Johnson Controls Denmark ApS

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

Annual Report 2018/19

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 26 / 2 2020.

Chairman

Benthe Klokkerholm

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 2018 - 30 September 2019.

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 2019 of the Company and of the results of the Company's operations for the financial year 1 October 2018 – 30 September 2019.

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

Højbjerg 26 February 2020

Executive Board

Lene Overgaard Andersen
Managing Director

Board of Directors

Benthe Klokkerholm Chairman	Jürgen Kemper	Ejner Brodersen
Bent Knudsen	Michael Køppen	

Independent Auditors' Report

To the Shareholder of Johnson Controls Denmark ApS

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2019, and of the results of the Company's operations for the financial year 1 October 2018 - 30 September 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Johnson Controls Denmark ApS for the financial year 1 October 2018 - 30 September 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

Emphasis of Matter
Without qualifying our opinion, we point to note 15 in the Annual Report in which Management describes a material uncertainty relating to 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
Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

Managements Responibilities 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.

Independent Auditors' Report

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 judgment and maintain professional skepticism 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 Company'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 Company'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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditors' Report

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.

Aarhus, 26 February 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Michael Nielsson
State Authorised Public Accountant
(mne15151)

Henrik Trangeled Kristensen
State Authorised Public Accountant
(mne23333)

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	Lene Overgaard Andersen, *Managing Director*
Board of Directors	Benthe Klokkerholm, *Chairman* Jürgen Kemper Ejner Brodersen Bent Knudsen Michael Køppen
Auditors	PwC Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C.
Annual General Meeting	The Annual General Meeting is held 26th of February 2020 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	2018/19	2017/18	2016/17	2015/16	2014/15
Key figures					
Revenue	1,507,896	1,349,344	1,293,896	1,298,094	1,338,426
Profit/(loss) before financial income and expenses	219,397	79,752	23,204	98,762	120,925
Financial income and expenses	-6,957	-7,751	-6,330	5,665	1,260
Exceptional items	-9,728	-23,646	723	-12,904	100,960
Net profit/(loss) for the year	157,213	32,657	17,571	73,782	192,091
Total assets	1,920,928	1,729,883	1,519,672	1,554,327	1,517,525
Investments in property, plant and equipment	31,697	15,475	26,148	18,789	8,823
Equity	1,329,363	1,172,150	1,139,493	1,121,922	1,048,140
Ratios					
Profit margin	14.5	5.9	1.8	7.6	9.0
Return on investment	13.9	5.9	1.9	7.9	12.0
Gross margin	24.8	27.4	21.6	20.9	21.7
Current ratio	253.5	245.9	296.8	269.8	239.4
Equity ratio	69.2	67.8	75.0	72.2	69.1
Return on equity	12.6	2.8	1.6	6.8	19.2
Average number of employees	659	616	626	631	649

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 Johnson Controls Luxembourg European Finance S.a.r.l. 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

Our revenue and gross profit have increased versus last year which is attributable to growth in all business segments of the company.

The financial statements for 2018/19 shows a profit before tax of 202.7 million DKK compared to a profit before tax of 48.4 million DKK in 2017/18. The improvement is mainly due to increased profitability in the business segments and a reduction of the corporate allocations. Affecting the result negatively are write downs of the investments in subsidiaries.

Tax on profit/ (loss) for the year was an expense of 45,5 million DKK compared to an expense of 15.7 million DKK in 2017/18 given the increased profit before tax.

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 15 Contingent liabilities for more details.

Market Conditions

Sales to the European, market including Denmark, have increased by 14%, mainly driven by an increase in sales and service to the rest of Europe. Sales to the rest of the world have increased by 2%, driven by a decrease in sales to the Asian markets which is offset by an increase in sales to other countries.

The increase in the European sales is largely attributed to the Marine and Refrigeration business segments. The Marine business has experienced an increase in the new area of “Gas” and in the Refrigeration business the domestic market has seen a growth in the energy segment which now is the main contributor to the Refrigeration business' order intake.

