Annual report

'17

Innovative solutions in plastics, composites and coatings

SP Group A/S Snavevej 6-10 DK-5471 Søndersø CVR-no. 15 70 13 15

Contents

The picture on the front page shows **DivibaX®** – a unique mixing transfer device with focus on staff and patient safety.

The device provides a 100% safe mix of powders and fluids between vials and containers and is manufactured by MedicoPack A/S.

Company details

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Company
SP Group
Snavevej 6-10
DK-5471 Søndersø
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Fax: +45 70 23 23 52

CVR no.: 15 70 13 15
Financial year: 1 January – 31 December
Registered office: Municipality of Northern Funen
Website: www.sp-group.dk
E-mail: info@sp-group.dk

Board of Directors

Niels Kristian Agner (Chairman)
Erik Preben Holm (Deputy Chairman)
Hans Wilhelm Schur
Hans-Henrik Eriksen
Bente Overgaard

Executive Board

Frank Gad, CEO
Jørgen Hønnerup Nielsen, CFO

Auditor

Ernst & Young
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
DK-2000 Frederiksberg

Annual general meeting

The annual general meeting will be held on 26 April 2018 at 12.00 o'clock at MedicoPack A/S, Industrivej 6, 5550 Langeskov

Group chart

Activities

SP Group manufactures moulded plastic and composite components and performs coatings on plastic and metal components.

SP Group is a leading supplier of plastic-manufactured products to Danish industries and has increasing sales and growing production from own factories in Denmark, China, Brazil, the US, Latvia, Slovakia, Sweden and Poland. In addition, SP Group has sales and service companies in Sweden, Norway, the Netherlands and Canada. SP Group is listed on NASDAQ Copenhagen, employed 1,934 people at year end 2017 and had approx. 2,000 registered shareholders.

SP Group A/S

- **Surface solutions**
  - **Coatings**
    - **Accoat A/S**
      - Accoat do Brasil Ltda.
      - Accoat Sp. z o.o.
- **Plastic solutions**
  - **Polyurethane (PUR) and Composite**
    - **Tinby A/S**
      - Tinby Sp. z o.o.
      - Tinby Co., Ltd.
      - Tinby Denmark A/S
      - Tinby Inc.
      - Tinby Skumplast A/S
    - **Ergomat A/S**
      - Ergomat-Nederland B.V.
      - Ergomat Sweden AB
      - Ergomat Inc.
      - Ergomat Canada Inc.
      - Ergomat Sp. z o.o.
    - **TPI Polytechniek B.V.**
    - **Brdr. Bourghardt AB**
      - Baltic Rim Ltd.
    - **MM Composite A/S**
      - MM Composite Inc.
  - **Vacuum forming and Extrusion**
    - **Gibo Plast A/S**
      - Gibo Sp. z o.o.
      - Gibo Inc.
    - **Plexx AS/Opido AB**
      - PlexxOpido Sp. z o.o.
    - **SP Extrusion A/S**
  - **Injection moulding and blow moulding**
    - **SP Moulding A/S**
      - SP Moulding Poland Sp. z o.o.
      - SP Moulding (Suzhou) Co., Ltd.
      - Sander Tech ApS
    - **Ulstrup Plast A/S**
      - Ulstrup Plast s.r.o.
    - **SP Medical A/S**
      - SP Medical Poland Sp. z o.o.
    - **MedicoPack A/S**

We act as an innovative, reliable and competitive partner for our customers

SP Group works with the following activities: Plastic and composite solutions and coatings solutions:

Coatings: This segment develops and produces fluoroplastic coatings (Teflon®), PTFE and other refined materials for a number of customers' products and production plants. The customers are primarily in the health care, cleantech, food-related industries.

Plastic and composite solutions: This segment offers solutions using one or more of the following technologies: reaction injection moulding (Polyurethane and Telene), vacuum forming, injection moulding and blow moulding – all described in further detail below.

- Polyurethane (PUR): Manufacturing of moulded products in solid, foamed, flexible and light-foam PUR for a number of industries, including the cleantech industry. Add to this ventilation equipment, ergonomic mats and striping products.
- Vacuum and Extrusion: Via traditional vacuum forming, High-pressure and Twinsheet, manufacturing of thermo-formed plastic components for, e.g., refrigerators and freezers, cars, buses and other rolling stock (automotive) and the cleantech and medical device industries.
- Injection moulding: Manufacturing of injection-moulded plastic precision components for a wide range of industries. The business area also produces FDA-registered products for customers in the medical device industry.
- Blow moulding: Manufacturing of blow-moulded plastic precision components for customers in the medical device industry. The business area also manufactures packaging for FDA-registered products in the pharmaceutical and medical industry.
- Composite: Solutions where several raw materials are included, typically glass fibre or carbon fibre combined with other materials.

SP Group in brief

Headquarters in Denmark

established in 1972

Products are marketed and sold in

88 countries

Subsidiaries in

11 countries on 4 continents

Average number of employees increased in 2017 from 1,559 to

1,852 committed employees

In 2017, revenue increased by 24.0% to

DKK 1,884 million

In 2017, revenue from own trademarks increased by 61.7% to

DKK 407 million

In 2017, EBITDA increased by 35.6% to

DKK 275 million

In 2017, the EBITDA margin increased by 1.2 percentage points to

14.6 %

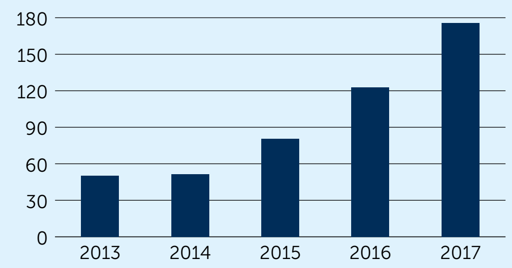
Financial highlights for the Group

DKK'000	2017	2016	2015	2014	2013
INCOME STATEMENT					
Revenue	1,884,144	1,519,044	1,319,768	1,164,942	1,102,053
Profit before depreciation and amortisation (EBITDA)	274,994	202,857	162,788	113,496	114,180
Depreciation, amortisation and impairment losses	-81,477	-69,442	-72,011	-53,329	-48,838
Profit before net financials (EBIT)	193,517	133,415	90,777	60,167	65,342
Net financials	-17,801	-10,799	-10,122	-8,691	-15,180
Profit before tax and non-controlling interests	175,716	122,616	80,655	51,476	50,162
Profit/loss for the year	132,259	93,387	61,112	39,809	39,077
SP Group A/S' share	132,169	92,420	60,584	39,020	39,039
Earnings per share, DKK per share (EPS)	59.19	41.87	28.98	19.87	19.91
Diluted earnings per share, DKK per share (EPS diluted)	57.12	40.33	28.00	19.25	18.74
BALANCE SHEET					
Non-current assets	873,257	669,136	635,072	574,845	538,012
Total assets	1,515,159	1,200,671	1,077,888	943,421	884,740
Equity, non-controlling interests' share	536,599	427,636	391,098	266,731	243,996
Equity, including non-controlling interests	537,687	428,976	393,561	276,361	252,326
Investments in property, plant and equipment, excluding acquisitions	182,341	107,035	73,238	77,791	67,242
CASH FLOW STATEMENT					
Cash flows from operating activities	180,767	140,439	171,743	64,101	66,903
Cash flows from investing activities, including acquisitions	-204,793	-80,126	-116,350	-67,342	-60,135
Cash flows from financing activities	65,426	-124,102	-18,403	9,985	-54,859
Changes in cash and cash equivalents	41,400	-63,789	36,990	6,744	-48,091
FINANCIAL RATIOS					
Net interest-bearing debt (NIBD)	509,123	407,711	403,423	467,197	430,030
NIBD/EBITDA	1.9	2.0	2.5	4.1	3.8
Operating income (EBITDA margin), %	14.6	13.4	12.3	9.7	10.4
Profit margin (EBIT margin), %	10.3	8.8	6.9	5.2	5.9
Profit before tax and non-controlling interests in % of revenue	9.3	8.1	6.1	4.4	4.6
Return on invested capital, including goodwill, %	18.8	15.5	11.5	8.4	9.8
Return on invested capital, excluding goodwill, %	22.3	18.6	13.6	9.8	11.7
Return on equity (ROE), excluding non-controlling interests, %	27.4	22.6	18.4	15.3	16.6
Equity ratio, excluding non-controlling interests, %	35.4	35.6	36.3	28.3	27.6
Equity ratio, including non-controlling interests, %	35.5	35.7	36.5	29.3	28.5
Financial gearing	0.9	1.0	1.0	1.7	1.7
Cash flow per share, DKK	78.1	61.3	79.4	31.6	32.1
Total dividends for the year per share, DKK	10.0	6.0	4.0	3.5	3.0
Listed price, DKK per share, year end	1,095.0	674.0	373.5	219.5	230.0
Net asset value per share, DKK per share, year end	240	192	178	135	125
Listed price/net asset value, year end	4.56	3.52	2.10	1.63	1.84
Average number of employees	1,852	1,559	1,452	1,255	1,136
Number of shares, year end	2,278,000	2,278,000	2,224,000	2,024,000	2,024,000
Portion relating to treasury shares, year end	43,492	46,359	22,819	43,993	77,815

Financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations and Financial Ratios". See page 64 for definitions.

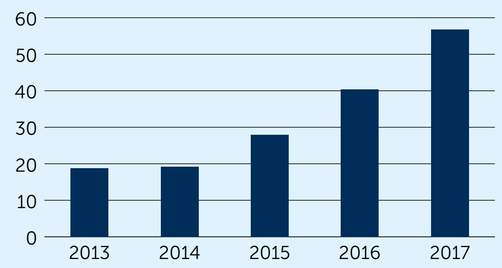
In 2017, profit before tax and non-controlling interests increased by 43.3% to DKK 176 million

DKKm



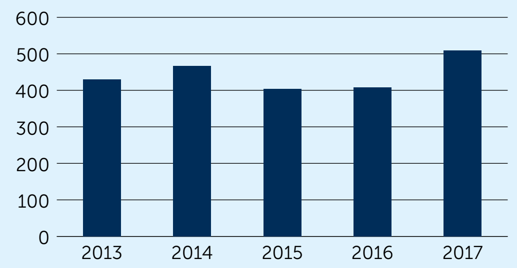
EPS, diluted, increased by 41.6% to DKK 57.12

DKK



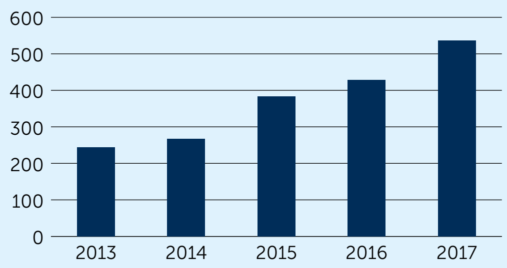
Net interest-bearing debt (NIBD) increased by DKK 101 million to DKK 509 million

DKKm

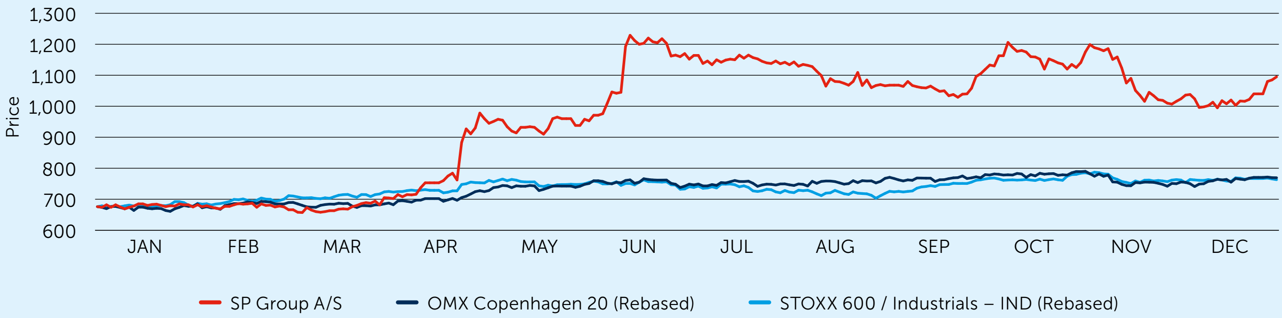


Equity attributable to the equity holders in SP Group increased to DKK 537 million

DKKm



Development in the share price in 2017



An interesting and successful year

Dear shareholders and other stakeholders

2017 was another interesting year in a turbulent world. Growth in the global economy was higher than expected at the beginning of the year, among other reasons due to continued historically low interest rates and relatively stable raw material prices.

Even though the slightly higher growth rates in the economy have affected SP Group's and our customers' development, we nevertheless managed to realise reasonable results.

Sales of our own brands rose by 61.7% and now account for 21.6% of revenue.

Sales to our international customers increased by 50.6% and now account for 61.9% of total sales. Sales to international customers have doubled in three years.

Revenue in Denmark declined by 3.6%, but adjusted for changes in a logistics agreement with a major customer, sales in Denmark increased by 3.1%.

Total revenue amounted to DKK 1,884 million, which is 24.0% up on 2016. Organic growth amounted to 7.6% in local currencies and adjusted for the changed logistics agreement. Measured in Danish kroner and measured based on actual logistics agreements, organic growth amounted to 4.3%.

EBITDA increased by 35.6% to DKK 275.0 million, and EBIT increased by 45.1% to DKK 193.5 million.

Profit before tax and non-controlling interests rose by 43.3% to DKK 175.7 million, which is our best financial performance so far. This is the second time it exceeds DKK 100 million.

EPS, diluted, increased by 41.6% to DKK 57.12 per share.

Cash flows from operating activities were positive by DKK 180.8 million.

Net interest-bearing debt went up by DKK 101.4 million to DKK 509.1 million at the end of 2017, which corresponds to 1.9 times EBITDA for the year. Measured in relation to EBITDA, debt decreased from 2.0 in 2016.

2017 was a successful year where:

- Our sales to the health care industry increased by 4.1% and now account for 33.9% of revenue
- Our sales to the cleantech industry increased by 61.9% and now account for 33.8% of revenue
- Our sales to the food-related industry increased by 7.0% and now account for 13.2% of revenue
- Our sales to the automotive industry increased by 95.8% and now account for 4.8% of revenue
- We entered into a number of contracts and partnership agreements holding a good potential for the future
- We aspire to be an innovative, reliable and competitive partner to our customers, also when they decide to outsource their own production
- On 6 January 2017, Tinby A/S acquired all the shares in LM Skumplast A/S. The company subsequently changed its name to Tinby Skumplast A/S. Tinby Skumplast A/S has a factory in Tjæreborg. The company has its own product line, and the products are primarily used for insulation in the construction and food industries, which demand insulation of cold stores and refrigerated trailers. The products are manufactured in foam plastics (PUR and PIR). Management and the committed employees stay on
- On 21 March 2017, SP Group acquired all the shares in MM Composite, which is a leading manufacturer of high-quality composite components. Production and delivery worldwide from facilities in Nr. Aaby and Ejby in Denmark and Mt. Pleasant in Iowa, USA. Management and the 65 committed employees stay on. The customers are in the global wind turbine and hydro energy industries. MM Composite also has its own products
- EBITDA totalled approx. DKK 14 million before the acquisition of the acquired entities in the most recent financial year
- In June, SP Group entered into a loan agreement with Nordic Investment Bank. The loan amounts to DKK 100 million with a term of seven years. The loan will be used to finance and support the Company's organic growth by strengthening the sale of SP Group's own products, increased internationalisation, improved efficiency and by investing in new process technologies and skilled staff. The interest rate is the market rate, and the margin is competitive
- In August, ATP announced that it had acquired 6.20% of the shares and the voting rights in SP Group. We consider it a great honour that "all working Danes and pensioners" are now a significant shareholder, and we will do our utmost to live up to the confidence shown us
- In Poland, we expanded SP Moulding and Gibo Plast by adding more square metres and buying new machinery
- In Poland, SP Medical has expanded its cleanroom facilities, meaning that we will also be able to injection-mould in cleanrooms in Poland in the future
- We won a number of new major customers and did not lose any major customers in 2017
- We launched a number of new and improved products in 2017 (guide wires, ergonomic mats, industrial standard components, medical device packaging and farm ventilation equipment). Moreover, we have developed new products to be launched in 2018. We further developed our medical device expertise in Denmark, Poland, Slovakia, Brazil and China
- We invested a total of DKK 132.3 million in new equipment, including equipment worth DKK 23.3 million that is held under finance leases
- We sold more new moulds to our customers than ever before
- We were very busy in H1 and less busy in H2. Usually, the opposite is the case
- Last, but not least, we got many new shareholders: almost 50% more than at the beginning of 2017
- The price of the SPG share rose from 674.0 to 1,095.0 at the end of 2017, providing our shareholders with a return on their investments of 62.5%
- We distributed dividend of DKK 6.00 per share. The total return on the shareholders' investment was thus 63.4%, which is considerably higher than the general return on investments in the market
- The market value at the end of 2017 was the highest among the Small Cap companies on Nasdaq Copenhagen. As from 1 January 2018, SP Group was moved to Mid Cap

On 21 March 2017, SP Group signed the agreement to acquire the Funen company MM Composite A/S

These are the results on which we will base our future activities.

Based on the financial performance in 2017 (NIBD/EBITDA = 1.9, EBITDA % = 14.6, EBIT % = 10.3 and an equity ratio including non-controlling interests = 35.5%) and the outlook for 2018, the Board of Directors recommends to the Company in general meeting that dividend of DKK 10.00 per share should be distributed.

The central banks' low-interest policy and the fiscal relief packages continue to have a positive and stabilising effect on the global economy, and we only hope that the authorities will not overreact once they begin to tighten again.

In 2017, our tax expenses amounted to DKK 43.5 million, corresponding to an effective tax rate of 24.7%. We pay tax in the country where the income is earned in accordance with national and international transfer pricing rules, and it is our goal to act as a responsible member of society in all areas where we operate. Our tax policy is available on the website www.sp-group.dk. In 2017, we paid tax in all foreign jurisdictions in which we operate permanently. The tax payment in the individual countries is disclosed in note 12.

The reduction of the duties on production ("PSO duties") in Denmark, as adopted by the Danish Parliament, is an important step towards restoring the competitiveness of Danish business enterprises. A reduction of the corporate income tax and taxation of shareholders should follow.

We will continue to adjust our capacity, make more efficient – and pursue new opportunities in the medical device industry, the cleantech industry and food-related industries – and move labour-intensive production from Western Europe to Poland, Slovakia and Latvia as well as make massive investments in people and technology in Europe, USA and China.

Plastics is the material of the future, and only our own lack of creativity sets the limits to the application of plastics in society in future.

We want to thank our many good and loyal customers and other business partners. Thanks to shareholders and lenders for backing us up. Also, thanks to our employees for their committed contribution and readiness to change. We will continue to put all our creativity into further improving our solutions for the benefit of our customers, shareholders and employees.

Frank Gad
CEO

The year in outline

2017 in outline

The Group's revenue increased by 24.0% to DKK 1,884.1 million from DKK 1,519.0 million in 2016. The change is primarily due to a higher volume. The organic growth in local currencies amounted to 7.6%. Exchange rate fluctuations, especially with regard to RMB and USD, decreased revenue. The currency effect accounts for approx. -0.7% of the 24.0% revenue growth. Changed logistics agreements with a major customer resulted in a decrease in revenue of 3.6%, so the actual organic growth was 4.3%. Acquired activities and businesses account for 19.2%.

International sales increased by 50.6% and now account for 61.9% of revenue (against 50.9% in 2016). Revenue growth was particularly high in USA, Europe, Asia, Africa and Australia. This is the first year that our direct international sales make up more than 60% of revenue. Sales outside Europe increased from 18.2% to 23.4% of revenue.

Sales to our Danish customers decreased by 3.6%. Adjusted for changes in a logistics agreement with a major customer, sales in Denmark increased by 3.1%.

Sales to the health care industry increased by 4.1% and were broadly based on customers, products, geographies and technology. Sales to the health care industry now account for 33.9% of our sales (against 40.4% in 2016).

Sales of own brands went up by 61.7%. SP Group realised a significant increase in the sale of ergonomic products (+15.7%), guide wires (+13.5%) and farm ventilation components (+11.1%). MedicoPack also sells its own products. These contributed DKK 41.9 million to revenue for the year, corresponding to a growth rate of approx. 22%. Industrial standard components contributed DKK 98.1 million.

The Group's operating income – EBITDA – increased by 35.6% to DKK 275.0 million. The EBITDA margin was 14.6%, which is an improvement of 1.2 percentage points compared to 2016. During the year, considerable resources were dedicated to the commissioning of new production facilities, adversely impacting operating profit. Investments in property, plant and equipment amounted to DKK 182.3 million, which is up DKK 75.3 million on 2016.

Depreciation, amortisation and impairment losses amounted to DKK 81.5 million, which is an increase of DKK 12.0 million on 2016.

EBIT amounted to DKK 193.5 million, corresponding to 10.3% of revenue. EBIT increased by DKK 60.1 million relative to 2016.

The Group's financial expenses, net, increased from DKK 10.8 million in 2016 to DKK 17.8 million in 2017 as a result of foreign exchange adjustments and slightly increased debt. Lending margins were slightly lower than in 2016.

Diluted earnings per share amounted to DKK 57.12, which is an increase of 41.6% compared to 2016.

At the end of 2017, interest-bearing debt can be specified by currency as follows:

DKK	DKK	401 million
EUR	DKK	133 million
PLN	DKK	3 million
USD	DKK	-19 million
SEK	DKK	-2 million
BRL	DKK	0 million
RMB	DKK	-7 million
Total	DKK	509 million

Cash flows

Cash flows from operating activities increased to DKK 180.8 million (against DKK 140.4 million in 2016), primarily due to increased operating income and changes in the net working capital.

Cash flows from investing activities amounted to DKK 204.8 million (of which DKK 23.3 million under finance lease), relating to capacity and competency development within health care (approx. DKK 60 million), cleantech (approx. DKK 60 million), food-related industries (approx. DKK 5 million), automotive (approx. DKK 7 million), other (approx. DKK 10 million) and acquisition of two properties (DKK 41 million). Further, all the shares in Tinby Skumplast A/S and in MM Composite A/S were acquired at a total price of DKK 44.5 million cash.

DKK 83.7 million was repaid on long-term borrowing. New loans of DKK 221.4 million were raised, of which DKK 23.3 million relates to finance leases.

Dividends totalling DKK 13.8 million were distributed to the shareholders, and treasury shares were acquired for DKK 35.1 million, net.

The change in cash and cash equivalents was positive by DKK 41.4 million.

Balance sheet

The balance sheet total went up from DKK 1,200.7 million to DKK 1,515.2 million, which is primarily attributable to the acquisition of new machinery and entities and an increase in the gross working capital.

Net interest-bearing debt (NIBD) rose to DKK 509.1 million from DKK 407.7 million, accounting for 1.9 times the year's EBITDA. Debt did increase by DKK 100 million, but decreased from 2.0 to 1.9 times the year's EBITDA.

It is Management's opinion that the Company still has adequate capital resources and sufficient liquidity to finance its plans and operations. The Company has enjoyed a long-term and fruitful working relationship with its financial business partners, which is expected to continue.

The capital structure changed in the year, meaning that the current interest-bearing debt decreased from 23.6% to 19.0% of the balance sheet total, and the long-term interest-bearing debt increased from 14.9% to 19.6% of the balance sheet total. The equity interest decreased from 35.7% to 35.5%, and non-interest bearing debt increased from 25.8% to 25.9%.

Net interest-bearing debt thus decreased from 33.9% to 33.6% of the balance sheet total.

Equity was adversely affected in 2017 by the acquisition of treasury shares, DKK 35.1 million, net, and distribution of dividend, DKK 13.8 million. Value adjustments of financial instruments held to hedge future cash flows, primarily forward contracts (PLN against EUR), had a positive effect on comprehensive income and, thus, equity in the amount of DKK 24.4 million. Foreign exchange adjustments of foreign entities adversely affected equity by DKK 2.8 million.

Q4 2017

In Q4 2017, SP Group's sales totalled DKK 462.4 million, which is 9.7% higher than in the same period the year before.

EBITDA amounted to DKK 58.0 million, which is up 11.3% on the same period the year before.

EBIT totalled DKK 38.9 million, which is up DKK 5.5 million on the same period the year before.

Profit before tax and non-controlling interests amounted to DKK 36.4 million, which is an increase of DKK 5.1 million compared to the same period the year before.

The EBITDA margin in Q4 totalled 12.5%, and profit before tax and non-controlling interests amounted to 7.9% of revenue.

Amortisation, depreciation and impairment losses totalled DKK 19.1 million, which is up DKK 0.4 million on the same period the year before.

In Q4, cash flows from operating activities amounted to DKK 72.1 million (2016: DKK 26.6 million). Cash flows from investing and financing activities were negative by DKK 83.2 million (2016: DKK 102.6 million). Accordingly, the change in liquidity was negative by DKK 11.1 million (2016: negative by DKK 75.9 million).

Follow-up on previously announced expectations

The profit of DKK 175.7 million before tax and non-controlling interests corresponds to the expectations announced on 16 November 2017 that "a profit before tax and non-controlling interests in the range of DKK 170-190 million". Revenue amounted to DKK 1,884.1 million, which corresponds to the expectations announced on 16 November 2017 that "full-year revenue for 2017 in the range of DKK 1.8-1.9 billion".

Previously announced expectations:

30 March 2017:	For 2017, profit before tax and non-controlling interests in the range of DKK 140-160 million and revenue in the range of DKK 1.7 billion are expected.
24 April 2017:	Profit before tax and non-controlling interests in the range of DKK 150-170 million and revenue in the range of DKK 1.7-1.8 billion are now expected.
13 June 2017:	SP Group now expects revenue for 2017 in the range of DKK 1.8-1.9 billion and profit before tax and non-controlling interests in the range of DKK 170-190 million.
23 August 2017:	See above.
16 November 2017:	See above.

Events after the balance sheet date

No significant events have occurred from the balance sheet date until the publication of this annual report that have not already been incorporated in this annual report and that could materially change the assessment of the Group's and the Company's financial position.

Outlook for 2018

The global economy is expected to grow in 2018 too, but it is still fragile and associated with political and economic uncertainty. The neighbouring markets in Europe have grave government budget deficits and high indebtedness.

Brexit is expected to only marginally impact the development of SP Group directly, but will adversely affect a number of our customers and, thus, us indirectly.

New potential trade barriers between USA and the EU may have a strong adverse effect on the development of SP Group. A permanently weak USD will also have an adverse effect on the development in SP Group.

We will launch a number of new products and solutions for our customers, particularly in the health care, cleantech and food-related industries. These new solutions are expected to contribute to growth and earnings.

Project Manager Henrik Skov, Gibo Plast A/S

In connection with the signing of a new logistics agreement with a customer in 2017, we stopped buying components and reselling them without a margin. This will reduce the full-year revenue by approx. DKK 70 million. The effect in 2018 is expected to be approx. DKK 20 million.

As usual, we expect increased activities and higher earnings in H2 than in H1.

A high investment level will be maintained in 2018. The largest single investment is expected to be made in relation to the medical device activities.

Amortisation and depreciation charges are expected to be at a higher level than in 2017.

Financial expenses are expected to be realised at a lower level than in 2017.

Combined with strict cost control and early capacity adjustment as well as continued strong focus on risk management, cash management and capital management, this contributes to creating a good basis for the Group going forward.

For 2018, profit before tax and non-controlling interests at the level of DKK 200 million and revenue at the level of DKK 2.0 billion are expected.

Going towards 2022

Based on the results realised in the period 2010-2015, we drafted our 2020 ambition, which was revenue of approx. DKK 2 billion and an EBITDA margin in the range of 14-15% in 2020. Profit before tax should reach 8-10% of revenue up from the 6.1% realised in 2015.

The results in 2017 (revenue of DKK 1.9 billion, an EBITDA margin of 14.6% and profit before tax and non-controlling interests of 9.3% of revenue) take us closer to our 2020 goals, which we believe we can meet as soon as in 2018.

Up to 2022, it is our ambition to generate revenue in the range of DKK 3.3-4.0 billion through continued customer focus and organic growth combined with acquisitions ("buy and build" strategy). To attain this, we need to achieve annual growth (CAGR of 12-16%) in the period 2018-2022. In the period 2010-2017, we grew 12% p.a., and in the period 2014-2017, we grew 16%.

The organic growth has been somewhat constant at 6-7% in recent years. We believe that we can achieve similar growth rates in the future if our markets are well-working in general.

By increasing the share of own products in total sales from the current 21.6% to 25-30% in 2022, continuing the internationalisation and increasing efficiency further as well as by making massive investments in new technologies and people, it is our ambition to improve the EBITDA margin to 16-17% by 2022 and increase profit before tax and non-controlling interests to 10-12% of revenue, as the share of own products and advanced solutions are expected to increase more relative to the rest of revenue.

In respect of sub-supplier tasks, the goal is still to generate profit before tax and non-controlling interests corresponding to 5% of revenue.

It is therefore our ambition to increase profit before tax and non-controlling interests to approx. DKK 400 million by 2022 (12% of DKK 3.3 billion or 10% of DKK 4.0 billion as high growth in connection with acquisitions is expected to reduce the margin).

To be able to do so, the markets we operate in need to be well-working in general.

It is Management's goal to realise a ratio of net interest-bearing debt to EBITDA of 2-3.5 and to maintain this level as long as the interest rate level is historical low. This goal leaves room for increased expansion of activities compared to current plans up to 2022. SP Group will continue to reduce its net interest-bearing debt by strengthening cash flows from operating activities and by selling non-value-creating assets in order to release capital.

The equity ratio (including non-controlling interests' share of equity) will be maintained at 25-45%. Should the equity ratio decrease due to a higher level of activity, the Company will consider asking the shareholders for additional capital. If, on the other hand, the equity ratio increases, any excess capital is expected to be transferred back to the shareholders.

SP Group aims at providing its shareholders with a fair return through increases in the share price. Ambitions are that earnings per share (EPS) should increase by 20% p.a. on average over a 5-year period. In 2016, EPS grew by 44.0%. In 2017, EPS grew by 41.6%.

In recent years, dividends distributed have totalled 15-20% of the profit after tax. Every year before the annual general meeting, Management assesses whether the level is adequate.

Customers

A service level adapted to the individual customer's requirements and expectations is essential if we are to be regarded as a competitive, innovative, reliable and decent supplier.

Customers' requirements and expectations are constantly growing, as the general development offers more and more options, and a number of areas seem increasingly complex. Therefore, customers benefit from SP Group's expertise when they make decisions on plastic and composite solutions as well as surface coatings. SP Group's offers to its customers are based on the ambition of being the best local partner within plastics, composites and coatings in relation to product supply, competitiveness, availability and value creation. Often, SP Group succeeds in accommodating customers' global needs through local presence or by coming up with a global competitive solution from one factory. In 2010, local presence was established in Brazil. Our sales and service activities in North America were expanded with production activities in 2013.

With the acquisition of Bröderna Bourghardt AB in 2014, we increased our local presence in Sweden and Latvia where we now have both sale and production of Telene products and composite solutions.

In 2015, we increased our local presence in Slovakia through the acquisition of Ulstrup Plast A/S, involving production, assembly and sale of injection-moulded components and solutions.

In 2016, we increased our local presence in Norway and Sweden through the acquisition of Plexx AS / Opido AB.

Plexx AS / Opido AB also brings new competences in the form of
- Laser cutting in acrylic
- Bending in acrylic
- The composite technology ORS (Opido Reinforced System).

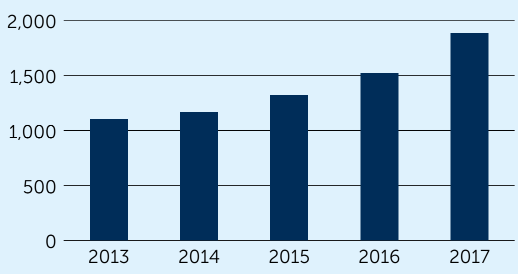
Furthermore, we added blow moulding to our product range through the acquisition of MedicoPack A/S in 2016.

With the acquisition of Tinby Skumplast A/S and MM Composite A/S in 2017, we expanded our product range with 'block foaming' in PUR and PIR and a number of advanced composite solutions. We have increased our local presence in USA.

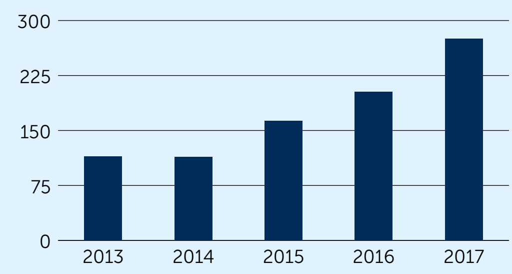
Advisory services within plastics, composite and surface treatment are becoming increasingly important, and SP Group is using the Group's expertise and technologies to add value to our customers' products. In 2017, co-operation with leading universities in the EU was extended and so was co-operation with a number of suppliers' research centres and laboratories. Among our suppliers are the world's leading chemical groups.

Sales under own brands should be further increased. In a number of global niches, SP Group controls a large part of the value chain with own products that have higher margins than many of the products that SP Group manufactures as a sub-supplier. Total sales of ventilation equipment from TPI, ergonomic workplace equipment from Ergomat, guide wires under the SP Medical brand as well as own products from MedicoPack and industrial standard components from other parts of the Group increased by 61.7% to DKK 407 million from 2016 to 2017. We have developed a number of new

Consolidated revenue 2013-2017 (DKKm)



Operating profit (EBITDA) 2013-2017 (DKKm)



products that were launched in 2017. In addition to increasing the sale of the existing products, the Group will continue to develop several new products under own brands.

Growth must also be generated from customers and growth industries. An obvious example is the health care industry. Sales to this industry totalled DKK 638 million in 2017. Growth in health care sales will be further increased with the committed business units SP Medical and MedicoPack as the primary drivers. The figure on the bottom of the page shows the development in total health care sales, which accounted for 33.9% of revenue in 2017. Sales to the health care industry increased by 4.1% in 2017.

SP Group has also established an international position as a supplier of cleantech solutions, a position that we plan to strengthen.

The figure on the next page shows the development in sales to the cleantech industry, which accounted for 33.8% of revenue in 2017. Sales to the cleantech industry increased by 61.9% in 2017.

A number of our customers are food manufacturers or suppliers to food manufacturers. This area is called "food-related industries". Sales to food-related industries accounted for 13.2% of revenue in 2017 and amounted to DKK 248 million. Trends in sales to food-related industries are shown on the next page. In 2017, sales to food-related industries increased by 7.0%.

The health care, cleantech and food-related industries accounted for approx. 81% of total revenue in 2017.

Sales to the automotive industry increased by 95.8% to DKK 89.5 million and now account for 4.8% of revenue.

The geographic expansion will continue through increased sales from the factories in Denmark, Sweden, Latvia, Slovakia, Poland, Brazil, China and USA with particular focus on markets in Europe, the Americas and Asia. International sales have increased from approx. 40% to approx. 62% of revenue over the past 10 years, and this ratio must be further increased.

Efficiency and rationalisation

In 2017, the Group's production structure was further rationalised and made more efficient.

Our competency development effort will continue at the factories in China, Poland, Latvia, Slovakia, Sweden, Brazil, USA and Denmark so that we can meet our customers' needs in a more efficient, better and less costly way.

