

# RAE Systems Europe ApS

Strandvejen 70, 2900, Hellerup, Denmark

CVR- nr. 26 67 76 53

*Annual Report for 1 January - 31 December 2016*

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*The Annual Report was  
presented and adopted at the  
Annual General Meeting of the  
Company on ~~31~~<sup>31</sup> 2017.*

  
Jens Christian Jensen

Chairman

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## Management's Statement

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The Executive Board have today considered and adopted the Annual Report of RAE Systems Europe 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.

Copenhagen, <Date> 31/3/2017

*Executive Board*



Jens Christian Jensen



Timothy David Clothier

# Independent Auditor's Report

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To the owners of RAE Systems Europe ApS

## Opinion

We have audited the financial statements of RAE Systems Europe ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the

# Independent Auditor's Report

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date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

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

## **Statement on the management review**

Management is responsible for the management review.

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

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

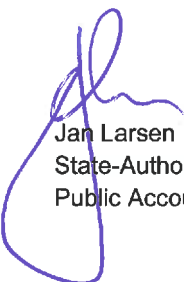
Based on the work we have performed, we conclude that the management review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Copenhagen, 31.03.2017

## **Deloitte**

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56



Jan Larsen  
State-Authorised  
Public Accountant

## Company Information

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### The Company

RAE Systems Europe ApS  
Strandvejen 70  
DK-2900 Hellerup

Telephone: +45 86525155

Telefax: +45 86525177

Website: [www.raesystems.eu](http://www.raesystems.eu)

CVR No.: 26 67 76 53

Established: 01 07 2002

Financial period: 1 January - 31 December

Municipality of reg. office: Gentofte

### Executive Board

Jens Christian Jensen

Timothy David Clothier

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6,  
DK-2300 København

# Management's Review

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## Principal activity

The main activities has been sales, technical support and the service of gas detectors, photo ionization detectors, temporary and fixed gas systems with our focus into 3 main markets:

- Oil and Gas upstream, refining and petrochemical downstream
- Hazmat, Civil Defense
- Environmental

During 2016, no operations have taken place in RAE Systems Europe Aps.

## Outlook

The company is expected to operate as holding company in the future.

## External environment

The China manufacturing facility complies with ISO14000 standards.

## Uncertainty relating to recognition and measurement

RAE 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 Honeywell employees.

## Subsequent events

No events have occurred since year-end which could materially affect the financial position of the Company at 31 December 2016.

# Accounting Policies

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## Basis of accounting

Financial Statements of RAE Systems Europe 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 EUR.

With reference to section 86 of the Danish Financial Statements Act, Cash Flow Statement has not been prepared for the Company as it is included in the Consolidated Financial Statement of Honeywell. The Financial Statement for the Honeywell Group can be obtained at [www.honeywell.com](http://www.honeywell.com)

In accordance with section 112 (1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The Company is included in the consolidated financial statements of Honeywell International Inc.

## Recognition and measurement

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.

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.

## 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.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Staff costs

Staff costs comprise wages and salaries as well as payroll expenses other than production wages.

### Financial income and expenses

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

### 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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.



# Accounting Policies

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## Balance Sheet

### Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

### 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 debts

Other debts are measured at amortised cost, substantially corresponding to nominal 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	2015
		EUR	EUR
Revenue		0	0
Expenses for raw materials and consumables		0	-80
Other external expenses		-28,841	-70,743
<b>Gross loss</b>		<b>-28,841</b>	<b>-70,823</b>
Staff expenses	1	0	-3,537
<b>Ordinary operating loss</b>		<b>-28,841</b>	<b>-74,360</b>
Other operating income		0	704,377
<b>Operating profit/loss</b>		<b>-28,841</b>	<b>630,017</b>
Financial income		0	4,685
Financial expenses		0	-2,789
<b>Profit/loss before tax</b>		<b>-28,841</b>	<b>631,913</b>
Tax benefit/(expense) for the year	2	6,346	-34,148
<b>Profit for the year</b>		<b>-22,495</b>	<b>597,765</b>
Distribution of profit			
Proposed distribution of profit			
<b>Retained earnings</b>		<b>-22,495</b>	<b>597,765</b>

