Johnson Controls Denmark ApS

CVR-nr. 19 05 61 71
Christian X's Vej 201
DK-8270 Højbjerg

Annual Report 2015/16

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 27/2 2017.

Chairman

Contents

Management's Statement

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Johnson Controls Denmark ApS for the financial year 1 October 2015 - 30 September 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 30 September 2016 of the Company and of the results of the Company's operations for the financial year 1 October 2015 – 30 September 2016.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Højbjerg 27 February 2017

Executive Board

Finn Vestergaard Langballe
CEO

Bendt Laursen
CFO

Board of Directors

Finn Vestergaard Langballe
Chairman

f/ Jean-Philippe Marie Ghislain De Waele

f/ Patrick Roubi

f/ Helle Juul Hansen

Bent Knudsen

Jan Jimmy Udengaard Agerskov

Danna Rosenbæk Petersen

Independent Auditors' Report

To the Shareholder of Johnson Controls Denmark ApS

Report on the Financial Statements

We have audited the Financial Statements of Johnson Controls Denmark ApS for the financial year 1 October 2015 - 30 September 2016 which comprise Income Statement, Balance Sheet, Notes and summary of significant Accounting Policies. 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.

Auditors' 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 whether the Financial Statements are free from material misstatement.

An audit involves performing audit 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 misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 evaluating 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 financial position of the Company at 30 September 2016 and of the results of the Company operations for the financial year 1 October 2015 - 30 September 2016 in accordance with the Danish Financial Statements Act.

Independent Auditors' Report

Emphasis of matter

Without qualifying our opinion we point to note 14 in the Annual Report in which Management describes a material uncertainty relating to a claim made by the Danish Tax Authorities and uncertainty related to the recognition of current tax derived from the Company's exit from the US "Check The Box" rules in 2010/11.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit performed of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Aarhus, 27 February 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Michael Nielsson
State Authorised Public Accountant

Henrik Trangeled Kristensen
State Authorised Public Accountant

Company Information

The Company	Johnson Controls Denmark ApS Christian X's Vej 201 DK-8270 Højbjerg
Telephone	+45 8736 7000
Facsimile	+45 8736 7005
Website	www.jci.com
CVR No	19 05 61 71
Financial period	1 October - 30 September
Established	1 January 1996
Municipality of reg. Office	Aarhus
Executive Board	Finn Vestergaard Langballe, *CEO* Bendt Laursen, *CFO*
Board of Directors	Finn Vestergaard Langballe, *Chairman* Jean-Philippe Marie Ghislain De Waele Patrick Roubi Helle Juul Hansen Danna Rosenbæk Petersen Bent Knudsen Jan Jimmy Udengaard Agerskov
Auditors	PwC Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C.
Annual General Meeting	The Annual General Meeting is held 27th of February 2017 at the Company's address.

Management's Review

Financial Highlights

The following financial highlights are describing the development of the Company over the last 5 years.

DKK '000	2015/16	2014/15	2013/14	2012/13	2011/12
Key figures					
Revenue	1,298,094	1,338,426	1,264,305	1,205,402	1,273,274
Profit/(loss) before financial income and expenses	98,762	120,925	64,357	14,472	343,616
Financial income and expenses	5,665	1,260	-3,683	343	-35,368
Exceptional items	-12,904	100,960	23,861	-24,696	289,442
Net profit/(loss) for the year	73,782	192,091	84,308	896	229,510
Total assets	1,554,327	1,517,525	1,358,704	1,242,238	1,327,868
Investments in property, plant and equipment	18,789	8,823	16,851	9,145	19,204
Equity	1,121,922	1,048,140	953,382	869,074	722,083
Ratios					
Profit margin	7.6	9.0	5.0	1.2	27.0
Return on investment	7.9	12.0	6.8	1.8	34.3
Gross margin	20.9	21.7	19.0	18.4	18.8
Current ratio	269.8	239.4	232.1	222.8	145.4
Equity ratio	72.2	69.1	70.2	70.0	54.4
Return on equity	6.8	19.2	9.3	0.1	37.8
Average number of employees	631	649	611	674	711

For definitions of the financial ratios, see the accounting policies.