In Poland, SP Medical has expanded its cleanroom facilities and increased the production of guide wires, plastic components and assembly activities.

In Poland, SP Moulding has expanded its injection-moulding and assembly facilities, now also offering 2K injection moulding (dual component).

In USA and Poland, Ergomat has increased its production of ergonomic mats by improving productivity and increasing capacity.

In Latvia and Sweden, Brdr. Bourghardt has increased capacity and enhanced efficiency.

Ulstrup Plast has increased capacity and enhanced efficiency in Denmark and Slovakia.

In Denmark, SP Moulding, SP Medical, SP Extrusion, Tinby, MedicoPack and Gibo Plast have all enhanced efficiency and increased capacity.

In China, Tinby and SP Moulding have increased capacity and enhanced efficiency. Now, SP Moulding also offers 2K moulding in China.

In Brazil and Denmark, Accoat has maintained capacity and efficiency.

In the Netherlands, TPI has expanded its business based on a larger organisation, which has increased capacity.

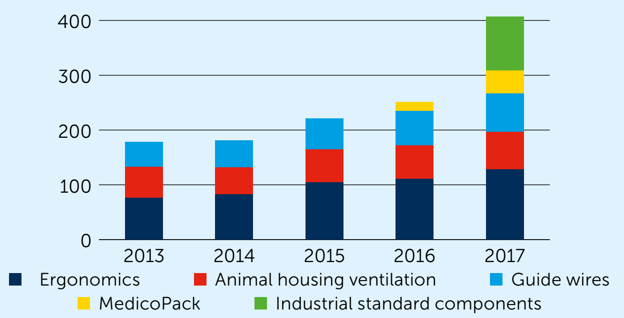
In USA, Gibo Plast has established a sales company at MM Composite to be closer to customers in North America. Tinby's North American sales company has also been relocated to MM Composite's facilities.

The reliability of delivery (on-time delivery) from all factories has now reached 98-99% and should be further improved. The level of quality is measured on an ongoing basis, and constant efforts are being made to improve quality.

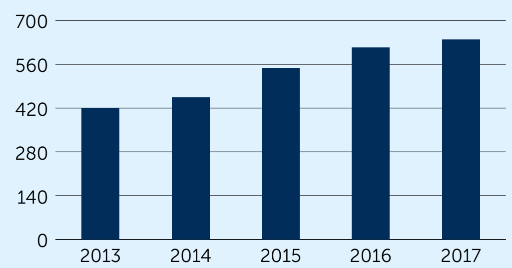
Apart from capacity adjustments, we focus on adjusting general costs on an ongoing basis. SP Group's goal is for all production facilities to manufacture and deliver better, less costly and faster. Steps are taken on an ongoing basis to reduce the consumption of materials and resources (reduction of CO_2 emissions, etc.) and to reduce break-in periods and switch-over times in production. The current Lean process will continue with focus on improving processes and flows and strengthening our employees' competencies.

Finally, SP Group will constantly and critically analyse the Group's activities. If activities and businesses are unable to attain reasonable earnings, they will be closed down or sold.

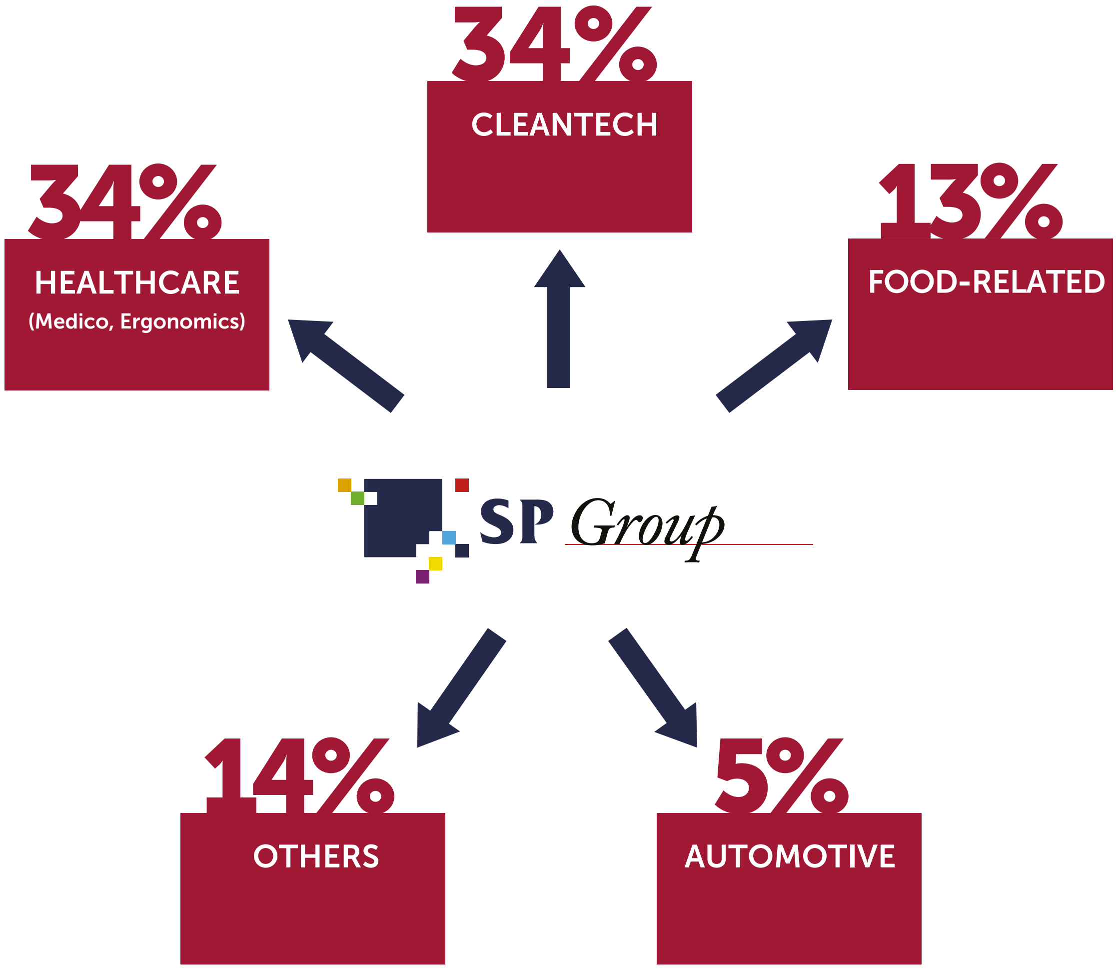
Revenue under own brands 2013-2017 (DKKm)



Revenue from health care products 2013-2017 (DKKm)

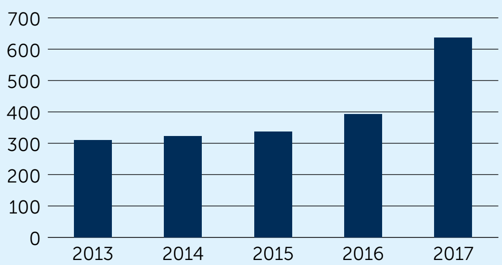


SP Group's sales in 2017 broken down by customer group:

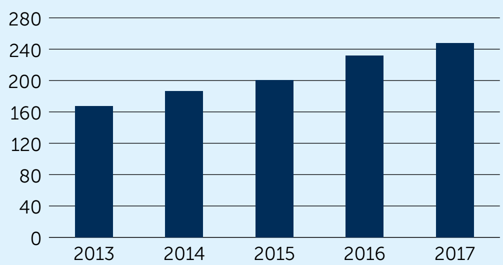


- More than 1,000 customers in total
- The largest customer accounts for 18% (2016: 12%)
- The 10 largest customers account for 52% (2016: 50%)
- The 20 largest customers account for 61% (2016: 60%)

Revenue from cleantech products 2013-2017 (DKKm)



Revenue from food-related industries 2013-2017 (DKKm)



Plastics drive innovation, improve quality of life, facilitate resource efficiency and climate protection

Accoat, Gibo Plast, SP Moulding, Brdr. Bourghardt, Tinby and MM Composite manufacture components for the cleantech industry

Coatings

- New tasks in the food industry
- More tasks in the medical device industry

2017 in outline

Activities have been generally increasing due to the general economic upswing.

In 2018, Accoat will continue to focus its marketing efforts on the food, medical device and chemical industries.

Growth is expected in the coming years, but since much of the activity is project-based, growth rates will depend on investments in cleantech in developing countries and in the oil and gas industry in general. The productive capacity has been adjusted to the level of activity in the areas in question. For instance, Accoat has been trimmed to be able to meet the demand for advanced fluoroplastic coatings on competitive terms.

In 2017, Accoat established coating facilities in Poland that are primarily used for fluoroplastic coating tasks.

Accoat's coating facilities in Brazil still offer coating solutions for the medical device industry.

The plant in Kvistgård is flexible and therefore able to handle most types of components, and it holds one of the largest furnaces in Europe for sintering of fluoroplastic coatings. Accoat's factory in Stoholm is dedicated to coating of pipes.

Name:	Accoat A/S
Website:	www.accoat.dk
Location:	Kvistgård in the northern part of Zealand, Sieradz in Poland, Stoholm in Jutland and São Paulo in Brazil
Executive Board:	Mads Juhl, CEO
Activities:	Accoat manufactures coatings for a number of industries' products and production facilities. The components that are coated cover a wide field from very small needles to large tank installations.
Description:	Accoat develops and manufactures environmentally friendly technical solutions for industrial and pharmaceutical purposes, including fluoroplastic coatings (Teflon®), PTFE and other precious metals.
Environment /quality:	Reference is made to the list of certificates on page 35

With these plants, Accoat ranks among the most present-day, environmentally friendly coating businesses in Europe.

During the year, Accoat performed tasks for customers in 18 countries.

Markets and products

In 2017, Accoat coated a range of different products such as medical device equipment, chemical reactors, tanks, thermocouples, ovens, baking machines, filling machines, engine components, ventilation equipment as well as equipment for the oil and gas industry. In principle, Accoat is able to coat all kinds of items, but has decided to focus especially on high-build (multiple layers) corrosion-protective coatings as well as non-stick and low-friction coatings. In these areas, Accoat is a market leader in Scandinavia and ranks among the four largest players in Europe.

The entrance barriers on the high-build coating market are high, as it requires great expertise and costly facilities to manufacture coatings in environmentally friendly synthetic materials. Accoat develops and tests coatings in its own laboratory to be able to document properties and product life. The market is driven by the fact that fluoroplastic coatings can improve the application, strength and product life of a number of products. Accoat adds value to its customers.

For instance, coatings may facilitate the cleaning of surfaces, reducing both the use of detergents, water and time and resulting in shorter production stoppage during cleaning. Coatings may also make products and production equipment oil- and water-repellent, heat insulating, electrically insulating or resistant to chemicals. In some industries, coatings are necessary to comply with safety requirements.

Customers also experience that they can replace expensive materials such as titanium with other, less costly surface-treated materials. Consequently, the overall demand for coatings, including nano coatings, is expected to increase.

As Accoat has been approved by the Danish Veterinary and Food Administration to manufacture food contact materials, it meets the requirements in relation to coatings approved for food.

Accoat – coating with Accoshield powder

Jens Lundsgård performs quality control

Production equipment for cheese production coated with Accolan W98

Tank top coated with Accotron BF

Strategy

Accoat continues to strengthen its product development, improve the properties of coatings and develops and tests new products and processes together with its customers and leading universities.

Moreover, Accoat is involved in research-related projects, including a project supported by, among other parties, Innovation Fund Denmark (Innovationsfonden).

Marketing is directed at selected customers and customer groups. We are already very good at what we do, and we will become even better. We have extensive experience in supplying production-optimising coatings for the food industry, improving the properties of medical devices and, not least, delivering unique corrosion-protective coatings to the chemical industry and the cleantech industry.

Accoat delivers globally, but focuses on direct sales efforts in European markets.

Sales are strengthened through more systems selling where Accoat advises its customers on the construction of components and on the choice of materials before the components are coated. End-to-end solutions create value for our customers, and we offer and supply such solutions.

Accoat's efforts to develop customised processes and products are made in close co-operation with its customers and suppliers.

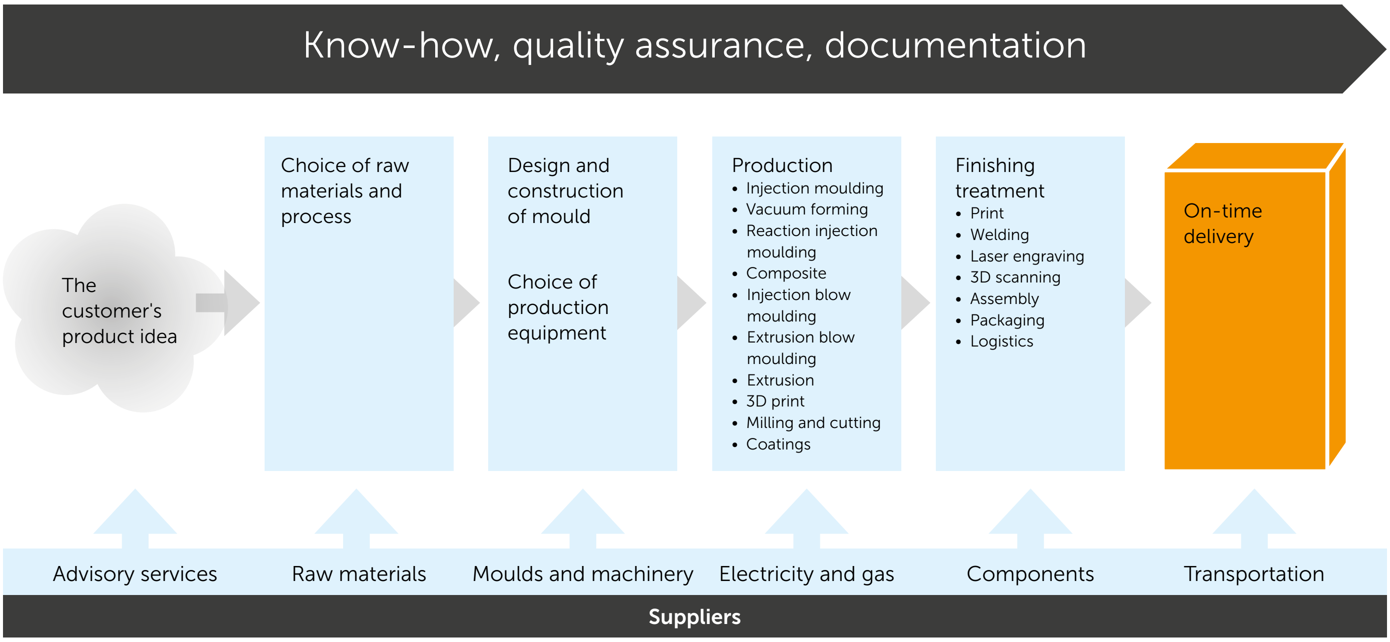
ClearVial™ is a transparent alternative to glass for both liquid and freeze-dried pharmaceuticals – manufactured by MedicoPack A/S

Plastics

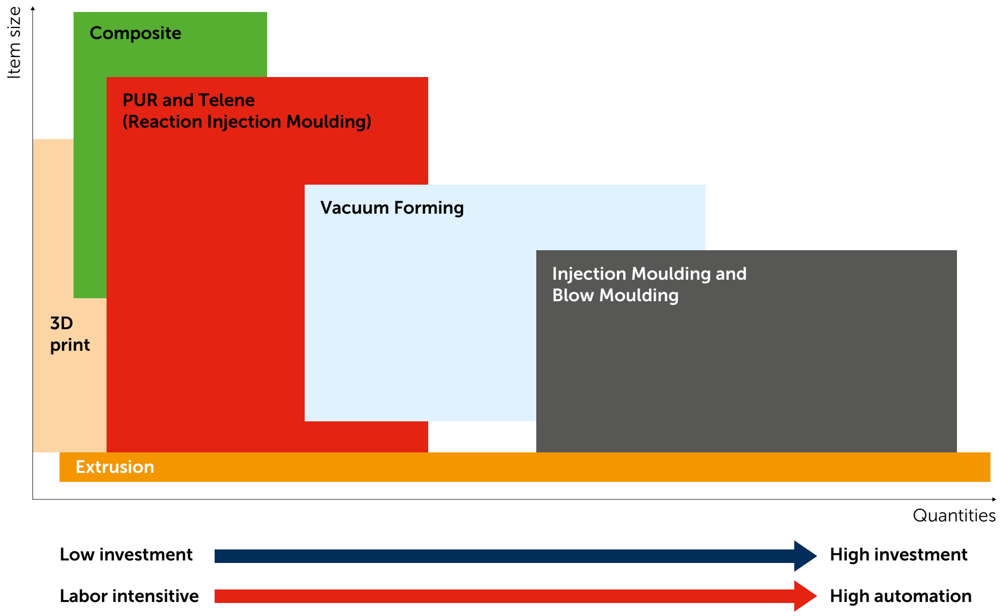
- New tasks in the health care industry
- New tasks in the cleantech industry
- More tasks in food-related industries

All plastic entities in SP Group provide customised solutions in close co-operation with customers.

SP Group's value creation



The choice of production technology depends, among other things, on the size of the component and the number to be produced:



Often, a product starts its life cycle in PUR. Once the product has penetrated the market to a certain extent, "Mark II" is made in vacuum, and much later when the production reaches a high amount, "Mark III" is injection-moulded.

Very large investments were made in 2017, adversely affecting earnings. The investments are expected to contribute positively to results of operations from 2018 onwards.

Injection moulding and blow moulding

- Global progress
- Many new tasks

2017 in outline

The improved economic trends combined with a number of new solutions and the sale of a number of new moulds resulted in an increase in the level of activity and higher operating profit.

SP Moulding saw a healthy entry of a number of new industrial customers in Europe, the Americas and Asia, and business with existing customers increased in both Europe and Asia.

Name:	SP Moulding A/S, Sander Tech ApS, Ulstrup Plast A/S, SP Medical A/S and MedicoPack A/S
Website:	www.sp-moulding.dk, www.up.dk, www.sp-medical.dk and www.medicopack.com
Location:	Juelsminde, Stoholm, Karise, Lynge, Langeskov, Sieradz (Poland), Zdunska Wola (Poland), Pobedim (Slovakia) and Suzhou (China)
Executive Board:	Frank Gad, CEO of SP Moulding A/S; Jens Birklund Andersen, CEO of Sander Tech ApS; Søren Ulstrup, CEO of Ulstrup Plast A/S and general manager of SP Moulding; Kenny Rosendahl, general manager of SP Medical A/S; and Torben Bruhn, CEO of MedicoPack A/S
Activities:	SP Moulding, Sander Tech and Ulstrup Plast are leading Danish manufacturers of injection-moulded plastic precision components for a wide range of industrial companies. SP Moulding (Suzhou) Co., Ltd. In China, SP Moulding Poland Sp. z o.o. and Ulstrup Plast s.r.o. manufacture technical plastics and perform assembly work. The business unit SP Medical manufactures products in Karise and Zdunska Wola (Poland) to customers in the medical device industry. MedicoPack develops, produces and sells packaging material and pharmaceutical disposable equipment within injection and infusion therapy to the global pharmaceutical and health care industry.
Description:	In addition to the actual moulding, which is carried out in modern production facilities, the business area handles all finishing such as 3D scanning, laser engraving, ultrasound welding, surface treatment and compression. SP Moulding and SP Medical also handle partial or full assembly, packaging and consignment for a large number of customers. MedicoPack's production technology is based on blow moulding, IBM (Injection Blow Moulding) and EBM (Extrusion Blow Moulding), and the entity has a leading position in the area of production of packaging material for pharmaceutical purposes.
Environment /quality:	Reference is made to the list of certificates on page 35

SP Medical entered into a number of new agreements with both new and existing customers in the medical device industry.

In 2017, considerable amounts were invested in new advanced production equipment (robots, special-purpose machines, injection-moulding machines, 3D scanning, energy savings and IT) as well as break-in of new projects.

Both SP Moulding, SP Medical and Ulstrup Plast have entered into agreements to purchase injection-moulding machines for delivery in 2018. The machines will be used to expand activities with existing customers.

Following several years of preparations, SP Moulding's factory in Stoholm has become IATF 16949-certified (previously TS 16949).

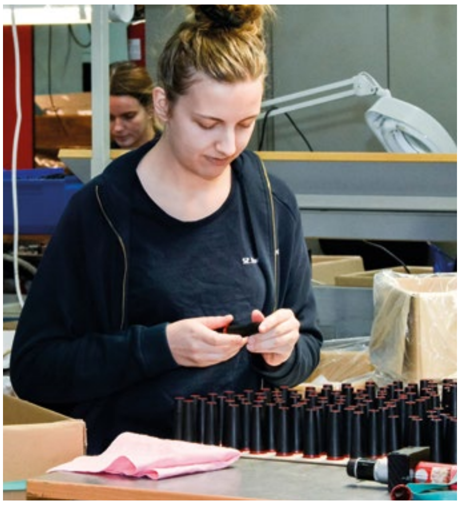
MedicoPack exports approx. 90% of its products. Large investments have been initiated in MedicoPack to keep up with developments.

Markets and products

With more than 420 injection-moulding machines (including more than 30 two- and three-component machines), SP Moulding, SP Medical and Ulstrup Plast are, combined, the largest independent injection-moulding business in Denmark and rank among the largest two in the Nordic countries. The market is still characterised by many small suppliers and excess capacity in certain areas, and a number of customers are turning to low-wage areas. However, several groups with own production of injection-moulded plastics choose to outsource activities to specialists such as SP Moulding, SP Medical and Ulstrup Plast. Moreover, the market share is increased by substituting plastics for other materials.

SP Moulding and Ulstrup Plast enjoy obvious advantages in the Northern European market due to their size and expertise in injection moulding and design, product development, international sourcing of moulds and raw materials as well as additional services such as welding, laser engraving, print, 3D print, 3D scanning, full assembly, packaging and dispatch of finished products, often in close co-operation between the factories in Poland, Slovakia, China and Denmark. As price remains an important parameter, production efficiency needs to be further enhanced. In Europe and China, SP Moulding is a minor supplier of technical plastics, but there is a potential in both regions for considerable growth by virtue of the SP Moulding's overall know-how.

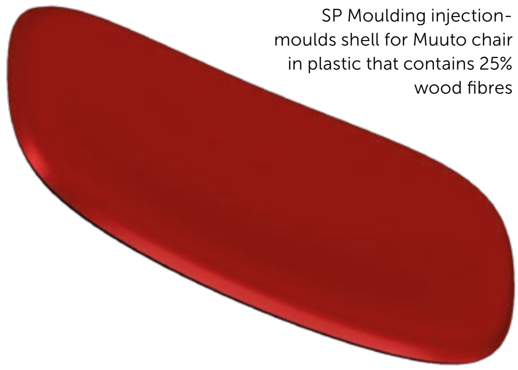
SP Medical addresses a potential market of approx. DKK 15 billion with annual growth of 5-7%. SP Medical ranks among the two or three largest Nordic suppliers of injection-moulded plastics to the medical device industry, and in the niche of PTFE-coated guide wires for urology and radiology, etc., SP Medical is among the three largest suppliers in Europe. SP Medical also manufactures medical components and equipment and coats products with function-enhancing coatings. With its expertise and quality standards, SP Medical's opportunities to increase its market shares are good.



Kathrine Rauhe Baden Sørensen, assembly division in SP Moulding

SP Group was elected Supplier of the Year at Danfoss' Supplier Day in June 2017. Jens Birklund Andersen received the award on SP Group's behalf

Claus Iversen and Olcay Salar in the workshop in SP Moulding



SP Moulding injection-moulds shell for Muuto chair in plastic that contains 25% wood fibres

MedicoPack develops, produces and sells packaging material and pharmaceutical disposable equipment within injection and infusion therapy to the global pharmaceutical and health care industry. Production activities take place, e.g., in cleanrooms and under sanitary controlled conditions where quality control and documentation are key competences. The production technology is based on blow moulding, IBM (Injection Blow Moulding) and EBM (Extrusion Blow Moulding), and the entity has a leading position in the area of production of packaging material for pharmaceutical purposes.

Strategy

SP Moulding and Ulstrup Plast will increase exports from the three Danish factories to the neighbouring markets, and the Polish and Slovakian factories will strengthen the marketing of technical plastics and assembly activities in the growth markets in Eastern and Western Europe. SP Moulding and Ulstrup Plast will continue to move labour-intensive tasks from Western Europe to Poland, Slovakia and China and to invest massively in technology and people.

In all markets, SP Moulding and Ulstrup Plast are planning to win market shares by improved customer services, intensified participation in customers' product development activities and targeted efforts directed at growth sectors. Competences should be strengthened continually so that SP Moulding and Ulstrup Plast can differentiate themselves in future as well. In all plants, the production efficiency enhancement programme will continue, e.g. by means of Lean projects, more automation and focus on energy and raw material consumption, disposals as well as switch-over times. SP Moulding will continue its participation in the strengthening of the position in Northern Europe where relevant.

SP Medical will continue to intensify its marketing efforts vis-à-vis new customers, especially benefiting from the fact that the unit with the Polish factory has become increasingly competitive in relation to labour-intensive tasks. The medical device expertise must be strengthened on an ongoing basis, and the cleanroom production in Denmark and Poland must be expanded. In China, "white room production" has been established.

MedicoPack will continue to strengthen and expand co-operation with existing and new customers at a global level. The focus of the Company's development activities is close co-operation with the customers in order to improve and optimise existing packaging solutions on an ongoing basis and develop new pioneering packaging concepts. Clear Vial™ and DivibaX® are the product series most recently launched.

Polyurethane and Composite

- Higher activity
- New products
- Expansion in the Netherlands, Poland, USA, China and Latvia
- Acquisition of Tinby Skumplast A/S and MM Composite A/S

Name:	Five activities with polyurethane (PUR) and Composite as common denominator: Ergomat A/S, Tinby A/S, TPI Polytechniek B.V., Bröderna Bourghardt AB and MM Composite A/S
Website:	www.ergomat.com, www.tinby.dk, www.tpi-polytechniek.com, www.bourghardt.se, www.mmcomposite.dk
Location:	Søndersø, Nørre Aaby, Ejby, Tjæreborg, Zdunska Wola (Poland), 's-Hertogenbosch (the Netherlands), Helsingborg (Sweden), Cleveland and Mt. Pleasant (USA), Montreal (Canada), Suzhou (Kina) and Liepaja (Latvia)
Executive Board:	Claus Lendal, CEO of Ergomat A/S; Torben Nielsen, Managing Director of Tinby A/S; Loïc van der Heijden, Managing Director of TPI Polytechniek B.V., David Bourghardt, CEO of Bröderna Bourghardt AB; Kent B. Madsen, CEO of MM Composite A/S
Ergomat A/S	develops and sells ergonomic solutions under own brands – Ergomat® mats and DuraStripe® striping tape – to global corporate customers. Ergomat has sales companies in Europe and North America. Its products are manufactured in Poland and USA.
Tinby A/S	manufactures moulded products in solid, foamed and flexible PUR as well as laminated plastics and vacuum film in Søndersø for, e.g. the graphics, medical device, furniture and cleantech industries as well block foaming solutions in Tjæreborg. In Poland, Tinby Sp. z o.o. also manufactures light-foam products for TPI. The entities in USA and China manufacture light-foam products and other plastic solutions primarily for the cleantech industry.
TPI Polytechniek B.V.	develops and sells components for ventilation of industrial buildings as well as pig and poultry houses, primarily products under the TPI brand, which are manufactured by Tinby in Poland. Global sales are handled from the Netherlands. Sales in Scandinavia are handled from Denmark.
Brdr. Bourghardt AB	is a specialist in composite processes – composite and manual lamination – and uses modern varnishing methods. Brdr. Bourghardt is Scandinavia's leading manufacturer of Telene® products.
MM Composite A/S	develops and sells high-quality composite components to the cleantech and other industries. The products are manufactured using different production technologies such as hand lay-up and vacuum infusion. MM Composite's head office is located in Denmark where the company also has two production facilities. Moreover, MM Composite also has production facilities in USA
Description:	PUR is manufactured by first mixing two special liquids, which react, and then moulding them, forming the required component. Expertise comprises knowing the scope for variation and making the best of the material. The process is also called Reaction Injection Moulding – or just RIM.
Environment /quality:	Reference is made to the list of certificates on page 35

2017 in outline

2017 was a great year for Ergomat with revenue growth primarily driven by USA, but sales in the European market increased as well. Sales to the Asian market were disappointing.

Tinby experienced fair growth in global activities. Tinby has factories in Poland of approx. 16,000 sqm. and a factory in China of 2,400 sqm. In USA, Tinby has established a factory of 1,000 sqm., which is primarily used for cleantech production. In Denmark, Tinby has production facilities of approx. 4,500 sqm. in Søndersø.

In 2017, TPI experienced project delays in Eastern Europe, but saw sales progress in the other markets. For instance, the Asian market and the markets in North Africa developed positively. Inventories in Denmark have been moved to the Netherlands to maintain a high degree of flexibility and a continued high service level.

For Bröderna Bourghardt, with a sales organisation in Sweden and production activities in Latvia, 2017 was characterised by increased volumes and launch of new projects within the Telene and composites technologies in the European and American markets. In 2018, we expect increased volumes for both technologies from both current and new customers.

In March 2017, MM Composite became part of SP Group. MM Composite established a new production line in the American factory. The global consolidation in the wind turbine industry meant new challenges and opportunities for MM Composite. The year saw sound development in own products and processes where MM Composite also succeeded in adding several new customers to its portfolio.

Markets and products

Ergomat consolidated its position as one of the three largest suppliers of ergonomic mats and striping products (DuraStripe®) in Europe and North America. Ergomat is characterised by being a pioneer when it comes to better working environment and lean production. In 2015, Ergomat introduced a unique mat concept in USA, Ergomat Deluxe, with built-in LED lighting. This product is still a hit, particularly in the automotive industry.

Ergomat experienced progress in Europe in 2017, particularly in Germany, France, the UK, Italy, Sweden and Eastern Europe. Sales disappointed in Asia, in particular in Japan, which was primarily due to the devaluation of the YEN.

Ergomat is operating actively in more than 60 countries through own offices and local distributors.

Tinby is Scandinavia's leading supplier of moulded and block foaming components in solid, foamed, flexible polyurethane and combinations thereof. Tinby's components are used for cleantech tasks, in medical device products, instruments, furniture, graphic machines, ventilation, coatings, window and construction profiles, insulation caps, panels, sheets, fillets and cabinets. Tinby develops special raw materials aimed at narrow and

Coated composite components manufactured by MM Composite

These ergonomic bubble mats from Ergomat are among the most durable in the world and make cleaning with strong chemicals possible

DuraStripe® from Ergomat

TPI's ventilation valves for wall and ceiling in polyurethane for poultry houses

Tinby manufactures this soft and flexible PUR seat in trendy colours. The seat is for Norman Copenhagen's Tap Stool

Tinby casts the coloured outer screen that surrounds the reflectors of the lamp. The lamp, LP Grand, is designed by Christian Flindt

broad product solutions and masters a number of technologies for product refinement, including combination technologies, in-mould coating, varnishing and coatings. In addition to the PUR activities, Tinby has a vast number of special productions aimed at the cleantech industry. In January 2017, Tinby acquired LM Skumplast, which subsequently changed its name to Tinby Skumplast. It manufactures PUR and PIR foam, primarily for insulation purposes. Tinby Skumplast has developed nicely after the acquisition.

With the development of raw materials and technologies, Tinby has succeeded in attracting a large number of tasks, particularly within cleantech, and the geographical focus has also resulted in considerable growth.

TPI is the leading supplier in Europe of light-foamed chimneys, air intake and ventilation components for the agricultural and industrial sectors. PUR is especially suitable for these purposes, as the material is light, well-insulating and does not develop condensation when the temperature changes. Eastern European markets are still interesting, and sales in the Middle East, Asia and North America are expected to increase in the coming years. Once again, TPI has launched several new products to expand and broaden its existing product range. With these new products, TPI will be able to increase its position in the global market for ventilation equipment in pig and poultry houses.

Bröderna Bourghardt is the leading manufacturer in Scandinavia of items in Telene (impact-resistant plastic suitable for large items) and manufactures advanced products in composite material. The products are sold to off-highway companies and marine applications.

MM Composite A/S is one of Scandinavia's leading suppliers of composite components to the cleantech and other industries and delivers to customers in Europe, Asia, Africa and USA. The North American market is serviced from the production facilities in USA. Composite is a general term for a material that is composed of different materials, meaning that the product's properties are improved. Often the composite material will be both lighter and stronger than conventional materials depending on the material composition.

MM Composite A/S will continue its focus on international presence. MM Composite will to a greater extent cultivate new customers within cleantech and develop customised products and production processes. MM Composite will continue to extend knowledge of the extraordinary properties of the composite material to replace metal and steel with composite.

In Denmark, MM Composite has production facilities at two locations totalling 11,000 sqm. MM Composite's factory in USA is 5,500 sqm.

Strategy

More direct sales, intensified marketing and more external distributors in selected markets should increase Ergomat's sales. Ergomat will increasingly cultivate commercial and service entities, the administrative and health sectors and strengthen the efforts in the Americas, Eastern Europe and Asia.

Plagiarism and increased competition require development of new products and concepts, and Ergomat will differentiate itself by offering integrated solutions across existing products and by offering supplementary services.

In Denmark, Tinby manufactures moulded components in Søndersø and block foaming solutions in Tjæreborg.

In Poland, Tinby now has production facilities at four locations totalling approx. 16,000 sqm.

Tinby's 2,400 sqm. factory in China, established in 2010, continues to develop positively. In 2017, additional activities were initiated.

In North America, Tinby has relocated to MM Composite's facilities. The production facilities and service centre comprise approx. 1,000 sqm.

TPI expects increased sales in Europe in 2018 as a result of its launch of a number of new products. TPI also expects a higher level of activity in the Americas and Asia. Strong focus on developing new products will be maintained.

Bröderna Bourghardt will increase its focus on sales and technical support to existing as well as potential customers. With the current capacity, Bröderna Bourghardt's opportunities to increase production output and make our production technologies even more well-known are still good. The company continually works on developing its processes and materials. Bröderna Bourghardt's efforts to develop own products have resulted in a patented aerodynamic screen for trucks – also known as a roof-top deflector – which effectively reduces wind resistance, which in return reduces fuel consumption and carbon emissions.

Vacuum forming and Extrusion

- New tasks in several industries
- Expansion in Poland

2017 in outline

Activities have increased, and Gibo Plast and PlexxOpido succeeded in ensuring an impressive improvement in operating profit and activities. 2017 was an eventful year, as Gibo Plast worked intensely on implementing efficiency-enhancing measures in Denmark, Sweden, Norway and Poland. Large amounts and many efforts were invested in strengthening the expertise in the production of tools for prototype devices and production of vacuum-formed plastics that facilitate better and more effective servicing of existing and new customers by reducing time-to-market in connection with new plastic components. By acquiring Plexx AS and Opido AB in 2016, competences were gained within ORS (Opido Reinforced System), which are reinforced vacuum components with PUR foam on the back, as well as laser cutting and hot bending of components. Gibo Plast is well under way with integrating these competences and utilising the new opportunities resulting from the acquisition. Moreover, the market position in Norway and Sweden has been strengthened.

In Poland, investments were made in new more effective production machinery. As expected, investments in new plant and the relocation of parts of the production to Poland have entailed lower costs and improved results of operations.