Production and processes

The market continues to move towards more complex solutions thus our focus continues to be to keep the balance between complex solutions and standard products.

New Products and product improvements

Our focus on natural refrigerants continues. In 2020 we will finalize the development project with an application based on water vapour.

Environmental Policy

Johnson Controls Denmark has developed an environment policy supporting the development of new sustainable products and taking the environment into consideration in our production plant.

Zero Waste to Landfill

As part of Johnson Controls' continued commitment to reduce the impact on the environment and thus contribute to protect the world for future generations, Johnson Controls Denmark was in August 2018 recognized as attaining zero waste to landfill.

Before being certified as landfill free facility, the company participated in an independent review and demonstrated that 100 percent of the waste being produced are either recycled, reused or converted to energy.

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 2019/20 will remain on the same level as for 2018/19 resulting in a profit before financial income and expenses at the same level as in 2018/19.

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, but refer to the Johnson Controls global policy, which can be found on www.johnsoncontrols.com.

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

Composition of the Board of Directors

The Board of Directors consists of 4 members, and the composition is 25% females. This means that the Board of Directors have achieved an equal gender distribution.

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. The members of the BoD is elected by our owners, Johnson Controls International plc.

Management Training and Recruitment of Leaders

Our policy
We have a policy for equality, and the purpose is to have a more even share of male and female leaders. This includes leaders within operations as well as functional support teams. We want to be an attractive place to work for both genders.

Our initiatives
We have talent reviews on a yearly basis, to identify and develop for our organisation overall. We review succession and pipeline for future leaders coming up from performance reviews held with all employees.

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.

We participate in career fairs, and by joining these events, we get a unique opportunity to present our company directly to students who are about to complete their studies as well as with graduates ready to enter the job market. On top of that, we are also part of a network with "Naturvidenskabernes hus" (house of natural sciences), where we are working with students at public schools aiming at given the students an understanding of all the different kind of jobs within a company like ours.

Through these co-operations, we are aiming at a more versatile knowledge of future career opportunities for females, as there is still a large share of males within the natural sciences educations.

Selected female leaders have participated in a thesis at the University of Aarhus with the aim to highlight the difference between female leaders in a male-dominated versus a female-dominated organization. Moreover to clarify how perception inflicts on their self-image as leaders. Furthermore, focus have been on leadership styles to clarify the qualities that women bring to the board room, according to themselves.

Our outcome and expectations
In the last year, we have seen an increasing interest for management amongst our female employees. We therefore expect the share of female leaders to increase in the coming years.

Financial Statements 1 October – 30 September

Accounting Policies

Basis of preparation

The Annual Report of Johnson Controls Denmark ApS for 2018/19 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., Cork, Ireland, I.R.S. Employer Identification No.: 39-0380010, 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 Annual Report for 2018/19 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.

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 applicable 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.

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.

The estimated useful life has been determined by taking into consideration the business platform acquired, including a strong brand and reputation as well as very loyal customers.

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	15-40
Plant and machinery	3-12
Fixtures and fittings, tools and equipment	3-12

Land is not depreciated.

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

Revenue is recognized over time using the input method (percentage-of-completion) of revenue recognition during the manufacturing process if all of the following criteria are met:

- The performance creates a highly customized asset that cannot be transferred to another customer or used by the company. Assets with a sales price of 1.5 million DKK or more per unit are considered highly specialized/customized. Other equipment with an intercompany sales price between the manufacturing entity and the branch of 3.0 million DKK or more per unit is considered to be highly specialized/customized.
- If the contract includes multiple units to be produced, the thresholds above will be applied to each and every unit in the arrangement separately.
- The Company has right to payment to the performance to date at any point during the contract.

