receivable | | 0 | 2.243 |
| **Receivables** | | **5.288** | **3.409** |
| **Current assets** | | **5.288** | **3.409** |
| **Assets** | | **254.039** | **346.203** |

# Balance sheet at 31.12.2018

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|---|
| Contributed capital | 7 | 100 | 100 |
| Retained earnings | | (40.049) | 42.029 |
| **Equity** | | **(39.949)** | **42.129** |
| Payables to group enterprises | | 285.975 | 285.975 |
| **Non-current liabilities other than provisions** | 8 | **285.975** | **285.975** |
| Trade payables | | 40 | 30 |
| Payables to group enterprises | | 7.973 | 18.069 |
| **Current liabilities other than provisions** | | **8.013** | **18.099** |
| **Liabilities other than provisions** | | **293.988** | **304.074** |
| **Equity and liabilities** | | **254.039** | **346.203** |

| | |
|---|---|
| Going concern | 1 |
| Uncertainty relating to recognition and measurement | 2 |
| Contingent liabilities | 9 |
| Related parties with controlling interest | 10 |
| Group relations | 11 |

# Statement of changes in equity for 2018

| | Contributed capital DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---|---|---|---|
| Equity beginning of year | 100 | 42.029 | 42.129 |
| Exchange rate adjustments | 0 | (1.321) | (1.321) |
| Other entries on equity | 0 | (345) | (345) |
| Profit/loss for the year | 0 | (80.412) | (80.412) |
| **Equity end of year** | **100** | **(40.049)** | **(39.949)** |

# Notes

### 1. Going concern

Equity is negative at year end. The Group is planning to restore this during the financial year 2019 by means of capital injections. Regardless of this management is however of the opinion that the company is able to meet its' obligations as they fall due and consequently the annual report is prepared on basis of the going concern principle.

### 2. Uncertainty relating to recognition and measurement

In connection with the financial reporting, the carrying amount of goodwill has been tested for impairment by use of a discounted cash flow model (DCF-model). This test is based on the Company's budget and forecasts as well as on a projection thereof in the subsequent years.

The key assumptions for the impairment are as follows:
- The expected cashflows are discounted at WACC of 11 %
- The expected growth in revenue during the budget-period of 5 years is 5%. For the following terminal period, a growth rate of 3% is applied.
- The expected EBITDA-margin in the terminal period is 9,3%

An impairment loss of DKK 27 million has been recorded at 31 December 2018 in addition to ordinary amortisation. Changes to the significant assumptions would affect the amount written down and the effect of this is likely to be material.

| | **2018** | **2017** |
|---|---|---|
| **3. Staff costs** | | |
| Average number of employees | **0** | **0** |

| | **2018**<br>**DKK'000** | **2017**<br>**DKK'000** |
|---|---|---|
| **4. Other financial expenses** | | |
| Financial expenses from group enterprises | 12.685 | 13.259 |
| Other interest expenses | (1) | 0 |
| Exchange rate adjustments | (1.979) | 1.979 |
| | **10.705** | **15.238** |

| | **2018**<br>**DKK'000** | **2017**<br>**DKK'000** |
|---|---|---|
| **5. Tax on profit/loss for the year** | | |
| Current tax | 0 | (3.359) |
| Change in deferred tax | (1.928) | 0 |
| | **(1.928)** | **(3.359)** |

# Notes

| | Investments in group enterprises DKK'000 |
|---|---|
| **6. Fixed asset investments** | |
| Cost beginning of year | 361.475 |
| **Cost end of year** | **361.475** |
| | |
| Revaluations beginning of year | (18.681) |
| Exchange rate adjustments | (1.321) |
| Amortisation of goodwill | (29.299) |
| Share of profit/loss for the year | (16.123) |
| Dividend | (20.000) |
| Impairment losses for the year | (26.955) |
| Other adjustments | (345) |
| **Revaluations end of year** | **(112.724)** |
| | |
| **Carrying amount end of year** | **248.751** |

Here of the carrying amount of goodwill amounts to DKK 226.250k.

| | Number | Par value DKK'000 | Nominal value DKK'000 |
|---|---|---|---|
| **7. Contributed capital** | | | |
| Ordinary shares | 100.000 | 0,001 | 100 |
| | **100.000** | | **100** |

| | Outstanding after 5 years DKK'000 |
|---|---|
| **8. Liabilities other than provisions** | |
| Payables to group enterprises | 285.975 |
| | **285.975** |

# Notes

### 9. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where the Entity serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

### 10. Related parties with controlling interest

The following parties have a controlling interest:

- Pentair PLC, Ireland, (no. 536025), 43 London Wall, London EC2M5TF, United Kingdom, Ultimate owner, shareholder.

### 11. Group relations

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

Pentair PLC, Ireland, (no. 536025), 43 London Wall, London EC2M5TF, United Kingdom, Ultimate owner, shareholder.

# 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 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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

# Accounting policies

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

**Income statement**

**Gross profit or loss**

Gross profit or loss comprises revenue, production costs and other operating income.

**Administrative costs**

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies.

**Income from investments in group enterprises**

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year, as well as amortisation and impairment of goodwill.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme 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.

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 recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

# Accounting policies

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these en-terprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 11 years.

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

**Receivables**
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

**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.

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.

**Joint taxation contributions receivable or payable**
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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