Gibo Plast is one of the largest vacuum-forming facilities in Scandinavia and is able to perform complex tasks. In close co-operation with Tinby, Gibo has developed a number of interesting solutions for our customers, uniting the entities' expertise. In addition, Gibo further developed its competences in prototype devices and tools so that it can now develop and manufacture production tools for vacuum forming itself in order to increase competitiveness through a very short time-to-market for new plastic components.

Name:	Gibo Plast A/S, Plexx AS and Opido AB
Website:	www.giboplast.com, www.plexx.no, www.opido.se
Location:	Skjern, Ljungby (Sweden), Kråkerøy (Norway) and Sieradz (Poland)
Executive Board:	Managing Director Lars Ravn Bering (Gibo Plast); CEO Arild S. Johnsen (PlexxOpido) and Managing Director Andreas Lagestig (Opido)
Activities:	Gibo Plast and PlexxOpido develop, design and manufacture thermo-formed plastic components for refrigerators and freezers, buses and cars (automotive) as well as in the medical device, lighting equipment and cleantech industries. Gibo Plast is both specialised in traditional vacuum forming and the advanced forming methods High-pressure and Twinsheet. Opido AB is also specialised in ORS (Opido Reinforced System) with fortified and sound-absorbing vacuum-formed components as well as laser cutting and hot bending
Description:	Vacuum forming means that plastic sheets are heated and then formed using vacuum and/or high pressure. The products are then processed by way of cutting, milling (CNC milling) and, eventually, assembled to the finished product.
Environment /quality:	Reference is made to the list of certificates on page 35

Markets and products

The market is undergoing drastic change, as a number of traditional users of vacuum-formed plastics are put under pressure by competitors in low-wage areas and therefore move their production to Southern and Eastern Europe or Asia. On the other hand, many components made of materials such as glass fibre, wood and metal may very well be replaced by plastics, as plastics are lighter and easier to mould, allowing growing demand.

An example is Gibo Plast's transport boxes, which are used by automotive, food and electronics businesses to transport particularly sensitive goods or semi-manufactured products both internally and over long distances. The boxes are lighter than wooden boxes, easier to clean and designed so that the components do not touch each other and can easily be moved by industrial robots. Another example is wind turbines where the design qualities of thermo-formed plastics are pronounced. Plastic sheets come in all colours and with a countless number of different surfaces. Moreover, the components may be provided with technical properties, e.g. the ability to resist heat, cold temperatures, wind, weather and blows.

Within traditional vacuum forming, Gibo Plast is a market leader in Scandinavia and ranks among the ten largest suppliers in Europe. Within the High-pressure and Twinsheet technologies, the position has been strengthened. Gibo Plast is able to handle components of many different sizes and masters both large-scale production and minor series with customised, logo-embossed components. The offer to customers is supplemented with 3D CAD/CAM design, CNC milling, decoration, surface treatment, 3D scanning, assembly, gluing and packaging.

Beata Szymczak, Gibo Poland, packs finished vacuum-formed and CNC-milled components

Jacek Jarmakowski and Dariusz Marciniak, Gibo Poland, carry out assembly work

Vacuum forming machine

Anna Bryl, Gibo Poland, tests the quality of a CNC-milled component

Strategy

Gibo Plast regularly invests in new vacuum-forming machines with robots and CNC-controlled millers. The production lines can manufacture plastic components of up to 4.2 x 2.5 x 0.7 metres, making Gibo Plast a market leader in Northern Europe in the area of forming of large components. The components replace metal and glass fibre components in wind turbines, buses and trains. Plastic components in high volumes with high quality standards are manufactured on automated production lines where the production machinery is operated by robots. This ensures a high, uniform quality.

The acquisition of Plexx / Opido is a strengthening of Gibo Plast's activities in Europe, especially the Scandinavian market.

In 2011, the first assembly activities were established in Poland, and in 2012, the first vacuum-forming machines were moved to the newly built factory in Poland. Today, the factory is an independently operating production unit characterised by very high levels of service and quality.

Together with a continued improvement of the productivity in Skjern, these initiatives have contributed significantly to improving Gibo Plast's profitability in 2017 and are expected to continue in 2018. Gibo Plast has 12,000 sqm at the plant in Skjern, 9,700 sqm at the plant in Poland, 6,000 sqm at the plant in Sweden and 800 sqm in Norway.

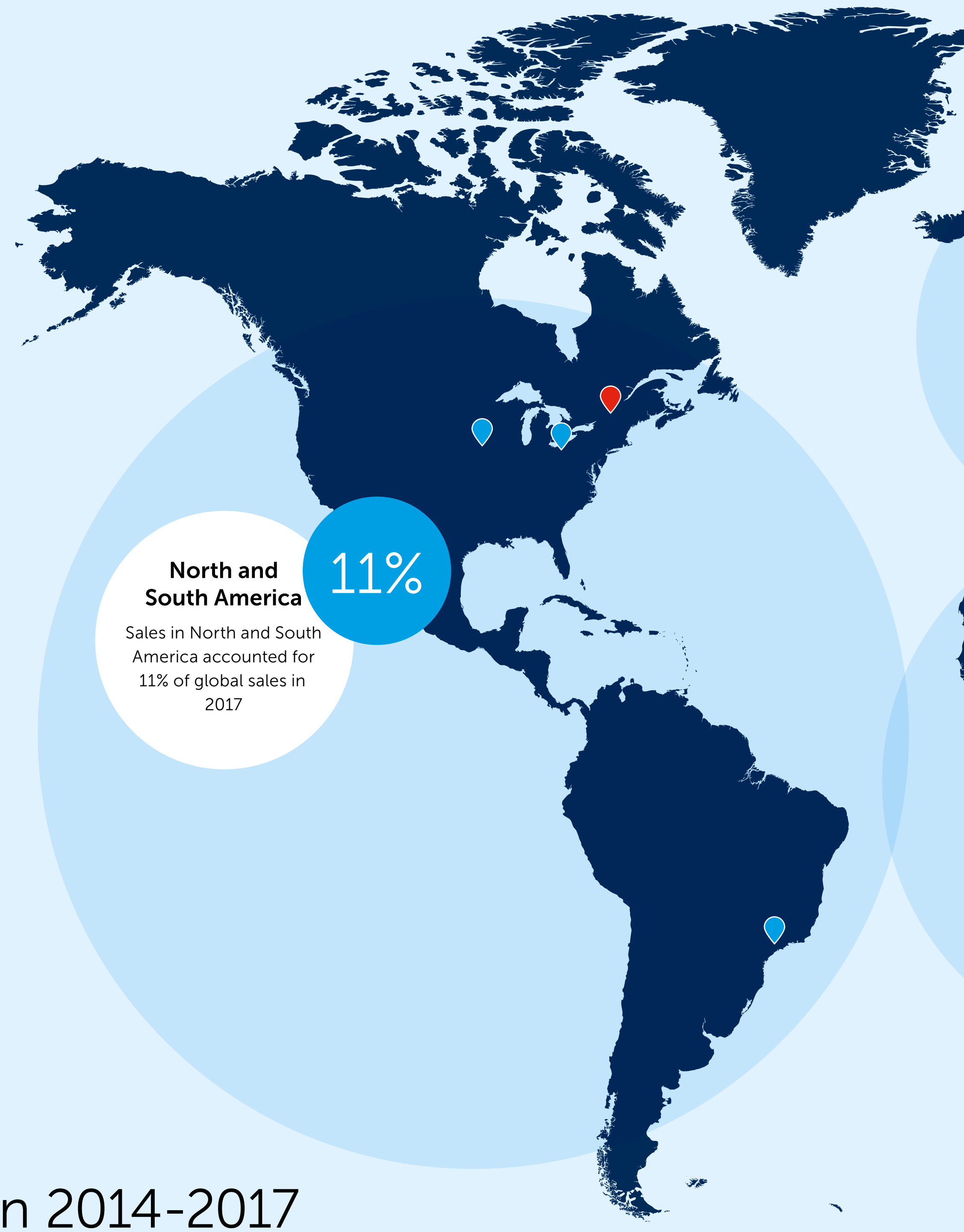
Gibo Plast has a balanced customer portfolio and a sound exposure to a number of industries. The company is making targeted efforts to attract new customers. At the same time, the company is strengthening its relationship with existing customers. Gibo Plast will increasingly contribute to the customers' development phase so that new projects and solutions can be designed and implemented in co-operation with the customers.

Gibo Plast will use the location in the neighbouring areas to cultivate new markets in Eastern and Central Europe. Marketing on existing and new markets will be focused on increasing knowledge of plastics in sectors that have traditionally used glass fibre, metals and wood and especially on the High-pressure and Twinsheet technologies allowing greater freedom in design and flexible production of complicated large-sized components. The ORS system contributes with reinforced and sound-absorbing vacuum-formed components. Gibo Plast is testing new plastic technologies on a regular basis. Gibo Plast has developed new projects for customers in the automotive and cleantech industries, which are expected to contribute positively to sales and earnings in 2018.

SP Group's locations

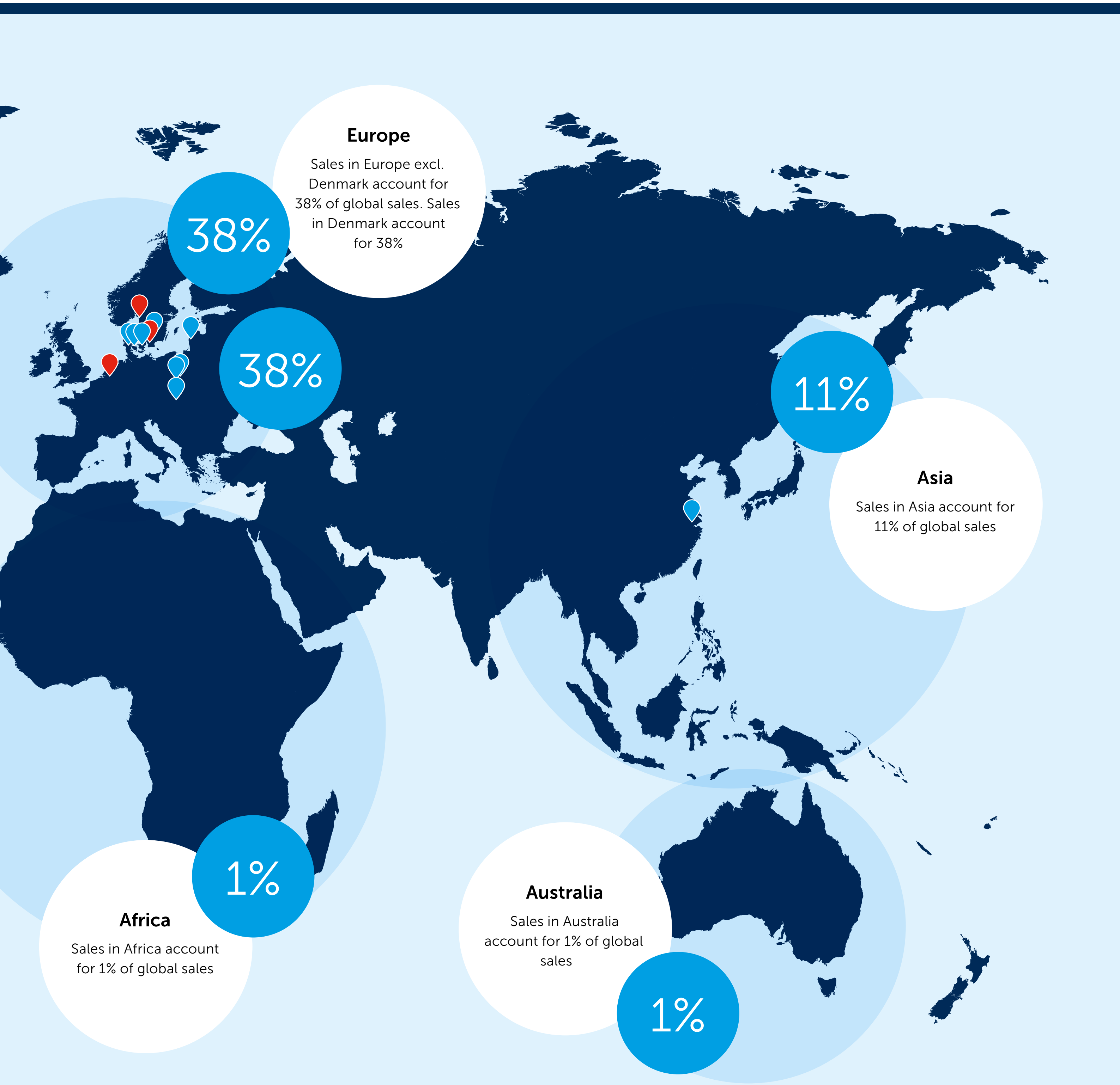
Sale and production
- Denmark (10)
- Poland (6)
- China (2)
- Brazil (1)
- USA (2)
- Latvia (1)
- Slovakia (1)
- Sweden (1)

Sale and distribution
- The Netherlands (1)
- Sweden (1)
- Canada (1)
- Norway (1)



Acquisitions in 2014-2017

2014	2015				2016
24 February 2014 Bröderna Bourghardt AB (80% of the shares)	**1 January 2015** Scanvakuum ApS (the activities)	**13 March 2015** Sander Tech ApS	**7 April 2015** SP Moulding, China (the remaining 25% of the shares)	**1 July 2015** Ulstrup Plast A/S	**5 April 2016** 10% of the shares in Bröderna Bourghardt AB (option)



2016

14 July 2016
MedicoPack A/S

15 October 2016
Aasum Plast & Metal A/S (the plastic activities)

21 November 2016
Plexx AS / Opido AB

8 December 2016
The remaining 10% of the shares in Bröderna Bourghardt AB

2017

6 January 2017
Tinby Skumplast A/S

21 March 2017
MM Composite A/S

Risk management

Identification and management of business risks is part of the annual strategy plan for the Group, which is approved by the Board of Directors. Further, the Board of Directors determines the framework for managing interest rate, credit and currency risks and addressing risks related to raw materials and energy prices. The framework is assessed at least once a year.

The following risks have been identified as SP Group's key risks, but the list is neither prioritised nor exhaustive:

Commercial risks

Market and competitor risks

SP Group's sales and earnings are very dependent on the future GDP development.

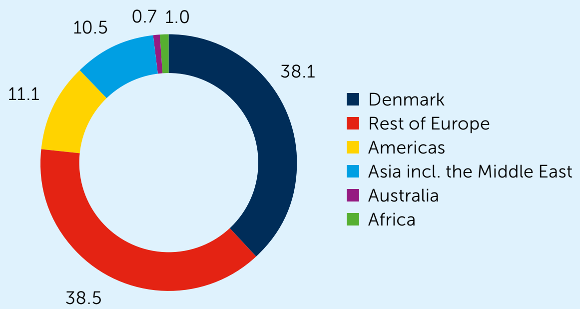
Several segments of SP Group's Danish primary market are characterised by excess capacity, numerous small marketers, price pressure and customers requiring still smaller batches and more flexible production. Furthermore, SP Group is experiencing increased competition from low-cost manufacturers in Eastern Europe and Asia. In order to reduce dependency on the Danish market, SP Group is making efforts in several areas:

First, exports are increased on an ongoing basis. The Group focuses in particular on other Northern European markets, whereas selected niche products are sold globally. The international share of revenue amounted to 61.9% in 2017 (2016: 50.9%). In 2017, SP Group billed its services directly to customers in 88 countries.

Second, SP Group relocates production tasks to its factories in Poland, Slovakia, Latvia and China on an ongoing basis and will continue to do so. In addition, production activities have been set up in Sweden, Brazil and USA. With these measures, the Group will still be able to service customers that outsource their production to these areas and to cultivate new customers in Eastern Europe, China and the Americas.

Third, SP Group's factories are undergoing regular modernisation and automation to become more efficient and flexible. This effort will continue. Finally, SP Group is consolidating parts of the Scandinavian industry, either by acquisitions (Tinby Skumplast and MM Composite) or by combining own factories or in-sourcing customers' own production (customers outsource their production to SP Group). This process will also continue, and SP Group has intense focus on reducing costs and leveraging on the Group's size and expertise to improve competitiveness. As part of its strategy to differentiate itself, the Group is also strengthening its expertise and competences in relation to processes, design and materials.

Breakdown of revenue (%) by geographical market in 2017



Free trade

Selling its products in 88 countries and purchasing its raw materials from a number of countries, SP Group is dependent on free and unimpeded access to the markets and also dependent on the authorities respecting international agreements.

Customers

SP Group has more than 1,000 active customers, the 10 largest of whom account for 52% of consolidated revenue, which is down 1.5 percentage points on 2016. The 20 largest customers account for 61% of revenue (60% in 2016). The 20 largest customers are large, consolidated, internationally operating industrial groups.

The largest single customer accounts for 18.3% of consolidated revenue (against 11.8% in 2016). At factory level, the dependence on individual customers is higher as a result of the individual factories' specialisation and focus on specific industries.

The concentration on the 20 largest customers remained unchanged in the year despite increased sales of own products to other global customers and the acquisition of Tinby Skumplast and MM Composite, which implied customer overlap with the existing business and also an inflow of new, interesting customers.

34% of the Group's sales are effected to the health care sector, which is thus the largest single industry. SP Group has deliberately cultivated this industry because it is a growth sector offering a variety of opportunities for utilising SP Group's expertise across its business areas. The exposure to the health care industry is therefore desired, and risks are reduced by the Group supplying components to a number of different health care entities in different segments and on all continents. Increasing climate effects have increased the global demand for cleantech products (insulation, energy-saving products, renewable energy and the environment). Sales to the cleantech industry now account for 34% of the Group's revenue. At group level, SP Group is not over-exposed to specific sectors.

Failing sales to single or several customers may impact on the Group's earnings capacity. To minimise this risk, the Group also seeks to enter into multi-annual customer and co-operation agreements laying down the terms and conditions for future orders. Furthermore, SP Group is engaged in production development projects in co-operation with the customers in order to stand out clearly as a strategic partner. As the typical order horizon is short (typically 4-5 weeks), political or economic instability is quickly reflected in the level of activity.

Finally, the Group works to develop more niche products and products under own brands, allowing it to control sales to a wider extent. Products under own brands accounted for almost 22% of consolidated revenue in 2017, including medical device products (guide wires, Clear Vials™ and DivibaX®).

Raw material prices and suppliers

SP Group's earnings depend on the prices of energy (including taxes), raw materials (plastics) and other materials to be used in production.

SP Group enters into hedges relating to electricity, gas and raw materials on an ongoing basis and has agreed on sales price adjustments with a number of customers in case of changes in energy and raw material prices. The Group has centralised its purchase of critical raw materials to increase the level of delivery reliability and to achieve a better bargaining position by purchasing larger bulks. At the same time, SP Group regularly examines the possibility of sourcing critical raw materials globally. The exposure to oil price-driven changes in raw material prices can be reduced, but will fundamentally persist.

Restructuring the production system

Production systems are changed on an ongoing basis, partly by investing in new production equipment and partly by modifying the systems and distribution of tasks. This means that the Group gradually obtains improved specialisation of the production at each plant and that efficiency is enhanced. There is a risk that implementing these changes may cause delays and disruptions and thus inflict extra expenses on the Group or affect business volumes. There is also a risk that relocating production equipment and production tasks may cause delays and price increases.

Through careful planning, SP Group aims to minimise expenses and the time spent restructuring the production systems. A smooth and swift implementation of these processes is necessary to increase the Group's profitability.

Key personnel

SP Group is dependent on a number of key personnel in the management team and among the Group's specialists. SP Group seeks to retain key personnel by offering them challenging tasks, a basic salary in conformity with applicable market conditions and incentive schemes rewarding outstanding performance.

Insurance

SP Group has an extensive insurance programme in place that reflects the scope of the Group's activities and their geographical location. Once a year, the insurance programme is examined together with the Group's global advisor to make adjustments that support the Group's development on an ongoing basis, thereby minimising any detrimental impact on the Group's financial performance. Once a year, the insurance policy is also reviewed by the Board of Directors and adjusted as required.

Environmental performance

The production plants are subject to a number of environmental requirements in all countries, and further, a number of environmental and quality assurance systems have been implemented by the plants on a voluntary basis. SP Group complies with applicable environmental requirements, but cannot guarantee – in spite of extensive safety procedures – that the external as well as the working environment will not be affected in case of accident. (Moreover, reference is made to pages 36-44 on CSR and ESG and to page 35 on environmental certification).

Financial risks

The Group's cash flows and borrowings are managed centrally in accordance with the policies approved by the Board of Directors. The Group does not engage in speculation in financial risks.

Interest rate risks

Interest rate risks primarily relate to net interest-bearing debt, i.e. mortgage debt, lease liabilities and bank debt less cash and cash equivalents. At year end, the net interest-bearing debt amounted to DKK 509.1 million. Approx. 42% of the debt carries fixed interest for minimum 2-5 years, including mortgage debt with an average interest rate of approx. 1.0%. A one percentage point increase in the general interest level will result in an increase in the Group's annual interest expenses before tax of approx. DKK 3.0 million.

Production Manager Ugis Eihvalds, SIA Baltic Rim, Latvia, at a Telene tool

SP Group focuses on increasing cash flows from operating activities so that the net interest-bearing debt can be reduced and the Group can finance investments via operating activities. The Group also aims to reduce debt by selling non-value-creating assets and activities.

Credit risks

SP Group systematically monitors the credit rating of customers and business partners and makes use of credit insurance and factoring to partially hedge credit risks. No individual customers or business partners pose an unusual credit risk to the Group. As the Group's customers and business partners are usually well-reputed companies operating in many different business sectors and countries, the overall credit risk is reduced. SP Group has not realised any noticeable credit losses in the past five years.

Currency risks

In accordance with the policies approved by the Board of Directors, SP Group carries through currency transactions to hedge commercial agreements. Hedging takes place by means of borrowing, forward exchange contracts or options, and Management regularly assesses the need for hedging each individual transaction.

In general, there is a good balance between income and expenses. Approx. 78% of sales are thus settled in DKK or EUR, and approx. 60% of the Group's fixed costs are incurred in DKK or EUR. The most critical commercial currency risk is indirect and relates to the customers' sales outside Europe. Similarly, purchases are primarily conducted in DKK and EUR.

Exports from Europe to USA are settled in USD on a 12-month forward selling basis (project orders up to 36 months).

Moreover, there is a currency risk between PLN and EUR and between RMB and USD, as the Group has increasing exports from Poland and China, which are settled in EUR and USD, respectively. In order to hedge the currency risk between PLN and EUR, EUR is sold against PLN on forward contracts for up to 48 months (hedging). At year end 2017, the Group had hedged approx. 70% of the expected net cash flows in the coming 36 months and 30% of the expected net cash flows in the subsequent 12-month period.

26% of the Group's financing is raised in EUR, and the remaining debt is mainly raised in DKK.

Liquidity risks

It is the Group's objective to have sufficient cash resources to be able to continually make appropriate arrangements in case of unforeseen changes in cash outflows.

It is Management's opinion that, considering its current operations, the Company still has adequate capital resources and sufficient liquidity to meet its current and future liabilities. The Company's long-term co-operation with its financial business partners is fruitful and constructive. This is expected to continue. The Group has neither neglected nor been in breach of loan agreements in the financial year or the comparative year.

Corporate governance

Proper and decent management

Proper and decent management is a precondition for SP Group being able to create long-term value for its shareholders, customers, employees and other stakeholders. Management sets up clear strategic and financial goals and regularly provides information on goal achievement for all stakeholders to be able to evaluate the development and future of the Group. It is essential to Management that SP Group meets its stakeholders at eye level and that the shareholders can exercise their rights freely.

The Board of Directors and the Executive Board strive to act openly in relation to their work and their approach to management. Management follows the recommendations for corporate governance issued by the Committee on Corporate Governance in 2013 (last updated in November 2014) based on the "comply or explain" principle. At http://www.sp-group.dk/investor+relations/corporate+governance, the Board of Directors systematically describes "the Company's position on the recommendations on corporate governance of May 2013" in the Corporate governance section. SP Group complies with the majority of the recommendations but has chosen a different practice in some areas that is more suitable for SP Group. The main deviation involves the following:

SP Group has not set any mandatory retirement age for members of the Board of Directors. SP Group finds that a mandatory retirement age is discriminating and also that the capacity and contribution of each member are more important than their birth certificates.

In a few areas, SP Group has not formalised procedures and policies to the same extent as suggested by the Committee on Corporate Governance. For instance, SP Group has neither introduced an actual stakeholder policy (but a clear attitude to and policies for communication) nor prepared any separate task description for the Chairman (instead, this is part of the rules of procedure for the Board of Directors).

The Board of Directors has considered appointing committees under the auspices of the Board of Directors, but found that, due to the size of the Group, SP Group does not need such committees, with the exception of an Audit Committee whose members are the collective Board of Directors, chaired by Hans-Henrik Eriksen.

Duties of the Board of Directors

In 2017, the Board of Directors held 13 meetings, two of which focused on strategy and budgets, respectively. At the strategy meeting in December, the Board of Directors also discussed business risks and the management of such risks at group level. Once a year, the Board of Directors determines the framework for managing interest rate, credit and currency risks and risks related to raw materials and energy prices, and the Board of Directors follows up on the implementation of this framework on an ongoing basis. Discussion and revision of the rules of procedure are routine at the board meeting in June. All board members attend to the functions of the Audit Committee. Separate meetings in the Audit Committee are held in connection with board meetings.

The Board of Directors regularly assesses the Group's financial position, goals, dividend policy and share structure. The dividend policy is specified in the "Shareholder information" section, and the financial goals are specified in the "Strategic development 2022" section. The Board of Directors assesses that the financial structure is appropriate for the present size and challenges of SP Group, and the Board of Directors targets an equity ratio of 25-45% to ensure an efficient capital structure. It is expected that the equity ratio will have increased to 25-45% by the end of 2018. If the equity ratio increases, any excess capital is expected to be paid out to the shareholders.

The Board of Directors receives a weekly report from the Executive Board that details a number of recurring areas, including cash flows and developments in the business areas. In addition, the Board of Directors receives quarterly and monthly reports, including detailed financial follow-up.

Composition of the Board of Directors

The board members elected by the shareholders are up for election each year. 4-5 members is an appropriate number, as the Board of Directors can thus work efficiently and gather quickly while at the same time being diverse enough to represent different experiences.

The Board of Directors consists of persons with relevant insight into the plastics industry and management experience from internationally opera-

Gibo Plast, Tinby and Brdr. Bourghardt participated with an exhibit at the WindEnergy fair in Hamburg in September 2017. The picture shows Managing Director David Bourghardt and Sales and Project Manager Michael Vinbech Therkelsen.

Sales Manager Henrik Østrup, Gibo Plast

ting production entities. Hans W. Schur is connected to a major shareholder in the Company, but cannot be considered a majority shareholder. Thus, no member of the Board of Directors has any other interest in SP Group than safeguarding the shareholders' interests, and SP Group finds that the current board members possess the qualifications and experience necessary to manage the Group and act as an efficient sounding board vis-à-vis the Executive Board. Of the board members elected by the company in general meeting, Hans-Henrik Eriksen and Bente Overgaard are found to be independent in accordance with the criteria defined by the Committee on Corporate Governance. The other three board members have been members of the Board of Directors for more than 12 years.

At the general meeting in 2017, Erik Christensen retired after 15 years' committed and competent effort as board member.

At the ordinary general meeting in 2017, Bente Overgaard was elected for the position as new independent member of the Board of Directors.

All five board members accepts renomination at the annual general meeting in 2018. Niels Kristian Agner will turn 75 this year and wants to pass on the chairman position after 23 years. Provided that the Board of Directors is re-elected, it will appoint Hans W. Schur as its chairman and Erik P. Holm as its deputy chairman after the annual general meeting.

Hans-Henrik Eriksen will continue as chairman of the Audit Committee.

At the annual general meeting in 2009, the two employee representatives on the Board of Directors resigned as their term of office expired. No new representatives have been elected in accordance with the rules of election of group representatives for SP Group's Board of Directors. In the coming year, the Board of Directors will therefore only consist of the members elected by the shareholders.

Remuneration of Management

The Company's remuneration policy has been approved by the general meeting, most recently in 2014.

The Board of Directors has no incentive programmes but receives ordinary remuneration determined by the annual general meeting. At the general meeting in 2017, the Board of Directors will propose that directors' fees for 2017 should be increased to DKK 450,000 for the chairman, DKK 275,000 for the deputy chairman and DKK 225,000 for other board members. Directors' fees were most recently adjusted with effect for 2012. Moreover, it is proposed that the chairman of the Audit Committee should receive a separate fee of DKK 50,000 in addition to the directors' fee. The members of the Board of Directors will not receive any remuneration for ad hoc tasks, but will be reimbursed for travelling expenses in connection with meetings, etc.

For 2018, it is proposed that remuneration should remain unchanged.

Remuneration of the Executive Board is negotiated by the chairman and adopted by the Board of Directors. The remuneration consists of a basic salary and usual benefits such as company-paid telephone, car, etc. In 2017, the total remuneration for the Executive Board was DKK 6.8 million against DKK 5.8 million in the previous year. Members of the Executive Board make pension contributions themselves. The Company must give at least 24 months' notice of dismissal to CEO Frank Gad and at least 12 months'

Management remuneration

DKK'000	Remuneration	Membership of committees	Bonus	Company car	Pension *)	Share-based payment **)	Total
2017							
Niels Kristian Agner	450	0	-	-	-	-	450
Erik Preben Holm	275	0	-	-	-	-	275
Hans-Henrik Eriksen	225	50	-	-	-	-	275
Hans Wilhelm Schur	225	0	-	-	-	-	225
Erik Christensen	75	0	-	-	-	-	75
Bente Overgaard	150	0	-	-	-	-	150
Frank Gad	3,780	0	1,000	141	0	0	4,921
Jørgen Hønnerup Nielsen	1,590	0	200	117	0	0	1,907
	6,770	**50**	**1,200**	**258**	**0**	**0**	**8,278**
2016							
Niels Kristian Agner	400	0	-	-	-	-	400
Erik Preben Holm	250	0	-	-	-	-	250
Hans-Henrik Eriksen	200	50	-	-	-	-	250
Hans Wilhelm Schur	200	0	-	-	-	-	200
Erik Christensen	200	0	-	-	-	-	200
Frank Gad	3,600	0	300	138	0	0	4,038
Jørgen Hønnerup Nielsen	1,536	0	100	117	0	0	1,753
	6,386	**50**	**400**	**255**	**0**	**0**	**7,091**

*) Members of the Executive Board make pension contributions themselves
**) Members of the Executive Board chose to acquire their warrants against cash payment

Directorships in Danish and foreign companies, etc., at 1 March 2018

Niels Kristian Agner,
Director, Værløse, born 1943.
Member and Chairman of the Board of Directors since 1995.
No. of shares: 28,000 personally owned (-5,667) and 0 through his own company (0).
Other directorships: Pigro Management ApS (D), Aktieselskabet Schouw & Co. (BM), G.E.C. Gads Forlag Aktieselskab af 1994 (BM), G. E. C. Gads Fond (commissioned), Direktør Hans Hornsyld og Hustru Eva Hornsylds Legat (BM), Direktør Svend Hornsylds Legat (BM), Fonden LDE 2 GP (BM), Fonden LDE 3 GP (BM), Fonden MIFIF II GP (BM) and SP Moulding A/S (BF), Fonden Maj Invest Equity General Partner (BM), Fonden MIE 5 GP (BM).

Erik Preben Holm,
CEO, Hellerup, born 1960.
Member of the Board of Directors since 1997, Deputy Chairman.
No. of shares: 12,832 personally owned (-6,000)
Other directorships: Sticks 'N' Sushi Holding A/S (BF), Sticks 'N' Sushi A/S (BF), Sticks 'N' Sushi UK Ltd., Storbritannien (BF), Sticks 'N' Sushi Germany GmbH (BF), Victor Gruppen Restauranter Holding ApS (BF), Cenex ApS (BF), VGRH II ApS (BF), Arvid Nilssons Fond (NF), SP Moulding A/S (NF), AO Invest A/S (BM), Maj Invest Equity A/S (BM), Fonden Maj Invest Equity General Partner (BM), Brødrene A & O Johansen A/S (BM), Svendsen Sport A/S (BM), MIE4 7 Datter ApS (BM), Maj Invest South America S.A. (BM), Maj Invest Singapore Private Ltd. (BM), Maj Invest Holding A/S (D), Fondsmæglerselskabet Maj Invest A/S (D), Maj Invest Equity (Adm. D), Erik Holm Holding ApS (D), MIE5 Holding 4 ApS (D), LD Equity 1 K/S (MI), LD Equity 2 K/S (MI), LD Equity 3 K/S (MI), Maj Invest Equity 4 K/S (MI), Maj Invest Equity 5 K/S (MI), Maj Invest Equity Vietnam I K/S, Maj Invest Equity Southeast Asia II K/S (MI).

Hans Wilhelm Schur,
CEO, Horsens, born 1951.
Member of the Board of Directors since 1999.
No. of shares: 0 personally owned and close family 466,938 (-10,000).
Other directorships: Dansk Industri, Horsens (BM), Danmarks Industrimuseum (BF), Konsul Axel Schur og Hustrus Fond (BM), Konsul Axel Schur og Hustrus Mindefond (BF), Schurs Støttefond (BF), Schurs Fond (BM), Schur Finance a/s (BM), AXRU Invest a/s (BF), Schur International Holding a/s (D), Schur International a/s (BM), Schur Pack Denmark a/s (D), Schur Pack Sweden AB (BF), Schur Pack Germany GmbH (BF), Schur Ekmans Kartong AB (BF), Schur Technology a/s (BF), Schur Packaging Systems AB (BF), Schur Star Systems GmbH (BF), Schur Star Systems Inc. (BF), Schur Star Systems Australia Pty. Ltd. (BM), SP Moulding A/S (BM) and Dit Pulterkammer A/S (BM).

Hans-Henrik Eriksen,
CEO, Risskov, born 1960.
Member of the Board of Directors since 2013.
No. of shares: 3,500 personally owned (0) and 500 through his own company (+500).
Other directorships: Digi Kiosk ApS (BF), Advice House A/S (NF), Exact Brazil A/S (BM), EB Præference A/S (BM), Green Tech Center A/S (BM), Green Tech Houses ApS (BM), Green Tech Group A/S (BM), Food Innovation House ApS (BF), Bagger-Sørensen Fonden (BM), SP Moulding A/S (BM), Limb Holding ApS (BF), Limb Finance A/S (BF), Limb Holding Ltd. (BM), Michael Limb Holdings Ltd. (BM), High Firs Investment Company Ltd. (BM), Random Wood Investment Company Ltd. (BM), Jutland Equity Investment Company Ltd. (BM), Jabami ApS (BF), Navest A/S (BF), Ejendomsanpartsselskabet MT 04 (BF), Bricks A/S (BM), Bricks Ejendomme A/S (BM), Ejendomsselskabet SF44 A/S (NF), Nicolinehus A/S (BM),TAB LABS Ltd. (BM), Arcedi Biotech ApS (BM), Bagger-Sørensen & Co. A/S (D), Bagger-Sørensen Invest A/S (D), Vecata Ejendomme A/S (D), Vecata Invest A/S (D), Liplasome Pharma ApS (BM og D), 4 Best Invest ApS (D), Tina Holding ApS (D), J-Flight ApS (D), Idecra IVS (D), SoLoCa IVS (D), Gumlink A/S (D), Okono Holding ApS (D), Chew Invest ApS (D). Vissing Holding A/S (BF), Vikan A/S (BM), Vissing Fonden (BM), CCC3 Holding (D), Vejle Centrum ApS (D) (BM), Flex Funding A/S (BM).