# Balance sheet

at 31 December 2016

	Notes	2016	2015
		EUR	EUR
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Investments</b>			
Investments in subsidiaries	3	57,050	57,050
Investments in associates	4	29,320	29,320
<b>Total Investments</b>		<b>86,370</b>	<b>86,370</b>
Deferred tax asset- long term portion		3,551	4,734
<b>Total non-current assets</b>		<b>89,921</b>	<b>91,104</b>
<b>Current assets</b>			
<b>Receivables</b>			
Amounts owed by subsidiaries		5,464,682	5,451,047
Other receivables		27,440	27,440
Corporation tax		7,529	13,637
		<b>5,499,651</b>	<b>5,492,124</b>
<b>Total current assets</b>		<b>5,499,651</b>	<b>5,492,124</b>
<b>Total assets</b>		<b>5,589,572</b>	<b>5,583,228</b>

# Balance sheet

at 31 December 2016

	Notes	2016	2015
		EUR	EUR
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		67,278	67,278
Retained earnings		5,478,433	5,500,928
		<u>5,545,711</u>	<u>5,568,206</u>
<b>Current liabilities</b>			
Trade payables		15,012	15,012
Other payables		28,849	10
<b>Total current liabilities</b>		<u>43,861</u>	<u>15,022</u>
<b>Total liabilities</b>		<u>43,861</u>	<u>15,022</u>
<b>Total equity and liabilities</b>		<u>5,589,572</u>	<u>5,583,228</u>
Related parties and ownership	5		

# Statement of changes in Equity

at 31 December 2016

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Equity at 1 January	67,278	5,500,928	5,568,206
Other comprehensive income	0	0	0
Net profit / loss for the year	0	-22,495	-22,495
Equity at 31 December	<u>67,278</u>	<u>5,478,433</u>	<u>5,545,711</u>

	<u>Number</u>	<u>Nominal Value</u>
		<i>DKK</i>
Shares at DKK 1	500,000	500,000
		<u>500,000</u>

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

	2016	2015
	<i>EUR</i>	<i>EUR</i>
Wages and salaries	0	3,272
Pensions	0	0
Other social security expenses	0	265
	<u>0</u>	<u>3,537</u>
Average number of employees	0	0

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

	2016	2015
	<i>EUR</i>	<i>EUR</i>
Current tax for the year	-7,529	-13,637
Deferred tax for the year	1,183	2,009
Adjustments to prior year	0	45,776
	<u>-6,346</u>	<u>34,148</u>

## 3. Investments in subsidiaries

	2016	2015
	<i>EUR</i>	<i>EUR</i>
Cost at 1 January	57,050	82,050
Additions	0	0
Deletions	0	-25,000
Carrying amount at 31 December	<u>57,050</u>	<u>57,050</u>

Subsidiaries are specified as follows:

Name	Place of registered office	Financial Results	Equity	Votes and ownership
	Honeywell House			
RAE UK Ltd.	Skimped Hill Lane, Bracknell, Berkshire, RG12 1EB, United Kingdom	EUR 16,504*	EUR 203,553*	100%
	Felix Wankel Str. 5, 82152			
SolidSence GmbH	Krailing, Germany	EUR 345,908*	EUR 1,702,205*	100%

\*The financial results and equity are in accordance with the latest approved annual report for the year 2015.

## 4. Investments in associates

	2016	2015
	<i>EUR</i>	<i>EUR</i>
Cost at 1 January	29,320	29,320
Additions	0	0
Carrying amount at 31 December	<u>29,320</u>	<u>29,320</u>

# Notes to the annual report

at 31 December 2016

## 4. Investments in associates (continued)

Investments in associates are specified as follows:

Name	Place of registered office	Financial Results	Equity	Votes and ownership
RAE France S.A.R.L	305 Rue des 4 Chemins Parc D'activité des Ayats 69390, Millery, France	EUR 194,445*	EUR 390,849*	49%
RAE Spain S.L	Avenida Remolar 31EL Prat De Llobregat, 08820, Spain	EUR 10,406*	EUR 66,066*	19%
RAE Benelux	Registered Office Amsterdamstraat 28, 2321, Hoogstraten, Belgium	EUR 780,407*	EUR 2,399,172*	10%

\*The financial results and equity are in accordance with the latest approved annual report for the year 2015.

## 5. Related parties and ownership

Controlling interest RAE Systems (Asia) Limited	Basis Parent company
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### *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:

RAE Systems (Asia) Limited -  
15/F Delta House, 3 on Yiu Street  
Shatin, N  
Hongkong

### *Consolidated Financial Statements*

The Company is included in the Group Annual Report of the Parent Company Honeywell International Inc.

The Group Annual Report of Honeywell International Inc. may be obtained at the following address:

Honeywell International Inc.  
115 Tabor Road  
Morris Plains NJ 07950  
United States

Or on the home page [www.honeywell.com](http://www.honeywell.com).