

Maxon Combustion Systems ApS

Nordager 22, 6000 Kolding, Denmark

CVR No.24210391


Annual Report for 1 January - 31 December 2018

*The Annual Report was
presented and adopted at the
Annual General Meeting of the
Company on _ / _ /2019.*

18/06/2019

Bart Alfons B Geyskens

Chairman

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Management's Statement

The Executive Board have today considered and adopted the Annual Report of Maxon Combustion Systems ApS for the financial year 1 January - 31 December 2018.

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

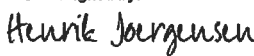
In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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, / /2019 18/06/2019

Executive Board

Henrik Jørgensen

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Bart Alfons B Geyskens

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Independent Auditor's Report

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 2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the entity's financial position at 31 December 2018 and of the results of its operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the 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 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, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional 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.

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 the work we have performed, 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, 18/6 /2019

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR-nr. 33 96 35 56



Jan Larsen

State Authorised Public Accountant

MNE number: 16541

Company Information

The company	Maxon Combustion Systems ApS Nordager 22, 6000 Kolding, Denmark Telephone: +45 75 51 75 99 Telefax: +45 75 51 75 97 Website: www.maxon-europe.com CVR No.24210391 Established: 01-07-1999 Financial period: 1 January - 31 December Municipality of reg. office: Kolding
Executive Board	Henrik Jørgensen Bart Alfons B Geyskens
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S
Lawyers	Moltke-Leth Amaliegade 12, DK-1256 København K

Management's review

Principal activity

The company's most important purpose in 2018 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 2018 shows a loss of DKK 625,365 and at 31 December 2018 the balance sheet of the Company shows equity of DKK 7,820,414.

The Operating loss for Maxon Combustion Systems ApS was DKK 617,112 compared to profit of DKK 1,100,784 for 2017. The gross loss for 2018 represents DKK 625,365 compared to profit of DKK 854,366 for 2017 and is at expected level.

Uncertainty relating to recognition and measurement

Maxon Combustion Systems abides with Honeywell Inc.'s strong financial and ethical controls 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

In year 2019, the company plans to merge with Honeywell A/S Denmark.

Accounting Policies

Basis of accounting

Financial Statements of Maxon Combustion Systems ApS for 2018 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 2018 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.

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.

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 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

Pursuant to section 32 of the Danish Financial Statements Act, revenue is not disclosed in the annual report. Gross Profit includes net turnover, change in inventories, cost of material and other external costs.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. It comprises of operation and administration cost.

Accounting Policies

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. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

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

Financial assets

Deposits comprises rent deposits, which are recognized and measured at cost price. There are no depreciation on deposits.

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.

Exchange rate adjustments of long-term loans to group enterprises are taken to equity, as these loans are considered "equity" loans.

Deferred income

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

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.

Accounting Policies

Corporation tax receivables and 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.

Financial liabilities

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

Income Statement

for the year ended 31 December 2018

	Notes	2018 DKK	2017 DKK
Gross profit		905 709	3 035 120
Distribution expenses	1	-101 851	-130 661
Administrative expenses	1	-1 420 970	-1 803 675
Operating profit		-617 112	1 100 784
Financial Income		1 870	11 661
Financial Expenses		-10 123	-12 722
Profit before tax		-625 365	1 099 723
Tax benefit/(expense) for the year	2	136 855	-245 357
Profit for the year		-488 510	854 366
Distribution of profit		0	0
Proposed distribution of profit		0	0
Retained earnings		-488 510	854 366

Balance Sheet

at 31 December 2018

	Notes	2018 DKK	2017 DKK
ASSETS			
Non-current assets			
Financial assets			
Deposits	3	25 153	24 421
Total financial assets		25 153	24 421
Total non-current assets		25 153	24 421
Current assets			
Receivables			
Trade receivables		423 070	2 529 226
Receivables from group enterprises		8 621 165	7 563 509
Deferred tax assets		136 855	0
Deferred income		43 922	1 550
Total receivables		9 225 012	10 094 285
Total current assets		9 225 012	10 094 285
TOTAL ASSETS		9 250 165	10 118 706
EQUITY AND LIABILITIES			
Equity			
Share capital		500 000	500 000
Retained earnings		7 457 269	7 945 779
Total Equity		7 957 269	8 445 779
Current liabilities			
Trade payables		123 273	69 991
Payables to group enterprises		53 895	654 535
Corporation tax	2	432 889	247 629
Other payables		682 839	700 772
Total current liabilities		1 292 896	1 672 927
Total liabilities		1 292 896	1 672 927
TOTAL EQUITY AND LIABILITIES		9 250 165	10 118 706
Contingent assets, liabilities and other financial obligations	4		
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Statement of Changes in Equity

at 31 December 2018

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January 2018	500 000	7 945 779	8 445 779
Net profit / loss for the year		-488 510	-488 510
Equity at 31 December 2018	500 000	7 457 269	7 957 269

	Number	Nominal Value
		DKK
Shares at DKK 5,000	100	500 000
		500 000

There have been changes in the share capital during the current year.

Notes to the annual report

at 31 December 2018

1 Staff expenses	2018	2017
	DKK	DKK
Wages and salaries	1 611 109	1 945 415
Pensions	101 743	123 361
Other social security expenses	6 149	6 059
	1 719 001	2 074 835

Average number of employees 2 3

2 Tax on profit / loss for the year	2018	2017
	DKK	DKK
Current tax for the year	-136 855	245 357
Total	-136 855	245 357

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

3 Financial assets	2018	2017
	DKK	DKK
Deposits		
Cost at 1 January	24 421	14 227
Adjustment during the year	732	10 194
Carrying amount at 31 December	25 153	24 421

4 Contingent assets, liabilities and other financial obligations

The Company is jointly taxed with all other Danish companies in the Honeywell group. As a consolidated entity, the Company has unlimited and joint liability together with the other companies under joint taxation for Danish corporation tax and withholding tax on dividends, interest and royalties within the jointly taxed companies.

	2018	2017
	DKK	DKK
Other financial obligation		
Rent payment	100 610	97 680
	100 610	97 680

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.

Consolidated Financial Statements

Maxon Combustion Systems ApS is owned 100% by Honeywell A/S which is owned by Pittway Technologica S.r.l (Italian), which is owned by Honeywell S.L (Spain) group and Honeywell A/S is included in the Group Annual Report as a subsidiary. Honeywell S.L. (Spain) is owned by Honeywell International Inc. The financial statements of Honeywell International Inc. are publicly available and can be obtained from Corporate Publications, 251 Little Falls Drive, Wilmington DE 19808, USA or from the Internet at <http://investor.honeywell.com>

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Honeywell A/S, Strandesplanaden, 110 Vallensbaek Strand 2665 Denmark