Bente Overgaard,
MSc Political Science, Hellerup, born 1964.
Member of the Board of Directors since 2017.
No. of shares: 760 personally owned (+760)
Other directorships: Den Danske Naturfond (NF), Finansiel Stabilitet (BM), Energinet.dk (BM), Royal Arena (BM), Overgaard Advisory (D), CBS Bestyrelsesuddannelsen til bank/realkredit samt pension/forsikring (Programme director).

BF = Chairman of the Board D = Director NF = Deputy Chairman
BM = Board member MI = Member of investment committee

notice to CFO Jørgen Hønnerup Nielsen. If the members of the Executive Board are dismissed in connection with a takeover of SP Group (including a merger or other combination), the Company will not be obligated to pay special severance pay.

Members of the Executive Board are not eligible for any short-term incentive schemes such as bonus schemes, but the Board of Directors has decided to distribute discretionary bonuses in 2016 and 2017. However, SP Group has set up long-term incentive schemes.

In 2014, the Board of Directors issued 50,000 warrants to the Executive Board and executives in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 40,000 warrants were distributed between 26 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2017 – 31 March 2020; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 280 based on the listed price immediately before the publication of the annual report on 27 March 2014 and up to 29 April 2014. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2014 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2014 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2013. At year end 2017, 7,000 warrants under the 2014 programme were outstanding. All warrants are presently hedged by means of treasury shares.

In 2015, the Board of Directors issued 50,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 war-

Executive Board

Frank Gad, CEO
Born in 1960, MSc in Economics and Business Administration, Frederiksberg.
Frank Gad took up his position in November 2004 and is also the CEO of SP Moulding A/S and Chairman of the Board of Directors of the most significant subsidiaries of SP Group.
Previous employment: CEO of FLSmidth A/S (1999-2004), President of Mærsk Container Industri A/S (1996-1999) and employment at Odense Steel Shipyard Ltd. (1985-1999), Executive Vice President at the time of resignation.
External directorships: Director of Frank Gad ApS, Gadplast ApS and Gadmol ApS. Investeringsselskabet Damhaven A/S (BF).
Shares in SP Group: 89,966 personally owned (0) and 271,168 (-6,105) through his own company. Related party 3,990 (0).

Jørgen Hønnerup Nielsen, CFO
Born in 1956, Graduate Diploma in Business Administration, Odense.
Jørgen Nielsen joined Tinby in 1987 and has been employed in SP Group since 2002. Jørgen Nielsen was admitted as member of the Group Executive Board at 1 March 2007.
Previous employment: Rasm. Holbeck og Søn A/S 1985-87, Revisionsfirmaet Knud E. Rasmussen 1978-85.
External directorships: None.
Shares in SP Group: 26,995 personally owned (+300).

Management team

Other executive officers in SP Group are:
Mads Juhl, CEO of Accoat A/S
Lars Ravn Bering, Managing Director of Gibo Plast A/S and VP of Business Development in SP Group A/S
Torben Nielsen, Managing Director of Tinby A/S
Adam Czyzynski, Managing Director of Tinby Sp. z o.o., Poland
Jeroen van der Heijden, Chairman, TPI Polytechniek B.V., the Netherlands until 31 March 2018
Loïc van der Heijden, Managing Director of TPI Polytechniek B.V., the Netherlands
Claus Lendal, CEO of Ergomat A/S
David Bourghardt, CEO of Brdr. Bourghardt AB, Sweden
Søren Ulstrup, CEO of Ulstrup Plast A/S and Manager of SP Moulding A/S
Torben Krøyer Bruhn, Managing Director of MedicoPack A/S
Arild S. Johnsen, CEO of Plexx AS / Opido AB
Andreas Lagestig, Managing Director of Opido AB
Kent Bøllingtoft Madsen, CEO of MM Composite A/S
Mia Mørk, Executive Assistant, SP Group A/S
Kenny Rosendahl, CEO of SP Medical A/S
Mogens Laigaard, Director of SP Medical A/S, guide wire department
Jan R. Sørensen, Managing Director of SP Moulding (Suzhou) Co., Ltd., China
Jens Birklund Andersen, Director of SP Moulding A/S, Stoholm, and of Sander Tech ApS
Jesper R. Holm, Director of SP Moulding A/S, Juelsminde
Jan Kyster Madsen, CEO of SP Extrusion A/S
Iwona Czyzynski, Plant Manager, SP Medical Sp. z o.o., Poland
Renato Miom, Plant Manager, Accoat do Brasil Ltda., Brazil
Anie Simard, Vice President, Ergomat Inc., USA
Monika Karczewska, Plant Manager, SP Moulding Sp. z o.o., Poland
Niels Nørgaard, Plant Manager, Tinby Co. Ltd., China
April Zhu, Supply Chain Manager, Tinby Co. Ltd., China
Martin Baca, Managing Director of Ulstrup Plast s.r.o., Slovakia
Pawel Michalski, Plant Manager, SP Medical Sp. z o.o., Poland
Dominika Rytczak, Plant Manager, Gibo Sp. z o.o., Poland
Przemyslaw Tuzikiewicz, Plant Manager, Tinby Sp. z o.o., Poland
Jacek Staszczyk, Plant Manager, Ergomat Sp. z o.o., Poland
Kim Holm Hansen, Director, Tinby Skumplast A/S

rants, and Jørgen Nielsen received 4,000 warrants. The remaining 40,000 warrants were distributed between 26 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2018 – 31 March 2021; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 255 based on the listed price immediately before the publication of the annual report on 26 March 2015 and up to 27 April 2015. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2015 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2015 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2013. All warrants are hedged by means of treasury shares.

In 2016, the Board of Directors issued 59,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 49,000 warrants were distributed between 29 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2019 – 31 March 2022; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 390 based on the listed price immediately before the publication of the annual report on 30 March 2016 and up to 27 April 2016. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2016 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2016 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016.

In 2017, the Board of Directors issued 70,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 60,000 warrants were distributed between 37 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2020 – 31 March 2023; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 775 based on the listed price immediately before and after the publication of the annual report on 30 March 2017. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2017 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2017 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016.

The Board of Directors believes that share-based arrangements are necessary to ensure that SP Group will be able to attract and retain qualified executive officers and other key personnel. The Board of Directors wishes to tie the executive officers closer to the Group, reward them for their contribution to the long-term value creation and establish that executive officers and shareholders have a common interest in increasing share prices.

SP Group's programmes so far have all been multi-annual programmes to promote long-term conduct among the executive officers, and as a result of the annual interest surcharge, the exercise price has been higher than the share price at the grant date. These principles will also apply going forward.

Key elements in the Group's internal control and risk management systems in connection with the financial reporting

Financial reporting process

The Board of Directors and the Executive Board have the overall responsibility for the Group's control and risk management in connection with the financial reporting process, including compliance with relevant legislation and other adjustments in connection with the financial reporting. The Group's control and risk management systems can provide reasonable but not absolute assurance that fraudulent use of assets, losses and/or material errors and omissions in connection with the financial reporting are avoided.

Control environment

At least once a year, the Board of Directors assesses the Group's organisational structure, the risk of fraud and the existence of internal rules and guidelines.

The Board of Directors and the Executive Board lay down and approve overall policies, procedures and controls in significant areas in connection with the financial reporting process, including business procedures and internal controls, budget and budget follow-up procedures, procedures for the preparation of monthly financial statements and controlling in this connection and procedures for reporting to the Board of Directors.

The Board of Directors may set up committees in relation to special tasks. For further information, see the section "Proper and decent management".

The Executive Board regularly monitors compliance with relevant legislation and other regulations and provisions in connection with the financial reporting and reports to the Board of Directors on an ongoing basis.

Risk assessment

At least once a year, the Board of Directors makes an overall assessment of risks relating to the financial reporting process. As part of the risk management, the Board of Directors considers the risk of fraud and the measures to be taken in order to reduce and/or eliminate such risks. In this connection, Management's incentive/motive, if any, for fraudulent financial reporting or other fraud is discussed.

Audit Committee

The duties of the Audit Committee are attended to by all members of the Board of Directors. Hans-Henrik Eriksen, who is an independent member, possesses accounting and audit qualifications. Hans-Henrik Eriksen is chairman of the Audit Committee and state authorised public accountant. Bente Overgaard is also an independent member.

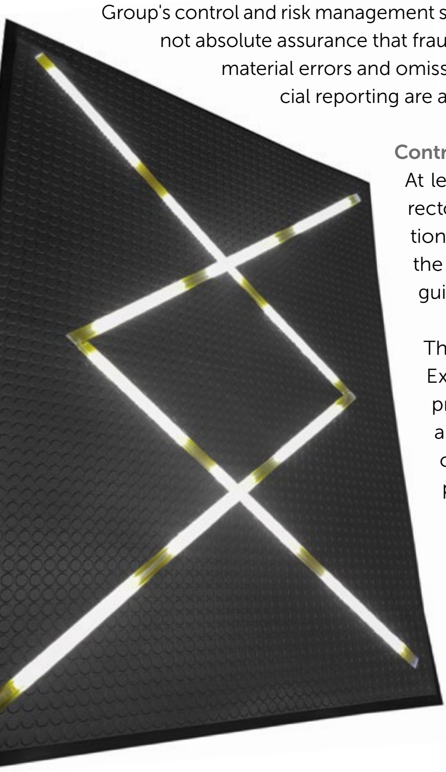
Auditor

To perform the audit, an audit firm of state authorised public accountants is appointed at the annual general meeting upon the Board of Directors' recommendation. The auditor is a representative of the general public. The auditor prepares long-form audit reports to the collective Board of Directors at least twice a year and also immediately after identifying any matters that the Board of Directors should address. The auditor participates in the meetings of the Board of Directors in connection with the presentation of long-form audit reports to the Board of Directors. Prior to the recommendation for appointment at the annual general meeting, the Board of Directors makes an assessment, in consultation with the Executive Board, of the auditor's independence, competences, etc.

All major subsidiaries are audited by the Company's auditor or by their foreign business partners.

Ownership interests at Mid-March 2018:

Board of Directors and Executive Board:	Private	Own company	Related party	Total	% of share capital
Niels Kristian Agner	28,000			28,000	1.2
Erik Preben Holm	12,832			12,832	0.6
Hans Wilhelm Schur			466,938	466,938	20.5
Hans-Henrik Eriksen	3,500	500		4,000	0.2
Bente Overgaard	760			760	0.0
Frank Gad	89,966	271,168	3,990	365,124	16.0
Jørgen Nielsen	26,995			26,995	1.2
	162,053	**271,668**	**470,928**	**904,649**	**39.7**



Ergomat's new innovative product with built-in LED technology in the Deluxe series of ergonomic mats has been well received by customers, particularly in the automotive and aviation industries

Shareholder information

CEO Frank Gad at Nasdaq in New York

Overall objective

SP Group seeks to communicate openly the Group's operations, development, strategy and goals. The purpose is to ensure the liquidity of the Company's share and that the pricing reflects the realised results as well as future earnings potential. SP Group's goal is to ensure a positive rate of return to the shareholders through increases in the share price and payment of dividends.

Share capital

SP Group's share is listed on NASDAQ Copenhagen under the short name SPG, the ISIN code DK0010244771 and ID CSE3358. SP Group is registered in the "Materials" sector. SP Group is included in the OMX Copenhagen Benchmark Index.

The share capital of DKK 22.78 million is divided into 2,278,000 shares of DKK 10 each. SP Group only has one class of shares, all shares are freely negotiable, and the voting and ownership rights are not subject to any restrictions.

No changes were made to the share capital in 2017.

The Board of Directors is mandated to carry out a capital increase in accordance with the existing warrant programmes. At the same time, the Board of Directors is authorised to further increase the share capital by up to nom. DKK 8 million in the period until 1 April 2022 by subscribing for new shares at market price or a lower price determined by the Board of Directors, however, not below DKK 10 per share.

The Board of Directors is authorised to let the Company acquired treasury shares of a nominal value of up to 10% of the share capital. The consideration must not deviate from the market price at the date of acquisition.

Change of control

The Company's lenders are entitled to renegotiate the loan terms in case of change of control. A number of customers are entitled to cancel trading agreements in case of change of control.

Shareholders' return

At present, the Board of Directors of SP Group primarily intends to apply profits to strengthen the Company's financial position and finance initiatives that can contribute to profitable growth. The Board of Directors proposes dividend of DKK 10.00 per share to the shareholders, as the Group has reached its goal that EBIT should exceed 5% of revenue, and that the equity ratio should exceed 25%. NIBD/EBITDA is below 3.5.

During the year, the SPG share was traded at prices between 641 and 1,249. The share price was DKK 674 at the beginning of the year and DKK 1,095 at year end, corresponding to a market value of DKK 2,494.4 million. The market value at the end of 2017 was the highest among the Small Cap companies on Nasdaq Copenhagen. As from 1 January 2018, SP Group was moved to Mid Cap.

In 2017, the return on the share was 63.4%, including dividend of DKK 6.00. The return on the SPG share was thus considerably higher than the general development on Nasdaq Copenhagen.

In the period from 1 January 2010 to 31 December 2017, the SPG share yielded a total return of 2,501%, including dividend.

Share split

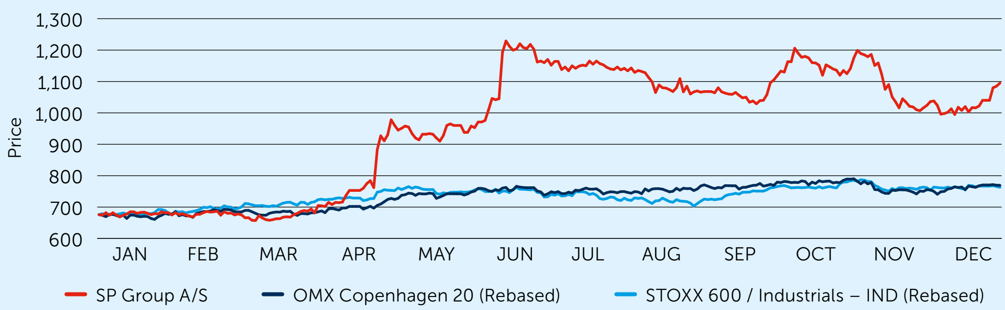
The Board of Directors recommends that the company in general meeting authorises the Board of Directors to carry out a share split in the ratio 1:5 to increase interest in the SPG share and to improve liquidity and the free flow in the market.

Share buy-back programme

The Company will still try to fully or partially hedge warrant programmes by buying back treasury shares. To partially hedge existing warrant programmes, SP Group A/S launched a new share buy-back programme on 30 March 2016 under the Safe Harbour regulation for DKK 20 million, starting on 11 April 2016 and expiring on 31 December 2016 (company announcement no. 14/2016). The share buy-back programme was later extended up to and including 10 April 2017 and expanded to DKK 40 million (company announcement no. 44, 2016).

A total of 68,585 shares were acquired at an average price of 583.19 under the programme, and DKK 40.0 million was applied (company announcement no. 23, 2017).

Development in the SPG share 1 January - 31 December 2017. Index 01/01/2017 = 676.0



On 30 March 2017, the Board of Directors decided to launch a new share buy-back programme for DKK 30 million under the provisions of EU Regulation no. 596/2014 dated 16 April 2014 on market abuse, the so-called "market abuse regulation", starting on 11 April 2017 and expiring on 31 December 2017 (company announcement no. 17/2017). The share buy-back programme was later extended up to and including 10 April 2018 and expanded to DKK 60 million (company announcement no. 49, 2017). At year end 2017, DKK 44.5 million of this amount had been applied.

In 2017, 56,000 shares were sold via the exercise of warrants. SP Group's holding of treasury shares at year end 2017 amounted to 43,492 shares, representing 1.91%.

A new share buy-back programme under the provisions of EU Regulation no. 596/2014 dated 16 April 2014 on market abuse will be launched. The programme will run from 11 April 2018 to 31 December 2018 for an amount of up to DKK 40 million. The purpose is partial hedging of warrant programmes.

Ownership and liquidity

In mid-March 2018, three shareholders reported a holding of more than 5% of the shares: Schur Finance a/s, ATP and Frank Gad (including his related parties) with a total of 42.7%. During the year, the number of registered shareholders increased from 1,299 to 2,023, and the registered shareholders' total ownership interest now amounts to 95.2% of the share capital (against 95.5% at the end of March 2017).

The known shareholder base outside Denmark is still modest, but rapidly increasing. 86 international shareholders holding a total of 18.0% of the shares have become registered (73 at the end of March 2017 and 14.6% of the shares at the end of March 2017).

During the year, 658,866 shares were traded on Nasdaq, and 56,000 shares were traded outside Nasdaq, corresponding to 31.4% of the share capital. The market price of the shares traded on Nasdaq amounted to DKK 629.0 million. Measured in DKK, the share trading volume on Nasdaq was 77.3% higher than the previous year, and measured in number of shares, revenue was 6.6% higher than the previous year.

Information

Generally, SP Group seeks to maintain an ongoing, timely and balanced dialogue with existing and potential shareholders, share analysts and other stakeholders. The Company's executives participate in meetings with both professional and private investors as well as analysts on an ongoing basis. Presentations from the meetings are available on the website where other relevant information can also be found and access to news subscriptions is provided. Finally, it is important to SP Group that all requests and enquiries from shareholders and other stakeholders are handled as quickly as possible.

SP Group has an idle period of three weeks up to the publication of scheduled interim and full-year reports where the Group does not comment on financial performance or expectations. Outside these idle periods, the central point of communications to the share market is the well-defined financial goals set out by the Group that SP Group follows up on regularly.

The person responsible for investor and analyst relations is CEO Frank Gad, tel. (+45) 70 23 23 79, e-mail: info@sp-group.dk

Additional shareholder information is available on the website www.sp-group.dk

Stock exchange announcements published in 2017 and 2018: Announcements are available at SP Group's website: www.sp-group.dk

Financial calendar for 2018

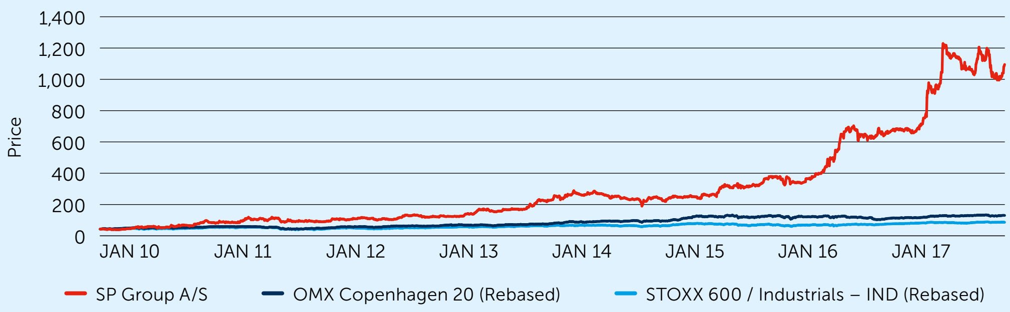
22 March	Announcement of financial statements for 2017
23 April	Interim report for Q1 2018
26 April	Annual general meeting
22 August	Interim report for H1 2018
12 November	Interim report for Q3 2018

Share information – SP Group A/S – mid-March 2018

Name	Registered office	Number	Share (%)
Schur Finance a/s	Horsens	466,938	20.5%
Frank Gad (including related parties)	Frederiksberg	365,124	16.0%
ATP	Hillerød	141,302	6.2%
		973,364	**42.7%**
Distribution of other shares			
SP Group (treasury shares)		53,535	2.4%
Registered shares below 5%		1,145,356	50.3%
Non-registered shares		105,745	4.6%
TOTAL		**2,278,000**	**100.0%**

In mid-March 2018, SP Group had 2,023 registered shareholders (including 86 foreign).

Development in the SPG share 1 January 2010 - 31 December 2017. Index 01/01/2010 = 42.9



Quality control

At the end of 2017, all the Group's production sites in Denmark, Latvia, Poland, Slovakia, Sweden, China and USA were ISO 9001-certified.

Site	ISO 9001	ISO 14001	ISO 18000	Other
Gibo				
– Denmark	x	x	x	TS 16949 planned
– Poland	x	x	x	DIN 6701
Plexx / Opido				
– Sweden	x	x		
SP Moulding				
– Juelsminde	x	x		
– Stoholm	x	x		IATF 16949
– Poland	x	x		ISO 26000 planned
– China	x	x	x	
SP Medical				
– Karise	x	x		ISO 13485
– Poland	x	x		ISO 13485
Brdr. Bourghardt				
– Latvia	x	x		
Tinby				
– Denmark	x	x	x	
– Poland	x	x	x	
– China	x	x		
Accoat				
– Stoholm	x	x		
– Kvistgaard	x	x		
– Brazil				Customer audit
Ulstrup Plast				
– Lynge	x			
– Slovakia	x	x		
MedicoPack				
– Denmark	x			ISO 13485, ISO 50001 and ISO 15378
MM Composite				
– Ejby	x	x		
– Nr. Aaby	x	x		
– The US	x	x		

R & D

Things are moving fast, really fast, also when it comes to development of plastics and plastics technologies. Demand for environmentally friendly plastics solutions is growing in line with the continual improvement of the qualities of plastics. It is a long time ago plastics were chosen just because the material was cheap. Today, plastics are chosen more often due to its unique qualities. A good example is the wind turbine industry, which uses composites, a combination of plastics and other materials.

At SP Group, we optimise our production technologies, aiming at staying competitive on a global scale based on high-volume production. Our R & D department takes part in this trend, but our focus is on composites. Together with our customers, universities and producers of raw materials, we constantly strive to push the boundaries and creating value for everybody. In our work with composites, three important factors need to be optimised:

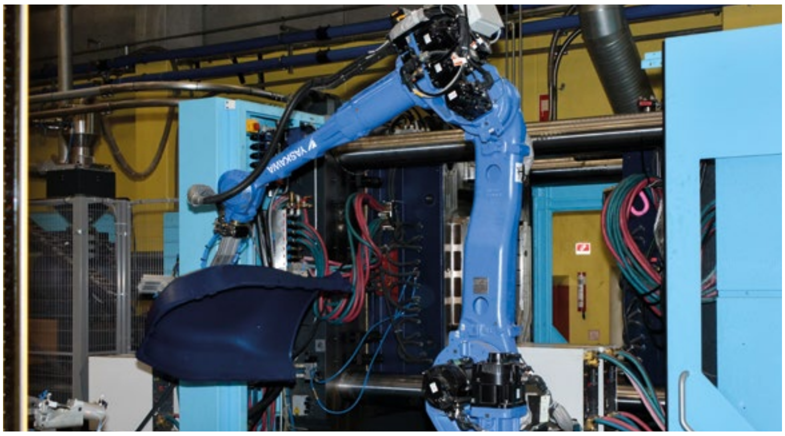
1. **The adhesion between the individual components:** By joining forces with a university and another business entity, we have developed a "nanoglue", which is currently being tested by our customers. We have filed patent applications in respect of this technology in several countries.

2. **Choice of components:** We participate in two projects where graphene is used as filling material. A new non-stick, antistatic coating based on graphene has been developed and sold. Activated graphene may be used as a reactive component in PUR and considerably improve the mechanical qualities of PUR. At present, we are testing this solution in co-operation with a university.

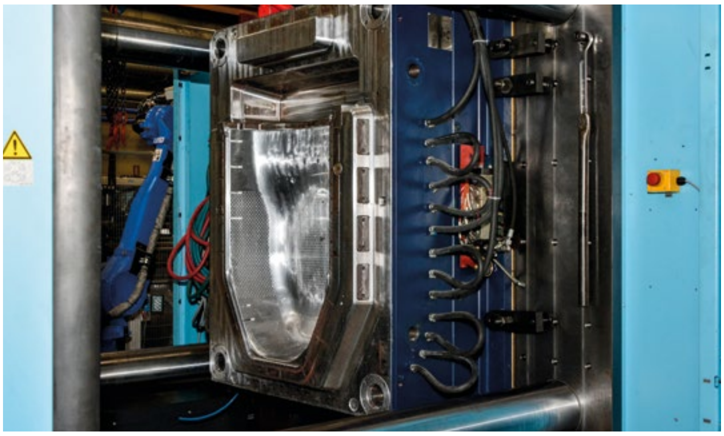
3. **Manufacturing technologies:** Additive Manufacturing (AM), or so-called "layer upon layer" manufacturing, also known as 3D print, has so far mostly been used for manufacturing of prototypes. Demand for large items is on the increase, and so is demand for tailored solutions. 3D print makes it possible to manufacture items for moulds at low start-up costs, and allowance may be made for individual solutions using robot programming. A PUR graphene composite will be an obvious choice of material.

It is very positive for SP Group that EUDP has approved a grant for a 3-year AM project in which we are participating. The project will afford SP Group a unique possibility of being at the cutting edge, globally, in the area of 3D print of large industrial items.

Robot system at work in the factory in Juelsminde



Mould



Corporate social responsibility

Corporate social responsibility

It is important to SP Group that we can increase the Group's earnings and growth in a responsible manner. With our presence in USA, Asia and several countries in Europe, our production and activities impact both people and the environment in various types of society.

We are proud that the Group can contribute financially to the communities of which we are part by being innovative and creating workplaces. However, acknowledging that our products increase the consumption of plastics, we actively assume responsibility for developing our production in a manner which increasingly reduces any adverse impact on the environment and contributes to a sustainable development.

SP Group's overall CSR and sustainability efforts are in line with the 10 principles under the UN Global Compact regarding the environment, human rights, employee rights and anti-corruption. SP Group's largest subsidiary, SP Moulding A/S, adopted Global Compact in 2012 and is making a systematic effort to comply with the 10 principles. Accoat adopted the Global Compact in 2017.

To ensure that we fulfil our responsibility ambition, we have adopted a CSR policy, which reflects SP Group's fundamental value proposition: to come up with optimum plastic solutions to the benefit of both our customers and society at large. In that way, the CSR policy constitutes a framework for all our activities and our profile as a responsible place to work and a responsible business partner.

Also, we have adopted a Supplier Code of Conduct, which is the basis for positive co-operation with our suppliers with a view to promoting responsibility and sustainability in the supplier chain.

Below, we give an account of SP Group's many efforts and results in 2017. For every area, we have also set targets for the coming year.

Environment and climate

In SP Group, we are systematically striving to reduce our impact on the environment and promote a higher level of environmental responsibility. In doing so, we make use of environmentally friendly technologies and materials and a certified environmental management system.

SP Group continually focuses on reducing the effects of the Group's activities on the environment by reducing the water, electricity and heating consumption, thus reducing CO_2 emissions and optimising energy consumption.

Our target is to contribute to environmental sustainability through our customers' use of SP Group's products. Thus, 34% of our revenue stems from the cleantech industry, which uses our products to

- reduce energy consumption
- produce renewable energy
- purify smoke from coal-fired power plants and petrochemical plants.

Risk

SP Group's primary environmental risk is associated with consumption of resources and waste from production.

The production plants are subject to a number of environmental requirements in all countries, and further, a number of environmental and quality assurance systems have been implemented by the plants on a voluntary basis.

SP Group believes that the Group complies with all current environmental regulations and that no enforcement orders remain unsolved anywhere in production.

In spite of extensive safety procedures, the external as well as the working environment may be affected in case of accident.

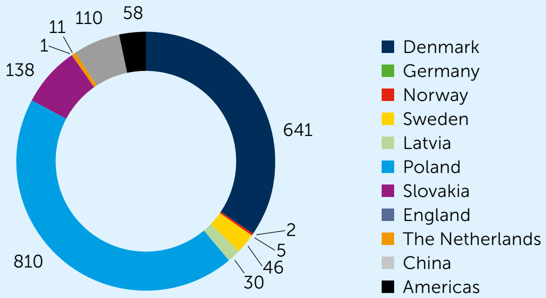
Reduction of energy, electricity and water

The most considerable impact on the environment occurs when the SP Group entities consume energy, particularly power, during production. To SP Group, it therefore makes sense to reduce the consumption of energy, electricity and water.

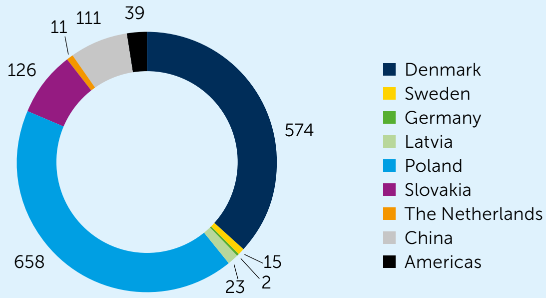
By continuing to invest in energy-saving equipment and closely monitor developments in key consumption indicators at all our plants, we ensure that we can control and reduce consumption of resources and costs on an ongoing basis. By implementing resource-reducing measures, the individual plants contribute to both cost reduction and a positive external environmental impact in their local community. These measures led to a reduction in the consumption of resources in 2017.

Even though SP Group's direct CO_2 emissions are modest, here we seek also to further the positive environmental impact by purchasing a significant portion of the power we use in Denmark from plants that produce renewable energy, primarily from wind turbines.

Staff breakdown by geography in 2017 (average)



Staff breakdown by geography in 2016 (average)



Less waste, more reuse
The increase in the price of raw materials and waste disposal expenses has made SP Group increase focus on reducing the consumption of raw materials and the waste percentage. Consequently, all plants now focus on producing less waste and increasing reuse of plastic materials.

At SP Moulding's and Ulstrup Plast's factories, this is done by use of decentralised grinders on all machines to ensure that excess material from the production of each component is ground immediately and led down a closed system together with the plastic material for the next component. Gibo Plast and SP Medical use central grinders to ensure reuse of excess material in other product components. Tinby and Ergomat have also enhanced process efficiency so that the extent of use has increased and the amount of waste has gone down.

Since 2013, SP Group has been working on developing a product that replaces wood from rain forests by plastics from sorted household waste (Plastic Wood Compound).

The recycled plastics can be used for selected product types, thus contributing to a distinctive reduction of the environmental impact – both in the production phase and in connection with the customer's subsequent use and disposal of the product.

Environmentally friendly technologies
By using environmentally friendly technologies, SP Group seeks to show that plastics – when produced and used with care – is an environmentally better choice.

In environmental life cycle analyses, plastics generally rank higher than most alternative materials, being for instance more light and flexible than metal. When, for instance, plastic is used instead of metal on the exterior parts of rolling stock such as agricultural machinery, tractors, combine harvesters, buses and cars, the life of the equipment is prolonged. In addition, the capacity of transport equipment is increased, reducing fuel consumption.

Thanks to its insulating properties, polyurethane can contribute to reducing waste of heat and ensuring efficient ventilating systems. Also, environmental effects can be obtained by using fluoroplastic coatings as corrosion protection, e.g. in flue gas purifying plants at coal-fired power plants to avoid acid rainwater. Other coatings of surfaces with fluoroplastics can generate considerable savings on cleaning materials and solvents as well as water.

Environmental management system
It is SP Group's strategy that all production entities must implement a certifiable environmental management system that ensures

- use of environment-friendly products in the production and development processes
- minimisation of waste and refuse as well as resource consumption
- reuse of materials and products to the widest extent possible
- a satisfactory working environment where safety and environmental impacts are prioritised.

Human rights

CSR policy
We wish to support and respect the protection of human rights internationally. In countries where there is a risk of human rights abuse, we will strive to prevent any human rights abuse and take remedial action should we encounter such abuse.

As SP Group wants to contribute to the protection of human rights in the countries in which we operate, we try to promote measures that have a positive impact on human rights and seek to mitigate any adverse impact on human rights in our value chain and at our sub-suppliers.

Our efforts are based on international human rights conventions and, in the EU, also on the fundamental rights laid down in the EU Treaty.

Risk
SP Group is aware of the current and potential risks that our production, activities and business partners may cause in relation to human rights.

Outcome
SP Group was not involved in and did not experience human rights abuse in the Group or at sub-suppliers in 2017.

Privacy
SP Group makes sure that personal data regarding our employees and customers are treated in a way that meets the statutory requirements in relation to privacy and personal data protection. For instance, we have taken security measures to protect personal data from being misused, leaked or destroyed. In 2017, SP Group initiated a project to ensure that the Group complies with the EU's General Data Protection Regulation by reviewing all entities' use and storage of personal data and ensuring that it takes place in accordance with the Regulation. Moreover, the Group's IT systems are reviewed in terms of security and access to personal data.

Discrimination
SP Group makes an active effort to discourage discrimination, both internally in relation to our employees and externally in our supplier chain. In this connection, we also focus on equal treatment and equal opportunities for everyone.

Trade payables
Our suppliers are obligated to comply with a Supplier Code according to which they must, among other things, promote the protection of human rights.

To ensure that this requirement is met, we cooperate and communicate with our suppliers on a current basis, while at the same time monitoring that they assume responsibility in this area. If some supplier does not meet the requirements of our Supplier Code of Conduct, we can terminate our agreement with the supplier with immediate effect.

Employees

CSR policy
We acknowledge our employees' rights in respect of freedom of association and collective bargaining.

We want to ensure that our employees enjoy good conditions of employment in a secure and healthy working environment. We will strive to ensure that our employees are offered development opportunities at work, e.g. through continuing education and training.

We strongly disapprove of forced labour and child labour. If we engage youth workers aged 15-18, they are not allowed to perform dangerous work or night work.

We respect differences in cultures and traditions and will not discriminate against anyone at the workplace on account of his or her age, sex, race, complexion, disability, religion or faith, national or social origin, union membership or any other cause of discrimination.

Aiming at running all SP Group entities as sound entities and attractive places of work, we make targeted efforts to ensure basic employee rights and a safe, respectful and stimulating working day for each individual employee.

We base our efforts on national and international rules and rights for employees and, locally, take the measures that are needed to put the requirements into practice.

Risk
SP Group is investigating on an ongoing basis if, in our production or via sub-suppliers, we have a current or potential risk of becoming involved in child labour or forced labour.

To minimise such risk, we do not employ minors in the Group. Any kind of discrimination in working and employment conditions is prohibited as well.

Outcome
To the best of our belief, SP Group was not involved in or experienced any adverse impact on employee rights in the Group or at sub-suppliers in 2017.

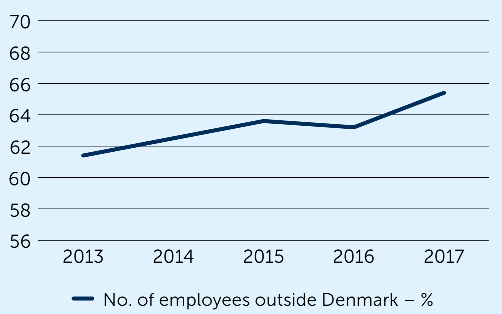
Staff composition
On average, SP Group's staff outside Denmark increased by approx. 22.9% to 1,211 employees in 2017. The number of employees in Denmark increased from 574 to 641.

Globally, SP Group's staff increased from 1,696 at the beginning of the year to 1,934 at year end. On average, SP Group had 1,852 employees in 2017. At year end, 33.9% of the staff was employed in Denmark, and 66.1% was employed outside Denmark.

