

O.L. Seals A/S

**Bymosevej 14
3200 Helsingør**

CVR no. 20 11 46 73

Annual report for 2016 (20th Financial year)

Adopted at the annual general
meeting on 8 May 2017



chairman

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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of O.L. Seals A/S for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

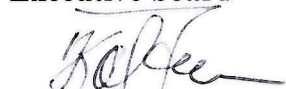
In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2016 and of the results of the company's operations for the financial year 1 January - 31 December 2016.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

Helsinge, 8 May 2017

Executive board



Trygve Kalf Hansen
managing director



Karsten Pedersen

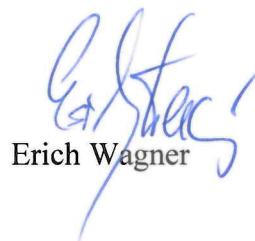
Supervisory board



Søren Tyge Sørensen
chairman



Ove Lorentzen



Erich Wagner



Franco Ravanetti

Independent auditor's report

To the shareholders of O.L. Seals A/S

Opinion

We have audited the financial statements of O.L. Seals A/S for the financial year 1 January - 31 December 2016, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 december 2016 and of the results of the company's operations 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 the 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 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 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

Independent auditor's report

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 judgment 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 conclusions are 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

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 management's review

Management is responsible for management's review.

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

Based on the work we have performed, we conclude that management's 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 management's review.

Helsingør, 8 May 2017

WILLADS & VIBE-HASTRUP
Godkendte Revisorer ApS
CVR no. 29 61 96 70



Jan Vibe-Hastrup
registered public accountant



Peter Willads
state-authorised public accountant

Company details

The company

O.L. Seals A/S
Bymosevej 14
3200 Helsingør

CVR no.: 20 11 46 73
Reporting period: 1 January - 31 December
Domicile: Gribskov

Supervisory board

Søren Tyge Sørensen, chairman
Ove Lorentzen
Erich Wagner
Franco Ravanetti

Executive board

Trygve Kalf Hansen, managing director
Karsten Pedersen

Auditors

WILLADS & VIBE-HASTRUP
Godkendte Revisorer ApS
Nordlysvænget 10A
3000 Helsingør

Management's review

Business activities

The principal activities in the Company are production and sale of seals and comparative products.

Business review

The Company's income statement for the year ended 31 December shows a profit of DKK 4.300.207, and the balance sheet at 31 December 2016 shows equity of DKK 16.528.303.

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Accounting policies

The annual report of O.L. Seals A/S 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 are consistent with those of last year.

The annual report for 2016 is presented in Danish kroner.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company's 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 from the company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

Accounting policies

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Raw materials and consumables

Expenses for raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's 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. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Items of Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Plant and machinery	10-20 years
Other fixtures and fittings, tools and equipment	5-20 years
Leasehold improvements	10-20 years

Assets costing less than DKK 12.900 are expensed in the year of acquisition.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production.

Accounting policies

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Liabilities

Financial liabilities also include the capitalised residual finance lease commitment.

Other liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Income statement
1 January 2016 - 31 December 2016

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
Gross profit		23.400.279	26.246.184
Staff costs	1	<u>-16.394.731</u>	<u>-16.276.758</u>
Earnings Before Interest Taxes Depreciation and Amortization		7.005.548	9.969.426
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-1.232.518</u>	<u>-1.038.779</u>
Profit/loss before financial income and expenses		5.773.030	8.930.647
Financial income		39.858	123.746
Financial costs	2	<u>-290.920</u>	<u>-197.039</u>
Profit/loss before tax		5.521.968	8.857.354
Tax on profit/loss for the year	3	<u>-1.221.761</u>	<u>-2.069.871</u>
Net profit/loss for the year		<u>4.300.207</u>	<u>6.787.483</u>
Proposed distribution of profit			
Proposed dividend for the year		0	6.787.483
Extraordinary dividend for the year		2.400.000	0
Retained earnings		<u>1.900.207</u>	<u>0</u>
		<u>4.300.207</u>	<u>6.787.483</u>

