

Airco Diet A/S
Central Business Registration No
31052319
Snarelosevej 27
7000 Fredericia

Annual report 2015

The Annual General Meeting adopted the annual report on 07.03.2016

Chairman of the General Meeting

Name: Heidi Thousgaard Jørgensen

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Entity details

Entity

Airco Diet A/S
Snarelosevej 27
7000 Fredericia

Central Business Registration No: 31052319

Registered in: Fredericia

Financial year: 01.01.2015 - 31.12.2015

Phone: 76201530

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Board of Directors

Jens Thøger Hansen, Chairman

Keld Møller Pedersen Laigaard

Peter Kriklywi

Executive Board

Asbjørn Schwert, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Airco Diet A/S for the financial year 01.01.2015 - 31.12.2015.

The annual report is presented 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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Fredericia, 07.03.2016

Executive Board

Asbjørn Schwert
Chief Executive Officer

Board of Directors

Jens Thøger Hansen
Chairman

Keld Møller Pedersen Laigaard

Peter Kriklywi

Independent auditor's reports

To the owners of Airco Diet A/S

Report on the financial statements

We have audited the financial statements of Airco Diet A/S 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 Company'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.

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.

Independent auditor's reports

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

Kolding, 07.03.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Jesper Brønd-Jensen
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2015	2014	2013	2012	2011
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial high-lights					
Key figures					
Gross profit	38,139	16,338	56,813	33,185	31,918
Operating profit/loss	21,937	2,125	46,529	24,563	26,747
Net financials	(178)	15	109	771	239
Profit/loss for the year	16,160	1,849	35,095	19,000	20,230
Total assets	108,379	59,909	133,735	123,311	103,778
Investments in property, plant and equipment	0	225	752	412	0
Equity	43,743	27,583	55,734	40,639	29,639
Ratios					
Return on equity (%)	45.3	4.4	72.8	54.1	94.0
Solvency ratio (%)	40.4	46.0	41.7	33.0	28.6

Management commentary

Primary activities

The main activity of the Company is sale, design, manufacturing and installation of Dry Ice Expanded Tobacco (DIET) and Impex (Isopentane Expanded Tobacco) plants customized for the Tobacco Industry worldwide.

Business focus areas of the Company are:

- Standardized plants located in customized buildings.
- Upgrades and utility optimization of existing plants.
- Engineering services.
- Spare Parts and technical service.

The operation of the Company is managed from the Head Quarter. Strategic services are supplied through group related companies.

Development in activities and finances

The profit for the year before tax amounted to DKK 21,759 m (DKK 2,140 m).

Uncertainty relating to recognition and measurement

Profit for the year is not affected by unusual circumstances.

Outlook

The Industry continues to indicate investments; a positive development in turnover and profit is as such expected.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises.

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

According to Section 32(1) of the Danish Financial Statements Act the Company has aggregated various items in the income statement, stated as gross profit or loss.

Gross profit or loss comprises revenue and production costs.

Accounting policies

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with its ultimate owner and all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

The period of amortisation for the amortised goodwill is 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Leasehold improvements as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	15 years

For leasehold improvements the depreciation period cannot exceed the contract period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments and loss on contract work in progress etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Accounting policies

Cash flow statement

In accordance with Section 86(4) of the Danish Financial Statements Act, the Company has not prepared any cash flow statement as the cash flows of the Company are included in the consolidated cash flow statement.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Gross profit	1	38,139	16,338
Distribution costs		(4,795)	(3,975)
Administrative costs	2	<u>(11,407)</u>	<u>(10,238)</u>
Operating profit/loss		21,937	2,125
Other financial income	3	134	398
Other financial expenses		<u>(312)</u>	<u>(383)</u>
Profit/loss from ordinary activities before tax		21,759	2,140
Tax on profit/loss from ordinary activities	4	<u>(5,599)</u>	<u>(291)</u>
Profit/loss for the year		<u>16,160</u>	<u>1,849</u>
 Proposed distribution of profit/loss			
Dividend for the financial year		16,000	0
Retained earnings		<u>160</u>	<u>1,849</u>
		<u>16,160</u>	<u>1,849</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Goodwill		6,722	10,068
Intangible assets	5	<u>6,722</u>	<u>10,068</u>
Other fixtures and fittings, tools and equipment		48	68
Leasehold improvements		691	959
Property, plant and equipment	6	<u>739</u>	<u>1,027</u>
Deposits		181	181
Fixed asset investments	7	<u>181</u>	<u>181</u>
Fixed assets		<u>7,642</u>	<u>11,276</u>
Manufactured goods and goods for resale		587	1,069
Prepayments for goods		9,073	4,312
Inventories		<u>9,660</u>	<u>5,381</u>
Trade receivables		25,317	7,056
Contract work in progress	8	47,476	11,352
Receivables from group enterprises		0	119
Other short-term receivables		3,177	164
Income tax receivable		0	138
Prepayments	9	764	1,059
Receivables		<u>76,734</u>	<u>19,888</u>
Cash		<u>14,343</u>	<u>23,364</u>
Current assets		<u>100,737</u>	<u>48,633</u>
Assets		<u>108,379</u>	<u>59,909</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Contributed capital	10	1,000	1,000
Retained earnings		26,743	26,583
Proposed dividend		16,000	0
Equity		<u>43,743</u>	<u>27,583</u>
Provisions for deferred tax	11	4,680	2,896
Other provisions	12	665	2,197
Provisions		<u>5,345</u>	<u>5,093</u>
Bank loans		11	0
Contract work in progress		3,586	606
Trade payables		50,572	23,369
Debt to group enterprises		1,249	846
Income tax payable		611	0
Other payables		3,262	2,412
Current liabilities other than provisions		<u>59,291</u>	<u>27,233</u>
Liabilities other than provisions		<u>59,291</u>	<u>27,233</u>
Equity and liabilities		<u><u>108,379</u></u>	<u><u>59,909</u></u>
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Ownership	15		
Consolidation	16		