The year saw a shift of approx. 2.8 percentage points as part of the increased internationalisation of the business and the acquisition of Tinby Skumplast and MM Composite. Going forward, growth is expected to be generated primarily in Eastern Europe, Asia and USA.

Diversity
The long-term goal is for SP Group to reflect society at large and, in particular, our customers, both in terms of gender, nationality and ethnicity. This reflection of society should contribute positively to the Company being perceived as an attractive choice for both customers and current and future employees. In order for the Group to be able to fulfil its business goals in the long term, we see diversity as an important contribution.

No. of employees outside Denmark in 2013-2017 (average)



Female leaders
The Board of Directors of SP Group A/S has adopted a policy with the purpose of increasing the ratio of the underrepresented gender at all levels of management and promoting diversity in general. The goal is still to fill managerial posts based on the qualifications needed, while at the same time increasing the ratio of women where possible.

At year end, the ratio of women in Management (Executive Board and management team) was 18%. SP Group still aims to ensure that at least one male and one female candidate are among the top three candidates for new leadership positions.

The Board of Directors has set a target for the ratio of the underrepresented gender among board members elected by the company in general meeting of 20% by 2017. The Board of Directors consists of five members elected by the general meeting. This target was set based on a time horizon of three years. At the annual general meeting in 2017, Bente Overgaard was elected. The target is maintained.

Wage and working conditions
In Denmark, wage and working conditions are determined in collective agreements resulting from local negotiations. In foreign jurisdictions, employee conditions and rights are primarily laid down in legislation, codes and regulations. As an employer, SP Group observes, as a minimum, national legislation and collective agreements as well as rules governing working hours, etc., and also strives to distribute extra benefits.

In connection with comprehensive rounds of job cuts, SP Group not only complies with the rules of notice and negotiations with employees, but also seeks to ease the consequences for the employees affected.

A safe and healthy working environment
SP Group creates a safe and healthy working environment for our employees, partly through the working environment organisation and partly through policies and targeted efforts to ensure safety and health on a day-to-day basis. For instance, we always make sure that our employees get the protective equipment and the training needed to perform their work in a safe manner.

Access to education
All employees in SP Group are allowed to improve their qualifications through continuing and further education.

SP Group also applies systematic roll-out of Lean processes to the Group's plants to enable the employees to influence their own working situation as well as processes and work flows.

The target set for 2018 is to continue the skills development of employees, allowing them to attend to several different tasks. This will increase flexibility in production and make the working day more varied for the employees.

Freedom of unionisation
All employees in SP Group have the right to freely unionise, express their opinions and participate in or elect people to participate in collective bodies. Employees of the Danish entities appoint representatives for joint consultation committees and working environment committees where they meet with local management. At the production units outside Denmark, systems have been established allowing the employees to appoint spokesmen for negotiations with Management.

New injection moulding factory, SP Moulding, Poland

Fight against corruption

CSR policy
We wish in all of our external relations to maintain a high level of integrity and responsibility, and we do not engage in corruption or bribery. We refrain from offering, promising or giving any kind of bribes in order to wrongfully influence public-sector employees, judges or business relations. We also refrain from taking or accepting any kind of bribes ourselves.

Our agents, intermediaries, consultants or other persons acting on our behalf are subject to the obligation not to engage in corruption or bribery.

To ensure that our employees and other persons representing SP Group do not engage in corruption, we developed a learning programme in 2016. The programme contributes to ensuring a high knowledge level in respect of bribery, receipt of gifts, events, etc., and provides our employees with insight into the rules on anti-corruption. It further helps them understand when they are at risk of becoming engaged in corruption and what their scope for action is.

Risk
SP Group carries on activities in parts of the world where corruption attempts are an everyday occurrence. For instance, parts of the Group are often met with requests for secret commission or the like.

Outcome
As SP Group does not engage in corruption or bribery, we have drawn up an anti-corruption policy that instructs all employees in how to mitigate corruption.

Our global joint responsibility

In 2017, SP Group focused on our joint responsibility to contribute to a more sustainable world. In co-operation with our customers, we have developed and manufactured products promoting quality of life and resource efficiency for the benefit of the climate, environment and people.

We also take a forward-thinking approach to our operations and production to improve resource consumption and promote sustainable processes. It benefits both our communities and our employees' health and safety.

With our presence in 11 countries and sales in all parts of the world, we are able to provide favourable conditions to people globally. Thus, we contribute to meeting the UN's 17 sustainable development goals.

Environment and climate

In the entire SP Group, we systematically strive to reduce our impact on the environment and promote a higher level of environmental responsibility. Our products largely replace the use of metals, and we apply more environmentally friendly technologies and materials in our production processes.

Efforts

Clean drinking water is critical to ensure a decent standard of living and health all over the world. Through its products, SP Group contributes to providing access to clean drinking water.

At SP Moulding's factory in China, we manufacture various water purification products that people in developing countries use to clean contaminated water from rivers and lakes. We have been involved since the launch of the products and have delivered the products to all parts of the world. The cleaning process itself is carried out without any energy consumption. The products can be used everywhere, but are particularly used in disaster zones and areas where the water is contaminated and thus hazardous to health. The products have been approved under the American EPA Drinking Water Standards.

The quality of pipes and tanks for circulation of drinking water is also critical to water purity.

In Accoat, we manufacture coatings that are approved for food contact to ensure drinking water quality.

We use water in our production and thus monitor our water consumption.

Figure 1 – Water consumption

Water consumption	2017	2016	2015
Water (m3)	18,830	20,635	19,283

Reduction of energy consumption and access to **renewable energy** are fuelled by SP Group's products.

SP Group manufactures plastic and composite components for wind turbines that make the turbines better and cheaper, thus making electricity generated by the turbines cheaper. We have a large number of customers within green energy who by means of their products and equipment have a positive impact on our planet.

Our coatings of biogas applications enable production of degassed manure. They contribute to reducing the use of chemicals in the production process and minimise energy consumption. Together with our customers, we have a positive impact on the environment in the form of reduced emission of pesticides in creaks, lakes, other waterways and the oceans.

We also focus on our energy consumption when operating our factories. We do not use coal, primarily use natural gas to heat ovens and premises and use electricity to drive the production processes.

In Denmark, 55% of electricity in 2017 came from wind, water and solar energy, 3% from nuclear power, 18% from waste, biogas and biomass, 6% from natural gas, 1% from oil and 17% from coal and brown coal according to Energinet's declaration.

Figure 2 – Energy consumption

Energy consumption	2017	2016	2015
Coal (kg)	0	0	0
Fuel oil (litre)	132,020	102,321	105,593
Natural gas (m3)	1,277,655	1,024,167	968,163
Electricity (kWh)	52,191,233	48,161,302	44,989,081

Electricity consumption (kWh) per DKK million in revenue

2017	2016	2015
27,700	31,706	34,087

As an industrial company, we can best promote **sustainable industrial processes and innovation** through our own day-to-day practice.

We do this, for instance, through SP Group's subsidiary Ergomat, which is market leading within safety and optimisation of internal infrastructure in large companies by using kinetic contact technology. The technology activates blinking LED signs and acoustic warnings to distant areas of, for instance, a production hall. It makes expensive electrical solutions redundant and increases employee safety.

In general, we constantly seek to innovate and make our production processes more efficient for the benefit of both employees and customers.

Many of our activities contribute to the development of **sustainable cities and environments**. Sustainable types of production and products are important to our future, and we would like to play a part in making changes with positive impacts.

SP Group's subsidiary Tinby Skumplast A/S supplies foam sheets in PUR for both new construction and renovation. PUR is used in sandwich structures for façade and building components and is one of the most efficient insulation material in the world. PUR provides high thermal performance with minimum insulation thickness, thus significantly improving the energy efficiency of buildings and reducing CO_2 emissions. With lambda values (thermal conductivity) as low as 0.022 W/mK, insulation properties (expressed in U values) as high as the insulation properties obtained when using ordinary insulation materials can be obtained even though a considerably thinner layer of PUR insulation is used. Today, the building and construction sector accounts for 40% of the EU's total energy consumption and for the largest share (36%) of the EU's CO_2 emissions. Consequently, there is a large unused potential for cost-effective energy savings when using PUR as an alternative to other insulation materials.

Waste water from households contains phosphorus. Phosphorus is an element found in nature in limited amounts. Phosphorus recovery from waste water will therefore become an important resource in cities of the future. Our non-stick coatings are used to counteract the build-up of sludge in recovery plants and make plants more efficient.

A significant element in sustainable cities is citizens' access to workplaces. In Poland, Slovakia, Sweden, Latvia and Denmark, our workplaces bring life to the local communities that are otherwise experiencing depopulation. We thus contribute to preserving local communities and reduce urbanisation.

SP Group supports **sustainable consumption and production patterns** by means of local development in the neighbouring markets where the products that we supply components for are used and sold.

Road transport accounts for 21% of CO_2 emissions in the EU. To reduce CO_2 emissions and diesel consumption, our subsidiary Bröderna Bourghardt has developed a patented aerodynamic screen mounted on the top front of the truck. The screen reduces wind resistance, which in turn reduces fuel consumption and CO_2 emissions. The screen is made from Telene, which makes the product lighter compared to other similar products. We are happy to contribute to a healthier environment with this unique product, which will be launched during 2018.

SP Group's subsidiary MM Composite is working on many different composite solutions, e.g. we cooperate with our customers to find solutions to increase the life of wind turbine wings. The co-operation includes various re-powering projects, where customised components are fitted to the wind turbine wings, which increases their life and output.

The amount of chemicals used for cleaning can be reduced by means of slip agents such as silicone, etc. By using Accoat's products with non-stick coatings for many different products, a positive impact on the environment can be obtained. In addition, it contributes to an improved working environment for people working within cleaning.

Other products are developed for the purpose of longer life. Ergomat's relief mats are a sustainable solution that also provide specific ergonomic benefits. The life of Ergomat's mats is typically five to seven times longer than that of similar mats, and thus, savings are made on raw materials and waste and energy consumption in production are reduced.

Since 2013, SP Group has been working on developing a production form that replaces wood from rain forests by plastics from sorted household waste (Plastic Wood Compound). The recycled plastics can be used for selected product types, thus contributing to a distinctive reduction of the environmental impact – both in the production phase and in connection with the customer's subsequent use and disposal of the product.

Similarly, we seek to repurpose other waste or excess materials from our production, including glass fibre, cardboard and metal.

The amount of raw materials purchased correlates to the size and number of products that we manufacture for our customers. Figure 3 shows that purchase of glass fibre increased significantly in 2017, which is also the case for other raw materials such as Iso, Polyol, Telene and Resin.

Figure 3 – Purchase of raw materials

Purchase of raw materials	2017	2016	2015
Plastics (kg)	13,869,164	12,565,088	12,198,082
Glass fibre (kg)	9,499,238	3,021,810	2,693,451
Coatings (kg)	58,554	58,742	57,177
Other (e.g. Iso, Polyol, Telene, Resin)	1,494,476	750,731	760,289

SP Group generally works with the factors impacting climate in a positive and sustainable way.

Our target is to contribute to **climate sustainability** through our customers' use of SP Group's products. More than 33% of our revenue thus stems from the cleantech industry, which uses our products to reduce energy consumption, produce alternative energy and purify smoke from coal-fired power plants and petrochemical plants.

SP Group's subsidiary Accoat contributes to this by coating components used to control sulphuric acid pollution from the burning of coal in power plants. In addition, Accoat, Gibo Plast, SP Moulding, Brdr. Bourghardt, Tinby and MM Composite manufacture components for the cleantech industry.

In internal operations, SP Group continually focuses on reducing the effects of the Group's activities on the climate by reducing the water, electricity and heating consumption, thus reducing CO_2 emissions and optimising energy consumption. The use of green house gases in cooling systems has been significantly reduced since 2015 due to the installation of cooling systems that cool using water and air instead of coolant fluids.

Our internal processes are designed according to ISO 14001, and we use our certification as a basis for using environmentally friendly products in our production and development processes, minimising waste and refuse as well as resource consumption and, to the widest extent possible, recycling materials and products.

Figure 4 – Green house gases

Green house gases	2017	2016	2015
Replenishment of refrigerating units (coolant fluids in kg)	91	118	164

Reduction of **pollution** of oceans is an important step towards ensuring a sustainable marine environment. SP Group contributes to this reduction when we coat oil pipes on the ocean floor with non-stick coatings, thus reducing the need to use aggressive chemicals in the marine environment in connection with oil production.

SP Medical and Ulstrup Plast have signed up for Operation Clean Sweep, which is an international initiative developed by The Society of the Plastics Industry and The American Chemistry Council. The objective of Operation Clean Sweep is to fight plastic waste in our oceans.

Risk

SP Group's primary environmental and climate risks are associated with consumption of resources and waste from production. The risks are addressed through our ISO 14001 efforts and other measures that can ensure quality and environmental protection in the production processes.

SP Group believes that the Group complies with all current environmental regulations, and we did not receive any enforcement orders in 2017.

Employees

We make targeted efforts to ensure basic employee rights and a safe, respectful and stimulating working day for each individual employee because we believe that it creates value for both the individual and our company.

Efforts

At SP Group, access to continuing education is very important to **our employees' job satisfaction and continued development**. We therefore offer our employees the opportunity to upskill themselves – also during work hours.

The target set for 2018 is to continue the skills development of employees, allowing them to attend to several different tasks. This will increase flexibility in production and make the working day more varied for the employees.

At 31 December 2017, SP Moulding's factories in Denmark had 18 trainees (plastics engineer trainees, automatic control technician trainees, industrial technician trainees and logistics trainees).

We are very aware of training young people and ensuring adequate skills and quality through well-educated employees. Therefore, we received visits from students at all stages of education – from primary school pupils to university students. We regularly have students participating in production as part of projects to improve process efficiency. It is a win-win situation for all parties.

At SP Group, we want to play a part in promoting gender **equality** and reducing **inequality**. We therefore ensure equal pay for equal work and pay a fair salary to all our employees regardless where they are located. In 2017, we employed almost as many women as men.

Figure 5 – Staff composition – gender 2017

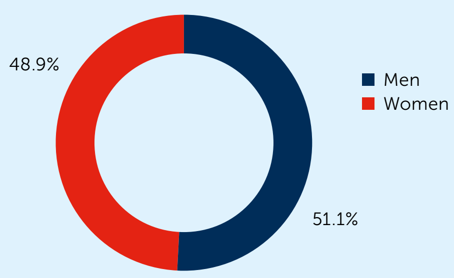


Figure 5a – Staff composition – gender, number

Staff composition	2017	2016	2015
Number of men	959	849	771
Number of women	916	807	775

Figure 5b – Staff composition – gender, per cent

Staff composition (%)	2017	2016	2015
Number of men	51.1%	51.3%	49.9%
Number of women	48.9%	48.7%	50.1%

The efforts regarding gender equality also comprise women in Management. In 2014, the Board of Directors set a target of 20% for the ratio of the underrepresented gender among board members elected by the company in general meeting in 2017. This target was met at the annual general meeting in 2017.

SP Group A/S has adopted a policy with the purpose of increasing the ratio of the underrepresented gender at all levels of management. At year end, the ratio of women in Management (Executive Board and management team) was 18%. SP Group still aims to ensure that at least one male and one female candidate are among the top three candidates for new leadership positions.

The long-term goal is for SP Group to reflect society at large, both in terms of gender ratio, age, nationality and ethnicity. This makes us an attractive choice for both customers and employees and help give everyone, regardless of background, the possibility to enter the labour market.

We consider our employees a significant player in realising sound financial performance and continuously strive to ensure good working conditions and working environment for all employees in SP Group companies.

With our local presence, we create workplaces and promote local culture and products. This enables economic growth and a good standard of living for our employees and their families.

In Denmark, **wage and working conditions** are determined in collective agreements resulting from local negotiations. In other countries, employee conditions and rights are primarily laid down in legislation, codes and regulations. As an employer, SP Group observes, as a minimum, national legislation and collective agreements as well as rules governing working hours, etc., and also strives to distribute extra benefits.

SP Group creates a safe and healthy **working environment** for our employees, partly through the working environment organisation and partly through policies and targeted efforts to ensure safety and health in the workplace. For instance, we always make sure that our employees get the protective equipment and the training needed to perform their work in a safe manner. We did not have any fatal industrial accidents in 2017 and focused on reducing the number of accidents.

The factories Tinby and Gibo in Denmark and SP Moulding's factory in China are certified under ISO 18001.

Figure 6 – Industrial accidents

Industrial accidents	2017	2016	2015
Deaths	0	0	0
Injuries resulting in min. one day of absence	26	25	26
IPM (injuries per million working hours)	8.4	7.1	10

In SP Group, there is **freedom of unionisation** for all. Employees of the Danish entities appoint representatives for joint consultation committees and working environment committees where they are in dialogue with local management. At the production units in Poland and China, systems have been established allowing employees to appoint spokesmen for negotiations with Management.

Risk

SP Group is regularly investigating whether, in our production or via suppliers, we have a current or potential risk of becoming involved in child labour or forced labour or other types of non-observance of basic employee rights.

To minimise such risk, we do not employ minors in the Group. Any kind of discrimination in working and employment conditions is prohibited as well.

To the best of our belief, SP Group was not involved in or experienced any adverse impact on employee rights in the Group or at sub-suppliers in 2017.

Human rights

SP Group respects the international human rights and supports the UN's sustainable development goals to fight poverty and hunger and promote good health and well-being.

Our efforts are dependent on the co-operation with customers regarding development of products and with our suppliers regarding use and handling of raw materials. All suppliers are therefore obligated to comply with a Supplier Code requiring them to respect human rights.

Efforts

As a company, we can **contribute to the global efforts to fight poverty** by popularising our disposable products for medical use in developing countries. The products are cheap and can easily be made available to populations in countries where hunger and disease make people vulnerable to poverty.

In 2017, the employees of SP Medical Poland participated enthusiastically in local charity events for the poor and provided financial aid to children's hospitals in Poland.

Food safety and promotion of sustainable agricultural production are material factors in the efforts to end hunger. We contribute to these factors by means of several of our products.

Accoat makes non-stick, low-friction coatings on machinery for food production and thus ensures more efficient production and reduction of refuse.

Several of SP Group's subsidiaries manufacture components included in finished cooling products for storing food in the entire value chain in an energy-efficient manner, thus improving food conservability and reducing food waste.

SP Group's subsidiary Ulstrup Plast manufactures plastic components that are assembled to a advanced agricultural sprayer used for spraying and treatment of agricultural land. By controlling the amount of pesticides, it is possible only to spray where it is needed. This helps farmers increase their yield from the soil and thus their crop. Moreover, it helps protect the environment as land is only spray where necessary and where plants can fully absorb the amount sprayed. The fact that all the components of the agricultural sprayer are made of plastic makes it possible to manufacture the machine at lower costs and with more options that would be the case when only using metal.

Health promotion is an objective for people in all societies. Our products are part of the solution because they ensure quality in health care treatment all over the world.

Accoat and SP Medical coat instruments used for operations in hospitals. We thus contribute to ensuring quality of treatment and better possibilities for survival. Accoat also coats medical devices, which contributes to disease control.

MedicoPack A/S develops and manufactures pharmaceutical packaging and single-use equipment in the area of injection and infusion therapy for the pharmaceutical industry and hospitals. Through constant optimisation and focus on innovation, we help support safe use of medicine for the purpose of preventing and curing diseases and thus improving health globally.

Ergomat offers a wide range of ground-breaking products that improve people's working day and increase quality of life, for instance ergonomic mats protecting joints and bones.

SP Medical develops and manufactures medical devices that contribute to improved health and well-being in the world population. Some products are used for operations, and other products are used as aids in everyday life for people with disabilities or other illnesses.

The products are primarily disposable, which reduces the risk of infection or contamination as opposed to multiple-use products. This is particularly important in developing countries.

Protection of personal data regarding customers and employees builds confidence in us as a workplace and supplier. We therefore ensure that all companies in SP Group process personal data regarding employees and customers in accordance with applicable legislation on protection of personal data. In 2017, we prepared to comply with EU's General Data Protection Regulation regarding protection of personal data and security of processing and consequently adopted a personal data policy and a number of internal procedures regarding data processing and security.

SP Group makes an active effort to discourage **discrimination**, both internally in relation to our employees and externally in our supplier chain. In this connection, we also focus on equal treatment and equal opportunities for everyone.

Risk

SP Group is aware of the current and potential risks that our production, activities and business partners may pose in relation to human rights. We strive to prevent and mitigate these risks through dialogue with business partners and monitoring of whether they comply with our Supplier Code of Conduct.

In 2017, SP Group was not involved in or experienced human rights abuse in the Group or at suppliers.

Fight against corruption

In all of our external relations, we wish to maintain a high level of integrity and responsibility, and we do not engage in corruption or bribery.

The obligation to abstain from engaging in corruption or bribery also applies to our suppliers and other parties acting on behalf of SP Group.

To ensure that our employees and other persons representing SP Group do not engage in **corruption**, we have developed a learning programme. The programme contributes to ensuring a high knowledge level in respect of bribery, receipt of gifts, events, etc., and provides our employees with insight into the rules on anti-corruption. It further helps them understand when they are at risk of becoming engaged in corruption and what their scope for action is.

Risk

SP Group carries on activities in parts of the world where corruption attempts are an everyday occurrence. For instance, parts of the Group are often met with requests for secret commission or the like.

As SP Group does not engage in corruption or bribery, we have drawn up an anti-corruption policy that instructs all employees in how to mitigate corruption.

Social efforts

As a company and a workplace, SP Group considers itself a significant player in society being able to affect the communities that we are a part of and contribute to their development. We do this through efforts that benefit both our business and society.

SP Group pays **income tax** in all the countries in which we operate and thus contribute to the preservation and further development of the communities and markets that we are a part of.

In addition to acceding to the **UN Global Compact**, SP Moulding, the largest subsidiary in SP Group has committed itself to the global network and thus contributes to supporting sustainable development of people and the environment.

Statement by Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of SP Group A/S for 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, results of operations, cash flows and financial position as well as a description of material risks and uncertainties that the Group and the Parent Company face.

We recommend that the annual report be approved at the annual general meeting.

Søndersø, 22 March 2018

Executive Board

Frank Gad
CEO

Jørgen Hønnerup Nielsen
CFO

Board of Directors

Niels Kristian Agner
Chairman

Erik Preben Holm
Deputy Chairman

Hans Wilhelm Schur

Hans-Henrik Eriksen

Bente Overgaard

Independent auditor's report

To the shareholders of SP Group A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of SP Group A/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of SP Group A/S on 26 April 2011 for the financial year 2011. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 7 years up until the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2017. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of goodwill

The Group has recognised goodwill totalling DKK 183,695 thousand in the balance sheet at 31 December 2017. The useful life of goodwill is indefinite, and according to International Financial Reporting Standards as adopted by the EU (IAS 36), goodwill must be tested for impairment at least annually. No impairment of goodwill was identified in the financial year. The annual impairment test is key to our audit, as it includes Management's assumptions and estimates relating to, for instance, future earnings.

Additional information on goodwill recognised in the year is disclosed in note14 to the consolidated financial statements.

In connection with our audit, we tested the impairment test prepared by Management, which was performed in accordance with the discounted cash flow model, and assessed whether the assumptions made by Management are substantiated. We assessed whether the calculation model is relevant and assessed the discount factor level and growth rate applied for extrapolation. The expected net cash flows are based on budgets for the years 2018-2020 and a terminal value. We examined budget preparation procedures and compared budgets with the Group's strategic efforts in the individual areas. Further, we examined whether the information on goodwill disclosed in note14 is adequate relative to applicable accounting standards.

Measurement of inventories

At 31 December 2017, the Group recognised inventories totalling DKK 336,210 thousand in assets. Inventories are measured at the lower of cost and the net realisable value. As the measurement of inventories involves significant estimates and assessments made by Management, the area is a key audit matter.

During our audit, we examined the Group's business procedures for the area, including calculation of cost. We obtained and reviewed the Group's analyses of age distribution and write-downs of obsolete inventories and assessed whether any sales of goods have produced a negative contribution margin.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company 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's review.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the consolidated financial statements and the parent company financial statements.

As part of an audit conducted in accordance with ISAs and 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 consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to impact our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements for the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation prohibits public disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 22 march 2018

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No 30 70 02 28

Peter Gath
State Authorised
Public Accountant
MNE No: mne19718

Morten Schougaard Sørensen
State Authorised
Public Accountant
MNE No: mne32129

Consolidated financial statements and parent company financial statements

Income statement for 2017

PARENT				GROUP	
2016	**2017**	**Note**	DKK'000	**2017**	**2016**
9,233	8,526		Revenue	1,884,144	1,519,044
0	0	3,6	Production costs	-1,276,934	-1,053,294
9,233	**8,526**		**Contribution margin**	**607,210**	**465,750**
4,532	4,506	4	Other operating income	2,389	1,719
-8,906	-8,149	5	External expenses	-120,327	-98,430
-11,446	-13,865	5,6,7	Staff costs	-214,278	-166,182
-6,587	**-8,982**		**Profit/loss before depreciation, amortisation and impairment losses (EBITDA)**	**274,994**	**202,857**
-3,309	-2,832	8	Depreciation, amortisation and impairment losses	-81,477	-69,442
-9,896	**-11,814**		**Profit/loss before net financials (EBIT)**	**193,517**	**133,415**
29,779	42,210	9	Dividends from subsidiaries	-	-
1,539	2,713	10	Other financial income	492	1,741
-9,059	-6,622	11	Financial expenses	-18,293	-12,540
12,363	**26,487**		**Profit/loss before tax**	**175,716**	**122,616**
2,988	2,463	12	Tax for the year	-43,457	-29,229
15,351	**28,950**		**Profit/loss for the year**	**132,259**	**93,387**
			Attributable to:		
			The Parent Company's shareholders	132,169	92,420
			Non-controlling interests	90	967
				132,259	**93,387**
			Earnings per share (EPS)		
		13	Earnings per share (DKK)	59.19	41.87
		13	Earnings per share, diluted (DKK)	57.12	40.33
			Recommended distribution of profit		
13,668	22,780		Dividends		
1,683	6,170		Retained earnings		
15,351	**28,950**				

Statement of comprehensive income 2017

PARENT				GROUP	
2016	**2017**	**Note**	DKK'000	**2017**	**2016**
15,351	**28,950**		**Profit/loss for the year**	**132,259**	**93,387**
			Other comprehensive income:		
			Items that may be reclassified to the income statement:		
0	0		Exchange rate adjustments relating to foreign subsidiaries	-2,727	-4,922
			Value adjustments of hedging instruments:		
-305	0		Value adjustments for the year	41,442	-14,632
0	0		Value adjustments transferred to revenue	-11,401	-8,833
1,222	83		Value adjustments transferred to financial expenses	83	1,222
-217	-18	12	Tax on other comprehensive income	-5,698	4,192
700	**65**		**Other comprehensive income**	**21,699**	**-22,973**
16,051	**29,015**		**Total comprehensive income**	**153,958**	**70,414**
			Attributable to:		
			The Parent Company's shareholders	153,908	69,564
			Non-controlling interests	50	850
				153,958	**70,414**

Balance sheet at 31/12/2017

PARENT				GROUP	
2016	2017	Note	DKK'000	2017	2016
28	7		Software	4,833	6,582
0	0		Customer files	38,027	15,297
0	0		Goodwill	183,695	142,307
0	0		Completed development projects	4,501	6,526
0	0		Development projects in progress	4,763	3,594
28	**7**	**14**	**Intangible assets**	**235,819**	**174,306**
80,232	77,897		Land and buildings	183,987	147,261
0	0		Plant and machinery	371,300	270,837
382	210		Fixtures and fittings, tools and equipment	28,981	26,269
0	0		Leasehold improvements	15,644	11,947
0	0		Property, plant and equipment under construction	31,857	30,172
80,614	**78,107**	**15**	**Property, plant and equipment**	**631,769**	**486,486**
463,141	569,866	16	Equity investments in subsidiaries	-	-
0	0	17	Equity investments in associates	1,640	0
0	0		Deposits	917	381
2,871	0	26	Deferred tax assets	3,832	7,963
466,012	**569,866**		**Other non-current assets**	**6,389**	**8,344**
546,654	**647,980**		**Non-current assets**	**873,977**	**669,136**
0	**0**	**18**	**Inventories**	**336,210**	**282,572**
119	21	19	Trade receivables	173,914	165,600
25,275	53,302		Receivables from subsidiaries	-	-
0	0	20	Construction contracts	6,084	9,758
10,585	15,124		Income tax receivable	2,389	34
45	1,681	21	Other receivables	40,399	13,072
1,883	2,155		Prepayments	6,581	6,774
37,907	**72,283**		**Receivables**	**229,367**	**195,238**
7,843	**1,797**	**22**	**Cash**	**75,605**	**53,725**
45,750	**74,080**		**Current assets**	**641,182**	**531,535**
592,404	**722,060**		**Assets**	**1,515,159**	**1,200,671**

Balance sheet at 31/12/2017

PARENT				GROUP	
2016	**2017**	**Note**	DKK'000	**2017**	**2016**
22,780	22,780	23	Share capital	22,780	22,780
853	1,464	24	Other reserves	20,745	-1,540
-28,515	-45,376		Reserve for treasury shares	-45,376	-28,515
221,752	212,960		Retained earnings	515,670	421,243
13,668	22,780		Dividend proposed for the year	22,780	13,668
230,538	**214,608**		**Equity attributable to the Parent Company's shareholders**	**536,599**	**427,636**
-	**-**		**Equity attributable to non-controlling interests**	**1,088**	**1,340**
230,538	**214,608**		**Equity**	**537,687**	**428,976**
73,806	82,258	25	Bank debt	84,716	77,114
37,166	117,831	25	Financial institutions	173,536	73,973
0	0	25	Finance lease liabilities	38,418	27,324
28,990	62,974	25	Other non-current liabilities	62,974	28,990
0	1,007	26	Deferred tax liabilities	41,008	20,927
139,962	**264,070**		**Non-current liabilities**	**400,652**	**228,328**
42,050	88,928	25	Current portion of non-current liabilities	110,042	60,145
79,768	17,423		Bank debt	205,298	224,818
0	0	20	Construction contracts	6,919	6,239
615	753	27	Trade payables	155,810	148,624
93,416	130,193		Payables to subsidiaries	-	-
0	0		Income tax	6,589	3,869
0	0	28	Provisions	5,876	8,756
6,055	6,085	29	Other payables	81,222	84,006
0	0		Deferred income	5,064	6,910
221,904	**243,382**		**Current liabilities**	**576,820**	**543,367**
361,866	**507,452**		**Liabilities**	**977,472**	**771,695**
592,404	**722,060**		**Equity and liabilities**	**1,515,159**	**1,200,671**

30-32 Collateral and contingent liabilities, etc.