Percentage-of-completion designation must be made at the inception of the contract and changing revenue recognition methodologies in the middle of a contract is not acceptable. Recognizing revenue as material is being produced, manufactured or assembled at a third party vendor location is not allowed.

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

Income Statement 1 October – 30 September

DKK ´000	Note	2018/19	2017/18
Revenue	1	1,507,896	1,349,344
Production cost		-1,133,898	-979,103
Gross profit/(loss)		**373,998**	**370,241**
Distribution costs		-42,974	-40,365
Administrative costs		-111,627	-250,124
Profit/(loss) before financial income and expenses		**219,397**	**79,752**
Results from investments in subsidiaries	2,5	-9,728	-23,646
Financial income and expenses	3	-6,957	-7,751
Profit/(loss) before tax		**202,712**	**48,355**
Tax on profit/(loss) for the year	4	-45,499	-15,698
Net profit/(loss) for the year		**157,213**	**32,657**

Balance Sheet at 30 September

DKK ´000	Note	2019	2018
ASSETS			
Goodwill		0	1,497
IT-software		0	538
Intangible assets	**6**	**0**	**2,035**
Land and buildings		77,617	75,965
Plant and machinery		20,909	19,814
Fixtures and fittings, tools and equipment		17,693	12,001
Property, plant and equipment in progress		14,263	19,105
Property, plant and equipment	**7**	**130,482**	**126,885**
Investments in subsidiaries	8	243,231	258,657
Investments in associates	9	0	0
Other investments	10	5,698	0
Receivables from group companies		63,068	75,711
Fixed assets investments		**311,997**	**334,368**
Fixed assets		**442,479**	**463,288**
Raw materials and consumables		27,763	18,094
Work in progress		155,812	118,361
Finished goods and goods for resale		94,615	91,925
Inventories		**278,190**	**228,380**
Trade receivables		169,964	130,849
Contract work in progress	11	98,966	68,579
Receivables from group companies		76,244	255,363
Corporate tax receivable		27,250	64,322
Other receivables		10,780	6,073
Deferred tax assets	12	9,053	24,479
Prepayments		3,381	2,668
Receivables		**395,638**	**552,333**
Cash at bank and in hand		**804,621**	**485,882**
Current assets		**1,478,449**	**1,266,595**
ASSETS		**1,920,928**	**1,729,883**

Balance sheet at 30 September

DKK '000	Note	2019	2018
Equity and Liabilities			
Share capital		302,680	302,680
Retained earnings		1,026,683	869,470
Equity	**13**	**1,329,363**	**1,172,150**
Warranty provisions		8,263	11,862
Provisions		**8,263**	**11,862**
Credit institutions		7,155	29,345
Prepayments received from customers	11	70,748	58,104
Trade payables		223,686	209,914
Payables to group companies		195,569	176,652
Other payables		86,144	71,856
Short-term liabilities		**583,302**	**545,871**
Liabilities		**583,302**	**545,871**
Equity and liabilities		**1,920,928**	**1,729,883**

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Notes to the Annual Report

1 Revenue

DKK ’000	2018/2019	2017/2018
Denmark	436,409	420,490
Europe excl Denmark	823,460	686,068
Asia	176,926	182,356
Africa	5,981	8,837
North and South America	44,294	47,733
Other countries	20,826	3,860
	1,507,896	**1,349,344**
Production and sale of refrigeration components	944,904	812,220
Sale of refrigeration equipment	507,629	462,435
Others	55,363	74,689
	1,507,896	**1,349,344**

2 Results from investments in subsidiaries

DKK ’000	2018/2019	2017/2018
Impairment of investments in subsidiaries	-9,728	-23,646
	-9,728	-23,646

3 Financial income and expenses

DKK ’000	2018/2019	2017/2018
Interest received from group companies	1,899	0
Other financial income	135	171
	2,034	**171**
Other financial expenses	-8,991	-7,922
	-8,991	**-7,922**
Net exchange rate adjustment	-0	0
	-6,957	**-7,751**

