

O.L. Seals A/S

**Bymosevej 14
3200 Helsingør**

CVR no. 20 11 46 73

Annual report for 2018 (22th Financial year)

Adopted at the annual general
meeting on 8 May 2019



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 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 company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

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 by the company in general meeting.

Helsinge, 8 May 2019

Executive board



Trygve Kalf Hansen
managing director



Karsten Pedersen


Supervisory board



Christof Domeisen
chairman



Ove Lorentzen



Anthony Dohr



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 2018, 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 2018 and of the results of the company's 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 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 the 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.

Independent auditor's report

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 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.

Elsinore, 8 May 2019

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



Jan Vibe-Hastrup
registered public accountant
MNE no. mne1398



Peter Willads
state-authorised public accountant
MNE no. mne27850

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 2018

Domicile: Gribskov

Supervisory board

Christof Domeisen, chairman
Ove Lorentzen
Anthony Dohr
Franco Ravanetti

Executive board

Trygve Kalf Hansen
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 3.457.810, and the balance sheet at 31 December 2018 shows equity of DKK 25.025.252.

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 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2018 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 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 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 is 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 costs of raw materials and consumables and other external expenses.

Accounting policies

Revenue

Income 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

Costs of 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, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Items of 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.

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 13.500 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/production overheads.

Accounting policies

Impairment of fixed assets

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

Receivables

Receivables are measured at amortised cost.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

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.

Accounting policies

Liabilities

Financial liabilities also include the capitalised residual finance lease commitment.

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

Income statement
1 January 2018 - 31 December 2018

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
Gross profit		24.722.050	30.393.825
Staff costs	1	<u>-18.520.123</u>	<u>-16.099.065</u>
Profit/loss before amortisation/depreciation and impairment losses		6.201.927	14.294.760
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-1.594.862</u>	<u>-1.317.324</u>
Profit/loss before net financials		4.607.065	12.977.436
Financial income	2	2.700	2.610
Financial costs	3	<u>-86.933</u>	<u>-106.654</u>
Profit/loss before tax		4.522.832	12.873.392
Tax on profit/loss for the year	4	<u>-1.065.022</u>	<u>-2.834.253</u>
Profit/loss for the year		<u>3.457.810</u>	<u>10.039.139</u>
Recommended appropriation of profit/loss			
Proposed dividend for the year		2.000.000	5.000.000
Retained earnings		<u>1.457.810</u>	<u>5.039.139</u>
		<u>3.457.810</u>	<u>10.039.139</u>

Balance sheet at 31 December 2018

	Note	2018 DKK	2017 DKK
Assets			
Plant and machinery		10.865.985	10.316.677
Other fixtures and fittings, tools and equipment		979.669	770.837
Leasehold improvements		2.270.079	2.278.582
Tangible assets	5	14.115.733	13.366.096
Deposits		482.084	468.184
Fixes asset investments		482.084	468.184
Fixed assets total		14.597.817	13.834.280
Raw materials and consumables		6.406.156	4.768.751
Work in progress		3.746.396	2.692.515
Finished goods and goods for resale		2.214.398	2.319.597
Stocks		12.366.950	9.780.863
Trade receivables		4.148.838	6.135.809
Receivables from associates		98.328	89.628
Other receivables		213.477	504.074
Prepayments		520.102	510.545
Receivables		4.980.745	7.240.056
Cash at bank and in hand		390	3.240.109
Total current assets		17.348.085	20.261.028
Total assets		31.945.902	34.095.308

Balance sheet at 31 December 2018

	Note	2018 DKK	2017 DKK
Equity and liabilities			
Share capital		2.500.000	2.500.000
Retained earnings		20.525.252	19.067.442
Proposed dividend for the year		<u>2.000.000</u>	<u>5.000.000</u>
Equity	6	<u>25.025.252</u>	<u>26.567.442</u>
Provision for deferred tax		<u>1.591.177</u>	<u>1.547.905</u>
Total provisions		<u>1.591.177</u>	<u>1.547.905</u>
Lease obligations		<u>733.074</u>	<u>0</u>
Total non-current liabilities	7	<u>733.074</u>	<u>0</u>
Short-term part of long-term debt	7	154.652	0
Banks		970.956	0
Trade payables		1.081.593	2.451.872
Corporation tax		386.963	1.780.223
Other payables		<u>2.002.235</u>	<u>1.747.866</u>
Total current liabilities		<u>4.596.399</u>	<u>5.979.961</u>
Total liabilities		<u>5.329.473</u>	<u>5.979.961</u>
Total equity and liabilities		<u>31.945.902</u>	<u>34.095.308</u>
Rent and lease liabilities	8		
Mortgages and collateral	9		
Related parties and ownership structure	10		

Notes

	2018 DKK	2017 DKK
1 Staff costs		
Wages and salaries	15.826.448	13.817.197
Pensions	2.228.199	1.978.314
Other social security costs	463.397	300.534
Other staff costs	2.079	3.020
	<u>18.520.123</u>	<u>16.099.065</u>
 Average number of employees	 <u>35</u>	 <u>32</u>
 2 Financial income		
Interest received from associates	2.700	2.610
	<u>2.700</u>	<u>2.610</u>
 3 Financial costs		
Financial expenses, group entities	0	19.542
Financial expenses, associates	0	9.194
Other financial costs	47.566	46.084
Exchange adjustments costs	39.367	31.834
	<u>86.933</u>	<u>106.654</u>
 4 Tax on profit/loss for the year		
Current tax for the year	959.622	2.705.969
Deferred tax for the year	43.272	128.284
Adjustment of tax concerning previous years	62.128	0
	<u>1.065.022</u>	<u>2.834.253</u>

Notes

5 Tangible assets

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January 2018	21.206.679	1.296.687	2.686.438
Additions for the year	1.653.511	668.450	166.138
Disposals for the year	0	-219.775	0
Cost at 31 December 2018	22.860.190	1.745.362	2.852.576
Impairment losses and depreciation at 1 January 2018	10.890.002	525.850	407.856
Depreciation for the year	1.104.203	239.843	174.641
Impairment losses and depreciation at 31 December 2018	11.994.205	765.693	582.497
Carrying amount at 31 December 2018	10.865.985	979.669	2.270.079
Value of leased assets	889.806	0	0

6 Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2018	2.500.000	19.067.442	5.000.000	26.567.442
Ordinary dividend paid	0	0	-5.000.000	-5.000.000
Net profit/loss for the year	0	1.457.810	2.000.000	3.457.810
Equity at 31 December 2018	2.500.000	20.525.252	2.000.000	25.025.252

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

Notes

7 Long term debt

	Debt at 1 January 2018	Debt at 31 December 2018	Instalment next year	Debt outstanding after 5 years
Lease obligations	0	887.726	154.652	0
	0	887.726	154.652	0

8 Rent and lease liabilities

Operating lease liabilities.
Total future lease payments:

Within 1 year

Between 1 and 5 years

	2018 DKK	2017 DKK
	700.273	109.800
	68.148	54.900
	768.421	164.700

Operating lease liabilities.
Total future lease payments:

After 5 years

	0	0
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9 Mortgages and collateral

None.

10 Related parties and ownership structure

Controlling interest

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

Notes

10 Related parties and ownership structure (continued)

Ownership structure

According to the company's register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

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