35-44 Other notes

Statement of changes in equity for 2017

GROUP

DKK'000	Share capital	Other reserves	Reserve for treasury shares	Retained earnings	Proposed dividends	Equity attributable to the Parent Company's share-holders	Equity attributable to non-controlling interests	Total equity
Equity at 01/01/2016	**22,240**	**21,440**	**-7,799**	**346,321**	**8,896**	**391,098**	**2,463**	**393,561**
Profit/loss for the year	0	0	0	78,752	13,668	92,420	967	93,387
Exchange rate adjustments relating to foreign subsidiaries	0	-4,805	0	0	0	-4,805	-117	-4,922
Value adjustment of financial instruments held to hedge future cash flows	0	-14,632	0	0	0	-14,632	0	-14,632
Value adjustments transferred to revenue	0	-8,833	0	0	0	-8,833	0	-8,833
Value adjustments transferred to financial expenses	0	1,222	0	0	0	1,222	0	1,222
Tax on other comprehensive income		4,192	0	0	0	4,192	0	4,192
Comprehensive income for the financial year	**0**	**-22,856**	**0**	**78,752**	**13,668**	**69,564**	**850**	**70,414**
Share-based payment	0	210	0	0	0	210	0	210
Share-based payment, exercised arrangements	0	-603	0	603	0	0	0	0
Sale of warrants	0	269	0	0	0	269	0	269
Acquisition of treasury shares	0	0	-38,267	0	0	-38,267	0	-38,267
Sale of treasury shares, warrant programme	0	0	17,551	-9,152	0	8,399	0	8,399
Tax on acquisition/sale of treasury shares	0	0	0	2,684	0	2,684	0	2,684
Acquisition of shares from non-controlling shareholders	0	0	0	-6,402	0	-6,402	-1,241	-7,643
Cash capital increase	540	0	0	8,394	0	8,934	0	8,934
Distribution of dividends	0	0	0	0	-8,853	-8,853	0	-8,853
Distribution of dividends, treasury shares	0	0	0	43	-43	0	0	0
Non-controlling interests' share of dividends in subsidiaries	0	0	0	0	0	0	-732	-732
Other changes in equity	**540**	**-124**	**-20,716**	**-3,830**	**-8,896**	**-33,026**	**-1,973**	**-34,999**
Equity at 31/12/2016	**22,780**	**-1,540**	**-28,515**	**421,243**	**13,668**	**427,636**	**1,340**	**428,976**
Profit/loss for the year	0	0	0	109,389	22,780	132,169	90	132,259
Exchange rate adjustments relating to foreign subsidiaries	0	-2,687	0	0	0	-2,687	-40	-2,727
Value adjustment of financial instruments held to hedge future cash flows	0	41,442	0	0	0	41,442	0	41,442
Value adjustments transferred to revenue	0	-11,401	0	0	0	-11,401	0	-11,401
Value adjustments transferred to financial expenses	0	83	0	0	0	83	0	83
Tax on other comprehensive income	0	-5,698	0	0	0	-5,698	0	-5,698
Comprehensive income for the financial year	**0**	**21,739**	**0**	**109,389**	**22,780**	**153,908**	**50**	**153,958**
Share-based payment	0	251	0	0	0	251	0	251
Share-based payment, exercised arrangements	0	-153	0	153	0	0	0	0
Sale of warrants	0	448	0	0	0	448	0	448
Acquisition of treasury shares	0	0	-51,952	0	0	-51,952	0	-51,952
Sale of treasury shares, warrant programme	0	0	35,091	-18,286	0	16,805	0	16,805
Tax on acquisition/sale of treasury shares	0	0	0	2,985	0	2,985	0	2,985
Distribution of dividends	0	0	0	0	-13,482	-13,482	0	-13,482
Distribution of dividends, treasury shares	0	0	0	186	-186	0	0	0
Non-controlling interests' share of dividends in subsidiaries	0	0	0	0	0	0	-302	-302
Other changes in equity	**0**	**546**	**-16,861**	**-14,962**	**-13,668**	**-44,945**	**-302**	**-45,247**
Equity at 31/12/2017	**22,780**	**20,745**	**-45,376**	**515,670**	**22,780**	**536,599**	**1,088**	**537,687**

Statement of changes in equity for 2017

						PARENT
DKK'000	Share capital	Other reserves	Reserve for treasury shares	Retained earnings	Proposed dividends	Total equity
Equity at 01/01/2016	**22,240**	**277**	**-7,799**	**217,497**	**8,896**	**241,111**
Profit/loss for the year	0	0	0	1,683	13,668	15,351
Value adjustment of financial instruments held to hedge future cash flows	0	-305	0	0	0	-305
Value adjustments transferred to financial expenses	0	1,222	0	0	0	1,222
Tax on other comprehensive income	0	-217	0	0	0	-217
Comprehensive income for the financial year	**0**	**700**	**0**	**1,683**	**13,668**	**16,051**
Share-based payment	0	210	0	0	0	210
Share-based payment, exercised arrangements	0	-603	0	603	0	0
Sale of warrants	0	269	0	0	0	269
Acquisition of treasury shares	0	0	-38,267	0	0	-38,267
Sale of treasury shares, warrant programme	0	0	17,551	-9,152	0	8,399
Tax on acquisition/sale of treasury shares	0	0	0	2,684	0	2,684
Cash capital increase	540	0	0	8,394	0	8,934
Distribution of dividends	0	0	0	0	-8,853	-8,853
Distribution of dividends, treasury shares	0	0	0	43	-43	0
Other changes in equity	**540**	**-124**	**-20,716**	**2,572**	**-8,896**	**-26,624**
Equity at 31/12/2016	**22,780**	**853**	**-28,515**	**221,752**	**13,668**	**230,538**
Profit/loss for the year	0	0	0	6,170	22,780	28,950
Value adjustment of financial instruments held to hedge future cash flows	0	0	0	0	0	0
Value adjustments transferred to financial expenses	0	83	0	0	0	83
Tax on other comprehensive income	0	-18	0	0	0	-18
Comprehensive income for the financial year	**0**	**65**	**0**	**6,170**	**22,780**	**29,015**
Share-based payment	0	251	0	0	0	251
Share-based payment, exercised arrangements	0	-153	0	153	0	0
Sale of warrants	0	448	0	0	0	448
Acquisition of treasury shares	0	0	-51,952	0	0	-51,952
Sale of treasury shares, warrant programme	0	0	35,091	-18,286	0	16,805
Tax on acquisition/sale of treasury shares	0	0	0	2,985	0	2,985
Distribution of dividends	0	0	0	0	-13,482	-13,482
Distribution of dividends, treasury shares	0	0	0	186	-186	0
Other changes in equity	**0**	**546**	**-16,861**	**-14,962**	**-13,668**	**-44,945**
Equity at 31/12/2017	**22,780**	**1,464**	**-45,376**	**212,960**	**22,780**	**214,608**

Cash flow statement for 2017

PARENT				GROUP	
2016	2017	Note	DKK'000	2017	2016
-9,896	-11,814		Profit/loss before net financials (EBIT)	193,517	133,415
3,309	2,832		Depreciation, amortisation and impairment losses	81,477	69,442
210	251		Share-based payment	251	210
-535	71		Value adjustments, etc.	-5,539	-11,552
28,416	9,524	33	Changes in net working capital	-43,704	-15,992
21,504	**864**		**Cash generated from operations**	**226,002**	**175,523**
415	297		Interest income, etc., received	492	865
-5,850	-4,219		Interest expenses, etc., paid	-12,810	-12,540
-354	4,768		Income tax received/paid	-32,917	-23,409
15,715	**1,710**		**Cash flows from operating activities**	**180,767**	**140,439**
29,779	42,210		Dividends from subsidiaries	-	-
0	-1,000		Capital injection, subsidiary	-	-
-24,453	-46,121		Acquisition of entity	-44,464	-36,422
0	0		Acquisition of intangible assets	-2,247	-2,508
-15,555	-304		Acquisition of property, plant and equipment	-182,341	-107,035
0	0		Portion relating to finance leases	23,276	19,100
0	0		Disposal of intangible assets	983	864
0	0		Disposal of property, plant and equipment	0	45,875
-10,229	**-5,215**		**Cash flows from investing activities**	**-204,793**	**-80,126**
0	0		Dividends to non-controlling shareholders	-302	-732
-8,853	-13,482		Dividends distributed	-13,482	-8,853
8,934	0		Payment, capital increase	0	8,934
0	0		Acquisition of non-controlling interests	0	-7,643
3,000	0		Deposits, adjustment	-536	3,105
-38,267	-51,952		Acquisition of treasury shares	-51,952	-38,267
8,399	16,805		Sale of treasury shares	16,805	8,399
269	448		Sale of warrants	448	269
5,619	159,830		Raising of long-term loans	221,400	24,719
0	0		Portion relating to finance leases	-23,276	-19,100
-35,980	-51,845		Instalments on non-current liabilities	-83,679	-94,933
-56,879	**59,804**		**Cash flows from financing activities**	**65,426**	**-124,102**
-51,393	**56,299**		**Cash flows for the year**	**41,400**	**-63,789**
-20,532	-71,925		Cash and cash equivalents at 01/01/2017	-171,093	-107,304
-71,925	**-15,626**	**34**	**Cash and cash equivalents at 31/12/2017**	**-129,693**	**-171,093**

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1. Accounting policies

SP Group A/S is a public limited company with its registered office in Denmark. The annual report for the period 1 January – 31 December 2017 comprises both the consolidated financial statements of SP Group A/S and its subsidiaries (the Group) and separate parent company financial statements.

The annual report of SP Group A/S for 2017 is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statement Act.

The consolidated financial statements and the parent company financial statements are presented in Danish kroner (DKK), which is the presentation currency for the Group's activities and the Parent Company's functional currency.

Going concern statement

In connection with the financial reporting, the Board of Directors, the Audit Committee and the Executive Board assessed whether presentation of the annual report under the going concern assumption is well-founded. The Board of Directors, the Audit Committee and the Executive Board have concluded that no such factors exist at the balance sheet date that could raise doubt about the Group's and the Parent Company's ability to continue as a going concern at least until the next balance sheet date. The conclusion drawn is based on knowledge of the Group and the Parent Company, the estimated outlook and the uncertainties and risks identified in this respect as well as an examination of budgets, including the expected developments in liquidity, capital base, etc., existing credit facilities, including contractual and expected maturity periods, as well as other terms. Thus, it is considered appropriate, reasonable and well-founded to base the financial reporting on the going concern assumption.

Changes in accounting policies

Effective from 1 January 2017, SP Group A/S has implemented the following new or amended standards and interpretations:

- Amendments to IAS 7 *Disclosure Initiative*
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Sections of Annual Improvements to IFRS Cycle 2014–2016

In Annual Improvements to IFRSs 2014-2016, solely the amendment to IFRS 12 *Disclosure of Interests in Other Entities* clarifying the scope of the disclosure requirements in IFRS 12, which came into force on 1 January 2017. The other sections of Annual Improvements to IFRSs 2014-2016 did not take effect until 1 January 2018. The amendments should be considered very specific amendments with a narrow scope.

As none of the amended standards and interpretations impacted recognition and measurement in 2017, they did not impact the profit/loss for the year or diluted earnings per share either.

New accounting regulation

The IASB has issued the following new financial reporting standards and interpretations that are not compulsory for SP Group A/S in preparing the annual report for 2017:

- IFRS 9 *Financial Instruments and subsequent amendments to IFRS 9, IFRS 7 and IAS 39*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- IFRS 10 *and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or*
- *Joint Venture – Amendments to IFRS 10 and IAS 28*
- IFRS 2 *Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2*
- IAS 40 *Transfers of Investment Property – Amendments to IAS 40*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Parts of Annual Improvements to IFRSs 2014-2016 Cycle

Of the above-mentioned standards, IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases as well as related amendments have been adopted by the EU.

The adopted standards and interpretations that have not yet come into effect will be implemented as they become compulsory for SP Group A/S. None of the new standards or interpretations are expected to have a material effect on recognition and measurement for SP Group A/S; see, however, the subsequent mention of the expected effect of the implementation of IFRS 9, IFRS 15 and IFRS 16.

IFRS 15 Revenue from Contracts with Customers, which replaces the current standards on revenue (IAS 11 and IAS 18) and interpretations, introduces a new model for recognising and measuring revenue from contracts with customers. The standard takes effect for financial years beginning on or after 1 January 2018.

The new model is based on a five-step process that is to be followed for all contracts with customers to determine when and how revenue should be recognised in the income statement.

The most significant changes in IFRS 15 compared to current practice is:

- A sales transaction must be recognised as revenue in the income statement as control (which can take place either at a given date or over time) over the good or service, respectively, is transferred to the customer (the current "risk and rewards" principle is thus replaced by a control principle).

- New and more detailed guidelines on how to identify partial transactions under a contract and how to recognise and measure the individual components.

- New and more detailed guidelines on revenue recognition over time.

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SP Group A/S has carried out a detailed analysis of the expected implications of the new standard for the Group. As the Group's delivery terms and pricing structure for the sale of goods are simple and as the extent of construction contracts is limited (and of a nature allowing unchanged recognition of revenue over time), SP Group A/S believes that the new standard will only have limited implications for the Group.

IFRS 9 Financial Instruments, which replaces IAS 39, changes the classification and the derived measurement of financial assets and liabilities. The standard takes effect for financial years beginning on or after 1 January 2018.

A new cassification of financial assets is introduced, driven by entities' business models and the characteristics of the underlying cash flows. The changed classification of financial assets will have no effect on SP Group with its current activities. At the same time, a new impairment model is introduced for all financial assets.

The "Expected loss" model will require a more timely recognition of expected losses on initial recognition as well as on subsequent recognition than under the current model where impairment losses are not recognised until there is indication of impairment (incurred loss model).

New rules on hedge accounting will be introduced which – compared to the current rules – will enable the Company to reflect its hedging strategy for financial reporting purposes. As hedge accounting is only used to a limited extent, the changed rules on hegde accounting are not expected to have a material effect.

SP Group A/S has carried out a detailed analysis of the Group's current financial structure and risk profile. Based on this analysis, it is assessed that the standard will have minor or no implications for the Group, as historically the Group has only incurred marginal bad debt losses. The implementation may have a minor effect in relation to intra-group borrowings in the parent company financial statements.

IFRS 16 *Leases* was issued in mid-January 2016. The standard, which applies to financial years beginning on or after 1 January 2019, implies a substantial change in the way that leases that today are accounted for as operating leases will be accounted for going forward. Thus, the standard requires that all leases regardless of type – with few exceptions – must be recognised in the lessee's balance sheet as an asset with an accompanying lease liability. At the same time, the lessee's income statement will be affected going forward, as the annual lease payment will consist of two elements – a depreciation charge and an interest expense – as opposed to today where the annual operating lease expense is recognised as one amount under operating expenses. Finally, the Group's cash flow statement is expected to be affected, as the current operating lease payments, which are currently presented as cash flows from operating activities, will be presented as financing activities in future.

SP Group A/S has not yet performed any in-depth analysis of the implications of the new standard for the Group. However, expectations are that it is going to have some effect, as in 2017 the Group had operating leases involving minimum lease liabilities of approx. DKK 7 million regarding operating equipment and approx. DKK 105 million regarding leases on buildings that must potentially be recognised in the balance sheet going forward.

Consolidated financial statements

The consolidated financial statements comprise the parent company SP Group A/S (the Company) and subsidiaries controlled by the Company.

The Group controls another entity if the Group is exposed to or is entitled to variable returns due to its interest in the entity and can impact these returns through its controlling interest in the entity.

When assessing whether the Group exercises control, allowance is made for de facto control and potential voting rights that are real and of substance at the reporting date.

Consolidation principles

The consolidated financial statements are prepared on the basis of the financial statements of SP Group A/S and its subsidiaries. The consolidated financial statements are prepared by combining financial statement items of a uniform nature. The financial statements used for the consolidation are prepared in accordance with the Group's accounting policies.

Upon consolidation, intra-group income and expenses, intra-group balances and dividends as well as gains and losses on intra-group transactions are eliminated.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full.

Non-controlling interests

On initial recognition, non-controlling interest are either measured at fair value or at their proportionate share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Choice of method is made for each individual transaction. Non-controlling interests are subsequently adjusted for their proportionate share of changes in the subsidiary's equity. Comprehensive income is allocated to the non-controlling interests, irrespective of whether the non-controlling interest will thus become negative.

Acquisitions and disposals of non-controlling interests in a subsidiary that do not result in loss of control are accounted for in the consolidated financial statements as equity transactions, and the difference between the consideration and the carrying amount is allocated to the Company's share of equity.

Business combinations

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. The acquisition date is the date at which control of the entity is in fact acquired. Divested or wound-up entities are recognised in the consolidated income statement up to the date of the divestment or winding-up. The divestment date is the date at which control of the entity does in fact pass to a third party.

The purchase method is applied to acquisition of new entities over which the Group obtains control, implying that identifiable assets, liabilities and contingent liabilities of the acquirees are measured at fair value at the acquisition date. However, non-currents assets acquired for the purpose of resale are measured at fair value less anticipated selling costs. Restructuring costs are only recognised in the pre-acquisition balance sheet if they constitute a liability for the acquiree. Allowance is made for the tax effect of revaluations made.

The cost of an entity consists in the fair value of the consideration paid for the acquiree. If the final determination of the consideration is conditional upon one or several future events, these are recognised at fair value at the acquisition date. Expenses which are attributable to the acquisition of the entity are recognised directly in profit/loss when incurred.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interest in the acquiree and the fair value of previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as an asset under intangible assets and are tested for impairment at least once a year. The asset is written down to the lower of the carrying amount and the recoverable amount.

For negative differences (negative goodwill), the calculated fair values, the calculated consideration for the entity, the value of non-controlling interest in the acquiree and the fair value of previously acquired equity investments are reassessed. If the difference is still negative, the difference is recognised as income in the income statement.

If uncertainties regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the consideration exist at the acquisition date, initial recognition will take place on the basis of provisional values. The provisional values may be adjusted, or additional assets or liabilities may be recognised, up to 12 months after the acquisition if any such new information is provided on matters existing at the acquisition date as would have affected the calculation of the values at the acquisition date had the information been known.

Changes in estimates of contingent considerations are generally recognised directly in profit/loss.

Gains or losses from divestment or winding-up of subsidiaries and associates

Gains or losses from divestment or winding-up of subsidiaries which result in loss of control or significant influence, respectively, are calculated as the difference between, on the one hand, the fair value of the sales proceeds or the settlement price and the fair value of any remaining equity investments and, on the other hand, the carrying amount of net assets at the time of divestment or winding-up, including goodwill, less any non-controlling interests. The calculated gain or loss from such divestment or winding-up is recognised in profit/loss together with accumulated exchange rate adjustments, which were previously recognised in other comprehensive income.

Foreign currency translation

On initial recognition, transactions denominated in other currencies that the individual entity's functional currency are translated at the exchange rates at the transaction date. Receivables, liabilities and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment and the balance sheet date, respectively, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured on the basis of historical cost are translated at the exchange rates at the transaction date. Non-monetary items that are restated at fair value are translated at the exchange rates at the date of restatement.

When entities that present their financial statements in a functional currency different from DKK are recognised in the consolidated financial statements, such entities' income statement items are translated at average exchange rates on a monthly basis unless such rates vary significantly from the actual exchange rates at the transaction dates. In the latter case, the actual exchange rates are used. Balance sheet items are translated at closing rates. Goodwill is considered to belong to the acquiree in question and is translated at closing rates.

Foreign exchange differences arising on translation of foreign entities' balance sheet items at the beginning of the year at closing rates and on translation of income statement items from average rates to closing rates are recognised in other comprehensive income. Similarly, foreign exchange differences arising from changes made directly in the foreign entity's equity are also recognised in other comprehensive income.

Where foreign subsidiaries are recognised in the consolidated financial statements and where Danish kroner (DKK) is used as the functional currency, but where the financial statements are presented in a functional currency other than DKK, monetary assets and liabilities are translated at the exchange rates at the balance sheet date. Non-monetary assets and liabilities measured based on historical cost are translated at the exchange rates at the transaction date. Non-monetary items measured at fair value are translated at the exchange rates at the date of the latest fair value adjustment. Income statement items are translated at the average exchange rates of the months unless these differ significantly from the actual exchange rates at the transaction date, except for items deriving from non-monetary assets and liabilities translated at historical rates applicable to the relevant non-monetary assets and liabilities.

Derivative financial instruments

On initial recognition, derivative financial instruments are measured at the fair value at the date of settlement.

Subsequently, derivative financial instruments are measured at the fair value at the balance sheet date. Positive and negative fair values of derivative financial instruments are recognised in other receivables or other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and qualifying for designation as hedges of the fair value of a recognised asset or a recognised liability are recognised in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and qualifying for designation as effective hedges of future transactions are recognised in other comprehensive income. The ineffective part is recognised immediately in the income statement. When the hedged transactions are realised, the accumulated changes are recognised as part of the cost of the relevant transactions.

Derivative financial instruments not qualifying for designation as hedging instruments are considered trading portfolios and are measured at fair

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value with recognition of fair value adjustments on an ongoing basis in the income statement under financial income or financial expenses.

Share-based payment

Share-based incentive schemes under which executive officers may only opt to purchase shares in the Company (equity-settled share-based payment arrangements) are measured at the fair value of the equity instruments at the grant date and are recognised in the income statement under staff costs over the vesting period. The counter entry is recognised directly in equity.

The fair value of the equity instruments is measured by using the Black-Scholes model with the parameters indicated in note 7.

Taxation

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/loss for the year and directly in equity or other comprehensive income by the portion attributable to entries directly in equity or in other comprehensive income, respectively. Exchange rate adjustments in respect of deferred tax are recognised as part of the year's deferred tax adjustments.

Current tax payables or receivables are recognised in the balance sheet stated as the estimated tax charge for the year, adjusted for tax paid on account.

When calculating the current tax for the year, the tax rates and tax rules effective at the balance sheet date are used.

Deferred tax is recognised in accordance with the balance-sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities, except for deferred tax on all temporary differences arising on initial recognition of goodwill or on initial recognition of a transaction which is not a business combination and where the temporary difference identified at the time of initial recognition neither affects the profit/loss for the year nor the taxable income.

Deferred tax is recognised on all temporary differences related to equity investments in subsidiaries unless the Company is able to control when the deferred tax is realised and it is probable that the deferred tax will not crystallise as current tax in the foreseeable future.

Deferred tax is calculated based on the planned use of each asset and the settlement of each liability, respectively.

Deferred tax is measured on the basis of the tax rates and tax laws applicable in the relevant countries, which – based on tax laws enacted or substantially enacted at the balance sheet date – are expected to apply when the deferred tax is expected to crystallise as current tax. Changes in deferred tax resulting from changed tax rates or tax rules are recognised in the income statement unless the deferred tax is attributable to transactions previously recognised directly in equity or other comprehensive income. In the latter case, such changes are also recognised directly in equity or other comprehensive income, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at the expected value of their realisation, either as a set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. At the balance sheet date, it is assessed whether taxable income sufficient for the deferred tax asset to be utilised is likely to be generated in the future.

The Parent is jointly taxed with all of its Danish subsidiaries. The current Danish income tax charge is allocated between the jointly taxed entities in proportion to their taxable income.

Discontinued operations and assets classified as held for sale

Discontinued operations comprise material business or geographical segments already sold or planned to be held for sale.

Results from discontinued operations are presented in the income statement as a separate item consisting of the profit/loss after tax of the relevant operation and any gains or losses from fair value adjustments or sale of the assets and liabilities related to the operation.

Assets and groups of assets held for sale are presented separately in the balance sheet as current assets. Liabilities directly related to the relevant assets are presented as current liabilities in the balance sheet.

Assets held for sale are not depreciated, but are written down to the lower of fair value less estimated selling costs and the carrying amount.

Income statement

Revenue

Revenue from the sale of goods for resale and manufactured goods is recognised in the income statement when delivery and transfer of risk to the buyer has taken place. Revenue is calculated exclusive of VAT, duties, etc. charged on behalf of third parties as well as discounts.

Construction contracts for moulds and validations with a high degree of individual adaptation are recognised in revenue as production is carried out, which entails that revenue corresponds to the selling price of work performed during the year (percentage-of-completion method).

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised solely at an amount corresponding to the expenses incurred if it is probable that they will be recovered.

Production costs

Production costs comprise expenses incurred in generating revenue for the year. Commercial enterprises include cost of sales in production costs, and manufacturing enterprises include costs of raw materials, consumables and production staff as well as maintenance of the property, plant and equipment and intangible assets applied in the manufacturing process.

Other operating income

Other operating income comprises income of a secondary nature to the Group's principal activities, including in particular external leases and compensations.

Construction contracts for moulds and validations with a high degree of individual adaptation are recognised in revenue as production is carried out, which entails that revenue corresponds to the selling price of work performed during the year (percentage-of-completion method).

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised solely at an amount corresponding to the costs incurred if it is probable that they will be recovered.

External expenses
External expenses comprise expenses for sale, advertising, administration, premises, bad debts, etc.

External expenses also include expenses relating to development projects which do not satisfy the criteria for recognition in the balance sheet.

Staff costs
Staff costs comprise salaries and wages, social security costs, pension contributions, etc. relating to the Company's staff.

Government grants
Government grants are recognised when it is considered probable that the grant conditions have been met and that the grant will be received.

Grants to cover expenses incurred are recognised proportionally in the income statement over the periods in which the related expenses are recognised. The grants are set off against expenses incurred.

Net financials
Financial income and expenses comprise interest income and interest expenses, the interest element of finance lease payments, realised and unrealised capital gains and losses on securities, liabilities and transactions denominated in foreign currencies, mortgage amortisation premium or allowance on mortgage debt, etc. as well as surcharges and refunds under the on-account tax scheme.

Interest income and expenses are accrued based on the principal amount and the effective interest rate. The effective interest rate is the discount rate used to discount expected future payments related to the financial asset or the financial liability in order for the present value of such asset or liability to match its carrying amount.

Dividends from equity investments are recognised once final title to the dividends has been obtained. This is typically the date at which the general meeting adopts distribution of dividend from the relevant entity.

Balance sheet

Goodwill
On initial recognition, goodwill is recognised and measured as the difference between, on the one hand, the cost of the acquiree, the value of non-controlling interests in the acquiree and the fair value of previously acquired equity investments and, on the other hand, the fair value of the acquired assets, liabilities and contingent liabilities; see the description under the section on consolidated financial statements.

When goodwill is recognised, it is allocated to those of the Group's activities that generate separate payments (cash-generating units). The determination of cash-generating units follows the Group's managerial structure, internal financial management and reporting.

Goodwill is not amortised, but is tested for impairment at least annually, see below.

Other intangible assets
Development projects regarding clearly defined and identifiable products and processes are recognised as intangible assets if it is probable that the product or the process will generate future economic benefits for the Group and if the development costs of each asset can be reliably measured. Other development costs are expensed in the income statement as incurred.

On initial recognition, development projects are measured at cost. The cost of development projects comprises expenses, including salaries and amortisation, which are directly attributable to the development projects and which are required to complete the project, calculated from the date at which the development project qualifies for recognition as an asset for the first time.

Interest expenses on loans raised to finance the manufacturing of intangible assets are recognised in cost if they relate to the manufacturing period. Other borrowing costs are recognised in the income statement.

Completed development projects are amortised on a straight-line basis over the estimated useful lives of the assets. The maximum amortisation period is five years.

Development projects are written down to any lower recoverable amount, see below. Development projects in progress are tested for impairment at least annually.

Acquired intellectual property rights in the form of software and customer files are measured at cost less accumulated amortisation and impairment losses.

Depreciation is provided on a straight-line basis over the following expected useful lives:

Software	3-5 years
Customer files	10 years

Acquired intellectual property rights are written down to any lower recoverable amount, see below.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, expenses directly attributable to the acquisition and expenses to prepare the asset until such time as it is ready to be put into operation. For own-manufactured assets, cost comprises expenses directly attributable to the manufacturing of the asset, including materials, components, sub-suppliers and wages. For assets held under finance leases, cost is the lower of the fair value of the asset and the present value of future lease payments. Interest expenses on loans raised to finance the manufacturing of property, plant and equipment are recognised in cost if they relate to the manufacturing period. Other borrowing costs are recognised in the income statement.

The basis of depreciation is cost less the residual value. The residual value is the expected amount that could be obtained if the asset was sold today, net of selling costs, if the asset already had the age and condition which it is expected to have at the end of the useful life. Where individual components

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of an item of property, plant and equipment have different useful lives, they are depreciated separately.

Depreciation is provided on a straight-line basis over the following expected useful lives:

Buildings	40 years
Building installations	10 years
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	5-10 years.
IT equipment	3-5 years

Leasehold improvements are depreciated over the rental period, however not exceeding 10 years.

Depreciation methods, useful lives and residual amounts are reassessed annually.

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

Impairment of property, plant and equipment, intangible assets as well as equity investments in subsidiaries

The carrying amounts of property, plant and equipment and intangible assets with definite useful lives as well as equity investments in subsidiaries are tested at the balance sheet date for indication of impairment. If there is indication of impairment, the recoverable amount of the asset is made up to determine if an impairment loss need be recognised – and at what amount.

The recoverable amount of development projects and goodwill is estimated annually irrespective of whether there is indication of impairment.

If the asset does not generate cash independently of other assets, the recoverable amount of the smallest cash-generating unit in which the assets is included is estimated.

The recoverable amount is calculated as the highest of the fair value of the asset or the cash-generating unit less selling costs and the value in use. When the value in use is determined, estimated future cash flows are discounted at present value using a discount rate that reflects current market estimates of the time value of money, as well as the particular risks related to the asset and the cash-generating unit, respectively, and for which no adjustment has been made in the estimated future cash flows.

If the recoverable amount of the asset or the cash-generating unit, respectively, is lower than the carrying amount, the carrying amount is written down to the recoverable amount. Impairment losses for a cash-generating unit are allocated so that the carrying amount of any goodwill allocated to the cash-generating unit is reduced first and then any remaining impairment losses are allocated to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit, though the carrying amount of an individual asset is not reduced to an amount lower than its fair value less estimated costs of disposal.

Impairment losses are recognised in the income statement. In case of any subsequent reversals of impairment losses resulting from changes in the assumptions of the estimated recoverable amount, the carrying amount of the asset and the cash-generating unit, respectively, is increased to the adjusted estimate of the recoverable amount, however, not exceeding the carrying amount which the asset or the cash generating unit would have had if the write-down had not been performed. Impairment losses relating to goodwill are not reversed.

Equity investments in subsidiaries in the parent company financial statements

Equity investments in subsidiaries are measured at cost in the parent company financial statements.

If cost exceeds the recoverable amount of the investments, the equity investments are written down to this lower value, see the section on impairment above. Distribution of dividend in excess of the entity's aggregate earnings since the Company acquired the equity investments is regarded as indication of impairment, see above paragraph on impairment losses.

In connection with sale of equity investments in subsidiaries, profits or losses are calculated as the difference between the carrying amount of the equity investments sold and the fair value of the sales proceeds.

Inventories

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

Goods for resale, raw materials and consumables are measured at cost, comprising purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs as well as allocated fixed and variable indirect production costs.

Variable indirect production costs include indirect materials and payroll and are allocated based on pre-calculations of the goods actually produced. Fixed indirect production costs comprise costs of maintenance and depreciation of machinery, factory buildings and equipment applied for the manufacturing process as well as general costs relating to factory administration and management. Fixed production costs are allocated on the basis of the normal capacity of the production plant.

The net realisable value of inventories is calculated as the expected selling price less costs of completion and expenses which must be incurred to effect the sale.

Receivables

Receivables comprise trade receivables as well as other receivables. Receivables are categorised as loans and receivables which are financial assets with fixed or determinable payments which are not listed at an active market and which are not derivatives.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost. Write-downs are made on an individual as well as on a portfolio basis using a write-down account.

Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. Construction contracts entail a significant degree of design customisation of produced goods. Moreover, before any work is commenced, a binding agreement must have been entered into, which will imply a penalty or damages on subsequent termination of the agreement.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and the total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When income and expenses on a construction contract cannot be determined reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Where the selling price of work performed exceeds progress billings on construction contracts and anticipated losses, the excess amount is recognised under receivables. If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognised under liabilities.

Prepayments from customers are recognised under liabilities.
Selling costs and expenses incurred in securing contracts are recognised in the income statement as incurred.

Prepayments
Prepayments comprise expenses incurred concerning subsequent financial years. Prepayments are measured at cost.

Dividends
Dividends are recognised as a liability at the date when they are adopted at the general meeting.

Reserve for treasury shares
Reserve for treasury shares comprises the cost of acquisition of the Company's treasury shares. Dividend from treasury shares and gains and losses on the disposal of treasury shares are taken directly to retained earnings under equity.

Pension commitments, etc.
Under defined contribution plans, the Group pays fixed contributions to independent pension providers, etc. on an ongoing basis. The contributions are recognised in the income statement in the period in which the employees have performed the work making them eligible for pension contributions. Due amounts are recognised in the balance sheet as a liability.

Mortgage debt
At the time of borrowing, mortgage debt is measured at cost less transaction costs incurred. Subsequently, mortgage debt is measured at amortised cost. Consequently, the difference between the proceeds at the time of borrowing and the repayable amount is recognised in the income statement as a financial expense over the term of the loan using the effective interest method.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities and measured at the lower of the fair value of the leased asset and the present value of future lease payments at the time of inception of the lease.

On subsequent recognition, lease liabilities are measured at amortised cost. The difference between the present value and the nominal amount of lease payments is recognised in the income statement as a financial expense over the term of the lease.

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

Financial liabilities
Financial liabilities comprise bank debt and trade and other payables.

On initial recognition, financial liabilities are measured at fair value less any transaction costs. Subsequently, the liabilities are measured at amortised cost using the effective interest method to the effect that the difference between the proceeds and the nominal amount is recognised in the income statement as a financial expense over the term of the loan.

Non-financial liabilities are measured at net realisable value.

Deferred income
Deferred income comprises income received in respect of subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, changes in working capital as well as financial income, financial expenses and income taxes.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of entities and financial assets as well as acquisition, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the Company's share capital and any related expenses as well as the raising and settlement of loans, instalments on interest-bearing debt, purchase of treasury shares and distribution of dividends.

Cash flows in currencies other than the functional currency are recognised in the cash flow statement using average exchange rates for the months unless they differ significantly from the actual exchange rates at the transaction dates. In the latter case, the actual exchange rates of each day are applied.

Cash and cash equivalents comprise cash less short-term bank debt forming an integral part of cash management.

Notes

Financial highlights

Financial highlights are defined and calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios" and IAS 33 *Earnings per share.*

Key figures

The calculation of earnings per share and diluted earnings per share is specified in note 13.

Net working capital (NWC) is defined as the value of inventories, receivables and other operating current assets less trade payables and other short-term operating liabilities. Cash is not included in net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities less interest-bearing assets, including cash.

Ratios		Calculation formula	Ratios reflect
Operating profit/loss, EBITDA margin (%)	=	EBITDA x 100 / Revenue	The Company's operating profitability expressed as the Company's ability to generate profits on operating activities
Profit margin EBIT margin (%)	=	Profit/loss before net financials (EBIT) x 100 / Revenue	The Company's operating profitability expressed as the Company's ability to generate profits on operating activities before net financials
Return on invested capital including goodwill (%)	=	Profit/loss before net financials (EBIT) x 100 / Average invested capital, incl. goodwill	The return generated by the Company on investors' funds through operating activities
Return on invested capital excl. goodwill (%)	=	Profit/loss before net financials (EBIT) x 100 / Average invested capital, excl. goodwill	The return generated by the Company on investors' funds through operating activities
Return on equity	=	Profit/loss for the year x 100 / Average equity	The Company's ability to generate return to the Company's shareholders when considering the Company's capital base
Financial gearing	=	Net interest-bearing debt / Equity	The Company's financial gearing expressed as the Company's sensitivity to fluctuations in the interest rate level, etc.
Equity ratio, excl. non-controlling interests	=	Equity ratio, excl. non-controlling interests x 100 / Total assets	The Company's financial standing
Equity ratio, incl. non-controlling interests	=	Equity ratio, incl. non-controlling interests x 100 / Total assets	The Company's financial standing
Equity value per share	=	Equity ratio, excl. non-controlling interests / Number of shares at year end	The value of equity per share according to the Company's annual report
Cash flow per share	=	Cash flows from operating activities / Average number of diluted shares	Cash flows from operating activities generated per share by the Company

2. Significant accounting estimates, assumptions and judgements

Several financial statement items cannot be reliably measured, only estimated. Such estimates comprise assessments based on the latest information available at the time of the financial reporting. It may be necessary to change previous estimates due to changes in the conditions on which the estimate was based or due to additional information, further experience or subsequent events.

Significant accounting estimates

When applying the accounting policies described in note 1, Management has made accounting estimates of, for example, valuation of goodwill, valuation of development costs, valuation of inventories and valuation of receivables, purchase price allocations in connection with corporate acquisitions and measurement of equity investments in subsidiaries in the parent company financial statements.

Assumptions and uncertainties relating to significant estimates are described below. Management is not otherwise considered having made accounting estimates that materially affect the annual report, nor are the accounting estimates made considered to be associated with significant uncertainty.

Changes in accounting estimates

No significant changes have been made in accounting estimates in the financial year.

Significant assumptions and uncertainties

Recognition and measurement of assets and liabilities often depend on future events subject to some uncertainty. In this connection, it is necessary to assume a course of events, etc., reflecting Management's assessment of the most likely course of events. In the annual report for 2017 as well as in annual reports for previous years, the following assumptions and uncertainties should be noted as they have significantly affected the assets and liabilities recognised in the annual report and may require corrections in subsequent financial years if the courses of events assumed are not realised as expected.

Recoverable amount of goodwill

An assessment of indication of impairment of recognised goodwill amounts requires a calculation of the values in use of the cash-generating units (CGUs) to which the goodwill amounts are allocated. The determination of the value in use requires an estimate of the expected future cash flows in each CGU as well as a determination of a reasonable discount rate. The carrying amount of goodwill amounted to DKK 183.7 million at 31 December 2017. For a further description of the applied discount rates, etc., see note 14. The impairment tests performed show that the value in use of the CGUs is significantly higher than the carrying amount of the assets related to the CGUs.

Capitalised development projects

An impairment test has been carried out of selected development projects that are in the early commercial phase. The impairment test is based on a discount rate of 9.1% before tax and 7.5% after tax and expected revenue and earnings from the projects. The carrying amount of development projects amounts to DKK 9.3 million.

Inventories

Individual write-downs of inventories have been made based on turnover rate, defective goods, etc. No significant changes to estimates were made in the year.

Receivables

The Group has made individual write-downs of receivables based on estimates of the credit quality of the debtors. The risk of bad debts is limited as the Group's debtors have taken out credit insurance.

Acquisition of entity

In connection with corporate acquisitions, the acquiree's identifiable assets, liabilities and contingent liabilities must be recognised at fair value in accordance with the acquisition method. The acquiree's core assets are usually goodwill, property, plant and equipment, intangible assets, receivables and inventories. There are no active markets that can be used to determine the fair value of a large part of the acquired assets and liabilities. This is particularly true for acquired intangible assets. The methods typically used are based on the net present value of expected future net cash flows related to the asset, or the cost method, which is based on, e.g., the replacement cost. Therefore, Management makes estimates when determining the fair value of the acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, determining the fair value can be associated with uncertainty and, potentially, be subject to subsequent adjustment.

The fair value of the identifiable assets, liabilities and contingent liabilities is described in note 41 *Acquisition of subsidiaries in 2017*, which also shows the methods applied to determine the fair values of the acquisitions made in 2017.

Equity investments in subsidiaries in the parent company financial statements

The assessment of the need for impairment write-down of equity investments in subsidiaries requires the determination of values in use of the individual subsidiaries. The determination of the value in use requires an estimate of the expected future cash flows in each subsidiary as well as a determination of a reasonable discount rate. In connection with the valuation, the same discount rate was used as in connection with the impairment test for goodwill. Please see note 14. The tests performed show values exceeding the carrying amount of the individual equity investments.