Management's Review

Operating Review

Principal activities

Johnson Controls Denmark ApS is the Parent Company in the Johnson Controls Denmark group.

The Johnson Controls Denmark group provides industrial and marine refrigeration systems, control systems, equipment, spare parts and services primarily for the food and process industries and for the commercial marine market. The Johnson Controls Denmark group delivers to customers all over the world.

Johnson Controls Denmark ApS is a part of Johnson Controls, International plc, which has its headquarters in Cork, Ireland. Johnson Controls International plc is a global market leader in batteries and building efficiency. The Johnson Controls Denmark group belongs to the building efficiency business.

Equity and Ownership

The entire share capital of the Company is held by YORK International Corporation which again is owned by Johnson Controls International plc. Johnson Controls International plc is listed on the New York Stock Exchange. The consolidated financial statements are prepared according to US GAAP and include Johnson Controls Denmark ApS as a subsidiary.

Under reference to Section 112 of the Danish Financial Statements Act, it has been decided not to prepare separate consolidated statements for Johnson Controls Denmark ApS.

Development in activities and financial position

Profit and Loss

The financial statements for 2015/16 shows a profit before tax of 91.5 million DKK compared to a profit before tax of 223.1 million DKK in 2014/15. The result for 2015/16 is negatively impacted by a write down of -12.9 million DKK of the investment in the subsidiary Johnson Controls Holding Denmark ApS.

Last year, the result was positively impacted by dividends received from our subsidiaries in Norway and Denmark of 97.1 million DKK (booked in "Results from investments in subsidiaries"), and a reversal of a previously made impairment of our shares in the entity in Denmark of 3.9 million DKK.

Excluding the above mentioned one-timers, the profit before tax in 2015/16 is 104.4 million DKK versus a profit before tax of 122.2 million DKK in 2014/15. This equals a reduction of 17.8 million DKK in the "ordinary" profit and a reduction in "ordinary profit" as a % of revenue from 9.1% to 8.0%. The reduction in the profit in % of revenue is mainly driven by reduced revenue in the marine market as well as in sales and service operations in Denmark.

Tax on profit/ (loss) for the year was an expense of 17.7 million DKK compared to an expense of 31.1 DKK in 2014/15. The decrease in tax expense is related to a decrease of deferred tax assets and a decrease in tax payable.

Uncertainties regarding recognition and measurement

The Danish Tax Authorities have in the financial year 2011/12 made a claim that the taxable income for the assessment year 2006 should be increased. The Johnson Controls Group strongly disagrees with the claim that the Danish Tax Authorities have made. Consequently, the claim has been appealed to the Danish National Income Tax Tribunal. Please refer to note 14 Contingent liabilities.

Market Conditions

Sales to the European market have increased by 1.5%. A reduction in sales and service in Denmark is partly offset by increased activity in Europe. Sales to the Asian market have decreased with 23% mainly driven by our Marine activities, and due to low Marine market activity driven by the low oil prices and low freight rates.

Sales to other areas are relatively stable.

Production and processes

This year has been exceptional in terms of a significant, positive swing in the market around mid-year. In spite of variations in the market, we have managed to maintain a very high delivery performance to our customers over the year.

On top of this, we have maintained our focus on:
Launching two new products
Re-organizing our shop floor
Investing in new production technology
Extending our end-of-line test capacity

New Products and product improvements

The Company is committed to offering the customers a competitive product program with focus on low energy consumption and concern for the environment.

Like this year, our focus for the coming period will continue to be concentrated on technology and legislation related to environment and refrigerants, supporting our customer needs.

Investments

All investments in the Company aim at supporting the future manufacturing, market and product strategies which pursue increased sustainability and environment awareness.

Capital resources

The capital resources of Johnson Controls Denmark ApS consist of e.g. unused credit facilities in Denmark as well as abroad.