4 Tax on profit/(loss) for the year

DKK ’000	2018/2019	2017/2018
Current tax for the year	-30,696	4,587
Deferred tax for the year	-15,427	-20,671
Prior year tax	624	0
Adjustment for prior year deferred tax	0	386
	-45,499	**-15,698**

5 Exceptional items

DKK '000	2018/2019	2017/2018
Impairment of investment in Johnson Controls Holding Denmark ApS	-9,728	-6,748
Impairment of investment York Chile S.A	0	-16,898
	-9,728	**-23,646**

Exceptional items are recognized in the income statement as follows:

Results from investments in subsidiaries	-9,728	-23,646
	-9,728	**-23,646**

6 Intangible assets

DKK ´000	Goodwill	Completed development projects	IT Software	Total
Cost at 1 October	376,222	7,003	13,269	396,494
Disposals	0	0	-120	-120
Cost at 30 September	**376,222**	**7,003**	**13,149**	**396,374**
Amortization and impairment at 1 October	374,725	7,003	12,731	394,459
Amortization and impairment for the year	1,497	0	418	1,915
Amortization and impairment at 30 September	**376,222**	**7,003**	**13,149**	**396,374**
Carrying amount at 30 September	**0**	**0**	**0**	**0**
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	263,152	171,455	77,766	19,105	531,478
Additions	11,188	12,592	7,917	0	31,697
Disposals	-1,590	-16,489	0	-4,276	-22,355
Transfers	0	456	110	-566	0
Cost at 30 September	**272,750**	**168,014**	**85,793**	**14,263**	**540,820**
Depreciation and impairment at 1 October	187,187	151,641	65,765	0	404,593
Depreciation for the year	7,946	6,070	2,455	0	16,471
Depreciation on disposals for the year	0	-10,606	-120	0	-10,726
Depreciation and impairment at 30 September	**195,133**	**147,105**	**68,100**	**0**	**410,338**
Carrying amount at 30 September	**77,617**	**20,909**	**17,693**	**14,263**	**130,482**
Depreciated over	15-40 years	3-12 years	3-12 years	-	

8 Investments in subsidiaries

DKK ’000	2018/2019	2017/2018
Cost at 1 October	472,766	472,569
Additions	0	197
Transfer to Other investments	-5,698	0
Cost at 30 September	**467,068**	**472,766**
Value adjustments at 1 October	-214,109	-190,463
Write down	-9,728	-23,646
Value adjustments at 30 September	**-223,837**	**-214,109**
Carrying amount at 30 September	**243,231**	**258,657**

Overview of subsidiaries

During the year Johnson Controls Marine and Refrigeration India Ltd was merged with Johnson Controls (India) Private Ltd and the ownership of the former entity is 8,55%. The investment in Johnson Controls (India) Private Ltd is thus disclosed as “Other investments” and the details can be found in a separate note.

Name	Place of registered office	Ownership	Equity 1)	Result for the year
Johnson Controls Holding Denmark ApS	Højbjerg, Denmark	100%	99,586	-9,720
Sp/f Johnson Controls Faroe Islands	Torshavn, Faroe Islands	100%	1,724	231
Johnson Controls Norway AS	Vöyenenga, Norway	100%	78,519	-8,296
York Refrigeration Marine (China) Ltd.	Wanchai, Hong Kong	100%	86,863	-1,248
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	2018/2019	2017/2018
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%	-174,521	-2,508

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

10 Other investments

DKK ’000	2018/2019	2017/2018
Cost at 1 October	0	0
Transfer from Investments in subsidiaries	5,698	0
Cost at 30 September	**5,698**	**0**
Value adjustments at 1 October	0	0
Value adjustments at 30 September	**0**	**0**
Carrying amount at 30 September	**5,698**	**0**