Notes

PARENT			GROUP	
2016	2017	DKK'000	2017	2016
		3. Production costs		
0	0	Cost of sales	1,003,835	828,714
0	0	Inventory write-downs	1,477	1,990
0	0	Reversed inventory write-downs	-1,169	-375
0	0	Staff costs	272,791	222,965
0	**0**		**1,276,934**	**1,053,294**
		Reversal of inventory write-downs relates to disposal of nventories written down.		
		4. Other operating income		
4,532	4,506	Rent	1,076	298
0	0	Gain from sale of non-current assets	689	1,421
0	0	Grants	624	0
4,532	**4,506**		**2,389**	**1,719**
		5. Development costs		
1,863	1,405	Research and development costs incurred	2,574	3,397
0	0	Portion capitalised for accounting purposes	-1,169	-1,505
1,863	**1,405**	**Expensed in the financial year**	**1,405**	**1,892**
		Development costs substantially relate to payroll costs.		
		6. Staff costs		
10,227	12,288	Wages and salaries	416,569	334,991
242	292	Pension contributions, defined contribution plan	29,666	22,376
117	86	Other social security costs	25,232	19,877
650	948	Other staff costs	21,520	16,698
210	251	Share-based payment	251	210
0	0	Refunds from public authorities	-6,169	-5,005
11,446	**13,865**		**487,069**	**389,147**
		Breakdown of staff costs:		
0	0	Production costs	272,791	222,965
11,446	13,865	Staff costs	214,278	166,182
11,446	**13,865**		**487,069**	**389,147**
7	**7**	**Average number of employees**	**1,852**	**1,559**

6. Staff costs (continued)

Remuneration of Management

Breakdown of remuneration of the members of the Parent Company's Board of Directors and Executive Board:

				GROUP
	Board of Directors		Executive Board	
DKK'000	2017	2016	2017	2016
Remuneration of the Board of Directors	1,400	1,250	-	-
Remuneration, membership of committees	50	50	-	-
Wages and salaries	0	0	6,828	5,791
Share-based payment	0	0	0	0
	1,450	**1,300**	**6,828**	**5,791**

				PARENT
	Board of Directors		Executive Board	
DKK'000	2017	2016	2017	2016
Remuneration of the Board of Directors	1,400	1,250	-	-
Remuneration, membership of committees	50	50	-	-
Wages and salaries	0	0	6,468	5,431
Share-based payment	0	0	0	0
	1,450	**1,300**	**6,468**	**5,431**

The Company has entered into defined contribution plans for the majority of its employees in Denmark.

According to the agreements entered into, the Company pays a monthly contribution to independent pension providers.

PARENT			GROUP	
2016	2017	DKK'000	2017	2016
242	292	Expensed contributions to defined pension plans	29,666	22,376

Notes

7. Share-based payment

Equity-settled share option plans, Parent Company and Group

To tie the Executive Board and other executive officers more closely to the Group, SP Group A/S has set up the following share-based payment arrangements:

Warrant programme 2017
In 2017, the Group set up an incentive programme for the Company's Executive Board and 37 executive officers. The programme is based on warrants. A total of 70,000 warrants were issued in the year, 10,000 of which were granted to the Executive Board and the rest to executive officers.

The warrants were granted based on a wish to tie the Company's executive officers more closely to the Group.

The exercise price is fixed at DKK 775 per share of nominally DKK 10 plus 7.5% p.a., calculated from 1 April 2017 and until the warrants are in fact exercised. The exercise prise is fixed based on the listed price immediately before and after the publication of the annual report on 30 March 2017. The issued warrants will expire without net settlement if the warrants are not exercised. The right to the warrants is earned over the period.

The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2020 to 31 March 2023. Alternatively, the Executive Board and the 37 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised until 30 June 2017. The Executive Board and 19 executive officers decided to exercise this option.

The estimated fair value of the warrants issued is calculated at approx. DKK 730 thousand on the assumption that the warrants granted will be exercised in April 2020. The warrants are valued using the Black-Scholes pricing model. The valuation is based on the following assumptions:

Volatility	16%
Risk-free interest rate	0.48%
Share price	700

The estimated volatility is determined based on historical figures.

Warrant programme 2016
In 2016, the Group set up an incentive programme for the Company's Executive Board and 29 executive officers. The programme is based on warrants. A total of 59,000 warrants were issued in the year, 10,000 of which were granted to the Executive Board and the rest to executive officers.

The warrants were granted based on a wish to tie the Company's executive officers more closely to the Group.

The exercise price is fixed at DKK 390 per share of nominally DKK 10 plus 7.5% p.a., calculated from 1 April 2016 and until the warrants are in fact exercised. The exercise price is fixed based on the listed price immediately before the publication of the annual report on 30 March 2016 and up to 27 April 2016. The issued warrants will expire without net settlement if the warrants are not exercised. The right to the warrants is earned over the period.

The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2019 to 31 March 2022. Alternatively, the Executive Board and the 29 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised until 30 June 2016. The Executive Board and 12 executive officers decided to exercise this option.

The estimated fair value of the warrants issued is calculated at approx. DKK 567 thousand on the assumption that the warrants granted will be exercised in April 2019. The warrants are valued using the Black-Scholes pricing model. The valuation is based on the following assumptions:

Volatility	20%
Risk-free interest rate	0.00%
Share price	365

The estimated volatility is determined based on historical figures.

Warrant programme 2015
In 2015, the Group set up an incentive programme for the Company's Executive Board and 26 executive officers. The programme is based on warrants. A total of 50,000 warrants were issued in the year, 10,000 of which were granted to the Executive Board and the rest to executive officers.

The warrants were granted based on a wish to tie the Company's executive officers more closely to the Group.

The exercise price is fixed at DKK 255 per share of nominally DKK 10 plus 7.5% p.a., calculated from 1 April 2015 and until the warrants are in fact exercised. The exercise price is fixed based on the listed price immediately before the publication of the annual report on 26 March 2015 and up to 27 April 2015. The issued warrants will expire without net settlement if the warrants are not exercised. The right to the warrants is earned over the period.

The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2018 to 31 March 2021. Alternatively, the Executive Board and the 26 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised until 30 June 2015. The Executive Board and 9 executive officers decided to exercise this option.

The estimated fair value of the warrants issued is calculated at approx. DKK 567 thousand on the assumption that the warrants granted will be exercised in April 2018. The warrants are valued using the Black-Scholes pricing model. The valuation is based on the following assumptions:

Volatility	20%
Risk-free interest rate	0.00%
Share price	240

The estimated volatility is determined based on the Company's share prices during the months preceding 22 April 2015.

Warrant programme 2014
In 2014, the Group set up an incentive scheme for the Company's Executive Board and 26 executive officers. The programme is based on warrants. A total of 50,000 warrants were issued in the year, 10,000 of which were granted to the Executive Board and the rest to executive officers.

The warrants were granted based on a wish to tie the Company's executive officers more closely to the Group.

The exercise price is fixed at DKK 280 per share of nominally DKK 10 plus 7.5% p.a., calculated from 1 April 2014 and until the warrants are in fact exercised. The exercise price is fixed based on the listed price immediately before the publication of the annual report on 27 March 2014 and up to 29 April 2014. The issued warrants will expire without net settlement if the warrants are not exercised. The right to the warrants is earned over the period.

The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2017 to 31 March 2020. Alternatively, the Executive Board and the 26 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised until 30 June 2014. The Executive Board and 10 executive officers decided to exercise this option.

The estimated fair value of the warrants issued is calculated at approx. DKK 153 thousand on the assumption that the warrants granted will be exercised in April 2017. The warrants are valued using the Black-Scholes pricing model. The valuation is based on the following assumptions:

Volatility	13%
Risk-free interest rate	0.38%
Share price	263

The estimated volatility is determined based on the Company's share prices during the six months preceding 22 April 2014.

Development in the year

Analysis of the development in outstanding warrants:

Number of shares	Number of warrants 2017	Number of warrants 2016	Average exercise price, warrants 2017	Average exercise price, warrants 2016
Outstanding warrants at 01/01	172,000	215,484	373	248
Granted in the financial year	70,000	59,000	963	484
Exercised in the financial year	-56,000	-102,484	300	164
Expired/cancelled in the financial year	0	0	-	-
	186,000	**172,000**	**614**	**373**
Exercisable at 31/12	7,000	13,000		

Of the outstanding warrants, 30,000 have been awarded to the Executive Board and 156,000 to executive officers.

The fair values of the warrants issued calculated at the grant date are recognised proportionally in the income statement as staff costs over the period up to the exercise date.

PARENT			GROUP	
2016	**2017**	DKK'000	**2017**	**2016**
		Equity-settled share option plans		
210	251	Share-based payment recognised in income statement, equity-settled share option plan	251	210

Notes

PARENT			GROUP	
2016	**2017**	DKK'000	**2017**	**2016**
		8. Depreciation, amortisation and impairment losses		
78	21	Amortisation of intangible assets	9,174	8,260
3,231	2,811	Depreciation on property, plant and equipment	72,303	61,182
3,309	**2,832**		**81,477**	**69,442**
		9. Dividends from subsidiaries		
29,779	42,210	Dividends from subsidiaries	-	-
29,779	**42,210**		**-**	**-**
		10. Other financial income		
0	3	Interest, etc.	492	865
415	294	Interest, group entities	-	-
415	**297**	**Interest income from financial assets not measured at fair value through profit/loss**	**492**	**865**
1,124	2,416	Exchange rate adjustments	0	876
1,539	**2,713**		**492**	**1,741**
		11. Financial expenses		
3,514	4,138	Interest, etc.	12,810	11,318
1,222	83	Value adjustment of hedging transactions	83	1,222
1,114	1,309	Interest, group entities	-	-
5,850	**5,530**	**Interest expenses on financial liabilities not measured at fair value through profit/loss**	**12,893**	**12,540**
2,456	1,079	Write-down of equity investments in subsidiary	-	-
753	13	Exchange rate adjustments	5,400	0
9,059	**6,622**		**18,293**	**12,540**

12. Tax for the year

PARENT 2016	PARENT 2017	DKK'000	GROUP 2017	GROUP 2016
0	0	Current tax	29,803	24,204
-2,988	-2,463	Changes in deferred tax	13,654	5,025
-2,988	**-2,463**		**43,457**	**29,229**

The current income tax charge for the financial year is calculated based on a tax rate of 22.0% (2016: 22.0%) for Danish entities. For foreign entities, the current tax rate in the country in question is applied.

PARENT 2016	PARENT 2017	DKK'000	GROUP 2017	GROUP 2016
		Tax on other changes in equity		
2,684	2,985	Tax on acquisition/sale of treasury shares	2,985	2,684
2,684	**2,985**		**2,985**	**2,684**
		Tax on other comprehensive income		
217	18	Fair value adjustment of financial instruments held to hedge future cash flows	5,698	-4,192
217	**18**		**5,698**	**-4,192**

Analysis of tax on items recognised in other comprehensive income:

PARENT 2016	PARENT 2017	DKK'000	GROUP 2017	GROUP 2016
0	0	Current tax	545	-1,716
217	18	Changes in deferred tax	5,153	-2,476
217	**18**		**5,698**	**-4,192**
		Reconciliation of tax rate		
-	-	Danish income tax rate	22.0	22.0
-	-	Effect of differences in tax rates for foreign entities	2.7	2.1
-	-	Effect of changed income tax rate in Denmark	0.0	-0.3
-	**-**	**Effective tax rate for the year**	**24.7**	**23.8**

The Parent Company's tax rate in both 2017 and 2016 is materially affected by tax-exempt dividends from subsidiaries.

PARENT 2016	PARENT 2017	DKK'000	GROUP 2017	GROUP 2016
		Analysis of the estimated current tax charge for the year:		
		Denmark	8,044	3,000
		Poland	6,685	6,683
		The US	4,338	5,138
		China	2,689	2,262
		Latvia	626	234
		Slovakia	1,641	1,219
		Norway	23	0
		Sweden	2,411	2,632
		The Netherlands	1,997	1,572
		Brazil	1,349	1,464
			29,803	**24,204**

The current tax in Denmark is affected by utilisation of tax loss carryforwards, in particular from 2004, 2008 and 2009. Moreover, reference is made to note 26.

Notes

	GROUP	
DKK'000	**2017**	**2016**
13. Earnings per share		
The calculation of earnings per share is based on the following:		
Profit to the Parent Company's shareholders	**132,169**	**92,420**

Number of shares	2017	2016
Average number of shares issued	2,278,000	2,242,000
Average number of treasury shares issued	-44,925	-34,589
Number of shares used to calculate earnings per share	**2,233,075**	**2,207,411**
Average dilution effect of outstanding warrants	**80,629**	**84,374**
Number of shares used to calculate diluted earnings per share	**2,313,704**	**2,291,785**

					GROUP
DKK'000	Software	Customer files	Goodwill	Completed development projects	Development projects in progress

14. Intangible assets

Cost at 01/01/2017	23,787	20,878	144,168	37,483	3,594
Value adjustment	110	0	-1,745	-181	0
Additions relating to acquisition of entity	0	27,000	43,133	0	0
Additions	1,078	0	0	0	1,169
Disposals	-1	0	0	-349	0
Cost at 31/12/2017	**24,974**	**47,878**	**185,556**	**36,953**	**4,763**
Amortisation and impairment losses at 01/01/2017	17,205	5,581	1,861	30,957	0
Value adjustment	58	0	0	-181	0
Amortisation for the year	2,879	4,270	0	2,025	0
Impairment losses for the year	0	0	0	0	0
Reversal on disposal	-1	0	0	-349	0
Amortisation and impairment losses at 31/12/2017	**20,141**	**9,851**	**1,861**	**32,452**	**0**
Carrying amount at 31/12/2017	**4,833**	**38,027**	**183,695**	**4,501**	**4,763**
Cost at 01/01/2016	23,579	18,928	140,889	37,798	2,848
Value adjustment	-79	0	412	189	0
Reclassification	-689	0	0	689	0
Additions relating to acquisition of entity	0	1,950	2,867	0	0
Additions	1,003	0	0	759	1,019
Disposals	-27	0	0	-1,952	-273
Cost at 31/12/2016	**23,787**	**20,878**	**144,168**	**37,483**	**3,594**
Amortisation and impairment losses at 01/01/2016	14,406	3,584	1,861	28,467	0
Value adjustment	-29	0	0	170	0
Amortisation for the year	2,835	1,997	0	3,428	0
Impairment losses for the year	0	0	0	0	0
Reversal on disposal	-7	0	0	-1,108	0
Amortisation and impairment losses at 31/12/2016	**17,205**	**5,581**	**1,861**	**30,957**	**0**
Carrying amount at 31/12/2016	**6,582**	**15,297**	**142,307**	**6,526**	**3,594**

Notes

	PARENT COMPANY	
DKK'000	Software 2017	Software 2016
14. Intangible assets (continued)		
Cost at 01/01	1,052	1,052
Additions	0	0
Cost at 31/12	**1,052**	**1,052**
Amortisation and impairment losses at 01/01	1,024	946
Amortisation for the year	21	78
Amortisation and impairment losses at 31/12	**1,045**	**1,024**
Carrying amount at 31/12	**7**	**28**

Goodwill

Goodwill arising from business acquisitions, etc., is distributed at the acquisition date to the cash-generating units that are expected to obtain financial benefits from the business combination.

The carrying amount of goodwill is distributed as follows by cash-generating units:

	GROUP	
DKK'000	2017	2016
Accoat A/S	9,823	9,823
Ulstrup Plast A/S	26,656	26,656
MM Composite A/S	40,368	0
Tinby Skumplast A/S	2,765	0
Other plastic activities	104,083	105,828
	183,695	**142,307**

14. Intangible assets (continued)

Goodwill

Goodwill is tested for impairment at least annually and if there is otherwise indication of impairment. The annual impairment test is usually performed at 31 December.

No impairment losses were recognised in respect of goodwill in 2017 or 2016.

The recoverable amount of the cash-generating units to which the goodwill amounts relate is calculated on the basis of a calculation of value in use. In this relation, the most significant uncertainties are attributable to the determination of discount factors and growth rates as well as the expectations of sales.

The discount factors determined reflect the market assessments of the time value of money expressed as a risk-free interest rate and the specific risks related to the cash-generating unit.

The fixed sales prices, production costs and growth rates are based on historical experience as well as expectations of future market changes. Revenue from the cash-generating units is broken down by several industries and is therefore not particularly dependent on sectors or individual customers.

The calculation of the value in use is based on the cash flows stated in the most recent budget for 2018, approved by Management, and forecasts for 2019 and 2020. For financial years after the forecast period, cash flows have been extrapolated for the most recent forecast periods, adjusted for an expected growth rate.

The most significant parameters applied in calculating recoverable amounts are as follows:

	2017	2016
Discount rate after tax	7.5%	7.5%
Discount rate before tax	9.1%	9.0%
Growth rate in the terminal period	2.0%	2.0%

The above parameters have been used for all five cash-generating units, as it is assessed that there are no material differences in the parameters affecting the value in use in the individual cash-generating units.

Other intangible assets

Apart from goodwill, all intangible assets are considered to have definite useful lives over which the assets are amortised; see the description of accounting policies.

Notes

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings	Leasehold improvements	Property, plant and equipment under construction
					GROUP
15. Property, plant and equipment					
Cost at 01/01/2017	250,158	787,521	101,667	32,001	30,172
Value adjustment	-189	4,136	132	823	931
Reclassification	-289	0	18	271	0
Additions relating to acquisition of entity	0	31,252	1,725	2,358	0
Additions	44,154	124,162	9,795	3,476	79,033
Disposals	0	-19,786	-1,709	-1,198	-78,279
Cost at 31/12/2017	**293,834**	**927,285**	**111,628**	**37,731**	**31,857**
Depreciation and impairment losses at 01/01/2017	102,897	516,684	75,398	20,054	0
Value adjustment	-2	825	44	372	0
Reclassification	9	0	0	-9	0
Depreciation for the year	6,943	54,007	8,512	2,841	0
Reversal on disposal	0	-15,531	-1,307	-1,171	0
Depreciation and impairment losses at 31/12/2017	**109,847**	**555,985**	**82,647**	**22,087**	**0**
Carrying amount at 31/12/2017	**183,987**	**371,300**	**28,981**	**15,644**	**31,857**
Portion relating to assets held under finance leases at 31/12/2017	0	69,080	494	0	0
Cost at 01/01/2016	224,984	764,510	92,640	30,275	15,993
Value adjustment	135	-8,059	-379	-937	-282
Additions relating to acquisition of entity	9,011	22,623	2,474	19	1,811
Additions	16,028	65,700	9,320	3,337	34,284
Disposals	0	-57,253	-2,388	-693	-21,634
Cost at 31/12/2016	**250,158**	**787,521**	**101,667**	**32,001**	**30,172**
Depreciation and impairment losses at 01/01/2016	96,154	490,917	70,560	18,701	0
Value adjustment	0	-5,747	-240	-613	0
Depreciation for the year	6,743	44,642	7,221	2,576	0
Reversal on disposal	0	-13,128	-2,143	-610	0
Depreciation and impairment losses at 31/12/2016	**102,897**	**516,684**	**75,398**	**20,054**	**0**
Carrying amount at 31/12/2016	**147,261**	**270,837**	**26,269**	**11,947**	**30,172**
Portion relating to assets held under finance leases at 31/12/2016	0	44,685	274	0	0

	PARENT	
DKK'000	Land and buildings	Fixtures and fittings

15. Property, plant and equipment (continued)

DKK'000	Land and buildings	Fixtures and fittings
Cost at 01/01/2017	99,204	4,078
Additions	243	61
Cost at 31/12/2017	**99,447**	**4,139**
Depreciation and impairment losses at 01/01/2017	18,972	3,696
Depreciation for the year	2,578	233
Depreciation and impairment losses at 31/12/2017	**21,550**	**3,929**
Carrying amount at 31/12/2017	**77,897**	**210**
Portion relating to assets held under finance leases at 31/12/2017	0	0
Cost at 01/01/2016	83,905	3,822
Additions	15,299	256
Cost at 31/12/2016	**99,204**	**4,078**
Depreciation and impairment losses at 01/01/2016	16,210	3,227
Depreciation for the year	2,762	469
Depreciation and impairment losses at 31/12/2016	**18,972**	**3,696**
Carrying amount at 31/12/2016	**80,232**	**382**
Portion relating to assets held under finance leases at 31/12/2016	0	0

Notes

DKK'000	PARENT 2017	PARENT 2016
16. Equity investments in subsidiaries		
Cost at 01/01	716,861	677,599
Additions	107,804	39,262
Cost at 31/12	**824,665**	**716,861**
Impairment losses at 01/01	253,720	251,264
Impairment losses for the year	1,079	2,456
Impairment losses at 31/12	**254,799**	**253,720**
Carrying amount at 31/12	**569,866**	**463,141**

The impairment loss concerns the equity investment in SP Extrusion A/S. The entity has been loss-making in the start-up phase 2013-2017. The net present value of the expected net cash flows from operating activities is not expected to correspond to the carrying amount of the equity investments at 31 December 2017, which totals DKK 17.0 million before impairment losses. Consequently, the equity investments have been written down to the value in use of DKK 3.0 million. The write-down has been recognised under financial expenses in the Parent Company. After the write-down, the fair value at 31 December 2017 equals the net asset value of the entity. Management expects the entity to be profitable from 2017, but the entity is still in a start-up phase.

Equity investments in subsidiaries directly owned by the Parent Company comprise:

	Registered office	Ownership interest 2017	Ownership interest 2016	Share of voting rights 2017	Share of voting rights 2016	Activity
SP Moulding	Denmark	100%	100%	100%	100%	Production and sale of injection-moulded items
Ulstrup Plast A/S	Denmark	100%	100%	100%	100%	Production and sale of injection-moulded items
MedicoPack A/S	Denmark	100%	100%	100%	100%	Production and sale of blow-moulded items
Gibo Plast A/S	Denmark	100%	100%	100%	100%	Production and sale of vacuum-formed items
Accoat A/S	Denmark	100%	100%	100%	100%	Production and sale of coatings
Ergomat A/S	Denmark	100%	100%	100%	100%	Production and sale of ergonomics solutions
Tinby A/S	Denmark	100%	100%	100%	100%	Production and sale of polyurethane products
TPI Polytechniek B.V.	The Netherlands	100%	100%	100%	100%	Sale of ventilation components
Brdr. Bourghardt AB	Sweden	100%	100%	100%	100%	Production and sale of Telene products
MM Composite A/S	Denmark	100%	-	100%	-	Production and sale of composite products
SP Extrusion A/S	Denmark	100%	100%	100%	100%	Production and sale of extruded products
SP Moulding Denmark A/S	Danmark	100%	100%	100%	100%	Sale of plastic components and technologies
SP Technology A/S	Denmark	100%	100%	100%	100%	Sale of plastic components and technologies
SP R&D A/S	Denmark	100%	-	100%	-	Development company
SPG Ejendomme 1 ApS	Denmark	100%	-	100%	-	Property company
SPG Ejendomme 2 ApS	Denmark	100%	-	100%	-	Property company

Note 45 includes an overview of all entities in the Group.

DKK'000	2017	2016
17. Equity investments in associates		
Cost at 01/01	0	0
Additions relating to acquisition of entity	1,894	0
Cost at 31/12	**1,894**	**0**
Adjustments at 01/01	0	0
Exchange rate adjustments	-201	0
Share of total profit/loss	-53	0
Adjustments at 31/12	**-254**	**0**
Carrying amount at 31/12	**1,640**	**0**

Equity investments in associates comprise:

	Registered office	Ownership interest %		Share of voting rights %		Activity
		2017	2016	2017	2016	
Mt. Pl. Building II L.L.C.	The US	33 1/3	-	33 1/3	-	Property company

PARENT			GROUP	
2016	**2017**	DKK'000	**2017**	**2016**
		18. Inventories		
0	0	Raw materials and consumables	177,160	133,975
0	0	Work in progress	16,149	9,019
0	0	Finished goods and goods for resale	142,901	139,578
0	**0**		**336,210**	**282,572**
0	0	Carrying amount of inventories recognised at net realisable value	5,328	13,607
		19 Trade receivables		
0	0	Write-downs for the year recognised in the income statement	173	345

Trade receivables are written down if, based on an individual assessment of the debtors' ability to pay, the value has become impaired, e.g. in case of non-payment, suspension of payments, liquidation, etc. (objective indication of impairment). Trade receivables are written down to net realisable value.
Moreover, reference is made to note 37.

The carrying amount of receivables written down to net realisable value based on an individual assessment amounts to DKK 0 thousand (2016: DKK 0 thousand).

PARENT 2016	PARENT 2017	DKK'000	GROUP 2017	GROUP 2016
		Receivables past due not written down:		
70	21	Past due by up to one month	41,864	34,763
27	0	Past due between one and three months	3,222	5,329
0	0	Past due by more than three months	1,239	1,609
97	**21**		**46,325**	**41,701**

Notes

2016	2017	Beløb i DKK 1.000	2017	2016
		20. Construction contracts		
0	0	Selling price of construction contracts	26,340	20,887
0	0	Progress billings	-27,175	-17,368
0	**0**		**-835**	**3,519**
		recognised as follows:		
0	0	Construction contracts (assets)	6,084	9,758
0	0	Construction contracts (liabilities)	-6,919	-6,239
0	**0**		**-835**	**3,519**
0	0	Prepayments from customers relating to contracts not yet initiated	0	0
0	0	Payments withheld	0	0
0	0	The selling price of the year's production output relating to construction contracts	37,180	40,700

21. Other receivables

Receivables are not associated with any special credit risks, and as in the previous year, no impairment losses have been recognised in that regard. None of the receivables have fallen due. They will fall due in 2018.

22. Cash

The Group's and the Parent Company's cash primarily consists of deposits in banks with high credit ratings. Consequently, cash is not considered to be associated with any particular credit risk.

23. Share capital

The share capital consists of 2,278,000 shares. The shares are fully paid-in. The shares are not divided into classes.

All shares rank equally.

	Issued shares			
Amounts in DKK	No. of shares		Nom. value	
	2017	**2016**	**2017**	**2016**
01/01	2,278,000	2,224,000	22,780,000	22,240,000
Capital increase	0	54,000	0	540,000
31/12	**2,278,000**	**2,278,000**	**22,780,000**	**22,780,000**

The capital increase in 2016 of DKK 540,000 nominal value was carried through on 5 September 2016 at a price of 132.98 (5,000 shares) and a price of 171.10 (49,000 shares).

The expenses relating to the capital increase amounted to DKK 0.1 million. The capital increase was carried out to settle warrants .

	Treasury shares					
Amounts in DKK	No. of shares		Nom. value		% of share capital	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
01/01.	46,359	22,819	463,590	228,190	2.0%	1.0%
Acquired	53,133	73,024	531,330	730,240	2.3%	3.2%
Sold	-56,000	-49,484	-560,000	-494,840	-2.5%	-2.2%
31/12.	**43,492**	**46,359**	**434,920**	**463,590**	**1.9%**	**2.0%**

The acquisitions in 2016 and 2017 were made in order to partially fund existing warrant programmes and acquire non-controlling interests.
Sales in 2016 and 2017 relate to the exercise of warrant programmes.

Capital management

The Group continually assesses the need to adjust its capital structure to weigh the higher yield requirement applicable to equity against the increased uncertainty associated with loan capital. At year end 2017, equity accounted for 35.5% of total assets (2016: 35.7%). It is the Group's objective to have a solvency ratio of 25-45%. Capital is managed for the Group taken as a whole.

It is SP Group A/S' policy that the shareholders should yield a return on their investment in the form of price increases and dividend. It is the ambition that earnings per share should increase by an average of 20% annually over a five-year period. Payment of dividends must be made taking into consideration the necessary consolidation of equity as a basis for the Group's continued expansion. For 2017, DKK 10 per share is distributed as dividend, corresponding to approx. 17% of the profit for the year. In recent years, dividends distributed have totalled 15-20% of profit for the year after tax and non-controlling interests.

Notes

24. Other reserves

GROUP

DKK'000	Translation reserve	Reserve for share-based payment	Hedging reserve	Total
Reserve at 01/01/2016	9,190	1,042	11,208	21,440
Exchange rate adjustment relating to foreign entities	-4,805	0	0	-4,805
Recognition of share-based payment	0	210	0	210
Share-based payment, exercised arrangements	0	-603	0	-603
Sale of warrants	0	269	0	269
Value adjustments of financial instruments held to hedge future cash flows, net	0	0	-18,051	-18,051
Reserve at 31/12/2016	**4,385**	**918**	**-6,843**	**-1,540**
Exchange rate adjustment relating to foreign entities	-2,687	0	0	-2,687
Recognition of share-based payment	0	251	0	251
Share-based payment, exercised arrangements	0	-153	0	-153
Sale of warrants	0	448	0	448
Value adjustments of financial instruments held to hedge future cash flows, net	0	0 0	24,426	24,426
Reserve at 31/12/2017	**1,698**	**1,464**	**17,583**	**20,745**

PARENT

DKK'000	Reserve for share-based payment	Hedging reserve	Total
Reserve at 01/01/2016	1,042	-765	277
Recognition of share-based payment	210	0	210
Share-based payment, exercised arrangements	-603	0	-603
Sale of warrants	269	0	269
Value adjustments of financial instruments held to hedge future cash flows, net	0	700	700
Reserve at 31/12/2016	**918**	**-65**	**853**
Recognition of share-based payment	251	0	251
Share-based payment, exercised arrangements	-153	0	-153
Sale of warrants	448	0	448
Value adjustments of financial instruments held to hedge future cash flows, net	0	65	65
Reserve at 31/12/2017	**1,464**	**0**	**1,464**

The reserve for exchange rate adjustments comprises all exchange rate adjustments arising from the translation of financial statements of entities with a functional currency other than DKK.

The reserve for share-based payment comprises the accumulated value of the earned right to share option plans (equity-settled share option plans) measured at the fair value of the equity instruments at the grant date and recognised over the vesting period. The reserve is dissolved as the employees exercise the earned right to acquire shares or as the options expire without having been exercised.

The hedging reserve comprises the accumulated net change in the fair value of hedging transactions that qualify for designation as hedges of future cash flows where the hedged transaction has not yet been realised.

GROUP

25. Non-current liabilities

DKK'000	Bank debt 2017	Bank debt 2016	Financial institutions 2017	Financial institutions 2016	Finance lease liabilities (minimum lease payments) 2017	Finance lease liabilities (minimum lease payments) 2016	Other non-current liabilities 2017	Other non-current liabilities 2016
Non-current liabilities fall due as follows:								
Within one year from the balance sheet date	43,312	37,273	24,309	11,474	15,139	9,460	27,282	1,938
Between one and two years from the balance sheet date	37,356	31,326	24,340	8,943	12,746	9,831	22,744	18,062
Between two and three years from the balance sheet date	25,356	25,378	24,367	7,591	11,494	7,694	40,230	10,928
Between three and four years from the balance sheet date	18,815	13,378	24,394	7,627	8,417	5,637	0	0
Between four and five years from the balance sheet date	3,189	6,837	24,420	7,665	5,055	4,162	0	0
After five years from the balance sheet date	0	195	76,015	42,147	706	0	0	0
	128,028	**114,387**	**197,845**	**85,447**	**53,557**	**36,784**	**90,256**	**30,928**
Liabilities are recognised in the balance sheet as follows:								
Current liabilities	43,312	37,273	24,309	11,474	15,139	9,460	27,282	1,938
Non-current liabilities	84,716	77,114	173,536	73,973	38,418	27,324	62,974	28,990
	128,028	**114,387**	**197,845**	**85,447**	**53,557**	**36,784**	**90,256**	**30,928**
Fair value	128,028	114,387	199,502	87,487	53,557	36,784	90,256	30,928

The fair value of fixed-rate debt is calculated at the present value of the future payments of interest and instalments using the current market rate.

Other non-current liabilities include the net present value of expected earn-out payments and debt instruments in connection with acquisitions of entities in 2015, 2016 and 2017.

Liabilities from financing activities

			Non-cash changes			
Bank debt, financial institutions and finance lease liabilities	**Opening balance**	**Cash flows**	**Corporate acquisitions**	**Leases**	**Currency etc.**	**Closing balance**
Bank debt	114.387	11.217	0	0	2.424	128.028
Financial institutions	85.447	112.398	0	0	0	197.845
Finance lease liabilities	36.784	-6.503	0	23.276	0	53.557
Other non-current liabilities	30.928	-2.667	60.683	0	1.312	90.256
	267,546	**114,445**	**65,012**	**18,947**	**3,736**	**469,686**

Notes

						PARENT
	Bank debt		Financial institutions		Finance lease liabilities (minimum lease payments)	
DKK'000	2017	2016	2017	2016	2017	2016
25. Non-current liabilities (continued)						
Non-current liabilities fall due as follows:						
Within one year from the balance sheet date	42,556	36,495	19,091	3,617	27,281	1,938
Between one and two years from the balance sheet date	36,600	30,548	19,101	3,643	22,744	18,062
Between two and three years from the balance sheet date	24,600	24,600	19,115	3,666	40,230	10,928
Between three and four years from the balance sheet date	18,058	12,600	19,127	3,692	0	0
Between four and five years from the balance sheet date	3,000	6,058	19,144	3,716	0	0
After five years from the balance sheet date	0	0	41,344	22,449	0	0
	124,814	**110,301**	**136,922**	**40,783**	**90,255**	**30,928**
Liabilities are recognised in the balance sheet as follows:						
Current liabilities	42,556	36,495	19,091	3,617	27,281	1,938
Non-current liabilities	82,258	73,806	117,831	37,166	62,974	28,990
	124,814	**110,301**	**136,922**	**40,783**	**90,255**	**30,928**
Fair value	124,814	110,301	137,969	40,783	90,255	30,928

The fair value of fixed-rate debt is calculated at the present value of the future payments of interest and instalments using the current market rate.

Other non-current liabilities include the net present value of expected earn-out payments and debt instruments in connection with acquisitions of entities in 2015, 2016 and 2017.

Liabilities from financing activities

			Non-cash changes		
Bank debt, financial institutions and finance lease liabilities	**Opening balance**	**Cash flows**	**Corporatec acquisitions**	**Currency etc.**	**Closing balance**
Bank debt	110.301	14.514	0	-1	124.814
Financial institutions	40.783	96.139	0	0	136.922
Other non-current liabilities	30.928	-2.668	60.683	1.312	90,255
	182.012	**107.985**	**60.683**	**1.311**	**351.991**

26. Deferred tax

PARENT			GROUP	
Deferred tax assets	Deferred tax liabilities	DKK'000	Deferred tax assets	Deferred tax liabilities
7,484	0	Deferred tax at 01/01/2016	3,792	19,397
0	0	Foreign exchange adjustment	-103	-35
0	0	Acquisition of entity	3,428	855
0	0	Other adjustments, reclassification of tax payable at 01/01	643	643
2,988	0	Change in deferred tax recognised in the income statement	-1,195	3,829
-217	0	Change in deferred tax recognised in other comprehensive income	1,398	-1,078
2,684	0	Change in deferred tax recognised in equity	0	-2,684
-10,068	0	Transfer, subsidiaries	0	0
2,871	**0**	**Deferred tax at 31/12/2016**	**7,963**	**20,927**
0	0	Foreign exchange adjustment	-523	-122
0	0	Acquisition of entity	0	7,562
-2,871	-2,871	Other adjustments, reclassification of tax payable at 01/01	0	0
0	-2,463	Change in deferred tax recognised in the income statement	-2,525	11,556
0	18	Change in deferred tax recognised in other comprehensive income	-254	4,899
0	-2,985	Change in deferred tax recognised in equity	0	-2,985
0	9,308	Transfer, subsidiaries	-829	-829
0	**1,007**	**Deferred tax at 31/12/2017**	**3,832**	**41,008**

PARENT			GROUP	
2016	**2017**	DKK'000	**2017**	**2016**
		Deferred tax is recognised in the balance sheet as follows:		
2,871	0	Deferred tax assets	3,832	7,963
0	-1,007	Deferred tax liabilities	-41,008	-20,927
2,871	**-1,007**		**-37,176**	**-12,964**

The Group's tax assets primarily relate to tax losses in SP Moulding (Suzhou) Co. Ltd. in China and excess values for tax purposes in a few Danish and Swedish subsidiaries. The tax asset is expected to be utilised within three years.