The capital resources are unchanged compared to previous year and estimated to be fully sufficient to ensure the continued operations of the Company.

Outlook

It is expected that the activity level for 2016/17 will remain on the same level as for 2015/16 resulting in a profit before financial income and expenses at the same level as in 2015/16.

Risk factors

General risks

The general risks relate to the global world economy, as the Johnson Controls Denmark group deliver to customers worldwide.

Financial risks

Due to its equity ratio, the Company's exposure to financial risk of interest rate fluctuations is limited.

Currency risks

As a considerable part of the revenue is achieved through export sales, and as a not insignificant part of the purchase is made in foreign currencies (primarily EUR and USD), the Company is exposed to exchange risks.

To minimize the effects of the foreign currency exposure the legal entity works continuously with the Corporate Treasury office, in Belgium, who is responsible for the consolidation all foreign exchange transactions for Johnson Controls. The legal entities are not allowed to hedge with external financial institutions, but if this is needed Corporate Treasury will do this on behalf of the legal entity.

Credit risks

It is the policy of the Company that payments from external customers must always be hedged either by bank guarantees, letters of credit or by current credit rating of the customer.

Intellectual capital

Ensuring the correct composition of the staff's competences and training is obviously essential to the Company. Therefore, the performance of the employees compared to the specified objectives is subject to current evaluation.

Report on Corporate Social Responsibility, Cf. Section 99 a of the Danish Financial Statements Act

Johnson Controls Denmark ApS does not have its own local policy on Corporate Social Responsibility.

Report on Gender Composition in Management, Cf. Section 99 b of the Danish Financial Statements Act

Composition of the Board of Directors.

Currently the Board of Directors consists of 4 members elected by the shareholders and 3 members elected by the employees. One female member has been appointed by the shareholders.

The Board of Directors believes that the appropriate competencies and qualifications must be ensured when appointing new members of the Board. The competences include e.g.: International and industry insight; legal insight; and financial insight.

When recommending new candidates for the Board of Directors, we seek to safeguard the principles of diversity and representation of all important qualifications so that the Board can continue to carry out its work in the best possible way. We have set up the goal to increase the number of women elected by the shareholders to be minimum 20% at the end of 2017. The members of the BoD is elected by our owners, Johnson Controls International plc. This year our owners changed the composition of our BoD and 25% of the board is now female.

Management Training and Recruitment of Leaders

The target is to continuously develop and strengthen the managers through internal management training and education. During the financial year 51 managers completed one of the classes of our internal management development course called I-Lead, of these 9 were women.

When open manager positions are advertised, we urge all candidates to apply irrespective of gender, age etc. If a male and a female candidate are equally qualified, the female candidate will be given preferential treatment.

Events after the balance sheet date

There have been no events after the balance sheet date that would have an impact on the financial statements as presented.

Financial Statements 1 October – 30 September

Accounting Policies

Basis of preparation

The Annual Report of Johnson Controls Denmark ApS for 2015/16 has been prepared in accordance with the provisions applying to large enterprises of reporting class C under the Danish Financial Statements Act.

As the Company's ultimate parent company Johnson Controls International plc. is listed in the USA and prepares consolidated financial statements according to US GAAP, in which Johnson Controls Denmark ApS is included as a subsidiary, it has been decided, under reference to Section 112 of the Danish Financial Statements Act, not to prepare separate consolidated financial statements for Johnson Controls Denmark ApS.

Under reference to Section 86 Paragraph 4 of the Danish Financial Statements Act, it has been decided not to prepare a separate cash flow statement for Johnson Controls Denmark ApS.

The accounting policies applied remain unchanged from previous years.

The Annual Report for 2015/16 is presented in DKK thousands.

Recognition and measurement

The financial statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost, are recognised.

Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Financial Statements 1 October – 30 September

Accounting Policies

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner are used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised as financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised as financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at their fair values. Positive and negative fair values of derivative financial instruments are classified as other receivables and other payables, respectively.

Hedge accounting

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised directly in equity. Income and expenses relating to such hedging transactions are transferred from equity on realisation of the hedged item and recognised in the same item of account as the hedged item.

