

# RAE Systems Europe ApS

Honeywell A/S, Strandvejen 70, 2900, Hellerup, Denmark

CVR-nr. 26 67 76 53

*Annual Report for 1 January - 31 December 2015*

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*The Annual Report was  
presented and adopted at the  
Annual General Meeting of the  
Company on 2016.*

*Jens Christian Jensen*

Chairman

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## Management's Statement

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The Executive Board has today considered and adopted the Annual Report of RAE Systems Europe ApS for the financial year 1 January - 31 December 2015.

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 2015 of the Company and of the results of the Company operations for 2015

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> 2/8/2016

### *Executive Board*



Jens Christian Jensen

Markus Schett



Timothy Clothier

# Independent Auditor's report

To the owners of RAE Systems Europe ApS

## Report on the financial statements

We have audited the financial statements of RAE Systems Europe ApS for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

## Management's responsibility for the financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

## Opinion

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 – 31.12.2015 in accordance with the Danish Financial Statements Act.

## Report on other legal and regulatory requirements

### Emphasis of matter regarding other issues

Without qualifying our opinion, we point out that, pursuant to the provisions of section 138 of the Danish Financial Statements Act, the Company has not presented the annual report for the period 01.01.2015 – 31.12.2015 in time, for which reason Management may be held liable.

Contrary to section 147 of the Danish Companies Act, Management has not observed all its duties to keep records and minutes, etc by which Management may incur liability.

## Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen 2 August 2016

## Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No 33 96 35 56



Jan Larsen  
State-Authorised Public Accountant

## Company Information

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### **The Company**

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

### **Executive Board**

Jens Christian Jensen  
Markus Schett  
Timothy Clothier

### **Auditors**

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6,  
DK-2300 København

## Financial Highlights

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Seen over a five-year period, the development of the Company is described by the following financial highlights:

<b>Key figures</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
<b>Profit/loss</b>					
Revenue	0	9,793	13,323	13,696	13,035
Operating profit/loss	630	1,070	1,163	264	335
Net financials	2	166	-826	76	228
Net profit/loss for the year	598	921	23	274	455
<b>Balance sheet</b>					
Total Assets	5,583	5,626	7,185	7,218	5,833
Equity	5,568	4,970	4,049	4,026	3,752
<b>Financial ratios %</b>					
Gross margin	0.00%	18.40%	19.50%	13.30%	16.00%
Profit margin	0.00%	10.90%	8.70%	1.90%	2.60%
Return on assets	11.24%	19.00%	16.20%	3.70%	5.70%
Solvency ratio	99.73%	88.30%	56.40%	55.80%	64.30%
Return on equity	11.34%	20.40%	1.10%	7.00%	12.90%

*The financial ratios are calculated in accordance with the Danish Society of Financial Analysts' recommendations and guidelines. For definitions, please see the accounting policies.*

# Management's Review

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The Annual Report of RAE Systems Europe ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

## 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

## Development in the year

The activities have been transferred to Life Safety Distribution AG, a part of Honeywell concern.

During 2014 the company exited the facility in Copenhagen in line with the expiration of its lease. The company continues to manage its investment of the shares in the partnerships in France, Spain, Germany and Benelux.

Revenues decreased by 100% during 2015. Resulting Net profit before taxes in 2015 has decreased by 42%, fixed assets by 100% and current assets by 1% as compared to 2014.

## 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.

## Rectification of information of previous financial period

The grouping of deferred tax assets has been revised in the Balance Sheet to Non-current assets. The corresponding change has also been revised in the comparative data in the prior year Balance sheet

## Subsequent events

No events have occurred since year-end which could materially affect the financial position of the Company at 31 December 2015.

# Accounting Policies

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## Basis of accounting

Financial Statements of RAE Systems Europe ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 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)

## 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 costs 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.

## 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 expenses

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

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### Financial income and expenses

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



# Accounting Policies

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## 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.

## Balance Sheet

### 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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	7 years

### 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.

### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs.

### 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

### Dividend

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

# Accounting Policies

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## 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.

## Financial Highlights

### Definition of financial ratios

Gross Profit Margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating Margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit from operating activities} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit for the year after tax} \times 100}{\text{Average equity}}$

# Income statement

for the year ended 31 December 2015

	Notes	2015 EUR	2014 EUR
Revenue		0	9,792,929
Expenses for raw materials and consumables		-80	-7,154,095
Other external expenses		-70,743	-840,821
<b>Gross profit/loss</b>		-70,823	1,798,013
Staff expenses	1	-3,537	-715,131
Other operating income		704,377	0
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	2	0	-12,992
<b>Operating profit</b>		630,017	1,069,890
Financial income	3	4,685	249,426
Financial expenses	4	-2,789	-83,460
<b>Profit before tax</b>		631,913	1,235,856
Tax on profit/loss for the year	5	-34,149	-314,383
<b>Profit for the year</b>		597,765	921,473
<b>Distribution of profit</b>			
<b>Proposed distribution of profit</b>			
Retained earnings		597,765	921,473

