

# Maxon Combustion Systems ApS

Nordager 22, 6000 Kolding, Denmark

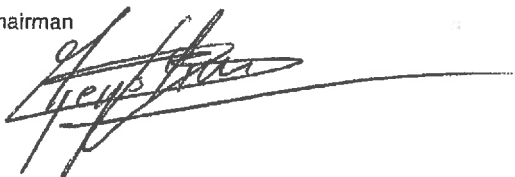
CVR- nr. 24 21 03 91

*Annual Report for 1 January - 31 December 2016*

*The Annual Report was  
presented and adopted at the  
Annual General Meeting of the  
Company on 09/05/2017.*

Bart Alfons Geyskens

Chairman

A handwritten signature in black ink, appearing to read 'Bart Geyskens', is written over a horizontal line. The signature is stylized and cursive.

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## Management's Statement

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The Executive Board and Board of Directors have today considered and adopted the Annual Report of Maxon Combustion ApS for the financial year 1 January - 31 December 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 31 December 2016 of the Company and of the results of the Company operations for 2016.

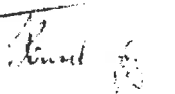
Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position. We recommend that the annual report be approved at the annual general meeting.

Kolding, 09/03 2017

### **Executive Board**



Bart Alfons Geyskens  
*Executive Officer*



Henrik Jorgensen  
*Executive Officer*

# Independent Auditor's Report

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To the owners of Maxon Combustion Systems ApS

## Opinion

We have audited the financial statements of Maxon Combustion Systems ApS for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement 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 conclusion is 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 Auditor's Report

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, dd.mm.2017

DELOITTE

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Statsautoriseret Revisionspartnerselskab

CVR-nr. 33 96 35 56

Jan Larsen

State Authorised Public Accountant

## Company Information

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### **The Company**

Maxon Combustion Systems ApS  
Nordager 22  
DK-6000 Kolding

Telephone: +45 75 51 75 99  
Telefax: +45 75 51 75 97  
Website: [www.maxon-europe.com](http://www.maxon-europe.com)

CVR No.: 24 21 03 91  
Established: 01 07 1999

Financial period: 1 January - 31 December  
Municipality of reg. office: Kolding

### **Executive Board**

Bart Alfons B Geyskens  
Henrik Jargensen

### **Auditors**

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6,  
DK-2300 Copenhagen S

## **Management Review**

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### **Principal activity**

The company's most important purpose in 2016 has been to exercise sale and service of combustion products and systems and other business activities related to this.

### **Financial review**

The income statement of the Company for 2016 shows a profit of DKK 648,236, and at 31 December 2016 the balance sheet of the Company shows equity of DKK 7,591,413.

The Operating Income for Maxon Combustion Systems was DKK 785,873. The result for 2016 represents DKK 648,236 compared to DKK 337,040 for 2015 and is at expected level.

### **Uncertainty relating to recognition and measurement**

Maxon Combustion Systems abides with Honeywell Inc.'s strong financial and ethical controls and undertakes both Internal Financial and External SOX compliance audits to minimize any revenue recognition issues. Stringent controls remain in place and are reviewed annually, including FCPA training which is established as a mandatory requirement for all Maxon Combustion employees.

### **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Accounting Policies

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### Basis of accounting

Financial Statements of Maxon Combustion Systems ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in *DKK*.

### 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.

Danish kroner is 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 in 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 in financial income and expenses in the income statement.

### Income Statement

#### Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

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

A sale is considered completed when:

- delivery has taken place before the end of the financial year,
- a binding sales agreement has been entered into,
- the sales price has been determined, and payment has been received or it is reasonably certain that payment will be received.

#### Gross profit

With reference to section 32 in the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

#### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

#### Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

#### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.



## Accounting Policies

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### Financial income and expenses

Financial income and expenses are recognised in the Income statement at the amounts relating to the financial year.

Financial income and financial expenses comprise interest, financial expenses on finance leases, realised and unrealised exchange rate adjustments as well as value adjustment of securities.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the Income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the Danish subsidiaries in the Honeywell group. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

### Balance Sheet

#### Current assets

##### 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, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

##### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

#### Equity and liability

##### Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

##### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

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 within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the Income statement.

##### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

##### Financial liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual liability in respect of finance leases.

Other liabilities are measured at net realisable value.

##### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

## Income statement

for the year ended 31 December 2016

	Notes	2016 DKK	2015 DKK
<b>Gross profit</b>		<b>2,540,948</b>	<b>1,702,468</b>
Distribution expenses	1	-100,883	-80,703
Administrative expenses	1	-1,654,192	-1,164,591
<b>Operating profit</b>		<b>785,873</b>	<b>457,174</b>
Financial income		63,422	1,466
Financial expenses		-13,527	-16,067
<b>Profit before tax</b>		<b>835,768</b>	<b>442,573</b>
Tax benefit/(expense) for the year	2	-187,532	-105,533
<b>Profit for the year</b>		<b>648,236</b>	<b>337,040</b>
Distribution of profit			
Proposed distribution of profit			
<b>Retained earnings</b>		<b>648,236</b>	<b>337,040</b>

## Balance sheet

at 31 December 2016

	Notes	2016 DKK	2015 DKK
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Deposits	3	14,227	14,227
<b>Total non-current assets</b>		<b>14,227</b>	<b>14,227</b>
<b>Current assets</b>			
<b>Receivables</b>			
Trade receivables		1,968,780	870,589
Amounts owed by subsidiaries		9,266,004	7,036,160
Deferred income		27,465	12,541
Other receivables		22,000	452
<b>Total current assets</b>		<b>11,284,249</b>	<b>7,919,742</b>
<b>Total assets</b>		<b>11,298,476</b>	<b>7,933,969</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		500,000	500,000
Retained earnings		7,091,413	6,443,177
		<b>7,591,413</b>	<b>6,943,177</b>
<b>Current liabilities</b>			
Trade payables		195,134	48,049
Payables to group enterprises		134,912	127,544
Corporation tax	2	187,532	105,533
Other payables		990,595	709,668
Prepayments from customers		2,198,890	0
<b>Total current liabilities</b>		<b>3,707,063</b>	<b>990,792</b>
<b>Total liabilities</b>		<b>3,707,063</b>	<b>990,792</b>
<b>Total equity and liabilities</b>		<b>11,298,476</b>	<b>7,933,969</b>
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## Statement of changes in Equity

at 31 December 2016

	Share capital	Retained earnings	Total
	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>
Equity at 1 January	500,000	6,443,177	6,943,177
Net profit / loss for the year	0	648,236	648,236
<b>Equity at 31 December</b>	<b>500,000</b>	<b>7,091,413</b>	<b>7,591,413</b>
		Number	Nominal Value <i>DKK</i>
Shares at DKK 5000		100	500,000
			<b>500,000</b>

There have been no changes in the share capital during the last 5 years.

# Notes to the annual report

at 31 December 2016

## 1. Staff expenses

	<u>2016</u>	<u>2015</u>
	<i>DKK</i>	<i>DKK</i>
Wages and salaries	1,072,750	814,046
Pensions	81,874	31,155
Other social security expenses	3,597	80,208
	<u>1,158,221</u>	<u>925,409</u>
Average number of employees	2	1

## 2. Tax on profit / loss for the year

	<u>2016</u>	<u>2015</u>
	<i>DKK</i>	<i>DKK</i>
Current tax for the year	187,532	105,533
	<u>187,532</u>	<u>105,533</u>

No on- account tax was paid during the financial year.

## 3. Financial assets

	<u>2016</u>
	<i>DKK</i>
Deposits	
Cost at 1 January 2016	14,227
Carrying amount at 31 December 2016	<u>14,227</u>

## 4. Contingent assets, liabilities and other financial obligations

	<u>2016</u>	<u>2015</u>
	<i>DKK</i>	<i>DKK</i>
Other financial obligation		
Rent payment	56,508	55,404
	<u>56,508</u>	<u>55,404</u>

## 5. Related parties and ownership

### Transactions

The company's related parties are Honeywell International Inc and its subsidiaries. All transactions between the related parties are based on arms-length term. The type of transactions with the related parties can be specified as buying and selling of components, management fees, IT-service fees and loan.

### 6. Ownership

The following shareholder holds more than 5% of company's share capital:  
Maxon Holding B.V. 10 Archimedesstraat, 3316 AB, Dordrecht, Netherlands

### Consolidated Financial Statements

Maxon Combustion Systems ApS is included in the consolidated financial statements of Intermecc Technologies (S) PTE LTD.

The Group Annual Report of Honeywell International Inc. may be obtained at the following address:  
Honeywell International Inc.  
101 Columbia Rd  
Morristown, NJ 07960  
USA  
Or on the home page [www.honeywell.com](http://www.honeywell.com)