Segment reporting

The report includes information on sales distributed on activities and geographical markets.

Financial Statements 1 October – 30 September

Accounting Policies

Income Statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria;

- delivery has been made before the balance sheet date;
- a binding sales agreement has been made;
- the sales price has been determined; and payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT, taxes and net of discounts relating to sales.

For large contract work in progress, the percentage-of-completion method is used. Accordingly, the value of the performed part of the orders is recognised as revenue at the estimated value of the work performed.

Production costs

Production costs include depreciation and salaries incurred for the purpose of generating the revenues for the year. Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Distribution costs

Distribution costs comprise costs of sales staff, advertising and exhibition expenses, including depreciation.

Administrative costs

Administrative costs comprise costs regarding administrative staff, management, office premises and office expenses etc. including depreciation.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the Company, including gains and losses on the sale of fixed assets.

Financial Statements 1 October – 30 September

Accounting Policies

Results from investments in subsidiaries and associates

Dividend from investments in subsidiaries and associated companies are recognised in the income statement in the financial year in which the dividend is declared. To the extent that dividend exceeds accumulated earnings after the date of acquisition, the dividend is however recognised as write-down of the cost of the investment. Profit and loss resulting from divestment of subsidiaries and associated companies are recognised in the divestment year.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised exchange rate gains and losses regarding receivables and payables denominated in foreign currencies.

Tax on profit/(loss) for the year

Johnson Controls Denmark ApS is jointly taxed with its wholly-owned Danish subsidiaries. The Company acts as the administration company for the joint taxation and consequently settles all payments of corporation tax with the tax authorities.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/(loss) for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

Balance Sheet

Intangible assets

Goodwill is recognised at cost less accumulated amortisation and less any accumulated impairment losses. Amortisation is provided on a straight-line basis over the expected useful lives of the assets, which are 5 years. In the case of large-scale strategic acquisitions with long-term earnings profiles, goodwill is amortised over a maximum of 20 years.

Development projects and software that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Costs of development projects and software comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities and software. Borrowing costs are not recognised.

Financial Statements 1 October – 30 September

Accounting Policies

Development projects and software that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs and software are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount.

As of the date of completion, capitalised development costs and software are amortised on a straight-line basis over the period of the expected economic benefit from the development work, but not exceeding 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers. Borrowing costs are not recognised.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are in years:

Buildings	15-30
Plant and machinery	3-12
Fixtures and fittings, tools and equipment	3-12

Land is not depreciated.

Assets costing less than approx. DKK 25,000 are expensed in the year of acquisition.

Fixed asset investments

Subsidiaries are enterprises that are controlled by the Parent Company. The Parent Company is considered to be in control when the Company directly or indirectly holds more than 50% of the votes or otherwise is able to exercise or actually exercise control.

Enterprises that are not subsidiaries, but in which Johnson Controls Denmark ApS directly or indirectly holds 20% or more of the voting rights or exercises a significant influence are considered associates.

Financial Statements 1 October – 30 September

Accounting Policies

Investments in subsidiaries and associated companies are measured at cost. If the cost exceeds the recoverable amount, the investment is written down to its lower recoverable amount. The cost is reduced to the extent that dividend received exceeds accumulated earnings after the date of acquisition.

Other investments are valued at cost less any write-downs.

Impairment of fixed assets

The carrying amounts of intangible assets, property, plant and equipment and fixed asset investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Leases

Payments in connection with operating leases and other lease agreements are recognised in the income statement over the lease period. The Company's total liabilities regarding operating leases are disclosed under contractual obligations.

Inventories

Raw materials and consumables are valued at cost.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not recognised.

Write-down to net realisable value is made for goods where the expected sales price less any completion costs and costs necessary to make the sale (net realisable value) is lower than cost.

Cost is computed on the basis of the FIFO method.