There are no tax assets or tax liabilities that have not been recognised in the balance sheet.

Notes

26. Deferred tax (continued)

GROUP

DKK'000	01/01	Recognised in income statement	Recognised in other comprehensive income	Recognised in equity	Recognised on acquisition of entity	Value adjustments, etc.	31/12
2017							
Intangible assets	8,797	32	0	0	6,660	0	15,489
Property, plant and equipment	15,072	1,744	0	0	902	0	17,718
Inventories	2,332	607	0	0	0	0	2,939
Receivables	-687	80	0	0	0	0	-607
Liabilities	-439	-316	0	0	0	0	-755
Value adjustment of derivative financial instruments	-1,270	5,303	0	0	0	0	4,033
Tax loss carryforwards	-10,841	-2,854	5,153	-2,985	0	9,886	-1,641
	12,964	**4,596**	**5,153**	**-2,985**	**7,562**	**9,886**	**37,176**
2016							
Intangible assets	11,944	-3,147	0	0	0	0	8,797
Property, plant and equipment	14,061	2,590	0	0	-1,579	0	15,072
Inventories	2,692	-109	0	0	-251	0	2,332
Receivables	-607	-80	0	0	0	0	-687
Liabilities	-555	856	0	0	-740	0	-439
Value adjustment of derivative financial instruments	3,086	-2,754	-1,602	0	0	0	-1,270
Tax loss carryforwards	-15,016	7,669	-874	-2,684	0	64	-10,841
	15,605	**5,025**	**-2,476**	**-2,684**	**-2,570**	**64**	**12,964**

PARENT

DKK'000	01/01	Recognised in income statement	Recognised in other comprehensive income	Recognised in equity	Recognised on acquisition of entity	Transfer, subsidiaries	31/12
2017							
Intangible assets	6	-5	0	0	0	0	1
Property, plant and equipment	1,055	347	0	0	0	0	1,402
Liabilities	-90	-306	0	0	0	0	-396
Tax loss carryforwards	-3,842	-2,499	18	-2,985	0	9,308	0
	-2,871	**-2,463**	**18**	**-2,985**	**0**	**9,308**	**1,007**
2016							
Intangible assets	23	-17	0	0	0	0	6
Property, plant and equipment	788	267	0	0	0	0	1,055
Liabilities	-110	20	0	0	0	0	-90
Tax loss carryforwards	-8,185	-3,258	217	-2,684	0	10,068	-3,842
	-7,484	**-2,988**	**217**	**-2,684**	**0**	**10,068**	**-2,871**

PARENT			GROUP	
2016	**2017**	DKK'000	**2017**	**2016**
		27. Trade payables		
615	**753**	Trade payables	**155,810**	**148,624**
		The carrying amount is equal to the fair value of the liabilities.		
		28. Provisions (warranty commitments)		
0	0	Provisions at 01/01	8,756	0
0	0	Additions on acquisitions	0	3,197
0	0	Additions	1,764	5,751
0	0	Disposals	-4,644	-192
0	**0**	**Provisions at 31/12**	**5,876**	**8,756**

Provisions relate to sold, but defective items. Provisions have been calculated based on expected remedial costs. Such costs are expected to be incurred primarily during 2018.

29. Other payables

The item comprises payables relating to payroll, withholding taxes, social security contributions, compensated absence commitments, derivative financial statement instruments, VAT, duties, etc.

The compensated absence commitment represents the Group's obligation to pay salary to employees during holidays which, at the balance sheet date, they are entitled to spend in the subsequent financial year.

30. Collateral

Mortgage debt, DKK 98 million, (Parent, DKK 37 million) is secured by way of mortgage on properties. The mortgage also comprises such items of plant and machinery that are deemed part of the properties.

Moreover, loans with banks and financial institutions are secured by way of a letter of indemnity on real property and mortgages registered to the mortgagor with secondary liability, totalling a nominal amount of DKK 60 million (2016: DKK 60 million).

PARENT 2016	PARENT 2017	DKK'000	GROUP 2017	GROUP 2016
79,836	**77,501**	Carrying amount of mortgaged properties	**173,611**	**137,739**
0	**0**	Carrying amount of mortgaged operating equipment	**0**	**6,930**
		Bank debt is secured by way of collateral on equity investments in the Parent Company's Danish subsidiaries.		
298,288	**298,288**	Carrying amount of pledged investments (cost)	**-**	**-**

Notes

PARENT			GROUP	
2016	**2017**	DKK'000	**2017**	**2016**
		31. Operating lease liabilities		
		For the years 2018-2025, the Group has entered into operating leases on properties. The leases have fixed lease payments, which are indexed annually. Future minimum lease payments in accordance with interminable leases fall due as follows:		
0	0	Within one year from the balance sheet date	22.620	23,477
0	0	Between one and five years from the balance sheet date	48.389	45,221
0	0	After five years from the balance sheet date	8.965	5,441
0	**0**		**79.974**	**74,139**
1,387	**0**	Minimum lease payments recognised in the income statement for the year	**31.035**	**21,332**
		For the years 2018-2022, the Group has entered into operating leases on operating equipment and cars. Future minimum lease payments in accordance with interminable leases fall due as follows:		
267	366	Within one year from the balance sheet date	4,157	4,367
274	239	Between one and five years from the balance sheet date	3,369	6,036
0	0	After five years from the balance sheet date	140	0
541	**605**		**7,666**	**10,403**
270	**364**	Minimum lease payments recognised in the income statement for the year	**3,924**	**3,228**
		Breakdown of total rent and lease liabilities:		
267	366	Within one year from the balance sheet date	26.777	27,844
274	239	Between one and five years from the balance sheet date	51.758	51,257
0	0	After five years from the balance sheet date	9.105	5,441
541	**605**		**87.640**	**84,542**
0	**0**	Leases regarding acquisition of machinery for future delivery	**20,000**	**25,000**

PARENT			GROUP	
2016	2017	DKK'000	2017	2016

32. Recourse guarantee commitments and contingent liabilities

Together with its subsidiaries, the Parent Company has entered into bank commitments under which the Parent Company is liable for all draw-downs on credit facilities.

2016	2017		2017	2016
144,035	182,033	Subsidiaries' bank debt		

The Parent Company has guaranteed the subsidiaries' debt to financial institutions or has joint and several liability.

2016	2017		2017	2016
45,093	33,152	Surety, guarantee and liability		

The Parent Company is jointly and severally liable for the subsidiaries' lease liabilities.

2016	2017		2017	2016
44,788	70,094	Minimum lease payments		

On behalf of a subsidiary, the Parent Company has provided a payment guarantee of DKK 3,129 thousand to a supplier (2016: DKK 892 thousand).

The Parent Company is jointly taxed with other Danish entities in the SP Group A/S Group. As administration company, the Company has joint and several liability, together with the other jointly taxed entities, for payment of Danish income taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. At 31 December 2016, the jointly taxed entities' total net liabilities to the Danish Customs and Tax Administration amounted to approx. DKK 2.2 million (31 December 2016: DKK 0.0 million).

33. Changes in net working capital

2016	2017		2017	2016
0	0	Changes in inventories	29,908	11,561
-17,291	29,837	Changes in receivables	-20,595	12,905
-10,001	-39,361	Change in trade payables, etc.	34,391	-8,474
-27,292	**-9,524**		**43,704**	**15,992**

34. Cash

2016	2017		2017	2016
7,843	1,797	Cash	75,605	53,725
-79,768	-17,423	Short-term bank debt	-205,298	-224,818
-71,925	**-15,626**		**-129,693**	**-171,093**

35. Fees to the Parent Company's auditor appointed by the general meeting

External expenses include fees to the Parent Company's auditor appointed by the general meeting:

2016	2017		2017	2016
		EY		
200	330	Statutory audit	2,114	1,632
0	0	Other assurance engagements	0	36
132	101	Tax and VAT advisory services	301	315
767	546	Other assistance	769	895
1,099	**977**		**3,184**	**2,878**

Tax and VAT assistance comprises review of schedules to the income tax return, TP documentation and general advisory services regarding VAT and tax matters.

Non-audit services primarily comprise agreed-upon procedures in connection with corporate acquisitions.

Notes

36. Related parties

Related parties exercising control over the Group and the Parent Company
There are no related parties exercising control over SP Group A/S. Shareholders holding more than 5% of the share capital are disclosed in note 40.

For an outline of subsidiaries, see the group chart in note 45.

Related party transactions, Group
In previous years, the Group leased a production plant from a company in which members of the Group's Executive Board and Board of Directors are indirectly shareholders. Rent amounted to DKK 1,387 thousand in 2015. The lease, which was entered into in 2009, is non-terminable until 2021 (sale and lease back arrangement). During the lease term, the Group is entitled to repurchase the property at the original selling price. Having decided to exercise this option, the Group repurchased the property for DKK 15 million at 1 January 2016. The Group did not carry out any other related party transactions in 2016 and 2017 apart from payment of remuneration to members of the Board of Directors and the Executive Board; see note 6. Transactions with associates comprise lease of property with a total annual rent of approx. DKK 1.7 million.

Related party transactions, Parent Company

DKK'000	Lease income	Lease expenses	Sale of goods and services	Purchase of goods and services	Interest income	Interest expenses	Receivables	Payables
2017								
From subsidiaries	4,506	98	8,340	120	294	1,309	53,302	130,193
2016								
From subsidiaries	4,532	129	8,787	120	415	1,114	25,275	93,416

In addition, SP Group A/S received dividends from subsidiaries in the amount of DKK 42,210 thousand (2016: DKK 29,799 thousand).

Transactions with subsidiaries are eliminated in the consolidated financial statements in accordance with the accounting policies.

Rental income relates to the Parent Company's renting of properties to subsidiaries. The rent is fixed on a cost basis.

Sale of services relates to assistance provided to subsidiaries. Intra-group acquisitions and sales are made at cost plus a mark-up.

No security or guarantees have been provided for intra-group balances at the balance sheet apart from what is disclosed in note 30. Receivables as well as payables will be settled in cash. The Group has not recorded any bad debts relating to related parties or made provisions for probable bad debts.

Remuneration of the Board of Directors and the Executive Board
For information on the remuneration of the Group's Board of Directors and Executive Board, see note 6.

PARENT			GROUP	
2016	**2017**	DKK'000	**2017**	**2016**
		37. Financial risks and financial instruments		
		Financial instrument categories		
		Derivative financial instruments held to hedge		
0	0	future cash flows (included in Other receivables)	22,664	0
0	**0**	**Financial assets applied as hedging instruments**	**22,664**	**0**
0	0	Deposits	917	381
119	21	Trade receivables	173,914	165,600
25,275	53,302	Receivables from subsidiaries	-	-
45	1,681	Other receivables	40,399	13,072
7,843	1,797	Cash	75,605	53,725
33,282	**56,801**	**Loans, receivables and cash**	**290,835**	**232,778**
		Derivative financial instruments held to hedge		
83	0	future cash flows	0	8,418
83	**0**	**Financial liabilities applied as hedging instruments**	**0**	**8,418**
190,069	142,237	Bank debt	333,326	339,205
40,783	136,922	Financial institutions	197,845	85,447
0	0	Finance lease liabilities	53,557	36,784
30,928	90,255	Other non-current liabilities	90,256	30,928
615	753	Trade payables	155,810	148,624
93,416	130,193	Payables to subsidiaries	-	-
355,811	**500,360**	**Financial liabilities measured at amortised cost**	**830,794**	**640,988**

The fair value of financial instruments corresponds to the carrying amount, both in the Parent Company and in the Group, except for the fact that the fair value of the financial liabilities has increased by DKK 1.7 million (2016: increase of DKK 2.0 million) in the Group and DKK 1.0 million (2016: increase of DKK 1.7 million) in the Parent Company. The fair value of debt to financial institutions is determined based on quoted values, i.e. at level 1, bank debt and finance lease liabilities at level 2 and derivative financial instruments at level 2.

The Parent Company's and the Group's foreign exchange risks and interest rate risks are shown on the following page. The individual risks, including the Group's policy for management of financial risks and sensitivity provisions are further described in the Management's review.

Currency risks
The Group is exposed to exchange rate fluctuations.

In general, there is a good balance between income and expenses. Approx. 78% of sales are thus recognised in DKK or EUR, and approx. 60% of the Group's fixed costs are incurred in DKK or EUR. The primary commercial currency risk is indirect and relates to the customers' sales outside Europe. Similarly, purchases are primarily conducted in DKK and EUR.

26% of the Group's financing has been procured in EUR, and the remaining debt has mainly been procured in DKK. A fluctuation of 1% in the EUR rate against DKK may therefore affect results of operations by up to approx. DKK 1.3 million.

In order to hedge the currency risk on future sale of goods in EUR from the Polish entities and sales in USD from several of the Group's entities, derivative financial contracts have been concluded in accordance with the Group's currency policy, which is approved by the Board of Directors, hedging part of the currency risk related to these sales for a period of up to four years.

At 31 December 2017, a contract on the sale of EUR against PLN in the amount of DKK 450 million (2016: DKK 520 million) and USD against DKK in the amount of DKK 0 million (2016: DKK 44 million) was thus concluded.

Due to the Group's use of derivative financial instruments for hedging the Group's exposure in relation to expected sales transactions, recognition of the effective part of the fair value adjustments of hedging instruments in the cash flow hedge reserve adversely affects the Group's equity by net DKK 30.1 million before tax and DKK 24.4 million after tax.

Notes

37. Financial risks and financial instruments (continued)

GROUP DKK'000	Cash and cash equivalents	Receivables	Liabilities	Hedged portion	Net position
EUR	23,983	90,337	-204,888	0	-90,568
PLN	14,096	24,510	-34,545	0	4,061
USD	26,500	23,112	-20,394	0	29,218
CAD	1,402	1,075	-228	0	2,249
SEK	2,749	10,293	-20,351	0	-7,309
NOK	176	0	-3,340	0	-3,164
RMB	11,947	22,960	-17,766	0	17,141
CHF	902	882	0	0	1,784
GBP	298	733	0	0	1,031
BRL	1,839	269	-364	0	1,744
31/12/2017	**83,892**	**174,171**	**-301,876**	**0**	**-43,813**
EUR	17,590	83,700	-129,209	0	-27,918
PLN	11,828	5,826	-24,627	0	-6,973
USD	10,893	23,949	-14,032	0	20,810
CAD	1,251	862	-258	0	1,855
SEK	2,767	13,320	-21,770	0	-5,683
NOK	1,201	0	-8,980	0	-7,779
RMB	8,749	17,854	-12,326	0	14,277
CHF	4,338	1,022	0	0	5,360
GBP	255	171	-1	0	425
BRL	1,456	1,247	-278	0	2,425
31/12/2016	**60,328**	**147,951**	**-211,481**	**0**	**-3,202**

PARENT DKK'000	Cash and cash equivalents	Receivables	Liabilities	Hedged portion	Net position
EUR	0	0	-14,137	0	-14,137
PLN	0	0	-388	0	-388
USD	1,734	0	0	0	1,734
SEK	0	0	151	0	151
31/12/2017	**1,734**	**0**	**-14,374**	**0**	**-12,640**
EUR	3,232	0	-17,850	0	-14,618
PLN	3,547	0	0	0	3,547
USD	0	0	-847	0	-847
SEK	-75	0	0	0	-75
31/12/2016	**6,704**	**0**	**-18,697**	**0**	**-11,993**

37. Financial risks and financial instruments (continued)

Interest rate risks

Interest rate risks primarily relate to interest-bearing net debt, i.e. mortgage debt and bank debt less cash and cash equivalents. At year end, net interest-bearing debt totalled DKK 509 million. 58% of the debt carries variable interst rates. A one percentage point increase in the general interest level will result in an increase in the Group's interest expenses before tax of approx. DKK 3.0 million.

SP Group focuses on increasing cash flows from operating activities so that the net interest-bearing debt can be reduced and the Group can finance investments via operating activities. The Group also aims at reducing debt by selling non-value-creating assets and activities.

The interest rate risk associated with financial assets and liabilities can be described as follows with the disclosure of date of interest rate adjustment or maturity, whichever occurs first, and effective interest rates.

						GROUP
	Time of interest rate adjustment or maturity					
DKK'000	Within 1 years	Between 1 and 5 years	After 5 years	Total	Fixed-interest portion	Effective interest rate
Bank deposits	75,605	0	0	75,605	0	1.0%
Financial institutions	-7,683	-190,162	0	-197,845	0	1.1%
Finance lease liabilities	-31,134	-22,423	0	-53,557	0	1.7%
Bank debt	-333,326	0	0	-333,326	0	1.3%
31/12/2017	**-296,538**	**-212,585**	**0**	**-509,123**	**0**	
Bank deposits	53,725	0	0	53,725	0	1.0%
Financial institutions	-24,934	-60,513	0	-85,447	0	1.3%
Finance lease liabilities	-17,039	-19,745	0	-36,784	0	1.8%
Bank debt	-339,205	0	0	-339,205	0	1.3%
31/12/2016	**-327,453**	**-80,258**	**0**	**-407,711**	**0**	

						PARENT
	Time of interest rate adjustment or maturity					
DKK'000	Within 1 years	Between 1 and 5 years	After 5 years	Total	Fixed-interest portion	Effective interest rate
Bank deposits	1,797	0	0	1,797	0	0.0%
Financial institutions	-8,630	-128,292	0	-136,922	0	1.2%
Bank debt	-142,237	0	0	-142,237	0	1.3%
31/12/2017	**-149,070**	**-128,292**	**0**	**-277,362**	**0**	
Bank deposits	7,843	0	0	7,843	0	0.0%
Financial institutions	-19,963	-20,820	0	-40,783	0	1.4%
Bank debt	-190,069	0	0	-190,069	0	1.3%
31/12/2016	**-202,189**	**-20,820**	**0**	**-223,009**	**0**	

Notes

37. Financial risks and financial instruments (continued)

Credit risks

The primary credit risk is associated with trade receivables. SP Group systematically and continually monitors the credit rating of customers and business partners. Credit risks are partially hedged through insurance and sale of invoices. No individual customers or business partners pose an unusual credit risk to the Group. As the Group's customers and business partners are normally well-reputed companies operating in many different business sectors and countries, the overall credit risk is reduced. The maximum credit risk associated with financial assets is reflected in the carrying amounts in the balance sheet.

PARENT			GROUP	
2016	**2017**	DKK'000	**2017**	**2016**
		Due receivables not written down:		
70	21	Past due by up to one month	41,864	34,763
27	0	Past due between one and three months	3,222	5,329
0	0	Past due by more than three months	1,239	1,609
97	**21**		**46,325**	**41,701**

37. Financial risks and financial instruments (continued)

Liquidity risks

It is the Group's objective to have sufficient cash resources to be able to continually making appropriate arrangements in case of unforeseen changes in cash outflows. It is Management's opinion that the Company still has adequate capital resources considering its operations and sufficient liquidity to meet its present and future liabilities. The Company's long-term cooperation with its financial business partners is fruitful and constructive. This is expected to continue. The Group has neither neglected nor been in breach of loan agreements in the financial year or the comparative year. The Group has calculated its cash resources at DKK 200 million at year end 2017.

The term to maturity of financial liabilities is specified below. The amounts specified represent the amounts falling due including interest calculated based on current interest rates.

DKK'000	Within 1 years	Between 1 and 5 years	After 5 years	Total
2017				
Non-derivative financial liabilities				
Bank debt	248,610	84,716	0	333,326
Financial institutions	24,309	97,521	76,015	197,845
Finance lease liabilities	15,139	37,712	706	53,557
Other non-current liabilities	27,282	62,974	0	90,256
Trade payables	155,810	0	0	155,810
Interest	8,752	17,038	8,470	34,260
	479,902	**299,961**	**85,191**	**865,054**
2016				
Non-derivative financial liabilities				
Bank debt	262,091	76,919	195	339,205
Financial institutions	11,474	31,826	42,147	85,447
Finance lease liabilities	9,460	27,324	0	36,784
Other non-current liabilities	1,938	28,990	0	30,928
Trade payables	148,624	0	0	148,624
Interest	7,387	5,196	5,594	18,177
	440,974	**170,255**	**47,936**	**659,165**
Derivative financial instruments				
Derivative financial instruments held to hedge future cash flows	828	7,590	0	8,418
	441,802	**177,845**	**47,936**	**667,583**

Notes

37. Financial risks and financial instruments (continued)

				PARENT
DKK'000	**Within 1 years**	**Between 1 and 5 years**	**After 5 years**	**Total**
2017				
Non-derivative financial liabilities				
Bank debt	59,979	82,258	0	142,237
Financial institutions	19,091	76,487	41,344	136,922
Other non-current liabilities	27,281	62,974	0	90,255
Trade payables	753	0	0	753
Interest	5,061	12,321	4,015	21,397
	112,165	**234,040**	**45,359**	**391,564**
2016				
Non-derivative financial liabilities				
Bank debt	116,263	73,806	0	190,069
Financial institutions	3,617	14,717	22,449	40,783
Other non-current liabilities	1,938	28,990	0	30,928
Trade payables	615	0	0	615
Interest	4,339	4,050	3,452	11,841
	126,772	**121,563**	**25,901**	**274,236**
Derivative financial instruments				
Derivative financial instruments held to hedge future cash flows	3,327	83	0	3,410
	130,099	**121,648**	**25,901**	**277,646**

Derivative financial instruments are measured in accordance with a valuation method according to which all material data are based on observable market data, i.e. level 2. Apart from this, the Group has no assets and liabilities measured at fair value.

38. Sale of financial assets

As in previous years, the Group sold selected trade receivables as part of its credit and risk management. The Group's continued involvement is limited to administration of sold receivables and a limited guarantee regarding the risk of delayed payment. Thus, the Group has only maintained an insignificant risk exposure. The sale has not affected the income statement.

39. Segment information for the Group

Geographical segments

As Coatings accounts for less than 10% of the total business, and the activities are managed as part of the total business, it is no longer an independent segment. The Group therefore only has one segment, and business segments are consequently no longer reported.

The Group's activities are primarily located in Denmark, rest of Europe, the Americas, Asia, Australia and Africa. The following table shows the Group's sale of goods by geographical market.

DKK'000	2017	2016
Denmark	718,621	745,227
Rest of Europe	725,247	497,817
Americas	209,843	144,389
Asia (incl. the Middle East)	198,228	121,744
Australia	12,846	7,366
Africa	19,359	2,501
	1,884,144	**1,519,044**
Sale of goods	1,846,964	1,478,344
The selling price of the year's production output relating to construction contracts	37,180	40,700
	1,884,144	**1,519,044**

The below table specifies the carrying amounts and the year's additions of non-current property, plant and equipment and intangible assets by geographical market on the basis of the physical location of the assets.

	Non-current assets		**Additions of intangible assets and property, plant and equipment**	
DKK'000	**2017**	**2016**	**2017**	**2016**
Denmark	594,257	453,876	94,133	47,937
Norway	73	73	49	0
Sweden	23,834	24,756	3,576	2,075
Latvia	5,792	5,010	1,383	29
Slovakia	14,672	12,029	4,895	8,675
The Netherlands	19,662	29,030	1,916	2,509
Poland	170,788	110,550	73,307	46,492
North America	30,203	18,451	1,828	279
China	13,200	13,377	3,353	1,547
Brazil	1,496	1,984	148	0
	873,977	**669,136**	**184,588**	**109,543**

Notes

40. Shareholder information

In mid-March, 2018, SP Group A/S registered the following shareholders as holding more than 5% of the voting share capital or of the nominal value of the share capital:
Schur Finance A/S, Horsens (20.5%)
Frank Gad (including related parties), Frederiksberg (16.0%)
ATP, Hillerød (6,2%)

41. Acquisition of subsidiary in 2017

Effective from 6 January 2017, the Group acquired all the shares in the Danish company **LM Skumplast A/S**, which is a manufacturer of plastics.

The fair value of assets and liabilities at the date of acquisition has been distributed as follows (DKK'000):

Property, plant and equipment	2,093
Customer files	2,000
Inventories	990
Trade receivables	775
Cash	1,619
Deferred tax	-862
Trade payables	-867
Income taxes payable	-45
Other payables	-2,151
Net assets acquired	**3,552**
Goodwill	2,648
Total consideration	**6,200**
Cash consideration	4,340
Debt instrument	1,860
Total consideration	**6,200**

EBITDA totalled approx. DKK 0.5 million in the acquired entities in the most recent financial year.

The consideration amounts to DKK 6,200 thousand, of which DKK 4,340 thousand has been paid in cash. Debt instruments of DKK 1,860 thousand falling due in 2018 have been issued.

The debt instruments issued of DKK 1,860 thousand have been recognised at fair value at the acquisition dates.

Costs of purchase amounted to DKK 0.1 million and were expensed in 2017.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on acquisitions is calculated at DKK 2,648 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is not amortisable for tax purposes.

41. Acquisition of subsidiary in 2017 (continued)

Effective from 21 March 2017, the Group acquired all the shares in the Danish company **MM Composite A/S**, which is a manufacturer of composite products.

The fair value of assets and liabilities at the date of acquisition has been distributed as follows (DKK'000):

Property, plant and equipment	33,036
Customer files	25,000
Investments	2,690
Inventories	22,740
Volume of orders	1,700
Trade receivables	21,516
Cash	4,471
Deferred tax	-8,102
Lease liabilities	-4,239
Bank debt	-3,214
Trade payables	-21,486
Deferred income	-1,700
Income taxes payable	-3,111
Other payables	-5,985
Net assets acquired	**63,316**
Goodwill	40,367
Total consideration	**103,683**

Cash consideration	43,000
Debt instruments	26,759
Contingent consideration	33,924
Total consideration	**103,683**

EBITDA totalled approx. DKK 13.5 million in the acquired entities in the most recent financial year.

The consideration amounts to DKK 103,683 thousand, of which DKK 43,000 thousand has been paid in cash. Debt instruments of DKK 26,759 thousand falling due in the period 2017-2020 have been issued. In addition, there is a conditional cash consideration of DKK 33,924 thousand.

The debt instruments issued of DKK 26,759 thousand have been recognised at fair value at the acquisition dates. The undiscounted amount is DKK 28,000 thousand.

The contingent consideration of DKK 33,924 thousand has been recognised at fair value at the date of acquisition and at the maximum amount which may become payable, as it is expected that the criteria for future earnings will be met. The undiscounted amount is DKK 35,000 thousand.

Costs of purchase amounted to DKK 0.9 million and were expensed in 2017.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on acquisitions is calculated at DKK 40,367 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is not amortisable for tax purposes.

Notes

42. Acquisition of activities and subsidiaries in 2016

Effective from 14 July 2016, the Group acquired all the shares in the Danish company **MedicoPack A/S**, which is a manufacturer of blow-moulded plastics.

Revenue from the acquired activity is included in revenue for 2016 by approx. DKK 47 million, and by a profit before tax of approx. DKK 5 million.

Total revenue for 2016 from the acquired company amounted to approx. DKK 100 million, and a profit before tax of approx. DKK 3 million.

The fair value of assets and liabilities at the acquisition dates has been distributed as follows (DKK'000):

Property, plant and equipment	14,472
Inventories	15,435
Trade receivables	17,432
Other receivables	895
Deferred tax asset	2,954
Cash	16,717
Trade payables	-8,162
Payables to seller	-18,000
Other payables	-10,670
Net assets acquired	**31,073**
Goodwill	0
Total consideration	**31,073**
Cash consideration	17,000
Debt instruments	14,073
Total consideration	**31,073**

The consideration amounts to DKK 31,073 thousand, of which DKK 17 million has been paid in cash plus liquid funds and bank debt taken over of DKK 16,717 thousand. Debt instruments totalling DKK 14,073 thousand have been issued. The consideration is fixed.

Total debt instruments issued of DKK 14,073 thousand have been recognised at fair value at the acquisition date. The undiscounted amount is DKK 14.8 million. The debt instruments will be settled in 2018 and 2019.

Costs of purchase amounted to DKK 1.0 million and were expensed in 2016.

Acquired assets include trade receivables at a fair value of DKK 17,432 thousand, corresponding to the contractual gross receivable at the acquisition date, which was received after a short credit period.

42. Acquisition of activities and subsidiaries in 2016 (continued)

Effective from 15 October 2016, the Group acquired the plastics activities in the Danish company **Aasum Plast & Metal A/S**.
Revenue from the acquired activity is included in revenue for 2016 by approx. DKK 2 million, and by a profit before tax of approx. DKK 0 million.

Total revenue for 2016 from the acquired activity amounted to approx. DKK 9 million, and a profit before tax of approx. DKK 0 million.

The fair value of assets and liabilities at the acquisition dates has been distributed as follows (DKK'000):

Property, plant and equipment	1,600
Customer files	300
Inventories	600
Net assets acquired	2,500
Goodwill	1,000
Total consideration	**3,500**

The consideration totals DKK 3.5 million.

Costs of purchase amounted to DKK 0.1 million and were expensed in 2016.

Notes

42. Acquisition of activities and subsidiaries in 2016 (continued)

Effective from 21 November 2016, the Group acquired all the shares in the Norwegian company **Plexx AS**, which is a manufacturer of vacuum-formed plastics.

Revenue from the acquired activity is included in revenue for 2016 by approx. DKK 7 million, and by a profit before tax of approx. DKK 1 million.

Total revenue for 2016 from the acquired company amounted to approx. DKK 70 million, and a profit before tax of approx. DKK 2 million.

The fair value of assets and liabilities at the acquisition dates has been distributed as follows (DKK'000):

Property, plant and equipment	19,866
Customer files	1,650
Inventories	11,442
Trade receivables	15,624
Other receivables	3,053
Cash	3,111
Deferred tax	-856
Lease liabilities	-4,469
Bank debt	-4,069
Trade payables	-13,852
Income taxes payable	-265
Other payables	-8,767
Net assets acquired	**22,468**
Goodwill	1,867
Total consideration	**24,335**
Cash consideration	19,450
Debt instruments	4,885
Total consideration	**24,335**

The consideration amounts to DKK 24,335 thousand, of which DKK 19,450 thousand has been paid in cash less cash and cash equivalents acquired and bank debt assumed of DKK 958 thousand. Debt instruments totalling DKK 4,885 thousand have been issued. The consideration is fixed.

Total debt instruments issued of DKK 4,885 thousand have been recognised at fair value at the acquisition date. The undiscounted amount is DKK 5,010 thousand and falls due in 2017.

Costs of purchase amounted to DKK 0.7 million and were expensed in 2016.

Acquired assets include trade receivables at a fair value of DKK 15,624 thousand, corresponding to the contractual gross receivable at the acquisition date, which was received after a short credit period.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on the acquisition is calculated at DKK 1,867 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is not amortisable for tax purposes.

43. Events after the balance sheet date

No significant events have occurred after the balance sheet date until the publication of this annual report that have not already been incorporated or disclosed in this annual report or that change the assessment of the Group's or the Parent Company's financial position.

44. Group chart at 31 December 2017

			Nominal share capital ('000)	Ownership interest
SP Group A/S	**Denmark**	**DKK**	**22,780**	
SP Moulding	Denmark	DKK	50,000	100%
SP Medical Sp. z o.o.	Poland	PLN	1,000	100%
SP Moulding Poland Sp. z o.o.	Poland	PLN	1,100	100%
Sander Tech ApS	Denmark	DKK	80	100%
SP International A/S	Denmark	DKK	5,600	100%
SP Moulding (Suzhou) Co., Ltd.	China	USD	4,080	100%
Ulstrup Plast A/S	Denmark	DKK	1,590	100%
Ulstrup Plast s.r.o.	Slovakia	EUR	7	100%
MedicoPack A/S	Danmark	DKK	20,000	100%
Gibo Plast	Denmark	DKK	30,000	100%
Gibo Sp. z o.o.	Poland	PLN	3,005	100%
Gibo Inc.	USA	USD	0	100%
Plexx AS	Norway	NOK	3,541	100%
Opido AB	Sweden	SEK	100	100%
PlexxOpido Sp. z o.o.	Poland	PLN	200	100%
Accoat A/S	Denmark	DKK	10,000	100%
Accoat do Brasil	Brazil	BRL	392	100%
Ergomat A/S	Denmark	DKK	10,000	100%
Ergomat Sp. z o.o.	Poland	PLN	2,005	100%
Ergomat-Nederland B.V.	The Netherlands	EUR	75	100%
Ergomat Sweden AB	Sweden	SEK	100	60%
Ergomat Inc.	The US	USD	360	100%
Ergomat Canada Inc.	Canada	CAD	0	100%
Tinby A/S	Denmark	DKK	10,000	100%
Tinby Denmark A/S	Denmark	DKK	500	100%
Tinby Skumplast A/S	Denmark	DKK	500	100%
Tinby Sp. z o.o.	Poland	PLN	50	100%
Tinby Co., Ltd.	China	USD	210	100%
Tinby Inc.	The US	USD	100	100%
TPI Polytechniek B.V.	The Netherlands	EUR	113	100%
Bröderna Bourghardt AB	Sweden	SEK	100	100%
Baltic Rim, SIA	Latvia	EUR	3	100%
MM Composite A/S	Denmark	DKK	500	100%
MM Composite Inc.	The US	USD	0	100%
Mt. Pl. Building II L.L.C.	The US	USD	0	33 1/3%
SP Extrusion A/S	Denmark	DKK	6,000	100%
SP Moulding Denmark A/S	Denmark	DKK	500	100%
SP Technology ApS	Denmark	DKK	200	100%
SPG Ejendomme 1 ApS	Denmark	DKK	81	100%
SPG Ejendomme 2 ApS	Denmark	DKK	125	100%
SP R&D A/S	Denmark	DKK	1,000	100%

In 2017, all of the shares in LM Skumplast A/S were acquired. The company subsequently changed its name to Tinby Skumplast A/S.
In 2017, all of the shares in MM Composite A/S were acquired.
In 2017, all of the shares in LNS 1 ApS were acquired. The company subsequently changed its name to SPG Ejendomme 1 ApS.
In 2017, all of the shares in Brofrihed ApS were acquired. The company subsequently changed its name to SPG Ejendomme 2 ApS.
In 2017, TPI Polytechniek ApS was transferred to SP Group A/S, and the company was converted into a public limited company
In 2017, the company SP R&D A/S was founded
In 2017, the company Gibo Inc. was founded
In 2017, the company PlexxOpido Sp. z o.o. was founded
In 2018, the company Accoat Sp. z o.o. was founded

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