# Balance sheet

at 31 December 2015

Assets	Notes	2015 EUR	2014 EUR
<b>Non-current assets</b>			
<b>Investments</b>			
Investments in subsidiaries	6	57,050	82,050
Investments in associates	7	29,320	29,320
<b>Total Investments</b>		<b>86,370</b>	<b>111,370</b>
<b>Deferred tax asset- long term portion</b>		<b>4,734</b>	<b>6,743</b>
<b>Total Non-current assets</b>		<b>91,104</b>	<b>118,113</b>
<b>Current assets</b>			
<b>Receivables</b>			
Trade receivables		0	28,173
Amounts owed by subsidiaries		5,451,047	5,410,697
Other receivables		27,440	16,612
Prepayments		0	3,486
Corporation tax		13,637	0
<b>Total Receivables</b>		<b>5,492,124</b>	<b>5,458,968</b>
Cash at hand and in bank		0	49,177
<b>Total Current assets</b>		<b>5,492,124</b>	<b>5,508,145</b>
<b>Assets</b>		<b>5,583,228</b>	<b>5,626,258</b>
<b>Equity and liabilities</b>			
Share capital		67,278	67,278
Opening Retained earnings		4,903,163	3,981,690
Profit for the year		597,765	921,473
<b>Total Equity</b>	8	<b>5,568,206</b>	<b>4,970,441</b>
<b>Current Liabilities</b>			
Trade payables		15,012	12,960
Payables to group enterprises		0	180,859
Corporation tax		0	126,643
Other payables		10	311,898
Deferred income		0	23,457
<b>Total Current liabilities</b>		<b>15,022</b>	<b>655,817</b>
<b>Liabilities</b>		<b>15,022</b>	<b>655,817</b>
<b>Equity and liabilities</b>		<b>5,583,228</b>	<b>5,626,258</b>
Related parties and ownership	9		

# Notes to the annual report

at 31 December 2015

## 1. Staff expenses

	2015 EUR	2014 EUR
Wages and salaries	3,272	623,898
Pensions	0	54,387
Other social security expenses	265	36,846
	<u>3,537</u>	<u>715,131</u>
Average number of employees	0	8

Remuneration to the Executive Board has not been disclosed in accordance with section 98 b (3) of the Danish Financial Statements Act.

## 2. Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2015 EUR	2014 EUR
Depreciation of property, plant and equipment	0	12,992

## 3. Financial income

	2015 EUR	2014 EUR
Other financial income	1,103	226,048
Exchange adjustments	3,582	23,378
	<u>4,685</u>	<u>249,426</u>

## 4. Finance expenses

	2015 EUR	2014 EUR
Other financial expenses	2,789	3,207
Exchange adjustments, expenses	0	80,253
	<u>2,789</u>	<u>83,460</u>

## 5. Tax on profit for the year

	2015 EUR	2014 EUR
Current tax for the year	-13,637	270,325
Deferred tax for the year	2,009	44,058
Tax adjustment for the previous year	45,777	0
	<u>34,149</u>	<u>314,383</u>

# Notes to the annual report

at 31 December 2015

## 6. Investments in subsidiaries

	2015 EUR	2014 EUR
Cost at 1 January	82,050	82,050
Additions	0	0
Deletions	-25,000	0
<b>Carrying amount at 31 December</b>	<b>57,050</b>	<b>82,050</b>

Investment in RAE Germany GmbH has been sold during the year

Subsidiaries are specified as follows:

Name	Place of registered office	Financial Results	Equity	Votes and ownership
RAE UK Ltd.	Oxfordshire	EUR 9,904*	EUR 173,295*	100%
SolidSence GmbH	Krailling	EUR -345,908	EUR -1,702,205	100%

\*The financial results and equity of RAE UK Ltd. are in accordance with the latest approved annual report for the year 2014

## 7. Investments in associates

	2015 EUR	2014 EUR
Cost at 1 January	29,320	29,320
Additions	0	0
<b>Carrying amount at 31 December</b>	<b>29,320</b>	<b>29,320</b>

Investments in associates are specified as follows:

Name	Place of registered office	Financial Results	Equity	Votes and ownership
RAE France S.A.R.L.	Vernaison	EUR 194,445	EUR 390,849	49%
RAE Spain S.L.	El Prat de Llobregat	EUR 10,406	EUR 66,066	19%
RAE Benelux	Capelle a/d IJssel	EUR 780,407	EUR 2,399,172	10%

## 8. Equity

	Share capital EUR	Retained earnings EUR	Cumulative other comprehensive income EUR	Total EUR
Equity at 1 January	67,278	4,903,163	0	4,970,441
Net profit / loss for the year	0	597,765	0	597,765
<b>Equity at 31 December</b>	<b>67,278</b>	<b>5,500,927</b>	<b>0</b>	<b>5,568,206</b>

The share capital consists of 500,000 shares of a nominal value of DKK 1. No shares carry any special rights.

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

# Notes to the annual report

at 31 December 2015

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## 9. Related parties and ownership

### Controlling interest

RAE Systems (Asia) Limited

### Basis

Parent company

### 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, Hong Kong

### 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.  
101 Columbia Rd  
Morristown, NJ 07960  
USA

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