Financial Statements 1 October – 30 September

Accounting Policies

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Contract work in progress

Contract work in progress with a total contract value of more than 3.0 million DKK is measured at the sales value of the work performed at the balance sheet date (the percentage-of-completion method). The stage of completion is measured by the proportion of contract expenses incurred to date to the estimated total contract expenses. Other contract work in progress is measured at cost comprising direct and indirect expenses. Provisions are made for loss-making orders.

Payments received on account from customers are set off against contract work in progress to the extent that these payments on account correspond to the value of work in progress.

Prepayments

Prepayments recognised as assets comprise costs incurred concerning subsequent financial years.

Equity – Proposed dividend

Proposed dividends are recognised as a liability at the date when they are adopted at the Annual General Meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Warranty provisions comprise obligations in respect of repair work within the warranty period. The general provisions for warranties are recognised and measured based on past experience.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit/(loss) for the year or the taxable income.

Financial Statements 1 October – 30 September

Accounting Policies

Deferred tax is measured on the basis of the tax rules and at tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are set off within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are set off if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Liabilities

Other liabilities are measured at amortised cost, substantially corresponding to nominal value.

Financial Statements 1 October – 30 September

Accounting Policies

Explanation of financial ratios

Profit margin	=	$\dfrac{\text{Profit/(loss) before financials * 100}}{\text{Revenue}}$
Return on investment	=	$\dfrac{\text{Profit/(loss) before financials * 100}}{\text{Average operating assets}}$
Gross margin	=	$\dfrac{\text{Gross profit/(loss) * 100}}{\text{Revenue}}$
Current ratio	=	$\dfrac{\text{Current asset * 100}}{\text{Short-term liabilities}}$
Equity ratio	=	$\dfrac{\text{Equity * 100}}{\text{Total equity and liabilities}}$
Return on equity	=	$\dfrac{\text{Net profit/(loss) for the year * 100}}{\text{Average equity}}$

Income Statement 1 October – 30 September

DKK ´000	Note	2015/16	2014/15
Revenue	1	1,298,094	1,338,426
Production cost		-1,026,751	-1,047,629
Gross profit/(loss)		**271,343**	**290,797**
Distribution costs		-42,048	-40,044
Administrative costs		-130,533	-129,828
		-172,581	**-169,872**
Profit/(loss) before financial income and expenses		**98,762**	**120,925**
Results from investments in subsidiaries	2,5	-12,904	100,960
Financial income and expenses	3	5,665	1,260
		-7,239	**102,220**
Profit/(loss) before tax		**91,523**	**223,145**
Tax on profit/(loss) for the year	4	-17,741	-31,054
Net profit/(loss) for the year		**73,782**	**192,091**

Proposed distribution of net profit/(loss)

Transferred to/from retained earnings	73,782	192,091

Balance Sheet at 30 September

DKK ´000	Note	2016	2015
ASSETS			
Goodwill		11,383	23,424
IT-software		1,524	4,558
Intangible assets	**6**	**12,907**	**27,982**
Land and buildings		91,178	97,699
Plant and machinery		7,733	8,591
Fixtures and fittings, tools and equipment		13,702	12,205
Property, plant and equipment in progress		8,687	785
Property, plant and equipment	7	**121,300**	**119,280**
Investments in subsidiaries	8	283,933	278,399
Investments in associates	9	0	0
Fixed assets investments		**283,933**	**278,399**
Fixed assets		**418,140**	**425,661**
Raw materials and consumables		15,196	14,372
Work in progress		91,306	78,516
Finished goods and goods for resale		100,340	114,226
Inventories		**206,842**	**207,114**
Trade receivables		112,237	162,553
Contract work in progress	10	33,580	9,936
Receivables from group companies		136,574	500,077
Corporate tax receivable		4,173	0
Other receivables		6,645	5,455
Deferred tax assets	11	44,791	47,000
Prepayments		2,346	3,114
Receivables		**340,346**	**728,135**
Cash at bank and in hand		**588,999**	**156,615**
Current assets		**1,136,187**	**1,091,864**
ASSETS		**1,554,327**	**1,517,525**