Statement of changes in equity for 2015

	Contri- buted capi- tal DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	1,000	26,583	0	27,583
Profit/loss for the year	0	160	16,000	16,160
Equity end of year	1,000	26,743	16,000	43,743

Notes

	2015	2014
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	7,792	7,260
Pension costs	539	532
Other social security costs	63	88
	8,394	7,880
Average number of employees	11	11

With reference to Section 98b(3) of the Danish Financial Statements Act, the Company has omitted to disclose remuneration for the Board of Directors and the Executive Board.

	2015	2014
	DKK'000	DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	3,346	3,144
Depreciation on property, plant and equipment	288	273
	3,634	3,417

	2015	2014
	DKK'000	DKK'000
3. Other financial income		
Financial income arising from group enterprises	129	162
Interest income	5	219
Other financial income	0	17
	134	398

	2015	2014
	DKK'000	DKK'000
4. Tax on ordinary profit/loss for the year		
Current tax	3,815	3,079
Change in deferred tax for the year	1,996	(2,553)
Effect of changed tax rates	(212)	(235)
	5,599	291

Notes

	Goodwill DKK'000	
5. Intangible assets		
Cost beginning of year		19,285
Cost end of year		19,285
Amortisation and impairment losses beginning of year		(9,217)
Amortisation for the year		(3,346)
Amortisation and impairment losses end of year		(12,563)
Carrying amount end of year		6,722
	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
6. Property, plant and equipment		
Cost beginning of year	102	1,334
Cost end of year	102	1,334
Depreciation and impairment losses beginning of the year	(34)	(375)
Depreciation for the year	(20)	(268)
Depreciation and impairment losses end of the year	(54)	(643)
Carrying amount end of year	48	691
		Deposits DKK'000
7. Fixed asset investments		
Cost beginning of year		181
Cost end of year		181
Carrying amount end of year		181

Notes

	2015	2014
	DKK'000	DKK'000
8. Contract work in progress		
Contract work in progress	54,926	95,034
Progress billings regarding contract work in progress	(11,036)	(84,288)
Transferred to liabilities other than provisions	3,586	606
	47,476	11,352

9. Prepayments

Prepayments primarily comprises of prepaid rent and commissions.

	Number	Par value	Nominal
		DKK	value
			DKK'000
10. Contributed capital			
Ordinary shares	10,000	100.00	1,000
	10,000		1,000

	2015	2014
	DKK'000	DKK'000
11. Deferred tax		
Intangible assets	1,479	2,466
Property, plant and equipment	35	52
Receivables	3,322	1,192
Provisions	(156)	(579)
Other deductible temporary differences	0	(235)
	4,680	2,896

12. Other provisions

Other provisions comprises non-recourse guarantee commitments.

	2015	2014
	DKK'000	DKK'000
13. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	0	1,222

Notes

14. Contingent liabilities

Lease commitments

Rent contracts have been concluded, including rent of Snaremoosevej 23 and Kobbelvej 10. Annual liability:

	<u>2015</u> <u>DK'000</u>	<u>2014</u> <u>DK'000</u>
2016	<u>432</u>	<u>444</u>
2017	<u>174</u>	<u>333</u>

Other contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Union Engineering Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

	<u>2015</u> <u>DK'000</u>	<u>2014</u> <u>DK'000</u>
A guarantee has been issued in the amount of EUR 0,00 (2014; EUR 312,250)	<u>0</u>	<u>2,347</u>

Notes

15. 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:

Union Engineering a/s, Snarelosevej 27, 7000 Fredericia.

ASC Diet Holding ApS, Drostrupgårdvej 4, 6600 Vejen.

Keld Møller Pedersen Laigaard, 5631 Riverside Dr., Cape Coral, FL 3904, USA.

16. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Union Engineering Holding a/s, Snarelosevej 27, 7000 Fredericia.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Union Engineering a/s, Snarelosevej 27, 7000 Fredericia.