Balance sheet at 31 December 2016

	Note	2016 DKK	2015 DKK
Assets			
Plant and machinery		10.693.209	11.699.623
Other fixtures and fittings, tools and equipment		171.175	580.335
Leasehold improvements		2.398.598	2.386.604
Tangible assets	4	13.262.982	14.666.562
Deposits		449.830	436.728
Fixed asset investments		449.830	436.728
Fixed assets total		13.712.812	15.103.290
Raw materials and consumables		4.349.211	4.772.759
Work in progress		2.386.048	2.832.196
Finished goods and goods for resale		1.980.635	1.766.629
Stocks		8.715.894	9.371.584
Trade receivables		5.258.890	4.872.979
Receivables from associates		40.421	2.425.757
Other receivables		179.166	647.243
Corporation tax		0	228.141
Prepayments		506.467	464.181
Receivables		5.984.944	8.638.301
Cash at bank and in hand		352	127
Current assets total		14.701.190	18.010.012
Assets total		28.414.002	33.113.302

Balance sheet at 31 December 2016

	Note	2016 DKK	2015 DKK
Liabilities and equity			
Share capital		2.500.000	2.500.000
Retained earnings		14.028.303	12.128.095
Proposed dividend for the year		0	6.787.483
Equity	5	16.528.303	21.415.578
Provision for deferred tax		1.419.621	1.346.828
Provisions total		1.419.621	1.346.828
Banks		3.356.492	5.019.570
Trade payables		1.686.108	3.270.506
Payables to subsidiaries		2.426.851	36.778
Payables to associates		1.124.737	0
Corporation tax		198.968	0
Other payables		1.672.922	2.024.042
Short-term debt		10.466.078	10.350.896
Debt total		10.466.078	10.350.896
Liabilities and equity total		28.414.002	33.113.302
Lease commitments.	6		
Charges and securities	7		
Related parties and ownership	8		

Notes

	2016 DKK	2015 DKK
1 Staff costs		
Wages and salaries	14.060.295	13.951.561
Pensions	2.009.686	2.010.030
Other social security costs	324.871	315.167
Other staff costs	-121	0
	<u>16.394.731</u>	<u>16.276.758</u>
 Average number of employees	 <u>32</u>	 <u>32</u>
 2 Financial costs		
Financial expenses, group entities	47.265	53.816
Financial expenses, associates	22.239	0
Other financial costs	189.288	97.231
Exchange adjustments costs	32.128	45.992
	<u>290.920</u>	<u>197.039</u>
 3 Tax on profit/loss for the year		
Current tax for the year	1.148.968	1.823.859
Deferred tax for the year	72.793	246.012
	<u>1.221.761</u>	<u>2.069.871</u>

Notes

4 Tangible assets

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January 2016	20.977.060	1.690.294	2.463.802
Additions for the year	0	0	174.938
Disposals for the year	0	-765.980	0
Cost at 31 December 2016	<u>20.977.060</u>	<u>924.314</u>	<u>2.638.740</u>
Revaluations at 1 January 2016	<u>0</u>	<u>0</u>	<u>0</u>
Revaluations at 31 December 2016	<u>0</u>	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 1 January 2016	9.277.437	1.109.959	77.198
Depreciation for the year	1.006.414	63.160	162.944
Reversal of impairment and depreciation of sold assets	<u>0</u>	<u>-419.980</u>	<u>0</u>
Impairment losses and depreciation at 31 December 2016	<u>10.283.851</u>	<u>753.139</u>	<u>240.142</u>
Carrying amount at 31 December 2016	<u>10.693.209</u>	<u>171.175</u>	<u>2.398.598</u>

Notes

5 Equity

	Share capital	Retained earnings	Proposed extraordinary dividend	Total
Equity at 1 January 2016	2.500.000	12.128.096	0	14.628.096
Extraordinary dividend paid	0	0	-2.400.000	-2.400.000
Net profit/loss for the year	0	1.900.207	2.400.000	4.300.207
Equity at 31 December 2016	2.500.000	14.028.303	0	16.528.303

6 Lease commitments.

Lease commitments

Operating lease commitments.

Total future lease payments:

	2016 DKK	2015 DKK
Within 1 year	109.800	0
Between 1 and 5 years	164.700	0
After 5 years	0	0
	274.500	0

7 Charges and securities

None.

8 Related parties and ownership

Controlling interest

Erich Wagner & Co., Hagenau 1, 22089 Hamburg, Germany- is the owner of 51 % of the shares.

Notes

8 Related parties and ownership (fortsat)

Ownership

According to the Company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

Erich Wagner & Co., Hagenau 1, 22089 Hamburg, Germany
MCM SpA, Via Castello 70, I-24060 Adrara S. Martino, Italy