Balance sheet at 30 September

DKK '000	Note	2016	2015
Equity and Liabilities			
Share capital		302,680	302,680
Retained earnings		819,242	745,460
Equity	**12**	**1,121,922**	**1,048,140**
Warranty provisions		11,326	13,283
Provisions		**11,326**	**13,283**
Credit institutions		3,339	100,959
Prepayments received from customers	10	44,850	67,898
Trade payables		177,674	161,645
Payables to group companies		115,200	15,964
Corporate tax payable		0	35,492
Other payables		80,016	74,144
Short-term liabilities		**421,079**	**456,102**
Liabilities		**421,079**	**456,102**
Equity and liabilities		**1,554,327**	**1,517,525**

Contractual obligations	13
Contingent liabilities	14
Staff	15
Fee to auditors appointed by the General Meeting	16
Related parties and ownership	17

Notes to the Annual Report

1 Revenue

DKK '000	2015/2016	2014/2015
Denmark	338,953	393,502
Europe excl Denmark	645,714	576,032
Asia	188,999	246,318
Africa	6,737	875
North and South America	80,990	88,780
Other countries	36,701	32,919
	1,298,094	**1,338,426**

Production and sale of refrigeration components	639,223	555,361
Sale of refrigeration equipment	516,851	600,208
Others	142,020	182,857
	1,298,094	**1,338,426**

2 Results from investments in subsidiaries

DKK '000	2015/2016	2014/2015
Dividends	0	97,106
Impairment of investments in subsidiaries	-12,904	0
Reversal of impairment of investments in subsidiaries	0	3,854
	-12,904	**100,960**

3 Financial income and expenses

DKK '000	2015/2016	2014/2015
Interest received from group companies	8,375	3,072
Other financial income	147	9
	8,522	**3,081**
Other financial expenses	-2,857	-1,821
	-2,857	**-1,821**
Net exchange rate adjustment	0	0
	5,665	**1,260**

4 Tax on profit/(loss) for the year

DKK '000	2015/2016	2014/2015
Current tax for the year	-15,532	-17,054
Deferred tax for the year	-2,209	-14,000
	-17,741	**-31,054**

5 Exceptional items

DKK '000	2015/2016	2014/2015
Dividend from Johnson Controls Holding Denmark ApS	0	31,992
Return of capital from Johnson Controls Holding Denmark ApS	0	36,250
Dividend from Johnson Controls Norway AS	0	28,864
Reversal of impairment of investments in subsidiaries	0	3,854
Impairment of investment in Johnson Controls Holding Denmark ApS	-12,904	0
	-12,904	**100,960**

Exceptional items are recognized in the income statement as follows:

Results from investments in subsidiaries	-12,904	100,960
	-12,904	**100,960**

6 Intangible assets

DKK '000	Goodwill	Completed development projects	IT Software	Total
Cost at 1 October	376,222	7,003	11,982	395,207
Disposals	0	0	-35	-35
Cost at 30 September	**376,222**	**7,003**	**11,947**	**395,172**
Amortization and impairment at 1 October	352,798	7,003	7,424	367,225
Amortization and impairment for the year	12,041	0	3,051	15,092
Amortization and impairment on disposals for the year	0	0	-52	-52
Amortization and impairment at 30 September	**364,839**	**7,003**	**10,423**	**382,265**
Carrying amount at 30 September	**11,383**	**0**	**1,524**	**12,907**
Amortized over	5-20 years	5 years	3-5 years	

7 Property, plant and equipment

DKK '000	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 October	263,171	141,006	79,249	785	484,211
Additions	1,168	6,738	2.981	7,902	18,789
Disposals	0	-457	-3,523	0	-3.980
Cost at 30 September	**264,339**	**147,287**	**78,707**	**8,687**	**499,020**
Depreciation and impairment at 1 October	165,472	132,415	67,044	0	364,931
Depreciation for the year	7,689	7,585	1,484	0	16,758
Depreciation on disposals for the year	0	-446	-3,523	0	-3.969
Depreciation and impairment at 30 September	**173,161**	**139,554**	**65,005**	**0**	**377,720**
Carrying amount at 30 September	**91,178**	**7,733**	**13,702**	**8,687**	**121,300**
Depreciated over	15-30 years	3-12 years	3-12 years	-	