11 Contract work in progress

DKK ´000	2018/19	2017/18
Market value of work completed	381,797	356,776
Payments received on account	-353,579	-346,301
	28,218	**10,475**
Recognized in the balance sheet as follows:		
Contract work in progress recognized as assets	98,966	68,579
Prepayments received from customers recognized as liabilities	-70,748	-58,104
	28,218	**10,475**
Attributable profit included in work in progress	49,270	47,967

12 Deferred tax assets

DKK ´000	2018/19	2017/18
Intangible assets	-7,989	5,955
Property, plant and equipment	17,042	18,524
	9,053	**24,479**

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 based on the tax rules and at tax rates applicable at the balance sheet date when the deferred tax asset is expected to be utilized.

13 Equity

DKK ´000	Share capital	Retained earnings	Total
Equity at 1 October	302,680	869,470	1,172,150
Net profit/(loss) for the year		157,213	157,213
Equity at 30 September	**302,680**	**1,026,683**	**1,329,363**

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

DKK ´000	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Share capital at 1 October	302,680	302,680	302,680	302,680	400,013
Reduction of share capital	0	0	0	0	-97,333
Share capital at 30 September	**302,680**	**302,680**	**302,680**	**302,680**	**302,680**

14 Contractual obligations

Rent and leasing obligations

DKK ´000	2018/2019	2017/2018
Within 1 year	5,236	7,659
Between 1 and 5 years	7,387	11,226
After 5 years	0	5
	12,623	**18,890**

15 Contingent liabilities

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 and consequently, the claim was appealed to the Danish Income Tax Tribunal. The Danish Income Tax Tribunal found primarily in favour of the company on 11 January 2019 and reduced the taxable income assessment to 422 million DKK. Both the Johnson Controls Group and the Danish Tax authorities still disagree with the claim held by the Danish Income Tax Tribunal and consequently both the Johnson Controls Group and Danish Tax authorities have appealed to the District Court on 11 April 2019. 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 2019.

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 Danish tax authorities has disputed the valuations used in connection with the termination of ”Check the box” and increased the taxable income for the assessment year 2011, which has resulted in an additional tax payment including interest of DKK 45 mill. Management has disputed it and appealed the claim to the Danish Income Tax Tribunal. Johnson Controls ApS has made an agreement with the tax authorities to postpone the tax payment until the dispute is resolved. However, the tax authorities have deducted the deferred tax payment in other tax and vat receivables that Johnson Controls were supposed to receive from the tax authorities. Consequently, DKK 45 mill. is recognized in the balance sheet as a receivable from the tax authorities. Based on this there is uncertainty regarding the valuation of the amount.

The Company is under 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. KNI Products Polska has rejected the use of Danish law to settle the dispute and the case will now be handled under Polish law.

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

16 Staff

DKK ´000	2018/2019	2017/2018
Fee to the Board of Directors	121	150
Remuneration to the Executive Board	2,666	7,297
Wages and salary	379,704	348,028
Pensions	28,108	26,456
Other social security expenses	2,622	2,741
	413,221	**384,672**
Average number of employees	659	616

The Executive Board and other key management personnel have been awarded Stock Appreciation Rights in the parent Company, Johnson Controls International plc. When certain conditions are fulfilled this gives the participants the possibility to exercise their Stock Appreciation Rights at a fixed price used in the program. The value of these rights depends on the market value of the shares of Johnson Controls International plc., 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 2.5 million DKK at 30 September 2019 (1.3 million DKK at September 30 2018).

17 Fee to auditors appointed by the General Meeting

DKK ´000	2018/2019	2017/2018
Statutory audit fee	1,183	1,183
	1,183	**1,183**

18 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 Johnson Controls Luxembourg European Finance S.a.r.l. 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.

Related party transactions

All transactions with related parties are carried through on normal market terms.

19 Proposed distribution of income

DKK ´000	**2018/2019**	**2017/2018**
Transferred to/from retained earnings	157,213	32,657
	157,213	**32,657**