8 Investments in subsidiaries

DKK '000	2015/2016	2014/2015
Cost at 1 October	454,131	452,259
Additions	18,438	1,872
Cost at 30 September	**472,569**	**454,131**
Value adjustments at 1 October	-175,732	-179,586
Reversal of write-down	0	3,854
Write down	-12,904	0
Value adjustments at 30 September	**-188,636**	**-175,732**
Carrying amount at 30 September	**283,933**	**278,399**

Overview of subsidiaries

Name	Place of registered office	Ownership	Equity 1)	Result for the year
Johnson Controls Holding Denmark Aps	Albertslund, Denmark	100%	117,684	-12,904
Sp/f Johnson Controls Faroe Islands	Torshavn, Faroe Islands	100%	1,252	282
Johnson Controls Norway AS	Vöyenenga, Norway	100%	91,375	26,183
York Refrigeration Marine (China) Ltd.	Wanchai, Hong Kong	100%	85,886	1,396
Johnson Controls Marine and Refrigeration India Ltd.	Pune, India	100%	-12,375	-10,445
York Refrigeration Peru S.A. 2)	Lima, Peru	100%		
York Chile S.A. 2)	Santiago, Chile	100%		

1) Equity and result for the year according to the latest published Annual Report.
2) Equity and result for the year has not been stated since the company is not obliged to publish an Annual Report.

9 Investments in associates

DKK '000	2015/2016	2014/2015
Cost at 1 October	60,687	60,687
Cost at 30 September	**60,687**	**60,687**
Value adjustments at 1 October	-60,687	-60,687
Value adjustments at 30 September	**-60,687**	**-60,687**
Carrying amount at 30 September	**0**	**0**

Overview of associates

Name	Place of registered office	Ownership	Equity 1)	Result for the year
York International Ltd.	Basildon, UK	24%	-172,166	-2,275

1) Equity and result for the year according to the latest published Annual Report.

10 Contract work in progress

DKK '000	2015/16	2014/15
Market value of work completed	213,514	306,435
Payments received on account	-224,784	-364,396
	-11,270	**-57,961**
Recognized in the balance sheet as follows:		
Contract work in progress recognized as assets	33,580	9,936
Prepayments received from customers recognized as liabilities	-44,850	-67,897
	-11,270	**-57,961**
Attributable profit included in work in progress	21,095	48,948

11 Deferred tax assets

DKK '000	2015/16	2014/15
Intangible assets	37,697	38,540
Property, plant and equipment	7,094	8,460
	44,791	**47,000**

At 30 September 2016 the non-capitalized deferred tax asset amount to 0.0 million DKK (DKK 10.3 at 30 September 2015). The deferred tax asset is recognized at the amount which the asset is expected to be realized, either by elimination in tax on future income or by set-off against deferred tax liabilities within a 5 year period. The deferred tax asset is measured on the basis of the tax rules and at tax rates applicable at the balance sheet date when the deferred tax asset is expected to be utilized.

12 Equity

DKK '000	Share capital	Retained earnings	Total
Equity at 1 October	302,680	745,460	1,048,140
Net profit/(loss) for the year		73,782	73,782
Equity at 30 September	**302,680**	**819,242**	**1,121,922**

The share capital is not divided into classes and there are no restrictions on equity.

DKK '000	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
Share capital at 1 October	302,680	400,013	400,013	400,013	400,013
Reduction of share capital	0	-97,333	0	0	0
Share capital at 30 September	**302,680**	**302,680**	**400,013**	**400,013**	**400,013**

13 Contractual obligations

Rent and leasing obligations

DKK '000	2015/16	2014/15
Within 1 year	7,847	6,132
Between 1 and 5 years	13,036	15,725
After 5 years	0	0
	20,883	**21,857**

14 Contingent liabilities

DKK '000	2015/16	2014/15
Performance guarantees	89,532	78,499
	89,532	**78,499**

The Danish Tax Authorities have in the financial year 2011/12 made a claim that the taxable income for the assessment year 2006 should be increased equaling an additional tax payment of 1.1 billion DKK before interest. The Johnson Controls Group strongly disagree with the claim that the Danish Tax Authorities have made. Consequently, the claim has been appealed to the Danish Income Tax Tribunal. If the Danish Tax Authorities, contrary to what management expects, should win the case, it is management's assessment that the final payment will be significantly lower than the initial claim made by the Danish Tax Authorities.

Due to the nature of the situation it is not immediately possible to assess the monetary implication or the development over time and therefore no amount relating to this claim has been recognized in the balance sheet as at 30 September 2016.

If the matter is closed in accordance with the allegations presented by the Danish Tax Authorities this will materially affect the Company's financial position. In case the Danish Tax Authorities' claim will have to be paid in full, which is not the expectation of management, it will be necessary for the Company to obtain significant liquid funds to be able to continue as a going concern. In this case Management expects that the amount will be funded by the ultimate parent company Johnson Controls, Inc.

As mentioned in the Annual Report for 2010/11 the Company's ultimate parent company, Johnson Controls, Inc. has at 29 September 2011 terminated the American "Check The Box" rules for Johnson Controls Denmark ApS. Uncertainties still exist regarding the estimated market value of the net assets in Johnson Controls Denmark ApS in relation to the termination of "Check The Box" rules and therefore the calculated current tax for 2010/11. The uncertainties derive from the fact that the deadline for the Danish Tax Authorities assessment of the tax return for 2010/11 has not expired yet.

The Company received a claim from KN Products Polska in relation to termination of cooperation. KN Products Polska has claimed an amount of 8.6 million DKK incl interest. An accrual has been recognized in the annual accounts to partly cover the claim. Management does not agree in the size of the claim and it is Management's opinion, that the claim will not have a negative effect on the result for the Company in excess of the recognized amount.

In addition, Johnson Controls Denmark ApS is party to a small number of disputes, lawsuits and legal actions. It is the view of the Management that the outcome of these legal actions will have no other significant impact on Johnson Controls Denmark ApS' financial position beyond what has been recognized and stated in the Annual Report.

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

15 Staff

DKK ´000	2015/16	2014/15
Fee to the Board of Directors	150	150
Remuneration to the Executive Board	4,281	3,624
Wages and salary	338,538	341,242
Pensions	26,713	25,837
Other social security expenses	2,657	2,686
	372,339	**373,539**
Average number of employees	631	649

The Executive Board and other key management personnel have been awarded Stock Appreciation Rights in the parent Company, Johnson Controls, Inc. When certain conditions are fulfilled this gives the participants the possibility to exercise their Stock Appreciation Rights at a fixed price used in the programme. The value of these rights depends on the market value of the shares of Johnson Controls, Inc., that are traded at NYSE. The current market value of outstanding Stock Appreciation Rights issued to the Danish Executive Board and other Danish key management personnel is DKK 3.1 million at 30 September 2016.

16 Fee to auditors appointed by the General Meeting

DKK ´000	2015/16	2014/15
Statutory audit fee	1,388	1,400
	1,388	**1,400**

17 Related parties and ownership

The company's related parties comprise:

Controlling interest

The company's related parties with controlling interest:

Johnson Controls International plc.
One Albert Quay
Cork
Ireland

Johnson Controls International plc. owns through YORK International Corporation the company's share capital. There are no other related parties with controlling interest.

Johnson Controls Denmark ApS is recognised as a subsidiary in the consolidated financial statements for the ultimate parent company Johnson Controls International plc, Cork, Ireland. The consolidated financial statements for the foreign parent company can be requested on the above mentioned address.

Other related parties

Other related parties comprise the company's subsidiaries, associates, other group companies, Board of Directors and Executive Boards and executive employees. Further, related parties comprise companies in which the above persons have substantial interests.